PennyMac Mortgage Investment Trust



Morgan Stanley Financials Conference

June 13, 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.

Market Overview

- U.S. mortgage market is beginning to show signs of "normalization"
- Opportunities in the current market remain significant

Originations

– Interest rate environment to remain conducive to refinance activity aided by HARP 2.0 and the FHA's negative equity refinance program

– Buy vs. rent dynamics favor home purchases and consumer sentiment towards home ownership seems to be improving

Servicing

– Low mortgage rates enhance value proposition of newly originated MSRs

– Flow of bulk servicing deals likely to be strong

Distressed Whole Loans Investments

- Market remains active, with solid flows in whole loans available for review

PMT Structure

- PMT's unique hybrid structure allows the Company to focus its specialized operations on legacy loans and opportunities available in the post crisis mortgage market



- Capital Markets
- Analytics & Valuation
- Credit
- QC and Due Diligence
- Portfolio Strategy
- Secondary Marketing

- Servicing
- Originations
- Modifications
- Property Resolutions
- Investor Accounting
- Quality Control
- Risk Management

(1) PNMAC Capital Management and PennyMac Loan Services are wholly-owned subsidiaries of Private National Mortgage Acceptance Company, LLC

Year-to-Date 2012 Highlights

First Quarter 2012 Earnings

- Diluted EPS of $0.65 per share, and dividend of $0.55 per share
- Net Income of $19.1 million on revenue of $46.6 million
- 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

Second Quarter (Quarter-to-date) Highlights[1]

- Purchased or agreed to acquire distressed whole loan pools totaling $420 million in unpaid principal balance (UPB) thus far in 2Q12
  - Acquired a distressed loan pool totaling $90 million in UPB in April and purchased two additional pools totaling $232 million in UPB in June
  - Recently entered into an agreement to purchase an additional pool of nonperforming loans totaling $98 million in UPB, for settlement in June [2]
- Completed offering in excess of 10 million shares of common stock, with net proceeds totaling $198 million

(1) For the two months ended May 31, 2012

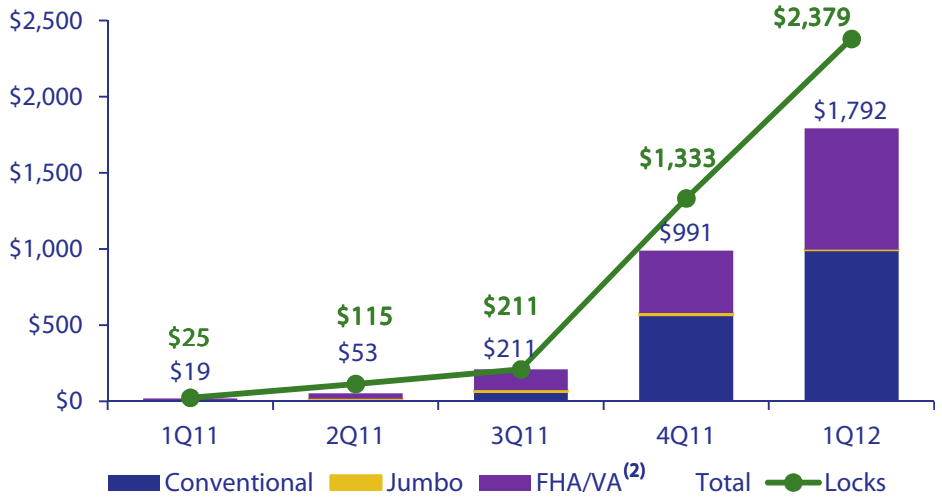
(2) This pending transactions is subject to continuing due diligence, customary closing conditions, and obtaining additional capital adequate to fund the acquisition. There can be no assurance that the committed amount will ultimately be acquired or that the transaction will be completed at all.

Correspondent Growth Remains Strong, Building MSR Portfolio

- Fundings totaled $1.8 billion in 1Q12, up 81% vs. 4Q11
- 2Q12 QTD[1] total fundings reach $2.0 billion
  - Interest rate lock commitments: $2.9 billion
  - Conventional & Jumbo loans comprised approximately 50% of total fundings
- Correspondent business drives servicing portfolio growth through investment in MSRs
  - Retained when loans are sold
- MSRs prepayment risk is reduced by the historically low rates on new loan production
- MSR value is derived through a comprehensive process which incorporates proprietary models, management expertise and 3rd party data

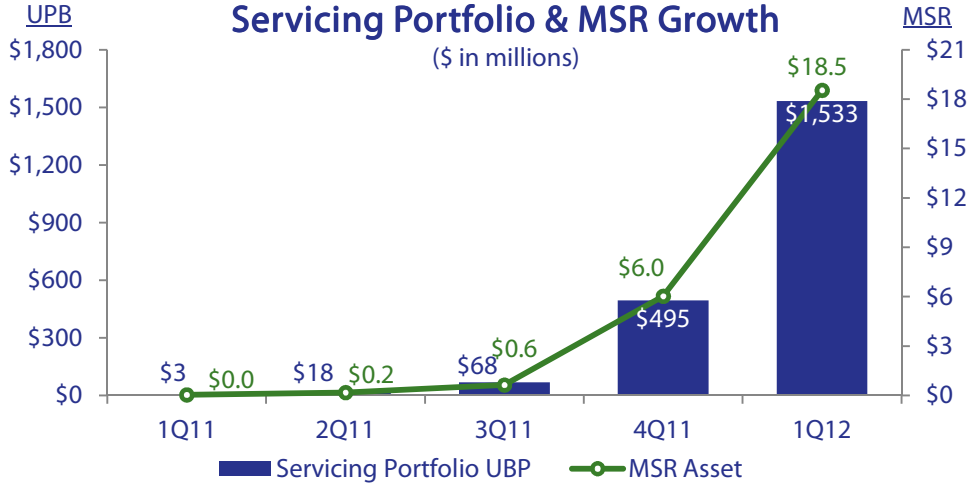
Correspondent Funding Volume and Mix

($ in millions)



Servicing Portfolio & MSR Growth

($ in millions)

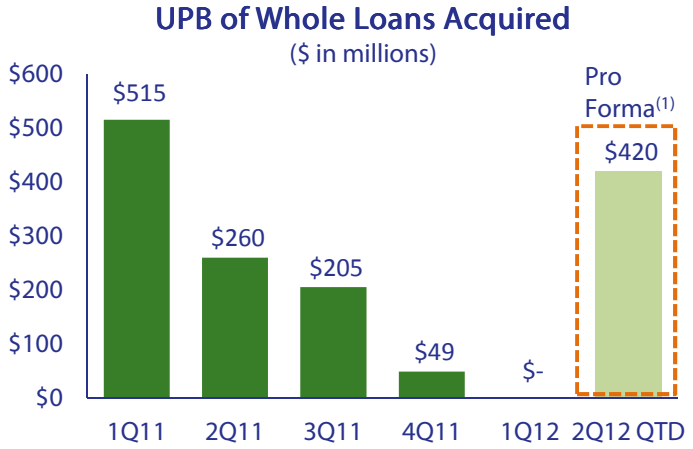


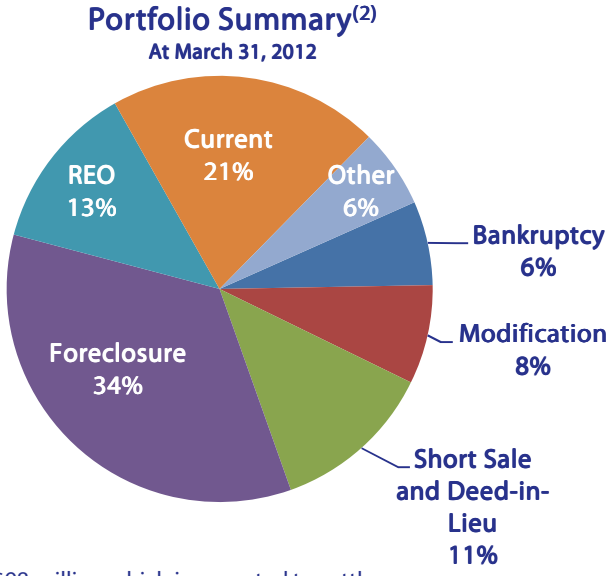
(1) For the two months ended May 31, 2012. Numbers are unaudited and are not intended for use in projecting future quarterly or annual results.

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

Distressed Mortgage Investments

- The flow of distressed whole loans for review is expected to remain steady
  - Recent purchases, and agreements to purchase, underscore the opportunity that still exists to invest in distressed mortgages
  - Our investment manager PNMAC Capital Management continues to see solid volume in loan pools being offered for purchase review
- Portfolio liquidation activity remains strong
  - Loan acquisitions are progressing through the resolution pipeline in-line with our expectations for a ~2 year average liquidation timeframe
  - We have enjoyed success in bringing borrowers into performing status, which ultimately optimizes outcomes for both borrowers and shareholders
  - Deed-in-lieu and short sale resolutions continue to gain traction, helping to shorten the timeline to liquidation





(1) Pro forma transactions include $90 million of loans that settled in April 2012 and $232 million that settled in June 2012 and $98 million which is expected to settle in June 2012. 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 transaction will be completed at all.

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

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 loans with UPBs totaling approximately $1 billion per month for possible investments throughout 2012 • Purchased and agreed to acquire $420 million in UPB of whole loans in the second quarter-to-date[2][3]
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 some portion of the investments as REIT assets

(1) Illustrative gross returns including the effect of leverage before corporate operating and other administrative expenses
(2) For the two months ended May 31, 2012.
(3) Agreements to acquire are 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 at all.

Highlights of Investing in PMT

- Unique mortgage REIT able to capitalize on opportunities in residential whole loans
- Continued leadership in distressed whole loan investing; emerging leadership as a non-bank intermediary for new originations in correspondent lending
- Distinguished management team with deep expertise in all aspects of residential mortgages
- Access to legacy-free operational platform with more than 600 full-time staff
- Attractive return investments with prudent use of leverage
- Flexibility to adapt with the evolution of the mortgage market

Positioned to capitalize on current and long-term opportunities in residential mortgage finance with the capital, institutional relationships, operations, and management across all the critical areas for success

Contact Us

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