

The First American Corporation

Third Quarter 2006 Earnings Review



The First American Corporation

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Safe Harbor Statement

Certain statements made in this presentation, including those relating to efficiencies realized through centralization of corporate treasury functions, focus on higher margin products, margin contribution from recent acquisitions and focus of efforts in the last quarter of 2006, are forward looking. 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: interest rate fluctuations; changes in the performance of the real estate markets; limitations on access to public records and other data; general volatility in the capital markets; changes in applicable government regulations; heightened scrutiny by legislators and regulators of the Company's title insurance and services segment and certain other of the Company's businesses; consolidation among the Company's significant customers and competitors; the Company's continued ability to identify businesses to be acquired; changes in the Company's ability to integrate businesses which it acquires; the results of the special subcommittee's review of the Company's stock option granting practices; the impact of any restatement of financial statements of the Company or other actions that may be taken or required as a result of such review; the possibility that the Company will continue to be unable to timely file reports with the Securities and Exchange Commission; litigation and governmental investigations or proceedings which may arise out of the Company's stock option granting practices or any restatement of the financial statements of the Company; and other factors described in Part I, Item 1A of the company's annual report on Form 10-K for the year ended Dec. 31, 2005, and Part II, Item 1A of the company's quarterly report on Form 10-Q for the quarter ended March 31, 2006, in both cases 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.

Results and Adjustments are Preliminary

The financial results and adjustments described in this presentation are preliminary because, as previously disclosed, the Company initiated a review of the Company's historical stock option grant practices and related potential tax and accounting impact. A special subcommittee of the Company's audit committee is conducting the ongoing review with the assistance of independent legal counsel and outside accounting experts. The financial results and adjustments described in this presentation do not take in account any adjustments that may be required in connection with the completion of this review and should be considered preliminary until the Company files its Form 10-Qs for the periods ended September 30 and June 30, 2006. Further information regarding this review is available in the related press release issued by the Company on November 2, 2006.

There can be no assurance that the outcome of the review by the special subcommittee of the Company's historical stock option granting practices and the related potential accounting impact will not result in changes to these preliminary financial results and adjustments for the quarters ended September 30 and June 30, 2006 or a restatement of financial results provided by the Company for any historical period.

Agenda

- **Third quarter 2006 review**
- **Business segment review**
- **Selected financial results and capital management discussion**

Third Quarter Highlights

- **Strong revenues**
- **Leading market share positions**
- **Margin enhancement opportunities identified**

Third Quarter Review

- **Total revenues were constant when compared to third quarter 2005.**
- **Revenue growth for the first nine months of 2006 was balanced with four of five segments (Title Insurance and Services, Specialty Insurance, Property Information and Risk Mitigation and Business Solutions) showing year over year operating revenue increases of 7% or more.**
- **Diluted EPS was \$1.00 per share in the third quarter of 2006, down 34% from \$1.51 per share in the comparable period last year.**

Revenue and Pretax Contribution by Segment

	Total Revenue		Pretax ^(b)		Margins	
	<u>3Q 2006</u>	<u>3Q 2005</u>	<u>3Q 2006</u>	<u>3Q 2005</u>	<u>3Q 2006</u>	<u>3Q 2005</u>
(\$ in millions)						
Title Insurance^(a)	\$1,595.8	\$1,618.3	\$121.1	\$180.6	7.6%	11.2%
Specialty Insurance	83.1	78.9	14.5	12.8	17.4%	16.2%
Mortgage Information	129.9	153.6	28.5	34.7	21.9%	22.6%
Property Information	162.4	146.7	40.2	42.5	24.7%	29.0%
Risk Mitigation & Business Solutions	212.9	170.2	31.5	26.4	14.8%	15.5%
Eliminations/Corporate	<u>(16.1)</u>	<u>0.5</u>	<u>(44.7)</u>	<u>(21.6)</u>	<u>NA</u>	<u>NA</u>
Consolidated	<u>\$2,168.0</u>	<u>\$2,168.2</u>	<u>\$191.1</u>	<u>\$275.4</u>	<u>8.8%</u>	<u>12.7%</u>

(a) Title Insurance and Services segment

(b) Income before income taxes and minority interest expense.

Third Quarter Review

- **Consolidated pretax margins were 8.8% in the third quarter of 2006 compared to 12.7% for the comparable period last year**
- **Ongoing efforts to improve margins include:**
 - **Headcount reductions**
 - **Offshore initiatives**
 - **Centralization of corporate activities**
 - **Profit improvement of certain treasury functions**
 - **Focus on sales of higher-margin products**

Property Information Highlights

Property Highlights

- **Strong revenue growth in the third quarter of 2006 – up 10.7% compared to the third quarter of 2005**
- **Organic revenue growth driven by our property data, analytic and collateral valuation businesses**
- **Expanded into the international marketplace with the completion of a transaction with RP Data. RP Data is Australia's and New Zealand's #1 provider of property information.**

Property Information Highlights

(\$ in thousands)

	<u>3Q 2006</u>	<u>2Q 2006</u>	<u>1Q 2006</u>	<u>4Q 2005</u>	<u>3Q 2005</u>	<u>3Q 2006</u> <u>3Q 2005</u> <u>Variance</u>	<u>3Q 2006</u> <u>2Q 2006</u> <u>Variance</u>
Total Revenue							
Property Data and Analytics	\$108,976	\$105,355	\$100,944	\$99,499	\$107,685	1.2%	3.4%
Collateral Valuation	43,661	35,226	32,556	26,819	29,229	49.4%	23.9%
Non Data	<u>9,794</u>	<u>10,121</u>	<u>5,959</u>	<u>8,229</u>	<u>9,807</u>	<u>(0.1)%</u>	<u>(3.2)%</u>
Total Revenue	<u>\$162,431</u>	<u>\$150,702</u>	<u>\$139,459</u>	<u>\$134,547</u>	<u>\$146,721</u>	<u>10.7%</u>	<u>7.8%</u>
Pretax Income ^(a)	<u>\$ 40,178</u>	<u>\$ 39,052</u>	<u>\$ 30,630</u>	<u>\$ 31,324</u>	<u>\$ 42,549</u>	<u>(5.6)%</u>	<u>2.9%</u>
Pretax Margin ^(b)	<u>24.7%</u>	<u>25.9%</u>	<u>22.0%</u>	<u>23.3%</u>	<u>29.0%</u>	<u>(4.3)</u>	<u>(1.2)</u>

(a) Income before income taxes and minority interest expense

(b) Margin comparisons reflect percentage point changes only

Mortgage Information Highlights

Mortgage Highlights

- **Improvement in Default Businesses relating to ongoing restructuring activities**
- **Continued efficiency improvements from leveraging offshore operations**
- **Introduced a new product - Taxview**
 - **Assists clients in managing their in-house property tax functions**
- **Introduced a new service – Subordinate Lien Outsourcing**
 - **Assists clients in mitigating risks related to losses in 2nd lien portfolios**

Mortgage Information Highlights

(\$ in thousands)

	<u>3Q 2006</u>	<u>2Q 2006</u>	<u>1Q 2006</u>	<u>4Q 2005</u>	<u>3Q 2005</u>	<u>3Q 2006 3Q 2005 Variance</u>	<u>3Q 2006 2Q 2006 Variance</u>
Total Revenue							
Tax & Flood	\$99,191	\$109,422	\$105,717	\$110,112	\$118,694	(16.4)%	(9.4)%
Default & Other	30,755	29,690	30,422	32,660	34,922	(11.9)%	3.6%
Total Revenue	\$129,946	\$139,112	\$136,139	\$142,772	\$153,616	(15.4)%	(6.6)%
Pretax income (a)	\$28,496	\$ 33,746	\$ 29,589	\$ 34,274	\$ 34,744	(18.0)%	(15.6)%
Pretax margin (b)	21.9%	24.3%	21.7%	24.0%	22.6%	(0.7)	(2.4)
Loans under tax service (c)	27,188	27,097	27,020	27,117	26,908	1.0%	0.3%
Flood certifications (d)	3,596	3,971	3,640	3,515	4,192	(14.2)%	(9.4)%

(a) Income before income taxes and minority interest expense

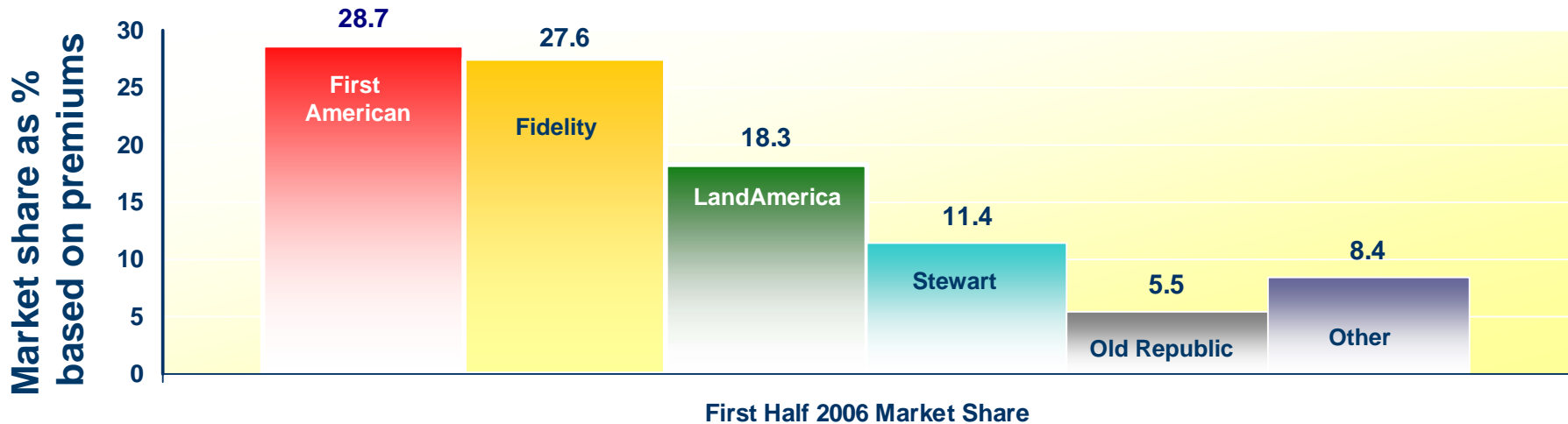
(b) Pretax income divided by total revenue

(c) Current number of loans being monitored

(d) Flood certifications ordered per quarter

Title Insurance Highlights

- According to data released by the American Land Title Association (ALTA) First American achieved a 28.7% market share in the first half of 2006, the highest in the industry



* Source American Land Title Association (ALTA)

Title Insurance Results

(\$ in millions)	<u>3Q 2006</u>	<u>2Q 2006</u>	<u>1Q 2006</u>	<u>4Q 2005</u>	<u>3Q 2005</u>	<u>3Q 2006- 3Q 2005 Variance</u>	<u>3Q 2006- 2Q 2006 Variance</u>
Title Insurance and Services							
Revenues	\$1,596	\$1,603	\$1,464	\$1,664	\$1,618	(1.4)%	(0.4)%
Pretax Income (a)	\$ 121	\$ 15 ^(c)	\$ 77	\$ 115	\$ 180	(33.1)%	706.7%
Pretax Margin (b)	7.6%	0.9% ^(c)	5.3%	6.9%	11.2%	(3.5)	6.7
Title orders opened	625,200	663,600	589,200	560,200	725,000	(13.8)%	(5.8)%
Title orders closed	473,300	484,700	426,000	470,800	555,600	(14.8)%	(2.4)%

(a) Income before income taxes and minority interest expense

(b) Pretax income divided by total revenue

(c) Adjusted to exclude \$31 million of regulatory/litigation expenses in Q2 2006. Including these expenses, the title insurance segment's pre-tax loss was \$16 million and pre-tax margin was (1.0)%

Title Insurance Results^(a)

(\$ in millions)

	<u>3Q 2006</u>	<u>3Q 2005</u>	<u>2Q 2006</u>	<u>3Q 2006- 3Q 2005 Variance</u>	<u>3Q 2006- 2Q 2006 Variance</u>
Revenues					
Net revenues ^(b)	\$ 973	\$ 1,011	\$ 1,005	(3.8)%	(3.2)%
Pretax income before loss provision as % of net revenues	21.1% ^(c)	25.7%	25.0%	(4.6)	(3.9)

(a) Results for the Title Insurance and Services segment

(b) Net revenues consist of direct, net agency (agency minus agent retention) and investment income

(c) Adjusted to exclude \$31 million of regulatory/litigation expenses

Title Insurance Highlights

- First American's Commercial Title operations^(a) continue to experience strong orders

(\$ in millions)

	<u>3Q 2006</u>	<u>3Q 2005</u>	<u>% Change</u>
Commercial Title			
Total revenues	\$ 107	\$ 107	-%
Title orders opened	17,637	19,023	(7.3)%
Title orders closed	8,773	11,020	(20.4)%
	<u>YTD 2006</u>	<u>YTD 2005</u>	<u>% Change</u>
Total revenues	\$ 311	\$ 272	14.3%
Title orders opened	53,886	59,868	(10.0)%
Title orders closed	28,282	30,036	(5.8)%

(a) Represents the Company's National Commercial Services (NCS) group. Does not include commercial title orders generated from the Company's direct operations.

Specialty Insurance Highlights

- **Total revenues in 3Q 2006 increased 5.4% over 3Q 2005 to \$83.1 million**
- **Pretax profits in 3Q 2006 increased 13.1% from 3Q 2005 to \$14.5 million**
- **Both P&C and Home Warranty remain very profitable with combined ratios of 78% and 88%, respectively**

Adjustments to Second Quarter 2006 Financial Results

(\$ in millions)

	Net Income Before Income Taxes and Minority Interests	Net Income
Previously Reported 2nd Quarter Financial Results	\$ 220.7	\$ 114.7
Adjustments related to:		
Increase in the provision for title losses	(155.0)	(99.2)
Reduction of salaries and other personnel costs	15.9	9.1
Increase in litigation reserves	(8.5)	(4.9)
Total Adjustments	<u>\$ (147.6)</u>	<u>\$ (95.0)</u>
Adjusted 2nd Quarter Financial Results	<u>\$ 73.1</u>	<u>\$ 19.7</u>

Adjustments to Second Quarter 2006 Financial Results

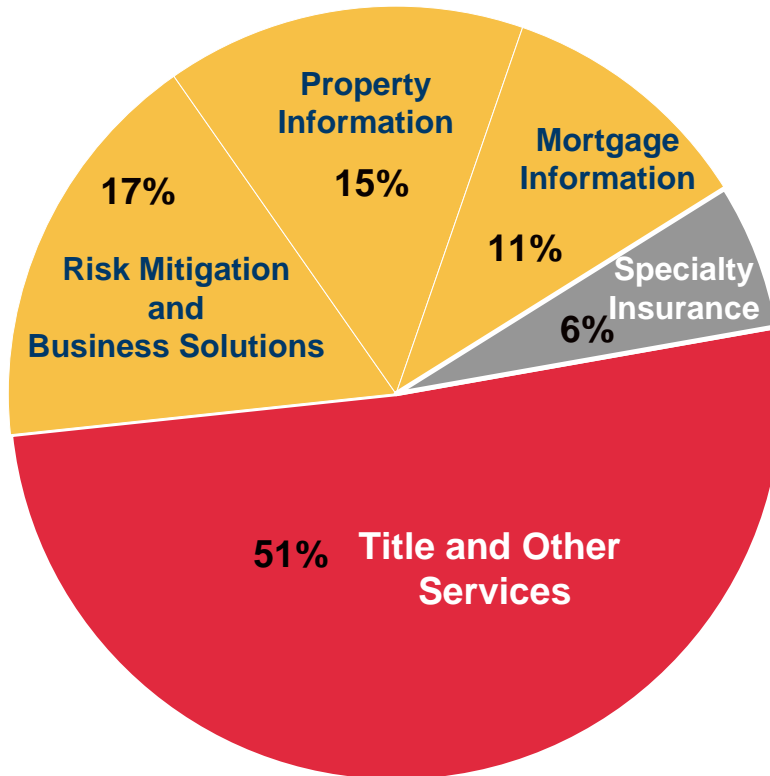
Discussion of increase in the provision for title losses and other claims

- Management analyzes historical claims experience and current trends that impact future claims development but are not fully reflected in historical claims experience or actuarial models
- Given that recent actual claim experience has exceeded previous expectations of claim experience, management placed a greater weight on the single point estimate produced by the actuarial analysis and less weight on current trends that may impact future claims development

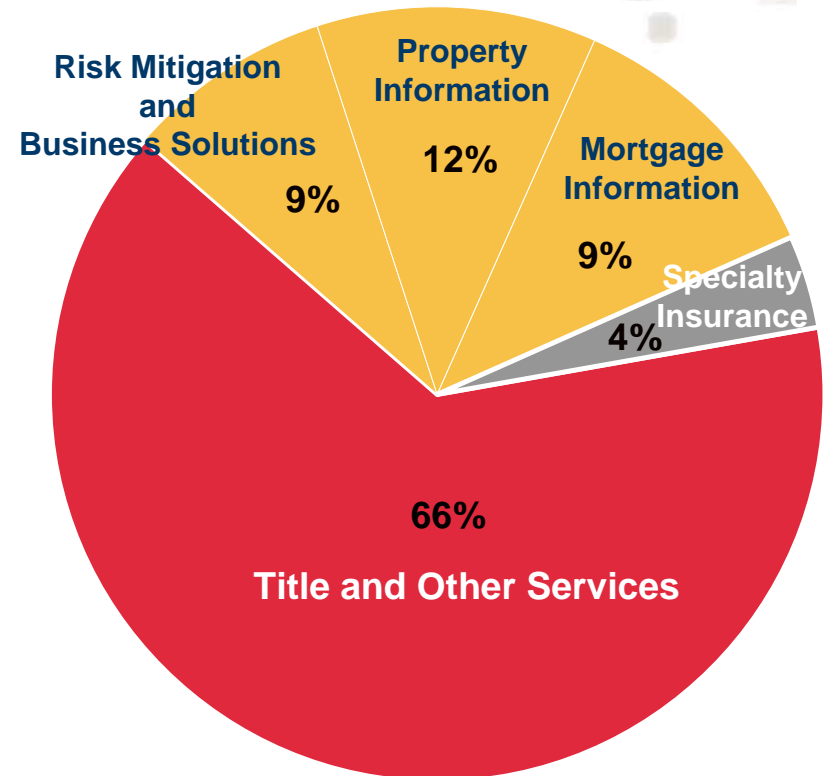
Third Quarter Review

- Pretax income^(a) comparison

Q3 2006



Q3 2005



(a) Pretax income after minority interest expense and allocation of all corporate expenses by net revenue

Third Quarter Review

EBITDA By Segment

	<u>3Q 2006</u>	<u>3Q 2005</u>	<u>% Change</u>	<u>YTD 2006</u>	<u>YTD 2005</u>	<u>% Change</u>
(\$ in thousands)						
Title and Other Services	\$121,956	\$191,432	(36.3)%	\$200,871	\$450,785	(55.4)%
Specialty Insurance	12,063	11,853	1.8%	35,976	31,561	14.0%
Mortgage Information	23,488	29,277	(19.8)%	77,949	94,927	(17.9)%
Property Information	36,794	39,521	(6.9)%	105,188	110,548	(4.8)%
Risk Management and Business Solutions	<u>42,248</u>	<u>31,656</u>	<u>33.5%</u>	<u>116,363</u>	<u>85,750</u>	<u>35.7%</u>
Total EBITDA ^(a)	<u><u>\$236,549</u></u>	<u><u>\$303,739</u></u>	<u><u>(22.1)%</u></u>	<u><u>\$536,346</u></u>	<u><u>\$773,571</u></u>	<u><u>(30.7)%</u></u>

(a) EBITDA after minority interest expense and allocation of all corporate overhead by net revenue

Capital Management

- **Total stockholders' equity of \$3.2 billion, or \$32.91 per share at September 30, 2006 (\$36.67 per share with FADV shares valued at market^(a))**
- **EBITDA in the third quarter was \$236.5 million, a decrease of 22.1% from the comparable period last year**
- **Return on average equity was 12.6% for the third quarter of 2006**
- **Strong free cash flows from operations**
- **Repurchased 277,900 shares for \$10.3 million in the third quarter (ranging from \$36.71 to \$37.63 per share)**
- **Future efficiencies will be realized through the centralization of certain corporate treasury functions**

(a) Using FADV closing stock price as of September 30, 2006

Balance Sheet Data

(\$ in millions)	As of September 30, 2006 (Estimated)	As of Dec 31, 2005
Cash and Equivalents	\$1,273	\$1,561
Investments	\$1,836	\$1,632
Loss Reserves	\$ 921	\$ 671
Notes and Contracts Payable	\$ 890	\$ 849
Trust Preferred	\$ 100	\$ 100
Minority Interest	\$ 497	\$ 460
Stockholders' Equity	\$3,159	\$3,007
Total Capitalization	\$4,646	\$4,416
Debt/Total Capitalization	21.3%	21.5%

Outlook

- **Focus will be on sales of higher margin products**
- **Non-real estate-related products (many FADV products, specialty insurance and trust) are showing reasonable growth**
- **Margin contribution from recent acquisitions (United General and LoanPerformance) is expected to improve in the last quarter 2006**
- **Expense management, offshoring initiatives and centralization of corporate activities will be major focuses in the last quarter of 2006**

Appendix

Allocation of Corporate Expenses

(\$ in thousands)

	<u>3Q 2006</u>	<u>3Q 2005</u>	<u>YTD 2006</u>	<u>YTD 2005</u>
Incremental Corporate Expense				
Allocation to:				
Title Insurance and Other Services				
SERP/option expense	\$ 5,204	\$ 3,040	\$ 15,611	\$ 9,120
FAF management fee	9,255	9,698	27,097	25,775
Other	1,798	2,217	7,166	5,934
	<u>16,257</u>	<u>14,955</u>	<u>49,874</u>	<u>40,829</u>
Specialty Insurance				
SERP/option expense	87	59	260	176
FAF management fee	785	747	2,303	1,990
	<u>872</u>	<u>806</u>	<u>2,563</u>	<u>2,166</u>
Mortgage Information				
SERP/option expense	574	188	1,707	565
FAF management fee	—	—	—	—
	<u>574</u>	<u>188</u>	<u>1,707</u>	<u>565</u>

Allocation of Corporate Expenses

(\$ in thousands)

	<u>3Q 2006</u>	<u>3Q 2005</u>	<u>YTD 2006</u>	<u>YTD 2005</u>
Incremental corporate expense				
Allocation to:				
Property Information				
SERP/option expense	356	127	1,090	447
FAF management fee	—	—	—	—
	<u>356</u>	<u>127</u>	<u>1,090</u>	<u>447</u>
Risk Mitigation and Business Solutions				
SERP/option expense	—	127	—	381
FAF management fee	—	—	—	—
	<u>—</u>	<u>127</u>	<u>—</u>	<u>381</u>
Total Incremental allocation of corporate expenses	18,060	16,203	55,234	44,388
Corporate expenses before incremental allocations	<u>62,789</u>	<u>37,946</u>	<u>165,265</u>	<u>111,657</u>
Corporate expenses as adjusted	<u><u>\$ 44,729</u></u>	<u><u>\$ 21,743</u></u>	<u><u>\$ 110,031</u></u>	<u><u>\$ 67,269</u></u>

Reconciliation of EBITDA to Income before Income Taxes and Minority Interests 3Q 2006

(\$ in thousands)	Title	Specialty	Mortgage	Property	Risk Mit.	Corporate	Consolidated
Income before income taxes and minority interests	\$121,138	\$14,475	\$28,496	\$40,178	\$31,534	\$(44,729)	\$191,092
Add back							
Interest expense	6,296	254	(1,329)	617	3,570	7,756	17,164
Depreciation & amortization	20,763	453	4,977	10,420	9,640	5,603	51,856
Deduct							
Allocation of corporate overhead	22,634	1,934	3,023	3,779	—	(31,370)	—
Minority interest	3,607	1,185	5,633	10,642	2,496	—	23,563
EBITDA	\$121,956	\$12,063	\$23,488	\$36,794	\$42,248	—	\$236,549

Reconciliation of EBITDA to Income before Income Taxes and Minority Interests YTD 2006

(\$ in thousands)	Title	Specialty	Mortgage	Property	Risk Mit.	Corporate	Consolidated
Income before income taxes and minority interests	\$182,411	\$41,321	\$91,831	\$109,860	\$86,483	\$(110,031)	\$401,875
Add back							
Interest expense	18,333	785	(3,647)	1,808	10,062	22,052	49,393
Depreciation & amortization	57,570	1,462	16,252	29,369	28,323	17,538	150,514
Deduct							
Allocation of corporate overhead	50,777	4,347	7,235	8,082	—	(70,441)	—
Minority interest	6,667	3,245	19,252	27,767	8,505	—	65,436
EBITDA	<u>\$200,870</u>	<u>\$35,976</u>	<u>\$77,949</u>	<u>\$105,188</u>	<u>\$116,363</u>	<u>\$ —</u>	<u>\$536,346</u>

Reconciliation of EBITDA to Income before Income Taxes and Minority Interests 3Q 2005

(\$ in thousands)	Title	Specialty	Mortgage	Property	Risk Mit.	Corporate	Consolidated
Income before income taxes and minority interests	\$180,595	\$12,799	\$34,744	\$42,549	\$26,417	\$(21,743)	\$275,361
Add back							
Interest expense	7,073	269	(1,119)	493	2,076	6,676	15,468
Depreciation & amortization	14,907	573	5,815	7,355	7,135	2,264	38,049
Deduct							
Allocation of corporate overhead	9,311	726	1,415	1,351	—	(12,803)	—
Minority interest	1,832	1,062	8,748	9,525	3,972	—	25,139
EBITDA	<u>\$191,432</u>	<u>\$11,853</u>	<u>\$29,277</u>	<u>\$39,521</u>	<u>\$31,656</u>	<u>\$ —</u>	<u>\$303,739</u>

Reconciliation of EBITDA to Income before Income Taxes and Minority Interests YTD 2005

(\$ in thousands)	Title	Specialty	Mortgage	Property	Risk Mit.	Corporate	Consolidated
Income before income taxes and minority interests	\$426,661	\$34,297	\$106,593	\$119,841	\$74,500	\$(67,269)	\$694,623
Add back							
Interest expense	14,801	813	(1,538)	1,506	4,115	19,499	39,196
Depreciation & amortization	43,049	1,670	18,214	20,970	18,950	8,145	110,998
Deduct							
Allocation of corporate overhead	28,329	2,221	4,753	4,322	—	(39,625)	—
Minority interest	5,397	2,998	23,589	27,447	11,815	—	71,246
EBITDA	<u>\$450,785</u>	<u>\$31,561</u>	<u>\$94,927</u>	<u>\$110,548</u>	<u>\$85,750</u>	<u>\$ —</u>	<u>\$773,571</u>

Reconciliation of Income Before Income Taxes and Minority Interest to Pretax Profit after Corporate Allocations and Minority Interests Q3 2006

(\$ in thousands)	Title	Specialty	Mortgage	Property	Risk Mit.	Corporate	Consolidated
Income before income taxes and minority interests	\$121,138	\$14,475	\$28,496	\$40,178	\$31,534	\$(44,729)	\$191,092
Deduct:							
Allocation of corporate overhead	32,273	2,757	4,311	5,388	—	(44,729)	—
Minority Interest	3,607	1,185	5,633	10,642	2,496	—	23,563
Pre-tax after corporate allocation and minority interest expense	<u>\$85,258</u>	<u>\$10,533</u>	<u>\$18,552</u>	<u>\$24,148</u>	<u>\$29,038</u>	<u>\$ —</u>	<u>\$167,529</u>
As a % of the total	<u>51%</u>	<u>6%</u>	<u>11%</u>	<u>15%</u>	<u>17%</u>	<u>—</u>	<u>100%</u>

Reconciliation of Income Before Income Taxes and Minority Interest to Pretax Profit after Corporate Allocations and Minority Interests Q3 2005

(\$ in thousands)	Title	Specialty	Mortgage	Property	Risk Mit.	Corporate	Consolidated
Income before income taxes and minority interests	\$180,595	\$12,799	\$34,744	\$42,549	\$26,417	\$(21,743)	\$275,361
Deduct :							
Allocation of corporate overhead	15,544	1,219	2,608	2,372	—	(21,743)	—
Minority Interest	1,832	1,062	8,748	9,525	3,972	—	25,139
Pre-tax after corporate allocation and minority interest expense	<u>\$163,219</u>	<u>\$10,518</u>	<u>\$23,388</u>	<u>\$30,652</u>	<u>\$22,445</u>	<u>\$ —</u>	<u>\$250,222</u>
As a % of the total	<u>66%</u>	<u>4%</u>	<u>9%</u>	<u>12%</u>	<u>9%</u>	<u>—</u>	<u>100%</u>

Reconciliation of Title Net Revenues to Gross Revenues and Title Expenses Excluding Agent Retention and Total Title Expenses

(\$ in millions)	<u>3Q 2006</u>	<u>3Q 2005</u>	<u>2Q 2006</u>
Title revenues	\$ 1,596	\$1,618	\$ 1,603
Less agent retention	623	607	598
Net revenues	\$ 973	\$1,011	\$ 1,005
Title expenses	\$ 1,475	\$ 1,438	\$1,619
Less agent retention	623	607	598
Less regulatory and litigation charges	—	—	31
Net expenses	\$ 852	\$ 831	\$ 990

Disclosure

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