

2004
CORPORATE REPORT



E*TRADE
FINANCIAL®

← INNOVATIVE

EFFICIENT

INTEGRATED

THE POWER TO BE →

← DIFFERENT

DISCIPLINED

A CHAMPION

CONTENTS

- 1 LETTER TO SHAREHOLDERS
- 2 2004 OVERVIEW
- 3 FINANCIAL HIGHLIGHTS
- 4 COMPANY HIGHLIGHTS
- 8 CORPORATE INFORMATION
- 12 A TRIBUTE TO BILL PORTER



**THE POWER TO
BE INTEGRATED**

LETTER TO SHAREHOLDERS



Mitchell H. Caplan
Chief Executive Officer

DEAR E*TRADE FINANCIAL SHAREHOLDERS:

“Challenge the Ordinary...Be E*traordinary” — it’s our new tagline and it truly captures the spirit of E*TRADE FINANCIAL customers, investors and employees. I am happy to report that in 2004, we lived this mantra, and by doing so delivered robust improvement in our financial performance, posting record profits for the second consecutive year.

Since our transformation from an online trading business into an integrated financial services provider, we’ve tackled the challenge to grow profitability by controlling costs, increasing customer engagement and standardizing operations within a unified global technology platform. As the numbers demonstrate, we have succeeded across the board.

By unlocking efficiencies, we can focus our attention on the challenge of attracting new accounts and assets and increasing the products-per-customer ratio. To do so, our greatest opportunity lies in continued integration of trading, investing, banking and lending offerings to create innovative solutions for key customer segments.

Our core differentiator is our ability to leverage relationships with our retail customers, while capitalizing on the opportunities created between our retail and capital markets businesses. Through true integration of the entire business, we have discovered even better ways to serve our customers and to deliver value to our shareholders.

In 2004, we saw net income from continuing operations rise 71 percent and earnings per share rise 80 percent. This growth represents important progress toward our goal of creating long-term shareholder wealth, even amid varying economic conditions. As proud as we are of our 2004 results, they are a stepping-stone in a process that can be — and will continue to be — measured over the long term.

We will reach our long-term milestones by leveraging technology to create new opportunities for our customers every day. We believe our growth opportunity continues to be tremendous. As more and more consumers come to understand the value available to them through the efficient use of technology to integrate financial services, we anticipate a consistent influx of consumers handling more of their needs online.

To that end, there are two words that resonate with our leadership team — compelling and differentiated. At E*TRADE FINANCIAL, compelling translates to having the right mix of price, functionality and service in each and every solution we deliver to our customers. And differentiated means doing what other companies can’t or won’t do — finding new and ingenious ways to blend high-value offerings to better satisfy customers with a level of efficiency that creates a barrier to entry for competitors.

By understanding the importance of being both compelling and differentiated, by adhering to our vision and by executing with discipline and focus, we gain the power to be the first and best choice for retail and institutional customers, the power to set the standard for clarity in our pricing and customer service, and the power to be the kind of company that our shareholders expect us to be — innovative, efficient, growth-oriented and profitable — over the long term.

Mitchell H. Caplan, Chief Executive Officer



2004 OVERVIEW

OUR BUSINESSES

E*TRADE FINANCIAL is a global financial services company that provides an integrated offering of trading, investing, banking and lending solutions to retail and institutional customers. Throughout 2004, our financial results were presented as two segments, brokerage and banking; however, going forward into 2005, we have reorganized to more effectively align our operations with our retail and institutional customers.

E*TRADE FINANCIAL has succeeded by rethinking conventional ways of doing business — persistently asking, “Is there a better way?” and then inventing one. We continue to redefine the financial services sector by challenging the status quo with innovative, value-priced solutions, cutting-edge functionality and superior service. That approach lets us serve customers flexibly and efficiently while generating long-term value for our shareholders.

OUR VISION

“Whether you look at the businesses we’ve acquired or those we built ourselves, we are absolutely consistent in leveraging our technology advantage to create value for customers and for shareholders. It’s the vision behind everything we do, and our job is to stay true to that vision while focusing with discipline on execution and finding new ways to integrate our resources in compelling and differentiated solutions.”

—Mitchell H. Caplan, CEO

OUR ACCOMPLISHMENTS

2004 was the most profitable year in the firm’s history, setting a record for the second consecutive year. With an upswing in activity by investors and greater demand for our institutional services, revenues rose by 6 percent and more importantly, income rose 87 percent.

OUR PERFORMANCE

CHANGE VS. 2003

Total net revenues: \$1,528.0 million	...up 6%
Total net income: \$380.5 million	...up 87%
Net income per diluted share: \$0.99	...up 80%



FINANCIAL HIGHLIGHTS

Dollars and shares in thousands except per share amounts.

	Years Ended December 31,		
	2004	2003	2002
Net Revenues	\$1,527,986	\$1,438,799	\$1,287,205
Net income (loss) from continuing operations	\$350,930	\$204,692	\$109,474
Net income (loss) from discontinued operations	\$29,553	(\$1,665)	(\$2,210)
Cumulative effect of accounting changes	—	—	(\$293,669)
Net income (loss)	\$380,483	\$203,207	(\$186,405)
Net income (loss) per share from continuing operations			
Basic	\$0.96	\$0.57	\$0.31
Diluted	\$0.92	\$0.55	\$0.31
Net income (loss) per share			
Basic	\$1.04	\$0.57	(\$0.52)
Diluted	\$0.99	\$0.55	(\$0.52)
Shares used in computation of net income (loss) per share*			
Basic	\$366,586	\$358,320	\$355,090
Diluted	\$405,389	\$367,361	\$361,051

*The computation of 2004 diluted net income per share uses the "if converted" accounting method. The "if converted" accounting method includes the additional dilutive impact assuming conversion of our subordinated convertible debt outstanding during the period.



THE POWER TO BE INNOVATIVE

COMPANY HIGHLIGHTS

From the beginning, E*TRADE FINANCIAL has challenged the status quo, empowering customers to exercise greater control over their money with convenient and efficient financial solutions.

Today, we continue to innovate with new solutions that leverage our technology advantage to better serve retail and institutional customers and generate value for shareholders. Our financial success in 2004 is proof positive that our approach is both profitable and sustainable when combined with operating discipline and strong understanding of market opportunities.

BUSINESS OVERVIEW

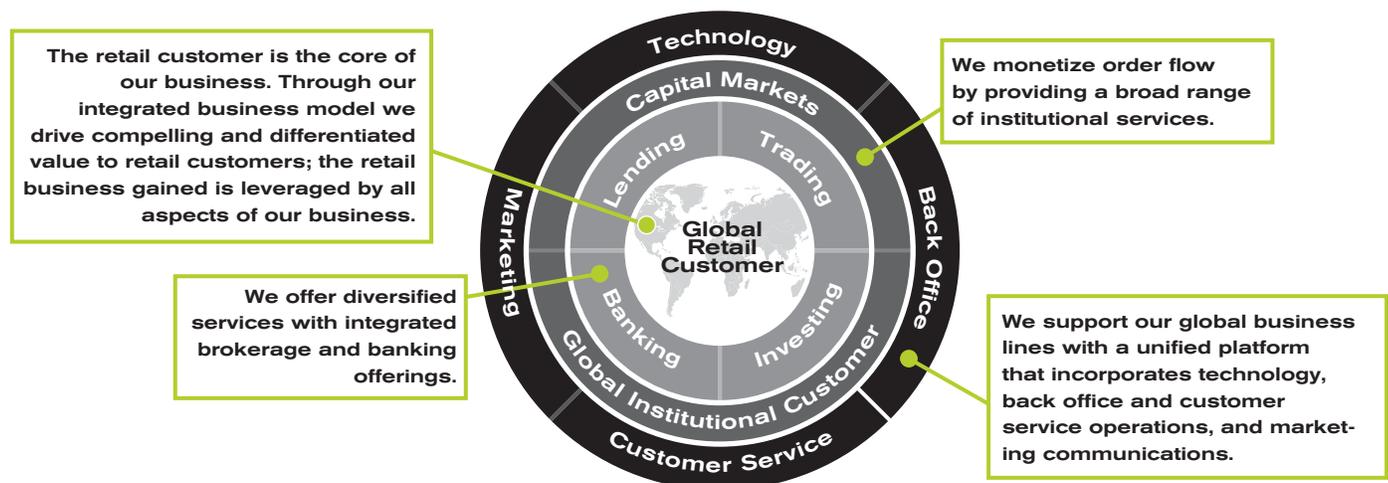
Our second consecutive year of record-setting financial results is a powerful endorsement of the Company's vision: to leverage technology to provide compelling and differentiated financial solutions that deliver superior value for self-directed investors.

Today, E*TRADE FINANCIAL is a global firm serving 2.7 million households and 3.6 million customer accounts worldwide, operating branded web sites in 12 countries. We are a full-service financial services company; commission revenue now accounts for a mere 23 percent of total revenues.

The scope of our retail business grew significantly in 2004. Customer assets increased to more than \$100 billion. Our bank balance sheet grew to \$25.5 billion and our bank net interest spread increased to 207 basis points. In addition, we enlarged our footprint in global markets, increasing international trading volume by 59 percent, establishing operations in Iceland and expanding our investment in E*TRADE Korea.

While E*TRADE FINANCIAL has historically been presented as brokerage and banking segments, our future growth opportunities lie in our ability to further integrate our offerings, creating innovative solutions built on customer needs. For this reason, in January 2005 the Company was realigned into retail and institutional groups to better reflect our customer-centric approach.

This approach is grounded in the retail customer, who is at the center of our business. The retail customer's use of trading, investing, banking and lending is what creates the order flow and trading volume to support the next ring of businesses: capital markets, serving our global institutional customers. Surrounding and supporting the entire corporate structure are the four key operating areas crucial to our success: technology and back-office operations, which drive efficiency, and marketing and customer service, which drive demand.



2004 ACHIEVEMENTS

- Grew customer assets to more than \$100 billion
- Rebated nearly \$2 million to customers through our exclusive 12b-1 mutual fund rebate program
- Reduced E*TRADE Index fund expenses to be the lowest cost stock index fund provider in the industry
- Reset the bar for active trading with the two-second execution guarantee, enhanced options functionality, improved trading platform functionality and the introduction of the Power E*TRADE “Trading Rewards” credit card offering free trade rewards to our Active Trader customers
- Grew international trading volumes by 59 percent, set up operations in Iceland, and expanded our investment in E*TRADE Korea
- Upgraded etrade.com, providing customers with easier navigation and one-screen view of all their account information
- Completed back office transition to ADP — the largest technology undertaking in Company history
- Enhanced value proposition for online options traders with reduced commissions and new tools for advanced trading
- Introduced Equity Express, making home equity loans and lines of credit available in one week — a fraction of the industry norm
- Introduced innovative product offerings to our correspondent lending customers, including a combo loan product that enables lenders to simultaneously originate a first and second lien mortgage combo
- Introduced a new customer segment — Priority E*TRADE — to meet the needs of the long-term, Serious Investor segment and launched the E*TRADE No-Fee, No-Minimum IRA
- Grew bank balance sheet to \$25.5 billion and increased bank net interest spread to 207 basis points
- Completed the sale of our ATM network to Cardtronics
- Repurchased 2.48 million shares, valued at \$32.5 million
- Successfully completed our SOX 404 compliance program without any material weaknesses
- Launched E*TRADE FINANCIAL Centers in San Diego, Costa Mesa, Chicago, Palo Alto and Washington, D.C., staffed with relationship managers, lending specialists, and investment specialists

PERFORMANCE OVERVIEW

2004 was an extraordinary year for E*TRADE FINANCIAL, delivering earnings of \$0.99 per diluted share on \$380.5 million in net income — compared to \$0.55 per share and net income of \$203.0 million in 2003. Total assets/deposits in customer accounts reached a record level of \$100.4 billion at year-end — an increase of 21 percent over the previous year.

This robust growth was accomplished in large part by enhancements to our value proposition in three areas: price, functionality and service. Major pricing initiatives included the launch of a third pricing tier in our commission structure, Priority E*TRADE; a new commission breakpoint for valued customers based on activity or assets; lower options contract fees; No-Fee, No-Minimum IRAs; and proprietary stock index funds with the lowest expense ratios in the industry. In addition, we paid out nearly \$2 million to customers through our 12b-1 rebate program on mutual funds — putting nearly half the mutual fund fees we received back in customers’ pockets.

We improved functionality both through new technology and upgrades to existing features. We upgraded our website to allow customers to view all of their accounts at E*TRADE FINANCIAL on one, consolidated page. We launched major upgrades to our Main Street, Active Trader and Professional Trading front ends, as well as a new Exchange Traded Funds Center. We also enhanced our OptionsEdge trading center and introduced EquityExpress — an innovative feature making home equity loans and lines of credit available in one week.

Our most important progress in service was the successful migration of our core processing and clearing system to a single platform. This was the largest infrastructure project in our history and establishes the backbone for our integrated value proposition. We also expanded our relationship manager program and opened five additional E*TRADE FINANCIAL Centers in key cities around the country.

In addition to enhancing our value proposition, we also worked to strengthen the Company's financial position. We deployed capital to grow our businesses, bought back stock and de-leveraged the balance sheet by retiring debt and refinancing equity-linked debt with straight debt. Over the past three years, as our financial performance has improved, we have continued to reinvest in the Company and we will continue to do so in the future. Since our initial share buyback program began in Q3 of 2001, we have invested \$487 million and repurchased 66 million shares at an average price of \$7.34. During that same time, we also retired \$390 million in corporate debt and lowered our debt-equity-ratio to 26 percent from over 52 percent prior to these balance sheet initiatives. We continue to see significant value in reinvesting in the Company through stock buybacks and debt retirement.

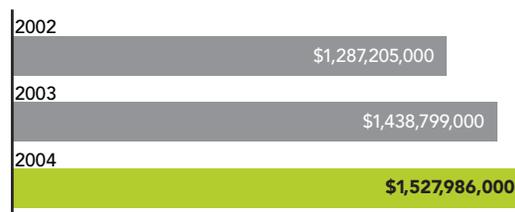
OUR CUSTOMERS

E*TRADE FINANCIAL has always sought to build customer relationships characterized by respect and transparency. We strive to be clear about how and when we make money, and to do business with customers who appreciate the clarity of our approach.

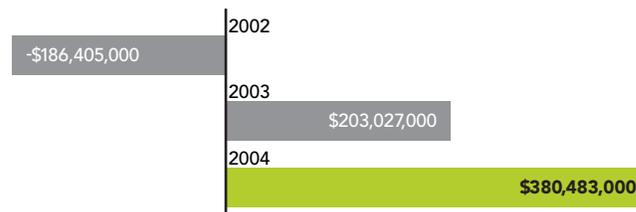
As E*TRADE FINANCIAL has evolved, so has our understanding of our customers and our ability to provide them with the right mix of price, functionality and service. 2004 saw significant improvement in our customer value proposition, with the expansion of our cross-border international trading solutions to additional markets, the creation of a new Serious Investor customer segment targeted at those customers with \$50,000 in assets, the introduction of sophisticated options trading solutions and the enhancements to our customer user experience at etrade.com and through upgrades to our trading platforms. We aggressively acted on our commitment to challenge the industry status quo to deliver tangible value to our customers.

Heading into 2005, we will continue to enhance the customer experience. Our business units have been reorganized along retail and institutional customer-centric lines, and we anticipate increased spending on marketing to ensure that customers are aware of new pricing and product offerings in development.

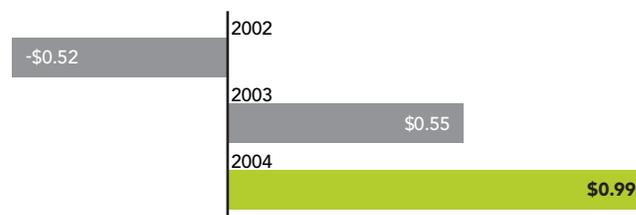
Net Revenue



Net Income/Loss



Diluted Net Income/Loss Per Share



WHO ARE OUR CUSTOMERS?

RETAIL

Active traders
Serious investors
Main Street investors
Financial service consumers
Home finance borrowers
Employee stock plan participants
Options traders



SOLUTIONS

Trading

- Equities
- Options
- Exchange-traded funds
- Direct market access
- Futures
- ADRs
- Cross border

Banking

- Checking
- Savings
- Bill Pay
- CDs

Investing

- Cash management
- Mutual funds
- IRAs
- Money markets
- Proprietary stock index funds

Lending

- Recreation vehicle
- Marine
- Home equity
- Credit cards
- Mortgages

INSTITUTIONAL

Broker/dealers
Hedge funds
Institutional managers
Mutual funds
Banks
Insurance companies
Private clients
Pension plans



SOLUTIONS

Balance sheet management

- Portfolio management
- Asset acquisition, disposals and securitization
- Liquidity management

Market making

- OTC market making on NASDAQ
- Bulletin board, pink sheet and ADR pink sheet market making
- Listed Specialist, Chicago Stock Exchange and National Stock Exchange

Sales trading

- Agency execution in 42 global markets
- Electronic connectivity to all major global markets
- Cross-border trade execution
- Block trading

CORPORATE

Financial and human resources executives
Stock plan administrators



SOLUTIONS

Advantage@Work

OptionsLink

EquityEdge — advanced stock plan management suite

Stock plan outsourcing

STRATEGY

With a proven business model and a disciplined management approach, E*TRADE FINANCIAL has paved the way for future growth in earnings. What remains is to fulfill the promise of business integration by better understanding and serving our customers, and creating the kind of compelling and differentiated solutions that will stimulate demand and, ultimately, revenue.

With a core online technology platform, E*TRADE FINANCIAL is well positioned to measure and analyze customer behavior and develop sophisticated segmentation strategies. What's more, our lower operating cost structure relative to brick-and-mortar institutions allows us to profitably work with investors with assets under \$250,000 — individual investors who are increasingly being abandoned by full-service brokers, who cannot serve them efficiently.

With these advantages, in 2005 we will continue to focus on segmenting our customers more accurately and more diversely, developing new offerings on a segment-by-segment basis. This applies to both our retail operations and our Capital Markets Group. A new branding campaign will ensure that customers are aware of the strong value propositions we put forward. Our ultimate goal is to deepen the relationships, maximizing the product-per-household ratio for our customers. This is particularly true in the area of stock plan administration, which is offered through E*TRADE Corporate Services; this program has the potential to drive additional product usage by both corporate clients and individual plan participants.



**THE POWER TO
BE ACCOUNTABLE**

CORPORATE INFORMATION

Corporate Office

E*TRADE FINANCIAL Corporation
135 East 57th Street
New York, NY 10022
646-521-4300
www.etrade.com

Financial Information

To download our Form 10-K, please visit our website at <https://us.etrade.com>. To request a printed copy, contact Investor Relations.

Investor Relations

Adam Townsend
Vice President, Investor Relations
adam.townsend@etrade.com
703-236-8719

Corporate Communications

Pam Erickson
Vice President, Corporate Communications
pam.erickson@etrade.com
617-296-6080

About E*TRADE FINANCIAL

The E*TRADE FINANCIAL family of companies provides financial services including trading, investing, banking and lending for retail and institutional customers. Securities products and services are offered by E*TRADE Securities LLC (Member NASD/SIPC). Bank and lending products and services are offered by E*TRADE Bank, a Federal savings bank, Member FDIC, or its subsidiaries.

Important Notice

E*TRADE FINANCIAL and the E*TRADE FINANCIAL logo are registered trademarks or trademarks of E*TRADE FINANCIAL Corporation. The statements contained in this report that are forward-looking are based on current expectations that are subject to a number of uncertainties and risks, and actual results may differ materially. The uncertainties and risks include, but are not limited to, changes in market activity, anticipated increases in the rate of new customer acquisition, the conversion of new visitors to the site to customers, seasonality, the development of new products and services, the enhancement of existing products and services, competitive pressures (including price competition), system failures, economic and political conditions, changes in consumer behavior and the introduction of competing products having technological and/or other advantages. Further information about these risks and uncertainties can be found in the information included in the annual reports previously filed by E*TRADE Group, Inc. or E*TRADE FINANCIAL Corporation with the SEC on Form 10-K (including information under the caption "Risk Factors") and quarterly reports on Form 10-Q.

Wholly Owned Subsidiaries

For a list of wholly owned subsidiaries, please refer to our Form 10-K.

Transfer Agent and Registrar

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
800-937-5449

Independent Auditors

Deloitte & Touche LLP
McLean, VA

Annual Meeting

The annual meeting of shareholders will be held:
Thursday, May 26, 2005
The Ritz-Carlton
Pentagon City
1250 South Hayes Street
Arlington, VA 22202

OFFICERS



Mitchell H. Caplan
Chief Executive Officer



R. Jarrett Lilien
President and
Chief Operating Officer



Betsy Barclay
Chief Government
Affairs Officer



James R. Bidwell
Chief Risk Officer



Connie M. Dotson
Chief Communications
Officer



Russell S. Elmer
General Counsel and
Corporate Secretary



Arlen W. Gelbard
Chief Administration Officer
and President, E*TRADE Bank



Joshua S. Levine
Chief Technology and
Operations Officer



Robert J. Simmons
Chief Financial Officer



Nicholas A. Utton
Chief Marketing Officer



Dennis Webb
President
E*TRADE Capital Markets

DIRECTORS

George A. Hayter, Chairman of the Board, E*TRADE FINANCIAL Corporation

Daryl Brewster, Group Vice President, North America, and President, US Snacks Sector, Kraft Foods, Inc.

Mitchell H. Caplan, Chief Executive Officer, E*TRADE FINANCIAL Corporation

Ronald D. Fisher, Vice Chairman, SOFTBANK Holdings, Inc.

Michael K. Parks, Managing Director, Leveraged Finance Group of Trust Company of the West

William A. Porter, Chairman Emeritus, E*TRADE FINANCIAL Corporation; Chairman Emeritus, International Securities Exchange

C. Cathleen Raffaelli, Chief Executive Officer and President, UNext, Inc.

Lewis E. Randall, Private Investor

Lester C. Thurow, PhD., Lemelson Professor of Management and Economics, Sloan School, Massachusetts Institute of Technology

Donna L. Weaver, Chairman, MxSecure, Inc.

COMPANY MILESTONES

2004

- Added to S&P 500
- Rebated nearly \$2 million to customers through our exclusive 12b-1 mutual fund rebate program
- Reduced E*TRADE Index fund expenses to be the lowest cost stock index fund provider in the industry
- Reset the bar for active trading with the two-second execution guarantee, enhanced options functionality, improved trading platform functionality and the introduction of the Power E*TRADE "Trading Rewards" credit card offering free trade rewards to our Active Trader customers
- Set up operations in Iceland
- Upgraded etrade.com, providing customers with easier navigation and one-screen view of all their account information
- Introduced Equity Express, making home equity loans and lines of credit available in one week
- Completed the sale of ATM network to Cardtronics
- E*TRADE FINANCIAL Center — Chicago opened
- E*TRADE FINANCIAL Center — Costa Mesa opened
- E*TRADE FINANCIAL Center — Palo Alto opened
- E*TRADE FINANCIAL Center — San Diego opened
- E*TRADE FINANCIAL Center — Washington, D.C. opened

2003

- Company renamed E*TRADE FINANCIAL Corporation
- The nation's first widely-available portable mortgages offered
- 12b-1 Mutual Fund Fee Rebate Program announced
- Sweep accounts established
- Real-time transfers between bank and brokerage accounts offered
- Portable rate program launched for marine loans
- Fair Compare mortgage comparison tool announced
- E*TRADE FINANCIAL Center — Alpharetta opened
- E*TRADE FINANCIAL Center — Orlando opened

2002

- Tradescape acquisition — to become E*TRADE Professional Trading
- Trading technology from A.B. Watley acquired
- Ganis Credit Corp. acquisition — to become E*TRADE Consumer Finance
- E*TRADE FINANCIAL Center — San Francisco opened

2001

- E*TRADE moved to the NYSE
- Power E*TRADE Pro introduced
- MarketTrader introduced
- LoansDirect acquisition — to become E*TRADE Mortgage
- Dempsey & Company acquisition

E*TRADE Germany launched

E*TRADE Hong Kong launched

E*TRADE FINANCIAL Center — New York opened

E*TRADE FINANCIAL Center — Denver opened

E*TRADE FINANCIAL Center — Boston opened

E*TRADE FINANCIAL Center — Beverly Hills opened

2000 Telebank acquisition — to become E*TRADE Bank

CCS acquisition — to become E*TRADE Access

1999 TIR Holdings acquisition

ClearStation acquisition

E*TRADE Sweden launched

E*TRADE Denmark launched

1998 ShareData acquisition — to become E*TRADE Corporate Services

Power E*TRADE launched

E*TRADE Australia launched

E*TRADE Japan launched

E*TRADE UK launched

1997 OptionsLink acquisition

E*TRADE Canada launched

1996 Initial Public Offering

www.etrade.com launched



A TRIBUTE TO BILL PORTER



“What sets Bill apart from other technology innovators is his grasp of business...not only does he have an amazing grasp of the numbers, both financial and operational, but he understands the customer and is a champion of the customer.”

—George Hayter, Chairman of the Board, E*TRADE FINANCIAL Corporation

“Bill is meditative in the technological sense...he is remarkable in his ability to look at the commonplace, say ‘That could be done better,’ think very deeply and come up with an idea.”

—Joan Porter, Bill’s wife

“Bill Porter is an ideal example of what a Sloan education produces: an innovator, a builder, a successful entrepreneur.”

— MIT Sloan School of Management Dean Richard Schmalense

It is no exaggeration to say that E*TRADE FINANCIAL would not exist without the brilliance and dedication of Bill Porter. As its co-founder, first Chairman and now Chairman Emeritus, Bill exemplifies the innovative thinking and willingness to challenge the status quo that sets the firm apart from traditional financial companies.

Bill is one of those rare individuals with both the vision to imagine an entirely new way to do business and the ingenuity to bring that vision to life. By 1982, Bill had already launched Trade Plus, an electronic service bureau for stockbrokers that processed the world’s first online trade. When the World Wide Web blossomed in the 1990’s, he saw the opportunity to apply the expertise he had gained in electronic exchanges to make online trading directly available to individuals as well. The result was E*TRADE — empowering retail investors and revolutionizing the brokerage industry.

Not only did Bill’s technological and business expertise help build a thriving enterprise, but his personality helped to shape the unique culture which would become E*TRADE FINANCIAL. The open and frank communication that is so much a part of the Company is very much a reflection of his personality — he has always called it as he sees it, and encouraged honesty in others. He is a person of principle who has generated enormous admiration and loyalty among his colleagues.

Today, Bill continues to offer strategic guidance and lead by example with his positive energy and vision. Yet what is perhaps most remarkable about him is that E*TRADE FINANCIAL is only one of his many triumphs as an inventor and entrepreneur.

For example, Bill devised the first color low-light-level broadcast television camera and first infrared horizon sensor for satellite stabilization, along with over 20 other products and 14 patents. In 2000, he launched a new venture, the International Securities Exchange, the nation's first entirely electronic options market. He is also an active contributor to the MIT Sloan School of Management, which he attended as a Sloan Fellow in 1967, making possible the construction of the William A. Porter Management Center and supporting other important programs.

For someone who has accomplished so much, Bill is remarkably humble, focused on finding the next solution rather than looking back at past achievements. Nevertheless, E*TRADE FINANCIAL's customers, employees, and shareholders are united in gratitude for what he has accomplished and in anticipation of the good things still to come from this unique and remarkable man.

A LEGACY OF ACHIEVEMENT

- 1952** Earns MA in physics from Kansas State University
- 1967** Earns MA in business as a Sloan Fellow at MIT Sloan School of Management
- 1982** Launches Trade Plus, electronic service bureau for stockbrokers
- 1983** World's first online trade executed through Trade Plus
- 1996** Trade Plus renamed E-Trade Group, launches www.etrade.com and goes public.

Establishes professorship in entrepreneurship at MIT's Sloan School
- 1999** Makes \$25 million gift to Sloan School to construct William A. Porter Management Center
- 2000** Launches International Securities Exchange, nation's first entirely electronic options market

