

Investor 1-4

Mixed-Use

Commercial

Multi-Family



3Q22 Results Presentation
November 3, 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, positioning, 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.

While forward-looking statements reflect our good faith projections, assumptions and expectations, they are not guarantees of future results. Furthermore, we disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes, except as required by applicable law. Factors that could cause our results to differ materially include but are not limited to: (1) the continued course and severity of the COVID-19 pandemic, and its direct and indirect impacts (2) general economic conditions and real estate market conditions, such as a possible recession, (3) regulatory and/or legislative changes, (4) our customers' continued interest in loans and doing business with us, (5) market conditions and investor interest in our contemplated securitizations and (6) changes in federal government fiscal and monetary policies and (7) the continued conflict in Ukraine.

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.



3Q22 Highlights

Earnings

- Net income of \$10.0 million and diluted earnings per share (EPS) of \$0.29, compared to \$8.0 million and \$0.23 per share, respectively, for 3Q21
- Core EPS⁽¹⁾ and EPS were the same in both 3Q22 and 3Q21
- Portfolio-related net interest income⁽²⁾ totaled \$28.9 million, an increase of 8.5% from \$26.6 million in 3Q21
- NPL recovery rate of 105.9%, compared to 103.5% for 3Q21

Production & Loan Portfolio

- Loan production in 3Q22 totaled \$457.3 million in UPB, an increase of 34.2% from \$340.7 million in UPB in 3Q21
 - Loan production volume for the 9 mos. of 2022 was \$1.5 billion in UPB, compared to \$0.8 billion over the same period in 2021
- October originations of \$105.0 million in UPB with a weighted average coupon of 9.8%
- Nonperforming loans as a % of the HFI portfolio was 7.4% as of September 30, 2022, down from 12.7% as of September 30, 2021

Financing & Capital

- Completed the VCC 2022-4 VCC securitization in August totaling \$308.7 million of securities issued, comprised of Investor 1-4 and Traditional Commercial long-term loans
- Liquidity⁽³⁾ of \$96.0 million as of September 30, 2022
- Total warehouse line capacity was \$810 million as of September 30, 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) Liquidity includes unrestricted cash and cash equivalents of \$26.4 million, available liquidity in unfinanced loans of \$59.6 million and \$10.0 million of available securities repurchase financing.

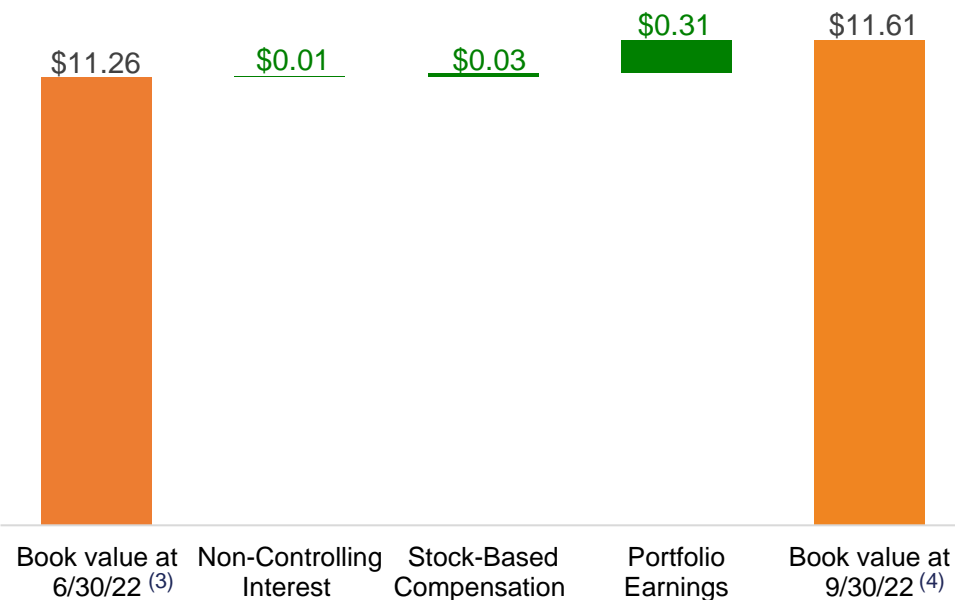


Core Income and Book Value Per Share

Core Income⁽¹⁾

GAAP Net Income	\$9,983
Core Net Income	\$9,983

Book Value Per Share⁽²⁾



- Core net income and GAAP net income were both \$10.0 million
- Book value per share as of September 30, 2022, was \$11.61⁽⁴⁾, compared to \$11.26⁽³⁾ as of June 30, 2022

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

⁽²⁾ Book value per share is the ratio of total equity divided by total shares outstanding. Total equity included non-controlling interest of \$3.92 million as of September 30, 2022, and \$3.62 million as of June 30, 2022.

⁽³⁾ Based on 31,912,721 common shares outstanding as of June 30, 2022 and excludes unvested shares of common stock authorized for incentive compensation.

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

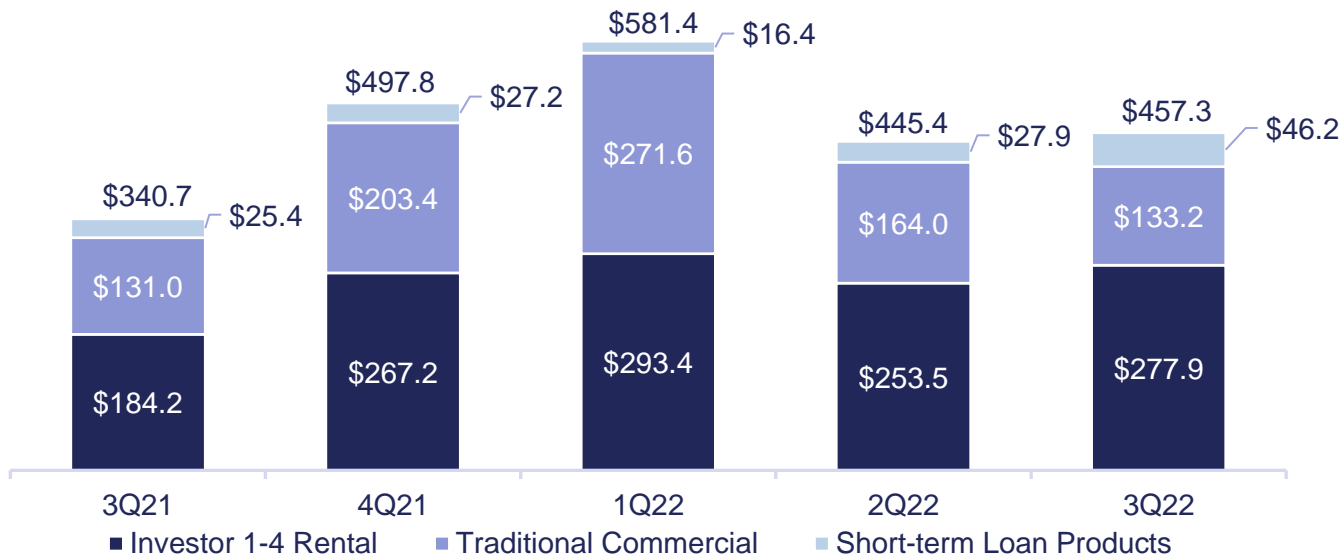
Loan Production

Strong Demand For Investor Loans Continues in 3Q22

- Loan production in 3Q22 totaled \$457.3 million in UPB, compared to \$445.4 million in UPB in 2Q22 and \$340.7 million in UPB in 3Q21
 - Quarter over Quarter:** 3Q22 production increased 2.7% from 2Q22 levels despite higher interest rates, underscoring continued strong demand for investor loans
 - Year over Year:** Increase of 34.2%, driven primarily by 50.9% growth in Investor 1-4 long-term loans
- The WAC⁽¹⁾ on 3Q22 HFI loan production was 8.89%, an increase of 114 bps from 2Q22 and 184 bps from 3Q21

Loan Production Volume

(\$ of UPB in millions)



Units	747	1,062	1,167	1,072	1,064
Average loan balance	\$ 456.0	\$ 468.6	\$ 498.2	\$ 416.0	\$ 429.8

⁽¹⁾ Weighted Average Coupon (WAC)

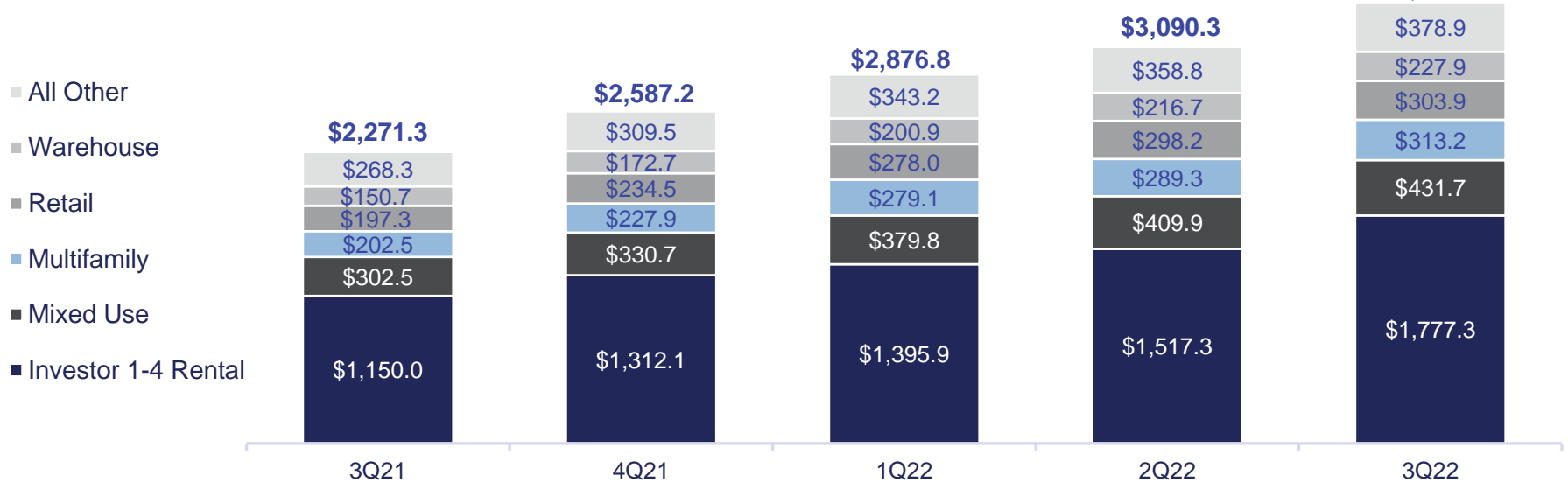
Loan Portfolio

Strong Portfolio Growth Continues Driven by Investor 1-4 Rental

- The total loan portfolio was \$3.4 billion in UPB as of September 30, 2022, a 11.1% increase from \$3.1 billion in UPB as of June 30, 2022, and 51.1% from \$2.3 billion as of September 30, 2021
- The WAC⁽¹⁾ of the portfolio was 7.71% as of September 30, 2022, up from 7.53% as of June 30, 2022, and down from 8.10% as of September 30, 2021

Loan Portfolio by Property Type

(UPB in millions)



	3Q21	4Q21	1Q22	2Q22	3Q22
Loan to Value	67.22%	67.66%	67.88%	68.16%	68.66%
Loan Count	6,430	6,964	7,365	7,779	8,476
WAC ⁽¹⁾	8.10%	7.76%	7.50%	7.53%	7.71%
Average Loan Balance ⁽²⁾	\$353.2	\$371.5	\$390.6	\$397.3	\$405.0

⁽¹⁾ Weighted Average Coupon

⁽²⁾ \$ in thousands.

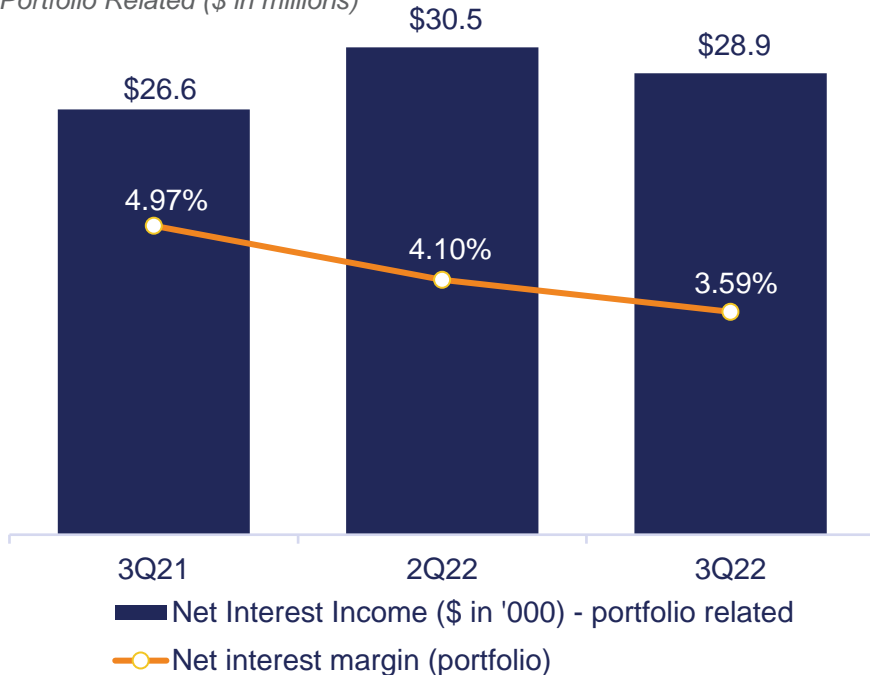
Net Interest Margin

Portfolio NIM Lower from Higher Debt Costs; Lower Coupon Production Earlier in 2022

- Portfolio NIM⁽¹⁾ in 3Q22 was 3.59%, down 51 bps from 4.10% in 2Q22 and 138 bps from 4.97% in 3Q21
 - Loan Yield:** The decrease was driven by record loan production volume earlier this year in a lower interest rate environment. Higher coupons on recent production and rising interest income from ARM loan rate resets⁽²⁾ expected to increase loan yields
 - Cost of Funds:** Driven by higher costs on securitizations issued in 2022 and higher interest rates on warehouse financing

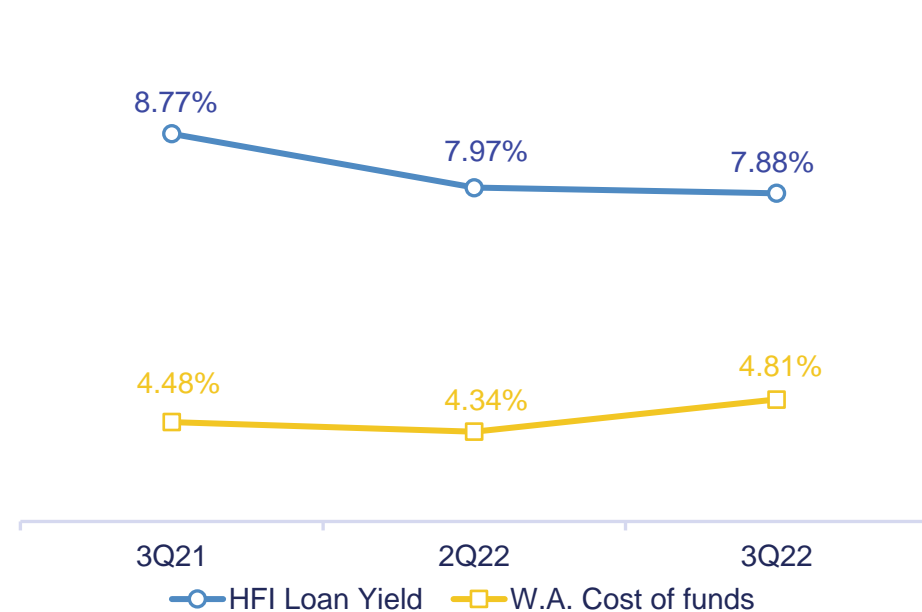
Portfolio Net Interest Income & NIM⁽¹⁾

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.
⁽²⁾ Adjustable-Rate Mortgages (ARMs) comprised 20% of Velocity's HFI portfolio as of September 30, 2022.

3Q22 Asset Resolution Activity

Strong NPL Loan Resolutions Drive Higher Gains and Lower Delinquencies

Resolution Activity

RESOLUTION ACTIVITIES

LONG-TERM LOANS

RESOLUTION ACTIVITY (\$ in thousands)	THIRD QUARTER 2022		THIRD QUARTER 2021	
	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$
Paid in full	\$ 16,175	\$ 967	\$ 13,353	\$ 1,251
Paid current	11,410	182	7,722	79
REO sold (a)	3,171	250	4,680	31
Total resolutions	\$ 30,756	\$ 1,399	\$ 25,755	\$ 1,361
Resolutions as a % of nonperforming UPB	104.5%		105.3%	

SHORT-TERM AND FORBEARANCE LOANS

RESOLUTION ACTIVITY (\$ in thousands)	THIRD QUARTER 2022		THIRD QUARTER 2021	
	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$
Paid in full	\$ 8,691	\$ 396	\$ 8,960	\$ 664
Paid current	2,075	-	25,141	29
REO sold	3,672	865	104	47
Total resolutions	\$ 14,438	\$ 1,261	\$ 34,205	\$ 740
Resolutions as a % of nonperforming UPB	108.7%		102.2%	
Grand total resolutions	\$ 45,194	\$ 2,660	\$ 59,960	\$ 2,101
Grand total resolutions as a % of nonperforming UPB	105.9%		103.5%	

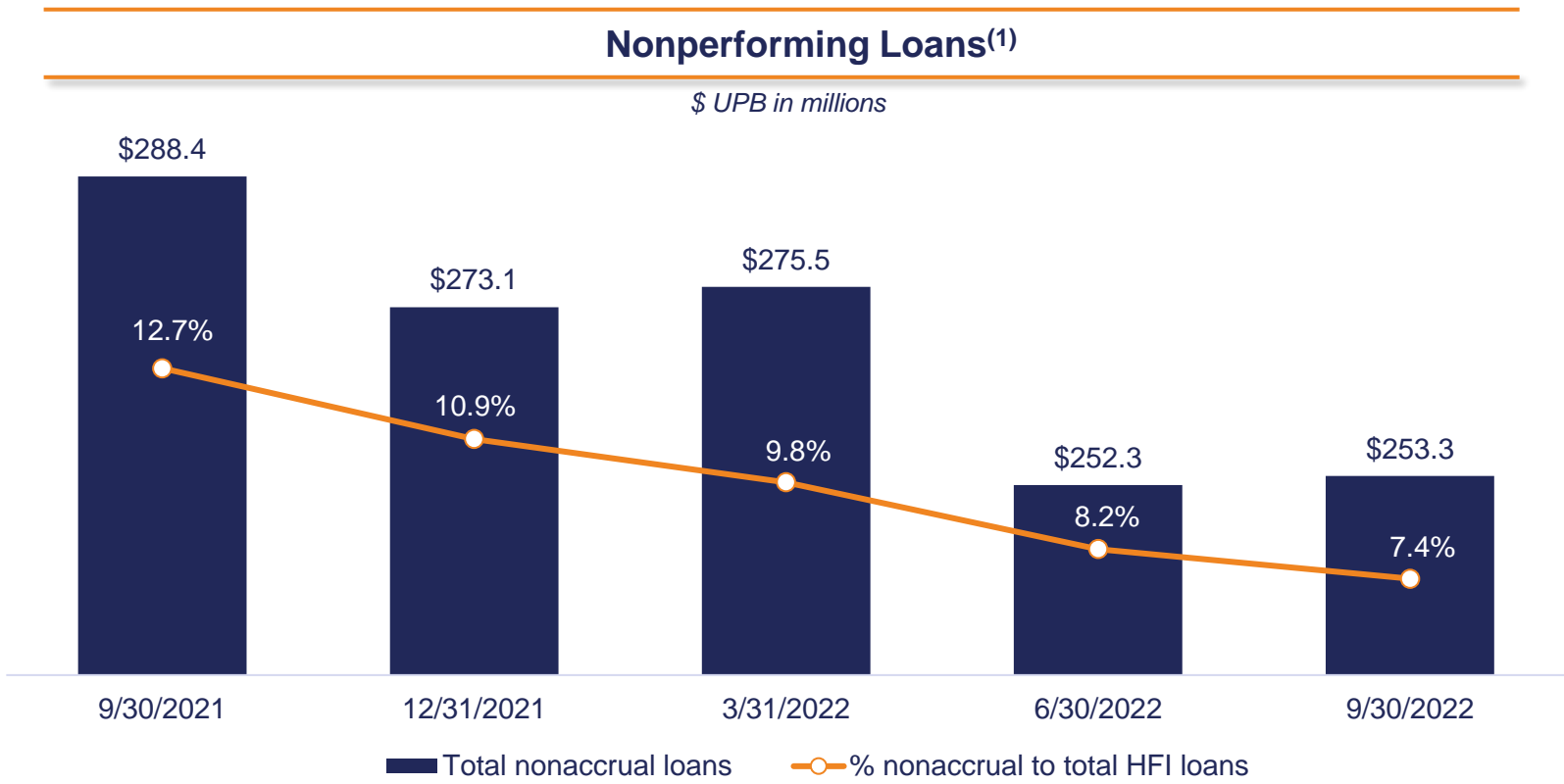
^(a) There was an REO property held since January 2019 that was sold during the quarter ended September 30, 2021, with a total lifetime loss of \$1.7 million, all of which was recognized in prior periods.

- Total NPL resolution activities in 3Q22 totaled \$45.2 million in UPB and realized net gains of \$2.7 million, or 105.9% of UPB resolved, compared to \$60.0 million in UPB and net gains of \$2.1 million, or 103.5% of UPB resolved in 3Q21
 - Long-term loan resolutions in 3Q22 totaled \$30.8 million in UPB and realized gains of \$1.4 million, compared to \$25.8 million in UPB and realized gains of \$1.4 million in 3Q21
 - Short-term loan resolutions in 3Q22 totaled \$14.4 million in UPB and realized gains of \$1.3 million, compared to \$34.2 million in UPB and realized gains of \$0.74 million in 3Q21

Loan Investment Portfolio Performance

HFI Portfolio Performance Improvement Continued in 3Q22

- Nonperforming loans totaled \$253.3 million in UPB as of September 30, 2022, or 7.4% of total loans held for investment, compared to \$252.3 million and 8.2%, respectively, as of June 30, 2022, and \$288.4 million and 12.7%, respectively, as of September 30, 2021
 - For 3Q22, NPL resolution activity represented 17.9% of nonperforming loan UPB as of June 30, 2022



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

CECL Reserve and Charge-Offs

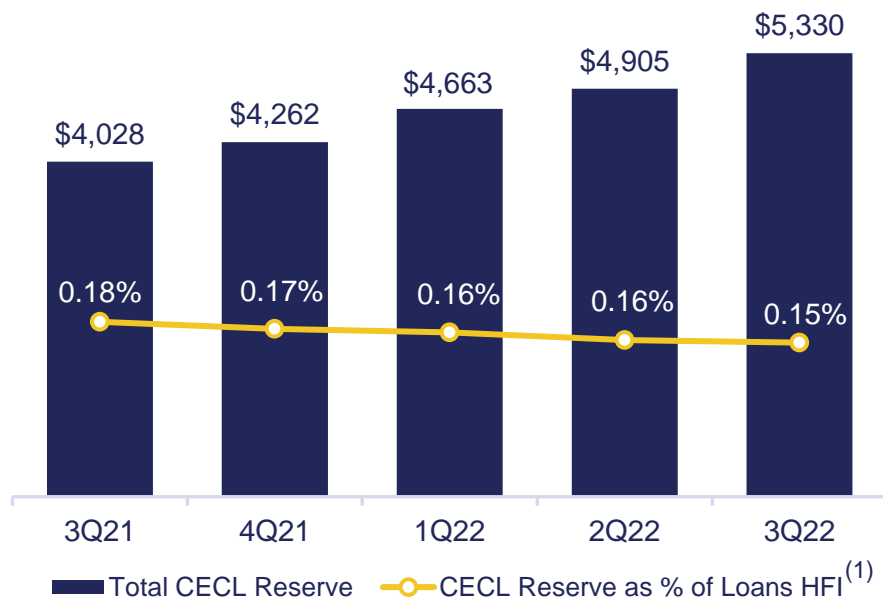
Performance Consistent, Reserve Build Reflects Growth and Macroeconomic Outlook

- Velocity's CECL reserve totaled \$5.3 million as of September 30, 2022, an 8.7% increase from \$4.9 million as of June 30, 2022, and a 32.3% increase from \$4.0 million as of September 30, 2021
 - Reserve growth driven by portfolio growth and macroeconomic outlook
- Charge-offs in 3Q22 totaled \$155.0 thousand compared to \$37.0 thousand in 2Q22, and \$162.1 thousand in 3Q21
 - Charge-offs in 3Q22 were in-line with trailing five quarter charge-off average of \$165.0 thousand per quarter

Loan Loss Reserve

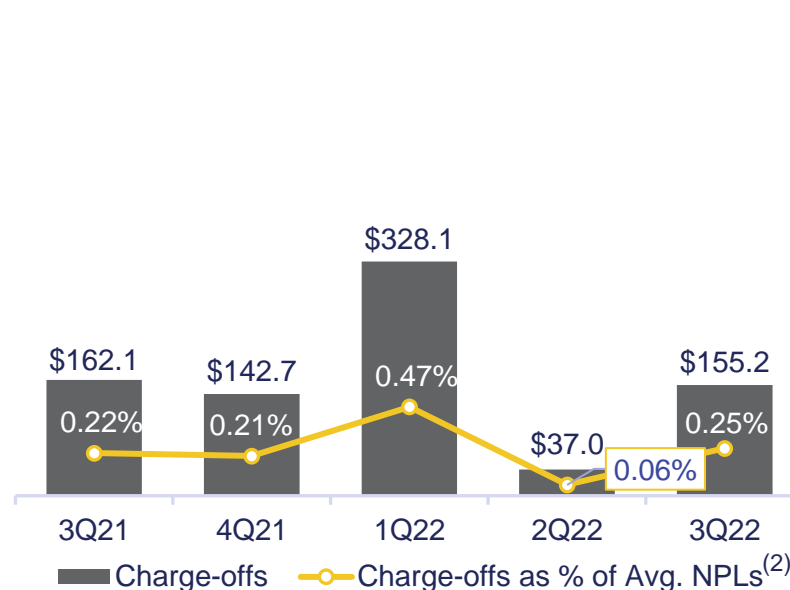
At Period End

\$ in thousands



Charge-offs

Quarterly Periods



⁽¹⁾ Amortized cost

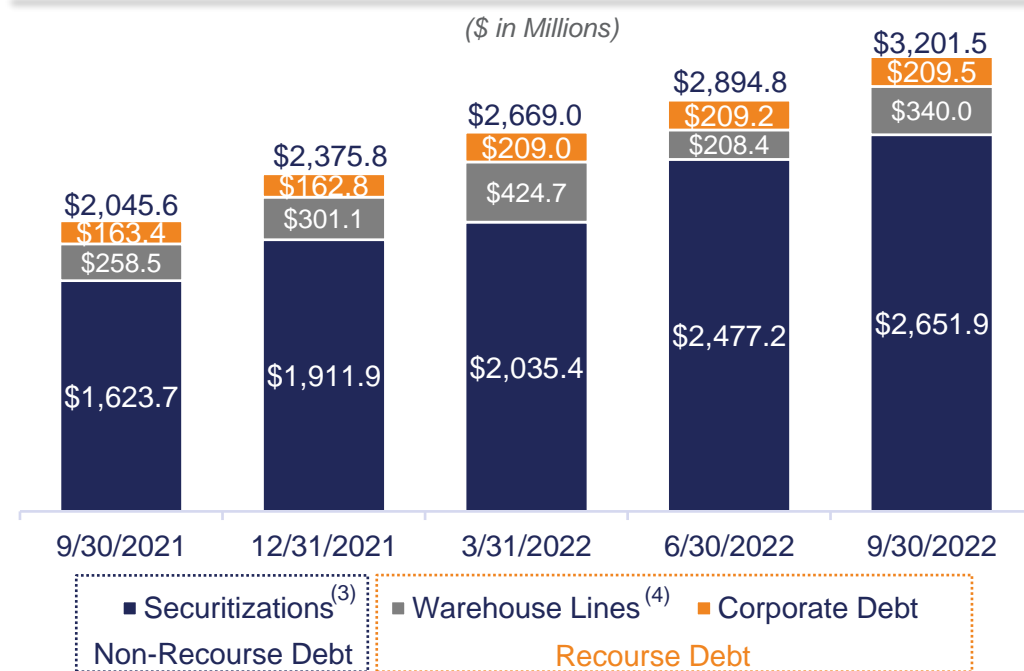
⁽²⁾ Reflects the annualized quarterly charge-offs to average nonperforming loans for the period.

Durable Funding and Liquidity Strategy

Five Securitizations Issued in 2022⁽¹⁾; Significant Reserves and Warehouse Capacity

- Cash reserves and unfinanced collateral of \$96.0 million as of September 30, 2022
- Available warehouse line capacity of \$468.6 million as of September 30, 2022
- Recourse debt to equity was 1.5X as of September 30, 2022, compared to 1.2X as of June 30, 2022, resulting from the increase in warehouse line utilization – which was subsequently paid down with the October securitization
- Outstanding debt was \$3.2 billion as of September 30, 2022, a Q/Q increase of \$306.6 million
 - No maturities of long-term debt until 2027

Outstanding Debt Balances⁽²⁾



Debt / Equity	6.2X	6.9X	7.7X	8.1X	8.6X
Recourse Debt / Equity	1.3X	1.3X	1.8X	1.2X	1.5X
Securitizations Issued	1	2	1	3	1
Max. Warehouse Line Capacity	\$550	\$650	\$650	\$750	\$810

⁽¹⁾ Through September 30, 2022.

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

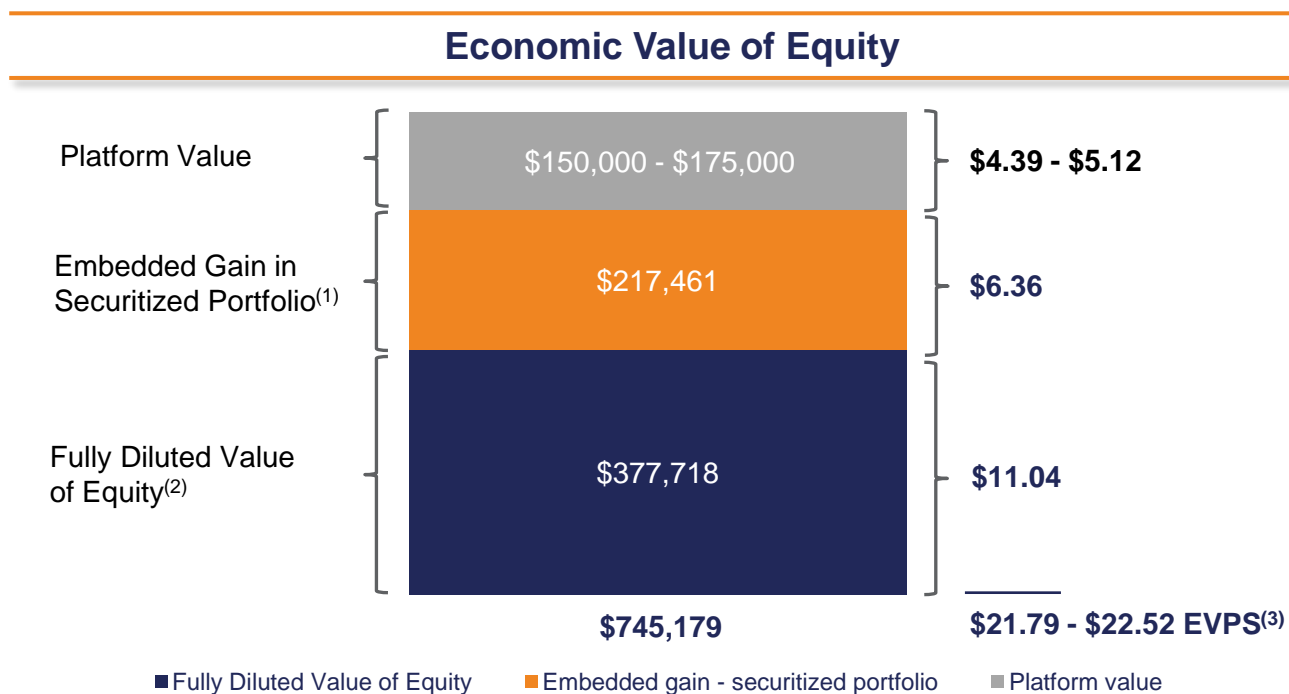
⁽³⁾ Represents the remaining balance of securitization issuances outstanding net of issuance costs and discounts as of period end.

⁽⁴⁾ As of 9/30/22, five of six 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 between \$150MM - \$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 \$67,001,397 of deferred loan origination costs and securitization deal costs

⁽²⁾ Fully Diluted Value of Equity assumes 9/30/2022 GAAP Book Value of Stockholders' Equity of \$366.8MM + \$10.9MM from pro forma exercise of all warrants.

⁽³⁾ Economic Value of Equity per Share ("EVPS") calculated using 34,199,336 weighted average shares outstanding assuming dilution impact based on Velocity's average stock price for Q3 2022.



Outlook for Velocity's Key Business Drivers

Investor Loan Market Remain Resilient

MARKET

- Demand for investor properties to remain resilient despite higher rates
- Real Estate prices expected to reverse modestly through early 2023

CREDIT

- Macroeconomic and geopolitical risk remains elevated
- Credit spreads likely to remain volatile
- Expect continued positive recoveries from NPL's

CAPITAL

- Targeting next securitization in early 2023
 - Six completed in 2022⁽¹⁾
- Non MTM warehouse capacity \$307 million⁽²⁾
- Strong balance sheet and liquidity position

EARNINGS

- Core earnings from locked-in portfolio spread
 - Higher coupons on new production to moderate NIM compression
- Pace of organic portfolio / expense growth to slow from 2022 levels
- Continuing to assess strategic opportunities

⁽¹⁾ Through October 31, 2022

⁽²⁾ As of September 30, 2022.



Appendix



Velocity Financial, Inc. Balance Sheet

	Quarter Ended				
	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
<i>(In thousands)</i>					
Assets					
Cash and cash equivalents	\$ 26,372	\$ 46,250	\$ 36,629	\$ 35,965	\$ 35,497
Restricted cash	14,533	9,217	10,837	11,639	9,586
Loans held for sale, net	-	-	77,503	87,908	-
Loans held for sale, at fair value	16,569	-	-	-	-
Loans held for investment, at fair value	926	1,351	1,352	1,359	1,360
Loans held for investment	3,445,563	3,118,799	2,828,302	2,527,564	2,295,697
Total loans, net	3,463,058	3,120,149	2,907,156	2,616,831	2,297,056
Accrued interest receivables	18,333	15,820	14,169	13,159	11,974
Receivables due from servicers	66,992	75,688	78,278	74,330	57,058
Other receivables	1,962	1,320	4,527	1,812	870
Real estate owned, net	13,188	19,218	16,177	17,557	17,905
Property and equipment, net	3,495	3,632	3,690	3,830	3,348
Deferred tax asset	4,337	15,195	16,477	16,604	17,026
Mortgage Servicing Rights, at fair value	9,868	8,438	7,661	7,152	-
Goodwill	6,775	6,775	6,775	6,775	-
Other assets	18,453	11,036	7,345	6,824	6,843
Total Assets	\$ 3,647,366	\$ 3,332,738	\$ 3,109,721	\$ 2,812,478	\$ 2,457,163
Liabilities and members' equity					
Accounts payable and accrued expenses	\$ 75,150	\$ 78,384	\$ 92,768	\$ 92,195	\$ 79,360
Secured financing, net	209,537	209,227	208,956	162,845	163,449
Securitizations, net	2,651,895	2,477,226	2,035,374	1,911,879	1,623,674
Warehouse & repurchase facilities	340,050	208,390	424,692	301,069	258,491
Total Liabilities	3,276,632	2,973,227	2,761,790	2,467,988	2,124,974
Mezzanine Equity					
Series A Convertible preferred stock		-	-	-	90,000
Stockholders' Equity					
Stockholders' equity	366,810	355,895	344,441	341,109	242,190
Noncontrolling interest in subsidiary	3,924	3,617	3,491	3,381	-
Total equity	370,734	359,512	347,932	344,490	242,190
Total Liabilities and members' equity	\$ 3,647,366	\$ 3,332,739	\$ 3,109,722	\$ 2,812,478	\$ 2,457,164
Book value per share	\$ 11.61	\$ 11.26	\$ 10.90	\$ 10.84	\$ 12.05
Shares outstanding	31,922	31,922	31,913	31,787	20,098



Velocity Financial, Inc. Income Statement (Quarter)

(\$ in thousands)	Quarter Ended				
	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021
Revenues					
Interest income	\$ 63,419	\$ 59,243	\$ 52,049	\$ 49,360	\$ 46,923
Interest expense - portfolio related	34,561	28,752	23,556	23,666	20,321
Net interest income - portfolio related	28,858	30,491	28,493	25,694	26,602
Interest expense - corporate debt	4,011	4,182	17,140	4,462	4,488
Net interest income	24,847	26,309	11,353	21,232	22,114
Provision for loan losses	580	279	730	377	228
Net interest income after provision for loan losses	24,267	26,030	10,623	20,855	21,886
Other operating income					
Gain on disposition of loans	399	1,776	4,540	2,357	306
Unrealized gain/(loss) on fair value loans	453	6	11	11	0
Other income (expense)	1,657	1,257	1,097	249	33
Other operating income (expense)	2,509	3,039	5,648	2,617	339
Total net revenues	26,776	29,070	16,271	23,472	22,225
Operating expenses					
Compensation and employee benefits	6,788	6,553	5,323	4,720	4,738
Rent and occupancy	445	426	442	429	447
Loan servicing	3,314	3,290	2,450	2,480	2,014
Professional fees	664	1,062	1,362	1,716	736
Real estate owned, net	(195)	(251)	(175)	417	1,186
Other operating expenses	1,711	3,199	2,848	2,333	2,177
Total operating expenses	12,727	14,279	12,250	12,095	11,298
Income before income taxes	14,049	14,790	4,021	11,377	10,927
Income tax expense	3,759	4,019	790	3,024	2,905
Net income	10,290	10,771	3,231	8,353	8,022
Net income attributable to noncontrolling interest	307	126	110	-	-
Net income attributable to Velocity Financial, Inc.	9,983	10,645	3,121	8,353	8,022
Less undistributed earnings attributable to participating securities	152	164	48	362	3,030
Net earnings attributable to common stockholders	\$ 9,831	\$ 10,481	\$ 3,073	\$ 7,991	\$ 4,992
Basic earnings (loss) per share	\$ 0.31	\$ 0.33	\$ 0.10	\$ 0.26	\$ 0.25
Diluted earnings (loss) per common share	\$ 0.29	\$ 0.31	\$ 0.09	\$ 0.24	\$ 0.23
Basic weighted average common shares outstanding	31,922	31,917	31,892	30,897	20,090
Diluted weighted average common shares outstanding	34,199	34,057	34,204	34,257	34,212

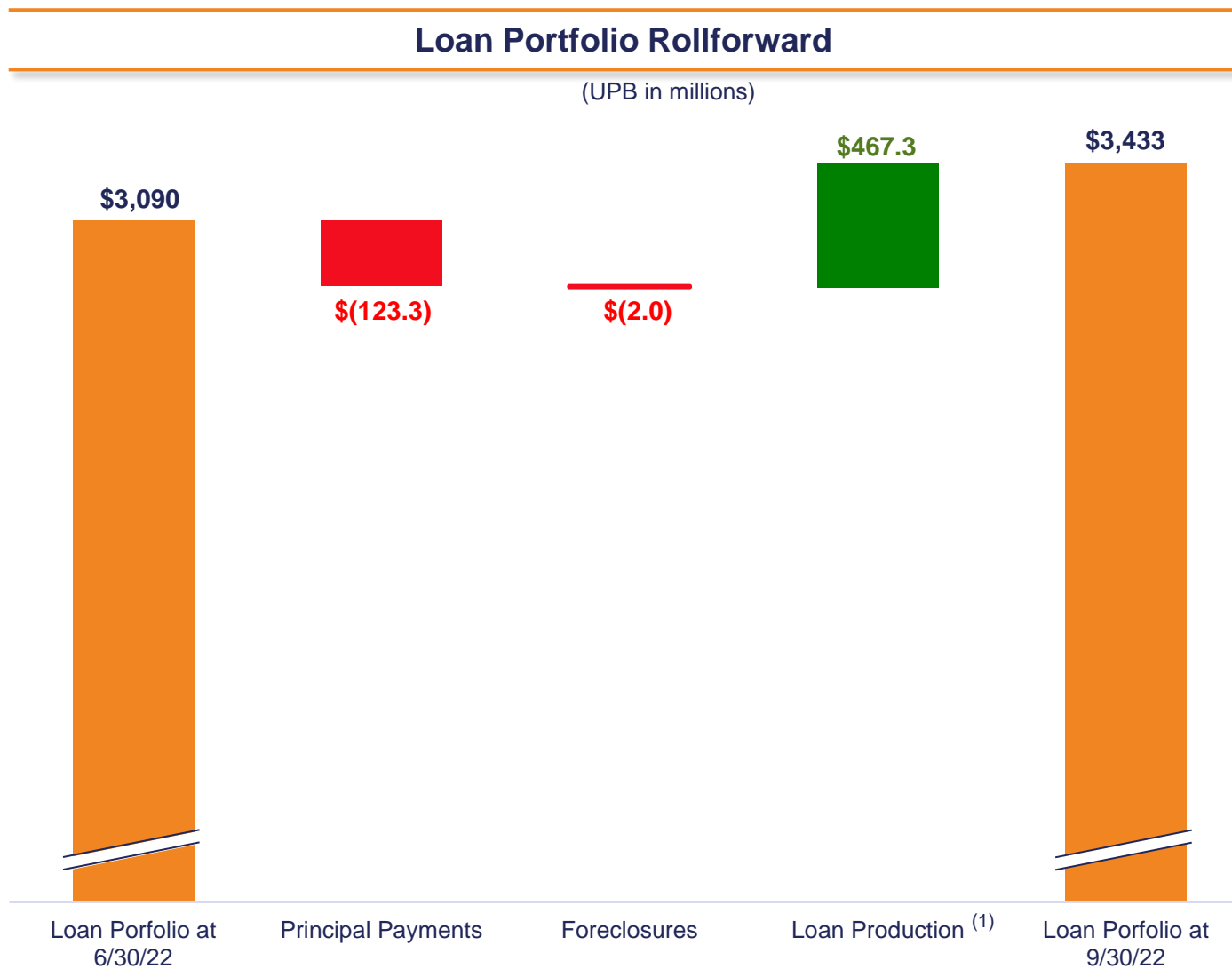


HFI Portfolio Delinquency Trends

(\$ in thousands)	September 30, 2021		December 31, 2021		March 31, 2022		June 30, 2022		September 30, 2022	
	\$	%	\$	%	\$	%	\$	%	\$	%
Performing/Accruing:										
Current	\$ 1,878,555	82.7%	\$ 2,068,023	82.7%	\$ 2,388,442	85.3%	\$ 2,692,799	87.1%	\$ 2,966,765	86.8%
30-59 days past due	81,893	3.6%	127,046	5.1%	94,058	3.4%	105,808	3.4%	121,528	3.6%
60-89 days past due	22,410	1.0%	31,629	1.3%	41,960	1.5%	39,398	1.3%	74,714	2.2%
90+ days past due	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total performing loans HFI	1,982,858	87.3%	2,226,698	89.1%	2,524,460	90.2%	2,838,005	91.8%	3,163,007	92.6%
Nonperforming/Nonaccrual:										
<90 days past due	23,195	1.0%	19,533	0.8%	26,044	0.9%	16,878	0.6%	18,291	0.5%
90+ days past due	48,364	2.1%	35,787	1.4%	27,472	1.0%	20,341	0.7%	26,705	0.8%
Bankruptcy	19,983	0.9%	20,038	0.8%	18,334	0.7%	19,560	0.6%	15,899	0.5%
In foreclosure	196,893	8.7%	197,742	7.9%	203,637	7.3%	195,474	6.3%	192,446	5.6%
Total nonperforming loans HFI	288,436	12.7%	273,100	10.9%	275,487	9.8%	252,253	8.2%	253,341	7.4%
Total loans held for investment	\$ 2,271,294	100%	\$ 2,499,798	100%	\$ 2,799,947	100%	\$ 3,090,258	100%	\$ 3,416,348	100%



Loan Portfolio Rollforward



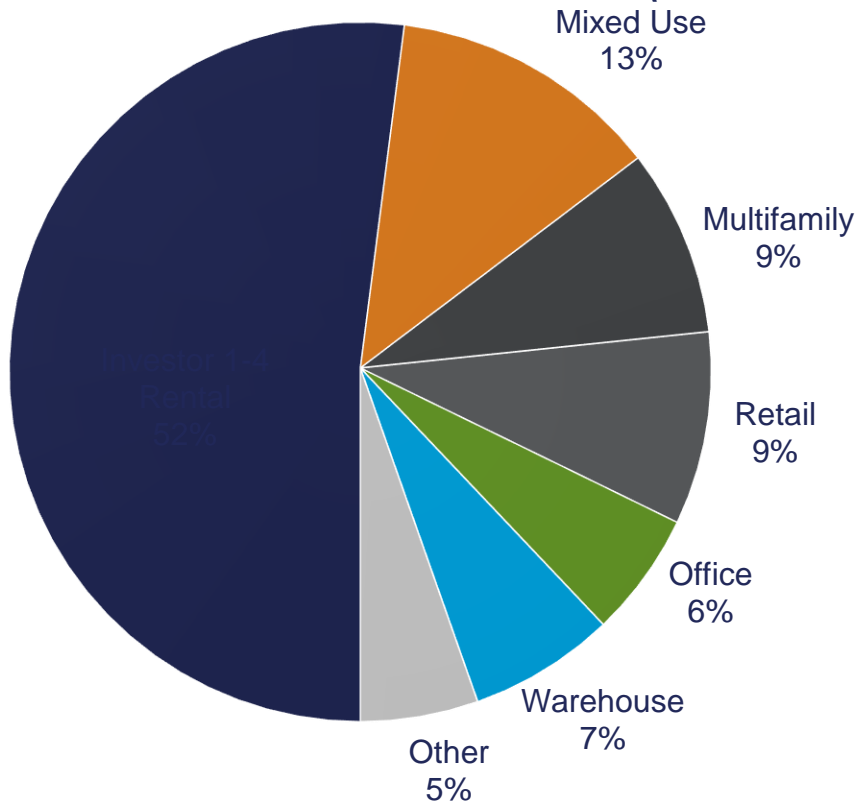
⁽¹⁾ Includes \$1.29 million in UPB of repurchased loans and \$10.01 million in UPB of loan acquisitions.



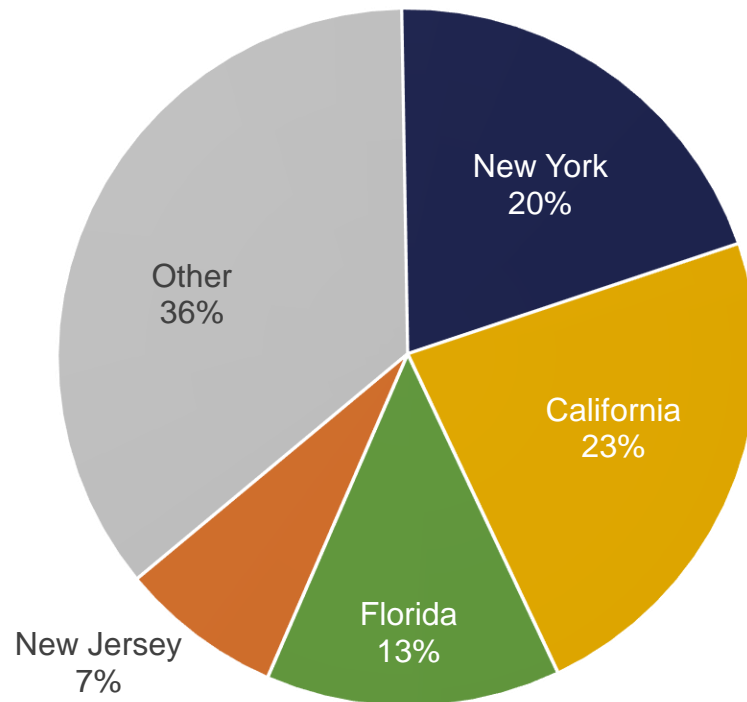
HFI Loan Portfolio

Portfolio by Property Type

(100% = \$3.42 billion UPB)⁽¹⁾



Portfolio by State



⁽¹⁾ As of September 30, 2022



Adjusted Financial Metric Reconciliation:

Adjusted Financial Metric Reconciliation to GAAP Net Income

Core Income	Quarter Ended				
	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021
Net Income	\$ 9,983	\$ 10,645	\$ 3,121	\$ 8,353	\$ 8,022
Deal cost write-off - collapsed securitizations	-	-	-	\$ 1,104	-
One-time Century Health & Housing Capital deal costs	-	-	-	\$ 624	-
Corporate debt refinancing costs	-	-	\$ 9,286	-	-
Core Income	\$ 9,983	\$ 10,645	\$ 12,407	\$ 10,081	\$ 8,022
Diluted weighted average common shares outstanding	34,199	34,057	34,204	34,257	34,212
Core diluted earnings per share	\$ 0.29	\$ 0.31	\$ 0.36	\$ 0.29	\$ 0.23