Live Oak Bancshares

Fourth Quarter 2018

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;
- 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.

2018 Highlights

25% ↑
increase versus Q4 2017
Loans and Leases HFS and HFI
$2.53 billion

33% ↑
Increase versus Q4 2017
Total Assets
$3.67 billion

18% ↑
increase versus Q4 2017
Managed Portfolio [(1)]
$5.75 billion

34% ↑
FY 2018 versus FY 2017
Net Interest Income & Loan Servicing Revenue
$137.2 million

12% ↑
FY 2018 versus FY 2017
Noninterest Expense, as adjusted[(2)]
$148.6 million

16% ↑
FY 2018 versus FY 2017
Non-GAAP Net Income[(2)]
$54.6 million

1. *Outstanding balance of sold and serviced loans plus loans and leases held for investment and held for sale*
2. *See Appendix for GAAP to Non-GAAP reconciliation*

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Roadmap for Balance Sheet Funding Strategy

- **Evaluate NPV of buying vs. selling for each guaranteed loan that is eligible for sale as well as incremental factors driving hold strategy**
- **Expected quarterly outcome – hold between 50-75% of guaranteed loans eligible for sale**
  - $104.6 million guaranteed loans sold in Q4 2018
  - Approximately $240 million guaranteed became eligible for sale in Q4 2018

HOLD STRATEGY

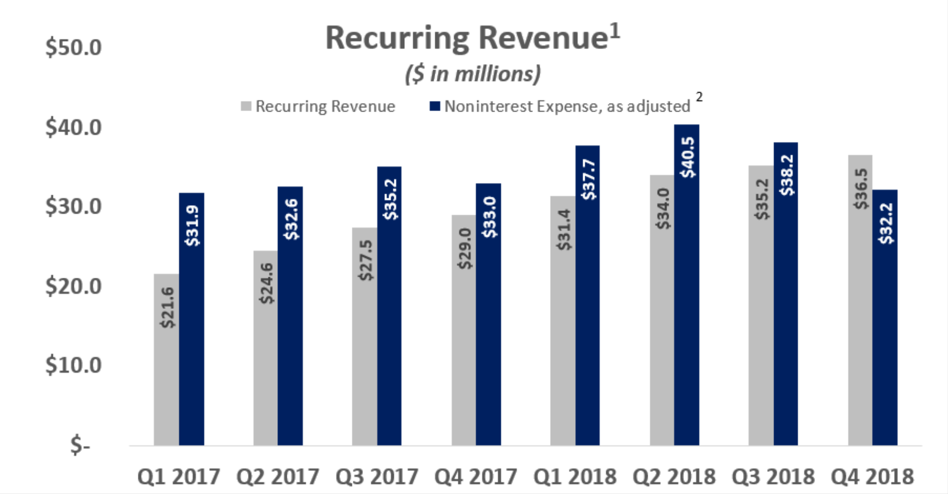
2:1 HOLD:SELL RATIO

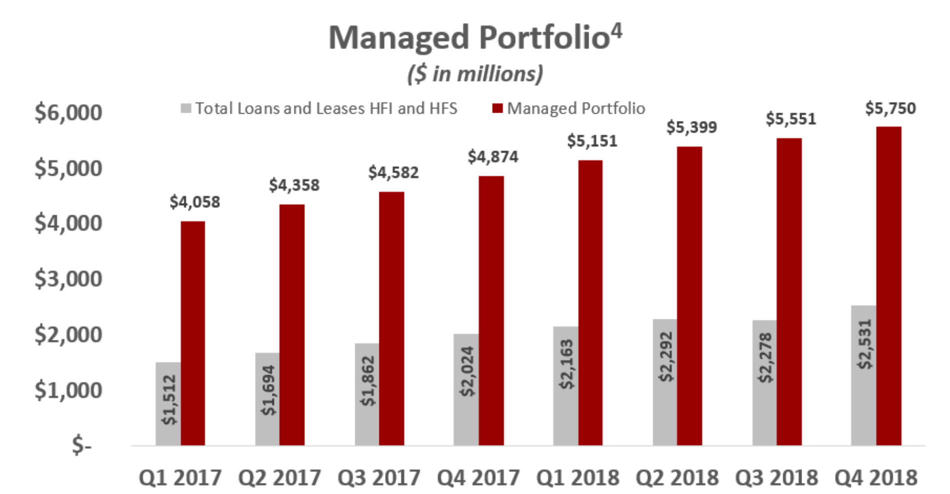
LONG TERM TARGET:

HOLD $2 OF GUARANTEED LOANS ELIGIBLE FOR SALE FOR EVERY $1 SOLD

Growing Recurring Revenue Quarterly

Year-Over-Year	Year-Over-Year	Year-Over-Year	Year-Over-Year
26%	**-2%**	**25%**	**18%**
Recurring Revenue[1] Growth	Reduction in Noninterest Expense, as adjusted[2]	Total Loans and Leases Growth	Managed Portfolio[4] Growth





Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
52	55	60	58[3]	57	59	68	78

Recurring Revenue as a percent of Total Revenue (%)

Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
469	586	396	483	398	492	377	499

Loan and Lease Originations ($ millions)

1. *Net Interest Income plus Loan Servicing Revenue*
2. *See Appendix for GAAP to Non-GAAP reconciliation*
3. *Q4 2017 total revenue excludes one-time gain of $68 million related to equity method investment in Apiture*
4. *Outstanding balance of loans sold and serviced plus loans and leases held for investment and held for sale*

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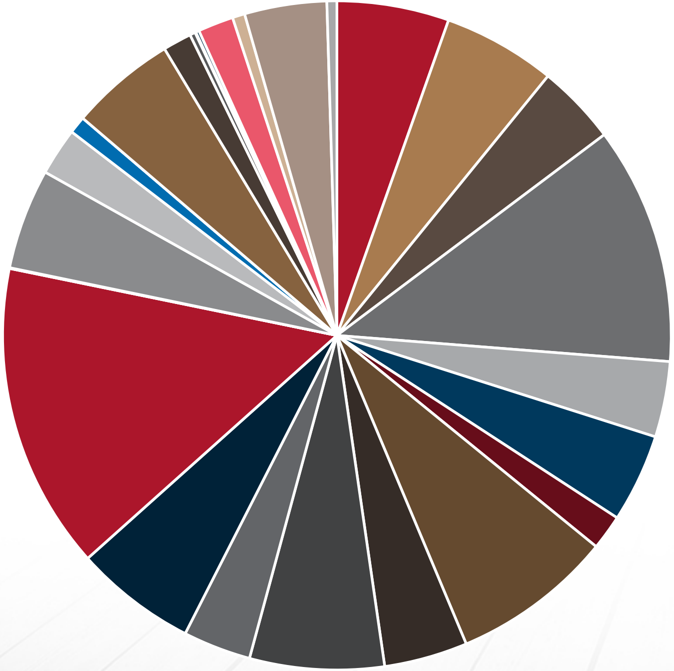
Strong, Diversified Loan Production
$499 million of Q4 2018 loan production

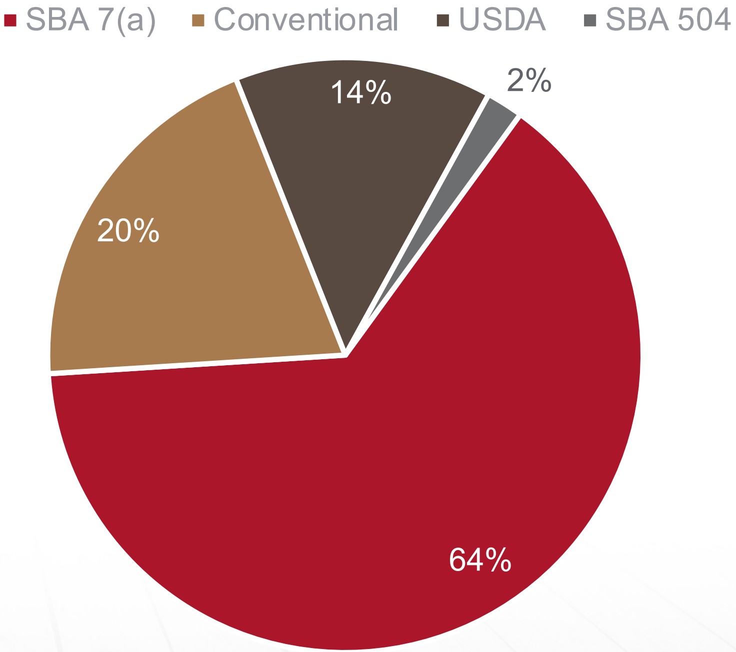
Industry Diversification [1]

As of 12/31/2018



Product Diversification [2]

FY 2018



1. Balance sheet diversity of loans and leases HFS and HFI as of 12/31/2018
2. FY 2018 loan origination diversity by product

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Fourth Quarter 2018 – Credit Quality

$6.8 million
versus Q3 2018 of ($243) thousand
Provision for (recovery of) loan and lease losses

28 bps
versus Q3 2018 of 57 bps
Annualized Net CO to Average Loans & Leases HFI

1.76%
versus Q3 2018 of 1.64%
ALLL to Loans & Leases HFI

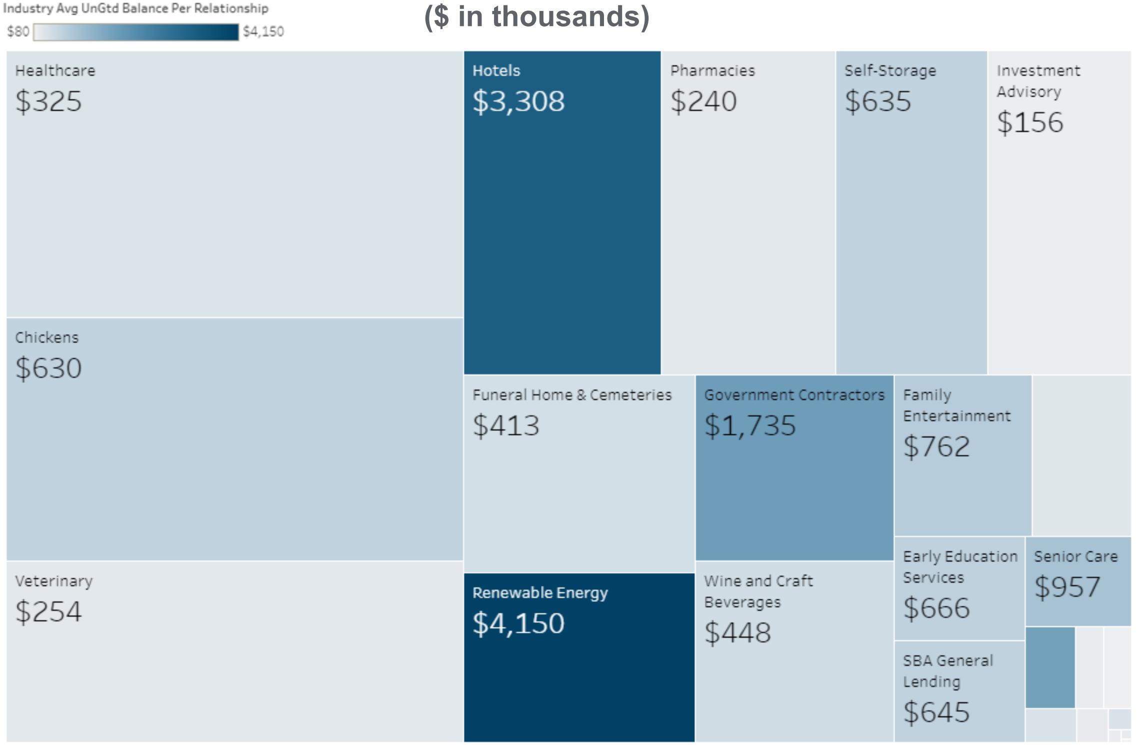
$14.6 million
versus Q3 2018 of $13.1 million
Unguaranteed Nonperforming Loans & Foreclosures

40 bps
versus Q3 2018 of 38 bps
Unguaranteed Nonperforming Loans & Foreclosures to Total Assets

5.10%
versus Q3 2018 of 4.82%
Unguaranteed Classified Loans to Total Unguaranteed Loans

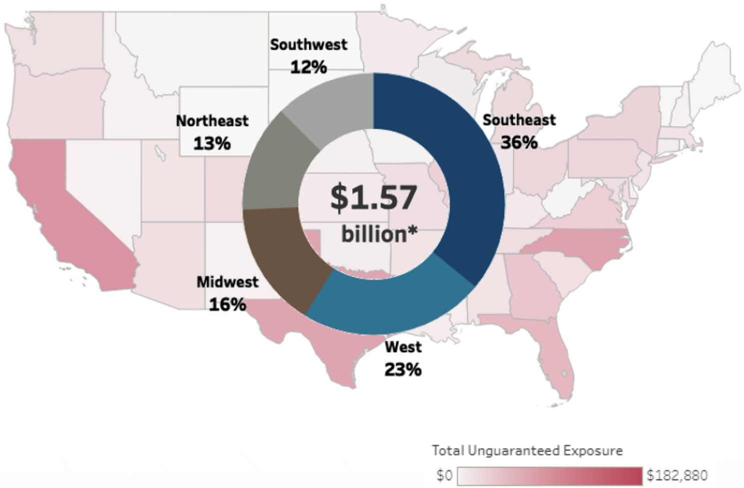
Concentration Risk Mitigation

Average Unguaranteed Exposure per Customer by Vertical
($ in thousands)



Size of block corresponds to Total Unguaranteed Loan Exposure as of 12/31/18

Unguaranteed Loan Exposure per Geographical Region



*Total Unguaranteed Loan Exposure as of 12/31/18

The Power of The Deposit Platform

FY 2018 Net Retail Account Growth

18,265

111% increase over Q4 2017 with only 4 new Deposit FTEs

YTD 2018 Maturing CD Retention

76%

Renewal Rate

FY 2018 Savings Account Retention[1]

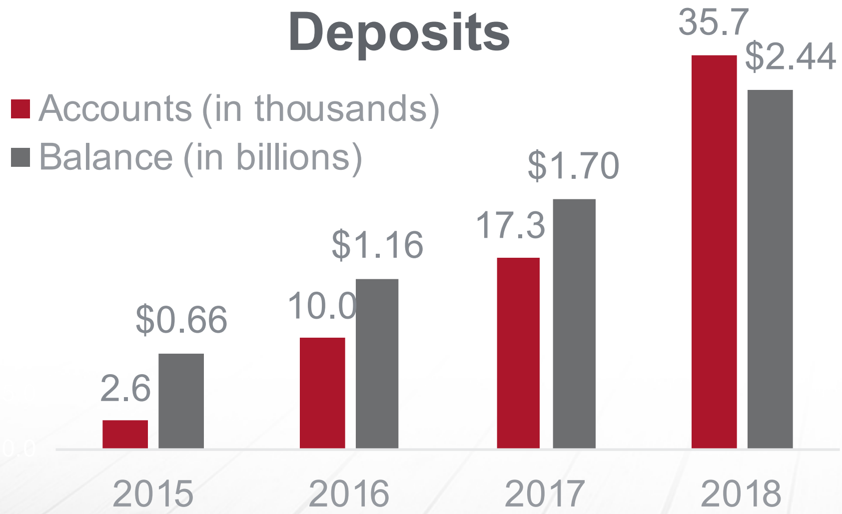
86%

Balance retention over the same time period was 69%

Direct Cost[2] of Deposits at 12/31/2018

13bps

Total Non-Brokered Deposits



Non-Brokered Savings & CDs Characteristics

	Balance (in billions) As of 12/31/2018	Account Retention FY 2018	Beta (since Q2 2017)
Non-Brokered Savings	$0.89	86%	57%
Non-Brokered CDs	$1.41	69%	75-95%

1. Compared to active number of accounts at December 31, 2017
2. See Appendix for GAAP to Non-GAAP Reconciliation

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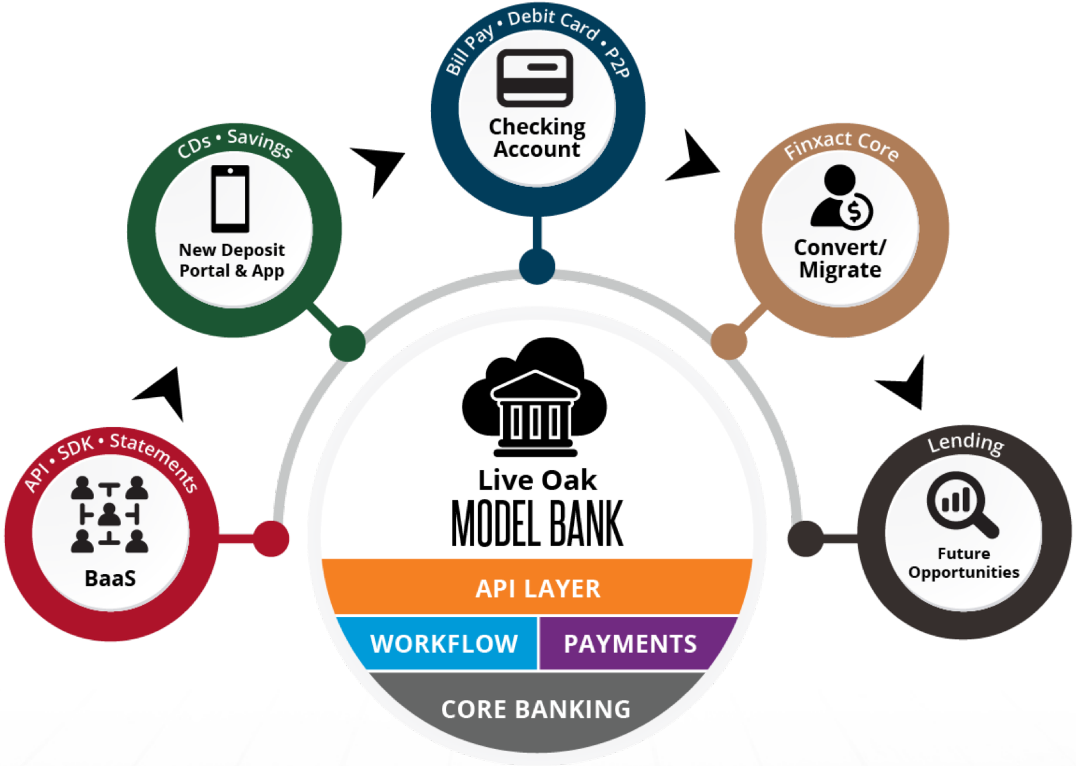
Technology Initiatives – Building the Model Bank



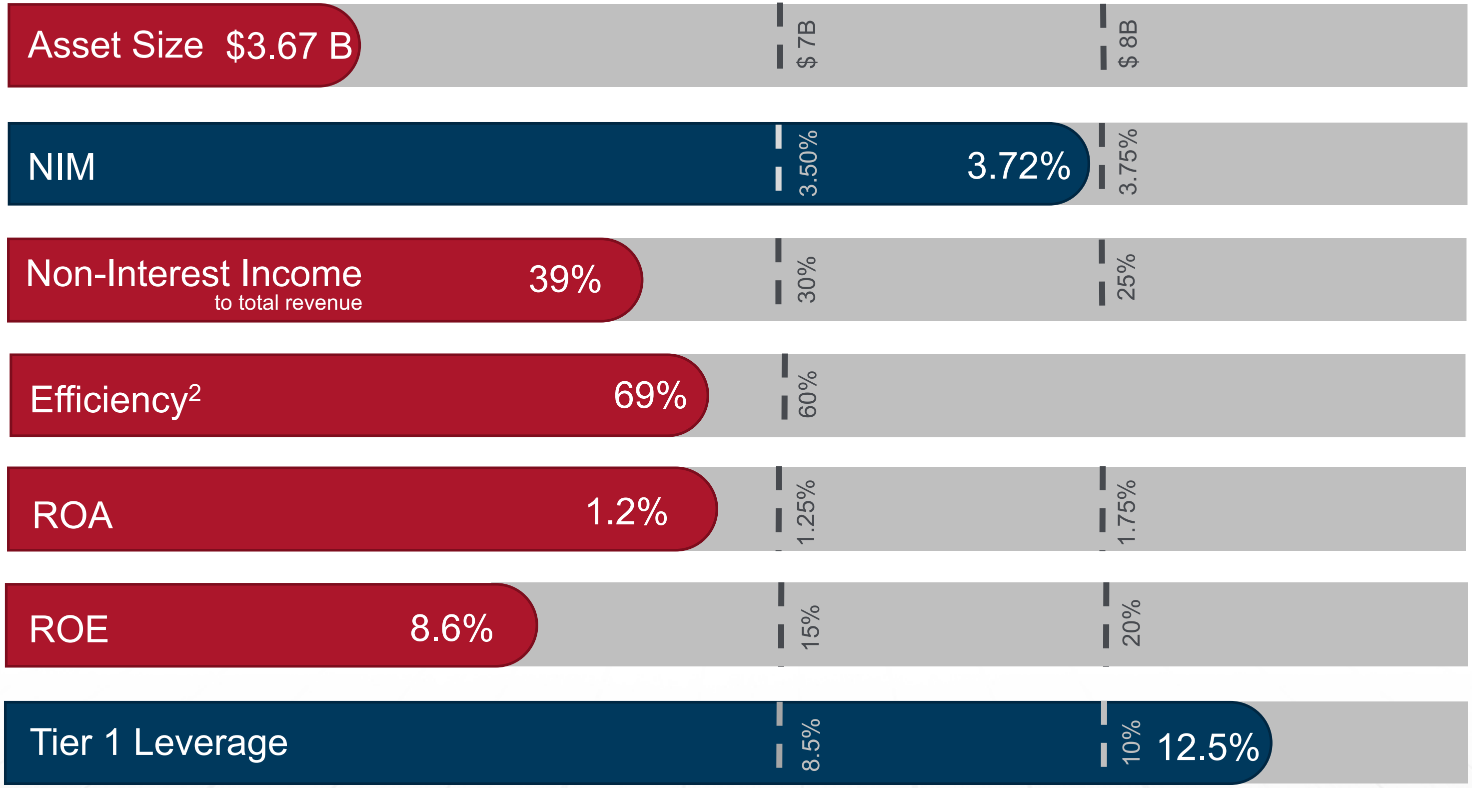
Finxact CORE AS A SERVICE

APITURE

payrailz

savana

High Performing Bank Metrics[1]



1. Company results as of and for the quarter ending December 31, 2018
2. See Appendix for GAAP to Non-GAAP reconciliation

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Government Shutdown

December 22, 2018 – Currently in Day 33

- No fourth quarter impact
- The SBA and the USDA programs are impacted

Liquidity Support

- Liquidity planning for the first quarter adjusted for no loan sales
- Available liquidity sources are robust and expected to cover any foreseeable liquidity needs

Capital Support

- Strong capital ratios support balance sheet growth and potential earnings interruptions from the absence of loan sales during the first quarter

Lending

- SBA authorizations were obtained for eligible pipeline loans prior to the shutdown
- Bridge loan options are a possibility

Q4 Financial Detail

	Q4 2017	Q4 2018	FY 2017	FY 2018
Diluted Earnings Per Share	$ 1.74	$ 0.26	$ 2.65	$ 1.24
Non-GAAP Diluted Earnings Per Share[1]	$ 0.41	$ 0.26	$ 1.25	$ 1.32
Net Interest Income and Servicing Revenues	28,977	36,547	102,622	137,164
Noninterest Expense, as reported	41,024	32,558	143,165	152,704
Noninterest Expense, as adjusted[1]	33,008	32,198	132,777	148,595
Loan Servicing Asset Revaluation	(6,307)	(627)	(13,171)	(18,765)
Net Gain on Sale of Guaranteed Loans, per Million Sold	110.2	59.8	100.4	80.9
Provision for (Recovery of) Loan and Lease Losses	4,055	6,822	9,536	13,058

1. See Appendix for GAAP to Non-GAAP reconciliation

Credit Performance

Top 10 SBA 7(a) Lenders	Top 9 SBA 7(a) Lenders Excluding Live Oak	Live Oak Banking Company
$44.2 billion	$38.9 billion	$5.3 billion
Gross Loan Disbursement 2008-2017	Gross Loan Disbursement 2008-2017	Gross Loan Disbursement 2008-2017
Charge Off Rate	Charge Off Rate	Charge Off Rate
1.06%	1.19%	0.18%
2008-2017	2008-2017	2008-2017

Source: Government Loan Solutions SBA 7(a) program performance data

In These Volatile Times

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Loan Servicing Asset Revaluation	(627)	(9,380)	(3,670)	(5,088)	(6,307)
Income Before Taxes[1]	7,480	11,054	14,744	12,768	5,338
Loan Servicing Asset Revaluation to Income Before Taxes	8.4%	84.9%	24.9%	39.8%	118.2%
Provision for (Recovery of) Loan and Lease Losses	6,822	(243)	2,087	4,392	4,055

Forever & Always:
Soundness
Profitability
Growth

Over time, we are changing model to provide more:
Consistency
Certainty
Predictability

1. Q4 2017 excludes one-time gain of $68 million related to equity method investment in Apiture

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Allowance for Loan & Lease Loss
Transitions from industry-specific to Live Oak-specific losses

Vertical	Quarter	Loss Rate Change	Provision Reversed
Investment Advisory	Q1 2017	-1.57%	$1.1 million
Chickens	Q2 2018	-0.77%	$1.6 million
FEC	Q3 2018	-7.18%	$2.9 million

2019: 4 verticals expected to move from industry-specific loss rates to Live Oak-specific loss rates*

2020 and Beyond: CECL implications are under evaluation

*Based on current conditions and management expectations and assumes no allowance model refinements relative to timing of transitions to Live Oak-specific losses

APPENDIX

Non-GAAP Reconciliation

Non-GAAP Net Income, Non-GAAP EPS & Noninterest Expense, as adjusted

	Three months ended		Twelve months ended	
(Dollars in thousands)	4Q 2018	4Q 2017	4Q 2018	4Q 2017
Reconciliation of net income to non-GAAP net income for non-routine income and expenses:				
Net income, as reported	**$ 10,490**	**$ 71,730**	**$ 51,448**	**$ 100,499**
Gain on contribution to equity method investment	—	(68,000)	—	(68,000)
Stock based compensation expense for restricted stock awards with an effective grant date of May 24, 2016, as discussed in Note 10 of our March 31, 2016 Form 10-Q	360	360	1,429	1,370
Merger costs associated with Reltco acquisition and Apiture investment	—	1,718	—	2,874
Trade-in loss on aircraft	—	—	—	206
Impairment expense on goodwill and other intangibles, net	—	3,648	2,680	3,648
Contract modification of Reltco	—	1,600	—	1,600
Renewable energy tax credit investment income, impairment and loss	—	710	—	690
Income tax effects and adjustments for non-GAAP items *	(86)	23,986	(986)	23,045
Deferred tax liability revaluation	—	(18,921)	—	(18,921)
Other renewable energy tax expense	—	44	—	176
Non-GAAP net income	**$ 10,764**	**$ 16,875**	**$ 54,571**	**$ 47,187**
* Estimated at 24.0% for 2018 and 40.0% for 2017				
Non-GAAP earnings per share:				
Basic	**$ 0.27**	**$ 0.42**	**$ 1.36**	**$ 1.29**
Diluted	**$ 0.26**	**$ 0.41**	**$ 1.32**	**$ 1.25**
Weighted-average shares outstanding:				
Basic	40,148,115	39,879,345	40,056,230	36,592,893
Diluted	41,075,864	41,184,793	41,446,750	37,859,535
Reconciliation of financial statement line item as reported to adjusted for non-routine noninterest expenses:				
Noninterest expense, as reported	**$ 32,558**	**$ 41,024**	**$ 152,704**	**$ 143,165**
Stock based compensation expense	(360)	(360)	(1,429)	(1,370)
Merger costs associated with Reltco acquisition and Apiture investment	—	(1,718)	—	(2,874)
Trade-in loss on aircraft	—	—	—	(206)
Impairment expense on goodwill and other intangibles, net	—	(3,648)	(2,680)	(3,648)
Contract modification of Reltco	—	(1,600)	—	(1,600)
Renewable energy tax credit investment impairment and loss	—	(690)	—	(690)
Noninterest expense, as adjusted	**$ 32,198**	**$ 33,008**	**$ 148,595**	**$ 132,777**

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Non-GAAP Reconciliation

Deposits Direct COF

Annualized December 2018 Expense
(Dollars in thousands)

Interest	$	67,521
Personnel		1,657
Travel & Entertainment		-
Fraud Expense		5
Marketing Expense		1,129
Technology Expense		1,408
Other Expenses		64
Total Direct Deposit Expenses	**$**	**71,784**
Total Deposit Balances at December 31, 2018	**$**	**3,149,583**

Cost of Funds
(annualized for December 2018 expense)

Interest Only	2.14%
Personnel	0.05%
Travel & Entertainment	0.00%
Fraud Expense	0.00%
Marketing Expense	0.04%
Technology Expense	0.04%
Other Expenses	0.00%
COF % including Deposits Dept	**2.27%**
Direct Noninterest Cost of Funds	**0.13%**

Non-GAAP Reconciliation
Efficiency Ratio

(dollars in thousands)		Three months ended 12/31/18
Noninterest expense, as reported (a)	$	32,558
Net interest income, as reported		28,795
Noninterest income, as reported		18,065
Less: gain on sale of securities		—
Adjusted operating revenue (b)	$	46,860
Efficiency ratio (a/b)		**69.48%**

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