

# SECOND QUARTER 2021

July 22, 2021



# FORWARD LOOKING STATEMENTS

Information in this presentation may contain “forward-looking statements” within the Private Securities Litigation Reform Act of 1995. These statements generally relate to our financial condition, results of operations, plans, objectives, future performance or business and usually can be identified by the use of forward-looking terminology such as “may,” “will,” “would,” “should,” “could,” “expect,” “anticipate,” “estimate,” “believe,” “plan,” “intend,” “project,” “goals,” “outlook,” or “continue,” or the negative thereof or other variations thereof or comparable terminology. These statements represent our judgment concerning the future and are subject to business, economic and other risks and uncertainties, both known and unknown. These statements are based on current expectations, estimates and projections about our business, management’s beliefs and assumptions made by management. These statements are not guarantees of our future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in the forward-looking statements. These risks, uncertainties and assumptions include, without limitation:

- deterioration in the financial condition of borrowers resulting in significant increases in our loan and lease losses and provisions for those losses and other adverse impacts to results of operations and financial condition;
- changes in SBA rules, regulations and loan products, including specifically the Section 7(a) program, changes in SBA standard operating procedures or changes to Live Oak Banking Company’s status as an SBA Preferred Lender;
- changes in rules, regulations or procedures for other government loan programs, including those of the United States Department of Agriculture;
- changes in interest rates that affect the level and composition of deposits, loan demand and the values of loan collateral, securities, and interest sensitive assets and liabilities;
- the failure of assumptions underlying the establishment of reserves for possible loan and lease losses;
- changes in loan underwriting, credit review or loss reserve policies associated with economic conditions, examination conclusions, or regulatory developments;
- the potential impacts of the Coronavirus Disease 2019 (COVID-19) pandemic on trade (including supply chains and export levels), travel, employee productivity and other economic activities that may have a destabilizing and negative effect on financial markets, economic activity and customer behavior;
- a reduction in or the termination of our ability to use the technology-based platform that is critical to the success of our business model or to develop a next-generation banking platform, including a failure in or a breach of our operational or security systems or those of its third party service providers;
- changes in financial market conditions, either internationally, nationally or locally in areas in which we conduct operations, including reductions in rates of business formation and growth, demand for our products and services, commercial and residential real estate development and prices, premiums paid in the secondary market for the sale of loans, and valuation of servicing rights;
- changes in accounting principles, policies, and guidelines applicable to bank holding companies and banking;
- fluctuations in markets for equity, fixed-income, commercial paper and other securities, which could affect availability, market liquidity levels, and pricing;
- the effects of competition from other commercial banks, non-bank lenders, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and mutual funds, and other financial institutions operating in our market area and elsewhere, including institutions operating regionally, nationally and internationally, together with such competitors offering banking products and services by mail, telephone and the Internet;
- our ability to attract and retain key personnel;
- changes in governmental monetary and fiscal policies as well as other legislative and regulatory changes, including with respect to SBA or USDA lending programs and investment tax credits;
- changes in political and economic conditions, including as a result of the 2020 federal elections;
- the impact of heightened regulatory scrutiny of financial products and services, primarily led by the Consumer Financial Protection Bureau and various state agencies;
- our ability to comply with any requirements imposed on us by our regulators, and the potential negative consequences that may result;
- operational, compliance and other factors, including conditions in local areas in which we conduct business such as inclement weather or a reduction in the availability of services or products for which loan proceeds will be used, that could prevent or delay closing and funding loans before they can be sold in the secondary market;
- the effect of any mergers, acquisitions or other transactions, to which we may from time to time be a party, including management’s ability to successfully integrate any businesses that we acquire;
- other risk factors listed from time to time in reports that we file with the SEC, including in our Annual Report on Form 10-K; and
- our success at managing the risks involved in the foregoing.

Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Moreover, these forward-looking statements speak only as of the date they are made and based only on information actually known to us at the time. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Except as otherwise disclosed, forward-looking statements do not reflect: (i) the effect of any acquisitions, divestitures or similar transactions that have not been previously disclosed; (ii) any changes in laws, regulations or regulatory interpretations; or (iii) any change in current dividend or repurchase strategies, in each case after the date as of which such statements are made.

# Q2 2021 PERFORMANCE

As reported

Live Oak Bancshares, Inc.

(\$ in thousands, except per share data)

	<u>Q1 2020</u>	<u>Q2 2020</u>	<u>Q3 2020</u>	<u>Q4 2020</u>	<u>Q1 2021</u>	<u>Q2 2021</u>
Net Interest Income	\$ 40,161	\$ 40,898	\$ 51,363	\$ 62,301	\$ 69,950	\$ 71,462
Provision for (Recovery of) Loan and Lease Credit Losses	11,792	9,958	10,274	8,634	(873)	7,846
Noninterest Income	5,742	22,411	47,044	10,803	31,057	70,111
Noninterest Expense	49,491	48,100	42,650	52,435	58,272	57,558
Income (Loss) before Taxes	(15,380)	5,251	45,483	12,035	43,608	76,169
<b>Net Income (Loss)</b>	<b>(7,602)</b>	<b>3,777</b>	<b>33,780</b>	<b>29,588</b>	<b>39,427</b>	<b>63,582</b>
<b>Diluted Earnings (Loss) per Share</b>	<b>\$ (0.19)</b>	<b>\$ 0.09</b>	<b>\$ 0.81</b>	<b>\$ 0.68</b>	<b>\$ 0.88</b>	<b>\$ 1.41</b>
<b>Total Assets</b>	<b>\$ 5,273,569</b>	<b>\$ 8,209,154</b>	<b>\$ 8,093,381</b>	<b>\$ 7,872,303</b>	<b>\$ 8,417,875</b>	<b>\$ 8,243,186</b>
Total HFS and HFI Loans and Leases	3,813,455	5,626,624	6,227,294	6,320,400	6,533,495	6,506,334
Allowance for Credit Losses on Loans and Leases	(35,906)	(44,083)	(44,210)	(52,306)	(52,417)	(57,848)
All Other Assets	1,496,020	2,626,613	1,910,297	1,604,209	1,936,797	1,794,700
<b>Total Liabilities</b>	<b>4,739,797</b>	<b>7,660,719</b>	<b>7,509,217</b>	<b>7,304,453</b>	<b>7,827,515</b>	<b>7,585,839</b>
Total Deposits	4,639,401	5,873,292	5,706,044	5,712,828	6,316,004	6,520,833
Total Borrowings	50,012	1,721,029	1,747,083	1,542,093	1,465,961	1,012,431
All Other Liabilities	50,384	66,398	56,090	49,532	45,550	52,575
<b>Total Shareholders' Equity</b>	<b>533,772</b>	<b>548,435</b>	<b>584,164</b>	<b>567,850</b>	<b>590,360</b>	<b>657,347</b>

# CREDIT & FAIR VALUE METRICS

Ratios <sup>1</sup>	3/31/2020	06/30/2020	09/30/2020	12/31/2020	03/31/2021	06/30/2021
Past Due > 30 Days <sup>2</sup>	0.54%	0.00%	0.00%	0.05%	0.12%	0.13%
Watchlist Loans and Leases <sup>3</sup>	6.45%	6.46%	7.97%	9.61%	9.45%	9.34%
Classified Assets <sup>4</sup>	1.88%	1.66%	2.32%	2.18%	2.23%	1.88%
Non-Accruals <sup>5</sup>	1.06%	1.00%	1.30%	1.07%	1.20%	1.03%
Net Charge Off (Annualized)	0.58%	0.21%	1.03%	0.05%	(0.09)%	0.21%
<b>ACL<sup>6</sup> &amp; FV Mark<sup>7</sup> on HFI Unguaranteed</b>	<b>\$61.3</b>	<b>\$67.2</b>	<b>\$61.8</b>	<b>\$74.8</b>	<b>\$69.4</b>	<b>\$72.6</b>

## Loans and Leases

As of June 30, 2021 (\$ in millions)

Tier 1 Capital (a)	\$618.0
ACL and FV Mark on HFI Loans and Leases (b)	\$72.6
Total HFI Unguaranteed Loans and Leases <sup>8</sup> (c)	\$2,890.0
Ratio (a+b)/c	<b>23.9%</b>
Ratio b/c	<b>2.5%</b>
Classified HFI Unguaranteed Loans & Leases to Tier 1 Capital plus ACL & FV Mark on HFI Unguaranteed HFI Loans and Leases	<b>7.9%</b>

1.) All ratios use Total HFI Unguaranteed Loan and Leases (see footnote 8) as the denominator, except for net charge-offs 2.) Past due loans and leases include only loans and leases on accrual status at amortized cost 3.) Watchlist loans and leases include HFI unguaranteed loans and leases at amortized cost (inclusive of loans and leases at fair value and historical cost) categorized as Risk Grade 5 and 6 4.) Classified assets include Risk Grade 6 and higher HFI unguaranteed loans and leases at amortized cost (inclusive of loans and leases at fair value and historical cost) 5.) Non-accrual loans include HFI unguaranteed balance of non-accrual loans and leases at amortized cost ((inclusive of loans and leases at fair value and historical cost) 6.) Allowance for credit losses on HFI unguaranteed loans and leases carried at historical cost 7.) Fair value mark on HFI unguaranteed loans measured at fair value 8.) Represents total HFI unguaranteed loans and leases at amortized cost (inclusive of loans and leases at fair value and historical cost)

# ON THE OTHER SIDE OF PPP

Where are we now?

## Total Loan & Lease Portfolio Performance Q2 2020 – Q2 2021

**\$13.9**  
million  
Net Charge-Offs

**\$4.1**  
million  
Net Charge-Offs

Excluding \$9.8 million charge-offs  
associated with the mark-down and sale of  
15 loans from the Hotel portfolio in Q3 2020

## Processed nearly 15,000 PPP loans

**\$2.31**  
billion  
PPP Loans  
Originated

**\$1.36**  
billion  
PPP Loans  
Forgiven/Paid Down

**\$951.4**  
million  
PPP Loan Balance  
Remaining

**\$80.3**  
million  
Net Deferred Fees  
at Origination

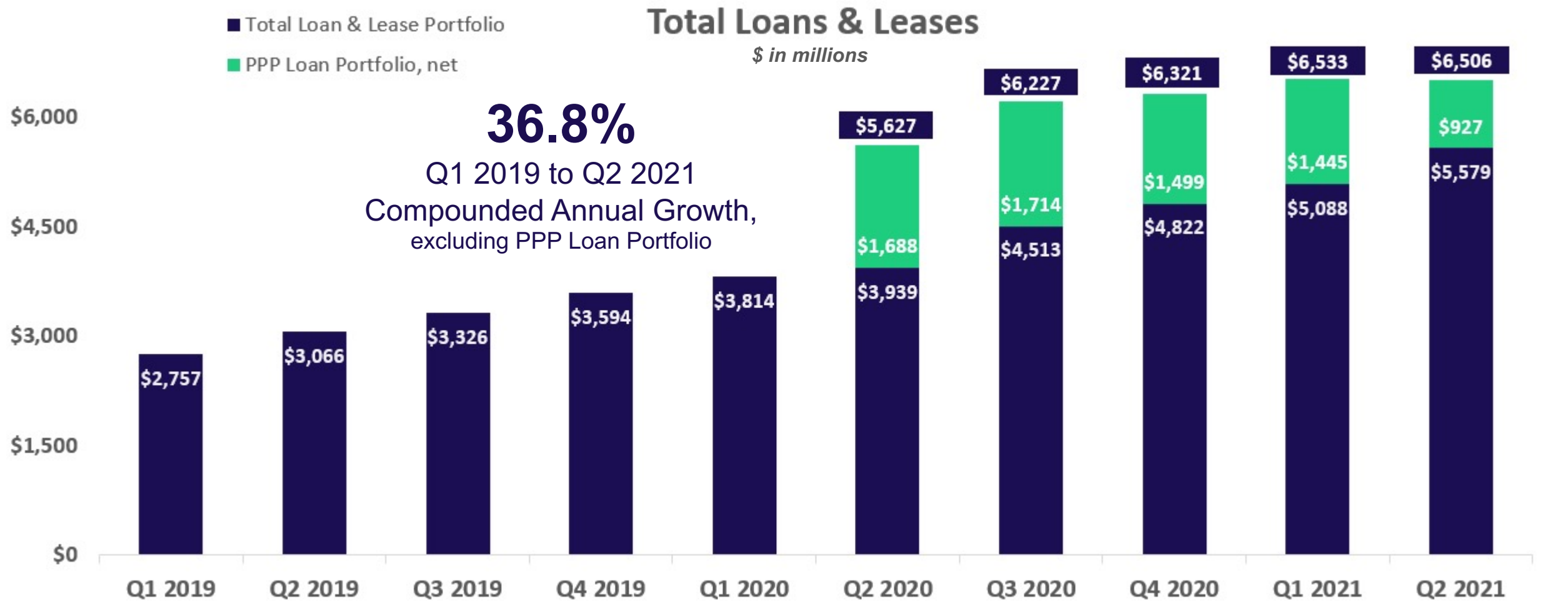
**\$56.2**  
million  
Net Deferred Fees  
Recognized

**\$24.1**  
million  
Net Deferred Fees  
Remaining

**\$8.4 million net interest income earned since April 2020,  
excluding the amortization of net deferred fees**

# QUARTER COMPARISONS

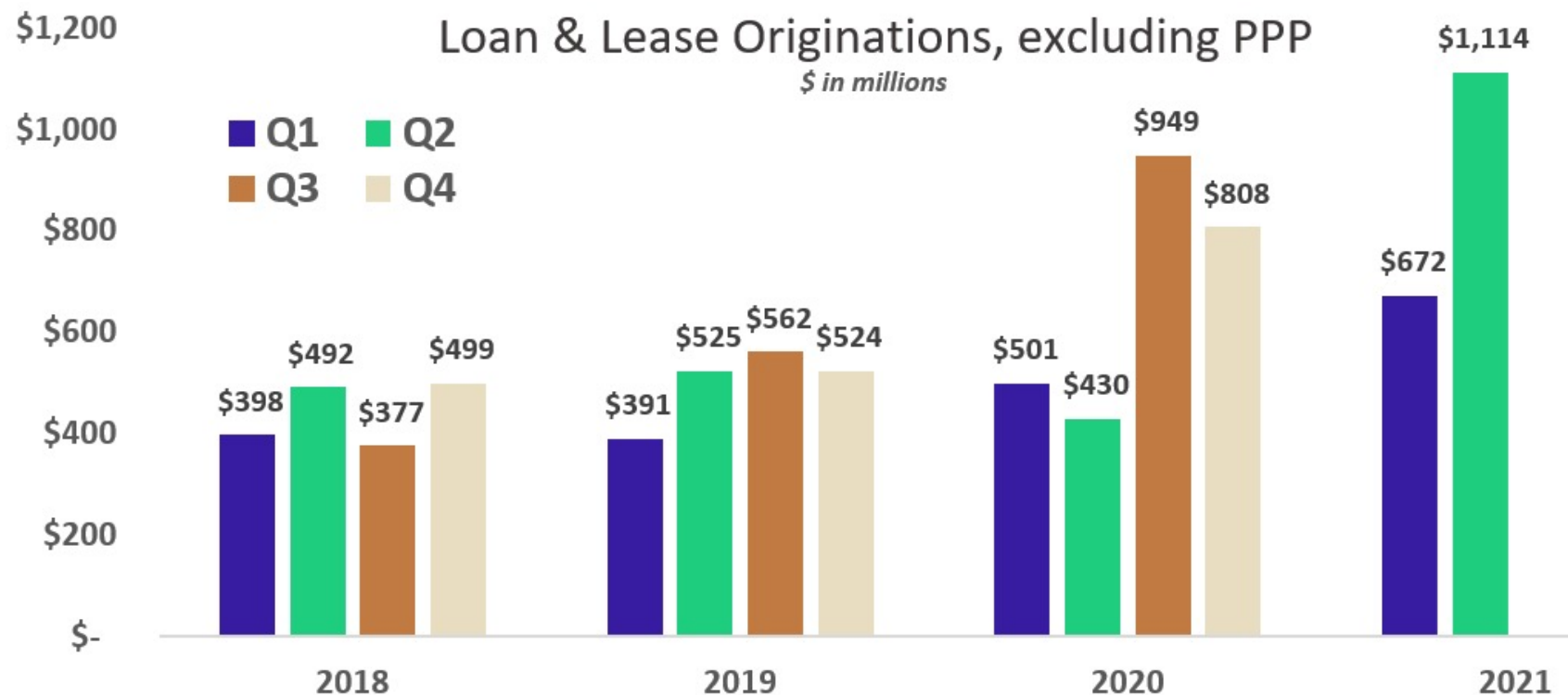
## Loan & Lease Portfolio Growth





# QUARTER COMPARISONS

## Growth & Diversification



## 159% Growth

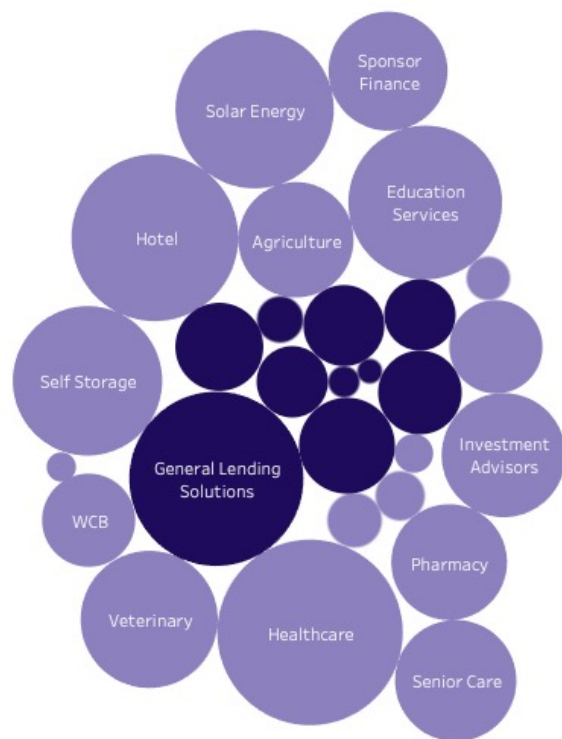
Q2 2020 to Q2 2021  
\$430.1 million to \$1.11 billion  
Originations excluding PPP

# LOAN ORIGINATION GROWTH

## New Verticals Contribute to Growth

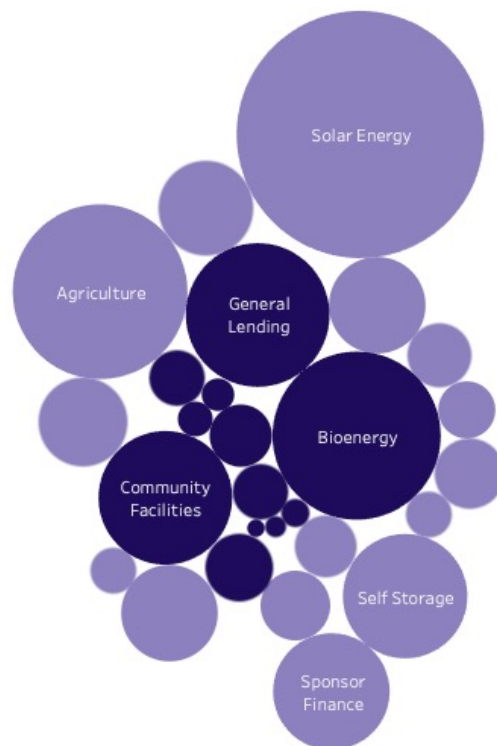
### Q2 2019 Loan & Lease Originations

2008-2017	\$403.9 million
After 2017	\$121.2 million



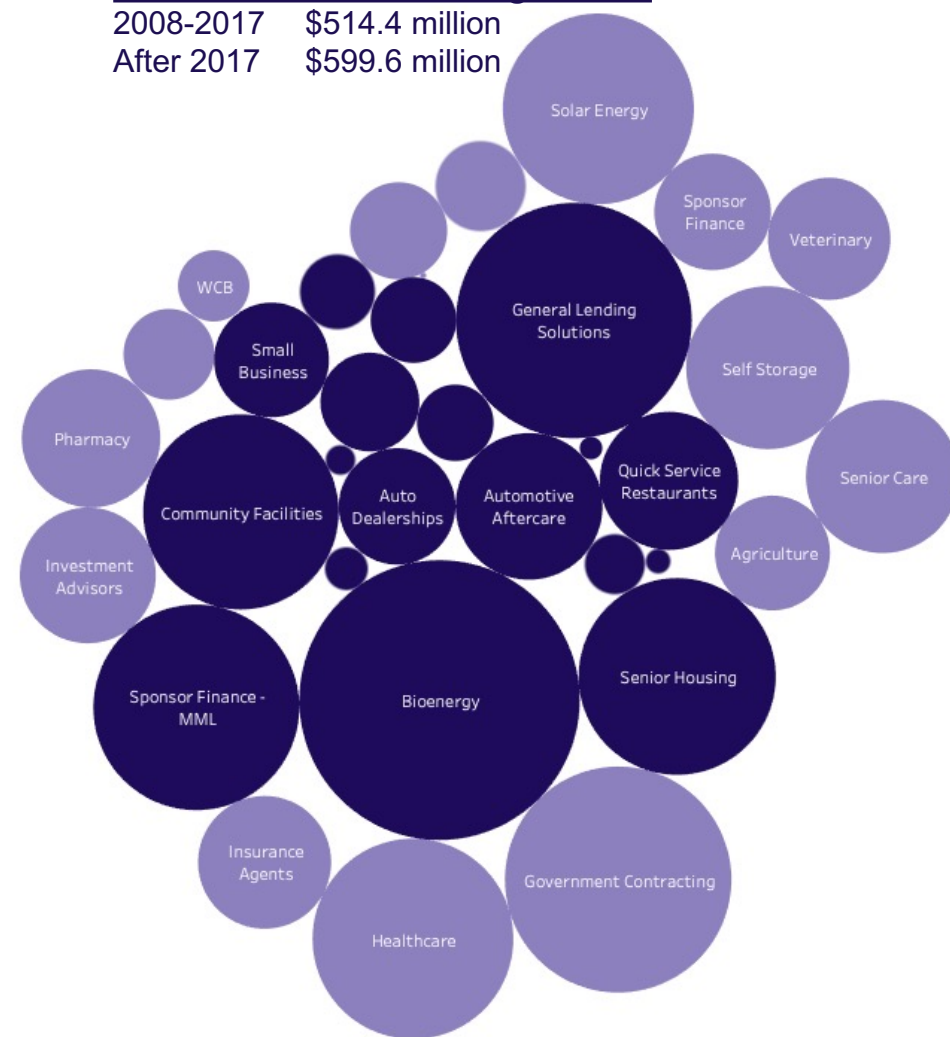
### Q2 2020 Loan & Lease Originations

2008-2017	\$291.6 million
After 2017	\$138.6 million



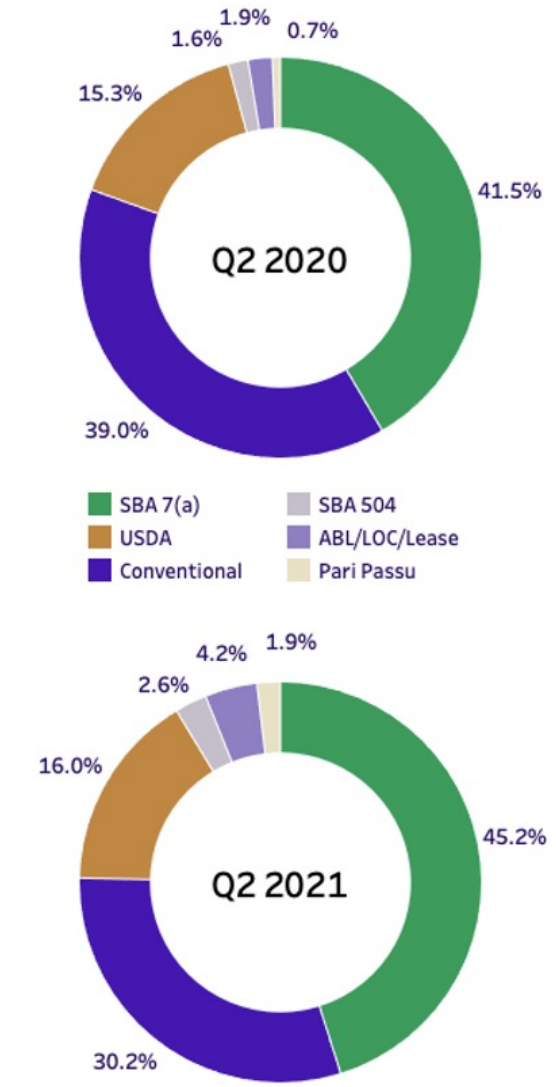
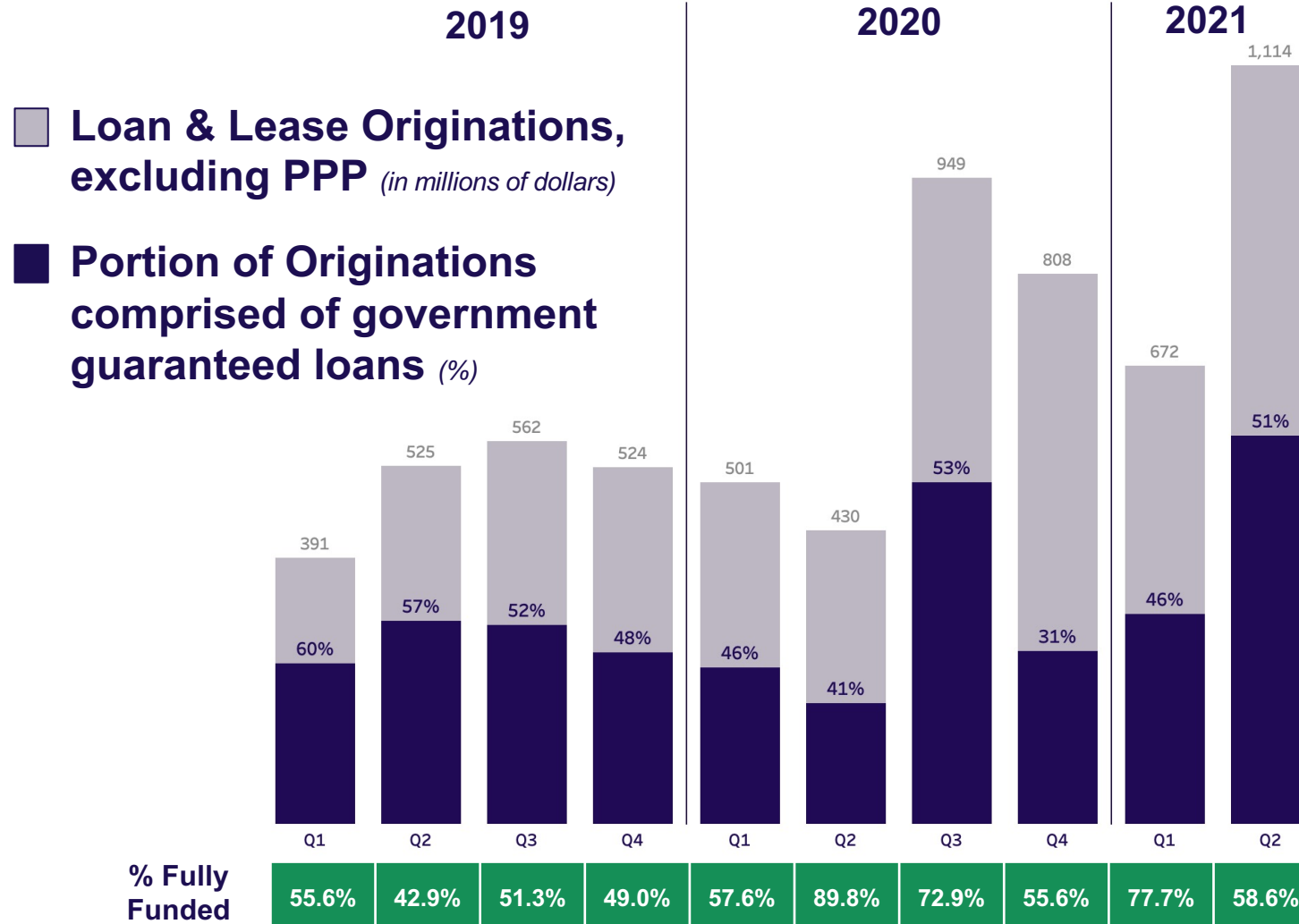
### Q2 2021 Loan & Lease Originations

2008-2017	\$514.4 million
After 2017	\$599.6 million



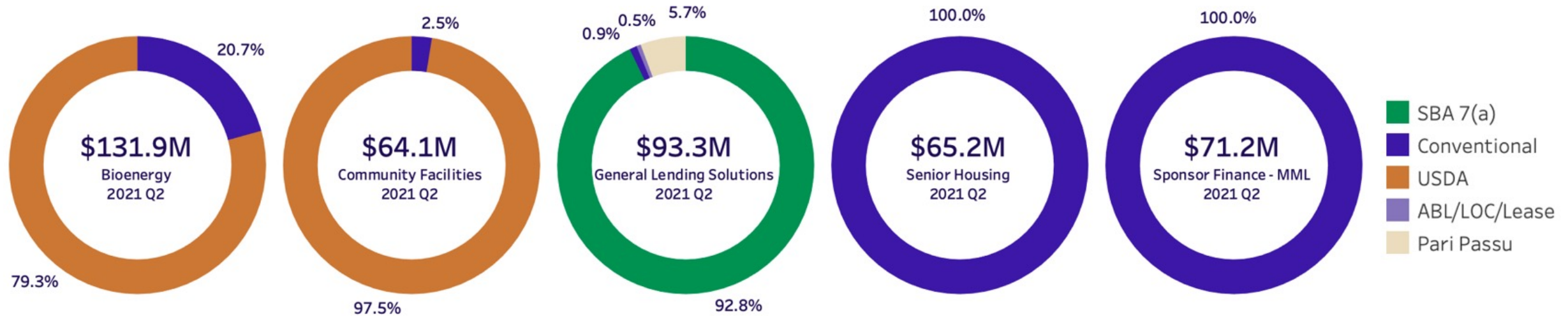


# LOAN & LEASE ORIGINATION CHARACTERISTICS



# SAMPLE VIEW: 5 NEWER VERTICALS

Q2 2021 Originations for 5 verticals launched after 2017

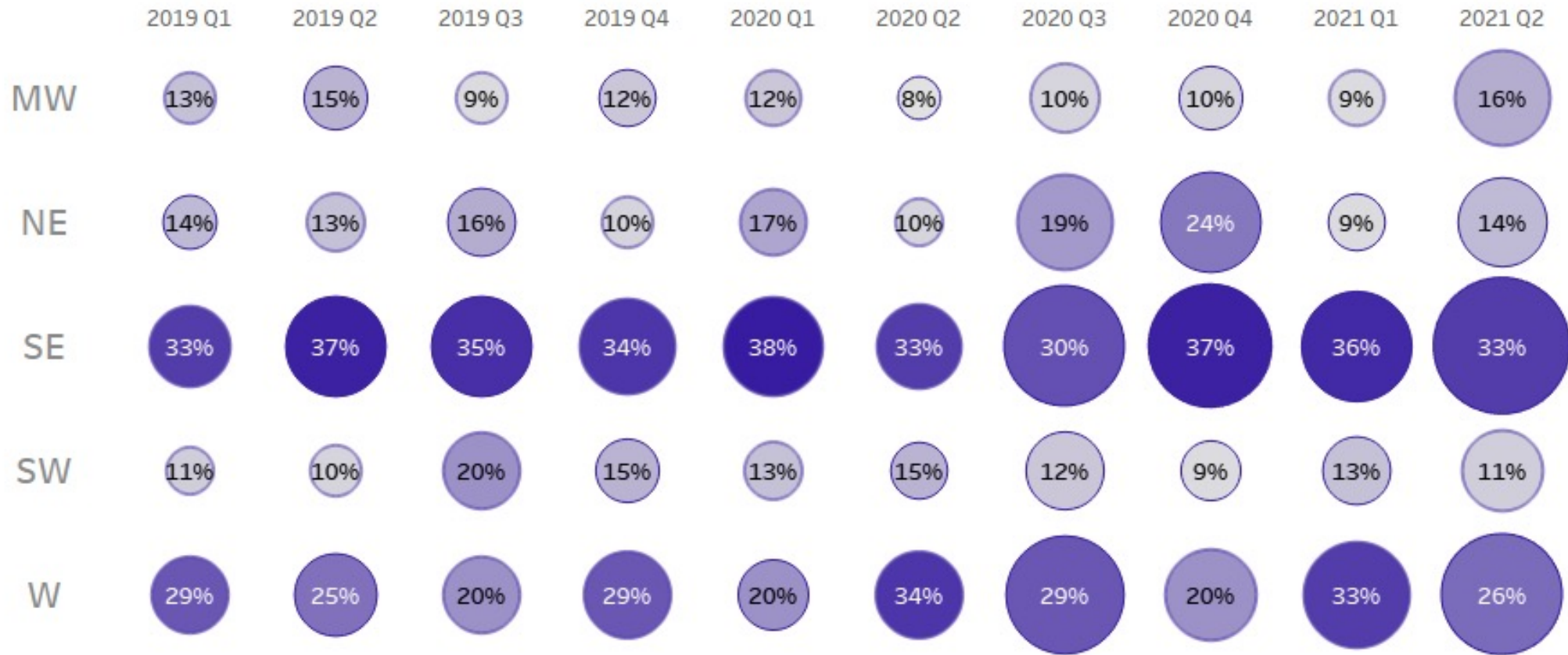


Verticals	Unguaranteed HFI Loans & Leases <sup>1</sup>	30-89 Days Past Due & Accruing <sup>1</sup>	Criticized and Classified <sup>1</sup>	Non-Accrual <sup>1</sup>
Bioenergy	1.86%	0.00%	0.00%	0.00%
Community Facilities	0.57%	0.00%	0.00%	0.00%
General Lending Solutions	6.33%	0.00%	5.22%	0.15%
Senior Housing	3.75%	0.00%	0.00%	0.00%
Sponsor Finance - MML	2.19%	0.00%	0.00%	0.00%

1. As a percent of the total unguaranteed loans & leases applicable to each category

# Q2 2021 DIVERSIFIED ORIGINATIONS<sup>1</sup>

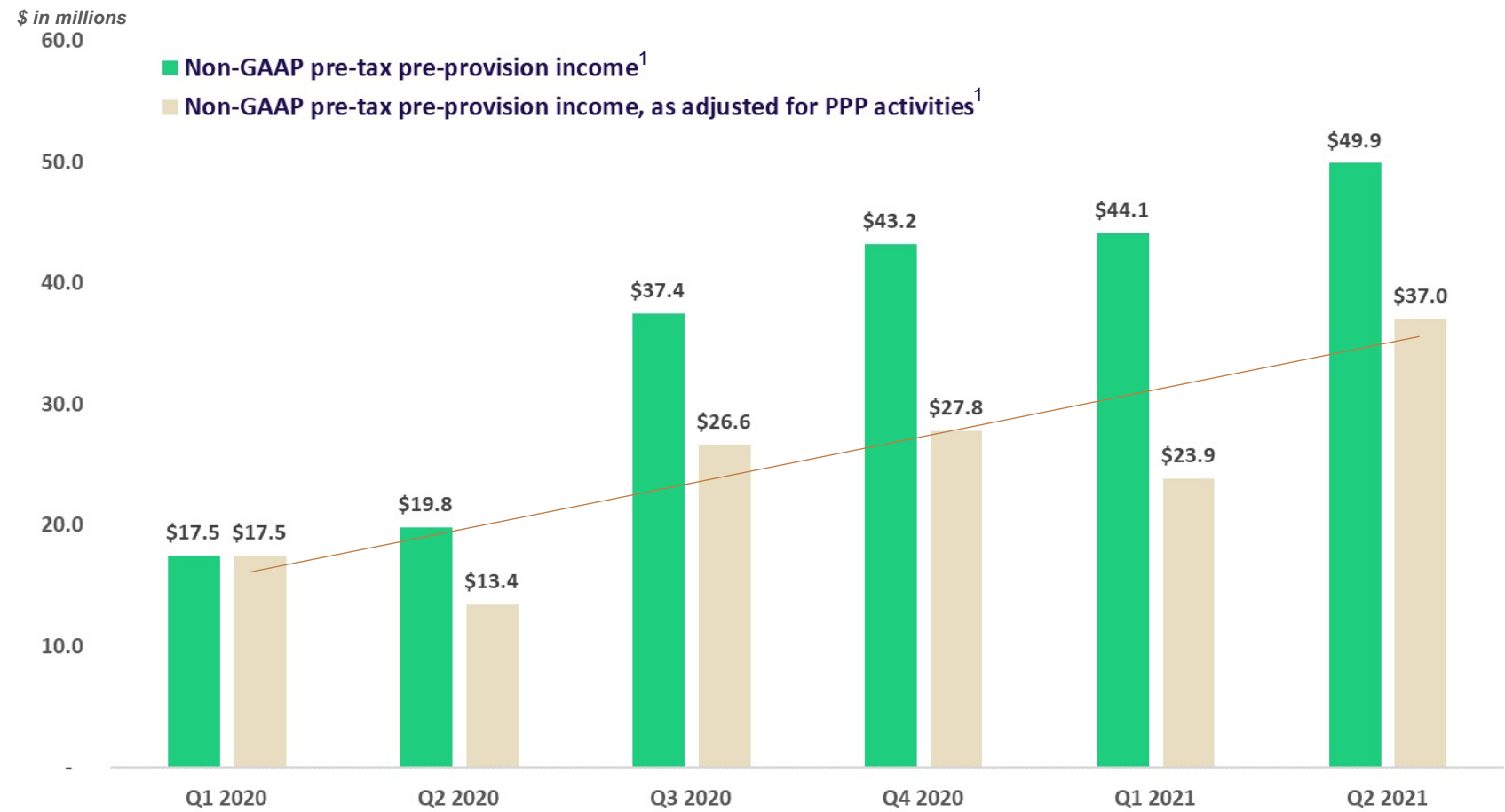
## Geographic Diversification



1.) Loan & lease originations excluding PPP loans

©2021 Live Oak Banking Company. All rights reserved. Member FDIC. Equal Housing Lender. 

# NON-GAAP PRE-TAX PRE-PROVISION INCOME



**16.2%**  
Average Quarterly Growth Rate  
Q1 2020 to Q2 2021  
Non-GAAP pre-tax pre-provision income,  
as adjusted for PPP activities

1.) See Appendix for reconciliation of reported balances to non-GAAP items

# TECHNOLOGY INVESTMENTS

Finxact™ payrailz DEFENSESTORM savana greenlight A P I T U R E PHILANTHROPI

\$ in millions

Live Oak Cash Investment	\$13.4	\$3.1	\$2.2	\$1.5	\$5.0	\$0.0	\$0.5
Live Oak Carrying Value <sup>2</sup>	\$6.2	\$0.0	\$2.9	\$1.5	\$51.5	\$53.2	\$0.5
Estimated Implied Value <sup>1</sup> of Shares Owned by Live Oak	\$41.8	\$15.0	\$4.4	\$1.3	\$51.5	\$68.3	N/A
Change since Q1 2021	\$0.0	+\$1.1	\$0.0	-\$0.1	+\$13.3	\$0.0	N/A

**\$25.7**

**Investment**

**\$115.8**

**Total Carrying Value**

**\$182.3**

**Estimated Implied Value<sup>1</sup>**

vs. Q1 2021 of \$168.0

**\$66.5**

**Difference**

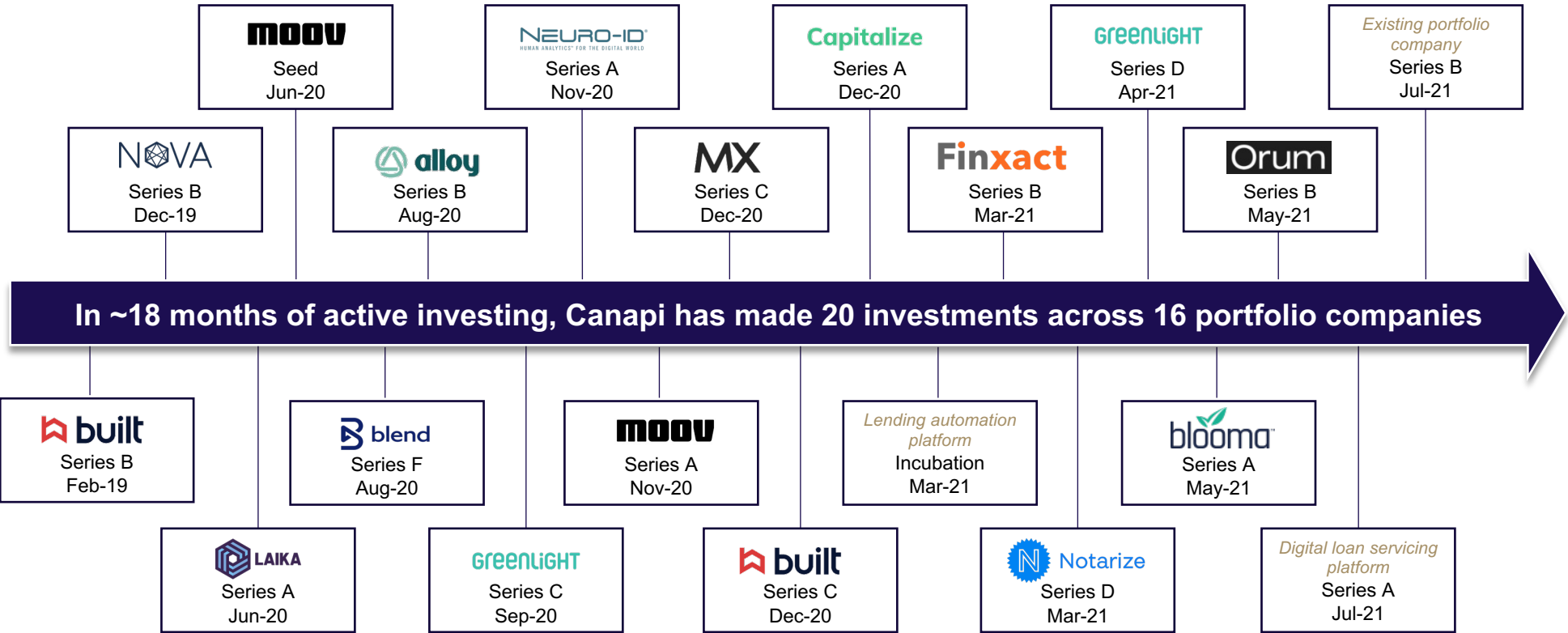
vs. Q1 2021 of \$81.3

1.) Implied value based on most recent transaction data and not necessarily indicative of current or future value

2.) The carrying value of Greenlight is net of the sale of shares in Q2 2021. The Philanthropi investment is in the form of a convertible note

# CANAPI UPDATE

LOB’s investment in Canapi is paying off through access to top-tier fintech companies as well as encouraging early fund performance





# PERFORMANCE

# OUR FOCUS REMAINS CONSISTENT



## KEEPING OUR CUSTOMERS CLOSE

**In-Person and Virtual Outreach & Engagement**

**Regular Outreach from our Servicing Groups**

**Continuing to expand the Customer Base**



## SAFETY & WELL-BEING OF OUR EMPLOYEES & COMMUNITIES

**Flexible Hybrid Work Model**

**Supporting Business Growth with People and Resources**

**Continue to Invest in Our Communities**

**Philanthropy Investment & Partnership**



## SUPPORTING SMALL BUSINESSES

**Dedicated to Providing Capital to Small Business Owners Across the Country**

**Launching Inclusive Small Business Lending and Resource Efforts**

**Building Future State Product Roadmap**



## DELIVERING TECHNOLOGY & PRODUCTS

**Loan Servicing Enhancements**

**Checking Pilot Success**











**Full Deposit Conversion to Finxact Scheduled for Q3**

# Q2 BALANCE SHEET HIGHLIGHTS

<i>\$ in billions unless otherwise indicated</i>	<b>Q2 2020</b>	<b>Q1 2021</b>	<b>Q2 2021</b>	<b>Change from Prior Quarter</b>	<b>Change from Prior Year</b>
<b>Total Loans and Leases Excluding PPP<sup>1</sup></b>	\$3.94	\$5.09	\$5.58	9.6% 	41.7% 
<b>Managed Portfolio Excluding PPP<sup>2,1</sup></b>	\$7.01	\$8.31	\$8.71	4.9% 	24.3% 
<b>Eligible for Sale Guaranteed Loans</b>	\$1.12	\$1.75	\$2.01	15.0% 	80.0% 
<b>Total Assets, As Adjusted to exclude PPP<sup>3</sup></b>	\$5.58	\$6.94	\$7.31	5.2% 	30.8% 
<b>Total Equity</b>	\$548.4 million	\$590.4 million	\$657.3 million	11.3% 	19.9% 

1.) See Appendix for Reconciliation to reported balances 2.) Outstanding balance of sold and serviced loans plus loans and leases held for investment and held for sale less adjustments for PPP activities (See Appendix) 3.) Total Assets as reported less adjustments for PPP activities (See Appendix)

# Q2 INCOME STATEMENT HIGHLIGHTS

<i>\$ in millions</i>	<b>Q2 2020</b>	<b>Q1 2021</b>	<b>Q2 2021</b>	<b>Change from Prior Quarter</b>	<b>Change from Prior Year</b>
<b>Loan &amp; Lease Originations, excluding PPP</b>	\$430	\$672	\$1,114	65.7% 	159.0% 
<b>Net Interest Income , as adjusted for PPP Activities<sup>1</sup> + Servicing Revenue</b>	\$40.7	\$57.5	\$64.8	12.8% 	59.3% 
<b>Net Gain on Sales of Guaranteed Loans</b>	\$10.3	\$11.5	\$15.0	30.9% 	45.1% 
<b>Non-GAAP Noninterest Expense, as adjusted for PPP Activities<sup>1</sup></b>	\$45.1	\$53.0	\$51.8	2.2% 	14.9% 
<b>Non-GAAP Pre-Tax Pre- Provision Income as adjusted for PPP Activities<sup>1</sup></b>	\$13.4	\$23.9	\$37.0	55.1% 	176.1% 

1.) See Appendix for reconciliation of non-GAAP items to reported balances

# NOTABLE EVENTS – Q2

Event	Comments	Q2 Financial Impact
<b>Greenlight Gain</b>	FMV of Greenlight increased following Series D capital raise Live Oak Ventures sold a portion of its shares	Non-Cash Gain: \$30.2 million Cash Gain: \$13.9 million Total Gain: \$44.1 million
<b>Loan &amp; Lease Originations</b>	New quarterly record for originations, excluding PPP loans Investments in new lending verticals and strategies continue to gain market share	Originated \$1.11 billion loans and leases excluding PPP  Portfolio growth and recurring revenue
<b>Gain on Sale Revenue</b>	Market remains strong as average gain per \$1 million sold increased to \$115 thousand	Revenue increased as a result of higher premiums received during Q2 and smaller discount of retained unguaranteed portion
<b>The End of Market Price RSUs</b>	Final tranche of 178,000 market price RSUs vested	Non-interest expense: \$1.8 million Tax benefit: \$1.5 million Equity Impact: \$(5.4) million

# PPP IMPACT

(\$ in millions)	<b>Q2 2020</b>	<b>Q3 2020</b>	<b>Q4 2020</b>	<b>Q1 2021</b>	<b>Q2 2021</b>
Total Assets, as reported	\$8,209.2	\$8,093.4	\$7,872.3	\$8,417.9	\$8,243.2
Total Adjustments for PPP Activities <sup>1</sup>	2,625.5	2,218.8	1,510.2	1,475.1	937.2
<b>Total Assets, as adjusted to exclude PPP Activities</b>	<b>5,583.6</b>	<b>5,874.6</b>	<b>6,362.1</b>	<b>6,942.8</b>	<b>7,306.0</b>

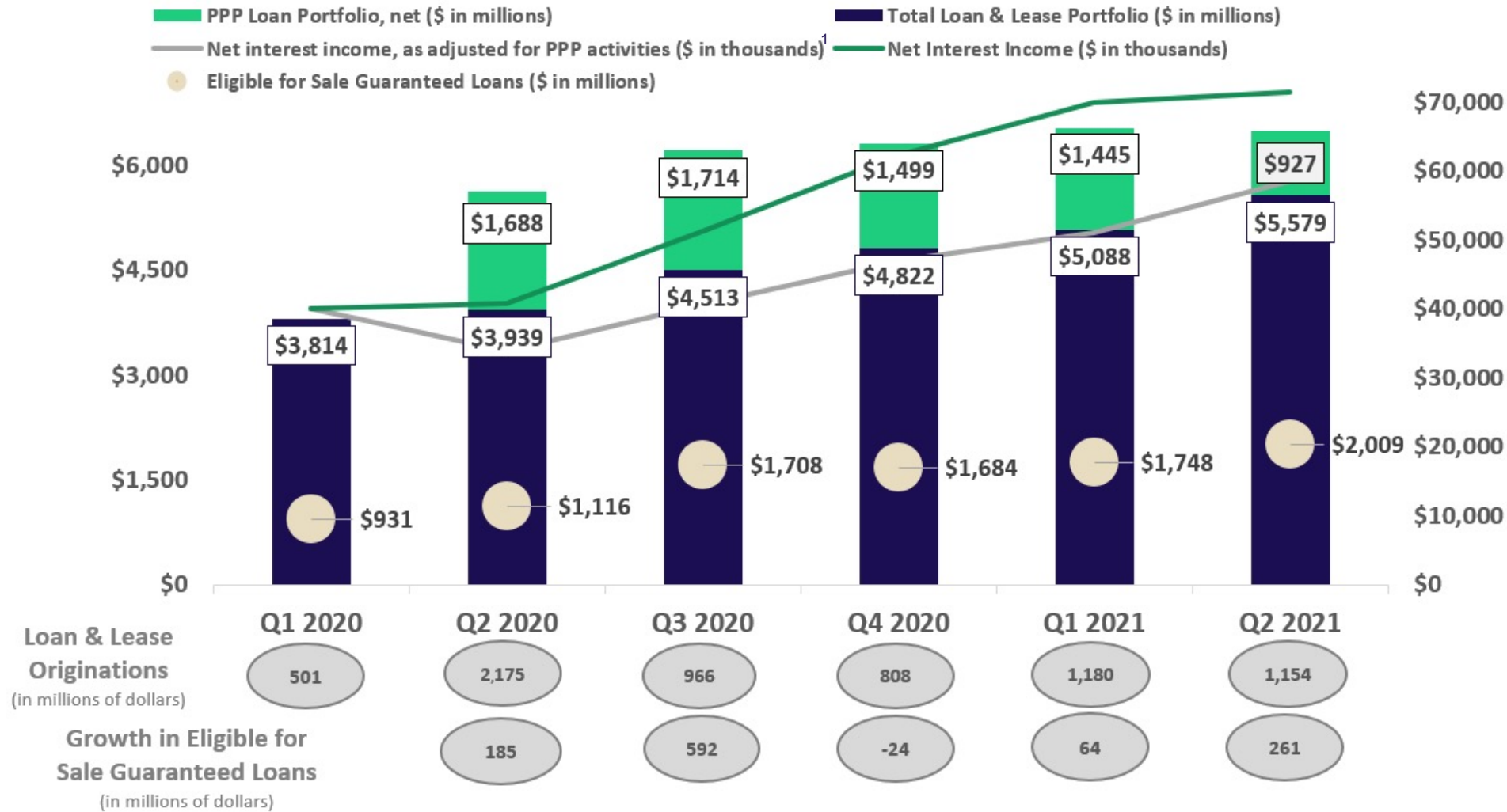
**\$24.1 million net deferred fees on balance sheet at June 30, 2021**

(\$ in millions)	<b>Q2 2020</b>	<b>Q3 2020</b>	<b>Q4 2020</b>	<b>Q1 2021</b>	<b>Q2 2021</b>
Interest Income and Fees on Loans, as reported	\$62.0	\$70.6	\$79.2	\$85.0	\$84.8
Less Amortization of Net Deferred Fees on PPP Loans <sup>1</sup>	5.4	9.2	13.3	17.2	11.2
Less Interest Income on PPP Loans <sup>1</sup>	3.3	4.4	4.3	3.6	3.2
<b>Interest Income &amp; Amortization of Net Deferred Fees on Loans (excluding PPP)</b>	<b>53.3</b>	<b>57.0</b>	<b>61.6</b>	<b>64.2</b>	<b>70.4</b>
Estimated interest expense on funding activity to support PPP activities <sup>1</sup>	1.8	2.8	2.4	1.9	1.6
<b>Impact of PPP Activities on Net Interest Income</b>	<b>6.9</b>	<b>10.8</b>	<b>15.2</b>	<b>18.9</b>	<b>12.8</b>

1.) See Appendix for adjustments for PPP Activities



# FRANCHISE FUNDAMENTALS



**72% ↑**  
 Q2 2021 vs Q2 2020  
 Net Interest Income, as  
 adjusted for PPP activities

**15% ↑**  
 Q2 2021 vs Q1 2021  
 Net Interest Income, as  
 adjusted for PPP activities

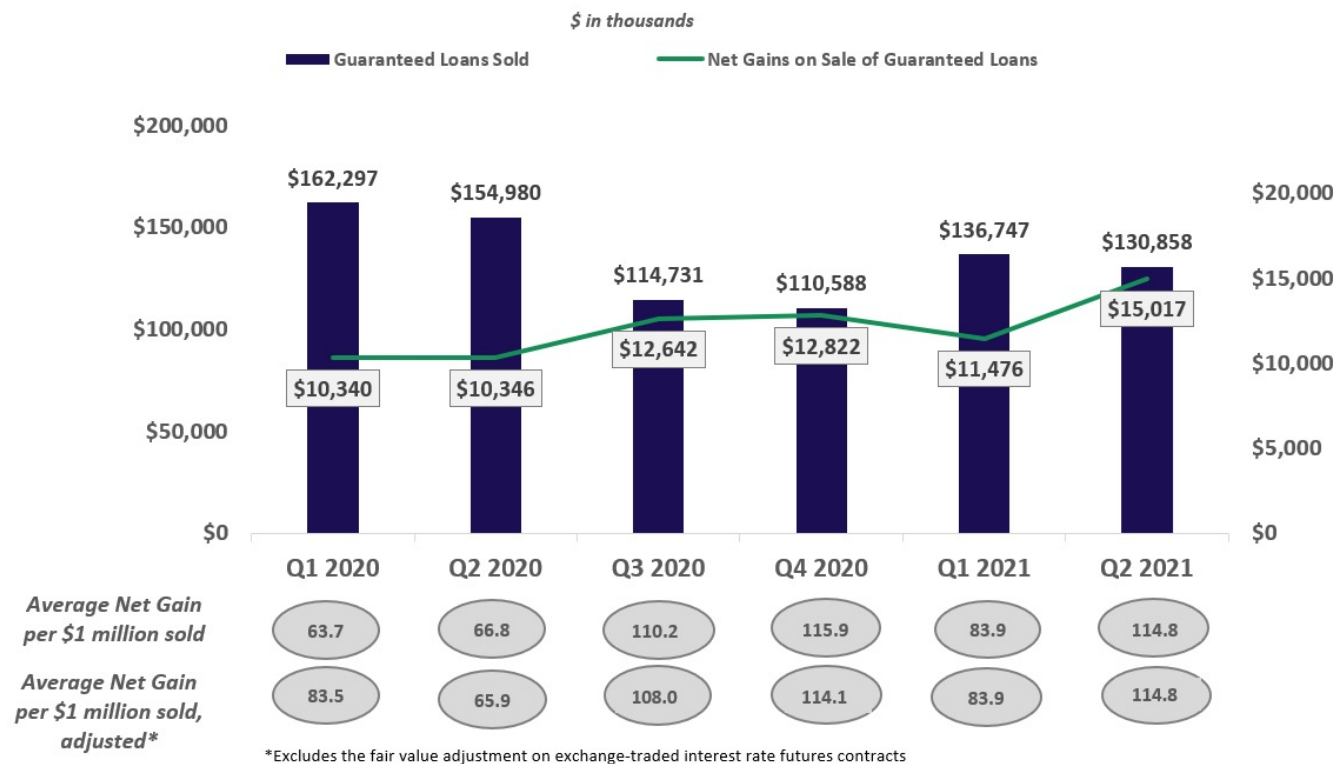
**42% ↑**  
 Q2 2021 vs Q2 2020  
 Total Loan and Lease  
 Portfolio, excluding PPP

**10% ↑**  
 Q2 2021 vs Q1 2021  
 Total Loan and Lease  
 Portfolio, excluding PPP

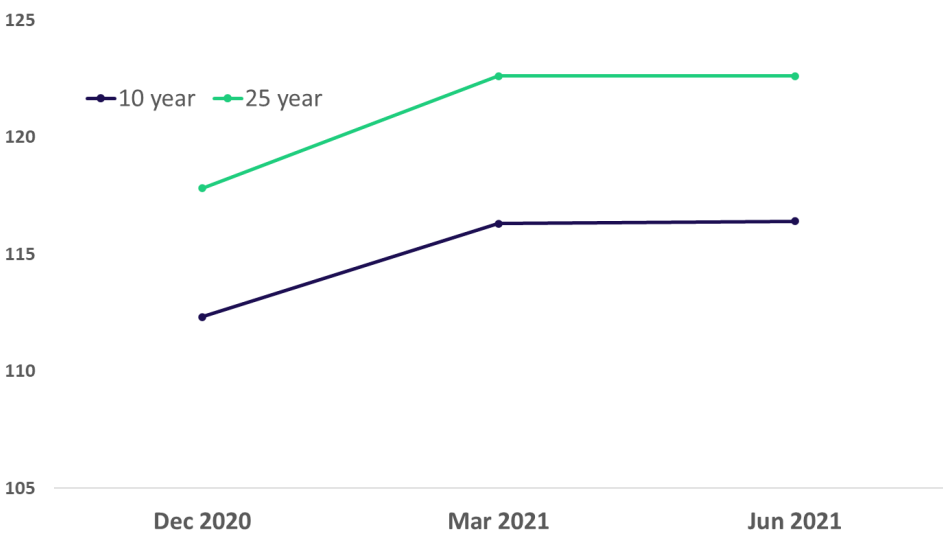
1.) See Appendix for reconciliation to reported balances

# GUARANTEED LOAN SALES

## Guaranteed Loan Sales



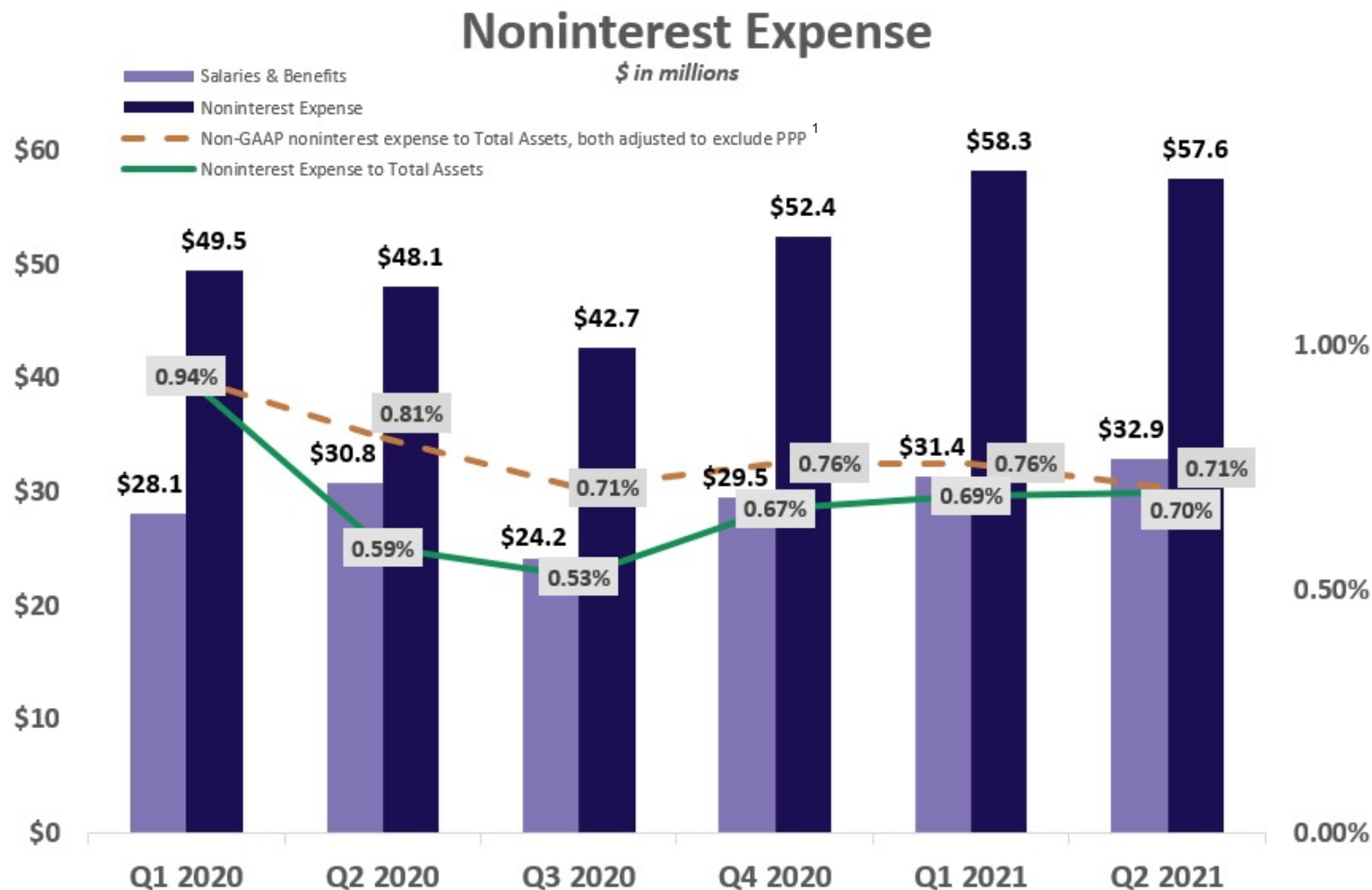
## Secondary Market Remains Strong



## Long Term Sale Targets Remain Consistent

% Sold	Q2 2021	Last 6 Quarters	Target
SBA	24%	31%	35%
USDA	37%	63%	100%

# INVESTING IN GROWTH



**\$51.8**  
million

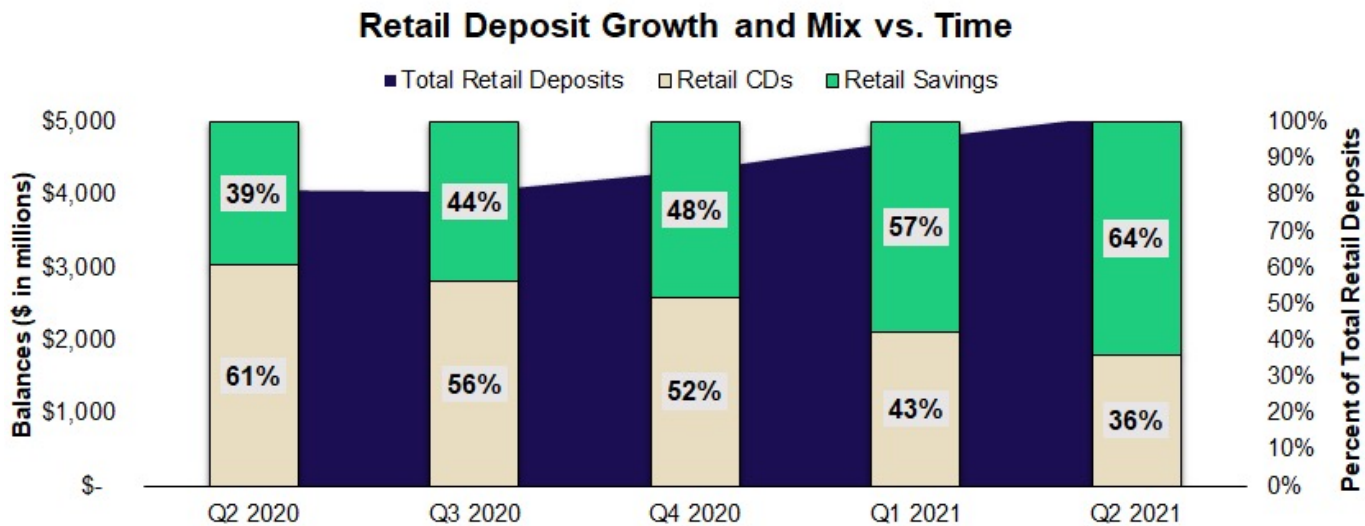
Non-GAAP noninterest  
expense, as adjusted for PPP  
activities<sup>1</sup>

**0.71%**

Non-GAAP noninterest  
expense, as adjusted for PPP  
activities to Total assets, as  
adjusted to exclude PPP  
activities<sup>1</sup>

1.) See Appendix for reconciliation of non-GAAP items to reported balances

# FUNDING MODEL EXCELS IN CURRENT ENVIRONMENT

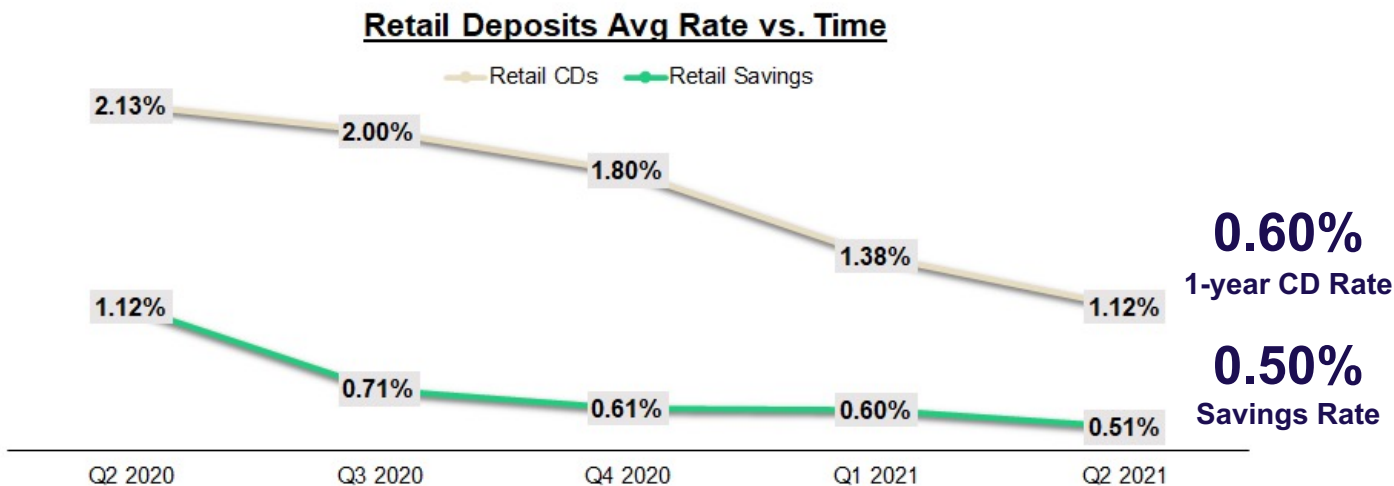


**\$5.1**  
billion  
**Retail Deposits**  
As of June 30, 2021

**65.1**  
thousand  
**Open Accounts**  
As of June 30, 2021

**10**  
Basis points  
**Noninterest Cost of Funds<sup>1</sup>**  
Q2 2021

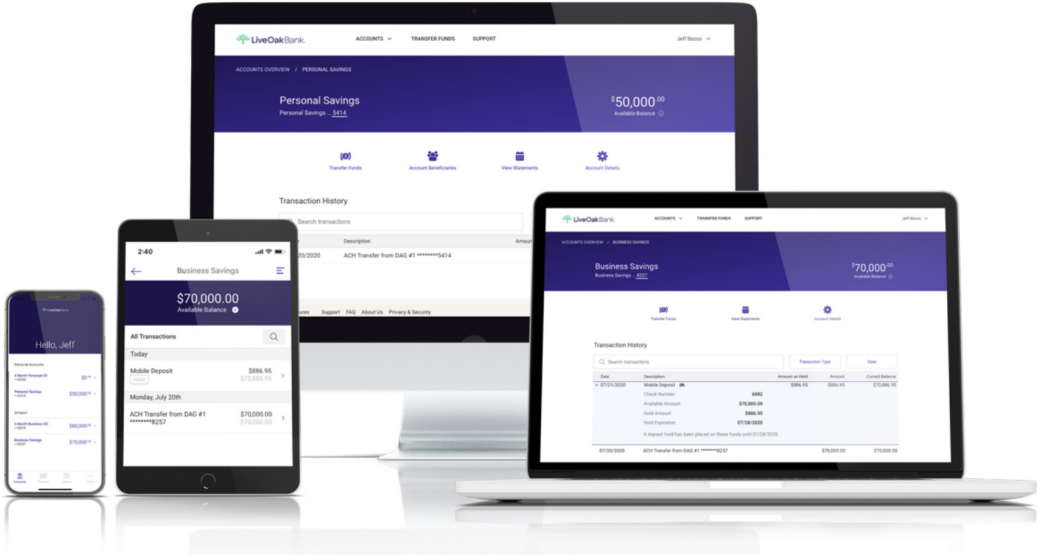
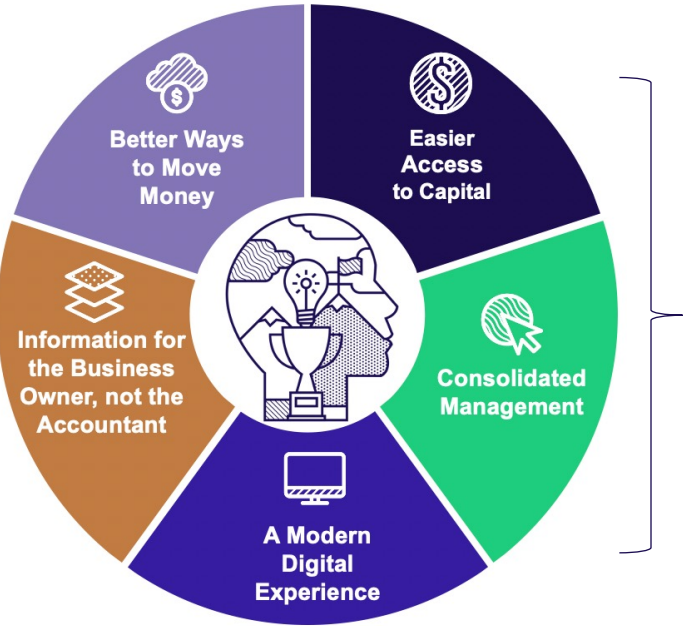
**26%**  
**YoY Retail Deposits Growth**  
Versus Q2 2020



Savings Account Retention		
Open Savings Account as of	% Still Open as of 6/30/2021	% Balance as of 6/30/2021
12/31/2018	88.5%	119.4%
12/31/2019	92.3%	124.1%
12/31/2020	95.9%	111.5%

1.) See Appendix for Deposit Noninterest Cost of Funds

# NEW DEPOSIT PLATFORM UPDATE



	Sep 30, 2020	For the quarter ended Dec 31, 2020	Mar 31, 2021	June 30, 2021
Accounts	182	740	1,905	2,920
Account Balance	\$12.1 million	\$61.6 million	\$156.1 million	\$426.3 million

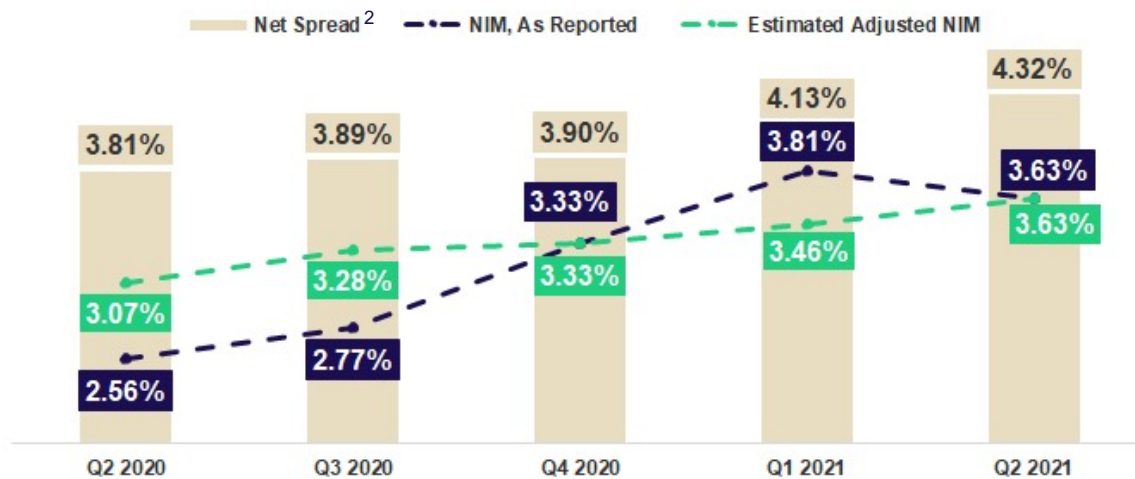
**Q2'21 vs. Q1'21**  
**53% Account Growth**  
**173% Balance Growth**



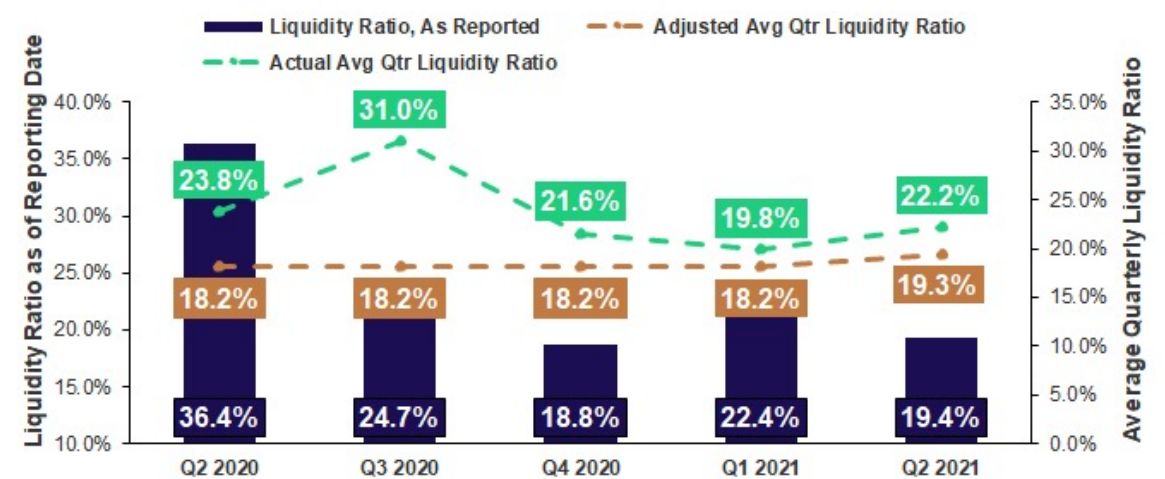
# NIM EXPANSION & LIQUIDITY MANAGEMENT

- Estimated Adjusted NIM improvement driven by:
  - COF reductions via Retail savings rate decreases and Q2 2021 CD maturity event
  - Strong loan production providing outlet for liquidity deployment
- Ending Q2 2021 liquidity improved in Q2 2021 (19.4%) compared to Q1 2021 (22.4%) as liquidity was deployed towards the end of the quarter

NIM & Net Spread Trends - As Reported and Adjusted<sup>1</sup>



Liquidity Ratio Trends - As Reported and Adjusted<sup>1</sup>



1.) Estimated Adjusted NIM and Adjusted Average Quarterly Liquidity Ratio removes PPP/PPPLF impacts and related excess average liquidity. Adjusted Average Quarterly Liquidity from Q2 2020 through Q1 2021 is assumed to hold constant to Q1 2020. Adjusted Average Quarterly Liquidity for Q2 2021 excludes any average deposits and borrowings directly related to funding PPP loans. Liquidity ratio is calculated as Net Cash and Short-Term Marketable Assets divided by Net Deposits and Short-Term Liabilities

2.) Net Spread is calculated as average yield on interest-earning loans less average cost of funds on interest-bearing deposits. Net spread for Q2 2020 through Q2 2021 excludes PPP loans earning 1.00%



# NON-GAAP PRE-TAX PRE-PROVISION INCOME

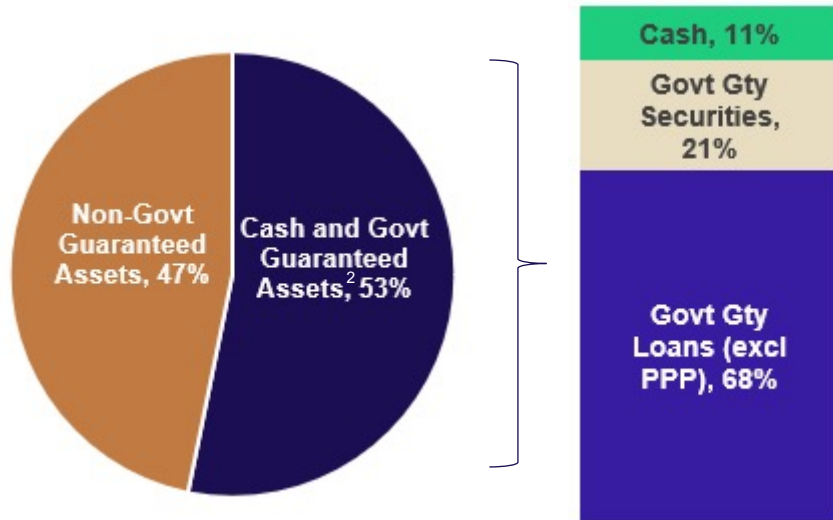
(\$ in thousands)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
<b>Net interest income, as reported</b>	<b>40,161</b>	<b>40,898</b>	<b>51,363</b>	<b>62,301</b>	<b>69,950</b>	<b>71,462</b>
Less PPP loan interest income	-	3,317	4,403	4,269	3,567	3,201
Less loan deferred fees & costs amortized into interest income, net	-	5,380	9,183	13,310	17,178	11,185
Add estimated interest expense on funding activity to support PPP activities	-	1,808	2,815	2,354	1,872	1,551
<b>Net interest income, as adjusted for PPP activities</b>	<b>40,161</b>	<b>34,009</b>	<b>40,592</b>	<b>47,076</b>	<b>51,077</b>	<b>58,627</b>
<b>Total noninterest income, as reported</b>	<b>5,742</b>	<b>22,411</b>	<b>47,044</b>	<b>10,803</b>	<b>31,057</b>	<b>70,111</b>
Total fair value adjustments	18,715	2,262	(5,742)	10,309	(6,058)	1,675
Less gain (loss) on sale of aircraft	-	-	-	-	114	-
Add losses (gains) from FinTech Activities <sup>(2)</sup>	2,370	2,303	(13,586)	7,856	902	(41,543)
<b>Non-GAAP noninterest income<sup>(1)</sup></b>	<b>26,827</b>	<b>26,976</b>	<b>27,716</b>	<b>28,968</b>	<b>25,787</b>	<b>30,243</b>
Less sales revenue from co-developed processing technology	-	2,457	-	217	-	-
<b>Non-GAAP noninterest income, as adjusted for PPP activities</b>	<b>26,827</b>	<b>24,519</b>	<b>27,716</b>	<b>28,751</b>	<b>25,787</b>	<b>30,243</b>
<b>Total noninterest expense, as reported</b>	<b>49,491</b>	<b>48,100</b>	<b>42,650</b>	<b>52,435</b>	<b>58,272</b>	<b>57,558</b>
<b>Non-GAAP noninterest expense<sup>(1)</sup></b>	<b>49,491</b>	<b>48,100</b>	<b>41,631</b>	<b>48,041</b>	<b>51,652</b>	<b>51,805</b>
Less performance bonus related to PPP activities	-	7,150	-	-	-	-
Add deferred salary expense related to PPP activities	-	(4,171)	(79)	-	(1,348)	(45)
<b>Non-GAAP noninterest expense, as adjusted for PPP activities</b>	<b>49,491</b>	<b>45,121</b>	<b>41,710</b>	<b>48,041</b>	<b>53,000</b>	<b>51,850</b>
Net interest income, as reported	40,161	40,898	51,363	62,301	69,950	71,462
Non-GAAP noninterest income	26,827	26,976	27,716	28,968	25,787	30,243
Non-GAAP noninterest expense	49,491	48,100	41,631	48,041	51,652	51,805
<b>Non-GAAP pre-tax pre-provision income</b>	<b>17,497</b>	<b>19,774</b>	<b>37,448</b>	<b>43,228</b>	<b>44,085</b>	<b>49,900</b>
<b>Non-GAAP pre-tax pre-provision income, as adjusted for PPP activities</b>	<b>17,497</b>	<b>13,407</b>	<b>26,598</b>	<b>27,786</b>	<b>23,864</b>	<b>37,020</b>

1.) See Appendix for reconciliation of reported balances to non-GAAP items

2.) See Appendix "FinTech Activities Impact on Consolidated Financials"

# CAPITAL & LIQUIDITY

## Government Guaranteed<sup>2</sup> vs. Non-Government Guaranteed Assets (as adjusted to exclude PPP activities)



**\$1.26**  
billion

Cash & Investments

**\$2.66**  
billion

Government  
Guaranteed Loans  
(excl. PPP)<sup>1</sup>

**\$2.01**  
billion

Eligible for Sale  
Government  
Guaranteed Loans

**53.3%**

Cash, Investments,  
Government Guaranteed  
Loans (excl. PPP)<sup>4</sup>  
to Total Assets (excl. PPP)<sup>4</sup>

**12.5%**

CET1 Capital Ratio

**19.4%**

Liquidity Ratio<sup>3</sup>

1.) Excludes \$0.93 billion net PPP loans at June 30, 2021. Government guaranteed loans including PPP loans totaled \$3.58 billion at June 30, 2021

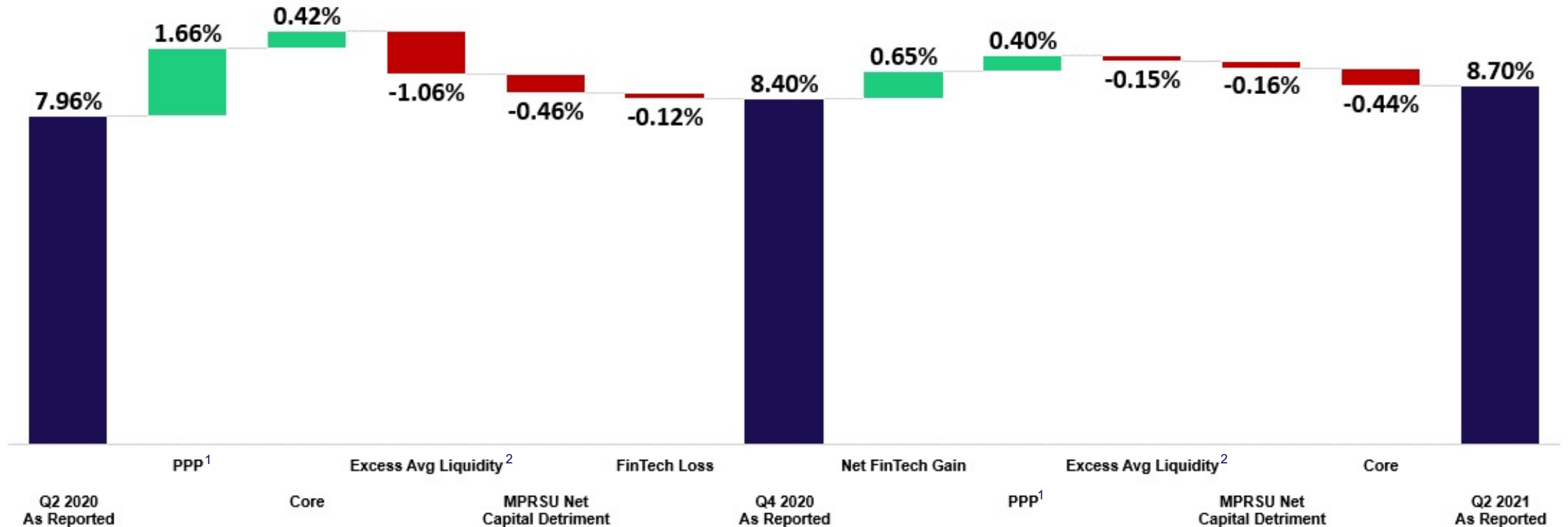
2.) Government Guaranteed Assets includes securities backed by government sponsored entities and the guaranteed portion of net loans, excluding PPP loans on the balance sheet as of June 30, 2021

3.) Liquidity ratio is calculated as Net Cash and Short-Term Marketable Assets divided by Net Deposits and Short-Term Liabilities

4.) Excludes \$0.93 billion of net PPP loan impact and \$0.94 billion of net PPP asset impact at June 30, 2021. The ratio of cash, investments, and government guaranteed loans including PPP loans to total assets including PPP loans is 58.8%

# TIER 1 LEVERAGE IMPACTS

HC Tier 1 Leverage Ratio - Q2 2020 to Q2 2021



1.) Direct impact to earnings from PPP-related activities, including loan fee recognition and interest income as well as funding implications. Average PPP loan balance exclusion from capital ratios dependent on average balance pledged to Federal Reserve's Payroll Protection Program Liquidity Facility. The Bank's average PPPLF balance in Q4 2020 was \$1.69 billion and in Q2 2021 was \$1.31 billion.

2.) Estimated excess average liquidity as compared to Q1 2020. Note that in 2021, this adjustment was limited to Q1 2021.

# HIGH PERFORMING BANK METRICS

				<u>Q1 2021</u>	<u>Trend</u>
<b>Asset Size</b> (\$ in billion)	\$ 7.0		\$ 8.0 <b>\$8.24</b>	<b>\$8.42B</b>	-
<b>NIM</b>	3.50%	<b>3.63%</b>	3.75%	<b>3.81%</b>	-
<b>Efficiency Ratio<sup>1</sup></b>	60%	<b>40.7%</b>		<b>57.7%</b>	+
<b>ROA</b>	1.25%		1.75% <b>3.0%</b>	<b>1.98%</b>	+
<b>ROE</b>	15%	<b>18.6%<sup>2</sup></b>	20% <b>41.3%</b>	<b>26.9%</b>	+
<b>Tier 1 Leverage</b>	8.5% <b>8.70%</b>		10%	<b>8.50%</b>	+
<b>Total loan and lease portfolio, excluding PPP (YoY growth)</b>	15%		20% <b>41.7%</b>		
<b>Non-GAAP pre-tax pre-provision, as adjusted for PPP activities (YoY growth)</b>	15%		20% <b>176.1%</b>		

1.) See Appendix for reconciliation of non-GAAP items to reported balances

2.) Excludes the gain associated with Greenlight, net of tax



# APPENDIX

## Fintech Activities Impact on Consolidated Financials (\$ in thousands)

### Actuals for the quarter ended June 30, 2021

	Banking Activities	Aptitude	Live Oak Ventures	Canapi Advisors	Fintech Activities	Other	Consolidated, as reported
Net interest income	\$ 71,839	\$ -	\$ 3	\$ 4	\$ 7	\$ (384)	\$ 71,462
Provision for credit losses	\$ 7,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,846
Noninterest income (loss)	\$ 24,894	\$ (992)	\$ 42,167	\$ 1,473	\$ 42,648	\$ 2,569	\$ 70,111
Noninterest expense	\$ 50,829	\$ -	\$ 122	\$ 990	\$ 1,112	\$ 5,617	\$ 57,558
<b>Income (loss) before income tax expense</b>	<b>\$ 38,058</b>	<b>\$ (992)</b>	<b>\$ 42,048</b>	<b>\$ 487</b>	<b>\$ 41,543</b>	<b>\$ (3,432)</b>	<b>\$ 76,169</b>

### Actuals for the quarter ended March 31, 2021

Net interest income	\$ 69,934	\$ -	\$ -	\$ 122	\$ 122	\$ (106)	\$ 69,950
Provision for credit losses	(873)	\$ -	\$ -	\$ -	\$ -	\$ -	(873)
Noninterest income (loss)	\$ 30,524	\$ (925)	\$ (1,013)	\$ 1,934	\$ (4)	\$ 537	\$ 31,057
Noninterest expense	\$ 55,625	\$ -	\$ 71	\$ 949	\$ 1,020	\$ 1,627	\$ 58,272
<b>Income (loss) before income tax expense</b>	<b>\$ 45,706</b>	<b>\$ (925)</b>	<b>\$ (1,084)</b>	<b>\$ 1,107</b>	<b>\$ (902)</b>	<b>\$ (1,196)</b>	<b>\$ 43,608</b>

### Actuals for the year ended December 31, 2020

Net interest income	\$ 194,992	\$ -	\$ -	\$ -	\$ -	\$ (269)	\$ 194,723
Provision for credit losses	40,658	-	-	-	-	-	40,658
Noninterest income (loss)	77,512	(11,398)	11,398	6,567	6,567	1,921	86,000
Noninterest expense	181,555	-	190	5,320	5,510	5,611	192,676
<b>Income (loss) before income tax expense</b>	<b>\$ 50,291</b>	<b>\$ (11,398)</b>	<b>\$ 11,208</b>	<b>\$ 1,247</b>	<b>\$ 1,057</b>	<b>\$ (3,959)</b>	<b>\$ 47,389</b>

### Actuals for the quarter ended December 31, 2020

Net interest income	\$ 62,346	\$ -	\$ -	\$ -	\$ -	\$ (45)	\$ 62,301
Provision for credit losses	8,634	-	-	-	-	-	8,634
Noninterest income (loss)	16,670	(7,868)	(871)	2,422	(6,317)	450	10,803
Noninterest expense	48,567	-	24	1,515	1,539	2,329	52,435
<b>Income (loss) before income tax expense</b>	<b>\$ 21,815</b>	<b>\$ (7,868)</b>	<b>\$ (895)</b>	<b>\$ 907</b>	<b>\$ (7,856)</b>	<b>\$ (1,924)</b>	<b>\$ 12,035</b>

### Actuals for the quarter ended September 30, 2020

Net interest income	\$ 51,389	\$ -	\$ -	\$ -	\$ -	\$ (26)	\$ 51,363
Provision for credit losses	10,274	-	-	-	-	-	10,274
Noninterest income (loss)	31,757	(902)	14,306	1,295	14,699	588	47,044
Noninterest expense	41,005	-	53	1,060	1,113	532	42,650
<b>Income (loss) before income tax expense</b>	<b>\$ 31,867</b>	<b>\$ (902)</b>	<b>\$ 14,253</b>	<b>\$ 235</b>	<b>\$ 13,586</b>	<b>\$ 30</b>	<b>\$ 45,483</b>

### Actuals for the quarter ended June 30, 2020

Net interest income	\$ 41,064	\$ -	\$ -	\$ -	\$ -	\$ (166)	\$ 40,898
Provision for credit losses	9,958	-	-	-	-	-	9,958
Noninterest income (loss)	23,121	(1,276)	(865)	1,206	(935)	225	22,411
Noninterest expense	45,296	-	54	1,314	1,368	1,436	48,100
<b>Income (loss) before income tax expense</b>	<b>\$ 8,931</b>	<b>\$ (1,276)</b>	<b>\$ (919)</b>	<b>\$ (108)</b>	<b>\$ (2,303)</b>	<b>\$ (1,377)</b>	<b>\$ 5,251</b>

### Actuals for the quarter ended March 31, 2020

Net interest income	\$ 40,193	\$ -	\$ -	\$ -	\$ -	\$ (32)	\$ 40,161
Provision for credit losses	11,792	-	-	-	-	-	11,792
Noninterest income (loss)	5,964	(1,352)	(1,172)	1,644	(880)	658	5,742
Noninterest expense	46,687	-	59	1,431	1,490	1,314	49,491
<b>Income (loss) before income tax expense</b>	<b>\$ (12,322)</b>	<b>\$ (1,352)</b>	<b>\$ (1,231)</b>	<b>\$ 213</b>	<b>\$ (2,370)</b>	<b>\$ (688)</b>	<b>\$ (15,380)</b>



# APPENDIX

## Total Assets, Reconciliation to Reported Balances

### Reconciliation to reported balances

(\$ in thousands)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Loans held for sale, as reported	996,050	976,594	1,190,200	1,175,470	1,076,741	1,064,911
Loans and leases held for investment, as reported	2,817,405	4,650,030	5,037,094	5,144,930	5,456,754	5,441,423
Less PPP loans , net	-	1,688,104	1,713,695	1,498,617	1,445,058	927,296
<b>Total loan and lease portfolio, excluding PPP</b>	<b>3,813,455</b>	<b>3,938,520</b>	<b>4,513,599</b>	<b>4,821,783</b>	<b>5,088,437</b>	<b>5,579,038</b>
<b>Outstanding balance of loans sold &amp; serviced</b>	<b>2,984,602</b>	<b>3,072,031</b>	<b>3,143,493</b>	<b>3,205,623</b>	<b>3,216,727</b>	<b>3,134,068</b>
<b>Managed portfolio, excluding PPP</b>	<b>6,798,057</b>	<b>7,010,551</b>	<b>7,657,092</b>	<b>8,027,406</b>	<b>8,305,164</b>	<b>8,713,106</b>
<b>a Total assets, as reported</b>	<b>5,273,569</b>	<b>8,209,154</b>	<b>8,093,381</b>	<b>7,872,303</b>	<b>8,417,875</b>	<b>8,243,186</b>
PPP-related activities:						
Cash and cash receivable	-	61,492	-	3,343	22,642	4,589
Loans, net of unearned	-	1,688,104	1,713,695	1,498,617	1,445,058	927,296
Allowance for credit losses	-	(1,565)	(2,636)	(2,297)	(2,218)	(1,427)
Accrued interest receivable	-	3,289	7,696	10,558	9,568	6,723
Estimated excess balance sheet liquidity arising from PPP	-	874,195	500,000	-	-	-
<b>Total adjustments for PPP activities</b>	<b>-</b>	<b>2,625,514</b>	<b>2,218,756</b>	<b>1,510,221</b>	<b>1,475,050</b>	<b>937,181</b>
<b>b Total Assets, as adjusted to exclude PPP</b>	<b>5,273,569</b>	<b>5,583,640</b>	<b>5,874,625</b>	<b>6,362,082</b>	<b>6,942,825</b>	<b>7,306,005</b>

# APPENDIX

## Reconciliation of non-GAAP items to reported balances

(\$ in thousands)

### Net interest income, as reported

Less PPP loan interest income  
Less loan deferred fees & costs amortized into interest income, net  
Add estimated interest expense on funding activity to support PPP activities

### Net interest income, as adjusted for PPP activities

### Total noninterest income, as reported

Fair value adjustments:

Add loan servicing asset revaluation loss (gain)  
Add exchange-traded interest rate futures contracts loss (gain)<sup>(1)</sup>  
Add net loss (gain) on loans accounted for under the fair value option  
Add other losses (gains) on valuation adjustments<sup>(2)</sup>

### Total fair value adjustments

Less gain (loss) on sale of aircraft  
Add losses (gains) from FinTech Activities<sup>(3)</sup>

### Non-GAAP noninterest income

Less sales revenue from co-developed processing technology

### Non-GAAP noninterest income, as adjusted for PPP activities

### c Total noninterest expense, as reported

Less bonus related to FinTech investment gains  
Less loss on sale of aircraft  
Less impairment on aircraft held for sale  
Less renewable energy tax credit impairment  
Less renewable energy tax credit lease receivable impairment  
Less compensation and payroll taxes related to restricted stock awards with market price conditions<sup>(4)</sup>

### Non-GAAP noninterest expense

Less performance bonus related to PPP activities  
Add deferred salary expense related to PPP activities

### d Non-GAAP noninterest expense, as adjusted for PPP activities

Net interest income, as reported  
Non-GAAP noninterest income  
Non-GAAP noninterest expense

### Non-GAAP pre-tax pre-provision income

Net interest income, as adjusted for PPP activities  
Non-GAAP noninterest income, as adjusted for PPP activities  
Non-GAAP noninterest expense, as adjusted for PPP activities

### Non-GAAP pre-tax pre-provision income, as adjusted for PPP activities

### c/a Noninterest Expense, as reported to Total Assets, as reported

### d/b Non-GAAP noninterest expense, as adjusted for PPP activities to Total Assets, as adjusted to exclude PPP

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
<b>Net interest income, as reported</b>	<b>40,161</b>	<b>40,898</b>	<b>51,363</b>	<b>62,301</b>	<b>69,950</b>	<b>71,462</b>
Less PPP loan interest income	-	3,317	4,403	4,269	3,567	3,201
Less loan deferred fees & costs amortized into interest income, net	-	5,380	9,183	13,310	17,178	11,185
Add estimated interest expense on funding activity to support PPP activities	-	1,808	2,815	2,354	1,872	1,551
<b>Net interest income, as adjusted for PPP activities</b>	<b>40,161</b>	<b>34,009</b>	<b>40,592</b>	<b>47,076</b>	<b>51,077</b>	<b>58,627</b>
<b>Total noninterest income, as reported</b>	<b>5,742</b>	<b>22,411</b>	<b>47,044</b>	<b>10,803</b>	<b>31,057</b>	<b>70,111</b>
Fair value adjustments:						
Add loan servicing asset revaluation loss (gain)	4,692	1,571	(2,061)	5,756	(1,493)	3,181
Add exchange-traded interest rate futures contracts loss (gain) <sup>(1)</sup>	3,209	(127)	(252)	(207)	-	-
Add net loss (gain) on loans accounted for under the fair value option	10,638	1,089	(3,403)	4,759	(4,218)	(1,135)
Add other losses (gains) on valuation adjustments <sup>(2)</sup>	176	(271)	(26)	1	(347)	(371)
<b>Total fair value adjustments</b>	<b>18,715</b>	<b>2,262</b>	<b>(5,742)</b>	<b>10,309</b>	<b>(6,058)</b>	<b>1,675</b>
Less gain (loss) on sale of aircraft	-	-	-	-	114	-
Add losses (gains) from FinTech Activities <sup>(3)</sup>	2,370	2,303	(13,586)	7,856	902	(41,543)
<b>Non-GAAP noninterest income</b>	<b>26,827</b>	<b>26,976</b>	<b>27,716</b>	<b>28,968</b>	<b>25,787</b>	<b>30,243</b>
Less sales revenue from co-developed processing technology	-	2,457	-	217	-	-
<b>Non-GAAP noninterest income, as adjusted for PPP activities</b>	<b>26,827</b>	<b>24,519</b>	<b>27,716</b>	<b>28,751</b>	<b>25,787</b>	<b>30,243</b>
<b>c Total noninterest expense, as reported</b>	<b>49,491</b>	<b>48,100</b>	<b>42,650</b>	<b>52,435</b>	<b>58,272</b>	<b>57,558</b>
Less bonus related to FinTech investment gains	-	-	-	-	-	3,990
Less loss on sale of aircraft	-	-	-	6	-	-
Less impairment on aircraft held for sale	-	-	1,019	244	-	-
Less renewable energy tax credit impairment	-	-	-	-	3,127	-
Less renewable energy tax credit lease receivable impairment	-	-	-	-	904	-
Less compensation and payroll taxes related to restricted stock awards with market price conditions <sup>(4)</sup>	-	-	-	4,144	2,589	1,763
<b>Non-GAAP noninterest expense</b>	<b>49,491</b>	<b>48,100</b>	<b>41,631</b>	<b>48,041</b>	<b>51,652</b>	<b>51,805</b>
Less performance bonus related to PPP activities	-	7,150	-	-	-	-
Add deferred salary expense related to PPP activities	-	(4,171)	(79)	-	(1,348)	(45)
<b>d Non-GAAP noninterest expense, as adjusted for PPP activities</b>	<b>49,491</b>	<b>45,121</b>	<b>41,710</b>	<b>48,041</b>	<b>53,000</b>	<b>51,850</b>
Net interest income, as reported	40,161	40,898	51,363	62,301	69,950	71,462
Non-GAAP noninterest income	26,827	26,976	27,716	28,968	25,787	30,243
Non-GAAP noninterest expense	49,491	48,100	41,631	48,041	51,652	51,805
<b>Non-GAAP pre-tax pre-provision income</b>	<b>17,497</b>	<b>19,774</b>	<b>37,448</b>	<b>43,228</b>	<b>44,085</b>	<b>49,900</b>
Net interest income, as adjusted for PPP activities	40,161	34,009	40,592	47,076	51,077	58,627
Non-GAAP noninterest income, as adjusted for PPP activities	26,827	24,519	27,716	28,751	25,787	30,243
Non-GAAP noninterest expense, as adjusted for PPP activities	49,491	45,121	41,710	48,041	53,000	51,850
<b>Non-GAAP pre-tax pre-provision income, as adjusted for PPP activities</b>	<b>17,497</b>	<b>13,407</b>	<b>26,598</b>	<b>27,786</b>	<b>23,864</b>	<b>37,020</b>
<b>c/a Noninterest Expense, as reported to Total Assets, as reported</b>	<b>0.94%</b>	<b>0.59%</b>	<b>0.53%</b>	<b>0.67%</b>	<b>0.69%</b>	<b>0.70%</b>
<b>d/b Non-GAAP noninterest expense, as adjusted for PPP activities to Total Assets, as adjusted to exclude PPP</b>	<b>0.94%</b>	<b>0.81%</b>	<b>0.71%</b>	<b>0.76%</b>	<b>0.76%</b>	<b>0.71%</b>

1. Included as a component of the net gains on sales of loans on the income statement

2. Includes valuation losses related to equity security investments, equity warrant assets, and foreclosed assets

3. See Appendix "FinTech Activities Impact on Consolidated Financials"

4. Amount reflects accelerated stock compensation expense and related employer payroll taxes in the quarter of vesting

(\$ in thousands)

## Efficiency Ratio

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Noninterest Expense	49,491	48,100	42,650	52,435	58,272	57,558
Net Interest Income	40,161	40,898	51,363	62,301	69,950	71,462
Noninterest Income	5,742	22,411	47,044	10,803	31,057	70,111
Less: gain (loss) on sale of securities	(79)	734	1,225	-	-	-
Adjusted operating Revenue	45,982	62,575	97,182	73,104	101,007	141,573
<b>Efficiency Ratio</b>	<b>107.63%</b>	<b>76.87%</b>	<b>43.89%</b>	<b>71.73%</b>	<b>57.69%</b>	<b>40.66%</b>

1.) See Appendix for reconciliation of non-GAAP items to reported balances

# DEPOSITS COF BREAKDOWN

## Deposits Direct Cost of Funds

Three months ended June 30, 2021  
(\$ in Thousands)

Interest	\$ 14,820
Personnel	888
Travel & Entertainment	0
Marketing Expense	115
Professional Services	186
Technology Expense	245
Other Expense	50
<b>Total Direct Deposit Expenses</b>	<b>\$ 16,304</b>

## Average Deposit Balances

\$ 6,345,787

Annualized Cost of Funds  
Three months ended June 30, 2021

Interest	0.94%
Personnel	0.06%
Travel & Entertainment	0.00%
Marketing Expense	0.01%
Professional Services	0.01%
Technology Expense	0.02%
Other Expense	0.00%
<b>Cost of Funds % including Deposits Department</b>	<b>1.04%</b>

## Direct Noninterest Cost of Funds

0.10%