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 income; 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.

First Quarter Highlights

- Net income of $28.7 million on net investment income of $64.5 million
  - Diluted earnings per share of $0.40; return on average common equity of 8%
  - Dividend of $0.47 per share declared on March 27, 2017
  - Book value per common share decreased to $20.14 from $20.26 at December 31, 2016
- Results driven by strong contributions from GSE credit risk transfer (CRT) and correspondent production
  - $6.1 million income tax benefit, primarily driven by the underperformance of the distressed loans and real estate acquired upon settlement of loans (REO) held in the taxable REIT subsidiary
  - Correspondent Production results include a benefit from a reduction in the estimate of the liability for representations and warranties
- Segment pretax results: Credit Sensitive Strategies: $19.4 million; Interest Rate Sensitive Strategies: $0.7 million; Correspondent Production: $12.5 million; Corporate: $(10.0) million
- Continued investment in CRT and mortgage servicing rights (MSRs) resulting from PMT's correspondent production business
  - Conventional correspondent loan production totaled $4.6 billion in unpaid principal balance (UPB), down 38% from the prior quarter
  - CRT deliveries totaled $1.8 billion in UPB, which will result in approximately $64 million of new CRT investments once the aggregation period is complete, $16 million of which had been invested at quarter end
  - Added $59 million in new MSRs
- Continued progress in liquidation and sales of the distressed mortgage loan portfolio
  - Cash proceeds from the liquidation and pay down of distressed mortgage loans and REO were $89 million
  - Completed the previously announced sale of $89 million in UPB of performing loans

First Quarter Highlights (continued)

- Issued 4.6 million of 8.125% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Shares, for gross proceeds of $115 million
  - Net proceeds are being used to fund PMT's business and investment activities, pay down indebtedness, repurchase outstanding common shares pursuant to PMT's share repurchase program, and for other general corporate purposes
- Repurchased approximately 139,000 of PMT's common shares at a cost of $2.3 million

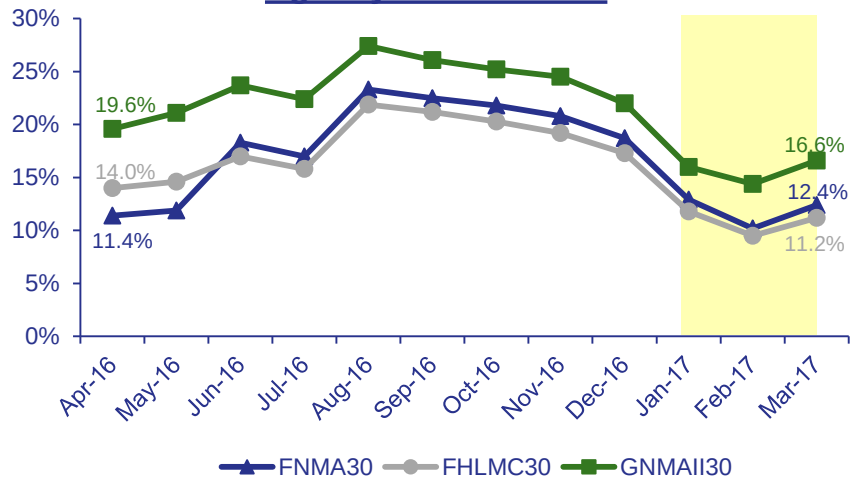
Current Market Environment

- After rising sharply in the fourth quarter of 2016, mortgage rates declined modestly during the first quarter, with the average 30-year fixed rate down from 4.32% at December 29th, 2016, to 4.14% at March 30th, 2017(1)
  - After quarter end, mortgage rates declined further to 4.03% as of April 27th
- Prepayment speeds (CPRs) for Agency MBS slowed significantly in 1Q17 versus 2016 levels(2)
  - CPRs on 30-year Fannie Mae and Freddie Mac MBS averaged 11.8% and 10.8%, respectively, compared to an average of 17.6% and 16.4% during 2016
  - CPRs on Ginnie II MBS averaged 15.7%, compared to an average of 21.6% during 2016
- Home sales slowed in 1Q17 due to typical seasonal factors, but remain at multi-year high levels
  - Modest interest rate decline aiding affordability, although limited inventory remains a challenge
  - Broad-based increase in pending home sales suggests strong spring/summer home buying activity
- The impact of any changes in regulations and policy resulting from the new administration remains uncertain

Average 30-year fixed rate mortgage(1)



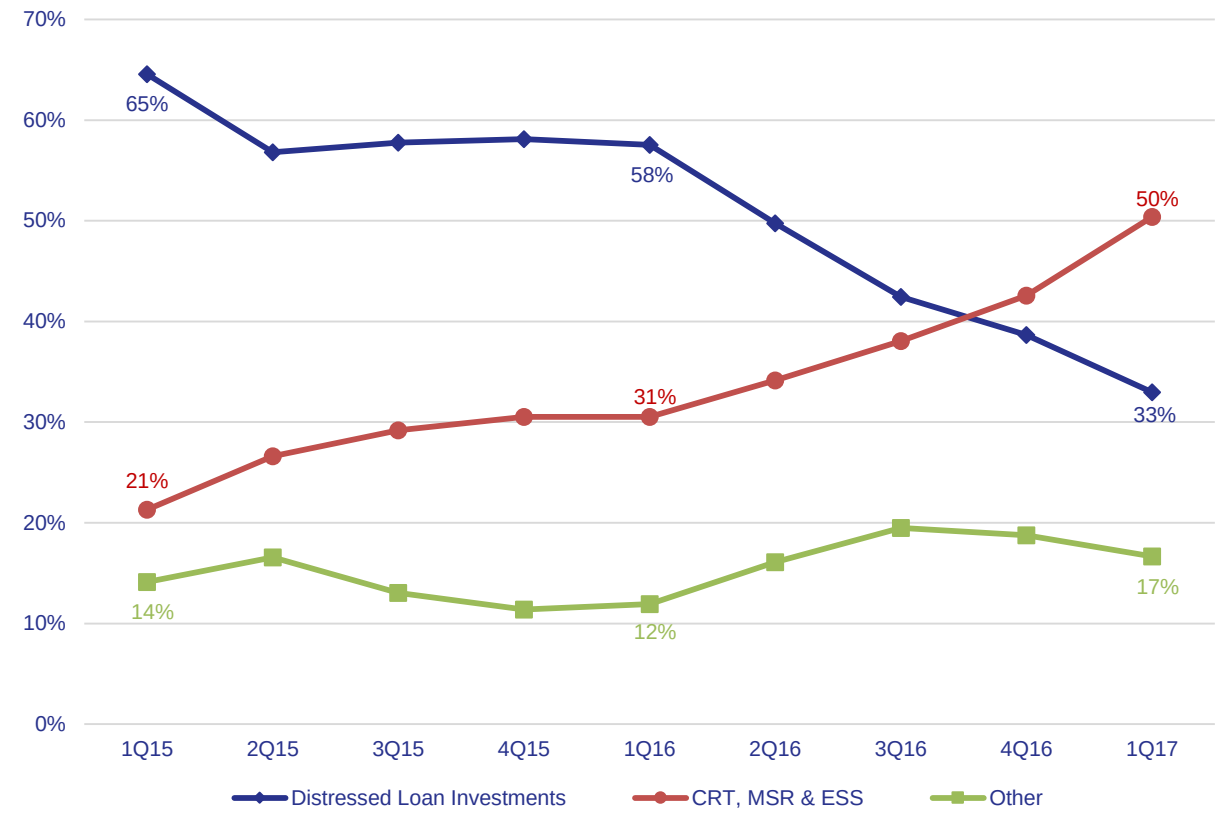
Agency MBS CPRs(2)



(1) Freddie Mac Primary Mortgage Market Survey. 4.03% as of 4/27/2017
(2) Bloomberg

Transitioning to Correspondent-Related Investments in CRT and MSRs

PMT's Equity Allocation[1]



1Q 2015
100% = $1.54 billion

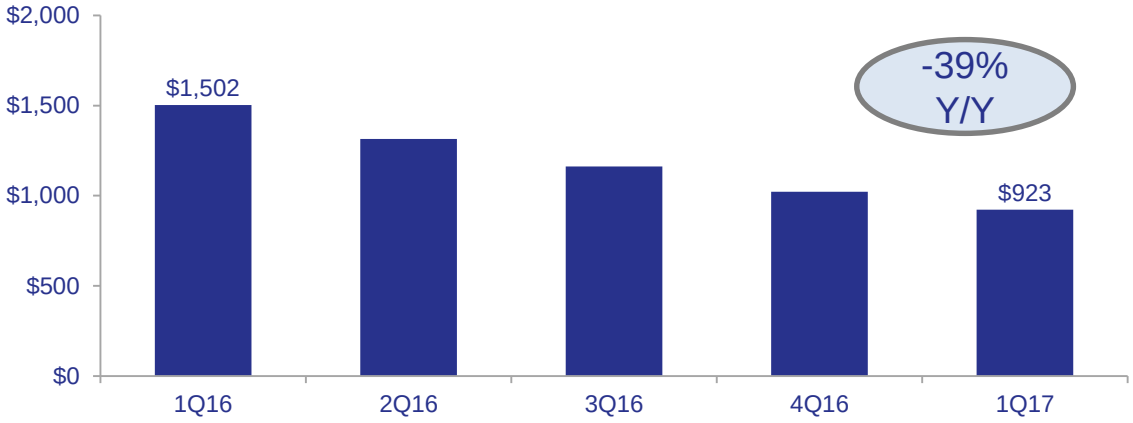
1Q 2017[2]
100% = $1.46 billion

[1] Management's internal allocation of equity. Amounts as of quarter end. Percentages may not sum exactly due to rounding.
[2] Includes $115 million of Preferred Equity

Distressed Loan Portfolio Is Declining Through Liquidation and Sales

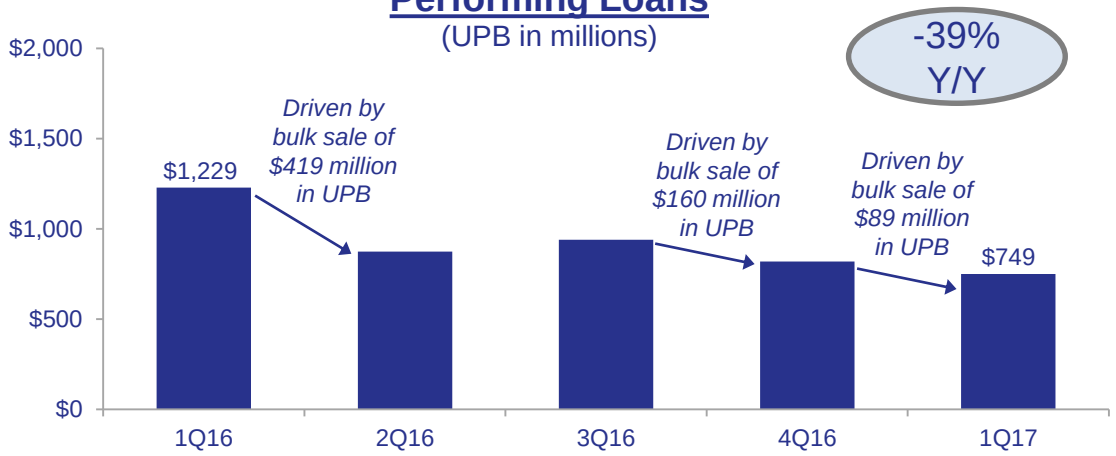
Nonperforming Loans

(UPB in millions)



Performing Loans

(UPB in millions)



First Quarter Income and Return Contributions by Strategy

($ in millions)	Total Income Contribution[1]	Market-Driven Value Changes	Income Excluding Market-Driven Value Changes[1]	WA Equity Allocated[3]	Annualized Return on Equity (ROE)
Credit sensitive strategies:					
Distressed loan investments[2]	$ 2.1	n/a	$ 2.1	$ 523	1.6%
Other credit sensitive strategies					
GSE credit risk transfer	$ 16.9	$ 8.3	$ 8.6		
Non-Agency subordinate bonds	$ 0.3	$ 0.2	$ 0.1		
Commercial real estate finance	$ 0.2	$ 0.0	$ 0.1		
Subtotal net other credit sensitive strategies	$ 17.3	$ 8.5	$ 8.8	$ 199	34.9%
Net credit sensitive strategies	**$ 19.4**	**$ 8.5**	**$ 10.9**	**$ 722**	**10.8%**
Interest rate sensitive strategies:					
MSRs (incl. recapture)[2]	$ 6.9	$ 1.5	$ 5.4		
ESS (incl. recapture)[2]	$ 1.4	$ (2.8)	$ 4.2		
Agency MBS	$ 5.0	$ (1.2)	$ 6.1		
Non-Agency senior MBS (incl. jumbo)	$ 0.3	$ 0.0	$ 0.3		
Interest rate hedges	$ (12.8)	$ (12.8)	n/a		
Net interest rate sensitive strategies	**$ 0.7**	**$ (15.2)**	**$ 16.0**	**$ 478**	**0.6%**
Correspondent production	**$ 12.5**		**$ 12.5**	**$ 62**	**80.5%**
Cash, short term investments, and other	$ 0.3		$ 0.3	$ 115	1.1%
Management fees & corporate expenses	$ (10.4)	n/a	$ (10.4)		
Corporate	**$ (10.0)**	**n/a**	**$ (10.0)**	**$ 115**	**n/a**
Benefit from income taxes	$ 6.1	n/a	$ 6.1		
Net income	**$ 28.7**	**$ (6.7)**	**$ 35.5**	**$ 1,376**	**8.4%**
Dividends on preferred equity	**$ (0.6)**			**$ 28**	**(8.1)%**
Net income attributable to common equity	**$ 28.2**			**$ 1,348**	**8.4%**

Note: Amounts may not sum exactly 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 investments reflects 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	WA Equity Allocated[1]	Annualized Return on Equity (ROE)
Credit sensitive strategies:			
Distressed loan investments[2]	$ 7.8	$ 449	7.0%
Other credit sensitive strategies			
GSE credit risk transfer	$ 9.7	$ 196	19.8%
Non-Agency subordinate bonds	$ 0.1	$ 3	16.8%
Commercial real estate finance	$ 0.3	$ 17	6.4%
Subtotal net other credit sensitive strategies	$ 10.1	$ 216	18.7%
Net credit sensitive strategies	**$ 17.9**	**$ 665**	**10.8%**
Interest rate sensitive strategies:			
MSRs (incl. recapture) [2]	$ 9.0	$ 398	9.0%
ESS (incl. recapture) [2]	$ 3.5	$ 112	12.4%
Agency MBS	$ 6.2	$ 58	42.7%
Non-Agency senior MBS (incl. jumbo)	$ 0.2	$ 1	65.3%
Interest rate hedges	$ (3.1)		
Net interest rate sensitive strategies	**$ 15.8**	**$ 569**	**11.1%**
Correspondent production	**$ 13.3**	**$ 135**	**39.5%**
Cash, short term investments, and other	$ 0.2	$ 81	1.1%
Management fees & corporate expenses	$ (11.0)		
Corporate	**$ (10.8)**	**$ 81**	**n/a**
Provision for income tax expense	$ (1.9)		
Net income	**$ 34.2**	**$ 1,449**	**9.5%**
Dividends on preferred equity	**$ (2.3)**	**$ 115**	**(8.1)%**
Net income attributable to common equity	**$ 31.9**	**$ 1,334**	**9.6%**
Diluted EPS	**$ 0.46**		

- Income potential does not reflect any share repurchases or gain/loss related to fair value changes or from bulk asset sales (e.g., distressed loans)
- Returns on net credit sensitive strategies expected to remain significant, driven by capital allocation to CRT investments
- Returns on net interest rate sensitive strategies expected to improve from recent levels with improved hedge performance
- 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 estimates 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 investments reflects an allocation of exchangeable senior notes and associated expenses

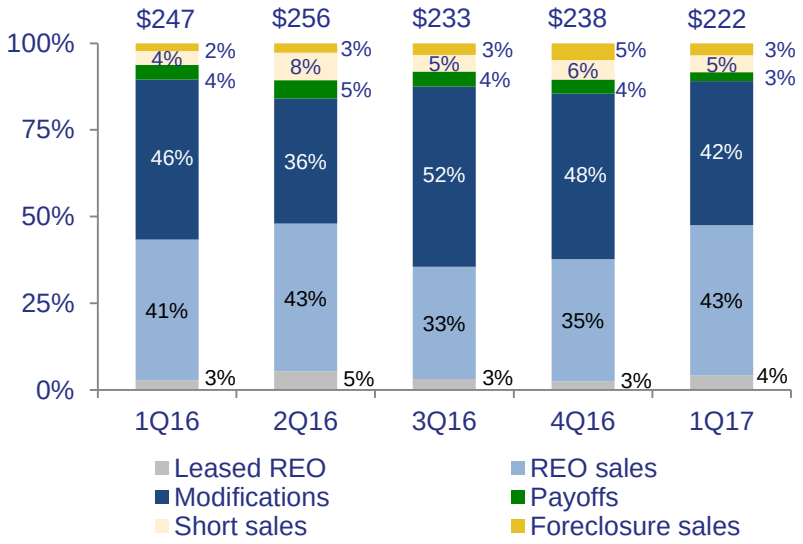
Mortgage Investment Activities



Strong REO Sales Drive Resolution Activities in 1Q17

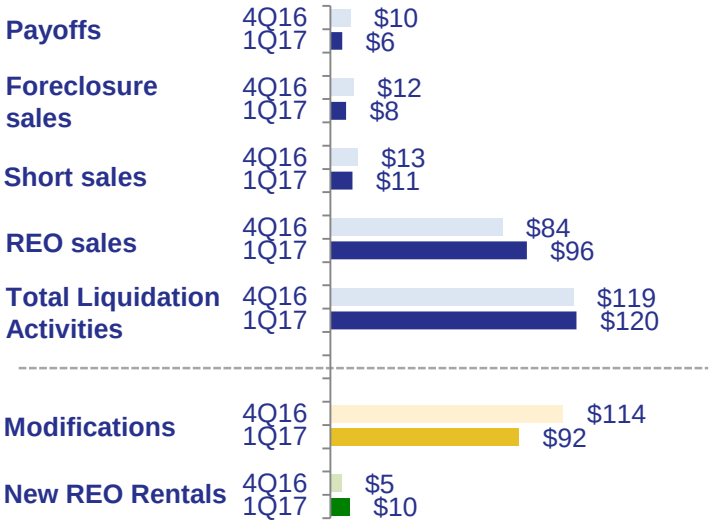
Resolution Activity Over Time

($UPB in millions) (% by Activity Type)



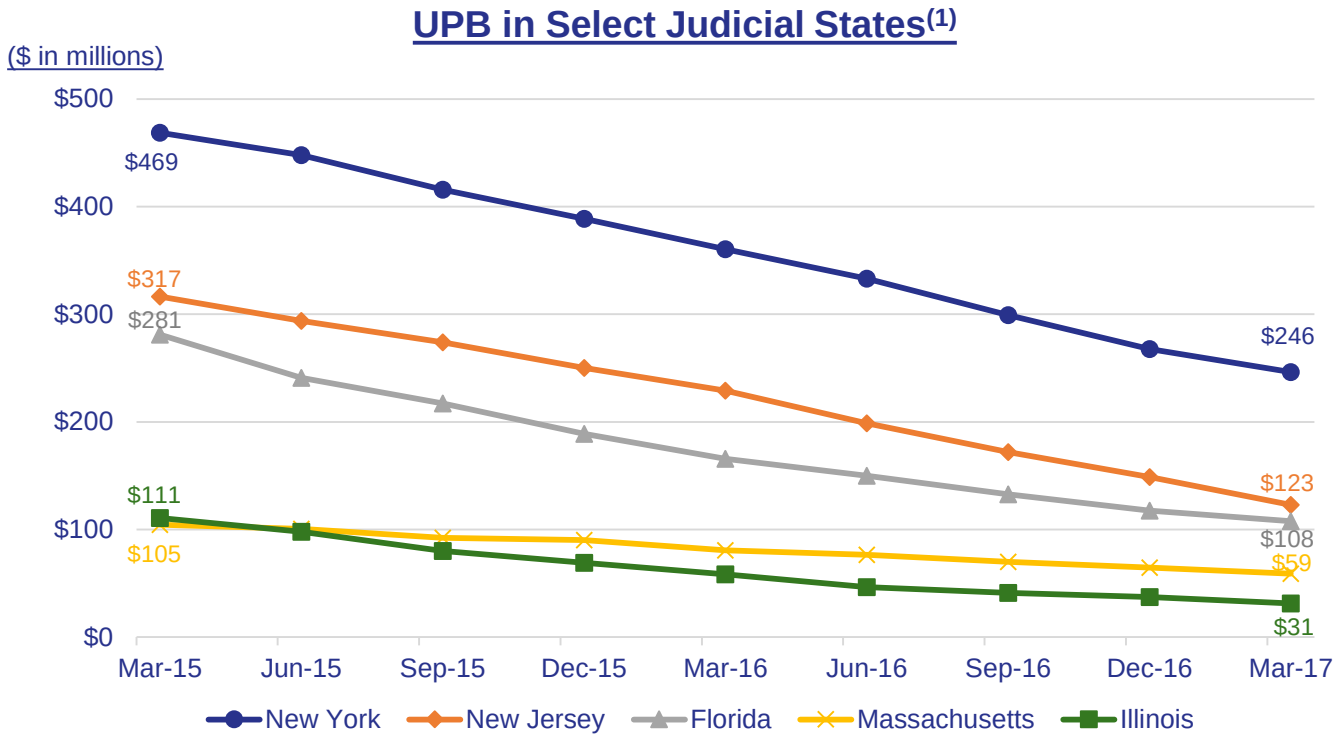
Resolution Activity in the Quarter

($UPB in millions)



- Quarterly resolution activity as a percentage of the nonperforming loans and REO increased to 17%, up from 12% in 1Q16
- Increase in REO property sales reflects successful efforts to resolve the foreclosure pipeline
  - REO inventory decreased to $225 million at March 31, 2017 from $274 million at December 31, 2016
- New REO rentals were $10 million, up from $5 million in 4Q16
- Modifications comprised 42% of total resolution activity, down from 48% of total resolution activity in 4Q16
  - Streamlined modifications totaled $76 million, down from $82 million in 4Q16
  - Reflects a slowdown in the turnover of modification pipeline
  - Introduced new modification program to replace the expired HAMP program

Distressed Loan Investments – Nonperforming Loans in Select Judicial States



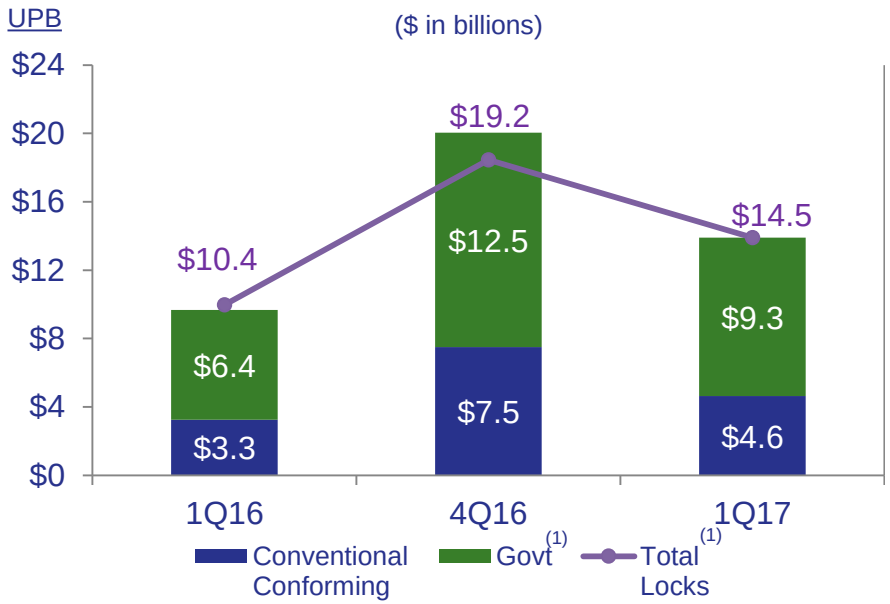
- New York, New Jersey, Florida, Massachusetts and Illinois combined represent over 80% of PMT's judicial state exposure
- Over the last 24 months, PMT has reduced the UPB of loans 90+ days delinquent or in foreclosure in these states from $1.3 billion to $567 million, a 56% reduction
- The primary resolution paths have been foreclosure and modification
- Implemented a "Fresh Start" program to address subperforming borrowers – those borrowers with sporadic payment histories

(1) Includes loans 90+ days delinquent and loans in foreclosure

Correspondent Production Highlights

- Correspondent acquisitions by PMT in 1Q17 totaled $13.9 billion, down 31% Q/Q and up 44% Y/Y
  - 67% government loans; 33% conventional loans
  - 42% Y/Y growth in conventional conforming acquisitions
  - Total lock volume of $14.5 billion, down 25% Q/Q and up 39% Y/Y
- Decline in acquisition volumes resulted from a market reduction in refinance volumes due to higher mortgage rates in addition to a seasonally slow purchase-money market
- April correspondent acquisitions totaled $4.4 billion; locks totaled $4.8 billion
  - Refinance volumes improved due to the recent decline in mortgage rates after quarter end
  - Purchase-money activity improving as we enter the spring / summer home buying season
- Strong growth in seller relationships, which totaled 557 at quarter end
  - Volume from smaller sellers who utilize more of the platform's risk management services, grew to 23% of 1Q17 volume from 17% a year ago

Correspondent Production Volume and Mix



Selected Operational Metrics	4Q16	1Q17
Correspondent seller relationships	522	557
Purchase money loans, as a % of total acquisitions	62%	73%

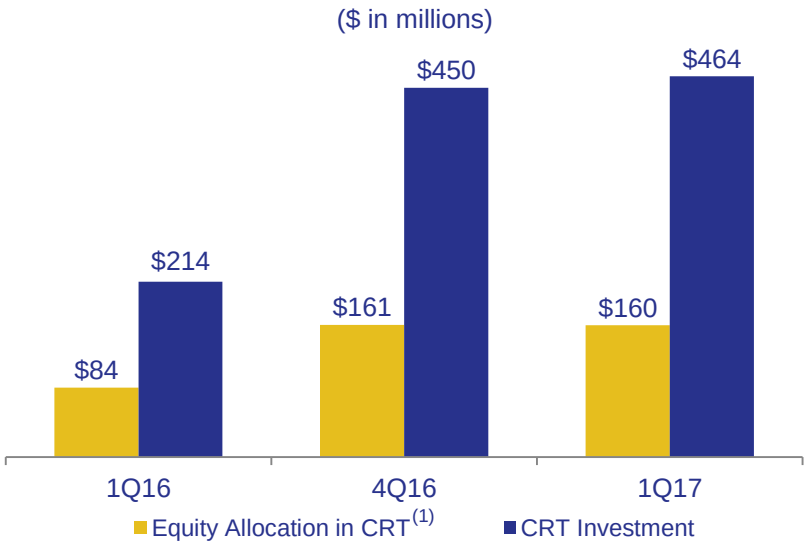
WA FICO	4Q16	1Q17
Government-insured	697	696
Conventional	754	752

(1) 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 grew to $464 million at March 31, 2017
- Completed $1.8 billion in UPB of deliveries in the first quarter, which will result in approximately $64 million of new CRT investments once the aggregation period is complete, $16 million of which had been invested at quarter end
- CRT returns reflect strong underlying investment income and market-driven value changes due to credit spread tightening
- Underlying collateral performance remains strong
  - Losses increased to $149,000 from $90,000 in 4Q16, reflecting loan seasoning
  - See slides 20 and 33 for performance metrics

CRT Investments Outstanding

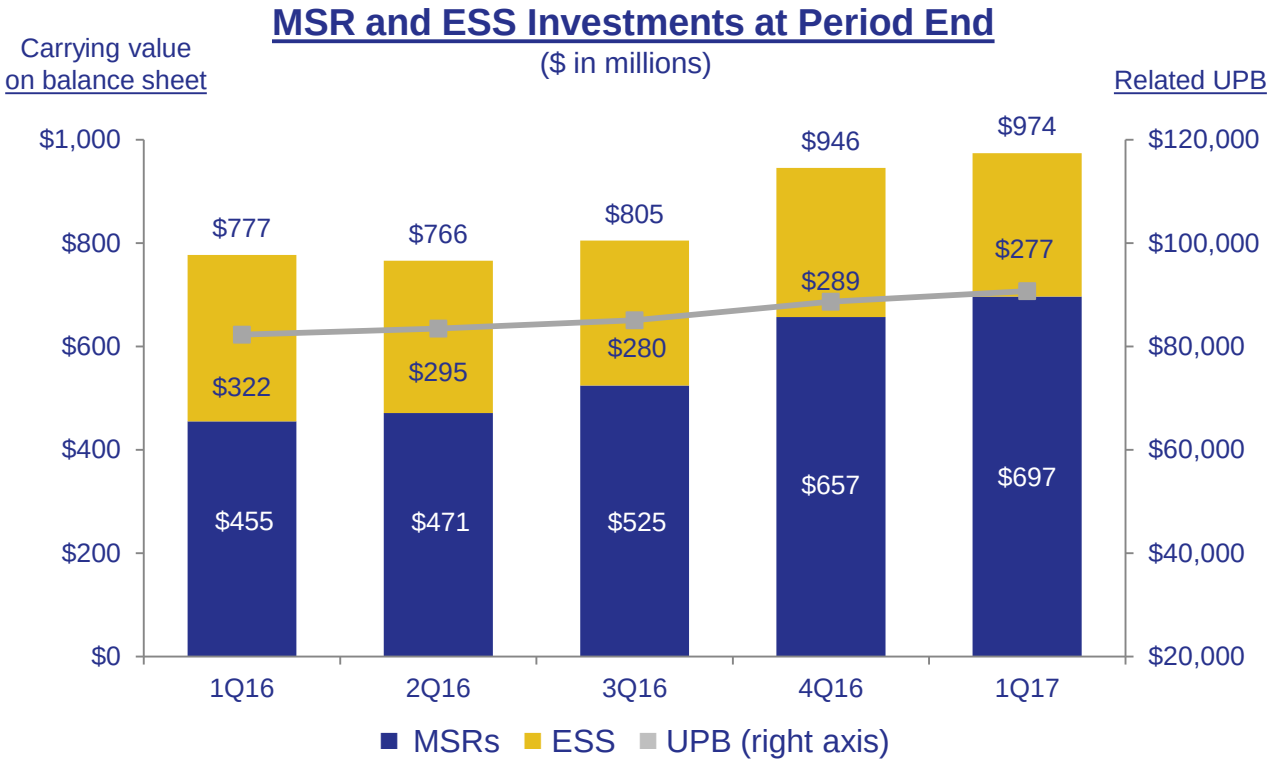


1Q17 Returns on CRT Investments

($ in millions)	Total Income Contribution	Income Excluding Market-Driven Value Changes
Investment income	$16.9	$8.6
Return on average CRT assets	15.9%	8.9%
Return on average CRT equity	38.0%	19.4%

(1) Represents equity allocation net of financing

MSR Investments Continued to Increase in Value



- Organic MSR investments resulting from correspondent production activity increased to $697 million from $657 million at December 31, 2016
- ESS investments resulting from bulk, mini-bulk and flow MSR acquisitions by PennyMac Financial Services, Inc. (NYSE: PFSI) decreased to $277 million from $289 million at December 31, 2016

Financial Results



Pretax Income (Loss) by Operating Segment

Unaudited ($ in millions)

	Credit Sensitive Strategies	Interest Rate Sensitive Strategies	Correspondent Production	Corporate	Total Pretax Income
1Q16	$ 8.3	$ 2.3	$ 11.7	$ (11.2)	$ 11.0
2Q16	$ (13.9)	$ 0.7	$ 17.2	$ (12.2)	$ (8.2)
3Q16	$ 16.6	$ 5.6	$ 32.1	$ (9.3)	$ 45.0
4Q16	$ 6.3	$ 5.4	$ 12.9	$ (10.7)	$ 13.9
1Q17	$ 19.4	$ 0.7	$ 12.5	$ (10.0)	$ 22.6

Note: Figures may not sum exactly due to rounding

Credit Sensitive Strategies Segment Results

Unaudited ($ in thousands)	Quarter Ended December 31, 2016	Quarter Ended March 31, 2017
Revenues:		
Net gain on investments:		
Mortgage loans at fair value	$ (1,036)	$ 3,216
Mortgage-backed securities	(363)	191
CRT Agreements	10,401	18,587
	9,002	21,994
Net interest income:		
Interest income	26,436	20,321
Interest expense	(15,669)	(14,272)
	10,767	6,049
Net (loss) gain on mortgage loans acquired for sale	(252)	14
Net mortgage loan servicing fees	5	14
Other (loss)	(5,364)	(2,268)
	14,158	25,803
Expenses:		
Servicing fees payable to PennyMac		
Financial Services, Inc.	5,738	4,348
Other	2,158	2,028
	7,896	6,376
Pretax income	$ 6,262	$ 19,427

- The Credit Sensitive Strategies Segment includes results from distressed loans, CRT, non-Agency subordinated bonds and multifamily commercial real estate investments
- Segment revenue increased 82% Q/Q to $25.8 million
  - Net gain on investments increased 144% Q/Q to $22.0 million driven by strong gains on CRT, which totaled $18.6 million
  - Other losses decreased 58% Q/Q, primarily due to trailing recoveries on previously sold REO
- Total expenses decreased 19% Q/Q to $6.4 million
  - Reflects lower liquidation fees relative to 4Q16

Performance of the Distressed Mortgage Loan Investments

- Combining net gains/(losses) with net interest income, revenue from distressed loans was $12.3 million, compared with $13.1 million in 4Q16
- Overall, net gains in the distressed mortgage loan portfolio improved versus 4Q16, driven by performance of performing loans
  - The performing loan portfolio valuations benefitted from a strong market for these assets
  - Actual and forecasted home price performance produced a modest positive impact
  - Partially offset by higher than expected recidivism of previously modified NPLs
- Cash proceeds from liquidation and paydown activity on distressed mortgage loans and REO totaled $89 million
  - Accumulated losses on assets liquidated during the quarter were $1.2 million, and net gains on liquidation were $5.4 million
- Completed previously announced performing loan sale generated $74 million in gross cash proceeds and $31 million in net proceeds after debt repayment and related expenses

Net Gains/(Losses) on Mortgage Loans

Unaudited ($ in thousands)	Quarter ended Dec. 31, 2016	Quarter ended March 31, 2017
Valuation Changes:		
Performing loans	$ (619)	$ 5,970
Nonperfoming loans	(1,451)	(3,169)
	(2,070)	**2,801**
Payoffs	174	415
Sales	860	-
	$ (1,036)	**$ 3,216**

Cash Proceeds and Gain on Liquidation

Unaudited ($ in thousands)	Quarter ended March 31, 2017		
	Proceeds	Accumulated gains (losses)[1]	Gain on liquidation[2]
Mortgage loans	$ 25,376	$ 2,980	$ 387
REO	63,201	(4,175)	4,979
Subtotal	88,577	(1,195)	5,366
Distressed Loan Sales[3]	73,536	9,573	45
	$ 162,113	**$ 8,378**	**$ 5,411**

[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
[3] Excludes $14.8 million in proceeds received during the quarter ended March 31, 2017 from the sale of seasoned loans originally acquired in our correspondent production business

Credit Risk Transfer – Income Statement and Balance Sheet Treatment

Unaudited

($ in thousands)	Since Inception[1]	
UPB of mortgage loans transferred under CRT Agreements	$ 17,627,735	Total UPB of loans delivered to the CRT SPVs and sold to Fannie Mae
Deposits of restricted cash to secure guarantees	$ 469,746	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	$ 33,417	Cash income to PMT from the CRT SPVs
Resulting from valuation changes	$ 19,983	Gains and losses resulting from valuation changes represent fair value
	$ 53,400	
Payments made to settle losses	$ 239	Payments made to Fannie Mae, from pledged cash, for losses on loans underlying the CRT agreements

	At Mar. 31, 2017	
UPB of mortgage loans subject to guarantee obligation	$ 15,978,755	Current outstanding UPB of loans delivered to the CRT SPVs and sold to Fannie Mae
Delinquency		
Current to 89 days delinquent	$ 15,964,687	
90 or more days delinquent	$ 10,438	
Foreclosure	$ 3,630	
Carrying value of CRT agreements		
Restricted cash included in Other assets	$ 463,836	Current cash collateralizing guarantee included in "Deposits securing credit risk transfer agreements"
Net derivative included in Derivative assets	$ 25,629	Derivative represents net value of expected future cash inflows related to assumption of credit risk and expected future losses
Commitments to fund Deposits securing CRT Agreements	$ 149,220	Adjustment to timing of cash flows in the most recent CRT commitment allows more efficient deployment of capital during the aggregation period

[1] Cumulative for the eight quarters ending 3/31/2017

Interest Rate Sensitive Strategies Segment Results

Unaudited ($ in thousands)	Quarter Ended December 31, 2016	Quarter Ended March 31, 2017
Revenues:		
Net gain (loss) on investments:		
Mortgage-backed securities	$ (22,752)	$ (51)
Mortgage loans held by variable interest entity net of asset-backed secured financing	(347)	292
Hedging derivatives	7,496	(4,144)
Excess servicing spread investment[1]	18,881	(1,370)
	3,278	(5,273)
Net interest income		
Interest income	14,524	16,102
Interest expense	(13,687)	(15,006)
	837	1,096
Net mortgage loan servicing fees	7,778	11,738
	11,893	7,561
Expenses:		
Loan servicing fees payable to PennyMac Financial Services, Inc.	5,934	6,133
Other	601	684
	6,535	6,817
Pretax income	$ 5,358	$ 744

[1] Includes $1.6 million in recapture income payable to PMT in 1Q17

- The Interest Rate Sensitive Strategies Segment includes investments in MSRs, ESS, Agency MBS, non-Agency senior MBS and related interest rate hedges
- Segment revenue decreased 36% Q/Q to $7.6 million
  - Income from the segment's assets were largely offset by losses on interest rate hedges
  - Significant volatility during the quarter drove increased hedge costs and inconsistent movements of the swaps, Treasury, and mortgage markets led to mismatches between asset and hedge performance
- Total expenses increased 4% Q/Q to $6.8 million
  - Reflects a larger servicing portfolio versus 4Q16

Valuation of MSRs and Excess Servicing Spread (ESS)

Unaudited ($ in millions)	Mortgage Servicing Rights			Excess Servicing Spread[1]
At 3/31/17	At lower of amortized cost or fair value	At fair value	Total	Fair value
Pool UPB	$53,355	$6,195	$59,550	$31,155
Pool weighted average coupon	3.81%	4.70%	3.90%	4.18%
Pool prepayment speed assumption (CPR)	7.7%	10.6%	8.0%	10.3%
Weighted average servicing fee/spread	0.25%	0.25%	0.25%	0.19%
Fair value	$662.6	$69.6	$732.2	$277.5
As multiple of servicing fee	4.90	4.45	4.86	4.76
Carrying (accounting) value	$627.3	$69.6	$696.9	$277.5
Fair value in excess of carrying value	**$35.3**			

- 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 $35.3 million in excess of the carrying value at March 31, 2017, compared with $33.9 million at December 31, 2016

[1] Pool UPB, weighted average coupon and expected prepayment speed represent the characteristics of the underlying MSR portfolio owned by PennyMac Financial. Weighted average servicing spread, fair value and valuation multiple relate to the ESS asset owned by PMT

Correspondent Production Segment Results

Unaudited ($ in thousands)	Quarter Ended Dec. 31, 2016	As % of Interest Rate Lock Commitments[1]	Quarter Ended Mar. 31, 2017	As % of Interest Rate Lock Commitments[1]
Revenues:				
Net gain on mortgage loans acquired for sale	$ 23,561	0.34%	$ 19,011	0.37%
Net interest income				
Interest income	16,695	0.24%	11,357	0.22%
Interest expense	(11,485)	-0.17%	(7,901)	-0.15%
	5,210	0.08%	3,456	0.07%
Other income	13,905	0.20%	8,317	0.16%
	42,676	0.62%	30,784	0.59%
Expenses:				
Loan fulfillment and servicing fees payable to PennyMac Financial Services, Inc.	27,188	0.39%	16,575	0.32%
Other	2,578	0.04%	1,737	0.03%
	29,766	0.43%	18,312	0.35%
Pretax income	**$ 12,910**	**0.19%**	**$ 12,472**	**0.24%**

- Segment revenue totaled $30.8 million, a 28% decrease from 4Q16, driven by lower lock volumes and margins
  - 1Q17 volume and margins reflect increased competition in a smaller market due to the significant decline in refinancing activity from higher mortgage rates and a seasonally slow purchase market
  - Net gain on mortgage loans acquired for sale includes a $4.6 million benefit from a reduction in the estimate of the liability for representations and warranties
- Fulfillment fees paid for the quarter were 36bp, unchanged from 4Q16[2]
- Total expenses decreased 38% Q/Q to $18.3 million driven by lower acquisition volume-based fulfillment fee expense

[1] Conventional conforming and jumbo interest rate lock commitments
[2] Fulfillment fees are based on funding volumes. Effective September 12, 2016, the contractual fulfillment fee is 0.35% for conventional loans sold to the Agencies, and 0.85% for all other loans.

Corporate Segment Results

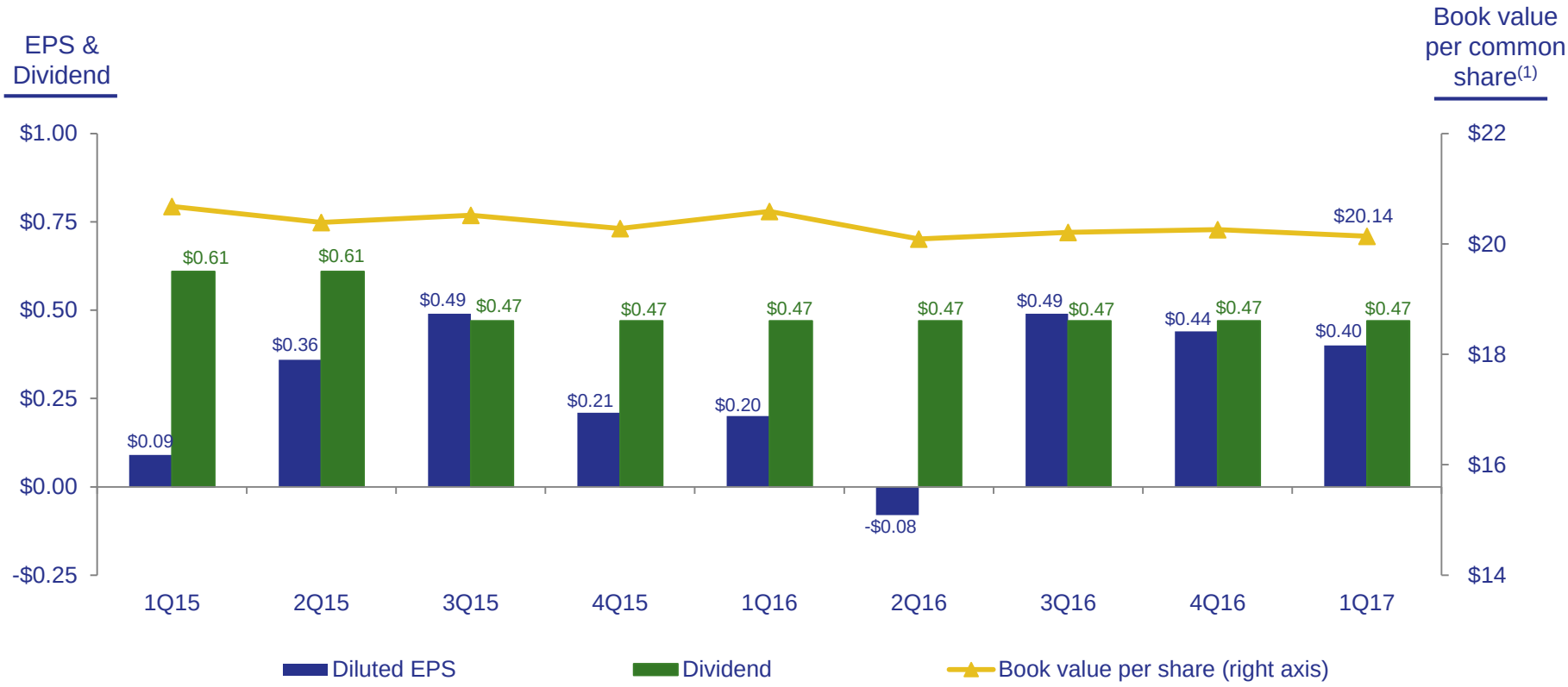
Unaudited ($ in thousands)	Quarter Ended December 31, 2016	Quarter Ended March 31, 2017
Revenues:		
Net interest income		
Interest income	$ 201	$ 320
Interest expense	-	-
	201	320
Other income	-	6
	201	326
Expenses:		
Management fees payable to PennyMac Financial Services, Inc.	5,081	5,008
Other expenses		
Common overhead allocation from PFSI	1,485	1,434
Compensation and professional services	2,923	2,830
Technology	403	318
Insurance	389	338
Other	586	432
	10,866	10,361
Pretax loss	$ (10,665)	$ (10,035)

- The Corporate Segment includes interest income from certain cash and short-term investments, management fees and corporate expenses
- Segment revenue increased to $326,000 from $201,000 in 4Q16
  - Interest income increased due to higher cash balances in 1Q17
- Total expenses decreased 5% Q/Q to $10.4 million

Appendix



PMT EPS, Dividends and Book Value Per Common Share Over Time

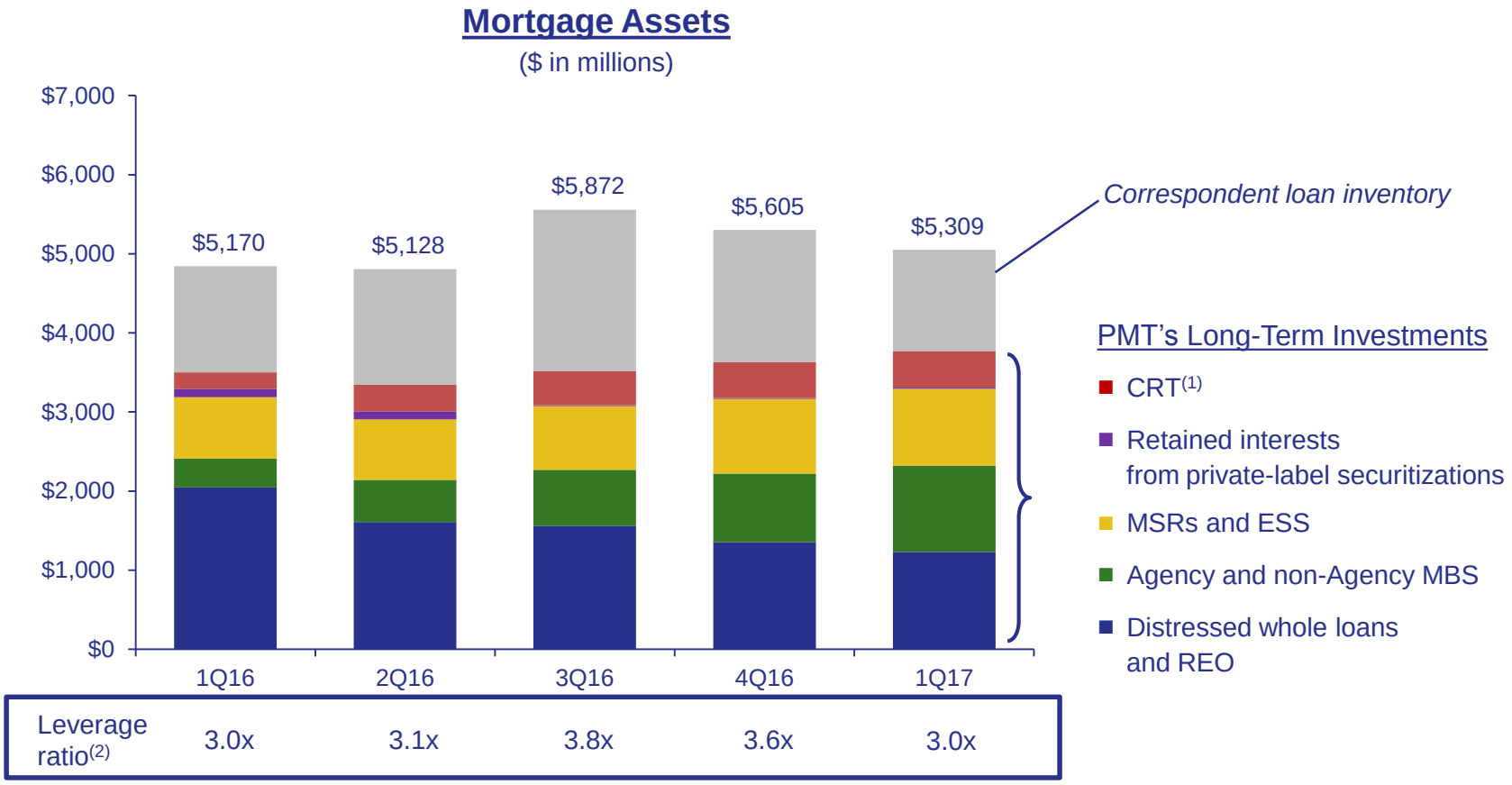


Return on Avg. Common Equity(2)	2%	7%	10%	4%	4%	(1)%	10%	9%	8%

(1) At period end.

(2) Return on average common equity is calculated based on annualized quarterly net income attributable to common shareholders as a percentage of monthly average common equity during the period.

PMT's Mortgage Assets and Leverage Ratio Over Time



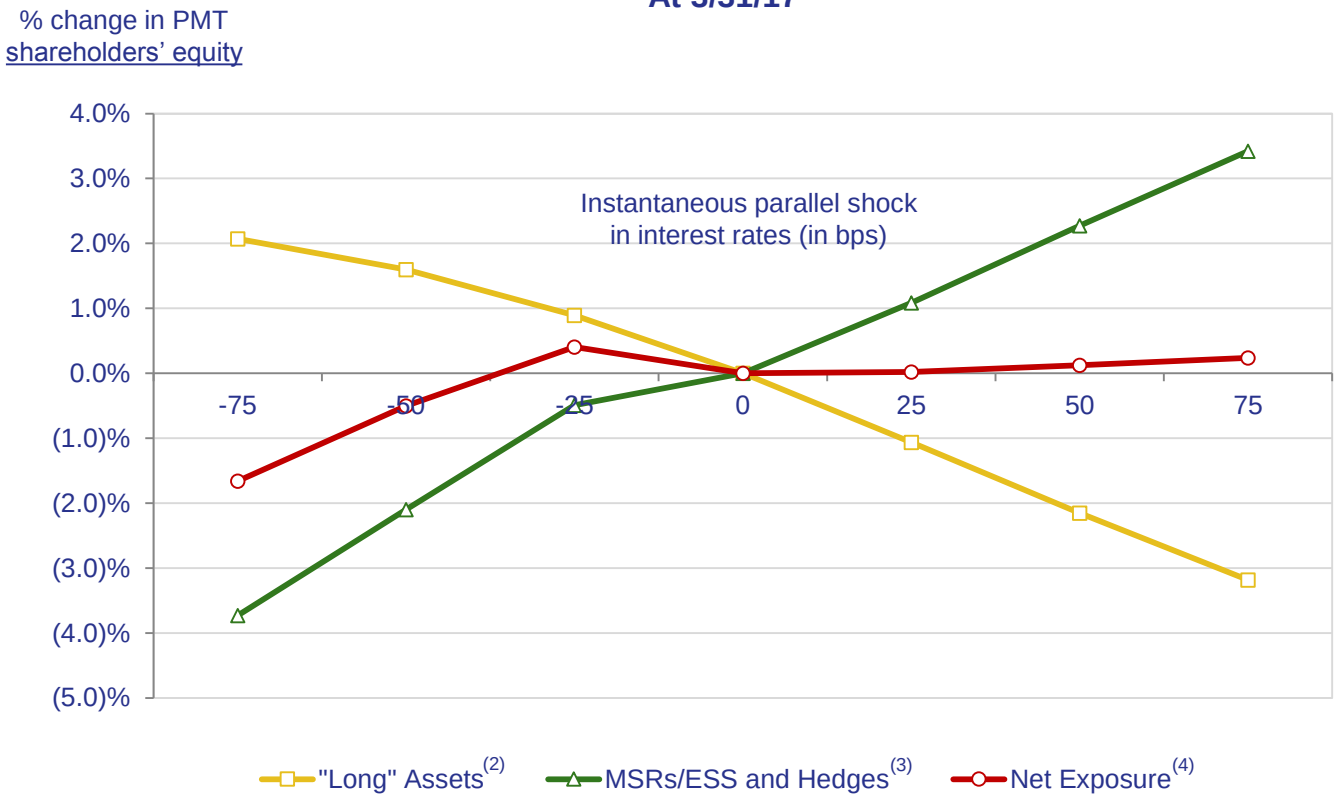
(1) The fair value of CRT investments is reflected on the balance sheet as restricted cash and a net derivative asset included in derivative assets

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

Management of PMT's Interest Rate Risk[1]

Estimated Sensitivity to Changes in Interest Rates

At 3/31/17



- PMT's interest rate risk exposure is managed on a "global" basis
  - Disciplined hedging
  - Multiple mortgage-related investment strategies with complementary interest rate sensitivities
  - Utilization of financial hedge instruments
  - Also considers recapture benefit on MSRs and ESS and revenue opportunities from correspondent production

[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 March 31, 2017; 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.

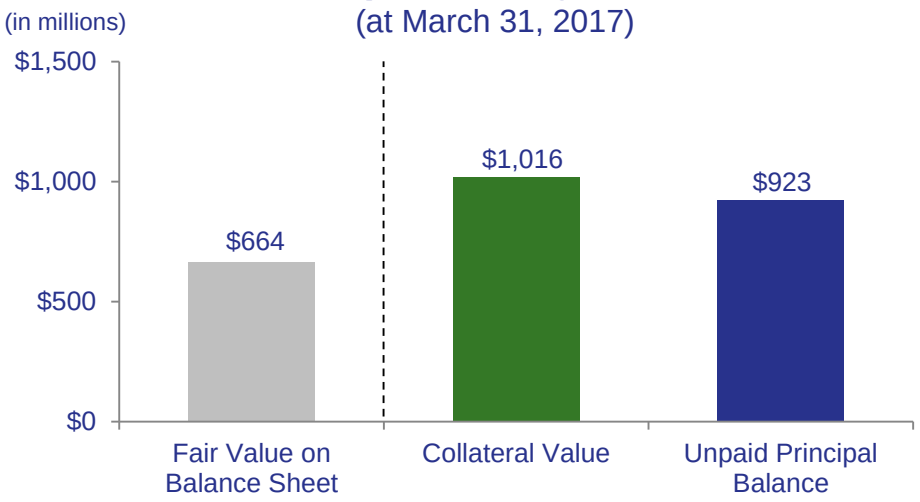
[2] Includes loans acquired for sale and IRLCs, net of associated hedges, Agency and Non-Agency MBS assets

[3] Includes MSRs, ESS, and hedges which include put and call options on MBS, Eurodollar futures, Treasury futures, and Exchange-traded swaps

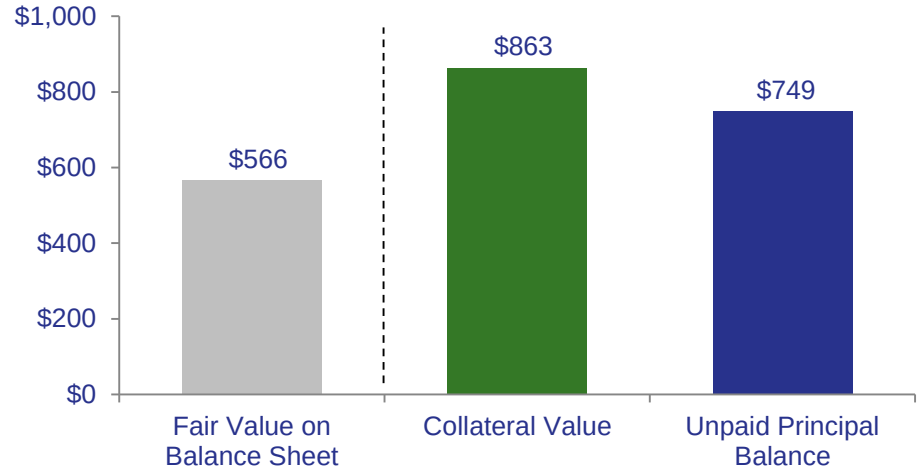
[4] Net exposure represents the net position of the "Long" Assets and the MSRs/ESS and Hedges

Carrying Values for PMT's Distressed Whole Loans

Nonperforming Loans
(at March 31, 2017)



Performing Loans
(at March 31, 2017)



- Nonperforming loans are held on average at a 35% discount to current property value – fair value considers costs expected over the liquidation timeline, expected property appreciation and reperformance probability
- 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 or from borrower reperformance either through modification of the loan or reinstatement of the loan to current status
- 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	1Q17
Balance ($mm)	$ 182.7	20.5
Pool Factor[1]	1.00	0.11
Current	6.2%	39.3%
30	1.6%	12.9%
60	5.8%	3.6%
90+	37.8%	15.0%
FC	46.4%	20.7%
REO	2.3%	8.5%

2Q10	Purchase	1Q17
Balance ($mm)	$ 195.5	20.1
Pool Factor[1]	1.00	0.10
Current	5.1%	42.6%
30	2.0%	5.8%
60	4.1%	2.1%
90+	42.8%	17.1%
FC	45.9%	23.3%
REO	0.0%	9.0%

3Q10	Purchase	1Q17
Balance ($mm)	$ 146.2	12.2
Pool Factor[1]	1.00	0.08
Current	1.2%	22.2%
30	0.4%	8.9%
60	1.3%	0.0%
90+	38.2%	37.6%
FC	58.9%	25.8%
REO	0.0%	5.5%

4Q10	Purchase	1Q17
Balance ($mm)	$ 277.8	26.1
Pool Factor[1]	1.00	0.09
Current	5.0%	31.3%
30	4.0%	12.2%
60	5.1%	5.3%
90+	26.8%	21.7%
FC	59.1%	14.6%
REO	0.0%	15.0%

1Q11	Purchase	1Q17
Balance ($mm)	$ 515.1	81.4
Pool Factor[1]	1.00	0.16
Current	2.0%	27.8%
30	1.9%	6.0%
60	3.9%	2.6%
90+	25.9%	20.2%
FC	66.3%	28.6%
REO	0.0%	14.8%

2Q11	Purchase	1Q17
Balance ($mm)	$ 259.8	47.6
Pool Factor[1]	1.00	0.18
Current	11.5%	33.0%
30	6.5%	11.8%
60	5.2%	3.6%
90+	31.2%	23.1%
FC	43.9%	17.0%
REO	1.7%	11.4%

3Q11	Purchase	1Q17
Balance ($mm)	$ 542.6	74.8
Pool Factor[1]	1.00	0.14
Current	0.6%	32.5%
30	1.3%	5.7%
60	2.0%	6.9%
90+	22.6%	18.1%
FC	73.0%	22.9%
REO	0.4%	13.8%

4Q11	Purchase	1Q17
Balance ($mm)	$ 49.0	14.9
Pool Factor[1]	1.00	0.30
Current	0.2%	36.3%
30	0.1%	8.0%
60	0.2%	2.2%
90+	70.4%	25.4%
FC	29.0%	14.2%
REO	0.0%	14.0%

1Q12
No Pools Purchased in this Quarter.

2Q12	Purchase	1Q17
Balance ($mm)	$ 402.5	76.5
Pool Factor[1]	1.00	0.19
Current	45.0%	31.6%
30	4.0%	12.9%
60	4.3%	4.2%
90+	31.3%	23.5%
FC	15.3%	21.7%
REO	0.1%	6.0%

3Q12	Purchase	1Q17
Balance ($mm)	$ 357.2	82.2
Pool Factor[1]	1.00	0.23
Current	0.0%	25.5%
30	0.0%	6.2%
60	0.1%	1.6%
90+	49.1%	15.5%
FC	50.8%	27.9%
REO	0.0%	23.4%

4Q12	Purchase	1Q17
Balance ($mm)	$ 290.3	75.7
Pool Factor[1]	1.00	0.26
Current	3.1%	32.6%
30	1.3%	12.5%
60	5.4%	5.2%
90+	57.8%	14.5%
FC	32.4%	21.0%
REO	0.0%	14.2%

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

Distressed Portfolio by Acquisition Period (cont.)

1Q13	Purchase	1Q17
Balance ($mm)	$ 366.2	93.1
Pool Factor[1]	1.00	0.25
Current	1.6%	41.8%
30	1.5%	13.2%
60	3.5%	6.6%
90+	82.2%	17.2%
FC	11.2%	11.8%
REO	0.0%	9.5%

2Q13	Purchase	1Q17
Balance ($mm)	$ 397.3	148.9
Pool Factor[1]	1.00	0.37
Current	4.8%	34.2%
30	7.4%	8.4%
60	7.6%	5.1%
90+	45.3%	19.0%
FC	34.9%	15.9%
REO	0.0%	17.4%

3Q13	Purchase	1Q17
Balance ($mm)	$ 929.5	352.4
Pool Factor[1]	1.00	0.38
Current	0.8%	24.3%
30	0.3%	4.4%
60	0.7%	2.0%
90+	58.6%	21.7%
FC	39.6%	24.0%
REO	0.0%	23.5%

4Q13	Purchase	1Q17
Balance ($mm)	$ 507.3	262.8
Pool Factor[1]	1.00	0.52
Current	1.4%	20.6%
30	0.2%	3.4%
60	0.0%	1.9%
90+	38.3%	20.5%
FC	60.0%	30.7%
REO	0.0%	22.8%

1Q14	Purchase	1Q17
Balance ($mm)	$ 439.0	232.8
Pool Factor[1]	1.00	0.53
Current	6.2%	19.5%
30	0.7%	2.6%
60	0.7%	1.4%
90+	37.5%	22.4%
FC	53.8%	33.3%
REO	1.1%	20.8%

2Q14	Purchase	1Q17
Balance ($mm)	$ 37.9	20.5
Pool Factor[1]	1.00	0.54
Current	0.7%	48.3%
30	0.6%	5.1%
60	1.4%	0.6%
90+	59.0%	23.9%
FC	38.2%	12.3%
REO	0.0%	9.8%

3Q14
No Pools Purchased in this Quarter.

4Q14	Purchase	1Q17
Balance ($mm)	$ 330.8	192.0
Pool Factor[1]	1.00	0.58
Current	1.6%	35.4%
30	1.6%	7.6%
60	7.1%	1.6%
90+	52.7%	22.1%
FC	36.9%	20.7%
REO	0.0%	12.6%

1Q15	Purchase	1Q17
Balance ($mm)	$ 310.2	190.1
Pool Factor[1]	1.00	0.61
Current	1.8%	22.1%
30	0.3%	4.9%
60	0.1%	2.3%
90+	66.7%	28.0%
FC	31.1%	25.5%
REO	0.0%	17.0%

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)	1Q16	2Q16	3Q16	4Q16	1Q17
Fundings					
Conventional	$ 3,253	$ 5,171	$ 7,263	$ 7,492	$ 4,632
Government	6,423	9,433	11,657	12,544	9,280
Jumbo	7	3	1	-	-
Total	**$ 9,683**	**$ 14,607**	**$ 18,920**	**$ 20,036**	**$ 13,912**
Locks					
Conventional	$ 3,857	$ 5,957	$ 8,687	$ 6,925	$ 5,184
Government	6,511	10,023	12,868	12,289	9,292
Jumbo	11	7	2	-	-
Total	**$ 10,379**	**$ 15,988**	**$ 21,558**	**$ 19,215**	**$ 14,476**

Note: Figures may not sum exactly due to rounding

PMT's Investments in GSE Credit Risk Transfer

($ in billions)

CRT 2015 -1 (May 2015 - July 2015)	At inception	3/31/2017
UPB	$ 1.3	$ 0.9
Loan Count	4,108	3,439
% Purchase	67.6%	69.3%
WA FICO[1]	742	742
WA LTV[1]	80.5%	78.8%
60+ Days Delinquent Loan Count		17
60+ Days Delinquent % o/s UPB		0.490%
180+ Days Delinquent Loan Count		3
Actual Losses ($k)		$ 64

CRT 2015 -2 (August 2015 - Feburary 2016)	At inception	3/31/2017
UPB	$ 4.2	$ 3.4
Loan Count	15,255	12,950
% Purchase	71.4%	72.4%
WA FICO[1]	743	742
WA LTV[1]	81.2%	79.9%
60+ Days Delinquent Loan Count		42
60+ Days Delinquent % o/s UPB		0.337%
180+ Days Delinquent Loan Count		6
Actual Losses ($k)		$ 132

CRT 2016 -1 (Feburary 2016 - August 2016)	At inception	3/31/2017
UPB	$ 6.4	$ 6.1
Loan Count	21,615	20,771
% Purchase	67.4%	68.9%
WA FICO[1]	748	748
WA LTV[1]	81.2%	80.1%
60+ Days Delinquent Loan Count		18
60+ Days Delinquent % o/s UPB		0.091%
180+ Days Delinquent Loan Count		3
Actual Losses ($k)		$ 43

CRT 2016 -2 (August 2016 - Current)	At inception	3/31/2017
UPB	$ 5.7	$ 5.7
Loan Count	18,735	18,735
% Purchase	64.1%	64.1%
WA FICO[1]	750	750
WA LTV[1]	80.2%	80.2%
60+ Days Delinquent Loan Count		6
60+ Days Delinquent % o/s UPB		0.035%
180+ Days Delinquent Loan Count		-
Actual Losses ($k)		$ -

Total	At inception	3/31/2017
UPB	$ 17.6	$ 16.0
Loan Count	59,713	55,895
% Purchase	67.8%	68.1%
WA FICO[1]	747	747
WA LTV[1]	80.6%	80.0%
60+ Days Delinquent Loan Count		83
60+ Days Delinquent % o/s UPB		0.147%
180+ Days Delinquent Loan Count		12
Actual Losses ($k)		$ 239

[1] FICO and LTV metrics at origination

Net Cash Flows from Existing Investments

Reconciliation of Non-GAAP Financial Measure

($ in thousands)	Quarter Ended				
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Cash flows from investing activities[1]	$ 42,023	$ 25,713	$ (146,950)	$ 222,120	$ 93,069
Adjustments to remove items:					
Purchase of mortgage-backed securities at fair value	251,872	213,813	301,729	199,223	50,702
Sale of mortgage-backed securities at fair value	(26,123)	(34,038)	(123,329)	(35,293)	(13,848)
Sale of mortgage loans at fair value	-	-	(891)	-	-
Purchase of excess servicing spread	-	-	-	-	-
Deposit of cash securing CRT agreements	15,793	24,073	89,697	126,031	66,706
Net settlement of derivative financial instruments	28	1,139	3,284	2,791	2
Change in margin deposits and restricted cash	36,267	(43,079)	(13,752)	19,137	(2,368)
Net purchase of mortgage servicing rights	62	137	-	(106)	2,602
Net decrease (increase) in short-term investments	(102,205)	88,735	16,476	(30,623)	5,635
Sale of excess servicing spread to PFSI	-	-	-	-	(59,045)
Bulk sale of mortgage loans at fair value	(88,872)	(139,449)	-	(344,302)	-
	$ 128,845	$ 137,044	$ 126,264	$ 158,978	$ 143,455
Other adjustments:					
Debt repayment on investment liquidations/sales[2]	$ (82,878)	$ (87,932)	$ (75,728)	$ (119,386)	$ (82,503)
Servicing fees[3]	38,505	37,079	34,304	31,578	28,872
Net interest income from Investment Activities[4]	7,145	11,563	12,327	9,709	18,458
Less capitalized interest	(9,903)	(22,037)	(23,068)	(16,421)	(23,294)
Expenses[5]	(25,296)	(27,899)	(31,057)	(36,666)	(28,237)
Net cash flows from existing investments	$ 56,418	$ 47,818	$ 43,042	$ 27,792	$ 56,751

[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?

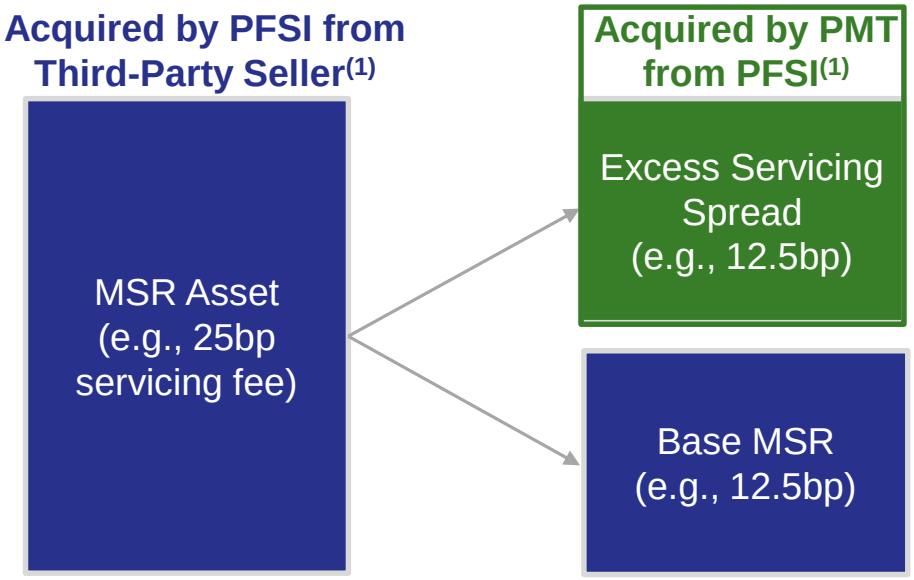
- GSE and Ginnie Mae servicing in which PFSI has distinctive expertise
- MSRs sold and operational servicing transferred to PFSI (not subserviced by a third party)
- Measurable representation and warranty liability for PFSI

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 sustain servicing portfolio growth plans
- 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.