

E*TRADE Reports Strong First Quarter Results, Driven by Proven Business Fundamentals
Net Revenues Grow 112 Percent Over a Year Ago to \$246 Million; 330,000 Net New
Active Accounts, up 150 Percent; Customer Assets Rise 190 Percent to
\$44 Billion

First Quarter 2000 Highlights:

- E*TRADE Brand Drives Growth, Momentum
- Continued International Expansion
- Digital Financial Media Leverages Progress in Technology, CRM, Content
- Telebank Close on January 12 Lays Foundation for E*TRADE Bank, Creates Combined 2 Million Accounts

MENLO PARK, Calif., Jan. 19 /PRNewswire/ --

E*TRADE Group, Inc. (Nasdaq: EGRP) continued its robust growth in the first quarter of fiscal 2000, achieving record results in revenue, accounts, assets and average transactions per day. For the first quarter ended December 31, 1999, revenue grew to \$246 million, up 112 percent from \$116 million for the same period a year ago, and up 42 percent from \$173 million in the fourth quarter of fiscal 1999. E*TRADE continued distancing itself from the field of competitors and acquired 330,000 net new accounts during the first quarter, bringing its total active accounts to nearly 1.9 million. At the same time, E*TRADE continued to maximize the efficiency of its marketing activities by maintaining one of the lowest acquisition costs per net new account in the industry. Average transactions per day increased to 133,000, up 208 percent from 43,000 a year ago, and 65 percent from 80,000 in the fourth fiscal quarter of 1999.

"E*TRADE is not just building a powerful blue-chip brand, we're creating the leading electronic financial services company for the 21st Century," said Christos M. Cotsakos, chairman of the board and chief executive officer of E*TRADE Group, Inc. "Our first quarter results demonstrate the strength of E*TRADE's business model. This record performance also illustrates our ability to execute against our plan and deliver strong results, in all kinds of markets, and amidst competition from all sides. In fact, during a quarter in which competitors significantly increased their promotional spending, our estimates indicate that we continued to gain market share. By building a powerful financial destination for consumers, we are delivering consistent value to our shareowners, Associates and business partners."

During the quarter, E*TRADE continued to accelerate its revenue diversification strategy. The Company doubled investment banking revenue by offering more public offerings to online investors than anyone else in the industry. E*TRADE allocated shares in more than 60 public offerings to customers during the quarter, compared to 33 public offerings in the previous quarter. E*TRADE's Business Solutions Group also played an integral part in expanding the Company's revenue streams. As E*TRADE's standalone business to business unit, the Business Solutions Group provides a growing array of products to over 3,000 corporate clients, and also offers E*TRADE important cross-selling opportunities.

E*TRADE doubled advertising revenues booked in the quarter over the previous quarter, by leveraging its position as the most visited online investing site, as ranked by Media Metrix. Total page views in the quarter were 891 million, up 239 percent from 263 million in the same quarter a year ago and up 30 percent from 686 million in the fourth quarter of fiscal 1999. In addition, with the recent close of the Telebank acquisition, domestic retail transaction revenue going forward will represent well under 50 percent of gross revenues.

Financial Results

Continuing its strategy of investing in technology and service infrastructure, and building a powerful brand and customer mind-share to drive

future growth, E*TRADE incurred a net loss from ongoing operations of \$38.1 million, or \$0.15 per share, as compared to a net loss of \$11.6 million or \$0.05 per share for the same period a year earlier.

The Company recognized non-operating charges for expenses incurred in the current quarter related to merger and acquisition activity, and to amortization of goodwill, totaling \$3.8 million after tax, or \$0.02 per share. In addition, the Company continued its plan to periodically liquidate portions of its strategic investment portfolio and realized an after-tax gain in the current quarter of \$19.9 million or \$0.08 per share, which compares to an after-tax gain in the fourth quarter of fiscal 1999 of \$7.5 million. The Company also recorded \$16.8 million or \$0.07 per share, after tax, in unrealized gains on its participation in venture funds. These items are reflected in non-operating income (expense). Including all non-operating items, the total net loss as reported for the first quarter of fiscal 2000 was \$5.2 million, or \$0.02 per share (see table below).

Reconciliation of net after-tax loss from ongoing operations to net loss as reported

	Net after-tax amount	
	in millions	per share
Net after-tax loss from ongoing operations	\$ (38.1)	\$ (0.15)
Gain on sale of investments	19.9	0.08
Unrealized gain on venture funds	16.8	0.07
Non operating merger related expenses, amortization of goodwill, and other	(3.8)	(0.02)
Net loss after tax applicable to common stock	\$ (5.2)	\$ (0.02)

Key Performance Metrics

The Company continued to maximize the efficiency of its marketing activities and strong brand momentum, as evidenced by the acquisition of 330,000 net new accounts during the quarter, with one of the lowest acquisition costs per account in the industry, of \$289. This compares to 310,000 net new accounts and an acquisition cost per net new account of \$198 in the previous quarter, and 132,000 net new accounts and an acquisition cost per net new account of \$287 in the same period a year earlier.

"During the past quarter, our competitors increased their ad spending as they continued to try to keep up with our marketing success, but they just cannot match our brand momentum," said Cotsakos. "By effectively monetizing our traffic and site stickiness, we have been able to maintain one of the lowest cost per accounts in the industry, while competitors are spending upwards of \$700 per account. Our site attracted more than 2.2 million unique visitors to experience E*TRADE in November alone."

Assets held in customer accounts as of December 31, 1999, were \$44 billion, up 190 percent versus \$15 billion in the same quarter last year and up 55 percent over \$28 billion in the fourth quarter of fiscal 1999. Total transactions in the quarter were 8.5 million, up 208 percent from 2.8 million in the same quarter a year earlier, and up 65 percent from 5.1 million in the fourth quarter of 1999. The Company executed a daily average of 133,000 transactions during the quarter, compared to 43,000 in the same quarter a year ago and 80,000 in the previous quarter. (See table below for more detailed performance metrics.)

Key Metrics - First Quarter 2000 Results

Key Metric	1000	1099	1000 v 1099	4099	1000 v 4099
Total active accounts end of period	1,881,000	676,000	178%	1,551,000	21%
Total transactions Average	8.5 million	2.8 million	208%	5.1 million	65%

transactions/day	133,000	43,000	208%	80,000	65%
Total assets in customer accounts	\$44.1 billion	\$15.2 billion	190%	\$28.4 billion	55%
Customer money market fund balance	\$6.3 billion	\$2.6 billion	145%	\$4.7 billion	34%
Total quarterly deposits	\$5.3 billion	\$1.8 billion	189%	\$3.7 billion	42%
Total quarterly page views	891 million	263 million	239%	686 million	30%
Average daily page Views	9.7 million	2.9 million	239%	7.5 million	30%
Time on site* (minutes)	60 **	40***	52%	51	18%
Reach*	3.5%**	1.9%	84%	2.5%	40%

* Source: Media Metrix, November 1999.

** 1Q00 numbers are based on November 1999 results.

*** 1Q99 number is based on October and December 1998 results.

Telebank Merger

On January 11, 2000, The Office of Thrift Supervision (OTS) granted final approval for E*TRADE Group, Inc.'s acquisition of Telebank Financial Corporation, the parent company of Telebank, the largest pure-play Internet bank in the US. The merger was closed on January 12, 2000.

Telebank today announced that it crossed the threshold of \$2.6 billion in customer deposits and total customer accounts of 130,000. As a result of Telebank's growth, its deposit base is four times larger than all other pure-play Internet banks combined. The acquisition strongly positions E*TRADE to further expand its customer base, while enabling the Company to capture an even greater share of wallet through increased product and service offerings.

Through the new E*TRADE Bank, customers will have access to a distinctive, powerful online financial management experience. The Company plans to offer customers a fully integrated capability -- online banking through an FDIC-insured cash management account, and online investing, thereby reducing the need for multiple financial relationships. E*TRADE customers will be able to complete a full range of transactions online -- including paying bills, trading equities and purchasing mutual funds, CDs, and fixed-income securities. The merger will also diversify and strengthen E*TRADE's revenue base, building on the Company's current asset management businesses.

E*TRADE's Asset Aggregation Gathers Momentum

E*TRADE attracted \$83 million in average daily deposits, 189 percent over \$29 million in the quarter a year ago and 42 percent over \$52 million last quarter, bringing total assets under management to \$44 billion. Mutual fund assets under management at E*TRADE grew 70 percent in the quarter, with the launch of two new proprietary mutual funds, the E*TRADE E-Commerce Index Fund and the E*TRADE International Index Fund. The Company will continue to develop asset-allocation oriented products, including the soon to be launched E*TRADE Premier Money Fund later this month.

As part of its evolving strategy to provide its customers with an even broader range of financial products and services, E*TRADE recently announced an equity investment in Financial Engines, as well as a marketing agreement with DirectAdvice.com, to integrate the DirectAdvice financial planning module into the Company's web site. E*TRADE is bringing its customers the personalized financial information they want with the immediacy they need, by delivering it across the electronic platform. The DirectAdvice product is expected to be integrated into the E*TRADE web site during the first half of calendar year 2000.

International Expansion

The Company continued its international expansion during the first

quarter, by announcing joint ventures in Korea, Germany, and South Africa, as well as the purchase of E*TRADE UK, E*TRADE Nordic AB and E*TRADE NetBourse. E*TRADE currently has branded sites serving customers in seven countries outside of the U.S.: Canada, Australia, New Zealand, France, Japan, Sweden, and the United Kingdom. Consolidation of its foreign joint partners and affiliates allows E*TRADE to capitalize on the growth potential represented by international markets.

E*TRADE Japan, which was launched at the beginning of the first quarter, has already grown to 47,000 accounts, with over \$4 billion in customer assets. E*TRADE Australia also experienced high growth with trading volume up by over 80 percent from the previous quarter. E*TRADE Australia now accounts for about 27 percent of online trades executed on the Australian Stock Exchange. Customer accounts grew in Australia by 32 percent to 34,000. While these metrics are not consolidated in the results of E*TRADE Group, they demonstrate the global strength of the E*TRADE brand.

Global and institutional revenues reached \$34 million in the first quarter and consist primarily of revenues from TIR Holdings. During the quarter, E*TRADE made significant progress in integrating its 1999 acquisition of TIR Holdings. The new E*TRADE International/TIR operation is playing a central role in the Company's strategy to build the first fully electronic global cross-border trading network. As the Company continues its revenue diversification efforts, it anticipates that international growth, in addition to increased revenues from an expanding institutional customer base, to be a key driver of this strategy.

Digital Financial Media

E*TRADE continued to drive its Digital Financial Media (DFM) strategy during the first quarter, with a goal to deliver the ultimate customer experience, anytime, anywhere, from any device, by developing the technology backbone for the new Personal Financial Information Manager. This technology will become the foundation for several new multi-platform product releases later this year. Together with robust profiling algorithms that are designed to anticipate a user's needs, the Personal Financial Information Manager will enable investors to develop a "command center" for managing and tracking financial information and events online in real time.

During the first quarter, a new community with ClearStation was introduced with greater functionality into E*TRADE, further consolidating financial services, tools and content. ClearStation also completed a major site upgrade that expanded fundamental information and analysis, increased community idea-sharing functionality, and an event tracking application called "3-Point View," a snapshot of key fundamental, technical and community "events" impacting every stock.

The DFM strategy is being fueled by the expansion of E*TRADE's Customer Relationship Management (CRM) initiative and Customer Information Systems (CIS) data warehouse. Through its expanded CRM initiative, the Company has developed personalized, one-to-one communications through extensive direct mail and e-mail campaigns. With its predictive modeling capabilities, CRM is expected to significantly increase E*TRADE's ability to increase transactions and assets per account for new and existing customers through targeted cross-sell, up-sell support and asset consolidation opportunities. The Company also intends to leverage this powerful customer learning capability to help improve customer relationships, refine targeted service offerings, and further reduce account acquisition costs.

About E*TRADE

E*TRADE, a global leader in online personal financial services, is the world's most-visited online investing site according to Media Metrix (9/99), offering value-added investing and research features, premium customer service and a redundant, proprietary Stateless Architecture (SM) infrastructure. In addition to the U.S., E*TRADE presently serves customers through branded Web sites in the U.K., Japan, Sweden, France, Australia, New Zealand, and Canada. On January 12, 2000, the merger between E*TRADE and Telebanc, the nation's leading branchless bank, closed. As a result of Telebanc's tremendous growth, its deposit base is currently four times larger than all other pure-play

Internet banks combined. The acquisition better positions E*TRADE to expand its customer base while enabling the Company to dramatically increase its product and service offerings. E*TRADE has been recognized as a leader in online financial services by Lafferty Information and Research Group, PC Magazine and Smart Computing magazine. 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 US and worldwide.

Important Notice

E*TRADE is a registered trademark 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, anticipated increases in the rate of new customer acquisition, the conversion of new visitors to the site to customers, seasonality, the development of new products and services, the enhancement of existing products and services, competitive pressures (including price competition), 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 risks and uncertainties can be found in the information included in the annual report filed by the Company with the SEC on Form 10-K (including information under the caption "Risk Factors") and quarterly reports on Form 10-Q. The Company has not independently verified market size information contained in this release and provided by Gomez Advisors.

E * T R A D E G R O U P , I N C . A N D S U B S I D I A R I E S
C o n s o l i d a t e d S t a t e m e n t s o f O p e r a t i o n s
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31,	
	1999	1998
Revenues:		
Transaction	\$152,312	\$60,320
Global and institutional	33,699	28,106
Interest - net of interest expense (A)	43,341	21,809
Other	16,656	5,685
Net revenues	246,008	115,920
Cost of services	107,058	49,399
Operating expenses:		
Selling and marketing	119,492	55,001
Technology development	36,294	14,566
General and administrative	38,441	17,719
Amortization of goodwill	1,654	--
Merger related expenses	3,297	--
Total operating expenses	199,178	87,286
Total cost of services and operating expenses	306,236	136,685
Operating loss	(60,228)	(20,765)
Non-operating income (expense):		
Gain on sale of income (expense)	31,316	--
Unrealized gain on venture fund	25,453	--
Loss on equity investments	(3,843)	(103)
Gain on foreign exchange	60	66

Total non-operating income (expense)	52,986	(37)
Pre-tax loss	(7,242)	(20,802)
Income tax benefit	(2,028)	(9,215)
Net loss	(5,214)	(11,587)
Preferred stock dividends	--	60
Loss applicable to common stock	\$(5,214)	\$(11,647)
Loss per share:		
Basic	\$(0.02)	\$(0.05)
Diluted	\$(0.02)	\$(0.05)
Shares used in computation of loss per share:		
Basic	247,163	231,883
Diluted	247,163	231,883

(A) Interest is presented net of interest expense. Interest expense for the three months ended December 31, 1999 and 1998 was \$33,628 and \$9,446, respectively.

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

	Three Months Ended	
	12/31/1999	09/30/1999
Revenues:		
Transaction revenues	\$152,312	\$98,919
Global and institutional	33,699	26,608
Interest - net of interest expense (A)	43,341	37,061
Other	16,656	10,590
Net revenues	246,008	173,178
Cost of services	107,058	90,178
Operating expenses:		
Selling and marketing	119,492	77,443
Technology development	36,294	26,397
General and administrative	38,441	26,055
Amortization of goodwill	1,654	--
Merger related expenses	3,297	2,652
Total operating expenses	199,178	132,547
Total cost of services and operating expenses	306,236	222,725
Operating loss	(60,228)	(49,547)
Non-operating income (expense):		
Gain on sale of investments	31,316	12,287
Unrealized gain on venture funds	25,453	--
Loss on equity investments	(3,843)	(6,918)
Gain on foreign exchange	60	565
Total non-operating income	52,986	5,934
Pre-tax loss	(7,242)	(43,613)
Income tax benefit	(2,028)	(16,894)
Net loss	(5,214)	(26,719)
Preferred stock dividends	--	42
Loss applicable to common stock	\$(5,214)	\$(26,761)
Loss per share:		

Basic	\$(0.02)	\$(0.11)
Diluted	\$(0.02)	\$(0.11)
Shares used in computation of loss per share:		
Basic	247,163	238,918
Diluted	247,163	238,918

(A) Interest is presented net of interest expense. Interest expense for the three months ended December 31, 1999 and September 30, 1999 was \$33,628 and \$23,199, respectively.

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

	December 31, 1999 (Unaudited)	September 30, 1999
ASSETS		
Current assets:		
Cash and equivalents	\$98,650	\$85,734
Cash and investments required to be segregated under Federal or other regulations	808,953	103,500
Investment securities	103,921	189,145
Brokerage receivables - net	4,243,618	2,912,581
Other assets	65,012	41,987
Total current assets	5,320,154	3,332,947
Property and equipment - net	168,617	155,785
Investments	781,013	424,293
Related party receivables		
Goodwill	356,167	--
Other assets	68,316	13,955
Total assets	\$6,694,267	\$3,926,980
LIABILITIES AND SHAREOWNERS' EQUITY		
Liabilities:		
Brokerage payables	\$4,758,423	\$2,824,212
Bank loan payable	107,785	--
Deferred income taxes	144,501	23,256
Accounts payable, accrued liabilities and other	239,150	165,845
Total liabilities	5,249,859	3,013,313
Shareowners' equity:		
Common stock, \$.01 par value; shares authorized, 600,000,000; issued and outstanding:		
December 1999, 252,896,567		
September 1999, 239,822,663	2,529	2,398
Additional paid-in-capital	1,105,496	763,958
Retained earnings (deficit)	(26,088)	(20,874)
Accumulated other comprehensive income	362,471	168,185
Total shareowner's equity	1,444,408	913,667
Total liabilities and shareowners' equity	\$6,694,267	\$3,926,980

SOURCE E*TRADE Group, Inc.

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(EGRP)

CO: E*TRADE Group, Inc.
ST: California
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