

E\*TRADE Reports Third Quarter Profit of \$0.03 per Share From Ongoing Operations - Fifth Consecutive Quarter of Operating Profitability

Expense Reduction, Debt Reduction, Strong Ending Cash Position, Also Highlights of the Quarter

Company Raises Fourth Quarter EPS Estimate to \$0.04

MENLO PARK, Calif., Oct. 10 /PRNewswire/ -- E\*TRADE Group, Inc. (NYSE: ET) today announced results for its quarter ended September 30, 2001, reporting net income from ongoing operations of \$9.3 million, or \$.03 per share, compared to a profit of \$7.2 million, or \$.02 a share, in the same quarter a year ago. The Company reported net revenue for its quarter ended September 30, 2001 of \$292.2 million, compared to \$340.3 million for the same period a year ago.

"We are pleased to have delivered the fifth consecutive quarter of operating profitability despite the challenging business, economic, and market environment," said Christos M. Cotsakos, chairman of the board and chief executive officer of E\*TRADE Group, Inc. "We continue to prove the strength and flexibility of our diversified business model. We have reduced every major expense category and ended the quarter with a strong free cash position of \$553 million."

E\*TRADE continued to build shareholder value through a number of actions:

- Closed the Dempsey acquisition on October 2. The acquisition of this specialist and market-maker is expected to contribute \$.05-\$.07 EPS and \$100 million in revenue in 2002.
- Reduced the fixed cost structure through a facilities consolidation expected to contribute \$.10-\$.12 EPS in 2002.
- Repurchased 10.1 million shares of common stock in the open market in addition to 7 million shares purchased from Softbank earlier in the quarter.
- In addition, the Chairman and CEO purchased 2.4 million shares from Softbank and in the open market.
- Deleveraged and restructured the balance sheet by retiring \$115 million of debt over the last two quarters through a combination of exchange transactions and open market repurchases.

"We believe the actions we have taken continue to unlock shareholder value and further enhance the customer experience," continued Cotsakos, "Not only have we supported our shareholders through our repurchase activity, we have also strengthened our credit position by retiring debt. Our balance sheet remains well positioned to support our future growth strategy."

Results from ongoing operations exclude the previously-announced restructuring charge of \$227 million, 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 third quarter of (\$259 million), or (\$0.77) per share on a fully diluted basis, and after extraordinary gains, the loss is (\$0.72) per share, compared to a total net income of \$48 million, or \$0.15 per share for the same period a year ago.

E\*TRADE reported progress in the third quarter in a number of important metrics:

- Total net revenues for the quarter declined by 5 percent, while average daily transactions of 91,000 declined 23 percent, reflecting the Company's continued success in revenue diversification.
- Total households grew by over 75,000 to 2.9 million.
- Net new brokerage and banking accounts added were over 66,000, bringing total customer accounts to 3.9 million, up 17 percent compared to the 3.3 million accounts reported at the end of the same quarter a year

ago.

- Our North American sales organization brought in \$1.9 billion in new assets, equal to the previous quarter. This program has now brought in more than \$5 billion in only four quarters of operation.
- E\*TRADE Mortgage funded \$1.3 billion in mortgages.
- Opened six new E\*TRADE Zones in SuperTarget stores in four states.

E\*TRADE reiterated previous guidance of \$.35-\$.49 EPS for fiscal year 2002, which includes the expected benefit from the Dempsey acquisition and the facilities consolidation. The Company also raised its estimate for the fourth quarter of 2001 to \$.04 EPS, up from the street consensus of \$.02.

#### Financial Results

Reconciliation of reported results to results from ongoing operations

\$ in millions	Qtr ended 9/30/01	Qtr ended 9/30/00	Qtr ended 6/30/01
Income (loss) as reported:			
Pre-tax	\$(278.2)	\$134.4	\$(25.3)
After-tax, before extraordinary gain on early extinguishment of debt	\$(259.0)	\$47.7	\$(12.3)
EPS, before extraordinary gain on early extinguishment of debt	\$(0.77)	\$0.15	\$(0.04)
Pre-tax amounts, excluded from ongoing operations			
Amortization of goodwill and other intangibles	11.4	8.4	9.0
Merger related expenses	5.4	4.9	0.5
(Gain)/loss on investments	32.5	(144.5)	13.0
Unrealized loss on venture funds	13.5	8.1	9.0
Fair value adjustments of financial derivatives	3.3	--	1.7
Facility restructuring and other nonrecurring charges	227.3	--	--
Income from ongoing operations:			
Pre-tax	15.2	11.3	7.9
After-tax and minority interest	9.3	7.2	5.4
EPS from ongoing operations	0.03	0.02	0.02

#### Key Performance Metrics

	Q ended 9/30/01	Q ended 9/30/00	Q ended 9/30/01 vs. Q ended 9/30/00	Q ended 6/30/01	Q ended 9/30/01 vs. Q ended 6/30/01
Active brokerage accounts	3,458,268	3,027,362	14%	3,393,806	2%
Active banking accounts	436,429	288,073	51%	434,804	0%
Total active accounts end of period	3,894,697	3,315,435	17%	3,828,610	2%
Net new accounts	66,087	337,290	(80)%	103,489	(36)%
Cost per net new account	\$289	\$211	37%	\$232	25%

Total customer households end of period	2,902,598	NA	NA	2,826,838	3%
Average assets per household	\$15,251	NA	NA	\$18,906	(19)%
Total assets in investing accounts	\$36.3 billion	\$61.3 billion	(41)%	\$45.7 billion	(21)%
Total deposits in banking accounts	\$8.0 billion	\$4.6 billion	74%	\$7.7 billion	4%
Total assets/deposits in customer accounts	\$44.3 billion	\$65.9 billion	(33)%	\$53.4 billion	(17)%
Total inflow into customer accounts	\$3.5 billion	\$6.0 billion	(42)%	\$5.7 billion	(39)%
Daily average inflow	\$55 million	\$95 million	(42)%	\$91 million	(39)%
Total bank assets	\$13.1 billion	\$9.0 billion	46%	\$12.7 billion	3%
Total brokerage transactions	5.3 million	9.4 million	(43)%	7.4 million	(28)%
Daily average brokerage transactions	91,000	150,000	(39)%	118,000	(23)%

#### 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.

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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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Revenues:				
Transaction revenues	\$76,127	\$151,976	\$316,753	\$586,766
Interest income	284,946	300,705	900,891	802,678
Global and institutional	37,816	37,185	111,704	127,438
Other	82,467	46,732	218,144	88,392
Gross revenues	481,356	536,598	1,547,492	1,605,274
Interest expense	(189,196)	(195,100)	(614,473)	(506,550)
Provision for loan losses	--	(1,236)	(3,099)	(3,466)
Net revenues	292,160	340,262	929,920	1,095,258
Cost of services	140,519	136,156	433,412	400,317
Operating expenses:				
Selling and marketing	50,268	91,774	199,365	389,703
Technology development	20,882	28,490	66,583	105,617
General and administrative	55,250	61,292	177,398	166,031
Amortization of goodwill and other intangibles	11,421	8,395	28,442	20,600
Merger related expenses	5,387	4,908	5,904	30,640
Facility restructuring and other nonrecurring charges	227,249	--	227,249	--
Total operating expenses	370,457	194,859	704,941	712,591
Total cost of services and operating expenses	510,976	331,015	1,138,353	1,112,908
Operating income (loss)	(218,816)	9,247	(208,433)	(17,650)
Non-operating income (expense):				
Corporate interest income	6,757	5,781	17,755	15,010
Corporate interest expense	(15,297)	(11,355)	(39,284)	(29,503)
Gain (loss) on investments	(32,465)	144,502	(48,038)	179,833
Equity in losses of investments	(1,079)	(5,474)	(6,231)	(7,624)
Unrealized loss on venture funds	(13,506)	(8,099)	(34,075)	(26,189)
Fair value adjustments of financial derivatives	(3,327)	--	(4,703)	--
Other	(422)	(250)	(830)	(1,973)
Total non-operating income (expense)	(59,339)	125,105	(115,406)	129,554
Pre-tax income (loss)	(278,155)	134,352	(323,839)	111,904

Income tax expense (benefit)	(19,471)	87,194	(45,368)	86,172
Minority interest in subsidiaries	299	(499)	(16)	(676)
Income (loss) before extraordinary gain on early extinguishment of debt	(258,983)	47,657	(278,455)	26,408
Extraordinary gain on early extinguishment of debt, net of tax	15,246	--	15,320	--
Net income (loss)	\$(243,737)	\$47,657	\$(263,135)	\$26,408
Income (loss) per share before extraordinary gain:				
Basic	\$(0.77)	\$0.15	\$(0.86)	\$0.09
Diluted	\$(0.77)	\$0.15	\$(0.86)	\$0.09
Net income (loss) per share:				
Basic	\$(0.72)	\$0.15	\$(0.81)	\$0.09
Diluted	\$(0.72)	\$0.15	\$(0.81)	\$0.09
Shares used in computation of per share data:				
Basic	336,469	309,145	323,833	292,817
Diluted	336,469	322,570	323,833	308,997

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

	Three Months Ended September 30, 2001	June 30, 2001
Revenues:		
Transaction revenues	\$76,127	\$109,264
Interest income	284,946	298,515
Global and institutional	37,816	37,047
Other	82,467	71,185
Gross revenues	481,356	516,011
Interest expense	(189,196)	(206,176)
Provision for loan losses	--	(1,656)
Net revenues	292,160	308,179
Cost of services	140,519	150,458
Operating expenses:		
Selling and marketing	50,268	55,399
Technology development	20,882	23,420
General and administrative	55,250	61,906
Amortization of goodwill and other intangibles	11,421	9,022
Merger related expenses	5,387	517
Facility restructuring and other nonrecurring charges	227,249	--
Total operating expenses	370,457	150,264
Total cost of services and operating expenses	510,976	300,722
Operating income (loss)	(218,816)	7,457
Non-operating income (expense):		
Corporate interest income	6,757	5,220
Corporate interest expense	(15,297)	(12,759)
Loss on investments	(32,465)	(13,042)

Equity in losses of investments	(1,079)	(1,811)
Unrealized loss on venture funds	(13,506)	(8,958)
Fair value adjustments of financial derivatives	(3,327)	(1,710)
Other	(422)	292
Total non-operating expense	(59,339)	(32,768)
Pre-tax loss	(278,155)	(25,311)
Income tax benefit	(19,471)	(12,655)
Minority interest in subsidiaries	299	(350)
Loss before extraordinary gain from the early extinguishment of debt	(258,983)	(12,306)
Extraordinary gain on early extinguishment of debt, net of tax	15,246	2,111
Net loss	\$(243,737)	\$(10,195)
Loss per share before extraordinary gain:		
Basic	\$(0.77)	\$(0.04)
Diluted	\$(0.77)	\$(0.04)
Net loss per share:		
Basic	\$(0.72)	\$(0.03)
Diluted	\$(0.72)	\$(0.03)
Shares used in computation of per share data:		
Basic	336,469	321,550
Diluted	336,469	321,550

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

	September 30, 2001	December 31, 2000
<b>ASSETS</b>		
Cash and equivalents	\$1,760,175	\$212,430
Cash and investments required to be segregated under Federal or other regulations	289,233	122,327
Brokerage receivables - net	2,723,398	4,639,078
Mortgage-backed securities	4,113,210	5,058,919
Loans receivable - net	6,301,880	5,039,602
Investments	1,268,499	1,350,797
Property and equipment - net	332,906	368,355
Goodwill and other intangibles	480,334	441,984
Other assets	759,875	507,618
Total assets	\$18,029,510	\$17,741,110
<b>LIABILITIES AND SHAREOWNERS' EQUITY</b>		
Liabilities:		
Brokerage payables	\$2,764,434	\$4,226,124
Banking deposits	8,027,993	5,750,209
Borrowings by bank subsidiary	3,574,168	4,629,353
Accounts payable, accrued and other liabilities	1,254,016	708,629
Convertible subordinated notes	860,000	650,000
Total liabilities	16,480,611	15,964,315
Mandatorily redeemable preferred securities	54,978	30,747
Shareowners' equity:		
Preferred stock, shares authorized:		
1,000,000; issued and outstanding: none at		

September 30, 2001 and December 31, 2000	--	--
Shares exchangeable into common stock, \$.01 par value, shares authorized: 10,644,223; issued and outstanding: 2,469,926 at September 30, 2001 and 4,101,504 at December 31, 2000	25	41
Common stock, \$.01 par value, shares authorized: 600,000,000; issued and outstanding: 327,077,789 at September 30, 2001 and 308,220,126 at December 31, 2000	3,271	3,082
Additional paid-in-capital	1,982,872	1,827,444
Unearned ESOP shares	(780)	(1,422)
Shareowners' notes receivable	(31,571)	(19,640)
Deferred compensation	(31,087)	--
Accumulated deficit	(268,690)	(5,555)
Accumulated other comprehensive loss	(160,119)	(57,902)
Total shareowners' equity	1,493,921	1,746,048
Total liabilities and shareowners' equity	\$18,029,510	\$17,741,110

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