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# August 2015 Investor Presentation

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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.

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# Corporate Overview

# 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's 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

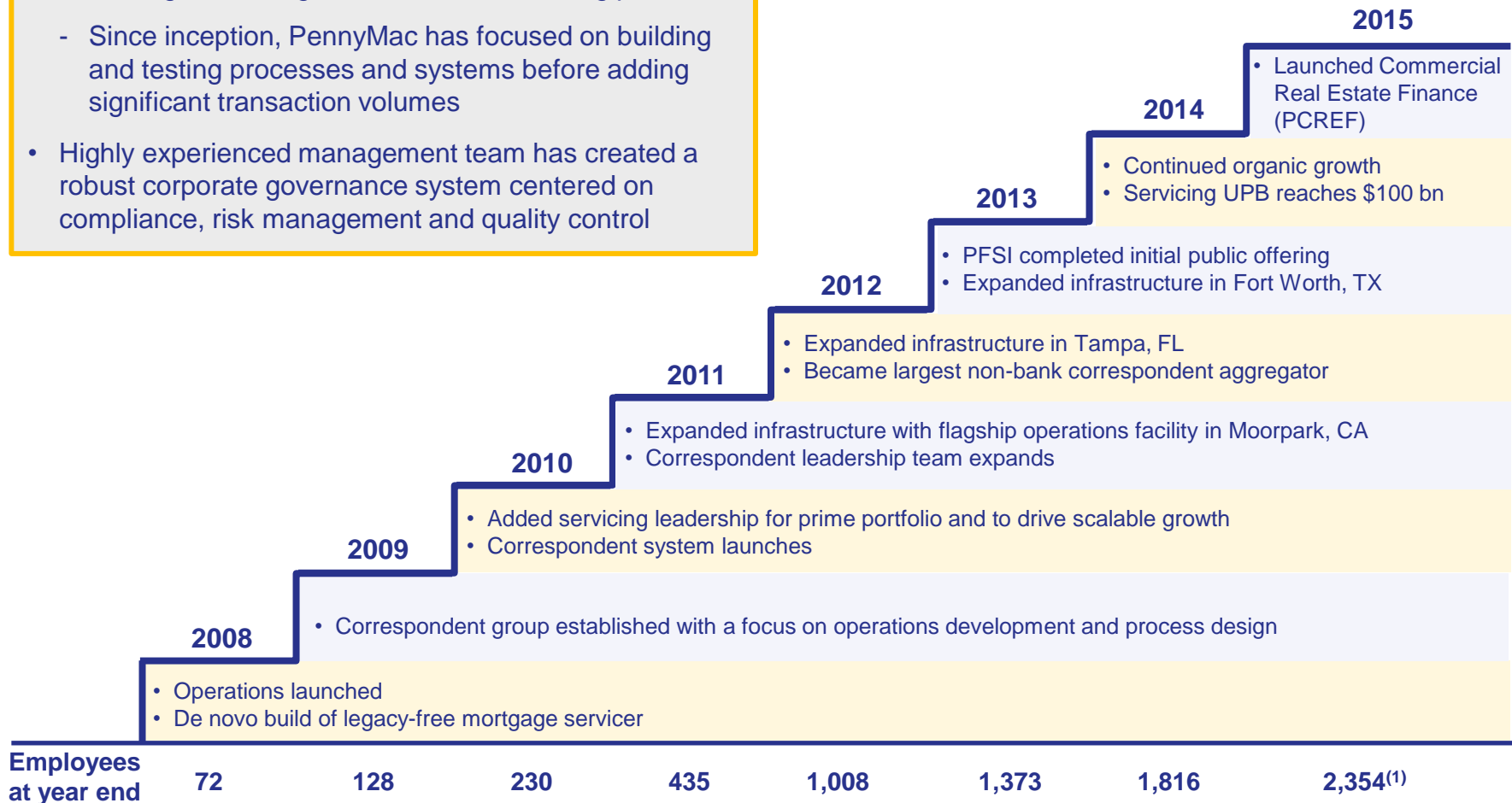
## Investment Management

- Serve as external manager for investment vehicles focused on investing in mortgage-related assets:
  - Distressed whole loans
  - MSR's 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

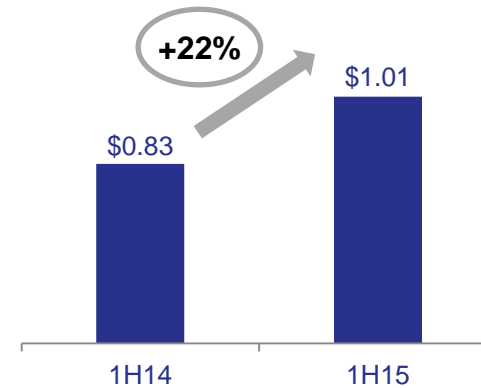
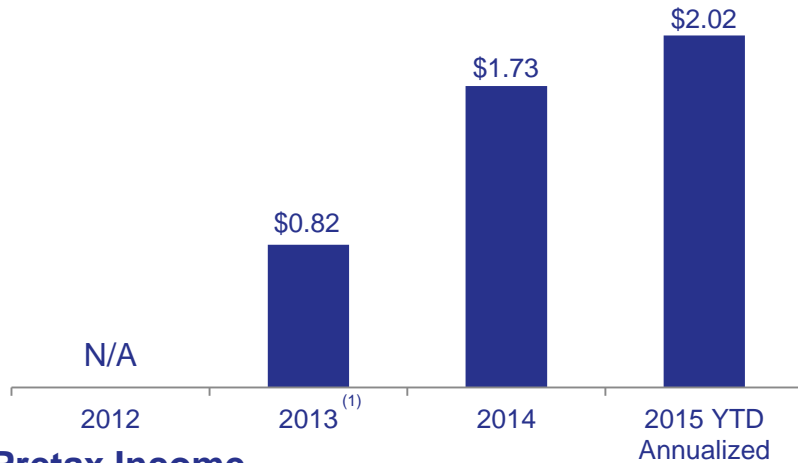
# PFSI Has Developed in a Sustainable Manner for Long-Term Growth

- 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



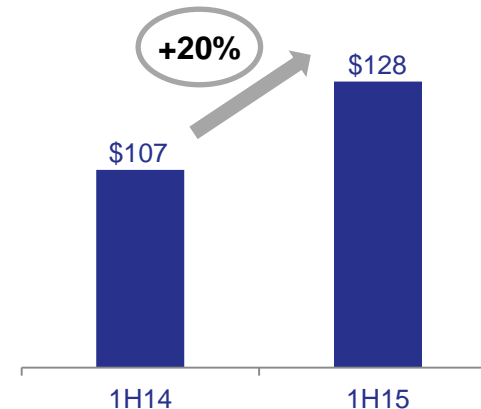
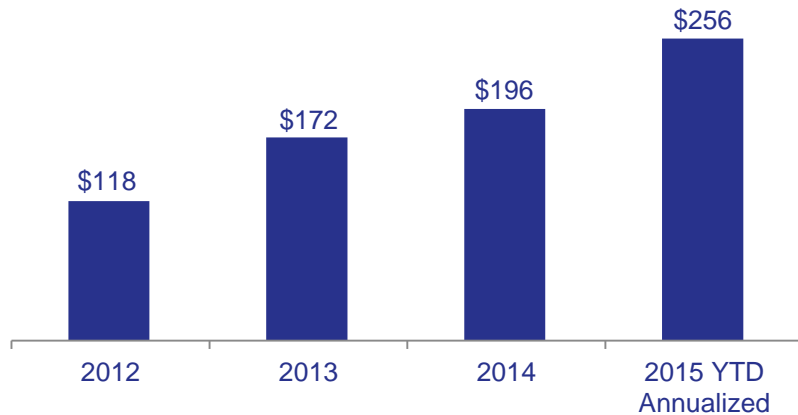
# PFSI Continues to Deliver Strong Earnings and Earnings Growth

## Earnings per Share



## Pretax Income

(\$ in millions)

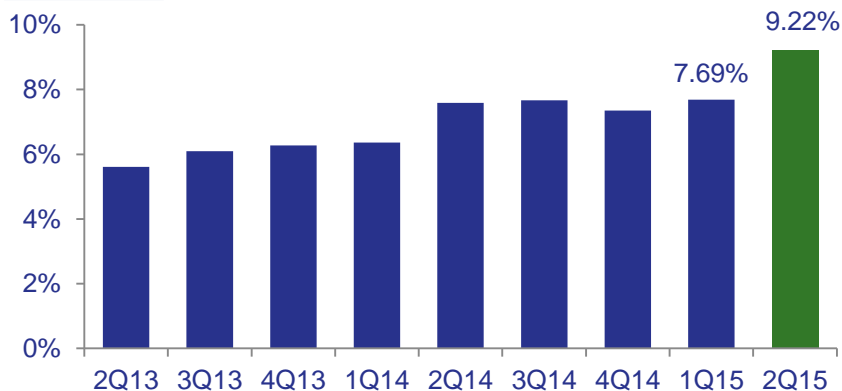


<sup>(1)</sup> Represents partial year. PFSI completed its IPO on May 5<sup>th</sup>, 2013

# Trends in PennyMac Financial's Businesses

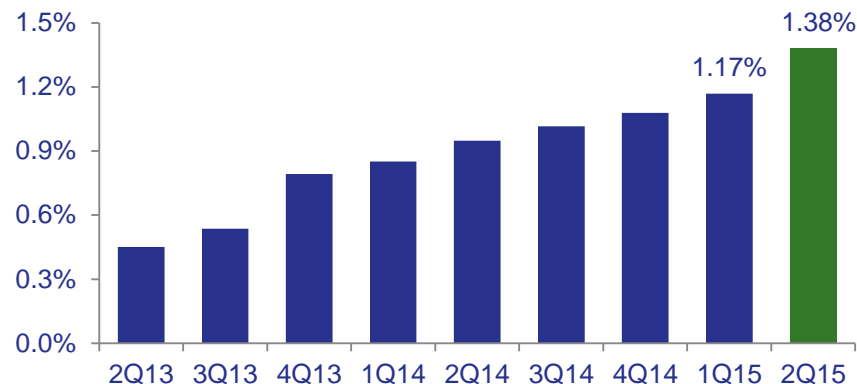
## Correspondent Production<sup>(1)</sup>

### Market Share



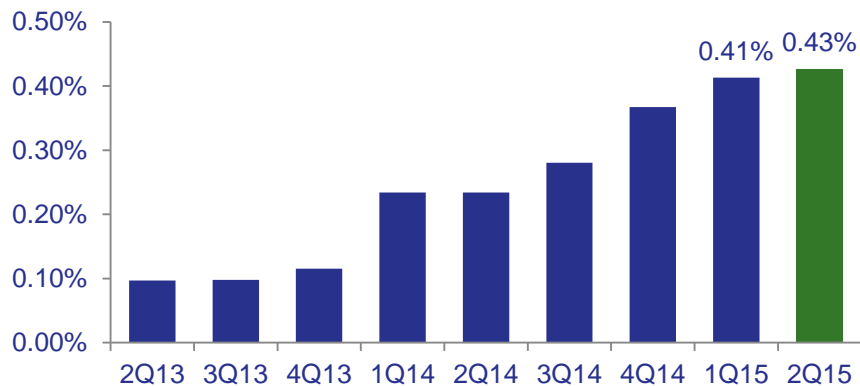
## Loan Servicing<sup>(1)</sup>

### Market Share



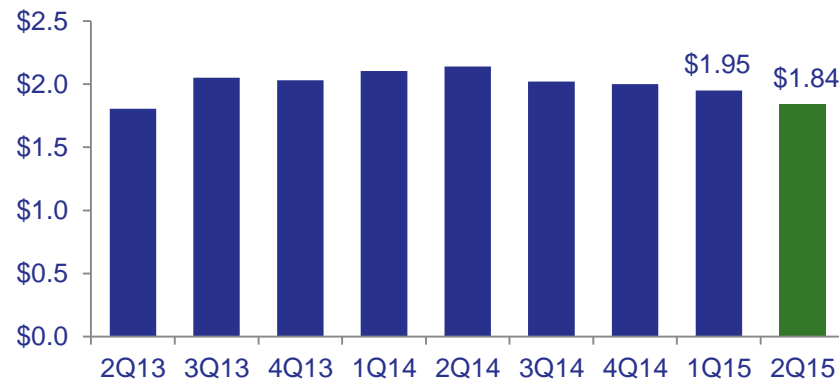
## Consumer Direct Production<sup>(1)</sup>

### Market Share



## Investment Management

### AUM (billions)



<sup>(1)</sup> Source: Inside Mortgage Finance and company estimates. Inside Mortgage Finance estimates total 2Q15 origination market of \$445 billion. Correspondent production share estimate is based on PFSI and PMT acquisition volume of \$11.9 billion divided by \$129 billion for the correspondent market (estimated to be 29% of total origination market). Consumer direct production share is based on PFSI originations of \$1.1 billion divided by \$267 billion for the retail market (estimated to be 60% of total origination market). Loan servicing market share is based on PFSI's servicing UPB of \$136.2 billion divided by \$9.84 trillion in mortgage debt outstanding as of June 30, 2015.

# Growth Strategy Enabled by PennyMac Financial's Unique Platform

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- Best-in-class mortgage banking platform designed for today's market and regulatory environment
  - Operations built and grown organically – not through acquisitions
  - Highly scalable to support continued growth
- Largest non-bank correspondent aggregator with the scale and systems to grow profitably<sup>(1)</sup>
  - Unique mortgage fulfillment operations can acquire, audit and securitize large volumes of loans at the highest levels of manufacturing quality
- Leader in mortgage servicing – 46% growth over the last year to become the 12th largest servicer in the U.S.<sup>(1)</sup>
  - Track record of successful MSR transfers from third parties
- Investing in consumer direct lending – origination volumes have more than doubled versus a year ago and are poised for significant future growth
- Synergistic partnership with PMT – tax-efficient investment vehicle that helps reduce balance sheet constraints for PFSI
- Commitment to strong corporate governance, compliance, and risk management since inception



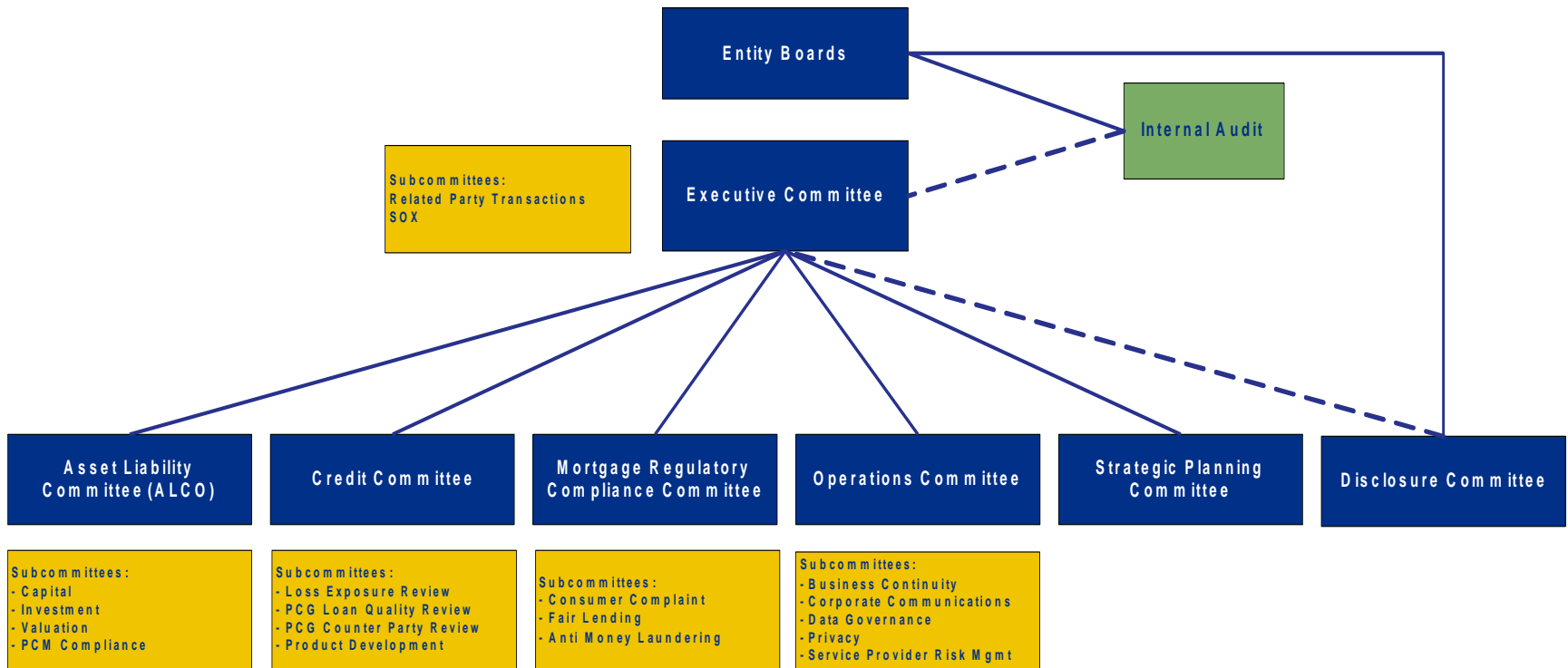
# Seasoned Leadership and Deep Management Team

Name	Position	Previous Experience	Years of Mortgage & Banking Experience
<b>Stanford Kurland</b>	Chairman & Chief Executive Officer	President & Chief Operating Officer, Countrywide Financial Corp.	40
<b>David Spector</b>	President & Chief Operating Officer	Co-Head of Global Residential Mortgages, Morgan Stanley	31
<b>Steve Bailey</b>	Chief Operations Officer	Mortgage Servicing Executive, Bank of America Corp.	30
<b>Andrew Chang</b>	Chief Business Development Officer	Director, Advisory Services, BlackRock	16
<b>Vandy Fartaj</b>	Chief Capital Markets Officer	Vice President, Whole Loan Trading, Countrywide Securities	18
<b>Jeffrey Grogin</b>	Chief Administrative & Legal Officer	Founder & Managing Partner, Samaha Grogin, LLP	28
<b>Douglas Jones</b>	Chief Institutional Mortgage Banking Officer	Head of Retail Sales & Institutional Mortgage Services, Bank of America Corp.	37
<b>Anne McCallion</b>	Chief Financial Officer	Senior Managing Director of Finance & Deputy CFO, Countrywide Financial Corp.	24
<b>Daniel Perotti</b>	Chief Asset & Liability Management Officer	Vice President, Portfolio Analytics, BlackRock	13
<b>Steve Skolnik</b>	Chief Commercial Lending Officer	Chief Executive Officer and Co-Founder, ReadyCap Commercial, LLC	27
<b>Paul Szymanski</b>	Chief Shared Services Operations Officer	Senior Vice President, Warehouse Lending Executive, Bank of America Corp.	31
<b>David Walker</b>	Chief Credit Officer	Chief Lending Officer, Countrywide Bank	31

Note: Information as of July 31, 2015.

# Governance Structure & Policies

PennyMac's **Governance Structure** provides independent oversight of revenue generating and support areas through quality assurance, quality control, committee oversight, internal audit, and board reporting.



Note: Information as of July 31, 2015.

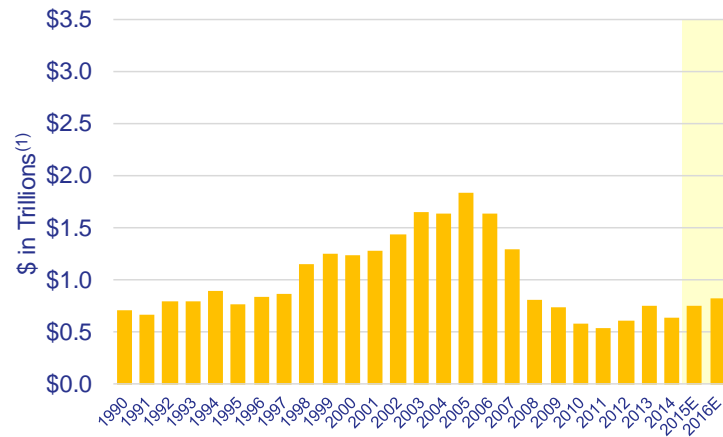
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# Production Overview

# Production Market Opportunity

## Purchase Originations

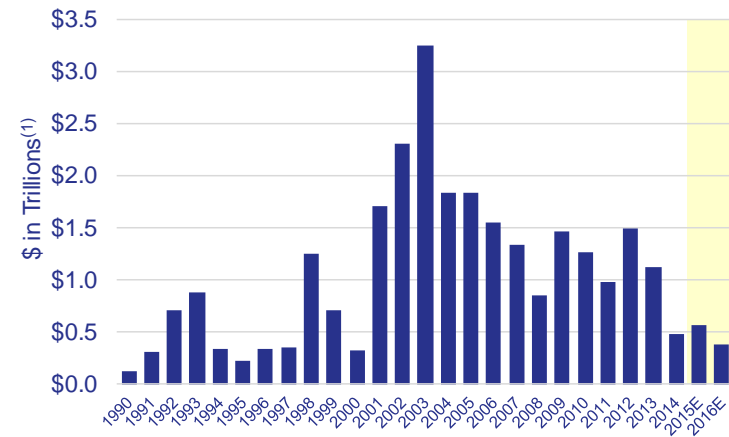
- Purchase originations have historically been more stable and have a natural “floor” due to moves/relocations, household formation, etc.
- Post-financial crisis purchase originations fell to generational lows, suggesting potential pent-up demand that may be realized in a strengthening economy



Approximately 70% of PennyMac’s 2014 loan production

## Refinance Originations

- Refinance originations have historically been highly cyclical and are projected to decline in the anticipated rising interest rate environment
- Impact to PennyMac mitigated by extension in the MSR portfolio, which acts as a natural hedge



Approximately 30% of PennyMac’s 2014 loan production

(1) Historical originations obtained from Mortgage Bankers Association. Forecast originations represent the average of Fannie Mae, Freddie Mac, and Mortgage Bankers Association estimates as of June 2015. Dollar amounts represent real values in 2014 dollars calculated using the annual Consumer Price Index – All Urban Consumers provided by the Bureau of Labor Statistics.

# 2Q15 Highlights – Correspondent Production

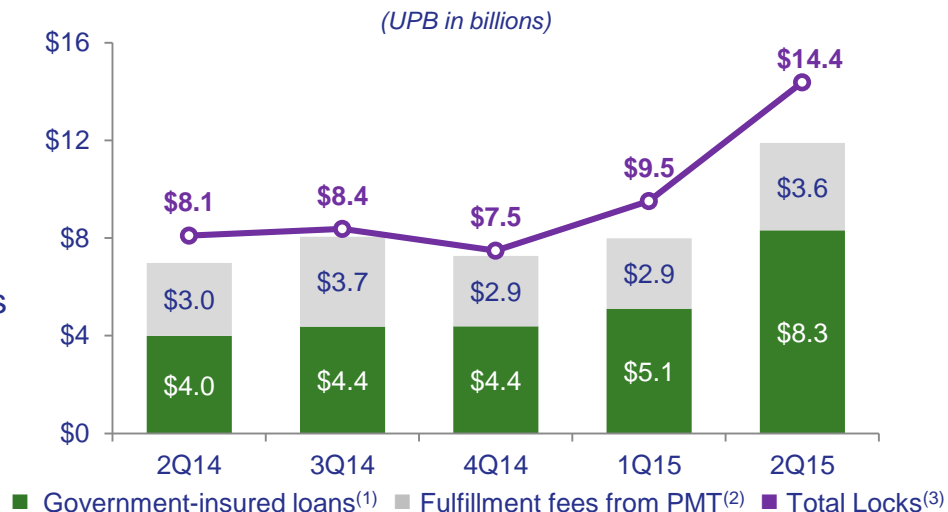
## Operational Highlights

- Correspondent acquisitions by PMT in 2Q15 totaled \$11.9 billion
  - 70% government-insured loans; 30% conventional loans
- July correspondent acquisitions totaled \$5.6 billion; locks totaled \$4.9 billion
- Able to scale production volumes while maintaining quality metrics, service levels and inventory turn times
  - Key to volume growth and market share gains
- Incremental volume as co-issue MSR buyers have backed away

## Strategic Initiatives

- Adding sales managers to continue growing seller relationships
- Targeting under-represented geographies
- Growing volume from relationships with small to medium sized lenders
  - Accounted for \$2.3 billion of lock volume in 2Q15 compared to \$1.5 billion in 1Q15
  - Expect these sellers to account for \$1 billion in locks per month by 2Q16

## Correspondent Volume and Mix



### Selected Operational Metrics

	2Q15	1Q15
Correspondent seller relationships	377	356
Purchase money loans, as a % of total acquisitions	64%	60%

### Selected Credit Metrics for 2Q15

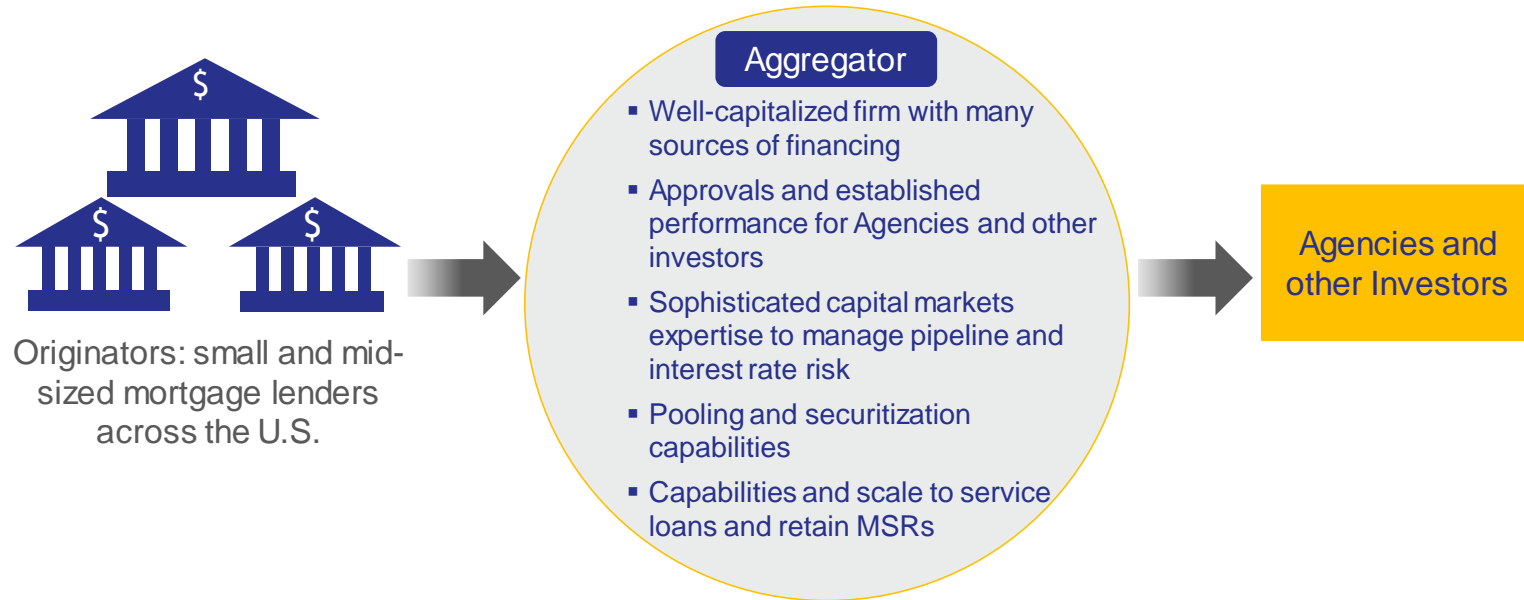
	WA FICO
Government-insured	690
Conventional	747

(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

# PennyMac Is the Largest Non-Bank Correspondent Aggregator



- Estimated 32%<sup>(1)</sup> of the mortgage market, or \$370 billion in new originations, flowed through the correspondent channel in 2014
- Correspondent share could increase as market conditions motivate small/mid-sized mortgage lenders to sell more loans “servicing released”

# Correspondent Production – Counterparty Management

## Upfront Client Approval Process

- PennyMac Correspondent Group (“PCG”) selects mortgage companies or banks that have the potential to be a good fit for Agency and/or Jumbo loan acquisitions. Applications are completed by prospective clients and submitted to the Client Administration team.
- Reviews for new approvals contain analysis and a summary of the prospective client’s business model, management team, financial position, warehouse lines, production volume, investor approvals, investor report cards and scorecard results, repurchase history, delinquency analysis, QC results, regulatory compliance and fair lending practices. Client Administration also reviews recent audit results. Additionally, the group uses Lexis/Nexis, MARI and Exclusionary lists to assist in background checks on the prospective client and its owners/principals including a review of ownership’s FICO scores.
- PCG client approval policy is established by the Chief Credit Officer and determines the credit requirements for approval (i.e.TNW, experience, liquidity, etc.). PCG Client Administration group is responsible for administering the policy and makes periodic reports to the Credit Committee.

## Client Approval Criteria

Minimum Net Worth	Financial Requirements
Retail: \$1.0MM	Leverage – Non Banks <= 15:1
TPO Wholesale: \$5.0MM	Liquidity – Non Banks => 20%
Correspondent: \$10.0MM	Banks will require Minimum Capital Ratios to be designated as “Well Capitalized”
Jumbo: \$2.5MM	Repurchase Rate of less than 25% of TNW, net of reserves
Limited Jumbo (loan amounts to \$750K): \$1.0MM	Profitable most recent audited year-end and most recent quarter

# Correspondent Production – Loan Acquisition Process

Prior to Delivery

- Correspondent lenders process, underwrite and close loans for delivery to PennyMac
- Business rules and the pricing engine prevent lock and delivery if loan is outside of PennyMac's guidelines

## Acquisition Process

- |   |  |  |  |  |   |
|---|--|--|--|--|---|
| <ul style="list-style-type: none"> <li>▪ Data Extraction &amp; Indexing</li> <li>▪ Data Integrity Rules</li> <li>▪ Validate MERS</li> <li>▪ Internal Collateral Review: POA, CEMA, Trust</li> </ul> | <ul style="list-style-type: none"> <li>▪ Validate key data &amp; AUS</li> <li>▪ Runs Early Check</li> <li>▪ Complete Checklists</li> </ul> | <ul style="list-style-type: none"> <li>• Full Credit Review based on risk, attribute and/or product</li> </ul> | <ul style="list-style-type: none"> <li>• Compliance Sampling Framework: First 20 loans, Random, Post Purchase</li> <li>• QM Points &amp; Fees testing</li> </ul> | <ul style="list-style-type: none"> <li>▪ Selection Driven by Tiers, AVM, "Red Flags" and Fannie AQM</li> <li>▪ Validate Appraised Value</li> <li>▪ Ensure Compliance with USPAP</li> <li>▪ Confirm Appraisers' License Status</li> </ul> | <ul style="list-style-type: none"> <li>▪ Review Stipulations</li> <li>▪ Communicate with the Correspondents</li> <li>▪ Confirm Escrow Account</li> <li>▪ Confirm Wire Details and Funding Fees</li> </ul> |
|---|--|--|--|--|---|

## Risk Review

- Define Product Guidelines
- Define Pre-Purchase Review Policy
- Daily Loan Review Meeting
- Perform Post Purchase QC and Provide Feedback to Division

## Zero Defects

- Risk Based Focus
- Feedback for Continuous Improvement
- Seamless Transitions to Servicing and Secondary
- Scalability for Growth
- Maintain Cost effectiveness



# 2Q15 Highlights – Consumer Direct Production

## Operational Highlights

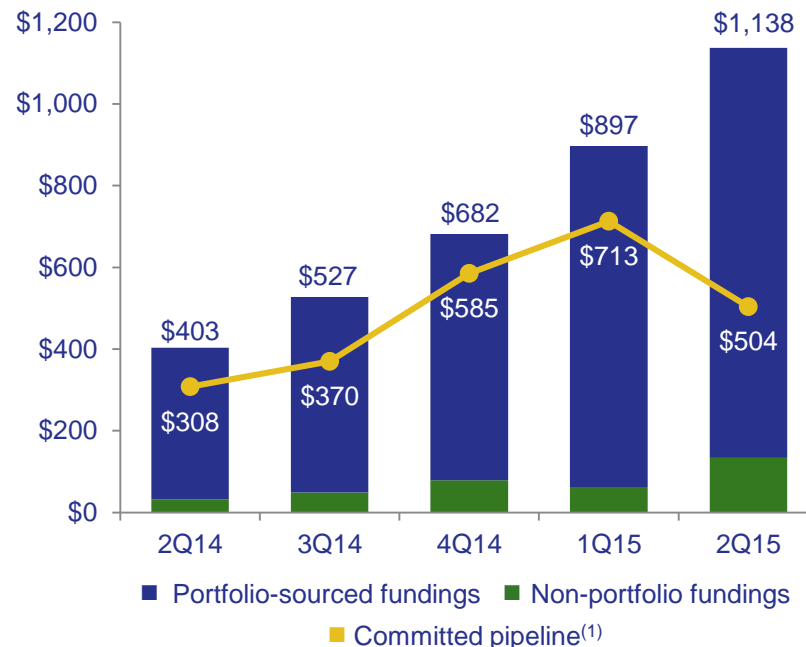
- Consumer direct production totaled \$1.1 billion in 2Q15, up 27% from 1Q15
  - Government-insured and guaranteed loans continue to drive growth
- July consumer direct production totaled \$336 million; locks totaled \$572 million
- \$543 million committed pipeline at July 31, 2015<sup>(1)</sup>
- Investments in fulfillment capabilities (people, infrastructure) to expand operational capacity

## Strategic Initiatives

- Executing on recapture opportunities from recent servicing acquisitions (over \$15 billion in 2Q15)
- Leveraging redesigned PennyMacUSA.com to help drive marketing leads for purchase initiatives
- Growing lead generation through servicing call center
- Growing affinity partnerships – responsible for ~10% of 2Q15 volume

## Consumer Direct Production Volume

(UPB in millions)



### Selected Credit Metrics for 2Q15

	WA FICO
Government-insured	691
Conventional <sup>(2)</sup>	751

<sup>(1)</sup> Commitments to purchase or originate mortgage loans at specified terms at quarter end

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

# Consumer Direct Production – PennyMac’s Strategy and Approach

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## *Consumer direct lending has significant advantages over the branch-based model:*

- Direct model has taken over other consumer financial services markets, e.g., banking, brokerage, credit cards, insurance
- Refinance market is already shifting in favor of the consumer direct model – purchase-money market is next
- Business development driven by corporate-directed leads
- Call centers result in an efficient concentration of personnel and expertise
- Centralized environment creates a controlled process (e.g., for regulatory compliance) and better ability to deploy technology improvements

### PennyMac’s Approach to Lead Generation

- Disciplined direct marketing to consumers
- Affinity relationships through corporate partnerships and business development officers (BDOs) in local markets
- Brand development through targeted broadcast advertising
- Maximizing portfolio recapture and retention

### Additional Success Drivers

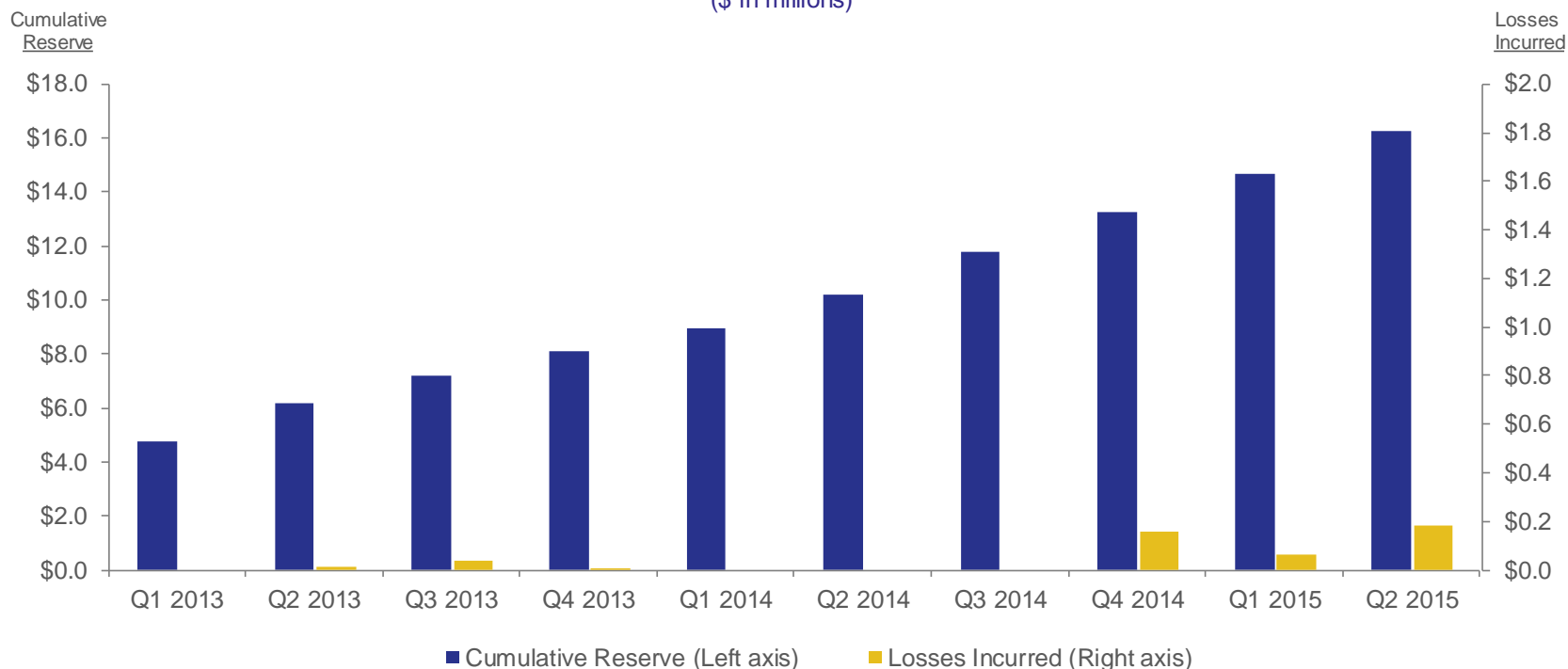
- Operational proficiency in processing higher volumes of loans
- Continued investment in IT, e.g., telephony and lead management to maximize lead conversion
- Innovative programs that provide value to real estate agents and consumers, e.g., Approved Buyer Certificate (ABC)

# Loan Production – Limited GSE Repurchases Since Inception

- As of June 30, 2015, the outstanding UPB of loans subject to Representations and Warranties was \$44.8 billion and the Reserve against these loans was \$16.3 million (3.6bps)
- Life-to-date losses for PFSI from repurchases totaled \$472K

Reserve for Representations & Warranties vs. Losses Incurred

(\$ in millions)



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# Servicing Overview

# 2Q15 Highlights – Loan Servicing

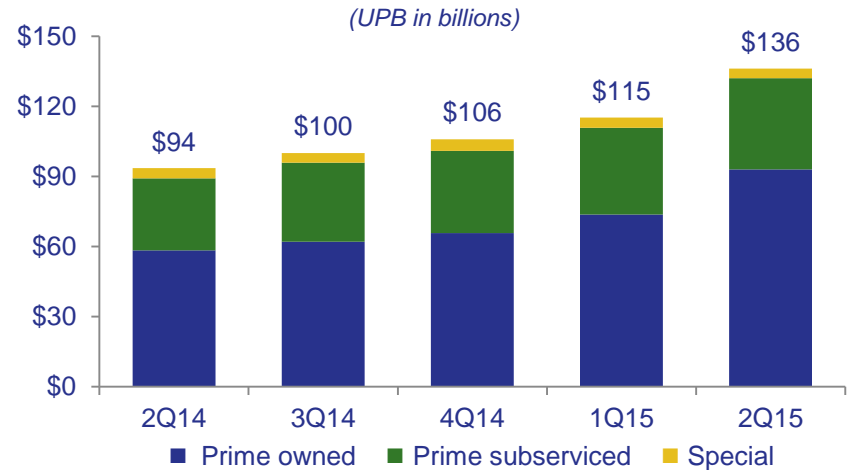
## Operational Highlights

- Servicing portfolio totaled \$136.2 billion in UPB at quarter end, up 18% from 1Q15
- Bulk and flow MSR acquisitions totaled \$15.4 billion in UPB during 2Q15
  - Excess servicing spread (ESS) investments by PMT in 2Q15 totaled \$140.9 million
  - Reviewed 43 new deals, bid on 9, won 2 in 2Q15
- Transferred \$8.5 billion in UPB bulk MSR acquisition after quarter end

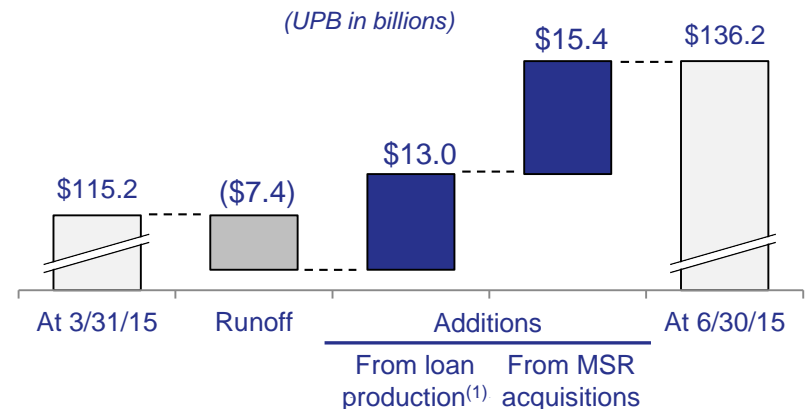
## Strategic Initiatives

- Continuing to pursue additional bulk acquisitions
- Operating platform expansion with fully developed facilities in Moorpark and Ft. Worth
- Technology initiatives with scale benefits
  - Servicing platform enhancements
  - Customer self service capabilities via website

## Loan Servicing Portfolio Composition

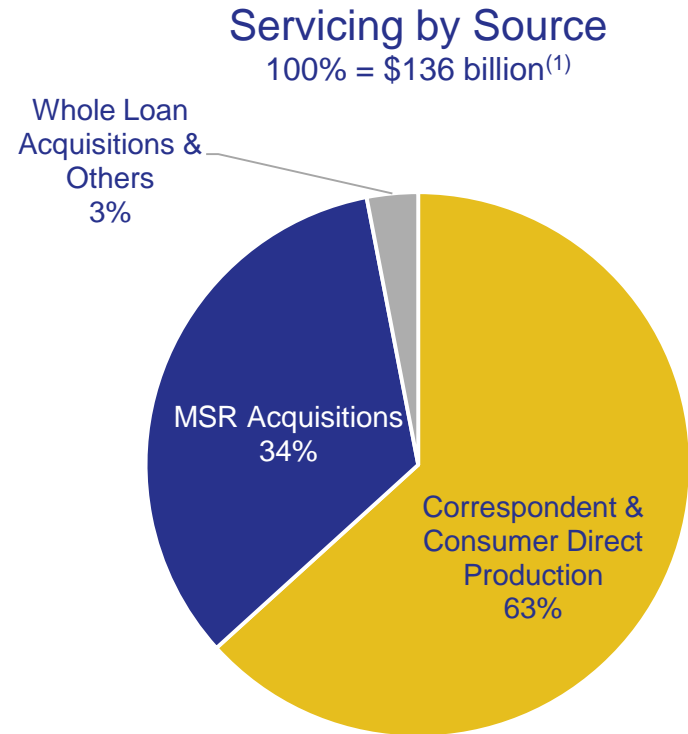
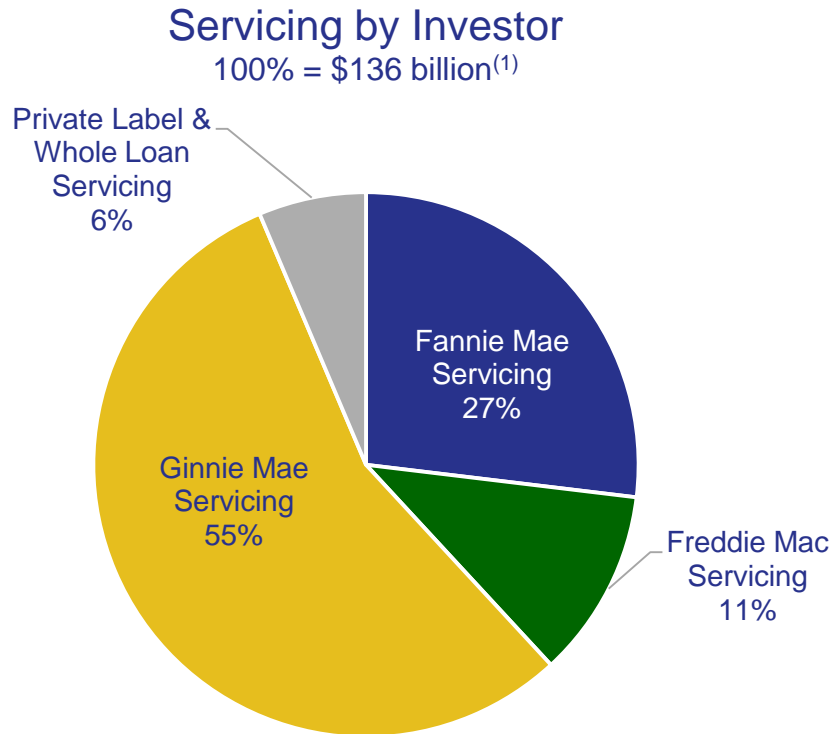


## Net Portfolio Growth



# Loan Servicing Portfolio and Approach to Growth

- We have grown our servicing portfolio primarily through organic loan production from our correspondent and consumer direct channels, supplemented by MSR acquisitions and the acquisition of whole loan pools by our Advised Entities

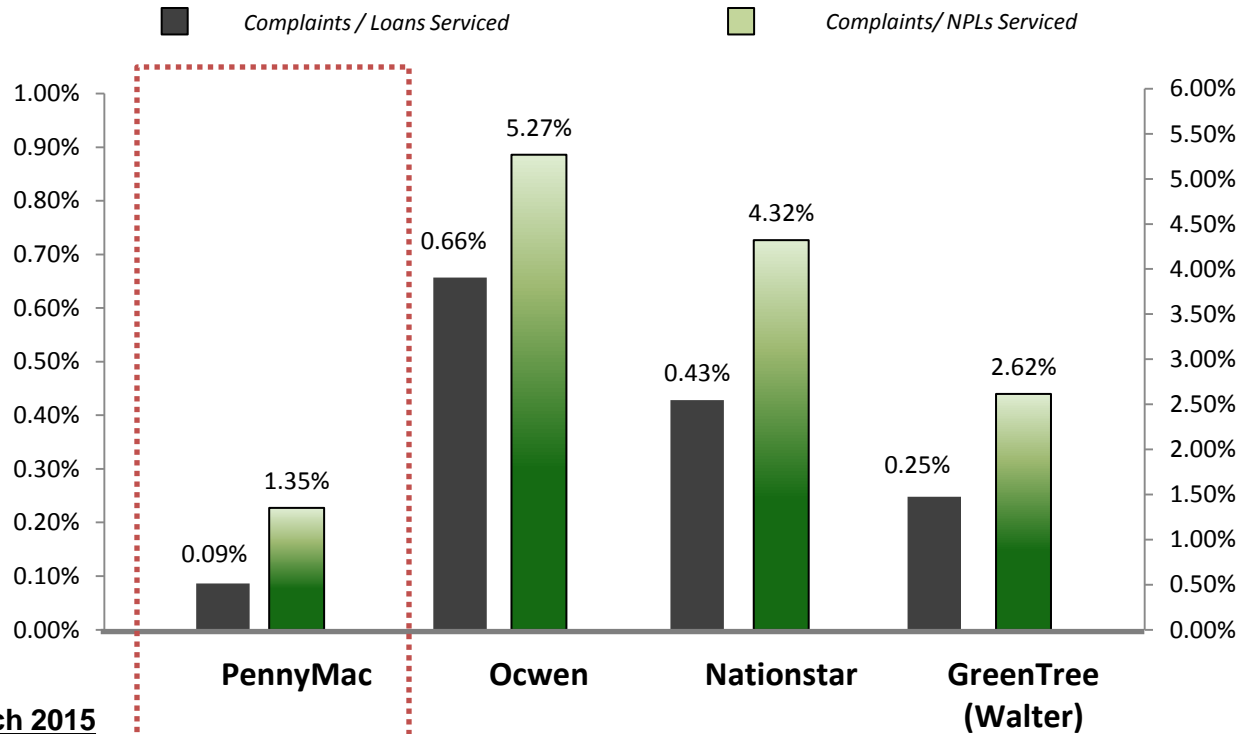


## Recent Servicing Transfer Experience

- Recently completed bulk and co-issue servicing acquisitions, totaling over \$41.7 billion in UPB across more than 250,000 loans

Seller	Type	UPB (\$ Millions)	Loan Count	Settlement Date	Product
Mortgage Bank	Bulk	337	1,752	3/2/2014	GNMA
Mortgage Bank	Bulk	521	2,562	4/2/2014	GNMA
Mortgage Bank	Bulk	1,183	6,627	4/2/2014	GNMA
Mortgage Bank	Bulk	3,431	18,839	6/2/2014	GNMA
Mortgage Bank	Bulk	253	952	6/30/2014	GNMA
Mortgage Bank	Bulk	1,837	10,857	6/30/2014	GNMA
Mortgage Banks	Co-issue	495	2,438	6/30/2014	FNMA/FHLMC
Mortgage Banks	Co-issue	640	3,200	9/30/2014	FNMA/FHLMC
Mortgage Bank	Bulk	804	4,066	11/30/2014	GNMA
Mortgage Banks	Co-issue	933	4,669	11/30/2014	FNMA/FHLMC
Mortgage Bank	Bulk	913	5,554	2/2/2015	GNMA
Mortgage Bank	Bulk	861	4,408	2/27/2015	GNMA
Mortgage Banks	Co-issue	672	3,360	2/28/2015	FNMA/FHLMC
Mortgage Bank	Bulk	3,910	23,239	3/2/2015	GNMA
National Bank	Bulk	14,921	95,356	5/1/2015	GNMA
Mortgage Banks	Co-issue	921	2,324	5/31/2015	FNMA/FHLMC
National Bank	Bulk	8,429	57,194	7/1/2015	GNMA
Mortgage Bank	Bulk	653	3,476	8/3/2015	GNMA
<b>Total</b>		<b>\$41,714</b>	<b>250,8739</b>		

# CFPB Complaints vs. Non-Bank Servicers: CFPB Inception – 3/31/15



## CFPB Inception - March 2015

# of CFPB Complaints:	433	15,703	8,904	5,417
Loan Count (000s):	501	2,391	2,080	2,184
NPL Count (000s):	32	298	206	207
UPB (\$ billions):	115	373	390	236



# Opportunity for PFSI and PMT 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)
  - 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 over \$200 billion in UPB
- Co-investment opportunity for PMT in the excess servicing spread