Live Oak Bancshares

Fourth Quarter 2016

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 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 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 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.

What We Are Excited About!

(in millions)	2014	2015	2016
Originations	848	1,159	1,537
Net Interest Income	15	26	43
Servicing Revenue	13	16	21
Total Recurring Revenue	28	42	64
Net Gain on Sale	50	67	75
Total Recurring Revenue & Net Gain on Sale	78	109	139
Non-GAAP Noninterest Expense	50	72	93

At 12.31.2016: Approximately $100 million of Fully Funded GTY Loans on Book

Renewable Energy Lending

Small size, Utility-scale solar facilities

(1 – 25 MW or $1 million to $5 million)

Sold to investment grade utilities

Lower interest rates & lower premiums

All power revenues flow through Live Oak deposit accounts

USDA (Renewable Energy for America Program - REAP)

70% to 80% guaranteed by the US Government

Q4 – in excess of $100 million

Robust Pipeline

Model Diversification

Live Oak Clean Energy Financing

Subsidiary of Live Oak Bancshares

Live Oak is a 35% Tax Payer

Renewable Energy ITC extended to 2021

Solar panel exploration - Live Oak Bank Chicken Vertical

<u>Northeastern US Focus:</u>

Higher energy prices, government policy toward solar advantageous

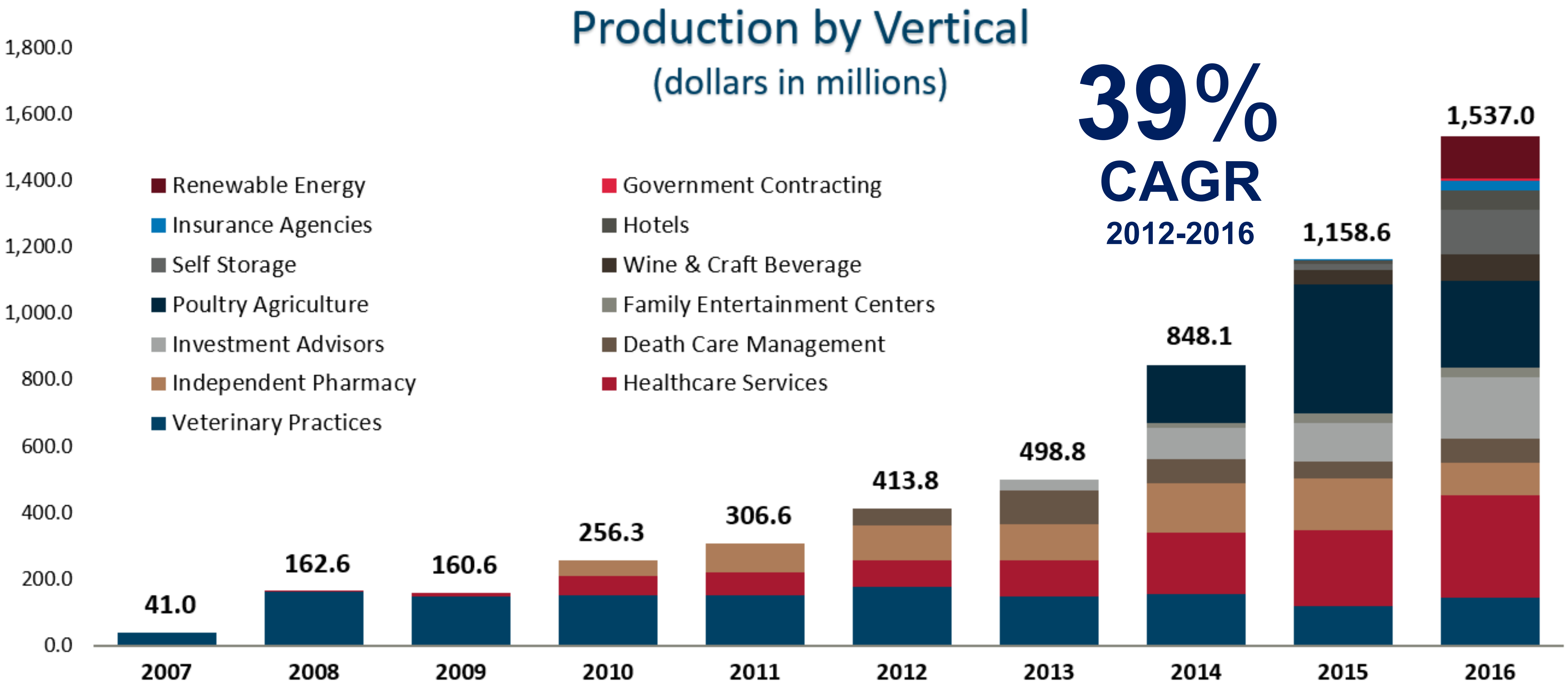
Live Oak owns the asset & tax credit

Like the Renewable Energy vertical, the off-taker is typically a rated credit

Model Diversification

Record Loan Origination

Growth



LIVE OAK BANCSHARES

Powerful Scalability

Profitability

Legacy Verticals

- Veterinary
- Healthcare
- Independent Pharmacies
- Death Care
- Investment Advisors
- Family Entertainment
- Chickens

FY 2016 Originations

$1,095.9 million

New Verticals (2015 & 2016)

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

FY 2016 Originations

$441.1 million

2017 Originations Expected to be $1.80 to $1.90 billion

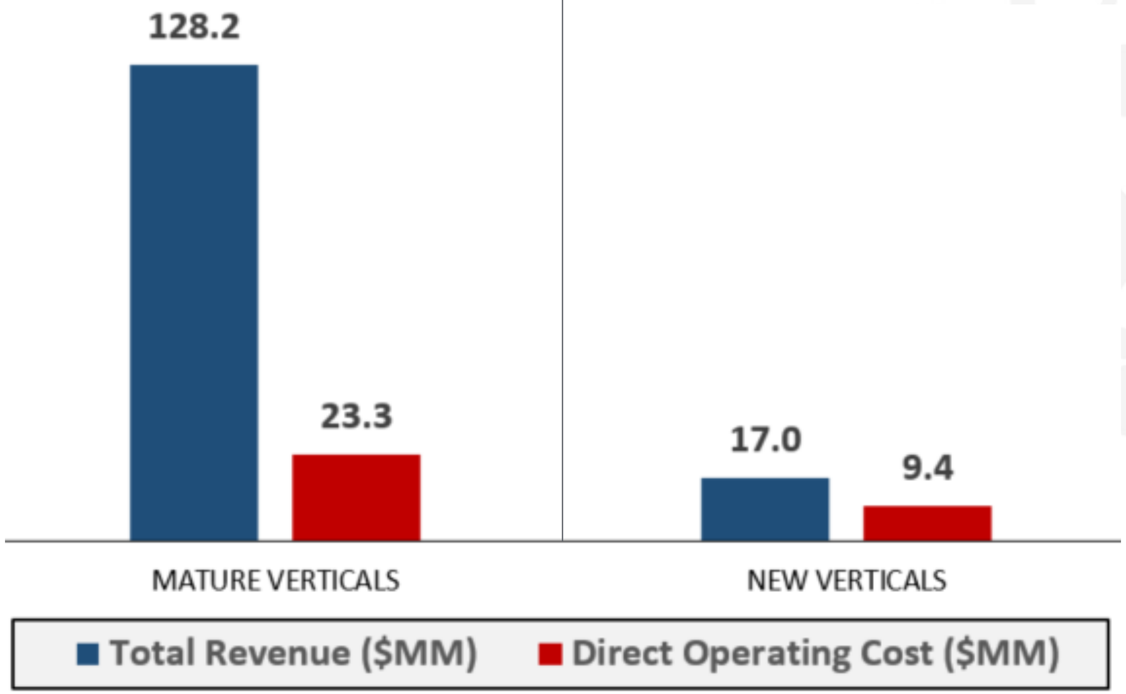
Model Leverage | Mature vs. New Verticals

FY 2016 Originations
$1,095.9 million

Direct Operating Cost[1] per $1 million Originations
$21.3 thousand

Direct Operating[1] Cost to Revenue[2]
18%

Approximate Fully Funding Percentage of Originations
47%



FY 2016 Originations
$441.1 million

Direct Operating Cost[1] per $1 million Originations
$21.4 thousand

Direct Operating[1] Cost to Revenue[2]
55%

Approximate Fully Funding Percentage of Originations
51%

1. Direct operating costs are management-defined direct costs associated with the origination and servicing activities of the Verticals which excludes corporate/support expenses of the Bank not allocated to specific verticals and Live Oak Banking Company expenses.
2. Revenue includes loan interest & fee income and the components of noninterest income related to the activities of Live Oak Banking Company.

Robust New Deposit Generation | FY 2016

Growth

$529 million

7,099 new accounts
Online CD Campaign

66%	23%
1YR CDS	2YR CDS

Daily Average Origination:

21	$1.6 million	$0.62
Accounts	Balances	New Acquisition Cost per $thousand

76% Renewal Rates (#) of Maturing CDs

1.13% Portfolio Rate

Total Portfolio

- $680 million (85%) balance growth / 7,451 (286%) account growth
- 78% / 22% Core vs. Brokered Deposits
- $75 thousand average CD balance

New Products Launching in 2017

- Online Savings
- Business Checking
- New Account Opening
- Bill Pay
- Integrated Merchant
- Remote Deposit Capture
- Online & Mobile Banking
- Account Aggregation

Fourth Quarter 2016 | Financial Highlights

Profitability

56% ↑
increase versus Q4 2015

Loan Originations

$515 million

40% ↑
increase versus Q4 2015

Net Interest Income & Loan Servicing Revenue

$18 million

71% ↑
increase versus Q4 2015

Total Loans

$1.3 billion

19% ↑
increase versus Q4 2015

Guaranteed Loans Sold

$260 million

52% ↑
increase versus Q4 2015

Guaranteed Portion of Held for Sale Loans (Note Amount)

$755 million

28 Percentage Points ↓
improved diversification versus Q4 2015

% of SBA Loans to Total Originations

66%

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FY 2015 vs. 2016 | Financial Highlights

Profitability

33% ↑
increase versus FY 2015

Loan Originations

$1.54 billion

54% ↑
increase versus FY 2015

Net Interest Income & Loan Servicing Revenue

$64 million

19% ↑
increase versus FY 2015

Guaranteed Loans Sold

$762 million

Proactive Approach to Credit Decisions & Monitoring

Safety & Soundness

39 bps

Versus Q3 2016 of 51 bps

Annualized Net CO to Average Loans HFI

2.01%

Versus Q3 2016 of 1.98%

Allowance for Loan Losses to Loans Held for Investment

$5.0 million

Versus Q3 2016 of $3.7 million

Unguaranteed Nonperforming Loans & Foreclosures

29 bps

Versus Q3 2016 of 22 bps

Unguaranteed Nonperforming Loans & Foreclosures to Total Assets

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