PennyMac Mortgage Investment Trust



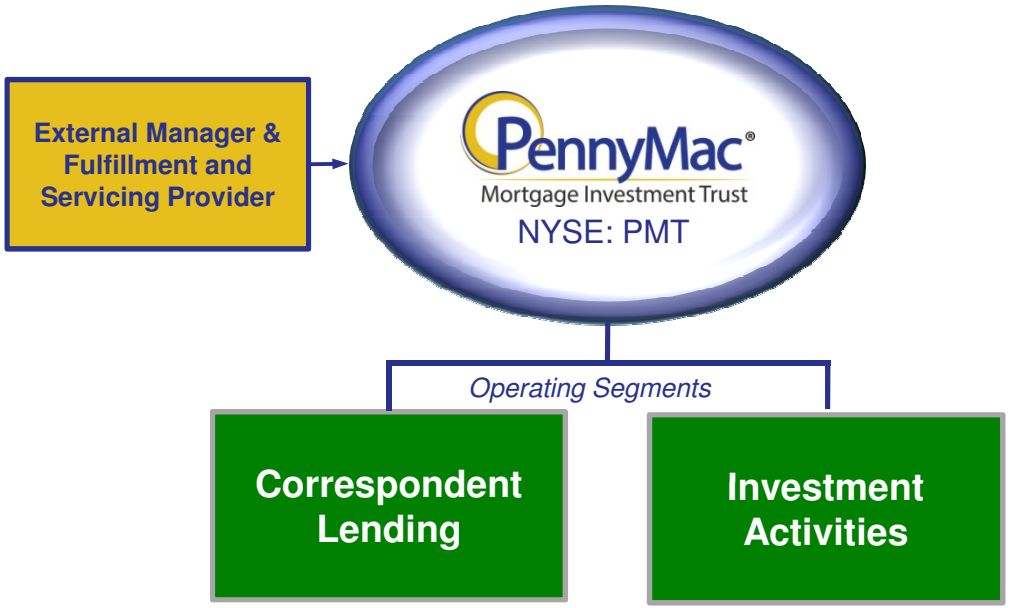
Wells Fargo 2013 Specialty Finance Conference

May 16, 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.

PMT Is a REIT That Invests in Unique Residential Mortgage Opportunities



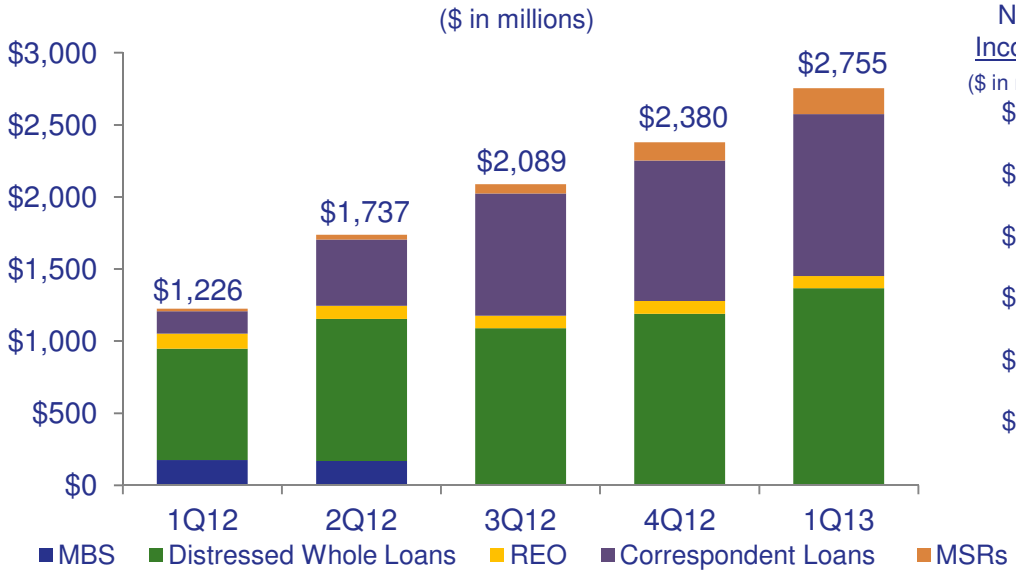
- Aggregation of newly originated prime-quality mortgage loans for sale to the secondary mortgage markets

- Distressed whole loans
- Mortgage servicing rights (MSRs)

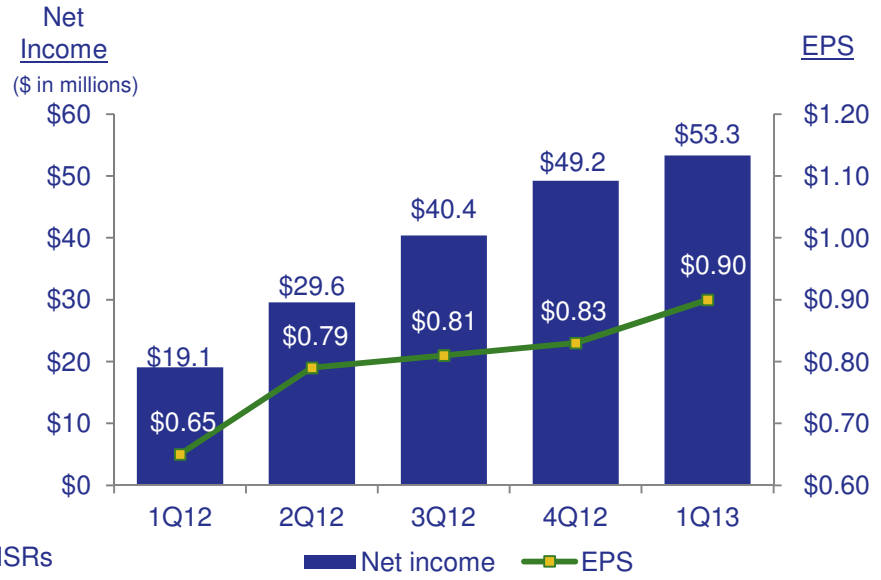
- PMT invests in a variety of residential mortgage-related assets
- Correspondent Lending engages in the purchase of newly originated prime mortgages from its seller network
  - Loan are sold to a government-sponsored enterprise or private investors, and the mortgage servicing right (MSR) is retained
- Investment Activities include distressed whole loans and MSRs
  - Nonperforming loans are purchased at discounts to the property value and actively managed through to their resolution
  - Reperforming loans have generally been modified and present opportunities for refinancing and securitization
- Infrastructure, operations and expertise, through PMT's manager, PNMAC Capital Management (PCM), and fulfillment and servicing provider, PennyMac Loan Services (PLS)

Continued Growth in Mortgage Assets and Earnings

Mortgage Assets



Net Income and EPS



- Mortgage related assets continue to grow, increasing 16% in 1Q13 to $2.8 billion
- Growth primarily from distressed whole loan acquisitions and a growing inventory of correspondent loans acquired for sale
- MSR asset continues to grow organically resulting from correspondent loan acquisitions

- Net income rose 8% in 1Q13 on a 68% increase in net gains on investments and decline in provision for income taxes
- Earnings per share has also increased, reaching $0.90 per share in 1Q13

PMT Pursues Multiple Attractive Opportunities Across the Mortgage Market

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 legacy MSRs, but fewer large deals • 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

IPO of PennyMac Financial Services, Inc.

PennyMac® Financial Services, Inc.

- **Leading non-bank mortgage specialist**
- **Broad operational capabilities**
  - Loan origination and fulfillment
  - Prime servicing
  - Special servicing
- **Investment management expertise**
  - Distressed whole loans
  - MSRs
  - Non-agency securities
- **Legacy-free, specialized and scalable operating platform**

Key Benefits to PMT

- $213 million in net proceeds raised
- New capital will be invested in growing PFSI's infrastructure and capabilities
  - Expanding and adding operational sites to support correspondent and servicing portfolio growth
- Facilitates potential co-investment opportunities

Synergistic relationship with strong alignment of interests

- PMT's efficient capital and PFSI operational capabilities and management expertise drives performance for both companies
- PFSI sources and manages high-quality investments that drive returns for PMT shareholders
- Performance-based incentives align interests for strong investment returns

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

Recent developments since the end of the first quarter:

- We committed to enter into forward purchase agreements for a total of $481 million in UPB for two pools of nonperforming mortgage loans[(1)]
- $250 million of exchangeable senior notes with a seven year maturity issued by PennyMac Corp., PMT's taxable REIT subsidiary, in a private placement

[(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 Trends Impacting PMT

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 – may result in correspondent channel increasing as a share of the origination market

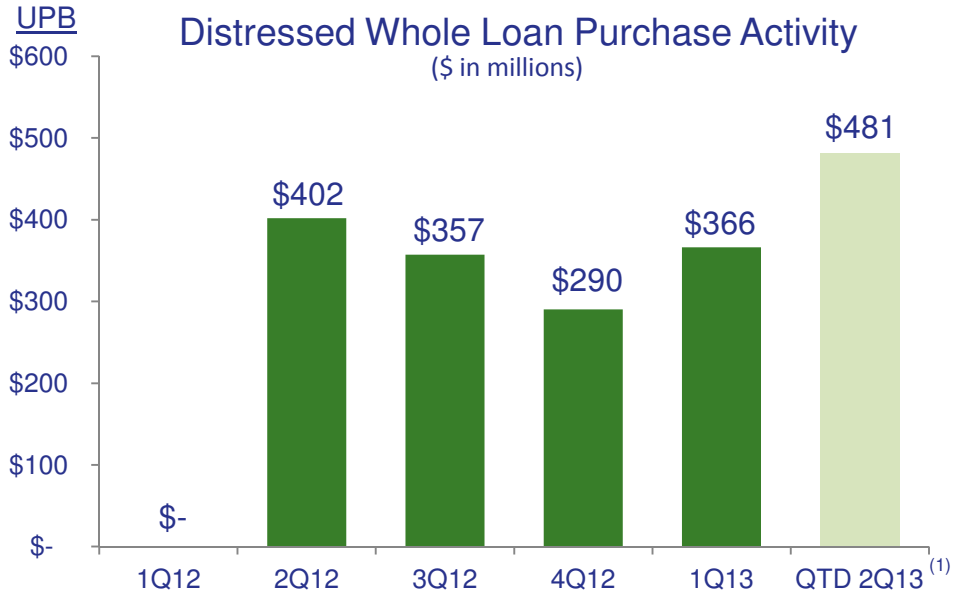
Distressed whole loan demand

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

Bulk MSR deals and flow transactions

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

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 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 in UPB for two pools of nonperforming mortgage loans with an initial purchase price of $294 million(1)

(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.

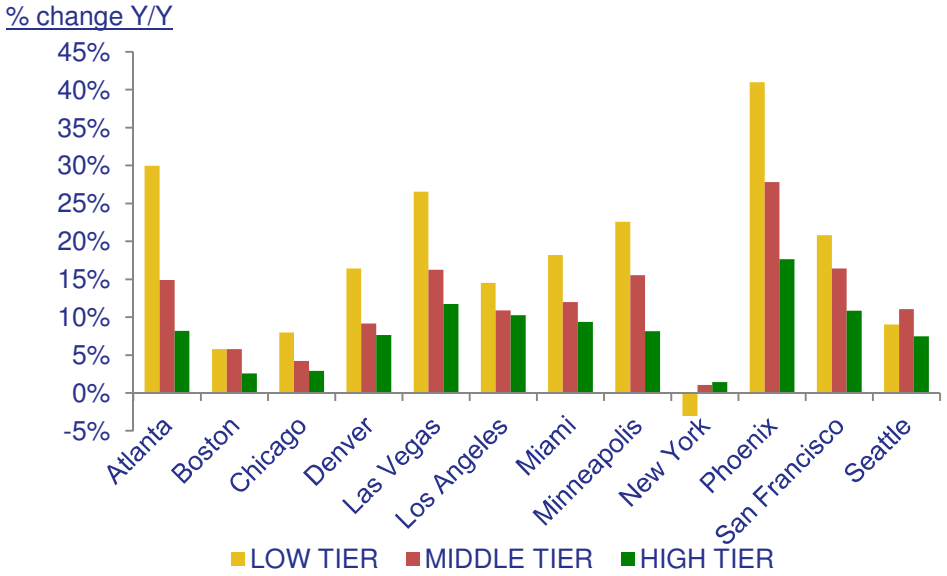
Rising Home Values Drive Solid Valuation Gains In Distressed Loans

- Valuation gains in 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 appearing in most major metro areas across the country
  - Lower-tier properties have led 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 largest growth
  - Rising 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

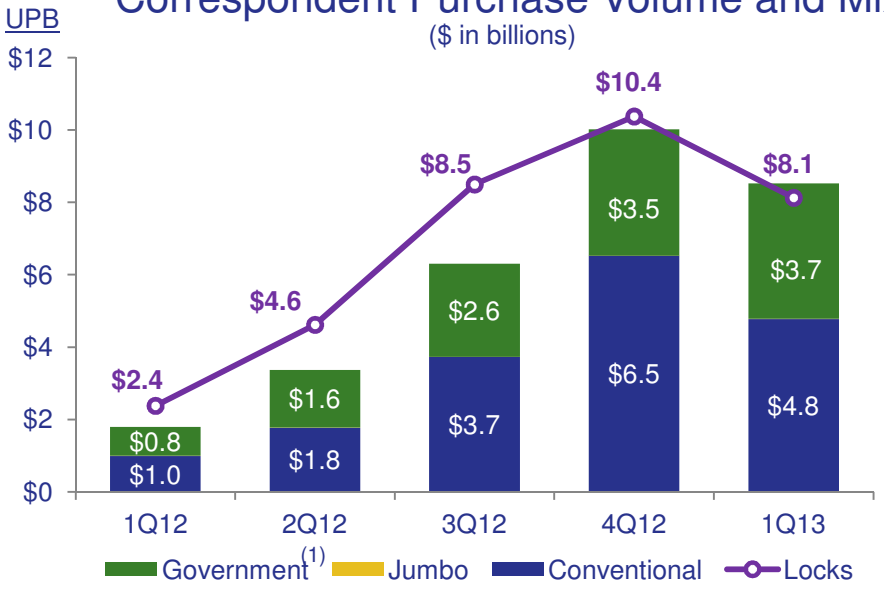
Home Price Change by Tier Within Metro Areas[3]



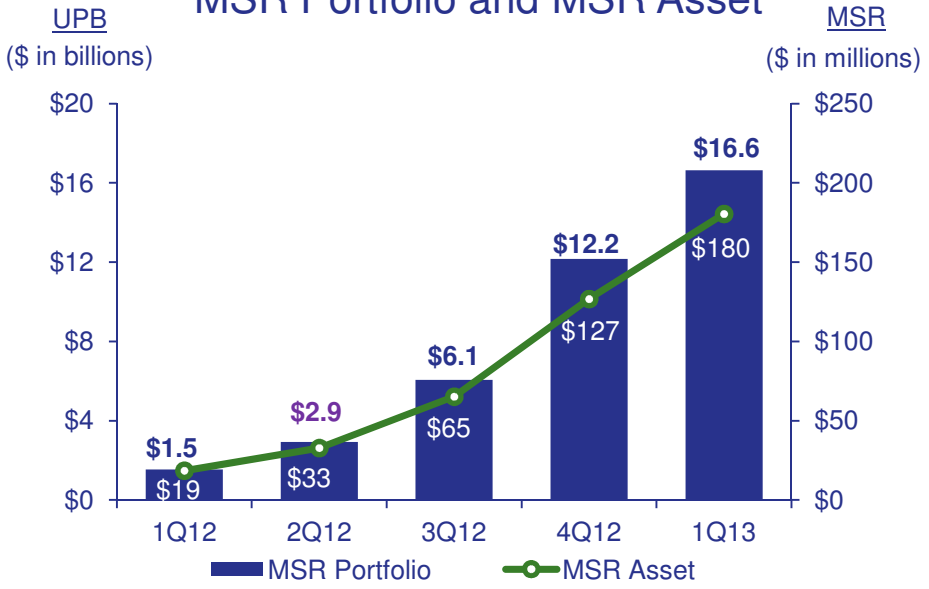
(1) Unpaid principal balance
(2) At fair value
(3) Source: Case Shiller Tiered Index Level as of January 2013

Correspondent Acquisitions Drive Continued Growth in MSR Investment

Correspondent Purchase Volume and Mix



MSR Portfolio and MSR Asset



- Correspondent loan purchases totaled $8.5 billion in 1Q13, down 15% Q/Q, and up 376% vs. 1Q12
  - Conventional and jumbo loans comprised 53% of total locks and 56% of purchases
- April lock volume of $3.3 billion
  - Margin pressures have stabilized thus far in 2Q13
- Targeting $4 – $5 billion in total correspondent acquisitions per month by December 2013

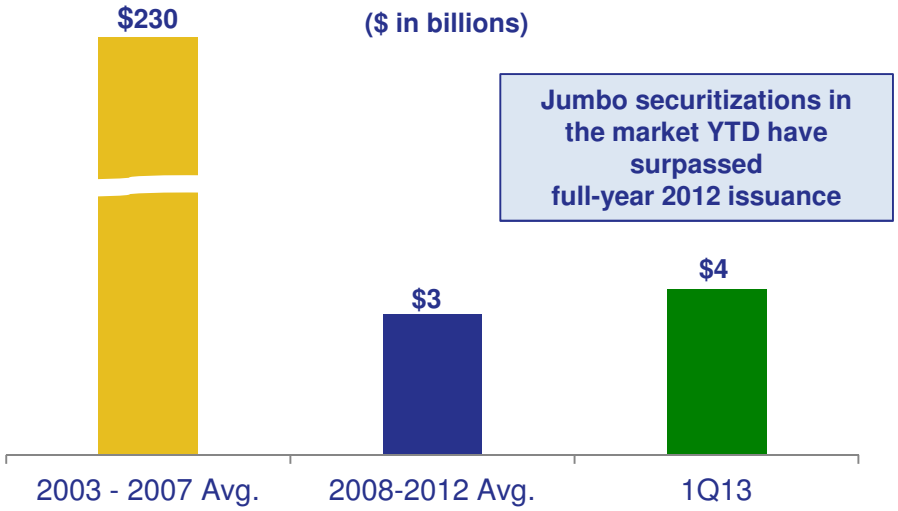
- PMT's MSR portfolio reached $16.6 billion at quarter end, rising 36% Q/Q
  - Originated MSRs remain an attractive investment opportunity
  - Majority of loans underlying the MSRs have been originated in the historically low mortgage rate environment that has prevailed since mid-2012

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

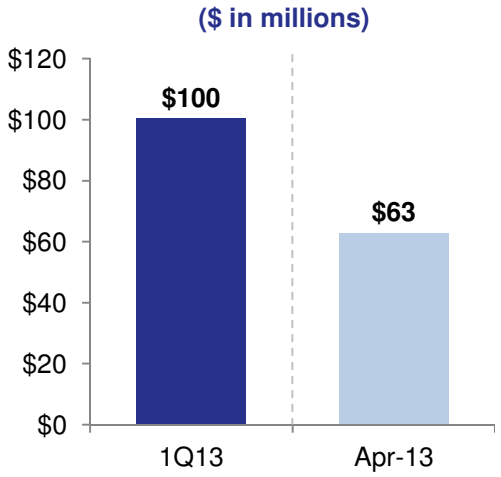
Prime Jumbo Acquisitions and Private Label Securitization Opportunity

- Private-label jumbo securitization represents a significant long-term growth opportunity
  - 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
    - Policymakers seek to have the private market assume a greater role
- PMT's prime jumbo lock volumes are growing
  - Lock volume in 1Q13 totaled $100 million
  - April locks were $63 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
  - Revenue model is primarily interest income

Prime Non-Agency Jumbo Securitizations[1]



PMT Prime Jumbo Lock Volume[1]



[1] Source: Inside Mortgage Finance

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" over the long term, 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