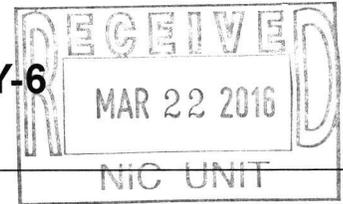


Board of Governors of the Federal Reserve System



Annual Report of Holding Companies—FR Y-6



Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844 (c)(1)(A)); Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 C.F.R. § 211.13(c)); and Section 225.5(b) of Regulation Y (12 C.F.R. § 225.5(b)) and section 10(c)(2)(H) of the Home Owners' Loan Act. Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies and top-tier savings and loan holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report.

Date of Report (top-tier holding company's fiscal year-end):

**December 31, 2015**

Month / Day / Year

N/A

Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

I, Steve Jackson

Name of the Holding Company Director and Official

VP/Treasurer & Director

Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

Reporter's Name, Street, and Mailing Address

Live Oak Bancshares Corporation

Legal Title of Holding Company

P.O. Box 2230

(Mailing Address of the Holding Company) Street / P.O. Box

George West TX 78022

City State Zip Code

601 Guadalupe Street, George West, TX 78022

Physical Location (if different from mailing address)

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Person to whom questions about this report should be directed:

Michelle Benoit VP & Cashier

Name Title

713-722-3563

Area Code / Phone Number / Extension

713-465-1149

Area Code / FAX Number

mbenoit@southtrust.com

E-mail Address

none

Address (URL) for the Holding Company's web page

Signature of Holding Company Director and Official

3/21/16

Date of Signature

For holding companies not registered with the SEC—

Indicate status of Annual Report to Shareholders:

- is included with the FR Y-6 report
- will be sent under separate cover
- is not prepared

For Federal Reserve Bank Use Only

RSSD ID  
C.I.

1105683

Does the reporter request confidential treatment for any portion of this submission?

Yes Please identify the report items to which this request applies:

In accordance with the instructions on pages GEN-2 and 3, a letter justifying the request is being provided.

The information for which confidential treatment is sought is being submitted separately labeled "Confidential."

No

## For Use By Tiered Holding Companies

*Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.*

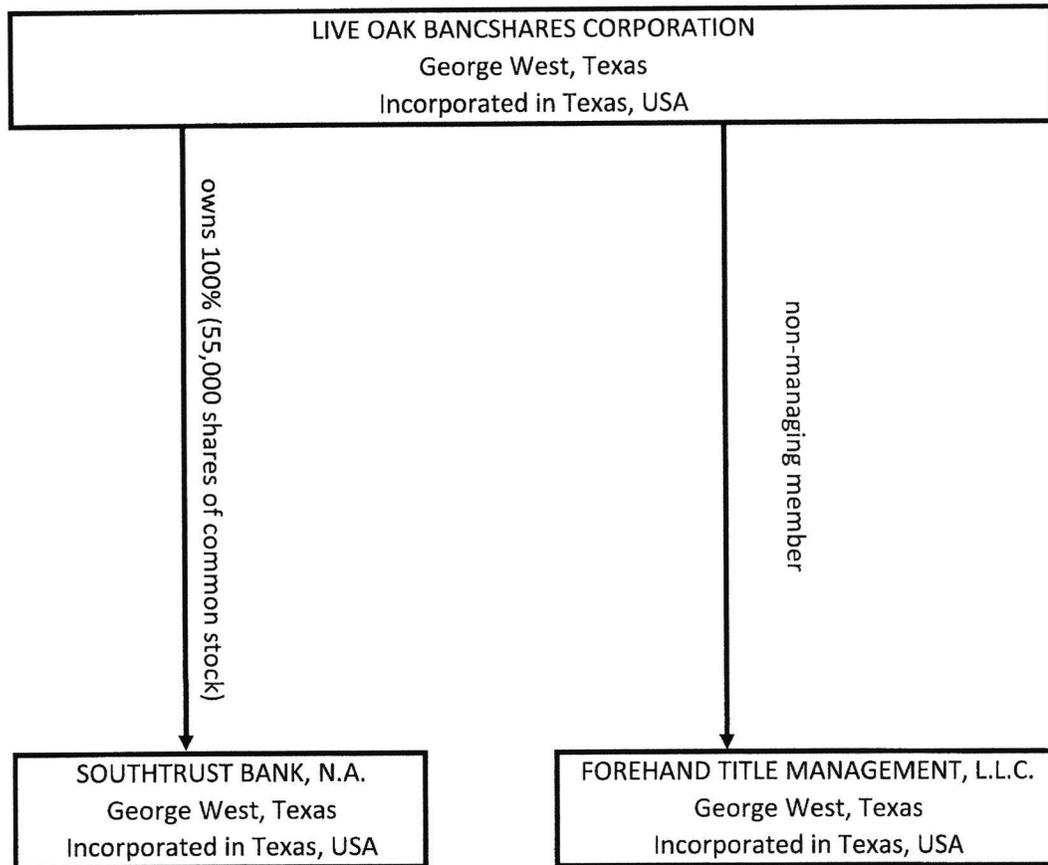
<hr/> <p>Legal Title of Subsidiary Holding Company</p> <hr/> <p>(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box</p> <hr/> <p>City State Zip Code</p> <hr/> <p>Physical Location (if different from mailing address)</p> <hr/>	<hr/> <p>Legal Title of Subsidiary Holding Company</p> <hr/> <p>(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box</p> <hr/> <p>City State Zip Code</p> <hr/> <p>Physical Location (if different from mailing address)</p> <hr/>
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**AMENDED**  
JUL 29 2016

Form FR Y-6

Live Oak Bancshares Corporation  
George West, Texas  
Fiscal Year Ending December 31, 2015

### Report Item 2a: Organizational Chart



NOTE: None of these entities have a Legal Entity Identifier (LEI)

### Report Item 2b: Office/Branch Verification

See BranchesForID521158.xlsx submitted via email on 03/21/2016

**Results:** A list of branches for your holding company: LIVE OAK BANCSHARES CORPORATION (1105685) of GEORGE WEST, TX. The data are as of 12/31/2015. Data reflects information that was received and processed through 07/11/2016.

**Reconciliation and Verification Steps**

1. In the **Data Action** column of each branch row, enter one or more of the actions specified below.
2. If required, enter the date in the **Effective Date** column.

**Actions**

**OK:** If the branch information is correct, enter 'OK' in the **Data Action** column.  
**Change:** If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.  
**Close:** If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.  
**Delete:** If a reportable branch was never owned by this depository institution, enter 'Delete' in the **Data Action** column.  
**Add:** If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

**Submission Procedure**

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information. If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

**Note:**

To satisfy the FR Y-10 reporting requirements, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of **Change**, **Delete**, or **Add**. The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - <https://y10online.federalreserve.gov>.

\* FDIC UNINUM, Office Number, and ID\_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments	
OK		Full Service (Head Office)	521158	SOUTHTRUST BANK, N.A.	601 GUADALUPE STREET	GEORGE WEST	TX	78022	LIVE OAK	UNITED STATES	8705		0	SOUTHTRUST BANK, N.A.	521158	
OK		Full Service	3022861	FLORESVILLE BRANCH	545 TENTH STREET	FLORESVILLE	TX	78114	WILSON	UNITED STATES	230643		2	SOUTHTRUST BANK, N.A.	521158	
OK		Full Service	4750107	HOUSTON BRANCH	10497 TOWN AND COUNTRY WAY, SUITE 860	HOUSTON	TX	77024	HARRIS	UNITED STATES	Not Required	Not Required			SOUTHTRUST BANK, N.A.	521158
OK		Full Service	4445038	PLEASANTON BRANCH	1047 OAKLAWN ROAD	PLEASANTON	TX	78064	ATASCOSA	UNITED STATES	Not Required	Not Required			SOUTHTRUST BANK, N.A.	521158
OK		Full Service	3538522	SAN ANTONIO BRANCH	144 MOURSUND BOULEVARD	SAN ANTONIO	TX	78221	BEAR	UNITED STATES	Not Required	Not Required	3	SOUTHTRUST BANK, N.A.	521158	
OK		Full Service	1830950	THREE RIVERS BRANCH	803 NORTH HARBORTH AVENUE	THREE RIVERS	TX	78071	LIVE OAK	UNITED STATES	230642		1	SOUTHTRUST BANK, N.A.	521158	

2200 North Pearl Street  
Dallas, TX 75201-2216  
Tel. 214-922-6309  
Fax 214-922-5394  
<http://www.dallasfed.org>  
Mailing address:  
Post Office Box 655906  
Dallas, TX 75265-5906

Live Oak Bancshares Corporation  
 George West, Texas  
 Fiscal Year Ending December 31, 2015

### Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2015		Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2015			
(1)(a)	(1)(b)	(1)(c)	(2)(a)	(2)(b)	(2)(c)
Name & Address (City, State, Country)	Country of Incorporation	Number and Percentage of Each Class of Voting Securities	Name & Address (City, State, Country)	Country of Incorporation	Number and Percentage of Each Class of Voting Securities
Ross Harris	USA	Common Stock 5,448 18.49%	None		
Karen H. Elliff	USA	Common Stock 1,810 6.14%			
Harris Donovan Saunders	USA	Common Stock 532 1.81%			
Laura Catherine Saunders	USA	Common Stock 532 1.81%			
Lee Marcella Saunders	USA	Common Stock 532 1.81%			
Lee Farrell Harris Saunders	USA	Common Stock 512 1.74%			
Ross Fredric Saunders	USA	Common Stock 267 0.91%			
Novia Kinsel Harris	USA	Common Stock 260 0.88%			
Stuart D. Saunders	USA	Common Stock 246 0.83%			
		<u>10,139</u> <u>34.42%</u>			
James D. and Janet S. Pawlik	USA	Common Stock 4,075 13.83%			
Dorothy Evelin Pawlik	USA	Common Stock 275 0.93%			
		<u>4,350</u> <u>14.76%</u>			
Henry E. Houdmann Revocable Trust, Henry E. Houdmann, William R. Holland III and Lana Jean Holland as Co-Trustees	USA	Common Stock 2,461 8.35%			
George T. Johnson	USA	Common Stock 1,592 5.40%			
LaVonne B. Johnson	USA	Common Stock 104 0.35%			
		<u>1,696</u> <u>5.75%</u>			
Margaret H. Bednorz Family Trust, Bernard Bednorz and Curtis Bednorz as Co-Trustees	USA	Common Stock 1,565 5.31%			

Live Oak Bancshares Corporation  
George West, Texas  
Fiscal Year Ending December 31, 2015

## Report Item 4: Insiders

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Ross Harris George West, TX USA	Banker	Chairman of Board / President / Director	President / CEO / Director of SouthTrust Bank, N.A.	Managing Trustee Harris Family Trust Partner Elliff and Harris Partnership Partner Schulz/Harris Partnership	18.49%	0.00%	One of 20 beneficiaries Elliff and Harris Partnership 50% Schulz/Harris Partnership 25%
Novia Kinsel Harris George West, TX USA	N/A	N/A	N/A	N/A	0.88%	0.00%	
Karen H. Elliff George West, TX USA	N/A	N/A	N/A	N/A	6.14%	0.00%	
Stuart D. Saunders Houston, TX USA	Investments	Director	Chairman of Board / Director of SouthTrust Bank, N.A.	Limited Partner Mission-Heights Enterprises, Ltd Member and Manager Mission-Heights, LLC Partner M & S Partners Manager 602 Sawyer/MH, LLC Limited Partner Mission-Heights Capital, Ltd Director Odem Bancshares, Inc. Director First State Bank of Odem Manager Mission-Heights N240KA, LLC	0.83%	0.00%	Mission-Heights Enterprises, Ltd 40% Mission-Heights, LLC 50% M & S Partners 48% 602 Sawyer/MH, LLC 40% Mission-Heights Capital, Ltd 40% Mission-Heights N240KA, LLC 40%
Lee Farrell Harris Saunders Houston, TX USA	N/A	N/A	N/A	N/A	1.74%	0.00%	n/a
Lee M. Saunders Houston, TX USA	N/A	N/A	N/A	N/A	1.81%	0.00%	n/a
Laura Catherine Saunders Houston, TX USA	N/A	N/A	N/A	N/A	1.81%	0.00%	n/a
Harris D. Saunders Houston, TX USA	N/A	N/A	N/A	N/A	1.81%	0.00%	n/a
Ross Fredric Saunders Houston, TX USA	N/A	N/A	N/A	N/A	0.91%	0.00%	n/a

**A** AMENDED **D**  
JUL 22 2016

James D. Pawlik	George West, TX	USA	Retail Merchant	Director	Director of SouthTrust Bank, N.A.	President Pawlik's Supply Co.  Member J & J Pawlik Minerals Ltd  Member J & J Pawlik Investments LLC  President James Pawlik Water Well Services, Inc  President J&J Pawlik Land, LTD	13.83%	0.00%	Pawlik's Supply Co. 100%  J & J Pawlik Minerals Ltd 84%  J & J Pawlik Investments LLC 100%  James Pawlik Water Well Services, Inc 100%  J&J Pawlik Land, LTD 99%
Dorothy Evelin Pawlik	Pearsall, TX	USA	N/A	N/A	N/A	N/A	0.93%	0.00%	n/a
Henry E. Houdmann	George West, TX	USA	Rancher	Director	Director of SouthTrust Bank, N.A.	Partner Live Oak South Development Co.	8.35%	0.00%	Live Oak South Development 33%
William M. Holland III	George West, TX	USA	Rancher	Director	Director of SouthTrust Bank, N.A.	Partner William Murray Holland Joint Venture  President Billana Holding  Trustee William Holland & Lana Holland Revocable Trust	0.37%	0.00%	William Murray Holland Joint Venture 25%  Billana Holding 50%  William Holland & Lana Holland Revocable Trust 50%
Bernard R. Bednorz	George West, TX	USA	Retired Retail Merchant	Director	N/A	President Bednorz Motors, Inc.	5.31%	0.00%	Bednorz Motors, Inc 100%
Mike Laux	Helotes, TX	USA	Consultant	Director	Director of SouthTrust Bank, N.A.	Owner Mike Laux Consulting	0.78%	0.00%	Mike Laux Consulting 100%
Andy Eubanks	Floresville, TX	USA	Banker	Vice President	Branch President / Regional Banking Supervisor of SouthTrust Bank, N.A.	N/A	0.62%	0.00%	n/a
David Ramirez	Devine, TX	USA	Banker	Vice President	Branch President SouthTrust Bank, N.A.	N/A	0.35%	0.00%	n/a

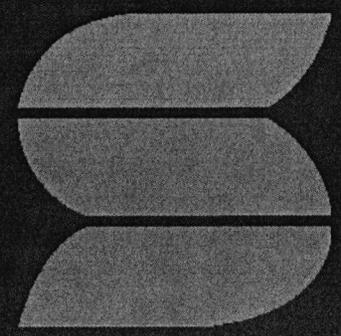
**A** **MENDED** **D**  
JUL 22 2016

David L. West	San Antonio, TX	USA	Restaurant and Convenience Store Owner	Director	Director of SouthTrust Bank, N.A.	Member Two W.Properties LLC President Butombel Real Estate, Inc. President CTX Restaurants, Inc Partner Maritime Hooker Services, LP Member-Limited Partner Roma Realty LLP President Four W Restaurants, Inc President Jim West Enterprises, Inc	0.34%	0.00%	Two W.Properties LLC 100% Butombel Real Estate, Inc. 100% CTX Restaurants, Inc 55% Four W Restaurants, Inc 100% Jim West Enterprises, Inc 100%
Denise Maurer Garza	George West, TX	USA	Banker	Vice President / Secretary	Senior Vice President of SouthTrust Bank, N.A.	N/A	0.34%	0.00%	n/a
Carol Crenwelge Maurer	George West, TX	USA	N/A	N/A	N/A	N/A	1.69%	0.00%	n/a
Dennis F. Maurer	George West, TX	USA	N/A	N/A	N/A	N/A	1.36%	0.00%	n/a
Lynda Richter	Three Rivers, TX	USA	Banker	Vice President	Branch President / Internal Auditor / Complianace Officer SouthTrust Bank, N.A.	N/A	0.00%	0.00%	n/a
Steve H.Jackson	Houston, TX	USA	Banker	Director / Vice President / Treasurer	Director / EVP / Chief Lending Officer / Branch President of SouthTrust Bank, N.A.	Trustee Steven H. Jackson Trust	0.34%	0.00%	Steven H. Jackson Trust 100%
Michelle Benoit	Houston, TX	USA	Banker	Vice President	VP & Cashier of SouthTrust Bank, N.A.	N/A	0.00%	0.00%	n/a
Wade Hodgins	Pleasanton, TX	USA	Banker	Vice President	Branch President SouthTrust Bank, N.A.	Manager Downtown Storage	0.00%	0.00%	Downtown Storage 50%
Gregg Booth	Three Rivers, TX	USA	Banker	Vice President	Branch President SouthTrust Bank, N.A.	Limited Partner Broken b Ranch, L.P. President Broken b Management, LLC	0.00%	0.00%	Broken b Ranch, L.P. 50% Broken b Management, LLC 37.50%

**A** **AMENDED** **D**  
JUL 22 2016

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**Live Oak Bancshares Corporation**  
2015 Annual Report  
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**Financial Highlights**  
(Dollars in thousands)

	<b>2015</b>	2014	2013	2012	2011
<b>For the year:</b>					
Interest income	<b>15,731</b>	14,625	12,630	12,123	10,951
Interest expense	<b>853</b>	728	708	926	1,164
Net interest income	<b>14,878</b>	13,897	11,922	11,197	9,787
Net overhead expense	<b>9,735</b>	8,333	6,590	5,362	2,392
Net income	<b>3,893</b>	4,814	4,987	5,595	7,080
Return on average equity*	<b>11.5%</b>	15.2%	14.9%	18.3%	27.0%
Return on average assets*	<b>1.0%</b>	1.4%	1.7%	2.2%	3.3%
<b>At year-end:</b>					
Total assets	<b>366,726</b>	361,446	309,662	272,171	234,417
Total loans	<b>259,868</b>	239,888	178,442	152,531	139,621
Total deposits	<b>294,039</b>	304,603	274,256	238,174	204,729
Stockholders' equity	<b>40,499</b>	38,741	34,615	33,040	28,519

\* This percentage is prior to tax.

**Live Oak Bancshares Corporation**

is a one-bank holding company with assets of \$366.7 million at December 31, 2015. The company has offices in six banking markets - George West, Three Rivers, Floresville, San Antonio, Pleasanton and Houston.

**The Annual Meeting of Shareholders**

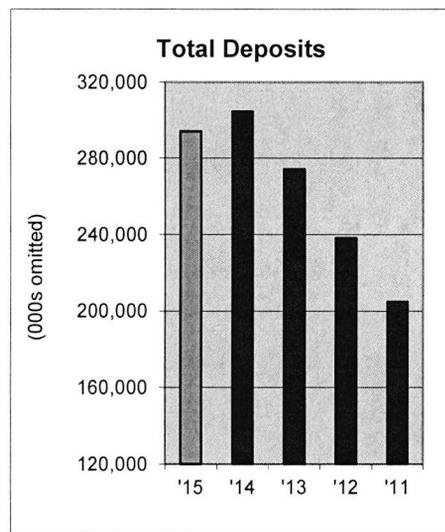
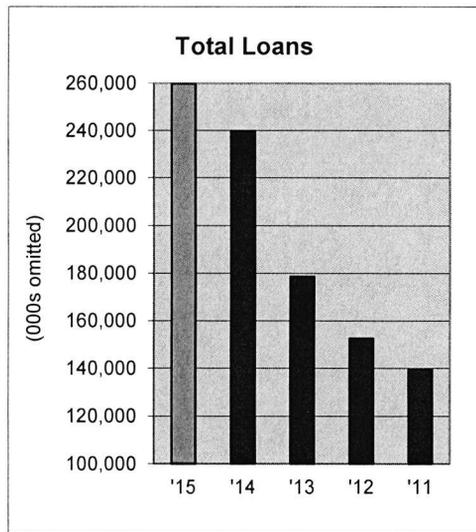
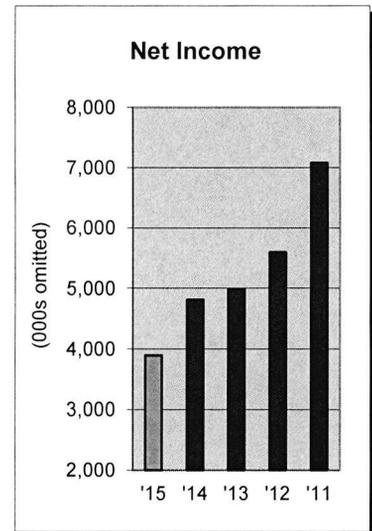
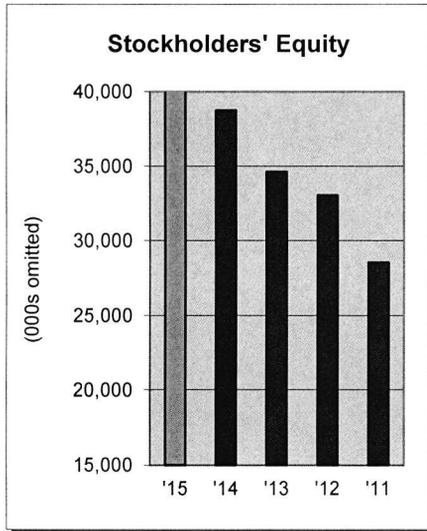
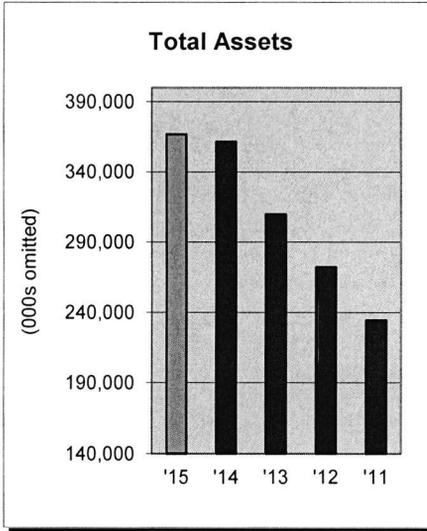
is scheduled for March 10, 2016 at 4:00 p.m.  
at the SouthTrust Bank, 601 Guadalupe Street, George West.

**The Corporate Headquarters**

is located at 601 Guadalupe Street, George West, Texas.  
The mailing address is Post Office Box 2230, George West, Texas, 78022,  
and the telephone number is 361/449-1571. The President's e-mail address is rharris@southtrust.com.

**The Last Stock Sale**

was on June 17, 2014 when 110 shares changed hands at \$1,420.44/share.



**Live Oak Bancshares Corporation**

601 Guadalupe Street  
George West, Texas 78022  
(361) 449-1571

---

To our shareholders –

Dear Friends,

There is no doubt these are challenging times. As I write this in late February, the Saudi Arabian oil minister has told an industry group in Houston that his country was prepared to let oil prices slip to \$20 a barrel to force out higher-cost competitors. Similarly, Baker-Hughes shows the active rig count in the Eagle Ford Shale dropped from 200 at the beginning of 2015 to 76 at year-end (and 54 today). Many of our customers have and will feel this pain directly. Meanwhile, banks face ever-increasing regulatory interaction which has reduced the amount of fee income available while raising the cost of complying with a multitude of federal rules and procedures.

However, we are proud to report that, in spite of all these challenges, your company and its team of almost 100 SouthTrust bankers had a very productive year. Much of what we have managed to accomplish will not be immediately reflected in the company's financial performance but is significant nonetheless. As Mr. Harris predicted last year, in late 2015 we installed a new core data processing system that is much more powerful and sophisticated than the one that served us for many years. This new platform will allow us to offer new products and services to respond to changing markets. In addition, it offers far better reporting and tracking capabilities to assist your management in overseeing an increasingly complex organization. Finally, it offers great potential for increased operational efficiencies that your managers will be implementing throughout the year.

We want to give a special thanks to all of our dedicated bankers (and their understanding families) who helped to make this implementation possible. There were many late nights, weekends, and hectic days leading up to and recovering from the October conversion. If you or your accounts were negatively affected, we sincerely apologize; but be assured this was a critical step in preparing for the long-term success of this company.

Financially, SouthTrust Bank reported net income of \$3.9 million, down from \$4.8 million the previous year. However, over half of this drop is due to a significant increase in provision for loan losses, as we built reserves to cover loan growth and in anticipation of possible credit deterioration. In addition, operating costs increased due to a variety of conversion-related expenses including overtime, travel, equipment, consultants, and more. Through all of this we also managed to increase loans by \$20 million, to \$265 million. Deposits, however, are a different story. Like virtually all banks in the Eagle Ford Shale, our deposits dropped in 2015. Since the economic conditions that led to that drop will likely continue, one challenge for 2016 is to find new ways to attract deposits. Any help you can provide in that regard is certainly appreciated!

We look forward to seeing you on Thursday, March 10, 2016 at 4:00 PM at the annual meeting in George West.

Finally, if you have not registered as an organ donor, please consider doing so by visiting the website "info@donatelifetexas.org ". If you are ever in a position to be a donor, your name will be looked up on the registry, so you have done all you need to do. Be a donor. Give life!

Sincerely,



Steven H. Jackson  
February 25, 2016

**Live Oak Bancshares Corporation**  
**Consolidated Balance Sheets**

(Dollars in thousands)

	December 31				
	2015	2014	2013	2012	2011
<b>Assets</b>					
Cash and non-interest bearing deposits in banks	\$ 10,672	\$ 11,050	\$ 19,879	\$ 25,432	\$ 12,448
Federal funds sold	0	0	0	0	0
Securities held to maturity	2,000	2,000	2,000	2,000	2,000
Securities available for sale	77,135	91,584	98,677	83,058	71,785
Loans, net (Notes 1 and 2)	259,868	239,888	178,442	152,531	139,621
Investment in Forehand Title Management, L.L.C. (Note 3)	336	546	486	738	680
Premises and equipment, net (Note 4)	7,077	7,143	5,687	5,662	4,677
Excess of cost over fair value of net assets acquired	772	772	772	772	772
Other assets	8,866	8,463	3,719	1,978	2,434
<b>Total Assets</b>	<b>\$ 366,726</b>	<b>\$ 361,446</b>	<b>\$ 309,662</b>	<b>\$ 272,171</b>	<b>\$ 234,417</b>
<b>Liabilities</b>					
Deposits (Note 5)	\$ 294,039	\$ 304,603	\$ 274,256	\$ 238,174	\$ 204,729
Overnight borrowings	0	1,500	0	0	0
Short-term borrowings	14,000	15,000	0	0	0
Long-term borrowings	17,000	0	0	0	0
Other liabilities	1,188	1,602	791	957	1,169
<b>Total Liabilities</b>	<b>326,227</b>	<b>322,705</b>	<b>275,047</b>	<b>239,131</b>	<b>205,898</b>
<b>Shareholders' Equity</b>					
Common stock (without par value; 54,997 shares authorized and issued)	55	55	55	55	55
Surplus	1,889	1,889	1,770	1,770	1,770
Retained earnings	40,472	38,252	34,728	31,571	27,477
Less cost of treasury shares (25,528 shares)	(2,318)	(2,318)	(2,326)	(2,326)	(2,326)
Net unrealized gain (loss) on investments	401	863	388	1,970	1,543
<b>Total Stockholders' Equity (Note 6)</b>	<b>40,499</b>	<b>38,741</b>	<b>34,615</b>	<b>33,040</b>	<b>28,519</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 366,726</b>	<b>\$ 361,446</b>	<b>\$ 309,662</b>	<b>\$ 272,171</b>	<b>\$ 234,417</b>

**Live Oak Bancshares Corporation**  
**Consolidated Income Statements**

(Dollars in thousands except share amount)

	December 31				
	2015	2014	2013	2012	2011
<b>Interest Income</b>					
Interest and fees on loans	\$ 14,023	\$ 12,651	\$ 10,752	\$ 10,308	\$ 9,385
Interest and dividends on securities:					
Taxable	702	820	704	676	622
Non-taxable	987	1,128	1,130	1,108	915
Interest on certificates of deposits	3	5	3	0	0
Federal funds sold/Federal Reserve Balances	16	21	41	31	29
Total interest income	<u>15,731</u>	<u>14,625</u>	<u>12,630</u>	<u>12,123</u>	<u>10,951</u>
<b>Interest Expense</b>					
Deposits	764	724	707	925	1,163
Federal funds purchased	1	1	0	0	0
Short-term borrowings	42	3	1	1	1
Long-term borrowings	46	0	0	0	0
Total interest expense	<u>853</u>	<u>728</u>	<u>708</u>	<u>926</u>	<u>1,164</u>
<b>Net interest income</b>	<u>14,878</u>	<u>13,897</u>	<u>11,922</u>	<u>11,197</u>	<u>9,787</u>
Provision for loan losses	1,250	750	345	240	315
<b>Net interest income after provision for loan losses</b>	<u>13,628</u>	<u>13,147</u>	<u>11,577</u>	<u>10,957</u>	<u>9,472</u>
<b>Non-Interest Income</b>					
Service charges and fees on deposit accounts	960	928	942	929	964
Other	686	701	643	614	2,982
Total non-interest income	<u>1,646</u>	<u>1,629</u>	<u>1,585</u>	<u>1,543</u>	<u>3,946</u>
<b>Non-Interest Expense</b>					
Salaries and benefits (Note 7)	7,340	6,924	5,544	4,485	3,933
Occupancy	1,398	1,150	1,098	1,101	871
Write down of other real estate owned	312	0	10	0	145
Other operating expenses (Note 8)	2,331	1,888	1,523	1,319	1,389
Total non-interest expense	<u>11,381</u>	<u>9,962</u>	<u>8,175</u>	<u>6,905</u>	<u>6,338</u>
<b>Income before taxes</b>	<u>3,893</u>	<u>4,814</u>	<u>4,987</u>	<u>5,595</u>	<u>7,080</u>
Federal income taxes (Note 9)	0	0	0	0	0
<b>Net Income</b>	<u>\$ 3,893</u>	<u>\$ 4,814</u>	<u>\$ 4,987</u>	<u>\$ 5,595</u>	<u>\$ 7,080</u>
<b>Per common share:</b>					
Net Income	<u>\$ 132.10</u>	<u>\$ 163.36</u>	<u>\$ 169.80</u>	<u>\$ 190.51</u>	<u>\$ 241.06</u>
Distributions declared	<u>\$ 56.76</u>	<u>\$ 43.83</u>	<u>\$ 62.31</u>	<u>\$ 51.10</u>	<u>\$ 93.84</u>
<b>Average shares outstanding</b>	<u>29,469</u>	<u>29,469</u>	<u>29,369</u>	<u>29,369</u>	<u>29,369</u>

**Live Oak Bancshares Corporation**  
**Consolidated Statements of Changes in Shareholders' Equity**

(Dollars in thousands)

	<u>Common Stock</u>	<u>Surplus</u>	<u>Retained Earnings</u>	<u>Cost of Treasury Stock</u>	<u>Unrealized Gain (Loss) on Investments</u>	<u>Total Shareholders' Equity</u>
Balance, December 31, 2010	55	1,770	23,153	(2,326)	656	23,308
Net income - 2011			7,080			7,080
Distributions on common stock			(2,756)			(2,756)
Net unrealized gain on investments					887	887
Balance, December 31, 2011	55	1,770	27,477	(2,326)	1,543	28,519
Net income - 2012			5,595			5,595
Distributions on common stock			(1,501)			(1,501)
Net unrealized gain on investments					427	427
Balance, December 31, 2012	55	1,770	31,571	(2,326)	1,970	33,040
Net income - 2013			4,987			4,987
Distributions on common stock			(1,830)			(1,830)
Net unrealized gain on investments					(1,582)	(1,582)
Balance, December 31, 2013	55	1,770	34,728	(2,326)	388	34,615
Net income - 2014			4,814			4,814
Distributions on common stock			(1,290)			(1,290)
Net unrealized gain on investments					475	475
Sale of Stock		119		8		127
Balance, December 31, 2014	55	1,889	38,252	(2,318)	863	38,741
Net income - 2015			3,893			3,893
Distributions on common stock			(1,673)			(1,673)
Net unrealized gain on investments					(462)	(462)
<b>Balance, December 31, 2015</b>	<b><u>\$ 55</u></b>	<b><u>\$ 1,889</u></b>	<b><u>\$ 40,472</u></b>	<b><u>\$ (2,318)</u></b>	<b><u>\$ 401</u></b>	<b><u>\$ 40,499</u></b>

**Live Oak Bancshares Corporation**  
**Consolidated Statement of Cash Flows**

(Dollars in thousands)

	December 31				
	2015	2014	2013	2012	2011
Cash and Cash Equivalents Balance, January 1	<b>\$ 11,050</b>	\$ 19,879	\$ 25,431	\$ 12,448	\$ 16,371
<b>Cash Flows From Operating Activities</b>					
Cash inflows:					
Interest and fees on loans	<b>13,997</b>	12,508	10,696	10,310	9,338
Interest on investment securities	<b>2,184</b>	2,499	2,395	2,317	1,731
Other interest	<b>25</b>	26	44	31	29
Other receipts	<b>1,647</b>	1,569	1,586	1,544	3,946
Total	<b>17,853</b>	16,602	14,721	14,202	15,044
Cash outflows:					
Interest on deposits	<b>726</b>	718	732	967	1,207
Other interest	<b>89</b>	4	1	1	1
Employee costs	<b>7,591</b>	6,904	5,544	4,885	3,711
Other non-interest costs	<b>4,116</b>	5,907	3,931	1,818	1,490
Total	<b>12,522</b>	13,533	10,208	7,671	6,409
Net Operating Cash Flow (Note 10)	<b>5,331</b>	3,069	4,513	6,531	8,635
<b>Cash Flows From Investing Activities</b>					
Cash inflows:					
Proceeds from maturities of investment securities	<b>84,340</b>	160,299	114,509	159,030	144,232
Proceeds from sales of investment securities	<b>329</b>	0	0	1,179	134
Principal payments on mortgage-backed securities	<b>5,377</b>	5,283	1,416	2,046	2,799
Proceeds from sale of other real estate owned	<b>0</b>	56	198	670	58
Change in Equity of Forehand Title	<b>210</b>	0	252	0	0
Total	<b>90,256</b>	165,638	116,375	162,925	147,223
Cash outflows:					
Net disbursement for customer loans	<b>21,229</b>	62,796	26,256	13,150	15,773
Purchase of fixed assets	<b>543</b>	1,928	524	1,432	308
Purchase of portfolio investments	<b>76,455</b>	158,497	133,704	173,642	172,781
Purchase of other real estate owned	<b>0</b>	0	208	134	89
Change in Equity of Forehand Title	<b>0</b>	0	0	58	22
Total	<b>98,227</b>	223,221	160,692	188,416	188,973
Net Investing Cash Flow	<b>\$ (7,971)</b>	\$ (57,583)	\$ (44,317)	\$ (25,491)	\$ (41,750)

**Live Oak Bancshares Corporation**  
**Consolidated Statement of Cash Flows**

(Dollars in thousands)

	December 31				
	2015	2014	2013	2012	2011
<b>Cash Flows From Financing Activities</b>					
Cash inflows:					
Borrowings	14,500	16,500	0	0	0
Sale of Stock	0	127	0	0	0
Net receipts from depositors	0	30,348	36,082	33,444	31,948
Total	<u>14,500</u>	<u>46,975</u>	<u>36,082</u>	<u>33,444</u>	<u>31,948</u>
Cash outflows:					
Net receipts from depositors	10,563	0	0	0	0
Payment of dividends	1,675	1,290	1,830	1,501	2,756
Repayments of borrowings	0	0	0	0	0
Total	<u>12,238</u>	<u>1,290</u>	<u>1,830</u>	<u>1,501</u>	<u>2,756</u>
Net Financing Cash Flow	<u>2,262</u>	<u>45,685</u>	<u>34,252</u>	<u>31,943</u>	<u>29,192</u>
Net Increase (Decrease) in Cash and Equivalents	<u>(378)</u>	<u>(8,829)</u>	<u>(5,552)</u>	<u>12,983</u>	<u>(3,923)</u>
Cash and Cash Equivalents, December 31	<u>\$ 10,672</u>	<u>\$ 11,050</u>	<u>\$ 19,879</u>	<u>\$ 25,431</u>	<u>\$ 12,448</u>

**Live Oak Bancshares Corporation**  
Notes to Consolidated Financial Statements

(Dollars in thousands)

**Note 1: Loans and Allowance for Loan Losses**

Loans at year-end are as follows:	December 31				
	2015	2014	2013	2012	2011
Real Estate					
Residential	41,307	45,230	40,697	31,260	30,237
Nonresidential	187,552	156,763	104,574	94,024	86,468
Commercial	24,743	28,110	22,511	17,208	13,740
Installment	7,373	10,019	10,804	10,820	10,138
Agricultural	3,536	3,372	3,016	2,263	1,977
Other	307	364	330	305	319
Sub-Total	264,818	243,858	182	155,880	142,879
Less					
Unearned income	(35)	(77)	(115)	(98)	(125)
Allowance for loan losses	(4,915)	(3,893)	(3,375)	(3,251)	(3,133)
Total loans, net	259,868	239,888	178,442	152,531	139,621

Non-performing loans at year-end were as follows:					
Accrual loans over 90 days past due	67	232	-	-	84
Non-accrual loans	3,404	2,459	2,438	1,545	822
Total	3,471	2,691	2,438	1,545	906

Transactions in the allowance for loan losses are summarized as follows:					
Balance at beginning of year	3,893	3,375	3,251	3,133	3,013
Recoveries	53	88	94	176	26
Loans charged-off	(281)	(320)	(315)	(298)	(221)
Net recoveries (losses)	(228)	(232)	(221)	(122)	(195)
Provision for loan losses	1,250	750	345	240	315
Balance at end of year	4,915	3,893	3,375	3,251	3,113

**Live Oak Bancshares Corporation**  
**Notes to Consolidated Financial Statements**  
(continued)  
(Dollars in thousands)

**Note 2: Related Party Transactions**

In the ordinary course of business, the subsidiary makes loans to officers and directors. These loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. Loans to officers and directors, including loans to companies in which the officers and directors exercise control through direct or indirect ownership, amounted to \$3,408,680 at December 31, 2015, \$3,657,680 at December 31, 2014, \$2,949,121 at December 31, 2013, \$3,379,121 at December 31, 2012, and \$3,774,632 at December 31, 2011. Approximately 67.17% of the Company's outstanding stock was owned and controlled by officers, directors and principal shareholders of the Company at December 31, 2015.

**Note 3: Investment in Forehand Title Management, L.L.C.**

On March 1, 2008, The Company and four individual partners purchased 100% of the assets of a George West title company. The assets purchased included the building, its contents including the abstract plant and land near The Company's banking house in George West. Effective January 1, 2009, The Company sold a 24.5% interest to another financial institution headquartered in Live Oak County.

The title company has three full time employees. Forehand Title Company acts as a title insurance agent, assists in real estate closings and has in the past made the title plant available at an hourly fee to those wishing to do title research. The Company's portion of the profits is combined with other non-interest income on Page 5 of the income statements.

**Note 4: Premises and Equipment**

Premises and equipment consisted of the following:	December 31				
	2015	2014	2013	2012	2011
Land	903	903	903	903	551
Buildings and improvements	7,546	7,579	6,072	6,068	5,361
Furniture and equipment	3,560	3,176	2,737	2,480	2,164
Construction in progress	0	0	228	0	33
Sub-total	12,009	11,658	9,940	9,451	8,109
Less – Accumulated depreciation	(4,932)	(4,515)	(4,253)	(3,789)	(3,432)
Total	7,077	7,143	5,687	5,662	4,677

**Note 5: Deposits**

Deposits at year-end are as follows:	December 31				
	2015	2014	2013	2012	2011
Demand Deposits:					
Non-interest bearing	103,288	108,021	93,009	77,328	57,677
Interest bearing	88,951	98,999	89,449	66,556	58,098
Savings deposits	31,046	28,907	25,869	23,285	15,922
Certificates of deposit \$100,000 and over	52,230	49,453	44,956	49,574	50,108
Certificates of deposit less than \$100,000	18,524	19,223	20,973	21,431	22,924
Total	294,039	304,603	274,256	238,174	204,729

**Live Oak Bancshares Corporation**  
**Notes to Consolidated Financial Statements**  
(continued)  
(Dollars in thousands)

**Note 6: Regulatory Matters**

Live Oak Bancshares Corporation's principal source of funds was distributions received from its subsidiary, SouthTrust Bank. For the years 2011, 2012, 2013, 2014 and 2015, the Texas Corporation received \$1,614,250, \$1,496,000, \$1,831,500, \$1,265,000 and \$1,377,750 in distributions from its subsidiary, SouthTrust Bank. Under applicable Federal laws, the office of the Comptroller of the Currency (relating to the Bank subsidiary, which is a national banking association) restricts the total dividend payments of a national bank in any calendar year to the net profits of that year, as defined, combined with retained net profits for the two preceding years. The distributions, as of December 31, 2015, that the Bank could declare, without the approval of the Comptroller of the Currency, amounted to approximately \$9,081,762.

The Office of the Comptroller of the Currency (OCC) also has the authority under the Financial Institutions Supervisory Act to prohibit a national bank from engaging in what, in the OCC's opinion, constitutes an unsafe or unsound practice in conducting its business. It is possible, depending upon the financial condition of the bank in question and other factors, that the OCC could claim that payment of dividends or other payments might under some circumstances be an unsafe or unsound practice.

The Corporation is required to maintain minimum risk-based and leverage capital as defined by the Federal banking agencies. The measurement of risk-based capital takes into account the credit risk of both the balance sheet assets and off-balance sheet exposures. The regulatory guidelines require minimum risk-based capital ratios of 4% for Tier 1 capital and 8% for total capital. In addition, a minimum leverage ratio of Tier 1 capital to quarterly average assets of 3% is required for strong banking organizations. A bank is considered "well capitalized," the highest regulatory category, if it has the following minimum ratios: Tier 1 risk-based capital ratio of 6%, total risk-based capital ratio of 10%, and Tier 1 leverage capital ratio of 5%. The capital ratios of the Corporation's banking subsidiary were as follows:

	December 31					Well Capitalized Regulatory Minimums
	2015	2014	2013	2012	2011	
<b>Capital:</b>						
Tier 1	35,875	33,388	29,899	26,793	22,746	
Tier 2	3,667	3,431	2,576	2,180	1,973	
Total	39,542	36,819	32,475	28,973	24,719	
<b>Assets:</b>						
Risk-weighted assets	292,049	273,913	205,188	173,235	156,555	
Average assets (fourth quarter)	372,619	350,091	301,386	268,941	229,242	
<b>Ratios:</b>						
Tier 1 capital to risk-weighted assets	12.28%	12.19%	14.57%	15.47%	14.53%	6.00%
Total capital to risk-weighted assets	13.54%	13.44%	15.83%	16.72%	15.79%	10.00%
Tier 1 leverage to average assets	9.63%	9.54%	9.92%	9.96%	9.92%	5.00%

**Note 7: Salaries and Benefits**

Nationally, much attention has been paid of late to executive compensation and the fringe benefits of highly compensated employees. Our small company is exempt from many disclosure requirements, but in keeping with our policy of providing company information to our shareholders on current issues, we wish to inform you of the salary and benefit "package" of our highest paid employee – the bank president.

Bank president's compensation:

The president of the company draws a salary of \$220,458 from the bank. In 2015, the bank contributed a total of \$15,690 to his 401(K) retirement plan through both the match and the discretionary provisions, as described in the next to last paragraph in this Note.

In 2015, a bonus was paid to the president in the amount of \$48,510. Rewards were made for services in 2015, 2013, 2012, 2011 and 2010.

All his personal healthcare insurance (monthly cost to Bank of \$514) is furnished, except for a monthly \$130 contribution on his part; dependent care is available at the employee's expense. An automobile is furnished with all operating expenses paid. The president is paid \$800 as a director fee for each board meeting he attends; he does not draw committee fees. In 2015, he was paid \$9,600 for attending 12 board meetings.

In 2015, the president received a grant of phantom stock valued at \$40,000.

The employee owns a partial seating package for a professional sports franchise and the bank reimburses him for the tickets (\$14,067 in 2015) and entertainment expenses incurred on behalf of the employee and his bank customer guests.

Other employee benefits:

The retirement contributions, healthcare insurance and out of pocket expense reimbursements are available and applicable to all employees, assuming employees are eligible, via tenure, to participate in the retirement and healthcare programs. The annual cost to the bank for all health care in 2015 was \$336,346.

The bank subsidiary has a contributory, trustee 401(k) profit sharing plan covering substantially all employees with one or more years of service. An employee member may contribute from one to six percent of his/her salary to the 401(k) plan which is 50% matched by the employer. Matching contributions to this plan by the bank during the five years ended December 31 were as follows 2015 (\$114,854), 2014 (\$97,976), 2013 (\$79,228), 2012 (\$72,073) and 2011 (\$67,420). Additional discretionary contributions made to this plan during the five years ended December 31 were as follows 2015 (\$200,000), 2014 (\$220,000), 2013 (\$200,000), 2012 (\$200,000) and 2011 (\$300,000).

2015 bonuses will not be paid until early 2016. Bonuses were paid to certain members of the executive management team in 2015 (\$379,815), 2013 (\$386,500), 2012 (\$300,000), 2011 (\$221,000) and 2010 (\$157,125).

The company has established a phantom stock program for certain key employees to provide future cash compensation based on the performance of the company's stock. Payments are based on the change in the book value of the stock from the date of grant to the redemption dates (25% of each grant is redeemed on the fourth, fifth, sixth, and seventh anniversary dates). The company awarded phantom shares valued at \$239,500 in 2015. Total expense for the program in 2015 was \$185,283, which was offset by investment earnings of \$205,926 on life insurance policies purchased to fund this and other employee benefit programs.

**Live Oak Bancshares Corporation**  
**Notes to Consolidated Financial Statements**  
(continued)  
(Dollars in thousands)

**Note 8: Other Operating Expenses**

(Dollars in thousands)	Year Ended December 31,				
	2015	2014	2013	2012	2011
Advertising and promotions	\$155	\$130	\$122	\$95	\$84
Accounting and exam fee	148	221	198	177	156
Courier	18	15	12	10	17
Data processing	527	340	290	256	249
Directors expense	128	125	92	85	79
Dues and subscriptions	13	13	6	7	9
Education and training	104	44	45	33	20
FDIC insurance	231	180	99	104	242
Franchise tax	7	5	4	5	6
Insurance	86	47	52	44	32
Legal and professional fees	153	130	103	71	61
Miscellaneous loan expense	27	6	8	5	5
Postage and freight	87	80	68	74	76
Supplies	76	72	67	66	52
Telecommunications	311	174	139	118	103
All other	260	306	218	169	216
Total operating expenses	\$2,331	\$1,888	\$1,523	\$1,319	\$1,389

**Note 9: Income Taxes**

For the year 1998, the Company, with the consent of its stockholders, elected to be taxed as a Subchapter S corporation. Subchapter S corporation tax law provides that, in lieu of corporate income taxes, the stockholders separately account for their pro rata share of the Company's items of income, deductions, losses, and credits. As a result of this election, no corporate income taxes will be recognized in the financial statements for the year ending December 31, 1998 and thereafter.

**Live Oak Bancshares Corporation**  
**Notes to Consolidated Financial Statements**  
(continued)  
(Dollars in thousands)

**Note 10: Reconciliation of Net Operating Cash Flow to Net Income**

	December 31				
	2015	2014	2013	2012	2011
Net Operating Cash Flow	<u>\$ 5,331</u>	<u>\$ 3,128</u>	<u>\$ 4,513</u>	<u>\$ 6,531</u>	<u>\$ 8,635</u>
Non-Cash Reconciling Items					
Provision for loan losses	(1,250)	(750)	(345)	(240)	(315)
Depreciation of bank premises and equipment	(610)	(473)	(499)	(447)	(416)
Amortization of assets	(541)	(651)	(734)	(693)	(503)
Accretion of assets	147	169	156	152	101
Interest and fees on loans, not collected	822	796	653	597	599
Interest and fees on loans collected, previously accrued	(796)	(653)	(597)	(599)	(552)
Interest on investments, not collected	510	616	684	667	659
Interest on investments collected, previously accrued	(616)	(684)	(667)	(659)	(451)
Non-interest expense accrued, not paid	(579)	(1,265)	(481)	(622)	(392)
Non-interest expense paid, previously accrued	778	481	622	392	256
Interest expense accrued, not paid	(154)	(117)	(111)	(135)	(176)
Interest expense paid, previously accrued	117	111	135	176	220
Employee costs accrued, not paid	(455)	(220)	(200)	(200)	(600)
Employee costs paid, previously accrued	706	200	200	600	377
Other non-interest expense accrued, not paid	7,142	6,347	2,222	554	479
Other non-interest expense paid, previously accrued	(6,347)	(2,221)	(554)	(479)	(695)
Write down of other real estate owned	(312)	0	(10)	0	(146)
Total	<u>(1,438)</u>	<u>1,686</u>	<u>474</u>	<u>(936)</u>	<u>(1,555)</u>
Net Income as Reported	<u>\$ 3,893</u>	<u>\$ 4,814</u>	<u>\$ 4,987</u>	<u>\$ 5,595</u>	<u>\$ 7,080</u>

**Live Oak Bancshares Corporation**  
(Parent only)  
**Balance Sheets**  
(Dollars in thousands)

	December 31				
	2015	2014	2013	2012	2011
<b>Assets</b>					
Cash	\$ 3,115	\$ 3,172	\$ 3,070	\$ 2,767	\$ 2,777
Investment in subsidiary	36,276	34,251	30,287	28,763	24,289
Investment in Forehand Title Management, L.L.C.	336	546	486	738	680
Excess of cost over fair value of net assets acquired	772	772	772	772	772
<b>Total Assets</b>	<b>\$ 40,499</b>	<b>\$ 38,741</b>	<b>\$ 34,615</b>	<b>\$ 33,040</b>	<b>\$ 28,518</b>
<b>Liabilities</b>					
Total Liabilities	0	0	0	0	0
<b>Shareholders' Equity</b>					
Capital stock	55	55	55	55	55
Surplus	1,889	1,889	1,770	1,770	1,770
Treasury stock	(2,318)	(2,318)	(2,326)	(2,326)	(2,326)
Retained earnings	40,472	38,252	34,728	31,571	27,476
Net unrealized gain (loss) on investments	401	863	388	1,970	1,543
<b>Total Stockholders' Equity</b>	<b>40,499</b>	<b>38,741</b>	<b>34,615</b>	<b>33,040</b>	<b>28,518</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 40,499</b>	<b>\$ 38,741</b>	<b>\$ 34,615</b>	<b>\$ 33,040</b>	<b>\$ 28,518</b>

**Live Oak Bancshares Corporation**  
(Parent Only)  
**Income Statements**  
(Dollars in thousands)

	December 31				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Income</b>					
Equity in earnings of bank	\$ 2,486	\$ 3,490	\$ 3,106	\$ 4,047	\$ 3,151
Equity in earnings of Forehand Title Mgt., L.L.C.	0	60	0	58	22
Dividend income from bank	1,378	1,265	1,832	1,496	1,614
Dividend income from Forehand Title, Mgt., L.L.C.	245	0	306	0	2,295
Interest on certificates of deposit	2	2	0	0	0
Total income	<u>4,111</u>	<u>4,817</u>	<u>5,244</u>	<u>5,601</u>	<u>7,082</u>
<b>Expenses</b>					
Loss in equity in earnings of Forehand Title Mgt., L.L.C.	210	0	252	0	0
Other operating expenses	8	3	5	6	2
Total expense	<u>218</u>	<u>3</u>	<u>257</u>	<u>6</u>	<u>2</u>
<b>Net Income</b>	<u><u>\$ 3,893</u></u>	<u><u>\$ 4,814</u></u>	<u><u>\$ 4,987</u></u>	<u><u>\$ 5,595</u></u>	<u><u>\$ 7,080</u></u>

**SouthTrust Bank, N.A.**  
(Subsidiary only)  
**Balance Sheets**  
(Dollars in thousands)

	December 31				
	2015	2014	2013	2012	2011
<b>Assets</b>					
Cash and non-interest bearing deposits	\$ 7,556	\$ 7,878	\$ 16,809	\$ 22,665	\$ 9,672
Federal funds sold	0	0	0	0	0
Securities available for sale	77,135	91,584	98,677	83,058	71,784
Securities to be held to maturity	2,000	2,000	2,000	2,000	2,000
Loans	264,818	243,858	181,932	155,880	142,879
Deduct: Unearned income	(35)	(77)	(115)	(98)	(125)
Provision for loan losses	(4,915)	(3,893)	(3,375)	(3,251)	(3,133)
Premises and equipment, net	7,077	7,143	5,687	5,662	4,677
Other Assets	8,867	8,463	3,719	1,979	2,434
Total Assets	<u>\$ 362,503</u>	<u>\$ 356,956</u>	<u>\$ 305,334</u>	<u>\$ 267,895</u>	<u>\$ 230,188</u>
<b>Liabilities</b>					
Deposits	\$ 294,039	\$ 304,603	\$ 274,256	\$ 238,174	\$ 204,729
Overnight borrowings	0	1,500	0	0	0
Short-term borrowings	14,000	15,000	0	0	0
Long-term borrowings	17,000	0	0	0	0
Other liabilities	1,188	1,602	791	958	1,169
Total Liabilities	<u>326,227</u>	<u>322,705</u>	<u>275,047</u>	<u>239,132</u>	<u>205,898</u>
<b>Shareholders' Equity</b>					
Common stock	550	550	550	550	550
Surplus	2,350	2,350	2,350	2,350	2,350
Retained earnings	32,975	30,488	26,999	23,893	19,847
Net unrealized gain (loss) on investments	401	863	388	1,970	1,543
Total Stockholders' Equity	<u>36,276</u>	<u>34,251</u>	<u>30,287</u>	<u>28,763</u>	<u>24,290</u>
Total Liabilities and Stockholders' Equity	<u>\$ 362,503</u>	<u>\$ 356,956</u>	<u>\$ 305,334</u>	<u>\$ 267,895</u>	<u>\$ 230,188</u>

**SouthTrust Bank, N.A.**  
(Subsidiary only)  
Income Statements

(Dollars in thousands)

	December 31				
	2015	2014	2013	2012	2011
<b>Interest Income</b>					
Interest and fees on loans	\$ 14,023	\$ 12,651	\$ 10,752	\$ 10,308	\$ 9,385
Interest and dividends on securities:					
Taxable	702	820	704	676	622
Non-taxable	987	1,128	1,130	1,108	915
Interest on certificates of deposit	1	3	1	0	0
Federal funds sold/Federal Reserve Balances	16	20	41	31	29
Total interest income	<u>15,729</u>	<u>14,622</u>	<u>12,628</u>	<u>12,123</u>	<u>10,951</u>
<b>Interest Expense</b>					
NOW accounts	28	28	23	22	20
Money market	275	262	198	248	292
Savings	30	27	25	28	21
Certificates of deposit					
\$100,000 and over	333	307	335	433	558
Other	98	100	126	194	272
Total interest expense on deposits	<u>764</u>	<u>724</u>	<u>707</u>	<u>925</u>	<u>1,163</u>
Federal funds purchased	1	1	0	0	0
Short-term borrowings	42	3	1	1	1
Long-term borrowings	46	0	0	0	0
Total interest expense	<u>853</u>	<u>728</u>	<u>708</u>	<u>926</u>	<u>1,164</u>
<b>Net interest income</b>	<b>14,876</b>	<b>13,894</b>	<b>11,920</b>	<b>11,197</b>	<b>9,787</b>
Provision for loan losses	1,250	750	345	240	315
<b>Net interest income after provision</b>	<b><u>13,626</u></b>	<b><u>13,144</u></b>	<b><u>11,575</u></b>	<b><u>10,957</u></b>	<b><u>9,472</u></b>
<b>Non-Interest Income</b>					
Service charges and fees on deposit accounts	960	928	942	929	964
Other	652	641	590	556	665
Total non-interest income	<u>1,612</u>	<u>1,569</u>	<u>1,532</u>	<u>1,485</u>	<u>1,629</u>
<b>Non-Interest Expense</b>					
Salaries	7,340	6,924	5,544	4,485	3,934
Occupancy	1,398	1,150	1,098	1,101	871
Advertising & promotion	155	130	122	95	84
Data processing & courier	545	356	301	256	248
Directors' expense	128	125	92	85	78
Insurance	317	227	151	148	280
Legal & professional fees	152	130	102	71	60
Other operating expenses	1,339	916	760	658	781
Total non-interest expense	<u>11,374</u>	<u>9,958</u>	<u>8,170</u>	<u>6,899</u>	<u>6,336</u>
<b>Net Income</b>	<b><u>3,864</u></b>	<b><u>4,755</u></b>	<b><u>4,937</u></b>	<b><u>5,543</u></b>	<b><u>4,765</u></b>

**SouthTrust Bank, N.A.**  
Peer Group Comparison  
December 31, 2015

	SouthTrust Bank	Peer Group	Percentile Rank
<b>Earnings &amp; Profitability as % of avg. assets</b>			
Interest income (tax equiv)	4.43	3.92	83
- Interest expense	0.23	0.40	21
Net interest income (tax equiv.)	4.20	3.51	89
+ Non-Interest income	0.35	0.76	18
- Non-Interest expense	3.01	2.86	62
- Provision for loan lease losses	0.34	0.10	92
= Pretax net operating income (tax equiv.)	1.19	1.37	38
<b>Margin Analysis</b>			
Avg earning assets to avg assets	94.94	94.03	62
Avg interest bearing funds to avg assets	59.79	75.03	7
Interest income (tax equiv.) to avg earning assets	4.66	4.18	80
Interest expense to avg earning assets	0.25	0.42	20
Net interest income to avg earning assets	4.42	3.74	87
<b>As a percent of avg. assets</b>			
Personnel expense	2.00	1.60	82
Occupancy expense	0.38	0.35	61
Other operating expenses	0.63	0.89	16
Total overhead expense	3.01	2.86	62
Avg personnel expense per employee (\$000)	80.66	74.60	68
Assets per employee (\$million)	3.98	5.00	30
<b>Yield on or Cost of</b>			
Total loans	5.48	5.04	79
Real estate loans	4.76	5.01	35
Commercial loans	7.90	5.17	94
Loans to individuals	8.07	6.42	80
Total investment securities	2.61	2.47	59
US Treasuries	1.66	1.63	54
Mortgage backed securities	2.45	2.05	80
All other securities	2.02	2.73	17
Total interest bearing deposits	0.41	0.48	40
Transaction accounts	0.14	0.22	39
Other savings deposits	0.31	0.26	67
Time deposits over \$100M	0.66	0.89	24
All other time deposits	0.52	0.83	17
<b>Growth Rates</b>			
Total Assets	1.55	6.31	25
Tier One Capital	7.45	7.72	55
Net Loans	8.33	8.92	52

Our peer group is defined as all insured commercial banks having assets between \$300 million and \$1 billion. As of 12-31-15, there were 1,239 bank in our peer group.

Regional Peer Group Comparison

Data as of 12-31-2015



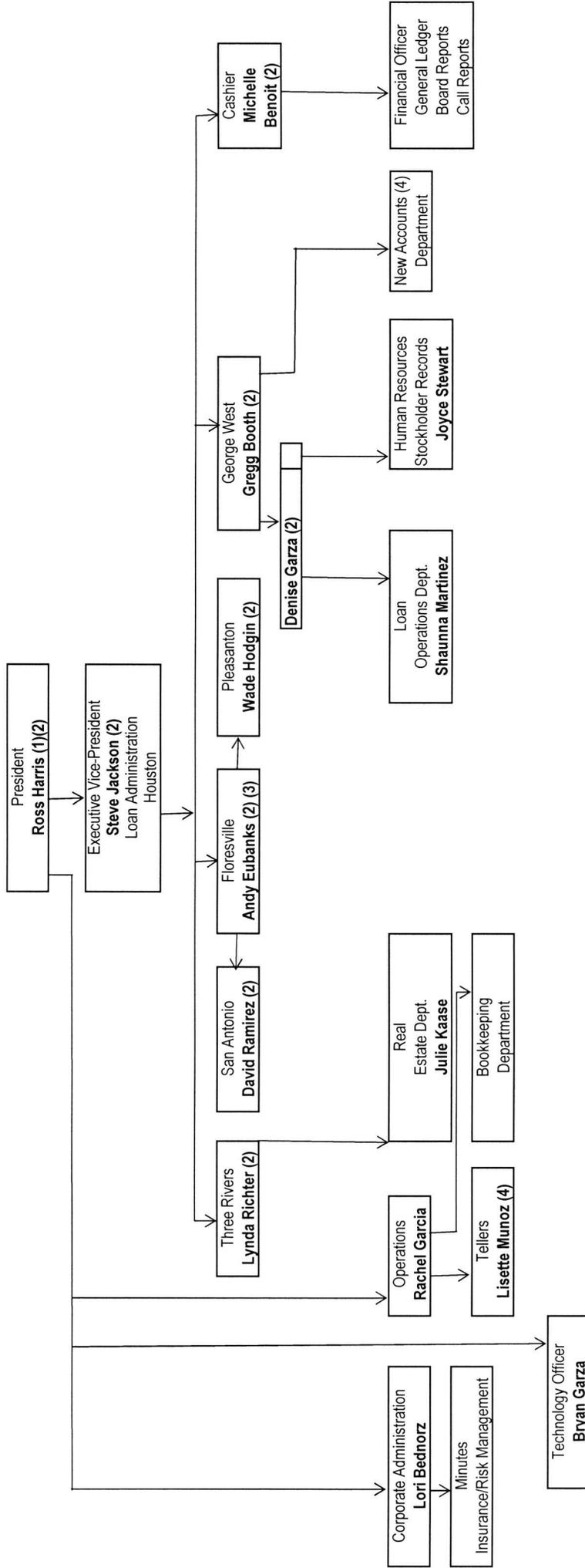
Bank	City	Total Assets (millions)	Net Loans (millions)	Total Deposits (millions)	Loan to Deposit Ratio	Tier 1 Capital Ratio	Return on Assets (tax adj)	Return on Equity (tax adj)	Net Interest Margin	Net Charge Offs to Avg Loans	Delq Loans to Total Loans*
Texas Champion Bank	Corpus Christi	\$ 384	\$ 286	\$ 281	102%	9.2%	0.51%	5.5%	3.88%	0.78%	3.87%
Karnes County Natl Bank	Karnes City	\$ 378	\$ 100	\$ 345	29%	8.9%	1.13%	12.7%	2.92%	0.07%	0.74%
Sage Capital Bank	Gonzales	\$ 353	\$ 202	\$ 314	64%	9.8%	1.08%	11.0%	3.55%	0.02%	0.15%
Falls City National Bank	Falls City	\$ 346	\$ 116	\$ 318	36%	8.3%	1.26%	15.2%	3.04%	0.62%	4.69%
First National Bank	Beeville	\$ 314	\$ 294	\$ 285	103%	9.0%	0.98%	10.9%	3.47%	0.02%	0.91%
Jourdanton State Bank	Jourdanton	\$ 172	\$ 27	\$ 151	18%	10.8%	0.68%	6.3%	2.41%	0.19%	0.06%
First State Bank	Three Rivers	\$ 154	\$ 79	\$ 138	57%	9.8%	0.94%	9.6%	2.60%	0.01%	0.00%
First State Bank	Odem	\$ 138	\$ 65	\$ 125	52%	9.4%	0.74%	7.9%	3.67%	0.05%	0.39%
Atascosa National Bank	Pleasanton	\$ 95	\$ 12	\$ 88	14%	7.5%	0.22%	2.9%	1.36%	0.01%	0.00%
Lytle State Bank	Lytle	\$ 84	\$ 23	\$ 68	34%	17.1%	1.07%	6.2%	3.44%	0.81%	1.78%
First State Bank	San Diego	\$ 72	\$ 25	\$ 66	38%	8.2%	1.13%	13.9%	2.99%	0.17%	0.36%
Brush Country Bank	Freer	\$ 44	\$ 23	\$ 40	58%	8.4%	1.12%	13.3%	3.78%	0.52%	0.95%
	Average	\$ 211	\$ 104	\$ 185	50%	9.7%	0.91%	9.6%	3.09%	0.27%	1.16%
	Maximum	\$ 384	\$ 294	\$ 345	103%	17.1%	1.26%	15.2%	4.43%	0.81%	4.69%
	Minimum	\$ 44	\$ 12	\$ 40	14%	7.5%	0.22%	2.9%	1.40%	0.01%	0.00%

SouthTrust Bank	George West	\$ 363	\$ 260	\$ 294	88%	9.6%	1.05%	10.9%	4.20%	0.09%	1.46%
SouthTrust Bank variance from average		\$ 152	\$ 156	\$ 109	38%	-0.1%	0.15%	1.3%	1.11%	-0.18%	0.30%
SouthTrust Bank ranking within group		3	3	4	3	5	7	6	1	7	4

\* Calculation includes ORE



Organizational Chart



Other Responsibilities:

- Security Officer -Denise Garza
- Compliance Officer / Internal Auditor -Lynda Richter
- CRA Officer - Denise Garza

- (1) Harris reports to Board of Directors who report to Shareowners
- (2) Executive Officer
- (3) San Antonio Regional Manager
- (4) Also responsible for some staff in all branches

**Live Oak Bancshares Corporation**  
Board of Directors and Officers  
Occupations, Ages, (Length of Service)

---

**Board of Directors**

**Stuart D. Saunders**

Asset Management  
Mission Heights Enterprises, Ltd.  
51, (8)

**Ross Harris**

Banker  
President, SouthTrust Bank  
69, (34)

**Steven H. Jackson**

Executive Vice President  
Houston Branch President  
55, (1)

**Mike Laux**

Technical Specialist  
BP Alaska  
63, (8)

**David West**

Restaurant and Convenience  
Store Owner  
47, (8)

**James D. Pawlik**

Retail Merchant  
Pres., Pawlik Supply Co., Inc.  
73, (30)

**William M. Holland, III**

Rancher  
La Chusa Ranch  
65, (34)

**Bernard Bednorz**

Retail Merchant  
Pres., Bednorz Motors, Inc.  
80 (34)

**Henry E. Houdmann**

Rancher  
90, (30)

**Executive Officers**

**Ross Harris**

President  
69, (34)

**Lynda A. Richter**

Three Rivers Branch President  
66, (9)

**Wade K. Hodgins**

Pleasanton Branch President  
61, (1)

**Steven H. Jackson**

Executive Vice President  
Chief Credit Officer  
55, (1)

**Andy M. Eubanks**

Regional Banking Supervisor  
Floresville Branch President  
59, (15)

**Michelle Benoit**

Cashier  
52, (1)

**Denise M. Garza**

Senior Vice President  
42, (6)

**David N. Ramirez**

San Antonio Branch President  
56, (13)

**R. Gregg Booth**

George West Branch President  
50, (1)

The **Holding Company's** Board of Directors held 5 meetings during the 2015 fiscal year. Each director is expected to attend each meeting of the Board. In 2015, director attendance was 93% of all meetings of the board.

The **Bank's** Board of Directors held 12 meetings and 24 committee meetings during the 2015 fiscal year. No director attended less than 92% of all Board meetings in 2015. Each director is expected to attend each meeting for those committees on which he serves.

**SouthTrust Bank, N.A.**  
Board of Directors and Executive Officers  
Occupations, Ages, (Length of Service)

---

**Board of Directors**

**Ross Harris**

Banker  
President, SouthTrust Bank  
69, (36)

**Mike Laux**

Technical Specialist  
BP Alaska  
63, (20)

**Stuart D. Saunders**

Asset Management  
Mission Heights Enterprises, Ltd.  
51, (12)

**William M. Holland, III**

Rancher  
La Chusa Ranch  
65, (40)

**James D. Pawlik**

Retail Merchant  
Pres., Pawlik Supply Co., Inc.  
73, (31)

**David West**

Restaurant and Convenience  
Store Owner  
47, (9)

**Steven H. Jackson**

Executive Vice President  
Houston Branch President  
55, (2)

**Executive Officers**

**Ross Harris**

President  
69, (36)

**Lynda A. Richter**

Three Rivers Branch President  
66, (11)

**Wade K. Hodgin**

Pleasanton Branch President  
61, (4)

**Steven H. Jackson**

Executive Vice President  
Chief Credit Officer  
55, (3)

**Andy M. Eubanks**

Regional Banking Supervisor  
Floresville Branch President  
59, (16)

**Michelle Benoit**

Cashier  
52, (2)

**Denise M. Garza**

Senior Vice President  
42, (14)

**David N. Ramirez**

San Antonio Branch President  
56, (14)

**R. Gregg Booth**

George West Branch President  
50, (1)

**January 27, 1934**

First National Bank in George West founded with the signing of the Articles of Association.

**February 17, 1934**

Comptroller of the Currency issued the charter for the new bank.

**January, 1961**

First National Bank moved into new banking house.

**June, 1981**

Live Oak Bancshares Corporation formed.

**1983**

George West banking house is remodeled.

**February 1, 1991**

First day of business in Three Rivers. The banking house in use today was built in 1995.

**August 11, 1997**

First day of business in Floresville. The banking house in use today was built in 2005.

**December, 1997**

Stockholders consented to the company electing to be taxed as a Subchapter S corporation.

**November 9, 2001**

First day of business in San Antonio. The banking house in use today was built in 2008.

**December 31, 2004**

Bank reaches \$100 million in assets.

**March 31, 2011**

Bank reaches \$200 million in assets.

**August 6, 2012**

First day of business in Pleasanton. The banking house in use today was built in 2014.

**September 23, 2013**

First day of business in Houston.

**October 10, 2013**

Changed the bank's name to SouthTrust Bank, N.A.

**December 31, 2013**

Bank reaches \$300 million in assets.

**2014**

SouthTrust Bank begins its 80th year of delivering exceptional financial services.