PennyMac Mortgage Investment Trust



Second Quarter 2012 Earnings Report

August 2, 2012

Forward-Looking Statements

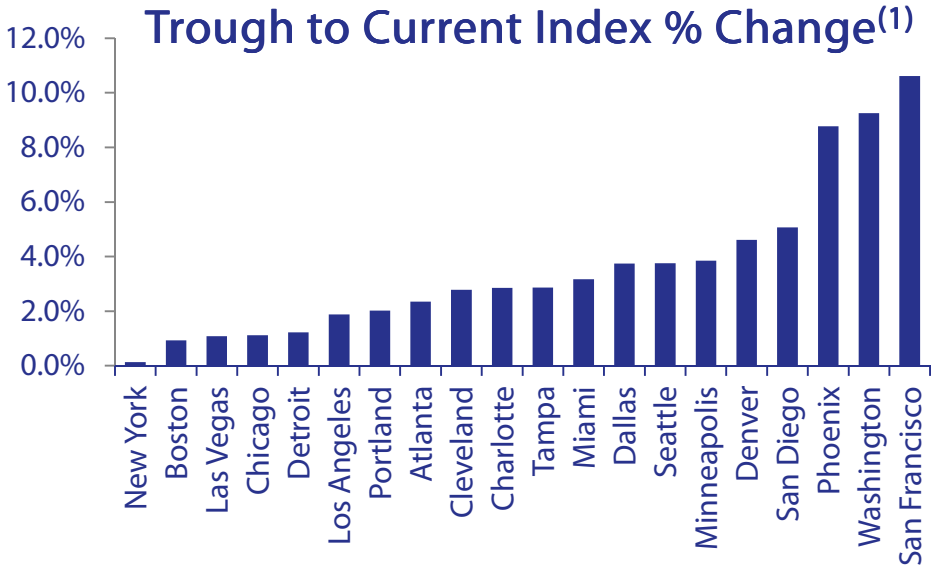
This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, regarding management's beliefs, estimates, projections and assumptions with respect to, among other things, the Company's financial results, future operations, business 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.

Second Quarter 2012 Highlights

- Net Income of $29.6 million on revenue of $64.4 million
- Diluted EPS of $0.79 per share, dividend of $0.55 per share and ROAE of 17%
- Correspondent purchase volume increased to $3.4 billion in UPB, an increase of 88% from 1Q12
  - Conventional purchases of $1.8 billion, rising 79% from 1Q12
- Purchased $402 million in unpaid principal balance (UPB) of distressed whole loan pools
  - Nonperforming Loans: $224 million in UPB
  - Re-performing Loans: $178 million in UPB
- Completed an offering in excess of 10 million shares of common stock in May, with net proceeds totaling $201 million

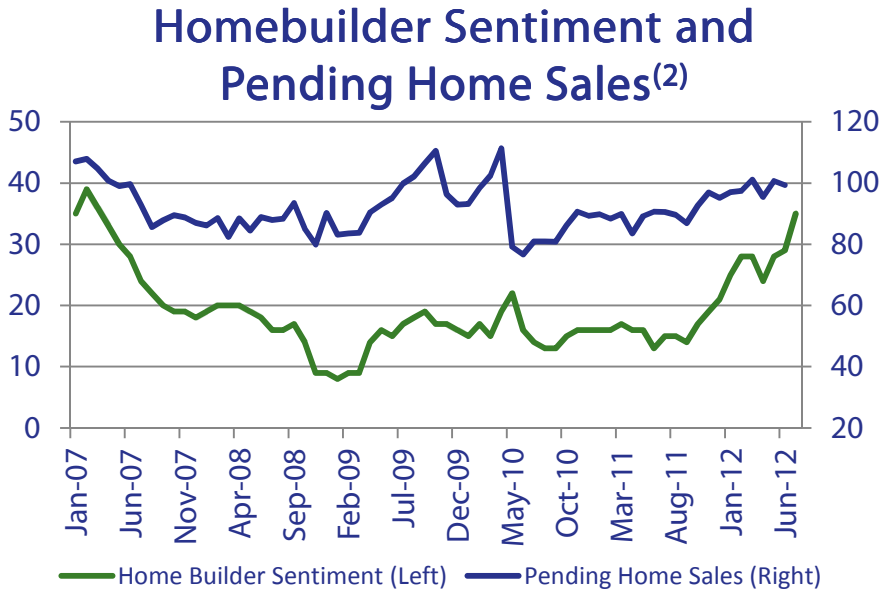
Home Prices and Purchase Demand Indicators Showing Improvement

- Home prices have shown signs of stabilization, although the level of improvement varies significantly



- Signs of home price equilibrium are evident in recent HPI data, with all major metro areas showing some level of price improvement from trough levels

- Home purchase indicators suggest that demand is improving as prices show more stability



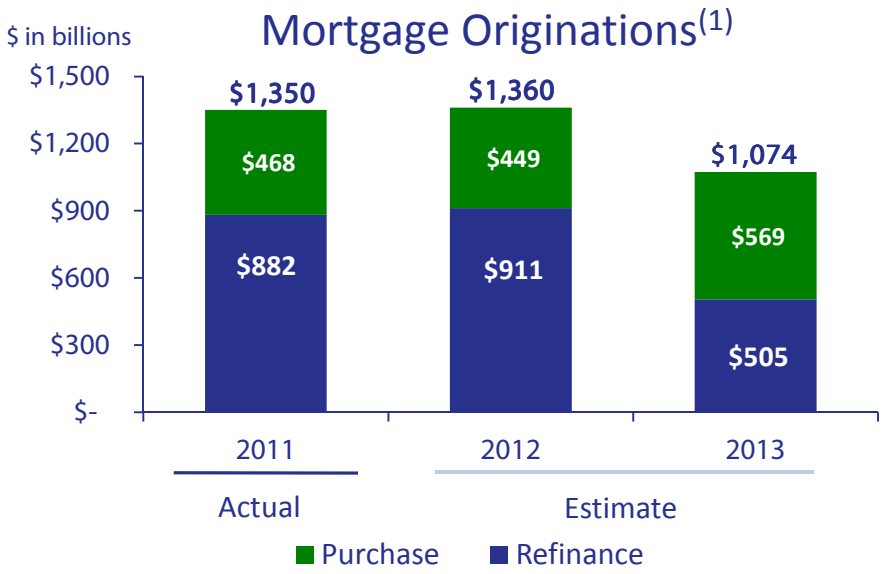
- Home builder sentiment at four year highs
- Pending home sales at highest level since expiration of the homebuyer tax credit in May 2010

(1) Case Shiller 20 City Index (NSA) as of April 2012

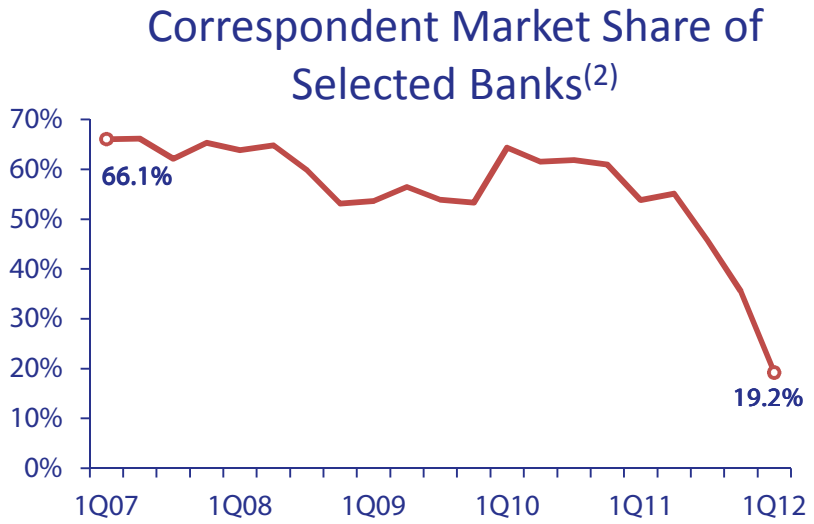
(2) National Association of Home Builders; National Association of Realtors

Mortgage Origination Market Continues To Evolve

- Increased price stability is forecast to result in more purchase mortgage transactions as refinance activity declines



- Significant opportunities have emerged in the correspondent channel as market leading banks reduce or exit the channel



- Purchase originations are estimated to comprise more than half of total 2013 originations
  - Last time this occurred was in 2006

- Banks have given up significant market share in correspondent
- Non-bank financial intermediaries offer competitive alternatives to banks

(1) 2011 data source Inside Mortgage Finance; Estimates derived from average of Fannie Mae, Freddie Mac and the Mortgage Bankers Association forecasts as of June 2012
(2) Inside Mortgage Finance – Market share data for JPM, C, BAC and Ally/GMAC

PMT's Distinctive Business Model Focused On Long-term Value

- Focus on residential mortgage loans and the business of mortgage banking
- Complete end-to-end origination and servicing capabilities
- Growing correspondent business fuels growth of MSR servicing portfolio
- Leading specialty servicer; PMT is the only REIT participating in the distressed whole loan opportunity
- Infrastructure, operations and expertise, through our manager PCM and servicing and fulfillment provider PLS
- Actively pursuing bulk MSR acquisition opportunity; one of a few potential buyers with the capacity to add a large-sized transaction

Financial Results



Income Statement Overview

($ in thousands, except per share data)	Quarter Ended June 30, 2012	Quarter Ended March 31, 2012	Q/Q % Change
	(Unaudited)		
Investment Income			
Net gain (loss) on investments[1]	$ 30,563	$ 15,205	101%
Interest Income	16,002	16,425	-3%
Net gain on mortgage loans acquired for sale	18,046	13,370	35%
Net servicing fees	(855)	197	n.m.
Other	650	1,452	-55%
Net Investment Income	**64,406**	**46,649**	**38%**
Total Expenses	**26,431**	**22,074**	**20%**
Pretax Income	**37,975**	**24,575**	**55%**
Provision for income tax	8,406	5,517	52%
Net Income	**$ 29,569**	**$ 19,058**	**55%**
Diluted EPS	$ 0.79	$ 0.65	22%

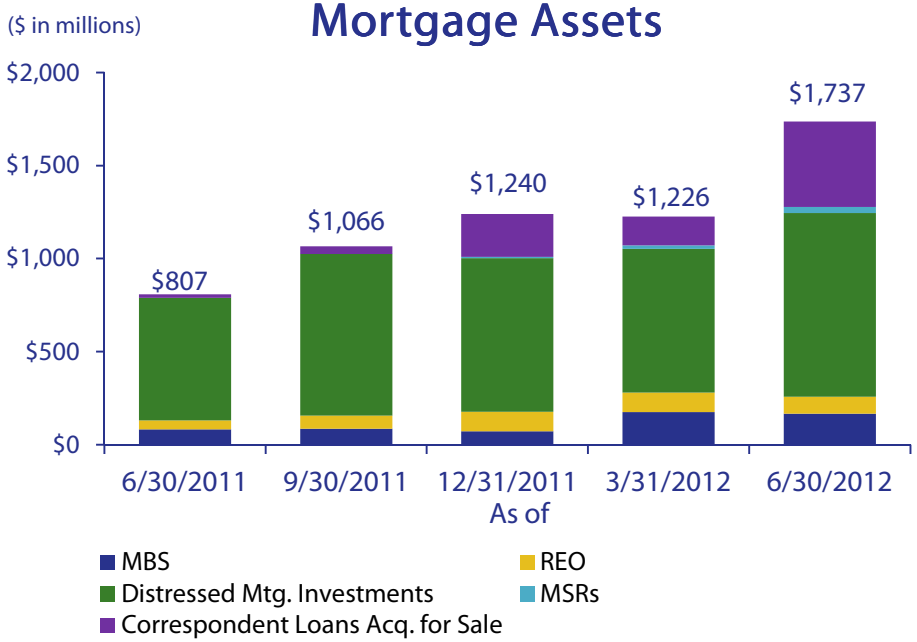
[1] Includes results of real estate acquired in settlement of loans

Drivers

- Net gain on investments rose Q/Q as a result of strong liquidation activity and improved loan attributes
- Net gain on loans acquired for sale increased 35% Q/Q
- Servicing income was impacted by increased prepayment expectations as a result of declining mortgage rates
- Interest income declined 3% Q/Q, on lower Modification activity
- Expenses increased Q/Q , primarily due to higher volumes of correspondent purchases and increased liquidation activity

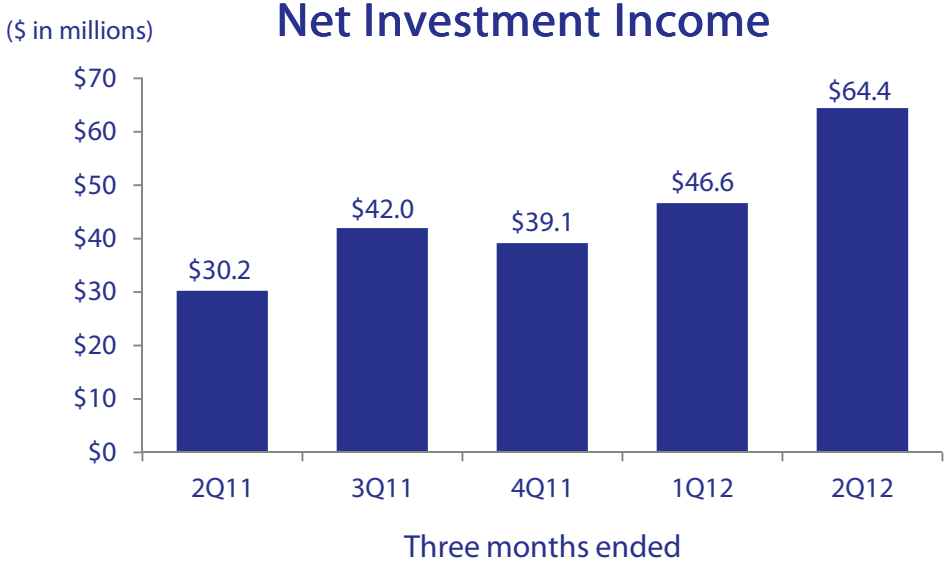
Solid Growth In Mortgage Assets and Net Investment Income

Mortgage Assets



- Mortgage assets rose 42% Q/Q, driven by four distressed loan pool acquisitions and increase in mortgage loans held for sale at quarter end
- The MSR asset increased 77% Q/Q to $33 million

Net Investment Income



- Increased activity in REO sales and short sales drove strong liquidation performance, which resulted in solid investment returns
- Correspondent lending conventional loan sales rose 42% Q/Q

Investment Activities Produce Record Pretax Income in 2Q12

Investment Activities Segment Pretax Income

($ in thousands)	Quarter ended June 30, 2012	March 31, 2012
	(Unaudited)	
Revenues:		
Net gain on investments	$ 27,992	$ 11,488
Interest income	12,881	13,649
Other income	1,783	3,905
Total revenues	42,656	29,042
Expenses:		
Interest	5,071	5,747
Servicing	5,006	4,889
Other	6,621	4,132
Total expenses	16,698	14,768
Pre-tax income	**$ 25,958**	**$ 14,274**

- Investment Activities pretax income increased 82% from 1Q12
  - Liquidation activity increased 28% Q/Q(1)
  - Loan valuations rise a result of improving loan attributes and a net increase in home prices
- Interest income declined 6% Q/Q, resulting from a decline in modification activity
- Expenses increased 13% Q/Q , as a result of higher loss mitigation, liquidation and due diligence activities

(1) Based on Unpaid Principal Balance of loans liquidated, which include short sales, payoffs and 3rd party foreclosure sales

Correspondent Lending Segment Pretax Income Rises in 2Q12

Correspondent Lending Segment Pretax Income

($ in thousands)	Quarter ended June 30, 2012 (Unaudited)	March 31, 2012
Revenues:		
Interest income	$ 3,178	$ 2,792
Net gain on mortgage loans acquired for sale	18,046	13,370
Other income	583	1,461
Total revenues	21,807	17,623
Expenses:		
Interest	1,689	943
Servicing	30	47
Loan fulfillment fees	7,715	6,124
Other	356	208
Total expenses	9,790	7,322
Pre-tax income	**$ 12,017**	**$ 10,301**

- Correspondent segment pretax income rose 17% Q/Q, on higher net gain on mortgage loans acquired for sale
  - Lock volumes reached $4.6 billion, a 94% Q/Q increase
  - Conventional loan sales rose 43% Q/Q
- Margins remain healthy, but tightened modestly from 1Q12 levels
- Loan fulfillment fees are commensurate with increased loan sales activity
- Jumbo loan sales total $5.4 million
  - Product is still an area of focus, but current market volume is small

MSR Capitalization Rates On New Production in 2Q12

- The average capitalization rate on new conventional mortgage servicing rights was 110 bps in 2Q12
- MSRs booked in the current environment have an inherently lower risk of prepayment due to low rates on the underlying mortgage
- Valuations encompass a variety of variables including the prevailing market conditions, production mix, secondary market execution, and the level of excess servicing retained
- PMT's valuations are compared to third party surveys and competitor research for independent verification of "reasonableness"

New Production MSR Valuation Metrics: Conventional Loan Purchases

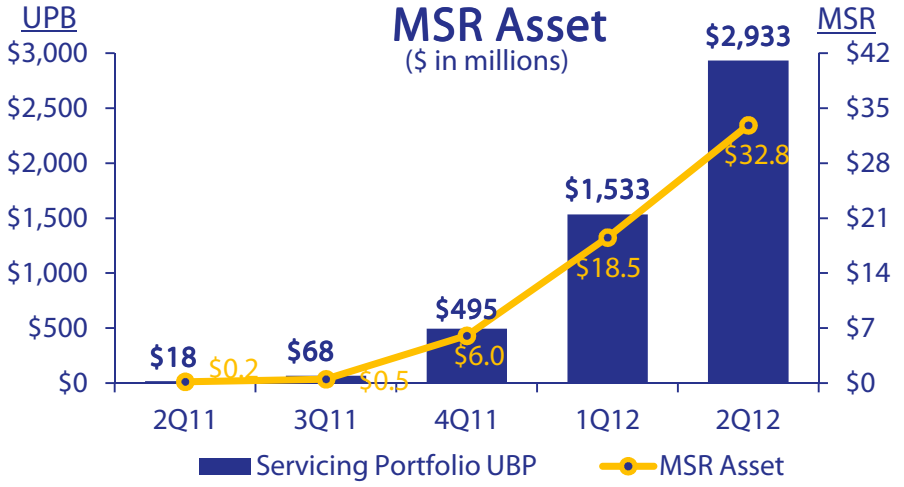
2Q12 New Production MSR Valuation	Quarter Ended June 30, 2012
UPB of Loans Sold ($ in millions)	$1,537
Weighted Average Servicing Fee	25.2 bps
Capitalization Rate	1.10%
Multiple	4.37
Weighted Average Coupon	4.02%

Servicing Portfolio Continues to Grow; MSRs Impacted By Lower Rates

- Loans serviced for others grew 91% Q/Q driven by the solid growth in correspondent loan purchases
- Net loan servicing fees incurred an $855K loss, primarily due to MSR valuation adjustments
  - Resulted from higher prepayment assumptions driven by falling mortgage rates
    - Mortgage rates declined 33bps in 2Q12[1], ending the quarter near all-time historic low levels
- The majority of PMT's MSR asset is carried at the lower of amortized cost or fair market value (amortization method)
  - Impairment is provisioned to a valuation allowance account and may be reversible as rates rise
  - The recoverable amount is the balance of the valuation allowance and benefits earnings in the period of recovery
  - MSRs are currently not hedged

Third Party Servicing Portfolio and MSR Asset

($ in millions)



Net Loan Servicing Fees[2]

($ in thousands)	Quarter ended June 30, 2012
Servicing Fees	$ 1,757
Effect of MSRs:	
Amortization	(655)
Provision for impairment of MSRs carried at lower of amortized cost or fair value	(1,517)
Change in fair value of MSRs carried at fair value	(440)
	(2,612)
Net loan servicing fees	**$ (855)**
Multiple on total portfolio of loans serviced for others	4.32

(1) Source: Freddie Mac Primary Mortgage Market Survey
(2) A component of the investment activities segment income

Investment Activities



Market For Distressed Mortgage Loans

- Flow of distressed whole loan deals available for review in 2Q12 was strong
- We anticipate that the flow of deals will be consistent for next twelve months and possibly longer
- We expect the pipeline for potential distressed loan acquisitions to be $15-$20 billion over the next 12 months
- New sellers of distressed whole loan pools are anticipated to come to market incrementally over time
- Removal of AG/DOJ settlement overhang and desire to reduce risk-weighted assets are motivating distressed loan sales by large banks
- Pricing in current market reflects a strong demand and a more optimistic view of home price stabilization

Distressed Mortgage Investments

- Whole loan acquisitions totaled $402 million in UPB in 2Q12
  - Largest quarterly purchase of distressed loan pools since 1Q11
- Purchased pools were both nonperforming and reperforming loans
  - Nonperforming loans:

    UPB acquired – $224 million

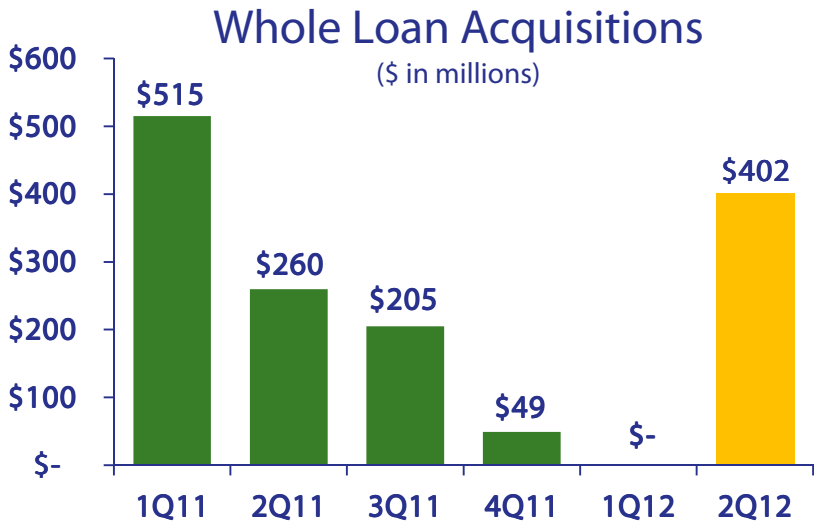
    Current – 5%

    90+ days delinquent and foreclosure – 89%
  - Reperforming loans:

    UPB acquired – $178 million

    Current – 88%

    90+ days delinquent and foreclosure – 0.8%



Reperforming Loan Strategy

Purchase modified loans at discount

↓

Establish dialog with borrower

↓

Review for modification/principal reduction

↓

Liquidation through refinancing or securitization

Hold to maturity

PMT Loan Portfolio Liquidation Activity Rose On Strong REO Sales

- Loan portfolio liquidations rise 24% Q/Q
  - REO sales comprised 48% of liquidations, increasing 19% Q/Q
    - Solid demand, with multiple offers
  - Assets sold at foreclosure auctions doubled quarter-over-quarter, implying greater strength in national home prices
- Negative equity refinances increased for the third consecutive quarter
  - Provides net benefit to the borrower and investor
  - Dedicating additional resources to further this liquidation outcome

– Liquidation activities generate significant cash flows

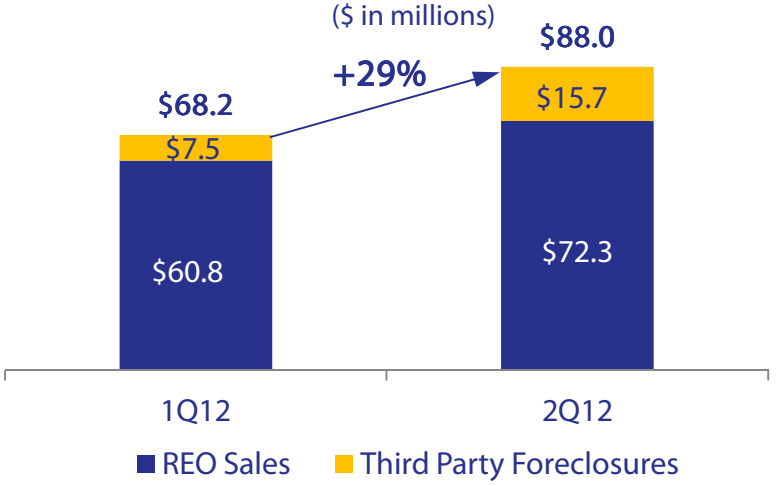
Loan Investment Portfolio Activity Sales

PMT Portfolio	UPB ($ in millions)
Beginning balance as of March 31, 2012:	$1,612.0
Purchased Portfolios (settled during the quarter)	402.5
Quarterly Activities:	
REO Sales	(72.3)
Loan Principal Payments & Adjustments	(3.4)
Loan Liquidations	(79.6)
Total Activities:	(155.2)
Ending Balance as of June 30, 2012	$1,859.6

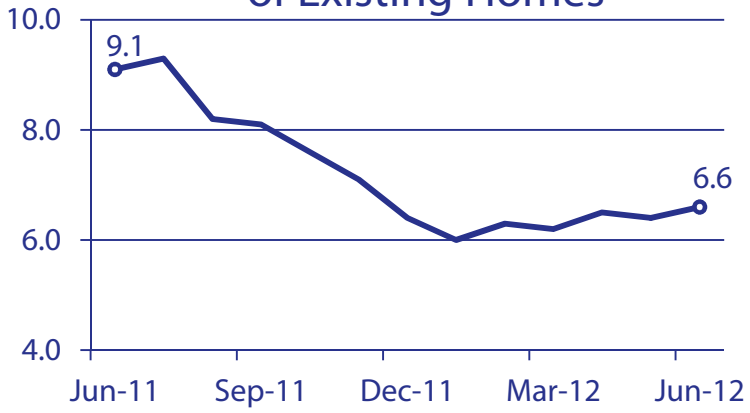
Market for Foreclosure and REO Properties Improved in 2Q12

- Sales of REO and Foreclosures to Third Parties increased in 2Q12
  - Third Party foreclosure sales doubled as buyers more readily met our reserve price
  - Demand for foreclosure properties from investors and first-time home buyers has been strong
  - Third party data indicate that the bulk of recent price improvement has been in the lower-tier price point(1)
- Inventory of homes for sale is tight in many markets, resulting in increased prices, but sales activity is slowing as a result
  - Lack of inventory is also a key factor in driving sales activity in REO and Foreclosures

PMT REO Sales and Third Party Foreclosure Sales



National Months Inventory of Existing Homes(1)



(1) National Association of Realtors

Portfolio Acquisitions Are Progressing in Line With Expectations

1Q10	Purchase	2Q12
Balance ($mm)	$ 182.7	85.2
Pool Factor[1]	1.00	0.47
Current	6.2%	26.9%
30	1.6%	6.9%
60	5.8%	5.8%
90+	37.8%	11.2%
FC	46.4%	41.1%
REO	2.3%	8.1%

2Q10	Purchase	2Q12
Balance ($mm)	$ 195.5	82.9
Pool Factor[1]	1.00	0.42
Current	5.1%	29.3%
30	2.0%	4.4%
60	4.1%	3.5%
90+	42.8%	9.8%
FC	45.9%	40.7%
REO	0.0%	12.2%

3Q10	Purchase	2Q12
Balance ($mm)	$ 146.2	65.8
Pool Factor[1]	1.00	0.45
Current	1.2%	23.2%
30	0.4%	4.3%
60	1.3%	4.4%
90+	38.2%	13.7%
FC	58.9%	39.7%
REO	0.0%	14.7%

4Q10	Purchase	2Q12
Balance ($mm)	$ 277.8	176.4
Pool Factor[1]	1.00	0.63
Current	5.0%	29.6%
30	4.0%	6.7%
60	5.1%	3.7%
90+	26.8%	10.0%
FC	59.1%	41.4%
REO	0.0%	8.6%

1Q11	Purchase	2Q12
Balance ($mm)	$ 515.1	379.7
Pool Factor[1]	1.00	0.74
Current	2.0%	24.9%
30	1.9%	4.1%
60	3.9%	1.9%
90+	25.9%	11.5%
FC	66.3%	46.5%
REO	0.0%	11.1%

2Q11	Purchase	2Q12
Balance ($mm)	$ 259.8	209.7
Pool Factor[1]	1.00	0.81
Current	11.5%	28.4%
30	6.5%	5.6%
60	5.2%	3.7%
90+	31.2%	11.8%
FC	43.9%	40.1%
REO	1.7%	10.4%

3Q11	Purchase	2Q12
Balance ($mm)	$ 542.6	381.7
Pool Factor[1]	1.00	0.70
Current	0.6%	8.2%
30	1.3%	2.2%
60	2.0%	1.5%
90+	22.6%	13.6%
FC	73.0%	61.5%
REO	0.4%	12.9%

4Q11	Purchase	2Q12
Balance ($mm)	$ 49.0	46.0
Pool Factor[1]	1.00	0.94
Current	0.2%	1.4%
30	0.1%	0.1%
60	0.2%	0.1%
90+	70.4%	54.5%
FC	29.0%	42.0%
REO	0.0%	1.9%

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

Correspondent Lending



PMT Is Capitalizing On The Significant Opportunity in Correspondent

- Significant transformation occurring in the correspondent channel
  - New focus on retail channel originations and the capital treatment of MSRs under Basel III has caused many banks to reduce their presence or exit the channel
- PMT is capitalizing on this opportunity with a differentiated approach
  - Selective, client-focused model that values business partners and growth through deepening relationships
  - Expanding footprint with opening of Tampa operations(3)
  - Drive for excellence in customer service, fulfillment timelines and issue resolution
  - Knowledgeable and experienced correspondent leadership team at PLS

Key Metrics

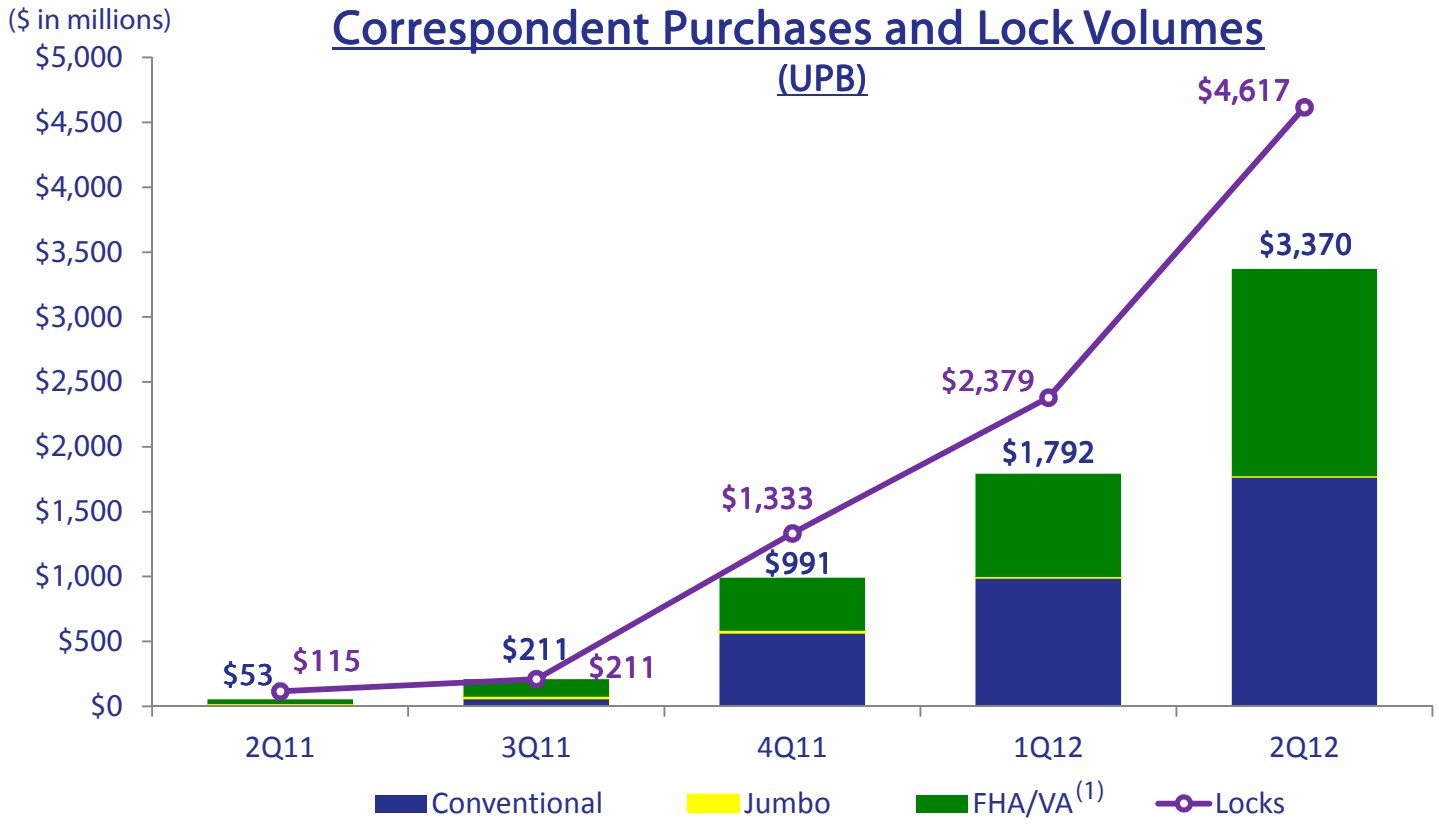
Q212 Purchase Volume (UPB):	**$3.4 Bn**
Conventional	$1.8 Bn
FHA	$1.6 Bn
Jumbo	$2.6 Mn
#11 Correspondent purchaser in 1Q12 (1)	
CLG Business Partners	**117**
Net Worth ≥ $10 million	66
CLG Employees	
Moorpark Operations	177
Tampa Operations	40

Credit	Conventional	FHA
WA FICO	764	711
WA DTI (2)	33	40
% Purchase(2)	39%	69%
% CA	44%	44%

(1) Source: Inside Mortgage Finance and company estimates
(2) Excludes Streamline Refinances
(3) Operational activities conducted by PLS, PMT's servicer and fulfillment provider

Correspondent Delivers Continued Growth

- Purchases totaled $3.4 billion in 2Q12, up 88% vs. 1Q12 and the fourth consecutive quarter of greater than 80% quarter over quarter growth
- July volume: Purchases of $1.7 billion, Locks of $2.4 billion



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

Growth Strategy

- Target of $1 billion in purchases per month by quarter end achieved early in May
- Targeting $2 billion in purchases per month by the end of Q3 and prepared to continue growing volume as returns dictate
- Tampa operations facility expands geographic footprint in the Eastern U.S.

Operations[(1)]	Correspondent Partners	Product Development
• Variable cost structure allows for greater flexibility and scale • Ongoing enhancement to fulfillment capabilities and systems to drive increased efficiencies and lower costs • Data integrity and asset quality	• Growth through deepening relationships • Selectively acquire new partners • Strategically manage client group to maintain high quality service levels	• Expand product menu while balancing risk and return all within FHA and GSE guidelines • Continue to develop Warehouse Lending Business (currently in beta testing period)

(1) Operational activities conducted by PLS, PMT's servicer and fulfillment provider

Key Takeaways



Key Takeaways

- PMT's business model and strong operational execution deliver solid results
- Investment Activities and Correspondent Lending deliver record pretax earnings
- Growth in correspondent purchase volume and the servicing portfolio continues
- Increased liquidation activity drives higher portfolio returns
- Significant opportunities in the current mortgage market
  - Distressed Mortgage Assets
  - Correspondent purchases
  - Bulk MSR acquisitions

PMT's strong performance, growth, and strategic positioning ensure it is well positioned to capitalize on the growing opportunities across the mortgage market