

Investor 1-4

Mixed-Use

Commercial

Multi-Family



4Q20 Earnings Presentation
March 16, 2021



Forward-looking statements

Some of the statements contained in this presentation may constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, projections, plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these words and phrases. You can also identify forward-looking statements by discussions of strategy, plans, or intentions.

The forward-looking statements contained in this presentation reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause actual results to differ significantly from those expressed or contemplated in any forward-looking statement.

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For a further discussion of these and other factors that could cause future results to differ materially from those expressed or contemplated in any forward-looking statements, see the section titled "Risk Factors" previously disclosed in our Form 10-Q filed with the SEC on May 14, 2020, as well as other cautionary statements we make in our current and periodic filings with the SEC. Such filings are available publicly on our Investor Relations web page at www.velfinance.com.



4Q20 Highlights

Earnings

- Net Income and Core Income⁽¹⁾ of \$9.6 million; diluted earnings per share (EPS) of \$0.29
 - Strong earnings growth driven by gains from the sale of newly originated loans and improved net interest margin
- Book value per common share as of December 31, 2020, was \$10.93 compared to \$10.44 as of September 30, 2020
- Portfolio net interest margin (NIM) of 4.07%, an increase of 30 basis points (bps) from 3Q20, driven by improved loan yields and lower portfolio debt costs

Production & Portfolio

- 4Q20 Loan production volume totaled \$179.3 million, driven by strong demand
- Resolutions in 4Q20 were 103.5% of assets resolved, continuing our consistent track record of net gains over and above contractual principal and interest due
- Nonperforming loans totaled \$332.8 million as of December 31, 2020, up from \$314.7 million as of September 30, 2020, driven by the continuing impacts of the pandemic

Financing & Capital

Activity After Quarter End

- Added a new non-mark-market warehouse financing facility with a maximum capacity of \$200.0 million, bringing total warehouse financing capacity to \$350.0 million
- Entered into a five-year \$175.0 million syndicated term loan agreement
 - Initial draw on the facility of \$125.0 million
 - Delayed draw feature allows for an additional of \$50.0 million of financing capacity⁽²⁾

⁽¹⁾ "Core" income is a non-GAAP measure which includes non-recurring and/or unusual activities.

⁽²⁾ Delayed draw is subject to certain requirements set forth in the Credit Agreement dated February 5, 2021

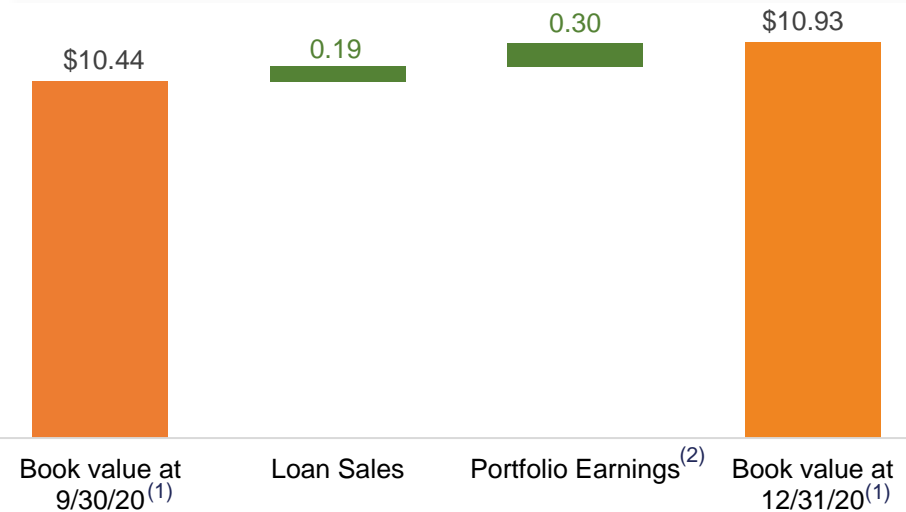


Pretax Earnings Composition and Book Value Growth

Earnings Composition

Portfolio earnings	\$7,050
Gain on sale of loans	\$4,702
Pretax income	\$11,753

Book Value Per Share



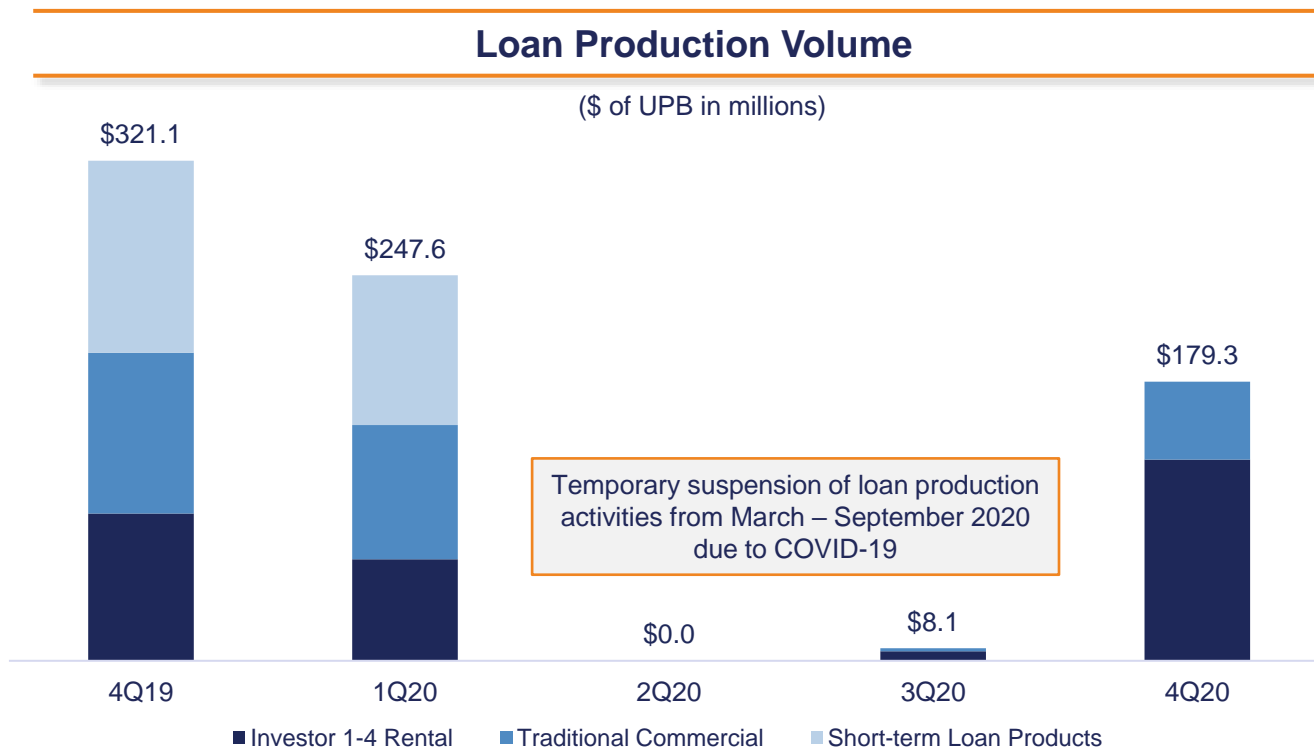
- Portfolio earnings were driven by an increase in net interest margin from 3Q20, resulting from increased collections of delinquent/default interest and prepayment fees on nonperforming loans along with lower debt costs from the paydown of higher-cost securitizations
- Gains from the sale of \$96 million in UPB of newly originated loans realized a gain of \$4.7 million
 - Loan sales demonstrate market demand for our products and prudent liquidity risk management
 - Our primary strategy remains holding our loan production as investments, although we may opportunistically sell loans in certain market environments
- Book value per share as of December 31, 2020 of \$10.93, up from \$10.44 per share as of September 30, 2020⁽¹⁾

⁽¹⁾ Based on 20,087,494 common shares outstanding as of December 31, 2020 and September 30, 2020.

⁽²⁾ Includes increase to APIC from stock-based compensation.

Production Momentum Building with Solid 4Q20 Volume

- The fourth quarter was Velocity's first full quarter of production since the Company suspended loan origination activities in March, originating \$179.3 million in UPB of 30-year Investor 1-4 Rental and Traditional Commercial loans
- The Company has not resumed production of the short-term products and will continue to monitor market conditions to determine the appropriate re-entry point for these products
- Loan production in 1Q21 through February 28, 2021, totaled \$125.5 million in UPB



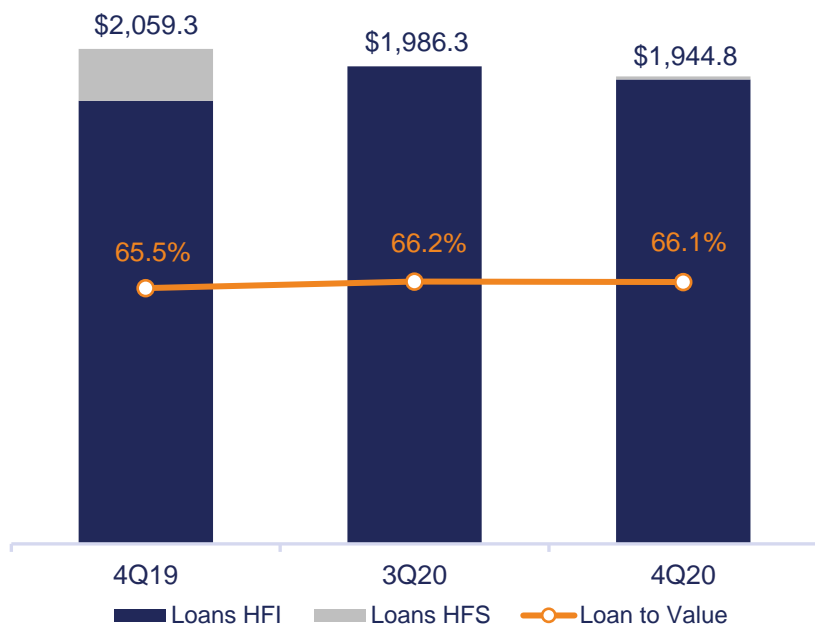


Held for Investment Loan Portfolio

- Total loan portfolio as of December 31, 2020, was \$1.94 billion in UPB, compared to \$1.99 billion in UPB as of September 30, 2020
- During 4Q20, \$106.4 million in UPB of newly originated loans was transferred to held for sale (HFS), of which \$96.3 million in UPB was sold in the quarter

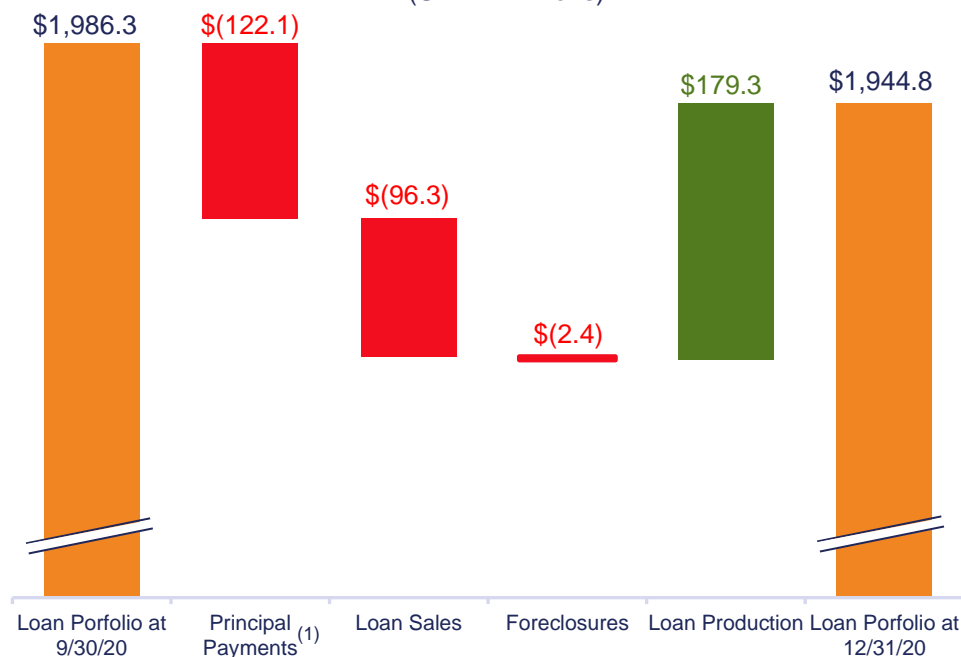
Loan Portfolio Composition

(UPB in millions)



Loan Portfolio Waterfall

(UPB in millions)



⁽¹⁾ Includes adjustment for deferred interest of \$7.8 million



4Q20 Asset Resolution Activity

Net resolutions of nonperforming loans and REOs continue to consistently realize gains

Resolution Activity				
\$ in millions	4Q20		3Q20	
	\$ UPB	\$ Gain / Loss	\$ UPB	\$ Gain / Loss
Paid in full	\$16.4	\$0.11	\$9.7	\$0.73
Paid current	\$13.4	\$0.88	\$1.2	\$0.02
REO sold	\$0.24	\$0.07	\$1.6	\$(0.31)
Total	\$30.0	\$1.1	\$12.5	\$0.44
Resolutions as a % of nonperforming UPB	103.5%		103.5%	

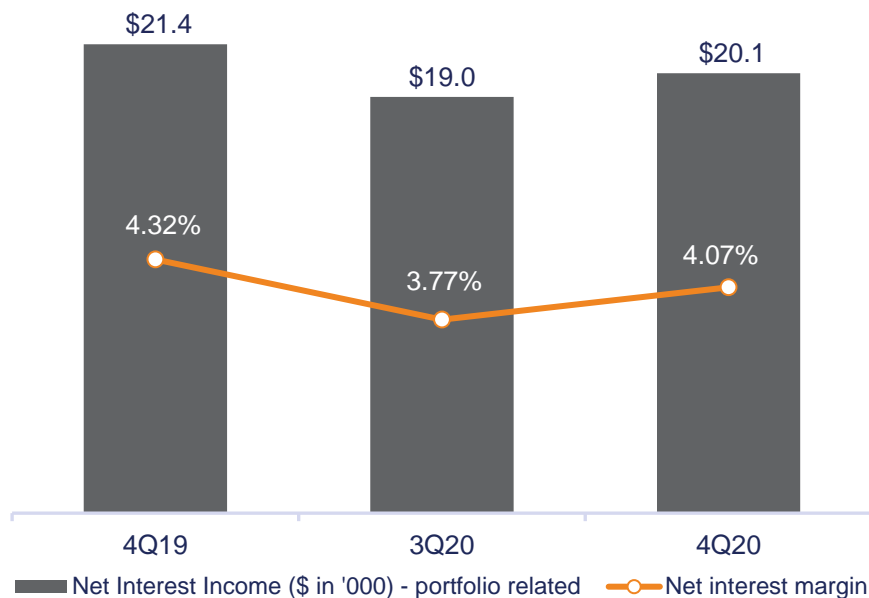
- Nonperforming loans paid in full during 4Q20 totaled \$16.4 million in UPB with a \$0.11 million net gain on resolution, compared to \$9.7 million in UPB and \$0.73 million net gain in 3Q20
 - Gains primarily reflect the collection of default interest and prepayment fees, in addition to all contractual principal and interest
- Loans paid current during 4Q20 total \$13.4 million in UPB with a \$0.88 million net gain, compared to \$1.2 million in UPB and \$0.02 million net gain in 3Q20
- REO sales totaled \$ 0.24 million for a net gain of \$0.07 million, compared to \$1.6 million in UPB and \$(0.31) million net loss in 3Q20

Net Interest Margin

- 4Q20 Portfolio Net Interest Margin (NIM)⁽¹⁾ was 4.07%, an increase of 30 bps from 3.77% in 3Q20
 - The Q/Q increase was driven by strong resolution activities resulting in increased collections of nonperforming loan interest and default interest
- Weighted average cost of funds decreased to 4.97% in 4Q20 from 5.07% in 3Q20, primarily driven by the paydown of more costly securitized debt

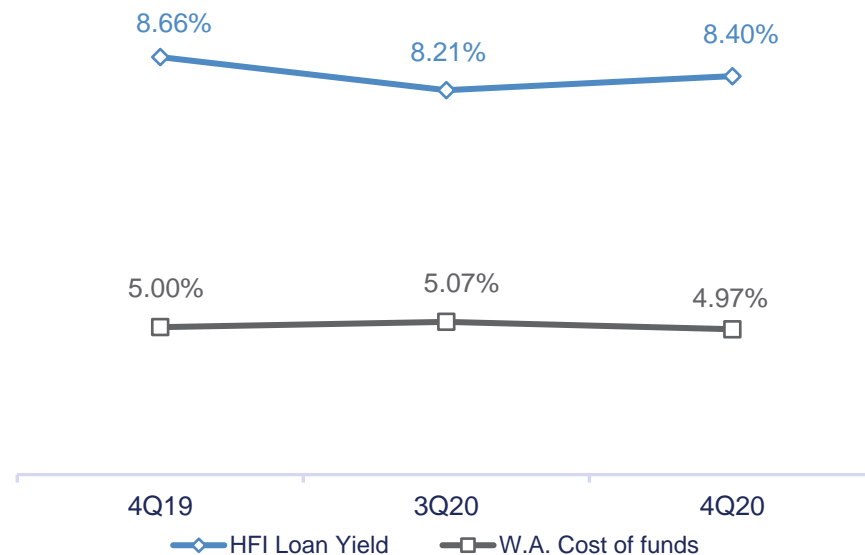
Portfolio Net Interest Income & NIM⁽¹⁾

Portfolio Related (\$ in millions)



Portfolio Yield and Cost of Funds

Portfolio Related



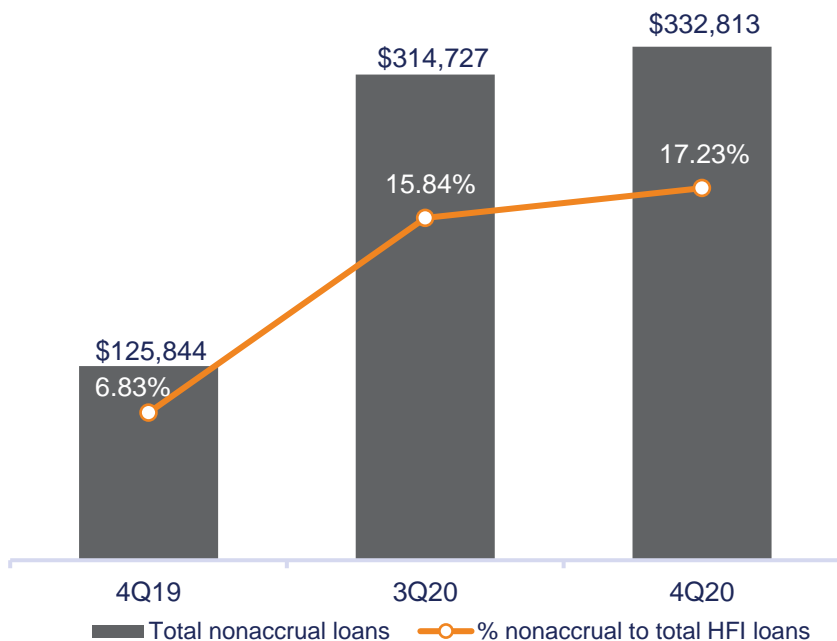
⁽¹⁾ Net Interest Income and Net Interest Margin related to the loan portfolio only; excludes corporate debt.

Loan Portfolio Performance

- Total nonaccrual loans as of December 31, 2020 totaled \$333 million in UPB, or 17.23% of total loans held for investment, an increase from 15.8% as of September 30, 2020
 - Driven by addition of new nonaccrual loans, primarily comprised of loans previously granted forbearance
- Charge-offs were \$308.4 thousand in 4Q20, compared to adjusted charge-offs⁽¹⁾ of \$258.9 thousand in 3Q20
 - 4Q20 charge-offs remained in-line with the Company's historical charge-off levels

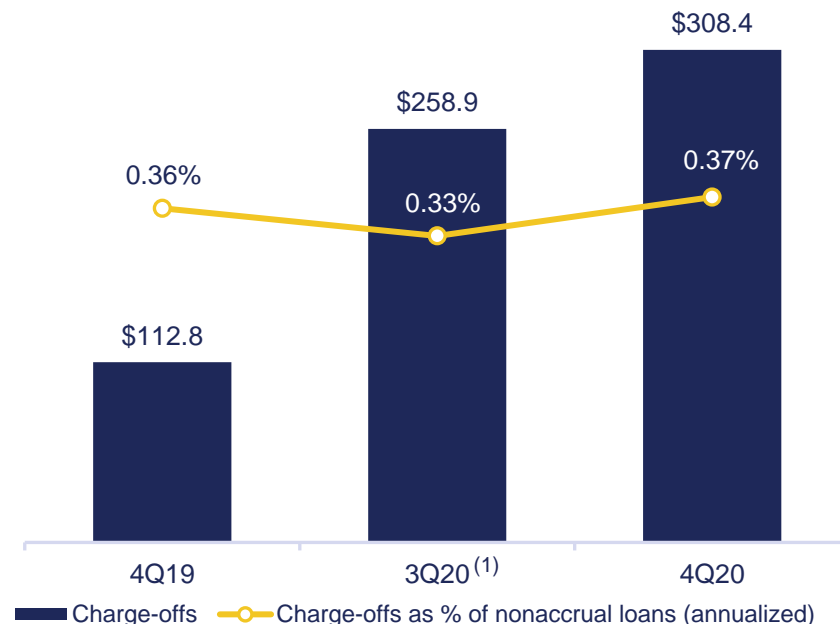
Nonaccrual Loans

\$ UPB in thousands



Charge-offs

\$ thousands

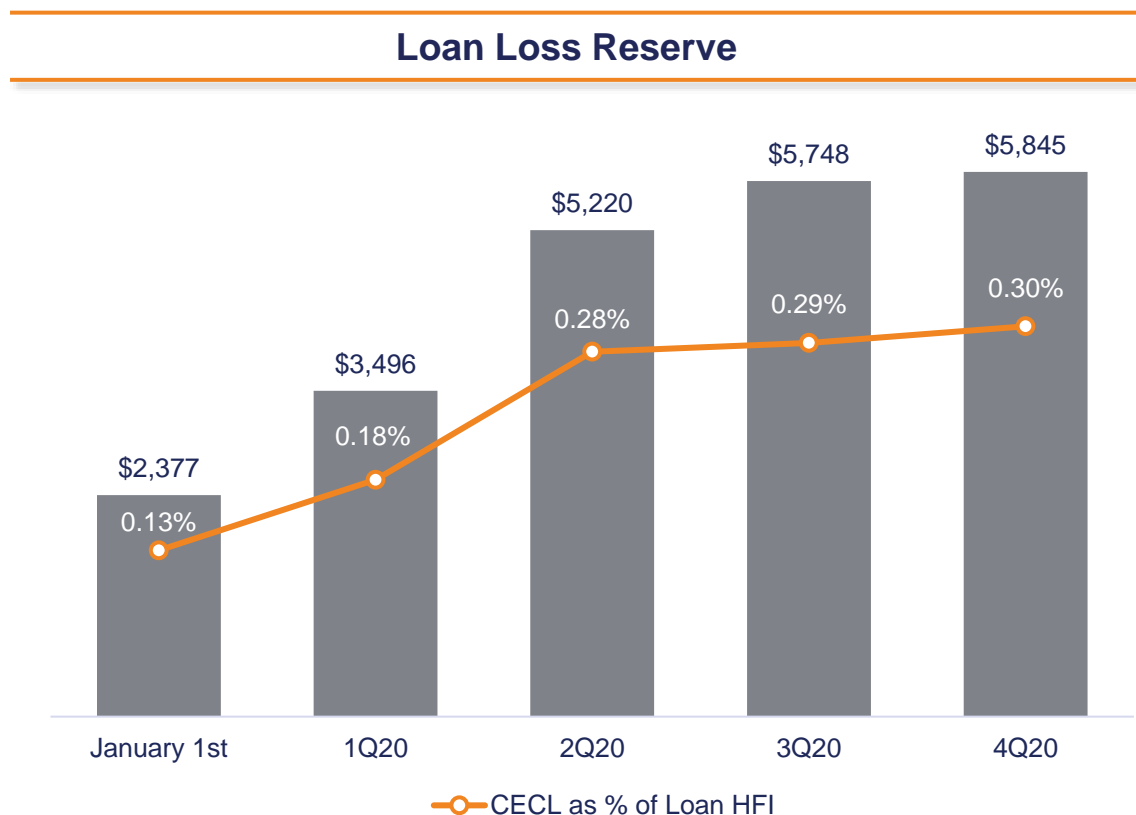


⁽¹⁾ Adjusted for an unusual circumstances charge-off of \$787 thousand.

CECL Reserve and Charge-Offs

Modest increase to Loan Loss Reserve

- Velocity's CECL reserve as a percentage of the HFI portfolio as of December 31, 2020, increased modestly to 30 bps compared to 29 bps as of September 30, 2020
- While there is optimism about the COVID vaccine, it is still too early to declare the effects of the pandemic over.





Outlook for Velocity's Business

Improvement in Economic Conditions

- Improving vaccination rates will hopefully allow expansion of economic activity in the coming months
- Expect to build on strong momentum generated with the restart of loan origination activities
 - Expanding and deepening our broker relationships
 - Growing processing capacity to maintain our “high touch” customer experience as we grow volume

Portfolio Performance to Begin Normalizing

- Improvement in nonperforming rates as the economy begins to normalize
 - The ability of tenants to pay rent is expected to improve and legislative initiatives distorting normal market activity will expire
 - Strong property value trends will drive continuation of our historical track record of resolving delinquent loans at net gains
- Completion of Velocity's next securitization expected in 2Q21, backed by newly originated 30-year loans

Capital to Fuel Attractive Investments

- Recently completed term loan financing of \$175.0 million provides capital to fuel Velocity's portfolio growth
- New non-mark-to-market warehouse line of \$200.0 million brings total warehouse financing \$350.0 million and reduces liquidity risk
 - Continuing to seek additional financing counterparties to further expand and diversify the Company's available warehouse line capacity



Appendix



Velocity Financial, Inc. Balance Sheet

	Quarter Ended				
	12/31/2020	9/30/2020	6/30/2020	3/31/2020	12/31/2019
	Audited	Unaudited	Unaudited	Unaudited	Audited
<i>(In thousands)</i>					
Assets					
Cash and cash equivalents	\$ 13,273	\$ 19,210	\$ 9,803	\$ 7,649	\$ 21,465
Restricted cash	7,020	7,821	6,735	4,483	6,087
Loans held for sale, net	13,106	0	212,344	223,123	214,467
Loans held for investment, at fair value	1,539	3,327	2,956	2,987	2,960
Loans held for investment	1,948,089	2,001,086	1,861,819	1,922,485	1,863,360
Total loans, net	1,962,734	2,004,413	2,077,119	2,148,595	2,080,787
Accrued interest receivables	11,373	13,134	17,793	14,470	13,295
Receivables due from servicers	71,044	44,466	36,028	37,884	49,659
Other receivables	4,085	402	4,609	2,516	4,778
Real estate owned, net	15,767	14,653	15,648	16,164	13,068
Property and equipment, net	4,145	4,446	4,718	4,964	4,680
Deferred tax asset	6,654	1,832	5,556	10,111	8,280
Other assets	6,779	16,489	9,042	10,519	12,667
Total Assets	\$ 2,102,874	\$ 2,126,866	\$ 2,187,051	\$ 2,257,354	\$ 2,214,766
Liabilities and members' equity					
Accounts payable and accrued expenses	\$ 63,361	\$ 61,859	\$ 55,938	\$ 58,591	\$ 56,146
Secured financing, net	74,982	74,776	74,571	74,364	145,599
Securitizations, net	1,579,019	1,670,930	1,599,719	1,576,431	1,438,629
Warehouse & repurchase facilities	75,923	19,541	160,796	297,537	421,548
Total Liabilities	1,793,285	1,827,106	1,891,024	2,006,924	2,061,922
Mezzanine Equity					
Series A Convertible preferred stock	90,000	90,000	90,000	-	-
Stockholders' Equity					
Stockholders' equity	219,589	209,760	206,027	250,430	152,844
Total Liabilities and members' equity	\$ 2,102,874	\$ 2,126,866	\$ 2,187,051	\$ 2,257,354	\$ 2,214,766
Book value per share	\$ 10.93	\$ 10.44	\$ 10.26	\$ 12.47	n.a.
Shares outstanding	20,087	20,087	20,087	20,087	n.a.



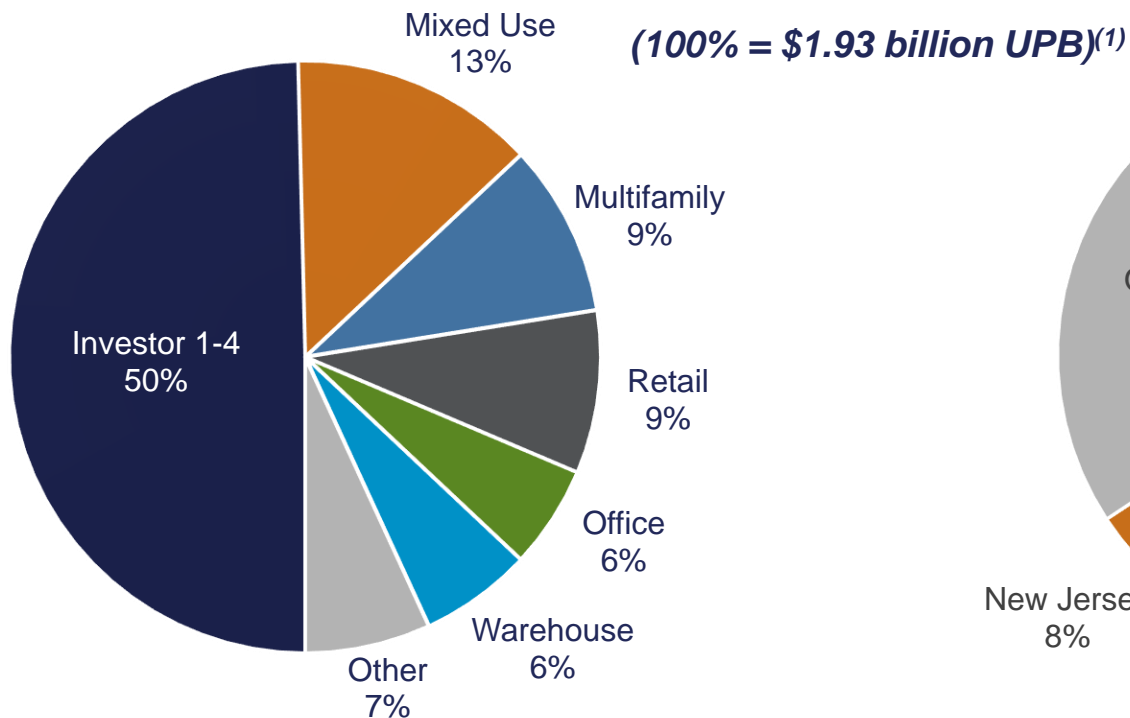
Velocity Financial, Inc. Income Statement

(\$ in thousands)

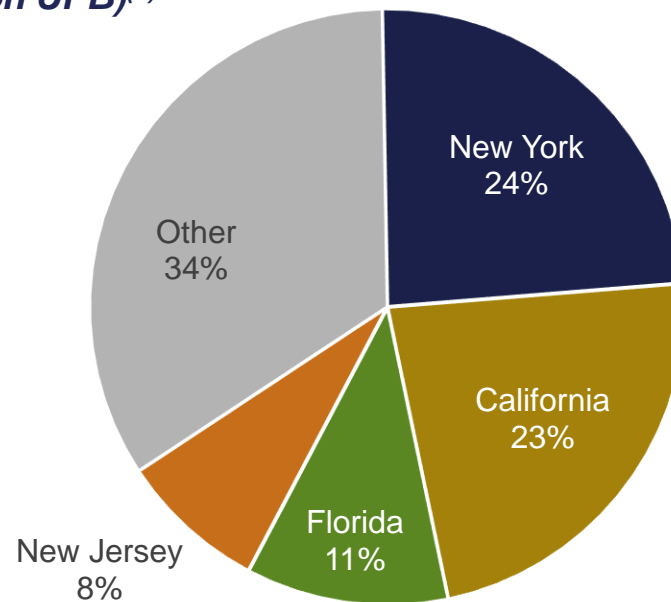
	Quarter Ended				
	12/31/2020	9/30/2020	6/30/2020	3/31/2020	12/31/2019
	Audited	Unaudited	Unaudited	Unaudited	Audited
Revenues					
Interest income	\$ 41,556	\$ 41,374	\$ 39,755	\$ 44,637	\$ 44,124
Interest expense - portfolio related	21,442	22,347	21,189	22,848	22,689
Net interest income - portfolio related	20,114	19,027	18,566	21,789	21,435
Interest expense - corporate debt	1,900	1,913	1,894	6,342	4,070
Net interest income	18,214	17,114	16,672	15,447	17,365
Provision for loan losses	406	1,573	1,800	1,289	242
Net interest income after provision for loan losses	17,808	15,541	14,872	14,157	17,123
Other operating income (expense)	4,691	1,349	(1,339)	1,620	833
Total net revenues	22,499	16,890	13,533	15,777	17,956
Operating expenses					
Compensation and employee benefits	4,135	5,692	5,863	5,041	3,992
Rent and occupancy	424	415	448	455	426
Loan servicing	1,977	2,168	1,754	2,239	1,939
Professional fees	1,415	1,051	588	1,184	469
Real estate owned, net	217	898	408	1,134	1,300
Other operating expenses	2,578	1,641	1,847	1,998	1,688
Total operating expenses	10,746	11,865	10,908	12,050	9,814
Income before income taxes	11,753	5,025	2,625	3,727	8,142
Income tax expense	2,177	1,544	484	1,148	2,960
Net income	\$ 9,576	\$ 3,481	\$ 2,141	\$ 2,579	\$ 5,182
Less deemed dividends on preferreds stock			\$ 48,955		
Net loss allocated to common shareholders			\$ (46,814)		
Basic earnings (loss) per share	\$ 0.48	\$ 0.17	\$ (2.33)	\$ 0.13	n.a.
Diluted earnings (loss) per common share	\$ 0.29	\$ 0.11	\$ (2.33)	\$ 0.13	n.a.
Basic weighted average common shares outstanding	20,087	20,087	20,087	20,087	n.a.
Diluted weighted average common shares outstanding	32,793	32,435	20,087	20,087	n.a.

HFI Loan Portfolio

Portfolio by Property Type



Portfolio by State



⁽¹⁾ As of December 31, 2020



HFI Portfolio Delinquency Trends

(\$ in thousands)	December 31, 2019		September 30, 2020		December 31, 2020	
	\$	%	\$	%	\$	%
Performing/Accruing:						
Current	\$ 1,559,373	84.6%	\$ 1,474,076	74.2%	\$ 1,445,131	74.8%
30-59 days past due	123,704	6.7%	108,601	5.5%	89,284	4.6%
60-89 days past due	48,062	2.6%	74,351	3.7%	62,694	3.2%
90+ days past due	-	0.0%	14,589	0.7%	1,953	0.1%
Nonperforming/Nonaccrual:						
<90 days past due	-	0.0%	23,502	1.2%	20,778	1.1%
90+ days past due	24,790	1.3%	119,248	6.0%	82,004	4.2%
Bankruptcy	8,695	0.5%	8,646	0.4%	12,655	0.4%
In foreclosure	78,666	4.3%	163,331	8.2%	217,376	11.3%
Total nonperforming loans	112,151	6.1%	314,727	15.8%	332,813	17.2%
Total loans held for investment	\$ 1,843,290	100%	\$ 1,986,344	100%	\$ 1,931,875	100%