

Investor 1-4

Mixed-Use

Commercial

Multi-Family



4Q23 Results Presentation

March 7, 2024



# 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 COVID-19 variants and subvariants and their 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](http://www.velfinance.com).



# 4Q23 and Year-End Highlights

## Earnings

- Net income of \$17.4 million, up 105.1% from \$8.5 million for 4Q22. Diluted EPS of \$0.50, up \$0.25 from \$0.25 per share for 4Q22
- Core net income<sup>(1)</sup> of \$16.2 million, up 77.2% from \$9.1 million for 4Q22. Core diluted EPS<sup>(1)</sup> of \$0.46, up \$0.19 from \$0.27 per share for 4Q22
- NIM of 3.52% up 18bps from 3Q23, driven by strong production volume and NPL resolutions
- Pretax ROE of 20.7%, an increase from 16.8% for 3Q23

## Production & Loan Portfolio

- 4Q23 loan production of \$352.1 million in UPB, a 21.2% increase from 3Q23 and 26.8% from 4Q22
  - Year-to-date 2024 loan production through February 2024, totaled \$254.4 million with an 11.1% weighted average coupon (WAC), continuing our strong production volume trend
- Total loan portfolio of \$4.1 billion in UPB, an increase of 16.0% from December 31, 2022
- Nonperforming Loans (NPL) were 9.7% of HFI loans, a decrease from 10.1% as of September 30, 2023, and up from 8.3% as of December 31, 2022
- 4Q23 realized gains of \$1.5 million, or 102.2% of NPL UPB resolved

## Financing & Capital

- Completed the VCC 2023-4 securitization totaling \$202.9 million of securities issued
  - Liquidity<sup>(2)</sup> of \$63.2 million and total available warehouse line capacity was \$554.2 million as of December 31, 2023
- Subsequent to year end:*
- Issued \$75.0 million of five-year senior secured notes for the purpose of originating accretive new investments
  - Completed the VCC 2024-1 securitization totaling \$209.9 million of securities issued

<sup>(1)</sup> “Core net income” is a non-GAAP measure which excludes non-recurring, non-operating, and/or unusual activities from GAAP net income.

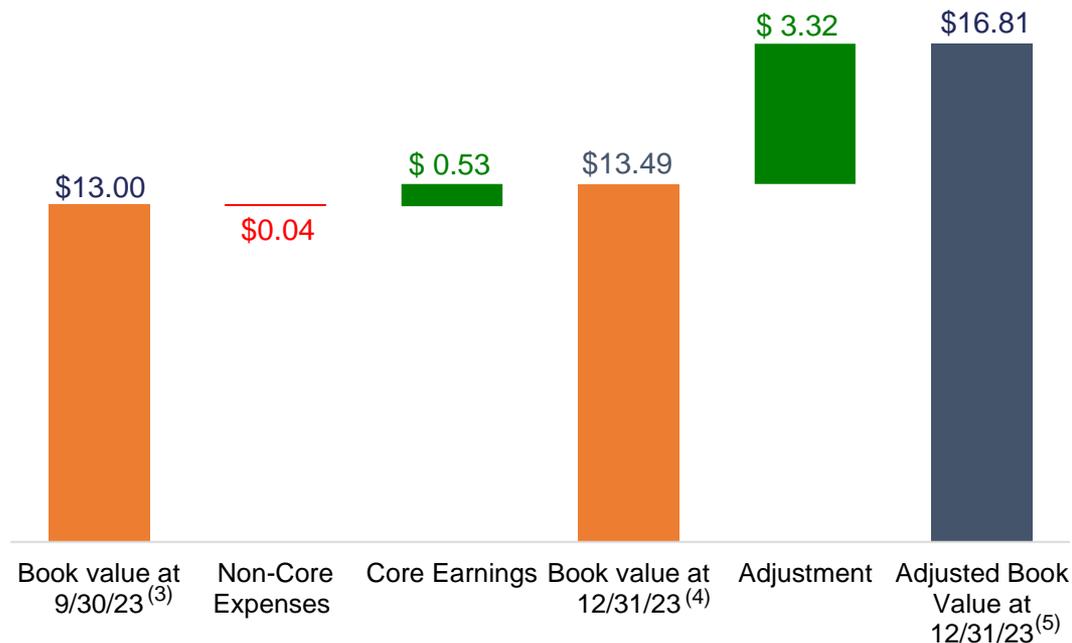
<sup>(2)</sup> Liquidity includes unrestricted cash and cash equivalents of \$40.7 million and available liquidity in unfinanced loans of \$22.5 million.

# Core Income, Book Value and Adjusted Book Value Per Share

## Core Income<sup>(1)</sup>

GAAP Net Income	\$17,355
Tax liability reduction	(1,866)
Equity award & ESPP costs	\$673
<b>Core Net Income</b>	<b>\$16,161</b>

## Book Value and Adjusted Book Value Per Share<sup>(2)</sup>



- Core net income totaled \$16.2 million in 4Q23, an increase of 77.2% from 4Q22 and reflects an after-tax ROE of 15.0%
- Book value per share was \$13.49<sup>(4)</sup>, a 3.8% increase from \$13.00<sup>(3)</sup> as of September 30, 2023
- Adjusted book value per share as of December 31, 2023, was \$16.81<sup>(5)</sup> and reflects the net incremental estimated fair value of loans carried at amortized cost and related securitized debt over GAAP book value

<sup>(1)</sup> Core net income" is a non-GAAP measure which excludes non-recurring and/or unusual activities from GAAP net income. 4Q23 non-core adjustments include a California apportionment tax liability reduction, incentive compensation expenses and costs related to the Company's employee stock purchase plan (ESPP)

<sup>(2)</sup> Book value per share is the ratio of total GAAP equity divided by total shares outstanding. Total equity includes non-controlling interest of \$3.43 million as of December 31, 2023, and \$3.62 million as of September 30, 2023. Adjusted book value per share includes the fair value component of the Company's loans and securitizations carried at amortized cost.

<sup>(3)</sup> Based on 32,313,744 common shares outstanding as of 9/30/23. Excludes 589,634 of unvested shares authorized for incentive compensation

<sup>(4)</sup> Based on 32,395,423 common shares outstanding as of 12/31/23, Excludes 470,413 of unvested shares authorized for incentive compensation.

<sup>(5)</sup> Please see Note 28 – Fair Value Measurement in the Company's 2023 10-K for additional information.

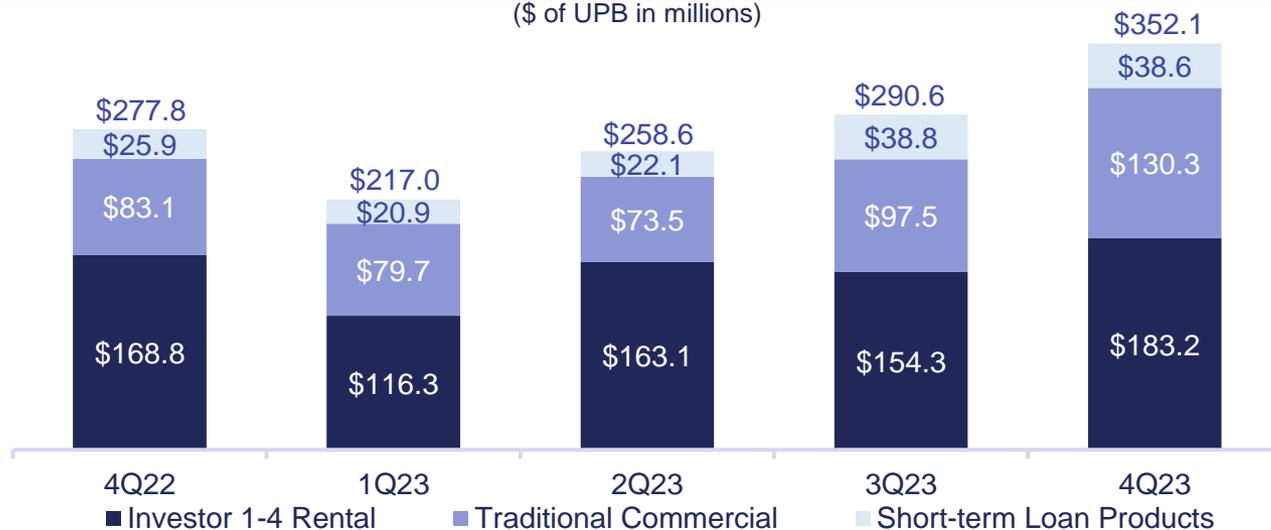
# Loan Production

## Production Volumes Grow Q/Q and Y/Y; Strong Demand for 1-4 Rental and Commercial

- 4Q23 volumes reflect ongoing tight credit conditions with banks and improved market dynamics
- Loan production in 4Q23 totaled \$352.1 million in UPB, a 21.2% increase from \$290.6 million in UPB for 3Q23 and a 26.8% increase from \$277.8 million in UPB for 4Q22
- The WAC on 4Q23 HFI loan production was 11.2%, essentially flat compared to 3Q23 and an increase of 86 bps from 4Q22

### Loan Production Volume

(\$ of UPB in millions)



WAC	10.3%	11.1%	11.0%	11.0%	11.2%
LTV <sup>(1)</sup>	67.9%	66.6%	67.7%	65.3%	65.3%
Units	832	589	722	773	881
Average loan balance	\$ 319.3	\$ 368.4	\$ 358.2	\$ 375.9	\$ 399.7

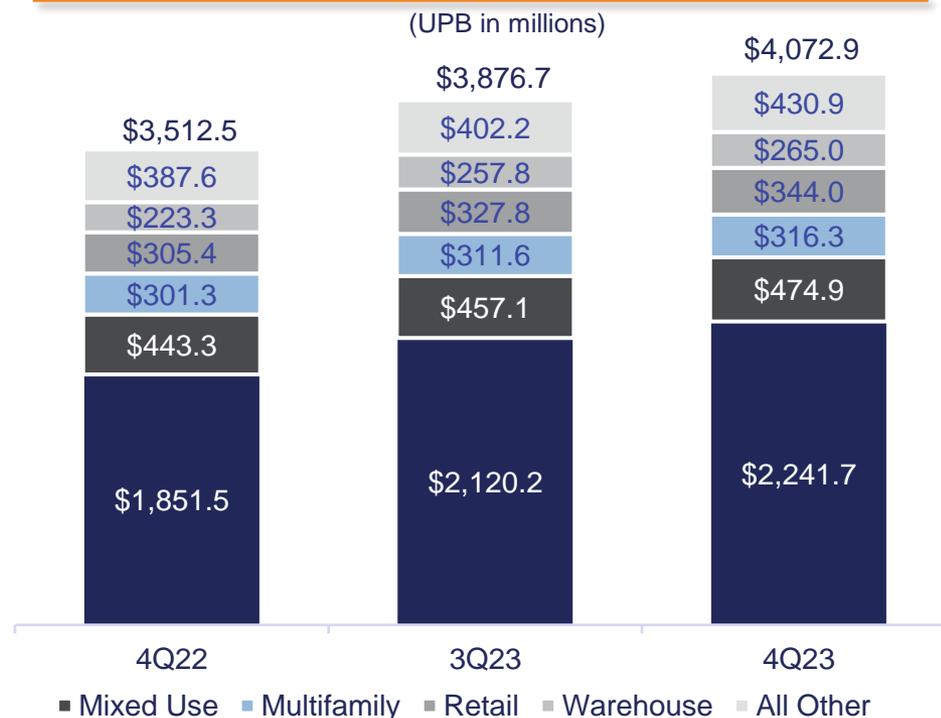
<sup>(1)</sup> Loan To Value

# Loan Portfolio

## Portfolio Tops \$4 Billion in UPB, Driven by Continued Strong Production Volumes

- The total loan portfolio was \$4.1 billion in UPB as of December 31, 2023, an increase of 5.1% from \$3.9 billion in UPB as of September 30, 2023, and 16.0% from \$3.5 billion as of December 31, 2022
  - Driven by growth in loans collateralized by Inv. 1-4 Rental, Retail and Warehouse properties
  - Loan prepayments totaled \$124.0 million, an increase of 18.5% Q/Q and 39.3% Y/Y
- The WAC<sup>(1)</sup> of the portfolio was 8.88% as of December 31, 2023, an increase from 8.63% as of September 30, 2023, and 7.95% as of December 31, 2022
- The UPB of fair value option (FVO) loans was \$1.27 billion, or 31.1% of total loans, as of December 31, 2023, an increase from \$268.6 million in UPB, or 7.6% as of December 31, 2022

### Loan Portfolio by Property Type



Loan to Value	68.23%	67.96%	67.78%
Loan Count	8,893	9,953	10,477
WAC <sup>(1)</sup>	7.95%	8.63%	8.88%
Average Loan Balance <sup>(2)</sup>	\$395.0	\$389.5	\$388.7
FVO %	7.65%	24.65%	31.14%

<sup>(1)</sup> \$ in thousands

<sup>(1)</sup> Weighted Average Coupon

<sup>(2)</sup> \$ in thousands.

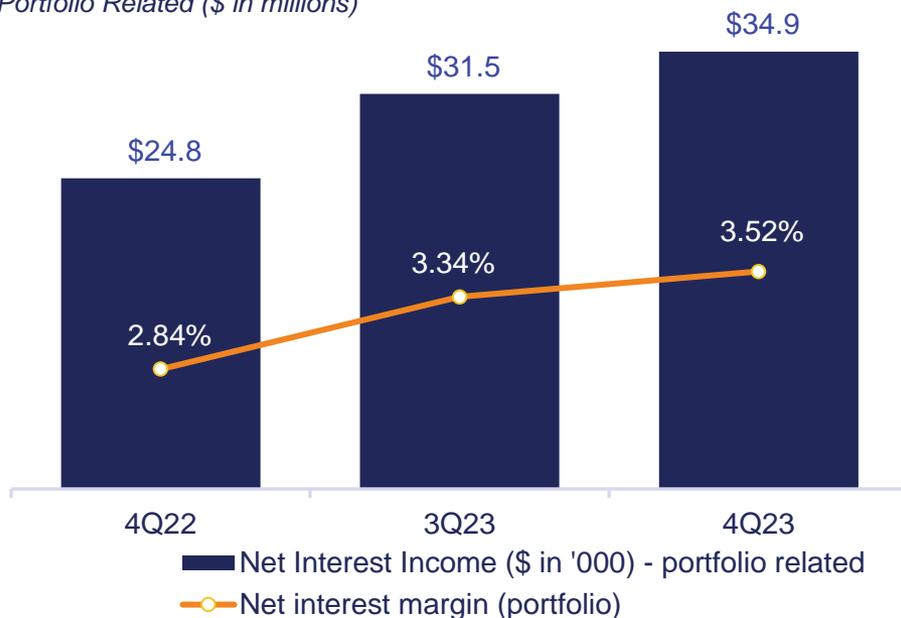
# Net Interest Margin

## Loan Yield Growth Drives Portfolio NIM Expansion in 2023

- Portfolio NIM<sup>(1)</sup> in 4Q23 was 3.52%, an increase of 18 bps from 3.34% for 3Q23, and 68 bps from 2.84% for 4Q22
- Portfolio Yield:** Increased 32 bps from 3Q23 and 119 bps from 4Q22:
  - Weighted average coupon of 11.1% for FY 2023 production, compared to 8.0% for FY2022
  - Growth in NPL UPB resolved and continued realization of gains from the collection of default interest and prepayment fees
- Cost of Funds:** Increased 12 bps from 3Q23 and 52 bps from 4Q22, primarily driven by the higher cost of 2023 securitizations

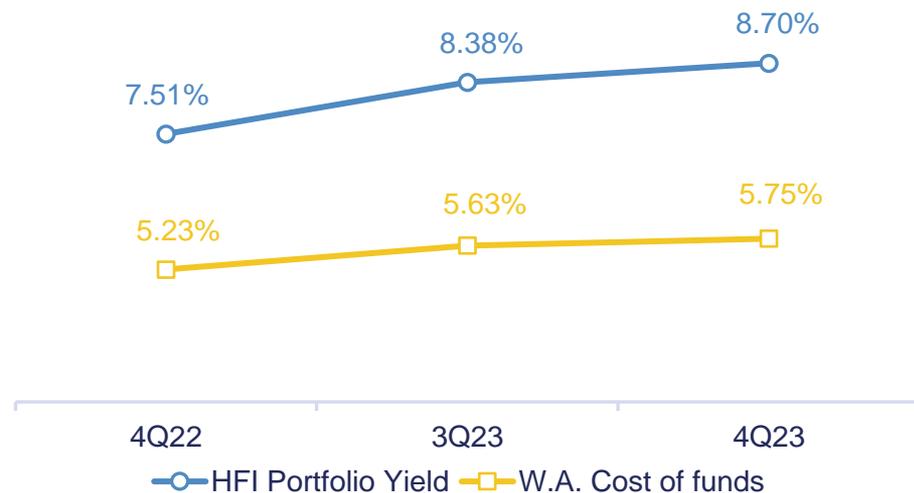
### Portfolio Net Interest Income & NIM<sup>(1)</sup>

Portfolio Related (\$ in millions)



### Portfolio Yield and Cost of Funds

Portfolio Related



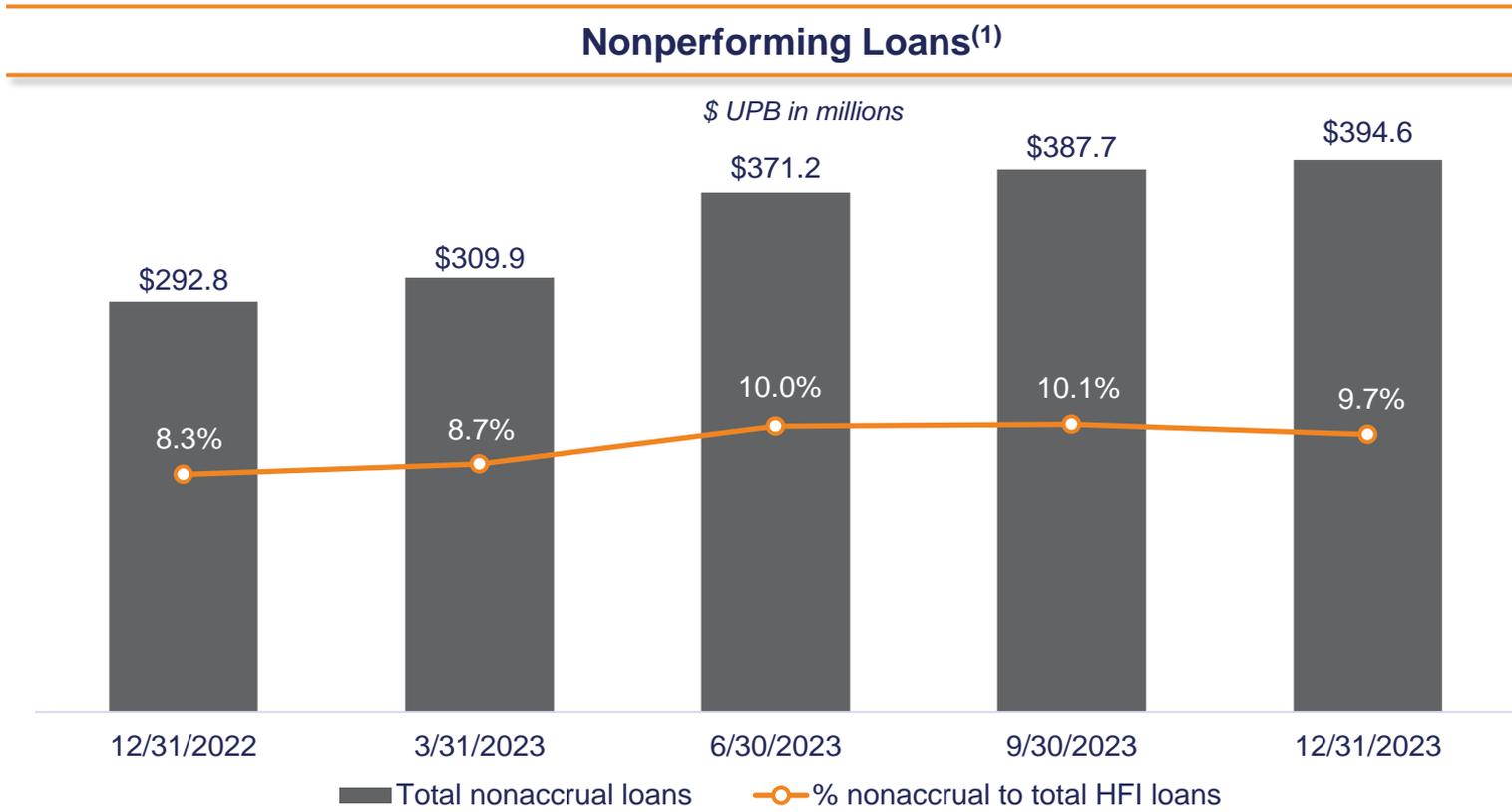
<sup>(1)</sup> Net Interest Income and Net Interest Margin related to the loan portfolio only; excludes corporate debt.



# Loan Investment Portfolio Performance

## Improved NPL Performance Trends and NPL Resolution Activity

- Nonperforming loans (NPL) as a percentage of total HFI loans was 9.7% as of December 31, 2023, a decrease from 10.1% as of September 30, 2023, and an increase from 8.3% as of December 31, 2022
- Gains on NPL resolutions in 4Q23 of 2.2%, an increase from 1.8% for 3Q23 and consistent with 2.3% for 4Q22



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

# 4Q23 Asset Resolution Activity

## Continued NPL Loan Resolutions UPB and Gains

### Resolution Activity

#### RESOLUTION ACTIVITIES

##### LONG-TERM LOANS

RESOLUTION ACTIVITY	FOURTH QUARTER 2023		THIRD QUARTER 2023		FOURTH QUARTER 2022	
	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$
(\$ in thousands)						
Paid in full	\$ 22,342	\$ 826	\$ 20,668	\$ 758	\$ 8,188	\$ 329
Paid current	36,026	206	26,950	206	9,648	21
REO sold (a)	1,588	140	6,341	162	2,404	67
<b>Total resolutions</b>	<b>\$ 59,956</b>	<b>\$ 1,172</b>	<b>\$ 53,959</b>	<b>\$ 1,126</b>	<b>\$ 20,240</b>	<b>\$ 417</b>
Resolutions as a % of nonperforming UPB		102.0%		102.1%		102.1%

##### SHORT-TERM AND FORBEARANCE LOANS

RESOLUTION ACTIVITY	FOURTH QUARTER 2023		THIRD QUARTER 2023		FOURTH QUARTER 2022	
	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$
(\$ in thousands)						
Paid in full	\$ 2,770	\$ 37	\$ 2,967	\$ 38	\$ 4,092	\$ 82
Paid current	7,560	13	6,292	-	457	-
REO sold	604	316	2,434	(11)	529	74
<b>Total resolutions</b>	<b>\$ 10,934</b>	<b>\$ 366</b>	<b>\$ 11,693</b>	<b>\$ 27</b>	<b>\$ 5,078</b>	<b>\$ 156</b>
Resolutions as a % of nonperforming UPB		103.3%		100.2%		103.1%
<b>Grand total resolutions</b>	<b>\$ 70,890</b>	<b>\$ 1,538</b>	<b>\$ 65,652</b>	<b>\$ 1,153</b>	<b>\$ 25,318</b>	<b>\$ 572</b>
Grand total resolutions as a % of nonperforming UPB		102.2%		101.8%		102.3%

- NPL resolution totaled 70.9 million in UPB, realizing 102.2% of UPB resolved compared to \$65.7 million in UPB, and realization of 101.8% of UPB resolved for 3Q23 and \$25.3 million in UPB and realization of 102.3% of UPB resolved for 4Q22
- 4Q23 NPL resolutions represented 18.3% of nonperforming loan UPB as of September 30, 2023
- The UPB of loan resolutions in 4Q23 was 41.4% higher than the recent five-quarter resolution average of \$50.1 million in UPB

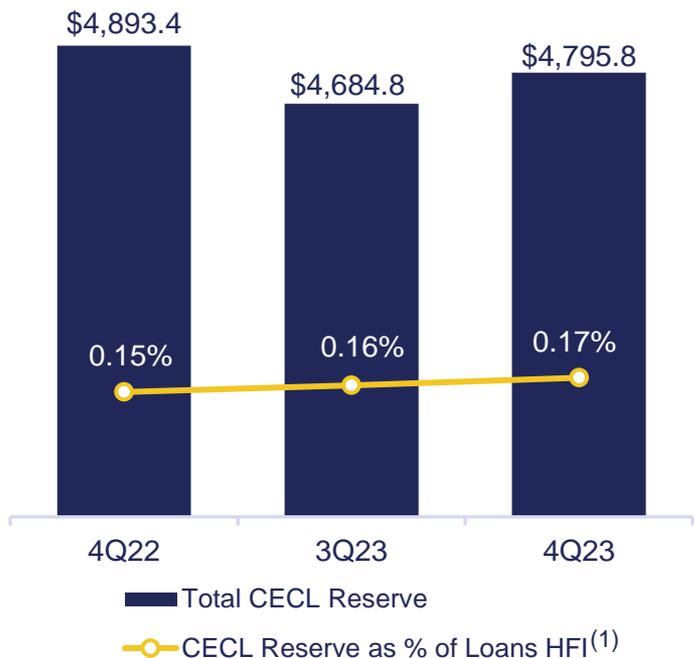
# CECL Reserve and Charge-Offs

## Reserve Consistent Q/Q; Long-term Trend Expected Lower As Eligible Portfolio Pays Down

- The reserve balance was \$4.8 million as of December 31, 2023, relatively flat compared to \$4.7 million as of September 30, 2023, and a 12.1% decrease from \$5.3 million as of December 31, 2022
- Velocity's 0.17% CECL reserve rate on the eligible (non-"FVO") HFI portfolio remained consistent with the previous 4 quarters. The trailing five-quarter charge-off average was \$408.0 thousand.
- Net charge-off and REO activity for FY 2023 was a gain of \$2.0 million, compared to a gain of \$5.5 million for FY 2022

### Loan Loss Reserve

At period end, \$ in thousands



### Charge-offs, Gain (Loss) on REO

(\$ in thousands)	Year Ended	
	12/31/2023	12/31/2022
Average nonperforming loans for the period <sup>(2)</sup>	\$ 328,105	\$ 266,129
Charge-offs	(2,039)	(521)
Charge-offs / Average nonperforming loans for the period <sup>(2)</sup>	-0.62%	-0.20%
Gain on transfer of REO	7,412	3,408
Gain on sale of REO	568	2,939
REO valuations, net	(3,903)	(364)
<b>Total gain/(loss) on REO</b>	<b>\$ 2,038</b>	<b>\$ 5,462</b>

<sup>(1)</sup> Amortized cost

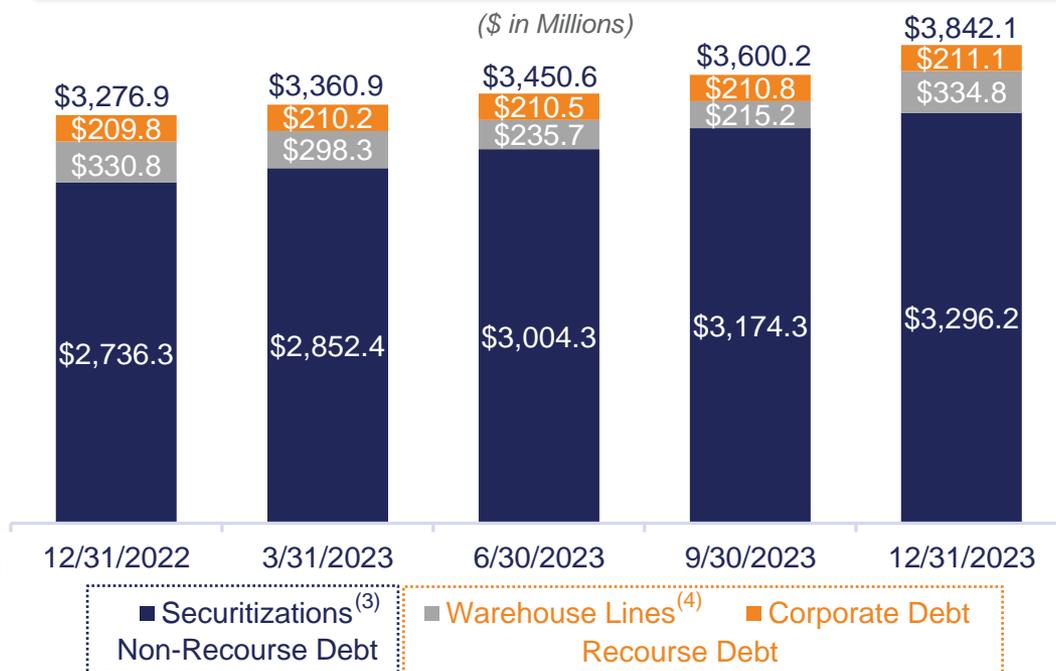
<sup>(2)</sup> Reflects the monthly average of nonperforming loans held for investment during the period.

# Durable Funding and Liquidity Strategy

## One Securitization Issued in 4Q23<sup>(1)</sup>; New Corporate Debt Issuance to Drive Investment Growth

- Cash reserves and unfinanced collateral of \$63.2 million as of December 31, 2023
- Available warehouse line capacity of \$556.2 million as of December 31, 2023
- Recourse debt to equity was 1.2X as of December 31, 2023, down from 1.4X in December 31, 2022
- Outstanding debt was \$3.84 billion as of December 31, 2023, a net increase of \$241.9 million from September 30, 2023 driven by the addition of the 2023-4 securitization in non-recourse debt
- Subsequent to year-end, issued \$75 million of five-year senior secured notes
  - The new notes are pari-passu with the existing corporate debt and will be used to originate new investments and for general corporate purposes

### Outstanding Debt Balances<sup>(2)</sup>



Debt / Equity	8.6X	8.6X	8.5X	8.1X	8.8X
Recourse Debt / Equity	1.4X	1.3X	1.1X	1.1X	1.2X
Securitizations Issued	1	1	1	2	1
Max. Warehouse Line Capacity	\$832	\$832	\$813	\$810	\$891

<sup>(1)</sup> Through December 31, 2023.

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

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

<sup>(4)</sup> As of December 31, 2023, five of six warehouse lines have non-mark-to-market features and staggered maturities.



# Outlook for Velocity's Key Business Drivers

## *Improving Outlook for Markets and Growth*

### MARKET

- Property values in our asset class remain healthy
- Limited supply/inventory continues to result in value appreciation
- Gains on resolution activities expected to continue

### CREDIT

- U.S. economic outlook remains uncertain. Geopolitical risks have increased significantly.
- Credit availability likely to remain tight, particularly for larger traditional commercial properties
- Loan prepayment speeds are stable

### CAPITAL

- Next long-term loan securitization targeted for April 2023
- Securitization market tone very strong with continued improvement thus far in 2024
- Continuing to pursue opportunities to further diversity product offerings and revenue streams

### EARNINGS

- Targeting continued production growth and capitalizing on tight credit conditions at banks that reduce their lending activities
- Deploying recent capital raise into accretive new investments



# Appendix

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# Velocity Financial, Inc. Balance Sheet

	Quarter Ended				
	12/31/2023	9/30/2023	6/30/2023	3/31/2023	12/31/2022
	Audited	Unaudited	Unaudited	Unaudited	Audited
<i>(In thousands)</i>					
<b>Assets</b>					
Cash and cash equivalents	\$ 40,566	\$ 29,393	\$ 33,987	\$ 39,397	\$ 45,248
Restricted cash	21,361	17,703	16,786	16,636	16,808
Loans held for sale, at fair value	17,590	19,536	-	18,081	-
Loans held for investment, at fair value	1,306,072	951,990	705,330	450,732	276,095
Loans held for investment	2,828,123	2,945,840	3,057,940	3,169,280	3,272,390
Total loans, net	4,151,785	3,917,366	3,763,270	3,638,093	3,548,485
Accrued interest receivables	27,028	24,756	22,602	20,931	20,463
Receivables due from servicers	85,077	70,139	63,896	64,133	65,644
Other receivables	8,763	236	1,306	2,188	1,075
Real estate owned, net	44,268	29,299	20,388	21,778	13,325
Property and equipment, net	2,785	2,861	3,023	3,209	3,356
Deferred tax asset	2,339	705	1,878	2,543	5,033
Mortgage Servicing Rights, at fair value	8,578	9,786	9,445	9,143	9,238
Derivative assets	-	1,261	-	-	-
Goodwill	6,775	6,775	6,775	6,775	6,775
Other assets	5,248	7,028	7,789	12,268	13,525
<b>Total Assets</b>	<b>\$ 4,404,573</b>	<b>\$ 4,117,308</b>	<b>\$ 3,951,145</b>	<b>\$ 3,837,094</b>	<b>\$ 3,748,975</b>
<b>Liabilities and members' equity</b>					
Accounts payable and accrued expenses	\$ 121,969	\$ 97,869	\$ 95,344	\$ 84,976	\$ 91,525
Secured financing, net	211,083	210,774	210,464	210,155	209,846
Securitized debt, net	2,418,811	2,504,334	2,622,547	2,657,469	2,736,290
Securitized debt, at fair value	877,417	669,139	381,799	194,941	-
Warehouse & repurchase facilities	334,755	215,176	235,749	298,313	330,814
Derivative liability	3,665	-	-	-	-
Total Liabilities	3,967,700	3,697,292	3,545,903	3,445,854	3,368,475
<b>Stockholders' Equity</b>					
Stockholders' equity	433,444	416,398	401,707	387,624	376,811
Noncontrolling interest in subsidiary	3,429	3,618	3,535	3,616	3,689
Total equity	436,873	420,016	405,242	391,240	380,500
<b>Total Liabilities and members' equity</b>	<b>\$ 4,404,573</b>	<b>\$ 4,117,308</b>	<b>\$ 3,951,145</b>	<b>\$ 3,837,094</b>	<b>\$ 3,748,975</b>
<b>Book value per share</b>	<b>\$ 13.49</b>	<b>\$ 13.00</b>	<b>\$ 12.57</b>	<b>\$ 12.18</b>	<b>\$ 11.89</b>
Shares outstanding	32,395 <sup>(1)</sup>	32,314 <sup>(2)</sup>	32,239 <sup>(3)</sup>	32,112 <sup>(4)</sup>	31,996 <sup>(5)</sup>

<sup>(1)</sup> Based on 32,395,423 common shares outstanding as of December 31, 2023, and excludes unvested shares of common stock authorized for incentive compensation totaling 470,413.

<sup>(2)</sup> Based on 32,313,744 common shares outstanding as of September 30, 2023, and excludes unvested shares of common stock authorized for incentive compensation totaling 589,634.

<sup>(3)</sup> Based on 32,238,715 common shares outstanding as of June 30, 2023, and excludes unvested shares of common stock authorized for incentive compensation totaling 502,913.

<sup>(4)</sup> 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.

<sup>(5)</sup> 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.



# Velocity Financial, Inc. Income Statement (Quarters)

(\$ in thousands)

	Quarter Ended				
	12/31/2023	9/30/2023	6/30/2023	3/31/2023	12/31/2022
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
<b>Revenues</b>					
Interest income	\$ 86,269	\$ 79,088	\$ 74,897	\$ 70,521	\$ 65,632
Interest expense - portfolio related	51,405	47,583	45,451	42,029	40,854
Net interest income - portfolio related	34,864	31,505	29,446	28,492	24,778
Interest expense - corporate debt	4,140	4,138	4,139	4,139	4,139
Net interest income	30,724	27,367	25,307	24,353	20,639
Provision for loan losses	828	154	298	636	(437)
Net interest income after provision for loan losses	29,897	27,213	25,009	23,717	21,076
Other operating income					
Gain on disposition of loans	1,482	3,606	1,237	1,913	391
Unrealized gain (loss) on fair value loans	39,367	(1,284)	2,413	7,354	7,795
Unrealized gain (loss) on fair value securitized debt	(24,085)	9,692	5,560	(170)	-
Origination income	3,981	3,323	2,735	2,411	3,521
Bank interest income	1,716	1,342	1,188	948	-
Other income (expense)	418	340	601	482	(288)
Total other operating income	21,670	17,360	14,036	12,842	11,419
Net revenue	51,567	44,573	39,046	36,560	32,495
<b>Operating expenses</b>					
Compensation and employee benefits	15,143	12,523	10,670	10,008	11,793
Origination expenses	173	273	123	(50)	1,328
Securizations expenses	2,709	4,930	2,699	2,584	-
Rent and occupancy	551	472	458	446	435
Loan servicing	4,636	4,901	4,267	3,828	3,244
Professional fees	1,733	854	1,056	955	1,091
Real estate owned, net	2,068	1,239	1,018	1,829	552
Other operating expenses	2,248	2,142	1,931	2,202	2,360
Total operating expenses	29,260	27,334	22,222	21,802	20,804
Income before income taxes	22,307	17,239	16,824	14,757	11,692
Income tax expense	5,141	5,070	4,602	4,021	3,465
Net income	17,166	12,169	12,222	10,736	8,227
Net income attributable to noncontrolling interest	(189)	83	39	87	(235)
Net income attributable to Velocity Financial, Inc.	17,355	12,086	12,183	10,649	8,462
Less undistributed earnings attributable to participating securities	225	183	185	160	127
<b>Net earnings attributable to common shareholders</b>	<b>\$ 17,130</b>	<b>\$ 11,903</b>	<b>\$ 11,998</b>	<b>\$ 10,489</b>	<b>\$ 8,335</b>
<b>Basic earnings (loss) per share</b>	<b>\$ 0.53</b>	<b>\$ 0.37</b>	<b>\$ 0.37</b>	<b>\$ 0.33</b>	<b>\$ 0.26</b>
<b>Diluted earnings (loss) per common share</b>	<b>\$ 0.50</b>	<b>\$ 0.35</b>	<b>\$ 0.36</b>	<b>\$ 0.31</b>	<b>\$ 0.25</b>
Basic weighted average common shares outstanding	32,326	32,275	32,122	32,098	31,923
Diluted weighted average common shares outstanding	34,991	34,731	34,140	34,052	34,063



# Velocity Financial, Inc. Income Statement (Years)

(\$ in thousands)	Year Ended	
	12/31/2023	12/31/2022
	Audited	Audited
<b>Revenues</b>		
Interest income	\$ 310,776	\$ 240,343
Interest expense - portfolio related	186,468	127,723
Net interest income - portfolio related	124,308	112,620
Interest expense - corporate debt	16,556	29,472
Net interest income	107,750	83,148
Provision for loan losses	1,915	1,152
Net interest income after provision for loan losses	105,836	81,996
Other operating income		
Gain on disposition of loans	8,238	7,107
Unrealized gain (loss) on fair value loans	47,850	8,265
Unrealized gain (loss) on fair value securitized debt	(9,002)	-
Origination income	12,450	5,225
Bank interest income	5,194	-
Other income (expense)	1,840	1,637
Total other operating income	65,910	24,320
Net revenue	171,745	106,316
<b>Operating expenses</b>		
Compensation and employee benefits	48,344	30,458
Origination expenses	518	3,985
Securitized expenses	12,923	-
Rent and occupancy	1,927	1,748
Loan servicing	17,631	12,298
Professional fees	4,599	4,179
Real estate owned, net	6,153	(70)
Other operating expenses	8,524	9,166
Total operating expenses	100,618	61,764
Income before income taxes	71,127	44,553
Income tax expense	18,834	12,033
Net income	52,293	32,519
Net income attributable to noncontrolling interest	19	308
Net income attributable to Velocity Financial, Inc.	52,273	32,211
Less undistributed earnings attributable to participating securities	753	491
<b>Net earnings attributable to common shareholders</b>	<b>\$ 51,520</b>	<b>\$ 31,720</b>
<b>Basic earnings (loss) per share</b>	<b>\$ 1.60</b>	<b>\$ 0.99</b>
<b>Diluted earnings (loss) per common share</b>	<b>\$ 1.52</b>	<b>\$ 0.94</b>
Basic weighted average common shares outstanding	32,206	31,913
Diluted weighted average common shares outstanding	34,484	34,131



# HFI Portfolio Delinquency Trends

(\$ in thousands)	December 31, 2022		March 31, 2023		June 30, 2023		September 30, 2023		December 31, 2023	
	\$	%	\$	%	\$	%	\$	%	\$	%
<b>Performing/Accruing:</b>										
Current	\$ 2,969,989	84.6%	\$ 3,049,110	85.2%	\$ 3,114,091	83.7%	\$ 3,188,015	82.6%	\$ 3,354,197	82.7%
30-59 days past due	186,051	5.3%	141,253	3.9%	164,586	4.4%	197,242	5.1%	231,590	5.7%
60-89 days past due	63,657	1.8%	78,491	2.2%	69,994	1.9%	84,797	2.2%	75,587	1.9%
90+ days past due	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
<b>Total performing loans HFI</b>	<b>3,219,697</b>	<b>91.7%</b>	<b>3,268,854</b>	<b>91.3%</b>	<b>3,348,671</b>	<b>90.0%</b>	<b>3,470,054</b>	<b>89.9%</b>	<b>3,661,374</b>	<b>90.3%</b>
<b>Nonperforming/Nonaccrual:</b>										
<90 days past due	17,852	0.5%	23,544	0.7%	23,125	0.6%	17,969	0.5%	17,746	0.4%
90+ days past due	32,566	0.9%	40,947	1.1%	39,536	1.1%	36,426	0.9%	24,398	0.6%
Bankruptcy	22,435	0.6%	15,132	0.4%	20,256	0.5%	19,323	0.5%	35,993	0.9%
In foreclosure	219,936	6.3%	230,314	6.4%	288,237	7.7%	314,007	8.1%	316,425	7.8%
<b>Total nonperforming loans HFI</b>	<b>292,789</b>	<b>8.30%</b>	<b>309,937</b>	<b>8.660%</b>	<b>371,154</b>	<b>9.98%</b>	<b>387,725</b>	<b>10.05%</b>	<b>394,562</b>	<b>9.7%</b>
<b>Total loans held for investment</b>	<b>\$ 3,512,486</b>	<b>100%</b>	<b>\$ 3,578,791</b>	<b>100%</b>	<b>\$ 3,719,825</b>	<b>100%</b>	<b>\$ 3,857,779</b>	<b>100%</b>	<b>\$ 4,055,936</b>	<b>100%</b>



# Loan Portfolio Rollforward

## Total Loan Portfolio UPB Rollforward

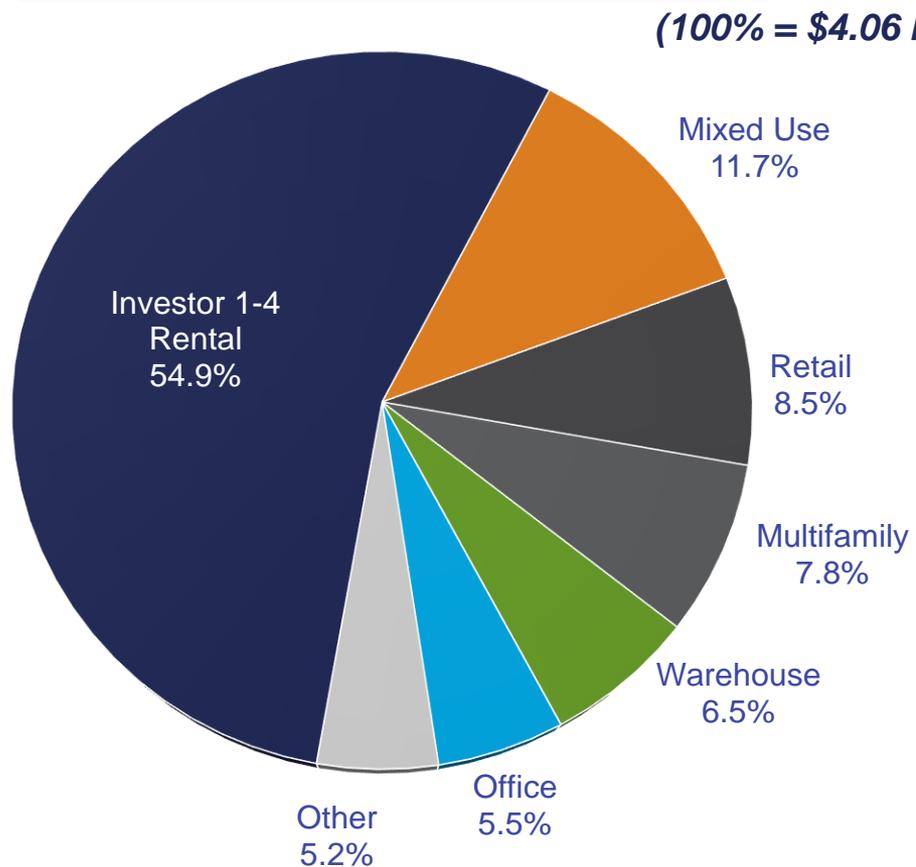
(UPB in millions)



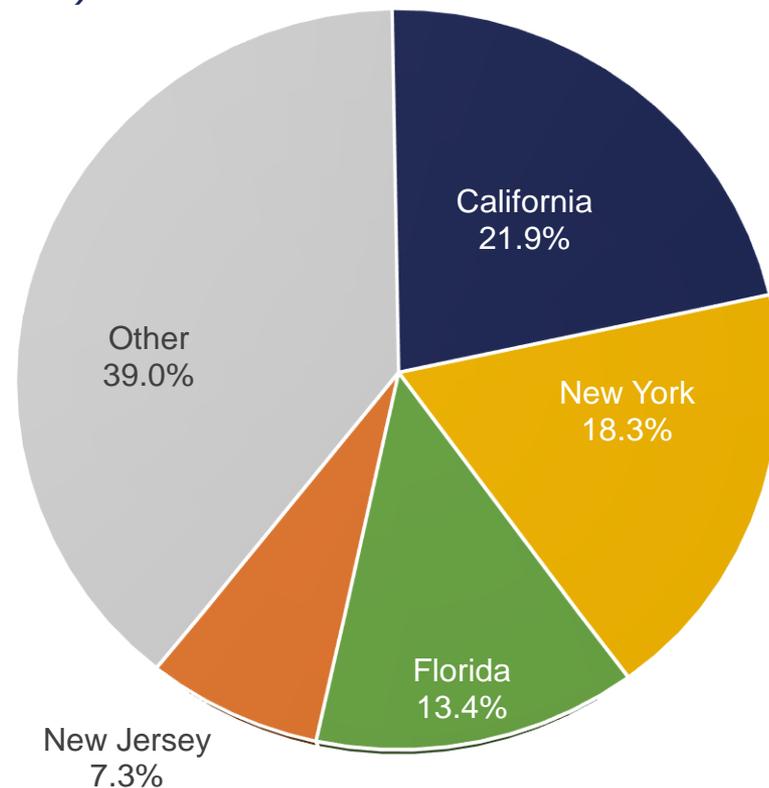


# HFI Loan Portfolio

## Portfolio by Property Type



## Portfolio by State



<sup>(1)</sup> As of December 31, 2023

# Adjusted Financial Metric Reconciliation:

## Adjusted Financial Metric Reconciliation to GAAP Net Income

### Quarters:

Core Net Income	Quarter Ended				
	12/31/2023	9/30/2023	6/30/2023	3/31/2023	12/31/2022
	<b>Net Income</b>	\$ 17,355	\$ 12,086	\$ 12,183	\$ 10,649
Tax liability reduction	(1,866)	-	-	-	-
Equity award & ESPP costs	673	832	745	728	656
<b>Core Net Income</b>	<b>\$ 16,161</b>	<b>\$ 12,918</b>	<b>\$ 12,928</b>	<b>\$ 11,376</b>	<b>\$ 9,118</b>
Diluted weighted average common shares outstanding	34,991	34,731	34,140	34,052	34,063
<b>Core diluted earnings per share</b>	<b>\$ 0.46</b>	<b>\$ 0.37</b>	<b>\$ 0.38</b>	<b>\$ 0.33</b>	<b>\$ 0.27</b>

### Years:

Core Net Income	Year Ended	
	12/31/2023	12/31/2022
	<b>Net Income</b>	\$ 52,273
Corporate debt refinancing costs	-	9,286
Tax liability reduction	(1,866)	-
Equity award & ESPP costs	2,977	656
<b>Core Net Income</b>	<b>\$ 53,384</b>	<b>\$ 42,153</b>
Diluted weighted average common shares outstanding	\$ 34,484	\$ 34,131
<b>Core diluted earnings per share</b>	<b>\$ 1.54</b>	<b>\$ 1.24</b>