Live Oak Bancshares

Second Quarter 2019

July 24, 2019

LIVE OAK
BANCSHARES

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.

Enough is Enough - Live Oak Stock is a Bargain!

Price / TBV

Live Oak Bancshares: 1.33[1]

Average Peer Bank: 1.47[2]

NO $4 billion bank has Live Oak's

Quality Asset Generating Engine

$673 million Government Guaranteed HFS Portfolio

Funding Mechanism

Multiple Call Options on Next Gen Technology Companies

1. *Live Oak Bancshares closing price/TBV (tangible book value) at June 30, 2019*
2. *Source: S&P Global Market Intelligence; Peer Group $4.0 to $4.5 billion asset size and Price/TBV at March 31, 2019.*

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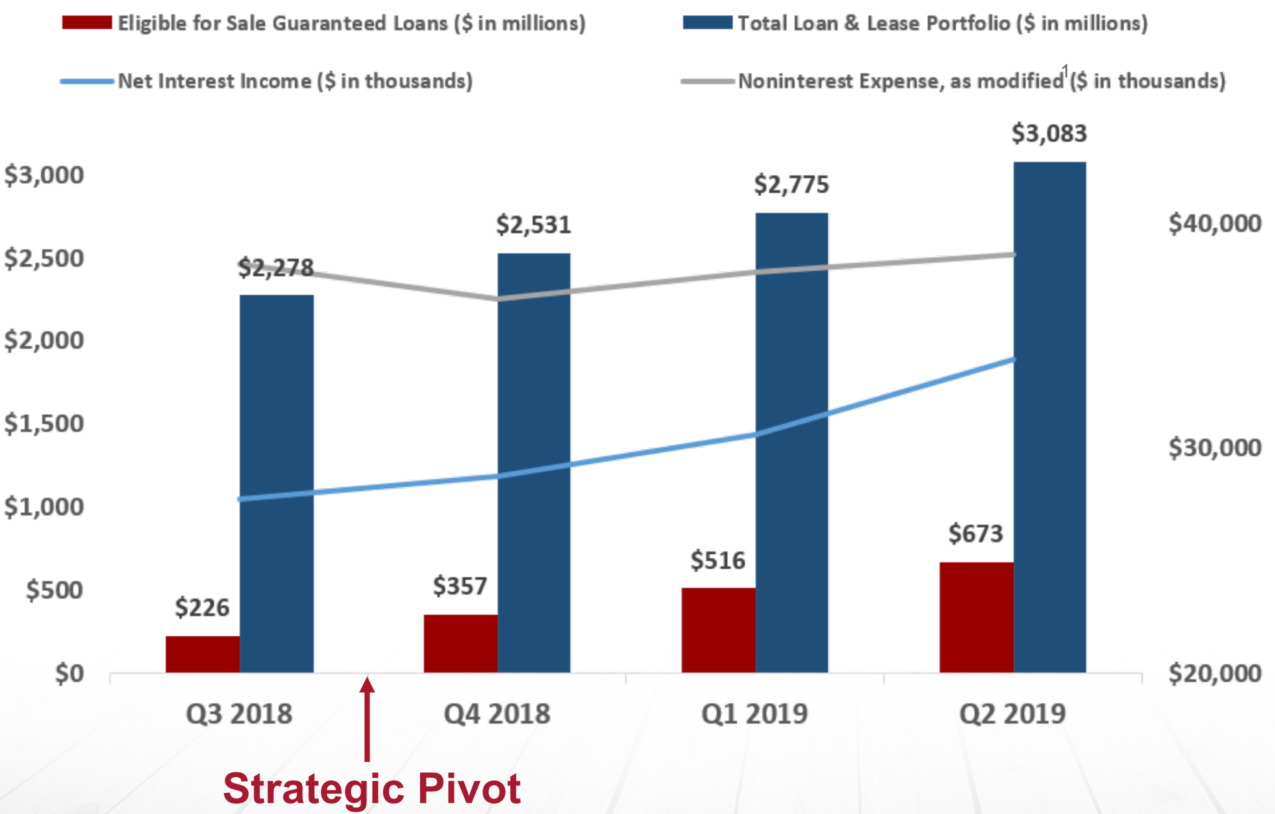
Firing on All Cylinders



Q2 2019 vs. Q3 2018

35.3% ↑
Total Loan & Lease Portfolio

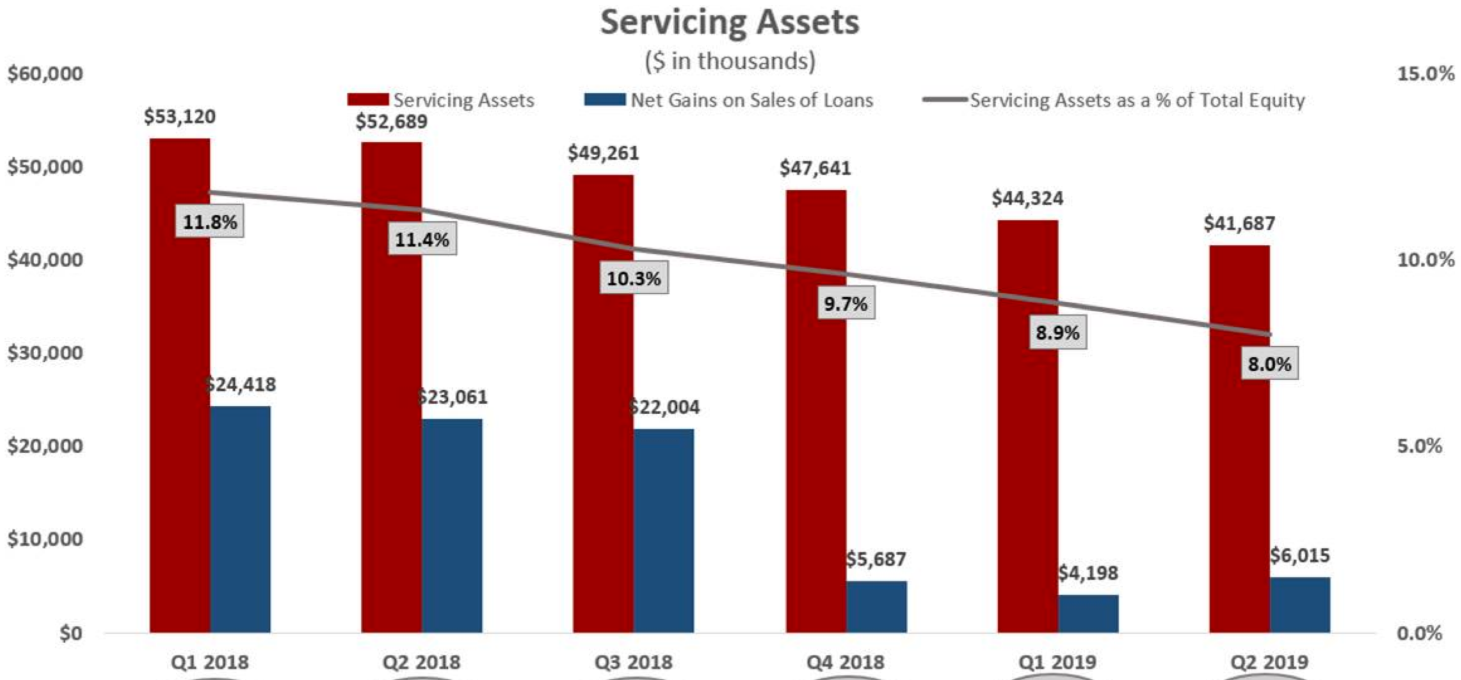
~3x ↑
Guaranteed Loans Eligible for Sale

22.4% ↑
Net Interest Income

1.1% ↑
Noninterest Expense

1. *See Appendix for GAAP to Non-GAAP reconciliation.*

Volatility Subsides ⬇ Predictability Increases ⬆



	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Loan Servicing Asset Revaluation Loss	$5,088	$3,670	$9,380	$627	$2,246	$403
Revaluation Percentage[1]	28.5%	19.9%	45.9%	7.7%	45.5%	6.7%

1. Loan servicing asset revaluation loss as a percentage of Income before taxes, net of loan servicing asset revaluation impact

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Organic Growth Drives Bottom Line

	Incremental Quarterly Impact					
	Loan & Lease Growth[1]		Net Spread[2]		Net Income[3]	EPS[4]
Q4 2018	$253 million	x	4.56%	=	$2.60 million	$0.06
Q1 2019	$244 million	x	4.44%	=	$2.44 million	$0.06
Q2 2019	$309 million	x	4.43%	=	$3.08 million	$0.08

1. *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 10%*
4. *Incremental Annual Impact on Net Income divided by weighted average diluted shares for the quarter*

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Eleven Years into a Recovery

Classified Asset Ratio[1] of 6.1%

($ in thousands)	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Net charge-offs	$959	$892	$532	$787	$2,310	$1,185	$65	$526
Provision for loan & lease losses	2,426	4,055	4,392	2,087	(243)	6,822	2,742	3,463
Allowance for loan & lease losses	21,027	24,190	28,050	29,350	26,797	32,434	35,111	38,048

$19.4 million

Net charge-offs since inception

$38.0 million

Allowance for Loan & Lease Losses at June 30, 2019

1. Unguaranteed Classified Assets (Risk Grade 6 and worse) as a percent of Bank Tier 1 Capital plus ALLL

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Q2 2019 Highlights

35%
increase versus Q2 2018
Loans and Leases HFS and HFI
$3.08 billion

23%
Increase versus Q2 2018
Total Assets
$4.27 billion

14%
increase versus Q2 2018
Managed Portfolio [1]
$6.14 billion

21%
Q2 2019 versus Q2 2018
Net Interest Income & Loan Servicing Revenue
$41.0 million

4.6%
Q2 2019 versus Q2 2018
Noninterest Expense, as adjusted[2]
$38.6 million

70% [3]
Guaranteed loans held that became eligible for sale in Q2 2019
$166.5 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 $238 million of guaranteed loans that became eligible for sale in Q2 2019*

Lending Franchise Evolution

2008-2014

- Veterinary
- Healthcare
- Pharmacy
- Funeral Home & Cemetery
- Investment Advisory
- Entertainment Centers
- Agriculture

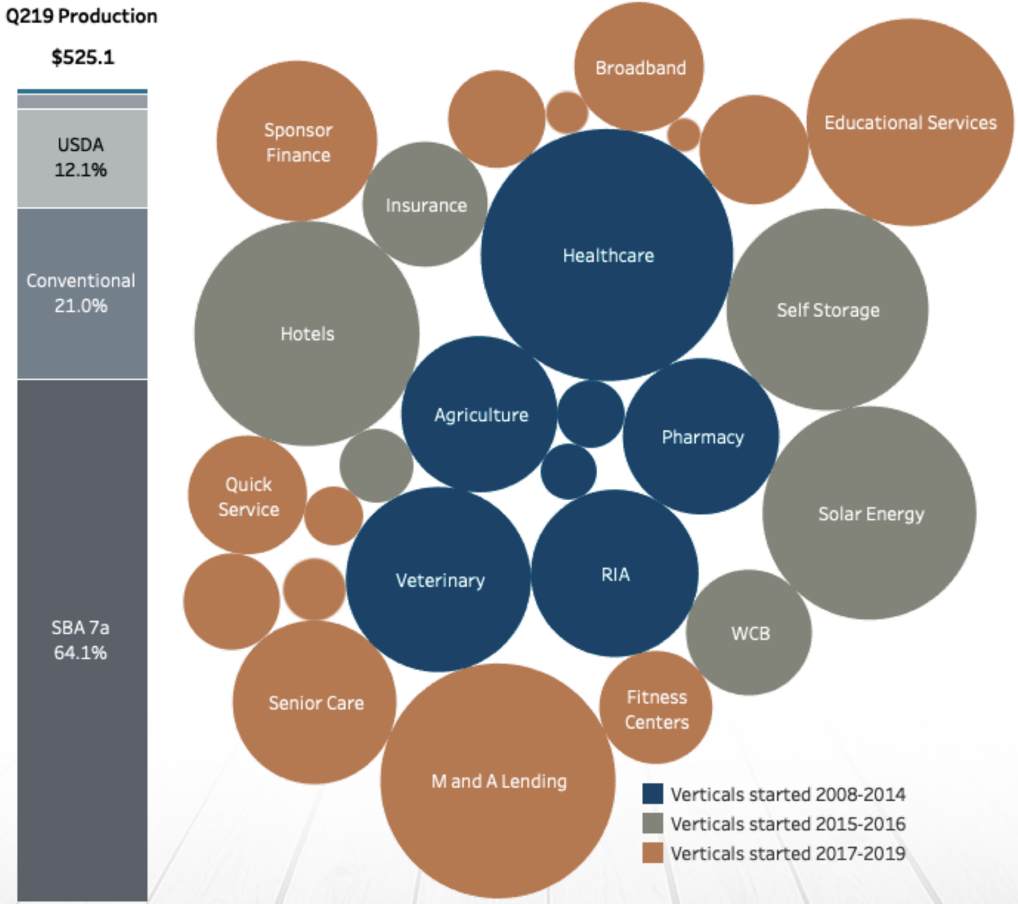
2015-2016

- Wine and Craft Beverages
- Self-Storage
- Insurance
- Hotels
- Solar Energy
- Government Contracting

2017-2019

- Solar Panel Leasing
- Educational Services
- Senior Care
- Accounting & Tax
- Automotive Care
- Bio Energy
- Community Facilities
- Venture Banking
- Fitness Centers
- Quick Serve Restaurants
- Service Contractors
- Home Restoration
- Broadband
- Water & Environmental
- SBA General Lending
- Sponsor Finance

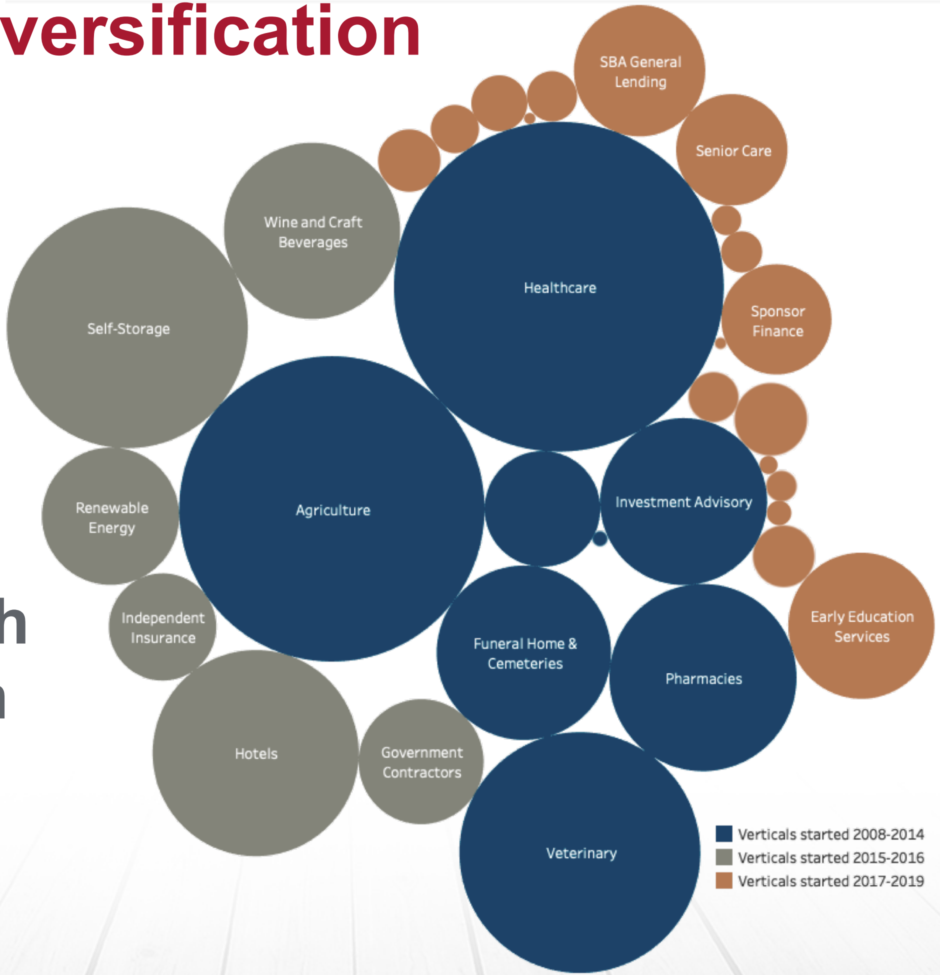
Strong, Diversified Q2 Loan Production



Total Portfolio Diversification

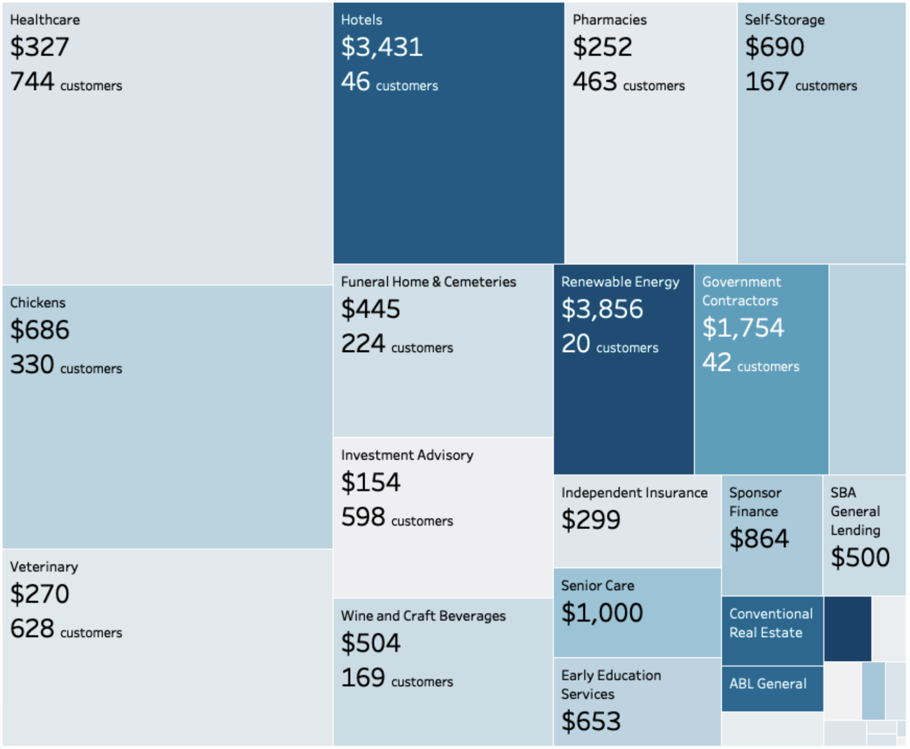
$3.08
billion
Portfolio Balance

Growth through Diversification



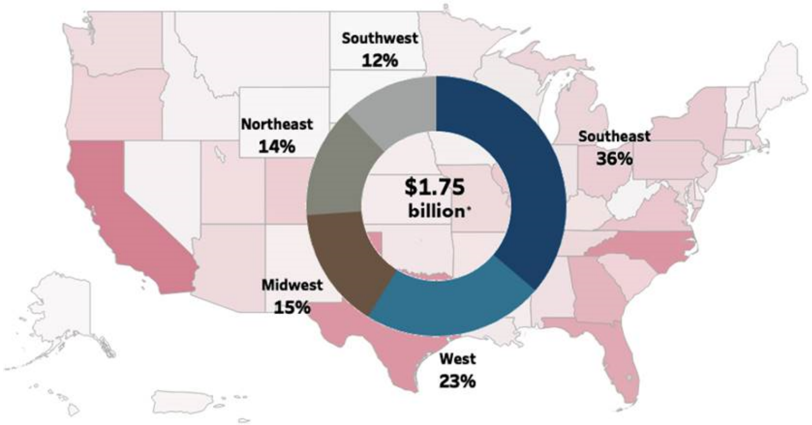
High Quality Loan Book

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



Size of block corresponds to Total Unguaranteed Loan Exposure as of 6/30/19

Unguaranteed Loan Exposure per Geographical Region



*Total Unguaranteed Loan Exposure as of 6/30/19

Credit Quality Remains Strong

$3.5 million
versus Q1 2019 of $2.7 million
Provision for loan and lease losses

10 bp
versus Q1 2019 of 1 bps
Annualized Net CO to Average Loans & Leases HFI

1.71%
versus Q1 2019 of 1.75%
ALLL to Loans & Leases HFI

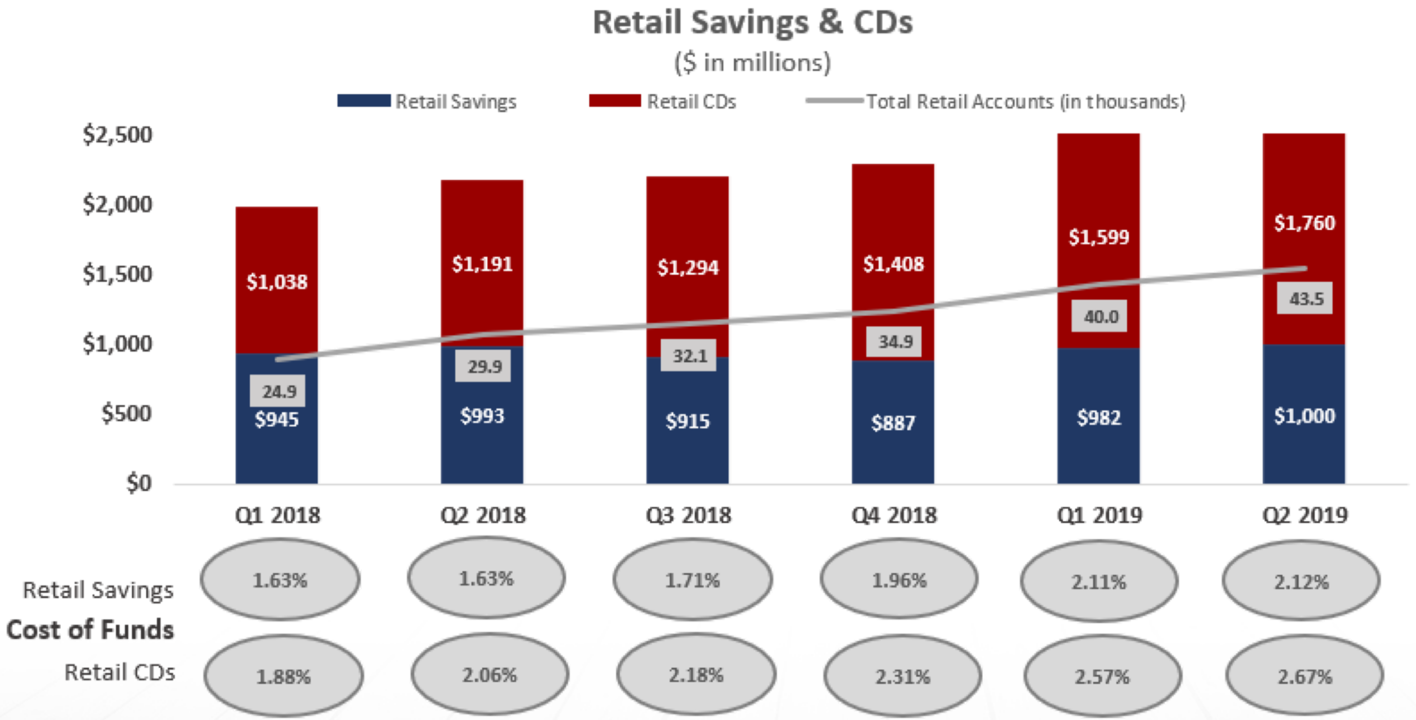
$19.6 million
versus Q1 2019 of $20.4 million
Unguaranteed Nonperforming Loans & Foreclosures

46 bps
versus Q1 2019 of 50 bps
Unguaranteed Nonperforming Loans & Foreclosures to Total Assets

5.27%
versus Q1 2019 of 5.39%
Unguaranteed Criticized Loans and Leases[1] to HFI Unguaranteed Loans and Leases

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

Highly Efficient Deposit Platform



$2.8
Billion
Retail Deposits[1]

98%
Savings Retention
YTD 2019

70%
CD Retention
YTD 2019

1. *As of June 30, 2019*

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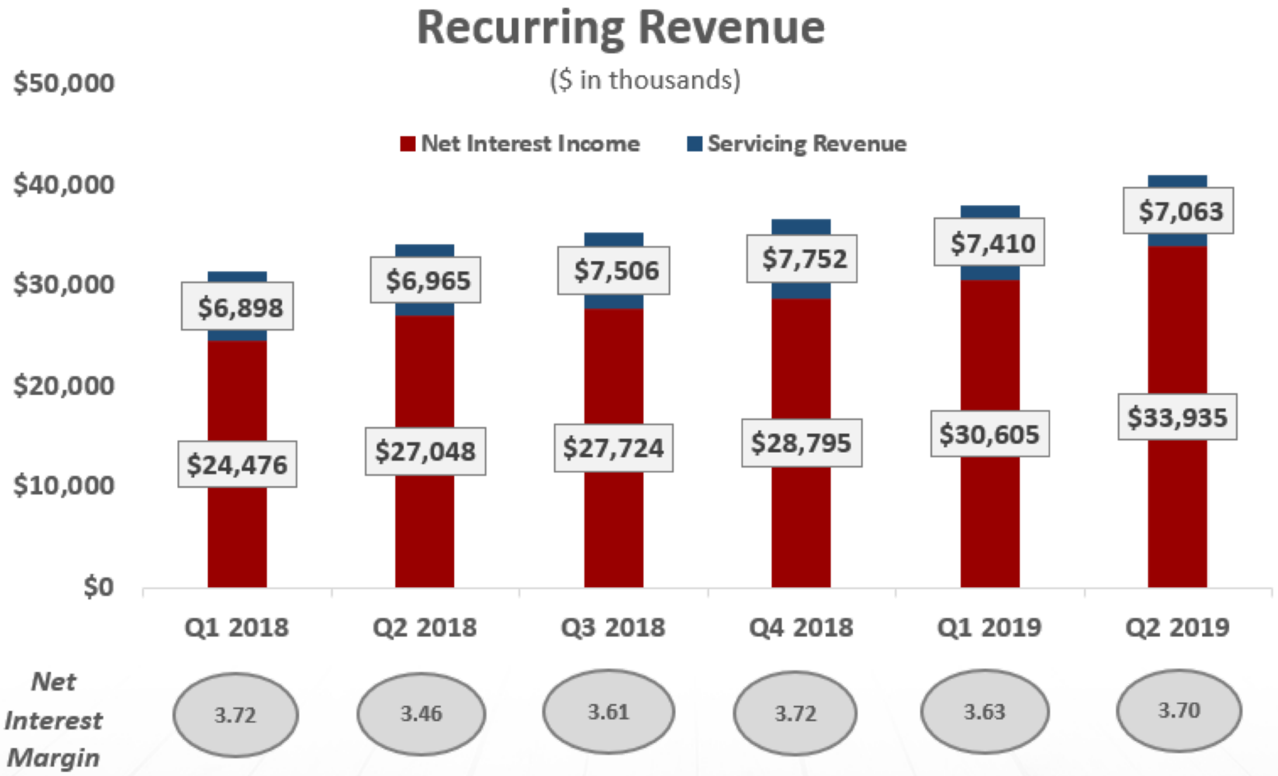
Strong Recurring Revenue Growth



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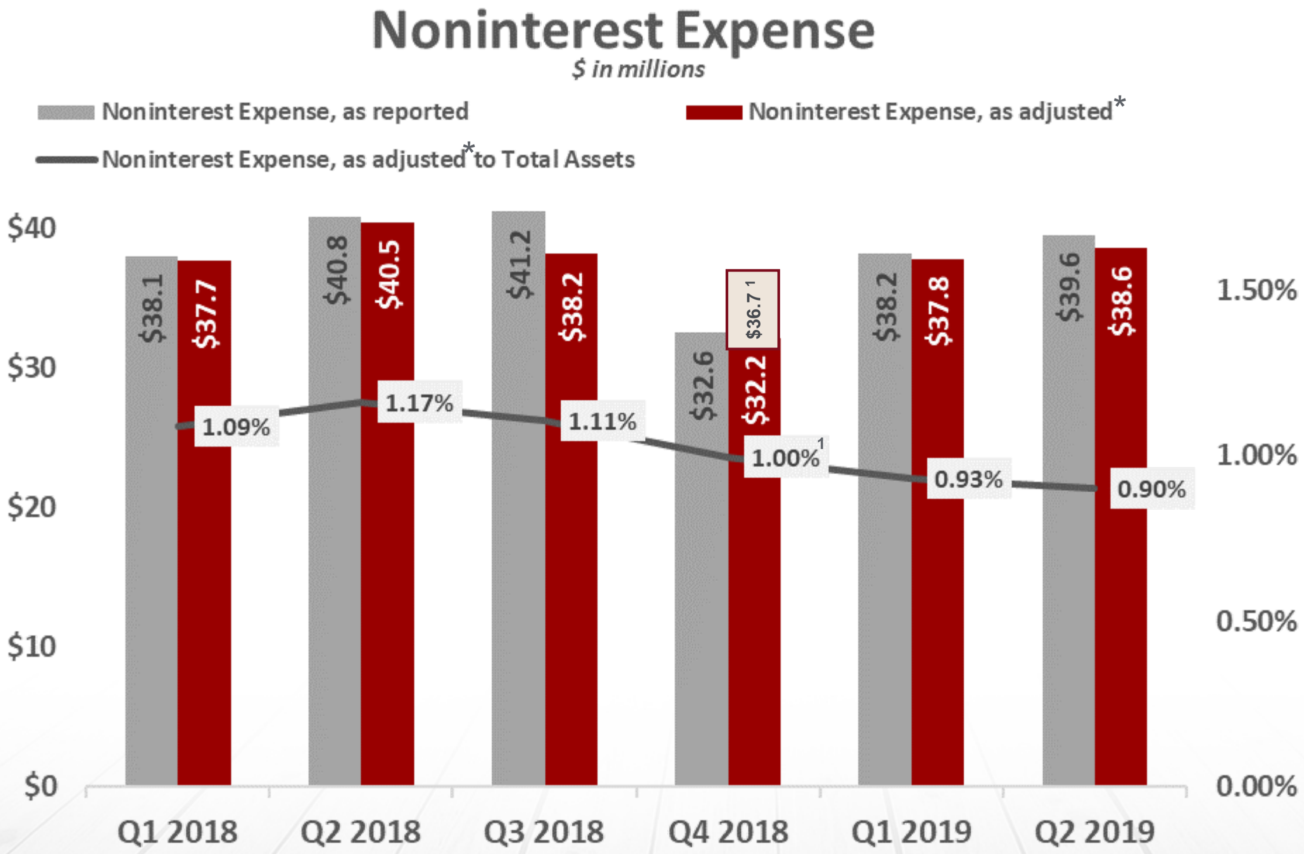
Continued Expense Discipline



* See Appendix for Non-GAAP Reconciliation

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

Technology Infrastructure Framework

PAYMENTS TRANSFERS
BILL PAY
CARDS
MERCHANT
ACH
DEPOSIT CAPTURE
ITEM PROCESSING

CHANNELS
MOBILE
WEB
BRANCH
CALL CENTER
VOICE / IOT

COMMS
NOTICES
ALERTS
MARKETING
COMPLIANCE
DELIVERY
STATEMENTS
PREFERENCES

BACK OFFICE
ADMIN
API WORKFLOW
SERVICING
CRM
ACCESS MANAGEMENT
SECURITY
CONFIGURATION

CORE
System of Record

RISK MANAGEMENT
CYBER
AML
FRAUD
IDENTITY
OFAC
KYC

FINANCIAL REPORTING
CALL REPORTS
GL / ACCOUNTING

DATA ARCHIVE
ANALYTICS
AUDIT
IMAGE ARCHIVE
AI / MACHINE LEARNING
REPORTING

THIRDPARTY | payrailz | APITURE | Finxact | savana | ncino | DEFENSESTORM

Bank Employees
Bank Customers

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High Performing Bank Metrics

as of and for the quarter ended 6/30/2019

				vs. Q1 2019
Asset Size	$4.27 B	$ 7B	$ 8B	$4.06B
NIM	3.70%	3.50%	3.75%	3.63%
Noninterest Income to total revenue	30.2%	30%	25%	29.9%
Efficiency Ratio[1]	81.4%	60%		87.6%
ROA	0.48%	1.25%	1.75%	0.25%
ROE	3.85%	15%	20%	1.88%
Tier 1 Leverage	11.77%	8.5%	10%	12.34%

1. See Appendix for GAAP to Non-GAAP reconciliation

APPENDIX

Non-GAAP Reconciliation

Non-GAAP Noninterest Expense, as adjusted and Efficiency Ratio

	Three months ended					
	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Noninterest expense, as reported	$ 38,072	$ 40,830	$ 41,244	$ 32,558	$ 38,201	$ 39,576
Stock based compensation expense	(352)	(357)	(360)	(360)	(352)	(357)
Impairment expense on goodwill and other intangibles, 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
Less: Reversal of Incentive Compensation	—	—	—	4,457	—	—
Noninterest expense, as modifed	$ 37,720	$ 40,473	$ 38,204	$ 36,655	$ 37,849	$ 38,617

Efficiency Ratio

	Three months ended	
(dollars in thousands)	2Q 2019	1Q 2019
Noninterest expense (a)	$ 39,576	$ 38,201
Net interest income	33,935	30,605
Noninterest income	14,701	13,027
Less: gain on sale of securities	—	5
Adjusted operating revenue (b)	$ 48,636	$ 43,627
Efficiency ratio (a/b)	**81.37%**	**87.56%**