



2018

LAKELAND FINANCIAL CORPORATION

2018 Annual Report



Senior Leadership Council

Front Row, Left to Right: *Linda Henschen, Senior Vice President, Credit Administration Manager; Rocky Meyer, Senior Vice President, Credit Administration Officer; Angie Ritchey, Senior Vice President, Chief Technology Officer; Joe Kessie, Senior Vice President, Commercial South Regional Manager; Todd Bruce, Senior Vice President, Commercial North Regional Manager; Lisa O'Neill, Executive Vice President, Chief Financial Officer; Mike Gavin, Executive Vice President, Chief Credit Officer; Jill DeBatty, Senior Vice President, Director of People Development; Bill Redman, Senior Vice President, Commercial Indianapolis Regional Manager; Cammy Treadway, Senior Vice President, Commercial East Regional Manager; and Eric Ottinger, Executive Vice President, Commercial Banking.*

The long term success and viability of a financial services company can be defined in many ways. Most frequently, financial ratios and measures are the benchmarks of performance used to measure the success of an organization. While we're certainly proud of our long term financial achievements, we're more proud of our leadership team at every level of the company. The Lake City Bank Senior Leadership Council represents the core of this team and includes team members from every functional and operational area of the bank.

This group is tasked with ensuring that the cultural health of the organization remains strong and consistent. Over the last 10 years, we've grown assets organically from \$2.4 billion to \$4.9 billion today, an increase of 105%. As that growth has occurred, it's become increasingly important to ensure that the bank possesses the deep and diverse leadership team represented by our Senior Leadership Council. During that same 10 year period, we've produced record net income in nine of the 10 years. But that growth has not come without challenges. It was following the



Back Row, Left to Right: Lisa Fulton, Senior Vice President, Banking Operations Executive; Stephanie Leniski, Senior Vice President, Retail Banking Regional Manager; Doug Samuels, Senior Vice President, Corporate and Institutional Services Manager; Kirtus Murray, Senior Vice President, Retail Lending Manager; Andy Haddock, Senior Vice President, Chief Investment Officer; Chad Stoltzfus, Senior Vice President, Commercial Central Regional Manager; Jim Westerfield, Senior Vice President, Chief Fiduciary Officer; Bruce Wright, Senior Vice President, Retail Banking Regional Manager; David Findlay, President and Chief Executive Officer; Jon Steiner, Senior Vice President, Wealth Advisory Group and Brokerage; Kristin Pruitt, Executive Vice President, Chief Administrative Officer and General Counsel; Kevin Deardorff, Executive Vice President, Retail Banking; and Jennifer Hurford, Senior Vice President, Treasurer.

trials of the Great Recession that the council was formed in 2011. We recognized that as the bank was growing, the complexity and depth of the obstacles in our future would require a broader, more cohesive leadership structure.

Today, the Senior Leadership Council represents a collective tenure at Lake City Bank of 414 years, with an average tenure of 17 years. The council's newest member joined the bank three years ago and the most tenured joined 32 years ago. The group includes officers who have spent their entire careers at Lake City Bank and others

who bring a diverse career background, including many with a larger bank perspective. The collective experiences of these leaders will help define our future. The common thread that weaves its way through the group is a commitment to our employees, our clients and our communities. We also share a passion for our independence as a community bank that drives our culture and motivates our performance.

We encourage everyone at the bank to find a place in their own community where they can make a difference.

Lake City Bank Shareholders, Clients and Community Partners:

One of the first things you'll notice as you read through this annual report to shareholders is that it doesn't look, or read, like an annual report to shareholders! And that's certainly by design. Every year, we create this report as a tribute to our clients, our communities and our team members. After all, there's no opportunity to succeed for shareholders if we don't take care of these three key constituencies first.

As we compose this report every year, we're never sure what the collective message of the featured stories will become. We'll celebrate our 147th year as Lake City Bank in 2019, so there are certainly stories of long term relationships like our nearly three decades with the Clemens family and Rabb Water Systems featured on page 8. In many respects, it's relationships like these that have defined our success over a long period of time. At the same time, our future is also defined by our ability to develop new relationships like the one with INSERTV that began in 2018 and is featured on page 11. We operate in a highly competitive environment and our ability to develop and grow new relationships like this one is critical to our success.

Perhaps the strongest message that this report delivers is a message of our commitment to

community service. On page 16 you'll learn about the Lake City Bank Getting Ahead Program. Initiated in 2009, the program is designed to help people learn personal financial management skills. The program is presented in coordination with local community partner organizations in our Indiana footprint and taught by Lake City Bank team members and partner organization volunteers. On page 17, you'll learn about our partnership in Indianapolis with the Martindale-Brightwood Community Development Corporation. Working with them, we bring our Getting Ahead for Business program to small business owners. Successful participants in the program can borrow from \$500 to \$5,000 from Lake City Bank to launch or improve their businesses.

Programs like these represent the cumulative efforts of Lake City Bank team members across our markets. We encourage everyone at the bank to find a place in their own community where they can make a difference. We don't pre-assign people to volunteer organizations, but we do ask that everyone contribute back to our communities. As a result, we end up with broad-based involvement with the people and places we serve and are very proud of our history of commitment to our Indiana markets.

No annual report to shareholders would be complete without some comment on our financial performance. In 2018, we reported record net income for the ninth consecutive year with net income of \$80.4 million. This represents an increase of 40% over 2017's performance. Over the last 30 years, we've posted record net income for our shareholders in 29 of those 30 years. We are very proud of this consistent performance over the last three decades as it represents the cumulative contribution of generations of Lake City Bank team members. The quality and consistency of our performance over a long period of time is a testament to our performance-driven culture.

At the core of this performance is the Lake City Bank team's commitment to quality revenue growth. We experienced healthy double digit increases in fee-based services in all three of our core business units: Commercial Banking, Retail Banking and Wealth Advisory, in 2018. These represent value added expansions of our relationships with clients designed and structured to assist them in achieving their financial goals. In combination with a good increase in our net interest margin, we reported total revenue growth of \$19.5 million, or 11% during 2018.

This strong revenue growth was accompanied by a significant investment in our people, technology, infrastructure and operating platform. We increased investment in the business by \$6.8 million, or 9% in 2018. Importantly, we continued our significant investment in innovative and technology-based solutions for our clients. It is critical that we maintain and increase our investment in our technology platforms as we continue to work with key technology and Fintech partners as a long-term strategy. We continued to invest in our growing branch presence with the opening of our 50th office and also continued a system-wide remodeling program that will see every office and working area of the bank updated.

Core to our mission are the businesses of lending money and growing deposits. In 2018, we continued our unwavering commitment to helping our retail and commercial clients realize their financial goals through our lending business. We grew average total loans by \$233 million, an increase of 6%. One of the most significant challenges in our industry today is deposit growth. Thus, we were pleased to report strong deposit growth in 2018 as we successfully grew average total deposits by \$337 million, or 9%. We did so by providing our clients with an array of aggressively priced

and creatively structured retail and commercial deposit products.

While 2018 proved to be a challenging year for bank stock investors, including shareholders of Lakeland Financial Corporation, we continue to be proud of our performance over the long term. A dollar invested in Lakeland Financial on December 31, 2000, was worth \$8.64 on December 31, 2018. Including the impact of our consistent dividend payments, our total return was 1,435% over that same 18 year period. We'll never let our long term shareholder value creation strategy be captive to short term stock market fluctuations. We remain confident in our ability to consistently produce high quality performance for shareholders.

We are grateful for the support of our clients, communities, employees and shareholders. We'll stay focused on execution at every level of the organization as we continue to build upon 2018's strong performance.



David M. Findlay
President and Chief Executive Officer



As we kicked off 2019, we opened our 50th office in our Indiana footprint in downtown Indianapolis. Perhaps that's a milestone worthy of a celebration, yet we quietly opened the office on a Monday morning and went to work growing it. As a Management Committee, we're focused on our long term mission to be "The Recognized and Acknowledged Leader in Indiana Community Banking." It's an aspirational mission, and one that will be difficult to achieve and tougher to measure. That's why we are so operationally and executionally focused. The only way we can succeed against the mission is to provide consistently strong service to our clients and communities each and every day and to take care of our employees at the same time. That's been our strategy throughout our 146 year history and it will continue to be the case as we move forward.



David M. Findlay
President and Chief
Executive Officer



Kevin L. Deardorff
Executive Vice President
Retail Banking



Michael E. Gavin
Executive Vice President
Chief Credit Officer



Lisa M. O'Neill
Executive Vice President
Chief Financial Officer



Eric H. Ottinger
Executive Vice President
Commercial Banking



Kristin L. Pruitt
Executive Vice President
Chief Administrative
Officer and General
Counsel



Jill A. DeBatty
Senior Vice President
People Development



Jonathan P. Steiner
Senior Vice President
Wealth Advisory Group
and Brokerage

Management Committee



Front (Left to Right)

Emily E. Pichon
Chairman
ExTech Plastics, Inc.
Officer and Director
Olive B Cole Foundation and
M E Raker Foundation, Inc.

Darrienne P. Christian
Civic Leader

Center (Left to Right)

Ronald D. Truex
President and
General Manager
Creighton Brothers and
Crystal Lake Egg Production

Robert E. Bartels, Jr.
Former President and
Chief Executive Officer
Martin's Super Markets

David M. Findlay
President and
Chief Executive Officer
Lakeland Financial Corporation
and Lake City Bank

Michael L. Kubacki
Chairman
Lakeland Financial Corporation
and Lake City Bank

Steven D. Ross
Former President
Heartland Coffee Company

Bradley J. Toothaker
President and
Chief Executive Officer
Bradley Company

Back (Left to Right)

M. Scott Welch
Lead Director
Chief Executive Officer
Welch Packaging Group

Thomas A. Hiatt
Former Founding Partner
Centerfield Capital
Partners, LP

Brian J. Smith
Co-Chief Executive Officer
Heritage Group, Inc.

Blake W. Augsburger
Founder and Chief
Executive Officer
LEA Professional

Daniel F. Evans, Jr.
President Emeritus
Indiana University Health

The business of corporate governance is a complex and consuming exercise for a board of directors. It requires a diverse group of professional and personal experiences and a disciplined and independent group of tenured leaders. At the same time, serving on a community bank board requires an understanding of our communities and our clients. At Lake City Bank, our board includes representation from all of our geographical markets. It also includes practical and valuable expertise from a diverse group of professional backgrounds. Collectively, our board understands our business model, understands the importance of a disciplined execution model, and provides the support and guidance necessary to allow management to succeed.

Board of Directors



Client since 1987

Owners George Clemens, Mary Clemens and Don Clemens

Rabb Water Systems, Inc. has provided the latest in clean water technology to North Central Indiana for more than 50 years. A family owned and operated business, Rabb has grown from a single store in Warsaw in 1987 to six locations today. It sells, rents and services Kineticco water systems as well as other systems. Rabb Water takes pride in its high quality products and local service, and in its commitment to the communities it serves. Current owners Don, George and Mary Clemens began working with Lake City Bank in 1987, when they purchased Rabb Water Systems from the Rabb family.

Their partnership with the bank has grown to include commercial loans, deposits and credit cards, along with personal banking services. “Lake City Bank is the best business bank to work with,” the Clemenses, Rabb’s owners, agreed. “The bank has helped us in all of our markets, even where it doesn’t have an office presence. That made a big difference to us.”

Rabb Water Systems, Inc.

WARSAW

Left to right: Shelly Kammerer, Vice President, Retail Banking Officer; Owners Don Clemens, George Clemens, and Mary Clemens; Everett Nifong, Vice President, Commercial Banking Officer; Rusty Ritter, General Manager; Tabitha Williamson, Vice President, Treasury Management Sales Officer; and Adam Clemens, Sales Manager.



Client since 2017

Kent Grubaugh, President

Visiting Custom Cast Stone’s fabrication area is a study in contradictions. The company manufactures cast stone products for commercial and residential use, primarily serving clients across the eastern half of the U.S. Skilled technicians work with components of historic buildings, creating molds that ultimately are used to replicate damaged stonework perfectly so that buildings can be restored. In another area, high-tech machines mold and cure stone blocks, veneer, columns and other elements, using technology that scrupulously maintains color, quality and moisture levels for a consistent, long-lasting, high quality product produced

in far less time than with other methods. Throughout production, whether machine made or hand fabricated, each element is tracked so that orders are accurate and complete as they’re prepared for shipping. Lake City Bank works with Custom Cast Stone, using the same attention to quality service and technology to help the company grow. The bank provides commercial loans and lines of credit, deposits, technology-driven treasury management products, and corporate credit cards. “Lake City Bank and Greg (Lentz) have been easy to work with,” said Kent Grubaugh, President. “Whatever we need, it’s just a phone call away.”

Custom Cast Stone, Inc.

INDIANAPOLIS

Left to right: Greg Lentz, Vice President, Commercial Banking Officer; Tiffany Peterson, Merchant & Cardholder Services Officer; Jim Grubaugh, Sales Manager; Melanie McIntyre, Vice President, Corporate & Institutional Services Sales Officer; Kent Grubaugh, President; and Bill Redman, Senior Vice President, Commercial Indianapolis Regional Manager.



Client since 2010

Kenneth Renkens, MD; Hardy Sikand, Chief Executive Officer; and Rick Sasso, MD

Indiana Spine Hospital is a true center of excellence right here in Central Indiana, providing highly specialized comprehensive care for patients with spinal issues. Specialists in orthopedic spinal surgery, neurosurgery and minimally invasive spinal surgery treat patients from around the U.S. and beyond. Surgery, treatments and therapy are delivered in a hospital designed around comfort for patients and their families. Lake City Bank's relationship with the hospital began in 2010 and has grown to include commercial

loans and deposits, and treasury management services for the hospital and for its group of doctors. In addition, the bank provides personal and trust services for physicians. "We've been exceptionally happy with the service and with our relationship with the bank," said Rick Sasso, MD. "We've been pleased from the start almost 10 years ago."

Indiana Spine Hospital

INDIANAPOLIS

Left to right: Cali Doll, Trust Officer; Rick Sasso, MD; Peggy Michel, Vice President, Senior Trust Officer; Sara Hill, Vice President, Retail Banking Regional Manager; Kenneth Renkens, MD; Ryan Hart, Vice President, Commercial Banking Officer; Hardy Sikand, Chief Executive Officer; and Dana Donahue, Vice President, Retail Banking Officer and Private Banker.



Client since 2018

Adam Farrar, General Manager; Dan Wilson, President; John House, Operations General Manager; and Thomas Lovisa, General Manager

INSERTV is the kind of company that you want on your side—in an emergency or when your company needs responsive, safe, highly specialized cleanup for hazardous material. INSERTV, founded 16 years ago in Mishawaka, provides a variety of cleanup services including emergency response services, tank cleaning, fuel and oil recycling, waste disposal and wet and dry vacuuming. On the construction side, INSERTV provides grading, hauling and de-watering services. INSERTV's hydro excavation service helps shorten construction project time by using pressurized water and suction to locate underground utility pipes, lines and fiber optic cables accurately before an excavation, with minimal environmental impact. INSERTV

operates in a highly regulated sector, working with materials that are potentially harmful to people and the environment, so safety and attention to detail are woven into the fabric of the company. That same kind of care went into choosing a new bank. In business for 16 years, with added growth over the last four years, the company looked carefully for a new financial partner, said Dan Wilson, President. After carefully researching services and checking references, INSERTV chose Lake City Bank to handle its banking, financing and a range of treasury management solutions. "We liked Lake City Bank's Indiana focus, and the transition has been very smooth. We're happy," Wilson said.

INSERTV, Inc.

MISHAWAKA

Left to right: Anna Corkill, Vice President, Treasury Management Sales Officer; Adam Farrar, General Manager; Dan Wilson, President; Todd Bruce, Senior Vice President, Commercial North Regional Manager; Mike Ryan, Vice President, Commercial Banking Officer; Thomas Lovisa, General Manager; and John House, Operations General Manager.



Client since 2016

Franz Morsches, Owner & Chief Executive Officer; and Scott Reed, Chief Financial Officer

Morsches Builders Mart, a fifth-generation family business serving Northern Indiana, began as a lumber mill in 1871 in Columbia City. Over the years, the company has grown and changed, becoming a retail-only business in the 1930s, adding locations in the 1960s, and growing to its current five locations today. Along the way, Morsches has remained family owned and operated, with new generations joining the company over the years. Morsches Builders Mart places a strong focus on service and quality in its work with contractors and do-it-yourself home remodelers. Morsches Builders Mart carries most anything a builder

would need, including advice from experienced staff who have been with the company for decades. When it came to choosing a bank, Morsches wanted to stay in the area. “We wanted a local decision maker,” said Franz Morsches, Owner and Chief Executive Officer. “It was important to us. Lake City Bank has done a fine job.” Morsches Builders Mart has financing, deposits and numerous technology-focused treasury management services with Lake City Bank. “We started working with Lake City Bank when we needed a new financial partner,” Morsches said. “The bank really helped us.”

Morsches Builders Mart

COLUMBIA CITY

Left to right: Don Sexton, Vice President, Retail Banking Officer; Scott Reed, Chief Financial Officer; Chris Wiggins, Vice President, Commercial Banking Officer; Tabitha Williamson, Vice President, Treasury Management Sales Officer; Franz Morsches, Owner & Chief Executive Officer; and Joe Kessie, Senior Vice President, Commercial South Regional Manager.



Client since 2004

Matt Michaels, Chief Financial Officer/Controller; Adam Day, General Manager; and Dallas Day, President

You may not see the work Fox Contractors does up close. Indeed, most of the time you'd have to dig to see what they do, but you can be assured that their work is often what makes a construction project possible. Fox Contractors specializes in excavation, earthwork and utility installation. They work with construction companies and engineers to ensure that every project has a safe, strong foundation, laying the groundwork on construction projects that run the gamut from airports to warehouses and factories to roads and much more. Since 2004, Fox Contractors has worked with Lake

City Bank, growing a relationship that includes services for the business and its principals. The bank provides commercial loans and lines of credit, deposits, a number of technology-driven treasury management products and company credit cards. Several of Fox Contractors principals have personal relationships with the bank as well. "Lake City Bank has been a strong partner with our business," said Dallas Day, President. "We've been pleased with the solutions they've implemented with us."

Fox Contractors Corporation

FORT WAYNE

Left to right: Nick Toney, Vice President, Commercial Banking Officer; Dallas Day, President; Cammy Treadway, Senior Vice President, Commercial East Regional Manager; Adam Day, General Manager; Bob Savage, Vice President, Retail Banking Officer; Doug Samuels, Senior Vice President, Corporate and Institutional Services Manager; Matt Michaels, Chief Financial Officer/Controller; and Sheena White, Vice President, Merchant & Cardholder Services Manager.



Client since 1992

Ron Smith, President; and Tony Fisher, Vice President, Operations

Walk inside any of the 11 RW Jenkins Automotive stores across Northern Indiana, and you'll see a bright shop filled with NAPA parts, staffed by people who are friendly, helpful and knowledgeable. You also may sense a bit of pride in the business, which is well placed, as RW Jenkins has a long history in the region. Since its beginnings as one shop in Nappanee in 1975, RW Jenkins has grown to its current complement of 11 stores today. In addition, the company became employee owned a few years ago, which helps engender that sense of pride. "We needed a strong

bank relationship during our growth," said President Ron Smith. "Lake City Bank has been integral to our expansion." Lake City Bank began working with RW Jenkins in 1992. In addition to commercial loans and deposits, the bank provides a suite of technology-driven treasury management solutions that help the company manage its cash flow. The bank also manages RW Jenkins' 401(k) plan.

RW Jenkins Automotive, Inc.

NAPPANEE

Left to right: Terry Zelt, Vice President, Sales; Meg Waddell, Vice President, Retail Banking Regional Manager; Ron Smith, President; Rod Hooley, Vice President, Commercial Banking Officer; Chad Stoltzfus, Senior Vice President, Commercial Central Regional Manager; Anna Corkill, Vice President, Treasury Management Sales Officer; and Tony Fisher, Vice President, Operations.



Client since 2015

Drew Peuquet, Chief Operating Officer; Pete Peuquet, Chief Executive Officer & President; Tony Peuquet, Corporate Secretary; and Adam Peuquet, Executive Vice President

Chester, Inc. is a diversified company with a very interesting history. George F. Chester and Son started in 1936, and was purchased by Orville Redenbacher and Charlie Bowman in 1947. The early 50s brought the production of Orville Redenbacher Popcorn, which eventually captured 65% of the U.S. popcorn market. The company that would become Chester Inc. added agricultural irrigation and grain handling systems in 1952, followed by construction services in 1969, information technologies in 1981, and food processing in 2006. Today, Chester Inc.'s four divisions, Chester Inc. Ag Systems, Architectural and

Construction Services, Information Technologies, and Food Processing Services operate by providing its clients with quality service that is on time and on budget. Lake City Bank has been a good fit for Chester based on the bank's deep understanding of business and local decision making. "The bank understands our diversification," said Pete Peuquet, CEO & President. "The time frame is great, and our CFO is very pleased. Customers who we refer to the bank are always pleased as well."

Chester, Inc.

VALPARAISO

Left to right: Cory McClarnon, Assistant Vice President, Commercial Banking Officer; Drew Peuquet, Chief Operating Officer; Adam Peuquet, Executive Vice President; Tony Peuquet, Corporate Secretary; Dale Cramer, Vice President, Commercial Banking Officer; and Pete Peuquet, Chief Executive Officer & President.



Active since 2009

Rosie Thomas, Getting Ahead Participant; and Autumn McCully, Empowerment Manager, YWCA of North Central Indiana

Lake City Bank’s Getting Ahead program started as a way to help people save and learn to manage personal finances through a financial literacy course taught by bank volunteers and local partner organizations like the YWCA of North Central Indiana in South Bend. Upon completing coursework, participants can open savings, checking and loan accounts funded by the bank. Since its inception, the program has helped hundreds of people learn to budget, manage money and borrow responsibly. Late last year, the Getting Ahead program hit a milestone when Rosie Thomas, a participant from

South Bend, was approved for a mortgage loan by the bank. Rosie worked hard, saved diligently and together with Mortgage Loan Originator Anna Jimenez, was approved for a loan and soon will be settled in her own home. Jimenez, who taught the mortgage portion of the financial literacy course, said, “I was impressed with how invested in learning everyone in the class was. It’s been great to help Rosie reach her goal of owning a home.”

Getting Ahead Program

LAKE CITY BANK

Left to right: Bob Savage, Vice President, Retail Banking Officer; Rosie Thomas, Getting Ahead Participant; Ralph Villalon, Assistant Vice President, Community Development Outreach Officer; Anna Jimenez, Assistant Vice President, Mortgage Loan Originator; Stephanie Leniski, Senior Vice President, Retail Banking Regional Manager; and Autumn McCully, Empowerment Manager, YWCA of North Central Indiana.



Active since 2018

Stanley Smith, Mentor; Martin Anderson, Deputy District Director, U.S. Small Business Administration; Josephine Rogers Smith, Executive Director, Martindale-Brightwood Community Development Corporation; and Huerta Tribble, Mentor

Inspired by success with its Getting Ahead program for individuals, Lake City Bank and nonprofit Martindale-Brightwood Community Development Corporation partnered last year to introduce the Getting Ahead Program for Business, an innovative partnership to teach financial literacy, provide mentorship and loan seed money to entrepreneurs in the community. Participants attend a multi-session course on financial and business topics that includes budgeting, tax planning, cash flow planning, risk management and insurance. They also work with mentors from the community who help them develop their idea into a working business plan, or improve a business that they're already operating. Upon completion, participants can borrow from \$500 to \$5,000 from Lake City Bank for their business. "Small businesses really help

our communities grow," said Gloria Crawford, Vice President, Retail Banking Officer. "It's great to be a part of a program that helps people take that first step." The program provides continued mentoring and coaching as participants work on their businesses. "We've known for a long time that a strong business and financial grounding really helps a small business succeed," said Josephine Rogers Smith, Executive Director, Martindale-Brightwood Community Development Corporation. "Lake City Bank and our volunteer mentors have made all the difference in setting up our participants for success."

[Read more about some of our business owners who participated in the Getting Ahead Program at lakecitybank.com/community](http://lakecitybank.com/community)

Getting Ahead Program for Business

LAKE CITY BANK

Left to right: Huerta Tribble, Mentor; Frances Ray, Mama Rays Specialty Seasonings; Jeannine Cooley, Vice President, CRA, Compliance & Security Manager; Mark Webster, Real Taste Catering; Martin Anderson, Deputy District Director, U.S. Small Business Administration; Josephine Rogers Smith, Executive Director, Martindale-Brightwood Community Development Corporation; Gloria Crawford, Vice President, Retail Banking Officer; Stanley Smith, Mentor; and Vera Kirtz, City Scene Magazine.

Five Year Summary of Financial Highlights

(in thousands, except share and per share data)

End of Period Balances

	2018	2017	2016	2015	2014
Assets	\$4,875,254	\$4,682,976	\$4,290,025	\$3,766,286	\$3,443,284
Deposits	4,044,065	4,008,655	3,577,912	3,183,421	2,873,120
Loans	3,914,745	3,818,459	3,470,927	3,080,929	2,762,320
Allowance for Loan Losses	48,453	47,121	43,718	43,610	46,262
Total Equity	521,704	468,667	427,067	392,901	361,385

Average Balances

Assets					
Total Assets	\$4,758,392	\$4,443,106	\$4,039,719	\$3,597,190	\$3,318,271
Earning Assets	4,461,366	4,183,112	3,799,963	3,384,178	3,141,290
Investments	562,385	530,275	493,656	476,153	475,068
Loans	3,843,912	3,610,908	3,225,635	2,885,568	2,650,678
Liabilities and Stockholders' Equity					
Total Deposits	\$4,093,894	\$3,757,209	\$3,477,816	\$3,088,598	\$2,797,929
Interest Bearing Deposits	3,235,867	2,967,902	2,753,466	2,478,674	2,299,578
Interest Bearing Liabilities	3,382,507	3,178,439	2,872,691	2,589,915	2,461,352
Total Equity	487,062	450,796	416,034	378,106	343,135

Income Statement Data

Net Interest Income	\$151,271	\$135,892	\$118,481	\$105,927	\$102,303
Net Interest Income - Fully Tax Equivalent	153,088	139,015	120,719	107,902	104,232
Provision for Loan Loss	6,400	3,000	1,150	0	0
Non-interest Income	40,110	36,009	32,864	31,479	30,053
Non-interest Expense	86,037	79,267	72,978	68,206	66,166
Net Income	80,441	57,330	52,084	46,367	43,805

Per Share Data

Basic Net Income Per Common Share	\$3.18	\$2.28	\$2.08	\$1.86	\$1.77
Diluted Net Income Per Common Share	3.13	2.23	2.05	1.84	1.74
Cash Dividends Per Common Share	1.00	0.85	0.73	0.63	0.55
Dividend Payout	31.95%	38.12%	35.61%	34.36%	31.42%
Book Value Per Common Share	\$20.62	\$18.60	\$17.01	\$15.74	\$14.55
Basic Weighted Average Common Shares Outstanding	25,288,533	25,181,208	25,056,095	24,926,354	24,803,295
Diluted Weighted Average Common Shares Outstanding	25,727,831	25,663,381	25,460,727	25,245,569	25,172,183

Key Ratios

Return on Average Assets	1.69%	1.29%	1.29%	1.29%	1.32%
Return on Average Total Equity	16.51%	12.72%	12.52%	12.26%	12.77%
Equity to Average Assets	10.24%	10.15%	10.30%	10.51%	10.34%
Net Interest Margin	3.43%	3.33%	3.18%	3.19%	3.32%
Efficiency	44.96%	46.11%	48.22%	49.64%	49.99%
Net Charge Offs to Average Loans	0.13%	-0.01%	0.03%	0.09%	0.10%
Loan Loss Reserve to Total Loans	1.24%	1.23%	1.26%	1.42%	1.67%
Loan Loss Reserve to Nonperforming Loans	667.40%	500.91%	653.31%	334.04%	337.51%
Nonperforming Assets to Total Loans	0.19%	0.25%	0.20%	0.43%	0.51%

The following selected data has been taken from the Company's consolidated financial statements. Refer to Lakeland Financial Corporation's Annual Report on Form 10-K for the year 2018 for a complete set of consolidated financials.

Condensed Consolidated Balance Sheets

(Years ended December 31)
(in thousands, except share data)

Assets	2018	2017
Cash and due from banks	\$192,290	\$140,402
Short-term investments	<u>24,632</u>	<u>35,778</u>
Total cash and cash equivalents	216,922	176,180
Securities available for sale (carried at fair value)	585,549	538,493
Real estate mortgage loans held for sale	2,293	3,346
Total loans	3,914,745	3,818,459
Less: Allowance for loan losses	<u>48,453</u>	<u>47,121</u>
Net Loans	3,866,292	3,771,338
Land, premises and equipment, net	58,097	56,466
Bank owned life insurance	77,106	75,879
Federal Reserve and Federal Home Loan Bank stock	13,772	13,772
Accrued interest receivable	15,518	14,093
Goodwill	4,970	4,970
Other assets	<u>34,735</u>	<u>28,439</u>
Total Assets	<u><u>\$4,875,254</u></u>	<u><u>\$4,682,976</u></u>

Liabilities

Non-interest bearing deposits	\$946,838	\$885,622
Interest bearing deposits	<u>3,097,227</u>	<u>3,123,033</u>
Total deposits	4,044,065	4,008,655
Accrued interest payable and other liabilities	33,002	24,044
FHLB advances and other borrowings	245,555	150,682
Subordinated debentures	<u>30,928</u>	<u>30,928</u>
Total Liabilities	4,353,550	4,214,309

Stockholders' Equity

Common stock: 90,000,000 shares authorized, no par value	112,383	108,862
Retained earnings	419,179	363,794
Accumulated other comprehensive income (loss)	(6,191)	(670)
Treasury stock	<u>(3,756)</u>	<u>(3,408)</u>
Total Stockholders' Equity	521,615	468,578
Total Non-controlling Interest	89	89
Total Equity	<u>521,704</u>	<u>468,667</u>
Total Liabilities and Stockholders' Equity	<u><u>\$4,875,254</u></u>	<u><u>\$4,682,976</u></u>
End of period shares issued	25,301,732	25,194,903
End of period shares outstanding	25,128,773	25,025,933

Report of Independent Registered Public Accounting Firm

[See Annual Report on Form 10-K](#)

Stockholders and Board of Directors, Lakeland Financial Corporation, Warsaw, IN

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of Lakeland Financial Corporation and subsidiaries as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period December 31, 2018, not appearing herein; and in our report dated February 28, 2019, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the December 31, 2018 consolidated financial statements from which it has been derived.

Crowe LLP South Bend, Indiana, February 28, 2019

Condensed Consolidated Statements of Income

(Years ended December 31)
(in thousands, except share and per share data)

Interest Income

	2018	2017	2016
Interest and fees on loans	\$182,265	\$151,024	\$125,292
Interest and dividends on securities			
Taxable	9,717	9,218	9,421
Tax exempt	6,079	5,102	3,885
Interest on short-term investments	909	354	353
Total Interest Income	198,970	165,698	138,951

Interest Expense

Interest on deposits	44,913	27,026	18,944
Interest on FHLB advances and other borrowings	2,786	2,780	1,526
Total Interest Expense	47,699	29,806	20,470

Net Interest Income

Provision for loan losses	6,400	3,000	1,150
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Net Interest Income After Provision for Loan Losses

	144,871	132,892	117,331
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Non-interest Income

Wealth advisory and investment brokerage income	7,802	6,754	5,815
Service charges on deposit accounts	15,831	13,696	12,013
Loan and service fees	9,291	7,900	7,681
Merchant card fee income	2,461	2,279	2,098
Bank owned life insurance income	1,244	1,768	1,392
Other income	2,381	2,598	2,213
Mortgage banking income	1,150	982	1,586
Net securities gains/(losses)	(50)	32	66
Total Non-interest Income	40,110	36,009	32,864

Non-interest Expense

Salaries and employee benefits	48,353	45,306	41,656
Occupancy and equipment expense	10,392	9,224	8,116
Data processing fees and supplies	9,685	8,233	8,148
Other expense	17,607	16,504	15,058
Total Non-interest Expense	86,037	79,267	72,978

Income Before Income Tax Expense

Income tax expense	18,533	32,304	25,133
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Net Income

	\$80,411	\$57,330	\$52,084
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BASIC WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	25,288,533	25,181,208	25,056,095
BASIC EARNINGS PER COMMON SHARE	\$3.18	\$2.28	\$2.08
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	25,727,831	25,663,381	25,460,727
DILUTED EARNINGS PER COMMON SHARE	\$3.13	\$2.23	\$2.05

See Annual Report on Form 10-K

Corporate Information

Nature of Business

Lakeland Financial Corporation is a \$4.9 billion bank holding company located in Warsaw, Indiana. Lake City Bank, its single bank subsidiary, is the fourth largest bank headquartered in the state and the largest bank 100% invested in Indiana. Lake City Bank operates 50 offices in Northern and Central Indiana, delivering technology-driven and client-centric financial services solutions to individuals and businesses.

Headquarters

Lakeland Financial Corporation
202 E Center Street
Warsaw, IN 46580
(574) 267-6144
(800) 827-4522
lakecitybank.com

Annual Meeting

Tuesday, April 9, 2019
4:30 p.m. – Annual meeting followed by a reception
The Lerner Theatre – Crystal Ballroom
410 South Main Street, Elkhart, IN 46516

Common Stock Listing

Lakeland Financial Corporation common stock is traded on the Nasdaq Global Select Market under the symbol “LKFN.”

Market Makers

Robert W. Baird & Co. Incorporated
FIG Partners, LLC
Cantor Fitzgerald & Co.
Citadel Securities LLC
Cowen and Company, LLC
Canaccord Genuity Inc.
Citadel Derivatives Group LLC
D.A. Davidson & Co.
Deutsche Bank Securities Inc.
G1 Execution Services, LLC
Goldman, Sachs & Co.
IMC Financial Markets
Jefferies LLC
Keefe, Bruyette & Woods, Inc.
Keybank Capital Markets Inc.
Maxim Group LLC
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Morgan Stanley & Co. LLC
VIRTU Americas LLC
Puma Capital, LLC
Raymond James & Associates, Inc.
Citigroup Global Markets Inc.
Sandler O’Neill & Partners, L.P.
Two Sigma Securities, LLC
Stephens, Inc.
Susquehanna Securities
Stifel, Nicolaus & Company, Incorporated
Susquehanna Financial Group, LLP
UBS Securities LLC
Wall Street Access
Wells Fargo Securities, LLC
Wolverine Securities, LLC
Latour Trading LLC

Stock Transfer Agent and Registrar

American Stock Transfer and Trust Company
6201 15th Avenue
Brooklyn, NY 11219
(800) 937-5449
(718) 236-4588 fax
help@astfinancial.com
astfinancial.com

Dividend Reinvestment and Stock Purchase Plan

Lakeland Financial Corporation offers stockholders a convenient way to increase their investment through the Lakeland Financial Dividend Reinvestment and Stock Purchase Plan. Under the plan, investors can elect to acquire Lakeland Financial shares in the open market by reinvesting dividends and through optional cash payments. Lakeland Financial absorbs the fees and brokerage commissions on shares acquired through the plan. To obtain a plan prospectus and authorization form, call Tina Rensberger at (800) 827-4522. The plan prospectus is also available on the company’s website at lakecitybank.com.

Direct Deposit of Dividends

The direct deposit program, which is offered at no charge, provides for automatic deposit of quarterly dividends directly to a checking or savings account. For information regarding this program, call Tina Rensberger at (800) 827-4522.

Form 10-K and Other Financial Reports

The company maintains a website at lakecitybank.com. The company makes available free of charge on this site its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the Securities and Exchange Commission. The company will also provide copies of its filings free of charge upon written request to:
Lakeland Financial Corporation
Attn: Investor Relations
PO Box 1387
Warsaw, IN 46581-1387

Corporate Governance

Lakeland Financial Corporation corporate governance documents are available on the company’s website at lakecitybank.com or may be obtained in print form by contacting Tina Rensberger at (800) 827-4522.

Independent Registered Public Accounting Firm

Crowe LLP
330 E Jefferson Boulevard
PO Box 7
South Bend, IN 46624-0007

Corporate Counsel

John Freechack
Barack Ferrazzano Kirschbaum & Nagelberg LLP
200 W Madison Street
Suite 3900
Chicago, IL 60606

Lake City Bank Officers

Executive

David M. Findlay
President &
Chief Executive Officer

Kevin L. Deardorff
Executive Vice President
Retail Banking

Michael E. Gavin
Executive Vice President
Chief Credit Officer

Lisa M. O'Neill
Executive Vice President
Chief Financial Officer

Eric H. Ottinger
Executive Vice President
Commercial Banking

Kristin L. Pruitt
Executive Vice President
Chief Administrative Officer &
General Counsel

People Development

Senior Vice President
Jill A. DeBatty

Vice President
Constance J. Combs
Kathleen M. Keirn

Assistant Vice President
Brandon A. Garey
Alice G. Hitchcock
Vicki J. Jones
Mary A. Lepird
Tori L. Platt

Officer
Ana Karina Cervantes
Rhonda K. Frank
Brianna D. Kreczmer

Commercial Banking

Senior Vice President—Regional Manager

Todd A. Bruce
Joseph F. Kessie
William R. Redman
J. Chad Stoltzfus
Camalyn M. Treadway

Vice President
Ronald L. BonDurant
Gregory C. Brown
Nathan R. Conley
Amy M. Counts
Grant N. Daily
David E. Davis
John F. Dietzen
David S. Frey
Chad A. Glassburn
Keith B. Goodman
Ryan L. Hart
Matthew J. Highbarger
Ryan J. Hoffman
Rodney B. Hooley
Karese E. Kitch
Gregory W. Lentz
Patricia T. McNarney
Gavin S. Miller
Everett L. Nifong
Cameron V. Plew
Michael J. Ryan
Timothy M. Schlichte
Eric J. Steenman

Nicholas A. Toney
Steven J. Troike
Marshall C. Weadick
Sharon L. Welsh
Christopher W. Wiggins
Amber M. Wolfer

Assistant Vice President
Cory E. McClarnon
Sara B. Millspaugh
Kevin R. Poe
Nathan R. Poe
Robin R. Ritchie

Officer
Elizabeth A. Brown
Holly A. Davis
Kelsey M. Jenkins
Cari J. Juillierat
Kris J. Kerlin
Stacy M. Richardson

Corporate & Institutional Services

Senior Vice President
Douglas R. Samuels

Vice President
Anna N. Corkill
Patricia L. Culp
Melanie A. McIntyre
Sheena L. White
Tabitha A. Williamson

Assistant Vice President
Michelle L. Harris
Leslie E. Rohrer

Officer
Deborah R. Cataldo
Tiffany R. Peterson
Grant R. Toney

Credit Administration

Senior Vice President
Linda E. Henschen
H.A. "Rocky" Meyer

Vice President
Ronald E. Cotton
Bradford S. Grabow
Kimberly A. Hooley
Frank E. Krakowski
Candy A. Little
Donald J. Robinson-Gay
Matthew D. VanDeWielle

Assistant Vice President
Amanda R. Ellsworth
Megan E. Ottinger
Benjamin A. Rice
Kyle G. Schmidt
Matthew R. Smith

Officer
Aaron T. Connell
David J. Curry
Jennifer D. Escobedo
Justin T. Hayes
Jeffrey L. Wycckoff

Finance & Investments

Senior Vice President
Jennifer M. Hurford—Treasurer

Vice President
Melissa D. Davison
Brian M. Lamb
Ryan D. Neese

Assistant Vice President

Becka J. Pellerin
Stacy L. Price
Beth A. Weber

Marketing

Vice President—Manager
Mary S. Horan

Vice President
Cindy A. Bateman

Assistant Vice President
Caitlin E. Steiner

Operations & Technology

Senior Vice President—Banking Operations Executive
Lisa A. Fulton

Senior Vice President—Chief Technology Officer
Angela K. Ritchey

Vice President
Lili A. Dailey
Joanie L. Foreman
George H. Goodlink
Laura A. Hartley
Shannan L. Hepler
Jolene D. Howard
Jan R. Martin
Christopher D. Merrill
Eric D. Wagoner
Donna J. Wolfe

Assistant Vice President

Lisa M. Bicknese
Jean A. Ciriello
Sherri L. DiRico
Lisa S. Fitzgerald
Michele R. Ganser
Jill E. Garber
R. David Hume
Miranda R. Jordon
Scot A. Karbach
Karla J. Kroll
Amanda M. Longmire
Sean P. Raver
Melissa S. Rupe
Diane M. Wirth

Officer
Leslie R. Baker
Jordan M. Bell
Christine M. Himes
Jennifer R. Hochstetler
Tana J. Johnson
Evan R. Kehr
Kimberly K. Matkke
Takesha N. McClane
Natalie M. Ousley

Manager
Michele I. Vanzile-Myers

Assistant Manager
Ashley R. Hite

Retail Banking

Senior Vice President—Regional Manager
Stephanie R. Leniski
Bruce A. Wright

Senior Vice President—Retail Lending Manager
Kirtus D. Murray

Vice President—Regional Manager

Karen A. Francis
Sara B. Hill
Pamela F. Messmore
Margaret A. Waddell

Vice President
Craig R. Atz
Denise M. Brennan
Sabrina N. Brown
Scott B. Bucher
Glenn A. Goudey
Jodi L. Hammond
Rick Hatcher
Jeffery W. Krusenklau
W. John Pritz
Mark R. Rensner
Sue L. Sands

Assistant Vice President
Holly N. Clevenger
Anna A. Jimenez
Todd E. Pequignot
Amanda M. Tom
J. Mark Ulrich

Officer
Heidi B. Bruner

Risk Management

Vice President
Teresa A. Bartman
Lane R. Davis
Jeannine P. Draper Cooley
Lecia A. Nunez-Derrossett

Assistant Vice President
Eric D. Neuenschwander
Rafael M. Villalon

Officer
Kristin D. Brown
Hilda E. Cantu
Kristina R. Kiracofe
Ashley L. Pluta
Victoria L. Starr

Wealth Advisory Group

Senior Vice President—Manager
Jonathan P. Steiner

Senior Vice President
Andrew R. Haddock
James D. Westerfield

Vice President
Richard A. Delks
Michelle L. Kindler
Jennifer I. King
Peggy L. Michel
Benjamin D. Shively
Reneta U. Thurairatnam

Assistant Vice President
Lisa A. Mansberger

Officer
Steven B. Burnside
Calisa M. Doll

Brokerage

Vice President
Scott M. Hartman
Adam C. Johnston

Officer
Lori A. Richcreek

Lake City Bank Offices

Akron
Argos
Auburn
Bremen
Columbia City
Concord
Elkhart Beardsley

Elkhart East

Elkhart Northwest
Fishers
Fort Wayne Downtown

Fort Wayne Jefferson
Fort Wayne North
Fort Wayne Northeast
Fort Wayne Southwest
Goshen Downtown
Goshen South

Granger
Greenwood
Huntington
Indianapolis Clearwater
Indianapolis Downtown
Indianapolis Michigan Road
Indianapolis North
Jimtown
Kendallville
LaGrange
Ligonier Downtown
Ligonier South
Medaryville
Mentone

Middlebury
Milford
Mishawaka
Nappanee
North Webster
Pierceton
Plymouth
Rochester
Shipshewana
Silver Lake
South Bend Downtown

South Bend Northwest
Syracuse
Warsaw Downtown
Warsaw East
Warsaw North
Warsaw West
Winona Lake

L. Jane Murphy
Kimberly K. Vermillion
Rebekah K. Hefty
Sonia R. Teske
Donald L. Sexton
Melissa J. Blosser
Rebecca L. Miller
Andrea R. Bowers
Phillip G. Ensley
Alexandra L. Mitchell
Emily E. Wold
Dana L. Donahue
Bruce A. Wright
Denise M. Ramsey
Robert J. Savage
Steve D. Schumacher
Phillip W. Dwire, Jr.
Amy M. Weisman
Angela M. Daly
Margaret A. Waddell
Rosa M. Alba
Kathryn A. Smith
Joseph Waltermann
Paula J. Whiting
Gloria J. Crawford
Jody M. Meyer
Whitney O. Hamilton, Jr.
Sara B. Hill
Steven Colagrossi
Barbara E. Keene
Cathy I. Hefty
Lori I. Cunningham
Jana L. Miller
Karen S. Scott
Karen A. Francis
Kimberly S. Orr
Lindsay N. Stanifer
Cheryl L. Luke
Fidencio Bueno
Katina A. Stephenson
Brenda S. Peterson
Kelli-Anna Cook
Carol D. Brown
Penny S. Ramsey
Sarah J. Miller-Bontrager
Sandra A. Nelson-Rowland
Stephanie R. Leniski
Megan L. Sutter
Mark A. Berta
Kimberly K. Strawbridge
Shelly R. Kammerer
Jennifer M. Orr
Pamela F. Messmore
Kathleen Madden
Sheryl L. Harlan

Vice President
Assistant Vice President
Assistant Vice President
Assistant Vice President
Vice President
Assistant Vice President
Vice President
Assistant Retail Banking Manager
Vice President
Assistant Retail Banking Manager
Assistant Retail Banking Manager
Vice President
Sr. Vice President, Regional Manager
Assistant Retail Banking Manager
Vice President
Vice President
Vice President
Vice President
Assistant Vice President
Vice President, Regional Manager
Assistant Vice President
Vice President
Vice President
Vice President
Vice President
Retail Banking Officer
Vice President, Regional Manager
Vice President
Vice President
Assistant Vice President
Assistant Vice President
Assistant Vice President
Assistant Vice President
Vice President, Regional Manager
Assistant Retail Banking Manager
Retail Banking Officer
Assistant Vice President
Vice President
Assistant Vice President
Assistant Vice President
Vice President
Retail Banking Officer
Assistant Vice President
Assistant Vice President
Assistant Vice President
Sr. Vice President, Regional Manager
Assistant Retail Banking Manager
Vice President
Vice President
Vice President
Assistant Vice President
Vice President, Regional Manager
Retail Banking Officer
Assistant Vice President

Forward Looking Statement

This document (including information incorporated by reference) contains, and future oral and written statements of the Company and its management may contain, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, plans, objectives, future performance and business of the Company. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of the Company's management and on information currently available to management, are generally identifiable by the use of words such as "believe," "expect," "anticipate," "plan," "intend," "estimate," "may," "will," "would," "could," "should" or other similar expressions. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and the Company undertakes no obligation to update any statement in light of new information or future events. A number of factors, many of which are beyond the ability of the Company to control or predict, could cause actual results to differ materially from those in its forward-looking statements. These factors include, among others, the following: (i) the strength of the local and national economy; (ii) the economic impact of future terrorist attacks and threats or acts of war and the response of the United States to any such attacks or threats; (iii) changes in state and federal laws, regulations and governmental policies concerning the Company's general business; (iv) changes in interest rates and prepayment rates of the Company's assets; (v) increased competition in the financial services sector and the inability to attract new customers; (vi) changes in technology and the ability to develop and maintain secure and reliable electronic systems; (vii) the loss of key executives or employees; (viii) changes in consumer spending; (ix) unexpected results of acquisitions; (x) unexpected outcomes of existing or new litigation involving the Company; and (xi) changes in accounting standards and practices. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning the Company and its business, including additional factors that could materially affect the Company's financial results, is included in the Company's filings with the Securities and Exchange Commission.



(888) 522-2265
lakecitybank.com