



LIVE OAK[®]
BANCSHARES

First Quarter 2020

April 23, 2020

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 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, 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 lending programs and investment tax credits;
- changes in political and economic conditions;
- the impact of heightened regulatory scrutiny of financial products and services, primarily led by the Consumer Financial Protection Bureau;
- 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.



Keeping Our Customers Close

Outreach to 100% of Portfolio

Resources for cash flow
management, resiliency,
PPP loans

Deferrals as needed, SBA 7(a)
6 months of payments



Paycheck Protection Program

Processed about **5,000 PPP**
loan applications

Disbursed about **\$1.0 billion**,
impacting **100,000+ jobs**

Worked with **100+** non-profits
regarding the PPP process



Employee & Community Outreach

Healthcare, support & Employee
Resource Fund for **600** employees

\$140,000+ grants to local
non-profits

Donated Computers to Schools

Provided meals to shelters

Overall Summary

Balance Sheet Remains Strong | Technology is Enabled | We are Ready to Respond

Ratios¹	12/31/2019	3/31/2020
Past Due > 30 Days ²	0.44%	0.53%
Watchlist Loans and Leases ³	6.18%	6.35%
Classified Assets ⁴	1.82%	1.85%
Non-Accruals ⁵	0.84%	1.05%
Net Charge Off (Annualized)	0.10%	0.53%

(\$ in millions)

Tier 1 Capital (a)	\$494.9
Total allowance for credit losses on loans and leases, without reclassification ⁶ (b)	\$61.4
Total Unguaranteed Loan and Lease Portfolio ⁷ (c)	\$2,122.5
Ratio¹ (a+b)/c	26.2%

Eligible for Sale Guaranteed Loans	\$931.4
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1. All ratios use Total Unguaranteed Loan and Lease Portfolio (see footnote 7) as the denominator
2. Past due loans and leases include only loans and leases on accrual status
3. Watchlist loans and leases include 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 worse unguaranteed loans and leases at amortized cost (inclusive of loans and leases at fair value and historical cost)
5. Uses unguaranteed balance of non-accrual loans and leases only
6. See slide titled "Allowance for Credit Loss Reclassification" for reconciliation to reported allowance for credit losses
7. Represents total unguaranteed loans and leases at amortized cost (inclusive of loans and leases at fair value and historical cost)

PERFORMANCE

CAPITAL & LIQUIDITY

As of March 31, 2020



\$1.0

billion

Cash & Investments
Includes \$58.4 million of cash
at the holding company

\$1.7

billion

Government
Guaranteed Loans

\$5.3

billion

Total Assets

14.8%

Total Capital Ratio

21.2%

Liquidity Ratio¹

50.9%

Cash, Investments,
Government
Guaranteed Loans to
Total Assets

1. Liquidity ratio is defined as Net Cash and Short-Term Marketable Assets Divided by Net Deposits and Short-Term Liabilities

38% 

Increase versus Q1 2019

Total Loans and Leases HFS and HFI

\$3.81 billion

30% 

Increase versus Q1 2019

Total Assets

\$5.28 billion

15% 

Increase versus Q1 2019

Managed Portfolio ⁽¹⁾

\$6.80 billion

4% 

Q1 2020 versus Q4 2019

Net Interest Income &
Loan Servicing Revenue

\$46.6 million

11% 

Q1 2020 versus Q4 2019

Noninterest Expense

\$49.5 million

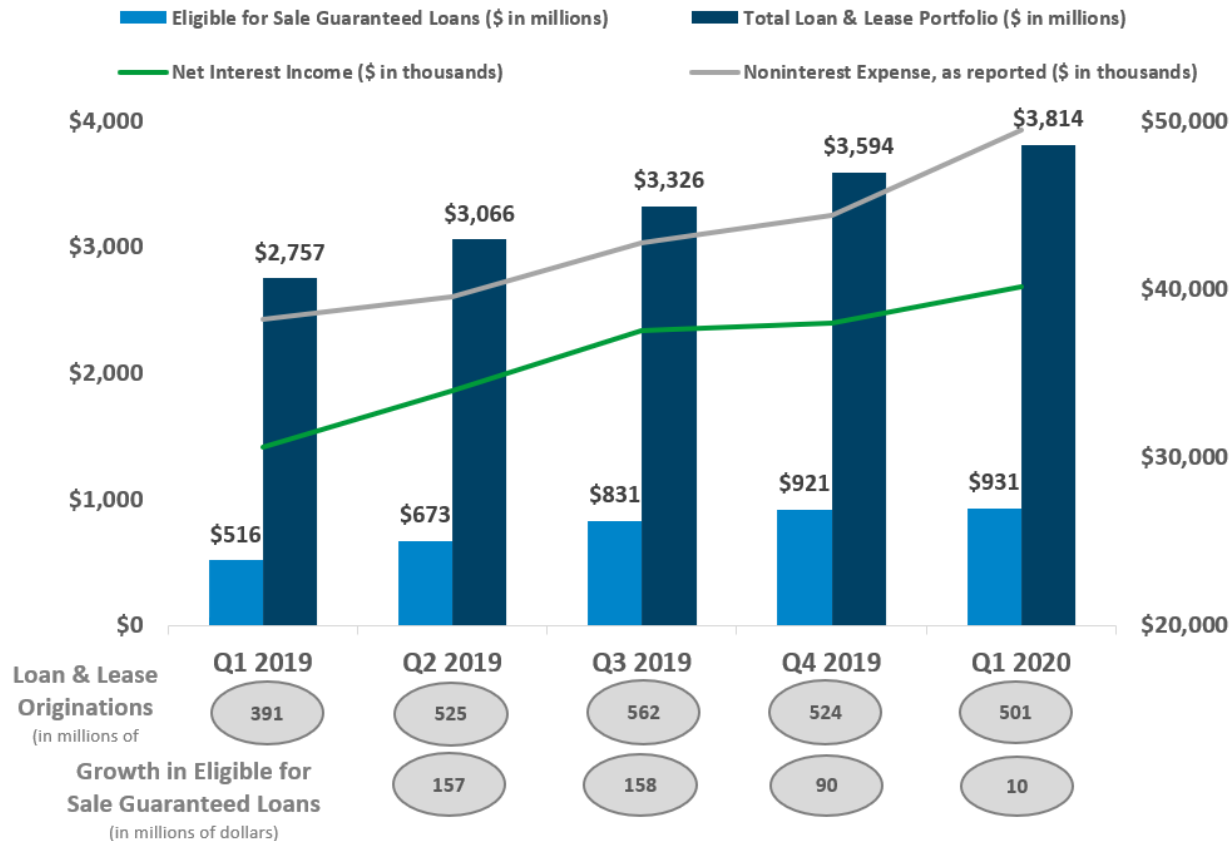
26% ⁽²⁾

Held portion of guaranteed loans that
became eligible for sale in Q1 2020

\$58.1 million

1. Outstanding balance of sold and serviced loans plus loans and leases held for investment and held for sale
2. Percentage held of \$220 million of guaranteed loans that became eligible for sale in the current quarter

FRANCHISE FUNDAMENTALS


38.3%
Total Loan & Lease Portfolio
 Q1 2020 vs. Q1 2019

1.8x
Guaranteed Loans Eligible for Sale
 Q1 2020 vs. Q1 2019

31.2%
Net Interest Income
 Q1 2020 vs. Q1 2019

CORE EARNINGS HEADING INTO UNCERTAINTY

	Q4 2019	Q1 2020
	(\$ in thousands)	
Income (loss) before taxes¹	\$ 8,917	\$(15,380)
Add:		
Provision for loan and lease credit losses ¹	4,809	11,792
Fair value adjustments		
Loan servicing asset revaluation ¹	4,135	4,692
Exchange-traded interest rate futures contracts (gain) loss ²	(1,187)	3,209
Net (gain) loss on loans accounted for under the fair value option ¹	(1,432)	10,638
Other losses on valuation adjustments ³	227	176
Total fair value adjustments	1,743	18,715
FinTech activities ⁴	1,761	2,370
Non-GAAP Core net income before taxes	<u>17,230</u>	<u>17,497</u>

1. As reported

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

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

4. See Appendix

\$11.8 million

versus Q4 2019 of \$4.8 million
Provision for loan and lease credit losses

58 bps

versus Q4 2019 of 13 bps
Net Charge Offs to
Average Loans & Leases HFI¹

1.81%

versus Q4 2019 of 1.57%
Allowance for credit losses on loans and
leases to Loans & Leases HFI¹

\$19.3 million

versus Q4 2019 of \$15.0 million
Unguaranteed Nonperforming Loans,
Leases & Foreclosures²

37 bps

versus Q4 2019 of 31 bps
Unguaranteed Nonperforming Loans,
Leases & Foreclosures² to Total Assets

6.54%

versus Q4 2019 of 6.77%
Total Unguaranteed Criticized and
Classified Loans and Leases³ to Total HFI
Unguaranteed Loans and Leases⁴

1. Relative to loans and leases measured at historical cost
2. Includes Loans measured at historical cost and fair value
3. Criticized and Classified loans and leases consist of loans and leases internally classified as a risk grade 5 or worse
4. Total HFI Unguaranteed Loans and Leases at amortized cost (inclusive of loans and leases at fair value and historical cost)

TOTAL PORTFOLIO DIVERSIFICATION¹

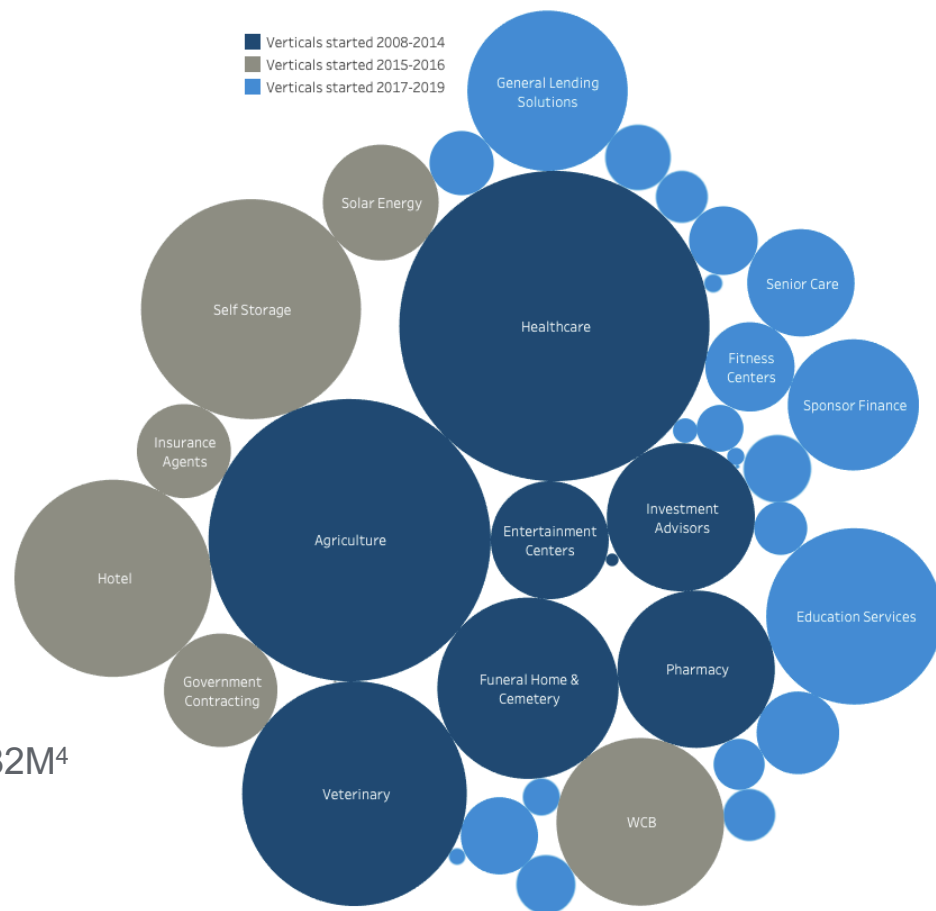
As of March 31, 2020

\$3.83 billion

Portfolio Balance

Growth through Diversification**44.6%**Guaranteed Portfolio Percentage²**\$1.71 billion****\$3.02 billion**SBA Guaranteed & Unguaranteed³**SBA 504 - \$148M⁴ | USDA - \$169M⁵ | OTHER - \$482M⁴**

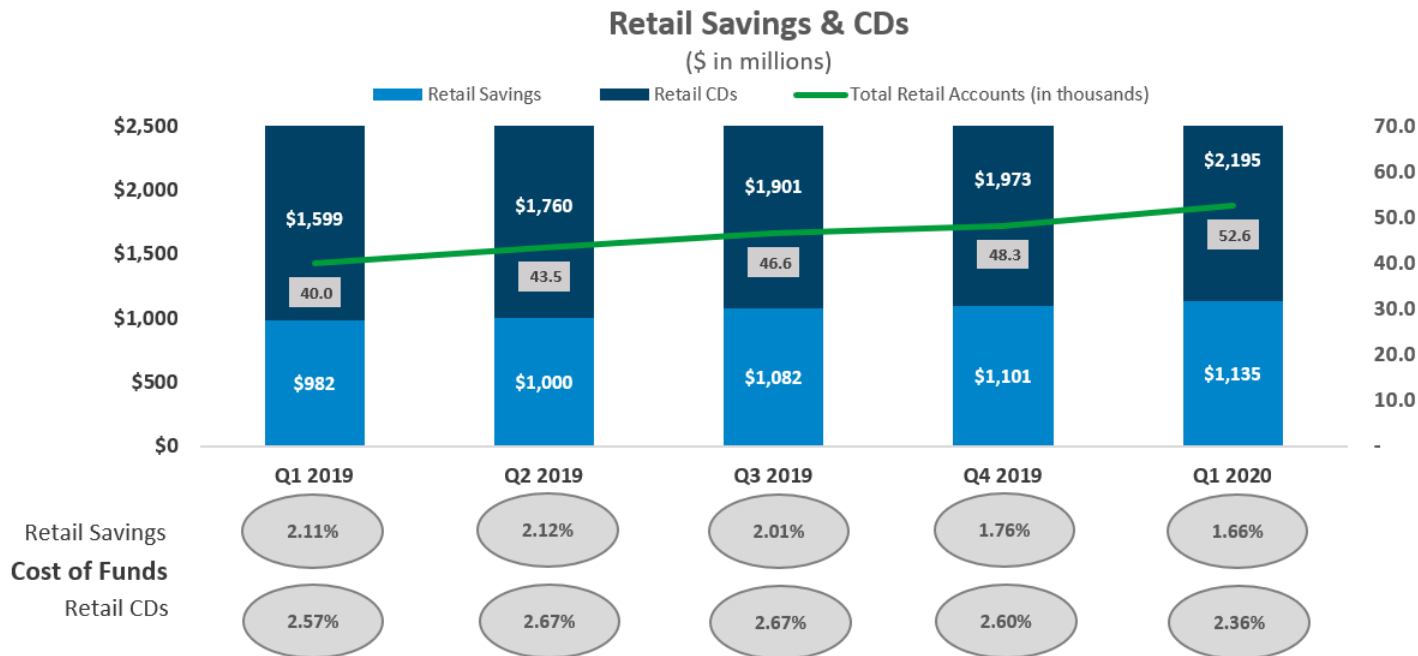
1. Total Loans and Leases at amortized cost (inclusive of loans at fair value and historical cost)
2. The ratio of total guaranteed loans divided by portfolio balance
3. Includes \$105 million unguaranteed pari passu balances
4. Comprised of first lien unguaranteed loans with average LTV of 50%
5. Comprised of \$61 million guaranteed and \$108 unguaranteed balances



ALLOWANCE FOR CREDIT LOSS RECLASSIFICATION

	Q4 2019			Q1 2020	
	As previously reported	As reclassified		As currently reported	Without reclass
	(\$ in thousands)				
Total loans and leases held for investment, net ¹	d 2,647,299	2,627,286	a+c	2,817,491	2,842,966 d
Total allowance for credit losses on loans and leases	e (48,247)	(28,234)	b	(35,906)	(61,381) e
Net loans and leases held for investment	2,599,052	2,599,052		2,781,585	2,781,585
Reserve as a % of loans and leases held for investment		1.57%	b/a	1.81%	
Reserve as a % of loans and leases held for investment	e/d 1.82%				2.16% e/d
Loans and leases held for investment carried at historical cost, net ^{1,4}		1,802,766	a	\$ 1,986,065	
Allowance for credit losses on loans and leases ²		(28,234)	b	(35,906)	
Loans and leases held for investment carried at historical cost, net ⁴		1,774,532		1,950,159	
Reserve as a % of loans and leases held for investment		1.57%		1.81%	
Loans and leases held for investment accounted for under the fair value option, net ^{1,4}		844,533		856,901	
Credit component of fair value discount previously classified as allowance for credit losses on loans and leases ^{3,4}		(20,013)		(25,475)	
Loans and leases held for investment accounted under the fair value option, net		824,520	c	831,426	
Reserve as a % of loans and leases held for investment accounted for under the fair value option, net ⁴		2.37%		2.97%	

1. Excluding allowance for credit losses on loans and leases
2. Income statement impacts reflected in the provision for loan and lease credit losses
3. Income statement impacts reflected in the net (loss) gain on loans accounted for under the fair value option
4. Not reported separately



\$3.33
billion
Retail Deposits¹

95.6%
Savings
Retention²
Q1 2020

71.4%
CD Retention³
Q1 2020

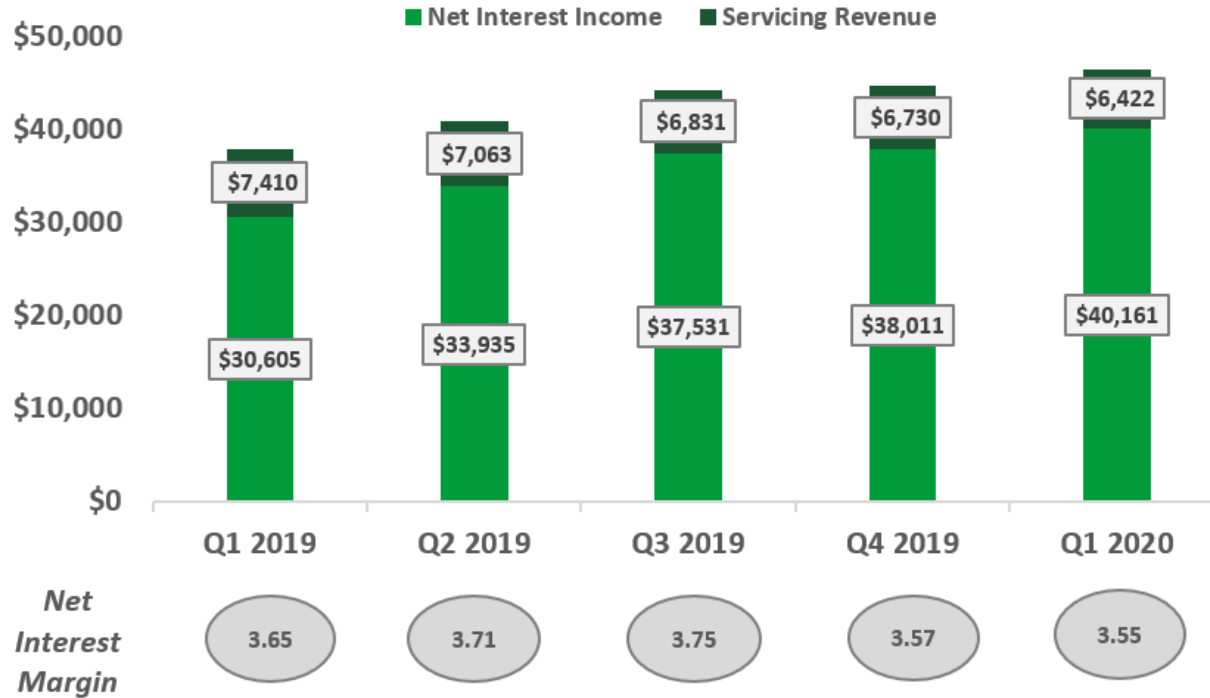
\$572.4
million
CD Maturities
Q1 2020

1. As of March 31, 2020
 2. Savings balance retention compared to accounts active at December 31, 2019
 3. Retention of balances maturing in Q1 2020

STRONG RECURRING REVENUE GROWTH

Recurring Revenue

(\$ in thousands)



15.4% ↑
 Managed Portfolio¹
 Q1 2020 vs. Q1 2019

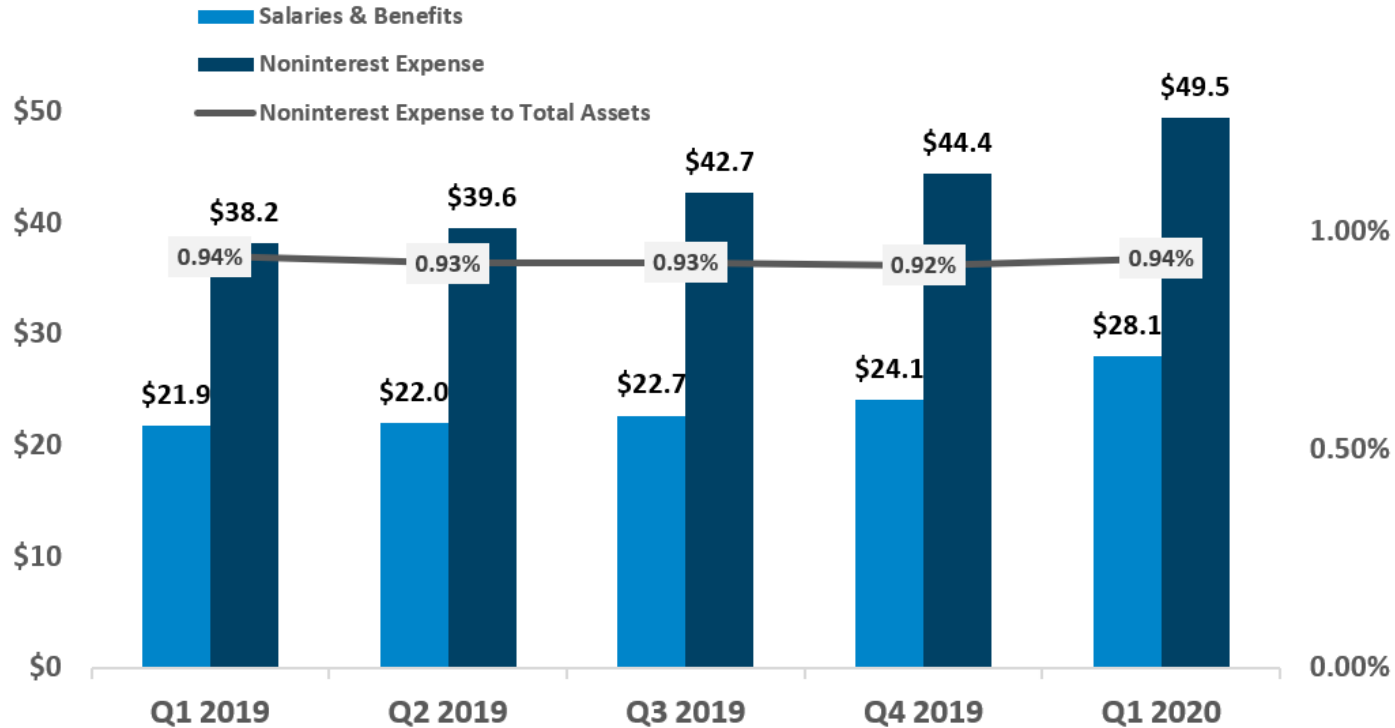
31.2% ↑
 Net Interest Income
 Q1 2020 vs. Q1 2019

22.5% ↑
 Recurring Revenue
 Q1 2020 vs. Q1 2019

1. Outstanding balance of sold and serviced loans plus loans and leases held for investment and held for sale

Noninterest Expense

\$ in millions



FINANCIAL TECHNOLOGY



600
EMPLOYEES
REMOTE

PPP LOANS
BOOKED ON THE
FINXACT CORE



HUMAN TOUCH
+
TECHNOLOGY



MODEL BANK 2020

PARITY

CONVERSION

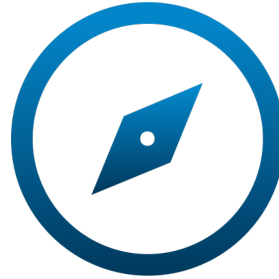
CHECKING

paused for PPP, but on track for 2020 deployment

MOVING FORWARD



SAFETY & WELL-BEING
OF OUR EMPLOYEES



HELP OUR CUSTOMERS
NAVIGATE THE CRISIS



CONTINUE TO INVEST
IN OUR COMMUNITIES
LOCAL & IN-VERTICAL

APPENDIX

Banking versus FinTech Activities: Impact on Earnings

(\$ in thousands)

Actuals for the quarter ended March 31, 2020

	Banking Activities	Apiture	Live Oak Ventures	Canapi Advisors	FinTech Activities	Consolidated, as reported
Net interest income	\$ 40,161	\$ -	\$ -	\$ -	\$ -	\$ 40,161
Provision for loan and lease credit losses	11,792	-	-	-	-	11,792
Noninterest income (loss)	6,622	(1,352)	(1,172)	1,644	(880)	5,742
Noninterest expense	48,001	-	59	1,431	1,490	49,491
Income (loss) before income tax expense	\$ (13,010)	\$ (1,352)	\$ (1,231)	\$ 213	\$ (2,370)	\$ (15,380)

Actuals for the quarter ended December 31, 2019

	Banking Activities	Apiture	Live Oak Ventures	Canapi Advisors	FinTech Activities	Consolidated, as reported
Net interest income	\$ 38,011	\$ -	\$ -	\$ -	\$ -	\$ 38,011
Provision for loan and lease credit losses	4,809	-	-	-	-	4,809
Noninterest income (loss)	20,327	(712)	(1,045)	1,555	(202)	20,125
Noninterest expense	42,851	-	87	1,472	1,559	44,410
Income (loss) before income tax expense	\$ 10,678	\$ (712)	\$ (1,132)	\$ 83	\$ (1,761)	\$ 8,917



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