

**BAHAMAS DIVISION OF FIDELITY  
NATIONAL TITLE INSURANCE COMPANY**

**Financial Statements For The  
Years Ended December 31, 2015 and 2014  
And Independent Auditors' Report**

# BAHAMAS DIVISION OF FIDELITY NATIONAL TITLE INSURANCE COMPANY

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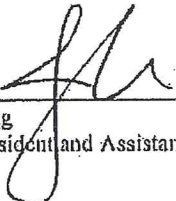


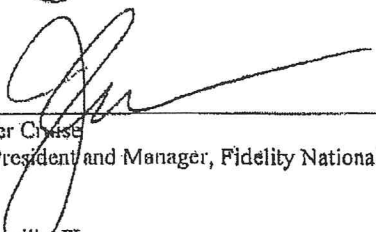
**BAHAMAS DIVISION OF FIDELITY NATIONAL TITLE INSURANCE COMPANY**

**ADDRESS AND APPROVAL OF FINANCIAL STATEMENTS**

Address: 601 Riverside Avenue  
Jacksonville, FL 32204

Approval: John King, Vice President and Assistant Controller and Jennifer Cruise, Vice President and Manager, Fidelity National Title Group have approved the financial statements of Bahamas Division of Fidelity National Title Insurance Company as of December 31, 2015, and authorize them for their issue.

  
\_\_\_\_\_  
John King  
Vice President and Assistant Controller

  
\_\_\_\_\_  
Jennifer Cruise  
Vice President and Manager, Fidelity National Title Group

Jacksonville, FL  
April 26, 2016

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
**Bahamas Division of Fidelity National Title Insurance Company**  
Jacksonville, FL 32204  
U.S.A.

We have audited the accompanying financial statements of Bahamas Division of Fidelity National Title Insurance Company (the Company), which comprise the statement of financial position as of 31st December 2015, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the company as of 31st December 2014 were audited by other accountants whose report dated 30th April 2015, stated that the financial statements were presented fairly in accordance with *International Financial Reporting Standards for Small and Medium-sized Entities*.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with *International Financial Reporting Standards for Small and Medium-sized Entities*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31st December 2015, and of its financial performance and its cash flows for the year then ended in accordance with *International Financial Reporting Standards for Small and Medium-sized Entities*.

26th April 2016  
Nassau, Bahamas

  
Chartered Accountants

**BAHAMAS DIVISION OF FIDELITY NATIONAL TITLE  
INSURANCE COMPANY**

**STATEMENTS OF FINANCIAL POSITION  
AT DECEMBER 31, 2015 AND 2014**  
*(Expressed in Bahamian dollars)*

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	Notes	2015	2014
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash and cash equivalents	4	\$ 1,002,760	\$ 1,001,207
Accounts receivable, net		77,949	136,616
Due from affiliates	6	3,238,710	4,926,466
Deferred income tax	5	1,465	20,258
Other assets		<u>523</u>	<u>265</u>
Total Current Assets		4,321,407	6,084,812
NON-CURRENT ASSETS:			
Deferred income taxes	5	<u>182,905</u>	<u>200,675</u>
TOTAL ASSETS		<u>\$ 4,504,312</u>	<u>\$ 6,285,487</u>
<b>LIABILITIES AND EQUITY</b>			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses		\$ 72,897	\$ 427,937
Taxes payable	5	115,509	1,765,519
Reserve for claim losses	3	<u>512,000</u>	<u>561,000</u>
Total Current Liabilities		<u>700,406</u>	<u>2,754,456</u>
EQUITY:			
Retained earnings		<u>3,803,906</u>	<u>3,531,031</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 4,504,312</u>	<u>\$ 6,285,487</u>

See notes to financial statements.

**BAHAMAS DIVISION OF FIDELITY NATIONAL TITLE  
INSURANCE COMPANY**

**STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2015 AND 2014**  
*(Expressed in Bahamian dollars)*

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	Notes	2015	2014
OPERATING REVENUES:			
Net title premiums		\$ 689,534	\$ 6,276,823
Other fees and income		<u>1,445</u>	<u>262,479</u>
Total operating revenues		<u>690,979</u>	<u>6,539,302</u>
PERSONNEL EXPENSES:			
Salaries		86,749	66,664
Bonuses and commissions		38,966	370,303
Payroll taxes and benefits		5,705	4,848
Other		<u>15,747</u>	<u>7,690</u>
Total personnel expenses	6	<u>147,167</u>	<u>449,505</u>
OTHER OPERATING EXPENSES:			
Facilities expense		4,783	3,064
Provision for claim losses	3	(49,000)	393,000
Other operating expenses		<u>164,589</u>	<u>1,207,937</u>
Total other operating expenses		<u>120,372</u>	<u>1,604,001</u>
OTHER INCOME:			
Interest income		<u>1,507</u>	<u>199</u>
Income before taxes		424,947	4,485,995
Provision for income taxes	5	<u>152,072</u>	<u>1,603,400</u>
PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR		<u>\$ 272,875</u>	<u>\$ 2,882,595</u>

See notes to financial statements.

**BAHAMAS DIVISION OF FIDELITY NATIONAL TITLE  
INSURANCE COMPANY**

**STATEMENT OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2015 AND 2014**  
*(Expressed in Bahamian dollars)*

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	<b>Retained Earnings</b>
Balance at December 31, 2013	\$ 648,436
Comprehensive income for the year	<u>2,882,595</u>
Balance at December 31, 2014	3,531,031
Comprehensive income for the year	<u>272,875</u>
Balance at December 31, 2015	<u>\$ 3,803,906</u>

See notes to financial statements.

**BAHAMAS DIVISION OF FIDELITY NATIONAL TITLE  
INSURANCE COMPANY**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**  
*(Expressed in Bahamian dollars)*

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Comprehensive income	\$ 272,875	\$ 2,882,595
Adjustment for:		
Provision for claim losses	<u>(49,000)</u>	<u>393,000</u>
	223,875	3,275,595
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivables, net	58,667	(115,963)
Other assets	(258)	1,082
Due from affiliates	1,687,756	(4,875,316)
Deferred income taxes	36,563	(162,119)
Accounts payable and accrued expenses	(355,040)	299,676
Taxes payable	<u>(1,650,010)</u>	<u>1,577,106</u>
Net cash provided by operating activities	1,553	61
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	<u>1,001,207</u>	<u>1,001,146</u>
END OF YEAR	<u>\$ 1,002,760</u>	<u>\$ 1,001,207</u>
CASH AND CASH EQUIVALENTS:		
REPRESENTED BY:		
Unrestricted cash	\$ 2,760	\$ 1,207
Restricted cash	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 1,002,760</u>	<u>\$ 1,001,207</u>

See notes to financial statements.



# BAHAMAS DIVISION OF FIDELITY NATIONAL TITLE INSURANCE COMPANY

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2015 AND 2014 (Expressed in Bahamian dollars)

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### 1. GENERAL

The Bahamas Division of Fidelity National Title Insurance Company (the "Company") is a division of Fidelity National Title Insurance Company ("FNTIC"), which is a title insurance company domiciled in the State of California. Fidelity National Title Group, Inc. ("FNTG"), owns 100% of the stock of FNTIC. FNTG is a wholly owned subsidiary of FNTG Holdings, Inc., which in turn is a wholly owned subsidiary of Fidelity National Financial, Inc. ("FNFI").

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. ***Basis of presentation*** - These financial statements have been prepared in accordance with *International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)* issued by the International Accounting Standard Board.

For the Statements of Financial Position and Comprehensive Income, management has used the carve-out approach to determine the allocation of certain assets, liabilities, and expenses that were common to the operation as a whole. For the transactions that were specifically tied to the revenue generated by the specific location, management posted the transactions at their correct amount. The carve-out allocated percentage was 29.05% and 15.25% for the years ended December 31, 2015 and 2014 respectively.

- b. ***Cash and cash equivalents*** - For purposes of reporting cash flows, highly liquid instruments purchased with original maturities of three months or less are considered cash equivalents. The carrying amounts reported in the accompanying Statement of Financial Position for these instruments approximate their fair value.
- c. ***Accounts receivable*** - Due to their short-term nature, the carrying amounts reported in the Statement of Financial Position for accounts receivable approximate their fair value. Accounts receivable are presented net of an allowance for doubtful accounts. The allowance for doubtful accounts represents management's estimates of those balances that are uncollectible as of the date of the Statement of Financial Position. The allowance for doubtful accounts is determined based on the Company's evaluation of historical collection experience, adverse situations which may affect an individual customer's ability to repay as well as prevailing economic conditions.

- d. ***Income taxes*** - Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities and expected benefits of utilizing net operating loss and credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable earnings in the years in which those temporary differences are expected to be recovered or settled. The impact on deferred taxes of changes in tax rates and laws, if any, is applied to the years during which temporary differences are expected to be settled and reflected in the financial statements in the period enacted.

The Company is included in the consolidated income tax returns of FNFI. The Company has a tax sharing agreement with FNFI, which sets forth the manner in which cash payments are allocated to each entity that is a party to the consolidated income tax returns.

Pursuant to this agreement, the Company computes its tax expense on a pro-rata basis, allocating a relative share of FNFI's consolidated income tax expense or benefit to the Company.

- e. ***Revenue recognition*** - Net title insurance fees, escrow fees, and other service charges are recognized as revenues at the time of closing of the real estate transaction as the earnings process is considered complete. Related expenses are recognized when incurred. Title insurance fees are presented net of underwriting fees remitted to the underwriter and net of agent commissions, which are calculated as an agreed percentage of gross premiums.
- f. ***Foreign currency translations*** – Assets and liabilities in other currencies have been translated into Bahamian dollars at the appropriate rates of exchange at December 31, 2015 and 2014. Income and expense items have been translated at the actual rates on the date of transaction.
- g. ***Management Estimates*** - The preparation of the financial statements in conformity with IFRS for SME's requires management of the Company to utilize estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include contingent liabilities, the allowances for doubtful accounts receivable, deferred income tax assets, and reserve for claim losses. Actual results could differ from these estimates.

### 3. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company's reserve for claim losses at December 31, 2015 and 2014 of \$512,000 and \$561,000, respectively, includes known claims as well as losses the Company expects to incur, net of recoupments. The reserve represents the Company's best estimate of the ultimate amount that will be required to settle unpaid title and escrow claims based upon an analysis of historical claim activity. Reserves for claims which are incurred but not reported are recorded at the time premium revenue is recognized and are based on historical loss experience and other factors.

#### 4. REGULATORY COMPLIANCE

The Insurance Commission of The Bahamas, requires the Company to deposit \$1,000,000 within a trust account held in a financial institution that is licensed in The Bahamas. The Company had \$1,002,760 and \$1,001,207 on deposit at December 31, 2015 and 2014 respectively, which is included in Cash and cash equivalents in the accompanying Statements of Financial Position.

#### 5. INCOME TAXES

Income tax expense for the years ended December 31, 2015 and 2014 consists of the following:

	2015		
	Current	Deferred	Total
Federal	\$ 111,324	\$ 35,751	\$ 147,075
State and local	<u>4,185</u>	<u>812</u>	<u>4,997</u>
Total Income Tax Expense	<u>\$ 115,509</u>	<u>\$ 36,563</u>	<u>\$ 152,072</u>
	2014		
	Current	Deferred	Total
Federal	\$1,707,639	\$ (156,167)	\$1,551,472
State and local	<u>57,880</u>	<u>(5,952)</u>	<u>51,928</u>
Total Income Tax Expense	<u>\$1,765,519</u>	<u>\$ (162,119)</u>	<u>\$1,603,400</u>

The effective tax rate and the statutory income tax rate as follows:

	2015	2014
Statutory federal income tax rate	35.0%	35.0%
State taxes, net of federal deduction	<u>0.8%</u>	<u>0.7%</u>
Effective income tax rate	<u>35.8%</u>	<u>35.7%</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities included in the Statement of Financial Position at December 31, 2015 and 2014 are as follows:

	2015	2014
Deferred tax assets:		
State taxes	\$ 1,465	\$ 20,258
Reserve for claim losses	<u>182,905</u>	<u>200,675</u>
Deferred tax assets	<u>\$ 184,370</u>	<u>\$ 220,933</u>

Management assesses the need for a valuation allowance based on the ability to utilize the deferred tax benefits in the consolidated FNFI tax return, pursuant to the tax sharing agreement. At December 31, 2015 and 2014, no valuation allowance was provided as management believes that it is more likely than not that the Company will realize the benefit of its existing deferred tax assets based on the historical pattern of taxable earnings at the consolidated FNFI return level.

The Company had no unrecognized tax benefits at December 31, 2015 and 2014.

The Internal Revenue Service (IRS) has selected FNF to participate in the Compliance Assurance Program that is a real-time audit. We are currently under audit by the Internal Revenue Service for the 2013 tax year and beyond.

## **6. RELATED PARTY BALANCES**

The Company maintains various arrangements with affiliates, whereby certain services are provided to the Company, including claims settlement, payroll, human resources, legal, communications, printing, regulatory, financial, administrative support and other services, by these related parties at estimated cost. Each party to these arrangements has the ability to terminate the related services at any time in the event either party is not satisfied with the performance of these services. Costs associated with the arrangements are generally recorded in other operating expenses in the accompanying Statements of Comprehensive Income and were \$63,692 and \$730,569 for the years ended December 31, 2015 and 2014, respectively.

All due from/to affiliate's transactions are unsecured interest free transactions with no specific terms of repayment. The balance due from related parties at December 31, 2015 and 2014 was \$3,238,710 and \$4,926,466, respectively.

All payroll costs were paid by an affiliate and the Company reimbursed the affiliate for the personnel costs of Company employees. These reimbursements are charged to the applicable components of personnel expenses in the accompanying Statements of Comprehensive Income. The cost of key management personnel cost included in personnel expense for the years ended December 31, 2015 and 2014 was \$63,200 and \$375,512, respectively.

## **7. COMMITMENTS AND CONTINGENCIES**

### *Legal Contingencies*

In the ordinary course of business, the Company is involved in various pending and threatened litigation matters related to its operations, some of which include claims for punitive or exemplary damages. This customary litigation includes but is not limited to a wide variety of cases arising out of or related to claims, for which the Company makes provisions through its claims reserves. Additionally, like other companies affiliated with insurance companies, the Company's ordinary course litigation may include class action and purported class action lawsuits which make allegations related to aspects of its operations.

The Company believes that no actions depart from customary litigation incidental to its business.

The Company reviews 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 where it has been determined that a loss is both probable and reasonably estimable, a liability based on known facts and which represents management's best estimate has been recorded. None of the amounts currently recorded is considered to be individually or in the aggregate significant to the Company's financial condition. Actual losses may materially differ from the amounts recorded and the ultimate outcome of pending cases is generally not yet determinable. While some of these matters could be material to operating results for any particular period if an unfavorable outcome results, at present the Company does not believe that the ultimate resolution of currently pending legal proceedings, either individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of comprehensive income or cash flows.

## **8. EMPLOYEE BENEFIT PLANS**

The Company participates in employee benefit plans sponsored by FNFI. Employee benefits include group insurance, an employee stock purchase plan, and a 401(k) plan.

### ***a. Fidelity National Financial, Inc. 401(k) Profit Sharing Plan (401(k) Plan)***

The Company participates in the 401(k) Plan, a qualified voluntary contributory savings plan, available to substantially all Company employees. Eligible employees may contribute up to 40% of their pretax annual compensation, up to the amount allowed pursuant to the Internal Revenue Code. The Company's match was \$0.375 on each \$1.00 up to the first 6% of eligible earnings contributed to the Plan. The employer match for the year ended December 31, 2015 and 2014 was \$3,151 and \$1,907 respectively.

### ***b. Employee Stock Purchase Plan (ESPP)***

Under the terms of the ESPP, eligible employees may voluntarily purchase, at current market prices, shares of FNFI's common stock through payroll deductions. Pursuant to the ESPP, employees may contribute an amount between 3% and 15% of their base salary and certain commissions. The Company contributes varying amounts as specified in the ESPP. The matching contributions made by the Company for the years ended December 31, 2015 and 2014 were \$2,314 and \$1,234, respectively.

## **9. SUBSEQUENT EVENT**

The Company considers events or transactions that occur after the date of the Statement of Financial Position, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through April 26, 2016, the date that these financial statements were available to be issued. The Company has concluded that there were no material subsequent events.