Use a Photoshop layer mask to create a letter portrait
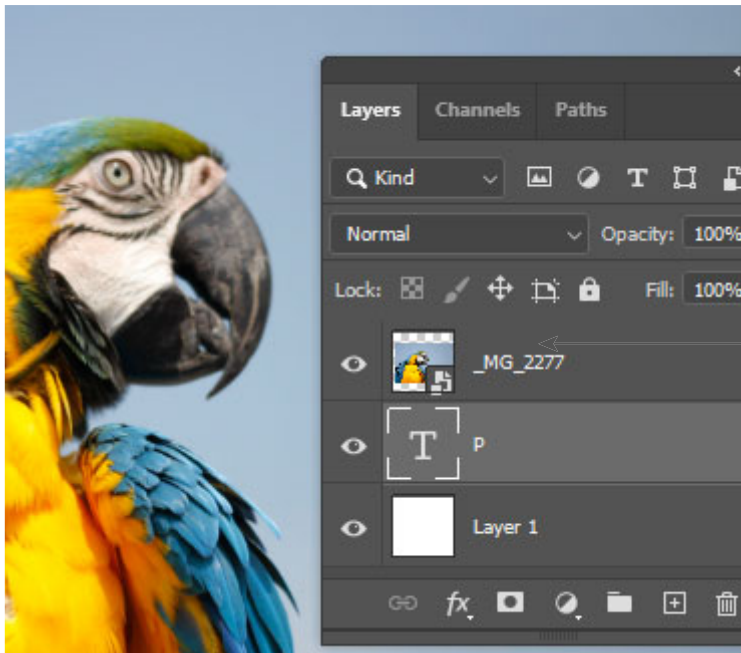
1. Open a new document.

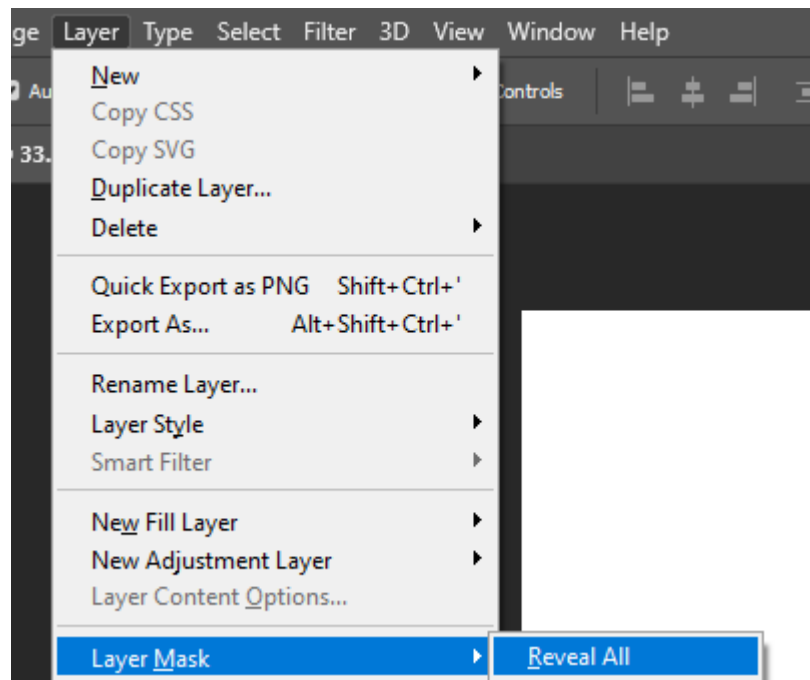2. Type in a letter and make it big enough to cover the part of the image you want to show through and still look good with parts of the image extending beyond it.. It helps to reduce the opacity of the letter so you can see the image below :

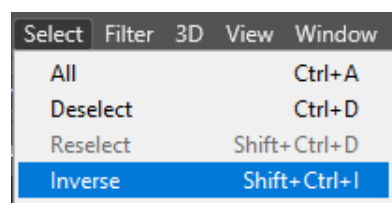I want to show the parrot inside the letter P and have the beak sticking out:

3. When you're happy with the arrangement, drag the Letter layer underneath the image layer. Make the Letter opacity a 100% again:
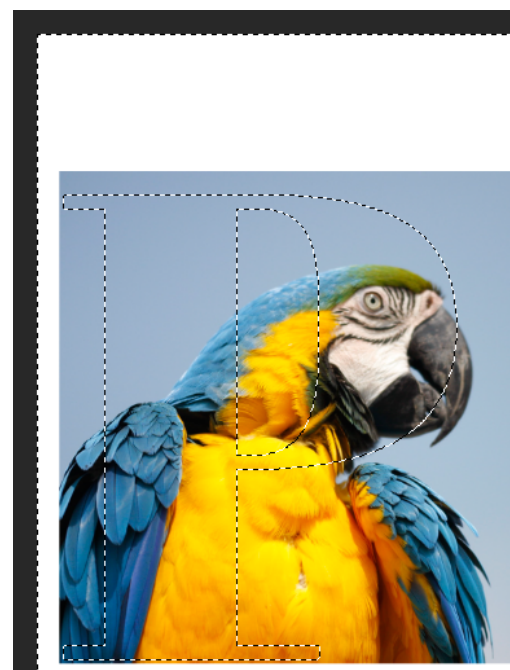
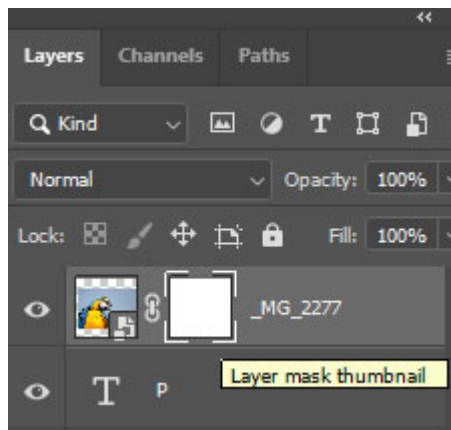4. Select the image layer then go to Layer>Layer Mask>Reveal All:

5. CTRL+Click on the letter (T) thumbnail and go to Select>Inverse.

You will see the P and the document boundary have both got a marquee of 'marching ants'.

6. Click the layer mask thumbnail:

When it's selected, you'll see a border around it ~ see the screen grab above.

7. Select a black brush and paint away the image outside of the letter P; if you paint away too much detail, paint it back in by changing the paint colour to white. Zoom in to get a better view while you're doing this. To slightly soften the painted out edges, you could apply a blur: Filter>Blur>Gaussian Blur. Try just a pixel or 2.

That's all there is to it.