

Investor 1-4

Mixed-Use

Commercial

Multi-Family



**velocity**  
Financial, Inc.

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Financial and Operational Update  
January 2022



# Notice

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," "would," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "continues," "potential," or "illustrative," or the negative of these words and phrases or variations of them or similar terminology. You can also identify forward-looking statements by discussions of strategy, plans, or intentions.

The forward-looking statements contained in this presentation reflect the Company's 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 the Company's good faith projections, assumptions and expectations, they are not guarantees of future results. Furthermore, the Company disclaims 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 the Company's 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, (3) regulatory and/or legislative changes, (4) the Company's customers' continued interest in loans and doing business with them, (5) market conditions and investor interest in the Company's securitization efforts, and (6) changes in federal government fiscal and monetary policies

Additional information relating to these and other factors that could cause future results to differ materially from those expressed or contemplated in any forward-looking statements can be found in the section titled "Risk Factors" 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.velvfnance.com](http://www.velvfnance.com).

**Non-GAAP Financial Information.** This presentation contains "non-GAAP measures" that are financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with U.S. generally accepted accounting principles ("GAAP"). These measures have limitations as an analytical tool and should not be considered in isolation, or as a substitute for our results as reported under GAAP. These non-GAAP measures may also differ from non-GAAP measures used by other companies. See the appendix for a reconciliation of the non-GAAP measures used in this presentation to the most directly comparable GAAP financial measures.

This presentation contains statistics and other data that in some cases has been obtained or compiled from information made available by third-parties. The Company has not independently verified their data.

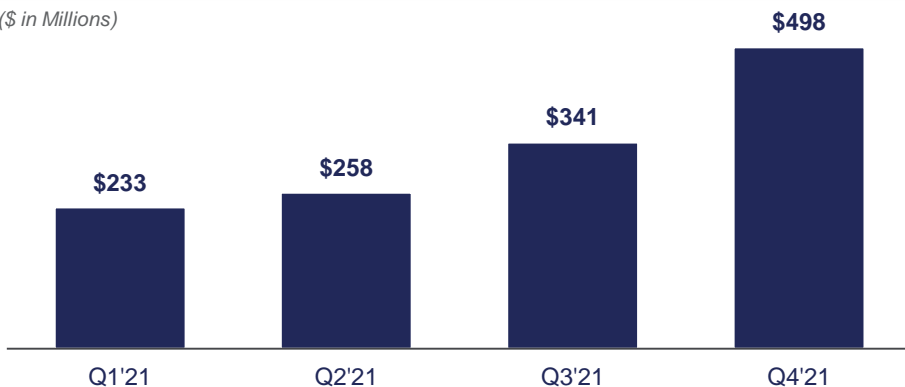
# Business Highlights



# Estimates for the Quarter Ended December 31, 2021

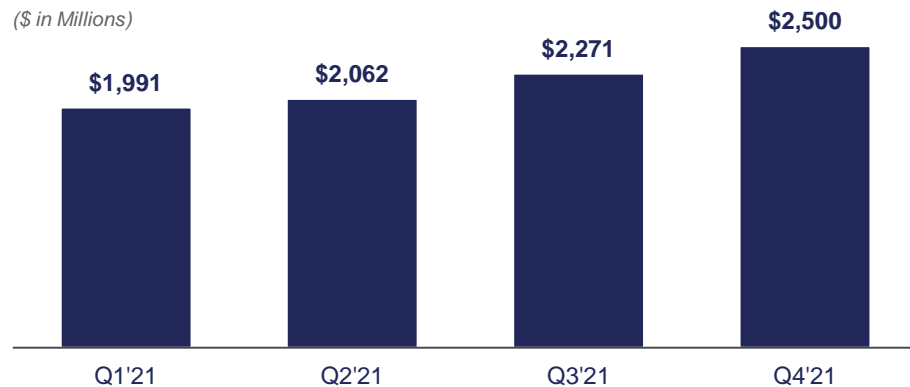
## Total Loans Originated and Acquired <sup>(2)</sup>

(\$ in Millions)



## Total Loan Portfolio (UPB) <sup>(3)</sup>

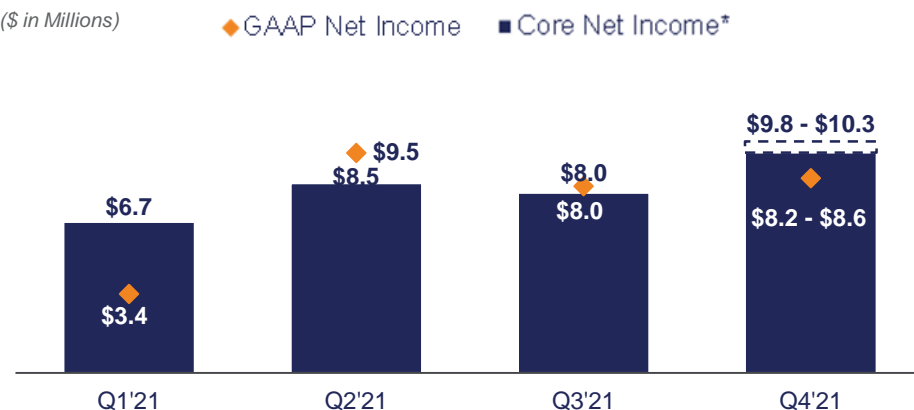
(\$ in Millions)



## GAAP Net Income and Core Net Income\* <sup>(4)</sup>

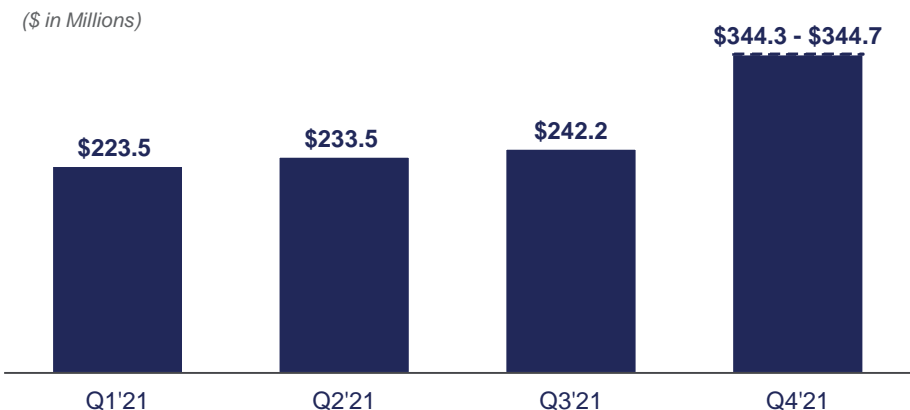
(\$ in Millions)

◆ GAAP Net Income ■ Core Net Income\*



## Total Stockholders' Equity <sup>(5)</sup>

(\$ in Millions)



We expect to report GAAP net income per share, on a diluted basis, and core net income per share\*, on a diluted basis, between \$0.24 per share and \$0.25 per share and \$0.29 per share and \$0.30 per share, respectively, for Q4 2021

We expect to report Stockholders' equity per common share outstanding between \$10.83 per share and \$10.84 per share as of 12/31/21

For (2) (3) (4) (5) See Notes in Appendix on pages 9.

\* Core net income and core net income per diluted share are non-GAAP financial measures. See Appendix for a reconciliation to net income and net income per diluted share, respectively.



# 4Q21 Financial and Operational Update<sup>(1)</sup>

- Loan production volume is expected to be approximately \$497.8 million in unpaid principal balance (UPB), the largest volume of originations in a single quarter and a 46% increase from the prior quarter.<sup>(2)</sup>
- Total loans held for investment are expected to total approximately \$2.5 billion in UPB as of December 31, 2021, an increase from \$2.3 billion in UPB as of September 30, 2021.<sup>(3)</sup>
- Net income is expected to be in the range of \$8.2 million and \$8.6 million and non-GAAP core net income<sup>(4)</sup> is expected to be between \$9.8 and \$10.3 million for the quarter ended December 31, 2021; and diluted EPS and non-GAAP core diluted EPS<sup>(4)</sup> is expected to be in the range of \$0.24 and \$0.25 and \$0.29 and \$0.30, respectively.
- Nonperforming loans are expected to range between 10.3% and 10.8% of total loans, as measured by unpaid principal balance, as of December 31, 2021, compared to 12.7% as of September 30, 2021.
- Completed two new securitizations of Velocity's business purposed loans:
  - VCC 2021-3, totaling \$204.2 million in UPB.
  - VCC 2021-4, totaling \$319.1 million in UPB, comprised of \$233.1 million of recently originated investor real estate loans and \$86.0 million of loans that were previously included in our VCC 2014-1, VCC 2016-2 and VCC 2017-1 securitizations, which were concurrently collapsed. The total UPB loans for VCC 2014-1, VCC 2016-2 and VCC2017-1 was approximately \$109.1 million and outstanding bond balances were approximately \$90.8 million and carried a weighted average coupon of 7.25%. Approximately \$86.0 million in new bonds were issued for the transferred loans and reduced our coupon to approximately 3.2% in the December 2021 securitizations, which resulted in an approximately four percentage point reduction in the financing rate for those loans.



# 4Q21 Financial and Operational Update (continued)<sup>(1)</sup>

- Acquired a majority stake in Century Health & Housing Capital (“Century”) for \$12.8 million in cash. Century is a licensed “Ginnie Mae” issuer/servicer that provides government-insured Federal Housing Administration (FHA) mortgage financing for multifamily housing, senior housing and long-term care/assisted living facilities and services the loans through its in-house servicing platform.
- We expect to report stockholders’ equity between \$344.3 million and \$344.7 million as of December 31, 2021.<sup>(5)</sup>
  - The estimated range of stockholders’ equity as of December 31, 2021 includes the impact of the conversion of our outstanding Series A Convertible Preferred Stock, with a liquidation preference of \$90 million as of September 30, 2021 and December 31, 2020, into 11,688,310 shares of common stock on October 8, 2021.
  - We expect to report stockholders’ equity per common share between \$10.83 per share and \$10.84 per share as of December 31, 2021.<sup>(6)</sup>



# Acquisition of Century Health & Housing Capital

*On December 28, 2021, We Acquired a Majority Ownership Stake in Century Health & Housing Capital*

## Business Overview

- Founded in 1992, Century provides government-insured <sup>(1)</sup> mortgage financing for multifamily housing, senior housing and long-term care / assisted living facilities
- **Retail / borrower-direct originations with in-house servicing**
  - Focused primarily on multifamily and healthcare loans (senior housing and skilled nursing facilities)
  - Northeast-focused origination footprint
  - Longstanding, repeat borrower relationships with its clients and drives strong portfolio retention
- **Demonstrated originations and servicing track record**
  - Issued \$158 million in UPB through December 31, 2021
  - Manages a servicing portfolio in excess of \$500 million in UPB as of November 30, 2021

## Transaction Highlights

- ✓ Expands growth opportunities via new products for Velocity's broker network
- ✓ Capital light, fee-based business diversifies revenue and enhances return on equity
- ✓ Expected to be immediately accretive to EPS and ROE with minimal book value impact
- ✓ Stable and durable MSR income due to long term loan characteristics
- ✓ Substantial organic growth opportunity by leveraging Velocity's national origination footprint
- ✓ Century's government-insured product focus offers a natural hedge through market cycles
- ✓ Longer-term opportunity to further expand the product suite

(1) Century is an approved Federal Housing Administration ("FHA") mortgagee and Governmental National Mortgage Association ("Ginnie Mae") issuer/servicer, including approvals for FHA Multifamily Accelerated Processing (MAP) and LEAN healthcare lender programs.



# Appendix

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## Financial and Operational Update for the Quarter Ended December 31, 2021

- (1) The foregoing estimated amount of loans originated and estimated range of net income, net income per diluted share, non-GAAP core net income and non-GAAP core net income per diluted share for the quarter ended December 31, 2021 and estimated amount of total loans and estimated ranges of nonperforming loans and stockholders' equity as of December 31, 2021 are preliminary and subject to completion of financial and operating closing procedures for the year ended December 31, 2021. Given the timing of these estimates, the actual amounts of such measures may differ materially, including as a result of our year-end closing procedures, review adjustments and other developments that may arise between now and the time our audited financial results for the year ended December 31, 2021 are finalized. Therefore, you should not place undue reliance on these estimates.
- (2) Total loans originated and acquired reflects new loan originations and acquisitions.
- (3) Loan portfolio UPB encompasses total loans held for investment.
- (4) Core net income and GAAP net income presented as a range for Q4 2021. Core net income is a non-GAAP financial measure. Core net income excludes the following nonrecurring items in the table below, which presents a reconciliation of Core net income to GAAP net income as well as Core net income per diluted share to GAAP net income per diluted share.

<b>Core Net Income</b>					
(\$ in thousands)	<u>Estimated Range</u>		9/30/2021	6/30/2021	3/31/2021
	12/31/2021	12/31/2021			
<b>Net Income</b>	<b>\$8,158</b>	<b>\$8,576</b>	<b>\$8,022</b>	<b>\$9,453</b>	<b>\$3,396</b>
Recovery of loan loss provision	-	-	-	(1,000)	-
Nonrecurring debt amortization	-	-	-	-	3,326
Deal cost write-off - collapsed securitization	1,054	1,108	-	-	-
One-time Century Health & Housing deal costs	608	639	-	-	-
<b>Core net income</b>	<b>\$9,820</b>	<b>\$10,324</b>	<b>\$8,022</b>	<b>\$8,453</b>	<b>\$6,722</b>

<b>Reconciliation from GAAP Net Income to Core Net Income per share, on a diluted basis</b>		
(Figures in thousands, except for per share metrics)	<u>Estimated Range</u>	
	12/31/2021	12/31/2021
<b>Diluted shares outstanding</b>	<b>33,981</b>	<b>33,981</b>
Net Income per share, on a diluted basis	<b>\$0.24</b>	<b>\$0.25</b>
Deal cost write-off for collapsed securitization per share, on a diluted basis	<b>\$0.03</b>	<b>\$0.03</b>
One-time Century Health & Housing Capital deal costs per share, on a diluted basis	<b>\$0.02</b>	<b>\$0.02</b>
<b>Core net income per share, on a diluted basis</b>	<b>\$0.29</b>	<b>\$0.30</b>

- (5) Stockholders' equity as of Q4 2021 includes the \$90 million of mezzanine equity that was reclassified to permanent equity on October 8, 2021 and is represented as a range.
- (6) Based on 31,786,531 shares outstanding as of December 31, 2021.



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