

E*TRADE Reports a Profit of \$0.02 per Share From Ongoing Operations And \$308 Million in Revenues

Revenue Diversification Strategy Drives Fourth Consecutive Quarter Of Ongoing Operating Profitability

MENLO PARK, Calif., July 18 /PRNewswire/ -- E*TRADE Group, Inc. (NYSE: ET) today announced results for its quarter ended June 30, 2001, reporting net income from ongoing operations of \$5.4 million, or \$0.02 per share, compared to a loss of \$0.2 million, or (\$0.00) a share, in the same quarter a year ago. The Company reported net revenue for its quarter ended June 30, 2001 of \$308 million, compared to \$338 million for the same period a year ago.

"E*TRADE's ability to earn two cents a share from ongoing operations is evidence of the strength of our business model, even in the challenging economic environment of the past few quarters," said Christos M. Cotsakos, chairman of the board and chief executive officer of E*TRADE Group, Inc. "We continue to execute on our business plan while at the same time optimizing the efficiency of our organization. In the process, E*TRADE is laying the foundation for earnings growth via transactions, interest-rate spreads and recurring fee-based products."

E*TRADE significantly strengthened its balance sheet during the quarter by adding \$325 million of long-term capital in the form of subordinated convertible notes, bringing free cash at the end of the quarter to \$650 million. In addition, the Company has an investment in E*TRADE Japan valued at approximately \$175 million as of June 30, 2001. The E*TRADE Japan investment is recorded on the balance sheet at a cost of \$12 million. Including this investment, the total liquid assets available to the Company are \$825 million.

"Through the development of a North American sales organization dedicated to cross-selling and up-selling high-value products and services, E*TRADE is working to develop a deeper relationship with our customers," continued Cotsakos. "By concentrating on building household relationships rather than merely acquiring accounts, we are delivering better value to our customers and increasing our revenue per household. We believe this will lead to greater profitability and ultimately increased shareowner value."

Results from ongoing operations exclude the amortization of goodwill and merger-related expenses, the gain or loss on investments, unrealized losses on the venture fund investments, and the fair value adjustments of financial derivatives related to the impact of FAS 133. Including all of the above mentioned items, E*TRADE reported a total loss, before extraordinary gains on the early extinguishment of debt, for the second quarter of (\$12.3 million), or (\$0.04) per share on a fully diluted basis, and after extraordinary gains, the loss is (\$0.03) per share, compared to a total net income of \$4.2 million, or \$0.01 per share for the same period a year ago.

E*TRADE reported progress in a number of important metrics.

-- While average daily transactions of 118,000 for the quarter declined 13 percent from the prior quarter, total net revenues declined by just 6 percent, reflecting the Company's continued progress towards revenue diversification.

-- Assets per customer household grew by 8 percent to \$20,000, as total customer assets grew to over \$53 billion. Total households grew by 83,000 to over 2.7 million.

-- Cost per net new household in Q2 01 was \$289, as compared to \$542 in Q101, representing a 47 percent decrease.

-- During the quarter ended June 30, 2001, E*TRADE added 103,000 net new brokerage and banking accounts, bringing its total customer accounts to over 3.8 million, up 29 percent compared to the 3.0 million accounts reported at the end of the same quarter a year ago. In these numbers are 30,000 net new bank accounts, including 15,000 accounts acquired from Advanta Corporation during the quarter.

- Account acquisition costs fell by 40 percent to \$232 per net new account, while assets per account rose by 9 percent.
- E*TRADE Preferred Services, with its team of 61 Account Executives, brought in nearly \$1.3 billion in new assets, a 54 percent sequential increase over the previous quarter. This program is growing at a compound quarterly growth rate of nearly 75 percent and is averaging \$235,000 per customer household.
- Total ongoing operating expenses declined 20 percent from last quarter.
- E*TRADE Bank interest income rose to 73 percent of total interest income.
- E*TRADE Bank earned top ranking from BankRate.com for the second consecutive year.

Acquisitions continued to play an important role at E*TRADE during the quarter. E*TRADE Bank added approximately \$390 million from the acquisition of customer deposits from Advanta. Through the acquisition of Web Street, an online brokerage firm, E*TRADE gained 34,000 active accounts, including 6,300 accounts held by German residents, as well as WebStreet's physical locations in San Francisco, Boston, Beverly Hills and Denver, which will be converted into E*TRADE financial superstores, called E*TRADE Centers. The transaction, valued at approximately \$44 million in stock, is expected to add incremental annual revenues of approximately \$25 million to E*TRADE's results in 2002.

In the product arena, E*TRADE Mortgage, which provides consumers access to mortgage and home equity loans, funded nearly \$1.4 billion in loans during the quarter. E*TRADE continued its personalized and segmented product strategy by launching MarketTrader for active investors. The Company also initiated a soft launch of its direct access product E*TRADE Pro to a group of Platinum Power E*TRADE customers and further plans a full launch at the end of the summer. As well, E*TRADE is positioned to launch its stock baskets, including a series of proprietary baskets developed through an agreement with Standard & Poor's.

E*TRADE extended its physical touch points with the opening of E*TRADE Center, its flagship financial superstore, in New York City. E*TRADE also enhanced its relationship with Target Corporation through agreements to add 1,000 ATMs in Target stores nationwide over the next two years and open 20 new E*TRADE Zones in SuperTarget stores over the next several months.

Internationally, E*TRADE launched E*TRADE Hong Kong and E*TRADE Israel bringing the Company's personalized online investing tools to its twelfth retail branded site globally.

Financial Results

Reconciliation of reported results to results from ongoing operations

\$ in millions	Qtr ended 6/30/01	Qtr ended 6/30/00	Qtr ended 3/31/01
Income (loss) as reported:			
Pre-tax	\$(25.3)	\$11.5	\$(20.4)
After-tax, before cumulative effect of accounting change and extraordinary gain	\$(12.3)	\$4.2	\$(7.2)
EPS, before cumulative effect of accounting change and extraordinary gain	\$(0.04)	\$0.01	\$(0.02)
Pre-tax amounts, excluded from ongoing operations			
Amortization of goodwill and other intangibles	9.0	6.9	8.0
Merger related expenses	0.5	1.1	--
(Gain)/Loss on investments	13.0	(24.4)	2.5

Unrealized loss on venture funds	9.0	3.5	11.6
Fair value adjustments of financial derivatives	1.7	--	(0.3)
Income (loss) from ongoing operations:			
Pre-tax	7.9	(1.4)	1.4
After-tax and minority interest	5.4	(0.2)	0.9
EPS from ongoing operations	0.02	(0.00)	0.00

Key Performance Metrics

	Q ended 6/30/01	Q ended 6/30/00	Q ended 6/30/01 vs. Q ended 6/30/00	Q ended 3/31/01	Q ended 06/30/01 vs. Q ended 3/31/01
Active brokerage accounts	3,393,806	2,755,563	23%	3,320,356	2%
Active banking accounts	434,804	222,582	95%	404,765	7%
Total active accounts end of period	3,828,610	2,978,145	29%	3,725,121	3%
Net new accounts	103,489	333,560	(69)%	166,112	(38)%
Cost per net new account	\$232	\$291	(20)%	\$387	(40)%
Total customer households end of period	2,738,838	NA	NA	2,655,885	3%
Average assets per household	\$19,513	NA	NA	\$18,024	8%
Total assets in investing accounts	\$45.8 billion	\$57.5 billion	(20)%	\$41.1 billion	11%
Total deposits in banking accounts	\$7.7 billion	\$3.9 billion	97%	\$6.8 billion	14%
Total assets/deposits in customer accounts	\$53.4 billion	\$61.4 billion	(13)%	\$47.9 billion	12%
Total inflow into customer accounts	\$5.7 billion	\$7.6 billion	(25)%	\$5.3 billion	9%

Daily average inflow	\$91 million	\$121 million	(25)%	\$85 million	7%
Total bank assets	\$12.7 billion	\$7.4 billion	70%	\$12.1 billion	5%
Total brokerage transactions	7.4 million	10.8 million	(31)%	8.4 million	(12)%
Daily average brokerage transactions	118,000	171,000	(31)%	136,000	(13)%

About E*TRADE

E*TRADE is a global leader in online personal financial services, offering value-added investing, banking and research features, premium customer service and a redundant, proprietary Stateless Architecture(R) infrastructure. In addition to the U.S., E*TRADE presently serves customers in Australia, Canada, Denmark, Hong Kong, Israel, Korea, Japan, New Zealand, Norway, South Africa, Sweden, and the U.K. through branded web sites. E*TRADE Securities Inc. (Member NASD/SIPC), and its parent company, E*TRADE Group, Inc., have offices in Northern California and in other major business centers in the U.S. and worldwide. E*TRADE is a registered trademark of E*TRADE Securities, Inc. E*TRADE Bank is a wholly owned subsidiary of E*TRADE Group, Inc.

Important Notice

E*TRADE, Destination E*TRADE and Stateless Architecture are registered trademarks or trademarks of E*TRADE Securities, Inc. All other trademarks are properties of their respective owners. The statements contained in this news release 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, market acceptance of the Destination E*TRADE web site, 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 report filed by the company with the SEC on Form 10-K in November 2000, as amended (including information under the caption "Risk Factors").

System response and account access time may vary due to market conditions, trading volume, system performance and other factors.

E*TRADE Bank and E*TRADE Securities, Inc. are affiliated but separate companies. Deposits at E*TRADE Bank are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). Investment products made available from E*TRADE Securities, Inc. are not insured by the FDIC, are not guaranteed deposits or obligations of E*TRADE Bank and are subject to investment risk, including possible loss of principal amount invested.

E*TRADE GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenues:				
Transaction revenues	\$109,264	\$180,194	\$240,626	\$434,790
Interest income	298,515	258,391	615,945	501,973
Global and institutional	37,047	40,577	73,888	90,253
Other	71,185	24,949	135,677	41,660
Gross revenues	516,011	504,111	1,066,136	1,068,676
Interest expense	(206,176)	(164,841)	(425,277)	(311,450)
Provision for loan losses	(1,656)	(974)	(3,099)	(2,230)
Net revenues	308,179	338,296	637,760	754,996
Cost of services	150,458	128,582	292,893	264,161
Operating expenses:				
Selling and marketing	55,399	117,324	149,097	297,929
Technology development	23,420	33,792	45,701	77,127
General and administrative	61,906	52,188	122,148	104,739
Amortization of goodwill and other intangibles	9,022	6,908	17,021	12,205
Merger related expenses	517	1,133	517	25,732
Total operating expenses	150,264	211,345	334,484	517,732
Total cost of services and operating expenses	300,722	339,927	627,377	781,893
Operating income (loss)	7,457	(1,631)	10,383	(26,897)
Non-operating income (expense):				
Corporate interest income	5,220	5,609	10,998	9,229
Corporate interest expense	(12,759)	(11,020)	(23,987)	(18,148)
Gain (loss) on investments	(13,042)	24,416	(15,573)	35,331
Equity in losses of investments	(1,811)	(1,414)	(5,152)	(2,150)
Unrealized loss on venture funds	(8,958)	(3,462)	(20,569)	(18,090)
Fair value adjustments of financial derivatives	(1,710)	--	(1,376)	--
Other	292	(970)	(408)	(1,723)
Total non-operating income (expense)	(32,768)	13,159	(56,067)	4,449
Pre-tax income (loss)	(25,311)	11,528	(45,684)	(22,448)
Income tax expense (benefit)	(12,655)	7,896	(25,897)	(1,022)
Minority interest in subsidiaries	(350)	(585)	(315)	(177)
Income (loss) before extraordinary loss on early extinguishment of debt	(12,306)	4,217	(19,472)	(21,249)
Extraordinary gain on early extinguishment of debt, net of tax	2,111	--	74	--
Net income (loss)	\$(10,195)	\$4,217	\$(19,398)	\$(21,249)
Income (loss) per share before extraordinary loss on early extinguishment of debt:				
Basic	\$(0.04)	\$0.01	\$(0.06)	\$(0.07)

Diluted	\$ (0.04)	\$0.01	\$ (0.06)	\$ (0.07)
Net income (loss) per share:				
Basic	\$ (0.03)	\$0.01	\$ (0.06)	\$ (0.07)
Diluted	\$ (0.03)	\$0.01	\$ (0.06)	\$ (0.07)
Shares used in computation of per share data:				
Basic	321,550	302,870	319,405	298,115
Diluted	321,550	318,731	319,405	298,115

E*TRADE GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	June 30, 2001	March 31, 2001
Revenues:		
Transaction revenues	\$109,264	\$131,362
Interest income	298,515	317,430
Global and institutional	37,047	36,841
Other	71,185	64,492
Gross revenues	516,011	550,125
Interest expense	(206,176)	(219,101)
Provision for loan losses	(1,656)	(1,443)
Net revenues	308,179	329,581
Cost of services	150,458	142,435
Operating expenses:		
Selling and marketing	55,399	93,698
Technology development	23,420	22,281
General and administrative	61,906	60,242
Amortization of goodwill and other intangibles	9,022	7,999
Merger related expenses	517	--
Total operating expenses	150,264	184,220
Total cost of services and operating expenses	300,722	326,655
Operating income	7,457	2,926
Non-operating income (expense):		
Corporate interest income	5,220	5,778
Corporate interest expense	(12,759)	(11,228)
Loss on investments	(13,042)	(2,531)
Equity in losses of investments	(1,811)	(3,341)
Unrealized loss on venture funds	(8,958)	(11,611)
Fair value adjustments of financial derivatives	(1,710)	334
Other	292	(700)
Total non-operating expense	(32,768)	(23,299)
Pre-tax loss	(25,311)	(20,373)
Income tax benefit	(12,655)	(13,242)
Minority interest in subsidiaries	(350)	35
Loss before extraordinary loss from the early extinguishments of debt	(12,306)	(7,166)
Extraordinary gain (loss) on early extinguishment of debt, net of tax	2,111	(2,037)
Net loss	\$(10,195)	\$(9,203)

Loss per share before extraordinary gain (loss) from the early extinguishment of debt:		
Basic	\$(0.04)	\$(0.02)
Diluted	\$(0.04)	\$(0.02)
Net loss per share:		
Basic	\$(0.03)	\$(0.03)
Diluted	\$(0.03)	\$(0.03)
Shares used in computation of per share data:		
Basic	321,550	317,242
Diluted	321,550	317,242

E*TRADE GROUP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands)
(Unaudited)

	June 30, 2001	December 31, 2000
ASSETS		
Cash and equivalents	\$185,409	\$212,430
Cash and investments required to be segregated under Federal or other regulations	173,454	122,327
Brokerage receivables - net	4,335,405	4,639,078
Mortgage-backed securities	3,998,938	5,058,919
Loans receivable - net	6,913,032	5,039,602
Investments	2,080,166	1,350,797
Property and equipment - net	414,399	368,355
Goodwill and other intangibles	492,227	441,984
Other assets	707,141	507,618
Total assets	\$19,300,171	\$17,741,110
LIABILITIES AND SHAREOWNERS' EQUITY		
Liabilities:		
Brokerage payables	\$4,255,376	\$4,226,124
Banking deposits	7,687,006	5,750,209
Borrowings by bank subsidiary	3,832,887	4,629,353
Accounts payable, accrued and other liabilities	749,119	708,629
Convertible subordinated notes	945,000	650,000
Total liabilities	17,469,388	15,964,315
Mandatorily redeemable preferred securities	30,779	30,747
Shareowners' equity:		
Preferred stock, shares authorized: 1,000,000; issued and outstanding: none at June 30, 2001 and December 31, 2000	--	--
Shares exchangeable into common stock, \$.01 par value, shares authorized: 10,644,223; issued and outstanding: 2,823,206 at June 30, 2001 and 4,101,504 at December 31, 2000	28	41
Common stock, \$.01 par value, shares authorized: 600,000,000; issued and outstanding: 334,394,381 at June 30, 2001		

and 308,220,126 at December 31, 2000	3,344	3,082
Additional paid-in-capital	2,012,665	1,827,444
Unearned ESOP shares	(1,157)	(1,422)
Shareowners' notes receivable	(31,644)	(19,640)
Deferred compensation	(34,521)	--
Accumulated deficit	(24,953)	(5,555)
Accumulated other comprehensive loss	(123,758)	(57,902)
Total shareowners' equity	1,800,004	1,746,048
Total liabilities and shareowners' equity	\$19,300,171	\$17,741,110

MAKE YOUR OPINION COUNT - Click Here
<http://tbutton.prnewswire.com/prn/11690X31544836>

SOURCE E*TRADE Group, Inc.

-0- 07/18/2001

/CONTACT: Heather Fondo, +1-650-331-5774, or hfondo@etrade.com, or Erica Gessert, +1-650-331-5893, or egessert@etrade.com, both of E*TRADE Group, Inc. /

/Company News On-Call:

<http://www.prnewswire.com/gh/cnoc/comp/136683.html> /

/Web site: <http://www.etrade.com/>
(ET)

CO: E*TRADE Group, Inc.

ST: California

IN: CPR MLM FIN

SU: ERN

-0- Jul /18/2001 20:08 GMT