



First Quarter 2017 Earnings Report

Forward-Looking Statements

This presentation forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, regarding management's beliefs, estimates, projections and assumptions with respect to, among other things, the Company's financial results, future operations, business plans and investment strategies, as well as industry and market conditions, all of which are subject to change. Words like "believe," "expect," "anticipate," "promise," "plan," and other expressions or words of similar meanings, as well as future or conditional verbs such as "will," "would," "should," "could," or "may" are generally intended to identify forward-looking statements. Actual results and operations for any future period may vary materially from those projected herein and from past results discussed herein.

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

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

First Quarter Highlights

- Pretax income was \$62.0 million; diluted earnings per share of common stock were \$0.47
 - Results reflect lower production earnings driven by a reduction in refinance volumes due to higher mortgage rates and a seasonal slowdown in purchase-money volume
 - Book value per share increased to \$16.01 from \$15.49 at December 31, 2016 and \$12.59 at March 31, 2016
- Production segment pretax income was \$47.5 million, down 49% from 4Q16, driven by lower volumes and margins in the correspondent and consumer direct channels, and down 31% from 1Q16
 - Total production volume was \$14.9 billion in unpaid principal balance (UPB), down 32% from 4Q16 and up 37% from 1Q16
 - Total locks were \$16.3 billion in UPB, down 24% from 4Q16 and up 29% from 1Q16
 - Focus on long-term growth initiatives while also exercising near-term expense discipline
- Servicing segment pretax income was \$13.4 million, down 62% from 4Q16 and up from a pretax loss of \$39.5 million in 1Q16
 - \$12.7 million increase in mortgage servicing rights (MSRs) value and a \$2.8 million gain due to the change in fair value of the excess servicing spread (ESS) liability were more than offset by a \$22.2 million loss on hedges
 - Pretax income excluding valuation-related changes was \$22.3 million, down 9% from 4Q16 and up 36% from 1Q16
 - Servicing portfolio grew to \$202.9 billion in UPB, up 4% from December 31, 2016 and up 23% from March 31, 2016

First Quarter Highlights (continued)

- Investment Management pretax income was \$1.1 million, up 167% from 4Q16 and down 3% from 1Q16
 - Net assets under management were \$1.6 billion, up modestly compared with \$1.5 billion at December 31, 2016 and down 4% compared with \$1.6 billion at March 31, 2016
- Issued \$400 million in aggregate principal amount of 3-year term notes secured by Ginnie Mae MSR_s and ESS⁽¹⁾
 - Term notes were purchased by a diverse group of institutional investors, demonstrating robust investor appetite for financing Ginnie Mae MSR_s that are serviced by a counterparty with strong financial and operational performance
 - Complements the Variable Funding Note (VFN) issued and financed under a repurchase agreement last December

Notable activity after quarter end:

- Acquired a bulk portfolio of Ginnie Mae MSR_s with UPB of approximately \$4.3 billion

⁽¹⁾ Further described in PFSI's Current Report on Form 8-K filed on February 23, 2017

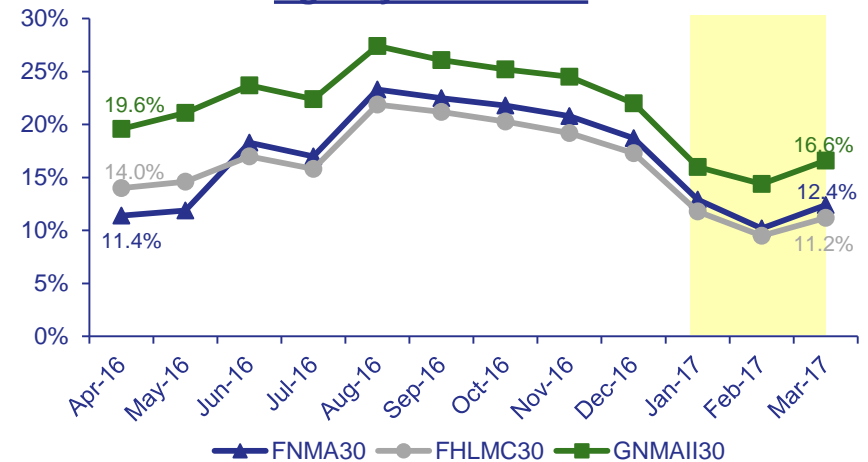
Current Market Environment

- After rising sharply in the fourth quarter of 2016, mortgage rates declined modestly during the first quarter, with the average 30-year fixed rate down from 4.32% at December 29th, 2016, to 4.14% at March 30th, 2017⁽¹⁾
 - After quarter end, mortgage rates declined further to 4.03% as of April 27th
- Prepayment speeds (CPRs) for Agency MBS slowed significantly in 1Q17 versus 2016 levels⁽²⁾
 - CPRs on 30-year Fannie Mae and Freddie Mac MBS averaged 11.8% and 10.8%, respectively, compared to an average of 17.6% and 16.4% during 2016
 - CPRs on Ginnie II MBS averaged 15.7%, compared to an average of 21.6% during 2016
- Home sales slowed in 1Q17 due to typical seasonal factors, but remain at multi-year high levels
 - Modest interest rate decline aiding affordability, although limited inventory remains a challenge
 - Broad-based increase in pending home sales suggests strong spring/summer home buying activity
- The impact of any changes in regulations and policy resulting from the new administration remains uncertain

Average 30-year fixed rate mortgage⁽¹⁾



Agency MBS CPRs⁽²⁾

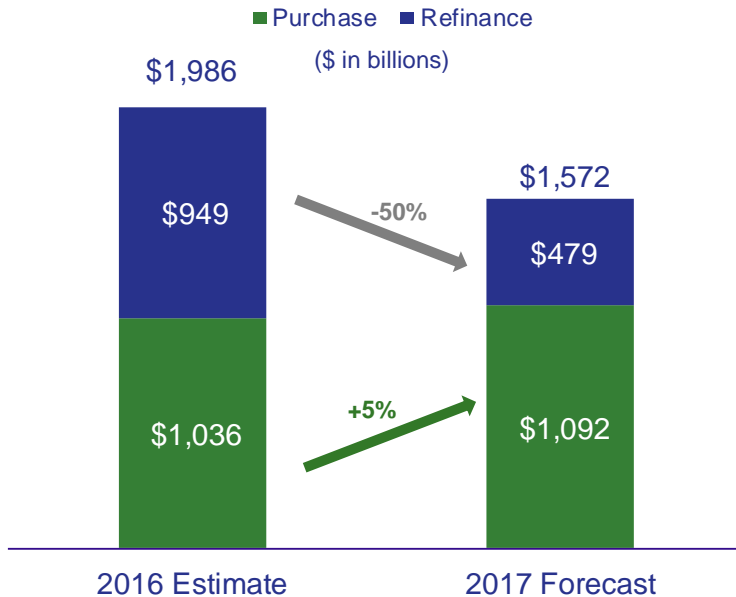


⁽¹⁾ Freddie Mac Primary Mortgage Market Survey. 4.03% as of 4/27/2017

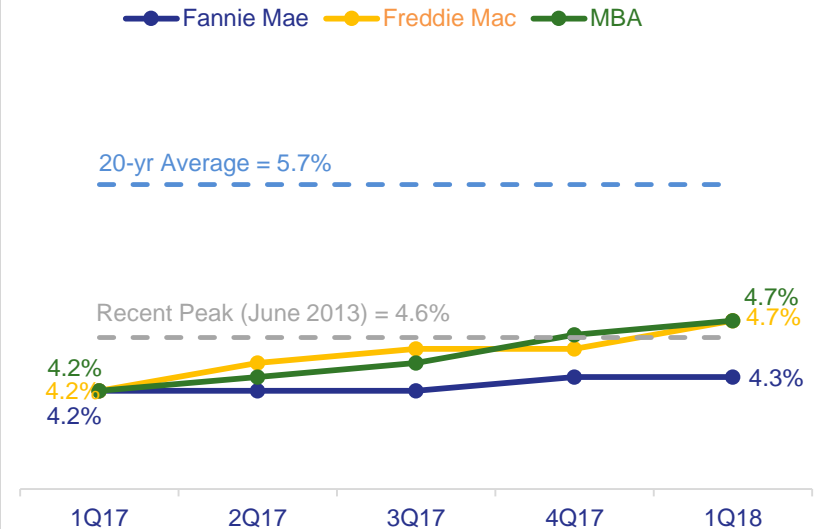
⁽²⁾ Bloomberg

Outlook for the Mortgage Origination Market

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



30-Year Fixed-Rate Mortgage Forecast⁽²⁾



- The 2017 origination market is expected to decrease 21% from the prior year, driven by a reduction in refinances

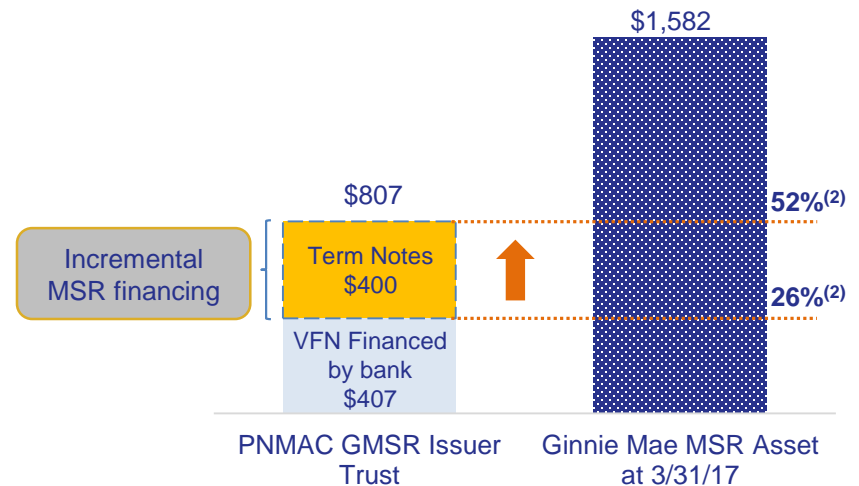
- Market forecasts of \$1.5 to \$1.6 trillion assume modestly rising rates; potential upside if rates remain at current levels
- While forecasts generally call for mortgage rate increases, rates are expected to remain low relative to historic levels

Government MSR Financing – PNMAC GMSR Issuer Trust⁽¹⁾

- In December 2016, we formed the PNMAC GMSR Issuer Trust, putting in place a structure that significantly increases the amount of Ginnie Mae MSR financing available to PFSI through two components:
 - Variable Funding Note (VFN)** – issued and financed under a repo agreement of \$407 million, which replaced bank financing of the same amount
 - Secured Term Notes** sold to institutional investors
- In February, successfully issued \$400 million of 3-year secured term notes from the trust at 1-mo. LIBOR plus 4.75%
- Benefits include:
 - Term financing that better aligns with the expected life of the MSR asset
 - Ability to access additional financing as the MSR asset grows
 - Further diversifies financing to include institutional investors

Financing Versus Ginnie Mae MSR

(\$ in millions)



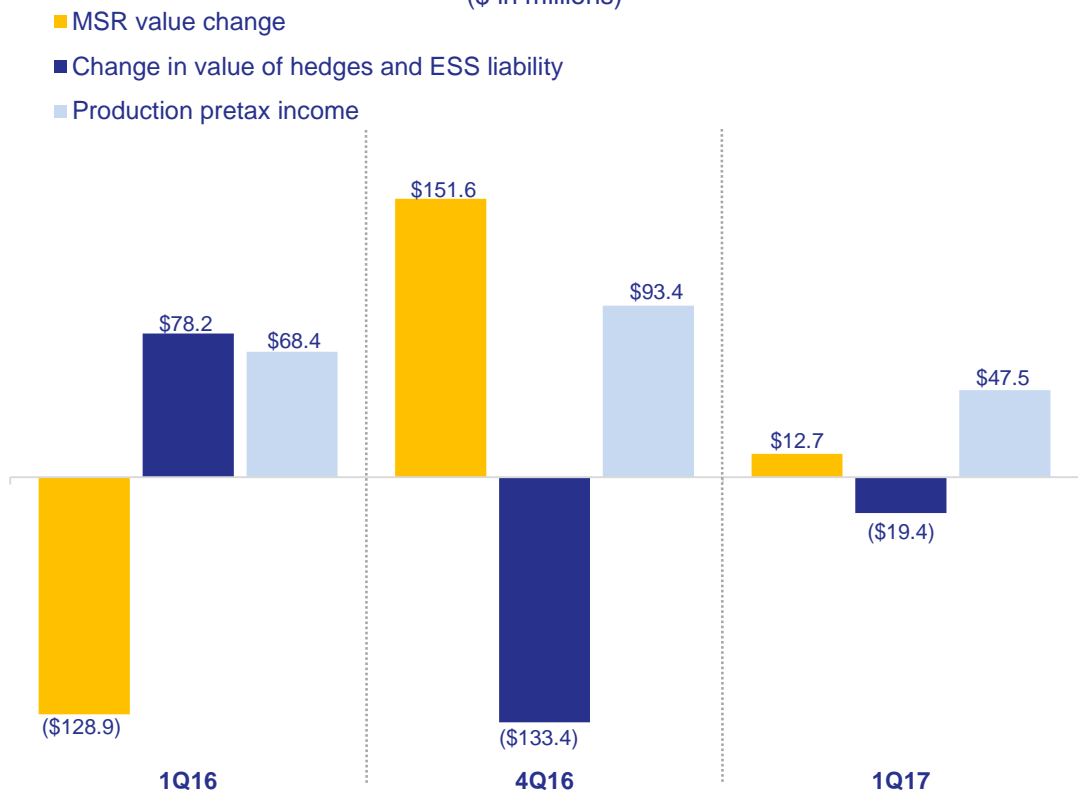
⁽¹⁾ Further described in PFSI's Current Report on Form 8-K filed on December 21, 2016

⁽²⁾ Effective advance rate at 3/31/17

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

MSR Valuation Changes and Offsets

(\$ in millions)



- PFSI seeks to moderate the impact of interest rate changes through a comprehensive hedge strategy that also considers production-related income
- MSR fair value increased due to lower expected future prepayment activity and improved delinquency profile
- Fair value changes in the ESS liability resulted in gains
- Gains due to MSRs and ESS more than offset by loss on hedges
 - Significant volatility during the first quarter drove increased hedge costs and inconsistent movements of the swaps, Treasury and mortgage markets led to mismatches between asset and hedge performance

Servicing Profitability Excluding Valuation-Related Changes

	1Q16		4Q16		1Q17	
	\$	basis points ⁽¹⁾	\$ in millions	basis points ⁽¹⁾	\$ in millions	basis points ⁽¹⁾
Operating revenue	\$ 115.8	28.5	\$ 133.7	28.4	\$ 134.9	27.2
Amortization and realization of MSR cash flows	(46.7)	(11.5)	(50.2)	(10.7)	(48.5)	(9.8)
EBO-related revenue ⁽²⁾	16.2	4.0	24.8	5.3	28.1	5.7
Servicing expenses:						
Operating expenses	(44.2)	(10.9)	(53.1)	(11.3)	(57.7)	(11.6)
Credit losses and provisions for defaulted loans	(9.8)	(2.4)	(12.3)	(2.6)	(12.4)	(2.5)
EBO transaction-related expense	(3.3)	(0.8)	(6.3)	(1.3)	(8.1)	(1.6)
Financing expenses:						
Interest on ESS	(7.0)	(1.7)	(5.0)	(1.1)	(4.6)	(0.9)
Interest to third parties	(4.7)	(1.1)	(7.0)	(1.5)	(9.5)	(1.9)
Pretax income excluding valuation-related changes	\$ 16.4	4.0	\$ 24.6	5.2	\$ 22.3	4.5
Valuation-related changes⁽³⁾						
MSR fair value ⁽⁴⁾	(128.9)		151.6		12.7	
ESS liability fair value	19.4		(17.1)		2.8	
Hedging derivatives gains (losses)	58.7		(116.3)		(22.2)	
Provision for credit losses on active loans ⁽⁵⁾	\$ (5.1)		\$ (7.8)		\$ (2.2)	
Servicing segment pretax income (loss)	\$ (39.5)		\$ 35.1		\$ 13.4	

- Pretax income excluding valuation-related changes decreased 8% from 4Q16, primarily driven by increased operating and EBO transaction-related expenses, partially offset by higher EBO-related revenue
 - Higher EBO transaction-related expenses resulted from a nearly 100% increase in EBO transaction volumes versus 4Q16, which is expected to result in greater EBO-related revenue opportunities in future periods
 - Interest paid to third parties increased as a result of the term note issuance, which generated proceeds to support revenue growth opportunities, including MSR acquisitions and greater EBO activity

⁽¹⁾ Of average portfolio UPB, annualized

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

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

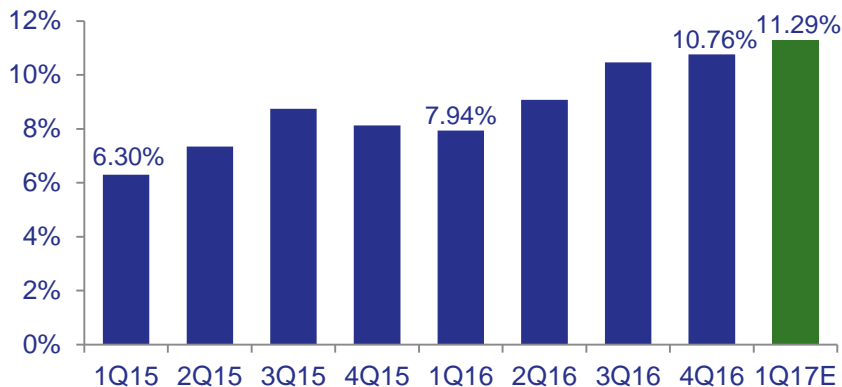
⁽⁴⁾ Includes fair value changes and provision for impairment

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

Trends in PennyMac Financial's Businesses

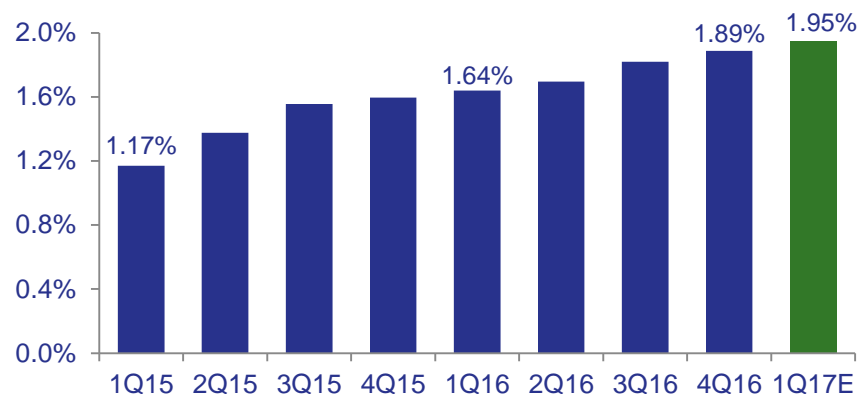
Correspondent Production⁽¹⁾

Market Share



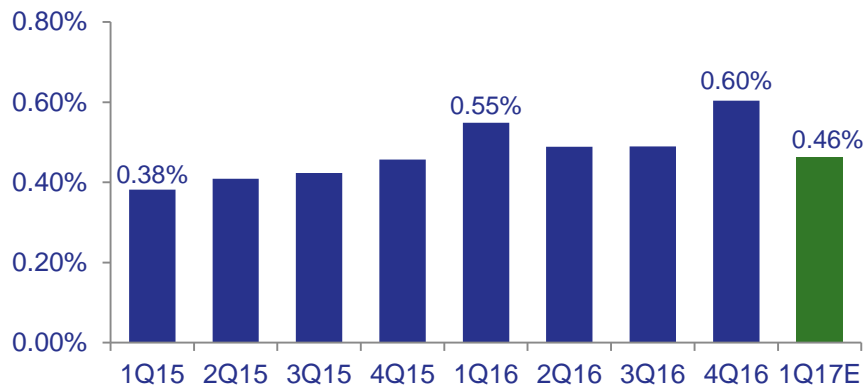
Loan Servicing⁽¹⁾

Market Share



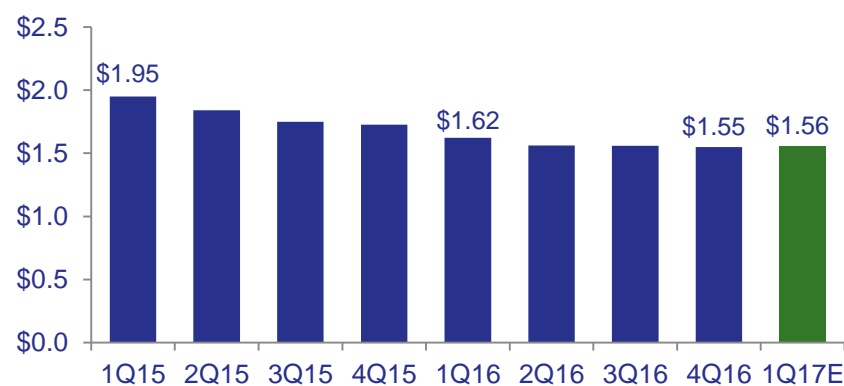
Consumer Direct Production⁽¹⁾

Market Share



Investment Management

AUM (billions)

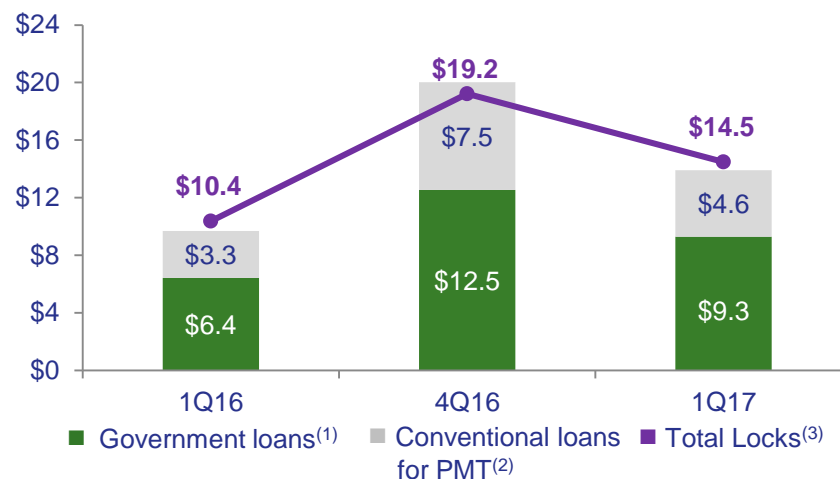


Production Segment Highlights – Correspondent Channel

- Correspondent acquisitions by PMT in 1Q17 totaled \$13.9 billion, down 31% Q/Q and up 44% Y/Y
 - 67% government loans; 33% conventional loans
 - 42% Y/Y growth in conventional conforming acquisitions
 - Total lock volume of \$14.5 billion, down 25% Q/Q and up 39% Y/Y
- Decline in acquisition volumes resulted from an overall reduction in refinance activity due to higher mortgage rates in addition to a seasonally slower purchase market
- April correspondent acquisitions totaled \$4.4 billion; locks totaled \$4.8 billion
 - Refinance volumes improved due to the recent decline in mortgage rates
 - Purchase-money activity improving with start of the spring / summer home buying season
- Strong growth in seller relationships, which totaled 557 at quarter end
 - Volume from smaller sellers, who utilize more of our platform's risk management services, grew to 23% of 1Q17 volume from 17% a year ago

Correspondent Volume and Mix

(UPB in billions)



Selected Operational Metrics		
	4Q16	1Q17
Correspondent seller relationships	522	557
Purchase money loans, as a % of total acquisitions	62%	73%

WA FICO		
	4Q16	1Q17
Government-insured	697	696
Conventional	754	752

⁽¹⁾ For government-insured and guaranteed loans, PFSI earns income from holding and selling or securitizing the loans

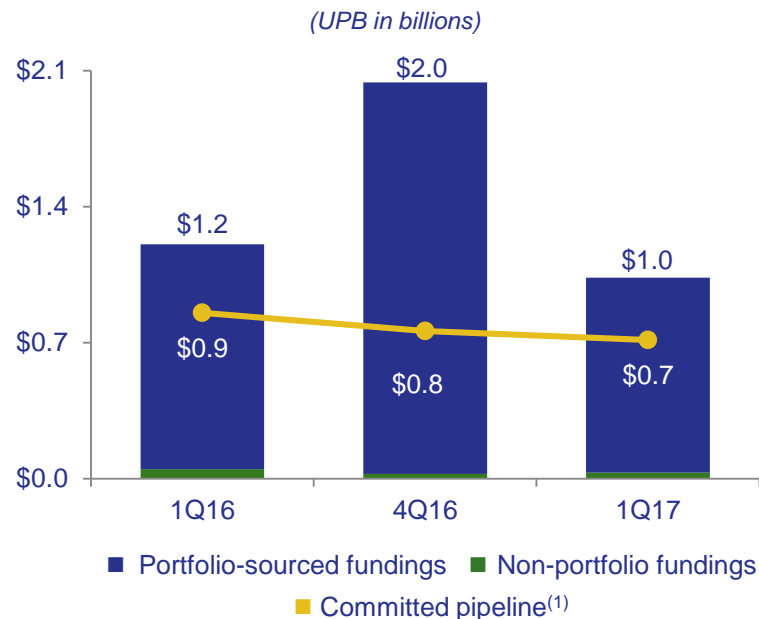
⁽²⁾ For conventional loans, PFSI earns a fulfillment fee from PMT rather than income from holding and selling or securitizing the loans

⁽³⁾ Includes locks related to PMT loan acquisitions, including conventional loans for which PFSI earns a fulfillment fee upon loan funding

Production Segment Highlights – Consumer Direct Channel

- Consumer direct production volume of \$1.0 billion in 1Q17, down 49% Q/Q and down 14% Y/Y
- Committed pipeline totaled \$705 million at the end of the first quarter
- April consumer direct originations totaled \$324 million; locks totaled \$713 million
 - \$780 million committed pipeline at April 28, 2017⁽¹⁾
 - April locks and pipeline growth reflect improving market conditions
- Implemented new technologies and workflow routines to improve lead generation capabilities and loan application turn-times
- Non-portfolio sourcing strategies gaining traction
 - Increased number of affinity relationships expected to drive non-portfolio volume to more than 10% of consumer direct production by the second half of 2017
- Opened new processing center in St. Louis

Consumer Direct Production Volume



WA FICO		
	4Q16	1Q17
Government-insured	696	687
Conventional	742	737

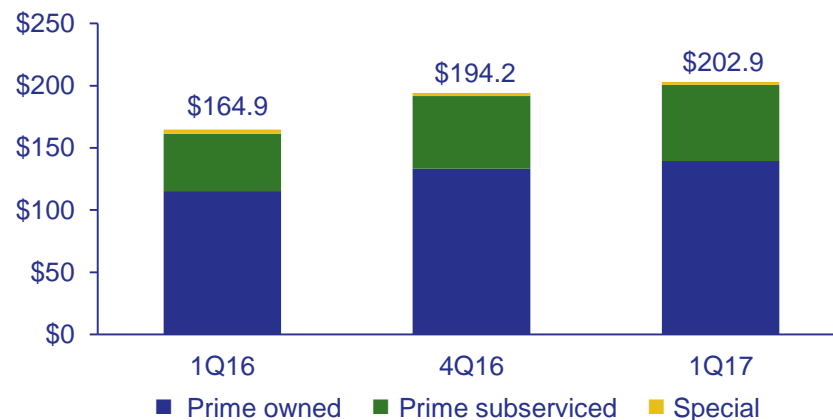
⁽¹⁾ Commitments to originate mortgage loans at specified terms at period end

Servicing Segment Highlights

- Servicing portfolio totaled \$202.9 billion in UPB at the end of the first quarter, up 4% from 4Q16 and up 23% from 1Q16
- Prepayment activity slowed considerably in 1Q17
 - CPRs of PFSI's owned portfolio slowed to 12.7% from 20.7% in the prior quarter
- After quarter end, acquired \$4.3 billion in UPB of Ginnie Mae MSR in a bulk portfolio
 - Utilized proceeds from new Ginnie Mae MSR financing

Loan Servicing Portfolio Composition

(UPB in billions)

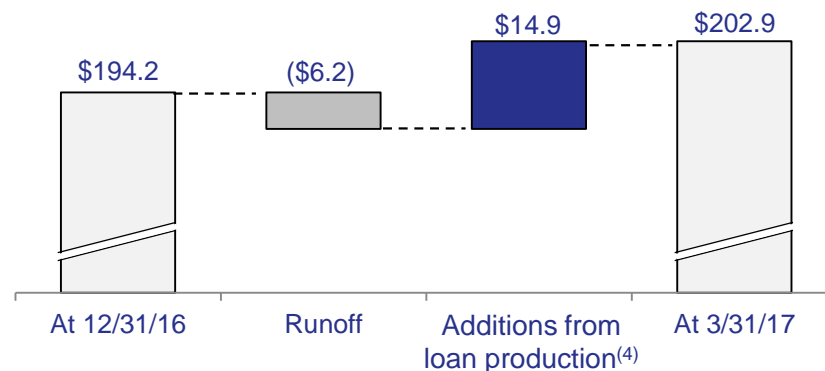


Selected Operational Metrics

	4Q16	1Q17
Loans serviced (in thousands)	995	1,031
60+ day delinquency rate	3.1%	2.7%
Actual CPR - owned portfolio	20.7%	12.7%
Actual CPR - sub-serviced ⁽¹⁾	16.6%	8.0%
Completed modifications	1,888	1,775
EBO transactions (UPB in millions) ⁽²⁾	\$360	\$690
Electronic payments (% of portfolio)	83%	83%
Customers registered for the website ⁽³⁾	70%	74%

Net Portfolio Growth

(UPB in billions)



⁽¹⁾ For PMT's MSR portfolio only

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

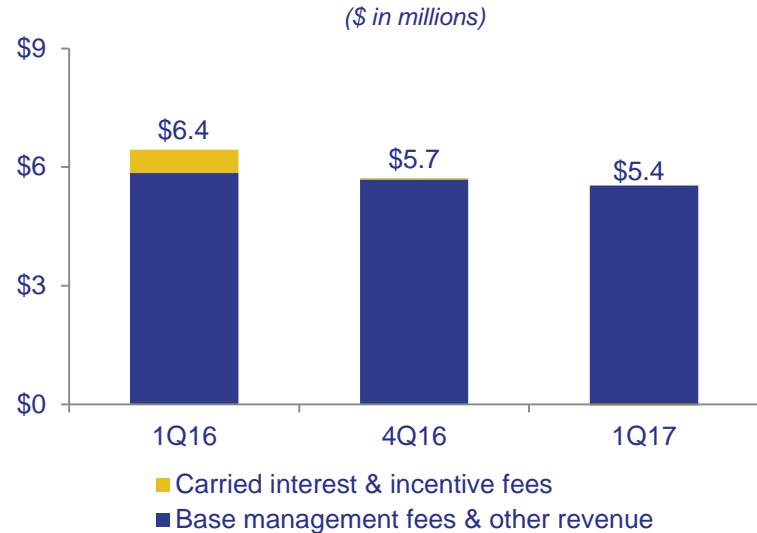
⁽³⁾ Percent of serviced and subserviced loans that have registered on PennyMacUSA.com

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

Investment Management Segment Highlights

- Net assets under management were \$1.6 billion compared with \$1.5 billion at December 31, 2016
 - PMT equity increase due to preferred issuance largely offset by Investment Fund distributions to investors
- PMT issued 4.6 million shares of its 8.125% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Shares
 - Gross proceeds of \$115 million, before deducting underwriting discounts, commissions and other estimated offering expenses
 - Net proceeds are being used to fund PMT’s business and investment activities, for the repayment of indebtedness, and PMT common share repurchases
- PMT continued to successfully transition capital toward newer investment opportunities such as MSRs and credit risk transfer on its correspondent production
 - Equity allocated to distressed mortgage loans is 33% versus 65% two years ago

Investment Management Revenues



- Investment management revenues were \$5.4 million, down 6% compared with 4Q16 and 16% compared with 1Q16

Financial Results by Operating Segment

Unaudited (\$ in millions)

	Production	Servicing	Investment Management	Non-Segment Activities	Total Pretax Income
1Q16	\$ 68.4	\$ (39.5)	\$ 1.1	\$ 0.0	\$ 30.1
2Q16	\$ 104.5	\$ (20.9)	\$ 0.7	\$ -	\$ 84.3
3Q16	\$ 149.8	\$ (10.7)	\$ 0.2	\$ -	\$ 139.3
4Q16	\$ 93.4	\$ 35.1	\$ 0.4	\$ 0.6 ⁽¹⁾	\$ 129.4
1Q17	\$ 47.5	\$ 13.4	\$ 1.1	\$ -	\$ 62.0

Note: Figures may not sum exactly due to rounding

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

Mortgage Banking – Production Segment Results

Production Segment	Quarter ended December 31, 2016	Quarter ended March 31, 2017
<i>Unaudited (\$ in thousands)</i>		
Revenue		
Net gains on mortgage loans held for sale at fair value	\$ 103,413	\$ 62,837
Loan origination fees	39,572	25,574
Fulfillment fees from PennyMac Mortgage Investment Trust	27,164	16,570
Net interest income	4,388	4,114
Other	508	945
	<u>175,045</u>	<u>110,040</u>
Expenses	81,675	62,536
Pretax income	<u>\$ 93,370</u>	<u>\$ 47,504</u>

Production Segment Metrics	Quarter ended December 31, 2016	Quarter ended March 31, 2017
<i>Unaudited (\$ in thousands)</i>		
Production revenues excl. fulfillment fees	\$ 147,881	\$ 93,470
As basis points of IRLCs	101 bps	84 bps
Revenue per consumer direct lock ⁽¹⁾	292 bps	218 bps
Revenue per correspondent lock ⁽²⁾	61 bps	53 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) decreased 37% Q/Q
 - Driven by decline in government correspondent and consumer direct lock volumes and lower margins
- Gross margins (revenue per lock) decreased Q/Q, especially in the consumer direct channel
 - In recent quarters, consumer direct revenue per lock has ranged from 218 bps to 323 bps
 - Correspondent revenue per lock has ranged from 52 bps to 68 bps
- Fulfillment fee revenue decreased 39% Q/Q, due to lower conventional loan acquisitions by PMT
 - Weighted average fulfillment fee rate was 36 basis points, unchanged from 4Q16

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

⁽²⁾ Includes net gains on mortgage loans held for sale, loan origination fees and net interest income for government-insured correspondent loans; adjusted for expected fallout of government-insured correspondent lock commitments, which was 3% in 1Q17

Mortgage Banking – Servicing Segment Results⁽¹⁾

Servicing Segment <i>Unaudited (\$ in thousands)</i>	Quarter ended December 31, 2016	Quarter ended March 31, 2017
Revenue		
Net loan servicing fees	\$ 95,528	\$ 74,163
Net interest expense	(12,277)	(9,718)
Net gains on mortgage loans held for sale at fair value	24,519	24,119
Other	198	471
	<u>107,968</u>	<u>89,035</u>
Expenses	72,897	75,619
Pretax (loss) income	<u>\$ 35,071</u>	<u>\$ 13,416</u>

Net Loan Servicing Fees <i>Unaudited (\$ in thousands)</i>	Quarter ended December 31, 2016	Quarter ended March 31, 2017
Net loan servicing fees:		
Loan servicing fees ⁽²⁾	\$ 127,483	\$ 129,315
Effect of MSR's:		
Amortization and realization of cash flows ⁽³⁾	(50,204)	(48,460)
Change in fair value and provision for/recovery of impairment of MSR's carried at lower of amortized cost or fair value	151,599	12,701
Change in fair value of excess servicing spread financing	(17,061)	2,773
Hedging (losses)	(116,289)	(22,166)
Total amortization, impairment and change in fair value of MSR's	<u>(31,955)</u>	<u>(55,152)</u>
Net loan servicing fees	<u>\$ 95,528</u>	<u>\$ 74,163</u>

- Servicing segment revenue decreased 18% Q/Q driven by a \$21.4 million decrease in net loan servicing fees
 - MSR valuation gains net of hedge and ESS liability fair value changes were a \$6.7 million loss versus an \$18.2 million gain in 4Q16
 - Net gains on EBO mortgage loans of \$24.1 million consistent with earnings contribution in 4Q16
 - Net interest expense reduced by approximately \$4 million of interest income due to EBO loans
- Servicing segment expenses increased 4% Q/Q, in line with portfolio growth
 - Driven by increased allocation of compensation expense to the segment and higher technology expense

⁽¹⁾ See servicing segment profitability analysis on page 9

⁽²⁾ Includes contractually-specified servicing fees

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

Mortgage Servicing Rights (MSR) Asset Valuation

March 31, 2017 <i>Unaudited (\$ in millions)</i>	Lower of amortized cost or fair value	Fair value not subject to excess servicing spread liability	Fair value subject to excess servicing spread liability	Total
UPB	\$93,210	\$11,688	\$30,451	\$135,349
Weighted average coupon	3.70%	3.90%	4.18%	3.83%
Prepayment speed assumption (CPR)	8.5%	9.8%	10.4%	9.1%
Weighted average servicing fee rate	0.31%	0.26%	0.34%	0.31%
<hr/>				
Fair value of MSR	\$1,227.1	\$119.3	\$387.6	\$1,734.0
As a multiple of servicing fee	4.31	3.91	3.72	4.14
Carrying value of MSR	\$1,218.1	\$119.3	\$387.6	\$1,725.1
Related excess servicing spread liability	-	-	\$277.5	-

Fair value in excess of carrying value **\$8.9**

- PFSI carries most of its originated MSRs at the lower of amortized cost or fair value (“LOCOM”)
 - MSRs where the note rate on the underlying loan is less than or equal to 4.5%
- Purchased MSRs are carried at fair value; a portion is subject to ESS liability
- The fair value of MSRs carried at LOCOM was \$8.9 million in excess of the carrying value at March 31, 2017

Investment Management Segment Results

Unaudited – (\$ in thousands)

	Quarter ended Dec. 31, 2016	Quarter ended March 31, 2017
Revenue		
Management fees:		
From PennyMac Mortgage Investment Trust	\$ 5,081	\$ 5,008
From Investment Funds	502	366
	<u>5,583</u>	<u>5,374</u>
Carried Interest from Investment Funds	36	(128)
Other	102	152
	<u>5,721</u>	<u>5,398</u>
Expenses	<u>5,305</u>	<u>4,286</u>
Pretax income	<u>\$ 416</u>	<u>\$ 1,112</u>

- Segment revenue decreased 6% Q/Q to \$5.4 million
 - Carried interest loss of \$128,000 due to underperformance of the Investment Funds
- Segment expenses declined 19% Q/Q, due to a refinement in the methodology for allocating expenses across segments

Appendix

Overview of PennyMac Financial's Businesses

Loan Production

- Correspondent aggregation of newly originated loans from third-party sellers
 - PFSI earns gains on government-insured loans
 - Fulfillment fees for PMT's conventional loans
- Consumer direct origination of conventional and government-insured loans
- Small balance multifamily origination business

Loan Servicing

- Servicing for owned MSR and subservicing for Advised Entities
- Major loan servicer for Fannie Mae, Freddie Mac and Ginnie Mae
- Industry-leading capabilities in special servicing
- Organic growth results from loan production, supplemented by MSR acquisitions and PMT investment activity

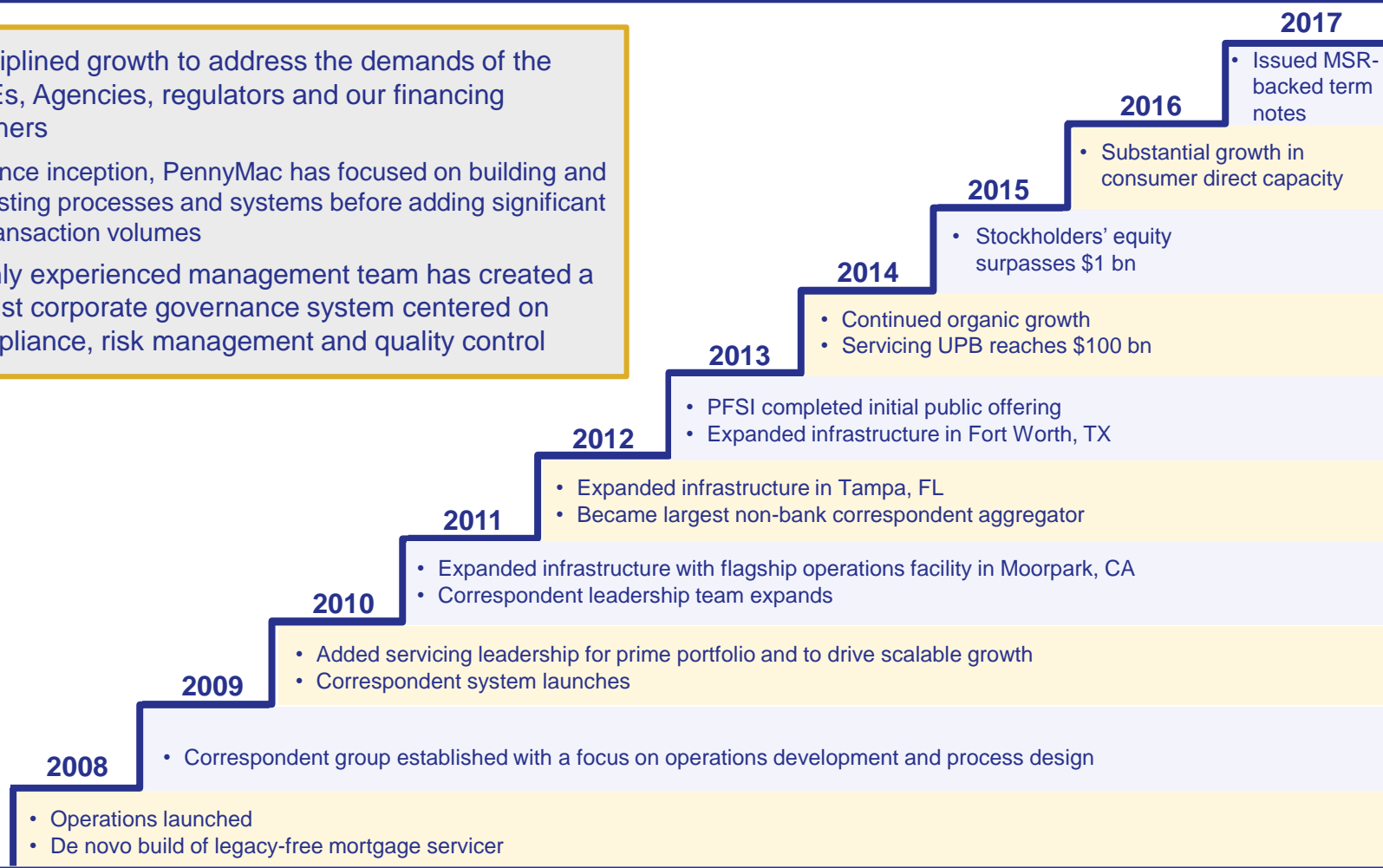
Investment Management

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

- Complex and highly regulated mortgage industry requires effective governance, compliance and operating systems
- PFSI's platform has been developed organically and is highly scalable
- Commitment to strong corporate governance, compliance and risk management since inception
- PFSI is well positioned for continued growth in this market and regulatory environment

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

- Disciplined growth to address the demands of the GSEs, Agencies, regulators and our financing partners
 - Since inception, PennyMac has focused on building and testing processes and systems before adding significant transaction volumes
- Highly experienced management team has created a robust corporate governance system centered on compliance, risk management and quality control



Employees at year end	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	72	128	230	435	1,008	1,373	1,816	2,523	3,099	2,918 ⁽¹⁾

PennyMac Financial Is in a Unique Position Among Mortgage Specialists

Industry-leading platform built organically – not through acquisitions

- Not distracted by legacy/regulatory issues
- Disciplined, sustainable growth for more than 9 years
- Focused on building and testing processes and systems before large transaction volumes

Strong governance and compliance culture

- Led by distinguished board which includes 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

Opportunity in MSR Acquisitions

Why Are MSR Sales Occurring?

- Large servicers may sell MSRs due to continuing operational pressures, higher regulatory capital requirements for banks (treatment under Basel III) and a re-focus on core customers/businesses
- Independent mortgage banks sell MSRs from time to time due to a need for capital

How Do MSRs Come to Market?

- Intermittent large bulk portfolio sales (\$10+ billion in UPB)
 - Require considerable coordination with selling institutions and Agencies
- Mini-bulk sales (typically \$500 million to \$5 billion in UPB)
- Flow/co-issue MSR transactions (monthly commitments, typically \$20-\$100 million in UPB)
 - Alternative delivery method typically from larger independent originators

Which MSR Transactions Are Attractive?

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

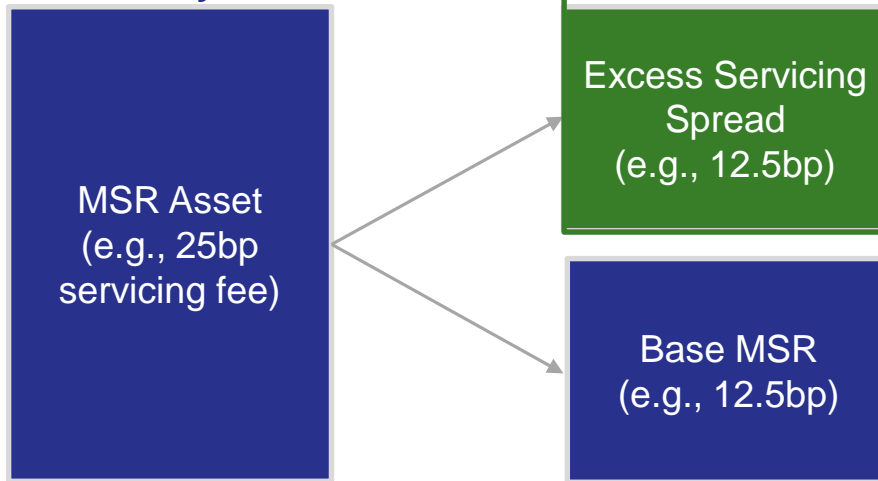
PFSI is uniquely positioned to be a successful acquirer of MSRs

- Proven track record of complex MSR and distressed loan transfers
- Operational platform that addresses the demands of the Agencies, regulators and financing partners
- Physical capacity in place to sustain servicing portfolio growth plans
- Potential co-investment opportunity for PMT in the ESS

PFSI's Mortgage Servicing Rights Investments in Partnership with PMT

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

Acquired by PFSI from Third-Party Seller⁽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, an indirect controlled subsidiary of PennyMac Financial Services, Inc.

⁽²⁾ Subject and subordinate to Agency rights (under the related servicer or issuer guide) and, as applicable, to PFSI's pledge of MSR assets under a note payable; does not change the contractual servicing fee paid by the Agency to the servicer.

Acquisitions, Originations, and Locks by Product

Unaudited (\$ in millions)	1Q16	2Q16	3Q16	4Q16	1Q17
Correspondent Acquisitions					
Conventional	\$ 3,253	\$ 5,171	\$ 7,263	\$ 7,492	\$ 4,632
Government	6,423	9,433	11,657	12,544	9,280
Jumbo	7	3	1	-	-
Total	\$ 9,683	\$ 14,607	\$ 18,920	\$ 20,036	\$ 13,912
Correspondent Locks					
Conventional	\$ 3,857	\$ 5,957	\$ 8,687	\$ 6,925	\$ 5,184
Government	6,511	10,023	12,868	12,289	9,292
Jumbo	11	7	2	-	-
Total	\$ 10,379	\$ 15,988	\$ 21,558	\$ 19,215	\$ 14,476
Consumer Direct Originations					
Conventional	\$ 201	\$ 355	\$ 380	\$ 492	\$ 305
Government	1,006	1,143	1,297	1,548	730
Jumbo	-	3	-	-	-
Total	\$ 1,207	\$ 1,501	\$ 1,677	\$ 2,040	\$ 1,035
Consumer Direct Locks					
Conventional	\$ 542	\$ 842	\$ 1,048	\$ 698	\$ 669
Government	1,682	2,054	2,410	1,662	1,145
Jumbo	5	5	5	1	-
Total	\$ 2,230	\$ 2,901	\$ 3,463	\$ 2,362	\$ 1,814
Total acquisitions/originations	\$ 10,890	\$ 16,109	\$ 20,597	\$ 22,076	\$ 14,947
Total locks	\$ 12,609	\$ 18,889	\$ 25,021	\$ 21,576	\$ 16,290
UPB of loans fulfilled for PMT					
	\$ 3,259	\$ 5,174	\$ 7,264	\$ 7,492	\$ 4,632

Note: Figures may not sum exactly due to rounding