Interactive Brokers Group's (IBKR)

Q4 2025 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

Brennan Hawken, *BMO*

Patrick Moley, *Piper Sandler*

James Yaro, *Goldman Sachs*

Craig Siegenthaler, *Bank of America*

Daniel Fannon, *Jefferies*

Ben Budish, *Barclays*

Operator

Thank you for standing by, and welcome to Interactive Brokers Group Fourth Quarter 2025 earnings conference call. (Operator Instructions) I would now like to hand the call over to Nancy Stuebe, Director of Investor Relations. Please go ahead.

Nancy Stuebe

Good afternoon, and thank you for joining us for our fourth quarter 2025 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.

In the fourth quarter, we continued to demonstrate the power and leverage of our diversified, fully automated global platform, which serves the full spectrum of investors—from those new to the markets buying their first fractional share of a Magnificent Seven stock in a cash account, through sophisticated traders benefitting from low cost and geographical reach, to professionals using our APIs and algorithms to execute advanced quantitative strategies in portfolio margin accounts. Many clients start gradually and evolve into active, sophisticated traders, and our platforms are designed to support that entire journey—supporting their growth with us along the way at every stage.

We continue to see strong international interest in the global securities markets on a secular basis, as people around the world seek higher returns on their assets as interest rates decline and as other financial institutions pay them less. In 2025, we added more than one million net new accounts—an annual record for the firm. Client equity rose 37% to $780 billion, an increase of more than $200 billion year over year, and the first time we've ended a year with over three-quarters of a trillion dollars in client assets.

Cyclically, rising markets and expectations for lower interest rates drive increased client engagement. Clients traded actively, grew more comfortable taking on risk, increased their market exposure, and made greater use of leverage through margin loans. They also expanded beyond equities into other asset classes, including options and futures.

Our client-centric focus—by which we mean delivering global market access at extremely competitive pricing on state-of-the-art platforms—is best reflected in one simple measure: our clients' performance. In 2025, the S&P 500 rose 17.9%. By comparison, our clients outperformed:

- Individual investors here were up on average 19.20%, or 130 basis points above the S&P 500
- Financial advisors were up 20.57% on average, or 267 basis points above the market

- Hedge fund clients were up 28.91% on average, a full 11 percentage points ahead of the S&P

This performance is the direct result of our focus on empowering clients—through low trade and margin pricing and less drag from costs; superior trade execution; advanced order types and algorithms; the advantage of attractive interest rates on cash and short proceeds; as well as the many advantages of our platforms, from AI and research tools to comprehensive educational offerings. It is why clients come to us: no gimmicks, no games, just the best prices and the most comprehensive platforms. It is why the best-informed investors choose Interactive Brokers.

That client focus, combined with strong global demand for investing, translated into exceptional financial results. Quarterly adjusted pretax income reached a record level of more than $1 billion for the fifth consecutive quarter, despite lower interest rates. For the full year, we generated more than $6 billion in net revenues for the first time.

We continually invest in improving our platform from front to back end, supported by a global team of programmers who deliver new functionality, ongoing enhancements, and client-driven improvements—while also meeting the diverse regulatory requirements across the many market centers and currencies we support.

Throughout 2025, we introduced a wide range of new products and enhancements worldwide, guided by deep engagement with—and a strong understanding of—the needs of our diverse client base.

This year, we expanded market access to Brazil, Taiwan, the UAE, and Slovenia, with additional countries planned for 2026.

We continued to add to our ever-growing list of country-specific tax advantaged funds. We offer traditional and Roth IRAs in the US, as well as Canadian RRSPs and TFSAs, UK ISAs, French PEAs and Hungarian TBSZs. This year, we added Swedish ISKs, Japan’s NISAs, and Canadian FHSAs. We now have several billion dollars of client assets in these accounts and are able to support individual investors at all stages of their investment journeys.

From a funding perspective, clients can now fund their accounts using stablecoin, making cross-

border account funding easier and available 24/7. We doubled the amount of cash eligible for our FDIC sweep program—from $2.5 million to $5 million for individual accounts, and from $5 million to $10 million for joint accounts.

In October, we teamed with Karta to introduce our premium charge card, globally. The Karta Visa Infinite Card allows eligible clients to link their accounts and access their cash instantly anywhere in the world, with no foreign transaction fees—an especially compelling benefit for our global client base – and it comes with premium cardholder benefits.

Platform-wise— our GlobalTrader 2.0 mobile platform was launched with a comprehensive UI/UX revamp and an all-new look and feel. Quick access trading tools, accessible via a swipe or long press, were added; watchlist management was streamlined, and AI News Summaries incorporated.

Our leading-edge IBKR Desktop platform delivered several highly requested enhancements this year, including:

- Multi-monitor support with independent windows for charts, option chains, and more;
- Multiple new screener filters;
- A named strategy selector for clients to quickly access popular combo strategy types, and
- A new Linux beta installer—extending IBKR Desktop into the Linux ecosystem and addressing another long-standing client request.

We introduced Connections, where clients can enter a company's ticker and explore its broader investment ecosystem, including options, ETFs that hold the stock, forecast contracts, related economic indicators, competitors, and more. This feature is already seeing strong engagement.

We have embedded artificial intelligence throughout our organization, benefiting both clients and employees. We launched AI-powered Investment Themes, which allows clients to enter a concept—such as "nuclear energy" or "quantum computing"—and instantly receive a list of actionable investment ideas, significantly streamlining the research process. We also launched AI-generated News Summaries, receiving FINRA approval mid-year. These summaries deliver timely, relevant news directly tied to clients' portfolios, helping them stay informed more easily.

Across our platforms, we launched the first version of Ask IBKR, an innovative AI-powered tool

that lets our clients interact with, and ask questions in plain English about, their portfolios. Clients can ask about performance and allocation analysis, track their activity, and get performance attribution. They can ask to compare their performance versus various benchmarks, find their top dividend payers, calculate their capital gains and losses, and analyze sector exposure. Performance can be analyzed across flexible timeframes – one-year, one-month, period-to-date, etc. Staying on top of an active portfolio with rapid access to a wide breadth of data is critical for successful investors.

Beyond these highlights, we have delivered a wide range of enhancements and new features. I encourage you to explore our platforms on our website—or better yet, request a demo. Seeing our offerings firsthand, across a broad range of client types and experience levels, is the best way to appreciate what we have accomplished.

In other areas of our business, to further enhance execution quality, we expanded our network of liquidity providers across bonds, options, overnight trading, international stocks, and ETFs and ADRs. And to further support our non-U.S. client base, we translate our investor education courses and webcasts into multiple languages, making it easier for clients around the world to get started on investing on our platform.

Trading volume during our overnight hours continues to grow rapidly—up 76% from last quarter and more than 130% from the fourth quarter of last year. Providing deep, liquid markets that are not constrained by U.S. regular trading hours is critical to meeting the needs of a globally active client base.

And finally, a note on ForecastEx. We created this exchange, which is regulated by the CFTC, to support trading on consequential predictions that have measurable, third-party- verified outcomes. ForecastEx traded 286 million pairs this quarter, up from 15 million pairs in the third quarter, and now has four members quoting into the exchange, which now has over 10,000 listed instruments.

Our pipeline of new business, new initiatives and enhancements remains as strong as ever, and our platforms resonate with people around the globe. We are not stopping here to rest on our achievements. We have many projects to work on, which we will look forward to sharing with you once they become a reality.

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

Paul Brody

Thank you, Nancy. Welcome, everyone to the call. We'll start with our Revenue items on page 3 of the release. We are pleased with our financial results this quarter, as we produced near record net revenues and pretax income for the quarter and record results in all the major financial categories for the year.

Commission revenues rose to a record $582 million this quarter. For the full year, commissions were $2.1 billion, up 27% from last year, driven by higher trading volumes across the major product categories.

Net interest income reached $966 million for the quarter and a yearly record of $3.6 billion, despite multiple rate cuts in nearly all major currencies. A continued risk-on environment during most of the year led to a significant increase in margin borrowing; while strong net customer deposits led to higher segregated funds balances. These revenues were partially offset by the interest we paid to our customers on their cash balances. We saw fewer hard-to-borrow names in securities lending than in the 3rd quarter, but their presence across the second half drove full year results well over the prior year.

Other fees and services generated $85 million for the quarter and $291 million for the year, both up modestly versus the prior year periods. This was primarily driven by higher payments for order flow from options exchange-mandated programs and higher FDIC sweep fees, despite reductions in 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. Other income was $10 million as reported and $37 million as adjusted, primarily driven by a loss in our currency diversification program.

Turning to expenses, Execution, Clearing and Distribution costs were $91 million in the quarter, down 21% from the year-ago quarter, primarily due to two factors. First, we had a full quarter of an SEC fee rate at zero. In the fourth quarter of 2024, SEC fees were $22 million. And second,

higher volumes meant we earned higher rebates at exchanges as a result of our Smart order routing optimization, particularly for options.

These costs and rebates are largely passed through to customers, so these reductions don't have much impact on our profitability, but they are components of our clients' profitability, and this execution quality is one of the reasons they choose to execute with us to maximize their returns.

As a percent of commission revenues, Execution & Clearing costs were 11% in the fourth quarter for a Gross Transactional Profit margin of 89%. We calculate this by excluding from "Execution, Clearing and Distribution" $23 million of non-transaction-based costs, predominantly market data fees, which do not have a direct commission revenue component.

Compensation & Benefits expense was $153 million for the quarter, for a ratio of Compensation expense to Adjusted Net Revenues of 9%, versus 10% in the prior year quarter. As always, we remain focused on expense discipline, as reflected in our moderate staff increase of 6% over the prior year. For the full year, this ratio was 10%, down from 11% in 2024.

Our headcount at December 31st was 3,182.

G&A expenses were $62 million, up 5% from the year-ago quarter, primarily from increasing spending on advertising. For the full year, G&A was $247 million, down from last year which included a legal settlement that added $78 million and a one-time charge of $12 million to consolidate our European operations. Excluding those items, G&A for the year was up 10%, predominantly on higher advertising expense.

Our pretax margin matched the third quarter record 79% and achieved a new record 77% for the year, both as reported and as adjusted.

Income Taxes of $99 million reflects the sum of the public company's $39 million and the operating companies' $60 million. The public company's effective tax rate was 12%, below its typical range primarily due to tax benefits we were able to capture in 2025.

Moving to our balance sheet on page 5 of the release, our total assets ended the year 35% higher than the prior year at $203 billion, with growth driven by higher margin lending and segregated

cash 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 23% for the year to exceed $20 billion for the first time. 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 our operating data, on pages 6 and 7, we had record customer activity in options, with our contract volumes up 27% over the prior-year quarter, and up 26% for the full year, in line with industry volumes. Futures contract volumes rose 22% for the quarter to a near-record, and were up 12% for the full year, well above industry volumes. Stock share volumes rose 16% for the quarter and 38% for the full year.

Stock share volume generally increased versus last year as clients gravitated to larger, higher quality names, and traded relatively less in pink sheet and some other very low-priced stocks. Growth in the notional dollar value of shares traded in the quarter was significantly higher than the growth in share volumes combined with the rise in major equity indices worldwide.

On page 7, you can see that Total Customer DARTs were 4.0 million trades per day in the quarter, up 30% from the prior year. Commission per Cleared Commissionable Order of $2.64 was down from last year, primarily due to a mix of smaller average order sizes in stocks and futures and slightly higher in options; and the previously-mentioned SEC fee rate moving to zero, which lowered commissions as well as execution & clearing expense.

Page 8 shows our Net Interest Margin numbers. Total GAAP net interest income was up 20% from the year-ago quarter to $966 million, just $1 million shy of the third quarter's record despite benchmark rate cuts in multiple countries. Adjusted for NIM presentation, net interest income was just over $1 billion for the first time.

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 strength in margin loan interest and securities lending, partially offset by a modest increase in interest expense on customer cash balances, despite lower benchmark interest rates.

Many central banks – including the UK, Canada, Hong Kong and the US – reduced rates this quarter, while others - including Australia, Europe and Switzerland - held steady.

Year-on-year the average US Fed Funds rate fell 75 basis points, or by 16%. Despite this decline, our margin loan interest was up 17%, and our segregated cash interest was down only 3%, 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 remained flat to inverted from the short to medium term, so we continued to maximize what we earn by focusing on short-term yields, rather than accepting the lower yields and higher duration risk of longer maturities. This strategy also allows us to maintain a relatively tight maturity match between our assets and liabilities.

Securities lending net interest was higher than last year, though we did not see as much activity in hard-to-borrow names as in the third quarter. Contributors to annual growth included several factors:

- Our growing account base, which increases our inventory of attractive stocks to lend, including international securities.
- The interest we pay on short cash balances, which makes us attractive to investors who utilize short selling.
- Our fully-paid lending program shares proceeds with clients generally on a 50/50 basis, which appeals to investors looking to maximize the return on their portfolios.
  and finally,
- Activity has picked up in some of the typical drivers of securities lending, including IPOs and merger & acquisition activity.

As most benchmark interest rates are now sufficiently above zero, 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 total net revenue related to securities lending would have been $290 million this quarter, up 58% over the prior year quarter.

Fully rate-sensitive customer balances ended the current quarter at $24.7 billion, versus $19.1 billion in the year-ago quarter.

Now, for the estimates of the impact of changes in rates. We estimate the effect of a 25-basis point decrease in the benchmark Fed Funds rate to be a $77 million reduction in annual net interest income. Note that our starting point for this estimate is December 31st, 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 reduce this impact.

About 29% 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 decrease in all the relevant non-USD benchmark rates would reduce annual net interest income by $31 million.

In conclusion, we posted another financially strong quarter in net revenues and pretax margin, leading to a record year. This reflects 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 and expanding what we offer, while minimizing what we charge.

And with that, we will turn it over to the moderator and open up for questions.

Question and Answer Session

Operator

(Operator Instructions) And our first question comes from the line of Brennan Hawken from BMO.

Brennan Hawken

I was curious about the call on the customer credit balances. It seems as though the decline in the amount paid– the yield didn't come down quite as much as we were looking for. Just some color around some of those dynamics and what might have caused the lower rates not to flow through and whether or not there might just be some more on the come here in the next quarter or two?

Paul Brody

Yeah, sure. So obviously, the net interest income and the major segments there, being segregated cash, and margin loans and the customer credit balances— it all operated a little bit differently. So for seg cash when the rates come down, even though we have a relatively short duration, there is a little bit of tail out there. And we retain somewhat higher rates while we pay lower rates on our credit balances during that period because they are based on the overnight rates. The rest of the balance of changes: so our very strong performance in the margin lending balances overcame— vastly overcame - the drop in the general benchmark rates.

Brennan Hawken

Okay. Got it. So we got basically a repricing lag on some of the asset side, that makes sense. And from a follow-up, I believe the comment period for your bank charter application ended today. Could you maybe update us on that process, what you've heard back from the regulators? And what kind of impact we should expect i.e., if the bank charter is approved and you go forward with the bank?

Milan Galik

So we have been in contact with the OCC for a while. The way this process works is you are in contact with them, you talk to them, you present the business plan. They point out what they do not like or what they would like to receive more information on. Once you get through this stage, they give you the go ahead to officially file the application, which we did, and they acknowledged that. Then there is a several-months-long time period that they have to actually approve your request. There are others applying for the National Trust Charter Bank; I do not know exactly where we are in the queue. But my expectation would be to be operational by the end of this year. Now exactly what that means for us is, as a broker dealer, the regulations do not permit us to custody assets of mutual funds and exchange traded funds. A trust charter bank will allow us to do that. So that is the rationale behind our application.

Operator

Thank you. Our next question comes from the line of Patrick Moley from Piper Sandler.

Patrick Moley

I had one on prediction markets. There's been a lot of speculation recently about whether

regulators or the US courts will allow prediction market platforms to continue offering sports contracts. So I was just hoping to get an update from you on how you maybe see this all playing out between the platforms and the sports books? And then with ForecastEx launching NFL contracts in the fourth quarter, just wondering what you would need to see from regulators or the courts that would make you comfortable offering contracts like that to IBKR customers? Or if this is an aspect of predictions markets that you just think will never make sense to commingle with your existing customer base?

Thomas Peterffy

So I don't know if you've heard that Massachusetts just came out with a ruling against Kalshi. So the judge ruled against Kashi and that probably means that Kalshi will no longer take customers from Massachusetts. But this is certainly not the final word. So your guess is as good as ours as to what will happen here. And so luckily, Interactive Brokers does not rely on sports. We do believe that these contracts will have enormous applicability to many, many things about the future and they will be very, very successful and it doesn't really have to depend on sports.

Patrick Moley

Okay. Great. And then just as a follow-up. You're sitting on a healthy pile of excess cash. Any updated thoughts on the appetite for M&A and capital return priorities. And then on M&A specifically, I know in the past, you said that with traditional brokerage models, it's been difficult to make the deal math work with your pricing model. But in an emerging asset class like prediction markets, I'm just wondering if M&A could make sense here for you.

Thomas Peterffy

Anything is possible, but we're not going to buy a firm that is doing sports betting, and there is nothing else out there at the moment, right?

Milan Galik

It's not only that. We have our own platform— ForecastEx. It's growing nicely. Mid-December of last year, we have rolled out ForecastEx on a 24/7 trading schedule. We added liquidity providers. ForecastEx now lists over 10,000 different instruments, and the trading volumes have increased significantly. So, no reason for us to look for an acquisition in this space.

Operator

Thank you. Our next question comes from the line of James Yaro from Goldman Sachs.

James Yaro

So you touched a little bit on the OCC National Trust Bank charter. I was hoping you might be able to touch a little bit on the aspirations for a European banking license? And if so, where are you are in the process of looking to get one of those?

Milan Galik

We have not started the process. Having a bank license in Europe would come with some benefits. It is not urgent for us to have one. We will eventually have a license in Europe, the most likely place for us to acquire it would be in Ireland, where our broker operations are already regulated by a banking regulator with whom we have a very good relationship.

James Yaro

Okay. Excellent. I just wanted to ask a follow-up on prediction markets. I was hoping, Thomas, you might be able to just update us on the institutional adoption of prediction markets so far. How you plan to cater to this client set specifically on the retail side? And over what period in your view, institutional prediction markets fully develop?

Thomas Peterffy

So our most frequently traded contracts are temperature contracts. We are currently working on tying up these temperature contracts with the electricity contracts and the natural gas contracts. And as you know, it is basically the utilities that have to every day make a judgment about the next day's use of electricity. So we are working on approaching those. And I think that sometime in the course of the year, you will see them onboarding.

Operator

Thank you. Our next question comes from the line of Craig Siegenthaler from Bank of America.

Craig Siegenthaler

My first one is on your expanding crypto offering. How should we think about the appetite for adoption across your base? And I'm especially interested in individual investors, in the direct and

the i-broker channel. Do they want crypto trading and do they want it from IBKR?

Milan Galik

Crypto revenues are, at the moment, small relative to the overall company's revenues. Most clients who actively trade cryptocurrencies were already doing so before we entered the space. So we are not yet a major brand in the cryptocurrency space.

You asked about the i-brokers. The answer is no, they have not been asking for access to crypto. I'm not sure why that is. Our pricing, as we explained over a number of earnings calls, is superior to our competitors in the United States and outside. We added crypto to our offering to round it out— to particularly target investment advisers and multi-asset clients, who wanted limited exposure to the asset. Our offering is competitive, and we continue to add capabilities, new geographies, namely Europe is currently the focus. I would expect us to go live with our offering this quarter. And then I am hopeful that asset transfers— once we support asset transfers - some crypto assets will migrate to our platform and take advantage of our superior pricing.

Craig Siegenthaler

Thanks, Milan. And just for my follow-up, it's one I've asked, I think, two quarters in a row now, but account growth, still very strong, north of 30%. Thomas, any specifics on how long you can keep this up?

Thomas Peterffy

As long as I shall live! That's my answer. I don't see any reason why our account growth would slow down. It will continue at this rate that we've been going.

Milan Galik

You see the benefit that we have is our platform is attractive to…

Thomas Peterffy

… many people around the world.

Operator

Thank you. Our next question comes from the line of Dan Fannon from Jefferies.

Dan Fannon

So just another question on growth, but more just in terms of investment and spend. As you think about all of the initiatives you have entering this year, do you think the level of spend is growing? Is it consistent with the last couple of years? Or how should we think about overall expense growth?

Milan Galik

The overall expense growth, I think, has been consistent over the past many quarters over the last few years. We have been cautiously adding to our head count as we needed in this past year, it was around 6% growth. Our compensation went up by 10% or so. I would expect for us to see similar growth in the future. Of course, we have a number of AI initiatives in process, and those initiatives may affect the rate at which our expenses will grow in the future.

Dan Fannon

Understood. And then just another one on account growth. In terms of the account growth today and where it's been coming from here in the latter part of ‘25 versus maybe where you think there's growth going to change or other areas that could grow faster in next year? Just trying to get a sense of what's different in terms of where you're seeing more success? Or are markets more mature versus less?

Milan Galik

We have been universally doing well. We have been attracting large accounts, small accounts, very active accounts, less active accounts, retail, professional, institutional. They all come to us for the same reason. The technology works, pricing is fair, access is global. No need to rely on promotions or incentives.

Operator

Thank you. Our next question comes from the line of Benjamin Budish from Barclays.

Ben Budish

Maybe tying a couple of these previous questions together, I think Thomas, in the press, you made some comments about the US midterm elections later this year potentially juicing account growth. Can you maybe talk about the— and I think you've mentioned in the prepared remarks, the advertising spend is up a little bit, even though I think a lot of your growth comes from word

of mouth— can you maybe talk about your plans to get, or drive, more engagement on prediction markets, either through the Interactive Brokers platform, onboarding more FCMs? How are you thinking about that opportunity coming up later this year to kind of boost account growth even more?

Thomas Peterffy

Advertising is certainly a key. We are getting better and better at advertising, and we are also increasing our spending, advertising spending, to some extent. So that's what it is. We will not let our account growth go lower.

Ben Budish

Love the confidence. Maybe just one more question on prediction markets, you talked earlier about institutional interest. I'm just curious, when we look at some of the institutional products offered at CME and ICE, we tend to see very, very large notional amounts and larger fees per contract but less relative to the size, to the notional amount of exposure. Just curious, onboarding insurance companies, electric utilities, these sorts of institutions— does that require any change to product design? Or do you think it's more a matter of education, making sure the liquidity is there and then you'll be able to onboard those kinds of customers?

Thomas Peterffy

It's not a product design question. It is a matter of selling it.

Operator

Thank you. I would now like to turn the conference back to Nancy Stuebe for closing remarks. Madam?

Nancy Stuebe

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

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.