PennyMac®
Mortgage Investment Trust

PENNYMAC MORTGAGE INVESTMENT TRUST

2Q21 EARNINGS REPORT

August 2021

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 and from past results discussed herein. These forward-looking statements include, but are not limited to, statements regarding the future impact of the COVID-19 pandemic of our business; future loan originations, servicing and production; future loan delinquencies, forbearances and servicing advances; future investment strategies; elimination of the FHFA's adverse market refinance fee and other business and financial expectations. Factors which could cause actual results to differ materially from historical results or those anticipated include, but are not limited to: our exposure to risks of loss and disruptions in operations resulting from adverse weather conditions, man-made or natural disasters, climate change and pandemics such as COVID-19; the impact to our CRT agreements of increased borrower requests for forbearance under the CARES Act; changes in the Company's investment objectives or investment or operational strategies, including any new lines of business or new products and services that may subject it to additional risks; volatility in the Company's 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 and housing markets or otherwise have a broad impact on financial and housing markets, such as the sudden instability or collapse of large depository institutions or other significant corporations, terrorist attacks, natural or manmade disasters, or threatened or actual armed conflicts; elimination of the FHFA's adverse market refinance fee; changes in general business, economic, market, employment and domestic and international 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 the Company's investment objectives; the inherent difficulty in winning bids to acquire mortgage loans, and the Company's success in doing so; the concentration of credit risks to which the Company is exposed; the degree and nature of the Company's competition; the Company's dependence on its 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 its manager, servicer or their affiliates; the availability, terms and deployment of short-term and long-term capital; the adequacy of the Company's cash reserves and working capital; the Company's ability to maintain the desired relationship between its financing and the interest rates and maturities of its assets; the timing and amount of cash flows, if any, from the Company's investments; unanticipated increases or volatility in financing and other costs, including changes in interest rates; our substantial amount of indebtedness; the performance, financial condition and liquidity of borrowers; the ability of the Company's servicer, which also provides the Company 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 the Company's customers and counterparties; the Company's indemnification and repurchase obligations in connection with mortgage loans it purchases and later sells or securitizes; the quality and enforceability of the collateral documentation evidencing the Company's ownership and rights in the assets in which it invests; increased rates of delinquency, default and/or decreased recovery rates on the Company's investments; the performance of mortgage loans underlying mortgage-backed securities in which the Company retains credit risk; the Company's ability to foreclose on its investments in a timely manner or at all; increased prepayments of the mortgages and other loans underlying the Company's mortgage-backed securities or relating to the Company's mortgage servicing rights and other investments; the degree to which the Company's hedging strategies may or may not protect it from interest rate volatility; the effect of the accuracy of or changes in the estimates the Company makes about uncertainties, contingencies and asset and liability valuations when measuring and reporting upon the Company's financial condition and results of operations; the Company's ability to maintain appropriate internal control over financial reporting; technologies for loans and the Company's ability to mitigate security risks and cyber intrusions; the Company's ability to obtain and/or maintain licenses and other approvals in those jurisdictions where required to conduct its business; the Company's ability to detect misconduct and fraud; the Company's ability to comply with various federal, state and local laws and regulations that govern its business; developments in the secondary markets for the Company's 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 such as the Government National Mortgage Association, the Federal Housing Administration or the Veterans Administration, the U.S. Department of Agriculture, or government-sponsored entities such as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, 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 the Company's business and its ability to satisfy complex rules for it to qualify as a REIT for U.S. federal income tax purposes and qualify for an exclusion from the Investment Company Act of 1940 and the ability of certain of the Company's subsidiaries to qualify as REITs or as taxable REIT subsidiaries for U.S. federal income tax purposes, as applicable, and the Company's ability and the ability of its 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 Company's ability to make distributions to its shareholders in the future; the Company's failure to deal appropriately with issues that may give rise to reputational risk; and the Company's organizational structure and certain requirements in its charter documents. You should not place undue reliance on any forward-looking statement and should consider all of the uncertainties and risks described above, as well as those more fully discussed in reports and other documents filed by the Company with the Securities and Exchange Commission from time to time. The Company undertakes no obligation to publicly update or revise any forward-looking statements or any other information contained herein, and the statements made in this presentation are current as of the date of this presentation only.

SECOND QUARTER HIGHLIGHTS

- Net income attributable to common shareholders of $31.9 million; diluted earnings per common share of $0.32
- Segment pretax results: Credit Sensitive Strategies: $78.5 million; Interest Rate Sensitive Strategies: $(65.4) million; Correspondent Production: $19.0 million; Corporate: $(18.3) million
  - Strong correspondent segment results and performance of government-sponsored enterprise (GSE) credit risk transfer (CRT) investments
  - Mortgage servicing rights (MSR) fair value declines partially offset by fair value gains on interest rate hedges and Agency mortgage-backed securities (MBS)
- Dividend of $0.47 per common share, declared on June 23, 2021 and paid on July 29, 2021
- Book value per common share decreased to $20.77 from $20.90 at March 31, 2021[1]
- Investment activity driven by strong correspondent production volumes
  - Conventional correspondent loan production volumes of $30.5 billion in unpaid principal balance (UPB), down 10% from 1Q21 and up 61% from 2Q20
  - Added $413 million in new MSRs
  - Purchased $13 million in face amount of a securitization of non-owner occupied loans[2] totaling $248 million in UPB on June 30, 2021, sourced organically from PMT's conventional correspondent production volumes

[1] As described in Note 2 of PMT's Quarterly Report on form 10Q for the quarter ended June 30, 2021, a recent accounting change requires that beginning in 2022, the portion of PMT's 2024 and 2026 Exchangeable Notes originally allocated to additional paid-in capital will be reclassified to the carrying value of the exchangeable notes. Giving effect to this change on the pro forma basis, PMT's book value as of 6/30/21 would have been $20.38.

[2] On June 30, 2021, PMT purchased subordinate mortgage pass-through securities backed by conventional non-owner occupied loans included in a transaction sponsored by Citigroup Global Markets Realty Corp

PMT IS FOCUSED ON UNIQUE INVESTMENT STRATEGIES IN THREE SEGMENTS

Correspondent Production

- Leading producer of conventional conforming mortgage loans
- Consistent gains in market share over PMT's 12-year history driven by operational excellence and high service levels
- Significant opportunity in the current environment

Interest Rate Sensitive Strategies

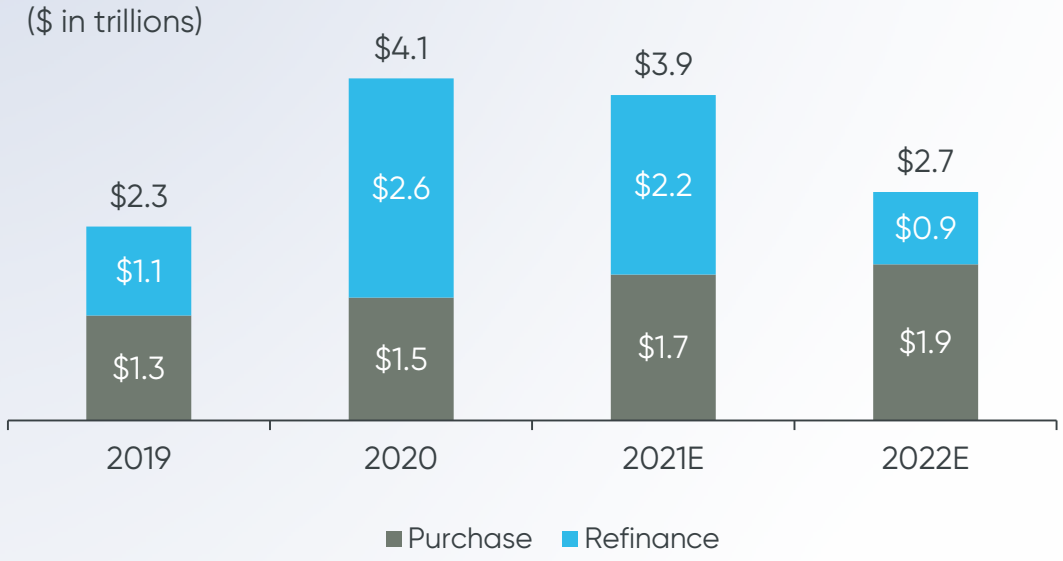
- MSR investments created through the securitization of conventional correspondent loan production
- Hedged with Agency MBS and interest rate derivatives
- Strong track record and discipline in hedging interest rate risk

Credit Sensitive Strategies

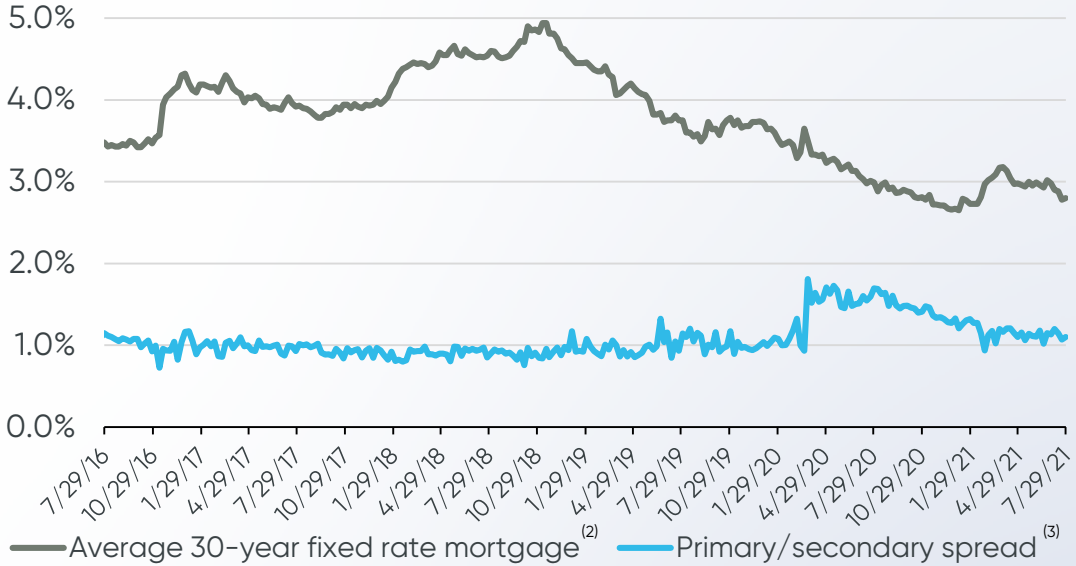
- Investments in credit risk on PMT's high-quality loan production
- Approximately $41 billion in UPB of loans underlying PMT's front-end GSE CRT investments at June 30, 2021
- Emerging opportunity in investments from private-label securitizations

ORIGINATION MARKET REMAINS HISTORICALLY STRONG

U.S. Mortgage Origination Market[1]



Mortgage Rates Remain Historically Low



- Economic forecasts for 2021 total originations range from $3.6 to $4.2 trillion driven by the continuation of low mortgage rates
  - Purchase originations are expected to total $1.7 and $1.9 trillion in 2021 and 2022, respectively, higher than 2020 levels
- Economic forecasts for 2022 total originations average $2.7 trillion, a strong market by historical standards, supported by a strong purchase market
- FHFA's elimination of the Adverse Market Refinance Fee is expected to increase the population of loans currently eligible for refinance

[1] Actual originations: Inside Mortgage Finance. Total originations forecast: Average of Mortgage Bankers Association (7/21/21), Fannie Mae (7/12/21), and Freddie Mac (7/15/21) forecasts.
[2] Freddie Mac Primary Mortgage Market Survey. 2.80% as of 7/29/21
[3] Bloomberg: Difference between Freddie Mac Primary Mortgage Market Survey and the 30-Year Fannie Mae or Freddie Mac Par Coupon (MTGEFNCL) Index

PMT IS WELL-POSITIONED FOR A CHANGING MORTGAGE MARKET

CORRESPONDENT PRODUCTION MARKET ENVIRONMENT REMAINS ROBUST

Mortgage rates remain near **historic lows**

Conventional mortgage origination market **remains especially robust**

Strong demographic and secular trends expected to drive **growth in purchase activity**

EVOLVING GSE LANDSCAPE

Changes in GSE footprint expected to create need for private capital and those with expertise in capital markets

Correspondent aggregators with flexibility to adapt swiftly to regulatory changes are expected to become **increasingly more important**

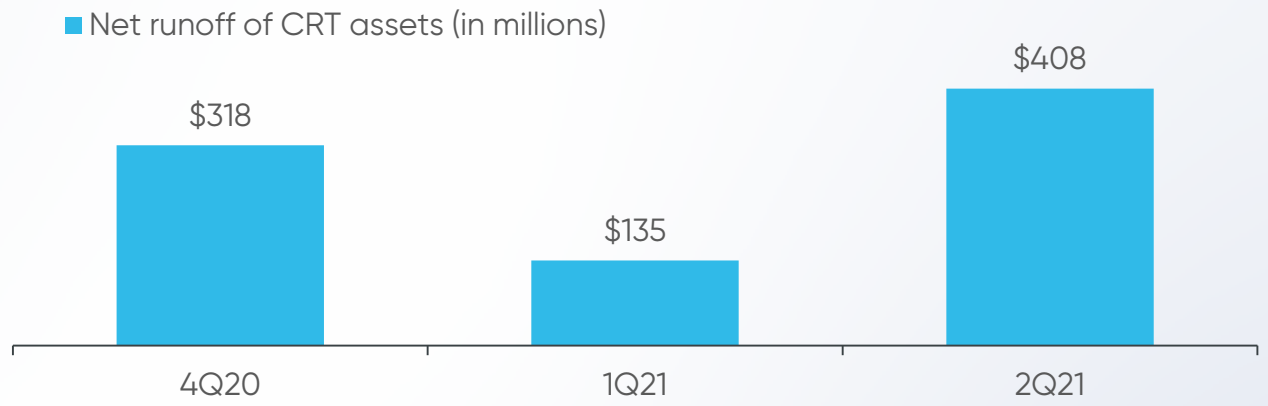
Changing policies will **favor scaled and well-capitalized** market participants

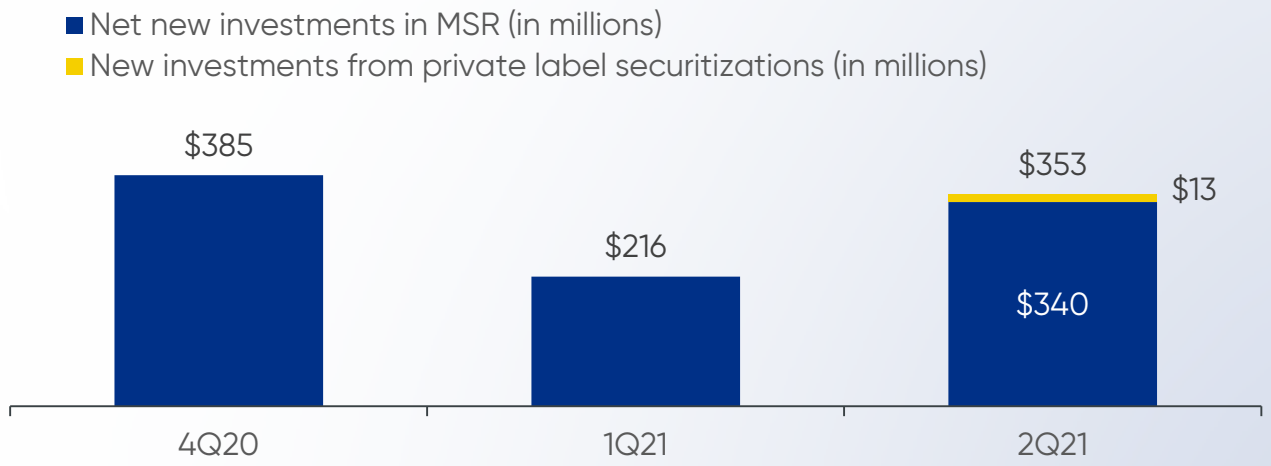
PMT is uniquely positioned to capitalize on current and evolving investment environments given its scale and importance in the home ownership ecosystem

SUCCESSFUL CAPITAL DEPLOYMENT INTO ATTRACTIVE NEW INVESTMENTS

Runoff from prepayments on CRT assets…

…is offset by net new investments in MSR and from private label securitizations.





RUN-RATE RETURN POTENTIAL FROM PMT'S INVESTMENT STRATEGIES

($ in millions, except EPS)	Annualized Return on Equity (ROE)	WA Equity Allocated (%)[1]
Credit sensitive strategies:		
GSE credit risk transfer	15.9%	18%
Other credit sensitive strategies	6.1%	3%
Net credit sensitive strategies	**14.5%**	**21%**
Interest rate sensitive strategies:		
MSRs (incl. recapture)	17.2%	40%
Agency MBS	30.0%	5%
Non-Agency senior MBS (incl. jumbo)	17.6%	0%
Interest rate hedges[2]	-5.3%	0%
Net interest rate sensitive strategies	**13.3%**	**44%**
Correspondent production	**26.8%**	**14%**
Cash, short term investments, and other	1.6%	21%
Management fees & corporate expenses	-2.9%	
Net Corporate[3]	**-2.5%**	**21%**
Provision for income tax expense	-0.7%	
Net income	**9.3%**	**100%**
Dividends on preferred stock	**8.3%**	**12%**
Net income attributable to common shareholders	**9.5%**	**88%**
Average Diluted EPS per Quarter	**$ 0.49**	

Note: This slide presents estimates for illustrative purposes only, using PMT's base case assumptions (e.g., for credit performance, prepayment speeds, financing economics, and loss treatment for CRT transactions as described on slide 14), and does not contemplate significant changes or shocks to current market conditions. Actual results may differ materially.

- Represents the average annualized return and quarterly earnings potential PMT expects from its strategies over the next four quarters
  - Excludes the valuation impact to the MSR related to the FHFA's recent elimination of the Adverse Market Refinance Fee; the estimated fair value decline on PMT's portfolio at June 30, 2021 would have been approximately $50 million[4]
- Slightly lower CRT return potential reflects credit spreads that have tightened
- Return potential from the interest rate sensitive strategies roughly in line with the previous quarter
- Increased expectations for market volumes have driven an increased equity allocation to correspondent production equity

[1] Equity allocated represents management's internal allocation. Certain financing balances and associated interest expenses are allocated between investments based on management's assessment of target leverage ratios and required capital or liquidity to support the investment.
[2] ROE calculated as a percentage of segment equity
[3] ROE calculated as a percentage of total equity
[4] The FHFA recently announced the elimination of a 50 basis point adverse market refinance fee on Fannie Mae and Freddie Mac mortgage refinance transactions effective August 1, 2021. The elimination of the FHFA adverse market refinance fee will reduce the cost of refinancing residential mortgage loans with conforming loans and is expected to increase future prepayment rates on mortgage loans underlying our MSRs. This estimate is based upon the MSRs we held as of June 30, 2021, which may differ materially from the size and composition of the MSRs that we hold at September 30, 2021, and is not intended as an estimate or projection of the decrease in the fair value of our MSRs as of September 30, 2021. The amount of any such adjustment is difficult to predict and depends upon a variety of factors, including prepayment rates and other future developments, and may differ materially from our current estimates.

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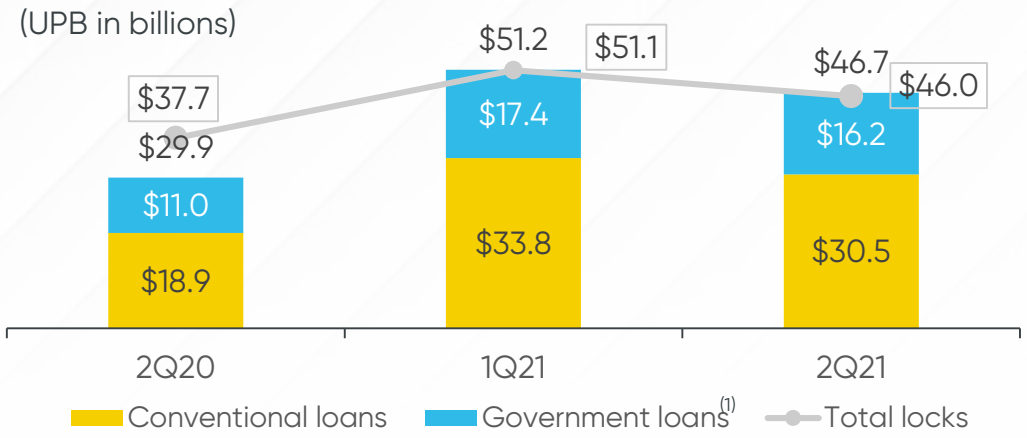
MORTGAGE INVESTMENT ACTIVITIES

CORRESPONDENT PRODUCTION HIGHLIGHTS

- Correspondent acquisitions in 2Q21 totaled $46.7 billion in UPB, down 9% Q/Q and up 56% Y/Y
  - 65% conventional loans; 35% government loans
  - Conventional conforming acquisitions of $30.5 billion in UPB, down 10% Q/Q and up 61% Y/Y
  - Government acquisitions of $16.2 billion in UPB, down 7% Q/Q and up 47% Y/Y[1]
- Conventional lock volume was $30.3 billion in UPB, down 11% Q/Q and up 22% Y/Y[2]
- PennyMac continues to gain share as the largest correspondent aggregator in the U.S.
- Role of well-capitalized correspondent aggregators will be increasingly important in a changing regulatory environment
- July correspondent acquisitions totaled $15.0 billion in UPB; locks were $12.8 billion in UPB

Correspondent Production Volume and Mix



Key Financial Metrics	1Q21	2Q21
Segment pretax income as a percentage of interest rate lock commitments[2]	0.10%	0.06%
Fulfillment fee as a percentage of acquisitions funded[3]	0.18%	0.18%

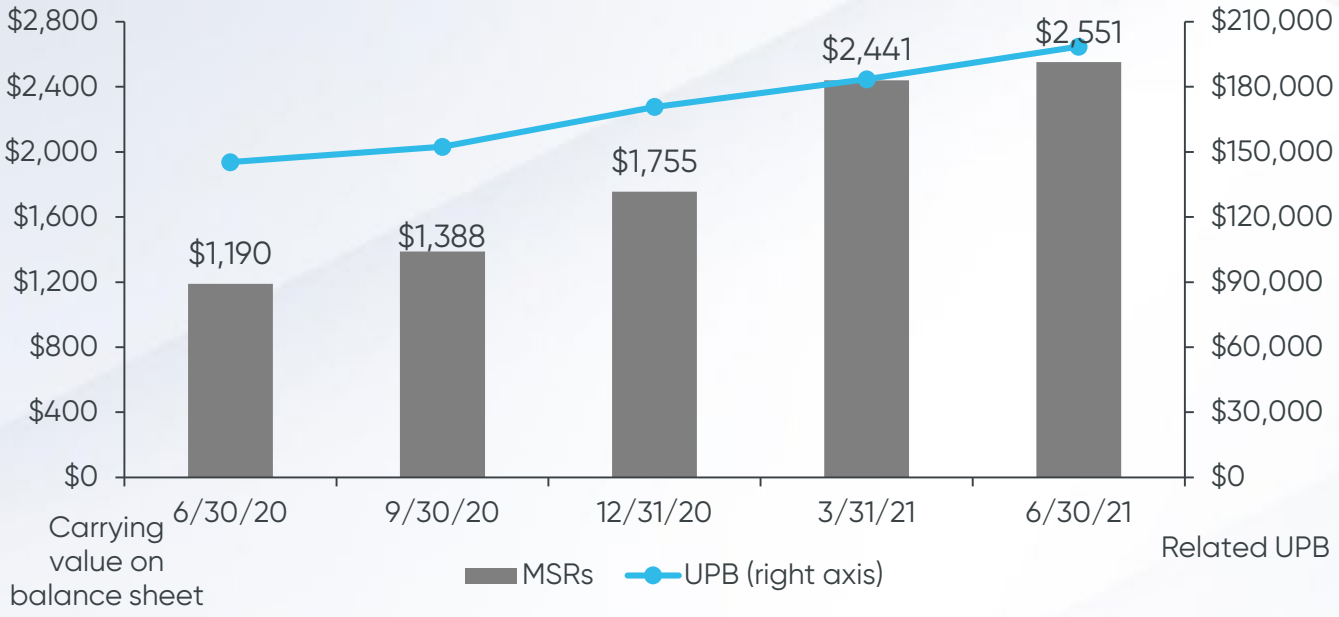
Selected Operational Metrics	1Q21	2Q21
Correspondent seller relationships	727	752
Purchase money loans, as a % of total acquisitions	41%	59%

Note: May not sum due to rounding
[1] For government loans, PMT earns a sourcing fee and interest income for its holding period and does not pay a fulfillment fee to PFSI
[2] Conventional conforming interest rate lock commitments
[3] Based on funded loans subject to fulfillment fees

TRENDS IN MSR INVESTMENTS

MSR Investments

($ in millions)

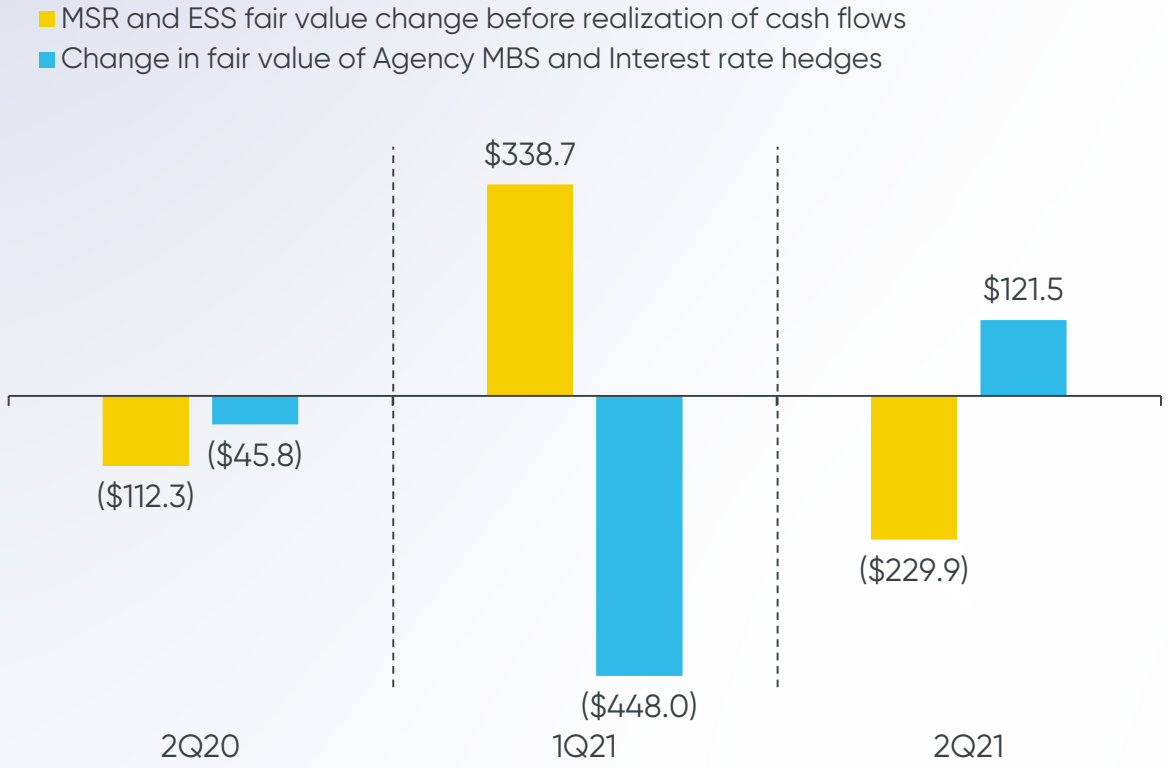


- MSR assets were $2.6 billion as of June 30th, up from $2.4 billion at March 31st, 2021
  - Driven by newly originated MSR investments of $413 million resulting from strong conventional production volumes partially offset by prepayments and a fair value decline
  - UPB associated with MSR investments increased to $198.5 billion from $183.5 billion at March 31, 2021

HEDGING APPROACH CENTRAL TO PMT'S INTEREST RATE SENSITIVE INVESTMENTS

MSR and ESS Valuation Changes and Offsets

($ in millions)

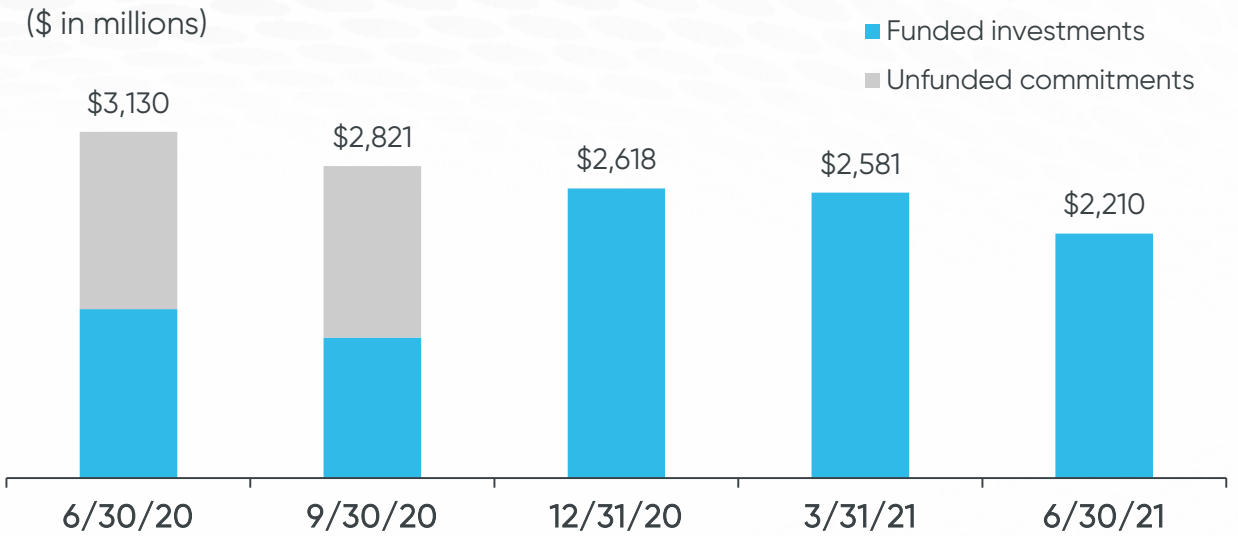


- PMT seeks to manage interest rate risk exposure on a "global" basis, recognizing interest rate sensitivities across its investment strategies
- In 2Q21, MSR fair value decreased $230 million
  - $195 million in valuation losses due to increased expectations for prepayment activity in the future due to lower mortgage rates and a flatter yield curve
  - $35 million in other valuation losses, primarily due to elevated levels of prepayment activity
- MSR fair value losses partially offset by gains of $121 million on Agency MBS and interest rate hedges

TRENDS IN PMT'S INVESTMENTS IN GSE CREDIT RISK TRANSFER (CRT)

- UPB and fair value of CRT investments declined Q/Q as overall prepayments related to PMT's L Street Securities Trust 2020-PMT1 surpassed a contractual threshold, accelerating prepayments to PMT's investment
- 60+ day delinquency rate declined Q/Q as the overall number of delinquent loans decreased faster than the decline in UPB
- Cumulative lifetime losses decreased due to losses reversed related to L Street Securities 2017-PM1 – see slide 14

CRT Investments[1]



Selected metrics for quarter ended[2]:

	6/30/20	9/30/20	12/31/20	3/31/21	6/30/21
Underlying UPB of loans ($ in billions)	$80.5	$70.4	$58.7	$48.4	$41.2
WA FICO	752	752	751	749	750
WA LTV	82.8%	82.8%	82.9%	82.9%	82.8%
60+ Days Delinquent as a % of outstanding UPB	7.30%	6.02%	5.48%	5.46%	4.72%
Net Realized losses (Losses reversed) ($ in millions)	$2.7	$2.9	$108.4	($13.3)	($20.2)
Cumulative lifetime losses ($ in millions)	$13.0	$15.9	$124.3	$110.9	$90.7

Note: See slides 7-8, 14, 17-18, 22 and 26-30 for financial performance and additional details regarding CRT investments

[1] The fair value of CRT investments is reflected on PMT's balance sheet as deposits securing CRT arrangements, and derivative and credit risk transfer strip assets or liabilities, net of the interest-only security payable. Presented here on a pro forma basis that also includes the face amount of firm commitment to purchase CRT securities for each period shown.

[2] FICO and LTV metrics at origination for the population of loans remaining as of the date presented. Delinquent loans includes delinquent loans on forbearance plans.

PERFORMANCE UPDATE AND LOSS MITIGATION ACTIVITY RELATED TO PMT'S CRT INVESTMENTS

As of June 30, 2021		Face amount (in millions)	Fair value (in millions)	% of total fair value	(Discount)/ premium (in millions)	Losses-to-date (in millions)
Scheduled loss	PMTT1, PMTT2 & PMTT3	$154	$140	6%	($15)	$8
Scheduled loss	L Street Securities 2017-PM1	$364	$402	18%	$37	$82
Actual loss	L Street Securities Trust 2019-PMT1	$308	$293	13%	($15)	$0
Actual loss	L Street Securities Trust 2020-PMT1	$1,429	$1,377	62%	($52)	$0

PMTT1-3:

If all presently delinquent loans proceeded unmitigated to 180 days or more delinquent, additional losses incurred would be approximately $22 million[1]

L Street Securities 2017-PM1:

$21 million in net losses reversed in 2Q21; $33 million of losses reversed more than offset $12 million in additional realized losses

- The majority of the remaining losses have the potential to reverse if the payment status of the related loan is reported as current after the conclusion of a CARES Act forbearance; as a result, the fair value exceeds the face amount
- We estimate an additional $24 million of these losses were eligible for reversal as of June 30th subject to review by Fannie Mae; we expect this amount to increase as additional borrowers exit forbearance and reperform
- We estimate that only $8 million of the $82 million in losses-to-date at June 30th had no potential for reversal

- A variety of loss mitigation strategies are utilized to assist delinquent borrowers and because our scheduled loss transactions trigger a loss if a borrower becomes 180 days or more delinquent, we have deployed additional loss mitigation resources and provided assistance to borrowers at risk of breaching that threshold
- A COVID-19 payment deferral[2] has been the most common method of exiting forbearance to date
  - Under this program, a borrower defers the amount owed to the end of the loan term and is deemed to be current, and agrees to resume making regular monthly mortgage payments
- Faster prepayment speeds benefit PMT's CRT investments as payoffs of the associated loans reduce potential for realized losses

[1] As of June 30, 2021
[2] See https://www.fanniemae.com/here-help-homeowners/introducing-covid-19-payment-deferral

CHANGES IN THE MORTGAGE LANDSCAPE CREATE INCREASED OPPORTUNITIES FOR INVESTMENTS FROM PRIVATE-LABEL SECURITIZATIONS

Changing GSE Landscape

- Limits on how much production of non owner-occupied loans can be purchased by the GSEs
- GSE volume delivery limit includes loans made on both second homes and investment properties

Similar Investment Thesis to CRT

- The ability to invest in the credit of PMT's high-quality production
- PFSI fulfills and services the loans, enabling it to influence performance of the borrowers through effective servicing

Capital Markets Expertise

- PMT's scale and the capital markets expertise of its manager provides continued opportunities for investments from private-label securitizations
- Long-standing relationships with institutional investors and global banks
- Expanded liquidity and opportunity for improved execution relative to the GSEs

Details of PMT's First Non-Owner Occupied Investment

- $248 million in underlying UPB of non-owner occupied loans acquired through PMT's correspondent channel
- Purchased $13 million in face amount of a securitization of non-owner occupied loans, or approximately 5% of the underlying UPB
- Financed with short-term securities repurchase agreements

PMT expects to earn a return on equity in the low teens for its investments related to non-owner occupied loan securitizations

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FINANCIAL RESULTS

SECOND QUARTER RESULTS AND RETURN CONTRIBUTIONS BY STRATEGY

($ in millions)	Total Income Contribution[1]	Market-Driven Value Changes[2]	Income Excluding Market-Driven Value Changes[1][2]	WA Equity Allocated[3]	Annualized Return on Equity (ROE)[1]
Credit sensitive strategies:					
GSE credit risk transfer	$ 80.9	$ 38.7	$ 42.2	$ 560	58%
Other credit sensitive strategies	(2.4)	0.3	(2.7)	20	-49%
Net credit sensitive strategies	**$ 78.5**	**$ 39.0**	**$ 39.6**	**$ 580**	**54%**
Interest rate sensitive strategies:					
MSRs (incl. recapture)	$ (195.9)	$ (229.9)	$ 34.0		
ESS (incl. recapture)	(0.0)	-	(0.0)		
Agency MBS	36.3	27.4	8.9		
Non-Agency senior MBS (incl. jumbo)	0.0	-	0.0		
Interest rate hedges	94.1	94.1	-		
Net interest rate sensitive strategies	**$ (65.4)**	**$ (108.4)**	**$ 43.0**	**$ 988**	**-27%**
Correspondent production	**$ 19.0**		**$ 19.0**	**$ 490**	**16%**
Cash, short term investments, and other	$ 0.7		$ 0.7	$ 309	1%
Management fees & corporate expenses	(19.0)	n/a	(19.0)		-3%
Corporate[4]	**$ (18.3)**	**n/a**	**$ (18.3)**	**$ 309**	**-3%**
Benefit / (Provision) for income tax expense	$ 24.3	$ 39.0	$ (14.7)		
Net income	**$ 38.1**	**$ (30.4)**	**$ 68.5**	**$ 2,367**	**6%**
Dividends on preferred stock	**$ 6.2**			**$ 300**	**8%**
Net income attributable to common shareholders	**$ 31.9**			**$ 2,067**	**6%**
Diluted EPS	**$ 0.32**				

Note: Amounts may not sum exactly due to rounding

[1] Income contribution and the annualized return on equity calculated net of any direct expenses associated with investments (e.g., loan fulfillment fees and loan servicing fees), but before tax expenses. Some of the income associated with the investment strategies may be subject to taxation.

[2] Categorization of income as market-driven value changes based on management assessment. Income excluding market-driven value changes does not represent REIT taxable income.

[3] Equity allocated represents management's internal allocation. Certain financing balances and associated interest expenses are allocated between investments based on management's assessment of target leverage ratios and required capital or liquidity to support the investment.

[4] ROE calculated as a percentage of total equity

PERFORMANCE OF THE GSE CREDIT RISK TRANSFER INVESTMENTS IN 2Q21

($ in millions)	(Loss) Income Contribution	Comments
Market-driven value changes:		
Valuation-related changes included in Net gain (loss) on investment	$ 38.7	• Reflects impact of credit spread tightening and elevated prepayment speeds
Income excluding market-driven value changes:		
Realized gains and carry included in Net gain (loss) on investment	39.1	• Spread income earned on CRT investments
Net losses reversed	20.2	• For L Street Securities 2017-PM1, $32.8 million in losses reversed were partially offset by $11.6 million in losses
Interest income	0.2	• Interest income on cash deposits securing CRT investments
Interest expense	(15.5)	• Financing expense related to CRT investments
Other expense	(1.8)	• Expenses to assist certain borrowers in mitigating loan delinquencies they incurred as a result of dislocations arising from the COVID-19 pandemic
	42.2	
Total income contribution	$ 80.9	

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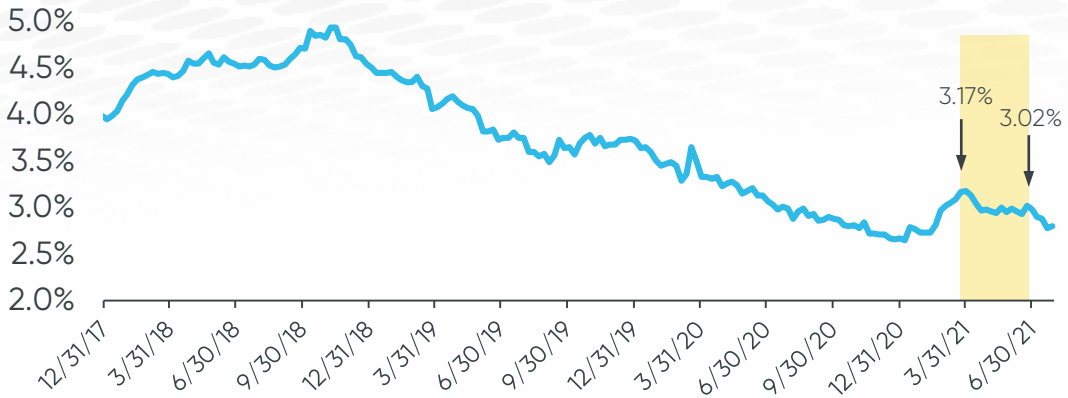
APPENDIX

CURRENT MARKET ENVIRONMENT AND MACROECONOMIC TRENDS

Average 30-year fixed rate mortgage[1]



10-year Treasury Bond Yield[2]



Macroeconomic Metrics[3]

	6/30/20	9/30/20	12/31/20	3/31/21	6/30/21
10-year Treasury bond yield	0.7%	0.7%	0.9%	1.7%	1.5%
2/10 year Treasury yield spread	0.5%	0.6%	0.8%	1.6%	1.2%
30-year fixed rate mortgage	3.1%	2.9%	2.7%	3.2%	3.0%
Secondary mortgage rate	1.6%	1.4%	1.3%	2.0%	1.9%
U.S. home price appreciation (Y/Y % change)	4.4%	7.0%	10.4%	13.3%	16.6%
Residential mortgage originations (in billions)	$990	$1,155	$1,265	$1,305	$1,280

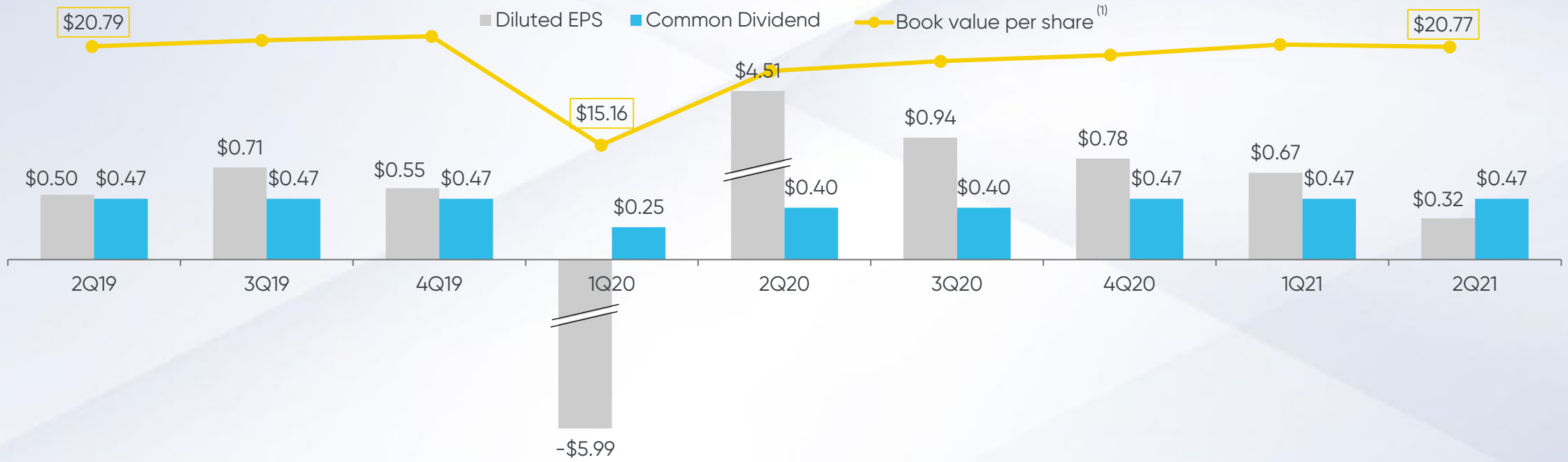
Footnotes

(1) Freddie Mac Primary Mortgage Market Survey. 2.80% as of 7/29/21

(2) U.S. Department of the Treasury. 1.22% as of 7/30/21

(3) 10-year Treasury bond yield and 2/10 year Treasury yield spread: Bloomberg.
Average 30-year fixed rate mortgage: Freddie Mac Primary Mortgage Market Survey.
Average secondary mortgage rate: 30-Year FNCL Par Coupon Index (MTGEFNCL), Bloomberg.
U.S. home price appreciation: S&P CoreLogic Case-Schiller U.S. National Home Price NSA Index (SPCSUSA). Data for 6/30/21 is as of 5/31/21.
Residential mortgage originations are for the quarterly period ended. Source: Inside Mortgage Finance.

HISTORICAL EARNINGS, DIVIDENDS AND BOOK VALUE PER SHARE



ROE[2]:	10%	14%	10%	-119%	103%	19%	15%	13%	6%

- Repurchased 17.5 million common shares from 3Q15 through 4Q20
- Issued 39.2 million common shares through underwritten common equity offerings and our ATM program in 2019 and 2020

(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 INVESTMENT ACTIVITY BY STRATEGY DURING THE QUARTER

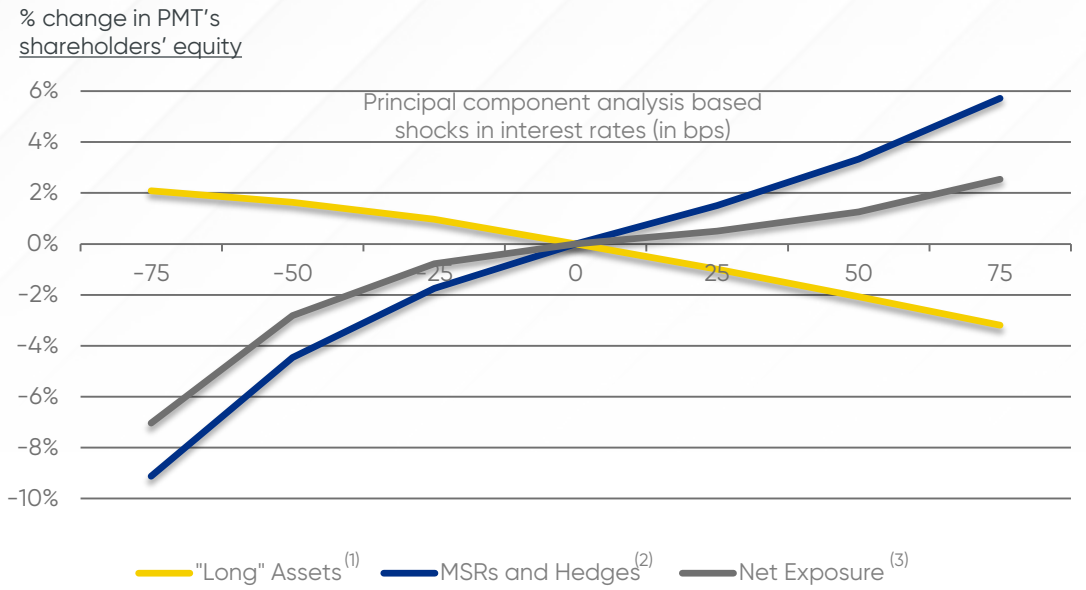
($ in millions)	Long-term mortgage asset	Asset carrying value at 3/31/21	Net new investments[5]	Fair value changes	Asset carrying value at 6/30/21
Credit Sensitive Strategies	Credit Risk Transfer[1]	$ 2,581	$ (408)	$ 38	$ 2,210
	Investment in Non-Owner Occupied Securitizations[2]	$ -	$ 13	$ -	$ 13
	Distressed Loans & REO[3]	$ 26	$ (4)	$ 0	$ 22
Interest Rate Sensitive Strategies	MSR	$ 2,441	$ 340	$ (230)	$ 2,551
	Agency MBS[4]	$ 1,916	$ 366	$ 27	$ 2,310
	Total	$ 6,964	$ 307	$ (164)	$ 7,106

[1] The fair value of CRT investments is reflected on PMT's balance sheet as deposits securing CRT arrangements, and derivative and credit risk transfer strip assets or liabilities, net of the interest-only security payable.
[2] As discussed in Note 6 – Variable Interest Entities to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, we consolidate the assets and liabilities in the trust that issued the subordinate bonds. Accordingly, this investment is shown as Loans at fair value and Asset-backed financing of variable interest entities on our consolidated balance sheet
[3] REO = Real estate acquired in settlement of loans. Net new investments reflect sales in performing and non-performing loans as a part of PMT's strategy to exit the investments. Includes $14.7 million in carrying value of REO at 6/30/21.
[4] MBS = Mortgage-backed securities. Net new investments represents rebalancing of the MBS portfolio (considered along with TBA hedges in managing PMT's interest rate risk) and runoff.
[5] Net new investments represents new investments net of sales, liquidations, and runoff

INTEREST RATE SENSITIVE STRATEGIES DESIGNED TO MITIGATE INTEREST RATE VOLATILITY

Gain in value with increasing rates	Gain in value with decreasing rates
MSRs	Agency MBS
Interest Rate Hedges	

Estimated Sensitivity to Changes in Interest Rates at 6/30/21

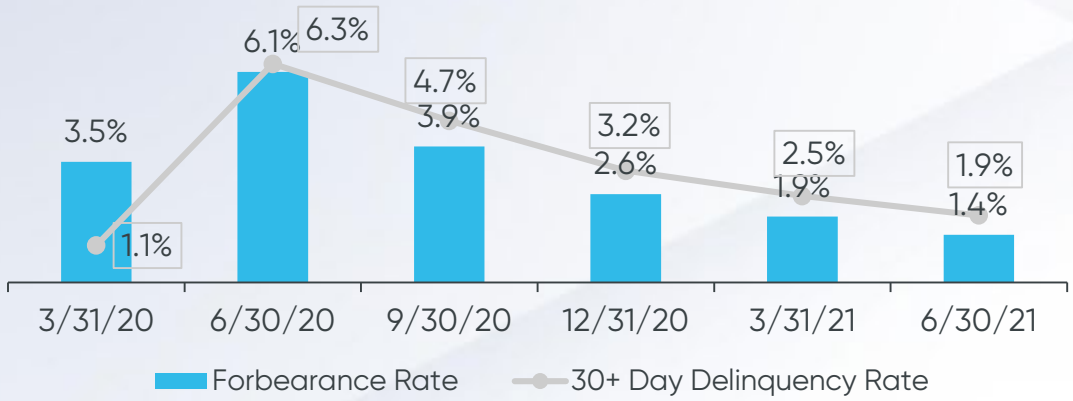


- PMT's interest rate risk exposure is managed on a "global" basis
  - Multiple mortgage-related investment strategies with complementary interest rate sensitivities
  - Utilization of financial hedge instruments
  - Contributes to stability of book value

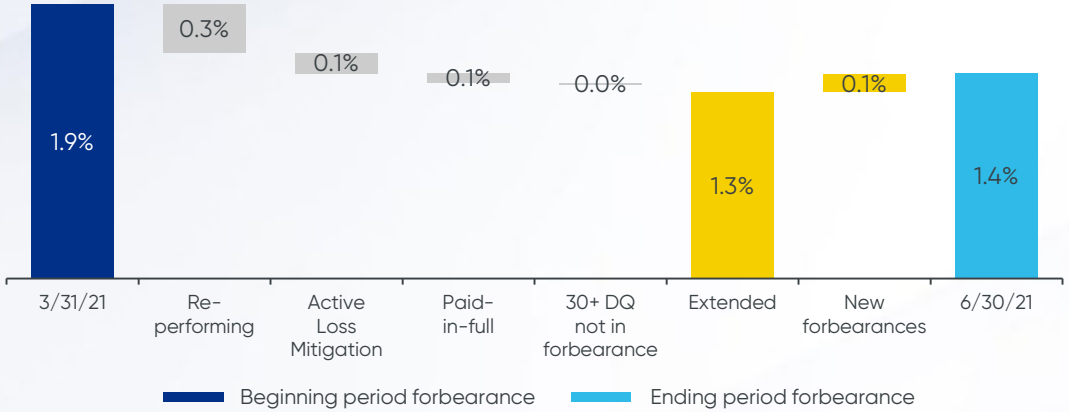
(1) Includes loans acquired for sale and IRLCs, net of associated hedges, Agency and Non-Agency MBS assets
(2) Includes MSRs, CRT, and Hedges which includes or may include put and call options on MBS, Eurodollar futures, Treasury futures, and Exchange-traded swaps
(3) Net Exposure represents the net position of the "Long" Assets and the MSRs/CRT and Hedges

SERVICING TRENDS – DELINQUENCIES & ADVANCES FOR PMT'S MSR PORTFOLIO

30+ Day Delinquency Rate and Forbearance Trend[1]



Forbearance Outcomes[2]



- In PMT's conventional MSR portfolio, approximately 58,000 borrowers have been enrolled in a forbearance plan related to COVID-19
  - Through June 30th, approximately 47,000 borrowers have exited or are in the process of exiting their forbearance plan including those borrowers that have paid-in-full
- Servicing advances decreased to approximately $88 million at June 30, 2021, from $101 million at March 31
  - No P&I advances are outstanding as prepayment activity remains sufficient to cover the GSEs' remittance obligations
- Of the 0.3% reduction in forbearance related to re-performing loans:
  - 0.2% were Payment Deferral Options
  - 0.1% were or became current

Note: Figures may not sum due to rounding

[1] Delinquency and forbearance data based on loan count (i.e. not UPB). As of 6/30/21, 30+ day delinquency units amounted 14,743, forbearance units amounted to 10,502, total portfolio units were 760,062, and portfolio UPB was $203 billion.

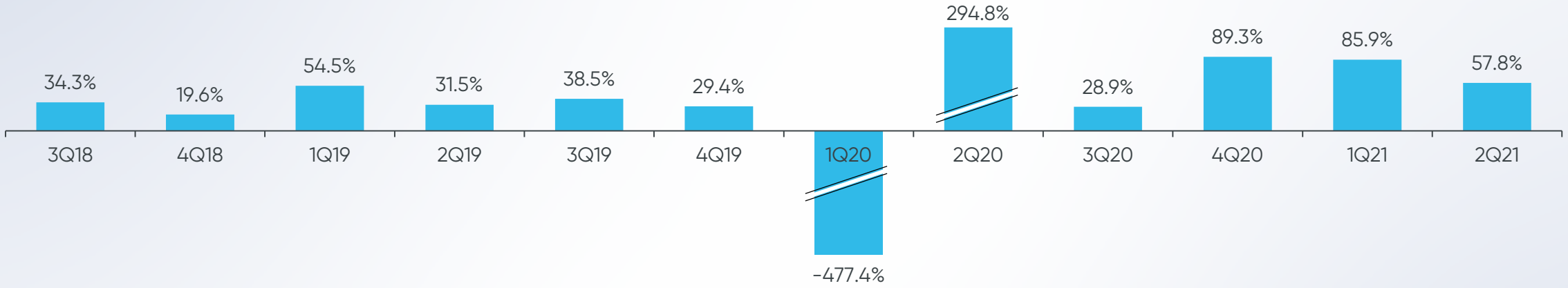
[2] Forbearance outcomes based on loan count as a percentage of beginning period loans in forbearance.

MSR ASSET VALUATION

June 30, 2021 *Unaudited ($ in millions)*	Mortgage Servicing Rights
Pool UPB	$198,548
Coupon	3.3%
Servicing fee/spread	0.27%
Prepayment speed assumption (CPR)	9.7%
Fair value	$2,551
As a multiple of servicing fee	4.73

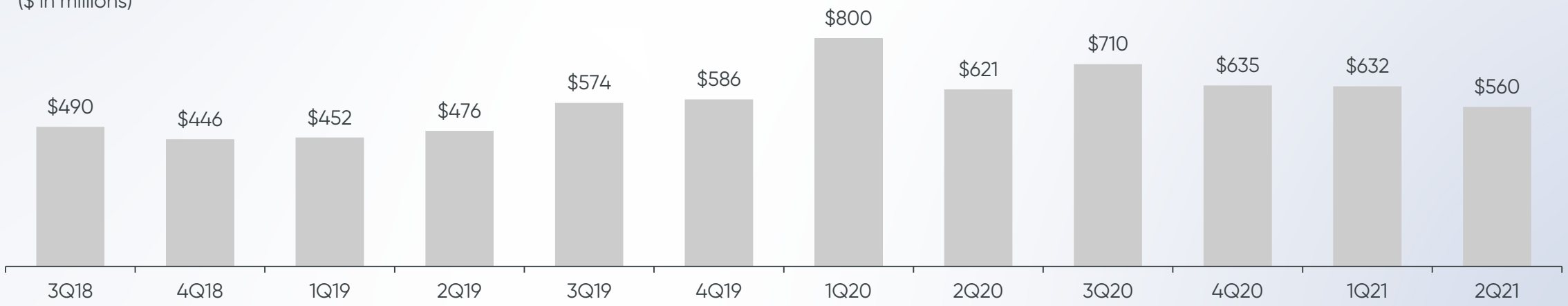
RETURN ON EQUITY CONTRIBUTION OF THE GSE CREDIT RISK TRANSFER INVESTMENTS

Annualized Return on Average CRT Equity



Average CRT Equity[1]

($ in millions)



[1] Equity allocated represents management's internal allocation across segments and investment strategies

CREDIT RISK TRANSFER – BALANCE SHEET TREATMENT

($ in thousands)		At June 30, 2021	
UPB of loans subject to guarantee obligation	$	41,234,108	Current outstanding UPB of loans delivered to the CRT SPVs and sold to Fannie Mae or delivered subject to agreements to purchase REMIC CRT securities
Carrying value of CRT arrangements:			
Deposits securing CRT arrangements	$	2,256,047	Current cash collateralizing guarantee included in "Deposits securing credit risk transfer arrangements"
Derivative and credit risk transfer strip liabilities	$	(32,608)	Represents the fair value of expected future cash inflows related to assumption of credit risk net of expected future losses
Interest-only stripped security payable at fair value	$	(13,185)	Fair value of non-recourse liability issued by CRT trusts; represents value of interest-only payment after the maturity of PMT's investments
Fair value of CRT investments	$	2,210,254	

CRT FINANCING SUMMARY

Transaction	PMTT1, PMTT2 & PMTT3	L Street Securities 2017-PM1	L Street Securities Trust 2019-PMT1	L Street Securities Trust 2020-PMT1
as of June 30, 2021				
Status	Funded	Funded	Funded	Funded
UPB ($ in billions)	$2.9	$6.8	$5.4	$26.1
Face Amount ($ in millions)	$154.4	$364.3	$307.9	$1,429.5
Financing	• $122 million of 3-year term notes due March 2022	• $333 million of 4-year term notes due May 2023	• $121 million of 3-year term notes due October 2022 • $124 million of 3-year term notes due February 2023	• $415 million of 2-year term notes due December 2022 • $549 million of 3-year term notes due February 2024

- Term notes do not contain mark-to-market provisions
- Increased losses on CRT investments are not expected to accelerate amortization of the term notes
- Earliest maturity is March 2022; all notes contain optional two-year extensions, except $415 million of 2-year term notes due December 2022

ASSESSMENT OF LOSS VARIES BY TRANSACTION FOR PMT'S CRT INVESTMENTS

PMT CRT Transactions	Recourse Event / Loss Calculation	Loans in Forbearance
PMTT1, PMTT2 & PMTT3	Losses assesed pursuant to a scheduled-severity grid when loan becomes 180 days or more delinquent.	Mortgage Obligations become credit events at 180 days or more delinquent regardless of any grant of forbearance
L Street Securities 2017-PM1		Mortgage Obligations become credit events at 180 days or more delinquent. However, such losses will become reversed credit events if the payment status is reported as current at the conclusion of a forbearance period due to a casualty event (such as natural disaster, fire or theft) or up to 3 months thereafter if necessary[1]
L Street Securities Trust 2019-PMT1	Based on actual losses incurred for loans that default, including principal and interest loss, and other liquidation costs. Modifications that reduce payments also result in losses.	Loans in forbearance only impacted if there is an actual loss.
L Street Securities Trust 2020-PMT1		

[1] Fannie Mae has published clarification that the COVID-19 pandemic is a casualty event.
Source: https://www.fanniemae.com/portal/funding-the-market/credit-risk/news/covid19-casualty-event-050120.html

PMT'S INVESTMENTS IN GSE CREDIT RISK TRANSFER

(UPB in billions)

PMTT1 (May 2015 - July 2015)	At inception	6/30/21
UPB	$ 1.2	$ 0.3
Loan Count	4,113	1,174
% Purchase	67.6%	68.9%
WA FICO[1]	742	743
WA LTV[1]	81.3%	81.0%
60+ Days Delinquent Loan Count		36
60+ Days Delinquent % o/s UPB		3.608%
180+ Days Delinquent Loan Count		7
Realized Losses ($k)		$ 905

PMTT2 (August 2015 - February 2016)	At inception	6/30/21
UPB	$ 4.2	$ 0.9
Loan Count	15,146	4,329
% Purchase	71.4%	72.8%
WA FICO[1]	742	741
WA LTV[1]	81.8%	81.3%
60+ Days Delinquent Loan Count		115
60+ Days Delinquent % o/s UPB		3.251%
180+ Days Delinquent Loan Count		9
Realized Losses ($k)		$ 3,270

PMTT3 (February 2016 - August 2016)	At inception	6/30/21
UPB	$ 6.5	$ 1.8
Loan Count	21,467	7,357
% Purchase	68.6%	71.7%
WA FICO[1]	749	749
WA LTV[1]	81.4%	81.3%
60+ Days Delinquent Loan Count		220
60+ Days Delinquent % o/s UPB		3.559%
180+ Days Delinquent Loan Count		16
Realized Losses ($k)		$ 4,057

L Street Securities 2017-PM1 (August 2016 - May 2018)	At inception	6/30/21
UPB(4)	$ 22.8	$ 6.8
Loan Count[4]	82,086	29,692
% Purchase	73.6%	72.9%
WA FICO[1]	746	743
WA LTV[1]	82.5%	82.2%
60+ Days Delinquent Loan Count		1,291
60+ Days Delinquent % o/s UPB		5.281%
180+ Days Delinquent Loan Count		1,065
Realized Losses ($k)[5]		$ 82,301

L Street Securities 2019-PMT1 (June 2018 - March 2019)	At inception	6/30/21
UPB	$ 23.6	$ 5.4
Loan Count	84,521	23,378
% Purchase	81.7%	79.2%
WA FICO[1]	746	736
WA LTV[1]	83.8%	84.0%
60+ Days Delinquent Loan Count		1,770
60+ Days Delinquent % o/s UPB		9.189%
180+ Days Delinquent Loan Count		1,480
Principal Losses ($k)[2]		$ 136
Interest Reduction ($k)[3]		$ 739

L Street Securities 2020-PMT1 (April 2019 - September 2020)	At inception	6/30/21
UPB	$ 58.3	$ 26.1
Loan Count	193,310	99,475
% Purchase	61.6%	61.3%
WA FICO[1]	758	755
WA LTV[1]	82.5%	82.8%
60+ Days Delinquent Loan Count		3,218
60+ Days Delinquent % o/s UPB		3.793%
180+ Days Delinquent Loan Count		2,675
Principal Losses ($k)[2]		$ 34
Interest Reduction ($k)[3]		$ 176

Total	At inception	6/30/21
UPB	$ 116.5	$ 41.2
Loan Count	400,643	165,405
% Purchase	69.1%	66.3%
WA FICO[1]	752	750
WA LTV[1]	82.7%	82.8%
60+ Days Delinquent Loan Count		6,650
60+ Days Delinquent % o/s UPB		4.718%
180+ Days Delinquent Loan Count		5,252
Principal Losses ($k)[2]		$ 90,704
Interest Reduction ($k)[3]		$ 915

[1] FICO and LTV metrics at origination
[2] Losses due to liquidation of reference pool collateral
[3] Interest reduction due to modification of reference pool collateral
[4] Loans eligible for loss reversal are included as of 6/30/21
[5] Losses included for loans eligible for reversal as of 6/30/21

CORRESPONDENT PRODUCTION ACQUISITIONS AND LOCKS BY PRODUCT

Unaudited ($ in millions)	2Q20	3Q20	4Q20	1Q21	2Q21
Correspondent Acquisitions					
Conventional Conforming	$ 18,900	$ 27,351	$ 37,986	$ 33,762	$ 30,479
Government[1]	10,991	16,977	18,923	17,440	16,175
Total	**$ 29,890**	**$ 44,328**	**$ 56,908**	**$ 51,202**	**$ 46,654**
Correspondent Locks					
Conventional Conforming	$ 24,804	$ 34,363	$ 39,451	$ 33,998	$ 30,332
Government[1]	12,920	20,167	19,728	17,064	15,657
Total	**$ 37,725**	**$ 54,531**	**$ 59,179**	**$ 51,062**	**$ 45,990**

Note: Figures may not sum exactly due to rounding

[1] PMT sells government-insured or guaranteed loans that it purchases from correspondent sellers to PennyMac Loan Services, LLC. and earns a sourcing fee and interest income for its holding period; PMT does not pay a fulfillment fee for government-insured or guaranteed loans.