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Fidelity National Financial, Inc.
Form 10-Q
August 01, 2017
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-32630
FIDELITY NATIONAL FINANCIAL, INC.

(Exact name of registrant as specified in its charter)
Delaware 16-1725106
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

601 Riverside Avenue, Jacksonville, Florida 32204
(Address of principal executive offices) (Zip Code)
(904) 854-8100

(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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YES NO

The number of shares outstanding of the Registrant's common stock as of June 30, 2017 were:

FNF Group Common Stock 272,833,047

FNFV Group Common Stock 65,121,022

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QUARTERLY REPORT
Quarter Ended June 30, 2017
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Part I: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except share data)

	June 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value, at June 30, 2017 and December 31, 2016 includes pledged fixed maturity securities of \$351 and \$332, respectively, related to secured trust deposits	\$ 2,182	\$ 2,432
Preferred stock available for sale, at fair value	323	315
Equity securities available for sale, at fair value	441	438
Investments in unconsolidated affiliates	574	558
Other long-term investments	62	54
Short-term investments, at June 30, 2017 and December 31, 2016 includes short-term investments of \$19 and \$212, respectively, related to secured trust deposits	532	487
Total investments	4,114	4,284
Cash and cash equivalents, at June 30, 2017 and December 31, 2016 includes \$537 and \$331, respectively, of pledged cash related to secured trust deposits	1,441	1,323
Trade and notes receivables, net of allowance of \$24 and \$26, at June 30, 2017 and December 31, 2016, respectively	547	531
Goodwill	5,007	5,065
Prepaid expenses and other assets	685	639
Capitalized software, net	560	580
Other intangible assets, net	859	1,030
Title plants	395	395
Property and equipment, net	594	616
Total assets	\$ 14,202	\$ 14,463
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,294	\$ 1,434
Notes payable	2,438	2,746
Reserve for title claim losses	1,492	1,487
Secured trust deposits	892	860
Income taxes payable	190	65
Deferred tax liability	633	629
Total liabilities	6,939	7,221
Commitments and Contingencies:		
Redeemable non-controlling interest by 21% minority holder of ServiceLink Holdings, LLC	344	344
Equity:		
FNF Group common stock, \$0.0001 par value; authorized 487,000,000 shares as of June 30, 2017 and December 31, 2016; outstanding of 272,833,047 and 272,205,261 as of June	—	—

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30, 2017 and December 31, 2016, respectively, and issued of 285,670,733 and 285,041,900 as of June 30, 2017 and December 31, 2016, respectively		
FNFV Group common stock, \$0.0001 par value; authorized 113,000,000 shares as of June 30, 2017 and December 31, 2016; outstanding of 65,121,022 and 66,416,822 as of June 30, 2017 and December 31, 2016, respectively, and issued of 80,581,675 as of both June 30, 2017 and December 31, 2016	—	—
Preferred stock, \$0.0001 par value; authorized 50,000,000 shares; issued and outstanding, none	—	—
Additional paid-in capital	4,637	4,848
Retained earnings	2,016	1,784
Accumulated other comprehensive earnings (loss)	31	(13)
Less: treasury stock, 28,298,339 shares as of June 30, 2017 and 27,001,492 shares as of December 31, 2016, at cost	(643)	(623)
Total Fidelity National Financial, Inc. shareholders' equity	6,041	5,996
Non-controlling interests	878	902
Total equity	6,919	6,898
Total liabilities, redeemable non-controlling interest and equity	\$ 14,202	\$ 14,463
See Notes to Condensed Consolidated Financial Statements		

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CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Dollars in millions, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Revenues:				
Direct title insurance premiums	\$575	\$540	\$1,040	\$962
Agency title insurance premiums	726	691	1,309	1,221
Escrow, title-related and other fees	1,008	907	1,876	1,686
Restaurant revenue	288	292	561	585
Interest and investment income	34	37	63	67
Realized gains and losses, net	256	15	255	9
Total revenues	2,887	2,482	5,104	4,530
Expenses:				
Personnel costs	788	707	1,503	1,359
Agent commissions	558	526	1,004	928
Other operating expenses	558	493	1,018	925
Cost of restaurant revenue	249	245	485	490
Depreciation and amortization	110	102	222	202
Provision for title claim losses	65	68	117	120
Interest expense	29	33	64	67
Total expenses	2,357	2,174	4,413	4,091
Earnings from continuing operations before income taxes and equity in (losses) earnings of unconsolidated affiliates	530	308	691	439
Income tax expense	226	101	304	150
Earnings from continuing operations before equity in (losses) earnings of unconsolidated affiliates	304	207	387	289
Equity in (losses) earnings of unconsolidated affiliates	(2)	(1)	(4)	1
Net earnings from continuing operations	302	206	383	290
Less: Net earnings attributable to non-controlling interests	6	9	15	19
Net earnings attributable to Fidelity National Financial, Inc. common shareholders	\$296	\$197	\$368	\$271
Amounts attributable to Fidelity National Financial, Inc. common shareholders				
Net earnings attributable to FNF Group common shareholders	\$175	\$187	\$246	\$260
Net earnings attributable to FNFV Group common shareholders	\$121	\$10	\$122	\$11
Earnings per share				
Basic				
Net earnings per share attributable to FNF Group common shareholders	\$0.65	\$0.69	\$0.91	\$0.95
Net earnings per share attributable to FNFV Group common shareholders	\$1.83	\$0.15	\$1.85	\$0.16
Diluted				
Net earnings per share attributable to FNF Group common shareholders	\$0.63	\$0.67	\$0.88	\$0.93
Net earnings per share attributable to FNFV Group common shareholders	\$1.81	\$0.14	\$1.79	\$0.15

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Weighted average shares outstanding FNF Group common stock, basic basis	271	272	271	273
Weighted average shares outstanding FNF Group common stock, diluted basis	277	281	278	281
Cash dividends paid per share FNF Group common stock	\$0.25	\$0.21	\$0.50	\$0.42
Weighted average shares outstanding FNFV Group common stock, basic basis	66	67	66	69
Weighted average shares outstanding FNFV Group common stock, diluted basis	67	70	68	71
See Notes to Condensed Consolidated Financial Statements				

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
 (In millions)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net earnings	\$302	\$206	\$383	\$290
Other comprehensive earnings (loss):				
Unrealized gain on investments and other financial instruments, net (excluding investments in unconsolidated affiliates) (1)	13	25	25	46
Unrealized gain on investments in unconsolidated affiliates (2)	4	2	11	15
Unrealized gain on foreign currency translation (3)	4	1	6	5
Reclassification adjustments for change in unrealized gains and losses included in net earnings (4)	(1)	2	2	2
Other comprehensive earnings	20	30	44	68
Comprehensive earnings	322	236	427	358
Less: Comprehensive earnings attributable to non-controlling interests	9	9	17	19
Comprehensive earnings attributable to Fidelity National Financial, Inc. common shareholders	\$313	\$227	\$410	\$339
Comprehensive earnings attributable to FNF Group common shareholders	\$190	\$219	\$287	\$318
Comprehensive earnings attributable to FNFV Group common shareholders	\$123	\$8	\$123	\$21

Net of income tax expense of \$8 million and \$16 million for the three-month periods ended June 30, 2017 and (1)2016, respectively, and \$16 million and \$29 million for the six-month periods ended June 30, 2017 and 2016, respectively.

(2) Net of income tax expense of \$3 million and \$1 million for the three-month periods ended June 30, 2017 and 2016, respectively, and \$7 million and \$9 million for the six-month periods ended June 30, 2017 and 2016, respectively.

(3) Net of income tax expense of \$3 million and \$1 million for the three-month periods ended June 30, 2017 and 2016, respectively, and \$3 million for the six-month periods ended June 30, 2017 and 2016.

(4) Net of income tax (benefit) expense of less than \$(1) million and \$1 million for the three-month periods June 30, 2017 and 2016, respectively, and \$1 million for the six-month periods ended June 30, 2017 and 2016.

See Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(In millions)

(Unaudited)

	Fidelity National Financial, Inc. Common Shareholders									
	FNF Group Common Stock	FNFV Group Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Treasury Stock	Non-controlling Interests	Total Equity	Redeemable Non-controlling Interests	
Balance, December 31, 2015	282	\$-81	\$-4,795	\$1,374	\$ (69)	15 \$(346)	\$ 834	\$6,588	\$ 344	
Exercise of stock options	2	—	— 12	—	—	— —	—	12	—	
Treasury stock repurchased	—	—	—	—	—	9 (200)	—	(200)	—	
Other comprehensive earnings										
— unrealized gain (loss) on investments and other financial instruments	—	—	—	—	46	— —	(2)	44	—	
Other comprehensive earnings — unrealized gain on investments in unconsolidated affiliates	—	—	—	—	15	— —	—	15	—	
Other comprehensive earnings — unrealized gain on foreign currency translation	—	—	—	—	5	— —	—	5	—	
Reclassification adjustments for change in unrealized gains and losses included in net earnings	—	—	—	—	2	— —	—	2	—	
Stock-based compensation	—	—	— 19	—	—	— —	10	29	—	
Dividends declared	—	—	—	(115)	—	— —	—	(115)	—	
Acquisitions of non-controlling interests	—	—	—	—	—	— —	2	2	—	
Subsidiary dividends declared to non-controlling interests	—	—	—	—	—	— —	(3)	(3)	—	
Net earnings	—	—	—	271	—	— —	19	290	—	
Balance, June 30, 2016	284	\$-81	\$-4,826	\$1,530	\$ (1)	24 \$(546)	\$ 860	\$6,669	\$ 344	
Balance, December 31, 2016	285	\$-81	\$-4,848	\$1,784	\$ (13)	27 \$(623)	\$ 902	\$6,898	\$ 344	
Exercise of stock options	1	—	— 16	—	—	— —	—	16	—	
Treasury stock repurchased	—	—	—	—	—	1 (20)	—	(20)	—	
Other comprehensive earnings										
— unrealized gain on investments and other financial instruments	—	—	—	—	25	— —	2	27	—	
Other comprehensive earnings — unrealized gain on investments in unconsolidated affiliates	—	—	—	—	11	— —	—	11	—	

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Other comprehensive earnings									
— unrealized gain on foreign currency translation	—	—	—	—	6	—	—	6	—
Reclassification adjustments for change in unrealized gains and losses included in net earnings	—	—	—	—	2	—	—	2	—
Black Knight repurchases of BKFS stock	—	—	—	—	—	—	(47)	(47)	—
Stock-based compensation	—	—	17	—	—	—	7	24	—
Dividends declared	—	—	—	(136)	—	—	—	(136)	—
Sale of OneDigital	—	—	—	—	—	—	(6)	(6)	—
Acquisitions of noncontrolling interests	—	—	—	—	—	—	9	9	—
Equity portion of debt conversions settled in cash	—	—	(244)	—	—	—	—	(244)	—
Subsidiary dividends declared to non-controlling interests	—	—	—	—	—	—	(4)	(4)	—
Net earnings	—	—	—	368	—	—	15	383	—
Balance, June 30, 2017	286	\$-81	\$-4,637	\$2,016	\$ 31	28	\$(643)	\$ 878	\$6,919 \$ 344
See Notes to Condensed Consolidated Financial Statements									

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	For the six months ended June 30, 2017 2016 (Unaudited)	
Cash flows from operating activities:		
Net earnings	\$383	\$290
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	222	202
Equity in losses (earnings) of unconsolidated affiliates	4	(1)
Loss (gain) on sales of investments and other assets, net	12	(12)
Gain on sale of OneDigital	(269)	—
Impairment of assets	2	3
Stock-based compensation cost	24	29
Changes in assets and liabilities, net of effects from acquisitions:		
Net change in pledged cash, pledged investments, and secured trust deposits	—	3
Net increase in trade receivables	(30)	(31)
Net increase in prepaid expenses and other assets	(65)	(43)
Net decrease in accounts payable, accrued liabilities, deferred revenue and other	(98)	(81)
Net increase in reserve for title claim losses	5	7
Net change in income taxes	101	8
Net cash provided by operating activities	291	374
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale	200	165
Proceeds from calls and maturities of investment securities available for sale	283	214
Proceeds from the sale of cost method and other investments	14	36
Additions to property and equipment and capitalized software	(89)	(180)
Purchases of investment securities available for sale	(180)	(387)
Net (purchases of) proceeds from short-term investment securities	(238)	351
Purchases of other long-term investments	(2)	—
Contributions to investments in unconsolidated affiliates	(47)	(130)
Distributions from unconsolidated affiliates	44	44
Net other investing activities	(3)	6
Acquisition of eLynx Holdings, Inc., net of cash acquired	—	(115)
Proceeds from the sale of OneDigital	326	—
Other acquisitions/disposals of businesses, net of cash acquired	(83)	(104)
Net cash provided by (used in) investing activities	225	(100)
Cash flows from financing activities:		
Borrowings	759	87
Debt service payments	(922)	(111)
Black Knight treasury stock repurchases of BKFS stock	(47)	—
Equity portion of debt conversions paid in cash	(243)	—
Dividends paid	(136)	(115)

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Subsidiary dividends paid to non-controlling interest shareholders	(4)	(3)
Exercise of stock options	16	12
Payment of contingent consideration for prior period acquisitions	(11)	(1)
Purchases of treasury stock	(16)	(201)
Net cash used in financing activities	(604)	(332)
Net decrease in cash and cash equivalents, excluding pledged cash related to secured trust deposits	(88)	(58)
Cash and cash equivalents, excluding pledged cash related to secured trust deposits at beginning of period	992	672
Cash and cash equivalents, excluding pledged cash related to secured trust deposits at end of period	\$904	\$614
See Notes to Condensed Consolidated Financial Statements		

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note A — Basis of Financial Statements

The unaudited financial information in this report includes the accounts of Fidelity National Financial, Inc. and its subsidiaries (collectively, “we,” “us,” “our,” or “FNF”) prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and the instructions to Form 10-Q and Article 10 of Regulation S-X. All adjustments considered necessary for a fair presentation have been included. All adjustments made were of a normal, recurring nature. This report should be read in conjunction with our Annual Report on Form 10-K (our “Annual Report”) for the year ended December 31, 2016.

Description of the Business

We have organized our business into two groups, FNF Group and FNF Ventures (“FNFV”).

Through FNF Group, we are a leading provider of (i) title insurance, escrow and other title-related services, including trust activities, trustee sales guarantees, recordings and reconveyances and home warranty products and (ii) technology and transaction services to the real estate and mortgage industries. FNF Group is the nation’s largest title insurance company operating through its title insurance underwriters - Fidelity National Title Insurance Company, Chicago Title Insurance Company (“Chicago Title”), Commonwealth Land Title Insurance Company, Alamo Title Insurance and National Title Insurance of New York Inc. - which collectively issue more title insurance policies than any other title company in the United States. Through our subsidiary ServiceLink Holdings, LLC (“ServiceLink”), we provide mortgage transaction services including title-related services and facilitation of production and management of mortgage loans. FNF Group also provides industry-leading mortgage technology solutions, including MSP®, the leading residential mortgage servicing technology platform in the U.S., through its majority-owned subsidiary, Black Knight Financial Services, Inc. (“Black Knight”).

Through FNFV group, our diversified investment holding company, we own majority and minority equity investment stakes in a number of entities, including American Blue Ribbon Holdings, LLC (“ABRH”) and Ceridian HCM, Inc. (“Ceridian”).

For information about our reportable segments refer to Note H Segment Information.

Recent Developments

On June 28, 2017, we signed a definitive agreement to acquire a majority ownership stake in Title Guaranty of Hawaii (“Title Guaranty”). Title Guaranty was previously an unaffiliated agent and will continue to be closely aligned with Chicago Title as it formally becomes part of the FNF title company family. Founded in 1896, Title Guaranty is the oldest title company in the State of Hawaii and is a leading provider of title and escrow services, with more than 300 employees in branches across the State of Hawaii providing title insurance and real estate closing services. Closing is contingent on regulatory clearance and is expected in the third quarter of 2017.

On May 24, 2017, we entered into certain equity commitment letters (the “Equity Commitment Letters”) with CF Corporation, a Cayman Islands exempted company (“CFCOU”), relating to its plan of merger (the “Merger” or “Merger Agreement”), dated May 24, 2017, among CFCOU, Fidelity & Guaranty Life, a Delaware corporation (“FGL”), and the other parties thereto. Pursuant to the Equity Commitment Letters, the Company has committed (the “FNF Commitment”), on the terms and subject to the conditions set forth therein, at the closing under the Merger Agreement, to purchase, or cause the purchase of, equity of CFCOU for an aggregate cash purchase price equal to \$235 million plus up to an aggregate of \$195 million to offset any redemptions of CFCOU’s ordinary shares made in connection with its shareholder vote to approve the transaction. The cash purchase price of \$235 million includes: (i) \$135 million of ordinary shares of CFCOU for \$10.00 per share, and (ii) \$100 million of preferred shares, plus additional amounts, if any, pursuant to the Company’s commitment to offset a portion of the redemptions of CFCOU’s ordinary shares, if any, and warrants. Additionally, the Company has committed, on the terms and subject to the conditions set forth therein, at the Closing, to purchase, or cause the purchase of, equity of CFCOU for an aggregate cash purchase price equal to two-thirds (2/3) of the aggregate amount, if any, not funded by one or more purchasers under the forward purchase agreements between CFCOU, CF Capital Growth, LLC and the counterparties thereto at

or prior to the closing of the Merger, up to an aggregate amount of \$200 million.

As consideration for the FNF Commitment and the agreements of the Company under the Equity Commitment Letters, the Company also entered into a fee letter agreement with CFCOU, dated May 24, 2017, pursuant to which CFCOU has agreed to pay to the Company the following fees at the closing of the Merger: (i) the original issue discount of \$2 million in respect of the preferred shares; (ii) a commitment fee of \$3 million; (iii) penny warrants convertible, in the aggregate, for 1.2% of CFCOU's ordinary shares (on a fully diluted basis); and (iv) if, and to the extent, any amount of the preferred equity under the Company's backstop commitment is funded (the "Backstop Equity"), (x) a funding fee of 0.5% of the amount of the Backstop Equity that is funded, and (y) penny warrants attached to the Backstop Equity that are convertible, in the aggregate, for the result of (1) the proportion of the Backstop Equity that is funded, and (2) 1.5% of CFCOU's ordinary shares (on a fully diluted basis). The Merger is expected to close in the fourth quarter of 2017, subject to the approval of the shareholders of CFCOU and FGL, and receipt of

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — continued

required regulatory approvals and other customary closing conditions. In addition to the Equity Commitment Letters and FNF Commitment, the Company holds \$37 million of equity securities of CFCOU as of June 30, 2017. The Company's non-executive Chairman, William P. Foley, II, is also the Co-Executive Chairman of CF Corporation. On May 22, 2017, FNF Group completed its acquisition of Hudson & Marshall, LLC ("H&M"), a full-service auction company and one of the nation's top real estate and property auction providers, for \$53 million. FNF and H&M expect to partner to further enhance the services FNF can provide to its lender, servicer and real estate agent relationships. Additionally, H&M will be hosting ServiceLink Auction, a new, full-service auction platform that will be integrated with ServiceLink's suite of products and technologies.

On May 5, 2017, we signed a definitive agreement to sell Digital Insurance, LLC ("OneDigital") for \$560 million in an all-cash transaction. The sale was finalized on June 6, 2017. After repayment of debt, payout to option holders and a minority equity investor and other transaction related payments, FNFV Group received \$331 million from the sale, which includes \$326 million of cash and \$5 million of purchase price holdback receivable. We recognized a pre-tax gain of \$269 million on the sale which is included in Realized gains and losses, net on the Condensed Consolidated Statement of Earnings. We retained no ownership in OneDigital and have no continuing involvement with OneDigital as of the date of the sale.

On May 3, 2017, our Board of Directors adopted a resolution to increase the size of our Board of Directors to thirteen and elected Heather H. Murren to serve on our Board of Directors. Ms. Murren will serve in Class I of our Board of Directors, and her term will expire at the annual meeting of our shareholders to be held in 2018. At this time, Ms. Murren has not been appointed to any committee of our Board.

Effective March 1, 2017, three of the Company's title insurance underwriters, Fidelity National Title Insurance Company, Chicago Title Insurance Company and Commonwealth Land Title Insurance Company, redomesticated from their former states of domicile to Florida (the "Redomestication"). In conjunction with the Redomestication, the Company received a special dividend from these title insurance underwriters of \$280 million on March 15, 2017.

On December 7, 2016, we announced that our Board of Directors approved a tax-free plan (the "Plan") whereby (1) we intend to distribute all 83.3 million shares of Black Knight Financial Services Inc. common stock that we currently own to FNF Group shareholders and (2) we intend to redeem all FNFV shares in exchange for shares of common stock of FNFV. Following the distributions, FNF, FNFV and Black Knight will each be independent, fully-distributed, publicly-traded common stocks, with FNF and FNFV no longer being tracking stocks. On May 10, 2017 we received the private letter ruling from the Internal Revenue Service ("IRS") approving certain aspects relating to the Plan. The Plan is subject to the filing and acceptance of a registration statement for both the Black Knight and FNFV transactions with the Securities and Exchange Commission, Black Knight and FNFV shareholder approvals and other customary closing conditions. The closing of the tax-free distributions of Black Knight and FNFV are not dependent on one another and will occur separately when the aforementioned closing conditions are met. The closing of the distributions is expected by the end of the third quarter of 2017.

Earnings Per Share

Basic earnings per share, as presented on the Condensed Consolidated Statement of Earnings, is computed by dividing net earnings available to common shareholders in a given period by the weighted average number of common shares outstanding during such period. In periods when earnings are positive, diluted earnings per share is calculated by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding plus the impact of assumed conversions of potentially dilutive securities. For periods when we recognize a net loss, diluted earnings per share is equal to basic earnings per share as the impact of assumed conversions of potentially dilutive securities is considered to be antidilutive. We have granted certain stock options, shares of restricted stock, convertible debt instruments and certain other convertible share based payments which have been treated as common share equivalents for purposes of calculating diluted earnings per share for periods in which positive earnings have been reported.

The net earnings of Black Knight in our calculation of diluted earnings per share is adjusted for dilution related to certain Black Knight restricted stock granted to employees in accordance with ASC 260-10-55-20. We calculate the

ratio of the Class B shares we hold to the total weighted average diluted shares of Black Knight outstanding and multiply such ratio by Black Knight's net earnings. The result is used as a substitution for Black Knight's net earnings attributable to FNF included in our consolidated net earnings in the numerator for our diluted earnings per share calculation. As the result had no effect for the three or six months ended June 30, 2017 and 2016, there were no adjustments made to net earnings attributable to FNF in our calculation of diluted earnings per share. There are no adjustments to earnings attributable to FNF in our calculation of basic earnings per share. There are no adjustments made to net earnings attributable to FNFV in our calculation of basic or diluted earnings per share.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — continued

Options or other instruments which provide the ability to purchase shares of our common stock that are antidilutive are excluded from the computation of diluted earnings per share. There were no antidilutive options outstanding during the three or six-month periods ended June 30, 2017. There were two million antidilutive options outstanding during the three and six months ended June 30, 2016.

Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU provides a new comprehensive revenue recognition model that requires companies to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This update also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. This update permits the use of either the retrospective or cumulative effect transition method. ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations was issued by FASB in March 2016 to clarify the principal versus agent considerations within ASU 2014-09. ASU 2016-10 Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing was issued by the FASB in April 2016 to clarify how to determine whether goods and services are separately identifiable and thus accounted for as separate performance obligations. ASU 2016-12 Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients was issued by the FASB in May 2016 to clarify certain terms from the aforementioned updates and to add practical expedients for contracts at various stages of completion. ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers, was issued by the FASB in December 2016 which includes thirteen technical corrections and improvements affecting narrow aspects of the guidance issued in ASU 2014-09.

We have completed our analysis of the impact of the standards for over 80% of our revenue, including all revenue recorded within direct title insurance premiums, agency title insurance premiums and restaurant revenue, and have concluded that these standards will not have a material impact on our accounting or reporting for these revenue streams. We continue to analyze certain revenue streams recorded within escrow, title-related and other fees primarily in our Black Knight segment. Black Knight has formed a project team and engaged a third-party professional services firm to assist with its evaluation. Based upon its initial assessment, Black Knight currently does not anticipate a material change to the pattern of its revenue recognition related to revenue earned from the majority of its technology business hosted software arrangements, data and analytics business arrangements with transaction or volume-based fees and perpetual license arrangements in both its technology and data and analytics businesses. However, due to the complexity of certain of its contracts, including contracts for multiple products and services related to each of its segments, the final determination will be dependent on contract-specific terms. During the second quarter, Black Knight continued its assessment with increased focus on more detailed contract reviews and further identification of data and disclosure requirements, including the effect on its processes, accounting system and design of internal controls. Black Knight is still in the process of quantifying the effects ASC 606 will have on its consolidated financial statements.

Upon issuance of ASU 2015-14, the effective date of ASU 2014-09 was deferred to annual and interim periods beginning on or after December 15, 2017. We will adopt the guidance on January 1, 2018. Either of the following transition methods is permitted: (i) a full retrospective approach reflecting the application of the new standard in each prior reporting period, or (ii) a modified retrospective approach with a cumulative-effect adjustment to the opening balance of retained earnings in the year the new standard is first applied. We are continuing to evaluate the approach we will use when transitioning to this new guidance.

Other Pronouncements

In January 2016, the FASB issued ASU No. 2016-01 Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The primary amendments required by the ASU include: requiring equity investments with readily determinable fair values to be measured at fair value through net

income rather than through other comprehensive income; allowing entities with equity investments without readily determinable fair values to report the investments at cost, adjusted for changes in observable prices, less impairment; requiring entities that elect the fair value option for financial liabilities to report the change in fair value attributable to instrument-specific credit risk in other comprehensive income; and clarifying that entities should assess the need for a valuation allowance on a deferred tax asset related to available-for-sale debt securities in combination with other deferred tax assets. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The ASU requires a cumulative-effect adjustment of the balance sheet as of the beginning of the year of adoption. Early adoption of the ASU is not permitted, except for the provision related to financial liabilities for which the fair value option has been elected. We are currently evaluating the effect this new guidance will have on our consolidated financial statements and related disclosures and have not yet concluded on its effects. As of June 30, 2017, we held equity and preferred securities available for sale with combined gross unrealized gains and (losses) of

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\$162 million and \$(5) million, respectively.

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842). The amendments in this ASU introduce broad changes to the accounting and reporting for leases by lessees. The main provisions of the new standard include: clarifications to the definitions of a lease, components of leases, and criteria for determining lease classification; requiring virtually all leased assets, including operating leases and related liabilities, to be reflected on the lessee's balance sheet; and expanding and adding to the required disclosures for lessees. This update is effective for annual and interim periods beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the standard is permitted. The ASU requires a modified retrospective approach to transitioning which allows for the use of practical expedients to effectively account for leases commenced prior to the effective date in accordance with previous GAAP, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. We are still evaluating the totality of the effects this new guidance will have on our business process and systems, consolidated financial statements, and related disclosures. We have identified a vendor with software suited to track and account for leases under the new standard. We have not concluded on the anticipated financial statement effects of adoption. We plan to adopt this standard on January 1, 2019.

In June 2016, the FASB issued ASU No. 2016-13 Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. The amendments in this ASU introduce broad changes to accounting for credit impairment of financial instruments. The primary updates include the introduction of a new current expected credit loss ("CECL") model that is based on expected rather than incurred losses and amendments to the accounting for impairment of debt securities available for sale. This update is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the effect this new guidance will have on our consolidated financial statements and related disclosures and have not yet concluded on its effects. We do not plan to early adopt the standard.

In August 2016, the FASB issued ASU No. 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The amendments in this ASU introduce clarifications to the presentation of certain cash receipts and cash payments in the statement of cash flows. The primary updates include additions and clarifications of the classification of cash flows related to certain debt repayment activities, contingent consideration payments related to business combinations, proceeds from insurance policies, distributions from equity method investees, and cash flows related to securitized receivables. This update is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption of this ASU is permitted, including in interim periods. The ASU requires retrospective application to all prior periods presented upon adoption. We are currently evaluating the effect this new guidance will have on our consolidated financial statements and related disclosures and have not yet concluded on its effects.

In November 2016, the FASB issued ASU No. 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. GAAP currently does not include specific guidance on the cash flow classification and presentation of changes in restricted cash. The Company currently excludes cash pledged related to secured trust deposits, which generally meets the definition of restricted cash, from the reconciliation of beginning-of-period to end-of-period total amounts shown on the statement of cash flows. This update is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption of this ASU is permitted, including in interim periods. The ASU requires retrospective application to all prior periods presented upon adoption. We are currently evaluating the effect this new guidance will have on our consolidated financial statements and related disclosures and have not yet concluded on its effects.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business to assist companies with evaluating whether transactions should be accounted for as acquisitions of assets or businesses. The new guidance requires a company to evaluate if substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of assets and activities is not a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs by more closely aligning it with how outputs are described in the guidance for revenue from contracts with customers. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The guidance should be applied prospectively to any transactions occurring within the period of adoption. We do not expect this standard to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The guidance simplifies the measurement of goodwill impairment by removing step 2 of the goodwill

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impairment test, which requires the determination of the fair value of individual assets and liabilities of a reporting unit. The new guidance requires goodwill impairment to be measured as the amount by which a reporting unit's carrying value exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The amendments should be applied on a prospective basis. The new standard is effective for fiscal years beginning after December 15, 2019 with early adoption permitted for interim or annual goodwill impairment tests performed after January 1, 2017. We are currently evaluating the effect this new guidance will have on our consolidated financial statements and related disclosures and have not yet concluded on its effects. In March 2017, the FASB issued ASU No. 2017-08, Receivables-Nonrefundable Fees and Other Costs (Topic 310-20): Premium Amortization on Purchased Callable Debt Securities. The amendments in this ASU shortens the amortization period for the premium on certain purchased callable debt securities to the earliest call date. The new guidance does not change the accounting for purchased callable debt securities held at a discount. This update is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption of this ASU is permitted, including in interim periods. We early adopted the standard as of January 1, 2017. The adoption of this standard did not have a material impact on our financial statements.

Note B. Summary of Reserve for Claim Losses

A summary of the reserve for claim losses follows:

	Six months ended June 30,	
	2017	2016
	(Dollars in millions)	
Beginning balance	\$1,487	\$1,583
Change in reinsurance recoverable	(4)	—
Claim loss provision related to:		
Current year	113	114
Prior years	4	6
Total title claim loss provision	117	120
Claims paid, net of recoupments related to:		
Current year	(2)	(2)
Prior years	(106)	(111)
Total title claims paid, net of recoupments	(108)	(113)
Ending balance of claim loss reserve for title insurance	\$1,492	\$1,590
Provision for title insurance claim losses as a percentage of title insurance premiums	5.0 %	5.5 %

We continually update loss reserve estimates as new information becomes known, new loss patterns emerge, or as other contributing factors are considered and incorporated into the analysis of reserve for claim losses. Estimating future title loss payments is difficult because of the complex nature of title claims, the long periods of time over which claims are paid, significantly varying dollar amounts of individual claims and other factors.

Due to the uncertainty inherent in the process and to the judgment used by management, the ultimate liability may be greater or less than our current reserves. If actual claims loss development varies from what is currently expected and is not offset by other factors, it is possible that our recorded reserves may fall outside a reasonable range of our actuary's central estimate, which may require additional reserve adjustments in future periods.

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Note C — Fair Value Measurements

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and December 31, 2016, respectively:

	June 30, 2017			Total
	Level 1	Level 2	Level 3	
	(In millions)			
Fixed maturity securities available for sale:				
U.S. government and agencies	\$—	\$103	\$—	—\$103
State and political subdivisions	—	548	—	548
Corporate debt securities	—	1,408	—	1,408
Mortgage-backed/asset-backed securities	—	52	—	52
Foreign government bonds	—	71	—	71
Preferred stock available for sale	41	282	—	323
Equity securities available for sale	441	—	—	441
Total assets	\$482	\$2,464	\$—	—\$2,946
	December 31, 2016			
	Level 1	Level 2	Level 3	Total
	(In millions)			
Fixed maturity securities available for sale:				
U.S. government and agencies	\$—	\$117	\$—	—\$117
State and political subdivisions	—	615	—	615
Corporate debt securities	—	1,533	—	1,533
Mortgage-backed/asset-backed securities	—	58	—	58
Foreign government bonds	—	109	—	109
Preferred stock available for sale	32	283	—	315
Equity securities available for sale	438	—	—	438
Total assets	\$470	\$2,715	\$—	—\$3,185

Our Level 2 fair value measures for fixed-maturities available for sale are provided by third-party pricing services. We utilize one firm for our taxable bond and preferred stock portfolio and another for our tax-exempt bond portfolio.

These pricing services are leading global providers of financial market data, analytics and related services to financial institutions. We rely on one price for each instrument to determine the carrying amount of the assets on our balance sheet. The inputs utilized in these pricing methodologies include observable measures such as benchmark yields, reported trades, broker dealer quotes, issuer spreads, two sided markets, benchmark securities, bids, offers and reference data including market research publications. We review the pricing methodologies for all of our Level 2 securities by obtaining an understanding of the valuation models and assumptions used by the third-party as well as independently comparing the resulting prices to other publicly available measures of fair value and internally developed models. The pricing methodologies used by the relevant third-party pricing services are as follows:

• U.S. government and agencies: These securities are valued based on data obtained for similar securities in active markets and from inter-dealer brokers.

State and political subdivisions: These securities are valued based on data obtained for similar securities in active markets and from inter-dealer brokers. Factors considered include relevant trade information, dealer quotes and other relevant market data.

• Corporate debt securities: These securities are valued based on dealer quotes and related market trading activity. Factors considered include the bond's yield, its terms and conditions, and any other feature which may influence its

risk and thus marketability, as well as relative credit information and relevant sector news.

Mortgage-backed/asset-backed securities: These securities are comprised of agency mortgage-backed securities, collateralized mortgage obligations, and asset-backed securities. They are valued based on available trade information, dealer quotes, cash flows, relevant indices and market data for similar assets in active markets.

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• Foreign government bonds: These securities are valued based on a discounted cash flow model incorporating observable market inputs such as available broker quotes and yields of comparable securities.

• Preferred stocks: These securities are valued by calculating the appropriate spread over a comparable U.S. Treasury security. Inputs include benchmark quotes and other relevant market data.

As of June 30, 2017 and December 31, 2016, we held no material assets or liabilities measured at fair value using Level 3 inputs.

The carrying amounts of short-term investments, accounts receivable and notes receivable approximate fair value due to their short-term nature. Additional information regarding the fair value of our investment portfolio is included in Note D Investments.

Note D — Investments

The carrying amounts and fair values of our available for sale securities at June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017		Unrealized	Unrealized	Fair
	Carrying	Cost	Gains	Losses	Value
	Value	Basis			
	(In millions)				
Fixed maturity securities available for sale:					
U.S. government and agencies	\$ 103	\$ 103	\$ —	\$ —	\$ 103
State and political subdivisions	548	538	10	—	548
Corporate debt securities	1,408	1,393	17	(2)	1,408
Mortgage-backed/asset-backed securities	52	51	1	—	52
Foreign government bonds	71	73	1	(3)	71
Preferred stock available for sale	323	308	15	—	323
Equity securities available for sale	441	299	147	(5)	441
Total	\$2,946	\$2,765	\$ 191	\$ (10)	\$2,946
	December 31, 2016				
	Carrying	Cost	Unrealized	Unrealized	Fair
	Value	Basis	Gains	Losses	Value
	(In millions)				
Fixed maturity securities available for sale:					
U.S. government and agencies	\$ 117	\$ 117	\$ —	\$ —	\$ 117
State and political subdivisions	615	607	9	(1)	615
Corporate debt securities	1,533	1,524	15	(6)	1,533
Mortgage-backed/asset-backed securities	58	56	2	—	58
Foreign government bonds	109	117	—	(8)	109
Preferred stock available for sale	315	312	6	(3)	315
Equity securities available for sale	438	323	115	—	438
Total	\$3,185	\$3,056	\$ 147	\$ (18)	\$3,185

The cost basis of fixed maturity securities available for sale includes an adjustment for amortized premium or accreted discount since the date of purchase.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — continued

The following table presents certain information regarding contractual maturities of our fixed maturity securities at June 30, 2017:

Maturity	June 30, 2017			
	Amortized Cost	% of Total	Fair Value	% of Total
	(Dollars in millions)			
One year or less	\$639	30 %	\$641	29 %
After one year through five years	1,392	65	1,410	65
After five years through ten years	68	3	70	3
After ten years	8	—	9	1
Mortgage-backed/asset-backed securities	51	2	52	2
Total	\$2,158	100 %	\$2,182	100 %

Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Because of the potential for prepayment on mortgage-backed and asset-backed securities, they are not categorized by contractual maturity.

Net unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2017 and December 31, 2016, were as follows (in millions):

June 30, 2017

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate debt securities	\$410	\$ (2)	\$—	\$ —	\$410	\$ (2)
Foreign government bonds	—	—	14	(3)	14	(3)
Equity securities available for sale	38	(5)	—	—	38	(5)
Total temporarily impaired securities	\$448	\$ (7)	\$14	\$ (3)	\$462	\$ (10)

December 31, 2016

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
States and political subdivisions	\$107	\$ (1)	\$—	\$ —	\$107	\$ (1)
Corporate debt securities	410	(4)	11	(2)	421	(6)
Foreign government bonds	85	(4)	20	(4)	105	(8)
Preferred stock available for sale	55	(2)	42	(1)	97	(3)
Total temporarily impaired securities	\$657	\$ (11)	\$73	\$ (7)	\$730	\$ (18)

We recorded \$1 million in impairment charges relating to investments during the three and six-month periods ended June 30, 2017 relating to a fixed maturity security of an investee entering Chapter 11 bankruptcy which has exhibited a decreasing fair market value and from which we are uncertain of our ability to recover our initial investment. We recorded no impairment charges relating to investments during the three-month period ended June 30, 2016. We recorded \$3 million in impairment charges related to investments during the six-month period ended June 30, 2016 relating to an investment in an unconsolidated affiliate in which we determined the ability to recover our investment was unlikely. As of June 30, 2017, we held \$1 million in fixed maturity securities for which an other-than-temporary impairment had been previously recognized. As of December 31, 2016, we held \$7 million in fixed maturity and equity securities for which an other-than-temporary impairment had been previously recognized. It is possible that future events may lead us to recognize impairment losses related to our investment portfolio and that

unanticipated future events may lead us to dispose of certain investment holdings and recognize the effects of any market movements in our condensed consolidated financial statements.

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The following table presents realized gains and losses on investments and other assets and proceeds from the sale or maturity of investments and other assets for the three- and six-month periods ended June 30, 2017 and 2016, respectively:

	Three months ended June 30, 2017				Six months ended June 30, 2017			
	Gross Realized Gains	Gross Realized Losses	Net Realized Gains (Losses)	Gross Proceeds from Sale/Maturity	Gross Realized Gains	Gross Realized Losses	Net Realized Gains (Losses)	Gross Proceeds from Sale/Maturity
	(In millions)				(In millions)			
Fixed maturity securities available for sale	\$1	\$ (2)	\$ (1)	\$ 203	\$4	\$ (6)	\$ (2)	\$ 438
Preferred stock available for sale	—	—	—	10	—	—	—	10
Equity securities available for sale	—	—	—	—	5	—	5	32
Gain on sale of OneDigital			269	331			269	331
Loss on debt conversions and debt refinancing			(20)	—			(24)	—
Other long term investments			9	14			9	14
Other realized gains and losses, net			(1)	—			(2)	—
Total			\$ 256	\$ 558			\$ 255	\$ 825
	Three months ended June 30, 2016				Six months ended June 30, 2016			
	Gross Realized Gains	Gross Realized Losses	Net Realized Gains (Losses)	Gross Proceeds from Sale/Maturity	Gross Realized Gains	Gross Realized Losses	Net Realized Gains (Losses)	Gross Proceeds from Sale/Maturity
	(In millions)				(In millions)			
Fixed maturity securities available for sale	\$2	\$ (1)	\$ 1	\$ 191	\$3	\$ (1)	\$ 2	\$ 349
Preferred stock available for sale	1	—	1	9	1	—	1	9
Equity securities available for sale	—	—	—	—	—	(1)	(1)	—
Investments in unconsolidated affiliates			—	—			(3)	—
Other long-term investments			15	36			15	36
Other assets			(2)	—			(5)	—
Total			\$ 15	\$ 236			\$ 9	\$ 394

Investments in unconsolidated affiliates are recorded using the equity method of accounting. As of June 30, 2017 and December 31, 2016, investments in unconsolidated affiliates consisted of the following (dollars in millions):

	Current Ownership	June 30, 2017	December 31, 2016
Ceridian	33 %	\$ 368	\$ 371
Other	Various	206	187
Total		\$ 574	\$ 558

In addition to our equity investment in Ceridian, we own certain of their outstanding bonds. Our investment in Ceridian bonds is included in Fixed maturity securities available for sale on the Condensed Consolidated Balance Sheets and had a fair value of \$31 million and \$30 million as of June 30, 2017 and December 31, 2016, respectively. We did not purchase or dispose of any Ceridian bonds in the six-month period ended June 30, 2017.

During the three-month periods ended June 30, 2017 and 2016, we recorded \$5 million and \$4 million in equity in losses of Ceridian, respectively, and \$3 million in equity in earnings of other unconsolidated affiliates. During the six-month periods ended June 30, 2017 and 2016, we recorded \$9 million and \$6 million in equity in losses of Ceridian, respectively, and \$5 million and \$7 million in equity in earnings of other unconsolidated affiliates,

respectively.

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Summarized, unaudited financial information for Ceridian for the relevant dates and time periods included in Investments in unconsolidated affiliates and Equity in losses of unconsolidated affiliates in our Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Earnings, respectively, is presented below.

	June 30, December 31,	
	2017	2016
	(In millions)	
Total current assets before customer funds	\$367	\$ 343
Customer funds	3,746	3,703
Goodwill and other intangible assets, net	2,296	2,291
Other assets	92	90
Total assets	\$6,501	\$ 6,427
Current liabilities before customer obligations	\$157	\$ 201
Customer obligations	3,738	3,692
Long-term obligations, less current portion	1,138	1,140
Other long-term liabilities	290	301
Total liabilities	5,323	5,334
Equity	1,178	1,093
Total liabilities and equity	\$6,501	\$ 6,427

	Three	Three	Six	Six
	months	months	months	months
	ended	ended	ended	ended
	June	June	June	June
	30,	30,	30,	30,
	2017	2016	2017	2016
	(In millions)		(In millions)	
Total revenues	\$177	\$ 167	\$364	\$ 345
Loss before income taxes	(21)	(26)	(30)	(40)
Net loss	(23)	(15)	(34)	(25)

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Note E — Notes Payable

Notes payable consists of the following:

	June 30, 2017	December 31, 2016
	(In millions)	
Unsecured notes, net of discount, interest payable semi-annually at 5.50%, due September 2022	\$397	\$ 397
Unsecured convertible notes, net of discount, interest payable semi-annually at 4.25%, due August 2018	110	291
Unsecured notes, net of discount, interest payable semi-annually at 6.60%, due May 2017	—	300
Revolving Credit Facility, unsecured, unused portion of \$500, due April 2022 with interest payable monthly at LIBOR + 1.40% (2.58% at June 30, 2017)	295	(3)
Unsecured Black Knight Senior Notes, including premium, interest payable semi-annually at 5.75%, due April 2023	—	401
Black Knight Term A Facility, due February 2022 with interest currently payable monthly at LIBOR + 1.75% (3.00% at June 30, 2017)	1,026	733
Black Knight Term B Facility, due May 2022 with interest currently payable quarterly at LIBOR + 2.25% (3.50% at June 30, 2017)	340	341
Black Knight Revolving Credit Facility, unused portion of \$350, due February 2022 with interest currently payable monthly at LIBOR + 1.75% (3.00% at June 30, 2017)	145	46
ABRH Term Loan, interest payable monthly at LIBOR + 3.0% (4.23% at June 30, 2017), due August 2019	88	92
OneDigital Revolving Credit Facility, due March 2022 with interest payable monthly at LIBOR + 2.50% - 3.50%	—	129
ABRH Revolving Credit Facility, unused portion of \$26, due August 2019 with interest payable monthly at various rates	18	—
Other	19	19
	\$2,438	\$ 2,746

At June 30, 2017, the estimated fair value of our long-term debt was approximately \$2,653 million, which was \$192 million higher than its carrying value, excluding \$23 million of net unamortized debt issuance costs and premium/discount. The carrying values of our ABRH term loan and ABRH revolving credit facility approximate the fair values at June 30, 2017 as they are variable rate instruments with short reset periods which reflect current market rates. The fair value of our unsecured notes payable was \$704 million as of June 30, 2017. The fair values of our unsecured notes payable are based on established market prices for the securities on June 30, 2017 and are considered Level 2 financial liabilities. The carrying value of the Black Knight Term A, Term B, and revolving facilities approximate fair value at June 30, 2017. The revolving credit facilities are considered Level 2 financial liabilities. On May 27, 2015, Black Knight InfoServ, LLC ("BKIS") entered into a credit and guaranty agreement (the "BKIS Credit Agreement") with an aggregate borrowing capacity of \$1.6 billion with JPMorgan Chase Bank, N.A. as administrative agent, the guarantors party thereto, the other agents party thereto and the lenders party thereto. The material terms of the BKIS Credit Agreement, excluding the amendments described below, are set forth in our Annual Report for the year ended December 31, 2016.

On February 27, 2017, BKIS entered into a first amendment (the "First Amendment") to its BKIS Credit Agreement with JPMorgan Chase Bank, N.A. as administrative agent pursuant to which certain terms of the BKIS Credit Agreement were modified and amended. Pursuant to the First Amendment, effective as of February 27, 2017, the Term B Loan under the BKIS Credit Agreement bears interest at rates based upon, at the option of BKIS, either (i) the base rate plus a margin of 125 basis points, or (ii) the Eurodollar rate plus a margin of 225 basis points, subject to a Eurodollar rate floor of 75 basis points. In addition, the First Amendment permits the previously announced tax-free distribution pursuant to which FNF intends to distribute, together with the other transactions related thereto, all 83.3

million shares of Black Knight common stock that it currently owns to holders of FNF Group common stock. On April 26, 2017, BKIS, entered into a Second Amendment (the “Second Amendment”) to its BKIS Credit Agreement with JPMorgan Chase Bank, N.A. as administrative agent, the guarantors party thereto, the other agents party thereto and the lenders party thereto. The Second Amendment increases (i) the aggregate principal amount of the Term A Loan by \$300 million to \$1,030

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — continued

million and (ii) the aggregate principal amount of commitments under the Revolving Credit Facility by \$100 million to \$500 million. The Second Amendment also reduces the pricing applicable to the loans under the Term A Facility and Revolving Credit Facility by 25 basis points and reduces the unused commitment fee applicable to the Revolving Credit Facility by 5 basis points. The Term A Loan and Revolving Credit Facility bear interest at rates based upon, at the option of BKIS, either (i) the base rate plus a margin of between 25 and 100 basis points depending on the total leverage ratio of BKFS LLC and its restricted subsidiaries on a consolidated basis (the “Consolidated Leverage Ratio”) and (ii) the Eurodollar rate plus a margin of between 125 and 200 basis points depending on the Consolidated Leverage Ratio, subject to a Eurodollar rate floor of zero basis points. In addition, BKIS will pay an unused commitment fee of between 15 and 30 basis points on the undrawn commitments under the Revolving Credit Facility, also depending on the Consolidated Leverage Ratio. Pursuant to the terms of the Second Amendment, the Term A Loan and the Revolving Credit Facility mature on February 25, 2022.

As of June 30, 2017 BKIS had aggregate outstanding debt of \$1,511 million under the BKIS Credit Agreement, net of debt issuance costs. We hold \$49 million of the outstanding Term B loans which eliminate in consolidation.

On August 19, 2014, ABRH entered into a credit agreement (the “ABRH Credit Facility”) with Wells Fargo Bank, National Association as administrative agent, Swingline Lender and Issuing Lender (the “ABRH Administrative Agent”), Bank of America, N.A. as syndication agent and the other financial institutions party thereto. The ABRH Credit Facility was amended on February 24, 2017. The material terms of the ABRH Credit Facility are set forth in our Annual Report on Form 10-K for the year ended December 31, 2016, including the material terms of the amendment on February 24, 2017, and have not been amended since the filing of such Annual Report. As of June 30, 2017, ABRH had \$88 million outstanding for the ABRH Term Loan, had \$18 million outstanding under the ABRH Revolver, had \$16 million of outstanding letters of credit and had \$26 million of remaining borrowing capacity under the ABRH Credit Facility. As of June 30, 2017, \$15 million of borrowings under the ABRH Revolver incurred interest at 4.12% and \$3 million of borrowings incurred interest at 6.25%.

Through April 25, 2017, BKIS had 5.75% Senior Notes, interest paid semi-annually, which were scheduled to mature on April 15, 2023 (the “Black Knight Senior Notes”). The Black Knight Senior Notes were senior unsecured obligations, registered under the Securities Act and contained customary affirmative, negative and financial covenants, and events of default for indebtedness of this type (with grace periods, as applicable, and lender remedies). On April 26, 2017, Black Knight redeemed the outstanding Black Knight Senior Notes at a price of 104.825% and paid \$1 million in accrued interest.

On June 25, 2013, FNF entered into an agreement to amend and restate our existing \$800 million Second Amended and Restated Credit Agreement (the “Existing Credit Agreement”), dated as of April 16, 2012 with Bank of America, N.A., as administrative agent (in such capacity, the “Administrative Agent”) and the other agents party thereto (the “Revolving Credit Facility”). On April 27, 2017, the Revolving Credit Facility was amended (the “Restated Credit Agreement”) to extend the term for 5 years, from a maturity date of July 15, 2018 to April 27, 2022 and to update the interest rate. Revolving loans under the Restated Credit Agreement generally bear interest at a variable rate based on either (i) the base rate (which is the highest of (a) one-half of one percent in excess of the federal funds rate, (b) the Administrative Agent’s “prime rate”, or (c) the sum of one percent plus one-month LIBOR) plus a margin of between 10.0 and 60.0 basis points depending on the senior unsecured long-term debt ratings of the Company or (ii) LIBOR plus a margin of between 110.0 and 160.0 basis points depending on the senior unsecured long-term debt ratings of the Company. At the current Standard & Poor’s and Moody’s senior unsecured long-term debt ratings of BBB/Baa3, respectively, the applicable margin for revolving loans subject to LIBOR is 140 basis points. In addition, the Company will pay a commitment fee of between 15.0 and 40.0 basis points on the entire facility, also depending on the Company’s senior unsecured long-term debt ratings. All other material terms of the Revolving Credit Facility are the same as those set forth in our Annual Report for the year ended December 31, 2016. As of June 30, 2017, there was \$295 million outstanding, net of \$5 million of unamortized debt issuance costs, and \$500 million of remaining borrowing capacity under the Revolving Credit Facility.

On August 28, 2012, FNF completed an offering of \$400 million in aggregate principal amount of 5.50% notes due September 2022 (the "5.50% notes"), pursuant to an effective registration statement previously filed with the SEC. The material terms of the 5.50% notes are set forth in our Annual Report for the year ended December 31, 2016.

On August 2, 2011, FNF completed an offering of \$300 million in aggregate principal amount of 4.25% convertible senior notes due August 2018 (the "Notes") in an offering conducted in accordance with Rule 144A under the Securities Act of 1933, as amended. The material terms of the Notes are set forth in our Annual Report for the year ended December 31, 2016, except to clarify that it is now our intent to settle conversions through cash settlement. Beginning October 1, 2013, these notes are convertible under the 130% Sale Price Condition described in our Annual Report. During the six months ended June 30, 2017, we repurchased Notes with aggregate principal of \$187 million for \$434 million.

On May 5, 2010, FNF completed an offering of \$300 million in aggregate principal amount of our 6.60% notes due May 2017 (the "6.60% Notes"), pursuant to an effective registration statement previously filed with the SEC. The material terms of the 6.60%

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — continued

Notes are set forth in our Annual Report for the year ended December 31, 2016. In May 2017, we paid off the 6.60% Notes in full using proceeds from borrowings under the Revolving Credit Facility.

Gross principal maturities of notes payable at June 30, 2017 are as follows (in millions):

2017 (remaining)	\$36
2018	176
2019	177
2020	108
2021	133
Thereafter	1,831
	\$2,461

Note F — Commitments and Contingencies

Legal and Regulatory Contingencies

In the ordinary course of business, we are involved in various pending and threatened litigation matters related to our operations, some of which include claims for punitive or exemplary damages. With respect to our title insurance operations, this customary litigation includes but is not limited to a wide variety of cases arising out of or related to title and escrow claims, for which we make provisions through our loss reserves. Additionally, like other companies, our ordinary course litigation includes a number of class action and purported class action lawsuits, which make allegations related to aspects of our operations. We believe that no actions, other than the matters discussed below, if any, depart from customary litigation incidental to our business.

Our Restaurant Group companies are a defendant from time to time in various legal proceedings arising in the ordinary course of business, including claims relating to injury or wrongful death under “dram shop” laws that allow a person to sue us based on any injury caused by an intoxicated person who was wrongfully served alcoholic beverages at one of the restaurants; individual and purported class or collective action claims alleging violation of federal and state employment, franchise and other laws; and claims from guests or employees alleging illness, injury or other food quality, health or operational concerns. Our Restaurant Group companies are also subject to compliance with extensive government laws and regulations related to employment practices and policies and the manufacture, preparation, and sale of food and alcohol. We may also become subject to lawsuits and other proceedings, as well as card network fines and penalties, arising out of the actual or alleged theft of our customers' credit or debit card information.

We review lawsuits and other legal and regulatory matters (collectively “legal proceedings”) on an ongoing basis when making accrual and disclosure decisions. When assessing reasonably possible and probable outcomes, management bases its decision on its assessment of the ultimate outcome assuming all appeals have been exhausted. For legal proceedings in which it has been determined that a loss is both probable and reasonably estimable, a liability based on known facts and which represents our best estimate has been recorded. Our accrual for legal and regulatory matters was \$6 million as of June 30, 2017 and \$69 million as of December 31, 2016. During the quarter ended March 31, 2017, ServiceLink paid \$65 million to settle all remaining obligations to complete the document execution review under the 2011 LPS consent order with certain banking agencies. Details of the consent order and the terms of the settlement are set forth in Note M to the Consolidated Financial Statements in our Annual Report for the year ended December 31, 2016. None of the amounts we have currently recorded are considered to be material to our financial condition individually or in the aggregate. Actual losses may materially differ from the amounts recorded and the ultimate outcome of our pending legal proceedings is generally not yet determinable. While some of these matters could be material to our operating results or cash flows for any particular period if an unfavorable outcome results, at present we do not believe that the ultimate resolution of currently pending legal proceedings, either individually or in the aggregate, will have a material adverse effect on our financial condition.

From time to time we receive inquiries and requests for information from state insurance departments, attorneys general and other regulatory agencies about various matters relating to our business. Sometimes these take the form of

civil investigative demands or subpoenas. We cooperate with all such inquiries and we have responded to or are currently responding to inquiries from multiple governmental agencies. Also, regulators and courts have been dealing with issues arising from foreclosures and related processes and documentation. Various governmental entities are studying the title insurance product, market, pricing, and business practices, and potential regulatory and legislative changes, which may materially affect our business and operations. From time to time, we are assessed fines for violations of regulations or other matters or enter into settlements with such authorities which may require us to pay fines or claims or take other actions.

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — continued

Operating Leases

Future minimum operating lease payments are as follows (in millions):

2017 (remaining)	\$ 117
2018	198
2019	167
2020	132
2021	99
Thereafter	235
Total future minimum operating lease payments	\$948

Note G — Dividends

On July 19, 2017, our Board of Directors declared cash dividends of \$0.25 per share, payable on September 29, 2017, to FNF Group common shareholders of record as of September 15, 2017.

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — continued

Note H — Segment Information

Summarized financial information concerning our reportable segments is shown in the following tables.

As of and for the three months ended June 30, 2017:

	Title	Black Knight	FNF Group Corporate and Other	Total FNF Group	Restaurant Group	FNFV Corporate and Other	Total FNFV	Total
	(In millions)							
Title premiums	\$1,301	\$—	\$—	\$1,301	\$—	\$—	\$—	\$1,301
Other revenues	575	259	132	966	—	42	42	1,008
Restaurant revenues	—	—	—	—	288	—	288	288
Revenues from external customers	1,876	259	132	2,267	288	42	330	2,597
Interest and investment income, including realized gains and losses	41	(17)	(3)	21	(1)	270	269	290
Total revenues	1,917	242	129	2,288	287	312	599	2,887
Depreciation and amortization	39	50	5	94	11	5	16	110
Interest expense	—	14	12	26	1	2	3	29
Earnings (loss) from continuing operations, before income taxes and equity in earnings (loss) of unconsolidated affiliates	294	29	(30)	293	(2)	239	237	530
Income tax expense (benefit)	114	17	(18)	113	—	113	113	226
Earnings (loss) from continuing operations, before equity in earnings (loss) of unconsolidated affiliates	180	12	(12)	180	(2)	126	124	304
Equity in earnings (losses) of unconsolidated affiliates	2	—	—	2	—	(4)	(4)	(2)
Earnings (loss) from continuing operations	\$182	\$12	\$(12)	\$182	\$(2)	\$122	\$120	\$302
Assets	\$8,516	\$3,650	\$682	\$12,848	\$488	\$866	\$1,354	\$14,202
Goodwill	2,383	2,307	216	4,906	101	—	101	5,007

As of and for the three months ended June 30, 2016:

	Title	Black Knight	FNF Group Corporate and Other	Total FNF Group	Restaurant Group	FNFV Corporate and Other	Total FNFV	Total
Title premiums	\$1,231	\$—	\$—	\$1,231	\$—	\$—	\$—	\$1,231
Other revenues	552	256	59	867	—	40	40	907
Restaurant revenues	—	—	—	—	292	—	292	292
Revenues from external customers	1,783	256	59	2,098	292	40	332	2,430
Interest and investment income, including realized gains and losses	39	—	(3)	36	—	16	16	52
Total revenues	1,822	256	56	2,134	292	56	348	2,482
Depreciation and amortization	36	49	2	87	10	5	15	102

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Interest expense	—	16	16	32	1	—	1	33
Earnings (loss) from continuing operations, before income taxes and equity in earnings (loss) of unconsolidated affiliates	281	41	(33)) 289	6	13	19	308
Income tax expense (benefit)	106	14	(22)	) 98	—	3	3	101
Earnings (loss) from continuing operations, before equity in earnings of unconsolidated affiliates	175	27	(11)	) 191	6	10	16	207
Equity in earnings (loss) of unconsolidated affiliates	3	—	—	3	—	(4)	) (4)	) (1)
Earnings (loss) from continuing operations	\$178	\$27	\$ (11)	) \$194	\$ 6	\$ 6	\$12	\$206
Assets	\$8,963	\$3,665	\$ 404	\$13,032	\$ 487	\$ 919	\$1,406	\$14,438
Goodwill	2,323	2,301	45	4,669	101	93	194	4,863

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — continued

As of and for the six months ended June 30, 2017:

Title	Black Knight	FNF Group Corporate and Other	Total FNF Group	Restaurant Group	FNFV Corporate and Other	Total FNFV	Total	
(In millions)								
Title premiums	\$2,349	\$—	\$—	\$2,349	\$—	\$—	\$—	\$2,349
Other revenues	1,071	517	197	1,785	—	91	91	1,876
Restaurant revenues	—	—	—	—	561	—	561	561
Revenues from external customers	3,420	517	197	4,134	561	91	652	4,786
Interest and investment income, including realized gains and losses	67	(19)	(5)	43	(1)	276	275	318
Total revenues	3,487	498	192	4,177	560	367	927	5,104
Depreciation and amortization	77	103	10	190	22	10	32	222
Interest expense	—	30	27	57	3	4	7	64
Earnings (loss) from continuing operations, before income taxes and equity in earnings (loss) of unconsolidated affiliates	445	70	(62)	453	(6)	244	238	691
Income tax expense (benefit)	192	30	(29)	193	—	111	111	304
Earnings (loss) from continuing operations, before equity in earnings (loss) of unconsolidated affiliates	253	40	(33)	260	(6)	133	127	387
Equity in earnings (losses) of unconsolidated affiliates	4	—	—	4	—	(8)	(8)	(4)
Earnings (loss) from continuing operations	\$257	\$40	\$ (33)	\$264	\$ (6)	\$ 125	\$119	\$383
Assets	\$8,516	\$3,650	\$ 682	\$12,848	\$ 488	\$ 866	\$1,354	\$14,202
Goodwill	2,383	2,307	216	4,906	101	—	101	5,007

As of and for the six months ended June 30, 2016:

Title	Black Knight	FNF Group Corporate and Other	Total FNF Group	Restaurant Group	FNFV Corporate and Other	Total FNFV	Total	
Title premiums	\$2,183	\$—	\$—	\$2,183	\$—	\$—	\$—	\$2,183
Other revenues	1,018	498	92	1,608	—	78	78	1,686
Restaurant revenues	—	—	—	—	585	—	585	585
Revenues from external customers	3,201	498	92	3,791	585	78	663	4,454
Interest and investment income, including realized gains and losses	68	—	(6)	62	(3)	17	14	76
Total revenues	3,269	498	86	3,853	582	95	677	4,530
Depreciation and amortization	71	97	4	172	20	10	30	202
Interest expense	—	32	31	63	2	2	4	67
	402	82	(65)	419	6	14	20	439

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Earnings (loss) from continuing operations, before income taxes and equity in earnings (loss) of unconsolidated affiliates								
Income tax expense (benefit)	151	28	(31)	148	—	2	2	150
Earnings (loss) from continuing operations, before equity in earnings (loss) of unconsolidated affiliates	251	54	(34)	271	6	12	18	289
Equity in earnings (loss) of unconsolidated affiliates	6	—	—	6	—	(5)	(5)	1
Earnings (loss) from continuing operations	\$257	\$54	\$ (34)	\$277	\$ 6	\$ 7	\$13	\$290
Assets	\$8,963	\$3,665	\$ 404	\$13,032	\$ 487	\$ 919	\$1,406	\$14,438
Goodwill	2,323	2,301	45	4,669	101	93	194	4,863

The activities in our segments include the following:

FNF Group

Title. This segment consists of the operations of our title insurance underwriters and related businesses. This segment provides core title insurance and escrow and other title-related services including trust activities, trustee sales guarantees, recordings and reconveyances, and home warranty products. This segment also includes our transaction services business,

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — continued

which includes other title-related services used in the production and management of mortgage loans, including mortgage loans that experience default.

Black Knight. This segment consists of the operations of Black Knight, which, through leading software systems and information solutions, provides mission critical technology and data and analytics services that facilitate and automate many of the business processes across the life cycle of a mortgage.

- **FNF Group Corporate and Other.** This segment consists of the operations of the parent holding company, certain other unallocated corporate overhead expenses, and other real estate operations.

FNFV

Restaurant Group. This segment consists of the operations of ABRH, in which we have a 55% ownership interest.

• **ABRH and its affiliates** are the owners and operators of the O'Charley's, Ninety Nine Restaurants, Village Inn, Bakers Square, and Legendary Baking restaurant and food service concepts.

FNFV Corporate and Other. This segment primarily consists of our share in the operations of certain equity investments, including Ceridian, as well as other smaller investments which are not title-related. This segment also includes the results of operations of Digital Insurance, Inc. ("OneDigital"), in which we held 96% ownership, through the date it was sold, May 5, 2017.

Note I. Supplemental Cash Flow Information

The following supplemental cash flow information is provided with respect to certain non-cash investing and financing activities.

	Six months ended June 30, 2017 2016	
Cash paid for:		
Interest	\$69	\$62
Income taxes	202	140
Non-cash investing and financing activities:		
Investing activities:		
Change in proceeds of sales of investments available for sale receivable in period	\$3	\$21
Change in purchases of investments available for sale payable in period	(1)	3
Additions to IT hardware financed through a lease	—	(10)
Financing activities:		
Change in treasury stock purchases payable in period	\$4	\$(1)
Change in accrual for unsettled debt service payments related to the Notes	1	—
Change in accrual for the equity portion of unsettled repurchases of the Notes	1	—
Borrowings to finance IT hardware additions	—	10
Debt extinguished through the sale of OneDigital	151	—

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. It is important to note that our actual results could vary materially from those forward-looking statements contained herein due to many factors, including, but not limited to: changes in general economic, business and political conditions, including changes in the financial markets; continued weakness or adverse changes in the level of real estate activity,

which may be caused by, among other things, high or increasing interest rates, a limited supply of mortgage

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funding or a weak U.S. economy; our potential inability to find suitable acquisition candidates, acquisitions in lines of business that will not necessarily be limited to our traditional areas of focus, or difficulties in integrating acquisitions; our dependence on distributions from our title insurance underwriters as our main source of cash flow; significant competition that our operating subsidiaries face; compliance with extensive government regulation of our operating subsidiaries and adverse changes in applicable laws or regulations or in their application by regulators; our ability to successfully execute the proposed plan to distribute shares of Black Knight and redeem all FNFV tracking stock; and other risks detailed in the “Statement Regarding Forward-Looking Information,” “Risk Factors” and other sections of our Annual Report on Form 10-K (our "Annual Report") for the year ended December 31, 2016 and other filings with the SEC.

The following discussion should be read in conjunction with our Annual Report for the year ended December 31, 2016.

Overview

For a description of our business, including descriptions of segments and recent business developments, see the discussion under Basis of Financial Statements in Note A to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Report, which is incorporated by reference into this Part I, Item 2.

Business Trends and Conditions

Title

Our Title segment revenue is closely related to the level of real estate activity which includes sales, mortgage financing and mortgage refinancing. Declines in the level of real estate activity or the average price of real estate sales will adversely affect our title insurance revenues.

We have found that residential real estate activity is generally dependent on the following factors:

- mortgage interest rates;
- mortgage funding supply; and
- strength of the United States economy, including employment levels.

As of July 20, 2017 the Mortgage Bankers Association ("MBA") estimated the size of the U.S. mortgage originations market as shown in the following table for 2016 - 2019 in its "Mortgage Finance Forecast" (in trillions):

	2019	2018	2017	2016
Purchase transactions	\$ 1.2	\$ 1.2	\$ 1.1	\$ 1.0
Refinance transactions	0.4	0.4	0.5	0.9
Total U.S. mortgage originations forecast	\$ 1.6	\$ 1.6	\$ 1.6	\$ 1.9

In 2016, total originations were reflective of a generally improving residential real estate market driven by increasing home prices and historically low mortgage interest rates. Over the same period, existing home sales increased and there was a decline in total housing inventory. In 2017 and beyond, increased mortgage interest rates driven by gradual increases in the target federal funds rate are expected to adversely impact mortgage originations. In a rising interest rate environment, refinance transactions are expected to decline. The MBA predicts overall mortgage originations in 2017 through 2019 will decrease compared to the 2016 period due to a decrease in refinance transactions, offset by a slight increase in purchase transactions. Purchase transactions involve the issuance of both a lender’s policy and an owner’s policy, resulting in higher fees, whereas refinance transactions only require a lender’s policy, resulting in lower fees.

While projected increases in mortgage interest rates present a potential headwind for mortgage originations, other economic indicators used to measure the health of the United States economy, including the unemployment rate and consumer confidence, have improved in recent years. According to the United States Department of Labor's Bureau of Labor, the unemployment rate has dropped from 7.4% in 2013 to 4.4% in 2017. Additionally, the Conference Board's monthly Consumer Confidence Index has risen sharply at the end of 2016 and into 2017. We believe that improvements in both of these economic indicators, among other indicators which support a generally improving United States economy, present potential tailwinds for mortgage originations and support recent home price trends.

We cannot be certain how, if at all, the positive effects of a change in mix of purchase to refinance transactions and of a generally improving United States economy and the negative effects of projected decreases in overall originations will impact our future results of operations. We continually monitor origination trends and believe that, based on our ability to produce industry leading operating margins through all economic cycles, we are well positioned to adjust our operations for adverse changes in real estate activity.

Because commercial real estate transactions tend to be driven by supply and demand for commercial space and occupancy rates in a particular area rather than by interest rate fluctuations, we believe that our commercial real estate title insurance business

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is less dependent on the industry cycles discussed above than our residential real estate title business. Commercial real estate transaction volume is also often linked to the availability of financing. For several years through 2015, we experienced continual year-over-year increases in the fee per file of commercial transactions. In 2016, we experienced a slight decrease in the volume and fee per file of commercial transactions as compared to 2015. Through 2017, we have seen that trend reverse as commercial revenue has increased as compared to 2016 due to increased fee per file. Historically, real estate transactions have produced seasonal revenue fluctuations in the real estate industry. The first calendar quarter is typically the weakest quarter in terms of revenue due to the generally low volume of home sales during January and February. The third calendar quarter is typically the strongest quarter in terms of revenue, primarily due to a higher volume of home sales in the summer months. The fourth quarter is typically also strong due to the desire of commercial entities to complete transactions by year-end. We have noted short-term fluctuations through recent years in resale and refinance transactions as a result of changes in interest rates.

Black Knight

Underlying the mortgage loan life cycle is the technology and data and analytics support behind each process, which has become increasingly critical to industry participants due to the complexity of regulatory requirements. As the industry has grown in complexity, participants have responded by outsourcing to large scale specialty providers, automating manual processes and seeking end-to-end solutions that support the processes required to manage the entire mortgage loan life cycle.

Black Knight's various businesses are affected differently by the level of mortgage originations, including refinancing transactions. Black Knight's mortgage servicing platform is minimally affected by varying levels of mortgage originations because it earns revenues based on the total number of mortgage loans it processes, which tend to stay more constant than the market for originations. Black Knight's origination technology and some of its data businesses may be affected by the volume of real estate transactions and mortgage originations, but many of its client contracts for origination technology contain minimum charges.

Black Knight's various businesses may also be affected by general economic conditions. For example, in the event that a difficult economy or other factors lead to a significant decline in levels of home ownership and a significant reduction in the number of mortgage loans outstanding and Black Knight is not able to counter the impact of those events with increased market share or higher fees, it could have a material adverse effect on its mortgage processing revenues. In contrast, we believe that a weaker economy tends to increase the volume of consumer mortgage defaults, which may increase the revenues in Black Knight's specialty servicing technology business that is used to service residential mortgage loans in default. Moreover, interest rates tend to decline in a weaker economy driving higher than normal refinance transactions that provide potential volume increases to Black Knight's origination technology offerings.

FNFV

Restaurant Group

The restaurant industry is highly competitive and is often affected by changes in consumer tastes and discretionary spending patterns; changes in general economic conditions; public safety conditions or concerns; demographic trends; weather conditions; the cost of food products, labor, energy and other operating costs; and governmental regulations. The restaurant industry is also characterized by high capital investments for new restaurants and relatively high fixed or semi-variable restaurant operating expenses. Because of the high fixed and semi-variable expenses, changes in sales in existing restaurants are generally expected to significantly affect restaurant profitability because many restaurant costs and expenses are not expected to change at the same rate as sales. Restaurant profitability can also be negatively affected by inflationary and regulatory increases in operating costs and other factors. The most significant commodities that may affect our cost of food and beverage are beef, seafood, poultry, and dairy, which accounted for approximately half of our overall cost of food and beverage in the past. Generally, temporary increases in these costs are not passed on to guests; however, in the past, we have adjusted menu prices to compensate for increased costs of a more permanent nature.

Average weekly sales per restaurant are typically higher in the first and fourth quarters than in other quarters, and we typically generate a disproportionate share of our earnings from operations in the first and fourth quarters. Holidays,

severe weather and other disruptive conditions may impact sales volumes seasonally in some operating regions. Our revenues in future periods will continue to be subject to these and other factors that are beyond our control and, as a result, are likely to fluctuate.

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Results of Operations

Consolidated Results of Operations

Net Earnings. The following table presents certain financial data for the periods indicated:

	Three months ended June 30, 2017		Six months ended June 30, 2016	
	2017	2016	2017	2016
	(Dollars in millions)			
Revenues:				
Direct title insurance premiums	\$575	\$540	1,040	962
Agency title insurance premiums	726	691	1,309	1,221
Escrow, title-related and other fees	1,008	907	1,876	1,686
Restaurant revenue	288	292	561	585
Interest and investment income	34	37	63	67
Realized gains and losses, net	256	15	255	9
Total revenues	2,887	2,482	5,104	4,530
Expenses:				
Personnel costs	788	707	1,503	1,359
Agent commissions	558	526	1,004	928
Other operating expenses	558	493	1,018	925
Cost of restaurant revenue	249	245	485	490
Depreciation and amortization	110	102	222	202
Provision for title claim losses	65	68	117	120
Interest expense	29	33	64	67
Total expenses	2,357	2,174	4,413	4,091
Earnings from continuing operations before income taxes and equity in (losses) earnings of unconsolidated affiliates	530	308	691	439
Income tax expense	226	101	304	150
Equity in (losses) earnings of unconsolidated affiliates	(2)	(1)	(4)	1
Net earnings from continuing operations	\$302	\$206	\$383	\$290

Revenues.

Total revenues increased by \$405 million in the three months ended June 30, 2017, compared to the corresponding period in 2016. The increase consisted of a \$154 million increase at FNF Group and a \$251 million increase at FNFV. Total revenues increased by \$574 million in the six months ended June 30, 2017, compared to the corresponding period in 2016. The increase consisted of a \$324 million increase at FNF Group and a \$250 million increase at FNFV. Net earnings from continuing operations increased by \$96 million in the three months ended June 30, 2017, compared to the corresponding period in 2016. The increase consisted of a \$12 million decrease at FNF Group and \$108 million increase at FNFV. Net earnings from continuing operations increased by \$93 million in the six months ended June 30, 2017, compared to the corresponding period in 2016. The increase consisted of a \$13 million decrease at FNF Group and \$106 million increase at FNFV.

The change in revenue from the FNF Group segments and FNFV segments is discussed in further detail at the segment level below.

Expenses.

Our operating expenses consist primarily of Personnel costs; Other operating expenses, which in our title business are incurred as orders are received and processed and at Black Knight for data processing and program design and development costs; Agent commissions, which are incurred as title agency revenue is recognized; and Cost of restaurant revenue. Title insurance premiums, escrow and title-related fees are generally recognized as income at the time the underlying transaction closes or other service is provided. Direct title operations revenue often lags

approximately 45-60 days behind expenses and therefore gross margins may fluctuate. The changes in the market environment, mix of business between direct and agency operations and the contributions from our various business units have historically impacted margins and net earnings. We have implemented programs and have

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taken necessary actions to maintain expense levels consistent with revenue streams. However, a short-term lag exists in reducing controllable fixed costs and certain fixed costs are incurred regardless of revenue levels.

Personnel costs include base salaries, commissions, benefits, stock-based compensation and bonuses paid to employees, and are one of our most significant operating expenses. Personnel costs that are directly attributable to the operations of the Restaurant Group are included in Cost of restaurant revenue.

Agent commissions represent the portion of premiums retained by our third-party agents pursuant to the terms of their respective agency contracts.

Other operating expenses consist primarily of facilities expenses, title plant maintenance, premium taxes (which insurance underwriters are required to pay on title premiums in lieu of franchise and other state taxes), appraisal fees and other cost of sales on ServiceLink product offerings and other title-related products, postage and courier services, computer services, professional services, travel expenses, general insurance, and bad debt expense on our trade and notes receivable.

Cost of restaurant revenue includes cost of food and beverage, primarily the costs of beef, groceries, produce, seafood, poultry and alcoholic and non-alcoholic beverages, net of vendor discounts and rebates, payroll and related costs and expenses directly relating to restaurant level activities, and restaurant operating costs including occupancy and other operating expenses at the restaurant level.

The Provision for title claim losses includes an estimate of anticipated title and title-related claims, and escrow losses. The change in expenses from the FNF Group segments and FNFV segments is discussed in further detail at the segment level below.

Income tax expense was \$226 million and \$101 million in the three-month periods ended June 30, 2017 and 2016, respectively, and \$304 million and \$150 million in the six-month periods ended June 30, 2017 and 2016, respectively. Income tax expense as a percentage of earnings before income taxes was 43% and 33% for the three-month periods ended June 30, 2017 and 2016, respectively, and 44% and 34% for the six-month periods ended June 30, 2017 and 2016, respectively. Income tax expense as a percentage of earnings before income taxes fluctuates depending on our estimate of ultimate income tax liability and changes in the characteristics of net earnings, such as the weighting of operating income versus investment income. The increase in income tax expense as a percentage of earnings before income taxes from the three-month period ended June 30, 2016 to the comparable 2017 period was primarily driven by the sale of OneDigital and nondeductible legal and regulatory expenses incurred in the period. The increase in income tax as a percentage of earnings before income taxes from the six-month period ended June 30, 2016 to the comparable 2017 period was primarily driven by the aforementioned factors driving the increase in the comparable three month-period as well as increased tax expense of \$21 million resulting from a change in judgment of the tax deductibility of legal and regulatory settlements finalized in the 2017 period.

Equity in (losses) earnings of unconsolidated affiliates was \$(2) million and \$(1) million for the three-month periods ended June 30, 2017 and 2016, respectively, and \$(4) million and \$1 million for the six-month periods ended June 30, 2017 and 2016, respectively. The equity in (losses) earnings in 2017 and 2016 consisted primarily of net losses related to our investment in Ceridian, offset by earnings at various other unconsolidated affiliates, which is described further at the segment level below.

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FNF Group

Title

The following table presents the results from operations of our Title segment:

	Three months ended June 30, 2017		Six months ended June 30, 2017	
	2017	2016	2017	2016
	(In millions)			
Revenues:				
Direct title insurance premiums	\$575	\$540	\$1,040	\$962
Agency title insurance premiums	726	691	1,309	1,221
Escrow, title-related and other fees	575	552	1,071	1,018
Interest and investment income	33	36	61	65
Realized gains and losses, net	8	3	6	3
Total revenues	1,917	1,822	3,487	3,269
Expenses:				
Personnel costs	602	557	1,150	1,063
Agent commissions	558	526	1,004	928
Other operating expenses	359	354	694	685
Depreciation and amortization	39	36	77	71
Provision for title claim losses	65	68	117	120
Total expenses	1,623	1,541	3,042	2,867
Earnings from continuing operations before income taxes and equity in (losses) earnings of unconsolidated affiliates	\$294	\$281	\$445	\$402
Orders opened by direct title operations (in thousands)	524	577	996	1,094
Orders closed by direct title operations (in thousands)	370	401	704	723
Fee per file	\$2,428	\$2,116	\$2,295	\$2,079

Total revenues for the Title segment increased by \$95 million, or 5%, in the three months ended June 30, 2017 and increased by \$218 million, or 7%, in the six months ended June 30, 2017 from the corresponding periods in 2016.

The following table presents the percentages of title insurance premiums generated by our direct and agency operations:

	Three months ended June 30, 2017		Six months ended June 30, 2017	
	% of Total	% of Total	% of Total	% of Total
	2017	2016	2017	2016
	(Dollars in millions)			
Title premiums from direct operations	\$575	44 %	\$540	44 %
Title premiums from agency operations	726	56 %	691	56 %
Total title premiums	\$1,301	100 %	\$1,231	100 %

Title premiums increased by 6% in the three months ended June 30, 2017 as compared to the corresponding period in 2016. The increase is comprised of an increase in Title premiums from direct operations of \$35 million, or 6%, and an increase in Title premiums from agency operations of \$35 million, or 5%, in the three months ended June 30, 2017. Title premiums increased by 8% in the six months ended June 30, 2017 as compared to the corresponding period in 2016. The increase is comprised of an increase in Title premiums from direct operations of \$78 million, or 8%, and an increase in Title premiums from agency operations of \$88 million, or 7%, in the six months ended June 30, 2017.

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The following table presents the percentages of open and closed title insurance orders generated by purchase and refinance transactions by our direct operations:

	Three months		Six months	
	ended June 30,		ended June 30,	
	2017	2016	2017	2016
Opened title insurance orders from purchase transactions (1)	65.9 %	56.7 %	64.9 %	56.0 %
Opened title insurance orders from refinance transactions (1)	34.1	43.3	35.1	44.0
	100.0%	100.0%	100.0%	100.0%
Closed title insurance orders from purchase transactions (1)	67.2 %	57.7 %	62.9 %	56.3 %
Closed title insurance orders from refinance transactions (1)	32.8	42.3	37.1	43.7
	100.0%	100.0%	100.0%	100.0%

(1) Percentages exclude consideration of an immaterial number of non-purchase and non-refinance orders. Title premiums from direct operations increased in the three and six months ended June 30, 2017 as compared to the corresponding periods in 2016. The increase in both periods is primarily attributable to an increase in the fee per file driven by a favorable change in the mix of closed orders from purchase and refinance transactions, slightly offset by a decrease in closed order volume. We experienced an increase in closed title insurance order volumes from purchase transactions and a decrease in closed title insurance order volumes from refinance transactions in the three and six months ended June 30, 2017 as compared to the corresponding periods in 2016. Total closed order volumes were 370,000 and 704,000 in the three and six months ended June 30, 2017, respectively, compared with 401,000 and 723,000 in the three and six months ended June 30, 2016, respectively. This represented an overall decrease of 8% and 3%, respectively. Open title orders changed consistently with closed orders over the three and six months ended June 30, 2017 as compared to the corresponding periods in 2016. The average fee per file in our direct operations was \$2,428 and \$2,295 in the three and six months ended June 30, 2017, respectively, compared to \$2,116 and \$2,079 in the three and six months ended June 30, 2016. The increase in average fee per file in both periods reflects the favorable change in mix of closed orders from purchase and refinance transactions. The fee per file tends to change as the mix of refinance and purchase transactions changes, because purchase transactions involve the issuance of both a lender's policy and an owner's policy, resulting in higher fees, whereas refinance transactions only require a lender's policy, resulting in lower fees.

The increase in title premiums from agency operations is primarily the result of an increase in remitted agency premiums that reflects an improving residential purchase environment in many markets throughout the country. The increase also reflects a concerted effort by management to increase remittances with existing agents as well as cultivate new relationships with potential new agents while reducing unprofitable agency relationships. Escrow, title-related and other fees increased by \$23 million, or 4%, in the three months ended June 30, 2017, and increased by \$53 million, or 5%, in the six months ended June 30, 2017 from the corresponding periods in 2016. Escrow fees, which are more closely related to our direct operations, increased by \$10 million, or 5%, in the three months ended June 30, 2017, and increased \$29 million, or 8%, in the six months ended June 30, 2017 compared to the corresponding periods in 2016. The increase is representative of the favorable increase in closed title insurance orders from purchase transactions previously discussed. Other fees in the Title segment, excluding escrow fees, increased by \$13 million, or 4%, in the three months ended June 30, 2017, and increased \$24 million, or 4%, in the six months ended June 30, 2017 from the corresponding periods in 2016. This increase relates to increases in fees in our home warranty business, loan processing revenue at certain subsidiaries of ServiceLink and acquisitions made subsequent to June 30, 2016. The increases were offset by decreased revenue at certain other ServiceLink subsidiaries. Interest and investment income levels are primarily a function of securities markets, interest rates and the amount of cash available for investment. Interest and investment income decreased by \$3 million in the three months ended June 30, 2017 and decreased by \$4 million in the six months ended June 30, 2017 compared to the corresponding

periods in 2016. The decrease was primarily driven by a decrease in fixed maturity holdings period over period. Realized gains and losses, net increased by \$5 million, or 167%, in the three months ended June 30, 2017, and increased by \$3 million, or 100%, in the six months ended June 30, 2017 from the corresponding periods in 2016. The increase in the three-month period was primarily attributable to a \$9 million gain on the sale of an other long term investment and \$1 million loss on impairments of investments in the 2017 period, offset by \$3 million of gains in the 2016 period. The increase in the six-month period also includes additional \$1 million in loss related to miscellaneous impairments in our Title segment in the 2017 period.

Personnel costs include base salaries, commissions, benefits, stock-based compensation and bonuses paid to employees, and are one of our most significant operating expenses. There was a \$45 million, or 8% increase in the three-month period ended June 30, 2017, and an \$87 million, or 8%, increase in the six-month period ended June 30, 2017 compared to the corresponding

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periods in 2016. The increase in the 2017 period is primarily due to higher commissions and bonuses associated with increased headcount to process increased closed order counts from purchase transactions. Personnel costs as a percentage of total revenues from direct title premiums and escrow, title-related and other fees were 52% and 54% for the three and six-month periods ended June 30, 2017, respectively, and 51% and 54% for the three and six-month periods ended June 30, 2016, respectively. Average employee count in the Title segment was 23,146 and 21,845 in the three-month periods ended June 30, 2017 and 2016, respectively, and 22,858 and 21,325 in the six-month periods ended June 30, 2017 and 2016, respectively.

Other operating expenses consist primarily of facilities expenses, title plant maintenance, premium taxes (which insurance underwriters are required to pay on title premiums in lieu of franchise and other state taxes), postage and courier services, computer services, professional services, travel expenses, general insurance, and bad debt expense on our trade and notes receivable. Other operating expenses increased by \$5 million, or 1% in the three months ended June 30, 2017 and increased \$9 million, or 1%, in the six months ended June 30, 2017 from the corresponding periods in 2016. Other operating expenses as a percentage of total revenue excluding agency premiums, interest and investment income, and realized gains and losses have remained consistent across all periods.

Agent commissions represent the portion of premiums retained by agents pursuant to the terms of their respective agency contracts. Agent commissions and the resulting percentage of agent premiums that we retain vary according to regional differences in real estate closing practices and state regulations.

The following table illustrates the relationship of agent premiums and agent commissions, which have remained relatively consistent since 2016:

	Three months ended June 30,				Six months ended June 30,			
	2017	%	2016	%	2017	%	2016	%
	(Dollars in millions)							
Agent premiums	726	100%	691	100%	\$1,309	100%	\$1,221	100%
Agent commissions	558	77 %	526	76 %	1,004	77 %	928	76 %
Net retained agent premiums	\$168	23 %	\$165	24 %	\$305	23 %	\$293	24 %

Depreciation and amortization increased by \$3 million in the three months ended June 30, 2017 and increased \$6 million in the six months ended June 30, 2017 compared to the corresponding periods in 2016.

The claim loss provision for title insurance was \$65 million and \$68 million for the three-month periods ended June 30, 2017 and 2016, respectively, and reflects an average provision rate of 5.0% and 5.5% of title premiums, respectively. The claim loss provision for title insurance was \$117 million and \$120 million for the six-month periods ended June 30, 2017 and 2016, respectively, and reflects an average provision rate of 5.0% and 5.5% of title premiums in the 2017 and 2016 periods, respectively. We continually monitor and evaluate our loss provision level, actual claims paid, and the loss reserve position each quarter. This loss provision rate is set to provide for losses on current year policies, but due to development of prior years and our long claim duration, it periodically includes amounts of estimated adverse or positive development on prior years' policies. In the fourth quarter of 2016, we revised our loss provision rate to 5.0% from 5.5% based upon an analysis of historical ultimate loss ratios, the reduced volatility of development of those historical ultimate loss ratios, and lower policy year loss ratios in recent years.

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Black Knight

The following table presents the results from operations of our Black Knight segment:

	Three months ended June 30, 2017		Six months ended June 30, 2016	
	2017	2016	2017	2016
	(In millions)			
Revenues:				
Escrow, title-related and other fees	259	256	517	498
Realized gains and losses, net	(17)	—	(19)	—
Total revenues	242	256	498	498
Expenses:				
Personnel costs	97	95	198	191
Other operating expenses	52	55	97	96
Depreciation and amortization	50	49	103	97
Interest expense	14	16	30	32
Total expenses	213	215	428	416
Earnings from continuing operations before income taxes	\$29	\$41	\$70	\$82

Total revenues for our Black Knight segment decreased \$14 million, or 5%, in the three-month period ended June 30, 2017 and remained flat in the six-month period ended June 30, 2017 compared to the corresponding periods in 2016. The decrease in the three-month period was driven by realized losses on debt refinancing and redemption, the effect of the realignment of Property Insight, LLC ("PI") and lower consulting revenues and volumes on the its exchange as a result of a decline in refinancing originations. This was partially offset by favorable client mix, price increases and higher transactional volumes in its servicing technology, the eLynx Holdings, Inc. ("eLynx") and Motivity Solutions, Inc. ("Motivity") acquisitions and growth in its property data and multiple listing service businesses.

Personnel costs increased by \$2 million, or 2%, in the three-month period ended June 30, 2017 and increased by \$7 million, or 4%, in the six-month period ended June 30, 2017 compared to the corresponding periods in 2016. The increase in the three and six-month periods was primarily driven by the acquisitions of eLynx and Motivity, and employee costs, including higher equity compensation, partially offset by lower incentive bonuses and the realignment of PI.

Other operating expenses decreased by \$3 million, or 5%, in the three-month period ended June 30, 2017 and increased by \$1 million, or 1%, in the six-month period ended June 30, 2017 compared to the corresponding periods in 2016. The decrease in the three-month period was primarily driven by the realignment of PI and lower IT costs, partially offset by increases related to the acquisitions of eLynx and Motivity. The increase in the six-month period was primarily driven by the aforementioned acquisitions and higher professional fees, partially offset by the PI realignment.

Depreciation and amortization increased by \$1 million, or 2%, in the three-month period ended June 30, 2017 and increased by \$6 million, or 6%, in the six-month period ended June 30, 2017 compared to the corresponding periods in 2016. The increase in the three-month period was primarily driven by increased depreciation on computer software and hardware in the 2017 period. The increase in the six-month period was primarily driven by increased depreciation on computer software and hardware and accelerated amortization in the first quarter of \$3 million related to certain deferred implementation costs.

Interest expense decreased by \$2 million, or 13%, in the three-month period ended June 30, 2017 and decreased by \$2 million, or 6%, in the six-month period ended June 30, 2017, respectively, compared to the corresponding periods in 2016. The decrease is attributable to the redemption and refinancing of Black Knight's debt in the 2017 period.

Earnings from continuing operations before income taxes decreased by \$12 million in the three-month period ended June 30, 2017 and decreased by \$12 million in the six-month period ended June 30, 2017 compared to the corresponding periods in 2016. The decrease is attributable to the factors discussed above, primarily the realized losses on its debt refinancing and redemption in the 2017 period.

FNF Group Corporate and Other

The FNF Group Corporate and Other segment consists of the operations of the parent holding company, certain other unallocated corporate overhead expenses, and other smaller real estate and insurance related operations.

The FNF Group Corporate and Other segment generated revenues of \$129 million and \$56 million for the three months ended June 30, 2017 and 2016, respectively, and \$192 million and \$86 million for the six months ended June 30, 2017 and 2016, respectively. The revenue in all periods represents revenue generated by our real estate brokerage subsidiaries and other real estate

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related companies offset by the elimination of revenues between our Black Knight segment and our Title segment. The increase of \$73 million, or 130%, in the three-month period and the increase of \$106 million, or 123%, in the six-month period are primarily attributable to the acquisition of Commissions, Inc. ("CINC"), to revenue growth and acquisitions by Pacific Union, a luxury real estate broker based in California in which we have a 66% ownership interest, and to \$15 million related to recording one additional month of results of operations in the 2017 period for our real estate brokerages in order to catch up their results which were previously reported on a one-month lag. Other operating expenses in the FNF Group Corporate and Other segment were \$118 million and \$56 million for the three months ended June 30, 2017 and 2016, respectively, and \$173 million and \$89 million for the six months ended June 30, 2017 and 2016, respectively. Both periods reflect expenses at our real estate brokerage subsidiaries and other real estate related companies offset by the elimination of management fees and other intercompany fees between our Black Knight segment and our Title segment. The increase of \$62 million, or 111%, in the three month period ended June 30, 2017 from the corresponding 2016 period and the increase of \$84 million, or 94%, in the six month period ended June 30, 2017 from the corresponding 2016 period are primarily attributable to the acquisition of CINC and growth and acquisitions at Pacific Union, and to \$14 million related to recording one additional month of results of operations in the 2017 period for our real estate brokerages in order to catch up their results which were previously reported on a one-month lag.

Interest expense was \$12 million and \$16 million for the three months ended June 30, 2017 and 2016, respectively, and \$27 million and \$31 million for the six months ended June 30, 2017 and 2016, respectively. The decrease is primarily attributable to decreased interest on our convertible Notes resulting from redemptions in the 2017 periods. This segment generated pretax losses of \$30 million and \$33 million for the three months ended June 30, 2017 and 2016, respectively, and \$62 million and \$65 million, for the six months ended June 30, 2017 and 2016, respectively. The decreased losses are attributable to the factors discussed above.

Restaurant Group

The following table presents the results from operations of our Restaurant Group segment:

	Three months ended June 30, 2017		Six months ended June 30, 2016	
	2017	2016	2017	2016
	(In millions)			
Revenues:				
Total restaurant revenue	\$288	\$292	\$561	\$585
Realized gains and losses, net	(1)	—	(1)	(3)
Total revenues	287	292	560	582
Expenses:				
Personnel costs	13	14	26	27
Cost of restaurant revenue	249	245	485	490
Other operating expenses	15	16	30	37
Depreciation and amortization	11	10	22	20
Interest expense	1	1	3	2
Total expenses	289	286	566	576
(Loss) earnings from continuing operations before income taxes	\$(2)	\$6	\$(6)	\$6

Total revenues for the Restaurant group segment decreased \$5 million, or 2%, in the three months ended June 30, 2017 and decreased \$22 million, or 4%, in the six months ended June 30, 2017, from the corresponding periods in 2016. The decrease is primarily attributable to lower same store sales and, to a lesser extent, the sale of the Max & Erma's concept in January 2016.

Cost of restaurant revenue increased by \$4 million, or 2%, in the three months ended June 30, 2017 and decreased \$5 million, or 1%, in the six months ended June 30, 2017, from the corresponding periods in 2016. Cost of restaurant

revenue as a percentage of restaurant revenue increased from approximately 84% to 86% in both the three and six months ended June 30, 2017 from the comparable 2016 periods. The increase in cost of restaurant revenue as a percentage of restaurant revenue was primarily driven by reduced operating leverage associated with lower same store sales, increased hourly labor costs, and an increase in value promotions offered in the 2017 periods. Other operating expenses decreased by \$7 million, or 19%, in the six months ended June 30, 2017, from the corresponding periods in 2016, which was primarily attributable to lease abandonment charges in the 2016 period.

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(Loss) earnings from continuing operations before income taxes decreased (loss increased) by \$8 million, or 133%, in the three months ended June 30, 2017, and decreased (loss increased) by \$12 million, or 200%, in the six months ended June 30, 2017 from the corresponding periods in 2016. The decrease in earnings (increase in losses) was primarily attributable to the factors discussed above.

FNFV Corporate and Other

The FNFV Corporate and Other segment includes our share in the operations of certain equity investments, including Ceridian; OneDigital, through May 5, 2017, the date it was sold; and other smaller operations which are not title-related. This segment also includes our Investment Success Incentive Program ("ISIP") which is tied to monetization or liquidity events producing realized or realizable economic gains relating to our investments. The FNFV Corporate and Other segment generated revenues of \$312 million and \$56 million for the three months ended June 30, 2017 and 2016, respectively, and \$367 million and \$95 million for the six months ended June 30, 2017 and 2016, respectively. The increase of \$256 million in the three-month period is primarily attributable to the sale of OneDigital, which resulted in a realized gain of \$269 million. The increase in the 2017 period was offset primarily by realized gains of \$15 million in the 2016 period. The increase of \$272 million in the six-month period is primarily attributable to the aforementioned factors driving the increase in the comparable three month-period as well as increased revenue at OneDigital in the 2017 period and increased revenue associated with smaller FNFV acquisitions in 2016.

Other operating expenses were \$14 million and \$12 million for the three months ended June 30, 2017 and 2016, respectively, and \$24 million and \$18 million for the six months ended June 30, 2017 and 2016, respectively. The increase in both periods is primarily attributable to acquisitions and growth at OneDigital and to expense associated with smaller FNFV acquisitions in 2016.

Personnel costs were \$52 million and \$26 million for the three months ended June 30, 2017 and 2016, respectively and \$85 million and \$51 million for the six months ended June 30, 2017 and 2016, respectively. The increase in the three-month period is primarily attributable to ISIP bonuses related to the sale of OneDigital. The change in the six-month period is attributable to the aforementioned factor driving the increase in the comparable three month-period as well as acquisitions and growth at OneDigital and to costs associated with smaller FNFV acquisitions in the current year.

This segment generated pretax earnings of \$239 million and \$13 million for the three months ended June 30, 2017 and 2016, respectively, and \$244 million and \$14 million for the six months ended June 30, 2017 and 2016, respectively. The change in earnings is attributable to the aforementioned changes in earnings and expenses.

Liquidity and Capital Resources

Cash Requirements. Our current cash requirements include personnel costs, operating expenses, claim payments, taxes, payments of interest and principal on our debt, capital expenditures, business acquisitions, stock repurchases and dividends on our common stock. We paid dividends of \$0.25 per share in the second quarter of 2017, or approximately \$68 million to our FNF Group common shareholders. On July 19, 2017, our Board of Directors declared cash dividends of \$0.25 per share, payable on September 29, 2017, to FNF Group common shareholders of record as of September 15, 2017. There are no restrictions on our retained earnings regarding our ability to pay dividends to our shareholders, although there are limits on the ability of certain subsidiaries to pay dividends to us, as described below. The declaration of any future dividends is at the discretion of our Board of Directors. Additional uses of cash flow are expected to include acquisitions, stock repurchases and debt repayments.

We continually assess our capital allocation strategy, including decisions relating to the amount of our dividend, reducing debt, repurchasing our stock, making acquisitions and/or conserving cash. We believe that all anticipated cash requirements for current operations will be met from internally generated funds, through cash dividends from subsidiaries, cash generated by investment securities, potential sales of non-strategic assets and borrowings on existing credit facilities. Our short-term and long-term liquidity requirements are monitored regularly to ensure that we can meet our cash requirements. We forecast the needs of all of our subsidiaries and periodically review their short-term and long-term projected sources and uses of funds, as well as the asset, liability, investment and cash flow

assumptions underlying such forecasts.

Our insurance subsidiaries generate cash from premiums earned and their respective investment portfolios, and these funds are adequate to satisfy the payments of claims and other liabilities. Due to the magnitude of our investment portfolio in relation to our title claim loss reserves, we do not specifically match durations of our investments to the cash outflows required to pay claims, but do manage outflows on a shorter time frame.

Our two significant sources of internally generated funds are dividends and other payments from our subsidiaries. As a holding company, we receive cash from our subsidiaries in the form of dividends and as reimbursement for operating and other administrative expenses we incur. The reimbursements are paid within the guidelines of management agreements among us and our subsidiaries. Our insurance subsidiaries are restricted by state regulation in their ability to pay dividends and make distributions. Each applicable state of domicile regulates the extent to which our title underwriters can pay dividends or make other distributions. As of

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December 31, 2016, \$2,149 million of our net assets were restricted from dividend payments without prior approval from the relevant departments of insurance. Effective March 1, 2017, three of the Company's title insurance underwriters, Fidelity National Title Insurance Company, Chicago Title Insurance Company and Commonwealth Land Title Insurance Company, redomesticated from their former states of domicile to Florida. In conjunction with the Redomestication, the Company received a special dividend from these title insurance underwriters of \$280 million on March 15, 2017. We anticipate that our title insurance subsidiaries will pay or make dividends in the remainder of 2017 of approximately \$281 million. Our underwritten title companies and non-insurance subsidiaries are not regulated to the same extent as our insurance subsidiaries.

The maximum dividend permitted by law is not necessarily indicative of an insurer's actual ability to pay dividends, which may be constrained by business and regulatory considerations, such as the impact of dividends on surplus, which could affect an insurer's ratings or competitive position, the amount of premiums that can be written and the ability to pay future dividends. Further, depending on business and regulatory conditions, we may in the future need to retain cash in our underwriters or even contribute cash to one or more of them in order to maintain their ratings or their statutory capital position. Such a requirement could be the result of investment losses, reserve charges, adverse operating conditions in the current economic environment or changes in statutory accounting requirements by regulators.

Cash flow from FNF Group's operations will be used for general corporate purposes including to reinvest in core operations, repay debt, pay dividends, repurchase stock, pursue other strategic initiatives and/or conserve cash. Operating Cash Flow. Our cash flows provided by operations for the six months ended June 30, 2017 and 2016 totaled \$291 million and \$374 million, respectively. The decrease of \$83 million is primarily attributable to increased payments for income taxes in the current period of \$62 million, the payment of legal settlements of \$65 million, increased payments for certain prepaid assets, and unfavorable timing of various payables, partially offset by increased net earnings and a \$5 million reduction in claims paid.

Investing Cash Flows. Our cash provided by (used in) investing activities for the six months ended June 30, 2017 and 2016 were \$225 million and \$(100) million, respectively. The increase in cash provided by (decrease in cash used in) investing activities of \$325 million from the 2017 period to the 2016 period is primarily attributable to the proceeds from the sale of OneDigital of \$326 million, a \$136 million decrease in spending on acquisitions of businesses, a reduction in investments made in unconsolidated affiliates of \$83 million and a reduction in spending on fixed assets of \$91 million, partially offset by a reduction in net sales of available for sale, short term investments, and cost method investments, net of purchases, of \$300 million.

Capital Expenditures. Total capital expenditures for property and equipment and capitalized software were \$89 million and \$190 million for the six-month periods ended June 30, 2017 and 2016, respectively, with the decrease primarily related to the purchase of our corporate headquarters for \$71 million in April 2016 and miscellaneous spending reductions.

Financing Cash Flows. Our cash flows used in financing activities for the six months ended June 30, 2017 and 2016 were \$604 million and \$332 million, respectively. The increase in cash used in financing activities of \$272 million from the 2017 period to the 2016 period is primarily attributable to increased net debt principal payments, net of borrowings, of \$139 million, an increase in dividends paid of \$21 million, payment of premiums to repurchase convertible Notes of \$243 million in the 2017 period, and repurchases of BKFS stock by Black Knight of \$47 million in the 2017 period, offset by a reduction in spending on treasury stock repurchases of \$185 million.

Financing Arrangements. For a description of our financing arrangements see Note E included in Item 1 of Part 1 of this Quarterly Report, which is incorporated by reference into this Item 2 of Part I.

During the six months ended June 30, 2017, we repurchased \$187 million of principal of our 4.25% convertible senior notes due August 2018 ("Notes") for \$434 million. As of June 30, 2017, we had outstanding Notes of \$110 million, net of unamortized debt issuance costs.

Seasonality. Historically, real estate transactions have produced seasonal revenue levels for the real estate industry including title insurers. The first calendar quarter is typically the weakest quarter in terms of revenue due to the generally low volume of home sales during January and February. The third calendar quarter has been typically the

strongest in terms of revenue primarily due to a higher volume of home sales in the summer months and the fourth quarter is usually also strong due to commercial entities desiring to complete transactions by year-end. We have noted short term fluctuations through recent years in resale and refinance transactions as a result of changes in interest rates. In our Restaurant Group, average weekly sales per restaurant are typically higher in the first and fourth quarters, and we typically generate a disproportionate share of our earnings from operations in the first and fourth quarters. Holidays, severe weather and other disruptive conditions may impact sales volumes seasonally in some operating regions.

Contractual Obligations. There have been no significant changes to our long-term contractual obligations since our Annual Report for the year ended December 31, 2016, filed on February 27, 2017, other than our entry into the Equity Commitment Letters

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with CFCOU as described in Note A and the extinguishment and restructuring of certain debt as described in Note E to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report.

Capital Stock Transactions. On February 18, 2016, our Board of Directors approved a new FNFV Group three-year stock repurchase program, effective March 1, 2016, under which we may repurchase up to 15 million shares of FNFV Group common stock through February 28, 2019. Purchases may be made from time to time by us in the open market at prevailing market prices or in privately negotiated transactions. We repurchased 1,295,800 shares under this program during the six months ended June 30, 2017 for \$20 million, or an average of \$15.11 per share. Subsequent to June 30, 2017 through market close on July 31, 2017, we purchased 196,000 additional shares for \$3 million, or an average of \$15.97 per share. Since the original commencement of the program through market close on July 31, 2017, we have repurchased a total of 5,446,800 shares for \$68 million, or an average of \$12.95 per share, and there are 9,553,200 shares available to be repurchased under this program.

On July 20, 2015, our Board of Directors approved a new three-year stock repurchase program under which we can purchase up to 25 million shares of our FNF Group common stock through July 30, 2018. We may make repurchases from time to time in the open market, in block purchases or in privately negotiated transactions, depending on market conditions and other factors. Since the original commencement of the plan, we have repurchased a total of 10,589,000 FNF Group common shares for \$372 million, or an average of \$35.10 per share, and there are 14,411,000 shares available to be repurchased under this program. We have not made any repurchases under this program in the six months ended June 30, 2017.

Equity Security and Preferred Stock Investments. Our equity security and preferred stock investments may be subject to significant volatility. Should the fair value of these investments fall below our cost basis and/or the financial condition or prospects of these companies deteriorate, we may determine in a future period that this decline in fair value is other-than-temporary, requiring that an impairment loss be recognized in the period such a determination is made.

Off-Balance Sheet Arrangements. There have been no significant changes to our off-balance sheet arrangements since our Annual Report for the year ended December 31, 2016.

Critical Accounting Policies

There have been no material changes to our critical accounting policies described in our Annual Report for our fiscal year ended December 31, 2016.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

There have been no material changes in the market risks described in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 4. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is: (a) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms; and (b) accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II: OTHER INFORMATION

Item 1. Legal Proceedings

See discussion of legal proceedings in Note F to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Report, which is incorporated by reference into this Item 1 of Part II.

Item 2.

Unregistered
Sales of
Equity
Securities
and Use of
Proceeds

The following table summarizes repurchases of equity securities by FNFV during the three months ended June 30, 2017:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
4/1/2017 - 4/30/2017	—	—	—	11,045,000
5/1/2017 - 5/31/2017	—	—	—	11,045,000
6/1/2017 - 6/30/2017	1,295,800	15.11	1,295,800	9,749,200
Total	1,295,800	\$ 15.11	1,295,800	

On February 18, 2016, our Board of Directors approved a new FNFV Group three-year stock repurchase program, (1) effective March 1, 2016, under which we may repurchase up to 15 million shares of FNFV Group common stock through February 28, 2019.

(2) As of the last day of the applicable month.

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Item 6. Exhibits

(a) Exhibits:

- 10.1 First Amendment, dated as of February 27, 2017, to Credit Agreement, dated as of August 19, 2014, among ABRH, LLC, the lenders party thereto, Wells Fargo Bank N.A., as administrative agent, and the other agents party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 2, 2017)
- 10.2 First Amendment, dated as of February 27, 2017, to Credit and Guaranty Agreement, dated as of May 27, 2015, by and among Black Knight InfoServ, LLC, a Delaware limited liability company, as the borrower, JPMorgan Chase Bank, N.A. as administrative agent, the guarantors party thereto, the other agents party thereto and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 2, 2017)
- 10.3 Amendment and Restatement, dated as of March 17, 2017, to Credit Agreement, dated as of March 31, 2015, among Digital Insurance, Inc., Bank of America, N.A., as administrative agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 22, 2017)
- 10.4 Second Amendment, dated as of April 26, 2017, to Credit and Guaranty Agreement, dated as of May 27, 2015, by and among Black Knight InfoServ, LLC, a Delaware limited liability company, as the borrower, JPMorgan Chase Bank, N.A. as administrative agent, the guarantors party thereto, the other agents party thereto and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 2, 2017)
- 10.5 Restated Credit Agreement, dated as of April 27, 2017, to Existing Credit Agreement, dated as of June 25, 2013, by and among Fidelity National Financial, Inc., a Delaware corporation, as the borrower, Bank of America, N.A., as administrative agent, the other agents party thereto and the financial institutions party thereto as lenders (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on May 2, 2017)
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification by Chief Executive Officer of Periodic Financial Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
- 32.2 Certification by Chief Financial Officer of Periodic Financial Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
- 99.1 Unaudited Attributed Financial Information for Fidelity National Financial Group Tracking Stock
- 99.2 Unaudited Attributed Financial Information for Fidelity National Financial Ventures Group Tracking Stock
- 101 The following materials from Fidelity National Financial, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Earnings, (iii) the Condensed Consolidated Statements of Comprehensive Earnings, (iv) the Condensed Consolidated Statements of

Stockholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to the Consolidated Financial Statements.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIDELITY NATIONAL FINANCIAL, INC.

Date: August 1, 2017 (registrant)

By: /s/ Anthony J. Park
Anthony J. Park
Chief Financial Officer
(Principal Financial and Accounting Officer)

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Consolidated Financial Statements.