FINANCIAL STATEMENTS

ICE Clear Europe Limited
Years Ended December 31, 2016 and 2015
With Report of Independent Registered Public Accounting Firm

ICE Clear Europe Limited

Financial Statements

Years Ended December 31, 2016 and 2015

Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of ICE Clear Europe Limited

We have audited the accompanying balance sheets of ICE Clear Europe Limited as of December 31, 2016 and 2015, and the related statements of comprehensive income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our December 31, 2016 audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. We conducted our December 31, 2015 audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ICE Clear Europe Limited at December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

London

24 February 2017

Balance Sheets

(Dollars, In Thousands, except share data)

		December 31, 2016		December 31, 2015
Assets				
Current assets:				
Cash and cash equivalents	$	71,047	$	93,870
Short-term restricted cash and investments		352,440		273,305
Customer accounts receivable		102,847		106,395
Due from affiliates		4,379		3,372
Margin deposits and guaranty funds		29,490,210		31,043,309
Prepaid expenses and other current assets		1,201		4,237
Total current assets		30,022,124		31,524,488
Property and equipment, net		332		158
Noncurrent assets:				
Long-term restricted cash and investments		150,000		150,000
Deferred tax asset		1,509		1,029
Other noncurrent assets		3,201		–
Total noncurrent assets		154,710		151,029
Total assets	$	30,177,166	$	31,675,675
Liabilities and shareholder equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	21,936	$	33,659
Accrued salaries and benefits		3,657		4,255
Deferred revenue		2,231		2,747
Income tax payable		60,311		46,646
Due to affiliates		33,083		36,142
Margin deposits and guaranty funds		29,490,210		31,043,309
Total current liabilities		29,611,428		31,166,758
Noncurrent liabilities:				
Total noncurrent liabilities		–		–
Total liabilities		29,611,428		31,166,758
Shareholder's equity:				
Share capital, $1 nominal value; 160,000,100 and 160,000,100 shares alloted at December 31, 2016 and 2015 respectively		160,000		160,000
Additional paid-in capital		(1,699)		(223)
Retained earnings		407,437		349,140
Total shareholder's equity		565,738		508,917
Total liabilities and shareholder's equity	$	30,177,166	$	31,675,675

ICE Clear Europe Limited

Statements of Comprehensive Income
(Dollars, In Thousands)

	Year ended December 31, 2016	Year ended December 31, 2015
Revenues		
Transaction and clearing fees, net	$ 969,890	$ 817,747
Affiliate revenues	361	328
Other revenues	24,285	19,963
Total revenues	994,536	838,038
Operating expenses		
Compensation and benefits	22,065	22,439
Professional services	13,250	14,048
Selling, general and administrative	17,320	17,878
Service and licence fees to affiliates	194,703	180,969
Depreciation and amortisation	158	173
Total operating expenses	247,496	235,507
Operating income	747,040	602,531
Other income/(expense):		
Interest income	1,208	149
Interest expense	(2,180)	(1,792)
Total other expense, net	(972)	(1,643)
Income before income taxes	746,068	600,888
Income tax expense	139,771	107,367
Net income	$ 606,297	$ 493,521
Other comprehensive income	$ –	$ –
Total Comprehensive Income	$ 606,297	$ 493,521

ICE Clear Europe Limited

Statements of Changes in Shareholder's Equity

(Dollars, In Thousands)

	Share Capital	Additional paid-in capital	Retained Earnings	Total Shareholder Equity
Balance at 1 January, 2015	138,000	(365)	320,619	$ 458,254
Dividends paid	–	–	(465,000)	(465,000)
Stock-based compensation	–	142	–	142
Net income	–	–	493,521	493,521
Issue of share capital	22,000	–	–	22,000
Balance at December 31, 2015	$ 160,000	$ (223)	$ 349,140	$ 508,917
Dividends paid	–	–	(548,000)	(548,000)
Stock-based compensation	–	(1,476)	–	(1,476)
Net income	–	–	606,297	606,297
Issue of share capital	–	–	–	–
Balance at December 31, 2016	$ 160,000	$ (1,699)	$ 407,437	$ 565,738

ICE Clear Europe Limited

Statements of Cash Flows
(Dollars, In Thousands)

	Year ended December 31, 2016	Year ended December 31, 2015
Operating activities		
Net income	$ 606,297	$ 493,521
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	158	173
Deferred taxes	(480)	(699)
Stock-based compensation	5,485	5,438
Decrease/(increase) in operating assets:		
Customer accounts receivable	3,548	(9,717)
Prepaid expenses and other assets	(165)	2,106
Restricted cash and short-term investments	(79,135)	(186,646)
Income tax payable	13,665	2,869
Due to affiliates, net	(7,860)	(3,878)
Accounts payable and accrued liabilities	(11,723)	9,214
Other current liabilities	(1,114)	1
Other noncurrent assets	(3,201)	–
Total adjustments	(80,822)	(181,139)
Net cash provided by operating activities	525,475	312,382
Investing activities		
Capital expenditures	(298)	(16)
Net cash used in investing activities	(298)	(16)
Financing activities		
Dividend paid	(548,000)	(465,000)
Net cash used in financing activities	(548,000)	(465,000)
Net decrease in cash and cash equivalents	(22,823)	(152,634)
Cash and cash equivalents at beginning of year	93,870	246,504
Cash and cash equivalents at end of year	$ 71,047	$ 93,870
Supplemental cash flow disclosure		
Cash paid for income taxes	$ 120,552	$ 102,498
Interest paid	$ 34	$ 331
Exchange rate change on cash balances held in foreign currencies	$ (1,016)	$ (6,517)

See accompanying notes.

1. Formation, Organisation and Description of Business

Incorporated in 2007, ICE Clear Europe Limited ('the Company') is a Recognised Clearing House in the UK and is regulated by the Bank of England. It is also registered with and regulated by the Commodity Futures Trading Commission, or CFTC, as a U.S. Derivatives Clearing Organisation, or DCO, and with the Securities and Exchange Commission as a Securities Clearing Agency in the United States because the Company clears security-based swaps (OTC CDS, see below). In September 2016, the Bank of England authorised the Company as a central counterparty clearing house, or CCP, in accordance with European Market Infrastructure Regulation ('EMIR').

The Company is a wholly-owned subsidiary of IntercontinentalExchange Holdings, whose ultimate parent and controlling entity is Intercontinental Exchange, Inc., ('ICE'), a corporation registered in Delaware, United States.

As a clearing house, the Company acts as a central counterparty that becomes the buyer to every seller and the seller to every buyer. Through this central counterparty function the Company provides financial security for each transaction for the duration of the position by limiting counterparty credit risk. The Company clears ICE Futures Europe and ICE Endex futures and options contracts for interest rates, equity indices, energy and agriculture products, as well as ICE Futures U.S. futures and options contracts for energy and OTC European credit default swaps ('OTC CDS') instruments.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented in accordance with U.S. generally accepted accounting principles, or U.S. GAAP.

2. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation Adjustments and Foreign Currency Transaction Gains and Losses

Monetary assets and liabilities denominated in foreign currencies are re-measured into U.S. dollars at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are re-measured into U.S. dollars at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the statements of comprehensive income within selling, general and administrative expenses. Net exchange losses amounted to $1.0 million for the year ended December 31, 2016 and $6.5 million for the year ended December 31, 2015. Forward contracts on foreign currencies are entered into from time to time by the Company to manage the foreign currency exchange rate risk.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of expenses during the reporting period. Actual amounts could differ from those estimates.

Cash and Cash Equivalents

The Company considers all short-term, highly liquid investments with original maturities at the purchase date of three months or less to be cash equivalents.

Restricted Cash and Investments

The Company classifies all cash, cash equivalents, and investments that are not available for general use by the Company, either due to regulatory requirements or through restrictions in specific agreements, as restricted in the accompanying balance sheets (Note 3).

Customer Accounts Receivable

Customer accounts receivable primarily consists of clearing fees earned by the Company. Management performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. The Company historically has not experienced material credit losses.

2. Summary of Significant Accounting Policies (continued)

Margin Deposits and Guaranty Funds

Original margin, variation margin and guaranty funds held for clearing members may be in the form of cash, government obligations, non-government obligations or gold. Cash original margin, variation margin and guaranty fund deposits are reflected in the accompanying balance sheets as current assets and current liabilities. The amount of margin deposits on hand will fluctuate over time as a result of, among other things, the extent of open positions held at any point in time by market participants in contracts and the margin rates then in effect for such contracts. Non-cash original margin and guaranty fund deposits are not reflected in the accompanying balance sheets as the risks and rewards of these assets remain with the clearing members unless the Company has sold or re-pledged the assets or in the event of a clearing member default, where the clearing member is no longer entitled to redeem the assets. Any income, gain or loss accrues to the clearing members.

Property and Equipment

Property and equipment is recorded at cost, reduced by accumulated depreciation (Note 5). Depreciation expense related to property and equipment is computed using the straight-line method based on estimated useful lives of the assets. The Company reviews the remaining estimated useful lives of its property and equipment at each balance sheet date and will make adjustments to the estimated remaining useful lives whenever events or changes in circumstances indicate that the remaining useful lives have changed.

Software Development Costs

The Company capitalises costs, both internal and external direct and incremental costs, related to software developed or obtained for internal use in accordance with U.S. GAAP. Software development costs incurred during the preliminary or maintenance project stages are expensed as incurred, while costs incurred during the application development stage are capitalised and are amortised using the straight-line method over the useful life of the software, not to exceed three years. Amortisation of these capitalised costs begins only when the software becomes ready for its intended use. General and administrative costs related to developing or obtaining such software are expensed as incurred.

2. Summary of Significant Accounting Policies (continued)

Derivatives

The Company may use derivative instruments to limit exposure to changes in foreign currency exchange rates. All derivatives are required to be recorded at fair value in the accompanying balance sheets. Changes in the fair value of such derivative financial instruments are recognised in Selling, general and administrative in the accompanying statements of comprehensive income as they are not designated as hedges under U.S. GAAP. For the years ended December 31, 2016 and 2015, the Company recognised $2.3 million and $65,000, respectively, for fair value gains in derivatives.

Income Taxes

The Company recognises income taxes under the liability method. The Company recognises a current tax liability or tax asset for the estimated taxes payable or refundable on tax returns for the current year. The Company recognises deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of its assets and liabilities. The Company establishes valuation allowances if it is believed that it is more likely than not that some or all the Company's deferred tax assets will not be realised. Deferred tax assets and liabilities are measured using current enacted tax rates in effect. The Company does not recognise a tax benefit unless it concludes that it is more likely than not that the benefit will be sustained on audit by the taxing authority based solely on the technical merits of the assessment of the associated tax position. If the recognition threshold is met, the Company recognises a tax benefit measured at the largest amount of the tax benefit that, in its judgment, is greater than 50 percent likely to be realised. The Company recognises accrued interest and penalties related to uncertain tax positions as a component of income tax expense.

Revenue Recognition

Revenue is recognised when persuasive evidence of an arrangement exists, delivery has occurred, the sale price is fixed or determinable and collectability is reasonably assured. The Company's revenues primarily consist of the provision of services to clearing members, including interest received and paid on initial margin and guaranty funds. The Company's revenues are primarily recognised as services are provided, which is typically the date the transactions are cleared, or deferred where the Company has an ongoing clearing obligation beyond the date of each clearing cycle. Deferred revenue consists of clearing revenue for executed trades cleared through the clearing house for which the performance obligation is not yet completed.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Transaction and clearing fees are recorded net of rebates, revenue shares and other incentives of $319 million for the year ended December 31, 2016 and $412 million for the year ended December 31, 2015. Revenue is also stated exclusive of value added tax.

Affiliate Revenues and Expenses

Affiliate revenues are recognised when the related services are provided to the Company's affiliates. Affiliate expenses are recognised at the time the services are provided to the Company by its affiliates (Note 6).

Stock-based Compensation

ICE currently sponsors employee and director stock option and restricted stock plans in which employees of the Company participate (Note 12). U.S. GAAP requires the measurement and recognition of compensation expenses for all share-based payment awards made to employees and directors, including employee stock options and restricted stock, based on estimated fair values. U.S. GAAP requires companies to estimate the fair value of stock option awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognised as stock-based compensation expense over the requisite service period in the Company's financial statements. The Company uses the Black-Scholes option pricing model for purposes of valuing stock option awards. The Company's determination of the fair value of stock option awards on the date of grant using the Black-Scholes option pricing model is affected by ICE's stock price as well as assumptions regarding a number of subjective variables. These variables include interest rates, expected dividend yield, expected share price volatility over the term of the awards and actual and projected employee stock option exercise behavior.

The Company has entered into recharge agreements with ICE in respect of the IntercontinentalExchange Inc. 2000 Stock Option Plan, 2005 Equity Incentive Plan, 2009 Omnibus Incentive Plan and the 2013 Omnibus Incentive Plan. Under the terms of the recharge agreements, the Company may be charged for the benefit of share-based compensation at the date of vesting/exercise, pro-rated over the period that the employees were in the service of the Company. Any amounts paid under these agreements have been recorded as additional paid-in capital.

2. Summary of Significant Accounting Policies (continued)

Stock-based Compensation (continued)

On November 3, 2016, a 5-for-1 split of ICE's common stock was effected in the form of a four share stock dividend per share of common stock to shareholders of record as of the close of market on October 27, 2016. The new shares began trading on a split-adjusted basis on November 4, 2016. All share information has been retroactively adjusted to reflect the stock split.

Credit Risk and Significant Customers

The Company has credit risk for maintaining certain of the clearing member cash deposits at various financial institutions. Cash deposit accounts are established at larger money center banks and structured to restrict the rights of offset or liens by the banks. The Company monitors the cash deposits and mitigates credit risk by keeping such deposits in several financial institutions, ensuring that its overall credit risk exposure to any individual financial institution remains within acceptable concentration limits, and by ensuring that the financial institutions have strong or high investment grade ratings. The Company also limits its risk of loss by holding the majority of the cash deposits in high quality short-term sovereign debt reverse repurchase agreements with several different counterparty banks or direct investments in short-term high quality sovereign and supranational debt issues. While the Company seeks to achieve a reasonable rate of return which may generate interest income for the clearing members, the Company is primarily concerned with preservation of capital and managing the risks associated with these deposits. As the Company may pass on interest revenues, minus costs, to the members, this could include negative or reduced yield due to market conditions.

When engaging in reverse repurchase agreements, the Company takes delivery of the underlying securities in custody accounts under the Company's control. Additionally, the securities purchased subject to reverse repurchase have a market value greater than the reverse repurchase amount. The typical haircut received for high quality sovereign debt is 2% of the reverse repurchase amount. Thus, in the event that a reverse repurchase counterparty defaults on its obligation to repurchase the underlying reverse repurchase securities, the Company will have possession of securities with a value potentially greater than the reverse repurchase counterparty's obligation to the company.

Revenue from one clearing member accounted for 13% of the Company's futures and options contracts revenue for the year ended December 31, 2016 and 11% of the Company's futures and option contracts revenue for the year ended December 31, 2015.

2. Summary of Significant Accounting Policies (continued)

Credit Risk and Significant Customers (continued)

The Company guarantees the settlement of all futures contracts, options on futures contracts and OTC CDS contracts. This guarantee is effective when the trade is accepted for clearing and remains in place until the contract is offset by another accepted trade, the contract expires, or is terminated. The Company limits its risk of loss by only allowing clearing access to companies that meet the financial and eligibility standards set forth in the rules of the clearing house and by terminating access to clear to entities with delinquent accounts. Further, clearing members are required to maintain what the Company considers appropriate levels of guaranty funds and margin deposits (Note 4 &7).

Fair Value of Financial Instruments

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognised or disclosed at fair value in the financial statements on a recurring basis. Fair value is the price that would be received from selling an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments consist primarily of cash and cash equivalents, short-term and long-term restricted cash and investments, customer accounts receivable, margin deposits and guaranty funds and certain other short-term assets and liabilities. The fair value of our financial instruments are measured based on a three-level hierarchy:

- Level 1 inputs — quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs — observable inputs other than Level 1 inputs such as quoted prices for similar assets and liabilities in active markets or inputs other than quoted prices that are directly observable.
- Level 3 inputs — unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company uses Level 1 inputs to determine fair value. The Level 1 assets consist of U.S. Treasury securities, equity and other securities listed in active markes. All other financial instruments are determined to approximate carrying value due to the short period of time to their maturities.

2. Summary of Significant Accounting Policies (continued)

Recently Adopted and New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), or ASU 606. ASU 606 provides guidance outlining a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. This guidance requires the Company to recognise revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The original effective date of the guidance would have required the Company to adopt at the beginning of the first quarter of fiscal 2017; however, the FASB approved an optional one-year deferral of the effective date. Additionally, the new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgments in measurement and recognition. The new guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognised as of the date of adoption. The Company is currently evaluating the overall impact this guidance will have on its financial statements, as well as the method of adoption. Based on a preliminary assessment, it is not expected to have a material effect on the Company's revenue recognition policies. The Company will continue its assessment, which may identify other impacts of the adoption of ASU 606.

In November 2015, the FASB issued Accounting Standards Update, Balance Sheet Classification of Deferred Taxes, or ASU 2015-17. ASU 2015-17 is part of the FASB's simplification initiative aimed at reducing complexity in accounting standards. This new standard requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as non-current on the balance sheet. ASU 2015-17 was required to be effective on a retrospective basis for annual reporting periods beginning after December 15, 2016, but early adoption is permitted. The Company elected to early adopt ASU 2015-17 on a retrospective basis for the annual period ended December 31, 2015 and the adoption did not have a material effect on the financial statements. See Note 10 for deferred taxes disclosure and related impact to the financial statements under this new guidance.

2. Summary of Significant Accounting Policies (continued)

Recently Adopted and New Accounting Pronouncements (continued)

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting, or ASU 2016-09. ASU 2016-09 provides updated guidance for the recognition, measurement, presentation, and disclosure of certain components of stock compensation. The guidance includes the recognition of all excess tax benefits/deficiencies in the statement of comprehensive income and classification as operating activities within the statement of cash flows, as well as the option to account for forfeitures based on awards expected to vest or as they occur. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company elected to early adopt ASU 2016-09 in 2016 on a prospective basis. As a result, for the year ended December 31, 2016, the Company recorded $7.1 million in excess tax benefits within the statements of comprehensive income. No other terms of the adopted guidance resulted in any significant impact on the financial statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, Statement of Cash Flows: Restricted Cash, or ASU 2016-18, that will require entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. This reconciliation can be presented either on the face of the statement of cash flows or in the notes to the financial statements. Entities will also have to disclose the nature of their restricted cash and restricted cash equivalent balances. ASU 2016-18 becomes effective for the Company in fiscal years beginning after December 15, 2017, with early adoption permitted. Any adjustments must be reflected as of the beginning of the fiscal year. The Company will be required to apply the guidance retrospectively when adopted, and provide the relevant disclosures in the first annual period in which they adopt the guidance. The Company has not yet determined if we will adopt ASU 2016-18 early, but does expect to be impacted by the new presentation and disclosure requirements required by ASU 2016-18 due to the Company's restricted and unrestricted cash balances.

3. Restricted Cash and Investments

Short-term restricted cash

As a UK Recognised Clearing House, the Company is required by the Bank of England to restrict the use of the equivalent of six months of operating expenditures, subject to certain deductions, in cash or cash equivalents or investments at all times. When EMIR became effective in September 2016, the Bank of England restricted cash capital requirements for the Company were superseded by the EMIR capital requirements. Restricted capital under EMIR is calculated to reflect an estimate of the capital required to wind down or restructure the activities of the clearing house, cover operational, legal and business risks and to reserve capital to meet credit, counterparty and market risks not covered by the members margin and guaranty funds. As of December 31, 2016 and 2015, the regulatory capital restricted cash for the Company was $352 million and $273 million, respectively, and is reflected as short-term restricted cash and investments in the accompanying balance sheets.

Even though the EMIR capital requirements did not become effective until September 2016, the regulatory capital restricted cash for the Company of $273 million as of December 31, 2015, is what the capital requirements would have been for EMIR as of that date. The increase in the regulatory capital restricted cash held by the Company as of December 31, 2016 was primarily due to additional costs incurred due to the growth of the Company's clearing businesses and the consequential additional regulatory capital buffers required by the Bank of England that we have classified as restricted cash. The Company, in addition to being regulated by the Bank of England, is also regulated by the Commodity Futures Trading Commission, or CFTC, as a U.S. Derivatives Clearing Organisation, or DCO. The regulatory capital available to ICE Clear Europe, as described above, exceeds the CFTC requirements.

Long-term restricted cash

The Company requires that each clearing member make deposits to funds known as the guaranty funds. The amounts in the guaranty fund will serve to secure the obligations of a clearing member to the Company and may be used to cover losses in excess of the margin and clearing firm accounts sustained by the Company in the event of a default of a clearing member. The Company has contributed $100 million and $50 million of its own cash as part of its futures and options guaranty fund and CDS guaranty fund respectively. See Note 7 for additional information on the guaranty funds.

4. Margin deposits and guaranty funds

Clearing members are required to deposit original margin and variation margin and to make deposits to guaranty funds. The cash deposits made to these margin accounts and to the guaranty funds are recorded in the balance sheet as current assets with corresponding current liabilities to the clearing members that deposited them.

Original margin, variation margin and guaranty funds held may be in the form of cash, government obligations, non-government obligations or gold. The amount of margin deposits on hand will fluctuate over time as a result of, among other things, the extent of open positions held at any point in time by market participants in contracts and the margin rates then in effect for such contracts. The amounts that the clearing members are required to maintain in the original margin and guaranty fund accounts are determined by standardised parameters established by the risk management departments and reviewed by the risk committee and the board of directors and may fluctuate over time.

Members are required to place original margin funds to cover their outstanding positions. The size of the margin is assessed on at least a daily basis. The margin can take the form of either cash or non-cash collateral or a combination of the two. The Company invests member cash margin and guaranty funds in accordance with specific criteria included in its investment policy.

The Company maintains two fully segregated guaranty funds, one for each of futures and options, and CDS contracts, in order to deal with a member default where margin funds are insufficient to cover all outstanding positions of that member. Each member is required to make a contribution to the relevant guaranty fund and this can take the form of either cash or non-cash collateral or a combination of the two, subject to minimum cash requirements and other restrictions set out in the Rules and Finance Procedures.

5. Property and Equipment

Property and equipment consisted of the following as of December 31, 2016 and December 31, 2015:

	December 31, 2016	Depreciation Period
	(In Thousands)	*(In Years)*
Software and internally developed software	$ 1,755	3
Computer and network equipment	130	3
	1,885	
Less accumulated depreciation	(1,553)	
Property and equipment, net	$ 332	

For the year ended December 31, 2016, accumulated depreciation of software and internally developed software was $1.4 million, and accumulated depreciation of all other property and equipment was $0.1 million.

	December 31, 2015	Depreciation Period
	(In Thousands)	*(In Years)*
Software and internally developed software	$ 1,563	3
Computer and network equipment	130	3
	1,693	
Less accumulated depreciation	(1,535)	
Property and equipment, net	$ 158	

For the year ended December 31, 2015, accumulated depreciation of software and internally developed software was $1.4 million, and accumulated depreciation of all other property and equipment was $0.1 million.

6. Related-Party Transactions

The Company has agreements with ICE and other affiliates which are wholly owned, or in the case of ICE Endex 79.12% owned, subsidiaries of ICE to support the operations of the Company. These subsidiaries of ICE may make payments to vendors on behalf of the Company and the Company may also make payments to vendors on behalf of these subsidiaries.

6. Related-Party Transactions (continued)

ICE and the other subsidiaries of ICE make various charges to the Company. These include, but are not limited to charges for clearing and settlement services, ancillary technology licences, trade repository fees and various management and other administrative service charges. During the years ended December 31, 2016 and 2015, the Company has recorded $195 million and $181 million, respectively, for these affiliate charges. These affiliates include, but are not limited to: Intercontinental Exchange Holdings, Inc., ICE Futures Europe and ICE Futures U.S., Inc.

At December 31, 2016 and 2015, the Company owed its affiliates $33 million and $36 million, respectively, in relation to these agreements and other intergroup transactions arising in the normal course of business. The Company settles these balances on a regular basis, which is normally monthly.

Transaction fees for contracts executed on the ICE group affiliate trading platforms of ICE Futures Europe, ICE Futures U.S., Inc. and ICE Endex are cleared and collected through the Company and remitted to these entities. The Company had payables of $28 million as of December 31, 2016 and $29 million as of December 31, 2015, for such fees for these entities, and these amounts are recorded as part of the total amounts due to affiliates in the accompanying balance sheets.

The Company paid dividends to its immediate parent company IntercontinentalExchange Holdings for the years ended December 31, 2016 and 2015 of $548 million and $465 million respectively. For details regarding the Company share-based award schemes see Notes 2 & 12.

The Company also makes certain payments, including incentives payments, to its affiliated exchanges and trading venues for contracts executed thereon and submitted for clearing by the Company. The payments totaled $247 million and $337 million for the years ended December 31, 2016 and December 31, 2015, respectively, and such expense is recorded net in transaction and clearing fee revenue in the accompanying statements of comprehensive income. The Company reduced the payments made to ICE Futures Europe from January 1, 2016.

7. Clearing House Operations

The Company performs the clearing and settlement for all futures and options contracts traded through ICE Futures Europe and ICE Endex, for energy futures and options contracts trading through ICE Futures U.S., and for CDS contracts submitted for clearing in Europe.

7. Clearing House Operations (continued)

The Company requires all clearing members to maintain cash on deposit or pledge certain assets, which may include government obligations, non-government obligations or gold to guarantee performance of the clearing members' open positions. Such amounts in total are known as "original margin". The Company may make intraday original margin calls in circumstances where market conditions require additional protection.

The Company marks-to-market its open cleared contracts and any profits or losses due from or to the Company forms what is known as "variation margin". The Company marks all outstanding cleared contracts to market, and therefore pays and collects variation margin, at least once daily, and in some cases multiple times throughout the day. Marking-to-market allows the Company to identify any clearing members that may be unable to satisfy the financial obligations resulting from changes in the prices of their open contracts before those financial obligations become exceptionally large and jeopardise the ability of the Company to ensure financial performance of clearing members' open positions.

The Company requires that each clearing member make deposits into funds known as the "guaranty funds", which are maintained by the Company. These amounts serve to secure the obligations of a clearing member to the Company and may be used to cover losses sustained by the Company in the event of a default of a clearing member in excess of the margin held from the defaulting clearing member.

The Company has equal and offsetting claims to and from its clearing members on opposite sides of each cleared contract. This arrangement allows the Company to serve as the central financial counterparty on every cleared contract. The Company bears financial counterparty credit risk in the event that market movements create conditions that lead to its clearing members failing to meet their financial obligations to the Company. Accordingly, the Company accounts for this central counterparty guarantee as a performance guarantee.

The Company performs calculations to determine the fair value of its counterparty performance guarantee taking into consideration factors such as daily settlement of contracts, margining requirements, other elements of the Company's risk management program, historical evidence of default payments, and estimated probability of potential default payouts. Based on this analysis, the estimated counterparty performance guaranty liability was determined to be nominal and no liability has been recorded.

7. Clearing House Operations (continued)

The Company seeks to reduce its exposure through a risk management program that includes initial and ongoing financial standards for clearing member admission and continued membership, original and variation margin requirements, and mandatory deposits to the guaranty fund. The amounts that the clearing members are required to maintain in the original margin and guaranty fund accounts are determined by standardised parameters established by the risk management departments and reviewed by the risk committees and the board of directors of the Company and may fluctuate over time.

The Company also has powers of assessment that provide the ability to collect additional funds from its clearing members to cover a defaulting member's remaining obligations up to the limits established under the respective rules the Company.

Should a particular clearing member fail to deposit original margin, or fail to make a variation margin payment, when and as required, the Company may liquidate or hedge the clearing member's open positions and use the clearing member's original margin and guaranty fund deposits to make up any amount owed. In the event that those deposits are not sufficient to pay the amount owed in full, the Company may utilise the respective guaranty fund deposits of the respective clearing members on a pro-rata basis for that purpose.

The Company has contributed $150 million (2015: $150 million) of its own cash to its guaranty fund and such amounts are at risk and could be used in the event of a clearing member default where the amount of the defaulting clearing member's original margin and guaranty fund deposits are insufficient. This is included in long-term restricted cash in the accompanying balance sheets (Note 3).

The Company has contributed $100 million to the futures and options guaranty fund. If a futures and options clearing member's deposits are depleted and a default occurs, then the Company's $100 million contribution would be utilised after the available funds of the defaulting clearing member but before all other amounts within the guaranty fund. The $100 million is solely available in the event of a futures and options clearing member default.

The Company has contributed $50 million to the CDS guaranty fund. Currently, the first $33 million contributed to the CDS guaranty fund will be utilised after the available funds of the defaulting CDS clearing member but before all other amounts within the guaranty fund. The additional $17 million contributed to the guaranty fund will be utilised pro-rata along with other non-defaulting CDS clearing members' deposits in the guaranty fund. Subject to regulatory approval, the Company plans to move the total $50 million contribution to the CDS guaranty funds to be utilised after the available funds of the defaulting clearing member but before all other amounts within the guaranty funds.

7. Clearing House Operations (continued)

At December 31, 2016, the total amount of cash margin deposits was $27.0 billion (2015: $28.5 billion) and guaranty funds was $2.4 billion (2015: $2.6 billion). The Company has recorded these cash deposits in the accompanying balance sheets as current assets with corresponding current liabilities to the clearing members. The amount of these cash deposits may fluctuate due to the types of margin collateral choices available to clearing members and the change in the amount of deposits required. As a result, these assets and corresponding liabilities may vary significantly over time.

Of the cash held at December 31, 2016, $16.7 billion (2015: $22.6 billion) is secured in reverse repurchase agreements with primarily overnight maturities and $12.8 billion (2015: $8.2 billion) represent funds invested directly in sovereign debt. The remaining cash deposits are held in demand deposit accounts at large, highly rated financial institutions and directly in U.S. Treasury securities with original maturities of less than 12 months. The carrying value of these securities approximates their fair value due to the short-term nature of the instruments and repurchase agreements.

Of the $29.5 billion (2015: $31.0 billion) cash deposits as of December 31, 2016, which are primarily held in U.S. dollars, euros and pounds sterling, $24.5 billion (2015: $25.0 billion) relates to futures and options products and $5.0 billion (2015: $6.0 billion) relates to cleared OTC European CDS instruments. The Company offers a separate clearing platform, risk model and risk pool for futures and options products that is distinct from those associated with OTC European CDS instruments.

In addition to the cash deposits for original margin and the guaranty funds, the Company has also received other assets from clearing members, which include government obligations, and may include other non-cash collateral such as certain agency and corporate debt or gold, to mitigate credit risk. These assets are not reflected in the balance sheet as the risks and rewards of these assets remain with the clearing members unless the Company has sold or re-pledged the assets or in the event of a clearing member default, where the clearing member is no longer entitled to redeem the assets. Any income, gain or loss accrues to the clearing member. For certain non-cash deposits, the Company may impose discount or "haircut" rates to ensure adequate collateral levels to account for fluctuations in the market value of these deposits. At December 31, 2016, the total net amount of non-cash collateral held in respect of initial margin was $22.9 billion (2015: $21.7 billion) and in respect of the guaranty funds was $217.5 million (2015: $266.5 million).

8. Committed Repurchase Agreement Facilities and Revolving Credit Facility

To provide a tool to address the liquidity needs of the Company and manage the liquidation of margin and guaranty fund deposits held in the form of cash and high quality sovereign debt, the Company has entered into Committed Repurchase Agreement Facilities, or Committed Repo. As of December 31, 2016, the Company had $1.05 billion in Committed Repo to finance U.S. dollar, euro and pound sterling sovereign debt deposits (2015: $1.0 billion).

9. Commitments and Contingencies

From time to time, the Company is subject to legal proceedings and claims that arise in the ordinary course of business. Typically the resolution of these ordinary course matters will not have a material adverse effect on the Company's financial condition, results of operations, or liquidity. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially and adversely affected by any developments relating to the legal proceedings and claims.

10. Income Taxes

Income taxes reflected in the accompanying financial statements are calculated on the basis that the Company files its own income tax return and are accounted for under the liability method.

For the years ended December 31, 2016 and 2015, the current tax expense recognised in the statements of comprehensive income statement was $140 million and $108 million, respectively. Tax years prior to 2014 no longer remain subject to examination.

For the years ended December 31, 2016 and 2015, the deferred tax credit recognised in the statements of comprehensive income statement was $481 thousand and $699 thousand, respectively. The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases which give rise to deferred tax assets as of December 31, 2015 and 2016 are as follows (in thousands):

10. Income Taxes (continued)

	December 31, 2016	December 31, 2015
Deferred Tax Assets:		
Other deferred assets including Stock-based Compensation	$1,450	$982
Property and Equipment	$59	$47
Total Deferred Tax Assets	$1,509	$1,029
Valuation Allowances	-	-
Total Deferred Tax Assets, net of Valuation Allowances	$1,509	$1,029
Deferred Tax Liabilities:		
Property and Equipment	-	-
Other Deferred Liabilities	-	-
Total Deferred Tax Liabilities	-	-
Net Deferred Tax Asset	$1,509	$1,029
Reported as:		
Net Noncurrent Deferred Tax asset	$1,509	$1,029
Net Deferred Tax Asset	$1,509	$1,029

The Company does not recognise a tax benefit unless it concludes that it is more likely than not that the benefit will be sustained on audit by the taxing authority based solely on the technical merits of the associated tax position. If the recognition threshold is met, the Company recognises a tax benefit measured at the largest amount of the tax benefit that, in its judgment, is greater than 50 percent likely to be realised. The Company recognises accrued interest and penalties related to uncertain tax positions as a component of income tax expense.

For the year ended December 31, 2016, the Company had no unrecognised tax benefits. Based on an evaluation of these requirements, no provisions for uncertain tax positions have been made. As a result of the reduction in the standard rate of corporation tax in the UK from 20.25% in 2015 to 20% in 2016 and a reduction in the utilisation of group relief available to the Company, the Company's effective tax rate for the year ended December 31, 2016 of 18.7% has increased from 17.9% for the year ended December 31, 2015.

11. Investments

The Company has a 50% interest in ICE Clear EU CDS LLP. ICE Clear EU CDS LLP was incorporated on December 20, 2010 and is currently dormant. The investment has no cost and IntercontinentalExchange Holdings, a fellow subsidiary, holds the remaining 50% interest.

12. Equity

ICE sponsors employee and director stock option and restricted stock plans for the Company. Employee and director stock-based compensation expenses recognised for both stock options and restricted stock in the accompanying statements of comprehensive income was $5.5 million and $5.4 million for the years ended December 31, 2016 and 2015 respectively.

In March 2016, the Company early adopted ASU 2016-09, Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting, on a prospective basis (Note 2). Under the requirements of ASU 2016-09, the Company recognised $7.1 million in tax benefits in excess of compensation costs for the year ended December 31, 2016 through the statements of comprehensive income. In addition, according to the guidance of ASU 2016-09, the Company made no adjustments for any excess tax benefits previously recorded in equity. For the years ended December 31, 2015 the Company recognised excess tax benefits of $5.7 million as an increase to the additional paid-in capital balance.

Stock Split

As discussed in Note 2, on November 3, 2016, a 5-for-1 split of ICE's common stock was effected in the form of a four share stock dividend per share of common stock to shareholders of record as of the close of market on October 27, 2016. All share information has been retroactively adjusted to reflect the stock split.

12. Equity (continued)

Stock Option Plans

Stock options are granted at the discretion of the compensation committee of the board of directors of ICE. All stock options are granted at an exercise price equal to the fair value of the common stock on the date of grant. The grant date fair value is based on the closing stock price on the date of grant as well as certain other assumptions. The fair value of the stock options on the date of grant is recognised as an expense ratably over the vesting period, net of estimated forfeitures. ICE may grant, under provisions of the plans, both incentive stock options and nonqualified stock options. The options generally vest over three years, but can vest at different intervals based on the compensation committee's determination. Generally, options may be exercised up to ten years after the date of grant, but expire either 14 or 60 days after termination of employment. The shares of common stock issued under ICE's stock option plans are made available from authorised and unissued common stock or treasury shares.

The following is a summary of stock options for the years ended December 31, 2016 and 2015:

	2016 Number of options	2016 Weighted average exercise price	2015 Number of options	2015 Weighted average exercise price
Outstanding at 1 January	152,955	$30.22	160,405	$26.59
Granted	25,305	$50.01	30,530	$41.59
Exercised	(62,250)	$21.96	(37,980)	$24.05
Outstanding at 31 December	116,010	$38.97	152,955	$30.22
Exercisable at 31 December	78,854	$35.03	111,485	$26.14

12. Equity (continued)

A table detailing share options outstanding as at December 31, 2016 and 2015 is shown below:

2016 Number of options	2016 Weighted average contractual life in years	2015 Number of options	2015 Weighted average contractual life in years
-	-	24,655	3.9
-	-	17,300	6.0
-	-	20,295	5.0
32,540	6.0	32,540	7.0
27,635	7.0	27,635	8.1
30,530	8.1	30,530	9.1
25,305	9.0	-	-
116,010		152,955	

The weighted average share price for options exercised over the year was $52.90 (2015: $46.18). The total charge for the year relating to share options under the employee share-based payment plans was $250,000 (2015: $245,000) all of which related to equity-settled share-based payment transactions. The total intrinsic value for vested and exercisable options at December 31, 2016 and 2015 was $1,687,000 and $2,800,000 respectively and the intrinsic value of exercised options during the years ended December 31, 2016 and 2015 was $1,926,000 and $841,000 respectively. The Company uses the Black-Scholes option pricing model for purposes of valuing stock option awards. During the years ended December 31, 2016 and 2015, the Company used the weighted-average assumptions in the table below to compute the value of all options for shares of common stock granted to employees:

Assumptions	**Year ended December 31**	
	2016	**2015**
Expected volatility	24%	24%
Expected life (years)	5.0	5.0
Risk-free interest rate	1.51%	1.08%
Expected dividend yield	1.36%	1.25%
Estimated weighted-average fair value of options granted per share	$9.88	$8.19

12. Equity (continued)

The risk-free interest rate is based on the zero-coupon U.S. Treasury yield curve in effect at the time of grant. The expected life computation is derived from historical exercise patterns and anticipated future patterns. Expected volatilities are based on historical volatility of ICE's stock.

Restricted stock plans

Restricted stock units are granted at the discretion of the compensation committee of the board of directors of ICE.

The grant date fair value of each award is based on the closing stock price at the date of grant. The fair value of the time-based restricted stock units on the date of grant is recognised as expense ratably over the vesting period, which is typically three years, net of forfeitures. Granted but unvested shares are generally forfeited upon termination of employment. When restricted stock is forfeited, compensation costs previously recognised for unvested shares are reversed. Until the shares vest and are issued, the participants have no voting or dividend rights and the shares may not be sold, assigned, transferred, pledged or otherwise encumbered. Unvested restricted stock is subject to earn dividend equivalents which are paid in cash on the vesting date.

The Company recognises compensation costs, net of forfeitures, using an accelerated attribution method over the vesting period for awards with performance conditions. Compensation costs for such awards are recognised only if it is probable that the condition will be satisfied. If it is determined that it is not probable that the performance condition will be satisfied and later determine that it is probable that the performance condition will be satisfied, or vice versa, the effect of the change in estimate is accounted for in the period of change by recording a cumulative catch-up adjustment to retroactively apply the new estimate. The Company recognises the remaining compensation costs over the remaining vesting period. Restricted shares are used as an incentive to attract and retain qualified employees and to increase shareholder returns with actual performance-based awards based on enhanced shareholder value.

12. Equity (continued)

A reconciliation of restricted share movements over the year to December 31, 2016 and 2015 is shown below:

	2016 Number of shares	2016 Weighted average fair value	2015 Number of shares	2015 Weighted average fair value
Outstanding at 1 January	255,875	$39.82	273,780	$34.45
Granted	96,824	$50.57	115,685	$42.79
Transfers	(6,150)	$39.22	(845)	$38.45
Performance grant amendments	21,290	$41.59	(8,245)	$40.98
Forfeited	(14,195)	$45.47	(13,955)	$37.26
Vested	(104,645)	$38.42	(110,545)	$31.71
Outstanding at 31 December	248,999	$44.38	255,875	$39.82

Restricted stock shares granted in the table above include both time-based and performance-based grants. Performance-based stock awarded in prior years has been adjusted to reflect the actual stock to be issued based on the achievement of past performance targets. The fair value per restricted share granted is the market value of the share on the date of grant. The weighted average share price during the period for restricted stock vested over the year was $49.98 (2015: $44.40). The total charge for the year relating to restricted stock under the employee share-based payment plans was $5,235,000 (2015: $5,193,000).

13. Pension commitments

The Company operates money purchase pension schemes (defined contribution schemes) for eligible employees. The assets of the schemes are held separately from those of the Company in independently administered funds. There were no contributions outstanding at December 31, 2016 or 2015. Defined pension contributions for the years ended December 31, 2016 and 2015 were $760,000 and $950,000 respectively.

14. Fair Value Measurements

The Company's financial instruments consist primarily of cash and cash equivalents, short-term and long-term restricted cash and investments, customer accounts receivable, margin deposits and guaranty funds and certain other short-term assets and liabilities. The fair value of the Company's financial instruments are measured based on a three-level hierarchy:

- Level 1 inputs — quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs — observable inputs other than Level 1 inputs such as quoted prices for similar assets and liabilities in active markets or inputs other than quoted prices that are directly observable.
- Level 3 inputs — unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company uses Level 1 inputs to determine fair value. The Level 1 assets consist of U.S. Treasury securities.

Financial assets and liabilities recorded in the accompanying balance sheets as of December 31, 2016 and 2015 are classified in their entirety based on the lowest level of input that is significant to the asset or liability's fair value measurement. Financial instruments measured at fair value on a recurring basis as of December 31, 2016 are as follows (in millions):

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
U.S. Treasury securities	500	—	—	500
Total assets at fair value	$ 500	$ —	$ —	$ 500

Financial instruments measured at fair value on a recurring basis as of December 31, 2015 are as follows (in millions):

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
U.S. Treasury securities	449	—	—	449
Total assets at fair value	$ 449	$ —	$ —	$ 449

14. Fair Value Measurements (continued)

As of December 31, 2016, the Company held $500 million in U.S. Treasury securities, all of which had original maturities of less than one year from the date of purchase. Of these securities, $352 million were recorded as cash and cash equivalents and short-term restricted cash and investments and $148 million were recorded as long-term restricted cash and investments in the accompanying balance sheets as of December 31, 2016. As of December 31, 2015, the Company was holding $449 million in U.S. Treasury securities, all of which had original maturities of less than one year from the date of purchase. Of these securities, $26 million were recorded as cash and cash equivalents, $273 million were recorded as short-term restricted cash and investments and $150 million were recorded as long-term restricted cash and investments in the accompanying balance sheet as of December 31, 2015. We account for the U.S. Treasury securities held using the available-for-sale method. All of the U.S. Treasury securities recorded as cash and cash equivalents have original maturities of less than 90 days.

The Company did not use Level 2 and 3 inputs to determine the fair value of assets or liabilities measured at fair value on a recurring basis as of December 31, 2016 and 2015.

15. Subsequent Events

The Company has evaluated subsequent events through February 23, 2017, the date of issuance of the financial statements and determined that no events or transactions met the definition of a subsequent event for purposes of recognition or disclosure in the accompanying financial statements.