



Investor Presentation

March 2019

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 statements regarding the Company's proposed corporate reorganization, the expected benefits of such reorganization and the related impact on existing stakeholders, estimates regarding future market capitalization and the anticipated financial impact of the corporate reorganization.

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; 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 if our 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; our ability to mitigate cybersecurity risks and cyber incidents; our exposure to risks of loss resulting from adverse weather conditions and man-made or natural disasters; and or organizational structure and certain requirements in our charter documents.

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

PennyMac Financial Is a Leader in the Mortgage Industry

Leading Market Position

- 3rd largest mortgage producer in the U.S.⁽²⁾
- 8th largest mortgage servicer in the U.S., with a portfolio of 1.5 million customers⁽²⁾
- Manager of PennyMac Mortgage Investment Trust (NYSE: PMT), a residential mortgage REIT focused on unique credit and interest rate sensitive investments sourced from its own loan production

What distinguishes PennyMac?

- Best-in-class, organically built operational platform with over 3,000 employees, led by a seasoned and highly experienced management team
- Well capitalized with diversified funding sources and relatively low leverage
- History of developing and deploying technology for competitive advantages and to capture efficiencies
- Large-scale operation and growth initiatives provide flexibility to absorb excess capacity in a transitioning mortgage origination market

\$68Bn

2018 Mortgage
Production in UPB

\$299Bn

Servicing Portfolio
in UPB⁽¹⁾

\$1.6Bn

Assets Under
Management⁽¹⁾

\$1.8Bn

Market
Capitalization⁽³⁾

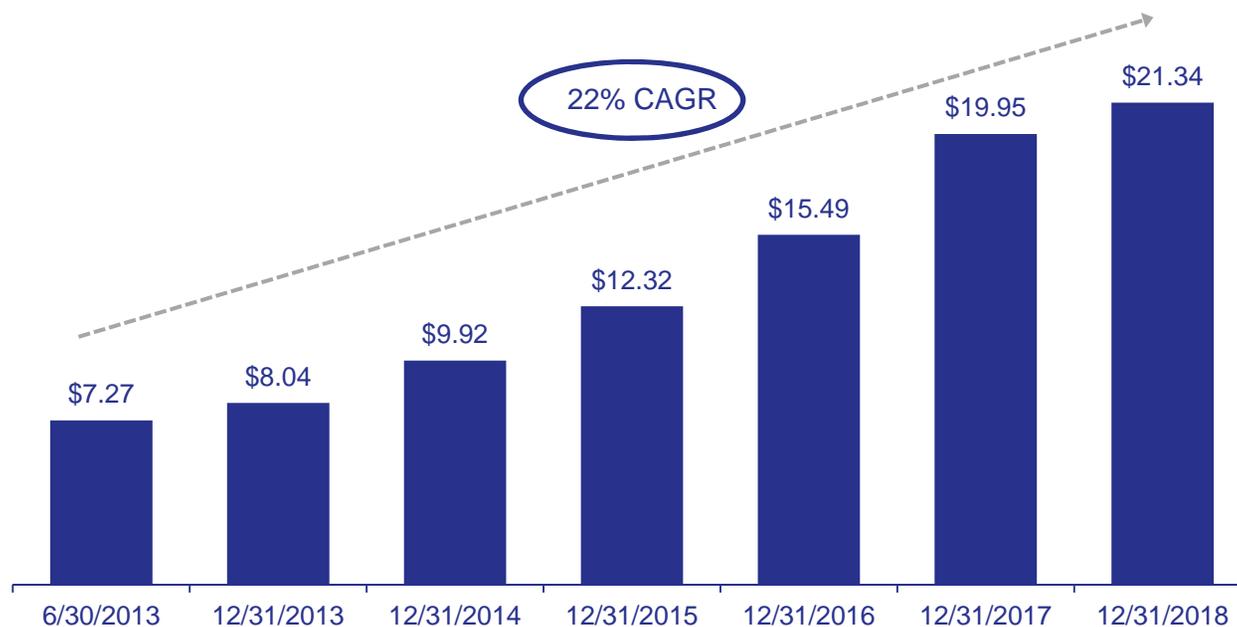
⁽¹⁾ As of December 31, 2018

⁽²⁾ *Inside Mortgage Finance* for 4Q18 and as of December 31, 2018

⁽³⁾ Market capitalization as of March 1, 2019

Consistent Growth in Shareholder Value Since IPO

Book Value Per Share of PFSI



Overview of PennyMac Financial's Businesses

Loan Production

- Correspondent aggregation of newly originated loans from third-party sellers
 - PFSI earns gains on delegated government-insured and non-delegated loans
 - Fulfillment fees for PMT's delegated conventional loans
- Consumer direct origination of conventional and government-insured loans
- Broker direct origination launched in 2018

Loan Servicing

- Servicing for owned MSR's and subservicing for PMT
- 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

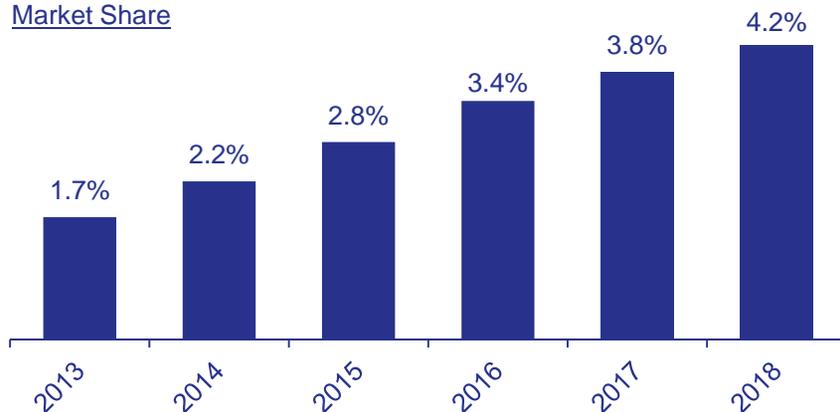
- External manager of PennyMac Mortgage Investment Trust (NYSE: PMT), which is focused on investing in mortgage-related assets:
 - GSE credit risk transfers
 - Interest rate sensitive strategies including MSR's, ESS and Agency MBS
 - Prime non-Agency and HELOC securitization interests
 - Distressed whole loans
- Synergistic partnership with PMT

- Complex and highly regulated mortgage industry requires effective governance, compliance and operating systems
- Operating 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

Trends in PennyMac Financial's Businesses

Total Production⁽¹⁾

Market Share

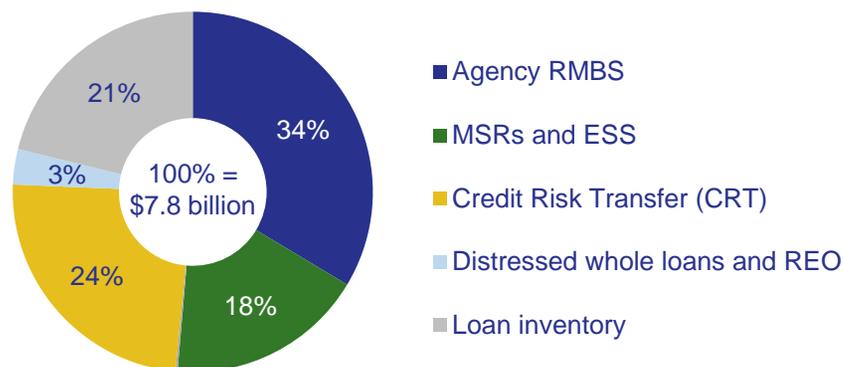


Loan Servicing⁽¹⁾

Market Share



Investment Management – PMT's Mortgage Assets⁽²⁾



⁽¹⁾ Source: *Inside Mortgage Finance*

⁽²⁾ As of December 31, 2018

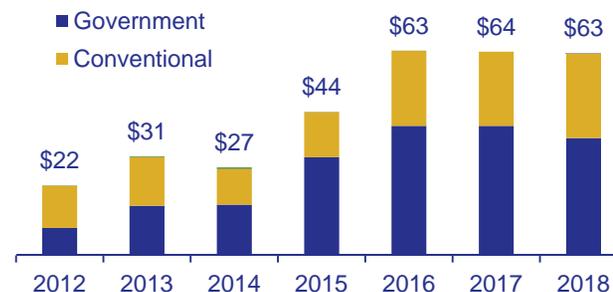
Loan Production Overview by Channel

Correspondent

Newly originated loans acquired by PMT from approved correspondent sellers primarily for inclusion in Fannie Mae, Freddie Mac and Ginnie Mae securitizations

- PFSI manages the correspondent production program and performs loan fulfillment activities for PMT, in exchange for fulfillment fees
- Acquisitions primarily include conventional and government-insured or guaranteed residential mortgage loans
- PFSI purchases the government-insured and guaranteed loans from PMT at cost, plus a three basis point sourcing fee

Acquisitions (UPB in billions)



Consumer Direct

New loans for consumers, primarily sourced from the servicing portfolio and originated through PFSI's call center business

- Closely integrated with servicing operations and portfolio – generates significant recapture income
- Protects the MSR asset with origination income in refinance markets
- Capabilities in place to convert aggregation leads through non-portfolio marketing

Originations (UPB in billions)



Broker Direct

New loans for consumers, sourced from mortgage brokers and originated by PFSI

- Market represents an attractive growth opportunity – approximately 10% of U.S. mortgage originations
- PennyMac's offering launched in 1Q18; combines state-of-the-art technology with PFSI's industry-leading operational capabilities
- Broker portal, **POWER**, designed with a focus on process transparency, consistency and delivering exceptional experience for brokers on every loan, every day

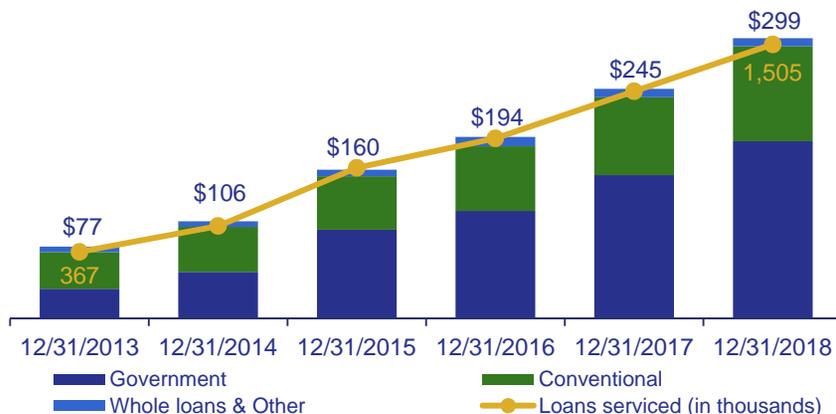
Originations (UPB in millions)



Consistent Servicing Portfolio Growth, Mainly Organic

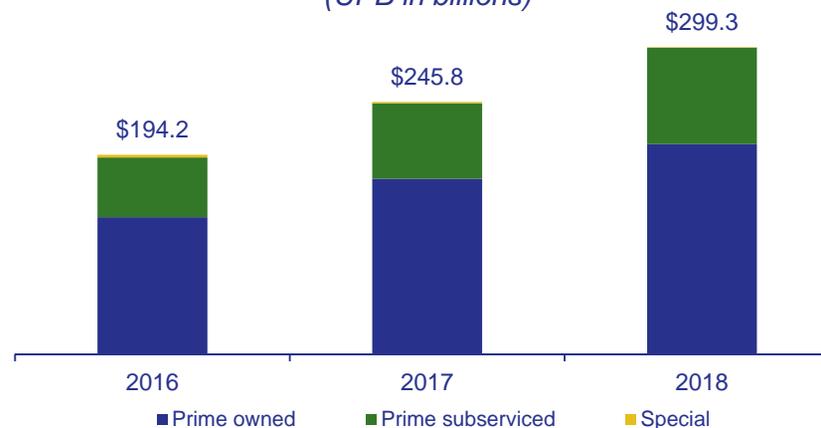
Servicing Portfolio by Investor

(UPB in billions)



Loan Servicing Portfolio Composition

(UPB in billions)

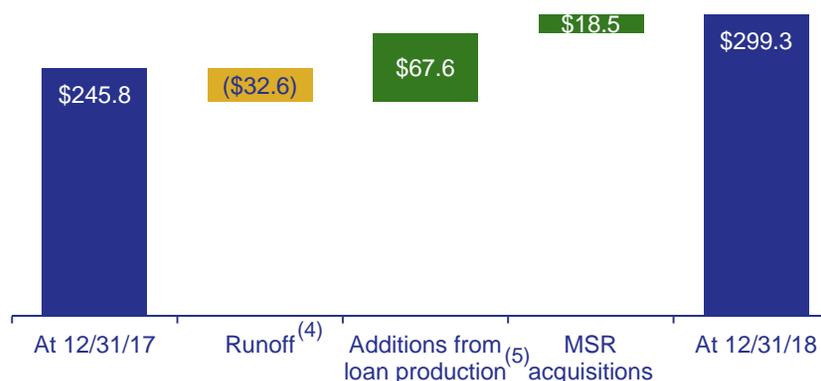


Selected Operational Metrics

	3Q18	4Q18
Loans serviced (in thousands)	1,392	1,490
60+ day delinquency rate - owned portfolio ⁽¹⁾	3.1%	3.3%
60+ day delinquency rate - sub-serviced portfolio ⁽²⁾	0.5%	0.5%
Actual CPR - owned portfolio ⁽¹⁾	12.3%	9.8%
Actual CPR - sub-serviced ⁽²⁾	8.7%	7.5%
UPB of completed modifications (\$ in millions)	\$1,190	\$519
EBO transactions (\$ in millions) ⁽³⁾	\$974	\$495

Net Portfolio Growth

(UPB in billions)



⁽¹⁾ Owned portfolio in predominantly government-insured and guaranteed loans under the FHA, VA, and USDA programs.

⁽²⁾ Represents PMT's MSR. Excludes distressed loan investments

⁽³⁾ Early buyouts of delinquent loans from Ginnie Mae pools during the period

⁽⁴⁾ Also includes loans servicing released in connection with recent asset sales by PMT

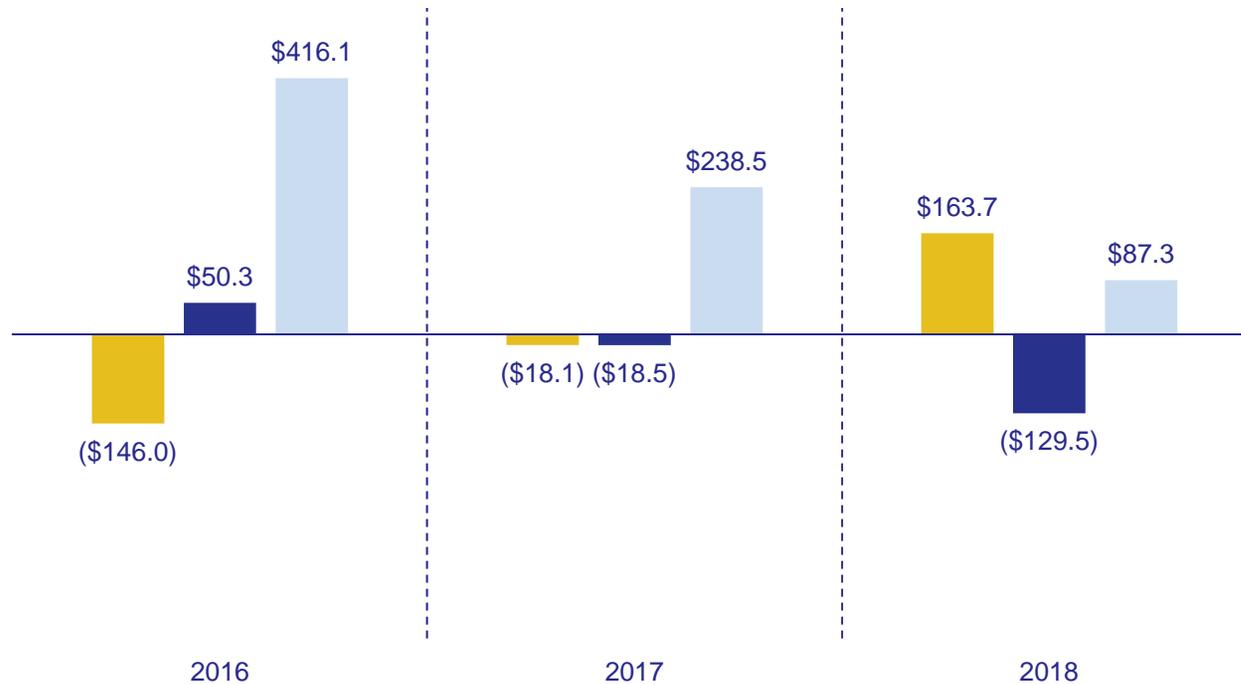
⁽⁵⁾ Includes consumer direct production, government correspondent acquisitions, and conventional conforming and jumbo loan acquisitions subserviced for PMT

Hedging Approach Moderates the Volatility of PFSI's Results

MSR Valuation Changes and Offsets

(in millions)

- MSR fair value change before recognition of realization of cash flows
- Change in fair value of hedges and ESS liability
- Production pretax income



- PFSI seeks to moderate the impact of interest rate changes on the fair value of its MSR asset through a comprehensive hedge strategy that also considers production-related income
- For the year 2018, PFSI recorded \$34.1 million in fair value gains net of the performance of hedges and ESS, reflecting successful hedge results despite significant volatility in interest rates

Servicing Profitability Excluding Valuation-Related Changes

	2016		2017		2018	
	\$ in millions	basis points ⁽¹⁾	\$ in millions	basis points ⁽¹⁾	\$ in millions	basis points ⁽¹⁾
Operating revenue	\$ 503.6	28.8	\$ 621.7	28.0	\$ 771.5	28.6
Amortization and realization of MSR cash flows	(204.6)	(10.9)	(236.6)	(10.7)	(280.0)	(10.4)
EBO-related revenue ⁽²⁾	75.3	4.3	138.7	6.2	171.4	6.4
Servicing expenses:						
Operating expenses	(195.5)	(11.2)	(249.5)	(11.2)	(302.6)	(11.2)
Credit losses and provisions for defaulted loans	(40.8)	(2.3)	(58.2)	(2.6)	(66.9)	(2.5)
EBO transaction-related expense	(19.9)	(1.1)	(33.8)	(1.5)	(41.2)	(1.5)
Financing expenses:						
Interest on ESS	(22.6)	(1.3)	(17.0)	(0.8)	(15.1)	(0.6)
Interest to third parties	(24.0)	(1.4)	(62.5)	(2.8)	(90.5)	(3.4)
Pretax income excluding valuation-related changes	\$ 71.5	4.1	\$ 103.0	4.6	\$ 146.5	5.4
Valuation-related changes⁽³⁾						
MSR fair value ⁽⁴⁾	\$ (146.0)		\$ (18.1)		\$ 163.7	
ESS liability fair value	23.9		19.4		(8.5)	
Hedging derivatives losses	26.4		(37.9)		(121.0)	
Provision for credit losses on active loans ⁽⁵⁾	(12.0)		(7.6)		(8.3)	
Servicing segment pretax income (loss)	\$ (36.1)		\$ 58.7		\$ 172.3	

- Significant increase in operating profit driven by portfolio growth resulting from solid loan production volumes, supplemented by bulk MSR acquisitions and effective management of early buyout (EBO) opportunities
- Operating expenses have held steady as a percentage of average UPB despite an aging portfolio; expect benefits going forward from greater economies of scale, technology investments and portfolio growth
- Income from EBO-related activities (EBO revenue less transaction-related expenses) reflects our core operating expertise in servicing government insured and guaranteed loans

⁽¹⁾ Of average portfolio UPB

⁽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 market-driven fair value changes and provision for impairment

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

Growth Drivers for PennyMac Financial

Mortgage market consolidation is expected to continue

- PennyMac Financial is well-positioned to gain share as industry participants exit or adjust their strategies to the highly-competitive market environment
- Opportunities to acquire bulk MSR portfolios expected to increase

Targeting market share growth in all three production channels

- Correspondent – focus on growth of non-delegated and expanding our relationships with community banks and credit unions
- Broker Direct Lending – launched broker direct channel in 2018; focus on leveraging our technology and experienced sales force to drive continued growth in 2019
- Consumer Direct Lending – expanded refinance opportunities as a result of lower mortgage rates thus far in 2019; remain focused on growing purchase-money and non-portfolio volumes

Development of new products

- HELOCs – first non-bank lender to directly offer a HELOC to our servicing portfolio of 1.5 million customers
- Prime non-QM – launched in the correspondent channel in January
- Opportunity to grow investment management activities with PMT's ability to invest in the securitization interests from both products

Technology investments are integral to PennyMac Financial's leading platform

- Successfully deploying and implementing new technologies to improve the speed, accuracy and scalability of our operations while also facilitating new business opportunities and competitive advantages

Technology Development and Utilization Differentiates PFSI

- Proprietary systems development combined with third-party technology
- Innovative and strategic technology utilization driving cost savings and scale efficiencies
- Agile development methodology to improve speed and value creation while lowering cost
- Development focus on both customer facing interfaces (e.g., portals) and operational “back office” technologies to improve profitability and realize competitive advantages

Examples of key technologies deployed or in development:

Pricing and Margin Management Systems

- Greater pricing granularity and real-time pricing updates
- Sophisticated and proprietary loan bidding system
- Centralized margin management tools utilizing machine learning

Servicing System Enhancements

- Multi-year project nearing completion – focused on automated workflows with sustainable efficiencies and cost savings
- Incremental implementation through phased release of enhancement modules; over 110 modules completed, the majority of which are already in use

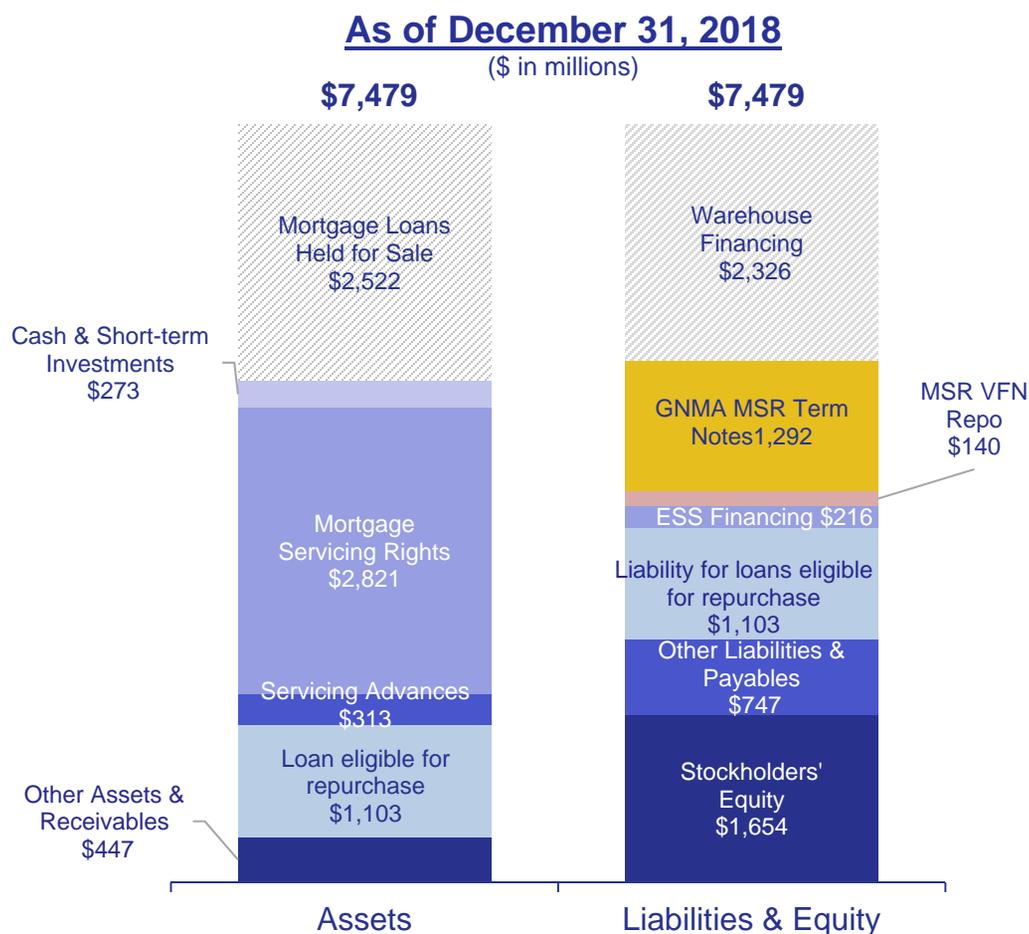
Origination and Fulfillment Workflow

- Performing data anomaly testing to improve quality and mitigate risk
- Expansion of robotic process automation and machine learning applications
- Deepening of customer relationship management capabilities

Enterprise Risk Management

- Proprietary risk intelligence system that enhances risk monitoring activities across the organization
 - Strengthens our capabilities to identify and mitigate risks as they emerge

PennyMac Financial Is a Strong Independent Mortgage Company



- Comprehensive mortgage platform and balanced model with leading production and servicing businesses
- Strong balance sheet with low leverage versus competitors
 - Debt to equity of 2.4x
- Diversified liquidity sources and term debt that finances the largest asset (MSRs)
 - Unique and cost effective funding structures with strong bank partnerships to support growth
- Well-developed and sophisticated risk management structure combines extensive market expertise with technology to identify and monitor risks across the enterprise
- Simplified corporate structure in 4Q18, converting all equity ownership into a single class of common stock

Considerable oversight from State regulators, CFPB, GSEs, ratings agencies and bank counterparties

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