Live Oak Bancshares

Third 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.

Today’s Agenda

- The Hurricane
- Tech update - SunTrust invests in Apiture
- Soundness, Profitability, and Growth - A credit quality update and a comment on Geographic, Industry and Concentration Diversity
- My view on a noisy quarter
- Introduce Huntley Garriott and his thoughts on our business

Impact of Hurricane Florence

- Following Hurricane Matthew in 2016 ($11 billion in damage)
- IT spent 24 months moving to Cloud-*Only* infrastructure
- Live Oak completed Cloud-*Only* transition July 18th, 2018
- Hurricane Florence made landfall in Wilmington the morning of September 14, 2018

Response During 12 Days of Disaster Recovery

300+
Folks Relocated
to multiple states and
Operated in the Cloud

700
Customer Calls

360
Support Tickets

$94MM
Loans Approved

$39MM
Loans Closed

September Loan Leads were down 9% Year over Year
following an all-time high in August

Tech Update

- **Moving to Finxact 2.0 Beyond Friends & Family**
- **Apiture – SunTrust Investment**
  - Allows the open API-banking platform to further develop and accelerate its product roadmap
- **Pleased with repositioning on AWS**
  - To create best in class digital banking experiences

Third Quarter 2018 – Credit Quality

57 bps

Versus Q2 2018 of 21 bps

Annualized Net CO to Average Loans & Leases HFI

1.64%

Versus Q2 2018 of 1.91%

ALLL to Loans & Leases HFI

$13.1 million

Versus Q2 2018 of $11.7 million

Unguaranteed Nonperforming Loans & Foreclosures

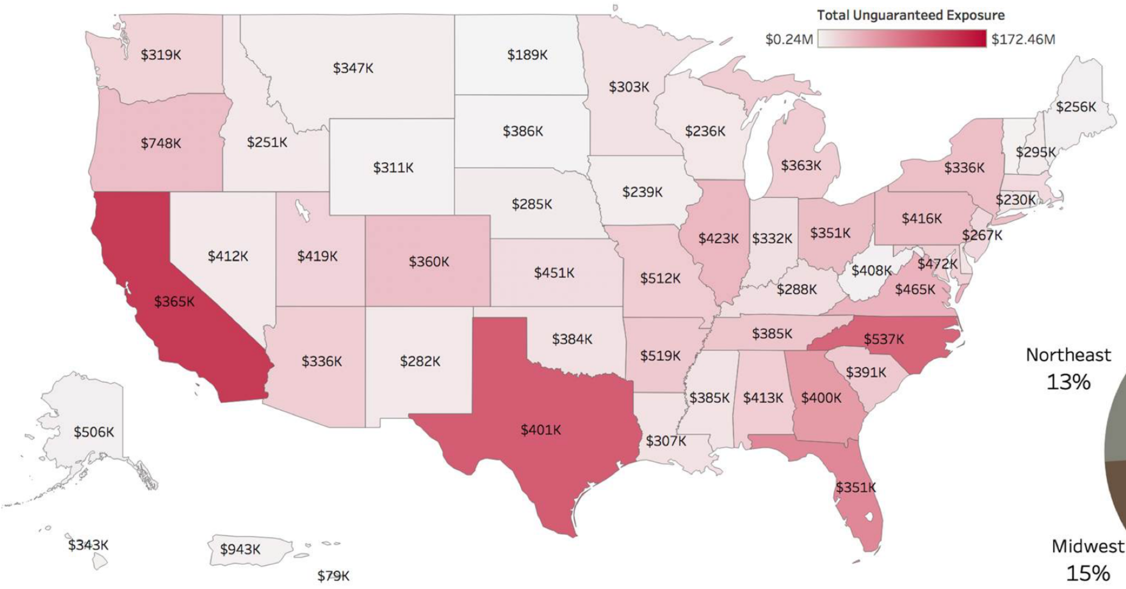
38 bps

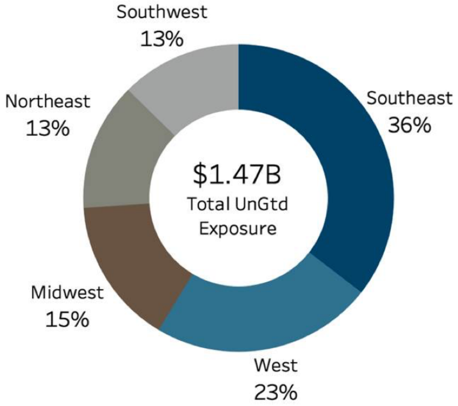
Versus Q2 2018 of 34 bps

Unguaranteed Nonperforming Loans & Foreclosures to Total Assets

Concentration Risk Mitigation

Avg Loan Unguaranteed Exposure per Customer by State
as of September 30, 2018





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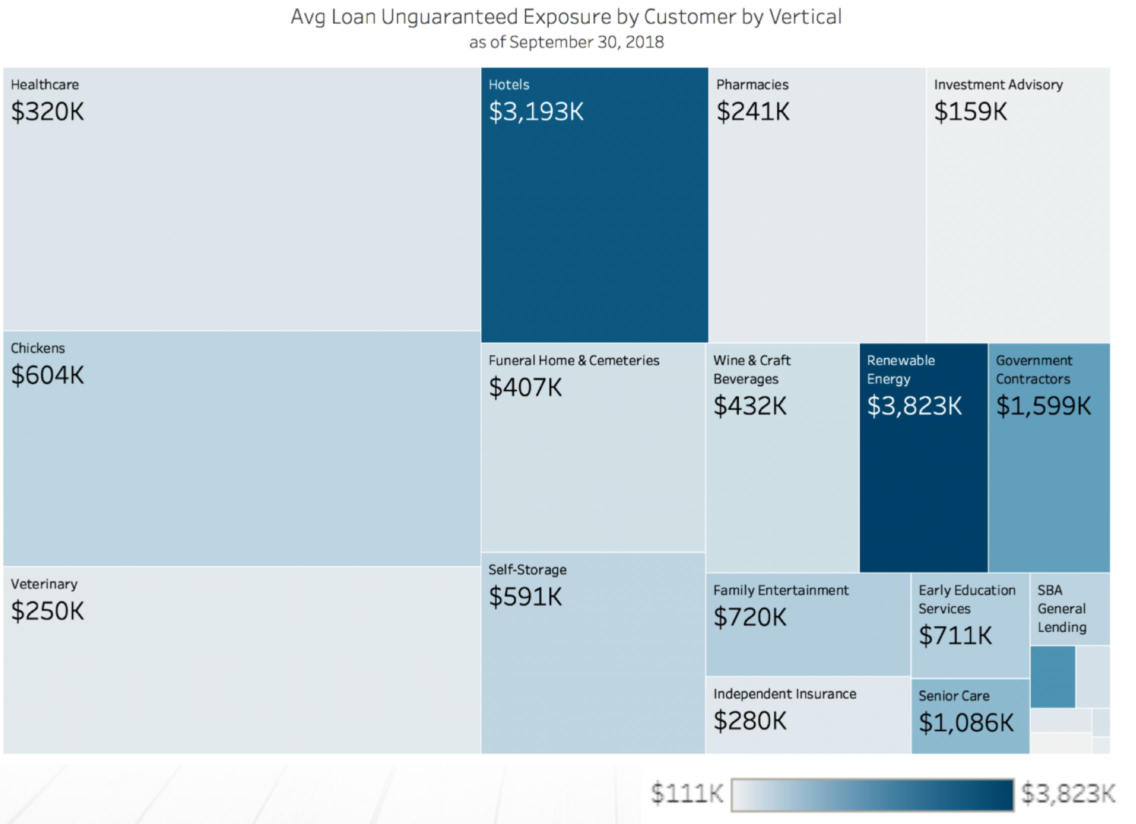
Concentration Risk Mitigation



Size of block corresponds to Total Unguaranteed Exposure as of 9/30/18

Noisy Quarter

- **Noise:**
  - Disposition of Reltco - $2.7 million
  - Loan Loss Provision Credit - $243 thousand
  - Servicing Asset Revaluation - $9.4 million
    - Secondary Market has repriced 1.118[1] to 1.085[1] (down 25% to 30%)

- **Important Stuff:**

	Year to Date		Change	
	9/30/2018	9/30/2017	$	%
Recurring revenues[2]	100,617	73,645	26,972	36.6%
Noninterest expense, excluding Reltco[3]	116,308	95,845	20,463	21.4%

  - **Our strong credit focus will remain. This point of the cycle is la-la land**

1. Market premium for Prime + 2.75% 10-year term loan May 2018 versus September 2018 Source: Government Loan Solutions CPR report
2. Reported net interest income plus loan servicing revenue
3. Reported noninterest expense, excluding routine expenses related to ownership of the title insurance business

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Therefore we are going to…

- **We are committed to our guiding principles:**
  - We will not chase poor pricing
  - We will stick to our credit standards
- **Originations in 2018 will be closer to $1.7BB - $1.8BB**
- **We still believe that a properly priced SBA 7(a) loan is the finest loan a bank can make**
- **As the SBA's largest lender, we plan to surgically examine each loan and current market conditions to make a game-time decision to sell or retain**
- **Given current market conditions, expect us to hold more loans on our balance sheet with a goal of more predictable revenues, less GOS dependency and less volatile changes in our Servicing Asset**

Live Oak Bank – Executing Today & Building for Tomorrow

	Historic Live Oak Bank	Live Oak Bank Today	Future Roadmap
How We Reach Small Businesses	Theory of Verticality	Elite In-Market Bankers	Partner Banking
Banking Products	SBA 7(a) CDs	USDA • Conventional • Leasing • CRE • ABL Savings • Wealth Management	Transaction Accounts • Payments
Balance Sheet	Gain on Sale	Transition to Balance Sheet	Optimal Mix of Balance Sheet & Distribution
Technology	Workflow Management • nCino • Old Core	nCino • SalesForce	API Based Platform • Next Gen Core

Third Quarter 2018 | Highlights

28%

increase versus Q3 2017

Net Interest Income &
Loan Servicing Revenue

$35.2 million

42%

increase versus Q3 2017

Income before Taxes

$11.1 million

#1

SBA 7(a)

LENDER BY VOLUME

SBA Fiscal Year 2018

21%

increase versus Q3 2017

Managed Portfolio

$5.6 billion

18%

improved diversification versus Q3 2017

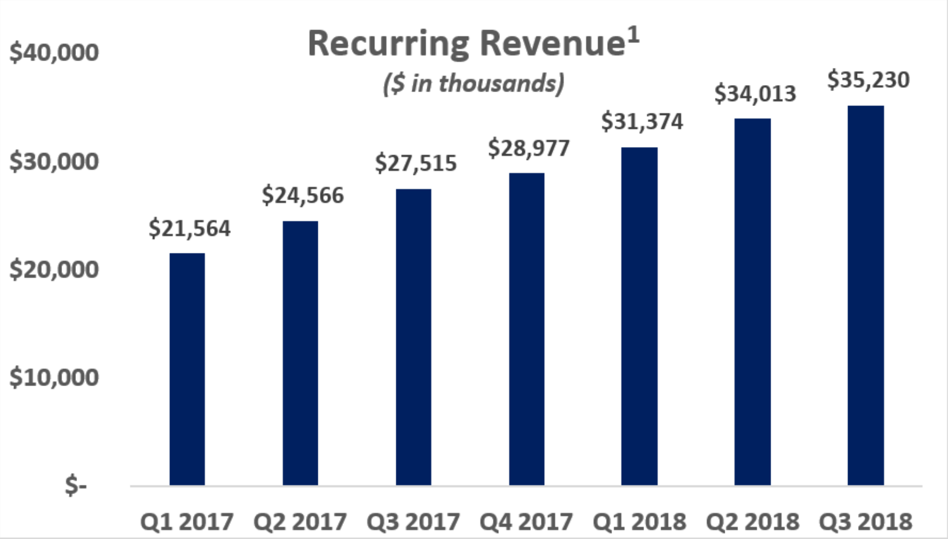
% of SBA Loans to Total Originations

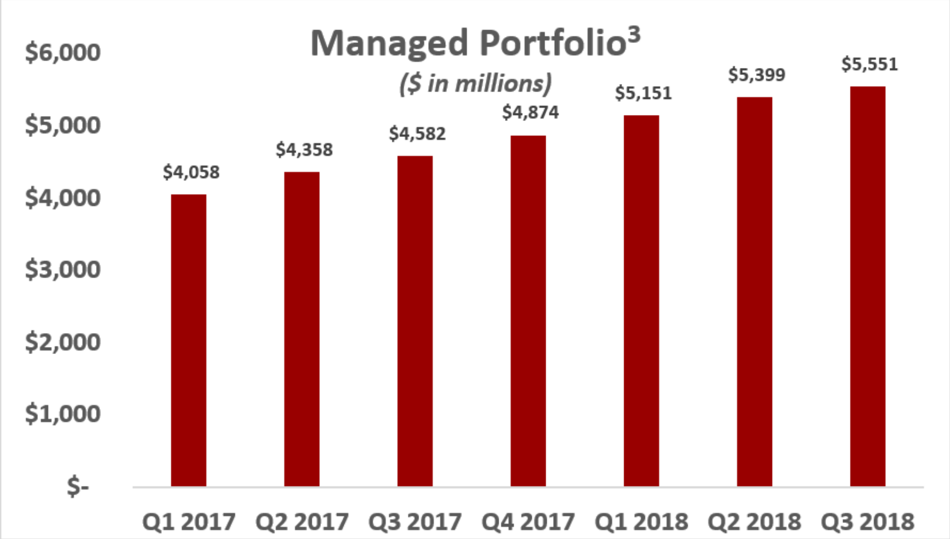
62.7%

Growing Recurring Revenue Quarterly

Year-Over-Year
28%
Recurring Revenue[1] Growth

Year-Over-Year
21%
Managed Portfolio[3] Growth





Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
52	55	60	58	57	59	68

Recurring Revenue as a percent of Total Revenue[2]

Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
36	38	39	39	39	38	36

Guaranteed Loans as a percent of Total Loans & Leases On-Book

1. *Net Interest Income plus Loan Servicing Revenue*
2. *Q4 2017 excludes one-time gain of $68 million*
3. *Outstanding balance of sold loans serviced plus on-book held for investment and held for sale loans*

The Power of The Deposit Platform

YTD 2018 New Online Savings/CD Originations

$960 million

17,940 new accounts

YTD 2018 Maturing CD Retention

$430 million

81% Renewal Rate

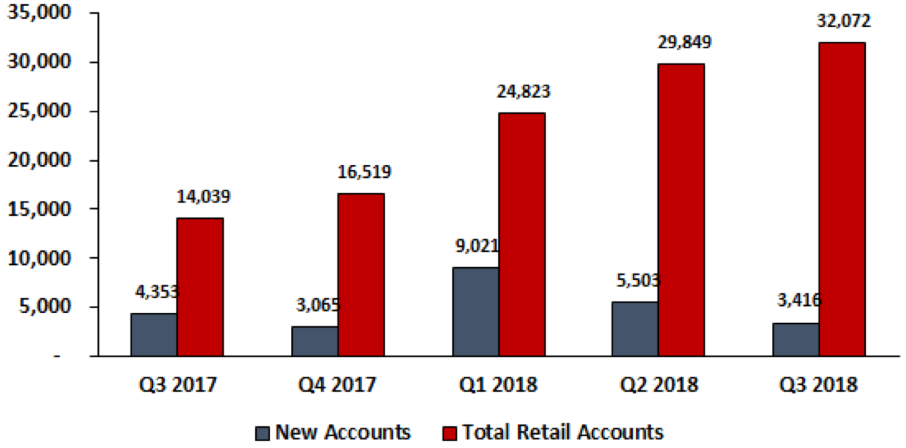
YTD 2018 Consumer Savings Retention[1]

90%

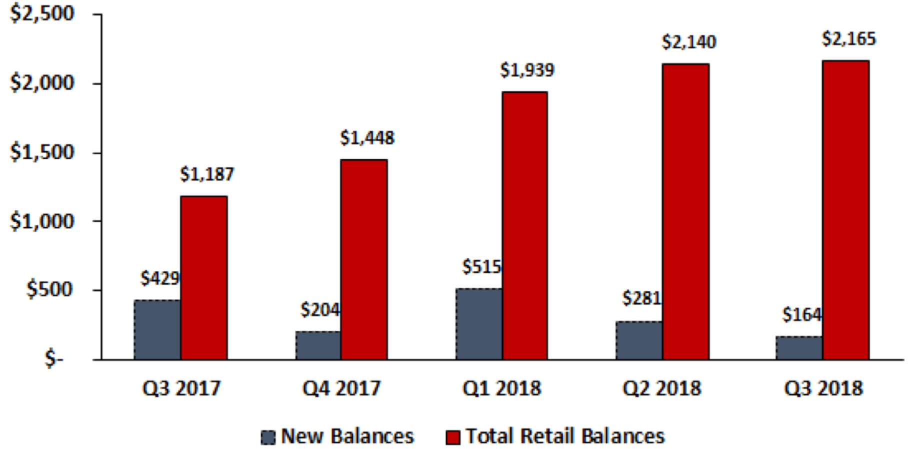
Balance retention over the same time period was 75%

17,636 (115%) net account growth since Q3 2017 yet only 4 new FTEs

QoQ Retail Deposits (Savings & CDs) - Accounts

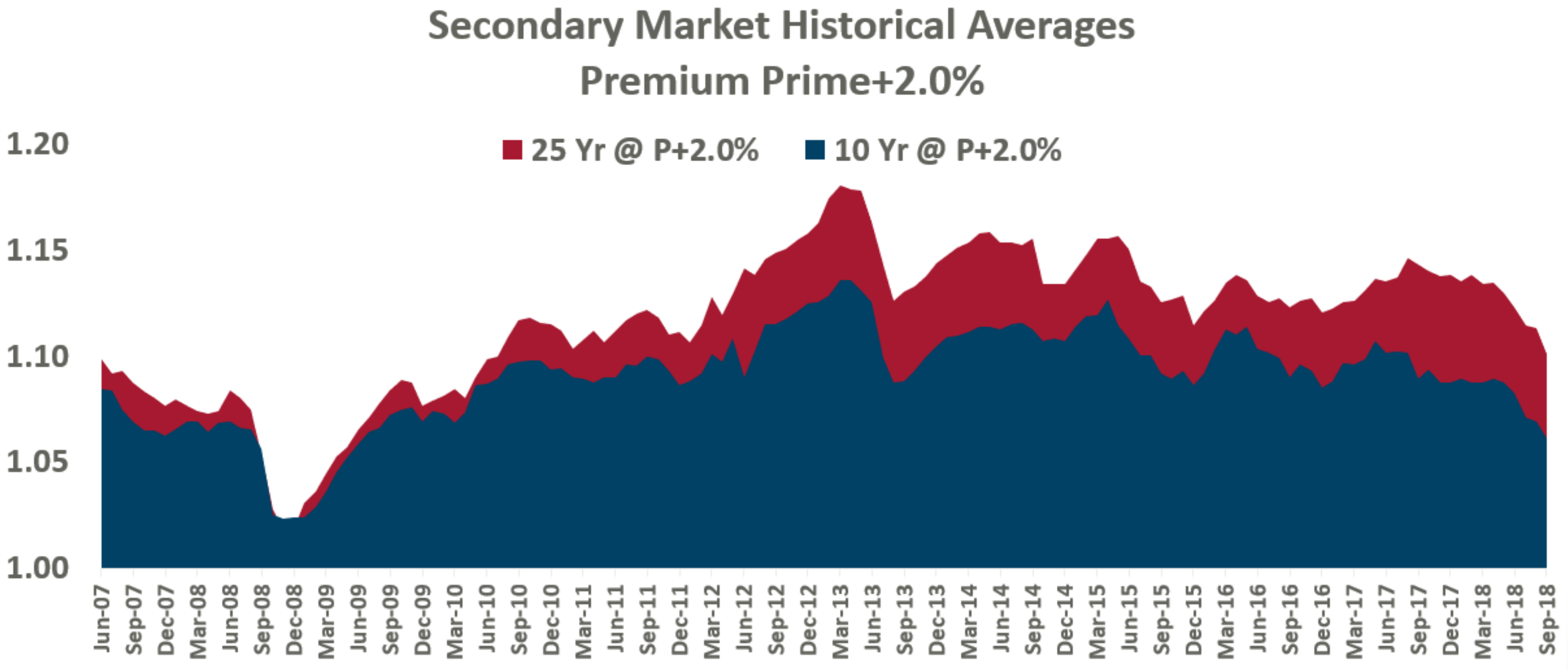


QoQ Retail Deposits (Savings & CDs) - Balances (in millions)



1. Compared to active accounts at December 31, 2017

SBA Secondary Market



Source: Government Loan Solutions

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