UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2026

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ________ to ________.

Commission file number: 001-37497

LIVE OAK BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

North Carolina	**26-4596286**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1741 Tiburon Drive **Wilmington, North Carolina**	**28403**
(Address of principal executive offices)	(Zip Code)

(910) 790-5867

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Voting Common Stock, no par value per share	**LOB**	**New York Stock Exchange LLC**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 8.375% Fixed Rate Series A Non-Cumulative Perpetual Preferred Stock, no par value per share	**LOB/PA**	**New York Stock Exchange LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of August 3, 2026, there were 46,283,620 shares of the registrant's voting common stock outstanding.

Live Oak Bancshares, Inc.

Form 10-Q

For the Quarterly Period Ended June 30, 2026

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Live Oak Bancshares, Inc.
Condensed Consolidated Balance Sheets
As of June 30, 2026 (unaudited) and December 31, 2025
(Dollars in thousands)

	June 30, 2026	December 31, 2025
Assets		
Cash and due from banks	$ 927,630	$ 864,904
Certificates of deposit with other banks	250	250
Investment securities available-for-sale	1,467,855	1,427,401
Loans held for sale	511,812	420,055
Loans and leases held for investment (includes $232,088 and $260,625 measured at fair value, respectively)	12,630,859	11,973,622
Allowance for credit losses on loans and leases	(193,417)	(192,264)
Net loans and leases	12,437,442	11,781,358
Premises and equipment, net	231,198	240,203
Foreclosed assets	11,017	8,208
Servicing assets (includes $66,575 and $62,941 measured at fair value, respectively)	66,733	63,155
Other assets	384,204	329,244
Total assets	$ 16,038,141	$ 15,134,778
Liabilities and shareholders' equity		
Liabilities		
Deposits:		
Noninterest-bearing	$ 605,237	$ 515,051
Interest-bearing	13,942,289	13,173,608
Total deposits	14,547,526	13,688,659
Borrowings	99,766	102,404
Other liabilities	73,931	89,609
Total liabilities	14,721,223	13,880,672
Shareholders' equity		
Series A Preferred stock, no par value, 1,000,000 shares authorized, 100,000 shares issued and outstanding at June 30, 2026 and December 31, 2025	96,266	96,266
Class A common stock, no par value, 100,000,000 shares authorized, 46,283,620 and 46,032,402 shares issued and outstanding at June 30, 2026 and December 31, 2025, respectively	399,396	388,389
Retained earnings	869,757	809,885
Accumulated other comprehensive loss	(52,555)	(44,672)
Total shareholders' equity attributed to Live Oak Bancshares, Inc.	1,312,864	1,249,868
Non-controlling interest	4,054	4,238
Total shareholders' equity	1,316,918	1,254,106
Total liabilities and shareholders' equity	$ 16,038,141	$ 15,134,778

See Notes to Unaudited Condensed Consolidated Financial Statements

Live Oak Bancshares, Inc.
Condensed Consolidated Statements of Income
For the three and six months ended June 30, 2026 and 2025 (unaudited)
(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Interest income				
Loans and fees on loans	$ 221,705	$ 204,513	$ 435,834	$ 400,129
Investment securities, taxable	13,411	11,648	26,420	22,737
Other interest earning assets	6,601	8,123	13,327	14,523
Total interest income	241,717	224,284	475,581	437,389
Interest expense				
Deposits	114,776	113,380	227,623	224,268
Borrowings	1,603	1,683	3,220	3,368
Total interest expense	116,379	115,063	230,843	227,636
Net interest income	125,338	109,221	244,738	209,753
Provision for credit losses	25,800	23,252	45,900	52,216
Net interest income after provision for credit losses	99,538	85,969	198,838	157,537
Noninterest income				
Loan servicing revenue	9,194	8,565	18,288	16,863
Loan servicing asset revaluation	(4,278)	(3,057)	(7,765)	(7,785)
Net gains on sales of loans	17,554	17,570	32,979	33,008
Net gain (loss) on loans accounted for under the fair value option	291	1,082	(874)	48
Equity method investments income (loss)	74	(2,716)	(743)	(4,955)
Equity security investments gains, net	—	1,004	—	1,024
Lease income	2,238	3,103	4,373	5,676
Other noninterest income	5,734	4,904	10,623	8,947
Total noninterest income	30,807	30,455	56,881	52,826
Noninterest expense				
Salaries and employee benefits	48,776	46,008	98,130	91,537
Travel expense	1,933	1,634	3,396	3,698
Professional services expense	2,938	2,874	5,454	5,898
Advertising and marketing expense	2,734	4,420	5,785	8,085
Occupancy expense	2,364	2,369	4,774	5,106
Technology expense	9,608	10,066	19,357	19,317
Equipment expense	3,662	3,685	7,355	7,430
Other loan origination and maintenance expense	4,864	4,190	10,783	8,775
Renewable energy tax credit investment impairment	26	270	26	270
FDIC insurance	4,788	3,545	9,189	7,096
Other expense	2,832	6,161	5,569	8,817
Total noninterest expense	84,525	85,222	169,818	166,029
Income before taxes	45,820	31,202	85,901	44,334
Income tax expense	9,116	7,815	19,250	11,279
Net income	36,704	23,387	66,651	33,055
Net loss attributable to non-controlling interest	91	41	184	90
Net income attributable to Live Oak Bancshares, Inc.	36,795	23,428	66,835	33,145
Preferred stock dividends	2,094	—	4,188	—
Net income attributable to common shareholders	$ 34,701	$ 23,428	$ 62,647	$ 33,145
Basic earnings per share	$ 0.75	$ 0.51	$ 1.36	$ 0.72
Diluted earnings per share	$ 0.74	$ 0.51	$ 1.35	$ 0.72

See Notes to Unaudited Condensed Consolidated Financial Statements

Live Oak Bancshares, Inc.
Condensed Consolidated Statements of Comprehensive Income
For the three and six months ended June 30, 2026 and 2025 (unaudited)
(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Net income	$ 36,704	$ 23,387	$ 66,651	$ 33,055
Other comprehensive (loss) income before tax:				
Net unrealized (loss) gain on investment securities available-for-sale during the period	(6,864)	8,137	(10,390)	27,408
Other comprehensive (loss) income before tax	(6,864)	8,137	(10,390)	27,408
Income tax benefit (expense)	1,648	(1,953)	2,494	(6,578)
Other comprehensive (loss) income, net of tax	(5,216)	6,184	(7,896)	20,830
Total comprehensive income	31,488	29,571	58,755	53,885
Comprehensive loss attributable to non-controlling interest	91	41	184	90
Total comprehensive income attributable to Live Oak Bancshares, Inc.	$ 31,579	$ 29,612	$ 58,939	$ 53,975

See Notes to Unaudited Condensed Consolidated Financial Statements

Live Oak Bancshares, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the three and six months ended June 30, 2026 and 2025 (unaudited)
(Dollars in thousands)

	Three Months Ended								
	Preferred Stock		Common stock						
	Shares		Shares						
	Series A	Amount	Class A	Class B	Amount	Retained earnings	Accumulated other comprehensive (loss) income	Non-controlling interest	Total equity
Balance at March 31, 2026	100,000	$ 96,266	46,240,691	—	$ 392,258	$ 836,444	$ (47,352)	$ 4,145	$ 1,281,761
Net income (loss)	—	—	—	—	—	36,795	—	(91)	36,704
Other comprehensive loss	—	—	—	—	—	—	(5,216)	—	(5,216)
Issuance of restricted stock	—	—	36,929	—	—	—	—	—	—
Tax withholding related to vesting of restricted stock and other	—	—	—	—	(348)	—	—	—	(348)
Stock option exercises	—	—	6,000	—	96	—	—	—	96
Restricted stock compensation expense	—	—	—	—	7,390	—	—	—	7,390
Reclassification of accumulated other comprehensive income due to tax rate adjustment	—	—	—	—	—	—	13	—	13
Cash dividends - preferred	—	—	—	—	—	(2,094)	—	—	(2,094)
Cash dividends ($0.03 per share) - common	—	—	—	—	—	(1,388)	—	—	(1,388)
Balance at June 30, 2026	100,000	$ 96,266	46,283,620	—	$ 399,396	$ 869,757	$ (52,555)	$ 4,054	$ 1,316,918
Balance at March 31, 2025	—	$ —	45,589,633	—	$ 370,513	$ 724,215	$ (67,698)	$ 4,417	$ 1,031,447
Net income (loss)	—	—	—	—	—	23,428	—	(41)	23,387
Other comprehensive income	—	—	—	—	—	—	6,184	—	6,184
Issuance of restricted stock	—	—	36,720	—	—	—	—	—	—
Tax withholding related to vesting of restricted stock and other	—	—	—	—	(293)	—	—	—	(293)
Stock option exercises	—	—	59,728	—	788	—	—	—	788
Restricted stock compensation expense	—	—	—	—	6,945	—	—	—	6,945
Transfer from retained earnings to other assets for pro rata portion of equity method investee stock compensation expense	—	—	—	—	—	176	—	—	176
Cash dividends ($0.03 per share) - common	—	—	—	—	—	(1,369)	—	—	(1,369)
Balance at June 30, 2025	—	$ —	45,686,081	—	$ 377,953	$ 746,450	$ (61,514)	$ 4,376	$ 1,067,265

Live Oak Bancshares, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity (Continued)
For the three and six months ended June 30, 2026 and 2025 (unaudited)
(Dollars in thousands)

	Six Months Ended								
	Preferred Stock		Common stock						
	Shares		Shares						
	Series A	Amount	Class A	Class B	Amount	Retained earnings	Accumulated other comprehensive (loss) income	Non-controlling interest	Total equity
Balance at December 31, 2025	100,000	$ 96,266	46,032,402		$ 388,389	$809,885	$ (44,672)	$ 4,238	$1,254,106
Net income (loss)	—	—	—	—	—	66,835	—	(184)	66,651
Other comprehensive loss	—	—	—	—	—	—	(7,896)	—	(7,896)
Issuance of restricted stock	—	—	191,470	—	—	—	—	—	—
Tax withholding related to vesting of restricted stock and other	—	—	—	—	(4,342)	—	—	—	(4,342)
Employee stock purchase program	—	—	17,665	—	484	—	—	—	484
Stock option exercises	—	—	42,083	—	595	—	—	—	595
Restricted stock compensation expense	—	—	—	—	14,270	—	—	—	14,270
Reclassification of accumulated other comprehensive income due to tax rate adjustment	—	—	—	—	—	—	13	—	13
Cash dividends - preferred	—	—	—	—	—	(4,188)	—	—	(4,188)
Cash dividends ($0.06 per share) - common	—	—	—	—	—	(2,775)	—	—	(2,775)
Balance at June 30, 2026	100,000	$ 96,266	46,283,620	—	$ 399,396	$869,757	$ (52,555)	$ 4,054	$1,316,918
Balance at December 31, 2024	$ —	$ —	45,359,425	—	$ 365,607	$715,767	$ (82,344)	$ 4,466	$1,003,496
Net income (loss)	—	—	—	—	—	33,145	—	(90)	33,055
Other comprehensive income	—	—	—	—	—	—	20,830	—	20,830
Issuance of restricted stock	—	—	180,504	—	—	—	—	—	—
Tax withholding related to vesting of restricted stock and other	—	—	—	—	(3,471)	—	—	—	(3,471)
Employee stock purchase program	—	—	23,015	—	659	—	—	—	659
Stock option exercises	—	—	123,137	—	1,546	—	—	—	1,546
Restricted stock compensation expense	—	—	—	—	13,612	—	—	—	13,612
Transfer from retained earnings to other assets for pro rata portion of equity method investee stock compensation expense	—	—	—	—	—	274	—	—	274
Cash dividends ($0.06 per share) - common	—	—	—	—	—	(2,736)	—	—	(2,736)
Balance at June 30, 2025	—	$ —	45,686,081	—	$ 377,953	$746,450	$ (61,514)	$ 4,376	$1,067,265

See Notes to Unaudited Condensed Consolidated Financial Statements

Live Oak Bancshares, Inc.
Condensed Consolidated Statements of Cash Flows
For the six months ended June 30, 2026 and 2025 (unaudited)
(Dollars in thousands)

	Six Months Ended June 30,	
	2026	**2025**
Cash flows from operating activities		
Net income	$ 66,651	$ 33,055
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,209	13,758
Provision for credit losses	45,900	52,216
Accretion of discount on securities, net	(365)	(230)
Deferred tax benefit	(7,386)	(843)
Originations of loans held for sale	(665,328)	(697,086)
Proceeds from sales of loans held for sale	633,666	627,599
Net gains on sale of loans held for sale	(32,979)	(33,008)
Net loss on impairment or sale of foreclosed assets	186	12
Net loss (gain) on loans accounted for under fair value option	874	(48)
Net change in servicing assets	(3,578)	(4,215)
Purchase of transferable tax credits	(22,966)	—
Net loss on disposal of property and equipment	238	3,122
Proceeds received from government guaranteed receivables	97,196	8,384
Equity method investments loss (income)	743	4,955
Equity security investments (gains) losses, net	—	(1,024)
Net (gain) loss on equity warrant assets	(77)	419
Renewable energy tax credit investment impairment	26	270
Restricted stock compensation expense	14,270	13,612
Stock based compensation excess tax benefit (deficiency)	104	(224)
Lease right-of-use assets and liabilities, net	22	7
Changes in assets and liabilities:		
Other assets	(3,881)	6,904
Other liabilities	(17,955)	(4,090)
Net cash provided by operating activities	118,570	23,545
Cash flows from investing activities		
Purchases of investment securities available-for-sale	(151,852)	(126,937)
Proceeds from maturities, calls, and principal paydowns of investment securities available-for-sale	101,373	77,572
Proceeds from sale of foreclosed assets	2,178	827
Loan and lease originations and principal collections, net	(850,256)	(740,040)
Purchases of equity security investments	(406)	(4,471)
Purchases of equity method investments	(380)	(3,060)
Proceeds from sale of equity security investments	391	359
Proceeds from sale of equity method investments	1,511	385
Proceeds from sale of premises and equipment	450	4,361
Purchases of premises and equipment, net	(4,856)	(3,719)
Net cash used by investing activities	(901,847)	(794,723)

Live Oak Bancshares, Inc.
Condensed Consolidated Statements of Cash Flows (Continued)
For the six months ended June 30, 2026 and 2025 (unaudited)
(Dollars in thousands)

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Cash flows from financing activities		
Net increase in deposits	$ 858,867	$ 834,296
Proceeds from borrowings	71	84
Repayment of borrowings	(2,709)	(5,245)
Stock option exercises	595	1,546
Employee stock purchase program	484	659
Tax withholding related to vesting of restricted stock and other	(4,342)	(3,471)
Shareholder dividend distributions - preferred	(4,188)	—
Shareholder dividend distributions - common	(2,775)	(2,736)
Net cash provided by financing activities	846,003	825,133
Net increase in cash and cash equivalents	62,726	53,955
Cash and cash equivalents, beginning	864,904	608,800
Cash and cash equivalents, ending	$ 927,630	$ 662,755
Supplemental disclosures of cash flow information		
Interest paid	$ 230,245	$ 227,748
Income tax paid, net	63,619	7,221
Supplemental disclosures of noncash investing and financing activities		
Unrealized holding (losses) gains on investment securities available-for-sale, net of taxes	$ (7,896)	$ 20,830
Transfers from loans and leases to foreclosed real estate and other repossessions or government guaranteed receivable	122,282	18,894
Net transfers between foreclosed assets and government guaranteed receivable	(328)	33
Transfer of loans held for sale to loans and leases held for investment	44,953	113,326
Transfer of loans and leases held for investment to loans held for sale	73,441	19,708
Transfer from retained earnings to other assets for pro rata portion of equity method investee stock compensation expense	—	274

See Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Basis of Presentation

Nature of Operations

Live Oak Bancshares, Inc. (collectively with its subsidiaries including Live Oak Banking Company, the “Company”) is a bank holding company headquartered in Wilmington, North Carolina incorporated under the laws of the State of North Carolina in December 2008. The Company conducts business operations primarily through its commercial bank subsidiary, Live Oak Banking Company (the “Bank”). The Bank was organized and incorporated under the laws of the State of North Carolina on February 25, 2008 and commenced operations on May 12, 2008. The Bank specializes in providing lending and deposit related services to small businesses nationwide. A significant portion of the loans originated by the Bank are partially guaranteed by the Small Business Administration (“SBA”) under the 7(a) Loan Program and the U.S. Department of Agriculture’s (“USDA”) Rural Energy for America Program (“REAP”), Water and Environmental Program (“WEP”), Business & Industry (“B&I”) and Community Facilities loan programs. These loans are to small businesses and professionals with what the Bank believes are lower risk characteristics. Industries, or “verticals,” on which the Bank focuses its lending efforts are carefully selected. The Bank also lends more broadly to select borrowers outside of those verticals.

As of June 30, 2026, the Company’s wholly owned material subsidiaries are the Bank, Government Loan Solutions, Inc. (“GLS”), Live Oak Grove, LLC (“Grove”), and Live Oak Ventures, Inc. (“Live Oak Ventures”). GLS is a management and technology consulting firm that advises and offers solutions and services to participants in the government guaranteed lending sector. GLS primarily provides services in connection with the settlement, accounting, and securitization processes for government guaranteed loans, including loans originated under the SBA 7(a) loan programs and USDA guaranteed loans. The Grove provides Company employees and business visitors with on-site dining at the Company's Wilmington, North Carolina headquarters. Live Oak Ventures’ purpose is investing in businesses that align with the Company's strategic initiative to be a leader in financial technology. During the fourth quarter of 2024, Live Oak Ventures consolidated its investment in Synply, Inc. (“Synply”) as a result of its controlling interest in that entity. Synply is a cloud-based technology platform designed to simplify the loan syndication process for financial institutions. The non-controlling interest in Synply is disclosed according to the Company’s consolidation policy.

The Bank’s wholly owned subsidiaries are Live Oak Number One, Inc., Live Oak Clean Energy Financing LLC (“LOCEF”), Live Oak Private Wealth, LLC (“Live Oak Private Wealth”) and Tiburon Land Holdings, LLC (“TLH”). Live Oak Number One, Inc. holds properties foreclosed on by the Bank. LOCEF provides financing to entities for renewable energy applications. Live Oak Private Wealth provides high-net-worth individuals and families with strategic wealth and investment management services. TLH holds land adjacent to the Bank's headquarters consisting of wetlands and other protected property for the use and enjoyment of the Bank's employees and customers.

The Company generates revenue primarily from net interest income and secondarily through the origination and sale of government guaranteed loans. Income from the retention of loans is comprised principally of interest income. Income from the sale of loans is comprised of loan servicing revenue and revaluation of related servicing rights along with net gains on sales of loans. Offsetting these revenues are the cost of funding sources, provision for credit losses, any costs related to foreclosed assets and other operating costs such as salaries and employee benefits, travel, professional services, advertising and marketing and tax expense. The Company also has less routinely generated gains and losses arising from its financial technology investments.

General

In the opinion of management, all adjustments necessary for a fair presentation of the financial position and results of operations for the periods presented have been included, and all intercompany transactions have been eliminated in consolidation. Results of operations for the three and six months ended June 30, 2026 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2026. The Condensed Consolidated Balance Sheet as of December 31, 2025 has been derived from the audited consolidated financial statements contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2025, filed with the Securities Exchange Commission (“SEC”) on February 27, 2025 (SEC File No. 001-37497) (the “2025 Form 10-K”). A summary description of the significant accounting policies followed by the Company is set forth in Note 1 of the Notes to Consolidated Financial Statements in the Company’s 2025 Form 10-K. These Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements and footnotes in the Company's 2025 Form 10-K.

The preparation of financial statements in conformity with United States (“U.S.”) generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Amounts in all tables in the Notes to Unaudited Condensed Consolidated Financial Statements have been presented in thousands, except percentage, time period, share and per share data or where otherwise indicated.

Business Segments

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company’s chief operating decision maker is the President of Live Oak Bancshares, Inc. and the Bank. In determining the appropriateness of the segment definition, the Company considers the components of the business about which financial information is available and components the chief operating decision maker regularly evaluates relative to resource allocation and performance assessment.

Management has determined that the Company has one significant operating segment, which is providing a banking platform for businesses nationwide. The banking platform generates revenue primarily from net interest income and secondarily through the origination and sale of government guaranteed loans. The chief operating decision maker assesses performance and decides how to allocate resources based on net income which is reported on the consolidated statements of income. The chief operating decision maker uses net income to evaluate income generated from total assets (return on assets) and profitability of the segment in relation to total shareholders’ equity (return on equity). The measures of segment assets and equity are reported on the consolidated balance sheets as total assets and total shareholders’ equity. Net income is also used to monitor budget versus actual results. All of these elements are used in assessing performance of the segment.

Significant segment expenses are reported on the consolidated statements of income.

Use of Estimates

In preparing unaudited condensed consolidated financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The allowance for credit losses (“ACL”) is a material estimate that is particularly susceptible to significant change in the near term.

Changes in Accounting Estimates

During the first quarter of 2026, the Company enhanced both the quantitative and qualitative components of its ACL estimation process. The Company changed the quantitative component from a discounted cash flow model to a probability of default ("PD") x loss given default ("LG") x exposure at default ("EAD") based credit loss forecasting model to estimate expected credit losses, which incorporates a two-year reasonable-and-supportable forecast period influenced by multiple economic variables followed by a one-year reversion to long-run assumptions. Prior to the change, the Company forecasted losses over a one-year reasonable-and-supportable forecast period using a single economic variable. In connection with the implementation of this model, the Company enhanced its qualitative framework to better incorporate and align qualitative adjustments with the updated model. The cumulative effect of these changes was not material.

During the third quarter of 2025, the Company made enhancements to the quantitative and qualitative components of the ACL estimate. Within the quantitative component, the Company updated the method used to forecast the PD during a reasonable and supportable forecast period. The Company changed the economic variable used in forecasting default rates from the national unemployment rate to the Baa-rated Corporate Bond Yield utilizing a logistic regression and changed the default rate forecast starting point from 36 month historical default performance to the most recent 12 month trailing average default performance. These changes were based on a statistical analysis of historical defaults and macroeconomic factors. In conjunction with the enhancements made to the PD methodology, the Company made enhancements to the qualitative framework to introduce weighting of quantifiable credit metrics used in the qualitative ACL estimate to put more weight on the metrics that are the strongest indicators of credit risk in the portfolio. The cumulative effect of these changes was not material.

The above refinements have been accounted for as changes in accounting estimates under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 250, *Accounting Changes and Error Corrections*, with prospective application beginning in the period of change.

Preferred Stock

On August 4, 2025, the Company issued and sold 4,000,000 depositary shares (the "Depositary Shares"), each representing a 1/40th interest in a share of the Company's 8.375% Fixed Rate Series A Non-Cumulative Perpetual Preferred Stock, no par value per share (the "Series A Preferred Stock"), with a liquidation preference of $1,000 per share of Series A Preferred Stock (equivalent to $25 per Depositary Share), which represents $100,000,000 in aggregate liquidation preference. Net proceeds, after underwriting discounts and expenses, totaled $96.3 million. Holders of the Series A Preferred Stock and Depositary Shares will not have voting rights, except with respect to certain changes in the terms of the preferred stock, certain dividend non-payments and as otherwise required by applicable law. The Company may redeem the Series A Preferred Stock at its option, (i) in whole or in part, from time to time, on any dividend payment date on or after September 15, 2030 or (ii) in whole but not in part, at any time within 90 days following a regulatory capital treatment event, in either case at a redemption price equal to $1,000 per share (equivalent to $25 per depositary share), plus any declared and unpaid dividends.

During the three and six months ended June 30, 2026, cash dividends of $0.52344 and $1.04688, respectively, per Depositary Share of its Series A Preferred Stock was declared and paid.

Income Taxes

During the second quarter ended June 30, 2026, the Company purchased $25.0 million 2025 transferable renewable energy credits for $22.9 million, resulting in a reduction to income tax expense of $2.1 million. The Company will account for purchased credits under ASC 740, *Income Taxes*, and record the transferred credits as an increase to income tax receivable within other assets on the Condensed Consolidated Balance Sheet.

Revision of Previously Issued Financial Statements

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2025, certain immaterial prior-period amounts in the Unaudited Condensed Consolidated Statements of Income have been revised and are reflected below. Specifically, there was a decrease in the line item for net gains on sales of loans, which was fully offset by a decrease in salaries and employee benefits, and travel expense. The changes were presentation only and had no impact on previously reported net income, total assets, total liabilities, or shareholders' equity.

The effect of the above revision on previously reported financial statements is presented below:

	As previously reported	Impact of revision	As revised
Consolidated statement of income for three months ended June 30, 2025			
Net gains on sales of loans	$ 21,641	$ (4,071)	$ 17,570
Total noninterest income	34,526	(4,071)	30,455
Salaries and employee benefits	49,137	(3,129)	46,008
Travel expense	2,576	(942)	1,634
Total noninterest expense	89,293	(4,071)	85,222
Consolidated statement of income for six months ended June 30, 2025			
Net gains on sales of loans	$ 40,289	$ (7,281)	$ 33,008
Total noninterest income	60,107	(7,281)	52,826
Salaries and employee benefits	$ 97,145	$ (5,608)	$ 91,537
Travel expense	5,371	(1,673)	3,698
Total noninterest expense	173,310	(7,281)	166,029
Consolidated statement of cash flows for the six months ended June 30, 2025			
Operating activities:			
Net gains on sale of loans held for sale	$ (40,289)	$ 7,281	$ (33,008)
Net cash provided by operating activities	16,264	7,281	23,545
Investing activities:			
Net change in loans and leases	$ (732,759)	$ (7,281)	$ (740,040)
Net cash used by investing activities	(787,442)	(7,281)	(794,723)

Reclassifications

Certain reclassifications have been made to the prior period's Unaudited Condensed Consolidated Financial Statements to place them on a comparable basis with the current year. Net income and shareholders' equity previously reported were not affected by these reclassifications.

Note 2. Recent Accounting Pronouncements

Accounting Standards Issued But Not Currently Effective

In November 2024, the FASB issued Accounting Standards Update (“ASU”) 2024-03 “Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses” (“ASU 2024-03”). ASU 2024-03 requires disaggregation of certain expense captions into specified categories within the footnotes. The amendments in this standard will be effective for the Company on January 1, 2027. The guidance may be applied on a prospective or retrospective basis. The Company is currently evaluating the impact the amendments will have on the consolidated financial statements and related disclosures.

In September 2025, the FASB issued ASU 2025-06 "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software" ("ASU 2025-06"). ASU 2025-06 indicates an entity should start capitalizing software costs when both of the following occur: (i) management has authorized and committed to funding the software project and (ii) it is probable that the project will be completed and the software will be used to perform the function intended. The amendments in this standard will be effective for the Company on January 1, 2028. The guidance may be applied on a prospective, modified, or retrospective transition basis. The Company is currently evaluating the impact the amendments will have on the consolidated financial statements.

In September 2025, the FASB issued ASU 2025-07 "Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract" ("ASU 2025-07"). ASU 2025-07 adds a scope exception from derivative accounting for nonexchange traded contracts with underlyings based on operations or activities specific to one of the parties to the contract. It also clarifies that the revenue guidance in ASC 606 applies initially to share-based noncash consideration received from a customer for the transfer of goods or services. The guidance in other ASCs, including derivatives (ASC 815) and equity securities (ASC 321), is not applied unless and until the entity's right to receive or retain the share-based noncash consideration is unconditional under ASC 606.The amendments in this standard will be effective for the Company on January 1, 2027. The guidance may be applied on a prospective or modified retrospective basis. The Company is currently evaluating the impact the amendments will have on the consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11 "Interim Reporting (Topic 270): Narrow-Scope Improvements" ("ASU 2025-11"). The amendments clarify interim disclosure requirements and when Topic 270 applies as well as the addition of a principle that requires entities to disclose events since the end of the last annual reporting period that have a material impact on the entity. The amendments in this standard will be effective for the Company on January 1, 2028. The guidance may be applied on a prospective or retrospective basis. The Company is currently evaluating the impact the amendments will have on the consolidated financial statements.

In December 2025, the FASB issued ASU 2025-12 "Codification Improvements" ("ASU 2025-12"). The amendments represent changes to the Codification to make incremental improvements to GAAP including technical corrections, clarifications, and minor improvements. The amendments in this standard will be effective for the Company on January 1, 2027. The guidance may generally be applied, by issue, on a prospective or retrospective basis. The Company does not believe this standard will have a material impact on its consolidated financial statements.

Note 3. Earnings Per Share

Basic and diluted earnings per share are computed based on the weighted-average number of shares outstanding during each period. Diluted earnings per share reflects the potential dilution that could occur upon the exercise of stock options or upon the vesting of restricted stock grants, any of which would result in the issuance of common stock that would then share in the net income of the Company.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Basic earnings per share:				
Net income attributable to common shareholders	$ 34,701	$ 23,428	$ 62,647	$ 33,145
Weighted-average basic shares outstanding	46,265,757	45,634,741	46,202,534	45,556,842
Basic earnings per share	$ 0.75	$ 0.51	$ 1.36	$ 0.72
Diluted earnings per share:				
Net income attributable to common shareholders	$ 34,701	$ 23,428	$ 62,647	$ 33,145
Total weighted-average basic shares outstanding	46,265,757	45,634,741	46,202,534	45,556,842
Add effect of dilutive stock options and restricted stock grants	328,725	160,867	349,578	268,701
Total weighted-average diluted shares outstanding	46,594,482	45,795,608	46,552,112	45,825,543
Diluted earnings per share	$ 0.74	$ 0.51	$ 1.35	$ 0.72
Anti-dilutive stock options and restricted stock grants	815,208	2,177,255	694,958	1,838,191

Note 4. Investments

Available-for-Sale

The amortized cost, estimated fair value and unrealized gains (losses) are reflected in the following table:

June 30, 2026	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. government agencies	$ 20,280	$ —	$ 148	$ 20,132
Mortgage-backed securities	1,513,619	4,276	73,228	1,444,667
Municipal bonds	3,139	—	83	3,056
Total	$ 1,537,038	$ 4,276	$ 73,459	$ 1,467,855

December 31, 2025	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. government agencies	$ 13,603	$ 27	$ 13	$ 13,617
Mortgage-backed securities	1,469,440	8,327	67,088	1,410,679
Municipal bonds	3,151	—	46	3,105
Total	$ 1,486,194	$ 8,354	$ 67,147	$ 1,427,401

During the three months ended June 30, 2026, eight securities totaling $15.7 million were settled. During the six months ended June 30, 2026, eighteen securities totaling $33.7 million were settled. During the three months ended June 30, 2025, four securities totaling $11.3 million were settled and one security totaling $4.0 million matured. During the six months ended June 30, 2025, seven securities totaling $16.9 million were settled and one security totaling $4.0 million matured.

Accrued interest receivable on available-for-sale securities totaled $5.5 million and $5.1 million at June 30, 2026 and December 31, 2025, respectively, and is included in other assets in the accompanying Unaudited Condensed Consolidated Balance Sheets.

The following tables show debt securities available-for-sale in an unrealized loss position for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position.

	Less Than 12 Months		12 Months or More		Total	
June 30, 2026	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agencies	$ 17,161	$ 130	$ 2,971	$ 18	$ 20,132	$ 148
Mortgage-backed securities	522,980	6,312	604,777	66,916	1,127,757	73,228
Municipal bonds	702	8	2,354	75	3,056	83
Total	$ 540,843	$ 6,450	$ 610,102	$ 67,009	$ 1,150,945	$ 73,459

	Less Than 12 Months		12 Months or More		Total	
December 31, 2025	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agencies	$ —	$ —	$ 2,970	$ 13	$ 2,970	$ 13
Mortgage-backed securities	120,039	613	709,710	66,475	829,749	67,088
Municipal bonds	3,022	34	83	12	3,105	46
Total	$ 123,061	$ 647	$ 712,763	$ 66,500	$ 835,824	$ 67,147

At June 30, 2026, there were 330 mortgage-backed securities, one U.S. government agency and two municipal bonds in unrealized loss positions for greater than 12 months. There were 94 mortgage-backed securities, four U.S. government agencies and one municipal bond in unrealized loss positions for less than 12 months. Unrealized losses at December 31, 2025 were comprised of 357 mortgage-backed securities, one U.S. government agency and one municipal bond in unrealized loss positions for greater than 12 months. There were 18 mortgage-backed securities and two municipal bonds in unrealized loss positions for less than 12 months.

These unrealized losses are primarily the result of non-credit-related volatility in the market and market interest rates. Since none of the unrealized losses relate to the issuers' ability to honor redemption obligations, and the Company does not intend to sell the related securities and does not believe it is more likely than not that it will be required to sell the securities before recovery of amortized cost, none of the losses have been recognized in the Company’s Unaudited Condensed Consolidated Statements of Income.

All mortgage-backed securities in the Company’s portfolio at June 30, 2026 and December 31, 2025 were backed by U.S. government sponsored enterprises (“GSEs”).

The following is a summary of investment securities by maturity:

	June 30, 2026	
	Available-for-Sale	
	Amortized Cost	Fair Value
U.S. government agencies		
Within one year	$ 2,989	$ 2,971
One to five years	478	472
Five to ten years	16,813	16,689
Total	20,280	20,132
Mortgage-backed securities		
Within one year	23,701	23,522
One to five years	248,555	240,689
Five to ten years	162,403	149,412
After 10 years	1,078,960	1,031,044
Total	1,513,619	1,444,667
Municipal bonds		
Five to ten years	3,044	2,973
After 10 years	95	83
Total	3,139	3,056
Total	$ 1,537,038	$ 1,467,855

The table above reflects contractual maturities. Actual results will differ as the loans underlying the mortgage-backed securities may prepay sooner than scheduled.

At June 30, 2026, investment securities with a fair value of $508.4 million and amortized cost of $553.3 million were pledged to support unused borrowing capacity. At December 31, 2025, investment securities with a fair value of $565.8 million and amortized cost of $610.1 million were pledged to support unused borrowing capacity.

Equity Investments

Equity investments, largely comprised of non-marketable equity investments, are generally accounted for under either the equity method or equity security accounting and are included in other assets in the accompanying Unaudited Condensed Consolidated Balance Sheets. The below tables provide additional information related to investments accounted for under these two methods.

Equity Method Accounting

The carrying amount and ownership percentage of each equity method investment at June 30, 2026 and December 31, 2025 is reflected in the following table:

	June 30, 2026		December 31, 2025	
	Amount	Ownership %	Amount	Ownership %
Canapi Ventures SBIC Fund, LP [(1) (5)]	$ 10,347	2.9 %	$ 11,250	2.9 %
Canapi Ventures Fund, LP [(2) (5)]	1,272	1.5	1,374	1.5
Canapi Ventures Fund II, LP [(3) (5)]	3,567	1.6	3,558	1.6
Canapi Ventures SBIC Fund II, LP [(4) (5)]	2,719	2.9	2,625	2.9
Affordable housing [(6)]	12,985	Various	13,457	Various
Solar tax credit investments [(7)]	3,492	99.0	4,203	99.0
Other [(8)]	72	Various	231	Various
Total	$ 34,454		$ 36,698	

(1) Investment unfunded commitments of $5.3 million and $4.8 million as of June 30, 2026 and December 31, 2025, respectively.

(2) Investment unfunded commitments of $466 thousand and $472 thousand as of June 30, 2026 and December 31, 2025, respectively.

(3) Investment unfunded commitments of $3.5 million and $3.6 million as of June 30, 2026 and December 31, 2025, respectively.

(4) Investment unfunded commitments of $4.8 million and $4.9 million as of June 30, 2026 and December 31, 2025, respectively.

(5) Investee is accounted for under equity method due to the Company's potential influence with investment advisor.

(6) Affordable Housing includes low income housing tax credit (“LIHTC”) in Estrella Landing Apartments LLC (“Estrella Landing”), in which the Company holds a 99.9% limited member interest. Also included are Cape Fear Collective Impact Opportunity 1 LLC (“Cape Fear Collective 1”) and Cape Fear Collective Impact Opportunity 2 LLC (“Cape Fear Collective 2”) which the Company holds 91.0% and 32.3% of limited member interests, respectively.

(7) Solar tax credit investments includes Green Sun Tenant LLC (“Green Sun”), SVA 2021-2 TE Holdco LLC (“Sun Vest”), EG5 CSP1 Holding LLC (“HEP”), and HRE Lessee I, LLC (“Heelstone”), which the Company holds a 99.0% limited member interest in all investments.

(8) Other investments includes OTR Fund I, LLC (“OTR”) which the Company holds 5.9% of limited member interests. This investment category also includes the carried interest security related to Canapi Ventures Fund I, L.P.

Equity Security Accounting

The carrying amount of the Company's investments in non-marketable equity securities with no readily determinable fair value for the six months ended June 30, 2026 and 2025 is reflected in the following table:

	As of and for the six month period ended	
	June 30, 2026	June 30, 2025
Carrying value (1)	$ 80,150	$ 84,864
Carrying value adjustments:		
Impairment	—	—
Upward changes for observable prices (2)	—	1,128
Downward changes for observable prices	—	(173)
Net upward (downward) change	$ —	$ 955

(1) Investment unfunded commitments of $7.7 million and $5.3 million as of June 30, 2026, and June 30, 2025, respectively.

(2) The equity securities portfolio has recognized cumulative adjustments of $59.3 million over the life of the equity security portfolio as of June 30, 2026.

For the three and six months ended June 30, 2026, the Company did not recognize any unrealized gains on equity securities held at the reporting date. For the three and six months ended June 30, 2025, the Company recognized unrealized gains on all equity securities held at the reporting date of $959 thousand and $966 thousand, respectively.

Variable Interest Entities ("VIE"s)

Variable interests are defined as contractual ownership or other interests in an entity that change with fluctuations in the fair value of an entity's net asset value. The primary beneficiary consolidates the VIE. The primary beneficiary is defined as the enterprise that has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits that could be significant to the VIE.

Solar Renewable Energy Tax Credit Investments

The Company has equity interests in several limited liability companies that own and operate solar renewable energy projects which are accounted for as equity method investments. Over the course of the investments, the Company will receive federal and state tax credits, tax-related benefits, and excess cash available for distribution, if any. The Company may be called to sell its interest in the limited partnerships through a call option once all investment tax credits have been recognized.

Affordable Housing

The Company has an equity investment in a limited liability company LIHTC that qualifies as an affordable housing project, managed by an unrelated general partner. The Company accounts for the investment under the proportional amortization method. Under this method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance as a component of income tax expense. The Company also has equity interests in two limited liability companies that invest in the acquisition, rehabilitation, or new construction of local qualified housing projects which are accounted for as equity method investments.

Canapi Funds

The Company's limited partnership investments in the Canapi Funds focus on providing venture capital to new and emerging financial technology companies. After the initial commitment and over the course of the investment period, the Company will make capital contributions and receive profit and return of capital distributions as a result of fund performance until the funds wind down.

Non-marketable and Other Equity Investments

The Company also has limited interests in several non-marketable funds, including Small Business Investment Company ("SBIC"), venture capital funds, and a reciprocal deposit network, all of which are accounted for as equity security investments. For fund investments, after the initial commitment and over the course of the investment period, the Company will make capital contributions and receive profit and return of capital distributions as a result of fund performance until the funds wind down. While the partnership agreements allow the Company to remove the general partner, this right is not deemed to be substantive as the general partner can only be removed for cause. All investments are generally non-redeemable and distributions are expected to be received through the liquidation of the underlying investments throughout the life of the investment fund. Investments may only be sold or transferred subject to the notice and approval provisions of the underlying investment agreement.

The above investments meet the criteria of a VIE, however, the Company is not the primary beneficiary of the entities, as it does not have the power to direct the activities that most significantly impact the economic performance of the entities. The Company's investment in the unconsolidated VIEs are carried in other assets on the Unaudited Condensed Consolidated Balance Sheets.

The Company's maximum exposure to loss from unconsolidated VIEs includes the investment recorded on the Company's Unaudited Condensed Consolidated Balance Sheets and unfunded commitment. For solar tax credit investments, the balance sheet figures are net of any impairment recognized, and includes previously recorded tax credits which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level. While the Company believes the potential for loss from these investments is remote, the maximum exposure for solar tax credit investments was determined by assuming a scenario where related tax credits were recaptured.

The following table provides a summary of the VIEs that the Company has not consolidated as of June 30, 2026 and December 31, 2025:

June 30, 2026	Investment Carrying Amount	Maximum Exposure to Loss	Liability Recognized	Classification
Solar tax credit investments	$ 3,492	$ 17,576	$ —	Other assets (1)
Affordable housing	12,985	13,926	—	Other assets (2)
Canapi Funds	17,977	32,036	—	Other assets (3)
Non-marketable and other equity investments	4,869	12,558	—	Other assets (4)

December 31, 2025	Investment Carrying Amount	Maximum Exposure to Loss	Liability Recognized	Classification
Solar tax credit investments	$ 4,203	$ 27,644	$ —	Other assets (5)
Affordable housing	13,457	14,399	—	Other assets (6)
Canapi Funds	19,039	32,858	—	Other assets (7)
Non-marketable and other equity investments	4,872	10,976	—	Other assets (8)

(1) Maximum exposure to loss includes $3.5 million of current investments and a scenario in which related tax credits are recaptured, collectively totaling $14.0 million.

(2) Maximum exposure to loss includes $13.0 million of current investments and a scenario in which $941 thousand in related tax credits are recaptured.

(3) Maximum exposure to loss includes $18.0 million of current investments and $14.1 million in unfunded commitments.

(4) Maximum exposure to loss includes $4.9 million of current investments and $7.7 million in unfunded commitments.

(5) Maximum exposure to loss includes $4.2 million of current investments and a scenario in which related tax credits are recaptured, collectively totaling $23.4 million.

(6) Maximum exposure to loss includes $13.5 million of current investments and a scenario in which $941 thousand in related tax credits are recaptured.

(7) Maximum exposure to loss includes $19.0 million of current investments and $13.8 million in unfunded commitments.

(8) Maximum exposure to loss includes $4.9 million of current investments and $6.1 million in unfunded commitments.

Note 5. Loans and Leases Held for Investment and Credit Quality

The following tables present total loans and leases held for investment and an aging analysis for the Company's portfolio segments. Loans and leases are considered past due if the required principal and interest payments have not been received as of the date such payments were due.

	Current or Less than 30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Carried at Amortized Cost	Loans Accounted for Under the Fair Value Option (1)	Total Loans and Leases
June 30, 2026							
Commercial & Industrial							
Small Business Banking	$ 2,376,838	$ 43,389	$ 118,814	$ 162,203	$ 2,539,041	$ 73,344	$ 2,612,385
Commercial Banking	3,095,040	2,951	43,453	46,404	3,141,444	39,522	3,180,966
Total	5,471,878	46,340	162,267	208,607	5,680,485	112,866	5,793,351
Construction & Development							
Small Business Banking	699,345	9,213	1,533	10,746	710,091	—	710,091
Commercial Banking	94,593	—	—	—	94,593	—	94,593
Total	793,938	9,213	1,533	10,746	804,684	—	804,684
Commercial Real Estate							
Small Business Banking	3,535,196	32,795	114,957	147,752	3,682,948	83,656	3,766,604
Commercial Banking	1,472,619	—	31,373	31,373	1,503,992	13,522	1,517,514
Total	5,007,815	32,795	146,330	179,125	5,186,940	97,178	5,284,118
Commercial Land							
Small Business Banking	752,731	6,302	5,440	11,742	764,473	22,044	786,517
Total	752,731	6,302	5,440	11,742	764,473	22,044	786,517
Total	$ 12,026,362	$ 94,650	$ 315,570	$ 410,220	$ 12,436,582	$ 232,088	$ 12,668,670
Retained Loan Discount and Net Deferred Costs							$ (37,811)
Loans and Leases, Net							$ 12,630,859
Guaranteed Balance	$ 2,901,218	$ 60,297	$ 239,887	$ 300,184	$ 3,201,402	$ 64,263	$ 3,265,665
% Guaranteed	24.1%	63.7%	76.0%	73.2%	25.7%	27.7%	25.8%

	Current or Less than 30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Carried at Amortized Cost	Loans Accounted for Under the Fair Value Option [1]	Total Loans and Leases
December 31, 2025							
Commercial & Industrial							
Small Business Banking	$ 2,370,184	$ 23,406	$ 127,090	$ 150,496	$ 2,520,680	$ 87,532	$ 2,608,212
Commercial Banking	2,833,724	8,702	111,857	120,559	2,954,283	40,832	2,995,115
Total	5,203,908	32,108	238,947	271,055	5,474,963	128,364	5,603,327
Construction & Development							
Small Business Banking	749,117	—	1,025	1,025	750,142	—	750,142
Commercial Banking	69,538	—	—	—	69,538	—	69,538
Total	818,655	—	1,025	1,025	819,680	—	819,680
Commercial Real Estate							
Small Business Banking	3,267,787	12,640	88,089	100,729	3,368,516	91,876	3,460,392
Commercial Banking	1,383,615	4,613	23,257	27,870	1,411,485	15,912	1,427,397
Total	4,651,402	17,253	111,346	128,599	4,780,001	107,788	4,887,789
Commercial Land							
Small Business Banking	670,725	—	3,840	3,840	674,565	24,473	699,038
Total	670,725	—	3,840	3,840	674,565	24,473	699,038
Total	$ 11,344,690	$ 49,361	$ 355,158	$ 404,519	$ 11,749,209	$ 260,625	$ 12,009,834
Retained Loan Discount and Net Deferred Costs							$ (36,212)
Loans and Leases, Net							$ 11,973,622
Guaranteed Balance	$ 2,974,552	$ 33,597	$ 301,737	$ 335,334	$ 3,309,886	$ 69,445	$ 3,379,331
% Guaranteed	26.2%	68.1%	85.0%	82.9%	28.2%	26.6%	28.1%

(1) Retained portions of government guaranteed loans sold prior to January 1, 2021 are carried at fair value under FASB ASC Subtopic 825-10, *Financial Instruments: Overall*. See Note 7. Fair Value of Financial Instruments for additional information.

Live Oak Bancshares, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

Credit Quality Indicators

The following tables present asset quality indicators by portfolio class and origination year. See Note 3. Loans and Leases Held for Investment and Credit Quality in the Company's 2025 Form 10-K for additional discussion around the asset quality indicators that the Company uses to manage and monitor credit risk.

	Term Loans and Leases Amortized Cost Basis by Origination Year								
	2026	2025	2024	2023	2022	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total [1]
June 30, 2026									
Small Business Banking									
Pass	$ 713,070	$ 1,699,588	$ 1,178,331	$ 847,851	$ 865,761	$ 1,317,835	$ 163,086	$ 52,170	$ 6,837,692
Special Mention	295	35,323	73,149	54,192	115,071	102,534	14,475	2,075	397,114
Substandard	385	39,114	84,779	87,160	101,704	129,320	15,610	3,675	461,747
Total	713,750	1,774,025	1,336,259	989,203	1,082,536	1,549,689	193,171	57,920	7,696,553
Commercial Banking									
Pass	602,353	1,348,361	793,240	412,435	240,967	196,410	613,792	160,654	4,368,212
Special Mention	5,000	19,279	43,704	24,436	57,481	31,557	54,994	10,916	247,367
Substandard	—	19,207	8,339	—	23,873	51,651	5,841	15,539	124,450
Total	607,353	1,386,847	845,283	436,871	322,321	279,618	674,627	187,109	4,740,029
Total	$ 1,321,103	$ 3,160,872	$ 2,181,542	$ 1,426,074	$ 1,404,857	$ 1,829,307	$ 867,798	$ 245,029	$ 12,436,582
Year-To-Date Gross Charge-offs									
Small Business Banking	$ 88	$ 3,557	$ 8,342	$ 9,924	$ 4,786	$ 6,925	$ 8,616	$ 537	$ 42,775
Commercial Banking	—	—	—	—	—	156	330	7,277	7,763
Total	$ 88	$ 3,557	$ 8,342	$ 9,924	$ 4,786	$ 7,081	$ 8,946	$ 7,814	$ 50,538

	Term Loans and Leases Amortized Cost Basis by Origination Year								
	2025	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total [(1)]
December 31, 2025									
Small Business Banking									
Pass	$ 1,513,435	$ 1,245,114	$ 936,083	$ 1,000,904	$ 828,468	$ 738,567	$ 154,210	$ 42,701	$ 6,459,482
Special Mention	17,102	68,453	64,411	93,132	50,885	80,251	8,763	6,721	389,718
Substandard	30,291	63,432	75,658	115,556	73,330	81,077	23,591	1,768	464,703
Total	1,560,828	1,376,999	1,076,152	1,209,592	952,683	899,895	186,564	51,190	7,313,903
Commercial Banking									
Pass	1,434,615	763,382	405,425	248,636	150,616	105,386	581,047	210,917	3,900,024
Special Mention	18,187	73,787	79,971	79,401	40,071	17,734	12,627	15,743	337,521
Substandard	9,000	5,419	—	23,919	107,596	30,552	14,562	6,713	197,761
Total	1,461,802	842,588	485,396	351,956	298,283	153,672	608,236	233,373	4,435,306
Total	$ 3,022,630	$ 2,219,587	$ 1,561,548	$ 1,561,548	$ 1,250,966	$ 1,053,567	$ 794,800	$ 284,563	$ 11,749,209
Year-To-Date Gross Charge-offs									
Small Business Banking	$ 3,472	$ 5,518	$ 14,763	$ 12,693	$ 5,188	$ 5,453	$ 4,352	$ 2,523	$ 53,962
Commercial Banking	—	—	—	3,386	9,772	171	337	6,547	20,213
Total	$ 3,472	$ 5,518	$ 14,763	$ 16,079	$ 14,960	$ 5,624	$ 4,689	$ 9,070	$ 74,175

(1) Excludes $232.1 million and $260.6 million of loans accounted for under the fair value option as of June 30, 2026 and December 31, 2025, respectively.

The following tables present guaranteed and unguaranteed loan and lease balances by asset quality indicator:

June 30, 2026	Loan and Lease Balance [(1)]	Guaranteed Balance	Unguaranteed Balance	% Guaranteed
Pass	$ 11,205,904	$ 2,572,344	$ 8,633,560	23.0 %
Special Mention	644,481	242,751	401,730	37.7
Substandard	586,197	386,307	199,890	65.9
Total	$ 12,436,582	$ 3,201,402	$ 9,235,180	25.7 %

December 31, 2025	Loan and Lease Balance [(1)]	Guaranteed Balance	Unguaranteed Balance	% Guaranteed
Pass	$ 10,359,506	$ 2,590,030	$ 7,769,476	25.0 %
Special Mention	727,239	261,506	465,733	36.0
Substandard	662,464	458,350	204,114	69.2
Total	$ 11,749,209	$ 3,309,886	$ 8,439,323	28.2 %

(1) Excludes $232.1 million and $260.6 million of loans accounted for under the fair value option as of June 30, 2026 and December 31, 2025, respectively.

Nonaccrual Loans and Leases

As of June 30, 2026 and December 31, 2025, there were no loans greater than 90 days past due and still accruing. There was no interest income recognized on nonaccrual loans and leases during the three and six months ended June 30, 2026 and 2025. Accrued interest receivable on loans totaled $85.0 million and $85.0 million at June 30, 2026 and December 31, 2025, respectively, and is included in other assets in the accompanying Unaudited Condensed Consolidated Balance Sheets.

Nonaccrual loans and leases held for investment as of June 30, 2026 and December 31, 2025 are as follows:

June 30, 2026	Loan and Lease Balance [(1)]	Guaranteed Balance	Unguaranteed Balance	Unguaranteed Balance with No ACL
Commercial & Industrial				
Small Business Banking	$ 189,806	$ 165,415	$ 24,391	$ 16,451
Commercial Banking	51,474	33,251	18,223	13,046
Total	241,280	198,666	42,614	29,497
Construction & Development				
Small Business Banking	12,284	10,071	2,213	910
Total	12,284	10,071	2,213	910
Commercial Real Estate				
Small Business Banking	173,061	122,968	50,093	30,088
Commercial Banking	31,373	7,482	23,891	23,891
Total	204,434	130,450	73,984	53,979
Commercial Land				
Small Business Banking	12,757	7,232	5,525	5,290
Total	12,757	7,232	5,525	5,290
Total	$ 470,755	$ 346,419	$ 124,336	$ 89,676

December 31, 2025	Loan and Lease Balance [(1)]	Guaranteed Balance	Unguaranteed Balance	Unguaranteed Balance with No ACL
Commercial & Industrial				
Small Business Banking	$ 195,342	$ 169,818	$ 25,524	$ 7,438
Commercial Banking	122,847	111,103	11,744	2,142
Total	318,189	280,921	37,268	9,580
Construction & Development				
Small Business Banking	13,282	10,620	2,662	1,342
Total	13,282	10,620	2,662	1,342
Commercial Real Estate				
Small Business Banking	127,141	91,099	36,042	17,207
Commercial Banking	36,098	11,454	24,644	16,417
Total	163,239	102,553	60,686	33,624
Commercial Land				
Small Business Banking	6,447	5,692	755	533
Total	6,447	5,692	755	533
Total	$ 501,157	$ 399,786	$ 101,371	$ 45,079

(1) Excludes loans accounted for under the fair value option. See Note 7. Fair Value of Financial Instruments for additional information.

When a loan or lease is placed on nonaccrual status, any accrued interest is reversed from loan interest income. The following table summarizes the amount of accrued interest reversed during the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026 [(1)]	2025 [(1)]	2026 [(1)]	2025 [(1)]
Commercial & Industrial	$ 1,052	$ 597	$ 1,938	$ 1,041
Commercial Real Estate	885	284	1,277	774
Commercial Land	163	52	183	52
Construction & Development	—	—	215	—
Total	$ 2,100	$ 933	$ 3,612	$ 1,867

(1) Excludes loans accounted for under the fair value option. See Note 7. Fair Value of Financial Instruments for additional information.

The following table presents the amortized cost basis of collateral-dependent loans and leases, which are individually evaluated to determine expected credit losses, as of June 30, 2026 and December 31, 2025:

	Total Collateral-Dependent Loans		Unguaranteed Portion		
June 30, 2026	Real Estate	Business Assets	Real Estate	Business Assets	Allowance for Credit Losses
Commercial & Industrial					
Small Business Banking	$ 29,970	$ 12,854	$ 4,828	$ 8,518	$ 48
Commercial Banking	—	13,142	—	10,348	—
Total	29,970	25,996	4,828	18,866	48
Commercial Real Estate					
Small Business Banking	132,952	—	44,013	—	413
Commercial Banking	23,526	4,986	23,526	303	—
Total	156,478	4,986	67,539	303	413
Commercial Land					
Small Business Banking	6,806	—	5,093	—	—
Total	6,806	—	5,093	—	—
Total	$ 193,254	$ 30,982	$ 77,460	$ 19,169	$ 461

	Total Collateral-Dependent Loans		Unguaranteed Portion		
December 31, 2025	Real Estate	Business Assets	Real Estate	Business Assets	Allowance for Credit Losses
Commercial & Industrial					
Small Business Banking	$ 17,477	$ 4,107	$ 4,937	$ 374	$ 824
Commercial Banking	—	87,319	—	3,744	600
Total	17,477	91,426	4,937	4,118	1,424
Construction & Development					
Small Business Banking	277	—	277	—	—
Total	277	—	277	—	—
Commercial Real Estate					
Small Business Banking	85,987	1,990	27,813	690	266
Commercial Banking	20,389	—	15,425	—	—
Total	106,376	1,990	43,238	690	266
Total	$ 124,130	$ 93,416	$ 48,452	$ 4,808	$ 1,690

Allowance for Credit Losses - Loans and Leases

See Note 1. Basis of Presentation above for a description of enhancements made to the ACL during the first quarter of 2026 and Note 1. Organization and Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements in the Company's 2025 Form 10-K for a description of the methodologies used to estimate the ACL prior to January 1, 2026.

The following table details activity in the ACL by portfolio segment allowance for the periods presented:

Three Months Ended	Commercial & Industrial	Construction & Development	Commercial Real Estate	Commercial Land	Total
June 30, 2026					
Beginning Balance	$ 139,211	$ 7,474	$ 44,543	$ 2,051	$ 193,279
Charge offs	(24,827)	—	(3,289)	(438)	(28,554)
Recoveries	4,069	171	152	—	4,392
Provision	18,915	878	3,610	897	24,300
Ending Balance	$ 137,368	$ 8,523	$ 45,016	$ 2,510	$ 193,417
June 30, 2025					
Beginning Balance	$ 149,916	$ 5,712	$ 30,295	$ 4,261	$ 190,184
Charge offs	(30,853)	—	(1,916)	(178)	(32,947)
Recoveries	731	—	771	—	1,502
Provision (Recovery)	19,166	324	5,098	(1,096)	23,492
Ending Balance	$ 138,960	$ 6,036	$ 34,248	$ 2,987	$ 182,231

Six Months Ended	Commercial & Industrial	Construction & Development	Commercial Real Estate	Commercial Land	Total
June 30, 2026					
Beginning Balance	$ 144,188	$ 7,224	$ 37,362	$ 3,490	$ 192,264
Charge offs	(43,484)	(209)	(6,407)	(438)	(50,538)
Recoveries	7,040	221	530	—	7,791
Provision (Recovery)	29,624	1,287	13,531	(542)	43,900
Ending Balance	$ 137,368	$ 8,523	$ 45,016	$ 2,510	$ 193,417
June 30, 2025					
Beginning Balance	$ 129,007	$ 4,943	$ 29,501	$ 4,065	$ 167,516
Charge offs	(36,840)	—	(2,852)	(178)	(39,870)
Recoveries	771	—	862	18	1,651
Provision (Recovery)	46,022	1,093	6,737	(918)	52,934
Ending Balance	$ 138,960	$ 6,036	$ 34,248	$ 2,987	$ 182,231

During the three months ended June 30, 2026, the ACL increased primarily as a result of loan growth with the impacts from the economic forecast remaining stable. During the six months ended June 30, 2026, the ACL increased primarily as a result of loan growth, partially offset by an improving economic forecast. Charge-offs for the three and six month periods ended June 30, 2026 for commercial and industrial loans are primarily attributed to the distillery portfolio.

During the three months ended June 30, 2025, the ACL decreased primarily as a result of moderating credit trends and net charge-offs of individually evaluated loans with specific reserves recorded in prior periods. During the six months ended June 30, 2025, the ACL increased as a result of growth in the loan and lease portfolio, the impact of the macroeconomic environment on our small business and commercial borrowers, and changes in the macroeconomic outlook.

Loan Modifications for Borrowers Experiencing Financial Difficulty

The Company may agree to modify the contractual terms of a loan to a borrower experiencing financial difficulty as a part of ongoing loss mitigation strategies. These modifications may result in an interest rate reduction, term extension, an other-than-insignificant payment delay, or a combination thereof. The Company typically does not offer principal forgiveness.

The following tables summarize the amortized cost basis of loans that were modified during the three and six months ended June 30, 2026 and June 30, 2025, respectively:

Three Months Ended June 30, 2026	Other-Than-Insignificant Payment Delay	Term Extension	Interest Rate Reduction	Combination - Term Extension & Other-Than-Insignificant Payment Delay	Combination - Term Extension & Interest Rate Reduction	Total Modifications	% of Total Class of Financing Receivable
Small Business Banking	$ 13,056	$ 6,221	$ 1,908	$ 375	$ 9,000	$ 30,560	0.40 %
Commercial Banking	—	—	—	—	4,361	4,361	0.09
Total	$ 13,056	$ 6,221	$ 1,908	$ 375	$ 13,361	$ 34,921	0.28 %

Six Months Ended June 30, 2026	Other-Than-Insignificant Payment Delay	Term Extension	Interest Rate Reduction	Combination - Term Extension & Other-Than-Insignificant Payment Delay	Combination - Term Extension & Interest Rate Reduction	Total Modifications	% of Total Class of Financing Receivable
Small Business Banking	$ 16,634	$ 15,888	$ 1,908	$ 1,840	$ 9,740	$ 46,010	0.60 %
Commercial Banking	2,951	5,519	13,127	6,300	4,361	32,258	0.68
Total	$ 19,585	$ 21,407	$ 15,035	$ 8,140	$ 14,101	$ 78,268	0.63 %

Three Months Ended June 30, 2025	Other-Than-Insignificant Payment Delay	Term Extension	Combination - Term Extension & Interest Rate Reduction	Total Modifications	% of Total Class of Financing Receivable
Small Business Banking	$ —	$ 10,893	$ 9,820	$ 20,713	0.16 %
Commercial Banking	5,527	—	—	5,527	0.21
Total	$ 5,527	$ 10,893	$ 9,820	$ 26,240	0.37 %

Six Months Ended June 30, 2025	Other-Than-Insignificant Payment Delay	Term Extension	Interest Rate Reduction	Combination - Term Extension, Other-Than-Insignificant Payment Delay & Interest Rate Reduction	Combination - Term Extension & Other-Than-Insignificant Payment Delay	Combination - Term Extension & Interest Rate Reduction	Total Modifications	% of Total Class of Financing Receivable
Small Business Banking	$ —	$ 14,448	$ 9,862	$ 3,020	$ 3,009	$ 10,010	$ 40,349	0.45 %
Commercial Banking	5,527	—	—	—	—	—	5,527	0.21
Total	$ 5,527	$ 14,448	$ 9,862	$ 3,020	$ 3,009	$ 10,010	$ 45,876	0.66 %

As of June 30, 2026, the Company had commitments to lend additional funds to these borrowers totaling $700 thousand. As of June 30, 2025, the Company had commitments to lend additional funds to these borrowers totaling $28 thousand.

The following table presents an aging analysis of loans that were modified within the twelve months ended June 30, 2026 and June 30, 2025, respectively:

June 30, 2026	Current	30-89 Days Past Due	90 Days or More Past Due	Total Past Due
Small Business Banking	$ 83,011	$ 12,475	$ 1,897	$ 14,372
Commercial Banking	35,204	2,951	—	2,951
Total	$ 118,215	$ 15,426	$ 1,897	$ 17,323

June 30, 2025	Current	30-89 Days Past Due	90 Days or More Past Due	Total Past Due
Small Business Banking	$ 40,120	$ —	$ 2,243	$ 2,243
Commercial Banking	22,824	—	—	—
Total	$ 62,944	$ —	$ 2,243	$ 2,243

The following tables summarize the financial impacts of loan modifications made to borrowers experiencing financial difficulty during the periods presented:

	Three Months Ended June 30, 2026	
	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (in Months)
Small Business Banking	1.93 %	112
Commercial Banking	8.07 %	9

	Six Months Ended June 30, 2026	
	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (in Months)
Small Business Banking	1.94 %	90
Commercial Banking	6.73 %	12

	Three Months Ended June 30, 2025	
	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (in Months)
Small Business Banking	2.48 %	54

	Six Months Ended June 30, 2025	
	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (in Months)
Small Business Banking	4.32 %	51

The following table presents the loans that were modified during the preceding twelve months and subsequently defaulted during the period.

Three Months Ended June 30, 2026	Other-Than-Insignificant Payment Delay	Term Extension	Interest Rate Reduction	Total
Small Business Banking	$ 2,839	$ 4,607	$ —	$ 7,446
Total	$ 2,839	$ 4,607	$ —	$ 7,446

Six Months Ended June 30, 2026	Other-Than-Insignificant Payment Delay	Term Extension	Interest Rate Reduction	Total
Small Business Banking	$ 7,840	$ 5,658	$ —	$ 13,498
Total	$ 7,840	$ 5,658	$ —	$ 13,498

At June 30, 2025, there were no loans that defaulted after being modified during the preceding twelve months.

The Company's ACL is estimated using lifetime historical loan performance adjusted to reflect current conditions and reasonable and supportable forecasts. Upon determination that a modified loan, or portion of a modified loan, has subsequently been deemed uncollectible, the uncollectible portion is written off. The amortized cost basis is reduced by the uncollectible amount and the ACL is adjusted by the same amount.

Note 6. Servicing Assets

Loans serviced for others are not included in the accompanying Unaudited Condensed Consolidated Balance Sheets. The unpaid principal balance of loans serviced for others requiring recognition of a servicing asset was $4.19 billion and $3.96 billion at June 30, 2026 and December 31, 2025, respectively. The unpaid principal balance for all loans serviced for others was $5.99 billion and $5.60 billion at June 30, 2026 and December 31, 2025, respectively.

The following table summarizes the activity pertaining to servicing rights measured at fair value:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Balance at beginning of period	$ 64,520	$ 56,684	$ 62,941	$ 55,788
Additions, net	6,333	6,458	11,400	12,082
Fair value changes:				
Due to changes in valuation inputs or assumptions	426	(125)	464	(1,220)
Decay due to increases in principal paydowns or runoff	(4,704)	(2,932)	(8,230)	(6,565)
Balance at end of period	$ 66,575	$ 60,085	$ 66,575	$ 60,085

See Note 7. Fair Value of Financial Instruments for further details about servicing assets measured at fair value.

The fair value of servicing rights was determined using a weighted average discount rate of 12.8% at June 30, 2026 and 13.5% at June 30, 2025. The fair value of servicing rights was determined using a weighted average prepayment speed of 16.7% at June 30, 2026 and 16.0% at June 30, 2025, with the actual rate depending on the stratification of the specific right. Changes to fair value are reported in loan servicing asset revaluation within the Unaudited Condensed Consolidated Statements of Income.

The table below reflects the sensitivity of the current fair value of servicing assets to immediate adverse changes in the above key assumptions with all other assumptions remaining static:

	As of June 30, 2026	As of December 31, 2025
Fair value of servicing rights	$66,575	$62,941
	Incremental Increase (Decrease) in Value	Incremental Increase (Decrease) in Value
Prepayment Speed		
20% increase	($4,273)	($3,794)
10% increase	(2,149)	(1,830)
Discount Rate		
200 basis point increase	(2,924)	(2,586)
100 basis point increase	(1,432)	(1,189)

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. As indicated, changes in fair value based on changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the servicing rights is calculated without changing any other assumption. Changes in one factor may result in changes in another.

Note 7. Fair Value of Financial Instruments

Fair Value Hierarchy

There are three levels of inputs in the fair value hierarchy that may be used to measure fair value. Financial instruments are considered *Level 1* when valuation can be based on quoted prices in active markets for identical assets or liabilities. *Level 2* financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or models using inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities. Financial instruments are considered *Level 3* when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

Recurring Fair Value

The table below provides a rollforward of the fair value of the Level 3 equity warrant assets:

	Three Months Ended June 30,		Six Months Ended June 30,	
Equity Warrant Assets	2026	2025	2026	2025
Balance at beginning of period	$ 1,916	$ 7,035	$ 1,775	$ 7,162
New equity warrant assets	99	50	217	267
Changes in fair value, net	50	(115)	76	(419)
Settlements	—	(225)	(3)	(265)
Balance at end of period	$ 2,065	$ 6,745	$ 2,065	$ 6,745

The tables below present the recorded amount of assets and liabilities measured at fair value on a recurring basis.

June 30, 2026	Total	Level 1	Level 2	Level 3
Investment securities available-for-sale				
U.S. government agencies	$ 20,132	$ —	$ 20,132	$ —
Mortgage-backed securities	1,444,667	—	1,444,667	—
Municipal bonds (1)	3,056	—	2,973	83
Loans held for investment (2)	232,088	—	—	232,088
Servicing assets (3)	66,575	—	—	66,575
Equity warrant assets	2,065	—	—	2,065
Total assets at fair value	$ 1,768,583	$ —	$ 1,467,772	$ 300,811

December 31, 2025	Total	Level 1	Level 2	Level 3
Investment securities available-for-sale				
U.S. government agencies	$ 13,617	$ —	$ 13,617	$ —
Mortgage-backed securities	1,410,679	—	1,410,679	—
Municipal bonds (1)	3,105	—	3,022	83
Loans held for investment (2)	260,625	—	—	260,625
Servicing assets (3)	62,941	—	—	62,941
Mutual fund (4)	19	—	19	—
Equity warrant assets	1,775	—	—	1,775
Total assets at fair value	$ 1,752,761	$ —	$ 1,427,337	$ 325,424

(1) During the three and six months ended June 30, 2026 and June 30, 2025 there were no Level 3 fair value adjustment gains or losses.

(2) Loans accounted for under the fair value option.

(3) See Note 6 for a rollforward of recurring Level 3 fair values for servicing assets.

(4) Included in other assets in the accompanying Unaudited Condensed Consolidated Balance Sheets.

For additional information on the valuation techniques and significant inputs for Level 2 and Level 3 assets and liabilities that are measured at fair value on a recurring basis, see Note 10. Fair Value of Financial Instruments in the Company's 2025 Form 10-K.

Fair Value Option

Until the first quarter of 2021, the Company had historically elected to account for retained participating interests of all government guaranteed loans under the fair value option in order to align the accounting presentation with the Company's viewpoint of the economics of the loans. Interest income is recognized in the same manner on loans reported at fair value as on non-fair value loans, except in regard to origination fees and costs which are recognized immediately upon fair value election. Not electing fair value generally results in a larger discount being recorded on the date of the sale. This discount is subsequently accreted into interest income over the underlying loan's remaining term using the effective interest method. Management made this change of election in alignment with its ongoing effort to reduce volatility and drive more predictable revenue. In accordance with GAAP, any loans for which fair value was previously elected continue to be measured as such.

There were no loans accounted for under the fair value option that were 90 days or more past due and still accruing interest at June 30, 2026 or December 31, 2025. The unpaid principal balance of unguaranteed exposure for nonaccruals was $7.9 million and $8.5 million at June 30, 2026 and December 31, 2025, respectively.

The following tables provide more information about the fair value carrying amount and the unpaid principal outstanding of loans accounted for under the fair value option at June 30, 2026 and December 31, 2025.

	June 30, 2026								
	Total Loans			Nonaccruals			90 Days or More Past Due		
	Fair Value Carrying Amount	Unpaid Principal Balance	Difference	Fair Value Carrying Amount	Unpaid Principal Balance	Difference	Fair Value Carrying Amount	Unpaid Principal Balance	Difference
Fair Value Option Elections									
Loans held for investment	$ 232,088	$ 240,396	$ (8,308)	$ 59,318	$ 60,705	$ (1,387)	$ 49,681	$ 50,734	$ (1,053)
	$ 232,088	$ 240,396	$ (8,308)	$ 59,318	$ 60,705	$ (1,387)	$ 49,681	$ 50,734	$ (1,053)

	December 31, 2025								
	Total Loans			Nonaccruals			90 Days or More Past Due		
	Fair Value Carrying Amount	Unpaid Principal Balance	Difference	Fair Value Carrying Amount	Unpaid Principal Balance	Difference	Fair Value Carrying Amount	Unpaid Principal Balance	Difference
Fair Value Option Elections									
Loans held for investment	$ 260,625	$ 269,851	$ (9,226)	$ 61,602	$ 62,824	$ (1,222)	$ 45,784	$ 46,824	$ (1,040)
	$ 260,625	$ 269,851	$ (9,226)	$ 61,602	$ 62,824	$ (1,222)	$ 45,784	$ 46,824	$ (1,040)

The following table presents the net gains (losses) from changes in fair value.

	Three Months Ended June 30,		Six Months Ended June 30,	
Net Gains (Losses) on Loans Accounted for under the Fair Value Option	2026	2025	2026	2025
Loans held for investment	$ 291	$ 1,082	$ (874)	$ 48
	$ 291	$ 1,082	$ (874)	$ 48

The following tables summarize the activity pertaining to loans accounted for under the fair value option:

	Three Months Ended June 30,		Six Months Ended June 30,	
Loans held for investment	2026	2025	2026	2025
Balance at beginning of period	$ 244,940	$ 316,807	$ 260,625	$ 328,746
Repurchases	2,095	3,057	5,040	9,309
Fair value changes	291	1,082	(874)	48
Settlements	(15,238)	(17,128)	(32,703)	(34,285)
Balance at end of period	$ 232,088	$ 303,818	$ 232,088	$ 303,818

Non-Recurring Fair Value

The tables below present the recorded amount of assets measured at fair value on a non-recurring basis. The Company has no liabilities recorded at fair value on a non-recurring basis.

June 30, 2026	Total	Level 1	Level 2	Level 3
Collateral-dependent loans	$ 32,469	$ —	$ —	$ 32,469
Foreclosed assets	910	—	—	910
Total assets at fair value	$ 33,379	$ —	$ —	$ 33,379

December 31, 2025	Total	Level 1	Level 2	Level 3
Collateral-dependent loans	$ 20,619	$ —	$ —	$ 20,619
Foreclosed assets	6,877	—	—	6,877
Equity security investment with a non-readily determinable fair value	2,101	—	—	2,101
Total assets at fair value	$ 29,597	$ —	$ —	$ 29,597

For additional information on the valuation techniques and significant inputs for Level 2 and Level 3 assets that are measured at fair value on a non-recurring basis, see Note 10. Fair Value of Financial Instruments in the Company's 2025 Form 10-K.

Level 3 Analysis

For Level 3 assets measured at fair value on a recurring or non-recurring basis as of June 30, 2026 and December 31, 2025, the significant unobservable inputs used in the fair value measurements were as follows:

June 30, 2026

Level 3 Assets with Significant Unobservable Inputs	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average [1]
Recurring fair value					
Municipal bond	$ 83	Discounted expected cash flows	Discount rate	7.0 %	N/A
			Prepayment speed	5.0 %	N/A
Loans held for investment	$ 232,088	Discounted expected cash flows	Loss rate	0.0 % - 4.9 %	1.1 %
			Discount rate	6.6 % - 18.0 %	8.7 %
			Prepayment speed	16.1 % - 30.5 %	18.2 %
Servicing assets	$ 66,575	Discounted expected cash flows	Discount rate	12.8 %	12.8 %
			Prepayment speed	12.4 % - 19.1 %	16.7 %
Equity warrant assets	$ 2,065	Black-Scholes option pricing model	Volatility	13.1 % - 104.4 %	58.8 %
			Risk-free interest rate	4.2 % - 4.4 %	4.4 %
			Marketability discount	20.0 % - 100.0 %	20.3 %
			Remaining life	2.3 - 11.6 years	7.9 years
Non-recurring fair value					
Collateral-dependent loans	$ 32,469	Discounted appraisals	Appraisal adjustments [2]	10.0 % - 82.4 %	25.1 %
Foreclosed assets	$ 910	Discounted appraisals	Appraisal adjustments [2]	0.0% - 10.0 %	10.0 %

December 31, 2025

Level 3 Assets with Significant Unobservable Inputs	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average [1]
Recurring fair value					
Municipal bond	$ 83	Discounted expected cash flows	Discount rate	7.0 %	N/A
			Prepayment speed	5.0 %	N/A
Loans held for investment	$ 260,625	Discounted expected cash flows	Loss rate	0.0% - 4.6%	1.1 %
			Discount rate	6.7% - 10.0%	8.6 %
			Prepayment speed	15.1% - 21.2%	17.2 %
Servicing assets	$ 62,941	Discounted expected cash flows	Discount rate	12.8 %	12.8 %
			Prepayment speed	12.0% - 18.8%	16.2 %
Equity warrant assets	$ 1,775	Black-Scholes option pricing model	Volatility	13.1% - 104.4%	58.3 %
			Risk-free interest rate	3.7% - 4.2%	4.2 %
			Marketability discount	20.0% - 100.0%	20.4 %
			Remaining life	2.5 - 11.5 years	8.2 years
Non-recurring fair value					
Collateral-dependent loans	$ 20,619	Discounted appraisals	Appraisal adjustments [2]	10.0% - 82.7%	39.7 %
Foreclosed assets	$ 6,877	Discounted appraisals	Appraisal adjustments [2]	10.0 %	10.0 %
Equity security investment with a non-readily determinable fair value	$ 2,101	Market Approach	Revenue Multiple	3.75	N/A

(1) Weighted averages are determined by the relative fair value of the instruments or the relative contribution to the instruments fair value.

(2) Appraisals may be adjusted by management for customized discounting criteria, estimated sales costs, and other qualitative adjustments.

Estimated Fair Value of Other Financial Instruments

GAAP also requires disclosure of the fair value of financial instruments carried at book value on the Unaudited Condensed Consolidated Balance Sheets.

The carrying amounts and estimated fair values of the Company's financial instruments not measured at fair value on a recurring or non-recurring basis are as follows:

June 30, 2026	Carrying Amount	Quoted Price In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Financial assets					
Cash and due from banks	$ 927,630	$ 927,630	$ —	$ —	$ 927,630
Certificates of deposit with other banks	250	250	—	—	250
Loans held for sale	511,812	—	—	544,273	544,273
Loans and leases held for investment, net of allowance for credit losses on loans and leases	12,205,354	—	—	12,030,048	12,030,048
Financial liabilities					
Deposits	14,547,526	—	13,819,089	—	13,819,089
Borrowings	99,766	—	—	104,051	104,051

December 31, 2025	Carrying Amount	Quoted Price In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Financial assets					
Cash and due from banks	$ 864,904	$ 864,904	$ —	$ —	$ 864,904
Certificates of deposit with other banks	250	250	—	—	250
Loans held for sale	420,055	—	—	440,928	440,928
Loans and leases held for investment, net of allowance for credit losses on loans and leases	11,520,733	—	—	11,329,479	11,329,479
Financial liabilities					
Deposits	13,688,659	—	13,096,941	—	13,096,941
Borrowings	102,404	—	—	110,782	110,782

Note 8. Commitments and Contingencies

Litigation

In the normal course of business, the Company is involved in various legal proceedings. Management believes that the outcome of such proceedings will not materially affect the financial position, results of operations or cash flows of the Company.

Financial Instruments with Off-Balance-Sheet Risk

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, credit risk in excess of the amount recognized in the balance sheet.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as for on-balance-sheet instruments. A summary of the Company's commitments is as follows:

	June 30, 2026	December 31, 2025
Commitments to extend credit (1) (2)	$ 4,623,214	$ 4,099,313
Standby letters of credit	20,402	51,842
Airplane purchase agreement commitments	48,636	48,636
Total unfunded off-balance-sheet credit risk	$ 4,692,252	$ 4,199,791

(1) Includes unfunded overdraft protection.

(2) Includes $1.78 billion and $1.27 billion at June 30, 2026 and December 31, 2025, respectively, for which loan commitment letters have been issued. Such letters do not represent a present obligation to extend credit due to the variety of conditions contained in the letters.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the party. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies as specified above and is required in instances which the Company deems necessary.

The allowance for off-balance-sheet credit exposures was $18.4 million and $16.4 million at June 30, 2026 and December 31, 2025, respectively. During the three and six months ended June 30, 2026, the Company recorded $1.5 million and $2.0 million in expense related to the allowance for off-balance-sheet credit exposures, respectively. During the three and six months ended June 30, 2025, the Company recorded $240 thousand and $718 thousand in recoveries related to the allowance for off-balance-sheet credit exposures, respectively.

Other Commitments

See Note 4. Investments for unfunded commitments to provide capital contributions for equity fund investments as of June 30, 2026 and December 31, 2025.

Concentrations of Credit Risk

The Company from time-to-time may have cash and cash equivalents on deposit with other financial institutions that exceed federally-insured limits.

Geographic Concentrations

The following table presents the geographic concentration of the Company's loan and lease portfolio at June 30, 2026:

	% of Total
Geographic Regions [(1)]	
Midwest	14.1 %
Northeast	18.4
Southeast	30.9
Southwest	13.5
West	22.6
Non-U.S.	0.5
Total	100.0 %

(1) Concentrations are stated as a percentage of total unguaranteed loans held for investment. Midwest consists of ND, SD, NE, KS, MN, IA,WI, MO, IL, IN, MI and OH. Northeast consists of MD, DE, PA, NJ, NY, CT, RI, MA, VT, ME and NH. Southeast consists of AR, LA, MS, TN, AL, GA, FL, SC, KY, NC, VA, WV, DC, PR and VI. Southwest consists of AZ, NM, TX and OK. West consists of WA, OR, CA, NV, ID, MT, WY, CO, UT, AK and HI. Non-U.S. includes addressees with foreign domicile. Domicile is determined by the principal resident or business address of the entity.

Note 9. Subsequent Event

On July 28, 2026, the issuer of certain equity warrants held by the Company (the “Warrants”) was acquired (the “Transaction”). In connection with the Transaction, the Company's Warrants converted and settled, and the Company received cash proceeds of $8.7 million and recognized a realized gain of approximately $8.6 million and a related bankers success fee of approximately $1.4 million which will be included in the Company’s noninterest income and noninterest expense, respectively, for the third quarter of 2026.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following presents management's discussion and analysis of the financial condition and results of operations of Live Oak Bancshares, Inc. (individually, "Bancshares" and collectively with its subsidiaries including Live Oak Banking Company, the "Company"). This discussion should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere in this quarterly report on Form 10-Q and with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (the "2025 Form 10-K"). Results of operations for the periods included in this quarterly report on Form 10-Q are not necessarily indicative of results to be obtained during any future period.

Important Note Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains statements that management believes are forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995.

These statements generally relate to the financial condition, results of operations, plans, objectives, future performance or business of Live Oak Bancshares, Inc. (the "Company"). They usually can be identified by the use of forward-looking terminology, such as "believes," "expects," or "are expected to," "plans," "projects," "goals," "estimates," "will," "may," "should," "could," "would," "continues," "intends to," "outlook" or "anticipates," or variations of these and similar words, or by discussions of strategies that involve risks and uncertainties. You should not place undue reliance on these statements, as they are subject to risks and uncertainties, including but not limited to, those described in this Report. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements management may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information actually known to the Company at the time. Management undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements contained in this Report are based on current expectations, estimates and projections about the Company's business, management's beliefs and assumptions made by management. These statements are not guarantees of the Company's future performance and involve certain risks, uncertainties and assumptions, 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 Company's provision for credit losses and other adverse impacts to results of operations and financial condition;

- changes in Small Business Administration ("SBA") rules, regulations and loan products, including specifically the Section 7(a) program, changes in SBA standard operating procedures or changes to the status of Live Oak Banking Company (the "Bank") 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 ("USDA");

- 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 credit losses;

- changes in loan underwriting, credit review or loss reserve policies associated with economic conditions, examination conclusions, or regulatory developments;

- adverse developments in the banking industry highlighted by high-profile bank failures and the potential impact of such developments on customer confidence, liquidity, and regulatory responses to these developments;

- the impacts of any pandemic or public health situation 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;

- risks relating to the deployment and use of artificial intelligence by the Company, its customers, and counterparties;
- a reduction in or the termination of the Company’s ability to use the technology-based platform that is critical to the success of the Company’s business model, including a failure in or a breach of the Company’s operational or security systems or those of its third-party service providers;
- risks relating to the material weaknesses we identified in our internal control over financial reporting;
- technological risks and developments, including cyber threats, attacks, or events;
- changes in financial market conditions, either internationally, nationally or locally in areas in which the Company conducts operations, including reductions in rates of business formation and growth, demand for the Company’s 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 the Company’s 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;
- the Company's 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 or USDA lending programs and investment tax credits;
- changes in tariffs and trade barriers, including potential changes in U.S. and international trade policies and the resulting impact on the Company and its customers;
- a deterioration of the credit rating for U.S. long-term sovereign debt, actions that the U.S. government may take to avoid exceeding the debt ceiling, and uncertainties surrounding the debt ceiling and the federal budget;
- changes in political and economic conditions, including any prolonged U.S. government shutdown;
- the impact of heightened regulatory scrutiny of financial products and services;
- the Company's ability to comply with any requirements imposed on it by regulators, and the potential negative consequences that may result;
- operational, compliance and other factors, including conditions in local areas in which the Company conducts 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 the Company or the Bank may from time to time be a party, including management’s ability to successfully integrate any businesses acquired;
- adverse results, including related fees and expenses, from pending or future lawsuits, government investigations or private actions;

- other risk factors listed from time to time in reports that the Company files with the U.S. Securities and Exchange Commission, or the SEC, including those described under "Risk Factors" in this Report; and
- the Company's success at managing the risks involved in the foregoing.

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. All forward-looking statements speak only as of the date on which such statements are made, and the Company undertakes no obligation to update any statement, to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

Amounts in all tables in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") have been presented in thousands, except percentage, time period, stock option, share and per share data or where otherwise indicated.

Nature of Operations

Bancshares is a financial holding company and a bank holding company headquartered in Wilmington, North Carolina incorporated under the laws of North Carolina in December 2008. The Company conducts business operations primarily through its commercial bank subsidiary, Live Oak Banking Company (the "Bank"). The Bank was incorporated in February 2008 as a North Carolina-chartered commercial bank. The Bank specializes in providing lending and deposit-related services to small businesses nationwide. A significant portion of the loans originated by the Bank are partially guaranteed by the U.S. Small Business Administration ("SBA") under the 7(a) Loan program and the U.S. Department of Agriculture ("USDA") Rural Energy for America Program ("REAP"), Water and Environmental Program ("WEP"), Business & Industry ("B&I") and Community Facilities loan programs. These loans are to small businesses and professionals with what the Bank believes are lower risk characteristics. Industries, or "verticals," on which the Bank focuses its lending efforts are carefully selected. The Bank also lends more broadly to select borrowers outside of those verticals.

As of June 30, 2026, the Company's wholly owned material subsidiaries were the Bank, Government Loan Solutions ("GLS"), Live Oak Grove, LLC ("Grove") and Live Oak Ventures, Inc. ("Live Oak Ventures"). GLS is a management and technology consulting firm that advises and offers solutions and services to participants in the government guaranteed lending sector. GLS primarily provides services in connection with the settlement, accounting, and securitization processes for government guaranteed loans, including loans originated under the SBA 7(a) loan programs and USDA guaranteed loans. The Grove provides Company employees and business visitors with on-site dining at the Company's Wilmington, North Carolina headquarters. Live Oak Ventures' purpose is investing in businesses that align with the Company's strategic initiative to be a leader in financial technology. During the fourth quarter of 2024, Live Oak Ventures consolidated its investment in Synply, Inc. ("Synply") as a result of its controlling interest in that entity. Synply is a cloud-based technology platform designed to simplify the loan syndication process for financial institutions. The non-controlling interest in Synply is disclosed according to the Company's consolidation policy.

As of June 30, 2026, the Bank's wholly owned subsidiaries were Live Oak Number One, Inc., Live Oak Clean Energy Financing LLC ("LOCEF"), Live Oak Private Wealth, LLC ("Live Oak Private Wealth") and Tiburon Land Holdings, LLC ("TLH"). Live Oak Number One, Inc. holds properties foreclosed on by the Bank. LOCEF provides financing to entities for renewable energy applications. Live Oak Private Wealth provides high-net-worth individuals and families with strategic wealth and investment management services. TLH holds land adjacent to the Bank's headquarters consisting of wetlands and other protected property for the use and enjoyment of the Bank's employees and customers.

The Company generates revenue primarily from net interest income and secondarily through the origination and sale of government guaranteed loans. Income from the retention of loans consists principally of interest income. Income from the sale of loans is comprised of loan servicing revenue and revaluation of related servicing assets along with net gains on sales of loans. Offsetting these revenues are the cost of funding sources, provision for credit losses, any costs related to foreclosed assets and other operating costs such as salaries and employee benefits, travel, professional services, advertising and marketing and tax expense. The Company also has less routinely generated gains and losses arising from its financial technology investments.

Results of Operations

Performance Summary

Three months ended June 30, 2026 compared with three months ended June 30, 2025

For the three months ended June 30, 2026, the Company reported net income attributable to common shareholders of $34.7 million, or $0.74 per diluted share, compared to net income attributable to common shareholders of $23.4 million, or $0.51 per diluted share, for the three months ended June 30, 2025.

The increase in net income was principally due to the following items:

- Increased net interest income of $16.1 million, or 14.8%;

- Decrease in other noninterest expense of $3.3 million, or 54.0%, principally due to a loss associated with a bioenergy lease in 2025.

Key factors offsetting the increase in net income are increased levels of provision for credit losses of $2.5 million and salaries and employee benefits of $2.8 million.

Six months ended June 30, 2026 compared with six months ended June 30, 2025

For the six months ended June 30, 2026, the Company reported net income attributable to common shareholders of $62.6 million, or $1.35 per diluted share, compared to net income attributable to common shareholders of $33.1 million, or $0.72 per diluted share, for the six months ended June 30, 2025.

The increase in net income was largely due to the following items:

- Increased net interest income of $35.0 million, or 16.7%;

- Provision for credit losses decreased by $6.3 million, or 12.1%, to $45.9 million, compared to $52.2 million for the first half of 2025;

- Increase in equity method investment income of $4.2 million, or 85.0%, largely a product of decreased flow-through losses associated with Apiture, Inc. which was sold in the fourth quarter of 2025;

- Decrease in other noninterest expense of $3.2 million, or 36.8%, associated with the above mentioned prior year bioenergy lease loss.

Key factors largely offsetting the increase in net income were comprised of increased levels of salaries and employee benefits of $6.6 million, income tax expense of $8.0 million and preferred stock dividends of $4.2 million.

Net Interest Income and Margin

Net interest income represents the difference between the income that the Company earns on interest-earning assets and the cost of interest-bearing liabilities. The Company’s net interest income depends upon the volume of interest-earning assets and interest-bearing liabilities and the interest rates that the Company earns or pays on them, respectively. Net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities, referred to as “volume changes.” It is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing deposits and other borrowed funds, referred to as “rate changes.” As a bank without a branch network, the Bank gathers deposits over the Internet and in the community in which it is headquartered. Due to the nature of a branchless bank and the relatively low overhead required for deposit gathering, the rates that the Bank offers are generally above the industry average.

Three months ended June 30, 2026 compared with three months ended June 30, 2025

For the three months ended June 30, 2026, net interest income increased $16.1 million, or 14.8%, to $125.3 million compared to $109.2 million for the three months ended June 30, 2025. This increase was principally due to the growth in the held for investment loan and lease portfolio outpacing growth in interest-bearing liabilities. Average interest-earning assets increased by $1.72 billion, or 12.9%, to $15.08 billion for the second quarter of 2026, compared to $13.36 billion for the second quarter of 2025, while the yield on average interest-earning assets decreased 30 basis points to 6.43%. The cost of funds on interest-bearing liabilities for the second quarter of 2026 decreased 33 basis points to 3.45% and the average balance of interest-bearing liabilities increased by $1.31 billion, or 10.7%, over the second quarter of 2025.

As indicated in the rate/volume analysis below, the overall increase discussed above is reflected in increased interest income of $17.4 million outpacing growth in interest expense of $1.3 million for the second quarter of 2026 compared to the second quarter of 2025. The net interest margin increased from 3.28% for the second quarter of 2025 to 3.33% for the second quarter of 2026.

Six months ended June 30, 2026 compared with six months ended June 30, 2025

For the six months ended June 30, 2026, net interest income increased $35.0 million, or 16.7%, to $244.7 million compared to $209.8 million for the six months ended June 30, 2025. This increase was principally due to the growth in the held for investment loan and lease portfolio outpacing growth in interest-bearing liabilities. Average interest-earning assets increased by $1.89 billion, or 14.5%, to $14.95 billion for the six months ended June 30, 2026, compared to $13.06 billion for the six months ended June 30, 2025, while the yield on average interest-earning assets decreased 33 basis points to 6.42%. The cost of funds on interest-bearing liabilities for the six months ended June 30, 2026 decreased 37 basis points to 3.47%, and the average balance of interest-bearing liabilities increased by $1.47 billion, or 12.3%, over the six months ended June 30, 2025.

The increase in average interest-bearing liabilities was largely driven by funding for significant loan originations and growth as well as maintenance of the Company's target liquidity profile. As indicated in the rate/volume analysis below, the overall increase discussed above is reflected in increased interest income of $38.2 million outpacing growth in interest expense of $3.2 million for the six months ended June 30, 2026 compared to the six months ended June 30, 2025. The net interest margin increased from 3.24% for the six months ended June 30, 2025 to 3.30% for the six months ended June 30, 2026.

Average Balances and Yields. The following table presents information regarding average balances for assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amount of interest expense on average interest-bearing liabilities, and the resulting average yields and costs. The yields and costs for the periods indicated are derived by dividing the income or expense by the average balances for assets or liabilities, respectively, for the periods presented and annualizing that result. Loan fees are included in interest income on loans.

	Three Months Ended June 30,					
	2026			2025		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest-earning assets:						
Interest-earning balances in other banks	$ 710,110	$ 6,601	3.73 %	$ 727,715	$ 8,123	4.48 %
Investment securities	1,519,670	13,411	3.54	1,408,942	11,648	3.32
Loans held for sale	527,857	10,441	7.93	381,531	8,008	8.42
Loans and leases held for investment [(1)]	12,322,003	211,264	6.88	10,843,303	196,505	7.27
Total interest-earning assets	15,079,640	241,717	6.43	13,361,491	224,284	6.73
Less: Allowance for credit losses on loans and leases	(193,304)			(186,022)		
Noninterest-earning assets	537,352			539,485		
Total assets	$ 15,423,688			$ 13,714,954		
Interest-bearing liabilities:						
Savings	$ 7,170,652	$ 58,289	3.26 %	$ 6,241,053	$ 56,529	3.63 %
Certificates of deposit	5,637,001	51,968	3.70	5,392,494	52,789	3.93
Other interest-bearing deposits	629,105	4,519	2.88	479,735	4,062	3.40
Total deposits	13,436,758	114,776	3.43	12,113,282	113,380	3.75
Borrowings	99,743	1,603	6.45	109,463	1,683	6.17
Total interest-bearing liabilities	13,536,501	116,379	3.45	12,222,745	115,063	3.78
Noninterest-bearing deposits	536,054			375,503		
Noninterest-bearing liabilities	29,222			53,717		
Shareholders' equity	1,317,767			1,058,572		
Non-controlling interest	4,144			4,417		
Total liabilities and shareholders' equity	$ 15,423,688			$ 13,714,954		
Net interest income and interest rate spread		$ 125,338	2.98 %		$ 109,221	2.95 %
Net interest margin			3.33 %			3.28 %
Ratio of average interest-earning assets to average interest-bearing liabilities			111.40 %			109.32 %

(1) Average loan and lease balances include non-accruing loans and leases.

	Six Months Ended June 30,					
	2026			2025		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest-earning assets:						
Interest-earning balances in other banks	$ 719,969	$ 13,327	3.73 %	$ 654,896	$ 14,523	4.47 %
Investment securities	1,505,923	26,420	3.54	1,394,450	22,737	3.29
Loans held for sale	520,864	20,233	7.83	394,846	16,620	8.49
Loans and leases held for investment [(1)]	12,202,716	415,601	6.87	10,617,166	383,509	7.28
Total interest-earning assets	14,949,472	475,581	6.42	13,061,358	437,389	6.75
Less: Allowance for credit losses on loans and leases	(191,921)			(175,728)		
Noninterest-earning assets	542,632			536,823		
Total assets	$ 15,300,183			$ 13,422,453		
Interest-bearing liabilities:						
Savings	7,041,243	113,709	3.26	5,892,536	108,133	3.70
Certificates of deposit	5,683,643	105,305	3.74	5,477,278	108,024	3.98
Other interest-bearing deposits	604,355	8,609	2.87	479,071	8,111	3.41
Total deposits	13,329,241	227,623	3.44	11,848,885	224,268	3.82
Borrowings	101,527	3,220	6.40	110,684	3,368	6.14
Total interest-bearing liabilities	13,430,768	230,843	3.47	11,959,569	227,636	3.84
Noninterest-bearing deposits	513,801			359,084		
Noninterest-bearing liabilities	49,297			56,214		
Shareholders' equity	1,302,127			1,043,145		
Non-controlling interest	4,190			4,441		
Total liabilities and shareholders' equity	$ 15,300,183			$ 13,422,453		
Net interest income and interest rate spread		$ 244,738	2.95 %		$ 209,753	2.91 %
Net interest margin			3.30 %			3.24 %
Ratio of average interest-earning assets to average interest-bearing liabilities			111.31 %			109.21 %

(1) Average loan and lease balances include non-accruing loans and leases.

Rate/Volume Analysis. The following table sets forth the effects of changing rates and volumes on net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, increases or decreases attributable to changes in both rate and volume that cannot be segregated have been allocated proportionally based on the changes due to rate and the changes due to volume.

	Three Months Ended June 30, 2026 vs. 2025 Increase (Decrease) Due to			Six Months Ended June 30, 2026 vs. 2025 Increase (Decrease) Due to		
	Rate	Volume	Total	Rate	Volume	Total
Interest income:						
Interest-earning balances in other banks	$ (1,342)	$ (180)	$ (1,522)	$ (2,520)	$ 1,324	$ (1,196)
Investment securities	817	946	1,763	1,796	1,887	3,683
Loans held for sale	(550)	2,983	2,433	(1,487)	5,100	3,613
Loans and leases held for investment	(11,316)	26,075	14,759	(23,545)	55,637	32,092
Total interest income	(12,391)	29,824	17,433	(25,756)	63,948	38,192
Interest expense:						
Savings	$ (6,228)	$ 7,988	$ 1,760	$ (14,239)	$ 19,815	$ 5,576
Certificates of deposit	(3,145)	2,324	(821)	(6,665)	3,946	(2,719)
Other interest-bearing deposits	(713)	1,170	457	(1,455)	1,953	498
Borrowings	73	(153)	(80)	137	(285)	(148)
Total interest expense	(10,013)	11,329	1,316	(22,222)	25,429	3,207
Net interest income	$ (2,378)	$ 18,495	$ 16,117	$ (3,534)	$ 38,519	$ 34,985

Provision for Credit Losses

The provision for credit losses represents the amount necessary to be charged against the current period’s earnings to maintain the allowance for credit losses (“ACL”) on loans and leases at a level that the Company believes is appropriate in relation to the estimated losses inherent in the loan and lease portfolio. Expense related to off-balance sheet credit exposures is also included in the provision for credit losses. See Note 8. Commitments and Contingencies under the subheading *Financial Instruments with Off-Balance-Sheet Risk* for additional information.

Losses inherent in loan relationships are mitigated if a portion of the loan is guaranteed by the SBA or USDA. Typical SBA 7(a) and USDA guarantees range from 50% to 90% depending on loan size and type, which serve to reduce the risk profile of these loans. The Company believes that its focus on compliance with regulations and guidance from the SBA and USDA are key factors to managing this risk.

For the second quarter of 2026, there was a provision for credit losses of $25.8 million compared to $23.3 million for the same period in 2025, an increase of $2.5 million, primarily attributed to loan growth during the second quarter of 2026. For the six months ended June 30, 2026, there was a provision for credit losses of $45.9 million compared to $52.2 million for the same period in 2025, a decrease of $6.3 million. The decrease compared to the second quarter of 2025 reflects an improved economic forecast and improved credit quality which more than offset the impact of loan growth during the period.

Loans and leases held for investment at historical cost were $12.40 billion as of June 30, 2026, increasing by $1.69 billion, or 15.8%, compared to June 30, 2025.

Net charge-offs for loans and leases carried at historical cost were $24.2 million, or 0.80% of average quarterly loans and leases held for investment, carried at historical cost, on an annualized basis, for the three months ended June 30, 2026, compared to net charge-offs of $31.4 million, or 1.19%, for the three months ended June 30, 2025, a decrease of $7.2 million, or 23.2%. For the six months ended June 30, 2026, net charge-offs totaled $42.7 million compared to $38.2 million for the six months ended June 30, 2025, an increase of $4.5 million, or 11.8%.

In addition, nonperforming loans and leases not guaranteed by the SBA or USDA, excluding $6.6 million and $8.9 million accounted for under the fair value option at June 30, 2026 and 2025, respectively, totaled $124.3 million, which was 1.00% of the held for investment loan and lease portfolio carried at historical cost at June 30, 2026, compared to $59.6 million, or 0.56% of loans and leases held for investment carried at historical cost at June 30, 2025.

Noninterest Income

Noninterest income is principally comprised of net gains from the sale of SBA and USDA-guaranteed loans along with loan servicing revenue and related revaluation of the servicing asset. Revenue from the sale of loans depends upon the volume, maturity structure and rates of underlying loans as well as the pricing and availability of funds in the secondary markets prevailing in the period between completed loan funding and closing of sale. In addition, the loan servicing revaluation is significantly impacted by changes in market rates and other underlying assumptions such as prepayment speeds and default rates. Net gain (loss) on loans accounted for under the fair value option is also significantly impacted by changes in market rates, prepayment speeds and inherent credit risk. Other less consistent elements of noninterest income include gains and losses on investments.

The following table shows the components of noninterest income and the dollar and percentage changes for the periods presented.

	Three Months Ended June 30,		2026/2025 Increase (Decrease)	
	2026	2025	Amount	Percent
Noninterest income				
Loan servicing revenue	$ 9,194	$ 8,565	$ 629	7.3 %
Loan servicing asset revaluation	(4,278)	(3,057)	(1,221)	(39.9)
Net gains on sales of loans	17,554	17,570	(16)	(0.1)
Net gain on loans accounted for under the fair value option	291	1,082	(791)	(73.1)
Equity method investments income (loss)	74	(2,716)	2,790	102.7
Equity security investments gains, net	—	1,004	(1,004)	(100.0)
Lease income	2,238	3,103	(865)	(27.9)
Other noninterest income	5,734	4,904	830	16.9
Total noninterest income	$ 30,807	$ 30,455	$ 352	1.2 %

	Six Months Ended June 30,		2026/2025 Increase (Decrease)	
	2026	2025	Amount	Percent
Noninterest income				
Loan servicing revenue	$ 18,288	$ 16,863	$ 1,425	8.5 %
Loan servicing asset revaluation	(7,765)	(7,785)	20	0.3
Net gains on sales of loans	32,979	33,008	(29)	(0.1)
Net (loss) gain on loans accounted for under the fair value option	(874)	48	(922)	(1,920.8)
Equity method investments income (loss)	(743)	(4,955)	4,212	85.0
Equity security investments gains, net	—	1,024	(1,024)	(100.0)
Lease income	4,373	5,676	(1,303)	(23.0)
Other noninterest income	10,623	8,947	1,676	18.7
Total noninterest income	$ 56,881	$ 52,826	$ 4,055	7.7 %

For the three and six months ended June 30, 2026, noninterest income increased by $352 thousand and $4.1 million, or 1.2% and 7.7% respectively, compared to the prior three and six month periods in 2025. This increase for both periods was due to the decrease in equity method investment losses associated with cessation of flow-through losses from Apiture, Inc. which was sold in the fourth quarter of 2025. This transaction increased noninterest income in the second quarter and first half of 2026 by $2.8 million and $4.2 million, respectively, when compared with the prior three and six month periods of 2025.

The following tables reflect loan and lease production, sales of guaranteed loans and the aggregate balance in guaranteed loans sold. These components are key drivers of the Company's noninterest income.

	Three months ended June 30,		Three months ended March 31,	
	2026	2025	2026	2025
Amount of loans and leases originated	$ 1,548,432	$ 1,526,592	$ 1,368,311	$ 1,396,223
Guaranteed portions of loans sold	318,556	322,317	275,488	266,275
Outstanding balance of guaranteed loans sold [(1)]	4,125,710	3,685,981	4,018,059	3,486,533

	Six Months Ended June 30,		For years ended December 31,			
	2026	2025	2025	2024	2023	2022
Amount of loans and leases originated	$ 2,916,743	$ 2,922,815	$ 6,209,639	$ 5,155,244	$ 3,946,873	$ 4,007,621
Guaranteed portions of loans sold	594,044	588,592	1,182,871	980,973	877,551	580,889
Outstanding balance of guaranteed loans sold [(1)]	4,125,710	3,685,981	3,897,790	3,379,477	2,986,959	2,668,110

(1) This represents the outstanding principal balance of guaranteed loans serviced, as of the last day of the applicable period, which have been sold into the secondary market.

Noninterest Expense

Noninterest expense comprises all operating costs of the Company, such as employee related costs, travel, professional services, advertising and marketing expenses, exclusive of interest and income tax expense.

The following table shows the components of noninterest expense and the related dollar and percentage changes for the periods presented.

	Three Months Ended June 30,		2026/2025 Increase (Decrease)	
	2026	2025	Amount	Percent
Noninterest expense				
Salaries and employee benefits	$ 48,776	$ 46,008	$ 2,768	6.0 %
Non-employee expenses:				
Travel expense	1,933	1,634	299	18.3
Professional services expense	2,938	2,874	64	2.2
Advertising and marketing expense	2,734	4,420	(1,686)	(38.1)
Occupancy expense	2,364	2,369	(5)	(0.2)
Technology expense	9,608	10,066	(458)	(4.5)
Equipment expense	3,662	3,685	(23)	(0.6)
Other loan origination and maintenance expense	4,864	4,190	674	16.1
Renewable energy tax credit investment impairment	26	270	(244)	(90.4)
FDIC insurance	4,788	3,545	1,243	35.1
Other expense	2,832	6,161	(3,329)	(54.0)
Total non-employee expenses	35,749	39,214	(3,465)	(8.8)
Total noninterest expense	$ 84,525	$ 85,222	$ (697)	(0.8)%

	Six Months Ended June 30,		2026/2025 Increase (Decrease)	
	2026	2025	Amount	Percent
Noninterest expense				
Salaries and employee benefits	$ 98,130	$ 91,537	$ 6,593	7.2 %
Non-employee expenses:				
Travel expense	3,396	3,698	(302)	(8.2)
Professional services expense	5,454	5,898	(444)	(7.5)
Advertising and marketing expense	5,785	8,085	(2,300)	(28.4)
Occupancy expense	4,774	5,106	(332)	(6.5)
Technology expense	19,357	19,317	40	0.2
Equipment expense	7,355	7,430	(75)	(1.0)
Other loan origination and maintenance expense	10,783	8,775	2,008	22.9
Renewable energy tax credit investment impairment	26	270	(244)	(90.4)
FDIC insurance	9,189	7,096	2,093	29.5
Other expense	5,569	8,817	(3,248)	(36.8)
Total non-employee expenses	71,688	74,492	(2,804)	(3.8)
Total noninterest expense	$ 169,818	$ 166,029	$ 3,789	2.3 %

Total noninterest expense for the three and six months ended June 30, 2026, decreased $697 thousand, or 0.8%, and increased $3.8 million, or 2.3%, compared to the same periods in 2025. The changes within noninterest expense for the comparable three and six month periods was largely driven by components discussed below.

Salaries and employee benefits: Total personnel expense for the three and six months ended June 30, 2026 increased by $2.8 million, or 6.0%, and $6.6 million, or 7.2%, compared to the same periods in 2025, respectively. The increase over both comparative periods of 2025 is principally related to investment in human resources to support strategic and growth initiatives. Salaries and employee benefits expense included $7.4 million and $14.2 million of stock-based compensation for the three and six months ended June 30, 2026, respectively, compared to $6.9 million and $13.7 million for the three and six months ended June 30, 2025, respectively. Expenses related to the employee stock purchase program, stock grants, stock option compensation and restricted stock expense are all considered stock-based compensation.

Advertising and marketing expense: For the three and six months ended June 30, 2026, advertising and marketing expense decreased $1.7 million, or 38.1%, and $2.3 million, or 28.4%, compared to the same periods in 2025. The decrease was largely related to lower levels of promotional spending.

Other loan origination and maintenance expense: For the three and six months ended June 30, 2026, other loan origination and maintenance expense increased $674 thousand, or 16.1%, and $2.0 million, or 22.9%, compared to the same periods in 2025. This increase was primarily related to maintenance of the Company's ongoing growth in the guaranteed loan portfolio.

FDIC insurance: For the three and six months ended June 30, 2026, FDIC insurance increased $1.2 million, or 35.1%, and $2.1 million, or 29.5%, compared to the same periods in 2025. This increase is largely the product of the Company's continued growth combined with increased FDIC assessment rates.

Other expense: For the three and six months ended June 30, 2026, other expense decreased $3.3 million, or 54.0%, and $3.2 million, or 36.8%, respectively, compared to the same periods in 2025. The decrease over both comparative periods was principally driven by a $2.8 million loss arising from the early buyout of the Company's sole bioenergy lease in the second quarter of 2025.

Income Tax Expense

For the three months ended June 30, 2026, income tax expense was $9.1 million compared to income tax expense of $7.8 million in the second quarter of 2025, and the Company's effective tax rates were 19.9% and 25.0%, respectively. For the six months ended June 30, 2026, income tax expense was $19.3 million compared to $11.3 million for the six months ended June 30, 2025, and the Company's effective tax rates were 22.4% and 25.4%, respectively. The higher level of income tax expense over both comparative periods was largely the result of heightened pretax income during the current year, partially offset by a $2.1 million benefit associated with tax credit purchases during the second quarter of 2026.

Discussion and Analysis of Financial Condition

June 30, 2026 vs. December 31, 2025

Total assets at June 30, 2026 were $16.04 billion, an increase of $903.4 million, or 6.0%, compared to total assets of $15.13 billion at December 31, 2025. The growth in total assets was principally driven by total loans and leases held for investment and held for sale increasing by $749.0 million, or 6.0%, in 2026, from $12.39 billion at December 31, 2025 to $13.14 billion at June 30, 2026. This growth was a result of strong origination activity during the first half of 2026 of $2.92 billion.

Total deposits were $14.55 billion at June 30, 2026, an increase of $858.9 million, or 6.3%, from $13.69 billion at December 31, 2025. The increase in total deposits from the prior period was to support growth in the loan and lease portfolio as well as the Company's targeted liquidity levels. At June 30, 2026, the Bank's total uninsured deposits were approximately $2.44 billion, or 16.6%, of total deposits.

Total shareholders' equity was $1.32 billion at June 30, 2026, an increase of $62.8 million, or 5.0%, from $1.25 billion at December 31, 2025. The increase in total shareholders' equity from the prior period was largely due to net income of $66.7 million.

Commercial Real Estate

Commercial real estate loans as indicated by the FDIC include loans secured by the following: construction, land development, multifamily property and nonfarm, nonresidential real property. The following table provides information with respect to commercial real estate loans as of June 30, 2026.

	Guaranteed	Unguaranteed	Total [1]
Held for Investment Loans:			
Owner Occupied			
Small Business Banking	$ 1,433,423	$ 1,434,808	$ 2,868,231
Commercial Banking	14,200	61,821	76,021
Total	**1,447,623**	**1,496,629**	**2,944,252**
Non-Owner Occupied			
Small Business Banking	424,729	957,080	1,381,809
Commercial Banking	17,261	1,519,308	1,536,569
Total	**441,990**	**2,476,388**	**2,918,378**
Total Held for Investment Commercial Real Estate	**$ 1,889,613**	**$ 3,973,017**	**$ 5,862,630**
Held for Sale Loans:			
Owner Occupied			
Small Business Banking	$ 96,222	$ —	$ 96,222
Total	**96,222**	**—**	**96,222**
Non-Owner Occupied			
Small Business Banking	208,186	—	208,186
Total	**208,186**	**—**	**208,186**
Total Held for Sale Commercial Real Estate	**$ 304,408**	**$ —**	**$ 304,408**
Total Commercial Real Estate Loans	**$ 2,194,021**	**$ 3,973,017**	**$ 6,167,038**
% of Total Commercial Real Estate Loans	**35.6 %**	**64.4 %**	**100.0 %**

(1) Excludes retained loan discount and net deferred costs.

Asset Quality

Management considers asset quality to be of primary importance. A formal loan review function, independent of loan origination, is used to identify and monitor problem loans. This function reports directly to the Risk Committee of the Board of Directors.

Nonperforming Assets

The Bank places loans and leases on nonaccrual status when they become 90 days past due as to principal or interest payments, or prior to that if management has determined based upon current information available to them that the timely collection of principal or interest is not probable. When a loan or lease is placed on nonaccrual status, any interest previously accrued as income but not actually collected is reversed and recorded as a reduction of loan or lease interest and fee income. Typically, collections of interest and principal received on a nonaccrual loan or lease are applied to the outstanding principal as determined at the time of collection of the loan or lease.

Total nonperforming assets, including loans measured at fair value, at June 30, 2026 were $542.5 million, which represented a $29.7 million, or 5.2%, decrease from December 31, 2025. These nonperforming assets at June 30, 2026 were comprised of $531.5 million in nonaccrual loans and leases and $11.0 million in foreclosed assets. Of the $542.5 million of nonperforming assets, $407.2 million carried a government guarantee, leaving an unguaranteed exposure of $135.3 million in total nonperforming assets at June 30, 2026. This represents an increase of $24.1 million, or 21.6%, from an unguaranteed exposure of $111.2 million at December 31, 2025.

The following table provides information with respect to nonperforming assets, excluding loans measured at fair value, at the dates indicated.

	June 30, 2026 (1)	December 31, 2025 (1)
Nonaccrual loans and leases:		
Total nonperforming loans and leases (all on nonaccrual)	$ 470,755	$ 501,157
Foreclosed assets	11,017	8,208
Total nonperforming assets	**$ 481,772**	**$ 509,365**
Allowance for credit losses on loans and leases	**$ 193,417**	**$ 192,264**
Total nonperforming loans and leases to total loans and leases held for investment	3.80 %	4.28 %
Total nonperforming loans and leases to total assets	2.98 %	3.37 %
Allowance for credit losses on loans and leases to loans and leases held for investment	1.56 %	1.64 %
Allowance for credit losses on loans and leases to total nonperforming loans and leases	41.09 %	38.36 %
Nonaccrual loans and leases guaranteed by U.S. government:		
Total nonperforming loans and leases guaranteed by the U.S. government (all on nonaccrual)	$ 346,419	$ 399,786
Foreclosed assets guaranteed by the U.S. government	7,976	6,798
Total nonperforming assets guaranteed by the U.S. government	**$ 354,395**	**$ 406,584**
Allowance for credit losses on loans and leases	**$ 193,417**	**$ 192,264**
Total nonperforming loans and leases not guaranteed by the U.S. government to total held for investment loans and leases	1.00 %	0.87 %
Total nonperforming loans and leases not guaranteed by the U.S. government to total assets	0.79 %	0.68 %
Allowance for credit losses on loans and leases to total nonperforming loans and leases not guaranteed by the U.S. government	155.56 %	189.66 %

(1) Excludes loans measured at fair value.

Nonperforming assets, excluding loans measured at fair value, at June 30, 2026 were $481.8 million, which represented a $27.6 million, or 5.4%, decrease from December 31, 2025. These nonperforming assets at June 30, 2026 were comprised of $470.8 million in nonaccrual loans and leases and $11.0 million in foreclosed assets. Of the $481.8 million of nonperforming assets, $354.4 million carried a government guarantee, leaving an unguaranteed exposure of $127.4 million in total nonperforming assets at June 30, 2026. This represents an increase of $24.6 million, or 23.9%, from an unguaranteed exposure of $102.8 million at December 31, 2025.

See the below discussion related to the change in potential problem and individually evaluated loans and leases for management's overall observations regarding growth in total nonperforming loans and leases.

As a percentage of the Bank's total capital, nonperforming loans and leases, excluding loans measured at fair value, represented 34.2% at June 30, 2026, compared to 39.0% at December 31, 2025. Adjusting the ratio to include only the unguaranteed portion of nonperforming loans and leases at historical cost to reflect management's belief that the greater magnitude of risk resides in this portion, the ratios at June 30, 2026 and December 31, 2025 were 9.0% and 7.9%, respectively.

As of June 30, 2026, and December 31, 2025, potential problem (also referred to as criticized or Risk Grade 50) and classified loans and leases, excluding loans measured at fair value, totaled $1.23 billion and $1.39 billion, respectively. The following is a discussion of these loans and leases. Risk Grades 50 through 80 represent the spectrum of criticized and classified loans and leases. For a complete description of the risk grading system, see "Credit Quality Indicators" in Note 3 in the notes to consolidated financial statements in the Company's 2025 Form 10-K. At June 30, 2026, the portion of criticized and classified loans and leases guaranteed by the SBA or USDA totaled $628.9 million and total portfolio unguaranteed exposure risk was $601.6 million, or 6.5% of total held for investment unguaranteed exposure carried at historical cost. This compares to the December 31, 2025 portion of criticized and classified loans and leases guaranteed by the SBA or USDA which totaled $669.8 million and total portfolio unguaranteed exposure risk was $719.9 million, or 8.6% of total held for investment unguaranteed exposure carried at historical cost.

As of June 30, 2026 and December 31, 2025, loans and leases carried at historical cost within the following verticals comprise the largest portion of the total potential problem and classified loans and leases:

As of June 30, 2026		As of December 31, 2025	
Vertical	**% of Criticized and Classified Loans and Leases**	**Vertical**	**% of Criticized and Classified Loans and Leases**
General Lending	13.7%	General Lending	11.8%
Healthcare	6.7	Solar Energy	7.5
Sponsor Finance	6.6	Senior Housing	6.1
Auto Care + Auto Dealerships	6.6	Bioenergy	6.1
Self Storage	5.7	Sponsor Finance	6.1
Solar Energy	4.8	Auto Care + Auto Dealerships	5.9
ABL General	4.8	Healthcare	5.4
Wine and Craft Beverages	4.7	Self Storage	5.4
RV Parks	4.6	RV Parks	4.0
% of Total Criticized and Classified Loans	58.2%	% of Total Criticized and Classified Loans	58.3%

Of the above listed verticals, Senior Housing, Sponsor Finance, Bioenergy, ABL General, and Solar Energy are within the Company's Commercial Banking division, the remainder of the above listed verticals are within the Small Business Banking division. The total $159.1 million decrease in potential problem and classified loans and leases in the first six months of 2026 was comprised of $82.8 million in decreased levels of Risk Grade 50 loans and leases, as discussed below, and $76.4 million in decreased levels of classified loans. The overall decrease in classified loans in the first half of 2026 was largely driven by one $84.9 million Renewable Energy relationship that was moved out of loans resulting in no losses in the first quarter due to the combination of a sale and related government guarantee. The remainder of the overall decrease is due to isolated borrower-specific credit migrations, including movement of several larger individual exposures and isolated industries into classified status based on performance trends identified through ongoing credit reviews. These changes largely reflect the effects of normal growth and isolated borrower performance migrations rather than any systemic credit deterioration. The Company believes that its underwriting and credit quality standards have remained high and continues to consider changing economic conditions as well as the current interest rate environment.

Loans and leases that experience insignificant payment delays and payment shortfalls are generally not individually evaluated for the purpose of estimating the allowance for credit losses. The Bank considers an "insignificant period of time" from payment deferrals to be a period of 90 days or less. The Bank would consider a modification for a customer experiencing what is expected to be a short-term event that has temporarily impacted cash flow. This could be due, among other reasons, to illness, weather, impact from a one-time expense, slower than expected start-up, construction issues or other short-term issues. Credit personnel will review the request to determine if the customer is experiencing financial stress and how the event has impacted the ability of the customer to repay the loan or lease long term. These types of deferrals are generally granted 90 days at a time. Collection efforts are typically escalated if, after two or three deferral periods, the cash flow event has not been resolved. At June 30, 2026, the Company had a total of $78.3 million in loans modified in 2026 to borrowers experiencing financial difficulty, excluding loans measured at fair value, $71.2 million of which remained current and $63.2 million of which are for an other-than-insignificant payment delay or term extension.

Management endeavors to be proactive in its approach to identify and resolve problem loans and leases and is focused on working with the borrowers and guarantors of these loans and leases to provide loan and lease modifications when warranted. Management implements a proactive approach to identifying and classifying loans and leases as special mention (also referred to as criticized), Risk Grade 50. At June 30, 2026, and December 31, 2025, Risk Grade 50 loans and leases, excluding loans measured at fair value, totaled $644.5 million and $727.2 million, respectively, for a decrease of $82.8 million. Relative to total held for investment unguaranteed loan exposure carried at historical cost at December 31, 2025 and June 30, 2026, unguaranteed Risk Grade 50 loans and leases decreased from $465.7 million, or 5.5%, to $401.7 million, or 4.3%, respectively.

The largest year-to-date changes in Risk Grade 50 loans and leases carried at historical cost were within the following verticals:

	June 30, 2026 vs. December 31, 2025 Increase (Decrease)	
Vertical	$	%
ABL General	$ 34,995	42.3 %
Agriculture	9,035	10.9
Wine and Craft Beverages	9,017	10.9
Care Services	8,957	10.8
Service Contractors	7,660	9.3
Venture Banking	7,453	9.0
Self Storage	(7,551)	(9.1)
Funeral Homes and Cemeteries	(11,560)	(14.0)
Emerging Markets	(15,396)	(18.6)
Sponsor Search	(20,700)	(25.0)
Government Contract	(28,026)	(33.9)
Senior Housing	(37,634)	(45.5)
Solar Energy	(45,558)	(55.1)
Total of largest changes in Risk Grade 50 loans and leases	$ (89,308)	(108.0)%

The change in Risk Grade 50 loans and leases, exclusive of loans measured at fair value, during the first six months of 2026 was principally confined to 13 verticals, as reflected above. Of the above listed verticals, ABL General, Venture Banking, Emerging Markets, Government Contract, Senior Housing, and Solar Energy are within the Company's Commercial Banking division and the remainder of the above listed verticals are within the Small Business Banking division.

At June 30, 2026, approximately 97.3% of loans and leases classified as Risk Grade 50 are performing with no relationships having payments past due more than 30 days. While the level of nonperforming assets fluctuates in response to changing economic and market conditions, in light of the relative size and composition of the loan and lease portfolio and management's degree of success in resolving problem assets, management believes that a proactive approach to early identification and intervention is critical to successfully managing a small business loan portfolio.

Allowance for Credit Losses on Loans and Leases

The ACL of $192.3 million at December 31, 2025, increased by $1.2 million, or 0.6%, to $193.4 million at June 30, 2026. The ACL as a percentage of loans and leases held for investment at historical cost amounted to 1.6% at both December 31, 2025 and June 30, 2026. The increase in the ACL during the first six months of 2026 was primarily the result of loan growth, partially offset by improving credit migration. See also the above section captioned "Provision for Credit Losses" in "Results of Operations" for related information.

Actual past due held for investment loans and leases, inclusive of loans measured at fair value, have increased by $2.3 million since December 31, 2025. Total loans and leases 90 or more days past due decreased $35.3 million, or 8.8%, compared to December 31, 2025. This decrease was comprised of a $22.6 million increase in unguaranteed exposure combined with a $58.0 million decrease in the guaranteed portion of past due loans compared to December 31, 2025. At June 30, 2026 and December 31, 2025, total held for investment unguaranteed loans and leases past due as a percentage of total held for investment unguaranteed loans and leases, inclusive of loans measured at fair value, was 1.3% and 0.9%, respectively. Total unguaranteed loans and leases past due, inclusive of loans measured at fair value, were $117.4 million, an increase of $40.3 million, as of June 30, 2026 compared to December 31, 2025. Management continues to actively monitor and work to improve asset quality. Management believes the ACL of $193.4 million at June 30, 2026 is appropriate in light of the risk inherent in the loan and lease portfolio. Management’s judgments are based on numerous assumptions about current and expected events that it believes to be reasonable, but which may or may not be valid. Accordingly, no assurance can be given that management’s ongoing evaluation of the loan and lease portfolio in light of changing economic conditions and other relevant circumstances will not require significant future additions to the ACL, thus adversely affecting the Company’s operating results. Additional information on the ACL is presented in Note 5. Loans and Leases Held for Investment and Credit Quality of the Unaudited Condensed Consolidated Financial Statements in this report.

Liquidity Management

Liquidity management refers to the ability to meet day-to-day cash flow requirements based primarily on activity in loan and deposit accounts of the Company’s customers. Liquidity is immediately available from four major sources: (a) cash on hand and on deposit at other banks; (b) the outstanding balance of federal funds sold; (c) the fair value of unpledged investment securities; and (d) availability under lines of credit, FHLB advances and the Federal Reserve Discount Window. A primary tool in the Company's liquidity management process is the utilization of an Outflow Coverage Ratio (“OCR”) model to stress outflows in various scenarios with targeted days of liquidity coverage. The OCR model output is then used by management to ensure adequate liquidity sources are available during those future periods. At June 30, 2026, the total amount of these four liquidity source items was $5.07 billion, or 31.6% of total assets, a decrease of 0.7% of total assets from $4.89 billion, or 32.3% of total assets, at December 31, 2025.

As of June 30, 2026 and December 31, 2025, the Company’s unused borrowing capacity was $4.08 billion and $3.97 billion, respectively, based upon securities and loans identified as available for collateral. Unused borrowing capacity consists of access through the Federal Reserve Bank's discount window, available lines of credit with the Federal Home Loan Bank and other correspondent banks, and access to a repurchase agreement. If additional collateral is available, the Company's aggregate borrowing capacity with all of the above sources is $7.75 billion and $7.54 billion as of June 30, 2026 and December 31, 2025, respectively.

Loans and other assets are funded primarily by customer deposits, brokered deposits and loan sales. The Company maintains an investment securities portfolio that is available for both immediate and secondary contingent liquidity purposes, whether via pledging to the Federal Home Loan Bank, Federal Reserve Bank, or through liquidation. Additionally, the Company maintains a guaranteed and unguaranteed loan portfolio that is also a contingent liquidity source, whether via pledging to the Federal Reserve Discount Window or through liquidation.

At June 30, 2026, $508.4 million of the investment securities portfolio were pledged for unused borrowing capacity, leaving $959.5 million available to be pledged as collateral.

Contractual Obligations

The Company has entered into significant fixed and determinable contractual obligations for future payments. Other than normal changes in the ordinary course of the Company’s operations, there have been no significant changes in the types of contractual obligations or amounts due since December 31, 2025. See the section titled “Liquidity Management” in Part II, Item 7 of the Company’s 2025 Form 10-K for additional discussion of contractual obligations.

Off-Balance Sheet Arrangements

In the normal course of operations, the Company engages in a variety of financial transactions that, in accordance with GAAP, are not recorded in the consolidated financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers' requests for funding and take the form of commitments to extend credit and standby letters of credit. In 2025, the Company entered into airplane purchase agreement commitments. For more information, see Note 2. Investments and Note 8. Commitments and Contingencies in the accompanying notes to Unaudited Condensed Consolidated Financial Statements.

Asset/Liability Management and Interest Rate Sensitivity

One of the primary objectives of asset/liability management is to maximize the net interest margin while minimizing the earnings risk associated with changes in interest rates. One method used to manage interest rate sensitivity is to measure the repricing differences, or interest rate gaps, between interest-earning assets and interest-bearing liabilities, across various time periods. As of June 30, 2026, the balance sheet's total cumulative gap position was 6.4%, meaning that over the entire life of the Company's assets and liabilities, more assets will reprice than liabilities. For further information, see Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The interest rate gap method, however, addresses only the magnitude of asset and liability repricing timing differences as of the report date and does not address earnings, market value, changes in account behaviors based on the interest rate environment, or growth. Therefore, management also uses an earnings simulation model to prepare, on a regular basis, earnings projections based on a range of instantaneous parallel interest rate shocks applied to a static balance sheet and non-parallel interest rate shocks applied to a dynamic balance sheet to measure interest rate risk. As of June 30, 2026, the Company's interest rate risk profile under the instantaneous parallel interest rate shock scenarios applied to a static balance sheet is moderately asset-sensitive. For more information, see Item 3. Quantitative and Qualitative Disclosures About Market Risk.

An asset-sensitive position means that net interest income will generally move in the same direction as interest rates. For instance, if interest rates increase, net interest income can be expected to increase, and if interest rates decrease, net interest income can be expected to decrease. The Company attempts to mitigate interest rate risk by match funding assets and liabilities with similar rate instruments. Asset/liability sensitivity is primarily derived from the prime-based loans that adjust as the prime interest rate changes, rates on cash accounts that adjust as the federal funds rate changes and the longer duration of indeterminate term deposits. Note that the Company regularly models various forecasted rate projections with non-parallel shifts that are reflective of potential current rate environment outcomes. Under these scenarios, the Company's interest rate risk profile may increase in asset sensitivity, decrease in asset sensitivity, or depending on the scenario and timing of anticipated rate changes, may transition to a liability-sensitive interest rate risk profile. The Company believes that regular modeling of various interest rate outcomes allows it to assess and manage potential risks from various rate shifts.

Capital

The maintenance of appropriate levels of capital is a management priority and is monitored on a regular basis. The Company's principal goals related to the maintenance of capital are the following: to provide adequate capital to support the Company's risk profile consistent with the risk appetite approved by the Board of Directors; to provide financial flexibility to support future growth and client needs; to comply with relevant laws, regulations, and supervisory guidance; to achieve optimal ratings for the Company and its subsidiaries; and to provide a competitive return to shareholders. Management regularly monitors the capital position of the Company on both a consolidated and bank level basis. In this regard, management's goal is to maintain capital at levels that are in excess of the regulatory "well capitalized" levels. Risk-based capital ratios, which include Tier 1 Capital, Total Capital and Common Equity Tier 1 Capital, are calculated based on regulatory guidance related to the measurement of capital and risk-weighted assets.

Capital amounts and ratios as of June 30, 2026, and December 31, 2025, are presented in the table below.

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions (1)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Consolidated - June 30, 2026						
Common Equity Tier 1 (to Risk-Weighted Assets)	$ 1,233,039	10.42%	$ 532,583	4.50%	N/A	N/A
Total Capital (to Risk-Weighted Assets)	1,478,033	12.49	946,814	8.00	N/A	N/A
Tier 1 Capital (to Risk-Weighted Assets)	1,329,305	11.23	710,110	6.00	N/A	N/A
Tier 1 Capital (to Average Assets)	1,329,305	8.59	618,882	4.00	N/A	N/A
Bank - June 30, 2026						
Common Equity Tier 1 (to Risk-Weighted Assets)	$ 1,230,412	10.46%	$ 529,095	4.50%	$ 764,249	6.50%
Total Capital (to Risk-Weighted Assets)	1,378,183	11.72	940,614	8.00	1,175,767	10.00
Tier 1 Capital (to Risk-Weighted Assets)	1,230,412	10.46	705,460	6.00	940,614	8.00
Tier 1 Capital (to Average Assets)	1,230,412	7.99	615,797	4.00	769,747	5.00
Consolidated - December 31, 2025						
Common Equity Tier 1 (to Risk-Weighted Assets)	$ 1,162,337	10.53%	$ 496,712	4.50%	N/A	N/A
Total Capital (to Risk-Weighted Assets)	1,397,451	12.66	883,043	8.00	N/A	N/A
Tier 1 Capital (to Risk-Weighted Assets)	1,258,603	11.40	662,282	6.00	N/A	N/A
Tier 1 Capital (to Average Assets)	1,258,603	8.48	593,767	4.00	N/A	N/A
Bank - December 31, 2025						
Common Equity Tier 1 (to Risk-Weighted Assets)	$ 1,147,133	10.46%	$ 493,607	4.50%	$ 712,987	6.50%
Total Capital (to Risk-Weighted Assets)	1,285,129	11.72	877,523	8.00	1,096,904	10.00
Tier 1 Capital (to Risk-Weighted Assets)	1,147,133	10.46	658,142	6.00	877,523	8.00
Tier 1 Capital (to Average Assets)	1,147,133	7.77	590,666	4.00	738,333	5.00

(1) Prompt corrective action provisions are not applicable at the bank holding company level.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in accordance with GAAP requires the Company to make estimates and judgments that affect reported amounts of assets, liabilities, income and expenses and related disclosure of contingent assets and liabilities. The Company bases estimates on historical experience and on various other assumptions that are believed to be reasonable under current circumstances, results of which form the basis for making judgments about the carrying value of certain assets and liabilities that are not readily available from other sources. Estimates are evaluated on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

Accounting policies, including those for the Company's critical accounting policies, as described in detail in the Notes to the Company's Unaudited Condensed Consolidated Financial Statements in this report and in the Company's Annual Report on Form 10-K for the year ended December 31, 2025, are an integral part of the Company's consolidated financial statements. A thorough understanding of these accounting policies is essential when reviewing the Company's reported results of operations and financial position. The Company's most critical accounting policy and estimate is the ACL. This estimate requires the Company to make difficult, subjective or complex judgments about matters that are inherently uncertain. Except as described in Note 1. Basis of Presentation, there were no changes related to critical accounting policies and estimates during 2026.

Changes in this estimate, that are likely to occur from period to period, or the use of different estimates that the Company could have reasonably used in the current period, could have a material impact on the Company's financial position or results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk is a significant market risk and can result from timing and volume differences in the repricing of rate-sensitive assets and liabilities, widening or tightening of credit spreads, changes in the general level of market interest rates and changes in the shape and level of market yield curves. The Company manages the interest rate sensitivity of interest-bearing liabilities and interest-earning assets in an effort to minimize the adverse effects of changes in the interest rate environment. Management of interest rate risk is carried out primarily through strategies involving available-for-sale securities, loan and lease portfolio, and available funding sources.

The Company has an Asset/Liability Committee to communicate, coordinate and control all aspects involving interest rate risk management. The Asset/Liability Committee establishes and monitors the volume, maturities, pricing and mix of assets and funding sources with the objective of managing assets and funding sources to provide results that are consistent with liquidity, growth, risk limits and profitability goals. Adherence to relevant policies is monitored on an ongoing basis by the Asset/Liability Committee.

The Company has a total cumulative gap in interest-earning assets and interest-bearing liabilities of 6.4% as of June 30, 2026, indicating that, overall, assets will reprice before liabilities during the expected life of the instruments. Cumulative gap is a useful measure to monitor balance sheet match-funding, yet economic value of equity and net interest income simulations, discussed below, are more useful in understanding potential impacts to earnings from a change in interest rates.

The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are “interest rate sensitive.” An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The Company analyzes interest rate sensitivity position to manage the risk associated with interest rate movements through the use of two simulation models: economic value of equity (“EVE”) and net interest income (“NII”) simulations. The EVE simulation provides a long-term view of interest rate risk because it analyzes all of the Company’s future cash flows. EVE is defined as the present value of the Company’s assets, less the present value of its liabilities, adjusted for any off-balance sheet items. The results show a theoretical change in the economic value of shareholders’ equity as interest rates change. The NII simulation provides a short-term view of interest rate risk as it analyzes impact on net interest income over a 12-month and 24-month time horizon. NII simulations are prepared by calculating net interest income in a scenario where interest rates do not change (base case) and then recalculated in scenarios with higher and lower interest rates. The results of each variation are compared against the base case scenario to determine the potential change in earnings.

EVE and NII simulations are completed regularly and presented to the Asset/Liability Committee. The simulations provide an estimate of the impact of changes in interest rates on equity and net interest income under a range of assumptions, and under instantaneous parallel interest rate shocks assuming a static balance sheet. The numerous assumptions used in the simulation process are provided to the Asset/Liability Committee on at least an annual basis. Changes to these assumptions can significantly affect the results of the simulation. The simulation incorporates assumptions regarding the potential timing in the repricing of certain assets and liabilities when market rates change and the changes in spreads between different market rates. The simulation analysis incorporates management’s current assessment of the risk that pricing margins will change adversely over time due to competition or other factors.

The table below sets forth an approximation of the Company's NII sensitivity exposure for the 12-month periods ending June 30, 2027 and 2028, and the Company's EVE sensitivity at June 30, 2026 under instantaneous parallel interest rate shocks assuming a static balance sheet. The simulation uses projected repricing of assets and liabilities at June 30, 2026, on the basis of contractual maturities, anticipated repayments and scheduled rate adjustments. Critical model assumptions such as loan and investment prepayment rates, deposit decay rates, deposit betas and lags and assumed replacement pricing can have a significant impact on interest income simulation. A static balance sheet is maintained to remove volume considerations and to place the focal point on the rate sensitivity of the Company's balance sheet. While management believes such assumptions to be reasonable, approximate actual future activity may differ from the results shown below as it will include growth considerations and management actions to mitigate the impacts of changing interest rates on the balance sheet's earnings profile.

	Estimated Increase/Decrease in Net Interest Income		Estimated Percentage Change in EVE
Basis Point Change in Interest Rates	12 Months Ending June 30, 2027	12 Months Ending June 30, 2028	As of June 30, 2026
+300	20.0 %	14.5 %	(5.9 %)
+200	13.7	10.0	(3.3)
+100	6.8	5.0	(1.3)
-100	(5.7)	(4.2)	0.6
-200	(9.2)	(7.0)	0.7
-300	(10.7)	(8.6)	1.4

Rates are increased instantaneously at the beginning of the projection. Under this instantaneous parallel interest rate shock, with a static balance sheet NII simulation, the Company is moderately asset sensitive in the initial year, as the Company's large variable rate loan portfolio reprices the full amount of the assumed change in interest rates, while the large retail savings and short-term retail certificates of deposit portfolio will reprice with an assumed beta. The Company is moderately asset sensitive in the second year of the projection due to interest rates increasing or decreasing for the full year, the Company's loan portfolio continuing to reprice, and also due to the other assumptions used in the analysis as noted previously. Interest rates do not normally move all at once or evenly over time, but management believes that the analysis is useful to understanding the potential direction and magnitude of net interest income changes due to changing interest rates.

The EVE analysis shows that the Company would theoretically lose market value in a rising rate environment. This is largely driven by the Company's longer asset duration, primarily consisting of investments and loans, versus the shorter duration of its funding portfolio, primarily consisting of retail savings and short-term retail certificates of deposit.

The NII and EVE simulation analysis shown above is only an estimate of interest rate risk exposure at a particular point in time without growth considerations. The Company regularly models various forecasted rate projections with non-parallel shifts that are reflective of potential current rate environment outcomes using the Company's assumed growth projections. Under these scenarios, the Company's interest rate risk profile may increase in asset sensitivity, decrease in asset sensitivity, or depending on the scenario and timing of anticipated rate changes, may transition to a liability sensitive interest rate risk profile. Regular, robust modeling of various interest rate outcomes allows the Company to properly assess and manage potential risks from various rate shifts.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation of the Company’s disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), was carried out under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer as of June 30, 2026, the last day of the period covered by this Quarterly Report. The Company’s Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were not effective as of June 30, 2026, in ensuring that the information required to be disclosed in the reports the Company files or submits under the Exchange Act is (i) accumulated and communicated to management (including the Company’s Chief Executive Officer and Chief Financial Officer) as appropriate to allow timely decisions regarding required disclosures, and (ii) recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms.

The conclusion that disclosure controls and procedures were not effective was due to the presence of a material weakness in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) as previously disclosed in Part II, Item 9A of the Company's annual report on Form 10-K for the year ended December 31, 2025.

Remediation Plan for Material Weakness in Internal Control Over Financial Reporting

As previously reported in the 2025 Form 10-K, management concluded that a material weakness in the Company’s internal control over financial reporting exists with respect to effective control activities related to accounting for and classification of loan participation activity within the Consolidated Statements of Income (“SOI”) and the Consolidated Statements of Cash Flows (“SCF”).

The ineffective controls over the accounting for and presentation of loan participation activity impacted (1) the SOI classification of deferred loan costs being classified as non-interest expense instead of as an offset to gains on sale of loans, which resulted in misstatements between non-interest income and non-interest expense with no impact to net income and (2) the SCF classification of cash flows between operating and investing activities associated with the proceeds received from the sale of loan participations which resulted in quantitively material misstatements to participation loan activities between operating and investing activities within the SCF.

Management concluded that this material weakness was primarily due to (1) insufficient oversight of the control environment as it relates to inadequate training of employees relative to internal controls over financial reporting over the review of loan participation activity within the SOI and SCF, and (2) lack of effective risk assessment process and monitoring activities responsive to the classification of cash proceeds from the sale of loan participations in the SCF and SOI in compliance with applicable GAAP requirements.

The Company is currently working to remediate the material weakness described above, including assessing the need for additional remediation steps and implementing additional measures to remediate the underlying causes that gave rise to the material weakness. The Company is committed to maintaining a strong internal control environment and to ensuring that proper oversight and a consistent tone is communicated throughout the organization. The Company expects that existing deficiencies will be remediated through implementation of processes and controls designed to ensure compliance with GAAP.

Specifically, we are in the process of strengthening our internal control over loan participation activity as follows:

- Enhance cash flow preparation and review controls to ensure underlying participation loan information used is complete and accurate, is representative of business activities and is aligned with disclosure requirements.

- Provide training specific to loan participation accounting and related SCF classification to ensure compliance with GAAP for lending activities, including internal control considerations with a focus on risk assessment, design and monitoring.

- Enhance oversight of loan participation activities to ensure accounting accuracy particularly related to sale transactions.

We believe that these actions will remediate the material weakness. The material weakness will not be considered remediated, however, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control Over Financial Reporting

Other than the implementation of the measures outlined in the remediation plan for the material weakness described above, there were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2026, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. We expect that the remediation of the material weakness will be completed by the end of fiscal year 2026.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of operations, the Company is at times involved in legal proceedings. In the opinion of management, as of June 30, 2026, there are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or of which any of their property is the subject.

Item 1A. Risk Factors

There have been no material changes in the Company's risk factors from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2025.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(c) *Insider Trading Arrangements.* During the quarter ended June 30, 2026, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement, as such terms are defined in Item 408 of Regulation S-K.

Item 6. Exhibits.

Exhibits to this report are listed in the Index to Exhibits section of this report.

INDEX TO EXHIBITS

Exhibit No.	Description of Exhibit
3.1	Amended and Restated Articles of Incorporation of Live Oak Bancshares, Inc. (incorporated by reference to Exhibit 3.1 of the registration statement on Form S-1, filed on June 19, 2015)
3.2	Articles of Amendment designating the 8.375% Fixed Rate Series A Non-Cumulative Perpetual Preferred Stock (incorporated by reference to Exhibit 3.2 of the Form 8-A, filed on August 4, 2025)
3.3	Amended By laws of Live Oak Bancshares, Inc. (incorporated by reference to Exhibit 3.2 of the amended registration statement on Form S-1, filed on July 13, 2015)
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 of the registration statement on Form S-1, filed on June 19, 2015)
4.2	Deposit Agreement, by and among Live Oak Bancshares, Inc., and Broadridge Corporate Issuer Solutions, LLC, and the Holders from time to time of the depositary receipts described therein (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K, filed on August 4, 2025)
4.3	Form of Depositary Receipt representing the Depositary Shares (included as Exhibit A to Exhibit 4.2 hereto) (incorporated by reference to Exhibit 4.2 of the Current Report on Form 8-K, filed on August 4, 2025)
10.1	Form of 2026 RSU Award Agreement for non-employee directors* #
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101	Interactive data files pursuant to Rule 405 of Regulation S-T, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets as of June 30, 2026 and December 31, 2025; (ii) Condensed Consolidated Statements of Income for the Three and Six Months Ended June 30, 2026 and 2025; (iii) Condensed Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2026 and 2025; (iv) Condensed Consolidated Statements of Changes in Shareholders' Equity for the Three and Six Months Ended June 30, 2026 and 2025; (v) Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2026 and 2025; and (vi) Notes to Unaudited Condensed Consolidated Financial Statements*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Indicates a document being filed with this Form 10-Q.

** Furnished herewith. This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Live Oak Bancshares, Inc.

(Registrant)

Date: August 4, 2026	By:	*/s/* Walter J. Phifer
		Walter J. Phifer
		Chief Financial Officer

Exhibit 10.1

LIVE OAK BANCSHARES, INC.
2026 OMNIBUS STOCK INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT is made and entered into effective as of [____] (the "**Date of Grant**"), by and between LIVE OAK BANCSHARES, INC., a North Carolina corporation (the "**Company**"), and [NAME] (the "**Grantee**"). This Agreement sets forth the terms and conditions associated with the Company's award to Grantee of restricted stock units payable as described below in shares of Common Stock pursuant to the Company's 2026 Omnibus Stock Incentive Plan (as amended from time to time, the "**Plan**"). Capitalized terms not explicitly defined in this Agreement but defined in the Plan will have the meanings ascribed to them under the Plan.

NOW, THEREFORE, in consideration of the foregoing and Grantee's continued provision of valuable services as a director of the Company, the parties hereto, intending to be legally bound, agree as follows:

1. Grant of Units. Effective as of the Date of Grant, the Company grants the Grantee [####] Restricted Stock Units (the "**Units**") subject to the provisions of this Agreement and the Plan. Each Unit is subject to settlement into one share of Common Stock (a "**Share**") that will be delivered to Grantee pursuant to this Agreement when and if such Unit becomes vested in accordance with this Agreement.

2. Condition to Grant of Units. This award of Units is conditioned upon Grantee's electronic acceptance of this Agreement through the online portal established by the Company's equity plan administrator (i.e., Fidelity) within thirty (30) days of the Date of Grant (the "**Acceptance Period**"). In the event Grantee fails to accept this Agreement through such online portal within the Acceptance Period, then this Agreement is void and the Units will not be issued.

3. Vesting. The Units are unvested when granted and will vest May 1, 2027, subject to Grantee's provision of Continuous Service to the Company through such date. In addition, to the extent not previously forfeited, all unvested Units will vest immediately upon: (a) the consummation of a Corporate Transaction provided that Grantee provides Continuous Service to the Company through the date of such Corporate Transaction; (b) the termination of Grantee's Continuous Service as a result of Grantee's death; or (c) the termination of Grantee's Continuous Service as a result of Grantee's Disability.

4. Effect of Termination of Continuous Service. Except as provided in Section 3 in connection with the termination of Grantee's Continuous Service as a result of Grantee's death

or Disability, in the event of the termination of Grantee's Continuous Service, all Units that are not vested will be immediately, automatically, and without consideration forfeited.

5. Delivery of Shares to Settle Units. When Units become vested as provided in Section 3, the vested Units will be settled by delivering to Grantee the number of Shares equal to the number of vested Units, subject to the following provisions.

(a) Delivery of the Shares will be made as soon as practicable after the date on which the Units vest, provided that the Company may provide for a reasonable delay in the delivery of the Shares to address tax and other administrative matters, and provided further that delivery of the Shares will occur no later than two and one-half months following the conclusion of the year in which the vesting occurs.

(b) Subject to the conditions described herein, as soon as practicable after the date on which the Units vest, the Company will, at its election, either: (i) issue a certificate representing the Shares deliverable pursuant to this Agreement; or (ii) not issue any certificate representing the Shares deliverable pursuant to this Agreement and instead document the Grantee's interest in the Shares by registering such Shares with the Company's transfer agent (or another custodian selected by the Company) in bookentry form in the Grantee's name.

(c) No Shares will be issued pursuant to this Agreement unless and until all then-applicable requirements imposed by U.S., foreign, and state securities and other laws, rules and regulations and by any regulatory agencies having jurisdiction, and by any exchanges upon which the Shares may be listed, have been fully met, and the Company may condition the issuance of Shares pursuant to this Agreement on the Grantee's taking any reasonable action to meet those requirements. The Company may impose such conditions on any Shares issuable pursuant to this Agreement as it may deem advisable, including, without limitation, restrictions under the Securities Act of 1933, as amended, under the requirements of any exchange upon which shares of the same class are then listed, and under any blue sky or other securities laws applicable to those shares.

6. Rights as a Shareholder. The Units represent a right to payment from the Company if the conditions of the Agreement are met and do not give the Grantee ownership of any Common Stock prior to delivery as provided in Section 5. Grantee will not have any rights and/or privileges of a stockholder of the Company with respect to the Units prior to such delivery, but Grantee will have all rights associated with the ownership of the Shares upon such delivery.

7. Non-Transferability of the Units. The Units and the right to payment under this Agreement are not transferable, and may not be sold, exchanged, transferred, pledged, hypothecated, encumbered or otherwise disposed of except by the laws of descent or distribution, or as otherwise provided by the Plan. Any purported transfer of the Units or the right to payment under this Agreement not in compliance with the preceding sentence is null and void and will not be given effect.

8. Tax Consequences. Grantee acknowledges that Grantee understands the federal, state, local, and foreign tax consequences of the award of the Units and the provisions of this Agreement. Grantee is relying solely on the advice of Grantee's own tax advisors and not on any statements or representations of the Company or any of its agents in connection with such tax consequences. Grantee understands that Grantee (and not the Company nor any Related Entity)

will be responsible for Grantee's own tax liability that may arise as a result of the granting, vesting, and/or settlement of the Units (or otherwise in connection with this Agreement).

9. Withholding Obligations. As a condition to delivery of the Shares, the Grantee hereby authorizes the Company to withhold from the Shares deliverable under this Agreement a number of Shares with a Fair Market Value (measured as of the date tax withholding obligations are to be determined) equal to the federal, state, local and foreign tax withholding obligations of the Company or a Related Entity, if any. In the event that the Administrator determines in its discretion that such withholding of Shares is not permitted pursuant to the Applicable Laws, the rules and regulations of any regulatory agencies having jurisdiction over the Company, or the rules of any exchanges upon which the Shares may be listed, then the Administrator may, in its discretion, make alternative arrangements for satisfying the Company's (or a Related Entity's) withholding obligations, utilizing any method permitted by the Plan, including but not limited to requiring Grantee to tender a cash payment or withholding from salary or other compensation payable to Grantee.

10. Application of Section 409A of the Code. The parties intend that the delivery of Shares in respect of the Units provided under this Agreement satisfies, to the greatest extent possible, the exemption from the application of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (collectively, "**Section 409A**") provided under Treasury Regulations Section 1.409A-1(b)(4) (or any other applicable exemption), and this Agreement will be construed to the greatest extent possible as consistent with those provisions. To the extent not so exempt, the delivery of Shares in respect of the Units provided under this Agreement will be conducted, and this Agreement will be construed, in a manner that complies with Section 409A and is consistent with the requirements for avoiding taxes or penalties under Section 409A. The parties further intend that each installment of any payments provided for in this Agreement is a separate "payment" for purposes of Section 409A. To the extent that (a) one or more of the payments received or to be received by Grantee pursuant to this Agreement would constitute deferred compensation subject to the requirements of Section 409A, and (b) Grantee is a "specified employee" within the meaning of Section 409A, then solely to the extent necessary to avoid the imposition of any additional taxes or penalties under Section 409A, the commencement of any payments under this Agreement will be deferred until the date that is six months following the Grantee's termination of Continuous Service (or, if earlier, the date of death of the Grantee) and will instead be paid on the date that immediately follows the end of such six-month period (or death) or as soon as administratively practicable within thirty (30) days thereafter. The Company makes no representations to Grantee regarding the compliance of this Agreement or the Units with Section 409A, and Grantee is solely responsible for the payment of any taxes or penalties arising under Section 409A(a)(1), or any state law of similar effect, with respect to the grant or vesting of the Units or the delivery of the Shares hereunder.

11. Adjustments. All references to the number of Units will be appropriately adjusted to reflect any stock split, stock dividend, or other change in capitalization that may be made by the Company after the date of this Agreement, as provided in the Plan.

12. Electronic Delivery. Grantee hereby consents to receive documents related to the Units and any other Awards granted under the Plan by electronic delivery and agrees to participate in the Plan through an online or electronic system established and maintained by the Company or another third party designated by the Company, and such consent shall remain in effect throughout until withdrawn in writing by Grantee.

13. Data Privacy. Grantee acknowledges that the Company holds certain personal information about him/her, including, but not limited to, name, home address and telephone number, date of birth, social security number or other identification number, salary, nationality,

job title, details of the Units and any other entitlement to Shares awarded, cancelled, exercised, vested or unvested. Grantee consents to the collection, use and transfer (including but not limited to transfers to parties assisting in the implementation, administration and management of the Plan), in electronic or other form, of such personal data for the purpose of implementing, administering, and managing Grantee's participation in the Plan.

14. Binding Effect. This Agreement is binding upon and inures to the benefit of Grantee and Grantee's heirs, executors, and personal representatives, and the Company and its successors and assigns.

15. Counterparts; Electronic Signatures. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same agreement. Each party agrees that this Agreement may be executed by means of electronic signatures, and that electronic signatures (whether digital or encrypted) of the parties included in this Agreement are intended to authenticate this writing and to have the same force and effect as manual signatures. For this purpose, electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile, signatures on scanned documents or email electronic signatures.

16. Notices. Any notice, demand or request required or permitted to be given pursuant to the terms of this Agreement must be in writing and will be deemed given when delivered personally, one day after deposit with a recognized international delivery service (such as FedEx), or three days after deposit in the U.S. mail, first class, certified or registered, return receipt requested, with postage prepaid, in each case addressed to the parties at the addresses of the parties set forth at the end of this Agreement or such other address as a party may designate by notifying the other in writing.

17. Choice of Law; Venue. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of North Carolina, without giving effect to the choice of law rules of any jurisdiction. The parties agree that any litigation arising out of or related to the Units or this Agreement will be brought exclusively in any state or federal court in New Hanover County, North Carolina. Each party (i) consents to the personal jurisdiction of said courts, (ii) waives any venue or inconvenient forum defense to any proceeding maintained in such courts, and (iii) agrees not to bring any proceeding arising out of or relating to this Agreement in any other court.

18. Modification of Agreement; Waiver. This Agreement may be modified, amended, suspended, or terminated, and any terms, representations or conditions may be waived, but only by a written instrument signed by each of the parties hereto, except as otherwise provided in the Plan. No waiver hereunder will constitute a waiver with respect to any subsequent occurrence or other transaction hereunder or of any other provision hereof.

19. Severability. The provisions of this Agreement are severable, and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, then the remaining provisions will nevertheless be binding and enforceable.

20. Entire Agreement. This Agreement, along with the Plan, constitutes and embodies the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and there are no other agreements or understandings, written or oral, in effect between the parties hereto relating to the matters addressed herein.

21. Grantee's Acknowledgements. Grantee hereby acknowledges receipt of a copy of the Plan and the Company's prospectus covering the Shares issued pursuant to the Plan (the

“**Prospectus**”). Grantee has read and understands the terms of this Agreement, the Plan, and the Prospectus. The Units are subject to all the provisions of the Plan, the provisions of which are hereby made a part of this Agreement, and are further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this Agreement and those of the Plan, the provisions of the Plan shall control.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer, and the Grantee has hereunto set the Grantee’s hand and seal, all as of the day and year first above written.

COMPANY:

Live Oak Bancshares, Inc.

By:_____________

Name: Courtney C. Spencer

Title: Chief Experience Officer

Address: 1741 Tiburon Drive
Wilmington, NC 28403

GRANTEE:

[ELECTRONIC ACCEPTANCE]

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James S. Mahan III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Live Oak Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and.

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2026

/s/ James S. Mahan III
James S. Mahan III
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Walter J. Phifer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Live Oak Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2026

/s/ Walter J. Phifer
Walter J. Phifer
Chief Financial Officer
(principal financial officer)

Exhibit 32

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Live Oak Bancshares, Inc., a North Carolina corporation (the "Company"), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2026 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2026	/s/ James S. Mahan III
	James S. Mahan III Chief Executive Officer (principal executive officer)
Date: August 4, 2026	/s/ Walter J. Phifer
	Walter J. Phifer Chief Financial Officer (principal financial officer)

This certification is being furnished solely to accompany the Form 10-Q pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of the Form 10-Q, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.