Live Oak Bancshares

CFO Highlights
Q1 2018

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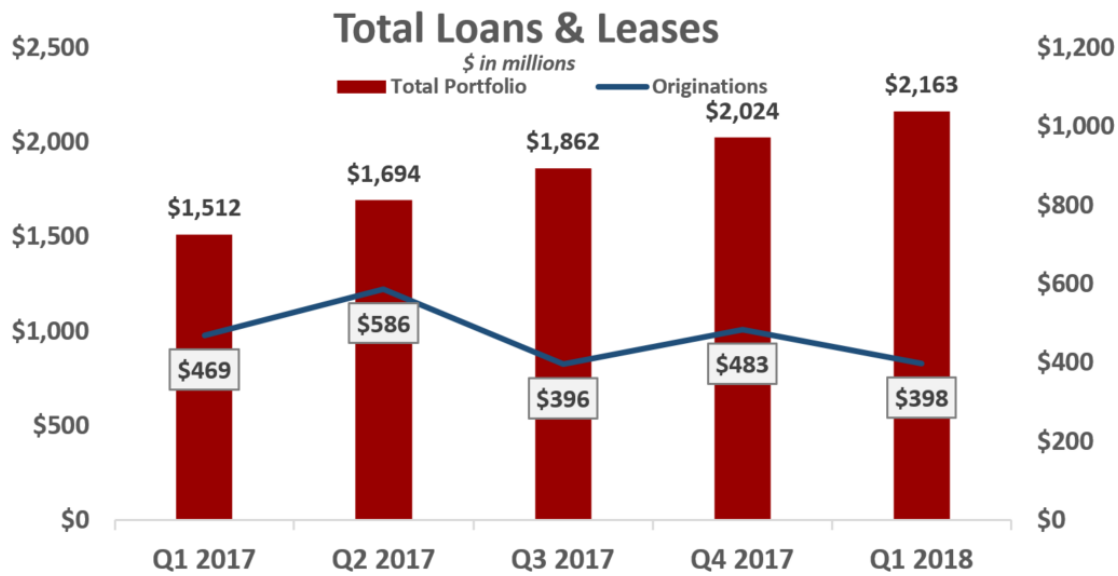
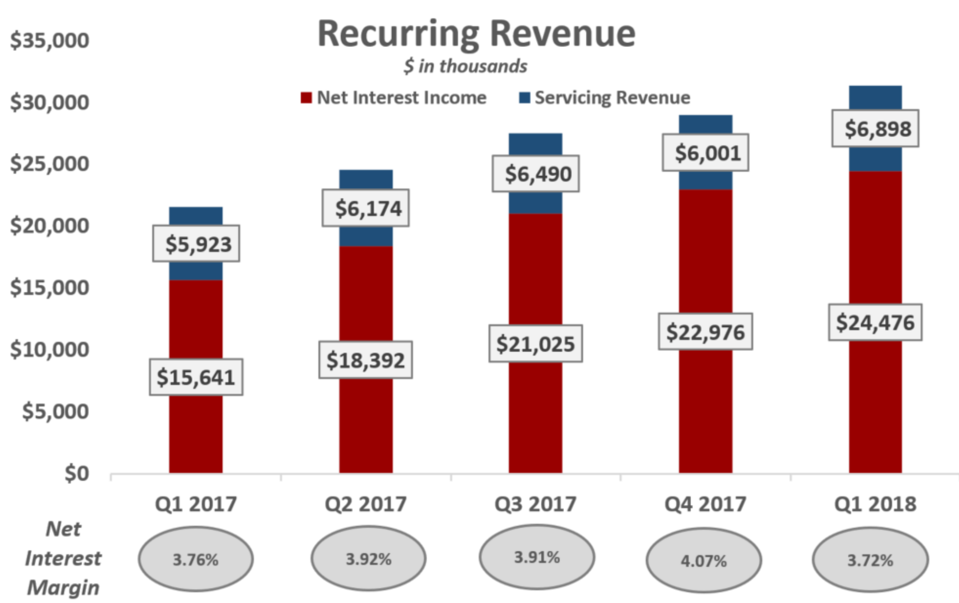
Loan & Lease Growth Continues



Our loan and lease portfolio continued its strong growth trajectory during the first quarter with a year-over-year growth rate of 43.0%. We expect strong year-over-year growth to continue throughout 2018 as we add new products and industry verticals to our lending activities. In addition to the seasonality seen in prior years, loan and lease originations declined in the first quarter of 2018 compared to the fourth quarter of 2017 which we believe reflected increased competitive pressure in the small business lending space. We do expect originations to increase from this level throughout 2018.

Sustained Recurring Revenue



Our recurring revenue streams of net interest income and servicing revenue grew 45.5% from the first quarter of 2017 and represented 56.8% of total revenues in the first quarter of 2018. This continues the trend of increased earnings stability and reflects our strategy to retain more of our loan production.

Net interest income of $24.5 million for the first quarter of 2018 continued its trend of quarter-over-quarter growth for every quarter since our IPO in July 2015. Despite rising loan yields, the net interest margin declined to 3.72% in the first quarter of 2018 due to our strategic initiative to increase liquidity during the quarter. With strategic liquidity targets achieved, we expect the net interest margin to improve over the next several quarters as we anticipate the repricing and volume of our loan portfolio to outpace that of our deposits.

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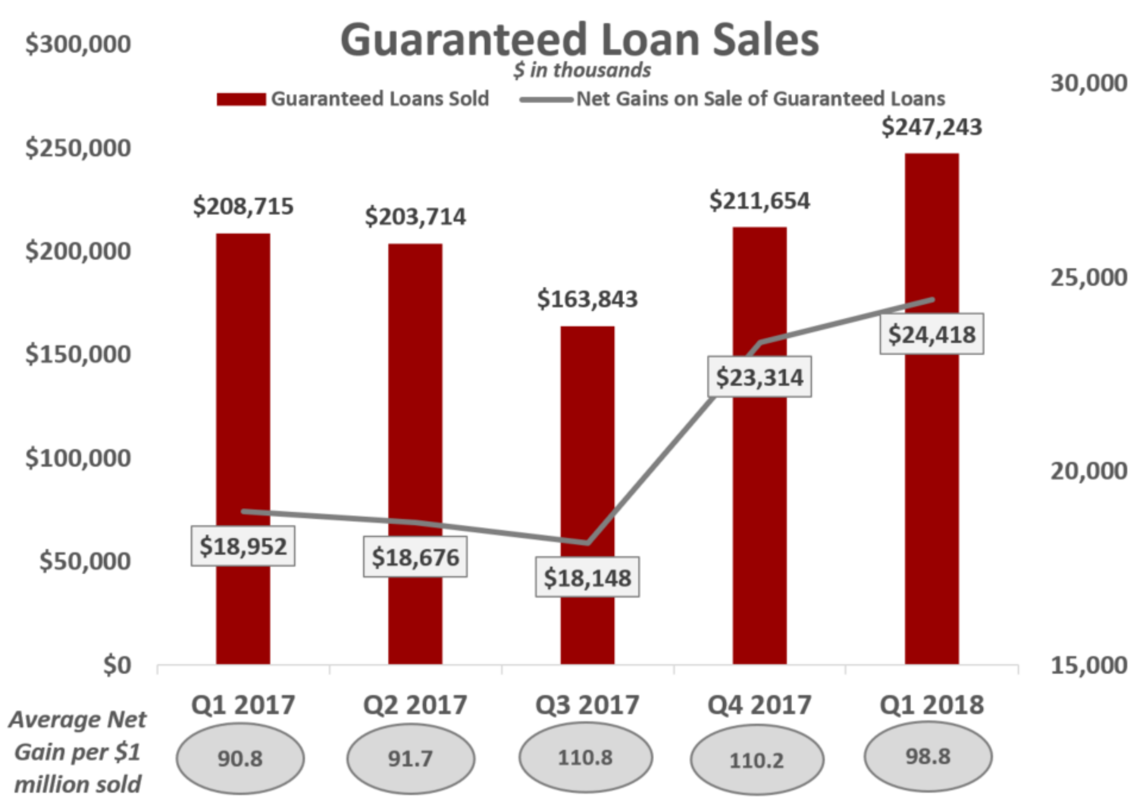
Record Level Gain on Sale of Loans



Gain on sale revenue increased in the first quarter compared to the fourth quarter of 2017 due to the higher volume of loan sales. Despite this increase in gain on sale revenue, we experienced a decline in the net gain per $1 million sold which was mostly attributable to the specific mix of the loans sold. We view the current secondary market as generally stable; however, the net gain per $1 million sold that we experience will continue to be largely influenced by the mix of loans sold.

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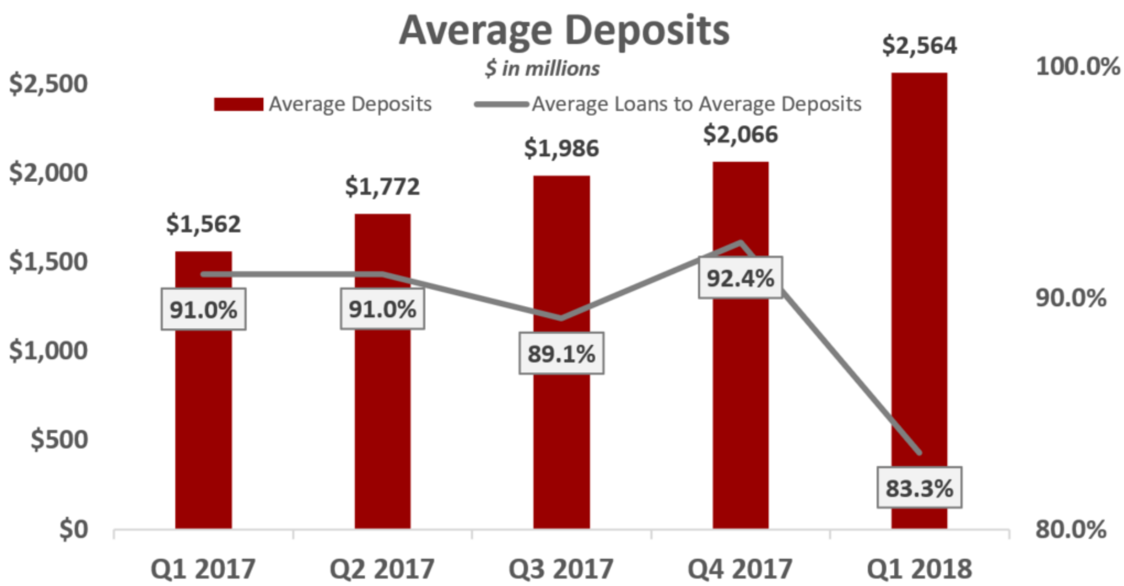
Funding Our Growth Strategy



Deposit generation was strong in the first quarter with 24% growth in average balances over the prior quarter. As indicated in last quarter's call, we materially reduced our loan-to-deposit ratio following a highly successful deposit gathering campaign. This increase in deposit balances has strengthened our liquidity position as we reinvested these excess funds to build a larger securities portfolio and cash position which can provide funding source optionality in a rising rate environment.

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Noninterest expense: Our non-GAAP noninterest expense(1) totaled $37.7 million for the first quarter of 2018. This is an increase from the non-GAAP noninterest expense(1) discussed in the fourth quarter call and 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 but expect to continue enjoying positive operating leverage given our strong revenue growth.

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

Income Tax Expense: Our solar panel leasing activities resulted in an effective rate of 2.5% for the first 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 quarter of 2018 has positioned us for a great year. Our loan and lease portfolio of high quality assets, growth in our recurring revenue streams, and expansion of industry verticals have established a strong foundation for our business model to continue to grow.

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.