

**smart moves.**

**transforming vision into reality and potential into results.**

2002 corporate report

**EXTRADE**<sup>®</sup>  
FINANCIAL



## Financial and Operating Highlights

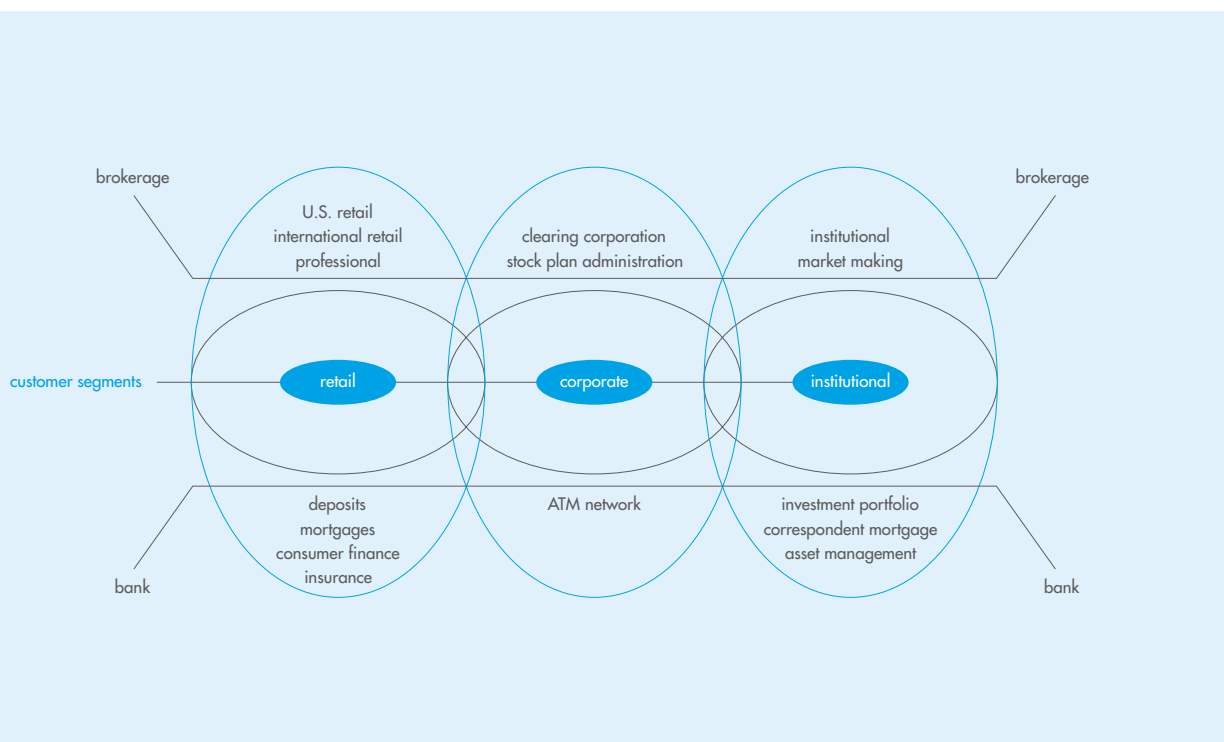
Years ended (dollars and shares in thousands except per share amounts)	December 31, 2002	December 31, 2001	September 30, 2000
Net revenue	\$1,325,864	\$1,275,364	\$1,368,318
Pre-tax income (loss)	\$193,940	\$(260,937)	\$104,449
Income (loss) before cumulative effect of accounting changes	\$107,264	\$(241,532)	\$19,152
Net income (loss)	\$(186,405)	\$(241,532)	\$19,152
Net income (loss) from ongoing operations <sup>1</sup>	\$161,049	\$40,234	\$(27,883)
Income (loss) per share before cumulative effect of accounting changes			
Basic	\$0.30	\$(0.73)	\$0.06
Diluted	\$0.30	\$(0.73)	\$0.06
Income (loss) per share			
Basic	\$(0.52)	\$(0.73)	\$0.06
Diluted	\$(0.52)	\$(0.73)	\$0.06
Income (loss) from ongoing operations per share <sup>1</sup>			
Basic	\$0.45	\$0.12	\$(0.09)
Diluted	\$0.45	\$0.12	\$(0.09)
Shares used in computations of income (loss) per share before cumulative effect of accounting changes and income (loss) per share			
Basic	355,090	332,370	301,926
Diluted	361,051	332,370	319,336
Shares used in computation of income (loss) from ongoing operations per share			
Basic	355,090	332,370	301,926
Diluted	361,051	339,315	301,926
Total customer households, at year end	3,132,024	3,005,021	N/A
Total active accounts, at year end	4,202,214	4,002,854	3,315,435
Daily average brokerage transactions <sup>2</sup>	87,905	113,835	168,224
Total assets/deposits in customer accounts, at year end	\$43,517,262	\$52,847,056	\$65,880,017
Approximate number of employees	3,500	3,500	3,800

<sup>1</sup> See Reconciliation of GAAP Results to Results from Ongoing Operations below

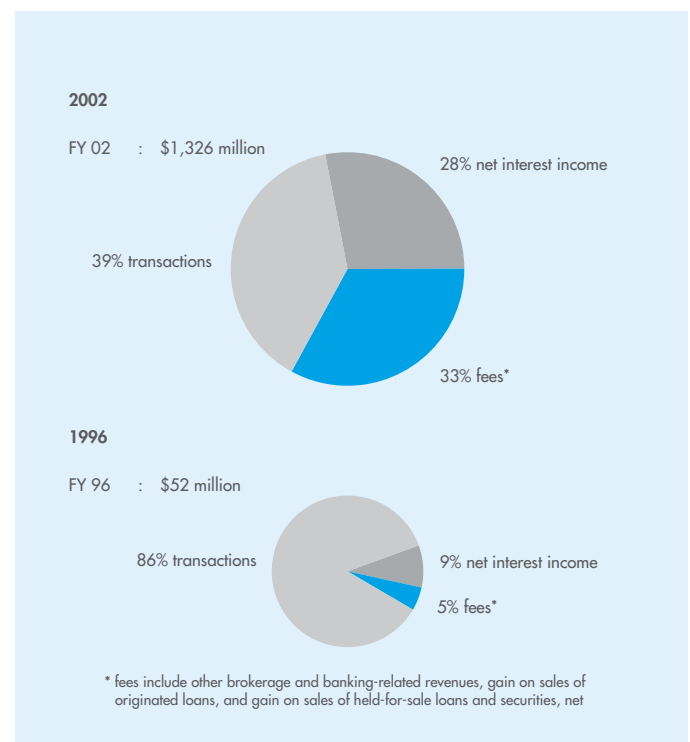
<sup>2</sup> Excludes transactions related to professional trading (Tradescape)

### Reconciliation of GAAP Results to Results from Ongoing Operations

(dollars in thousands)	December 31, 2002	December 31, 2001	September 30, 2000
Pre-tax income (loss)	\$193,940	\$(260,937)	\$104,449
Gain on early extinguishment of debt	(5,346)	(49,318)	-
Amortization of goodwill and other intangibles	28,258	43,091	22,764
Acquisition-related expenses	11,473	11,174	36,427
Facility restructuring and other exit charges	16,519	202,765	-
Executive agreement and loan settlement	(23,485)	30,210	-
Unrealized losses on venture funds	9,683	34,716	736
(Gain) loss on investments	18,507	49,812	(211,149)
Fair value adjustments of financial derivatives	11,662	3,112	-
Pre-tax income (loss) from ongoing operations	\$261,211	\$64,625	\$(46,773)
Less: Income tax expense (benefit)	98,607	23,911	(18,709)
Less: Minority interest	1,555	480	(181)
Income (loss) from ongoing operations	\$161,049	\$40,234	\$(27,883)



/ our integrated business model /



/ revenue diversification /

**Dear E\*TRADE Financial Shareholders:**

On behalf of the management team and more than 3,500 employees worldwide, I want to thank you for your support and commitment to the ongoing success of our business.

2002 was a pivotal year for our Company and every company. Consumer attitudes toward corporate America shifted significantly amid one of the most challenging economic climates in history. At E\*TRADE Financial, we are proud to have been able to deliver our best operating performance to date in such an uncertain economic environment.

2002 was a year marked by milestones for both the brokerage and the bank, including:

- Being named the third largest online broker, as measured by daily online transaction volumes and a leading site for active traders
- Becoming the eighth largest OTS-regulated financial institution based on asset size, with more than \$17 billion in banking assets
- Becoming the third largest retail mortgage originator through the online channel
- Building the second largest domestic ATM network
- Remaining one of the largest providers of stock plan services in the nation

We made great strides in strengthening our strategic position by offering increasingly diversified financial services, implementing aggressive integration plans and executing on efficiency initiatives across all lines of the business. Without question, E\*TRADE Financial has emerged as a strong force in financial services.

**Smart Products for Smart Customers** / 2003 will be the year that we seek to take the tremendous brand identity we have built and make it synonymous with inherent value for all customer segments. We deliver a dynamic portfolio of products — brokerage, banking and lending — to each of our customer segments — retail, corporate and institutional — through distribution channels that are optimized with technology. The successful integration of these products for each customer segment, coupled with effective delivery channels, will drive our future success.

Integration is the foundation for successful cross-selling of services. The cross-sell opportunity in financial services is significant. At E\*TRADE Financial, we will succeed by maintaining a low-cost infrastructure to deliver pricing power. We will refine our product portfolio rapidly to ensure that we deliver the added value of integrated offerings to each of our customer segments. Today, each product offering can be a valuable standalone experience for a customer — or the products can be further leveraged in combination to deliver even greater value. We intend to use that advantage intelligently to increase market share.

**Smart Business** / Although the economic climate of 2002 has been extremely difficult, it has continued to validate our strategy in a way that a bull market never could have. We will look back at this time in the Company's history and be reminded that our model indeed helps protect us from the downside and positions us to perform exceptionally when the economy rebounds.

We achieved operating profitability in every quarter in 2002 by bringing increased rigor and discipline to our business. We will continue to manage the business to maximize return on capital by prudently balancing our long-term strategic goals with short-term gains from immediate opportunities.

**Smart Outlook** / The challenging market conditions that we have all lived through these past few years highlight the significance of environmental factors. At E\*TRADE Financial, our success is intertwined with our ability to manage our business in the context of volatile economic environments. Current market conditions are simply a moment in time — economic and business environments are cyclical. We must continue, even now, to plan for future growth. When the economy improves, E\*TRADE Financial is poised to make the most of the revenue opportunities. We will focus on initiatives that are going to drive short-term results as well as position us for long-term success. Whether it is the investment of financial or human capital, our goal is the same: to be opportunistic as economic conditions shift.

In 2001, we continued our evolution into a fully integrated and diversified financial services provider. In 2002, we accelerated that evolution with a year of disciplined growth and maturation for E\*TRADE Financial. We emerged as a robust, lean, diversified and differentiated business that is a recognized leader.

We enter 2003 from a position of strength. We continue to break new ground by providing products and services to fulfill each distinct customer segment's financial ambition. The ability to empower customers is the soul of E\*TRADE Financial and our spirit is defined by our ability to champion the needs of each customer. As a team, we will embrace market dynamics as they unfold to define true value for our employees, customers and shareholders.



**Mitchell H. Caplan**  
Chief Executive Officer

# we anticipate what's next so we can be there first



Today's economic climate magnifies a basic business reality — smart always wins. In 2002 we made a series of smart moves. Moves that prove the power of our integrated business model. Moves to build long-term shareholder value in a variety of economic environments. Moves to give our customers more products and services, empowering them to make the most of their finances. And moves to strategically invest in our business, enabling our team to create one of the most powerful models in the financial services industry.

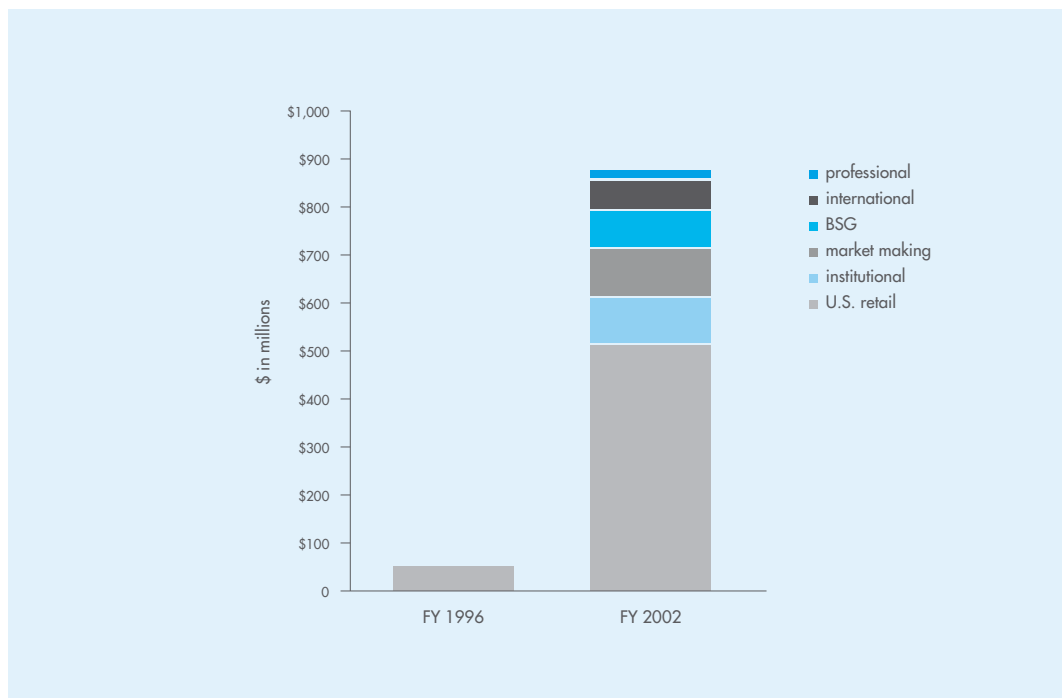
**Brokerage, Banking, Lending** / E\*TRADE Financial has emerged as a diversified financial services company. We've brought brokerage, banking and lending together to create a Company that is focused on meeting our customers' current and long-term financial needs. The integration of these services has built loyal relationships with our nearly 4 million customers and 3 million customer households worldwide. Our ability to meet individual customer segment needs with distinct products and preferred channels has been a successful formula. Our ability to use technology to build low-cost infrastructure creates competitive pricing advantages for our retail, institutional and corporate customers.



- customers  
retail, institutional, corporate
- products  
brokerage, banking, lending
- channels  
Web, ATMs, centers,  
relationship managers, call centers



# we empower our customers to make informed financial decisions



**Our Brokerage Business** / In 2002, E\*TRADE Securities reinforced the value of diversifying within our brokerage services to position ourselves best for current market conditions. Understanding the true value customers need, we focused solely on initiatives that would deliver upside. We maximized the opportunity with our active traders by zeroing in on their most crucial needs — speed and reliability of transactions and price advantage — and we launched an industry first with the “Power of 9” program, successfully gaining market-share. Our Business Solutions Group solidified its position as one of the largest providers of stock plan administration services in the country. Our market making operation became the fifth largest over-the-counter market maker in the U.S. Our institutional group launched proprietary independent institutional research — strengthening our competitive position at a time of industry-wide crisis with conflicts of interest. And we continued to leverage technology to decrease transaction and operating expenses, while improving customer service and growing our brokerage gross margin.

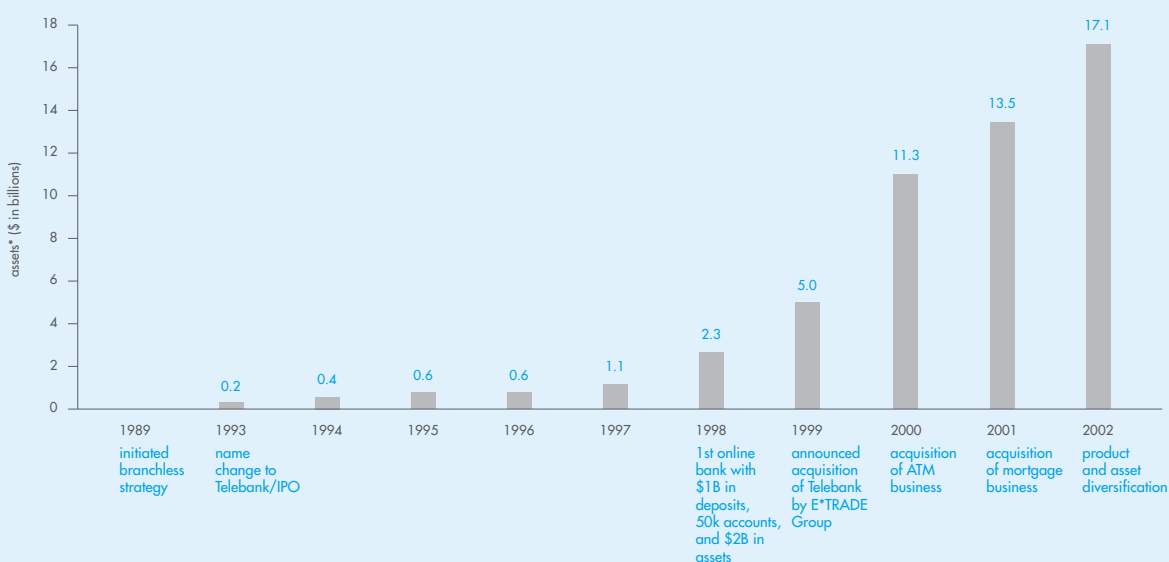
/ diversification drives brokerage revenue growth /

# we focus on areas that build value



**Our Banking Business / E\*TRADE** Financial is no longer just a broker. E\*TRADE Bank's full suite of products and services offers an outstanding value proposition of price, convenience and service. The Bank has been profitable since its inception and has become the eighth largest OTS-regulated financial institution in the country based on asset size, with more than \$17 billion in assets in 2002. E\*TRADE Bank operates the country's second largest ATM network, with over 15,000 ATMs located nationwide and the third largest retail online mortgage origination business, generating over \$12 billion through direct and indirect channels. As the largest branchless bank in the country, we were able to increase profitability while maintaining high credit quality. Our financial strength enables us to maximize strategic investments and acquisitions, while maintaining our sharp focus on managing risk. Most notably, the addition of consumer loan products to our portfolio this year was immediately accretive — further facilitating the cross-sell process with our customers.

**Smart Diversification Wins / Our** results this year proved the wisdom of our strategically diversified business model, as we strengthened our balance sheet and delivered a four percent increase in net revenues and a 238 percent growth in income from operations, despite declining equity markets. We improved our bottom line with changes throughout the business, including millions of dollars in savings by migrating to a Linux operating system. We outperformed others in our industry by staying focused on strategic execution and operating efficiencies. We successfully managed the deployment of our resources, both financial and human capital, and we are committed to fiscal accountability and financial transparency. We are on track to keep the momentum going in 2003 and will maintain a disciplined focus on delivering clear and consistent value to customers and shareholders around the world.



\* balances reflect assets as of December 31 for all years shown

**we turned potential  
into reality**

**in 2002, we became E\*TRADE Financial**

**we launched an industry-leading  
“Power of 9” program for active traders**

**we introduced real-time electronic cash transfers**

**we delivered independent institutional proprietary research**

**we added several new consumer lending products including  
auto, credit card, marine and RV lending**

**we generated over \$12 billion in mortgages  
through direct and indirect channels**

**we migrated our technology architecture to Linux**

**we delivered our best operating performance to date  
in an uncertain economic environment**

**smart moves**





A



B



C



D



E



F



G



H



I



J

## Officers

- A **Mitchell H. Caplan**  
Chief Executive Officer
- B **R. Jarrett Lilien**  
President and Chief Operating Officer
- C **Betsy Barclay**  
Chief Government Affairs Officer
- D **Connie Dotson**  
Chief Communications Officer
- E **Russell S. Elmer**  
General Counsel and Corporate Secretary
- F **Arlen W. Gelbard**  
Chief Banking Officer and President, E\*TRADE Bank
- G **Lou Klobuchar, Jr.**  
Chief Brokerage Officer and President, E\*TRADE Securities, LLC
- H **Pamela S. Kramer**  
Chief Marketing Officer
- I **Joshua S. Levine**  
Chief Technology and Administrative Officer
- J **Leonard C. Purkis**  
Chief Financial Officer

## Directors

- George Hayter**  
Chairman of the Board, E\*TRADE Group, Inc.
- Mitchell H. Caplan**  
Chief Executive Officer, E\*TRADE Group, Inc.
- Peter Chernin**  
President and COO, News Corporation  
Chairman and CEO, The Fox Group, Inc.
- Ronald Fisher**  
Vice Chairman, SOFTBANK Holdings, Inc.
- William Ford**  
Managing Member, General Atlantic Partners, LLC
- William Porter**  
Chairman Emeritus, E\*TRADE Group, Inc.  
Chairman, International Securities Exchange
- Lewis Randall**  
Private Investor
- Lester Thurow, Ph.D.**  
Lemelson Professor of Management and Economics  
Sloan School, Massachusetts Institute of Technology

## Corporate Office

**E\*TRADE Group, Inc**  
4500 Bohannon drive  
Menlo Park, CA 94025

## Financial Information

To obtain our Corporate Report, Form 10-K or other publications without charge, visit our Web site or contact:

Robert Simmons  
Investor Relations  
ir@etrade.com  
916-859-8559

## Corporate Communications

Connie Dotson  
Chief Communications Officer  
mediainq@etrade.com  
916-858-8835

## Wholly Owned Subsidiaries

For a list of wholly owned subsidiaries, please refer to our Form 10-K.

## Transfer Agent and Registrar

American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10038  
800-937-5449

## Independent Auditors

Deloitte & Touche LLP  
San Jose, California

## Annual Meeting

The Annual Meeting of Shareholders will be held:  
Thursday, May 22, 2003  
Wyndham DC Hotel  
1400 M Street NW  
Washington, DC 20005



**E\*TRADE Financial**  
4500 Bohannon Drive  
Menlo Park, CA 94025  
650-331-6000

etrade.com

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**System response and account times may vary due to a variety of factors including trading volumes, market conditions and system performance.**