Live Oak Bancshares, Inc.
Form 424B2
July 24, 2015
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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-205126

PROSPECTUS

4,800,000 Shares

Common Stock

This is the initial public offering of Live Oak Bancshares, Inc., the parent company and registered bank holding company of Live Oak Banking Company in Wilmington, North Carolina. We are offering 4,800,000 shares of our common stock.

Prior to this offering, there has been no public market for our common stock. The initial public offering price per share is $17.00. We have received approval to list our common stock on the NASDAQ Global Select Market under the symbol LOB.

We are an emerging growth company as defined under the federal securities laws and are eligible for reduced public company reporting requirements.

Investing in our common stock involves risks. See Risk Factors beginning on page 25, for a discussion of certain risks that you should consider before making an investment decision to purchase our common stock.

	Per Share	Total
Initial public offering price of common stock	$ 17.00	$ 81,600,000
Underwriting discounts and commissions(1)	$ 0.88	$ 4,216,000
Proceeds to us, before expenses	$ 16.12	$ 77,384,000

(1) The underwriters will also be reimbursed for certain expenses in this offering. See Underwriting for details.
We have granted the underwriters an option to purchase up to 700,000 additional shares of our common stock at the initial public offering price, less underwriting discounts and commissions, for a period of up to 30 days from the date of this prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY

REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The shares of our common stock that you purchase in this offering will not be savings accounts, deposits or other obligations of any of our bank or non-bank subsidiaries and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

The underwriters expect to deliver the shares of our common stock against payment on or about July 28, 2015.

SANDLER O NEILL + PARTNERS, L.P.

Prospectus dated July 23, 2015.

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We and the underwriters have not authorized any person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. We and the underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus outside of the United States.

Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus to LOB, we, us, our, the Company, or similar references, mean Live Oak Bancshares, Inc. and its subsidiaries on a consolidated basis. References to Live Oak Bank or the Bank mean our wholly owned banking subsidiary, Live Oak Banking Company.

INDUSTRY AND MARKET DATA

Industry and market data used in this prospectus has been obtained from independent industry sources and publications available to the public, sometimes with a subscription fee, as well as from research reports prepared for other purposes. We did not commission the preparation of any of the sources or publications referred to in this prospectus. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. We have not independently verified the data obtained from these sources. Forward-looking information obtained from these sources is subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this prospectus. Trademarks used in this prospectus are the property of their respective owners, although for presentational convenience we may not use the ® or the symbols to identify such trademarks.

IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY

As a company with less than $1.0 billion in gross revenue during our last fiscal year, we qualify as an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of reduced regulatory and reporting requirements that are otherwise generally applicable to public companies. As an emerging growth company:

- we may present only two years of audited financial statements and only two years of related Management s Discussion and Analysis of Financial Condition and Results of Operations ;
- we are exempt from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act;
- we are permitted to provide less extensive disclosure about our executive compensation arrangements;

- we are not required to hold non-binding advisory votes on executive compensation or golden parachute arrangements; and

- we can delay the adoption of new or revised accounting standards affecting public companies until those standards would otherwise apply to private companies.

We may take advantage of these provisions for up to five years unless we earlier cease to be an emerging growth company. We will cease to be an emerging growth company if we have more than $1.0 billion in annual gross revenues, have more than $700.0 million in market value of our common stock held by non-affiliates as of

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any June 30 before that time, or issue more than $1.0 billion of non-convertible debt in a three-year period. We may choose to take advantage of some but not all of these reduced regulatory and reporting requirements. We have elected in this prospectus to take advantage of scaled disclosure relating to executive compensation arrangements.

Following this offering, we may continue to take advantage of some or all of the reduced regulatory, accounting and reporting requirements that will be available to us as long as we continue to qualify as an emerging growth company. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this extended transition period for complying with new or revised accounting standards and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. It is possible that some investors could find our common stock less attractive because we may take advantage of these exemptions. If some investors find our common stock less attractive, there may be a less active trading market for our common stock and our stock price may be more volatile.

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PROSPECTUS SUMMARY

This summary highlights selected information contained in greater detail elsewhere in this prospectus and does not contain all the information that you need to consider in making your investment decision. You should carefully read this entire prospectus before deciding whether to invest in our common stock. You should pay special attention to, among other things, our consolidated financial statements and the related notes thereto and the Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations sections of this prospectus to determine whether an investment in our common stock is appropriate for you.

Our Company

We are an established national online platform for small business lending. We believe we have used technology to fundamentally change small business lending by streamlining the borrower experience. We are able to better serve our customers by leveraging technological advantages and our deep industry experience to create an optimized borrowing experience for our customers. We believe our business model mitigates credit risk while capitalizing on technology to efficiently and prudently generate loans and manage our portfolio of loans outstanding. Our guiding principles, in order of priority, are soundness, profitability and growth.

We originate a range of short- and medium-term commercial and construction loans partially guaranteed by the U.S. Small Business Administration, or the SBA, to small businesses and professionals with what we believe are low risk characteristics. We carefully select industries, or verticals, on which to focus our lending efforts. Within each vertical we retain individuals who possess extensive industry-specific lending experience. We believe our focus on verticals has allowed Live Oak Bank to extend credit to small businesses and professionals at an average loan size of $1.0 million and has resulted in our historical credit quality outperforming industry averages. Based on a data set consisting of 292 lenders that have originated 300 loans or more under the SBA s 7(a) program and greater than $25 million in total loans, assembled by our affiliate, Government Loan Solutions, Inc., or GLS, using two separate Freedom of Information Act requests for the fourteen year period ended September 30, 2014, we had the lowest default rate among the group at 1.52%. In terms of charge-off rates, we ranked fifth in the same data set at 0.35% for the same period. For the twelve months ended September 30, 2014, the U.S. government s most recently completed fiscal year, we ranked as the nation s second largest small business lender, by dollar volume, utilizing the SBA s 7(a) program. We believe the opportunity to expand our small business lending to new verticals is significant, since we currently only focus our lending efforts towards ten out of more than 1,000 industries identified in the SBA database.

The SBA s 7(a) program provides up to a 75% guaranty for loans of greater than $150,000. For loans of $150,000 or less, the program provides up to an 85% guaranty. The maximum 7(a) loan amount is $5 million. The guaranty is conditional and covers a portion of the risk of payment default by the borrower, but not the risk of improper closing and servicing by the lender. As such, prudent underwriting and closing processes are essential to effective utilization of the 7(a) program. We believe that the technology we use provides us with a competitive advantage in the closing and servicing of 7(a) program loans, streamlining a process that can otherwise involve an application that includes over 100 documents into an easily-monitored online process.

In addition to focusing on industry verticals, we emphasize developing detailed knowledge of our customers businesses. We develop this knowledge, in part, through regular visits to customers operations, wherever they are located. We believe that these regular visits generate both for us and for our customer a deep and personalized experience throughout the loan relationship. We develop strong insight into our customers credit characteristics and needs while at the same time continually expanding our knowledge base of the vertical in which the customer operates. In turn, we are able to provide our borrowers valuable insight into trends and developments in their industry. We service our customers efficiently throughout the loan process and monitor their performance by means of the technology-based platform we use, which eliminates the need to maintain traditional branch locations and therefore eliminates a significant component of traditional overhead expense associated with banking

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franchises. We believe our geographically diverse loan portfolio significantly mitigates risk that would be associated with having a loan portfolio concentrated in one geographic area.

We typically sell the SBA-guaranteed portion (generally 75% of the principal balance) of the loans we originate in the secondary market. We have historically received a premium for these sales. We also sell participating interests in the remaining portion of our loans while retaining an SBA-required 10% unguaranteed interest and the servicing rights to the entire loan. As a result of our business model, our net income to date has been driven primarily by non-interest income rather than interest income.

As of the date of this prospectus, we are no longer classified as a de novo bank. Following the completion of this offering, we expect our regulatory capital ratios to be enhanced. As part of our business strategy following this offering, we expect growth in our loan portfolio through increasing the number of loans we originate that permit future advances (such as construction loans) and by less frequently selling fully funded loans. We believe that by growing our loan portfolio, we will increase our net interest income. Increased levels of interest income are not expected to exceed the premium and servicing income realized from the sale of guaranteed loans. As a result of this strategy, there may be an increase in our held for sale loan portfolio due to an increasing construction loan portfolio.

Historically, since loan sales have served as a primary source of liquidity, we have sold loans immediately following achievement of fully funded status. However, with more stable funding in place, we intend to begin selling fully funded loans less frequently. We believe that by holding fully funded loans for a longer period of time, we will increase our net interest income. This new strategy will also, however, expose us to the risk that a market downturn occurs during the period when we are holding a fully funded loan resulting in a reduced number of potential buyers when we ultimately seek to execute a sale. We believe that this risk is mitigated by the historical stability of the SBA 7(a) secondary market and we intend to continue monitoring capital markets activity for potential downturns via GLS.

In addition, as part of our new strategy we will use the sale of unguaranteed portions of loans primarily to reduce concentration risk. We believe that the risk of retaining the SBA-guaranteed portion of loans we originate will be mitigated by the government guaranty and the fact that we have not historically received any denials or repairs of a guaranty submitted to the SBA to be honored. We also believe that the impact to our allowance for loan loss will also be minimal due to the government guaranty. With respect to the unguaranteed portion of loans that we originate and hold for our own portfolio, we believe that our underwriting policies and ongoing credit administration procedures will help to mitigate the risk of default associated with retaining these assets in our loan portfolio.

Our focus on originating SBA-guaranteed loans in select verticals nationwide has allowed us to organically develop loan portfolio credit characteristics that we believe are attractive. Our portfolio is geographically dispersed throughout all U.S. regions (Southeast, Northeast, Midwest, Southwest, and West) with each region representing between 13% and 30% of our total loan portfolio at March 31, 2015. Only one state (California at 13%) represented more than 10% of our aggregate held-for-investment loan portfolio at March 31, 2015. Additionally, at March 31, 2015 our average unguaranteed exposure per loan was approximately $133 thousand compared to an average outstanding principal balance per loan of approximately $814 thousand.

Our ability to develop and execute on our business model has yielded a compound annual growth rate, or CAGR, in loans originated of 55.2% from May 2007 through March 31, 2015. For the U.S. government s 2014 fiscal year (ending September 30, 2014), we were the second most active SBA 7(a) lender in the United States by dollar volume, behind only Wells Fargo Bank.

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The following table presents the balance and associated percentage of each category of loans held for investment within our loan portfolio at March 31, 2015 and each of December 31, 2014, 2013 and 2012.

	At March 31, 2015		At December 31 2014		2013		2012	
	Total Loans	% of loans in Category of total loans	Total Loans	% of Loans in Category of Total Loans	Total Loans	% of Loans in Category of Total Loans	Total Loans	% of Loans in Category of Total Loans
				(dollars in thousands)				
Commercial & Industrial	**$ 86,151**	**39.16%**	**$ 81,057**	**39.84%**	**$ 57,359**	**40.36%**	**$ 34,200**	**36.66%**
Death Care Management	3,880	1.76	3,603	1.77	1,782	1.25	283	0.30
Family Entertainment Centers	340	0.15	333	0.16		100.0		
Healthcare Services	12,945	5.88	12,319	6.06	8,739	6.15	4,996	5.36
Independent Pharmacies	35,114	15.96	34,079	16.75	24,026	16.91	12,192	13.07
Investment Advisors	12,135	5.52	9,660	4.75	2,817	1.98		0.00
Veterinary Practices	21,580	9.81	20,902	10.27	19,978	14.06	15,719	16.85
Other	157	0.07	161	0.08	17	0.01	1,010	1.08
Construction & Development	**14,533**	**6.61**	**9,526**	**4.68**	**10,286**	**7.24**	**8,503**	**9.12**
Poultry Agriculture	5,460	2.48	3,910	1.92				
Death Care Management	483	0.22	92	0.05	989	0.70	315	0.34
Healthcare Services	5,150	2.34	2,957	1.45	4,997	3.52	3,136	3.36
Family Entertainment Centers	152	0.07						
Independent Pharmacies	456	0.21	215	0.11	101	0.07	637	0.68
Veterinary Practices	2,676	1.22	2,207	1.08	4,199	2.95	4,163	4.46
Other	157	0.07	145	0.07		0.00	252	0.27
Owner Occupied Commercial Real Estate	**115,200**	**52.36**	**111,620**	**54.86**	**74,461**	**52.40**	**50,577**	**54.22**

Poultry Agriculture	283	0.13	259	0.13		100.0		
Death Care Management	19,270	8.76	18,879	9.28	11,668	8.21	3,703	3.97
Family Entertainment Centers	761	0.35	872	0.43		100.0		
Healthcare Services	27,634	12.56	26,173	12.86	11,129	7.83	6,207	6.65
Independent Pharmacies	4,578	2.08	4,750	2.33	3,490	2.46	3,008	3.22
Investment Advisors	2,481	1.13	2,161	1.06	171	0.12		0.00
Veterinary Practices	59,615	27.10	57,934	28.48	47,896	33.70	35,554	38.12
Other	578	0.26	592	0.29	107	0.08	2,105	2.26
Commercial Land	**4,136**	**1.88**	**1,248**	**0.62**		**100.0**		
Poultry Agriculture	4,136	1.88	1,248	0.62		100.0		
Total Loans	**$ 220,020**	**100.00%**	**$ 203,451**	**100.00%**	**$ 142,106**	**100.00%**	**$ 93,280**	**100.00%**
Net Deferred Costs	2,208		2,060		1,212		592	
Discount on SBA 7(a) Unguaranteed	(1,784)		(1,575)		(1,969)		(1,203)	
Loans, Net of Unearned	**$ 220,444**		**$ 203,936**		**$ 141,349**		**$ 92,669**	

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Technology-Based Platform

We believe that the small business lending market is both broad and underserved by traditional banks. Non-bank lenders have exposed traditional banks inability to effectively service the small business customer by utilizing technology-based platforms to increase small businesses access to financing. We believe that a simplified, highly automated, and efficient delivery channel can fundamentally change the economics of small-dollar loan origination for financial institutions. Since inception, we have used a technology-based platform to provide financing to small businesses.

We developed and utilize a technology-based platform to facilitate lending to the small business community on a national scale and we have leveraged this technology to optimize our loan origination process, customer experience, reporting metrics, and servicing activity. In 2012, we organized nCino, Inc., or nCino, as a subsidiary to develop this technology. We subsequently spun off nCino as a separate company. The nCino Bank Operating System that we utilize, which is a fully integrated operating system built on Salesforce.com, Inc. s Force.com cloud computing infrastructure platform, is owned by nCino, and we license the rights to use it. We use the nCino Bank Operating System to generate a real-time view of our loan pipeline, processes, and borrower and credit data. The integration of this system into our day-to-day operations has improved work flow efficiency, minimized loan file and documentation exceptions, and provided unprecedented real-time clarity into our loan portfolio. For example, we are able to segregate data pertaining to loan origination, which we refer to as production, by, among other things, vertical, geography, loan officer, participating bank, referral source, Fair Isaac Corporation, or FICO, score, internal risk grade, debt service coverage, relationship manager and balance sheet exposure. We can examine loans in our loan pipeline by their status and determine what outstanding documents are required prior to submission to the SBA or for closing.

The technology we utilize also streamlines the paperwork that accompanies SBA loans. A typical SBA loan under the 7(a) program may require up to 150 separate loan documents to be submitted. Utilizing this technology-based platform, we collect, track, and organize these documents in a manner that maximizes efficiency and minimizes unnecessary customer contact. We have used this technology to transform the traditional means of loan origination by accelerating our ability to issue proposals, complete underwriting due diligence and finalize commitments often resulting in what we believe has been a competitive advantage over other similar lenders. Our customers are also able to benefit from the technology-based platform we use, as it allows them the ability to track their loan s progress towards approval and funding through a secure online portal.

In 2012, nCino, Inc. was a majority-owned subsidiary of Live Oak Bancshares. In June 2014, however, we divested our ownership interest in nCino as a distribution to our shareholders with a subsequent investment of $6.1 million later in 2014. At December 31, 2014 the company owned 9.02% of nCino, all of which was sold in February 2015 and as a result we have no direct ownership interest in nCino as of the date of this prospectus. Certain of our directors, officers and employees collectively owned approximately 28.2% of nCino s outstanding common stock as of March 31, 2015. In addition, our Chief Executive Officer, James Chip S. Mahan III, continues to serve as a member of the board of directors of nCino.

Technology-Based Platform Expansion

We are developing a new online lending platform in order to help us with the origination of small business loans of less than $350 thousand through the SBA 7(a) program. We have incurred and expect to incur further development and implementation costs in connection with the proposed expansion. The software development, along with vendor analysis and operational implementation of the platform, is performed in-house by our employees, many of whom previously worked for nCino. Effective April 1, 2015, certain nCino developers who helped create the nCino technology-based platform that we use became employees of the Bank. The combined base salaries of our in-house software developers are approximately $1.0 million per year. Depending on the success of our new online lending platform, we expect to hire additional loan officers, credit administration and

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back office personnel to originate, close and service loans originated through this platform. We anticipate that our costs and expenses will be consistent with costs we have historically incurred in connection with our build out of human capital as a function of the growth in our loan originations. According to FDIC data, as of December 31, 2014, there were $288 billion in small business loans of $250 thousand or less and SBA data indicates there were 28.2 million small businesses in the United States in 2011. We believe that this is a market underserved by traditional banking models due to the difficulty in applying traditional underwriting methods to this loan class in a cost effective manner. We intend for this lending platform to aggregate thousands of data points from seven third party data providers providing 17 different services as data sources and utilize automated proprietary small loan credit models and application technology. We believe the credit models and application technology will complement our existing expertise and judgment and align with the credit culture that is pervasive throughout our organization. When the new platform is ready, we intend to initially target the verticals that we currently serve. Based on our current website hit rate, we believe we will receive approximately 100,000 unique website hits in 2015 and that we will be able to convert a significant number of website hits through our demonstrated ability to connect on a personal level with small businesses. Furthermore, we believe that loan data we have derived from over 1 million small business loans over a 20-year period provides us with performance and predictive analytics that give us an advantage over our competitors.

We believe that utilizing the SBA 7(a) program allows us to deliver a product that is more affordable to small businesses. The SBA is encouraging its participating lenders to serve this market, and has replaced the requirement that lenders perform traditional cash analysis with a credit scoring module. This SBA credit scoring module uses the FICO Small Business Scoring Service product. This scoring module assists SBA lenders in the evaluation of credit risk through the use of commercial and consumer data. The module utilizes a variety of data sources and more than 100 combinations of consumer and business analytical models. As a tool for lenders, this scoring module can help streamline the loan approval process. We intend to utilize this scoring module, cash flow considerations and a proprietary score developed by using our extensive internal database of historical SBA-specific loan data, as well as other key data fields to filter on-line applicants. Loans approved through this channel will have a principal amount of less than $350 thousand and carry a 75% to 85% SBA guaranty, with an interest rate generally ranging from Prime + 2.75% to Prime + 4.75%.

Historical Performance

We have experienced significant growth in assets, loans, deposits and earnings during the last five years, all of which has been achieved organically, as we have not acquired any banks, thrifts, branches, or loans. At March 31, 2015, we had total assets of $723 million, total loans of $526 million, total deposits of $556 million, and total shareholders equity of $100 million. Since December 31, 2010, our assets have grown at a CAGR of 29%. For the quarter ended March 31, 2015, our interest income, noninterest income, noninterest expense and net income after tax was $7.0 million, $24.1 million, $14.7 million, and $8.1 million, respectively. Comparing the three month periods ended March 31, 2015 and 2014 our net interest income, noninterest income, noninterest expense and net income have increased by 70%, 97%, 2%, 2,602%, respectively. Our net interest income, noninterest income, noninterest expense and net income have grown from December 31, 2010 to December 31, 2014 at a CAGR of 35%, 23%, 32% and 4%, respectively. From December 31, 2010 to December 31, 2014, our net interest income, noninterest income, noninterest expense and net income before income tax adjusted for one-time nonrecurring expenses, have grown at a CAGR of 35%, 23%, 30% and 22%, respectively. For the year ended December 31, 2014, our net interest income, noninterest income, noninterest expense and net income after tax were $15 million, $60 million, $54 million and $10 million, respectively.

Adjusted for one-time nonrecurring income and expenses, an assumed tax rate of 38.5% as if we had been a C corporation during all of 2014 and during the year ended December 31, 2013, and exclusive of the initial deferred tax liability recorded as a result of the change in tax status from an S corporation to a C corporation, total noninterest income, noninterest expense and net income after tax increased by 66%, 50% and 93%, respectively for

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the quarter ended March 31, 2015 compared to the quarter ended March 31, 2014 and 36%, 24% and 39%, respectively, for the year ended December 31, 2014 compared to the year ended December 31, 2013. After the aforementioned nonrecurring adjustments, noninterest income, noninterest expense and net income after tax were $20 million, $15 million and $6 million, respectively for the quarter ended March 31, 2015 and $60 million, $50 million and $14 million, respectively, for the year ended December 31, 2014. After nonrecurring adjustments, noninterest income, noninterest expense and net income after tax was $12 million, $10 million and $3 million, respectively for the quarter ended March 31, 2014 and $44 million, $40 million and $10 million, respectively, for the year ended December 31, 2013. Inclusive of one-time nonrecurring income and expenses, our basic and diluted earnings per share increased by 35% over diluted earnings per share for the quarter ended March 31, 2015 compared to March 31, 2014 and 17% over diluted earnings per share for the year ended December 31, 2014 compared to the year ended December 31, 2013. For more information and a reconciliation of net interest income, noninterest income, noninterest expense and net income adjusted for non-recurring income and expenses to the closest corresponding GAAP measure, see GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures. GAAP is defined as accounting principles generally accepted in the United States of America.

Credit quality and on-going credit administration are cornerstones of our franchise. Non-performing loans represented 2.6% of our total assets at March 31, 2015 compared to 2.8% of our total assets at December 31, 2014. Adjusting to eliminate the portion of non-performing loans that carry a SBA guaranty, this ratio becomes 0.4%. Our ratio of net charge-offs to average total loans on book was 0.2% for the quarter ended March 31, 2015 and 0.28% for the year ended December 31, 2014. Our ratio of allowance for loan losses to loans held for investment was 2.4% at March 31, 2015 and our ratio of allowance for loan losses to non-performing loans not guaranteed by the SBA was 178% at March 31, 2015. In evaluating our credit quality we focus on the unguaranteed portion of our loan portfolio. As of March 31, 2015, approximately $185 million of our assets, or approximately 26%, were guaranteed by the SBA.

Vertical Immersion Strategy

We have focused our lending to small businesses and professionals in verticals in which we cultivate deep industry expertise.

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The following table sets forth our ten existing industry verticals.

		% of total Loan Originations		
Year of Entry	Vertical	Three months ended March 31, 2015	Year ended December 31, 2014	Three months ended March 31, 2014
2007	Veterinary Practices	10.7	18.3	33.2
2009	Healthcare Services (medical/dental/optometry)	22.9	21.5	18.5
2010	Independent Pharmacies	10.2	17.6	24.0
2012	Death Care Management (funeral/cemetery)	4.8	8.5	10.4
2013	Investment Advisors	13.8	11.4	13.9
2014	Family Entertainment Centers	1.4	1.6	
2014	Poultry Agriculture	36.1	20.2	
2015	Wine & Craft Beverage			
2015	Self-Storage			
2015	Hotels			

We staff each vertical team with personnel that possess industry-specific knowledge, experience and contacts. For example, our General Manager in the Independent Pharmacies vertical owns two pharmacies and brings broad experience and expertise to his responsibilities of examining, evaluating and closing extensions of credit to independent pharmacies. Our Death Care Management vertical expertise includes the former president and chief operating officer of Service Corporation International (a company that operates a network of more than 2,000 funeral homes and cemeteries), and another individual with over 25 years of experience in the financial services industry has led mergers and acquisitions in the funeral trust space. Our Veterinary Practices vertical benefits from the experience of a licensed veterinarian and attorney who provides an informed perspective to our Veterinary Practices vertical team and customers. Our Family Entertainment Centers, Wine & Craft Beverage, and Self-Storage verticals are led by individuals with more than 20 years of experience each in their respective industries. The General Manager of our Poultry Agriculture vertical has 15 years of poultry agriculture lending experience and has originated more than $450 million in poultry loans. Additionally, we are engaged and active in each of the industries we serve by attending numerous conventions and over 250 trade shows per year, and by speaking at universities and industry events. The table below sets forth our income for each of our ten existing industry verticals for the periods presented.

	Three months ended March 31, 2015				Year ended December 31, 2014			
	Loans and fees on loans	Loan servicing revenue (1)	Net gains on sales of loans	Total	Loans and fees on loans	Loan servicing revenue (2)	Net gains on sales of loans	Total
				(in thousands)				
Veterinary Practices	$1,861	$1,686	$3,708	$7,255	$ 6,897	$ 6,801	$ 11,779	$ 25,477
Healthcare Services	1,665	595	2,838	5,098	4,897	1,888	10,742	17,527
Independent Pharmacies	929	685	2,221	3,835	3,284	2,414	11,570	17,268

Death Care Management	605	365	1,161	2,131	2,544	1,187	6,621	10,352
Investment Advisors	526	216	3,527	4,269	1,287	479	7,697	9,463
Family Entertainment Centers	72	18		90	77	10	921	1,008
Poultry Agriculture	981	22	2,007	3,010	735	18	392	1,145
Wine & Craft Beverage								
Self-Storage								
Hotels								
Other	77	6	(1)	82	170	26	255	451
Total	$6,716	$3,593	$15,461	$25,771	$ 19,891	$ 12,823	$ 49,977	$ 82,691

(1) Excludes $513 thousand increase to revenue from loan servicing asset revaluation.
(2) Excludes $2,201 thousand reduction to revenue from loan servicing asset revaluation.

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We are currently exploring expanding our lending efforts into additional verticals. In selecting these industries, we analyze the SBA historical data relative to default/loss rate, competition, and the size of the industry as well as the business cycles and customer characteristics of each industry. We then look at credit parameters, product types, and pricing that we would need to use in order to establish a market presence in an industry and weigh those factors against our risk tolerance and profitability objectives. Through this analysis, we approximate the percentage of the potential demand we believe we could capture both initially and after market stabilization. We generally will not enter a new vertical, unless we believe we can capture a meaningful portion of the potential small business loan demand within it.

Our customer philosophy and credit culture extend beyond the loan origination phase. Our borrowers have access to a relationship manager in our Business Advisory Group, or BAG, from the time the loan closes through the life of the loan. We continuously work to provide superior service throughout the life of our relationship with each borrower. With our vertical emphasis, we are aware of industry-tailored best practices that we share to help our borrowers succeed.

BAG site visits are mandated for each loan. This enables our lenders to invest quality time with each prospective and current borrower as well as inspect the business. Another goal of the BAG is to obtain current quarterly financial statements and year-end statements from all borrowers. As of March 31, 2015, 96% of current financial statements were on hand for all borrowers. With effective financial reporting processes in place, we have early insight into potential problems that exist with our borrowers. We also engage with our customers in a variety of other ways, from covering the cost of a business consultant for a 3-day period to more complex situations such as working with a borrower to transition out of a practice. We strive to build and maintain a collaborative relationship with the business owner. Through the BAG, we aim to maintain a close relationship with every customer, maintain strong credit monitoring practices and have become a trusted resource for small business owners throughout the U.S.

The Credit Process

We utilize our industry-specific expertise and participation to identify and select credit-worthy borrowers and attractive financing projects prior to the formal underwriting process. We believe our familiarity with and active presence within our verticals allows us to provide ongoing customer service that is relevant for each business owner s specific industry segment.

We attempt to identify verticals with a statistical history of performance and a low risk profile. We have chosen verticals that display some or all of the following characteristics:

- Stable cash flows
- Barriers to entry
- Broad customer bases without reliance on any single customer
- Collateral shortfall

Limited or no foreign competition

Growing demand

Rapid cash cycles

Recession resistant

Limited malpractice risk

Underserved by other/traditional banking models

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Through our industry expertise, distribution channels, speed-to-market, and differentiated level of borrower experience and customer service, we have increased annual production in each year since May 2007. The growth to date in production has been due to the maturity of certain industry verticals, the establishment of new industry verticals and our origination of loans that are generally larger than the average SBA loan.

The following table summarizes our production by industry vertical for the periods indicated:

	Three months ended March 31,		**Years Ended December 31,**							
	2015	**2014**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
					(in thousands)					
Veterinary Practices	$ 26,492	$ 41,358	$ 155,217	$ 147,661	$ 174,768	$ 149,485	$ 150,788	$ 145,920	$ 161,230	$ 40,226
Healthcare Services	56,892	24,985	182,406	109,317	81,363	69,860	56,580	13,385	150	
Independent Pharmacies	25,221	32,525	149,453	106,391	103,358	86,757	48,919			
Death Care Management	12,011	14,074	72,124	101,736	54,075					
Investment Advisors	34,304	18,805	96,963	33,647						
Family Entertainment Centers	3,580		13,503							
Poultry Agriculture	89,559		171,644							
Other		3,550	6,780		199	535	30	1,275	1,209	775
Total	$ 248,058	$ 135,297	$ 848,090	$ 498,752	$ 413,763	$ 306,637	$ 256,317	$ 160,580	$ 162,589	$ 41,001

The following table shows the amount of the SBA-guaranteed portions of the loans we have originated and sold since May 2007:

	Three months ended March 31,		**Years Ended December 31,**							
	2015	**2014**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
					(in thousands)					
Veterinary Practices	$ 29,148	$ 25,458	$ 97,960	$ 115,514	$ 129,291	$ 117,941	$ 107,326	$ 138,725	$ 52,897	$
Healthcare Services	29,012	16,352	99,063	57,361	46,446	50,948	30,120	7,453		
Independent Pharmacies	19,328	21,398	104,446	83,647	66,856	69,553	31,805			
	8,095	7,530	53,832	63,156	34,083					

Death Care Management										
Investment Advisors	28,630	14,562	64,764	19,664						
Family Entertainment Centers			7,286							
Poultry Agriculture	22,834		4,273							
Other		2,288	2,288						706	
Total	$ 137,047	$ 87,588	$ 433,912	$ 339,342	$ 276,676	$ 238,442	$ 169,251	$ 146,178	$ 53,603	$

Our vertical immersion strategy and our commitment to sound credit underwriting and credit administration are reflected in the credit quality of our loan portfolio. Our borrowers have historically had an average FICO score in excess of 700, using the lowest of scores provided by three credit bureaus at the time of underwriting, and an average debt service coverage ratio of approximately 2.0 to net operating income using the most current borrower financial statements available. To date, we have never had a denial or repair of the SBA guaranty for any loan submitted for payment. The SBA s policy for honoring the guaranty is based on a thorough review of a lender s purchase request and all relevant documentation. If a lender is deficient in its origination, management, and servicing of a loan, the SBA will attempt to reach a resolution with the lender, which may involve the lender agreeing to a monetary adjustment in the amount of the SBA s guaranty. This adjustment is referred to as a repair. The SBA may consider a denial of its liability under its guaranty or litigation to recover funds the SBA already paid under its guaranty to the lender (or secondary market holder) if the lender is not negotiating in good faith, the lender is unwilling to agree to a repair that reflects the harm caused to the SBA, or the lender s actions are sufficiently serious that a repair would be inappropriate.

We do not pay our lenders commissions. Our management believes that incentivizing our lenders to produce more loans through the payment of commissions creates an inherent conflict with sound credit administration. By

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choosing not to implement a commission-based payment structure, we believe we generate loans of greater credit quality, enhancing overall portfolio performance and aligning our lenders interests with those of the entire company. In addition, many of our lenders currently own stock of Live Oak. We believe this alignment of interests is a strategic differentiator at Live Oak.

We intend to strategically and opportunistically add new verticals to our portfolio in the future. Our Emerging Markets division continually identifies, researches and evaluates potential new industries.

Deposit Funding

We fund the loans and loan interests that we retain with deposits issued by the Bank. We have historically used deposit products with higher interest costs to the Bank than traditional banks to attract funds while our cost of funds compared to non-bank competitors has historically been significantly lower. We plan to expand the deposit products and services we offer to customers through the use of mobile banking solutions for small businesses, including online banking, discounted merchant services, and remote deposit capture which we believe will lower our cost of funds.

Our Executive Management Team and Board of Directors

Our executive management team has a combined 154 years of banking and financial experience, as well as extensive experience in developing technologies to support online operations and experience within our industry verticals.

James Chip S. Mahan III, Chief Executive Officer and Chairman of the Board, has more than 40 years of banking experience and has founded multiple banks, including Cardinal Bancshares, which he took public in 2002, and Security First Network Bank, the nation s first Internet-only bank and predecessor of S1 Corporation.

William Lee L. Williams III is the Vice Chairman of the Company and one of the original founders of the Bank. Prior to starting Live Oak Bank, Mr. Williams spent 19 years in corporate banking at Wachovia and worked for 14 years at Vine Street Financial engaged in SBA lending.

Neil L. Underwood, President, has significant banking and technology experience, and was instrumental in the development of both nCino, Inc. and S1 Corporation.

David G. Lucht, Chief Risk Officer, joined the Live Oak team in May 2007 as a founding member. Prior to joining Live Oak, Mr. Lucht was the Chief Credit Officer and an Executive Vice President for First Merit Bank in Akron, Ohio, where he was responsible for leading the turnaround in credit culture and performance of that $10.5 billion bank.

S. Brett Caines, Chief Financial Officer, joined the Live Oak team in June 2007. Prior to joining the Bank, Mr. Caines worked as a Production Engineer for INVISTA and as a Process Engineer for Shell Chemical Company.

Our board of directors consists of experienced individuals, many of whom have direct experience with our chosen industry verticals, allowing them to understand and provide meaningful contributions to both our operations and strategy.

Corporate History

Live Oak Lending Company, our predecessor company, began originating loans to small businesses in May 2007. At that time, we began the application process to become a state-chartered financial institution insured by the Federal

Deposit Insurance Corporation, or FDIC. We currently operate through Live Oak Bancshares, Inc.,

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formed in 2009, a North Carolina business corporation and registered bank holding company subject to regulation by the Board of Governors of the Federal Reserve System, or the Federal Reserve, and the North Carolina Commissioner of Banks. Our principal subsidiary is Live Oak Banking Company, a North Carolina chartered commercial bank that commenced operations on May 12, 2008 and is subject to regulation by the FDIC and the North Carolina Commissioner of Banks. Our other majority or wholly-owned subsidiaries are 504 Fund Advisors, LLC, or 504FA, Government Loan Solutions, or GLS, and Independence Aviation, LLC, or IA.

During 2011, we formed IA for the sole purpose of purchasing an aircraft to be used by us for business purposes. IA has no other business purpose other than to own and operate aircraft for corporate purposes.

504FA was organized as a joint venture with Pennant Management, Inc. during 2013 to serve as the investment advisor to the 504 Fund, a closed end mutual fund organized to invest in SBA Section 504 loans. 504FA is a SEC-registered investment advisor that serves the 504 Fund and also provides underwriting and management of SBA 504 loans held by the fund. As of the date of this prospectus, we own 91.3% of 504FA.

In 2013, we acquired GLS, which was originally founded in 2006. 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. GLS is our wholly owned subsidiary.

In January 2012, we formed nCino as our majority-owned subsidiary to further develop and sell the nCino Bank Operating System used to streamline the lending process of financial institutions. nCino s only business is owning and selling access to its nCino Bank Operating System. At year-end 2013, we owned 45.94% of nCino. In June 2014 we divested our ownership interest in nCino to our shareholders in the form of a dividend. As of the date of this prospectus, we have no direct ownership interest in nCino.

Our principal executive office is located at 1741 Tiburon Drive, Wilmington, North Carolina 28403 and our telephone number is (910) 790-5867. Our Internet address is *www.liveoakbank.com*. Information on or accessible through our website is not incorporated by reference into and is not part of this prospectus.

Recent Developments

Recent Exploration of Private Offering

During January 2015, we had conversations with five institutional accredited investors regarding a possible private placement of up to 4,000,000 shares of our common stock. On March 14, 2015, we elected to pursue a registered initial public offering of common stock rather than pursue further the possible private placement. There were no offers to buy or indications of interest accepted in connection with the contemplated private placement. This prospectus supersedes any and all offering materials used in connection with the contemplated private placement of our common stock.

Preliminary Second Quarter Results

Our interim financial statements for the three months ended June 30, 2015 are not yet available. The following expectations regarding our results for the three and six month periods ended June 30, 2015 are solely management estimates based on currently available information. In light of the preliminary nature of this financial data, where we believe necessary, we have presented certain financial data in the form of a range. Our

actual results may differ from the preliminary results reported below. Please see Risk Factors, Forward-Looking Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of factors that could result in differences between the preliminary financial data reported below and the final results we report for these periods.

For the three months ended June 30, 2015, we expect to report net income of between $3.6 million and $3.9 million, or between $0.13 and $.14 per basic share, as compared to $7.0 million, or $.33 per basic share, for the three months ended June 30, 2014, and $8.1 million, or $.28 per basic share for the three months ended March 31, 2015. This year-over-year decrease in net income is principally due to an expected $2.8 million tax provision for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014 during which we had no tax provision due to operating as a pass through S Corporation. The second quarter of 2015 also experienced downward adjustments in the valuation of our servicing rights of $1.8 million compared to a $3.2 thousand valuation increase for the quarter ended June 30, 2014. The decrease in net income for the three months ended June 30, 2015, compared to the three months ended March 31, 2015, is primarily as a result of a $3.8 million one-time gain arising in the first quarter of 2015 related to the sale of our investment in nCino combined with an upward adjustment of $121.8 thousand for the valuation of our servicing rights in the three months ended March 31, 2015, compared to a downward adjustment of $1.8 million of our servicing rights for the three months ended June 30, 2015.

For the six months ended June 30, 2015, we expect to report net income of between $11.7 million and $12.0 million, or between $0.41 and $0.42 per basic share, as compared to $7.3 million, or $.35 per basic share, for the six months ended June 30, 2014. This expected increase in net income is primarily attributable to growth in loan production and revenues associated with growth in loans in the six months ended June 30, 2015.

We expect to report consolidated total loans held for sale and held for investment as of June 30, 2015 of approximately $594.1 million, representing a $68.6 million, or 13.0%, increase from March 31, 2015 and a $95.0 million, or 19.0%, increase from December 31, 2014. Growth in loans was driven by approximately $524.2 million in production in the six months ended June 30, 2015 as compared to approximately $326.8 million in production in the six month period ended June 30, 2014. We also expect to report total deposits as of June 30, 2015 of approximately $727.3 million, representing a $171.3 million increase from March 31, 2015 and a $205.3 million increase from December 31, 2014. Changes were primarily driven by the execution of our deposit growth strategy.

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THE OFFERING

Common stock offered	4,800,000 shares of our common stock.
Option to purchase additional shares	The underwriters will have an option to purchase up to 700,000 additional shares of our common stock in this offering, exercisable within 30 days from the date of this prospectus.
Common stock to be outstanding immediately after this offering	33,454,860 shares (34,154,860 shares if the underwriters exercise their option to purchase additional shares in full).
Securities offered as a percentage of outstanding shares of common stock	16.8%, assuming the underwriters do not exercise their option to purchase additional shares.
Use of proceeds	The net proceeds to us from the sale of our common stock in this offering will be approximately $75.8 million (or $87.0 million if the underwriters exercise their option to purchase additional shares in full), after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds of this offering to: support organic growth in our existing industry verticals; for expansion into new industry verticals; to develop a new online lending platform for originating loans less than $350 thousand; to support the growth of our balance sheet as we increase the size of our held for investment loan portfolio; and for general corporate purposes, including for possible acquisitions of, or investments in, bank or permissible non-bank entities, though, we do not have any agreements or understandings presently with respect to any acquisitions or investments. See Use of Proceeds.
Dividends	We intend to pay dividends on our common stock, when, as, and if declared by our board of directors or a duly authorized committee thereof. Our ability to declare and pay dividends is limited by state law and by applicable federal and state regulatory restrictions,

including the regulations and guidelines of the Federal Reserve applicable to bank holding companies.

In addition, because we are a bank holding company, our ability to pay dividends on our common stock will be highly dependent upon the receipt of dividends, fees and other amounts from the Bank, which, in turn, will be highly dependent upon the Bank s historical and projected results of operations,

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	liquidity, cash flows and financial condition, as well as various legal and regulatory prohibitions and other restrictions on the ability of the Bank to pay dividends, extend credit or otherwise transfer funds to us. For additional information, see Dividend Policy.
Listing	We have received approval to list our common stock on the NASDAQ Global Select Market under the symbol LOB.
Risk factors	Investing in our common stock involves risks. See Risk Factors for a discussion of factors you should consider carefully before making a decision to invest in our common stock.
Transfer agent and registrar	Broadridge Corporate Issuer Solutions, Inc.

The number of shares of common stock to be outstanding after this offering is based on 28,654,860 shares of common stock outstanding as of July 7, 2015 and excludes the following:

- does not include as outstanding 2,268,736 shares of our common stock issuable upon the exercise of outstanding stock options as of July 7, 2015 at a weighted average exercise price of $7.28 per share; and

- does not include as outstanding 4,265,070 shares of our common stock reserved for issuance in connection with stock awards available for issuance under our 2015 Omnibus Stock Incentive Plan, which assumed all prior equity plans, as of July 7, 2015.

Unless expressly indicated or the context otherwise requires, all information in this prospectus assumes no exercise by the underwriters of their option to purchase up to an additional 700,000 shares of our common stock in this offering.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The table below sets forth selected historical consolidated financial data and other information for the periods presented. We have derived the selected historical consolidated financial data as of and for the years ended December 31, 2014, 2013 and 2012 from our audited consolidated financial statements included elsewhere in this prospectus and the selected historical consolidated financial data as of and for the year ended December 31, 2011 from our audited consolidated financial statements for that year, which are not included in this prospectus. The information as of and for the three months ended March 31, 2015 and 2014 is unaudited but, in the opinion of our management, contains all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our financial condition and results of operations for those periods. Results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2015. Our historical results are not necessarily indicative of the results that may be expected in the future.

The selected historical consolidated financial information should be read in conjunction with and is qualified in its entirety by:

our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 and related notes included elsewhere in this prospectus;

our unaudited consolidated financial statements as of and for the three months ended March 31, 2015 and 2014 and related notes included elsewhere in this prospectus; and

the sections in this prospectus entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors.

The performance, asset quality and capital ratios included herein are unaudited and derived from our audited financial statements as of and for the years presented. Average balances have been calculated using daily averages.

	As of March 31, 2015	As of December 31, 2014	2013	2012	2011
		(dollars in thousands)			
Selected Period End Balance Sheet Data					
Total assets	$ 723,032	$ 673,315	$ 430,355	$ 342,468	$ 266,157
Cash and due from banks	57,564	39,902	37,244	44,173	27,536
Investment securities available for sale, at fair value	50,777	49,318	19,446	15,416	16,842
Loans held for sale	305,079	295,180	159,438	145,183	111,877
Loans held for investment, net of unearned	220,444	203,936	141,349	92,669	85,721
Total loans held for sale and investment	525,523	499,116	300,787	237,852	197,598
Allowance for loan losses	(5,234)	(4,407)	(2,723)	(5,108)	(4,617)
Servicing assets	38,457	34,999	29,053	24,220	18,731
Deposits	556,083	522,080	356,620	286,674	222,163

Long-term borrowings	50,210	41,849	12,325	12,205	8,659
Total shareholders equity	100,153	91,814	48,390	33,057	27,583
Tangible shareholders equity(1)	100,050	91,711	47,963	33,057	27,583

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Selected Historical Consolidated Financial Data (continued)

	As of and for the three months ended March 31,		As of and for the years ended December 31,			
	2015	2014	2014	2013	2012	2011
	(dollars in thousands except per share data)					
Selected Income Statement Data						
Interest income	$ 6,958	$ 4,212	$ 20,509	$ 15,302	$ 11,725	$ 8,744
Interest expense	1,917	1,251	5,852	4,521	3,628	2,737
Net interest income	5,041	2,961	14,657	10,781	8,097	6,007
Provision for loan losses	1,077	424	2,793	(858)	2,110	2,855
Net interest income after provision for loan losses	3,964	2,537	11,864	11,639	5,987	3,152
Noninterest income:						
Net gains on sales of loans	15,461	10,031	49,977	38,225	33,535	22,612
Other noninterest income	8,594	2,174	10,065	18,242	8,945	9,515
Total noninterest income	24,055	12,205	60,042	56,467	42,430	32,127
Noninterest expense	14,688	14,444	54,470	40,164	33,619	20,967
Income tax expense	5,278		7,388			
Net income	8,053	298	10,048	27,942	14,798	14,312
Net income attributable to noncontrolling interest	20			120	1,297	
Net income attributable to Live Oak Bancshares, Inc.	$ 8,073	$ 298	$ 10,048	$ 28,062	$ 16,095	$ 14,312
Net income (net of tax effect)(2)	$ 8,190	$ 183	$ 10,723	$ 17,258	$ 9,899	$ 8,802
Per Share Data (Common Stock) Attributable to the Company						
Earnings:						
Basic	$ 0.28	$ 0.01	$ 0.42	$ 1.38	$ 0.83	$ 0.82
Diluted(3)	0.27	0.01	0.41	1.37	0.80	0.70
Earnings (net of tax effect)(2):						
Basic	0.29	0.01	0.45	0.85	0.51	0.50
Diluted(3)	0.28	0.01	0.44	0.84	0.49	0.43
Dividends(4)	0.05	0.28	2.18	0.48	0.59	0.55
Book value(5)	3.50	4.34	3.21	2.38	1.63	1.46
Tangible book value(1)	3.50	4.34	3.20	2.36	1.63	1.46
Selected Performance Metrics						
Return on average assets	4.20%	0.25%	1.77%	6.53%	5.01%	5.75%
Return on average equity	35.86	2.49	14.11	62.82	50.62	61.64
Return on average assets (net of tax effect)(2)(6)	4.28	0.15	1.89	4.02	3.08	3.54

Return on average equity (net of tax effect)(2)(6)	36.48	1.53	15.05	38.63	31.13	37.91
Average yield on loans(7)	4.97	4.92	5.00	5.04	4.91	4.82
Average cost of deposits(7)	0.98	1.12	1.06	1.13	1.10	1.22
Net interest margin(7)	2.97	2.94	3.03	2.95	2.83	2.81
Efficiency ratio(1)	50.48	95.24	72.85	59.73	66.54	54.98
Noninterest income to total revenue(8)	82.67	80.48	80.40	83.97	83.99	84.25
Average equity to average assets	11.72	10.03	12.56	10.40	9.89	9.33
Dividend payout ratio (inclusive of tax distributions)(9)	16.88	1,907.72	447.33	10.65	33.56	20.70
Dividend payout ratio (net of tax effect)(2)(9)	16.64	3,106.56	419.17	17.32	54.57	33.66
Dividends paid(25)	1,363	5,685	52,376	9,780	11,499	9,630
Employees at period end(10)	227	152	192	141	94	62

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Selected Historical Consolidated Financial Data (continued)

	As of and for the three months ended March 31,		As of and for the years ended December 31,			
	2015	2014	2014	2013	2012	2011
	(dollars in thousands except per share data and total number of loans originated)					
Selected Loan Metrics						
Annual number of loans originated(11)	231	144	742	524	447	322
Annual amount of loans originated(11)	$ 248,058	$ 135,205	$ 848,090	$ 498,752	$ 413,764	$ 306,637
Outstanding borrowers principal balance	2,125,653	1,547,454	1,975,500	1,446,772	1,104,160	802,653
Percent of total loans held for sale and investment guaranteed by the SBA(12)	35.05%	30.41%	34.48%	28.72%	33.96%	32.86%
U.S. government guaranteed loans sold at a premium(13)	$ 137,047	$ 87,586	$ 433,912	$ 339,342	$ 276,676	$ 238,442
U.S. government guaranteed loans sold at par for excess servicing(13)						
Loans sold not guaranteed by U.S. government(13)	28,483	5,523	55,233	42,932	52,574	12,680
Total loans sold and serviced for others(13)	165,530	93,741	489,145	382,274	329,250	251,122
Outstanding balance of guaranteed loans sold(14)	1,403,968	1,057,048	1,302,828	1,005,764	767,721	550,622
Number of loans serviced(15)	2,610	1,898	2,409	1,780	1,323	929
Average net gain on sale of loans(16)	$ 93.40	$ 107.73	$ 102.17	$ 99.99	$ 101.85	$ 90.05
Average servicing fee on sale of loans(17)	0.83%	0.94%	0.89%	0.89%	0.84%	0.95%
Average servicing fee on sale of loans guaranteed by the SBA(17)	1.00	1.00	1.00	1.00	1.00	1.00
Weighted average servicing fee of sold	1.10	1.14	1.11	1.16	1.24	1.39

loans guaranteed by the SBA(18)						
Average outstanding loan size(19)	$ 814.4	$ 815.3	$ 820.4	$ 812.8	$ 834.6	$ 864.0
Average balance of loans on balance sheet(20)	204.8	188.3	210.9	173.9	185.1	214.2
Average balance of loans on balance sheet not guaranteed by U.S. government(21)	133.0	130.4	138.2	124.0	122.2	143.8
Asset Quality Ratios						
Nonperforming loans and foreclosed assets(22)	$ 18,898	$ 12,157	$ 19,063	$ 9,038	$ 8,825	$ 9,871
Nonperforming loans and foreclosed assets not guaranteed by the SBA(22)	2,968	1,635	3,508	2,055	3,763	3,080
Nonperforming loans and foreclosed assets guaranteed by the SBA(22)	15,964	10,522	15,555	6,983	5,062	6,791
Nonperforming loans to total assets(22)	2.61%	2.48%	2.78%	2.02%	2.51%	3.71%
Nonperforming loans not guaranteed by the SBA to total assets(22)	0.41	0.33	0.47	0.40	1.03	1.16
Nonperforming loans guaranteed by the SBA to total assets(22)	2.21	2.15	2.31	1.62	1.48	2.55
Nonperforming loans to loans held for investment(22)	8.57	7.64	9.17	6.15	9.27	11.52
Nonperforming loans not guaranteed by the SBA to loans held for investment(22)	1.33	1.03	1.54	1.21	3.81	3.59
Nonperforming loans guaranteed by the SBA to loans held for investment(22)	7.24	6.62	7.63	4.94	5.46	7.93
Allowance for loan losses to nonperforming loans(22)	27.70	26.43	23.58	31.31	59.44	46.77
Allowance for loan losses to nonperforming loans not guaranteed by the SBA(22)	178.39	196.51	140.48	158.87	144.66	149.90
Allowance for loan losses to nonperforming loans guaranteed by the	32.79	30.54	28.33	38.99	100.91	67.99

SBA(22)						
Allowance for loan losses to loans held for investment	2.37	2.02	2.16	1.93	5.51	5.39
Allowance for loan losses to loans held for investment not guaranteed by the SBA	2.69	2.30	2.41	2.11	6.34	5.39
Allowance for loan losses to loans held for investment guaranteed by the SBA	25.12	19.66	20.69	21.87	42.39	
Net charge-offs	$ 251	$ (67)	$ 1,109	$ 1,888	$ 1,860	$ 1,461
Net charge-offs of loans not guaranteed by the SBA	251	(67)	1,109	1,888	1,860	1,461
Net charge-offs of loans guaranteed by the SBA						
Net charge-offs to average loans on book outstanding(23)	0.20%	(0.08)%	0.28%	0.66%	0.82%	0.85%
Net charge-offs to average loans not guaranteed by the SBA on book outstanding(23)	0.30	(0.11)	0.41	1.01	1.19	1.33
Net charge-offs to average loans guaranteed by the SBA on book outstanding(23)						

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Selected Historical Consolidated Financial Data (continued)

	As of March 31,		As of December 31,			
	2015	2014	2014	2013	2012	2011
Capital Ratios						
Tier 1 leverage ratio (Bank)	8.66%	9.09%	9.34%	10.39%	10.63%	11.84%
Tier 1 risk-based capital ratio (Bank)(24)	12.36	11.98	12.43	15.09	16.65	17.13
Total risk-based capital ratio (Bank)(24)	13.39	12.89	13.36	15.95	17.91	18.40
Common Equity Tier 1 (Bank)	12.36					
Total equity to total assets	13.85	9.48	13.64	11.24	9.65	10.36
Tangible shareholders equity to tangible assets(1)	13.84	9.46	13.62	11.15	9.65	10.36

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Notes to Selected Historical Consolidated Financial Data

(1) These measures are not measures recognized under United States generally accepted accounting principles, or GAAP, and are therefore considered to be non-GAAP financial measures. See GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures for a reconciliation of these measures to their most comparable GAAP measures.

(2) We have calculated our net income (net of tax effect), earnings per share (net of tax effect) on a basic and diluted basis, return on average assets (net of tax effect), return on average equity (net of tax effect) and dividend payout ratio (net of tax effect) for each year shown by calculating a provision for income taxes using an assumed annual effective income tax rate of 38.5% for the quarters ended March 31, 2015 and 2014 and the years ended December 31, 2014, 2013, 2012 and 2011, and adjusting our historical net income for each period presented to give effect to the pro forma provision for federal and state income taxes for such year. For the year ended December 31, 2014 we have also excluded the initial deferred tax liability recorded as a result of the change in tax status on August 3, 2014 due to our conversion from an S corporation to a C corporation.

(3) We calculated our diluted earnings per share for each year shown as our net income divided by the weighted-average number of shares of our common stock outstanding during the relevant year adjusted for the dilutive effect of outstanding options to purchase shares of our common stock. See Note 1 to our audited consolidated financial statements appearing elsewhere in this prospectus for more information regarding the dilutive effect of our outstanding options. The number of pro forma shares outstanding are equal to historical, or stated, shares outstanding in each respective period, as adjusted for stock splits. We calculated earnings per share on a basic and diluted basis and pro forma earnings per share on a basic and diluted basis using the following outstanding share amounts:

	Three month period ended March 31,		Year ended December 31,			
	2015	2014	2014	2013	2012	2011
Share Data						
Weighted average shares outstanding (basic)	28,620,120	20,373,983	23,973,398	20,347,660	19,467,300	17,567,510
Weighted average shares outstanding (diluted)	29,361,841	20,585,406	24,424,181	20,439,130	20,138,360	20,732,190
Shares outstanding at end of	28,623,609	21,135,080	28,619,930	20,318,330	20,274,950	18,835,410

period

(4) Dividends declared include the cash distributions paid to our shareholders in the relevant year to provide them with funds to pay their income tax liabilities incurred as a result of the pass-through of our net taxable income for such year to our shareholders as holders of shares in an S corporation for income tax purposes. The aggregate amounts of such cash distributions relating to the payment of tax liabilities were $0.05 per share and $0.07 per share for the three months ended March 31, 2015 and 2014, respectively and $0.31 per share, $0.33 per share, $0.31 per share, and $0.38 per share for the years ended December 31, 2014, 2013, 2012 and 2011, respectively.

(5) Book value per share equals our total shareholders equity as of the date presented divided by the number of shares of our common stock outstanding as of the date presented. The number of shares of our common stock outstanding as of March 31, 2015 and 2014 and December 31, 2014, 2013, 2012 and 2011 has been presented in note (3) above.

(6) We have calculated our pro forma return on average assets and pro forma return on average equity for a year by calculating our pro forma net income for that year as described in note 2 above and dividing

that by our average assets and average equity, as the case may be, for that year. We calculate our average assets and average equity for a year by dividing the sum of our total asset balance or total shareholder s equity balance, as the case may be, as of the close of business on each day in the relevant year and dividing by the number of days in the year.

(7) We calculate average yield on loans by dividing loan interest income by average loans. We calculate average cost of deposits by dividing deposit expense by average interest-earning deposits. Net interest margin represents net interest income divided by average interest-earning assets.

(8) We calculate the ratio of noninterest income to total revenue as noninterest income (excluding securities gains or losses) divided by the sum of net interest income plus noninterest income (excluding securities gains or losses).

(9) We calculate our dividend payout ratio for each year presented as the dividends paid per share for such period (excluding cash distributions made to shareholders in connection with tax liabilities as described in note 4 above) divided by our basic earnings per share and earnings (net of tax) for such year.

(10) Full time employees exclude employees of nCino for periods when nCino was a consolidated subsidiary. There were six non-Bank employees as of December 31, 2014 and 2013. There were no non-Bank employees as of December 31, 2012.

(11) Includes the number of notes and amount of the entire note with note dates in the respective year.

(12) We originate loans primarily through the SBA 7(a) program. Typically, 75% of the note amount of loans originated through the SBA 7(a) program is guaranteed by the SBA. Total loans include the gross loans held for sale and held for investment.

(13) We have historically operated an originate-sell-and-service model. We primarily sell the U.S. government guaranteed portion of loans at a premium with a 1% servicing fee. Prior to 2010, we primarily sold the guaranteed portion of loans at par for servicing in excess of 1%. Additionally, we sell portions of our loans not guaranteed by the SBA. These loans are typically sold at par.

(14) This represents the outstanding principal balance of guaranteed loans, as of the last day of the applicable year, that have been sold into the secondary market.

(15) This represents the number of loans outstanding as of the last day of the applicable year, that we service. We service all of the loans we originate.

(16) We calculate average net gain on sale of loans by dividing net gains on sales of loans by total loans sold and serviced for others multiplied by 1,000. This ratio represents the average net gain on sale generated from every $1 million of loan sales. Net gain on sale for our guaranteed loans is composed primarily of four components: premium cash, establishment of the servicing asset related to that sale, a discount on the retained unguaranteed portion of the loan and the recognition into income of deferred costs and fees associated with the loan relative to the portion sold. Average net gains on sale of loans by category in the below tables is provided as additional information and does not reconcile directly with total net gains on sale of loans reflected in the Selected Historical Consolidated Financial Data. These averages do not sum to the total reflected in the Selected Historical Consolidated Financial Data because the computation of each individual ratio is derived only from the average balance in the corresponding loan category. For instance, total gains on the sale of guaranteed loans sold at a premium is divided by the respective average balance for only that loan category to arrive at the average

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gain for loans held for sale. As a result, the data reflected in this note 16 only reflects average net gains recognized for each loan category presented rather than net gains relative to total loans sold.

Average net gain on sale of loans (dollars in thousands)	**Three months ended March 31,**		**Year ended December 31,**			
	2015	**2014**	**2014**	**2013**	**2012**	**2011**
U.S. government guaranteed loans sold at a premium	$ 112.82	$ 114.53	$ 115.19	$ 113.11	$ 121.28	$ 91.94
U.S. government guaranteed loans sold at par for excess servicing						
Loans sold not guaranteed by U.S. government			(0.08)	(3.70)	(0.40)	54.41

Average net gain on sale of U.S. government guaranteed loans sold at a premium (dollars in thousands)	**2015**	**2014**	**2014**	**2013**	**2012**	**2011**
Premium cash received	$ 98.05	$ 99.18	$ 101.81	$ 103.12	$ 108.11	$ 93.44
Servicing asset established	24.62	23.79	25.17	24.88	23.17	20.98
Discount on retained portion	(5.55)	(5.07)	(5.94)	(8.23)	(4.30)	(18.25)
Deferred fees and costs	(4.30)	(3.37)	(5.86)	(6.47)	(5.68)	(4.23)
Other adjustments				(0.19)	(0.02)	
	$ 112.82	**$ 114.53**	**$ 115.18**	**$ 113.11**	**$ 121.28**	**$ 91.94**

(17) We calculate average servicing retained by dividing the total of the servicing percentage multiplied by the amount sold for each loan by the total loans sold and serviced for others.

(18) We calculate the weighted average servicing fee of sold loans guaranteed by the SBA by dividing the servicing fee multiplied by the total outstanding guaranteed amount sold for each loan by the total outstanding guaranteed amount of loans sold and serviced for others.

(19) We calculate average outstanding loan size by dividing the outstanding borrower principal balance by the number of loans.

(20) We calculate average balance of loans by dividing total loans (gross) by the number of loans. We exclude any loans that have been completely charged off.

(21) We calculate average balance of loans not guaranteed by the SBA by dividing the portion of total loans (gross) not guaranteed by the SBA by the number of loans. We exclude any loans that have been completely charged off.

(22) Nonperforming loans include nonaccrual loans.

(23) Average loans on book outstanding includes held for sale and held for investment loans.

(24) The calculation of our risk-weighted assets for the year ended December 31, 2014 and prior periods has been calculated using the standardized method of the Basel II Framework, as implemented by the Federal Reserve and the FDIC.

(25) The significant increase in dividends paid to shareholders during 2014 primarily reflects distributions due to a one-time tax effect to shareholders in connection with our conversion from an S-Corporation to a C-Corporation and gains realized from the spin-out of nCino to our shareholders.

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GAAP RECONCILIATION AND MANAGEMENT EXPLANATION OF NON-GAAP FINANCIAL MEASURES

Some of the financial measures included in our selected historical consolidated financial data and elsewhere in this prospectus are not measures of financial performance recognized by GAAP. These non-GAAP financial measures are tangible shareholders equity, tangible book value per share, tangible average equity to tangible average assets, efficiency ratio, and net income adjusted for non-recurring income and expense. Our management uses these non-GAAP financial measures in its analysis of our performance.

Tangible shareholders equity is total shareholders equity less goodwill and other intangible assets. We have not considered loan servicing rights as an intangible asset for purposes of this calculation.

Tangible shareholders equity to tangible assets is defined as the ratio of shareholders equity less goodwill and other intangible assets, divided by total assets. We believe this measure is important because it shows relative changes from period to period in equity and total assets, each exclusive of changes in intangible assets. We have not considered loan servicing rights as an intangible asset for purposes of this calculation.

Efficiency ratio is defined as total noninterest expense divided by the sum of net interest income and noninterest income. We believe this measure is important as an indicator of productivity because it shows the amount of revenue generated for each dollar spent. While the efficiency ratio is a measure of productivity, its value reflects the unique attributes of the high-touch business model we employ.

Net income adjusted for non-recurring income and expense is defined as net income adjusted to exclude significant one-time sources of income and uses of expenses and annualize an estimated corporate income tax expense across all periods being compared. We believe these measures are important as they allow for an evaluation of the core profitability of our business.

Noninterest income, as adjusted is defined as noninterest income adjusted to exclude significant one time sources of income, including the gain on the deconsolidation of nCino and gain on the sale of our subsequent re-investment in nCino. We believe these measures are important as they allow for an evaluation of the core profitability of our business.

Noninterest expense, as adjusted is defined as noninterest expense adjusted to exclude significant one time sources of expenses, including costs related to our exploration in 2014 of several capital-raising alternatives that ultimately resulted in a private placement of our common stock. We believe these measures are important as they allow for an evaluation of the core profitability of our business.

Income tax, as adjusted is defined as income tax expense adjusted to exclude significant one time sources of expenses. We believe these measures are important as they allow for an evaluation of the core profitability of our business.

Tangible book value per share is defined as total equity reduced by goodwill and other intangible assets divided by total common shares outstanding. We believe this measure is important because it shows changes from period to period in book value per share exclusive of changes in intangible assets. We have not considered loan servicing rights as an intangible asset for purposes of this calculation.

We believe these non-GAAP financial measures provide useful information to management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP; however, we acknowledge that our non-GAAP financial measures have a number of limitations. As such, you should not view these measures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies use. The following table provides a reconciliation of these non-GAAP financial measures to the most closely related GAAP measure.

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	Three months ended March 31, 2015	2014	Years ended December 31, 2014	2013	2012	2011
	(dollars in thousands, except share and per share data)					
Total shareholders equity	$ 100,153	$ 46,430	$ 91,814	$ 48,390	$ 33,057	$ 27,583
Less:						
Goodwill		272		272		
Other intangible assets	103	155	103	155		
Tangible shareholders equity	$ 100,050	$ 46,003	$ 91,711	$ 47,963	$ 33,057	$ 27,583
Shares outstanding	28,623,609	21,135,080	28,619,930	20,318,330	20,274,950	18,835,410
Total assets	$ 723,032	$ 489,652	$ 673,315	$ 430,355	$ 342,468	$ 266,157
Less:						
Goodwill		272		272		
Other intangible assets	103	155	103	155		
Tangible assets	$ 722,929	$ 489,225	$ 673,212	$ 429,928	$ 342,468	$ 266,157
Tangible shareholders equity to tangible assets	13.84%	9.40%	13.62%	11.16%	9.65%	10.36%
Tangible book value per share	$ 3.50	$ 2.18	$ 3.20	$ 2.36	$ 1.63	$ 1.46

	Three months ended March 31, 2015	2014	Years ended December 31, 2014	2013	2012	2011
	(dollars in thousands)					
Efficiency ratio						
Noninterest expense	$ 14,688	$ 14,444	$ 54,470	$ 40,164	$ 33,619	$ 20,967
Net interest taxable equivalent income	5,041	2,961	14,657	10,781	8,097	6,007
Noninterest taxable equivalent income (loss)	24,055	12,205	60,042	56,467	42,430	32,127
Less gain (loss) on sale of			(74)	11		

securities												
Adjusted operating revenue	$	29,096	$	15,166	$	74,773	$	67,237	$	50,527	$	38,134
Efficiency ratio		50.48%		95.24%		72.85%		59.73%		66.54%		54.98%

	Three months ended March 31,				Years ended December 31,							
	2015		2014		2014		2013		2012		2011	
	(dollars in thousands, except share and per share data)											
Reconciliation of Net Income to net income adjusted for non-recurring income and expenses												
Net income	$	8,073		298	$	10,048	$	28,062	$	16,095	$	14,312
Gain on deconsolidation of subsidiary								(12,212)				
Gain on sale of non-consolidated affiliate investment		(3,782)										
Costs related to exploration of alternative capital raises				1,673		1,673						
Stock grants				2,992		2,992						
Initial deferred tax liability recorded as a result of change from S to C corporation						3,252						
C corporation income tax expense for (last five months of 2014)		5,278				4,136						
Adjusted net income before income tax		9,569		4,963		22,101		15,850		16,095		14,312
Estimated income tax at 38.5%		3,684		1,911		8,509		6,103		6,197		5,511
Net income, net of non-recurring income and	$	5,885	$	3,052	$	13,592	$	9,747	$	9,898	$	8,801

expenses												
Earnings Per Share:												
Basic	$	0.21	$	0.15	$	0.57	$	0.48	$	0.51	$	0.50
Diluted	$	0.20	$	0.15	$	0.56	$	0.48	$	0.49	$	0.42
Weighted-average shares outstanding:												
Basic		28,620,120		20,373,983		23,973,398		20,347,660		19,467,300		17,567,510
Diluted		29,361,941		20,585,406		24,424,181		20,439,130		20,138,360		20,732,190
Reconciliation of financial statement line items as reported to adjusted for non-recurring income and expenses												
Total noninterest income, as reported	$	24,055	$	12,205	$	60,042	$	56,467	$	42,430	$	32,414

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	Three months ended March 31,		Years ended December 31,			
	2015	2014	2014	2013	2012	2011
	(dollars in thousands, except share and per share data)					
Gain on deconsolidation of subsidiary	$	$	$	$ (12,212)	$	$
Gain on sale of non-consolidated affiliate investment	(3,782)					
Noninterest income, as adjusted	20,273	12,205	60,042	44,255	42,430	32,414
Noninterest expense, as reported	14,688	14,444	54,470	40,164	33,619	21,253
Costs related to withdrawn 2014 initial public offering in lieu of private placement		(1,673)	(1,673)			
Stock grants		(2,992)	(2,992)			
Noninterest expense, as adjusted	14,688	9,779	49,805	40,164	33,619	21,253
Income tax expense, as reported	5,278		7,388			
Initial deferred tax liability recorded as a result of change from S to C corporation			(3,252)			
C corporation income tax expense for (last five months of 2014)	(5,278)		(4,136)			
Estimated income tax at 38.5%	3,684	1,911	8,509	6,103	6,197	5,511
Income tax expense, as adjusted	$ 3,684	$ 1,911	$ 8,509	$ 6,103	$ 6,197	$ 5,511

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RISK FACTORS

An investment in our common stock involves certain risks. You should carefully consider the risks described below, as well as the other information included in this prospectus, before making an investment decision. Our business, financial condition and results of operations could be materially adversely affected by any of these risks, or others. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus.

Risks Related to Our Business

We may experience increased delinquencies and credit losses, which could have a material adverse effect on our capital, financial condition, and results of operations.

Like other lenders, we face the risk that our customers will not repay their loans. A customer s failure to repay us is usually preceded by missed monthly payments. In some instances, however, a customer may declare bankruptcy prior to missing payments, and, following a borrower filing bankruptcy, a lender s recovery of the credit extended is often limited. Since many of our loans are secured by collateral, we may attempt to seize the collateral if and when a customer defaults on a loan. However, the value of the collateral might not equal the amount of the unpaid loan, and we may be unsuccessful in recovering the remaining balance from our customer. The resolution of nonperforming assets, including the initiation of foreclosure proceedings, requires significant commitments of time from management, which can be detrimental to the performance of their other responsibilities, and which expose us to additional legal costs. Elevated levels of loan delinquencies and bankruptcies in our market areas, generally, and among our customers specifically, can be precursors of future charge-offs and may require us to increase our allowance for loan and lease losses, or ALLL. Higher charge-off rates, delays in the foreclosure process or in obtaining judgments against defaulting borrowers or an increase in our ALLL may hurt our overall financial performance if we are unable to increase revenue to compensate for these losses, may increase our cost of funds, and could materially adversely affect our business, results of operations and financial condition.

SBA lending is an important part of our business. Our SBA lending program is dependent upon the federal government, and we face specific risks associated with originating SBA loans.

Our SBA lending program is dependent upon the federal government. As an SBA Preferred Lender, we enable our clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary for lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions, including revocation of the lender s Preferred Lender status. If we lose our status as a Preferred Lender, we may lose some or all of our customers to lenders who are SBA Preferred Lenders, and as a result we could experience a material adverse effect to our financial results. Any changes to the SBA program, including changes to the level of guarantee provided by the federal government on SBA loans, may also have a material adverse effect on our business.

We generally sell the guaranteed portion of our SBA 7(a) loans in the secondary market. These sales have resulted in both premium income for us at the time of sale, and created a stream of future servicing income. We may not be able to continue originating these loans or selling them in the secondary market. Furthermore, even if we are able to continue originating and selling SBA 7(a) loans in the secondary market, we might not continue to realize premiums upon the sale of the guaranteed portion of these loans. When we sell the guaranteed portion of

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our SBA 7(a) loans, we incur credit risk on the non-guaranteed portion of the loans, and if a customer defaults on the non-guaranteed portion of a loan, we share any loss and recovery related to the loan pro-rata with the SBA. If the SBA establishes that a loss on an SBA guaranteed loan is attributable to significant technical deficiencies in the manner in which the loan was originated, funded or serviced by us, the SBA may seek recovery of the principal loss related to the deficiency from us, which could materially adversely affect our business, results of operations and financial condition.

The laws, regulations and standard operating procedures that are applicable to SBA loan products may change in the future. We cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies and especially our organization, changes in the laws, regulations and procedures applicable to SBA loans could adversely affect our ability to operate profitably.

We are dependent upon the use of intellectual property owned by third parties, and any change in our ability to use, or the terms upon which we may use, this intellectual property could have a material adverse effect on our business.

The technology-based platform that is pivotal to our success is dependent on the use of the nCino Bank Operating System and Salesforce.com, Inc. s Force.com cloud computing infrastructure platform. We rely on a non-exclusive license to use nCino s platform. Because our license is non-exclusive, the nCino Bank Operating System is available to other lenders and nothing would prevent our competitors from developing, licensing or using similar technology. Our license currently expires on November 1, 2015, though it will automatically renew for additional one (1) year terms unless either party gives 30 days prior written notice of its intent to terminate. Management is currently in the process of finalizing an extension of this agreement to a three year term. Notwithstanding the term of our agreement, our license may be terminated if we are in material breach of the license and do not cure the breach within 30 days. In addition, nCino relies on a license to use the Saleforce.com platform and if nCino were unable to maintain its rights under that license, our ability to rely on the nCino license could be adversely affected. We can offer no assurance that we will be able to renew or maintain our license to use the nCino Bank Operating System on terms that are acceptable. Termination of either of these licenses or the reduction or elimination of our licensed rights may result in our having to negotiate new licenses with less favorable terms, or the inability to obtain access to such licensed technology at all. If we were to lose access to this technology, or were only able to access the technology on less favorable terms, we would not be able to offer our customers the technology-based platform services they seek from us and our business would be materially and adversely affected.

A failure in or breach of our operational or security systems, or those of our third party service providers, including as a result of cyber-attacks, could disrupt our business, result in unintentional disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses.

As a financial institution, our operations rely heavily on the secure data processing, storage and transmission of confidential and other information on our computer systems and networks. Any failure, interruption or breach in security or operational integrity of these systems could result in failures or disruptions in our online banking system, customer relationship management, general ledger, deposit and loan servicing and other systems. The security and integrity of our systems and the technology we use could be threatened by a variety of interruptions or information security breaches, including those caused by computer hacking, cyber-attacks, electronic fraudulent activity or attempted theft of financial assets. We may fail to promptly identify or adequately address any such failures, interruptions or security breaches if they do occur. While we have certain protective policies and procedures in place, the nature and sophistication of the threats continue to evolve. We may be required to expend significant additional resources in the future to modify and enhance our protective measures.

The nature of our business may make it an attractive target and potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. The technology-based platform we use

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processes sensitive data from our borrowers and investors. While we have taken steps to protect confidential information that we have access to, our security measures and the security measures employed by the owners of the technology in the platform that we use could be breached. Any accidental or willful security breaches or other unauthorized access to our systems could cause confidential customer, borrower and investor information to be stolen and used for criminal purposes. Security breaches or unauthorized access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation, and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in the technology-based platform that we use are exposed and exploited, our relationships with borrowers and investors could be severely damaged, and we could incur significant liability.

Because techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target, we and our collaborators may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, federal regulators and many federal and state laws and regulations require companies to notify individuals of data security breaches involving their personal data. These mandatory disclosures regarding a security breach are costly to implement and often lead to widespread negative publicity, which may cause customers, borrowers and investors to lose confidence in the effectiveness of our data security measures. Any security breach, whether actual or perceived, would harm our reputation, we could lose customers, borrowers, investors and partners and our business and operations could be adversely affected.

Additionally, we face the risk of operational disruption, failure, termination or capacity constraints of any of the third parties that facilitate our business activities, including exchanges, clearing agents, clearing houses or other financial intermediaries. Such parties could also be the source of an attack on, or breach of, our operational systems. Any failures, interruptions or security breaches in our information systems could damage our reputation, result in a loss of customer business, result in a violation of privacy or other laws, or expose us to civil litigation, regulatory fines or losses not covered by insurance.

Our business is dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party providers. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If significant, sustained or repeated, a system failure or service denial could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could materially adversely affect our business, financial condition, results of operations and prospects, as well as the value of our common stock.

A return of recessionary conditions could result in increases in our level of nonperforming loans and/or reduce demand for our products and services, which could have a material adverse effect on our results of operations.

Like all financial institutions, we are subject to certain risks resulting from a weakened economy, such as increased charge-offs and levels of past-due loans and nonperforming assets. Although the U.S. economy has emerged from the severe recession that occurred from 2007 to 2009, economic growth has been slow and uneven, and unemployment levels remain elevated in many areas of the country. In addition, recovery by many businesses has been impaired by lower consumer spending. A return of prolonged deteriorating economic conditions could adversely affect the ability of our customers to repay their loans, the value of our investments, and our ongoing operations, costs and profitability. These events may cause us to incur losses and may materially adversely affect our business, results of operations and financial condition.

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Our loan portfolio mix, which includes owner-occupied commercial real estate loans, could result in increased credit risk in a challenging economy.

Our loan portfolio is concentrated in owner-occupied commercial real estate and owner-occupied commercial business loans. These types of loans generally are viewed as carrying more risk of default than residential real estate loans or certain other types of loans or investments. In fact, the FDIC has issued pronouncements alerting banks of its concern about heavy loan concentrations in certain types of commercial real estate loans, including acquisition, construction and development loans, and heavy loan concentrations in certain geographic segments. Because a portion of our loan portfolio is composed of these types of higher-risk loans, we face an increased risk of nonperforming loans that could result in a loss of earnings from these loans, an increase in the provision for loan losses, or an increase in loan charge-offs, any of which could have a material adverse impact on our business, results of operations and financial condition.

The current economic environment and any deterioration or downturn in the economies or real estate values in the markets we serve could have a material adverse effect on both borrowers ability to repay their loans and the value of the real property securing those loans. Our ability to recover on defaulted loans would then be diminished, and we would be more likely to suffer losses on defaulted loans. Any of these developments could materially adversely affect our business, financial condition, results of operations and prospects.

The fair value of our investment securities can fluctuate due to factors outside of our control.

As of March 31, 2015, the fair value of our investment securities portfolio was approximately $51 million. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect of the securities, defaults by the issuer or with respect to the underlying securities, monetary tapering actions by the Federal Reserve, and changes in market interest rates and continued instability in the capital markets. Any of these factors, among others, could cause other-than-temporary impairments and realized or unrealized losses in future periods and declines in other comprehensive income, which could materially and adversely affect our business, results of operations, financial condition and prospects, as well as the value of our common stock. The process for determining whether impairment of a security is other-than-temporary usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Our inability to accurately predict the future performance of an issuer or to efficiently respond to changing market conditions could result in a decline in the value of our investment securities portfolio, which could have a material and adverse effect on our business, results of operations and financial condition.

Our allowance for loan losses may prove to be insufficient to cover actual loan losses, which could have a material adverse effect on our financial condition and results of operations.

Our future success depends to a significant extent upon the quality of our assets, particularly loans. In originating loans, there is a substantial likelihood that we will experience credit losses. The risk of loss will vary with, among other things, general economic conditions, including the current economic environment and real estate market, the type of loan, the creditworthiness of the borrower over the term of the loan, and, in the case of a collateralized loan, the quality of the collateral for the loan.

Our loan customers may not repay their loans according to the terms of these loans, and the collateral securing the payment of these loans may be insufficient to assure repayment. As a result, we may experience significant loan losses, which could have a material adverse effect on our operating results. Our management makes various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. We maintain an allowance for loan losses in an attempt to cover any loan losses that may occur. In determining the size of the allowance, we rely on an analysis of our loan portfolio based on historical loss experience, volume and types of loans, trends in classification, volume and trends in delinquencies and non-accruals, national and local economic conditions, and other pertinent information.

If our assumptions are wrong, our current allowance may not be sufficient to cover future loan losses, and we may need to make adjustments to allow for different economic conditions or adverse developments in our loan portfolio. Material additions to our allowance in the form of provisions for loan losses would materially decrease our net income. We expect our allowance to continue to fluctuate; however, given current and future market conditions, our allowance may not be adequate to cover future loan losses.

In addition, federal and state regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize further loan charge-offs, based on judgments different than those of our management. Any increase in our allowance for loan losses or loan charge-offs as required by these regulators could have a negative effect on our operating results and could materially adversely affect our business, results of operations and financial condition.

The valuation of our servicing rights is based on estimates and subject to fluctuation based on market conditions and other factors that are beyond our control.

The fair value of our servicing rights is estimated based upon projections of expected future cash flows generated by the loans we service, historical prepayment rates, future prepayment estimates, portfolio characteristics, interest rates based on interest rate yield curves, volatility, market demand for servicing rights and other factors. While this evaluation process uses historical and other objective information, the valuation of our servicing rights is ultimately an estimate based on our experience, judgment and expectations regarding our servicing portfolio and the broader market. This is an inherently uncertain process and the value of our servicing rights may be adversely impacted by factors that are beyond our control, which may in turn have a material adverse effect on our business, results of operations and financial condition.

We anticipate that going forward we will experience increasing growth in our held for sale loan portfolio due to our increasing construction portfolio or strategic business decisions related to the timing of the sale of loans.

Our revenue model has historically been driven by selling loans, or a portion of the loans, that we originate in the secondary market when fully funded. The growth of our construction portfolio will result in a decrease in the volume of loans sold relative to production in any period, which, in turn, decreases our revenue relative to production in any period. Growth in our held for sale portfolio also exposes us to increased interest rate risk.

We are subject to liquidity risk in our operations.

Liquidity risk is the possibility of being unable, at a reasonable cost and within acceptable risk tolerances, to pay obligations as they come due, to capitalize on growth opportunities as they arise, or to pay regular dividends because of an inability to liquidate assets or obtain adequate funding on a timely basis. Liquidity is required to fund various obligations, including credit obligations to borrowers, loan originations, withdrawals by depositors, repayment of debt, dividends to shareholders, operating expenses, and capital expenditures. Our liquidity is derived primarily from the sale of loans in the secondary market, retail deposit growth and retention, principal and interest payments on loans and investment securities, net cash provided from operations, and access to other funding sources. Historically, we have relied on brokered and Internet funds as a large portion of our deposit base. Our access to funding sources in amounts adequate to finance our activities or at a reasonable cost could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could adversely affect our access to liquidity sources include a decrease in the level of our business activity due to a market downturn, our lack of access to a traditional branch banking network designed to generate core deposits and adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a severe disruption in the financial markets or negative views and expectations about the prospects for the financial services industry as a whole. Our access to borrowed funds could become limited in the future, and we may be required to pay above market rates for additional borrowed funds, if we are able to obtain them at all, which may adversely affect our business, results of operations and financial condition.

The amount of other real estate owned, or OREO, may increase significantly, resulting in additional losses, and costs and expenses that will negatively affect our operations.

In connection with our banking business, we take title to real estate collateral from time to time through foreclosure or otherwise in connection with efforts to collect debts previously contracted. Such real estate is referred to as other real estate owned, or OREO. As the amount of OREO increases, our losses, and the costs and expenses to maintain the real estate, likewise increase. The amount of OREO we hold may increase due to various economic conditions or other factors. Any additional increase in losses and maintenance costs and expenses due to OREO may have material adverse effects on our business, financial condition, and results of operations. Such effects may be particularly pronounced in a market of reduced real estate values and excess inventory, which may make the disposition of OREO properties more difficult, increase maintenance costs and expenses, and reduce our ultimate realization from any OREO sales. In addition, at the time of acquisition of the OREO we are required to reflect its fair market value in our financial statements. If the OREO declines in value subsequent to its acquisition, we are required to recognize a loss. As a result, declines in the value of our OREO will have a negative effect on our business, results of operations and financial condition. As of March 31, 2015, we had two OREO properties with an aggregate carrying value of $34 thousand. For more information about amounts held in OREO, see Note 9 to our audited consolidated financial statements as of and for the year ended December 31, 2014 included elsewhere in this prospectus.

We are subject to environmental liability risk associated with our lending activities.

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property s value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our business, results of operations and financial condition.

Our use of appraisals in deciding whether to make a loan secured by real property or how to value the loan in the future may not accurately describe the net value of the collateral that we can realize.

In considering whether to make a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made, and, as real estate values may experience changes in value in relatively short periods of time, especially given heightened economic uncertainty, this estimate might not accurately describe the net value of the real property collateral after the loan has been closed. If the appraisal does not reflect the amount that may be obtained upon any sale or foreclosure of the property, we may not realize an amount equal to the indebtedness secured by the property. In addition, we rely on appraisals and other valuation techniques to establish the value of our OREO and to determine certain loan impairments. If any of these valuations are inaccurate, our consolidated financial statements may not reflect the correct value of OREO, and our ALLL may not reflect accurate loan impairments. The valuation of the properties securing the loans in our portfolio may negatively impact the continuing value of those loans and could materially adversely affect our business, results of operations and financial condition.

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We could be subject to losses, regulatory action or reputational harm due to fraudulent and negligent acts on the part of loan applicants, our borrowers, our employees and vendors.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, we may rely on information furnished by or on behalf of clients and counterparties, including financial statements, property appraisals, title information, employment and income documentation, account information and other financial information. We may also rely on representations of clients and counterparties as to the accuracy and completeness of such information and, with respect to financial statements, on reports of independent auditors. Any such misrepresentation or incorrect or incomplete information may not be detected prior to funding a loan or during our ongoing monitoring of outstanding loans. In addition, one or more of our employees or vendors could cause a significant operational breakdown or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our loan documentation, operations or systems. Any of these developments could have a material adverse effect on our business, results of operations and financial condition.

We may fail to realize all of the anticipated benefits, including estimated cost savings, of potential future acquisitions.

In the future, we may encounter difficulties in obtaining required regulatory approvals or unexpected contingent liabilities from businesses we may acquire. Integration of an acquired business can be complex and costly, sometimes including combining relevant accounting and data processing systems and management controls, as well as managing relevant relationships with employees, clients, suppliers and other business partners. Integration efforts could divert management attention and resources, which could adversely affect our business, results of operations and financial condition. Additionally, given continued market volatility and uncertainty, we may also experience increased credit costs or need to take additional markdowns and allowances for loan losses on assets and loans we may acquire. These increased credit costs, markdowns and allowances could materially adversely affect our financial condition and results of operations, as well as the value of our common stock.

Implementation of our growth strategy depends, in part, on our ability to successfully identify acquisition opportunities and strategic partners that will complement our operating philosophy, and also on the successful integration of their operations with our own. To successfully acquire target companies or establish complimentary lines of business, we must be able to correctly identify profitable or growing markets, as well as attract the necessary relationships and high caliber banking personnel to make these new business lines profitable. In addition, we may not be able to identify suitable opportunities for further growth and expansion. As consolidation of the financial services industry continues, the competition for suitable acquisition candidates may increase. We will compete with other financial services companies for acquisition opportunities, and many of these competitors have greater financial resources than we do and may be able to pay more for an acquisition than we are able or willing to pay. If we are unable to effectively implement our growth strategies, our business, results of operations and financial condition may be materially and adversely affected.

Changes in the interest rate environment could reduce our net interest income, which could reduce our profitability.

As a financial institution, our earnings depend on our net interest income, which is the difference between the interest income that we earn on interest-earning assets, such as investment securities and loans, and the interest expense that we pay on interest-bearing liabilities, such as deposits and borrowings. Additionally, changes in interest rates affect the premiums we may receive in connection with the sale of SBA 7(a) loans in the secondary market, pre-payment speeds of loans for which we own servicing rights, our ability to fund our operations with customer deposits, and the fair value of securities in our investment portfolio. Therefore, any change in general market interest rates, including changes in federal fiscal and monetary policies, affects us more than non-financial companies and can have a significant effect on our net interest income and results of operations. Our assets and liabilities may react differently to changes in overall market rates or conditions because there may be mismatches between the repricing or maturity characteristics of the assets and liabilities. As a result, an increase or decrease in market interest rates could have material adverse effects on our net interest margin, noninterest income, and results of operations. Further, since we began originating loans in May 2007 we have operated in a period of low market interest rates. In a rising interest rate environment, potential borrowers could seek to defer loans as they wait for interest rates to settle, and borrowers of variable rate loans may be subject to increased interest rates, which could result in a greater rate of default. Rising interest rates may also present additional challenges to our business that we have not anticipated.

We face strong competition from larger, more established competitors.

The banking business is highly competitive, and we experience strong competition from many other financial institutions, including some of the largest commercial banks headquartered in the country, all of which have small business lending divisions, as well as other federally and state chartered financial institutions such as community banks and credit unions, finance and business development companies, peer-to-peer and marketplace lenders and other non-bank lenders.

We compete with these institutions both in attracting deposits and in making loans, primarily on the basis of the interest rates we pay and yield on these products. Many of our competitors are well-established, much larger financial institutions. While we believe we can and do successfully compete with these other financial institutions in our industry verticals, we may face a competitive disadvantage as a result of our smaller size. Furthermore, nothing would prevent our competitors from developing or licensing a technology-based platform similar to the technology-based platform we currently use in our business. In addition, many of our non-bank competitors have fewer regulatory constraints and may have lower cost structures. We expect competition to continue to intensify due to financial institution consolidation, legislative, regulatory and technological changes, and the emergence of alternative banking sources.

Our ability to compete successfully will depend on a number of factors, including, among other things:

- our ability to build and maintain long-term customer relationships while ensuring high ethical standards and safe and sound banking practices;
- the scope, relevance and pricing of products and services that we offer;
- customer satisfaction with our products and services;
- industry and general economic trends; and
- our ability to keep pace with technological advances and to invest in new technology.

Increased competition could require us to increase the rates we pay on deposits or lower the rates we offer on loans, which could reduce our profitability. Our failure to compete effectively in our primary markets could cause us to lose market share and could have a material adverse effect our business, results of operations and financial condition.

Prior to August 3, 2014, we were taxed as an S corporation under the Internal Revenue Code, and claims of taxing authorities related to our prior status as an S corporation could harm us.

We voluntarily terminated our S corporation status effective as of August 3, 2014, and we are now treated as a C corporation under the income tax provisions of the Internal Revenue Code of 1986, as amended, which is applicable to most corporations and imposes income tax on the corporation as an entity that is separate and distinct from its shareholders. If the open tax years in which we were an S corporation are audited by the Internal Revenue Service, and we are determined not to have qualified for, or to have violated, our S corporation status, we will be obligated to pay back taxes, interest and penalties, and we do not have the right to reclaim tax distributions that we have made to our shareholders during those periods. These amounts could include federal, state and any local taxes on all of our taxable income while we were an S corporation. Any such claims could result in additional costs to us and could have a material adverse effect on our business, results of operations and financial condition.

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Our loan portfolio may be affected by deterioration in real estate markets, including declines in the performance of loans.

Deterioration in real estate markets could result in declining prices and excess inventories. As a result, developers may experience financial deterioration and banking institutions may experience declines in the performance of construction, development and commercial loans. We make credit and reserve decisions based on the current conditions of borrowers or projects combined with our expectations for the future. If conditions are worse than forecast, we could experience higher charge-offs and delinquencies than is provided in the allowance for loan losses, which could materially adversely affect our business, results of operations and financial condition.

A prolonged U.S. government shutdown or default by the U.S. on government obligations would harm our results of operations.

Our results of operations, including revenue, non-interest income, expenses and net interest income, would be adversely affected in the event of widespread financial and business disruption on account of a default by the United States on U.S. government obligations or a prolonged failure to maintain significant U.S. government operations, particularly those pertaining to the SBA or the FDIC. Any such failure to maintain such U.S. government operations would impede our ability to originate SBA loans or our ability to sell such loans in the secondary market, which would materially adversely affect our business, results of operations and financial condition.

Deterioration in the fiscal position of the U.S. federal government and downgrades in U.S. Treasury and federal agency securities could adversely affect us and our subsidiary s banking operations.

The long-term outlook for the fiscal position of the U.S. federal government is uncertain, as illustrated by the 2011 downgrade by certain rating agencies of the credit rating of the U.S. government and federal agencies. In addition to causing economic and financial market disruptions, any future downgrade, failure to raise the U.S. statutory debt limit, or deterioration in the fiscal outlook of the U.S. federal government, could, among other things, materially adversely affect the market value of the U.S. government and federal agency securities that we hold, the availability of those securities as collateral for borrowing, and our ability to access capital markets on favorable terms. In particular, it could increase interest rates and disrupt payment systems, money markets, and long-term or short-term fixed income markets, adversely affecting the cost and availability of funding, which could negatively affect our profitability. Also, the adverse consequences could extend to those to whom we extend credit and could adversely affect their ability to repay their loans. Any of these developments could materially adversely affect our business, results of operations and financial condition.

Deterioration in the commercial soundness of our counterparties could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships, and we routinely execute transactions with counterparties in the financial industry. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, could create another market-wide liquidity crisis similar to that experienced in late 2008 and early 2009 and could lead to losses or defaults by us or by other institutions. The deterioration or failure of our counterparties would have a material adverse effect on our business, results of operations and financial condition.

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We have different lending risks than larger, more diversified banks.

Our ability to diversify our economic risks is limited. We lend primarily to small businesses in selected industries, which may expose us to greater lending risks than those of banks lending to larger, better-capitalized businesses with longer operating histories. Small businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities and may have limited operating histories. If economic conditions negatively impact the verticals in which we operate, our business, results of operations and financial condition may be adversely affected.

We attempt to manage our credit exposure through careful monitoring of loan applicants and through loan approval and review procedures. We have established an evaluation process designed to determine the adequacy of our allowance for loan losses. While this evaluation process uses historical and other objective information, the classification of loans and the establishment of loan losses is an estimate based on experience, judgment and expectations regarding our borrowers, and the economies in which we and our borrowers operate, as well as the judgment of our regulators. This is an inherently uncertain process, and our loan loss reserves may not be sufficient to absorb future loan losses or prevent a material adverse effect on our business, results of operations and financial condition.

We rely heavily on our management team and the unexpected loss of any of those personnel could adversely affect our operations; we depend on our ability to attract and retain key personnel.

We are a customer-focused and relationship-driven organization. We expect our future growth to be driven in a large part by the relationships maintained with our customers by our chief executive officer, president, and other senior officers. The unexpected loss of any of our key employees could have an adverse effect on our business, results of operations and financial condition. The implementation of our business strategy will also require us to continue to attract, hire, motivate and retain skilled personnel to develop new customer relationships as well as new financial products and services. We are not party to non-compete or non-solicitation agreements with any of our officers or employees. The market for qualified employees in the businesses in which we operate is competitive, and we may not be successful in attracting, hiring or retaining key personnel. Our inability to attract, hire or retain key personnel could have a material adverse effect on our business, results of operations and financial condition.

Our risk management framework may not be effective in mitigating risks and/or losses to us.

We have implemented a risk management framework to manage our risk exposure. This framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which we are subject, including, among others, credit, market, liquidity, interest rate and compliance risks. Our framework also includes financial and other modeling methodologies which involve management assumptions and judgment. Our risk management framework may not be effective under all circumstances and it may fail to adequately mitigate risk or loss to us. If our framework is not effective, we could suffer unexpected losses and be subject to potentially adverse regulatory consequences, and our business, results of operations and financial condition could be materially and adversely affected.

Hurricanes or other adverse weather events could disrupt our operations, which could have an adverse effect on our business or results of operations.

North Carolina s coastal region is affected, from time to time, by adverse weather events, particularly hurricanes. We cannot predict whether, or to what extent, damage caused by future hurricanes or other weather events will affect our operations. Weather events could cause a disruption in our day-to-day business activities and could have a material adverse effect on our business, results of operations and financial condition.

Outbreaks of avian disease, such as avian influenza, or the perception that outbreaks may occur, could have a material adverse effect on lending operations in our Poultry Agriculture vertical.

Pandemic events beyond our control, such as an outbreak of avian disease, or bird flu, could have a material adverse effect on the performance of our portfolio of loans in our Poultry Agriculture vertical and on the demand for new loans in this vertical. An outbreak of disease could result in governmental restrictions on the import and export of fresh and frozen chicken or other poultry products to or from our customers. This could result in the cancellation of orders and the curtailment of farming operations by our customers and could create adverse publicity that may have a material adverse effect on the performance of our existing loans and future business prospects in our Poultry Agriculture vertical. In addition, consumer fears about avian disease have, in the past, depressed demand for fresh poultry, which may adversely impact the demand for future loans and the performance of existing loans in our Poultry Agriculture vertical.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential shareholders could lose confidence in our financial reporting which would harm our business and the trading price of our securities.

If we identify material weaknesses in our internal control over financial reporting or are otherwise required to restate our financial statements, we could be required to implement expensive and time-consuming remedial measures and could lose investor confidence in the accuracy and completeness of our financial reports. We may also face regulatory enforcement or other actions, including the potential delisting of our securities from NASDAQ. This could have a material adverse effect on our business, financial condition and results of operations, and could subject us to litigation.

Changes in accounting standards and management s selection of accounting methods, including assumptions and estimates, could materially impact our financial statements.

From time to time the SEC and the Financial Accounting Standards Board, or FASB, change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in changes to previously reported financial results, or a cumulative charge to retained earnings. In addition, management is required to use certain assumptions and estimates in preparing our financial statements, including determining the fair value of certain assets and liabilities, among other items. If the assumptions or estimates are incorrect, we may experience unexpected material adverse consequences that could negatively affect our business, results of operations and financial condition.

Our business reputation is important and any damage to it could have a material adverse effect on our business.

Our reputation is very important to sustain our business, as we rely on our relationships with our current, former and potential clients and shareholders, and the industries that we serve. Any damage to our reputation, whether arising from legal, regulatory, supervisory or enforcement actions, matters affecting our financial reporting or compliance with SEC and exchange listing requirements, negative publicity, the conduct of our business or otherwise could have a material adverse effect on our business.

Insiders have substantial control over us, and this control may limit our shareholders ability to influence corporate matters and may delay or prevent a third party from acquiring control over us.

As of June 30, 2015, our directors and executive officers and their related entities currently beneficially own, in the aggregate, approximately 34.6% of our outstanding common stock. Further, we anticipate that our directors and executive officers and their related entities will beneficially own an aggregate of approximately 29.6% of our common stock following this offering (without giving effect to the exercise of the overallotment option granted to the underwriters and without giving effect to any potential purchases in this offering by these individuals). The significant concentration of stock ownership may adversely affect the trading price of our common stock due to investors perception that conflicts of interest may exist or arise. In addition, these shareholders will be able to exercise influence over all matters requiring shareholder approval, including the election of directors and approval of corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could limit your ability to influence corporate matters and may have the effect of delaying or preventing a change in control, including a merger, consolidation or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change in control would benefit our other shareholders. For information regarding the ownership of our outstanding stock by our executive officers and directors and their affiliates, see the section titled Principal Shareholders.

The recognition of gains on the sale of loans contains certain assumptions.

Gains on the sale of loans comprise a significant component of our revenue. Noncash gains recognized in the quarters ended March 31, 2015 and 2014 and the years ended December 31, 2014, 2013 and 2012 were $1.3 million, $848 thousand, $3.5 million, $3.3 million and $3.8 million, respectively. The determination of these noncash gains is based on assumptions regarding the value of unguaranteed loans retained, servicing rights retained and deferred fees and costs. The value of retained unguaranteed loans and servicing rights are determined by our wholly owned subsidiary, GLS, which applies market derived factors such as prepayment rates, current market conditions and recent loan sales to arrive at valuations. Deferred fees and costs are determined using internal analysis of the cost to originate loans. Significant errors in assumptions used to compute gains on sale of loans could result in material revenue misstatements, which may have a material adverse effect on our business, results of operations and profitability. In addition, while we believe that the valuations provided by GLS are at arm s length and reflect fair value, and are subject to validation by an independent third party on an annual basis, if such valuations are not reflective of fair market value, then our business, results of operations and financial condition may materially and adversely affected.

Risks Related to Our Regulatory Environment

We are subject to extensive regulation that could limit or restrict our activities.

We operate in a highly regulated industry and are subject to examination, supervision, and comprehensive regulation by various federal and state regulatory agencies. Our compliance with these regulations is costly and restricts certain of our activities, including the declaration and payment of cash dividends to shareholders, mergers and acquisitions, investments, loans and interest rates charged, interest rates paid on deposits, and locations of offices. We are also subject to capitalization guidelines established by our regulators, which require us to maintain adequate capital to support our growth and operations. Should we fail to comply with these regulatory requirements, federal and state regulators could impose additional restrictions on the activities of the Company and the Bank, which could materially and adversely affect our business, results of operations and financial condition.

The laws and regulations applicable to the banking industry have recently changed and may continue to change, and we cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies, our cost of compliance could adversely affect our business, results of operations and financial condition.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, was enacted on July 21, 2010. The provisions of the Dodd-Frank Act, and its implementing regulations may materially and adversely affect our business, results of operations and financial condition. Some or all of the changes, including the new rulemaking authority granted to the Consumer Financial Protection Bureau, or the CFPB, may result in greater liability, reporting requirements, assessment fees, operational restrictions, capital requirements, and other regulatory burdens applicable to us, and many of our non-bank competitors may remain free from such limitations. Institutions with over $10 billion in assets, unlike us, will also be subject to the CFPB s supervisory and examination authority. The changes arising out of the Dodd-Frank Act could adversely affect our ability to attract and maintain depositors, to offer competitive products and services, and to expand our business.

Congress may consider additional proposals to change substantially the financial institution regulatory system and to expand or contract the powers of banking institutions and bank holding companies. Such legislation may change existing banking statutes and regulations, as well as our current operating environment significantly. If

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enacted, such legislation could increase or decrease the cost of doing business, limit or expand our permissible activities, or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether new legislation will be enacted and, if enacted, the effect that it, or any regulations, would have on our business, financial condition, or results of operations.

Our financial condition and results of operations are affected by credit policies of monetary authorities, particularly the Federal Reserve. Actions by monetary and fiscal authorities, including the Federal Reserve, could have an adverse effect on our deposit levels, loan demand, or business and earnings, as well as the value of the common stock.

We may be required to raise additional capital in the future, including to comply with new increased minimum capital thresholds established by our regulators as part of their implementation of Basel III, but that capital may not be available when it is needed and could be dilutive to our existing shareholders, which could adversely affect our financial condition and results of operations.

In July 2013, the Federal Reserve, FDIC and Office of the Comptroller of the Currency approved final rules that establish an integrated regulatory capital framework that addresses shortcomings in certain capital requirements. The rules implement in the United States the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision and certain changes required by the Dodd-Frank Act.

The major provisions of the new rule applicable to us and the Bank are:

- The new rules implement higher minimum capital requirements, including a new common equity Tier 1 capital requirement, and establish criteria that instruments must meet in order to be considered common equity Tier 1 capital, additional Tier 1 capital, or Tier 2 capital. These enhancements both improve the quality and increase the quantity of capital required to be held by banking organizations, better equipping the U.S. banking system to deal with adverse economic conditions. The new minimum capital to risk-weighted assets, or RWA, requirements are a common equity Tier 1 capital ratio of 4.5% and a Tier 1 capital ratio of 6.0%, which is an increase from 4.0 %, and a total capital ratio that remains at 8.0 %. The minimum leverage ratio (Tier 1 capital to total consolidated assets) is 4.0%. The new rules maintain the general structure of the current prompt corrective action, or PCA, framework while incorporating increased minimum requirements.

- Among the most important changes to the definition of capital are stricter eligibility criteria for regulatory capital instruments that disallow the inclusion of instruments such as trust preferred securities in Tier 1 capital going forward, and new constraints on the inclusion of minority interests, deferred tax assets, or DTAs, mortgage-servicing assets, or MSAs and certain investments in the capital of unconsolidated financial institutions. The new rules also affect the inclusion of mortgage servicing assets, or MSAs, as an element of capital. Specifically, MSAs are limited to 10% of a bank s common equity Tier 1 capital and the combined balance of MSAs, deferred tax assets, and investments in the common stock of unconsolidated financial institutions is limited to 15% of a bank s common equity Tier 1 capital. These combined assets must be deducted from common equity to the extent that they exceed the 15% threshold. Any portion of a bank s MSAs that are not deducted from the calculation of common equity Tier 1 will be subject to a 100% risk weight that will increase to 250% in 2018. In addition, the new rules require that most regulatory capital deductions be made from common equity Tier 1 capital.

Under the new rules, in order to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, a banking organization must hold a capital conservation buffer composed of common equity Tier 1 capital above its minimum risk-based capital requirements. This buffer will help to ensure that banking organizations conserve capital when it is most needed, allowing them to better weather periods of economic stress. The buffer is measured relative to RWA. Phase-in of the capital conservation buffer requirements, and corresponding limits on capital distributions and discretionary bonus payments, will begin on January 1, 2016. After the capital conservation buffer is fully phased in, a banking organization with a buffer greater than 2.5% would not be

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subject to limits on capital distributions or discretionary bonus payments; however, a banking organization with a buffer of less than 2.5% would be subject to increasingly stringent limitations as the buffer approaches zero. When the capital conservation buffer is fully phased in, it would prohibit a banking organization from making distributions or discretionary bonus payments during any quarter if its eligible retained income is negative in that quarter *and* its capital conservation buffer ratio was less than 2.5% at the beginning of the quarter. When the capital conservation buffer is fully phased in, the minimum capital requirements plus the capital conservation buffer will exceed the PCA well-capitalized thresholds.

The new rules also increase the risk weights for past-due loans, certain commercial real estate loans, and some equity exposures, and make selected other changes in risk weights and credit conversion factors.

We and the Bank were required to comply with the new capital rules beginning on January 1, 2015.

In order to support the operations at the Bank, we may need to raise capital in the future. Our ability to raise capital, if needed, will depend in part on conditions in the capital markets at that time, which are outside our control.

Accordingly, we may be unable to raise capital, if needed, on terms acceptable to us if at all. If we cannot raise capital when needed, our ability to operate or further expand our operations could be materially impaired. In addition, if we decide to raise equity capital under such conditions, the interests of our shareholders could be diluted.

Our deposit operations are subject to extensive regulation and we expect additional regulatory requirements to be implemented in the future.

We are subject to significant anti-money laundering, know your customer and other regulations under applicable law, including the Bank Secrecy Act and the USA Patriot Act, and we could become subject in the future to additional regulatory requirements beyond those that are currently adopted, proposed or contemplated. We expect that federal and state bank regulators will increase their oversight, inspection and investigatory role over our deposit operations and the financial services industry generally. Furthermore, we intend to increase our deposit product offerings and grow our customer deposit portfolio in the future and, as a result, we are, and will continue to be, subject to heightened compliance and operating costs that could adversely affect our business, results of operations and financial condition. In addition, legal and regulatory proceedings and other contingencies will arise from time to time that may have an adverse effect on our business practices and results of operations.

The FDIC Deposit Insurance assessments that we are required to pay may continue to materially increase in the future, which would have an adverse effect on our earnings.

As a member institution of the FDIC, we are assessed a quarterly deposit insurance premium. Failed banks nationwide have significantly depleted the insurance fund and reduced the ratio of reserves to insured deposits. As a result, we may be required to pay significantly higher premiums or additional special assessments that could adversely affect our business, results of operations and financial condition.

On October 19, 2010, the FDIC adopted a Deposit Insurance Fund, or DIF, Restoration Plan, which requires the DIF to attain a 1.35% reserve ratio by September 30, 2020. The Dodd-Frank Act directs the FDIC to offset the effect of the increased reserve ratio for insured depository institutions with total consolidated assets of less than $10 billion. In addition, the FDIC modified the method by which assessments are determined and, effective April 1, 2011, adjusted assessment rates, which will range from 2.5 to 45 basis points (annualized), subject to adjustments for unsecured debt and, in the case of small institutions outside the lowest risk category and certain large and highly complex institutions, brokered deposits. Further increased FDIC assessment premiums, due to our risk classification, emergency assessments, or implementation of the modified DIF reserve ratio, could have a material adverse effect on our business, results of operations and financial condition.

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Risks Related to this Offering and our Common Stock

An active, liquid, and orderly market for our common stock may not develop and the market price of our common stock may be subject to substantial fluctuations, which may make it difficult for you to sell your shares at the volume, prices and times desired.

Prior to this offering, there was no market for shares of our common stock. An active trading market for our common stock might never develop or be sustained, which could depress the market price of our common stock and affect your ability to sell our shares. The initial public offering price was determined through negotiations between us and the representative of the underwriters and might bear no relationship to the price at which our common stock will trade following the completion of this offering. The trading price of our common stock following this offering is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which may be beyond our control. These factors include:

- our operating performance and the operating performance of similar companies;
- the overall performance of the equity markets;
- prevailing interest rates;
- economic, financial, geopolitical, regulatory or judicial events affecting us or the financial markets generally;
- the market for similar securities;
- announcements by us or our competitors of acquisitions, business plans, or commercial relationships;
- threatened or actual litigation;
- any major change in our board of directors or management;
- publication of research reports or news stories about us, our competitors, or our industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- whether we declare dividends on our common stock from time to time;
- our creditworthiness;

- the ratings given to our securities by credit rating agencies, if any;
- large volumes of sales of our shares of common stock by existing shareholders; and
- general political and economic conditions.

In addition, the stock market in general, and the market for banks and financial services companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. These fluctuations might be even more pronounced in the trading market for our stock shortly following this offering. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company s securities. This litigation, if instituted against us, could result in substantial costs, divert our management s attention and resources, and harm our business, operating results, and financial condition.

Additional expenses following the offering from operating as a public company will adversely affect our profitability.

Following the offering, our noninterest expenses will increase as a result of the additional accounting, legal and various other additional expenses usually associated with operating as a public company and complying with public company disclosure obligations, particularly those obligations imposed by the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act.

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We are an emerging growth company, and the reduced reporting requirements applicable to emerging growth companies may make our common stock less attractive to investors.

We are an emerging growth company, as defined in the federal securities laws. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years, although we could lose that status sooner if our gross revenues exceed $1.0 billion, if we issue more than $1.0 billion in non-convertible debt in a three-year period, or if the market value of our common stock held by non-affiliates exceeds $700 million as of any June 30 before that time, in which case we would no longer be an emerging growth company as of the following December 31. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions, or if we choose to rely on additional exemptions in the future. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We have broad discretion in the use of the net proceeds from this offering, and our use of those proceeds may not yield a favorable return on your investment.

We expect to use the net proceeds of this offering to support our long-term growth by enhancing our capital ratios to permit growth initiatives and for general working capital, which may include, among other things, funding growth in our existing industry verticals, expansion into new industry verticals, development of a new online lending platform for originating loans less than $350 thousand, increasing our capital to allow for the retention of more of the loans that we originate in order to increase our on balance sheet earning assets, and for general corporate purposes, including for possible acquisitions of, or investments in, bank or permissible non-bank entities. Our management has broad discretion over how these proceeds are used and could spend the proceeds in ways with which you may not agree. In addition, we may fail to use the proceeds of this offering effectively or in a manner that increases our market value or enhances our profitability. We have not established a timetable for the effective deployment of the proceeds, and we cannot predict how long it will take to deploy the proceeds. Investing the offering proceeds in securities until we are able to deploy the proceeds will provide lower margins than we generally earn on loans, potentially adversely affecting our business, results of operations and financial condition.

You will experience immediate and substantial dilution.

The initial public offering price is substantially higher than the net tangible book value of each outstanding share of common stock immediately after this offering. If you purchase common stock in this offering, you will suffer immediate and substantial dilution. At the initial public offering price of $17.00 per share, with net proceeds to us of $75.8 million, after deducting underwriting discounts and commissions and estimated offering expenses, investors who purchase shares in this offering from us will have contributed approximately 42.5% of the total amount of funding we have received to date, but the shares purchased from us in this offering will represent only approximately 16.7% of the total voting rights. The dilution will be $11.74 per share in the net tangible book value of the common stock from the initial public offering price. In addition, if outstanding options or warrants to purchase shares of our common stock are exercised, there could be further dilution. For more information refer to Dilution.

Securities analysts may not initiate or continue coverage on our common stock.

The trading market for our common stock will depend in part on the research and reports that securities analysts publish about us and our business. We do not have any control over these securities analysts, and they

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may not cover our common stock. If securities analysts do not cover our common stock, the lack of research coverage may adversely affect its market price. If we are covered by securities analysts, and our common stock is the subject of an unfavorable report, the price of our common stock may decline. If one or more of these analysts cease to cover us or fail to publish regular reports on us, we could lose visibility in the financial markets, which could cause the price or trading volume of our common stock to decline.

Future sales of shares of our common stock by existing shareholders could depress the market price of our common stock.

Upon completion of this offering, there will be 33,454,860 shares of our common stock outstanding. The 4,800,000 shares being sold in this offering will be freely tradeable immediately after this offering (except for shares purchased by affiliates) and of the remaining 28,654,860 shares outstanding on a pro forma as adjusted basis as of July 7, 2015 (assuming no exercise of outstanding options after July 7, 2015), 5,313,620 shares may be resold under Rule 144 as of the date of this prospectus, and 23,341,240 shares may be sold upon expiration of lock-up agreements 180 days after the date of this offering (subject in some cases to volume limitations). In addition, as of July 7, 2015, there were outstanding options to purchase 2,268,736 shares of our common stock that, if exercised, will result in these additional shares becoming available for sale upon expiration of the lock-up agreements. A large portion of these shares and options are held by a small number of persons. Sales by these shareholders or option holders of a substantial number of shares after this offering could significantly reduce the market price of our common stock. We also intend to register all common stock that we may issue under our stock plans. Effective upon the completion of this offering, an aggregate of 4,265,070 shares of our common stock will be reserved for future issuance under these plans (assuming no exercise of outstanding options after July 7, 2015). Once we register these shares, which we plan to do shortly after the completion of this offering, they can be freely sold in the public market upon issuance, subject to the lock-up agreements referred to above. If a large number of these shares are sold in the public market, the sales could reduce the trading price of our common stock. See Shares Eligible for Future Sale for a more detailed description of sales that may occur in the future.

Our ability to pay cash dividends on our securities is limited and we may be unable to pay future dividends.

We may not declare or pay dividends on our securities, including our common stock, in the future. Any future determination relating to dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition, future prospects, regulatory restrictions, and other factors that our board of directors may deem relevant. The holders of our capital stock are entitled to receive dividends when, and if, declared by our board of directors out of funds legally available for that purpose. As part of our consideration to pay cash dividends, we intend to retain adequate funds from future earnings to support the development and growth of our business. In addition, our ability to pay dividends is restricted by federal policies and regulations. It is the current policy of the Federal Reserve that bank holding companies should pay cash dividends on capital stock only out of net income available over the past year and only if prospective earnings retention is consistent with the organization s expected future needs and financial condition. Further, our principal source of funds to pay dividends is cash dividends that we receive from Live Oak Bank, which, in turn, will be highly dependent upon the Bank s historical and projected results of operations, liquidity, cash flows and financial condition, as well as various legal and regulatory prohibitions and other restrictions on the ability of the Bank to pay dividends, extend credit or otherwise transfer funds to the Company.

Additional issuances of common stock or securities convertible into common stock may dilute holders of our common stock.

We may, in the future, determine that it is advisable, or we may encounter circumstances where we determine it is necessary, to issue additional shares of common stock, securities convertible into, exchangeable for or that represent an interest in common stock, or common stock-equivalent securities to fund strategic initiatives or other business needs or to build additional capital. Our board of directors is authorized to cause us to issue additional shares of common stock from time to time for adequate consideration without any additional action on the part of our shareholders. The market price of our common stock could decline as a result of other offerings, as well as other sales of a large block of common stock or the perception that such sales could occur.

We are subject to extensive regulation, and ownership of our common stock may have regulatory implications for holders thereof.

We are subject to extensive federal and state banking laws, including the Bank Holding Company Act of 1956, as amended, or BHCA, and federal and state banking regulations, that will impact the rights and obligations of owners of our common stock, including, for example, our ability to declare and pay dividends on our common stock. Shares of our common stock are voting securities for purposes of the BHCA and any bank holding company or foreign bank that is subject to the BHCA may need approval to acquire or retain more than 5% of the then outstanding shares of our common stock, and any holder (or group of holders deemed to be acting in concert) may need regulatory approval to acquire or retain 10% or more of the shares of our common stock. A holder or group of holders may also be deemed to control us if they own 25% or more of our total equity. Under certain limited circumstances, a holder or group of holders acting in concert may exceed the 25% percent threshold and not be deemed to control us until they own 33% percent or more of our total equity. The amount of total equity owned by a holder or group of holders acting in concert is calculated by aggregating all shares held by the holder or group, whether as a combination of voting or non-voting shares or through other positions treated as equity for regulatory or accounting purposes and meeting certain other conditions. Holders of our common stock should consult their own counsel with regard to regulatory implications.

Holders should not expect us to redeem outstanding shares of our common stock.

Our common stock is a perpetual equity security. This means that it has no maturity or mandatory redemption date and will not be redeemable at the option of the holders. Any decision we may make at any time to propose the repurchase or redemption of shares of our common stock will depend upon, among other things, our evaluation of our capital position, the composition of our shareholders equity, general market conditions at that time and other factors we deem relevant. Our ability to redeem shares of our common stock is subject to regulatory restrictions and limitations, including those of the Federal Reserve Board.

Offerings of debt, which would rank senior to our common stock upon liquidation, may adversely affect the market price of our common stock.

We may attempt to increase our capital resources or, if our or the Bank s regulatory capital ratios fall below the required minimums, we or the Bank could be forced to raise additional capital by making additional offerings of debt or equity securities, senior or subordinated notes, preferred stock and common stock. Upon liquidation, holders of our debt securities and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our common stock.

Anti-takeover provisions could adversely affect our shareholders.

In some cases, shareholders would receive a premium for their shares if we were acquired by another company. However, state and federal law and our articles of incorporation and bylaws make it difficult for anyone to acquire us without approval of our board of directors. For example, our articles of incorporation require a supermajority vote of two-thirds of our outstanding common stock in order to effect a sale or merger of the company in certain circumstances. Consequently, a takeover attempt may prove difficult, and shareholders may not realize the highest possible price for their securities. See Description of Our Securities Certain Provisions of Our Articles of

Incorporation and Bylaws Having Potential Anti-Takeover Effects.

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Shares of our common stock are not insured deposits and may lose value.

Shares of our common stock will not be savings accounts, deposits or other obligations of any depository institution and will not be insured or guaranteed by the FDIC or any other governmental agency or instrumentality, any other deposit insurance fund or by any other public or private entity. An investment in our common stock is inherently risky for the reasons described in this Risk Factors section and elsewhere in this prospectus. As a result, if you acquire shares of our common stock, you may lose some or all of your investment.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Information set forth in this prospectus may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which statements represent our judgment concerning the future and are subject to business, economic and other risks and uncertainties, both known and unknown, that could cause our actual operating results and financial position to differ materially from the forward-looking statements. Such forward-looking statements can be identified by the use of forward-looking terminology such as may, will, expect, anticipate, estimate, believe, or continue, or the negative thereof or other variations thereof or comparable terminology.

We caution that any such forward-looking statements are further qualified by important factors that could cause our actual operating results to differ materially from those in the forward-looking statements, including, without limitation:

- deterioration in the financial condition of borrowers resulting in significant increases in loan losses and provisions for those losses;
- changes in SBA loan products, including specifically the Section 7(a) program, or changes in SBA standard operating procedures;
- changes in interest rates that affect the level and composition of deposits, loan demand and the values of loan collateral, securities and interest sensitive assets and liabilities;
- the failure of assumptions underlying the establishment of reserves for possible loan losses;
- changes in loan underwriting, credit review or loss reserve policies associated with economic conditions, examination conclusions, or regulatory developments;
- a reduction in or the termination of our ability to use the technology-based platform that is critical to the success of our business model;
- changes in financial market conditions, either internationally, nationally or locally in areas in which we conduct our operations, including, without limitation, reduced rates of business formation and growth, commercial and residential real estate development, and real estate prices;
- 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;

effective on January 1, 2015 and subject to certain transition periods, changes in minimum capital requirements, adjustments to prompt corrective action thresholds, increased quality of regulatory capital, revised risk-weighting of certain assets, and implementation of a capital conservation buffer, included in the final rule promulgated by the Federal Reserve on July 2, 2013, to implement the so-called Basel III accords;

the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in our market area and elsewhere, including institutions operating regionally, nationally and internationally, together with such competitors offering banking products and services by mail, telephone and the Internet;

governmental monetary and fiscal policies, including the effects of the Federal Reserve s Quantitative Easing program, as well as other legislative and regulatory changes;

changes in political and economic conditions, including continuing political and economic effects of the global economic downturn and other major developments;

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the impact of heightened regulatory scrutiny of financial products, primarily led by the CFPB;

our ability to comply with any requirements imposed on the Company or the Bank by our respective regulators, and the potential negative consequences that may result;

the effect of any mergers, acquisitions or other transactions, to which we or the Bank may from time to time be a party, including, without limitation, our ability to successfully integrate any businesses that we acquire; and

the risk factors described under the heading Risk Factors in this prospectus.

Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date such forward-looking statements are made.

You should read carefully this prospectus and the documents that we have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify all of our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

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USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the shares of common stock offered by us in this public offering will be approximately $75.8 million, or $87.0 million if the underwriters elect to exercise their option to purchase additional shares in full, based on the initial public offering price of $17.00 per share, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds of this offering to:

- support organic growth in our existing industry verticals;
- for expansion into new industry verticals;
- to develop a new online lending platform for the origination of loans less than $350 thousand;
- to support the growth of our balance sheet as we increase the size of our held-for-investment loan portfolio; and
- for general corporate purposes, including for possible acquisitions of, or investments in, bank or permissible non-bank entities, though, we do not have any agreements or understandings presently with respect to any acquisitions or investments.

Before we apply any of the net proceeds of this offering, the net proceeds likely will be temporarily invested in short-term investment securities. We will have broad discretion in allocating the net proceeds of this offering.

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CAPITALIZATION

The following table sets forth our cash and due from banks and our consolidated capitalization, including regulatory capital ratios, at March 31, 2015 on:

- an actual basis; and

- on an as adjusted basis to give effect to the net proceeds from the sale by us of 4,800,000 shares of common stock in this offering (assuming the underwriters do not exercise their option to purchase additional shares) at the initial public offering price of $17.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

You should read the following table in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes thereto, which are included elsewhere in this prospectus.

	As of March 31, 2015	
Shareholders equity:	**Actual**	**As Adjusted**
		(dollars in thousands, except share and per share data and ratios)
Cash and due from banks	$ 47,564	$ 123,335
Long term debt	50,210	50,210
Shareholders equity:		
Common stock, no par value, 110,000,000 shares authorized, 28,623,609 shares issued and outstanding, actual; 33,423,609 shares issues and outstanding, as adjusted	103,937	179,708