PennyMac Mortgage Investment Trust



Fourth Quarter 2011 Earnings Report

February 8, 2012

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.

Fourth Quarter Highlights

- Earned $0.70 per diluted share
- Increased dividend to $0.55 per share
- Return on average equity of over 15%
- Pre-tax income from correspondent segment of $7.4 million
  - Correspondent fundings of nearly $1 billion
  - Correspondent locks of over $1.3 billion
- Raised $8.7 million of equity to support dramatic growth of correspondent lending business
- Continued expansion of secured credit facilities to over $1 billion
  - $590 million in NPL facilities
  - $450 million in correspondent facilities
- Entered into a forward trade to purchase $49 million in unpaid principal balance (UPB) of distressed whole loans

Growth Opportunities in Distressed Loans and New Originations

Legacy Mortgage Assets

- Approximately $420 billion non-agency whole loans are delinquent or in foreclosure (1)
  - Mostly held by large banks, which are reducing their exposure
  - To date most sales have been non-performing loans; however, re-performing loans are beginning to come to market
- Banks continue to remain under pressure to sell mortgage servicing rights (MSR's)

PMT will continue to pursue distressed whole loan investments, while also seeking new opportunities, such as MSRs

New Mortgage Market

- $1 trillion in annual originations expected in 2012 (2)
  - Approximately $300 billion of this expected through the correspondent channel
  - Regulatory and capital issues are causing some large banks to retreat
- Evolving potential for more attractive investment in mortgage servicing, e.g., with servicing fee reform

Correspondent volume should steadily increase as this becomes a greater component of PMT's earnings over the year

(1) Total Single Family 1-4 loan data as of September 30, 2011, and delinquency rate of 12.63% (loans that are either delinquent or in foreclosure) as of September 30, 2011

(2) Mortgage Bankers Association forecast, January 18, 2012 (2012

Agency MSRs Are Attractive Potential Investments for PMT

- Opportunities enabled by PennyMac Loan Services' operational platform and seller/servicer approvals
- Returns highly dependent on the ability to recapture borrowers who refinance
- Transactions would be structured in a manner so that investments qualify as REIT assets

Unlevered Return

Life[1] CPR / Recapture	16%	20%	25%
0%	14.6%	11.0%	5.6%
10%	17.7%	14.5%	9.8%
20%	21.0%	18.5%	14.8%

Return on Equity assuming 1.0x leverage

Life[1] CPR / Recapture	16%	20%	25%
0%	24.0%	17.0%	6.2%
10%	30.6%	24.5%	15.1%
20%	38.0%	33.3%	25.7%

(1) Year 1 CPR is modeled to be 20%, 25%, and 30%, respectively.

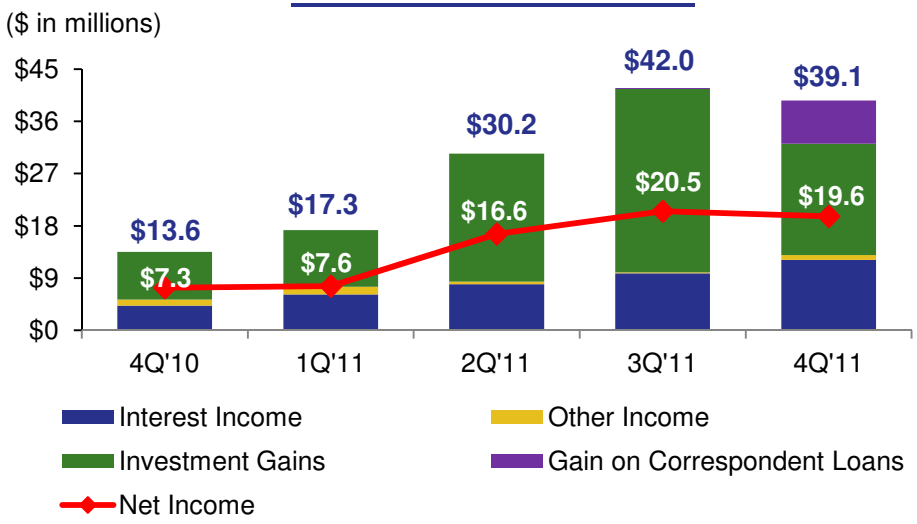
Financial Results



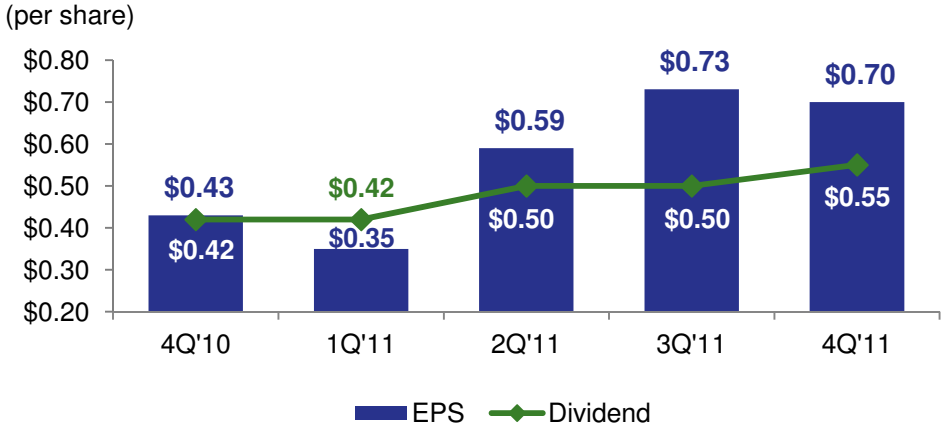
Fourth Quarter Highlights

- **Consolidated quarterly net income of $19.6 million, or $0.70 per diluted share**
  - Over 15% annualized return on average equity for the quarter
- **Net investment income of $39.1 million**
  - Correspondent lending accounted for 19% of net investment income
  - Interest income was $12.1 million, an increase of 23% over the third quarter
  - Valuation gains for the quarter were $14.3 million
- **Declared quarterly dividend of $0.55 per share**
  - Represents an annualized yield of over 13% based on December 30, 2011 closing stock price

Revenue & Net Income



Earnings Per Share & Dividends*



**Dividend declared with respect to quarterly earnings.*

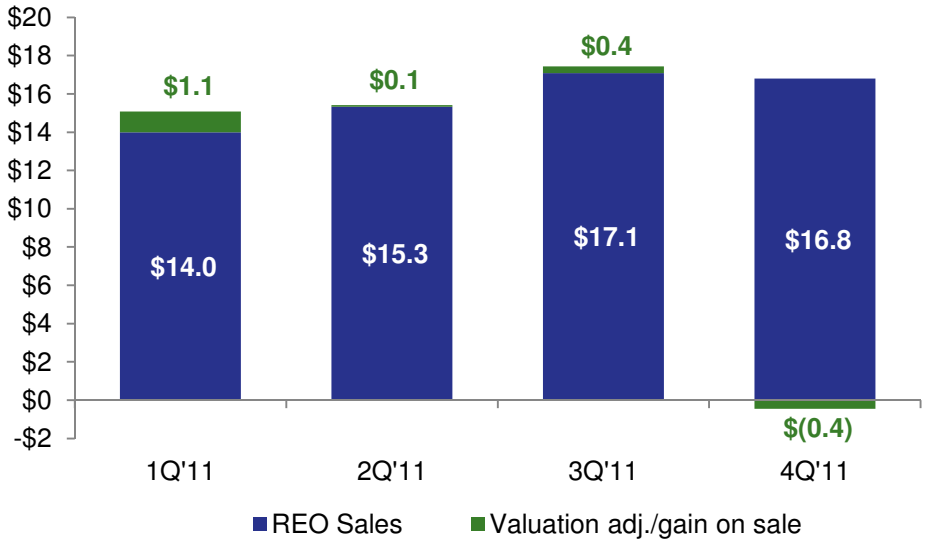
Valuation Changes for the Fourth Quarter

- Valuation changes for the fourth quarter totaled $14.3 million
- Gains resulting from payoffs totaled $5.5 million for the quarter

Changes reflected in loans' carrying values:	
Valuation Changes	
Performing loans	$4,082
Nonperforming loans	10,240
	$14,322
Payoffs	5,539
	$19,861

- Valuation increases have led to very little changes from REO disposition over the year
  - REO sales were $17 million in Q4 and $64 million for all of 2011
  - Total valuation adjustments of REO at sale were 1.7% of proceeds, or an increase of $1.1 million

REO Proceeds and Valuation Changes



Correspondent Lending is a Growing Portion of PMT's Earnings

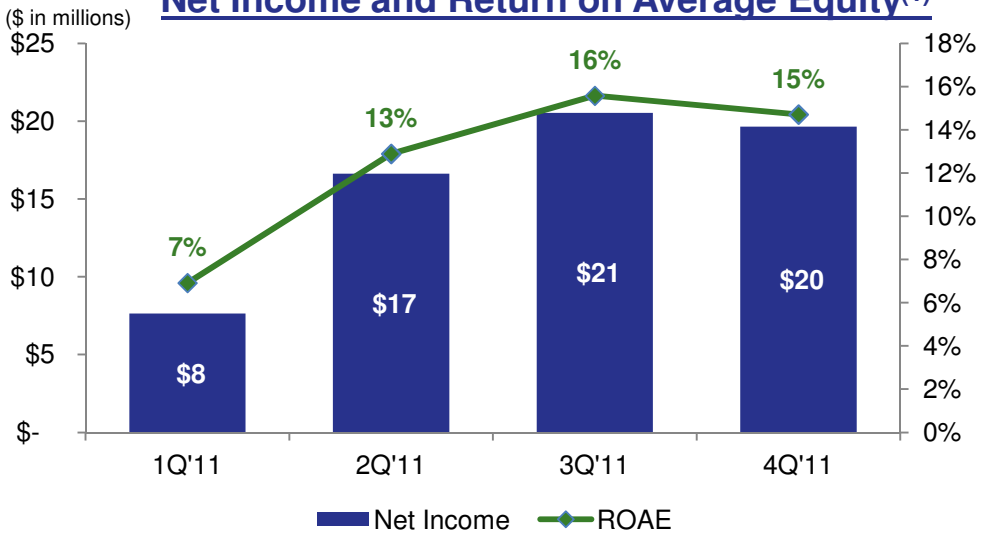
- **Pre-tax income in Q4 2011: $21.3 million**
  - **Investment Activities: $13.9 million**
  - **Correspondent Activities: $7.4 million**

	PMT consolidated	Correspondent lending	Investment activities
Revenues:			
External			
Net gain on investments	$ 19,155		$ 19,155
Interest income	12,136	1,598	10,538
Other	406	839	(433)
Net gain on mortgage loans acquired for sale	7,426	7,426	-
Total revenues	$ 39,123	$ 9,863	$ 29,260
Expenses:			
Interest	6,473	905	5,568
Other	11,321	1,558	9,763
Total expenses	$ 17,794	$ 2,463	$ 15,331
Pre-tax income	$ 21,329	$ 7,400	$ 13,929
Total assets at period end	$ 1,386,062	$ 237,382	$ 1,148,680

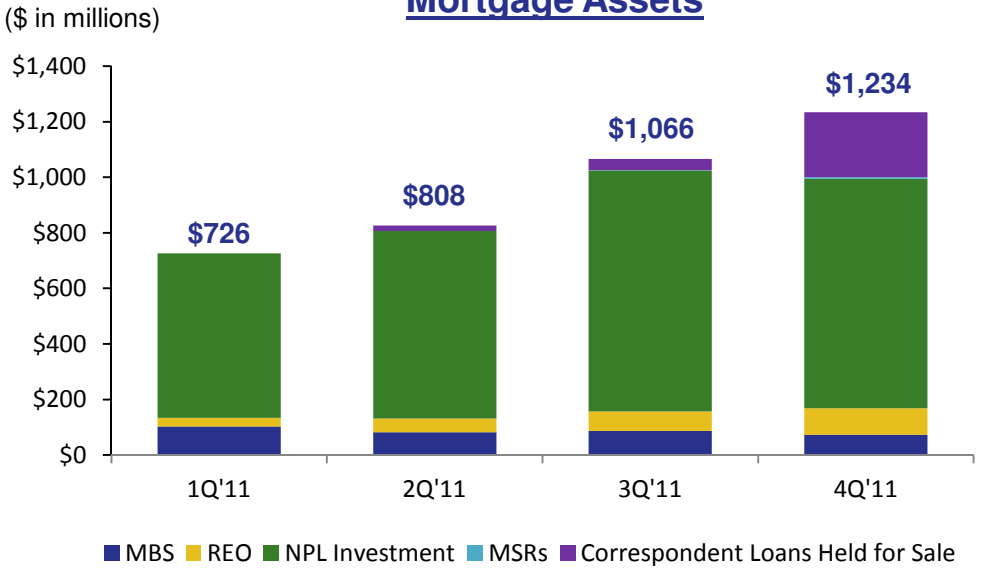
Full Year 2011 Highlights

- **Earned consolidated net income of $64.4 million, or $2.41 per diluted share**
  - Over 15% return on average equity for 2011
  - Net investment income: $129 million
- **Continued progress in building correspondent lending business**
  - Funded over $500 million in December with a target to fund over $1 billion per month by the end of 2012
- **Continued consistent and disciplined growth of assets**
  - Assets have grown 135% since Q4'10
  - Correspondent loans held for sale comprised 19% of mortgage assets as of 12/31/11

Net Income and Return on Average Equity(1)



Mortgage Assets



(1) Return on equity calculated using average monthly equity values

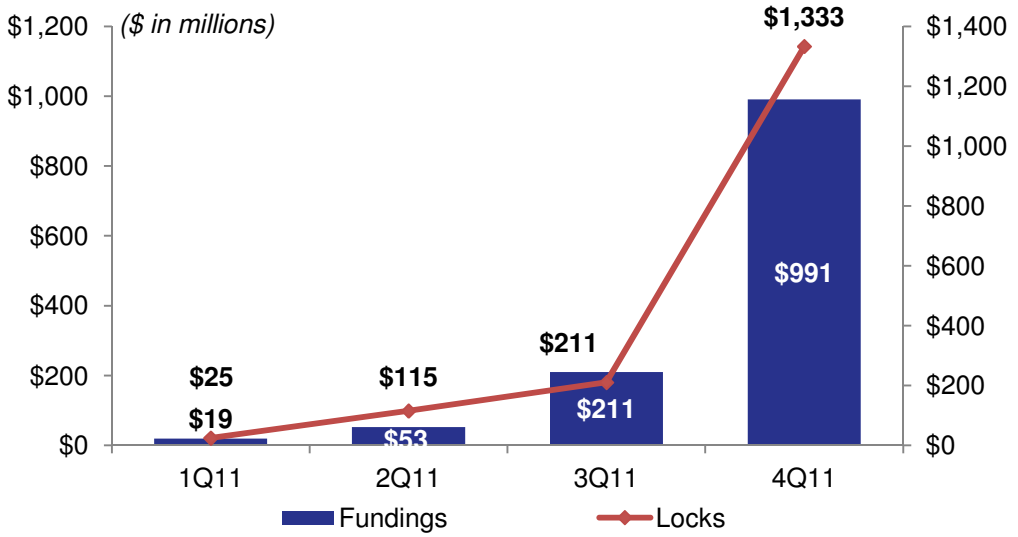
Correspondent Lending



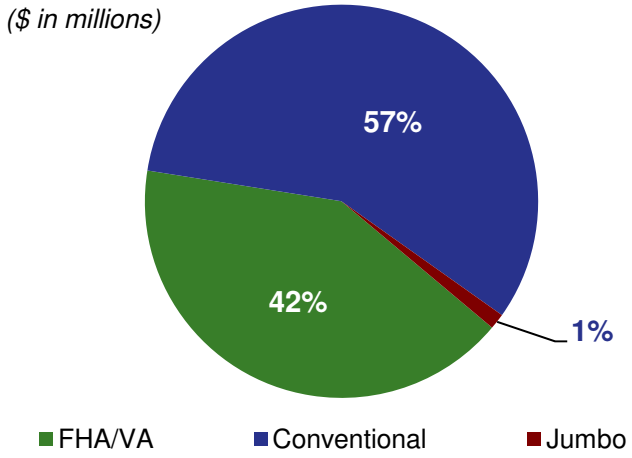
Correspondent Lending Continues Its Accelerated Growth

- **Fundings of $991 million in 4Q'11**
- **Volume continues to grow**
  - January volume:
    - Locks – Over $600 million
    - Fundings – Over $450 million
- **First quarter targets**
  - $1.8 billion in locks
    - $1.1 billion from conventional and jumbo loans
- **Raised $8.7 million of equity in 4Q'11 through PMT's Controlled Equity Offering program to support dramatic growth of correspondent lending business**

Correspondent Funding Volume



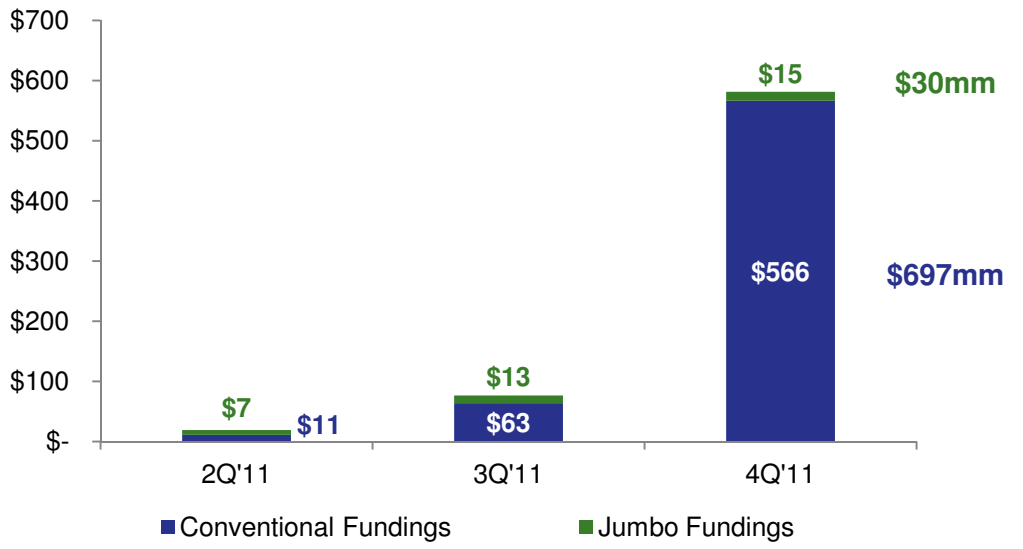
4Q'11 Correspondent Funding Mix



Correspondent Lending Operations

- **$581 million in conventional and jumbo funding**
  - Fourth quarter locks of $727 million
    - Conventional: $697 million
    - Jumbo: $30 million
- **Correspondent fundings are high quality prime product**
- **Correspondent Lending Group growing with volume**
  - Approved 34 new lenders in the fourth quarter, bringing total correspondent partners to 108

Conventional & Jumbo Fundings



Q4 Locks

$30mm

$697mm

Q4'11 Conventional & Jumbo Funding Characteristics

	4Q'11
Avg. Jumbo Loan Amount	$1,006,169
Avg. Conventional Loan Amount	$262,030
WA CLTV	69.2%
WA FICO	772
% FICO ≤ 680	1.6%
WA DTI	32.0

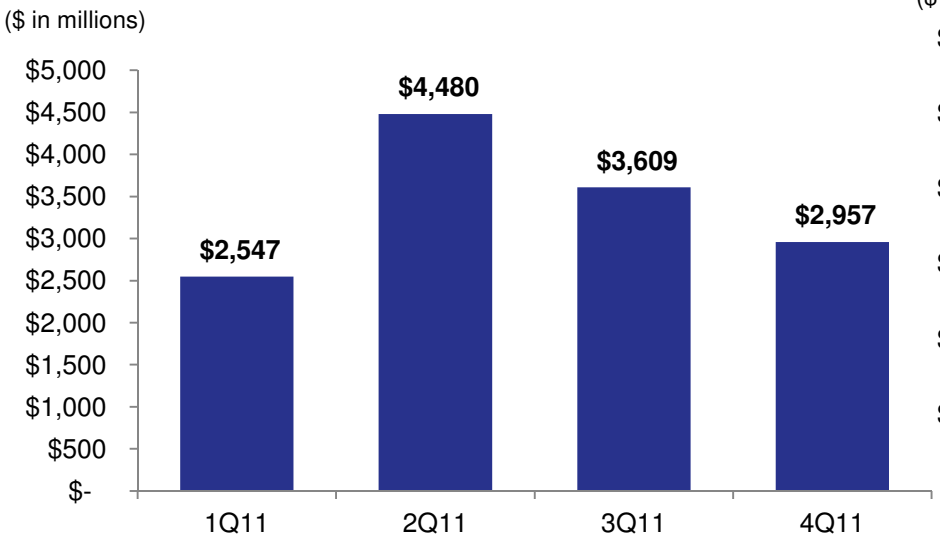
Distressed Mortgage Investment



Whole Loan Portfolio Acquisitions

- **Volume of whole loan pools available for purchase was fairly steady throughout 2011**
  - PMT acquired its largest block of loans in the first quarter, in conjunction with its equity offering
- **In the fourth quarter, PCM reviewed $3.0 billion in UPB of whole loans**
  - PMT entered into a forward purchase agreement, pursuant to which it committed to purchase $49 million in UPB

UPB of Whole Loans Reviewed



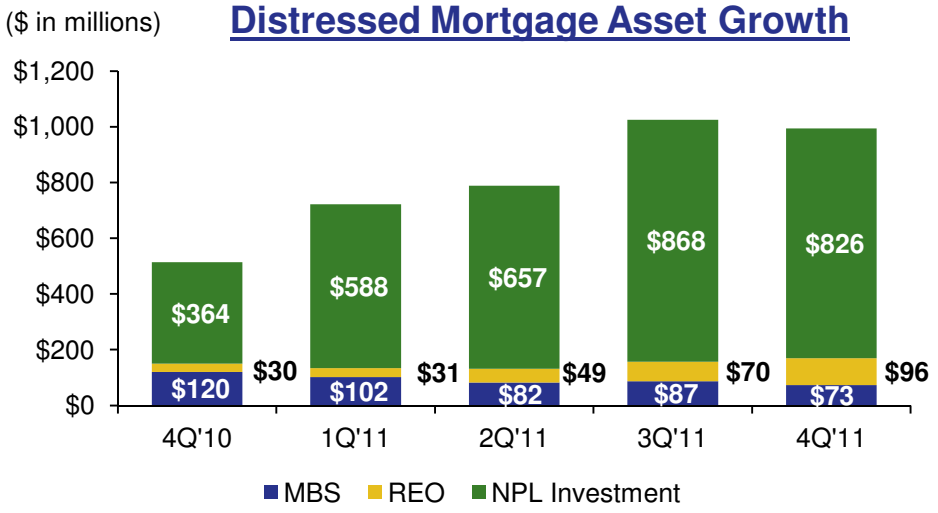
UPB of Whole Loans Acquired



PMT Continues to Invest in Distressed Mortgage Assets

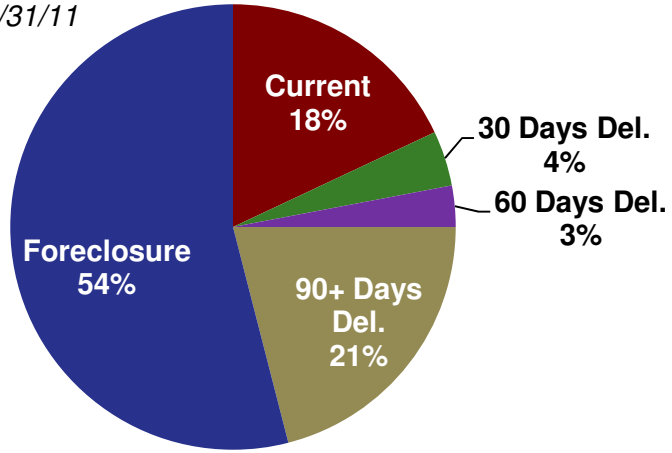
- Distressed mortgage assets declined 3% in the fourth quarter
- Entered into a forward trade to purchase $49 million in unpaid principal balance (UPB) of distressed whole loans

Distressed Mortgage Asset Growth



Distressed Mortgage Portfolio Composition

As of 12/31/11

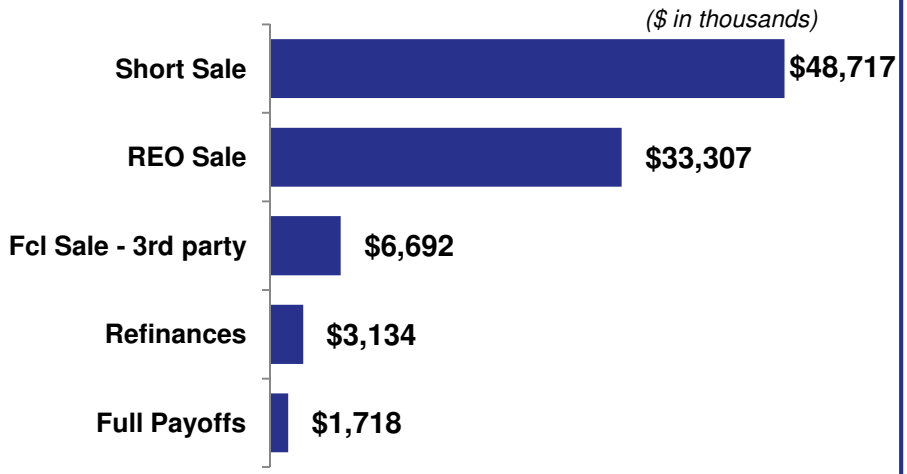


- Portfolio remains predominantly nonperforming with 75% of PMT's loans 90+ days delinquent or in foreclosure

Liquidation Activity for the Quarter Was Strong

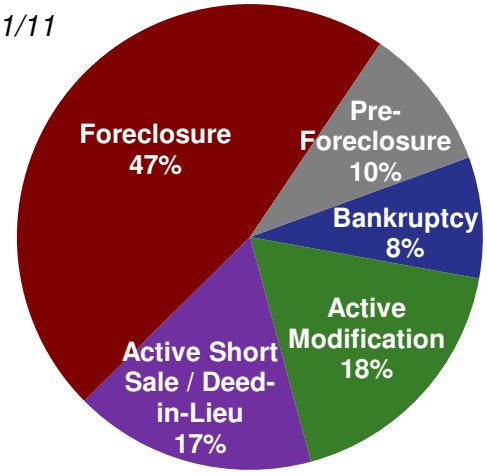
- Liquidation activity was again strong for Q4, led by short sales and REO sales
  - REO sales increased 27% in Q4
  - Short sale liquidations decreased slightly from the record $52.8 million in Q3 to $48.7 million in Q4
  - Full payoffs and refinances totaled $4.8 million in UPB, compared to $6.8 million in Q3

Q4 Liquidation Activity (UPB)(1)



Current Pipeline of Nonperforming Loans(1)

As of 12/31/11



- 90% of PMT's NPL portfolio had an active resolution path as of the end of the fourth quarter

(1) *Excludes subserviced portfolio.*

Acquisitions Are Progressing Through the Resolution Process

Q1 2010		
	Purchase	Q4 2011
Balance (M)	182.7	96.0
Pool Factor*	1.00	0.53
Current	6.2%	26.3%
30	1.6%	5.0%
60	5.8%	3.6%
90+	37.8%	14.1%
FC	46.4%	38.5%
REO	2.3%	12.4%

Q2 2010		
	Purchase	Q4 2011
Balance (M)	195.5	103.7
Pool Factor*	1.00	0.53
Current	5.1%	19.9%
30	2.0%	5.4%
60	4.1%	2.8%
90+	42.8%	11.7%
FC	45.9%	43.1%
REO	0.0%	17.0%

Q3 2010		
	Purchase	Q4 2011
Balance (M)	146.2	82.5
Pool Factor*	1.00	0.56
Current	1.2%	21.9%
30	0.4%	4.4%
60	1.3%	1.8%
90+	38.2%	12.2%
FC	58.9%	43.7%
REO	0.0%	16.0%

Q4 2010		
	Purchase	Q4 2011
Balance (M)	277.8	209.5
Pool Factor*	1.00	0.75
Current	5.0%	24.7%
30	4.0%	4.6%
60	5.1%	2.9%
90+	26.8%	9.8%
FC	59.1%	46.9%
REO	0.0%	11.1%

Q1 2011		
	Purchase	Q4 2011
Balance (M)	515.1	439.1
Pool Factor*	1.00	0.85
Current	2.0%	12.1%
30	1.9%	3.7%
60	3.9%	2.0%
90+	25.9%	18.2%
FC	66.3%	51.1%
REO	0.0%	12.8%

Q2 2011		
	Purchase	Q4 2011
Balance (M)	259.8	237.8
Pool Factor*	1.00	0.92
Current	11.5%	14.7%
30	6.5%	4.7%
60	5.2%	4.2%
90+	31.2%	24.5%
FC	43.9%	43.5%
REO	1.7%	8.3%

Q3 2011		
	Purchase	Q4 2011
Balance (M)	542.6	481.8
Pool Factor*	1.00	0.89
Current	0.6%	2.6%
30	1.3%	1.7%
60	2.0%	1.3%
90+	22.6%	17.4%
FC	73.0%	64.2%
REO	0.4%	12.7%

**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 9/30 ($ in millions)	Cumulative % of Total	% Liquidated in Q4	Carrying Value 12/31 ($ in millions)	Cumulative % of Total
180+	$8.0	11%	34%	$22.9	24%
150-179	$6.1	20%	38%	$4.3	28%
120-149	$6.9	30%	23%	$14.1	43%
90-119	$13.5	49%	24%	$10.4	54%
60-89	$6.6	59%	31%	$16.9	71%
30-59	$15.0	80%	9%	$16.5	89%
0-29	$13.9	100%	8%	$10.9	100%
Total	**$69.9**		**21%**	**$96.0**	
Average Days in Inventory*		**101 days**			**130 days**

- $14.4 million in carrying value of REO was liquidated in Q4, compared to $13.8 million in Q3
- $6.7 million of 4Q'11 liquidations had been in REO inventory for 120+ days
- As of 12/31/11, 54% of REO inventory was aged three months or more, compared to 49% at the end of Q3

**Average days in inventory is value weighted*

Financial Statements



Income Statement

PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share data)

	December 31, 2011	
	Quarter ended	Year ended
Investment Income		
Net gain (loss) on investments:		
Mortgage-backed securities	$(706)	$(2,812)
Mortgage loans	19,861	85,455
	19,155	82,643
Interest income:		
Short-term investments	18	100
Mortgage-backed securities	510	3,229
Mortgage loans	11,608	32,819
	12,136	36,148
Net gain on mortgage loans acquired for sale	7,426	7,633
Results of real estate acquired in settlement of loans	(448)	1,079
Net servicing fee income	3	20
Other income	851	1,091
Net investment income	39,123	128,614
Expenses		
Interest	6,473	16,946
Loan servicing fees	4,194	14,186
Management fees	990	6,740
Compensation	1,330	5,161
Professional services	786	4,434
Other	4,021	8,652
Total expenses	17,794	56,119
Income before provision for income taxes	21,329	72,495
Provision for income taxes	1,680	8,056
Net income	$19,649	$64,439
Earnings per share		
Basic	$0.70	$2.41
Diluted	$0.70	$2.41
Weighted-average shares outstanding		
Basic	27,941	26,396
Diluted	28,233	26,679

Balance Sheet

PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share data)

	December 31, 2011	December 31, 2010
Cash	$14,589	$45,447
Short-term investments	30,319	—
United States Treasury security	50,000	—
Mortgage-backed securities at fair value	72,813	119,872
Mortgage loans acquired for sale at fair value	233,954	3,966
Mortgage loans at fair value	696,266	364,250
Mortgage loans under forward purchase agreements at fair value	129,310	—
Real estate acquired in settlement of loans	73,882	29,685
Real estate acquired in settlement of loans under forward purchase agreements	22,138	—
Mortgage servicing rights:		
at fair value	645	—
at lower of amortized cost or fair value	5,386	—
Principal and interest collections receivable	8,664	8,249
Principal and interest collections receivable under forward purchase agreements	5,299	—
Interest receivable	2,099	978
Due from affiliates	347	2,115
Other assets	40,351	14,533
Total assets	$1,386,062	$589,095
LIABILITIES		
Accounts payable and accrued liabilities	$9,198	$9,080
Assets sold under agreements to repurchase:		
Securities	115,493	101,202
Mortgage loans acquired for sale at fair value	212,677	2,494
Mortgage loans at fair value	304,266	144,928
Real estate acquired in settlement of loans	27,494	
Borrowings under forward purchase agreements	152,427	—
Contingent underwriting fees payable	5,883	5,883
Payable to affiliates	12,166	5,595
Income tax payable	441	—
Total liabilities	840,045	269,182
Commitments and contingencies		
SHAREHOLDERS' EQUITY		
Common shares of beneficial interest—authorized, 500,000,000 shares of $0.01 par value; issued and outstanding, 28,404,554 and 16,832,343 shares, respectively	284	168
Additional paid-in capital	518,272	317,175
Retained earnings	27,461	2,570
Total shareholders' equity	546,017	319,913
Total liabilities and shareholders' equity	$1,386,062	$589,095

Contact Us

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