



Third Quarter 2013 Earnings Report

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, 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; 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.

Third Quarter Highlights and Recent Activity

Third Quarter Highlights

- Pretax income of \$34.9 million; diluted earnings per common share of \$0.28
 - Total net revenues totaled \$87.2 million, down 18% from 2Q13
 - Expenses totaled \$52.3 million, down 7% from 2Q13
- Loan production totaled \$8.0 billion in unpaid principal balance (UPB), down 11% from 2Q13
 - Correspondent loan acquisitions were \$7.7 billion, down 11% from 2Q13
 - Retail originations were \$283 million, down 18% from 2Q13
- Servicing portfolio reached \$52.9 billion, up 19% from June 30, 2013
- Net assets under management reached \$2.1 billion, up 14% from June 30, 2013

Recent Activity Since the End of the Quarter

- Two bulk MSR portfolio acquisitions totaling \$21 billion in UPB, with PMT committed to investing in the excess servicing spread
 - Acquired \$10.3 billion in UPB of recently originated Fannie Mae MSR that closed November 1st
 - Entered into a letter of intent with a third party to acquire an \$10.8 billion in UPB of legacy Ginnie Mae MSR and expected to enter into an agreement with PMT relating to the sale of the excess servicing spread associated with this portfolio⁽¹⁾

Q3 Results Were Aided by Stability of Servicing and Investment Management

Loan Production

Correspondent Lending

Aggregates newly originated loans from approved third-party sellers

Revenue sources:

- Gain on mortgage loans for government-insured correspondent acquisitions
- Fulfillment fees from PMT's conventional and jumbo correspondent acquisitions
- Loan origination fees and warehouse spread

Retail Lending

Originates loans to consumers for the purchase or refinance of a home

Revenue sources:

- Gain on mortgage loans
- Loan origination fees and warehouse spread

Loan Servicing

Collect and remit payments and provide borrower services on existing loans

Revenue sources:

- Servicing fees on owned MSRs
- Servicing and subservicing fees from Advised Entities, including special servicing of distressed loans
- Ancillary income

Investment Management

Serve as external manager to pools of capital investing in mortgage-related assets

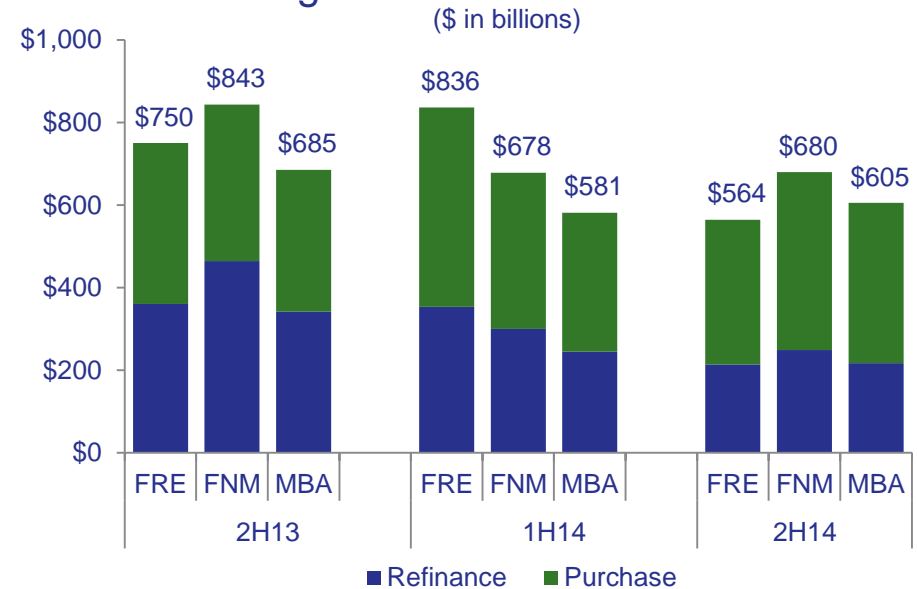
Revenue sources:

- Management fees from all Advised Entities
- Performance-based incentive fees from PMT
- Carried interest from Investment Funds

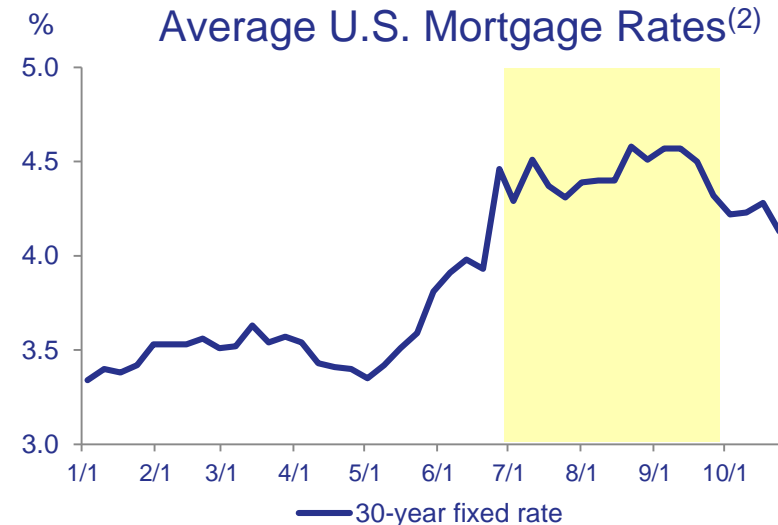
The Third Quarter Was a Transitional Period for the Mortgage Market

- The large increase in mortgage rates since May has resulted in a significant contraction of the origination market
- The smaller market has driven increased competition and reduced mortgage origination profitability
- Higher rates and lower origination profitability create other opportunities, e.g., to acquire MSRs from originators and banks facing capital constraints

Origination Market Estimates⁽¹⁾



Average U.S. Mortgage Rates⁽²⁾

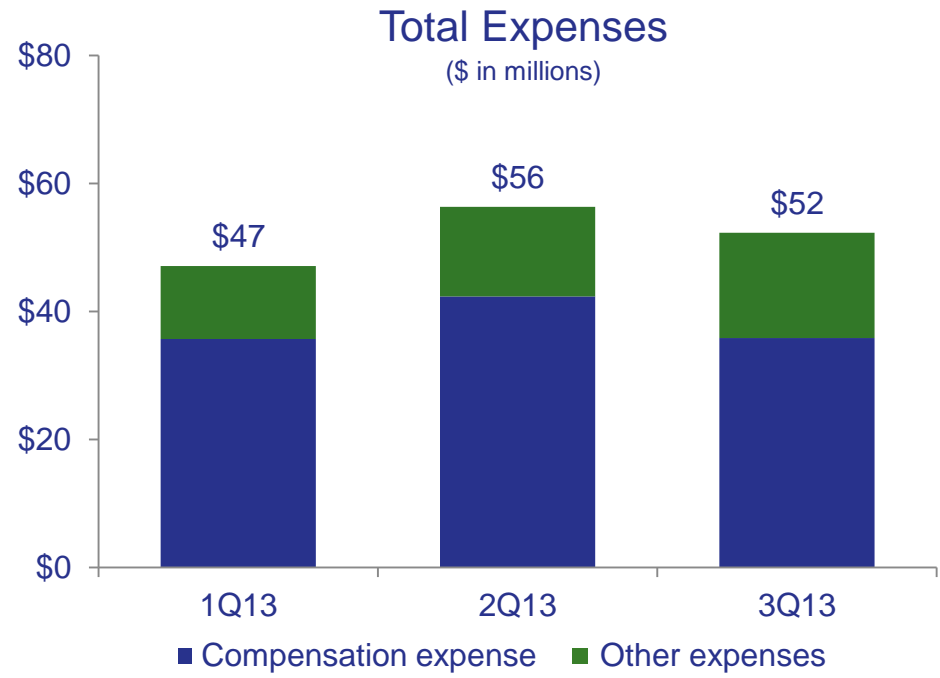


(1) Source: Freddie Mac, Fannie Mae, Mortgage Bankers Association estimates as of October 29, 2013

(2) Freddie Mac Primary Mortgage Market Survey as of October 24, 2013

Expense Reduction While Realigning Operations for Servicing Growth

- Total expenses fell 7% from 2Q13
- Headcount reductions to align operations with size of the market opportunity in loan production
 - 186 FTEs reduced during 3Q13 and shortly after quarter end
 - Primarily reductions in correspondent and retail lending operations and corporate overhead
 - 25% were reassigned to the growing servicing operations
- Increased servicing staff in preparation for pending bulk MSR acquisitions
- Reductions balanced by continued investments in future growth and flexibility to respond to market opportunities



Compensation as a % of total expenses	76%	75%	69%
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PMT's Excess Servicing Spread Investments in Partnership with PFSI

- PMT co-invests in Agency MSR 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 and services the loans

Acquired by PFSI from Third-Party Seller⁽¹⁾



Acquired by PMT from PFSI⁽¹⁾



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, a wholly-owned subsidiary of PennyMac Financial Services, Inc.

⁽²⁾ Subject and subordinate to Agency rights (under the related servicer guide); does not change the contractual servicing fee paid by the Agency to the servicer.

Bulk MSR Acquisitions Add Scale and Provide Refinance Opportunities

Pool 1	
Unpaid Principal Balance	\$10.3 billion
Weighted Avg. Note Rate	3.52%
Delinquent Loans	0.10%
Total Servicing Fee	25.2 bp
Base Servicing Fee	12.5 bp
Investment in Base MSR	\$41 million
Servicing Advances	\$0.1 million

Pool 2 ⁽¹⁾	
Unpaid Principal Balance	\$10.8 billion
Weighted Avg. Note Rate	5.44%
Delinquent Loans	11.30%
Total Servicing Fee	40.9 bp
Base Servicing Fee	22.0 bp
Investment in Base MSR	\$15 million
Servicing Advances	\$53 million

- Recently originated Fannie Mae loans
 - Investment in base MSR, net of excess servicing spread sold to PMT
 - High quality, low touch portfolio adds operational scale
- Seasoned Ginnie Mae loans, resulting in larger servicing advances
 - Investment in base MSR, net of excess servicing spread sold to PMT
 - Higher coupon loans provide opportunities for:
 - Recapture of borrower refinances
 - Modification and redelivery to Ginnie Mae

Both acquisitions are significant additions to the servicing platform's scale

Market Environment and Outlook

Mortgage Originations and Housing

- Changes in interest rates drive outlook for mortgage origination market; \$1.3 trillion in originations forecast for 2014, >60% expected to be purchase money⁽¹⁾
- Home purchase demand is anticipated to remain robust, though some seasonal slowing is expected
- Slow economic growth and fiscal uncertainty have modestly tempered the outlook for future price appreciation

Distressed Whole Loans

- Pipeline of distressed whole loan opportunities remains strong with additional sellers emerging – expected to remain strong through 2014
- Home prices impact returns; expectation of continued price appreciation at a more moderate pace
- Alternatives to property resolution (e.g., modification, refinance) are increasingly important strategies to maximize returns

Correspondent Lending Competition

- Contracting origination market has led to tighter margins
- A smaller market results in higher barriers to entry for new entrants
- Emphasis on disciplined pricing, execution and service to maintain profitability

Jumbo Private-Label Securitization

- Agencies dominate the high-balance loan market; conforming loan limits likely to remain until mid-2014
- Limited depth of market for private-label securities – significant near-term challenge

Mortgage Servicing Rights

- Several bulk portfolios reviewed recently, including large opportunities from money-center banks; expected to continue in 2014

(1) Source: Average of the Mortgage Bankers Association, Fannie Mae and Freddie Mac mortgage market forecasts as of October 2013.

Growth Trends Across PFSI's Businesses

Mortgage Banking

Loan Production

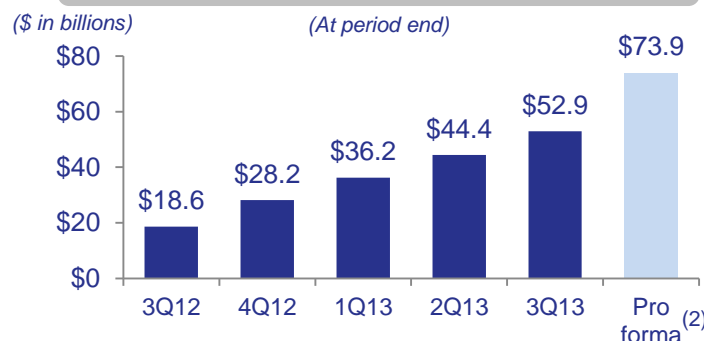
Loan Production UPB⁽¹⁾



- Origination market challenged by higher rates and increased competition
- In correspondent lending, initiatives in place to resume growth as market conditions improve and competitive behavior moderates
- Near-term retail lending growth enabled by recapture opportunities from the bulk MSR acquisitions

Loan Servicing

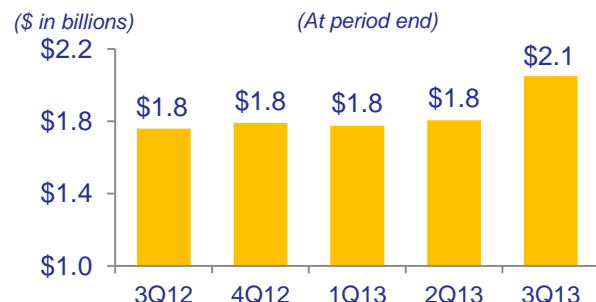
Loan Servicing UPB



- Bulk MSR acquisitions add scale and help drive cost efficiencies over time
- Continued organic growth of prime servicing from loan production activities
- Special servicing growth from PMT distressed loan acquisitions – pipeline remains robust

Investment Management

Net Assets Under Mgmt. (AUM)



- AUM growth driven by PMT's equity raise during the quarter
- Opportunities to invest in mortgage-related assets remain significant

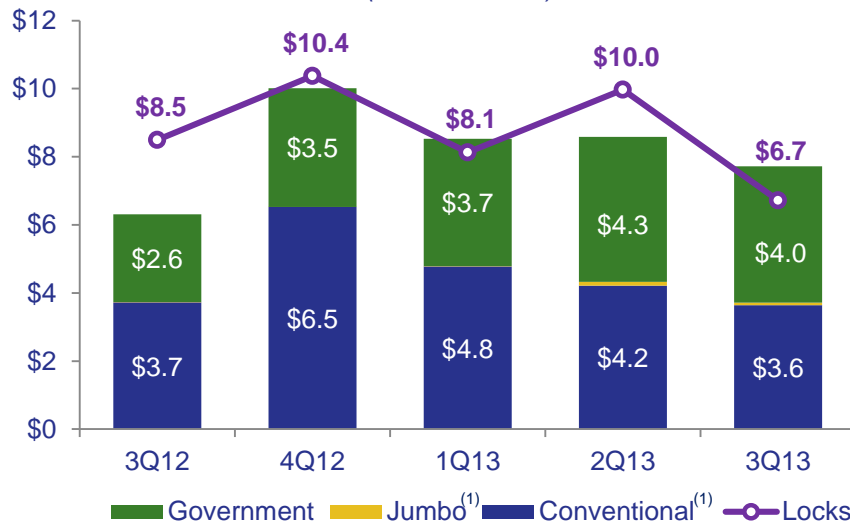
PennyMac's Businesses – Correspondent Lending

Operational Highlights

- \$7.7 billion in total correspondent acquisitions by PMT in 3Q13
 - 52% government-insured loans (gain on mortgage loans); 48% fulfillment for PMT (fee revenue)
- Significant declines in margins on government-insured loans during 3Q13
- October correspondent production totaled \$2.1 billion; locks totaled \$2.1 billion
- Growth trajectory slowed by a difficult origination market environment
- Rationalizing expenses given volume declines; reduced operations headcount by 186 FTEs

Correspondent Volume and Mix

(UPB in billions)



Growth Opportunities

- Initiatives in place to profitably expand market share and grow volume as the market improves and competitor behavior normalizes
 - Greater emphasis on smaller / local mortgage banks
 - Strengthening seller relationships with a broad product menu and a complete array of delivery methods
 - Continuing to optimize the seller network

⁽¹⁾ Conventional and jumbo loans are acquired by PMT, for which PFSI earns a fulfillment fee.

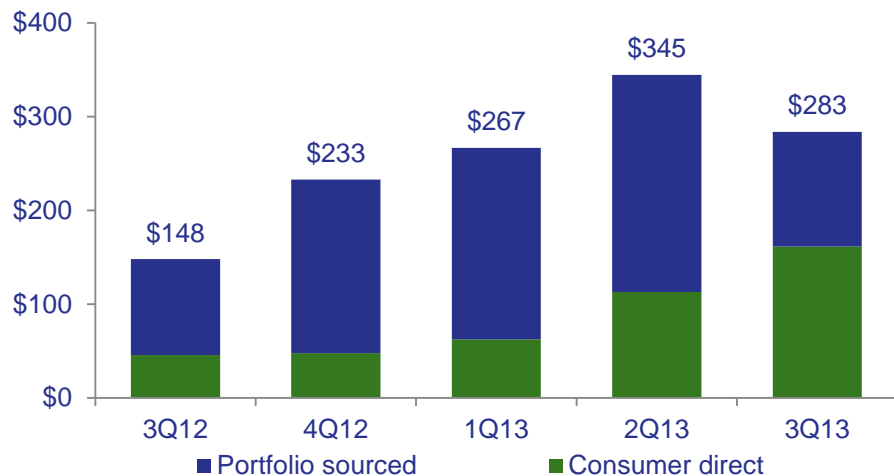
PennyMac's Businesses – Retail Lending

Operational Highlights

- Retail originations totaled \$283 million in 3Q13, down 18% from 2Q13
 - Consumer direct (non-portfolio) originations up 43% from 2Q13; comprised 57% of total retail originations
 - Portfolio-sourced originations declined due to lower refinancing activity
- Consumer direct originations benefited from improvements in marketing, including new campaigns

Retail Origination Volume

(UPB in millions)



Growth Opportunities

- Near-term growth enabled by MSR acquisitions⁽¹⁾
 - Recapture of refinances and other portfolio leads
- Continued development of the consumer direct platform for a purchase-money market
 - Focuses on effective service, products and pricing to provide value to Realtors and consumers
 - Targeted hiring to facilitate growth and deliver superior service and process

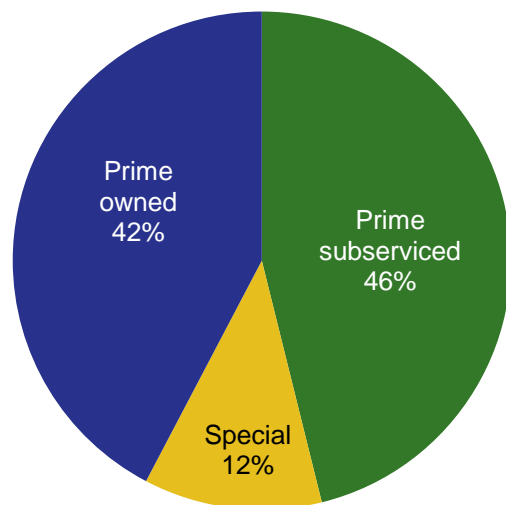
PennyMac's Businesses – Loan Servicing

Operational Highlights

- Servicing portfolio totaled \$52.9 billion in UPB at quarter-end, up 19% from 2Q13
 - Net growth in prime servicing and subservicing of \$8.5 billion in UPB from organic loan production activities
 - Special servicing growth of over \$1 billion in UPB from distressed loan acquisitions by PMT
- Continued to position the servicing platform for future growth, including reassignment of staff from other functions in the company

Loan Servicing Portfolio UPB as of 9/30/13

100% = \$52.9 billion in UPB



Growth Opportunities

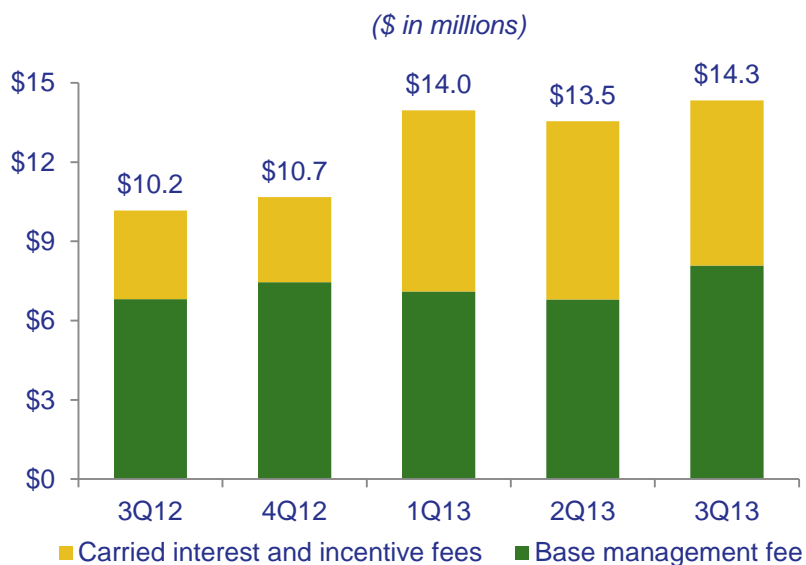
- New bulk MSR acquisitions grow prime servicing and are expected to drive cost efficiencies over time
 - Servicing portfolio expected to exceed \$75 billion in UPB by the end of 4Q13⁽¹⁾
 - Additional MSR growth opportunities expected in 2014
- Continued growth in prime portfolio from loan production activities
- Continued growth in special servicing from PMT's distressed acquisitions

PennyMac's Businesses – Investment Management

Operational Highlights

- Net assets under management grew to \$2.1 billion as a result of PMT's \$250 million equity raise in August
- Investment management revenues were up 6% from 2Q13
 - Higher base management fees were partially offset by lower incentive fees and carried interest

Investment Management Revenues



Growth Opportunities

- Expect to raise new capital over time in PMT to support continued investment growth:
 - Acquisitions of distressed whole loan investments
 - MSR investments through correspondent lending
 - Excess servicing spread on bulk MSR portfolios

Third Quarter Financial Review

- Diluted earnings per common share of \$0.28
- Net income of \$31.4 million, down 35% from 2Q13
 - Net income attributable to PFSI shareholders of \$5.2 million
- Total net revenue of \$87.2 million, down 18% from 2Q13

Business Segment Results

- Mortgage Banking segment pretax income of \$22.7 million, down 43% from 2Q13
 - Net gain on mortgage loans held for sale totaled \$25.9 million, down 39 percent from 2Q13
 - Government locks in correspondent lending declined 22% from 2Q13 as a result of higher mortgage rates and increased competition
 - Net loan servicing fees totaled \$21.4 million, down 3% from 2Q13
 - Higher servicing fees offset by MSR impairment and fair value adjustments
- Investment Management segment pretax income of \$12.3 million, up 19% from 2Q13

Consolidated Balance Sheet

(\$ in thousands except per share data)	Quarter Ended September 30, 2013	Quarter Ended June 30, 2013
Assets		
Cash	\$ 56,398	\$ 38,468
Short-term investments at fair value	127,487	156,148
Mortgage loans held for sale at fair value	530,248	656,341
Servicing advances	105,344	94,791
Receivable from PennyMac Mortgage Investment Trust	20,030	16,725
Derivative assets	24,066	37,177
Carried interest due from Investment Funds	58,134	55,322
Mortgage servicing rights at lower of cost or fair value	226,090	176,668
Mortgage servicing rights at fair value	26,768	23,070
Other	79,819	26,070
Total assets	<u>\$ 1,254,384</u>	<u>\$ 1,280,780</u>
Liabilities		
Mortgage loans sold under agreements to repurchase	387,883	500,427
Excess servicing spread financing at fair value	2,857	-
Note payable	56,775	47,209
Payable to Investment Funds	36,424	36,328
Payable to PennyMac Mortgage Investment Trust	55,523	52,729
Accounts payable and accrued expenses	53,355	54,313
Derivative liabilities	5,776	27,445
Payable to Private National Mortgage Acceptance Company, LLC partner under tax sharing agreement	58,615	-
Liability for losses under representations and warranties	7,215	6,185
Total liabilities	<u>\$ 664,423</u>	<u>\$ 724,636</u>
Stockholders' Equity		
Class A Common Stock, par value \$0.0001 per share, 200,000 shares authorized, 18,887,777 issued and outstanding	\$ 2	\$ 1
Class B Common Stock, par value \$0.0001 per share, 1,000 shares authorized, 61 issued and outstanding	-	-
Additional paid-in capital	136,484	90,159
Retained earnings	7,990	2,793
Total PennyMac Financial Services, Inc. stockholders' equity	<u>144,476</u>	<u>92,953</u>
Members' equity related to Private National Mortgage Acceptance Company, LLC	-	-
Noncontrolling interest in Private National Mortgage Acceptance Company, LLC	445,485	463,191
Total stockholders' equity	<u>589,961</u>	<u>556,144</u>
Total liabilities and stockholders' equity	<u>\$ 1,254,384</u>	<u>\$ 1,280,780</u>

Consolidated Income Statement

(\$ in thousands except per share data)	Quarter Ended September 30, 2013	Quarter Ended June 30, 2013 ⁽¹⁾
Revenue		
Net gains on mortgage loans held for sale at fair value	\$ 25,949	\$ 42,654
Loan origination fees	6,280	6,312
Fulfillment fees from PennyMac Mortgage Investment Trust	18,327	22,054
Net servicing income:		
Loan servicing fees		
From non-affiliates	14,596	11,744
From PennyMac Mortgage Investment Trust	10,738	8,787
From Investment Funds	1,813	2,100
Mortgage servicing rebate to Investment Funds	(362)	(34)
Ancillary and other fees	2,777	2,662
	<u>29,562</u>	<u>25,259</u>
Amortization, impairment, and change in estimated fair value of mortgage servicing rights	(8,163)	(3,190)
Net servicing income	<u>21,399</u>	<u>22,069</u>
Management fees:		
From PennyMac Mortgage Investment Trust	8,539	8,455
From Investment Funds	2,001	1,974
	<u>10,540</u>	<u>10,429</u>
Carried interest from Investment Funds	2,812	2,862
Net interest income (expense):		
Interest income	5,093	4,474
Interest expense	4,156	4,200
	<u>937</u>	<u>274</u>
Change in fair value of investment in and dividends received from PennyMac Mortgage Investment Trust	165	(320)
Other	785	243
Total net revenue	<u>87,194</u>	<u>106,577</u>
Expenses		
Compensation	35,830	42,339
Loan origination	2,802	2,516
Other	13,645	11,493
Total expenses	<u>52,277</u>	<u>56,348</u>
Income before provision for income taxes	34,917	50,229
Provision for income taxes	3,493	2,038
Net income	31,424	48,191
Less: Net income attributable to noncontrolling interest	26,227	45,398
Net income attributable to PennyMac Financial Services, Inc. common stockholders	<u>\$ 5,197</u>	<u>\$ 2,793</u>
Earnings per share		
Basic	\$ 0.29	\$ 0.22
Diluted	\$ 0.28	\$ 0.22

⁽¹⁾ Provision for income taxes, net income attributable to PennyMac Financial Services, Inc. common stockholders, and earnings per share represent the post-IPO period from May 9, 2013 to June 30, 2013.

Mortgage Banking Segment Results

(\$ in thousands)	Quarter Ended September 30, 2013	Quarter Ended June 30, 2013
Revenues		
Net gains on mortgage loans held for sale at fair value	\$ 25,949	\$ 42,654
Loan origination fees	6,280	6,312
Fulfillment fees from PMT	18,327	22,054
Net servicing fees	21,399	22,069
Net interest income	933	269
Other	(22)	(320)
	<u>72,866</u>	<u>93,038</u>
Expenses		
Compensation	33,969	39,293
Other	16,240	13,860
	<u>50,209</u>	<u>53,153</u>
Pretax income	<u>\$ 22,657</u>	<u>\$ 39,885</u>
Segment assets at period end	<u>\$ 1,208,156</u>	<u>\$ 1,234,766</u>

Investment Management Segment Results

(\$ in thousands)	Quarter Ended September 30, 2013	Quarter Ended June 30, 2013
Revenues		
Management fees	\$ 10,540	\$ 10,429
Carried interest from investment funds	2,812	2,862
Net interest income	4	5
Other	972	243
	<u>14,328</u>	<u>13,539</u>
Expenses		
Compensation	1,861	3,046
Other	207	149
	<u>2,068</u>	<u>3,195</u>
Pretax income	<u>\$ 12,260</u>	<u>\$ 10,344</u>
Segment assets at period end	<u>\$ 46,228</u>	<u>\$ 46,014</u>

Mortgage Servicing Rights (MSR) Asset Valuation

Quarter ended September 30, 2013	Lower of amortized cost or fair value	Fair value
UPB (\$ in millions)	\$20,025	\$2,752
Weighted average coupon	3.57%	5.14%
Prepayment speed assumption (CPR)	9.0%	11.0%
Weighted average servicing fee rate	0.28%	0.35%
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Fair value	\$239.3	\$26.8
As a multiple of servicing fee	4.02	2.74
Carrying value	\$226.1	\$26.8
Fair value in excess of accounting value	\$13.2	

- PFSI accounts for most of its originated MSRs under the lower of amortized cost or fair value method
 - MSRs where the note rate on the underlying loan is equal to or less than 4.5%
 - Fair value of the MSRs increased in excess of their cost basis, due to higher interest rates and declining expectations for prepayments

Appendix



Fundings & Locks by Product

(\$ in millions)	3Q12	4Q12	1Q13	2Q13	3Q13
Correspondent Acquisitions					
Conventional	\$ 3,729	\$ 6,526	\$ 4,779	\$ 4,216	\$ 3,608
Government	2,576	3,485	3,739	4,262	3,992
Jumbo	1	2	8	107	74
Total	\$ 6,306	\$ 10,013	\$ 8,526	\$ 8,586	\$ 7,674
Correspondent Locks					
Conventional	\$ 5,460	\$ 7,003	\$ 4,240	\$ 5,069	\$ 2,923
Government	3,029	3,364	3,785	4,739	3,718
Jumbo	6	7	100	158	22
Total	\$ 8,494	\$ 10,375	\$ 8,126	\$ 9,966	\$ 6,662
Retail Originations					
Conventional	\$ 82	\$ 115	\$ 159	\$ 255	\$ 235
Government	66	117	106	85	44
Jumbo	-	2	2	5	4
Total	\$ 148	\$ 233	\$ 267	\$ 345	\$ 283
Retail Locks					
Conventional	\$ 174	\$ 253	\$ 353	\$ 457	\$ 354
Government	139	176	161	117	59
Jumbo	1	3	11	23	4
Total	\$ 314	\$ 432	\$ 525	\$ 597	\$ 417
Total acquisitions/originations	\$ 6,454	\$ 10,246	\$ 8,793	\$ 8,930	\$ 7,957
Total locks	\$ 8,808	\$ 10,807	\$ 8,651	\$ 10,563	\$ 7,079

Note: Figures may not sum exactly due to rounding