

FIRST AMERICAN FINANCIAL

Investor Discussions

Summer 2020

Leadership
Integrity
Commitment
Teamwork
Service



First American

Safe Harbor Statement

CERTAIN STATEMENTS MADE IN THIS PRESENTATION AND ANY 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; THE CORONAVIRUS PANDEMIC AND RESPONSES THERETO; IMPAIRMENTS IN THE COMPANY'S GOODWILL OR OTHER INTANGIBLE ASSETS; UNCERTAINTY FROM THE EXPECTED DISCONTINUANCE OF LIBOR AND TRANSITION TO ANY OTHER INTEREST RATE BENCHMARK; FAILURES AT FINANCIAL INSTITUTIONS WHERE FIRST AMERICAN FINANCIAL CORPORATION (THE "COMPANY") DEPOSITS FUNDS; REGULATORY OVERSIGHT AND CHANGES IN APPLICABLE LAWS AND GOVERNMENT REGULATIONS, INCLUDING DATA PRIVACY AND DATA PROTECTION; HEIGHTENED SCRUTINY BY LEGISLATORS AND REGULATORS OF THE COMPANY'S TITLE INSURANCE AND SERVICES SEGMENT AND CERTAIN OTHER OF THE COMPANY'S BUSINESSES; USE OF SOCIAL MEDIA BY THE COMPANY AND OTHER PARTIES; REGULATION OF TITLE INSURANCE RATES; LIMITATIONS ON ACCESS TO PUBLIC RECORDS AND OTHER DATA; CLIMATE CHANGE, HEALTH CRISES, SEVERE WEATHER CONDITIONS AND OTHER CATASTROPHIC EVENTS; 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 MANAGEMENT FRAMEWORK; SYSTEMS DAMAGE, FAILURES, INTERRUPTIONS, CYBERATTACKS AND INTRUSIONS OR UNAUTHORIZED DATA DISCLOSURES; INNOVATION EFFORTS OF THE COMPANY AND OTHER INDUSTRY PARTICIPANTS AND ANY RELATED MARKET DISRUPTION; ERRORS AND FRAUD INVOLVING THE TRANSFER OF FUNDS; THE COMPANY'S USE OF A GLOBAL WORKFORCE; INABILITY OF THE COMPANY'S SUBSIDIARIES TO PAY DIVIDENDS OR REPAY FUNDS; AND OTHER FACTORS DESCRIBED IN THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2019 AND THE COMPANY'S QUARTERLY REPORT FOR THE FISCAL QUARTER ENDED MARCH 31, 2020, EACH 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

THIS PRESENTATION AND RELATED MANAGEMENT COMMENTARY CONTAIN CERTAIN FINANCIAL MEASURES THAT ARE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP), INCLUDING PERSONNEL AND OTHER OPERATING EXPENSE RATIOS; SUCCESS RATIOS; NET OPERATING REVENUES; AND ADJUSTED REVENUES, ADJUSTED INVESTMENT INCOME, ADJUSTED PRETAX INCOME, ADJUSTED EARNINGS PER SHARE, AND ADJUSTED PRETAX MARGINS FOR THE COMPANY, ITS TITLE INSURANCE AND SERVICES SEGMENT AND ITS SPECIALTY INSURANCE SEGMENT. ADJUSTED INVESTMENT INCOME EXCLUDES AFFILIATED INVESTMENTS AND IS PRESENTED BECAUSE IT PROVIDES THE COMPANY'S MANAGEMENT AND INVESTORS WITH A BETTER UNDERSTANDING OF THE IMPACT OF INTEREST RATES ON THE COMPANY'S INVESTMENT INCOME OVER TIME. THE COMPANY IS PRESENTING THESE OTHER NON-GAAP FINANCIAL MEASURES BECAUSE THEY PROVIDE THE COMPANY'S MANAGEMENT AND INVESTORS WITH ADDITIONAL INSIGHT INTO THE OPERATIONAL EFFICIENCY AND 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 THIS PRESENTATION OR IN THE COMPANY'S FORM 8-K FILED ON APRIL 23, 2020 WITH THE SECURITIES AND EXCHANGE COMMISSION, 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.

22" SQUARE PEDESTAL
24 3/4" SQUARE PEDESTAL
33" SQUARE PEDESTAL



AGENDA

.....→ Strong Track Record of Results

Challenging Market Conditions

Consistent Strategy and Capital Management Priorities



Leader in the Title and Settlement Services Industry

\$6.2B Total Revenue

18,400 Employees

92% of Revenue, Title Segment

25.2% Title Market Share

760 Offices

8% of Revenue, Specialty Insurance Segment

\$11.5B Total Assets

9 Countries

Trusted National Brand

Largest Title Plant and Property Record Database

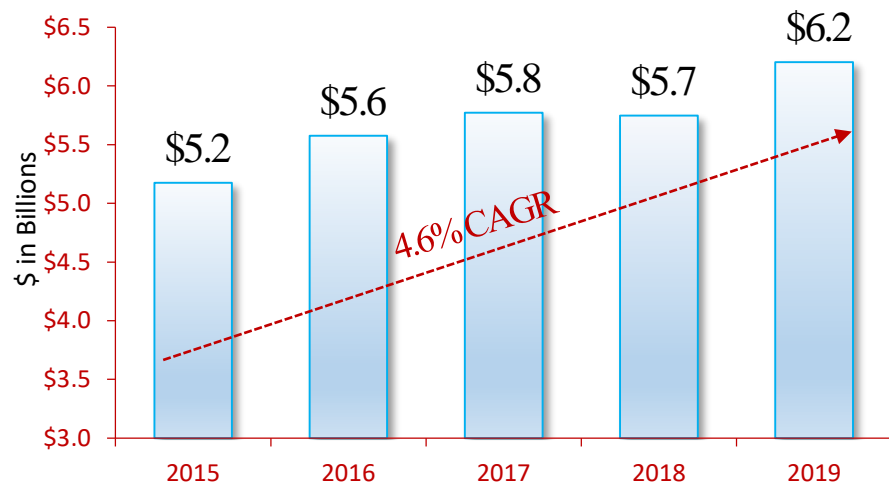
Fortune 100 Best Companies to Work For®
5 Years in a Row (2016 – 2020)

Note: Revenue and market share data for 2019. All other data as of December 31, 2019.
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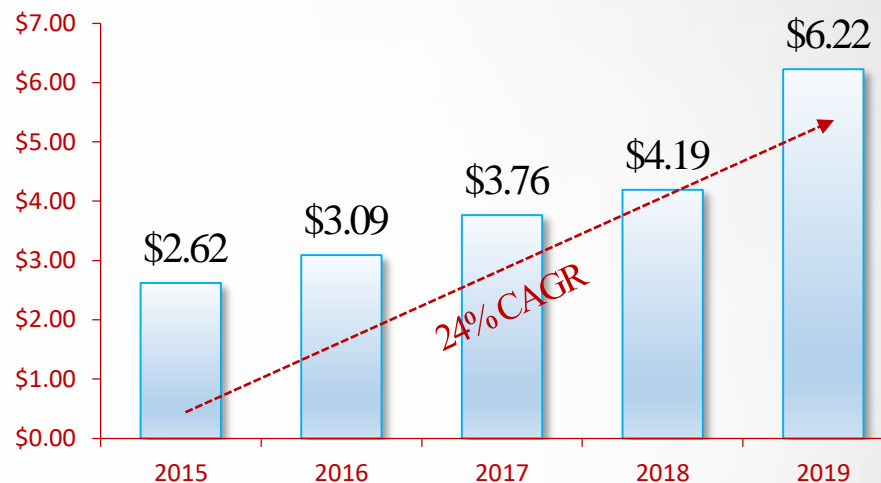


Past 5 Years: Achieved Strong Financial Results

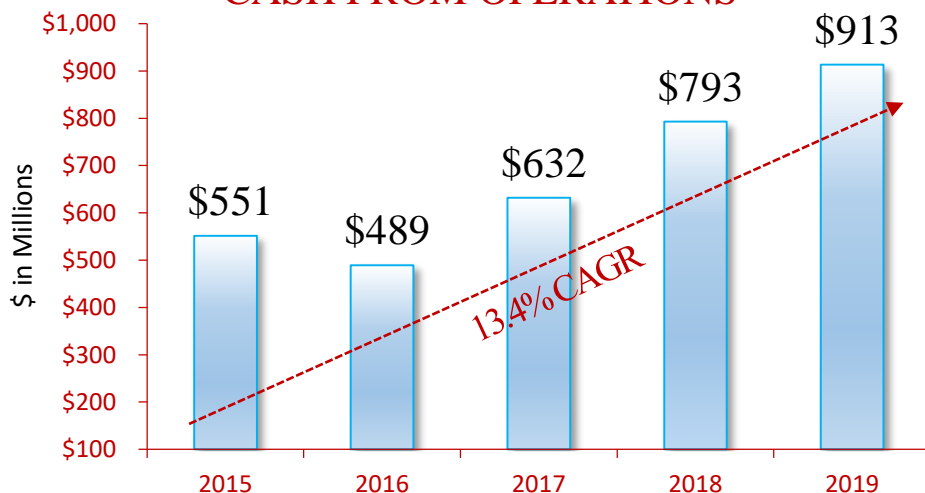
TOTAL REVENUE



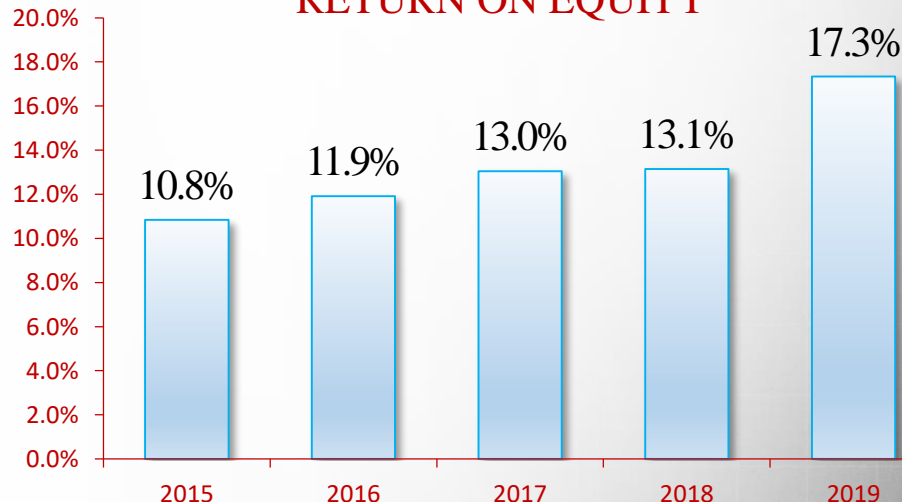
EARNINGS PER SHARE



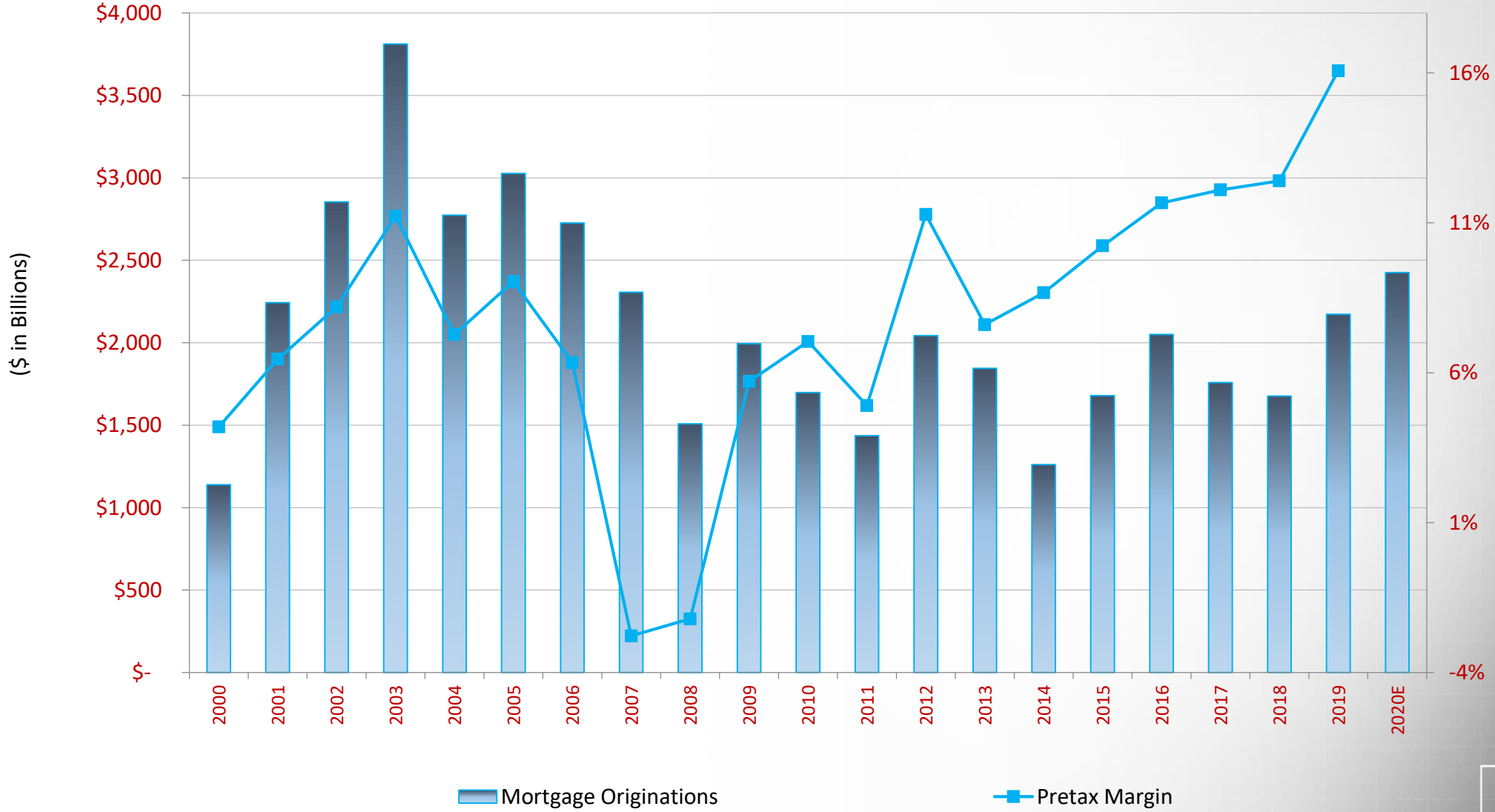
CASH FROM OPERATIONS



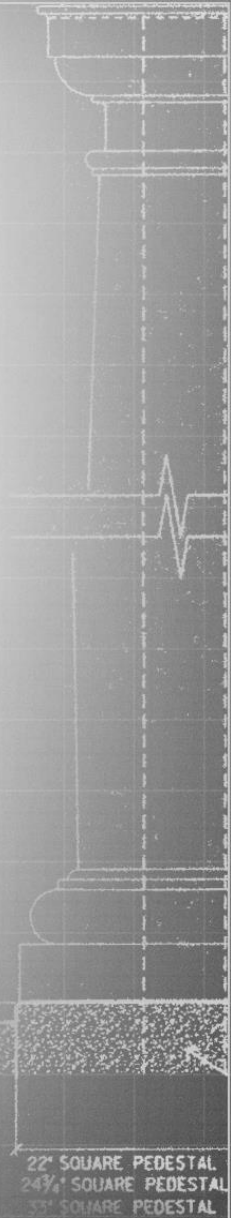
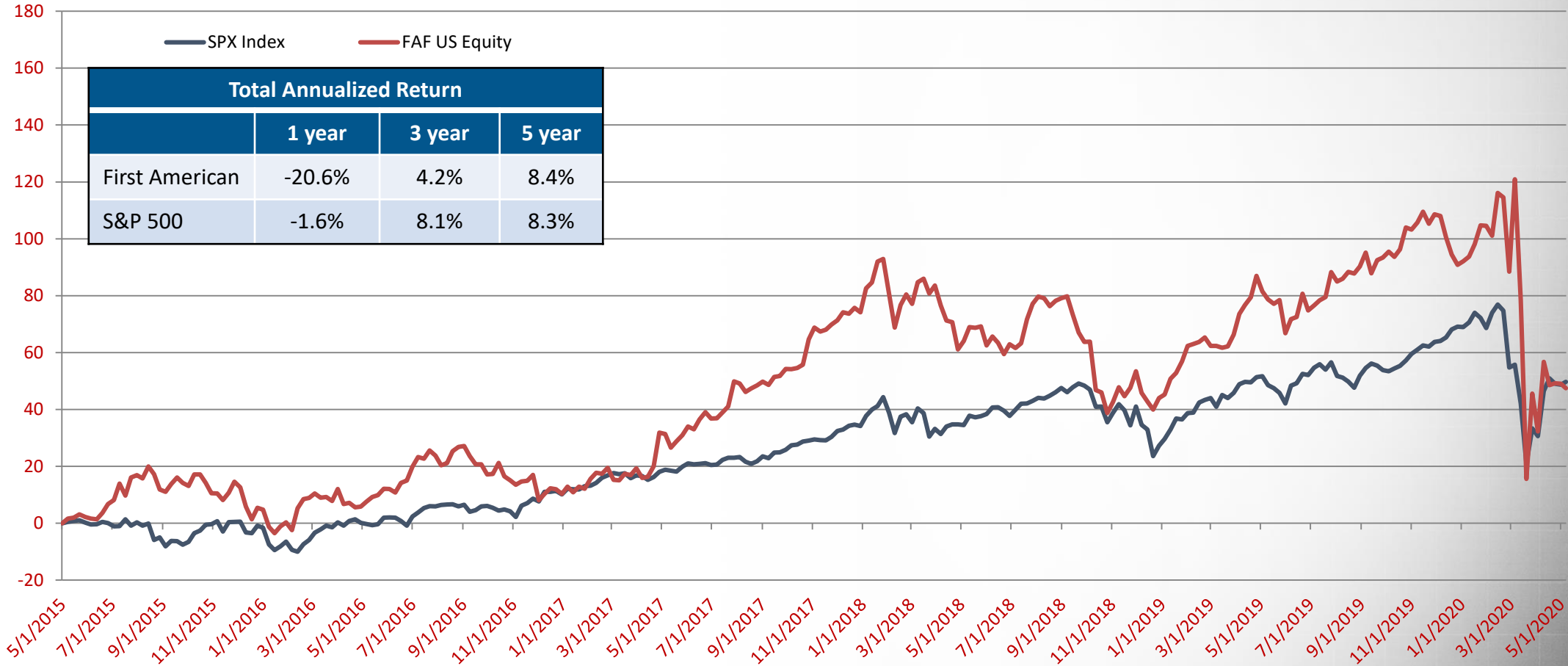
RETURN ON EQUITY



Historical Title Insurance Margin



Total Shareholder Return



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AGENDA

Strong Track Record of Results

.....→ Challenging Market Conditions

Consistent Strategy and Capital Management Priorities



Impact of COVID-19 On Our Business

Business Operations

- **Top priority is keeping employees safe – activated business continuity plans quickly**
 - Vast majority of workforce working from home
 - Committed to not making any layoffs through the end of the second quarter
- **Focused on maintaining service for customers**
 - Deemed an essential business in nearly all states
 - Quickly resolved disruptions in order to continue to provide high-quality service amid surging refinance volume
- **Investments in data and automation paying off – remains a core focus**
 - Allows us to successfully manage high volume

Financial Impact to Date

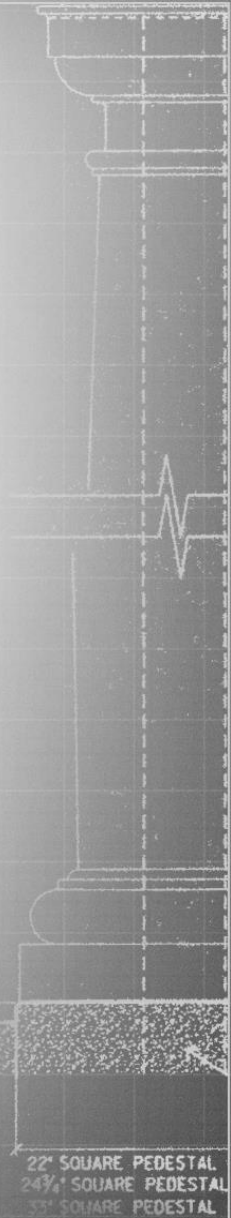
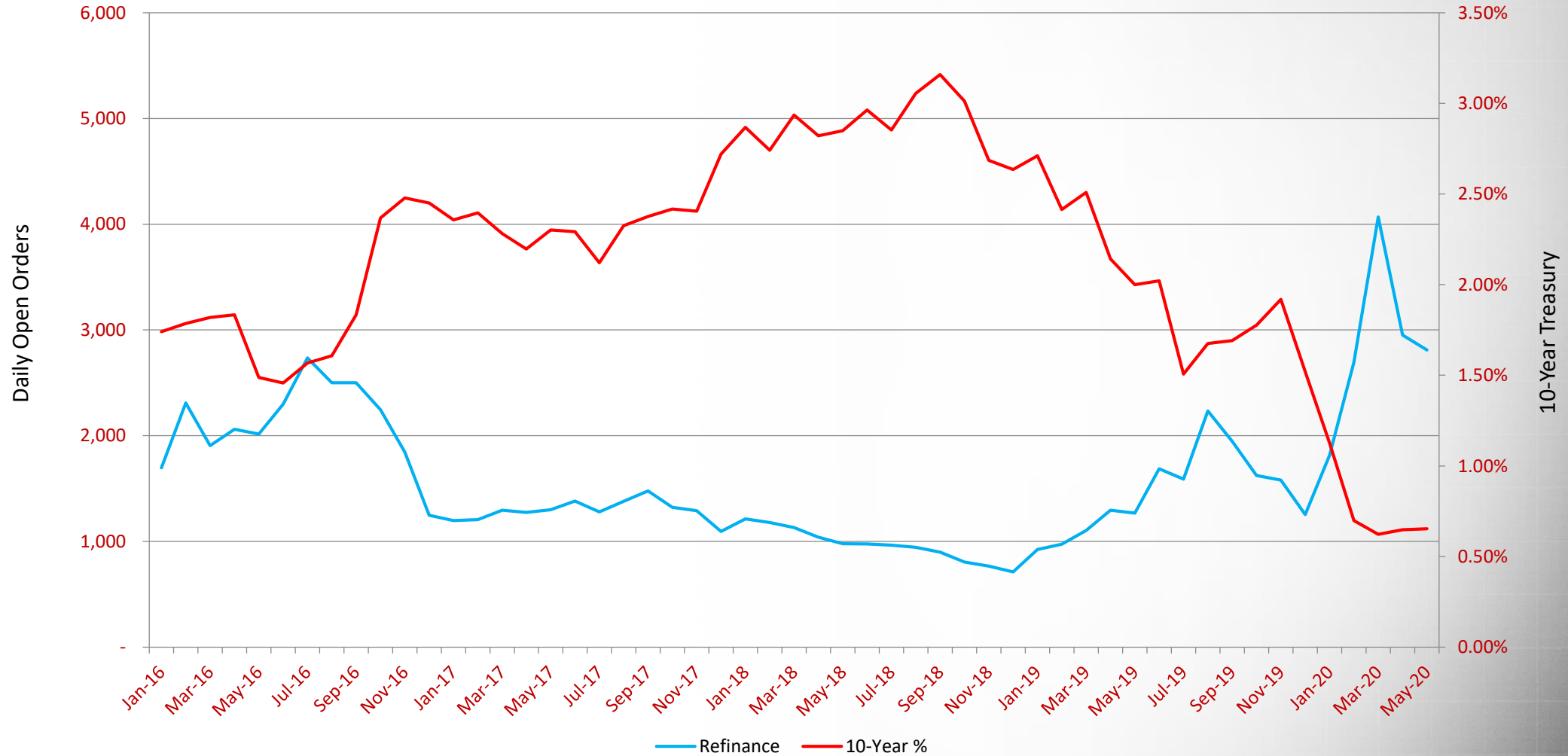
- **Business mix has been weighted toward refinance transactions as purchase originations slow**
 - Refinance orders up 144% year-over-year in Q1
 - Purchase orders down but appear to be stabilizing
- **Data businesses performing well**
 - Transaction volumes and adoption up meaningfully
- **Prudent loss reserving despite no increase in incurred claims**
 - Raised title loss provision rate to 5% due to potential impact of current economic conditions
 - Q1 claims below actuarial expectations

Balance Sheet and Investments

- **Resilient balance sheet with strong holding company liquidity**
 - Debt capacity, revolving credit facility, and dividends from subsidiaries
- **Conservative investment portfolio with limited exposure to COVID-affected assets**
 - \$6.2bn investment portfolio – 94% debt securities
 - 98% of debt securities are investment grade with an average rating of AA
 - 69% of debt securities are U.S. government-backed or AAA rated
 - Minimal exposure to sectors/classes most exposed to COVID-19

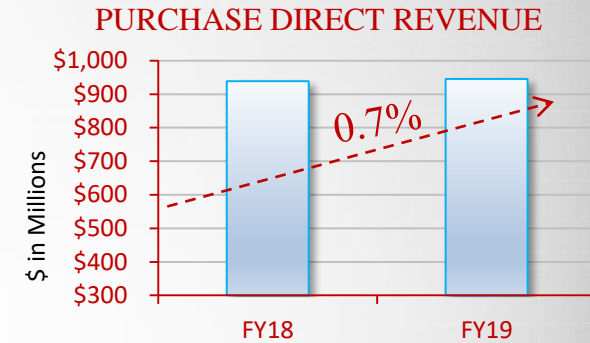
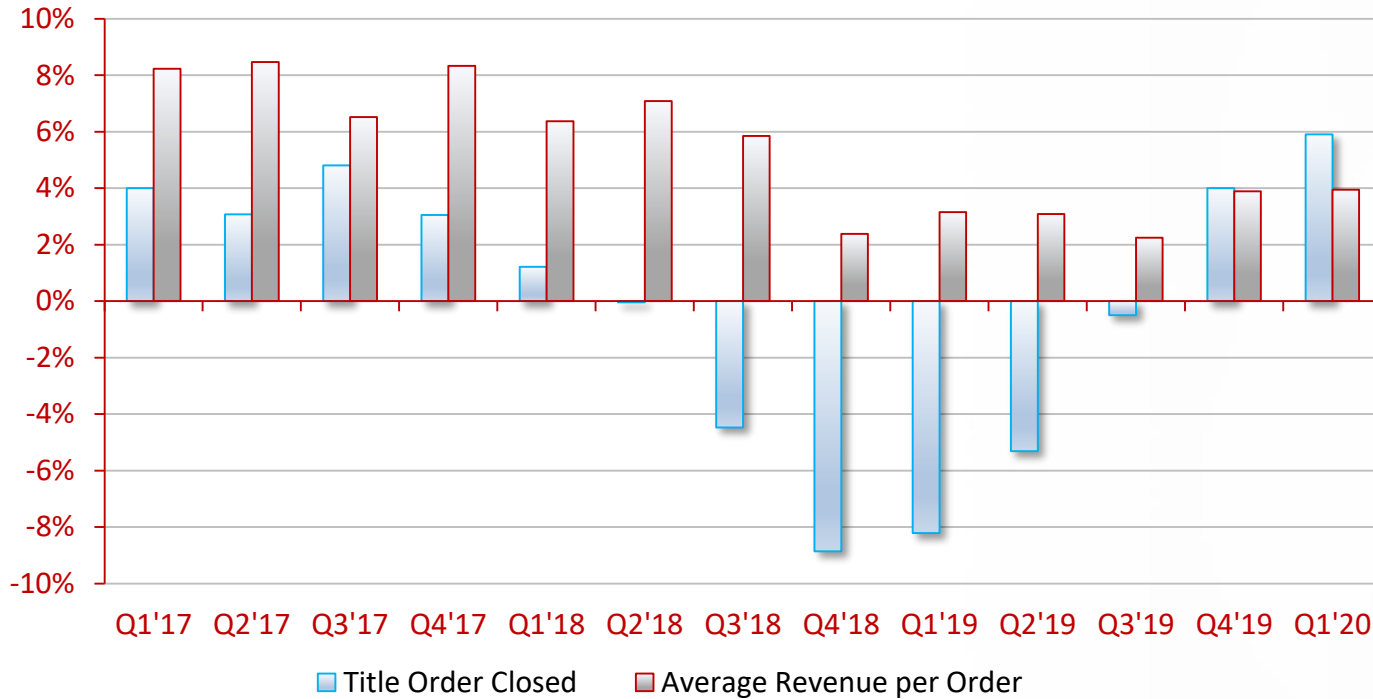


Low Mortgage Rates Driving Strong Refinance Activity



Purchase Activity Strong Ahead of Pandemic

GROWTH RATE vs. PRIOR YEAR



Purchase Market

- Pandemic causing severe, negative impact to economy and employment
- Purchase activity plummeted as stay-at-home orders enacted
- Seeing early signs of improvement given strong market fundamentals
 - Mortgage rates are low
 - Expect home price appreciation to moderate
 - Inventory remains an issue

First American Operations

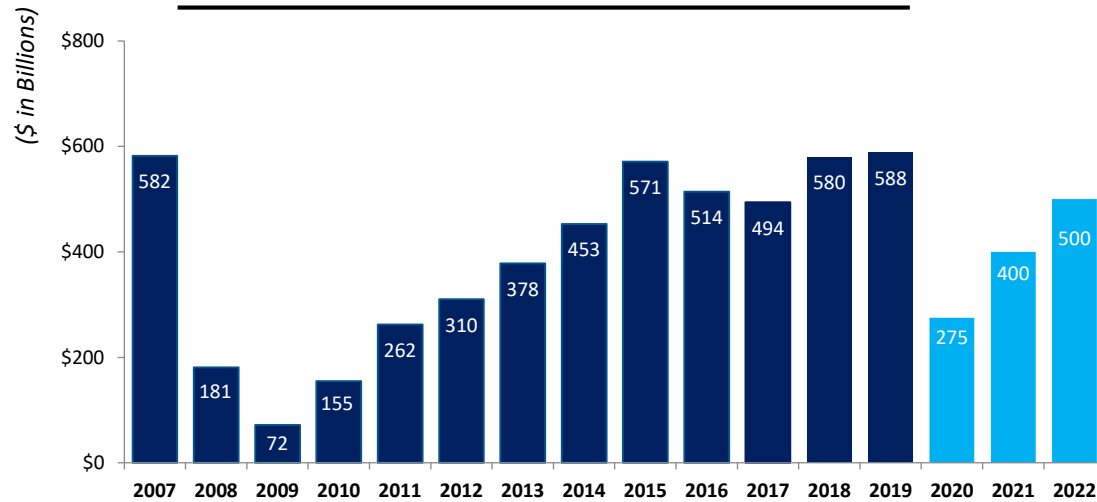
- 550 local offices focused on purchase
- Leading homebuilder business
- Fee per file ~2x refinance

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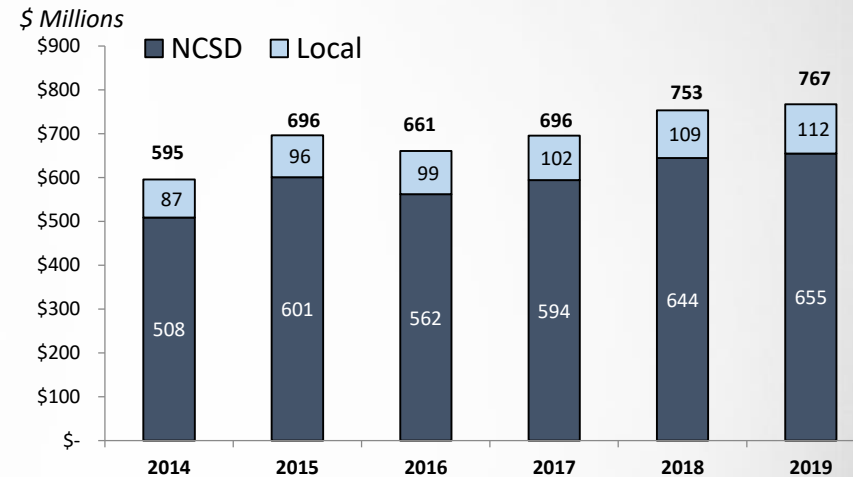


Commercial Outlook

Commercial Market Sales Volume⁽¹⁾



Direct Revenues



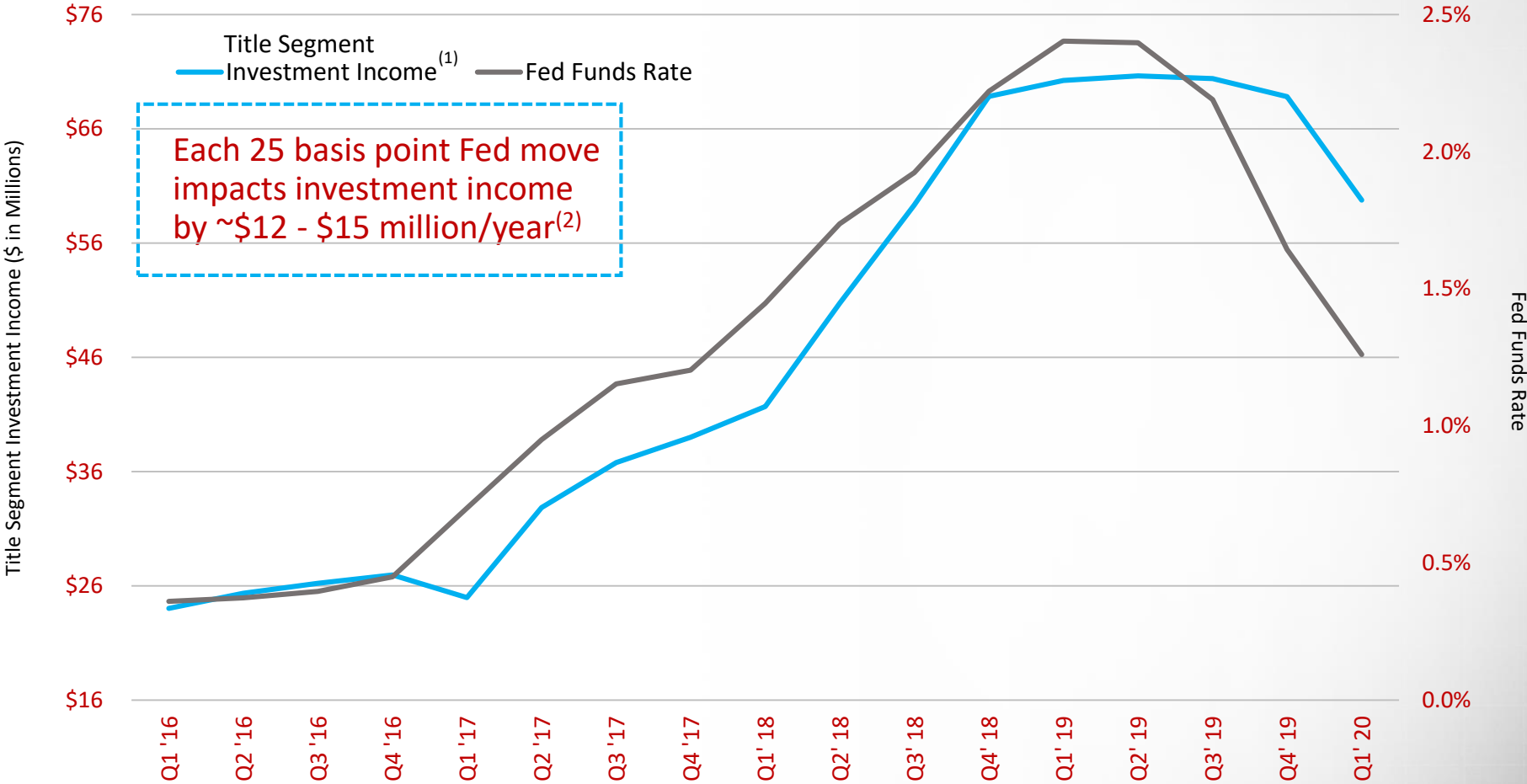
Commercial - Current Trend and Outlook

- Most major asset classes and geographic markets have declined significantly
- Capital availability and low interest rates continue to support market and incentivize opportunistic buyers
- Price discovery in early stages, particularly for more impacted asset classes
- Path of recovery from pandemic-induced market break remains uncertain

(1) Source: Real Capital Analytics ULI Real Estate Economic Forecast May 2020 (includes purchase transactions over \$2.5 million only)



Declining Short-term Rates a Headwind to Investment Income



(1) Excludes affiliated investments (See reconciliation in Appendix).
 (2) Company estimate.



AGENDA

Strong Track Record of Results

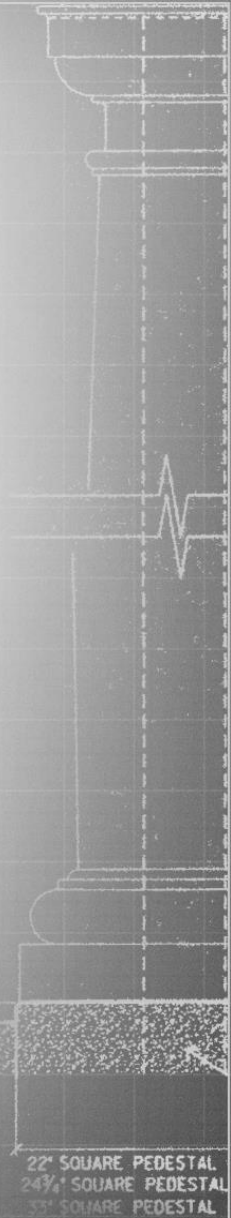
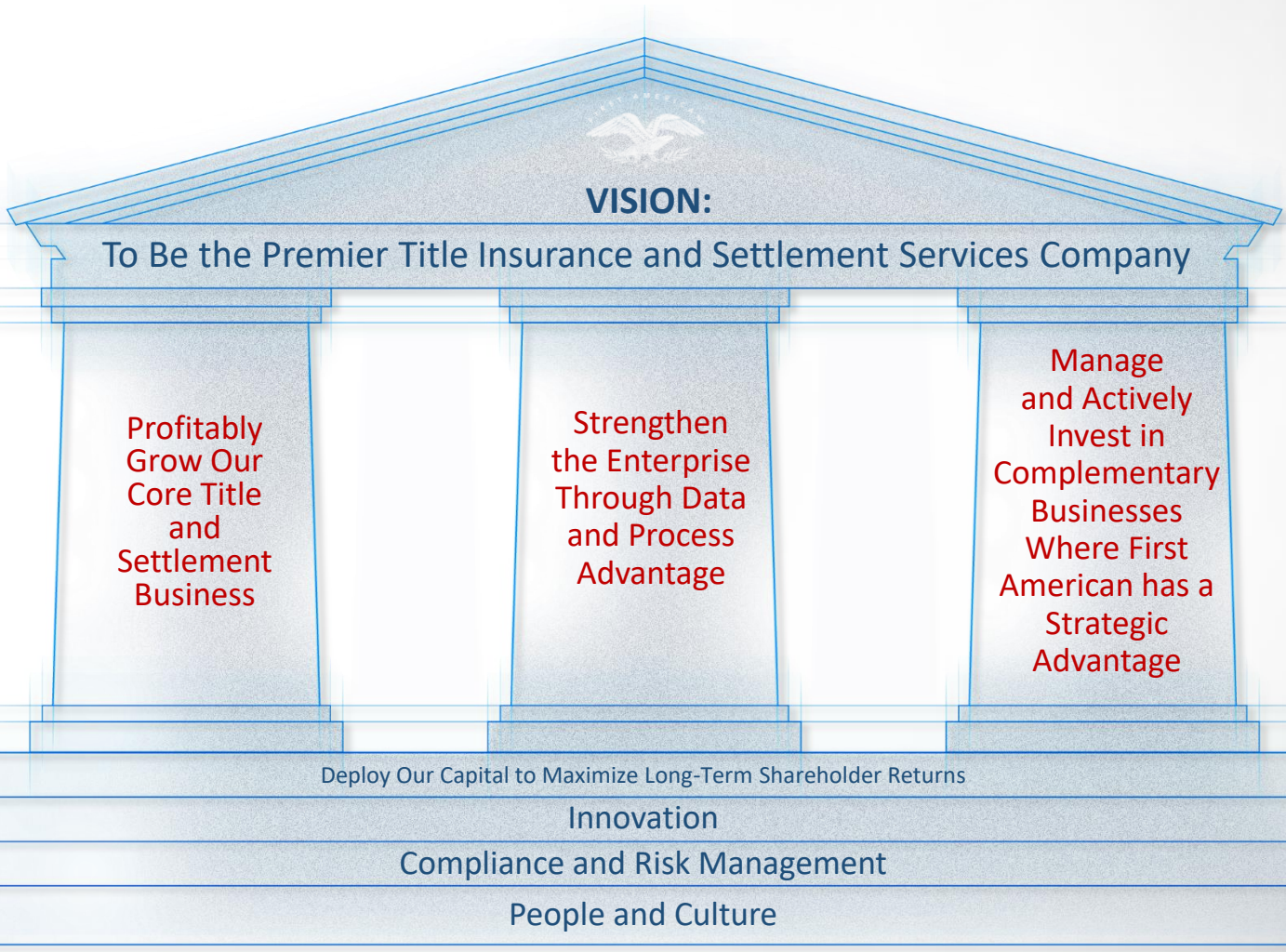
Challenging Market Conditions



Consistent Strategy and Capital Management Priorities



First American Strategy



22" SQUARE PEDESTAL
24 3/4" SQUARE PEDESTAL
33" SQUARE PEDESTAL

Profitably Grow our Core Title and Settlement Business

Pillar 1 Strategic priorities



- **Sustain leadership in Title – focusing on top 10 states**
 - Maintain and grow profitable market share
 - Drive digital transformation
 - Develop value-added services that strengthen customer relationships
- **Win with emerging customers**

Be the preferred title company for next-generation real estate companies
- **Grow interest income**

Provide banking services to our agents to improve their risk profile and improve our returns

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Strengthen the Enterprise through Data and Process Advantage

Pillar 2 Strategic priorities



- **Further develop data advantage**
Expand coverage of property data elements and geographies
- **Achieve market-leading title automation**
Leverage data advantage together with data science capability
- **Find new businesses that can leverage our data**
Determine innovative and meaningful ways to monetize our data
- **Grow licensing and online data visualization organically**
Leverage position in market to meet the growing data needs from customers

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FAF has Strongest Data Foundation in the Industry



	No. of counties	Population (%)	Market position
Assessor/property ownership	3,144	100	1 st
Proprietary title plants	546	60	1 st
Deeds, Mortgages, Foreclosures	3,088	99	1 st
Assignments and releases	2,308	96	1 st
Parcel Boundaries	3,054	99	1 st
Homeowner associations	2,664	99	1 st
Active real estate listings	1.6M	85	1 st (tie)
Document images (6.9B total)	1,501	84	1 st

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Manage and Actively Invest in Complementary Businesses where First American has a Strategic Advantage

Pillar 3 Strategic priorities



- **Grow Home Warranty**
Accelerate direct-to-consumer growth while maintaining strong operating margins
- **Grow international business in core geographies**
Invest for long-term growth in Canada, Europe, and Australia
- **Stabilize Property & Casualty (P&C) business**
Manage risk profile and underwrite prudently
- **Seek out new opportunities**
Enter adjacent businesses where First American has a strategic advantage

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Capital Management Strategy

- Objective: Create long-term shareholder value
- Capital management priorities:
 - Make value-creating investments in our core business
 - Acquire businesses that fit within our strategy
 - Return excess capital to shareholders through dividends and share repurchases
 - Maintain “A-” financial strength ratings and adequate capital levels
 - Manage our capital structure prudently
 - Maintain ample financial flexibility and holding company liquidity

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First American

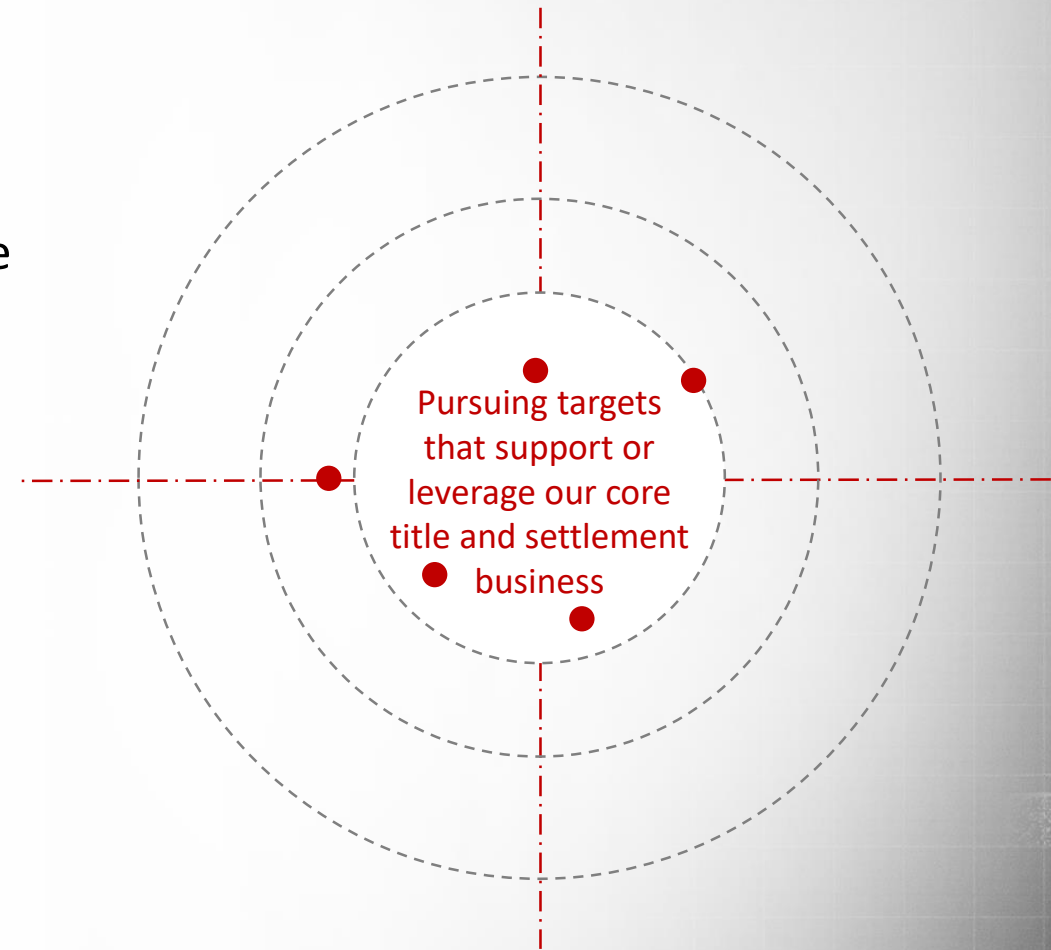
Disciplined M&A Strategy Drives Growth

Focused Strategy

- Title companies that expand our footprint in key markets
- Data and information companies that enhance our data capabilities or advance title automation
- Opportunities complementary to title

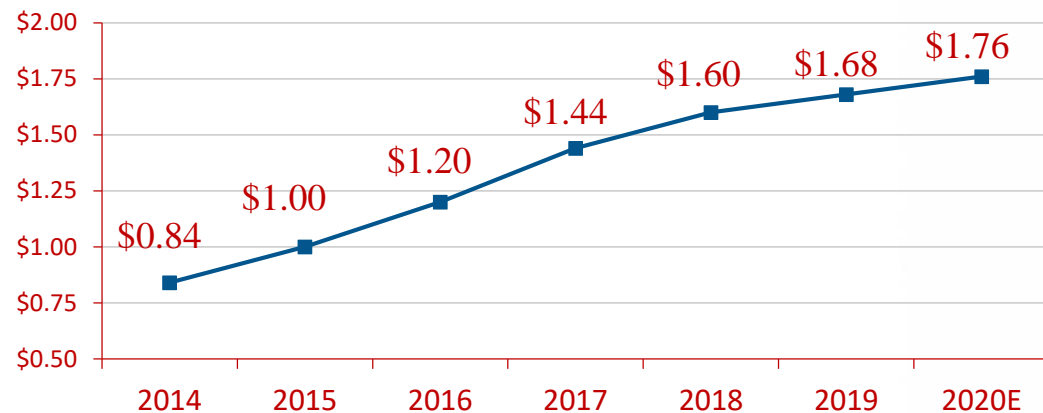
Disciplined Process

- Strategic and cultural fit
- Risk adjusted return targets
- Operational integration

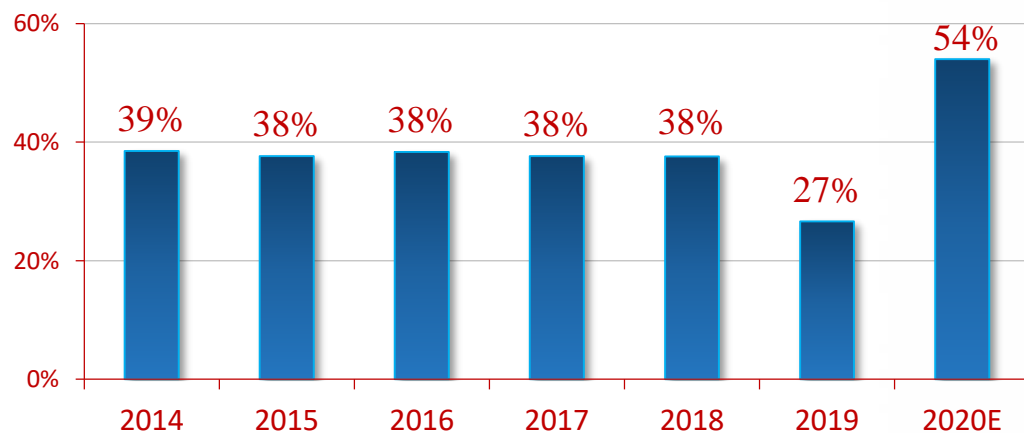


Dividends

DIVIDENDS PER SHARE



PAYOUT RATIO



Dividend Considerations

- First American expects to pay a meaningful dividend given the company's cash flow generation and investment opportunities
- Dividend increases are intended to be sustainable in perpetuity
- Dividend increases will be dependent upon expected holding company cash flows, market conditions and alternative uses of capital, among other factors
- The company is not committed to increasing the dividend every year

Investment Considerations

- Focused strategy as “pure play” in title and settlement markets
- Attractive industry characteristics
- Strong competitive position in title and settlement services
- Opportunity to grow through focus on innovation and by leveraging unique assets (e.g. bank and data)
- Expect earnings and margin growth as mortgage originations improve
- Strong balance sheet with ample liquidity and financial flexibility
- Commitment to return capital to shareholders

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33" SQUARE PEDESTAL



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APPENDIX



Title Segment Net Investment Income Non-GAAP Reconciliation

Net Investment Income Less Affiliate Investments

\$ in Millions	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20
Net Investment Income	\$26.6	\$34.7	\$37.9	\$38.3	\$41.4	\$51.7	\$60.9	\$69.3	\$70.1	\$71	\$72	\$69.8	\$59.7
Less: Affiliate Investments	1.6	1.8	1.1	(0.8)	(0.3)	1.0	1.5	0.5	(0.2)	0.3	1.6	1.0	(0.1)
Adjusted Net Investment Income	\$25.0	\$32.9	\$36.8	\$39.0	\$41.7	\$50.7	\$59.3	\$68.8	\$70.2	\$70.6	\$70.4	\$68.8	\$59.8

	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16
Net Investment Income	\$15.7	\$19.3	\$22.0	\$2.7	\$21.8	\$26.0	\$25.4	\$24.4	\$24.9	\$27.5	\$29.0	\$29.4
Less: Affiliate Investments	(2.0)	0.3	2.8	(17.6)	1.1	3.7	2.8	0.1	0.9	2.1	2.8	2.4
Adjusted Net Investment Income	\$17.7	\$19.0	\$19.2	\$20.3	\$20.6	\$22.2	\$22.6	\$24.3	\$24.0	\$25.4	\$26.2	\$27.0

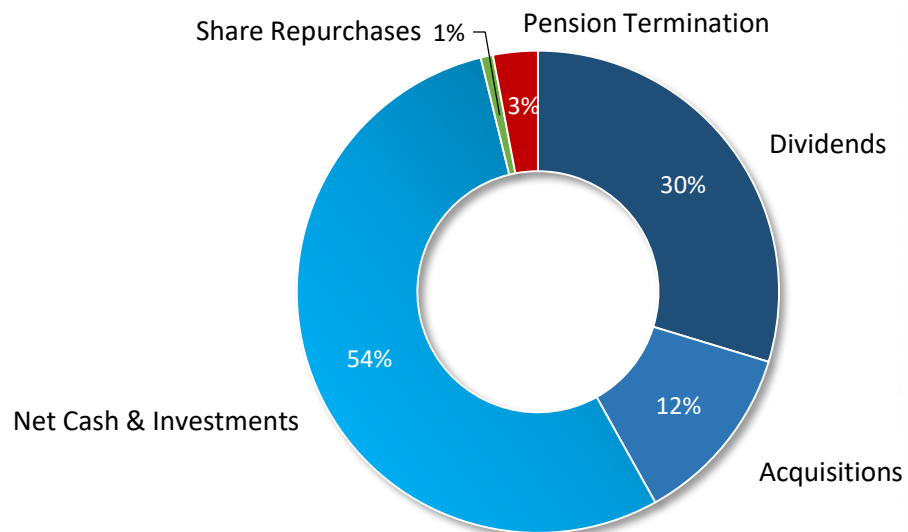
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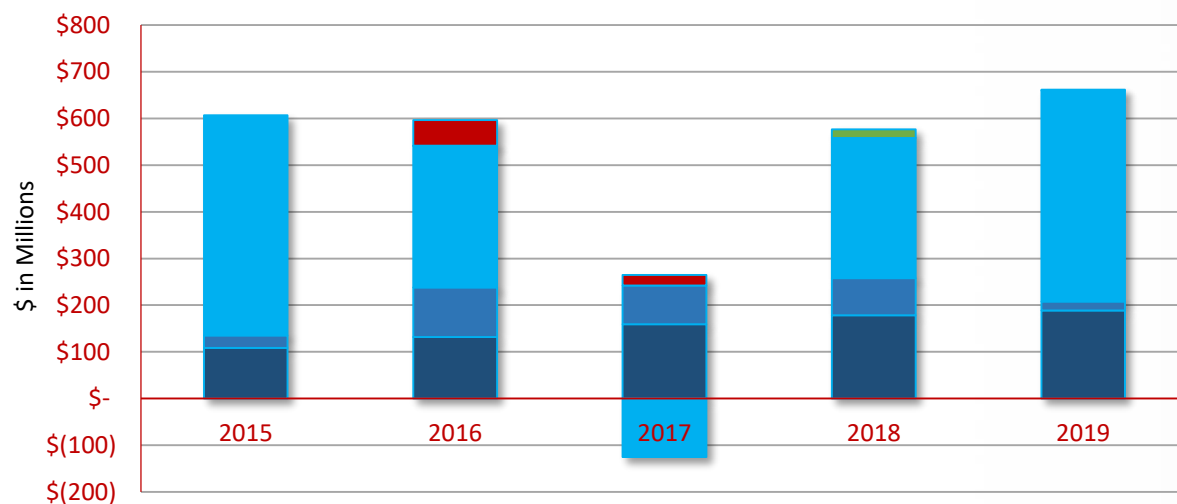
First American

Uses of Free Cash Flow and Debt Proceeds

CUMULATIVE 5 YEAR USES



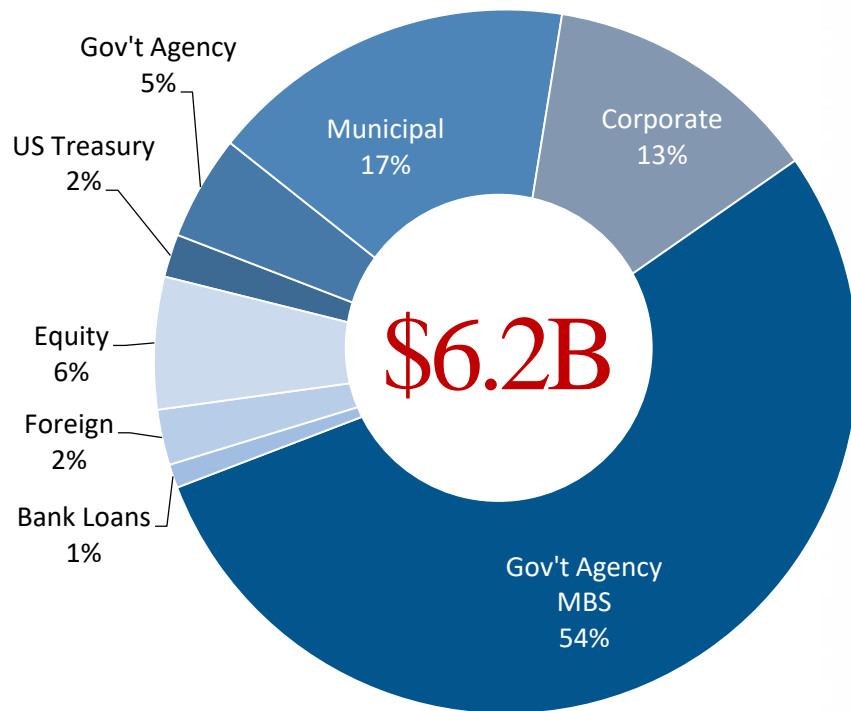
- ~54% of cash flow went into the investment portfolio to strengthen the balance sheet
- Moving forward, further balance sheet strengthening not necessary as capital levels exceed current targets



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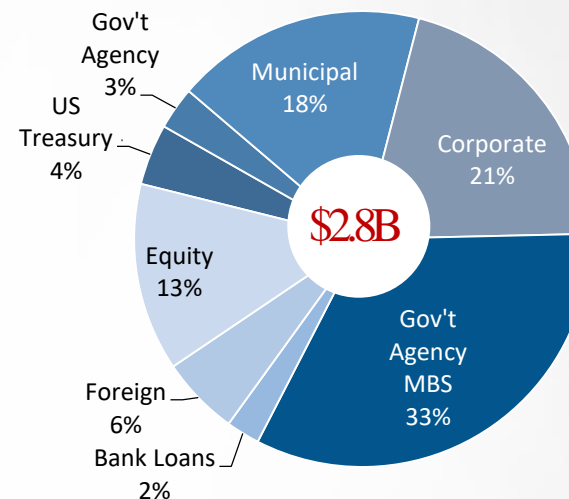
Investment Portfolio

CONSOLIDATED PORTFOLIO



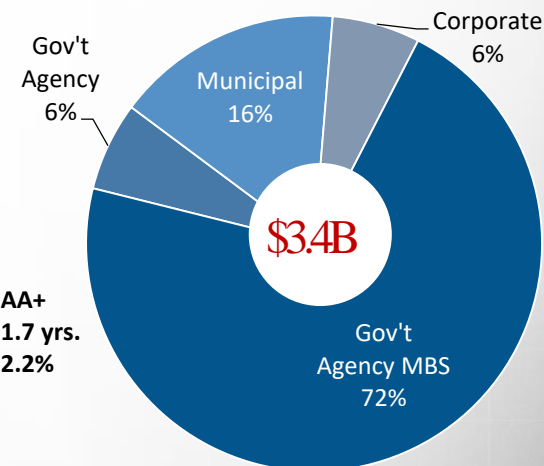
Avg. Rating : AA
Duration: 2.3 yrs.
Book Yield: 2.6%

INSURANCE PORTFOLIO



Avg. Rating : AA-
Duration: 3.1 yrs.
Book Yield: 3.0%

BANK PORTFOLIO



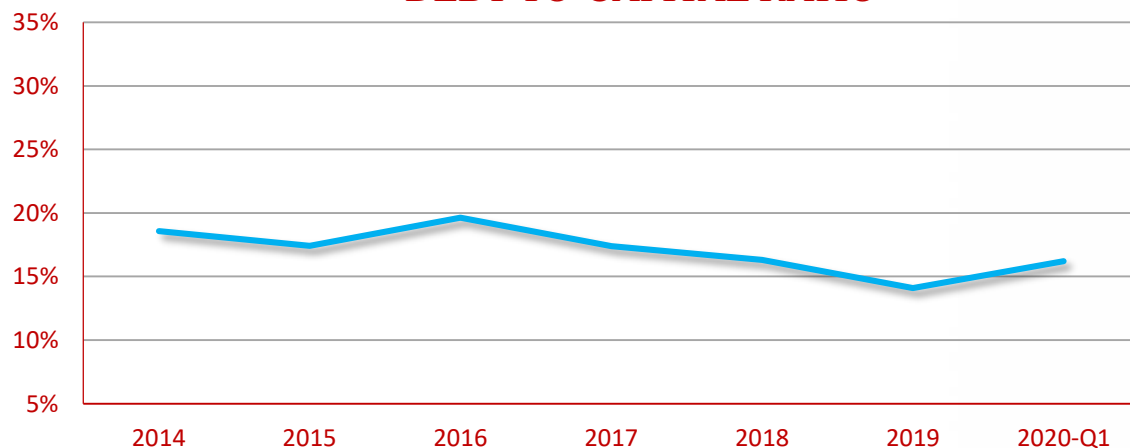
Avg. Rating : AA+
Duration: 1.7 yrs.
Book Yield: 2.2%

Capital Structure

As of March 31, 2020 (\$ in Millions)	
4.3% Senior Notes Due 2023	\$249
4.6% Senior Notes Due 2024	\$299
Trust Deed Notes	\$15
Other Notes	\$5
Revolving Credit Facility	\$280
Total Debt	\$847
Secured Financings Payable	\$442
Total Equity	\$4,369
Debt-to-Total Capital Ratio	16.2%

- Management's target debt-to-capital ratio is 18-20%
 - Supports target financial strength ratings
- \$280 million drawn on \$700 million revolving credit facility
- Revolving credit facility term ends in April 2024
- Significant financial flexibility to seize strategic opportunities

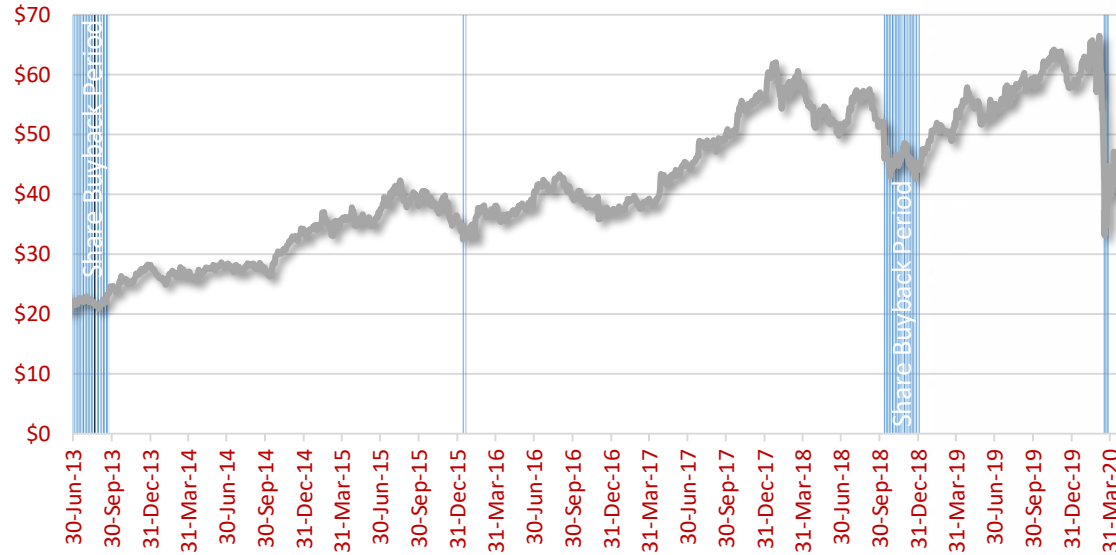
DEBT-TO-CAPITAL RATIO



Note: Debt-to-capital ratio excludes secured financings payable

Share Repurchases

SHARE REPURCHASE HISTORY



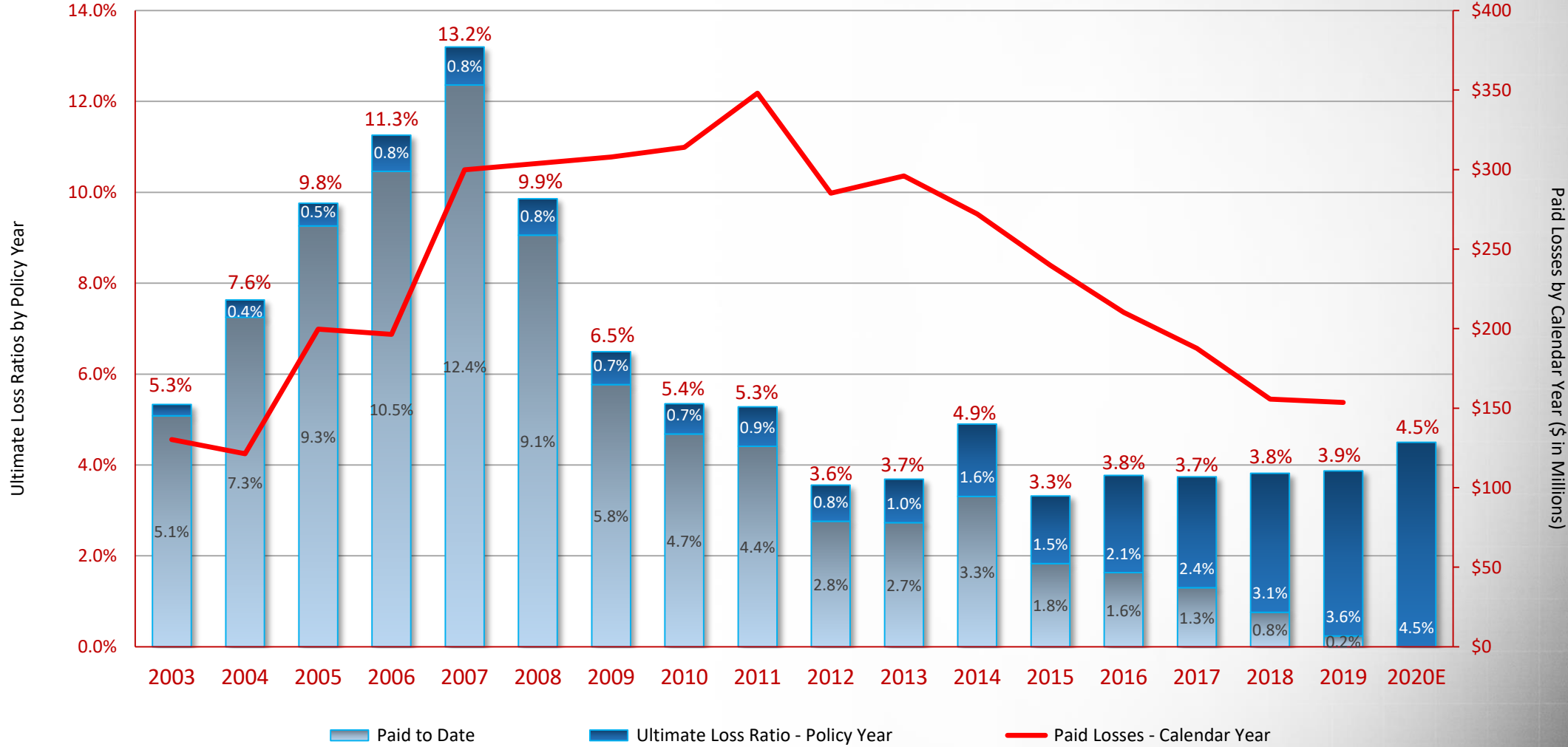
- Share repurchases will be dependent upon capital levels, market conditions and alternative uses of capital, among other factors
- \$96 million remaining under share repurchase authorization

Repurchase Summary

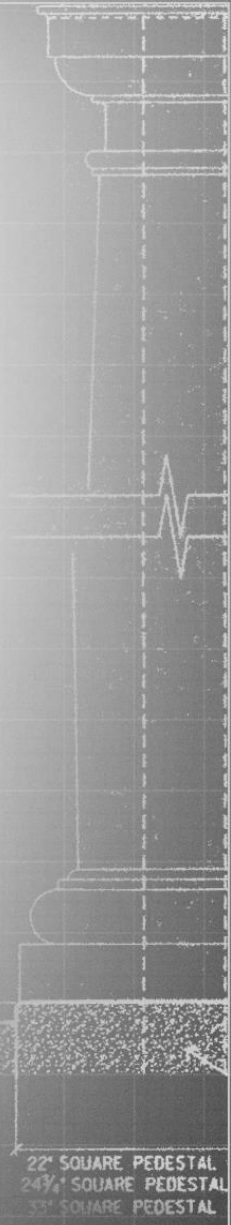
	<u>2013</u>	<u>2018/2019</u>	<u>2020</u>
Shares purchased	3.0 million	0.5 million	1.7 million
Total amount	\$64.5 million	\$20.9 million	\$65.8 million
Avg. price per share	\$21.87	\$44.20	\$38.64
IRR	12.9%	1.0%	9.8% ⁽¹⁾



Ultimate Loss Ratios by Policy Year

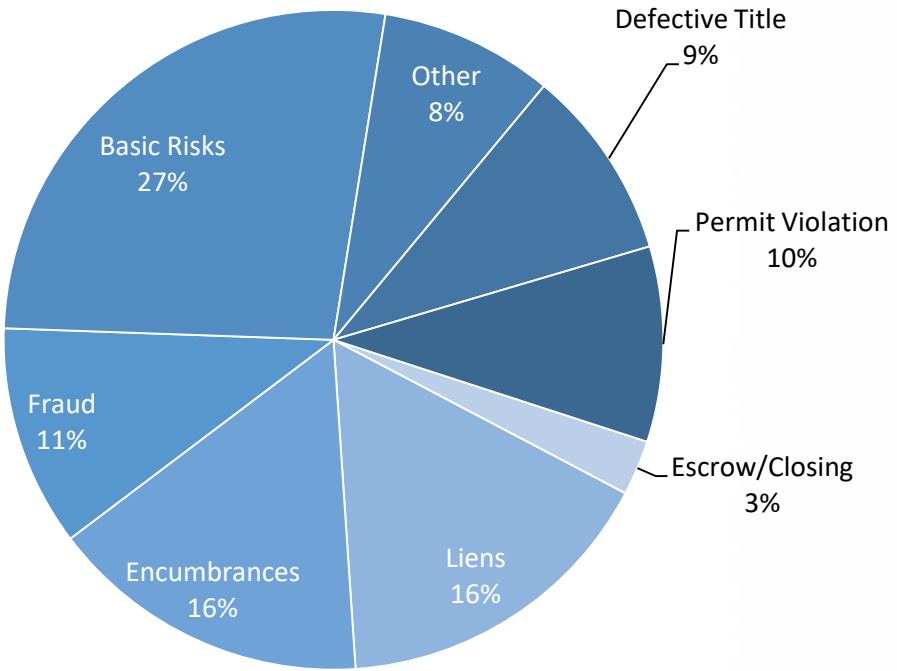


Note: Ultimate loss ratios are estimates and calculated as a percentage of title premiums and escrow fees for a given policy year as of February 29, 2020

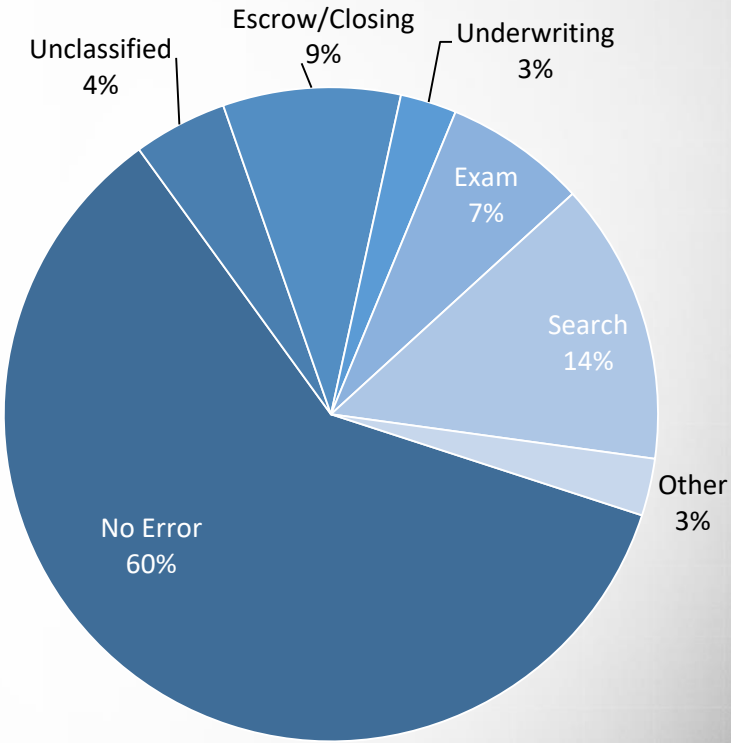


2019 Incurred Claims Detail

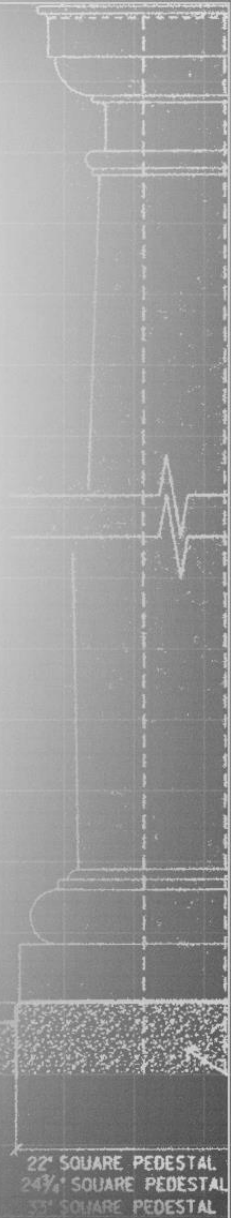
CLAIM CAUSE



PROCESS CAUSE

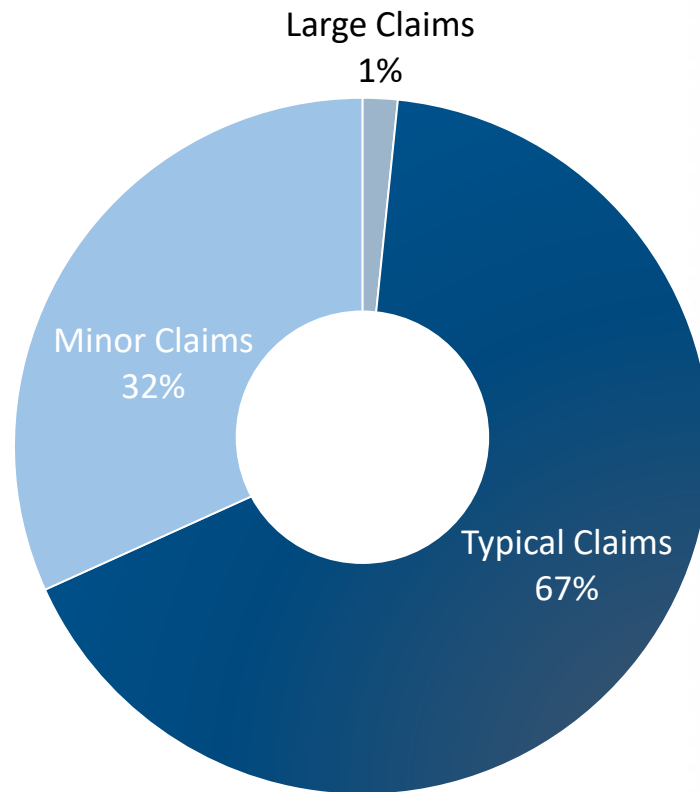


57% Direct / 43% Agent

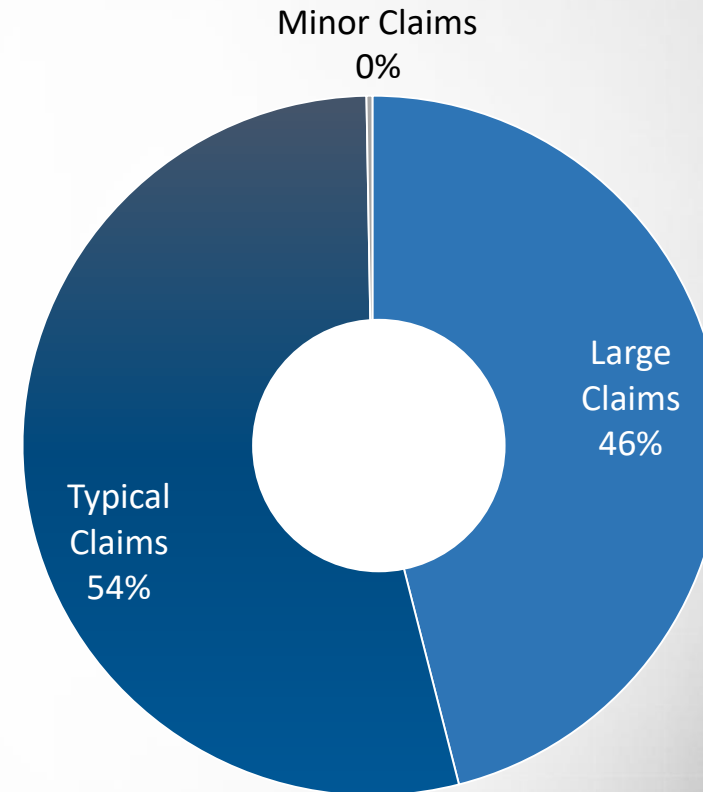


Claim Severity Distribution

CLAIM COUNT BY SEVERITY GROUP



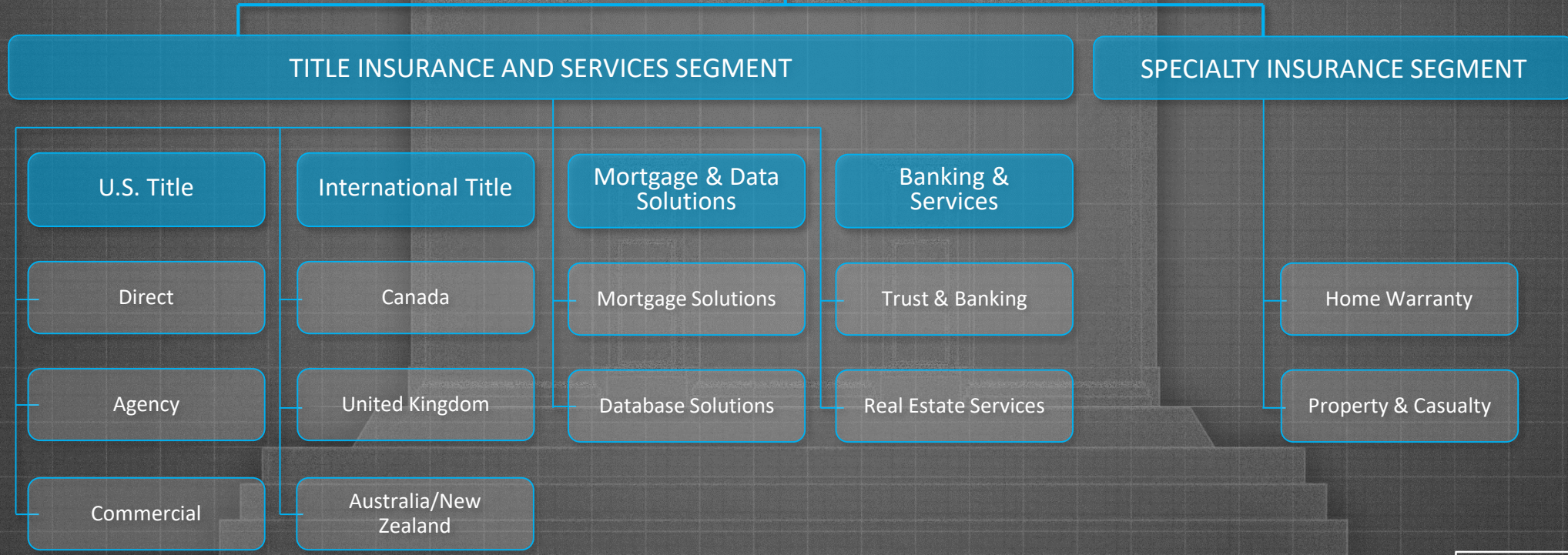
PAID CLAIMS BY SEVERITY GROUP

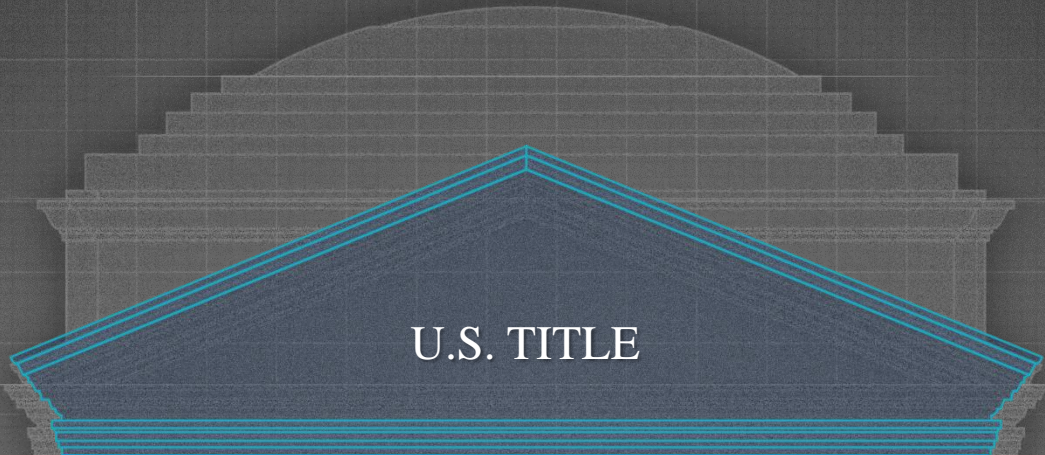


■ Large claims: \$250,000 and greater ■ Typical claims: \$1,000 to \$250,000 ■ Minor claims: Less than \$1,000

ORGANIZATIONAL STRUCTURE

FIRST AMERICAN FINANCIAL CORPORATION





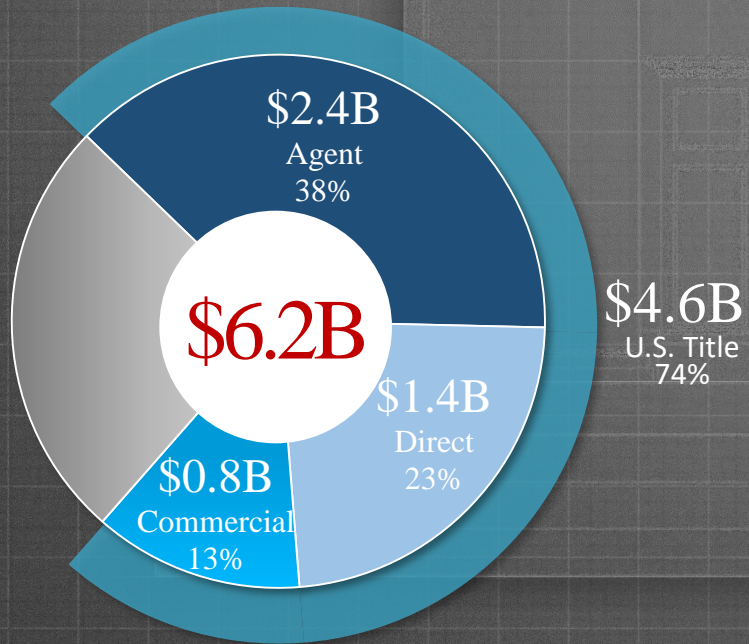
U.S. TITLE

DIRECT

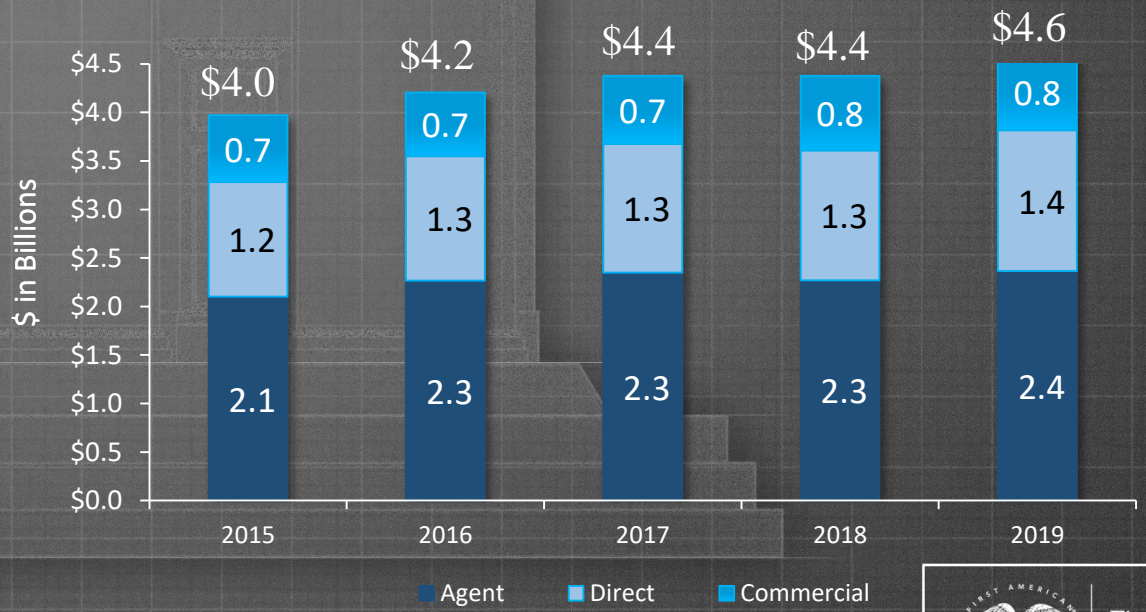
AGENCY

COMMERCIAL

First American Financial Total Revenue



Total Revenue Trend

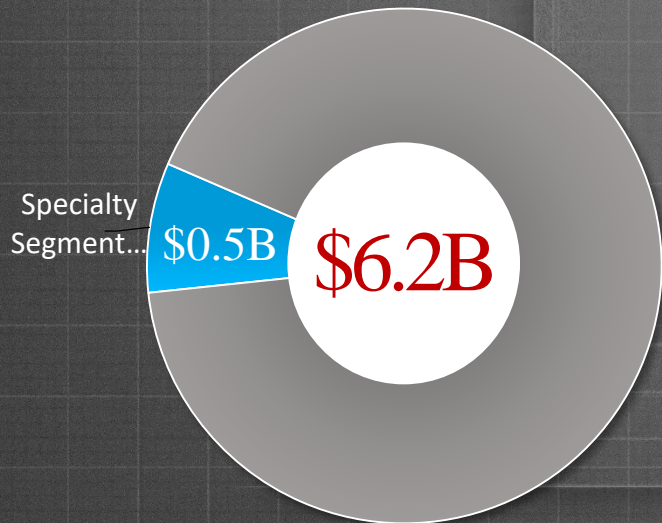


SPECIALTY INSURANCE

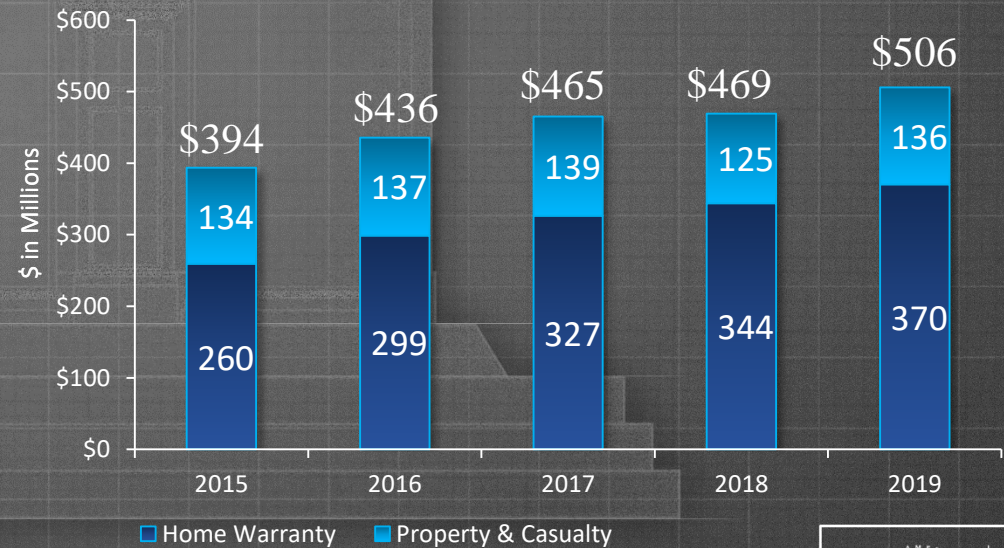
PROPERTY & CASUALTY

HOME WARRANTY

First American Financial Total Revenue

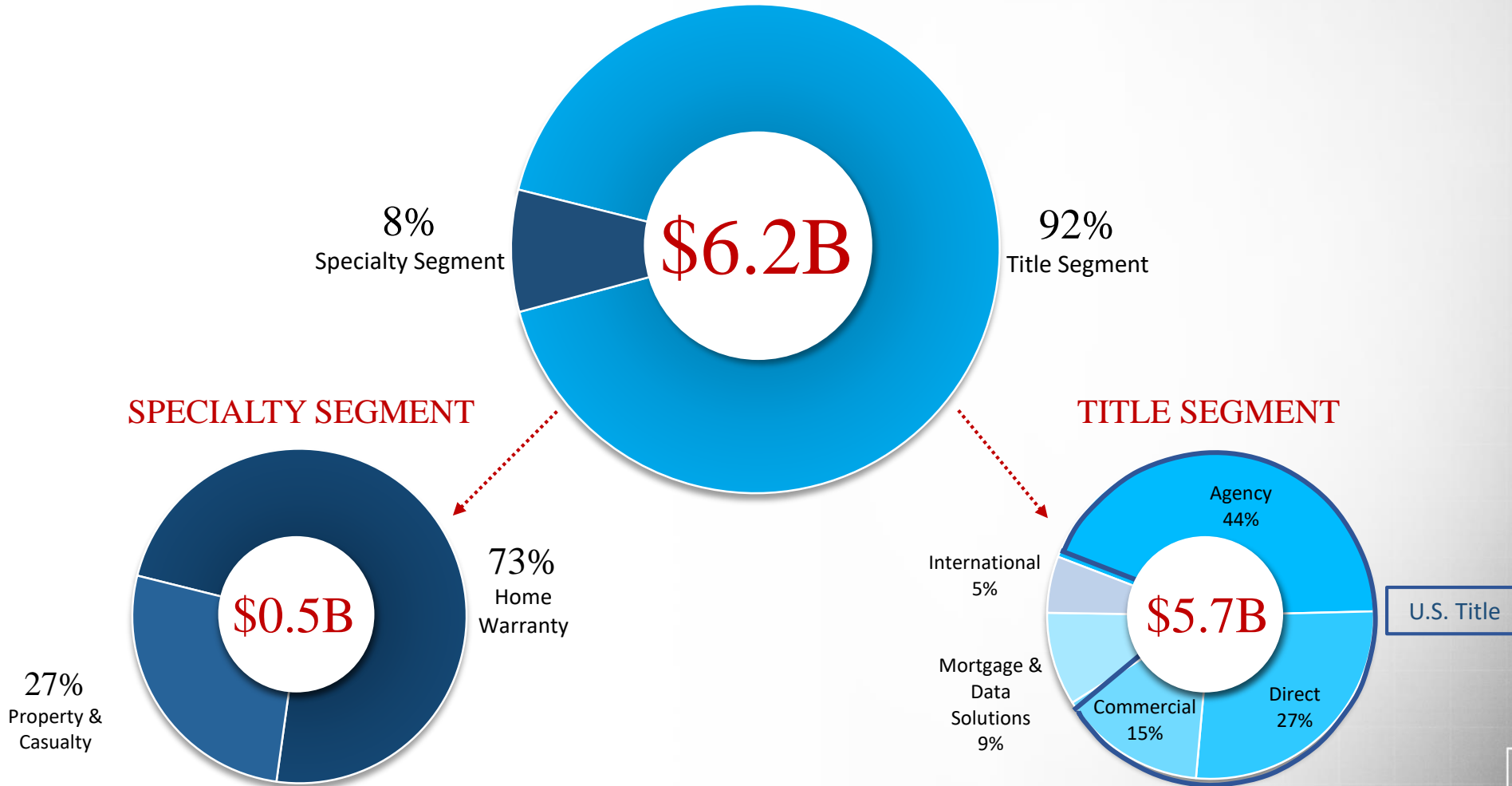


Total Revenue Trend



2019 Revenue Breakdown

FIRST AMERICAN FINANCIAL



22" SQUARE PEDESTAL
24" SQUARE PEDESTAL
33" SQUARE PEDESTAL