

EXTRADE[®]

Sandler O' Neill + Partners, L.P

Global Exchange and Electronic Trading Conference

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Chairman and CEO

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2007 – A Study in Contrast



3 Areas of Focus to Unlock Shareholder Value



Retail Franchise: Grow



Bank Balance Sheet: Repair



Profitability: Restore

Return to Growth: Results Since November

Executed on reducing Balance Sheet risk

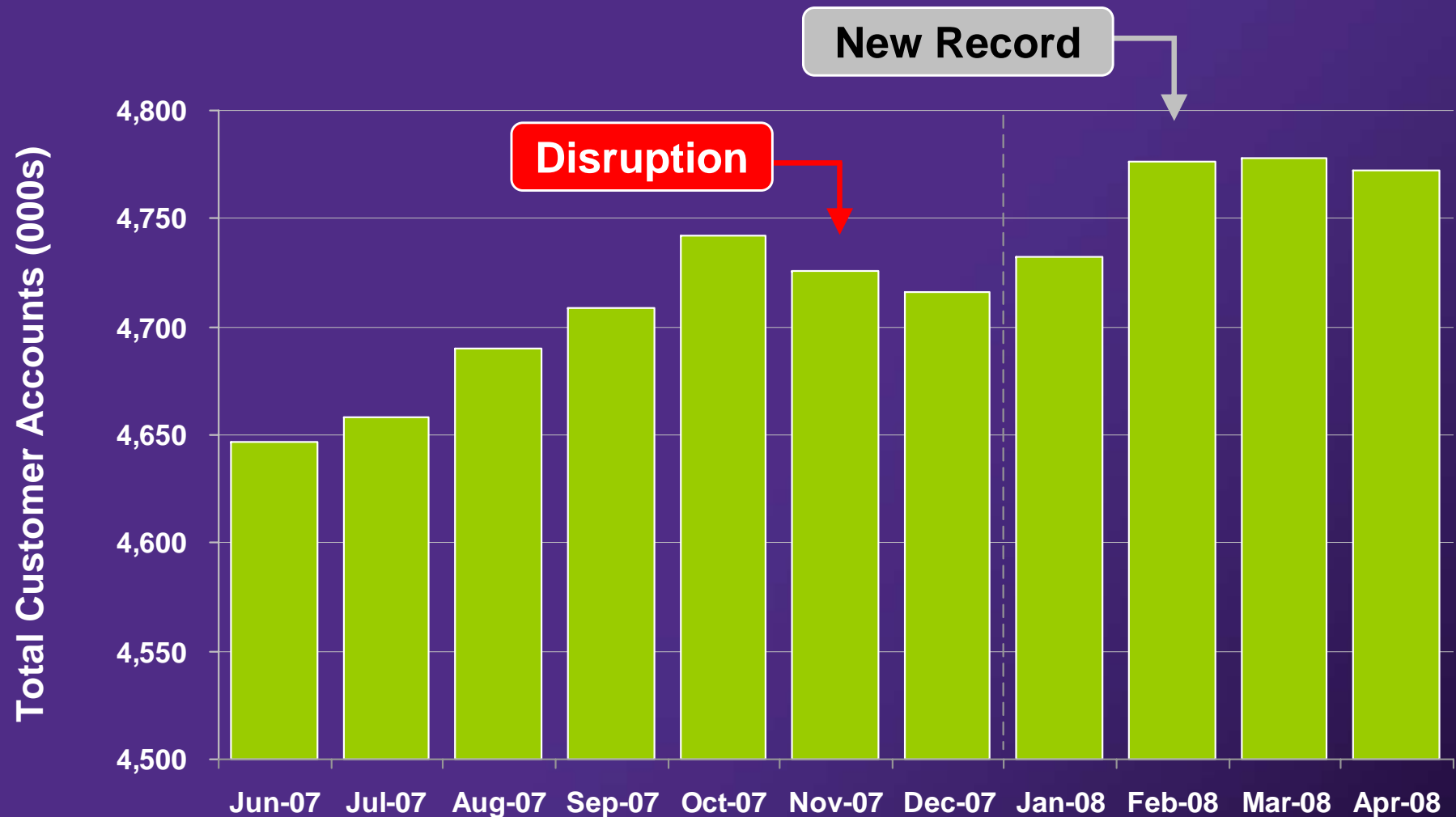
Continued marketing investment (e.g. Super Bowl “Baby” commercials)

Expanded product offerings and capabilities (e.g. retirement planner, enhanced fixed income platform)

Re-dedication to Retail franchise with sharpened focus on Mass Affluent and Active Trader opportunities

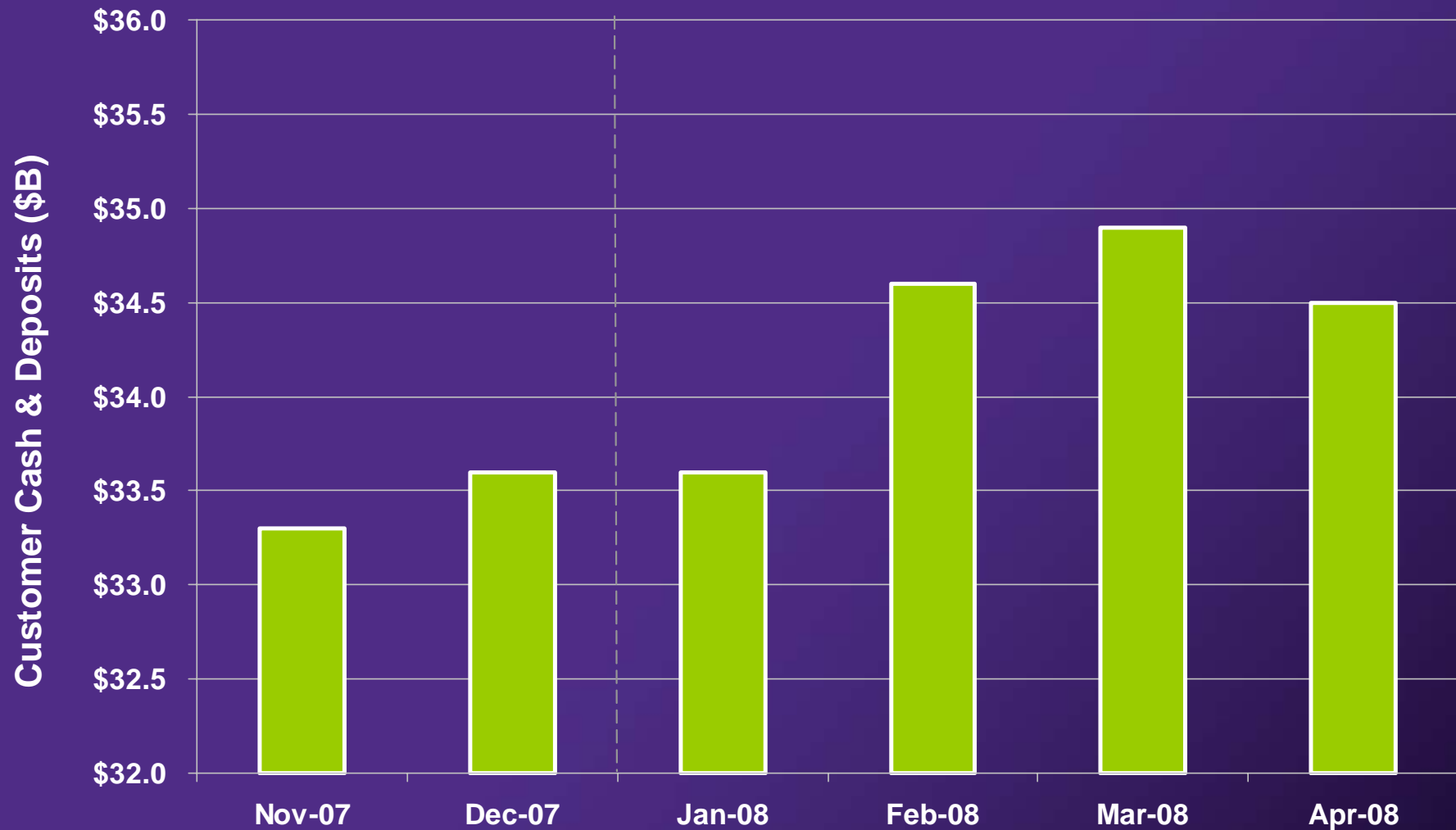
Retail Business is Strong – Actions Leading to Growth

Return to Growth: Total Retail Customer Accounts

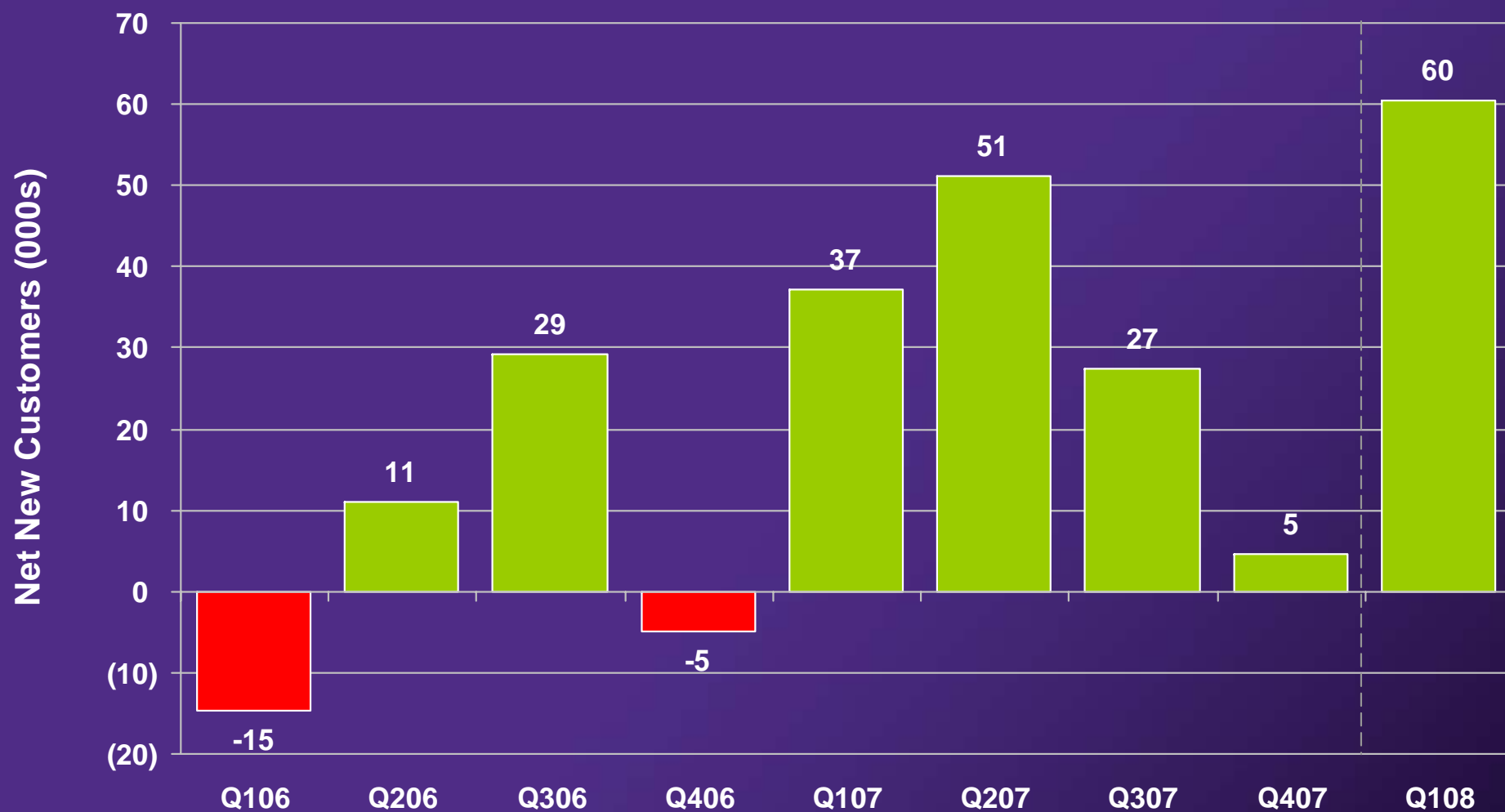


* April includes the elimination of approx. 23,000 accounts related to the sale of RAA and the elimination of relationships with two Corporate Services clients.

Return to Growth: Customer Cash & Deposits



Return to Growth: Net New Customers



Return to Growth: Highly Profitable Retail Franchise

(\$MM)	FY2007	Q108
Total Net Revenue	<u>\$1,825</u>	<u>\$411</u>
Compensation and Benefits	316	89
Non-compensation Expenses	720	197
Total Expenses Excluding Interest	<u>1,036</u>	<u>286</u>
Segment Income (Pre-Tax)	<u><u>789</u></u>	<u><u>125</u></u>
Operating Margin	43%	31%

Return to Growth: Third Party Recognition



3 Areas of Focus to Unlock Shareholder Value



Retail Franchise: Grow



Bank Balance Sheet: Repair



Profitability: Restore

Repair Bank Balance Sheet: Results Since November

Increased loan loss allowance while absorbing charge-offs

Reduced balance sheet size by \$7 billion

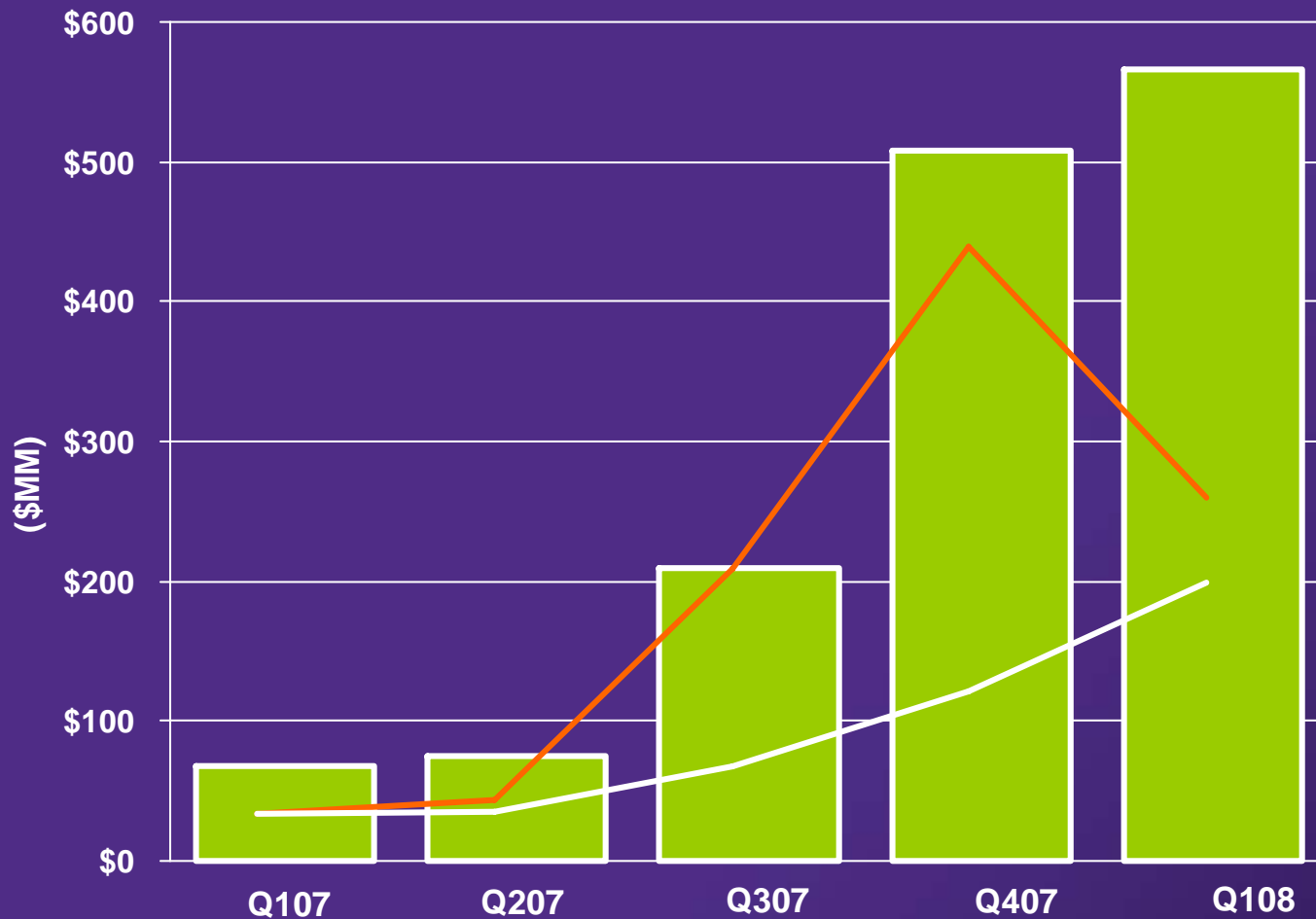
Increased excess risk-based capital to over \$700 million from approx. \$400 million

Created special credit team to aggressively manage troubled assets

Actions taken to reduce undrawn home equity line exposure

Bank Profits AND Strong Capital Carry Losses

Repair Bank Balance Sheet: Provision and Allowance for Loan Losses

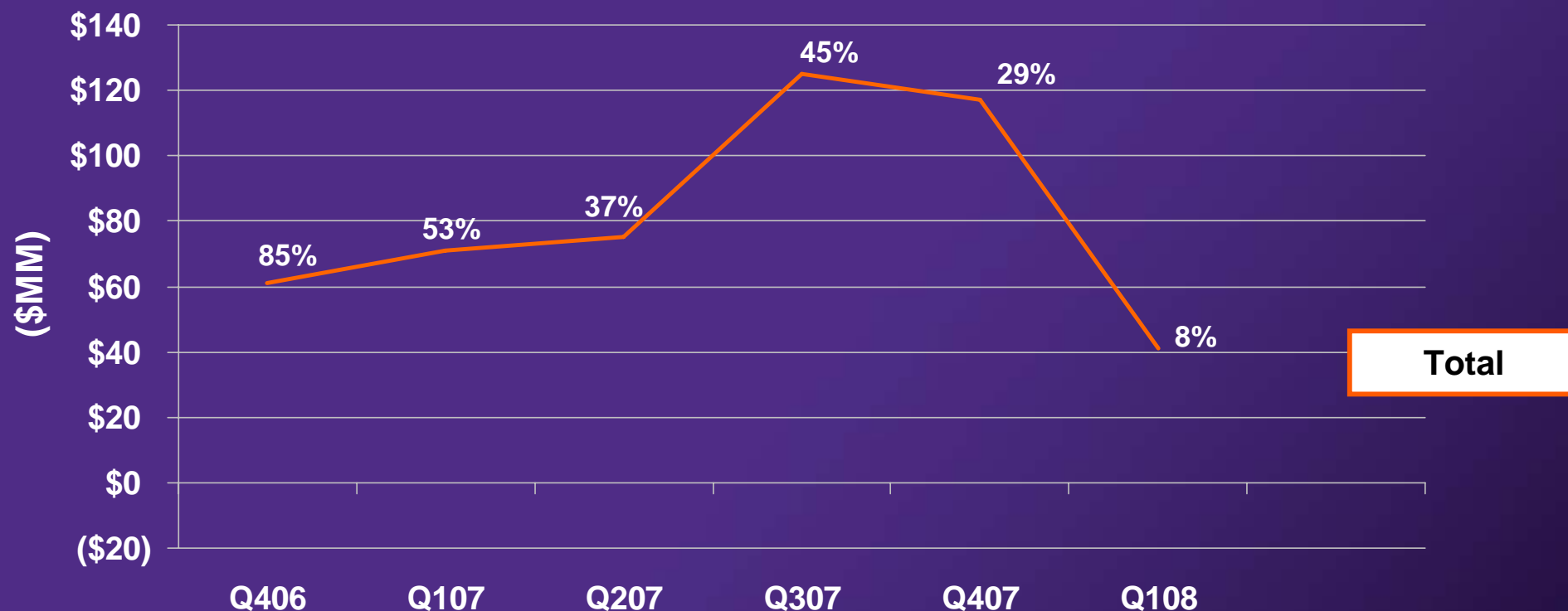


Over Past 5 Qtrs.
 Provision for Loan Losses **2.7X**
 actual net charge-offs

■ Allowance for Loan Losses
— Provision for Loan Losses
— Net Charge-offs

Repair Bank Balance Sheet: Home Equity Performance

\$ Change in Delinquencies

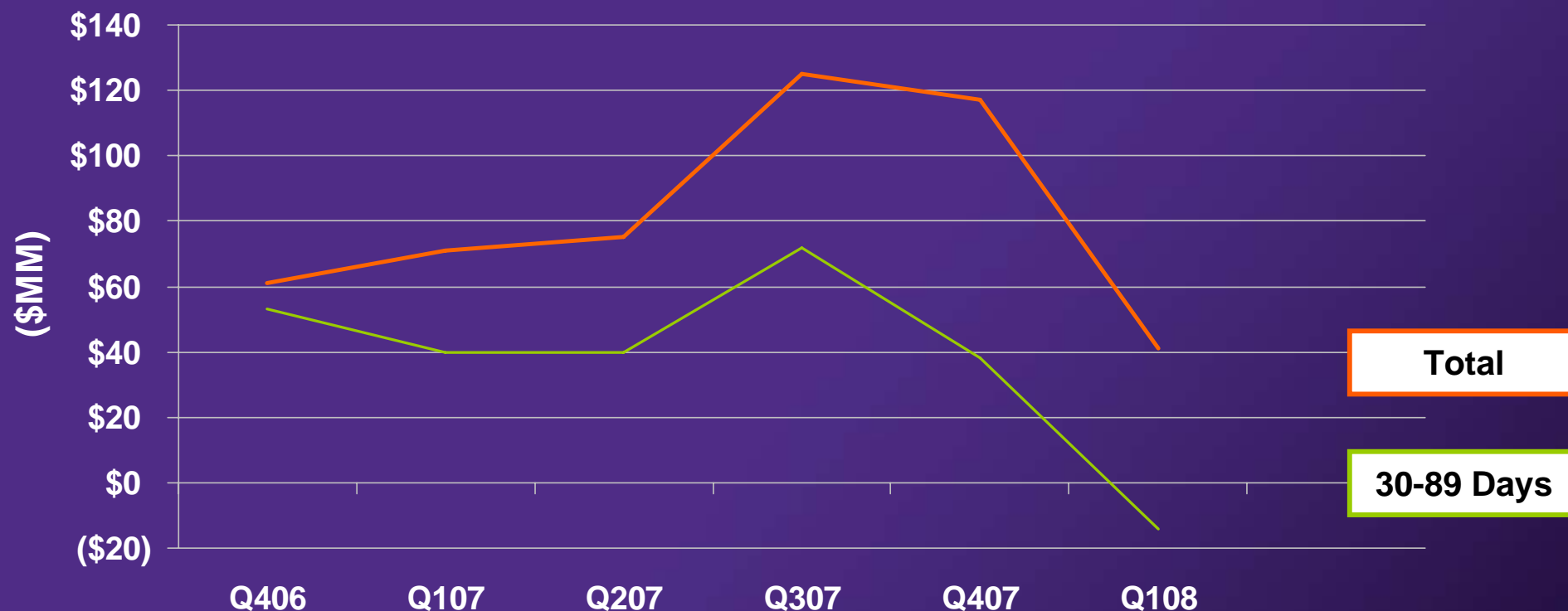


Q108 Key Takeaways:

- Early stage delinquencies (30-89 days) declined on an absolute basis
- Total delinquency increased at a significantly slower rate than prior quarters

Repair Bank Balance Sheet: Home Equity Performance

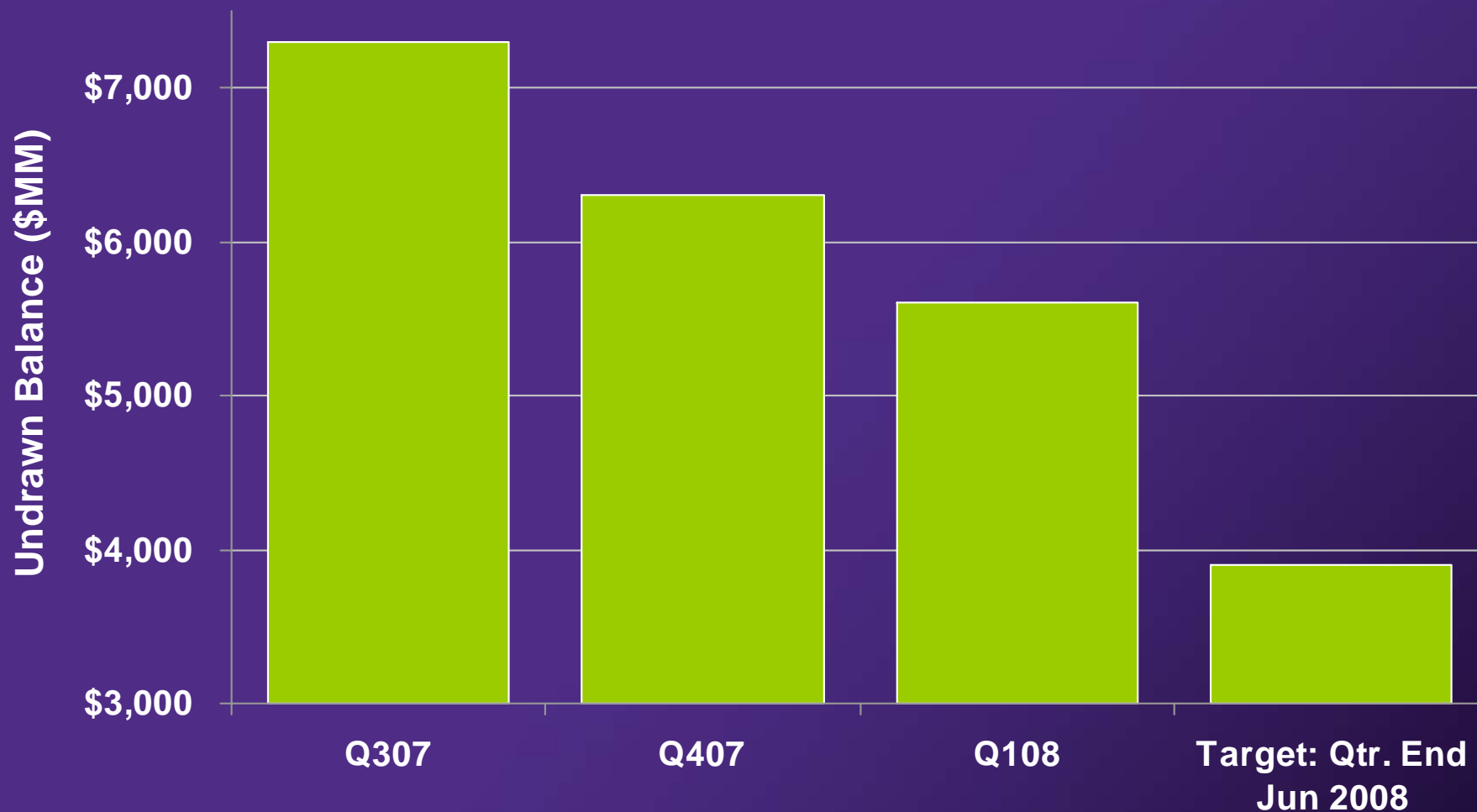
\$ Change in Delinquencies



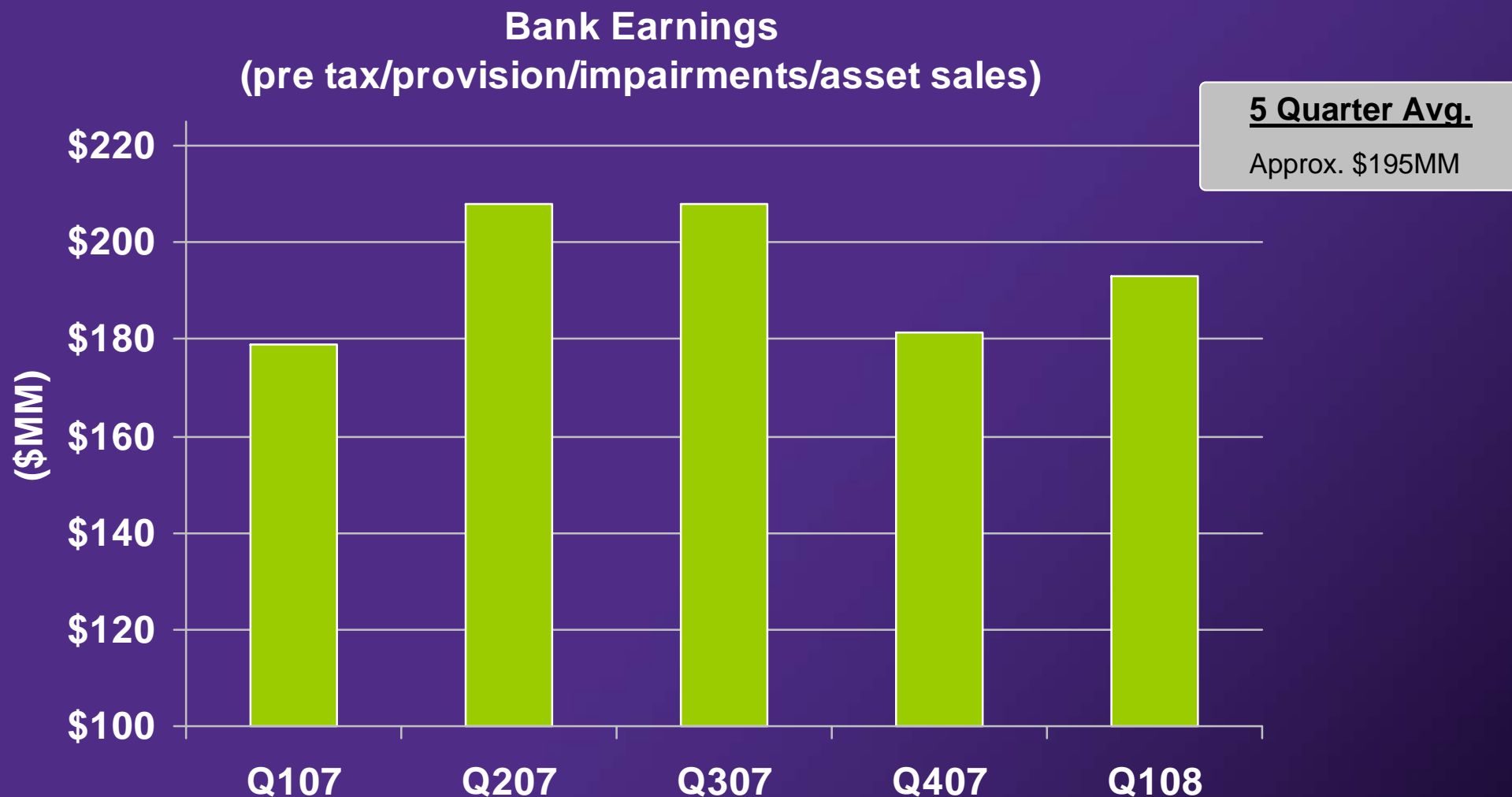
Q108 Key Takeaways:

- Early stage delinquencies (30-89 days) declined on an absolute basis
- Total delinquency increased at a significantly slower rate than prior quarters

Repair Bank Balance Sheet: Undrawn Home Equity Lines



Repair Bank Balance Sheet: Bank Earnings Creates Capacity to Absorb Credit Losses



Source: Company reports, OTS Thrift Financial Report for ETRADE BANK

3 Areas of Focus to Unlock Shareholder Value



Retail Franchise: Grow



Bank Balance Sheet: Repair



Profitability: Restore

Restore Profitability: Results Since November



Quick actions taken to reduce overhead and non-core expenses

Eliminated underperforming business to streamline operations (i.e. mortgage, institutional brokerage)

Reduced debt by over \$100 million

Completed/announced approx. \$250 million in proceeds from non-core asset sales

Return to Quarterly Profitability by Year End

Restore Profitability: Reduce Costs and Invest for Growth

Cut run-rate expenses by \$410MM

- Eliminate \$164M in expenses through closure of Institutional Brokerage Business
- Exclude \$101M in Goodwill Impairment expense
- Reduce \$145M in overhead and non-core operating expenses (includes \$50M of compensation expense cuts to buffer potential cyclical downturn)

Reinvest \$50MM to \$60MM of savings for growth

- Marketing and advertising
- Product development and implementation

Restore Profitability: Reduce Parent Company Debt

2008 target debt reduction of at least \$700 million

- **\$66 million in debt-for-equity swaps completed**
- **\$450 million mandatory convertible bond in November**

**Plan reduces run-rate interest expense
by at least \$50 million**

3 Areas of Focus to Unlock Shareholder Value



Retail Franchise: Grow

- Proven and loyal customer franchise
- Positive cash inflows and new customer growth



Bank Balance Sheet: Repair

- Managing and reducing risk
- Earnings capacity AND capital to absorb losses



Profitability: Restore

- Increased operating efficiency and focus
- Reduced corporate debt expense

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