PennyMac Mortgage

Investment Trust

Credit Suisse Financial Services Conference

February 11, 2014

Forward-Looking Statements

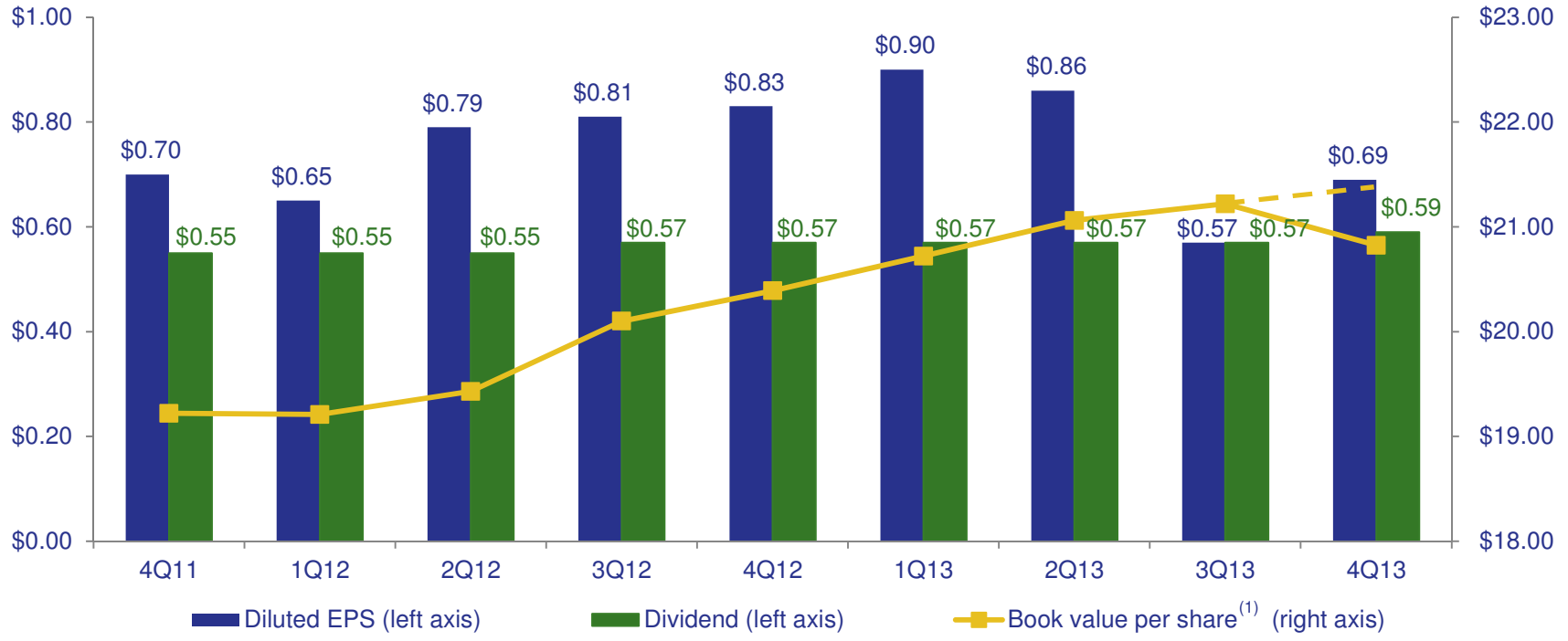
This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, regarding management's beliefs, estimates, projections and assumptions with respect to, among other things, the Company's financial results, future operations, business 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 our investment objectives or investment or operational strategies; volatility in our industry, the debt or equity markets, the general economy or the residential finance and real estate markets; changes in general business, economic, market, employment and political conditions or in consumer confidence; declines in residential real estate or significant changes in U.S. housing prices or activity in the U.S. housing market; 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; concentration of credit risks to which we are exposed; the degree and nature of our competition; our dependence on our manager and servicer, potential conflicts of interest with such entities, and the performance of such entities; availability, terms and deployment of short-term and long-term capital; unanticipated increases or volatility in financing and other costs; the performance, financial condition and liquidity of borrowers; incomplete or inaccurate information or documentation provided by customers or counterparties, or adverse changes in the financial condition of our customers and counterparties; the quality and enforceability of the collateral documentation evidencing our ownership and rights in the assets in which we invest; increased rates of delinquency, default and/or decreased recovery rates on our investments; increased prepayments of the mortgages and other loans underlying our mortgage-backed securities and other investments; the degree to which our hedging strategies may protect us from interest rate volatility; our failure to maintain appropriate internal controls over financial reporting; our ability to comply with various federal, state and local laws and regulations that govern our business; changes in legislation or regulations or the occurrence of other events that impact the business, operations or prospects of government agencies, mortgage lenders and/or publicly-traded companies; the creation of the Consumer Financial Protection Bureau, or CFPB, and enforcement of its rules; changes in government support of homeownership; changes in government or government-sponsored home affordability programs; changes in governmental regulations, accounting treatment, tax rates and similar matters (including changes to laws governing the taxation of real estate investment trusts, or REITs; limitations imposed on our business and our ability to satisfy complex rules for us to qualify as a REIT for U.S. federal income tax purposes and qualify for an exclusion from the Investment Company Act of 1940 and the ability of certain of our subsidiaries to qualify as REITs or as taxable REIT subsidiaries for U.S. federal income tax purposes and our ability and the ability of our subsidiaries to operate effectively within the limitations imposed by these rules; and the effect of public opinion on our reputation. 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.

PennyMac Mortgage Investment Trust Is a Unique Mortgage REIT

- **Demonstrated record of strong EPS and dividends, focused on delivering superior returns to investors over the long term**
- **Employs unique residential mortgage strategies with relatively limited leverage**
  - Earnings contributions from both distressed investing and correspondent lending
  - Multiple investment strategies across residential mortgage-related assets – enables PMT to invest and produce attractive returns in different market environments
  - Current investments concentrated in distressed whole loans, mortgage servicing rights (MSRs) and excess servicing spread (ESS), which are well positioned in an improving economy with gradually rising interest rates
- **Strategies are enabled by our relationship with PennyMac Financial Services, Inc. and its specialized operations and expertise**

Demonstrated Track Record of Dividends and Growing Book Value

- As announced in December, PMT increased its 4Q13 dividend to $0.59 per share
- Book value decline in 4Q13 driven by the shift in dividend timing, resulting in two dividends declared during the quarter ($0.57 and $0.59)



Return on Equity(2)	15%	13%	17%	16%	17%	18%	18%	11%	14%

(1) At period end. Book value per share at December 31, 2013 was $20.82 and has been reduced by two dividends declared in the quarter. Had the dividend pertaining to 4Q13 been declared in February consistent with PMT's timing in prior periods, book value per share would have been $21.41.

(2) Return on average equity during the respective quarter.

Pretax Income by Operating Segment

($ in millions)	Investment Activities	Correspondent Lending	Intersegment Elimination	Total Pretax Income
4Q12	$ 24.3	$ 41.0	$ -	$ 65.3
1Q13	$ 50.3	$ 8.9	$ (3.3)	$ 55.9
2Q13	$ 39.8	$ 28.1	$ -	$ 67.9
3Q13	$ 36.4	$ (0.3)	$ -	$ 36.1
4Q13	$ 48.4	$ 6.3	$ -	$ 54.7

Note: Figures may not sum exactly due to rounding

Recent Investment and Operating Highlights

Activity in the fourth quarter:

- Completed previously announced acquisitions, continuing capital deployment in attractive new investments:
  - $136 million of investments in excess servicing spread (ESS) on MSRs acquired by PennyMac Financial Services, Inc. (PFSI)
  - Acquired a pool of nonperforming whole loans totaling $507 million in UPB
- Correspondent loan acquisitions totaled $5.8 billion; correspondent locks totaled $6.0 billion[(1)]
  - Grew MSR asset from $270 million to $291 million

Recent activity after quarter end:

- Sold performing whole loans from PMT's distressed investment portfolio totaling $233 million in UPB in January
- Agreed to acquire $351 million in UPB of nonperforming whole loans expected to settle in February[(2)]

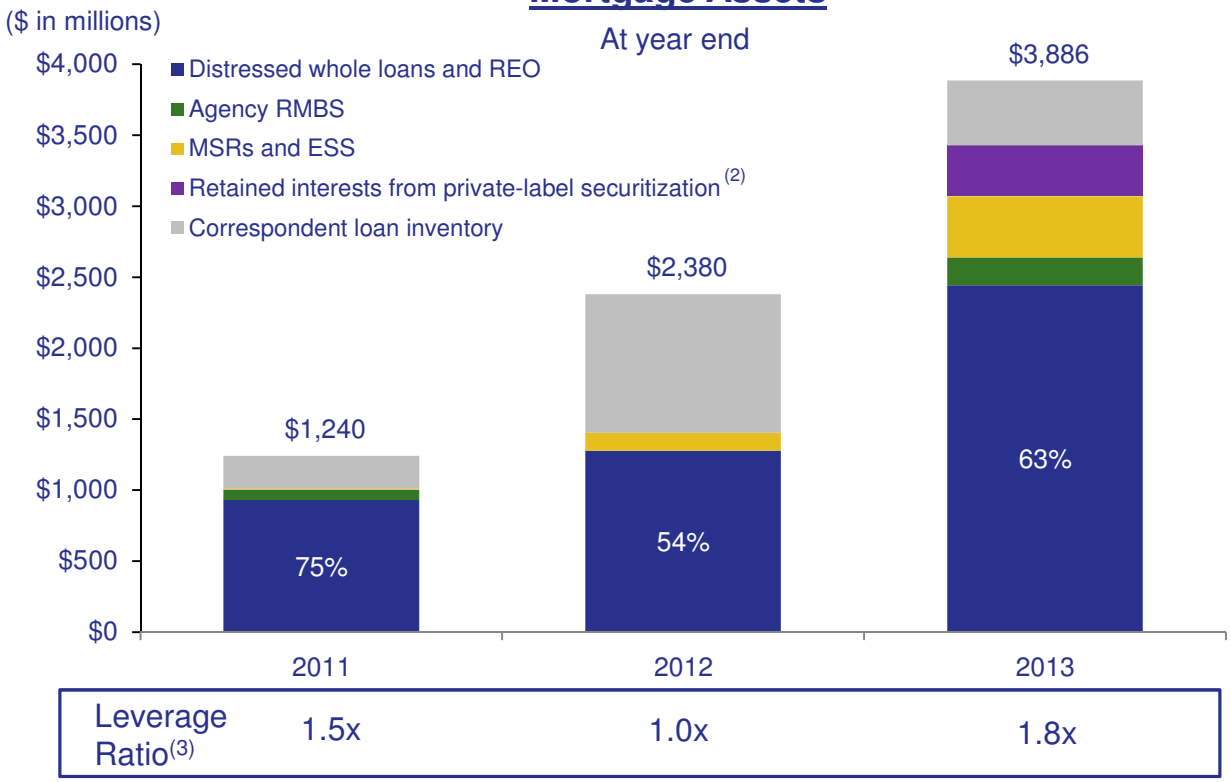
(1) Government loan acquisitions for the fourth quarter were $3.3 billion in UPB and were or will be sold to an affiliate, for which PMT earned or will earn a sourcing fee of 3 basis points and interest income for its holding period.

(2) This pending transaction is subject to the negotiation and execution of definitive documentation, continuing due diligence, and customary closing conditions. There can be no assurance that the committed amounts will ultimately be acquired or that the transaction will be completed.

PMT's Investments Have Grown and Diversified

- Primary sensitivity of distressed whole loans and REO values are to changes in home prices
- PMT's other mortgage assets – correspondent loan inventory, RMBS, securitization retained interests, and MSRs and ESS – are sensitive to interest rates

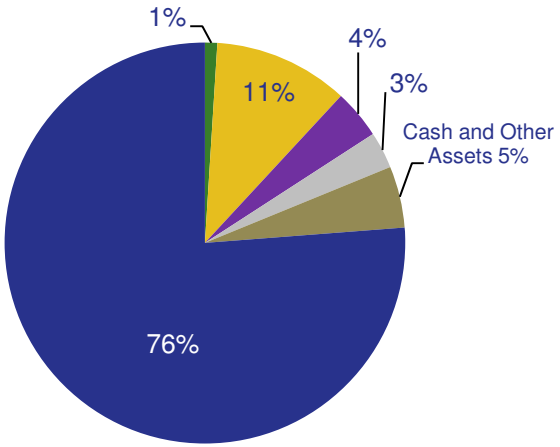
Mortgage Assets



	2011	2012	2013
Leverage Ratio(3)	1.5x	1.0x	1.8x

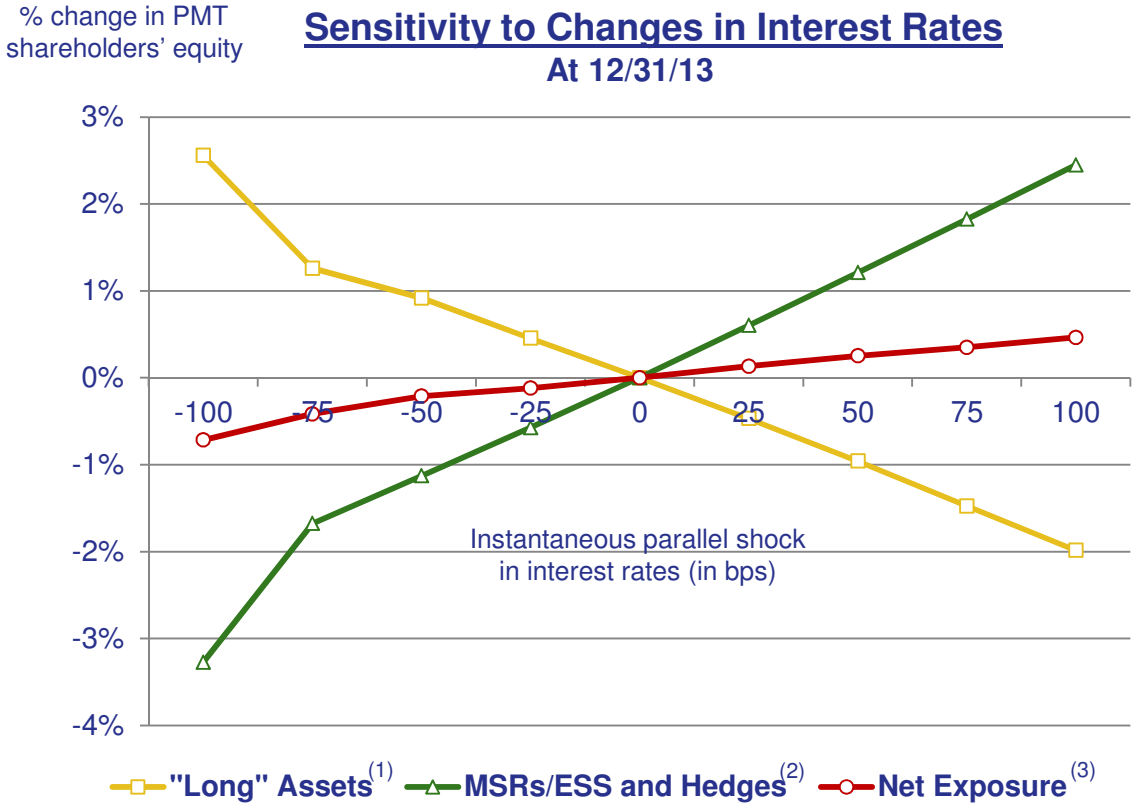
Allocation of Equity Capital at 12/31/13(1)

(100% = $1.467 billion)



(1) Total shareholders' equity excludes exchangeable senior notes. Allocation based on internal management reports which apply all secured liabilities to the related assets and assumes unsecured liabilities (i.e., exchangeable senior notes) finance MSRs and ESS assets at a 50% advance rate, with the remainder applied to distressed whole loans.
(2) This transaction was accounted for as a secured financing. In such a transaction, we continue to carry the loans underlying the securities on our consolidated balance sheet and reflect the securities we sell as debt in the form of asset-backed secured financing. The amount shown above is the net of the loans and the related debt.
(3) Defined as all debt, senior and subordinated, as a multiple of equity at year end.

Interest Rate Risk Management Is Aided by the Diversity of PMT's Investments



- PMT's interest rate risk exposure is managed on a "global" basis
  - Disciplined hedging
  - Multiple mortgage-related investment strategies with complementary interest rate sensitivities
- In a hypothetical 100 bps drop in interest rates, the estimated fair value loss would be less than 1% of shareholders' equity(4)

(1) Includes loans acquired for sale and IRLCs, net of associated hedges, Agency and Non-Agency MBS assets

(2) Includes MSRs, ESS, and hedges which include put and call options on MBS, Eurodollar futures and Treasury futures

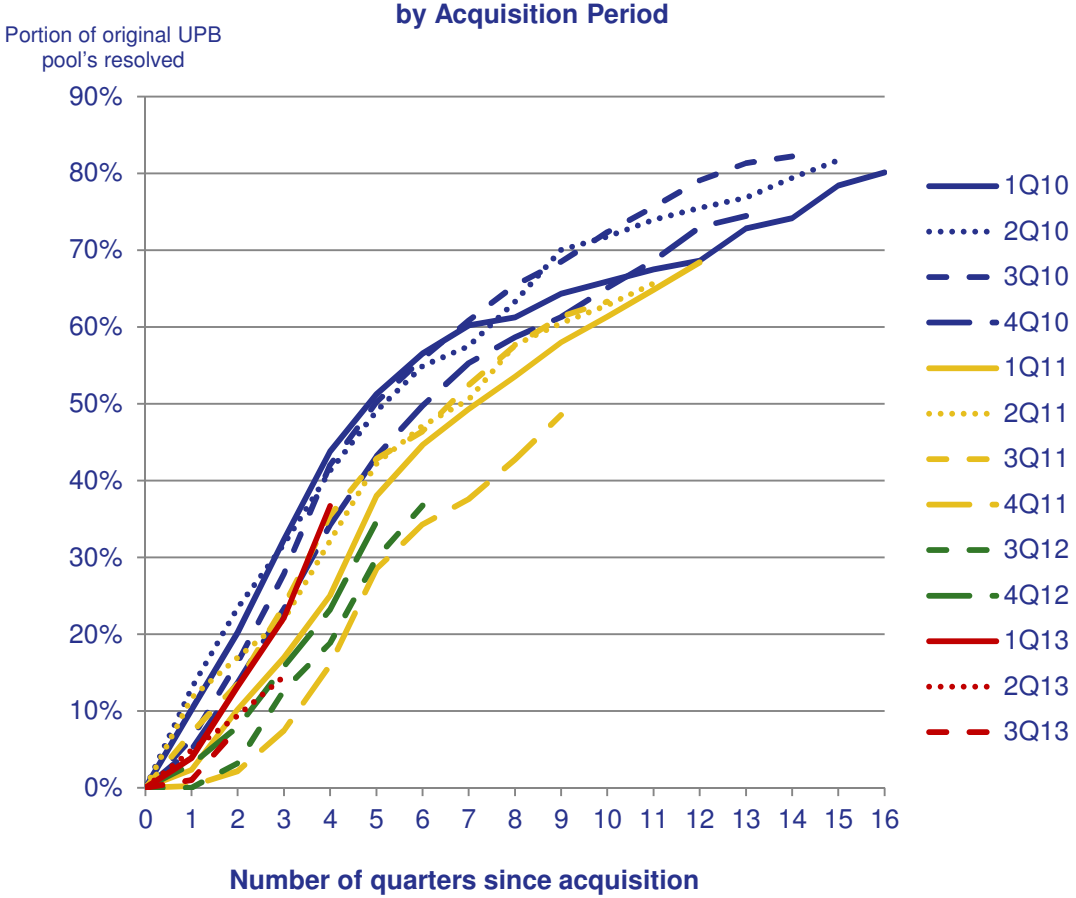
(3) Net exposure represents the net position of the "Long" Assets Position and the MSR/ESS Investments and Hedges

(4) Analysis does not include PMT assets for which interest rates are not a key driver of values, i.e. distressed whole loans and REO. The sensitivity analyses on the slide and the associated commentary are limited in that they are estimates as of December 31, 2013; only reflect movements in interest rates and do not contemplate other variables; do not incorporate changes in the variables in relation to other variables; are subject to the accuracy of various models and assumptions used; and do not incorporate other factors that would affect the Company's overall financial performance in such scenarios, including operational adjustments made by management to account for changing circumstances. For these reasons, the preceding estimates should not be viewed as an earnings forecast.

PMT Has a Track Record of Investing in and Resolving Distressed Loans

Cumulative Loans Resolved[(1)]

by Acquisition Period



- Distressed whole loans have been a primary investment focus for PMT since its inception
  - Acquired more than $5 billion in UPB (in 41 pools) over the last four years
- Deep understanding of how distressed loans perform and what types of loans/pools are best suited for PMT's model
- PMT's portfolio strategy pursues a waterfall of loan-level programs to maximize value and avoid foreclosure where possible
  - Seek to bring loans to performing status through cure/modification and exit PMT's investment through refinance or loan sale
  - For non-performing loans, property resolution strategies include short sales and deeds-in-lieu of foreclosure
  - 65% of loan resolutions are non-foreclosure outcomes

(1) Resolutions include payoff, refinance, modification and/or conversion to performing status, deed-in-lieu, short sale and foreclosure. Excludes pools acquired in 2Q12, which had a significant proportion of reperforming loans at acquisition.

Market Environment and Outlook

Mortgage Originations and Housing

- Increased interest rates result in a smaller mortgage origination market; $1.2 trillion in originations forecast for 2014, >60% expected to be purchase money(1)
- Home purchase demand aided by improving U.S. employment and economic outlook

Distressed Whole Loans

- Pipeline of distressed whole loan opportunities remains strong; increased competition from new entrants
- Home price appreciation expected to moderate from 2013 growth rates
- Alternatives to property resolution (e.g., modification, refinance) are increasingly important strategies to maximize returns

Correspondent Lending Competition

- Reduced origination market has led to tight margins
- Opportunities for improved economics from smaller originators and best efforts deliveries

Jumbo Private-Label Securitization

- Limited market for private-label securities – significant near-term challenge
- Banks' originations and acquisitions for balance sheet comprise most of current jumbo activity; potential for nonbanks such as PMT to aggregate and sell
- Policy actions on conforming loan limits and GSE reform will affect potential for jumbo market

Mortgage Servicing Rights

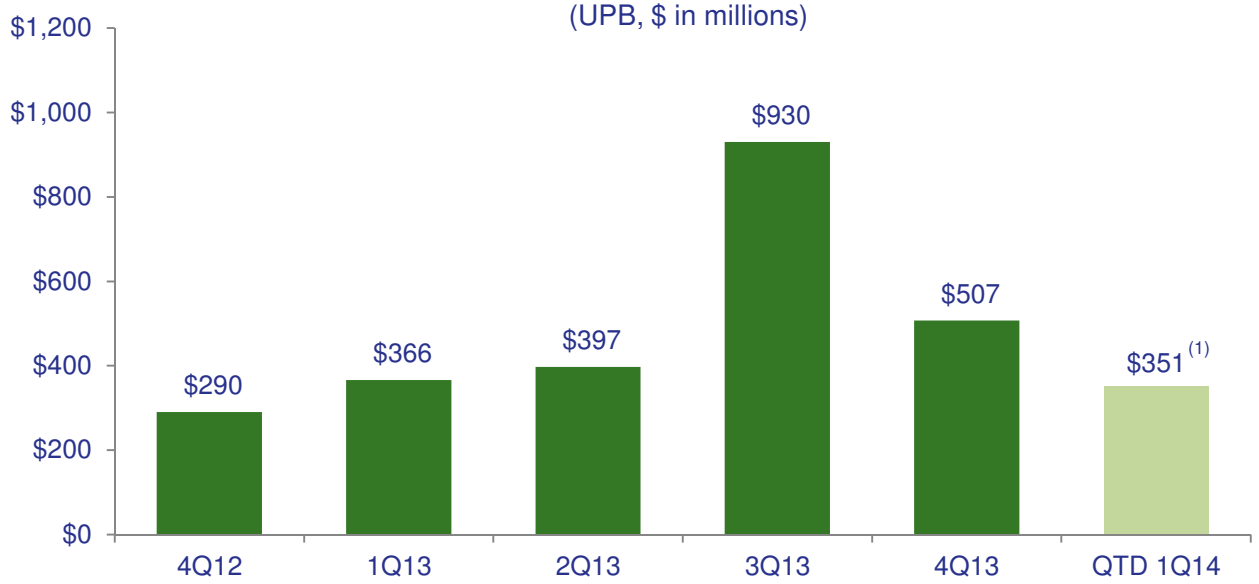
- Bulk portfolio opportunities, including legacy MSRs from money-center banks; expected to continue in 2014

(1) Source: Average of Mortgage Bankers Association, Fannie Mae and Freddie Mac mortgage market forecasts as of January 2014.

Distressed Whole Loan Acquisitions Continue

- Acquired $507 million in UPB of nonperforming whole loans in October
- Agreed to acquire an additional pool of nonperforming whole loans totaling $351 million in UPB, expected to settle in February[1]
- Pipeline of opportunities remains robust, although increased competition from new entrants

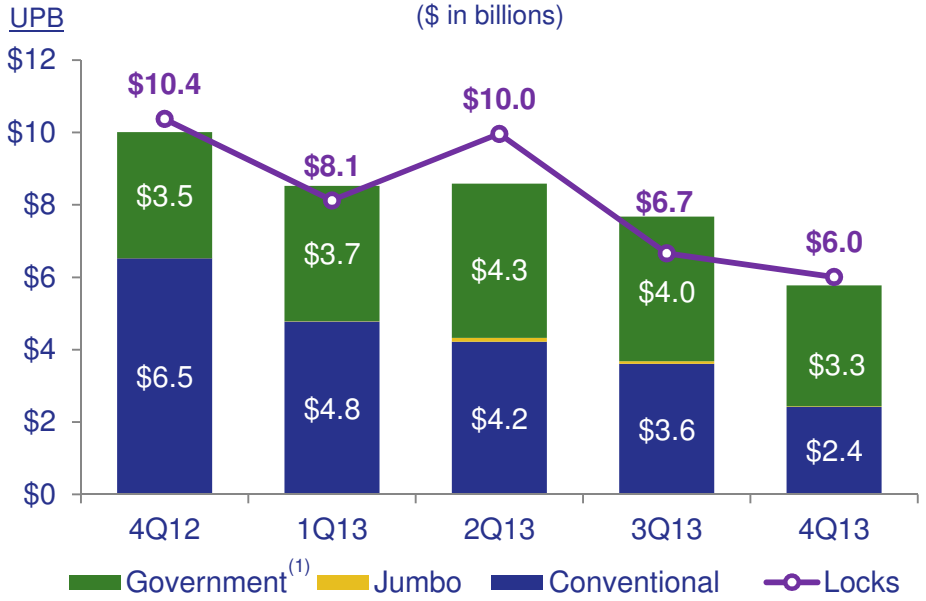
Distressed Whole Loan Purchase Activity



[1] This pending transaction is subject to the negotiation and execution of definitive documentation, continuing due diligence, and customary closing conditions. There can be no assurance that the transaction will be completed.

Correspondent Lending Focused on Growing Volume in a Smaller Market

Correspondent Acquisition Volume and Mix

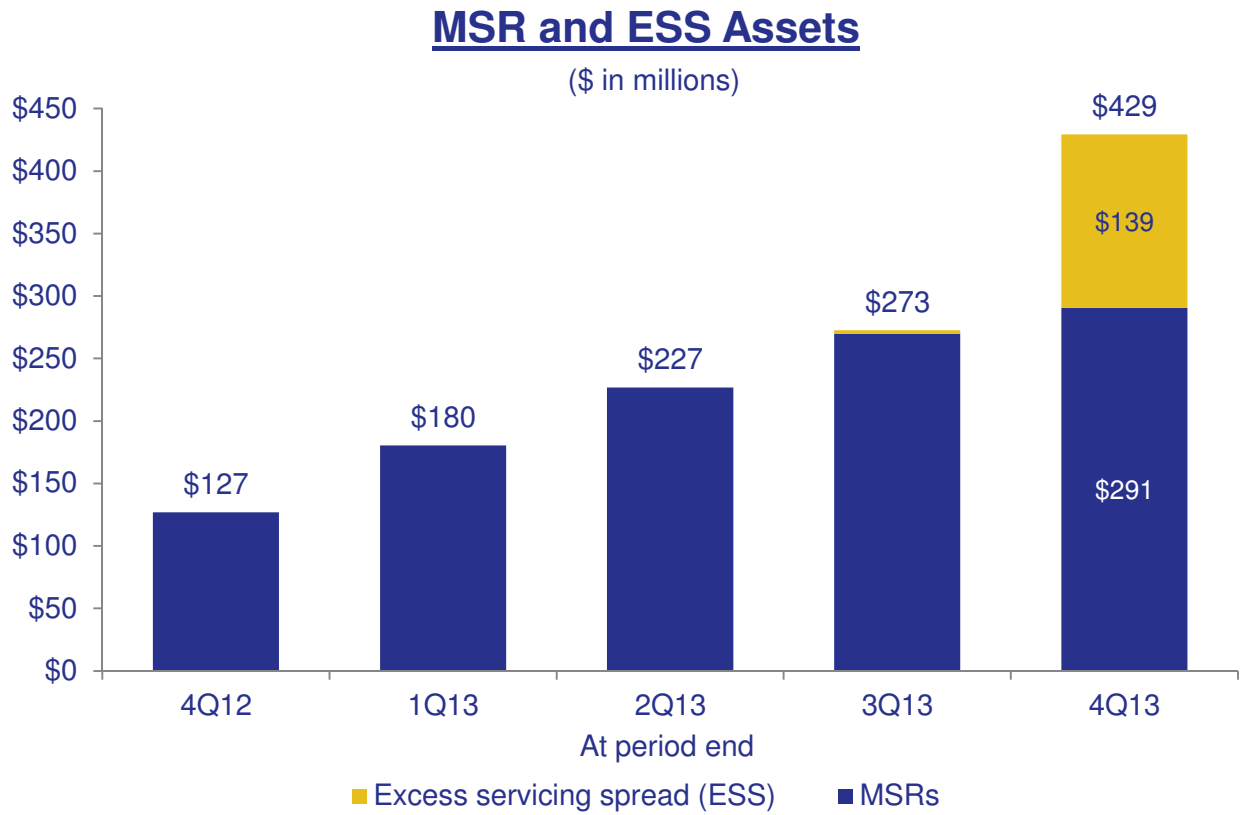


Selected Operational Metrics	3Q13	4Q13
Correspondent lending business partners	221	229
Purchase money loans, as % of total acquisitions	70%	79%

- Correspondent acquisitions totaled $5.8 billion, down 25% Q/Q
  - Total lock volume was $6.0 billion, down 10% Q/Q
  - Conventional and jumbo acquisitions were $2.4 billion; locks were $2.6 billion
  - Decreases reflect declines in the U.S. mortgage origination market
- January correspondent acquisitions totaled $1.7 billion; locks totaled $1.5 billion
- Strategic focus on initiatives to grow volumes and optimize profitability:
  - Greater emphasis on adding smaller mortgage originators and community banks, which benefit the most from PennyMac's broad capabilities
  - Gaining relevance in the Northeast
  - Opportunities to increase business from clients delivering low volumes to PMT

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

Organic Growth of MSRs Supplemented by Acquisition of ESS



- Organic growth of MSRs results from Correspondent Lending acquisitions and securitization activity
  - High-quality, newly originated GSE MSRs
- Returns on the ESS investments are reflected in interest income with any fair value changes reported in net gain on investments