PennyMac Mortgage Investment Trust



First Quarter 2012 Earnings Report

May 3, 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.

First Quarter 2012 Highlights

- Net Income of $19.1 million on revenue of $46.6 million
- Diluted EPS of $0.65 per share, and dividend of $0.55 per share
- Correspondent funding volume increased to $1.8 billion (Conventional fundings of $992 million, 55% of total), up 81% from the fourth quarter; lock volume reached $2.4 billion
- Entered into an agreement to purchase a distressed whole loan pool totaling over $90 million of unpaid principal balance (UPB), which settled in April
  - Entered into agreements to purchase two additional pools totaling approximately $240 million of UPB in April 2012, which are expected to settle in May 2012[(1)]
- Raised $47 million of equity to support growth initiatives and investment activity
- Business segment earnings reflect evolving business model
  - Investment Activities: $14.3 million (58%)[(2)]
  - Correspondent Lending: $10.3 million (42%)[(2)]

(1) These pending transactions are subject to continuing due diligence, customary closing conditions, and obtaining additional capital adequate to fund the acquisitions. There can be no assurance that the committed amount will ultimately be acquired or that the transactions will be completed .

(2) Segment earnings before tax.

REIT Structure

- PMT's unique hybrid structure allows the Company to focus its specialized operations on legacy loans and the emergence of the post crisis mortgage market
- PMT wholly owns REIT subsidiaries that enjoy favorable tax treatment and taxable REIT subsidiaries that are taxable as a C-Corp
  - The REIT entities provide pass-through income from investments in qualifying real estate and real estate-related assets, and are generally not subject to federal or state income taxes to the extent that qualifying distributions are made and other tests are met
  - The TRS entities are taxable and facilitate our participation in activities that would not otherwise be permissible as a REIT
    - Generally includes Correspondent Lending, MSR investments and other mortgage banking activities
- Among the various tests that must be met to maintain REIT qualification, PMT's investment in the TRS cannot exceed 25% of REIT assets
- PMT 's investment portfolio helps ensure that REIT qualification is maintained
  - The portfolio is a strategic blend of:
    - ABS and MBS
    - Performing and other distressed mortgage loans
- This structure provides PMT shareholders with both operational and investment returns while building franchise value

Approach to Raising Additional Equity

- PMT's approach to raise additional equity is driven by the growth of the business and the availability of accretive investment opportunities
- Raised $47 million in 1Q12 through PMT's Controlled Equity Offering™ program to support continued growth, primarily for Correspondent Lending
  - Proceeds were immediately deployed into accretive, high return investment opportunities
  - Effective method to raise incremental capital as the business grows
- PMT considers more "traditional" capital raises for larger accretive investment opportunities including, but not limited to, the following:
  - Purchases of mortgage loan pools
  - MBS securities
  - MSR acquisitions

Strategy and Outlook for PMT

	Illustrative Leveraged Gross Return[1]	*Strategy and Outlook*
Mortgage Backed and Asset Backed Securities	15% - 20%	• Continuing to acquire ABS and MBS on an opportunistic basis • Correspondent business provides additional insight into MBS opportunities
Distressed Mortgage Whole Loans	20% - 26%	• PCM expects to review roughly $1 billion per month for possible investments throughout 2012 • Acquired $90 million in UPB of whole loans in April and entered into agreements to purchase approximately $240 million in UPB of performing and nonperforming whole loans, expected to settle in Q2[2]
Correspondent Lending	27% - 39% (avg. holding period 20 days)	• Executing on growth strategies and prudently expanding network of approved sellers; HARP 2.0 refinance volume opportunity • Target for total loan fundings: $1 billion per month by end of the second quarter
Bulk Mortgage Servicing Rights Acquisitions	25% - 32%	• Opportunities enabled by PennyMac Loan Services' operational platform and seller/servicer approvals • Transactions would be structured to optimize the qualification of the investments as REIT assets

(1) Illustrative gross returns including the effect of leverage before corporate operating and other administrative expenses

(2) These pending transactions are subject to continuing due diligence, customary closing conditions, and obtaining additional capital adequate to fund the acquisitions. There can be no assurance that the committed amount will ultimately be acquired or that the transactions will be completed .

HARP 2.0 Creates Refinance Opportunities

- The Federal Government's relaunched Home Affordable Refinance Program (HARP 2.0) is expected to boost refinance volumes and provide much needed assistance to "underwater" borrowers by lowering their payments
- HARP 2.0 expands eligibility for homeowners in existing GSE loans(1) who otherwise cannot refinance at today's low mortgage rates because their home is currently worth less than their outstanding loan balance

HARP 1.0 vs. HARP 2.0

Factor	HARP 1.0	HARP 2.0
Loan-to-value	Capped at 125%	No Limit
Payment History	No 30 day delinquent in last 12 months	No 60 day delinquent last 12 months
Appraisal	Appraisal waiver granted on ~25% of loans	Appraisal waiver granted on ~90% of loans
Solicitation	Servicer's own portfolio only due to Rep. and Warranties Risk (R&W)	R&W risk removed - incents solicitation of HARP eligible borrowers outside servicer's own port.
Private mortgage insurance	Difficult	Process improved, stronger MI company particpation

Analysts forecast HARP 2.0 changes could generate an additional 1 to 2 million refinances

- **PMT has unique capabilities to capture the opportunity in two ways**
  - **Correspondent Lending** – partnering with our correspondent sellers to deliver best-in-class fulfillment & servicing capabilities, GSE relationships, underwriting and capital markets expertise for HARP loans
  - **Bulk Servicing acquisitions** – opportunities to refinance underlying loans that are HARP eligible – PMT would receive a new MSR asset for loans refinanced through PLS(2)

(1) Securitized prior to June 2009
(2) An agreement for this type of transaction does not currently exist between PLS and PMT, and no transaction of this type has been completed by PMT

Financial Results



Income Statement Overview

($ in thousands, except per share data)	Quarter ended March 31, 2012 (Unaudited)	Quarter ended December 31, 2011 (Unaudited)	Q/Q % Change
Investment Income			
Net gain (loss) on investments[1]	$ 15,205	$ 18,707	-19%
Interest income	16,430	12,136	35%
Net gain on mortgage loans acquired for sale	13,370	7,426	80%
Net servicing fees	192	3	n.m.
Other	1,452	851	71%
Net Investment Income	46,649	39,123	19%
Total Expenses	22,074	17,794	24%
Pretax Income	**24,575**	**21,329**	**15%**
Provision for income tax	5,517	1,680	228%
Net Income	**$ 19,058**	**$ 19,649**	**-3%**
Diluted EPS	$ 0.65	$ 0.70	-5%

[1] Includes results of real estate acquired in settlement of loans

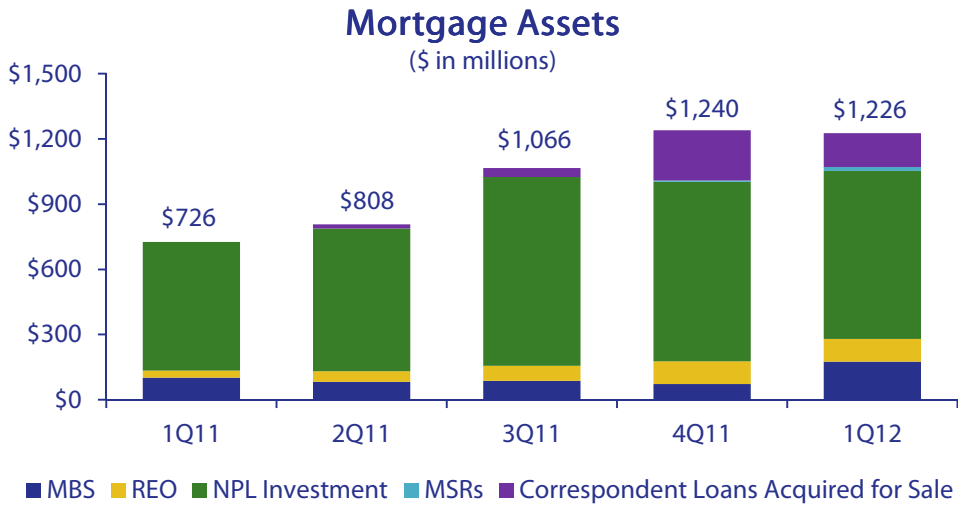
Drivers

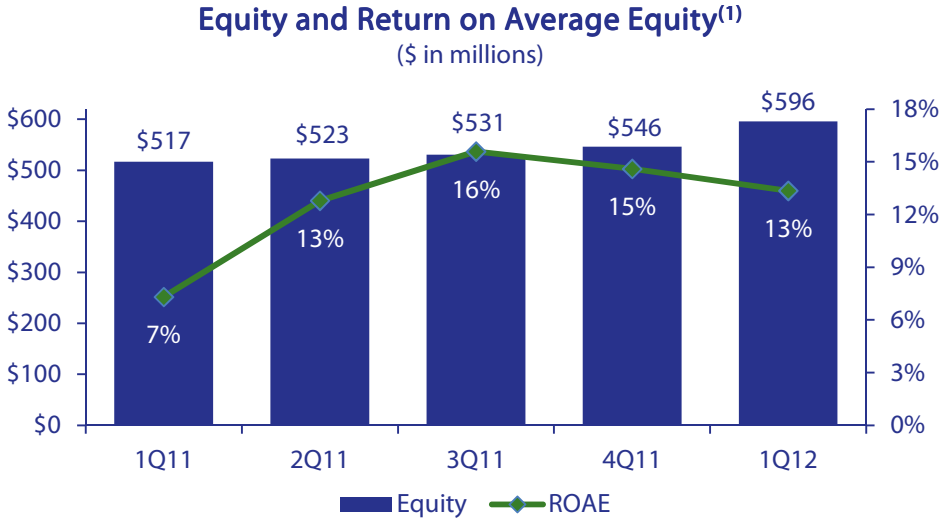
- Pretax earnings increased 15% quarter-over-quarter
- Net gain on investments down quarter-over-quarter, primarily due to home price performance
- Interest income up as a result of higher correspondent originations and increased levels of performing loan investments
- Net gain on mortgage loans acquired for sale results from 78% jump in correspondent lock volume
- Loan fulfillment fees increased with growth in correspondent volume
- Income tax, largely deferred, rose with growth in correspondent lending income and other income of the TRS

n.m. = not meaningful

Balance Sheet Highlights

- Mortgage assets were down slightly quarter-over-quarter, as declines in loans acquired for sale and mortgages held for investment were largely offset by a rise in MBS
  - Acquired for sale loans were lower at period end as a result of faster loan inventory turnover
  - Robust liquidation activity and absence of nonperforming whole loan pools purchases drove the decline in held-for-investment loans
- Equity increased 9% quarter-over-quarter driven in part by stock issuance
  - ROAE declined primarily as a result of lower portfolio valuation gains and growth of taxable income, as well as an increase in total equity





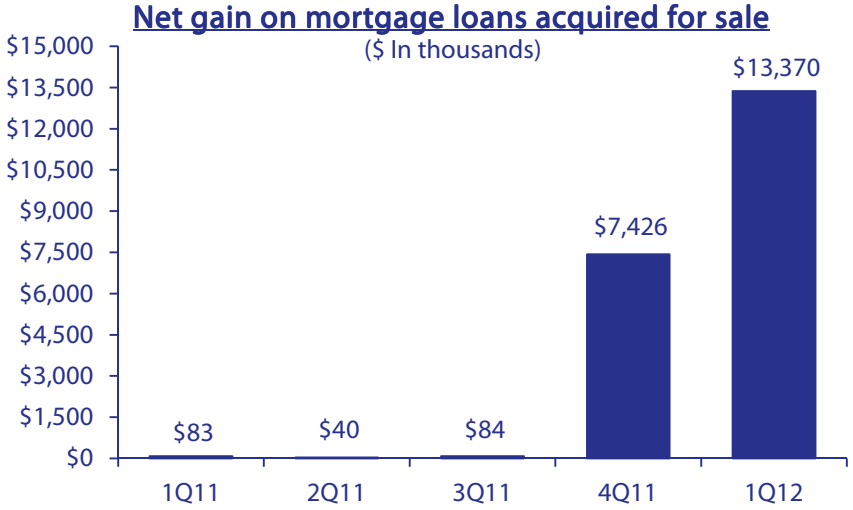
(1)Return on equity calculated using average monthly equity values.

PMT's Business Segments Pretax Income

- Distressed Mortgage Investments pretax income increased 2.5% from the fourth quarter
- Correspondent Lending up 41% from fourth quarter driven by increased gain on sale of mortgage loans acquired for sale and interest income

($ in thousands)	Quarter ended March 31, 2012 (Unaudited)		
	Investment Activities	Correspondent Lending	PMT Consolidated
Revenues:			
External			
Net gain on investments	$ 11,488	$ -	$ 11,488
Interest income	13,638	2,792	16,430
Net gain on mortgage loans acquired for sale	-	13,370	13,370
Other income	3,900	1,461	5,361
Intersegment interest	16	(16)	-
Total revenues	29,042	17,607	46,649
Expenses:			
Interest	5,747	927	6,674
Loan fulfillment fees payable to affiliate	-	6,124	6,124
Other	9,021	255	9,276
Total expenses	14,768	7,306	22,074
Pre-tax income	**$ 14,274**	**$ 10,301**	**$ 24,575**

Net Gain On Mortgage Loans Acquired for Sale

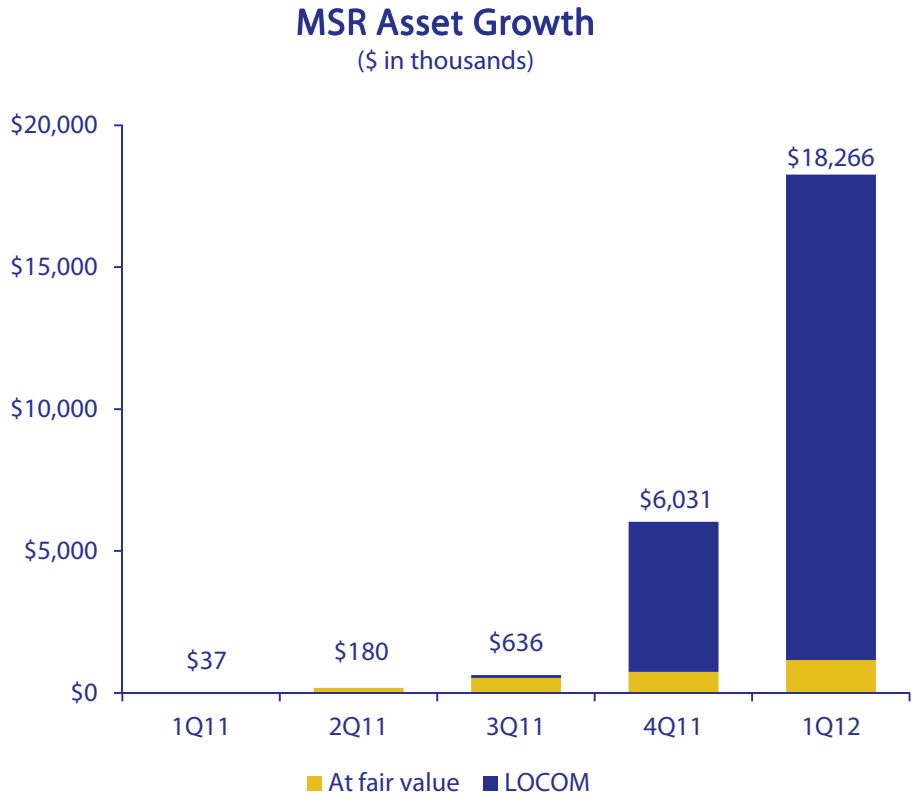


($ in thousands)	Quarter ended March 31, 2012
MSR Value - originated in period	$ 12,929
Rep & Warrant provision	(426)
Net cash settlement at sale	(255)
Market value adjustments of pipeline, inventory and hedges	1,122
Net gain on mortgage loans acquired for sale	**$ 13,370**

- Net gain on mortgage loans acquired for sale rose 80% quarter-over-quarter due to an increase in Correspondent Lending lock volume

- Net gain on mortgage loans acquired for sale includes both cash and the value of the originated MSRs
  - MSRs represent the fair value of the right to service the loans, which includes servicing fees and other ancillary income

Growing Investment in Mortgage Servicing Rights (MSRs)



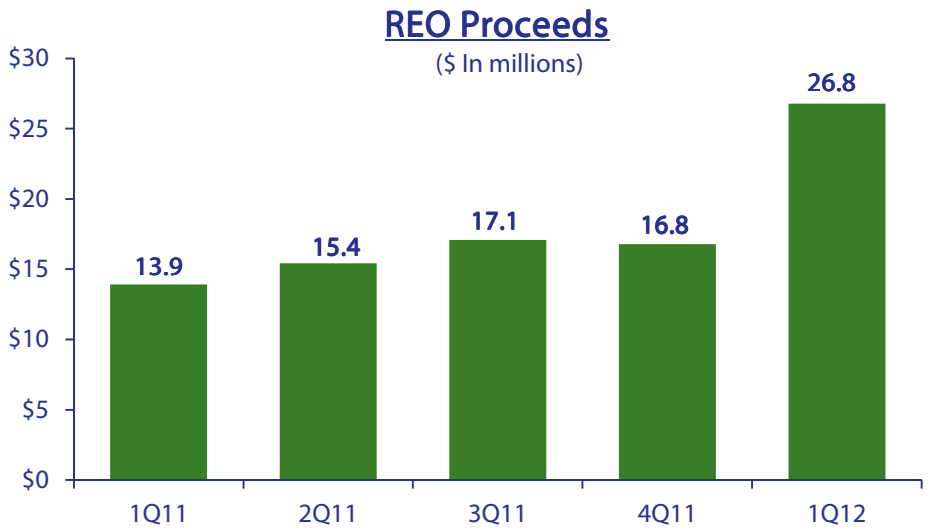
- MSR growth has been driven by the growth in Correspondent Lending
- MSRs retained on loans with initial note rates equal to or less than 4.5% are accounted for under the lower of cost or market (LOCOM) method
  - Currently, the majority of loans acquired for sale fall into this category
- Prepayment risk of MSRs is somewhat mitigated by the historically low rates on new mortgage loan production
  - Presently, PMT does not to hedge this portion of the MSR asset

Distressed Mortgage Investments: Valuation and REO Proceeds

- Valuation changes declined 22% from the fourth quarter 2011
  - Predominantly due to home values underlying PMT's loan portfolio decreasing more than projected during the first quarter
    - Home values declined less than projected in the fourth quarter of 2011

($ In thousands)	Quarter ended March 31, 2012
Valuation changes	$ 6,284
Payoffs	4,847
REOs	
Valuation loss	(2,935)
Gain on sale of REO	6,652
	$ 14,848

- Sales proceeds received from REO sales totaled $33.4 million, up 104% vs. the fourth quarter
  - Gains on REO sales were $6.7 million and comprised 20% of proceeds,
    - Represent realization of proceed in excess of carrying value
  - REO sales comprised 24% of total portfolio liquidations, up from 16% last quarter



(1) Amounts may not sum exactly due to the effects of rounding.

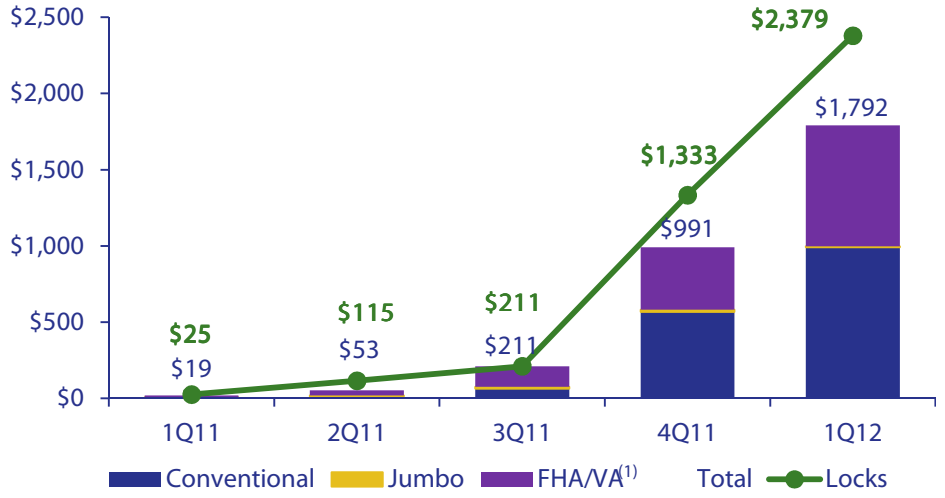
Correspondent Lending



Correspondent Lending Achieves Strong Growth in 1Q12

- **Fundings total $1.8 billion in 1Q12, up 81% vs. 4Q11**
  - Conventional volume increased 75% from 4Q11
- **Operational results for the month of April 2012**
  - Locks: $1.3 billion
  - Fundings: $800 million
- **Prudently growing relationships with our correspondent sellers:**
  - Focusing on quality long-term relationships
  - Building a best-in-class correspondent lending platform
- **Origination characteristics remain consistent as volume grows**

Correspondent Funding Volume and Mix



Origination Characteristics

	1Q11	2Q11	3Q11	4Q11	1Q12
Conventional					
WA LTV	76%	69%	69%	71%	69%
WA FICO	750	757	772	767	770
WA DTI	32%	36%	32%	34%	32%
California Originations	42%	76%	54%	77%	48%
Government					
WA LTV	95%	96%	95%	96%	95%
WA FICO	732	719	711	711	712
WA DTI	39%	41%	41%	42%	41%
California Originations	82%	89%	56%	75%	48%

(1) For FHA/VA, PMT earns a sourcing fee and interest income for its holding period

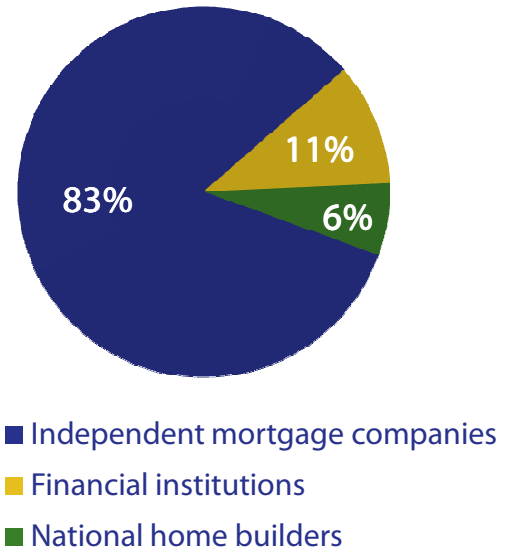
Correspondent Lending: Relationship-Based Client Selection

- Client portfolio is comprised of:
  - Large-to-medium-sized independent mortgage companies
  - Financial institutions
  - National home builders
- Clients share our focus on maintaining a quality relationship
  - Manufacturing quality and efficiency
  - Mutual profitability
  - Financial capacity and management integrity
  - Responsible lending and regulatory compliance

Client Count

	Q4 2011	Q1 2012
Beginning	76	108
Approved	34	17
Suspended	0	0
Deactivated	2	13
Total at Quarter-end	108	112

CLG Clients



Distressed Mortgage Investment



Whole Loan Portfolio Acquisitions

- Volume of whole loan pools available for purchase remained steady throughout the first quarter
  - PCM reviewed nearly $5.0 billion in UPB of whole loans
- PMT entered into an agreement to acquire approximately $90 million UPB of distressed whole loans which settled in the second quarter
  - Agreements to purchase an additional $240 million UPB of performing and nonperforming whole loans have been entered into thus far in 2Q12[(1)]
- Flow of distressed whole loans for review is expected to remain steady
  - We estimate that over $400 billion nonperforming residential loans remain on U.S. banks' balance sheets
  - Clarity created by the large banks' settlement with the Department of Justice and states' attorneys general may result in more pools coming to market

(1) These pending transactions are subject to continuing due diligence, customary closing conditions, and obtaining additional capital adequate to fund the acquisitions. There can be no assurance that the committed amount will ultimately be acquired or that the transactions will be completed .

Acquisitions Are Progressing Through the Resolution Process

1Q10	Purchase	1Q12
Balance ($mm)	$ 182.7	90.0
Pool Factor[(1)]	1.00	0.49
Current	6.2%	27.6%
30	1.6%	6.7%
60	5.8%	2.3%
90+	37.8%	12.8%
FC	46.4%	40.5%
REO	2.3%	10.1%

2Q10	Purchase	1Q12
Balance ($mm)	$ 195.5	94.9
Pool Factor[(1)]	1.00	0.49
Current	5.1%	24.4%
30	2.0%	4.0%
60	4.1%	3.1%
90+	42.8%	10.1%
FC	45.9%	39.3%
REO	0.0%	19.1%

3Q10	Purchase	1Q12
Balance ($mm)	$ 146.2	75.0
Pool Factor[(1)]	1.00	0.51
Current	1.2%	23.7%
30	0.4%	3.6%
60	1.3%	0.8%
90+	38.2%	13.5%
FC	58.9%	41.1%
REO	0.0%	17.2%

4Q10	Purchase	1Q12
Balance ($mm)	$ 277.8	195.3
Pool Factor[(1)]	1.00	0.70
Current	5.0%	28.5%
30	4.0%	5.1%
60	5.1%	3.9%
90+	26.8%	9.8%
FC	59.1%	41.1%
REO	0.0%	11.5%

1Q11	Purchase	1Q12
Balance ($mm)	$ 515.1	411.9
Pool Factor[(1)]	1.00	0.80
Current	2.0%	22.5%
30	1.9%	3.4%
60	3.9%	2.0%
90+	25.9%	10.9%
FC	66.3%	49.4%
REO	0.0%	11.8%

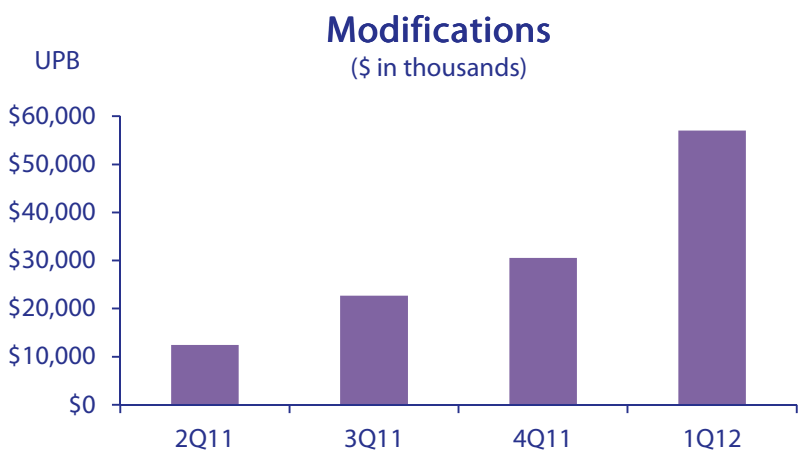
2Q11	Purchase	1Q12
Balance ($mm)	$ 259.8	227.9
Pool Factor[(1)]	1.00	0.88
Current	11.5%	22.7%
30	6.5%	5.3%
60	5.2%	2.9%
90+	31.2%	15.2%
FC	43.9%	44.3%
REO	1.7%	9.6%

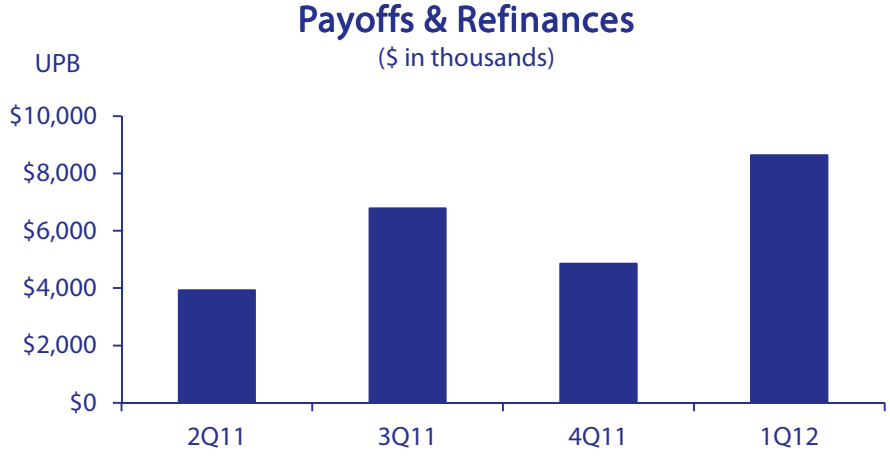
3Q11	Purchase	1Q12
Balance ($mm)	$ 542.6	435.4
Pool Factor[(1)]	1.00	0.80
Current	0.6%	4.9%
30	1.3%	1.4%
60	2.0%	1.4%
90+	22.6%	15.2%
FC	73.0%	63.3%
REO	0.4%	13.8%

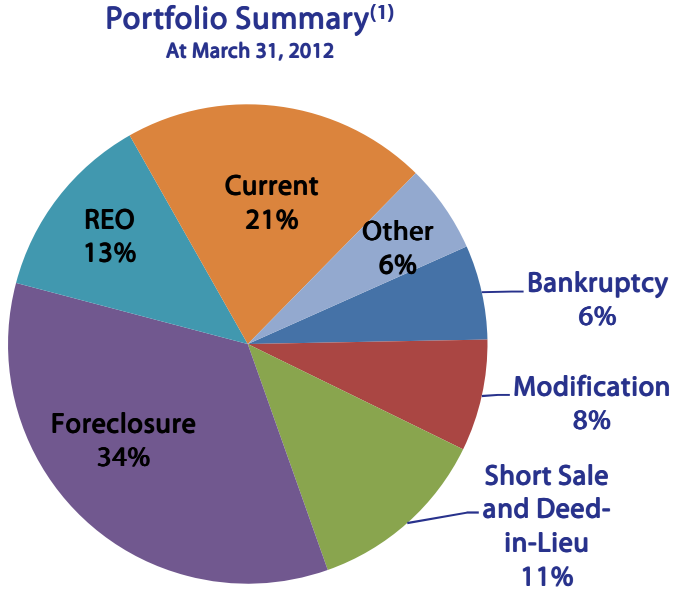
4Q11	Purchase	1Q12
Balance ($mm)	$ 49.0	48.7
Pool Factor[(1)]	1.00	0.99
Current	0.2%	1.4%
30	0.1%	0.1%
60	0.2%	0.0%
90+	70.4%	55.6%
FC	29.0%	41.2%
REO	0.0%	1.6%

[(1)] Ratio of unpaid principal balance remaining to unpaid principal balance at acquisition

Modification and Payoff Activity Accelerated in the First Quarter



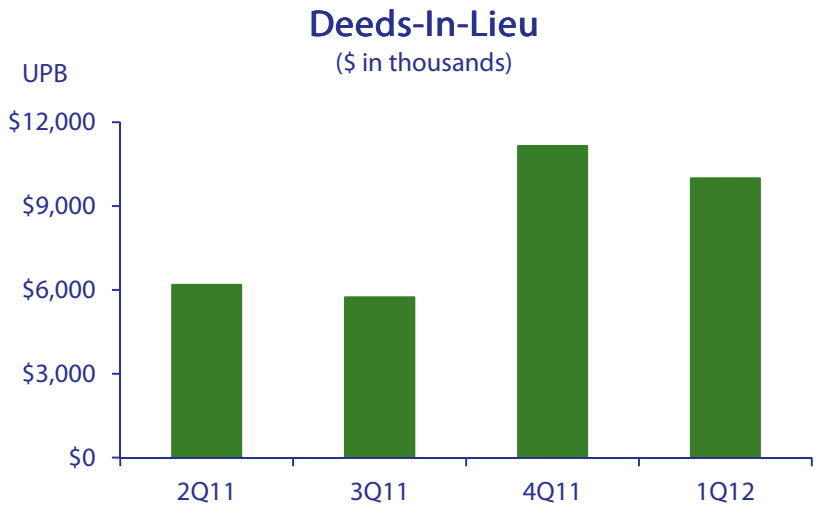




(1) Amounts may not sum exactly due to the effects of rounding.

- Modification activity has increased steadily for last three quarters
  - More than 90% of modifications were facilitated under the Home Affordable Modification Program (HAMP)
- Payoffs rose 78% quarter-over-quarter due to an increase in refinance activity
- 94% of PMT's portfolio has a defined resolution path at quarter end
- 21% of the portfolio is comprised of current borrowers compared to 19% at the end of the fourth quarter

Resolution Activity



- Deeds-in-lieu resolutions have risen significantly as our efforts continue to gain traction
  - Working with borrowers in imminent risk of foreclosure to opt for a deed-in-lieu vs. foreclosure
- Short sales declined in the 1Q12, but remained the second largest liquidation activity after REO sales
  - Short sale liquidation timelines are typically shorter than foreclosures resulting in faster liquidation of the loan
- Completed foreclosures down slightly
  - Foreclosure timelines have lengthened as the process becomes increasingly complex, but deed-in-lieu and short sales also a key factor in decline





Continue to Progress REO Inventory Through to Liquidation

- $26.7 million in carrying value of REO was liquidated in the first quarter, compared to $14.4 million last quarter
- 68% of REO inventory was aged ≥ 90 days at March 31, 2012, compared to 54% at the end of 4Q11
- Rehabilitation efforts on REO properties have extended the time in inventory, but improve liquidation values
- Increasing demand has been key to driving REO sales
  - REO and 3rd party foreclosure sales rose 67% quarter over quarter, comprising more than half of all liquidation activity in the first quarter

Number of Days in REO Inventory	Carrying Value 12/31 ($ in millions)	Cumulative % of Total	% Liquidated in 1Q12	Carrying Value 3/31 ($ in millions)	Cumulative % of Total
180+	$22.9	24%	44%	$34.4	36%
150-179	$4.3	28%	43%	$11.7	48%
120-149	$14.1	43%	26%	$11.6	60%
90-119	$10.4	54%	21%	$7.5	68%
60-89	$16.9	71%	20%	$9.3	78%
30-59	$16.5	89%	28%	$10.0	88%
0-29	$10.9	100%	9%	$11.2	100%
Total	**$96.0**		**28%**	**$95.7**	
Average Days in Inventory(1)		**130 days**			**163 days**

(1) Average days in inventory is value weighted

Cash Flow from Distressed Investments

- Cash proceeds from the liquidation of distressed mortgage loans and REO totaled $68.4 million for the first quarter of 2012
  - Repayments of mortgage loans at fair value -- $26.2 million
  - Repayments of mortgage loans under forward purchase agreements at fair value -- $8.7 million
  - Sales of real estate acquired in settlement of loans -- $26.8 million
  - Sales of real estate acquired in settlement of loans under forward purchase agreements -- $6.8 million
- Strong operational performance from our distressed mortgage portfolio results in healthy quarterly cash flows available for distribution, debt service and reinvestment

Contact Us

For questions or comments please contact us at:

PennyMac Mortgage Investment Trust
6101 Condor Drive
Moorpark, CA 93021

IR Contacts:

Kevin Chamberlain
Managing Director, Corporate Communications

Christopher Oltmann
Director, Investor Relations
chris.oltmann@pnmac.com or InvestorRelations@pnmac.com

Phone: 818-224-7442
Website: www.PennyMac-REIT.com

PennyMac Mortgage Investment Trust



First Quarter 2012 Earnings Report

May 3, 2012