LIVE OAK BANCSHARES

CFO Highlights: Q1 2020

April 22, 2020

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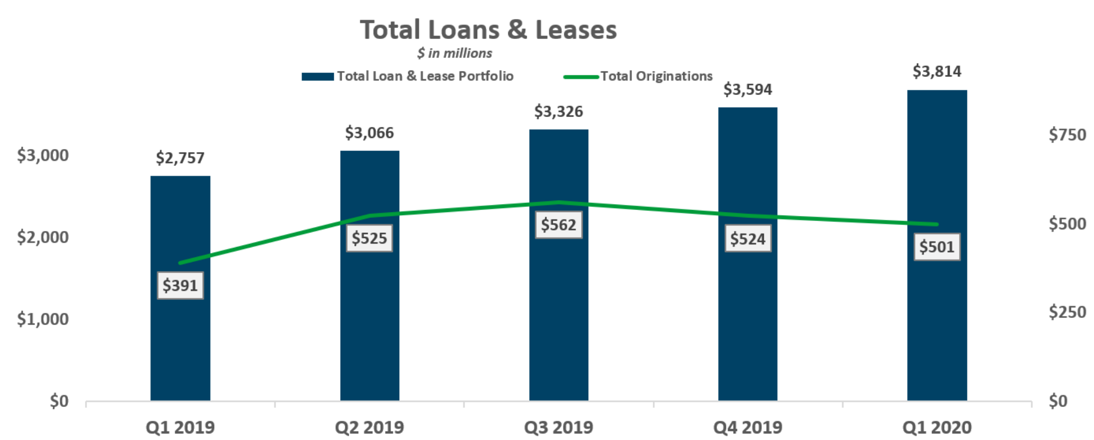
The first quarter of 2020 was the beginning of an unprecedented period for our company, our industry, and our country. Live Oak is navigating the disruptions stemming from COVID-19 by relying on our core values and technology infrastructure to successfully execute contingency plans and operational shifts. We entered 2020 in a position of strength with a total capital ratio of 15.7% and a robust liquidity profile. Our results for the first quarter of 2020 were severely impacted by the effects of COVID-19 with provision expense and higher negative valuation adjustments on assets carried at fair value. We ended the quarter with a $7.6 million net loss.

SUCCESS OF BALANCE SHEET STRATEGY

The first quarter of 2020 illustrated the ongoing success and importance of our focus on maximizing long-term revenue and profitability. Our total portfolio of loans and leases held for investment and held for sale of $3.81 billion increased by $1.06 billion, or 38.3%, compared to the end of the first quarter 2019 and by $219.8 million, or 6.1%, compared to the prior quarter. Our recurring revenue, consisting of net interest income and servicing revenue, rose to $46.6 million for the first quarter of 2020, which exceeded our total revenue for the quarter of $45.9 million due largely to negative changes in the fair value of loans. The meaningful contribution of recurring revenue was a result of our consistent focus on loan retention since late 2018. In the first quarter of 2020, we increased our guaranteed loan sales to bolster our capital and liquidity profile leading into an unpredictable time period. The optionality provided by government guaranteed assets remains a strength of our balance sheet model.

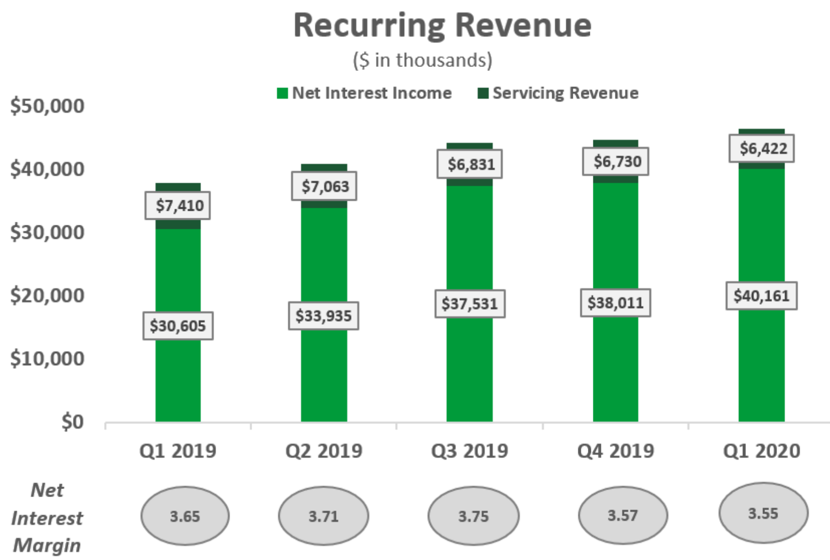
LOAN & LEASE PORTFOLIO



Loan originations for the first quarter of 2020 were $500.6 million compared to $523.7 million during the fourth quarter of 2019. Loan originations in the final weeks of the first quarter of 2020 were depressed by the nation-wide impacts of COVID-19 resulting in a decline from the prior quarter.

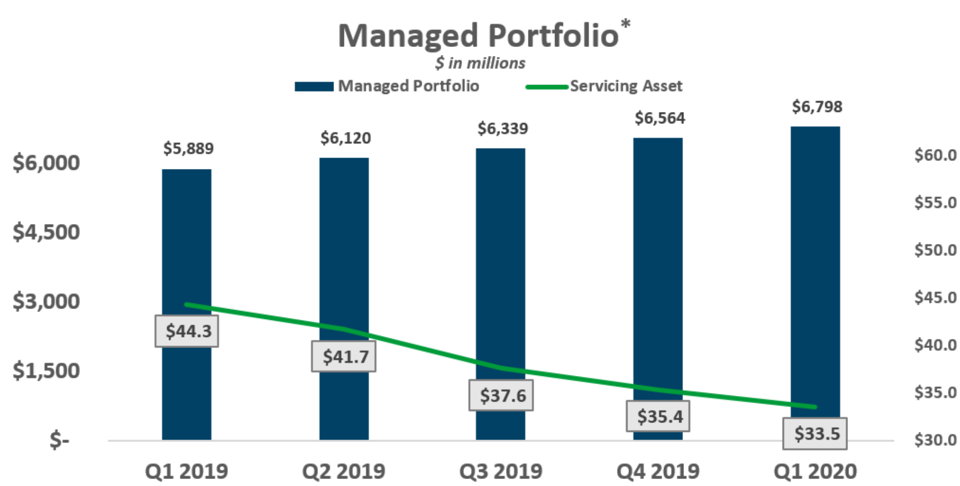
SUSTAINED RECURRING REVENUE

The recurring revenue streams of net interest income and servicing revenue grew to $46.6 million for the first quarter of 2020, a 22.5% increase compared to the first quarter of 2019. These streams of recurring revenue provide valuable support during volatile times like those experienced in the first quarter.



Net interest income for the first quarter of 2020 increased to $40.2 million, a 31.2% increase over net interest income for the first quarter of 2019 attributable to higher interest earning asset levels. On a linked quarter basis, the net interest margin declined 2 basis points to 3.55%. Compared to the fourth quarter of 2019, the yield on interest earnings assets decreased 18 basis points to 5.62% matched by the decrease in the cost of interest-bearing liabilities of 18 basis points during the first quarter. Servicing revenue on our sold and serviced loan portfolio amounted to $6.4 million during the first quarter of 2020, a decrease of 13.3% over the first quarter of 2019 and 4.6% over the prior quarter, largely driven by the amortization of the serviced portfolio outpacing the addition of new loans. As previously mentioned, increased levels of our guaranteed loans were sold during the first quarter of 2020; however, many of these loans were on balance sheet until sales settled at the end of March resulting in minimal contribution to servicing revenue for the quarter.

The managed portfolio, consisting of the outstanding balance of sold and serviced loans plus loans and leases held for investment and held for sale, at March 31, 2020, totaled $6.8 billion, a 15.4% increase over its level at March 31, 2019.



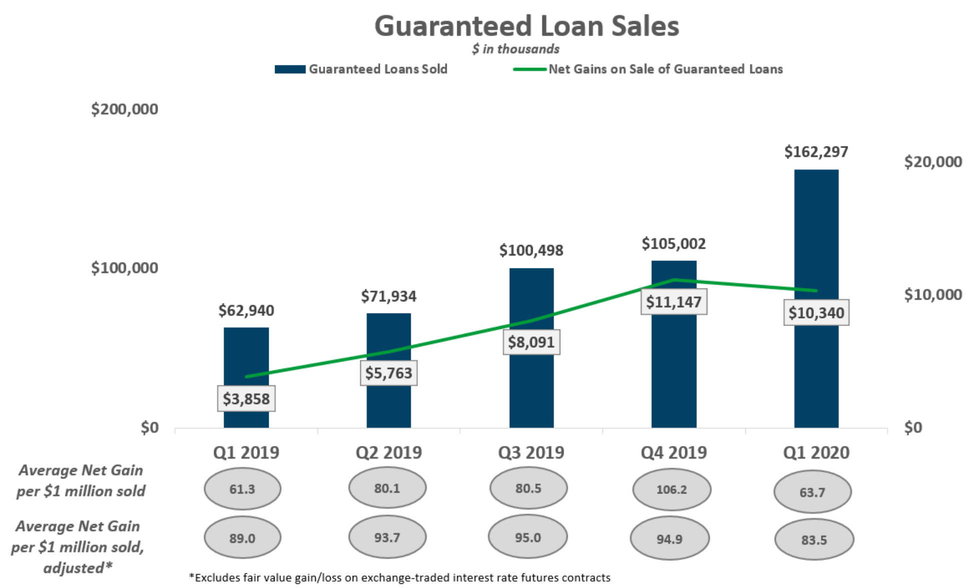
*Outstanding balance of sold and serviced loans plus loans and leases held for investment and held for sale.

At the end of the first quarter of 2020, the carrying value of the servicing asset declined 24.3% compared to the end of the first quarter of 2019 to $33.5 million, representing 6.3% of our total equity, a downward trend from 8.9% from a year ago. The loss arising from the revaluation of the loan servicing asset amounted to $4.7 million in the first quarter of 2020 compared to a loss of $4.0 million in the first quarter of 2019 and $4.1 million in the prior quarter.

LOANS MEASURED AT FAIR VALUE

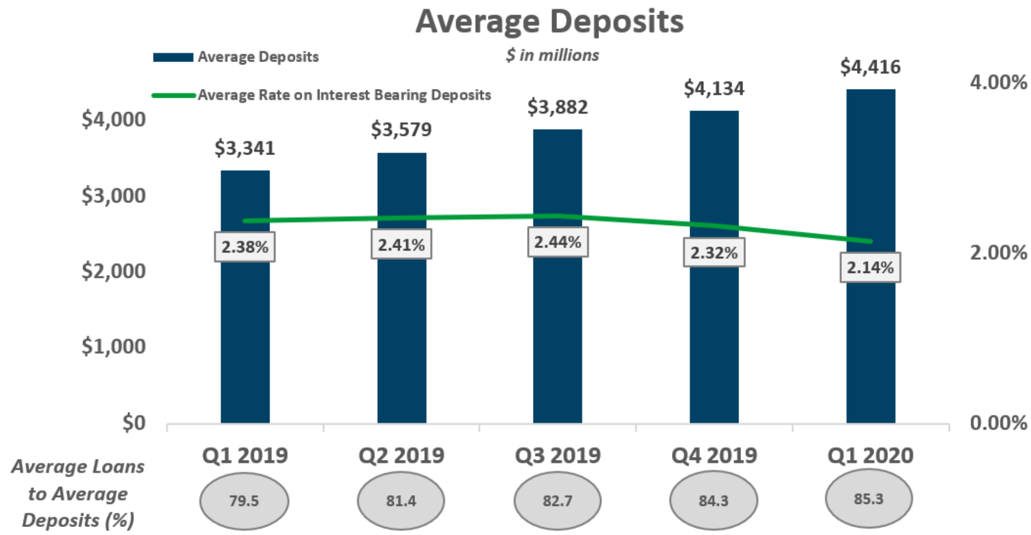
The Company recognized a negative valuation adjustment for loans carried at fair value of $10.6 million in the first quarter of 2020 compared to positive net adjustments of $1.4 million and $2.1 million for the quarters ended December 31, 2019 and March 31, 2019, respectively. The primary driver of this decrease compared to both the fourth quarter of 2019 and first quarter of 2019 was significant valuation adjustments for market conditions arising from the recent COVID-19 pandemic.

SECONDARY MARKET SALES



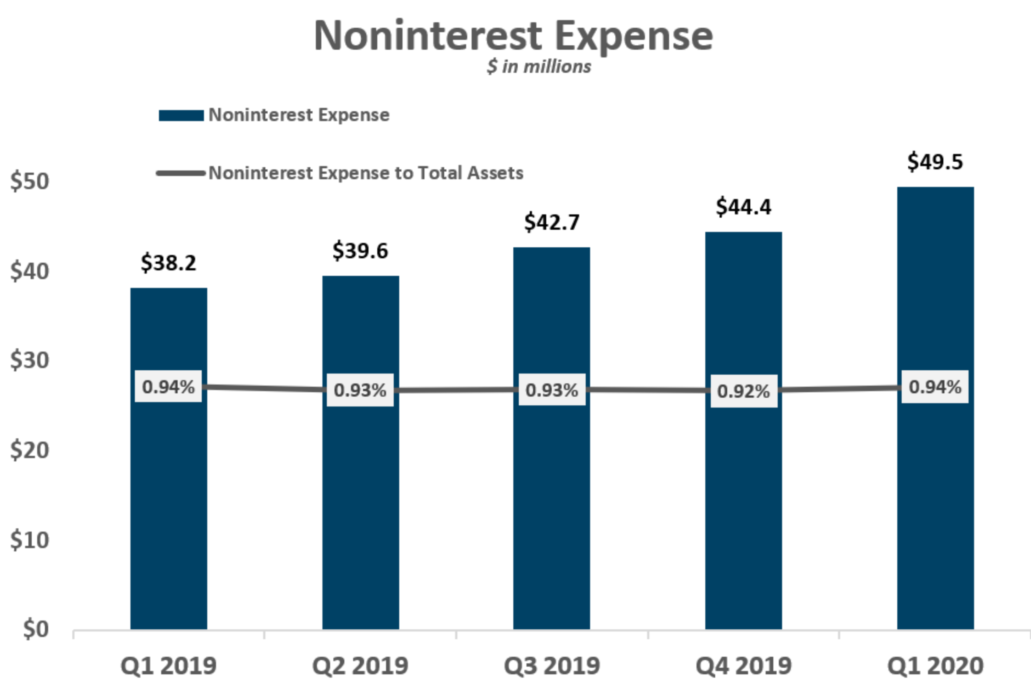
Loan sale volumes in the first quarter of 2020 increased to $162.3 million compared to $105.0 million in the prior quarter. The increased volume of loans sold was part of our capital and liquidity planning for the uncertain impact of COVID-19. The gain on sale revenue from the sale of guaranteed loans for the first quarter of 2020 totaled $10.3 million, including a $3.2 million loss on the fair value adjustment for exchange-traded interest rate futures contracts. The average net gain per $1 million sold, excluding the fair value adjustment for exchange-traded interest rate lock commitments, was $83.5 thousand for the first quarter of 2020 compared to $89.0 thousand for the first quarter of 2019 and $94.9 thousand for the fourth quarter of 2019.

FUNDING OUR STRATEGY



Deposit balances grew $1.11 billion, or 31.6%, to $4.64 billion at March 31, 2020, compared to the end of the first quarter of 2019. The average balance of deposits increased $282.5 million, or 6.8%, during the first quarter of 2020 compared to the prior quarter. We continue to operate what we believe is an efficient branchless model for deposit gathering, at an incremental cost of 16 basis points during the first quarter of 2020, which allows us to offer competitive rates. The average rate on interest bearing deposits decreased by 18 basis points from the prior quarter.

SCALING THE PLATFORM



Our noninterest expense totaled $49.5 million for the first quarter of 2020, an increase of $5.1 million, or 11.4%, over the prior quarter. The main contributors to the increase in noninterest expense from the prior quarter are increases of $4.0 million in salaries and benefits as we invested in our workforce to support the Company's growth and initiatives and $1.3 million in data processing expense as we focused on infrastructure changes and enhancements.

CREDIT QUALITY

Net charge-offs of loans measured at historical cost totaled $2.8 million in the first quarter of 2020 compared to $536 thousand in the fourth quarter of 2019. Net charge-offs as a percentage of average held for investment loans and leases measured at historical cost, annualized, for the quarters ended March 31, 2020, and December 31, 2019, were 0.58% and 0.13%, respectively. The increase in net charge-offs was largely comprised of two loans in the Government Contracting vertical.

The unguaranteed exposure of nonperforming loans and leases, including loans accounted for under the fair value option, increased to $17.8 million at March 31, 2020, compared to $13.9 million at December 31, 2019.

The provision for loan and lease credit losses for the first quarter of 2020 totaled $11.8 million compared to $4.8 million for the fourth quarter of 2019. The Company adopted the new current expected credit losses ("CECL") standard effective January 1, 2020 and accordingly determined to use forecasted levels of unemployment as a primary economic variable in forecasting future expected losses. Based upon the severity of recent independent unemployment forecasts as a result of the COVID-19 pandemic, the Company's allowance for credit losses on loans and leases increased significantly.

The allowance for credit losses on loans and leases totaled $35.9 million at March 31, 2020, compared to $28.2 million at December 31, 2019. The allowance for credit losses on loans and leases as a percentage of total loans and leases held for investment at historical cost was 1.81% and 1.57% at March 31, 2020, and December 31, 2019, respectively. Upon adoption of CECL, the Company recorded a $1.3 million decrease in the allowance for credit losses and a $499 thousand increase in the reserve on unfunded commitments.

INCOME TAX EXPENSE

Income tax benefit was $7.8 million in the first quarter of 2020 compared to a net income tax expense of $317 thousand in the first quarter of 2019 and $2.1 million in the fourth quarter of 2019. During the first quarter of 2020, the Company's income tax benefit included a $3.7 million estimate related to the enactment of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on March 27, 2020, which allows the carryback of certain net operating losses to each of the five taxable years preceding the taxable year of such losses. The remaining income tax benefit in the first quarter of 2020 was predominantly driven by the Company's overall net pretax loss.

APPENDIX

Deposits Direct Cost of Funds

	YTD March 31, 2020 (Dollars in Thousands)
Interest	$ 23,255
Personnel	720
Travel & Entertainment	4
Fraud Expense	-
Marketing Expense	214
Technology Expense	614
Other Expense	105
Total Direct Deposit Expenses	**$ 24,912**
Average Deposit Balances for Three Months Ended March 31, 2020	**$ 4,416,305**

	Annualized Cost of Funds (YTD March 31, 2020)
Interest	2.11%
Personnel	0.07%
Travel & Entertainment	0.00%
Fraud Expense	0.00%
Marketing Expense	0.02%
Technology Expense	0.06%
Other Expense	0.01%
Cost of Funds % including Deposits Department	**2.26%**
Direct Noninterest Cost of Funds	**0.16%**

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;
- the potential impacts of the coronavirus COVID-19 pandemic on trade (including supply chains and export levels), travel, employee productivity and other economic activities that may have a destabilizing and negative effect on financial markets, economic activity and customer behavior;
- 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.