FINANCIAL STATEMENTS

ICE Clear Europe Limited
Years Ended December 31, 2017 and 2016
With Report of Independent Registered Public Accounting Firm

ICE Clear Europe Limited

Financial Statements

Years Ended December 31, 2017 and 2016

Contents

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of ICE Clear Europe Limited

Opinion on the Financial Statements

We have audited the accompanying balance sheets of ICE Clear Europe Limited (the Company) as of December 31, 2017 and 2016, the related statements of comprehensive income, shareholders' equity and cash flows for the years then ended, and the related notes, collectively referred to as the financial statements" and schedules. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2007.

Ernst & Young LLP

London, United Kingdom

22 February 2018

ICE Clear Europe Limited

Balance Sheets

(Dollars, In Thousands, except share data)

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 62,038	$ 71,047
Short-term restricted cash and cash equivalents	423,000	352,440
Customer accounts receivable	110,268	102,847
Due from affiliates	6,308	4,379
Margin and guaranty fund contributions	22,829,653	29,490,210
Prepaid expenses and other current assets	12,979	1,201
Total current assets	23,444,246	30,022,124
Property and equipment, net	448	332
Noncurrent assets:		
Long-term restricted cash and cash equivalents	150,000	150,000
Deferred tax asset	830	1,509
Other noncurrent assets	7,767	3,201
Total noncurrent assets	158,597	154,710
Total assets	$ 23,603,291	$ 30,177,166
Liabilities and shareholder equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 28,767	$ 21,936
Accrued salaries and benefits	7,533	3,657
Deferred revenue	2,587	2,231
Income tax payable	72,213	60,311
Due to affiliates	35,542	33,083
Margin and guaranty fund contributions	22,829,653	29,490,210
Total current liabilities	22,976,295	29,611,428
Noncurrent liabilities:		
Other noncurrent liabilities	514	–
Total noncurrent liabilities	514	–
Total liabilities	22,976,809	29,611,428
Shareholders' equity:		
Share capital, $1 nominal value; 160,000,100 and 160,000,100 shares alloted at December 31, 2017 and 2016 respectively	160,000	160,000
Additional paid-in capital	(7,353)	(1,699)
Retained earnings	473,835	407,437
Total shareholders' equity	626,482	565,738
Total liabilities and shareholders' equity	$ 23,603,291	$ 30,177,166

ICE Clear Europe Limited

Statements of Comprehensive Income

(Dollars, In Thousands)

	Year ended December 31, 2017	Year ended December 31, 2016
Revenues		
Clearing fees, net	$ 966,250	$ 969,890
Affiliate revenues	357	361
Other revenues	36,181	24,285
Total revenues	1,002,788	994,536
Operating expenses		
Compensation and benefits	24,496	22,065
Professional services	5,179	13,250
Selling, general and administrative	15,937	14,591
Service and licence fees to affiliates	199,496	194,703
Depreciation and amortisation	189	158
Total operating expenses	245,297	244,767
Operating income	757,491	749,769
Other income/(expense):		
Interest income	4,397	1,208
Interest expense	(2,020)	(2,180)
Other income/(expense), net	1,311	(2,729)
Total Other income/(expense), net	3,688	(3,701)
Income before income taxes	761,179	746,068
Income tax expense	(149,781)	(139,771)
Net income	$ 611,398	$ 606,297
Other comprehensive income	$ –	$ –
Total Comprehensive Income	$ 611,398	$ 606,297

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, 2016	$ 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
Balance at December 31, 2016	$ 160,000	$ (1,699)	$ 407,437	$ 565,738
Dividends paid	–	–	(545,000)	(545,000)
Stock-based compensation	–	(5,654)	–	(5,654)
Net income	–	–	611,398	611,398
Balance at December 31, 2017	$ 160,000	$ (7,353)	$ 473,835	$ 626,482

ICE Clear Europe Limited

Statements of Cash Flows
(Dollars, In Thousands)

	Year ended December 31, 2017	Year ended December 31, 2016
Operating activities		
Net income	$ 611,398	$ 606,297
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	189	158
Deferred taxes	679	(480)
Stock-based compensation	3,937	5,485
Increase/(decrease) in operating assets:		
Customer accounts receivable	(7,421)	3,548
Prepaid expenses and other assets	(11,778)	3,036
Restricted cash and short-term investments	(70,560)	(79,135)
Income tax payable	11,902	13,665
Due to affiliates, net	(9,061)	(11,027)
Accounts payable and accrued liabilities	6,831	(11,723)
Other current and noncurrent liabilities	4,746	(1,114)
Other noncurrent assets	(4,566)	(3,201)
Total adjustments	(75,102)	(80,788)
Net cash provided by operating activities	536,296	525,509
Investing activities		
Capital expenditures	(305)	(332)
Net cash used in investing activities	(305)	(332)
Financing activities		
Dividend paid	(545,000)	(548,000)
Net cash used in financing activities	(545,000)	(548,000)
Net decrease in cash and cash equivalents	(9,009)	(22,823)
Cash and cash equivalents at beginning of year	71,047	93,870
Cash and cash equivalents at end of year	$ 62,038	$ 71,047
Supplemental cash flow disclosure		
Cash paid for income taxes	$ 142,687	$ 120,552
Interest paid	$ 84	$ 34
Exchange rate change on cash balances held in foreign currencies	$ 1,311	$ (1,016)

1. Formation, Organisation and Description of the Business

Incorporated in 2007, ICE Clear Europe Limited ('the Company') is regulated in the UK by the Bank of England as a Recognised Clearing House. It is also registered with and regulated by the US 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 for its clearing members. 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. energy futures contracts. The Company also offers clearing services for over-the-counter, or OTC, European credit default swaps ('CDS') instruments. CDS clearing is offered on an open-access basis and therefore the Company accepts qualifying trades that are executed on affiliated and unaffiliated venues.

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)

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 approximately three months or less to be cash equivalents.

Short-Term and Long-Term Restricted Cash and Cash Equivalents

The Company classifies all cash, cash equivalents, and cash equivalents 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 and Guaranty Fund contributions

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. Government, agency and corporate securities held for margin purposes are recorded at an amount that approximates fair value. Cash original margin, variation margin and guaranty fund contributions are reflected in the accompanying balance sheets as current assets and current liabilities. The amount of margin 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 contributions 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 otherwise used 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 4). 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. Gains on disposals of property and equipment are included in other income and losses on disposals of property and equipment are included in depreciation expense. Maintenance and repair costs are expensed as incurred.

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 and hedging activity

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 Other income/(expense), net in the accompanying Statements of Comprehensive Income as they are not designated as hedges under U.S. GAAP. For the years ended December 31, 2017 and 2016, the Company recognised $8.4 million in fair value losses and $2.3 million in fair value gains, respectively, on 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 clearing revenues are primarily recognised over the period in which the services are provided, which is typically the date the transactions are executed or are cleared, except for a small portion of clearing revenues related to cleared contracts which have an ongoing clearing obligation that extends beyond the execution date. The clearing fee revenues are determined on the basis of the clearing fee charged for each contract traded.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Clearing fees are recorded net of rebates, revenue share agreements and other incentives of $417.8 million for the year ended December 31, 2017 and $320.0 million for the year ended December 31, 2016. The Company offers rebates in certain markets primarily to support market liquidity and trading volume by providing qualified participants in those markets a discount to the applicable commission rate. Such rebates are calculated based on volumes traded. The Company also has revenue share agreements and incentive programs in place with certain ICE group affiliate execution venues. These are at varying rates and are determined based on revenue or volumes, subject to certain minimum requirements being met. Revenue is also stated exclusive of value added tax.

On January 1, 2018, the Company is required to adopt ASC 606, Revenue from Contracts with Customers, and ASC 340-40 Other Assets and Deferred Costs- Contracts with Customers. The new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgments in measurement and recognition. See "Recently Adopted and New Accounting Pronouncements".

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 5).

Stock-based Compensation

ICE currently sponsors employee and director stock option and restricted stock plans in which employees of the Company participate (Note 11). 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.

2. Summary of Significant Accounting Policies (continued)

Stock-based Compensation (continued)

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. 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 centre 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 high investment grade ratings. The Company also limits its risk of loss by holding the majority of the cash received for margin and guaranty fund contributions 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 amounts. 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.

2. Summary of Significant Accounting Policies (continued)

Credit Risk and Significant Customers (continued)

During the quarter ended 30 September 2017 the Company established a Euro-denominated account at the De Nederlandsche Bank, or DNB, the central bank of the Netherlands. This account provides the flexibility for the Company to place Euro-denominated cash margin securely at a national bank, in particular during periods when liquidity in the Euro repo markets may temporarily become contracted, such as over a quarter or year end. As of 31 December 2017 the Company held €3.3 billion ($4.0 billion based on the Euro/U.S. dollar exchange rate of 1.2003 as of 31 December 2017) at DNB. This account is intended to decrease the Company's custodial, liquidity and operational risk as compared to alternative custodial and investment arrangements.

Revenue from one clearing member accounted for 14% of the Company's futures and options contracts revenue for the year ended December 31, 2017 and 13% of the Company's futures and options contracts revenue for the year ended December 31, 2016.

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 margin and guaranty fund contributions (Note 6).

Foreign Currency Exchange Rate Risk

The Company is exposed to foreign currency risk on a transactional basis, where receipts and payments occur in currencies other than the US Dollar, and on a translation basis, whereby assets and liabilities are denominated in currencies other than the US Dollar. The Company manages this risk by ensuring, as far as is possible, that it holds an equal amount of monetary assets and liabilities that are denominated in currencies other than the US Dollar. In addition, the Company also uses forward contracts on Euros and pound sterling in order to specifically manage exchange rate risk.

2. Summary of Significant Accounting Policies (continued)

Interest Rate Risk

The Company is exposed to interest rate risk with the cash and investment balances it holds. The Company's cash is subject to interest rate volatility and is invested according to the Company's operating cash requirements.

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 and guaranty fund contributions 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 and other foreign government securities, equity and other securities listed in active markets. 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)

Foreign Currency Translation Adjustments and Foreign Currency Transaction Gains and Losses

The Company's functional and reporting currency is the U.S. dollar.

The Company has foreign currency transaction gains and losses related to the settlement of foreign currency denominated assets, liabilities and payables that occur through its operations. The transaction gains and losses are due to the increase or decrease in the foreign currency exchange rates between periods. Forward contracts on foreign currencies are entered into to manage the foreign currency exchange rate risk. Gains and losses from foreign currency transactions are included in Other income/(expense), net in the accompanying Statements of Comprehensive Income and resulted in net gains of $1.3 million, and net losses of $2.7 million for the years ended December 31, 2017 and 2016, respectively.

Effective January 1, 2017, the Company reclassified these exchange gains and losses from Selling, general and administrative expenses. Results of prior periods have been reclassified to conform to the current year presentation. This reclassification resulted in a decrease to Selling, general, and administrative expense of $2.7 million, for the year ended December 31, 2016.

Recently Adopted and New Accounting Pronouncements

On January 1, 2018, the Company adopted ASC 606, Revenue from Contracts with Customers, and ASC 340-40 Other Assets and Deferred Costs- Contracts with Customers. The new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgments in measurement and recognition. ASC 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 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 will apply the guidance retrospectively with the cumulative effect recognised as of the date of adoption, and provide the relevant disclosures in the first annual period in which the guidance is adopted. Based on the Company's preliminary assessment, the expectation is that the adoption will decelerate the timing of approximately $4.5 million of clearing fees.

2. Summary of Significant Accounting Policies (continued)

Recently Adopted and New Accounting Pronouncements (continued)

The FASB has issued Accounting Standards Update No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, or ASU 2016-01. ASU 2016-01 provides updated guidance for the recognition, measurement, presentation, and disclosure of certain financial assets and liabilities, including the requirement that equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) are to be measured at fair value with changes in fair value recognised in net income. The Company adopted ASU 2016-01 on January 1, 2018 and the adoption is not currently expected to have any material effect on the financial statements.

The FASB has issued ASC 842, Leases. ASC 842 requires an entity to recognise both assets and liabilities arising from financing and operating leases, along with additional qualitative and quantitative disclosures. A lessee should recognise in its balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. In transition, lessees and lessors are required to recognise and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is required to be adopted at the beginning of 2019, with early adoption permitted. The Company will not adopt ASU 2016-02 early and adoption is not currently expected to have any material effect on the financial statements.

The FASB has issued ASC 230, *Statement of Cash Flows,* that requires 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. The Company is required to adopt ASU 2016-18 at the beginning of 2018, with early adoption permitted. The Company has not adopted ASU 2016-18 early. The Company is required to apply the guidance retrospectively when adopted, and provide the relevant disclosures in the annual financial statements in which the guidance has been adopted. The impact of adopting this new standard will result in a change in cash flow statement presentation only and related disclosures.

3. Restricted Cash and Cash equivalents

Short-term restricted cash

As a UK Recognised Clearing House, the Company is required by the Bank of England and EMIR to restrict as cash at bank and in hand an amount 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 such, it is calculated taking into account the operating expenditures, revenues and credit exposures associated with the assets of the Company. As of December 31, 2017 restricted cash held to meet the regulatory capital requirement for the Company was $423 million (2016: $352 million) and these amounts form part of the cash and cash equivalents balance. The increase in the restricted cash held to meet the regulatory capital requirement was primarily due to additional costs incurred due to the growth of the businesses. The Company, in addition to being regulated by the Bank of England, is also regulated by the CFTC as a U.S. Derivatives Clearing Organizations, or DCO. The regulatory capital and restricted cash held by the Company, as described above, exceeds the CFTC requirements.

Long-term restricted cash

The Company requires that each clearing member make contributions 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 6 for additional information on the guaranty funds.

4. Property and Equipment

Property and equipment consisted of the following as of December 31, 2017 and December 31, 2016:

	December 31, 2017 *(In Thousands)*	Depreciation Period *(In Years)*
Software and internally developed software	$ 1,671	3
Computer and network equipment	130	3
	1,801	
Less accumulated depreciation	(1,353)	
Property and equipment, net	$ 448	

For the year ended December 31, 2017, accumulated depreciation of software and internally developed software was $1.2 million, and accumulated depreciation of all other property and equipment was $0.1 million.

	December 31, 2016 *(In Thousands)*	Depreciation Period *(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.

5. Related-Party Transactions

The Company has agreements with ICE and other affiliates which are wholly 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.

5. 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, 2017 and 2016, the Company has recorded $199.5 million and $194.7 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, 2017 and 2016, the Company owed its affiliates $35.5 million and $33.1 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 paid dividends to its immediate parent company IntercontinentalExchange Holdings for the years ended December 31, 2017 and 2016 of $545 million and $548 million respectively. For details regarding the Company share-based award schemes see Notes 2 & 11.

The Company also makes certain payments, including incentives payments, to its affiliate exchanges and trading venues for contracts executed thereon and submitted for clearing by the Company. The payments totalled $341.9 million and $246.6 million for the years ended December 31, 2017 and December 31, 2016, respectively, and such expense is recorded net in Clearing fee revenue in the accompanying Statements of Comprehensive Income.

6. Clearing House Operations

As a clearing house the Company acts as a central counterparty that becomes the buyer to every seller and the seller to every buyer for its clearing members. 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 contracts for energy and OTC European credit default swaps ('CDS') instruments.

6. Clearing House Operations (continued)

The clearing house is designed to protect the financial integrity of markets by maintaining strong governance and rules, managing collateral, facilitating payments and collections, enhancing capital efficiency and limiting counterparty credit risk. The credit and performance assurance provided by the Company to clearing members is designed to substantially reduce counterparty risk and is a critical component of the Company's identity as a reliable and secure marketplace for global transactions. The range of products cleared and the risk management services offered by the Company are a competitive advantage and attract market participants.

The Company has extensive risk management procedures in place to ensure it protects the interests of its clearing members. The Company has instituted a multi-layered risk management system of rules, policies and procedures to protect itself in the event of a clearing member default, starting with membership criteria and continuing to powers of assessment in the event of a clearing member default, generally as follows:

- membership criteria;
- ongoing creditworthiness;
- initial margin requirement;
- collateral and liquidity management;
- customer segregation and portability;
- daily mark-to-market/variation margin;
- intraday risk monitoring;
- ICE contribution;
- mutualised guaranty fund;and
- powers of assessment

6. Clearing House Operations (continued)

All clearing members are required to deliver cash or certain assets by way of pledge or title transfer as margin and guaranty fund contributions. Assets other than cash 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 daily profits and losses from and to the Company due to the marking-to-market of open contracts are known as "variation margin". The Company marks all outstanding 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 the financial performance of clearing members' open positions.

The Company also requires that each clearing member makes contributions into funds known as "guaranty funds", maintained by the Company. These amounts serve to secure the obligations of a clearing member to the Company to which it has made the guaranty fund contribution and may be used to cover losses sustained by the Company in the event of a default of a clearing member.

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 boards of directors of the Company and may fluctuate over time.

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

6. Clearing House Operations (continued)

Should a particular clearing member fail to pay 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 contributions to make up any amount owed. In the event that those amounts are not sufficient to pay the amount owed in full, the Company may utilise the respective guaranty fund contributions of the respective clearing members on a pro-rata basis for that purpose.

The margin and guaranty fund contributions are reflected in the balance sheet as current assets with corresponding current liabilities to the clearing members. All cash and securities are available only to meet the financial obligations of that clearing member to the Company. The level of margin and guaranty fund contributions may fluctuate due to the types of margin collateral choices available to clearing members and the change in the amount of contributions required. As a result, these assets and corresponding liabilities may vary significantly over time.

Cash held at December 31, 2017 of $13.9 billion (2016: $16.7 billion) is secured in reverse repurchase agreements with primarily overnight maturities or direct investment in government securities. During the quarter ended 30 September 2017 the Company established a Euro-denominated account at the De Nederlandsche Bank, or DNB, the central bank of the Netherlands. This account provides the flexibility for the Company to place Euro-denominated cash margin securely at a national bank, in particular during periods when liquidity in the Euro repo markets may temporarily become contracted, such as over a quarter or year end. As of December 31, 2017 the Company held €3.4 billion ($4.0 billion based on the euro/U.S. dollar exchange rate of 1.2003 as of December 31, 2017) at DNB. The remaining cash deposits are held in demand deposit accounts at large, highly rated financial institutions and directly in 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.

In addition to the cash margin and the guaranty fund contributions, 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 otherwise used 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 assets the Company may impose discount or "haircut" rates to ensure adequate collateral levels to account for fluctuations in market value. At December 31, 2017, the total net amount of non-cash collateral held in respect of initial margin was $23.5 billion (2016: $23.0 billion) and in respect of the guaranty funds was $323.4 million (2016: $217.5 million).

6. Clearing House Operations (continued)

Of the $22.8 billion (2016: $29.5 billion) cash deposits as of December 31, 2017, which are primarily held in U.S. dollars, euros and pounds sterling, $18.5 billion (2016: $24.4 billion) relates to futures and options products and $4.3 billion (2016: $5.0 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 cleared OTC European CDS instruments.

The Company has contributed $150 million (2016: $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 contributions are insufficient. Of the $150 million the Company has contributed $100 million to the futures and options guaranty fund. If a futures and options clearing member's contributions 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 for futures and options default losses. The Company has contributed the remaining $50 million to the CDS guaranty fund and it would be utilised after the available funds of the defaulting CDS clearing member but before all other amounts within the CDS guaranty fund. The $50 million is solely available for CDS default losses.

7. Committed Repurchase Agreement Facilities

The Company has entered into Committed Repurchase Agreement Facilities, or Committed Repos, to provide a tool to address the liquidity needs of the Company and manage the liquidation of margin and guaranty fund contributions held in the form of cash and high quality sovereign debt. As of December 31, 2017 the Company had $1.05 billion in Committed Repos to finance U.S. dollar, Euro and Pound Sterling sovereign debt deposits (2016: $1.05 billion).

8. Commitments and Contingencies

The Company is subject to legal proceedings, claims and investigations that arise in the ordinary course of business. The Company establishes accruals for those matters in circumstances when a loss contingency is considered probable and the related amount is reasonably estimable. Any such accruals may be adjusted as circumstances change. Assessments of losses are inherently subjective and involve unpredictable factors. The company does not believe that the resolution of these legal matters will have a material adverse effect on the financial condition, results of operations, or liquidity. It is possible, however, that future results of operations for any particular period could be materially and adversely affected by any developments relating to legal proceedings, claims and investigations.

9. 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, 2017 and 2016, the current tax expense recognised in the Statements of Comprehensive Income was $149.8 million and $139.8 million, respectively.

For the years ended December 31, 2017 and 2016, the deferred tax expense recognised in the Statements of Comprehensive Income was $679 thousand and a $481 thousand credit, 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, 2017 and 2016 are as follows (in thousands):

	December 31, 2017	**December 31, 2016**
Deferred Tax Assets:		
Other deferred assets including Stock-based Compensation	$778	$1,450
Property and Equipment	$52	$59
Total Deferred Tax Assets	$830	$1,509
Valuation Allowances	-	-
Total Deferred Tax Assets, net of Valuation Allowances	$830	$1,509
Deferred Tax Liabilities:		
Property and Equipment	-	-
Other Deferred Liabilities	-	-
Total Deferred Tax Liabilities	-	-
Net Deferred Tax Asset	$830	$1,509
Reported as:		
Net Noncurrent Deferred Tax asset	$830	$1,509
Net Deferred Tax Asset	$830	$1,509

9. Income Taxes (continued)

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, 2017, 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% in 2016 to 19.25% in 2017 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, 2017 of 19.7% has increased from 18.7% for the year ended December 31, 2016.

10. 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.

11. 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 $3.9 million and $5.5 million for the years ended December 31, 2017 and 2016 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.

11. Equity (continued)

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.

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, 2017 and 2016:

	2017 Number of options	**2017 Weighted average exercise price**	**2016 Number of options**	**2016 Weighted average exercise price**
Outstanding at 1 January	116,010	$37.97	152,955	$30.22
Granted	-	-	25,305	$50.01
Transfers	19,065	$57.31	-	-
Exercised	-	-	(62,250)	$21.96
Outstanding at 31 December	135,075	$41.56	116,010	$38.97
Exercisable at 31 December	105,974	$37.99	78,854	$35.03

11. Equity (continued)

A table detailing share options outstanding as at December 31, 2017 and 2016 is shown below:

2017 Number of options	2017 Weighted average contractual life in years	2016 Number of options	2016 Weighted average contractual life in years
32,540	5.0	32,540	6.0
27,635	6.0	27,635	7.0
30,530	7.1	30,530	8.1
25,305	8.0	25,305	9.0
19,065	9.1	-	-
135,075		116,010	

No options were exercised during the year. The weighted average share price for options exercised in 2016 was $52.90. The total charge for the year relating to share options under the employee share-based payment plans was $145 thousand (2016: $250 thousand) all of which related to equity-settled share-based payment transactions. The total intrinsic value for vested and exercisable options at December 31, 2017 and 2016 was $3.5 million and $1.7 million respectively and the intrinsic value of exercised options during the year ended December 31, 2016 was $1.9 million. The Company uses the Black-Scholes option pricing model for purposes of valuing stock option awards. During the years ended December 31, 2017 and 2016, 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**	
	2017	**2016**
Expected volatility	21%	24%
Expected life (years)	5.0	5.0
Risk-free interest rate	1.84%	1.51%
Expected dividend yield	1.40%	1.36%
Estimated weighted-average fair value of options granted per share	$10.50	$9.88

11. 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.

11. Equity (continued)

A reconciliation of restricted share movements over the year to December 31, 2017 and 2016 is shown below:

	2017 Number of shares	**2017** Weighted average fair value	**2016** Number of shares	**2016** Weighted average fair value
Outstanding at 1 January	248,999	$44.38	255,875	$39.82
Granted	77,330	$58.23	96,824	$50.57
Transfers	34,057	$49.57	(6,150)	$39.22
Performance grant amendments	5,442	$44.78	21,290	$41.59
Forfeited	(21,925)	$51.05	(14,195)	$45.47
Vested	(165,953)	$43.20	(104,645)	$38.42
Outstanding at 31 December	177,950	$52.01	248,999	$44.38

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 $66.46 (2016: $49.98). The total charge for the year relating to restricted stock under the employee share-based payment plans was $3,792 thousand (2016: $5,235 thousand).

12. 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, 2017 or 2016. Defined pension contributions for the years ended December 31, 2017 and 2016 were $724 and $760 thousand respectively.

13. 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 and guaranty fund contributions 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.

Financial assets and liabilities recorded in the accompanying balance sheets as of December 31, 2017 and 2016 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, 2017 are as follows (in millions):

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
U.S. Treasury and Other Foreign Government Securities	577	—	—	577
Total assets at fair value	$ 577	$ —	$ —	$ 577

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 and Other Foreign Government Securities	500	—	—	500
Total assets at fair value	$ 500	$ —	$ —	$ 500

The Company also recognised assets of $249 thousand and $58 thousand at December 31, 2017 and 2016 respectively for its forward foreign currency contracts held at fair value entered into to manage foreign exchange risk. These are level 2 input financial instruments and fair value is determined by reference to current forward exchange contracts with similar maturity profiles that are available in active markets.

13. Fair Value Measurements (continued)

As of December 31, 2017, the Company held $577 million in U.S. Treasury and other foreign government securities which are considered cash equivalents. Of these securities, $427 million were recorded as cash and cash equivalents and short-term restricted cash and cash equivalents and $150 million were recorded as long-term restricted cash and cash equivalents in the accompanying balance sheets as of December 31, 2017.

As of December 31, 2016, the Company held $500 million in U.S. Treasury and other foreign government securities which are considered cash equivalents. Of these securities, $352 million were recorded as cash and cash equivalents and short-term restricted cash and cash equivalents and $148 million were recorded as long-term restricted cash and cash equivalents in the accompanying balance sheets as of December 31, 2016.

The Company accounts for the U.S. Treasury and other foreign government securities held using the available-for-sale method. All of the U.S. Treasury and other foreign government securities recorded as cash and cash equivalents have original maturities of generally three months or less.

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, 2017 and 2016.

14. Subsequent Events

The Company has evaluated subsequent events through February 22, 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.