

E*TRADE Financial Q118 Investor Presentation

APRIL 2018



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Notice to investors

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This presentation contains certain forward-looking statements regarding E*TRADE Financial's (the "Company") proposed transaction with Capital One Financial Corporation, and its benefits and timing, the Company's capital plan and intention to seek future quarterly dividends from the bank and broker subsidiaries to the parent, the Company's balance sheet plans and expected costs, the Company's repurchases of outstanding shares, the continuation of current trends, future events, and the future performance of the Company and its ability to create value for its shareholders. E*TRADE claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements. Various factors, including risks and uncertainties referred to in the 10-K, 10-Q, and other reports the Company periodically files with the Securities and Exchange Commission (SEC) and that are available for free by visiting EDGAR on the SEC website at www.sec.gov, could cause the Company's actual results to differ materially from those indicated by management's projections or other forward-looking statements.

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In addition to financial results prepared in accordance with Generally Accepted Accounting Principles, or GAAP, this presentation will also contain certain non-GAAP financial measures. Management uses these non-GAAP measures to evaluate the Company's performance and in planning for future periods. Management believes that adjusting GAAP measures by excluding or including certain items is helpful to investors and analysts who may wish to use some or all of this information to analyze the Company's current performance, prospects, and valuation. It is important to note these non-GAAP measures involve judgment by management and should be considered in addition to, not as a substitute for, the most directly comparable measures calculated and prepared in accordance with GAAP. Investors and potential investors are encouraged to review the reconciliation of non-GAAP financial measures with their most direct comparable GAAP financial measures included as an appendix to this presentation.

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THIS PRESENTATION PRESENTS DATA AS OF MARCH 31, 2018, UNLESS OTHERWISE INDICATED.

Company overview

E*TRADE is a leading financial services company and pioneer in the online brokerage industry. Having executed the first-ever online trade by an individual investor more than 30 years ago, the Company has long been at the forefront of the digital revolution, focused on delivering complete and easy-to-use solutions for traders, investors and stock plan participants. Founded on the principle of innovation, E*TRADE aims to enhance the financial independence of traders and investors through a powerful digital offering and professional guidance—over the phone at two national branches and in-person at 30 E*TRADE branches across the United States. E*TRADE operates a bank with the primary purpose of maximizing the value of deposits generated through its brokerage business.

Q1/18

▪ DARTs:	309k
▪ Customer assets:	\$393B
▪ Brokerage accounts:	3.7MM



▪ Branches:	30
▪ National branches:	2
▪ Employees:	~3,800

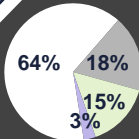
▪ Incorporated:	1982
▪ First-ever online trade:	1983
▪ Initial public offering:	1996

Financial overview

E*TRADE has steadily improved its financial profile, driving 2017 earnings to be the strongest for the Company in 10 years. E*TRADE remains well-positioned to continue creating value for shareholders through earnings growth and the deployment of excess capital.

Over the last five years, E*TRADE has significantly reduced its corporate debt burden, eliminated its high-cost legacy wholesale funding, repurchased \$1.0 billion of common stock, acquired OptionsHouse and Trust Company of America thereby adding a best in class derivatives platform and leading provider of custody services to independent RIAs to ETRADE's suite of offerings, and announced the intention to acquire roughly one million brokerage accounts from Capital One (expected to close by Q318), while significantly growing on an organic basis.

LTM

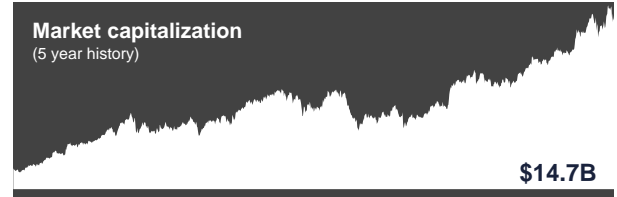


Net revenue:	\$2,521MM
▪ Net interest income:	\$1,611MM
▪ Commissions:	\$451MM
▪ Fees & service charges:	\$388MM
▪ Other non-interest income:	\$71MM

LTM

▪ Pre-tax income:	\$1,173MM
▪ Net income:	\$716MM
▪ Diluted earnings per common share:	\$2.54
▪ Balance sheet assets:	\$64B

Market capitalization
(5 year history)



Digital experiences fuel secular growth within the direct brokerage industry

Industry dynamics favor direct brokerages and should continue to fuel growth

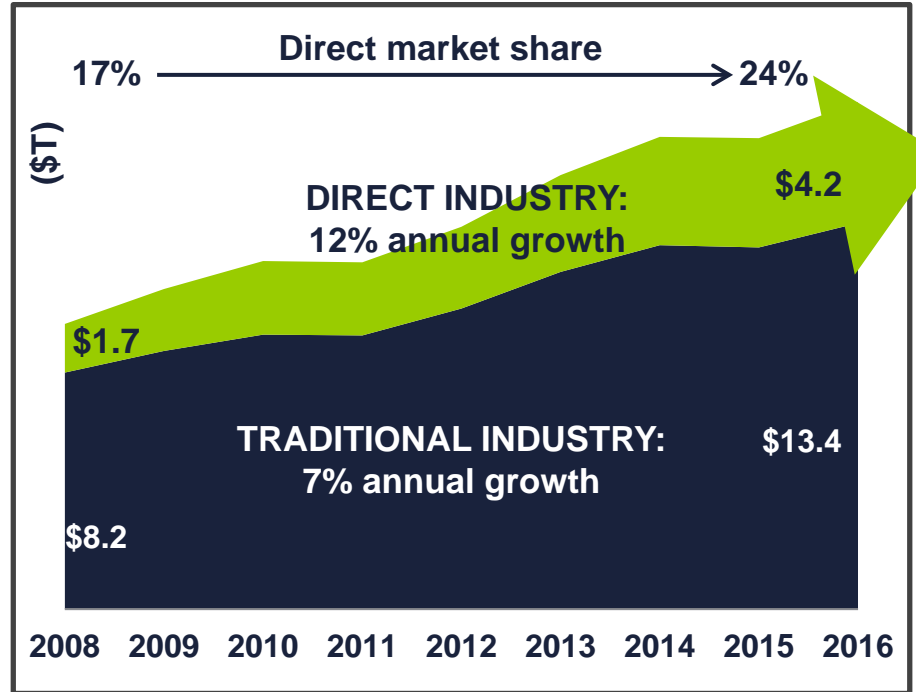
Consumers of all ages are growing more comfortable with digital channels

Customers increasingly engage with financial providers via technology—particularly mobile

Investors seek an assisted digital approach defined by cutting-edge technology and human guidance

Direct brokerages are outpacing wirehouses in digital innovation

The direct space now represents more than 20% of the total brokerage industry⁽¹⁾



A history of innovation in digital experiences

1982

E*TRADE GROUP incorporated in Palo Alto, CA

1983

E*TRADE founder Bill Porter processes the first online trade

1986

Developed groundbreaking quick ticket system to enable customers to obtain quotes in 15 seconds

1989

McGraw Hill begins offering its news services online through E*TRADE (then called TradePlus)

1992

Launches the first IVR service, allowing customers to automatically place trades over the phone

1993

First E*TRADE branch opens in Long Island, with two trading terminals

1996

E*TRADE IPO

1997

Launches pioneering online mutual fund center

1998

First financial services site to earn CPA WebTrust Seal of Assurance

2000

Launches first portal solution for mobile devices

2002

Professional-grade active trading software E*TRADE Pro launched

2003

Launches real-time transfers between bank and brokerage accounts

2005

Two-factor authentication offered—one of the first of its kind for retail investors

2008

Launches first ever mobile app for the digital brokerage industry, via Blackberry

2009

- First iPhone® app launched
- Online Advisor launched
- Equity Edge Online® launched

2010

- First to launch iPad® & Android apps
- CNBC live streaming offered on Pro

2012

- First to launch Windows Phone app
- First to offer mobile check deposit and voice recognition on iPhone

2014

- iOS8 app launch with biometric logon
- First-ever browser-based trading app

2015

First AppleWatch® app with account detail

2016

Acquires OptionsHouse and its #1 rated options platform⁽²⁾

2017

Launched Power E*TRADE—combining advanced tools, discounted pricing, and dedicated service for experienced traders

Key business objectives

ACCELERATE GROWTH OF CORE BROKERAGE BUSINESS

+ Enhance overall customer experience

- Deliver cutting-edge trading solutions
- Improve market position in investing products
- Drive customer acquisition and deepen engagement

+ Capitalize on value of corporate services channel

- Leverage industry-leading position to improve client acquisition
- Foster strategically important drivers of brokerage account and asset growth

= Drive organic growth and improve competitive position

GENERATE ROBUST EARNINGS GROWTH AND HEALTHY RETURNS ON CAPITAL

+ Utilize balance sheet to enhance returns

- Maximize value of customer deposits

+ Put capital to work for shareholders

- Unlock meaningful capital by bolstering risk and regulatory position
- Generate and deploy excess capital

= Deliver long-term value for stakeholders

ACCELERATE GROWTH OF CORE BROKERAGE BUSINESS

Enhance overall customer experience

E*TRADE's award-winning platforms⁽²⁾ lead with a first-class digital experience ...



Web

Our leading-edge site for customers and our primary channel to interact with prospects



Mobile

Top-rated applications for all popular smartphones and tablets

Includes seamless experiences like the Apple Watch® app



Active trading platforms

Powerful trading solutions

Sophisticated trading tools, advanced portfolio and market tracking, with idea generation and analysis

... complemented by professional advice and support



Customer Service

24/7 availability via phone, email, or chat

White glove service for highest-tiered customers



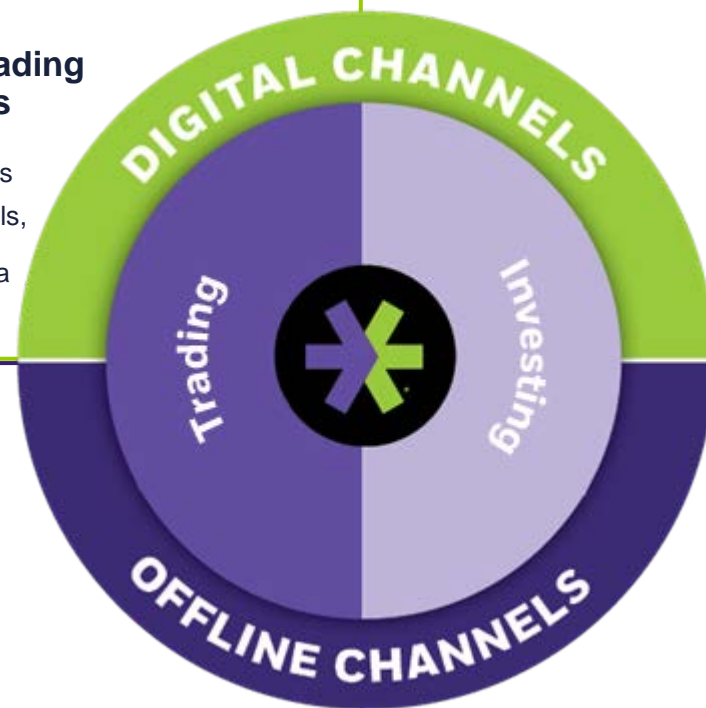
Financial Consultants

More than 300 FCs available by phone or at branches to provide one-on-one investing advice



Branches

30 locations throughout the United States plus two national branches



Deliver cutting-edge trading solutions



THE BEST AT THE TRADING BASICS

- Pioneer in online brokerage, providing an industry-leading experience
- A full range of investment vehicles across digital platforms
- Seamless trading experiences across mobile, online and professional platform
- Educational resources to build understanding in self-directed investing
- Fully integrated cash management solutions to easily fund trading ideas and strategies



TOOLS AND SOLUTIONS FOR ALL INVESTORS

- **Competitive pricing at \$6.95 per trade**
- **For active traders with 30+ trades per quarter: \$4.95 per trade**
- Easy-to-use trading tools cater to investors – from the novice to the professional.
- Comprehensive screeners to help identify and act on opportunities
- Independent research and analysis provide additional perspectives
- Access to IPO and follow-on offerings through New Issue Center
 - 350+ IPOs/follow-ons since 2014



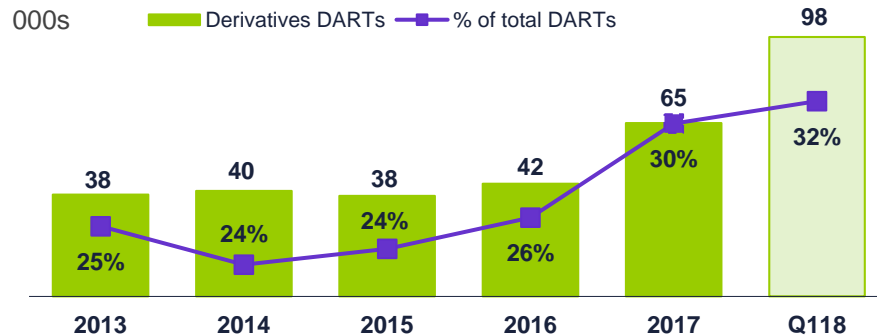
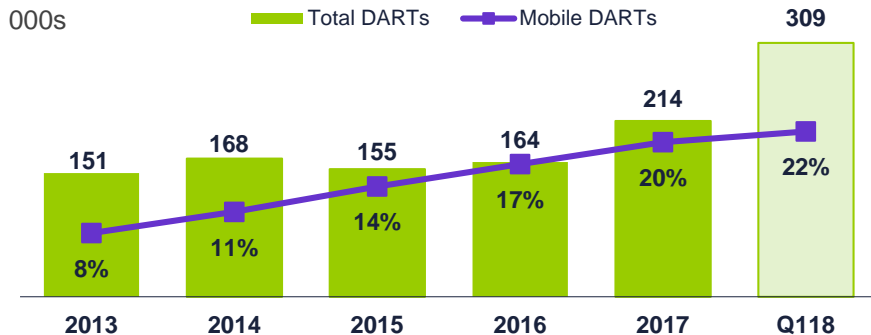
ADVANCED CAPABILITIES FOR ACTIVE TRADERS

- Professional-grade platforms tailored to active traders
- Offers the industry's #1 retail options trading platform⁽²⁾, with best-in-class tools such as Spectral Analysis and first-of-its kind technical pattern recognition
- Sophisticated margin tools help customers strategize, plan, and execute margin trades efficiently and effectively
- LiveAction tools identify outsized or unusual activity in the market
- Advanced Trading Services provides a specialized service experience for active traders

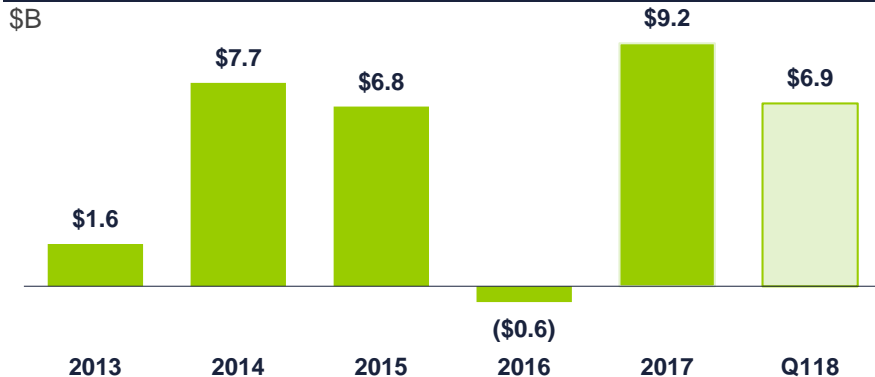
ACCELERATE GROWTH OF CORE BROKERAGE BUSINESS

Deliver cutting-edge trading solutions

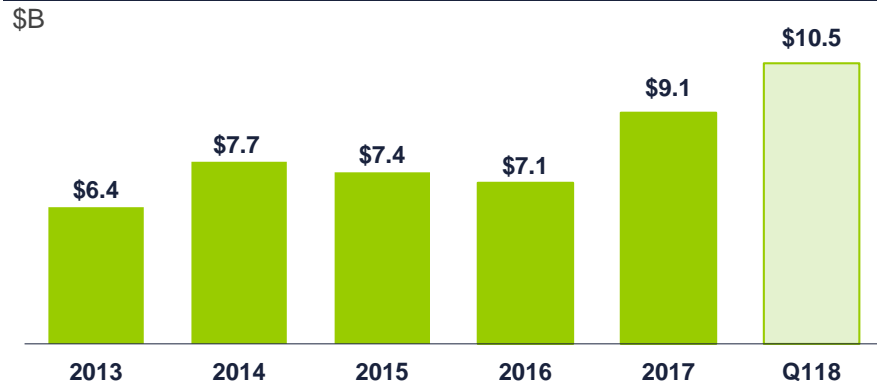
Daily average revenue trades (DARTs)



Customer net buying (selling) activity



Customer margin balances



ACCELERATE GROWTH OF CORE BROKERAGE BUSINESS

Improve market position in investing products



MORE THAN JUST A PLACE TO TRADE

- Complete range of retirement and investing services, tools, advisors, education, and support
- Life-stage planning resources to help investors plan for all phases of the retirement process
- Innovative and easy-to-understand solutions to help customers plan for and keep on track for their investing goals



EDUCATION & INSIGHTS

- Robust educational content—including live and on-demand seminars and events—provides relevant insight to customers
- Specialized tools help customers create plans and to-do lists to keep their goals on track
- Timely content helps with idea generation, trends, and actionable strategies



PROFESSIONAL GUIDANCE & SUPPORT

- More than 300 Financial Consultants available by phone or in person to provide guidance when customers want
- Complimentary portfolio reviews and personalized investment recommendations
- Chartered Retirement Planning CounselorsSM
- Rollover Specialists
- Managed portfolios

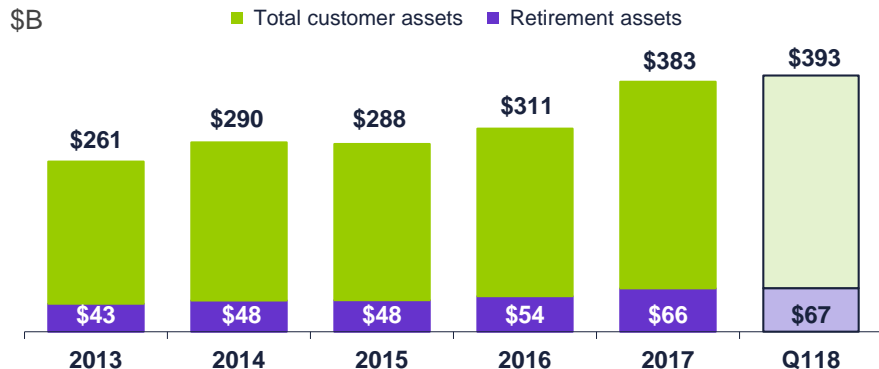
ACCELERATE GROWTH OF CORE BROKERAGE BUSINESS

Improve market position in investing products

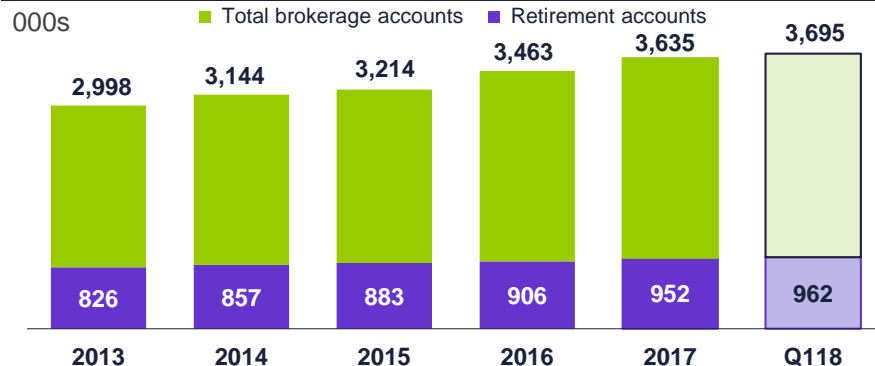
Retirement & investing

- Opportunity to increase engagement with existing customer base by expanding relationships beyond trading-based accounts and assets to retirement & investing-related assets
- Estimated 10–12% share of our customers' investable assets⁽³⁾
- 26% of brokerage accounts are retirement accounts
- 17% of customer assets are in retirement accounts

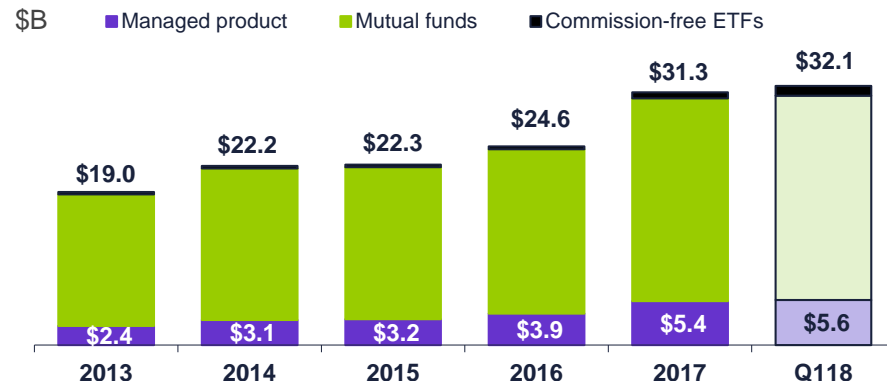
Total customer assets



Total brokerage accounts



Fee-generating assets⁽⁴⁾



ACCELERATE GROWTH OF CORE BROKERAGE BUSINESS

Improve market position in investing products

Full range of investing solutions — from the self-directed to the fully managed⁽⁵⁾

Digital

Fund Screeners

- Choose from more than 200 commission-free ETFs, ~9,000 mutual funds, and/or ~4,400 no-load, NTF mutual funds



Standard commissions and fees

All Star List

- List of leading ETF and no-load mutual funds curated by E*TRADE to make investing easier



Standard commissions and fees

Hybrid

Core Portfolios

- Automated investing with access to a dedicated team of specialists
- Diversified, online managed portfolio of ETFs
- No proprietary products



Min: \$5,000



Flat annual fee: 0.30% of assets

FC-driven

Blend Portfolios

- FC guides customers to one of seven investment profiles
- Reviews progress quarterly



Min: \$25,000



Blended annual fee: 0.90% to 0.65% of assets

Dedicated Portfolios

- Dedicated FC creates a fully customized portfolio based on customer's needs



Min: \$150,000



Blended annual fee: 1.25% to 0.95% of assets

Fixed Income Portfolios

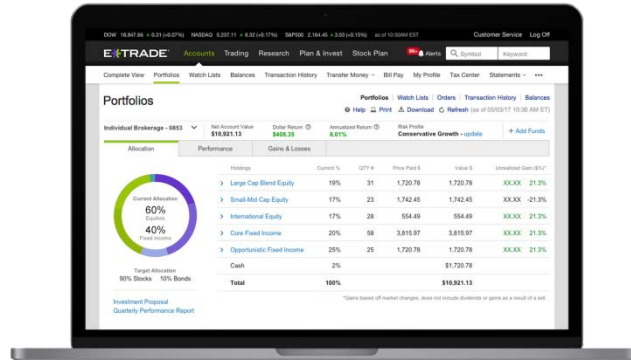
- Bond portfolio built to customer specifications by professional portfolio managers



Min: \$250,000



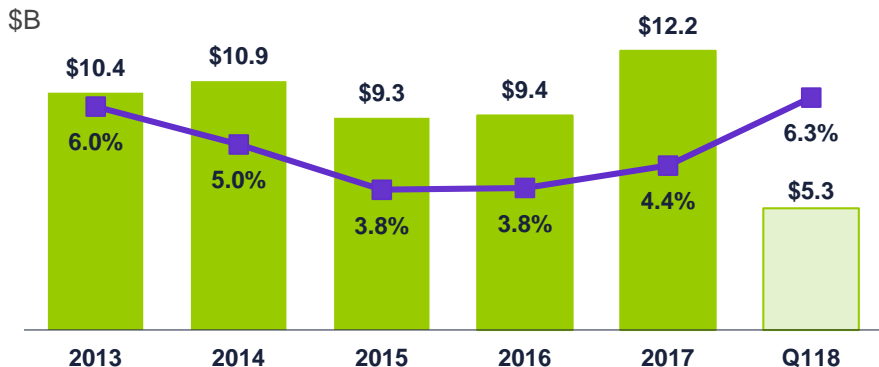
Blended annual fee: 0.75% to 0.35% of assets



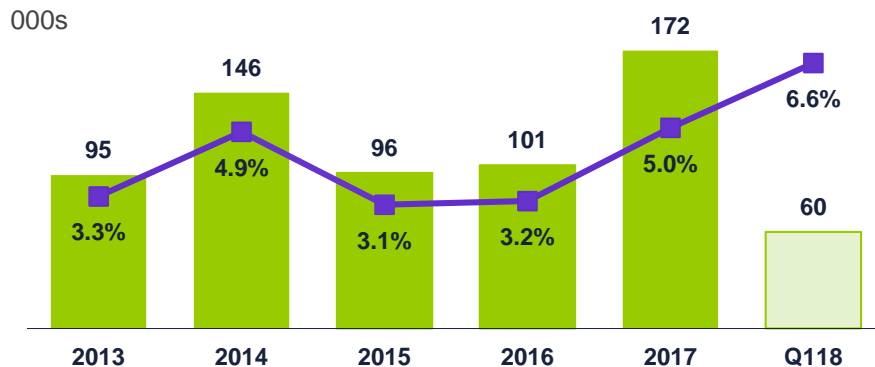
ACCELERATE GROWTH OF CORE BROKERAGE BUSINESS

Drive customer acquisition and deepen engagement

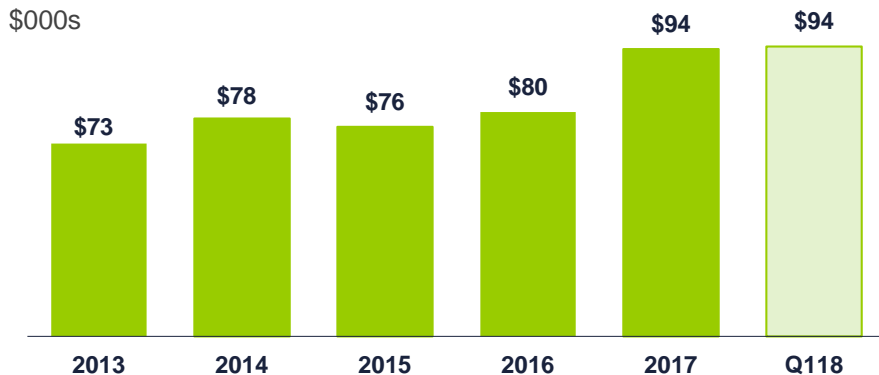
Net new brokerage assets | annual growth rate⁽⁶⁾



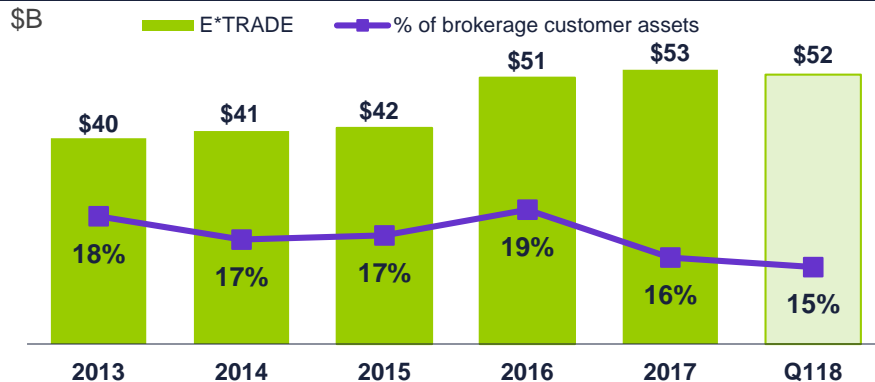
Net new brokerage accounts | annual growth rate⁽⁷⁾



Average brokerage assets per account⁽⁸⁾



Brokerage-related cash



Leverage industry-leading position to improve client acquisition



INDUSTRY LEADER

- Equity Edge Online® is the top-rated platform for reporting and administration, providing end-to-end control for plan providers
 - #1 six years in a row by Group Five in their Stock Plan Administration Study Industry Report⁽⁹⁾
- Building on market leadership with approximately 1,000 corporate clients
- Represent approximately 20% of S&P 500® companies



GLOBAL SOLUTIONS

- Multi-currency settlement and delivery
- Disbursement in 46 different currencies
- Streamlined tax calculations and country code compatibility
- Fully translated participant website in 15 languages
- Live support in four languages in addition to phone-based translation in more than 140 languages



EXECUTIVE SERVICES

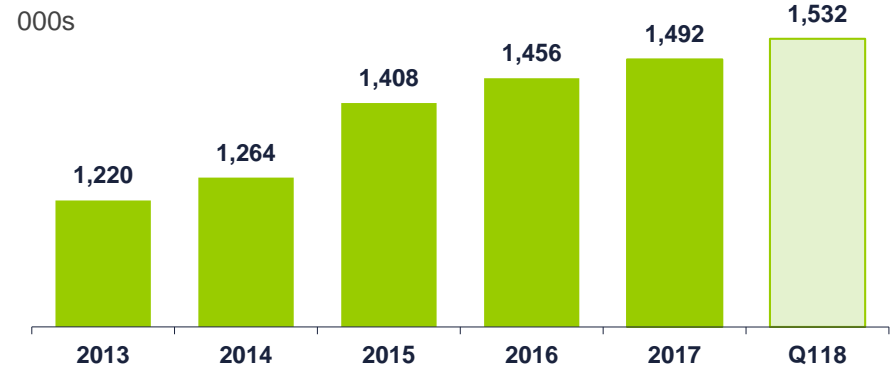
- Premium, personalized services for executives saves plan providers time and effort and ensures exemplary service to the most senior plan participants
 - Custom 10b5-1 plan design and implementation
 - Restricted stock sales support
 - SEC filing assistance

CAPITALIZE ON VALUE OF CORPORATE SERVICES CHANNEL

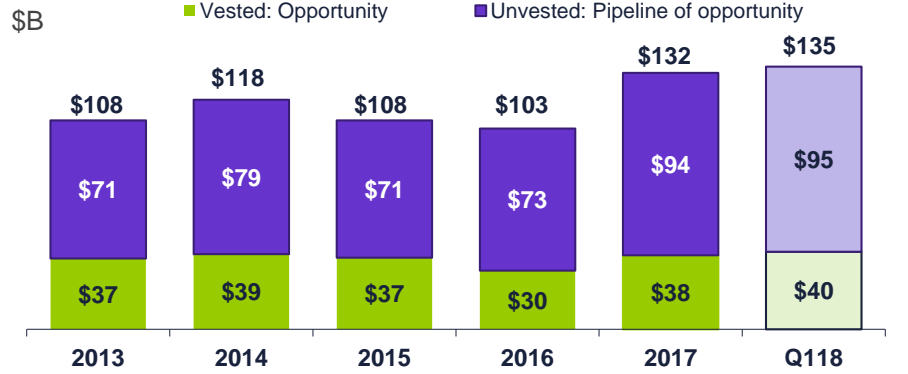
Foster strategically important drivers of brokerage account & asset growth



Total stock plan accounts



Total unexercised stock plan customer assets

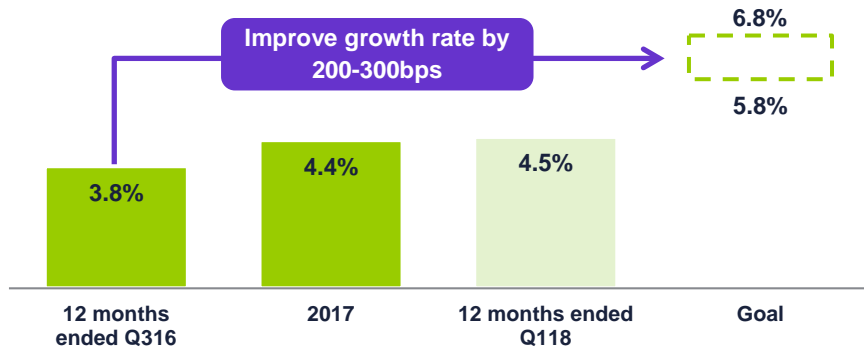


ACCELERATE GROWTH OF CORE BROKERAGE BUSINESS

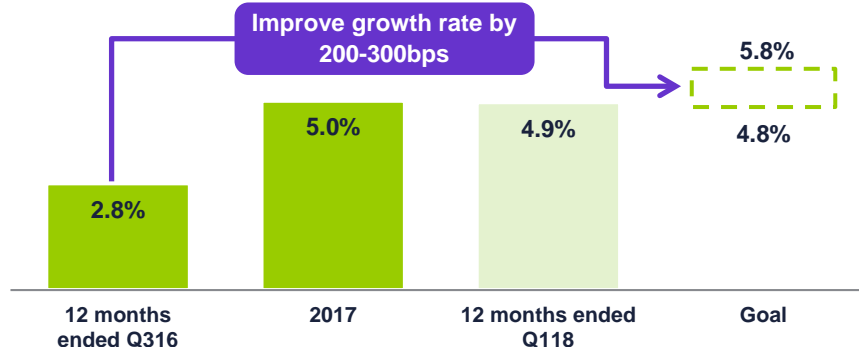
Drive organic growth and improve competitive position

In Q316 the Company outlined growth targets for its core brokerage business by late 2018.

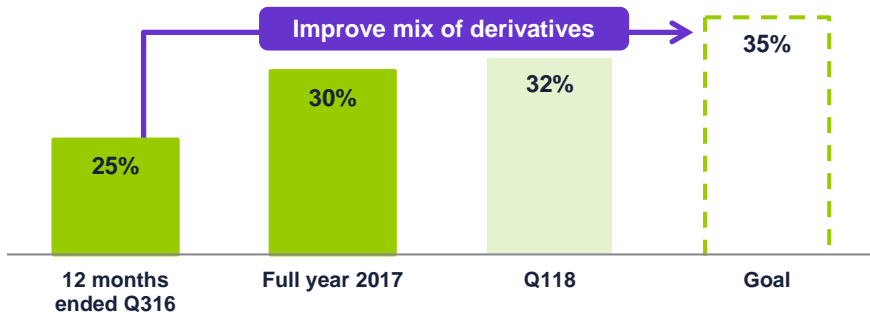
Net new brokerage asset growth



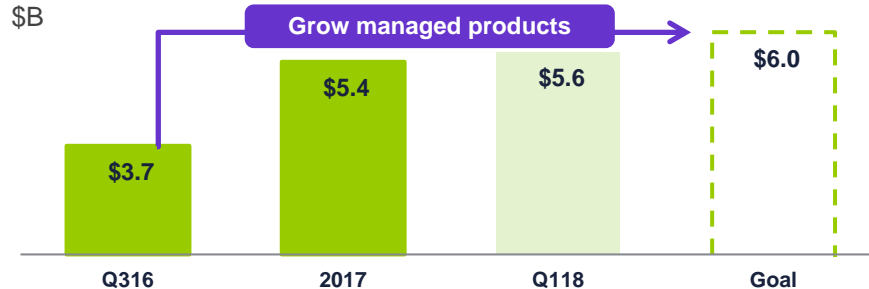
Net new brokerage account growth



Derivatives mix



Managed products

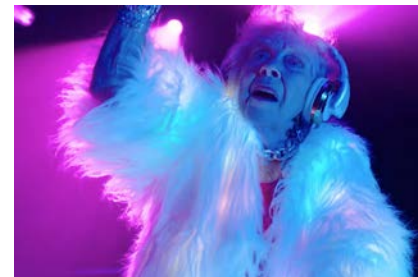


ENHANCE DIGITAL AND OFFLINE CUSTOMER EXPERIENCE

Drive customer acquisition and deepen engagement

Brand platform

- A conscious return to E*TRADE's irreverent, challenger-brand status
- Channels into positive action the everyday frustrations consumers feel around outsized wealth
- Includes activations with CNBC, CNN, Bloomberg, and Cheddar
- Extends via online video and social



Campaign evolution

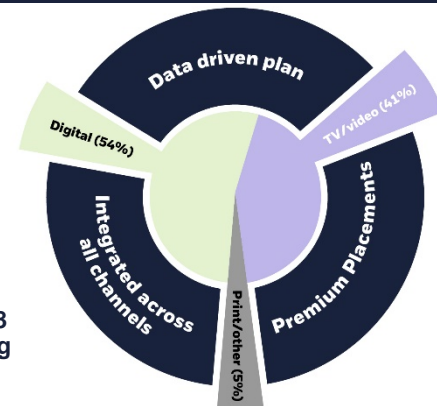
- Campaign continues to evolve and sharpen on E*TRADE's value proposition for digitally inclined investors
- Recent iterations include active trading and saving for retirement

E*TRADE[®]
The Original Place To Invest Online



Media strategy

- Premium placements targeted at highest-value prospects and customers
- Data-driven plan, optimizing placements across channels
- Innovative use of digital targeting



Leverage E*TRADE's platform and scale for growth

Acquiring more than one million brokerage accounts from Capital One

Purchase price	Source of funding	Expected close	Estimated accretion at time of announcement
\$170MM	Existing cash	By Q3 2018	~neutral to 2018, ~\$0.06 accretive to 2019

- Meaningfully expands U.S. household penetration at a compelling value, well below standard customer acquisition costs
- Leverage E*TRADE's superior platform to deepen customer engagement
- Expect a mid-to-high-teen return on invested capital across economic scenarios

Acquisition of Capital One accounts adds to key metrics

	Acquired accounts ⁽¹⁰⁾	Pro-forma addition to E*TRADE
Estimated LTM revenue	\$83MM	3.3%
Margin balance	\$156MM	1.5%
Brokerage related cash	\$1.9B	3.7%
Total customer assets	\$17.7B	5.1%
DARTs	16k	6.7%

Acquired TCA, a leading custody platform, to enter independent RIA market

Purchase price	Source of funding	Closed	Estimated accretion at time of announcement
\$275MM	Q4 preferred issuance	4/9/18	Neutral to 2018, ~\$0.02 accretive to 2019

- Leverages the E*TRADE brand to accelerate growth
- Provides foundational capability within the RIA segment
- Bolsters ability to retain customers in need of higher-touch services – particularly within Corporate Services
- Plan to expand product set over time to include margin lending, securities-based lending, options, etc.

TCA adds new channel while delivering incremental growth to key metrics

	TCA ⁽¹¹⁾	Pro-forma addition to E*TRADE
LTM revenue	\$50MM	2.0%
Brokerage related cash	\$1.6B	3.1%
Total customer assets	\$18.3B	5.3%
RIAs	200+	NA

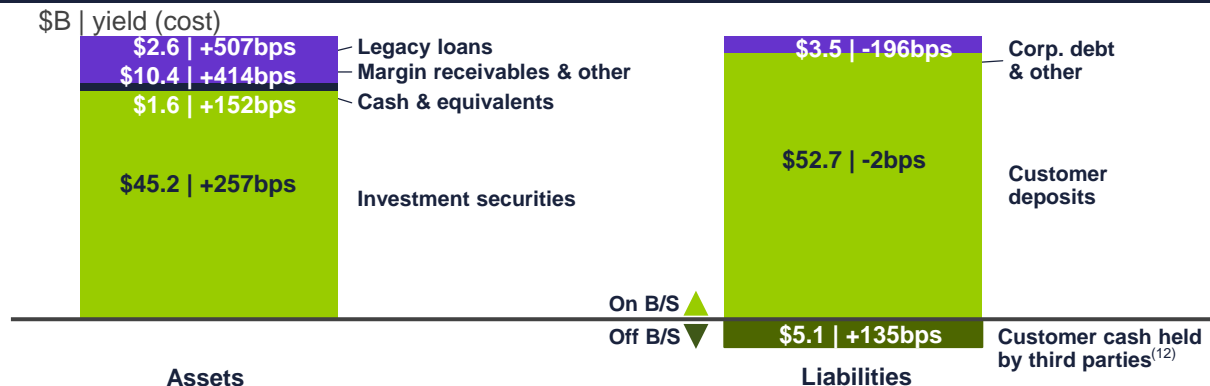
UTILIZE BALANCE SHEET TO ENHANCE RETURNS

Maximize value of customer deposits

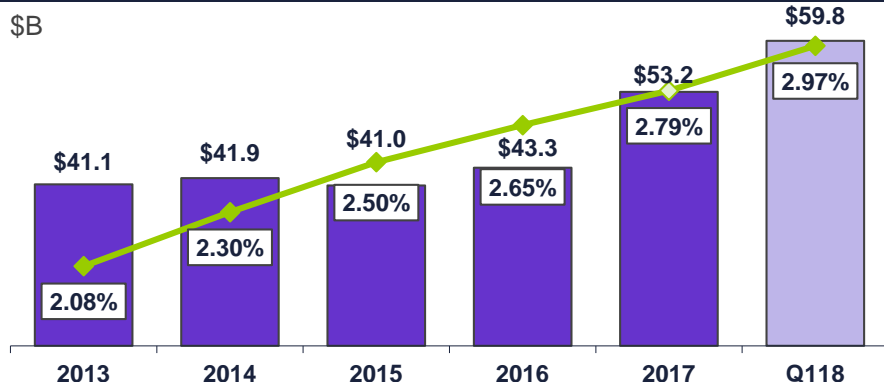
Balance sheet strategy

- Brokerage business generates stable, low cost deposits
- Primary investment vehicle is agency securities
- Average duration of assets matched to liabilities @ 3-4 years
- Third party sweep deposit platform allows the Company to manage balance sheet size

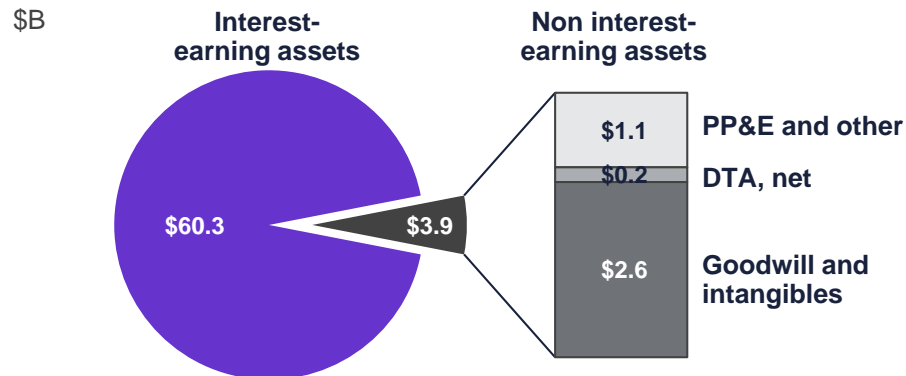
Q118 average balance sheet



Average interest-earning assets | net interest margin⁽¹³⁾



Consolidated balance sheet composition (3/31/18)




PUT CAPITAL TO WORK FOR SHAREHOLDERS


Unlock meaningful capital by bolstering risk and regulatory position

Strengthened risk position & improved regulatory position (2012-2018)

- Built out ERM framework
- Effectively managed down legacy loan portfolio, mitigating losses
 - Portfolio now just 4% of total assets, down from 50%+ at peak
- Sold highest risk assets and non-core market-making unit



- Strong performance across stress testing
- Building out systems and governance to support enhanced regulatory standards of \$50B+ in assets



Enhanced capital flexibility (2012-2017)

Tier 1 leverage thresholds

Bank	Consolidated
Down 250 bps to: 7.0%	Down 50 bps to: 6.5%

Capital unlocked from lower thresholds

\$970MM + **\$260MM**

Unlocked excess capital for deployment (2013...)

\$2.6B


Capital distributed to parent

\$1.2B from bank + **\$1.4B from broker**

Rationalized corporate debt profile (2011-2018)

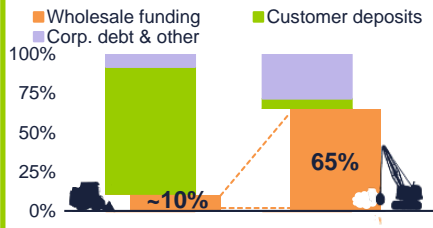
- \$1B corp. debt outstanding @ 3.3% average coupon
- Corp. interest expense down 80%
- Credit rating ↑ 8 notches to BBB

\$1.6B @ **10.2%** (2011) → **\$1.0B** @ **3.3%** (Q18)



Eliminated legacy wholesale funding obligations (Q315)

- \$4.4B—comprised ~10% of liabilities but 65% of funding costs



Avg. Liab. Cost

Acquired #1 options trading platform (Sept. 2016)

\$725MM⁽¹⁴⁾

- First acquisition in 10+ years
- ~\$49MM of expense synergies (2018) plus ~\$21MM of additional cost reductions
- ~\$20MM+ expected revenue synergies (2018)

optionshouse by E*TRADE

Ongoing capital actions

Balance sheet growth

- Crossed \$50 billion by bringing customer deposits on B/S
- B/S \$15.2B larger since Q416

Share repurchases

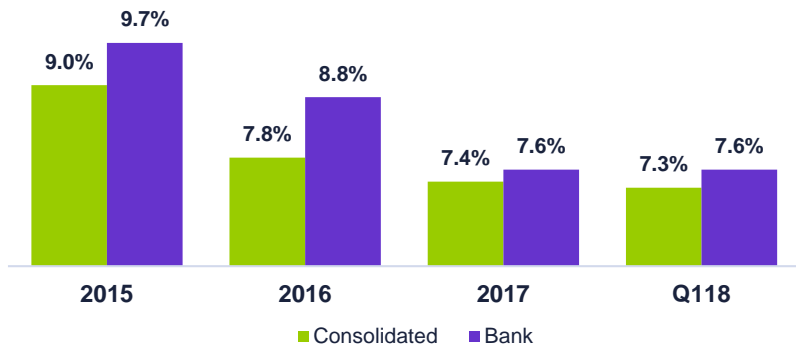
- Repurchased \$502MM between Q415 and Q216
- \$1B program launched in Q317
- Repurchased \$502MM since Q317

PUT CAPITAL TO WORK FOR SHAREHOLDERS

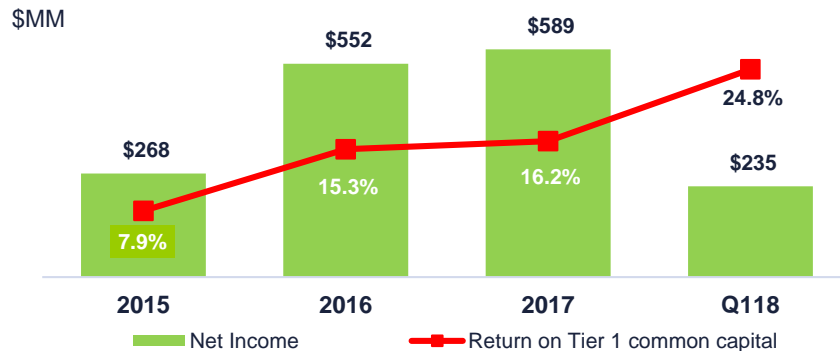
Generate and deploy excess capital

- Our ability to lower our capital threshold over time has created significant flexibility
- Improvements to the balance sheet and risk controls allowed us to:
 - Reduced the bank Tier 1 leverage target from 9.5% in 2013 to 7.0%
 - Reduce the consolidated Tier 1 leverage threshold from 7.0% in 2017 to 6.5%
- Improved return on consolidated Tier 1 common capital from under 10% in 2015 to nearly 25% in Q118 driven by a more than doubling in the annualized pace of earnings, and a more efficient capital base
- Earnings improvement driven by increased customer engagement, growth in accounts and assets, and aided by a higher interest rate environment and lower tax rate
- A higher return on capital provides greater capacity for sustainable capital deployment

Steady reduction of Tier 1 leverage ratios



Growing return on consolidated Tier 1 common capital



Generate and deploy excess capital—current initiatives

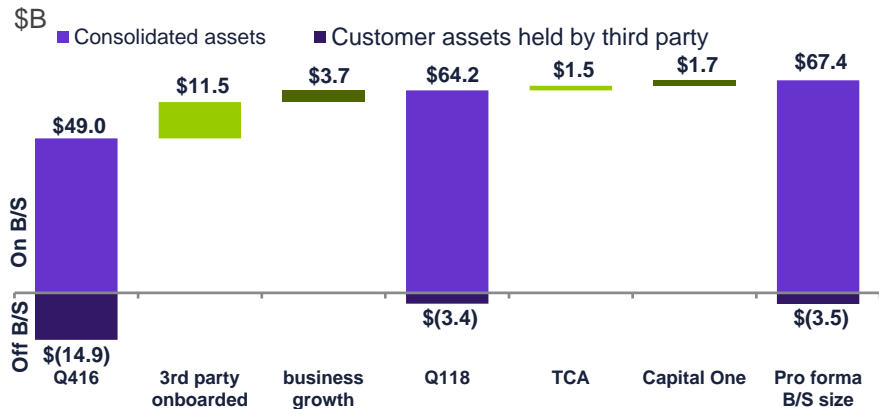
Grow the balance sheet

- Crossed \$50 billion regulatory threshold in Q117
- Surpassed \$64B by Q118
- Estimated costs of balance sheet growth:
 - ~\$20 million over two years related to build out (~half in 2017)
 - ~\$15 million annually of ongoing costs, post build-out

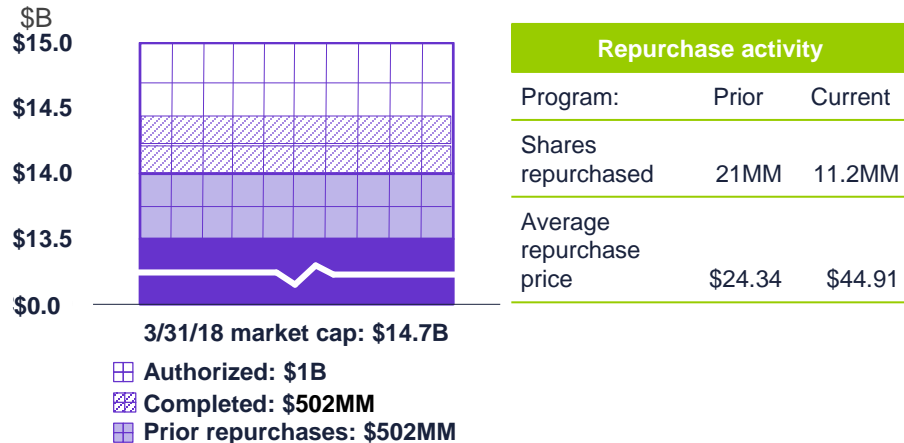
Share repurchases

- Launched \$1B share repurchase program in Q317
- Plan to complete by end of 2018—pace will be measured over the course of the program
 - Since 2H17, \$502MM, or 11.2MM shares were repurchased
- Previously repurchased \$502MM or 21MM common shares from Q415-Q216 under prior plan

E*TRADE consolidated balance sheet assets



Repurchase progress



GENERATE ROBUST EARNINGS GROWTH AND HEALTHY RETURNS ON CAPITAL

Earnings power through capital deployment and business growth

MM	LTM		Pro forma growth and operating margin ⁽¹⁸⁾ :	
			Balance sheet and business growth:	+100bps parallel shift in curve:
Net interest income	\$1,611	<ul style="list-style-type: none"> + Balance sheet assets to ~\$67B; + Brokerage asset growth of 6.3%; @ 290bps NIM 	\$1,944	\$2,199
Non-interest income	\$910		\$950	\$984
Net revenue	\$2,521	<ul style="list-style-type: none"> + Brokerage account growth of 5.3%; + Managed AUM to \$6B; - Off balance sheet cash yield @ ~145bps 	\$2,894	\$3,183
Provision benefit	\$175		\$0	\$0
Adjusted operating margin ⁽¹⁵⁾	42%	Ultimately eliminated	46%	49%
Expenses, total	(\$1,523)	Ability to expand operating margin as revenue improves	(\$1,563)	(\$1,621)
Pre-tax income	\$1,173	~27% effective tax rate + preferred issuance	\$1,331	\$1,562
Net income ⁽¹⁶⁾	\$716		\$972	\$1,140
Preferred stock dividends	\$24	\$1B share repurchase program; ⁽¹⁷⁾ pro forma for remaining amount @ \$58.06	\$39	\$39
Average diluted common shares	272		257	257
Diluted earnings per common share	\$2.54		\$3.63	\$4.29



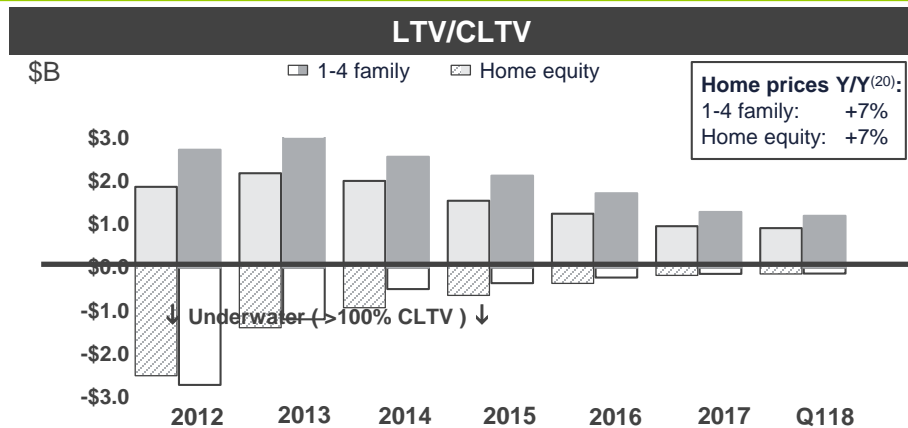
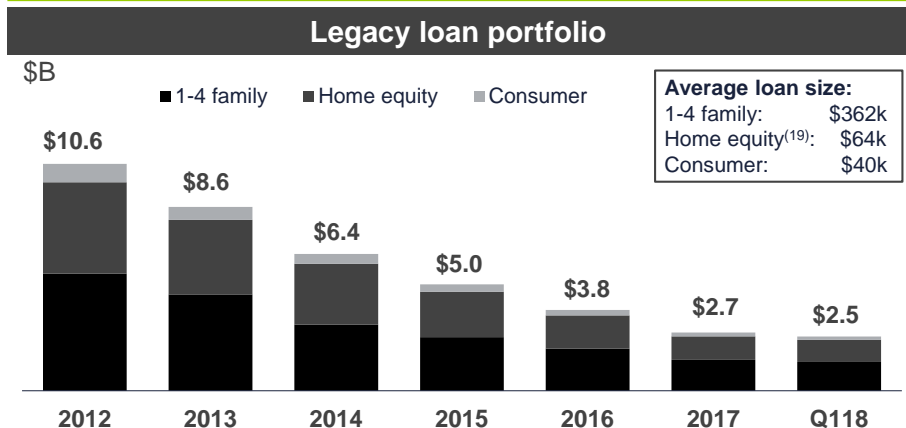
E*TRADE is well-positioned to deliver long-term value for stakeholders

KEY INVESTMENT TAKEAWAYS

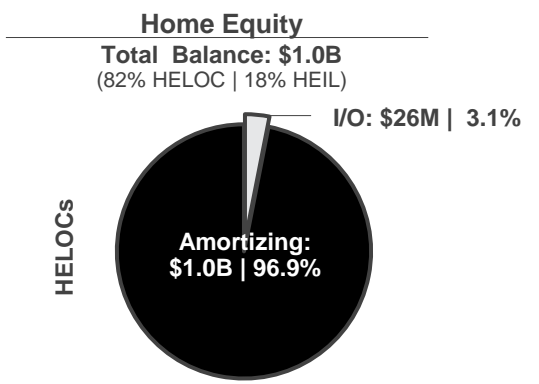
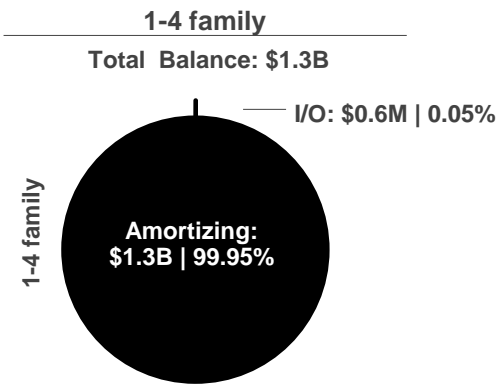
- E*TRADE is consistently at the forefront of digital investing and trading innovation
- Business model is well positioned to capitalize on secular shift toward the direct brokerage space
- Significant opportunity to accelerate growth of brokerage business through increased customer awareness and engagement
- Complementary corporate services channel provides important drivers of brokerage account and asset growth
- Bank enables E*TRADE to maximize value of customer deposits
- Ability to grow revenue and operating margin in improved interest rate environment
- Value creation through continued efficient deployment of capital

APPENDIX

Manage down legacy assets and mitigate credit losses

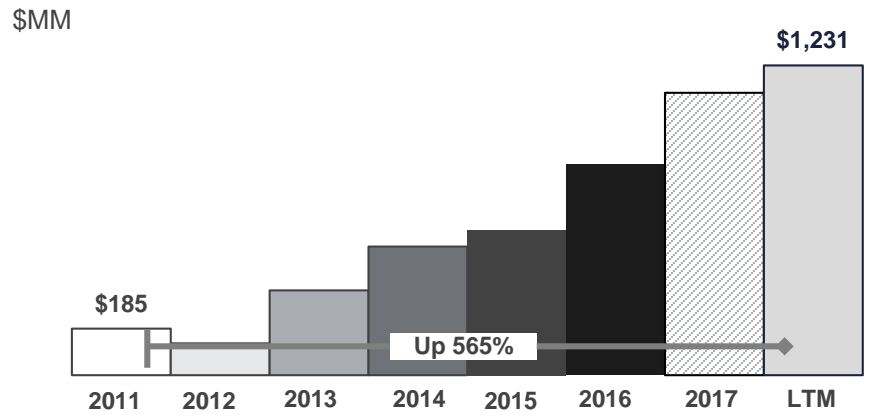


Interest only to amortizing conversions



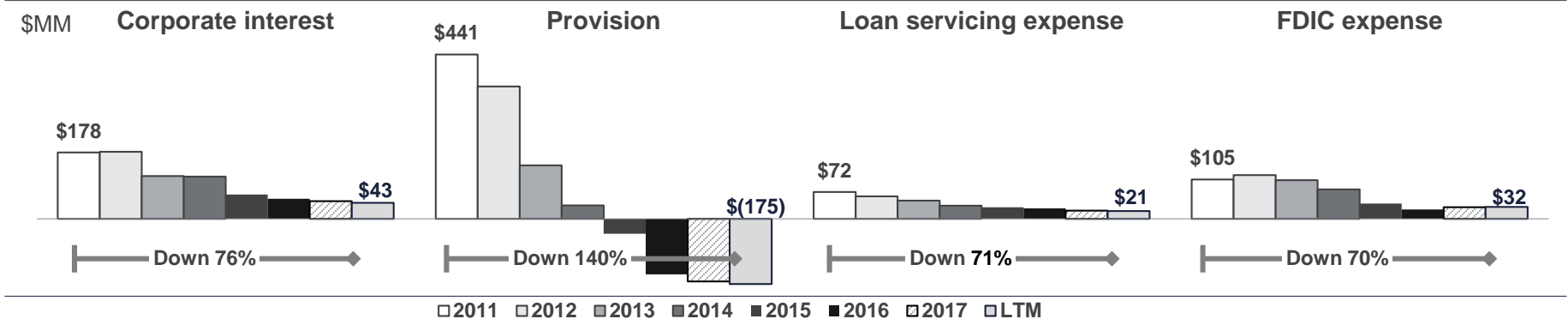
Key progress since 2011

Adjusted pre-tax income⁽²¹⁾



Highlights

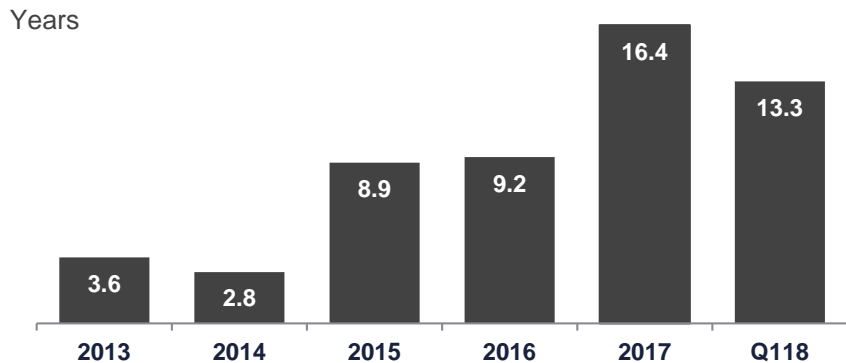
- Capital deployment to reduce and refinance corporate debt
 - Corporate interest expense down 76%
- Continued runoff of legacy loan portfolio and bolstering risk management and controls has significantly reduced legacy-related
 - Provision down 140%
 - Loan servicing expense down 71%
 - FDIC expense down 70%
- The culmination of these factors led to a 565% increase to adjusted pre-tax income



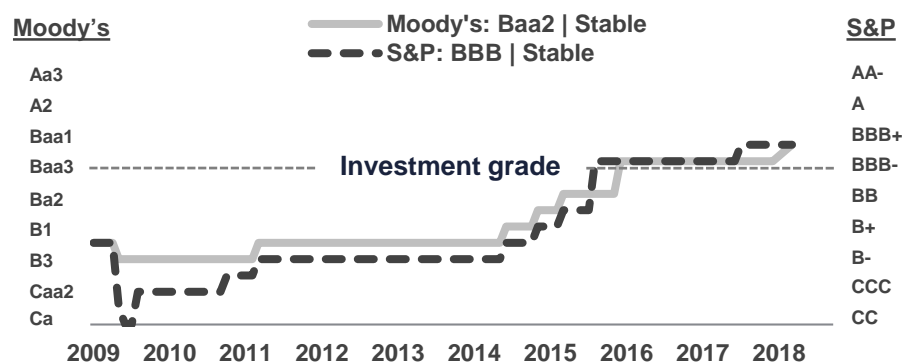
Corporate debt and preferred stock

Security:	Senior Convertible Debentures due 2019	Senior Notes due 2022	Senior Notes due 2027	Non-Cumulative Perpetual Preferred Stock ⁽²²⁾	Non-Cumulative Perpetual Preferred Stock ⁽²³⁾
Amount outstanding	\$0.2MM	\$600MM	\$400MM	\$400MM	\$300MM
Coupon	0.000%	2.95%	3.80%	5.875%	5.30%
Interest / dividend payable	N/A	Feb. 24 & Aug. 24	Feb. 24 & Aug. 24	Mar. 15 & Sep. 15	Mar. 15 & Sep. 15
Issued	Aug. 25, 2009	Aug. 24, 2017	Aug. 24, 2017	Aug. 16, 2016	Nov. 27, 2017
Maturity	Aug. 31, 2019	Aug. 24, 2022	Aug. 24, 2027	N/A	N/A

Debt service coverage



Credit ratings over time



APPENDIX

- 1) Based on data from Aite Group's report titled "New Realities in Wealth Management: Hope Springs Eternal," June 2017. Excludes RIA industry.
- 2) In StockBrokers.com's 2018 Online Broker Review of 13 firms across 292 different variables, E*TRADE was awarded the #1 Mobile Trading, #1 Options Trading, and #1 Web Based Platform Awards. In addition, E*TRADE received seven Best in Class distinctions: Overall, Offering of Investments, Research, Mobile Trading, Education, Options Trading, and New Investors. E*TRADE's star ratings for all category rankings out of 5: Overall (4.5 stars), Commissions & Fees (3.5 stars), Offering of Investments (4.5 stars), Platforms & Tools (4.5 stars), Research (4.5 stars), Customer Service (4.5 stars), Mobile Trading (5 stars), Ease of Use (4 stars), Education (4.5 stars), Order Execution (3.5 stars), New Investors (4.5 stars), Options Trading (5 stars), and Banking (3.5 stars).
E*TRADE Financial ratings for Barron's annual ranking of the Best Online Brokers, 3/24/18, based on Mobile (4.8 stars), Research Amenities (4.7 stars), Customer Service & Education (4.6 stars), Usability (4.5 stars), Trading Experience & Technology (4.5 stars), Portfolio Analysis & Reports (4.1 stars), Range of Offerings (3.8 stars), and Costs (1.3 stars). E*TRADE received 4 out of 5 stars overall. E*TRADE earned "best of" distinctions in options trading, long-term investing, and in-person advice.
- 3) Based on data as of 12/31/17.
- 4) Excludes customer cash held at third parties.
- 5) For Core Portfolios clients, interaction with E*TRADE Capital Management will generally be limited to the web-based interface. A Core Portfolios client does not have an individual Financial Consultant or portfolio manager assigned to the account. E*TRADE Capital Management, through its Investment Policy Committee and with support of Investment Strategists, selects, removes, and adds portfolio holdings and determines the program's rebalancing methodology.
For more information on professionally managed portfolios offered by E*TRADE Capital Management (ETCM), please request a free copy of ETCM's Form ADV Part 2A, which describes, among other things, affiliations, services offered, and fees charged.
- 6) The net new brokerage assets metrics treat asset flows between E*TRADE entities in the same manner as unrelated third party accounts. 2016 net new brokerage assets exclude \$3.7 billion of assets from the OptionsHouse acquisition in the third quarter of 2016.
- 7) Net new brokerage accounts and end of period brokerage accounts exclude the addition of 147,761 accounts from the OptionsHouse acquisition in the third quarter of 2016. For the full year 2015, net new and end of period brokerage accounts were impacted by the closure of 23,150 accounts related to the shutdown of the Company's global trading platform and the closure of 3,484 accounts related to the escheatment of unclaimed property.
- 8) Average brokerage assets per account is calculated as the sum of security holdings and brokerage related cash divided by end of period brokerage accounts.
- 9) Equity Edge Online was rated #1 in Loyalty and Overall Satisfaction in the 2017, 2016, 2015, 2014, 2013 and 2012 Group Five Stock Plan Administration Study Industry Report. Group Five, Inc. is not affiliated with E*TRADE Financial Corporate Services, Inc. or its affiliates.
- 10) Capital One associated LTM adjusted revenue and full year DARTs are estimates that exclude fractional share related revenue and trades.
- 11) TCA's LTM revenue, brokerage related cash, customer assets, and RIAs are as of an interim period. Brokerage related cash, total customer assets, and RIAs are as of 3/31/18; LTM revenue is as of 6/30/17.
- 12) The yield on third party cash is based on the interest earned on customer cash held by third parties, including money market funds and sweep deposit accounts.
- 13) Average balances and NIM for 2013 have been presented for illustrative purposes only.

APPENDIX

- 14) Represents acquisition consideration but excludes working capital and other closing adjustments.
- 15) The following table provides a reconciliation of GAAP operating margin percentage to non-GAAP adjusted operating margin percentage (dollars in millions):

	<i>Last 12 months ended March 31, 2018</i>	
	Amount	Operating margin
Income before income tax expense and operating margin	1,173	47%
Deduct provision (benefit) for loan losses	(175)	
Add back loss on early extinguishment of debt	<u>58</u>	
Adjusted income before income tax expense and adjusted operating margin	1,056	42%

- 16) Pro forma growth and operating margin scenarios assume a 27% tax rate.
- 17) ETFC close price as of 4/18/2018.
- 18) Pro forma growth and operating margin scenarios include TCA and Capital One customer cash and customer margin balances and also factor in the following assumptions:
- a) ~\$67 billion balance sheet: growth through movement of all available customer assets held by third parties onto balance sheet at 290 basis points—the current reinvestment rate; associated reduction of non-interest revenue by gross yield earned from third parties.
 - b) Achieve growth targets: +250 basis point increase to net new brokerage asset and account growth rates—applied to brokerage-related cash (deployed on balance sheet), margin balances, mutual fund assets and DARTs; managed product AUM of \$6 billion.
 - c) +100 basis point parallel shift in interest rates: immediate 100 basis point parallel increase to the LIBOR / SWAP, and US Treasury yield curve and applies to achieve growth targets scenario.
- 19) Excludes \$0 balance home equity lines of credit.
- 20) Home price changes within the Company's 1-4 family and home equity loan portfolios.

APPENDIX

- 21) Adjusted pre-tax income for 2012, 2013, 2014, 2015 and 2017 includes provision (benefit) for loan losses and excludes:
 - a) Pretax loss related to the refinance of \$1.3 billion of corporate debt completed in the fourth quarter of 2012, which resulted in a \$257 million loss on early extinguishment of debt;
 - b) \$142 million impairment of goodwill during the second quarter of 2013, which resulted from the Company's decision to sell its market making business;
 - c) Pretax loss related to the paydown of \$400 million and refinance of \$540 million in corporate debt completed in the fourth quarter of 2014 which resulted in a \$59 million loss on early extinguishment of debt;
 - d) Pretax loss related to the paydown of \$340 million and refinance of \$460 million in corporate debt completed in the first quarter of 2015 which resulted in a \$73 million loss on early extinguishment of debt; and
 - e) \$413 million pre-tax charges, including a \$370 million loss included in gains (losses) on securities and other and a \$43 million loss, offset by a \$4 million gain, included in losses on early extinguishment of debt, in the third quarter of 2015 related to the termination of wholesale funding obligations.
 - f) Pretax loss related to the refinance of \$1 billion of corporate debt completed in the third quarter of 2017, which resulted in a \$58 million loss on early extinguishment of debt.
- 22) Preferred stock is non-callable, fixed rate at 5.875% for 10 years. Thereafter, callable and floating rate at 3-month LIBOR + 4.435%. Redemption may be in whole or in part on any dividend payment date on or after September 15, 2026 at a redemption price equal to \$1,000 per share, plus any declared and unpaid dividends to, but excluding, the date fixed for redemption, without accumulation of any undeclared dividends.
- 23) Preferred stock is non-callable, fixed rate at 5.30% for 10 years. Thereafter, callable and floating rate at 3-month LIBOR + 3.16%. Redemption may be in whole or in part on any dividend payment date on or after March 15, 2023 at a redemption price equal to \$1,000 per share, plus any declared and unpaid dividends to, but excluding, the date fixed for redemption, without accumulation of any undeclared dividends.

For additional information, contact E*TRADE Investor Relations at: ir@etrade.com | (646) 521-4406