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, including any new lines of business or new products and services that may subject us to additional risks; volatility in our industry, the debt or equity markets, the general economy or the real estate finance and real estate markets specifically, whether the result of market events or otherwise; events or circumstances which undermine confidence in the financial markets or otherwise have a broad impact on financial markets, such as the sudden instability or collapse of large depository institutions or other significant corporations, terrorist attacks, natural or man-made disasters, or threatened or actual armed conflicts; changes in general business, economic, market, employment and political conditions, or in consumer confidence and spending habits from those expected; declines in real estate or significant changes in U.S. housing prices or activity in the U.S. housing market; the availability of, and level of competition for, attractive risk-adjusted investment opportunities in mortgage loans and mortgage-related assets that satisfy our investment objectives; the inherent difficulty in winning bids to acquire mortgage loans, and our success in doing so; the 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 their affiliates, and the performance of such entities; changes in personnel and lack of availability of qualified personnel at our manager, servicer or their affiliates; the availability, terms and deployment of short-term and long-term capital; the adequacy of our cash reserves and working capital; our ability to maintain the desired relationship between our financing and the interest rates and maturities of our assets; the timing and amount of cash flows, if any, from our investments; unanticipated increases or volatility in financing and other costs, including a rise in interest rates; the performance, financial condition and liquidity of borrowers; the ability of our servicer, which also provides us with fulfillment services, to approve and monitor correspondent sellers and underwrite loans to investor standards; incomplete or inaccurate information or documentation provided by customers or counterparties, or adverse changes in the financial condition of our customers and counterparties; our indemnification and repurchase obligations in connection with mortgage loans we purchase and later sell or securitize; 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; our ability to foreclose on our investments in a timely manner or at all; increased prepayments of the mortgages and other loans underlying our mortgage-backed securities or relating to our mortgage servicing rights , excess servicing spread and other investments; the degree to which our hedging strategies may or may not protect us from interest rate volatility; the effect of the accuracy of or changes in the estimates we make about uncertainties, contingencies and asset and liability valuations when measuring and reporting upon our financial condition and results of operations; our failure to maintain appropriate internal controls over financial reporting; technologies for loans and our ability to mitigate security risks and cyber intrusions; our ability to obtain and/or maintain licenses and other approvals in those jurisdictions where required to conduct our business; our ability to detect misconduct and fraud; our ability to comply with various federal, state and local laws and regulations that govern our business; developments in the secondary markets for our mortgage loan products; legislative and regulatory changes that impact the mortgage loan industry or housing market; changes in regulations or the occurrence of other events that impact the business, operations or prospects of government agencies or government-sponsored entities, or such changes that increase the cost of doing business with such entities; the Dodd-Frank Wall Street Reform and Consumer Protection Act and its implementing regulations and regulatory agencies, and any other legislative and regulatory changes that impact the business, operations or governance of mortgage lenders and/or publicly-traded companies; the Consumer Financial Protection Bureau and its issued and future rules and the enforcement thereof; changes in government support of homeownership; changes in government or government-sponsored home affordability programs; limitations imposed on our business and our ability to satisfy complex rules for us to qualify as a real estate investment trust (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, as applicable, and our ability and the ability of our subsidiaries to operate effectively within the limitations imposed by these rules; changes in governmental regulations, accounting treatment, tax rates and similar matters (including changes to laws governing the taxation of REITs, or the exclusions from registration as an investment company); the effect of public opinion on our reputation; the occurrence of natural disasters or other events or circumstances that could impact our operations; and our organizational structure and certain requirements in our charter documents.

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 Highlights

- Net loss of $5.3 million on net investment income of $47.6 million
  - Diluted loss per share of $0.08; return on equity of (1)%
  - Dividend of $0.47 per share declared on June 28, 2016
  - Book value per share decreased to $20.09 at June 30, 2016
- Underperformance of distressed loan investments totaling approximately $30 million, driven by extended resolution timelines with increased associated expenses and home prices lower than previously forecast
- Results also impacted by approximately $10 million in net valuation losses from interest rate strategies and $5.1 million in servicing activity fees related to the sale of performing loans from the distressed portfolio
  - Partially offset by strong correspondent production results, income contribution from other credit-sensitive strategies and a $2.9 million income tax benefit
- Segment pretax results: Investment Activities: $(24.6) million; Correspondent Production: $16.4 million
- Continued investment in GSE credit risk transfer (CRT) and mortgage servicing rights (MSRs) resulting from PMT's correspondent production business
  - CRT-eligible deliveries for the quarter totaled $3.2 billion in UPB resulting in $126 million of new CRT investments
  - Approximately $3 billion in UPB remaining at June 30th under current CRT commitment with Fannie Mae(1); in discussions on a fourth CRT transactions for PMT's production(2)
  - Added $60 million in new MSRs
- Repurchased 1.2 million PMT common shares from April 5th through July 5th at a cost of $18.1 million
- Continued strong cash flows from PMT's existing investments, including $114 million in cash proceeds generated from the liquidation and paydown of mortgage loans and REO(3)

(1) Current CRT transaction with Fannie Mae is for $7.5 billion in UPB of PMT's production

(2) There can be no assurance that the transaction will be completed at all

(3) Proceeds excludes bulk sales of distressed loans during the quarter

Current Market Environment and Outlook

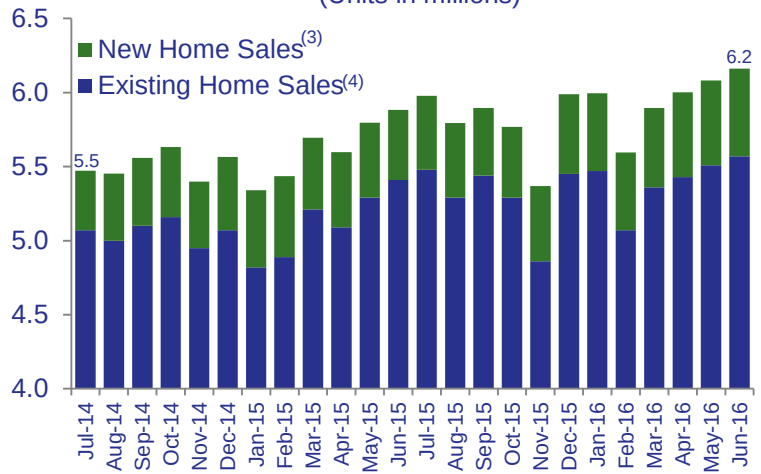
- Uncertainty from the U.K.'s vote to exit the European Union resulted in a flight to quality, driving U.S. Treasury yields to record lows
  - Mortgage rates remained low in 2Q16 and have approached all-time lows post "Brexit"[(1)]
  - Market expectations for interest rates are now lower for longer
- Market volumes for mortgage originations have increased in reaction to lower rates and are expected to continue for the foreseeable future
  - An estimated 54% of fixed-rate mortgage loans outstanding are now refinanceable[(2)]; however, industry capacity constraints are moderating the growth in origination volumes
  - While interest rates have fallen, mortgage spreads have widened; when interest rates rise, consumer mortgage rates are not expected to rise as much
- Mixed outlook for U.S. economic growth; however, housing fundamentals remain solid
  - Housing affordability is improving, which aids purchase-money originations

Average 30-year fixed rate mortgage[(1)]



Home Sales, Seasonally Adjusted Annual Pace

(Units in millions)



(1) Freddie Mac Primary Mortgage Market Survey. 3.48% as of 7/28/2016

(2) Sources: CPR & CDR Technologies; Wells Fargo Securities. Estimated percentage of loans outstanding by UPB with 0.50% or greater difference between the note rate and current mortgage rates. Analysis as of 6/30/16

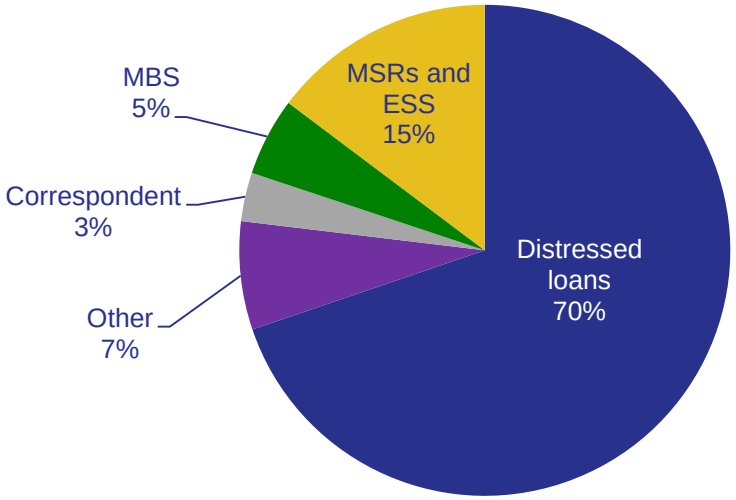
(3) Census Bureau - seasonally adjusted

(4) National Association of Realtors - seasonally adjusted

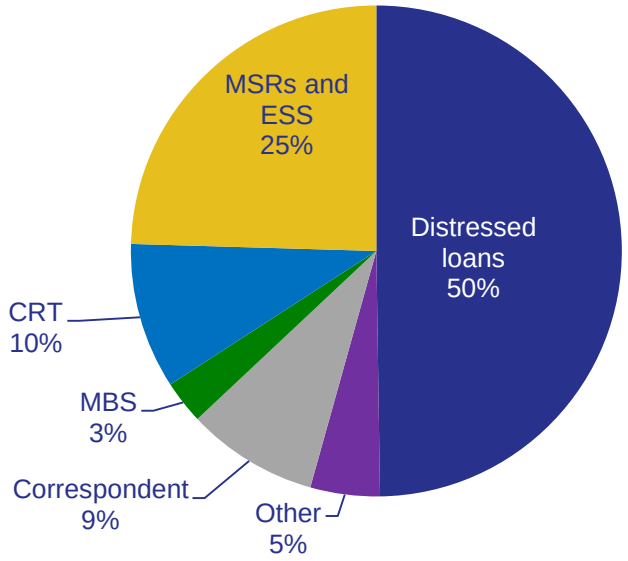
Transitioning to Correspondent-Related Investments Such as CRT and MSRs

PMT's Equity Allocation[1]

2Q 2014
100% = $1.6 billion



2Q 2016
100% = $1.4 billion



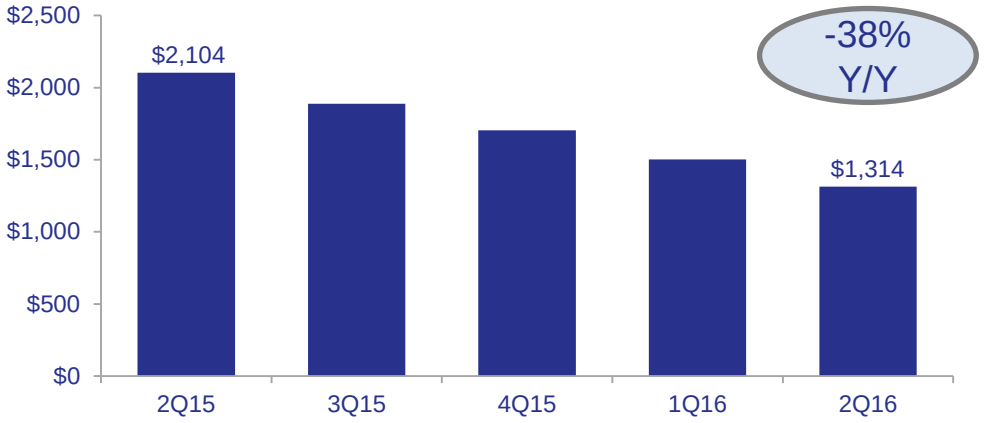
- Current capital deployment is primarily focused on attractive correspondent-related investments – CRT and MSRs

[1] Management's internal allocation of equity. Amounts as of quarter end.

Distressed Loan Portfolio Is Declining Through Liquidation and Sales

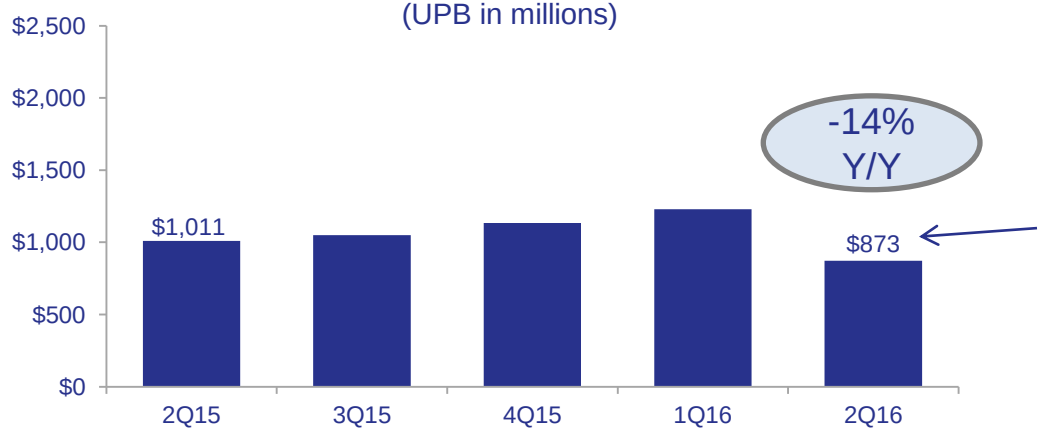
Nonperforming Loans

(UPB in millions)



Performing Loans

(UPB in millions)



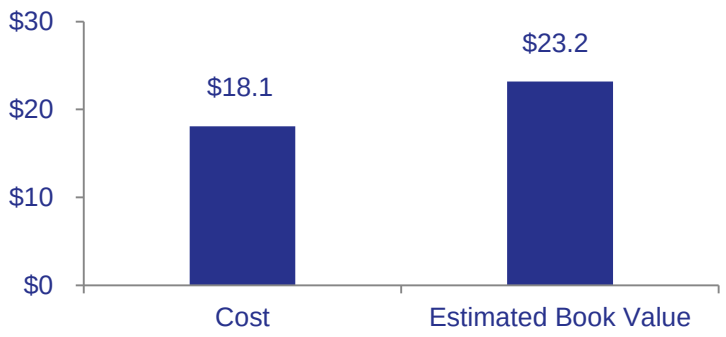
Bulk sale of performing loans completed

Share Repurchase Program Update

- Repurchased 1.2 million PMT common shares from April 5th to July 5th; 7.5 million shares since inception
- $100 million in additional repurchases remain authorized under the $200 million program
- We continue to evaluate repurchases using available capital versus the return on alternative investment opportunities

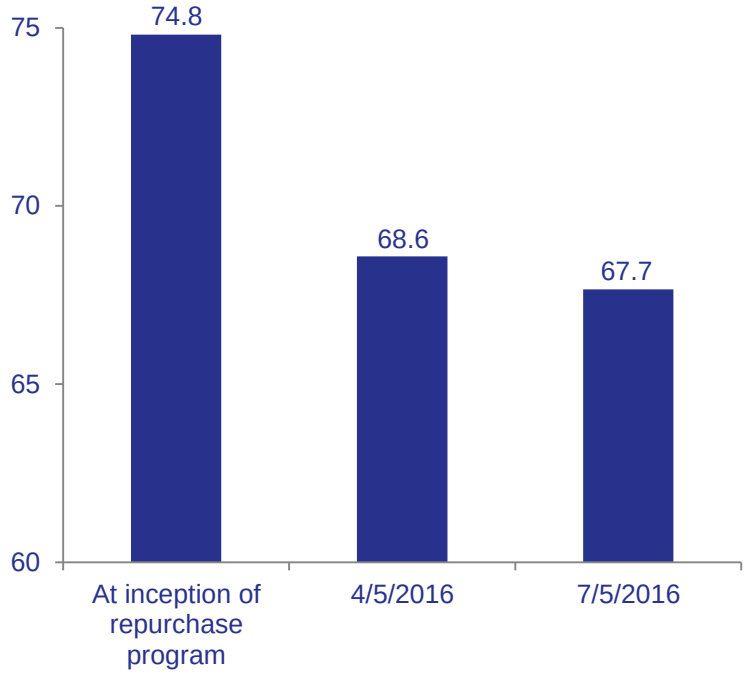
Share Repurchases from April 5th through July 5th

($ in millions)



PMT Shares Outstanding(1)

(in millions)



(1) Includes the impact of shares issued under the PMT 2009 Equity Incentive Plan

Second Quarter Income and Return Contributions by Strategy

($ in millions)	Market-Driven Value Changes	Income Excluding Market-Driven Value Changes[1]	Total Income Contribution[1]	WA Equity Allocated[3]	Annualized Return on Equity (ROE)
Credit sensitive strategies:					
Distressed loan investments	n/a	$ (22.4)	$ (22.4)	$ 730	(12.3%)
Other credit sensitive strategies					
GSE credit risk transfer	$ 3.9	$ 3.2	$ 7.1		
Non-Agency subordinate bonds	$ 1.1	$ 0.2	$ 1.4		
Commercial real estate finance	$ (0.1)	$ 0.2	$ 0.1		
Subtotal net other credit sensitive strategies	$ 4.9	$ 3.7	$ 8.6	$ 142	24.3%
Net credit sensitive strategies	**$ 4.9**	**$ (18.7)**	**$ (13.8)**	**$ 872**	**(6.3%)**
Interest rate sensitive strategies:					
MSRs (incl. recapture)[2]	$ (25.7)	$ 3.6	$ (22.0)		
ESS (incl. recapture)[2]	$ (17.4)	$ 4.7	$ (12.7)		
Agency MBS	$ 2.8	$ 2.2	$ 5.0		
Non-Agency senior MBS (incl. jumbo)	$ 1.5	$ 0.5	$ 2.0		
Interest rate hedges	$ 28.3	-	$ 28.3		
Net interest rate sensitive strategies	**$ (10.5)**	**$ 11.0**	**$ 0.5**	**$ 377**	**0.6%**
Correspondent production		**$ 16.7**	**$ 16.7**	**$ 105**	**63.4%**
Cash, short term investments, and other	n/a	$ 0.1	$ 0.1	$ 56	0.5%
Management fees and corporate expenses	n/a	$ 11.7	$ 11.7		
Provision for income tax expense	n/a	$ (2.9)	$ (2.9)		
Net income	**$ (5.5)**	**$ 0.3**	**$ (5.3)**	**$ 1,411**	**(1.5%)**

Amounts may not total due to rounding

[1] Income contribution is net of any direct expenses associated with investments (e.g., loan fulfillment fees, loan servicing fees)

[2] Equity allocated to MSR, ESS and distressed loan strategies include an allocation of exchangeable senior notes and associated expenses

[3] Management's internal allocation of equity. Amounts represent weighted averages during the period

Run-Rate Quarterly Income Potential from PMT's Strategies

($ in millions, except EPS)	Income Potential	Equity Allocation[1]	Annualized ROE
Credit sensitive strategies			
Distressed loan investments	11.8	635.9	7.4%
Other credit sensitive strategies			
GSE credit risk transfer	4.9	127.8	15.5%
Non-Agency subordinate bonds	0.3	7.7	13.0%
Commercial real estate finance	0.3	24.8	4.3%
Subtotal net other credit sensitive strategies	5.5	160.4	13.6%
Net credit sensitive strategies	**17.3**	**796.3**	**8.7%**
Interest rate sensitive strategies			
MSRs (incl. recapture)[2]	4.1	190.2	8.6%
ESS (incl. recapture)[2]	3.8	143.9	10.5%
Agency MBS	2.7	25.3	42.5%
Non-Agency senior MBS (inc. jumbo)	0.5	10.6	17.4%
Net interest rate sensitive strategies	**11.0**	**370.0**	**11.9%**
Correspondent production	**20.9**	**139.1**	**60.0%**
Cash, short term investments & other	0.1	46.7	0.7%
Management fees & corporate expenses	(11.6)		
Income tax benefit	(3.2)		
Net income	**$ 34.4**	**$ 1,352**	**10.2%**
Diluted EPS	$ 0.48		

- Income potential does not reflect any share repurchases or bulk asset sales (e.g., distressed loans)
- Other factors that may cause actual income to vary materially from expectations:
  - Distressed loan resolution timelines and expenses, and home prices relative to current assumptions
  - Correspondent production volumes and margins
  - Interest rates, yield curve shape, and mortgage spreads relative to rate instruments
  - Credit spreads for the other credit-sensitive strategies
- PMT's objective is to distribute a dividend consistent with earnings per share; REIT taxable income for the year is a floor for dividend payments

Note: This slide presents examples for illustrative purposes only, using PMT's base case assumptions (e.g., for credit performance, prepayment speeds, financing economics). Actual results may differ materially. Please refer to slide 2 for important disclosures regarding forward-looking statements.

(1) Management's internal allocation of equity
(2) Equity allocated to MSR, ESS and distressed loan strategies include an allocation of exchangeable senior notes and associated expenses

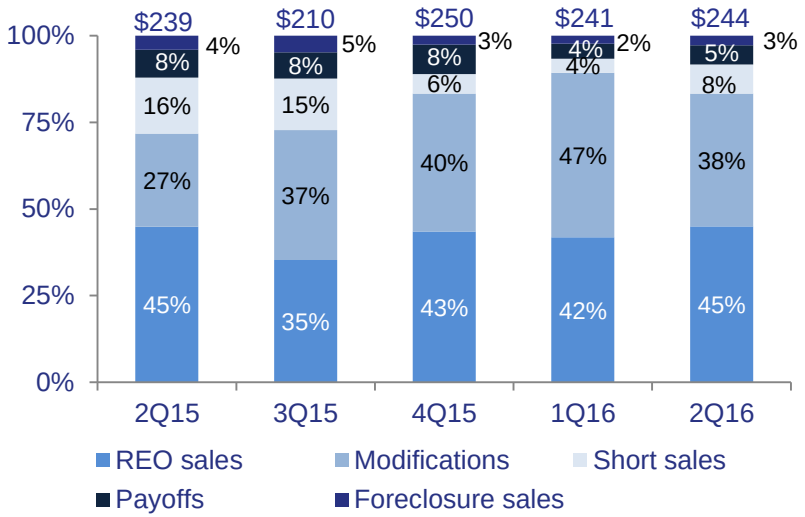
Mortgage Investment Activities



Strong Resolution Activity on Distressed Loan Investments

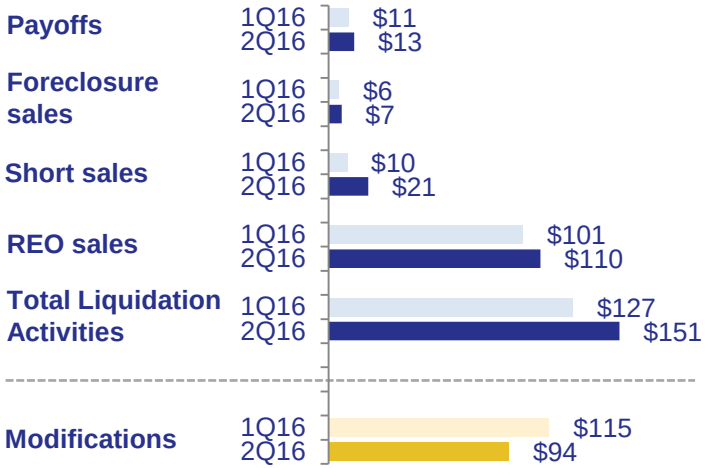
Resolution Activity (% of UPB)

($ in millions)



Resolution Activity (UPB)

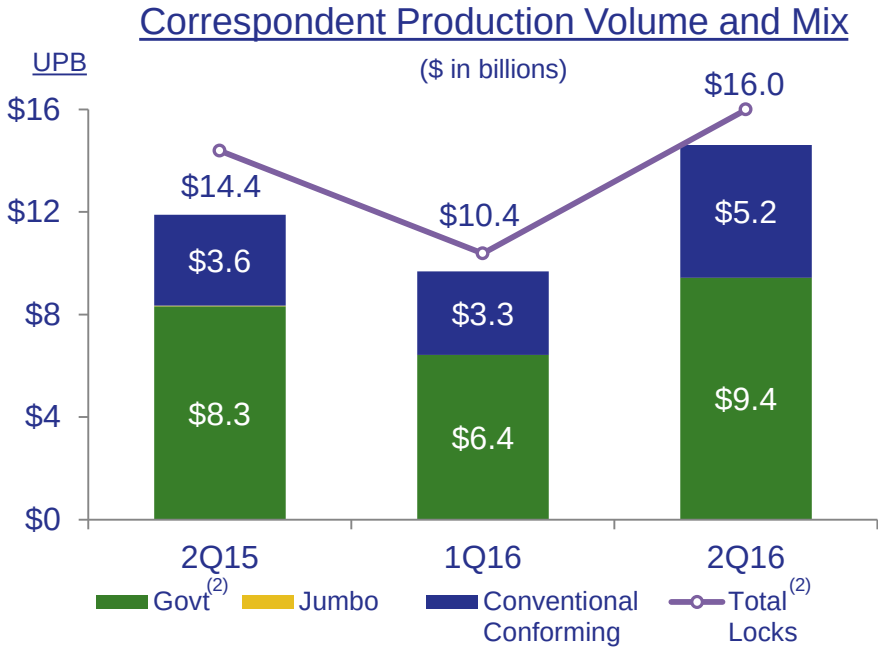
($ in millions)



- Increase in REO property sales reflects strong demand for homes
  - Result is a net reduction to REO inventory of $20 million
  - REO rental portfolio totaled $21 million at June 30, 2016, up from $13 million at March 31, 2016
- Modifications comprised 38% of total resolution activity in 2Q16, down from 47% in 1Q16
  - Focus on driving reperformance through streamline modification programs (proprietary and Home Affordable Modification Program)
    - Moves borrowers directly into a trial modification after first trial payment; eliminates income documentation requirements
    - Trial modifications totaled $182 million at June 30th, up 65% from the prior quarter

Correspondent Production Volumes Increased Significantly in 2Q16

- Correspondent acquisitions totaled $14.6 billion, up 51% Q/Q
  - PennyMac was the second largest aggregator in 2Q16, after Wells Fargo(1)
  - Conventional conforming and jumbo acquisitions were $5.2 billion, up 59% Q/Q
  - Total lock volume of $16.0 billion up 54% Q/Q
- 2Q16 acquisitions were 23% higher than 2Q15
  - Includes a 46% Y/Y increase in conventional conforming acquisitions
- July correspondent acquisitions totaled $5.0 billion; locks totaled $6.5 billion
- Launched non-delegated correspondent program
- Pursuing new initiatives to grow market share from credit unions and smaller banks
- Wholesale channel launch planned for mid-2017



Selected Operational Metrics	1Q16	2Q16
Correspondent production sellers	437	457
Purchase money loans, as % of total acquisitions	72%	71%

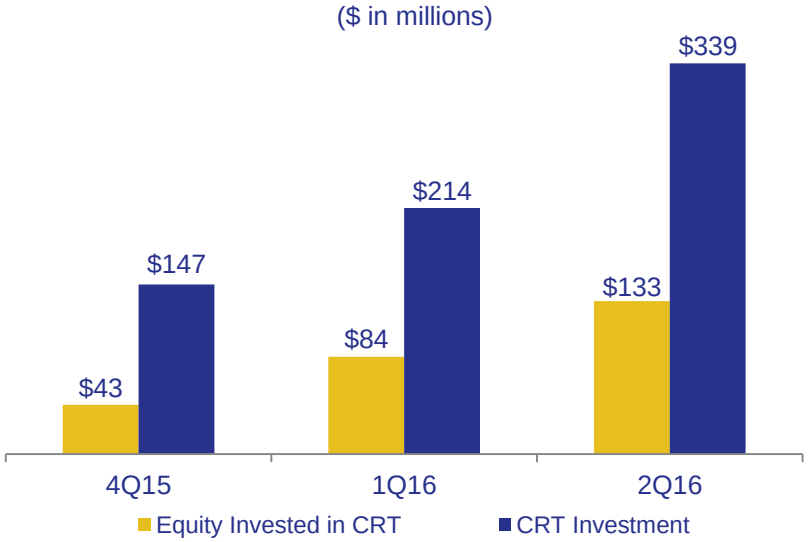
(1) Inside Mortgage Finance, company estimates

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

PMT's Unique Investments in GSE Credit Risk Transfer

- Total CRT investments have grown to $339 million at June 30, 2016
- 71% of PMT's 2Q16 conventional conforming production is being delivered into CRT transactions
- Approximately $3 billion in UPB remaining at June 30th under current CRT commitment with Fannie Mae[(1)]; in discussion on a fourth CRT transaction for PMT's production[(2)]
- 2Q16 returns on CRT investments benefited from market-driven value changes due to credit spread tightening
  - Levered returns expected to improve as more of the CRT investments achieve optimal leverage
- Underlying collateral performance is strong[(3)]
  - Total 60+ day delinquencies are < 0.06% of $9.0 billion in UPB
  - No credit losses to date

CRT Investment Outstanding

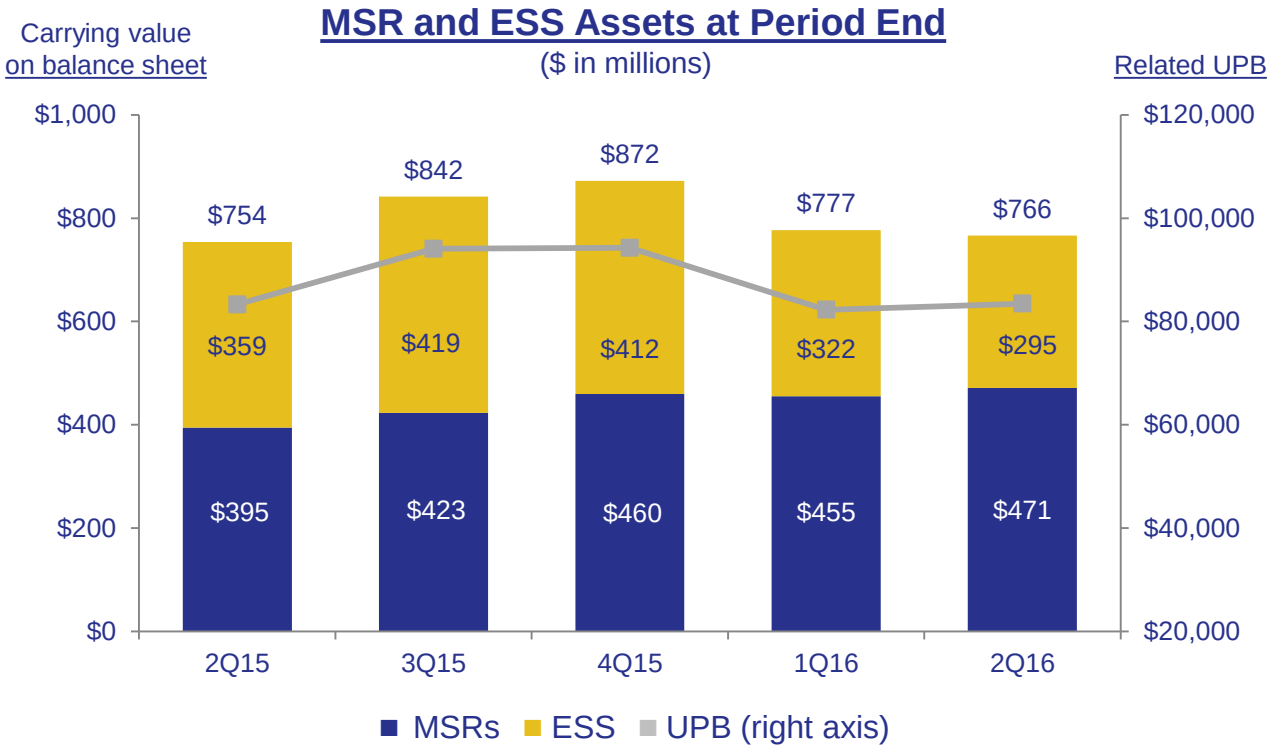


2Q16 Returns on CRT Investments

($ in millions)	Total Income Contribution	Income Excluding Market-Driven Value Changes
Investment income	$7.1	$3.2
Return on average CRT assets	11.6%	5.9%
Return on average CRT equity	23.6%	10.7%

(1) Current CRT transaction with Fannie Mae is for $7.5 billion in UPB of PMT's production
(2) There can be no assurance that the transaction will be completed at all
(3) See page 31 for additional details

MSR Investments Grow, Partially Offset by Higher Prepayments



- Organic MSR investments resulting from correspondent production activity were $471 million, an increase from $455 million at March 31, 2016
  - Reflects strong correspondent production volumes that resulted in MSR investment growth despite the decline in interest rates which adversely impacted the MSR asset value
- ESS investments resulting from bulk, mini-bulk and flow MSR acquisitions by PFSI were $295 million, down from $322 million at March 31, 2016, driven by prepayments during the quarter and higher expectations of future prepayments

Financial Results



Pretax Income (Loss) by Operating Segment

($ in millions)	Investment Activities	Correspondent Production	Total Pretax Income
2Q15	$ 19.9	$ 5.2	$ 25.1
3Q15	$ 34.9	$ 10.2	$ 45.1
4Q15	$ (6.1)	$ 13.1	$ 6.9
1Q16	$ 0.1	$ 10.9	$ 11.0
2Q16	$ (24.6)	$ 16.4	$ (8.2)

Note: Figures may not sum exactly due to rounding

Investment Activities Segment Results

($ in thousands)	Quarter Ended June 30, 2016	Quarter Ended March 31, 2016
Revenues:		
Net loss on investments:		
Mortgage loans at fair value	$ (13,463)	$ 14,395
Mortgage loans held by variable interest entity net of asset-backed secured financing	(21)	(4,105)
Mortgage-backed securities	6,057	7,582
CRT Agreements	7,764	(4,143)
Excess servicing spread investment[1]	(15,824)	(17,627)
	(15,487)	(3,898)
Net interest income		
Interest income	38,351	45,343
Interest expense	28,642	26,885
	9,709	18,458
Net loan servicing fees	15,691	15,554
Other	(520)	(3,688)
Total revenues	9,393	26,426
Expenses:		
Servicing and Management fees payable to PennyMac Financial Services, Inc.[2]	21,027	16,386
Other	12,958	9,905
Total expenses	33,985	26,291
Pretax (loss) income	**$ (24,592)**	**$ 135**

[1] Includes $1.6 million in recapture income

[2] Servicing fees include both special servicing for PMT's distressed portfolio and subservicing for PMT's mortgage servicing rights of $11.4 million and $5.0 million, respectively in 2Q16.

- Segment revenue decreased $17.0 million Q/Q:
  - Net loss on investments increased $11.6 million Q/Q, driven by:
    - Valuation losses on distressed loan portfolio (see slide 19)
    - ESS fair value loss of $15.8 million, partially offset by net MBS portfolio valuation gains of $6.0 million
    - Partly offset by CRT revenue, which resulted from gains related to credit spread tightening and a growing investment position
  - Decrease in net interest income (see slide 18)
  - Other losses decreased $3.2 million, primarily driven by less reduction in the value of REO properties
  - Expenses increased 29% Q/Q, driven by a $5.1 million servicing activity fee related to the sale of performing loans during the quarter

Net Interest Income Declined Partly Due to Sale of Performing Loans and ESS

($ in thousands)	Quarter ended June 30, 2016	Quarter ended March 31, 2016	Quarter ended June 30, 2015
Short-term investments	$ -	$ 376	$ 82
Mortgage-backed securities	2,756	2,712	2,505
Mortgage loans:			
At fair value	23,042	29,186	22,171
Held by variable interest entity	4,951	5,529	4,429
Acquired for sale at fair value	181	241	1,318
Total mortgage loans	28,174	34,956	27,918
Excess servicing spread	5,713	7,015	5,818
Other	1,708	284	13
Total interest income	38,351	45,343	36,336
Interest expense	28,642	26,885	24,976
Net interest income	**$ 9,709**	**$ 18,458**	**$ 11,360**

- Total interest income from Investment Activities was $38.4 million, a 15% Q/Q decrease
  - Primarily driven by the sale of $419 million in UPB of performing loans from the distressed portfolio and a decrease in capitalized interest from loan modifications
- Interest income from the distressed loan portfolio was $23.0 million, down 21% Q/Q
  - Capitalized interest on loan modifications of $16.4 million, down 30% from 1Q16 due to lower UPB in loans modified during the quarter(1)
- ESS interest income was $5.7 million, down 19% Q/Q, driven by the sale of conventional-conforming ESS in 1Q16 and elevated prepayments
- Total interest expense from Investment Activities was $28.6 million, a 7% Q/Q increase

(1) Capitalized interest from loan modifications increases interest income and reduces gains from loan valuations

Investment (Losses) Gains and Cash Flows from the Distressed Loan Portfolio

- Net losses on distressed loans totaled $13.5 million, compared to gains of $14.4 million in 1Q16
- Distressed loan portfolio underperformed expectations by approximately $30 million
  - Majority related to the extension of resolution timelines, particularly on loans with underlying properties located in the Northeast
    - Increased expenses to maintain PMT's liens on the properties
  - Also lower actual home prices versus prior forecasts and a reduction in the long-term forecast for home price appreciation
- Cash proceeds from liquidation and paydown activity on distressed loans and REO totaled $114.0 million
  - Accumulated gains on assets liquidated during the quarter were $4.5 million, and gains on liquidation were $5.1 million
- Performing loan sale generated $344 million in gross cash proceeds and approximately $100 million in net cash proceeds after debt repayment and related expenses

Net (Losses) Gains on Mortgage Loans

	Quarter ended	
($ in thousands)	June 30, 2016	Mar. 31, 2016
Valuation Changes:		
Performing loans	$ (8,356)	$ 4,884
Nonperfoming loans	(5,919)	7,965
	(14,275)	**12,849**
Payoffs	1,208	1,548
Sales	(396)	(2)
	$ (13,463)	**$ 14,395**

Cash Proceeds and Gain on Liquidation

($ in thousands)	Quarter ended June 30, 2016		
	Proceeds	Accumulated gains (losses)[1]	Gain on liquidation[2]
Mortgage loans	$ 43,360	$ 4,813	$ 1,208
REO	70,666	(348)	4,718
Subtotal	114,026	4,465	5,926
Performing Loan Sale	344,302	59,812	(396)
	$ 458,328	$ 64,277	$ 5,530

(1) Represents valuation gains and losses recognized during the period the Company held the respective asset, but excludes the gain or loss recorded upon sale or repayment of the respective asset

(2) Represents the gain or loss recognized as of the date of sale or repayment of the respective asset

Valuation of MSRs and Excess Servicing Spread (ESS)

($ in millions)	Mortgage Servicing Rights		Excess Servicing Spread
At 6/30/2016	At lower of amortized cost or fair value	At fair value	Fair value
Pool UPB	$40,591	$6,497	$36,152
Pool weighted average coupon	3.86%	4.71%	4.21%
Pool prepayment speed assumption (CPR)	10.8%	14.3%	12.5%
Weighted average servicing fee/spread	0.25%	0.25%	0.19%
Fair value	$417.1	$58.0	$294.6
As multiple of servicing fee	4.03	3.53	4.35
Carrying (accounting) value	$413.5	$58.0	$294.6
Fair value in excess of carrying value	**$3.6**		

- PMT carries most of its MSRs at the lower of amortized cost or fair value ("LOCOM")
  - MSRs where the note rate on the underlying loan is less than or equal to 4.5%
- The fair value of MSRs carried at LOCOM was $3.6 million in excess of the carrying value at June 30, 2016, compared to $11.6 million at March 31, 2016

Credit Risk Transfer – Income Statement and Balance Sheet Treatment

($ in thousands)	Since Inception[1]	
UPB of mortgage loans transferred under CRT Agreements	$ 9,631,009	Total UPB of loans delivered to the CRT Special Purpose Vehicles ("SPVs") and sold to Fannie Mae
Deposits of restricted cash to secure guarantees	$ 340,183	Cash deposited in the SPV in "restricted cash." Represents collateral for the initial credit risk retained
Gains (losses) recognized on derivatives related to CRT agreements...		
included in Net gain on investments		
Realized	$ 8,226	Cash income or loss to PMT from the SPVs
Resulting from valuation changes	(4,012)	Gains and losses resulting from valuation changes represent mark-to-market valuations
	$ 4,214	
Payments made to settle losses	$ -	Payments made to Fannie Mae, from pledged cash, for losses on loans underlying the CRT agreements
At June 30, 2016		
UPB of mortgage loans subject to guarantee obligation	$ 8,976,961	Current UPB of loans delivered to the CRT SPVs and sold to Fannie Mae
Delinquency		
Current to 89 days delinquent	$ 8,976,093	
90 or more days delinquent	$ 868	
Carrying value of CRT agreements		
Restricted cash included in Deposits securings credit risk ...		
transfer agreements	$ 338,812	Current cash collateralizing guarantee included in "Deposits securing credit risk transfer agreements"
Net derivative liability included in Derivative liabilities	$ 199	Derivative liability represents net value of expected future cash inflows related to assumption of credit risk and expected future losses

[1] Cumulative for the five quarters ending 6/30/2016

Correspondent Production Segment Results

($ in thousands)	Quarter Ended June 30, 2016	As % of Interest Rate Lock Commitments[1]	Quarter Ended Mar. 31, 2016	As % of Interest Rate Lock Commitments[1]
Revenues:				
Net gain on mortgage loans acquired for sale	$ 24,226	0.41%	$ 15,049	0.39%
Net interest income	5,464	0.09%	3,904	0.10%
Other income	8,535	0.14%	6,837	0.18%
	$ 38,225	0.64%	$ 25,790	0.67%
Expenses:				
Loan fulfillment, servicing, and management fees payable to PennyMac Financial Services, Inc.	$ 19,710	0.33%	$ 13,354	0.35%
Other	2,082	0.03%	1,527	0.04%
	$ 21,792	0.37%	$ 14,881	0.38%
Pretax income	**$ 16,433**	**0.28%**	**$ 10,909**	**0.28%**

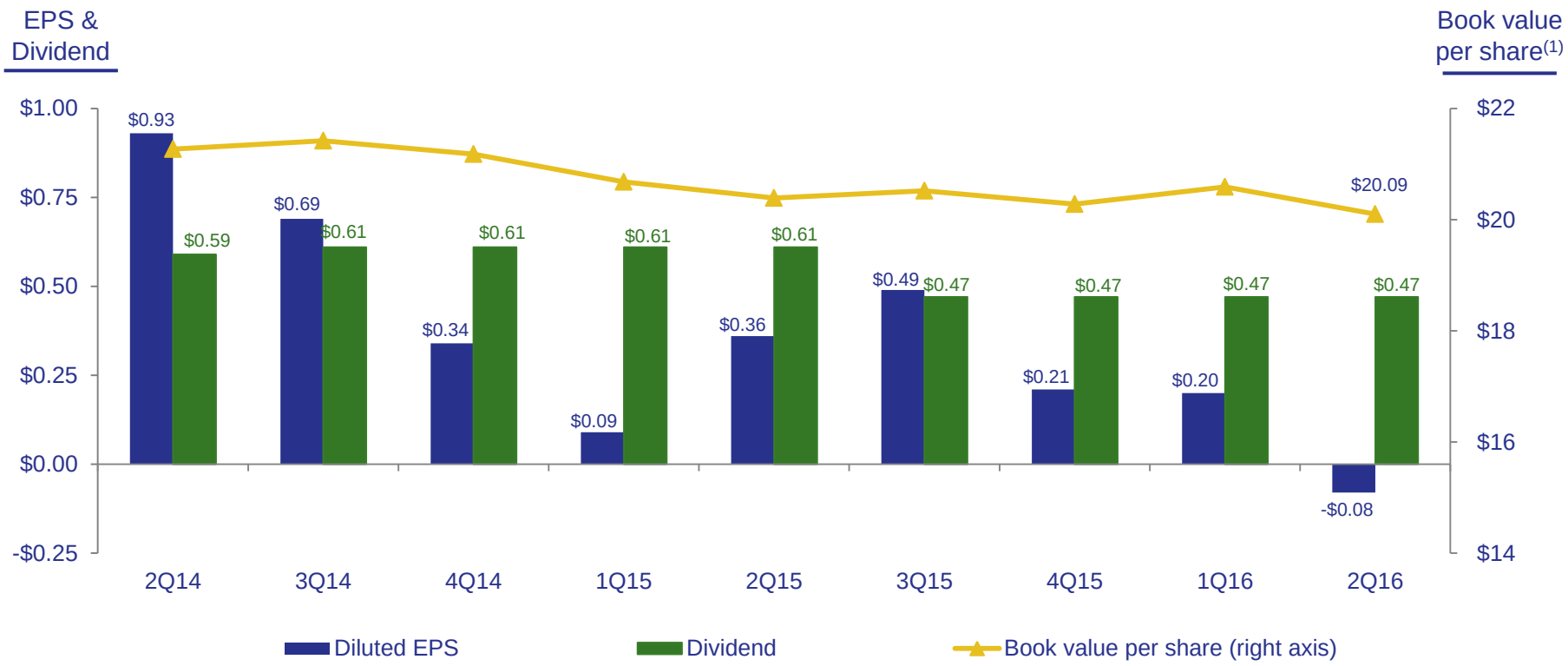
- Segment revenue totaled $38.2 million, a 48% increase from 1Q16, driven by strong conventional conforming lock volumes
  - Gain on mortgage loans increase driven by higher volumes and strong margins, reflecting limited industry capacity
  - Net interest income growth driven by higher loan volumes during the quarter, partially offset by a flatter yield curve
- Conventional conforming acquisition volumes increased 59% from 1Q16
  - Reflects larger mortgage origination market volumes and successful initiatives to profitably grow market share
- Fulfillment fee paid for the quarter was 37bp, down from 40bp in 1Q16[2]

[1] Conventional conforming and jumbo interest rate lock commitments
[2] Fulfillment fees are based on funding volumes. Contractual fulfillment fee is in general 0.50% of the funding of conventional and jumbo loans, subject to reductions at specified volumes and discretionary reductions by PFSI.

Appendix

PennyMac®
Mortgage Investment Trust

PMT EPS, Dividends and Book Value Over Time

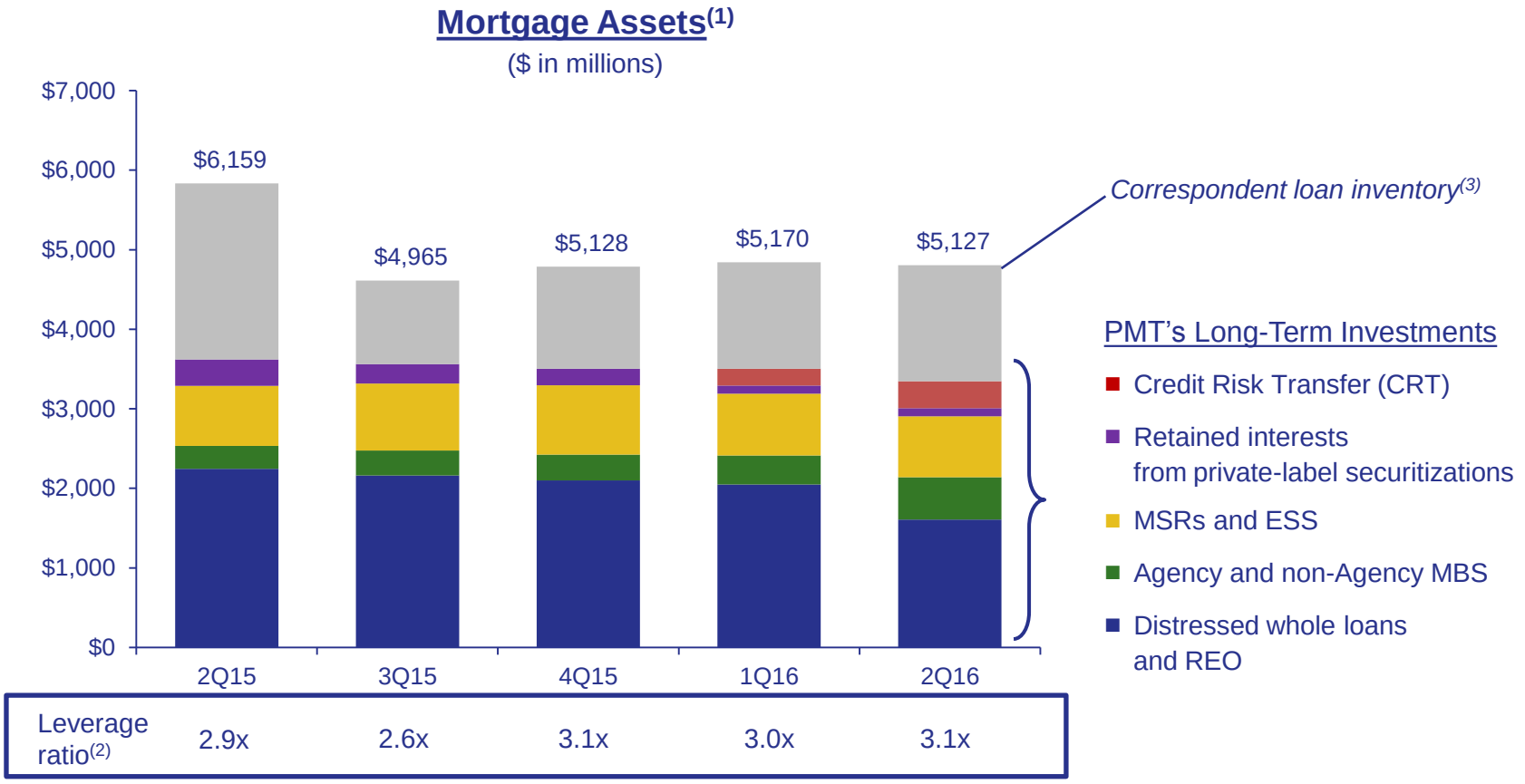


Return on Equity(2)	19%	14%	7%	2%	7%	10%	4%	4%	(1)%

(1) At period end.

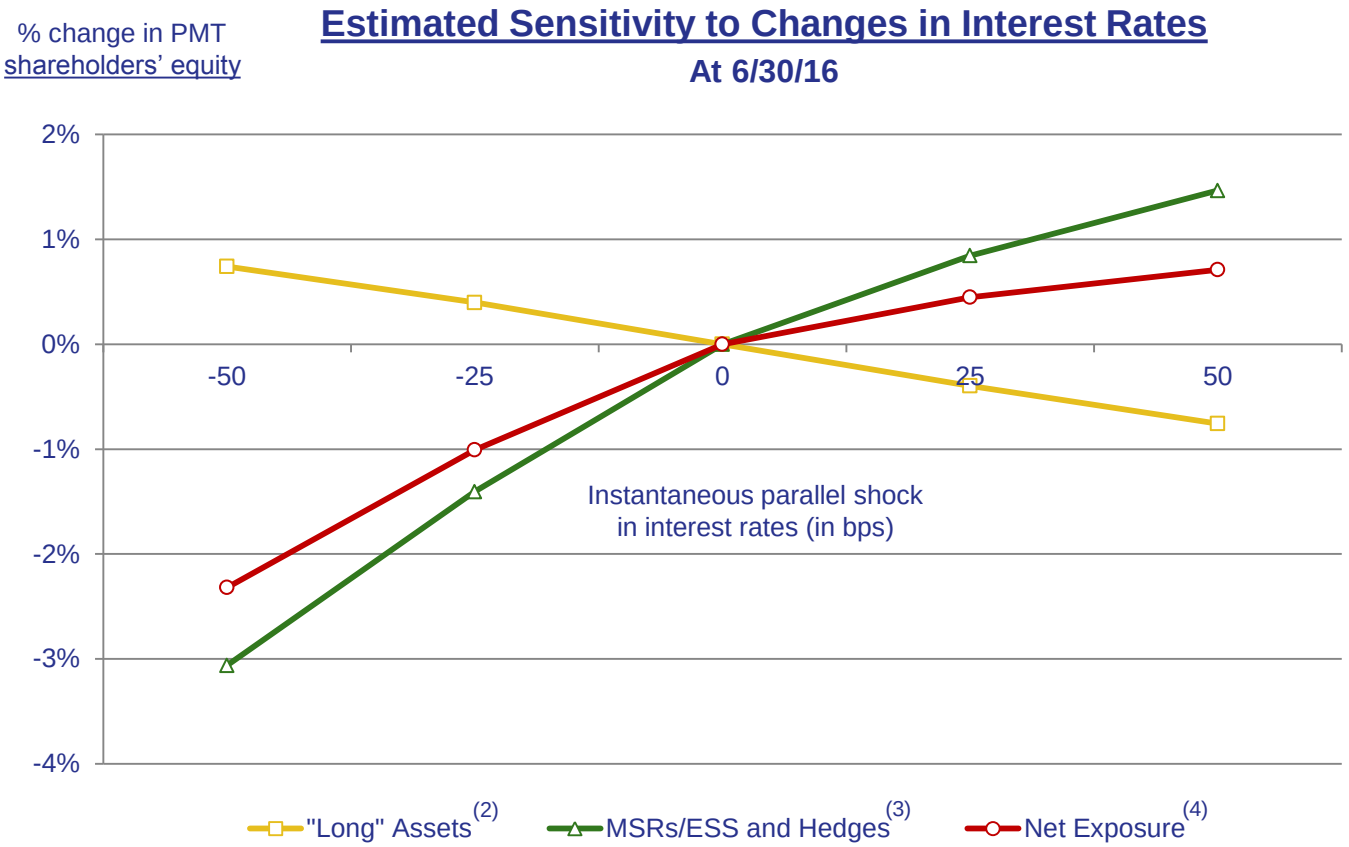
(2) Return on average equity during the respective quarter; return on average equity is calculated based on annualized quarterly net income as a percentage of monthly average shareholders' equity during the period.

PMT's Mortgage Assets and Leverage Ratio Over Time



(1) Excludes CRT investments which are reflected on the balance sheet as restricted cash included in other assets and net derivative liability included in derivative liabilities.
(2) All borrowings, including exchangeable senior notes and asset-backed secured financing of the variable interest entity, divided by shareholders' equity at period end.
(3) 2Q15 amounts included $649 million of loans delivered into credit risk transfer transaction.

Management of PMT's Interest Rate Risk(1)



- PMT's interest rate risk exposure is managed on a "global" basis
  - Disciplined hedging
  - Multiple mortgage-related investment strategies with complementary interest rate sensitivities
  - Also employ financial hedge instruments

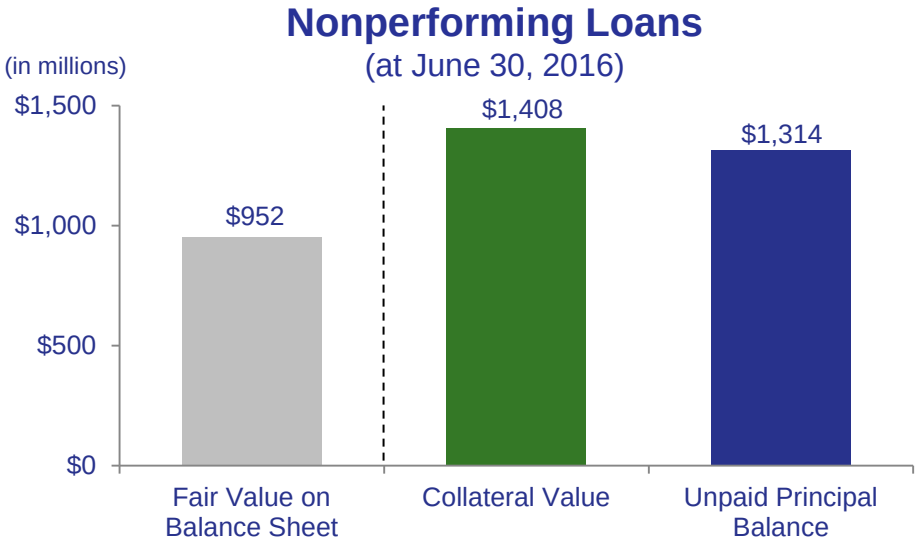
(1) Analysis does not include PMT assets for which interest rates are not a key driver of values, i.e., distressed whole loans and REO. The sensitivity analyses on the slide and the associated commentary are limited in that they are estimates as of June 30, 2016; only reflect movements in interest rates 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.

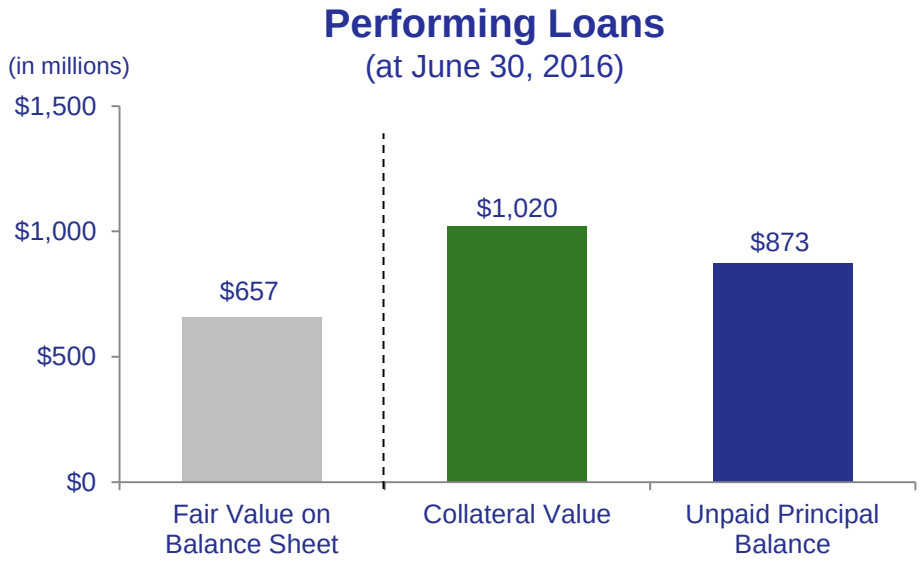
(2) Includes loans acquired for sale and IRLCs, net of associated hedges, Agency and Non-Agency MBS assets

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

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

Carrying Values for PMT's Distressed Whole Loans





- Nonperforming loans are held on average at an approximate 30% discount to current property value – discount net of expected costs earned over expected liquidation timeline, plus additional value from property appreciation and reperformance of rehabilitated loans
- PMT advances funds for items such as property taxes and property preservation to protect the value of its investment in the underlying property; these advances are recovered from the proceeds when the loan is liquidated before loan balances are repaid
- Performing loans provide ongoing cash interest income and, as they season, the opportunity to monetize gains through payoffs, refinances, or loan sales

Distressed Portfolio by Acquisition Period

1Q10	Purchase	2Q16
Balance ($mm)	$ 182.7	24.5
Pool Factor[1]	1.00	0.13
Current	6.2%	26.3%
30	1.6%	13.6%
60	5.8%	3.6%
90+	37.8%	20.1%
FC	46.4%	21.1%
REO	2.3%	15.3%

2Q10	Purchase	2Q16
Balance ($mm)	$ 195.5	23.4
Pool Factor[1]	1.00	0.12
Current	5.1%	27.8%
30	2.0%	12.4%
60	4.1%	1.6%
90+	42.8%	17.0%
FC	45.9%	33.9%
REO	0.0%	7.3%

3Q10	Purchase	2Q16
Balance ($mm)	$ 146.2	16.4
Pool Factor[1]	1.00	0.11
Current	1.2%	36.9%
30	0.4%	12.8%
60	1.3%	5.4%
90+	38.2%	16.4%
FC	58.9%	19.2%
REO	0.0%	9.3%

4Q10	Purchase	2Q16
Balance ($mm)	$ 277.8	37.7
Pool Factor[1]	1.00	0.14
Current	5.0%	36.9%
30	4.0%	11.7%
60	5.1%	3.2%
90+	26.8%	14.6%
FC	59.1%	17.7%
REO	0.0%	16.0%

1Q11	Purchase	2Q16
Balance ($mm)	$ 515.1	108.8
Pool Factor[1]	1.00	0.21
Current	2.0%	25.6%
30	1.9%	4.5%
60	3.9%	2.6%
90+	25.9%	18.8%
FC	66.3%	34.7%
REO	0.0%	13.8%

2Q11	Purchase	2Q16
Balance ($mm)	$ 259.8	58.8
Pool Factor[1]	1.00	0.23
Current	11.5%	29.4%
30	6.5%	7.9%
60	5.2%	3.9%
90+	31.2%	21.8%
FC	43.9%	25.3%
REO	1.7%	11.8%

3Q11	Purchase	2Q16
Balance ($mm)	$ 542.6	97.3
Pool Factor[1]	1.00	0.18
Current	0.6%	28.8%
30	1.3%	8.0%
60	2.0%	2.5%
90+	22.6%	19.1%
FC	73.0%	26.8%
REO	0.4%	14.8%

4Q11	Purchase	2Q16
Balance ($mm)	$ 49.0	18.5
Pool Factor[1]	1.00	0.38
Current	0.2%	40.2%
30	0.1%	4.9%
60	0.2%	0.7%
90+	70.4%	23.5%
FC	29.0%	21.5%
REO	0.0%	9.2%

1Q12
No Pools Purchased in this Quarter.

2Q12	Purchase	2Q16
Balance ($mm)	$ 402.5	93.5
Pool Factor[1]	1.00	0.23
Current	45.0%	35.3%
30	4.0%	10.4%
60	4.3%	4.5%
90+	31.3%	21.8%
FC	15.3%	21.7%
REO	0.1%	6.2%

3Q12	Purchase	2Q16
Balance ($mm)	$ 357.2	105.4
Pool Factor[1]	1.00	0.30
Current	0.0%	23.8%
30	0.0%	2.4%
60	0.1%	1.4%
90+	49.1%	19.2%
FC	50.8%	31.4%
REO	0.0%	21.9%

4Q12	Purchase	2Q16
Balance ($mm)	$ 290.3	102.6
Pool Factor[1]	1.00	0.35
Current	3.1%	35.8%
30	1.3%	8.6%
60	5.4%	4.2%
90+	57.8%	18.9%
FC	32.4%	16.0%
REO	0.0%	16.5%

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

Distressed Portfolio by Acquisition Period (cont.)

1Q13	Purchase	2Q16
Balance ($mm)	$ 366.2	120.2
Pool Factor[1]	1.00	0.33
Current	1.6%	39.0%
30	1.5%	11.2%
60	3.5%	5.0%
90+	82.2%	19.6%
FC	11.2%	13.5%
REO	0.0%	11.6%

2Q13	Purchase	2Q16
Balance ($mm)	$ 397.3	195.1
Pool Factor[1]	1.00	0.49
Current	4.8%	29.0%
30	7.4%	7.4%
60	7.6%	5.7%
90+	45.3%	17.3%
FC	34.9%	22.8%
REO	0.0%	17.8%

3Q13	Purchase	2Q16
Balance ($mm)	$ 929.5	460.8
Pool Factor[1]	1.00	0.50
Current	0.8%	19.5%
30	0.3%	3.4%
60	0.7%	2.2%
90+	58.6%	20.3%
FC	39.6%	31.3%
REO	0.0%	23.3%

4Q13	Purchase	2Q16
Balance ($mm)	$ 507.3	323.8
Pool Factor[1]	1.00	0.64
Current	1.4%	13.5%
30	0.2%	2.0%
60	0.0%	0.8%
90+	38.3%	20.2%
FC	60.0%	40.9%
REO	0.0%	22.6%

1Q14	Purchase	2Q16
Balance ($mm)	$ 439.0	276.9
Pool Factor[1]	1.00	0.63
Current	6.2%	16.3%
30	0.7%	3.4%
60	0.7%	1.1%
90+	37.5%	17.5%
FC	53.8%	44.3%
REO	1.1%	17.4%

2Q14	Purchase	2Q16
Balance ($mm)	$ 37.9	27.9
Pool Factor[1]	1.00	0.74
Current	0.7%	43.7%
30	0.6%	4.2%
60	1.4%	3.4%
90+	59.0%	18.2%
FC	38.2%	13.6%
REO	0.0%	16.9%

3Q14
No Pools Purchased in this Quarter.

4Q14	Purchase	2Q16
Balance ($mm)	$ 330.8	263.9
Pool Factor[1]	1.00	0.80
Current	1.6%	34.7%
30	1.6%	4.8%
60	7.1%	2.5%
90+	52.7%	19.1%
FC	36.9%	28.2%
REO	0.0%	10.7%

1Q15	Purchase	2Q16
Balance ($mm)	$ 310.2	255.9
Pool Factor[1]	1.00	0.82
Current	1.8%	23.8%
30	0.3%	1.4%
60	0.1%	1.6%
90+	66.7%	22.0%
FC	31.1%	34.7%
REO	0.0%	16.5%

No distressed loan acquisitions since 1Q15

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

Correspondent Production Fundings and Locks by Product

($ in millions)	2Q15	3Q15	4Q15	1Q16	2Q16
Fundings					
Conventional	$ 3,553	$ 4,055	$ 3,460	$ 3,253	$ 5,171
Government	8,316	10,348	6,558	6,423	9,433
Jumbo	26	19	12	7	3
Total	**$ 11,895**	**$ 14,421**	**$ 10,030**	**$ 9,683**	**$ 14,607**
Locks					
Conventional	$ 4,404	$ 4,085	$ 3,630	$ 3,857	$ 5,957
Government	9,936	9,483	7,001	6,511	10,023
Jumbo	41	32	14	11	7
Total	**$ 14,381**	**$ 13,599**	**$ 10,645**	**$ 10,379**	**$ 15,988**

Note: Figures may not sum exactly due to rounding

PMT's Investments in GSE Credit Risk Transfer

CRT 2015 -1 (May 2015 - July 2015)	At inception	6/30/2016
UPB in Millions	$1,154	$1,057
Loan Count	4,108	3,880
% Purchase	67.6%	68.6%
WA FICO[(1)]	742	742
WA LTV[(1)]	80.5%	79.8%
60+ Days Delinquent Loan Count		9
60+ Days Delinquent % o/s UPB		0.200%
180+ Days Delinquent Loan Count		0
Actual Losses		0

CRT 2015 -2 (August 2015 - Feburary 2016)	At inception	6/30/2016
UPB in Millions	$4,250	$3,995
Loan Count	15,255	14,656
% Purchase	71.4%	71.8%
WA FICO[(1)]	743	742
WA LTV[(1)]	81.2%	80.9%
60+ Days Delinquent Loan Count		11
60+ Days Delinquent % o/s UPB		0.074%
180+ Days Delinquent Loan Count		0
Actual Losses		0

CRT 2016 -1 (Feburary 2016 - Current)	At inception	6/30/2016
UPB in Millions	$4,227	$3,924
Loan Count	14,115	13,073
% Purchase	67.4%	67.4%
WA FICO[(1)]	748	748
WA LTV[(1)]	81.2%	81.2%
60+ Days Delinquent Loan Count		0
60+ Days Delinquent % o/s UPB		0.000%
180+ Days Delinquent Loan Count		0
Actual Losses		0

Total	At inception	6/30/2016
UPB in Millions	$9,631	$8,976
Loan Count	33,478	31,609
% Purchase	69.3%	69.5%
WA FICO[(1)]	745	745
WA LTV[(1)]	81.0%	80.9%
60+ Days Delinquent Loan Count		20
60+ Days Delinquent % o/s UPB		0.055%
180+ Days Delinquent Loan Count		0
Actual Losses		0

[(1)] FICO and LTV metrics at origination

Net Cash Flows from Existing Investments

Reconciliation of Non-GAAP Financial Measure

($ in thousands)	Quarter Ended				
	June 30, 2016	March 31, 2016	Dec 31, 2015	Sept 30, 2015	June 30, 2015
Cash flows from investing activities[1]	**$222,120**	**$ 93,069**	**$ 81,054**	**$ (22,526)**	**$ 44,642**
Adjustments to remove items:					
Purchase of mortgage-backed securities at fair value	199,223	50,702	22,604	37,095	-
Purchase of mortgage loans at fair value	-	-	-	-	(1,653)
Purchase of excess servicing spread	-	-	102	84,165	140,875
Deposit of restricted cash to secure CRT agreements	126,031	66,706	59,555	87,891	-
Settlements of derivative financial instruments	2,791	2	(1,957)	(1,788)	(2,912)
Margin deposits and restricted cash	19,137	(2,368)	(6,710)	(37,441)	20,211
Net purchase of mortgage servicing rights	106	-	1,975	-	-
Net decrease (increase) in short-term investments	(30,623)	5,635	10,347	(899)	(12,532)
Sale of mortgage-backed securities at fair value	1	-	-	-	-
Sale of excess servicing spread to PFSI		(59,045)			
Bulk sale of mortgage loans at fair value	(344,302)	-	-	-	(1,074)
	$ 194,484	**$ 154,701**	**$ 166,970**	**$ 146,497**	**$ 187,557**
Other adjustments:					
Debt repayment on investment liquidations/sales[2]	$ (148,679)	$ (93,997)	$ (104,158)	$ (93,962)	$ (126,254)
Servicing fees[3]	$ 31,578	$ 28,872	$ 28,131	$ 25,500	$ 25,887
Net interest income from Investment Activities[4]	$ 9,709	$ 18,458	$ 17,198	$ 16,300	$ 11,360
Less capitalized interest	$ (16,421)	$ (23,294)	$ (22,775)	$ (14,849)	$ (9,921)
Expenses[5]	$ (36,666)	$ (28,237)	$ (30,785)	$ (28,114)	$ (28,203)
Net cash flows from existing investments	**$ 34,005**	**$ 56,503**	**$ 54,974**	**$ 51,372**	**$ 60,426**

[1] Quarterly cash flows from investing activities are derived from the Company's year-to-date statements of cash flows
[2] Debt repayment from liquidations calculated based on debt advance rates for each asset type
[3] Revenue component of net loan servicing fees as reported quarterly
[4] Investment Activities segment net interest income from the quarterly segment income statement
[5] Quarterly income statement items excluding noncash items and fulfillment fees

Opportunity in MSR Acquisitions

Why Are MSR Sales Occurring?

- Large servicers may sell MSRs due to continuing operational pressures, higher regulatory capital requirements for banks (treatment under Basel III) and a re-focus on core customers/businesses
- Independent mortgage banks sell MSRs from time to time due to a need for capital

How Do MSRs Come to Market?

- Intermittent large bulk portfolio sales ($10+ billion in UPB)
  - Require considerable coordination with selling institutions and Agencies
- Mini-bulk sales (typically $500 million to $5 billion in UPB)
- Flow/co-issue MSR transactions (monthly commitments, typically $20-100 million in UPB)
  - Alternative delivery method typically from larger independent originators

Which MSR Transactions Are Attractive?

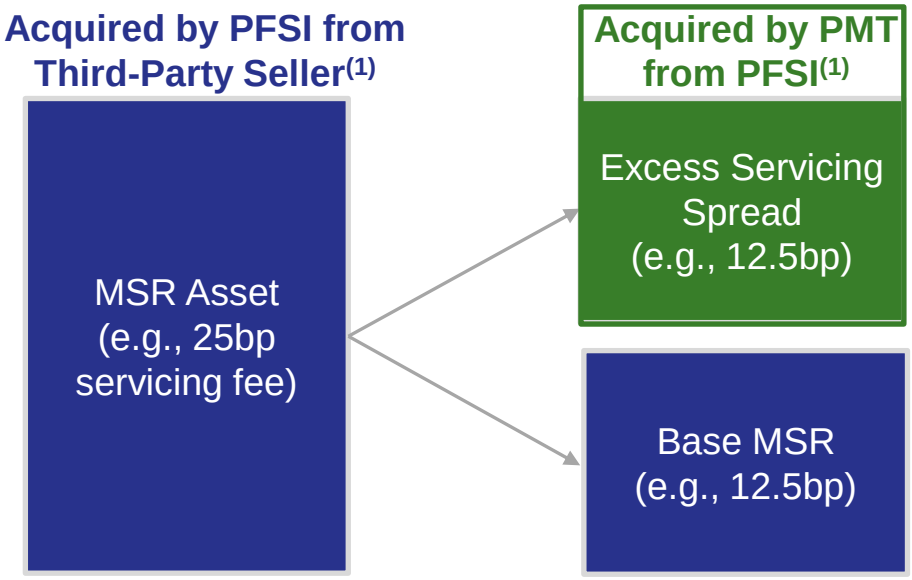
- GSE and Ginnie Mae servicing in which PFSI has distinctive expertise
- MSRs sold and operational servicing transferred to PFSI (not subserviced by a third party)
- Measurable rep and warranty liability for PFSI

PFSI is uniquely positioned be a successful acquirer of MSRs

- Proven track record of complex MSR and distressed loan transfers
- Operational platform that addresses the demands of the Agencies, regulators, and financing partners
- Physical capacity in place to service over $200 billion in UPB
- Potential co-investment opportunity for PMT in the excess servicing spread

PMT's Excess Servicing Spread Investments in Partnership with PFSI

- PMT has co-invested in Agency MSRs acquired from third-party sellers by PFSI; presently only related to Ginnie Mae MSRs
- PMT acquires the right to receive the excess servicing spread cash flows over the life of the underlying loans
- PFSI owns the MSRs and services the loans



Example transaction: actual transaction details may vary materially

Excess Servicing Spread(2)

- Interest income from a portion of the contractual servicing fee
  - Realized yield dependent on prepayment speeds and recapture

Base MSR

- Income from a portion of the contractual servicing fee
- Also entitled to ancillary income
- Bears expenses of performing loan servicing activities
- Required to advance certain payments largely for delinquent loans

(1) The contractual servicer and MSR owner is PennyMac Loan Services, LLC, an indirect subsidiary of PennyMac Financial Services, Inc.
(2) Subject and subordinate to Agency rights (under the related servicer guide); does not change the contractual servicing fee paid by the Agency to the servicer.