

The PMI Group, Inc.



NEWS

RELEASE

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## The PMI Group, Inc. leads Investor Group in acquisition of Financial Guaranty Insurance Company

**Walnut Creek, CA, August 4, 2003** – The PMI Group, Inc. (NYSE:PMI) announced today that it is the strategic investor in a group (Investor Group) that will acquire Financial Guaranty Insurance Company (FGIC) from General Electric Capital Corporation (GE) for \$2.16 billion including approximately a \$260 million pre-closing dividend. FGIC is a leading triple –A rated financial guaranty company with approximately \$202 billion of insured par outstanding.

“Our investment in FGIC marks the achievement of our strategic goal to have a major presence in the financial guaranty industry. PMI and its affiliates are now positioned to offer a full range of credit enhancement products and services domestically and internationally, with strong potential synergies between FGIC and the existing companies of The PMI Group,” said Roger Haughton, PMI Group’s Chairman and CEO.

“We believe our investment in FGIC represents a solid growth opportunity, and a diversification that strengthens the overall risk profile of The PMI Group. We are very excited about our FGIC investment and we are pleased to have The Blackstone Group, The Cypress Group, and CIVC as our partners,” said Haughton.

PMI’s equity investment will be approximately \$607 million and will represent an ownership interest of approximately 42%. PMI’s principal co-investors in this transaction are The Blackstone Group and The Cypress Group who will each own approximately 23%. CIVC Partners, another investor, will own approximately 7%, and GE will maintain approximately 5% ownership of the common equity.

PMI expects net income per share from the investment to range between \$0.20 - \$0.30 in 2004, assuming the transaction closes by December 31, 2003.

Frank Bivona will be FGIC’s CEO following the close of the transaction. Mr. Bivona is the former Vice Chairman and Chief Financial Officer of Ambac Financial Group, Inc.

The strategic direction and financial controls of FGIC, as determined by management and the Board of Directors, are key considerations for PMI in its role as a long term strategic investor. PMI will be able to influence strategic direction through its ability to appoint five of FGIC’s 14 directors, including the non-executive Vice Chairman of the Board. At this time it is expected that

PMI's CEO, Roger Haughton, will serve as FGIC's non-executive Vice Chairman. Another key element in setting the strategic direction will be FGIC's business plan, which will require approval by PMI as well as The Blackstone Group and The Cypress Group. Finally, an important aspect of financial controls will be the appointment of FGIC's independent auditor, which PMI will have sole authority to name.

As a leading insurer of municipal bonds, FGIC provides credit enhancement solutions that enable state and local issuers to reduce their borrowing costs and enhance their access to the capital markets by guarantying payment when due of the principal and interest on their guaranteed obligation. Historically, FGIC has confined itself to the most secure segment of the municipal bond insurance market.

"Under GE's guidance, FGIC insured a portfolio that was heavily concentrated in municipal bonds," said Brad Shuster, President and Chief Executive Officer, PMI Capital Corporation. "The financial guaranty industry has grown over the past few years, in part due to the development of the domestic and international asset backed securities market, which has made extensive use of the structured transactions insured by the primary financial guarantors."

Under the direction of Mr. Bivona, FGIC intends to execute a strategic business plan geared to compete across the full range of financial guaranty business, including asset backed securities and international markets, with the objective of achieving returns comparable to the other major competitors in the financial guaranty industry.

"With new ownership and direction, FGIC's strategic plan calls for it to become more diversified by expanding our market presence into structured finance and international sectors. Our objective is for FGIC to achieve a major market presence across the full spectrum of financial guaranty markets," said Shuster. "The people of FGIC are among the best in the industry and we're pleased to have them join us as colleagues, and we are extremely pleased that Frank Bivona will be FGIC's CEO."

As separately announced today, PMI's approximate \$607 million investment will be partially financed by the sale of approximately \$100 million of common equity and approximately \$207 million of equity-related securities. Approximately \$300 million of cash from The PMI Group, Inc. will also be utilized to facilitate the completion of the transaction.

The closing of the acquisition is subject to normal regulatory approvals, confirmation of ratings by the rating agencies and other customary closing conditions. The acquisition is expected to close in the fourth quarter of this year.

Banc of America Securities LLC originated the transaction and served as exclusive financial advisor to the Investor Group. Lazard acted as investment banker to PMI, and Sullivan & Cromwell LLP served as legal advisor to PMI in this transaction.

The PMI Group, Inc., headquartered in Walnut Creek, California is an international provider of credit enhancement products and lender services that promote homeownership and facilitate mortgage transactions in the capital markets. Through its wholly owned subsidiaries and unconsolidated strategic investments, the company offers residential mortgage insurance and credit enhancement products domestically and internationally, lender services and financial guaranty reinsurance.

PMI is an advocate of affordable housing and supports a number of organizations that foster greater access to affordable housing. PMI's approach to affordable housing lending is to develop products and services that assist responsible borrowers who may not qualify for mortgage loans under traditional underwriting practices.

## **FORWARD-LOOKING STATEMENTS**

Statements in this press release 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 statements regarding the investor group's proposed acquisition of FGIC, PMI's expected financial performance and strategic and operational plans as a result of the proposed acquisition, and PMI's plans with respect to the financing of its investment in the proposed acquisition. Readers are cautioned that these forward-looking statements by their nature involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many factors could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including, among others, the possibility that the acquisition will not close and the possibility that the closing may be delayed, as well as conditions affecting the financial guaranty or mortgage insurance industries and general economic conditions. Events or developments affecting FGIC or the financial guaranty industry may cause the investment in FGIC not to contribute the net income per share in the amounts estimated. PMI's ability to complete its financing is subject to market conditions. Other risks and uncertainties that could affect PMI are discussed in its various Securities and Exchange Commission filings, including its report on Form 10-K for the year ended December 31, 2002, and its report on Form 10-Q for the quarter ended March 31, 2003. PMI undertakes no obligation to update forward-looking statements.

\*Note to the editor: The Buyer Group and GE have each issued news releases on this transaction