**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 8-K

**Current Report**
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported):**
**June 8, 2020**

# Fidelity National Financial, Inc.

(Exact name of registrant as specified in its charter)

001-32630
(Commission File Number)

| | |
|---|---|
| Delaware | 16-1725106 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

601 Riverside Avenue
Jacksonville, Florida 32204
(Address of Principal Executive Offices)

(904) 854-8100
(Registrant's telephone number, including area code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class: | Trading Symbol(s) | Name of each exchange on which registered: |
|---|---|---|
| FNF Common Stock, $0.0001 par value | FNF | New York Stock Exchange |
| 5.50% Notes due September 2022 | FNF22 | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period provided pursuant to Section 13(a) of the Exchange Act. ☐

**Item 8.01 Other Events**

As previously announced, On June 1, 2020, Fidelity National Financial, Inc. ("FNF") completed its acquisition (the "FGL Mergers") of FGL Holdings, a Cayman Islands exempted company ("FGL") pursuant to the Agreement and Plan of Merger, dated as of February 7, 2020, by and among FNF, FGL, F I Corp., a Cayman Islands exempted company and F II Corp., a Cayman Islands exempted company, as amended by that First Amendment to the Merger Agreement, dated as of April 24, 2020. The FGL Mergers are more fully described in the Company's current report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2020.

The following audited financial statements of FGL and its subsidiaries are included as Exhibit 99.1 to this Current Report on Form 8-K and are incorporated herein by reference:

- Report of Independent Registered Public Accounting Firm;
- Consolidated Balance Sheets as of December 31, 2019 and December 31, 2018;
- Consolidated Statements of Operations (a) for each of the years in the two year period ended December 31, 2019 and the period from December 1, 2017 to December 31, 2017; and (b) for the year ended September 30, 2017 and the period from October 1, 2017 to November 30, 2017 of Fidelity & Guaranty Life, a Delaware corporation (the "Predecessor Company");
- Consolidated Statements of Comprehensive Income (Loss) (a) for each of the years in the two year period ended December 31, 2019 and the period from December 1, 2017 to December 31, 2017; and (b) for the year ended September 30, 2017 and the period from October 1, 2017 to November 30, 2017 of the Predecessor Company;
- Consolidated Statements of Changes in Shareholders' Equity (a) for each of the years in the two year period ended December 31, 2019 and the period from December 1, 2017 to December 31, 2017; and (b) for the year ended September 30, 2017 and the period from October 1, 2017 to November 30, 2017 of the Predecessor Company;
- Consolidated Statements of Cash Flows (a) for each of the years in the two year period ended December 31, 2019 and the period from December 1, 2017 to December 31, 2017 and (b) for the year ended September 30, 2017 and the period from October 1, 2017 to November 30, 2017 of the Predecessor Company; and
- Notes to the Consolidated Financial Statements and Financial Statement Schedules I to IV.

The following unaudited financial statements of FGL and its subsidiaries are included as Exhibit 99.2 to this Current Report on Form 8-K and are incorporated herein by reference:

- Condensed Consolidated Balance Sheets as of March 31, 2020 (unaudited) and December 31, 2019;
- Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2020 and March 31, 2019;
- Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2020 and March 31, 2019;
- Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2020 and March 31, 2019;
- Unaudited Condensed Consolidated Statements of Cash Flows for three months ended March 31, 2020 and March 31, 2019; and
- Notes to the Unaudited Condensed Consolidated Financial Statements.

The following unaudited pro forma condensed combined financial statements combining the historical financial statements of FNF and its subsidiaries and FGL and its subsidiaries, reflecting an acquisition by FNF, are included as Exhibit 99.3 to this Current Report on Form 8-K:

- Unaudited Pro Forma Condensed Combined Balance Sheet as of March 31, 2020;
- Unaudited Pro Forma Condensed Combined Statements of Operations for the three months ended March 31, 2020 and the year ended December 31, 2019; and
- Notes to the Unaudited Pro Forma Condensed Combined Financial Statements.

Also included as Exhibit 23.1 to this Current Report on Form 8-K is the consent of KPMG LLP, FGL's independent registered public accounting firm, consenting to the incorporation by reference of its report contained in FGL's Annual Report on Form 10-K for the year ended December 31, 2019 forming part of Exhibit 99.1, which is included as Exhibit 23.1.

The pro forma financial information included in this Current Report on Form 8-K has been presented for illustrative purposes only. It does not purport to be indicative of the actual results of operations that FGL and FNF would have achieved had the companies been combined during the periods presented in the pro forma financial information and is not intended to project the future results of operations that the combined company may achieve following the completion of the FGL Mergers.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits**

| Exhibit | Description |
| --- | --- |
| 23.1 | Consent of KPMG LLP (with respect to FGL Holdings) |
| 99.1 | FGL Holdings Audited Consolidated Financial Statements as of December 31, 2019 and December, 2018 and (a) for each of the years in the two year period ended December 31, 2019 and the period from December 1, 2017 to December 31, 2017 and (b) for the year ended September 30, 2017 and the period from October 1, 2017 to November 30, 2017 of the Predecessor Company (incorporated by reference to FGL's Annual Report on Form 10-K for the year ended December 31, 2019) |
| 99.2 | FGL Holdings Unaudited Condensed Consolidated Financial Statements as of March 31, 2020 and for the three months ended March 31, 2020 (incorporated by reference to FGL's Quarterly Report on Form 10-Q for the three months ended March 31, 2020) |
| 99.3 | Unaudited Pro Forma Condensed Combined Financial Statements |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

**SIGNATURES**

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

FIDELITY NATIONAL FINANCIAL, INC.

| | |
|---|---|
| By: | /s/ Michael L. Gravelle |
| Name | Michael L. Gravelle |
| Title | Executive Vice President, General Counsel and Corporate Secretary |

Date: June 8, 2020

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the registration statements (Nos. 333-157123, 333-147391, 333-174650 and 333-238860) on Form S-3, (Nos. 333-231213, 333-194938, 333-190902 and 333-237540) on Form S-4 and (Nos. 333-197249, 333-190527, 333-157643, 333-132843, 333-138254, 333-129886, 333-129016, 333-176395, 333-213427 and 333-238853) on Form S-8 of Fidelity National Financial, Inc. of our report dated March 2, 2020, with respect to the consolidated balance sheets of FGL Holdings and subsidiaries as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the two year period ended December 31, 2019 and the period from December 1, 2017 to December 31, 2017, the consolidated statements of operations, comprehensive income (loss), changes in shareholders’ equity, and cash flows of Fidelity & Guaranty Life and subsidiaries for the period from October 1, 2017 to November 30, 2017, and for the year ended September 30, 2017 (Predecessor Company operations), and the related notes and financial statement schedules I to IV (collectively, the consolidated financial statements), which report appears in the Form 8-K of Fidelity National Financial, Inc. dated June 8, 2020.

/s/ KPMG LLP

Des Moines, Iowa
June 8, 2020

**Exhibit 99.3**

## UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following presents unaudited pro forma combined historical consolidated financial statements of FNF and FGL, adjusted to give effect to the merger.

The unaudited pro forma combined balance sheet which we refer to as the pro forma balance sheet, combines the unaudited historical consolidated balance sheet of FNF and the unaudited historical consolidated balance sheet of FGL as of March 31, 2020, giving effect to the merger as if it had been consummated on March 31, 2020.

The unaudited pro forma combined statement of earnings, which we refer to as the pro forma statement of earnings, for the quarter ended March 31, 2020 combines the FNF unaudited consolidated statement of earnings and the FGL unaudited consolidated statement of operations for the quarter ended March 31, 2020. This gives effect to the merger as if it had been consummated on January 1, 2019.

We refer to the unaudited pro forma combined balance sheet and the unaudited pro forma combined statement of earnings as the pro forma financial statements.

The pro forma financial statements should be read in conjunction with the accompanying notes to the pro forma financial statements. In addition, the pro forma financial statements were based on and should be read in conjunction with the following respective historical consolidated financial statements and accompanying notes of FNF and FGL for the applicable periods, which are incorporated by reference in this Current Report on Form 8-K:

- FNF's unaudited consolidated financial statements and the notes thereto contained in FNF's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and the audited consolidated financial statements and the notes thereto contained in FNF's Annual Report on Form 10-K for the year ended December 31, 2019, and
- FGL's unaudited consolidated financial statements and the notes thereto contained in FGL's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and the audited consolidated financial statements and the notes thereto contained in FGL's Annual Report on Form 10-K for the year ended December 31, 2019.

The pro forma financial statements have been prepared by management in accordance with SEC Regulation S-X Article 11, *Pro Forma Financial Information* for illustrative and informational purposes only. The pro forma financial statements are not necessarily indicative of what the combined company's balance sheet or statement of earnings actually would have been had the merger been completed as of the dates indicated. The accompanying unaudited pro forma combined statement of earnings does not include any adjustments to reflect expected revenue synergies, expected cost savings or restructuring actions that may be achievable or the impact of any non-recurring activity or one-time transaction related costs. In addition, the pro forma financial statements do not purport to project the future financial position or operating results of the combined company.

The pro forma financial statements have been prepared using the acquisition method of accounting under U.S. Generally Accepted Accounting Principles, "U.S. GAAP," with FNF being the accounting acquirer in the merger. The pro forma adjustments are preliminary, based upon available information and made solely for the purpose of providing these pro forma financial statements. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying pro forma financial statements and the future results of earnings and financial position of the combined company. As a result of displaying amounts in millions, rounding differences may exist in the tables in this section.

The pro forma adjustments include the following:

*Reclassifications:* Certain financial information of FGL, as presented in its historical consolidated financial statements, has been reclassified to conform to the historical presentation in FNF's consolidated financial statements, for purposes of preparing the unaudited pro forma combined financial statements. Refer to *Note* 4 of the unaudited pro forma combined financial statements for an explanation of these reclassifications.

*Financing Adjustments*: Borrowings under new debt facilities will fund part of the cash consideration of the merger.

*Acquisition Adjustments:* The unaudited historical consolidated financial information has been adjusted in the accompanying pro forma financial statements to give effect to pro forma events that are (i) directly attributable to the merger, (ii) factually supportable, and (iii) with respect to the unaudited pro forma combined statement of earnings, expected to have a continuing impact on the consolidated results. Prior to the consummation of the merger transaction, FNF was a 7.6% common shareholder and the Series B preferred shareholder in FGL. The unaudited historical consolidated financial information has been adjusted to remove from FNF the effect of the amounts previously recorded as an investment in FGL.

## Unaudited Pro Forma Combined Balance Sheet (as of March 31, 2020)

| ($ in millions) | Historical: Fidelity National Financial, Inc. | Historical: FGL Holdings as Reclassified | Financing Adjustments | Notes | Acquisition Adjustments | Notes | Pro Forma Combined |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | Note 4 | | | | | |
| Investments: | | | | | | | |
| Fixed maturities, available for sale, at fair value | $ 2,057 | $ 21,140 | $ - | | $ - | | $ 23,197 |
| Preferred securities, at fair value | 304 | - | - | | - | | 304 |
| Equity securities, at fair value | 628 | 915 | - | | (108) | 7 (C) | 1,435 |
| Derivative investments | - | 188 | - | | - | | 188 |
| Investments in unconsolidated entities | 148 | 1,115 | - | | - | | 1,263 |
| Other long-term investments | 93 | 2,195 | - | | (36) | 7(D),7(E) | 2,252 |
| Short-term investments | 1,258 | - | - | | - | | 1,258 |
| Total Investments | 4,488 | 25,553 | - | | (144) | | 29,897 |
| Cash and cash equivalents | 890 | 776 | 1,005 | 7(A) | (1,910) | 7 (F) | 761 |
| Trade and notes receivable, net | 322 | - | - | | - | | 322 |
| Funds withheld for insurance receivable, at fair value | - | 2,050 | - | | - | | 2,050 |
| Reinsurance recoverable | - | 3,186 | - | | - | | 3,186 |
| Goodwill | 2,726 | 467 | - | | 1,102 | 7 (G) | 4,295 |
| Prepaid expenses and other assets | 397 | 336 | - | | - | | 733 |
| Lease assets | 406 | 9 | - | | - | | 415 |
| Other intangible assets, net | 396 | 2,054 | - | | 1,445 | 7 (H),7(I),7(J) | 3,895 |
| Title plants | 404 | - | - | | - | | 404 |
| Property, plant and equipment, net | 175 | 19 | - | | - | | 194 |
| Income tax receivable | - | 23 | - | | (23) | 7 (K) | - |
| Deferred tax asset | - | 264 | - | | (264) | 7 (L) | - |
| **Total assets** | **$ 10,204** | **$ 34,737** | **$ 1,005** | | **$ 205** | | **$ 46,151** |
| | | | | | | | |
| **LIABILITIES AND EQUITY** | | | | | | | |
| **Liabilities** | | | | | | | |
| Contractholder funds | $ - | $ 26,226 | $ - | | $ (353) | 7 (M) | $ 25,873 |
| Future policy benefits | - | 5,658 | - | | 496 | 7 (M) | 6,154 |
| Liability for policy and contract claims | - | 73 | - | | - | | 73 |
| Funds withheld for reinsurance liabilities | - | 821 | - | | - | | 821 |
| Accounts payable and other accrued liabilities | 864 | 761 | - | | (156) | 7(N), 7(O) | 1,470 |
| Income tax payable | 53 | - | - | | (32) | 7 (K) | 21 |
| Notes payable | 839 | 543 | 1,005 | 7(B) | (6) | 7 (P) | 2,381 |
| Reserve for title claim losses | 1,518 | - | - | | - | | 1,518 |
| Secured trust deposits | 826 | 174 | - | | - | | 1,000 |
| Lease liabilities | 439 | 9 | - | | - | | 448 |
| Deferred tax liability | 205 | - | - | | 55 | 7 (L) | 260 |
| **Total liabilities** | **4,744** | **34,265** | **1,005** | | **4** | | **40,018** |
| | | | | | | | |
| **Commitments and contingencies:** | | | | | | | |
| Redeemable non-controlling interest by 21% minority holder of ServiceLink Holdings, LLC | 344 | - | - | | - | | 344 |
| | | | | | | | |
| **Equity:** | | | | | | | |
| Common stock, $.0001 par value | - | - | - | | - | | - |
| Preferred stock, $.0001 par value | - | - | - | | - | | - |
| Additional paid-in capital | 4,592 | 2,041 | - | | (1,168) | 7 (Q) | 5,465 |
| Retained earnings | 1,204 | (72) | - | | 89 | 7 (Q) | 1,221 |
| Accumulated other comprehensive earnings (loss) | 28 | (1,428) | - | | 1,428 | 7 (Q) | 28 |
| Less: Treasury stock as of March 31, 2020 | (692) | (69) | - | | (148) | 7 (Q) | (909) |
| **Total Fidelity National Financial, Inc. shareholders' equity** | **5,132** | **472** | - | | **201** | | **5,805** |
| Non-controlling interests | (16) | - | - | | - | | (16) |
| **Total equity** | **5,116** | **472** | - | | **201** | | **5,789** |
| **Total liabilities and equity** | **$ 10,204** | **$ 34,737** | **$ 1,005** | | **$ 205** | | **$ 46,151** |

*See the accompanying notes to the unaudited combined pro forma financial statements.*

Unaudited Pro Forma Combined Statement of Earnings (for the quarter ended March 31, 2020)

| ($ in millions) | Historical: Fidelity National Financial, Inc. | Historical: FGL Holdings as Reclassified Note 4 | Financing Adjustments | Notes | Acquisition Adjustments | Notes | Pro Forma Combined |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| Direct title insurance premiums | $ 546 | $ - | $ - | | $ - | | $ 546 |
| Agency title insurance premiums | 732 | - | - | | - | | 732 |
| Escrow, title-related and other fees | 601 | - | - | | (2) | 8(C) | 600 |
| Life insurance premiums and other fees | - | 40 | - | | (13) | 8(D) | 27 |
| Interest and investment income | 53 | 317 | - | | 63 | 8(E),8(F) | 433 |
| Realized gains and losses, net | (320) | (692) | - | | 136 | 8(G) | (876) |
| **Total revenues** | **1,612** | **(335)** | - | | **184** | | **1,461** |
| **Expenses** | | | | | | | |
| Benefits and other changes in policy reserves | - | (41) | - | | - | | (41) |
| Personnel costs | 614 | 21 | - | | (1) | 8(H) | 634 |
| Agent commissions | 560 | - | - | | - | | 560 |
| Policy acquisition costs, net of deferrals | - | 9 | - | | - | | 9 |
| Other operating expenses | 411 | 65 | - | | 13 | 8(I),8(J) | 489 |
| Depreciation and amortization | 43 | (60) | - | | 136 | 8(K) | 119 |
| Provision for title claim losses | 58 | - | - | | - | | 58 |
| Interest expense | 12 | 8 | 10 | 8(A) | 2 | 8(L) | 32 |
| **Total expenses** | **1,698** | **2** | **10** | | **150** | | **1,860** |
| **Earnings before income taxes and equity in earnings of unconsolidated affiliates** | **(86)** | **(337)** | **(10)** | | **34** | | **(399)** |
| Income tax expense (benefit) | (28) | 1 | (2) | 8(B) | 6 | 8(B) | (23) |
| **Earnings before equity in earnings of unconsolidated affiliates** | **(58)_** | **(338)** | **(8)** | | **28** | | **(376)** |
| Equity in earnings of unconsolidated affiliates | 1 | - | - | | - | | 1 |
| **Net earnings** | **(57)** | **(338)** | **(8)** | | **28** | | **(375)** |
| Less: net earnings attributable to non-controlling interests | 4 | - | - | | - | | 4 |
| **Net earnings attributable to Fidelity National Financial, Inc. shareholders** | **$ (61)** | **$ (338)** | **$ (8)** | | **$ 28** | | **$ (379)** |

*See the accompanying notes to the unaudited combined pro forma financial statements.*

**Unaudited Pro Forma Combined Statement of Earnings (for the year ended December 31, 2019)**

| ($ in millions) | Historical: Fidelity National Financial, Inc. | Historical: FGL Holdings as Reclassified (Note 4) | Financing Adjustments | Notes | Acquisition Adjustments | Notes | Pro Forma Combined |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| Direct title insurance premiums | $ 2,381 | $ - | $ - | | $ - | | $ 2,381 |
| Agency title insurance premiums | 2,961 | - | - | | - | | 2,961 |
| Escrow, title-related and other fees | 2,584 | - | - | | (3) | 8(C) | 2,581 |
| Life insurance premiums and other fees | - | 210 | - | | (14) | 8(D) | 196 |
| Interest and investment income | 225 | 1,229 | - | | 267 | 8(E),8(F) | 1,721 |
| Realized gains and losses, net | 318 | 674 | - | | (79) | 8(G) | 913 |
| **Total revenues** | **8,469** | **2,113** | - | | **172** | | **10,754** |
| **Expenses** | | | | | | | |
| Benefits and other changes in policy reserves | - | 1,057 | - | | - | | 1,057 |
| Personnel costs | 2,696 | 76 | - | | 3 | 8(H) | 2,775 |
| Agent commissions | 2,258 | - | - | | - | | 2,258 |
| Policy acquisition costs, net of deferrals | - | 121 | - | | - | | 121 |
| Other operating expenses | 1,681 | 124 | - | | 6 | 8(I),8(J) | 1,811 |
| Depreciation and amortization | 178 | 135 | - | | 110 | 8(K) | 423 |
| Provision for title claim losses | 240 | - | - | | - | | 240 |
| Interest expense | 47 | 32 | 40 | 8(A) | 7 | 8(L) | 126 |
| **Total expenses** | **7,100** | **1,545** | **40** | | **125** | | **8,810** |
| **Earnings before income taxes and equity in earnings of unconsolidated affiliates** | **1,369** | **568** | **(40)** | | **47** | | **1,944** |
| Income tax expense | 308 | 61 | (9) | 8(B) | (37) | 8(B) | 322 |
| **Earnings before equity in earnings of unconsolidated affiliates** | **1,061** | **507** | **(31)** | | **84** | | **1,621** |
| Equity in earnings of unconsolidated affiliates | 15 | - | - | | - | | 15 |
| **Net earnings** | **1,076** | **507** | **(31)** | | **84** | | **1,636** |
| Less: net earnings attributable to non-controlling interests | 14 | - | - | | - | | 14 |
| **Net earnings attributable to Fidelity National Financial, Inc. shareholders** | **$ 1,062** | **$ 507** | **$ (31)** | | **$ 84** | | **$ 1,622** |

*See the accompanying notes to the unaudited combined pro forma financial statements.*

## NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

**1. Description of the Merger**

On June 1, 2020, FNF, Merger Sub I merged with and into FGL (the “first merger”) with FGL surviving the first merger (the “Surviving Company”) and the Surviving Company subsequently merging with and into Merger Sub II (the “second merger” and together, with the First merger, the “mergers”), with Merger Sub II surviving the second merger as a wholly owned subsidiary of FNF.

At the effective time of the first merger, each FGL ordinary share (other than those owned by FGL, FNF, the Merger Subs or any other subsidiary thereof and shares in respect of which dissenters’ rights were properly exercised) was cancelled and converted automatically into the right to receive (i) $12.50 in cash (the “cash consideration”) or (ii) 0.2558 shares (the “exchange ratio”) of FNF common stock, at the election of the holder of such FGL ordinary share, subject to the allocation and proration provisions of the merger agreement (such consideration the “stock consideration”, together with cash consideration the “merger consideration”) and the aggregate amount of cash consideration of $1,472 million.

All outstanding FGL warrants were converted into the right to purchase and receive, upon exercise the weighted average mix of merger consideration. Pursuant to the terms of the warrant agreement, for a period of 30 days following the public announcement of the consummation of the merger, the current exercise price of the warrants of $11.50 will be adjusted to an amount equal to (x) the volume weighted average price of the FGL ordinary shares for the ten trading days ending on the trading day prior to closing date, minus (y) the Black-Scholes value of the warrant. The volume weighted average price of the FGL ordinary shares for the ten trading days ending on the trading day prior to closing date is $9.40 and the Black-Scholes value of each warrant is $1.72, resulting in an assumed adjusted exercise price of $7.68.

As a result of the merger, all ordinary shares held by FNF and subsidiaries were converted into the right to receive the stock consideration.

Each Series B Cumulative Preferred Share, all of which were held by FNF and subsidiaries, were converted into the right to receive the number of shares of FNF Common Stock that is equal to (i) the Liquidation Preference (as defined in the merger agreement) divided by (ii) the Reference Parent Common Stock Price (as defined in the merger agreement).

FNF purchased all Series A preferred shares for an amount equal to the Liquidation Preference in cash immediately prior to the consummation of the merger, in accordance with the Series A Preferred Share Purchase Agreement. Series A preferred shares were canceled and cease to exist, with no payment or distribution made with respect thereto.

**2. Basis of presentation**

The accompanying pro forma financial statements were prepared using the acquisition method of accounting in accordance with Accounting Standards Codification 805, “Business Combinations” (“ASC 805”) and are based on the unaudited historical financial information of FNF and FGL. The unaudited historical consolidated financial information has been adjusted in the accompanying pro forma financial statements to give effect to pro forma events that are (i) directly attributable to the merger, (ii) factually supportable, and (iii) with respect to the unaudited pro forma combined statement of earnings, expected to have a continuing impact on the consolidated results.

U.S. GAAP requires that one of the two companies in the merger be designated as the acquirer for accounting purposes based on the evidence available. In identifying FNF as the acquiring entity for accounting purposes, the companies took into account the voting rights of all equity instruments, the intended corporate governance structure of the combined company, and the size of each of the companies. In assessing the size of each of the companies, the companies evaluated various metrics, including, but not limited to: assets, revenue, operating income, EBITDA, adjusted EBITDA, market capitalization and enterprise value. No single factor was the sole determinant in the overall conclusion that FNF is the acquirer for accounting purposes; rather, all factors were considered in arriving at the conclusion. Under ASC 805, FNF, as the accounting acquirer, will account for the merger by using FNF’s historical information and accounting policies and adding the assets and liabilities of FGL as of the closing date at their respective fair values.

The acquisition method of accounting uses the fair value concepts defined in ASC 820, “Fair Value Measurements and Disclosures” (“ASC 820”). Fair value is defined in ASC 820 as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” Fair value measurements can be highly subjective, and it is possible the application of reasonable judgment could develop different
assumptions resulting in a range of alternative estimates using the same facts and circumstances.

## NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The allocation of the consideration in these pro forma financial statements, including the fair value of FGL common and preferred shares owned by FNF prior to the merger is approximately $2,694 million, which is inclusive of approximately $2 million related to FGL equity-based awards and $18 million related to FGL warrants. This amount is based on approximately 25 million shares of common stock, exclusive of converted FGL equity-based awards and FGL warrants, that FNF issued to holders of FGL common stock in connection with the merger, the number of shares of FGL common stock outstanding as of June 1, 2020, and the FGL exchange ratio of 0.2558 provided in the merger agreement. The consideration has been prepared based on the intraday share price of FNF common stock on June 1, 2020, equal to $32.00 per share.

At this preliminary stage, the estimated identifiable finite lived intangible assets include Value of Business Acquired ("VOBA"), Value of the Distribution Network Acquired ("VODA") and the FGL trade name. The estimated identifiable indefinite lived intangible asset relates to state insurance licenses acquired, which is not amortized but will be subject to periodic impairment testing and is subject to the same risks and uncertainties noted for the identifiable finite lived intangible assets. In addition, life reserves represent the estimated fair value of FGL's contract holder funds, future policy benefits and liability for policy and contract claims. Goodwill represents the excess of the estimated purchase price over the estimated fair value of FGL's assets and liabilities, including the fair value of the estimated identifiable finite and indefinite lived intangible assets, and will not be amortized, but will be subject to periodic impairment testing.

Under ASC 805, acquisition-related transaction costs are not included as a component of consideration transferred but are accounted for as expenses in the period in which the costs are incurred. Total combination related transaction costs in connection with the merger are estimated to be approximately $97 million. As there is no continuing impact, the impact of these costs is not included in the pro forma statement of operations. These anticipated combination related transaction costs are reflected in the unaudited pro forma condensed combined balance sheet as a reduction to cash and retained earnings for transaction costs incurred by FNF. Approximately $8 million of transaction costs in connection with the merger were incurred in combination by FNF and FGL during the quarter ended March 31, 2020. Approximately $9 million of transaction costs in connection with the merger were incurred in combination by FNF and FGL during the year ended December 31, 2019.

Further, the pro forma financial statements do not reflect the following items:

- Restructuring or integration activities that have yet to be determined or transaction or other costs following the merger that are not expected to have a continuing impact on the business of the combined company; and

- The impact of possible cost or growth synergies expected to be achieved by the combined company, as no assurance can be made that such cost or growth synergies will be achieved.

### 3. Accounting policies

The pro forma financial statements do not assume any differences in accounting policies. Further review of FGL's detailed accounting policies following the consummation of the combination may identify additional differences between the accounting policies of the two companies that, when conformed, could have a material impact on the financial statements of the combined company.

### 4. Reclassifications

Certain reclassification adjustments have been made to the historical presentation of FGL financial information in order to conform to a combined FNF balance sheet.

## NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

**FGL Unaudited Reclassified Balance Sheet (as of March 31, 2020)**

| ($ in millions) | FGL Before Reclassification | Reclassification | Notes | FGL as Reclassified |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Investments: | | | | |
| Fixed maturities, available for sale, at fair value | $ 21,140 | $ - | | $ 21,140 |
| Preferred securities, at fair value | - | - | | - |
| Equity securities, at fair value | 915 | - | | 915 |
| Derivative investments | 188 | - | | 188 |
| Mortgage loans | 1,769 | (1,769) | (A) | - |
| Other invested assets | 1,491 | (1,491) | (A), (B) | - |
| Investments in unconsolidated entities | - | 1,115 | (B), (D) | 1,115 |
| Other long-term investments | - | 2,195 | (A) | 2,195 |
| Short-term investments | - | - | | - |
| Total Investments- | 25,503 | 50 | | 25,553 |
| Cash and cash equivalents | 776 | - | | 776 |
| Trade and notes receivable, net | - | - | | - |
| Accrued investment income | 251 | (251) | (C) | - |
| Funds withheld for insurance receivable, at fair value | 2,050 | - | | 2,050 |
| Reinsurance recoverable | 3,186 | - | | 3,186 |
| Goodwill | 467 | - | | 467 |
| Prepaid expenses and other assets | - | 336 | (C), (D) | 336 |
| Lease assets | - | 9 | (D) | 9 |
| Other intangible assets, net | 2,029 | 25 | (D) | 2,054 |
| Title plants | - | - | | - |
| Property, plant and equipment, net | - | 19 | (D) | 19 |
| Income tax receivable | - | 23 | (D) | 23 |
| Deferred tax assets, net | 264 | - | | 264 |
| Other assets | 211 | (211) | (D) | - |
| **Total assets** | **$ 34,737** | **$ -** | | **$ 34,737** |
| | | | | |
| **LIABILITIES AND EQUITY** | | | | |
| **Liabilities** | | | | |
| Contract holder funds | 26,226 | - | | 26,226 |
| Future policy benefits | 5,658 | - | | 5,658 |
| Liability for policy and contract claims | 73 | - | | 73 |
| Funds withheld for reinsurance liabilities | 821 | - | | 821 |
| Accounts payable and other accrued liabilities | - | 761 | (E) | 761 |
| Income tax payable | - | - | | - |
| Debt | 543 | (543) | (F) | - |
| Notes payable | - | 543 | (F) | 543 |
| Reserve for title claim losses | - | - | | - |
| Secured trust deposits | - | 174 | (E) | 174 |
| Lease liabilities | - | 9 | (E) | 9 |
| Deferred tax liability | - | - | | - |
| Other liabilities | 944 | (944) | (E) | - |
| **Total liabilities** | **$ 34,265** | **$ -** | | **$ 34,265** |
| | | | | |
| **Commitments and contingencies:** | | | | |
| Redeemable non-controlling interest | - | - | | - |
| | | | | |
| **Equity:** | | | | |
| Common stock | - | - | | - |
| Preferred stock | - | - | | - |
| Additional paid-in capital | 2,041 | - | | 2,041 |
| Retained earnings | (72) | - | | (72) |
| Accumulated other comprehensive earnings (loss) | (1,428) | - | | (1,428) |
| Less: Treasury stock as of March 31, 2020 | (69) | - | | (69) |
| **Total shareholders' equity** | **$ 472** | **$ -** | | **$ 472** |
| Non-controlling interests | - | - | | - |
| **Total equity** | **$ 472** | **$ -** | | **$ 472** |
| **Total liabilities and equity** | **$ 34,737** | **$ -** | | **$ 34,737** |

## NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

(A) Adjustment to reclassify “Mortgage loans” and $426 million of “Other invested assets” (excluding investments in affiliates) to “Other long-term investments”.

(B) Adjustment to reclassify $1,065 million of limited partner investment, included within “Other invested assets”, to “Investments in unconsolidated entities”.

(C) Adjustment to reclassify "Accrued investment income” to “Prepaid expenses and other assets”.

(D) Adjustment to reclassify “Other assets” to $50 million of “Investments in unconsolidated entities”, $85 million of “Prepaid expenses and other assets”, $9 million of “Lease assets”, $25 million of “Other intangible assets, net”, $19 million of “Property, plant and equipment, net” and $23 million of “Income tax receivable”.

(E) Adjustment to reclassify “Other liabilities” to $174 million of “Secured trust deposits”, $761 million to “Accounts payable and other accrued liabilities”, and $9 million to “Lease liabilities”.

(F) Adjustment to reclassify “Debt” to “Notes payable”.

**FGL Unaudited Reclassified Statement of Earnings (for the quarter ended March 31, 2020)**

| ($ in millions) | FGL Before Reclassification | Reclassifications | Notes | FGL as Reclassified |
|---|---|---|---|---|
| **Revenues** | | | | |
| Premiums | $ 10 | $ (10) | (A) | $ - |
| Direct title insurance premiums | - | - | | - |
| Agency title insurance premiums | - | - | | - |
| Escrow, title-related and other fees | - | - | | - |
| Life insurance premiums and other fees | - | 40 | (A) | 40 |
| Net investment income | 317 | (317) | (B) | - |
| Interest and investment income | - | 317 | (B) | 317 |
| Net investment gains (losses) | (692) | 692 | (C) | - |
| Realized gains and losses, net | - | (692) | (C) | (692) |
| Insurance and investment product fees and other | 30 | (30) | (A) | - |
| **Total revenues** | **(335)** | - | | **(335)** |
| | | | | |
| **Expenses** | | | | |
| Benefits and other changes in policy reserves | (41) | - | | (41) |
| Acquisition and operating expenses, net of deferrals | 96 | (96) | (D) | - |
| Personnel costs | - | 21 | (D) | 21 |
| Agent commissions | - | - | | - |
| Policy acquisition costs, net of deferrals | - | 9 | (D) | 9 |
| Amortization of intangibles | (61) | 61 | (E) | - |
| Other operating expenses | - | 65 | (D) | 65 |
| Depreciation and amortization | - | (60) | (D), (E) | (60) |
| Provision for title claim losses | - | - | | - |
| Interest expense | 8 | - | | 8 |
| **Total expenses** | **2** | - | | **2** |
| **Earnings before income taxes and equity in earnings of unconsolidated affiliates** | **(337)** | - | | **(337)** |
| Income tax expense | 1 | - | | 1 |
| **Earnings before equity in earnings of unconsolidated affiliates** | **(338)** | - | | **(338)** |
| Equity in earnings of unconsolidated affiliates | - | - | | - |
| **Net earnings** | **(338)** | - | | **(338)** |
| Less: net earnings attributable to non-controlling interests | - | - | | - |
| **Net earnings attributable to FGL shareholders** | **$ (338)** | **$ -** | | **$ (338)** |

**FGL Unaudited Reclassified Statement of Earnings (for the year ended December 31, 2019)**

| ($ in millions) | FGL Before Reclassification | Reclassifications | Notes | FGL as Reclassified |
|---|---|---|---|---|
| **Revenues** | | | | |
| Premiums | $ 40 | $ (40) | (A) | $ - |
| Direct title insurance premiums | - | - | | - |
| Agency title insurance premiums | - | - | | - |
| Escrow, title-related and other fees | - | - | | - |
| Life insurance premiums and other fees | - | 210 | (A) | 210 |
| Net investment income | 1,229 | (1,229) | (B) | - |
| Interest and investment income | - | 1,229 | (B) | 1,229 |
| Net investment gains (losses) | 674 | (674) | (C) | - |
| Realized gains and losses, net | - | 674 | (C) | 674 |
| Insurance and investment product fees and other | 170 | (170) | (A) | - |
| **Total revenues** | **2,113** | - | | **2,113** |
| | | | | |
| **Expenses** | | | | |
| Benefits and other changes in policy reserves | 1,057 | - | | 1,057 |
| Acquisition and operating expenses, net of deferrals | 330 | (330) | (D) | - |
| Personnel costs | - | 76 | (D) | 76 |
| Agent commissions | - | - | | - |
| Policy acquisition costs, net of deferrals | - | 121 | (D) | 121 |
| Amortization of intangibles | 126 | (126) | (E) | - |
| Other operating expenses | - | 124 | (D) | 124 |
| Depreciation and amortization | - | 135 | (D), (E) | 135 |
| Provision for title claim losses | - | - | | - |
| Interest expense | 32 | - | | 32 |
| **Total expenses** | **1,545** | - | | **1,545** |
| **Earnings before income taxes and equity in earnings of unconsolidated affiliates** | **568** | - | | **568** |
| Income tax expense | 61 | - | | 61 |
| **Earnings before equity in earnings of unconsolidated affiliates** | **507** | - | | **507** |
| Equity in earnings of unconsolidated affiliates | - | - | | - |
| **Net earnings** | **507** | - | | **507** |
| Less: net earnings attributable to non-controlling interests | - | - | | - |
| **Net earnings attributable to FGL shareholders** | **$ 507** | **$ -** | | **$ 507** |

(A) Adjustment to combine “Premiums” and “Insurance and investment product fees and other” to a single line “Life insurance premiums and other fees”.

(B) Adjustment to reclassify the balance of “Net investment income” to “Interest and investment income”.

(C) Adjustment to reclassify the balance of “Net investment gains (losses) to “Realized gains and losses, net”.

(D) Adjustment to disaggregate “Acquisition of operating expenses, net of deferrals” to “Personnel costs”, “Policy acquisition costs, net of deferrals”, “Depreciation and amortization”, and “Other operating expenses”.

(E) Adjustment to reclassify the balance of “Amortization of intangibles” to “Depreciation and amortization”.

**5. Consideration**

The consideration, excluding the fair value of FGL common and preferred shares owned by FNF prior to the merger, is calculated as follows:

($ and number of shares in millions, except cash consideration price and intraday share price)

| | | |
|---|---|---|
| **Cash election shares (Common Stock)** | | |
| Cash election shares | | 117.8 |
| Cash consideration price | $ | 12.50 |
| **Estimated consideration transferred for cash election common shares** | **$** | **1,471.9** |
| | | |
| **Stock election shares (Common Stock)** | | |
| FGL common shares outstanding (net of treasury shares) as of June 1, 2020 | | 197.6 |
| Less: Cash election shares | | 117.8 |
| **Stock election shares** | | **79.8** |
| FNF exchange ratio | | 0.2558 |
| **FNF common shares issued in exchange** | | **20.4** |
| FNF intraday share price on June 1, 2020 | $ | 32.00 |
| **Estimated consideration transferred for FGL common stock** | **$** | **653.5** |
| | | |
| **Warrants** | | |
| FGL warrants outstanding as of June 1, 2020 | | 5.5 |
| | | |
| FNF exchange ratio (35% of the FGL exchange ratio 0.2558) | | 0.0895 |
| **FNF common shares issued in exchange** | | **0.5** |
| FNF intraday share price on June 1, 2020 | $ | 32.00 |
| **Estimated stock consideration transferred for FGL warrants** | **$** | **15.8** |
| Cash consideration per FGL warrant (65% of cash consideration price $12.50) | $ | 8.13 |
| **Estimated cash consideration transferred for FGL warrants** | **$** | **44.8** |
| Less: Weighted average exercise price per FGL warrant | $ | 7.68 |
| **Estimated proceeds from exercise of FGL warrants** | **$** | **42.3** |
| **Estimated net consideration transferred for FGL warrants** | **$** | **18.2** |
| | | |
| **Preferred (Series A)** | | |
| FGL Preferred (Series A) shares outstanding as of June 1, 2020 | | 0.331 |
| Liquidation Preference | | 1,000 |
| **Estimated consideration transferred for FGL Preferred (Series A) stock** | **$** | **331.2** |
| | | |
| **Stock-Based Awards** | | |
| Restricted stock rights | $ | 1.2 |
| Fair value of vested stock options - converted | $ | 1.1 |
| **Total for stock-based compensation** | **$** | **2.3** |
| | | |
| **Estimate of consideration expected to be transferred** | **$** | **2,477.2** |

As a result of the merger, each share of FGL common stock had the right to receive either (i) $12.50 in cash consideration or (ii) 0.2558 shares of FNF common stock ("stock consideration"), at the election of the holder of such FGL ordinary share, subject to the allocation and proration provisions of the merger agreement.

FGL had 5.5 million outstanding warrants that became exercisable for the weighted average mix of merger consideration, which is 65% cash consideration and 35% stock consideration, resulting in each FGL warrant to purchase an FGL ordinary share becoming exercisable for (i) $8.13 in cash and (ii) 0.0895 shares of FNF stock. Based on FNF's intraday stock price on June 1, 2020, we have assumed the value of the consideration for each warrant is equal to $9.40 and, as described above, we have assumed that the adjusted exercise price is $7.68. We have therefore assumed that all of the warrants will be exercised for a total consideration of $45 million in cash and $16 million of shares in FNF stock (based on FNF's intraday stock price on June 1, 2020), net of the total exercise proceeds of $42 million (at the assumed adjusted exercise price of $7.68 per warrant).

The fair value of share-based compensation awards relates to restricted stock awards that accelerated to vest and were converted to the right to receive merger consideration (as defined in the merger agreement), and certain FGL options that were replaced with FNF options. The fair value of the FNF options and restricted stock awards attributable to pre-combination service is recognized as part of the purchase consideration transferred.

Participants have FGL options that vest either solely based on time, based on time and the achievement of certain stock price metrics, or based on time and the achievement of certain Return on Equity metrics. As a result of the merger, FGL stock options that were already vested and certain unvested FGL options, are converted to FNF options that vest solely based on time, which otherwise will be governed under the same terms and conditions that were applicable immediately prior to the merger.

FGL options that vest due to performance vesting conditions tied to the achievement of FGL stock price goals became time-based options and were converted to FNF options at the merger date based upon the achievement of a per Company Ordinary Share price goal set forth in the FGL option agreement, as determined based on the stock price of $12.50. Any stock price based option with a stock price goal greater than $12.50 was forfeited upon the merger.

FGL options that vested based on Return on Equity metrics became time-based options and were converted to FNF options as if all metrics were met at 100% performance. As a result of the merger, each time-based FGL option granted prior to January 1, 2020, which is inclusive of all FGL options granted to current employees, was credited as though the holder had served a number of days in the applicable vesting period that is equal to two (2) times the number of days that have elapsed between the grant date of such FGL Stock Option and merger date. In effect, certain unvested FGL options that would have been considered unvested immediately prior to the merger date were considered vested at the merger date and converted to FNF options. Furthermore, the vesting date for the remaining unvested FGL options was moved to an earlier date calculated from the original vesting date less the difference between the grant date and the merger date. In effect, unvested FGL options that did not get accelerated at closing will convert to FNF options and vest at an earlier date.

NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

## 6. Fair Value Estimate of Assets to be Acquired and Liabilities to be Assumed

The table below represents an initial allocation of the preliminary consideration to FGL's tangible and intangible assets acquired and liabilities assumed based on management's preliminary estimate of their respective fair values as of March 31, 2020:

**($ in millions)**

| | FGL as Reclassified | Fair Value Adjustment | Fair Value | Goodwill Calculation | Notes |
|---|---|---|---|---|---|
| **Estimated consideration transferred** | | | $ 2,477 | | 5 |
| Fair value of FGL common and preferred shares owned by FNF | | | 217 | | |
| **Total value to allocate** | | | | **$ 2,694** | 7(G) |
| | | | | | |
| Total investments | $ 25,553 | $ 23 | $ 25,576 | | 7(E) |
| Cash and cash equivalents | 735 | - | 735 | | |
| Funds withheld for insurance receivable, at fair value | 2,050 | - | 2,050 | | |
| Reinsurance recoverable | 3,186 | - | 3,186 | | |
| Prepaid expenses and other assets | 336 | - | 336 | | |
| Lease assets | 9 | - | 9 | | |
| Other intangible assets, net | 2,054 | 1,445 | 3,499 | | 7(H), 7(I) |
| Property, plant and equipment, net | 19 | - | 19 | | |
| Income tax receivable | 27 | - | 27 | | |
| Deferred tax asset | 264 | (329) | (65) | | 7(L) |
| **Total assets (excluding goodwill)** | **$ 34,233** | **$ 1,138** | **$ 35,372** | | |
| | | | | | |
| Contractholder funds | 26,226 | $ (353) | $ 25,873 | | 7(M) |
| Future policy benefits | 5,658 | 496 | 6,154 | | 7(M) |
| Liability for policy and contract claims | 73 | - | 73 | | |
| Funds withheld for reinsurance liabilities | 821 | - | 821 | | |
| Accounts payable and other accrued liabilities | 761 | (156) | 606 | | 7(N) |
| Notes payable | 543 | (6) | 537 | | 7(P) |
| Secured trust deposits | 174 | - | 174 | | |
| Lease liabilities | 9 | - | 9 | | |
| Deferred tax liability | - | - | - | | 7(L) |
| **Total liabilities** | **$ 34,265** | **$ (19)** | **$ 34,247** | | |
| | | | | | |
| Fair value of net assets (excluding goodwill) | | | | $ 1,125 | |
| | | | | | |
| **FNF goodwill attributable to FGL** | | | | **$ 1,569** | 7(G) |

## 7. Adjustments to Pro Forma Balance Sheet

Explanations of the adjustments to the pro forma balance sheet are as follows:

(A) To reflect the cash inflow from the debt issuance to fund part of the cash consideration paid to effect the merger.

(B) To reflect the debt issuance obligation incurred to fund the portion of cash consideration paid to effect the merger.

(C) To remove the carrying values of FGL's common stock from FNF's investments.

(D) To remove the carrying values of FGL's preferred stock from FNF's investments.

(E) To reflect the fair value of FGL's mortgage loans and policy loans.

(F) To reflect the cash consideration paid by FNF to FGL shareholders to effect the merger and to reflect the one-time transaction-related costs to be incurred prior to, or concurrent with, the closing of the merger including bank fees, legal fees and other consulting fees. See also *Note* 7(Q) for the impact to earnings.

(G) To reflect the excess of the preliminary consideration, including the fair value of FGL common and preferred shares owned by FNF prior to the merger, over the preliminary fair value of the assets acquired and liabilities assumed. Goodwill will be tested for impairment at least annually and whenever events or circumstances have occurred that may indicate a possible impairment. Goodwill is not expected to be deductible for income tax purposes.

(H) To reflect the preliminary fair value and resulting adjustment to intangible assets (excluding VOBA and goodwill). The preliminary amounts assigned to intangible assets and estimated weighted average useful lives are as displayed below.

| | Preliminary Fair Value ($ in millions) | | Estimated Weighted Average Useful Life (in years) |
|---|---|---|---|
| VODA | $ | 185 | 15 |
| Trade name | | 35 | 10 |
| State insurance licenses | | 8 | Indefinite |
| Internally developed software | | 21 | 3 |
| **Total fair value of FGL's intangible assets (excluding VOBA and goodwill)** | $ | 249 | |
| Less: FGL's historical other intangible assets | | 25 | |
| **Pro forma adjustment** | **$** | **224** | |

(I) To reflect the preliminary fair value of the VOBA totaling $3,250 million which represents the present value of the expected underwriting profit within policies that were in-force at March 31, 2020. FGL's historical VOBA of $873 million, and Deferred Acquisition Costs (“DAC”) and Deferred Sales Inducements (“DSI”) of $1,156 million (totaling $2,029 million) are eliminated as the value of policies in-force on that date are considered within the fair value of the VOBA, resulting in a net adjustment of $1,221 million.

(J) The preliminary pro forma adjustments to intangible assets assume that all such assets are domestic and are tax affected at a federal rate. The related deferred tax asset adjustment may be subject to change if the intangible assets are located in a foreign jurisdiction.

(K) To reflect the tax benefit resulting from transaction expenses and to reclass the FGL's income tax receivable to a net income tax payable for the unaudited pro forma combined balance sheet.

(L) To reclass the FGL deferred tax asset to a net deferred tax liability for the for the unaudited pro forma combined balance sheet and to reflect the preliminary estimate of the deferred tax impact of the fair value adjustments included herein.

(M) To reflect the fair value of FGL’s life reserves (comprised of contractholder funds, future policy benefits and liability for policy and claims).

(N) To eliminate historical FGL liabilities including deferred reinsurance revenue of $30 million, unearned revenue of $87 million and an embedded derivative relating to the reimbursement feature of the preferred shares, settled as part of this merger, of $37 million.

(O) To remove FGL’s accrued PIK dividend payable due to FNF.

(P) To record FGL’s long-term debt at fair value as of March 31, 2020. These adjustments are net of the elimination of the historical unamortized deferred financing costs.

(Q) The following table summarized the pro forma adjustments impacting equity:

(Q) The following table summarized the pro forma adjustments impacting equity:

($ in millions)

| | Adjustments to Historical Equity | Remeasurement Loss | New Equity Structure | Other Items | Pro Forma Adjustments |
|---|---|---|---|---|---|
| Additional paid-in capital | $ (2,041) | $ - | $ 873 | $ - | $ (1,168) |
| Retained earnings | 72 | 60 | - | (43) | 89 |
| Accumulated other comprehensive earnings (loss) | 1,428 | - | - | - | 1,428 |
| Treasury stock | 69 | - | (217) | - | (148) |
| **Total equity** | **$ (472)** | **$ 60** | **$ 656** | **$ (43)** | **$ 201** |

***Adjustments to Historical Equity:*** Represents the elimination of FGL's historical equity.

***Remeasurement Loss:*** Represents FNF’s loss on remeasurement from previously held equity interests in FGL calculated as the difference between the fair value based on the intraday share price as of June 1, 2020 and the fair value at March 31, 2020.

***New Equity Structure:*** Represents the preliminary stock consideration, other than for existing FGL shares owned by FNF and any of its subsidiaries prior to the merger, of $656 million based on the price on June 1, 2020.

***Other Items:*** Represents the impact of the nonrecurring transaction costs to retained earnings, which is discussed within *Note* 7(F).

## 8. Adjustments to Pro Forma Statement of Operations

Explanations of the adjustments to the pro forma statement of operations are as follows:

(A) To record the estimated interest expense on the new debt raised to fund part of the consideration paid to effect the merger, as well as amortization of deferred financing costs.

(B) To reflect the income tax effect of the unaudited pro forma adjustments related to the merger based on FGL's federal statutory income tax rate of 21%. Post-merger, the FGL group will continue to file separate returns in the same manner as they have historically. Due to FGL's business as a life insurance company, they will generally pay premium taxes in lieu of state income taxes. Therefore, state income taxes were not taken into consideration for purposes of the blended statutory income tax rate. The effective tax rate of the combined company may differ depending on any unitary filing obligations that arise as a result of the merger, which are not yet determined.

(C) To remove advisory fees FGL paid FNF.

(D) To remove the amortization of the deferred reinsurance gain which has been removed as part of the fair value adjustments.

(E) To remove dividend income that FNF recognized related to the common and preferred shares owned in FGL.

(F) To reflect the prospective reclassification from accumulated other comprehensive earnings of the unrealized losses on available-for-sale securities to a discount which will be accreted into income based on the expected life of the investment securities.

(G) To remove the unrealized gains that FNF recognized related to the common and preferred shares owned in FGL.

(H) To reflect the incremental difference in stock-based compensation for converted equity and phantom equity awards.

(I) To remove the gain from the change in the preferred remarketing embedded derivative.

(J) To remove the transaction expenses that FGL recognized.

(K) To eliminate FGL's historical intangible amortization relating to DAC, DSI and VOBA following the write-off of the historical DAC, DSI and VOBA assets, and to reflect the amortization of the fair value of the VOBA, VODA, and the FGL Trade Name. The expected amortization relating to the preliminary fair value of the acquired finite lived intangible assets for the five years following the merger is reflected in the table below:

| | Estimated Weighted Average Useful Life (in years) | Year following the acquisition ($ in millions) Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|---|
| VOBA | 30 | $ 203 | $ 267 | $ 254 | $ 192 | $ 181 |
| VODA | 15 | 23 | 22 | 20 | 19 | 17 |
| FGL Trade Name | 10 | 4 | 4 | 4 | 4 | 4 |
| Internally Developed Software | 3 | 6 | 6 | 6 | 2 | - |
| **Total expected amortization** | | **$ 236** | **$ 299** | **$ 284** | **$ 216** | **$ 202** |
| Less: FGL's historical 2019 amortization expense | | 126 | | | | |
| **2019 Pro forma adjustment** | | **110** | | | | |

(L) To reflect the amortization of the fair value adjustment to FGL's long-term debt.

**9. FNF Earnings Per Share Information**

The following table shows our calculation of pro forma condensed combined basic and diluted earnings per share for the quarter ended March 31, 2020 and the year ended December 31, 2019, respectively:

($ in millions, except per share amounts)

| | Quarter Ended March 31, 2020 | Year Ended December 31, 2019 |
|---|---|---|
| Net earnings attributable to FNF common shareholders | $ (379) | $ 1,622 |
| Basic weighted average FNF shares outstanding | 274 | 273 |
| FGL shares converted to FNF shares[1] | 21 | 21 |
| Pro forma basic weighted average shares outstanding | $ 295 | $ 294 |
| Dilutive effect of securities: | | |
| Weighted common shares assumed upon exercise of FNF options and vesting of FNF restricted stock units | - | 4 |
| FNF shares issued for FGL equity-based awards | 2 | 3 |
| Pro forma diluted weighted average shares outstanding | $ 297 | $ 301 |
| Pro forma basic earnings per share | $ (1.28) | $ 5.52 |
| Pro forma diluted earnings per share | $ (1.27) | $ 5.39 |

(1) Represents the estimated number of shares of FNF common stock to be issued to FGL stockholders, based on the number of shares of FGL common stock outstanding and after giving effect to the exchange ratio of 0.2558 as determined in the merger agreement, and the estimated number of shares of FNF common stock to be issued to FGL warrant holders after giving effect to the estimated exchange ratio of 0.1023. The preliminary consideration assumes that the elected cash consideration for the FGL ordinary shares is equal to the maximum cash amount. FGL historical weighted average diluted shares outstanding for the year ended December 31, 2019 was 217. FGL historical weighted average diluted shares outstanding for the quarter ended March 31, 2020 was 213.