

Investor 1-4

Mixed-Use

Commercial

Multi-Family



2Q22 Results Presentation
August 4, 2022



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.



2Q22 Highlights

Earnings

- Net income of \$10.6 million and diluted earnings per share (EPS) of \$0.31, compared to \$9.5 million and \$0.28 per share, respectively, for 2Q21
- Core EPS of \$0.31, an increase from \$0.25 in 2Q21, driven by higher net interest income from portfolio growth and NPL resolutions
- Portfolio-related net interest income⁽²⁾ totaled \$30.5 million, an increase of 24.9% from 2Q21
- NPL recovery rate of 111.4%, compared to 103.9% for 2Q21

Production & Loan Portfolio

- Loan production in 2Q22 totaled \$445.4 million in UPB, compared to \$256.5 million in UPB in 2Q21
 - Loan production volume for the first half of 2022 was over \$1.0 billion in UPB, more than twice the amount originated over the same period in 2021
- The total loan portfolio was \$3.1 billion in UPB as of June 30, 2022, an increase of 49.3% from \$2.1 billion as of June 30, 2021
- Nonperforming loans as a % of the HFI portfolio was 8.2% as of June 30, 2022, down from 15.3% as of June 30, 2021

Financing & Capital

- Completed three VCC securitizations in 2Q22 with total balances of \$622.7
 - Highlights extensive securitization track record and reputation for high-quality loan collateral
- Liquidity⁽³⁾ of \$134.0 million as of June 30, 2022
- Total warehouse line capacity increased to \$750 million as of June 30, 2022, an increase from \$650 million as of March 31, 2022

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

⁽²⁾ Excludes corporate debt interest expense

⁽³⁾ Includes unrestricted cash reserves of \$46.2 million and available liquidity in unfinanced loans of \$87.8 million as of June 30, 2022.

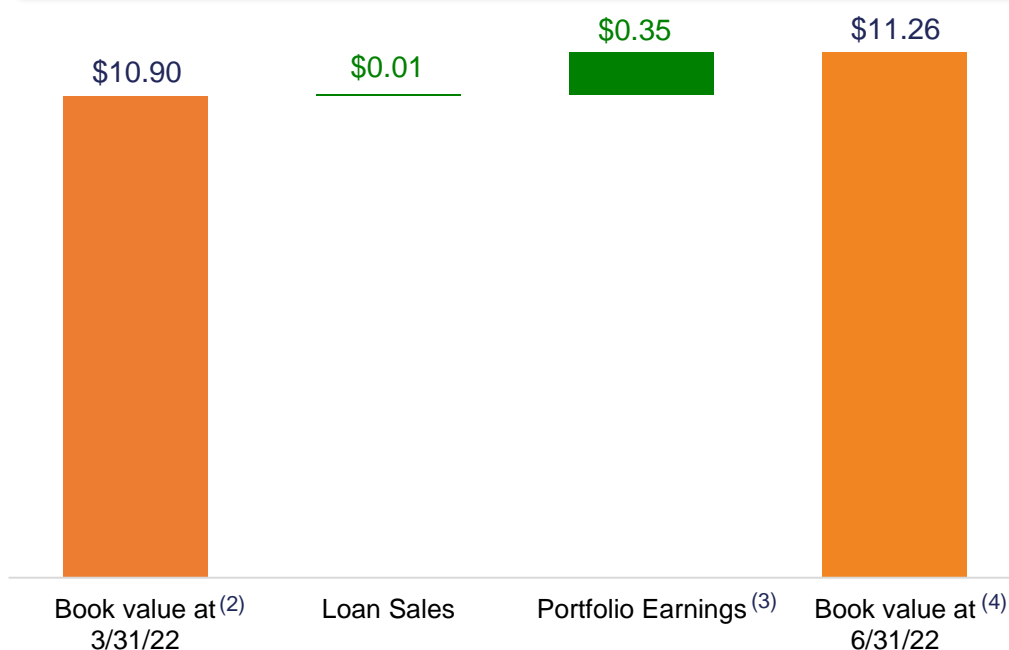


Core Income and Book Value Per Share

Core Income⁽¹⁾

GAAP Net Income	\$10,645
Core Net Income	\$10,645

Book Value Per Share



- There were no noncore items in 2Q22. As a result, Core net income and GAAP net income were both \$10.6 million
- Book value per share as of June 30, 2022, was \$11.26⁽⁴⁾, compared to \$10.90⁽²⁾ as of March 31, 2022

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

⁽²⁾ Based on 31,912,884 common shares outstanding as of March 31, 2022 and excludes unvested shares of common stock authorized for incentive compensation.

⁽³⁾ Includes increases to equity from stock-based compensation.

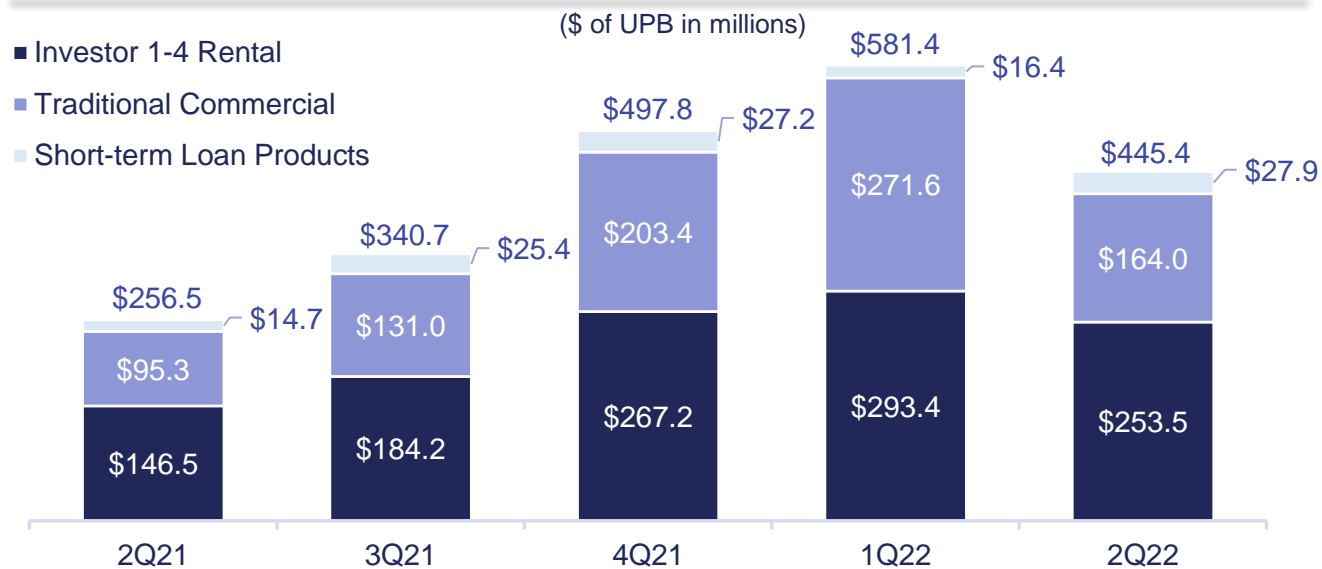
⁽⁴⁾ Based on 31,921,721 common shares outstanding as of June 30, 2022 and excludes unvested shares of common stock authorized for incentive compensation.

Loan Production

Strong Demand Continued in 2Q22; Over \$1 Billion Funded in 1H22

- Loan production in 2Q22 totaled \$445.4 million in UPB, compared to \$581.4 million in UPB in 1Q22 and \$256.5 million in UPB in 2Q21
 - **Quarter over Quarter:** The decrease from 1Q22 was driven by higher interest rates, in addition to a decrease in the average loan balance and an 8.1% decrease in total loans produced
 - **Year over Year:** Increase of 73.6% resulted from balanced growth of Investor 1-4 and Traditional Commercial long-term loan production
- The WAC⁽¹⁾ on 2Q22 production was 7.75%, up 145 bps from 1Q22, and 43 bps from 2Q21

Loan Production Volume



Units	683	747	1,061	1,167	1,072
Average loan balance	\$ 376.0	\$ 456.0	\$ 468.6	\$ 498.2	\$ 415.5

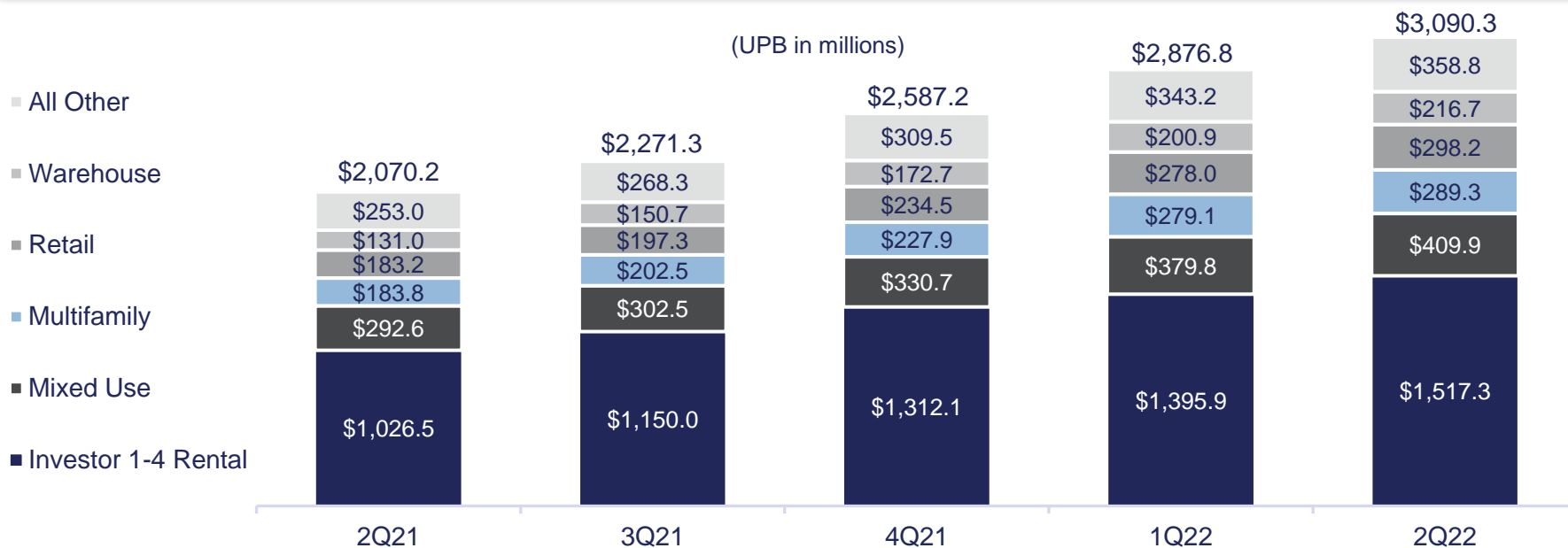
⁽¹⁾ Weighted Average Coupon (WAC)

Loan Portfolio

Strong Portfolio Growth

- The total loan portfolio was \$3.1 billion in UPB as of June 30, 2022, a 7.4% increase from \$2.9 billion in UPB as of March 31, 2022, and 49.3% from \$2.1 billion as of June 30, 2021
- The weighted average coupon was 7.53% as of June 30, 2022, up from 7.50% as of March 31, 2022, and down from 8.29% as of June 30, 2021

Loan Portfolio by Property Type



Loan to Value	66.70%	67.22%	67.66%	67.88%	68.16%
Loan Count	6,125	6,430	6,964	7,365	7,779
W.A. Coupon	8.29%	8.10%	7.76%	7.50%	7.53%
Average Loan Balance ⁽¹⁾	\$338.0	\$353.2	\$371.5	\$390.6	\$397.3

⁽¹⁾ \$ in thousands.

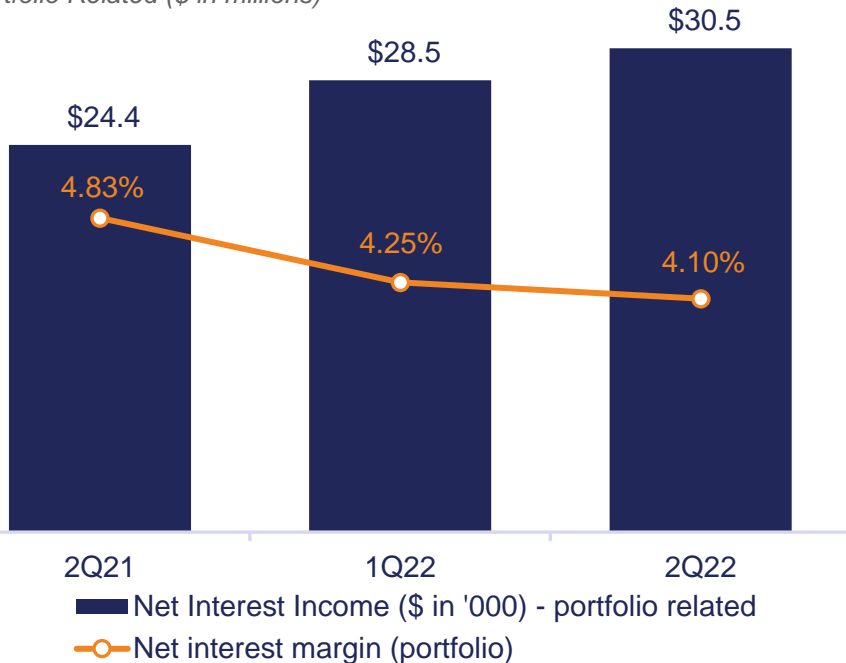
Net Interest Margin

Portfolio NIM Returns to More Normalized Levels

- Portfolio NIM⁽¹⁾ in 2Q22 was 4.10%, down 15 bps from 4.25% in 1Q22 and 73 bps from 4.83% in 2Q21
 - Quarter over quarter:** Higher interest income from portfolio growth, in addition to default interest and fees from resolution activities, drove the higher portfolio yield, offset by higher cost of funds resulting from securitizations issued in 2Q22
 - Year over year:** The decrease in portfolio yield resulted from lower coupons on new loan production and the payoff of older, higher-rate loans, partially offset by a decrease in the cost of funds driven by the collapse of older, higher cost securitizations and lower rates on the securitizations issued in the second half of 2021

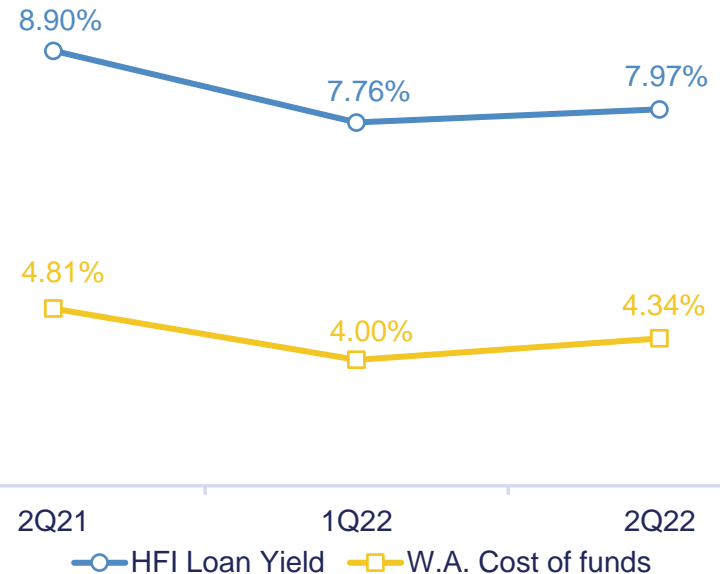
Portfolio Net Interest Income & NIM⁽¹⁾

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.

2Q22 Asset Resolution Activity

Strong NPL Loan Resolutions Drive Higher Gains and Lower Delinquencies

Resolution Activity

RESOLUTION ACTIVITIES				
LONG-TERM LOANS				
RESOLUTION ACTIVITY	SECOND QUARTER 2022		SECOND QUARTER 2021	
	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$
<i>(\$ in thousands)</i>				
Paid in full	\$ 16,934	\$ 3,303	\$ 21,925	\$ 1,446
Paid current	17,407	129	14,949	219
REO sold	2,107	816	947	(2)
Total resolutions	\$ 36,448	\$ 4,248	\$ 37,821	\$ 1,663
Resolutions as a % of nonperforming UPB		111.7%		104.4%

SHORT-TERM AND FORBEARANCE LOANS

RESOLUTION ACTIVITY	SECOND QUARTER 2022		SECOND QUARTER 2021	
	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$
<i>(\$ in thousands)</i>				
Paid in full	\$ 9,913	\$ 976	\$ 13,517	\$ 682
Paid current	2,877	22	7,794	59
REO sold	1,262	500	164	(73)
Total resolutions	\$ 14,052	\$ 1,498	\$ 21,475	\$ 668
Resolutions as a % of nonperforming UPB		110.7%		103.1%
Grand total resolutions	\$ 50,500	\$ 5,746	\$ 59,296	\$ 2,331
Grand total resolutions as a % of nonperforming UPB		111.4%		103.9%

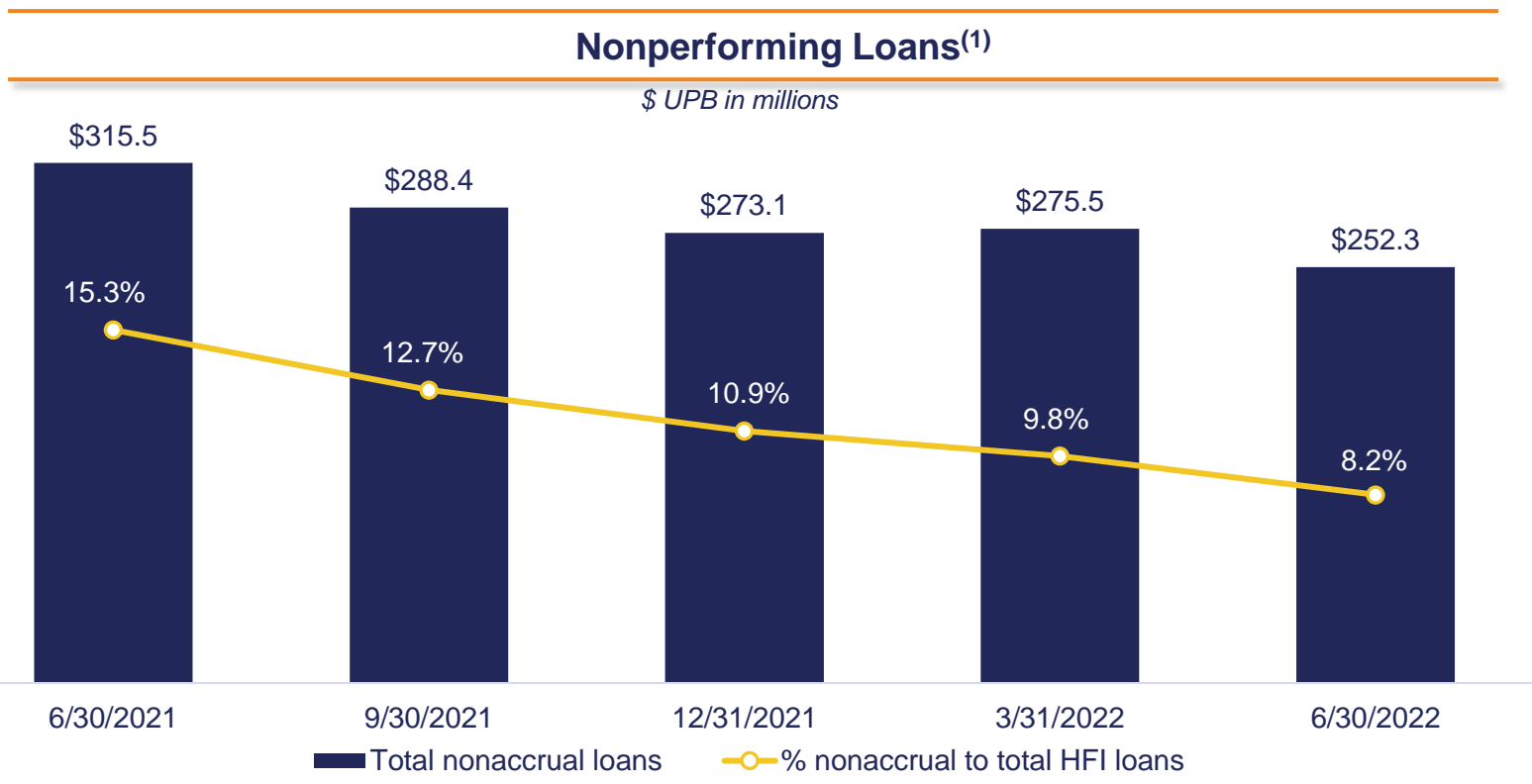
- Total NPL resolution activities in 2Q22 totaled \$50.5 million in UPB and realized net gains of \$5.7 million, or 111.4% of UPB resolved, compared to \$59.3 million in UPB and net gains of \$2.3 million, or 103.9% of UPB resolved in 2Q21
 - Long-term loan resolutions in 2Q22 totaled \$36.4 million in UPB and realized gains of \$4.2 million, compared to \$37.8 million in UPB and realized gains of \$1.7 million in 2Q21
 - Short-term loan resolutions in 2Q22 totaled \$14.1 million in UPB and realized gains of \$1.5 million, compared to \$21.5 million in UPB and realized gains of \$0.67 million in 2Q21



Loan Investment Portfolio Performance

HFI Portfolio Performance Improvement Continued in 2Q22

- Nonperforming loans totaled \$252.3 million in UPB as of June 30, 2022, or 8.2% of total loans held for investment, compared to \$275.5 million and 9.8%, respectively, as of March 31, 2022, and \$315.5 million and 15.3%, respectively, as of June 30, 2021
 - Primarily driven by strong NPL resolution activity in 2Q22 which represented 18.3% of nonperforming loan UPB as of March 31, 2022



⁽¹⁾ For additional detail, please see page 17 in the Appendix of this presentation.

CECL Reserve and Charge-Offs

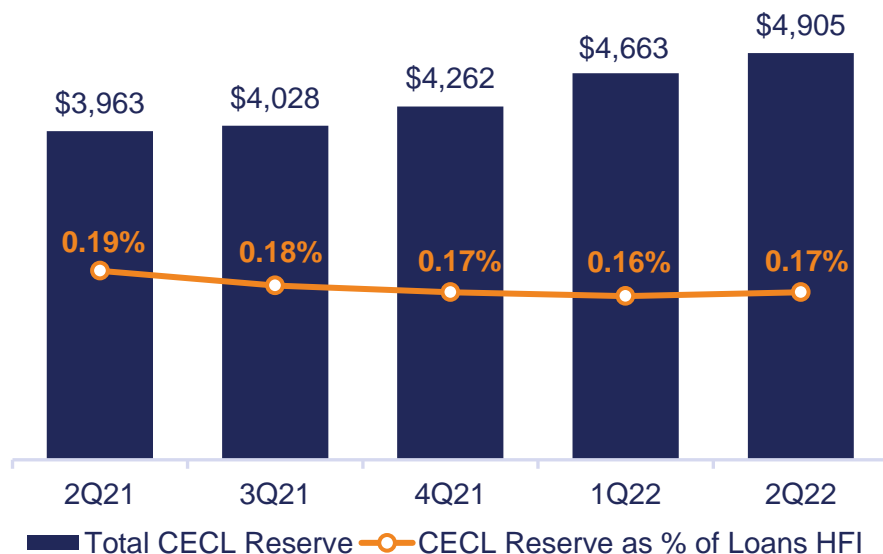
Portfolio Credit Performance Remains Consistent, Loss Reserve Up From Portfolio Growth

- Velocity's CECL reserve totaled \$4.9 million as of June 30, 2022, a 5.2% increase from \$4.7 million as of March 31, 2022, and a 23.8% increase from \$4.0 million as of June 30, 2021
 - Reserve growth primarily driven by portfolio growth
- Charge-offs in 2Q22 totaled \$37.0 thousand compared to \$328.1 thousand in 1Q22, and \$917.6 thousand in 2Q21
 - Charge-offs in 2Q22 were significantly lower than the trailing five quarter charge-off average of \$350.7 thousand per quarter

Loan Loss Reserve

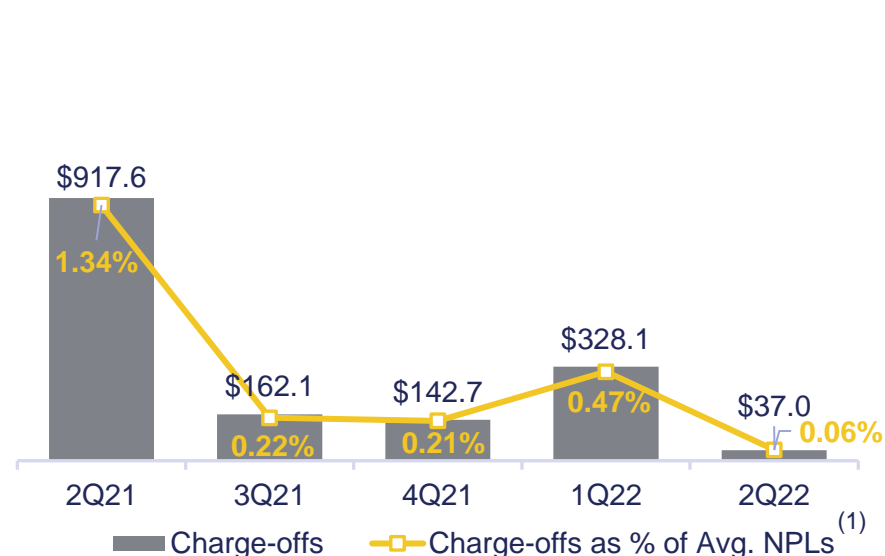
At Period End

\$ in thousands



Charge-offs

Quarterly Periods

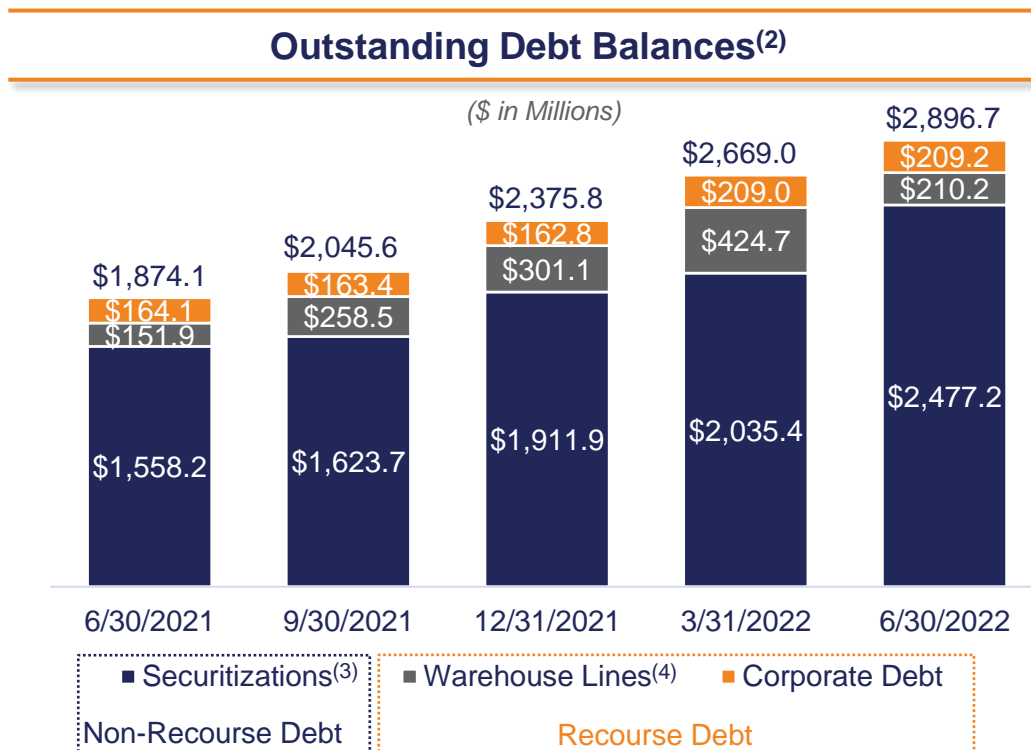


(1) Reflects the annualized quarterly charge-offs to average nonperforming loans for the period.

Durable Funding and Liquidity Strategy

Four Securitizations Issued To Date in 2022⁽¹⁾; Warehouse Capacity Increased by \$100MM

- Outstanding debt was \$2.9 billion as of June 30, 2022, a Q/Q increase of \$227.6 million
 - The net increase in non-recourse securitization debt resulted from the issuance of VCC 2022-2, VCC 2022-MC1 and VCC 2022-3 during the quarter
- Warehouse line capacity increased to \$750 million as of June 30, 2022, up from \$650 million as of March 31, 2022
 - Available warehouse line capacity was \$539.8 million as of June 30, 2022
- Recourse debt to equity was 1.2X as of June 30, 2022, compared to 1.8X as of March 31, 2022, resulting from the paydown of our warehouse lines from securitization



Debt / Equity	5.8X	6.2X	6.9X	7.7X	8.1X
Recourse Debt / Equity	1.0X	1.3X	1.3X	1.8X	1.2X
Securitizations Issued	1	1	2	1	3
Max. Warehouse Line Capacity	\$550	\$550	\$650	\$650	\$750

⁽¹⁾ Through June 30, 2022.

⁽²⁾ Debt balances are net of issuance costs and discounts as reported in the consolidated balance sheet.

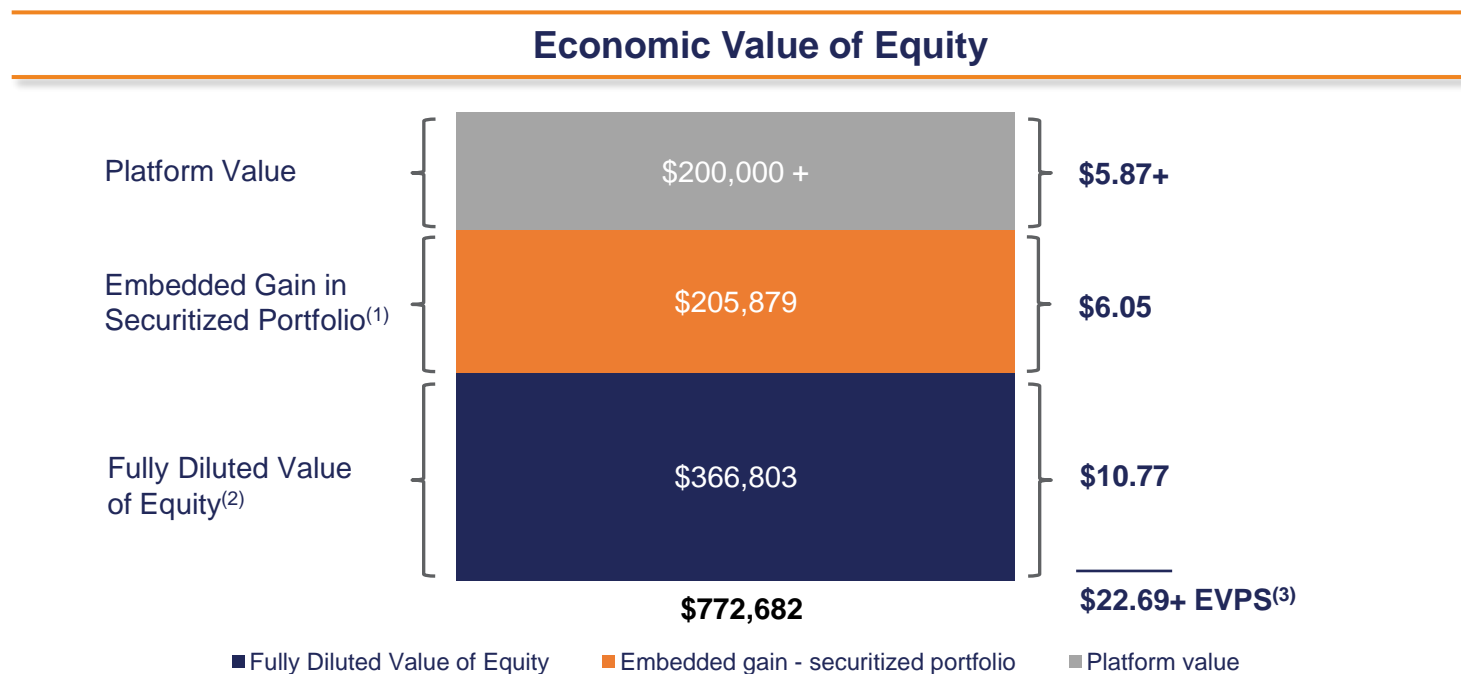
⁽³⁾ Represents the remaining balance of securitization issuances outstanding net of issuance costs and discounts as of period end.

⁽⁴⁾ As of 6/30/22, four of five warehouse lines have non-mark-to-market features and staggered maturities

Economic Value of Equity

Economic Value of Equity is significantly higher than GAAP Book Value of Equity

- We elect to carry our securitizations at amortized cost to minimize volatility
 - The graph below reflects our estimate of economic value of equity (a non-GAAP financial measure) by adding the net present value of expected future gains embedded in the securitized portfolio and the value of our unique origination platform – our estimate of economic value of equity does not represent a substitute for GAAP book value of equity
- Recent M&A precedents for business purpose lenders demonstrate significant platform/franchise values that investors are ascribing to businesses like Velocity Financial
 - These transactions have demonstrated platform values of \$200MM+ based on ~10%+ of annual origination run rate



⁽¹⁾ Embedded gain in securitized portfolio assumes a 10% discount rate of projected securitization earnings and is net of \$65,587,909 of deferred loan origination costs and securitization deal costs

⁽²⁾ Fully Diluted Value of Equity assumes 6/30/2022 GAAP Book Value of Stockholders' Equity of \$355.9MM + \$10.9MM from pro forma exercise of all warrants.

⁽³⁾ Economic Value of Equity per Share ("EVPS") calculated using 34,056,480 weighted average shares outstanding assuming dilution impact based on Velocity's average stock price for Q2 2022.



Outlook for Velocity's Key Business Drivers

Investor Loan Market Showing Resilience In Higher Rate Environment

MARKET

- Demand for investor properties showing resilience despite higher rates
- Real Estate price moderation to more sustainable levels
- Mortgage broker interest in investor-loans growing as they seek to replace lost refinancing business

CREDIT

- Macroeconomic and geopolitical risk remains elevated
- Credit spreads likely to remain volatile
- Consumer balance sheets in good shape
- Expect continued positive recoveries from NPL's

CAPITAL

- Targeting two additional securitizations in 2022
 - Four completed in 2022⁽¹⁾
- Strong liquidity of \$134.0 million⁽²⁾ for future growth

EARNINGS

- Stable core earnings from locked-in portfolio spread
- Continued organic portfolio growth
- Assessing opportunities for strategic acquisitions

⁽¹⁾ Through June 30, 2022.

⁽²⁾ Includes unrestricted cash reserves of \$46.2 million and available liquidity in unfinanced loans of \$87.8 million as of June 30, 2022



Appendix



Velocity Financial, Inc. Balance Sheet

	Quarter Ended				
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
<i>(In thousands)</i>					
Assets					
Cash and cash equivalents	\$ 46,250	\$ 36,629	\$ 35,965	\$ 35,497	\$ 27,741
Restricted cash	9,217	10,837	11,639	9,586	7,921
Loans held for sale, net	0	77,503	87,908	0	7,916
Loans held for investment, at fair value	1,351	1,352	1,359	1,360	1,370
Loans held for investment	3,084,045	2,793,968	2,494,204	2,265,922	2,057,046
Net deferred loan costs	34,755	34,334	33,360	29,775	26,707
Total loans, net	3,120,150	2,907,157	2,616,831	2,297,057	2,093,039
Accrued interest receivables	15,820	14,169	13,159	11,974	11,094
Receivables due from servicers	75,688	78,278	74,330	57,058	73,517
Other receivables	1,320	4,527	1,812	870	10,169
Real estate owned, net	19,218	16,177	17,557	17,905	20,046
Property and equipment, net	3,632	3,690	3,830	3,348	3,625
Deferred tax asset	15,195	16,477	16,604	17,026	13,196
Mortgage Servicing Rights, at fair value	8,438	7,661	7,152	-	-
Goodwill	6,775	6,775	6,775	-	-
Other assets	11,036	7,345	6,824	6,843	7,257
Total Assets	\$ 3,332,739	\$ 3,109,722	\$ 2,812,478	\$ 2,457,164	\$ 2,267,605
Liabilities and members' equity					
Accounts payable and accrued expenses	\$ 78,384	\$ 92,768	\$ 92,195	\$ 79,360	\$ 70,049
Secured financing, net	209,227	208,956	162,845	163,449	164,053
Securitizations, net	2,477,226	2,035,374	1,911,879	1,623,674	1,558,163
Warehouse & repurchase facilities	208,390	424,692	301,069	258,491	151,872
Total Liabilities	2,973,227	2,761,790	2,467,988	2,124,974	1,944,137
Mezzanine Equity					
Series A Convertible preferred stock	-	-	-	90,000	90,000
Stockholders' Equity					
Stockholders' equity	355,895	344,441	341,109	242,190	233,468
Noncontrolling interest in subsidiary	3,617	3,491	3,381	-	-
Total equity	359,512	347,932	344,490	242,190	233,468
Total Liabilities and members' equity	\$ 3,332,739	\$ 3,109,722	\$ 2,812,478	\$ 2,457,164	\$ 2,267,605
Book value per share	\$ 11.26	\$ 10.90	\$ 10.84	\$ 12.05	\$ 11.62
Shares outstanding	31,922	31,913	31,787	20,098	20,087



Velocity Financial, Inc. Income Statement (Quarter)

(\$ in thousands)

	Quarter Ended				
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues					
Interest income	\$ 59,243	\$ 52,049	\$ 49,360	\$ 46,923	\$ 44,978
Interest expense - portfolio related	28,752	23,556	23,666	20,321	20,566
Net interest income - portfolio related	30,491	28,493	25,694	26,602	24,412
Interest expense - corporate debt	4,182	17,140	4,462	4,488	4,309
Net interest income	26,309	11,353	21,232	22,114	20,103
Provision for loan losses	279	730	377	228	(1,000)
Net interest income after provision for loan losses	26,030	10,623	20,855	21,886	21,103
Other operating income					
Gain on disposition of loans	1,776	4,540	2,357	306	2,391
Unrealized gain/(loss) on fair value loans	6	11	11	0	20
Other income (expense)	1,257	1,097	249	33	21
Other operating income (expense)	3,039	5,648	2,617	339	2,432
Total net revenues	29,070	16,271	23,472	22,225	23,535
Operating expenses					
Compensation and employee benefits	6,553	5,323	4,720	4,738	4,546
Rent and occupancy	426	442	429	447	430
Loan servicing	3,290	2,450	2,480	2,014	1,922
Professional fees	1,062	1,362	1,716	736	795
Real estate owned, net	(251)	(175)	417	1,186	1,039
Other operating expenses	3,199	2,848	2,333	2,177	1,918
Total operating expenses	14,279	12,250	12,095	11,298	10,650
Income before income taxes	14,790	4,021	11,377	10,927	12,885
Income tax expense	4,019	790	3,024	2,905	3,432
Net income	10,771	3,231	8,353	8,022	9,453
Net income attributable to noncontrolling interest	126	110	-	-	-
Net income attributable to Velocity Financial, Inc.	10,645	3,121	8,353	8,022	9,453
Less undistributed earnings attributable to participating securities	164	48	362	3,030	3,571
Net earnings attributable to common stockholders	\$ 10,481	\$ 3,073	\$ 7,991	\$ 4,992	\$ 5,882
Basic earnings (loss) per share	\$ 0.33	\$ 0.10	\$ 0.26	\$ 0.25	\$ 0.29
Diluted earnings (loss) per common share	\$ 0.31	\$ 0.09	\$ 0.24	\$ 0.23	\$ 0.28
Basic weighted average common shares outstanding	31,917	31,892	30,897	20,090	20,087
Diluted weighted average common shares outstanding	34,057	34,204	34,257	34,212	33,960



HFI Portfolio Delinquency Trends

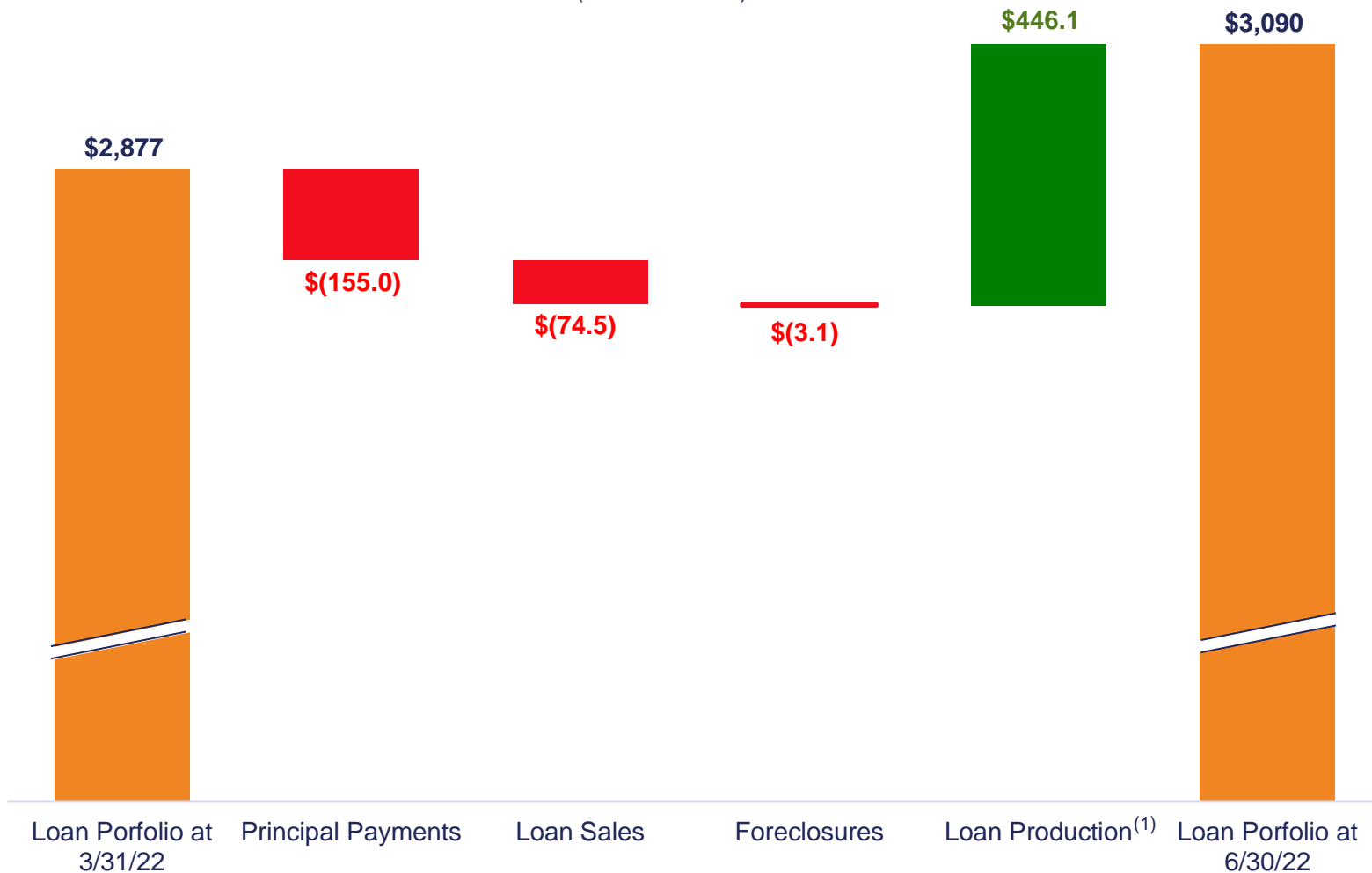
(\$ in thousands)	June 30, 2021		September 30, 2021		December 31, 2021		March 31, 2022		June 30, 2022	
	\$	%	\$	%	\$	%	\$	%	\$	%
Performing/Accruing:										
Current	\$ 1,645,019	79.8%	\$ 1,878,555	82.7%	\$ 2,068,024	82.7%	\$ 2,388,442	85.3%	\$ 2,692,799	87.1%
30-59 days past due	69,165	3.4%	81,893	3.6%	127,046	5.1%	94,058	3.4%	105,808	3.4%
60-89 days past due	32,484	1.6%	22,410	1.0%	31,629	1.3%	41,960	1.5%	39,398	1.3%
90+ days past due	152	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total performing loans HFI	1,746,820	84.7%	1,982,858	87.3%	2,226,699	89.1%	2,524,460	90.2%	2,838,005	91.8%
Nonperforming/Nonaccrual:										
<90 days past due	20,740	1.0%	23,195	1.0%	19,533	0.8%	26,044	0.9%	16,878	0.6%
90+ days past due	50,638	2.5%	48,364	2.1%	35,787	1.4%	27,472	1.0%	20,341	0.7%
Bankruptcy	17,659	0.9%	19,983	0.9%	20,038	0.8%	18,334	0.7%	19,560	0.6%
In foreclosure	226,506	11.0%	196,893	8.7%	197,741	7.9%	203,637	7.3%	195,474	6.3%
Total nonperforming loans HFI	315,542	15.3%	288,436	12.7%	273,099	10.9%	275,487	9.8%	252,253	8.2%
Total loans held for investment	\$ 2,062,363	100%	\$ 2,271,294	100%	\$ 2,499,799	100%	\$ 2,799,947	100%	\$ 3,090,258	100%



Loan Portfolio Rollforward

Loan Portfolio Rollforward

(UPB in millions)



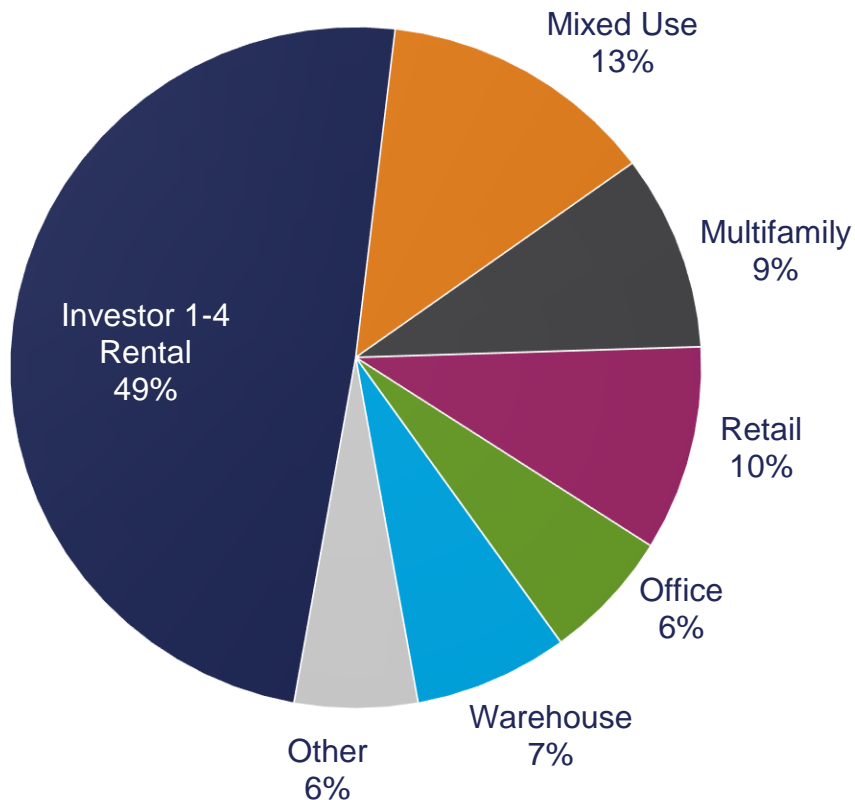
⁽¹⁾ Includes \$0.39 million in UPB of repurchased loans and \$0.49 million in UPB of loan acquisitions.



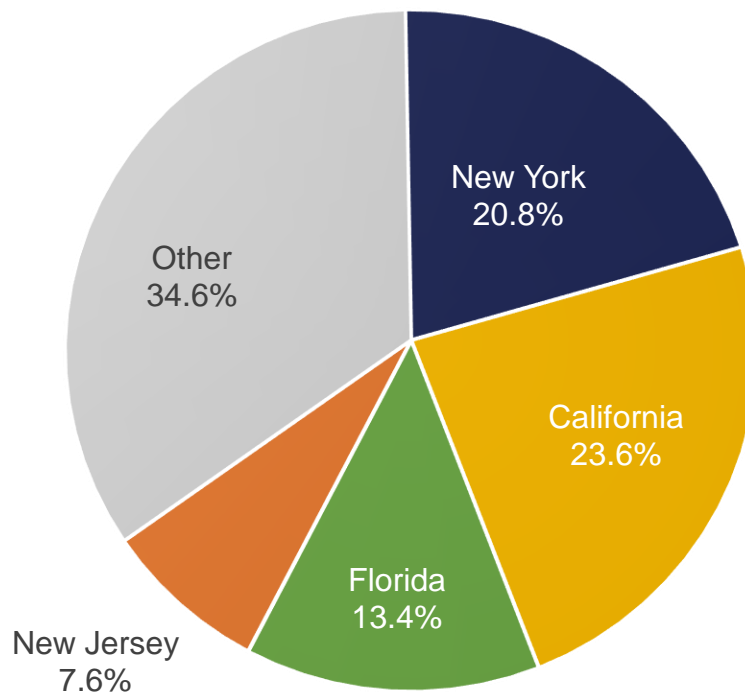
HFI Loan Portfolio

Portfolio by Property Type

(100% = \$3.09 billion UPB)⁽¹⁾



Portfolio by State



⁽¹⁾ As of June 30, 2022

Adjusted Financial Metric Reconciliation:

Adjusted Financial Metric Reconciliation to GAAP Net Income

Core Income

(\$ in thousands)	Quarter Ended				
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
Net Income	\$ 10,645	\$ 3,121	\$ 8,353	\$ 8,022	\$ 9,453
Deal cost write-off - collapsed securitizations	-	-	\$ 1,104	-	-
One-time Century Health & Housing Capital deal costs	-	-	\$ 624	-	-
Recovery of Loan Loss Provision	-	-	-	-	\$ (1,000)
Corporate debt refinancing costs	-	\$ 9,286	-	-	-
Core Income	\$ 10,645	\$ 12,407	\$ 10,081	\$ 8,022	\$ 8,453
Diluted weighted average common shares outstanding	34,057	34,204	34,257	34,212	33,960
Core diluted earnings per share	\$ 0.31	\$ 0.36	\$ 0.29	\$ 0.23	\$ 0.25