

E*TRADE REPORTS FOURTH QUARTER REVENUES UP 32%;

Strong Account and Membership Growth During Quarter

Aggressive Growth Strategy Delivers 85,000 New Accounts and 127,000 New Registered Members; Electronic Transactions Average \$1.7 Billion Per Week

PALO ALTO, Calif., Oct. 14 /PRNewswire/ -- E*TRADE Group, Inc. (Nasdaq: EGRP), a leading branded provider of online investing services, today reported revenues for the fourth quarter ended September 30 of \$68.7 million, up 32 percent from \$52.0 million in last year's fourth quarter. Fiscal year 1998 revenues of \$245.3 million were up 57 percent from \$156.4 million in fiscal 1997.

As previously announced, the Company expected to report a fourth quarter loss as it began an aggressive account and membership acquisition strategy during September, with major investments in technology and marketing to support potential future growth. In addition, the Company took pre-tax charges totaling approximately \$16 million during the fourth quarter, equating to a net after-tax charge of \$9.5 million, or \$0.20 per share, for nonrecurring costs associated with the acquisition of ShareData, Inc., certain up front costs related to new strategic marketing alliances with AOL and Yahoo!, and initial costs for the launch of the new E*TRADE destination Web site and proprietary Stateless Architecture(SM). Including these charges, the Company reported a net loss for the fourth quarter of \$15.7 million, or \$0.33 per share. Fiscal year 1998 results were a net loss of \$1.3 million or \$0.03 per share, compared to net income of \$15 million or \$0.42 per share in fiscal 1997.

"The company made the strategic decision to increase its investments in marketing and technology at the end of last quarter with the objective of better positioning itself as one of the leading Internet financial services brands of the 21st century," said Christos M. Cotsakos, President and Chief Executive Officer of E*TRADE Group, Inc. These investments are expected to result in losses over the next several quarters while enhancing long-term shareholder value.

Account and Membership Growth

The Company added 85,000 net new accounts during the fourth quarter to reach 544,000 at the end of September, more than double the year earlier figure of 225,000 and a 19 percent increase from 459,000 at the end of June. Since the E*TRADE destination Web site was launched to the public in September, 127,000 visitors have become registered members, a promising indication of the potential of the new E*TRADE four-tiered customer-acquisition model.

"Our business continued to grow during the quarter and we are highly encouraged by the preliminary results of our techno-marketing program," said Cotsakos. "In the weeks since the new site was publicly launched, we have been pleased with the numbers of visitors registering as members to access the many free financial research and management tools as well as with the rate at which registered members are opening accounts and becoming E*TRADE customers," he added.

"New members and customers will become increasingly valuable to E*TRADE as the market stabilizes and as the Internet continues to go more mainstream," said Cotsakos. "However, we continue to closely monitor the current business and economic environments in order to proactively manage our business model as market conditions change."

A Milestone Quarter

With the public launch of the new destination Web site and Stateless Architecture and the commitment of substantial financial resources to the Company's strategic growth plan, the fourth quarter set E*TRADE on a new course for the future.

This 25th consecutive quarter of revenue increases was marked by a number of notable achievements, including the following:

- Being named the #1 online brokerage service by Gomez Advisors, a leading independent authority devoted to online financial services.
- Successfully implementing and testing the Company's new proprietary Stateless Architecture, which repeatedly handled record transaction volume with reliability and speed during heavy market volatility.
- Breaking the 500,000 account mark.
- Registering 127,000 members on the new E*TRADE destination website.
- Extending the E*TRADE brand by establishing strategic alliances with Yahoo!, GeoCities and ZDNet.
- Attracting a \$400 million investment from SOFTBANK CORP., a preeminent global provider of branded information services and infrastructure in the digital information service industry and a leading international investor in Internet companies.
- Launching a \$100-million-plus integrated targeted marketing campaign intended to establish E*TRADE as a premier global brand for the next century.
- Extending the projected reach of the E*TRADE global network to 32 countries and territories, representing 95 percent of the world's assets, signing new agreements intended to bring the Company's distinctive brand and services to the Scandinavian countries and Korea.
- Augmenting the Company's corporate services capabilities by completing the acquisition of ShareData, Inc., the leading supplier in stock plan knowledge-based software and expertise for companies worldwide.
- Adding products and features such as personal insurance and secure email in the process of building a one-stop destination site for personal financial services.

"These accomplishments and the scope of the Company's strategic investments are a measure of the resources required for existing companies, as well as new entrants in this highly competitive and evolving environment," said Cotsakos. "As one of the best capitalized online investing companies in the world, we will continue to appropriately deploy our resources to build a blue-chip Internet franchise for the 21st century."

Operating Metrics

Fueled by the launch of the new E*TRADE destination Website in September, new customer leads increased significantly at the end of the quarter, when record numbers of potential customers contacted the Company about opening accounts.

The dollar value of customer transactions per week averaged more than \$1.7 billion for the quarter, up 13 percent from \$1.5 billion in the third quarter.

Transactions reached an all-time high of 1,952,000 for the quarter, up 27 percent from 1,542,000 in last year's fourth quarter and up 6 percent from 1,837,000 in the third quarter. Transactions for a single day broke through the 52,000 level during September.

By attracting a record \$1.5 billion in quarterly deposits, up 25 percent over \$1.2 billion in the third quarter, E*TRADE matched the record set at the end of the third quarter of \$11.2 billion in customer assets in spite of nearly all market indices experiencing steep declines of over 10 percent. At \$11.2 billion, customer assets were 45 percent higher than the \$7.7 billion at the end of last fiscal year. Even after the dramatic market rebalancing at the beginning of the month, September had the highest deposits of any single month in the Company's history.

Internet Activity

Internet activity was strong as E*TRADE remained one of the most visited financial services sites on the Internet. For the fourth quarter, the E*TRADE destination Web site and Stateless Architecture hosted 28 million visits, up 24 percent from 22.6 million visits during the third quarter. Total page views equaled 171 million, up 22 percent over 140 million page views in the third quarter. An average of 53,000 unique customers came to the site per day in the seasonally slow summer months of the fourth quarter, a four percent increase from 51,000 in the third quarter.

"We are taking direct aim at an estimated 10 to 12 million investors who already use the Internet to do investment research but who have not yet opened an online investing account," said Cotsakos. "As online trading volume approaches one-third of all retail trades, there are millions of consumers who are becoming strong customer prospects," he added.

ShareData Acquisition

As previously disclosed, on July 30, 1998, E*TRADE completed its acquisition of ShareData, Inc. The transaction, in which E*TRADE issued 1.3 million shares of common stock, is being accounted for as a pooling of interest. Accordingly, all prior period results of E*TRADE, including those presented above and in the accompanying tables, have been restated as if the entities had always been combined.

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. In addition, E*TRADE has a suite of value-added products and services that can be personalized, including portfolio tracking, Java-based charting and quote applications, real-time stock quotes, Smart Alerts, market commentary and analysis, news, investor community areas and other information services. In August, E*TRADE was named the number one online brokerage service in a quarterly review conducted by Gomez Advisors, a leading independent authority devoted to online financial services. Customers can access E*TRADE at www.etrade.com on the Internet and through many other electronic channels and online services. E*TRADE Group, Inc., and its subsidiary E*TRADE Securities, Inc., are headquartered in Palo Alto, California.

E*TRADE is a registered trademark of the Company. TELE*MASTER is a trademark of E*TRADE Securities, Inc. "Stateless Architecture" and "Someday we'll all invest this way" are service marks of the Company. 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 and Stateless Architecture(SM), 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 September 30,		Fiscal Year Ended September 30,	
	1998	1997	1998	1997
Revenues:				
Transaction revenues	\$43,217	\$37,309	\$162,097	\$109,658
Interest - net	17,230	9,619	56,019	25,265
International	2,366	--	7,031	4,000
Other	5,849	5,056	20,135	17,472
Net revenues	68,662	51,984	245,282	156,395
Cost of services	32,953	24,300	110,513	73,381
Operating expenses:				

Selling and marketing	37,171	8,816	71,293	28,160
Technology development	12,501	4,535	32,445	13,547
General and administrative	12,914	4,760	33,663	16,817
Total operating expenses	62,586	18,111	137,401	58,524
Total cost of services and operating expenses	95,539	42,411	247,914	131,905
Pre-tax income (loss)	(26,877)	9,573	(2,632)	24,490
Income tax expense (benefit)	(11,130)	3,697	(1,347)	9,455
Net income (loss)	\$(15,747)	\$5,876	\$(1,285)	\$15,035
Basic net income (loss) per share	\$(0.33)	\$0.17	\$(0.03)	\$0.46
Diluted net income (loss) per share	\$(0.33)	\$0.15	\$(0.03)	\$0.42
Shares used in computation of basic net income (loss) per share	47,984	35,218	42,285	32,352
Shares used in computation of diluted net income (loss) per share	47,984	38,956	42,285	35,874

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

	September 30, 1998 (Unaudited)	September 30, 1997
ASSETS		
Current assets:		
Cash and equivalents	\$21,834	\$23,234
Cash and investments required to be segregated under Federal or other regulations	5,000	15,001
Investment securities	502,534	191,958
Brokerage receivables - net	1,310,235	724,365
Other assets	11,646	6,970
Total current assets	1,851,249	961,528
Property and equipment - net	50,261	19,995
Other assets	66,452	13,899
Total assets	\$1,967,962	\$995,422
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Brokerage payables	\$1,185,899	\$681,106
Bank loan payable	--	9,400
Accounts payable, accrued liabilities and other	72,183	21,542
Total liabilities	1,258,082	712,048
Shareholders' equity	709,880	283,374
Total liabilities and shareholders' equity	\$1,967,962	\$995,422

SOURCE E*TRADE Group, Inc.

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(ERGP)

CO: E*TRADE Group, Inc.; ShareData, Inc.
ST: California
IN: CPR
SU: ERN

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