

## E\*TRADE ANNOUNCES SECOND QUARTER RESULTS

### Shows Strong Growth in Accounts, Transactions, Managed Assets and Unveils International Licensing Agreements Covering 25 Countries

PALO ALTO, Calif., April 7 /PRNewswire/ -- E\*TRADE Group, Inc. (Nasdaq: EGRP) today reported revenues of \$104.4 million for the first six months of fiscal 1998, up 83 percent from \$57.2 million in revenues for the first six months of fiscal 1997. Net income for this year's first six months was \$11.0 million, up 108 percent from \$5.3 million in last year's first half. Six month earnings per share rose to \$0.27 up 69 percent compared to \$0.16 per share for the first six months of last fiscal year.

E\*TRADE added 80,000 net new accounts during the quarter and surpassed the 400,000 account mark, up 178 percent from 145,000 at the end of March 1997 and up 24 percent from 325,000 accounts at the end of the first fiscal quarter of 1998. Assets held in customer accounts now exceed \$10 billion, up 146 percent from \$4.1 billion a year ago and up 29 percent from \$7.8 billion in December 1997.

Revenues for the second quarter ended March 31, 1998 rose to \$53.3 million, up 66 percent from revenues of \$32.2 million for the same period in fiscal 1997 and a four percent increase compared with revenues of \$51.1 million for the previous quarter.

Net income for the second quarter was \$6.1 million, or \$0.15 per share, compared with \$3,054,000 or \$0.09 per share for the second quarter of 1997 and up 25 percent over \$0.12 per share for the previous quarter.

"In a marketplace punctuated by enormous competition, we are pleased with our strong performance and the acceptance of our value proposition by both our current and new customers," said Christos M. Cotsakos, president and chief executive officer of E\*TRADE. "As reflected in our strong account growth, we believe the E\*TRADE business has substantial momentum.

"For 23 consecutive quarters, E\*TRADE has delivered increased revenues even as more and more competitors have imitated E\*TRADE with a 'me too' strategy," said Cotsakos. "By listening to our customers and continuing to innovate, we strive to give them what they want when they want it. We are focused on creating a business that's built to last, as we build our destination brand for the long term.

"E\*TRADE continues to lead the way into the next era in electronic commerce," said Cotsakos. "We intend to be a dominant destination site in online investing, and plan to roll out our new state-of-the-art destination web site to customers and the public during the third quarter."

Despite industry-wide slowness at the beginning of the quarter and increased competition, total transactions for the quarter were 1,597,000, up 83 percent from the year earlier quarter figure of 871,000 and up one percent from the total for the first quarter of fiscal 1998. As customers gained confidence in the markets, volumes increased substantially during the latter part of February and March. Total transactions for the first six months of fiscal 1998 were 3,172,000, up 103 percent from the 1,560,000 transactions during the first six months of 1997. Customer retention remains strong, at an annualized rate of 95 percent.

During the quarter just ended, the E\*TRADE web site hosted 22.2 million total visits from an average of 50,000 unique visitors daily. The number of visits grew 24% from January to March. The total number of page views averaged 1.4 million per day for the quarter.

"A full eight percent of all visits result in revenue-generating transactions, giving E\*TRADE the opportunity to generate additional revenues by expanding our product offering through the launch of Destination E\*TRADE," said Cotsakos.

#### Expanding E\*TRADE's Global Brand

As part of its global growth strategy, E\*TRADE also announced today it has launched a major international expansion effort designed to provide the company with a presence throughout Europe, Southeast Asia and North Asia. As part of the launch, E\*TRADE signed four master licensing agreements which, when fully implemented, will extend the E\*TRADE brand to more than twenty-five

countries around the world.

The licensing agreements provide for an ongoing relationship with E\*TRADE and the right to utilize the E\*TRADE name, technology, and product line. The company will be recognizing ongoing licensee and royalty revenues from these agreements. In addition, E\*TRADE has taken a minority interest in each of the master licensee companies.

"International alliances are an important segment of E\*TRADE's global expansion plans. The agreements that we are announcing today represent strategic alliances that allow E\*TRADE the opportunity to expand into key international markets," said Cotsakos. "In addition to expanding our brand globally, these licensing agreements have the potential to provide E\*TRADE with additional revenue streams that should contribute to both our top and bottom line."

The announced master licensing agreements envision the eventual formation of E\*TRADE Asia, E\*TRADE France, E\*TRADE Germany and E\*TRADE Israel, and will encompass jurisdictions throughout Europe and Asia. E\*TRADE Asia is designed to extend the E\*TRADE brand to 13 Southeast Asian countries, including Singapore and Malaysia, as well as Taiwan, Hong Kong and China. E\*TRADE France and E\*TRADE Germany are intended to provide investors in France, Germany, Italy, and eight other European countries access to E\*TRADE services.

E\*TRADE has appointed Judy Balint, Senior Vice President Global Marketing and Strategic Business Development, to head up the company's newly formed international division. "This launch is an integral component of our global strategy and our continuing vision to empower individual investors around the globe by applying E\*TRADE's technology and brand to create innovative investment solutions," stated Balint. "This is a longer term strategy for us: many of these markets may develop more slowly than the U.S., and some of them may not develop for a variety of reasons. However, our initial research indicates significant growth potential as more and more individuals turn to the Internet as a viable channel for investing.

E\*TRADE launched its first international alliance in Canada where it has been providing online investing services through its partner, Versus Technologies, and its subsidiary Versus Brokerage, Inc. since February 1997. E\*TRADE Canada currently accounts for an estimated 2 percent of the Canadian retail online investing market. E\*TRADE Australia will be launching its retail domestic online investing services during the third quarter, through Nova Pacific Capital, and its subsidiary Nova Pacific Securities, Inc.

#### Enhancing Customer Satisfaction

Tracking its performance against a wide variety of customer performance and satisfaction measures, E\*TRADE's quarterly market research analysis highlighting customer perceptions and concerns, found that the Company and the industry, although improving, still has many significant challenges to address regarding service delivery. As an industry leader, E\*TRADE is leveraging technology to develop innovative solutions in response to these needs.

In March, the Company announced a significant expansion of customer assistance capabilities with its E\*STATION service, a 24-hour online assistance center that provides instant access to self-guided customer service. "Our aim with E\*STATION is to provide our customers with a mix of electronic and human assistance that exceeds their expectations," said Cotsakos. "Early feedback from customers has been positive. In fact, more than 99 percent of all customer interactions are now handled electronically, without any human intervention whatsoever."

Using E\*STATION, new customers can learn the nuances of online investing at their own pace. Experienced E\*TRADE customers can benefit from tutorials, information, and tools to help them explore investment alternatives. Simple account maintenance procedures, such as a change of address or a form request, can also be handled through E\*STATION. Customers can also link to a self-guided tour of the E\*TRADE Web site or they can set up an appointment with an E\*TRADE associate.

#### Review of Recent Developments

Beginning at the end of fiscal 1997, the Company launched a significant technological initiative to transition to a new innovative architecture that

will allow the Company to serve a wider variety of customers with a more diverse set of products and functionality, both domestically and internationally.

"The new architecture is another step in making E\*TRADE an enterprise that is 'built to last' while preserving the highest standards of electronic customer service," said Cotsakos.

The company continues to develop its next generation service offerings. Since February, E\*TRADE has been beta testing a new subscription service called "Professional Edge." This value-added subscription service combines real-time, proprietary research from BancAmerica Robertson Stephens along with participation in their IPOs and secondary offerings through E\*TRADE's all-electronic distribution channels. Initial customer feedback has been positive about this new service. The company plans to roll out this service, as part of its destination site.

E\*TRADE also recently announced an alliance with E-Loan, Inc., that will allow E\*TRADE customers to get comprehensive information on mortgages, shop for the best rates and apply for a home loan. This new service will be a part of the company's product expansion plans which will occur through the phased rollout of Destination E\*TRADE to customers and then mainstream consumers beginning during the third quarter.

E\*TRADE also announced a comprehensive marketing alliance with Omega Research, Inc., a leading provider of real-time investment analysis software. The two companies will sponsor educational seminars and investing conferences for the self-directed investor and engage in other cross-marketing activities from each other's web sites. Omega software tools let individual investors use historical stock data to model and evaluate the profitability of various personal investment strategies and computerize them to generate buy and sell signals.

#### 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 Microsoft Investor; by Go ETRADE onCompuServe; with the keyword ETRADE on America Online; via personal digital assistant; and via the TELE\*MASTER interactive telephone system. E\*TRADE Securities 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, the development of new products and services, the enhancement of existing products and services, competitive pressures, system failures, economic conditions and the introduction of competing products having technological 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		Six Months Ended	
March 31,		March 31,	
1998	1997	1998	1997

Revenues:				
Transaction revenues	\$37,778	\$24,419	\$75,462	\$44,791
Interest - net	12,617	5,017	24,653	8,871
International	1,593	2,000	1,620	2,000
Computer services and other	1,321	765	2,704	1,562
Net revenues	53,309	32,201	104,439	57,224
Cost of services	24,280	13,198	47,027	25,623
Operating expenses:				
Selling and marketing	10,563	7,884	18,663	11,100
Technology development	5,162	2,210	10,157	4,530
Acquired in-process research and development	-	-	2,756	-
General and administrative	3,897	3,809	8,662	6,983
Total operating expenses	19,622	13,903	40,238	22,613
Total cost of services and operating expenses	43,902	27,101	87,265	48,236
Pre-tax income	9,407	5,100	17,174	8,988
Income tax expense	3,289	2,046	6,142	3,674
Net income	\$6,118	\$3,054	\$11,032	\$5,314
Basic net income per share	\$0.16	\$0.10	\$0.28	\$0.18
Diluted net income per share	\$0.15	\$0.09	\$0.27	\$0.16
Shares used in computation of basic net income per share				
	39,050	29,941	38,898	29,809
Shares used in computation of diluted net income per share				
	41,465	33,446	41,528	33,338

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

	March 31, 1998 (Unaudited)	September 30, 1997
ASSETS		
Current assets:		
Cash and equivalents	\$63,485	\$21,814
Cash and investments required to be segregated under Federal or other regulations	5,000	15,001
Investment securities	180,301	191,398
Brokerage receivables - net	1,023,288	724,365
Other assets	5,727	4,744
Total current assets	1,277,801	957,322
Property and equipment - net	26,472	18,802
Other assets	18,121	13,779
Total assets	\$1,322,394	\$989,903
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Brokerage payables	\$981,464	\$681,106
Bank loan payable	-	9,400
Accounts payable, accrued liabilities and other	46,333	18,122
Total liabilities	1,027,797	708,628
Shareholders' equity	294,597	281,275
Total liabilities and shareholders' equity	\$1,322,394	\$989,903

SOURCE E\*TRADE Group, Inc.

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