



# The PMI Group, Inc.

May 2007



# Forward-Looking Statement

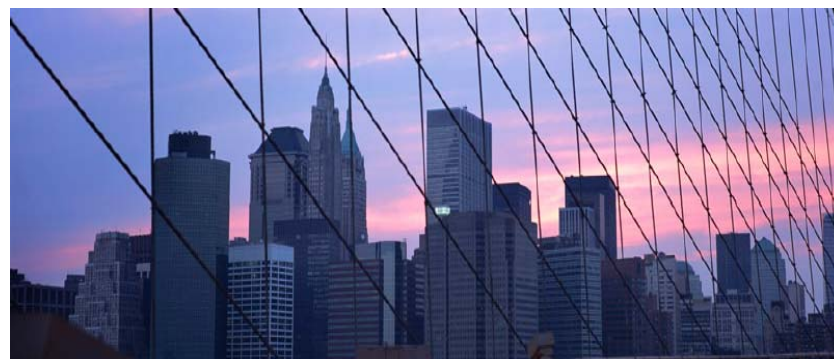
**FORWARD-LOOKING STATEMENTS:** Statements in this presentation and oral statements made at this conference that are not historical facts or that relate to future plans, events or performance are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include our expectations with respect to: future economic and mortgage market conditions in the United States and other areas of the world in which we conduct business; our current and future strategy, including our planned new venture, PMI Canada; our 2006 guidance with respect to US MI's losses incurred and expense ratio and future U.S. mortgage insurance trends. Many factors could cause actual results and developments to differ materially from those expressed or implied by forward-looking statements, including, among others, conditions affecting the mortgage insurance and financial guaranty industries, general economic conditions, and regulatory and legislative developments in the US, Europe and Australia, including the continued implementation of Basel II bank capital directives. In particular, changes in housing values, unemployment rates, interest rates, refinancing activity and the use of alternatives to mortgage insurance could affect the demand for mortgage insurance and/or cause claims on policies issued to increase. Our future strategy and various new ventures may be subject to a number of risks, including: the need for regulatory, rating agency and other third party approvals; challenges in attracting and retaining key employees; unexpected changes in foreign regulations and laws; and the need to successfully develop and market products appropriate to the new market. Accordingly, there can be no assurance that new ventures and further geographic diversification will be achieved or that such ventures will achieve profitability. Slower than anticipated growth by FGIC could cause our investment in FGIC not to produce the equity earnings expected. Other risks and uncertainties are discussed in our SEC filings, including our Form 10-K for the year ended December 31, 2006 and Form 10-Q for the quarter ended March 31, 2007. We undertake no obligation to update forward-looking statements, except as required by law.

# The PMI Group, Inc.

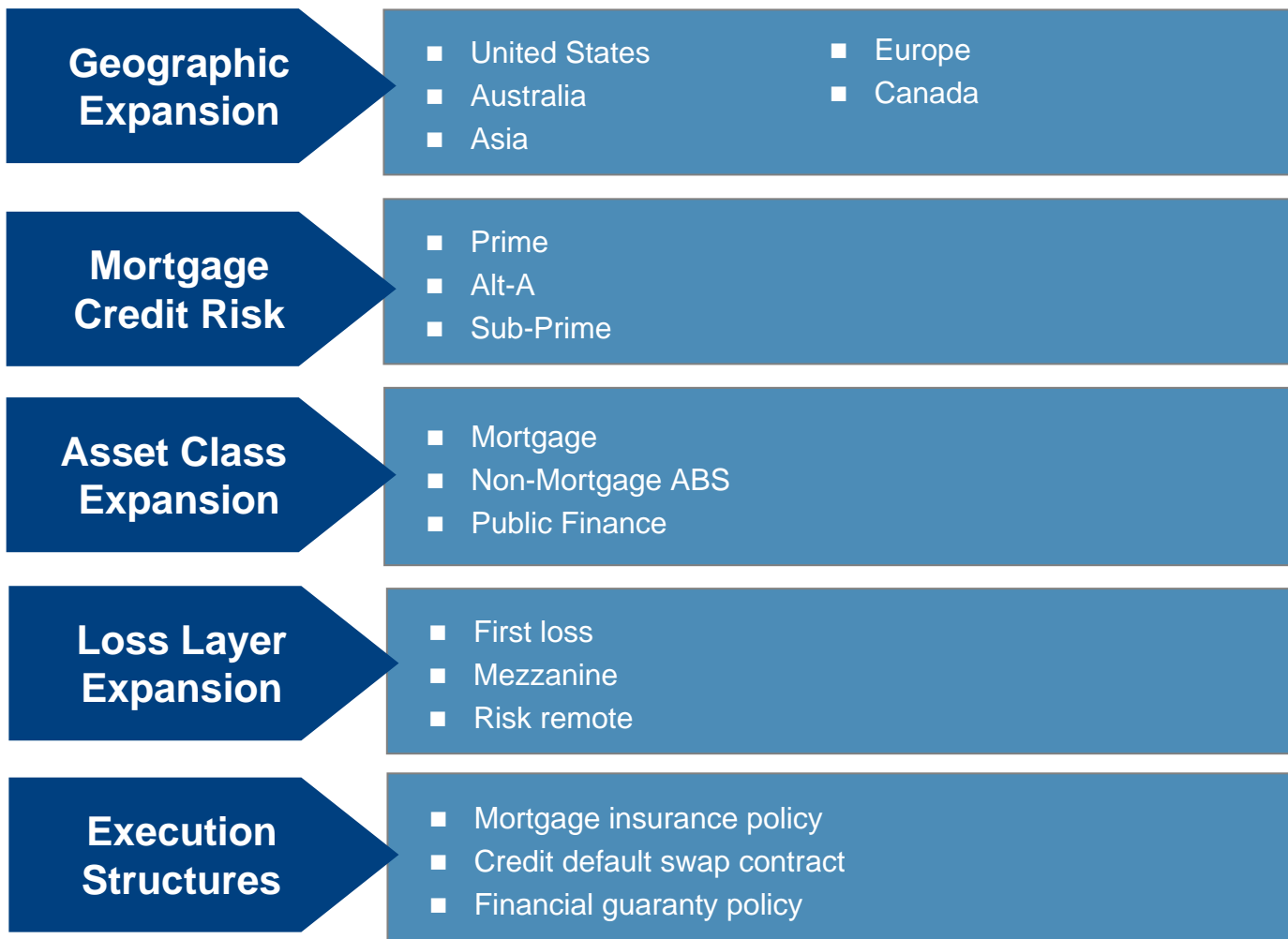
For over 35 years PMI has combined its risk management expertise and financial strength to serve the evolving needs of the financial markets.

PMI provides insurance, guarantees and reinsurance for residential mortgages and securities, public finance obligations and asset-backed securities around the world.

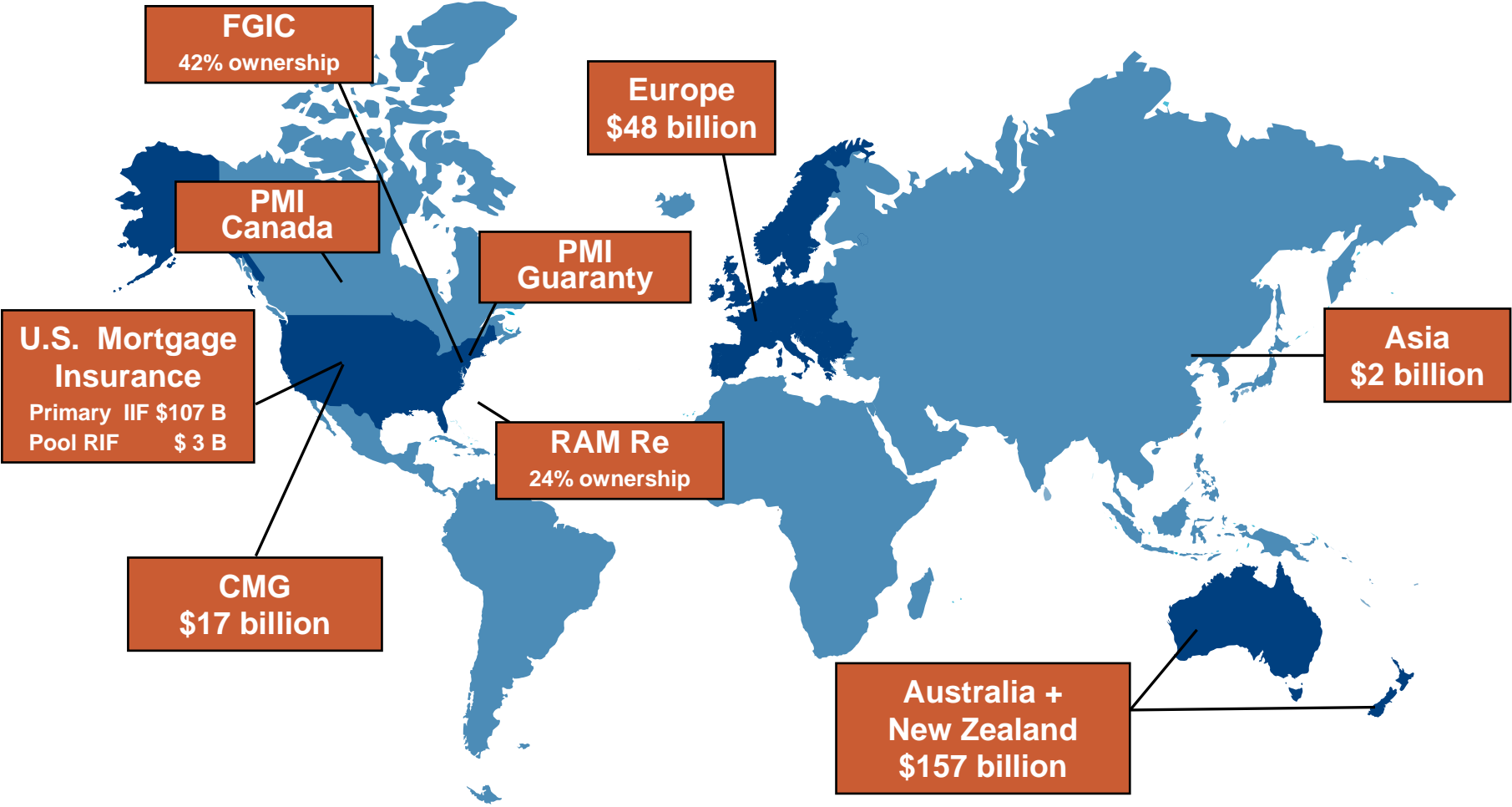
Our vision is to be the premier global provider of financial products that reduce risks, lower costs, and expand market access for our customers.



# Full Spectrum Capabilities



# PMI's Global Footprint



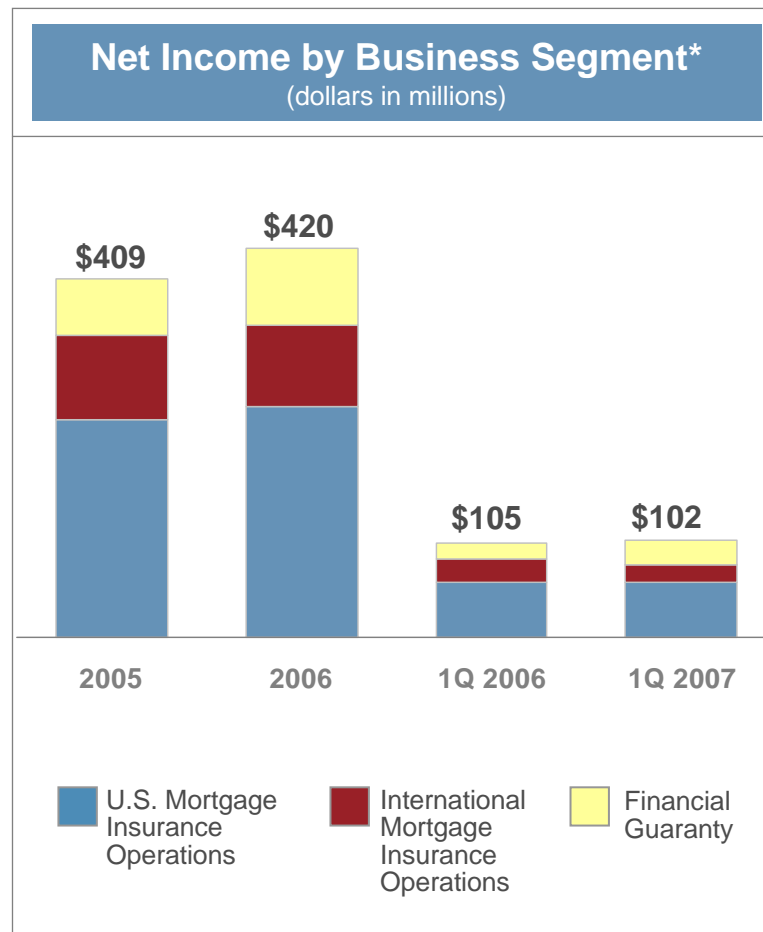
As of March 31, 2007



# Segment Net Income

Complementary business segments provide growth and balance

- U.S. Mortgage Insurance Operations is a core business with opportunities for growth
- International Mortgage Insurance Operations is expanding and building new markets
- Financial Guaranty is expanding its business scope with stronger returns

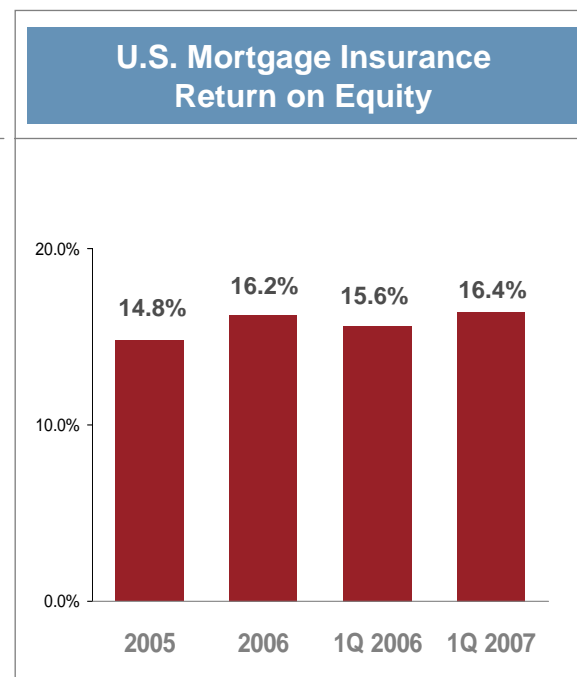
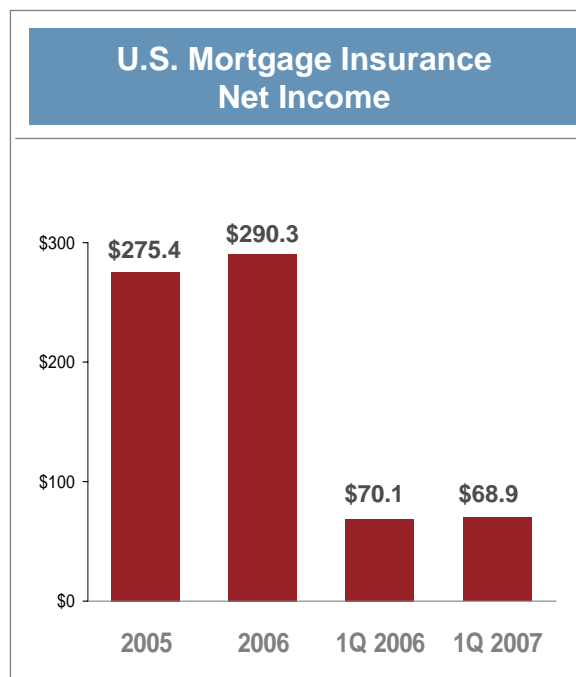
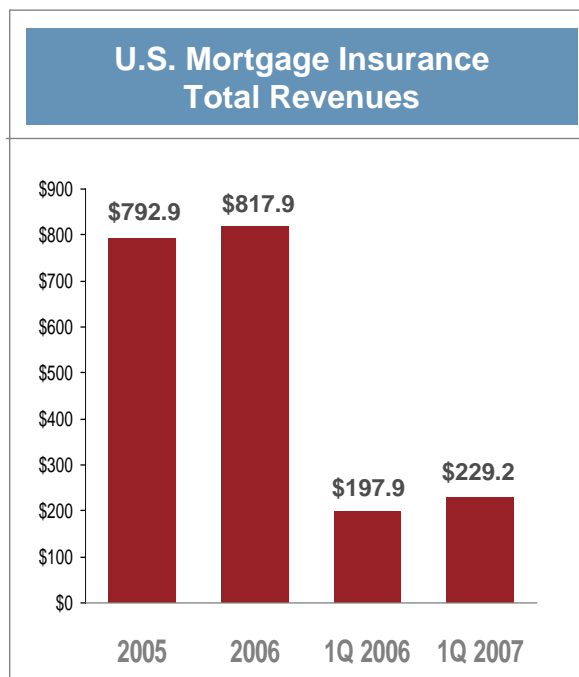


\*Chart columns exclude Corporate and Other business segment

# U.S. Mortgage Insurance

Core business generates attractive financial returns for The PMI Group:

- Consistent growth in total revenues and net income
- Generating attractive return on equity
- Total dividends to The PMI Group of over \$1 billion since 2003



(Dollar's in millions)

# Insurance in Force

Strong customer demand for our products:

- Increased recognition of risk
- Decline in simultaneous seconds

Strong year over year growth in new insurance written in the first quarter of 2007:

- Primary flow NIW of \$7.5 B. vs. \$5 B.
- Primary structured transactions NIW of \$3.4 B. vs. \$3.0 B.
- Pool new risk written of \$2.9 B. vs. \$2.1 B.



# Enhanced Premiums

Flow premium yield is driven by:

- Shift to deeper coverage
- Larger loan sizes

Structured premium yield is driven by:

- Strong demand for product
- Diminished competition from alternative executions

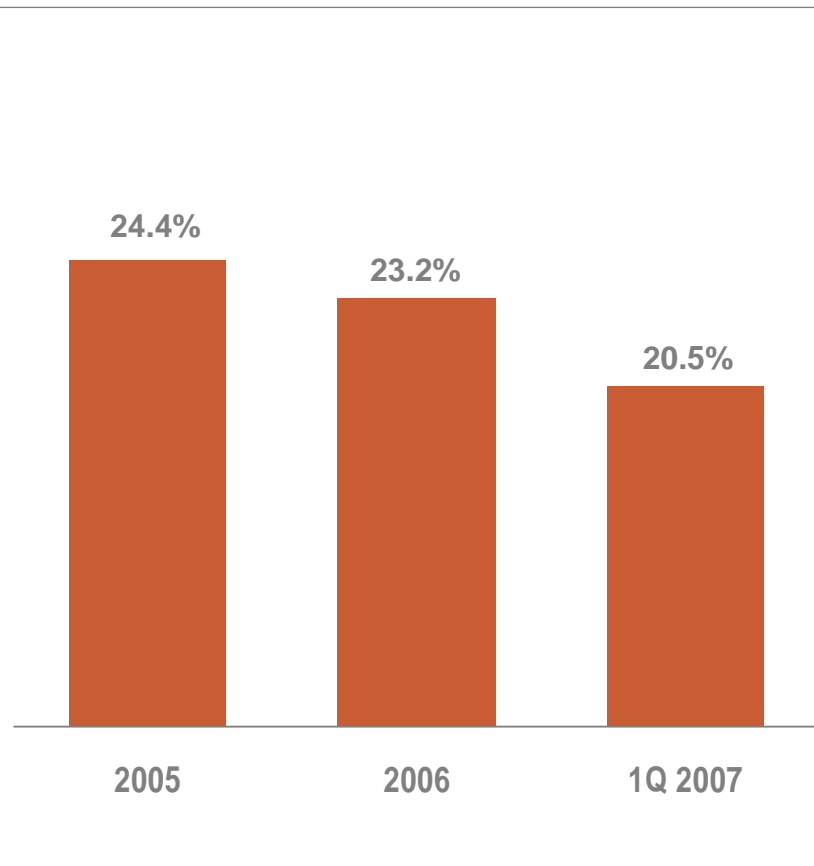


# Operating Efficiency

Reengineered flow channel to:

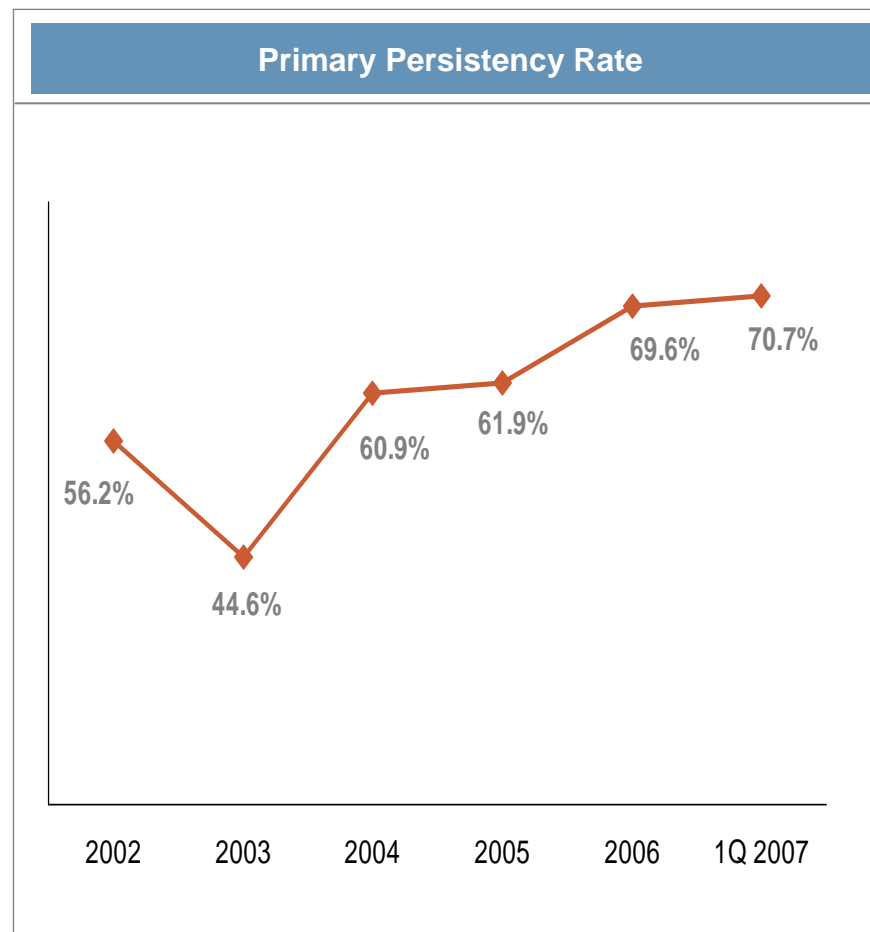
- Improve customer turn-around time through extensive use of document imaging and related e-commerce solutions
- Reduce field sales offices to 4 in 2006 from 18 in 2004
- Reduced expectation for expense ratio in 2007 to between 20% and 23%

## U.S. Mortgage Insurance Operations Expense Ratio



# Improving Persistency

- Persistency continues to improve and drive growth in primary insurance in force



# Credit Risk Management: PMI's Core Competency

## Economy

- National economy shows continued moderate growth
- Employment remains strong in most markets

## Product Diversification

- High quality book of insured loans
- Primarily first time home buyers with modest loan size
- Low percentage in interest only and payment option ARMs

## Geographic Diversification

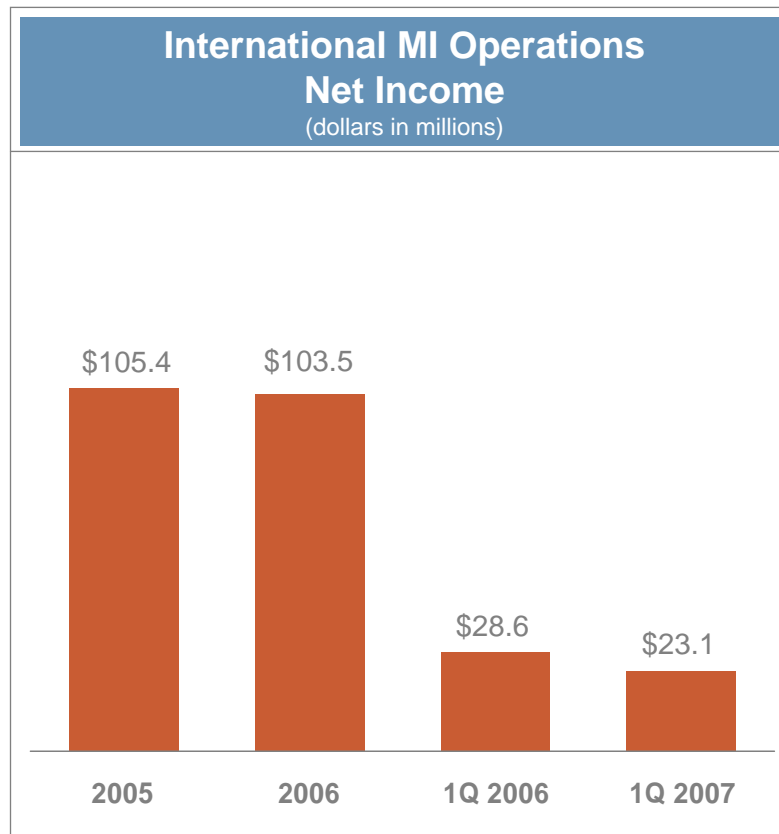
- Portfolio is well diversified throughout the U.S.

## Credit Performance

- Credit is performing within our expectations
- Total incurred losses in 2006 were \$263 million, consistent with guidance
- 2004 and earlier book years are past peak losses
- Expect total incurred losses in 2007 of between \$300 and \$360 million

# International Mortgage Insurance

- International MI operations have consistently been a strong net income contributor
- International markets offer continued opportunity for growth
  - Increasing home ownership rates
  - Capital markets developments
  - Regulatory acceptance



**PMI is building new markets and expanding globally as it seeks international growth opportunities**



## Business Highlights

- Strong growth in written premiums and net income
- Losses are trending towards more normal levels

## Market Trends

- Continued strong economic growth and employment
- Home price appreciation is moderating
- Changes to regulatory framework

## Strategy

- Position business to lead in flow and structured segments
- Stronger relationships with Top 4 lenders
- Development of products to fit new regulatory and capital regimes
- Exploration of new business ventures



Expanding our footprint in Europe with new operations and opportunities

## Business Highlights

- Strong business results since inception
- Continued leadership in innovative transactions
- New Italian flow customers and strong German pipeline
- Opened new offices in Belgium and Germany in 2006

## Market Trends

- EU's recognition of MI will increase demand
- Fitch Ratings and Moody's provide credit for mortgage insurance in MBS transactions
- Growth in High LTV lending across European Union

## Strategy

- Product development for new regulatory regimes
- Significant opportunities in structured, super senior and first loss transactions
- Developing opportunities with strategic partners



Strong performance in Hong Kong is leading to opportunities for expansion in other key Asian markets

## Business Highlights

- PMI is the leading provider of reinsurance to the Hong Kong Mortgage Corporation
- History of strong results in Hong Kong
- Restructuring of PMI Asia entity enhances our operational structure and improves tax efficiency

## Hong Kong Market Trends

- Increased High LTV lending to 95%
- Stable property prices
- Low unemployment rate
- Outstanding credit performance

## Strategy

- Develop market leading programs to expand home ownership
- Poised for capital markets opportunities
- Strong platform to enter other Asian markets, such as India



We are in the process of launching a Canadian mortgage insurance company

## Market Dynamics

- High rate of MI penetration
  - \$322 billion IIF at year-end 2005 (1/3 the size of the U.S.)
- MI market was formerly a closed duopoly
  - Main MI provider is CMHC, a government-owned entity
- Mortgage market dominated by 5 large banks

## Current Status

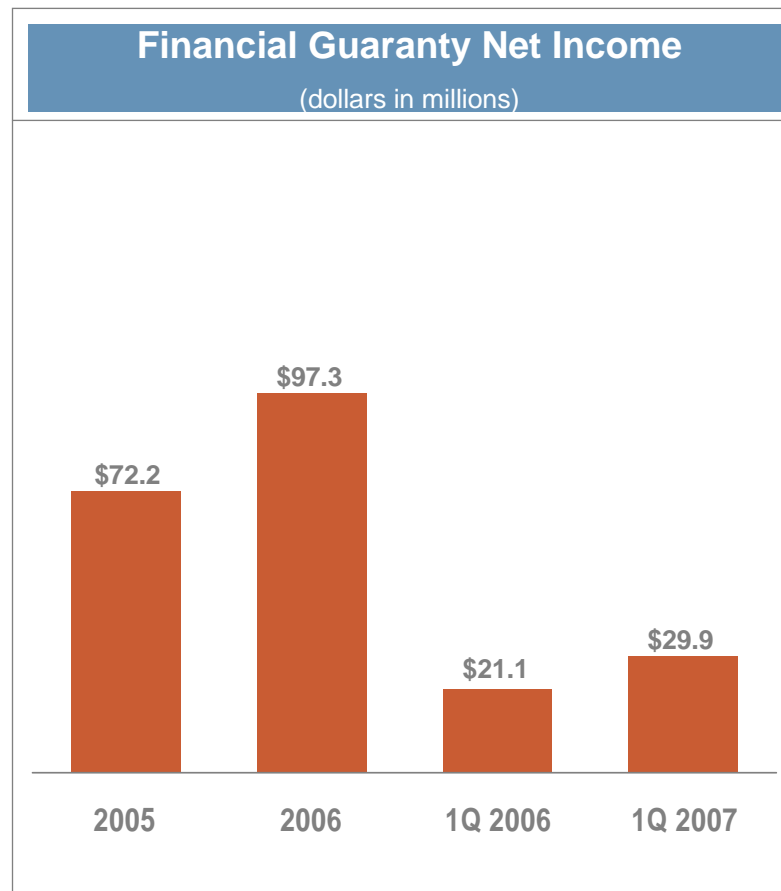
- Provincial licensing application and ratings pending
- Operations in development
- Expect to commence writing business in first half of 2007
- Strong leadership team and board being assembled

## PMI Canada Opportunities

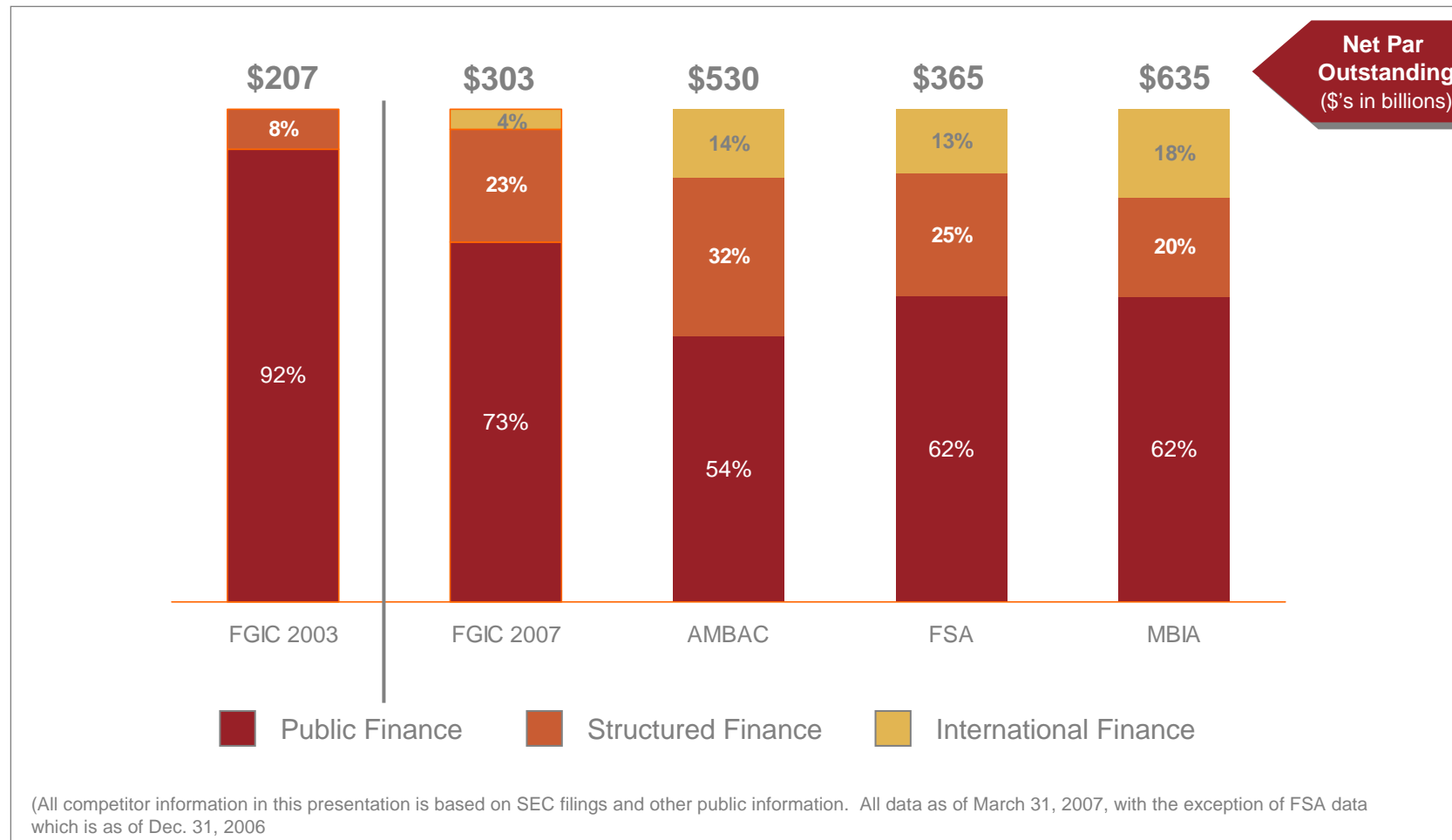
- Conforming/Non-conforming (Alt-A) mortgages
- Major banks, non-banks and credit unions
- Innovative products and services to major banks
- Growing broker channel and securitization opportunities

# Financial Guaranty

- Financial Guaranty Insurance Company (FGIC) continues to produce strong earnings, increased ROE, and adjusted gross premium growth
- RAM Re is growing as a public company
- PMI Guaranty is providing expanded product opportunities and enabling us to offer more comprehensive credit enhancement solutions to our customers



FGIC has a growing presence in profitable segments and continued capacity for growth

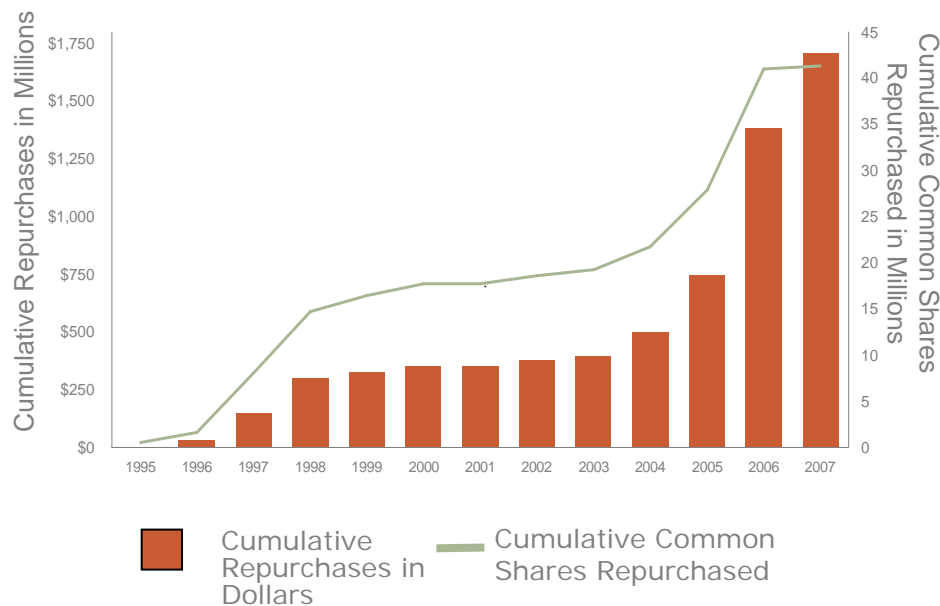


# Common Share Repurchases: \$1.4 billion – 41 million shares

The PMI Group has a 10-year history of returning excess capital to our shareholders

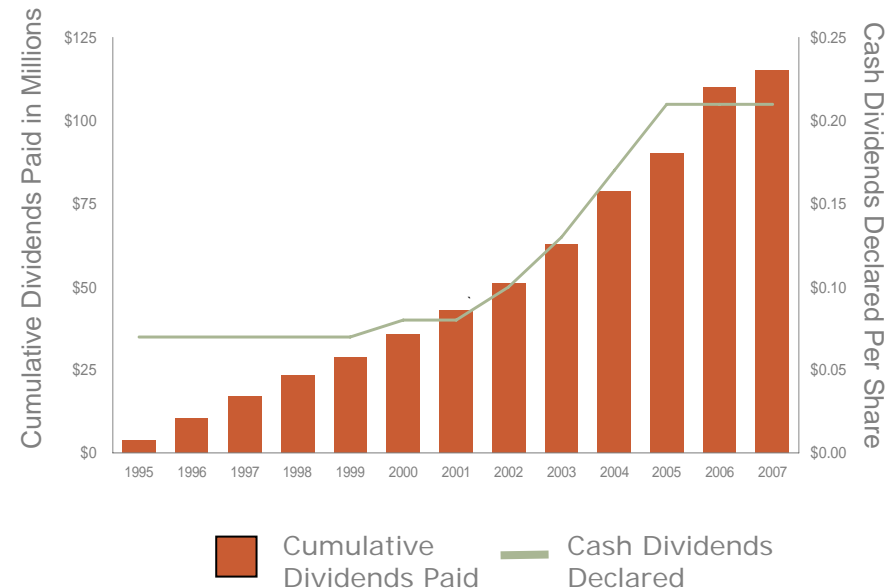
## Common Share Repurchases

- In 2006, repurchased 11.4 million common shares for \$535 million



## Shareholder Dividends

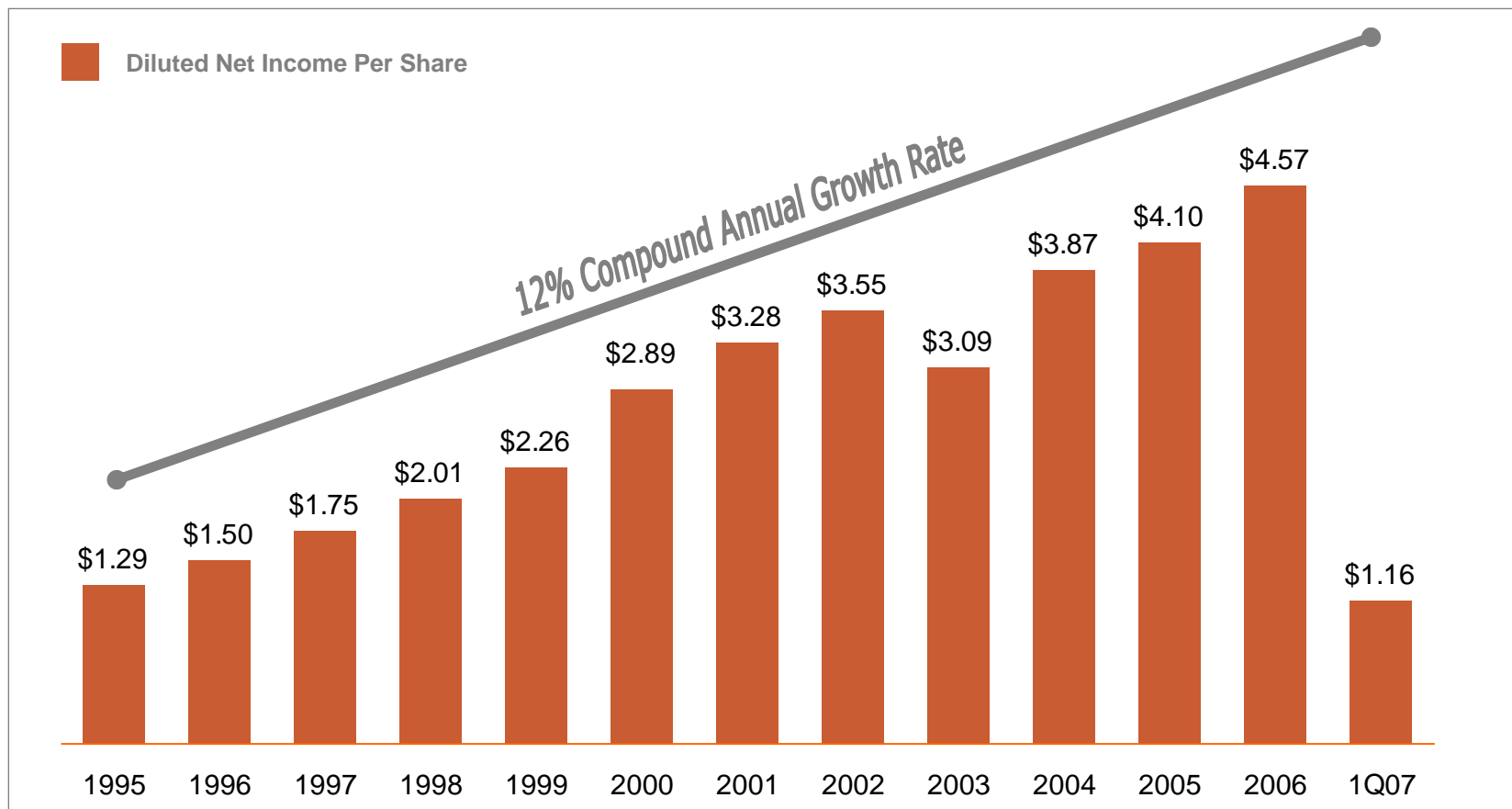
- Increasing cash dividends per share totaling approximately \$115 million



- Dollars in millions
- 2006 dividend and common share repurchase data through March 31, 2007 and including effect of accelerated share repurchase program

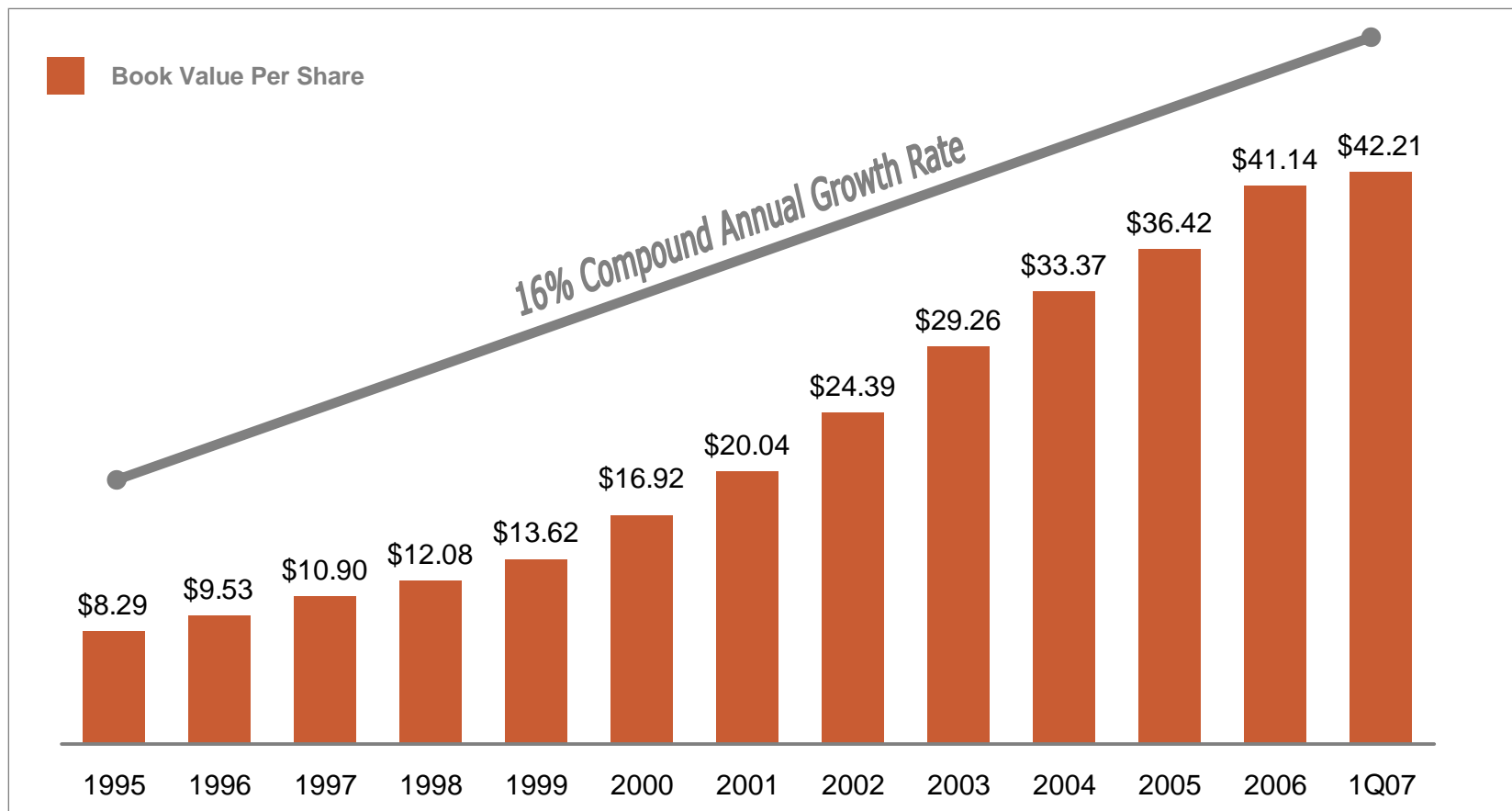
# Results – Growing Net Income Per Share

A strong history of growing net income



# Results – Growing Book Value

A strong history of building shareholder value



# Summary

- Favorable long term market trends
- Global expansion for credit enhancement solutions
- Solid financial and capital foundation
- Well positioned for continued success



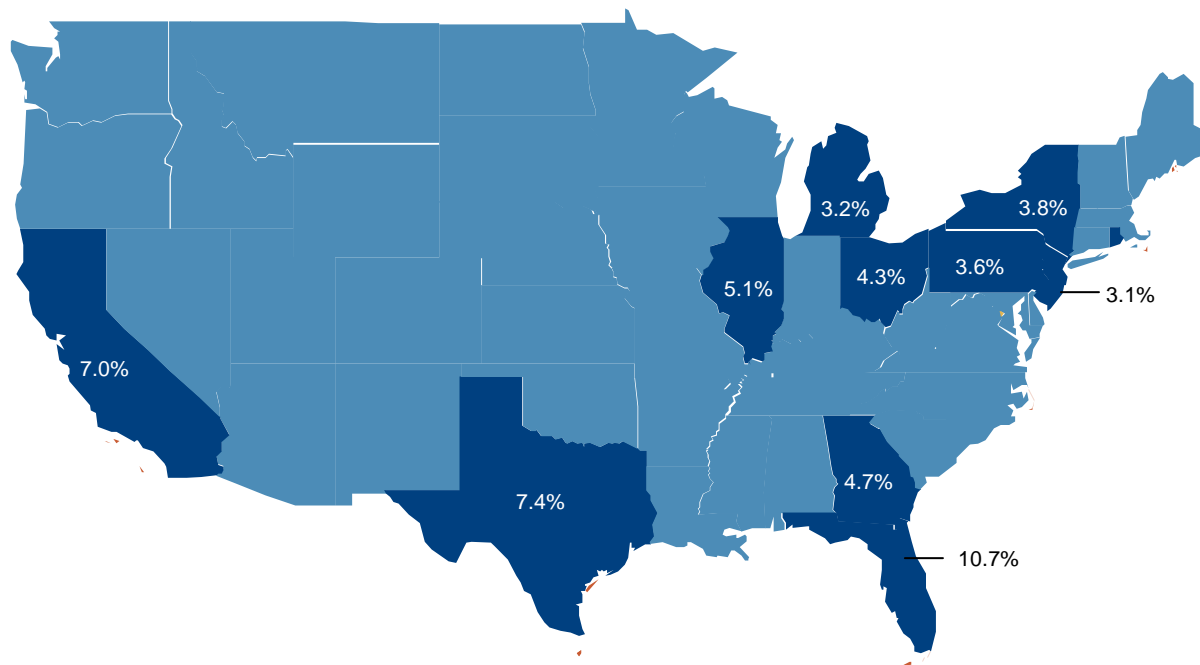
## **Portfolio Characteristics**

As of December 31, 2006

# U.S. Portfolio Geographic Distribution

## Top Ten States<sup>1</sup>

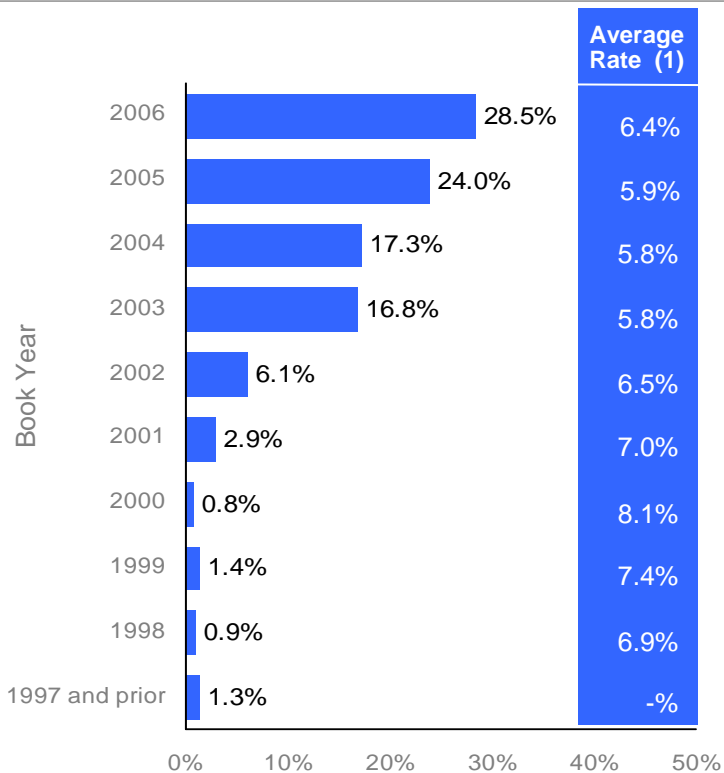
■ Florida	10.7%
■ Texas	7.4%
■ California	7.0%
■ Illinois	5.1%
■ Georgia	4.7%
■ Ohio	4.3%
■ New York	3.8%
■ Pennsylvania	3.6%
■ Michigan	3.2%
■ New Jersey	3.1%
Total:	52.9%



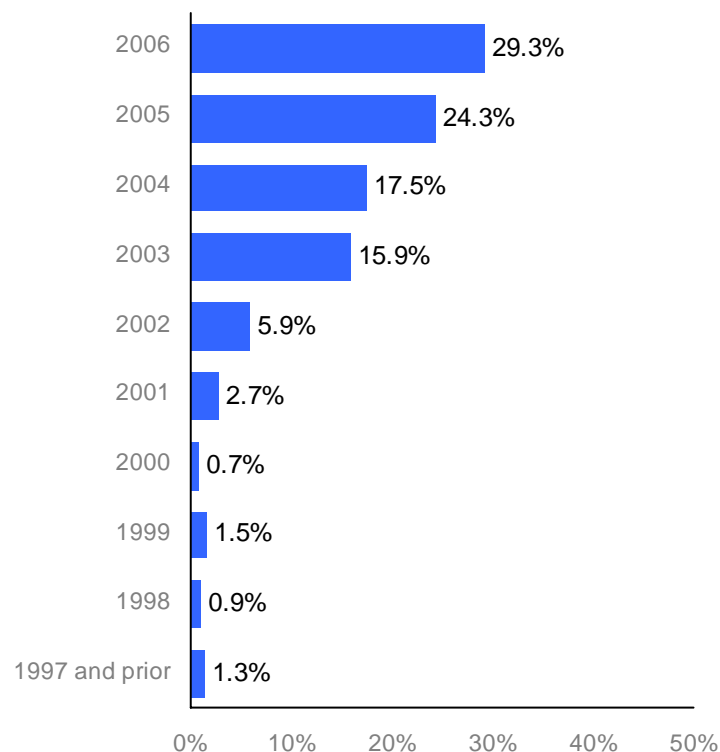
<sup>1</sup> Top ten states as determined by primary risk in force on December 31, 2006.

# U.S. Portfolio Age Distribution

## \$102.6 Billion Primary Insurance in Force



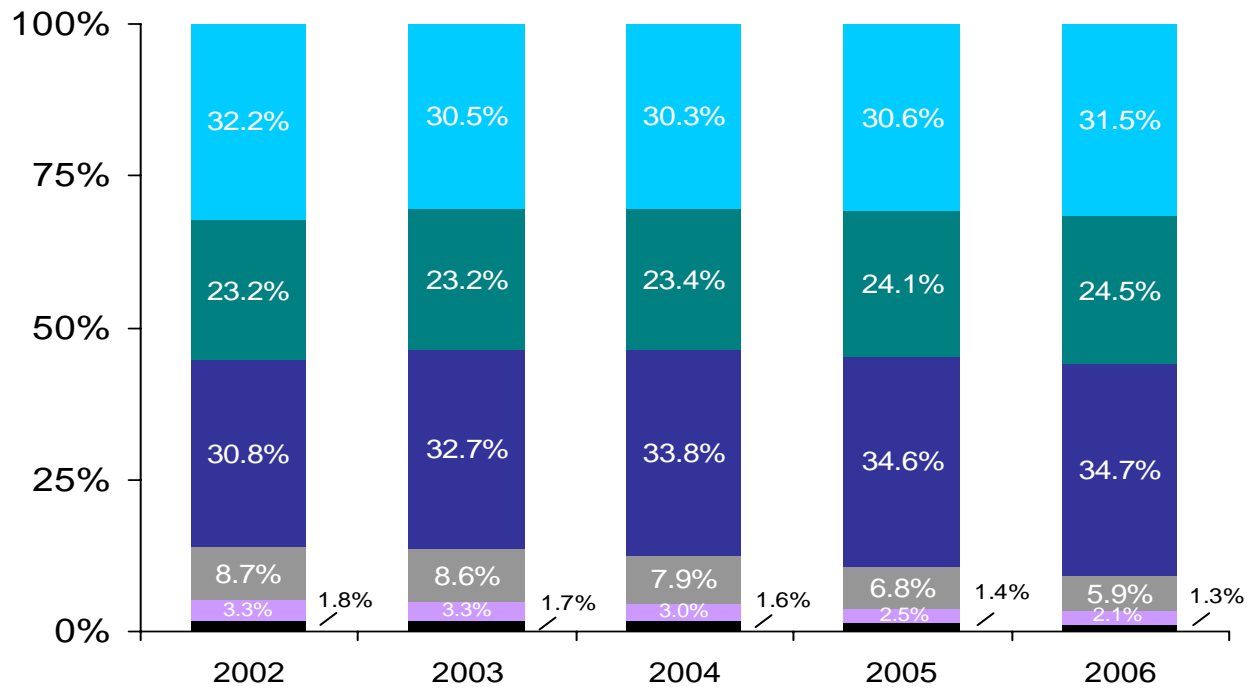
## \$25.7 Billion Primary Risk in Force



(1) Average annual thirty year fixed mortgage interest rate derived from Freddie Mac and Mortgage Bankers Association data on an annual and year to date basis.

# U.S. Portfolio Credit Score Distribution

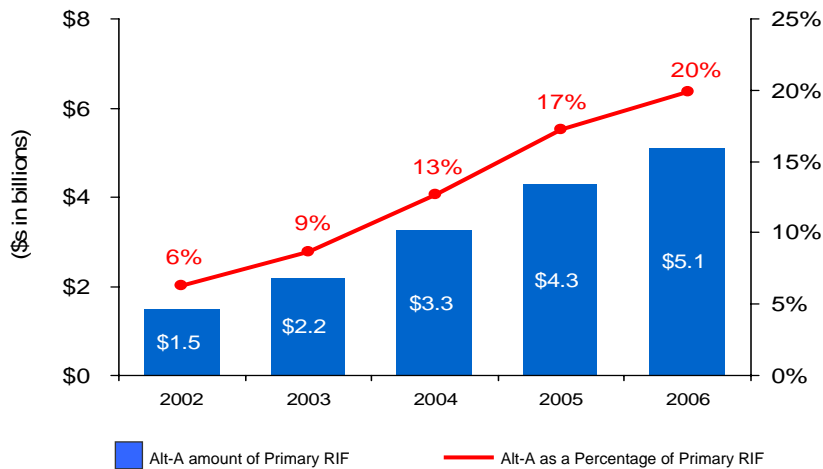
Primary Risk In Force by FICO Score



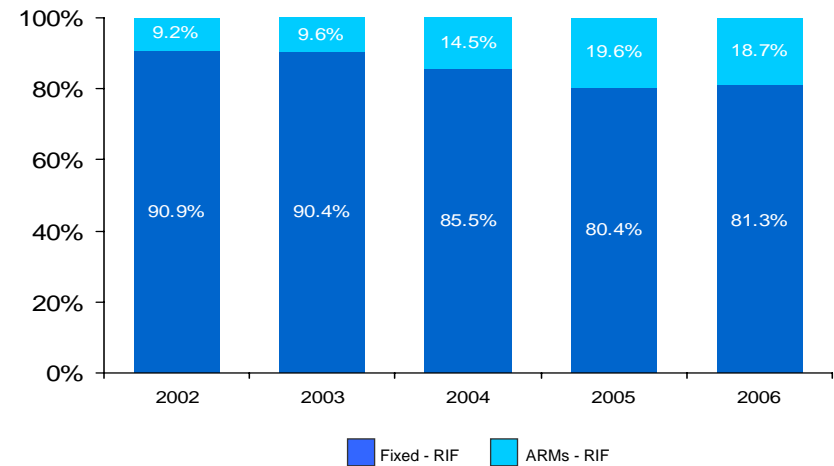
Unreported
  Less than 575
  575 - 619
  620 - 679
  680 - 719
  720 and above

# U.S. Portfolio Primary Risk in Force (RIF)

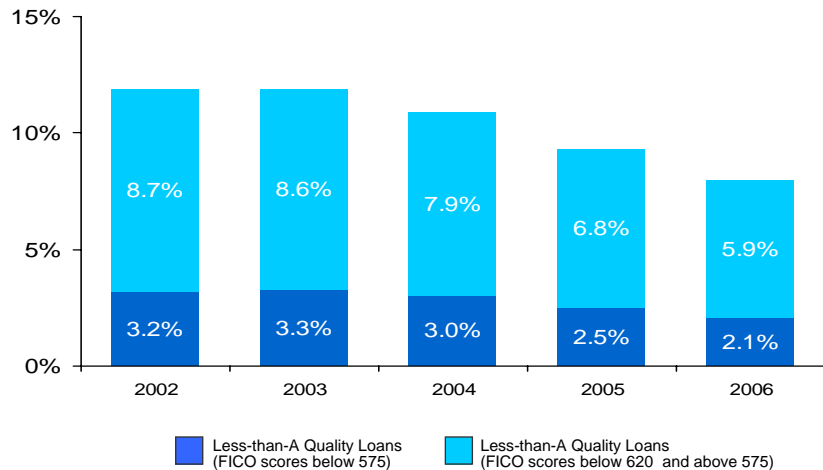
## Alt-A loans as a Percentage of Primary RIF



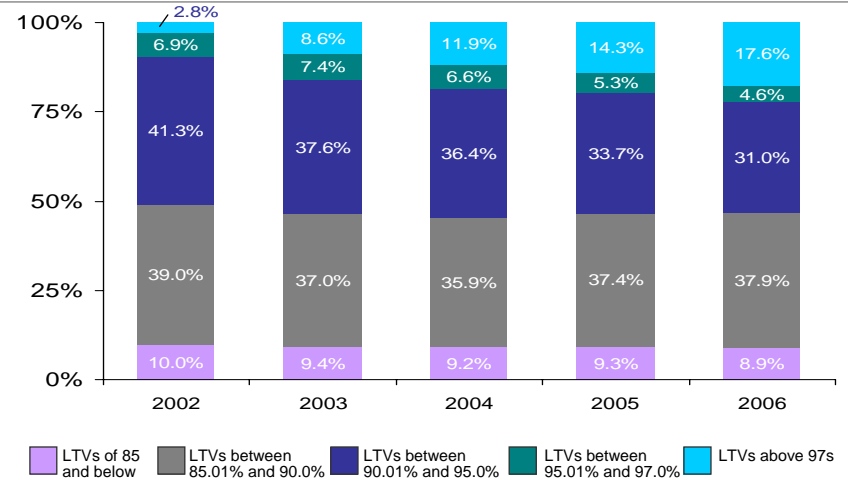
## Fixed Rate Loans & ARMs as a Percentage of Primary RIF



## Less-than-A Quality Loans as a Percentage of Primary RIF



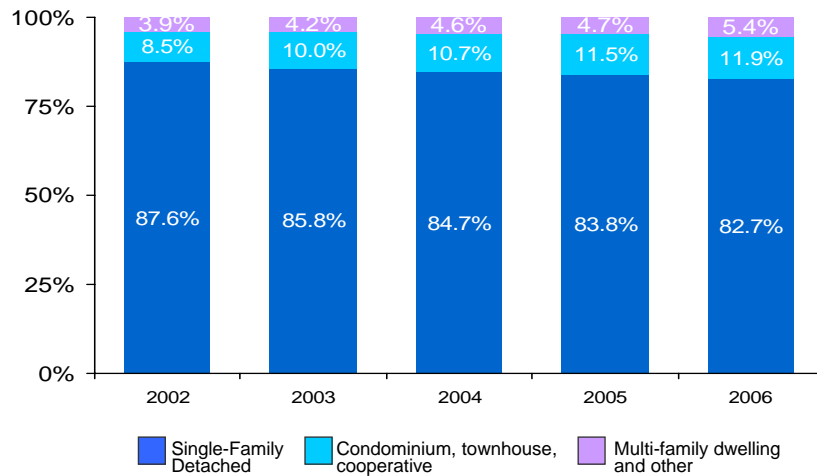
## LTVs as a Percentage of Primary RIF



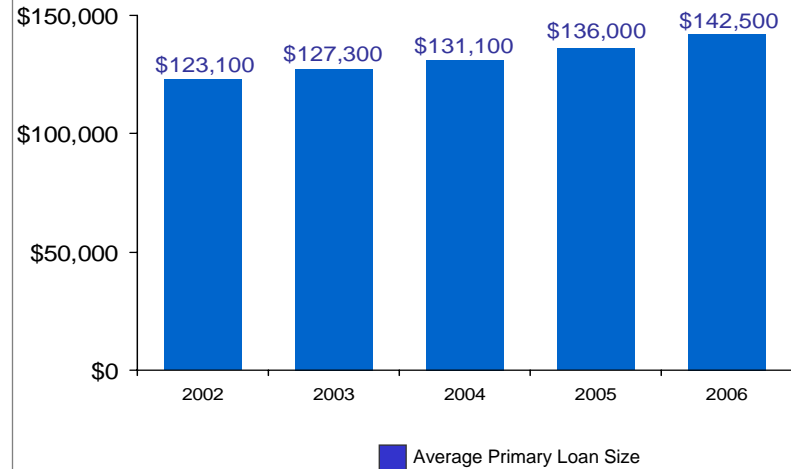
Note: Due to rounding, the sum of percentages may not total 100%

# U.S. Portfolio Loan Type

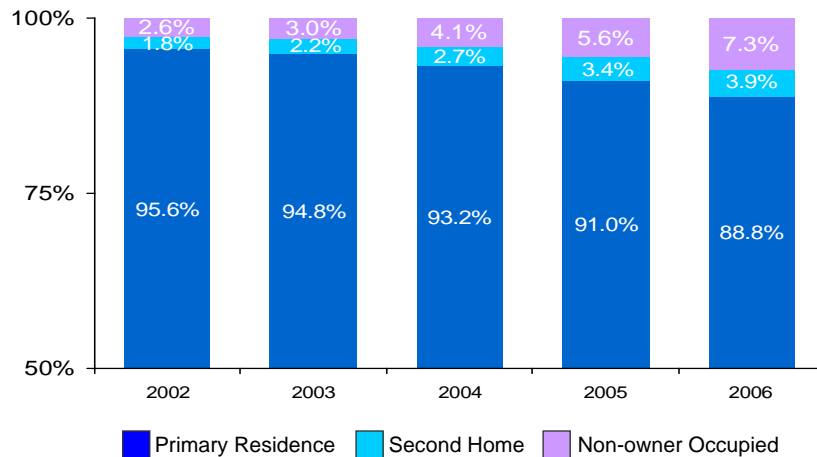
## Property Type



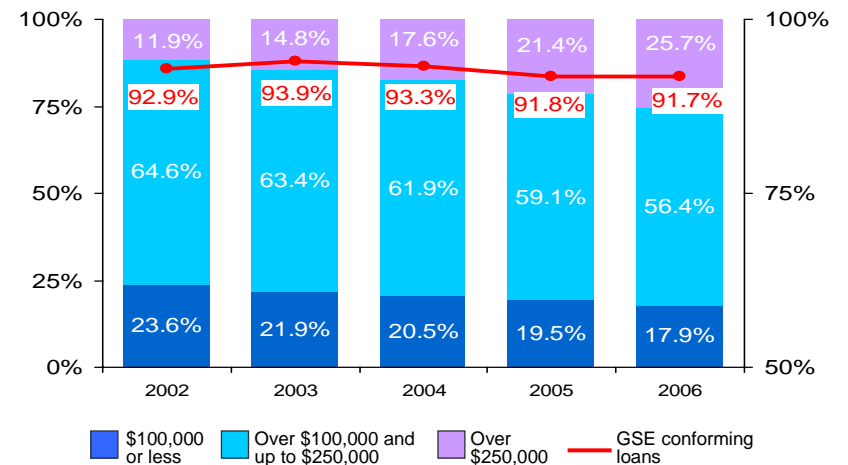
## Average Primary Loan Size



## Occupancy Status



## Loan Amount and % of GSE Conforming Loans



Note: Due to rounding, the sum of percentages may not total 100%

# Australian Portfolio Geographic Distribution

## Risk in Force by State<sup>1</sup>

■ New South Wales	35.8%
■ Queensland	21.0%
■ Victoria	18.1%
■ Western Australia	11.5%
■ South Australia	6.5%
■ New Zealand	4.0%
■ Australian Capital Territory	1.8%
■ Tasmania	0.8%
■ Northern Territory	0.5%

## Australian Population by State<sup>2</sup>

■ New South Wales	6,827,700	33.1%
■ Queensland	4,053,400	19.7%
■ Victoria	5,091,700	24.7%
■ Western Australia	2,050,900	10.0%
■ South Australia	1,554,700	7.5%
■ Australian Capital Territory	328,800	1.6%
■ Tasmania	488,900	2.4%
■ Northern Territory	206,700	1.0%
	<b>20,605,500</b>	<b>100.0%</b>

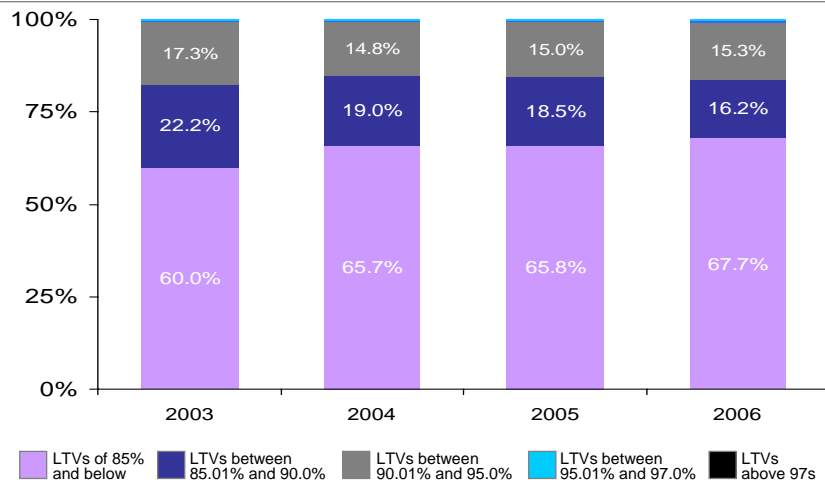


<sup>1</sup> Risk in force as of December 31, 2006.

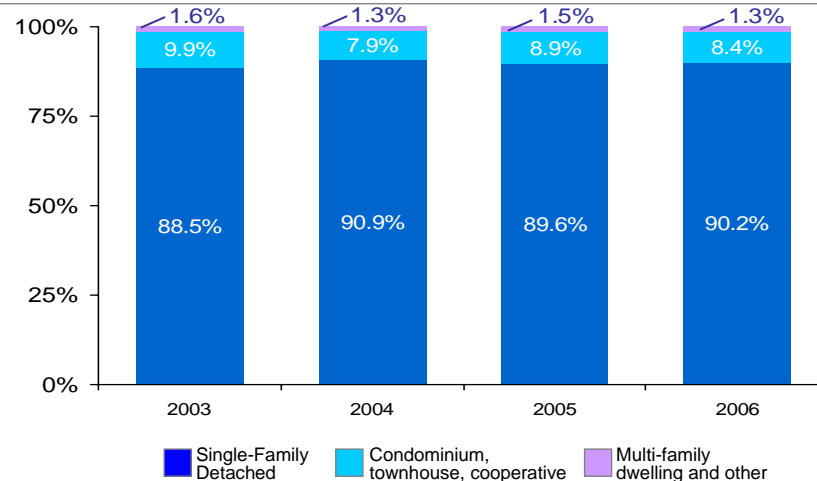
<sup>2</sup> Source: Australian Bureau of Statistics, June 2006

# Australian Portfolio Characteristics

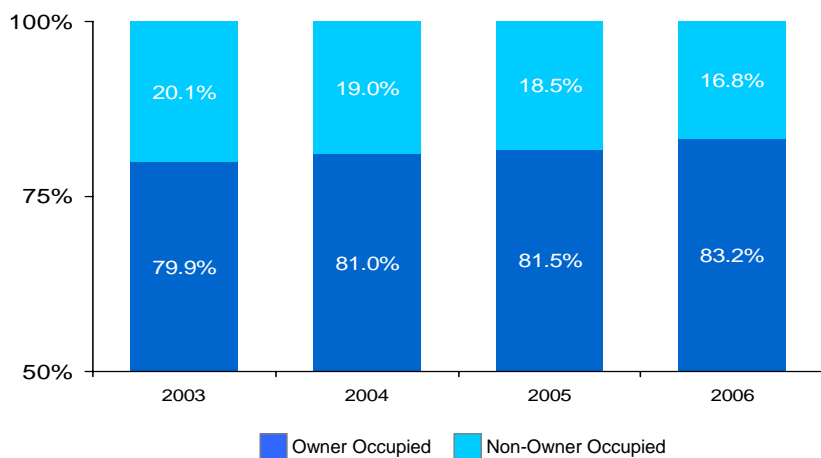
## LTVs as a Percentage of Risk in Force



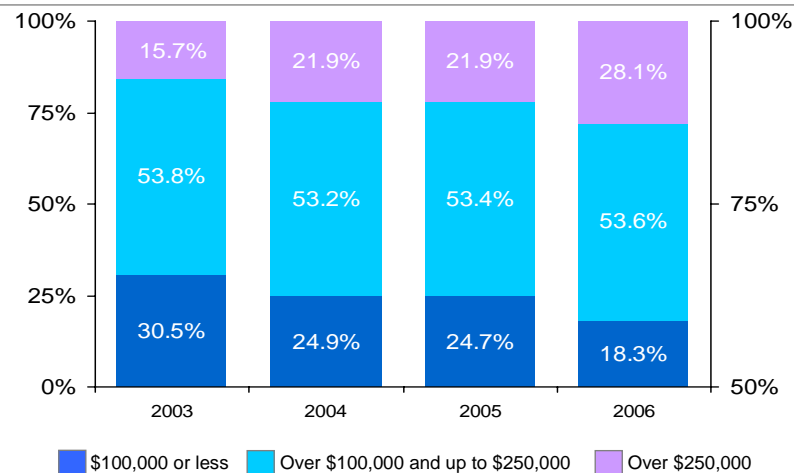
## Property Type



## Occupancy Status



## Loan Amount



Note: Due to rounding, the sum of percentages may not total 100%



# The PMI Group, Inc.

