FIRST AMERICAN FINANCIAL

Investor Day

May 18, 2018

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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.

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.

AGENDA

9:00 a.m.	Welcome	Craig Barberio, VP Investor Relations
9:05 a.m.	Strategy & Business Review	Dennis Gilmore, Chief Executive Officer
9:45 a.m.	Title Operations	Chris Leavell, COO, Title Insurance and Services
10:15 a.m.	Q&A/Break	
10:50 a.m.	Specialty Insurance	Larry Davidson, COO, Specialty Insurance
11:10 a.m.	Financial Review	Mark Seaton, EVP and Chief Financial Officer
11:40 a.m.	Q&A	
12:00 p.m.	Lunch	

First American

STRATEGY & BUSINESS REVIEW

Dennis Gilmore

Chief Executive Officer

PRESENTATION AGENDA

- Strong Track Record of Results
- Well Positioned in a Changing Environment
- Attractive Growth Opportunities

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

26.2% Title Market Share

$9.6B Total Assets

18,700 Employees

800 Offices

9 Countries

92% of Revenue, Title Segment

8% of Revenue, Specialty Insurance Segment

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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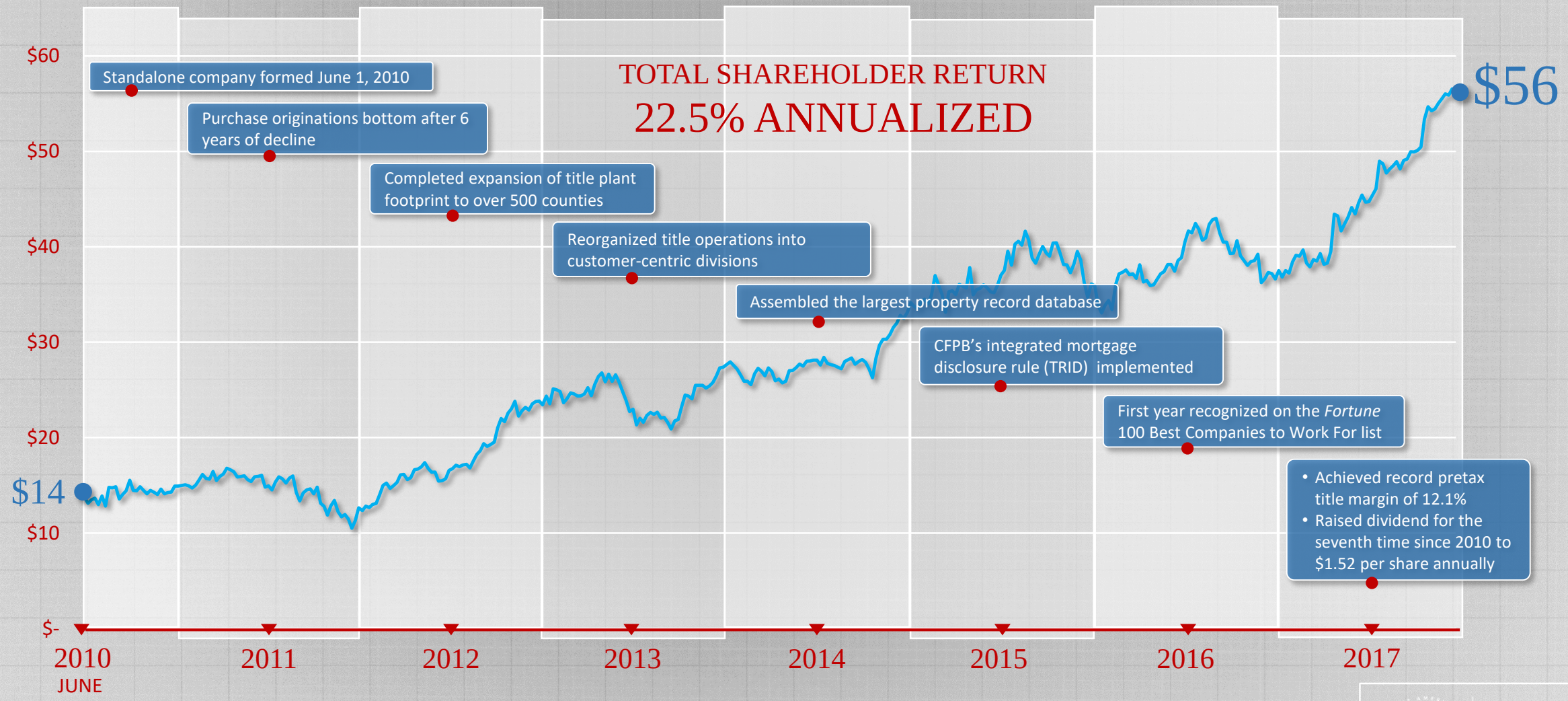
Established Reputation as Efficient Operator Dedicated to Long-Term Value Creation



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Seasoned Leadership Team

		Years with First American
Dennis Gilmore	Chief Executive Officer	25 Years
Ken DeGiorgio	Executive Vice President	19 Years
Chris Leavell	COO, Title insurance and Services	21 Years
George Livermore	EVP and President, Data and Mortgage Solutions	20 Years
Larry Davidson	COO, Specialty Insurance	18 Years
Mark Seaton	EVP and Chief Financial Officer	12 Years

First American

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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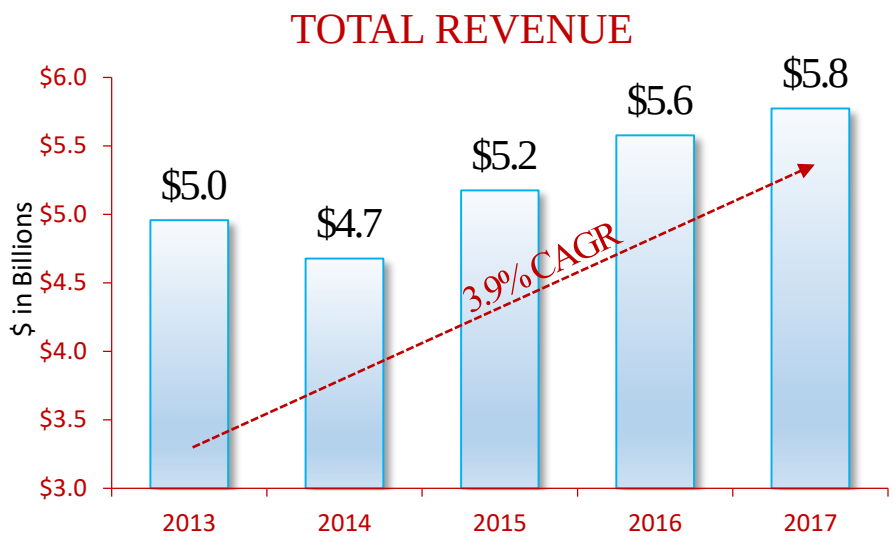
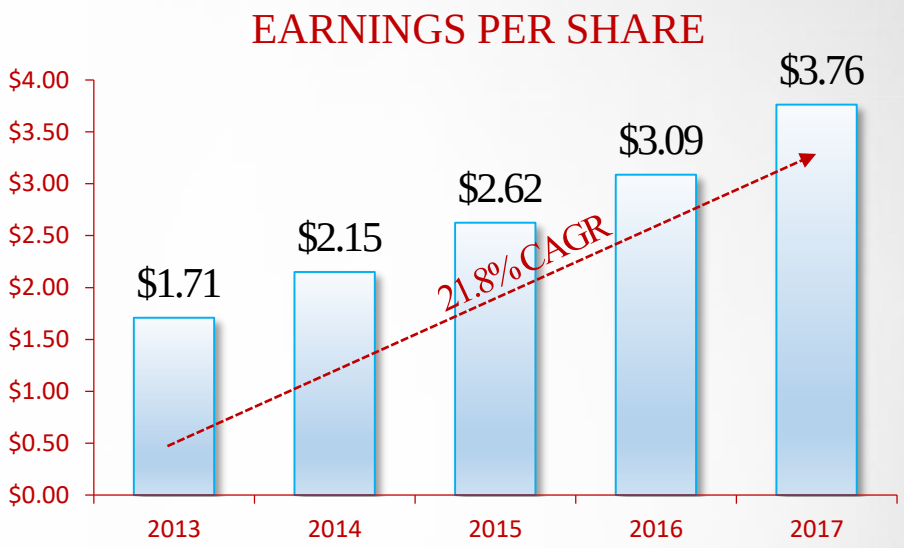
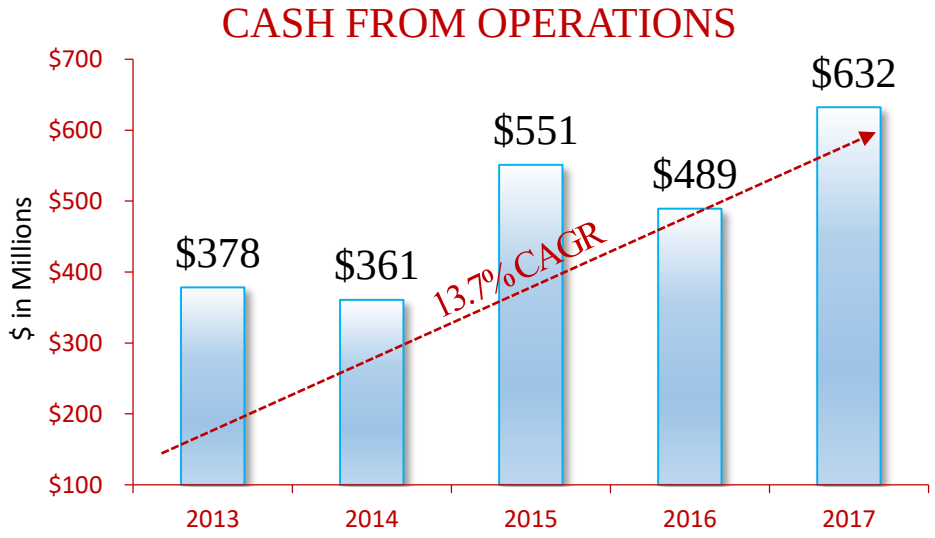
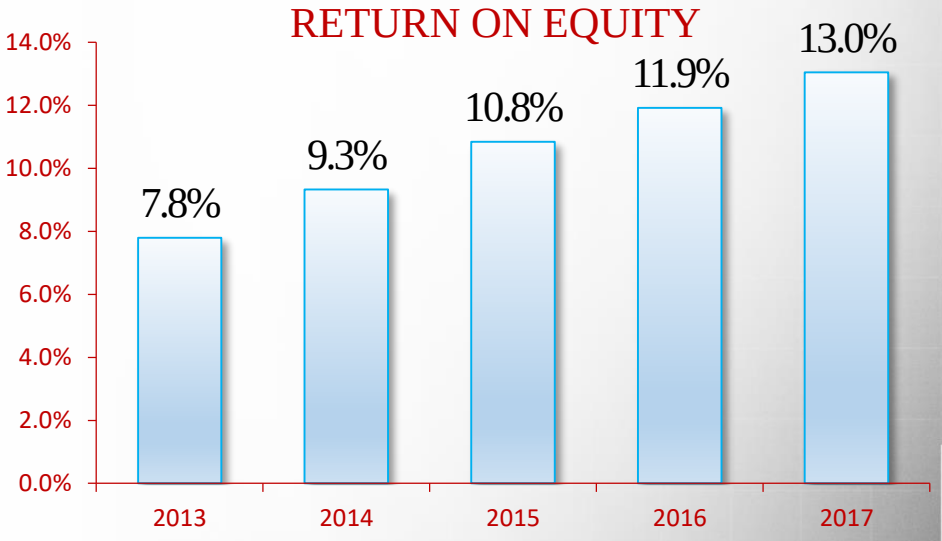
Past 5 Years: Achieved Strong Financial Results

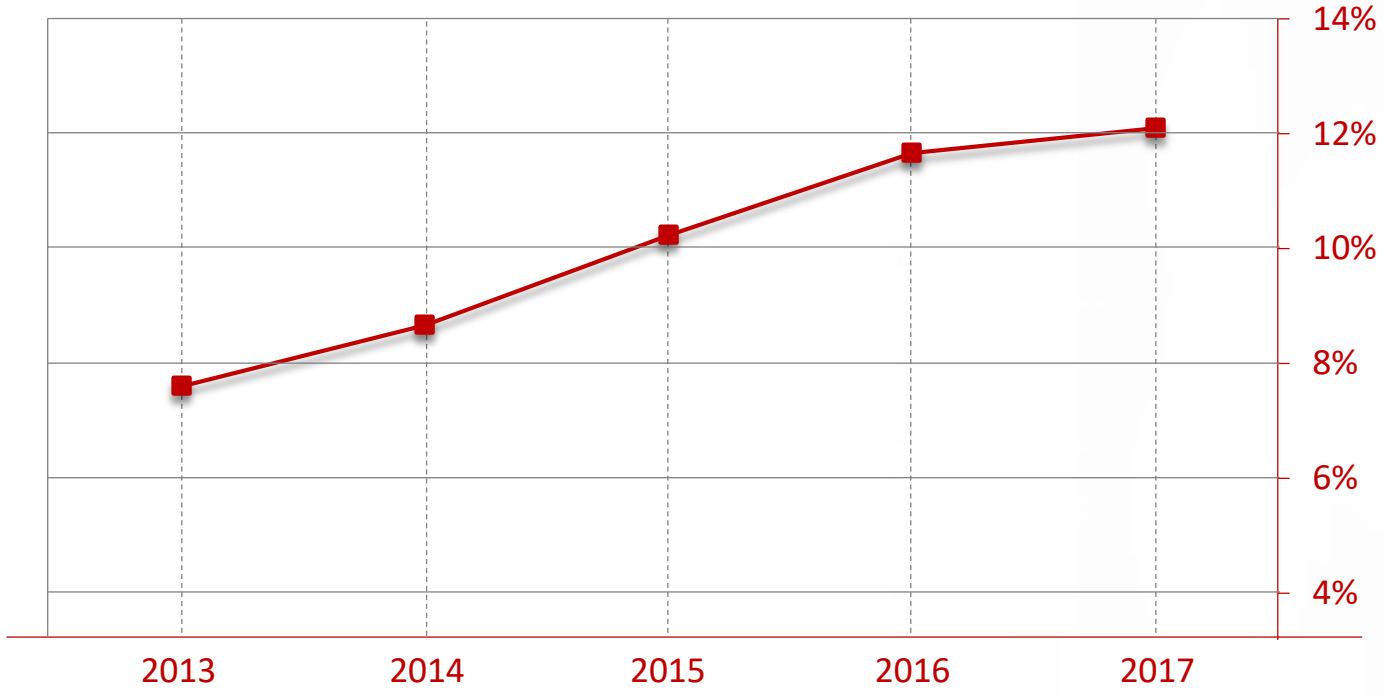








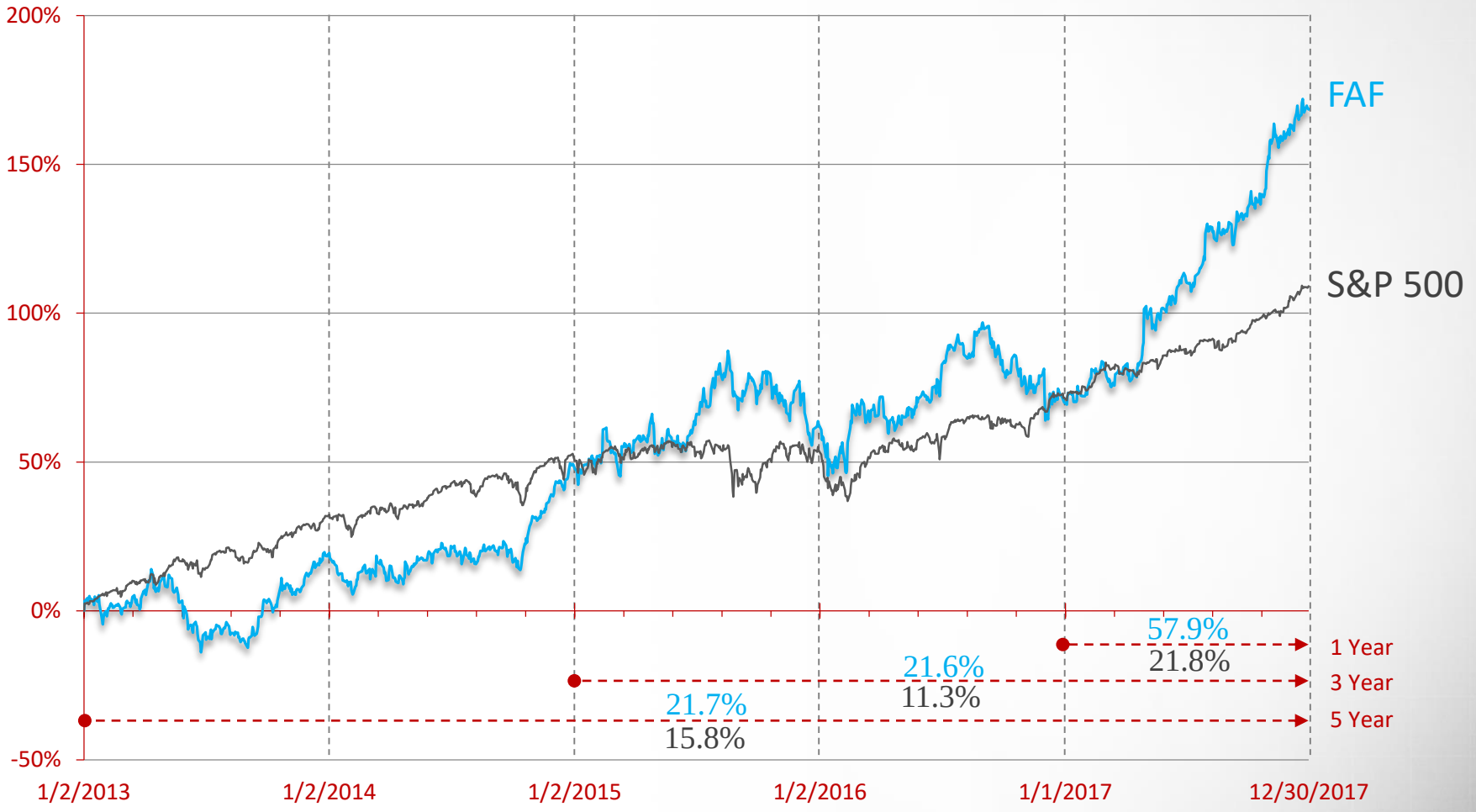
Past 5 Years: Growing Pretax Title Margin



Key Drivers of Margin Improvement

- Favorable market conditions
  - Purchase
  - Commercial
- Operating efficiencies
- Favorable claims experience
- Rising investment income

Total Shareholder Return



Source: Bloomberg

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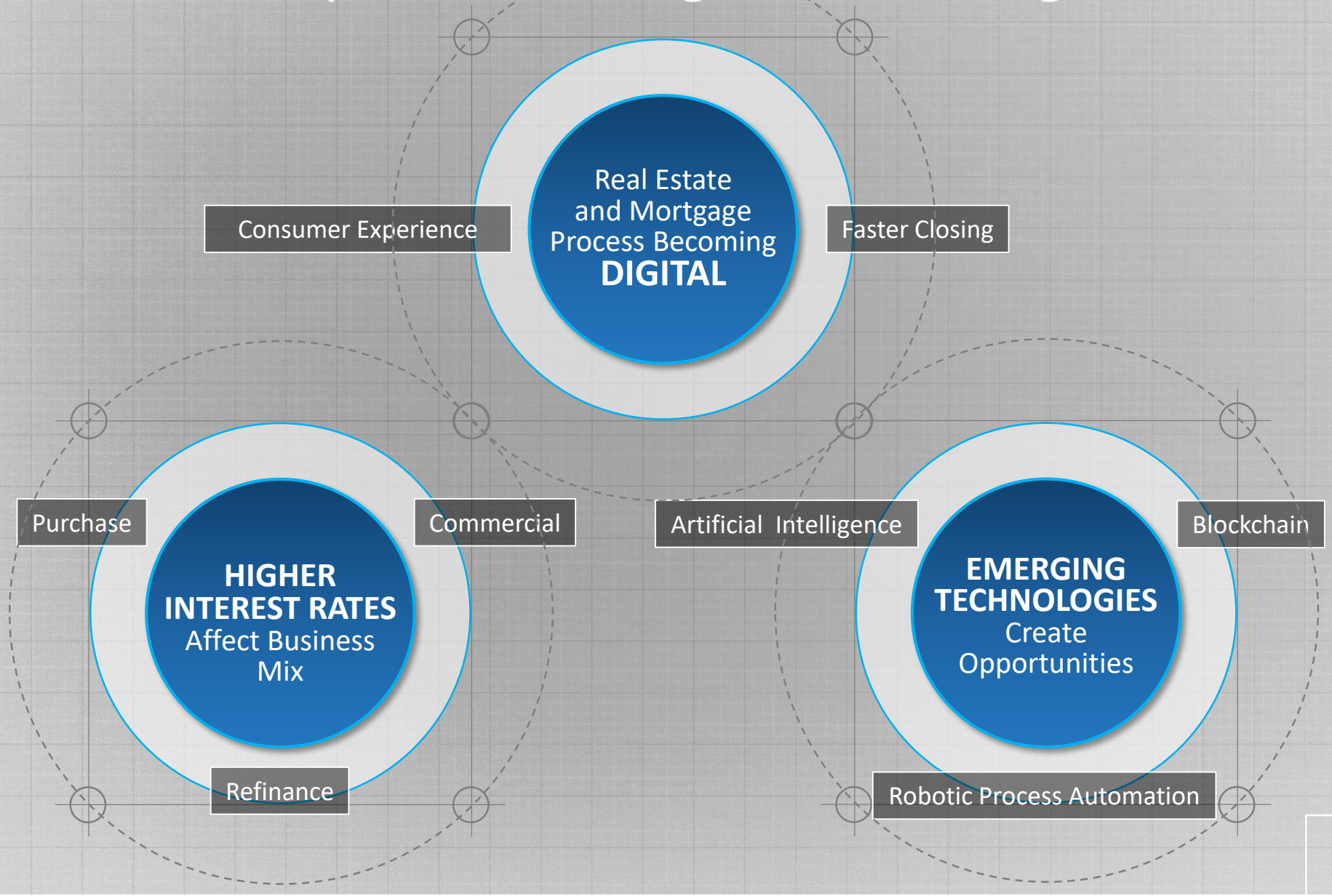
PRESENTATION AGENDA

Strong Track Record of Results

Well Positioned in a Changing Environment

Attractive Growth Opportunities

Key Forces Driving Market Change



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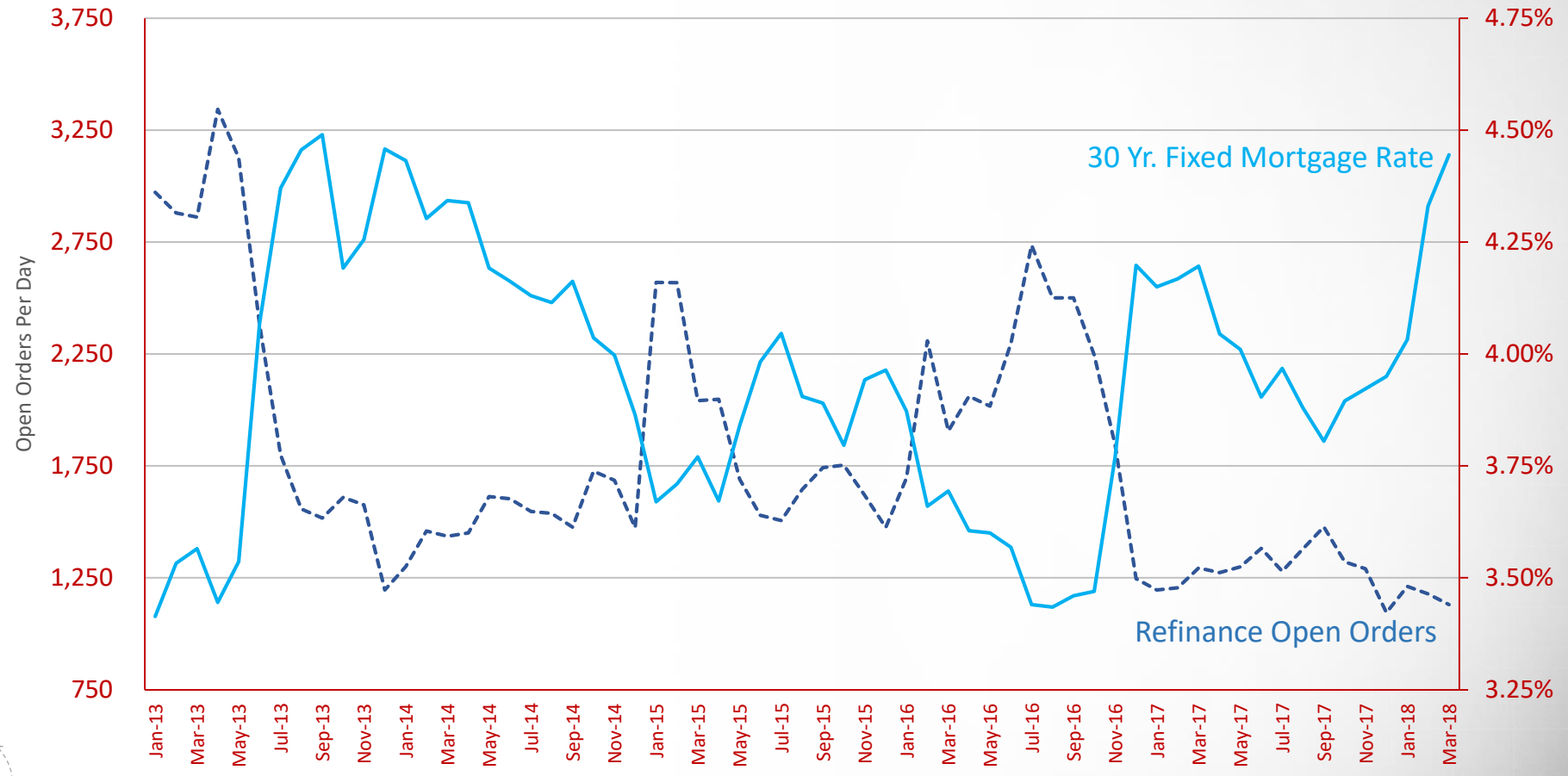
Rising Mortgage Rates Result in Lower Refinance Volumes



Source: Federal Reserve Bank of St. Louis

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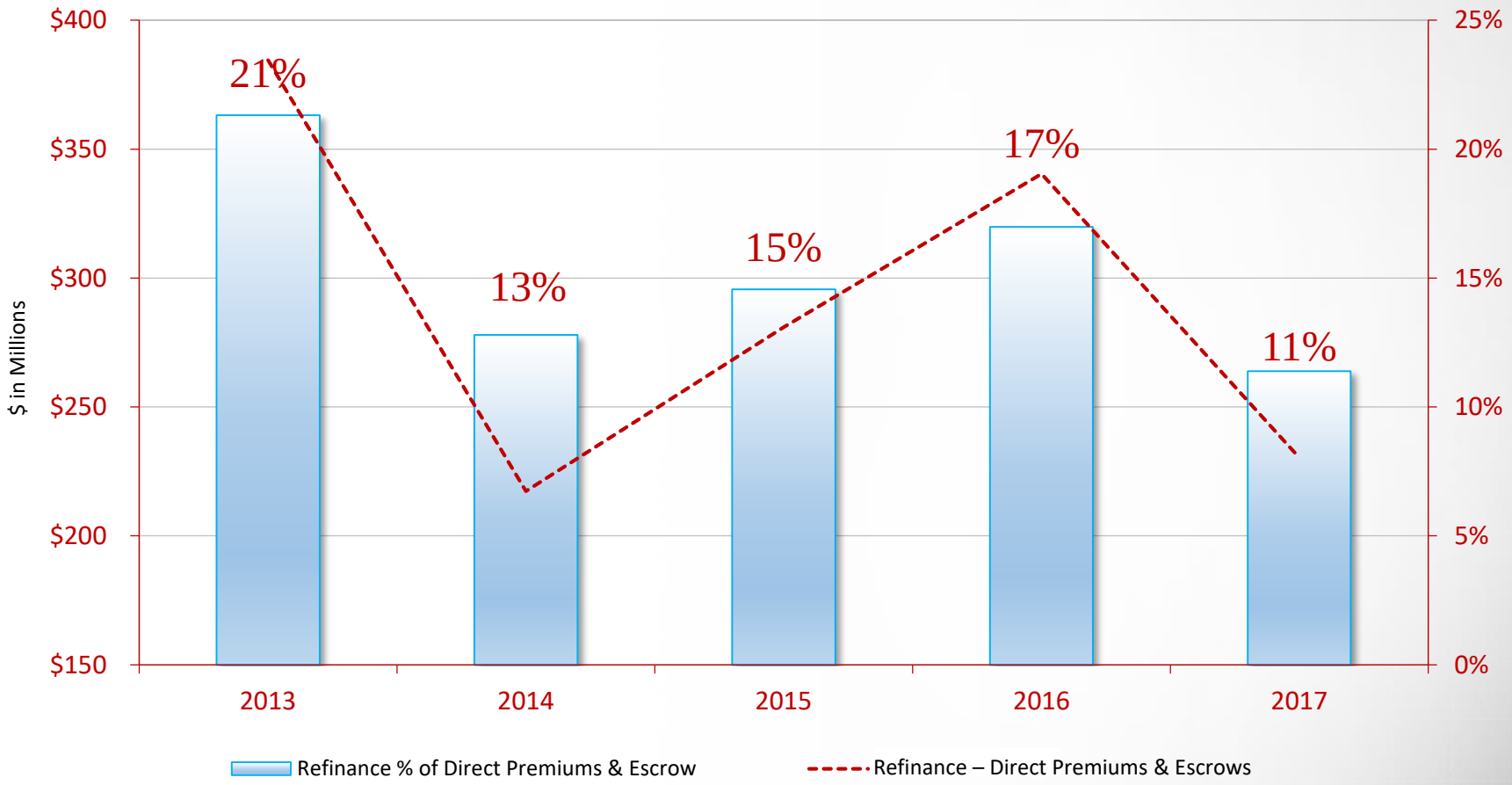
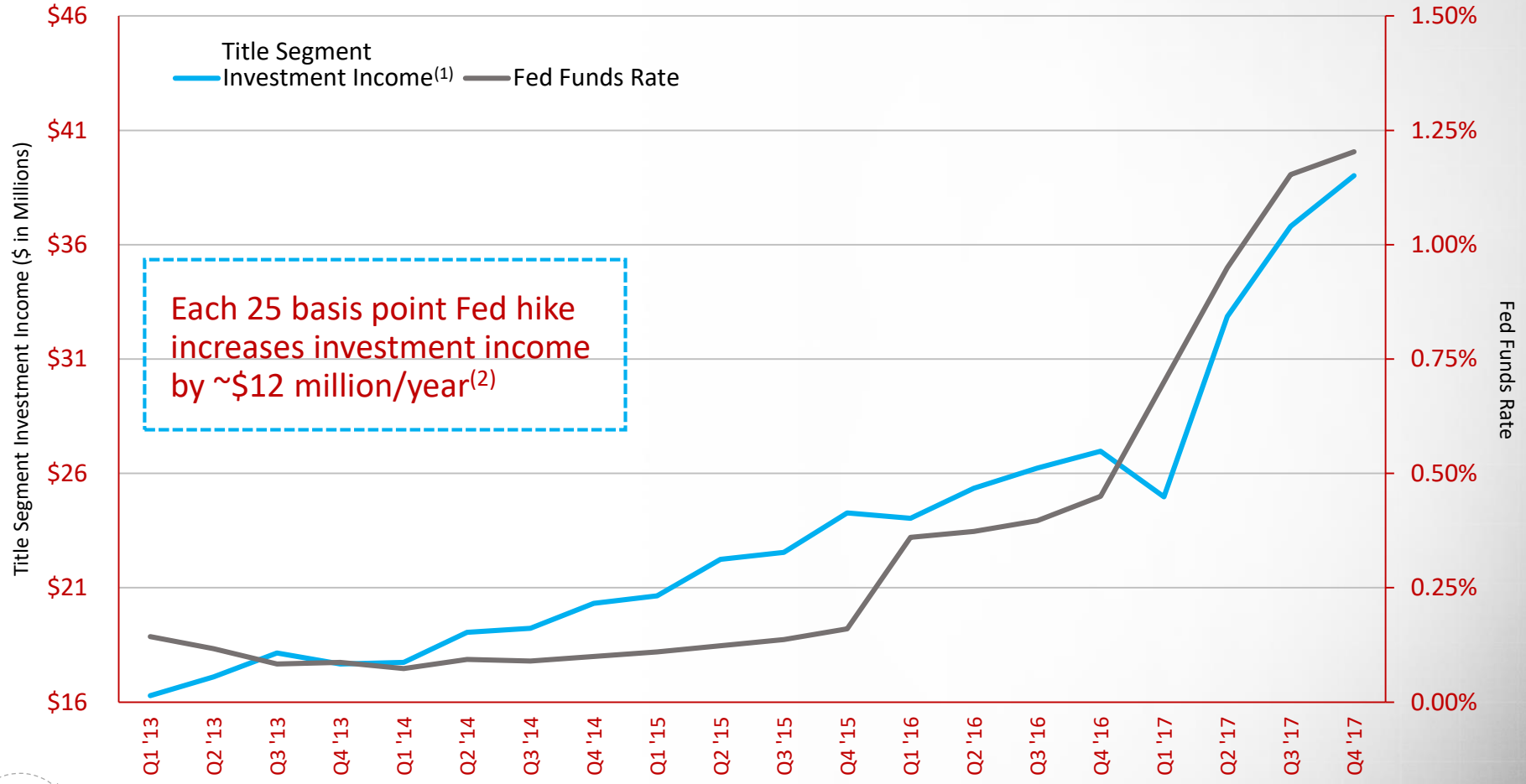
…But Refinance Revenue Remains at Multi Year Lows



… and Higher Short-term Rates Benefit Investment Income



Each 25 basis point Fed hike increases investment income by ~$12 million/year(2)

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

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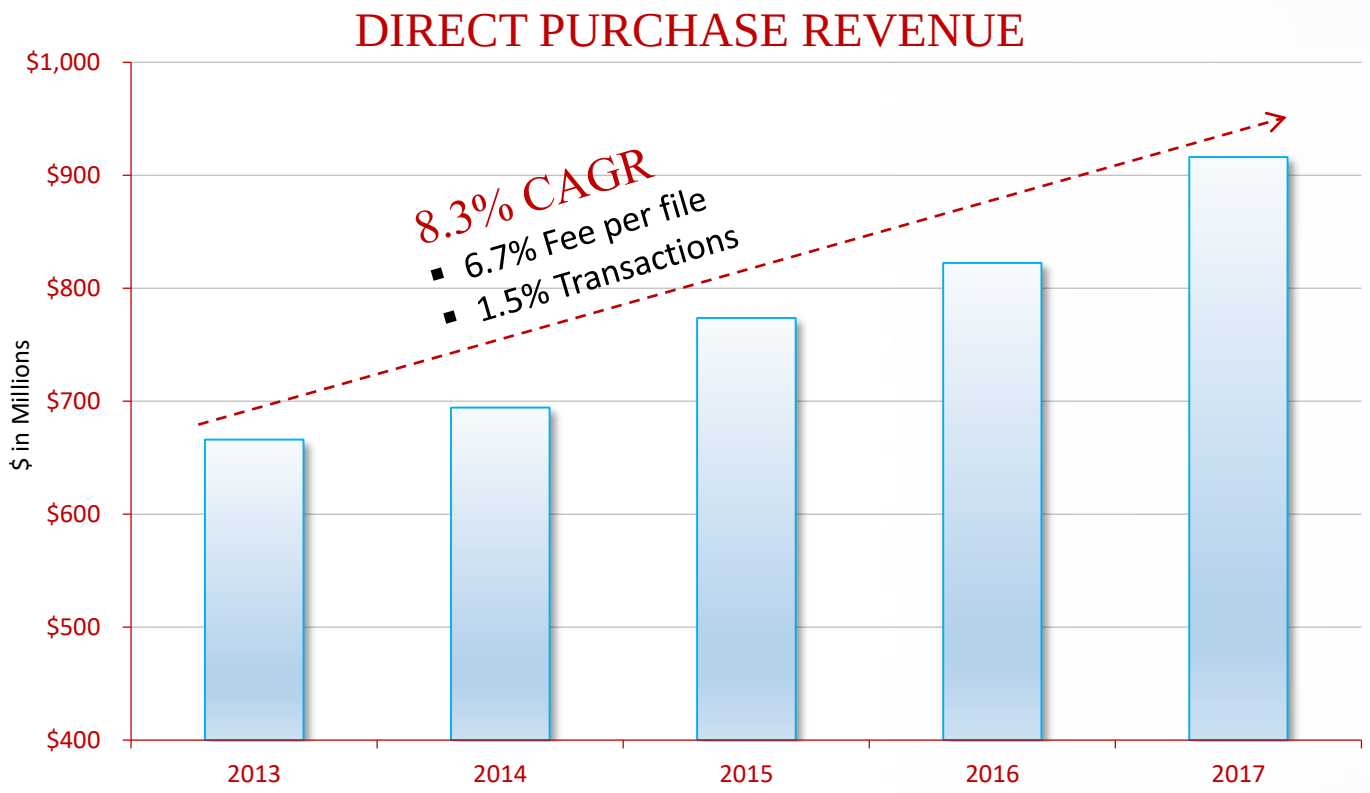
Strong Purchase Market Continues



Purchase Market

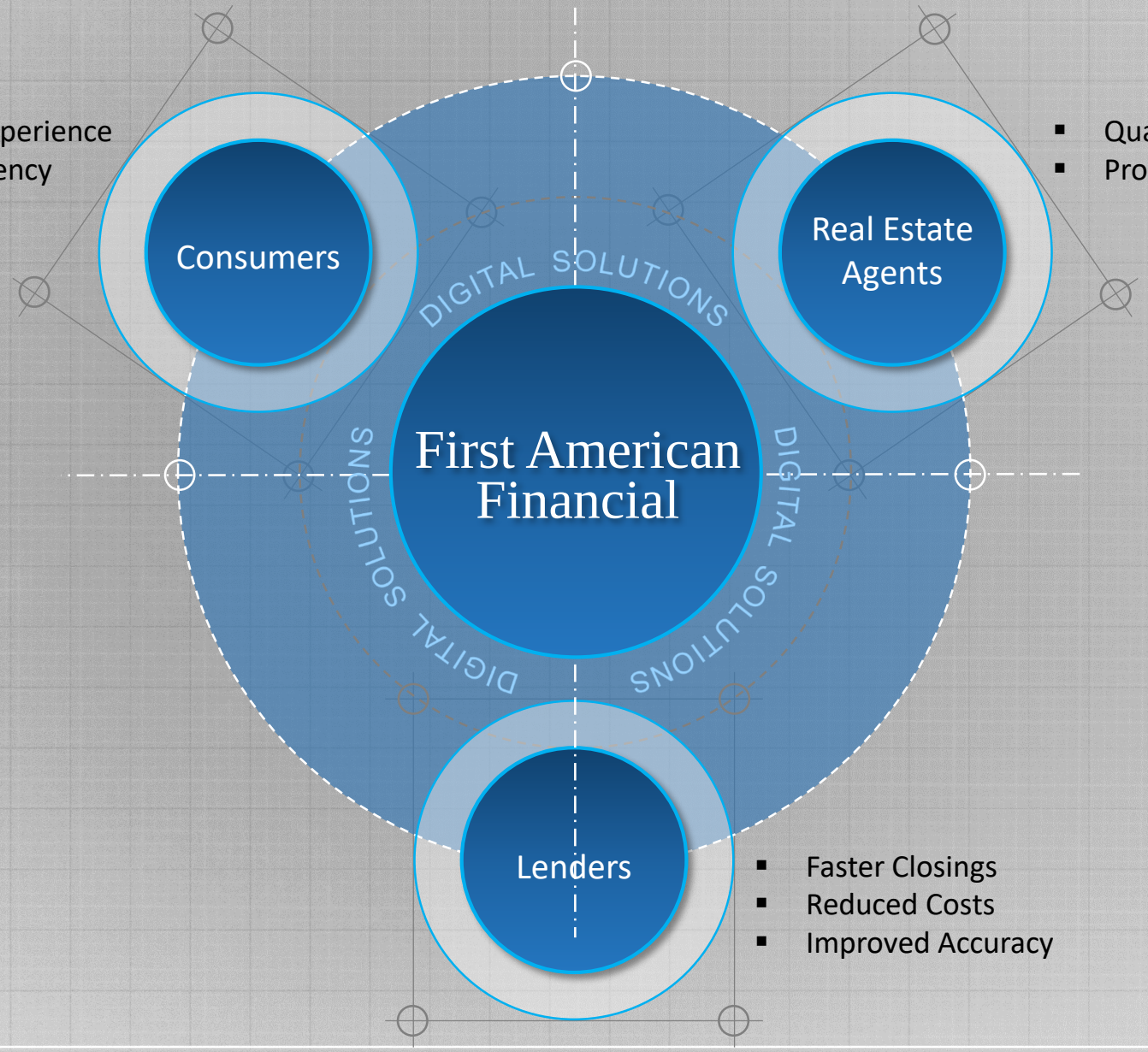
- Strong economy and job growth
- Low inventory continues to drive home price appreciation
- Expect home sales growth to continue given gradual increase in mortgage rates

First American Operations

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

Digital Transformation of Mortgage and Closing Process Underway

- Digital Experience
- Transparency



- Quality Service
- Proactive Communication

- Faster Closings
- Reduced Costs
- Improved Accuracy

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Closing Timelines Will Compress

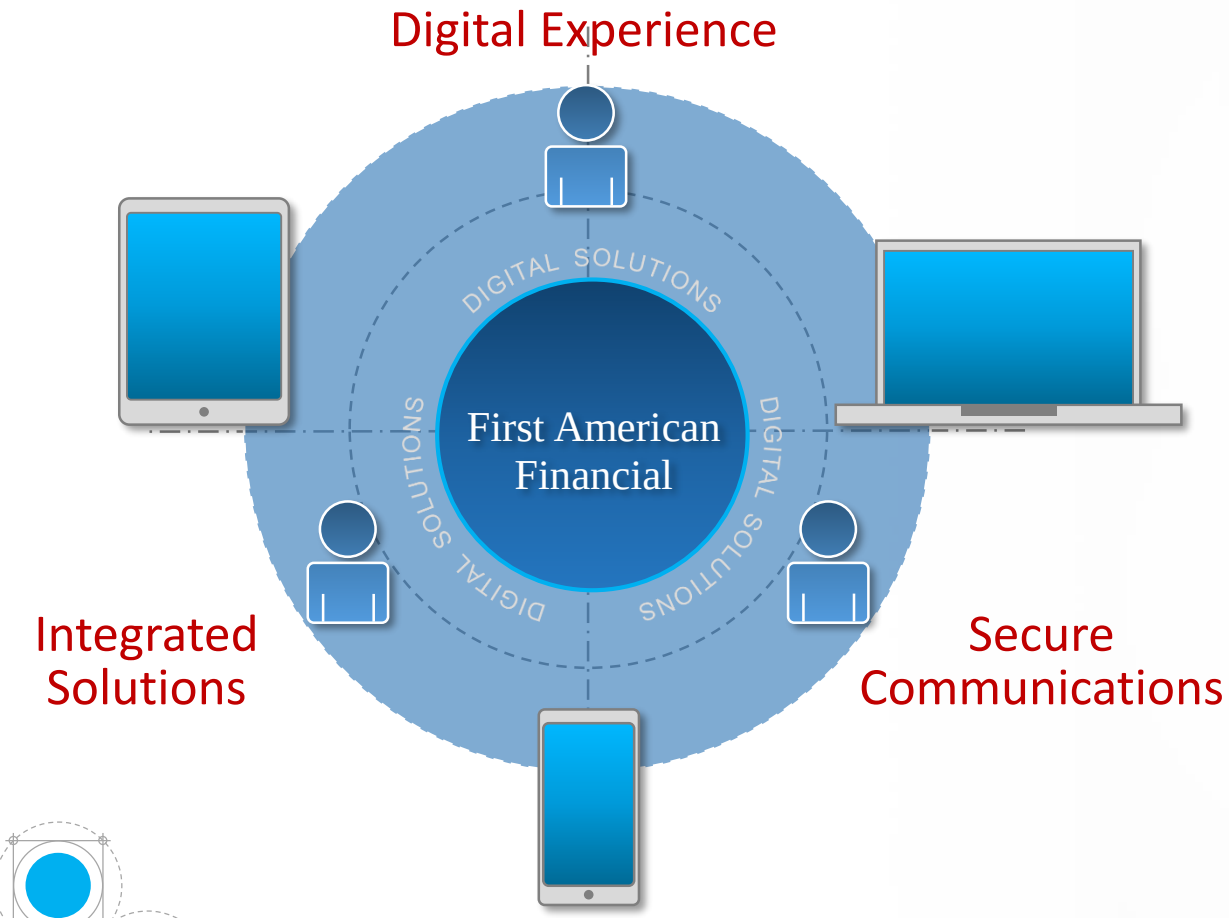
- Lenders progressing toward faster mortgage timelines
  - Closing timeline currently averaging 50-55 days

- First American is developing automated title solutions to meet this growing demand

- Title automation requires:
  1. Title and property record information
  2. Underwriting expertise

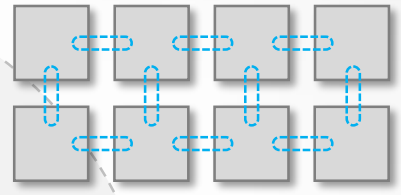
First American Key Strengths

Consumers Increasingly Expect a Digital Closing Experience



- Consumers want digital experience, with more transparency
- Real estate agents want to deliver a better customer experience and improve productivity
- Wire fraud a major risk related to real estate transaction
- First American developing digital solutions to meet new market demands

Emerging Technologies Create Opportunities

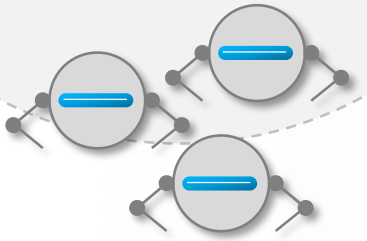


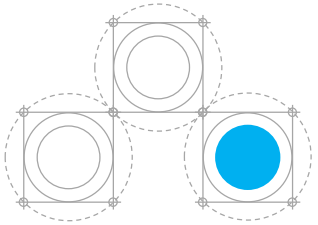
Artificial Intelligence

- High potential use case when coupled with proprietary data
  - Enhanced data collection and predictive analytics to drive title automation and enhance risk decisioning
  - Reduced operational costs
  - Improved productivity

Blockchain

- Opportunity to drive process efficiencies
- Collaborating with lenders on proof of concepts
- After extensive testing, nearing launch of first production application for internal use
- In our view, unlikely to disrupt title
  - Doesn't address many title issues (fraud, easements, special rights, etc.)
  - Numerous legal and financial challenges





Robotic Process Automation "BOTS"

- Automation of standard, repeatable tasks improves productivity and reduces cost
- Nearly 100 pilots being evaluated across operations including accounting and underwriting
- A number of applications are now in production

First American

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

First American

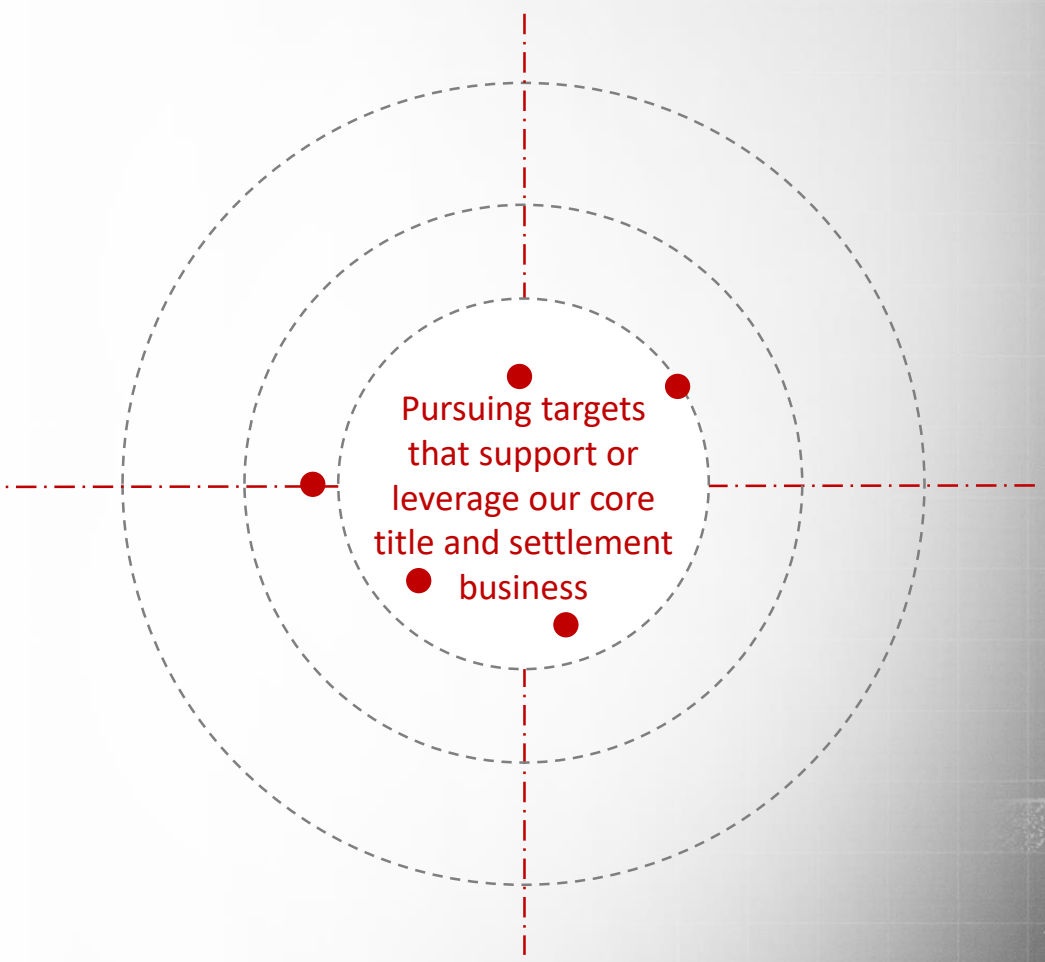
Disciplined M&A Strategy Drives Growth

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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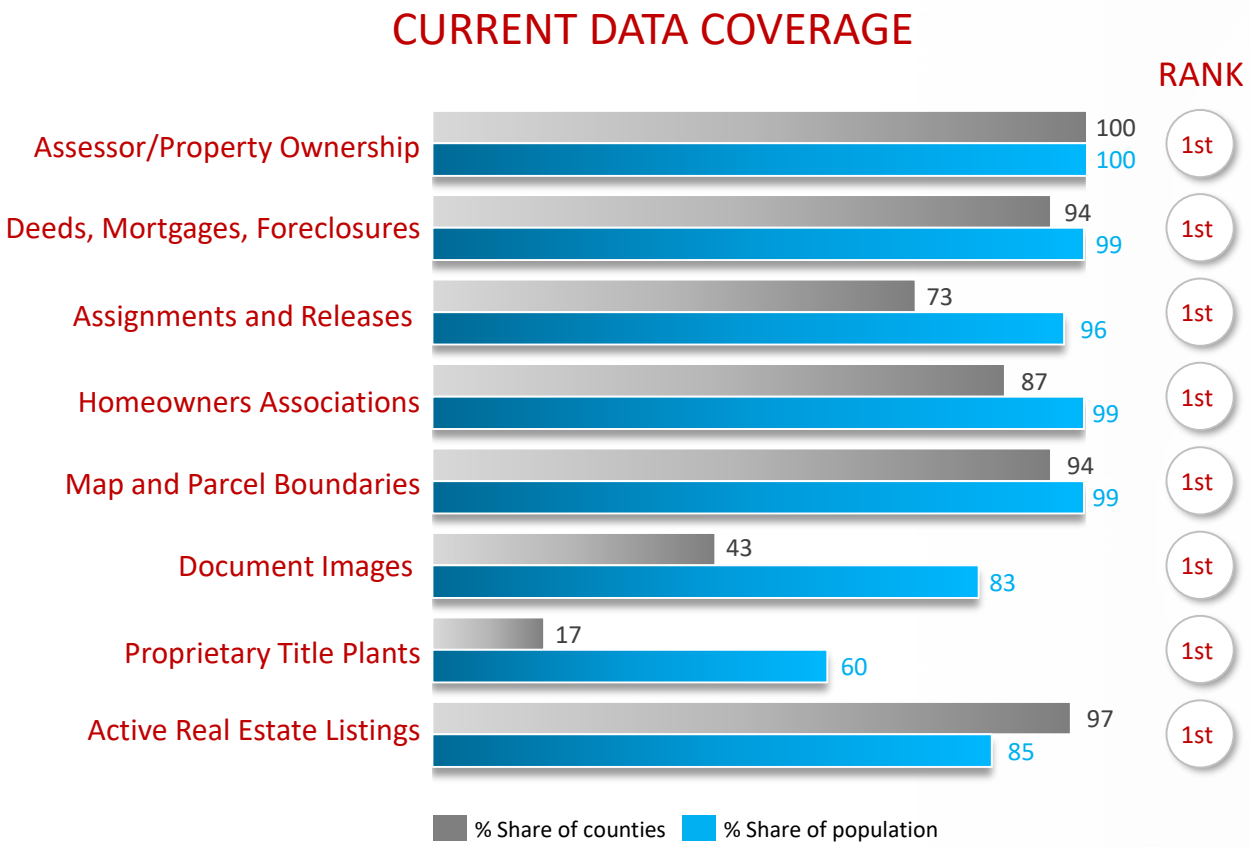
Attractive Growth Prospects in Our Property Data Business

Leveraging Data Assets to Drive Title Automation and Enhanced Risk Decisioning



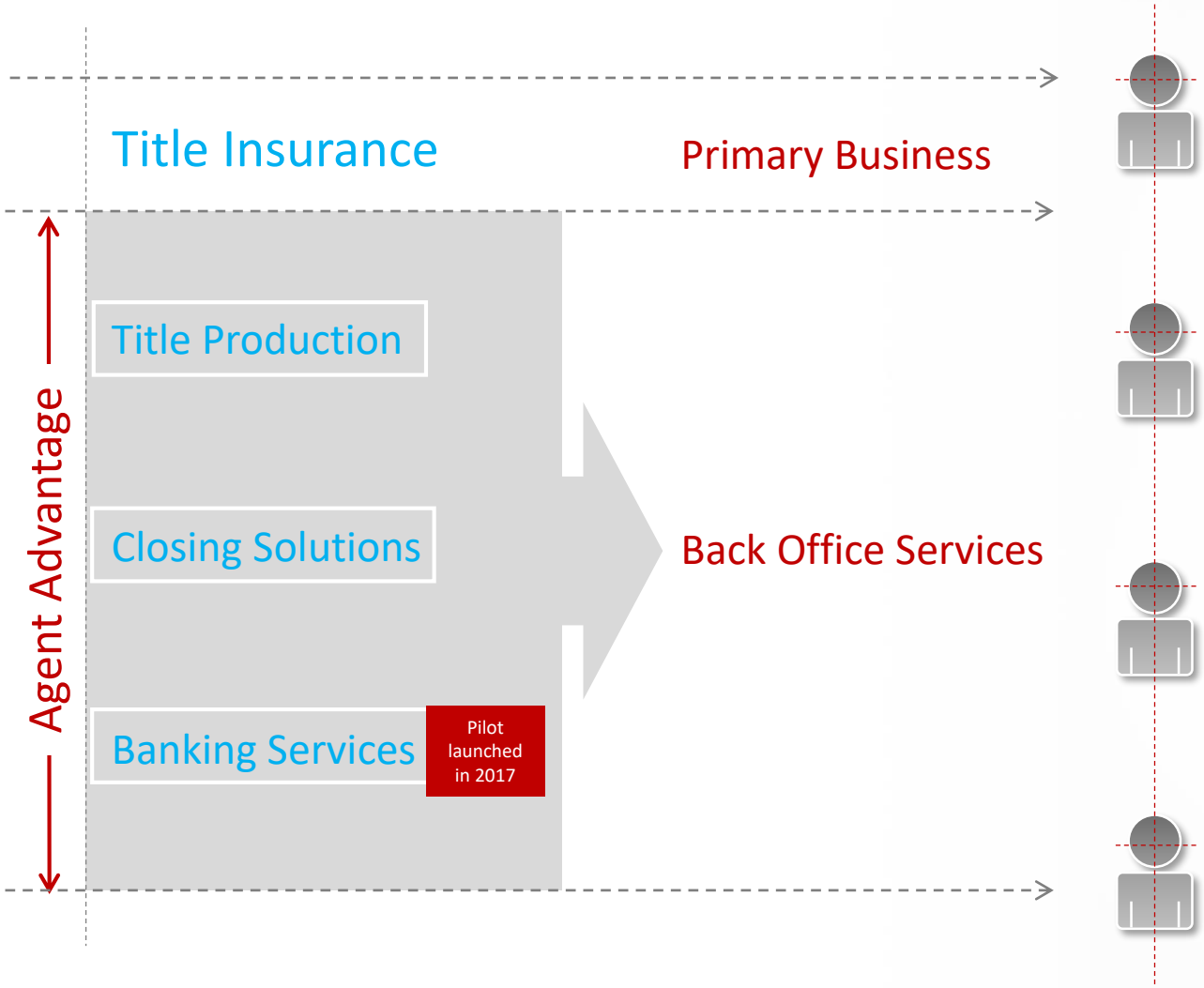
Property Record Database

- 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

First American is Expanding its Scope with Title Agents



First American Trust

- Became Federal Savings Bank in 1999
- $3.4 billion in assets
- 8.4% Tier 1 leverage ratio
- Provides banking & wealth management services
- Regulated by the OCC

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First American Objectives

Operational

- Remain focused on growing profitable market share in title segment
- Strengthen data capabilities to drive title automation and reduce transaction time, cost, and risk
- Manage complementary businesses that leverage or support the core

Financial

- Title Segment Pretax Margin
  - 11% - 13%
- FAF Return on Equity
  - 12% - 14%

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

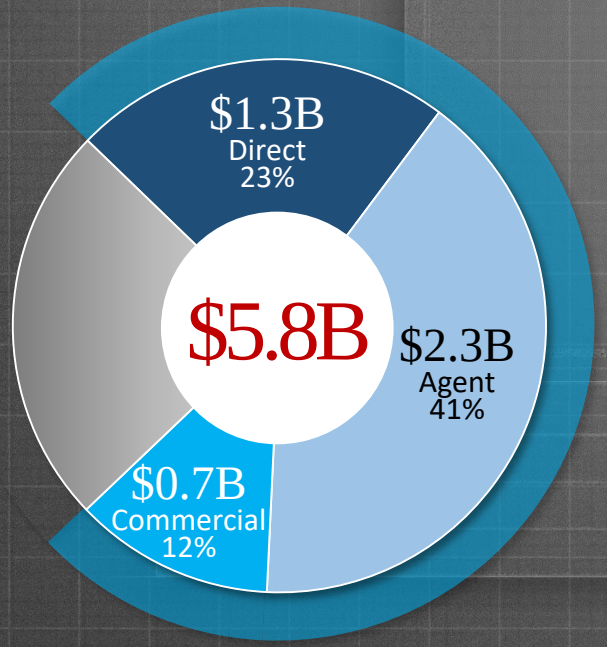
TITLE OPERATIONS

Chris Leavell
Chief Operating Officer
Title Insurance and Services

U.S. TITLE

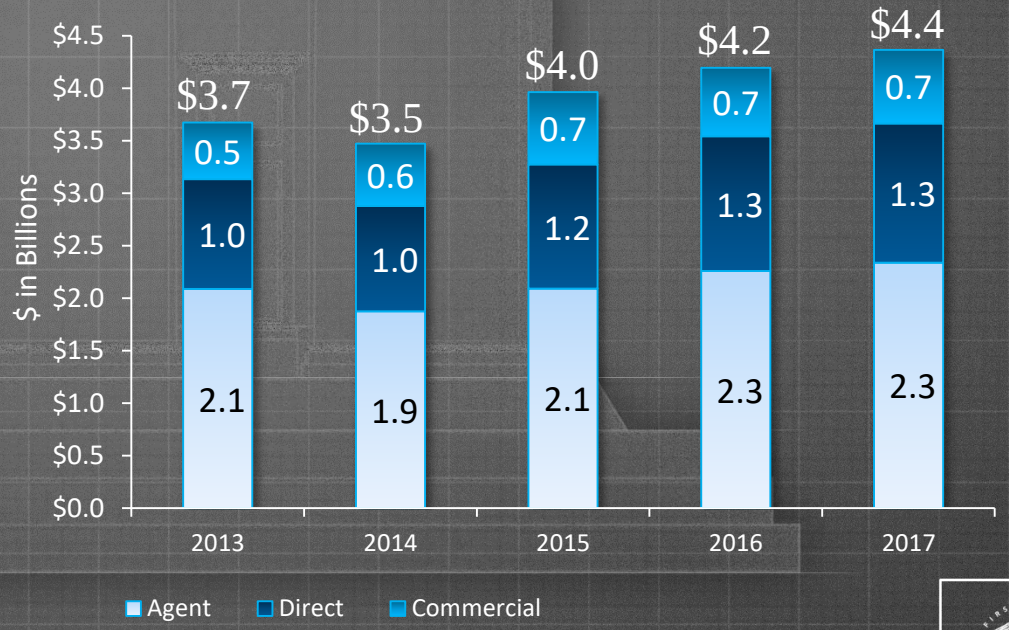
DIRECT | AGENCY | COMMERCIAL

First American Financial Total Revenue



$4.4B
U.S. Title
76%

Total Revenue Trend



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Strong Market Position

- 26.2% market share
- Leader in all key markets
  - Commercial – Purchase – Refinance – Homebuilders – International
- Industry-leading title plants and property record database
- National presence
- Trusted brand
- Long-standing customer relationships
- High employee engagement – *Fortune* 100 Best Companies to Work For
- Efficient operations

Key Areas of Focus

1. Continue to expand title margins
2. Extending market leadership through operating fundamentals
3. Growth by leveraging unique assets (e.g. bank and data)
4. Developing digital closing solutions

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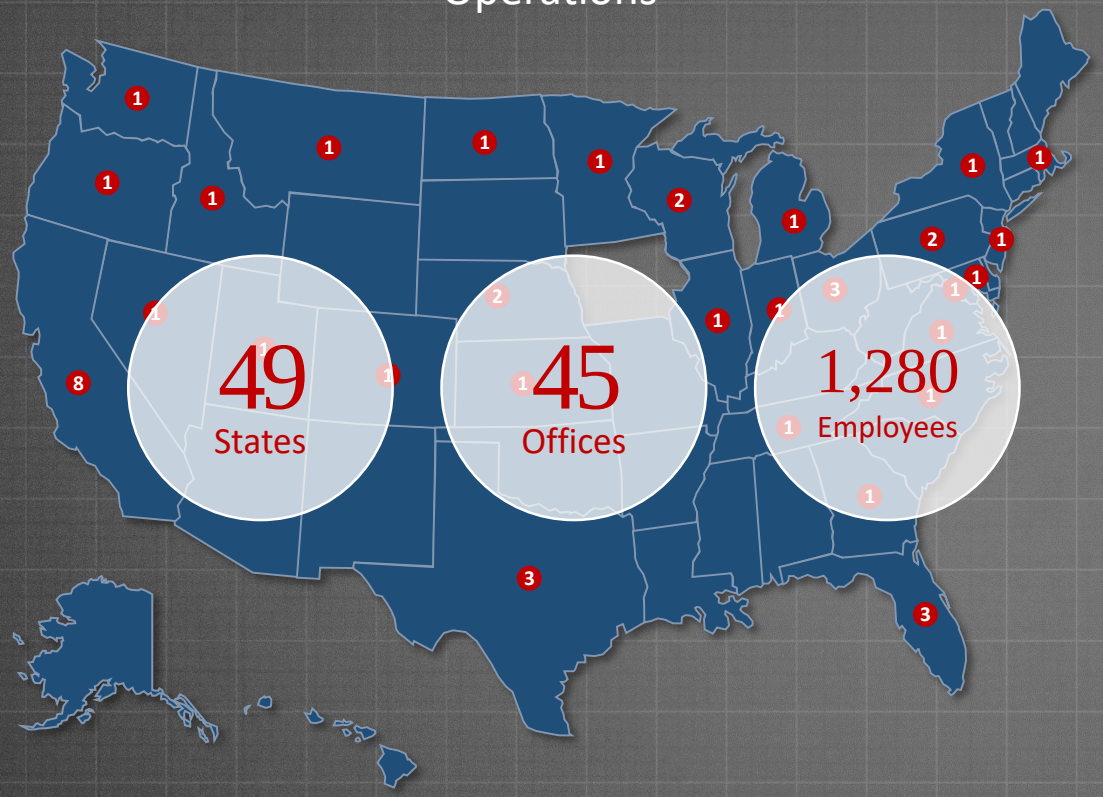
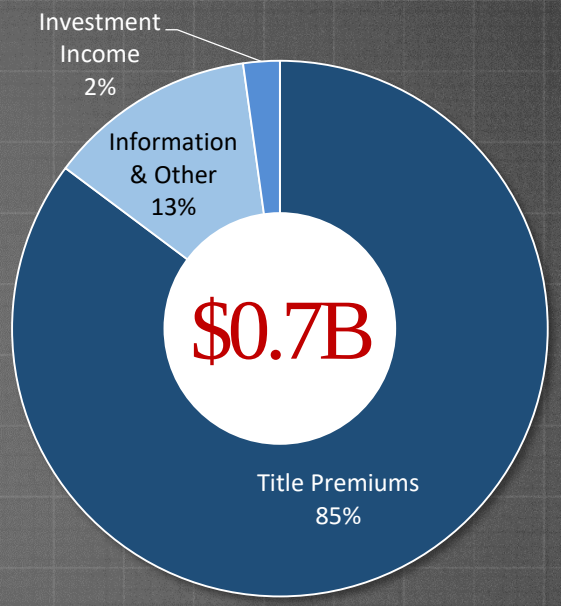
Commercial Operations Overview

Operations



2017 Total Revenue Mix



2017 Market Share [1]

31.8%

Sales Channels & Customers

- Insurance companies
- Institutional leaders
- Foreign capital
- Lenders
- Private equity/debt
- REITs
- Investment firms/banks
- Real estate law firms

(1) Source: ALTA

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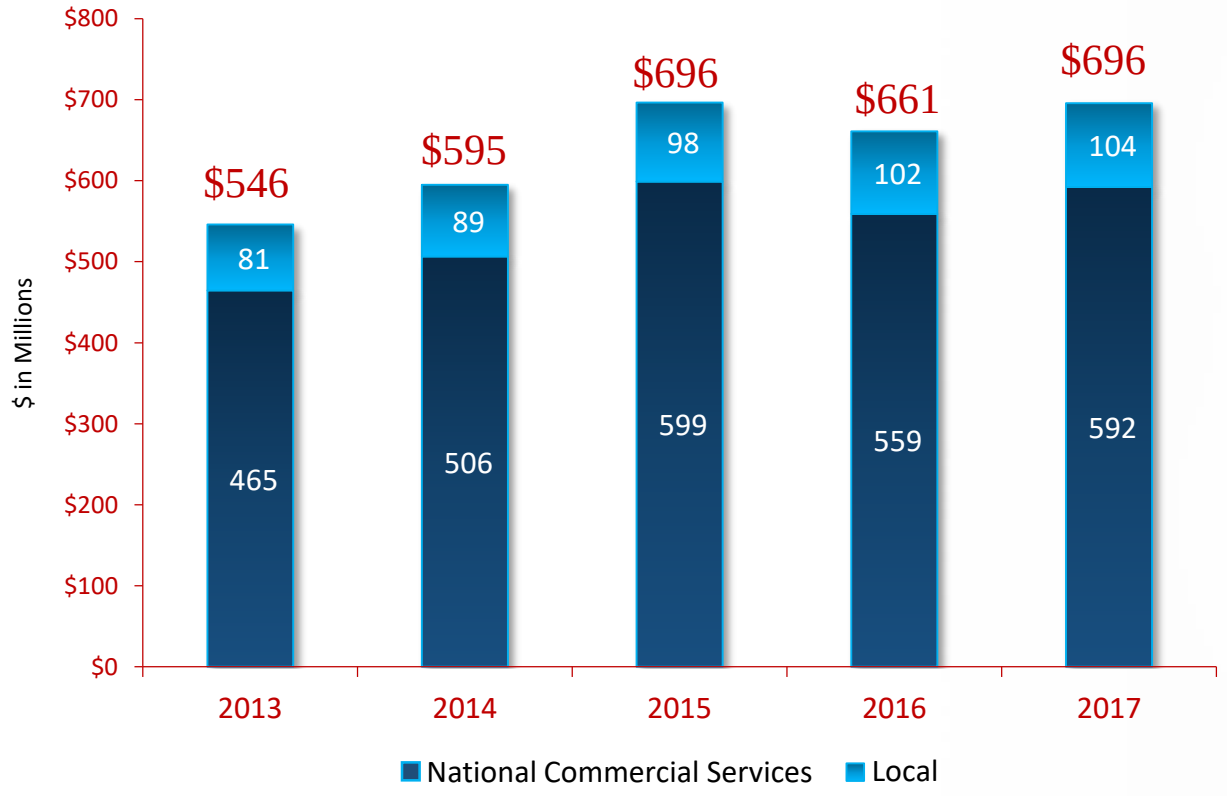
Commercial Business Outlook Remains Favorable

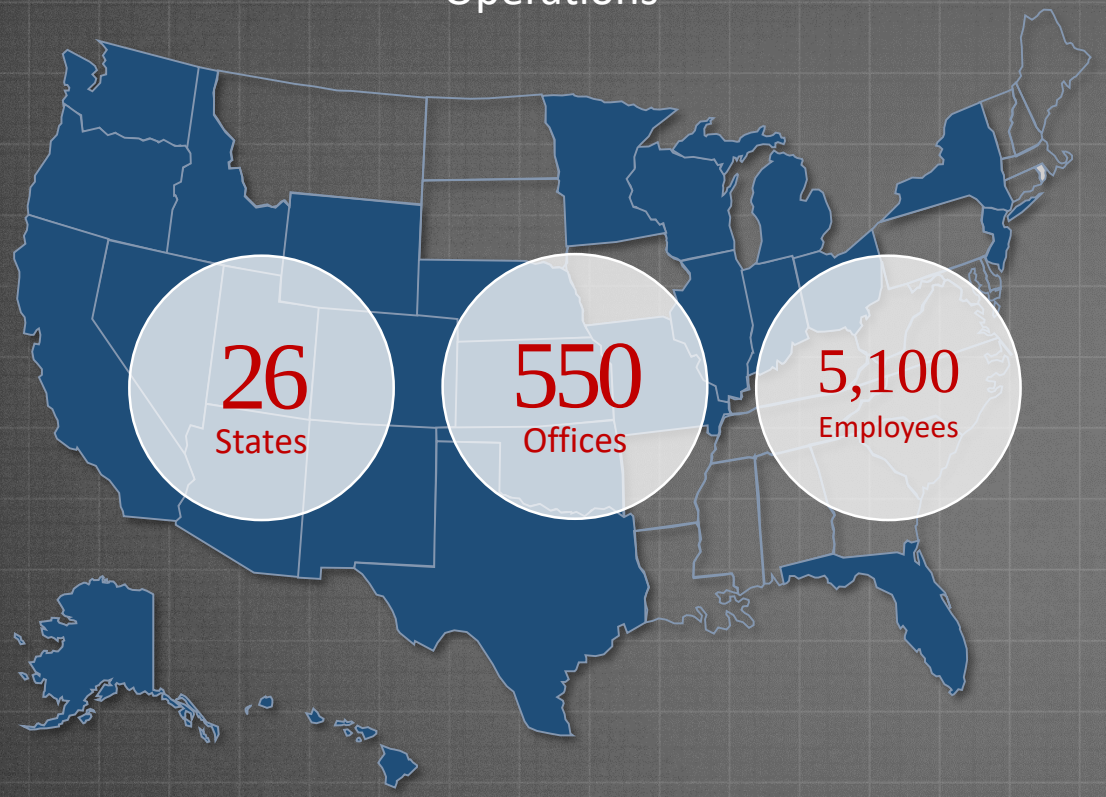


Market Outlook

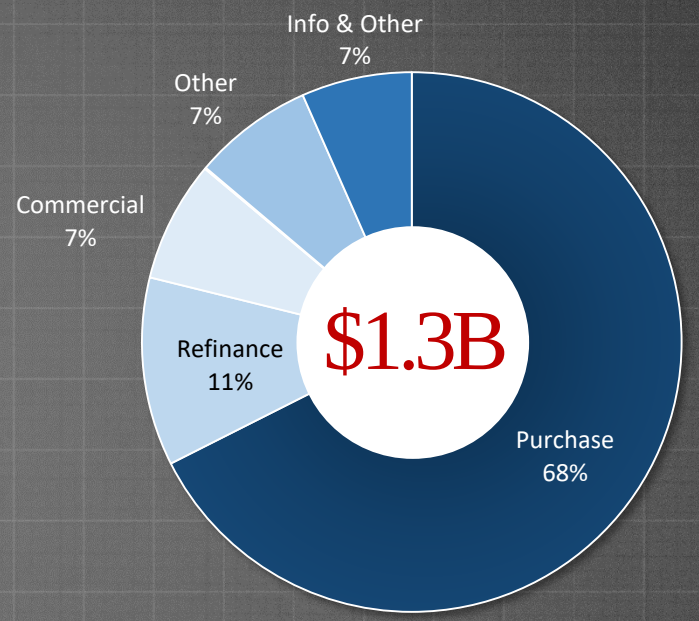
- Most major asset classes and geographic markets remain strong
- High level of capital availability despite a decline in foreign capital
- A few markets showing signs of fatigue
- Expect strong activity level to persist, supported by continued economic growth

Direct Division Overview

Operations



2017 Total Revenue Mix



2017 Market Share [1]

% Total	10.8%
% Direct	28.5%

Sales Channels & Customers

- Realtors
- Escrow Companies
- Mortgage Brokers
- Lenders
- Homebuilders
- Homebuyers

[1] Source: ALTA

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Purchase Transaction Closing Process Today

SELLER + R.E. AGENT

BUYER'S OFFER ACCEPTED BY SELLER

BUYER + R.E. AGENT

ESCROW OR CLOSING OPENED
- Earnest Money Deposited

MORTGAGE PROCESS

Application → Loan Estimate → Underwriting → Approval

OTHER CONTINGENCIES

Property & Termite Inspection → Disclosure Reports → All Contingencies Removed

TITLE PROCESS

Opening Package Completed by Buyer & Seller → Preliminary Title Commitment → Curative → Final Date Down

READY TO FUND/CLOSE
- Closing Disclosure due 3 Days Prior to Funding

SIGNING/CLOSING
- Loan Docs
- Settlement Docs
- Required Disclosures
- Buyer Cash
- Notary Services

FINAL SETTLEMENT
- Record Docs
- Loan Funding
- Disbursement of Funds

50 – 55 DAYS

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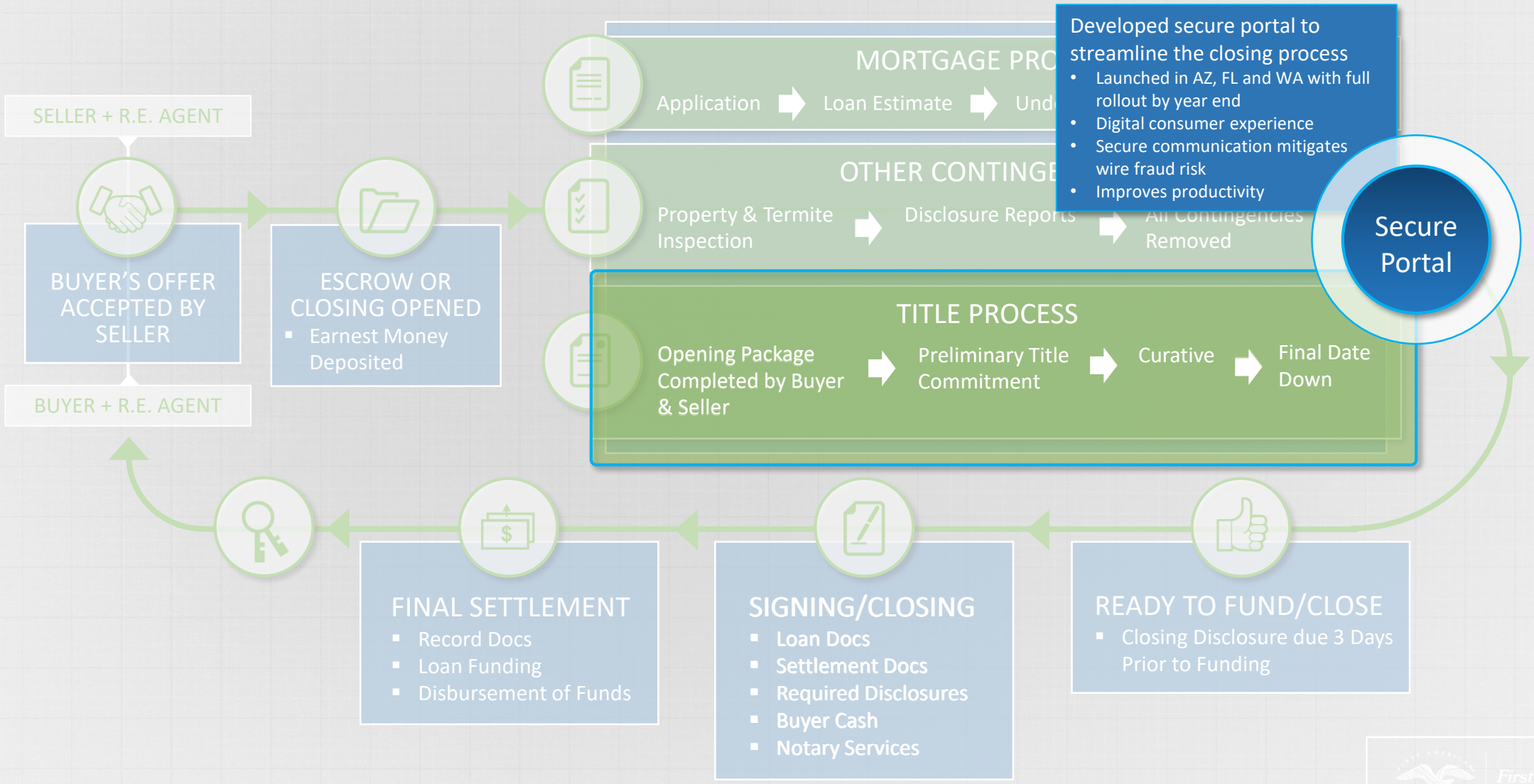
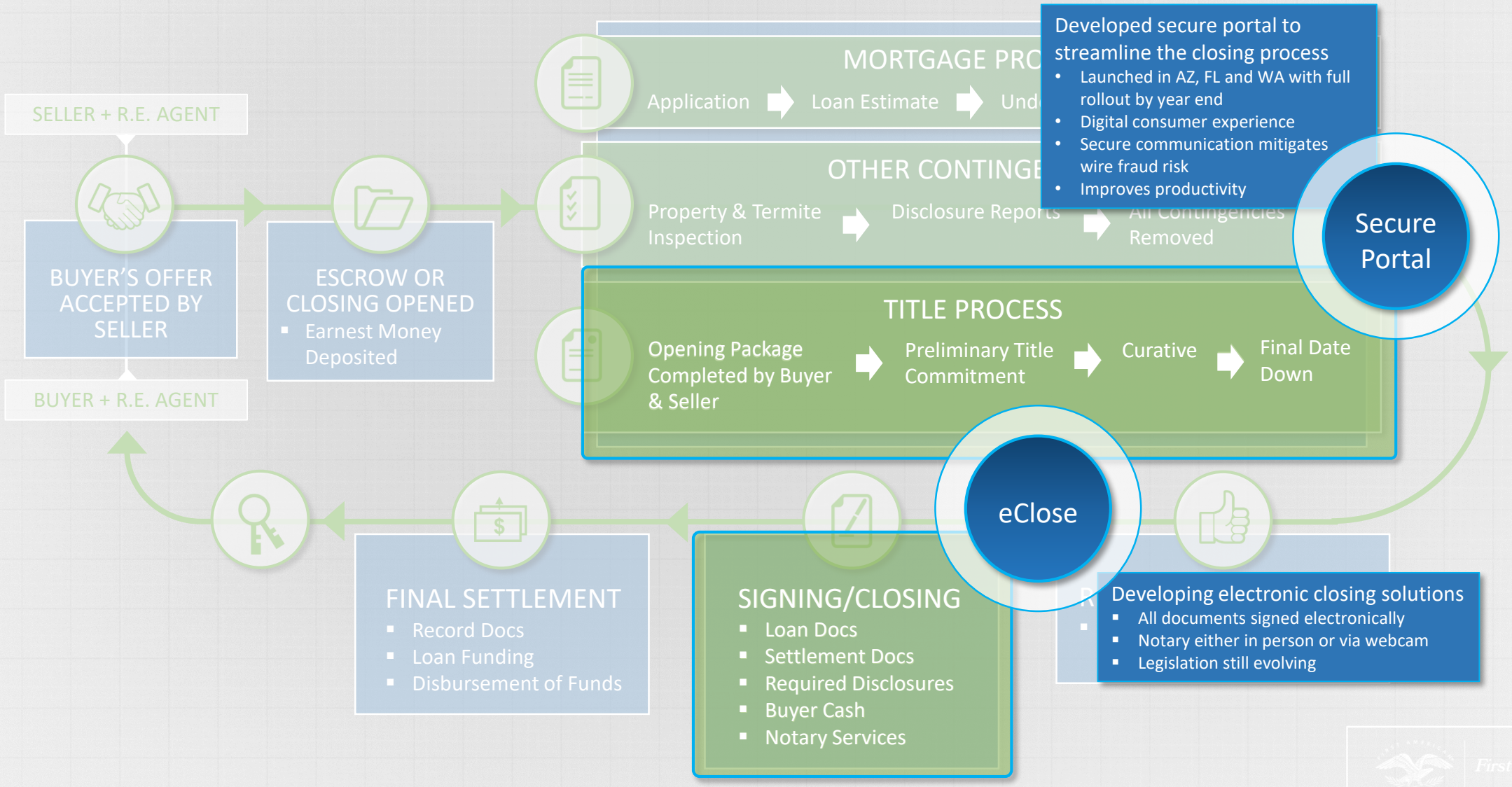
First American is Investing for the Digital Future



First American

First American is Investing for the Digital Future



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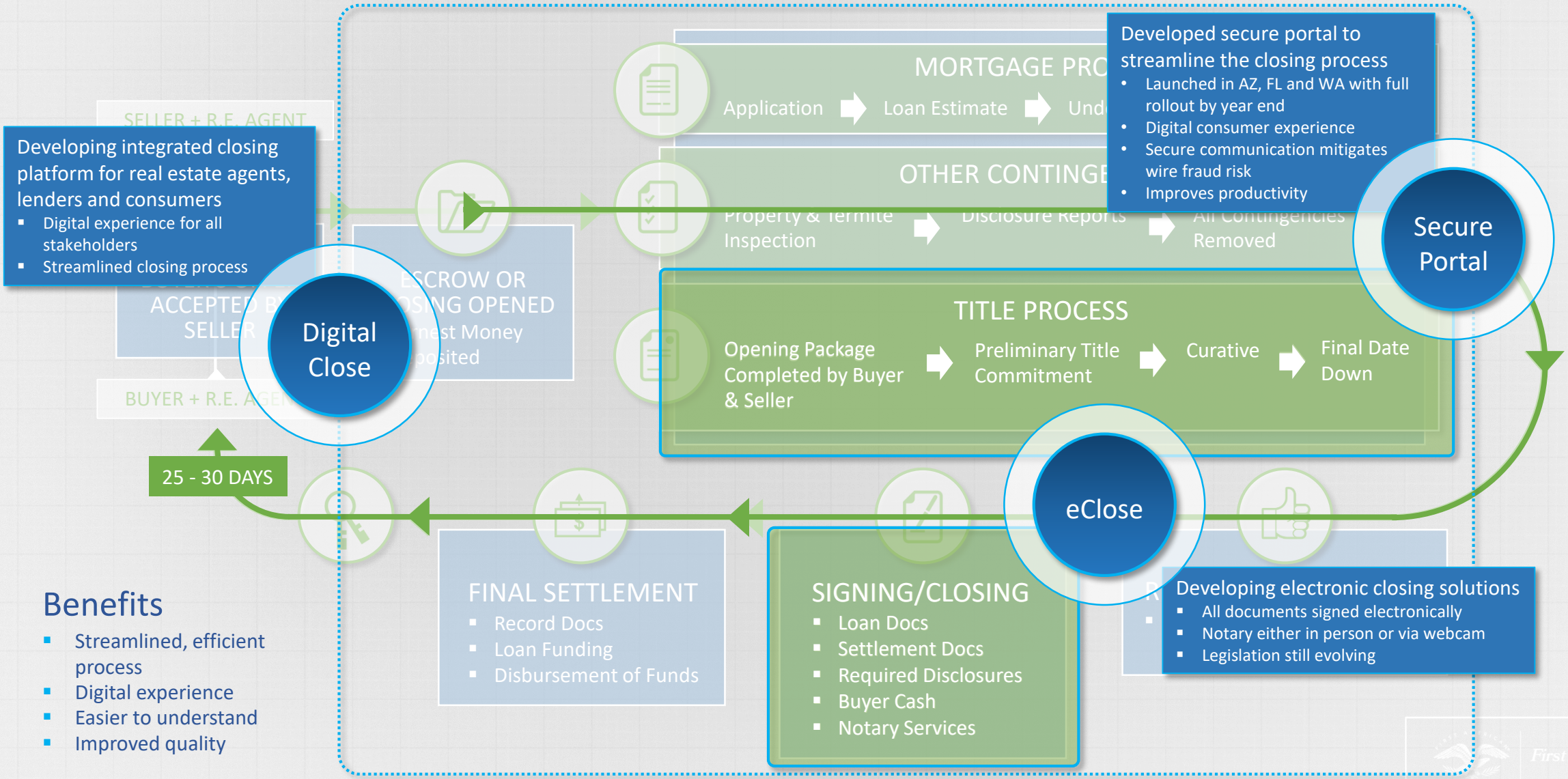

Benefits

- Streamlined, efficient process
- Digital experience
- Easier to understand
- Improved quality

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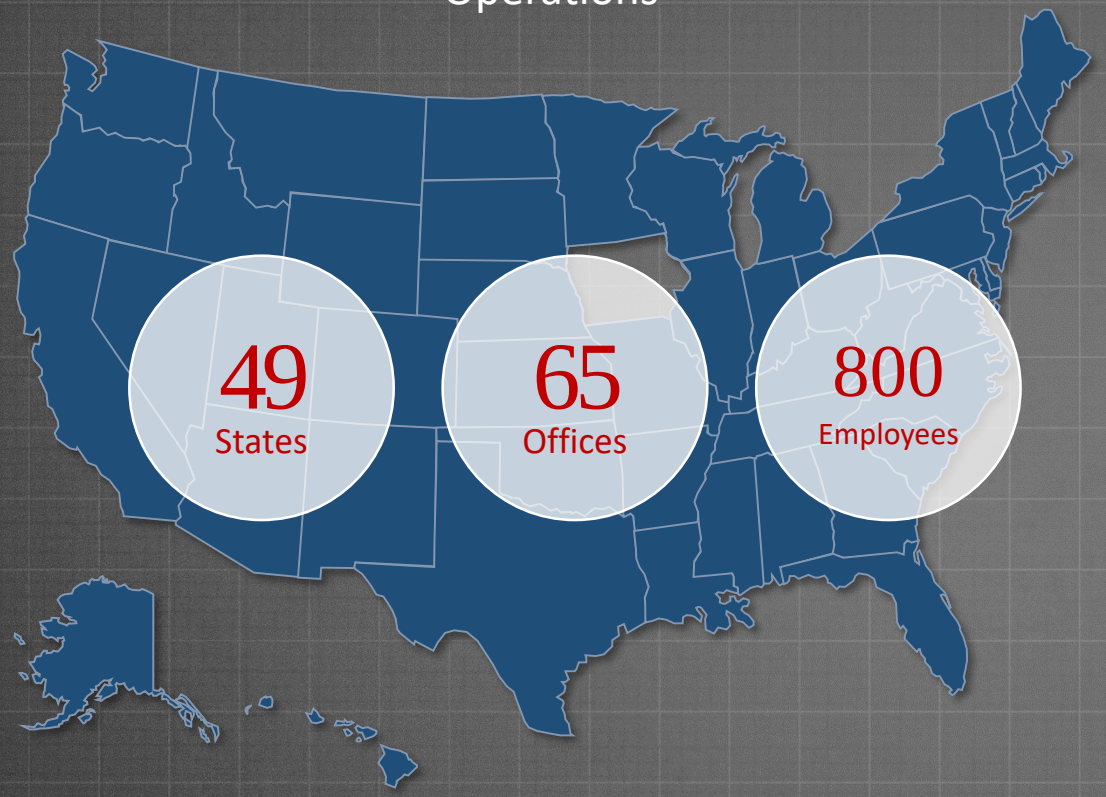
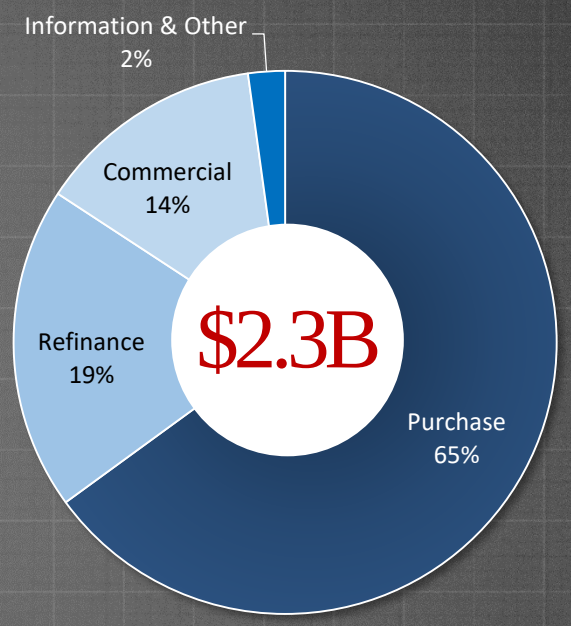
Agency Division Overview

Operations



2017 Total Revenue Mix



2017 Market Share [1]

% Total	15.4%
% Agency	24.8%

Sales Channels & Customers

- Attorneys
- Local Agents
- Regional & National Agents
- Lenders
- Homebuyers

(1) Source: ALTA

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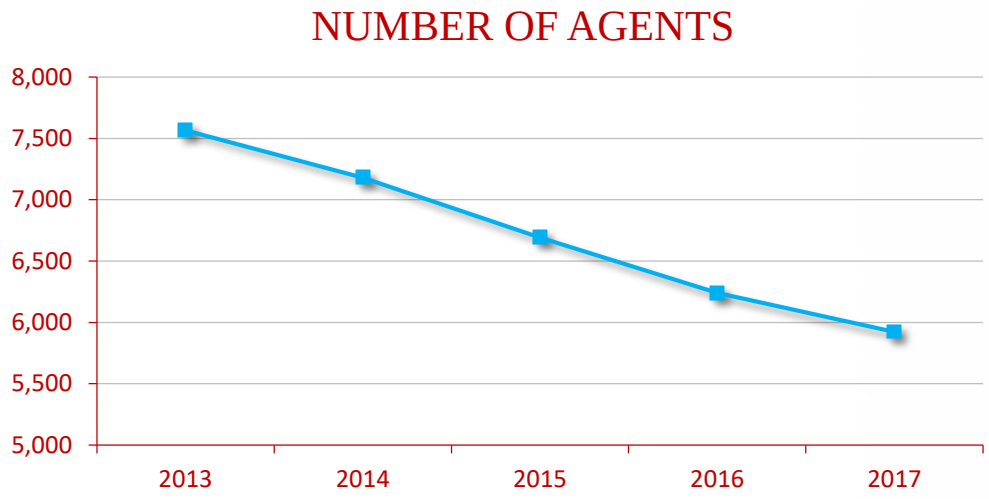
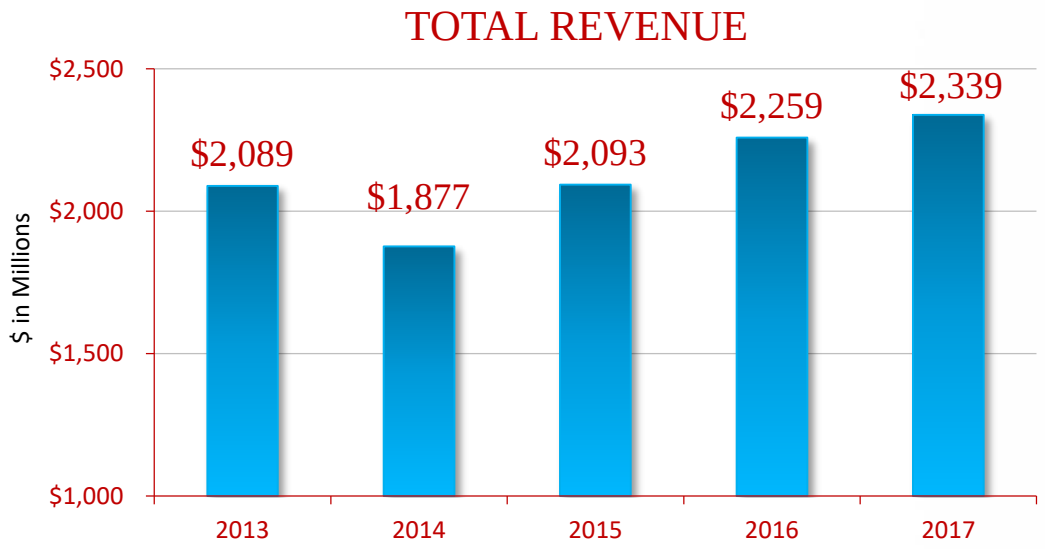
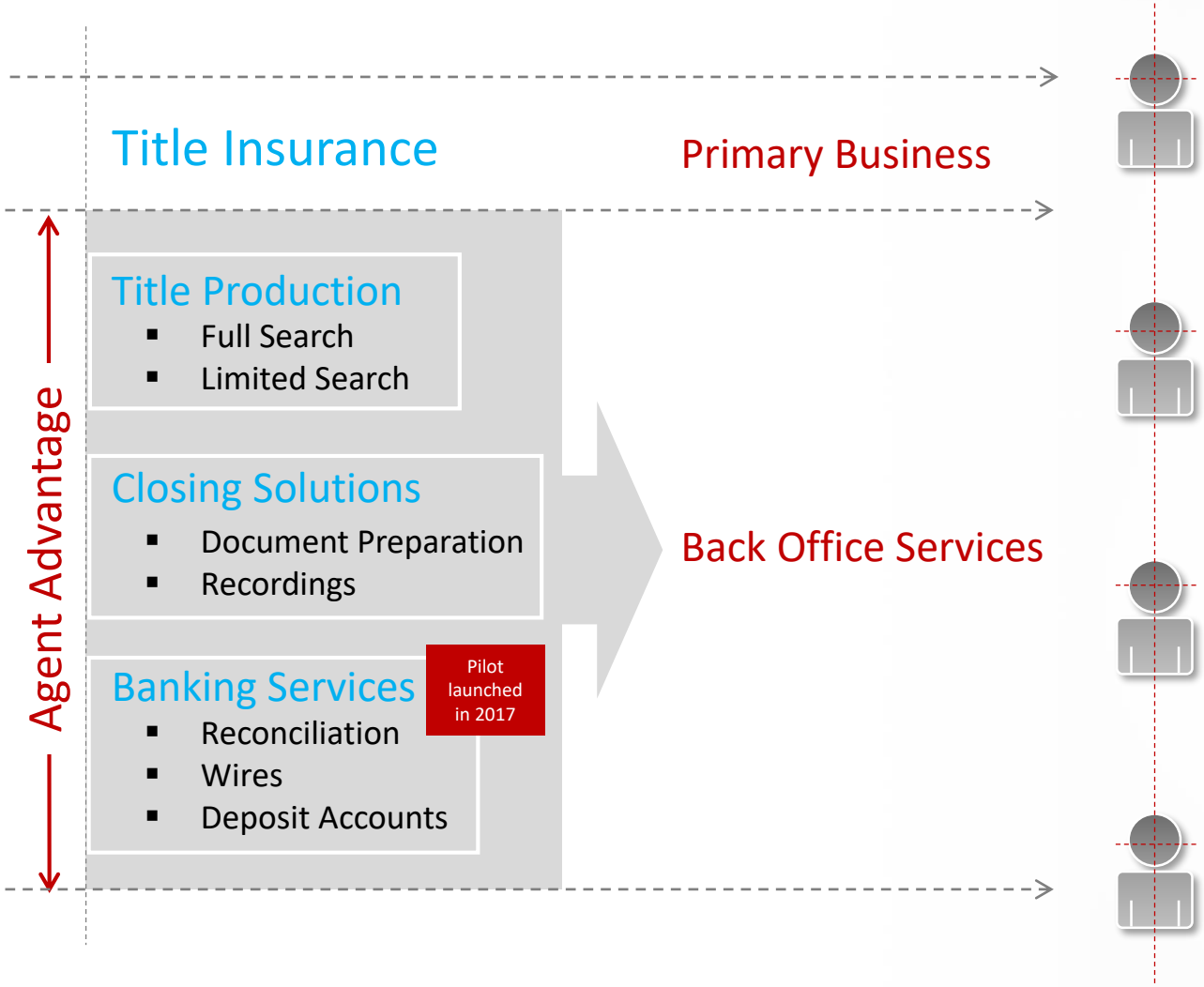
Agency Division has Grown by Focusing on Larger Agents





- First American has reduced smaller agents in recent years to focus on larger, more profitable relationships
- Reduced risk and administrative costs
- Growth with large commercial agents
- Continual monitoring of profitability by agent
  - Moved agent split to 85/15 in So. California

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

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Expense Management Remains a Key Priority

- Manage personnel costs to order volumes
- Implemented seasonal workforce program
- Leverage well-developed offshore platform
- Strong underwriting controls
- Keen focus on agent profitability
- Margin expansion requires innovation:
  - Emerging technologies to drive operational efficiencies
  - Developing automated title solutions to reduce turn times and costs

Key Takeaways

- Strong franchise in an attractive industry
- Keen focus on expense management
- Investing in a digital future to respond to an evolving real estate and mortgage industry landscape
- Pursuing growth opportunities by leveraging unique assets

Q&A

BREAK

FIRST AMERICAN FINANCIAL

Investor Day 2018

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SPECIALTY INSURANCE SEGMENT

Larry Davidson

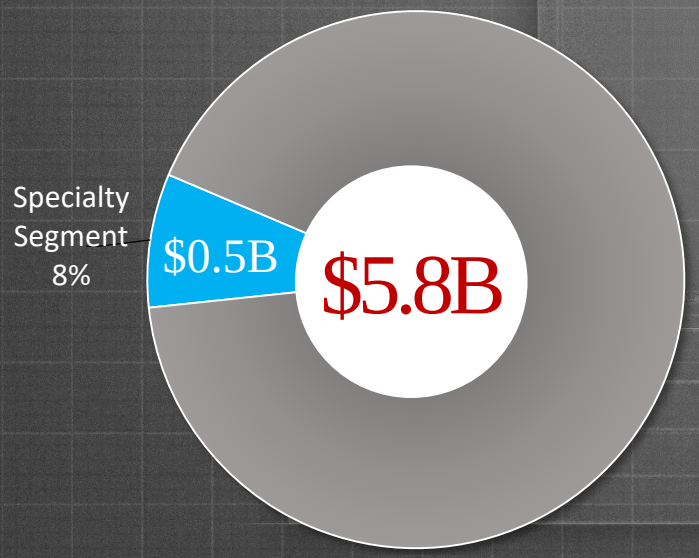
Chief Operating Officer

Specialty Insurance

SPECIALTY INSURANCE

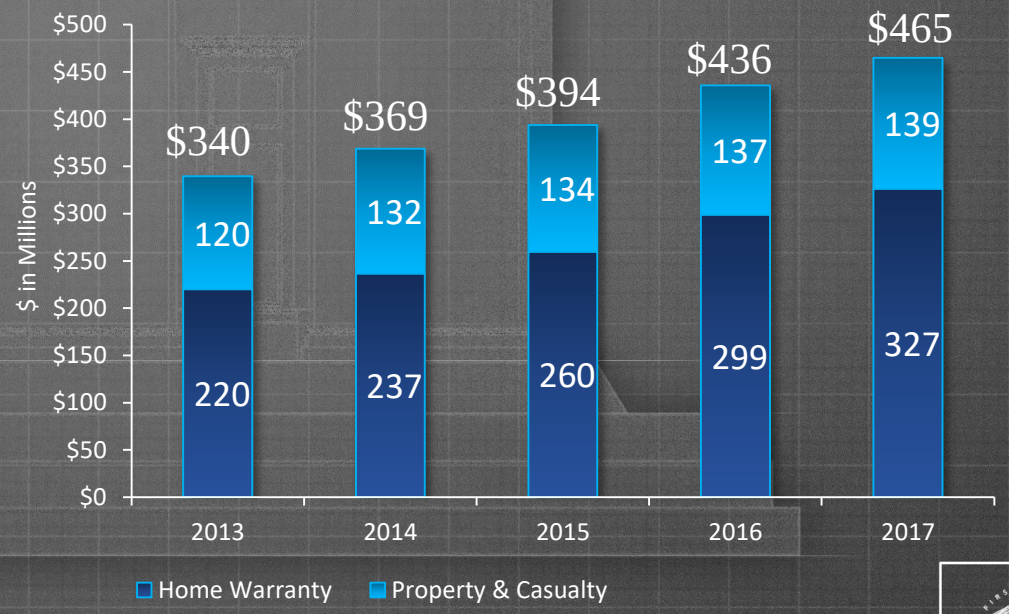
PROPERTY & CASUALTY

First American Financial Total Revenue



HOME WARRANTY

Total Revenue Trend



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Property & Casualty Overview

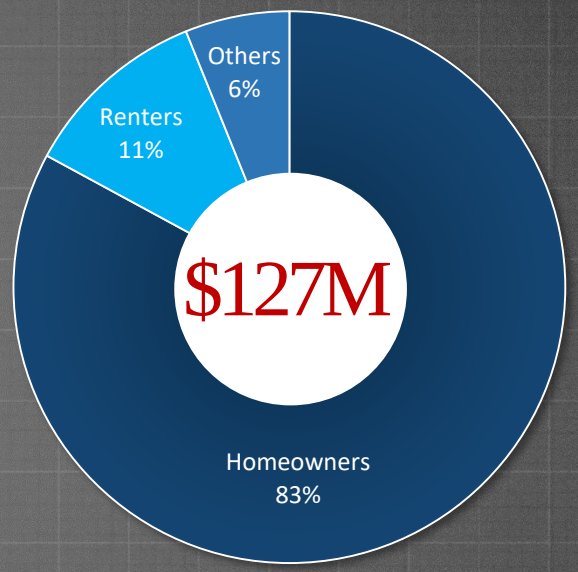
Operations

6 States[1]

2 Offices

200 Employees

2017 Premium Mix



Policies in Force (PIF)

Homeowners	149,700	59%
Renters	97,600	39%
Others	5,900	2%
		100%

(1) Homeowners policies only (active states)

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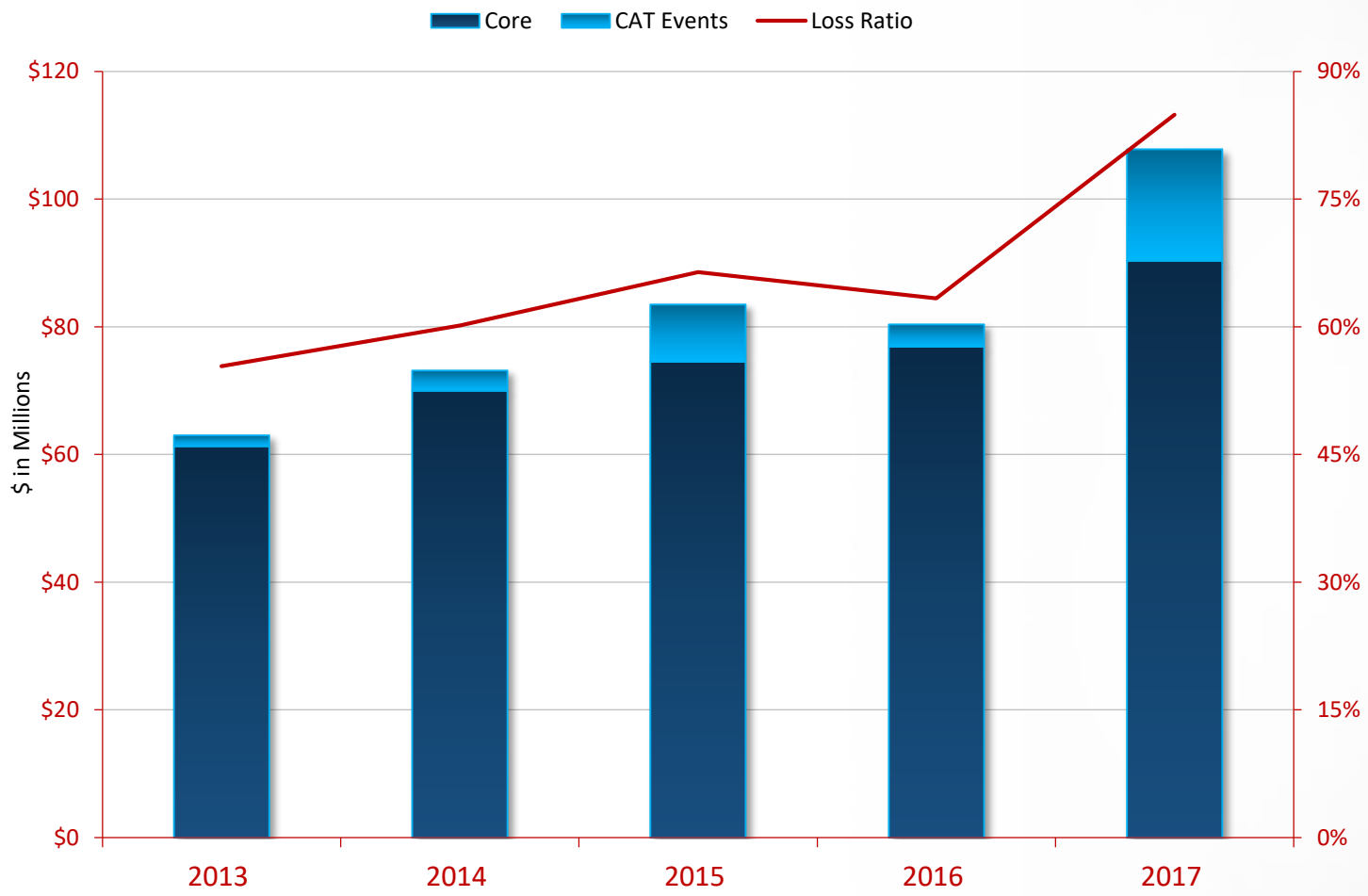
Property & Casualty Loss Trend



	2013	2014	2015	2016	2017
Ceded to Reinsurers	-	-	-	-	$12.7

- CAT losses in 2017 primarily driven by California wildfires
  - Two events exceeded $5 million reinsurance retention limit
  - Conservative underwriting held losses below level implied by market share
- Unfavorable trend in core losses being addressed:
  - Rate increases in multiple states
  - Tighter new business and renewal underwriting program

Property & Casualty Strategy

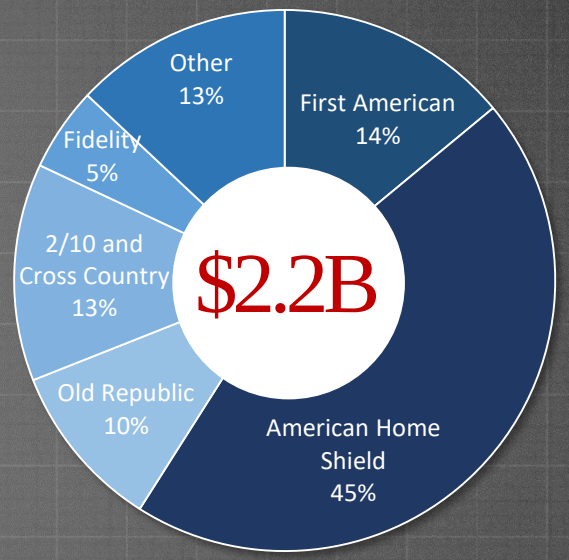
- Improve Profitability
  - Comprehensive renewal underwriting program
  - Restructured homeowners policy in key California market
  - Raising rates where appropriate

- Continued focus on risk management
  - Conservative underwriting standards
  - Robust reinsurance program

Home Warranty Overview

Operations

2017 Market Share



Top 5 States	% Total Premiums
CA	36.4%
TX	16.0%
TN	5.7%
AZ	4.9%
NV	3.9%
	66.9%

Operations

- 560,000 Active Contracts
- 3,000 Contractors
- 5 Contact Centers

Sales Channels & Customers

- Existing Homeowners
- Homebuyers and Sellers
- Real Estate Agents/Brokers

(1) Plus District of Columbia

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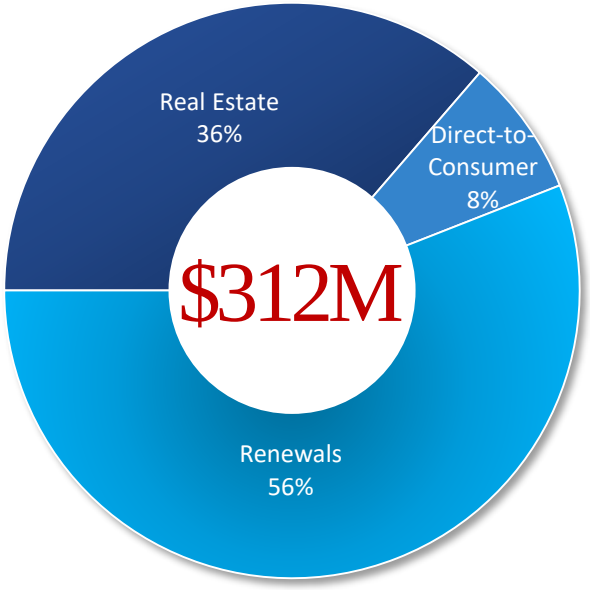
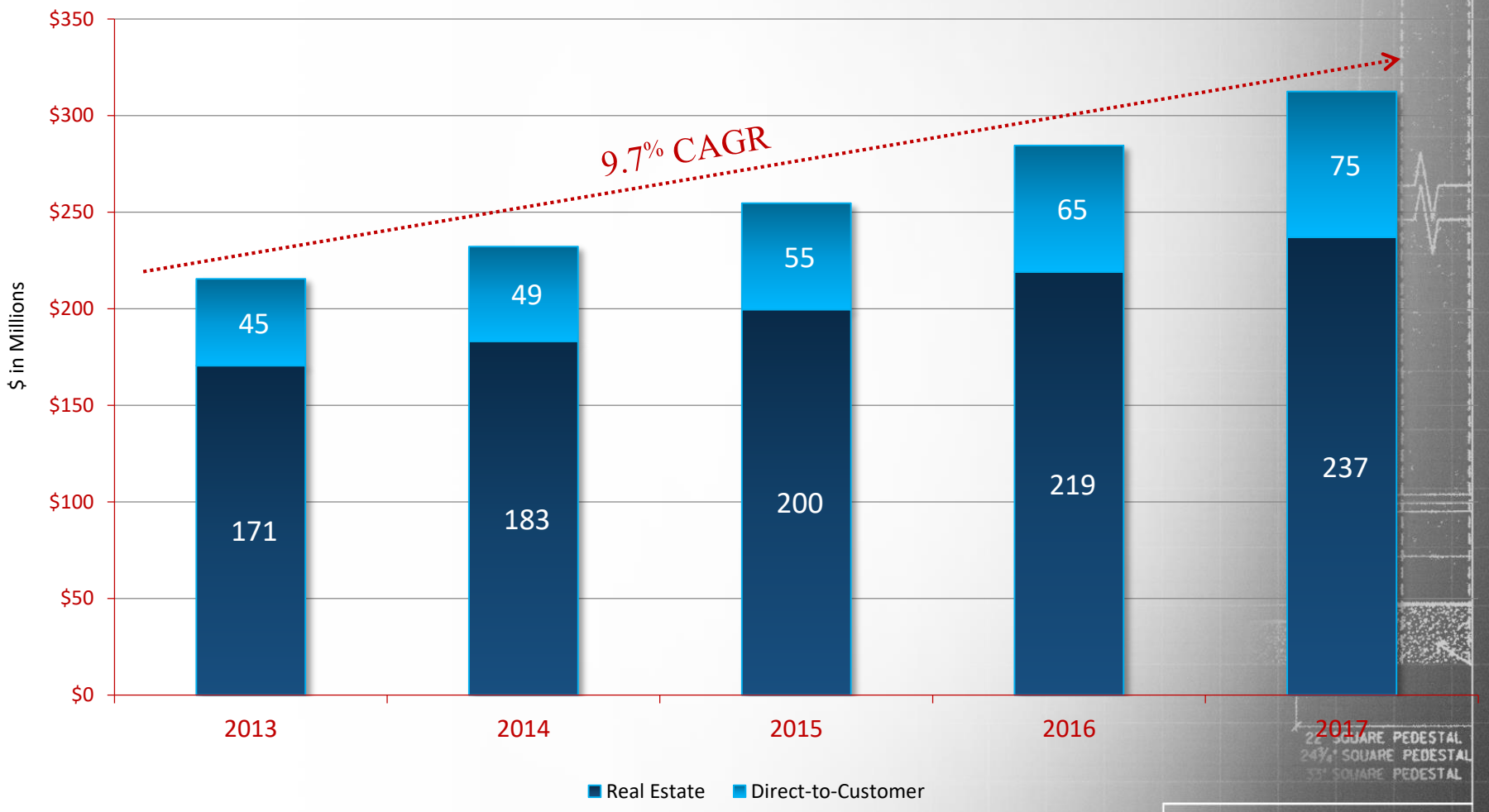
Home Warranty Distribution Channels

2017 Premiums



Channel		2017 Retention Rate
Real Estate	Sales driven by home purchases/sales	21%
Direct-to-Consumer	Sales through direct marketing to consumer (direct mail, internet, TV)	73%
Renewals	All contracts in 2nd renewal year or later	81%

Home Warranty Premium Growth Trend



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Direct-to-Consumer (DTC) Channel Adds to Growth

DTC Channel Benefits from:

- Low market penetration
- Growth driven by marketing spend not real estate market

	DTC
First Year Renewal Rate	+
Acquisition Cost	−
Initial Claims Rate	−
Customer Lifetime Value	+

Marketing Plan

- Media Campaign
  - Direct Response TV & Radio
- Web Marketing
  - Search engine optimization
  - Search engine marketing
  - Partner leads
- Direct Marketing (targeted)
  - Direct mail
  - Email
  - Phone calls

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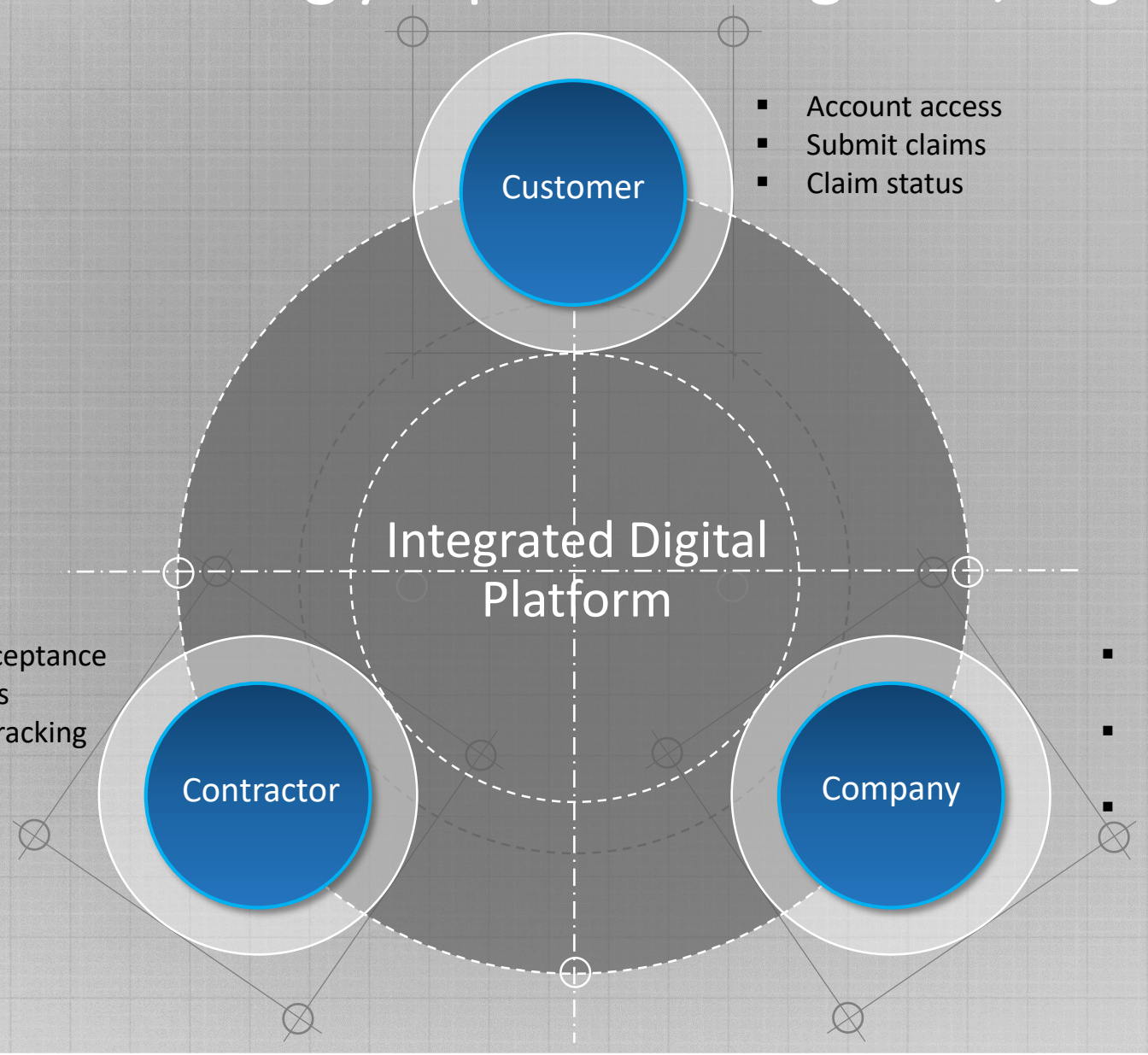
Consumers Increasingly Expect an Integrated, Digital Platform



- Account access
- Submit claims
- Claim status

- Work order acceptance
- Open job status
- "On my way" tracking

- Enhanced contractor dispatch platform
- Enables real-time work assignment and approval
- Improved productivity

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Home Warranty Strategy

- Deploy technology to enhance customer experience and improve contractor productivity
- Remain focused on quality of customer service delivery
- Continue to strengthen contractor network
- Maintain market leadership in the real estate channel
- Grow direct-to-consumer business

FINANCIAL REVIEW

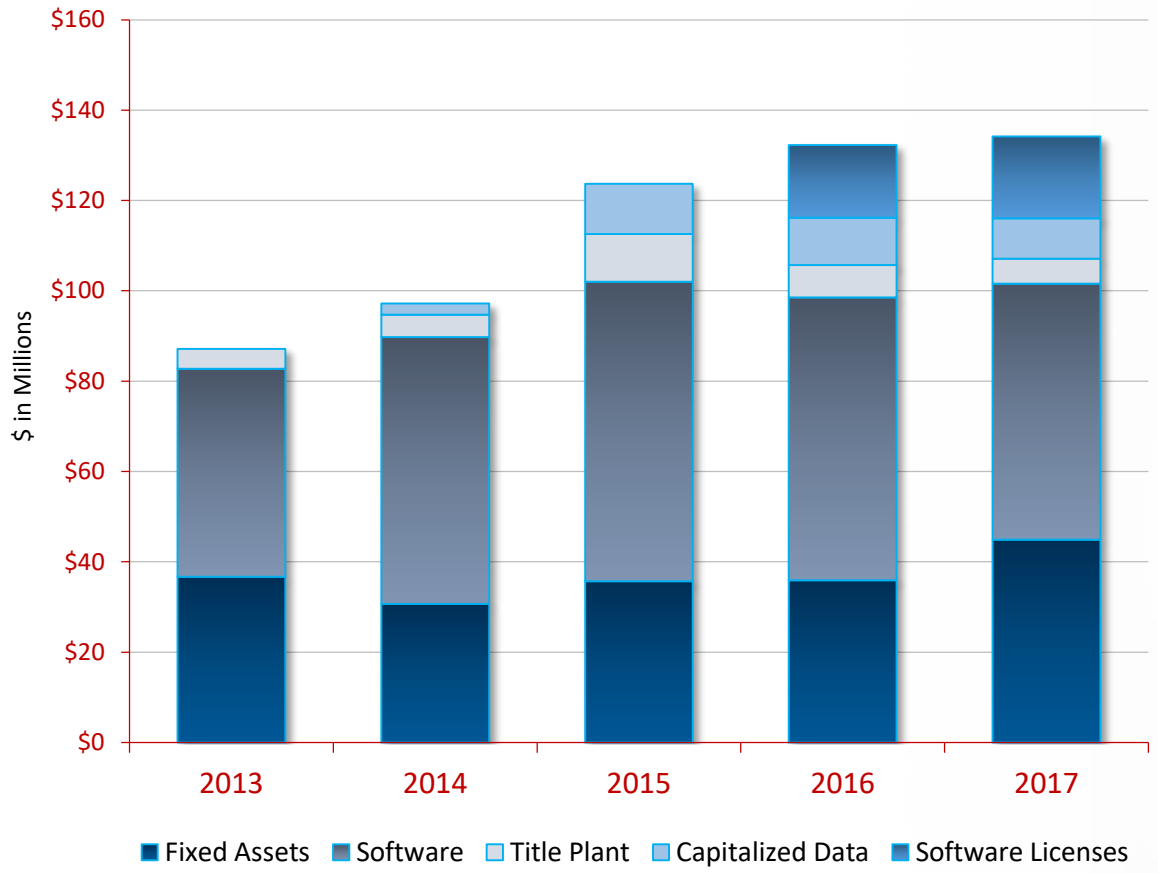
Mark Seaton

EVP and Chief Financial Officer

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

Capital Expenditures



- Fixed Assets
  - ~$40 million annually
  - Migration to cloud will reduce future expenditures
- Software
  - Customer-facing technology
  - Production system (FAST) enhancements
- Title Plant
  - Geographic expansion
- Capitalized Data
  - Property record data expansion

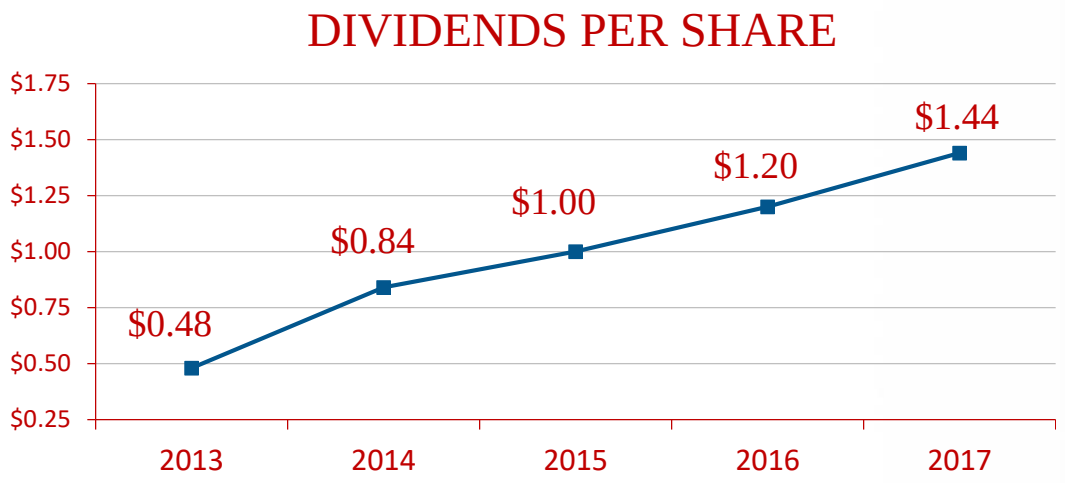
Mergers & Acquisitions

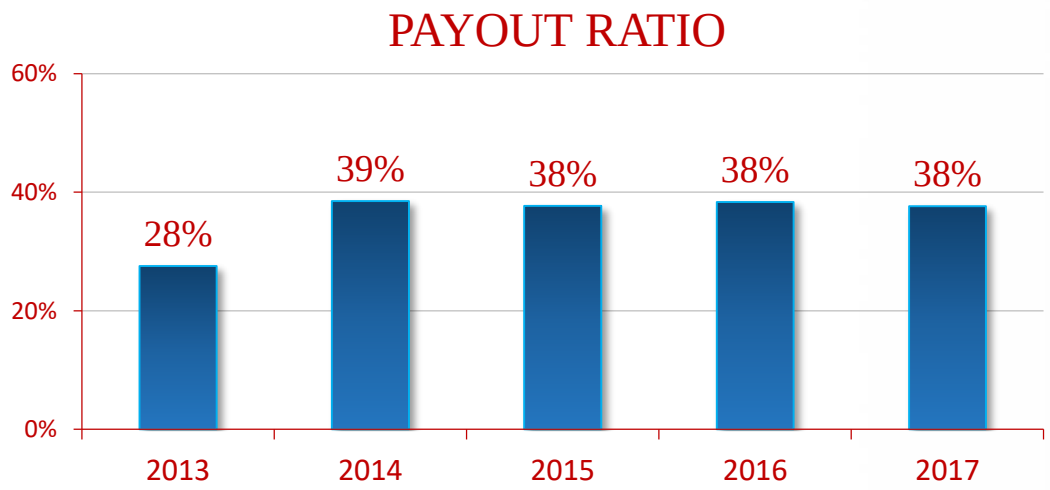
	COMPANY		TYPE	TOTAL SPEND[1]
2017	SIS	Buyout of long standing joint venture of title information provider.	Complementary	$91M
	Nevada Title	Leading title and escrow company with a strong presence in southern Nevada.	Title	
2016	TD Service	Leading provider of technology and services to the mortgage banking 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	
2013	TSS Software	Settlement software provider for independent title agents and attorneys; increased customer base and expanded national footprint.	Complementary	$7M

- 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.

Dividends

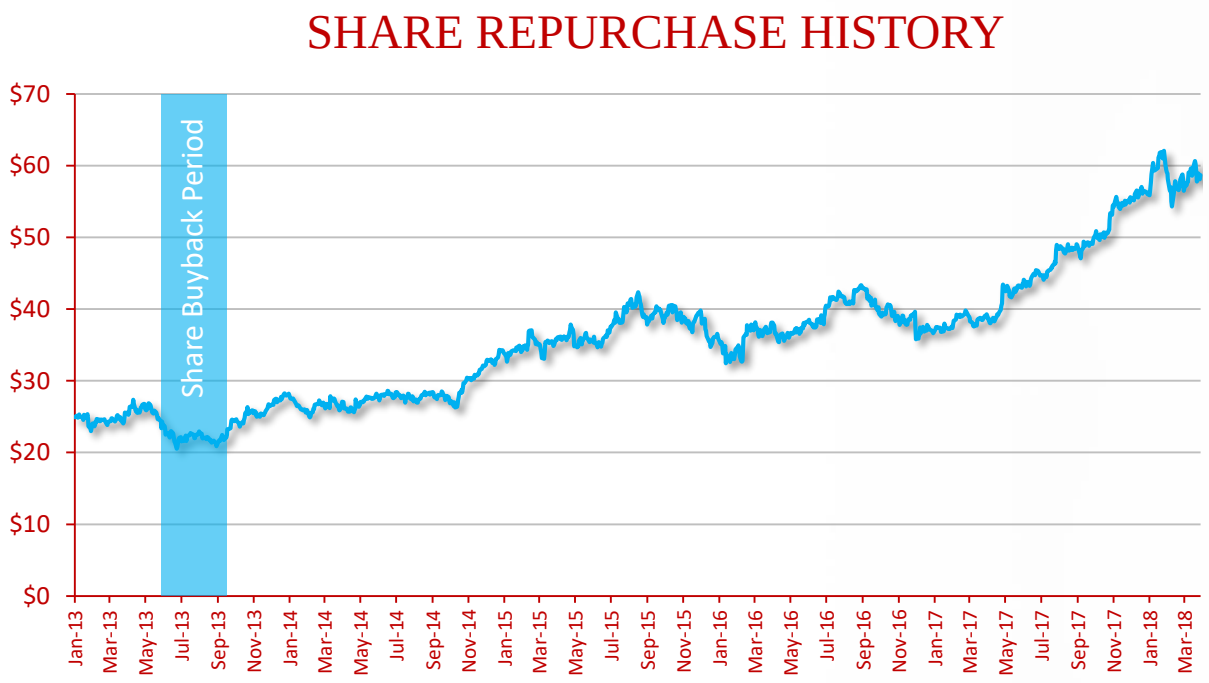




Dividend Considerations

- 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

Share Repurchases

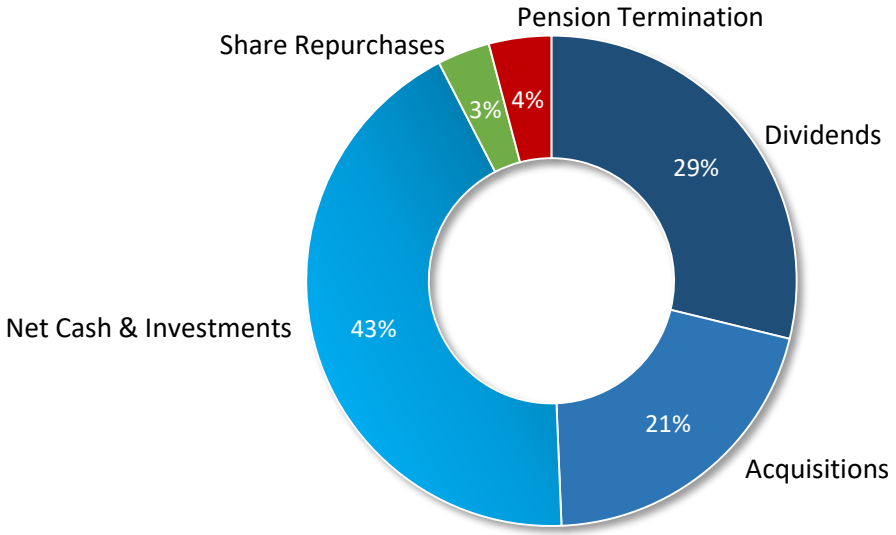


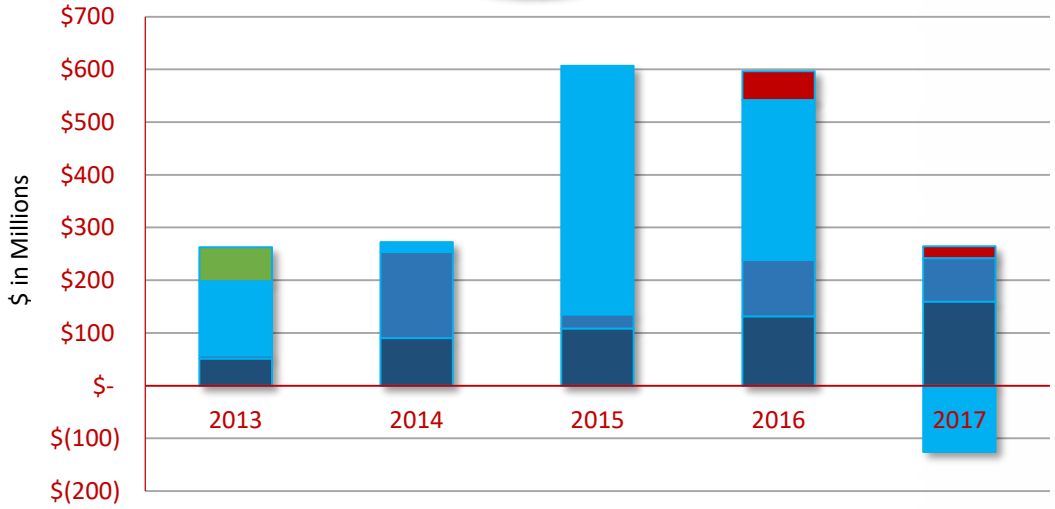
2013 Repurchase Summary	
Shares Purchased	3.0 million
Total Amount	$64.6 million
Avg. Price Per Share	$21.90
IRR	25.9% (as of March 31, 2018)

- Share repurchases will be dependent upon capital levels, market conditions and alternative uses of capital, among other factors
- $182 million remaining under share repurchase authorization

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

Excess Capital

$ in Millions

	Q1 '18	Q4 '17	Q3 '17	Q2 '17	Q1 '17
Holding Company Cash	$181.4	$233.9	$259.3	$255.0	$269.1
Tax & Benefit Accounts	(33.5)	(28.7)	(99.1)	(110.4)	(98.6)
Target Cash[1]	(195.0)	(190.0)	(180.0)	(160.0)	(160.0)
(A) Potential Excess Cash at Holding Company	($47.0)	$15.2	($19.9)	($15.4)	$10.6
FATICO Surplus	$1,230.0	$1,173.8	$1,240.9	$1,251.8	$1,237.0
Less: Affiliate investments	(80.4)	(72.2)	(178.6)	(169.2)	(163.4)
Less: Title Plants	(164.0)	(164.0)	(158.9)	(158.9)	(157.3)
Less: Portfolio Shock[2]	(182.8)	(175.9)	(163.2)	(161.3)	(158.0)
Add: Bulk Reserve (net of tax)	158.1	175.6	139.1	139.1	137.4
Minimum Surplus required to maintain A3/A- rating[3]	(800.0)	(800.0)	(800.0)	(800.0)	(800.0)
(B) Potential Excess / (Deficiency) in Surplus	$161.0	$137.3	$79.2	$101.6	$95.7
Debt	$731.5	$732.8	$734.1	$734.5	$735.5
Debt-to-Capital	17.4%	17.4%	18.2%	18.7%	19.3%
(C) Additional Debt at 20% Debt-to-Capital	$139.1	$137.9	$90.5	$65.1	$33.8
Excess Capital (A) + (B) + (C)	$253.0	$290.4	$149.9	$151.3	$140.1
% of Total Capital	6.0%	6.9%	3.7%	3.8%	3.7%
Shareholders Equity	$3,470.5	$3,480.0	$3,293.9	$3,193.4	$3,072.5
Debt	731.5	732.8	734.1	734.5	735.5
Noncontrolling interests	1.9	3.1	4.5	4.7	5.1
Total Capital	$4,203.9	$4,215.9	$4,032.5	$3,932.6	$3,813.2

(1) 1 year holding company cash outflows
(2) Assumes 20% decline in equities and 200 basis point increase in rates across the yield curve
(3) Company estimate

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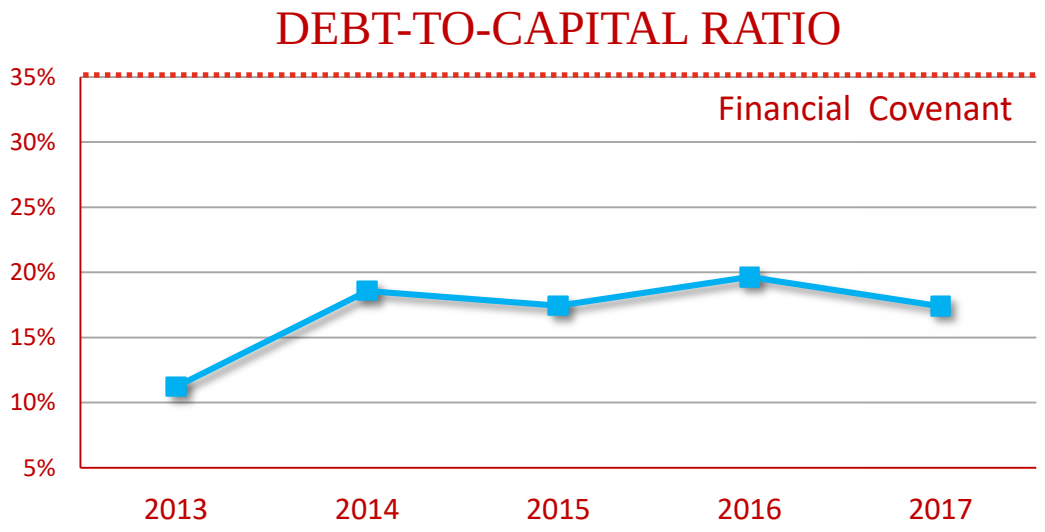
Credit Ratings

First American's objective is to maintain at least A-/A3 financial strength ratings through the cycle

	Financial Strength	Senior Debt
S&P	A- (stable)	BBB- (stable)
Moody's	A3 (positive)	Baa3 (stable)
Fitch	A (stable)	BBB (stable)
A.M. Best	A (stable)	BBB (stable)

Capital Structure

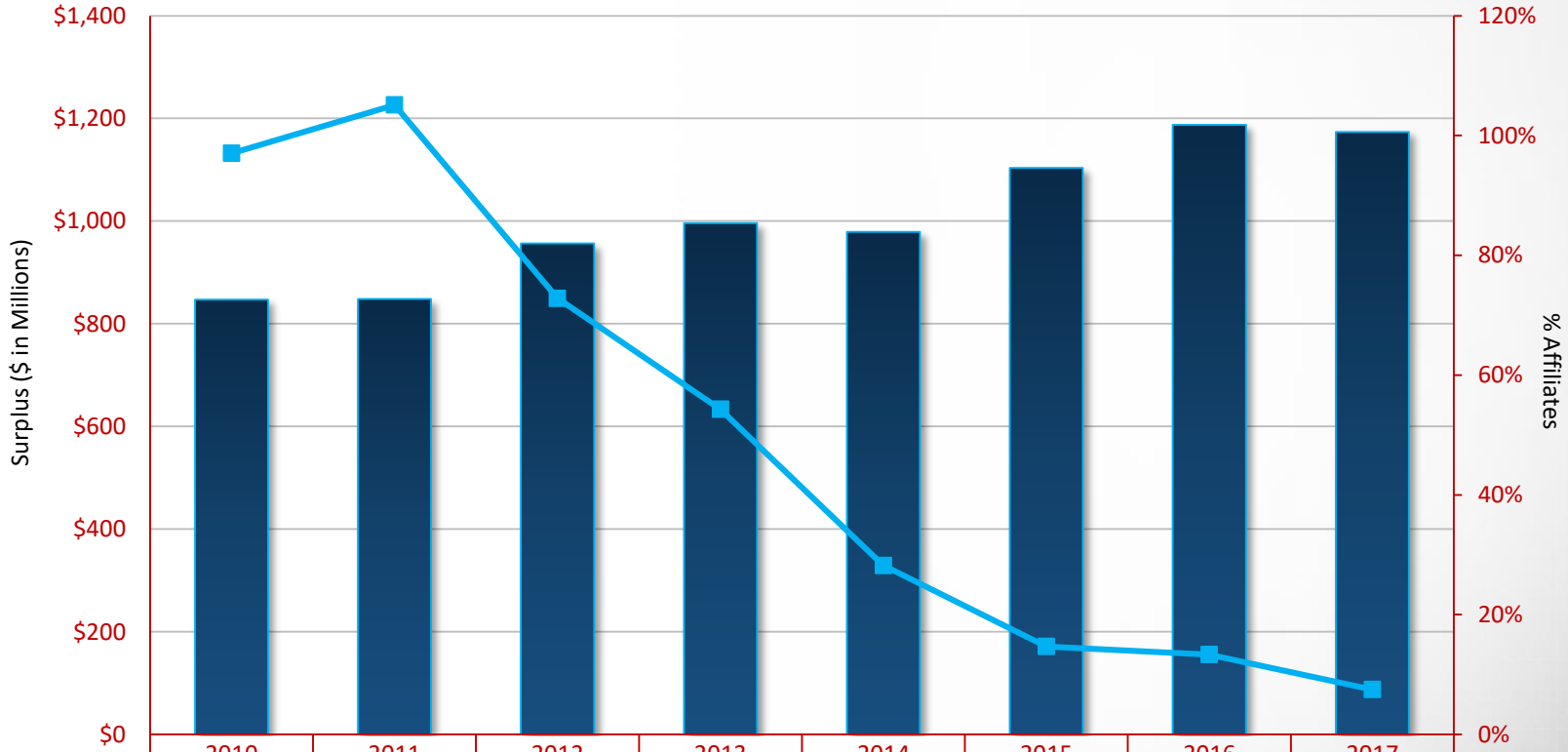
As of December 31, 2017 ($ in Millions)	
4.3% Senior Notes Due 2023	$250
4.6% Senior Notes Due 2024	300
Trust Deed Notes	23
Other Notes	4
Revolving Credit Facility	160
Total Debt	$736
Total Equity	$3,480
Debt-to-Capital Ratio	17.4%



- 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

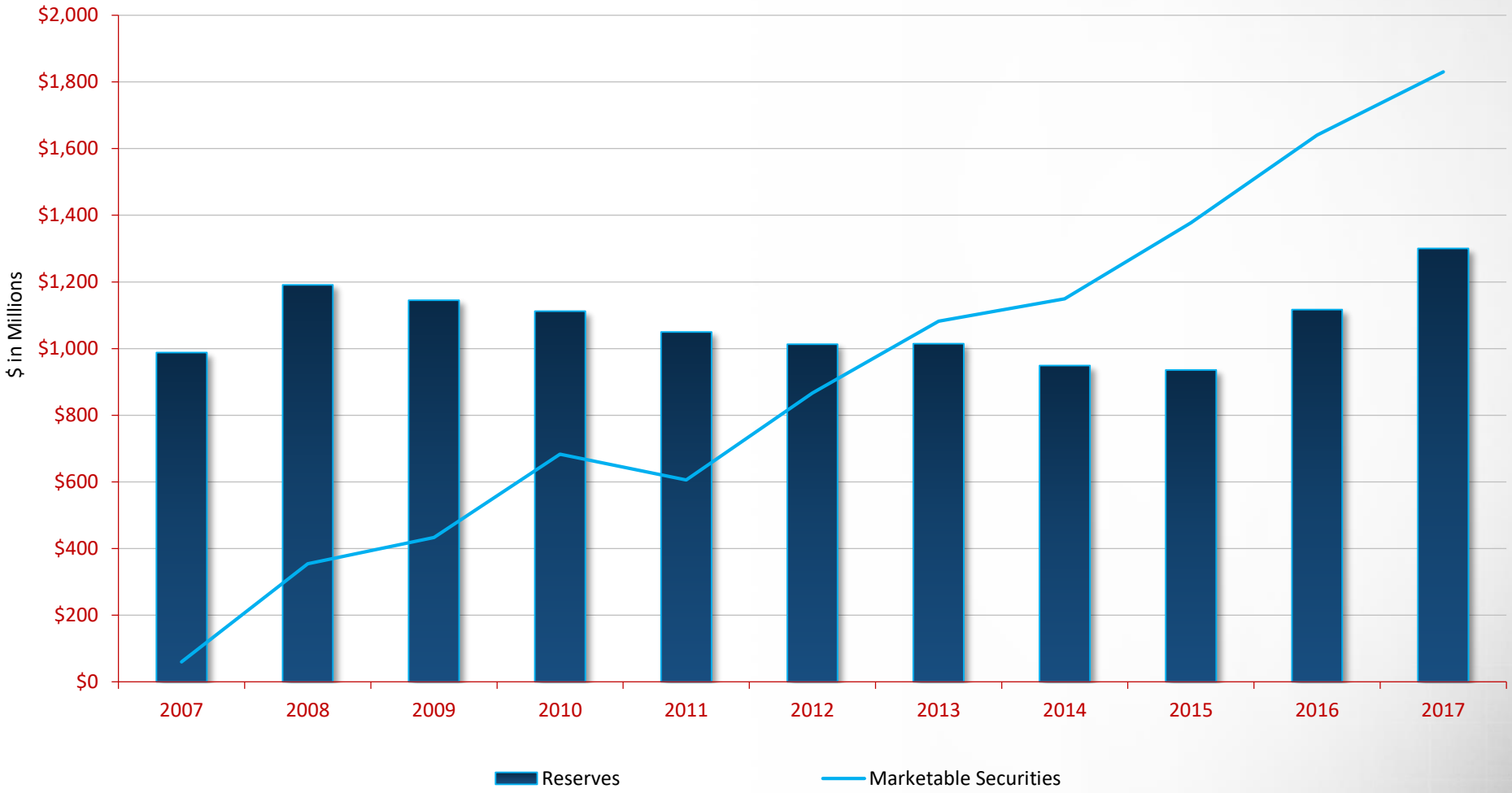
Statutory Surplus Trend

First American has improved the quality of capital by reducing the amount of affiliated investments within the title underwriter



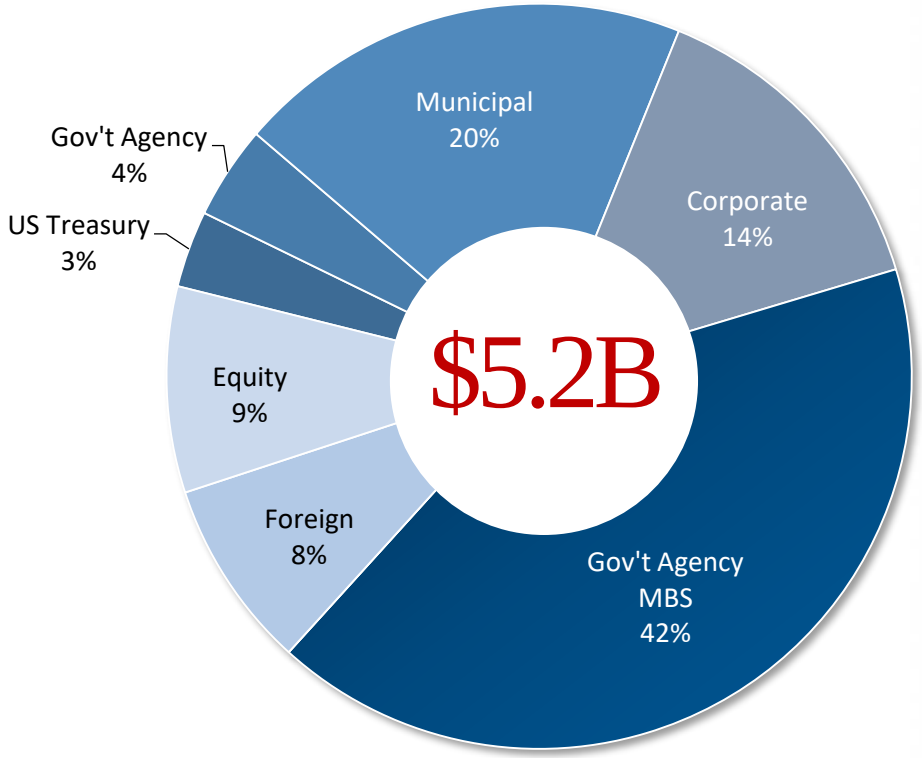
	2010	2011	2012	2013	2014	2015	2016	2017
Surplus ($mm)	847	849	956	996	979	1,104	1,187	1,174
Affiliates % of Surplus	97%	105%	73%	54%	28%	15%	13%	7%

Statutory Marketable Securities vs Reserves



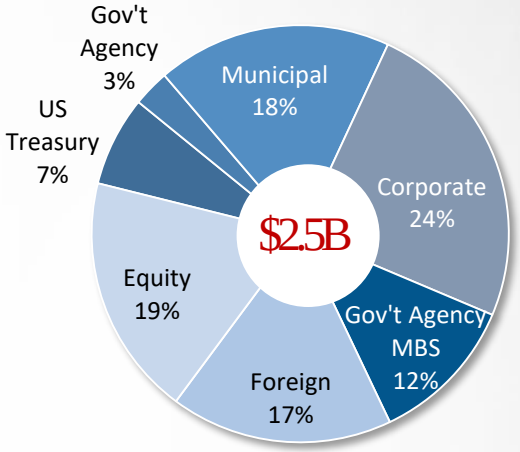
Investment Portfolio

CONSOLIDATED PORTFOLIO



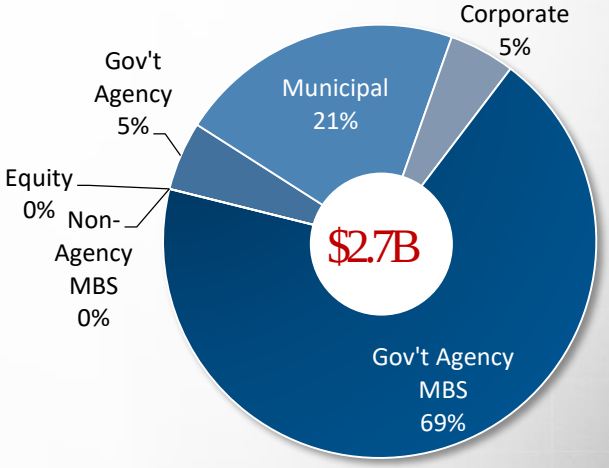
Avg. Rating :	AA
Duration:	3.4
Book Yield:	2.3%

INSURANCE PORTFOLIO



Avg. Rating :	A
Duration:	4.7
Book Yield:	3.0%

BANK PORTFOLIO



Avg. Rating :	AA
Duration:	2.5
Book Yield:	1.9%

Note: Debt and equity securities as of December 31, 2017

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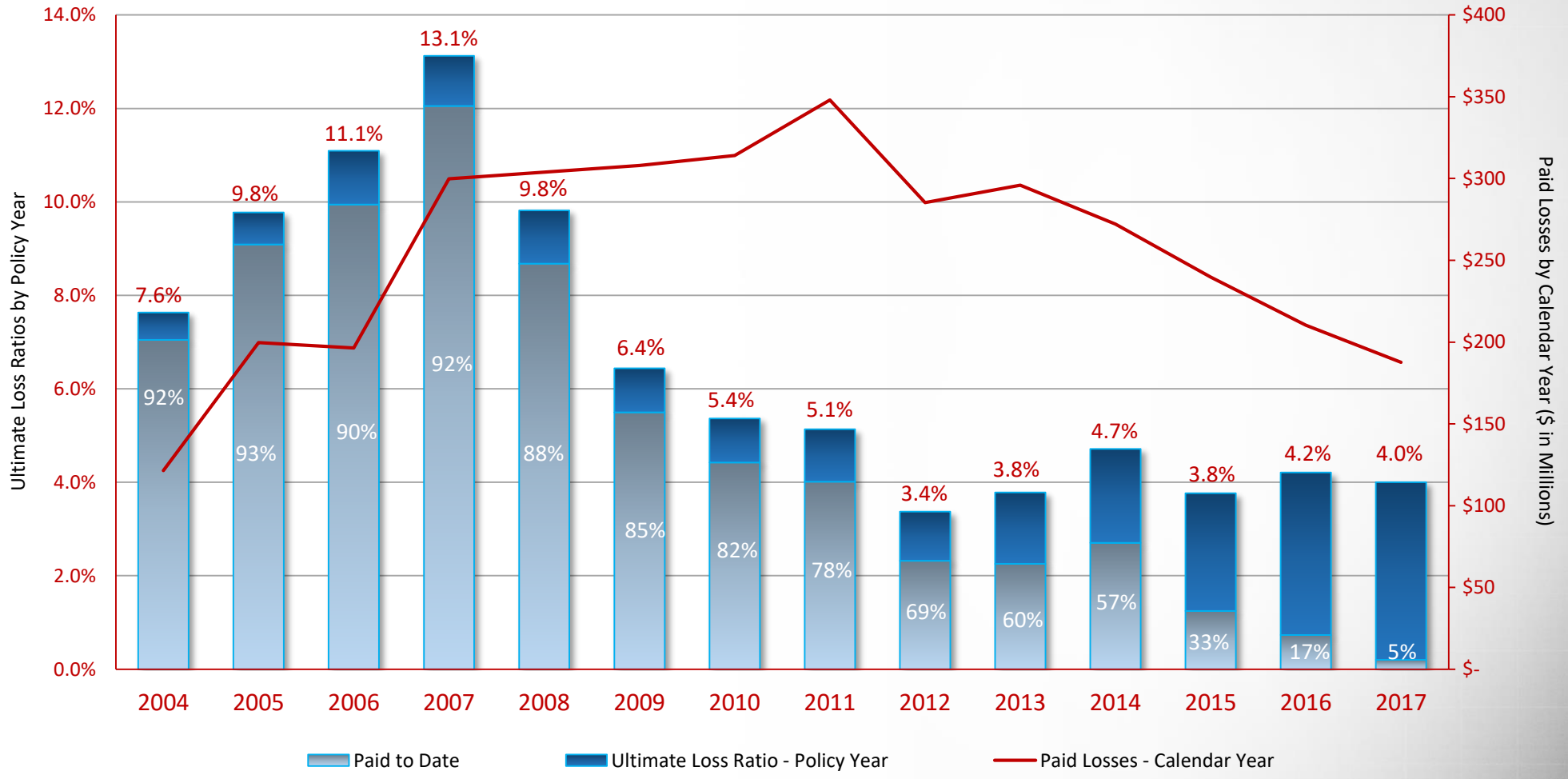
Ultimate Loss Ratios by Policy Year



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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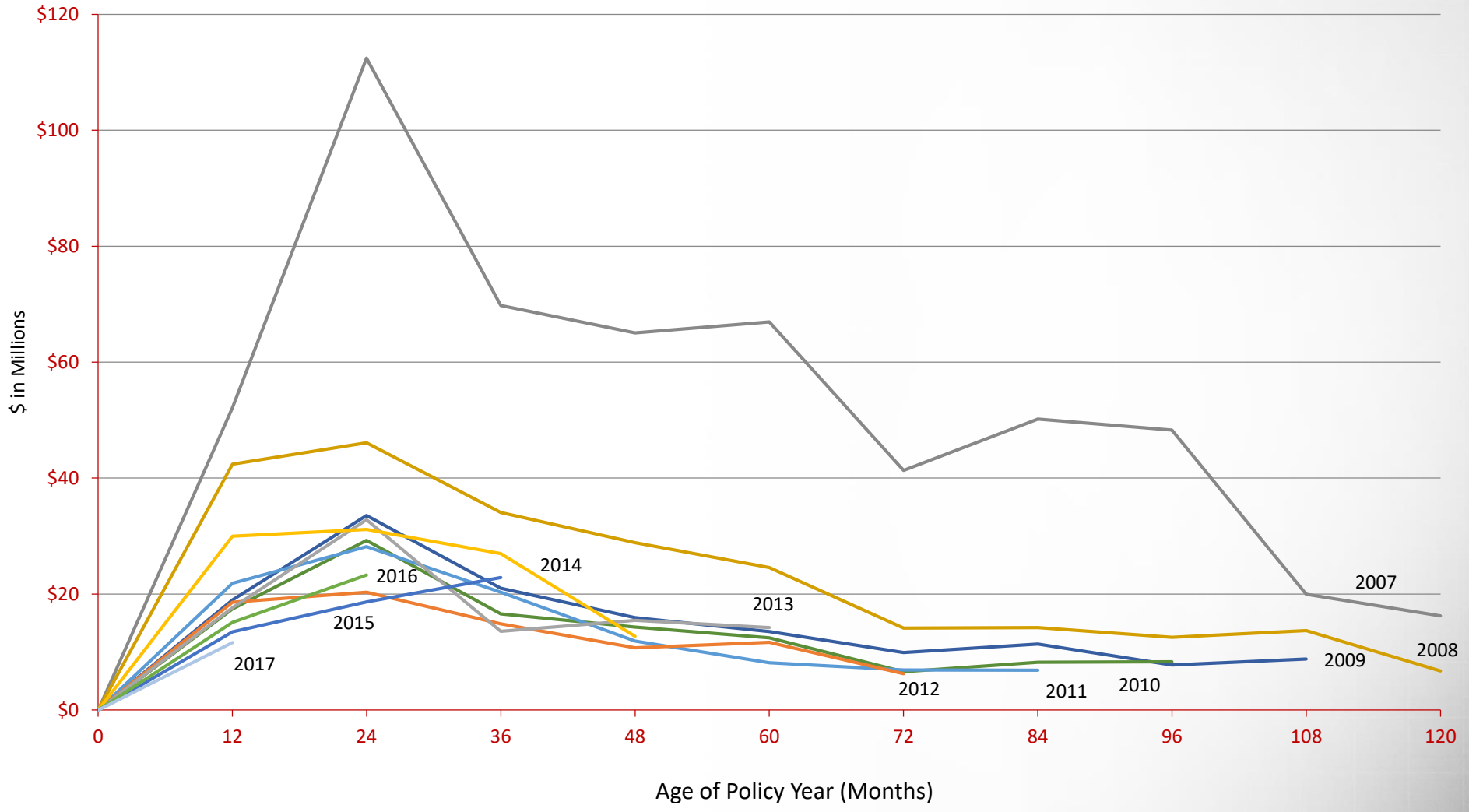
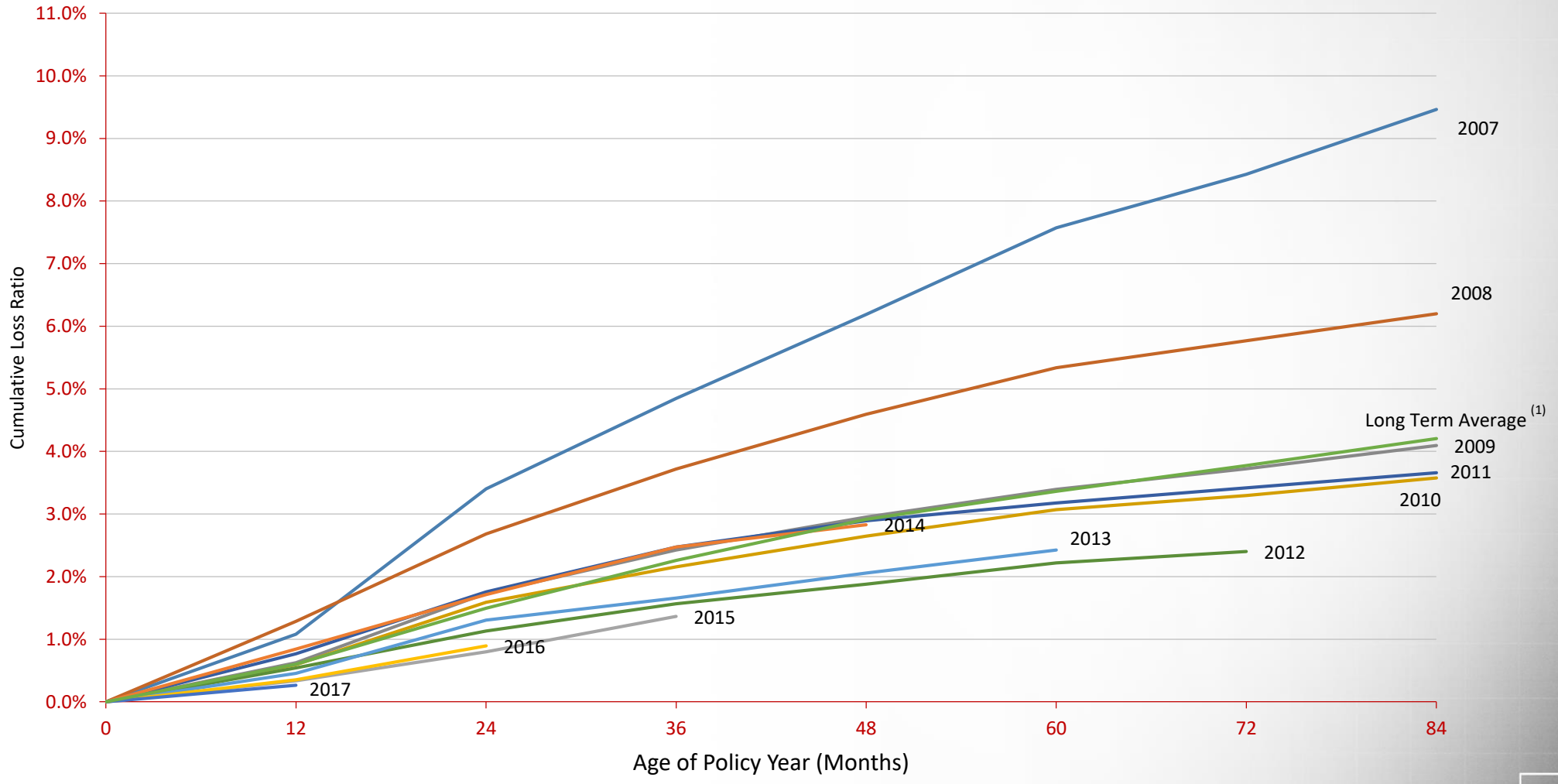
Incremental Incurred Losses by Development Period

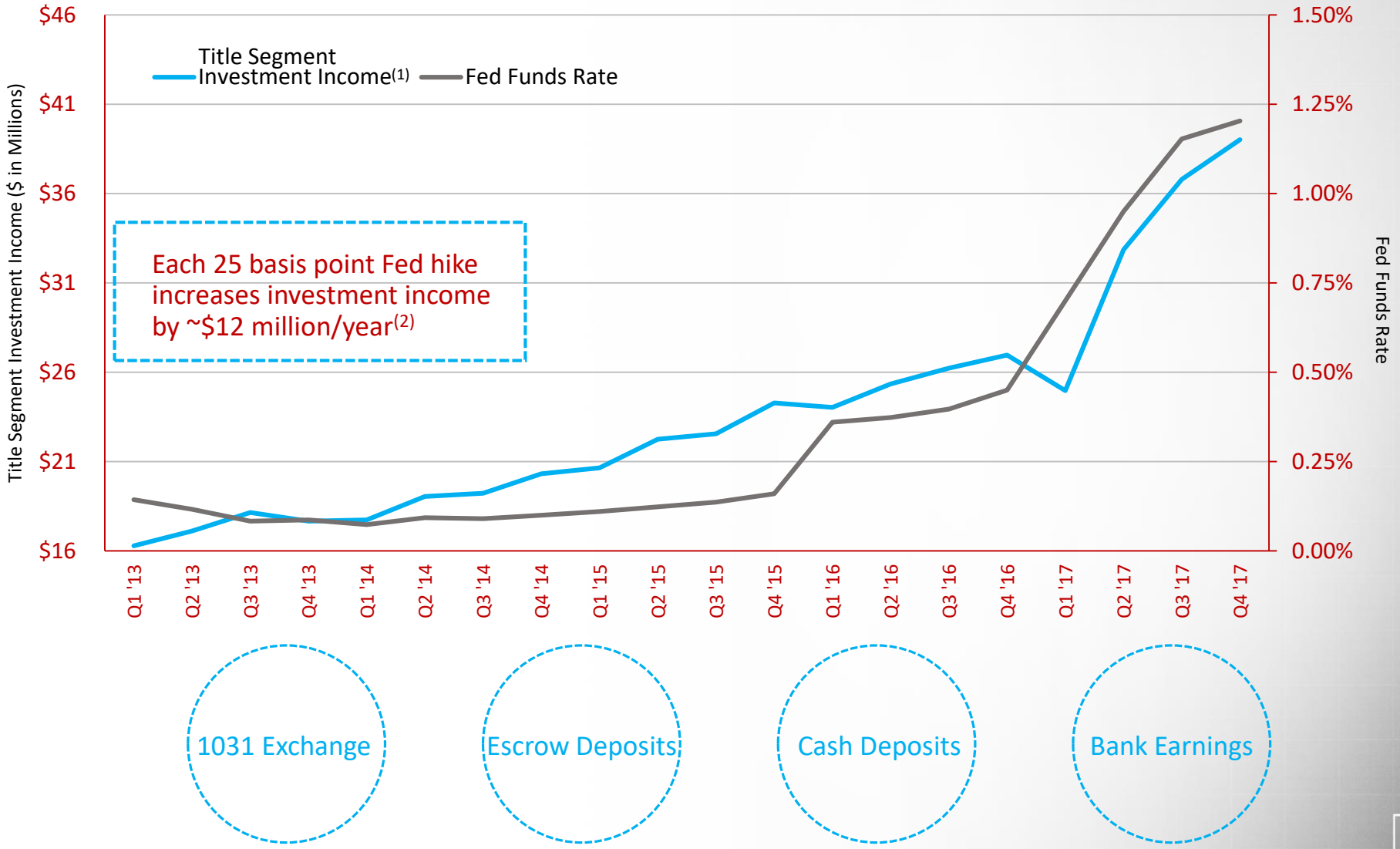


Cumulative Losses by Policy Year



(1) Includes policy years 1998–2017, excluding 2005-2008

Impact of Fed Funds Rate on Investment Income



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

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Corporate Segment Investment Income – Deferred Compensation Plan

$ in Millions

	Q1 '18	Q4 '17	Q3 '17	Q2 '17	Q1 '17
Investment income					
Deferred compensation	($1.5)	$3.8	$3.6	$2.5	$4.0
Other	0.4	0.7	0.5	0.1	0.2
Total	(1.2)	4.5	4.1	2.6	4.1
Personnel Costs					
Deferred compensation	(0.7)	3.4	2.7	2.1	3.1
Other	1.9	0.4	1.0	1.0	1.9
Total	1.3	3.7	3.6	3.1	5.0
Other Operating Expenses					
Pension	-	0.0	152.4	4.8	5.0
Other	8.5	9.8	9.2	9.6	10.1
Total	8.5	9.8	161.7	14.4	15.1
Depreciation and Amortization	0.0	0.0	0.0	0.0	0.0
Interest	8.3	8.2	8.2	7.8	8.3
Total Expenses	18.0	21.9	173.5	25.4	28.5
Pretax Loss	($19.2)	($17.4)	($169.4)	($22.7)	($24.4)

Deferred Compensation Plan

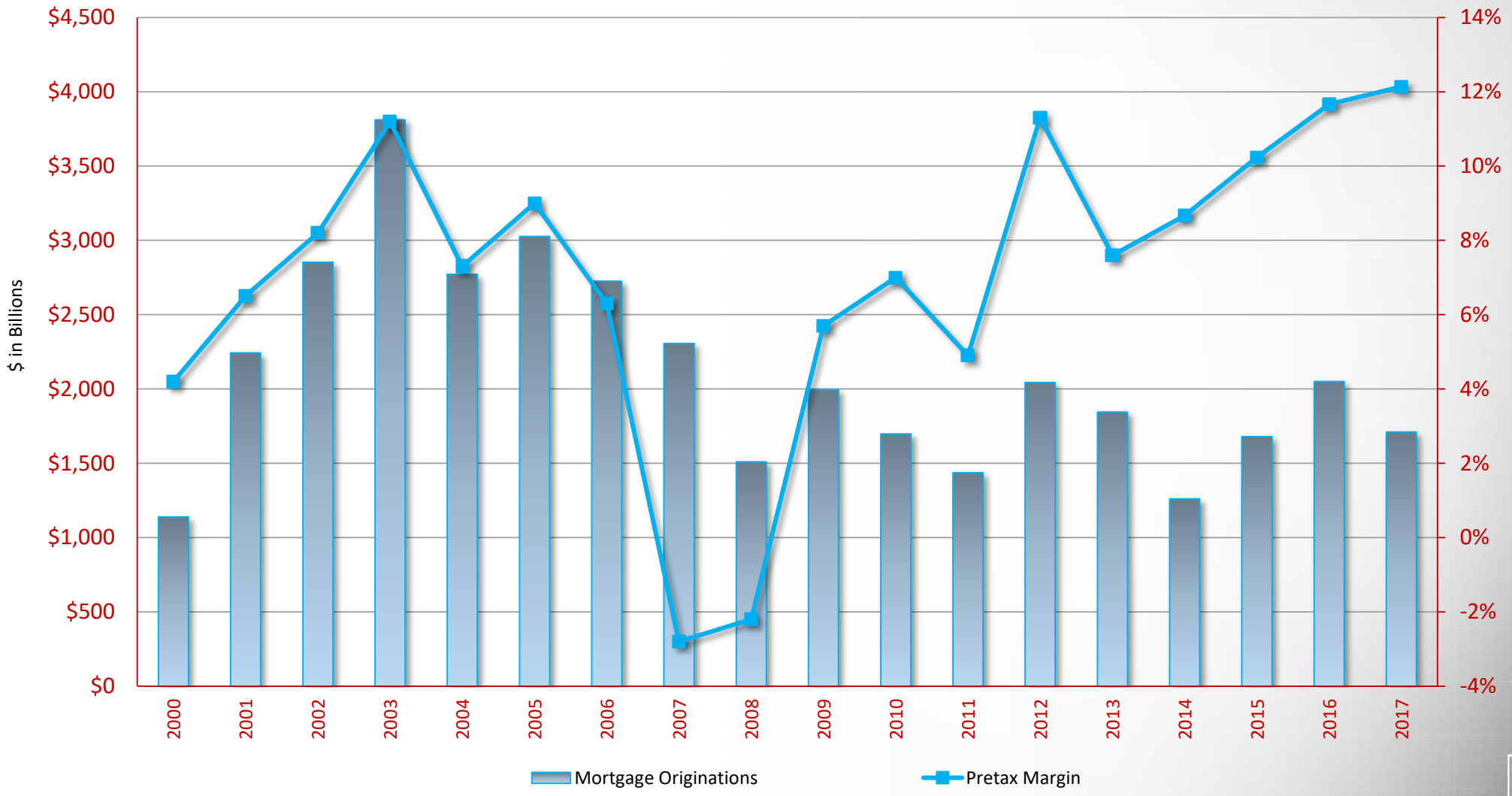
- Investment gains and losses recorded in investment income
- Investment income largely offset by personnel expense
- Rising interest rates have a limited impact on investment income
- Corporate pretax loss expected to be ~$75 million annually

Tax Reform Impact

	Pre-reform	Post-reform
Federal	35.0%	21.0%
State	1.5%	1.5%
International	-1.0%	1.5%
Other	-1.5%	-
	34.0%	24.0%

- Lower federal rate partially offset by:
  - Higher foreign tax rates
  - Elimination of certain tax benefits (M&E, 162(m))
- Shift to territorial tax system reduces cost to repatriate foreign earnings

Historical Title Insurance Margin



Source: MBA

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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

Q&A

THANK YOU

FIRST AMERICAN FINANCIAL

Investor Day 2018

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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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2017 Revenue Breakdown

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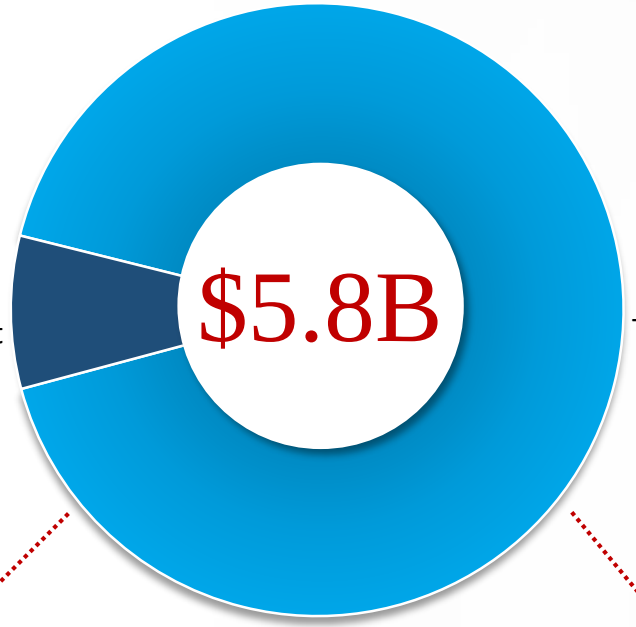
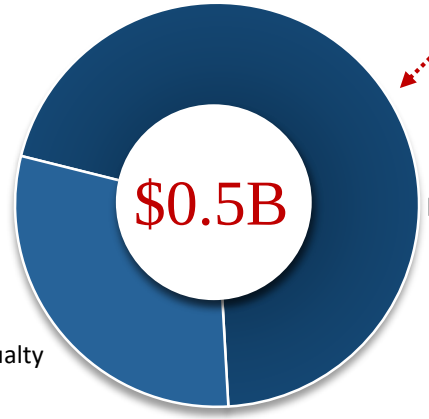


8%
Specialty Segment

92%
Title Segment

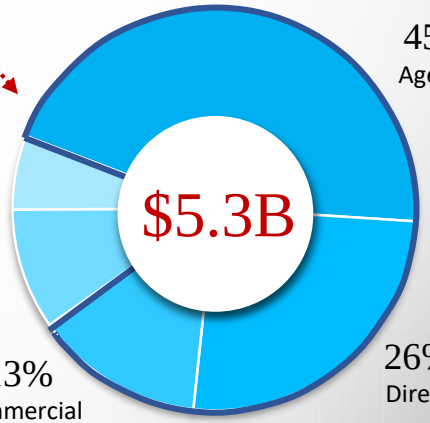
SPECIALTY SEGMENT



70%
Home Warranty

30%
Property & Casualty

TITLE SEGMENT



45%
Agency

6%
International

10%
Mortgage & Data Solutions

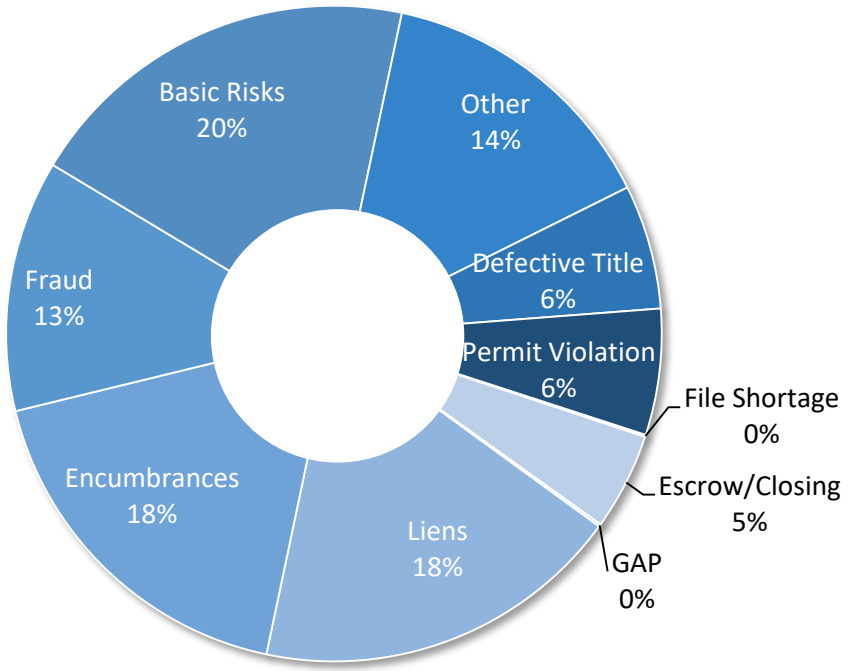
13%
Commercial

26%
Direct

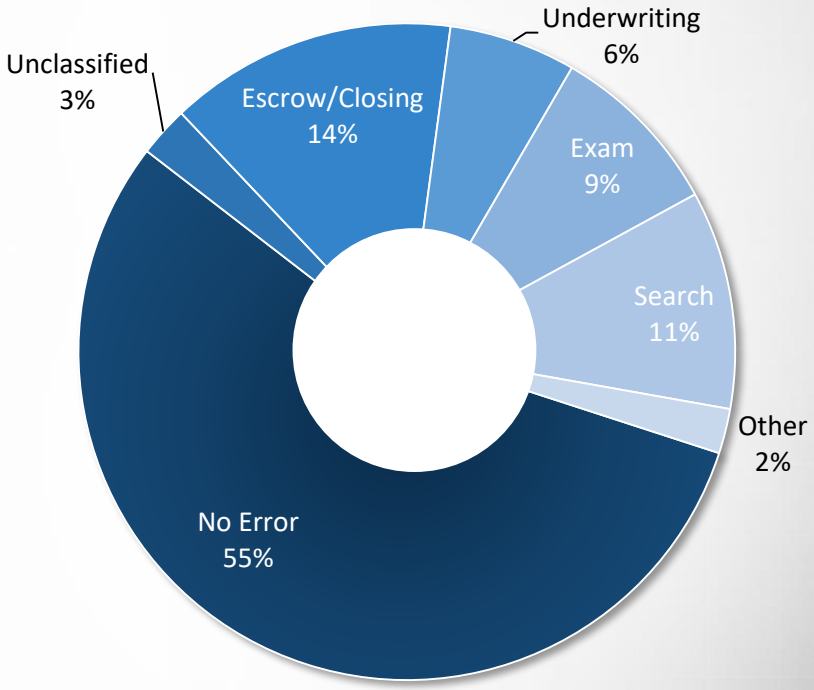
U.S. Title

2017 Incurred Claims Detail

CLAIM CAUSE



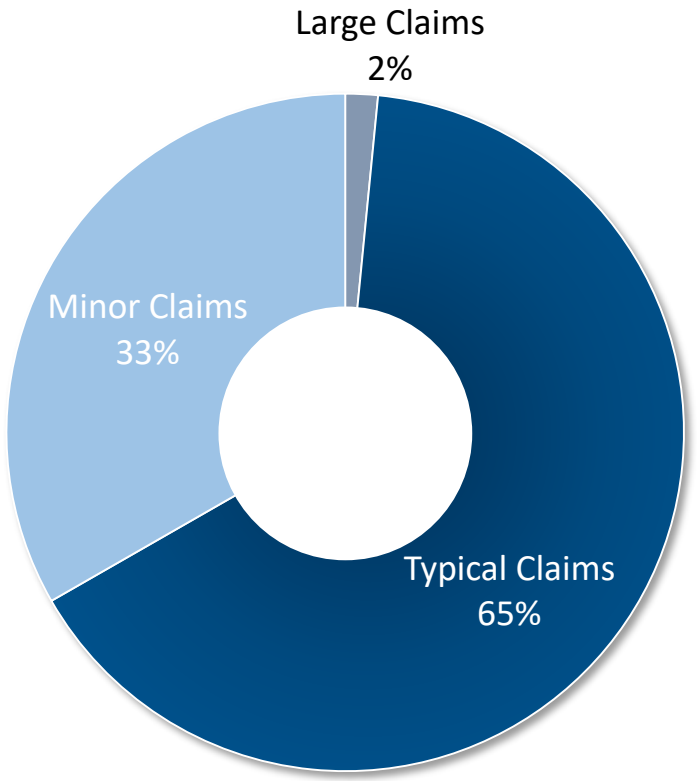
PROCESS CAUSE



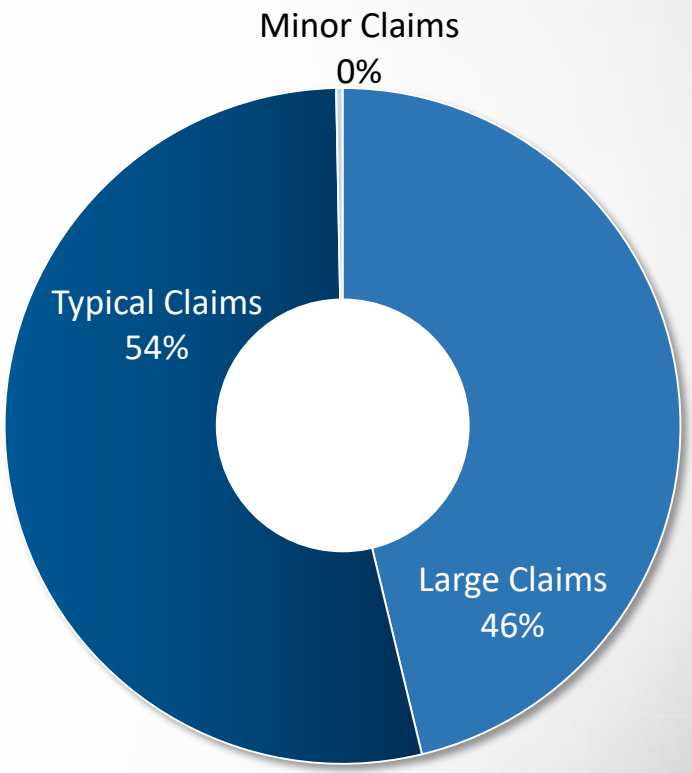
59% Direct / 41% Agent

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

Note: Data for 2017 paid claims; excludes file shortages and de minimis claims

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Specialty Insurance Financial Summary

($ in Millions)	2013	2014	2015	2016	2017
Total Revenues	$340	$369	$394	$436	$465
Pretax Income	$42	$53	$40	$40	$37
Pretax Margin	12.4%	14.4%	10.0%	9.2%	7.9%
Loss Ratio	56.8%	55.7%	59.8%	61.5%	62.6%
Expense Ratio	32.6%	32.7%	32.2%	34.4%	34.2%
Combined Ratio	89.4%	88.4%	92.0%	95.9%	96.8%

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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
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
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)
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

	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