PennyMac Mortgage Investment Trust



First Quarter 2013 Earnings Report

April 23, 2013

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 2013 Highlights & Recent Developments

- Net Income of $53.3 million on net investment income of $119.1 million
- Diluted EPS of $0.90 per share and dividend of $0.57 per share
- Business segment pre-tax earnings reflect the diversity and strength of PMT's business model
  - Investment Activities : $50.3 million
  - Correspondent Lending : $8.9 million
- Acquired distressed whole loan pools totaling $366 million in unpaid principal balance (UPB)
- Correspondent loan purchase volume totaled $8.5 billion in UPB, down 15% from the fourth quarter
  - Lock volume of $8.1 billion in UPB, down 22% from the fourth quarter
- MSR portfolio grew to $17 billion in UPB, up 36% from the fourth quarter
- Subsequent to the end of the quarter, we committed to enter into forward purchase agreements for a total of $481 million[(1)] in UPB for two pools of nonperforming mortgage loans

[(1)] These pending transactions are subject to the negotiation and execution of definitive documentation, continuing due diligence, and customary closing conditions. These proposed transactions are subject to negotiation and execution of definitive documentation, continuing due diligence, and customary closing conditions, There can be no assurance that we will acquire these assets or that the transaction will be completed.

Market Factors Impacting 1Q13 Results

Ongoing improvement in home prices

- Home prices continue to improve in most regions of the country and housing appears to be on a steady path to recovery
- Shortage of home inventory and strong investor demand helping to increase prices
- Rent vs. buy economics increasingly favoring home ownership, driving purchase demand
- Refinance activity expected to benefit as loan-to-value ratios improve

Correspondent competitive landscape

- Market becoming more competitive, with large players remaining active participants
- Margins are decreasing but still remain above historical "norms"
- Increasing number of smaller to mid-sized lenders looking to sell MSRs as margins tighten
- Expect correspondent channel to increase as a share of the origination market

Distressed whole loan demand

- Market remains active, with over $5 billion in UPB of loan pools reviewed by PCM in 1Q13
- Improving real estate values have lowered competing investor yield targets, which is particularly evident in reperforming loan transactions
- Scarcity of quality investment alternatives is driving greater investor interest in residential real estate as the market recovers

Bulk MSR deals and flow transactions

- Market demand remains strong; smaller deals appear more attractive
- Economics of retaining MSRs are changing, incenting smaller bulk portfolios and flow opportunities
- Complexities of mortgage servicing also driving smaller institutions to sell
- Pipeline of large deals appears be declining whereas smaller transactions are becoming more prevalent

Opportunities in Residential Mortgage Finance

Opportunity	*PMT Strategy*	*Illustrative Gross Levered Return[1]*
Distressed Mortgage Whole Loans	• Flow of loans available for sale remains robust and is expected to rise • PMT remains a patient buyer for pools that achieve our target returns	**16% - 29%**
Correspondent Lending	• Delivering disciplined execution and faster turn times to maintain and grow market presence • Expanding the network of sellers, broadening product offerings and deepening existing relationships	**25% - 50%**
Retained Interests on Securitization of Prime Jumbo Loans	• Re-launched jumbo program to selected sellers, achieving over $100 million in UPB of locks in 1Q13 • Results in attractive REIT-eligible investments through the retention of subordinate tranches from securitizations	**12% - 19%**
Bulk Mortgage Servicing Rights / IO Investments	• Continuing to evaluate and expect legacy MSRs in the market • Attractive flow and mini-bulk basis opportunities increasing; flow commitments in place for ~$200 million/month, with a growing pipeline • May co-invest with PLS in the form of excess MSR / IO investment	**16% - 25%**
Mortgage Backed and Asset Backed Securities	• Mortgage spreads remain tight due to Fed MBS purchases, reduction in risk premiums, and strong demand • Limited return potential without taking significant risk	**8% - 14%**

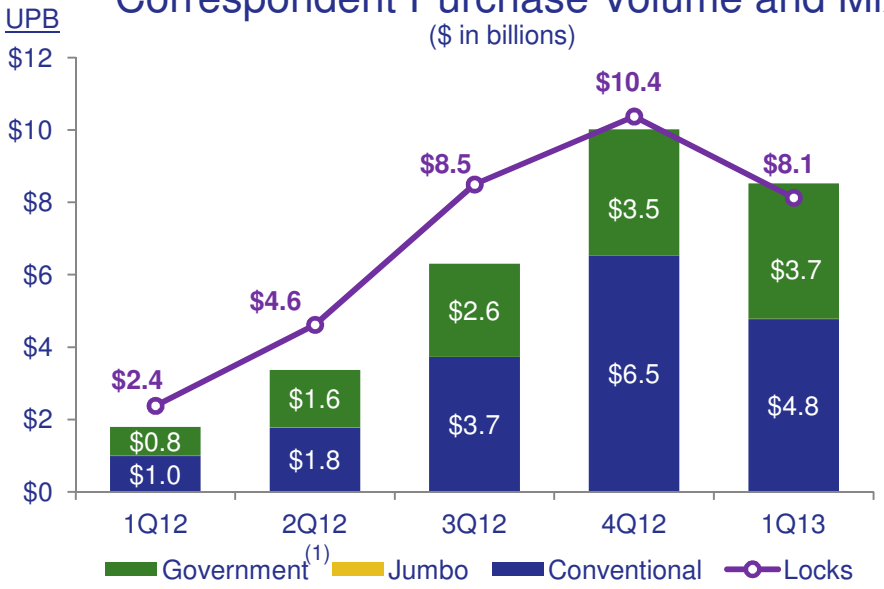
[1] Illustrative gross returns including the effect of leverage before corporate operating and other administrative expenses

Mortgage Investment Activities



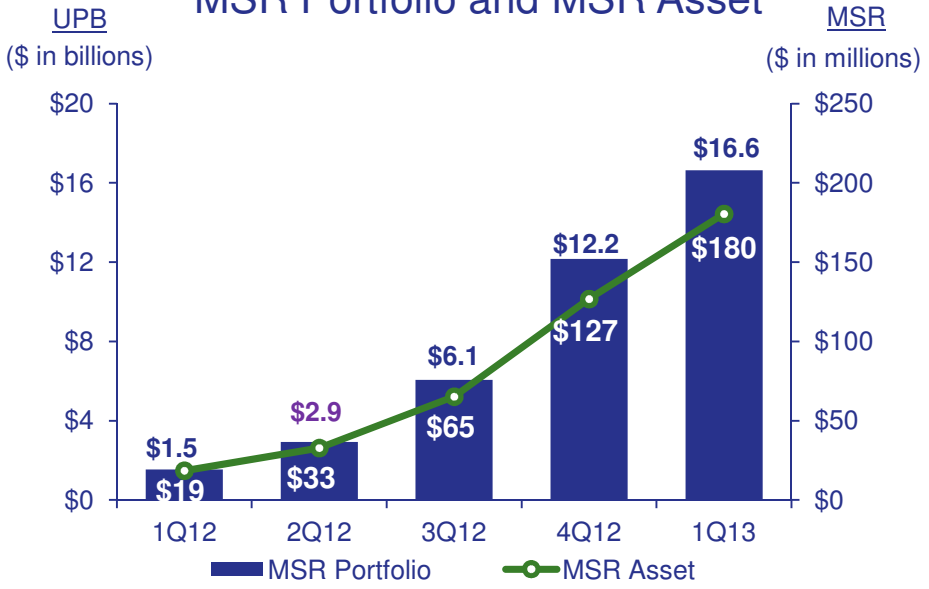
Correspondent Acquisitions Drive Continued Growth In MSR Investment

Correspondent Purchase Volume and Mix



- Correspondent loan purchases totaled $8.5 billion in 1Q13, down 15% Q/Q, and up 376% Y/Y
  - Conventional and jumbo loans comprised 53% of total locks and 56% of purchases
  - April lock volume projected to reach over $3 billion
- Correspondent network reached 179 approved sellers
- Targeting $4 – $5 billion in total correspondent acquisitions per month by December 2013

MSR Portfolio and MSR Asset



- PMT's MSR portfolio reached $16.6 billion at quarter end, rising 36% Q/Q, and ~1,000% Y/Y
  - Originated MSRs remain an attractive investment opportunity
  - The majority of loans underlying the MSRs have been originated in the historically low mortgage rate environment that has prevailed since mid-2012

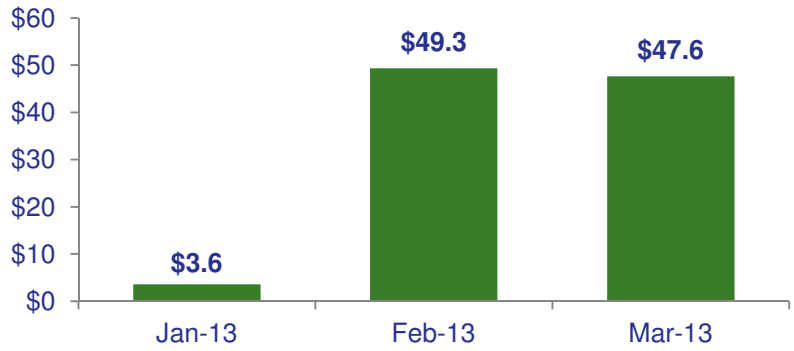
(1) For Government loans, PMT earns a sourcing fee and interest income for its holding period and does not pay a fulfillment fee.

Prime Jumbo Acquisitions and Private Label Securitization Opportunity

- Prime jumbo acquisitions reached $8 million in 1Q13, up from $2.1 million in 4Q12
  - Lock volume in quarter reached $100 million
- Targeting 3Q13 for first securitization transaction
  - Deal size of between $250 – $350 million
  - Retain all or part of I/O and subordinate tranches as investments
  - Revenues would be primarily interest income
- Private label jumbo securitization represents a significant long-term growth opportunity
  - Private label jumbo securitization levels are a fraction of pre-crisis levels, but recent activity indicates that the market is recovering
  - As the mortgage market normalizes, we expect private label securitizations to play a much more significant role in housing finance
    - Policy makers seek to have the private market assume a greater role in mortgage finance

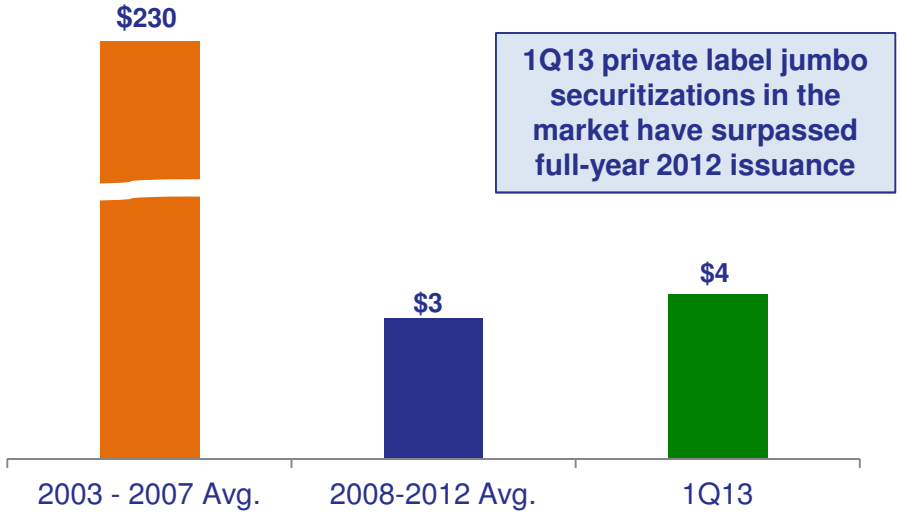
PMT Prime Jumbo 1Q13 Lock Volume[1]

($ in millions)



Prime Non-Agency Jumbo Securitizations[2]

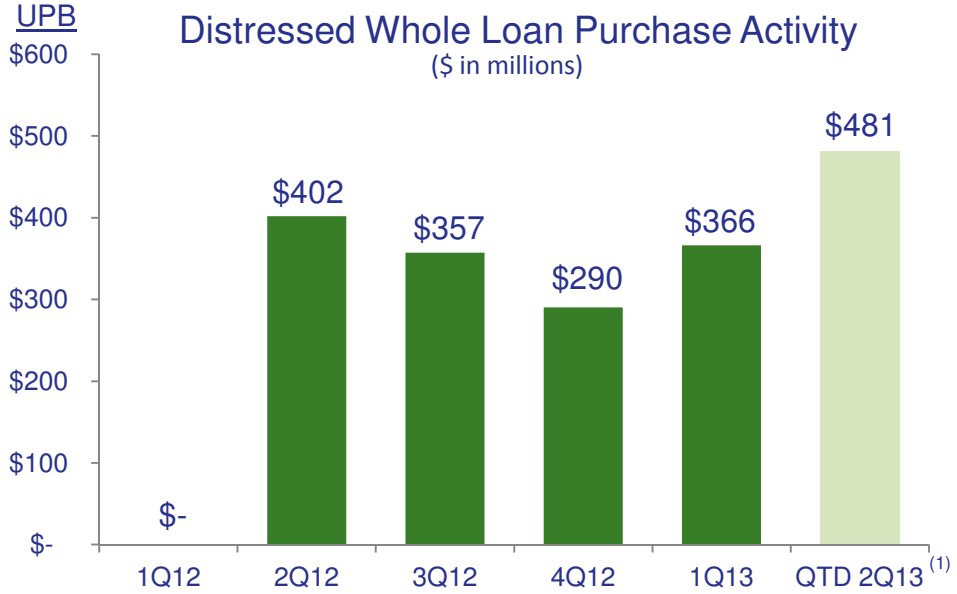
($ in billions)



1Q13 private label jumbo securitizations in the market have surpassed full-year 2012 issuance

[1] Lock to funding pull-through rates assumed to be 65% for 1Q13 Jumbo locks
[2] Source: Inside Mortgage Finance

Distressed Whole Loan Acquisitions Grow in 1Q13



- Distressed whole loan purchases in 1Q13 reached $366 million in UPB
  - Comprised largely of nonperforming loans
  - Acquisition price to UPB averaged 55% in 1Q13
- Flow of distressed whole loans available for sale remains strong and is anticipated to rise
  - Our manager, PCM (PNMAC Capital Management) reviewed over $5 billion in UPB of distressed whole loans in 1Q13
- Subsequent to the end of the quarter, we committed to enter into forward purchase agreements for a total of $481 million(1) in UPB for two pools of nonperforming mortgage loans with an initial purchase price of $294 million

(1) These pending transactions are subject to the negotiation and execution of definitive documentation, continuing due diligence, and customary closing conditions. These proposed transactions are subject to negotiation and execution of definitive documentation, continuing due diligence, and customary closing conditions, There can be no assurance that we will acquire these assets or that the transaction will be completed.

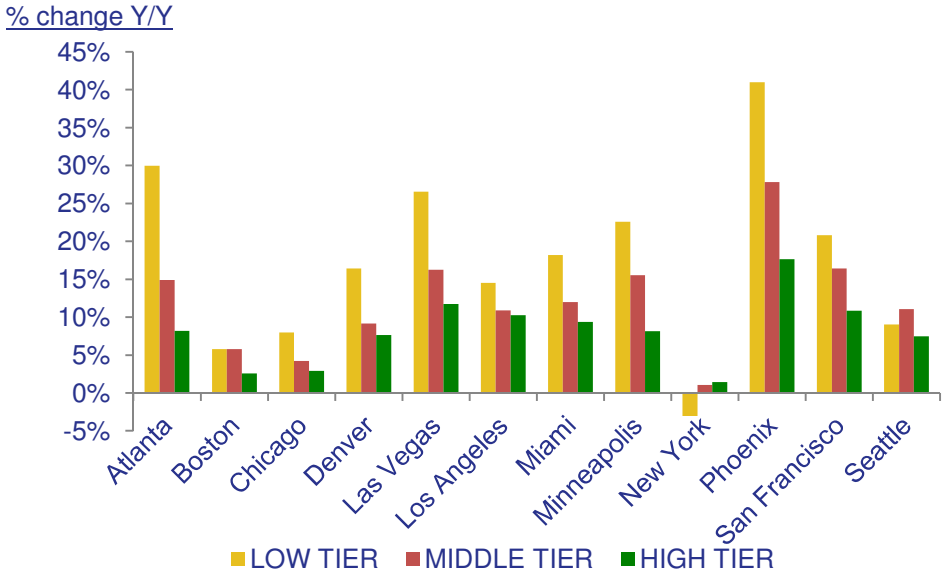
Rising Home Values Drive Solid Valuation Gains On Distressed Whole Loans

- Valuation gains on PMT's $2.4 billion[1] distressed loan portfolio totaled $56 million in 1Q13
  - **Performing** - $674 million[1] performing loan portfolio had valuation gains of $23 million
  - **Nonperforming** - $1,680 million[1] nonperforming loan portfolio had valuation gains of $33 million
  - Valuation gains were driven by strong operational performance, improved home price performance and strong investor demand
- The housing market recovery is occurring in most major metro areas across the country
  - Lower-tier properties have led Y/Y price gains in most metro areas
    - Distressed loans predominately fall into the low and middle price tiers
  - Metro areas hardest hit by the housing downturn have seen the highest Y/Y growth
  - Rising home values consistent with appreciation in the market for other credit-risk assets

Net Gain on Mortgage Loans Valuation Changes[2]

($ in thousands)		Quarter ended March 31, 2013
Valuation Changes:		
Performing Loans	$	22,984
Nonperfoming Loans		32,632
	$	**55,616**

Tiered Home Price Change by Metro Area[3]



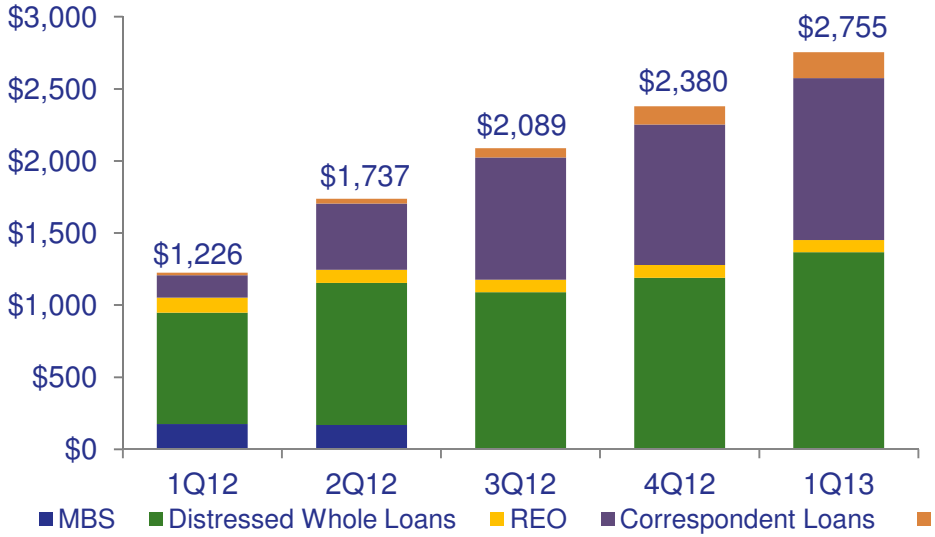
(1) Unpaid principal balance
(2) At fair value
(3) Source: Case Shiller Tiered Index Level as of January 2013

Financial Results

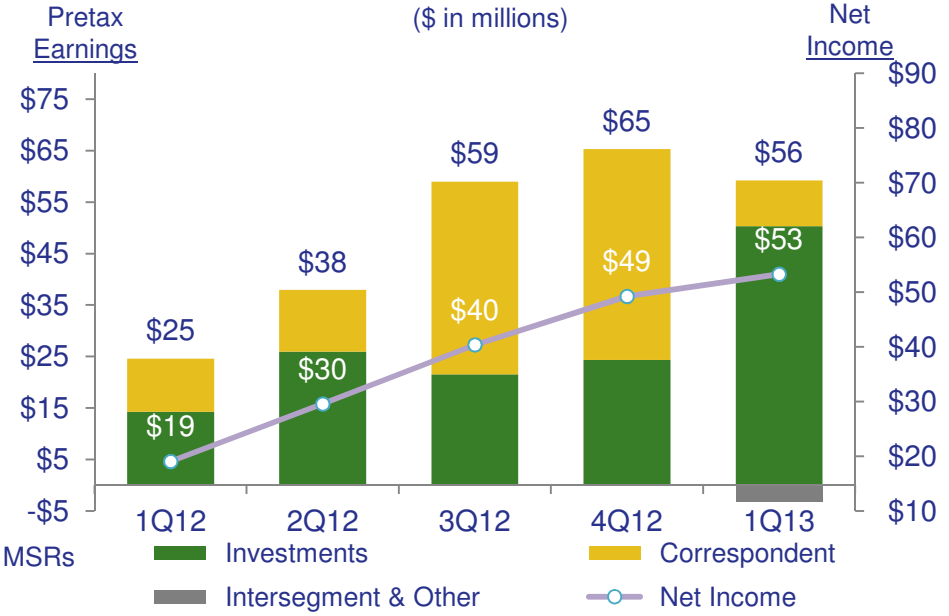


Growth in Mortgage Assets and Earnings Continued in 1Q13

Mortgage Assets



Pretax Earnings and Net Income



- Mortgage related assets continued to grow, increasing 16% Q/Q to $2.8 billion
- Growth primarily resulted from distressed whole loan acquisitions and a growing inventory of correspondent loans acquired for sale
- MSRs continued their strong organic growth through correspondent loan acquisitions

- Net income rose 8% Q/Q on a 68% increase in net gains on investments and an 84% decline in provision for income taxes
- Total pretax earnings from the Investment Activities segment comprised 90% of total pretax earnings, up from 37% in 4Q12

Investment Activities Deliver Strong Results

Investment Activities Segment Pretax Income

($ in thousands)	Quarter Ended March 31, 2013	Quarter Ended December 31, 2012
	(Unaudited)	
Revenues:		
Net gain on investments	$ 63,980	$ 38,108
Interest income	10,592	12,680
Other income	3,445	(5,605)
Total revenues	78,017	45,183
Expenses:		
Interest	5,630	4,692
Servicing	7,940	4,932
Other	14,108	11,237
Total expenses	27,678	20,861
Pre-tax income	**$ 50,339**	**$ 24,322**

- Cash proceeds from liquidation of distressed mortgage loans and REO totaled $93.2 million 1Q13
  - Loan liquidation activity: $57.3 million
  - Sales of real estate acquired in settlement of loans: $31.8
  - Principal payments on performing mortgage loans: $4.1 million

- Pretax income increased 107% Q/Q, driven by a 68% increase in net gain on investments
  - Strong loan resolution activity, rising home prices and gains on payoffs drove the increase in net gain on investments
- Rise in other income driven by net servicing income of $6.5 million
- Expenses increased 33% Q/Q on higher management fees and servicing expense
  - Servicing expense increased 61%, driven by distressed loan resolution activity and MSR and distressed loan portfolio growth
  - Management fee expense increased due to incentive fees linked to PMT's profitability

Correspondent Lending Pretax Earnings Declined On Lower Volumes

Correspondent Lending Segment Pretax Income

($ in thousands)	Quarter Ended March 31, 2013	Quarter Ended December 31, 2012
	(Unaudited)	
Revenues:		
Interest income	$ 6,324	$ 7,604
Net gain on mortgage loans acquired for sale	29,279	66,465
Other income	5,473	5,665
Total revenues	41,076	79,734
Expenses:		
Interest	5,647	5,291
Servicing	150	68
Loan fulfillment fees[1]	25,938	31,809
Other	461	1,585
Total expenses	32,196	38,753
Pre-tax income	**$ 8,880**	**$ 40,981**

(1) Excludes $3.3 million in fulfillment fee expense resulting from the transition to the revised mortgage banking agreement.

- Correspondent segment pretax income fell 78% Q/Q to $8.9 million
  - Resulting from a 56% Q/Q decline in net gain on mortgage loans acquired for sale
- Loan fulfillment fees decreased 18% Q/Q

Net Gain On Mortgage Loans Acquired for Sale

- Net gain on mortgage loans acquired for sale reached $29.3 million in 1Q13
- Margins fell 26 bps Q/Q as a result of the following factors:
  - Higher mortgage rates during the quarter
  - Competitive pricing from large players

Net gain on mortgage loans acquired for sale

($ in thousands)	Quarter ended March 31, 2013
MSR Value - originated in period	$ 56,217
Rep & Warrant provision	(1,791)
Cash gain (loss), net of cash hedging gains (losses)	(13,633)
Decline in fair value of commitments to purchase loans	(8,426)
Decline in fair value related to loans and hedging instruments	(3,088)
Net gain on mortgage loans acquired for sale	**$ 29,279**

Net gain on mortgage loans acquired for sale margins

($ in millions)	Quarter Ended March 31, 2013	Quarter Ended December 31, 2012
Net gain on mortgage loans acquired for sale	$ 29.3	$ 66.5
Volume of conventional and jumbo interest rate lock commitments (IRLC)	$ 4,240	$ 7,003
Ratio of net gain on mortgage loans acquired for sale to IRLC	0.69%	0.95%

Net Servicing Fees Rise With Servicing Portfolio Growth

- Net loan servicing fees reached $6.6 million in 1Q13, up from $605 thousand in 4Q12
  - Impairment reversal of $2.5 million reflects the impact of higher mortgage rates, which rose 23bps [1] during the first quarter
- As the servicing portfolio grows, its bottom line impact will become more meaningful

Net Loan Servicing Fees[2]

($ in thousands)	Quarter ended March 31, 2013
Servicing Fees	$ 11,104
Effect of MSRs:	
Amortization	(4,970)
Impaiment reversal of loans carried at lower of amortized cost or fair value	2,486
Change in fair value of MSRs carried at fair value	(67)
	(2,551)
Hedge results	(1,988)
	(4,539)
Net loan servicing fees	**$ 6,565**

(1) Freddie Mac PMMS, 30 year fixed rate mortgage.
(2) A component of the investment activities segment

Key Takeaways



Key Takeaways

- Today's residential mortgage market holds many opportunities for PMT's multi-investment strategy
  - Broad capabilities, through our affiliated manager and loan fulfillment and servicing provider, to pursue a wide range of opportunities
  - Expect to continue raising capital to pursue accretive opportunities
- Correspondent lending margins may continue "normalizing", but opportunities for further growth remain significant
  - Deepening client relationships and expanding the seller network to drive further volume growth
  - Non-agency jumbo and further expansion of product offerings
  - Expected growth in the correspondent channel's share of the total origination market
- The non-agency jumbo securitization market will provide an efficient means for generating attractive REIT-eligible investments for PMT
- Distressed whole loans remain an attractive opportunity that is likely to remain viable through 2014
- Strong growth in MSR investments driving increased servicing revenue
- Attractive mini-bulk and flow deals increasing; continue to evaluate legacy MSR opportunities

Appendix



Portfolio Acquisitions Are Progressing in Line With Expectations

1Q10	Purchase	1Q13
Balance ($mm)	$ 182.7	73.0
Pool Factor[1]	1.00	0.40
Current	6.2%	31.9%
30	1.6%	4.0%
60	5.8%	2.8%
90+	37.8%	20.6%
FC	46.4%	30.8%
REO	2.3%	9.8%

2Q10	Purchase	1Q13
Balance ($mm)	$ 195.5	67.1
Pool Factor[1]	1.00	0.34
Current	5.1%	28.6%
30	2.0%	5.4%
60	4.1%	3.9%
90+	42.8%	14.9%
FC	45.9%	36.4%
REO	0.0%	10.9%

3Q10	Purchase	1Q13
Balance ($mm)	$ 146.2	50.6
Pool Factor[1]	1.00	0.35
Current	1.2%	29.6%
30	0.4%	5.9%
60	1.3%	4.1%
90+	38.2%	16.2%
FC	58.9%	35.0%
REO	0.0%	9.3%

4Q10	Purchase	1Q13
Balance ($mm)	$ 277.8	141.1
Pool Factor[1]	1.00	0.51
Current	5.0%	31.2%
30	4.0%	6.6%
60	5.1%	3.6%
90+	26.8%	16.0%
FC	59.1%	32.6%
REO	0.0%	10.0%

1Q11	Purchase	1Q13
Balance ($mm)	$ 515.1	296.7
Pool Factor[1]	1.00	0.58
Current	2.0%	27.1%
30	1.9%	5.6%
60	3.9%	1.7%
90+	25.9%	15.9%
FC	66.3%	42.4%
REO	0.0%	7.4%

2Q11	Purchase	1Q13
Balance ($mm)	$ 259.8	167.7
Pool Factor[1]	1.00	0.65
Current	11.5%	34.4%
30	6.5%	4.8%
60	5.2%	2.8%
90+	31.2%	18.8%
FC	43.9%	32.5%
REO	1.7%	6.8%

3Q11	Purchase	1Q13
Balance ($mm)	$ 542.6	296.8
Pool Factor[1]	1.00	0.55
Current	0.6%	13.0%
30	1.3%	3.1%
60	2.0%	1.7%
90+	22.6%	20.2%
FC	73.0%	49.6%
REO	0.4%	12.3%

4Q11	Purchase	1Q13
Balance ($mm)	$ 49.0	42.5
Pool Factor[1]	1.00	0.87
Current	0.2%	24.1%
30	0.1%	3.5%
60	0.2%	2.1%
90+	70.4%	28.8%
FC	29.0%	38.3%
REO	0.0%	3.2%

1Q12
No Pools Purchased in this Quarter.

2Q12	Purchase	1Q13
Balance ($mm)	$ 402.5	356.1
Pool Factor[1]	1.00	0.88
Current	45.0%	49.3%
30	4.0%	5.8%
60	4.3%	2.5%
90+	31.3%	21.1%
FC	15.3%	18.0%
REO	0.1%	3.3%

3Q12	Purchase	1Q13
Balance ($mm)	$ 357.2	325.6
Pool Factor[1]	1.00	0.91
Current	0.0%	4.3%
30	0.0%	0.2%
60	0.1%	0.4%
90+	49.1%	44.8%
FC	50.8%	45.7%
REO	0.0%	4.7%

4Q12	Purchase	1Q13
Balance ($mm)	$ 290.3	283.8
Pool Factor[1]	1.00	0.98
Current	3.1%	5.8%
30	1.3%	2.0%
60	5.4%	2.8%
90+	57.8%	52.7%
FC	32.4%	34.9%
REO	0.0%	1.8%

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