Interactive Brokers Group's (IBKR)

Q2 2026 Results - Earnings Call Transcript

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Executives

Thomas Peterffy - Chairman

Milan Galik - President, CEO & Director

Paul Brody - CFO

Nancy Stuebe - Director, IR

Analysts

Steven Chubak, *Wolfe Research*

James Yaro, *Goldman Sachs*

Patrick Moley, *Piper Sandler*

Ben Budish, *Barclays*

Dan Fannon, *Jefferies*

Brennan Hawken, *BMO*

Chris Allen, *KBW*

Operator

Good day, everyone, and thank you for standing by. Welcome to Interactive Brokers Group's Second Quarter 2026 earnings call. (Operator Instructions) Now it's my pleasure to turn the call to Nancy Stuebe, Director of Investor Relations. Please proceed.

Nancy Stuebe

Good afternoon, and thank you for joining us for our second quarter 2026 earnings call. Joining us today are Thomas Peterffy, our Founder and Chairman; Milan Galik, our President and CEO; and Paul Brody, our CFO. I will be presenting Milan's comments on the business, and all three will be available at our Q&A.

As a reminder, today's call may include forward-looking statements, which represent the company's belief regarding future events, which by their nature are not certain and are outside of

the company's control. Our actual results and financial condition may differ, possibly materially, from what is indicated in these forward-looking statements. We ask that you refer to the disclaimers in our press release. You should also review a description of risk factors contained in our financial reports filed with the SEC.

The S&P 500 was up nearly 15% in the second quarter, as markets rose strongly in April and May on the back of strong tech earnings, while also taking shifting cross currents in stride – from geopolitical events to inflation fears.

While investors stuck with technology in general and saw a boost from tech earnings, semiconductor names appeared to take over from the Magnificent 7 as the market drivers and were among the more popular names traded on our platform. Our clients tend to embrace volatility and changing market dynamics as they provide opportunities in the market.

We continued to set records across key metrics, including commissions, net interest and total net revenue, as well as total accounts, account adds, client equity, and total client DARTs.
Our pretax profit margin was 77%, maintaining our position as an industry leader, and marking the seventh consecutive quarter with margins above 70%.

Strong interest continues, from both institutional and individual investors globally, in opening and funding accounts. Client engagement remained healthy and growing. Trading activity increased versus last year, with clients taking on more risk, through either margin loans or derivatives positions.

Even with higher activity levels, with clients investing their funds into the market, 34% growth in new accounts drove client uninvested cash balances higher by 27% year-over-year to a record $182 billion. With competitive interest rates and a solid balance sheet, IBKR provides an attractive choice for clients to place their idle cash. Client equity rose 40% to $930 billion.

We introduced multiple new products and initiatives this quarter:

We became the first ebroker to offer trading in Korea, opening access to both the Korea Stock Exchange and to Nextrade, Korea's 12-hour and overnight ATS. Korea's memory chip companies were highly sought-after by our clients.

In Europe, we directly offered the SpaceX IPO to eligible UK and European retail clients, providing access across multiple countries. We also began offering cryptocurrencies throughout Europe (we had been offering crypto in the UK since 2024).

On the AI front, we released IBKR Connector in partnership with Anthropic, Open AI and xAI. This integration enables our clients to connect their AI chatbot directly to their IBKR accounts. With Connector, clients can simply tell the AI what they want to accomplish. Whether they're analyzing their portfolio, researching opportunities, or planning a trade, the AI understands the request, suggests appropriate strategies, and prepares orders for stocks, options, and futures across global markets. Connector is off to a strong start and further expands our AI integration capabilities.

We received Preliminary Conditional approval from the OCC on our application for a National Trust Bank charter, which is a requirement to directly custody assets for mutual fund and ETF customers. We plan to have the necessary work completed and have it operational by year-end.

We also launched IBKR Prediction Markets as a unified destination for trading Event Contracts across exchanges. Clients can access contracts listed on ForecastEx, the CME and Kalshi through a single platform, with orders routed to the venue offering the “Best Net Price”. IBKR Prediction Markets is focused primarily on economic, political and climate contracts, giving investors and institutions a precise way to hedge specific risks or gain targeted exposure to future events.

And we introduced trading in CBOE’s new binary options, where clients can take short-dated positions on whether the S&P 500 Index will close at or above a specified strike level.

Internally, we continue to expand our use of AI to improve efficiency and maintain our low-cost structure. AI is enhancing our client service, compliance, surveillance, and new account onboarding, helping us scale as we ramp up the flow of new clients.

Turning to our customer segments, our introducing broker pipeline remains very strong, similar to what we saw last quarter with a robust pool of prospects, as we continue to onboard a substantial number of new introducing brokers and support the growth of existing ones.

Within our hedge fund segment, we continuously look to improve our offering. In our Hedge Fund Marketplace, eligible clients can sort through and research available hedge funds, and easily transfer funds from their accounts to a fund they select. This quarter, we made it possible for clients to view video presentations from the portfolio managers, improving client engagement; we also made the process for hedge funds to accept investments significantly easier, increasing investment directed to those funds.

We continue to hear positive feedback from clients in the high-touch program.

We are also seeing continued growth in overnight trading. This is an increasingly important tool for international investors on our platform who want to trade during their waking hours. Overnight trading volumes nearly tripled year-over-year in the second quarter, increasing to 10.9 million trades from 3.8 million.

This was a busy and productive quarter for us, with multiple product introductions, and with many further initiatives underway across platforms and client segments. We look forward to sharing further updates in the coming quarters.

With that, I will turn the call over to Paul Brody. Paul?

Paul Brody

Thank you, Nancy. Thanks, everyone, for joining the call.

We're going to start with our revenue items on page 3 of the release. We are pleased with our financial results this quarter, as we again produced record net revenues and pre-tax income and strong results in our key operating metrics.

Commissions rose 30% versus last year's second quarter to a new record. We saw robust trading volumes from our growing base of active customers across stocks, options and futures.

Net interest income rose 23% year-on-year to over $1 billion, driven primarily by higher balances. Robust growth in margin borrowing reflected a risk-on environment for investors and our segregated cash portfolio grew with new accounts. These revenue generators were partially offset

by interest we paid on our customers' cash balances, which also expanded in line with account growth.

Other fees and services generated $87 million, up 40%, primarily driven by strong options volumes which led to higher payments from options exchange-mandated order flow programs, and by higher risk exposure fees.

Other income includes gains and losses on our investments, our currency diversification strategy and principal transactions. Note that many of these non-core items are excluded in our adjusted earnings. Without these excluded items, Other income was $66 million for the quarter.

Turning to expenses, Execution, Clearing and Distribution costs were $142 million in the quarter, up 22% over the year-ago quarter, primarily due to an increase of $19 million, for a total of $34 million, from the re-initiation of SEC regulatory fees, which had been set at zero since mid-second quarter 2025. Excluding the SEC fees in both quarters, Execution & Clearing costs would have been $108 mil versus $101 million last year, a 7% increase. Because they are largely passed-through, these fees increase both our commission revenue and execution costs and therefore do not impact profits.

Execution & Clearing costs were 17% of commission revenues in the second quarter for a Gross Transactional Profit margin of 83%. We calculate this by excluding from "Execution, Clearing and Distribution" $29 million of non-transaction-based costs, predominantly market data fees, which do not have a direct commission revenue component.

Compensation & Benefits expense was $182 million for the quarter, for a ratio of Compensation expense to Adjusted Net Revenues of 10%, down slightly from 11% last year. Compensation expense was impacted marginally from additional U.S. FICA and other taxes on the vesting of Stock Incentive Plan shares, which is an expense recognized in the second quarter of each year.

Our headcount at June 30th was 3,265.

G&A expenses were $68 million, up from the year-ago quarter with continued expansion of advertising a contributing factor.

Our pretax margin was 77% for the quarter as reported and as adjusted.

Income Taxes of $118 million reflects the sum of the public company's $54 million and the operating companies' $64 million. This quarter, the public company's adjusted effective tax rate was 14.7%, somewhat below its usual range, due to the tax effect from the rise in the price of IBKR stock in our employee stock incentive plan.

Turning to the balance sheet on page 5 of the Release. Our total assets were 36% higher than the prior year at $247 billion, with growth driven by higher margin lending and segregated cash and securities balances. New account growth also helped drive our record customer credit balances.

We continue to have no long-term debt.

Profit growth drove our firm equity up 20% to $22.3 billion. We maintain a balance sheet geared towards supporting growth in our existing business and helping us win new business by demonstrating our strength to prospective clients and partners, while also considering overall capital allocation.

In operating data, customer activity generated our second highest contract volumes in options and futures, up 17% and 2%, respectively, over the prior year. Stock share volumes were up 14%, which generally increased versus last year as customers gravitated to larger, higher quality names: we see this as the growth in the total notional dollar value of shares traded in the quarter was significantly higher than the growth in share volumes.

On page 7, you can see that total Customer DARTs were 4.8 million trades per day in the quarter, up 36% from the prior year. Commission per Cleared Commissionable Order of $2.64 was off slightly from last year.

Page 8 shows our Net Interest Margin numbers. Total GAAP net interest income was just over $1 billion for the quarter, up 23% on the year-ago quarter, and our Net Interest Margin table net interest income was $1.1 billion, up 28%. We include for NIM purposes certain income that is more appropriately considered interest, but that for GAAP purposes is classified as Other Fees & Services or as Other Income.

Our net interest income reflects strong annual increases in balances, as well as increases in a few international benchmark rates. These drove a rise in interest income on margin loans and customer segregated cash, partially offset by higher interest expense on customer cash balances.

Central banks in most major markets held their benchmarks constant this quarter. Year-on-year the average US Fed Funds rate fell 70 basis points, or by 16%. Despite this decline, our margin loan interest was up 39% and our segregated cash interest was up 7%, both bolstered by higher balances.

The average duration of our investment portfolio remained at less than 30 days. During the quarter, the US dollar yield curve finally turned positive in the short to medium term, and we have responded by pushing out our duration a bit, while still maintaining a relatively tight maturity match between our assets and liabilities.

Reported securities lending net interest was behind last year's result, though both quarters had a few very popular hard-to-borrow names.

In an all-encompassing view of securities lending that paints a different picture. A portion of what we earn from securities lending is classified as interest on "segregated cash". We estimate that if the additional interest earned and paid on cash collateral were included under "Securities Borrowed and Loaned", then the net revenue related to securities lending would have been $343 million this quarter, up 37% over the prior year quarter.

Fully rate-sensitive customer balances ended the current quarter at $28.4 billion, versus $22.8 billion in the year-ago quarter.

Now, for our estimates of the impact of changes in rates. Given some uncertainty over the direction of US interest rates, and the inconsistent actions of central banks around the world, we look at the potential effects of rate moves in either direction. We estimate the effect of a 25-basis point increase in the benchmark Fed Funds rate to be an $81 million increase in annual net interest income. Similarly, a 25-basis point reduction in Fed Funds would decrease annual net interest income by the same amount.

Note that our starting point for this estimate is June 30th, with the Fed Funds effective rate at 3.64%, and balances as of that date. Any growth in our balance sheet and interest-earning assets would increase these impacts.

About a third of our customer interest-sensitive balances is not in US dollars, so estimates of a US rate change exclude those currencies. We estimate the effect of a 25-basis point increase or decrease in all the relevant non-USD benchmark rates would increase or decrease annual net interest income, respectively, by $38 million.

In conclusion, we reached the midpoint of the year with another financially strong quarter, reflecting our continued ability to grow our customer base and deliver on our core value proposition to customers while simultaneously scaling the business. Our business strategy continues to be effective: automating as much of the brokerage business as possible, continuously improving while expanding, through new product introductions, what we offer while minimizing what we charge.

With that, we will now open it up for some questions.

Question and Answer Session

Operator

(Operator Instructions) Our first question comes from the line of Steven Chubak with Wolfe Research.

Steven Chubak

So first, I had a question on the marketing strategy. You've significantly increased the level of marketing spend in recent quarters. You also hired a new CMO, I believe, less than a year ago. That investment has coincided with a meaningful acceleration of account growth, well above the 20% normalized level that you've spoken to previously. I was hoping you could speak to how the marketing strategy has evolved in recent quarters, and whether you're seeing a higher return on marketing spend, which should support a structurally higher account growth versus that 20% normalized level that you've spoken to in the past.

Milan Galik

Thomas, you want to take that one?

Thomas Peterffy

Well, you are correct that we have done all these things. I do not think that the marketing yield has, in fact, been higher than it was before. It is roughly the same. In other words, we increased expenses, and we had a corresponding increase in yield, but not more than proportionally higher.

Steven Chubak

Understood. But has your approach to marketing changed, in your view, where it gives you some increased confidence around the ability to deliver better than 20% account growth, in terms of the go-forward?

Thomas Peterffy

Yes, but we don't like to promise. It was only once when I said that we will grow at 30%, and immediately the growth rate went down to 20%. And then everybody said "20, 20, 20," and ever since that time we have been over 30%.

Steven Chubak

Fair enough. I appreciate the desire not necessarily to overpromise. If I could just squeeze in one more on margin balances. The growth has really been extraordinary over the last few quarters in particular; frankly, over the last couple of years. At the same time, Thomas, I know that you've mentioned in the past that you don't necessarily like when margin loans grow too quickly. I was hoping to get your perspective on whether this level of margin balance growth reflects healthy levels of client activity that appear more durable, or if there are any indications of outsized risk-taking on the platform that might give you pause.

Thomas Peterffy

Well, we are very cognizant of client risk and margins, and we're continuously monitoring it, and we feel comfortable with the current levels.

Operator

Our next question comes from James Yaro with Goldman Sachs.

James Yaro

I was hoping you might be able to update us just on your excess capital position today. I know you most recently, I believe, talked about $8 billion of excess capital, but that was a few months ago. And then maybe if you could also just update us on any — on the potential acquisition pipeline that you see right now.

Milan Galik

The total excess at this point, if we subtract the various buffers that we have in place, is around $10.3 billion, so it increased by approximately $1.1 billion from the last quarter. Nothing new to report about the acquisitions, other than the number of emails we receive on a weekly basis with potential acquisition targets from the various investment banks has dramatically increased. There is a lot offered, but nothing so far has stood out as worthy of pursuing. That is not to say that we do not look at them.

James Yaro

That's really helpful. Just a quick follow-up on a slightly different topic, but I was hoping that you might be able to provide your thoughts on the Chinese regulatory actions related to Chinese mainland brokerage accounts and, I guess, the impacts on your business, if there are any, and whether you see any risks to the Hong Kong business.

Milan Galik

So what happened was, I'm pretty sure you're referring to the Tiger/Futu situation, where the Chinese regulator clamped down on their activities in terms of attracting accounts from mainland China, where they are not licensed to operate.

James Yaro

That's correct.

Milan Galik

Right. So we have been in compliance with the Chinese mainland regulations for a long time. We do not advertise in mainland. We carefully check that the accounts that we accept onto our platform can demonstrate that they have a residence outside of mainland China. That is how we have been operating for a while.

Now, as a consequence of the clamp down on Tiger and Futu, we have seen a clear uptick in the broker transfers from Tiger and Futu. So the number of accounts, and especially assets, we have received from Tiger and Futu has increased after what happened to them in May. Hard to say whether that will continue. A lot of what we have seen is accounts that we already had on our platform shifted assets away from Tiger and Futu onto the Interactive Brokers platform.

Operator

Our next question is from Patrick Moley with Piper Sandler.

Patrick Moley

Yes, good afternoon. Thanks for taking the question. I just had one on Prediction Markets. I was curious what went into the decision to integrate Kalshi and CME in your Prediction Markets offering alongside ForecastEx contracts, and what are you seeing so far in terms of any tailwind it's provided to volumes or client adoption?

Milan Galik

I mean, the decision wasn't really hard. If you look at what we do as a broker, we consider it to be our job to offer connectivity and access to various marketplaces globally. As the Prediction Markets are growing, there is no reason for us to limit our clients to only access ForecastEx. Kalshi is obviously a significant player in the area, so that is what drove the decision.

We wanted to increase the access for our clients and, as a result, increase the available liquidity that they can access, which makes it easier for us to attract institutions to come to us to connect and access the Prediction Markets through us. One thing did not change, and that is we still do not offer sports. We still do not offer entertainment contracts. We continue to focus on contracts on events that have a potential to affect our clients' portfolios.

Patrick Moley

Great. Thanks for that. And then as a follow-up, you've added 1.3 million new accounts over the last year, while DARTs per account and commission per order are both flat. So could you help us get a better sense for why you haven't seen dilution in either of those metrics as you've scaled? Are the new cohorts really as active as the existing base, or could the strong environment be providing an offset there?

Milan Galik

I think what we see is partially due to the strong environment. The DARTs have been increasing. This has been a volatile time period, somewhat helped by the SpaceX IPO. There's a lot of interest in investing. I think that's partially what you see.

Sometimes we onboard greater, bigger hedge funds onto our platform that trade a lot. Sometimes the account growth comes from introducing brokers that bring smaller accounts. So there is some amount of fluctuation in this.

Operator

Our next question is from Ben Budish with Barclays.

Ben Budish

I was wondering if you could unpack the strength in sec lending this quarter. The enhanced disclosure is very helpful, as always. How much of it was maybe related to SpaceX versus other activities, and what does that maybe tell us about what activity could look like into Q3 and Q4, assuming perhaps that the IPO environment remains constructive?

Paul Brody

Yeah, that's a little hard to predict in the future, Ben. So as usual, the securities lending is driven by two things: it's the general increase in balances as we take on more customers, more positions, more shorts, and more hard-to-borrow stocks that we can lend out to other brokers; and then, in particular, at any one time, it's driven by any specials, any hot stocks that are at very high hard-to-borrow rates that our customers are holding and we can lend out. And in particular, we have a fully paid lending program we call Stock Yield Enhancement, and we lend out their securities, and we split the earnings with them, and that makes them quite happy. It's an enhancement on the stock yields that they're already holding.

But those come and go. Our job is to build out our systems and our teams to take full advantage when those show up, and we're seeing a lot of success in doing that.

Ben Budish

Okay, that makes sense. Maybe one follow-up on the Prediction Markets question. I'm curious about ForecastEx in particular. When we look at the volumes, it looks like they're pretty

concentrated in a couple of specific temperature contracts, and you guys have been quite clear that the goal is climate, financial indicators, and economic indicators.

I'm just curious, in terms of the client concentration or anything like that, is there any sort of interesting signal, or is it sort of where you found most product/market fit for now and maybe more to come later? But just curious if there's anything to unpack there.

Thomas Peterffy

Well, we are going to continue to concentrate on weather-related contracts, and we are now bringing in potential hurricane landfalls and hope to expand in that area, and that also implies insurance risk.

Operator

Our next question is from Dan Fannon with Jefferies.

Dan Fannon

I was hoping to just get a little bit more context around the account growth in the quarter, and even, I guess, year to date. It's been, as we've already said, quite strong. But the regions maybe that are generating the bulk of the growth—Korea was maybe an outsized contributor here, given the opening up of that market in the second quarter? Or just any other context would be helpful.

Milan Galik

It's very simple. We are growing everywhere globally, all the regions, all the account types, whether it's Financial Advisors, Introducing Brokers, direct accounts. We are pleased with our growth across the board. It's that simple.

Dan Fannon

Okay. And then you did mention in your prepared remarks that the backlog for Introducing Brokers is still quite strong. I guess a little bit of context there also, just trying to get maybe the size and scope of those versus previous periods. Is it similar in terms of the size of the potential partners that are coming on, and maybe how those discussions have been evolving, and if there's anything different?

Milan Galik

This quarter is another — it's probably the fourth or fifth straight quarter in which we had a double-digit number of integrations going online. So that's healthy. The pipeline continues to be healthy. We have more integrations in progress than we had in the previous quarter. We have a significant number of new committed integrations, so the integrations that haven't started yet, but the clients expressed strong interest and committed.

The type of institutions we have been onboarding recently has somewhat changed. We still see some startups, some new firms. But more and more we see firms with existing business that look to expand their offering — whether it's crypto or CFD providers that decided to offer their clients listed stocks, or retail brokers looking to expand from a single offering, for example, US stocks, into a significantly broader one that would cover other asset classes and other regions, or financial institutions that already have some type of an investment offering and decided to onboard instead with Interactive Brokers, either to cut their costs or to benefit from the broad product offering we can offer them — so a very healthy pipeline.

Operator

Our next question is from Brennan Hawken with BMO.

Brennan Hawken

I was curious if you could parse out, if possible, what the impact that you saw from the opening of trading in Korea here recently, and how do you think about margin calls that we've heard about impacting that market? As I understand, you don't offer trading to residents in Korea, so that might insulate you to some degree from that, but just curious if you could parse that out for us.

Milan Galik

So we do not offer the level of granularity as to trading volumes, exactly where they occur. What I can tell you is that our entry into the Korean market was well-timed. There is a lot of interest in the Korean stocks, especially the semiconductor ones. So we had a lot of trading from day one.

Then the first Korean ADR was listed in the United States. That did not negatively impact our trading in Korea at all. So when I looked at the trading activity week over week, it has just been a line that goes straight up, and the ADR trading just added to that — so a very strong start.

Brennan Hawken

Excellent. Thanks for that color. For my follow-up, you now have launched agentic AI capabilities, so I'm curious what the early read is on the impact of those tools on volumes and engagement. And also, as a sort of sub-question, you don't have agentic execution on offer. So is this maybe a first stage that you're thinking for the rollout of these types of tools? Given demand — you talk about overnight demand for trading and whatnot — it sounds like agentic would sort of solve a lot of those issues for your customers. Are you looking at that as well?

Milan Galik

You may recall from our press releases that we are integrated. We have enterprise-level integration with OpenAI, Anthropic, and xAI. So our customers benefit from that integration. And what we see is a lot of interest.

Surprisingly to us, we saw a lot of clients connecting their AI chatbots to their IBKR accounts before we even made any public announcements. So we are very visible in the dropdowns of the AI chatbots as one of the companies that you can connect the chatbot to. So we're very pleased with how our clients use their chatbots to interact with their accounts.

Now, as to what it is that they can do through the chatbots, we allow them to access their account data, ask questions about it. We do offer an ability to trade, but we utilize the so-called human-in-the-loop paradigm, which means the AI can submit an instruction to the account. But that instruction then appears on a UI in a designated area, from where the client has to approve the instruction to turn into an executable order.

And there is an ever-growing number of our clients that use that ability. Now, I'm going to give you a little more about this - I'm going to go for a little longer, if you don't mind. We have been offering APIs, through which our clients can connect their programs or their spreadsheets, and they can use their programs or spreadsheets to generate trades in their account, for a very long time.

What changed here is that those were programmers, or those were people who had somewhat of an engineering background, so they knew what they were doing much more so than the general public that finds it very easy to interact with the AI chatbots. But we have to be more careful, so that the

chatbot doesn't run away from them and generate a lot of bad trades. That is why we have elected the approach of having the human in the middle.

Now, to your question: is that going to change over time? It will. We are going to be offering, at some point, fully autonomous agentic trading, but we're going to be very careful about the type of guardrails that will be available for our clients. And we will submit them to some type of a test to ensure that they understand the benefits and dangers of the autonomous trading before we let them proceed autonomously. So that is something we will do in the future.

Operator

Our next question is from Chris Allen with KBW.

Chris Allen

Good evening, everyone. I think most things have been covered. Maybe just a quick question, just in terms of what demand you're seeing or hearing from your customers for perpetual products — obviously a hot topic of discussion these days. You noted you're offering CBOE binary options now. Any thoughts in terms of demand for 24/7 products in metals and other areas? Any color there would probably be helpful.

Milan Galik

In terms of the perpetual futures, it is less of a demand that we hear from our clients than our willingness to offer trading instruments where we see volume and public interest in general. That is why, not long ago, we decided to offer cryptocurrency perpetuals that are offered by Coinbase.

You may remember that it's difficult to short cryptocurrencies. It's difficult to trade cryptocurrencies on margin. And those are the two problems that the perpetual futures solve. You can short them. You can trade on leverage. So that is why we decided to offer them, and we see that, as far as the crypto segment is concerned, roughly one-third of the trading that we see is now coming from these perpetuals.

As more outlets will be — as more exchanges will be adding them, we will be providing access for our clients to the more interesting ones.

Operator

Thank you so much. And this concludes our Q&A session. I will pass it back to Nancy Stuebe for closing comments.

Nancy Stuebe

Thank you, everyone, for participating today. As a reminder, this call will be available for replay on our website, and we will be posting a clean version of the transcript on our site tomorrow. Thanks again, and we look forward to talking to you next quarter end.

Operator

This concludes our conference. Thank you for participating, and you may now disconnect.