

E*TRADE Reports Net Profit From Ongoing Operations of \$0.02 Per Share; Adds 244,000 Net New Accounts to Total 3.6 Million, Up 75 Percent From a Year Ago

Company Reports Revenues of \$334 Million, Up 22 Percent From the Year-Ago Period, Resulting in Net Income From Ongoing Operations of \$5.8 Million In the Quarter Ending December 31, 2000, Compared to Ongoing Loss Of \$38.1 Million, or (\$0.13) Per Share in the Same Quarter a Year Ago

Financial Highlights

- Added 244,000 net new accounts resulting in 3.6 million total active customer accounts, up 75 percent from same quarter a year ago
- Revenues of \$334 million, up 22 percent from the same quarter a year ago
- Gross margin of 60 percent for the quarter ending December 31, 2000, up from 58 percent a year ago
- Over \$1 billion net new deposits for E*TRADE Bank in the quarter ending December 31, 2000, double that of the same quarter a year ago
- \$108 million in ongoing earnings before marketing for the quarter ending December 31, 2000, up 42 percent from the same quarter a year ago

MENLO PARK, Calif., Jan. 24 /PRNewswire/ --

E*TRADE Group, Inc. (Nasdaq: EGRP) today announced results for its quarter ending December 31, 2000, achieving profitability for the fourth consecutive quarter by reporting net income from ongoing operations of \$0.02 per share. Net revenue for the quarter was \$334 million, up 22 percent from \$273 million for the same period a year ago. These results reflect the success of E*TRADE's diversified business model which has the potential to generate profits in a variety of market conditions while furthering its ability to provide customers with a global value proposition that integrates banking, brokerage and a variety of financial products.

E*TRADE also added 244,000 net new brokerage and banking accounts during the quarter ending December 31, 2000, bringing its total active accounts to nearly 3.6 million, almost double that of the 2.0 million accounts reported in the same quarter a year ago. Cost per net new account was \$302 for the quarter, compared with \$300 for the quarter ending December 31, 1999. Average transactions per day were 150,000, up 12 percent from 134,000 a year ago.

"Going forward, E*TRADE's management will be focused on growing top line revenues while maximizing bottom line profitability through the efficient management of our technologies, processes and overall cost structure," said Christos M. Cotsakos, chairman of the board and chief executive officer of E*TRADE Group, Inc. "At the same time, we will continue to enhance our customer service and overall value proposition."

For the quarter ending December 31, 2000, E*TRADE reported total net income of \$1.4 million, or \$0.00 per share on a fully diluted basis. Results from ongoing operations exclude the amortization of goodwill and merger-related expenses, the gain on sale of investments, unrealized losses on the venture fund investments, and the fair value adjustments of financial derivatives related to the impact of the new accounting rule FAS 133.

"We believe the recent announcement of our planned acquisition of LoansDirect demonstrates the forward momentum of a more diversified business model such as E*TRADE's," continued Cotsakos. "This acquisition underscores management's ongoing commitment to execute upon our diversification strategy by creating a recurring fee-based revenue stream while providing a high value product to consumers."

"In one of the economy's most turbulent periods, E*TRADE has grown profitably and watched the popularity of its combined brokerage and banking services offering continue to gain acceptance," concluded Cotsakos. "We believe we are seeing the results of the efficiency of our business model and the wisdom of our revenue diversification strategy, as well as management's ability to build the products and services essential to position the Company as the leading online personal financial services firm."

In a move demonstrating E*TRADE's position as a blue chip financial

services company, the Company announced earlier in the week it would transfer its listing to the New York Stock Exchange next month, under the new ticker symbol (ET), and change the date of its fiscal year end from September 30 to December 31. Clarifying its earlier announcement on the fiscal year end change, E*TRADE stated that on October 25, 2000, the Board of Directors delegated authority to make the change to the Company's chief executive officer. The decision to change the Company's fiscal year was made on January 22, 2001.

Financial Results

Reconciliation of results from ongoing operations to reported results

	Q ending 12/31/00	Q ending 12/31/99	Q ending 9/30/00
Income (loss) as reported			
Pre-tax	\$3.2	\$(7.5)	\$134.4
After-tax	\$1.4	\$(7.3)	\$47.7
EPS	\$0.00	\$(0.02)	\$0.15
Pre-tax amounts, reversed to reconcile to ongoing operations			
Goodwill	\$7.8	\$2.2	\$8.4
Merger related expenses	\$0.8	\$5.8	\$4.9
Gain on sale of investments	\$(3.6)	\$(31.3)	\$(144.5)
Unrealized gain/(loss) on Venture Fund	\$6.2	\$(25.5)	\$8.1
Fair value adjustments of financial derivatives	\$(4.7)	--	--
Income (loss) from ongoing operations			
Pre-tax	\$9.7	\$(56.3)	\$11.3
After-tax	\$5.8	\$(38.1)	\$7.2
EPS	\$0.02	\$(0.13)	\$0.02

Company Highlights for the quarter ending December 31, 2000

Reflecting the benefits of its revenue diversification strategy, E*TRADE reached milestones in each business unit in the quarter ending December 31, 2000. During this period, E*TRADE continued its evolution into a broader financial services company, differentiating itself as it focused on the development of the many products, services and relationships essential to the Company's strategy to become the primary financial relationship for consumers.

E*TRADE Bank: The World's Largest Internet Bank Sets New Records

- Crossed the threshold of \$11 billion in assets and \$5 billion in deposits during the quarter
- Added over \$1 billion net new deposits in the quarter ending December 31, 2000, increasing net new deposits by 40 percent from the previous quarter, and doubling that of the same quarter a year ago
- Announced plans to acquire LoansDirect, Inc., allowing the Bank to increase the profitability of both its asset portfolio and recurring non-interest income through mortgage origination, while enabling E*TRADE to offer its customers high-value mortgage loans
- Completed the acquisition of ATM portfolio from Ca\$hwave expanding the E*TRADE Access ATM network to more than 10,000 ATMs
- Launched E*TRADE Bank Money Market Plus Account, accounting for 15 percent of net new deposit growth with average account balance exceeding \$40K
- Prepared for February 2001 launch of E*TRADE Bond Center by leveraging fixed income expertise of E*TRADE Capital Markets Group

Asset Gathering: Giving Customers More Reasons to Invest with E*TRADE

- Closed acquisition of PrivateAccounts.com
- Introduced E*TRADE Personal Money Management through our Club E*TRADE account executive team, in addition to other high net worth programs resulting in \$440 million in new assets from existing customers
- Launched the 529 college savings plan, the only 529 college savings plan to offer a multi-manager investment approach, enabling investors from all income levels to save for higher education expenses
- Added new proprietary funds, the E*TRADE Russell Index Fund and the E*TRADE Financial Sector Index Fund, expanding E*TRADE's proprietary family of funds to ten
- Launched eAdvisor internally to E*TRADE associates with retail brokerage distribution to follow in February 2001
- Continued expanding relationships with BSG customers, resulting in 72 percent growth in the number of E*TRADE Bank accounts and 196 percent growth in total Bank deposits, held by E*TRADE's corporate customer segment
- Introduced margin lending for BSG customers investing options
- Launched account performance tool ME*dex, enabling customers to compare the performance of an external market index to that of their personal brokerage account
- Signed agreement with Universal Pensions Inc. to provide back office support for E*TRADE's 401(k) offering

Global/Institutional: Expanding Our Reach

- Expanded global presence through the launch of E*TRADE South Africa, offering online trading of stocks and warrants listed on the Johannesburg Stock Exchange
- Introduced all-electronic, U.S. equity trading in Norway, the second market in Europe to provide this straight-through-processing capability with automatic foreign exchange conversion for customers
- Initiated margin trading in Japan
- Added Power E*TRADE offering in Australia
- Introduced ISA's (self-selected Individual Savings Accounts) in the U.K.
- Launched Asia Technology Center

Brand: Enhancing the Customer Experience Through a Superior Value Proposition

- Signed letter of intent with Target to roll out 20 additional E*TRADE Zone locations in SuperTarget stores across the U.S.
- Signed an agreement with AB Watley, Inc. to co-develop E*TRADE Pro, a client-based Direct Access trading tool for active investors scheduled to launch in Spring 2001
- Launched integrated wireless banking and brokerage solution through Mobile E*TRADE offering customers more control of their assets while "on-the-go"
- Signed agreement with the National Football League to sponsor the E*TRADE Super Bowl XXXV Halftime show for the second consecutive year as part of an integrated Super Bowl marketing strategy that includes advertising, direct marketing and numerous sponsorships to reach approximately 130 million consumers in the U.S. E*TRADE's Super Bowl investment reinforces its growth and evolution into an integrated financial services Company

Technology: Leveraging Efficiencies to Enhance the Customer Experience

- Increased the number of Series 7 registered financial service associates to over 55 percent from 45 percent for the quarter ending September 30, 2000
- Delivered a state-of-the-art eLearning platform, delivering comprehensive information to the desktop and providing associates greater detail on all products to improve our highly personalized interaction with customers
- Integrated customer support for E*TRADE's bank and brokerage

- businesses, creating a seamless experience for the E*TRADE customer
- Experienced growth in usage of real-time account applications to 80 percent
- Launched ServiceNow! allowing customers to be serviced real-time and one-on-one online through instant messaging technology
- Improved Internet site speed by 50 percent over same quarter last year
- Decreased call answer speed for E*TRADE customers to 30 seconds in the quarter ending December 31, 2000 compared to 98 seconds in the same quarter a year ago, and for Power E*TRADE customers to just 11 seconds from 21 seconds in the same quarter a year ago
- Implemented a number of meaningful efficiency initiatives to increase overall productivity of the business model, resulting in a 47 percent increase in ongoing operating margin ex-marketing year over year, against a 22 percent revenue gain in the same period

Key Performance Metrics

	Q ending 12/31/00	Q ending 12/31/99	Q ending 12/31/00 vs. Q ending 12/31/99	Q ending 9/30/00	Q ending 12/31/00 vs. Q ending 9/30/00
Active investment accounts	3,196,392	1,897,775	68%	3,027,362	6%
Active banking accounts	362,617	130,635	178%	288,073	26%
Total active accounts end of period	3,559,009	2,028,410	75%	3,315,435	7%
Net new accounts	243,574	363,615	(33%)	337,290	(28%)
Cost per net new account	\$302	\$300	1%	\$211	43%
Total assets in investing accounts	\$46.9 billion	\$44.7 billion	5%	\$61.3 billion	(24%)
Total deposits in banking accounts	\$5.7 billion	\$2.6 billion	116%	\$4.6 billion	22%
Total assets/deposits in customer accounts	\$52.6 billion	\$47.3 billion	11%	\$65.9 billion	(20%)
Total inflow into customer accounts	\$5.6 billion	\$6.1 billion	(7%)	\$6.0 billion	(7%)
Daily average inflow	\$89 million	\$95 million	(6%)	\$95 million	(6%)
Total bank					

assets	\$11.1 billion	\$5.0 billion	122%	\$9.0 billion	23%
Total transactions	9.4 million	8.6 million	10%	9.4 million	0%
Daily average transactions	150,000	134,000	12%	150,000	0%
Time on site* (minutes)	65.7	67.5	(3%)	43.3	52%
Reach*	2.6%	2.1%	24%	2.8%	(7%)

*Source: Media Metrix, December 2000

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, 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.

Important Notice

E*TRADE, Destination E*TRADE and Stateless Architecture are registered trademarks or trademarks 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, market acceptance of the Destination E*TRADE web site, 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 in November 2000 (including information under the caption "Risk Factors").

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.

Past performance is no guarantee of future results. Yield and investment return will fluctuate. An investment in the E*TRADE Premier Money Market Fund is not insured or guaranteed by the FDIC or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund. Read the prospectus carefully before you invest.

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

	Three Months Ended December 31,	
	2000	1999
Revenues:		
Transaction revenues	\$153,405	\$152,312
Interest income	337,890	157,680
Global and institutional	37,454	38,623
Other	40,283	19,294
Gross revenues	569,032	367,909
Interest expense	(233,619)	(94,312)
Provision for loan losses	(1,647)	(537)
Net revenues	333,766	273,060
Cost of services	133,260	115,254
Operating expenses:		
Selling and marketing	97,940	131,829
Technology development	29,161	37,297
General and administrative	57,901	43,405
Amortization of goodwill and other intangibles	7,811	2,164
Merger related expenses	784	5,787
Total operating expenses	193,597	220,482
Total cost of services and operating expenses	326,857	335,736
Operating income (loss)	6,909	(62,676)
Non-operating income (expense):		
Corporate interest-net	(4,150)	2,178
Gain on sale of investment	3,582	31,316
Unrealized gain (loss) on venture funds	(6,158)	25,453
Fair value adjustments of financial derivatives	4,668	--
Other	(1,622)	(3,726)
Total non-operating income (expense)	(3,680)	55,221
Pre-tax income (loss)	3,229	(7,455)
Income tax expense (benefit)	1,905	(694)
Minority interest in subsidiaries	(112)	495
Income (loss) before cumulative effect of accounting change	1,436	(7,256)
Cumulative effect of accounting change, net of tax	(83)	--
Net income (loss)	\$1,353	\$(7,256)
Income (loss) per share before cumulative effect of accounting change:		
Basic	\$0.00	\$(0.02)
Diluted	\$0.00	\$(0.02)
Income (loss) per share:		
Basic	\$0.00	\$(0.02)
Diluted	\$0.00	\$(0.02)
Shares used in computation of income (loss) per share before cumulative effect of accounting change and income (loss) per share:		
Basic	311,413	291,214

Diluted

321,430

291,214

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

	Three Months Ended	
	December 31, 2000	September 30, 2000
Revenues:		
Transaction revenues	\$153,405	\$151,976
Interest income	337,890	300,706
Global and institutional	37,454	37,185
Other	40,283	46,730
Gross revenues	569,032	536,597
Interest expense	(233,619)	(195,100)
Provision for loan losses	(1,647)	(1,236)
Net revenues	333,766	340,261
Cost of services	133,260	136,155
Operating expenses:		
Selling and marketing	97,940	91,773
Technology development	29,161	28,491
General and administrative	57,901	61,292
Amortization of goodwill and other intangibles	7,811	8,396
Merger related expenses	784	4,908
Total operating expenses	193,597	194,860
Total cost of services and operating expenses	326,857	331,015
Operating income	6,909	9,246
Non-operating income (expense):		
Corporate interest-net	(4,150)	(5,575)
Gain on sale of investment	3,582	144,502
Unrealized loss on venture funds	(6,158)	(8,099)
Fair value adjustments of financial derivatives	4,668	--
Other	(1,622)	(5,723)
Total non-operating income (expense)	(3,680)	125,105
Pre-tax income	3,229	134,351
Income tax expense	1,905	87,194
Minority interest in subsidiaries	(112)	(499)
Income before cumulative effect of accounting change	1,436	47,656
Cumulative effect of accounting change, net of tax	(83)	--
Net income	\$1,353	\$47,656
Income per share before cumulative effect of accounting change:		
Basic	\$0.00	\$0.15
Diluted	\$0.00	\$0.15
Income per share:		
Basic	\$0.00	\$0.15
Diluted	\$0.00	\$0.15

Shares used in computation of
income per share before
cumulative effect of accounting
change and income per share:

Basic	311,413	309,145
Diluted	321,430	322,570

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

	December 31, 2000	September 30, 2000
ASSETS		
Cash and equivalents	\$212,430	\$175,443
Cash and investments required to be segregated under Federal or other regulations	122,327	125,862
Brokerage receivables - net	4,639,078	6,542,508
Mortgage-backed securities	5,058,919	4,188,553
Loans receivable - net	5,039,602	4,172,754
Investments	1,350,797	985,218
Property and equipment - net	368,355	334,262
Goodwill and other intangibles	441,984	484,166
Other assets	507,618	308,671
Total assets	\$17,741,110	\$17,317,437
LIABILITIES AND SHAREOWNERS' EQUITY		
Liabilities:		
Brokerage payables	\$4,226,124	\$6,055,530
Banking deposits	5,750,209	4,721,801
Borrowings by bank subsidiary	4,629,353	3,531,000
Accounts payable, accrued and other liabilities	708,629	471,626
Convertible subordinated notes	650,000	650,000
Total liabilities	15,964,315	15,429,957
Mandatorily redeemable preferred securities	30,747	30,647
Shareowners' equity:		
Preferred stock, shares authorized: 1,000,000; issued and outstanding: none at September 30, 2000 and 1999	--	--
Shares exchangeable into common stock, \$.01 par value, shares authorized: 10,644,223; issued and outstanding: 4,101,504 at December 31, 2000 and 5,619,543 at September 30, 2000	41	56
Common stock, \$.01 par value, shares authorized: 600,000,000; issued and outstanding: 308,220,126 at December 31, 2000 and 304,504,764 at September 30, 2000	3,082	3,045
Additional paid-in-capital	1,827,444	1,814,581
Unearned ESOP shares	(1,422)	(1,560)
Shareowners' notes receivable	(19,640)	(19,103)
Accumulated deficit	(5,555)	(6,908)
Accumulated other comprehensive income (loss)	(57,902)	66,722
Total shareowners' equity	1,746,048	1,856,833

Total liabilities and
shareowners' equity

\$17,741,110

\$17,317,437

SOURCE E*TRADE Group, Inc.

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(EGRP)

CO: E*TRADE Group, Inc.

ST: California

IN: CPR MLM FIN

SU: ERN

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