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# First Quarter 2015 Earnings Report

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# Forward-Looking Statements

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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 from 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 federal, state and local laws and regulations applicable to the highly regulated industry in which we operate; lawsuits or governmental actions if we do not comply with the laws and regulations applicable to our businesses; the creation of the Consumer Financial Protection Bureau, or CFPB, and enforcement of its rules; changes in existing U.S. government-sponsored entities, their current roles or their guarantees or guidelines; changes to government mortgage modification programs; the licensing and operational requirements of states and other jurisdictions applicable to our businesses, to which our bank competitors are not subject; foreclosure delays and changes in foreclosure practices; certain banking regulations that may limit our business activities; changes in macroeconomic and U.S. residential real estate market conditions; difficulties in growing loan production volume; changes in prevailing interest rates; increases in loan delinquencies and defaults; our reliance on PennyMac Mortgage Investment Trust as a significant source of financing for, and revenue related to, our correspondent lending business and purchased mortgage servicing rights; availability of required additional capital and liquidity to support business growth; our obligation to indemnify third-party purchasers or repurchase loans that we originate, acquire or assist in with fulfillment; our obligation to indemnify advised entities or investment funds to meet certain criteria or characteristics or under other circumstances; decreases in the historical returns on the assets that we select and manage for our clients, and our resulting management and incentive fees; regulation applicable to our investment management segment; conflicts of interest in allocating our services and investment opportunities among ourselves and our advised entities; the potential damage to our reputation and adverse impact to our business resulting from ongoing negative publicity; and our rapid growth.

You should not place undue reliance on any forward-looking statement and should consider all of the uncertainties and risks described above, as well as those more fully discussed in reports and other documents filed by the Company with the Securities and Exchange Commission from time to time. The Company undertakes no obligation to publicly update or revise any forward-looking statements or any other information contained herein, and the statements made in this presentation are current as of the date of this presentation only.

# First Quarter Highlights

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- Pretax income of \$53.2 million; diluted earnings per common share of \$0.42
  - Segment pretax earnings: Production: \$70.7 million; Servicing: \$(18.5) million; Investment Management: \$1.1 million
  - Servicing results negatively impacted by MSR value reduction due to higher prepayment speeds from lower interest rates and unanticipated change in FHA mortgage insurance premium (MIP), offset by higher production segment earnings driven by higher volume
- Loan production totaled \$8.9 billion in UPB, up 12% from 4Q14, driven by a larger origination market and continued share gains in consumer direct originations
  - Correspondent production was \$8.0 billion, up 10% from 4Q14; consumer direct originations were \$897 million, up 31% from 4Q14
  - Production revenue of \$110.8 million, up 53% from 4Q14; increased contribution from consumer direct
- Servicing portfolio grew to \$115.2 billion in UPB, up 9% from December 31, 2014
  - Continued organic growth resulting from loan production, supplemented by mini-bulk and flow acquisitions of MSRs totaling \$6.4 billion in UPB
  - Servicing revenue of \$19.5 million, down 66% from 4Q14; reduction in MSR value net of hedge and excess servicing spread (ESS) performance totaled \$22 million
- Net assets under management remained \$2.0 billion
  - Revenue of \$10.0 million, down 4% from 4Q14 as a result of lower incentive fees and carried interest

## Activity After Quarter End

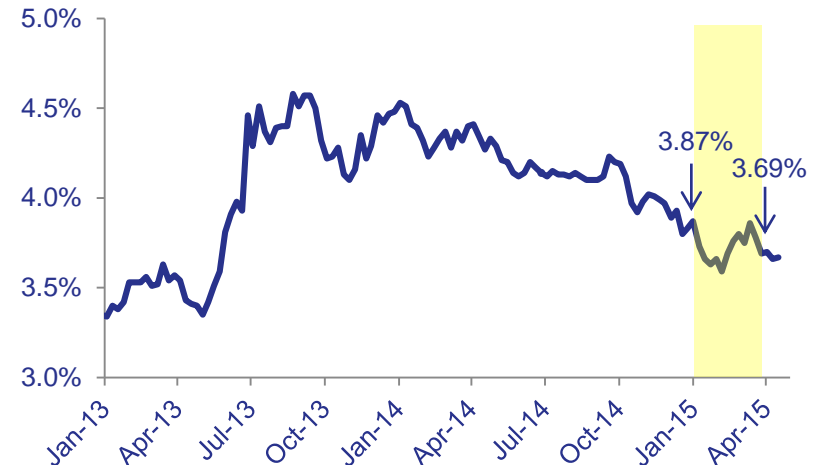
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- Completed the previously announced acquisition of \$15 billion in UPB of Agency MSR with associated ESS sold to PMT; servicing transfers in 2Q15
- Entered into a letter of intent to acquire approximately \$9 billion in UPB of Ginnie Mae MSR; expect to close and transfer the portfolio and sell the associated excess servicing spread to PMT in early 3Q15 <sup>(1)</sup>
- Amended PFSI's Ginnie Mae MSR facility to allow for pass-through financing of related ESS by PMT; facilitates continued co-investment by PMT in Ginnie Mae MSR acquisitions

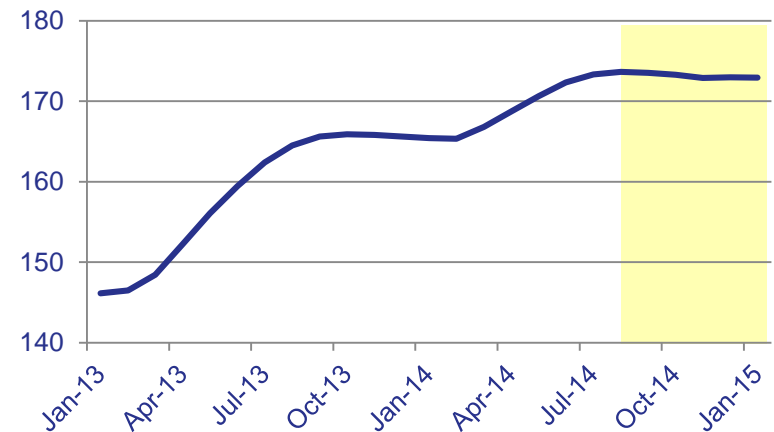
# Current Market Environment and Outlook

- Interest rates in 1Q15 reached their lowest levels since mid-2013, driving higher refinancing volume
  - Industry forecasts now predict a \$1.3 trillion mortgage origination market for 2015
- FHA's reduction in its annual mortgage insurance premium (MIP) has boosted refinance activity
- Home prices have been stagnant on a not-seasonally-adjusted basis since last summer
  - Housing values expected to increase, driven by underlying U.S. macroeconomic improvement and tight housing inventory in certain regions
- Recent regulatory actions against large non-bank mortgage companies underscore the importance of effective governance, compliance, and operating systems

**Average 30-year fixed rate mortgage<sup>(1)</sup>**



**Case Shiller 20-City Home Price Index<sup>(2)</sup>**



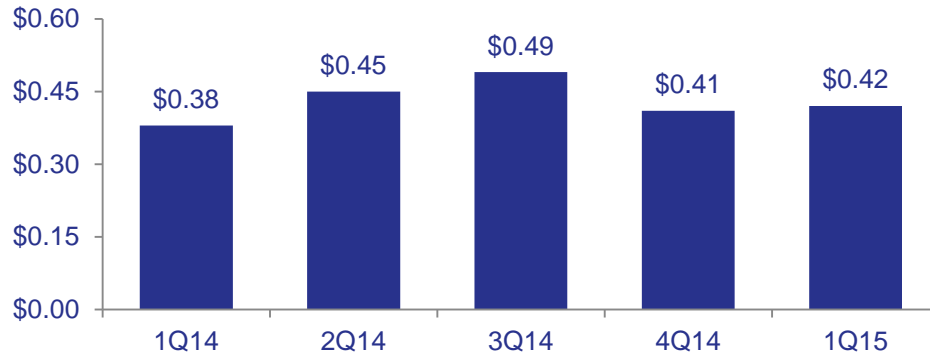
<sup>(1)</sup> Freddie Mac Primary Mortgage Market Survey. 3.68% as of 04/30/15

<sup>(2)</sup> Not seasonally adjusted; Index was 100 for January 2000

<sup>(3)</sup> Moody's Analytics

# Trends in PFSI Earnings and Revenue Composition

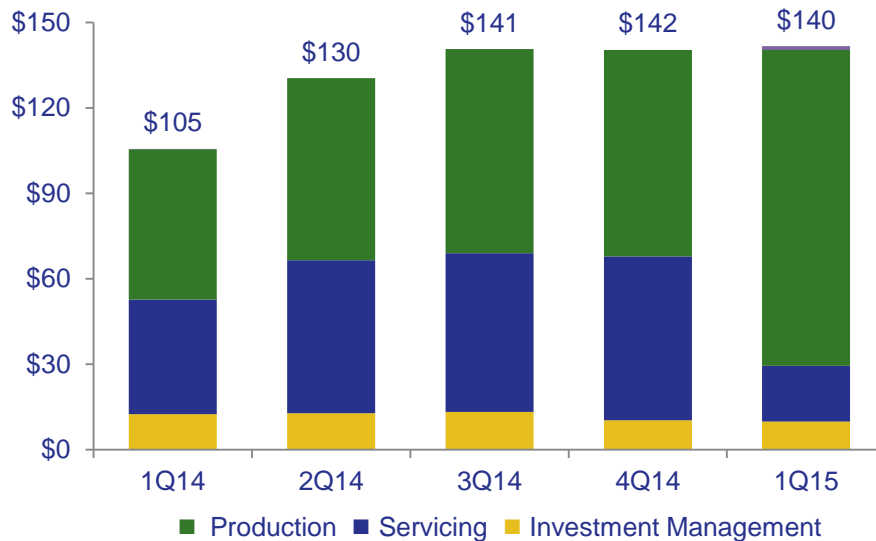
## Earnings per Share



- EPS increased to \$0.42 per share driven by strong contribution from production, partially offset by loss from servicing and lower investment management income

## Total Net Revenue

(\$ in millions)



- Total net revenue decreased 1% Q/Q as growth from loan production was offset by lower revenues in loan servicing
  - Production revenue increased 53% Q/Q, driven by higher consumer direct and correspondent production volumes
  - Servicing revenue decreased 66% Q/Q due to reductions in MSR value
  - Investment management revenues decreased 4% Q/Q due to lower incentive fees

# Key Strategic Initiatives PFSI Is Pursuing

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## ***Capturing Increasing Economies of Scale***

- Larger portfolio (>\$140bn in UPB after recent and pending acquisitions) drives operational efficiencies in loan servicing
  - Expansion of Ft. Worth facility with access to an experienced workforce
- Technology investments to enhance the customer experience and automate interaction
- Improved economies of scale in loan production businesses with higher volumes

## ***Building Operational Capabilities for Higher Volumes in Consumer Direct***

- Established Mortgage Fulfillment Division (MFD) to leverage high-volume processes and expertise over PFSI's consumer direct originations
- Focus on adding operating resources and process automation of previously manual compliance routines
- Technology investments to enhance the customer experience

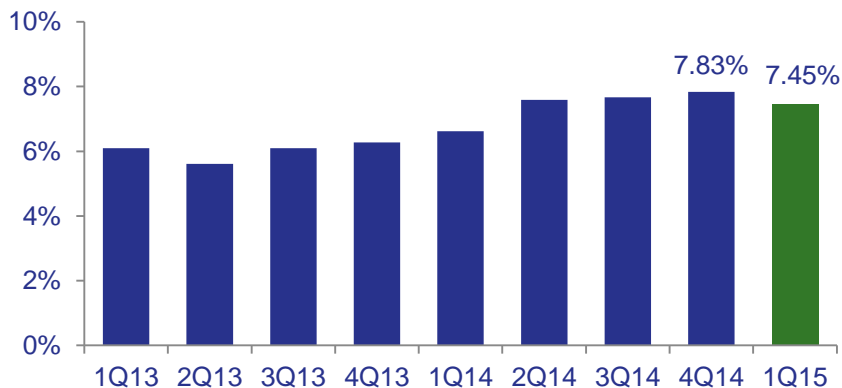
## ***Developing the Commercial Real Estate Finance (CREF) Platform***

- Focus in early 2015 on acquiring and building infrastructure, including production salesforce, operations resources, credit and pricing policies and processes, and servicing capabilities
- Initial funding of newly originated loans, to be acquired and aggregated for securitization by PMT, expected in 2Q15

# Trends in PennyMac Financial's Businesses

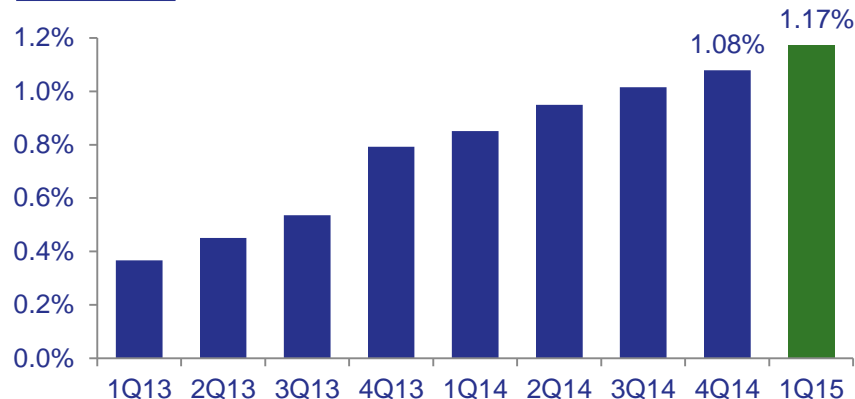
## Correspondent Production<sup>(1)</sup>

### Market Share



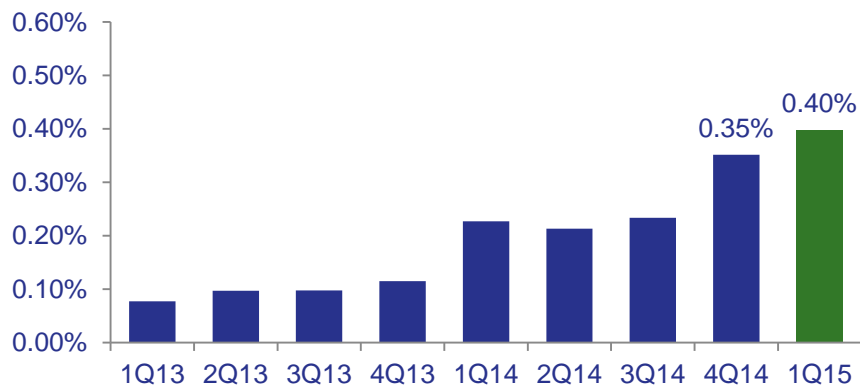
## Loan Servicing<sup>(1)</sup>

### Market Share



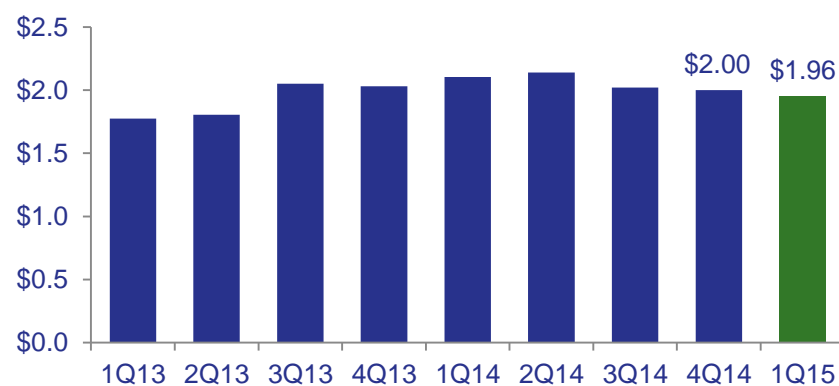
## Consumer Direct Production<sup>(1)</sup>

### Market Share



## Investment Management

### AUM (billions)



<sup>(1)</sup> Source: Inside Mortgage Finance and company estimates. Inside Mortgage Finance estimates total 1Q15 origination market of \$370 billion. Correspondent production share estimate is based on PFSI and PMT acquisition volume of \$8.0 billion divided by \$107 billion for the correspondent market (estimated to be 29% of total origination market). Consumer direct production share is based on PFSI originations of \$897 million divided by \$225 billion for the retail market (estimated to be 61% of total origination market). Loan servicing market share is based on PFSI's servicing UPB of \$115.2 billion divided by \$9.83 trillion in mortgage debt outstanding as of December 31, 2014.



# Quarterly Highlights – Correspondent Production

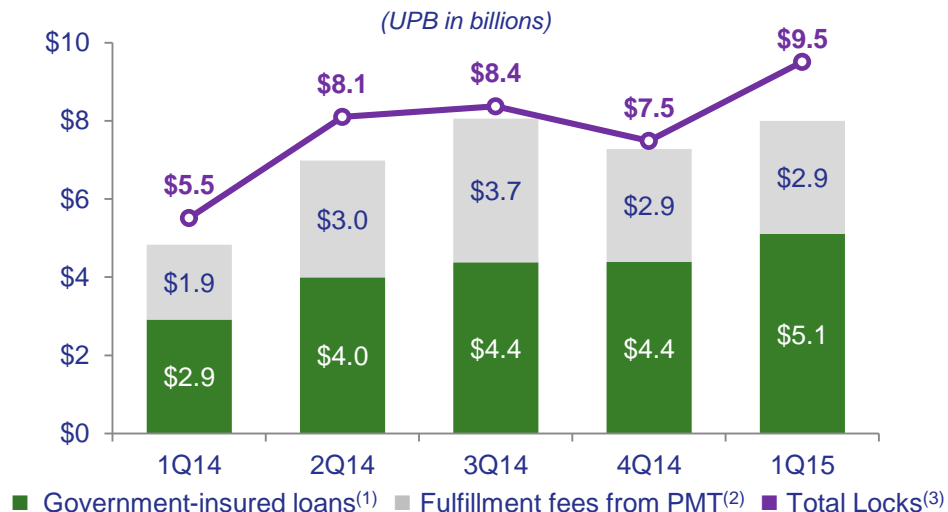
## Operational Highlights

- Correspondent acquisitions by PMT in 1Q15 totaled \$8.0 billion
  - 64% government-insured loans; 36% conventional loans
- April correspondent acquisitions totaled \$3.6 billion; locks totaled \$4.6 billion
- Scalable model able to increase volumes while maintaining service levels, which benefits margins
- Initiated new program with a large bank to acquire and securitize their Ginnie Mae eligible loans

## Strategic Initiatives

- Adding sales managers to continue growth of seller relationships, targeting 480 by year end
- Growing business from previously under-represented geographies, e.g., New England
- Building “development book” of typically smaller originators who can benefit from our operational and risk management expertise
  - Accounted for \$1.5 billion of lock volume in 1Q15 compared to \$80 million in 1Q14

## Correspondent Volume and Mix



### Selected Operational Metrics

	1Q15	4Q14
Correspondent seller relationships	356	344
Purchase money loans, as a % of total acquisitions	60%	76%

### Selected Credit Metrics for 1Q15

	WA FICO
Government-insured	695
Conventional	748

(1) For government-insured loans, PFSI earns gain on mortgage loans

(2) For conventional loans, PFSI earns a fulfillment fee from PMT

(3) Includes locks related to PMT loan acquisitions, for which PFSI earns a fulfillment fee upon loan funding

# Quarterly Highlights – Consumer Direct Production

## Operational Highlights

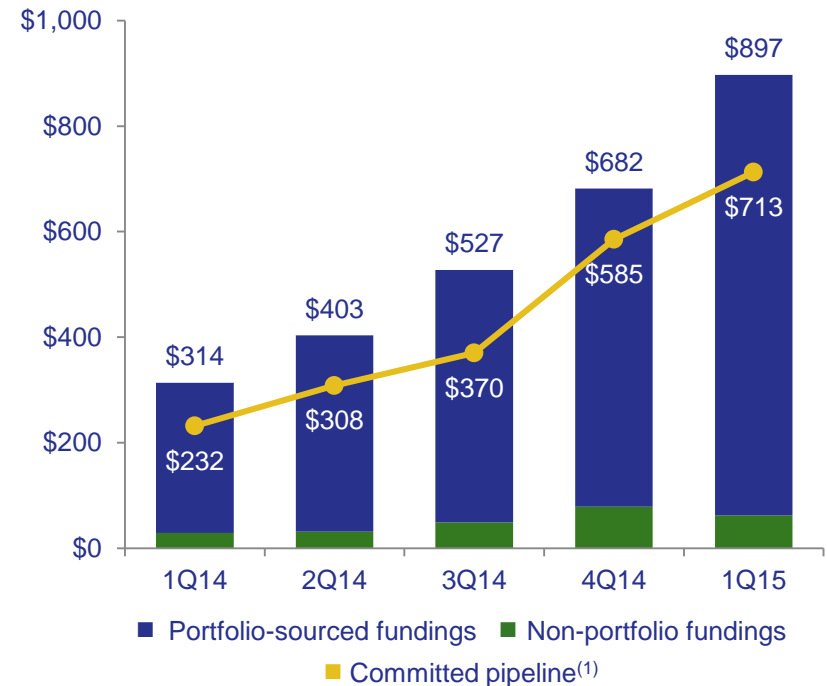
- Consumer direct production totaled \$897 million in 1Q15, up 31% from 4Q14
  - Government-insured and guaranteed loans continue to drive growth
- April consumer direct production totaled \$330 million; locks totaled \$638 million
- Recent and pending MSR acquisitions anticipated to drive additional recapture opportunities

## Strategic Initiatives

- Building capacity and infrastructure to address larger volumes (MFD)
- Growing leads generated through servicing call center
- Technology investments for long-term growth
  - Enhancing customer experience through new PennyMacUSA.com portal
  - Automation and readiness for new rules (TRID)
- Continued focus on non-portfolio strategies; growth in affinity partnerships and volumes

## Consumer Direct Production Volume

(UPB in millions)



## Selected Credit Metrics for 1Q15

	WA FICO
Government-insured	699
Conventional <sup>(1)</sup>	749

<sup>(1)</sup> Commitments to purchase or originate mortgage loans at specified terms at 3/31/15

<sup>(2)</sup> Includes conforming and jumbo loan originations

# Quarterly Highlights – Loan Servicing

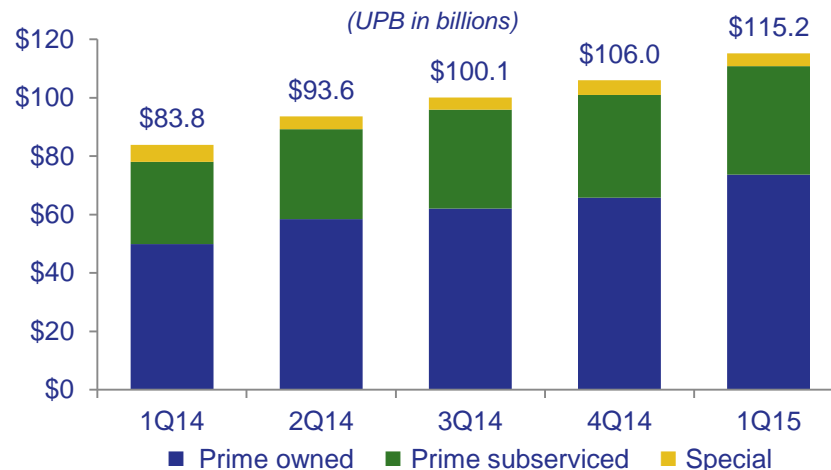
## Operational Highlights

- Servicing portfolio totaled \$115.2 billion in UPB at quarter end, up 9% from 4Q14
- Mini-bulk and flow MSR acquisitions totaled \$6.4 billion in UPB during 1Q15
  - Excess servicing spread (ESS) investments by PMT in 1Q15 totaled \$46 million
- Recent and pending bulk MSR acquisitions continue to add to servicing platform's scale<sup>(1)</sup>
  - Reviewed 55 new deals, bid on 10, won 3 in 1Q15

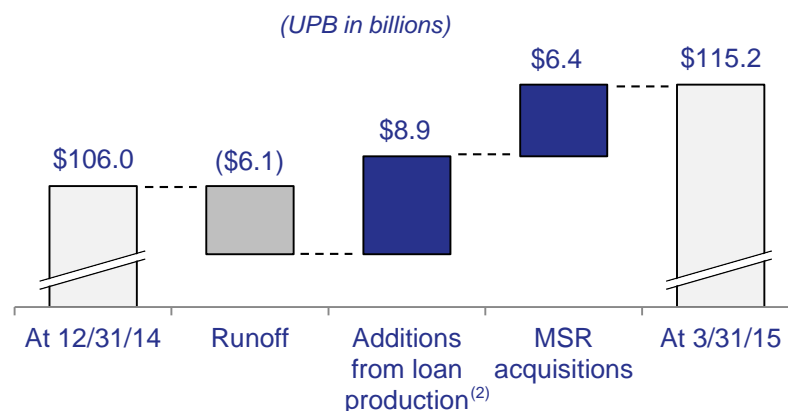
## Strategic Initiatives

- Continue to expand the operating platform
  - Full-scale operations in both Moorpark, CA and Fort Worth, TX
  - Access to high-quality labor pools for future growth
- Technology enhancements for greater self-service capabilities
  - Increased interaction via IVR and new website

## Loan Servicing Portfolio Composition



## Net Portfolio Growth



# Recent and New Investments in Agency MSR

- New pending acquisition similar to previous acquisitions of high-quality, seasoned Ginnie Mae MSR
  - Loans with above-market average note rates – low mortgage rate environment results in refinance recapture opportunities
  - Relatively low delinquency rates reduce exposure to credit losses on claims to government agencies
- Co-investment by PMT in the excess servicing spread cash flows

Recently Completed Acquisition – Previously Announced	
Unpaid Principal Balance	\$14.9 billion
Weighted Avg. Note Rate	3.87%
Delinquent Loans	2.87%
Weighted Avg. Time Since Origination	24 months
Total Servicing Fee	34.9 bp
Base Servicing Fee	17.0 bp
PFSI Investment in Base MSR	\$61.8 million

New Pending Acquisition <sup>(1)</sup>	
Unpaid Principal Balance	\$9.3 billion
Weighted Avg. Note Rate	4.73%
Delinquent Loans	5.65%
Weighted Avg. Time Since Origination	57 months
Total Servicing Fee	35.4 bp
Base Servicing Fee	12.5 bp
PFSI Investment in Base MSR	\$22.4 million

<sup>(1)</sup> The MSR acquisition by the Company and the PMTs purchase of excess servicing spread is subject to the negotiation and execution of definitive documentation, continuing due diligence and customary closing conditions, including required regulatory approvals. There can be no assurance that the committed amount will ultimately be acquired or that the transactions will be completed at all.

# Quarterly Highlights – Investment Management

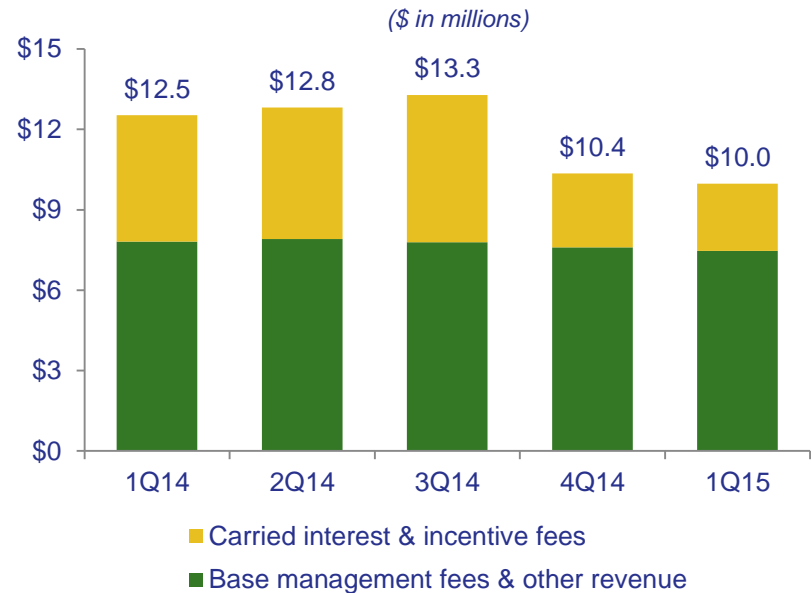
## Operational Highlights

- Net assets under management remained \$2.0 billion at March 31, 2015
- Several new initiatives that enable long-term growth for PMT
  - FHLB membership
  - Financing facilities for ESS and MSRs
  - Unique credit risk transfer structure with Fannie Mae

## Strategic Initiatives

- Opportunities to grow PMT over time and manage additional capital for mortgage-related investments:
  - Distressed whole loans
  - MSRs resulting from correspondent acquisitions
  - Excess servicing spread on MSRs
  - Investments in prime non-Agency loans
  - Agency and non-Agency MBS
  - GSE risk transfers on PMT's production
  - CRE loans and securitization interests

## Investment Management Revenues



- Investment management revenues were \$10.0 million, down 4% from 4Q14
  - Carried interest from the Investment Funds increased to \$1.2 million from \$0.3 million in 4Q14
  - Incentive fees declined 49% Q/Q, due to PMT's reduced financial performance in 1Q15

## Financial Results by Operating Segment

(\$ in millions)	Production	Servicing	Investment Management	Total Pretax Income
1Q14	\$ 26.0	\$ 17.1	\$ 6.0	\$ 49.1
2Q14	\$ 32.8	\$ 20.0	\$ 5.3	\$ 58.0
3Q14	\$ 39.1	\$ 17.4	\$ 6.2	\$ 62.7
4Q14	\$ 37.8	\$ 11.4	\$ 2.6	\$ 51.9
1Q15	\$ 70.7	\$ (18.5)	\$ 1.1	\$ 53.2

# Mortgage Banking – Production Segment Results

<b>Production Segment</b>	Quarter ended March 31, 2015	Quarter ended December 31, 2014
<i>Unaudited (\$ in thousands)</i>		
<b>Revenue</b>		
Net gains on mortgage loans held for sale at fair value	\$ 76,979	\$ 44,811
Loan origination fees	16,682	12,528
Fulfillment fees from PennyMac Mortgage Investment Trust	12,866	11,887
Net interest income	3,375	2,820
Other	913	386
	<u>110,815</u>	<u>72,432</u>
<b>Expenses</b>	<u>40,132</u>	<u>34,607</u>
<b>Pretax Income</b>	<u>\$ 70,683</u>	<u>\$ 37,825</u>

- Significant increase in net gains on mortgage loans held for sale, loan origination fees and net interest income, driven by higher volumes
- Fulfillment fee revenue increased 8% Q/Q due to a higher weighted average rate in 1Q15
- Strong contribution from the consumer direct channel
  - Gain related to consumer direct locks was approximately 314 bps in 1Q15<sup>(2)</sup>

<b>Production Segment Metrics</b>	Quarter ended March 31, 2015	Quarter ended December 31, 2014
<i>Unaudited (\$ in thousands)</i>		
Net gains on mortgage loans	\$ 76,979	\$ 44,811
As % of IRLCs	0.99%	0.76%
Loan origination fees	\$ 16,682	\$ 12,528
As % of PFSI fundings	0.28%	0.25%
Fulfillment fees from PMT	\$ 12,866	\$ 11,887
Average fulfillment fee <sup>(1)</sup>	45 bps	41 bps

<sup>(1)</sup> Fulfillment fees paid by PMT divided by unpaid principal balance of loans fulfilled for PMT during the quarter

<sup>(2)</sup> Includes revenues from net gains on mortgage loans held for sale, loan origination fees and net interest income; adjusted for 43% expected fallout of consumer direct lock commitments

# Mortgage Banking – Servicing Segment Results

<b>Servicing Segment</b>	Quarter ended March 31, 2015	Quarter ended December 31, 2014
<i>Unaudited (\$ in thousands)</i>		
<b>Revenue</b>		
Net loan servicing fees	\$ 26,776	\$ 62,278
Net interest expense	(6,271)	(4,812)
Net gains on mortgage loans held for sale at fair value	(1,601)	(162)
Other	618	261
	<u>19,522</u>	<u>57,565</u>
<b>Expenses</b>	<u>38,067</u>	<u>46,143</u>
<b>Pretax (loss) income</b>	<u>\$ (18,545)</u>	<u>\$ 11,422</u>

- Net servicing fee revenue declined 57% Q/Q
- Change in net servicing fees driven by lower mortgage rates during 1Q15 and the FHA's unanticipated MIP reduction
- Change in fair value and provision for impairment of MSR's totaled \$46.7 million, partially offset by \$17.1 million of hedge gains and \$7.5 million benefit from fair value reduction in ESS

<b>Net Loan Servicing Fees</b>	Quarter ended March 31, 2015	Quarter ended December 31, 2014
<i>Unaudited (\$ in thousands)</i>		
Net loan servicing fees:		
Loan servicing fees <sup>(1)</sup>	\$ 72,924	\$ 69,901
Effect of MSR's:		
Amortization and realization of cash flows	(24,101)	(21,690)
Change in fair value and provision for impairment of MSR's carried at lower of amortized cost or fair value	(46,701)	(8,755)
Change in fair value of excess servicing spread financing	7,536	4,271
Hedging gains (losses)	17,121	18,551
Total amortization, impairment and change in fair value of MSR's	<u>(46,148)</u>	<u>(7,623)</u>
Net loan servicing fees	<u>\$ 26,776</u>	<u>\$ 62,278</u>



# Mortgage Servicing Rights (MSR) Asset Valuation

March 31, 2015 Unaudited (\$ in millions)	Lower of amortized cost or fair value	Fair value not subject to excess servicing spread	Fair value subject to excess servicing spread
UPB	\$36,247	\$2,596	\$33,142
Weighted average coupon	3.81%	4.68%	4.11%
Prepayment speed assumption (CPR)	9.4%	14.4%	11.6%
Weighted average servicing fee rate	0.30%	0.30%	0.30%
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Fair value of MSR	\$437.8	\$25.5	\$335.9
As a multiple of servicing fee	4.01	3.36	3.36
Carrying value of MSR	\$429.0	\$25.5	\$335.9
Related excess servicing spread liability	-	-	\$222.3

- PFSI carries most of its originated MSRs at the lower of amortized cost or fair value (“LOCOM”)
  - MSRs where the note rate on the underlying loan is equal to or less than 4.5%
- Purchased MSRs subject to ESS are carried at fair value and the ESS is also carried at fair value
- The fair value of MSRs carried at LOCOM was \$8.8 million in excess of the carrying value at March 31, 2015

# Investment Management Segment Results

Unaudited – (in thousands)	Quarter ended March 31, 2015	Quarter ended December 31, 2014
<b>Revenue</b>		
Management fees:		
From PennyMac Mortgage Investment Trust	\$ 7,003	\$ 8,426
From Investment Funds	<u>1,486</u>	<u>1,596</u>
	<u>8,489</u>	<u>10,022</u>
Carried Interest from Investment Funds	1,233	263
Other	<u>255</u>	<u>65</u>
	<u>9,977</u>	<u>10,350</u>
<b>Expenses</b>	<u>8,877</u>	<u>7,742</u>
<b>Pretax income</b>	<u>\$ 1,100</u>	<u>\$ 2,608</u>

- Segment revenue decreased 4% Q/Q to \$10.0 million
- Segment expense increased 15% Q/Q due to an increase in corporate overhead allocation

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# Appendix

# PennyMac Financial's Business Model Is Well Positioned for Growth

## Loan Production

- Correspondent aggregation of newly originated loans from third-party sellers
  - PFSI earns gains on government-insured loans
  - Fulfillment fees for PMT's conventional and jumbo loans
- Consumer-direct origination of conventional, government-insured and jumbo loans
- Newly launched commercial mortgage origination business

## Loan Servicing

- Servicing for owned MSR and subservicing for Advised Entities
- Major loan servicer for Fannie Mae, Freddie Mac and Ginnie Mae
- Industry-leading capabilities in special servicing
- Organic growth results from loan production, supplemented by MSR acquisitions and PMT investment activity

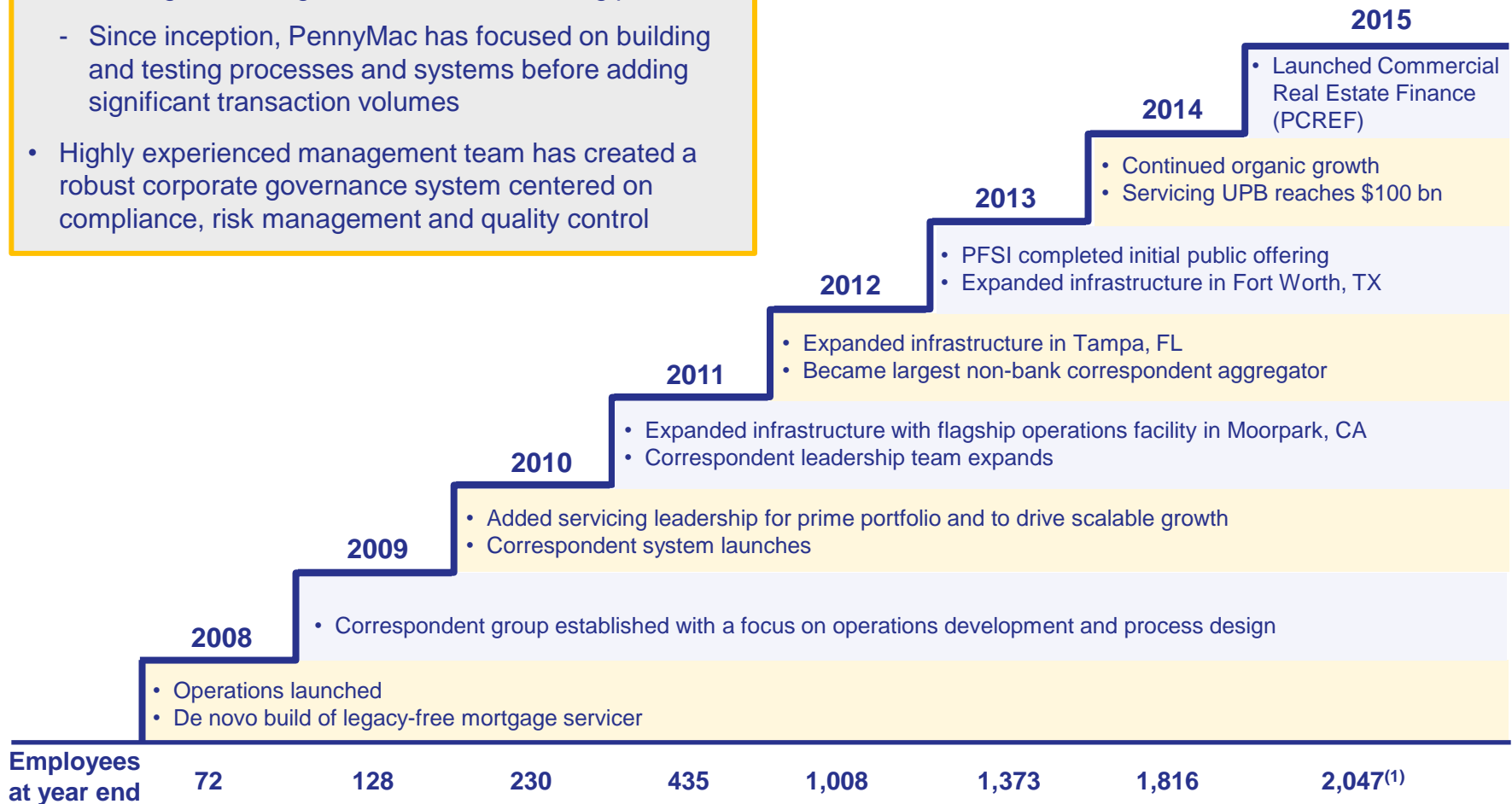
## Investment Management

- Serve as external manager for investment vehicles focused on investing in mortgage-related assets:
  - Distressed whole loans
  - MSR and ESS
  - Investments in prime non-Agency loans
  - MBS and ABS
  - GSE risk transfers
  - Commercial real estate loans and securitization interests
- Synergistic partnership with PMT

- Complex and highly regulated mortgage industry requires effective governance, compliance, and operating systems
- PFSI's platform has been developed organically and is highly scalable
- Commitment to strong corporate governance, compliance, and risk management since inception
- PFSI is well positioned for continued growth in this market and regulatory environment

# PFSI Has Developed in a Sustainable Manner for Long-Term Growth

- Disciplined growth to address the demands of the GSEs, Agencies, regulators and our financing partners
  - Since inception, PennyMac has focused on building and testing processes and systems before adding significant transaction volumes
- Highly experienced management team has created a robust corporate governance system centered on compliance, risk management and quality control



# PennyMac Financial Is in a Unique Position Among Mortgage Specialists

## ***Industry-leading platform built organically – not through acquisitions***

- Not distracted by legacy/regulatory issues
- Disciplined, sustainable growth for more than 7 years
- Focused on building and testing processes and systems before large transaction volumes

## ***Strong governance and compliance culture***

- Led by distinguished board which includes seven independent Directors
- Robust management governance structure with 10 committees that oversee key risks and controls
- External oversight by regulators, business partners and other third parties

## ***Desired structure in place to compete effectively as a non-bank***

- Synergistic partnership with PMT, a leading residential mortgage REIT and long-term investment vehicle
- Provides access to efficient capital and reduces balance sheet constraints on growth

## ***Distinctive expertise and full range of capabilities across mortgage banking and investment management***

- ✓ **Loan production**, e.g., loan fulfillment systems and operations, correspondent counterparty review and management
  - ✓ **Credit**, e.g., loan program development, underwriting and quality control
  - ✓ **Capital markets**, e.g., pooling and securitization, hedging/interest rate risk management
  - ✓ **Servicing**, e.g., customer service, default management, investor accounting
  - ✓ **Corporate functions**, e.g., enterprise risk management, internal audit, treasury, finance and accounting, legal, IT infrastructure and development
- 
- Over 2,000 employees
  - Highly experienced management team – 60 senior-most executives have on average 23 years of relevant industry experience

# Opportunity for PFSI and PMT in MSR Acquisitions

## Why Are MSR Sales Occurring?

- Large servicers are selling 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 are selling MSRs due to reduced origination volumes, operational losses, and 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)
  - Increased activity as originators sell MSRs retained in 2012 and 2013
- Flow/co-issue MSR transactions (monthly commitments, typically \$20-100 million in UPB)
  - Alternative delivery method typically from larger independent originators

## Which MSR Transactions Are Attractive?

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

## PFSI is uniquely positioned to be a successful acquirer of MSRs

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

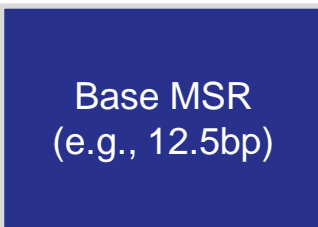
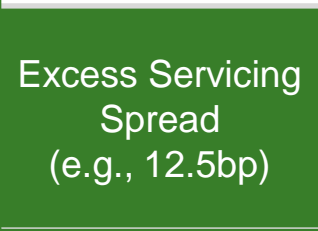
# PFSI's Mortgage Servicing Rights Investments in Partnership with PMT

- PMT co-invests in Agency MSR assets acquired from third-party sellers by PFSI
- PMT acquires the right to receive the excess servicing spread cash flows over the life of the underlying loans
- PFSI owns the MSR assets, and services the loans

Acquired by PFSI from  
Third-Party Seller<sup>(1)</sup>



Acquired by PMT  
from PFSI<sup>(1)</sup>



*Example transaction: actual transaction details may vary materially*

Excess Servicing Spread<sup>(2)</sup>

- 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

<sup>(1)</sup> The contractual servicer and MSR owner is PennyMac Loan Services, LLC, an indirect subsidiary of PennyMac Financial Services, Inc.

<sup>(2)</sup> Subject and subordinate to Agency rights (under the related servicer or issuer guide) and, as applicable, to PFSI's pledge of MSRs under a note payable; does not change the contractual servicing fee paid by the Agency to the servicer.



# Acquisitions, Originations, and Locks by Product

Unaudited (\$ in millions)	1Q14	2Q14	3Q14	4Q14	1Q15
<b>Correspondent Acquisitions</b>					
Conventional	\$ 1,907	\$ 2,911	\$ 3,509	\$ 2,772	\$ 2,831
Government	2,913	3,991	4,378	4,389	5,106
Jumbo	13	81	169	116	59
<b>Total</b>	<b>\$ 4,833</b>	<b>\$ 6,983</b>	<b>\$ 8,056</b>	<b>\$ 7,276</b>	<b>\$ 7,996</b>
<b>Correspondent Locks</b>					
Conventional	\$ 2,163	\$ 3,393	\$ 3,554	\$ 2,844	\$ 3,433
Government	3,282	4,398	4,621	4,473	6,010
Jumbo	66	314	199	172	70
<b>Total</b>	<b>\$ 5,512</b>	<b>\$ 8,105</b>	<b>\$ 8,373</b>	<b>\$ 7,489</b>	<b>\$ 9,512</b>
<b>Consumer Direct Originations</b>					
Conventional	\$ 56	\$ 87	\$ 180	\$ 232	\$ 274
Government	258	315	342	444	620
Jumbo	-	2	5	7	3
<b>Total</b>	<b>\$ 314</b>	<b>\$ 403</b>	<b>\$ 527</b>	<b>\$ 682</b>	<b>\$ 897</b>
<b>Consumer Direct Locks</b>					
Conventional	\$ 122	\$ 247	\$ 446	\$ 621	\$ 630
Government	464	503	567	800	1,147
Jumbo	1	9	11	14	7
<b>Total</b>	<b>\$ 587</b>	<b>\$ 759</b>	<b>\$ 1,024</b>	<b>\$ 1,435</b>	<b>\$ 1,784</b>
<b>Total acquisitions/originations</b>	<b>\$ 5,147</b>	<b>\$ 7,386</b>	<b>\$ 8,582</b>	<b>\$ 7,958</b>	<b>\$ 8,893</b>
<b>Total locks</b>	<b>\$ 6,099</b>	<b>\$ 8,864</b>	<b>\$ 9,397</b>	<b>\$ 8,924</b>	<b>\$ 11,296</b>

Note: Figures may not sum exactly due to rounding