PennyMac Mortgage Investment Trust

Third Quarter 2011 Earnings Report

October 27, 2011



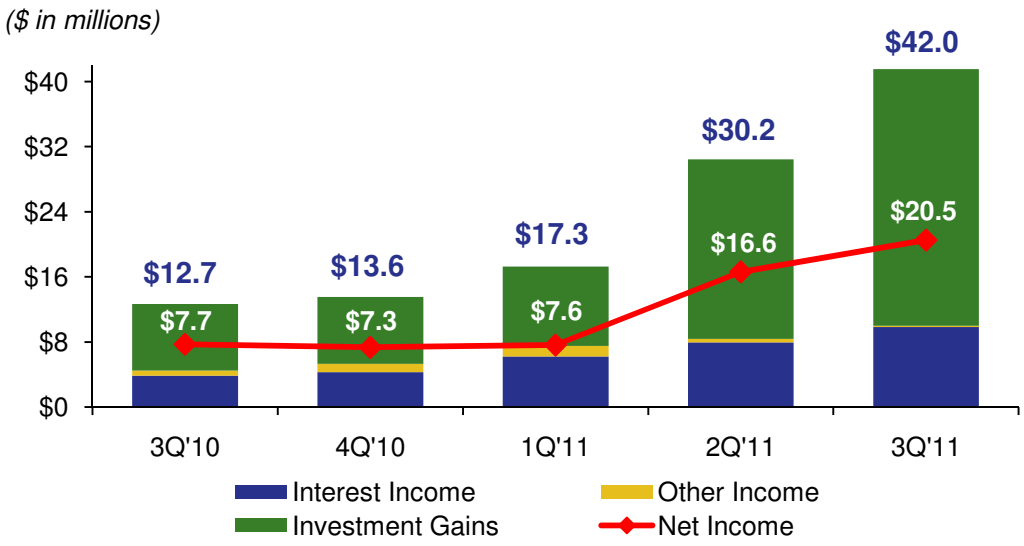
Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, regarding management's beliefs, estimates, projections and assumptions with respect to, among other things, the Company's financial results, future operations, business plans and investment strategies, as well as industry and market conditions, all of which are subject to change. Words like "believe," "expect," "anticipate," "promise," "plan," and other expressions or words of similar meanings, as well as future or conditional verbs such as "will," "would," "should," "could," or "may" are generally intended to identify forward-looking statements. Actual results and operations for any future period may vary materially from those projected herein, from past results discussed herein, or illustrative examples provided herein. Factors which could cause actual results to differ materially from historical results or those anticipated include, but are not limited to: changes in general business, economic, market and employment conditions from those expected; continued declines in residential real estate and disruption in the U.S. housing market; the availability of, and level of competition for, attractive risk-adjusted investment opportunities in residential mortgage loans and mortgage-related assets that satisfy our investment objectives and investment strategies; changes in our investment or operational objectives and strategies, including any new lines of business; the concentration of credit risks to which we are exposed; the availability, terms and deployment of short-term and long-term capital; unanticipated increases in financing and other costs, including a rise in interest rates; the performance, financial condition and liquidity of borrowers; increased rates of delinquency or decreased recovery rates on our investments; increased prepayments of the mortgage and other loans underlying our investments; changes in regulations or the occurrence of other events that impact the business, operation or prospects of government sponsored enterprises; changes in government support of homeownership; changes in governmental regulations, accounting treatment, tax rates and similar matters; and our ability to satisfy complex rules in order to qualify as a REIT for U.S. federal income tax purposes. You should not place undue reliance on any forward-looking statement and should consider all of the uncertainties and risks described above, as well as those more fully discussed in reports and other documents filed by the Company with the Securities and Exchange Commission from time to time. The Company undertakes no obligation to publicly update or revise any forward-looking statements or any other information contained herein, and the statements made in this presentation are current as of the date of this presentation only.

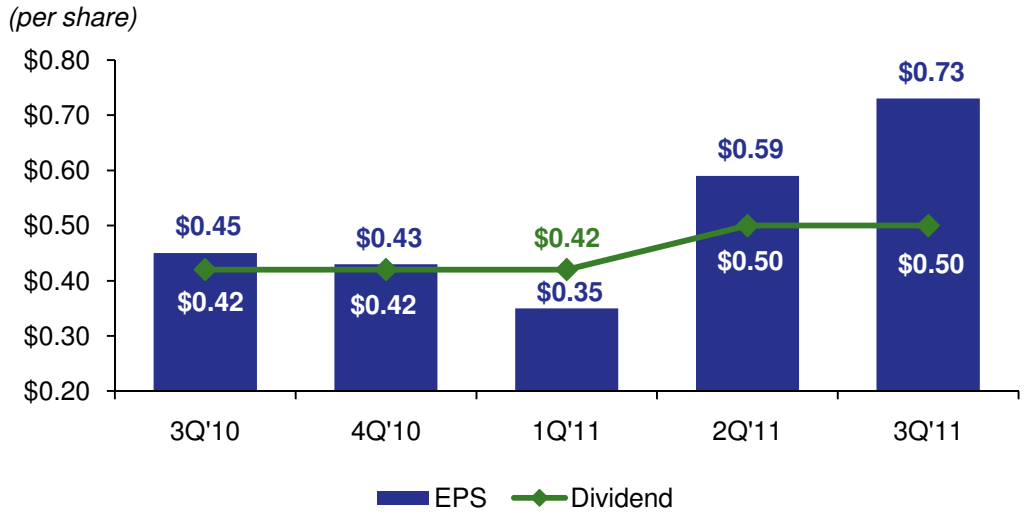
Four Consecutive Quarters of Net Income Increases

- Consolidated quarterly net income of $20.5 million, or $0.73 per diluted share
  - Net Investment Income increased 39% from previous quarter to $42 million
  - Cash generated from whole loan, REO, and MBS investments: $67 million
  - Valuation gains for the quarter were $24 million
- Declared quarterly dividend of $0.50 per share
  - Represents an annualized yield of 12.6% based on September 30, 2011 closing stock price

Revenue & Net Income



Earnings Per Share & Dividends*



**Dividend declared with respect to quarterly earnings.*

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PMT Specializes in Various Mortgage Investment Opportunities

Distressed Mortgage Investments

- PCM, our investment manager, reviewed over $3 billion in whole loans during the third quarter
- Volume of whole loans available for sale has remained fairly steady over the year and we expect that to continue into the second half of 2011
- Counterparty relationships continue to remain extremely important in sourcing investments

Mortgage-Backed Securities

- Weakness in pricing presented an attractive opportunity to purchase front pay bonds at discounted prices

New Mortgage Investments

- Correspondent volume of fundings and locks continue to expand as we ramp up our activity
- Approved 21 new correspondent customers in the third quarter, bringing the total to 76

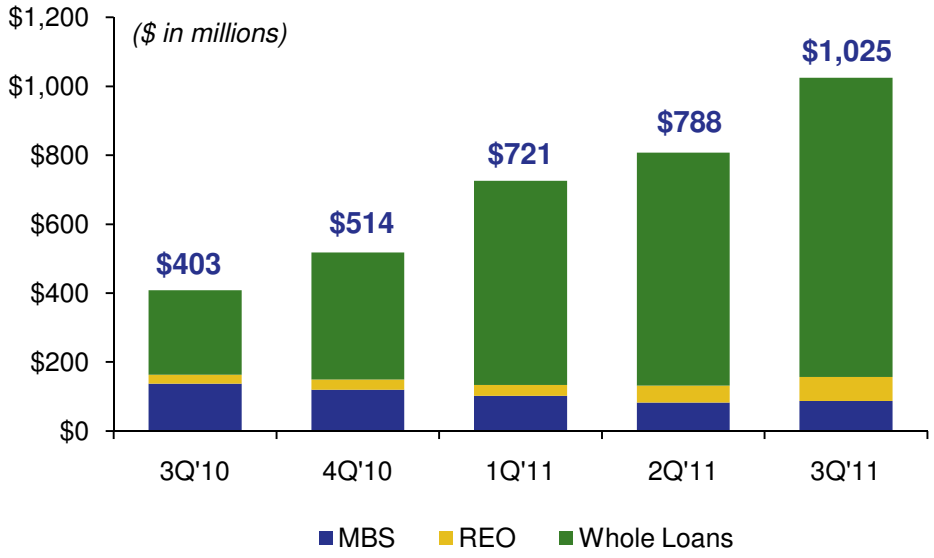
Distressed Mortgage Investment Opportunities



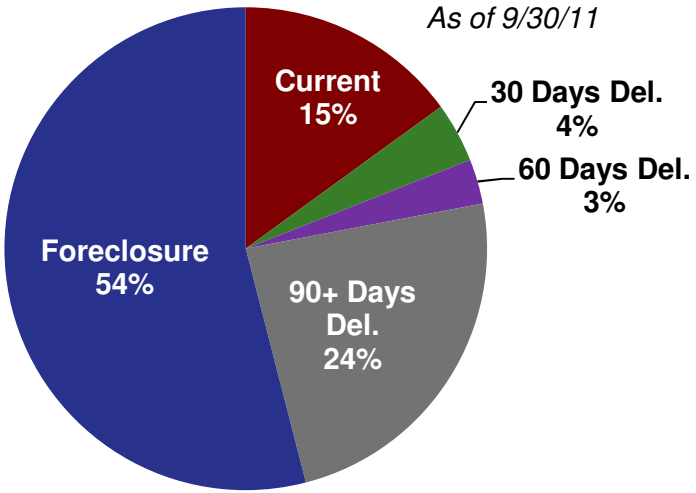
Consistent and Disciplined Growth of Assets

- Mortgage assets grew over 30% in the third quarter, with whole loans growing over 32%
- Opportunistically made purchases of $5.0 million in front pay bonds during the quarter
- Invested $266 million in whole loans and REO properties
  - Forward trade accounted for $173 million

Distressed Mortgage Asset Growth



Distressed Mortgage Portfolio Composition



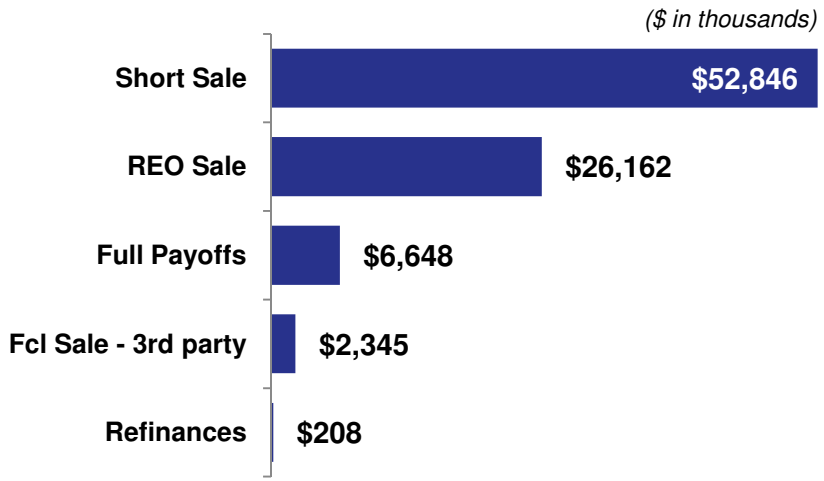
- Portfolio remains predominantly non-performing with 78% of PMT's loans 90+ days delinquent or in foreclosure
  - Of our non-performing loans, 21% are geographically located in California and 11% are in Florida

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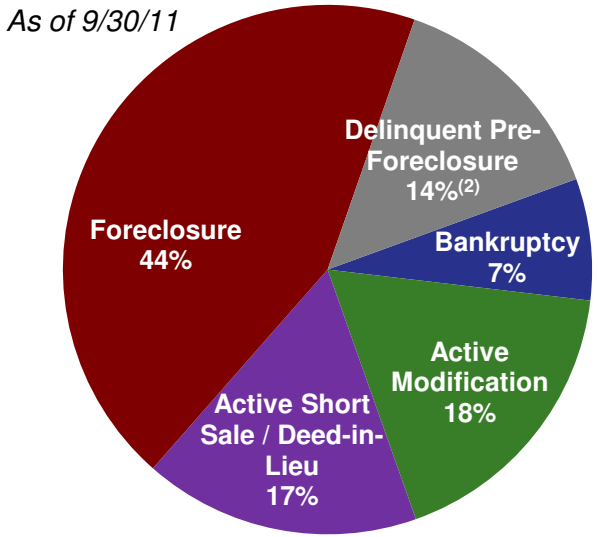
Liquidation Activity for the Quarter Was Strong

- Liquidation activity was strong for Q3, led by short sales and REO sales
  - Liquidations of almost $53 million in UPB were attributable to short sales, compared to $45 million in Q2
  - Full payoffs totaled $6.6 million in UPB, compared to $3.0 million in Q2

Q3 Liquidation Activity (UPB)(1)



Current Pipeline of Nonperforming Loans(1)



- 86% of PMT's NPL portfolio had an active resolution path as of the end of the third quarter
- Percentage of loans in the foreclosure pipeline increased since Q2 due to the addition of the forward trade pool

(1) *Excludes subserviced portfolio.*

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Acquisitions Are Progressing Through the Resolution Process

1Q 2010 REIT Acquisitions								
	At Purchase	At 3/31/2010	At 6/30/2010	At 9/30/2010	At 12/31/2010	At 3/31/2011	At 6/30/2011	At 9/30/2011
Balance (M)	182.7	177.9	161.0	142.1	126.4	116.4	107.1	101.0
Pool Factor*	1.00	0.97	0.88	0.78	0.69	0.64	0.59	0.55
Current	6.2%	7.8%	9.5%	13.0%	18.7%	23.5%	25.9%	28.0%
30	1.6%	1.8%	2.9%	5.1%	4.5%	4.0%	5.2%	4.7%
60	5.8%	2.9%	4.4%	2.6%	3.2%	4.0%	4.3%	3.3%
90+	37.8%	33.4%	31.1%	27.8%	26.2%	21.7%	18.0%	15.9%
FC	46.4%	51.4%	40.1%	33.8%	29.9%	32.1%	35.6%	35.5%
REO	2.3%	2.7%	12.0%	17.7%	17.5%	14.6%	11.1%	12.6%

2Q 2010 REIT Acquisitions							
	At Purchase	At 6/30/2010	At 9/30/2010	At 12/31/2010	At 3/31/2011	At 6/30/2011	At 9/30/2011
Balance (M)	195.5	181.9	165.1	147.8	130.4	118.8	109.5
Pool Factor*	1.00	0.93	0.84	0.76	0.67	0.61	0.56
Current	5.1%	6.5%	9.3%	9.7%	11.9%	16.1%	19.5%
30	2.0%	2.3%	2.8%	3.8%	3.2%	4.5%	5.6%
60	4.1%	1.4%	2.0%	2.4%	2.6%	1.7%	2.5%
90+	42.8%	44.9%	35.6%	33.3%	25.7%	22.6%	15.9%
FC	45.9%	39.5%	38.2%	35.1%	43.1%	39.8%	41.3%
REO	0.0%	5.5%	12.1%	15.7%	13.5%	15.3%	15.2%

3Q 2010 REIT Acquisitions						
	At Purchase	At 9/30/2010	At 12/31/2010	At 3/31/2011	At 6/30/2011	At 9/30/2011
Balance (M)	146.2	141.0	129.2	113.9	99.5	91.0
Pool Factor*	1.00	0.96	0.88	0.78	0.68	0.62
Current	1.2%	2.9%	5.4%	7.4%	14.8%	20.1%
30	0.4%	0.8%	1.1%	0.7%	2.1%	4.7%
60	1.3%	0.5%	0.4%	1.5%	0.5%	1.1%
90+	38.2%	44.2%	40.0%	25.7%	16.6%	12.6%
FC	58.9%	46.9%	40.6%	48.1%	49.5%	46.7%
REO	0.0%	4.7%	12.5%	16.5%	16.4%	14.8%

Modification and Full Cures have been higher than expected with over 28% of the 1Q'10 purchases now in current standing

Loans are progressing through the liquidation process with an average life of approximately 18 months – nearly 40% of the loans acquired 12 months ago have reached a liquidation event

**Ratio of unpaid principal balance remaining to unpaid principal balance at acquisition*

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Acquisitions Are Progressing Through the Resolution Process (cont.)

4Q 2010 REIT Acquisitions					
	At Purchase	At 12/31/2010	At 3/31/2011	At 6/30/2011	At 9/30/2011
Balance (M)	277.8	277.8	268.0	239.2	221.4
Pool Factor *	1.00	1.00	0.96	0.86	0.80
Current	5.0%	5.0%	10.5%	10.9%	17.5%
30	4.0%	4.0%	4.3%	4.6%	4.0%
60	5.1%	5.1%	3.0%	4.3%	2.5%
90+	26.8%	26.8%	28.1%	24.6%	20.2%
FC	59.1%	59.1%	50.2%	46.8%	46.1%
REO	0.0%	0.0%	4.0%	8.8%	9.7%

1Q 2011 REIT Acquisitions				
	At Purchase	At 3/31/2011	At 6/30/2011	At 9/30/2011
Balance (M)	515.1	514.9	492.0	462.6
Pool Factor *	1.00	1.00	0.96	0.90
Current	2.0%	2.3%	6.0%	7.6%
30	1.9%	2.0%	3.1%	3.9%
60	3.9%	2.9%	3.0%	2.7%
90+	25.9%	29.0%	23.9%	20.7%
FC	66.3%	63.6%	56.9%	53.9%
REO	0.0%	0.2%	7.0%	11.3%

2Q 2011 REIT Acquisitions			
	At Purchase	At 6/30/2011	At 9/30/2011
Balance (M)	259.8	258.5	251.3
Pool Factor *	1.00	1.00	0.97
Current	11.5%	11.3%	14.1%
30	6.5%	6.4%	6.0%
60	5.2%	6.3%	2.7%
90+	31.2%	33.3%	32.8%
FC	43.9%	41.1%	38.6%
REO	1.7%	1.7%	5.6%

PLS is efficiently progressing loans through the resolution process and executing foreclosures as evidenced by the decrease in 90+ and increase in REO

**Ratio of unpaid principal balance remaining to unpaid principal balance at acquisition*

Continue to Progress REO Inventory Through to Liquidation

Number of Days in REO Inventory	Carrying Value 6/30 ($ in millions)	Cumulative % of Total	% Liquidated in Q3	Carrying Value 9/30 ($ in millions)	Cumulative % of Total
180+	$5.8	12%	38%	$8.0	11%
150-179	$1.7	15%	64%	$6.1	20%
120-149	$3.8	23%	47%	$6.9	30%
90-119	$4.4	32%	50%	$13.5	49%
60-89	$8.9	50%	40%	$6.6	59%
30-59	$7.8	66%	21%	$15.0	80%
0-29	$16.4	100%	8%	$13.9	100%
Total	**$48.9**		**28%**	**$69.9**	
Average Days in Inventory*		**82 days**			**101 days**

- $13.8 million in carrying value of REO was liquidated in Q3, compared to $13.0 million in Q2
- Increased REO inventory by $21 million over the quarter
- $5.1 million of 3Q'11 liquidations had been in REO inventory for 120+ days
- As of 9/30/11, 49% of REO inventory was aged three months or more, compared to 32% at the end of Q2

**Average days in inventory is value weighted*

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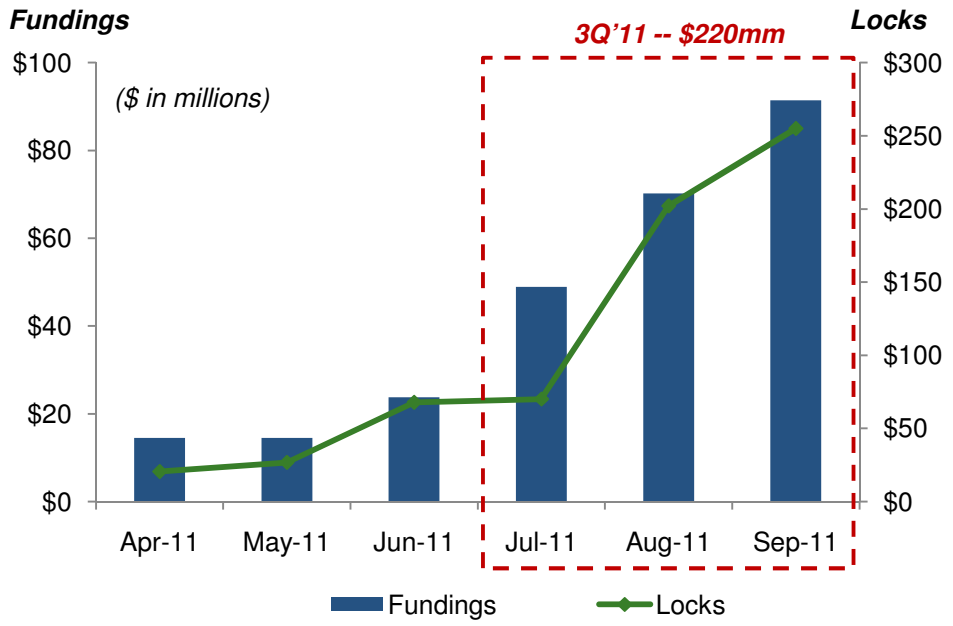
Correspondent Lending



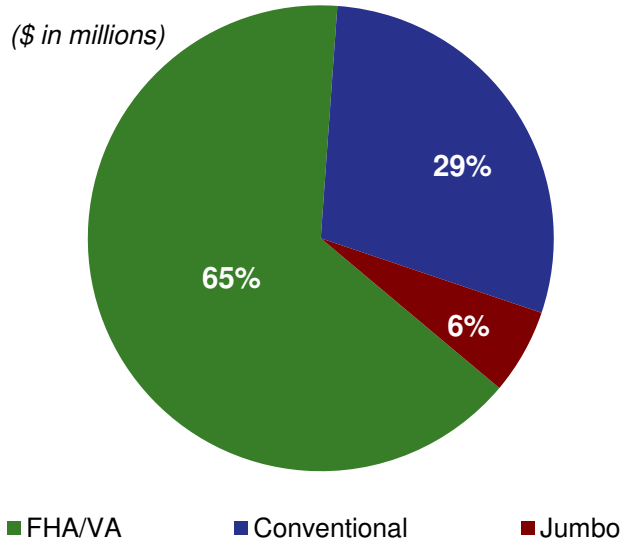
Correspondent Lending Group Continues Its Accelerated Growth

- $220 million of loans were funded in 3Q'11 by the Correspondent Lending Group
  - FHA / VA: $143 million
  - Conventional: $64 million
  - Jumbo: $13 million
- Volume continues to grow
  - Expected October Volume:
    - Locks – Over $300 million
    - Fundings – Over $150 million
  - Targeting $1 billion per month by the end of 2012

Correspondent Funding Volume



3Q'11 Correspondent Funding Mix



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Financials



Income Statement

PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share data)

	Quarter Ended	
	September 30, 2011	June 30, 2011
Investment Income		
Net gain (loss) on investments:		
Mortgage-backed securities	$(791)	$(873)
Mortgage loans	32,311	22,951
	31,520	22,078
Interest income:		
Short-term investments	24	27
Mortgage-backed securities	651	982
Mortgage loans	9,164	6,961
	9,839	7,970
Net gain on mortgage loans acquired for sale	84	40
Results of real estate acquired in settlement of loans	352	86
Net servicing fee income	14	6
Other income	176	43
Net investment income	41,985	30,223
Expenses		
Interest	5,225	2,970
Loan servicing fees	4,473	3,313
Management fees	2,288	1,913
Compensation	1,567	1,250
Professional services	1,656	1,115
Other	1,898	1,660
Total expenses	17,107	12,221
Income before provision for income taxes	24,878	18,002
Provision for income taxes	4,350	1,385
Net income	$20,528	$16,617
Earnings per share		
Basic	$0.73	$0.59
Diluted	$0.73	$0.59
Weighted-average shares outstanding		
Basic	27,847	27,778
Diluted	28,138	28,096

Valuation Changes for the Third Quarter

For the three months ended September 30, 2011

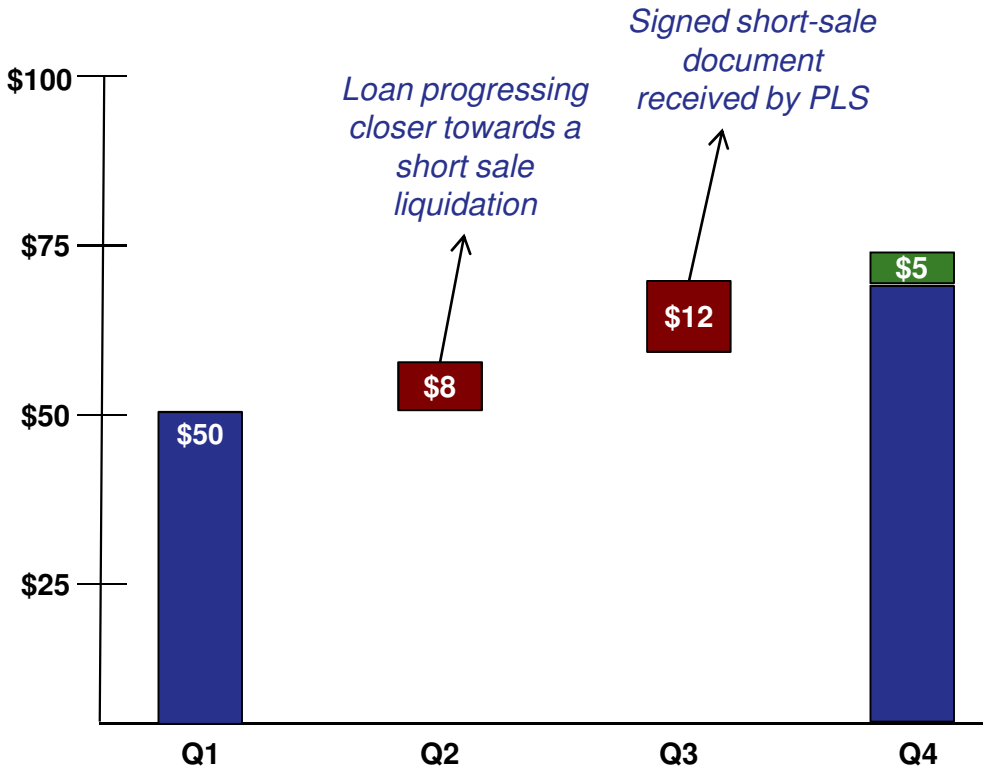
Changes reflected in loans' carrying values:	
Valuation Changes	$23,767
Payoffs	8,544
Sales	--
	$32,311

Illustrative Example of Valuation Gains on a Completed Short Sale

EXAMPLE: FOR ILLUSTRATIVE PURPOSES ONLY

Single Whole Loan Liquidation Example

- **Loan is purchased at $50 price at the end of Q1**
- **2 valuation gains occur on the loans in Q2 & Q3**
  - **Q2 – Increased valuation gain as the loan progresses closer to a short sale liquidation**
  - **Q3 – Increased valuation gain as signed short-sale documents received from borrower**
- **Short Sale completed at $75 price in Q4**



Assumptions

- *No financing*
- *Servicing fees & other expenses aren't considered*

Accounting:

- Q1 – Increase Mortgage Loans at Fair Value by $50, decrease Cash by $50
- Q2 – Valuation gain of $8 results in increased income of $8, Mortgage Loans at Fair Value increases by $8
- Q3 – Valuation gain of $12 results in increased income of $12, Mortgage Loans at Fair Value increases by $12
- Q4 – Short sale results in net* proceeds of $75, decreased Mortgage Loans at Fair Value by $75

Cash Flow:

- Q1 – Cash outflow of $50
- Q2 – $0
- Q3 – $0
- Q4 – Cash inflow of $75

Total Gain:

- Q1 – $0
- Q2 – Valuation gain of $8
- Q3 – Valuation gain of $12
- Q4 – Payoff gain of $5

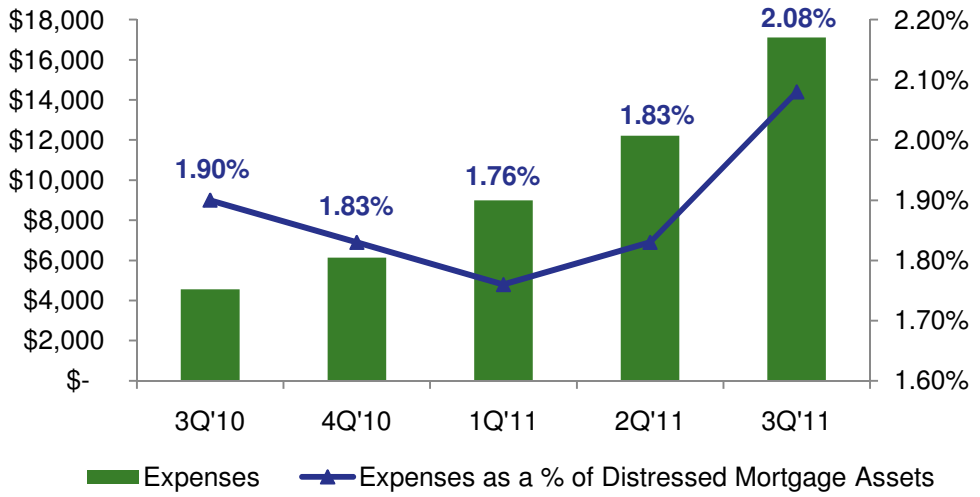
} Total Gain of $25

**net of cost to sell property and advances*

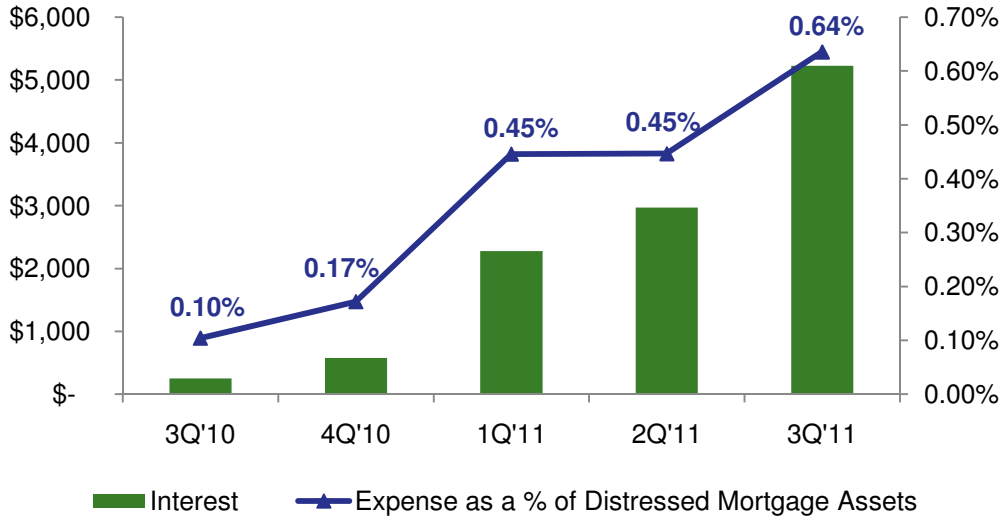
Expenses Increased in Line with Increased Portfolio Activity and Increased Leverage

- Expenses are normalizing as the portfolio grows and PMT has become fully invested
- Expenses rose in the third quarter in line with expectations
  - Interest expense rose in the quarter with the increased utilization of our credit facilities
  - Servicing fees increased during the quarter due to the increased size of the portfolio serviced and increased activity

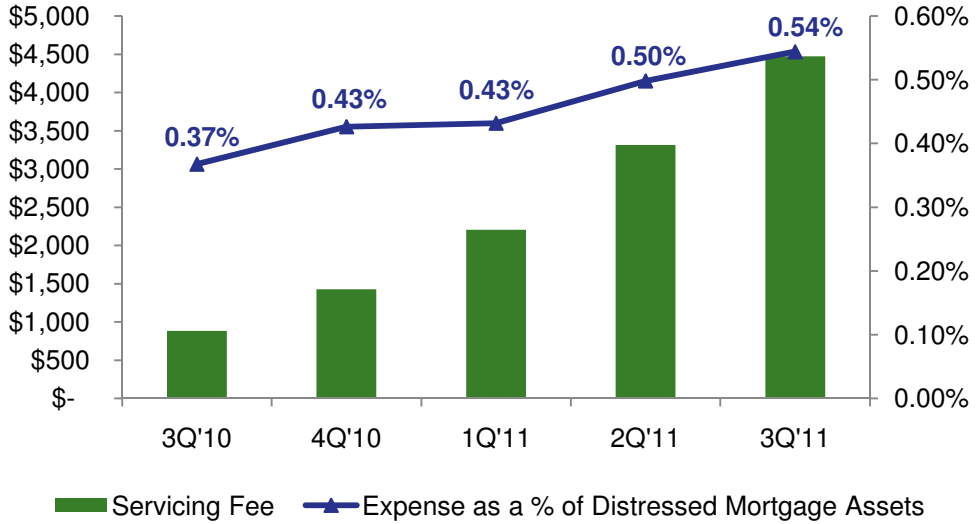
Expenses



Interest Expense



Servicing Fees



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Balance Sheet

PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share data)

	September 30, 2011	June 30, 2011
ASSETS		
Cash	$11,975	$2,344
Short-term investments	30,743	38,633
Mortgage-backed securities at fair value	86,702	82,421
Mortgage loans acquired for sale at fair value	40,850	18,848
Mortgage loans at fair value	715,272	657,223
Mortgage loans under forward purchase agreement at fair value	152,908	—
Real estate acquired in settlement of loans	60,108	48,872
Real estate acquired in settlement of loans under forward purchase agreement	9,798	—
Mortgage servicing rights:		
at fair value	532	180
at lower of amortized cost or fair value	104	—
Principal and interest collections receivable	16,455	14,633
Interest receivable	2,132	2,028
Due from affiliates	7,203	7,208
Other assets	20,712	11,085
Total assets	$1,155,494	$883,475
LIABILITIES		
Accounts payable and accrued liabilities	$1,096	$1,635
Unsettled mortgage-backed securities purchases	17,205	—
Loans sold under agreements to repurchase	345,969	262,203
Securities sold under agreements to repurchase at fair value	62,843	70,978
Borrowings under forward purchase agreement	163,755	—
Real estate acquired in settlement of loans financed under agreements to repurchase	12,814	7,808
Contingent underwriting fees payable	5,883	5,883
Payable to affiliates	13,435	11,382
Income tax payable	1,831	662
Total liabilities	624,831	360,551
Commitments and contingencies		
SHAREHOLDERS' EQUITY		
Common shares of beneficial interest—authorized, 500,000,000 shares of $0.01 par value; issued and outstanding, 27,874,554 and 27,791,743 shares at September 30, 2011 and June 30, 2011, respectively	279	278
Additional paid-in capital	508,634	507,487
Retained earnings	21,750	15,159
Total shareholders' equity	530,663	522,924
Total liabilities and shareholders' equity	$1,155,494	$883,475

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