PennyMac®

Financial Services, Inc.

Third Quarter 2016 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.

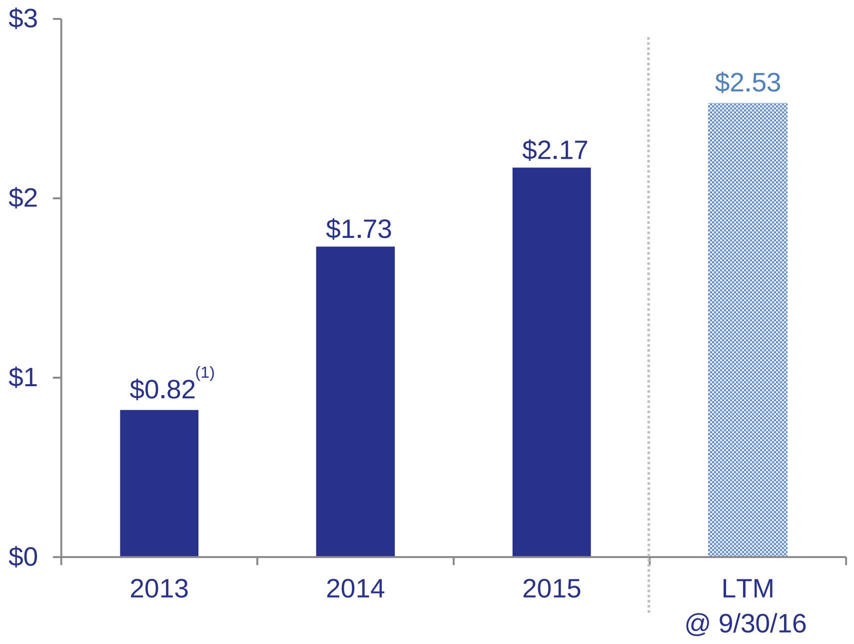
You should not place undue reliance on any forward-looking statement and should consider all of the uncertainties and risks described above, as well as those more fully discussed in reports and other documents filed by the Company with the Securities and Exchange Commission from time to time. The Company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

Third Quarter Highlights

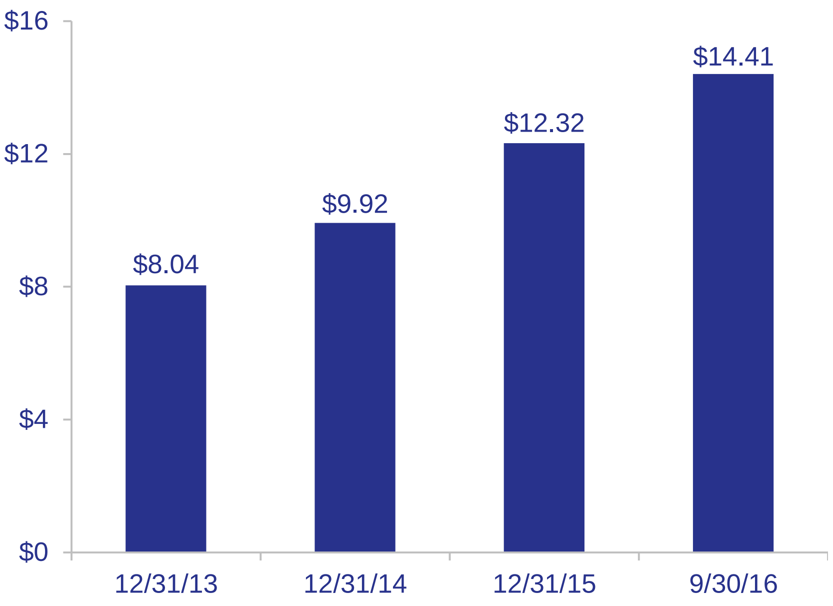
- Pretax income of $139.3 million; diluted earnings per share of common stock of $1.06
  - Record earnings driven by continued momentum in correspondent and consumer direct production
  - Book value per share increased to $14.41 from $13.28 at June 30, 2016
- Production segment pretax income was $149.8 million, up 43% from 2Q16, driven by record production volumes and higher margins in both the correspondent and consumer direct channels
  - Total acquisitions and originations were $20.6 billion in unpaid principal balance (UPB), up 28% from 2Q16, reflecting PFSI's strong operational execution and ability to capture the current market opportunity
  - Total locks were $25.0 billion in UPB, up 32% from 2Q16
- Servicing segment pretax loss of $10.7 million, versus pretax loss of $21.0 million in 2Q16
  - Pretax income excluding fair value changes was $5.1 million, down 73% from 2Q16, largely due to higher expenses from early buyout transactions in 3Q16 which are expected to benefit future period income through reduced costs and potential resale of reperforming loans
  - $39.0 million decline in mortgage servicing rights (MSR) value, driven by increased discount rates on Ginnie Mae MSRs
  - Better than expected performance of interest rate hedges, resulting in $19.0 million of gains
  - Portfolio grew to $182.1 billion in UPB, up 6% from June 30, 2016, due to loan production activities
- Investment Management pretax income of $0.2 million compared to $0.7 million in 2Q16
  - Net assets under management were $1.6 billion, down modestly from June 30, 2016 driven by PMT's share repurchases

PennyMac Financial Continues to Deliver Earnings and Book Value Growth

Earnings Per Share



Book Value Per Share



(1) Represents partial year

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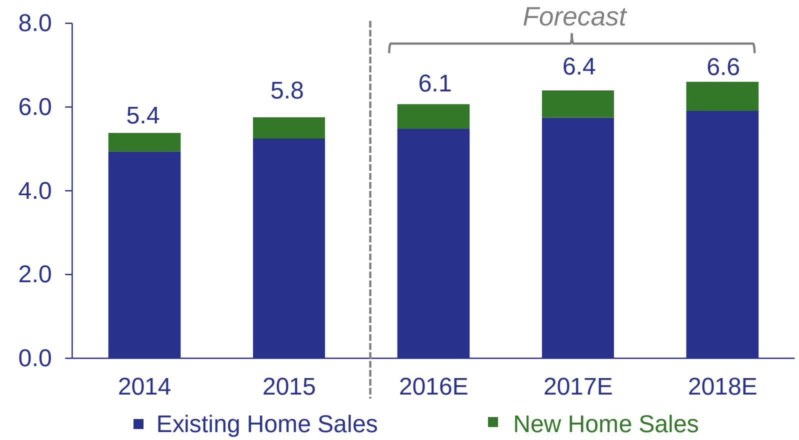
Current Market Environment

- Despite expectations for higher interest rates over the long term, mortgage rates remained largely unchanged in 3Q16
- Origination volumes for both purchase-money and refinance mortgages remained strong in 3Q16
  - Low rates and continued strong purchase-money demand driving activity
  - Modest reduction in market volumes expected in 4Q16 due to normal seasonal slowing
- Housing remains a source of strength in an otherwise mixed economic outlook
  - Mortgage rates expected to remain relatively low
  - Strong demand for homes, driving higher sales and growth in housing starts
    - Particularly strong demand for entry-level homes

Average 30-year fixed rate mortgage(1)

Home Sales(2)

(Units in millions)



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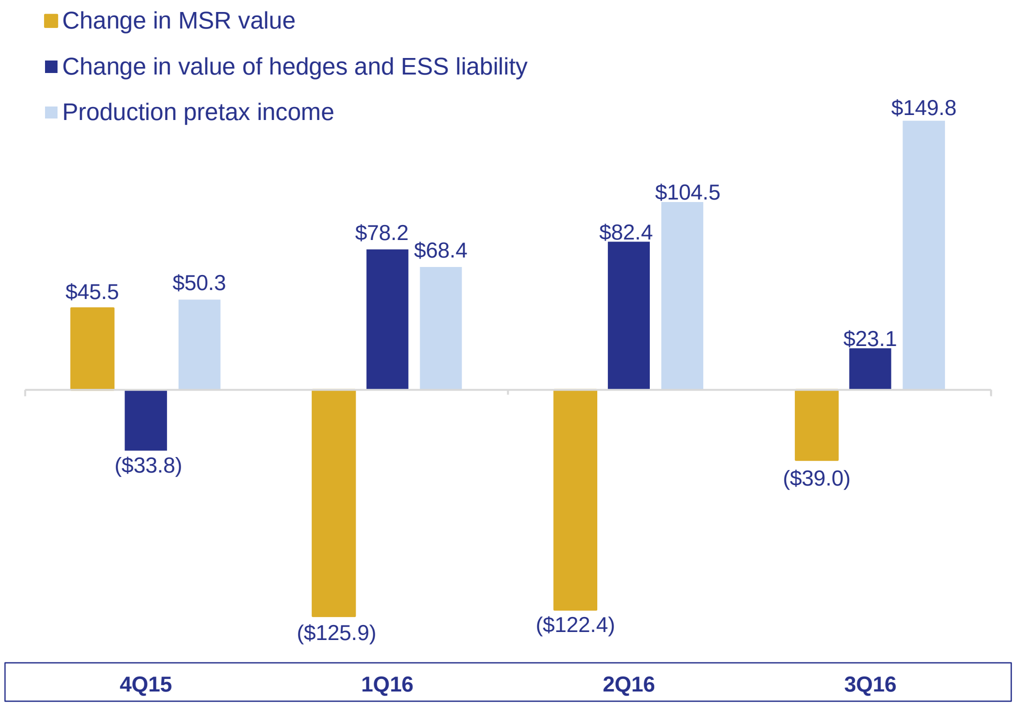
(1) Freddie Mac Primary Mortgage Market Survey. 3.47% as of 10/27/2016

(2) Actual results are from Census Bureau – seasonally adjusted. Forecast estimates are from the Mortgage Bankers Association

Hedging Approach Has Aided PFSI's Results Despite Interest Rate Changes

MSR Valuation Changes and Offsets

($ in millions)



- PFSI seeks to moderate the impact of interest rate changes using hedge instruments and also considering production-related revenue opportunities
- In periods of lower interest rates such as in 1Q16 and 2Q16, higher production-related income is expected to offset the MSR value reduction net of hedge gains
- During the third quarter:
  - PFSI's MSR value decreased, driven by increased discount rates on Ginnie Mae MSRs reflecting reduced bank participation and higher capital costs for other market participants
  - PFSI's servicing-related hedges outperformed, primarily due to a tightening of mortgage spreads

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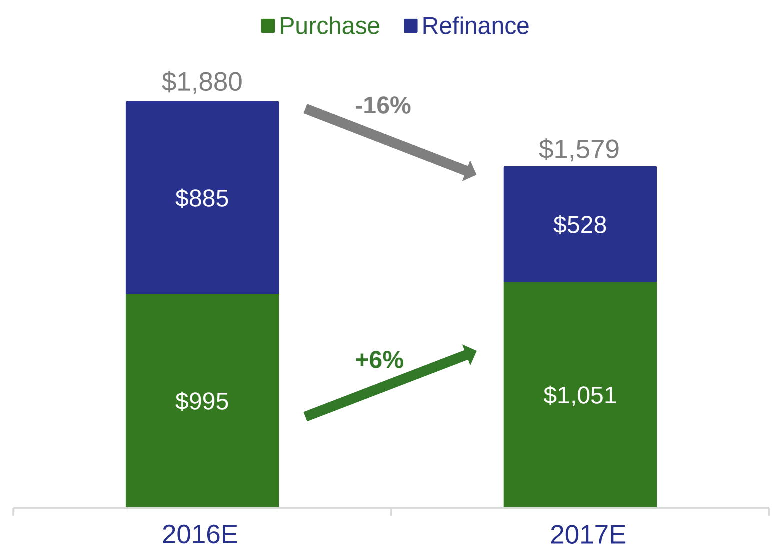
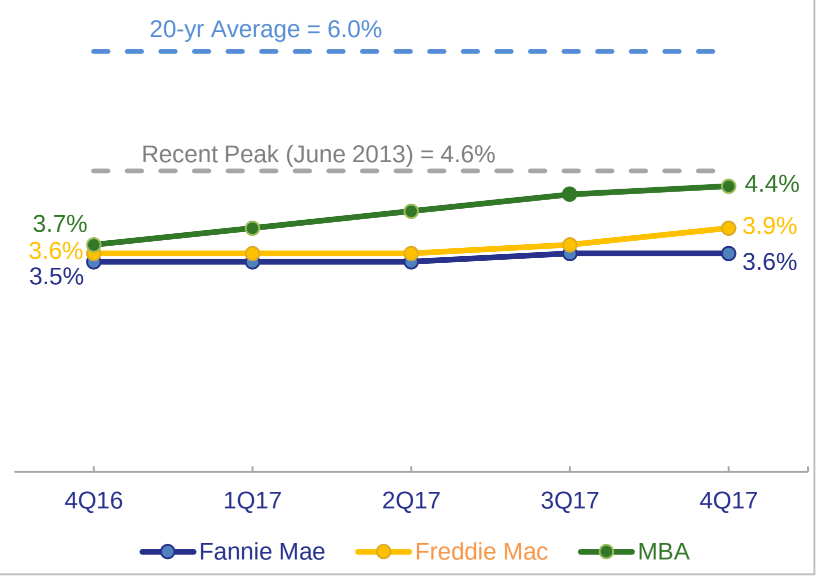
Outlook for the Mortgage Origination Market

Estimates for Total U.S. Single Family Mortgage Originations[(1)]

($ in billions)



30-Year Fixed-Rate Mortgage Forecast[(1)]



- Origination market is expected to decrease in 2017, driven by reduction in refinances
- Purchase-money originations expected to continue increasing, resulting in the largest market since 2006

- Forecasts for mortgage rate increases vary, but expected to be modest relative to historical levels

[(1)] Average of forecasts from Fannie Mae (as of 9/9/16), Freddie Mac (as of 9/8/16) and the Mortgage Bankers Association (as of 9/12/16)

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Drivers for Continued Growth at PennyMac Financial in 2017

Correspondent production

- Significant opportunity in conventional conforming market for continued share growth
- PennyMac's purchase-money focus to benefit from forecasted strong demand for homes even if mortgage rates increase modestly

Consumer direct originations

- Substantial opportunity from large and growing servicing portfolio (over 900,000 customers); pursuing initiatives to increase recapture rates
- Continued investment in additional fulfillment capabilities to support higher origination volumes

Wholesale production

- The wholesale channel represents 10% of the total mortgage production market and is highly fragmented
- Focus is on systems and process development required for planned mid-2017 launch

Loan Servicing

- Strong production volumes expected to drive organic portfolio growth
- Expectations for modestly higher mortgage rates are positive for the value of MSRs (e.g., reduced amortization, increased interest income)
- Cost improvement through workflow efficiencies expected from ongoing system improvements, increased automation and capturing additional economies of scale

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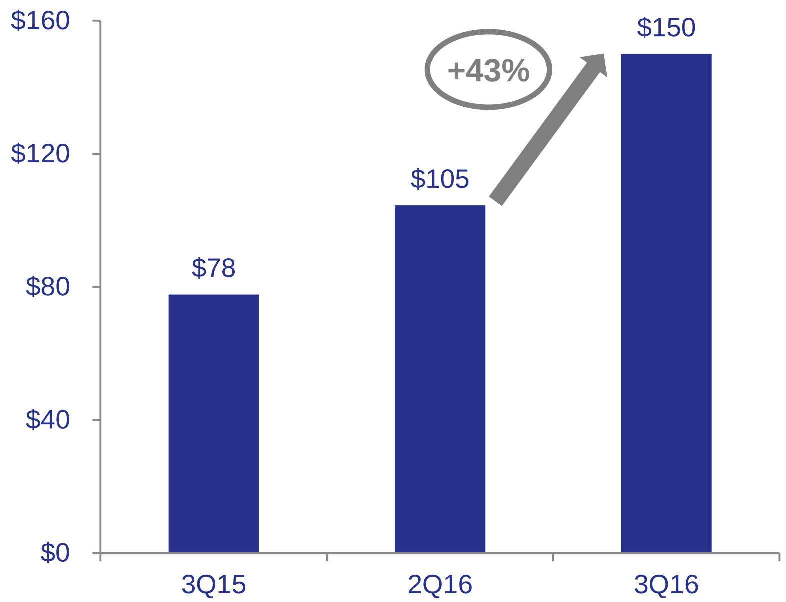
3Q16 Production Income Growth Driven by Higher Volumes and Margins

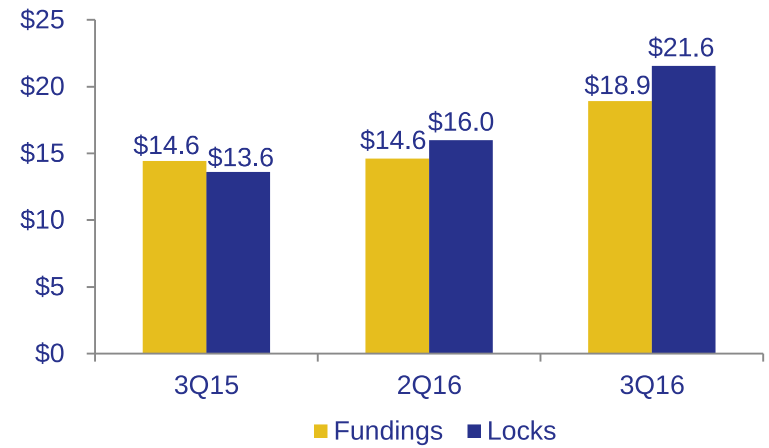
Production Segment Pretax Income

($ in millions)



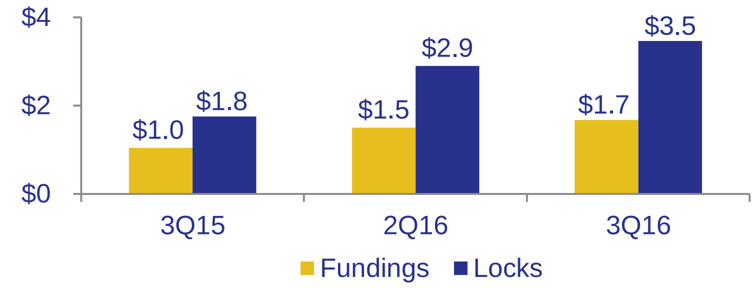
Correspondent Production Volume

($ in billions)



Consumer Direct Production Volume

($ in billions)



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Servicing Profitability Excluding Fair Value Changes

	3Q16			2Q16			1Q16			FY 2015		
	$ in millions		basis points[1]	$ in millions		basis points[1]	$ in millions		basis points[1]	$ in millions		basis points[1]
Operating revenue	$	128.2	29.0	$	126.0	29.9	$	115.8	28.5	$	383.8	28.5
Amortization and realization of MSR cash flows	$	(60.8)	(13.8)	$	(54.1)	(12.9)	$	(49.7)	(12.2)	$	(144.5)	(10.7)
EBO-related revenue	$	18.0	4.1	$	16.7	4.0	$	15.8	3.9	$	17.6	1.3
Servicing expenses:												
Operating expenses	$	(51.1)	(11.6)	$	(47.1)	(11.2)	$	(44.2)	(10.9)	$	(151.6)	(11.3)
Credit losses	$	(11.3)	(2.6)	$	(6.9)	(1.6)	$	(14.5)	(3.6)	$	(46.5)	(3.5)
EBO transaction-related expense	$	(7.1)	(1.6)	$	(3.2)	(0.8)	$	(3.3)	(0.8)	$	(12.7)	(0.9)
Financing expenses:												
Interest on ESS	$	(4.8)	(1.1)	$	(5.7)	(1.4)	$	(7.0)	(1.7)	$	(25.4)	(1.9)
Interest to third parties	$	(5.8)	(1.3)	$	(6.6)	(1.6)	$	(4.7)	(1.1)	$	(10.7)	(0.8)
Pretax income excluding fair value changes	**$**	**5.1**	**1.2**	**$**	**19.1**	**4.5**	**$**	**8.3**	**2.0**	**$**	**10.0**	**0.7**
Changes in Fair Value [2]												
MSR[3]	$	(39.0)		$	(122.4)		$	(125.9)		$	(4.7)	
ESS liability	$	4.1		$	17.4		$	19.4		$	3.8	
Hedging derivatives gains (losses)	$	19.0		$	64.9		$	58.7		$	(7.7)	
Servicing Segment Pretax (Loss) Income	**$**	**(10.7)**		**$**	**(21.0)**		**$**	**(39.5)**		**$**	**1.3**	

- Pretax income excluding fair value changes decreased in 3Q16, largely due to higher expenses from early buyout transactions in 3Q16 which are expected to benefit future period income through reduced costs and resale of reperforming loans
- 2Q16 pretax income was aided by $5.1 million in activity fees related to a sale of loans by PMT and a $4.9 million reduction to the allowance for credit losses on delinquent loans

(1) Of average portfolio UPB, annualized
(2) Changes in fair value do not include realization of MSR cash flows, which are included with amortization above
(3) Includes fair value changes and provision for impairment

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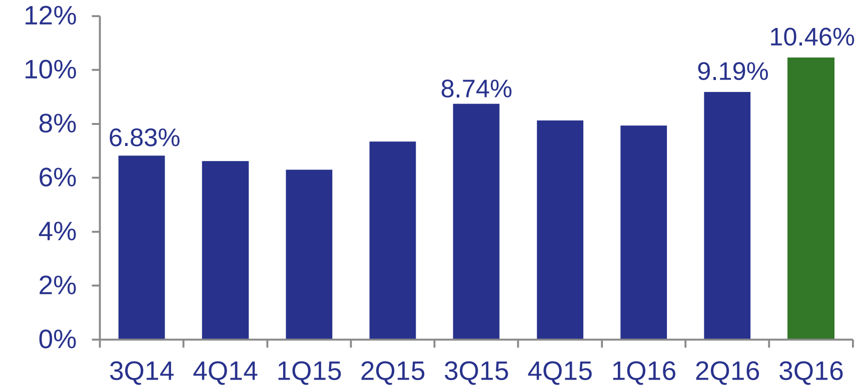
Trends in PennyMac Financial's Businesses

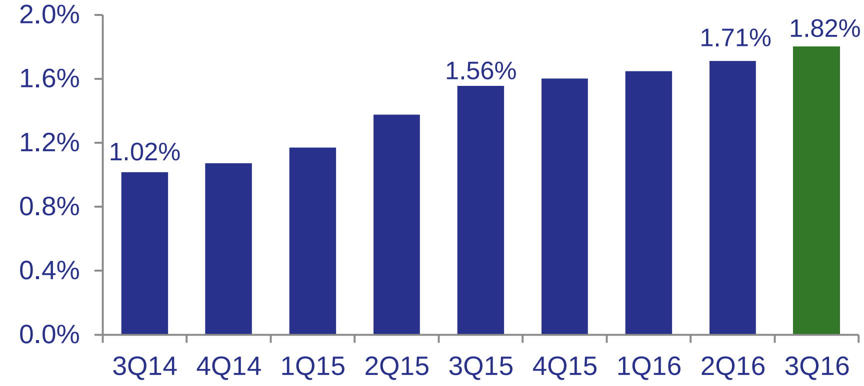
Correspondent Production[(1)]

Market Share



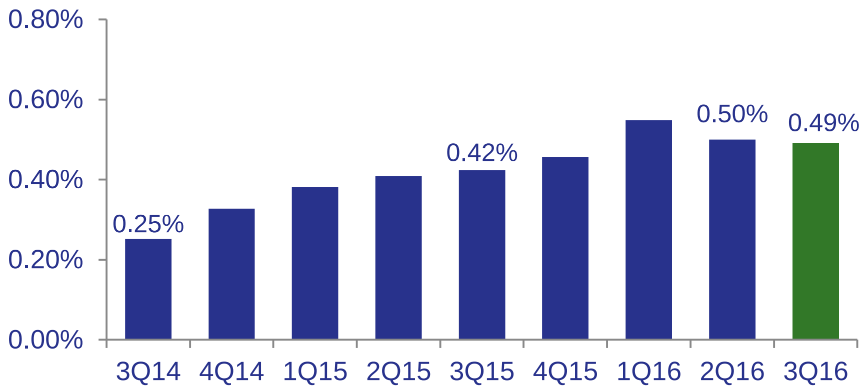
Loan Servicing[(1)]

Market Share



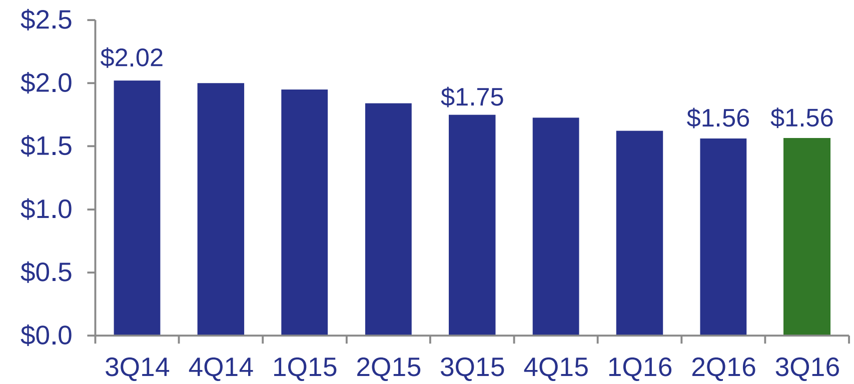
Consumer Direct Production[(1)]

Market Share



Investment Management

AUM (billions)



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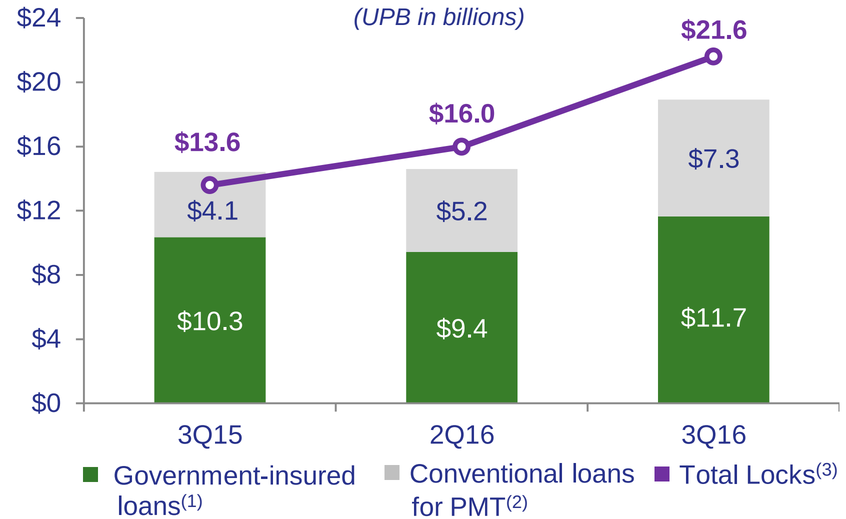
(1) Source: Inside Mortgage Finance and company estimates. Inside Mortgage Finance estimates total 3Q16 origination market of $580 billion. Correspondent production share estimate is based on PFSI and PMT acquisition volume of $18.9 billion divided by $174 billion for the correspondent market (estimated to be 31% of total origination market). Consumer direct production share is based on PFSI originations of $1.7 billion divided by $328 billion for the retail market (estimated to be 59% of total origination market). Loan servicing market share is based on PFSI's servicing UPB of $182.1 billion divided by an estimated $10.0 trillion in mortgage debt outstanding as of September 30, 2016.

Production Segment Highlights – Correspondent Channel

- Correspondent acquisitions by PMT in 3Q16 totaled $18.9 billion, up 30% Q/Q and up 31% Y/Y
  - 62% government-insured loans; 38% conventional loans
  - 40% Q/Q growth in conventional conforming acquisitions
  - Total lock volume of $21.6 billion, up 35% Q/Q
- October correspondent acquisitions totaled $7.0 billion; locks totaled $6.7 billion
- Record volumes enabled by PFSI's highly automated and efficiently scalable platform
- Significant volume increase due in part to a larger origination market and higher share of originations sold to correspondent aggregators
- Market share increases were driven by maintaining high service levels in a market with elevated volumes, increased business from new sellers added in recent periods and the purchase-money orientation of PennyMac's sellers
- Non-delegated correspondent program launched in 2Q16 drove majority of Q/Q growth in seller relationships

Correspondent Volume and Mix



Selected Operational Metrics	2Q16	3Q16
Correspondent seller relationships	457	504
Purchase money loans, as a % of total acquisitions	71%	67%

WA FICO	2Q16	3Q16
Government-insured	697	698
Conventional	748	755

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

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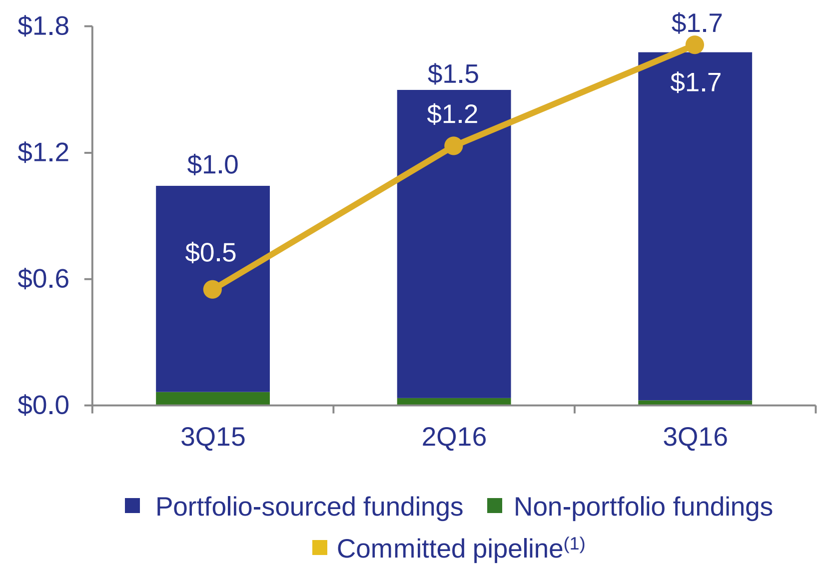
Production Segment Highlights – Consumer Direct Channel

- Consumer direct production totaled $1.7 billion in 3Q16, up 12% Q/Q and up 61% Y/Y
- October consumer direct originations totaled $600 million; locks totaled $1.2 billion
  - $1.4 billion committed pipeline at October 31, 2016[(1)]
- Growth reflects ongoing investments in sales and fulfillment capacity
  - Produced approximately 6,300 loans in 3Q16 compared to just over 4,500 loans in 3Q15
- Opened new direct lending center near Seattle, WA
  - Efforts to tap into a labor pool of highly experienced mortgage professionals
- Initiatives to optimize portfolio recapture include focused efforts on conventional borrowers and purchase-money opportunities

Consumer Direct Production Volume

(UPB in billions)



WA FICO		
	2Q16	**3Q16**
Government-insured	692	699
Conventional[(2)]	743	743

[(1)] Commitments to originate mortgage loans at specified terms at period end
[(2)] Includes conforming and jumbo loan originations

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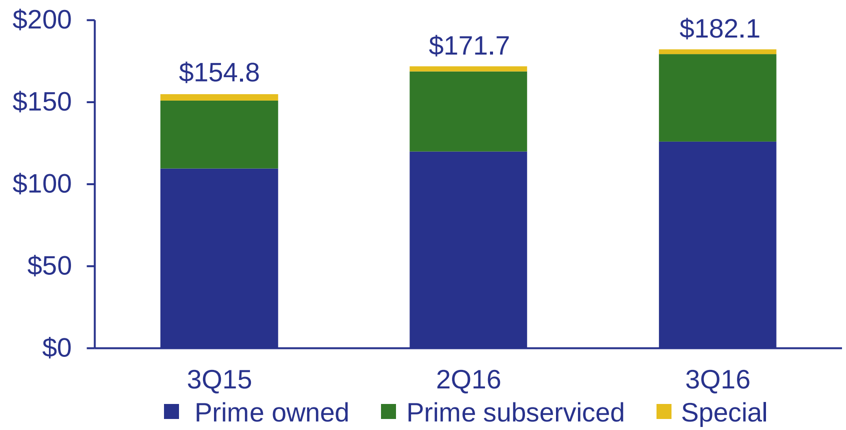
Servicing Segment Highlights

- Servicing portfolio totaled $182.1 billion in UPB at quarter end, up 6% from 2Q16
  - Strong production volumes more than offset higher prepayment activity
- Successfully completed the acquisition and transfer of approximately $1 billion in UPB of MSRs related to defaulted government-insured loans from a large bank[(1)]
- Continued success in curing and modifying delinquent government loans – reduces future servicing expenses and creates revenue opportunities from the sale of reperforming loans

Loan Servicing Portfolio Composition

(UPB in billions)

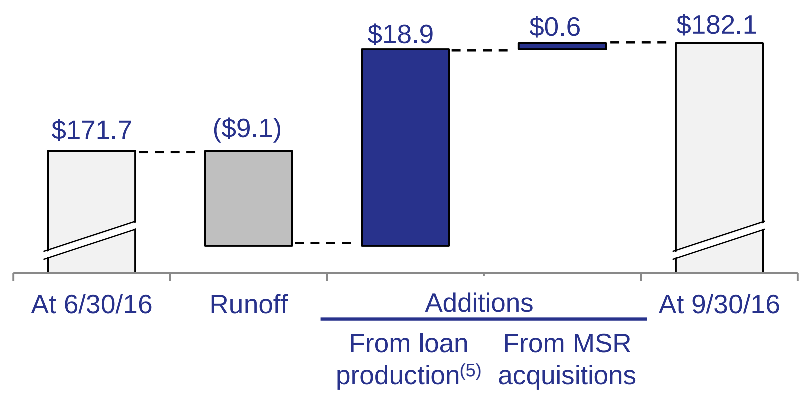


Selected Operational Metrics

	2Q16	3Q16
Loans serviced (in thousands)	889	939
60+ day delinquency rate	2.5%	2.9%
Actual CPR - owned portfolio	18.1%	23.0%
Actual CPR - sub-serviced[(2)]	14.6%	18.4%
Completed modifications	1,647	1,800
EBO transactions (in millions)[(3)]	$134	$766
Electronic payments (% of portfolio)	82%	83%
Customers registered for the website[(4)]	62%	66%

Net Portfolio Growth

(UPB in billions)



(1) Approximately $600 million in UPB acquired and transferred during the quarter and $400 million in UPB after quarter end.
(2) For PMT's MSR portfolio only
(3) Early buyouts of delinquent loans from Ginnie Mae pools during the period
(4) Percent of serviced and subserviced loans that have registered on PennyMacUSA.com
(5) Includes consumer direct production, government correspondent acquisitions, and conventional conforming and jumbo loan acquisitions subserviced for PMT

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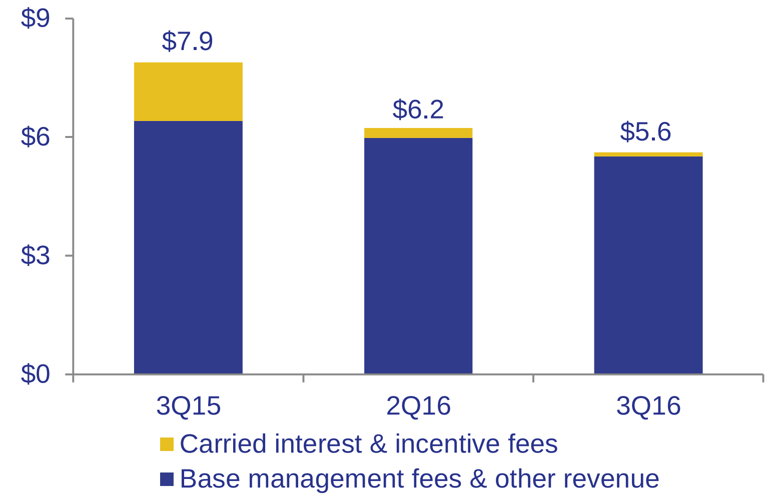
Investment Management Segment Highlights

- Net assets under management were $1.6 billion, down less than 1% from June 30, 2016
  - Reduction driven by PMT's share repurchases
- PMT's book value per share increased to $20.21 from $20.09 at June 30, 2016
- PMT has a unique opportunity to participate in GSE credit risk transfer on its correspondent production
  - Recently entered into a fourth CRT flow commitment with Fannie Mae
- PMT is continuing to transition capital away from distressed loan investments and also pursue share repurchases with available capital where the return exceeds alternative investment opportunities

Investment Management Revenues

($ in millions)



- Investment management revenues were $5.6 million, down 10% from 2Q16
  - Management fees declined 4% Q/Q, primarily resulting from a decrease in PMT's shareholders' equity due to share repurchases
  - Carried interest from the private Investment Funds was $107,000 versus $244,000 in 2Q16

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Financial Results by Operating Segment

Unaudited ($ in millions)	Production	Servicing	Investment Management	Total Pretax Income
3Q15	$ 77.7	$ (6.1)	$ 2.2	$ 73.9
4Q15	$ 50.3	$ 27.9	$ 0.7	$ 78.9
1Q16	$ 68.4	$ (39.5)	$ 1.1	$ 30.1
2Q16	$ 104.5	$ (21.0)	$ 0.7	$ 84.3
3Q16	$ 149.8	$ (10.7)	$ 0.2	$ 139.3

Note: Figures may not sum exactly due to rounding

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Mortgage Banking – Production Segment Results

Unaudited ($ in thousands)

Production Segment	Quarter ended September 30, 2016	Quarter ended June 30, 2016
Unaudited ($ in thousands)		
Revenue		
Net gains on mortgage loans held for sale at fair value	$ 166,506	$ 115,894
Loan origination fees	34,621	28,907
Fulfillment fees from PennyMac Mortgage Investment Trust	27,255	19,111
Net interest income	3,690	4,703
Other	508	849
	232,580	169,464
Expenses	82,767	64,959
Pretax income	**$ 149,813**	**$ 104,505**

Production Segment Metrics	Quarter ended September 30, 2016	Quarter ended June 30, 2016
Unaudited ($ in thousands)		
Production revenues excl. fulfillment fees	$ 205,325	$ 150,353
As basis points of IRLCs	126 bps	116 bps
Revenue per consumer direct lock[1]	323 bps	307 bps
Revenue per correspondent lock[2]	68 bps	58 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 37% Q/Q
- Net gains on mortgage loans held for sale at fair value in 3Q16 included a $6.6 million benefit from a revision of previously recorded provision for representations and warranties due to a change in estimate
- Gross margins (revenue per lock) increased Q/Q in both the consumer direct and correspondent channels
  - In recent quarters, consumer direct revenue per lock has ranged from 257 bps to 323 bps[1]
  - Correspondent revenue per lock has ranged from 52 bps to 68 bps [2]
- Weighted average fulfillment fee rate was 38 basis points, up slightly from 37 basis points in 2Q16

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[1] Includes net gains on mortgage loans held for sale, loan origination fees and net interest income; adjusted for 37% expected fallout of consumer direct lock commitments

[2] Includes net gains on mortgage loans held for sale, loan origination fees and net interest income for government-insured correspondent loans; adjusted for 6% expected fallout of government-insured correspondent lock commitments

Mortgage Banking – Servicing Segment Results

Servicing Segment

Unaudited ($ in thousands)

	Quarter ended September 30, 2016	Quarter ended June 30, 2016
Revenue		
Net loan servicing fees	$ 45,864	$ 26,555
Net interest expense	(8,486)	(9,599)
Net gains on mortgage loans held for sale at fair value	15,615	14,309
Other	205	851
	53,198	32,116
Expenses	63,937	53,085
Pretax loss	$ (10,739)	$ (20,969)

Net Loan Servicing Fees

Unaudited ($ in thousands)

	Quarter ended September 30, 2016	Quarter ended June 30, 2016
Net loan servicing fees:		
Loan servicing fees [(1)]	$ 122,587	$ 120,738
Effect of MSRs:		
Amortization and realization of cash flows	(60,847)	(54,126)
Change in fair value and provision for impairment of MSRs carried at lower of amortized cost or fair value	(39,009)	(122,433)
Change in fair value of excess servicing spread financing	4,107	17,428
Hedging gains	19,026	64,948
Total amortization, impairment and change in fair value of MSRs	(76,723)	(94,183)
Net loan servicing fees	$ 45,864	$ 26,555

- Servicing segment revenue increased 66% Q/Q, driven by a $19.3 million increase in net loan servicing fees and a $1.3 million increase in gains from the securitization of reperforming government-insured loans
- Servicing segment expenses increased 20% Q/Q[(2)]
  - Higher expenses from early buyout transactions expected to be offset by benefits in the current and future periods
  - 2Q16 included a $4.9 million reduction in credit loss provisioning
- MSR fair value adjustments driven by an increase in the discount rates on Ginnie Mae MSRs reflecting reduced bank participation and higher capital costs for other market participants

(1) Includes contractually-specified servicing fees

(2) See servicing segment pretax (loss) income analysis on page 10

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Mortgage Servicing Rights (MSR) Asset Valuation

September 30, 2016 *Unaudited ($ in millions)*	Lower of amortized cost or fair value	Fair value not subject to excess servicing spread liability	Fair value subject to excess servicing spread liability
UPB	$75,076	$12,750	$33,487
Weighted average coupon	3.75%	3.89%	4.20%
Prepayment speed assumption (CPR)	12.1%	12.4%	12.3%
Weighted average servicing fee rate	0.31%	0.26%	0.34%
Fair value of MSR	$845.6	$112.5	$379.5
As a multiple of servicing fee	3.61	3.39	3.31
Carrying value of MSR	$845.6	$112.5	$379.5
Related excess servicing spread liability	-	-	$280.4

Fair value in excess of carrying value $ -

- 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, including those subject to ESS, are carried at fair value and the ESS is also carried at fair value
- The fair value of MSRs carried at LOCOM equaled the carrying value at September 30, 2016

Note: Figures may not sum exactly due to rounding

PennyMac Financial Services, Inc.

Investment Management Segment Results

Unaudited – ($ in thousands)	Quarter ended Sept. 30, 2016	Quarter ended June 30, 2016
Revenue		
Management fees:		
From PennyMac Mortgage Investment Trust	$ 5,025	$ 5,199
From Investment Funds	496	531
	5,521	5,730
Carried Interest from Investment Funds	107	244
Other	(11)	252
	5,617	6,226
Expenses	5,413	5,504
Pretax income	$ 204	$ 722

- Segment revenue decreased 10% Q/Q to $5.6 million on lower management fees from PMT and a decrease in Carried Interest from the Investment Funds
  - Management fees declined due to PMT's repurchase of common shares
  - Decrease in carried interest resulted from reduced performance of the private Investment Funds during 3Q16

PennyMac® Financial Services, Inc.

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 MSRs 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
  - MSRs 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

2016
- Over $1.5 bn in quarterly consumer direct originations

2015
- Stockholders' equity surpasses $1 bn

2014
- Continued organic growth
- Servicing UPB reaches $100 bn

2013
- PFSI completed initial public offering
- Expanded infrastructure in Fort Worth, TX

2012
- Expanded infrastructure in Tampa, FL
- Became largest non-bank correspondent aggregator

2011
- Expanded infrastructure with flagship operations facility in Moorpark, CA
- Correspondent leadership team expands

2010
- Added servicing leadership for prime portfolio and to drive scalable growth
- Correspondent system launches

2009
- Correspondent group established with a focus on operations development and process design

2008
- Operations launched
- De novo build of legacy-free mortgage servicer

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Employees at year end	72	128	230	435	1,008	1,373	1,816	2,523	2,932[1]

PennyMac® Financial Services, Inc.

(1) As of September 30, 2016

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

Strong governance and compliance culture

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

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

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

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

✓ **Loan production**, e.g., loan fulfillment systems and operations, correspondent counterparty review and management

✓ **Credit**, e.g., loan program development, underwriting and quality control

✓ **Capital markets**, e.g., pooling and securitization, hedging/interest rate risk management

✓ **Servicing**, e.g., customer service, default management, investor accounting

✓ **Corporate functions**, e.g., enterprise risk management, internal audit, treasury, finance and accounting, legal, IT infrastructure and development

- Over 2,900 employees
- Highly experienced management team – 50 senior-most executives have on average 25 years of relevant industry experience

PennyMac®
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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

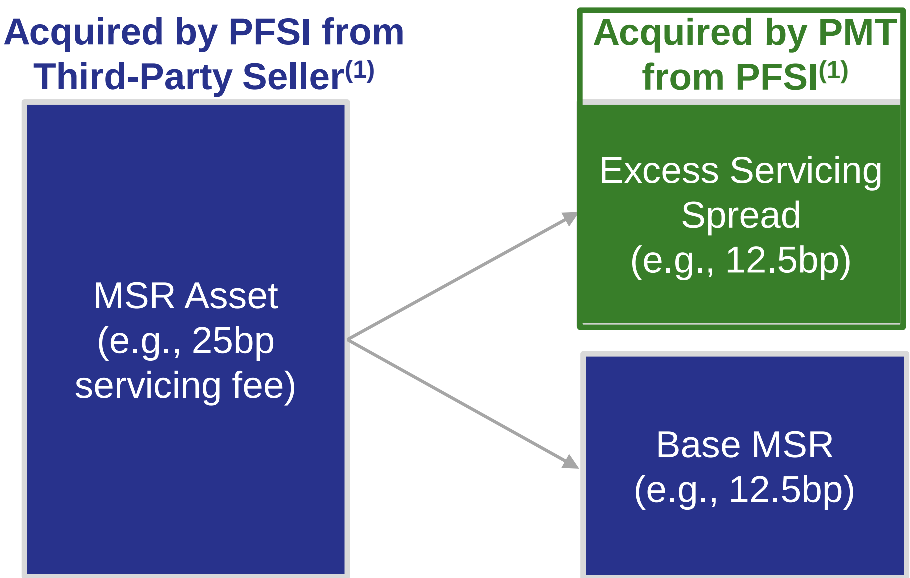
PFSI is uniquely positioned to be a successful acquirer of MSRs

- 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 service over $200 billion in UPB
- Potential co-investment opportunity for PMT in the excess servicing spread

PennyMac® Financial Services, Inc.

PFSI's Mortgage Servicing Rights Investments in Partnership with PMT

- PMT has co-invested in Agency MSRs acquired from third-party sellers by PFSI; presently only related to Ginnie Mae MSRs
- PMT acquires the right to receive the excess servicing spread cash flows over the life of the underlying loans
- PFSI owns the MSRs, 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 MSRs under a note payable; does not change the contractual servicing fee paid by the Agency to the servicer.

Acquisitions, Originations, and Locks by Product

Unaudited ($ in millions)	3Q15	4Q15	1Q16	2Q16	3Q16
Correspondent Acquisitions					
Conventional	$ 4,055	$ 3,460	$ 3,253	$ 5,171	$ 7,263
Government	10,348	6,558	6,423	9,433	11,657
Jumbo	19	12	7	3	1
Total	**$ 14,421**	**$ 10,030**	**$ 9,683**	**$ 14,607**	**$ 18,920**
Correspondent Locks					
Conventional	$ 4,085	$ 3,630	$ 3,857	$ 5,957	$ 8,687
Government	9,483	7,001	6,511	10,023	12,868
Jumbo	32	14	11	7	2
Total	**$ 13,599**	**$ 10,645**	**$ 10,379**	**$ 15,988**	**$ 21,558**
Consumer Direct Originations					
Conventional	$ 163	$ 195	$ 201	$ 355	$ 380
Government	877	832	1,006	1,143	1,297
Jumbo	1	1	-	3	-
Total	**$ 1,042**	**$ 1,028**	**$ 1,207**	**$ 1,501**	**$ 1,677**
Consumer Direct Locks					
Conventional	$ 390	$ 404	$ 542	$ 842	$ 1,048
Government	1,363	1,406	1,682	2,054	2,410
Jumbo	2	2	5	5	5
Total	**$ 1,755**	**$ 1,811**	**$ 2,230**	**$ 2,901**	**$ 3,463**
Total acquisitions/originations	**$ 15,464**	**$ 11,058**	**$ 10,890**	**$ 16,109**	**$ 20,597**
Total locks	**$ 15,354**	**$ 12,456**	**$ 12,609**	**$ 18,889**	**$ 25,021**

UPB of loans fulfilled for PMT	$ 4,073	$ 3,472	$ 3,259	$ 5,174	$ 7,264

Note: Figures may not sum exactly due to rounding