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## E\*TRADE FINANCIAL Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Our first question comes from the line of Howard Chen with Credit Suisse.

#### Howard Chen - Credit Suisse

Thanks for taking my question. Don, first question, what level of capital are you comfortable with and what specific capital on leverage levels are you targeting to get everyone comfortable?

#### Don Layton

We are willing to talk about certain targets we have, which we run by internally and it's buried in the text. I'll repeat them. We are looking for the bank to have excess risk weighted assets of \$500 million. We think that's a good cushion. We're looking Tier-1 bank ratio target of 6% at least. And parent cash we'd like to have the cash to have interest expense, cash interest expense needs and other net needs for the next 12 to 24 months on hand at all times.

#### Howard Chen - Credit Suisse

Okay, and then my follow-up. Are you anticipating any potential deposit declines given the yield adjustments you spoke to and if so, maybe more broadly could you talk about your strategy for growth or composition of the liability side of the balance sheet?

#### Don Layton

Yes. First of all, I hope everyone knows the reality is that E\*TRADE was among the higher payers for general savings products last year when there was a great deal of stress in the markets, and when we left the year at 3.01% that was among the higher rates among the major competitors.

Our liquidity position and posture is so good, we ended the quarter with 1.45%, which is no longer a premium rate it's at the normal competitive rate. Despite that, actually, our customer deposits excluding suite deposits actually went up, showing strength of our brand.

Basically, we are looking at the entire liability side of the balance sheet at this point, which includes our customer deposits, as well as the repo book and as well as the home loan bank book for different ways to reduce our liability side. We're examining many and will take action, but we have nothing specific to announce today other than the mention that we already reduced the CSA rate during the month of April to 1.20%.

**Howard Chen - Credit Suisse**

Okay. Thanks, and then final one from me Don. On the collateralized mortgage obligations, could you please let us know where that exposure is marked? What the unrealized loss position was as of March 31. And if there was any impact broadly from the newest FASB rules.

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