

First American Financial

Barclays Global Financial Services Conference

September 13, 2016



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Safe Harbor Statement



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CERTAIN STATEMENTS MADE IN THIS PRESENTATION AND THE RELATED MANAGEMENT COMMENTARY CONTAIN, AND RESPONSES TO INVESTOR QUESTIONS MAY CONTAIN, 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. THESE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY THE FACT THAT THEY DO NOT RELATE STRICTLY TO HISTORICAL OR CURRENT FACTS AND MAY CONTAIN THE WORDS “BELIEVE,” “ANTICIPATE,” “EXPECT,” “INTEND,” “PLAN,” “PREDICT,” “ESTIMATE,” “PROJECT,” “WILL BE,” “WILL CONTINUE,” “WILL LIKELY RESULT,” OR OTHER SIMILAR WORDS AND PHRASES OR FUTURE OR CONDITIONAL VERBS SUCH AS “WILL,” “MAY,” “MIGHT,” “SHOULD,” “WOULD,” OR “COULD.” THESE FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION, STATEMENTS REGARDING FUTURE OPERATIONS, PERFORMANCE, FINANCIAL CONDITION, PROSPECTS, PLANS AND STRATEGIES. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON CURRENT EXPECTATIONS AND ASSUMPTIONS THAT MAY PROVE TO BE INCORRECT.

RISKS AND UNCERTAINTIES EXIST THAT MAY CAUSE RESULTS TO DIFFER MATERIALLY FROM THOSE SET FORTH IN THESE FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE THE ANTICIPATED RESULTS TO DIFFER FROM THOSE DESCRIBED IN THE FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION: INTEREST RATE FLUCTUATIONS; CHANGES IN THE PERFORMANCE OF THE REAL ESTATE MARKETS; VOLATILITY IN THE CAPITAL MARKETS; UNFAVORABLE ECONOMIC CONDITIONS; IMPAIRMENTS IN THE COMPANY’S GOODWILL OR OTHER INTANGIBLE ASSETS; FAILURES AT FINANCIAL INSTITUTIONS WHERE THE COMPANY DEPOSITS FUNDS; CHANGES IN APPLICABLE GOVERNMENT REGULATIONS; HEIGHTENED SCRUTINY BY LEGISLATORS AND REGULATORS OF THE COMPANY’S TITLE INSURANCE AND SERVICES SEGMENT AND CERTAIN OTHER OF THE COMPANY’S BUSINESSES; THE CONSUMER FINANCIAL PROTECTION BUREAU’S EXERCISE OF ITS BROAD RULEMAKING AND SUPERVISORY POWERS; REFORM OF GOVERNMENT-SPONSORED MORTGAGE ENTERPRISES; LIMITATIONS ON ACCESS TO PUBLIC RECORDS AND OTHER DATA; CHANGES IN RELATIONSHIPS WITH LARGE MORTGAGE LENDERS AND GOVERNMENT-SPONSORED ENTERPRISES; CHANGES IN MEASURES OF THE STRENGTH OF THE COMPANY’S TITLE INSURANCE UNDERWRITERS, INCLUDING RATINGS AND STATUTORY CAPITAL AND SURPLUS; LOSSES IN THE COMPANY’S INVESTMENT PORTFOLIO; MATERIAL VARIANCE BETWEEN ACTUAL AND EXPECTED CLAIMS EXPERIENCE; DEFALCATIONS, INCREASED CLAIMS OR OTHER COSTS AND EXPENSES ATTRIBUTABLE TO THE COMPANY’S USE OF TITLE AGENTS; ANY INADEQUACY IN THE COMPANY’S RISK MITIGATION EFFORTS; SYSTEMS DAMAGE, FAILURES, INTERRUPTIONS AND INTRUSIONS, OR UNAUTHORIZED DATA DISCLOSURES; ERRORS AND FRAUD INVOLVING THE TRANSFER OF FUNDS; INABILITY TO REALIZE THE BENEFITS OF THE COMPANY’S OFFSHORE OPERATIONS; INABILITY OF THE COMPANY’S SUBSIDIARIES TO PAY DIVIDENDS OR REPAY FUNDS; INABILITY TO REALIZE THE BENEFITS OF, AND CHALLENGES ARISING FROM, THE COMPANY’S ACQUISITION STRATEGY; AND OTHER FACTORS DESCRIBED IN THE COMPANY’S QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE THEY ARE MADE. THE COMPANY DOES NOT UNDERTAKE TO UPDATE FORWARD-LOOKING STATEMENTS TO REFLECT CIRCUMSTANCES OR EVENTS THAT OCCUR AFTER THE DATE THE FORWARD-LOOKING STATEMENTS ARE MADE.

Use of non-GAAP Financial Measures



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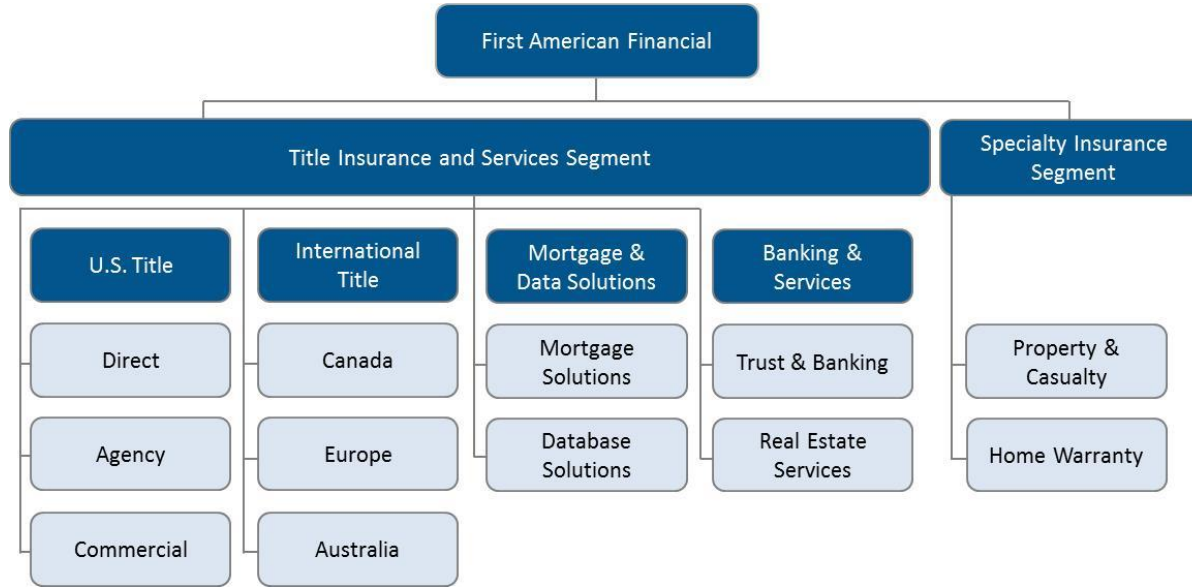
This slide presentation contains, and related commentary and answers to questions may contain certain financial measures that are not presented in accordance with generally accepted accounting principles (GAAP), including net operating revenue and success ratios. Although these exclusions represent actual gains, losses or expenses to the Company, they may mask the periodic income and financial and operating trends associated with the Company's business.

The Company is presenting these non-GAAP financial measures because they provide the Company's management and investors with additional insight into the operational performance of the Company relative to earlier periods and relative to the Company's competitors. The Company does not intend for these non-GAAP financial measures to be a substitute for any GAAP financial information. In the slide presentation these non-GAAP financial measures have been presented with, and reconciled to, the most directly comparable GAAP financial measures. Investors should use these non-GAAP financial measures only in conjunction with the comparable GAAP financial measures.

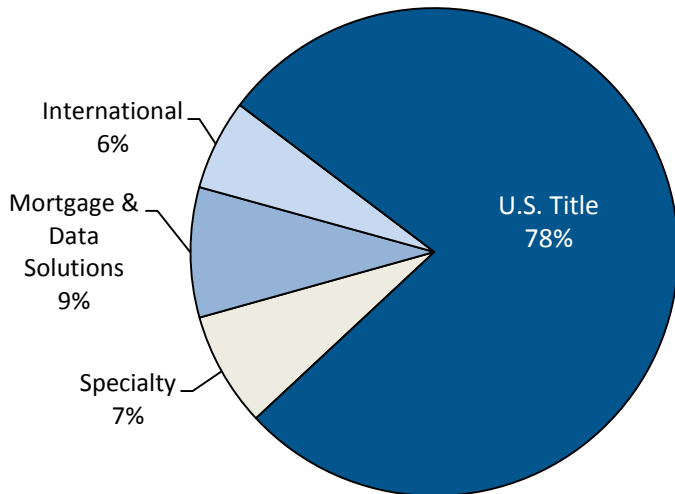
Organizational Structure



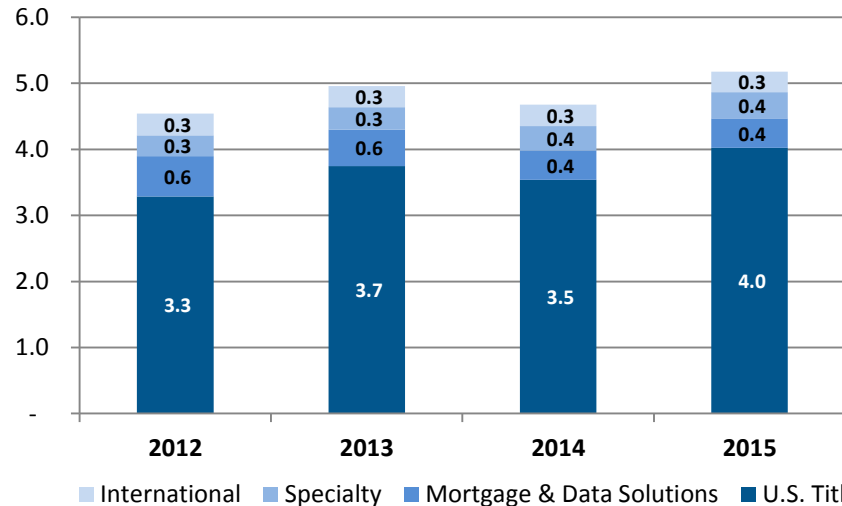
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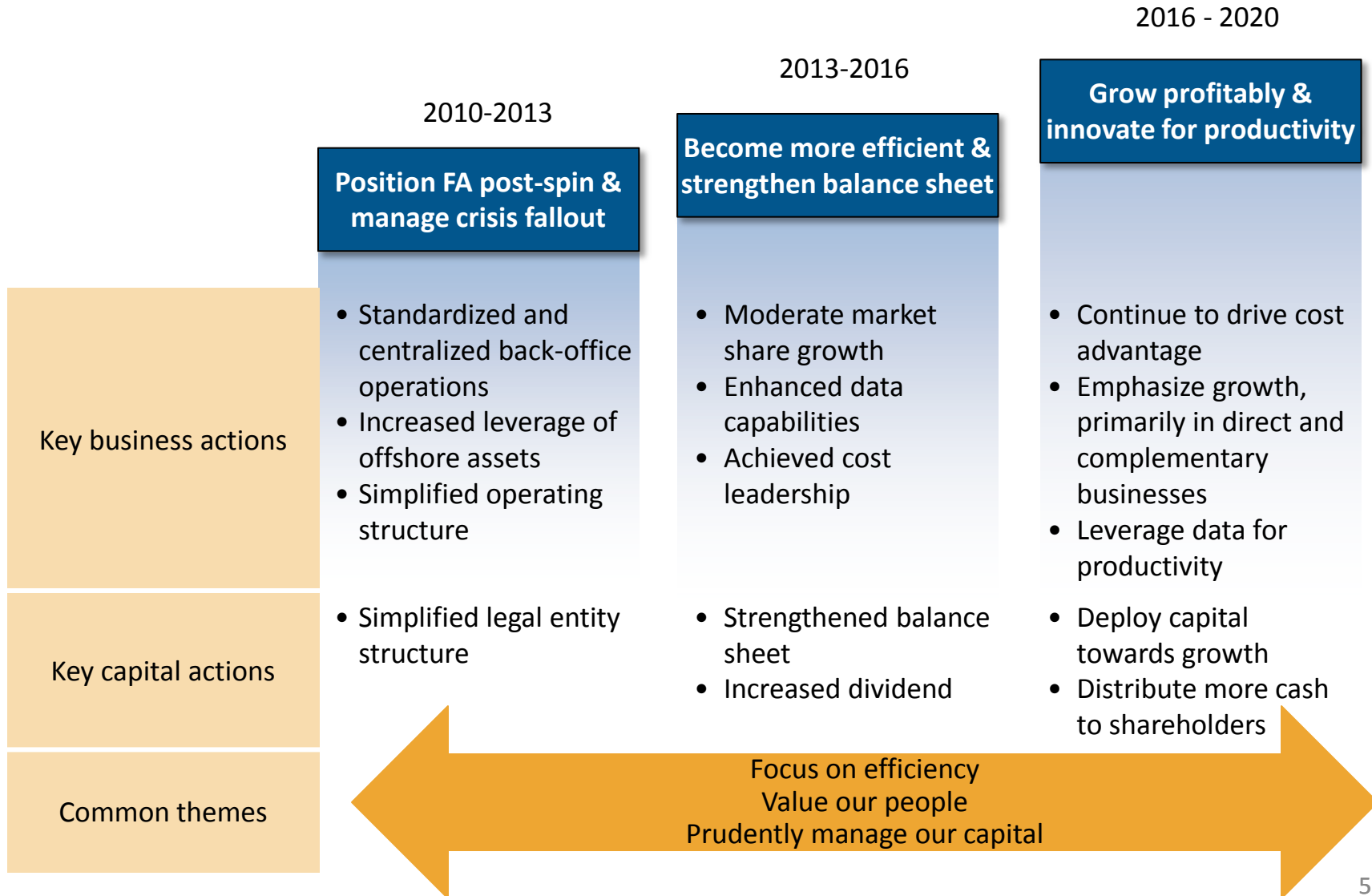


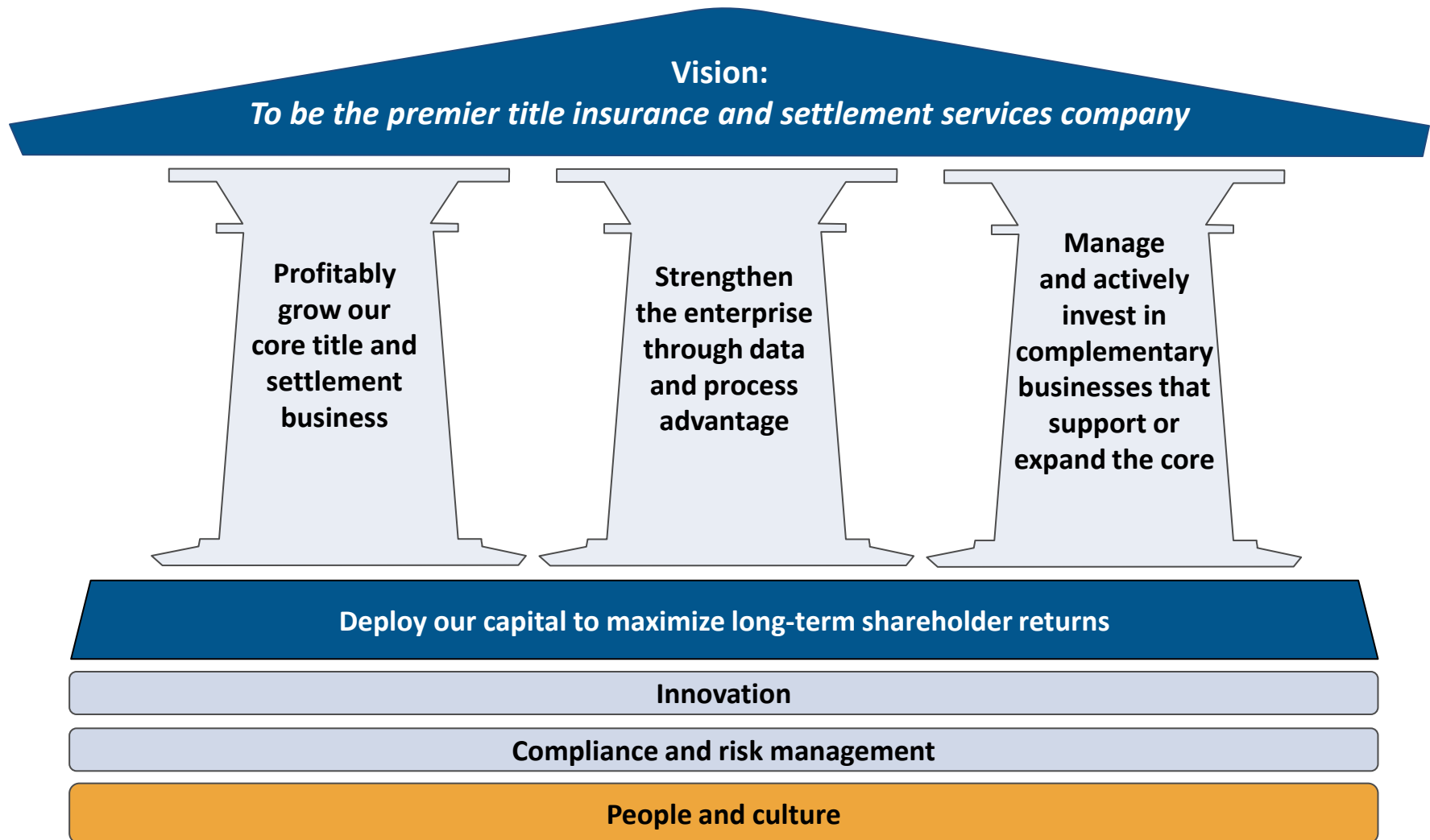
2015 Revenue: \$5.2B



Total Revenue Trend

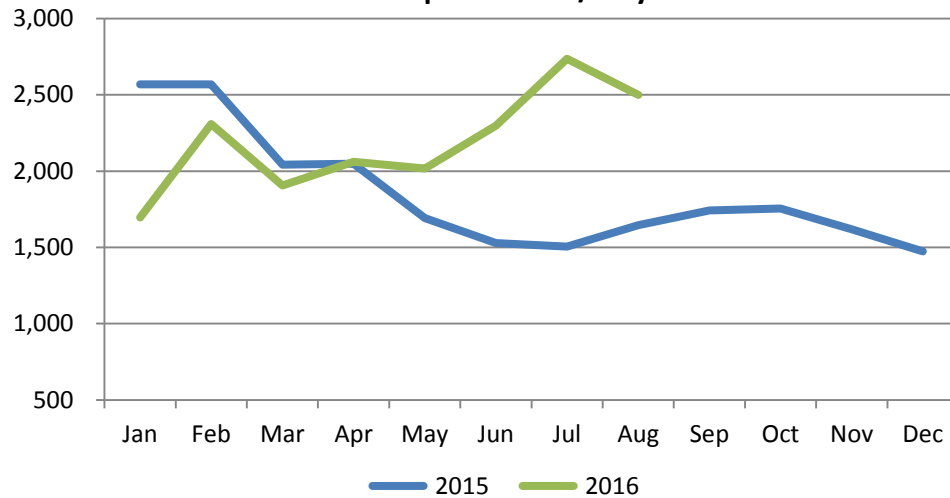








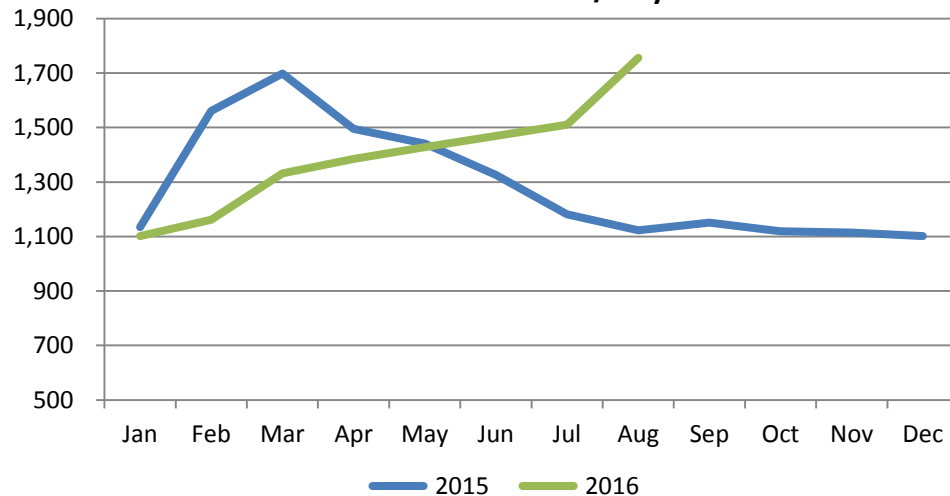
Open Orders / Day



Current Trend

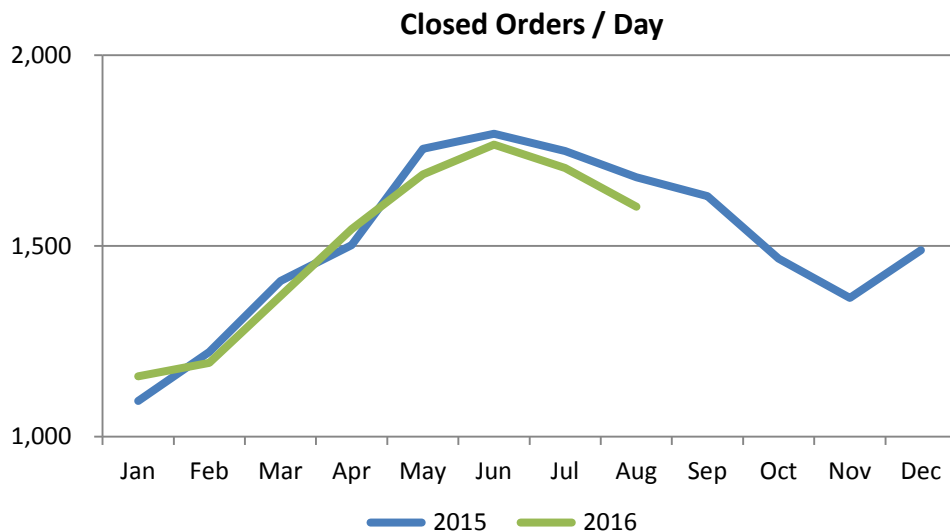
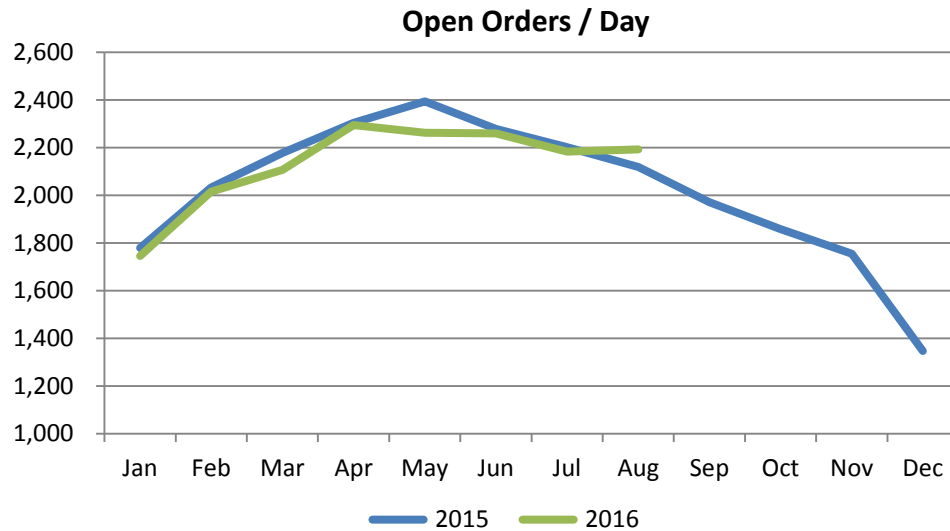
- Strong pipeline going into 2H
- Open orders remain elevated, peaking in July
- No material resources added to handle the refinance surge
- Closely monitoring order levels as we approach seasonal slowdown

Closed Orders / Day



Outlook

- Volatile market - dependent on interest rates
- Expecting long term decline in refinance volumes



Current Trend

- 5% revenue growth in 1H
 - Fees per file grew 6%
 - Closed orders down 1%
- Home price appreciation strong
 - Strong buyer demand
 - Lack of for sale inventory in existing homes a factor

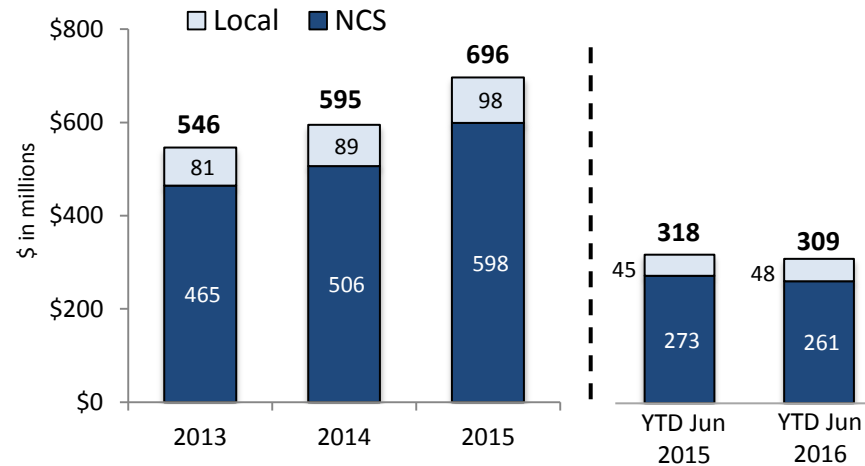
Outlook

- Expect continued growth in 2017 and beyond



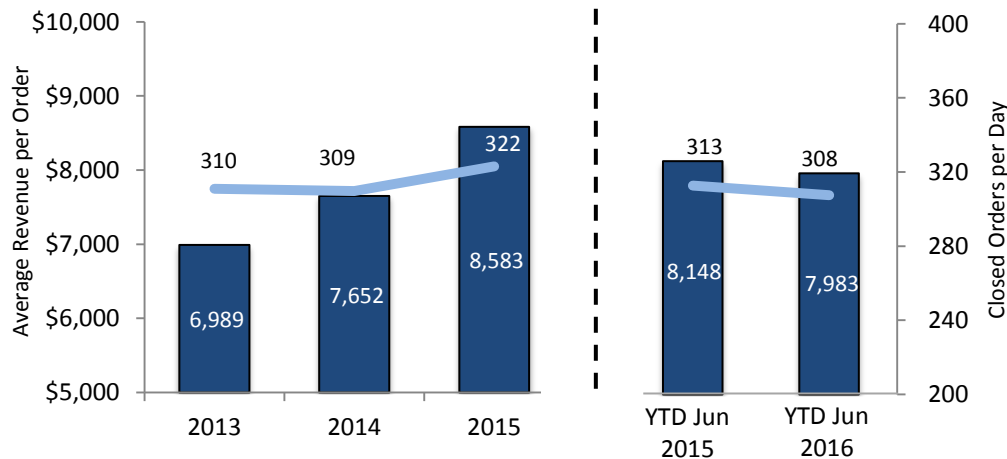
Current Trend

- Seeing continued strength across most markets and asset classes
- Overall quality and size of deals remain high, although deals greater than \$1M in premium have slowed
- Capital availability and foreign flows continue to support market



Outlook

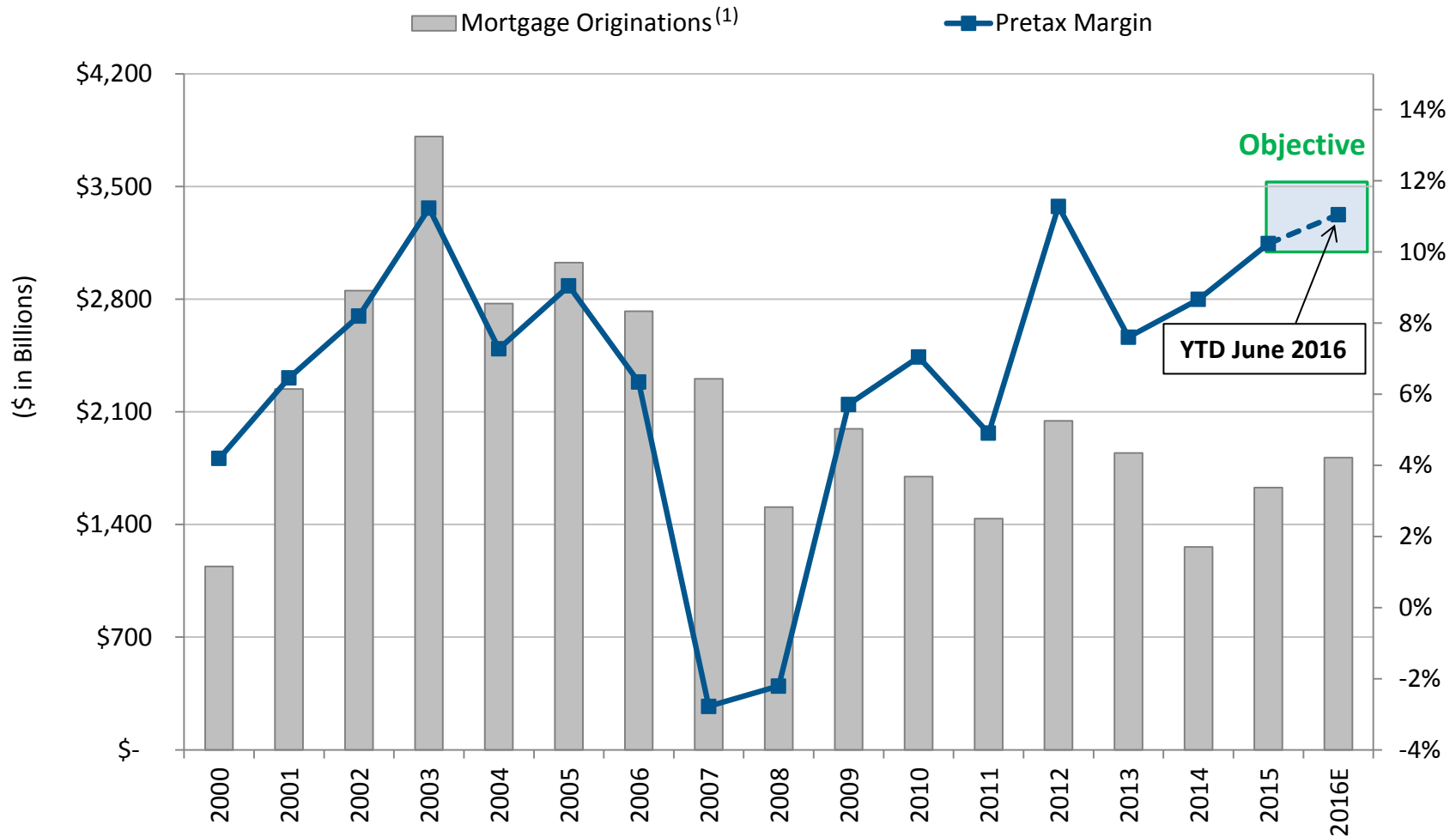
- Expect strength in commercial over the next 1-3 years, albeit below 2015 record levels
- Well positioned national platform



Title Insurance Segment Margins



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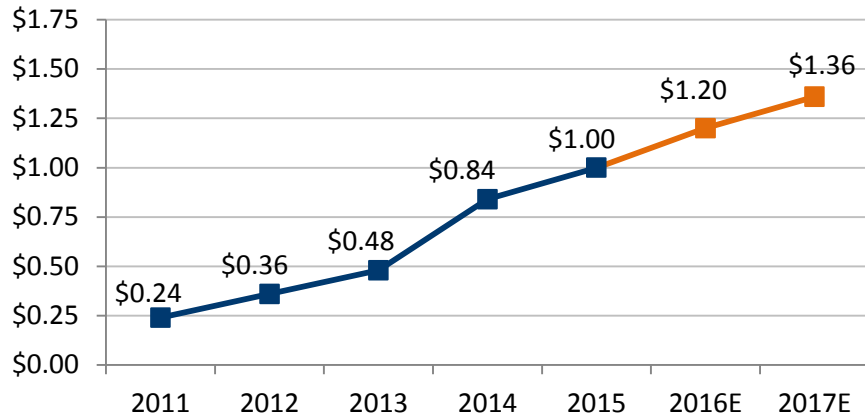
1) Source: Mortgage Bankers Association



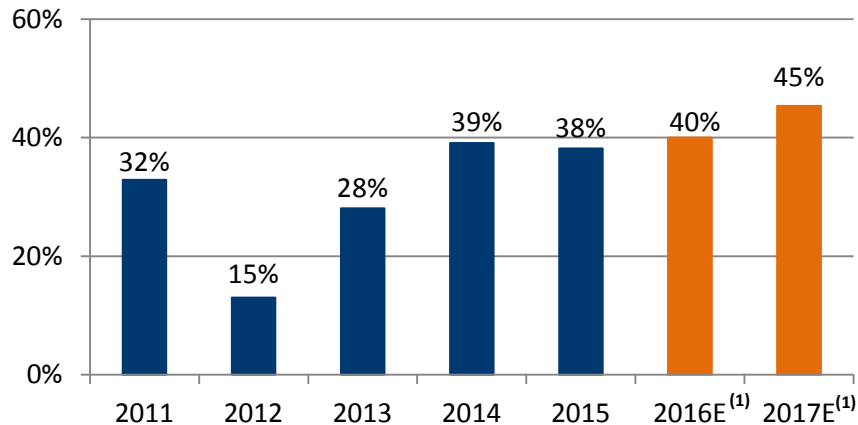
Objective: Create Long-Term Shareholder Value

- Capital Management Priorities:
 - Make value-creating investments to build our business
 - Acquire businesses that fit within our strategy
 - Return excess capital to shareholders through dividends and share repurchases
 - Maintain “A-” financial strength ratings and strong capital levels
 - Manage our capital structure prudently
 - Maintain ample financial flexibility and holding company liquidity

Dividends per share



Payout Ratio



Dividend Considerations:

- Announced 31% increase to dividend in August
- Forecasted cash flows are sufficient to support continued investments in the core business, strategic acquisitions and increased dividend payments
- Dividend viewed as sustainable through the cycle
- Dividend payout ratio rises to 45% based on 2017 consensus estimate
- The company is not committed to increasing the dividend every year.

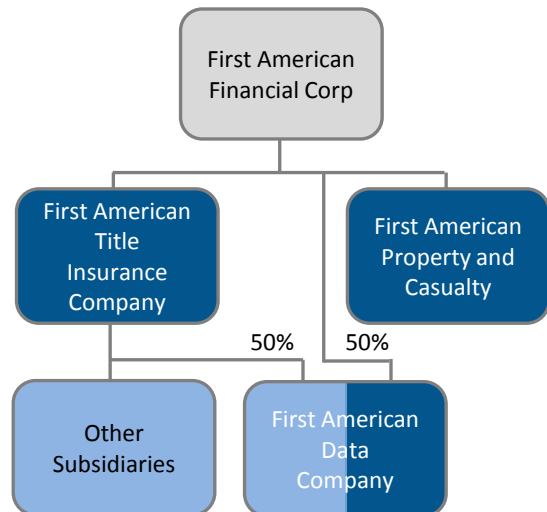
1) Calculated using Consensus EPS estimate for 2016 and 2017

Legal Entity Re-alignment Increased Dividend Capacity

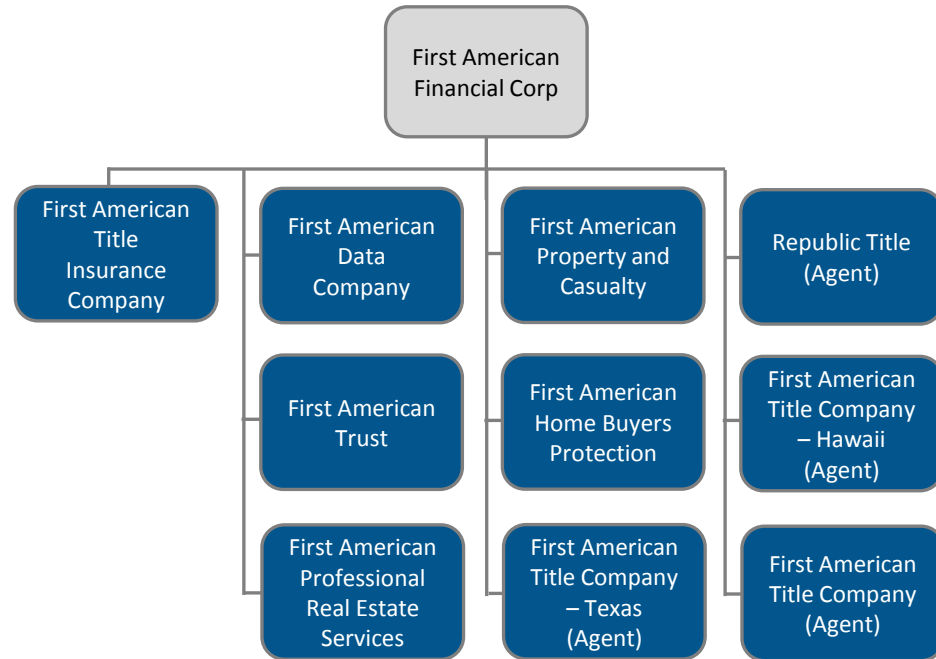


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2012



2015



2012 Actual dividends to Holding Company excluding FATICO	
Other Subsidiaries	\$12M

2015 Actual dividends to Holding Company excluding FATICO	
Other Subsidiaries	\$83M

Note: Legal structure as of June 30, 2012; not a complete list of legal entities

Enhanced Statutory Capital



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US\$ in millions	2011	2012	2013	2014	2015	Q2'16
Beginning Surplus	868	849	956	996	979	1,104
Net Income	92	301	199	393	192	86
Dividend to Parent	(47)	(219)	(139)	(263)	(60)	-
Other	(65)	26	(20)	(148)	(7)	18
Ending Surplus	849	956	996	979	1,104	1,208

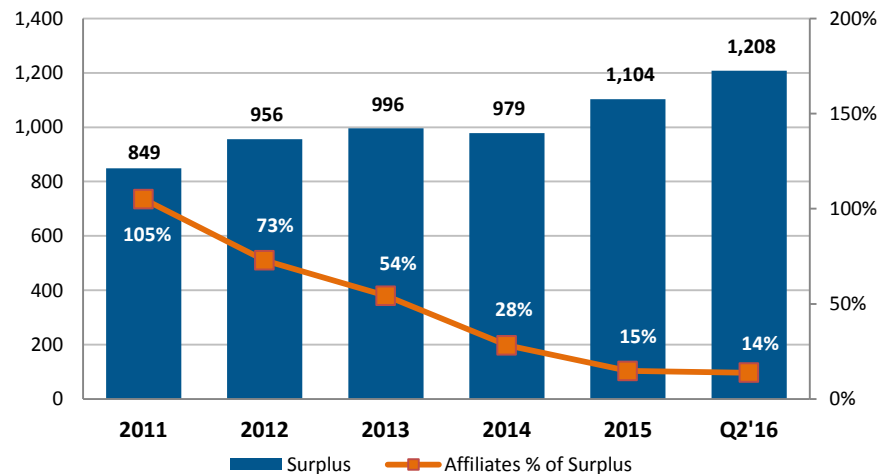
Dividend to Parent:						
Cash	45	-	40	-	60	-
Non-cash	2	219	99	263	-	-
Total	47	219	139	263	60	-

Total Non-cash dividend to Parent for the prior 5 years

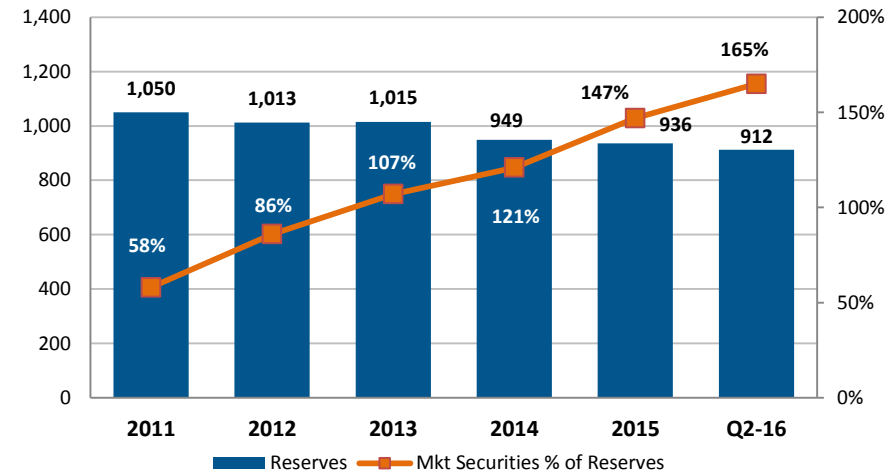
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- Recently completed a multi-year effort to enhance the financial strength and flexibility of the company
- ~50% of free cash flow between 2011-2015 was used to grow the investment portfolio, primarily to strengthen the surplus quality of our primary underwriter - FATICO
- Future cash flows at FATICO will primarily be up-streamed to the holding company for capital deployment (dividend, M&A, etc.)

US\$ in millions



US\$ in millions



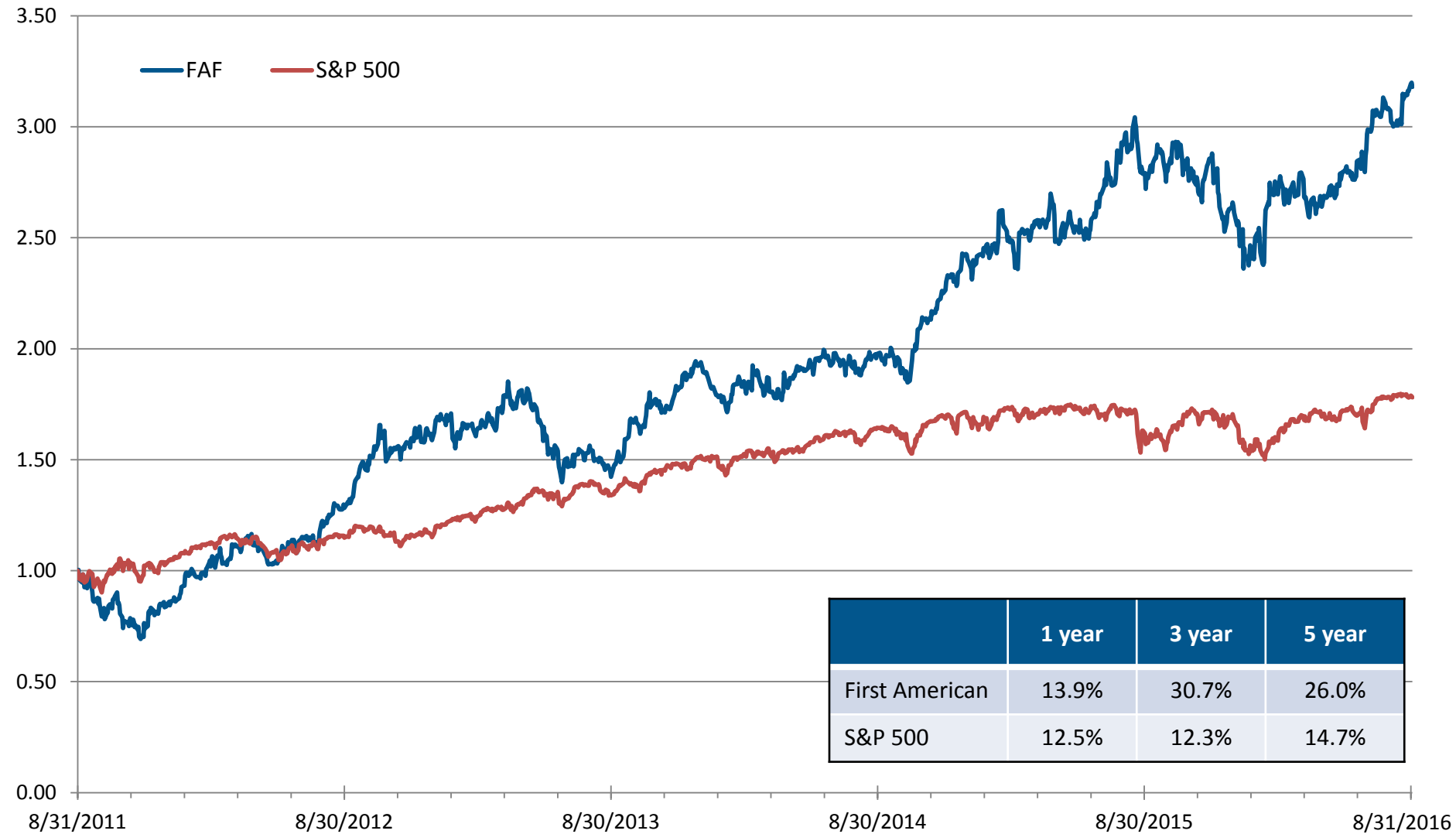


- “Pure play” in title and mortgage markets
- Strong competitive position in title and settlement services
 - Continue to pursue profitable market share gains
 - Strengthening the enterprise through data capabilities
- Structural cost reductions have enhanced earnings power
 - Expect earnings and margin growth as purchase market improves
 - Anticipate cash flow to increase from both higher earnings and lower paid claims over the next few years
- Strong balance sheet and financial flexibility
 - Legal entity re-alignment increases dividend capacity
- Commitment to return capital to shareholders
 - Raised dividend 31% this quarter - 3.2% dividend yield, 45% payout ratio

Total Shareholder Return



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Note: Annualized returns as of August 31, 2016

Appendix



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Balance Sheet



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As of June, 30 2016 (\$ millions)

Assets

Cash & equivalents	\$1,242
Investments	5,087
Other assets	1,474
Goodwill & intangibles	1,034
Total assets	<u>\$8,837</u>

Liabilities & Equity

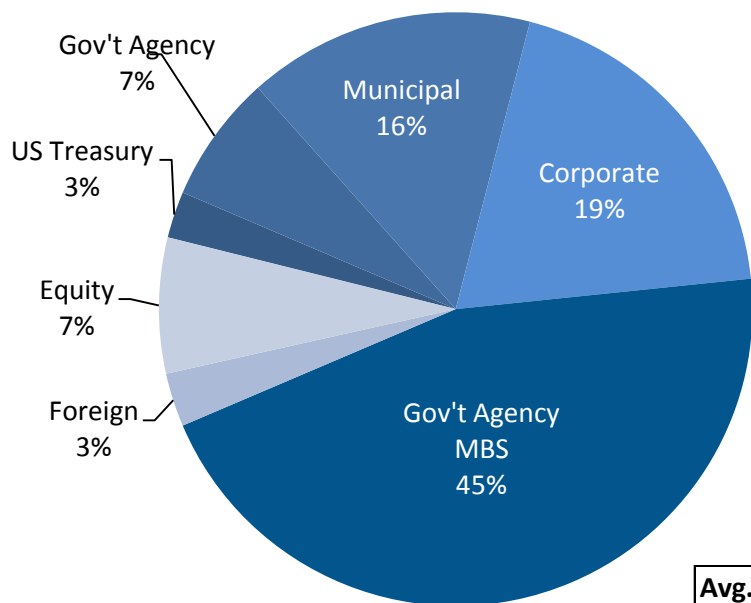
Demand Deposits	\$3,100
Other Liabilities	1,219
Reserves	995
Debt	579
Equity	2,944
Total liabilities & equity	<u>\$8,837</u>

Return on Equity

TTM Net income	\$312
Average Equity	\$2,799
ROE	11.1%
Debt-to-capital	16.4%
Book value per share	\$26.81
Tangible equity	\$1,910
Statutory surplus	\$1,208

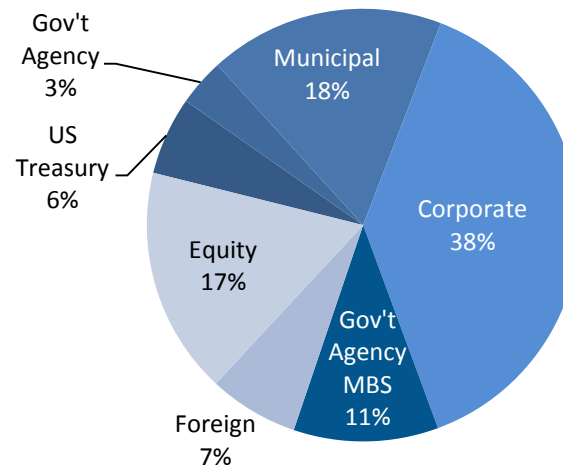


Consolidated Portfolio \$4.9 Billion



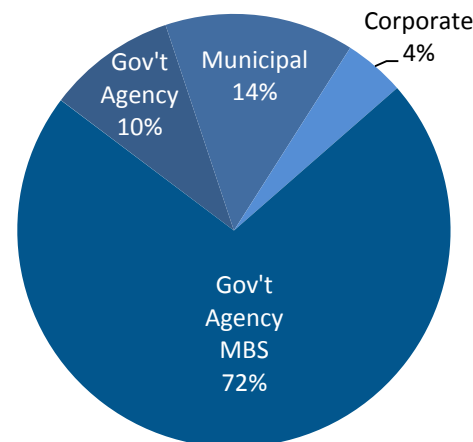
Avg. Rating:	AA-
Duration:	2.9
Book Yield:	2.1%

Insurance Portfolio \$2.1 Billion



Avg. Rating:	A+
Duration:	4.4
Book Yield:	2.9%

Bank Portfolio \$2.8 Billion



Avg. Rating:	AA-
Duration:	1.9
Book Yield:	1.4%

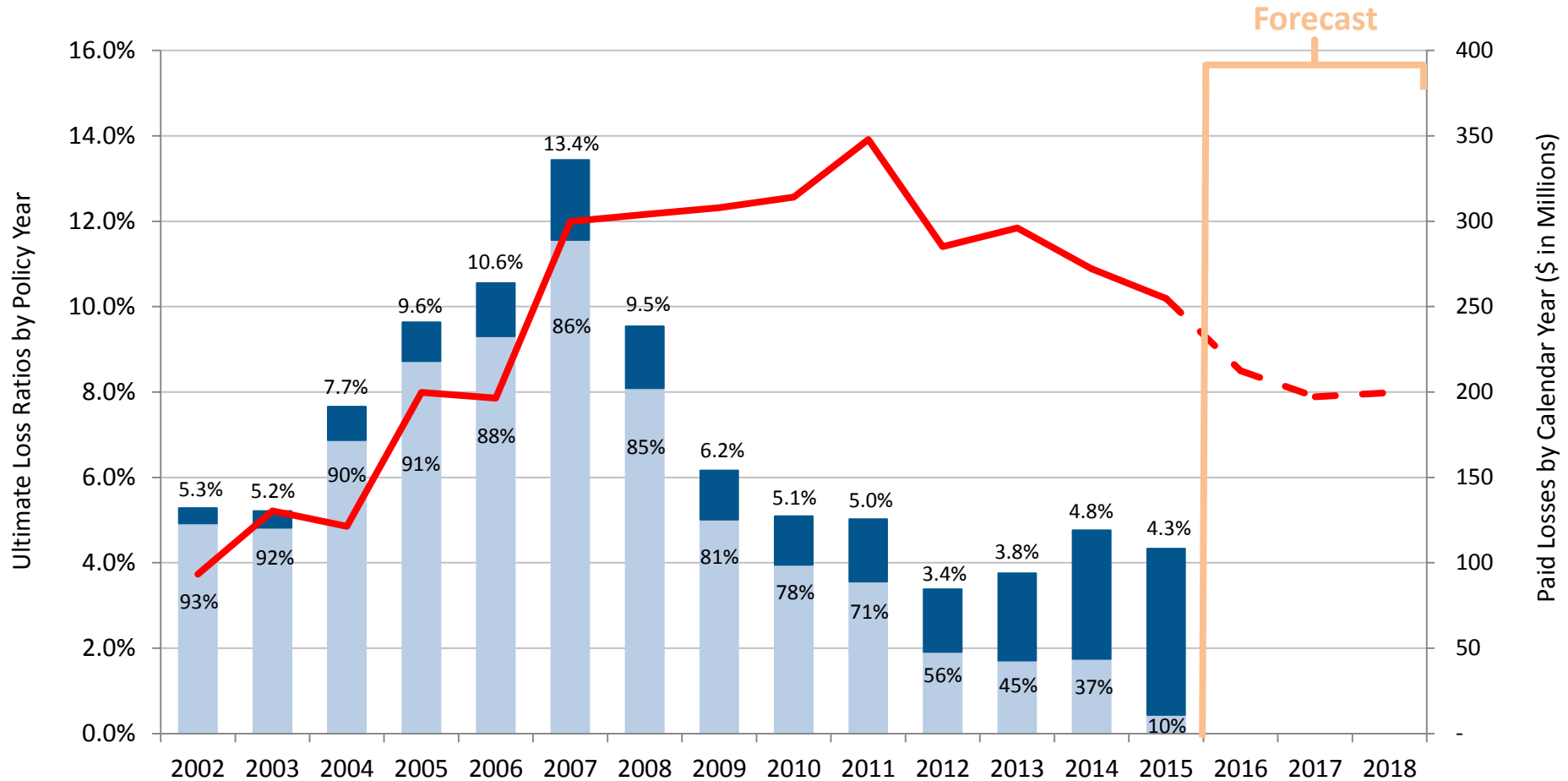
Note: Debt and equity securities as of June 30, 2016

Ultimate Loss Ratios by Policy Year



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■ Paid to Date
 ■ Ultimate Loss Ratio - Policy Year ⁽¹⁾
 — Paid Losses - Calendar Year ⁽²⁾



1) Ultimate loss ratios are estimates and calculated as a percentage of title premiums and escrow fees for a given policy year as of June 30, 2016

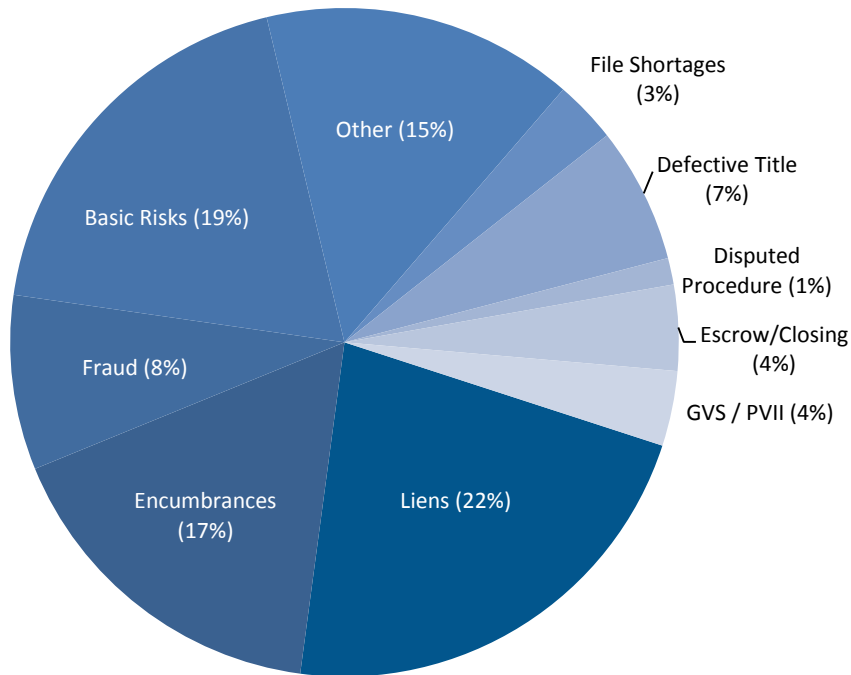
2) Paid claims forecast assumes 5% ultimate loss ratio and 3% premium growth rate for 2016-2018

2015 Incurred Claims Detail

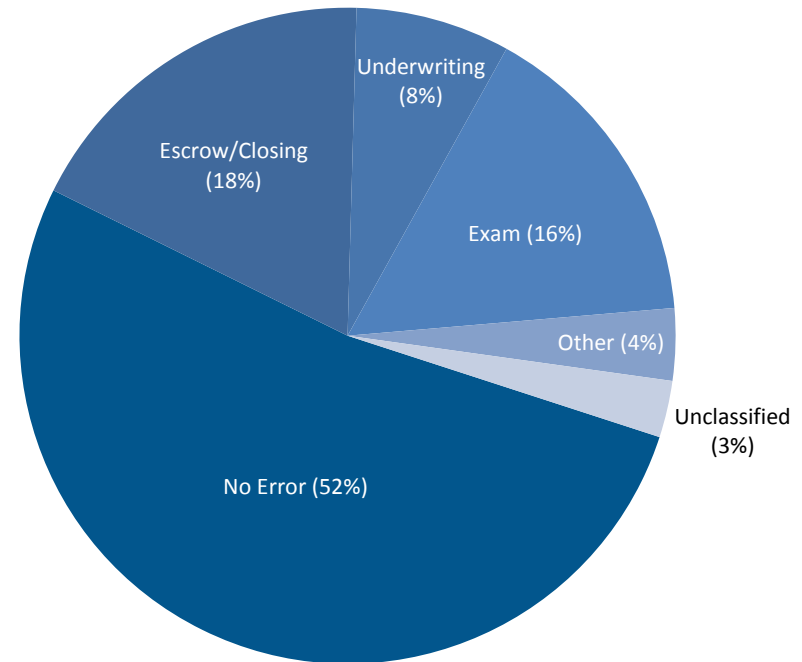


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Claim Cause



Process Cause



Title Segment Success Ratio



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$$\text{Success Ratio} = \frac{\Delta \text{ Operating Expenses}}{\Delta \text{ Net Operating Revenue}}$$

YTD June 2016 Calculation

(\$ in millions)	YTD June		
	2016	2015	Change
Personnel and other operating expenses	\$1,106	\$1,095	+11
Total revenues	2,354	2,247	
Less: Premiums retained by agents	809	738	
Net investment income	52	48	
Net realized investment gains	11	2	
Net operating revenues (NOR)	\$1,482	\$1,459	+23

Target

- < 60% when NOR increases
- > 60% when NOR decreases
- 60% target is only sustainable until optimized margin is achieved
- Success ratio is less meaningful when NOR is stable
- Due to the seasonality, success ratio is most useful when comparing period to prior year

Success Ratio	47%
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