

**EXTRADE<sup>®</sup>**  
**CORPORATE REPORT 2010**

# **E\*TRADE<sup>®</sup>**

## **CORPORATE REPORT 2010**

### **To Our Shareholders:**

2010 was a defining year for E\*TRADE and on behalf of the Company's 3,000 employees, I am pleased to report our progress. We delivered significantly improved financial results; made continued investments in the customer experience; and commenced our strategy for growth. And while we navigated the challenges of an industry-wide decline in trading activity and a difficult interest rate environment, we benefited from solid execution in our retail brokerage franchise, a strengthened capital structure, and improving trends in our legacy loan portfolio. We are positioned to deliver full year profitability in 2011 and optimistic about the opportunities ahead

### **2010 Performance**

We entered 2010 with a solid brokerage business and improving trends in our loan portfolio, supported by a successful recapitalization completed in 2009. Over the course of the year, we delivered growth in net new accounts, net new assets and margin receivables. And while DART levels were down across the industry, we experienced increased engagement as we ended the year. We reported healthy growth in our core brokerage business during 2010, adding 54,000 net new brokerage accounts and \$8.1 billion in net new brokerage assets, and improving our brokerage customer attrition rate from 14.3 percent during the fourth quarter of 2009 to 10.3 percent during the fourth quarter of 2010. This progress, we believe, is a result of our relentless focus on the customer experience, supported by investments in a number of product launches and service enhancements released during 2010, including:

- A simplified pricing structure, providing a competitive offering for both active traders and long-term investors;
- An enhanced Power E\*TRADE Pro offering, with CNBC streaming video, and expanded customization, news and information, and navigation tools;
- Application Programming Interface (API), allowing third-party vendors and independent software developers to interface seamlessly with our investing platform;
- The addition of E\*TRADE Mobile Pro for iPad™, Android™ and Blackberry Storm™ for mobile investors;
- Expanded advice offering through Managed Investment Portfolios, providing one-on-one professional portfolio advice at a competitive fee structure and an accessible entry point of \$25,000; and
- Increased investor education opportunities, including more than 630,000 interactions in 2010 – via both live and online events.

We were also pleased with the continued progress made throughout 2010 in our legacy loan portfolio. Improving loan performance trends drove a 48 percent decline in our loan loss provision, and we exited the year with a loan portfolio of \$16.2 billion, down 21 percent compared with the balance at the end of 2009.

Finally, in 2010 E\*TRADE Bank generated \$206 million of risk-based capital, ending the year with \$1.1 billion of excess risk-based capital over well capitalized levels.

## Looking Forward: Focus on Growth and Innovation

We entered 2011 with solid momentum in our brokerage business, a renewed emphasis on innovation and focus on four primary areas of growth that we believe should enhance shareholder value.

Specific to our brokerage, we will **leverage our successful franchise** by growing our sales force of licensed professionals, expanding our product and service offerings, and maximizing our marketing spend. We plan to grow our sales force by 35 percent in 2011 and continue to increase our emphasis on long-term investor and retirement offerings, including Managed Investment Portfolios and the recently released Unified Managed Account. On the marketing side, we continue to execute a focused advertising strategy that highlights our active trader offering and targets long-term and retirement investors with the right mix of product-focused ads and those that include the iconic E\*TRADE Baby. We are executing on 2011 product plans that include E\*TRADE Community and a highly personalized investing experience through MyE\*TRADE, as well further enhancement in the mobile, personalization, options and API areas.

We will focus on **expanding the firm's corporate customer base**, where we enjoy both scale and leadership. Through our Corporate Services Group, which provides equity compensation tools and services to more than 20 percent of the S&P 500 and is an important source of new brokerage customers, we expect to address large client, C-Suite and partnership opportunities. Through our Market Making business, we are focused on maximizing the value of internal order flow, while growing external order flow from other broker-dealers, with more than 165 firms routing orders to E\*TRADE.

Building on our heritage of **innovation**, we will work to identify and test disruptive innovations with the potential to deliver value propositions that re-define the customer experience for investors seeking enhanced ways to manage their wealth.

And, finally, we believe that E\*TRADE Bank can continue to play an important role in helping us **optimize** the value of our stable and low-cost brokerage **customer deposit base**, which continues to exhibit growth.

While we invest in potential growth opportunities, we will continue to manage our expenses with an eye toward funding growth initiatives in sales and marketing through cost savings in other areas. We will also continue to manage our loan portfolio to mitigate risk.

I am extremely proud of the progress we made during 2010 and optimistic about E\*TRADE's future. We have a vibrant brand, loyal customers and 3,000 engaged, dedicated employees. We enjoy strong momentum and are well positioned for the future as a result of contributions from many people. Robert Druskin, our former Board Chairman, is one of them. Bob provided leadership and important counsel during challenging times – we thank him and wish him well in his new role. We thank E\*TRADE leaders and employees who continually step up to deliver and innovate for customers and move the firm forward. It is on behalf of them that I thank our customers and shareholders for their confidence in E\*TRADE.

Sincerely,



Steven J. Freiberg  
Chief Executive Officer

## COMPANY PROFILE

### Company Profile

E\*TRADE Financial Corporation is a financial services company offering a full suite of easy-to-use online brokerage, investing, and banking solutions, delivered at a competitive price. We empower consumers – ranging from active traders to long-term investors – to take control of their financial futures by providing the products, tools, and services they need to meet their near- and long-term investing goals.

We provide services to customers through our website at [www.etrade.com](http://www.etrade.com) and through our network of customer service representatives, relationship managers, and investment advisors – over the phone and in person at our 28 E\*TRADE branches.

We offer a full suite of financial products and services to individual retail traders and investors, including:

### Trading and Investing

- Automated order placement and execution of U.S. equities, futures, options, exchange-traded funds and bond orders;
- FDIC insured sweep deposit accounts that automatically transfer funds to and from customer brokerage accounts;
- E\*TRADE Mobile Pro, allowing customers to trade stocks and transfer funds between accounts via a Blackberry®; an Apple iPhone™, iPod® Touch, or iPad™; or an Android™ device, as well as the ability to monitor real-time investment, market and account information;
- Power E\*TRADE Pro, our desktop trading software for qualified active traders, which includes CNBC streaming video provides customers with customization capabilities, an expanded feature set, and more news and information;
- Open applications programming interface (“Open API”), providing software developers access to resources for networking external applications with our active trader platform;
- A 2-Second Execution Guarantee on qualified market orders of between 100-500 shares of stock in the S&P 500 Index;
- Margin accounts allowing customers to borrow against their securities;
- Cross-border trading, allowing customers residing outside of the U.S. to trade in U.S. securities;
- Access to international equities in Canada, France, Germany, Hong Kong, Japan and the United Kingdom in their local currencies; and
- Research and trade idea generation tools that assist customers with identifying investment opportunities; these tools include market commentary from Dreyfus and Minyanville’s Buzz & Banter, a business and finance site.

### Long-Term Investing Products and Services

- E\*TRADE’s Investor Resource Center, an aggregated view of our investing tools, market insights, independent research, education and other investing resources;
- Flexible solutions through Online Advisor, our online tool designed to provide investors with actionable guidance ranging from fully self-directed online brokerage to 100 percent discretionary portfolio management from an affiliated registered investment adviser;

## **Long-Term Investing Products and Services (continued)**

- Fixed income tools in our Bond Resource Center designed to help customers identify, evaluate and implement fixed income investment strategies;  
Retirement QuickPlan, which is an easy-to-use, four-step retirement planning tool that provides a quick assessment of an individual's or a family's retirement savings and investing plan as well as tips to help get on track with personal retirement savings goals;
- Managed investment portfolio advisory services with an investment of \$25,000 or more from an affiliated registered investment adviser, which provides one-on-one professional portfolio management for a fee;
- Unified managed account advisory services with an investment of \$250,000 or more from an affiliated registered investment advisor, which provides customers the opportunity to work with a dedicated investment professional to obtain a comprehensive, integrated approach to asset allocation, investments, portfolio rebalancing and tax management;
- No fee and no minimum individual retirement accounts;
- Access to more than 1,000 non-proprietary exchange-traded funds and over 8,000 nonproprietary mutual funds;
- Investing and trading educational services via online videos, web seminars and web tutorials; and
- FDIC insured deposit accounts, including checking, savings and money market accounts.

We also work with business customers through our Corporate Services and Market Making businesses:

### **Corporate Services**

Through our Corporate Services Group, we offer software and services for managing equity compensation plans for corporate customers. Our Equity Edge platform facilitates the management of employee option plans, employee stock purchase plans and restricted stock plans, including necessary accounting and reporting functions. Currently, our corporate clients comprise more than 20 percent of the S&P 500.

### **Market Making**

Through our market making activities we match buyers and sellers of securities from our retail brokerage business and unrelated third parties. As a market maker, we take positions in securities and function as a wholesale trader by combining trading lots to match buyers and sellers of securities. We currently receive customer order flow from more than 165 broker-dealers.

## CORPORATE INFORMATION

### E\*TRADE Financial Board of Directors

**Ronald D. Fisher**

President, SoftBank Holdings, Inc.

**Steven J. Freiberg**

Chief Executive Office, E\*TRADE Financial Corporation

**Kenneth C. Griffin**

Founder and Chief Executive Officer,  
Citadel L.L.C.

**Frederick W. Kanner**

Of Counsel, Dewey & LeBoeuf LLP

**Michael K. Parks**

Managing Director, Crescent Capital Group

**Lewis E. Randall**

Private Investor

**Joseph L. Sclafani**

Retired Banking Executive

**Joseph M. Velli**

Chairman and Chief Executive Officer,  
BNY ConvergEX Group

**Donna L. Weaver**

Chairman, MxSecure, Inc.

**Stephen H. Willard**

Chief Executive Officer, Flamel Technologies S.A.

### E\*TRADE Financial Executive Leadership

**Steven J. Freiberg**

Chief Executive Officer

**Matthew J. Audette**

Chief Financial Officer

**Paul Brandow**

Chief Risk Officer

**Michael J. Curcio**

President of E\*TRADE Securities

**Gregory A. Framke**

Chief Information and Operations Officer

**Andrew G. Goodman**

Chief Human Resources Officer

**Peter Knitzer**

President of E\*TRADE Bank

**Amy J. Radin**

Chief Innovation Officer

**Karl A. Roessner**

General Counsel

**Nicholas A. Utton**

Chief Marketing Officer

## CORPORATE INFORMATION

### Shareholder Services

#### Corporate Headquarters

1271 Avenue of the Americas  
14th Floor  
New York, NY 10020-1302

#### Shareholder Information

ir@etrade.com  
646-521-4340

#### Investor Relations

Brett Goodman  
brett.goodman@etrade.com  
646-521-4406

#### Corporate Communications

Susan Hickey  
susan.hickey@etrade.com  
646-521-4675

#### 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  
1-800-937-5449

#### Independent Auditors

Deloitte & Touche LLP  
McLean, VA

#### Annual Meeting of Stockholders

May 12, 2011 – 10:00 a.m. ET  
Time & Life Building Conference Center  
2nd Floor, Room #1  
1271 Avenue of the Americas  
New York, NY 10020

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**Forward-Looking Statements:** The statements contained herein 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. Such statements include those relating to the ability of the Company to achieve growth and profitability, attract and retain customers, increase brokerage inflows, reduce expenses, avoid unexpected or unusual expenses and continue progress in our legacy loan portfolio. The uncertainties and risks include, but are not limited to, potential changes in market activity, anticipated changes in the rate of new customer acquisition, macro trends of the economy in general and the residential real estate market, instability in the consumer credit markets and credit trends, increased mortgage loan delinquency and default rates, portfolio growth, portfolio seasoning and resolution through collections, sales or chargeoffs, the uncertainty surrounding the foreclosure process, and the potential negative regulatory consequences resulting from the implementation of financial regulatory reform as well as from actions by the Office of Thrift Supervision or other regulators. Further information about these risks and uncertainties can be found in the annual, quarterly, and current reports on Form 10-K, Form 10-Q, and Form 8-K previously filed by E\*TRADE Financial Corporation with the Securities and Exchange Commission ("SEC") (including information in these reports under the caption "Risk Factors"). Any forward-looking statement included herein speaks only as of the date of this communication; the Company disclaims any obligation to update any information.

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