



2006 Investor Conference

The PMI Group, Inc.

October 6, 2006

Agenda

Strategy and Overview	STEVE SMITH	9.30 - 10.00
US Mortgage Insurance Q&A	DAVID KATKOV	10.00 - 10.40
PMI Capital Corp. Q&A	BRAD SHUSTER	10.50 - 11.30
Financial and Capital Matters Q&A	DON LOFE	11.40 - 12.10
CEO's Summary Q&A	STEVE SMITH with Management Team	12.20 - 12.25
Luncheon		12.40 - 1.30

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 ventures, PMI Canada and PMI Guaranty; our 2006 guidance with respect to US MI's losses incurred and expense ratio, and The PMI Group's consolidated tax rate, consolidated investment yield and expenses related to stock-based compensation; future U.S. mortgage insurance trends, including penetration rates; FGIC's expansion opportunities; and current and future capital initiatives and their impact on our results of operations and financial condition.

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, 2005 and Form 10-Q for the quarter ended June 30, 2006. We undertake no obligation to update forward-looking statements, except as required by law.



Strategy and Overview

L. Stephen Smith

Chief Executive Officer
The PMI Group, Inc.

The PMI Group, Inc.

For over 30 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.



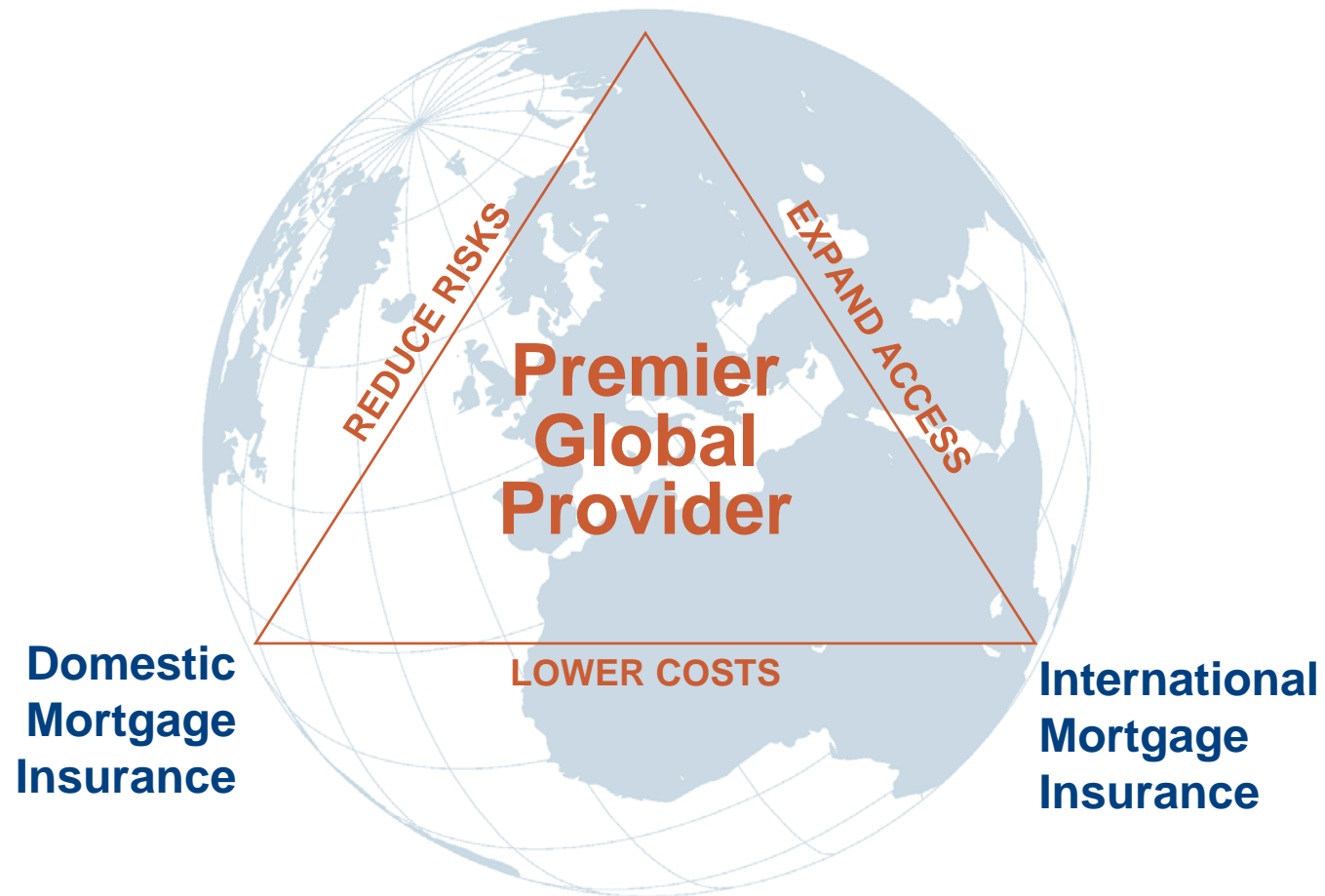
PMI's Vision



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

Focused Business Model

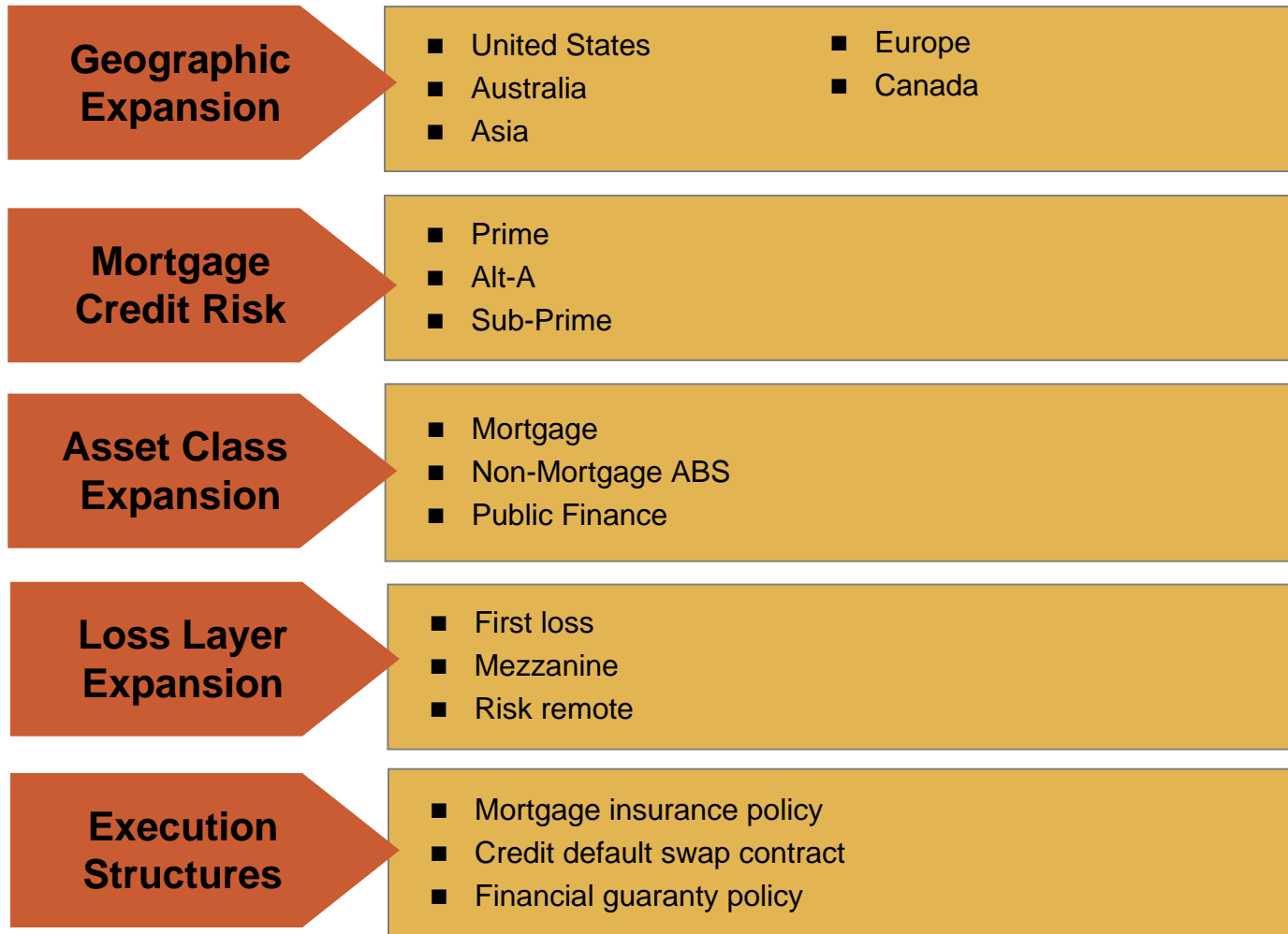
Financial Guaranty



Strong and Experienced Management Team

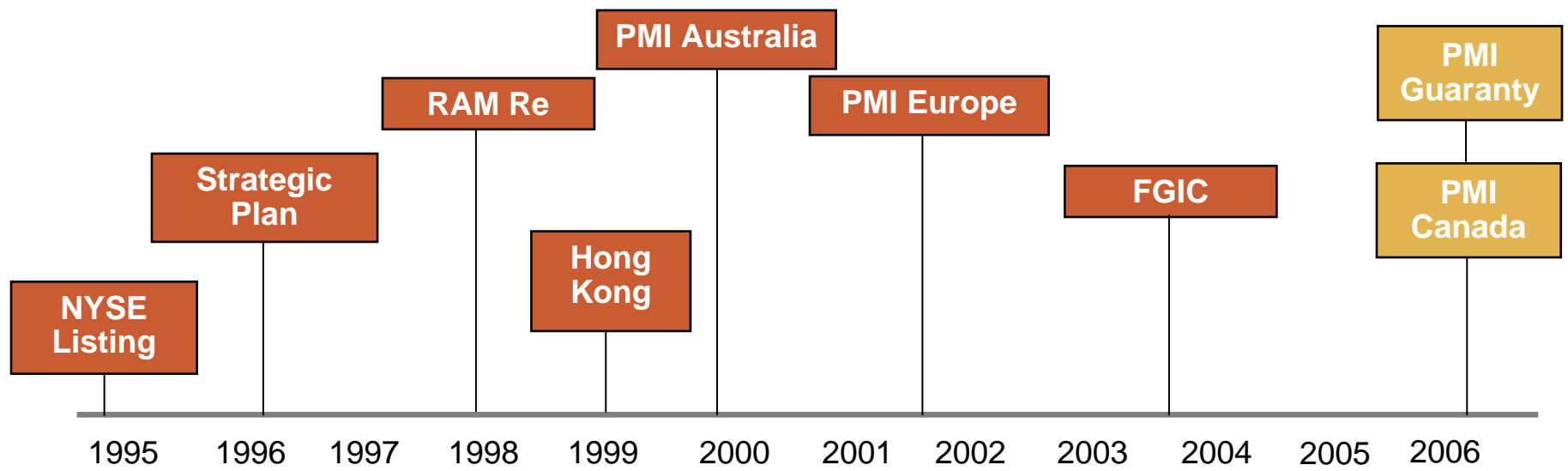
Name	Position	Years with Company	Total Industry Experience
Steve Smith	Chief Executive Officer, <i>The PMI Group, Inc.</i>	27	35
Brad Shuster	Chief Executive Officer, <i>PMI Capital Corporation</i>	11	27
David Katkov	Chief Operating Officer, <i>PMI Mortgage Insurance Co.</i>	14	24
Vic Bacigalupi	General Counsel and Chief Administrative Officer, <i>The PMI Group, Inc.</i>	10	36
Don Lofe	Chief Financial Officer, <i>The PMI Group, Inc.</i>	3	25
Joanne Berkowitz	Chief Enterprise Risk Officer, <i>The PMI Group, Inc.</i>	23	25
Tony Porter	Executive Vice President, Managing Director International Mortgage Insurance <i>PMI Capital Corporation</i>	23	23
Dan Roberts	Executive Vice President, Chief Information Officer <i>The PMI Group, Inc.</i>	9	30
Glen Corso	Group Vice President, Corporate Capital Management and Corporate Relations <i>The PMI Group, Inc.</i>	8	31
Ian Graham	Chief Executive Officer, PMI Australia <i>PMI Capital Corporation</i>	7	36

Expansion of Capabilities

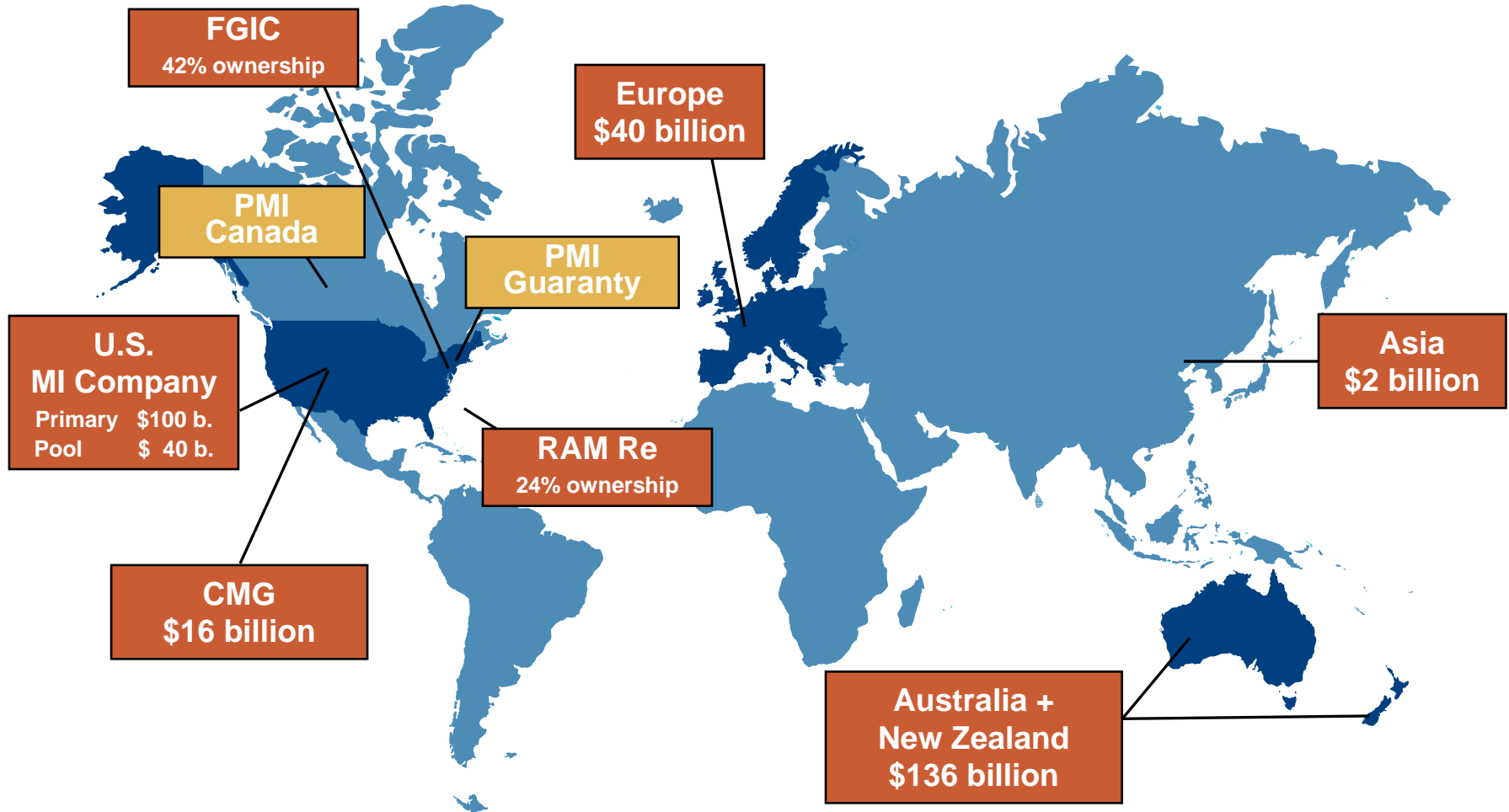


Expansion of Business Operations

- Successful execution of strategic vision
- Continued focus on credit enhancement opportunities
- Positioned for future growth



Expansion of Global Footprint

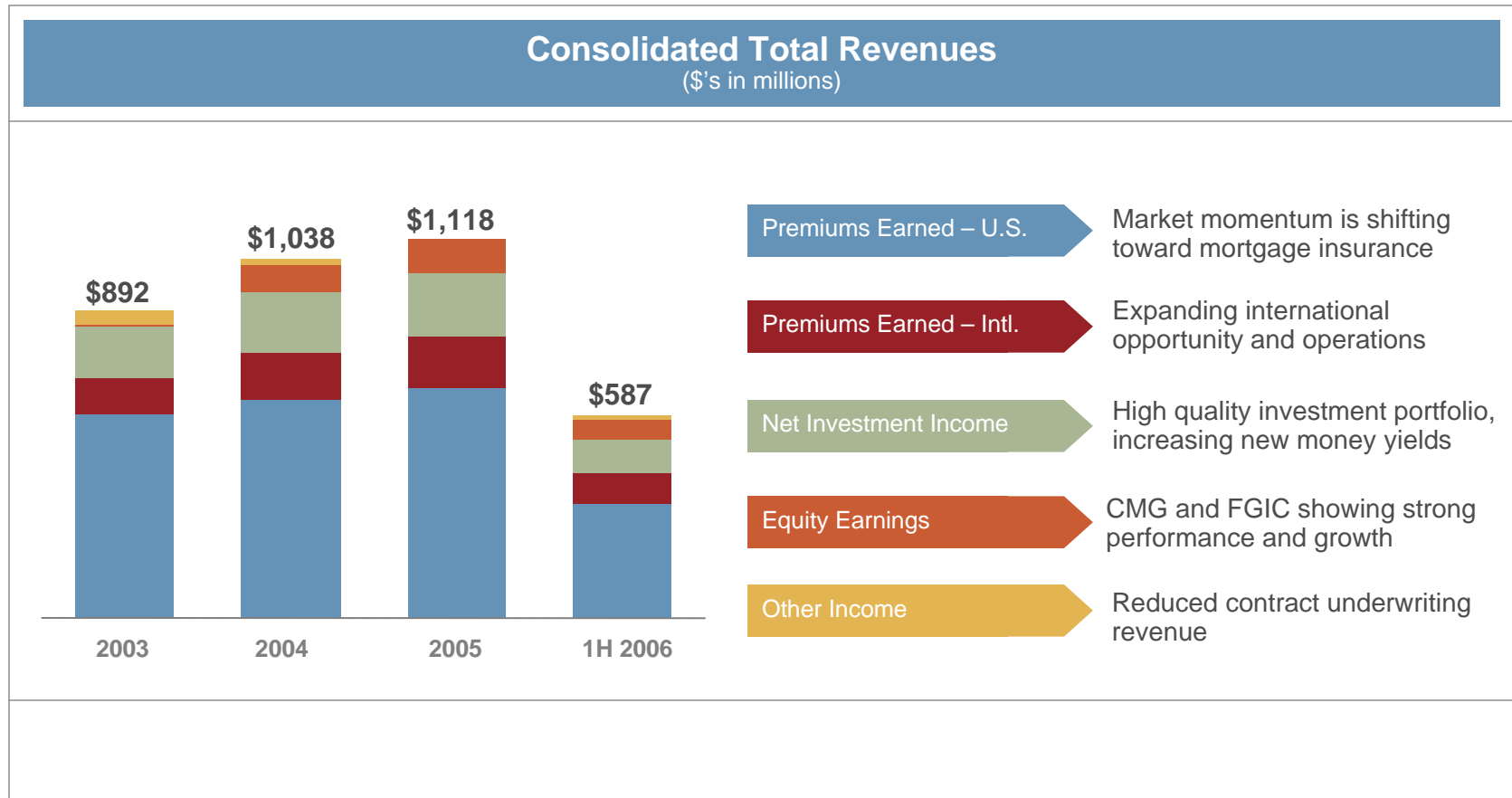


As of June 30, 2006



Growing Total Revenues

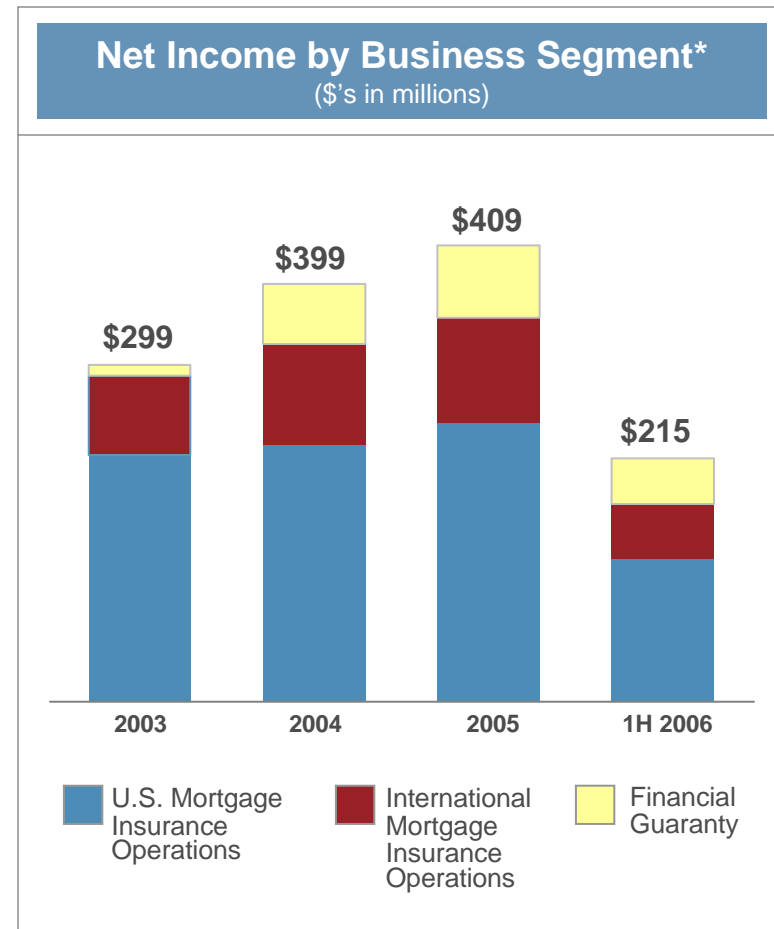
Our unique business model drives top line revenue growth



Segment Net Income

Complementary business segments provide growth and balance

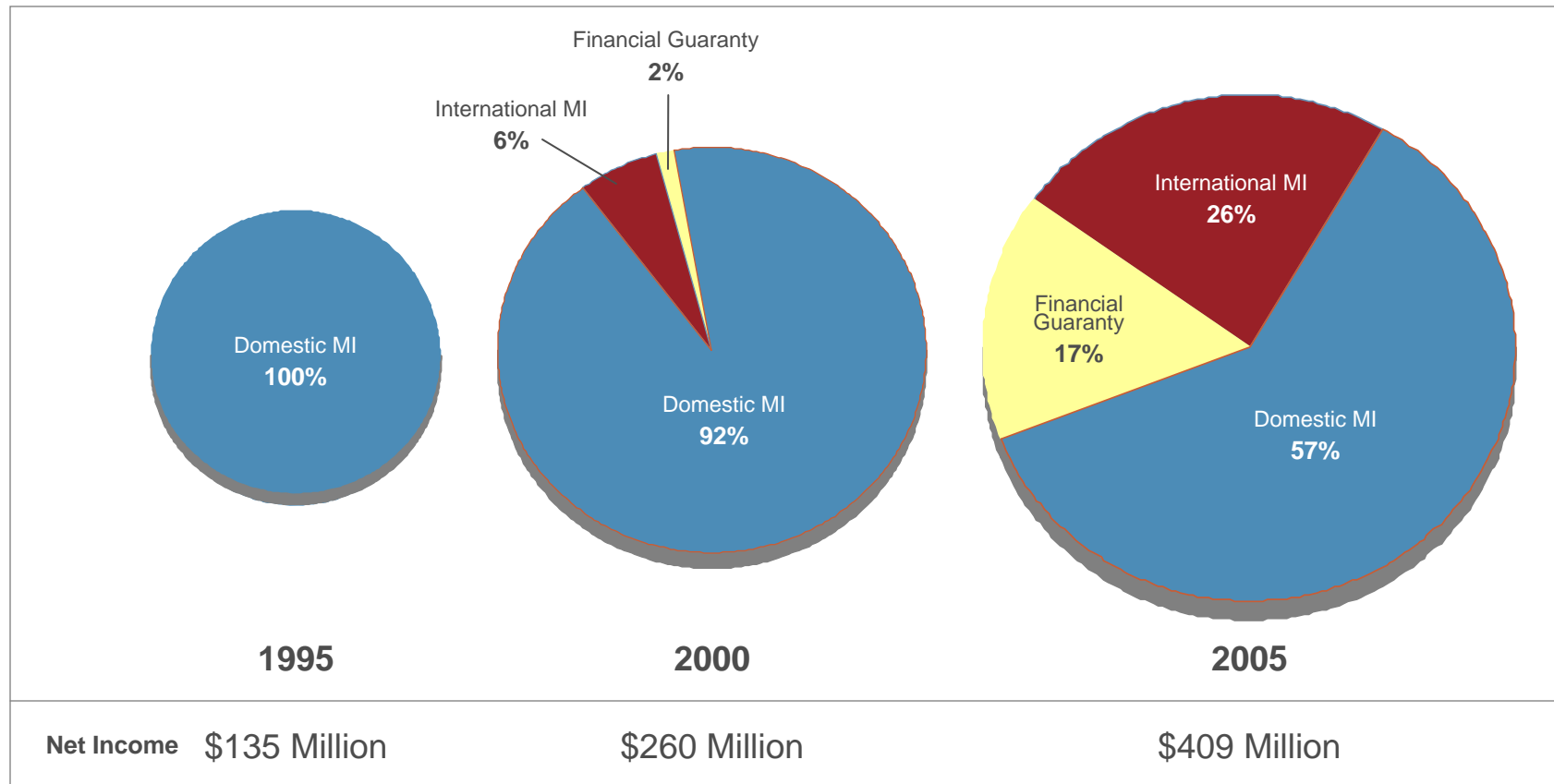
- U.S. Mortgage Insurance Operations is a core business that generates attractive returns
- International Mortgage Insurance Operations is expanding and building new markets
- Financial Guaranty is expanding its business scope with stronger returns



* Chart columns exclude Other business segment

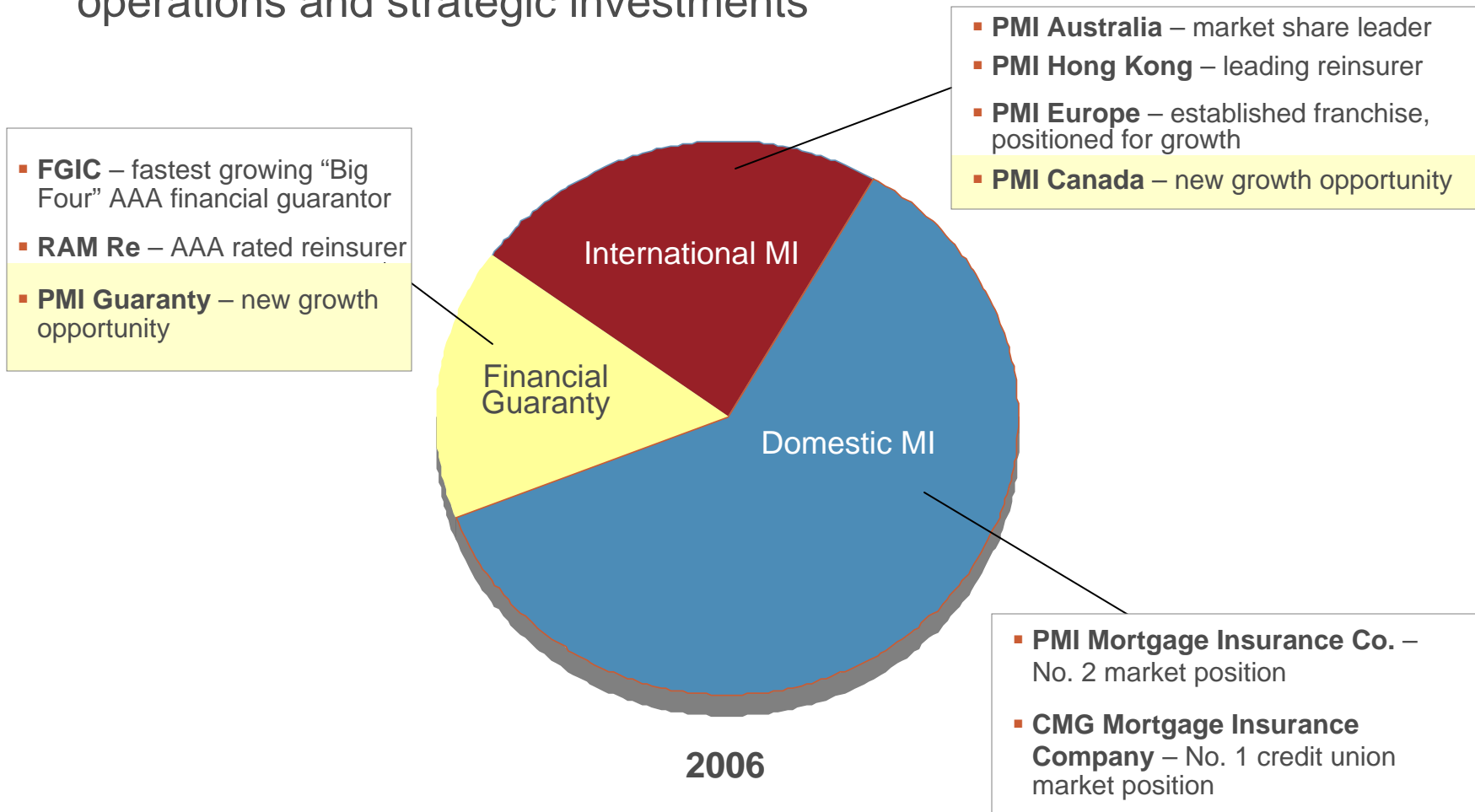
Balanced and Growing Business

Since 1995, we have expanded our core franchise, core competencies and opportunities for growth



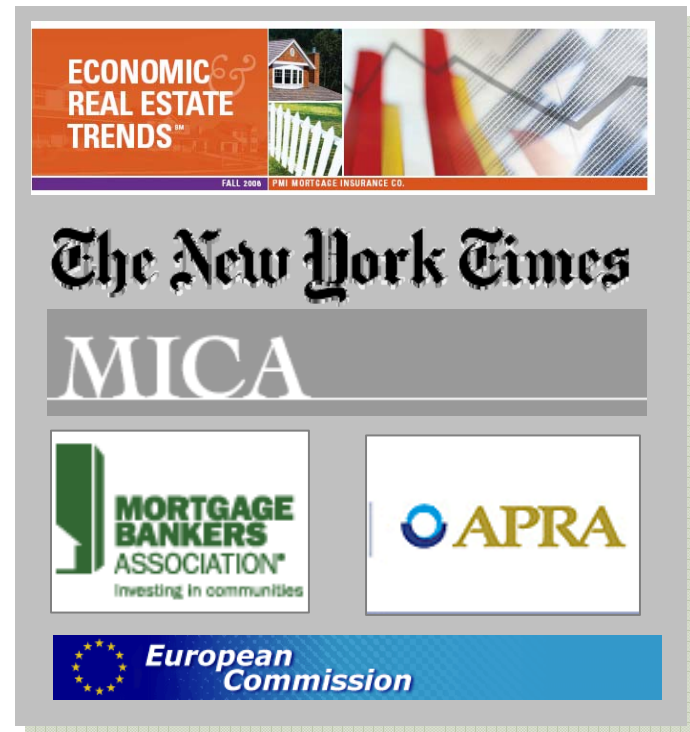
Balanced and Growing Business

A unique business combination of wholly-owned operations and strategic investments



A Strong Voice

- Mortgage insurance educational outreach
- Authoritative source of credit expertise in the marketplace
- Strong voice in setting worldwide regulatory standards



Today's Marketplace Demands

Marketplace Demands

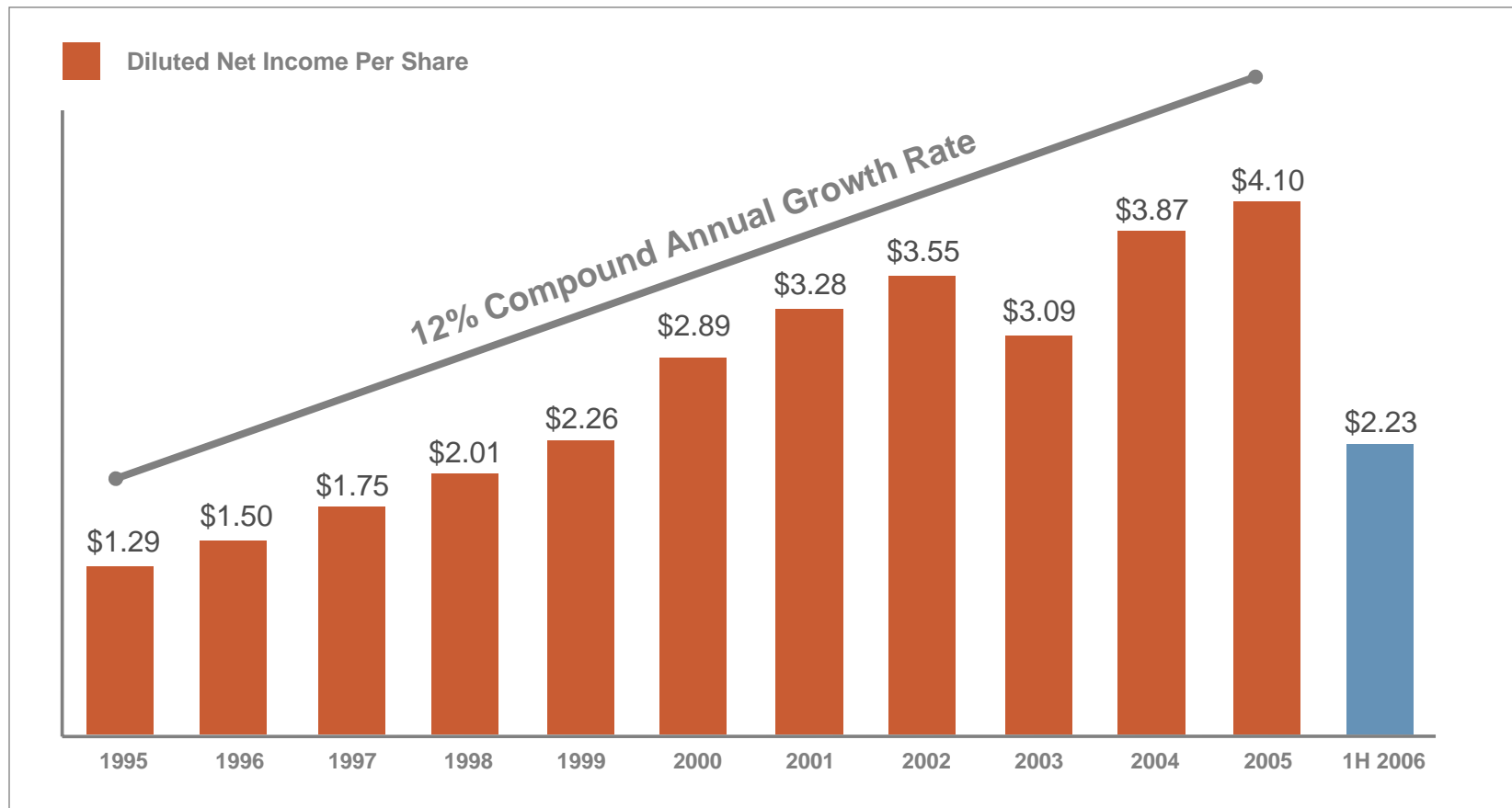
- Full credit spectrum capabilities
- Global reach
- Highly rated capital
- Sophisticated credit solutions

PMI Delivers

- Capabilities in first loss, mezzanine and risk remote
- Presence in major developed markets worldwide
- Family of companies with strong AA and AAA ratings
- Highly skilled professionals throughout the organization

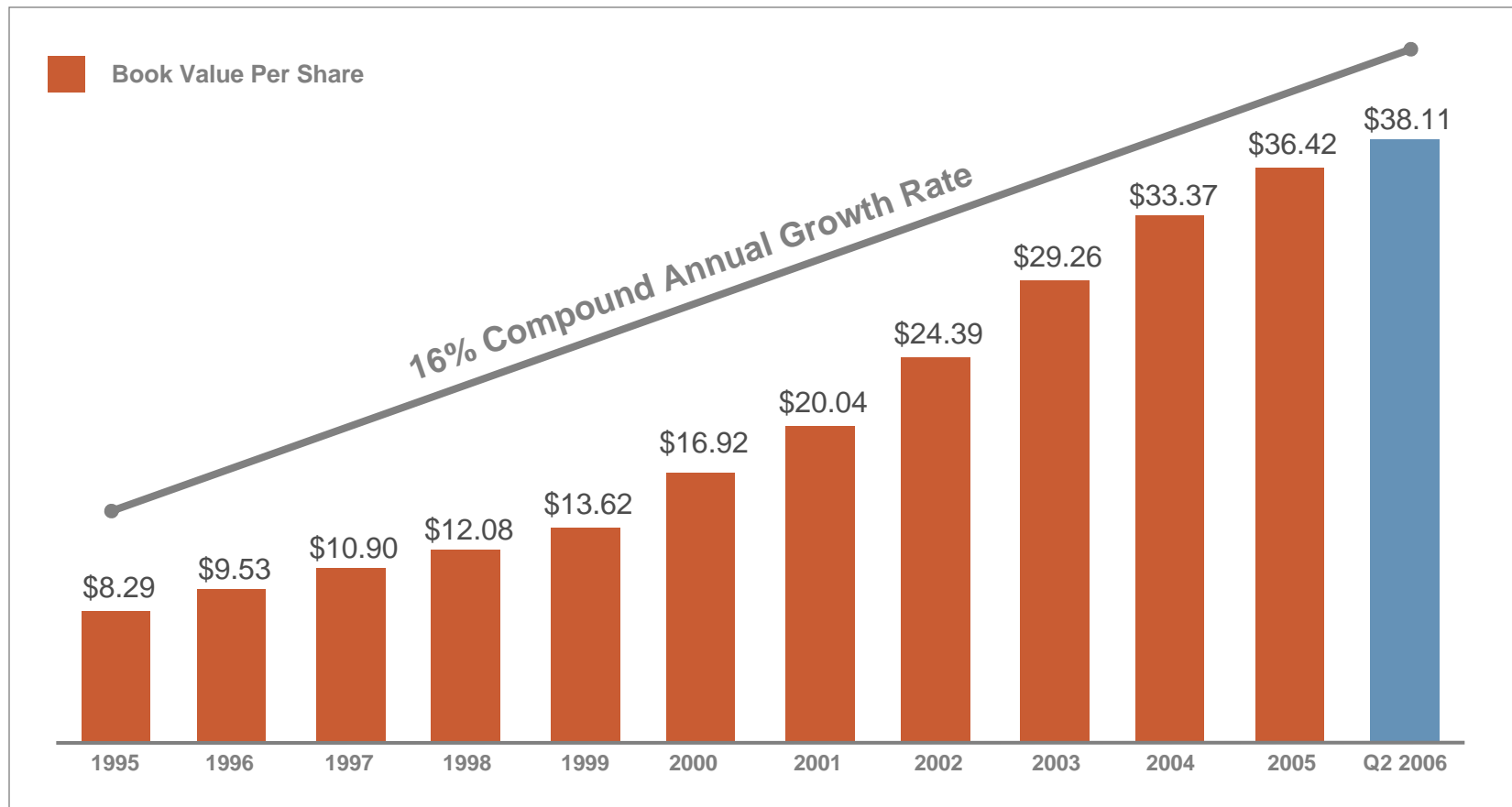
Results – Growing Net Income Per Share

A strong history of growing net income



Results – Growing Book Value

A strong history of building shareholder value



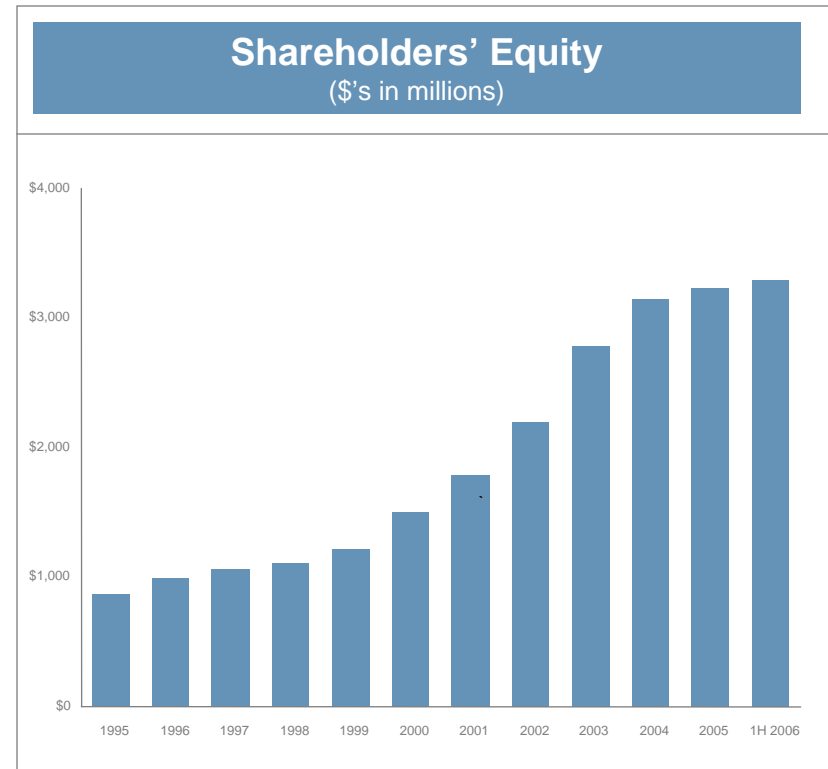
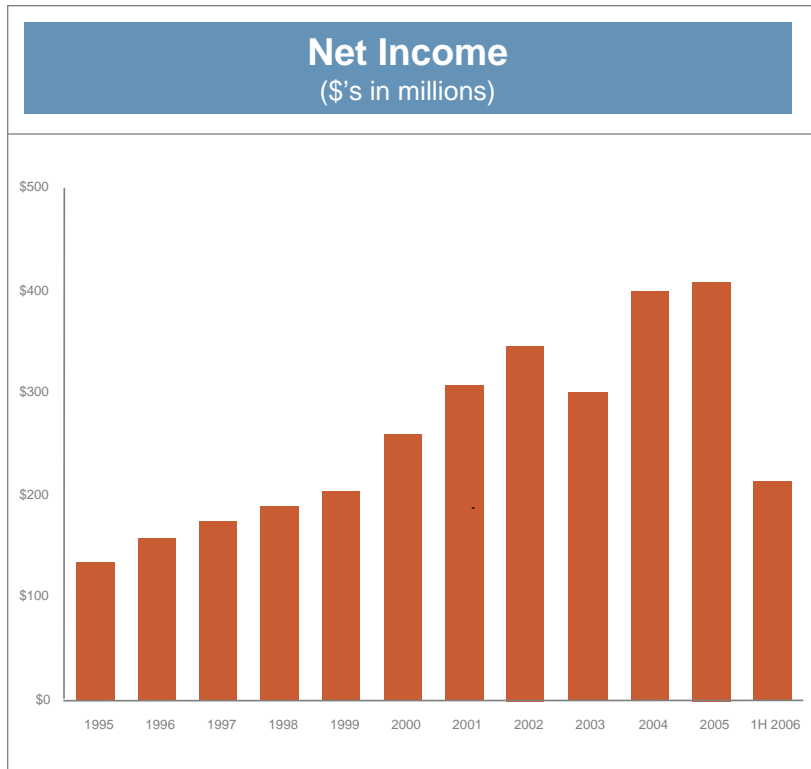
Results – Growing Net Income and Shareholders' Equity

Drivers of Net Income:

- Growth in core business
- International expansion
- Strategic investments growing

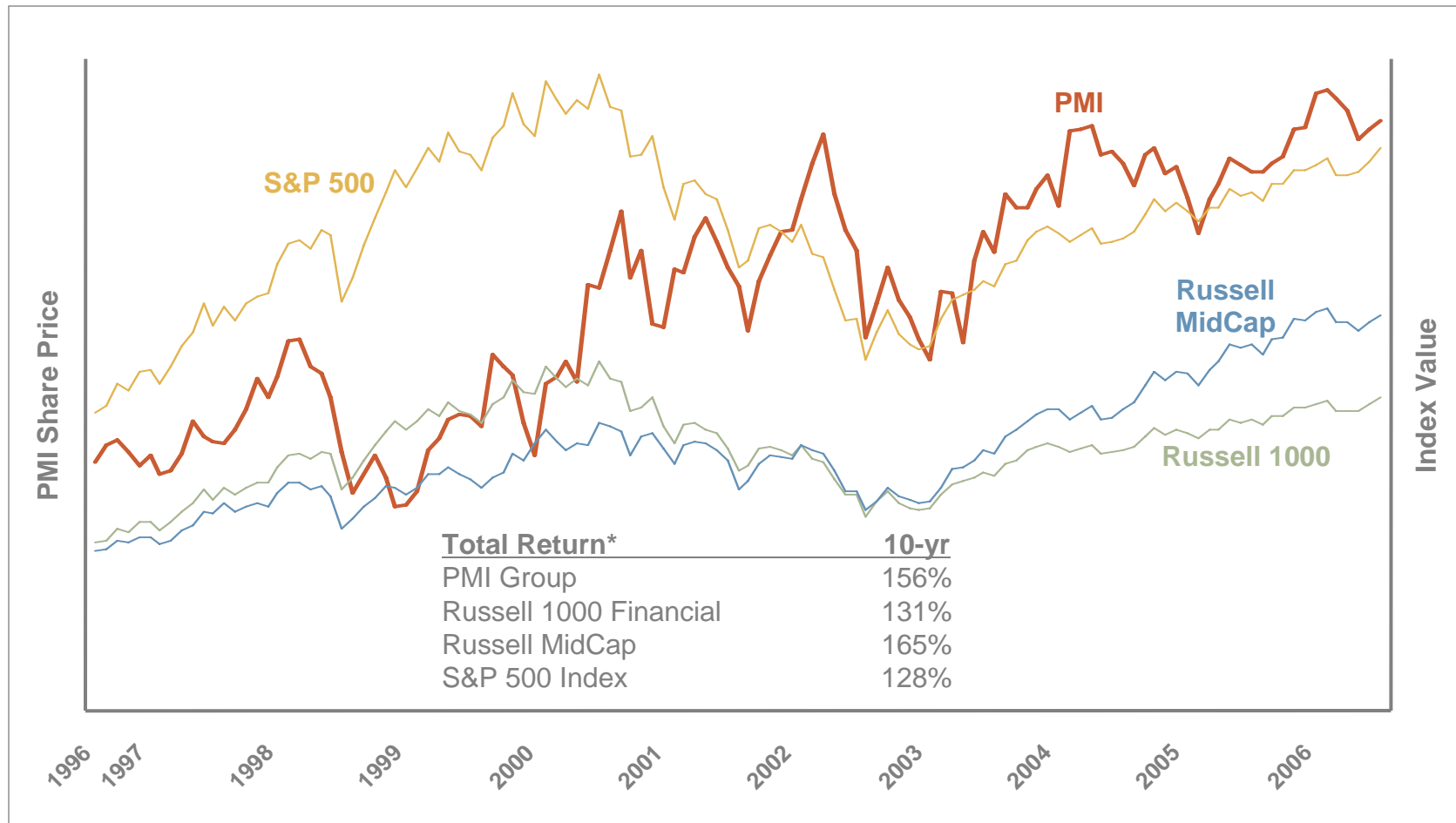
Drivers of Shareholders' Equity:

- Strategic investments
- Common share repurchases
- Shareholder dividends



Common share repurchases total \$100 million in 2004, \$250 million in 2005 and \$150 million through June 2006

Results – Long Term Performance



* source: Bloomberg; 10 yr encompasses September 1996 – September 2006

Today's Operating Environment

- Global convergence of banking, insurance and capital markets
- Home price appreciation is slowing worldwide
- Changing regulatory environment
- Strong worldwide demand for home ownership
- Perception of credit risk is increasing, creating demand for dedicated, highly rated, long-term providers of credit enhancement

Summary

- Favorable long term market trends
- Global expansion for credit enhancement solutions
- Solid financial and capital foundation
- Experienced management team with track record of success
- Well positioned for continued success



U.S. Mortgage Insurance Operations

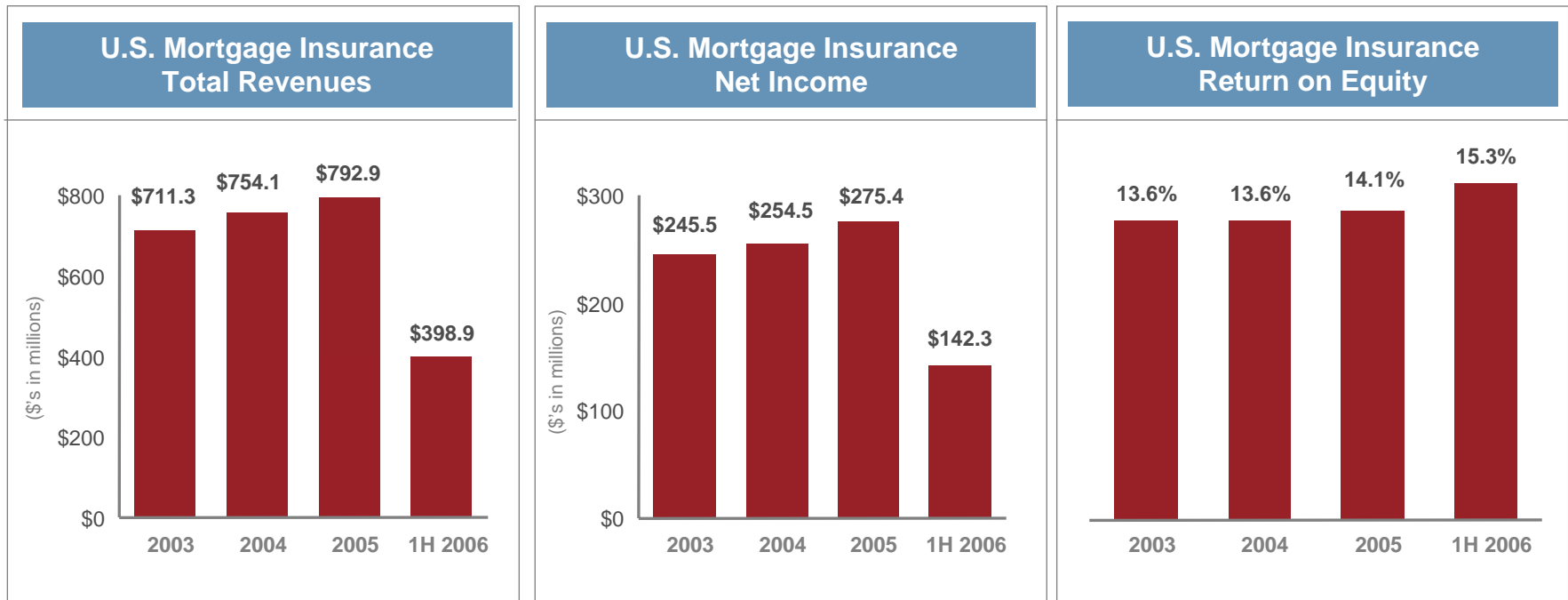
David Katkov

President and Chief Operating Officer
PMI Mortgage Insurance Co.

Growth – U.S. Mortgage Insurance

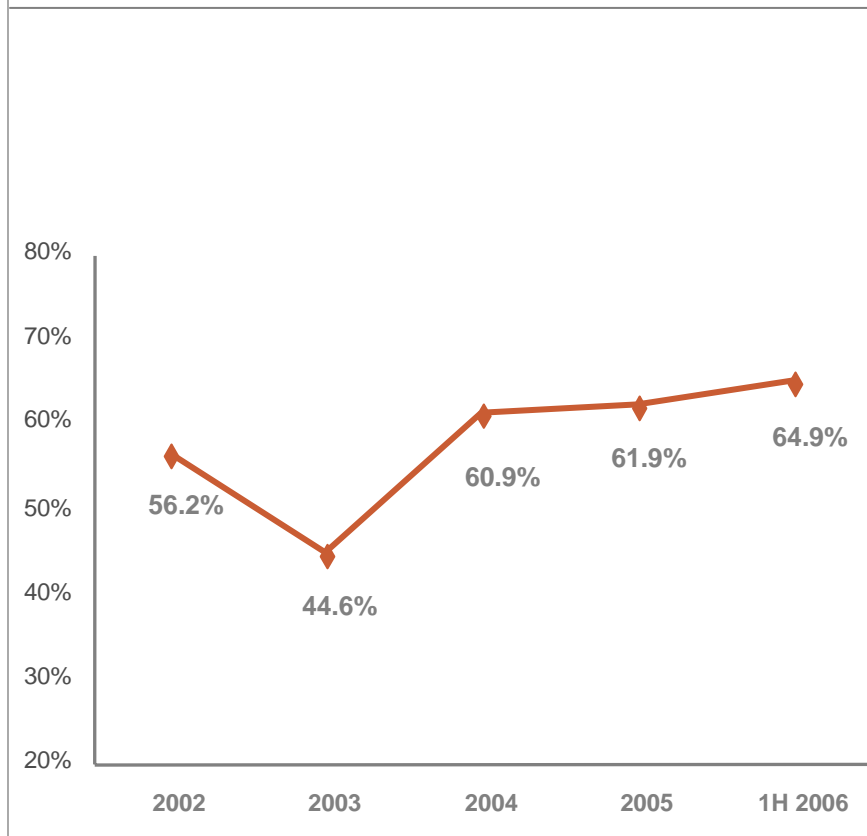
Core business generates attractive financial returns for The PMI Group:

- Consistent growth in total revenues and net income
- Mid-teens ROE
- Total dividends to The PMI Group of \$800 million since 2003



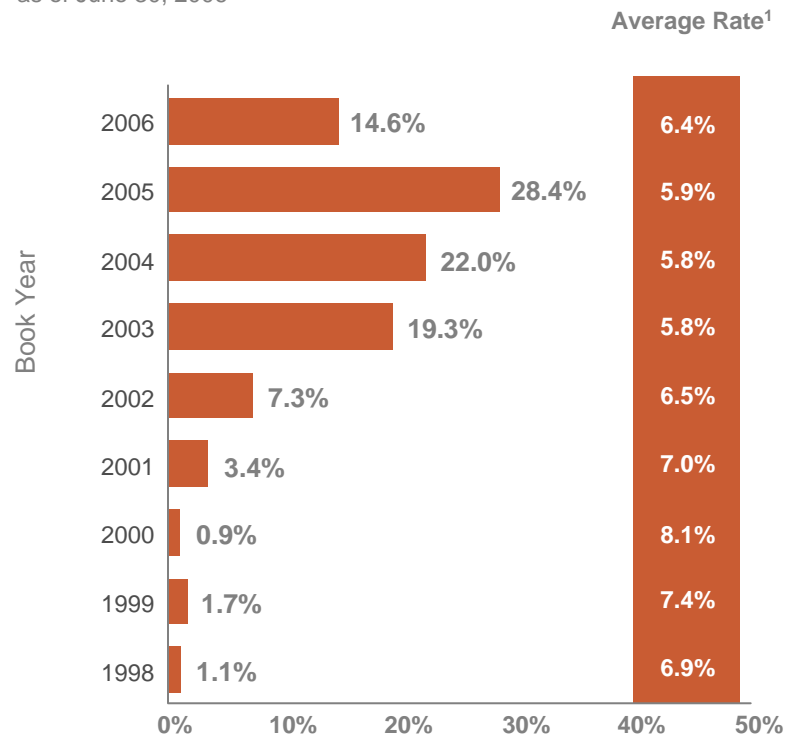
Improving Persistency

Mortgage Insurance Persistency Rate



\$100.4 Billion Primary Insurance in Force

as of June 30, 2006

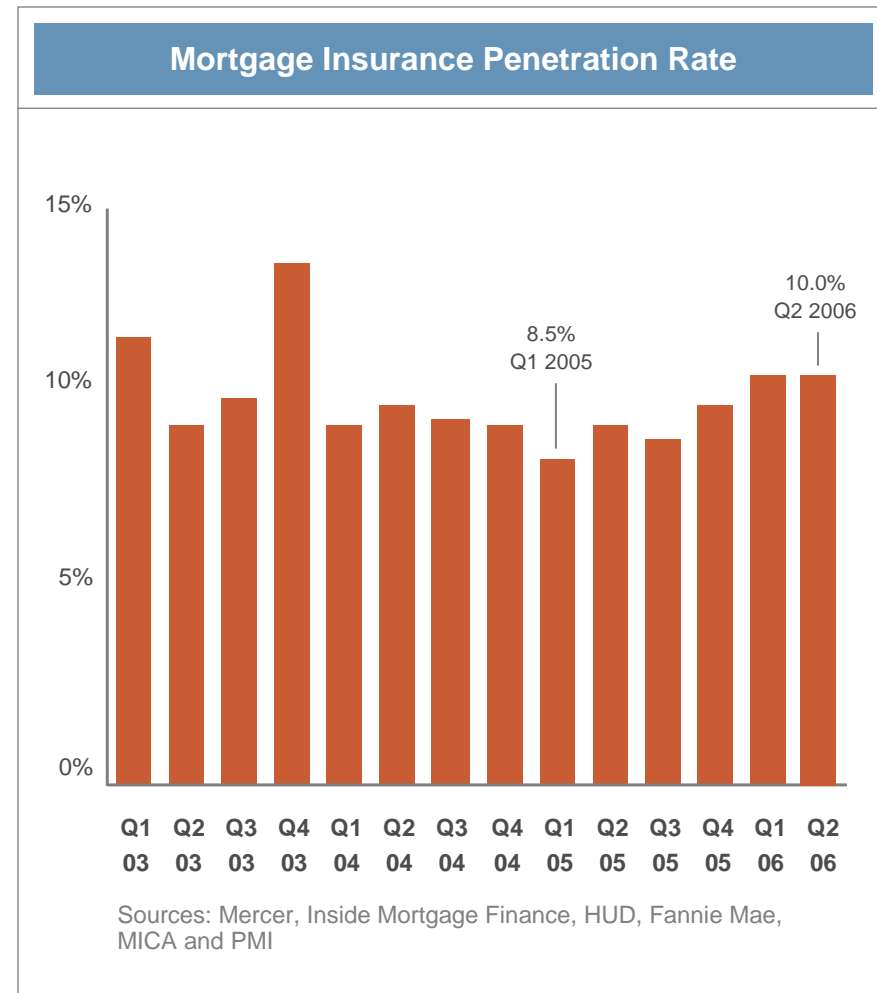


¹ Average annual thirty year fixed mortgage interest rate derived from Freddie Mac and Mortgage Bankers Association data on an annual and year to date basis.

Increased Penetration

MI penetration has steadily increased to 10.0% in Q2 2006 from a low of 8.5% in Q1 2005

- Shift to purchase money mortgages
- Higher cost of piggy-back mortgages due to rising interest rates and flattening yield curve
- Slowing home appreciation rates



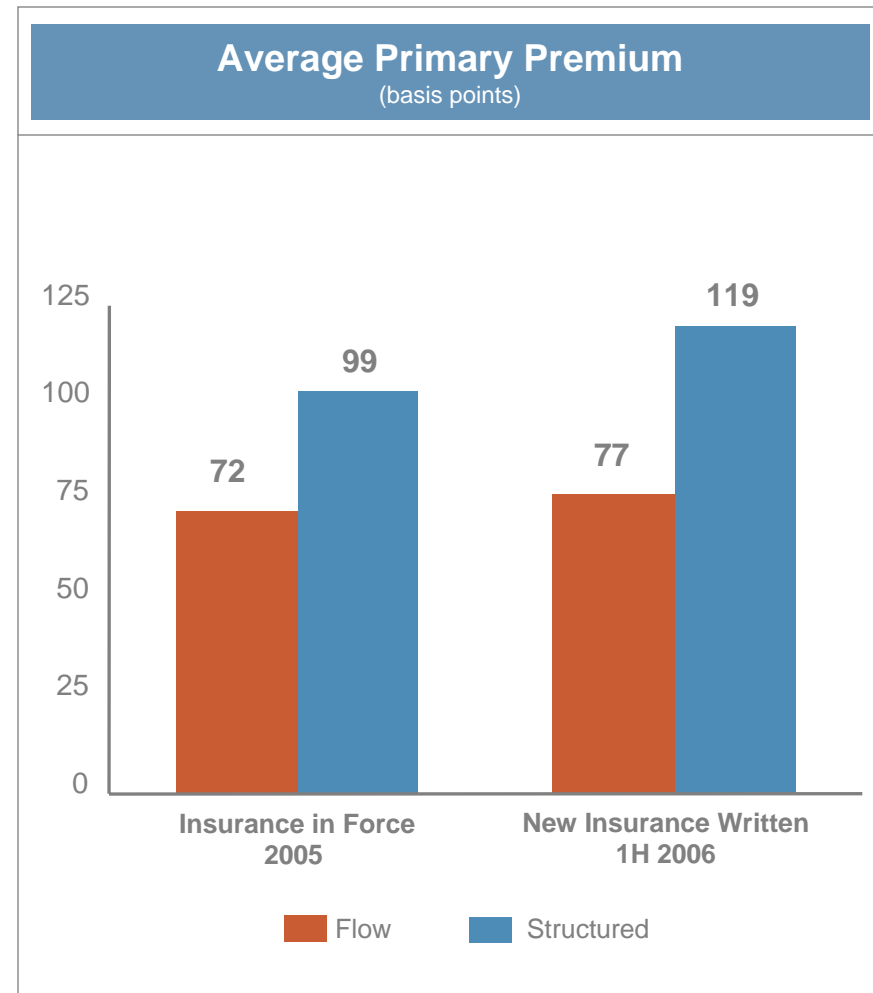
Enhanced Premium Yield

Flow premium yield is driven by:

- ARMs
- Shift to 100% LTVs

Structured premium yield is driven by:

- Growth of Alt-A and sub-prime



Meeting the Needs of the Expanding MI Market

Flow Channel

- Innovative product solutions for first time homebuyers and underserved markets
- Increased focus on consumer and market education
- Lender segmentation
 - CMG Mortgage Insurance Company
- Extensive use of electronic commerce to improve operating efficiencies

Structured Channel

- Credit enhancement solutions that are cost-effective and capital efficient for MBS issuers and portfolio lenders
- Expanded capabilities with launch of PMI Guaranty

Credit Risk Management & Pricing

- Disciplined risk management to reduce volatility
- Active portfolio management to optimize capital utilization
- Competitive pricing to achieve sustainable risk-adjusted returns

Flow Channel: Simple, Safe and Smart

MI Benefits for the Borrower:

■ Affordable

- Competitive fixed cost
- LPMI tax deductible today
- Borrower paid MI may become tax-deductible in 2007

■ Predictable

- Fixed MI premiums result in no payment shock

■ Cancelable

- Automatic cancellation at 78% LTV

MI Benefits for the Lender:

■ Loss Protection

- Increasing default rates for second lien mortgages

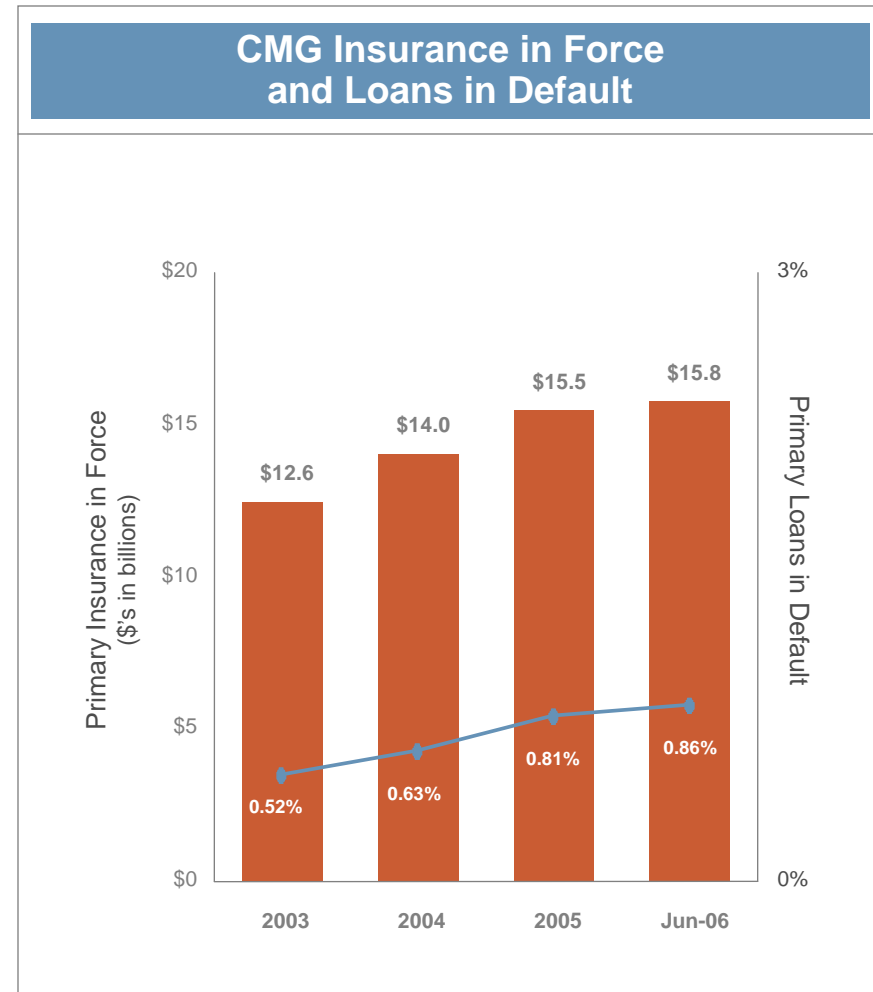
■ Regulatory Relief

- Interagency Guidelines on Non-Traditional Mortgages should increase demand for MI

Flow Channel: CMG Mortgage Insurance Company

CMG is the leading provider of MI to credit unions

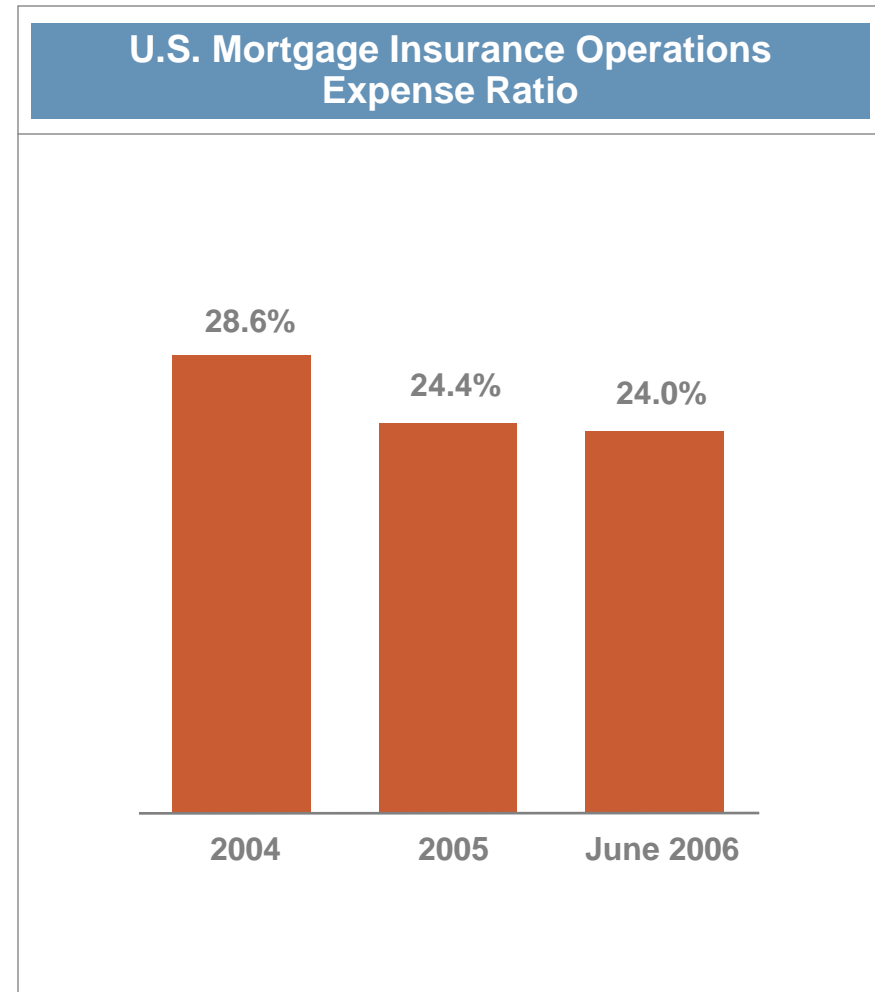
- 70% market share
- 74% persistency rate
- 0.86% default rate



Flow Channel: Operating Efficiency

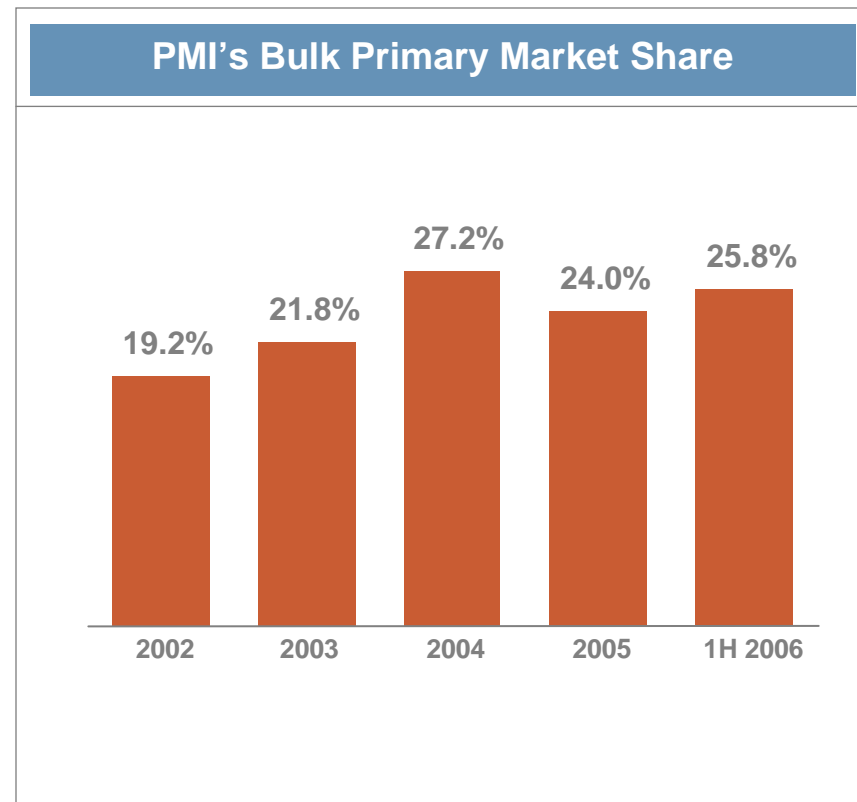
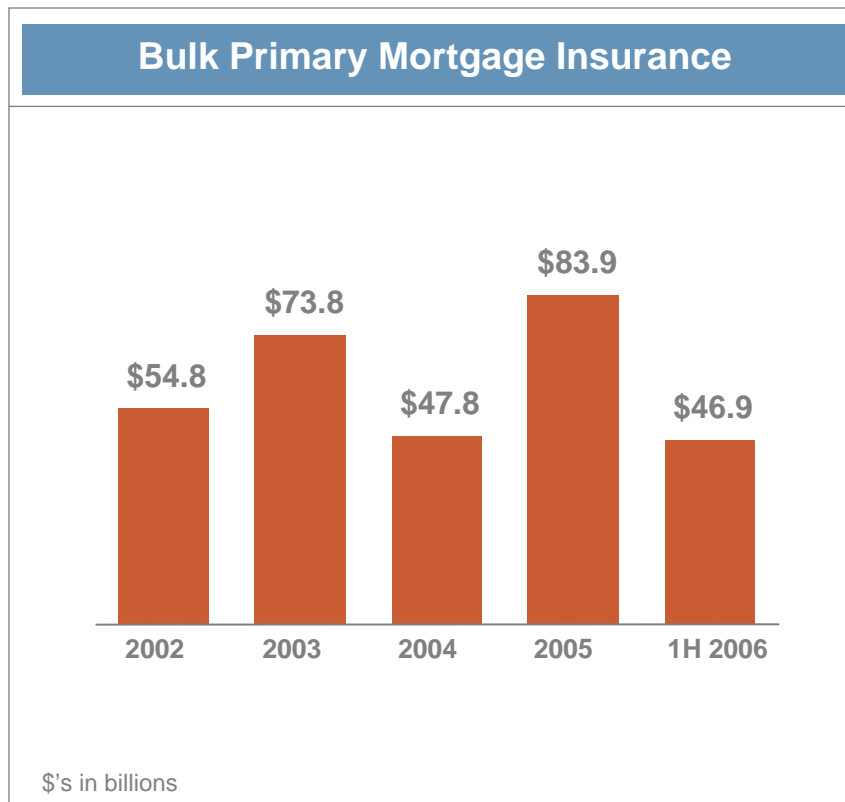
Reengineered flow channel to:

- 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 14 in 2004
- Lower operating expense ratio to 24% for June 2006 from 28.6% at year-end 2004



Structured Channel: Market Size and Share

- Fastest growing segment of the MI market
- Consistent and disciplined participant



Source: Inside Mortgage Finance

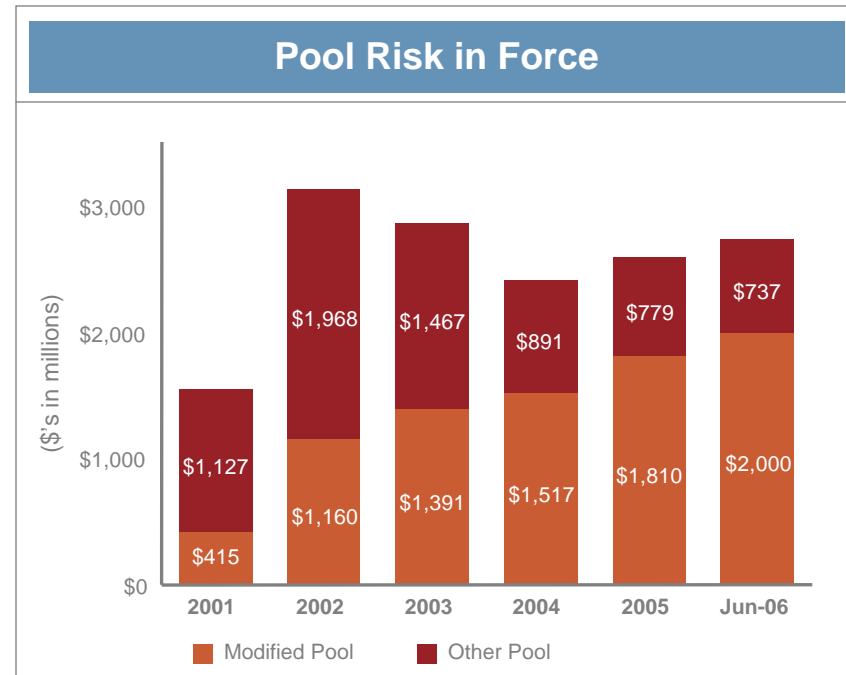
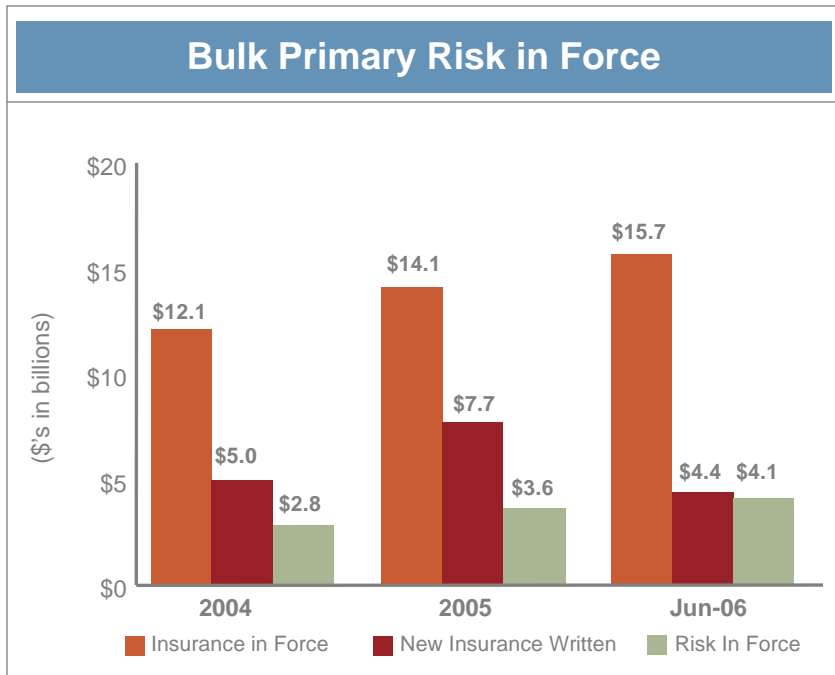
Structured Channel: Risk in Force

Bulk primary risk in force:

- 16% of PMI's \$25 billion total primary risk in force
- Risk adjusted returns have been consistent with expectations

Modified pool insurance risk in force:

- 73% of PMI's \$2.7 billion total pool risk in force
- Second loss position
- Deductibles are typical



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

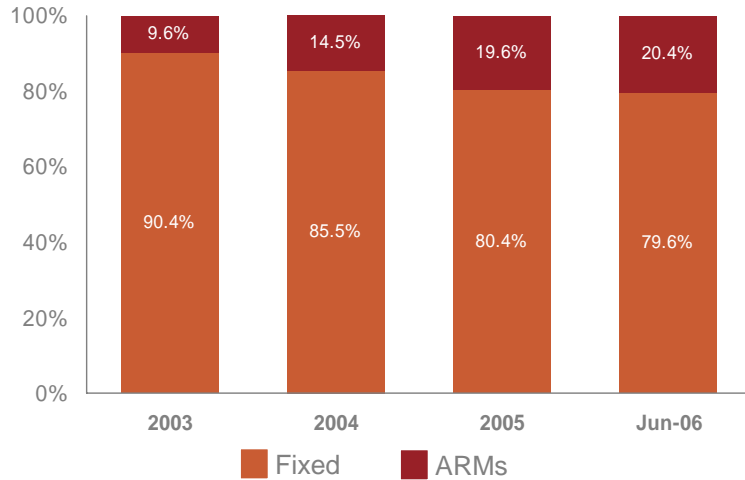
- Portfolio is well diversified throughout the U.S.

Credit Performance

- Credit is performing within our expectations
- 2004 and earlier book years are past peak losses

U.S. Portfolio Characteristics

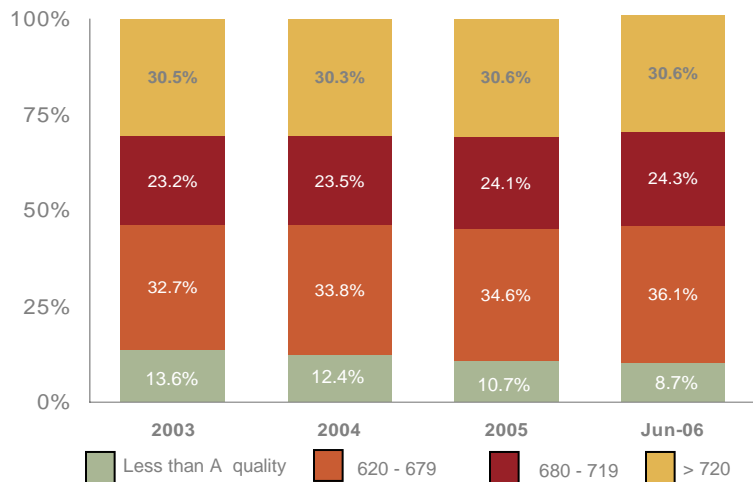
Primary Risk in Force Fixed vs. ARM



Loan Type

- Fixed Rate 79.6%
- ARMs 20.4%
 - Payment Option ARMs 4.0%
 - Interest Only 8.0%

Primary Risk in Force by FICO Score



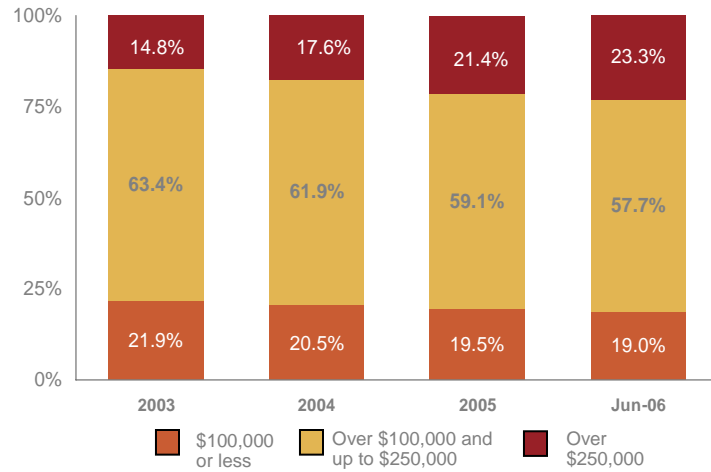
FICO Distributions

- 620 or greater 91.3%
- Less than A 8.7%

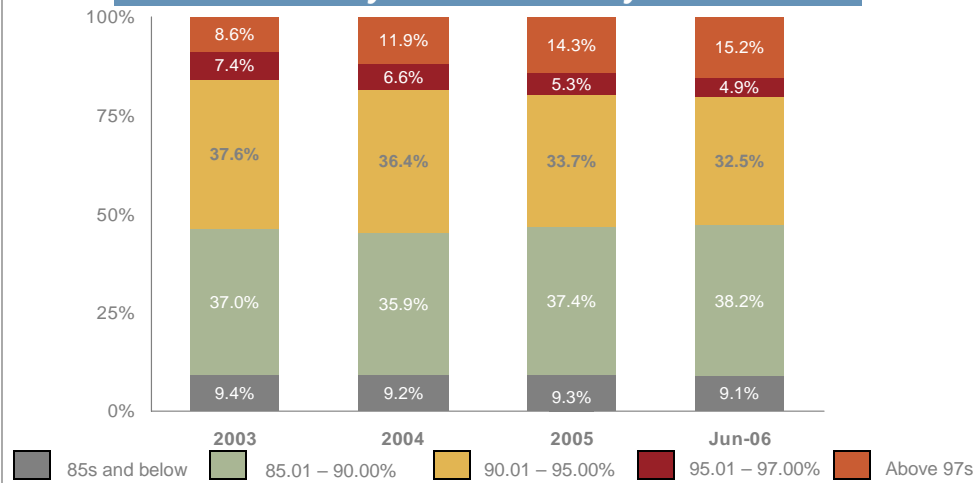
As of June 30, 2006

U.S. Portfolio Characteristics

Primary Risk in Force by Loan Amount



Primary Risk in Force by LTV



Loan Amounts

- GSE conforming 91.8%
- Average loan size \$138,900
- Loans > \$500,000 2.2%

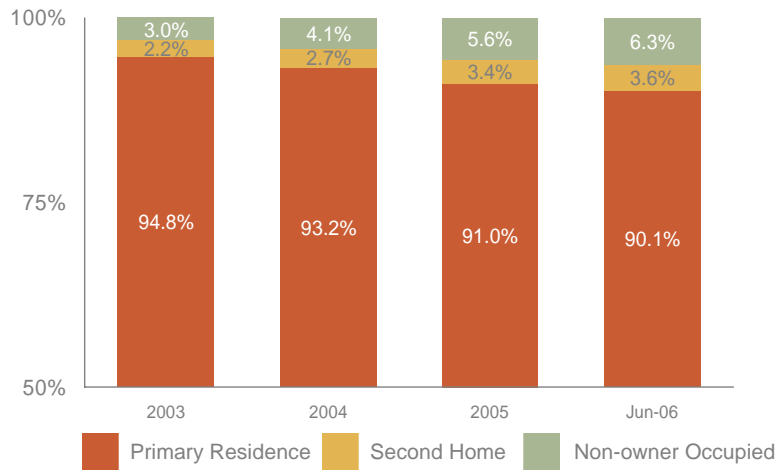
Loan to Values

- Above 97 15.2%
- 97s 4.9%
- 95s 32.5%
- 90s 38.2%
- 85s and below 9.1%

As of June 30, 2006

U.S. Portfolio Characteristics

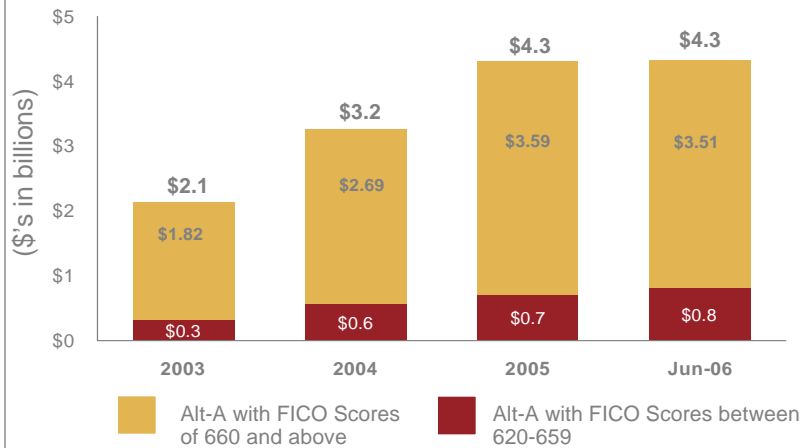
Occupancy Status as % of Risk In Force



Occupancy Status

- Primary residence 90.1%
- Second home 3.6%
- Non-owner occupied 6.3%

Alt-A Risk in Force



Alt-A

- FICO scores 660+ 81.1%
- FICO scores <660 18.9%

As of June 30, 2006

PMI Risk Index Diversification by MSA



- PMI Risk Index measures probability of home price decline over next 2 years
- PMI's portfolio is broadly diversified across MSAs
- Low concentration in MSAs with the highest probability of decline

**6.7% of PMI's
Primary Risk
in Force at
June 30, 2006**

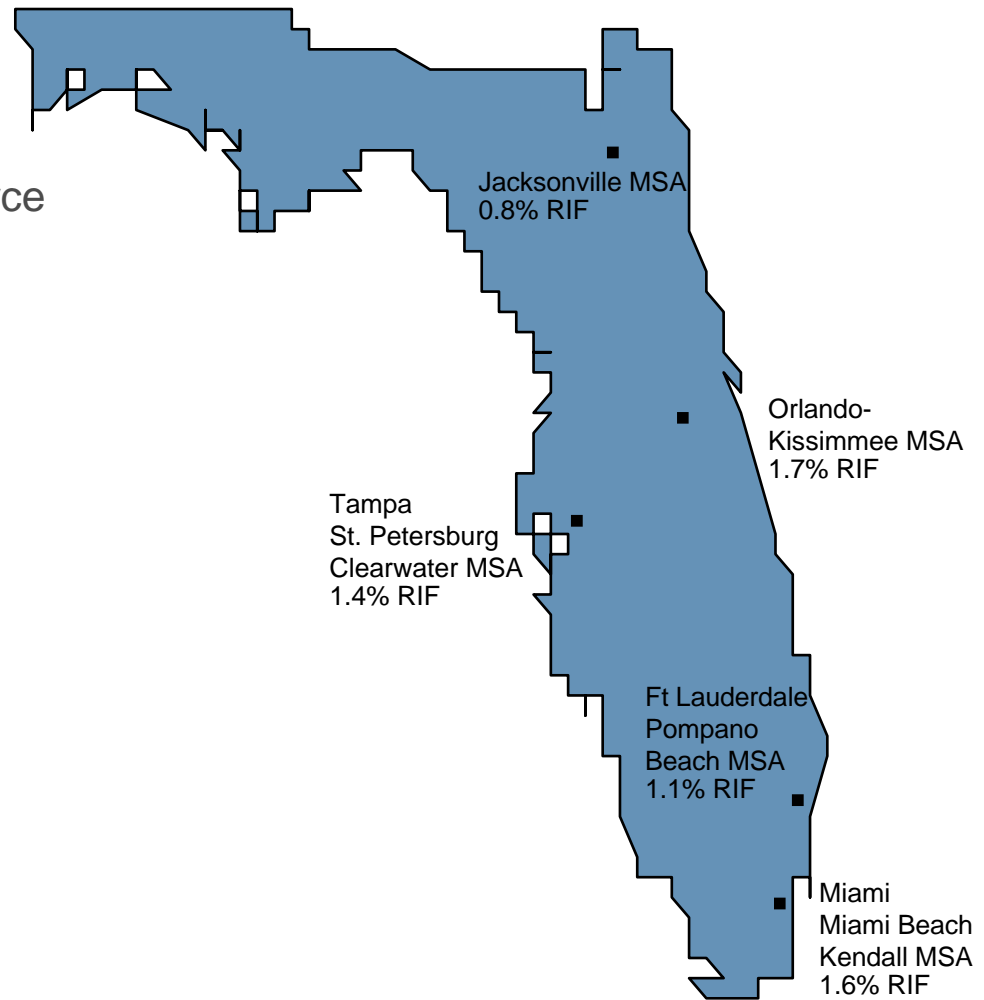
Metropolitan Statistical Areas (MSAs)	PMI Risk Index ¹
San Diego – Carlsbad – San Marcos, CA	603
Sacramento – Arden – Arcade – Roseville, CA	601
Oakland – Fremont – Hayward, CA	600
Santa Ana – Anaheim - Irvine, CA	599
Nassau-Suffolk, NY	598
Riverside – San Bernardino – Ontario, CA	596
Boston-Quincy, MA	596
Providence – New Bedford – Fall River, RI-MI	590
Los Angeles-Long Beach-Glendale, CA	590
San Jose-Sunnyvale-Santa Clara, CA	589

¹ Based on Fall 2006 PMI Risk Index

Florida

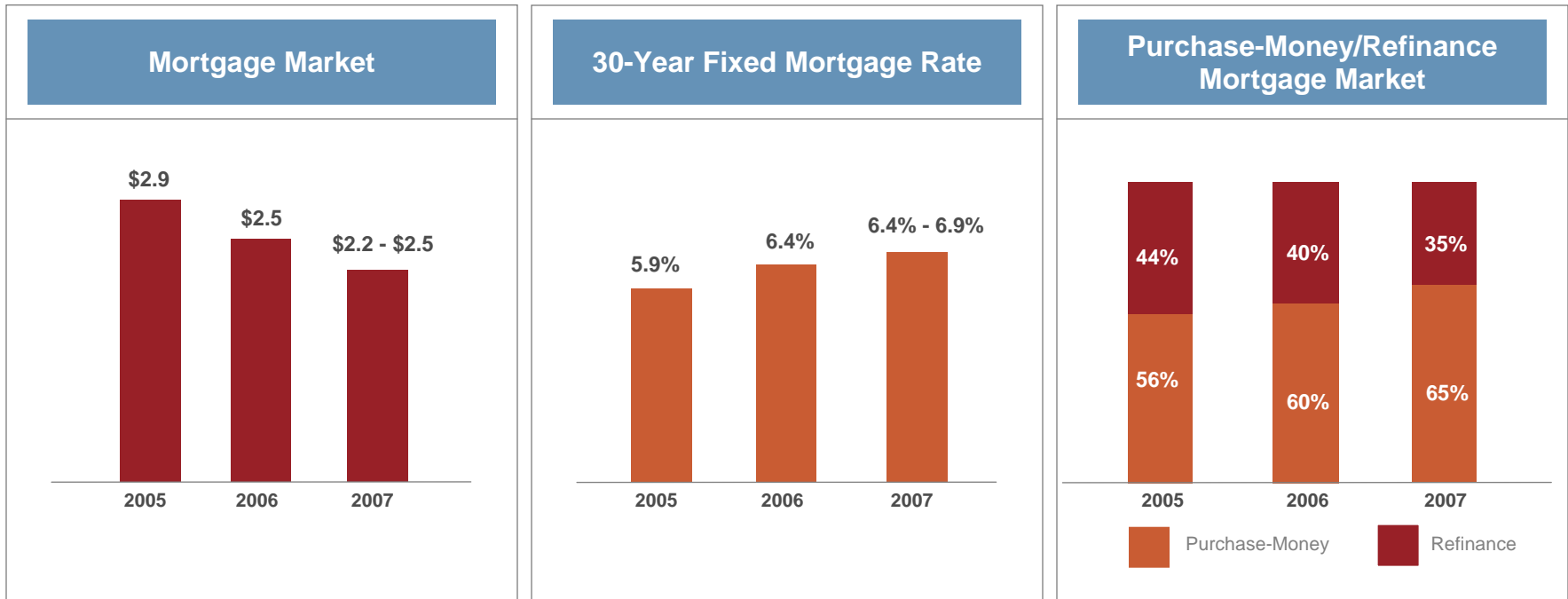
Portfolio Characteristics

- 10.5% of PMI's Primary Risk in Force
- Wtd Avg Loan Size: \$153,191
- Wtd Avg LTV: 92%
- Wtd Avg FICO: 694
- 10% Non-owner occupied
- 32% Alt - A
- 17% Condominium¹



¹ Includes Condominium, Townhouse, and Cooperative

2007 Market Outlook



\$'s in billions; source: Fannie Mae, Freddie Mac, MBA and Economy.com

Summary

- Core business generates attractive financial returns for The PMI Group
- Favorable market trends are improving MI penetration rates in PMI's flow channel
- Credit enhancement solutions that are cost-effective and capital efficient for MBS issuers and portfolio lenders in PMI's structured channel
- Credit is performing within our expectations



PMI Capital Corporation

Bradley M. Shuster

President and Chief Executive Officer
PMI Capital Corporation

PMI Capital Corporation: Vision and Strategy

Corporate Vision

Premier global provider of financial products that:

- Reduce risk
- Lower costs
- Expand market access

Execution Strategy

- Optimize the future growth potential of our current businesses
- Expand the global footprint of our subsidiaries and investments
- Position PMI across all loss segments (first, mezzanine, and remote loss)
- Expand the range of asset classes in which we participate

PMI Capital Corporation: A strong and balanced set of businesses

International MI

PMI Australia

PMI Europe

PMI Asia

PMI Canada

**\$178 billion of International
Insurance In Force¹**

Financial Guaranty

FGIC

RAM Re

PMI Guaranty

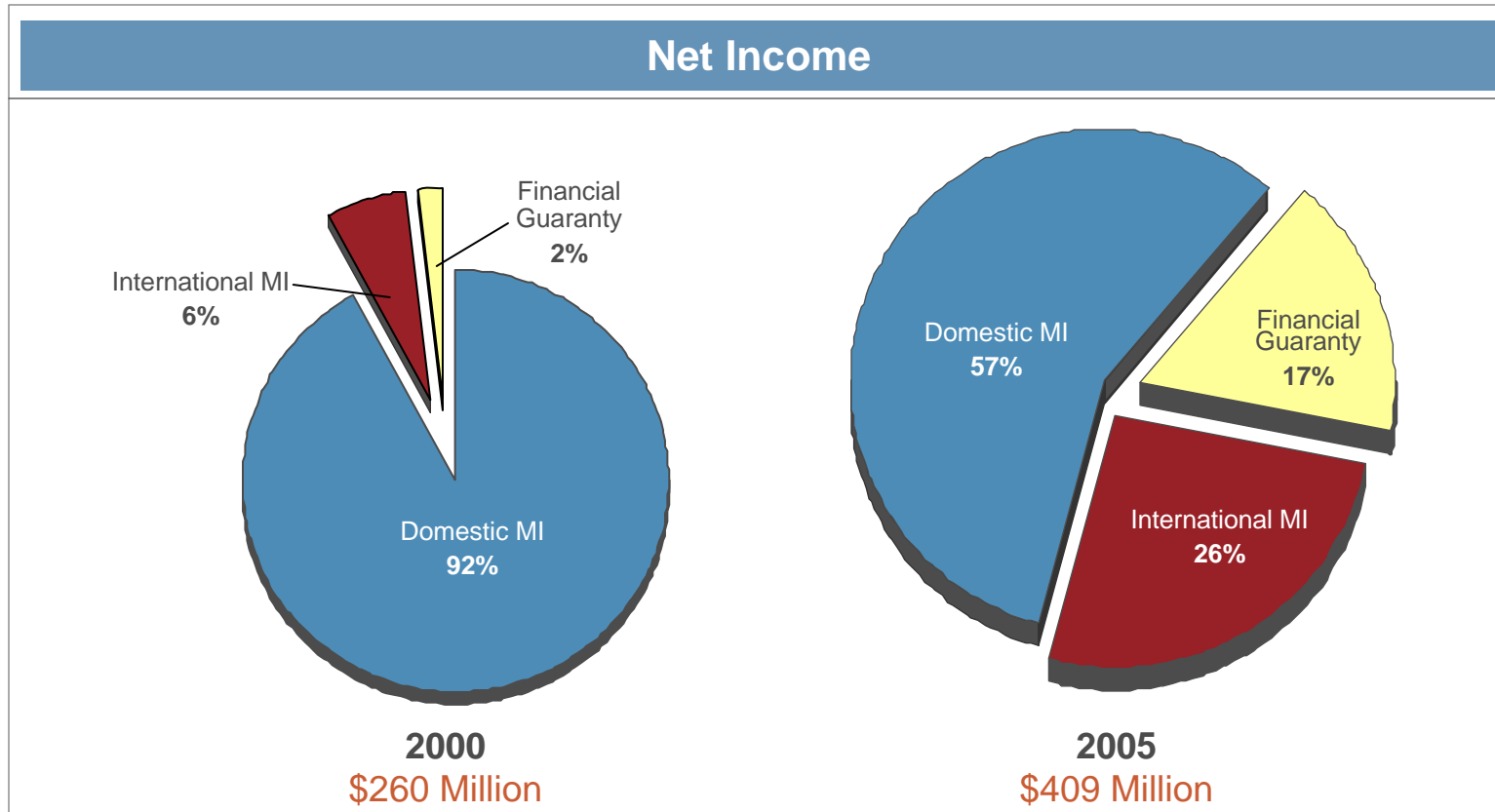
**Investments in world-class
providers of financial guaranty
insurance and reinsurance**

**Together, these subsidiaries and investments
have transformed The PMI Group and positioned PMI
as a leading global provider of credit enhancement**

¹As of Q2-06

PMI Capital Corporation has contributed substantial growth and balance to The PMI Group

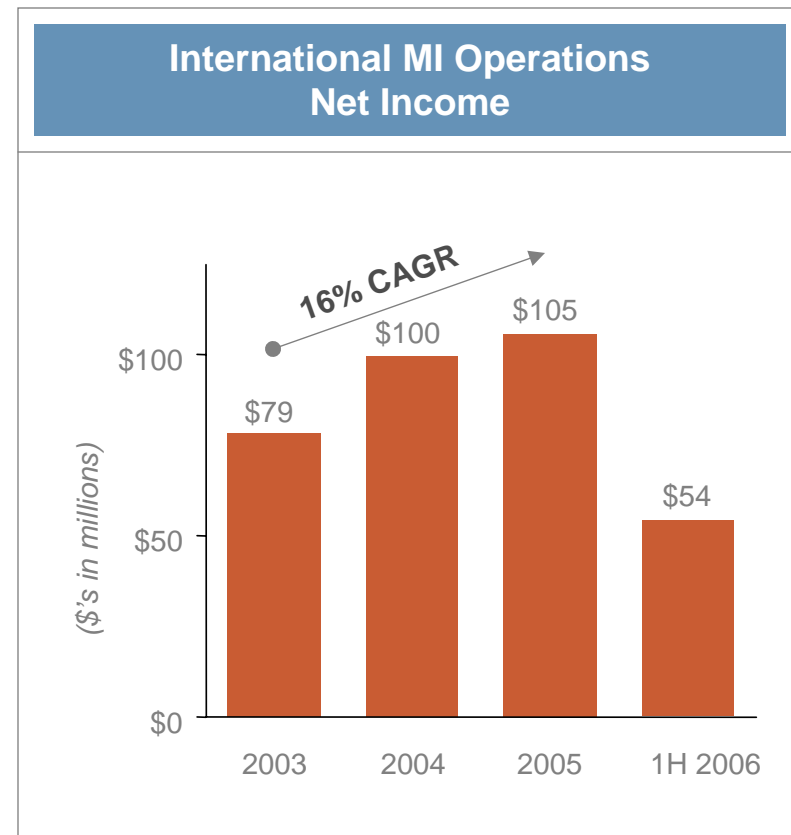
Since 2000, PMI Capital Corporation's net income has grown at 49% CAGR



PMI Capital Corporation's objective is to generate 50% of the net income of The PMI Group

International Mortgage Insurance Operations

- 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

International Mortgage Insurance Platform

PMI Australia

- #1 ranked MI provider in Australia / New Zealand¹
- Key relationships with two of the Top 4 lenders
- Active in primary and residential mortgage-backed securities markets

PMI Europe

- Offers credit enhancement in the European Union
- Expansion of Italian operations and opened German and Belgian offices
- Offers innovative solutions for primary and capital markets

PMI Asia

- Primary mortgage reinsurance
- Leading provider of reinsurance to Hong Kong Mortgage Corporation
- Growth in higher LTV lending is driving market expansion

New Markets

- PMI Canada to launch early in 2007
- Several other significant market areas under review

¹Based on Q2 06 Insurance In Force



Business Highlights

- First half of 2006 reflects 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

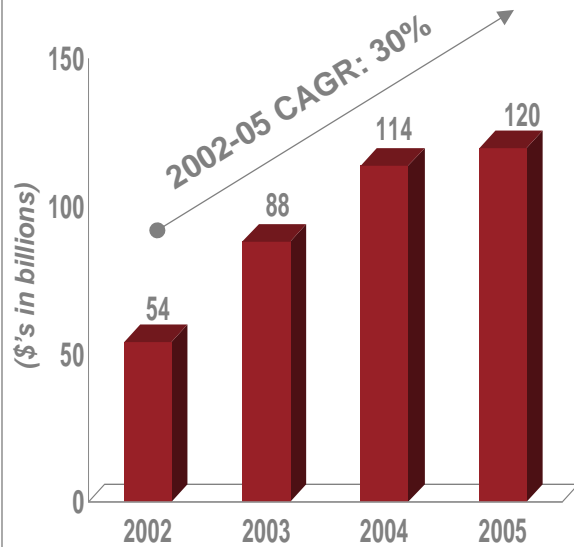
Strategy

- 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

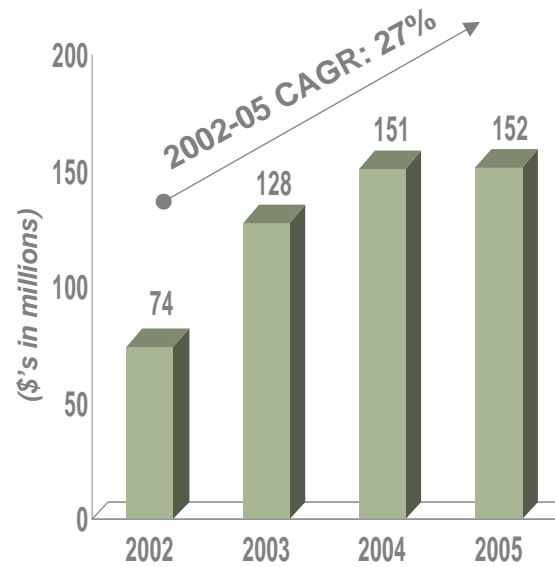
PMI Australia: A Strong Track Record of Growth



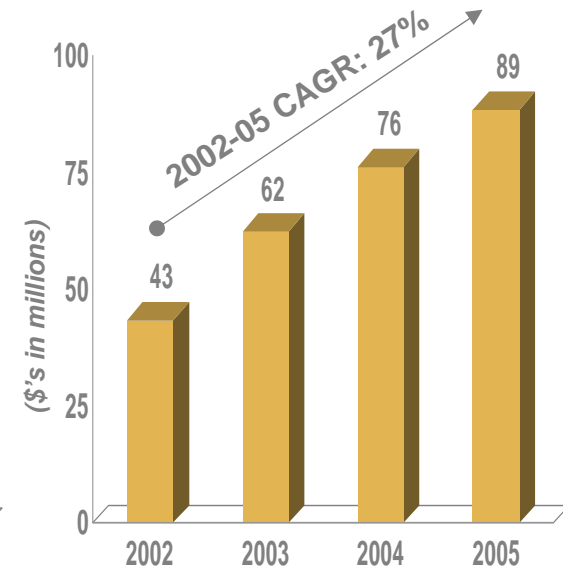
Primary Insurance in Force



Net Premiums Written



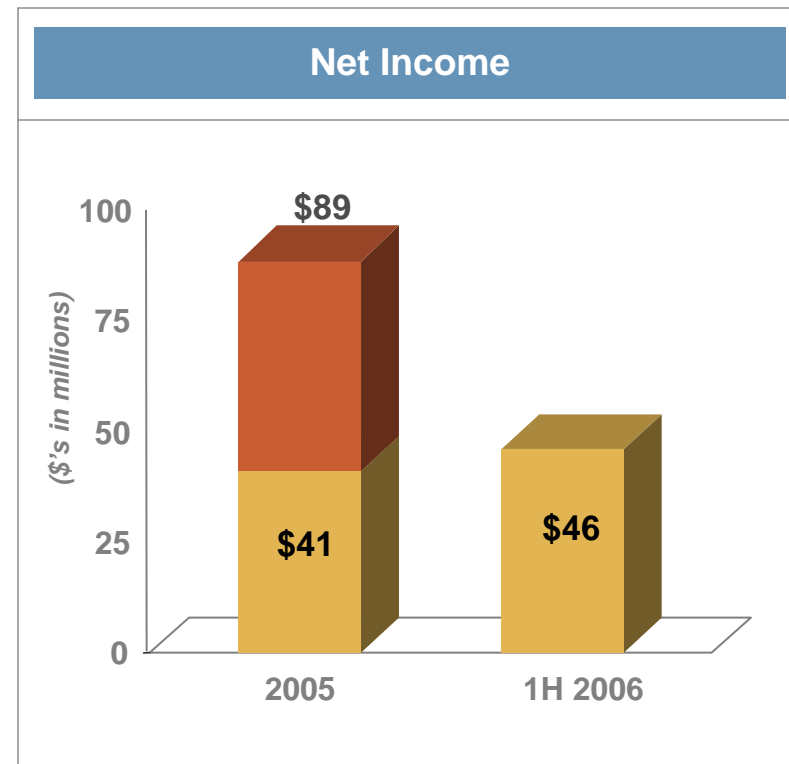
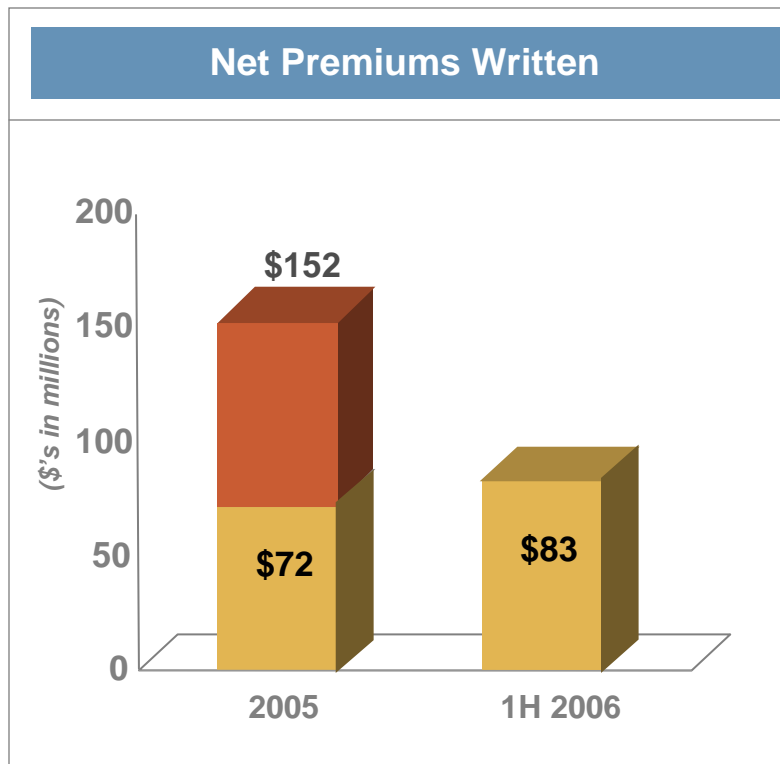
Net Income



PMI Australia: Strong Revenue Growth Continues in 2006



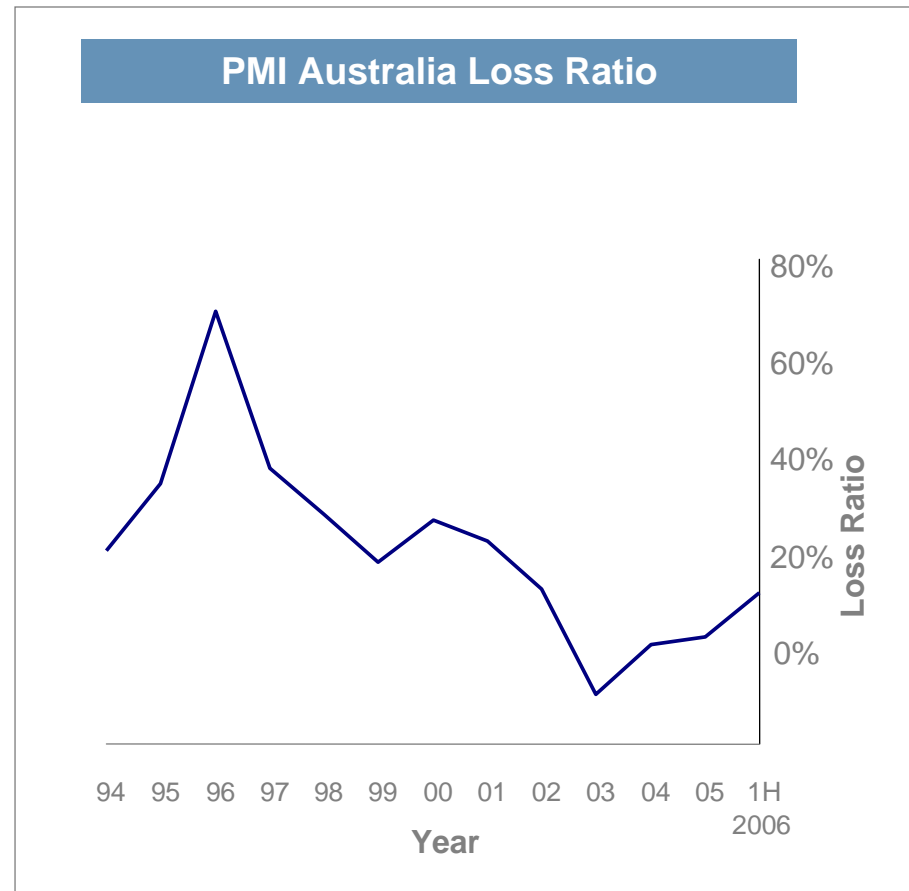
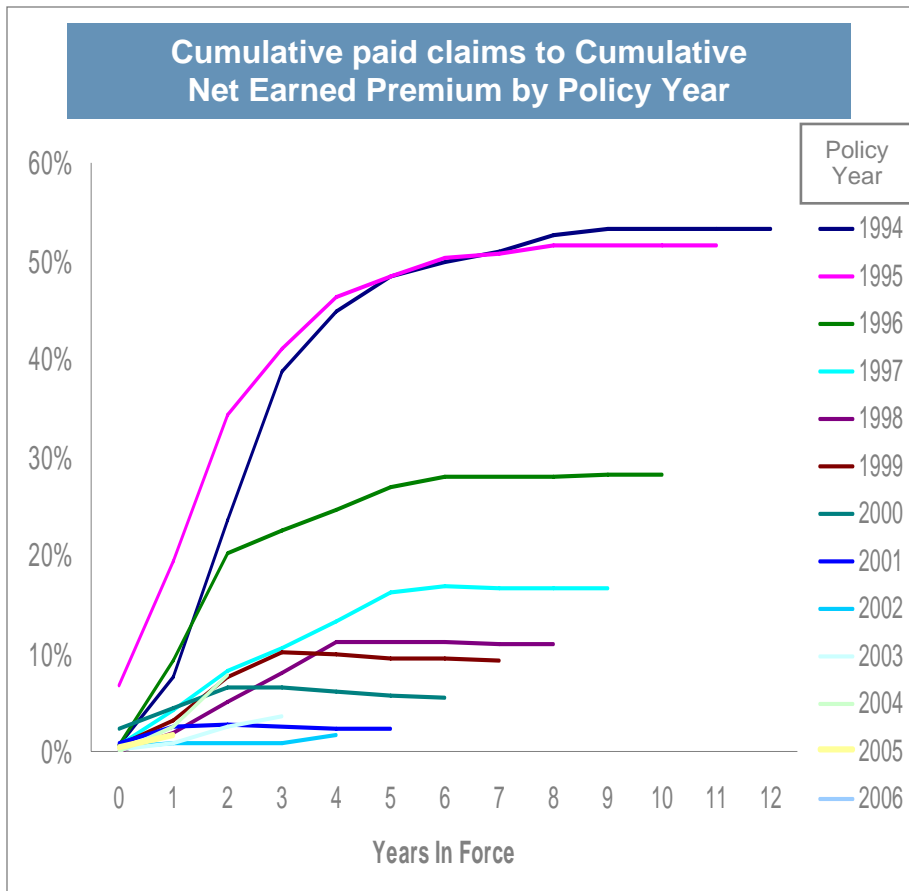
- First six months of 2006 show double digit growth compared to the same period of 2005
- Solid growth of 2006 New Insurance Written



PMI Australia Loss Performance



Loss performance of recent policy years has been extremely favorable, but is now increasing toward more normalized levels

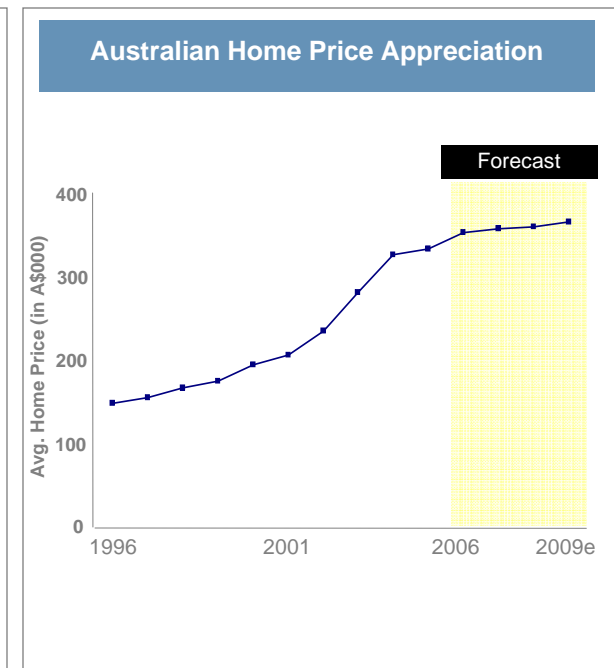
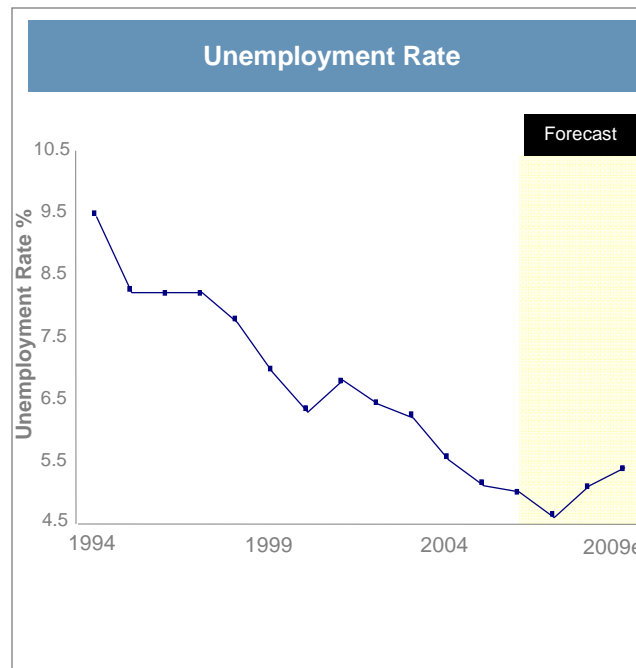
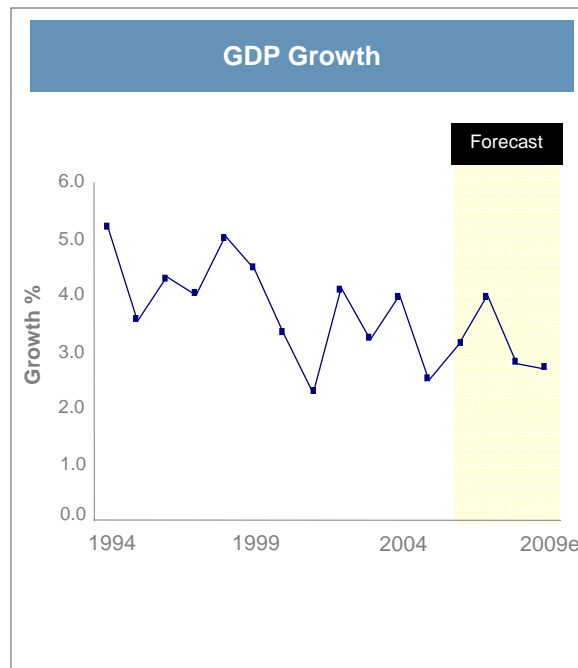


The Australian Economy Remains Strong



Economic momentum will help stabilize losses

- Steady, sustainable economic growth is expected
- Unemployment remains at historic low
- Home price appreciation continues at a moderate pace



Sources: BIS Shrapnel, ABS Data, R.E.I.A, RBA, Global Insight

PMI Europe: Well Established Franchise



Expanding our footprint in Europe with new operations and opportunities

Business Highlights

- Strong business results since inception
 - \$81 million in written premiums
 - \$51 million in net income
- 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

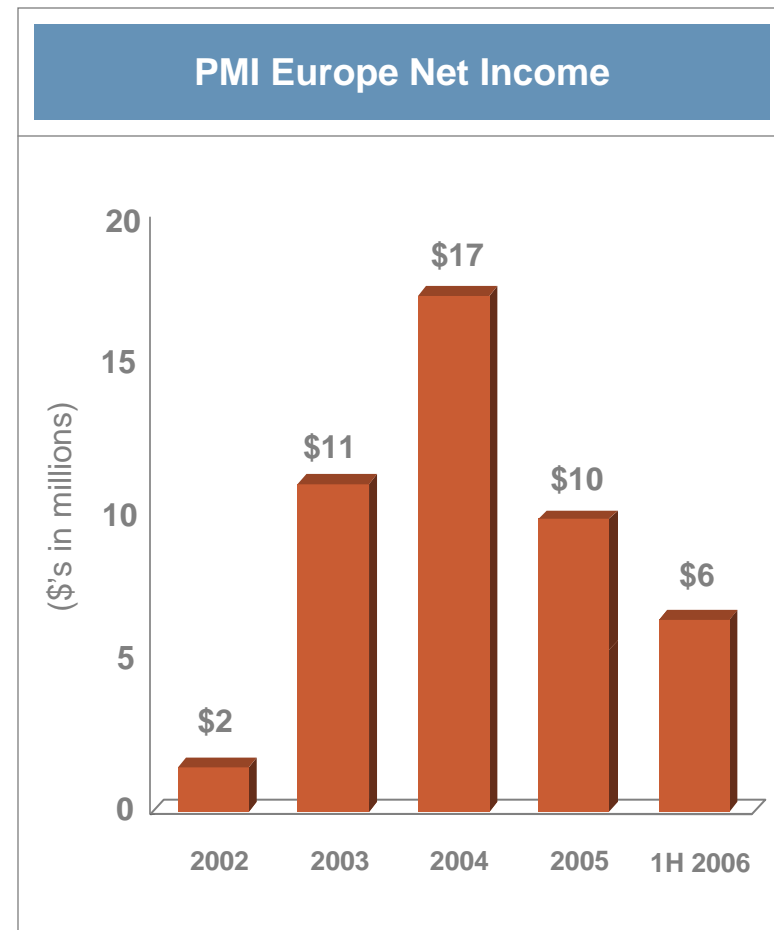
Strategy

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

PMI Europe: Net Income Growth



- First six months of 2006 show double digit growth over prior year
- 2002-2005 Net Income CAGR is 86%





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:
 - \$3.7 Billion of New Insurance Written
 - \$64 Million in Written Premiums
 - Over 15,000 insured policies
- 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

PMI Canada: Entering the World's Second Largest MI Market



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

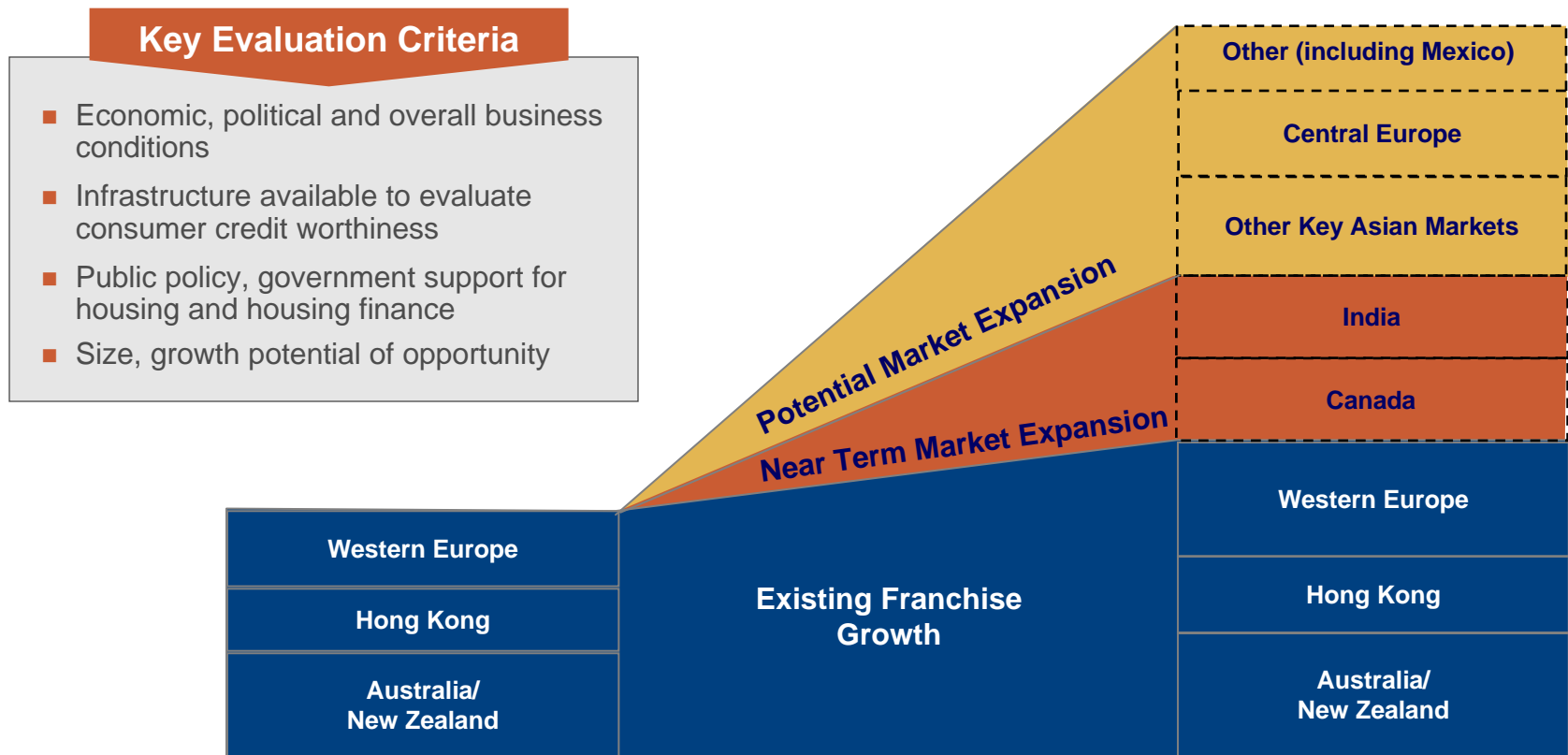
- Licensing application and ratings pending
- Operations in development
- Expect to commence writing business in 2007
- Strong leadership team and board being assembled

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

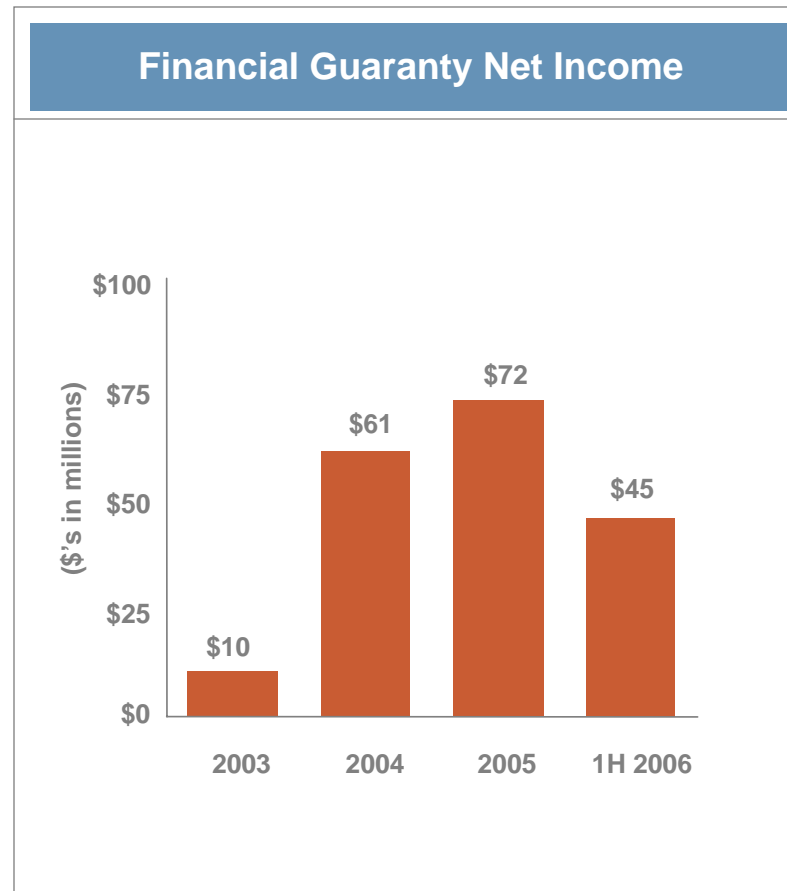
Future International Expansion

We will expand our established franchises, develop additional opportunities, and open new markets



Financial Guaranty Segment

- Provided 20% of The PMI Group's total net income for the first six months of 2006
- Financial Guaranty Insurance Company (FGIC) exhibited strong earnings, increased ROE, and adjusted gross premium growth in the first half of 2006
- RAM Re is now a public company
- Launch of PMI Guaranty will provide expanded product opportunities and enable us to offer more comprehensive credit enhancement solutions to our customers



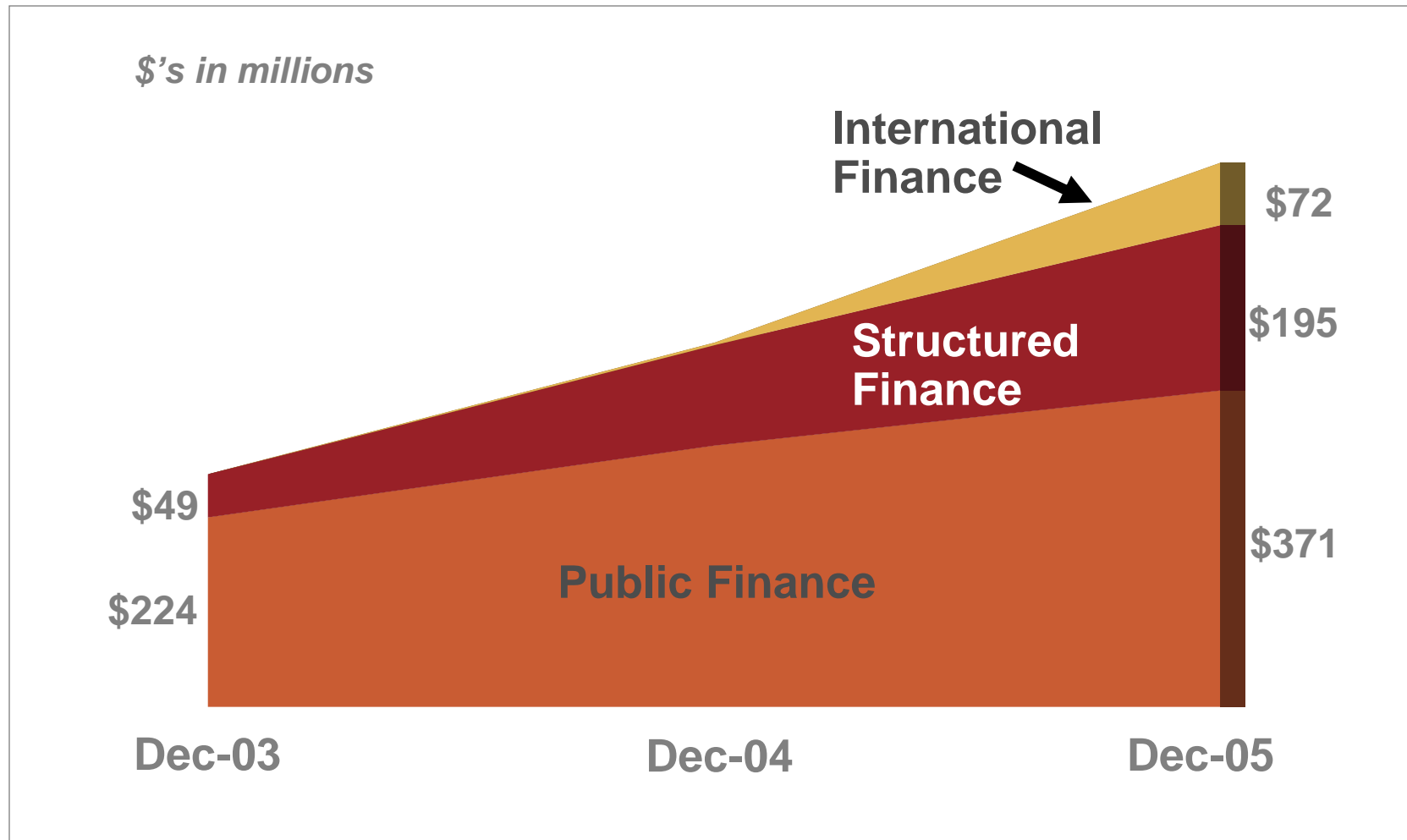
Actions

- Hired experienced market leaders in new product areas
- Extensive marketing to highlight ability to execute
- Re-established London office – international franchise
- Strong risk management culture
- Expanded investor reporting and transparency

Results

- Re-established presence in virtually every major financial guaranty sector
- More than doubled staffing levels – Senior management is the most tenured in the industry
- Strengthened franchise supports superior trading value
- Financial results and claims-paying resources have grown at exceptional levels

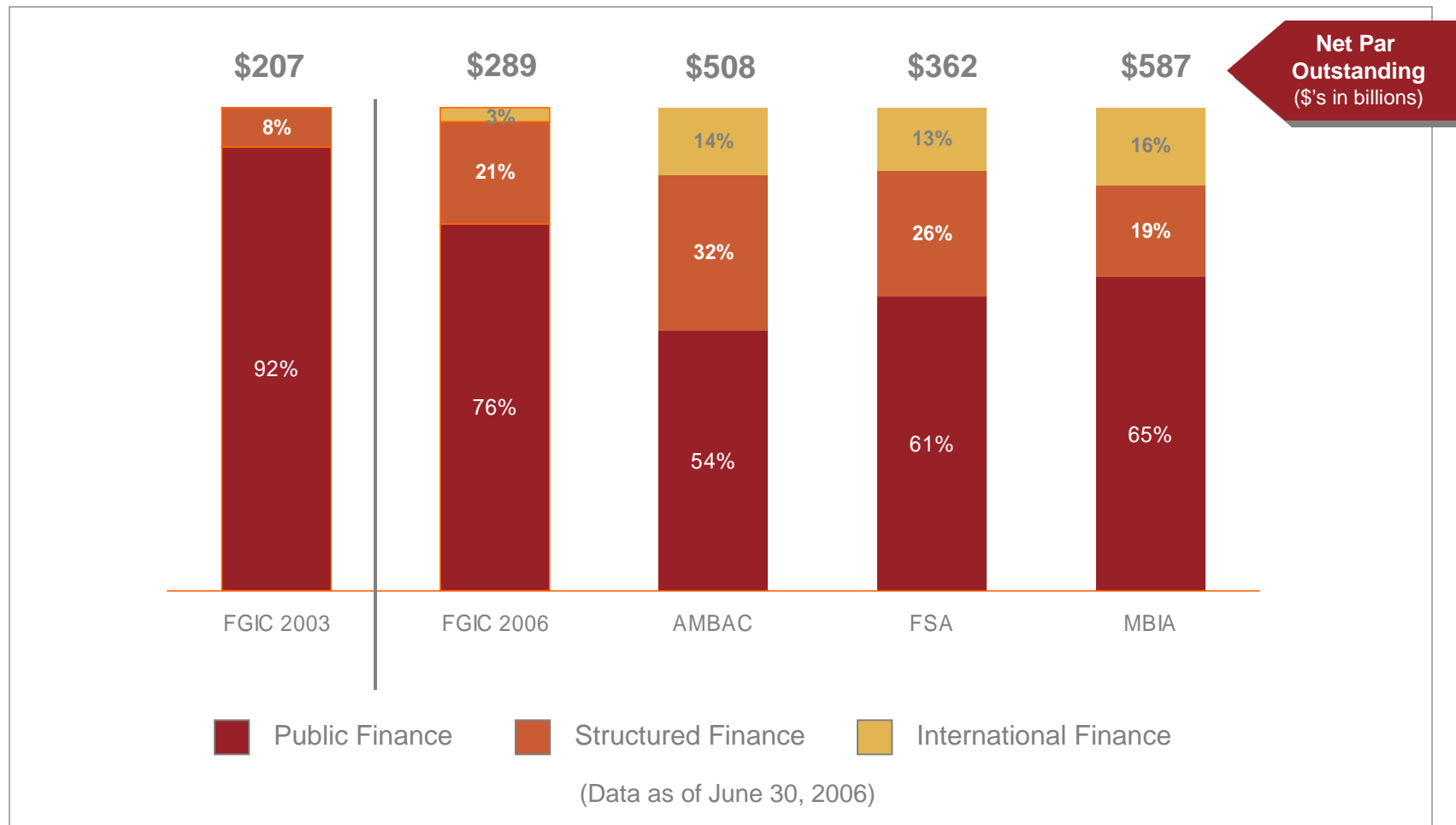
FGIC's Adjusted Gross Premium by Business Line



FGIC Portfolio Diversification



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

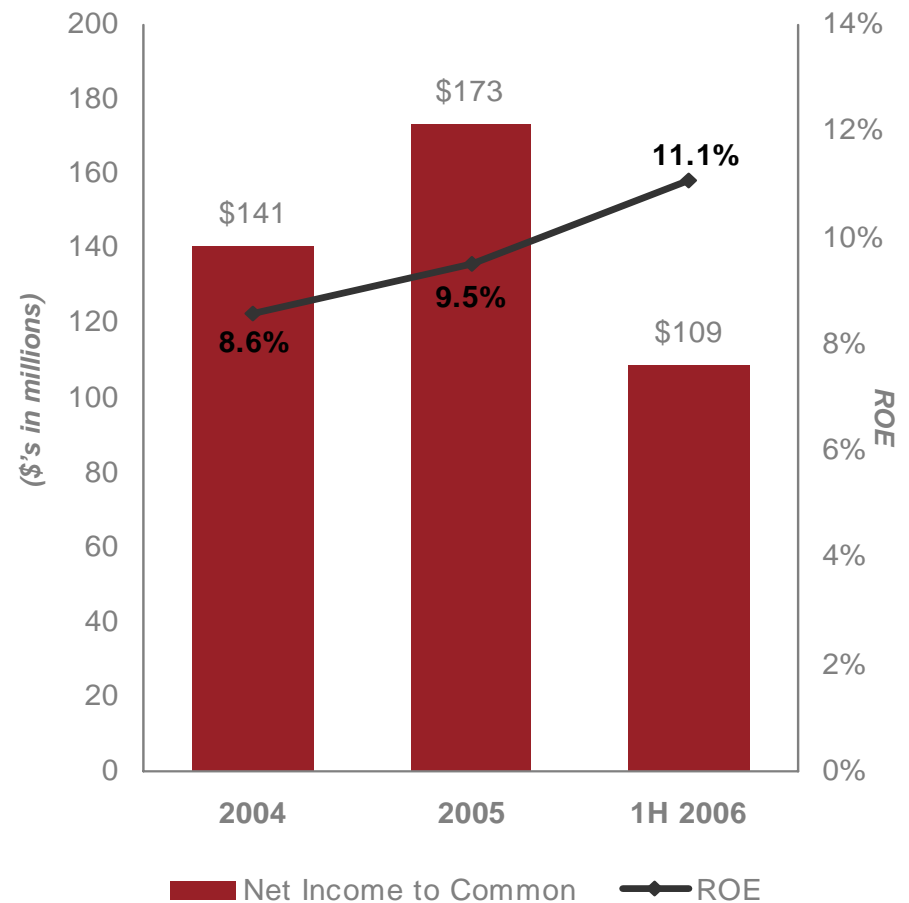


Broadened product capabilities provide a strong platform for growth in earnings and ROE

Continued Expansion

- Target profitable product mix, while maintaining risk diversity across the insured portfolio
- Serve a wide range of issuers
- Deep relationships built on trust
- Superior transaction execution and operating efficiency
- Focus on value-added market sectors

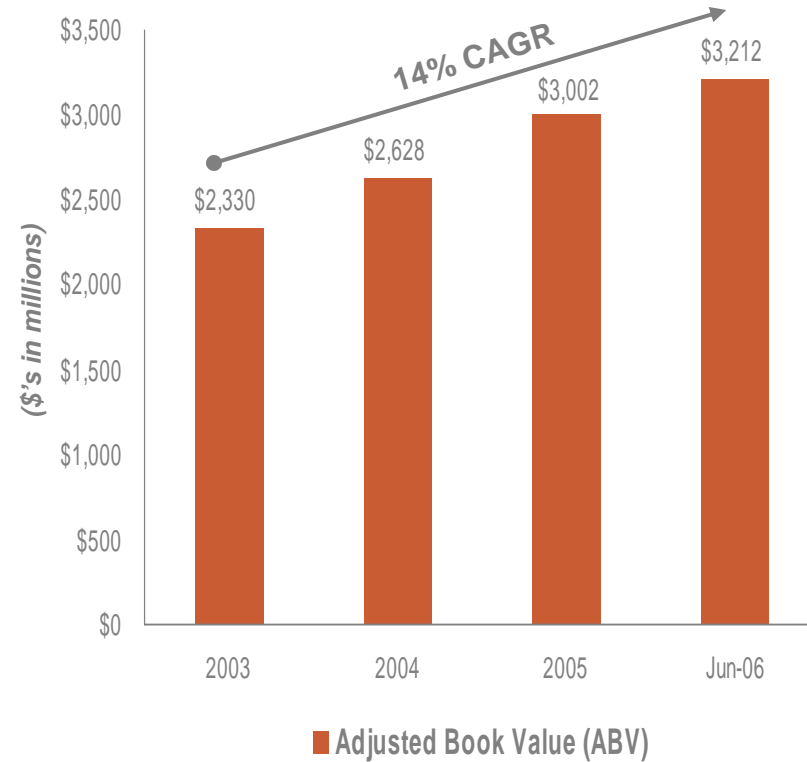
FGIC ROE Progression



Corporate Strengths

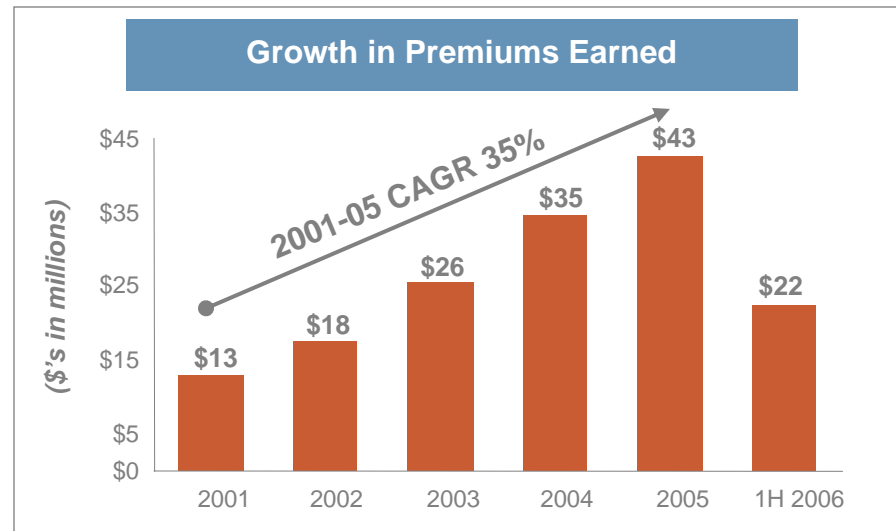
- Management Team / Expertise
- Low-Risk Insured Book
- Ratings and Financial Strength
- Recognized Brand Name
- Product Delivery and Execution
- Expanding Global Platform
- Capacity for Growth in Key Sectors

FGIC Growth in Valuation





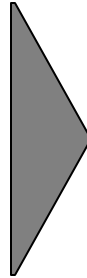
- Strong market share and top-line growth
 - Doubled market share to 15% since 2001
- Expansion of facultative business written
- Recent IPO positions company for future growth (NASDAQ: RAMR)



PMI Guaranty

PMI Guaranty

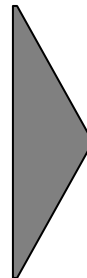
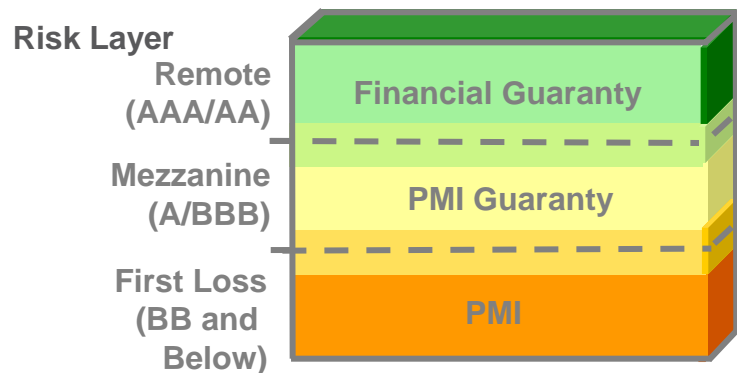
- Licensed Surety Company domiciled in New Jersey
- Targeting double-A ratings
- Offers direct and reinsurance structures



PMI Guaranty Strategy

- Enables The PMI Group to provide comprehensive credit enhancement across all loss layers
- Platform for expanded product offering including Second Liens and NIMS
- Target mezzanine and remote risk layers
- Expansion into other asset classes

Sample Structured Mortgage Transaction








Strategic Cooperation

- Platform for combined product solutions with The PMI Group's MI Companies, FGIC and RAM Re

PMI Capital Corporation's Outlook

- Outlook is for continued strong growth
- Key engine for expansion of capabilities

Geographic Expansion	<ul style="list-style-type: none"> ■ United States ■ Australia ■ Asia ■ Europe ■ Canada ■ Other 	
Mortgage Credit Risk	<ul style="list-style-type: none"> ■ Prime ■ Alt-A ■ Sub-Prime 	
Asset Class Expansion	<ul style="list-style-type: none"> ■ Mortgage ■ Non-Mortgage ABS ■ Public Finance 	
Loss Layer Expansion	<ul style="list-style-type: none"> ■ First loss ■ Mezzanine ■ Risk remote 	
Execution Structures	<ul style="list-style-type: none"> ■ Mortgage insurance policy ■ Credit default swap contract ■ Financial guaranty policy 	



Financial and Capital Matters

Donald P. Lofe, Jr.

Executive Vice President and Chief Financial Officer
The PMI Group, Inc.

Consolidated Financial Data and Key Ratios

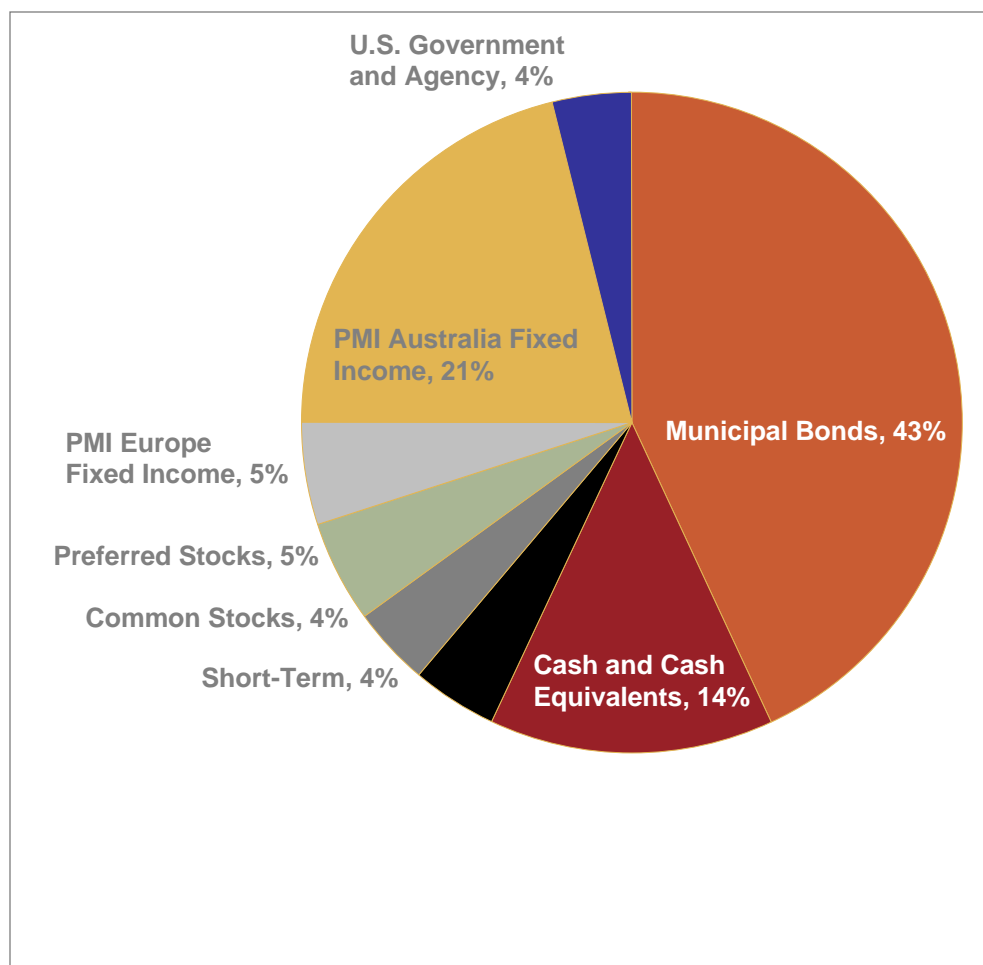
(\$'s in millions, except per share amounts)

	For the Years Ended December 31,			For the Six Months Ended June 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
Revenues	\$891.7	\$1,038.2	\$1,117.8	\$563.0	\$587.3
Net Income	299.4	399.3	409.2	205.7	215.0
Total Assets	\$4,794.3	\$5,146.0	\$5,254.1	\$5,241.3	\$5,313.5
Reserve for Loss and LAE	346.9	364.8	368.8	364.4	384.6
Shareholders' Equity	2,784.0	3,137.8	3,230.8	3,238.0	3,294.0
Debt / Total Capitalization (GAAP Basis)	22.7%	20.7%	20.2%	20.2%	19.9%
Debt / Total Capitalization (Rating Agency Basis)	13.5%	12.3%	12.0%	12.1%	11.6%

Consolidated Investment Portfolio (June 30, 2006)

Consolidated Credit Quality

AAA or equivalent	58.8%
AA	20.9%
A	16.6%
BBB	3.6%
Non-investment grade	0.1%
Consolidated Duration	4.7



Capital Initiatives

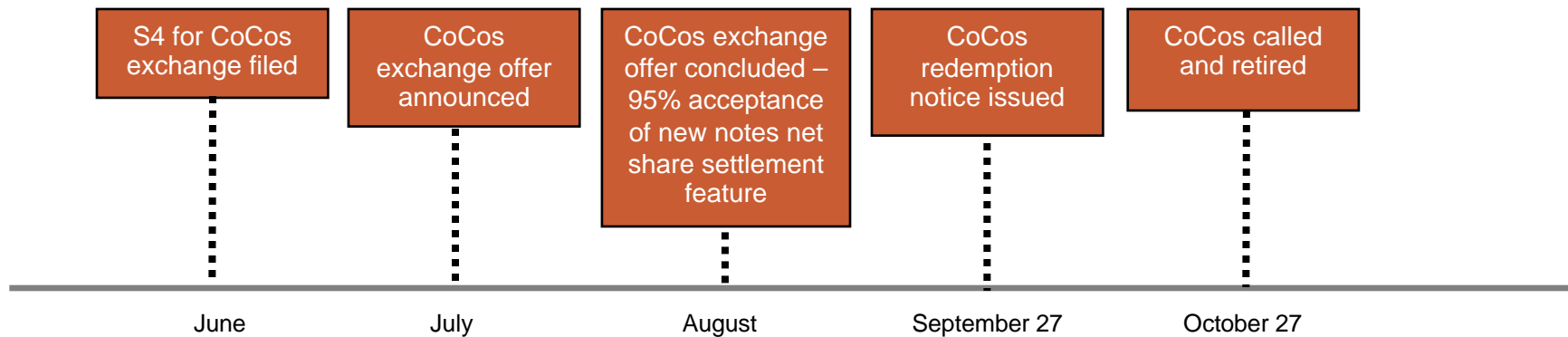
Primary objectives of our capital initiatives:

- Simplified capital structure
- More cost efficient capitalization
- Lower cost of capital
- Mitigate dilutive impacts of convertible securities

Capital Initiatives: Contingent Convertible Debentures

2.50% Senior Convertible Debentures:

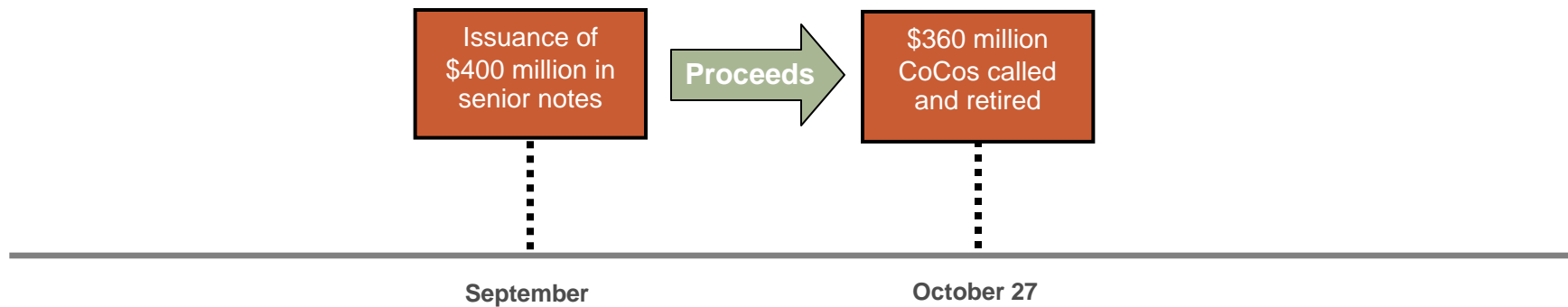
- In conformance with EITF 04-8, accounting method was “if converted”
- Added back interest expense and 8.2 million common shares to the fully diluted share count
- Economic cost of instruments are higher than other capital instruments; cost increases over time
- Issue will be redeemed and retired on October 27, 2006



Capital Initiatives: Debt Issuance

Senior Notes Issuance:

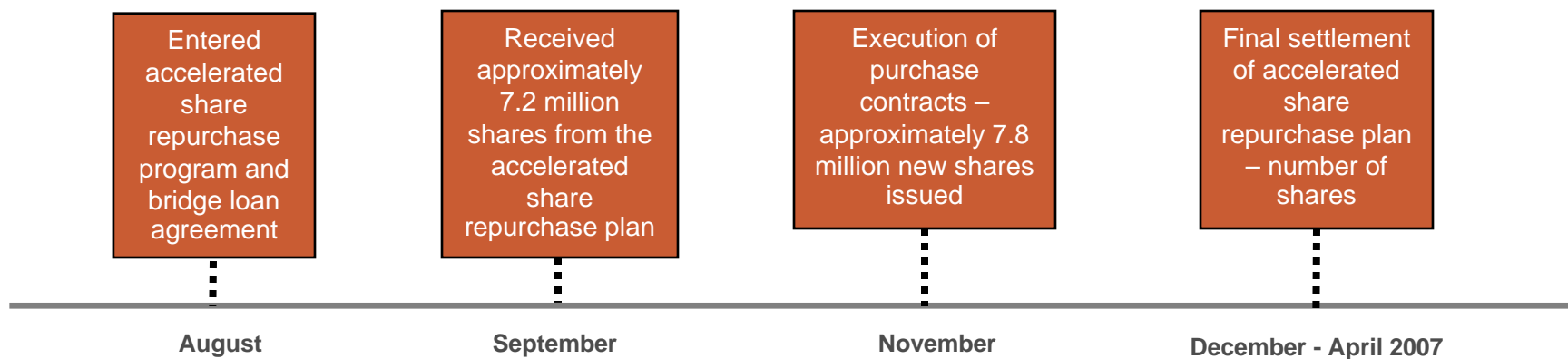
- \$250 million 6.0% senior notes; due 2016
- \$150 million 6.635% senior notes; due 2036



Capital Initiatives: HITS / Accelerated Share Repurchase Program

5 7/8% Hybrid Income Term Security Units (HITS):

- \$45 million of notes at 5.568% successfully remarketed for an additional 2 years in August
- The PMI Group purchased \$300 million of notes in remarketing; funds escrowed
- The PMI Group entered into accelerated share repurchase program to address the issuance of new common shares; financed program with a \$345 million bridge loan
- Mandatory purchase contracts to be executed November 15, 2006; The PMI Group receives approximately \$345 million in cash – repays bridge loan
- Plan filed September 13, 2006 – aggregate purchase price of up to \$40 million dollars of common shares



Capital Initiatives: Revolving Credit Facility

New Revolving Credit Facility:

- Commitment letter executed in September
- Expecting new term extension for five years
- Expecting \$300 million commitment, with option to increase to up to \$500 million
- Strong lead bank and consortium of lenders
- Favorable terms and covenants

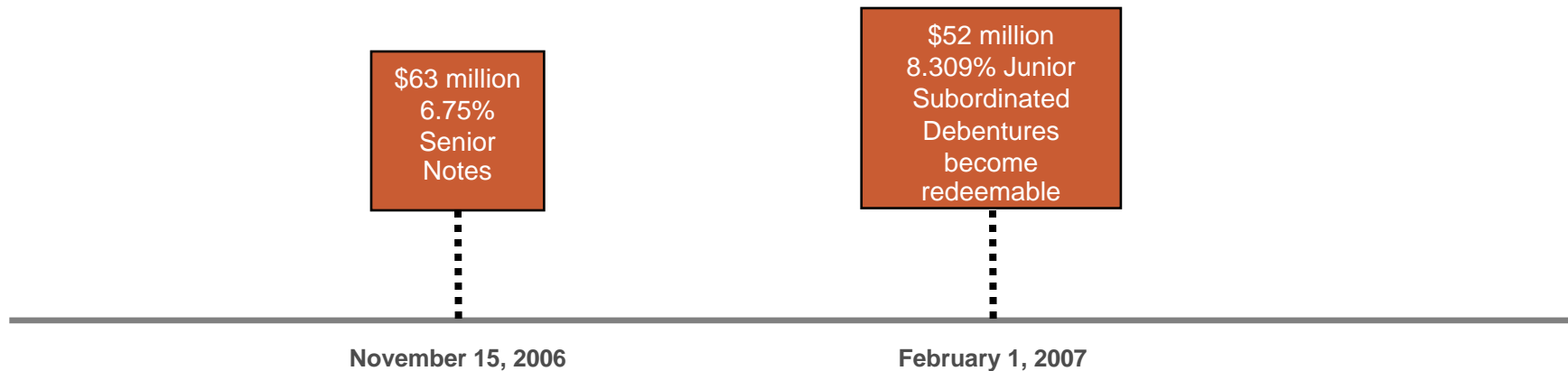
New revolving
credit facility
agreement

October

Capital Initiatives: Debt Financing

Outstanding Senior Notes and Junior Debentures:

- \$63 million of senior notes will mature on November 15, 2006 and be repaid
- \$52 million of junior subordinated debentures will be redeemable at The PMI Group's option on or after February 1, 2007



Capital Initiatives: Pro Forma Capitalization

Capitalization Table

(\$'s in millions)

	As Reported June 30, 2006 <small>(unaudited)</small>	Pro Forma December 31, 2006
<u>Debt</u>		
Senior Notes	\$ 63 ⁽¹⁾	\$400 ⁽²⁾
Hybrid Income Term Security Units ⁽³⁾	\$345	\$ 45
Junior Subordinated Debentures	52	\$ 52
Convertible Debentures ⁽⁴⁾	360	-
Total Debt	820	497
Shareholders' Equity	3,294	3,294
Total Capitalization	\$4,113	\$3,791
Debt / Total Capitalization (GAAP Basis)	19.9%	13.1%
Debt / Total Capitalization (Rating Agency Basis)	11.6%	12.2%

(1) Assumes payment of 6.75% senior notes due November 15, 2006

(2) Includes \$250 million 6.00% senior notes due 2016 and \$150 million 6.625% senior notes due 2036

(3) In August 2006, completed remarketing of \$45 million of notes due 2008.

PMI repurchased \$300 million of senior notes due 2008 that were subsequently cancelled and are no longer outstanding.

(4) Gives effect to redemption or conversion of debentures on or prior to October 27, 2006.

Capital Initiatives: Share and EPS Impact

Impact from Capital Initiatives on Basic Common Shares, Fully Diluted Weighted Average Common Shares and EPS:

	Q3 2006	Q4 2006	2007
Net Change in Basic Shares Outstanding from Q2 2006	(7.2)	+0.6	+0.6 **
Net Reduction in Weighted Average Shares Outstanding from Q2 2006***	(4.9)	(11.3)	(7.5)
Quarterly and Annual Impact on Fully Diluted EPS*	+\$0.02-0.04	+\$0.08-0.10	+\$0.20-0.24

See reconciliation in Financial Appendix for additional detail

* The impact to quarterly 2006 EPS is calculated using changes in share amounts above and our second quarter 2006 net income; the effect on 2007 EPS is calculated based on changes in share amounts above and net income for the six months ended June 30, 2006 (annualized).

** No effect shown for possible additional delivery of shares under accelerated share repurchase plan or shares to be purchased under our 10b-5-1 Plan entered in September 13, 2006.

*** The contingent convertible shares are included in the diluted but not basic shares outstanding.

(Dollars and shares in millions, except per share data)

Dividends from the U.S. Mortgage Insurance Co.

- PMI Mortgage Insurance Co., as of June 30, 2006, had \$637 million in surplus and \$2.4 billion in contingency reserves
- Ordinary dividends are approximately \$50 million per year
- Extraordinary dividends subject to formal approval by the Arizona Department of Insurance

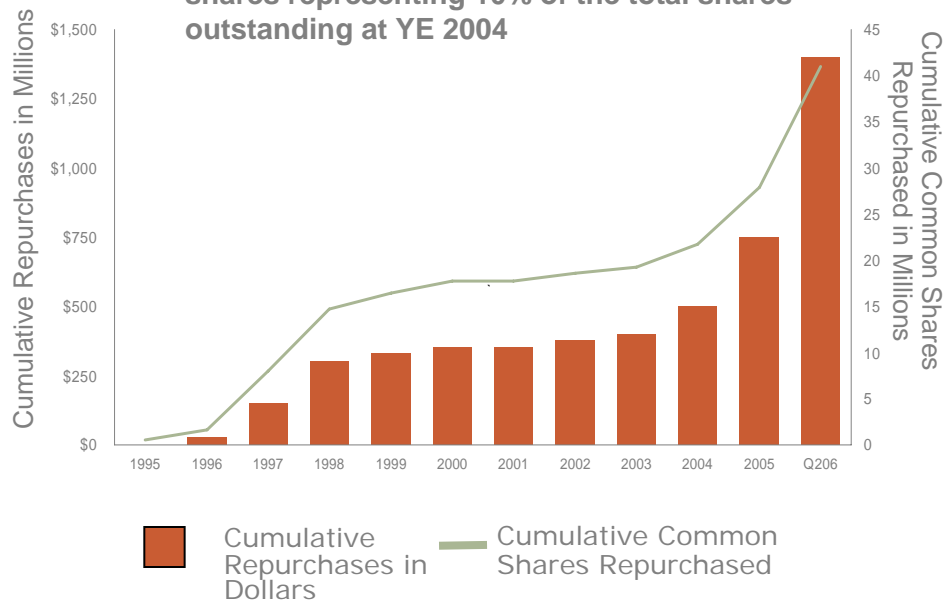


Common Share Repurchases: \$1.4 billion – 41 million shares

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

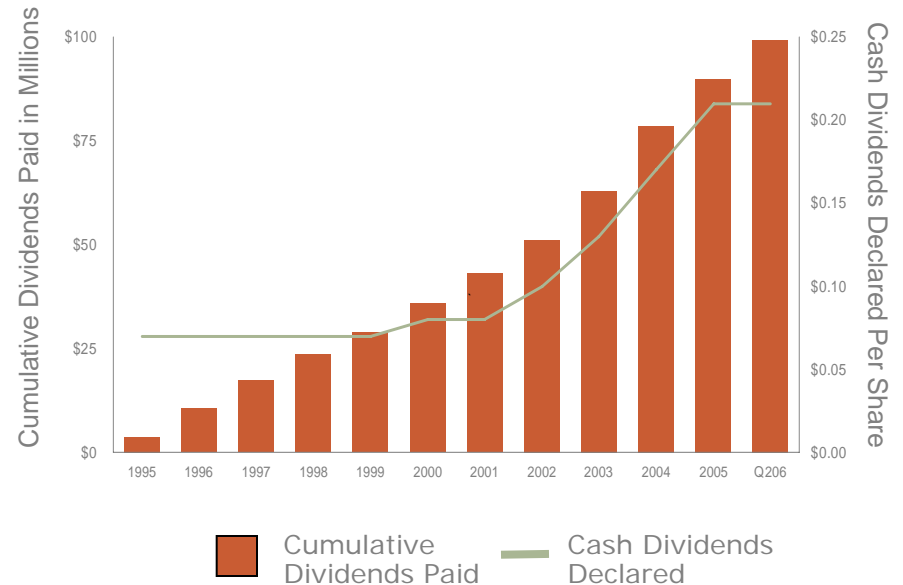
Common Share Repurchases

- Repurchased ~\$1.4 billion common shares representing ~41 million shares
- Since 2005, repurchased \$400 million common shares representing 10% of the total shares outstanding at YE 2004



Shareholder Dividends

- Increasing cash dividends per share totaling approximately \$100 million



- Dollars in millions
- 2006 dividend and common share repurchase data through June 30, 2006 and including effect of accelerated share repurchase program

The PMI Group, Inc.

A Family of Highly Rated Companies

	S&P	Fitch	Moody's
The PMI Group, Inc.	A (stable)	A+ (stable)	A1 (stable)
PMI Mortgage Insurance Co.	AA (stable)	AA+ (stable)	Aa2 (stable)
CMG Mortgage Insurance Co.	AA (stable)	AA (stable)	Not Rated
PMI Europe	AA (stable)	AA (stable)	Aa3 (stable)
PMI Australia	AA (stable)	AA (stable)	Aa2 (stable)
Financial Guaranty Insurance Company	AAA (stable)	AAA (stable)	Aaa (stable)
RAM Reinsurance Company Ltd.	AAA (negative)	Not Rated	Aa3 (stable)

2006 Guidance

U.S. Mortgage Insurance Operations

2006 total incurred losses

- Between \$250 and \$270 million

Expense ratio (1)

- 23% to 25% (lower end of the range)

The PMI Group

Consolidated tax rate

- 24% to 26%

**Expense related to stock options and
stock based compensation**

- Approximately \$9 million (after tax)

Consolidated pre-tax investment yield

- 5.0% - 5.5%

(1) The expense ratio is the ratio, expressed as a percentage, of the sum of amortization of deferred policy acquisition costs and other underwriting and operating expenses to net premiums written.

Summary of Financial and Capital Matters

- Solid financial position
- Capital initiatives to be principally completed in 2006
- Simplified, cost effective capital structure
- Lower cost of capital
- Mitigated dilutive impact of convertible securities
- Capital management remains a central focus



Summary

L. Stephen Smith

Chief Executive Officer
The PMI Group, Inc.

Summary

- Favorable long term market trends
- Global expansion for credit enhancement solutions
- Solid financial and capital foundation
- Experienced management team with track record of success
- Well positioned for continued success



2006 Investor Conference

The PMI Group, Inc.

October 6, 2006



Executive Officers

L. Stephen Smith
Chief Executive Officer
The PMI Group, Inc.

Chairman of the Board and Chief Executive Officer
PMI Mortgage Insurance Co.



L. Stephen Smith is Chief Executive Officer of The PMI Group, Inc. He became the company's President and Chief Operating Officer in 1998. He is also Chairman and CEO of PMI Mortgage Insurance Co., a subsidiary of The PMI Group, Inc., which is also the second largest mortgage insurance company in the United States.

Smith has more than 35 years of experience in mortgage insurance, housing finance, and banking. He began his career with PMI in 1979 and has held a variety of positions, including account executive, secondary market executive, and area sales director before being promoted to Vice President of PMI's Eastern Zone.

Smith was later promoted to Senior Vice President of Marketing, where he oversaw the implementation of corporate strategic growth initiatives.

He was later promoted to Executive Vice President of Field Operations, and then to President and Chief Operating Officer in 1998. In 2004 he became CEO of PMI Mortgage Insurance Co.

Prior to joining PMI, Smith spent eight years as a Vice President with Citizens Southern National Bank in Atlanta.

Smith serves as President of the Mortgage Insurance Companies of America, the industry trade group, and as a member of the Board of Directors of National Association of Hispanic Real Estate Professionals. He is an active participant in a variety of industry and community organizations.

A graduate of Georgia Tech, Smith has a B.S. in industrial management. Smith is also a graduate of the Stanford Executive Program.

Bradley M. Shuster
President and Chief Executive Officer
PMI Capital Corporation

President, International and Strategic Investments
The PMI Group, Inc.



Bradley M. Shuster is President and CEO of PMI Capital Corporation, which manages PMI's international and financial guaranty segments. Shuster's responsibilities include management and oversight of PMI's subsidiaries and investments in the areas of international mortgage insurance, and financial guaranty, along with management and direction for future corporate strategic diversification efforts.

Shuster joined PMI in 1995 as Treasurer and Chief Investment Officer and has since held positions in corporate development where he was responsible for PMI's strategic diversification plan. Prior to joining PMI in 1995, Shuster was an audit partner for Deloitte & Touche LLP, where he spent more than 16 years serving

insurance and mortgage banking clients. Shuster served on Deloitte's National Partner Compensation Committee and was Partner-in-Charge of Recruitment for the Northern California Practice.

Shuster holds a B.S. from the University of California, Berkeley and an MBA from the University of California, Los Angeles. He is a chartered financial analyst and a certified public accountant.

David H. Katkov

President and Chief Operating Officer
PMI Mortgage Insurance Co.

Executive Vice President
The PMI Group, Inc.



As President and Chief Operating Officer of PMI Mortgage Insurance Co., David H. Katkov is responsible for the operations of The PMI Group's largest subsidiary, which is also the second largest mortgage insurance company in the United States.

Katkov joined PMI in 1992 and has held a variety of marketing and related positions, including most recently Executive Vice President of Sales, Field Operations, and Product Development.

Prior to joining PMI, he was a Vice President of US Bank Corporation in Minneapolis, Minnesota. Katkov is actively involved with non-profit organizations focused on housing-related issues. He is Vice Chairman of the board of Social Compact, a Washington, D.C. organization dedicated to promoting revitalization of

America's inner cities. Previous board positions include the Chinatown Community Development Corporation, San Francisco and the Central Community Housing Trust, Minneapolis.

Katkov holds Bachelors and Masters degrees in business from the University of Minnesota's Carlson School of Management.

Donald P. Lofe

Executive Vice President and Chief Financial Officer
and Assistant Secretary, The PMI Group, Inc.

Executive Vice President and Chief Financial Officer
and Assistant Secretary, PMI Mortgage Insurance Co.



As Executive Vice President and Chief Financial Officer, Donald P. Lofe, Jr. is responsible for corporate-wide GAAP, SEC, and statutory accounting and reporting, capital planning and analysis, management of the rating agencies, investments and asset management, treasury services, taxation, investor and public relations, as well as facilities administration.

Prior to joining The PMI Group, Inc., Lofe was a Senior Vice President in the Corporate Finance Department of The CNA Financial Corporation, where he was responsible for capital management, including treasury services, capital planning and risk assessment, rating agencies and industry analysis, insurance regulatory analysis and compliance, mergers and acquisitions activities,

investor relations, and investment operations and analysis. Lofe was also the partner-in-charge of the Northeast Ohio Insurance Practice, resident in the Cleveland office of PricewaterhouseCoopers LLP (PwC), and the engagement partner for The Progressive Corporation.

Lofe is a member of Standard & Poor's CFO Roundtable and Moody's Investors Service's CFO Council, and serves as a member of numerous boards of directors as well as audit and other committees for profit and not-for-profit organizations. He also has served as a member of PwC's Insurance Industry Chairman's Leadership Group.

A graduate of Westminster College, Lofe majored in accounting and political science. He holds an MBA in finance and business policy from the University of Chicago and is a certified public accountant.



Addendum

Addendum

	<u>Q3 2006</u>	<u>Q4 2006</u>	<u>Full Year 2007</u>
	<i>(\$ and shares in millions, except per share data)</i>		
After tax impact to net income and net income for EPS purposes from capital initiatives			
Reduction to net income ^(a)	\$ (2.4)	\$ (3.2)	\$ (5.7)
Less: "If converted" interest expense from CoCo Exchange Offer (non cash effect) ^(b)	(0.9)	(1.9)	(7.6)
After tax reduction to net income for EPS purposes	<u>\$ (3.3)</u>	<u>\$ (5.1)</u>	<u>\$ (13.3)</u>
Basic shares outstanding - Q2 2006	86.4	86.4	86.4
Less: Shares repurchased under accelerated buyback program ^{(c) (d)}	(7.2)	(7.2)	(7.2)
Add: Shares issued under purchase contracts (HITs)	-	7.8	7.8
	<u>(7.2)</u>	<u>0.6</u>	<u>0.6</u>
End of period	<u>79.2</u>	<u>87.0</u>	<u>87.0</u>
Diluted weighted average shares outstanding - Q2 2006	97.9	97.9	97.9
Less: Shares repurchased in Q2 related to our \$150 million buyback program	(1.1)	(1.1)	(1.1)
Diluted weighted averages shares outstanding - 2Q 2006 adjusted for Q2 buybacks	<u>96.8</u>	<u>96.8</u>	<u>96.8</u>
Diluted weighted average shares from Capital Initiatives			
Less: Shares repurchased under accelerated buyback program ^{(c) (d)}	(1.2)	(7.2)	(7.2)
Less: "If converted" CoCo shares removed as a result of Exchange Offer and redemption ^(e)	(3.7)	(8.1)	(8.2)
Add: Shares issued pursuant to HITs purchase contract ^(f)	-	3.9	7.8
Reduction to diluted weighted average shares outstanding	<u>(4.9)</u>	<u>(11.3)</u>	<u>(7.6)</u>
Diluted weighted average shares outstanding end of period	<u>91.9</u>	<u>85.4</u>	<u>89.2</u>

^(a) See following page for detailed information.

^(b) Before the exchange offer, the CoCos were dilutive in accordance with EITF 04-8, The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share. For diluted EPS purposes, the interest expense of the CoCos is added to net income in accordance with the 'if converted' method. As a result of the Exchange Offer during the 3rd quarter of 2006, a portion of the interest expense will be reduced from net income for diluted EPS purposes. In the fourth quarter of 2006, the 'if converted' interest will be reduced even further and be fully eliminated by the beginning of 2007.

^(c) A total of 7.2 million shares were delivered during the initial hedge period.

^(d) Does not reflect any shares to be repurchased under our 10b 5-1 Plan entered into on September 13, 2006. Excludes potential future share deliveries after the initial hedge period which are dependent upon the PMI's share price.

^(e) Amounts assume holders do not exercise conversion rights.

^(f) Assumes that PMI's share price is \$44 when common shares are purchased pursuant to HITs purchase contracts.

Addendum, continued

	Q3 2006	Q4 2006	Full Year 2007
	<i>(\$ and shares in millions, except per share data)</i>		
Net income ^(a)	\$ 109.6	\$ 109.6	\$ 411.5
Add: "If converted" interest expense, net of taxes	1.9	1.9	7.6
Net income for EPS purposes before capital initiatives	<u>111.5</u>	<u>111.5</u>	<u>419.1</u>
After tax impact to net income from capital initiatives			
Less: Costs of debt exchange and extinguishment	(1.3)	(0.8)	-
Less: Interest expense from bridge loan related to accelerated share repurchase program (5.6%)	(1.1)	(1.7)	-
Add: Reduced interest expense on \$300 million repurchased HITs Senior Notes (5.6%)	1.4	2.8	10.9
Less: Foregone investment income to repurchase \$300 million HITs Senior Notes ^(b)	(1.2)	(2.5)	(9.7)
Less: Interest expense from \$400 million Senior Notes issuance (6.5%) ^(c)	(0.6)	(4.2)	(16.7)
Add: Investment income from \$400 million Senior Notes proceeds ^(b)	0.4	3.3	13
Add: Reduced interest expense due to \$360 million 2.5% CoCos redemption	-	1.4	7.6
Less: Foregone investment income to redeem \$360 million 2.5% CoCos ^(b)	-	(2.1)	(11.9)
Add: Reduced interest expense on \$63 million 6.8% Note repayment	-	2.1	4.2
Less: Foregone investment income to repay \$63 million Notes ^(b)	-	(1.5)	(3.1)
After tax reduction to net income	<u>(2.4)</u>	<u>(3.2)</u>	<u>(5.7)</u>
Non-cash adjustments to net income for EPS purposes			
Less: "If converted" interest expense from CoCo Exchange Offer (non cash effect)	(0.9)	(1.9)	(7.6)
After tax reduction to net income for EPS purposes	<u>(3.3)</u>	<u>(5.1)</u>	<u>(13.3)</u>
Adjusted net income for EPS purposes after capital initiatives and non-cash adjustments	<u>\$ 108.2</u>	<u>\$ 106.4</u>	<u>\$ 405.8</u>
Diluted weighted averages shares outstanding - 2Q 2006 adjusted for Q2 buybacks	96.8	96.8	96.8
Diluted weighted average shares outstanding adjusted for capital initiatives	91.9	85.4	89.2
Diluted EPS after capital initiatives	<u>\$ 1.18</u>	<u>\$ 1.25</u>	<u>\$ 4.55</u>
Diluted EPS before capital initiatives	<u>\$ 1.15</u>	<u>\$ 1.15</u>	<u>\$ 4.33</u>
Change in EPS	<u>\$ 0.03</u>	<u>\$ 0.09</u>	<u>\$ 0.22</u>

^(a) Q3 and Q4 2006 net income is based on Q2 2006 net income. Full year 2007 net income is based on annualized YTD net income as of June 30, 2006.

^(b) Assumes an investment yield of 5%

^(c) Blended yield

NOTE: All items tax effected at 35%. Municipal bonds are not invested at the holding company level.



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