

E*TRADE REPORTS THIRD QUARTER EARNINGS INCREASE OF 114 PERCENT;
Revenue Growth of 68 Percent

Accelerating An Aggressive Growth Strategy; Now Among Top Ten Financial Sites

PALO ALTO, Calif., July 21 /PRNewswire/ -- E*TRADE Group, Inc. (Nasdaq: EGRP), a leading branded provider of online investing services, today reported revenues of \$62.3 million for its third fiscal quarter of 1998, ended June 30, the 24th consecutive quarter of revenue growth. Revenues were up 68 percent from \$37.0 million in last year's third quarter and up 17 percent from \$53.3 million in the second quarter of this year.

Net income for the third quarter rose 114 percent to \$6.6 million or \$0.16 per share, from \$3.1 million or \$0.09 per share in last year's third quarter and up seven percent from this year's second quarter income of \$6.1 million or \$0.15 per share.

"Our excellent financial performance was spurred by a surge in activity on our Web site," said Christos M. Cotsakos, President and Chief Executive Officer of E*TRADE Group, Inc. "Measured by traffic, E*TRADE is now one of the top three financial services destination sites on the Internet and one of the top ten financial destination sites of any type, according to Media Metrix, Inc., a New York-based Web research firm. During the quarter the average value of securities traded electronically through E*TRADE was \$1.5 billion per week, almost double the \$800 million during the same quarter in 1997."

Total pages viewed at the E*TRADE Web site jumped to an average of 2.2 million per day, up 57 percent from 1.4 million per day in the second quarter. The site hosted 22.6 million visits during the quarter and was visited by an average of 51,107 unique customers per day. Average customer time on the site continued to be strong at roughly 4 hours per month.

"We expect overall traffic to increase even more in the fall when we aggressively launch our new destination Web site with free content and financial tools for the general public," said Cotsakos. The new E*TRADE destination site which has now been rolled out to all 459,000 customers will be publicly launched in early September through a major multi-media advertising and direct response campaign. Increased traffic will come from visitors, who can access all the information on the site; members, who can receive enhanced research, track their portfolios and have access to E*TRADE's new community features which include secure e-mail and chat rooms; and customers, who can place trades, transfer funds, write checks, as well as access premium services such as alerts, IPOs and institutional research. Both this site and E*TRADE's new high performance proprietary Stateless Architecture(SM) have been well received by customers and industry analysts alike.

Accelerating An Aggressive Growth Strategy

"We have nearly \$600 million available in cash and are one of the best capitalized online investing companies in the world," said Cotsakos. E*TRADE's nearly \$200 million in cash and equivalents on the balance sheet will be augmented by \$400 million in cash under the terms of the recently announced investment in the Company by SOFTBANK CORP., which is adding a 27.2 percent strategic interest in E*TRADE to its substantial portfolio of holdings in other premier Internet companies, such as 31 percent of Yahoo!, 35 percent of GeoCities and 71 percent of Ziff-Davis, the company behind the ZDNet Web site. The SOFTBANK financing is expected to close in early August.

"We are now implementing our growth strategy to establish our new Web site as a premier global online investing destination site and financial services hub, one that will be bookmarked by customers. Concurrent with the introduction of this new site, we will begin to leverage alliances such as the one we recently forged with America Online, as we pursue our goal to substantially increase the rate of customer acquisition and grow market share," said Cotsakos.

Company plans call for heavy investments and expenditures over the next several quarters, including aggressive marketing programs to build brand and

accelerate the growth of E*TRADE's customer base; strategic acquisitions; and further infrastructure enhancements and research and development activities in support of the E*TRADE global network.

"We are operating from a position of strength. Our current model has proven to be highly effective, as our business is flourishing and our financial position is solid. While our expenditures are expected to result in losses over the near term through the next several quarters, they are planned to significantly add to long-term shareholder value as we continue to secure our leadership position in electronic commerce," said Cotsakos.

"Once again, we are changing the rules of engagement in this rapidly evolving market," said Cotsakos. "With the industry as a whole at a major inflection point, E*TRADE is the first all-electronic provider of Internet investing services to make the substantial financial commitment required to lead the industry to its next level of growth. Our strategy creates significantly higher entry and secondary barriers than the early pioneering operating model that launched E*TRADE and its subsequent imitators. By moving first to occupy the high ground in the coming campaign for the loyalty of the online investor, we expect to create a strategic and competitive advantage that will be challenging for others to match."

Traditional Business Drivers Remain Strong

During the third quarter, the strength of the E*TRADE brand led to a dramatic rise in the Company's share of the U.S. total equities and options markets. E*TRADE's share of the equities market, which increased 26 percent sequentially over the second quarter of fiscal 1998, has risen every quarter since the Company went public in 1996. Despite market volatility, E*TRADE customers continued to display strong activity, with total transaction volume growing by 11 percent sequentially over the previous quarter.

The Company reported 1,837,000 transactions for the quarter or 29,155 per day, up 79 percent from 1,043,000 or 16,300 per day in last year's third quarter and up 11 percent from 1,597,000 or 26,200 per day in this year's second quarter. Net new accounts increased by 56,000 to a total of 459,000, up 153 percent from 182,000 one year ago and up 14 percent from 403,000 at the end of this year's second quarter. The annualized account retention rate remained at roughly 95 percent during the third quarter. Customer assets under management at the end of the quarter totaled \$11.2 billion, up 104 percent from \$5.5 billion one year ago and up 11 percent from \$10.1 billion at the end of the second quarter.

About E*TRADE

A leading branded provider of online investing services, E*TRADE has established a popular destination Web site for self-directed investors. The Company offers independent investors the convenience and control of automated stock, options, and mutual funds order placement at low commission rates, along with a suite of value-added products and services that can be personalized, including portfolio tracking, Java-based charting and quote applications, real-time market commentary and analysis, news, and other information services.

Customers can access E*TRADE at <http://www.etrade.com> on the Internet as well as through WebTV; via Prodigy; via AT&T Worldnet; via Microsoft Investor; by GO ETRADE on CompuServe; with the keyword ETRADE on America Online; via personal digital assistant; and via the TELE*MASTER interactive telephone system. E*TRADE Securities, Inc., and its parent company E*TRADE Group, Inc., are headquartered in Palo Alto, Calif.

E*TRADE is a registered trademark of the Company. TELE*MASTER is a trademark 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 new E*TRADE Web site, anticipated increases in the rate of new customer acquisition, seasonality, the development of new products and services, the enhancement of existing products and services, competitive pressures, 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 matters can be found in the information included in the annual report filed by the Company with the SEC on Form 10-K and quarterly reports on Form 10-Q.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1998	1997	1998	1997
Revenues:				
Transaction revenues	\$43,418	\$27,558	\$118,880	\$72,350
Interest - net	14,136	6,775	38,789	15,646
International	3,045	2,000	4,665	4,000
Computer services and other	1,717	703	4,421	2,264
Net revenues	62,316	37,036	166,755	94,260
Cost of services:				
Cost of services	28,722	17,500	75,749	43,123
Registration charge	--	4,334	--	4,334
Total cost of services	28,722	21,834	75,749	47,457
Operating expenses:				
Selling and marketing	11,588	5,137	30,251	16,237
Technology development	5,605	2,501	15,762	7,031
Acquired in-process research and development	--	--	2,756	--
General and administrative	6,200	2,442	14,862	9,425
Total operating expenses	23,393	10,080	63,631	32,693
Total cost of services and operating expenses	52,115	31,914	139,380	80,150
Pre-tax income	10,201	5,122	27,375	14,110
Income tax expense	3,641	2,054	9,783	5,728
Net income	\$6,560	\$3,068	\$17,592	\$8,382
Basic net income per share	\$0.17	\$0.10	\$0.45	\$0.28
Diluted net income per share	\$0.16	\$0.09	\$0.42	\$0.24
Shares used in computation of basic net income per share	39,290	30,814	39,028	30,080
Shares used in computation of diluted net income per share	41,712	34,493	41,475	34,719

E*TRADE GROUP, INC. AND SUBSIDIARIES
Condensed Balance Sheets
(In thousands)

	June 30, 1998 (Unaudited)	September 30, 1997
ASSETS		
Current assets:		

Cash and equivalents	\$21,422	\$21,814
Cash and investments required to be segregated under Federal or other regulations	5,000	15,001
Investment securities	172,417	191,398
Brokerage receivables-net	1,131,081	724,365
Other assets	12,509	4,744
Total current assets	1,342,429	957,322
Property and equipment-net	41,176	18,802
Other assets	20,177	13,779
Total assets	\$1,403,782	\$ 989,903

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Brokerage payables	\$1,034,430	\$ 681,106
Bank loan payable	4,000	9,400
Accounts payable, accrued liabilities and other	63,650	18,122
Total liabilities	1,102,080	708,628
Shareholders' equity	301,702	281,275
Total liabilities and shareholders' equity	\$1,403,782	\$ 989,903

SOURCE E*TRADE Group, Inc.

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

CO: E*TRADE Group, Inc.; SOFTBANK CORP.

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