



Second Quarter 2017 Earnings Report

Forward-Looking Statements

This presentation 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.

Factors which could cause actual results to differ materially from historical results or those anticipated include, but are not limited to: the continually changing federal, state and local laws and regulations applicable to the highly regulated industry in which we operate; lawsuits or governmental actions that may result from any noncompliance with the laws and regulations applicable to our businesses; the mortgage lending and servicing-related regulations promulgated by the Consumer Financial Protection Bureau and its enforcement of these regulations; our dependence on U.S. government-sponsored entities and changes in 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 the Company's 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; our dependence on the multifamily and commercial real estate sectors for future originations of commercial mortgage loans and other commercial real estate related loans; changes in macroeconomic and U.S. real estate market conditions; difficulties inherent in growing loan production volume; difficulties inherent in adjusting the size of our operations to reflect changes in business levels; purchase opportunities for mortgage servicing rights and our success in winning bids; changes in prevailing interest rates; increases in loan delinquencies and defaults; our reliance on PennyMac Mortgage Investment Trust (NYSE: PMT) as a significant source of financing for, and revenue related to, our mortgage banking business; any required additional capital and liquidity to support business growth that may not be available on acceptable terms, if at all; our obligation to indemnify third-party purchasers or repurchase loans if loans that we originate, acquire, service or assist in the fulfillment of, fail to meet certain criteria or characteristics or under other circumstances; our obligation to indemnify PMT and the Investment Funds if its services fail to meet certain criteria or characteristics or under other circumstances; decreases in the returns on the assets that we select and manage for our clients, and our resulting management and incentive fees; the extensive amount of regulation applicable to our investment management segment; conflicts of interest in allocating our services and investment opportunities among us and our advised entities; the effect of public opinion on our reputation; our recent growth; our ability to effectively identify, manage, monitor and mitigate financial risks; our initiation of new business activities or expansion of existing business activities; our ability to detect misconduct and fraud; and our ability to mitigate cybersecurity risks and cyber incidents.

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

- Pretax income was \$58.0 million; diluted earnings per share of common stock were \$0.44
 - Successfully grew production volumes in both the correspondent and consumer direct channels in a competitive market and volatile interest rate environment
 - Deployed capital from the initial term note issuance into mortgage servicing rights (MSRs) both organically-generated from loan production and bulk portfolio acquisitions
 - Book value per share increased to \$16.40 from \$16.01 at March 31, 2017 and from \$13.29 at June 30, 2016
- Production segment pretax income was \$66.7 million, up 40% from 1Q17 and down 36% from 2Q16
 - Total production volume was \$17.6 billion in unpaid principal balance (UPB), up 18% from 1Q17 and 9% from 2Q16
 - Total correspondent government and consumer direct locks were \$13.5 billion in UPB, up 21% from 1Q17 and 4% from 2Q16
- Servicing segment pretax loss of \$11.2 million compared to \$13.4 million of pretax income in 1Q17 and a pretax loss of \$21.0 million in 2Q16
 - Valuation-related changes include a \$36.9 million decrease in MSRs, a \$7.2 million gain due to the change in fair value of the excess servicing spread (ESS) liability and \$2.0 million in hedging losses
 - Pretax income excluding valuation-related changes was \$15.3 million, down 31% from 1Q17, and 26% from 2Q16
 - Acquired four bulk portfolios of Ginnie Mae MSRs with a combined UPB of approximately \$16.2 billion
 - Includes completion of the previously announced acquisition of \$4.3 billion of Ginnie Mae MSRs
 - Servicing portfolio grew to \$229.0 billion in UPB, up 13% from March 31, 2017 and 33% from June 30, 2016

Second Quarter Highlights (continued)

- Investment Management segment pretax income was \$2.5 million, up from \$1.1 million in 1Q17 and \$0.7 million in 2Q16
 - Net assets under management (AUM) were \$1.6 billion, essentially the same as \$1.6 billion at March 31, 2017 and June 30, 2016
 - The Investment Funds agreed to sell their remaining assets to a third party pursuant to agreement that are expected to close in 3Q17 and will reduce net assets under management by approximately \$145 million⁽¹⁾
 - After quarter end, PennyMac Mortgage Investment Trust (NYSE: PMT) issued preferred shares that will increase net assets under management by \$195 million
- The Board of Directors authorized a stock repurchase program for up to \$50 million of outstanding Class A common stock

⁽¹⁾ 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.

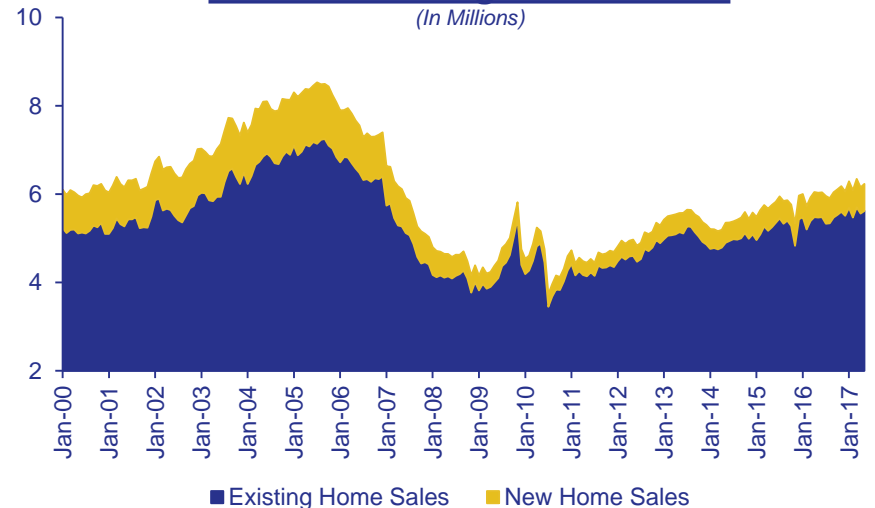
Current Market Environment

- Mortgage rates were volatile within a narrow range during the second quarter, with the average 30-year fixed rate mortgage ultimately declining 26 bps to 3.88% during 2Q17⁽¹⁾
 - Yields on 10-year U.S. Treasuries and Agency MBS decreased 9 bps and 10 bps, respectively
 - After quarter end, mortgage rates have increased to 3.92% as of July 27th
- Applications for refinance-purposed mortgages slowed 35% from the same period a year ago⁽²⁾
 - Current industry-wide application volumes are well below the average over the last five years
- While home sales have increased in recent years, they have only recovered to levels of the early 2000's
 - The number of U.S. households has increased 15% since 2000⁽³⁾
 - New home sales have lagged behind the pace of recovery in existing home sales
- Mortgage delinquencies declined to 4.71% at March 31, 2017, down from 4.77% a year ago⁽⁵⁾

Average 30-year fixed rate mortgage⁽¹⁾



New and Existing Home Sales⁽⁴⁾



⁽¹⁾ Freddie Mac Primary Mortgage Market Survey. 3.92% as of 7/27/2017

⁽²⁾ Mortgage Bankers Association Refinance Index

⁽³⁾ Census Bureau

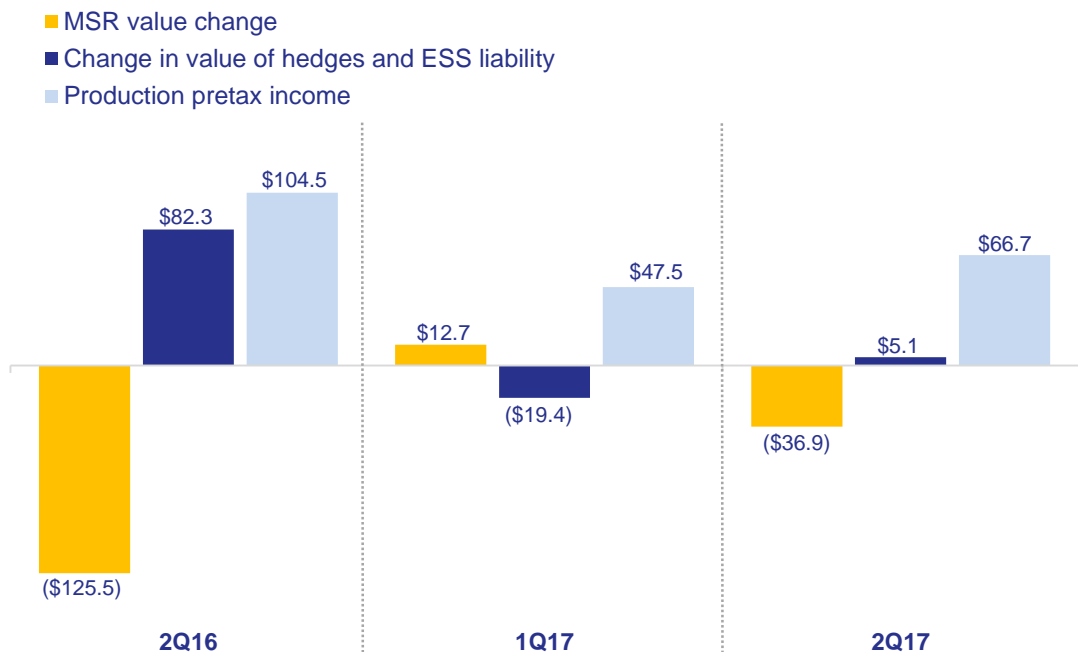
⁽⁴⁾ Bloomberg

⁽⁵⁾ Mortgage Bankers Association Mortgage Delinquency Survey. Includes loans that are at least one payment past due but does not include loans in the process of foreclosure

Hedging Approach Continues to Moderate the Volatility of PFSI's Results

MSR Valuation Changes and Offsets

(\$ in millions)



- PFSI seeks to moderate the impact of interest rate changes through a comprehensive hedge strategy that also considers production-related income
- MSR fair value declined due to lower mortgage rates resulting in higher projected prepayment activity
- MSR fair value losses offset by ESS liability gains and increased production income
 - Hedge is primarily designed to offset MSR valuation losses resulting from more significant interest rate declines than those experienced in 2Q17
 - Primary offset to MSR value decline in 2Q17 is expected to be higher production-related income in future periods

Servicing Profitability Excluding Valuation-Related Changes

	2Q16		1Q17		2Q17	
	\$	basis points ⁽¹⁾	\$ in millions	basis points ⁽¹⁾	\$ in millions	basis points ⁽¹⁾
Operating revenue	\$ 126.0	29.9	\$ 134.9	27.2	\$ 143.3	26.5
Amortization and realization of MSR cash flows	(51.1)	(12.1)	(48.5)	(9.8)	(55.5)	(10.3)
EBO-related revenue ⁽²⁾	16.3	3.9	28.1	5.7	32.5	6.0
Servicing expenses:						
Operating expenses	(47.1)	(11.2)	(57.7)	(11.6)	(58.8)	(10.9)
Credit losses and provisions for defaulted loans	(7.9)	(1.9)	(12.4)	(2.5)	(20.4)	(3.8)
EBO transaction-related expense	(3.2)	(0.8)	(8.1)	(1.6)	(6.2)	(1.2)
Financing expenses:						
Interest on ESS	(5.7)	(1.4)	(4.6)	(0.9)	(4.4)	(0.8)
Interest to third parties	(6.6)	(1.6)	(9.5)	(1.9)	(15.2)	(2.8)
Pretax income excluding valuation-related changes	\$ 20.7	4.9	\$ 22.3	4.5	\$ 15.3	2.8
Valuation-related changes⁽³⁾						
MSR fair value ⁽⁴⁾	(125.5)		12.7		(36.9)	
ESS liability fair value	17.4		2.8		7.2	
Hedging derivatives gains (losses)	64.9		(22.2)		(2.0)	
Provision for credit losses on active loans ⁽⁵⁾	\$ 1.4		\$ (2.2)		\$ 5.3	
Servicing segment pretax income (loss)	\$ (21.0)		\$ 13.4		\$ (11.2)	

- Increase in credit losses and provisions for defaulted loans driven in part by a larger transfer from provision for credit losses on active loans as loans changed status
 - Credit losses and provisions for defaulted loans of \$(20.4) million and provision for credit losses on active loans of \$5.3 million combined for a total of \$(15.1) million in 2Q17, a modest increase from a combined total of \$(14.6) million in 1Q17
- Increases in EBO-related revenue reflect greater buyout activity, funded in part from the term note proceeds, offset by higher interest expense on the term notes and financing of the early buyout (EBO) loans

⁽¹⁾ Of average portfolio UPB, annualized

⁽²⁾ Comprised of net gains on mortgage loans held for sale at fair value and net interest income related to EBO loans

⁽³⁾ Changes in fair value do not include realization of MSR cash flows, which are included in amortization and realization of MSR cash flows above

⁽⁴⁾ Includes fair value changes and provision for impairment

⁽⁵⁾ Considered in the assessment of MSR fair value changes

PennyMac's Broker Channel Set to Launch Soon

- The broker channel currently comprises approximately 10 percent of the U.S. mortgage origination market
 - Broker channel loan quality has been strong and generally comparable to retail channel production
 - Methods of originating, underwriting, and compliance have improved considerably in recent years
- Significant opportunity in this channel for PennyMac Financial – set to launch in 4Q17
 - Leverages our scale and proven ability to produce high volumes of loans
 - Broker channel helps access purchase-money originations
- Investing to enhance the capabilities of our mortgage fulfillment division (MFD) to support the broker channel
 - Will also have significant benefits for the consumer direct channel
- Broker margins are typically higher than the correspondent channel since additional value-added services are provided in the broker origination transaction

Top Broker Channel Originators⁽¹⁾

Rank	Institution	1Q17	
		\$Bns	Mkt. Share %
1	United Wholesale Mortgage	\$ 4.5	12.2%
2	Caliber Home Loans	2.7	7.3%
3	Stearns Lending	1.8	4.8%
4	loanDepot	1.5	4.0%
5	Union Bank	1.4	3.8%
6	Freedom Mortgage	1.2	3.1%
7	Provident Funding Associates	1.0	2.8%
8	Flagstar Bank	1.0	2.8%
9	Franklin American Mortgage	1.0	2.8%
10	CMG Mortgage	0.9	2.5%

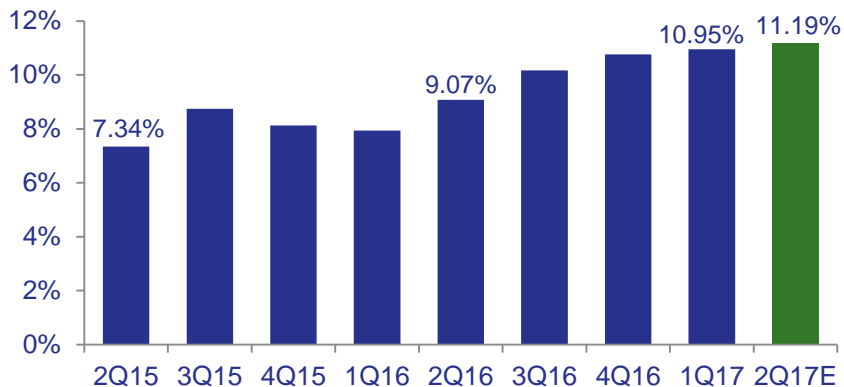
Top 10 broker originators	\$17.1	46.1%
Total broker channel	\$37.0	100.0%
Total U.S. Originations	<u>\$385.0</u>	

⁽¹⁾ Inside Mortgage Finance

Trends in PennyMac Financial's Businesses

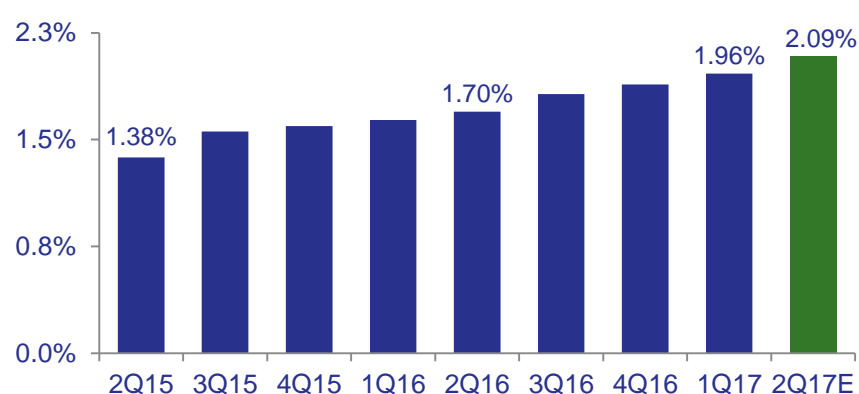
Correspondent Production⁽¹⁾

Market Share



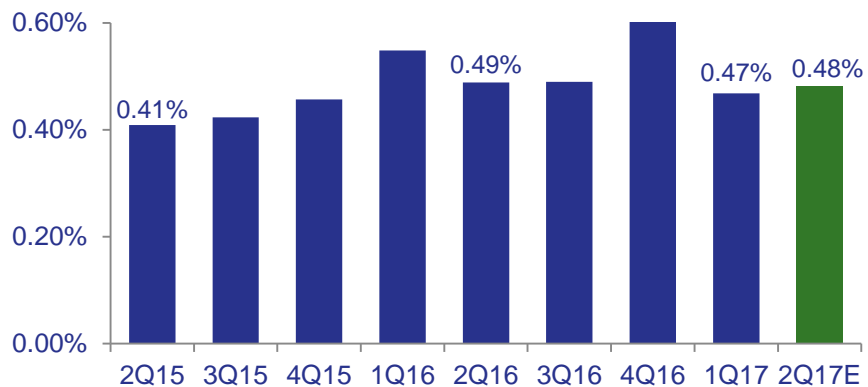
Loan Servicing⁽¹⁾

Market Share



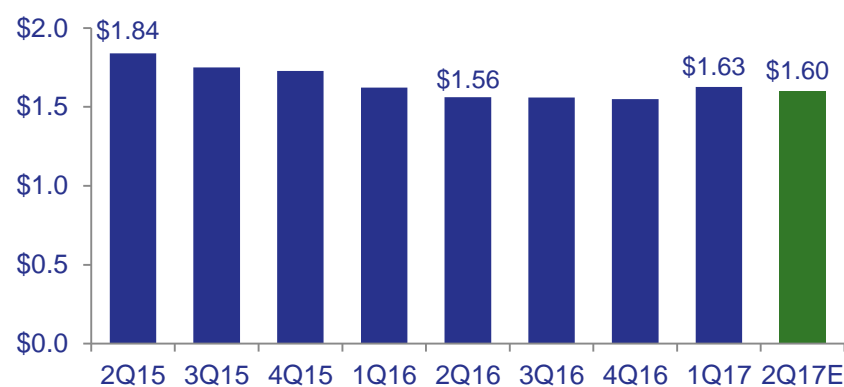
Consumer Direct Production⁽¹⁾

Market Share



Investment Management

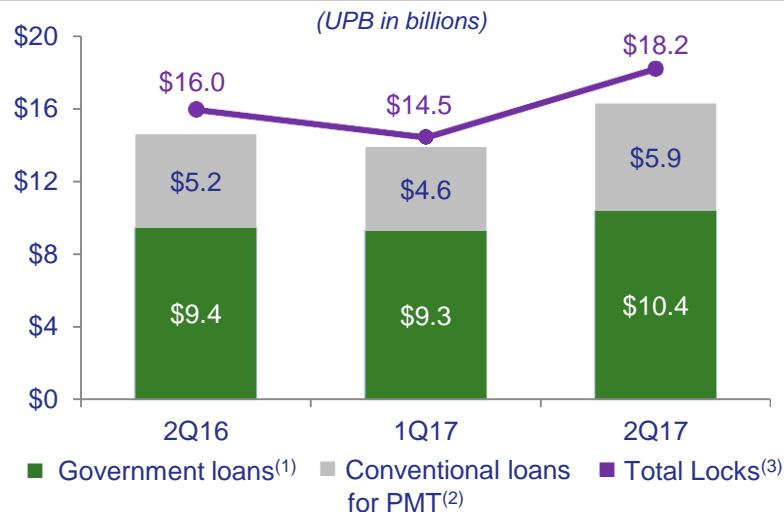
AUM (billions)



Production Segment Highlights – Correspondent Channel

- Correspondent acquisitions by PMT in 2Q17 totaled \$16.3 billion, up 17% Q/Q and 12% Y/Y
 - 64% government loans; 36% conventional loans
 - 28% Q/Q growth in conventional conforming acquisitions, and up 14% Y/Y
 - Total lock volume of \$18.2 billion, up 26% Q/Q and up 14% Y/Y; government locks totaled \$11.2 billion, up 21% Q/Q and 12% Y/Y
- Increase in acquisition volumes driven by a strong purchase market, with purchase-money loans comprising 82% of total 2Q17 acquisitions volume
- July correspondent acquisitions totaled \$6.1 billion; locks totaled \$6.3 billion
- Continued to add seller relationships, which totaled 589 at quarter end

Correspondent Volume and Mix



Selected Operational Metrics		
	1Q17	2Q17
Correspondent seller relationships	557	589
Purchase money loans, as a % of total acquisitions	73%	82%

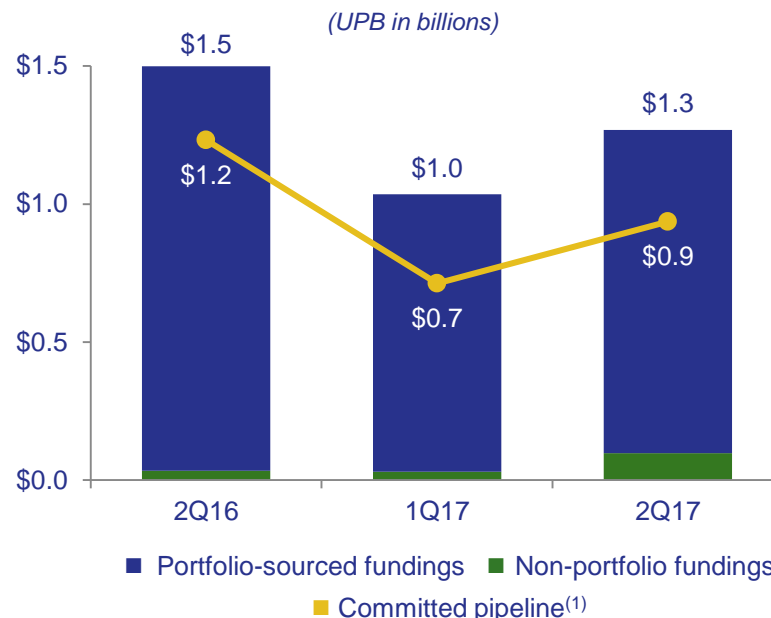
WA FICO		
	1Q17	2Q17
Government-insured	696	694
Conventional	752	753

(1) For government-insured and guaranteed loans, PFSI earns income from holding and selling or securitizing the loans
 (2) For conventional loans, PFSI earns a fulfillment fee from PMT rather than income from holding and selling or securitizing the loans
 (3) Includes locks related to PMT loan acquisitions, including conventional loans for which PFSI earns a fulfillment fee upon loan funding

Production Segment Highlights – Consumer Direct Channel

- Consumer direct production volume of \$1.3 billion in 2Q17, up 23% Q/Q and down 16% Y/Y
- Committed pipeline totaled \$936 million at the end of the second quarter
- July consumer direct originations totaled \$497 million; locks totaled \$588 million
 - \$799 million committed pipeline at July 31, 2017⁽¹⁾
- Significant recapture opportunities from large loan servicing portfolio of over 1.1 million customers
 - As a result, we believe PennyMac’s portfolio-sourced volume fared better than other consumer direct lenders dependent on the refinance market
 - Consumer direct origination volumes will remain predominately portfolio-sourced for the foreseeable future; however, growing non-portfolio volume remains a priority
 - Also pursuing opportunities to refinance FHA borrowers into conventional loans; qualifying borrowers can realize savings from the annual mortgage insurance premium

Consumer Direct Production Volume



WA FICO		
	1Q17	2Q17
Government-insured	687	690
Conventional	737	740

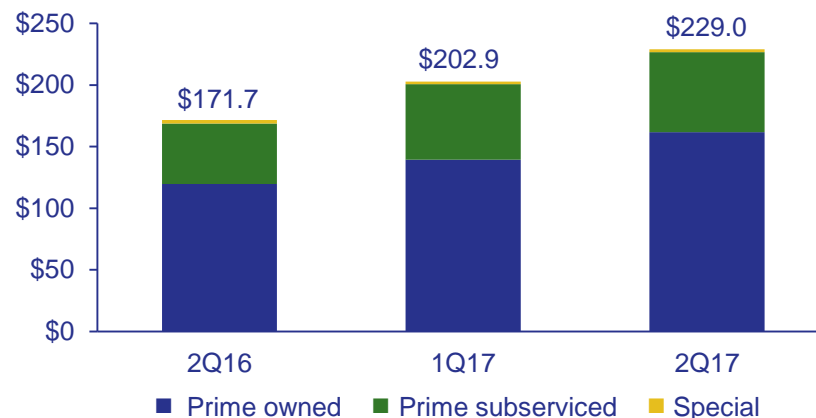
⁽¹⁾ Commitments to originate mortgage loans at specified terms at period end

Servicing Segment Highlights

- Servicing portfolio totaled \$229.0 billion in UPB at the end of the second quarter, up 13% from 1Q17 and 33% from 2Q16
- Acquired four bulk portfolios of Ginnie Mae MSR's with a combined UPB of approximately \$16.2 billion
 - Portfolios ranged in size from \$2 billion to \$5 billion, consistent with prior acquisitions and manageable servicing transfers
- Growth in completed modification volume results in improved borrower outcomes and portfolio performance

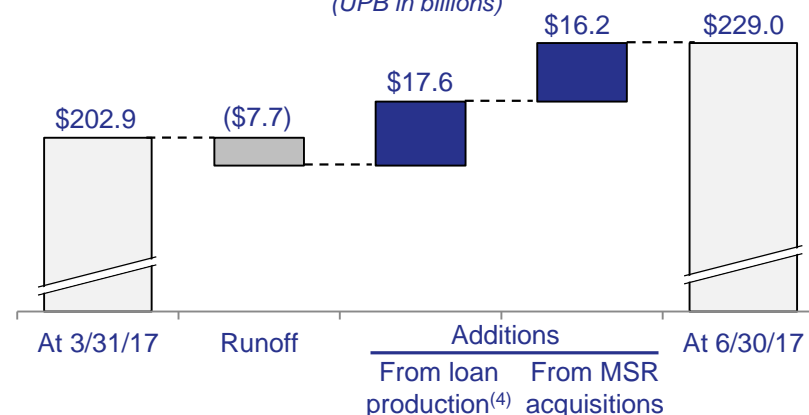
Loan Servicing Portfolio Composition

(UPB in billions)



Net Portfolio Growth

(UPB in billions)



Selected Operational Metrics

	1Q17	2Q17
Loans serviced (in thousands)	1,031	1,102
60+ day delinquency rate	2.7%	2.5%
Actual CPR - owned portfolio	12.7%	14.4%
Actual CPR - sub-serviced ⁽¹⁾	8.0%	9.6%
UPB of completed modifications (\$ in millions)	\$327	\$579
EBO transactions (in millions) ⁽²⁾	\$690	\$612
Electronic payments (% of portfolio)	83%	84%
Customers registered for the website ⁽³⁾	74%	76%

⁽¹⁾ Represents PMT's MSR's

⁽²⁾ Early buyouts of delinquent loans from Ginnie Mae pools during the period

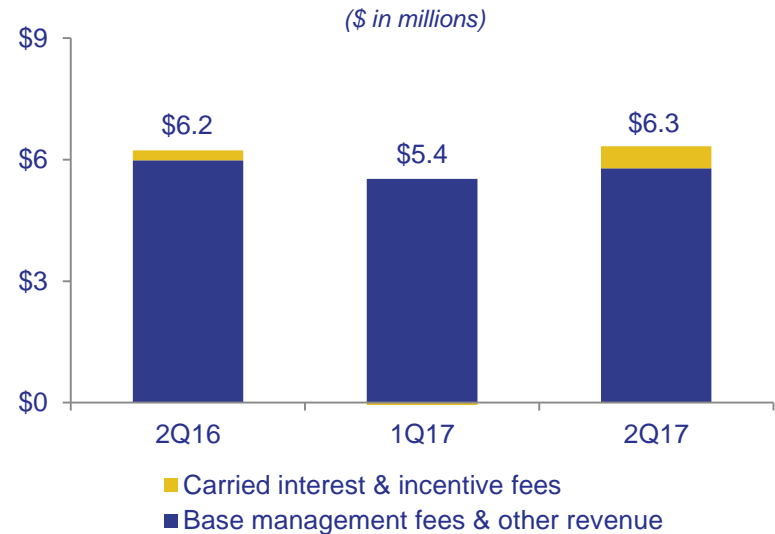
⁽³⁾ Percent of serviced and subserviced loans that have registered on PennyMacUSA.com

⁽⁴⁾ Includes consumer direct production, government correspondent acquisitions, and conventional conforming and jumbo loan acquisitions subserviced for PMT

Investment Management Segment Highlights

- Net assets under management were \$1.6 billion, essentially unchanged from March 31, 2017
- The Investment Funds agreed to sell their remaining assets to a third party pursuant to agreement that are expected to close in 3Q17 and will reduce net assets under management by approximately \$145 million⁽¹⁾;
 - PFSI's carried interest will begin to be realized
- PMT issued 7.8 million of preferred shares in July for gross proceeds of \$195 million
- Continued success transitioning PMT's capital from distressed whole loans toward MSR and credit risk transfer on its correspondent production

Investment Management Revenues



- Investment management revenues were \$6.3 million, up 17% from 1Q17 and 2% from 2Q16

⁽¹⁾ 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.

Financial Results by Operating Segment

Unaudited (\$ in millions)

	Production	Servicing	Investment Management	Non-Segment Activities	Total Pretax Income
2Q16	\$ 104.5	\$ (20.9)	\$ 0.7	\$ -	\$ 84.3
3Q16	\$ 149.8	\$ (10.7)	\$ 0.2	\$ -	\$ 139.3
4Q16	\$ 93.4	\$ 35.1	\$ 0.4	\$ 0.6 ⁽¹⁾	\$ 129.4
1Q17	\$ 47.5	\$ 13.4	\$ 1.1	\$ -	\$ 62.0
2Q17	\$ 66.7	\$ (11.2)	\$ 2.5	\$ -	\$ 58.0

Note: Figures may not sum exactly due to rounding

⁽¹⁾ Represents repricing of payable to exchanged Private National Mortgage Acceptance Company, LLC unitholders under tax receivable agreement

Mortgage Banking – Production Segment Results

Production Segment	Quarter ended March 31, 2017	Quarter ended June 30, 2017
<i>Unaudited (\$ in thousands)</i>		
Revenue		
Net gains on mortgage loans held for sale at fair value	\$ 62,837	\$ 74,706
Loan origination fees	25,574	30,193
Fulfillment fees from PennyMac Mortgage Investment Trust	16,570	21,107
Net interest income	4,114	3,949
Other	945	531
	<u>110,040</u>	<u>130,486</u>
Expenses	<u>62,536</u>	<u>63,780</u>
Pretax income	<u>\$ 47,504</u>	<u>\$ 66,706</u>

Production Segment Metrics	Quarter ended March 31, 2017	Quarter ended June 30, 2017
<i>Unaudited (\$ in thousands)</i>		
Production revenues excl. fulfillment fees	\$ 93,470	\$ 109,379
As basis points of IRLCs	84 bps	81 bps
Revenue per consumer direct lock ⁽¹⁾	218 bps	198 bps
Revenue per correspondent lock ⁽²⁾	53 bps	50 bps

- Production revenues for PFSI's own account (net gains on mortgage loans held for sale at fair value, loan origination fees, net interest income and other) increased 17% Q/Q
 - Driven by an increase in government correspondent and consumer direct lock volumes, partially offset by lower margins
- Gross margins (revenue per lock) decreased Q/Q; reflects interest rate volatility and a competitive market
 - In recent quarters, consumer direct revenue per lock adjusted for expected fallout has ranged from 198 bps to 323 bps
 - Correspondent revenue per lock adjusted for expected fallout has ranged from 50 bps to 68 bps
- Fulfillment fee revenue increased 27% Q/Q due to higher conventional loan acquisitions by PMT
 - Weighted average fulfillment fee rate was 36 basis points, unchanged from 1Q17

⁽¹⁾ Includes net gains on mortgage loans held for sale, loan origination fees and net interest income; adjusted for expected fallout of consumer direct lock commitments, which was 45% in 2Q17

⁽²⁾ Includes net gains on mortgage loans held for sale, loan origination fees and net interest income for government-insured correspondent loans; adjusted for expected fallout of government-insured correspondent lock commitments, which was 3% in 2Q17

Mortgage Banking – Servicing Segment Results⁽¹⁾

Servicing Segment <i>Unaudited (\$ in thousands)</i>	Quarter ended March 31, 2017	Quarter ended June 30, 2017
Revenue		
Net loan servicing fees	\$ 74,163	\$ 46,913
Interest income	10,923	19,694
Interest expense	<u>(20,641)</u>	<u>(25,534)</u>
Net interest expense	(9,718)	(5,840)
Net gains on mortgage loans held for sale at fair value	24,119	23,385
Other	471	446
	<u>89,035</u>	<u>64,904</u>
Expenses	<u>75,619</u>	<u>76,117</u>
Pretax (loss) income	<u>\$ 13,416</u>	<u>\$ (11,213)</u>

Net Loan Servicing Fees <i>Unaudited (\$ in thousands)</i>	Quarter ended March 31, 2017	Quarter ended June 30, 2017
Net loan servicing fees:		
Loan servicing fees ⁽²⁾	\$ 129,315	\$ 134,192
Effect of MSR's:		
Amortization and realization of cash flows ⁽³⁾	(48,460)	(55,482)
Change in fair value and provision for/recovery of impairment of MSR's carried at lower of amortized cost or fair value	12,701	(36,927)
Change in fair value of excess servicing spread financing	2,773	7,156
Hedging (losses)	<u>(22,166)</u>	<u>(2,026)</u>
Total amortization, impairment and change in fair value of MSR's	<u>(55,152)</u>	<u>(87,279)</u>
Net loan servicing fees	<u>\$ 74,163</u>	<u>\$ 46,913</u>

- Servicing segment revenue decreased 27% Q/Q driven by a \$27.3 million decrease in net loan servicing fees
 - MSR valuation changes net of hedge and ESS liability fair value changes were a \$31.8 million loss versus a \$6.7 million loss in 1Q17
 - Net gains on EBO mortgage loans of \$23.4 million, compared to \$24.1 million in 1Q17
 - Interest income increased \$8.8 million Q/Q from higher interest income on EBO loans
 - Partially offset by a \$4.9 million Q/Q increase in interest expense, due to the term notes issued in 1Q17 and financing of EBO loans held on balance sheet

⁽¹⁾ See servicing segment profitability analysis on page 7

⁽²⁾ Includes contractually-specified servicing fees

⁽³⁾ Includes realization of cash flows from mortgage servicing liabilities

Mortgage Servicing Rights (MSR) Asset Valuation

June 30, 2017 <i>Unaudited (\$ in millions)</i>	Lower of amortized cost or fair value	Fair value not subject to excess servicing spread liability	Fair value subject to excess servicing spread liability	Total
UPB	\$100,449	\$27,725	\$29,050	\$157,224
Weighted average coupon	3.73%	3.82%	4.18%	3.83%
Prepayment speed assumption (CPR)	9.2%	9.8%	10.7%	9.6%
Weighted average servicing fee rate	0.30%	0.30%	0.34%	0.31%
Fair value of MSR	\$1,273.4	\$318.1	\$360.3	\$1,951.8
As a multiple of servicing fee	4.16	3.80	3.63	3.99
Carrying value of MSR	\$1,273.2	\$318.1	\$360.3	\$1,951.6
Related excess servicing spread liability	-	-	\$261.8	-

Fair value in excess of carrying value **\$0.2**

- 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 less than or equal to 4.5%
- Purchased MSRs are carried at fair value; a portion is subject to ESS liability
- The fair value of MSRs carried at LOCOM was \$0.2 million in excess of the carrying value at June 30, 2017

Note: Figures may not sum exactly due to rounding

Investment Management Segment Results

<i>Unaudited – (\$ in thousands)</i>	Quarter ended March 31, 2017	Quarter ended June 30, 2017
Revenue		
Management fees:		
From PennyMac Mortgage Investment Trust	\$ 5,008	\$ 5,638
From Investment Funds	366	369
	<u>5,374</u>	<u>6,007</u>
Carried Interest from Investment Funds	(128)	241
Other	152	83
	<u>5,398</u>	<u>6,331</u>
Expenses	4,286	3,864
Pretax income	<u>\$ 1,112</u>	<u>\$ 2,467</u>

- Segment revenue increased 17% Q/Q to \$6.3 million
 - Carried interest revenue of \$241,000 due to performance of the Investment Funds
 - Includes \$304,000 of incentive fees from PMT
- Segment expenses declined 10% Q/Q, driven by lower compensation expense
- Entered into an agreement to sell the remaining assets of the Investment Funds

Appendix

Overview of PennyMac Financial's Businesses

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 loans
- Consumer direct origination of conventional and government-insured loans
- Small balance multifamily 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

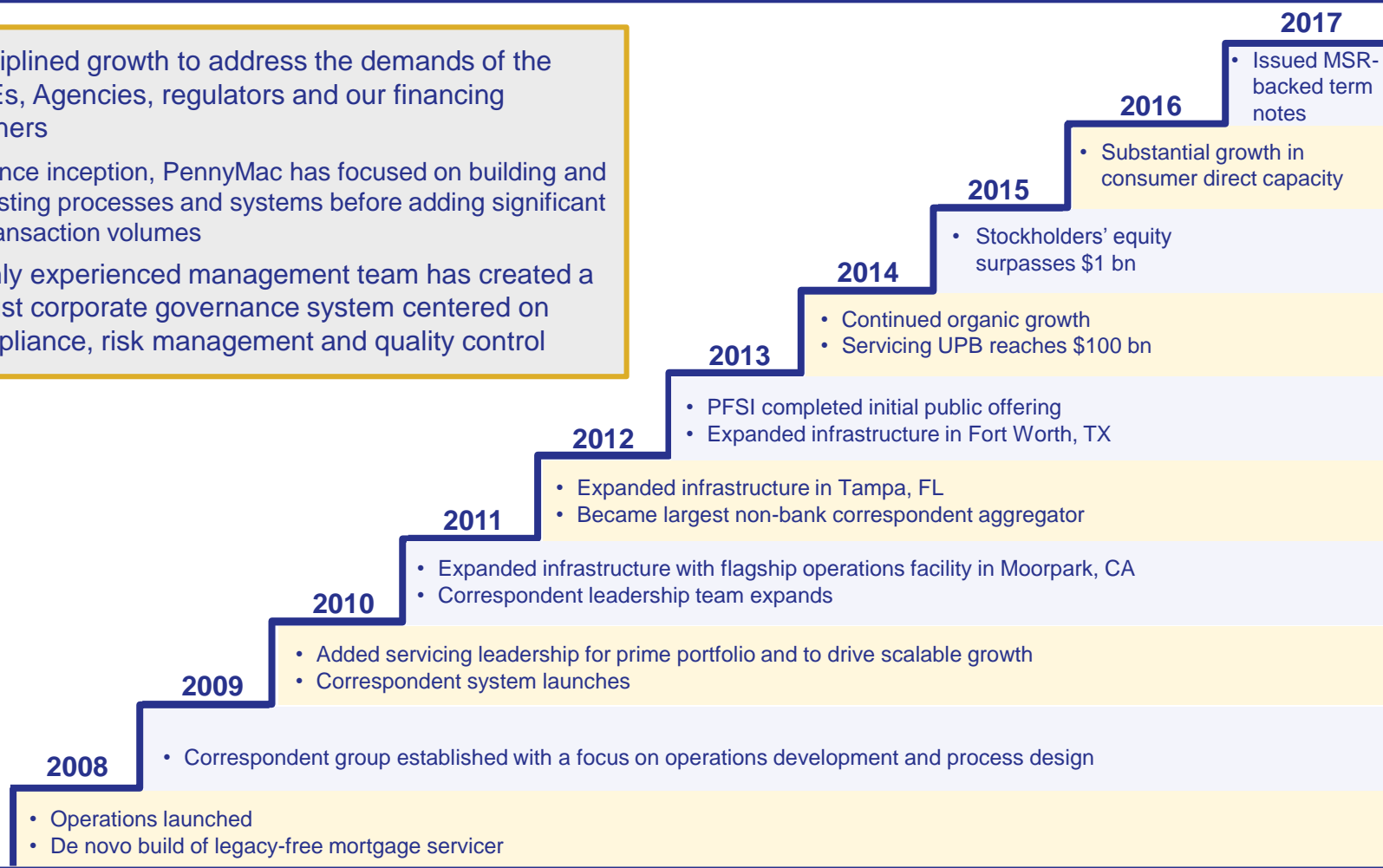
Investment Management

- Serve as external manager for investment vehicles focused on investing in mortgage-related assets:
 - Distressed whole loans
 - MSR and ESS
 - GSE credit risk transfers
 - Investments in prime non-Agency
 - MBS and ABS
 - Multifamily 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



Employees at year end	72	128	230	435	1,008	1,373	1,816	2,523	3,099	3,028 ⁽¹⁾
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⁽¹⁾ As of June 30, 2017

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 9 years
- Focused on building and testing processes and systems before large transaction volumes

Strong governance and compliance culture

- Led by distinguished board which includes eight 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 3,000 employees
 - Highly experienced management team – 50 senior-most executives have, on average, 25 years of relevant industry experience

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?

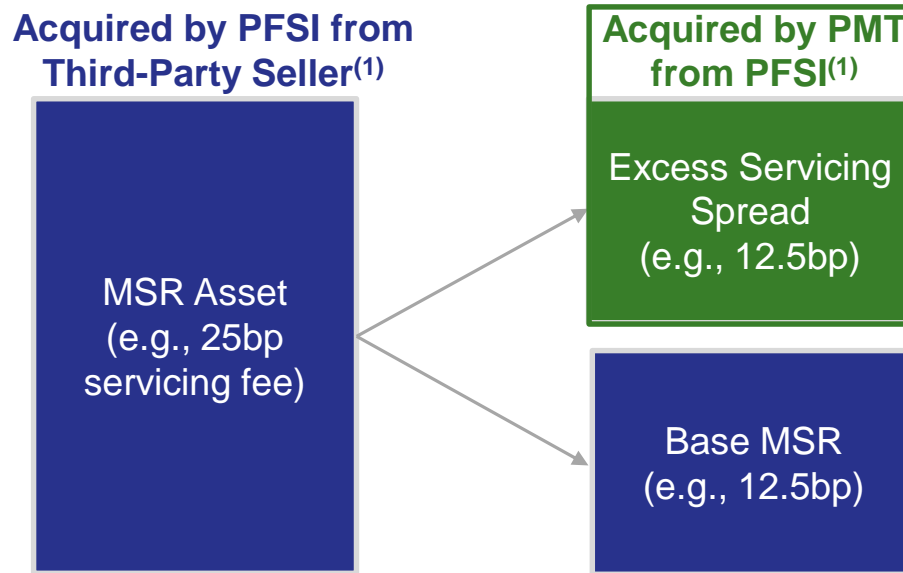
- GSE and Ginnie Mae servicing in which PFSI has distinctive expertise
- MSRs sold and operational servicing transferred to PFSI (not subserviced by a third party)
- Measurable rep and warranty liability for PFSI

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 sustain servicing portfolio growth plans
- Potential co-investment opportunity for PMT in the ESS

PFSI's Mortgage Servicing Rights Investments in Partnership with PMT

- PMT has co-invested in Agency MSR assets acquired from third-party sellers by PFSI; presently only related to certain Ginnie Mae MSR assets
- PMT acquires the right to receive the ESS cash flows over the life of the underlying loans
- PFSI owns the MSR assets 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 PennyMac Financial Services, Inc.

⁽²⁾ Subject and subordinate to Agency rights (under the related servicer or issuer guide) and, as applicable, to PFSI's pledge of MSR assets 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)	2Q16	3Q16	4Q16	1Q17	2Q17
Correspondent Acquisitions					
Conventional	\$ 5,171	\$ 7,263	\$ 7,492	\$ 4,632	\$ 5,918
Government	9,433	11,657	12,544	9,280	10,392
Jumbo	3	1	-	-	-
Total	\$ 14,607	\$ 18,920	\$ 20,036	\$ 13,912	\$ 16,310
Correspondent Locks					
Conventional	\$ 5,957	\$ 8,687	\$ 6,925	\$ 5,184	\$ 7,022
Government	10,023	12,868	12,289	9,292	11,209
Jumbo	7	2	-	-	-
Total	\$ 15,988	\$ 21,558	\$ 19,215	\$ 14,476	\$ 18,231
Consumer Direct Originations					
Conventional	\$ 355	\$ 380	\$ 492	\$ 305	\$ 414
Government	1,143	1,297	1,548	730	855
Jumbo	3	-	-	-	-
Total	\$ 1,501	\$ 1,677	\$ 2,040	\$ 1,035	\$ 1,268
Consumer Direct Locks					
Conventional	\$ 842	\$ 1,048	\$ 698	\$ 669	\$ 805
Government	2,054	2,410	1,662	1,145	1,476
Jumbo	5	5	1	-	-
Total	\$ 2,901	\$ 3,463	\$ 2,362	\$ 1,814	\$ 2,280
Total acquisitions/originations	\$ 16,109	\$ 20,597	\$ 22,076	\$ 14,947	\$ 17,579
Total locks	\$ 18,889	\$ 25,021	\$ 21,576	\$ 16,290	\$ 20,511
UPB of loans fulfilled for PMT	\$ 5,174	\$ 7,264	\$ 7,492	\$ 4,632	\$ 5,918

Note: Figures may not sum exactly due to rounding