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.

Third Quarter Highlights

- Net income attributable to common shareholders of $13.3 million on net investment income of $75.8 million
  - Diluted earnings per common share of $0.20; return on average common equity of 4%
  - Dividend of $0.47 per common share declared on September 27, 2017
  - Book value per common share decreased to $19.74 from $20.04 at June 30, 2017
- Results reflect distressed loan investment losses and lower than expected contribution from GSE credit risk transfer (CRT) due to spread widening, which we believe is partially attributable to the natural disasters
- Segment pretax results: Credit Sensitive Strategies: $13.1 million; Interest Rate Sensitive Strategies: $13.3 million; Correspondent Production: $8.3 million; Corporate: $(10.5) million
- Repurchased approximately one million PMT common shares from August 29th to October 4th at a cost of $16.9 million
- Continued investment in CRT and mortgage servicing rights (MSRs) resulting from PMT's correspondent production
  - Conventional correspondent loan production totaled $6.5 billion in unpaid principal balance (UPB), up 10% from the prior quarter
  - CRT deliveries totaled $4.1 billion in UPB, which will result in approximately $144 million of new CRT investments once the aggregation period is complete
  - Added $83 million in new MSRs

Third Quarter Highlights (continued)

- PMT's equity allocated to distressed mortgage loans declined to 29% of total equity from 42% in 3Q16[1]
  - Completed the previously announced sale of $145 million in UPB of performing loans from the distressed portfolio
  - Cash proceeds from the liquidation and pay down of distressed mortgage loans and real estate owned (REO) were $65 million

Notable activity after quarter end:

- Entered into an agreement to sell $324 million in UPB of nonperforming and performing loans from the distressed portfolio[2]

[1] Management's internal allocation of equity. Amounts as of quarter end.
[2] This transaction is subject to continuing due diligence and customary closing conditions. There can be no assurance regarding the size of the transaction or that the transaction will be completed at all.

Current Market Environment

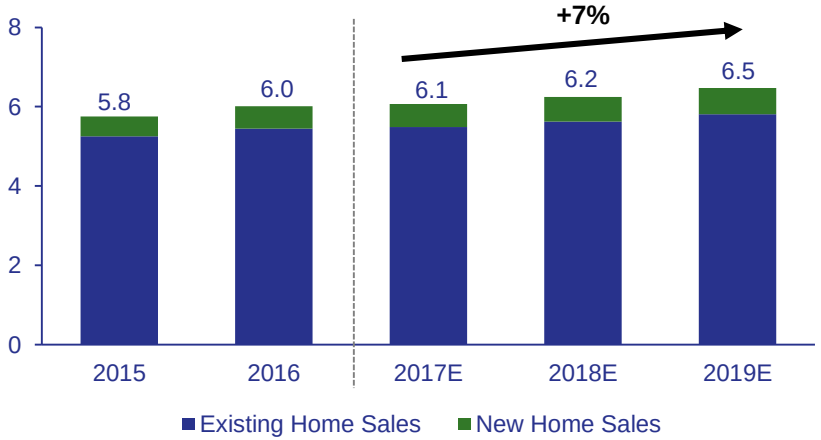
- Despite recent increases in short-term interest rates, mortgage rates remain low
  - Mortgage rates declined during the quarter to their lowest levels of 2017 before rebounding to 3.83% at quarter end[(1)]
  - Refinance application activity as tracked by the MBA increased in response to lower rates, but has subsequently slowed[(2)]
- Home sales in 3Q17 slowed from their recent high levels this spring, but the fundamental drivers for housing growth remain positive
  - Home sales constrained by tight supply levels
  - Consumer demand for home purchases continues to increase, driving higher forecasts for new and existing home sales
- Mortgage delinquencies remain at multiyear lows, despite other consumer credit trends[(4)]
  - Recent natural disasters may lead to temporary increases in delinquencies in affected areas and result in higher costs for mortgage servicers

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



Home Sales[(3)]

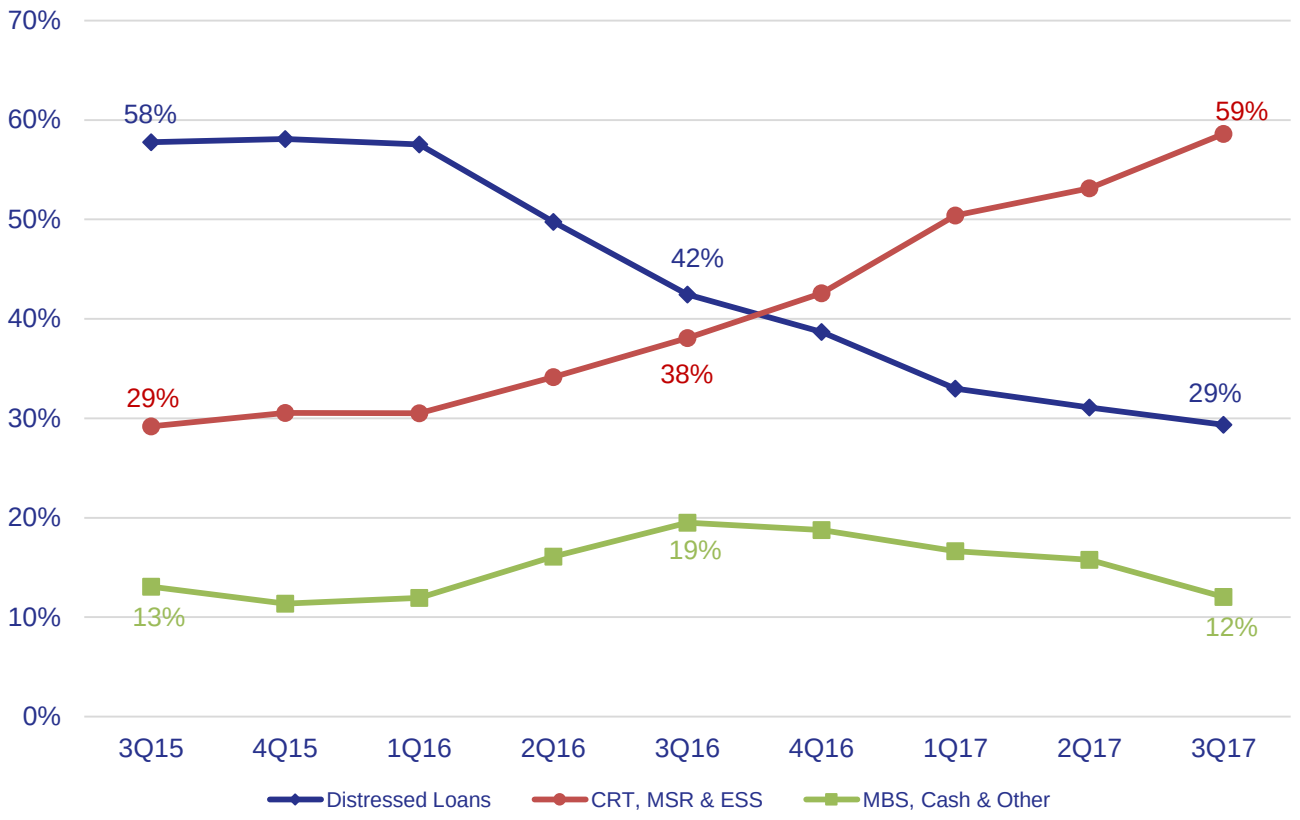
(in millions)



(1) Freddie Mac Primary Mortgage Market Survey. 3.94% as of 10/26/2017
(2) Mortgage Bankers Association Refinance Index – 1,503 at 9/1/2017 and 1,357 at 10/20/2017
(3) Actual results are from Census Bureau – seasonally adjusted. Forecast estimates are from the Mortgage Bankers Association
(4) Black Night Financial Services – Total U.S. loan delinquency rate (30 day+ delinquent but not in foreclosure) was 4.40% as of September 2017

Transitioning to Correspondent-Generated Investments in CRT and MSRs

PMT's Equity Allocation[1]



3Q 2015
100% = $1.51 billion

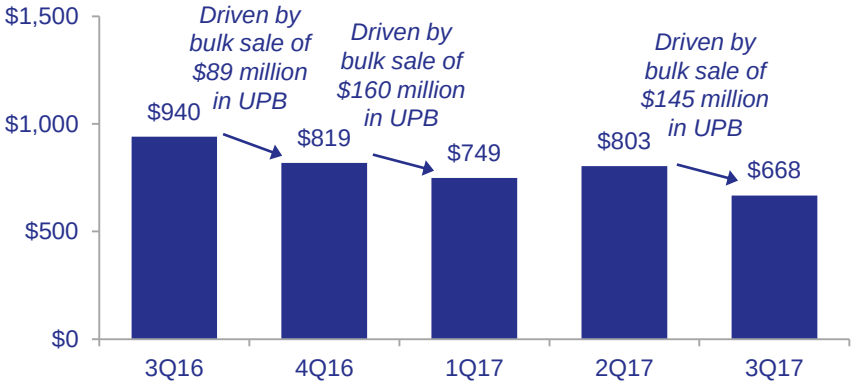
3Q 2016
100% = $1.35 billion

3Q 2017[2]
100% = $1.61 billion

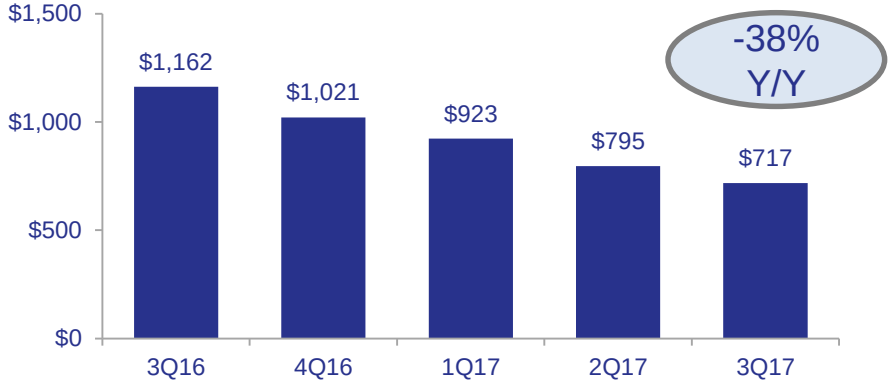
[1] Management's internal allocation of equity. Amounts as of quarter end. Percentages may not sum exactly due to rounding.
[2] Includes $310 million of preferred equity

Distressed Loan Portfolio Is Declining Through Liquidation and Sales

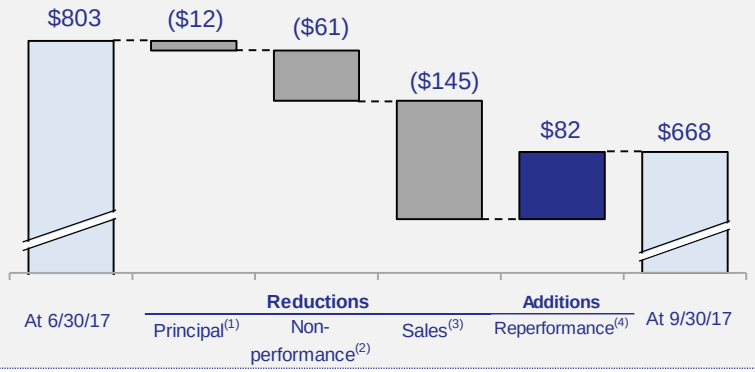
Performing Loans
(UPB in millions)



Nonperforming Loans
(UPB in millions)



Performing Loan Portfolio Waterfall
(UPB in millions)



- Entered into an agreement to sell $324 million in UPB of nonperforming and performing loans from the distressed portfolio[5]
  - Approximately 60% nonperforming loans and 40% performing loans

(1) Includes principal payments, payoffs, and write downs
(2) Primarily through recidivism of previously performing loans
(3) Bulk sales of performing loans
(4) Primarily through loan modifications
(5) This transaction is subject to continuing due diligence and customary closing conditions. There can be no assurance regarding the size of the transaction or that the transaction will be completed at all.

Third Quarter Income and Return Contributions by Strategy

($ in millions)	Total Income Contribution	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]	$ (1.4)	n/a	$ (1.4)	$ 481	-1.2%
Other credit sensitive strategies					
GSE credit risk transfer[4]	14.2	1.5	12.7		
Non-Agency subordinate bonds	0.2	0.1	0.1		
Commercial real estate finance	0.1	0.0	0.1		
Subtotal net other credit sensitive strategies	$ 14.5	$ 1.6	$ 12.9	$ 297	19.5%
Net credit sensitive strategies	**$ 13.1**	**$ 1.6**	**$ 11.4**	**$ 778**	**6.7%**
Interest rate sensitive strategies:					
MSRs (incl. recapture)[2]	$ 7.5	$ (3.1)	$ 10.5		
ESS (incl. recapture)[2]	(1.8)	(4.8)	3.0		
Agency MBS	9.0	3.5	5.5		
Non-Agency senior MBS (incl. jumbo)	(0.0)	(0.3)	0.2		
Interest rate hedges	(1.3)	(1.3)	n/a		
Net interest rate sensitive strategies	**$ 13.3**	**$ (6.0)**	**$ 19.3**	**$ 670**	**7.9%**
Correspondent production	**$ 8.3**		**$ 8.3**	**$ 94**	**35.4%**
Cash, short term investments, and other	$ 0.2		$ 0.2	$ 70	1.0%
Management fees & corporate expenses	(10.7)	n/a	(10.7)		
Corporate	**$ (10.5)**	**n/a**	**$ (10.5)**	**$ 70**	**-60.3%**
Provision for income tax expense	$ (4.8)	n/a	$ (4.8)		
Net income	**$ 19.4**	**$ (4.4)**	**$ 23.8**	**$ 1,611**	**4.8%**
Dividends on preferred stock	**$ 6.1**			**$ 299**	**8.2%**
Net Income attributable to common shareholders	**$ 13.3**			**$ 1,312**	**4.0%**

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

[4] Market-driven value changes include fair value recognition upon loan delivery under CRT Agreements and market value changes

Run-Rate Quarterly Income Potential from PMT's Strategies

($ in millions, except EPS)	Income Potential	WA Equity Allocated	Annualized Return on Equity (ROE)
Credit sensitive strategies:			
Distressed loan investments[2]	$ 2.5	$ 415	2.4%
Other credit sensitive strategies			
GSE credit risk transfer[3]	$ 17.6	$ 241	29.2%
Non-Agency subordinate bonds	$ 0.1	$ 3	16.7%
Commercial real estate finance	$ 0.1	$ 13	4.5%
Subtotal net other credit sensitive strategies	$ 17.9	$ 257	27.9%
Net credit sensitive strategies	**$ 20.3**	**$ 672**	**12.1%**
Interest rate sensitive strategies:			
MSRs (incl. recapture)	$ 12.5	$ 598	8.4%
ESS (incl. recapture)	$ 3.2	$ 100	12.6%
Agency MBS	$ 4.2	$ 55	31.0%
Non-Agency senior MBS (incl. jumbo)	$ 0.2	$ 1	76.4%
Interest rate hedges	$ (1.1)		
Net interest rate sensitive strategies	**$ 19.0**	**$ 754**	**10.1%**
Correspondent production	**$ 13.2**	**$ 87**	**61.1%**
Cash, short term investments, and other	$ 0.2	$ 81	1.1%
Management fees & corporate expenses	$ (12.2)		
Corporate	**$ (12.0)**	**$ 81**	**n/a**
Provision for income tax expense	$ (2.7)		
Net income	**$ 38.0**	**$ 1,593**	**9.5%**
Dividends on preferred stock	**$ 6.2**	**$ 310**	**8.0%**
Net Income attributable to common shareholders	**$ 31.7**	**$ 1,283**	**9.9%**
Diluted earnings per common share	**$ 0.47**		

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.

- Correspondent production results expected to benefit from improvements to loan acquisition strategies and optimization of secondary market execution and financing arrangements
- Continued deployment of proceeds from the preferred capital raises into CRT and MSR investments
- Distressed loan performance includes higher expectations for liquidation and litigation expenses
- Income potential does not reflect any gain/loss related to future bulk asset sales[4]

(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
(3) Valuation-related changes include fair value recognition upon loan delivery under CRT agreements and market value changes
(4) Pending bulk sale of $324 million in UPB of nonperforming and performing loans is reflected in the income potential. This transaction is subject to continuing due diligence and customary closing conditions. There can be no assurance regarding the size of the transaction or that the transaction will be completed at all

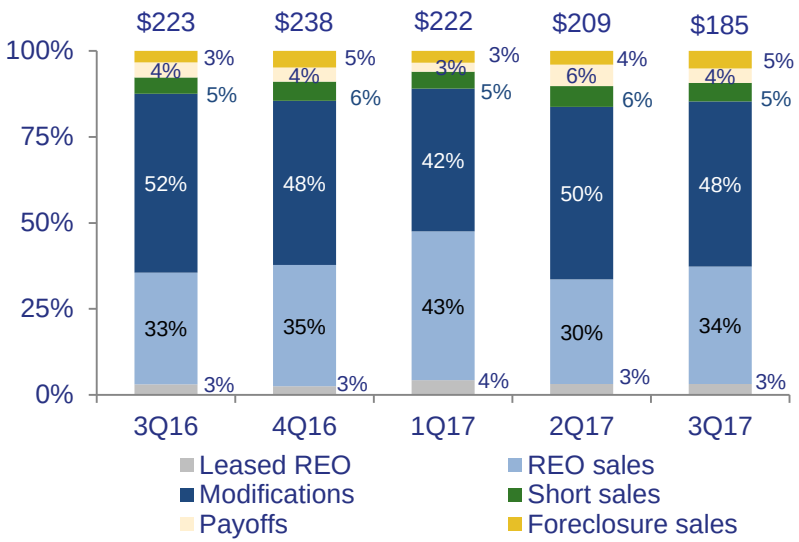
Mortgage Investment Activities



Resolution Activity in 3Q17 Remained a Consistent Percentage of the Portfolio

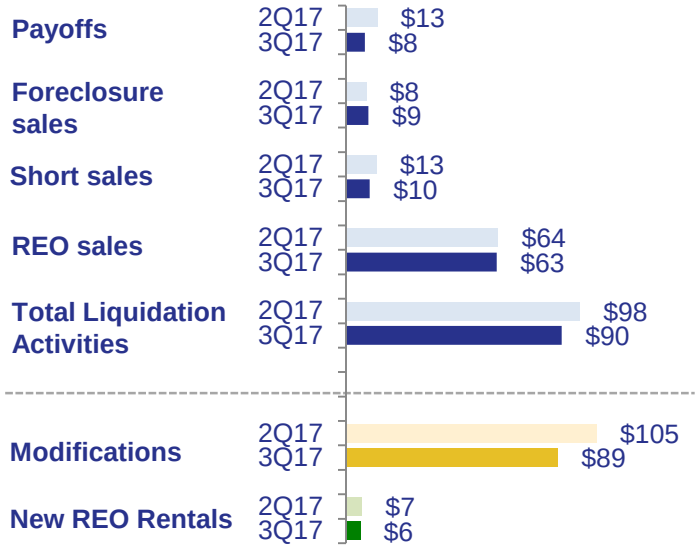
Resolution Activity Over Time

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



Resolution Activity in the Quarter

($UPB in millions)

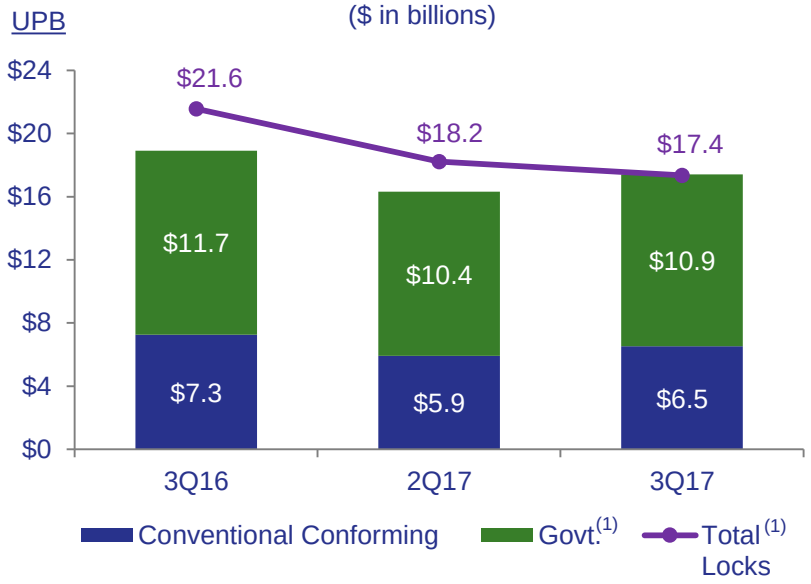


- Quarterly resolution activity as a percentage of the NPLs and REO was 18% in 3Q17, unchanged from 2Q17 and up from 14% in 3Q16
- Modifications comprised 48% of total resolution activity, down from 50% of total resolution activity in 2Q17
  - Streamlined modifications totaled $77 million, down from $88 million in 2Q17
- REO sales were 34% of total resolution activity, up from 30% in 2Q17, despite the ongoing reduction of REO inventory
  - REO inventory decreased to $185 million at September 30, 2017 from $207 million at June 30, 2017
- New REO rentals were $6 million, versus $7 million in 2Q17

Correspondent Production Highlights

- Correspondent acquisitions by PMT in 3Q17 totaled $17.4 billion, up 7% Q/Q and down 8% Y/Y
  - 62% government loans; 38% conventional loans
  - 10% Q/Q growth in conventional conforming acquisitions, down 10% Y/Y
  - Total lock volume of $17.4 billion, down 5% Q/Q and 19% Y/Y
- Continued strong purchase-money orientation of our correspondent production drove 3Q17 acquisition volume growth
- Continued strong growth in seller relationships, which totaled 604 at quarter end
- October correspondent acquisitions totaled $5.4 billion; locks totaled $5.2 billion

Correspondent Production Volume and Mix



Selected Operational Metrics	2Q17	3Q17
Correspondent seller relationships	589	604
Purchase money loans, as a % of total acquisitions	82%	83%

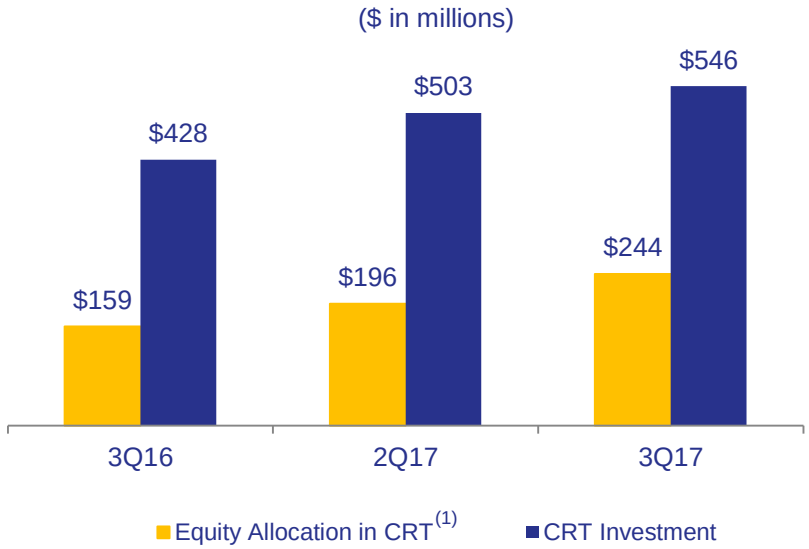
WA FICO	2Q17	3Q17
Government-insured	694	693
Conventional	753	749

(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

- Completed $4.1 billion in UPB of deliveries during the quarter, which resulted in commitments to fund approximately $144 million of new CRT investments once the aggregation period is complete, $45 million of which had been invested at quarter end
- Income contribution for 3Q17 was $8 million lower than our expectations, driven by a widening of credit spreads during the quarter
- Fair value of the CRT investments (as recorded in PMT's financial statements) reflects market expectations for higher potential credit losses that could result from the recent natural disasters
- Expect to mitigate actual disaster-related credit losses by targeted servicing initiatives and the high credit quality of the underlying loans(3)
  - Loss recognized when a borrower reaches 180 days of delinquency; severity is a fixed percentage of the loan's UPB
  - Implemented modification programs and other servicing initiatives designed to address the cash flow disruptions for affected borrowers
  - Borrowers are significantly invested in their homes; average loan-to-value (LTV) at origination was 81%

CRT Investments Outstanding



3Q17 Returns on CRT Investments

($ in millions)	Total Income Contribution	Income Excluding Market-Driven Fair Value Changes(2)(4)
Investment income	$14.2	$12.7
Return on average CRT assets	11.4%	10.4%
Return on average CRT equity	20.9%	18.7%

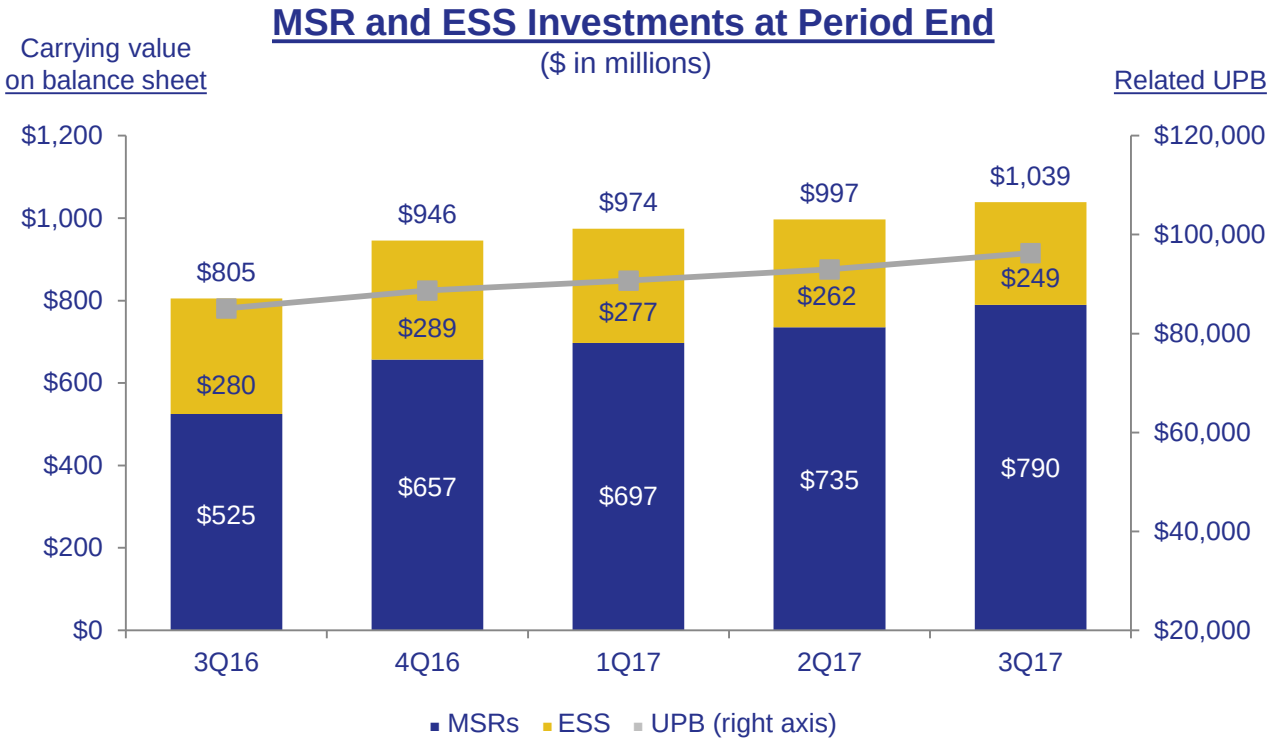
(1) Represents equity allocation net of financing

(2) Valuation-related changes include fair value recognition upon loan delivery under CRT Agreements and fair value changes

(3) See slides 19 and 32 for performance metrics

(4) Included in total income contribution

MSR Investments Continued to Grow



- MSR investments resulting primarily from correspondent production activity increased to $790 million at September 30, 2017, from $735 million at June 30, 2017
- Pursuing financing structures that will provide term financing and improve the return on equity for MSR investments
- ESS investments resulting from bulk, mini-bulk and flow MSR acquisitions by PFSI decreased to $249 million at September 30, 2017, from $262 million at June 30, 2017

Financial Results



Pretax Income (Loss) by Operating Segment

Unaudited ($ in millions)

	Credit Sensitive Strategies	Interest Rate Sensitive Strategies	Correspondent Production	Corporate	Total Pretax Income
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
2Q17	$ 30.5	$ 5.4	$ 8.1	$ (12.1)	$ 31.8
3Q17	$ 13.1	$ 13.3	$ 8.3	$ (10.5)	$ 24.2

Note: Figures may not sum exactly due to rounding

Credit Sensitive Strategies Segment Results

Unaudited ($ in thousands)	Quarter Ended June 30, 2017	Quarter Ended September 30, 2017
Revenues:		
Net gain on investments:		
Mortgage loans at fair value	$ 1,030	$ 3,277
Mortgage-backed securities	257	134
CRT Agreements	32,853	15,151
	34,140	18,562
Net interest income		
Interest income	20,739	15,951
Interest expense	(13,809)	(13,096)
	6,930	2,855
Net (loss) gain on mortgage loans acquired for sale	149	4
Net mortgage loan servicing fees	29	47
Other (loss)	(1,079)	(935)
	40,169	20,533
Expenses:		
Servicing fees payable to PennyMac		
Financial Services, Inc.	3,522	4,273
Other	6,197	3,194
	9,719	7,467
Pretax income	$ 30,450	$ 13,066

- The Credit Sensitive Strategies Segment includes results from distressed mortgage loans, CRT, non-Agency subordinated bonds and small balance commercial real estate investments
- Segment revenue decreased 49% Q/Q to $20.5 million
  - Net gain on investments decreased 46% Q/Q to $18.6 million
    - Driven by a 54% Q/Q decline in gains on CRT from credit spread widening (see slide 13 for further explanation)
    - Net interest income decreased 59% Q/Q due primarily to the sale of performing loans and a decrease in capitalized interest from modifications
- Total expenses decreased 23% Q/Q to $7.5 million
  - Other expenses decreased 48% Q/Q to $3.2 million, resulting from a reduction in professional services fees and advance losses from the distressed portfolio

Performance of the Distressed Mortgage Loan Investments

- Combining net gains/(losses) with net interest income, revenue from distressed loans was $8.2 million, compared with $10.3 million in 2Q17
- For 3Q17, positive valuation changes in the performing loan portfolio were partially offset by adverse changes in the NPL portfolio

  Performing
  - Valuations benefitted from a continued strong market for loans with similar attributes
  - Continued payment performance of loans

  Nonperforming
  - Portfolio adversely impacted by current home price indications that were below prior forecasts
  - Increased litigation risk and liquidation expense forecast for certain remaining NPLs
- Cash proceeds from liquidation and paydown activity on distressed mortgage loans and REO totaled $65 million
  - Accumulated losses on assets liquidated during the quarter were $0.3 million, and net gains on liquidation were $3.5 million
- Completed previously announced performing loan sale generated $132 million in gross cash proceeds and $47 million in net cash proceeds after debt repayment and related expenses

Net Gains/(Losses) on Mortgage Loans

Unaudited	Quarter ended	
($ in thousands)	June 30, 2017	September 30, 2017
Valuation Changes:		
Performing loans	$ 15,466	$ 8,638
Nonperfoming loans	(15,750)	(5,841)
	(284)	**2,797**
Payoffs	1,348	224
Sales	(34)	256
	$ 1,030	**$ 3,277**

Cash Proceeds and Gain on Liquidation

Unaudited			
($ in thousands)	Quarter ended September 30, 2017		
	Proceeds	Accumulated gains (losses)[1]	Gain on liquidation[2]
Mortgage loans	$ 25,748	$ 3,520	$ 255
REO	39,276	(3,807)	3,280
Subtotal	65,024	(287)	3,535
Distressed Loan Sales	131,507	22,995	229
	$ 196,531	**$ 22,708**	**$ 3,764**

[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

Credit Risk Transfer – Income Statement and Balance Sheet Treatment

($ in thousands)	Since Inception[1]	
UPB of mortgage loans transferred under CRT Agreements	$ 25,515,506	Total UPB of loans delivered to the CRT Special Purpose Vehicles (SPVs) and sold to Fannie Mae
Deposits of restricted cash to secure guarantees	$ 556,099	Cash deposited in the SPV in other assets. Represents collateral for the initial credit risk retained
Gains (losses) recognized on assets related to CRT Agreements included in Net gain on investments:		
Realized	$ 58,440	Cash income to PMT from the CRT SPVs
Valuation-related	51,232	Includes fair value recognition upon loan delivery under CRT Agreements and market value changes
	$ 109,672	
Payments made to settle losses	$ 1,040	Payments made to Fannie Mae, from pledged cash, for losses on loans underlying the CRT agreements

	At September 30, 2017	
UPB of mortgage loans subject to guarantee obligation	$ 22,931,988	Current outstanding UPB of loans delivered to the CRT SPVs and sold to Fannie Mae
Delinquency		
Current to 89 days delinquent	$ 22,899,266	
90 or more days delinquent	$ 20,540	
Foreclosure	$ 2,481	
Bankruptcy	$ 9,701	
Carrying value of CRT agreements		
Deposits included in Other assets	$ 545,694	Current cash collateralizing guarantee included in “Deposits securing credit risk transfer agreements”
Derivative assets	$ 56,878	Derivative represents value of expected future cash inflows related to assumption of credit risk net of expected future losses
Commitments to fund Deposits securing CRT Agreements	$ 356,274	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 ten quarters ending 9/30/2017

Interest Rate Sensitive Strategies Segment Results

Unaudited ($ in thousands)	Quarter Ended June 30, 2017	Quarter Ended September 30, 2017
Revenues:		
Net gain (loss) on investments:		
Mortgage-backed securities	$ 3,770	$ 4,867
Mortgage loans held by variable interest entity net of asset-backed secured financing	456	(20)
Hedging derivatives	(4,889)	(5,910)
Excess servicing spread investment[(1)]	(5,885)	(3,665)
	(6,548)	(4,728)
Net interest income		
Interest income	18,672	19,426
Interest expense	(15,655)	(15,830)
	3,017	3,596
Net mortgage loan servicing fees	15,668	21,829
	12,137	20,697
Expenses:		
Loan servicing fees payable to PennyMac Financial Services, Inc.	6,576	7,128
Other	145	265
	6,721	7,393
Pretax income	$ 5,416	$ 13,304

[(1)] Includes $1.2 million in recapture income receivable from PFSI in 3Q17

- The Interest Rate Sensitive Strategies Segment includes investments in MSRs, ESS, Agency mortgage-backed securities (MBS), non-Agency senior MBS and related interest rate hedges
- Segment revenue increased 71% Q/Q to $20.7 million
  - Net mortgage loan servicing fees increased 39% Q/Q, resulting from a growing servicing portfolio and a reduced impact from valuation-related changes
  - MBS valuation gains of $4.9 million from spread tightening
  - Interest income increased 4% Q/Q, driven by higher placement fee revenue on escrow deposits
- Total expenses increased 10% Q/Q to $7.4 million, driven by servicing portfolio growth

Valuation of MSRs and Excess Servicing Spread (ESS)

($ in millions)	Mortgage Servicing Rights			Excess Servicing Spread[1]
At 9/30/17	At lower of amortized cost or fair value	At fair value	Total	Fair value
Pool UPB	$60,400	$7,525	$67,925	$28,385
Pool weighted average coupon	3.87%	4.70%	3.96%	4.17%
Weighted-average pool prepayment speed assumption (CPR)	8.3%	11.1%	8.6%	10.7%
Weighted average servicing fee/spread	0.25%	0.25%	0.25%	0.19%
Fair value	$728.8	$82.3	$811.1	$246.9
As multiple of servicing fee	4.77	4.34	4.73	4.66
Carrying (accounting) value	$708.0	$82.3	$790.3	$248.8
Fair value in excess of carrying value	**$20.8**			

- PMT carries most of its MSRs at the lower of amortized cost or fair value (LOCOM)
  - Originated 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 $20.8 million more than its carrying value at September 30, 2017, compared with $25.7 million at June 30, 2017

[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 June 30, 2017	As % of Interest Rate Lock Commitments(1)	Quarter Ended Sept. 30, 2017	As % of Interest Rate Lock Commitments(1)
Revenues:				
Net gain on mortgage loans acquired for sale	$ 17,143	0.24%	$ 17,963	0.28%
Net interest income				
Interest income	12,820	0.18%	16,018	0.25%
Interest expense	(8,962)	-0.13%	(11,351)	-0.18%
	3,858	0.05%	4,667	0.07%
Other income	10,497	0.15%	11,762	0.19%
	31,498	0.45%	34,392	0.54%
Expenses:				
Mortgage loan fulfillment and servicing fees payable to PennyMac Financial Services, Inc.	21,108	0.30%	23,508	0.37%
Other	2,302	0.03%	2,574	0.04%
	23,410	0.33%	26,082	0.41%
Pretax income	**$ 8,088**	**0.12%**	**$ 8,310**	**0.13%**

- Segment revenue totaled $34.4 million, a 9% increase from 2Q17, driven by continued strong lock volumes and stable margins
- The weighted average fulfillment fee rate for the quarter was 36bps, unchanged from 2Q17(2)
- Total expenses increased 11% Q/Q to $26.1 million driven by an higher fulfillment fee expense resulting from a 10% Q/Q increase in conventional conforming funding volumes

(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

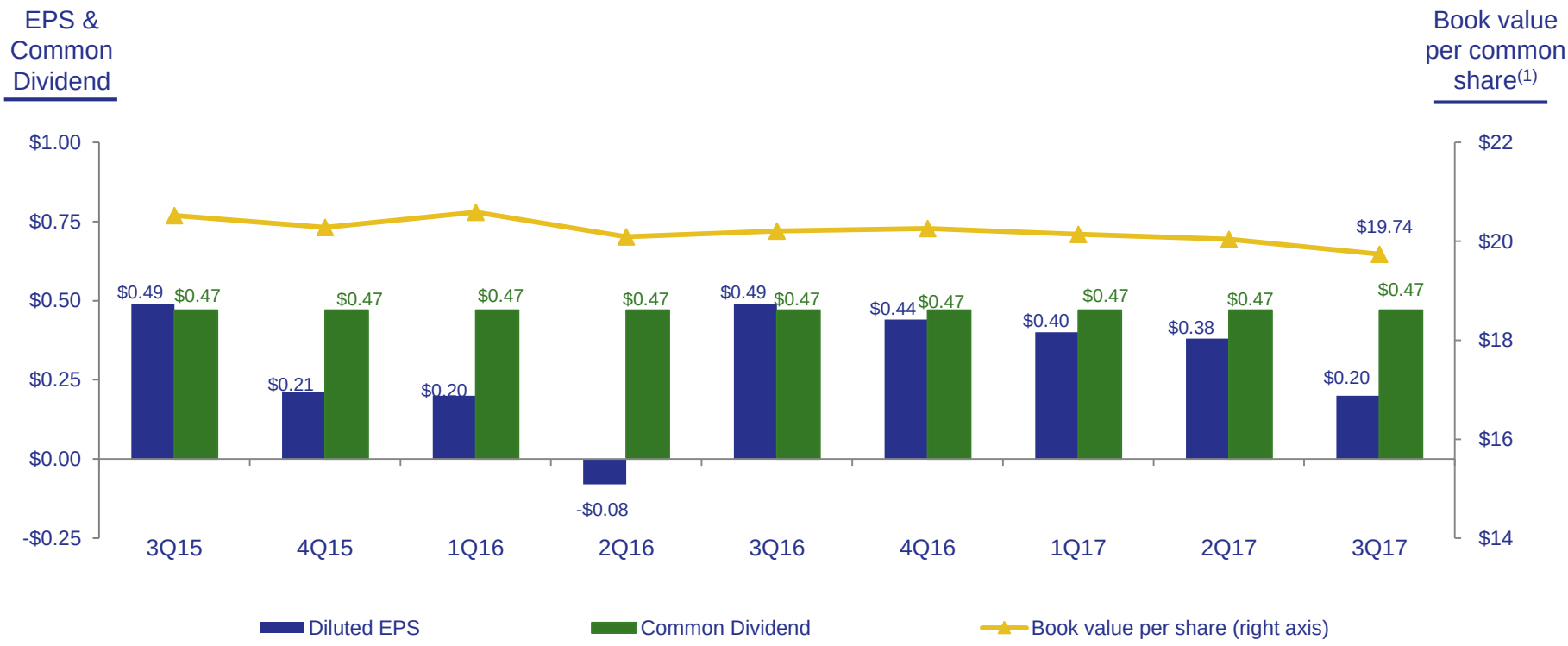
Unaudited ($ in thousands)	Quarter Ended June 30, 2017	Quarter Ended September 30, 2017
Revenues:		
Net interest income		
Interest income	$ 155	$ 182
Interest expense	-	-
	155	182
Other income	-	-
	155	182
Expenses:		
Management fees payable to PennyMac Financial Services, Inc.	5,638	6,038
Other expenses		
Common overhead allocation from PFSI	1,592	1,193
Compensation and professional services	3,380	1,996
Technology	396	373
Insurance	330	300
Other	947	794
	12,283	10,695
Pretax loss	$ (12,128)	$ (10,514)

- The Corporate Segment includes interest income from certain cash and short-term investments, management fees and corporate expenses
- Segment revenue increased to $182,000 from $155,000 in 2Q17
- Total expenses decreased 13% Q/Q to $10.7 million
  - Compensation and professional services expense decreased 41% Q/Q, resulting from a reduction in share-based compensation
  - 2Q17 expenses include costs related to the equity raise
  - Partially offset by an increase in management fees due to PMT's higher equity capital base

Appendix



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

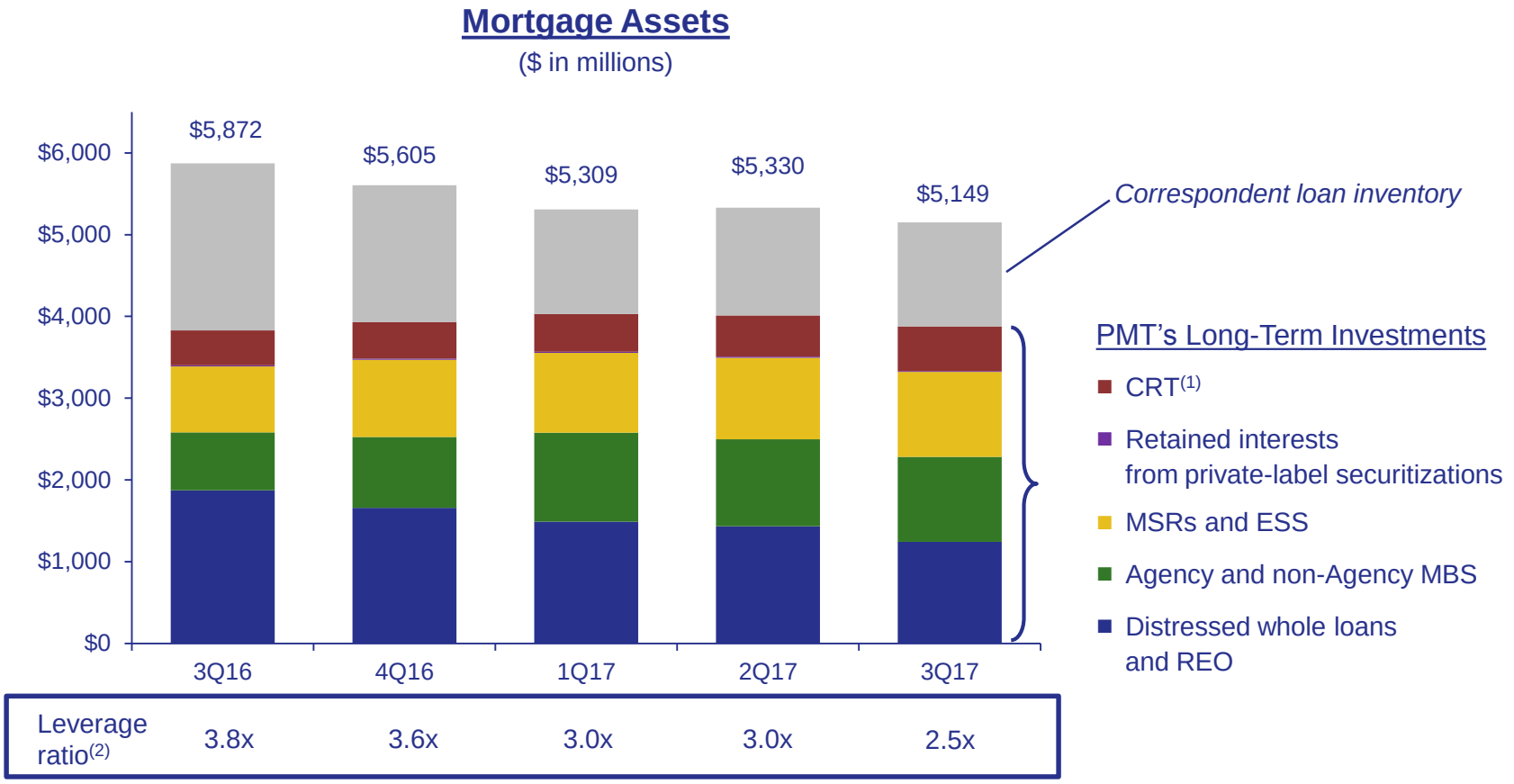


Return on Avg. Common Equity(2)	10%	4%	4%	(1)%	10%	9%	9%	8%	4%

(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



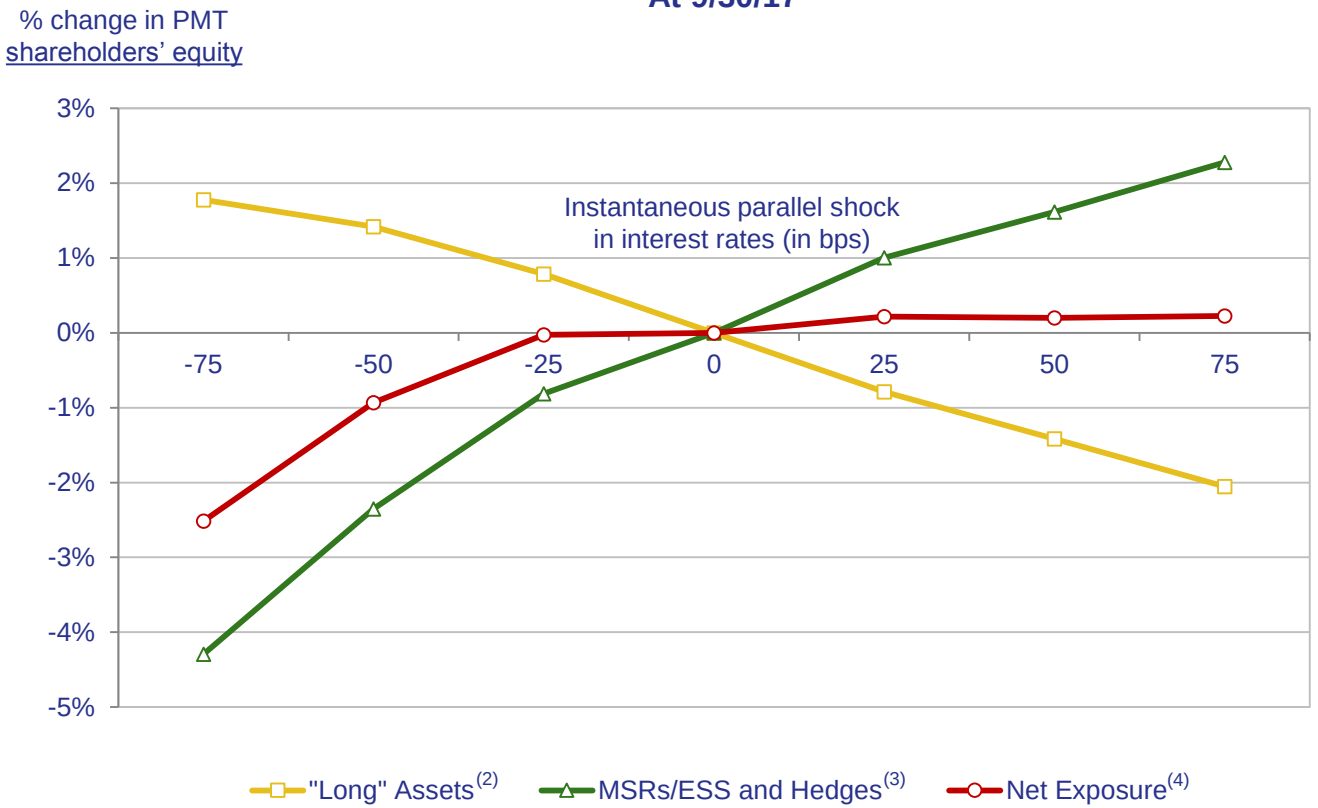
(1) The fair value of CRT investments is reflected on the balance sheet as restricted cash and a net derivative asset included in derivative assets

(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 9/30/17



- 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 September 30, 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.

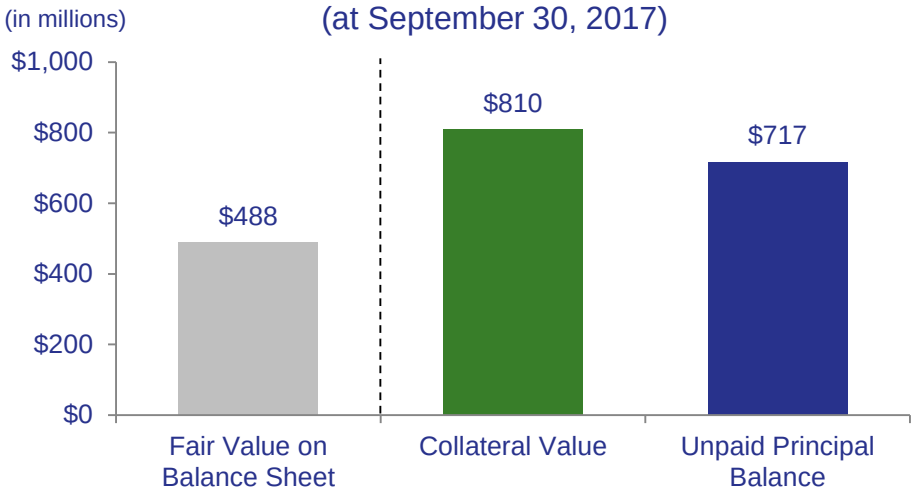
[2] Includes loans acquired for sale and IRLCs, net of associated hedges, Agency and Non-Agency MBS assets

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

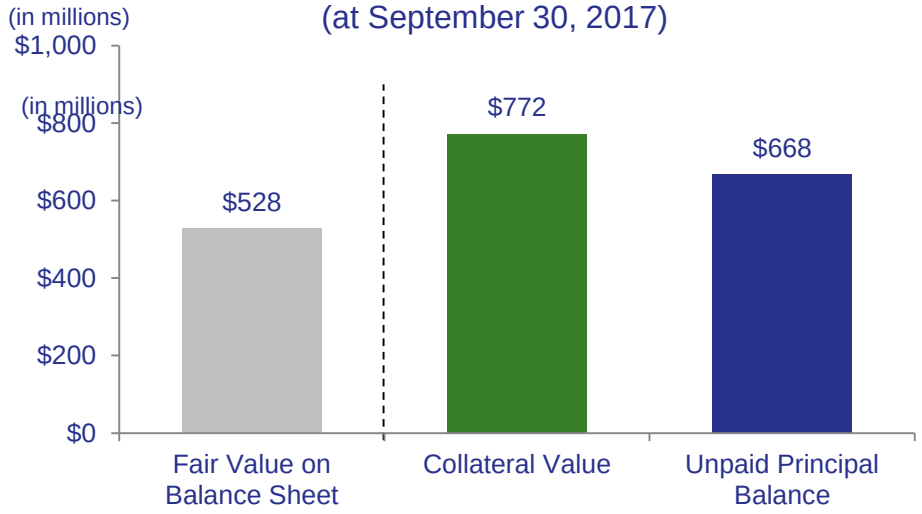
[4] Net exposure represents the net position of the "Long" Assets and the MSRs/ESS and Hedges

Carrying Values for PMT's Distressed Whole Loans

Nonperforming Loans
(at September 30, 2017)



Performing Loans
(at September 30, 2017)



- Nonperforming loans are held on average at a 40% 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	3Q17
Balance ($mm)	$ 182.7	18.6
Pool Factor(1)	1.00	0.10
Current	6.2%	38.1%
30	1.6%	11.7%
60	5.8%	5.3%
90+	37.8%	14.9%
FC	46.4%	22.7%
REO	2.3%	7.3%

2Q10	Purchase	3Q17
Balance ($mm)	$ 195.5	17.8
Pool Factor(1)	1.00	0.09
Current	5.1%	40.1%
30	2.0%	9.1%
60	4.1%	2.4%
90+	42.8%	15.0%
FC	45.9%	23.7%
REO	0.0%	9.7%

3Q10	Purchase	3Q17
Balance ($mm)	$ 146.2	10.2
Pool Factor(1)	1.00	0.07
Current	1.2%	22.7%
30	0.4%	12.4%
60	1.3%	10.1%
90+	38.2%	15.1%
FC	58.9%	38.0%
REO	0.0%	1.8%

4Q10	Purchase	3Q17
Balance ($mm)	$ 277.8	22.4
Pool Factor(1)	1.00	0.08
Current	5.0%	29.1%
30	4.0%	13.7%
60	5.1%	5.9%
90+	26.8%	18.1%
FC	59.1%	16.8%
REO	0.0%	16.4%

1Q11	Purchase	3Q17
Balance ($mm)	$ 515.1	68.4
Pool Factor(1)	1.00	0.13
Current	2.0%	29.9%
30	1.9%	6.3%
60	3.9%	4.2%
90+	25.9%	20.3%
FC	66.3%	24.8%
REO	0.0%	14.5%

2Q11	Purchase	3Q17
Balance ($mm)	$ 259.8	39.7
Pool Factor(1)	1.00	0.15
Current	11.5%	34.0%
30	6.5%	11.4%
60	5.2%	5.9%
90+	31.2%	21.6%
FC	43.9%	19.3%
REO	1.7%	7.7%

3Q11	Purchase	3Q17
Balance ($mm)	$ 542.6	64.4
Pool Factor(1)	1.00	0.12
Current	0.6%	28.0%
30	1.3%	11.5%
60	2.0%	7.0%
90+	22.6%	14.6%
FC	73.0%	22.3%
REO	0.4%	16.6%

4Q11	Purchase	3Q17
Balance ($mm)	$ 49.0	11.3
Pool Factor(1)	1.00	0.23
Current	0.2%	17.2%
30	0.1%	19.5%
60	0.2%	3.8%
90+	70.4%	23.1%
FC	29.0%	16.6%
REO	0.0%	19.8%

1Q12
No Pools Purchased in this Quarter.

2Q12	Purchase	3Q17
Balance ($mm)	$ 402.5	68.4
Pool Factor(1)	1.00	0.17
Current	45.0%	28.6%
30	4.0%	14.9%
60	4.3%	4.0%
90+	31.3%	23.0%
FC	15.3%	21.3%
REO	0.1%	8.2%

3Q12	Purchase	3Q17
Balance ($mm)	$ 357.2	67.1
Pool Factor(1)	1.00	0.19
Current	0.0%	22.1%
30	0.0%	5.6%
60	0.1%	4.8%
90+	49.1%	19.2%
FC	50.8%	26.4%
REO	0.0%	22.0%

4Q12	Purchase	3Q17
Balance ($mm)	$ 290.3	64.5
Pool Factor(1)	1.00	0.22
Current	3.1%	33.4%
30	1.3%	15.6%
60	5.4%	6.5%
90+	57.8%	15.4%
FC	32.4%	16.6%
REO	0.0%	12.5%

(1) Ratio of unpaid principal balance remaining to unpaid principal balance at acquisition

Distressed Portfolio by Acquisition Period (cont.)

1Q13	Purchase	3Q17
Balance ($mm)	$ 366.2	78.5
Pool Factor(1)	1.00	0.21
Current	1.6%	41.6%
30	1.5%	13.2%
60	3.5%	8.4%
90+	82.2%	15.7%
FC	11.2%	9.3%
REO	0.0%	11.8%

2Q13	Purchase	3Q17
Balance ($mm)	$ 397.3	121.6
Pool Factor(1)	1.00	0.31
Current	4.8%	32.0%
30	7.4%	13.8%
60	7.6%	4.2%
90+	45.3%	18.4%
FC	34.9%	15.6%
REO	0.0%	15.9%

3Q13	Purchase	3Q17
Balance ($mm)	$ 929.5	286.9
Pool Factor(1)	1.00	0.31
Current	0.8%	24.9%
30	0.3%	6.4%
60	0.7%	3.0%
90+	58.6%	19.4%
FC	39.6%	24.1%
REO	0.0%	22.2%

4Q13	Purchase	3Q17
Balance ($mm)	$ 507.3	224.5
Pool Factor(1)	1.00	0.44
Current	1.4%	22.4%
30	0.2%	6.6%
60	0.0%	2.0%
90+	38.3%	15.5%
FC	60.0%	28.4%
REO	0.0%	25.1%

1Q14	Purchase	3Q17
Balance ($mm)	$ 439.0	200.2
Pool Factor(1)	1.00	0.46
Current	6.2%	18.6%
30	0.7%	4.6%
60	0.7%	3.0%
90+	37.5%	21.8%
FC	53.8%	29.0%
REO	1.1%	23.0%

2Q14	Purchase	3Q17
Balance ($mm)	$ 37.9	14.7
Pool Factor(1)	1.00	0.39
Current	0.7%	38.1%
30	0.6%	13.9%
60	1.4%	9.5%
90+	59.0%	13.3%
FC	38.2%	13.6%
REO	0.0%	11.6%

3Q14
No Pools Purchased in this Quarter.

4Q14	Purchase	3Q17
Balance ($mm)	$ 330.8	147.0
Pool Factor(1)	1.00	0.44
Current	1.6%	31.7%
30	1.6%	7.4%
60	7.1%	1.0%
90+	52.7%	21.5%
FC	36.9%	23.0%
REO	0.0%	15.4%

1Q15	Purchase	3Q17
Balance ($mm)	$ 310.2	165.0
Pool Factor(1)	1.00	0.53
Current	1.8%	25.6%
30	0.3%	8.9%
60	0.1%	1.5%
90+	66.7%	20.0%
FC	31.1%	26.7%
REO	0.0%	17.2%

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)	3Q16	4Q16	1Q17	2Q17	3Q17
Fundings					
Conventional	$ 7,263	$ 7,492	$ 4,632	$ 5,918	$ 6,530
Government	11,657	12,544	9,280	10,392	10,873
Jumbo	1	-	-	-	-
Total	**$ 18,920**	**$ 20,036**	**$ 13,912**	**$ 16,310**	**$ 17,403**
Locks					
Conventional	$ 8,687	$ 6,925	$ 5,184	$ 7,022	$ 6,356
Government	12,868	12,289	9,292	11,209	10,999
Jumbo	2	-	-	-	-
Total	**$ 21,558**	**$ 19,215**	**$ 14,476**	**$ 18,231**	**$ 17,356**

Note: Figures may not sum exactly due to rounding

PMT's Investments in GSE Credit Risk Transfer

(UPB in billions)

CRT 2015 -1 (May 2015 - July 2015)	At inception	9/30/2017
UPB	$ 1.3	$ 0.8
Loan Count	4,108	3,213
% Purchase	67.6%	69.4%
WA FICO[1]	742	742
WA LTV[1]	80.5%	78.0%
60+ Days Delinquent Loan Count		21
60+ Days Delinquent % o/s UPB		0.716%
180+ Days Delinquent Loan Count		7
Actual Losses ($k)		$ 212

CRT 2015 -2 (August 2015 - Feburary 2016)	At inception	9/30/2017
UPB	$ 4.2	$ 3.2
Loan Count	15,255	12,234
% Purchase	71.4%	72.8%
WA FICO[1]	743	743
WA LTV[1]	81.2%	79.2%
60+ Days Delinquent Loan Count		67
60+ Days Delinquent % o/s UPB		0.551%
180+ Days Delinquent Loan Count		21
Actual Losses ($k)		$ 487

CRT 2016 -1 (Feburary 2016 - August 2016)	At inception	9/30/2017
UPB	$ 6.4	$ 5.8
Loan Count	21,615	20,021
% Purchase	67.4%	69.4%
WA FICO[1]	748	749
WA LTV[1]	81.2%	79.3%
60+ Days Delinquent Loan Count		39
60+ Days Delinquent % o/s UPB		0.180%
180+ Days Delinquent Loan Count		9
Actual Losses ($k)		$ 234

CRT 2016 -2 (August 2016 - Current)	At inception	9/30/2017
UPB	$ 13.08	$ 13.08
Loan Count	48,026	48,026
% Purchase	77.2%	77.2%
WA FICO[1]	744	744
WA LTV[1]	81.7%	81.7%
60+ Days Delinquent Loan Count		27
60+ Days Delinquent % o/s UPB		0.056%
180+ Days Delinquent Loan Count		3
Actual Losses ($k)		$ 107

Total	At inception	9/30/2017
UPB	$ 25.0	$ 22.9
Loan Count	89,004	83,494
% Purchase	73.6%	74.4%
WA FICO[1]	745	745
WA LTV[1]	81.2%	80.6%
60+ Days Delinquent Loan Count		154
60+ Days Delinquent % o/s UPB		0.180%
180+ Days Delinquent Loan Count		40
Actual Losses ($k)		$ 1,040

[1] FICO and LTV metrics at origination

Net Cash Flows from Existing Investments

Reconciliation of Non-GAAP Financial Measure

($ in thousands)	Quarter Ended				
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Cash flows from investing activities[1]	$ 286,281	$ 87,241	$ 42,023	$ 25,713	$ (146,950)
Adjustments to remove items:					
Purchase of mortgage-backed securities at fair value	-	-	251,872	213,813	301,729
Sale of mortgage-backed securities at fair value	(32,391)	(26,630)	(26,123)	(34,038)	(123,329)
Sale of mortgage loans at fair value	-	-	-	-	(891)
Deposit of cash securing CRT agreements	44,998	41,355	15,793	24,073	89,697
Net settlement of derivative financial instruments	711	(316)	28	1,139	3,284
Change in margin deposits and restricted cash	7,482	(41,399)	36,267	(43,079)	(13,752)
Net purchase of mortgage servicing rights	10	7	62	137	-
Net decrease (increase) in short-term investments	(71,720)	57,483	(102,205)	88,735	16,476
Bulk sale of mortgage loans at fair value	(131,507)	-	(88,872)	(139,449)	-
	$ 103,864	$ 117,741	$ 128,845	$ 137,044	$ 126,264
Other adjustments:					
Debt repayment on investment liquidations/sales[2]	$ (43,052)	$ (63,525)	$ (82,878)	$ (87,932)	$ (75,728)
Servicing fees[3]	44,280	41,084	38,505	37,079	34,304
Net interest income from Credit Sensitive and Interest Rate Sensitive Strategies[4]	6,451	9,947	7,145	11,563	12,327
Less capitalized interest	(12,965)	(10,814)	(9,903)	(22,037)	(23,068)
Expenses excluding fulfillment fees	(28,131)	(31,026)	(25,296)	(27,899)	(31,057)
Net cash flows from existing investments	$ 70,447	$ 63,407	$ 56,418	$ 47,818	$43,042

(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

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?

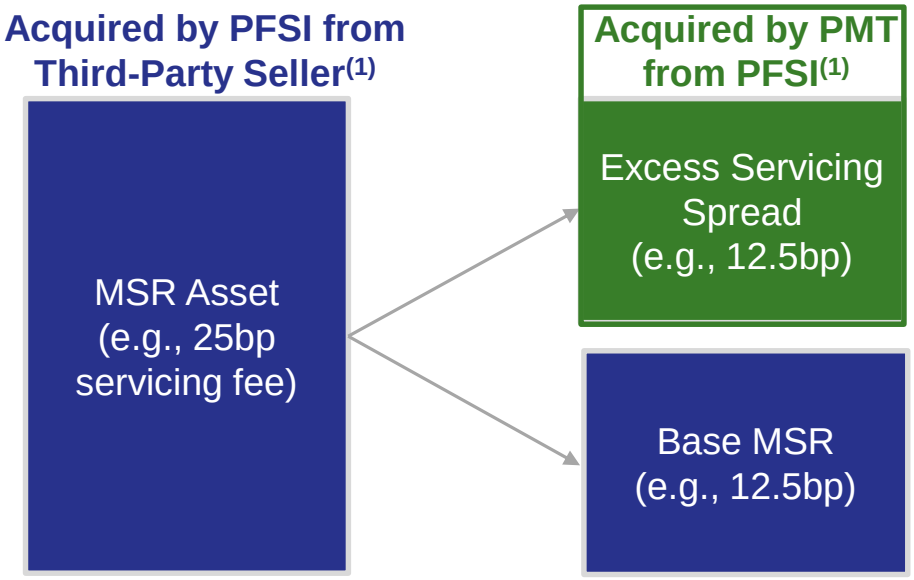
- GSE and Ginnie Mae servicing in which PFSI has distinctive expertise
- MSRs sold and operational servicing transferred to PFSI (not subserviced by a third party)
- Measurable representation and warranty liability for PFSI

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 controlled subsidiary of PFSI
(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.