

INTERACTIVE BROKERS GROUP ANNOUNCES 4Q2021 RESULTS

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GAAP DILUTED EPS OF \$0.67, ADJUSTED¹ EPS OF \$0.83 GAAP NET REVENUES OF \$603 MILLION, ADJUSTED NET REVENUES OF \$683 MILLION

GREENWICH, CONN, January 18, 2022 — Interactive Brokers Group, Inc. (Nasdaq: IBKR), an automated global electronic broker, announced results for the quarter ended December 31, 2021.

Reported diluted earnings per share were \$0.67 for the current quarter and \$0.83 as adjusted. For the year-ago quarter, reported diluted earnings per share were \$0.81 and \$0.69 as adjusted.

Reported net revenues were \$603 million for the current quarter and \$683 million as adjusted. For the year-ago quarter, reported net revenues were \$599 million and \$582 million as adjusted.

Reported income before income taxes was \$373 million for the current quarter and \$453 million as adjusted. For the year-ago quarter, reported income before income taxes was \$392 million and \$375 million as adjusted.

Financial Highlights

- Commission revenue increased \$32 million, or 11%, from the year-ago quarter on higher customer options and futures trading volumes and higher average per share commission in stocks.
- Net interest income increased \$70 million, or 31%, from the year-ago quarter on higher margin loan balances and strong securities lending activity.
- Other income decreased \$104 million from the year-ago quarter. This decrease was mainly comprised of \$89 million related to our strategic investment in Up Fintech Holding Limited (“Tiger Brokers”) and \$10 million related to our currency diversification strategy.
- Reported pretax profit margin was 62% for the current quarter and 66% as adjusted. For the year-ago quarter, reported pretax margin was 65% and 64% as adjusted.
- Total equity of \$10.2 billion.

The Interactive Brokers Group, Inc. Board of Directors declared a quarterly cash dividend of \$0.10 per share. This dividend is payable on March 14, 2022 to shareholders of record as of March 1, 2022.

¹ See the reconciliation of non-GAAP financial measures starting on page 9.

Business Highlights

- Customer accounts increased 56% from the year-ago quarter to 1.68 million.
- Customer equity grew 30% from the year-ago quarter to \$373.8 billion.
- Total DARTs² increased 16% from the year-ago quarter to 2.44 million.
- Cleared DARTs increased 16% from the year-ago quarter to 2.16 million.
- Customer credits increased 12% from the year-ago quarter to \$87.1 billion.
- Customer margin loans increased 40% from the year-ago quarter to \$54.6 billion.

Effects of Foreign Currency Diversification

In connection with our currency diversification strategy, we base our net worth in GLOBALs, a basket of 10 major currencies in which we hold our equity. In this quarter, our currency diversification strategy decreased our comprehensive earnings by \$25 million, as the U.S. dollar value of the GLOBAL decreased by approximately 0.22%. The effects of the currency diversification strategy are reported as components of (1) Other Income (loss of \$23 million) and (2) Other Comprehensive Income (loss of \$2 million).

Conference Call Information:

Interactive Brokers Group, Inc. will hold a conference call with investors today, January 18, 2022, at 4:30 p.m. ET to discuss its quarterly results. Investors who would like to listen to the conference call live should dial 877-324-1965 (U.S. domestic) and 631-291-4512 (international). The number should be dialed approximately ten minutes prior to the start of the conference call. Ask for the “Interactive Brokers Conference Call.” The conference call will also be accessible simultaneously, and through replays, as an audio webcast through the Investor Relations section of the Interactive Brokers web site, www.interactivebrokers.com/ir.

About Interactive Brokers Group, Inc.:

Interactive Brokers Group affiliates provide automated trade execution and custody of securities, commodities and foreign exchange around the clock on over 135 markets in numerous countries and currencies, from a single IBKR Integrated Investment Account to clients worldwide. We service individual investors, hedge funds, proprietary trading groups, financial advisors and introducing brokers. Our four decades of focus on technology and automation has enabled us to equip our clients with a uniquely sophisticated platform to manage their investment portfolios. We strive to provide our clients with advantageous execution prices and trading, risk and portfolio management tools, research facilities and investment products, all at low or no cost, positioning them to achieve superior returns on investments. Barron’s ranked Interactive Brokers #1 with 5 out of 5 stars in its February 26, 2021, Best Online Broker Review.

Cautionary Note Regarding Forward-Looking Statements:

The foregoing information contains certain forward-looking statements that reflect the Company’s current views with respect to certain current and future events and financial performance. These forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to the Company’s operations and business environment which may cause the Company’s actual results to be materially different from any future results, expressed or implied, in these forward-looking statements. Any forward-looking statements in this release are based upon information available to the Company on the date of this release. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any statements expressed or implied therein will not be realized. Additional information on risk factors that could potentially affect the Company’s financial results may be found in the Company’s filings with the Securities and Exchange Commission.

For Interactive Brokers Group, Inc. Investors: Nancy Stuebe, investor-relations@ibkr.com or Media: Rob Garfield, media@ibkr.com.

² Daily average revenue trades (DARTs) are based on customer orders.

INTERACTIVE BROKERS GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|------------------------------------|------------|-------------------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| (in millions, except share and per share data) | | | | |
| Revenues: | | | | |
| Commissions | \$ 320 | \$ 288 | \$ 1,350 | \$ 1,112 |
| Other fees and services | 58 | 52 | 218 | 175 |
| Other income (loss) | (70) | 34 | (2) | 59 |
| Total non-interest income | 308 | 374 | 1,566 | 1,346 |
| Interest income | 350 | 280 | 1,372 | 1,133 |
| Interest expense | (55) | (55) | (224) | (261) |
| Total net interest income | 295 | 225 | 1,148 | 872 |
| Total net revenues | 603 | 599 | 2,714 | 2,218 |
| Non-interest expenses: | | | | |
| Execution, clearing and distribution fees | 53 | 66 | 236 | 293 |
| Employee compensation and benefits | 108 | 86 | 399 | 325 |
| Occupancy, depreciation and amortization | 22 | 18 | 80 | 69 |
| Communications | 9 | 7 | 33 | 26 |
| General and administrative | 38 | 30 | 176 | 236 |
| Customer bad debt | - | - | 3 | 13 |
| Total non-interest expenses | 230 | 207 | 927 | 962 |
| Income before income taxes | 373 | 392 | 1,787 | 1,256 |
| Income tax expense | 35 | 12 | 151 | 77 |
| Net income | 338 | 380 | 1,636 | 1,179 |
| Net income attributable to noncontrolling interests | 271 | 309 | 1,328 | 984 |
| Net income available for common stockholders | \$ 67 | \$ 71 | \$ 308 | \$ 195 |
| Earnings per share: | | | | |
| Basic | \$ 0.68 | \$ 0.82 | \$ 3.27 | \$ 2.44 |
| Diluted | \$ 0.67 | \$ 0.81 | \$ 3.24 | \$ 2.42 |
| Weighted average common shares outstanding: | | | | |
| Basic | 98,181,875 | 87,076,038 | 94,167,572 | 79,939,289 |
| Diluted | 98,980,339 | 87,772,443 | 95,009,880 | 80,638,908 |

INTERACTIVE BROKERS GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

| | Three Months | | Twelve Months | |
|--|--------------------|----------------|--------------------|-----------------|
| | Ended December 31, | | Ended December 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| (in millions, except share and per share data) | | | | |
| Comprehensive income: | | | | |
| Net income available for common stockholders | \$ 67 | \$ 71 | \$ 308 | \$ 195 |
| Other comprehensive income: | | | | |
| Cumulative translation adjustment, before income taxes | (1) | 26 | (22) | 26 |
| Income taxes related to items of other comprehensive income | - | - | - | - |
| Other comprehensive income (loss), net of tax | (1) | 26 | (22) | 26 |
| Comprehensive income available for common stockholders | <u>\$ 66</u> | <u>\$ 97</u> | <u>\$ 286</u> | <u>\$ 221</u> |
| Comprehensive earnings per share: | | | | |
| Basic | <u>\$ 0.67</u> | <u>\$ 1.05</u> | <u>\$ 3.04</u> | <u>\$ 2.77</u> |
| Diluted | <u>\$ 0.67</u> | <u>\$ 1.05</u> | <u>\$ 3.01</u> | <u>\$ 2.74</u> |
| Weighted average common shares outstanding: | | | | |
| Basic | 98,181,875 | 87,076,038 | 94,167,572 | 79,939,289 |
| Diluted | 98,980,339 | 87,772,443 | 95,009,880 | 80,638,908 |
| Comprehensive income attributable to noncontrolling interests: | | | | |
| Net income attributable to noncontrolling interests | \$ 271 | \$ 309 | \$ 1,328 | \$ 984 |
| Other comprehensive income - cumulative translation adjustment | (1) | 74 | (75) | 98 |
| Comprehensive income attributable to noncontrolling interests | <u>\$ 270</u> | <u>\$ 383</u> | <u>\$ 1,253</u> | <u>\$ 1,082</u> |

INTERACTIVE BROKERS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(UNAUDITED)

| | December 31, 2021 | December 31, 2020 |
|---|----------------------|----------------------|
| (in millions) | | |
| Assets | | |
| Cash and cash equivalents | \$ 2,449 | \$ 4,292 |
| Cash - segregated for regulatory purposes | 22,888 | 15,903 |
| Securities - segregated for regulatory purposes | 15,121 | 27,821 |
| Securities borrowed | 3,912 | 4,956 |
| Securities purchased under agreements to resell | 4,380 | 792 |
| Financial instruments owned, at fair value | 673 | 630 |
| Receivables from customers, net of allowance for credit losses | 54,935 | 39,333 |
| Receivables from brokers, dealers and clearing organizations | 3,719 | 1,254 |
| Other assets | 872 | 698 |
| Total assets | \$ 108,949 | \$ 95,679 |
| Liabilities and equity | | |
| Liabilities | | |
| Short-term borrowings | \$ 27 | \$ 118 |
| Securities loaned | 11,769 | 9,838 |
| Financial instruments sold but not yet purchased, at fair value | 182 | 153 |
| Other payables: | | |
| Customers | 85,634 | 75,882 |
| Brokers, dealers and clearing organizations | 559 | 182 |
| Other payables | 556 | 503 |
| | <u>86,749</u> | <u>76,567</u> |
| Total liabilities | <u>98,727</u> | <u>86,676</u> |
| Equity | | |
| Stockholders' equity | 2,395 | 1,951 |
| Noncontrolling interests | 7,827 | 7,052 |
| Total equity | <u>10,222</u> | <u>9,003</u> |
| Total liabilities and equity | \$ 108,949 | \$ 95,679 |

| Ownership of IBG LLC Membership Interests | December 31, 2021 | | December 31, 2020 | |
|---|--------------------|---------------|--------------------|---------------|
| | <u>Interests</u> | <u>%</u> | <u>Interests</u> | <u>%</u> |
| IBG, Inc. | 98,230,127 | 23.5% | 90,780,444 | 21.8% |
| Noncontrolling interests (IBG Holdings LLC) | 319,880,492 | 76.5% | 325,960,034 | 78.2% |
| Total IBG LLC membership interests | <u>418,110,619</u> | <u>100.0%</u> | <u>416,740,478</u> | <u>100.0%</u> |

INTERACTIVE BROKERS GROUP, INC. AND SUBSIDIARIES
OPERATING DATA

TRADE VOLUMES:

(in 000's, except %)

| Period | Cleared | | Non-Cleared | | Principal | % | Total | % | Avg. Trades per U.S. Trading Day |
|--------|----------|--------|-------------|--------|-----------|------|---------|------|--|
| | Customer | Trades | Customer | Trades | | | | | |
| 2019 | 302,289 | | 26,346 | | 17,136 | | 345,771 | | 1,380 |
| 2020 | 620,405 | 105% | 56,834 | 116% | 27,039 | 58% | 704,278 | 104% | 2,795 |
| 2021 | 871,319 | 40% | 78,276 | 38% | 32,621 | 21% | 982,216 | 39% | 3,905 |
| 4Q2020 | 178,614 | | 17,008 | | 7,455 | | 203,077 | | 3,223 |
| 4Q2021 | 207,457 | 16% | 19,961 | 17% | 8,001 | 7% | 235,419 | 16% | 3,707 |
| 3Q2021 | 193,218 | | 18,106 | | 8,228 | | 219,552 | | 3,431 |
| 4Q2021 | 207,457 | 7% | 19,961 | 10% | 8,001 | (3%) | 235,419 | 7% | 3,707 |

CONTRACT AND SHARE VOLUMES:

(in 000's, except %)

| TOTAL Period | Options | | Futures ¹ | | Stocks | |
|-----------------------------|------------------------|-------------|-------------------------------------|-------------|--------------------|-------------|
| | (contracts) | Change | (contracts) | Change | (shares) | Change |
| 2019 | 390,739 | | 128,770 | | 176,752,967 | |
| 2020 | 624,035 | 60% | 167,078 | 30% | 338,513,068 | 92% |
| 2021 | 887,849 | 42% | 154,866 | (7%) | 771,273,709 | 128% |
| 4Q2020 | 170,191 | | 35,295 | | 121,062,599 | |
| 4Q2021 | 244,349 | 44% | 41,997 | 19% | 117,410,095 | (3%) |
| 3Q2021 | 214,988 | | 36,940 | | 172,828,874 | |
| 4Q2021 | 244,349 | 14% | 41,997 | 14% | 117,410,095 | (32%) |
| ALL CUSTOMERS Period | Options (contracts) | % Change | Futures ¹ (contracts) | % Change | Stocks (shares) | % Change |
| 2019 | 349,287 | | 126,363 | | 167,826,490 | |
| 2020 | 584,195 | 67% | 164,555 | 30% | 331,263,604 | 97% |
| 2021 | 852,169 | 46% | 152,787 | (7%) | 766,211,726 | 131% |
| 4Q2020 | 160,953 | | 34,851 | | 119,654,910 | |
| 4Q2021 | 235,400 | 46% | 41,318 | 19% | 116,546,652 | (3%) |
| 3Q2021 | 205,797 | | 36,473 | | 172,082,316 | |
| 4Q2021 | 235,400 | 14% | 41,318 | 13% | 116,546,652 | (32%) |
| CLEARED CUSTOMERS Period | Options (contracts) | % Change | Futures ¹ (contracts) | % Change | Stocks (shares) | % Change |
| 2019 | 302,068 | | 125,225 | | 163,030,500 | |
| 2020 | 518,965 | 72% | 163,101 | 30% | 320,376,365 | 97% |
| 2021 | 773,284 | 49% | 151,715 | (7%) | 752,720,070 | 135% |
| 4Q2020 | 144,378 | | 34,459 | | 116,538,527 | |
| 4Q2021 | 213,143 | 48% | 41,096 | 19% | 113,441,967 | (3%) |
| 3Q2021 | 186,656 | | 36,245 | | 169,002,045 | |
| 4Q2021 | 213,143 | 14% | 41,096 | 13% | 113,441,967 | (33%) |

¹ Includes options on futures

INTERACTIVE BROKERS GROUP, INC. AND SUBSIDIARIES
OPERATING DATA, CONTINUED

| PRINCIPAL TRANSACTIONS | Options | % | Futures¹ | % | Stocks | % |
|-------------------------------|--------------------|---------------|----------------------------|---------------|-----------------|---------------|
| Period | (contracts) | Change | (contracts) | Change | (shares) | Change |
| 2019 | 41,452 | | 2,407 | | 8,926,477 | |
| 2020 | 39,840 | (4%) | 2,523 | 5% | 7,249,464 | (19%) |
| 2021 | 35,680 | (10%) | 2,079 | (18%) | 5,061,983 | (30%) |
| 4Q2020 | 9,238 | | 444 | | 1,407,689 | |
| 4Q2021 | 8,949 | (3%) | 679 | 53% | 863,443 | (39%) |
| 3Q2021 | 9,191 | | 467 | | 746,558 | |
| 4Q2021 | 8,949 | (3%) | 679 | 45% | 863,443 | 16% |

¹ Includes options on futures

CUSTOMER STATISTICS

| Year over Year | | 4Q2021 | 4Q2020 | % Change |
|--|----|---------------|---------------|-----------------|
| Total Accounts (in thousands) | | 1,676 | 1,073 | 56% |
| Customer Equity (in billions) ¹ | \$ | 373.8 | \$ 288.6 | 30% |
| Cleared DARTs (in thousands) | | 2,162 | 1,871 | 16% |
| Total Customer DARTs (in thousands) | | 2,436 | 2,109 | 16% |

Cleared Customers

| | | | | |
|--|----|------|---------|-------|
| Commission per Cleared Commissionable Order ² | \$ | 2.38 | \$ 2.46 | (3%) |
| Cleared Avg. DARTs per Account (Annualized) | | 339 | 459 | (26%) |

| Consecutive Quarters | | 4Q2021 | 3Q2021 | % Change |
|--|----|---------------|---------------|-----------------|
| Total Accounts (in thousands) | | 1,676 | 1,536 | 9% |
| Customer Equity (in billions) ¹ | \$ | 373.8 | \$ 353.8 | 6% |
| Cleared DARTs (in thousands) | | 2,162 | 2,017 | 7% |
| Total Customer DARTs (in thousands) | | 2,436 | 2,263 | 8% |

Cleared Customers

| | | | | |
|--|----|------|---------|------|
| Commission per Cleared Commissionable Order ² | \$ | 2.38 | \$ 2.46 | (3%) |
| Cleared Avg. DARTs per Account (Annualized) | | 339 | 343 | (1%) |

⁽¹⁾ Excludes non-Customers.

⁽²⁾ Commissionable Order - a customer order that generates commissions.

INTERACTIVE BROKERS GROUP, INC. AND SUBSIDIARIES
NET INTEREST MARGIN
(UNAUDITED)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|------------------------------------|------------------|-------------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| (in millions) | | | | |
| Average interest-earning assets | | | | |
| Segregated cash and securities | \$ 37,674 | \$ 43,128 | \$ 40,328 | \$ 41,898 |
| Customer margin loans | 51,889 | 32,775 | 45,681 | 28,960 |
| Securities borrowed | 3,200 | 3,808 | 3,677 | 4,235 |
| Other interest-earning assets | 7,861 | 5,799 | 7,029 | 5,593 |
| FDIC sweeps ¹ | 2,377 | 2,919 | 2,663 | 2,882 |
| | <u>\$ 103,001</u> | <u>\$ 88,429</u> | <u>\$ 99,376</u> | <u>\$ 83,568</u> |
| Average interest-bearing liabilities | | | | |
| Customer credit balances | \$ 83,001 | \$ 71,190 | \$ 79,297 | \$ 67,540 |
| Securities loaned | 10,810 | 6,499 | 10,871 | 5,702 |
| Other interest-bearing liabilities | 1 | 17 | 109 | 215 |
| | <u>\$ 93,812</u> | <u>\$ 77,706</u> | <u>\$ 90,277</u> | <u>\$ 73,457</u> |
| Net interest income | | | | |
| Segregated cash and securities, net | \$ (5) | \$ 7 | \$ (9) | \$ 166 |
| Customer margin loans ² | 149 | 93 | 535 | 380 |
| Securities borrowed and loaned, net | 134 | 115 | 568 | 343 |
| Customer credit balances, net ² | 8 | 9 | 33 | (46) |
| Other net interest income ^{1/3} | 11 | 8 | 36 | 55 |
| Net interest income ³ | <u>\$ 297</u> | <u>\$ 232</u> | <u>\$ 1,163</u> | <u>\$ 898</u> |
| Net interest margin ("NIM") | <u>1.14%</u> | <u>1.04%</u> | <u>1.17%</u> | <u>1.07%</u> |
| Annualized yields | | | | |
| Segregated cash and securities | -0.05% | 0.06% | -0.02% | 0.40% |
| Customer margin loans | 1.14% | 1.13% | 1.17% | 1.31% |
| Customer credit balances | -0.04% | -0.05% | -0.04% | 0.07% |

¹ Represents the average amount of customer cash swept into FDIC-insured banks as part of our Insured Bank Deposit Sweep Program. This item is not recorded in the Company's consolidated statements of financial condition. Income derived from program deposits is reported in other net interest income in the table above.

² Interest income and interest expense on customer margin loans and customer credit balances, respectively, are calculated on daily cash balances within each customer's account on a net basis, which may result in an offset of balances across multiple account segments (e.g., between securities and commodities segments).

³ Includes income from financial instruments that has the same characteristics as interest, but is reported in other fees and services and other income in the Company's consolidated statements of comprehensive income. For the three and twelve months ended December 31, 2021 and 2020, \$1 million, \$7 million, \$15 million, and \$21 million were reported in other fees and services, respectively. For the three and twelve months ended December 31, 2021 and 2020, \$1 million, \$0 million, \$0 million, and \$5 million were reported in other income, respectively.

INTERACTIVE BROKERS GROUP, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|--|------------------------------------|---------------|-------------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | (in millions) | | | |
| Adjusted net revenues¹ | | | | |
| Net revenues - GAAP | \$ 603 | \$ 599 | \$ 2,714 | \$ 2,218 |
| Non-GAAP adjustments | | | | |
| Currency diversification strategy, net | 23 | 13 | 37 | 19 |
| Mark-to-market on investments ² | 57 | (33) | 30 | (36) |
| Remeasurement of TRA liability ³ | - | 3 | (1) | 3 |
| Total non-GAAP adjustments | 80 | (17) | 66 | (14) |
| Adjusted net revenues | <u>\$ 683</u> | <u>\$ 582</u> | <u>\$ 2,780</u> | <u>\$ 2,204</u> |
| Adjusted income before income taxes¹ | | | | |
| Income before income taxes - GAAP | \$ 373 | \$ 392 | \$ 1,787 | \$ 1,256 |
| Non-GAAP adjustments | | | | |
| Currency diversification strategy, net | 23 | 13 | 37 | 19 |
| Mark-to-market on investments ² | 57 | (33) | 30 | (36) |
| Remeasurement of TRA liability ³ | - | 3 | (1) | 3 |
| Customer compensation expense ⁴ | - | - | - | 103 |
| Bad debt expense ⁵ | - | - | - | 1 |
| Total non-GAAP adjustments | 80 | (17) | 66 | 90 |
| Adjusted income before income taxes | <u>\$ 453</u> | <u>\$ 375</u> | <u>\$ 1,853</u> | <u>\$ 1,346</u> |
| Adjusted pre-tax profit margin | 66% | 64% | 67% | 61% |

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|--|------------------------------------|--------------|-------------------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | (in millions) | | | |
| Adjusted net income available for common stockholders¹ | | | | |
| Net income available for common stockholders - GAAP | \$ 67 | \$ 71 | \$ 308 | \$ 195 |
| Non-GAAP adjustments | | | | |
| Currency diversification strategy, net | 6 | 3 | 8 | 4 |
| Mark-to-market on investments ² | 13 | (7) | 7 | (7) |
| Remeasurement of TRA liability ³ | - | 3 | (1) | 3 |
| Customer compensation expense ⁴ | - | - | - | 20 |
| Bad debt expense ⁵ | - | - | - | 0 |
| Income tax effect of above adjustments ⁶ | (4) | 1 | (3) | (3) |
| Remeasurement of deferred income taxes ⁷ | - | (11) | 1 | (11) |
| Total non-GAAP adjustments | 15 | (11) | 12 | 6 |
| Adjusted net income available for common stockholders | <u>\$ 82</u> | <u>\$ 60</u> | <u>\$ 320</u> | <u>\$ 201</u> |

Note: Amounts may not add due to rounding.

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|------------------------------------|----------------|-------------------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | (in dollars) | | | |
| Adjusted diluted EPS¹ | | | | |
| Diluted EPS - GAAP | \$ 0.67 | \$ 0.81 | \$ 3.24 | \$ 2.42 |
| Non-GAAP adjustments | | | | |
| Currency diversification strategy, net | 0.06 | 0.03 | 0.09 | 0.05 |
| Mark-to-market on investments ² | 0.13 | (0.08) | 0.07 | (0.08) |
| Remeasurement of TRA liability ³ | 0.00 | 0.04 | (0.01) | 0.04 |
| Customer compensation expense ⁴ | 0.00 | 0.00 | 0.00 | 0.24 |
| Bad debt expense ⁵ | 0.00 | 0.00 | 0.00 | 0.00 |
| Income tax effect of above adjustments ⁶ | (0.04) | 0.01 | (0.03) | (0.04) |
| Remeasurement of deferred income taxes ⁷ | 0.00 | (0.12) | 0.01 | (0.14) |
| Total non-GAAP adjustments | 0.15 | (0.12) | 0.13 | 0.08 |
| Adjusted diluted EPS | <u>\$ 0.83</u> | <u>\$ 0.69</u> | <u>\$ 3.37</u> | <u>\$ 2.49</u> |
| Diluted weighted average common shares outstanding | 98,980,339 | 87,772,443 | 95,009,880 | 80,638,908 |

Note: Amounts may not add due to rounding.

Note: The term “GAAP” in the following explanation refers to generally accepted accounting principles in the United States.

¹ Adjusted net revenues, adjusted income before income taxes, adjusted net income available for common stockholders and adjusted diluted earnings per share (“EPS”) are non-GAAP financial measures as defined by SEC Regulation G.

- We define adjusted net revenues as net revenues adjusted to remove the effect of our currency diversification strategy, our net mark-to-market gains (losses) on investments², and the remeasurement of our Tax Receivable Agreement (“TRA”) liability³.
- We define adjusted income before income taxes as income before income taxes adjusted to remove the effect of our currency diversification strategy, our net mark-to-market gains (losses) on investments, the remeasurement of our TRA liability, customer compensation expenses⁴, and unusual bad debt expense⁵.
- We define adjusted net income available to common stockholders as net income available for common stockholders adjusted to remove the after-tax effects attributable to IBG, Inc. of our currency diversification strategy, our mark-to-market gains (losses) on investments, the remeasurement of our TRA liability, customer compensation expenses, unusual bad debt expense, and the remeasurement of certain deferred tax assets⁷.

Management believes these non-GAAP items are important measures of our financial performance because they exclude certain items that may not be indicative of our core operating results and business outlook and may be useful to investors and analysts in evaluating the operating performance of the business and facilitating a meaningful comparison of our results in the current period to those in prior and future periods. Our currency diversification strategy, our mark-to-market on investments, the remeasurement of our TRA liability, customer compensation expenses, unusual bad debt expense, and the remeasurement of certain deferred tax assets are excluded because management does not believe they are indicative of our underlying core business performance. Adjusted net revenues, adjusted income before income taxes, adjusted net income available to common stockholders and adjusted diluted EPS should be considered in addition to, rather than as a substitute for, GAAP net revenues, income before income taxes, net income attributable to common stockholders and diluted EPS.

² Mark-to-market on investments represents the net mark-to-market gains (losses) on our U.S. government securities portfolio, which are typically held to maturity, investments in equity securities that do not qualify for equity method accounting which are measured at fair value, and certain other investments, including equity securities taken over by the Company from customers related to losses on margin loans.

³ Remeasurement of our TRA liability represents the change in the amount payable to IBG Holdings LLC under the TRA, primarily due to changes in the Company’s effective tax rates. For further information refer to Note 4 – Equity and Earnings per Share under Part II, Item 8 – Financial Statements and Supplementary Data of the Company’s Annual Report on Form 10 K filed with the Securities Exchange Commission (“SEC”) on February 26, 2021.

⁴ Customer compensation expenses were incurred to compensate certain affected customers in connection with their losses on West Texas Intermediate Crude Oil contracts on April 20, 2020, as previously disclosed.

⁵ Unusual bad debt expense includes material losses on margin loans resulting from unusual events that occur in the marketplace. For the twelve months ended December 31, 2020, unusual bad debt expense reflects losses incurred by customers in excess of the equity in their accounts, related to the West Texas Intermediate Crude Oil event, as previously disclosed.

⁶The income tax effect is estimated using the corporate income tax rates applicable to the Company.

⁷Remeasurement of certain deferred tax assets represents the change in the unamortized balance of deferred tax assets related to the step-up in basis arising from the acquisition of interests in IBG LLC, primarily due to changes in the Company's effective tax rates. For further information refer to Note 4 – Equity and Earnings per Share under Part II, Item 8 – Financial Statements and Supplementary Data of the Company's Annual Report on Form 10 K filed with the Securities Exchange Commission ("SEC") on February 26, 2021.