

E*TRADE GROUP INC Fourth Quarter Profit of \$0.07 Per Share From Ongoing Operations and Raises EPS Guidance for 2002

E*TRADE Group, Inc. announced Jan 14, 2002 results for its quarter ended December 31, 2001, reporting net income from ongoing operations of \$24.7 million, or \$0.07 per share, compared to net income of \$6.0 million, or \$0.02 a share, in the same quarter a year ago. The Company reported net revenue for its quarter ended December 31, 2001 of \$345 million, compared to \$334 million for the same period a year ago. E*TRADE increased its guidance for the fiscal year 2002 to \$0.45-\$0.55 EPS from ongoing operations and is comfortable with the street consensus for the first quarter of 2002 at \$0.07 EPS.

"Reporting our sixth consecutive quarter of operating profitability, E*TRADE delivered increased revenues, margins and profitability despite the continued challenging environment," said Christos M. Cotsakos, Chairman of the Board and Chief Executive Officer, E*TRADE Group, Inc. "Leveraging the strength and flexibility of our model allowed us to significantly grow our global brand, further diversify our lines of business and continue deepening our relationships with our customer households. By extending our leadership position and providing value-added, integrated and personalized financial services, E*TRADE continues to meet the complex lifetime financial needs of our customers."

E*TRADE continued to build shareowner value through a number of actions this quarter:

- Opened E*TRADE Centers in Boston, Denver and San Francisco.
- Opened 14 additional E*TRADE Zones.
- Launched Online Media Center providing E*TRADE branded content, advancing the Company's Personalized Digital Financial Media strategy.
- Launched several innovative products and services including E*TRADE Pro, E*TRADE Advisor and E*TRADE Stock Baskets.
- Successfully integrated Dempsey, the specialist and market maker acquisition.
- Repurchased 20.4 million shares of common stock.
- Deleveraged and restructured the balance sheet by retiring \$100 million of debt through exchange transactions.

"Realizing the benefits of our investments and acquisitions while expanding our efficient, scalable technology-based platform, E*TRADE continues to accelerate its revenue diversification strategy and maximize the inherent profitability of our business model," continued Cotsakos. "Moving forward, we will be focused on the constant expansion and enhancement of our comprehensive financial services solution in an effort to meet the wide-ranging and long-term financial needs of our customers, while delivering on our commitment to create and unlock shareowner value."

Results from ongoing operations exclude the amortization of goodwill and merger-related expenses, the gain or loss on investments, unrealized losses on venture fund investments, the fair value adjustments of financial derivatives related to the impact of FAS 133 and facility restructuring and other non-recurring charges. Including all of the above mentioned items, E*TRADE reported net income, before extraordinary gains on the early extinguishment of debt, for the fourth quarter of \$7.7 million or \$0.02 per share on a fully diluted basis, and after extraordinary gains, net income was \$21.6 million, or \$0.06 per share, compared to a total net income of \$1.4 million, or \$0.00 per share for the same period a year ago.

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

- Total net revenues for the quarter increased by 18 percent over third quarter.
- Total households grew by over 102,000 in the fourth quarter to 3 million.
- Total customer accounts are 4 million, up 12 percent compared to the 3.6 million accounts reported at the end of the same quarter a year ago.
- Our North American sales organization brought in \$2.7 billion in new assets, 11 percent greater than the previous quarter, resulting in more than \$8 billion in only five quarters of operation.
- E*TRADE Mortgage funded \$2 billion in mortgages.

Financial Results

Reconciliation of reported results to results from ongoing operations

\$ in millions	Qtr ended 12/31/01	Qtr ended 12/31/00	Qtr ended 9/30/01
Income (loss) as reported:			
Pre-tax	\$13.6	\$3.2	\$(278.2)
After-tax, before extraordinary gain on early extinguishment of debt	7.7	1.4	(259.0)
EPS, before extraordinary gain on early extinguishment of debt	0.02	0.00	(0.77)
Pre-tax amounts, excluded from ongoing operations			
Amortization of goodwill and other intangibles	14.6	7.8	11.4
Merger related expenses	5.3	0.8	5.4
(Gain)/loss on investments	1.8	(3.6)	32.5
Unrealized loss on venture funds	0.7	6.2	13.5
Fair value adjustments of financial derivatives	(1.6)	(4.7)	3.3
Facility restructuring and other nonrecurring charges	5.7	--	227.3
Income from ongoing operations:			
Pre-tax	40.1	9.7	15.2
After-tax and minority interest	24.7	6.0	9.3
EPS from ongoing operations	0.07	0.02	0.03

Key Performance Metrics

	Q ended 12/31/01	Q ended 12/31/00	vs. Q ended 12/31/00	Q ended 9/30/01	vs. Q ended 9/30/01
Active brokerage accounts	3,511,941	3,196,392	10%	3,458,268	2%
Active					

banking accounts	490,913	362,617	35%	436,429	12%
Total active accounts end of period	4,002,854	3,559,009	12%	3,894,697	3%
Net new accounts	108,157	243,574	(56)%	66,087	64%
Acquisition Marketing costs (\$MM)	\$17.1	\$73.7	(77)%	\$19.1	(10)%
Cost per net new account	\$158	\$303	(48)%	\$289	(45)%
Total customer households end of period	3,005,021	NA	NA	2,902,598	4%
Net new households	102,423	NA	NA	75,760	35%
Average assets per household	\$17,571	NA	NA	\$15,262	15%
Total assets in investing accounts (\$B)	\$44.7	\$46.9	(5)%	\$36.3	23%
Total deposits in banking accounts (\$B)	\$8.1	\$5.7	42%	\$8.0	1%
Total assets/deposits in customer accounts (\$B)	\$52.8	\$52.6	-%	\$44.3	19%
Total inflow into customer accounts (\$B)	\$3.8	\$5.6	(32)%	\$3.5	9%
Daily average inflow (\$MM)	\$59	\$89	(34)%	\$56	5%
Total bank assets (\$B)	\$13.5	\$11.3	19%	\$13.1	3%
Total brokerage transactions (MM)	7.1	9.4	(24)%	5.3	34%
Daily average brokerage transactions	110,000	150,000	(27)%	91,000	21%
Commissions per domestic transaction	\$12.63	\$14.42	(12)%	\$13.02	(3)%
Rebates per domestic transaction	\$0.76	\$2.43	(69)%	\$1.79	(58)%
Interest Income - Brokerage					

Interest Income - Bank (\$MM)	\$53	\$ 130	(59)%	\$71	(25)%
Total Interest Income (\$MM)	\$206	\$ 208	(1)%	\$ 214	(4)%
Total Interest Income (\$MM)	\$259	\$ 338	(23)%	\$ 285	(9)%

Key Performance Metrics (continued)

	Q ended 12/31/01	Q ended 12/31/00	Q ended 12/31/01 vs. Q ended 12/31/00	Q ended 9/30/01	Q ended 12/31/01 vs. Q ended 9/30/01
Interest Rate Spread (basis points)	121	116	(4)%	105	15%
Interest Expense - Brokerage (\$MM)	\$5	\$66	(92)%	\$16	(69)%
Interest Expense - Bank (\$MM)	\$160	\$ 168	(5)%	\$ 173	(8)%
Total Interest Expense (\$MM)	\$165	\$ 234	(29)%	\$ 189	(13)%
Avg. Margin Debt (\$B)	\$1.4	\$4.3	(67)%	\$1.9	(26)%
Transaction revenue (as a % of total revenue)	26%	46%	(20)%	26%	-%
Net Interest income (as a % of total revenue)	27%	31%	(4)%	33%	(6)%
Global & Institutional Revenue (as a % of total revenue)	12%	11%	1%	13%	(1)%
Gain on sale of originated loans (as a % of total revenue)	10%	-%	10%	10%	-%
Gain on Bank Loans held for sale and other securities - net (as a % of total revenue)	9%	2%	7%	6%	3%
Other Revenue (as a					

% of total revenue)	17%	10%	7%	13%	4%
		Yr ended 12/31/01	Yr ended 12/31/00	Yr ended 12/31/00 vs. Yr ended 12/31/00	
Active brokerage accounts		3,511,941	3,196,392		10%
Active banking accounts		490,913	362,617		35%
Total active accounts end of period		4,002,854	3,559,009		12%
Net new accounts		443,845	1,525,105		(71)%
Acquisition Marketing costs (\$MM)		\$124.5	\$398.9		(69)%
Cost per net new account		\$281	\$262		7%
Total customer households end of period		3,005,021	NA		NA
Net new households		NA	NA		NA
Average assets per household		\$17,571	NA		NA
Total assets in investing accounts (\$B)		\$44.7	\$46.9		(5)%
Total deposits in banking accounts (\$B)		\$8.1	\$5.7		42%
Total assets/deposits in customer accounts (\$B)		\$52.8	\$52.6		-%
Total inflow into customer accounts (\$B)		\$18.3	\$29.2		(37)%
Daily average inflow (\$MM)		\$73	\$116		(37)%
Total bank assets (\$B)		\$13.5	\$11.3		19%
Total brokerage transactions (MM)		28.2	44.2		(36)%
Daily average brokerage transactions		114,000	176,000		(35)%
Commissions per domestic transactions		\$13.16	\$15.16		(13)%
Rebates per domestic transaction		\$1.85	\$2.07		(11)%
Interest Income - Brokerage (\$MM)		\$306	\$518		(41)%
Interest Income - Bank (\$MM)		\$854	\$622		37%
Total Interest Income (\$MM)		\$1,160	\$1,140		2%

		Yr ended 12/31/01	Yr ended 12/31/00	Yr ended 12/31/01 vs. 12/31/00	
Interest Rate Spread (basis points)		101	135		(25)%
Interest Expense - Brokerage (\$MM)		\$86	\$254		(66)%
Interest Expense - Bank (\$MM)		\$693	\$486		43%
Total Interest Expense (\$MM)		\$779	\$740		5%
Avg. Margin Debt (\$B)		\$2.0	\$4.7		(57)%
Transaction revenue (as a % of total revenue)		32%	52%		(20)%

Net Interest income (as a % of total revenue)	30%	28%	2%
Global & Institutional Revenue (as a % of total revenue)	12%	12%	-%
Gain on sale of originated loans (as a % of total revenue)	7%	-%	7%
Gain on Bank Loans held for sale and other securities - net (as a % of total revenue)	6%	1%	5%
Other Revenue (as a % of total revenue)	13%	8%	5%

Bank Asset portfolio details:

	Q ended 12/31/01	Q ended 09/30/01	Q ended 12/31/01 vs. Q ended 9/30/01	Yr ended 12/31/00	Yr ended 12/31/01 vs. Yr ended 12/31/00
(\$ in MM)					
Cash & Equivalents	\$302	\$980	(69)%	\$55	449%
Trading Securities	71	52	37%	172	(59)%
Investment Securities, AFS	980	1,120	(13)%	609	61%
Mortgage Securities, AFS	3,557	4,113	(14)%	5,059	(30)%
Loans Receivable, Net					
Mortgage Loans, Net	6,347	5,231	21%	4,949	28%
Consumer - Auto, Net	1,651	1,057	56%	82	1,913%
Other	12	14	(14)%	9	33%
Other Assets	544	573	(5)%	365	49%
Total Assets	\$13,464	\$13,140	2%	\$11,300	19%

Non-accrual loans

	Q ended 12/31/01	Q ended 09/30/01	Q ended 12/31/01 vs. Q ended 9/30/01	Yr ended 12/31/00	Yr ended 12/31/01 vs. Yr ended 12/31/00
(\$ in MM)					
Loans accounted for on a non-accrual basis:					
Real Estate Loans:					
One-to-four family	\$20.6	\$16.6	24%	\$10.7	93%
Commercial	--	--	--	0.4	(100%)
Total Real Estate Loans	20.6	16.6	24%	11.1	86%
Autos	0.1	0.1	--	--	NA
Total non-performing loans	\$20.7	\$16.7	24%	\$11.1	86%
Total non-performing loans as a % of total loans	0.26%	0.26%	--%	0.22%	0.04%
Total non-performing loans as a % of total banking assets	0.15%	0.13%	0.02%	0.10%	0.05%
Total loan loss allowance as a % of total non-performing loans	95%	85%	10%	112%	(17)%

(\$ in thousands)	Q ended 12/31/01	Q ended 9/30/01	Q ended 6/30/01	Q ended 3/31/01	Q ended 12/31/00
Brokerage Revenues:					
Commissions	\$90,694	\$71,012	\$100,173	\$115,825	\$136,596
Principal transactions	61,615	33,721	31,441	31,172	32,117
Other brokerage related services	28,633	35,447	43,650	48,960	46,665
Brokerage interest income	53,098	71,020	80,718	100,745	130,365
Brokerage interest expense	(4,473)	(16,616)	(26,665)	(38,735)	(65,654)
Net brokerage revenue	229,567	194,584	229,317	257,967	280,089
Banking Revenues:					
Gain on sales of originated loans	33,277	28,146	24,871	9,184	--
Gain on sale of loans held for sale & other securities - net	30,783	17,629	8,314	19,110	7,583
Other banking related revenues	10,641	10,455	9,047	8,444	8,181
Banking interest income	205,882	213,926	217,797	216,685	207,525
Banking interest expense	(160,329)	(172,580)	(179,511)	(180,366)	(167,965)
Provision for loan losses	(4,377)	--	(1,656)	(1,443)	(1,647)
Net banking revenue	115,877	97,576	78,862	71,614	53,677
Total net revenues	\$345,444	\$292,160	\$308,179	\$329,581	\$333,766

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New Revenue Line Item Classifications

Commissions -- Commissions include domestic transaction revenues and international transaction revenues. Historically, international transaction revenues were included in global and institutional.

Principal transactions -- Principal transactions include revenues from our institutional activities, historically included in global and institutional, and revenues from market making activities, included in other revenue beginning in Q4 2001.

Other brokerage related services -- Other brokerage related services is primarily comprised of account maintenance fees, payment for order flow, Business Solutions Group revenue and mutual fund revenue. Order flow revenue was historically included in transaction revenues.

Brokerage interest income -- Brokerage interest income was historically combined with banking interest income in interest income.

Brokerage interest expense -- Brokerage interest expense was historically combined with banking interest expense in interest expense.

Gain on sales of originated loans -- Non-interest revenue from E*TRADE Mortgage business.

Gain on sale of loans held for sale & other securities -- net -- Includes net gains from trading and available for sale securities, as well as gains on bank loans held for sale previously included in other revenue.

Other banking related revenues -- Other banking related revenues are primarily comprised of automated teller machine revenues.

Banking interest income -- Banking interest income was historically combined with brokerage interest income in interest income.

Banking interest expense -- Banking interest expense was historically

combined with brokerage interest expense in interest expense.

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, Germany, Hong Kong, Israel, Japan, Korea, Norway, Sweden, and the U.K. through branded web sites.

Important Notice

E*TRADE, the E*TRADE logo and Stateless Architecture are registered trademarks of E*TRADE Group, Inc. or its subsidiaries. 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 E*TRADE Group, Inc. with the SEC on Form 10-K (including information under the caption "Risk Factors") and quarterly reports on Form 10-Q.

E*TRADE Bank and E*TRADE Securities, Incorporated are separate but affiliated companies, and subsidiaries of E*TRADE Group, Inc. 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, Incorporated (member NASD/SIPC) 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.

E*TRADE GROUP, INC. AND SUBSIDIARIES Consolidated Statements of Operations

(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2001	2000	2001	2000
Revenues:				
Transaction revenues	\$90,408	\$153,405	\$407,161	\$740,171
Interest income	258,980	337,890	1,159,871	1,140,568
Global and institutional	41,118	37,454	152,822	164,892
Gains on sales of originated loans	33,277	--	95,478	--
Gains on Bank loans held for sale and other securities - net	30,783	7,583	75,836	14,949
Other	60,057	32,700	170,947	113,726
Gross revenues	514,623	569,032	2,062,115	2,174,306
Interest expense	(164,802)	(233,619)	(779,275)	(740,169)
Provision for loan losses	(4,377)	(1,647)	(7,476)	(5,113)
Net revenues	345,444	333,766	1,275,364	1,429,024
Cost of services	162,178	133,260	595,590	533,577

Operating expenses:				
Selling and marketing	54,057	97,940	253,422	487,643
Technology development	22,134	29,161	88,717	134,778
General and administrative	58,955	57,901	236,353	223,932
Amortization of goodwill and other intangibles	14,649	7,811	43,091	28,411
Merger related expenses	5,270	784	11,174	31,424
Facility restructuring and other nonrecurring charges	5,726	--	232,975	--
Total operating expenses	160,791	193,597	865,732	906,188
Total cost of services and operating expenses	322,969	326,857	1,461,322	1,439,765
Operating income (loss)	22,475	6,909	(185,958)	(10,741)
Non-operating income (expense):				
Corporate interest income	4,424	7,061	22,179	22,071
Corporate interest expense	(13,578)	(11,211)	(52,862)	(40,714)
Gain (loss) on investments	(1,774)	3,582	(49,812)	183,415
Equity in income (losses) of investments	57	(61)	(6,174)	(7,685)
Unrealized loss on venture funds	(641)	(6,158)	(34,716)	(32,347)
Fair value adjustments of financial derivatives	1,591	4,668	(3,112)	4,668
Other	1,030	(1,561)	200	(3,534)
Total non-operating income (expense)	(8,891)	(3,680)	(124,297)	125,874
Pre-tax income (loss)	13,584	3,229	(310,255)	115,133
Income tax expense (benefit)	5,434	1,905	(39,934)	88,077
Minority interest in subsidiaries	496	(112)	480	(788)
Income (loss) before cumulative effect of accounting change and extraordinary items	7,654	1,436	(270,801)	27,844
Cumulative effect of accounting change, net of tax	--	(83)	--	(83)
Extraordinary gain on early extinguishments of debt, net of tax	13,949	--	29,269	--
Net income (loss)	\$21,603	\$1,353	\$(241,532)	\$27,761
Income (loss) per share before cumulative effect of accounting change and extraordinary items:				
Basic	\$0.02	\$0.00	\$(0.81)	\$0.09
Diluted	\$0.02	\$0.00	\$(0.81)	\$0.09

Net income (loss) per share:

Basic	\$0.06	\$0.00	\$(0.73)	\$0.09
Diluted	\$0.06	\$0.00	\$(0.73)	\$0.09

Shares used in computation
of per share data:

Basic	361,685	311,413	332,370	303,874
Diluted	368,426	321,430	332,370	318,691

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

	Three Months Ended	
	December 31, 2001	September 30, 2001
Revenues:		
Transaction revenues	\$90,408	\$76,127
Interest income	258,980	284,946
Global and institutional	41,118	37,816
Gains on sales of originated loans	33,277	28,146
Gains on Bank loans held for sale and other securities - net	30,783	17,629
Other	60,057	36,692
Gross revenues	514,623	481,356
Interest expense	(164,802)	(189,196)
Provision for loan losses	(4,377)	--
Net revenues	345,444	292,160
Cost of services	162,178	140,519
Operating expenses:		
Selling and marketing	54,057	50,268
Technology development	22,134	20,882
General and administrative	58,955	55,250
Amortization of goodwill and other intangibles	14,649	11,421
Merger related expenses	5,270	5,387
Facility restructuring and other nonrecurring charges	5,726	227,249
Total operating expenses	160,791	370,457
Total cost of services and operating expenses	322,969	510,976
Operating income (loss)	22,475	(218,816)
Non-operating income (expense):		
Corporate interest income	4,424	6,757
Corporate interest expense	(13,578)	(15,297)
Loss on investments	(1,774)	(32,465)
Equity in income (losses) of investments	57	(1,079)
Unrealized loss on venture funds	(641)	(13,506)
Fair value adjustments of financial derivatives	1,591	(3,327)
Other	1,030	(422)
Total non-operating expense	(8,891)	(59,339)

Pre-tax income (loss)	13,584	(278,155)
Income tax expense (benefit)	5,434	(19,471)
Minority interest in subsidiaries	496	299
Income (loss) before extraordinary gain on early extinguishment of debt	7,654	(258,983)
Extraordinary gain on early extinguishment of debt, net of tax	13,949	15,246
Net income (loss)	\$21,603	\$(243,737)

Income (loss) per share before extraordinary gain:		
Basic	\$0.02	\$(0.77)
Diluted	\$0.02	\$(0.77)

Net income (loss) per share:		
Basic	\$0.06	\$(0.72)
Diluted	\$0.06	\$(0.72)

Shares used in computation of per share data:		
Basic	361,685	336,469
Diluted	368,426	336,469

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

	December 31, 2001	December 31, 2000
ASSETS		
Cash and equivalents	\$836,201	\$470,364
Cash and investments required to be segregated under Federal or other regulations	764,729	122,327
Brokerage receivables - net	2,119,755	4,639,078
Mortgage-backed securities	3,556,619	5,058,919
Loans receivable - net	8,010,457	5,039,602
Investments	1,168,623	1,092,863
Property and equipment - net	331,724	368,355
Goodwill and other intangibles	684,426	441,984
Other assets	733,395	507,618
Total assets	\$18,205,929	\$17,741,110

LIABILITIES AND SHAREOWNERS' EQUITY		
Liabilities:		
Brokerage payables	\$2,606,148	\$4,226,124
Banking deposits	8,082,859	5,750,209
Borrowings by bank subsidiary	4,170,440	4,629,353
Accounts payable, accrued and other liabilities	937,950	708,629
Convertible subordinated notes	760,250	650,000
Total liabilities	16,557,647	15,964,315

Mandatorily redeemable

preferred securities	69,503	30,747
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Shareowners' equity:

Preferred stock, shares authorized: 1,000,000; issued and outstanding: none at December 31, 2001 and December 31, 2000	--	--
Shares exchangeable into common stock, \$.01 par value, shares authorized: 10,644,223; issued and outstanding: 1,825,632 at December 31, 2001 and 4,101,504 at December 31, 2000	18	41
Common stock, \$.01 par value, shares authorized: 600,000,000; issued and outstanding: 347,592,480 at December 31, 2001 and 308,220,126 at December 31, 2000	3,476	3,082
Additional paid-in-capital	2,072,701	1,827,444
Unearned ESOP shares	--	(1,422)
Shareowners' notes receivable	(24,842)	(19,640)
Deferred compensation	(28,110)	--
Accumulated deficit	(247,087)	(5,555)
Accumulated other comprehensive loss	(197,377)	(57,902)
Total shareowners' equity	1,578,779	1,746,048
Total liabilities and shareowners' equity	\$18,205,929	\$17,741,110

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