Live Oak Bancshares

CFO Highlights
Q2 2018

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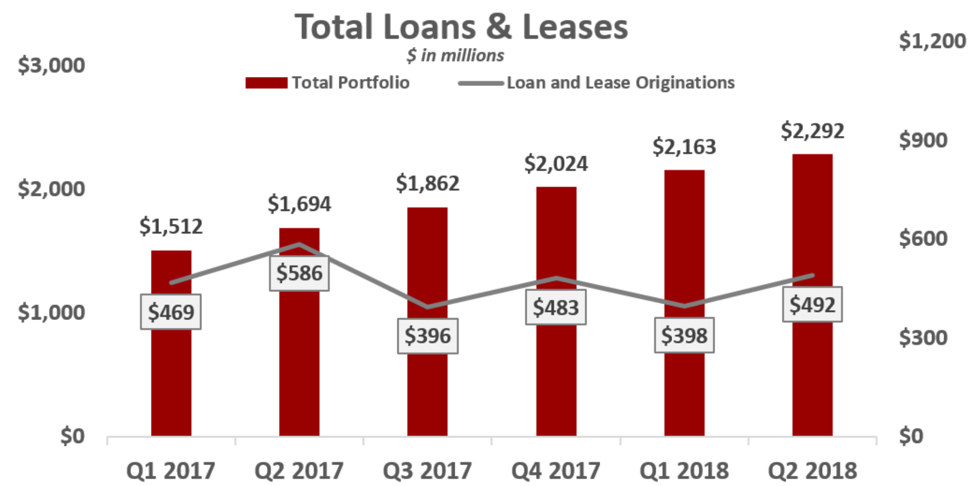
Loan & Lease Growth Continues



Our loan and lease portfolio continued its strong growth trajectory during the second quarter with a year-over-year growth rate of 35.3% and 23.9% annualized growth over the prior quarter. Despite increased competitive pressure in the small business lending space, we expect sustained robust growth throughout 2018 propelled by new and existing products and industry verticals. For example, we recently surpassed $500 million in renewable energy loan originations and $100 million in insurance loan originations, two of our newer verticals. Following the seasonal drop-off in the first quarter of 2018, loan and lease originations rose dramatically in the second quarter; and, we expect quarterly originations to continue to increase throughout 2018.

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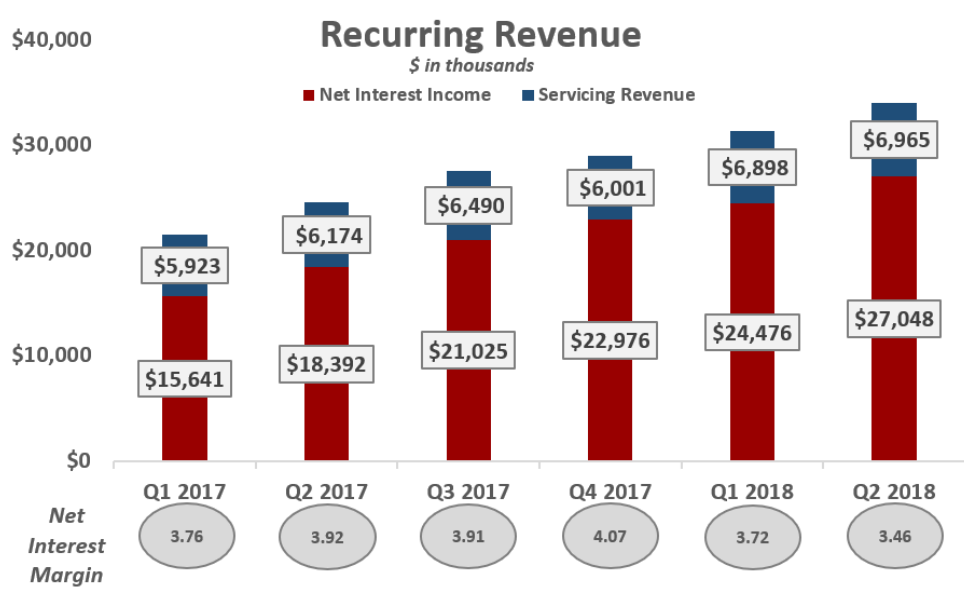
Sustained Recurring Revenue



Our recurring revenue streams of net interest income and servicing revenue continued their steady climb in the second quarter of 2018, growing 38.5% above the prior year level, and have now risen to 59.0% of total revenues. This continues the trend of increased earnings stability and reflects our strategy to retain more of our loan production. Recurring revenues also continue to move closer to achieving our goal of matching operating expense levels.

Net interest income rose sharply in the second quarter of 2018 to $27.0 million, which represented a 10.5% increase over first quarter levels and was driven by higher average loan volumes. This increase was partly mitigated by a decline in the net interest margin to 3.46% in the second quarter of 2018 largely due to higher average balances of liquid assets combined with the rising cost of deposits. We expect the repricing and volume of our loan and lease portfolio to outpace that of our deposits as total deposits ended the second quarter of 2018 largely unchanged from the prior quarter.

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Record Level of Loan Sales

Loan sale volumes were at record levels in the second quarter of 2018. Despite the higher volume of loan sales, gain on sale revenue decreased in the second quarter compared to the first quarter due to a decline in the net gain per $1 million sold. This decline was primarily attributable to the specific mix of the loans sold, especially related to renewable energy loans which command comparatively lower sale premiums. We view the current secondary market as generally stable with some slight compression in premiums received for analogous product sales compared to the first quarter. The net gain per $1 million sold that we experience will continue to be highly influenced by the mix of loans sold.

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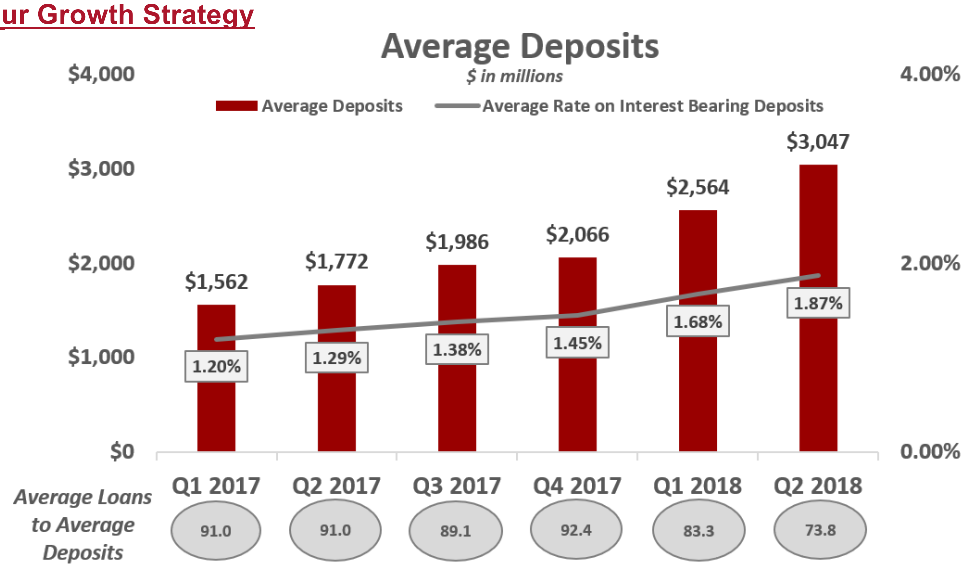
Funding Our Growth Strategy



We have materially strengthened our liquidity position as we reinvested excess funds to build a larger securities portfolio and cash position which can provide valuable funding sources in a rising rate environment. Deposit gathering campaigns in the first half of 2018 have been highly successful following our strategic initiative to improve our liquidity position with average deposit balances for the second quarter increasing 47.5% over fourth quarter of 2017 averages. We expect deposit growth will return to more normal levels. While the rate on the deposit portfolio has increased steadily over the past few quarters in line with the rising rate environment, we continue to operate a very efficient, low-cost branchless model for deposit gathering activities.

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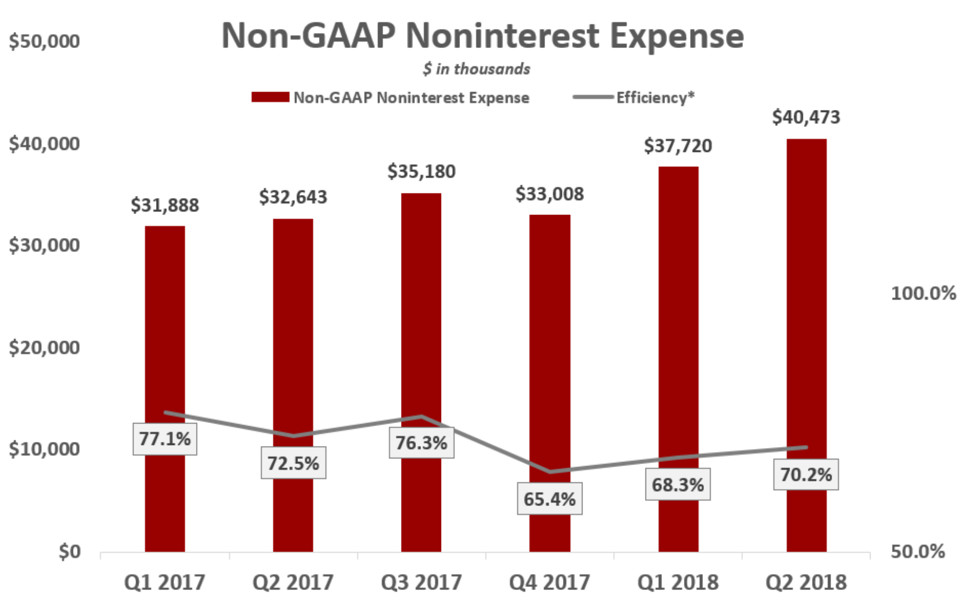
Scaling the Platform



*Efficiency is the ratio of non-GAAP noninterest expense to the sum of net interest income and non-GAAP noninterest Income expressed as a percentage.

Our non-GAAP noninterest expense[1] increased to $40.5 million for the second quarter of 2018. This is consistent with our expectations for our expense base to continue supporting our growth mission and various business initiatives. We anticipate our noninterest expense will grow throughout 2018 while we continue to experience positive operating leverage as recurring revenue sustains its healthy growth rate.

Provision for Loan and Lease Losses: The provision expense in the second quarter of 2018 was $2.1 million compared to $4.4 million in the prior quarter. The decrease was the result of updated loss factors consistent with our methodology for estimating the allowance for loan and lease losses. As a percentage of loans and leases held for investment, the allowance for losses was 1.91% for the second quarter of 2018, slightly lower than the prior quarter's value of 1.95% and well above our recent historical average loss percentage.

Income Tax Expense: Our solar panel leasing activities and related investment tax credits resulted in an effective rate of 3.3% for the second quarter of 2018. Consistent with expectations, we will likely experience very low single digit effective tax rates for the remainder of the year.

In summary, we believe the first half of the year demonstrates the underlying power of the Live Oak business model leading to a record-setting non-GAAP pretax income [1] of $15.1 million in the second quarter of 2018. Our loan and lease portfolio of high quality assets continues to contribute to the growth in our recurring revenue streams with our expansion of industry verticals providing new sources of future growth.

(1) For underlying non-GAAP disclosure support see the GAAP to Non-GAAP Reconciliation included in the Company's second quarter 2018 earnings release.

Forward-Looking Statements

Information in this document 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.