PennyMac Mortgage Investment Trust

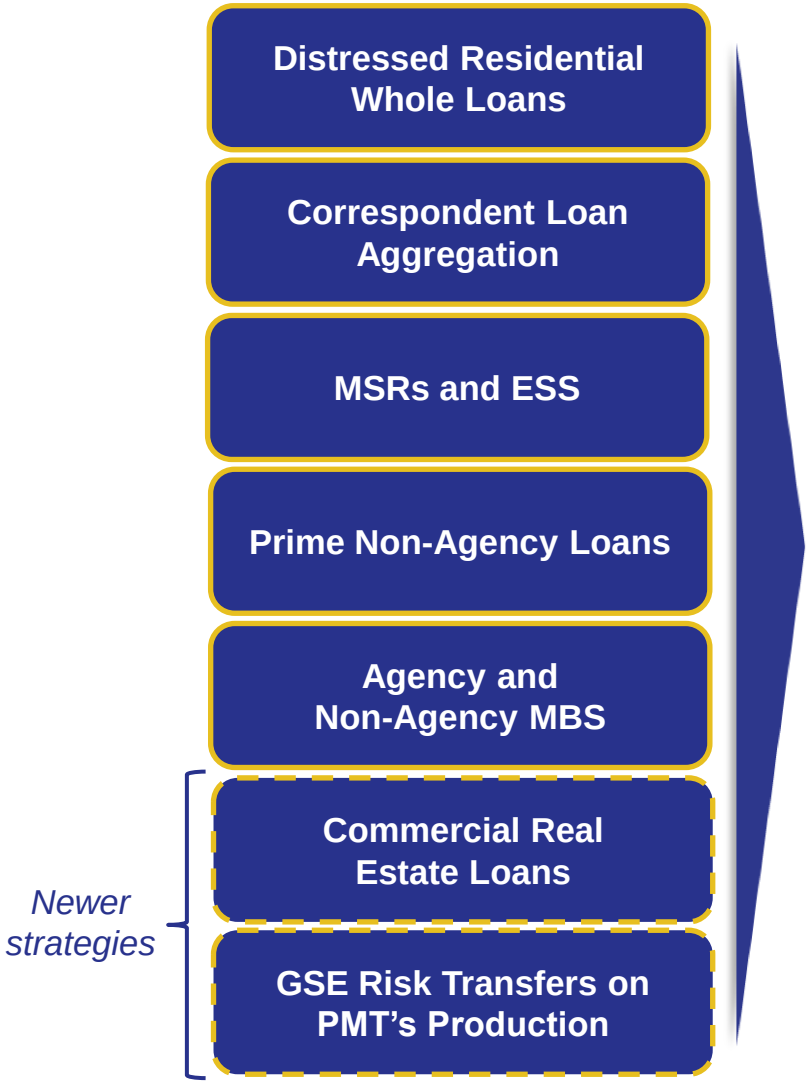


Forward-Looking Statements

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.

PMT Aims to Deliver Superior Long-Term Returns to Shareholders

Mortgage-related investments that require specialized operational capabilities

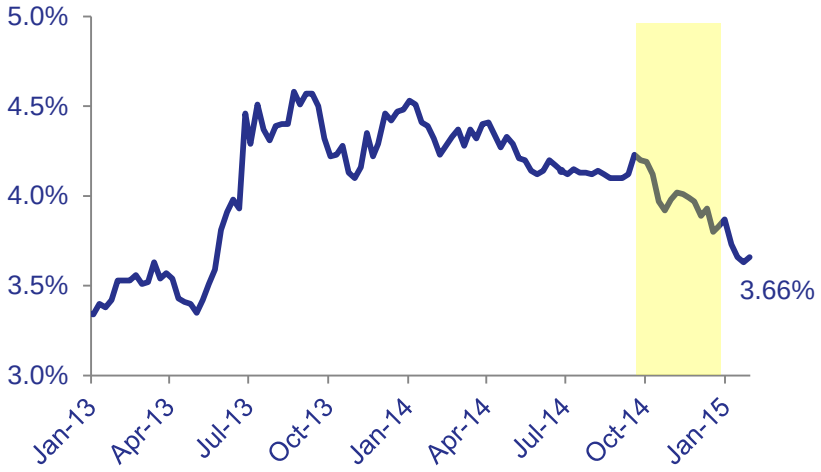


- Strategies enabled by our relationship with PFSI, e.g.:
  - Loan fulfillment for correspondent aggregation
  - Loan servicing, including MSRs and ESS
  - Sourcing and management of investments, including commercial mortgage loans
- Multiple strategies together expected to deliver attractive long-term return on equity even with shifts in the market environment (e.g., fluctuations in interest rates)
- Returns to shareholders enhanced through financing, including securitization structures
- Quarterly dividend based on performance outlook and expected taxable income for the year

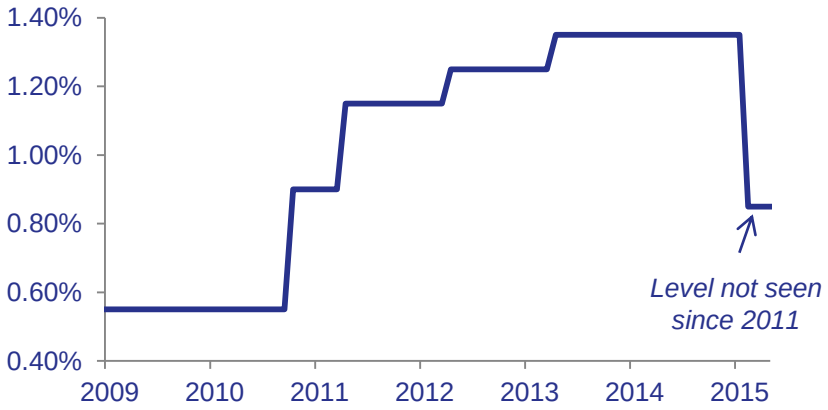
Current Market Environment and Outlook

- Interest rates have continued to fall, to the lowest levels in 18 months, driven by global economic weakness
- Policymakers continue to promote housing stimulus, as demonstrated by the reduction in FHA annual premiums (from 1.35% to 0.85%) announced in January
- Rate environment and policy moves create a significant market opportunity in mortgage originations
  - Industry forecasts for 2015 volumes have been raised by as much as 10%
- Home price appreciation has moderated
  - 2015 HPA forecast of 4.9% closer to 30-year average of 4.1%[3]
  - Housing values expected to increase in 2015, driven by US macroeconomic improvement
- Regulatory scrutiny of mortgage companies continues, highlighting the importance of operational excellence and governance and compliance systems

Average 30-year fixed rate mortgage[1]



FHA annual mortgage insurance premium[2]



[1] Freddie Mac Primary Mortgage Market Survey. 3.66% as of 01/29/15
[2] Mortgage Bankers Association analysis of FHA data
[3] 2015 HPA forecast by Moody's; 30-year average change of Case-Shiller national home price index

Fourth Quarter Review

- Net income of $26.5 million on net investment income of $53.1 million
  - Diluted earnings per share of $0.34; return on equity of 7%
  - Dividend of $0.61 per share declared on December 10, 2014
  - Book value per share declined to $21.18 at December 31, 2014
- Segment pretax income: Investment Activities: $11.0 million; Correspondent Production: $0.9 million
- New investments in distressed whole loans, mortgage servicing rights (MSRs), and excess servicing spread (ESS) during the quarter:
  - Acquired a pool of nonperforming loans totaling $331 million in unpaid principal balance (UPB)
  - MSR and ESS investments, related to $63 billion in UPB, grew to $549 million at December 31
    - Added $32 million in new MSR investments resulting from correspondent production activities
    - Invested $17 million in ESS on mini-bulk and flow acquisitions of Agency MSRs by PennyMac Financial Services, Inc. (PFSI) related to $2.3 billion in UPB
- Generated $103.8 million of cash proceeds from the liquidation of mortgage loans and REO

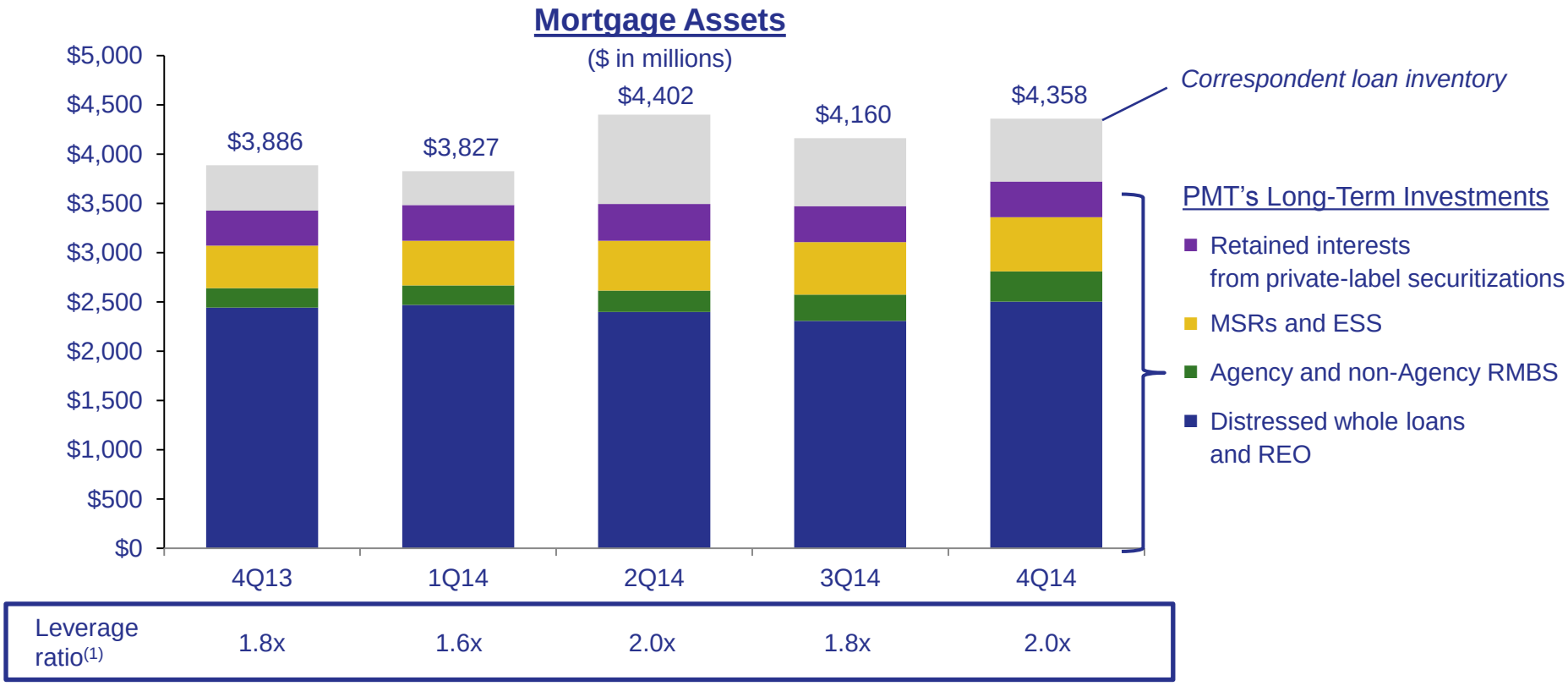
Notable activity after quarter end:

- Acquired a pool of nonperforming whole loans totaling $310 million in unpaid principal balance (UPB)
- Expected to enter into agreements with PFSI relating to the acquisition of approximately $175 million in ESS from Agency MSRs totaling $21 billion in UPB that PFSI is expected to acquire[(1)]

[(1)] The MSR acquisitions by PFSI and the Company's purchase of excess servicing spread are subject to the negotiation and execution of definitive documentation, continuing due diligence and customary closing conditions, including required regulatory approvals. There can be no assurance that the committed amounts will ultimately be acquired or that the transactions will be completed at all.

PMT's Investment Portfolio Continues to Grow and Diversify

- More than half of PMT's investments are distressed whole loans and REO – expected to continue delivering attractive returns
- Growing MSRs and ESS and pursuing other new investments
- Prudent expansion of debt financing



(1) All borrowings, including exchangeable senior notes and asset-backed secured financing of the variable interest entity, divided by shareholders' equity at period end

Opportunistic Distressed Whole Loan Investments

- Two NPL pools; first significant NPL acquisitions by PMT since 1Q14
- Both pools acquired from large banks
- Generally have attractive characteristics for PMT's portfolio strategy, including:
  - High average property value
  - Properties located in or close to major cities
  - Large percentage of borrowers that have equity in the property
  - Significant modification / reperformance opportunities
- Supply of distressed whole loan opportunities remains strong; we remain disciplined in pursuing new investments

	Pool 1	Pool 2
Pool UPB	$331mm	$310 mm
Seller	Large bank	Large bank
Acquired in	4Q14	1Q15

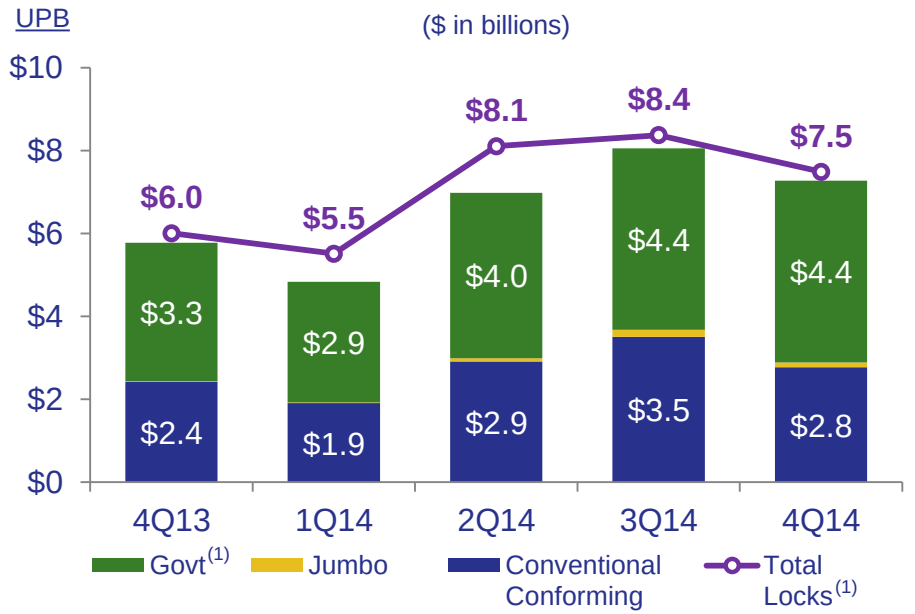
Selected Pool Attributes		
Average loan balance	$459,000	$288,000
Average current LTV[(1)]	105%	110%
% of pool with positive equity[(1)]	53%	49%
% that made payment(s) in the last year	32%	36%
% of pool previously modified	29%	60%
Top Four States:		
California	35%	24%
New York	14%	15%
New Jersey	10%	12%
Florida	6%	14%

(1) Estimated based on broker price opinions in general using "quick sale" values

Correspondent Business Reflects Competition and Seasonally Lower Volumes

- Correspondent acquisitions totaled $7.3 billion, down 10% Q/Q
  - Conventional conforming and jumbo acquisitions were $2.9 billion; locks were $3.0 billion
  - Total lock volume of $7.5 billion, down 11% Q/Q
- Percentage of PMT's volume decline exceeded that of the total origination market
- January correspondent acquisitions totaled $2.3 billion; locks totaled $2.4 billion
- Continue to add seller relationships
  - Target 480 by year end
- Grow market share from newer sellers and under-represented states
- Significant opportunity to grow prime non-Agency (jumbo) product share

Correspondent Production Volume and Mix



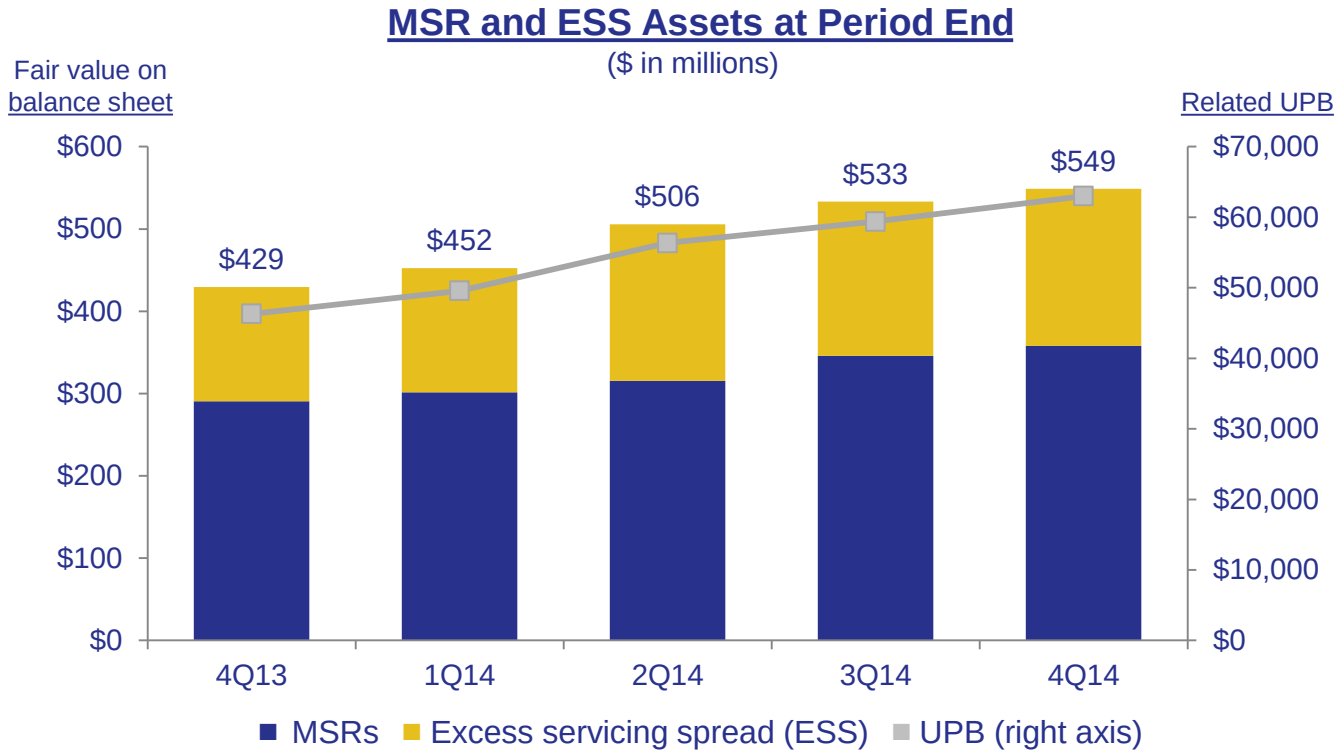
Selected Operational Metrics	4Q14	3Q14
Correspondent seller relationships	344	342
Purchase money loans, as a % of total acquisitions	76%	79%

Selected Credit Metrics for 4Q14	WA FICO	WA DTI(2)
Conventional conforming	742	36%
Jumbo	768	32%

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

(2) Debt-to-income ratio; excludes streamlined loans

MSR and ESS Investments Continue to Grow



- Continued portfolio growth as investments in MSR and ESS reached $549 million, related to underlying loans with a UPB of $63 billion, at December 31, 2014
  - Organic growth in MSR investments resulting from correspondent production activity
  - New investments in ESS totaling $17 million resulting from mini-bulk and flow MSR acquisitions by PFSI

See slides 22 and 23 in the appendix for additional information.

Expected Investments in ESS Related to $21bn of Agency MSR Acquisitions

- Seasoned, high-quality Agency loans
- Low mortgage rate environment results in refinance recapture opportunities
- Co-investment by PMT in the excess servicing spread cash flows
- Pending acquisitions reflect PFSI's track record in successfully transferring bulk MSR portfolios and best-in-class operational platform that is well-positioned for further growth opportunities

Summary of Pending Acquisitions[1]	
Unpaid Principal Balance	$20.8 billion
Weighted Avg. Note Rate	3.86%
Delinquent Loans	4.25%
Weighted Avg. Time Since Origination	20 months
Total Servicing Fee	33.4 bp
Excess Servicing Fee	17.5 bp
Expected Investment	$175 million

[1] The MSR acquisitions by PFSI and the Company's purchase of excess servicing spread are subject to the negotiation and execution of definitive documentation, continuing due diligence and customary closing conditions, including required regulatory approvals. There can be no assurance that the committed amounts will ultimately be acquired or that the transactions will be completed at all.

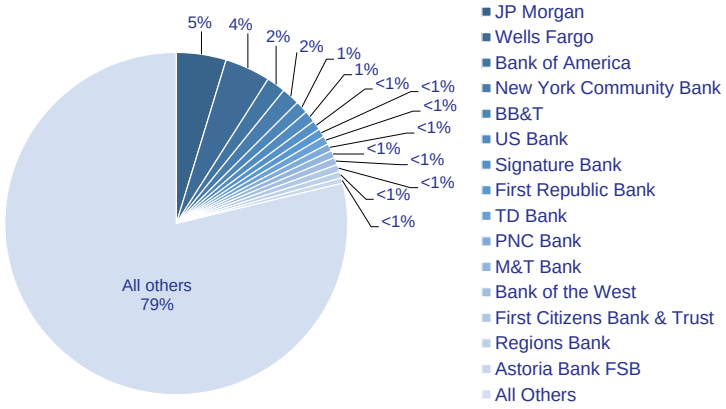
Expansion Into Commercial Real Estate Finance Opportunities

- PFSI recently launched a new division focused on loans with balances of $1mm - $10mm that finance multifamily and smaller office, retail and mixed-use properties
- Complements PFSI and PMT's existing businesses in residential mortgages and has the potential for attractive returns
- PMT is expected to aggregate newly originated loans for eventual securitization and invest in legacy whole loans, leveraging PFSI's operating platform (e.g., for special servicing)(2)
- Current focus of highly experienced management team is building the platform at PFSI

New Commercial Loan Originations

- Market opportunity for a non-bank specialist focused on lending within the nation's 50 largest MSAs

Highly Fragmented Market(1)
100% = $160bn



Legacy Commercial Whole Loan Acquisitions

- Nonperforming and sub-performing loans – include classified assets from banks and smaller pools sold by financial institutions and other investors
- Maximize returns by actively managing and restructuring loans (e.g., borrowers facing imminent maturity)

(1) Source: SmallBalance.com National Overview – 3rd Quarter, 2013
(2) Agreements between PFSI and PMT remain subject to negotiation

PennyMac Mortgage

Investment Trust

