

The PMI Group, Inc. (the "Company")
Consolidated Net Operating Losses

Three Months Ended
September 30, 2008

(In thousands, except per share data)

Consolidated net loss from continuing operations	\$ (149,309)
Consolidated net loss from discontinued operations	(80,104)
Consolidated net loss (in accordance with GAAP) ⁽¹⁾	(229,413)
Continuing Operations	
Net changes to credit derivative liabilities due to credit spread fluctuations	
PMI Europe unrealized losses, net of tax ⁽²⁾	12,082
Net unrealized adjustment to equity in earnings from RAM Re ⁽³⁾	(11,675)
Impairment of RAM Re ⁽³⁾	2,887
Change in fair value of long-term debt, net of tax ⁽⁴⁾	(43,084)
Early retirement, restructure, and severance charges	6,264
Net realized investment losses, net of tax	32,448
	<u>(1,078)</u>
Discontinued Operations	
Loss from PMI Australia, net of tax	63,234
Loss from PMI Asia, net of tax	17,256
Net realized investment losses, net of tax	20,247
	<u>100,737</u>
Total non-operating items, net of tax:	99,659
Consolidated net operating loss from continuing operations for computing fully diluted earnings per share	(150,387)
Consolidated net operating loss from discontinued operations for computing fully diluted earnings per share	20,633
	<u>(129,754)</u>
Consolidated net operating loss for computing fully diluted earnings per share	\$ (129,754)
Basic weighted average common shares outstanding	81,597
Stock options and other dilutive components ⁽⁵⁾	-
	<u>81,597</u>
Fully diluted weighted average common shares outstanding	81,597
Consolidated diluted net loss per share from continuing operations	\$ (1.83)
Consolidated diluted net loss per share from discontinued operations	(0.98)
Consolidated diluted net loss per share (in accordance with GAAP) ⁽¹⁾	\$ (2.81)
Continuing Operations	
Net changes to credit derivative liabilities due to credit spread fluctuations	
PMI Europe unrealized losses, net of tax ⁽²⁾	0.15
Net unrealized adjustment to equity in earnings from RAM Re ⁽³⁾	(0.14)
Impairment of RAM Re ⁽³⁾	0.03
Change in fair value of long-term debt, net of tax ⁽⁴⁾	(0.53)
Early retirement, restructure, and severance charges	0.08
Net realized investment losses, net of tax	0.40
	<u>(0.01)</u>
Discontinued Operations	
Loss from PMI Australia, net of tax	0.77
Loss from PMI Asia, net of tax	0.21
Net realized investment losses, net of tax	0.25
	<u>1.23</u>
Total non-operating items, net of tax	1.22
Consolidated net operating loss per share from continuing operations	(1.84)
Consolidated net operating loss per share from discontinued operations	0.25
Consolidated diluted net operating loss per share	\$ (1.59)

(1) GAAP - Generally Accepted Accounting Principles.

(2) Total net losses from PMI Europe's credit derivative liabilities during the quarter were \$9.5 million. Approximately \$2.9 million of the unrealized loss relates to nonperformance risk due to the widening of the Company's credit default swap spreads. Realized gains or losses on credit derivative liabilities, which are operating, represent current and expected future net cash settlements in the period.

(3) A tax benefit was not recognized for this item since previous losses from RAM Re were in excess of the Company's tax basis.

(4) Reflects the Company's adoption of Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* and SFAS No. 159, *The Fair Value Option For Financial Assets and Liabilities - Including an Amendment of FASB Statement No. 115*.

(5) Due to net losses in the third quarter of 2008, dilutive components of shares outstanding such as stock options were not included in fully diluted shares outstanding as their inclusion would be anti-dilutive.