

FIRST AMERICAN FINANCIAL

Fall Investor Presentation

September, 2018

Leadership
Integrity
Commitment
Teamwork
Service



First American

Safe Harbor Statement

CERTAIN STATEMENTS MADE IN THIS PRESENTATION AND THE RELATED MANAGEMENT COMMENTARY AND RESPONSES TO INVESTOR QUESTIONS 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; FAILURES AT FINANCIAL INSTITUTIONS WHERE THE COMPANY DEPOSITS FUNDS; CHANGES IN APPLICABLE LAWS AND 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; USE OF SOCIAL MEDIA BY THE COMPANY AND OTHER PARTIES; REGULATION OF TITLE INSURANCE RATES; 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 MANAGEMENT FRAMEWORK; SYSTEMS DAMAGE, FAILURES, INTERRUPTIONS AND INTRUSIONS, OR UNAUTHORIZED DATA DISCLOSURES; PROCESS AUTOMATION; TECHNOLOGICAL DEVELOPMENTS THAT CHANGE THE WAY REAL ESTATE TRANSACTIONS ARE CONDUCTED AND RELATED DOCUMENTS ARE PROCESSED; 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 QUARTERLY REPORT ON FORM 10-Q, INCLUDING UNDER THE CAPTION “RISK FACTORS” IN ITEM 1A OF PART II OF THAT REPORT. 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.

22" SQUARE PEDESTAL
24 1/4" SQUARE PEDESTAL
30" SQUARE PEDESTAL



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Use of non-GAAP Financial Measures

THIS SLIDE PRESENTATION CONTAINS CERTAIN FINANCIAL MEASURES THAT ARE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP), INCLUDING ADJUSTED INVESTMENT INCOME. ADJUSTED INVESTMENT INCOME EXCLUDES AFFILIATED INVESTMENTS AND IS PRESENTED BECAUSE IT PROVIDES THE COMPANY'S MANAGEMENT AND READERS AND VIEWERS OF THIS PRESENTATION WITH A BETTER UNDERSTANDING OF THE IMPACT OF INTEREST RATES ON THE COMPANY'S INVESTMENT INCOME OVER TIME. 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.

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33" SQUARE PEDESTAL



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PRESENTATION AGENDA



Strong Track Record of Results

Well Positioned in a Changing Environment

Attractive Growth Opportunities

Leader in the Title and Settlement Services Industry

\$5.8B Total Revenue

18,700 Employees

92% of Revenue, Title Segment

26.2% Title Market Share

800 Offices

8% of Revenue, Specialty Insurance Segment

\$9.6B Total Assets

9 Countries

Trusted National Brand

Largest Title Plant and Property
Record Database

Fortune 100 Best Companies
to Work For®
2016 – 2017 – 2018

Note: Revenue and market share data for 2017. All other data as of December 31, 2017.

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FIRST AMERICAN STRATEGY

VISION:

To Be the Premier Title
Insurance and Settlement Services Company

Profitably
Grow Our
Core Title
and
Settlement
Business

Strengthen
the Enterprise
Through Data
and Process
Advantage

Manage
and Actively
Invest in
Complementary
Businesses that
Support or
Expand the
Core

Deploy Our Capital to Maximize Long-Term Shareholder Returns

Innovation

Compliance and Risk Management

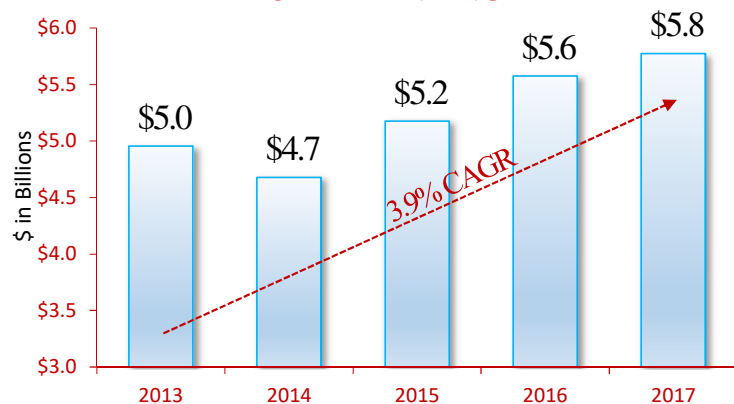
People and Culture



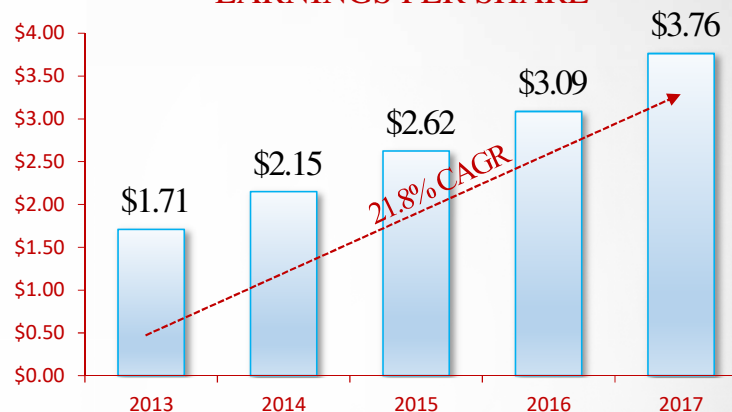
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Past 5 Years: Achieved Strong Financial Results

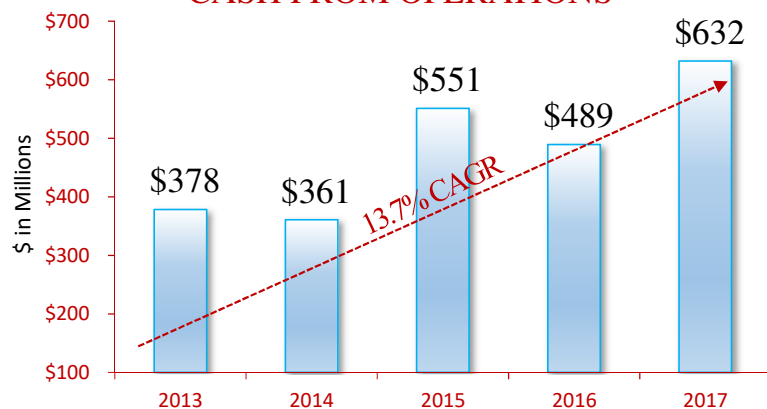
TOTAL REVENUE



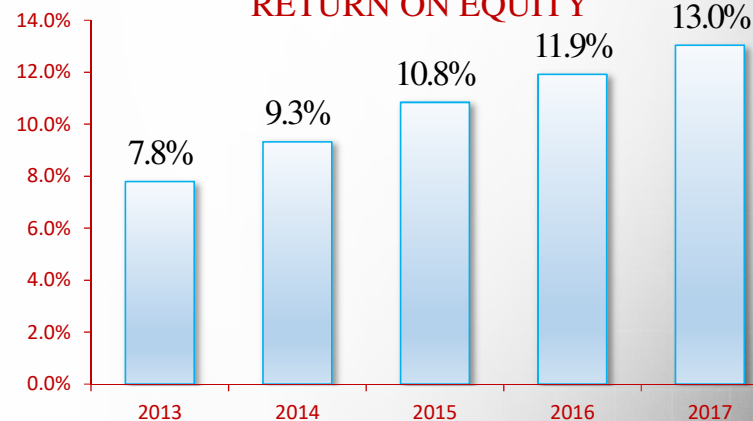
EARNINGS PER SHARE



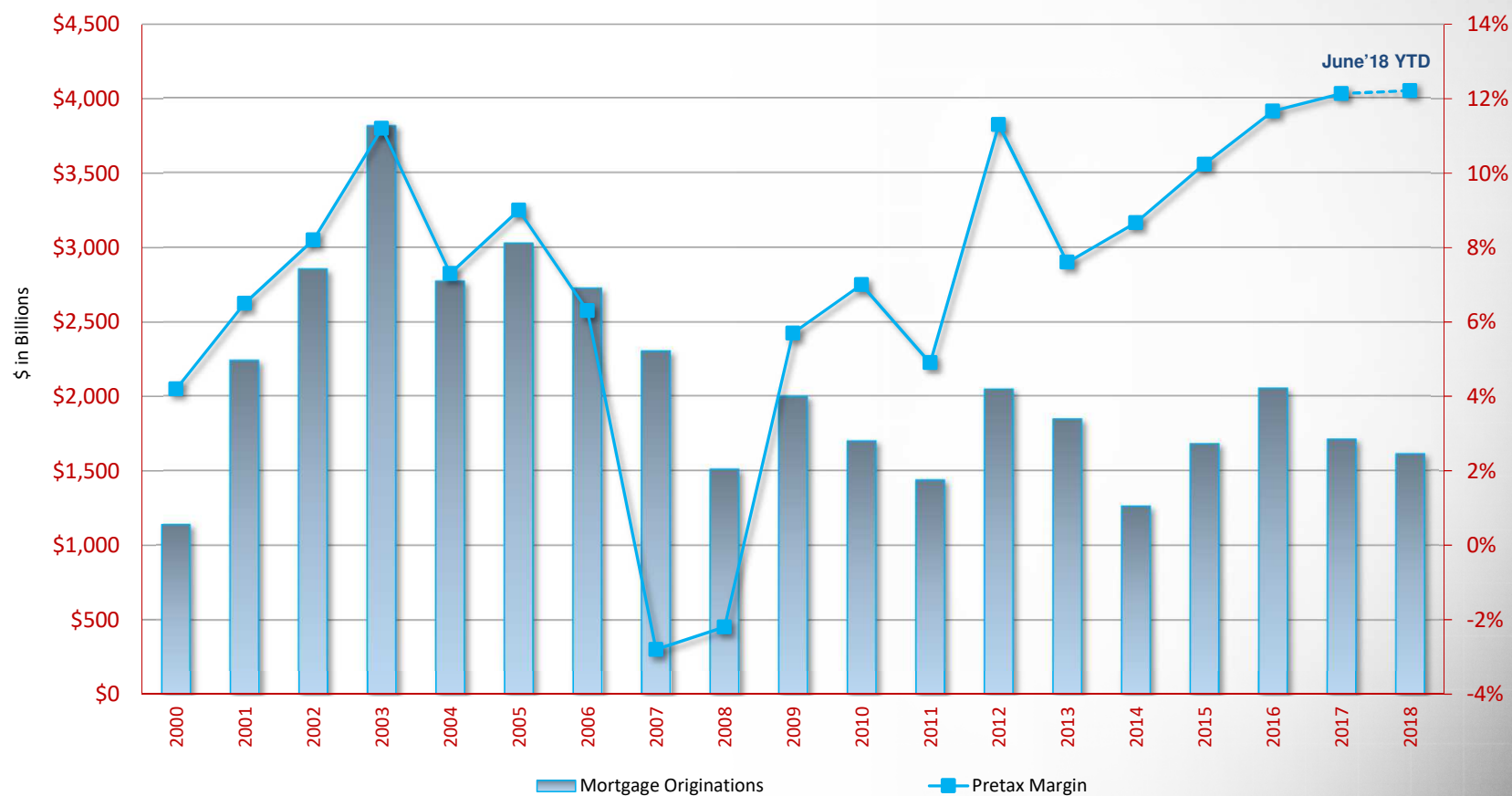
CASH FROM OPERATIONS



RETURN ON EQUITY



Historical Title Insurance Margin



Total Shareholder Return



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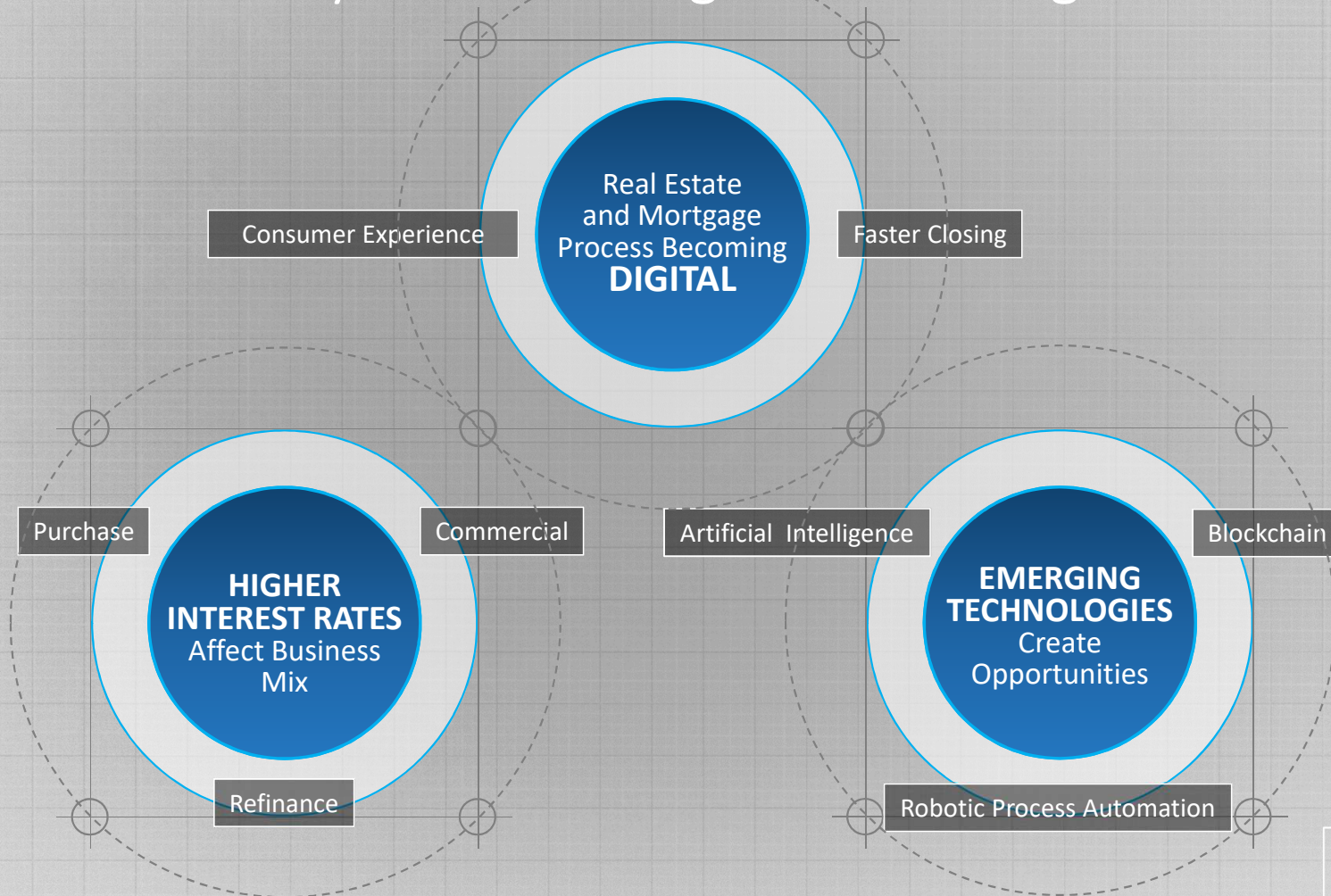
Strong Track Record of Results



Well Positioned in a Changing Environment

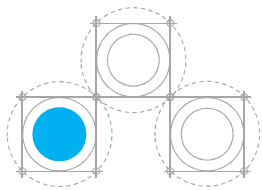
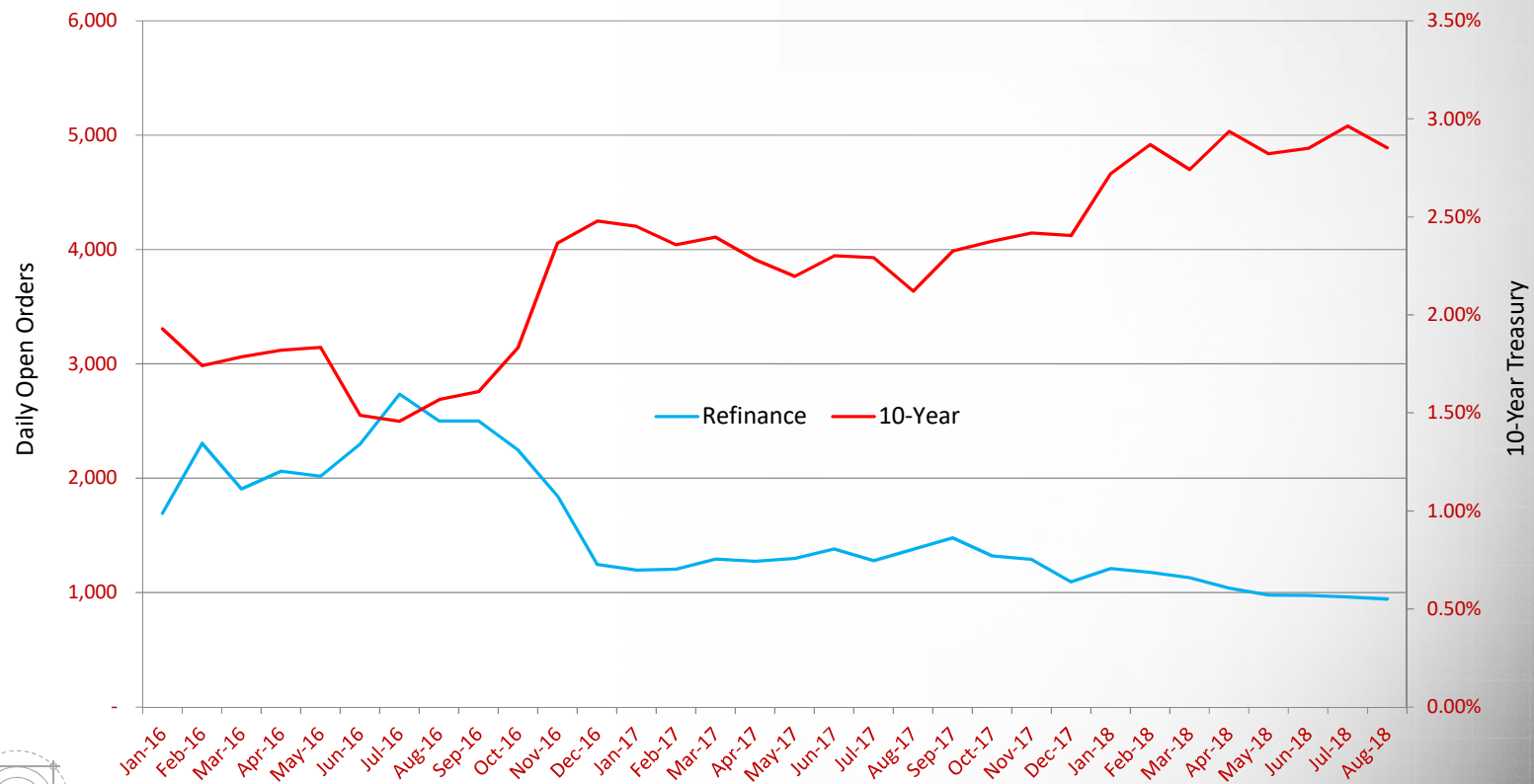
Attractive Growth Opportunities

Key Forces Driving Market Change



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Rising Rates Have Changed the Business Mix

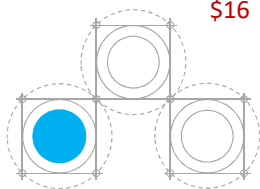
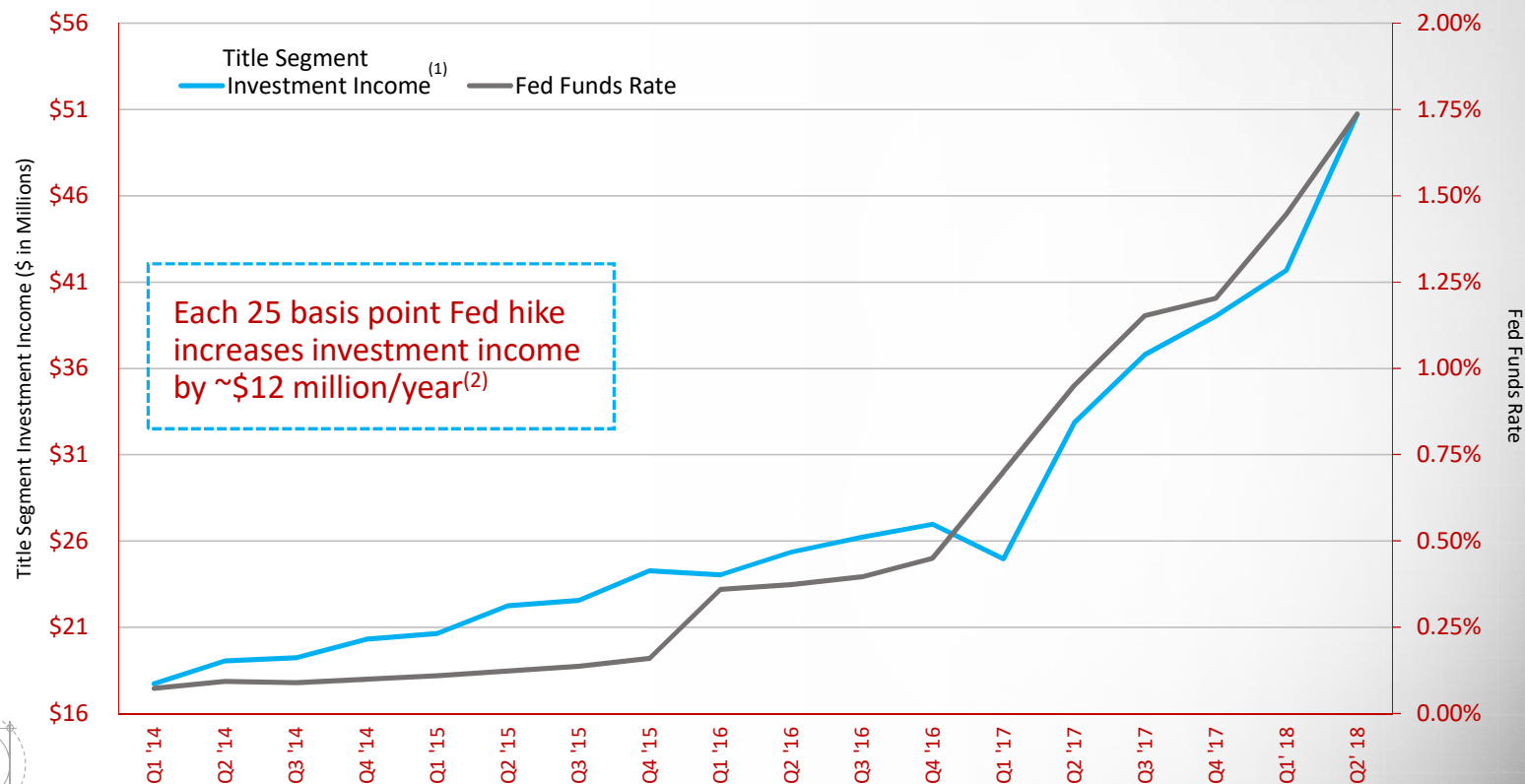


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24" SQUARE PEDESTAL
30" SQUARE PEDESTAL



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... and Higher Short-term Rates Benefit Investment Income



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

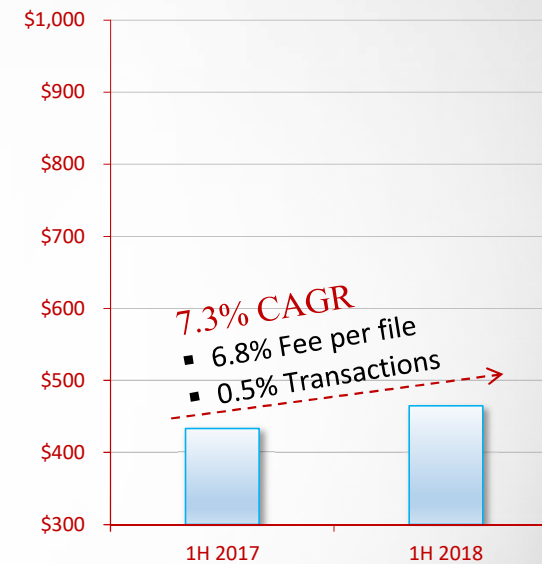
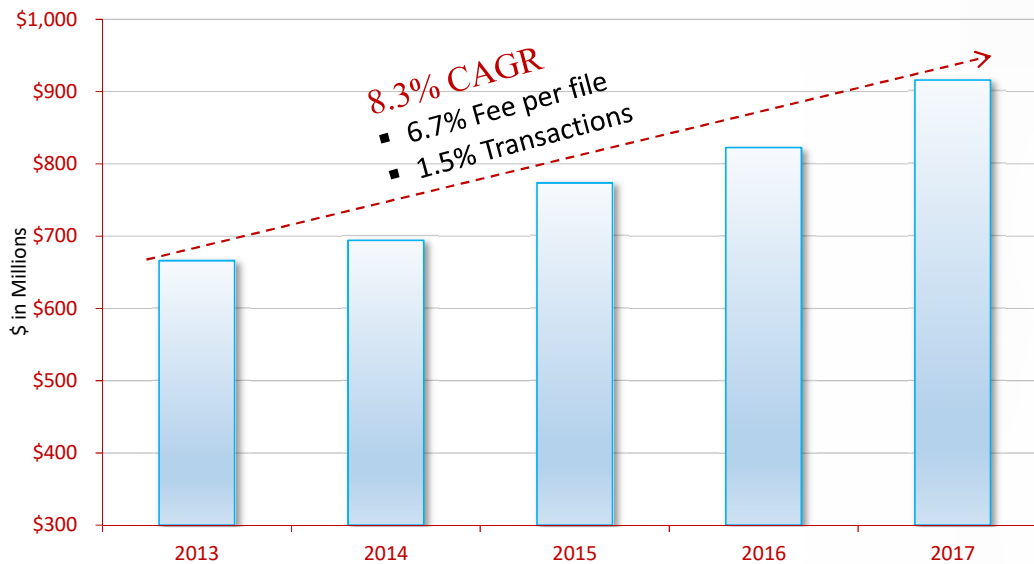
22" SQUARE PEDESTAL
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Strong Purchase Market Continues

DIRECT PURCHASE REVENUE

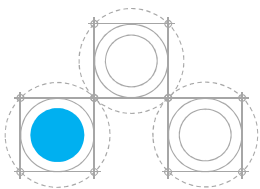


Purchase Market

- Strong economy and job growth
- Low inventory continues to drive home price appreciation
- Expect purchase revenue growth to continue

First American Operations

- 550 local offices focused on purchase
- Leading homebuilder business
- Fee per file 2.5x refinance

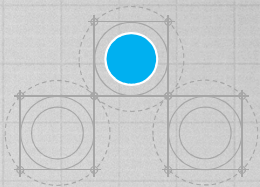
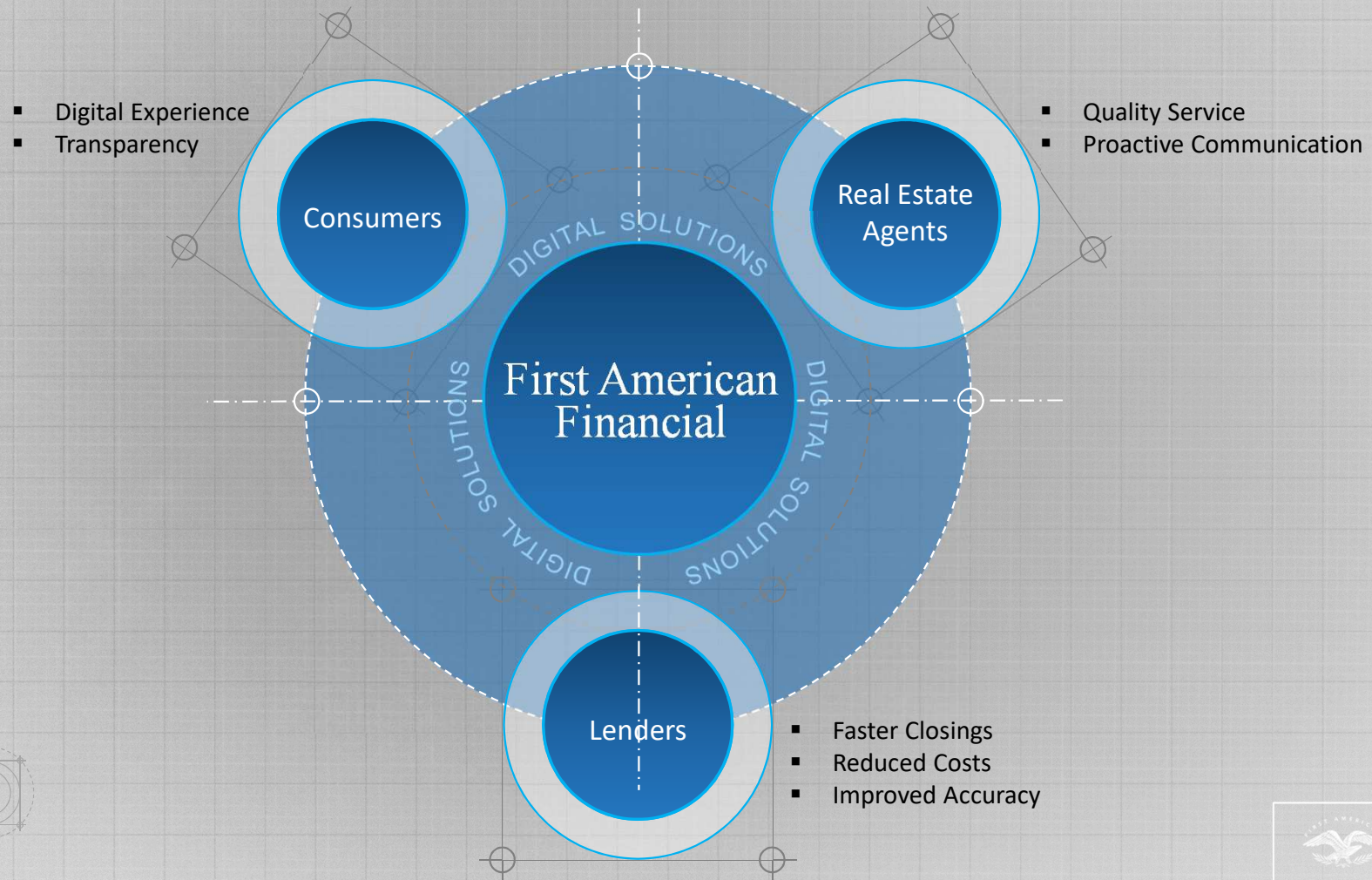


22" SQUARE PEDESTAL
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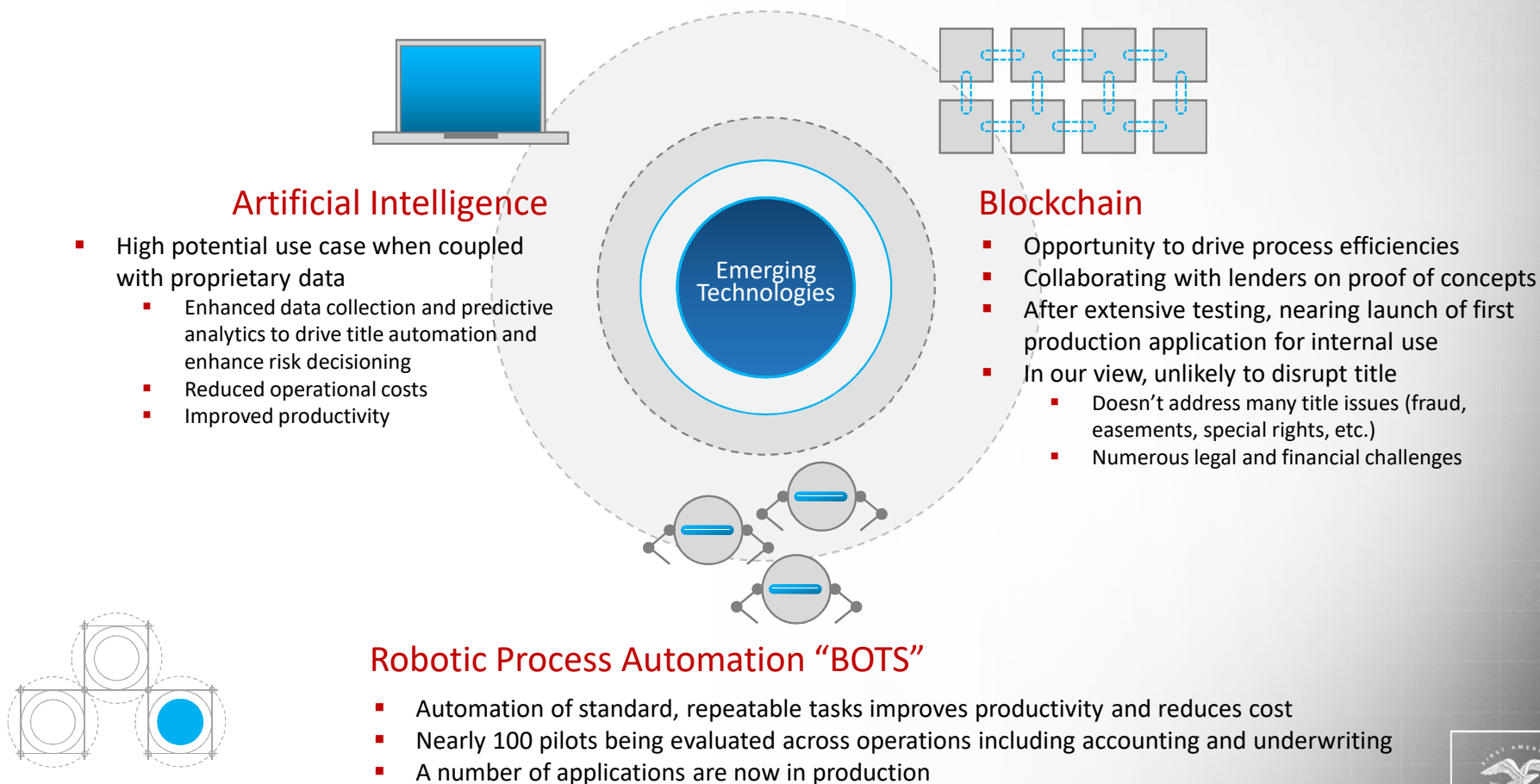


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Digital Transformation of Mortgage and Closing Process Underway



Emerging Technologies Create Opportunities



PRESENTATION AGENDA

Strong Track Record of Results

Well Positioned in a Changing Environment

.....> **Attractive Growth Opportunities**

Strong Outlook for Title and Settlement Business

Revenue Growth

- Favorable purchase market trends continue
- Commercial fundamentals remain strong
- Investment income improves as short term rates rise
- Refinance activity approaching a floor

Cost Efficient Operation

- Disciplined cost management culture
- Prudent underwriting has driven claim losses lower
- Leveraging data and technology to improve productivity and enhance risk decisioning

Title Margin

- Focus remains on margin expansion
- Record margin in 2016, again in 2017



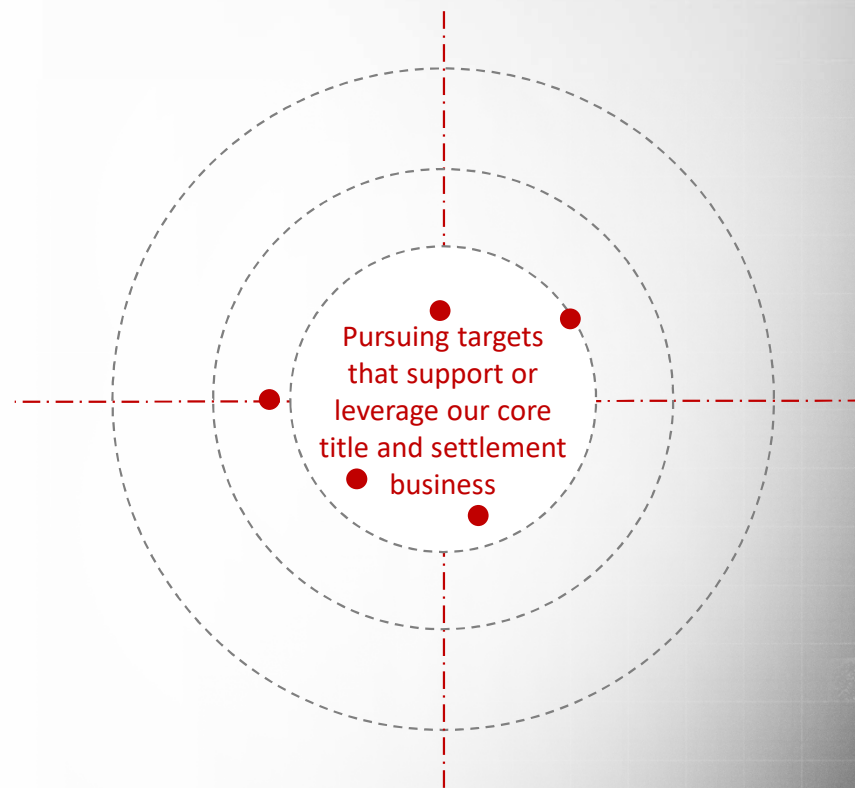
Disciplined M&A Strategy Drives Growth

Focused Strategy

- Title companies that expand our footprint in key markets
- Companies that enhance our data capabilities or expand product and service offerings

Disciplined Process

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



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Mergers & Acquisitions

	COMPANY		TYPE	TOTAL SPEND ⁽¹⁾
2018	First Funding	Provides residential warehouse funding and management services to small and mid-sized mortgage originators.	Complementary	\$78M
	PCN	Provides residential mortgage closing services including a software platform known as Safe Escrow that enables more efficient and secure cash disbursement and closing processes for title agents.	Complementary	
2017	SIS	Buyout of long standing joint venture of title information provider.	Complementary	\$91M
	Nevada Title	Leading title and escrow company with a strong presence in southern Nevada.	Title	
2016	TD Service	Leading provider of technology and services to the mortgage banking industry; broadens and enhances our post-closing and document management capabilities.	Complementary	\$115M
	RedVision	Largest independent provider of title and real property research; expands coverage to all 50 states and significantly improves product capabilities in the agent channel.	Complementary	
	Forsythe	Largest independent appraisal company in the U.S.; significantly expanded valuation offering to lender customers.	Complementary	
2015	TitleVest	Title/Settlement service agent with significant residential position in NYC.	Title	\$32M
2014	Interthinx	Provides solutions to help clients minimize risk, increase operational efficiencies, and satisfy regulatory requirements; best known for FraudGUARD, a market-leading mortgage fraud analytics product.	Complementary	\$163M
	Universal Land Title	Title/Settlement service agent primarily located in southern Florida.	Title	

- Acquire companies strategic to our core business that:
 - Strengthen geographic presence
 - Enhance product breadth
- Analyze expected returns on a risk-adjusted basis
- Aggressively integrate acquisitions to realize synergies

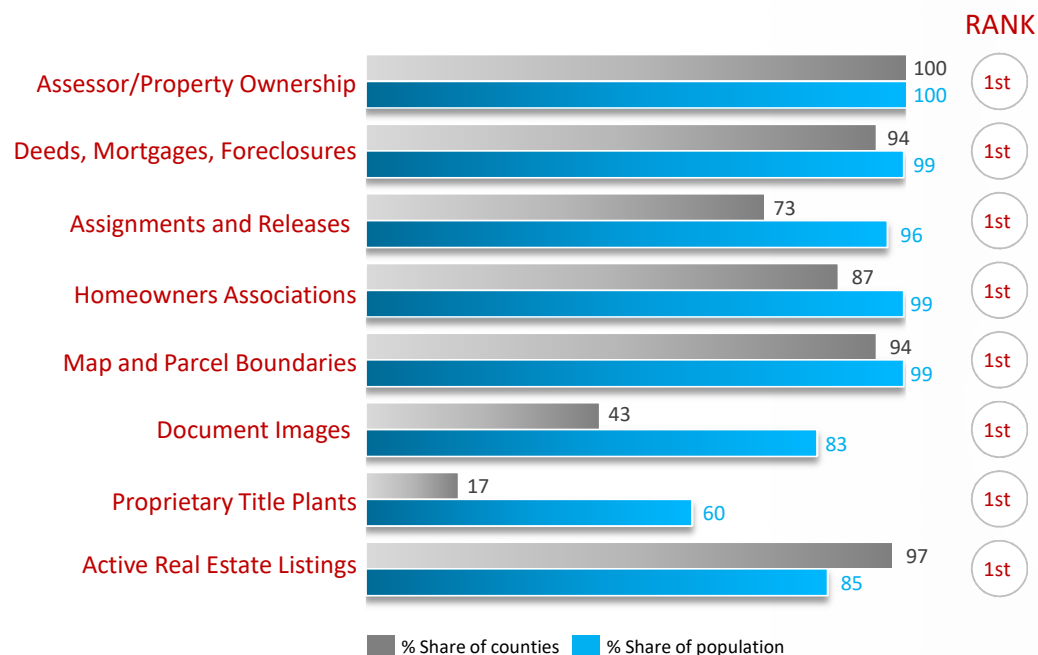
Note: Highlights transactions of \$5 million or greater. (1) Aggregate purchase price for all completed acquisitions in given year. Source: Company's 10-K filings.



Attractive Growth Prospects in Our Property Data Business

Leveraging Data Assets to Drive Title Automation and Enhanced Risk Decisioning

CURRENT DATA COVERAGE



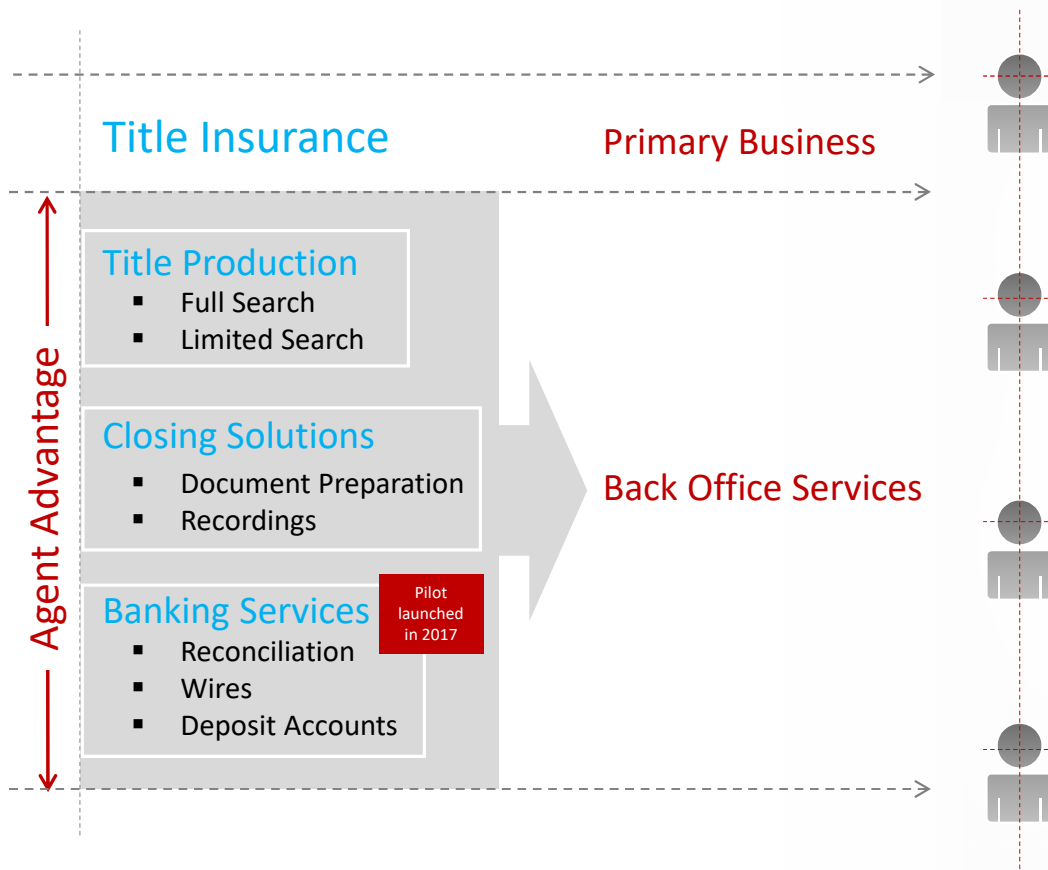
Property Record Database

- Largest property record database
- Datatree.com and data licensing demonstrating growth

Title Plant

- Continued expansion into new markets
 - Houston, Dallas, El Paso
- Long-term strategy to expand plant coverage to facilitate title automation

Offering a Wider Array of Products to Title Agents



Customer Benefits

- Reduced operating costs
- Risk mitigation
- Process efficiency

First American Benefits

- Expands "share of wallet" with agents
- Grows bank deposits
- Deepens customer relationships
- Reduces underwriting risk

SUMMARY

Strong Track Record of Results

- 21.7% annualized total shareholder return past 5 years

Well Positioned in a Changing Environment

- Financial performance remains strong despite higher interest rates
- Actively investing for the digital future
- Application of emerging technologies creates opportunities

Attractive Growth Opportunities

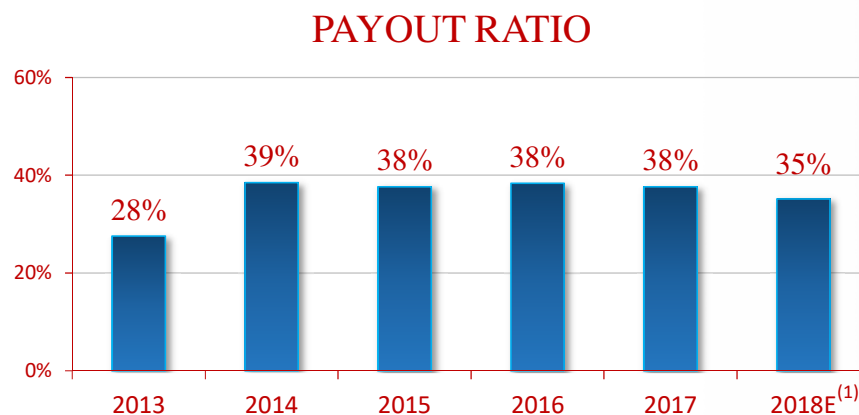
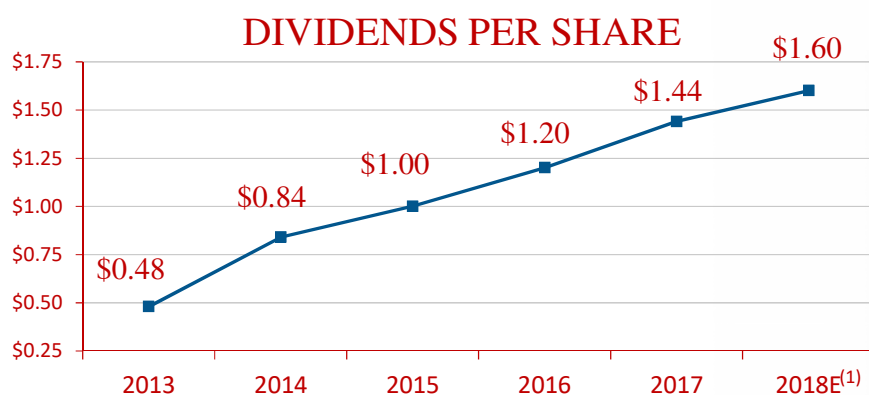
- Strong industry outlook
- Active M&A pipeline
- Data assets drive title automation and enhance risk decisioning
- Expanding service offering for title agents

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



Dividends



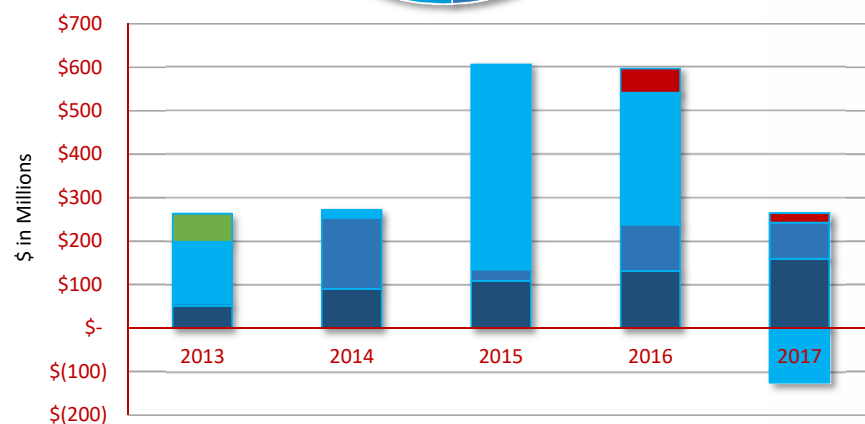
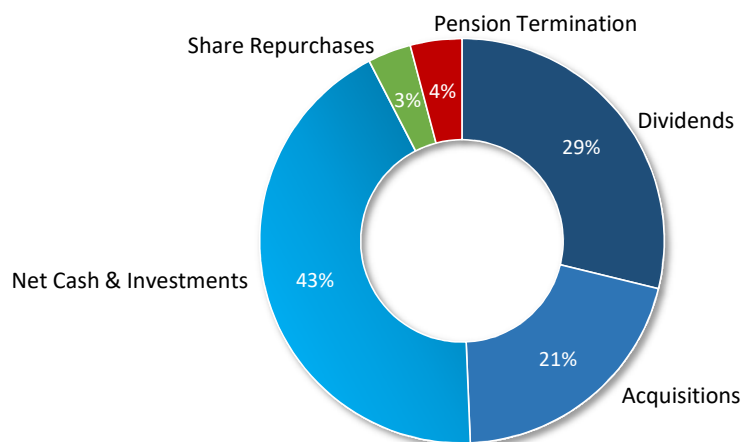
Dividend Considerations

- 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



Uses of Free Cash Flow and Debt Proceeds

CUMULATIVE 5 YEAR USES



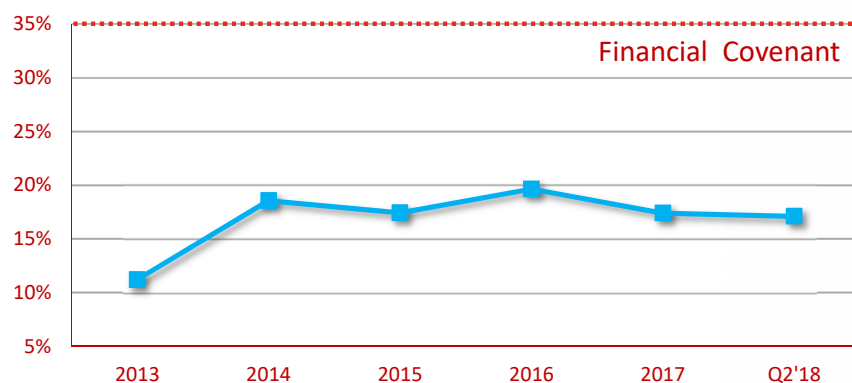
- ~43% of cash flow used for investment portfolio to strengthen the balance sheet
- Moving forward, portfolio strengthening not necessary as capital levels exceed current targets
- A greater proportion of future cash flows will be allocated to dividends given recent increases

Capital Structure

As of June 30th, 2018 (\$ in Millions)

4.3% Senior Notes Due 2023	\$248
4.6% Senior Notes Due 2024	298
Trust Deed Notes	21
Other Notes	9
Revolving Credit Facility	160
Total Debt	\$736
Total Equity	\$3,570
Debt-to-Capital Ratio	17.1%

DEBT-TO-CAPITAL RATIO

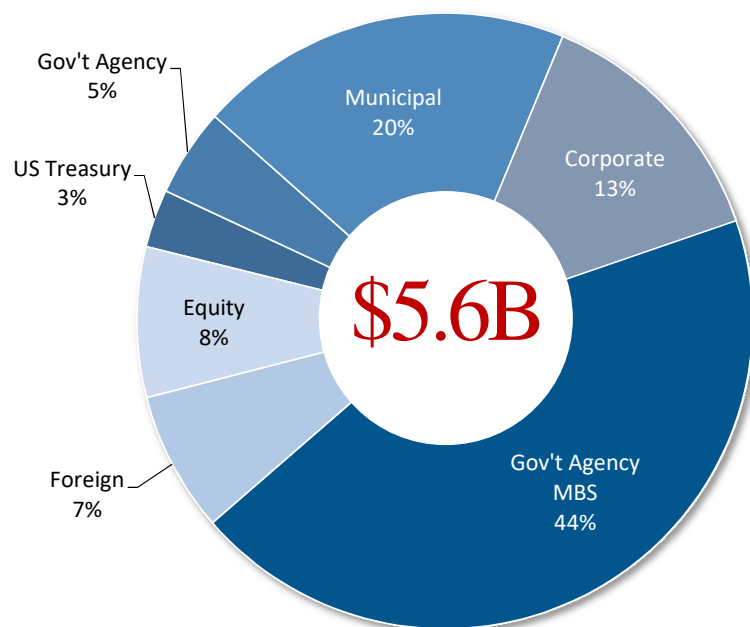


- Management's target debt-to-capital ratio is 18-20%
 - Supports target financial strength ratings
- \$160 million drawn on \$700 million revolving credit facility
- Revolving credit facility term ends in May 2019
- Significant financial flexibility to seize strategic opportunities



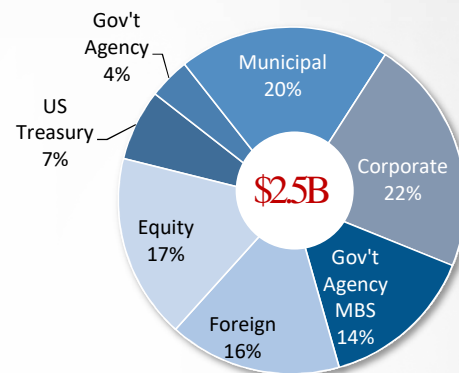
Investment Portfolio

CONSOLIDATED PORTFOLIO



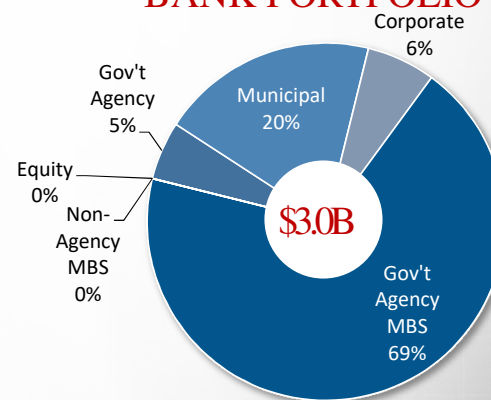
Avg. Rating : AA
Duration: 3.4
Book Yield: 2.5%

INSURANCE PORTFOLIO



Avg. Rating : AA
Duration: 4.6
Book Yield: 3.0%

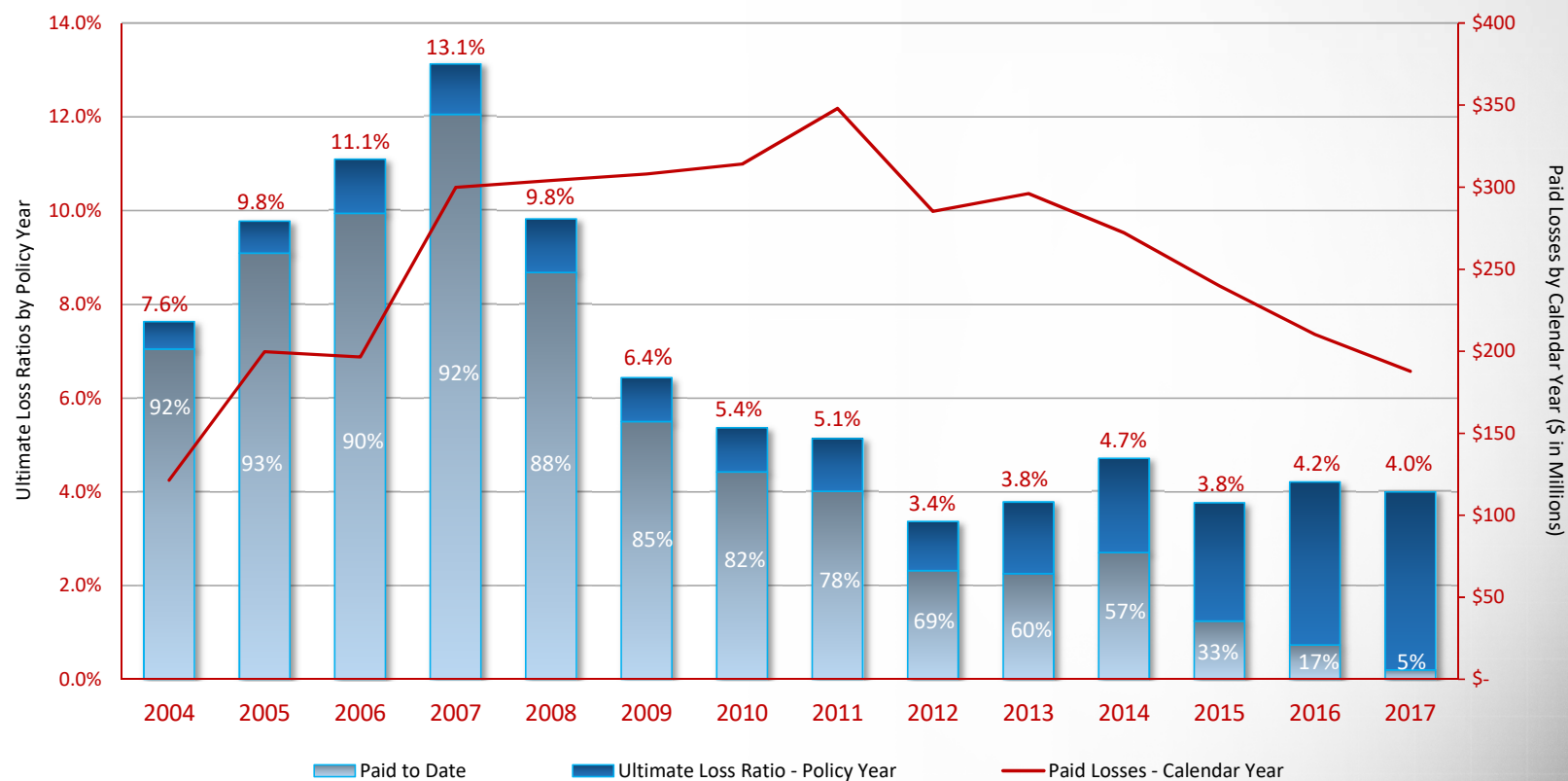
BANK PORTFOLIO



Avg. Rating : AA
Duration: 2.6
Book Yield: 2.1%



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 December 31, 2017



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Title Insurance Margin Objective

	Downside	Base Case	Upside
Pretax Margin	<11%	11% - 13%	>13%
Mortgage Originations	<\$1.4 Trillion	\$1.4 - \$1.8 Trillion	>\$1.8 Trillion
% Refinance	~25%	~25%	~25%



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 by leveraging unique assets (e.g. bank and data)
- Expect earnings and margin growth as mortgage originations improve
- Strong balance sheet and financial flexibility
- Commitment to return capital to shareholders

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APPENDIX



ORGANIZATIONAL STRUCTURE

FIRST AMERICAN FINANCIAL CORPORATION

TITLE INSURANCE AND SERVICES SEGMENT

U.S. Title

Direct

Agency

Commercial

International Title

Canada

United Kingdom

Australia/New
Zealand

Mortgage & Data
Solutions

Mortgage Solutions

Database Solutions

Banking &
Services

Trust & Banking

Real Estate Services

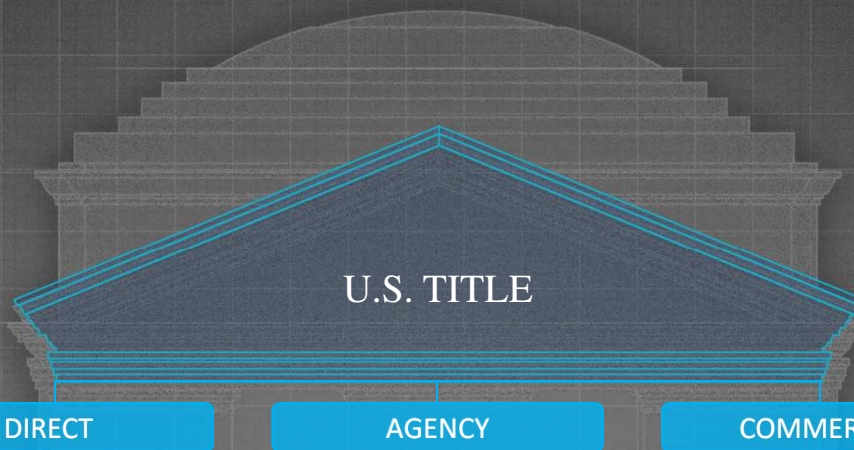
SPECIALTY INSURANCE SEGMENT

Home Warranty

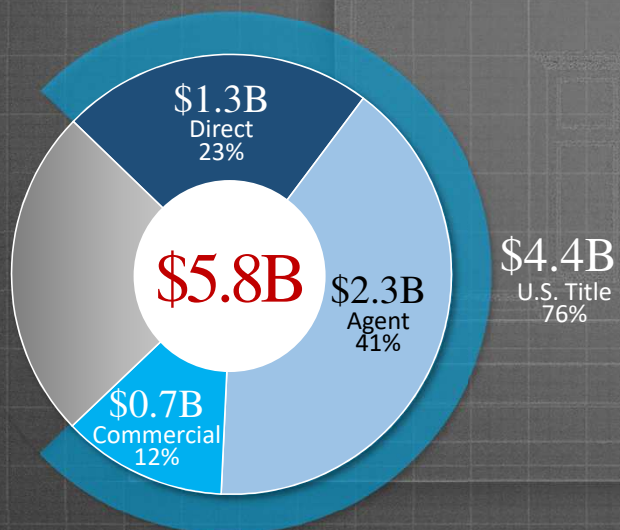
Property & Casualty



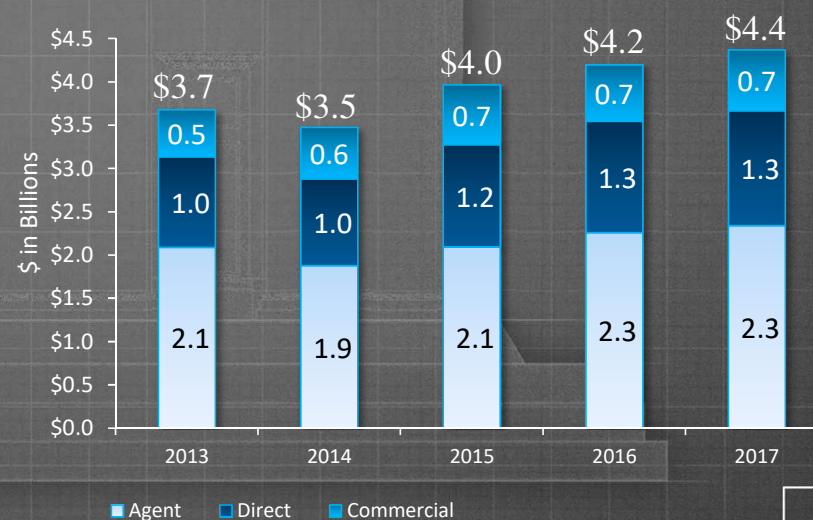
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First American Financial Total Revenue



Total Revenue Trend

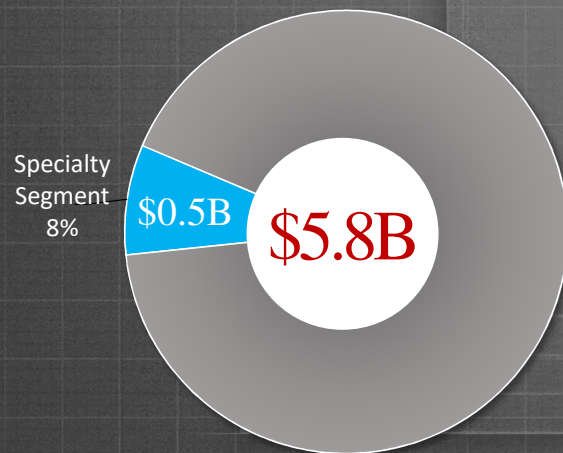


SPECIALTY INSURANCE

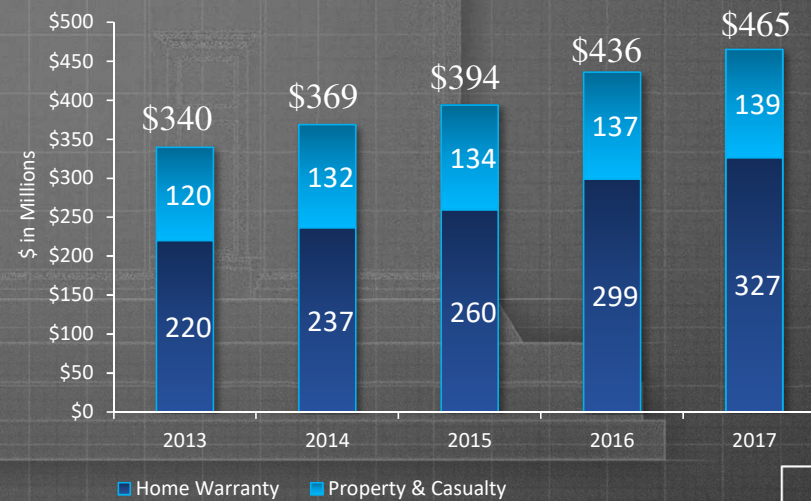
PROPERTY & CASUALTY

HOME WARRANTY

First American Financial Total Revenue



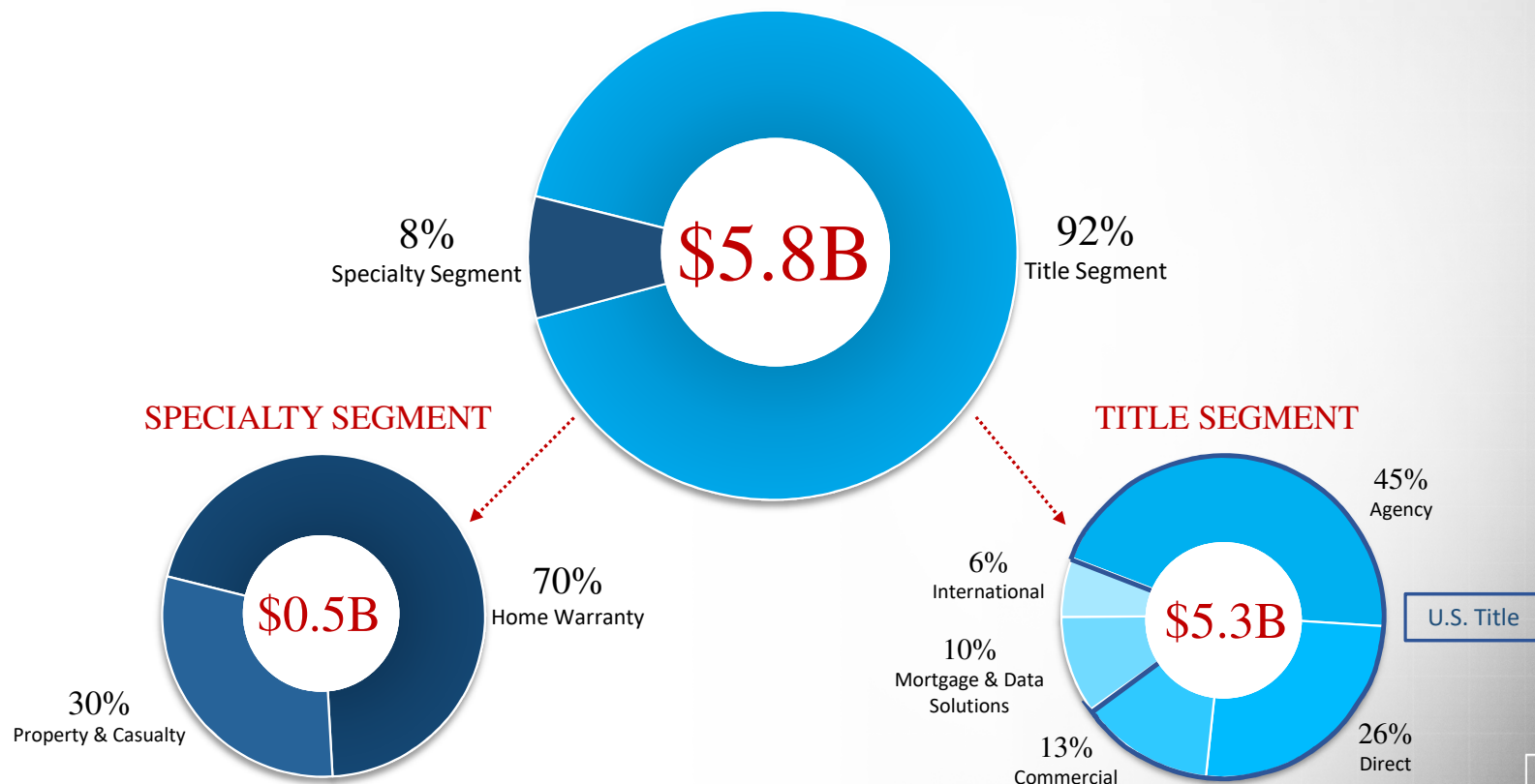
Total Revenue Trend



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2017 Revenue Breakdown

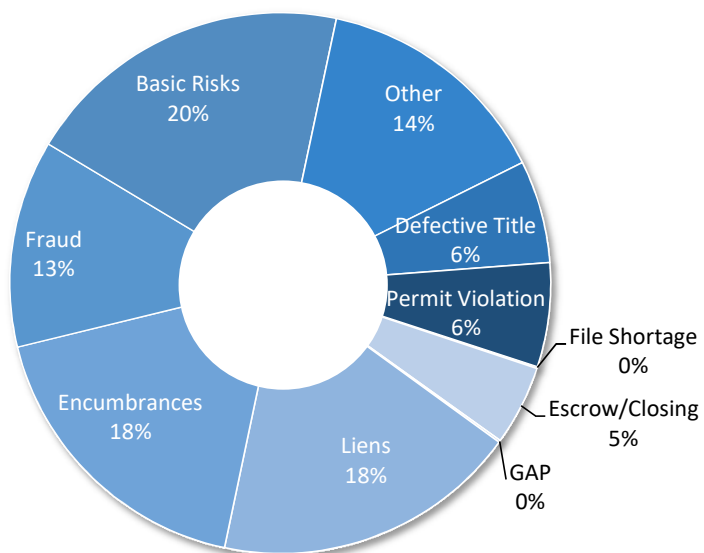
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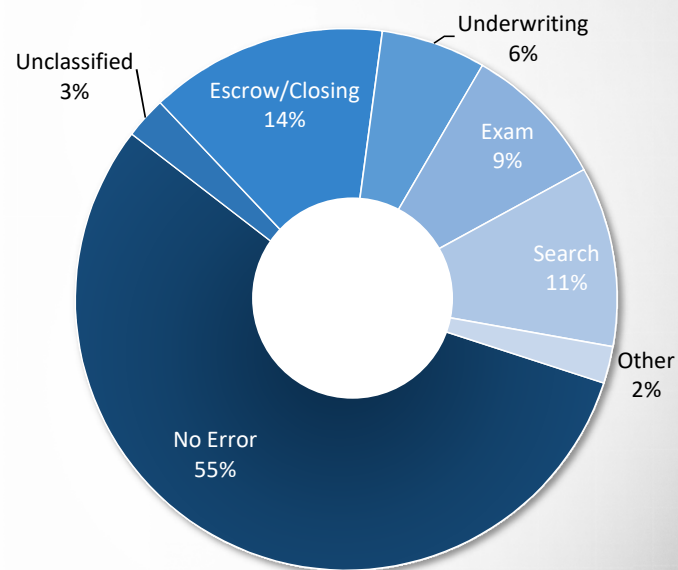
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2017 Incurred Claims Detail

CLAIM CAUSE



PROCESS CAUSE

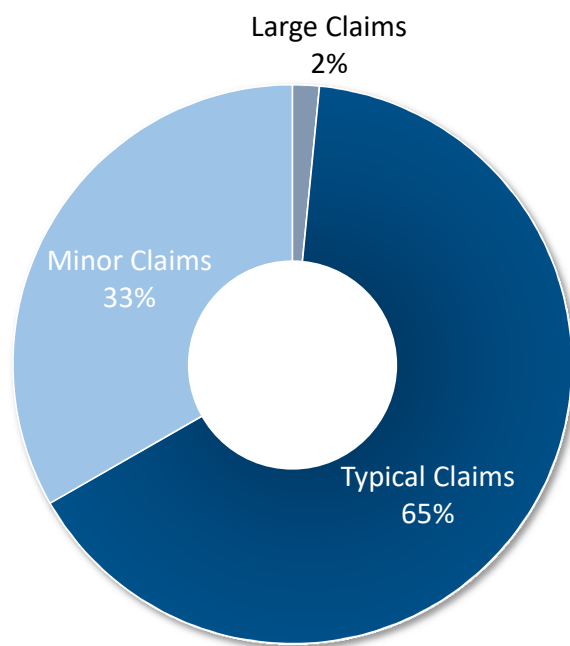


59% Direct / 41% Agent

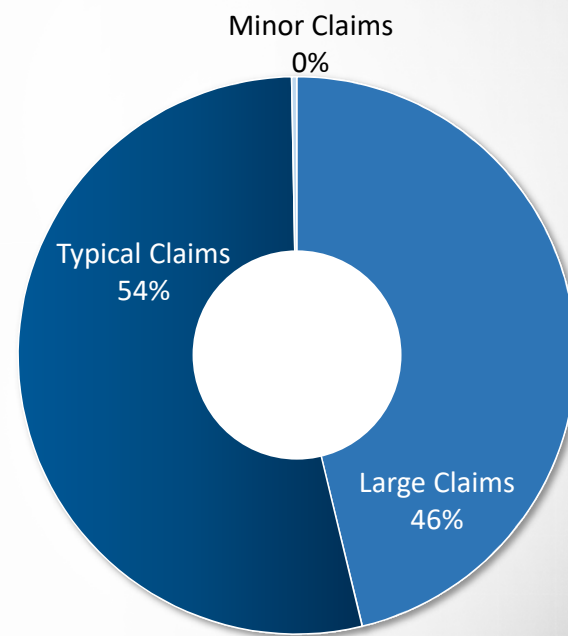


Claim Severity Distribution

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

Title Segment Net Investment Income Reconciliation

Net Investment Income Less Affiliate Investments														
\$ in Millions	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18
Net Investment Income	\$21.8	\$26.0	\$25.4	\$24.4	\$24.9	\$27.5	\$29.0	\$29.4	\$26.6	\$34.7	\$37.9	\$38.3	\$41.4	\$51.7
Less: Affiliate Investments	1.1	3.7	2.8	0.1	0.9	2.1	2.8	2.4	1.6	1.8	1.1	(0.8)	(0.3)	1.0
Adjusted Net Investment Income	\$20.6	\$22.2	\$22.6	\$24.3	\$24.0	\$25.4	\$26.2	\$27.0	\$25.0	\$32.9	\$36.8	\$39.0	\$41.7	\$50.7

	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	Q4 '14
Net Investment Income	\$19.0	\$21.6	\$22.2	\$13.8	\$15.7	\$19.3	\$22.0	\$2.7
Less: Affiliate Investments	2.7	4.5	4.1	(3.9)	(2.0)	0.3	2.8	(17.6)
Adjusted Net Investment Income	\$16.3	\$17.1	\$18.2	\$17.7	\$17.7	\$19.0	\$19.2	\$20.3

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