Live Oak Bancshares

Second Quarter 2016

LIVE OAK BANCSHARES | **FORWARD LOOKING STATEMENTS**

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 the our loan 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 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 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 conducts 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;
- governmental monetary and fiscal policies as well as other legislative and regulatory changes, including with respect to SBA lending programs;
- changes in political and economic conditions, including continuing political and economic effects of the global economic downturn and other major developments;
- 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.

Q2 Highlights

- **The Live Oak Franchise**
- **Growth Indicators**
  - Record loan origination increased 29% versus Q2 2015
  - Recurring revenue* increased 61% from Q2 2015
- **Growth Drivers**
  - Maturing verticals & new verticals
  - Increasing on-book loan portfolio
  - Other Initiatives
    - Conventional Lending
    - Funding Diversification
    - Advancing Technology Platform

**Recurring Revenue = Net Interest Income + Loan Servicing Revenue*

New Verticals

We have started six new verticals since January 2015

- Wine & Craft Beverage
- Self Storage
- Independent Insurance Agents
- Hotels
- Renewable Energy
- Government Contractors

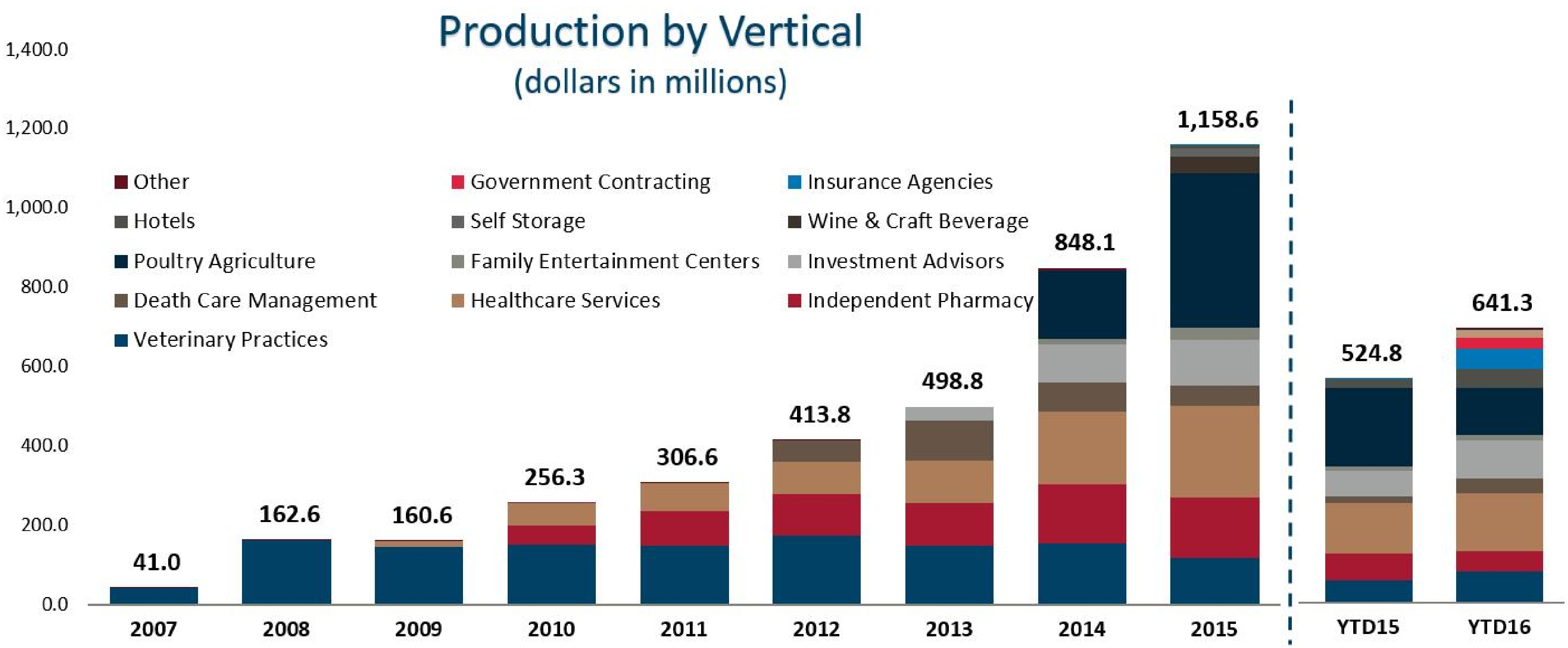
New Verticals: Powerful Scalability Potential

First Half 2015: Just Over $20 million

First Half 2016: $140 million

2016 originations from legacy and new verticals expected to be at or above $1.40 billion

Vertical Loan Origination



YTD 2016 Revenue | Mature vs. New Verticals

Originations
$501 million

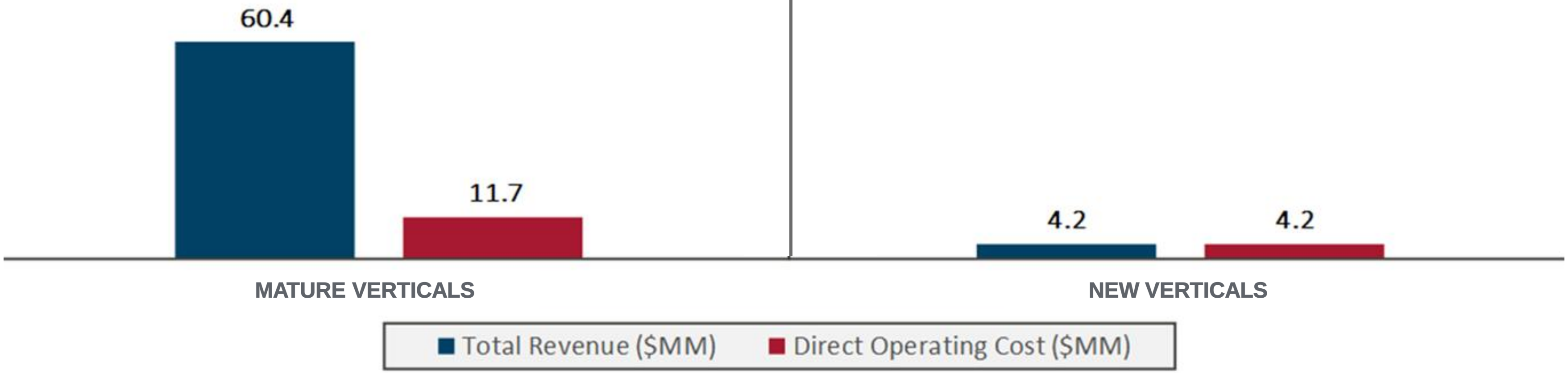
Operating Cost per $1 million Originations
$23.4 thousand

Direct Operating Cost to Revenue
19%

Originations
$140 million

Operating Cost per $1 million Originations
$30 thousand

Direct Operating Cost to Revenue
100%



2016 YTD Deposits Update

$310 million
$74 thousand average balance
4,168 new accounts

60% 1YR CDS | **30%** 2YR CDS

Daily Average Origination:

39	$3 million	$0.69
Accounts	Balances	New Acquisition Cost per $thousand

Marketing campaign ended on April 30:

73% Renewal Rates of Maturing CDs

1.1% Approximate Rate of Deposit Portfolio

Business Checking | Pilot launch in 2016 & general availability anticipated by **Q1 2017**

Includes |

- New Account Opening
- Integrated Merchant
- Remote Deposit Capture
- Bill-Pay
- Online and Mobile Banking
- Account Aggregation

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Guaranteed Loan Retention - Revenue Maximization

*Revenue Flow Example**

		Sell Model		Hold
GTY Balance		Gain On Sale & Revaluation	Servicing Revenue	Net Interest Income
Year 1	1,000,000	110,000	9,800	44,100
Year 2	960,000	(3,714)	9,375	43,125
Year 3	915,000	(3,714)	8,875	41,269
Year 4	860,000	(3,714)	8,375	39,363
Year 5	815,000	(3,714)	7,875	37,406
Year 6	760,000	(3,714)	7,300	35,040
Year 7	700,000	(3,714)	3,500	16,975
Revenue		**87,714**	**55,100**	**257,278**

** For illustration only based on various assumptions and not a prediction of actual results. Hypothetical conditions applied consistently to both models and include assumptions for gain on sale revenue, secondary market conditions, servicing revenue, interest rate spread and other material assumptions that are subject to change.*

Unchanged Credit Risk
Unchanged Cost to Service

Selling a Guaranteed Loan*

- Yields net revenue of **$130.6** thousand: Years 1-3
- Yields net revenue of **$12.2** thousand: Years 4-7

Holding a Guaranteed Loan*

- Yields net revenue of **$128.5** thousand: Years 1-3
- Yields net revenue of **$128.8** thousand: Years 4 -7

Liquidity Flexibility + Capital Flexibility = Long Term Value Maximization

Second Quarter 2016 | Financial Highlights

29%
increase over Q2 2015
Loan Originations
$357 million

61%
increase over Q2 2015
Net Interest Income & Loan Servicing Revenue
$15 million

72%
increase over Q2 2015
Total Loans
$1 billion

0.0%
increase over Q2 2015
Guaranteed Loans Sold
$136 million

39%
Increase over Q2 2015
Guaranteed Portion of Held for Sale Loans (Note Amount)
$639 million

16 bps
Improvement from Q2 2015
Nonperforming Assets (unguaranteed)
$2.6 million

Safety & Soundness

- **Portfolio Average DSCR remains greater than 2.0x**
- **Net recoveries in Q2 of $240 thousand**
  (YTD Net Recoveries of $8 thousand)

	As of and for the three months ended				
	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015
Asset Quality Ratios					
Allowance for loan losses to loans held for investment	1.78%	2.75%	2.65%	2.37%	2.18%
Net (recoveries) charge-offs to average loans held for investment	(0.18)	0.30	0.30	0.40	0.17
Nonperforming loans (unguaranteed exposure)	2,174	2,421	2,037	2,562	3,089
Foreclosed assets (unguaranteed exposure)	433	438	373	48	34
Nonperforming loans not guaranteed by the SBA and foreclosures	2,607	2,859	2,410	2,610	3,123
Nonperforming loans not guaranteed by the SBA and foreclosures to total assets	0.19%	0.23%	0.23%	0.26%	0.35%

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