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PRESENTATION

Unidentified Speaker

Presenting at our conference for the first time this year is E*TRADE. 2005 was a busy year for the retail brokerage industry, and in the middle of all the action was E*TRADE. The Company launched its E*TRADE Complete offering early in the year, issued a letter of interest to Ameritrade Board of Directors, and thus igniting industry consolidation, and along the way, completed a few deals of their own, namely and most notably Harrisdirect and BrownCo. The Company ended the year with record revenues, earnings and client assets.

Here to share the Company's thoughts on the industry and provide us with an update on the integration and what is to come in '06 is the CFO of the company, Rob Simmons. Please join me in welcoming him.

Rob Simmons - *E*TRADE FINANCIAL Corp. - CFO*

Thanks, Howard, and thanks to all of you for your interest in E*TRADE today. It has been a great run for us. The management team that's in place at E*TRADE has been together for about three years now, and it's been a great run. Again, I'm excited to be here today to talk a little bit about our successes in the past but, maybe more importantly, talk about where we think we have an opportunity to go, going forward.

Obviously, we need to start with a Safe Harbor statement that you'll see on the screen here that some of the comments that I will say will be forward-looking in nature, and that they are subject to risks that we disclose in our SEC filings.

So just in terms of agenda today, I want to start with just a big picture industry outlook, and then we'll kind of drill down into some of the details specific to the Company. I'll talk a little bit about 2005 and a review of our success in 2005, talk a little bit about the integration progress with our Harris and our Brown acquisitions that we made in late 2005, and then we'll touch on 2006 guidance.

So just in terms of big picture, we really like certain things that we're seeing about trends and secular trends in our industry. The first one is that we continue to see online taking share from offline financial services. This is really exciting for us. We think that the sweet spot for us continues to be those customers in the 50 to $500,000 of investable assets range, which continue to be those customers that are largely ignored or underserved by the large bulge bracket firms. So we think that the value proposition that we can offer a customer like that is very compelling, and that is going to be the driver of our growth over time.

If you look at this chart, this is really our business model, graphically depicted in one spot. It all revolves around the retail customer. Everything that we have strategically, tactically and operationally relies on that global customer, the global retail customer being at the center of things. You can see that, from a perspective of the retail customer, obviously, several years ago people thought of E*TRADE as a place to come and trade stocks. What we want is for people to think of E*TRADE FINANCIAL now to think of a place where they come with their trading dollars, but also with their investing, their lending or borrowing activity and cash management, as well. And in fact, we're seeing strong growth, strong engagement across all these areas with our customer base.

Finally, you see the capital markets ring. We have an institutional business in place that exists really to leverage what's going on with those retail customers from a flow perspective. And let me drill down and talk a little bit about that. First, in the retail part of our business, which is about 1 billion of our total 1.7 billion in revenue that we did in 2005, was driven around that retail trading, investing, lending and cash management businesses.

If you look at the capital markets component, that's the balance sheet management group. That's the group that is taking those retail assets and those retail liabilities in the form of deposits that are being generated from those retail customers and making sure that we are optimizing it, both from a capital and a yield perspective.

Similarly, we have a market-maker business that takes the retail flow that's being generated from that retail brokerage business and making sure that that order flow is being optimized, both for best execution, for our customers as well as the overall net economics that we are generating for the firm. And finally, we have a sales and trading business on the institutional side that leverages the technology infrastructure and the technology investment that we've already made to be able to service our money managers and our hedge fund managers that comprise our institutional brokerage business, as well.

Let me talk a little bit about our revenue mix, because this has been one of the things that we have engineered intentionally over the past several years to drive a much higher-quality, much more recurring type of revenue stream, and yet continue to grow it at the same time. One of the things we point to is the mix of retail commissions as a percentage of our total mix. Again, people think of us as a trading shop, still. And yet, that only represents the trading part of our business, only represents 20% of our overall revenue mix. You can see that 80% comes from sources such as net interest income, principal transactions and recurring service charges fees and gain on sale from our origination businesses.

So, in terms of -- you know, perception is slow to catch up to reality. But the reality is that today, post-integration commission revenue, retail commission revenue will continue to be in the low 20's to mid 20's as a percentage of our total revenue mix. And thus, growth for us is much more than just growing our trading business; it's growing our cash management business, it's growing our investing business. And we are really excited about how we have seen that mix grow. And in fact, in the fourth quarter alone, ending December 31st, we actually saw $1 billion of organic cash growth come from our customer base. This is every bit as exciting to me as growing our DARTs X%. This is something that is helping us build the franchise.

Let me talk a little bit about commission rates because, again, a year ago this was the topic of a lot of discussion. We have seen -- if you go back over the last three years or over the past six years, whatever you want to measure it -- commission rates on average have come down in the industry by about 7 to 9%. You can see where that has come, from an E*TRADE perspective, going from $16 per trade down to $13 per trade. Yet at the same time, we been able to grow net revenue a compounded 11% a year. And look at our operating margins; we've gone from 23% operating margins in 2003 to 38%, ending the year of 2005. Our guidance for 2006 is that we will be running somewhere in the 43% range from an operating margin perspective. So you can see that, despite the downward pressure that there has been on commission pricing, representing that 20% of our revenue base, that we have been able to widen other parts of our business and be more efficient in the way we deploy technology and deploy our operations to stay way ahead of that pricing trend.

I think the yield curve merits a little bit of a discussion, because this is one of the other things that obviously we all have to deal with in the financial services world, is the very flat yield curve. In fact, we were looking earlier today, and the 2 to 10's are running at about a negative 4 spread right now. It was not too many months ago that we were running back in the 100 to 150 basis points of spread in the 2 to 10 range. But, despite the flattening of the yield curve that we have seen in recent quarters, we have been able to continue to widen our net interest spread, as you can see in that bottom chart there in the purple line. The most recent quarter, we grew our enterprise spread to 257 basis points, up from 252 basis points in the third quarter, despite the fact that we took about 8 basis points or so of pain from the fact that the yield curve continued to flatten in the fourth quarter.

We have been able to do this because we have been able to continue to attract a nice flow of retail deposits organically from our customer base, which has allowed us to repay higher costing sources of wholesale funding and continue to widen our spread, despite the fact that the yield curve environment has been somewhat less than friendly.

Just a word about our credit and our overall loan portfolio, because I think this is one of the important philosophical differences between us and a lot of our regional bank competitors. If you look at our total loan portfolio, it's about $25 billion right now -- 15 billion in mortgage loans, 4 billion in consumer and a little over 6 billion in margin loans. The average FICO score of that is about 734. We do very little to none in the sub-prime space, and philosophically we don't see that changing any time at all.

So you can see that in the charts on the right there, what that has meant in terms of loan loss performance has been extraordinarily good, relative to any of the industry benchmarks that we're able to measure ourselves against. And through the last couple of credit cycles, our portfolio has continued to perform very well. Even the consumer loan book, which for us is comprised mostly of marine and RV loans that we got from a 2002 acquisition of an originator called Ganis, which we have now sold to GE in 2005. That consumer loan book has continued to perform very well, better than we had originally modeled, because of the high FICO nature. You can see that in that consumer loan book, it's actually the highest tranche, from a FICO or a credit perspective, of our entire loan book.

Early in 2005, we launched a product that we called E*TRADE Complete. E*TRADE Complete is a product that really is meant to marry some of the functionality typical of a retail account brokerage account with a retail banking account. We are making it easier for people to pay their bills, to engage in cash transfers, to manage their whole cash management picture from one account. And we think that this has been one of the sources that has really been effective in helping us continue to grow our cash balances organically.

That Intelligent Cash Optimizer, which was embedded as part of our E*TRADE Complete rollout last year, has really been effective in helping people understand the full suite of cash management products that are available to them, the different rate tiers that they can get, depending on the various liquidity characteristics of those cash management products that our customers may desire or need.

Similarly, we are launching in the next quarter or so what we call our Intelligent Lending Optimizer, doing the same thing for people just on the credit side of their overall account picture, helping them understand the various options that are available, with respect to mortgage lending or home equity lines of credit or home equity loans or credit card products that we have to help people manage their entire financial life in one place very easily and in a complete way.

Measuring success is something that we also obviously are accountable to all of you for. And one of the things that we have done is we have really focused on certain metrics that we think are the key drivers to building a franchise going forward. One of them has been assets per customer. You can see it was back in 2003 that we had $24,000 on average per customer. This is pretty light, and we have now grown to 51,000 as of the end of December of 2005 -- nice progress. We still think we've got a ways to go. We would like to see this trend continue.

Products per customer is a measurement of customer engagement for us. How many of the full suite of products that we make available to our customers are they actually engaging in, are they actually using? And again, the rollout of E*TRADE Complete was designed to make that engagement very easy for people. You can see we've gone from 1.7 products per customer two years ago to we ended the most recent fiscal year at 2.1 products per customer -- again, nice progress. We think we've still got a nice opportunity, though, going forward, in that we think that engaging more deeply and more meaningfully with our existing customer base is a source of future growth for us.

Let me just touch on some of the highlights from 2005, because I think it's kind of fun to take a moment to look back. We had record revenue of $1.7 billion in the year; record net income of $430 million; record operating margin of 38% for the year; EBITDA, $869 million; client assets grew by the end of the year to $178 billion; and we completed the acquisitions of Harris and Brown, which are now -- we are continuing to work on the integration of both of those acquisitions as we speak.

This model is really designed to be as efficient and effective in delivering economics as possible. One of the things that we've really worked hard as a management team to do is to make sure there is as much operating leverage in that model as possible. So take a look at how we're doing. So, if you look at our net revenue growth, it grew about 15% year over year from 2004 to 2005. Segment income or operating income grew by 31%. That's the kind of operating leverage that we want to continue to have, and in fact that's part of our long-term growth objectives, is to continue that trend, to grow revenue on a long-term organic basis in the 10 to 15% range and continue to run operating margins in the 40% range, which should lead to income growth in the 20 to 25% range on a long-term basis.

Capital deployment is another thing that is very much a focus for me, as the CFO of the Company, and one of the things that I'm accountable to shareholders, bondholders and the Board alike to make sure that we're doing that. And in fact, if you look at the actions that we've taken as a company over the past couple of years, you can really understand them very well, when looking through the lens of the capital deployment camera. We've sold a number of businesses that were not meeting our return thresholds for capital and jettisoned them. We've invested in new opportunities that we thought brought a better threshold return for us. The main use of the capital that we've grown internally, through our own internally generated fund, has gone to continue to invest in the positive net present value projects available to us internally, in both the bank and the brokerage legal entities.

In 2005 alone, we deployed $400 million of capital in the form of regulatory capital to help grow our balance sheet. Strategic acquisitions -- obviously, you've seen us act on that front in doing accretive acquisitions that we've done in 2005.

Debt retirement and stock repurchases continue to be an important focus for us. From a leverage standpoint, we have an objective as a company to get to investment-grade rating from a debt standpoint, and continue to balance leverage with the opportunistic repurchase of our stock over time, as appropriate.

In terms of customer relationships, again, this is one of the areas -- if you look at the key drivers of our business, it's much more than just trading volumes. Even though the people focus on DARTs and people love DARTs and I love DARTs as much as anybody, the way that we are building a franchise is in a multi-pronged way. So look at assets. Assets have grown, for customer, 49% year over year. Cash is up 28% year over year. Margin debt is up 148% year over year. And, then, again, revenue per customer again growing 9% on a year-over-year basis, but income from that same customer base growing 17%, again reflecting the operating leverage in our model today.

Let me just take a little bit to talk about the integration of the two acquisitions that we've got, because I think there's a lot of good news in that. In both the case of Harrisdirect and BrownCo, we're very much ahead of schedule. When we had originally signed these deals, we had assumed that they would close around or after the first of the year. In both cases, we were able to close those much earlier than that. In fact, the conversion for Harrisdirect, the cutover from the old Harrisdirect platform to the new E*TRADE platform was completed in mid-January. There were a few hiccups along the way. Hold times were much higher than we expected, which we are working very hard to fix at this point. And in fact, hold times have come down dramatically again.

The thing that we are watching also very carefully is attrition. One of the things we had done when we were in diligence with these deals and modeling out what we thought synergies would be, related to these acquisitions, was how much attrition can we expect? And if you look at the pre-acquisition world in the industry that we operated in, most companies, including E*TRADE FINANCIAL -- we had gone along for many years experiencing somewhere in the neighborhood of 5 to 10% attrition just within our normal customer base; that's what I would call normal attrition. In addition to that, we had assumed that in connection with these acquisitions that there would be acquisition-related attrition of about 10%, from an account standpoint, and about 15% from an asset or an economic standpoint there.

And what I mean by that is that when we assumed that we would lose or there would be attrition of 10% of customers, we didn't assume they were just the average customers or the lower end or the profitable customer; we actually assume they were toward the higher end, the more valuable customers. And so there's nothing that we've seen so far, with the integration of either Harris or Brown, that leads us to think that we need to modify in any way the original guidance that we've had. We continue to be under 4% attrition in the Harris, and we're running about 6% for Brown.

So again, too early to declare victory at this point, but we're pleased with everything that we've seen so far. Again, similarly for Brown, we're very much ahead of schedule. The conversion for Brown is slated at this point for sometime in early second quarter, and we're going to definitely take some of the lessons that we learned from the Harris conversion and apply them to the Brown conversion. We think that, all in all, the Brown conversion should be much easier, just because it's a similar technology platform, similar back-office provider. BrownCo is currently on an ADP back-office platform; we are on an ADP back-office platform. BrownCo was, obviously, self-clearing; we are self-clearing. All those things that we didn't enjoy with Harris, who was not a self-clearing entity, made it a little more tricky from an acquisition and integration standpoint.

Let me talk a little bit about organic growth because obviously everyone, I think, has seen the benefits of consolidation through acquisition, just in terms of the scale and the value creation that has been available to the industry [vat]. But I want to talk about organic growth, too. One of the things that we continue to focus on is broadening our customer relationships. This is what we're talking about when we are talking about products per customer or customer engagement. We think there is a very nice opportunity for us to go from those 2.1 products per customer and continue to expand on that, although, just as a footnote, with respect to the Brown and the Harris acquisitions, we actually modeled in zero cross-sell. We only modeled economics coming over from those acquisitions that were purely related to either their customers' trading activity, their cash balances or their margin balances that came with the acquisition. We assumed nothing for additional cross-sell of other E*TRADE FINANCIAL products.

The other thing we're going to do is continue to focus on the serious investor sector. That's that category that's defined in that 50 to 500,000 of investable assets, a category that will continue to be the focus of our marketing and our product offerings for the year.

Options volume has been an interesting growth area for us. One of the things that we've kind of been quiet about until recently was just how successful our options business has been. If you go back a year ago, options represented 7.7% of our total trading volume. Today, it's running at about 11.2%. That's important, because options carry about twice the average commission of a vanilla equity trade for us. So it's a very nice area of growth for us economically, very accretive to us. So options volume continues to be an area of focus and one of, really, the nice success stories that we've had over the past couple of years, as we've worked on rolling out enhancements to our options functionality, which happened about a year ago. That's paid very nice dividends for us.

Cash is another very exciting story for us. I think we're starting to see a combination of the success of our E*TRADE Complete product, as it has been rolled out, and the Cash Optimizer, which has allowed our customers to better appreciate the full spectrum of alternatives that are available for their cash investment dollars. And what it has meant for us, in general, is that people have been bringing more cash to us -- again, as we've talked about, $800 million of organic growth in the third quarter, $1 billion of organic growth in the fourth quarter. We love those trends. So cash is another area that we will continue to focus on as we continue to market our cash management solutions.

Credit is also important. We're rolling out, again in the next quarter, our Intelligent Lending Optimizer. We want to engage more deeply with our customers around credit products, as well.

And then finally, service -- we're very committed to service. With respect to the acquisitions of Brown and Harris, we're retaining the service personnel, the service platform that came with those two acquisitions. And we're continuing to hire very rapidly to make sure that we're able to deliver world-class service to our entire customer base.

From an institutional standpoint, balance sheet management is something that we are really starting to look at ourselves and manage ourselves as one global balance sheet, not just as a legal entity called a bank or a legal entity called a broker; we're looking at it as one global balance sheet and managing that asset and liability allocation across that entire balance sheet.

Risk management -- we're leveraging the world-class risk management team that we've got in place today to make sure that they are looking at our entire enterprise risk there.

From a market-making standpoint, there's a lot of movement in the market infrastructure world these days, obviously. And so our market-maker is doing a lot to optimize that captive order flow that's coming from E*TRADE securities, and making sure that we're optimizing it for both customer best execution as well as economics that are there.

And finally, institutional sales and trading continues to be a small piece of our business, but one that we think has a nice opportunity to leverage the existing infrastructure investment has been made already.

Let me talk a little bit about 2006 guidance now, because this is -- our company practice is to come out at the beginning of the year or, actually, we usually come out in December and we talk about our guidance for the year to come. And we only give annual guidance; we don't give quarterly guidance. In December of 2004, we came out with guidance that we thought we would do somewhere between $0.93 and $1.08, and in fact we posted GAAP earnings of $1.12. Or, if you want to exclude certain nonrecurring items, we did $1.10. So we were pleased to have a very successful year in 2005.

For 2006, last December we came out with guidance that was $1.25 to $1.40, but that included $0.05 of nonrecurring kind of integration type expense that we continue to anticipate to expend in 2006 on the integration of both Harris and Brown. So, if you want to exclude the $0.05 of one-time integration costs, as most of the sell side currently is, then our range would then become $1.30 to $1.45 for 2006.

You can see, in terms of key drivers, where we're expecting to be. In terms of enterprise interest-earning assets, on average for the quarter, we were about $36 billion. We ended the quarter, though, at about 40. So we are at about 40 billion exiting the year. We're assuming enterprise-earning assets, on average, for 2006 of between 41 billion and $44 billion.

In terms of spread, again, we were up 5 basis points in the fourth quarter to 257 basis points. We are assuming 2006 modest expansion of spread from about 270 to about 285, which, again, is going to be dependent a little bit on what happens with the yield curve. But also, we're excited about, again, the growth in cash that we have seen that has helped us continue to widen spread despite those challenging yield curve environments that we have been operating in for the last three or four quarters.

Customer cash -- again, 28.8 billion is where we ended the year. We're assuming only modest growth going forward of 28 to 30 billion on average. Again, we hope there is some upside to that opportunity, as well. Average commission per revenue trade -- you can see that we averaged on the quarter about 12.95. We're assuming that average commissions for the year are going to be in the 12.25 to 12.40 range. And finally, we're assuming daily average revenue trades -- again, that part that represents about 20% of our business -- is going to be in the 135,000 to 150,000 trade per day range, on average, for all of 2006.

So that's where we are with that. I think we've got some time Q&A.

QUESTIONS AND ANSWERS

Unidentified Speaker

Thanks, Rob. Maybe I'll kick it off. You highlighted, in one of the slides, one of the drivers of the net interest expansion has been the robust deposit growth that you guys have experienced. What are you seeing on the deposit pricing and competition front, if anything, and maybe today versus six months ago versus a year ago?

Rob Simmons - *E*TRADE FINANCIAL Corp. - CFO*

One of the things we're seeing has actually been good news for us, that as the short end of the curve has come up, that people are starting to pay attention to rates again. Back when you were earning 50 basis points or 100 basis points of the short end of the curve, people largely didn't care. But now that Fed funds is now in the kind of mid-4 range, people are starting to care a little bit more. And so, we've got a tool in place that has allowed people to understand the full options that are available to them just within the E*TRADE family. And evidently, they like what they are seeing; this has been the source of that $1 billion of growth in cash deposits that we've seen in the last quarter alone.

So I think that all this plays beautifully into our hand. We went to make our investors smarter. We want to make sure that they are aware of all the options available to them. And then they can manage their own liquidity as they see fit.

Unidentified Audience Member

I was wondering -- on the slide, you showed the average assets per customer going up. If you were to strip out the acquisitions, are you also continuing to see assets per customer go up?

Rob Simmons - *E*TRADE FINANCIAL Corp. - CFO*

Absolutely. If you look at the Harris and the Brown acquisitions, the Brown acquisition had average assets per customer well into the 100's per account; Harris was in the 75 range. So you're seeing that as kind of an annual average, so there's very little impact from the acquisitions in that number.

Unidentified Audience Member

And then, secondly, on the operating margins, you did about a 70% incremental margin. As you look forward on incremental revenues, what kind of margin do you think you can maintain incrementally?

Rob Simmons - *E*TRADE FINANCIAL Corp. - CFO*

One of the things that we have as an internal goal is that every incremental dollar of revenue that comes -- we're now, obviously, at this point, profitable; we're covering all of our fixed costs. We want every dollar of incremental revenue to have about an 80 to 85% incremental margin characteristic with it. We're definitely there, when you look at incremental trading volume. So as an extra dollar of commission revenue comes in, it's got about an 85% margin characteristic to it.

But we are not betting -- this is the point. We are not betting on getting back to trading volumes of the 1990s or the early 2000s. We're trying to build an entire franchise around having our customers engage not only in incremental trading, as it will kind of ebb and flow, but also in cash -- which tends to be much more consistent over time, much more recurring in time -- around credit products which, again, are much more consistent and recurring over time, and then, similarly, bring very high incremental op margin from each of the engagement dollars that come from those products, as well.

We're about leveraging the technology investment that we've already made and getting the most out of it. That's why it's so accretive for us when we can come and do an acquisition like a Harris or like a Brown, because it's not just about trades. It's about -- we love trades; we loved the trades that come, and the incremental trades have very nice margins. But also the incremental cash that comes, the internal margin that comes -- if you look at the incremental margin on each of those revenue dollars, it has a very attractive operating margin characteristic. That's how we're able to go from 38% operating margin in 2005 to what we think will be about 43% in 2006.

Unidentified Audience Member

And on that, Rob, with building scale of the business, how many other Harrisdirect and Browns do you think there are? Maybe you can frame your thoughts on the M&A landscape for the industry?

Rob Simmons - *E*TRADE FINANCIAL Corp. - CFO*

Sure. There are other broker/dealer type opportunities out there, and to the extent that there are opportunities to do something similar with what we've done with Brown and Harris, i.e., make an acquisition that brought cash and credit and trades all together, something that can be accretive very quickly, something that fits strategically into our model -- all those things are our criteria for a deal.

There are opportunities that are out there. I don't know when and if it's going to happen. We were the early public and private advocates of consolidation in our space. It didn't take a genius to sit down on paper and realize that the value that could be created from a shareholder perspective by consolidating some of these opportunities that were out there. It took us being pretty aggressive in launching -- the letter that we sent to the Board of Ameritrade last June, but I think the industry has all benefited from that consolidation that, again, we have been advocating. And I think that there's definitely room to go.

Unidentified Audience Member

What is your sense in terms of price stability in the business on the trading side, whether your competitors are interested in cutting price like they did last year, or do you think we have achieved some sort of level of stability?

Rob Simmons - *E*TRADE FINANCIAL Corp. - CFO*

Again, for that 20% of our business, I think price stability has been kind of overanalyzed, I think, a little bit. I think that we're now to the point that, in the industry, two or three years ago you had lots of outliers. There was a very high standard deviation, in terms of the distribution of where the different price points for the industry were.

What you see now is we have kind of all converged around this 7, 8, 9, $10 point. And my opinion is that customers really don't care that much about $1 or $2 or $3 either way on the price of a trade. So it's customer behavior that you're trying to incent. One of the things we know is that free trading failed. Companies that offered free trades -- they didn't want that; people didn't trust free. Now, they are willing to pay something. And I think that what we've seen is that the thing that drives market share is being able to offer a complete value proposition.

It's not just about the price of trading. It's about making life easier for people. It's about doing things like we do like you come to E*TRADE, and any ATM in the country is your ATM. You're not going to charged a fee for using any ATM in the country if you are an E*TRADE customer. People like convenience. People like being able to do that. And the more that people understand the full suite of products that we offer, they will understand and appreciate the convenience that we can bring to their lives, in terms of adding a one-stop shop.

So in my mind, that's what is going to drive the growth of the future, is being able to better serve the customers. It's not going to be about who's going to be able to offer the cheapest trade.

Unidentified Audience Member

In your view, where are Harris and Brown, in terms of offering an E*TRADE Complete style service? Because obviously that would appear to be the opportunity.

Rob Simmons - *E*TRADE FINANCIAL Corp. - CFO*

Again, one of the things that we really liked about both Harris and Brown was that they had already started adding value in much more than just a trading way. In the case of Brown, we were really attracted to the amount of margin. The Brown customers tend to be pretty sophisticated. They use a lot of margin. They understand how to use leverage in their own portfolios. We love margin as an asset class for us, and we think of it as an asset class on our overall enterprise balance sheet. So we obviously love the trades that we got from Brown, but we love the margin, we loved the cash that came with that acquisition just as much.

Similarly, in the case of Harris -- Harris had done a very, very good job of customer service historically, and their customers -- Harris was constantly winning awards. We want to model the overall E*TRADE enterprise around that Harris model for customer service, and we want to do a great job of engaging with our customers, again, as Harris did on the trading side but also on the cash side, which I think is one of the real strengths of that acquisition for us, as well.

Unidentified Audience Member

You have clearly broadened the product line over the last few years. Is there businesses or areas of personal finance that you would like to be in, or even on the institutional side, going forward?

Rob Simmons - *E*TRADE FINANCIAL Corp. - CFO*

One of the areas of focus and growth for us has been on the advisor side. Again, we talk about our target customer base being in that 50 to $500,000 range. We have been kind of quietly building internally, though, our own advisor network. We've done a couple of small acquisitions; most recently, we acquired Kobren. That was a Boston-based advisory firm. We've got a pretty good capability in place today, because we want to be able to take our core customers that came to us and grow with them and be able to offer a full suite of products. That's not going to mean for us that we have ambitions to become a major purchaser of branch networks or anything, because that's not what we're about. We think that the model of having hundreds of branches around the country is not appropriate. But we would like -- we've got about 16 regional offices today. We would like to take that up to maybe 36 that would be staffed and serviced by advisors and relationship managers that can help customers with the full suite of products that we have to offer, including those customers that might be migrating to the point, that might be to the place in their career where they need more hands-on advisory type service from us. We love the recurring nature of that fee. Income that comes from that business that fits very nicely into our model operationally, it fits very nicely into our model strategically. So that will be something that you'll see us continue to build out in a capital-friendly way, but yet we will continue to expand our capability in those areas, as well.

Unidentified Speaker

Maybe one more from me before we break out into the breakout room, Rob. You alluded in the presentation to optimizing order flow. And with Reg NMS coming later this year, into '06, how is the Company thinking about the potential impact of Reg NMS and preparing for that and maybe, particularly, from the market-making operation side of things?

Rob Simmons - *E*TRADE FINANCIAL Corp. - CFO*

The good news is that any time a major change like this happens to the industry, there's lots of time for warning and comment period and whatnot. And we have been kind of active in that process, as well. But I think, at the end of the day, the focus won't change. The primary concern for us is going to be around providing best execution for our customers and then, once you are at that threshold, then you want to drive the best economics that you can from that order flow. For us, that has meant that we take the captive order flow that we have coming from our retail brokerage operation, and we internalize about 50% of that through our own market-maker, and about 50% of that we send off to the Knight's and other ECN's of the world, who may do a better job on certain stocks than we do. We have a limited -- we don't want to be all things to all people, but there is a limited population of stocks that we do well. We will internalize that order flow, and the rest will optimize externally and try to do that. And none of that kind of changes in a Reg NMS environment, philosophically.

Unidentified Speaker

And if you think about that 50% internalization today versus like a year ago, where does it stand?

Rob Simmons - *E*TRADE FINANCIAL Corp. - CFO*

About the same. It really hasn't changed. What's changed is just we're now getting bigger. We've got more scale, we have got more volume. And so we can negotiate better deals with some of that order flow that we outsource.

Unidentified Speaker

Great. With that, please join me in thinking Rob Simmons and the E*TRADE team for joining us today.

Rob Simmons - *E*TRADE FINANCIAL Corp. - CFO*

Thanks.

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