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E*TRADE GROUP, INC. REPORTS FIRST QUARTER RESULTS MEETING STREET EXPECTATIONS

- *Earned \$0.06 Per Share on a GAAP Basis, or \$0.10 Per Share from Ongoing Operations¹*
- *Reported \$322 Million in Net Revenues and \$21 Million in Net Income in the First Quarter*
- *Ended First Quarter with Cash & Equivalents of \$975 Million and Free Cash² Totaling \$402 Million*
- *Generated Record \$2.5 Billion in Direct Retail Mortgage Originations During the Quarter*
- *Company Expected to Finalize and Implement Restructuring Plan Including Charges up to \$120 Million or up to \$(0.20) Per Share Over Next Two Quarters – Annual Savings of \$40-\$50 Million Expected or \$0.07-\$0.08 Per Share*
- *Company Reaffirms 2003 Earnings Guidance of \$0.45-\$0.55 Per Share from Ongoing Operations or \$0.30-\$0.40 Per Share on a GAAP Basis Prior to Restructuring Plan Charges*

MENLO PARK, Calif., April 15, 2003 – E*TRADE Group, Inc. (NYSE: ET) today announced results for its quarter ended March 31, 2003, reporting net income of \$21 million, or \$0.06 per share, compared to a net loss of \$270 million, or \$(0.78) per share, in the same quarter a year ago. The Company also reported net revenue for its quarter ended March 31, 2003 of \$322 million, compared to \$331 million for the same period a year ago.

The Company reported net income from ongoing operations for the first quarter of \$34 million or \$0.10 per share, which was consistent with First Call estimates, compared to \$27 million or \$0.08 per share for the same period a year ago. In addition, the Company is reaffirming 2003 earnings guidance of \$0.45-\$0.55 per share from ongoing operations, or \$0.30-\$0.40 per share on a GAAP basis prior to restructuring charges of up to \$(0.20) per share.

“E*TRADE Group’s first quarter results demonstrate our ability to prudently manage operations and maximize growth opportunities, even amidst geopolitical concerns and challenging economic conditions,” said Mitchell H. Caplan, Chief Executive Officer, E*TRADE Group, Inc. “Again this quarter, we have demonstrated the value of our diversified model. While brokerage revenue continued to show the impact of a challenging

equities market, our fee and interest income from banking activities produced some of the best results we have experienced to date.”

Other highlights from the first quarter of 2003:

- The Company increased free cash by \$35 million over last quarter to \$402 million and generated EBITDA² of \$79 million.
- E*TRADE Mortgage generated more than \$2.5 billion in direct retail mortgage originations, with another \$1.2 billion in the pipeline at quarter end. The Company also experienced growth in the correspondent side of its mortgage business producing more than \$1.2 billion.
- E*TRADE Bank grew net interest spread to 152 basis points, a 12 basis point increase from last quarter.
- The Company continued to successfully cross-sell products and services, with 41 percent of FDIC-insured deposit products, 26 percent of mortgage products and 38 percent of home equity products sold into its existing household base.

“We are committed to comprehensively evaluating everything we do to ensure we are creating value for our customers and shareholders,” said Jarrett Lilien, President and Chief Operating Officer, E*TRADE Group, Inc. “As such, we will remain rigorous and disciplined in managing operations to deliver solid results, while continuing to introduce innovative products and services for our customers.”

The Company also announced its intent to finalize and implement a restructuring plan over the next two quarters based on a comprehensive evaluation of its businesses, products and services. Every business, initiative and investment was reexamined for adequate profitability. The plan maintains the infrastructure required to achieve the Company’s growth potential when general economic conditions improve. The restructuring plan has two major elements:

- 1) The exit of unprofitable locations, including its E*TRADE Financial Center in New York, certain international locations and the consolidation of excess facilities, and reduction of excess square footage in offices located in Menlo Park and Rancho Cordova, CA.
- 2) The exit and write-off of unprofitable product offerings and initiatives – specifically, Stock Baskets, E*TRADE Financial Advisor and Personal Money Management.

E*TRADE Group expects this plan to result in total pre-tax charges of up to \$120 million dollars or \$(0.20) per share over the next two quarters, providing for additional cost savings, estimated to total between \$40 and \$50 million dollars, or \$0.07 to \$0.08 per share annually. “The plan is designed to enhance short, intermediate and long-term profit performance,” continued Lilien. “These savings better position the Company for continued sluggish economic conditions and create additional operating leverage when the markets return.”

Financial Statements

E*TRADE GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		
	March 31, 2003	December 31, 2002	March 31, 2002
Brokerage revenues:			
Commissions	\$ 63,750	\$ 76,115	\$ 82,527
Principal transactions	39,348	56,699	55,315
Other brokerage-related revenues	41,896	48,590	36,761
Brokerage interest income	34,320	35,335	53,051
Brokerage interest expense	(2,513)	(2,852)	(3,893)
Net brokerage revenues	<u>176,801</u>	<u>213,887</u>	<u>223,761</u>
Banking revenues:			
Gain on sales of originated loans	56,395	50,469	24,675
Gain on sale of loans held-for-sale and securities, net	15,215	17,625	21,622
Other banking-related revenues	18,039	17,351	10,384
Banking interest income	187,386	182,512	202,668
Banking interest expense	(121,333)	(129,801)	(148,851)
Provision for loan losses	(10,333)	(2,723)	(3,382)
Net banking revenues	<u>145,369</u>	<u>135,433</u>	<u>107,116</u>
Total net revenues	<u>322,170</u>	<u>349,320</u>	<u>330,877</u>
Cost of services	<u>148,575</u>	<u>147,156</u>	<u>140,752</u>
Operating expenses:			
Selling and marketing	43,414	45,649	68,964
Technology development	14,189	12,637	14,504
General and administrative	55,008	53,614	54,029
Amortization of other intangibles	4,938	7,086	6,724
Acquisition-related expenses	1,307	1,378	1,260
Facility restructuring and other exit charges	2,542	12,421	(223)
Total operating expenses	<u>121,398</u>	<u>132,785</u>	<u>145,258</u>
Total cost of services and operating expenses	<u>269,973</u>	<u>279,941</u>	<u>286,010</u>
Operating income	<u>52,197</u>	<u>69,379</u>	<u>44,867</u>
Non-operating income (expense):			
Corporate interest income	1,610	2,715	3,580
Corporate interest expense	(11,433)	(11,714)	(12,396)
Gain (loss) on investments	(743)	(3,688)	1,693
Equity in income of investments	6,310	3,653	284
Unrealized losses on venture funds	(3,480)	(221)	(1,781)
Fair value adjustments of financial derivatives	(6,815)	(4,939)	(991)
Gain on early extinguishment of debt, net	-	-	6,790
Other	270	167	(954)
Total non-operating expense	<u>(14,281)</u>	<u>(14,027)</u>	<u>(3,775)</u>
Pre-tax income	37,916	55,352	41,092
Income tax expense	15,926	24,580	17,467
Minority interest in subsidiaries	508	408	193
Income before cumulative effect of accounting change	<u>21,482</u>	<u>30,364</u>	<u>23,432</u>
Cumulative effect of accounting change	-	-	(293,669)
Net income (loss)	<u>\$ 21,482</u>	<u>\$ 30,364</u>	<u>\$ (270,237)</u>
Income before cumulative effect of accounting change per share:			
Basic	\$ 0.06	\$ 0.09	\$ 0.07
Diluted	<u>\$ 0.06</u>	<u>\$ 0.08</u>	<u>\$ 0.07</u>
Net income (loss) per share:			
Basic	\$ 0.06	\$ 0.09	\$ (0.78)
Diluted	<u>\$ 0.06</u>	<u>\$ 0.08</u>	<u>\$ (0.78)</u>
Shares used in computation of per share data:			
Basic	354,563	356,500	346,950
Diluted	358,441	360,566	356,958

E*TRADE GROUP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(in thousands)
(Unaudited)

	<u>March 31,</u> <u>2003</u>	<u>December 31,</u> <u>2002</u>
ASSETS		
Cash and equivalents	\$ 974,958	\$ 773,605
Cash and investments required to be segregated under Federal or other regulations	1,589,715	1,449,062
Brokerage receivables, net	1,848,565	1,500,089
Mortgage-backed securities	6,416,835	6,932,394
Loans receivable, net	5,589,124	5,552,981
Loans held-for-sale, net	1,275,133	1,812,739
Investments	2,575,730	1,770,447
Property and equipment, net	353,391	370,944
Goodwill, net	400,121	385,144
Other intangible assets, net	155,816	157,892
Other assets	721,124	828,951
Total assets	<u>\$ 21,900,512</u>	<u>\$ 21,534,248</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Brokerage payables	\$ 3,332,355	\$ 2,792,010
Deposits	8,955,615	8,400,333
Borrowings by bank subsidiary	6,495,450	7,222,161
Accounts payable, accrued and other liabilities	706,489	775,260
Convertible subordinated notes	695,330	695,330
Total liabilities	<u>20,185,239</u>	<u>19,885,094</u>
Mandatorily redeemable preferred capital securities	<u>157,961</u>	<u>143,365</u>
Shareholders' equity:		
Preferred stock, shares authorized: 1,000,000; issued and outstanding: none at March 31, 2003 and December 31, 2002	-	-
Shares exchangeable into common stock, \$.01 par value, shares authorized: 10,644,223; issued and outstanding: 1,627,065 at March 31, 2003 and 1,627,265 at December 31, 2002	16	16
Common stock, \$.01 par value, shares authorized: 600,000,000; issued and outstanding: 356,008,174 at March 31, 2003 and 358,044,317 at December 31, 2002	3,560	3,580
Additional paid-in-capital	2,172,722	2,190,200
Deferred stock compensation	(1,494)	(23,058)
Accumulated deficit	(412,010)	(433,492)
Accumulated other comprehensive loss	(205,482)	(231,457)
Total shareholders' equity	<u>1,557,312</u>	<u>1,505,789</u>
Total liabilities and shareholders' equity	<u>\$ 21,900,512</u>	<u>\$ 21,534,248</u>

Reconciliation of Reported Results to Results from Ongoing Operations and Ongoing Operating Margin*

	Three Months Ended		
	3/31/2003	12/31/2002	3/31/2002
(dollars in millions, except per share amounts)			
<i>Reconciliation of reported results to results from ongoing operations</i>			
Income (loss) as reported:			
Pre-tax	\$ 37.9	\$ 55.4	\$ 41.1
Income before cumulative effect of accounting change	\$ 21.5	\$ 30.4	\$ 23.4
Net income (loss)	\$ 21.5	\$ 30.4	\$ (270.2)
Diluted earnings per share before cumulative effect of accounting change	\$ 0.06	\$ 0.08	\$ 0.07
Diluted earnings (loss) per share	\$ 0.06	\$ 0.08	\$ (0.78)
<i>Pre-tax amount, excluded from ongoing operations</i>			
Pre-tax income	\$ 37.9	\$ 55.4	\$ 41.1
Gain on early extinguishment of debt	-	-	(6.8)
Amortization of other intangibles	4.9	7.1	6.7
Acquisition-related expenses	1.3	1.4	1.3
Facility restructuring and other exit charges	2.5	12.4	(0.2)
Unrealized losses on venture funds	3.5	0.2	1.8
(Gain) loss on investments	0.7	3.7	(1.7)
Fair value adjustments of financial derivatives	6.8	4.9	1.0
Income from ongoing operations:			
Pre-tax	\$ 57.7	\$ 85.1	\$ 43.1
After-tax and minority interest	\$ 34.4	\$ 52.3	\$ 27.0
EPS from ongoing operations on a diluted basis	\$ 0.10	\$ 0.14	\$ 0.08
<i>Reconciliation of ongoing operating margin ¹</i>			
Operating income	\$ 52.2	\$ 69.4	\$ 44.9
Amortization of other intangibles	4.9	7.1	6.7
Acquisition-related expenses	1.3	1.4	1.3
Facility restructuring and other exit charges	2.5	12.4	(0.2)
Ongoing operating margin	\$ 61.0	\$ 90.3	\$ 52.6
Ongoing operating margin percentage (ongoing operating income divided by net revenues)	19%	26%	16%

* Amounts and percentages may not calculate due to rounding

Segment Reporting

Three Months Ended March 31, 2003	Brokerage	Banking	Total
	(in thousands)		
Commissions	\$ 63,750	\$ -	\$ 63,750
Principal transactions	39,348	-	39,348
Interest income	34,320	187,386	221,706
Interest expense	(2,513)	(121,333)	(123,846)
Gain on sales of originated loans	-	56,395	56,395
Gain on sales of loans held-for-sale and securities, net	-	15,215	15,215
Provision for loan losses	-	(10,333)	(10,333)
Other revenues	41,896	18,039	59,935
Net revenues	176,801	145,369	322,170
Cost of services	94,415	54,160	148,575
Selling and marketing	29,502	13,912	43,414
Technology development	11,585	2,604	14,189
General and administrative	26,904	28,104	55,008
Amortization of other intangibles	4,888	50	4,938
Acquisition-related expenses	472	835	1,307
Facility restructuring and other exit charges	853	1,689	2,542
Total cost of services and operating expenses	168,619	101,354	269,973
Operating income	\$ 8,182	\$ 44,015	\$ 52,197
Three Months Ended December 31, 2002	Brokerage	Banking	Total
	(in thousands)		
Commissions	\$ 76,115	\$ -	\$ 76,115
Principal transactions	56,699	-	56,699
Interest income	35,335	182,512	217,847
Interest expense	(2,852)	(129,801)	(132,653)
Gain on sales of originated loans	-	50,469	50,469
Gain on sales of loans held-for-sale and securities, net	-	17,625	17,625
Provision for loan losses	-	(2,723)	(2,723)
Other revenues	48,590	17,351	65,941
Net revenues	213,887	135,433	349,320
Cost of services	93,689	53,467	147,156
Selling and marketing	35,463	10,186	45,649
Technology development	10,564	2,073	12,637
General and administrative	32,220	21,394	53,614
Amortization of other intangibles	4,234	2,852	7,086
Acquisition-related expenses	668	710	1,378
Facility restructuring and other exit charges	11,327	1,094	12,421
Total cost of services and operating expenses	188,165	91,776	279,941
Operating income	\$ 25,722	\$ 43,657	\$ 69,379

Segment Reporting (continued)

Three Months Ended March 31, 2002	Brokerage	Banking	Total
	<u> </u>	<u> </u>	<u> </u>
		(in thousands)	
Commissions	\$ 82,527	\$ -	\$ 82,527
Principal transactions	55,315	-	55,315
Interest income	53,051	202,668	255,719
Interest expense	(3,893)	(148,851)	(152,744)
Gain on sales of originated loans	-	24,675	24,675
Gain on sales of loans held-for-sale and securities, net	-	21,622	21,622
Provision for loan losses	-	(3,382)	(3,382)
Other revenues	36,761	10,384	47,145
Net revenues	<u>223,761</u>	<u>107,116</u>	<u>330,877</u>
Cost of services	102,729	38,023	140,752
Selling and marketing	49,223	19,741	68,964
Technology development	12,022	2,482	14,504
General and administrative	33,777	20,252	54,029
Amortization of other intangibles	4,504	2,220	6,724
Acquisition-related expenses	1,260	-	1,260
Facility restructuring and other exit charges	(95)	(128)	(223)
Total cost of services and operating expenses	<u>203,420</u>	<u>82,590</u>	<u>286,010</u>
Operating income	<u>\$ 20,341</u>	<u>\$ 24,526</u>	<u>\$ 44,867</u>

Key Performance Metrics*

	<i>Qtr ended 3/31/03</i>	<i>Qtr ended 12/31/02</i>	<i>Qtr ended 3/31/03 vs. Qtr ended 12/31/02</i>	<i>Qtr ended 3/31/02</i>	<i>Qtr ended 3/31/03 vs. Qtr ended 3/31/02</i>
<u>Corporate Metrics</u>					
Gross margin %	54 %	58 %	(4)%	57 %	(3)%
Operating margin %	16 %	20 %	(4)%	14 %	2 %
Ongoing operating margin %	19 %	26 %	(7)%	16 %	3 %
Employees	3,605	3,478	4 %	3,300	9 %
Revenue per employee	\$ 89,368	\$ 100,437	(11)%	\$ 100,266	(11)%
Book value per share	\$ 4.35	\$ 4.19	4 %	\$ 3.76	16 %
Tangible book value per share	\$ 2.80	\$ 2.68	4 %	\$ 2.64	6 %
Cash & equivalents (\$MM)	\$ 975.0	\$ 773.6	26 %	\$ 1,085.1	(10)%
Free cash (\$MM)	\$ 402.0	\$ 367.0	10 %	\$ 335.0	20 %
<u>Earnings before interest, taxes, depreciation & amortization (\$MM)</u>					
Net income	\$ 21.5	\$ 30.4	(29)%	\$ (270.2)	108 %
Cumulative effect of accounting change	\$ -	\$ -	- %	\$ 293.7	- %
Tax expense	\$ 15.9	\$ 24.6	(35)%	\$ 17.5	(9)%
Depreciation & amortization	\$ 30.3	\$ 36.0	(16)%	\$ 36.6	(17)%
Corporate interest expense	\$ 11.4	\$ 11.7	(3)%	\$ 12.4	(8)%
EBITDA	\$ 79.1	\$ 102.7	(23)%	\$ 90.0	(12)%
Interest coverage ²	6.9	8.8	(21)%	7.3	(4)%
Active global brokerage accounts	3,721,017	3,690,916	1 %	3,598,216	3 %
Active banking accounts	577,532	511,298	13 %	519,154	11 %
Total active accounts end of period	4,298,549	4,202,214	2 %	4,117,370	4 %
Gross new accounts	234,832	204,796	15 %	247,641	(5)%
Account attrition	(138,497)	(172,909)	20 %	(133,125)	(4)%
Net new accounts	96,335	31,887	202 %	114,516	(16)%
Net new households	53,690	40,471	33 %	80,000	(33)%
Total customer households end of period	3,185,714	3,132,024	2 %	3,085,021	3 %
Average assets per household	\$ 14,298	\$ 13,894	3 %	\$ 17,388	(18)%
Acquisition marketing costs (\$MM)	\$ 16.9	\$ 14.1	20 %	\$ 31.1	(46)%
Total assets in investing accounts (\$B)	\$ 36.5	\$ 35.1	4 %	\$ 44.6	(18)%
Total deposits in banking accounts (\$B)	\$ 9.0	\$ 8.4	7 %	\$ 9.0	- %
Total assets / deposits in customer accounts (\$B)	\$ 45.5	\$ 43.5	5 %	\$ 53.6	(15)%
Total inflow into customer accounts (\$B)	\$ 4.5	\$ 3.6	23 %	\$ 5.5	(18)%
Daily average inflow (\$MM)	\$ 73.5	\$ 56.7	30 %	\$ 92.0	(20)%

Key Performance Metrics* (continued)

	<i>Qtr ended 3/31/03</i>	<i>Qtr ended 12/31/02</i>	<i>Qtr ended 3/31/03 vs. Qtr ended 12/31/02</i>	<i>Qtr ended 3/31/02</i>	<i>Qtr ended 3/31/03 vs. Qtr ended 3/31/02</i>
<u>Brokerage Metrics</u>					
Total global brokerage transactions (MM) **	5.0	5.6	(10)%	6.1	(18)%
Daily average global brokerage transactions **	82,732	88,052	(6)%	102,411	(19)%
Commissions per global brokerage transaction **	\$ 11.25	\$ 12.02	(6)%	\$ 13.43	(16)%
Transactions per account per quarter **	1.4	1.5	(11)%	1.7	(21)%
Total shares traded in Professional Trading (MM)	2,118.2	2,347.0	(10)%	N.A.	N.A.
Daily average shares traded in Professional Trading (MM)	34.7	36.7	(5)%	N.A.	N.A.
Commission per 1,000 shares traded in Professional Trading	\$ 3.28	\$ 3.57	(8)%	N.A.	N.A.
Average margin debt (\$B)	\$ 1.0	\$ 0.9	5 %	\$ 1.5	(36)%
Gross new global brokerage accounts	117,757	162,885	(28)%	167,327	(30)%
Account attrition	(87,656)	(131,597)	33 %	(81,052)	(8)%
Net new global brokerage accounts	30,101	31,288	(4)%	86,275	(65)%
Total inflow into customer brokerage accounts (\$B)	\$ 2.3	\$ 1.7	38 %	\$ 2.8	(17)%
Daily average inflow (\$MM)	\$ 37.7	\$ 26.1	44 %	\$ 46.3	(19)%
<u>Banking Metrics</u>					
Gross new banking accounts	117,075	41,911	179 %	80,314	46 %
Account attrition	(50,841)	(41,312)	(23)%	(52,073)	2 %
Net new banking accounts	66,234	599	Far	28,241	135 %
Total inflow into customer banking accounts (\$B)	\$ 2.2	\$ 2.0	11 %	\$ 2.7	(20)%
Daily average inflow (\$MM)	\$ 35.8	\$ 30.6	17 %	\$ 45.5	(21)%
Direct mortgage originations excl HELOC (\$B)	\$ 2.5	\$ 2.1	19 %	\$ 1.2	108 %
Correspondent mortgage originations excl HELOC (\$B)	\$ 1.2	\$ 1.4	(14)%	\$ 1.8	(33)%
<u>Bank Asset Portfolio Detail (\$MM)</u>					
Cash & equivalents	\$ 398	\$ 279	43 %	\$ 614	(35)%
Trading securities	480	392	22 %	169	184 %
Investment securities, available-for-sale	1,973	1,258	57 %	879	124 %
Mortgage securities, available-for-sale	6,417	6,932	(7)%	4,313	49 %
Loans receivable, net including loans held for sale:					
- Mortgage loans, net	3,152	3,846	(18)%	5,479	(42)%
- Consumer - auto/RV/marine, net	3,710	3,517	5 %	1,545	140 %
- Other	2	2	- %	11	(82)%
Other assets	788	907	(13)%	635	24 %
Total assets	\$ 16,920	\$ 17,133	(1)%	\$ 13,645	24 %
<u>Credit Quality and Reserve Metrics</u>					
Net charge-offs as % of total average assets (annualized)	0.21 %	0.14 %	0.07 %	0.19 %	0.02 %
Provision as % of total average assets (annualized)	0.24 %	0.07 %	0.17 %	0.10 %	0.14 %
Allowance as % of ending loans	0.42 %	0.37 %	0.05 %	0.24 %	0.18 %
Allowance as % of ending held-for-investment loans	0.52 %	0.49 %	0.03 %	0.27 %	0.25 %
Allowance as % of ending assets	0.17 %	0.16 %	0.01 %	0.12 %	0.05 %
Total non-performing assets, net, as a % of total banking assets	0.17 %	0.17 %	0.00 %	0.20 %	(0.03)%
Total loan loss allowance as a % of total non-performing loans, net	119.19 %	104.45 %	14.74 %	71.05 %	48.14 %
Automated teller machines	15,053	11,586	30%	11,122	35%
Tier 1 Capital Ratio ***	5.90 %	5.67 %	0.23 %	6.27 %	(0.37)%
Risk Weighted Capital Ratio ***	12.20 %	11.70 %	0.50 %	12.51 %	(0.31)%

* Amounts and percentages may not calculate due to rounding

** Excludes transactions related to Professional Trading

*** Q103 Estimate

Activity in Allowance for Loan Losses

Three Months Ending March 31, 2003	<u>Mortgage</u>	<u>Consumer</u>	<u>Total</u>
	(in thousands)		
Allowance for loan losses, beginning 12/31/02	\$4,194	\$23,472	\$27,666
Provision for loan losses	-	10,333	10,333
Charge-offs, net	(7)	(8,798)	(8,805)
Allowance for loan losses, ending 3/31/03	<u>\$4,187</u>	<u>\$25,007</u>	<u>\$29,194</u>

Bank Average Balance Data

	Three Months Ended March 31, 2003			Three Months Ended March 31, 2002		
	Average Balance	Interest Income/ Expense	Average Annualized Yield/Cost	Average Balance	Interest Income/ Expense	Average Annualized Yield/Cost
	(dollars in thousands)					
Interest-earning banking assets:						
Loans receivable, net	\$7,427,819	\$104,703	5.64%	\$8,001,940	\$132,385	6.62%
Interest-bearing deposits	142,692	925	2.63%	287,306	1,689	2.38%
Mortgage-backed and related available-for-sale securities	6,516,528	59,972	3.68%	3,979,005	52,787	5.31%
Available-for-sale investment securities	1,642,732	18,067	4.40%	1,123,416	14,318	5.14%
Investment in FHLB stock	80,718	946	4.75%	58,515	1,139	7.89%
Trading securities	366,779	3,309	3.61%	53,755	350	2.60%
Total interest-earning banking assets	<u>16,177,268</u>	<u>\$187,922</u>	4.65%	<u>13,503,937</u>	<u>\$202,668</u>	6.00%
Non-interest earning banking assets	781,678			579,013		
Total banking assets	<u>\$16,958,946</u>			<u>\$14,082,950</u>		
Interest-bearing banking liabilities:						
Retail deposits	\$8,190,123	\$73,004	3.61%	\$8,505,812	\$94,469	4.50%
Brokered certificates of deposit	448,709	3,254	2.94%	20,261	125	2.51%
FHLB advances	1,008,800	8,131	3.22%	924,233	14,679	6.35%
Other borrowings	6,066,084	36,944	2.44%	3,301,971	39,578	4.79%
Total interest-bearing banking liabilities	<u>15,713,716</u>	<u>\$121,333</u>	3.13%	<u>12,752,277</u>	<u>\$148,851</u>	4.73%
Non-interest bearing banking liabilities	437,312			605,488		
Total banking liabilities	<u>16,151,028</u>			<u>13,357,765</u>		
Total banking shareholder's equity	807,918			725,185		
Total banking liabilities and shareholder's equity	<u>\$16,958,946</u>			<u>\$14,082,950</u>		
Excess of interest-earning banking assets over interest-bearing banking liabilities/net interest income	<u>\$463,552</u>	<u>\$66,589</u>		<u>\$751,660</u>	<u>\$53,817</u>	
Net interest spread			<u>1.52%</u>			<u>1.27%</u>

Explanation of Non-GAAP Measures and Certain Metrics

In order to better assess the Company's financial operating results, management believes results from ongoing operations, ongoing operating margin, free cash, EBITDA and interest coverage are appropriate measures of evaluating the operating and liquidity performance of the Company.

¹Results From Ongoing Operations, Ongoing Operating Margin

Results from ongoing operations exclude gain on early extinguishment of debt, amortization of other intangibles, acquisition-related expenses, the gain or loss on investments, unrealized losses on venture fund investments, the fair value adjustments of financial derivatives related to the impact of Statement of Financial Accounting Standards (SFAS) No. 133, executive agreement and loan settlement, facility restructuring and other exit charges, and the cumulative effect of accounting changes. Ongoing operating margin excludes, in addition to the above, corporate interest income, corporate interest expense, equity in income of investments and other non-operating items. Management believes this measure to be appropriate in determining the operating performance of the Company's core business on an ongoing basis and represents the measure used by analysts and the investment community historically to evaluate company performance. With respect to 2003

guidance, the difference between earnings per share from ongoing operations and reported earnings estimates is based on the historical relationship between the two measures. The Company has determined that the use of historical relationships will likely provide the most accurate estimate of reported earnings rather than forecasting each of the components not included in calculating earnings from ongoing operations. These components are subject largely to changes in external events and are beyond the control of management and are therefore difficult to predict with appropriate accuracy.

²Free Cash, EBITDA, Interest Coverage

Free cash as defined by the Company represents cash held at the parent and excess regulatory capital at bank & brokerage, and is a metric used by management to measure business performance and liquidity. As a supplement to the GAAP cash flow provided in its Form-10Ks and Form-10Qs, management utilizes EBITDA, defined as net income (loss) before corporate interest expense, taxes, depreciation & amortization, and cumulative effect of accounting changes. Interest coverage is defined as EBITDA divided by corporate interest expense.

It is important to note these metrics and non-GAAP measures should be considered in addition to, not as a substitute for, or superior to, net income, operating margin, consolidated statements of cash flows, or other measures of financial performance prepared in accordance with GAAP.

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