



LIVE OAK[®]
BANCSHARES

Fourth Quarter 2019

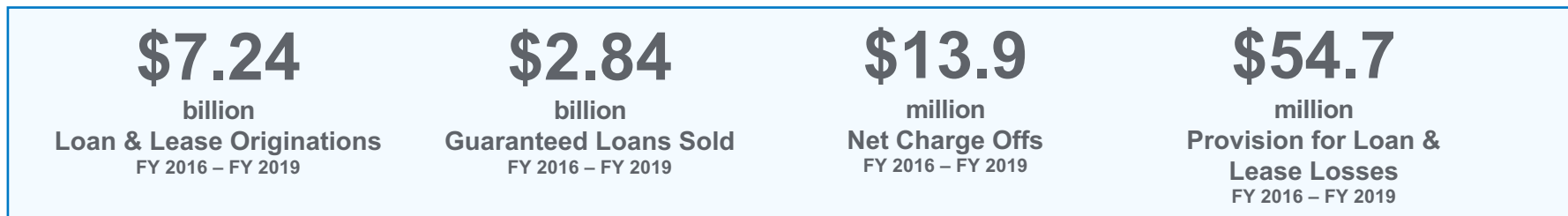
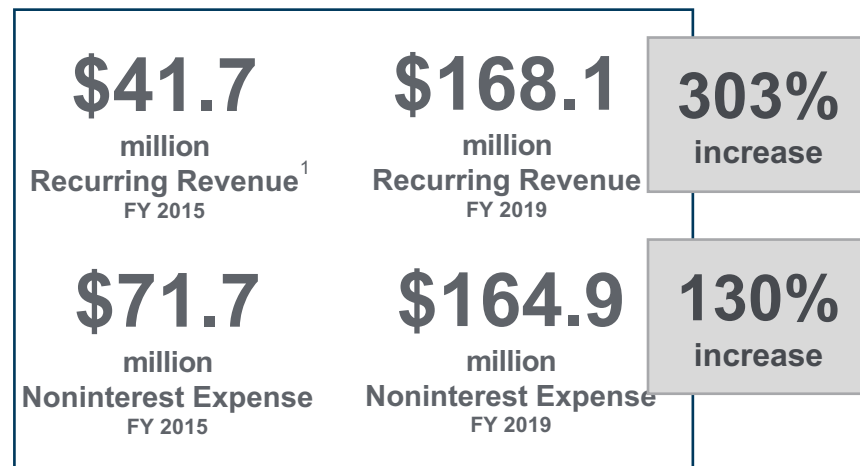
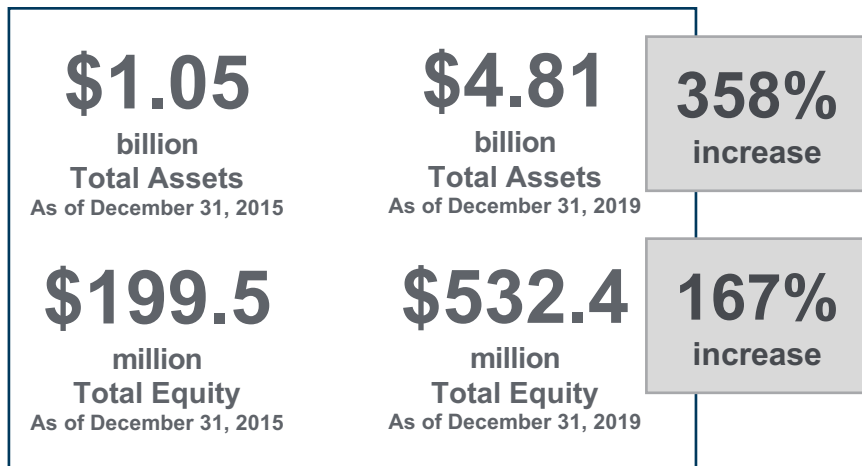
January 23, 2020

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;
- 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.

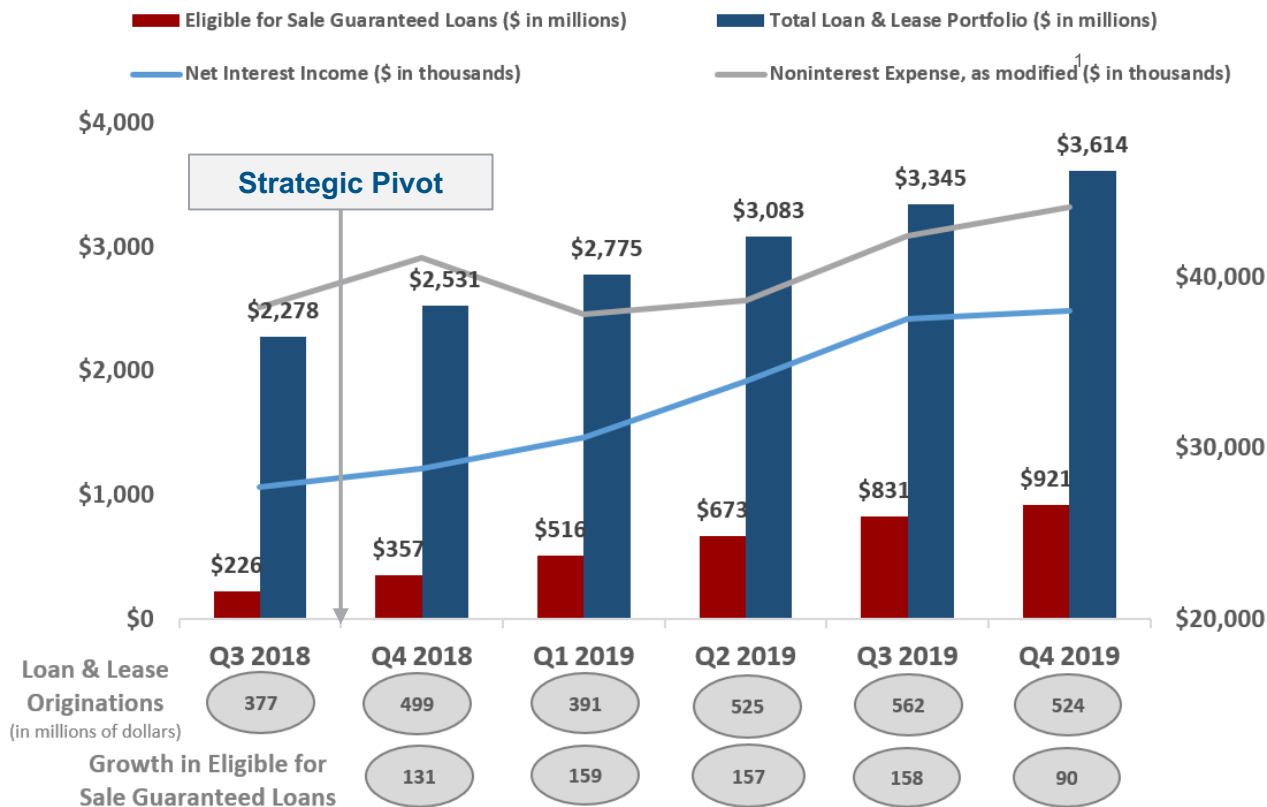
Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Moreover, these forward-looking statements speak only as of the date they are made and based only on information actually known to us at the time. We undertake no obligation to 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.

FUN FACTS SINCE BECOMING PUBLIC



1. Recurring revenue consists of net interest income and servicing revenue

FIRING ON ALL CYLINDERS



2019 vs. 2018

42.8% ↑
Total Loan & Lease Portfolio
YE 2019 vs. YE 2018

2.6x ↑
Guaranteed Loans Eligible for Sale
YE 2019 vs. YE 2018

32.0% ↑
Net Interest Income
Q4 2019 vs. Q4 2018

29.7% ↑
Net Interest Income
FY 2019 vs. FY 2018

1. See Appendix for GAAP to Non-GAAP reconciliation

ORGANIC GROWTH DRIVES BOTTOM LINE

Incremental Estimated Quarterly Impact, at Origination⁵

	Loan & Lease Growth ¹		Net Spread ²		Net Income ³	EPS ⁴
Q4 2018	\$253 million	x	4.56%	=	\$2.31 million	\$0.06
Q1 2019	\$244 million	x	4.44%	=	\$2.17 million	\$0.05
Q2 2019	\$309 million	x	4.43%	=	\$2.74 million	\$0.07
Q3 2019	\$262 million	x	4.44%	=	\$2.32 million	\$0.06
Q4 2019	\$269 million	x	4.14%	=	\$2.22 million	\$0.05
FY 2019	\$1,084 million	x	4.36%	=	\$9.46 million	\$0.23

1. Total loans and leases held for sale and held for investment growth from previous quarter

2. Weighted average yield on loans and leases held for sale and held for investment in the quarter minus weighted average rate on interest bearing liabilities in the quarter

3. Net Income is tax effected at an assumed tax rate of 20%

4. Estimated Incremental Quarterly Impact on Net Income divided by weighted average diluted shares for the quarter

5. Note: The information presented above is for illustrative purposes only and reflects assumptions and circumstances that will fluctuate over time.

CREDIT TRENDS

<i>(\$ in thousands)</i>	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
Net charge-offs	\$65	\$526	\$2,264	\$905	\$3,760
Provision for (recovery of) loan & lease losses	2,742	3,463	7,160	6,208	19,573
Allowance for loan & lease losses	35,111	38,048	42,944	48,247	48,247
Nonperforming Loans to Bank Tier 1 Capital plus Allowance for Loan and Lease Losses	4.4%	3.9%	4.1%	3.6%	3.6%
Growth in Eligible for Sale Guaranteed Loans (in millions)	\$159	\$157	\$158	\$90	\$564

\$3.8

million

FY 2019 Net Charge-Offs

\$48.2

million

Allowance for Loan & Lease Losses, as of December 31, 2019

\$564

million

FY 2019 Increase in Eligible for Sale Guaranteed Loans

- You are seeking data as a Live Oak investor to:
Buy | Hold | Sell
- You are comparing:
Traditional community banks v. Future of community banking

**We believe now is the time to build a
meaningful position in the future of banking.
Let us help you get there...**

THE CURRENT COMMUNITY BANK INVESTMENT
PRESENTATION IS COMPLETELY PREDICTABLE



- SECTION 1 – **LOCATION OF OFFICES or BRANCHES**

- SECTION 2 – **“DIVERSIFIED” LOAN PORTFOLIO**
 - SINGLE FAMILY RESIDENTIAL—(REAL ESTATE)
 - CRE (REAL ESTATE)
 - MULTI-FAMILY (REAL ESTATE)
 - CONSTRUCTION AND LAND DEVELOPMENT (REAL ESTATE)
 - C & I LOANS
 - VERY LITTLE CONSUMER (\$)

- SECTION 3 – **DEPOSIT MIX**
 - DDA | SAVINGS | CDs | BROKERED | + MARKET SHARE

LIVE OAK INVESTMENT VALUE



	Comparable ¹ Bank Median ²	Live Oak Bank ³
Number of Branches	39	N/A
Footprint (States)	2	50
Full-time Employees	823	603
Net Interest Margin	3.63%	3.55%
Net Charge-offs to Avg. Loans	8bps	14bps
Total Loan & Lease Growth ⁴	10%	43%
Total Capital Ratio	14.7%	16.1%
Price / TBV	1.60 ⁶	1.44 ⁷

Comparable NIMs without the fixed branch infrastructure that adds ~1% to 2% to the cost of funds⁵

Higher growth in what we believe are high credit quality assets

Trading at multiples below Peers

¹ Latest Fiscal Quarter for all Publicly Traded US Banks with Market Cap of \$700MM-\$1BB and Price to Tangible Book Value between 1.40-1.80 as of 12/31/19.

² Median Values per S&P Market Intelligence for the Most Recently Reported Fiscal Quarter (pulled as of 1/20/20).

³ As of and for the quarter ended 12/31/2019.

⁴ Loan and lease growth calculated using most recently reported quarter-end compared to the same quarter-end in prior year.

⁵ Assumes \$1-2MM annual cost to operate a branch and a median of \$99MM deposits per branch for comparable banks. Source: banknews.com





⁶ As of 12/31/2019 Price to Tangible Book Value per S&P Market Intelligence.

⁷ \$19.01 LOB Close Price and TBV of \$13.20 as of 12/31/2019.

“Inertia is the most pernicious of the ailments that face the consumer who is failing to address their financial well-being”¹

- Adam Dell, head of product at Marcus by Goldman Sachs

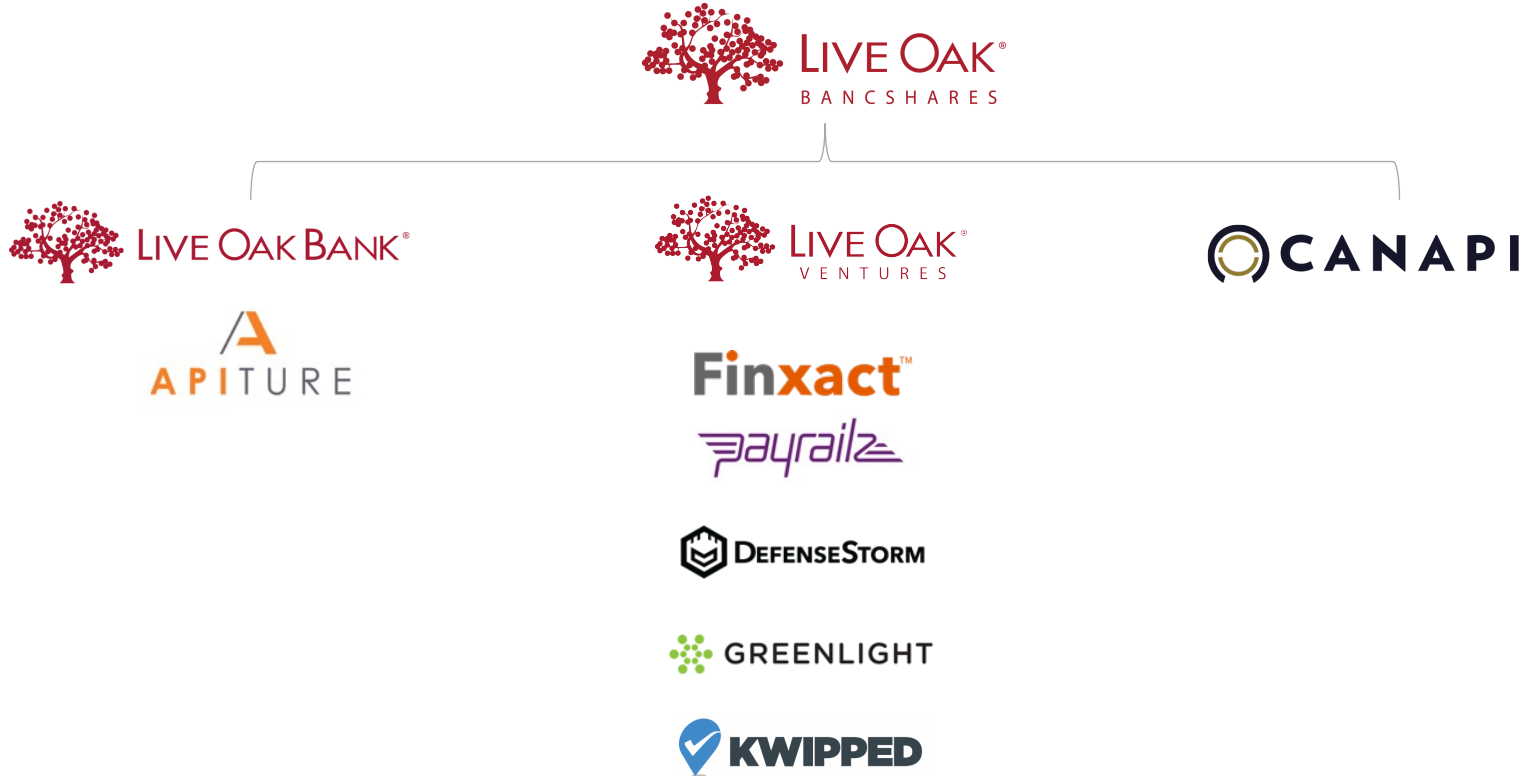
IN OUR CASE THE OWNERS OF A SMALL BUSINESS

			
Checking	Savings	Credit Card	Line of Credit
\$14 - \$30 Monthly Fee	\$0 No Fee	\$0 - \$100 Annual Fee	\$1,000-\$250,000 Line Amount
Checking .08%	Savings .10%	APR 14%-30%	Annual Fee \$100-\$500
Wires \$30 per	CD 1 YR .88%	1%-3% Cash Back	APR 8%-99%
Transaction Limits		Rewards	Funding 3-5 Days

1. Source: American Banker January 19, 2020. www.americanbanker.com/news/the-backstory-of-goldman-sachs-marcus-app-three-years-in-the-making

2. Industry average small business products from multiple sources for illustrative purposes







FINANCIAL TECHNOLOGY



Equity Method Investments: Apiture, Finxact, and Payrailz

Equity Security Investments: DefenseStorm, Greenlight, and Kwipped

Targeting \$600M across two fintech-focused venture capital funds.

SBIC Fund (\$500M)	Sibling Fund (\$100M)
Banks > \$10B Assets	Non-bank Strategies, Traditional LPs & Banks < \$10B Assets
The funds plan to make eligible investments in parallel on a pro rata basis	
 US INVESTMENTS	 US INVESTMENTS
 SCOPE FINTECH	SCOPE FINTECH
 VOLCKER COMPLIANT	 GLOBAL OPPORTUNISTIC
 CRA ELIGIBLE	

Banking versus FinTech Activities: Impact on Earnings

(\$ in thousands)

	Banking Activities	Apiture	Live Oak Ventures	Canapi Advisors	FinTech Activities	Consolidated, as reported
For the quarter ended December 31, 2019						
Net interest income	\$ 38,011	\$ -	\$ -	\$ -	\$ -	\$ 38,011
Provision for credit losses	6,208	-	-	-	-	6,208
Noninterest income (loss)	21,726	(712)	(1,045)	1,555	(202)	21,524
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

	Banking Activities	Apiture	Live Oak Ventures	Canapi Advisors	FinTech Activities	Consolidated, as reported
For the year ended December 31, 2019						
Net interest income	\$ 140,052	\$ -	\$ 30	\$ -	\$ 30	\$ 140,082
Provision for credit losses	19,573	-	-	-	-	19,573
Noninterest income (loss)	70,316	(4,409)	231	1,742	(2,436)	67,880
Noninterest expense	157,846	-	418	6,660	7,078	164,924
Income (loss) before income tax expense	\$ 32,949	\$ (4,409)	\$ (157)	\$ (4,918)	\$ (9,484)	\$ 23,465

OUR STRATEGY – THE LOGIC



PERFORMANCE

43% 

increase versus YE 2018

Loans and Leases HFS and HFI

\$3.61 billion

31% 

Increase versus YE 2018

Total Assets

\$4.81 billion

15% 

increase versus YE 2018

Managed Portfolio ¹

\$6.58 billion

23% 

FY 2019 versus FY 2018

Net Interest Income &
Loan Servicing Revenue

\$168.1 million

10% 

FY 2019 versus FY 2018

Noninterest Expense, as adjusted ²

\$162.9 million

65% ³

Held portion of guaranteed loans that
became eligible for sale in FY 2019

\$631.8 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
3. Percentage held of \$972.2 million of guaranteed loans that became eligible for sale in the current year

STRONG DIVERSIFIED 2019 LOAN & LEASE ORIGINATION

FY 2019 Originations

Across

49

States

Across

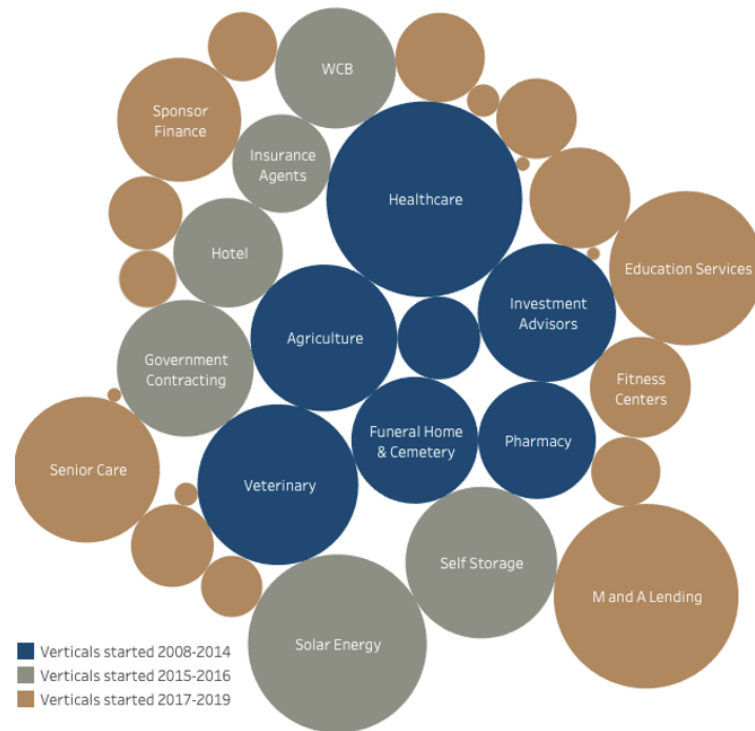
33

Verticals

\$1.6

million
Average
Loan Size

\$2.00
billion
FY 2019



TOTAL PORTFOLIO DIVERSIFICATION

As of December 31, 2019

\$3.61 billion

Portfolio Balance

Growth through Diversification

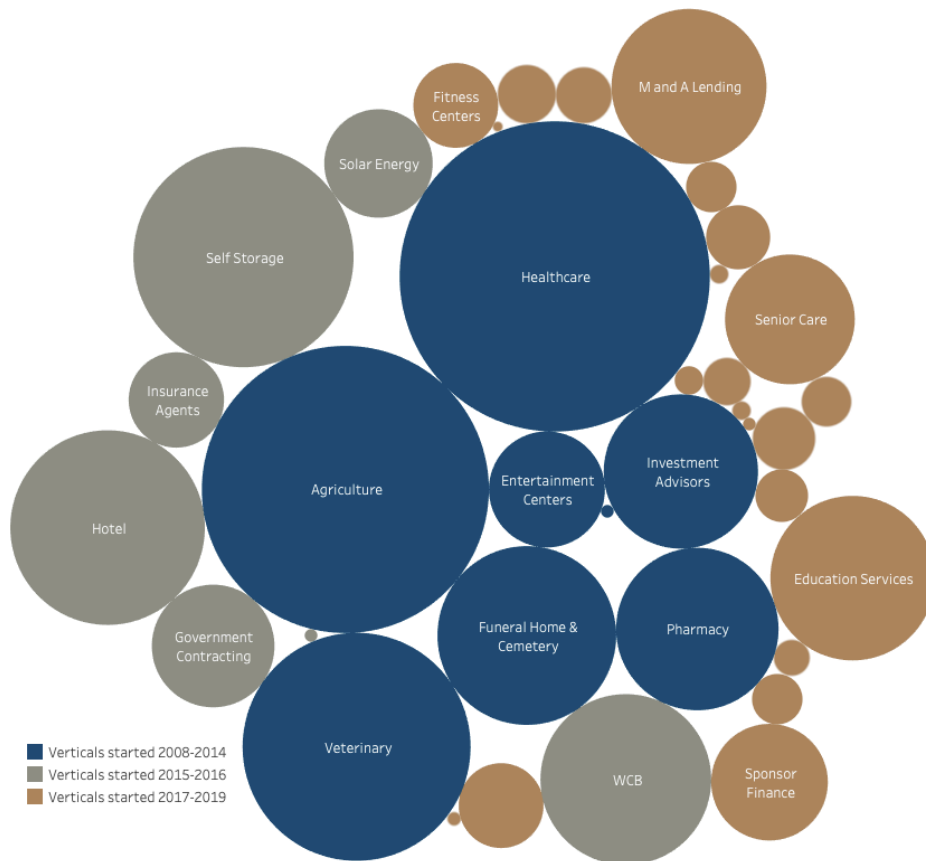
45.6%

Guaranteed Portfolio Percentage

\$1.65 billion

\$2.97 billion

Sold & Serviced
Loan Portfolio



\$6.2 million

versus Q3 2019 of \$7.2 million
Provision for loan and lease losses

17 bps

versus FY 2018 of 31 bps
FY 2019 Net CO to
Average Loans & Leases HFI

1.82%

versus Q3 2019 of 1.76%
ALLL to Loans & Leases HFI

\$19.0 million

versus Q3 2019 of \$21.0 million
Unguaranteed Nonperforming Loans,
Leases & Foreclosures

40 bps

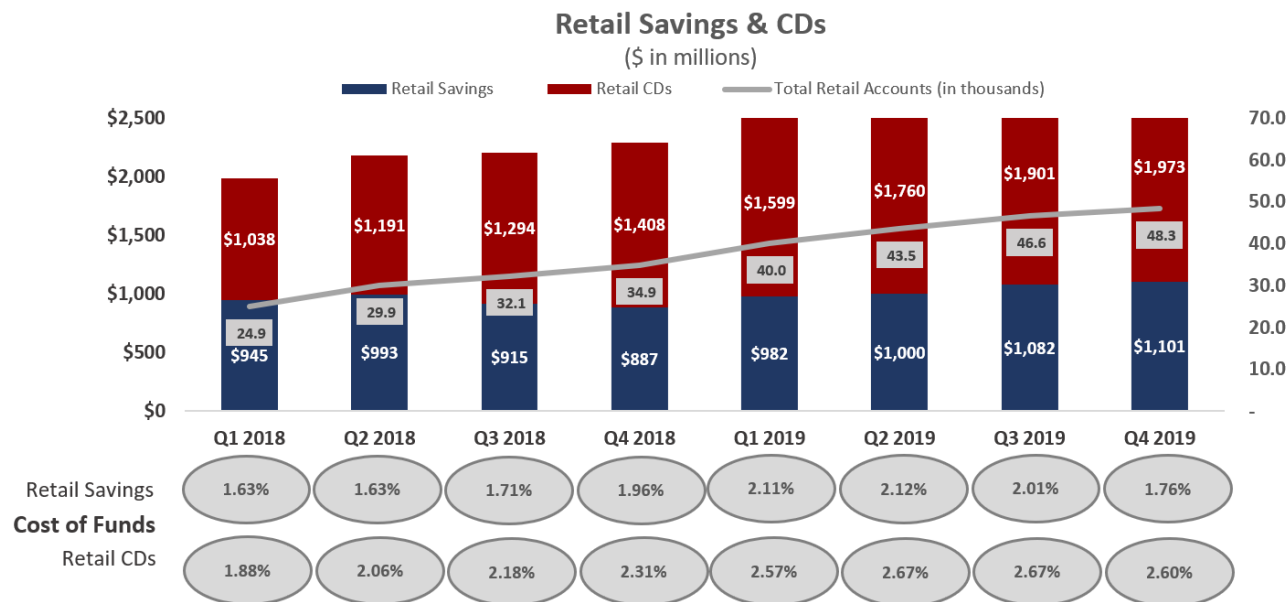
versus Q3 2019 of 46 bps
Unguaranteed Nonperforming Loans,
Leases & Foreclosures to Total Assets

6.77%

versus Q3 2019 of 6.62%
Unguaranteed Criticized and Classified
Loans and Leases¹ to HFI Unguaranteed
Loans and Leases

1. Criticized and Classified loans and leases consist of loans and leases internally classified as a risk grade 5 or worse

HIGHLY EFFICIENT DEPOSIT PLATFORM



\$3.07
billion
Retail Deposits¹

95%
Savings
Retention
FY 2019

73%
CD Retention
FY 2019

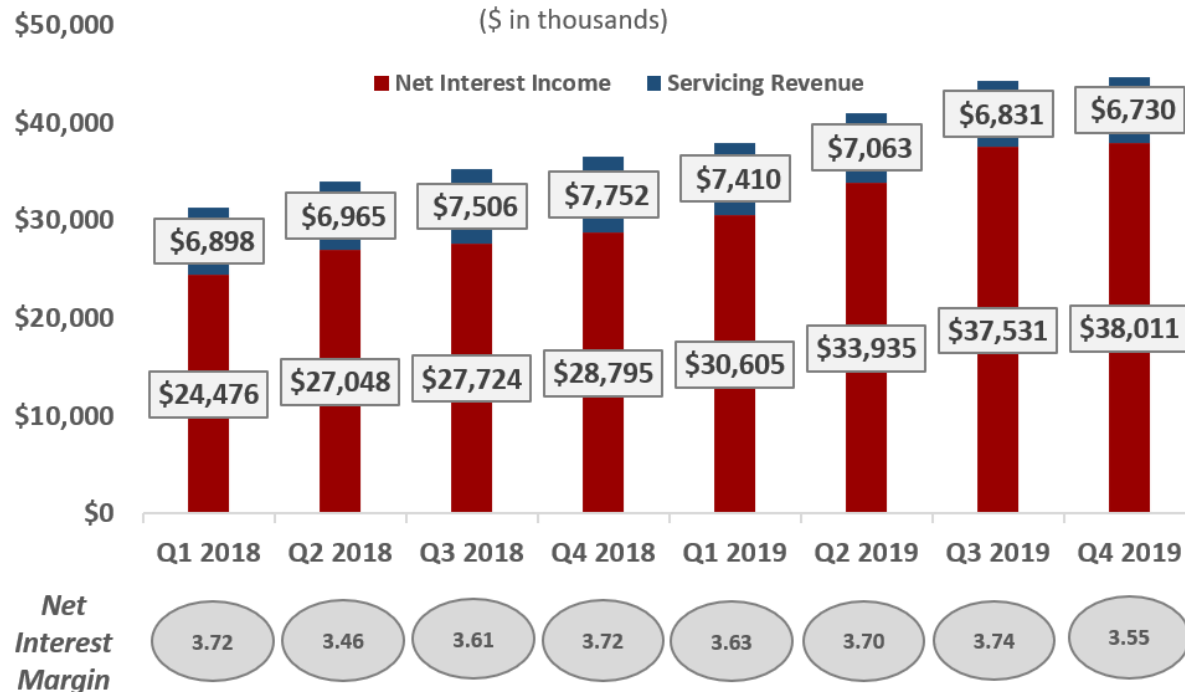
\$811.5
million
CD Maturities
Q1 2020

1. As of December 31, 2019

STRONG RECURRING REVENUE GROWTH

Recurring Revenue

(\$ in thousands)



14.5%

Managed Portfolio
YE 2019 vs. YE 2018

22.4%

Recurring Revenue
Q4 2019 vs. Q4 2018

22.6%

Recurring Revenue
FY 2019 vs. FY 2018

2019 Target

2:1

Hold:Sell

Hold **\$2** of guaranteed loans eligible
for sale for every **\$1** sold

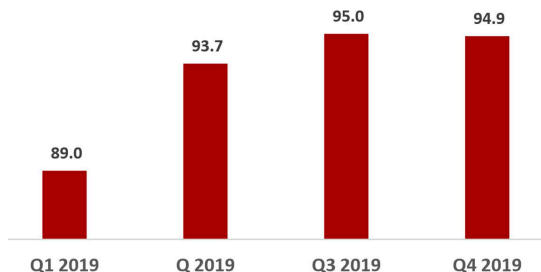
2019 Actuals

Sell ~ 100% USDA Guaranteed**Sell ~ 25%** SBA Guaranteed**Hold ~ 65%** of eligible for sale guaranteed loans

Percentage held of \$972.2 million of guaranteed loans that
became eligible for sale in the current year

Secondary Market Conditions Improve in 2019

Average Net Gain per \$1 million sold, adjusted*
\$ in thousands

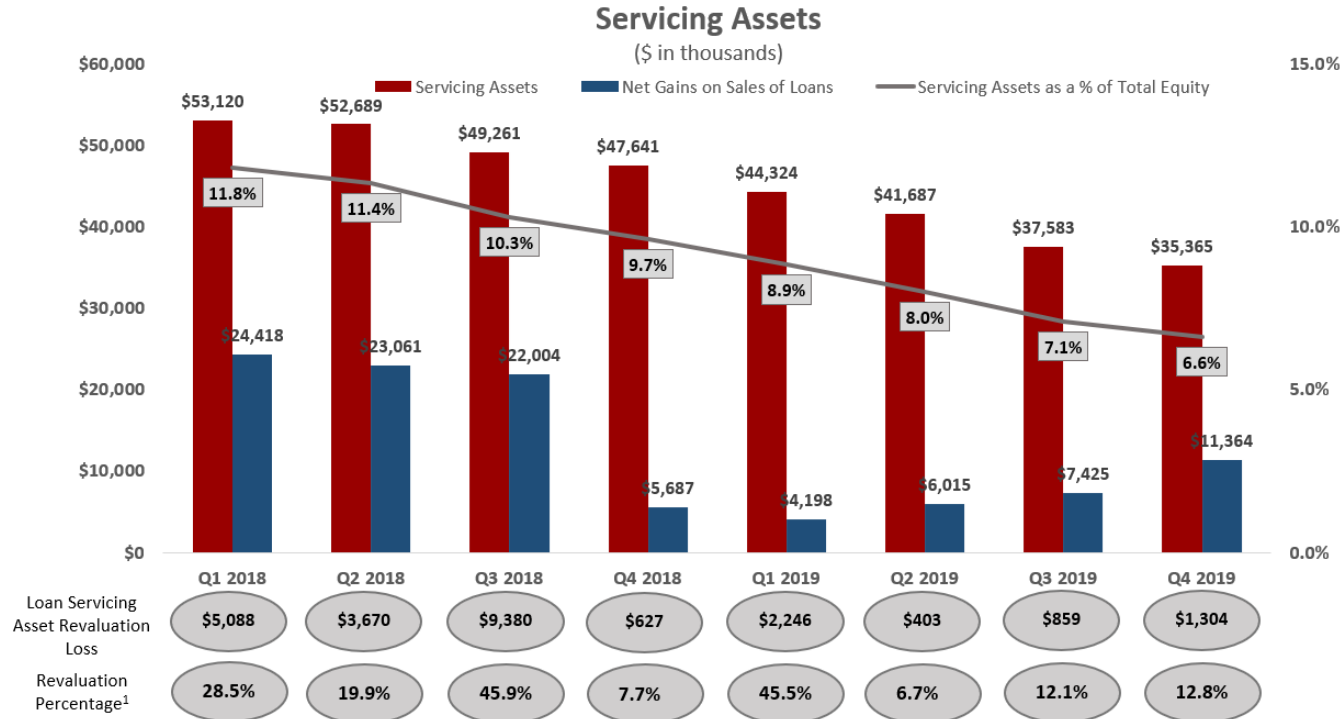


*Excludes fair value gain/loss on exchange-traded interest rate lock commitments

2020 Target

Sell ~100% USDA Guaranteed**Sell ~35%** SBA Guaranteed**Hold ~ 55% to 60%** of eligible for sale
guaranteed loans

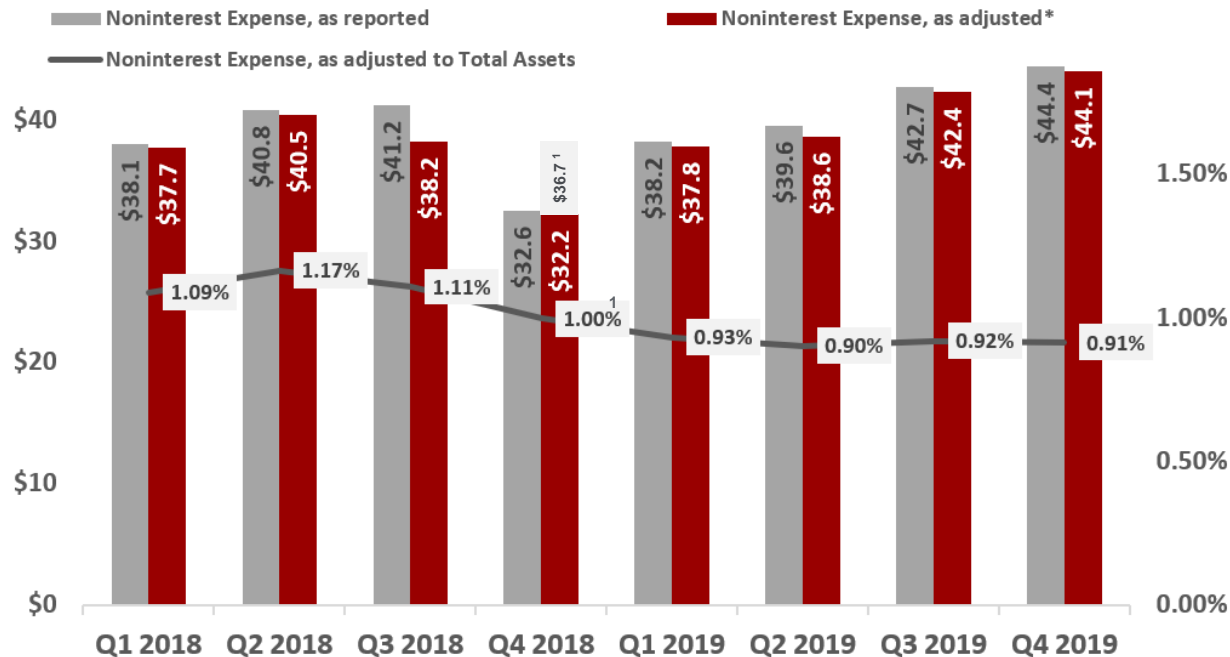
VOLATILITY SUBSIDES & PREDICTABILITY INCREASES



1. Loan servicing asset revaluation loss as a percentage of income before taxes excluding the impact of loan servicing asset revaluation

Noninterest Expense

\$ in millions



\$162.9

million

FY 2019 Noninterest Expense,
as adjusted*

\$14.3

million

Increase vs. FY 2018 Noninterest
Expense, as adjusted*

\$6.6

million

Increase in Noninterest Expense
vs FY 2018 associated with
incentive compensation

* See Appendix for Non-GAAP Reconciliation

1. Noninterest expense, as modified. Excludes Q4 2018 accrued incentive compensation reversal of \$4.5 million

HIGH PERFORMING BANK METRICS

As of and for the quarter ending December 31, 2019

Q3 2019Q1 2019

Asset Size \$4.81 B

\$ 7B

\$ 8B

\$4.60B

\$4.06B

NIM

3.55%

3.50%

3.75%

3.74%

3.63%

Noninterest Income
to total revenue

36.2%

30%

25%

33.1%

29.9%

Efficiency Ratio¹ 75.3%

60%

76.2%

87.6%

ROA

0.58%

1.25%

1.75%

0.35%

0.25%

ROE

5.06%

15%

20%

2.94%

1.88%

Tier 1 Leverage

8.5%

10.65%

10%

11.12%

12.34%

APPENDIX

NON-GAAP RECONCILIATION

NON-GAAP NONINTEREST EXPENSE, AS ADJUSTED AND AS MODIFIED;
 EFFICIENCY RATIO

	Three Months Ended							
	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Noninterest expense, as reported	\$ 38,072	\$ 40,830	\$ 41,244	\$ 32,558	\$ 38,201	\$ 39,576	\$ 42,737	\$ 44,410
Stock based compensation expense	(352)	(357)	(360)	(360)	(352)	(357)	(360)	(360)
Impairment expense on goodwill								
other intangible, net	-	-	(2,680)	-	-	-	-	-
Renewable energy tax credit investment								
impairment	-	-	-	-	-	(602)	-	-
Noninterest Expense, as adjusted	\$ 37,720	\$ 40,473	\$ 38,204	\$ 32,198	\$ 37,849	\$ 38,617	\$ 42,377	\$ 44,050
Less: Reversal of Incentive Compensation	-	-	-	4,457	-	-	-	-
Noninterest expense, as modified	\$ 37,720	\$ 40,473	\$ 38,204	\$ 36,655	\$ 37,849	\$ 38,617	\$ 42,377	\$ 44,050

Efficiency Ratio

(dollars in thousands)	Three Months Ended	
	Q4 2019	Q3 2019
Noninterest Expense (a)	\$ 44,410	\$ 42,737
Net Interest income	38,011	37,531
Noninterest income	21,524	18,628
Less: gain on sale of securities	528	87
Adjusted operating revenue (b)	\$ 59,007	\$ 56,072
Efficiency Ratio (a/b)	75.26%	76.22%



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