

Investor 1-4

Mixed-Use

Commercial

Multi-Family



1Q23 Results Presentation
May 4, 2023



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.

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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.



1Q23 Highlights

Earnings

- Net income of \$10.6 million and diluted earnings per share (EPS) of \$0.31, compared to \$3.1 million and \$0.09 per share, respectively, for 1Q22
- Core net income⁽¹⁾ of \$11.4 million and core diluted EPS⁽¹⁾ of \$0.33, compared to \$12.4 million and \$0.36 per share, respectively, for 1Q22
- NPL recovery rate of 103.5% of UPB resolved, compared to 104.8% for 1Q22
- Weighted average portfolio yield reached 8.00% for 1Q23, a 24 bps increase from 7.76% for 1Q22

Production & Loan Portfolio

- Loan production in 1Q23 totaled \$217.0 million in UPB, a decrease of 62.7% from \$581.4 million in UPB for 1Q22
- Total loan portfolio of \$3.6 billion in UPB as of March 31, 2023, an increase of 25.0% from March 31, 2022
- Nonperforming loans as a percentage of total HFI loans was 8.7% as of March 31, 2023, a decrease from 9.8% as of March 31, 2022

Financing & Capital

- VCC 2023-1 securitization in January totaling \$198.7 million of securities issued
- Liquidity⁽²⁾ of \$45.3 million as of March 31, 2023
- Total warehouse line capacity was \$831.8 million as of March 31, 2023

Subsequent to Quarter End:

- Completed the issuance of the VCC 2023-1R totaling \$64.8 million of securities issued, collateralized by retained tranches from previous VCC securitizations

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

⁽²⁾ Liquidity includes unrestricted cash and cash equivalents of \$39.4 million and available liquidity in unfinanced loans of \$5.9 million.

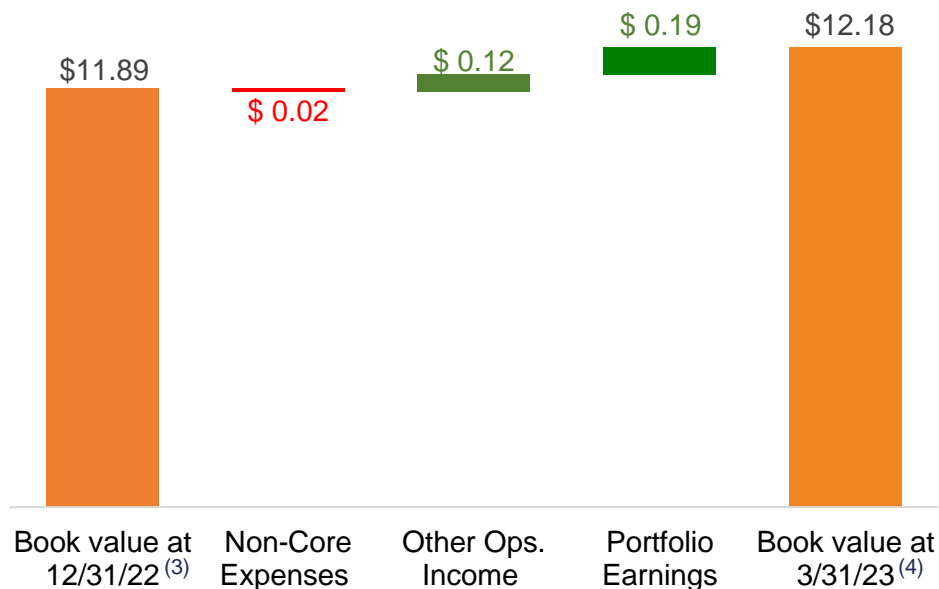


Core Income and Book Value Per Share

Core Income⁽¹⁾

GAAP Net Income	\$10,649
Equity award & ESPP costs	\$728
Core Net Income	\$11,377

Book Value Per Share⁽²⁾



- Core net income totaled \$11.4 million in 1Q23, a decrease of 8.3% from 1Q22
- Core adjustment include equity incentive compensation expenses and costs related to the Company’s employee stock purchase plan (ESPP)
- Book value per share as of March 31, 2023, was \$12.18⁽⁴⁾, compared to \$11.89⁽³⁾ as of December 31, 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 \$3.62 million as of March 31, 2023, and \$3.69 million as of December 31, 2022.

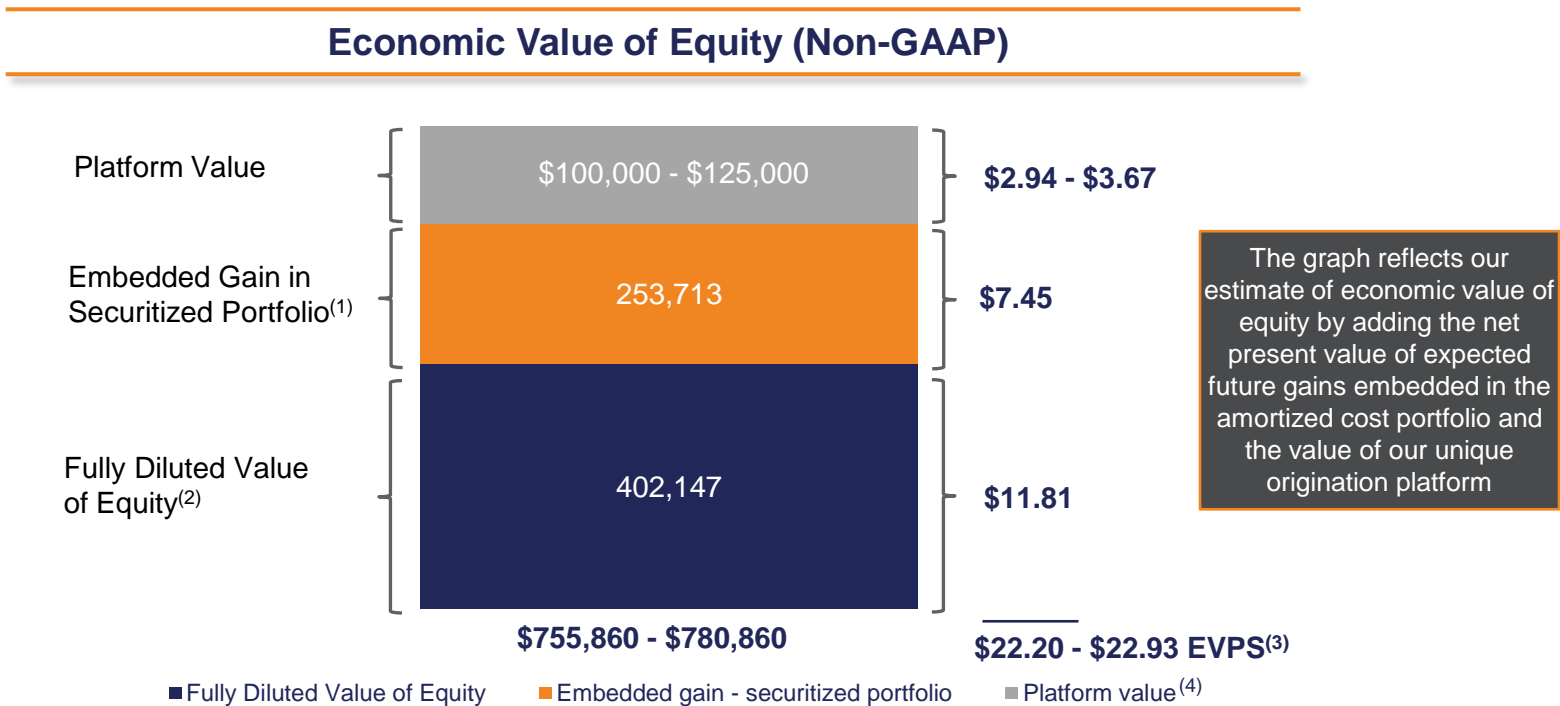
⁽³⁾ Based on 31,955,730 common shares outstanding as of December 31, 2022 and excludes unvested shares of common stock authorized for incentive compensation totaling 494,139.

⁽⁴⁾ Based on 32,111,906 common shares outstanding as of March 31, 2023 and excludes unvested shares of common stock authorized for incentive compensation totaling 490,526.

Economic Value of Equity

Fair Value Election to Capture Embedded Economic Value of Equity Over Time

- Prior to October 1, 2023, we elected to carry our retained interests in securitizations at amortized cost
- 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 ~10%+ of annual originations run rate



⁽¹⁾ Embedded gain in securitized portfolio assumes a 10% discount rate of projected securitization earnings and is net of \$60,414,613 of deferred loan origination costs and securitization deal costs

⁽²⁾ Fully Diluted Value of Equity assumes 3/31/2023 GAAP Book Value of Stockholders' Equity of \$391.2MM + \$10.9MM from pro forma exercise of all warrants.

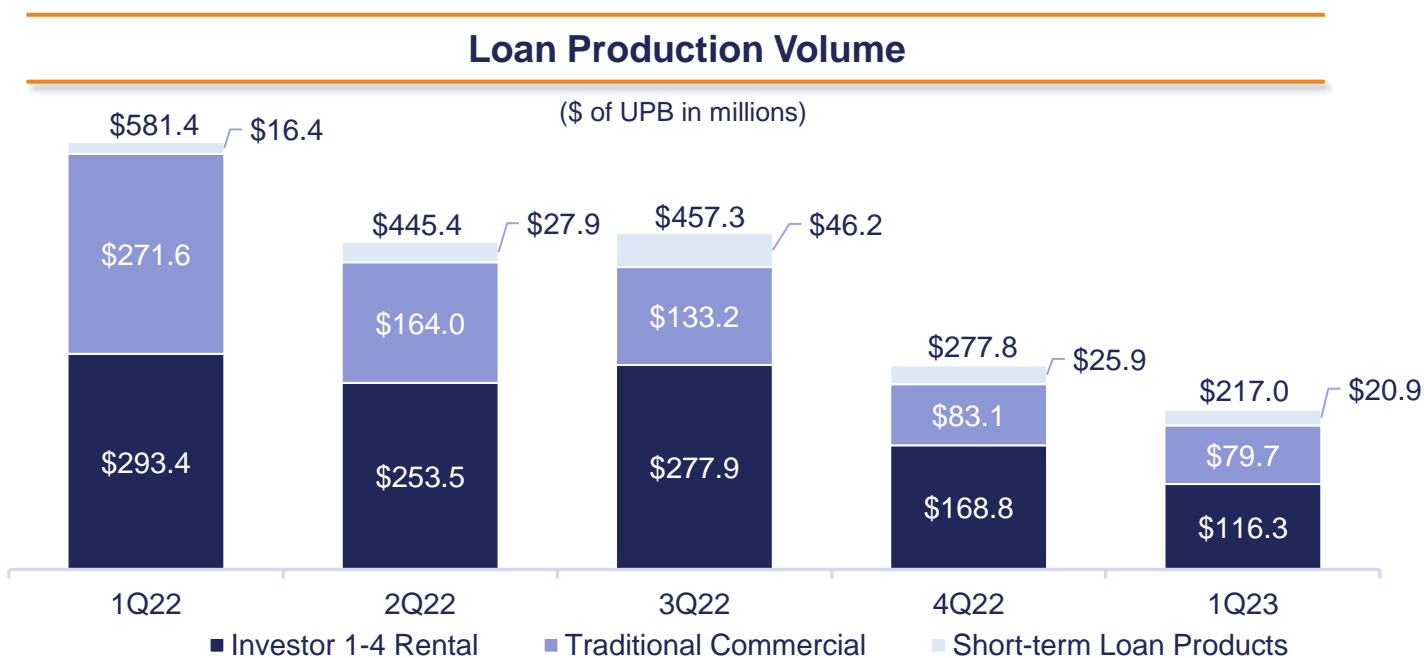
⁽³⁾ Economic Value of Equity per Share ("EVPS") calculated using 34,052,416 weighted average shares outstanding assuming dilution impact based on Velocity's average stock price for 1Q 2023.

⁽⁴⁾ 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 ~10%+ of annual origination run rate.

Loan Production

Strategic Decision to Reduce Production in 1Q23; Improvement During Quarter

- 1Q23 production reflects management's decision to strategically reduce production volume
- Loan production in 1Q23 totaled \$217.0 million in UPB, a 21.9% decrease from \$277.8 million in UPB for 4Q22 and a 62.7% decrease from \$581.4 million in UPB for 1Q22
- The WAC⁽¹⁾ on 1Q23 HFI loan production was 11.1%, an increase of 74 bps from 4Q22 and 479 bps from 1Q22



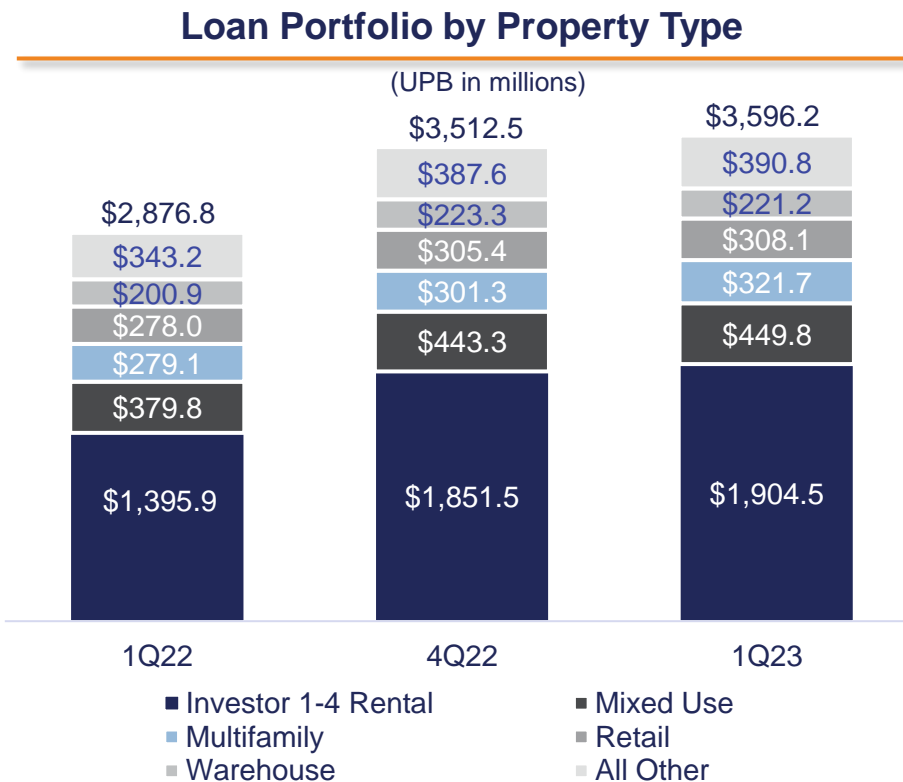
WAC ⁽¹⁾⁽²⁾	6.3%	7.8%	8.9%	10.3%	11.1%
Units	1,167	1,072	1,064	832	589
Average loan balance	\$ 498.2	\$ 416.0	\$ 429.8	\$ 319.3	\$ 368.4

⁽¹⁾ Weighted Average Coupon

Loan Portfolio

Portfolio Growth Driven by Investor 1-4 Rental and Multifamily Collateralized Loans

- The total loan portfolio was \$3.6 billion in UPB as of March 31, 2023, a 2.4% increase from \$3.5 billion in UPB as of December 31, 2022, and 25.0% from \$2.9 billion as of March 31, 2022
 - Driven by growth in loans collateralized by Investor 1-4 Rental and Multifamily properties
 - Loan prepayments totaled \$86.9 million, a 3.1% Q/Q increase, and a 37.3% decrease Y/Y
- The WAC⁽¹⁾ of the portfolio was 8.15% as of March 31, 2023, 7.95% as of December 31, 2022, and 7.50% as of March 31, 2022
- The UPB of FVO loans was \$436.6 million, or 12.2% of total HFI loans, as of March 31, 2023, an increase from \$268.6 million in UPB, or 7.65% as of December 31, 2022



Loan to Value	67.88%	68.23%	68.12%
Loan Count	7,365	8,893	9,147
WAC ⁽¹⁾	7.50%	7.95%	8.15%
Average Loan Balance ⁽²⁾	\$390.6	\$395.0	\$393.2
FVO %	0.05%	7.65%	12.20%

⁽¹⁾ Weighted Average Coupon

⁽²⁾ \$ in thousands.



1Q23 Asset Resolution Activity

NPL Loan UPB Resolutions In-line With Five-Quarter Average; Net Gains Increase Q/Q

Resolution Activity

RESOLUTION ACTIVITIES

LONG-TERM LOANS

RESOLUTION ACTIVITY (\$ in thousands)	FIRST QUARTER 2023		FOURTH QUARTER 2022		FIRST QUARTER 2022	
	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$
Paid in full	\$ 11,274	\$ 632	\$ 8,188	\$ 329	\$ 9,144	\$ 474
Paid current	18,477	233	9,648	21	7,597	117
REO sold (a)	570	137	2,404	67	2,522	469
Total resolutions	\$ 30,321	\$ 1,002	\$ 20,240	\$ 417	\$ 19,263	\$ 1,060
Resolutions as a % of nonperforming UPB	103.3%		102.1%		105.5%	

SHORT-TERM AND FORBEARANCE LOANS

RESOLUTION ACTIVITY (\$ in thousands)	FIRST QUARTER 2023		FOURTH QUARTER 2022		FIRST QUARTER 2022	
	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$
Paid in full	\$ 5,560	\$ 348	\$ 4,092	\$ 82	\$ 13,820	\$ 646
Paid current	1,633	9	457	-	3,783	39
REO sold	1,209	(21)	529	74	503	35
Total resolutions	\$ 8,402	\$ 336	\$ 5,078	\$ 156	\$ 18,106	\$ 720
Resolutions as a % of nonperforming UPB	104.0%		103.1%		104.0%	
Grand total resolutions	\$ 38,723	\$ 1,338	\$ 25,318	\$ 572	\$ 37,369	\$ 1,780
Grand total resolutions as a % of nonperforming UPB	103.5%		102.3%		104.8%	

- Total NPL and REO resolution activities in 1Q23 totaled \$38.7 million in UPB and realized net gains of \$1.3 million, or 103.5% of UPB resolved, compared to \$25.3 million in UPB and net gains of \$0.6 million, or 102.3% of UPB resolved in 4Q22, and \$37.4 million and \$1.8 million, or 104.8% of UPB resolved in 1Q22
- 1Q23 NPL resolutions represented 13.2% of nonperforming loan UPB as of December 31, 2022
- UPB of loans resolved in 1Q23 were in-line the recent five quarter resolution average of \$39.4 million

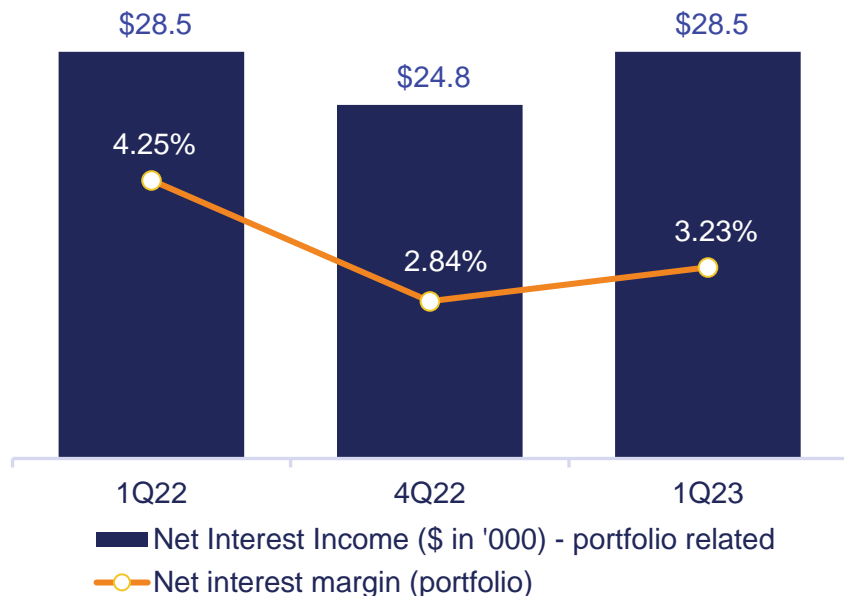
Net Interest Margin

Quarter-Over-Quarter Portfolio NIM Growth In-line With Expectations

- Portfolio NIM⁽¹⁾ in 1Q23 was 3.23%, an increase of 39 bps from 2.84% in 4Q22, and a decrease of 102 bps from 4.25% in 1Q22
- **Portfolio Yield:** Increased 49 bps from 4Q22 driven primarily by:
 - Growth in the weighted average portfolio yield, driven by higher loan coupons
 - Increased realization of delinquent/default and past due contractual interest, driven by higher NPL resolutions
- **Cost of Funds:** Increased 10 bps from 4Q22 resulting from higher warehouse and securitizations costs.

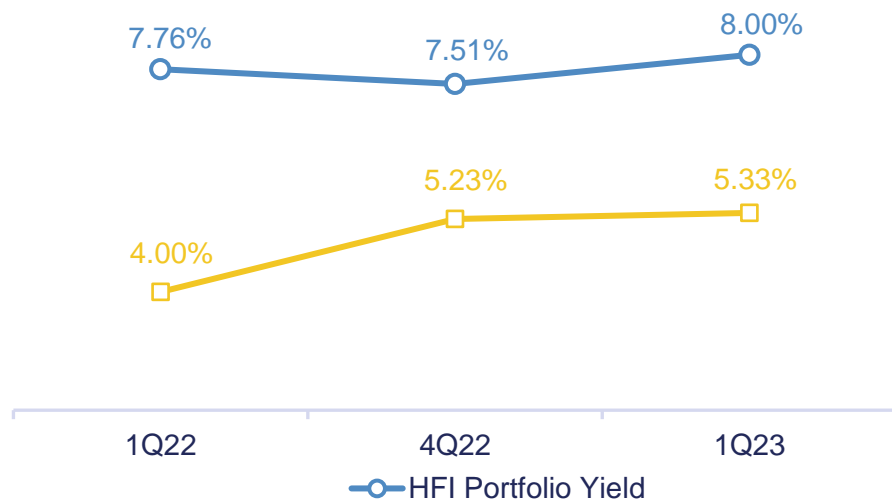
Portfolio Net Interest Income & NIM⁽¹⁾

Portfolio Related (\$ in millions)



Portfolio Yield and Cost of Funds

Portfolio Related

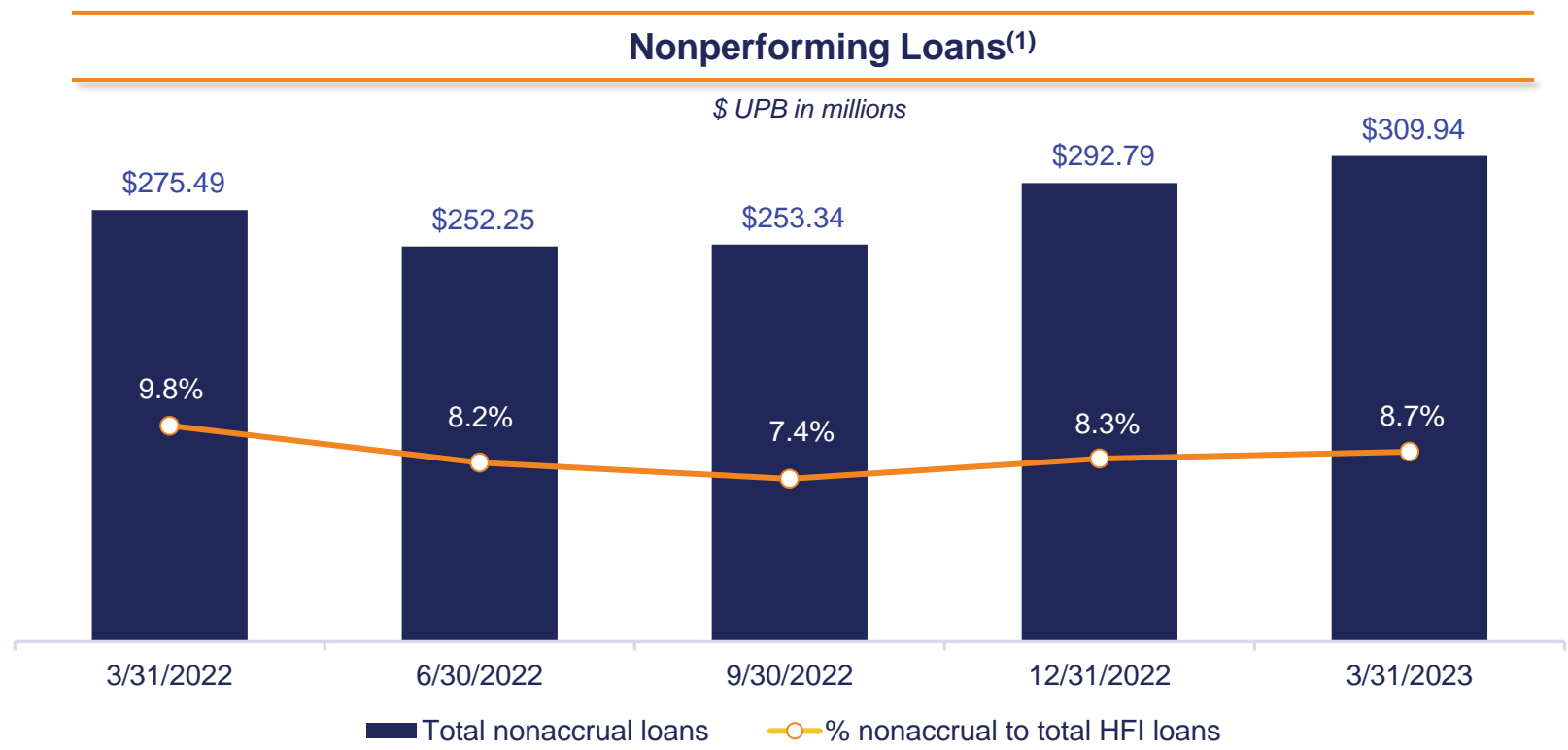


⁽¹⁾ Net Interest Income and Net Interest Margin related to the loan portfolio only; excludes corporate debt.

Loan Investment Portfolio Performance

Nonperforming Loan Rate Higher; Mitigation Through Improved Resolution Activity

- Nonperforming loans as a percentage of total HFI loans was 8.7% as of March 31, 2023, a slight increase from 8.3% as of December 31, 2022, and a decrease from 9.8% as of March 31, 2022
 - In line with management's expectations
- Expect gains on NPL resolutions to be in line with historical averages



⁽¹⁾ For additional detail, please see page 18 in the Appendix of this presentation.

CECL Reserve and Charge-Offs

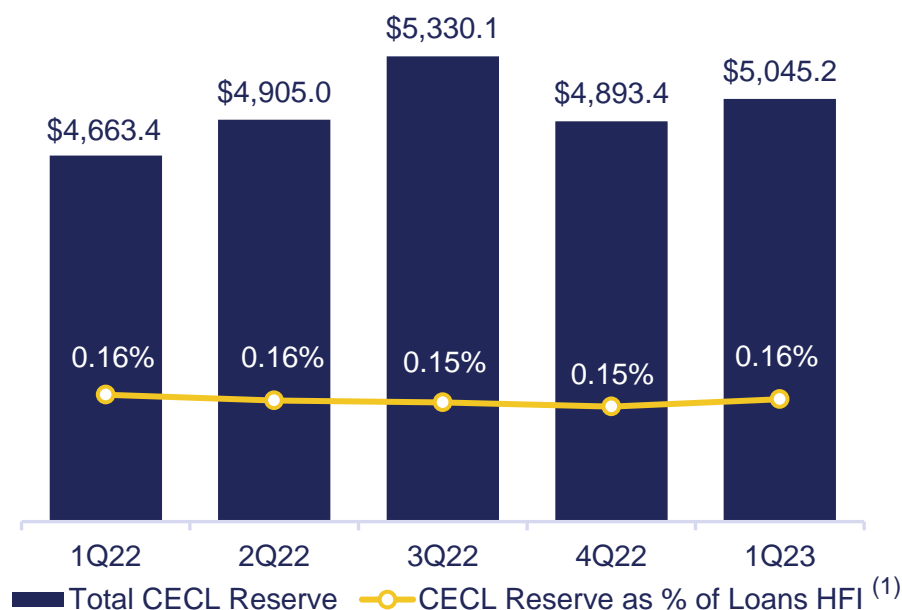
Modest Reserve Increase Based on Macroeconomic Factors

- The reserve balance was \$5.0 million as of March 31, 2023, an 3.1% increase from \$4.9 million as of December 31, 2022, and a 8.2% increase from \$4.7 million as of March 31, 2022
 - The Q/Q increase resulted from a modest increase in the reserve's macroeconomic component, partially offset by run-off of the amortized cost HFI loan portfolio. Loans carried at fair value are not subject to a CECL reserve.
- Velocity's CECL reserve rate on eligible (non-"FVO") HFI portfolio increased 1 bp Q/Q to 0.16%
- Charge-offs in 1Q23 totaled \$484.2 thousand, compared to \$0.0 in 4Q22, and \$328.1 thousand in 1Q22

Loan Loss Reserve

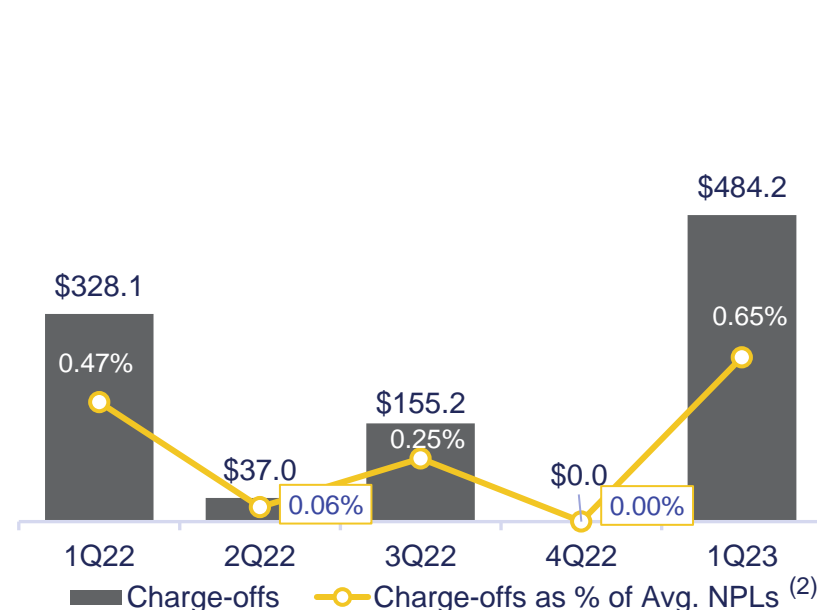
At Period End

\$ in thousands



Charge-offs

Quarterly Periods



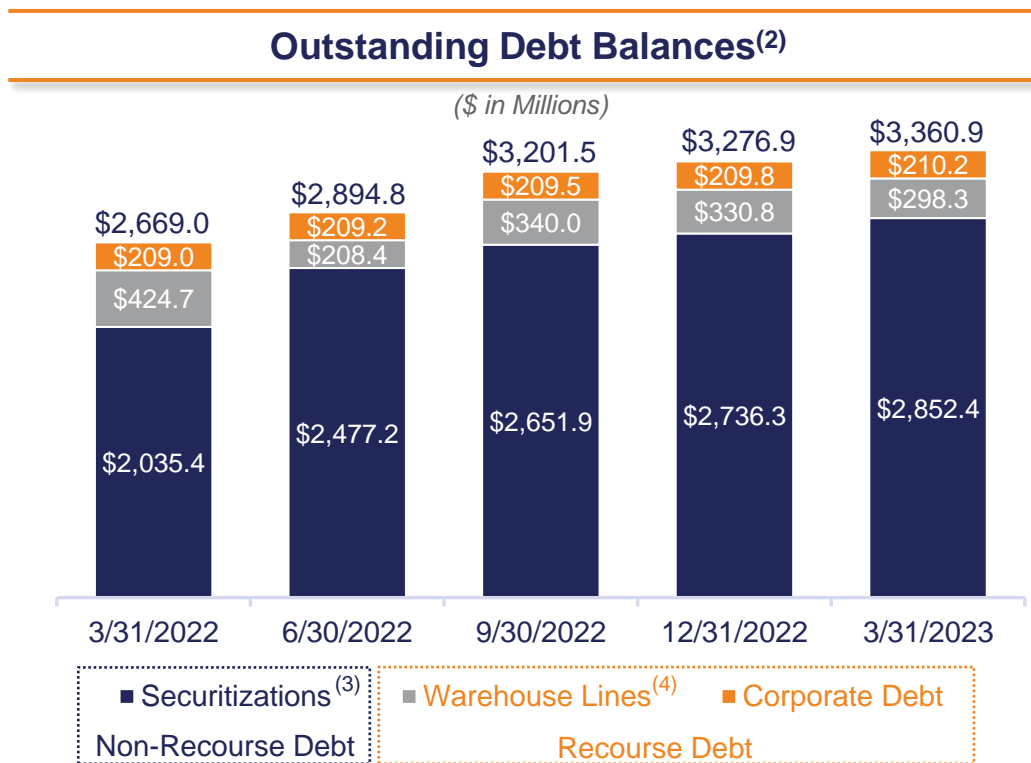
(1) Amortized cost

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

Durable Funding and Liquidity Strategy

One Securitization Issued in 1Q23⁽¹⁾; Significant Reserves and Warehouse Capacity

- Cash reserves and unfinanced collateral of \$45.3 million as of March 31, 2023
- Improved market conditions have reduced volatility and expanded options for additional sources of liquidity
- Available warehouse line capacity of \$532.9 million as of March 31, 2023
- Recourse debt to equity was 1.3X as of March 31, 2023, compared to 1.4X as of December 31, 2022, resulting from decreased warehouse line utilization
- Outstanding debt was \$3.4 billion as of March 31, 2023, a Q/Q net increase of \$83.9 million driven by the addition of the VCC 2023-1 securitization
 - No maturities of long-term debt until 2027



Debt / Equity	7.7X	8.1X	8.6X	8.6X	8.6X
Recourse Debt / Equity	1.8X	1.2X	1.5X	1.4X	1.3X
Securitizations Issued	1	3	1	1	1
Max. Warehouse Line Capacity	\$650	\$750	\$810	\$832	\$832

⁽¹⁾ Through March 31, 2023.

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

⁽³⁾ Represents the remaining balance of securitization outstanding net of issuance costs, discounts and fair value marks as of period end.

⁽⁴⁾ As of 3/31/23, five of six warehouse lines have non-mark-to-market features and staggered maturities



Outlook for Velocity's Key Business Drivers

Improving Outlook for Capital Markets and Growth

MARKET

- Possible pause from Federal Reserve, while market forecasts lower future rates
- Underlying value of small commercial and residential properties remains well-supported
- Gains on resolution activities to continue

CREDIT

- Macroeconomic and geopolitical risks increasing
- Rising foreclosure volume expected as employment contracts and the economy slows
- Credit box to remain tighter as we monitor economic activity and loan performance

CAPITAL

- Next securitization on target for mid-2Q23
- Modest market improvement evident in the successful completion of our VCC 2023-1R transaction
- Continuing to assess market opportunities to further diversity of our capital structure

EARNINGS

- Increased loan coupons and higher origination volumes expected to further improve yields
- Continuing to assess strategic opportunities



Appendix



Velocity Financial, Inc. Balance Sheet

	Quarter Ended				
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022
	Unaudited	Audited	Unaudited	Unaudited	Unaudited
<i>(In thousands)</i>					
Assets					
Cash and cash equivalents	\$ 39,397	\$ 45,248	\$ 26,372	\$ 46,250	\$ 36,629
Restricted cash	16,636	16,808	14,533	9,217	10,837
Loans held for sale, net	-	-	-	-	77,503
Loans held for sale, at fair value	18,081	-	16,569	-	-
Loans held for investment, at fair value	450,732	276,095	926	1,351	1,352
Loans held for investment	3,169,280	3,272,390	3,445,563	3,118,799	2,828,302
Total loans, net	3,638,093	3,548,485	3,463,058	3,120,150	2,907,157
Accrued interest receivables	20,931	20,463	18,333	15,820	14,169
Receivables due from servicers	64,133	65,644	66,992	75,688	78,278
Other receivables	2,188	1,075	1,962	1,320	4,527
Real estate owned, net	21,778	13,325	13,188	19,218	16,177
Property and equipment, net	3,209	3,356	3,495	3,632	3,690
Deferred tax asset	2,543	5,033	4,337	15,195	16,477
Mortgage Servicing Rights, at fair value	9,143	9,238	9,868	8,438	7,661
Goodwill	6,775	6,775	6,775	6,775	6,775
Other assets	12,268	13,525	18,453	11,036	7,345
Total Assets	\$ 3,837,094	\$ 3,748,975	\$ 3,647,366	\$ 3,332,739	\$ 3,109,722
Liabilities and members' equity					
Accounts payable and accrued expenses	\$ 84,976	\$ 91,525	\$ 75,150	\$ 78,384	\$ 92,768
Secured financing, net	210,155	209,846	209,537	209,227	208,956
Securitized, net	2,657,469	2,736,290	2,651,895	2,477,226	2,035,374
Securitized at Fair Value	194,941	-	-	-	-
Warehouse & repurchase facilities	298,313	330,814	340,050	208,390	424,692
Total Liabilities	3,445,854	3,368,475	3,276,632	2,973,227	2,761,790
Stockholders' Equity					
Stockholders' equity	387,624	376,811	366,810	355,895	344,441
Noncontrolling interest in subsidiary	3,616	3,689	3,924	3,617	3,491
Total equity	391,240	380,500	370,734	359,512	347,932
Total Liabilities and members' equity	\$ 3,837,094	\$ 3,748,975	\$ 3,647,366	\$ 3,332,739	\$ 3,109,722
Book value per share	\$ 12.18	\$ 11.89	\$ 11.61	\$ 11.26	\$ 10.90
Shares outstanding	32,112⁽¹⁾	31,996⁽²⁾	31,922⁽³⁾	31,922⁽⁴⁾	31,913⁽⁵⁾

(1) Based on 32,111,906 common shares outstanding as of March 31, 2023, and excludes unvested shares of common stock authorized for incentive compensation totaling 490,526.

(2) Based on 31,955,730 common shares outstanding as of December 31, 2022, and excludes unvested shares of common stock authorized for incentive compensation totaling 494,139.

(3) Based on 31,921,721 common shares outstanding as of September 30, 2022, and excludes unvested shares of common stock authorized for incentive compensation totaling 494,139.

(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 totaling 494,139.

(5) Based on 31,912,884 common shares outstanding as of March 31, 2022, and excludes unvested shares of common stock authorized for incentive compensation totaling 505,408.



Velocity Financial, Inc. Income Statement (Quarter)

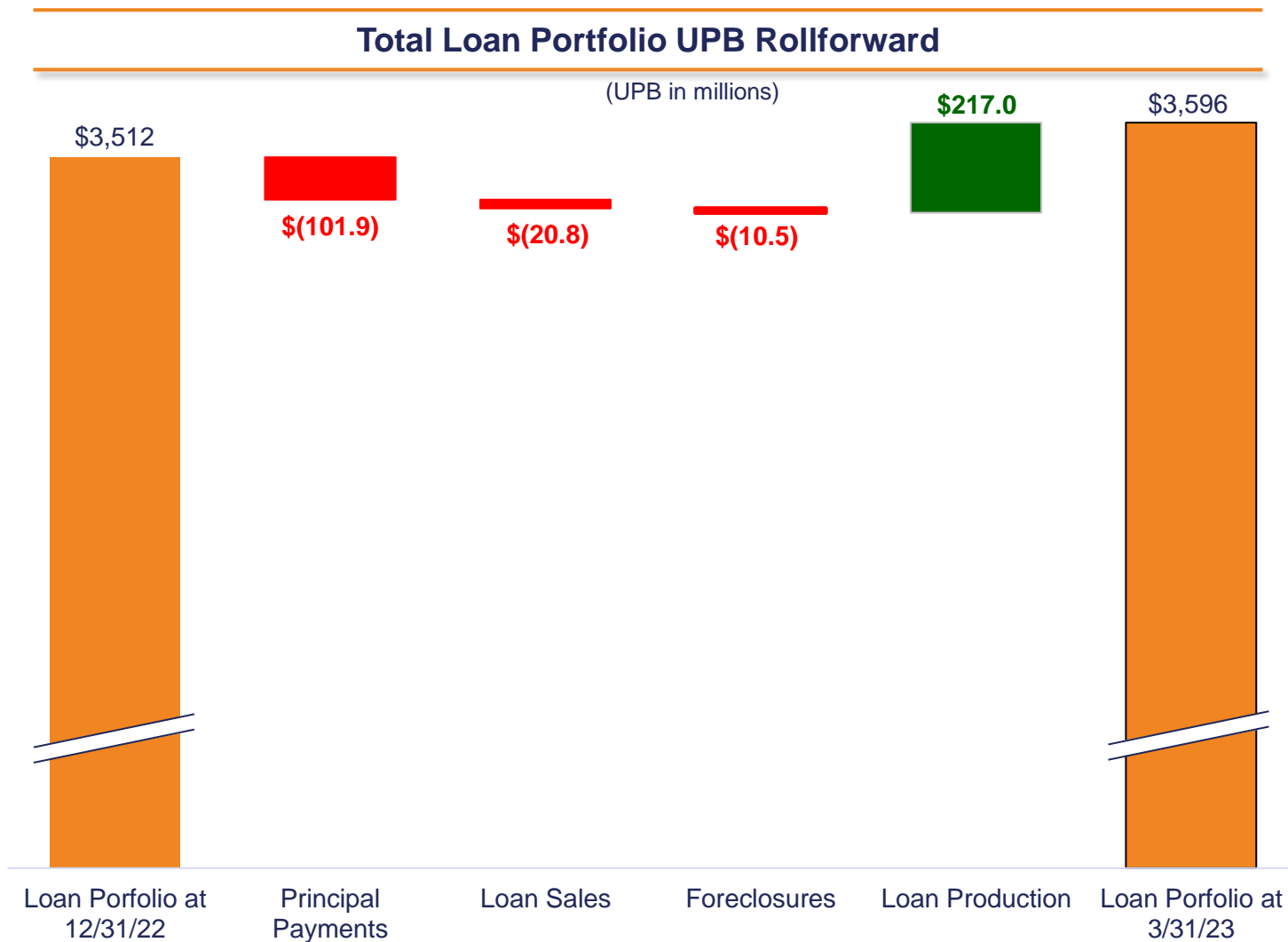
(\$ in thousands)	Quarter Ended				
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022
Revenues					
Interest income	\$ 70,521	\$ 65,632	\$ 63,419	\$ 59,243	\$ 52,049
Interest expense - portfolio related	42,029	40,854	34,561	28,752	23,556
Net interest income - portfolio related	28,492	24,778	28,858	30,491	28,493
Interest expense - corporate debt	4,139	4,139	4,011	4,182	17,140
Net interest income	24,353	20,639	24,847	26,309	11,353
Provision for loan losses	636	(437)	580	279	730
Net interest income after provision for loan losses	23,717	21,076	24,267	26,030	10,623
Other operating income					
Gain on disposition of loans	1,913	391	399	1,776	4,540
Unrealized gain on fair value loans	7,354	7,795	453	6	11
Unrealized loss on fair securitizations	(170)	-	-	-	-
Other income (expense)	3,461	2,842	1,657	1,257	1,097
Total other operating income	12,558	11,029	2,509	3,039	5,648
Net revenue	36,275	32,105	26,776	29,070	16,271
Operating expenses					
Compensation and employee benefits	10,008	11,793	6,788	6,553	5,323
Origination (income)/expense	(334)	937	(309)	951	310
Securitization issuance expense	2,584	-	-	-	-
Rent and occupancy	446	435	445	426	442
Loan servicing	3,828	3,244	3,314	3,290	2,450
Professional fees	955	1,091	664	1,062	1,362
Real estate owned, net	1,829	552	(195)	(251)	(175)
Other operating expenses	2,202	2,360	2,020	2,248	2,538
Total operating expenses	21,518	20,413	12,727	14,279	12,250
Income before income taxes	14,757	11,692	14,049	14,790	4,021
Income tax expense	4,021	3,465	3,759	4,019	790
Net income	10,736	8,227	10,290	10,771	3,231
Net income attributable to noncontrolling interest	87	(235)	307	126	110
Net income attributable to Velocity Financial, Inc.	10,649	8,462	9,983	10,645	3,121
Less undistributed earnings attributable to participating securities	160	127	152	164	48
Net earnings attributable to common shareholders	\$ 10,489	\$ 8,335	\$ 9,831	\$ 10,481	\$ 3,073
Basic earnings (loss) per share	\$ 0.33	\$ 0.26	\$ 0.31	\$ 0.33	\$ 0.10
Diluted earnings (loss) per common share	\$ 0.31	\$ 0.25	\$ 0.29	\$ 0.31	\$ 0.09
Basic weighted average common shares outstanding	32,098	31,923	31,922	31,917	31,892
Diluted weighted average common shares outstanding	34,052	34,063	34,199	34,057	34,204



HFI Portfolio Delinquency Trends

(\$ in thousands)	March 31, 2022		June 30, 2022		September 30, 2022		December 31, 2022		March 31, 2023	
	\$	%	\$	%	\$	%	\$	%	\$	%
Performing/Accruing:										
Current	\$ 2,388,442	85.3%	\$ 2,692,799	87.1%	\$ 2,966,765	86.8%	\$ 2,969,989	84.6%	\$ 3,049,110	85.2%
30-59 days past due	94,058	3.4%	105,808	3.4%	121,528	3.6%	186,051	5.3%	141,253	3.9%
60-89 days past due	41,960	1.5%	39,398	1.3%	74,714	2.2%	63,657	1.8%	78,491	2.2%
90+ days past due	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total performing loans HFI	2,524,460	90.2%	2,838,005	91.8%	3,163,007	92.6%	3,219,697	91.7%	3,268,854	91.3%
Nonperforming/Nonaccrual:										
<90 days past due	26,044	0.9%	16,878	0.6%	18,291	0.5%	17,852	0.5%	23,544	0.7%
90+ days past due	27,472	1.0%	20,341	0.7%	26,705	0.8%	32,566	0.9%	40,947	1.1%
Bankruptcy	18,334	0.7%	19,560	0.6%	15,899	0.5%	22,435	0.6%	15,132	0.4%
In foreclosure	203,637	7.3%	195,474	6.3%	192,446	5.6%	219,936	6.3%	230,314	6.4%
Total nonperforming loans HFI	275,487	9.8%	252,253	8.2%	253,341	7.4%	292,789	8.3%	309,937	8.7%
Total loans held for investment	\$ 2,799,947	100%	\$ 3,090,258	100%	\$ 3,416,348	100%	\$ 3,512,486	100%	\$ 3,578,791	100%

Loan Portfolio Rollforward

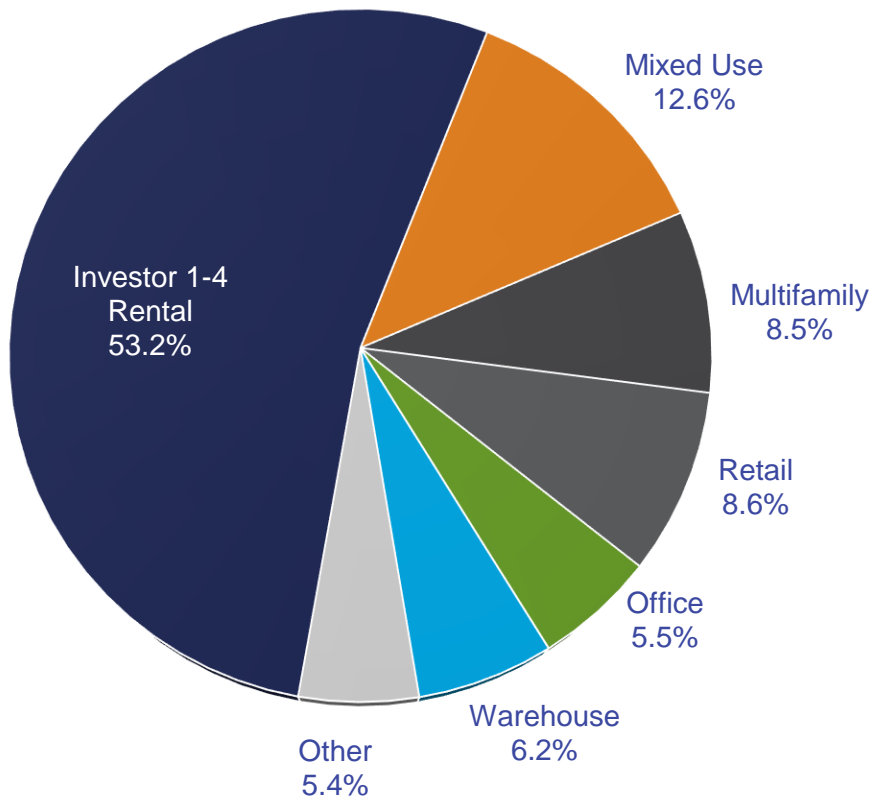




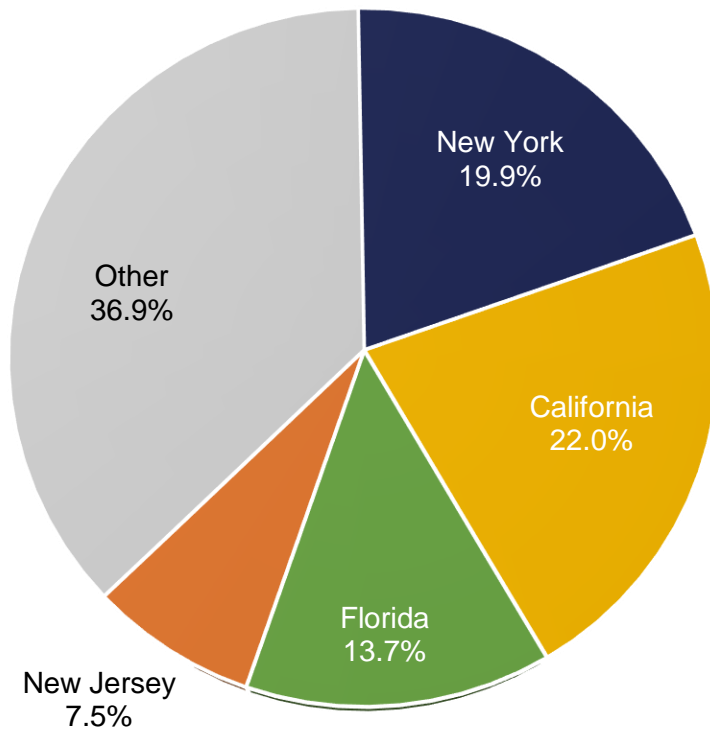
HFI Loan Portfolio

Portfolio by Property Type

(100% = \$3.58 billion UPB)⁽¹⁾



Portfolio by State



⁽¹⁾ As of March 31, 2023



Adjusted Financial Metric Reconciliation:

Adjusted Financial Metric Reconciliation to GAAP Net Income

Quarter:

Core Net Income	Quarter Ended				
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022
Net Income	\$ 10,649	\$ 8,462	\$ 9,983	\$ 10,645	\$ 3,121
Corporate debt refinancing costs	-	-	-	-	9,286
Equity award & ESPP costs	728	656	-	-	-
Core Net Income	\$ 11,376	\$ 9,118	\$ 9,983	\$ 10,645	\$ 12,407
Diluted weighted average common shares outstanding	34,052	34,063	34,199	34,057	34,204
Core diluted earnings per share	\$ 0.33	\$ 0.27	\$ 0.29	\$ 0.31	\$ 0.36