UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): January 25, 2022

LAKELAND FINANCIAL CORPORATION
(Exact name of Registrant as specified in its charter)

Indiana	0-11487	35-1559596
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

202 East Center Street, Warsaw , Indiana	46580
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (574) 267-6144

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	LKFN	NASDAQ

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (s230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (s240.12b-2 of this chapter).

Emerging growth company ☐

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

Item 2.02. Results of Operations and Financial Condition

On January 25, 2022, Lakeland Financial Corporation (the "Company") issued a press release announcing its earnings for the twelve months ended December 31, 2021. The press release is furnished herewith as Exhibit 99.1.

The disclosure in this Item 2.02 and the related exhibit under Item 9.01 are being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The disclosure in this Item 2.02 and the related exhibit under Item 9.01 shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1 Press Release dated January 25, 2022

SIGNATURES

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

LAKELAND FINANCIAL CORPORATION

Dated: January 25, 2022	By:	/s/ Lisa M. O'Neill
		Lisa M. O'Neill Executive Vice President and Chief Financial Officer

Exhibit 99.1

Lakeland Financial Corporation

NEWS FROM LAKELAND FINANCIAL CORPORATION

FOR IMMEDIATE RELEASE

Contact
Lisa M. O'Neill
Executive Vice President and Chief Financial Officer
(574) 267-9125
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Lakeland Financial Reports Record Annual Performance
Year-to-Date Record Net Income Improves by 13% to $95.7 Million

Warsaw, Indiana (January 25, 2022) – Lakeland Financial Corporation (Nasdaq Global Select/LKFN), parent company of Lake City Bank, today reported record full year net income of $95.7 million, which represents an increase of $11.4 million, or 13.5%, compared with net income of $84.3 million for 2020. Diluted earnings per share of $3.74 was also a record for 2021, which increased 13.3% compared to $3.30 for 2020. Net income for 2021 benefited from growth in net interest income and lower provision expense as compared to 2020, offset by an increase in noninterest expense.

The company further reported quarterly net income of $24.3 million for the three months ended December 31, 2021 versus $24.6 million for the comparable period of 2020, a decrease of 1.3%. Diluted net income per common share decreased 2.1% to $0.95 for the three months ended December 31, 2021 versus $0.97 for the comparable period of 2020. On a linked quarter basis, net income increased $164,000, or 0.7%, from the third quarter of 2021, of $24.1 million, or $0.94 diluted earnings per share. Pretax pre-provision earnings were $29.8 million for the fourth quarter of 2021, a decrease of 5.7%, or $1.8 million, from $31.6 million for the fourth quarter of 2020. On a linked quarter basis, pretax pre-provision earnings decreased 3.6%, or $1.1 million, from $30.9 million for the third quarter of 2021. The decreases in net income and pretax pre-provision earnings were driven primarily by lower Paycheck Protection Program (PPP) loan income in the fourth quarter of 2021. PPP loan income, which includes both interest income and fee accretion, was $2.2 million for the fourth quarter of 2021 compared to $6.5 million during the comparable quarter of 2020 and $3.9 million for the third quarter of 2021.

"We enter 2022 with great optimism and confidence in the core relationship businesses within Lake City Bank. During the last two years, we have experienced unprecedented growth that has challenged our management of the balance sheet and necessitated a level of flexibility and adaptability by the entire Lake City Bank team. We end 2021 strongly with record net income and a balance sheet ready for future growth. Our highly asset sensitive balance sheet is well-positioned for the interest rate hikes we expect to see in 2022. Further, we believe the liquidity on our balance sheet will prove valuable as we focus on future organic loan growth opportunities," commented David M. Findlay, President and Chief Executive Officer.

Highlights for the year and quarter are noted below.

Full year 2021 versus 2020 highlights:

- Total assets of $6.6 billion, an increase of $726.9 million, or 12%
- Dividend per share increase of 13% to $1.36 from $1.20
- Return on average equity of 14.19%, compared to 13.51%
- Return on average assets of 1.56%, compared to 1.55%
- Average loan growth, excluding PPP loans, of $135.5 million, or 3%
- Core deposit growth of $703.6 million, or 14%
- Noninterest bearing demand deposit account growth of $357.2 million, or 23%
- Net interest margin of 3.07% compared to 3.19%
- Net interest income increase of $15.1 million, or 9%
- Revenue growth of $13.0 million, or 6%
- Noninterest expense increase of $13.1 million, or 14%
- Provision expense[2] of $1.1 million compared to provision expense of $14.8 million, a decrease of $13.7 million
- Average total equity increase of $50.5 million, or 8%
- Total risk-based capital ratio improved to 15.34% compared to 14.65%
- Tangible capital ratio[1] of 10.70% compared to 11.21%

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[1] Non-GAAP financial measure – see "Reconciliation of Non-GAAP Financial Measures"
[2] Beginning January 1, 2021 calculation is based on the Current Expected Credit Loss methodology (CECL). Prior to January 1, 2021 calculation was based on the incurred loss methodology.

Fourth Quarter 2021 versus Fourth Quarter 2020 highlights:

- Average loan growth, excluding PPP loans, of $101.5 million, or 2%
- Core deposit growth of $703.6 million, or 14%
- Noninterest bearing demand deposit account growth of $357.2 million, or 23%
- Net interest margin of 2.98% compared to 3.28%
- Net interest income increase of $294,000, or 1%
- Noninterest expense increase of $14,000, or 0%
- Provision expense of $0 compared to provision expense of $920,000
- Average total equity increase of $47.7 million, or 7%

Fourth Quarter 2021 versus Third Quarter 2021 highlights:

- Return on average equity of 13.91%, compared to 13.90%
- Average loan growth, excluding PPP loans, of $5.2 million
- Core deposit growth of $321.8 million, or 6%
- Noninterest bearing demand deposit account growth of $133.5 million, or 8%
- Net interest margin of 2.98% compared to 3.13%
- Provision expense of $0 compared to a provision expense of $1.3 million
- Nonperforming loans of $15.1 million, a decrease of $15.9 million
- Average total equity increase of $4.1 million, or 1%
- Tangible capital ratio[1] was 10.70% compared to 10.92%

Return on average total equity for the year ended December 31, 2021 was 14.19%, compared to 13.51% in 2020. Return on average assets was 1.56% in 2021 compared to 1.55% in 2020. The company's total capital as a percent of risk-weighted assets was 15.34% at December 31, 2021 compared to 14.65% at December 31, 2020 and 15.44% at September 30, 2021. The company's tangible common equity to tangible assets ratio[1] was 10.70% at December 31, 2021, compared to 11.21% at December 31, 2020 and 10.92% at September 30, 2021.

As previously announced, the board of directors approved a cash dividend for the fourth quarter of $0.40 per share, payable on February 7, 2022, to shareholders of record as of January 25, 2022. The fourth quarter dividend per share represents an 18% increase from the $0.34 dividend per share paid in the third quarter of 2021.

Findlay added, “Our capital structure is exceptionally strong. As a result, we can comfortably provide our shareholders with an 18% increase in the dividend. We are confident in our future growth and performance, and the strength of our balance sheet is critical to our long-term success.”

Average total loans were $4.28 billion in the fourth quarter of 2021, a decrease of $74.8 million, or 2%, from $4.35 billion for the third quarter of 2021, and a decrease of $338.7 million, or 7%, from $4.62 billion for the fourth quarter 2020, due primarily to PPP loan forgiveness. Average PPP loans were $62.9 million during the fourth quarter of 2021, down from $503.0 million during the fourth quarter of 2020. Average loans, excluding PPP loans, were $4.22 billion in the fourth quarter of 2021, compared to $4.11 billion for the fourth quarter of 2020, an increase of $101.5 million, or 2%. On a linked quarter basis, average loans, excluding PPP loans, increased by $5.2 million.

Total loans outstanding decreased by $361.3 million, or 8%, from $4.65 billion as of December 31, 2020 to $4.29 billion as of December 31, 2021, due primarily to PPP loan forgiveness. PPP loans outstanding were $26.2 million as of December 31, 2021, compared to $412.0 million at December 31, 2020. Total loans, excluding PPP loans, were $4.26 billion as of December 31, 2021, representing an increase of $24.5 million, or 1%, as compared to December 31, 2020. On a linked quarter basis, total loans excluding PPP increased $114.1 million, or 3%. The company received PPP forgiveness proceeds and borrower repayments of $709.5 million since the program's inception through December 31, 2021.

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1 Non-GAAP financial measure – see “Reconciliation of Non-GAAP Financial Measures”
2 Beginning January 1, 2021 calculation is based on the Current Expected Credit Loss methodology (CECL). Prior to January 1, 2021 calculation was based on the incurred loss methodology.

Findlay stated, "Commercial organic loan originations reached an all-time high this quarter. During the fourth quarter we originated more than $650 million of commercial loans, yet also experienced elevated levels of paydowns over $600 million. Commercial line utilization continues to incrementally improve, but is still near historic lows. We continue to expand existing relationships and establish new ones as available commercial lines of credit reached a record high of $4.01 billion and outstanding commercial lines grew by 9% during the fourth quarter. The loan pipeline as we entered 2022 was encouraging as we are beginning to see signs of improved loan demand and borrower activity."

Average total deposits were $5.59 billion for the fourth quarter of 2021, an increase of $626.1 million, or 13%, versus $4.96 billion for the fourth quarter of 2020. On a linked quarter basis, average total deposits increased by $241.3 million, or 5%. Total deposits increased $698.6 million, or 14%, from $5.04 billion as of December 31, 2020 to $5.74 billion as of December 31, 2021. On a linked quarter basis, total deposits increased by $320.8 million, or 6%, from $5.41 billion as of September 30, 2021.

Core deposits, which exclude brokered deposits, increased by $703.6 million, or 14%, from $5.02 billion as of December 31, 2020 to $5.73 billion at December 31, 2021. This increase was due to growth in commercial deposits of $321.9 million, or 17%; growth in retail deposits of $259.5 million, or 14%; and growth in public fund deposits of $122.2 million, or 11%. On a linked quarter basis, core deposits increased by $321.8 million, or 6%. The linked quarter growth resulted from commercial deposit growth of $118.7 million, a 6% increase; retail growth of $208.1 million, an 11% increase; and offset by public fund contraction of $5.0 million.

Investment securities were $1.40 billion at December 31, 2021, reflecting an increase of $663.7 million, or 90%, as compared to $734.8 million at December 31, 2020. On a linked quarter basis, investment securities increased $158.8 million, or 13%. Investment securities represent 21% of total assets on December 31, 2021 compared to 13% on December 31, 2020 and 20% on September 30, 2021. The increase in investment securities reflects the deployment of $652 million in excess liquidity that resulted from deposit growth. Deposit growth was impacted by PPP and economic stimulus.

"During the last two years, we have seen core deposits grow by $1.7 billion, a portion of the resulting liquidity has been strategically deployed in our investment securities portfolio as an earning asset alternative while our customers' deposits remain elevated. We remain focused on core organic loan growth as the primary driver of our balance sheet and are optimistic that we are well-positioned to grow market share as we transition to the next economic growth cycle. Additionally, we remain optimistic that the high percentage of variable rate loans on our balance sheet, coupled with cost of funds at historically low levels, position Lake City Bank with the ability to fund organic loan growth and benefit from the anticipated Federal Reserve Bank rising interest rate cycle," Findlay commented.

Net interest margin was 3.07% for the full year 2021, down 12 basis points from 3.19% in 2020. Earnings assets yields declined by 44 basis points to 3.33%, offset by a decline of 32 basis points in the cost of funds. The strong 2021 deposit growth funded organic loan growth, and generated excess liquidity. Average investment securities increased by $434.4 million during 2021 and average interest-bearing deposits to the bank grew by $313.6 million. The shift in earning assets generated lower average yields. Net interest margin, excluding PPP loans, was 2.95% for the year ended 2021, down 24 basis points from 3.19% during 2020.

The company's net interest margin decreased 30 basis points to 2.98% for the fourth quarter of 2021 compared to 3.28% for the fourth quarter of 2020. The lower margin in the fourth quarter of 2021 as compared to the prior year period was due to a slowing of PPP forgiveness as the bank's borrowers actively applied for and received forgiveness throughout the second half of 2020 and the first three quarters of 2021. PPP loan income for the fourth quarter of 2021 was $2.2 million, or $4.3 million less than PPP loan income of $6.5 million during the fourth quarter of 2020. PPP interest and fees represented 11 basis points of fourth quarter 2021 net interest margin compared to 16 basis points for the fourth quarter 2020 net interest margin.

Net interest margin was negatively impacted by the decrease in earning asset yields of 46 basis points from 3.65% for the fourth quarter of 2020 compared to 3.19% for the fourth quarter of 2021. As a result of the excess liquidity on the company's balance sheet, the mix of earning assets included lower yielding earning assets in the investment securities portfolio and cash balances at the Federal Reserve Bank. The lower yield on earning assets was offset by lower cost of funds, which decreased by 16 basis points, from 0.37% for the fourth quarter of 2020 to 0.21% for the fourth quarter of 2021. Net interest margin, excluding PPP loan income, was 2.87%, 25 basis points lower than 3.12% in the fourth quarter of 2020.

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[1] Non-GAAP financial measure – see "Reconciliation of Non-GAAP Financial Measures"
[2] Beginning January 1, 2021 calculation is based on the Current Expected Credit Loss methodology (CECL). Prior to January 1, 2021 calculation was based on the incurred loss methodology.

Fourth quarter net interest margin was 2.98%, a decline of 15 basis points compared to linked third quarter net interest margin of 3.13%. Net interest margin excluding PPP was 11 basis points lower at 2.87% for the fourth quarter of 2021 compared to 2.95% for the linked third quarter of 2021. Earning asset yields declined by 18 basis points offset by a decline in cost of funds of 3 basis points. Interest expense as a percentage of earning assets decreased to a historical low of 0.21% for the three-month period ended December 31, 2021, down from 0.24% for the three-month period ended September 30, 2021.

Net interest income was $178.1 million for the year ended December 31, 2021, representing an increase of $15.1 million, or 9.3%, as compared to the year ended December 31, 2020. The increase was due primarily to a decrease in interest expense of $15.0 million, or 50%, and an increase in investment securities income of $6.6 million, offset by a $6.6 million decline in loan interest income. PPP loan income, including interest and fees, was $14.9 million during the year ended December 31, 2021, compared to $12.8 million during 2020.

Net interest income was $45.0 million for the three months ended December 31, 2021, representing an increase of $294,000, or 1%, as compared to the three months ended December 31, 2020. On a linked quarter basis, net interest income decreased $734,000, or 2%, from the third quarter of 2021. PPP loan income, including interest and fees, was $2.2 million for the three months ended December 31, 2021, compared to $3.9 million during the third quarter of 2021.

Provision expense for 2021 was $1.1 million, down from $14.8 million in 2020. Provision expense for 2020 reflected the increased assessment of risk to the bank's loan portfolio as a result of the economic downturn that resulted from the pandemic. The company recorded no provision for credit losses[2] in the fourth quarter of 2021, compared to $920,000 of provision expense in the fourth quarter of 2020. On a linked quarter basis, the provision expense decreased by $1.3 million from the third quarter of 2021. The company adopted CECL during the first quarter of 2021, effective January 1, 2021. The day one impact of adoption was an increase in the allowance for credit losses[2] of $9.1 million, with an offset, net of taxes, to beginning stockholders' equity.

The credit loss reserve to total loans was 1.58% at December 31, 2021 versus 1.32% at December 31, 2020 and 1.72% at September 30, 2021. The decline in the credit reserve to total loans from September 2021 to December 2021, reflects the impact of charge offs as well as the impact of loan growth during the quarter. The credit loss reserve to total loans excluding PPP loans was 1.59% at December 31, 2021 versus 1.45% at December 31, 2020 and 1.76% at September 30, 2021. PPP loans are guaranteed by the United States Small Business Administration (SBA) and have not been allocated for within the allowance for credit losses[2].

Net charge offs in the fourth quarter of 2021 were $5.3 million versus net charge offs of $259,000 in the fourth quarter of 2020 and net recoveries of $35,000 during the linked third quarter of 2021. Annualized net charge offs (recoveries) to average loans were 0.49% for the fourth quarter of 2021 and 0.02% in the fourth quarter of 2020, and 0.00% for the linked third quarter of 2021. Net charge offs to average loans were 0.09% during the full year of 2021 unchanged from 2020.

Nonperforming assets increased $2.9 million, or 23%, to $15.3 million as of December 31, 2021 versus $12.4 million as of December 31, 2020. On a linked quarter basis, nonperforming assets decreased $16.0 million, or 51%, versus $31.3 million as of September 30, 2021. The net decrease in non-performing assets on a linked quarter basis resulted from net charge offs, net upgrades of non-individually analyzed watchlist credits of $3.3 million as well as recurring loan repayments. The company recorded a $5.2 million charge off in the fourth quarter on a commercial borrower that was downgraded to nonperforming status during the third quarter of 2021. The operations of the borrower, a retailer of party and special event supplies, were severely impacted by the economic conditions resulting from the COVID-19 pandemic. There is no remaining credit exposure to this customer. The ratio of nonperforming assets to total assets at December 31, 2021 increased to 0.23% from 0.21% at December 31, 2020 and decreased from 0.50% at September 30, 2021. Total individually analyzed and watch list loans decreased by $51.7 million, or 18%, to $234.5 million at December 31, 2021 versus $286.1 million as of December 31, 2020. On a linked quarter basis, total individually analyzed and watch list loans decreased by $24.1 million, or 9%, from $258.5 million at September 30, 2021.

"We remain cautiously optimistic on the asset quality front. Clearly, our commercial borrowers continue to feel the impact of inflation, supply chain challenges, workforce availability and readiness, and wage pressures. These are widespread and are impacting every sector of our loan portfolio. Yet, borrowers' balance sheets are generally healthy and while operating margins are being impacted, our clients are managing through the challenges," commented Findlay.

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1 Non-GAAP financial measure – see "Reconciliation of Non-GAAP Financial Measures"
2 Beginning January 1, 2021 calculation is based on the Current Expected Credit Loss methodology (CECL). Prior to January 1, 2021 calculation was based on the incurred loss methodology.

Noninterest income of $44.7 million decreased by $2.1 million, or 5%, for the year ended December 31, 2021 as compared to $46.8 million in 2020. The decrease was driven by a $4.1 million reduction in interest rate swap fees and a $2.5 million reduction in mortgage banking income, offset by a $1.8 million increase in loan service fees, a $1.6 million increase in wealth advisory fees, and a $615,000 increase in merchant card fee income. Interest rate swap arrangements have seen a decrease in demand during 2021 and the carrying value of mortgage servicing rights has been impacted by increased prepayment speeds, both due to the current interest rate environment. The increases in fee income were driven by higher transaction volumes and increased economic activity.

Noninterest income decreased $2.1 million, or 18%, to $9.7 million for the fourth quarter of 2021, compared to $11.8 million for the fourth quarter of 2020. Noninterest income was affected by a decrease of $1.3 million in mortgage banking income, or 135%, an $883,000 reduction in interest rate swap fee income, or 90%, and a $530,000 reduction in limited partnership income (a component of other income). These reductions were offset by improved loan and service fee income, which increased by $484,000, or 19%, growth in wealth advisory fees of $443,000, or 24%, and growth in merchant and interchange fee income of $322,000, or 68%. These changes were influenced by the same trends summarized in the preceding paragraph.

Noninterest income decreased by $1.4 million, or 13%, on a linked quarter from $11.1 million. The linked quarter decrease resulted primarily from decreases in limited partnership income of $656,000, mortgage banking income of $307,000, bank owned life insurance income of $273,000 and other noninterest income of $128,000. Offsetting these decreases was an increase in wealth advisory fee income of $140,000.

Noninterest expense increased by $13.1 million, or 14%, to $104.3 million for the year ended December 31, 2021 as compared to $91.2 million for 2020. Salaries and employee benefits increased by $8.5 million, or 17%, due primarily to increased performance-based compensation, increased salaries and increased health insurance expense. Additionally, increased legal fees and costs associated with the digital platform conversion contributed to an overall increase of $1.8 million, or 33%, in professional fees. Corporate and business development expenses increased as the economy re-opened in 2021, and client events and contributions increased in 2021.

Noninterest expense was $24.9 million in the fourth quarter of 2021, up by $14,000 from the fourth quarter of 2020. Corporate and business development expenses increased $285,000, or 37%, due to elevated business development and business contributions as in-person meetings with clients and prospects have resumed. Professional fees expenses increased $198,000, or 11%, over these periods. Offsetting these increases were decreases in salaries and employee benefits expense of $212,000, or 2%, and equipment costs of $154,000, or 10%.

On a linked quarter basis, noninterest expense decreased by $1.0 million, or 4%, from $26.0 million. Salaries and employee benefits decreased by $725,000, or 5%, driven by fluctuations in performance-based incentive compensation expense. Other expense decreased by $631,000, or 23%, due to board semi-annual share grant expense of $421,000 in the third quarter of 2021. Offsetting these decreases was an increase in professional fees of $664,000, or 49%. This was driven primarily by increased legal fees.
The company’s efficiency ratio was 45.6% for the fourth quarter of 2021, compared to 44.1% for the fourth quarter of 2020 and 45.7% for the linked third quarter of 2021. The company's efficiency ratio was 46.8% for the year ended December 31, 2021 compared to 43.5% in the prior year.

Paycheck Protection Program

During 2020 and the first half of 2021, the company funded PPP loans totaling $735.6 million for its customers through the PPP programs. In addition, the bank processed forgiveness applications for PPP loans representing 97% of loans originated. As of December 31, 2021, PPP loans outstanding, net of deferred fees, totaled $26.2 million; $3.8 million from PPP round one and $22.3 million from PPP round two. As of December 31, 2021, the SBA has approved forgiveness of, or the borrower had repaid, $709.5 million in PPP loans; $566.7 million for PPP loans originated during round one and $142.8 million for PPP loans originated during round two. As of December 31, 2021, the company had submitted additional PPP forgiveness applications on behalf of customers in the amount of $8.3 million that were awaiting SBA approval.

	December 31, 2021					
	Originated		Forgiven / Repaid		Outstanding [1]	
	Number	Amount	Number	Amount	Number	Amount
PPP Round 1	2,409	$ 570,500	2,390	$ 566,682	19	$ 3,818
PPP Round 2	1,192	165,142	1,117	142,809	75	22,333
Total	3,601	$ 735,642	3,507	$ 709,491	94	$ 26,151

(1) Outstanding balance includes deferred loan origination fees, net of costs, and reflects any loans repaid by borrowers.

Information regarding Lakeland Financial Corporation may be accessed on the home page of its subsidiary, Lake City Bank, at lakecitybank.com. The company's common stock is traded on the Nasdaq Global Select Market under "LKFN." In addition to the results presented in accordance with generally accepted accounting principles in the United States, this earnings release contains certain non-GAAP financial measures. The company believes that providing non-GAAP financial measures provides investors with information useful to understanding the company's financial performance. Additionally, these non-GAAP measures are used by management for planning and forecasting purposes, including tangible common equity, tangible assets, tangible book value per share, tangible common equity to tangible assets ratio and pretax pre-provision earnings. A reconciliation of these and other non-GAAP measures to the most comparable GAAP equivalents is included in the attached financial tables where the non-GAAP measures are presented.

This document 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," "continue," "plan," "intend," "estimate," "may," "will," "would," "could," "should" or other similar expressions. The company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain and, accordingly, the reader is cautioned not to place undue reliance on any forward-looking statements made by the company. 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. Numerous factors could cause the company's actual results to differ from those reflected in forward-looking statements, including the effects of the COVID-19 pandemic, including its effects on our customers, local economic conditions, our operations and vendors, and the responses of federal, state and local governmental authorities, as well as those identified in the company's filings with the Securities and Exchange Commission, including the company's Annual Report on Form 10-K and quarterly reports on Form 10-Q.

LAKELAND FINANCIAL CORPORATION
FOURTH QUARTER 2021 FINANCIAL HIGHLIGHTS

(Unaudited – Dollars in thousands, except per share data)	Three Months Ended			Twelve Months Ended	
END OF PERIOD BALANCES	**December 31, 2021**	September 30, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
Assets	**$ 6,557,323**	$ 6,222,916	$ 5,830,435	**$ 6,557,323**	$ 5,830,435
Deposits	**5,735,407**	5,414,638	5,036,805	**5,735,407**	5,036,805
Brokered Deposits	**10,003**	11,012	15,002	**10,003**	15,002
Core Deposits (1)	**5,725,404**	5,403,626	5,021,803	**5,725,404**	5,021,803
Loans	**4,287,841**	4,239,453	4,649,156	**4,287,841**	4,649,156
Paycheck Protection Program (PPP) Loans	**26,151**	91,897	412,007	**26,151**	412,007
Allowance for Credit Losses (2)	**67,773**	73,048	61,408	**67,773**	61,408
Total Equity	**704,906**	683,202	657,184	**704,906**	657,184
Goodwill net of deferred tax assets	**3,794**	3,794	3,794	**3,794**	3,794
Tangible Common Equity (3)	**701,112**	679,408	653,390	**701,112**	653,390
AVERAGE BALANCES					
Total Assets	**$ 6,397,397**	$ 6,153,334	$ 5,747,818	**$ 6,153,780**	$ 5,424,796
Earning Assets	**6,148,085**	5,909,834	5,501,505	**5,906,640**	5,184,836
Investments - available-for-sale	**1,336,492**	1,201,657	657,990	**1,068,325**	633,957
Loans	**4,279,262**	4,354,104	4,617,912	**4,421,094**	4,424,472
Paycheck Protection Program (PPP) Loans	**62,910**	142,917	503,041	**237,951**	376,785
Total Deposits	**5,585,537**	5,344,272	4,959,443	**5,357,284**	4,650,597
Interest Bearing Deposits	**3,784,837**	3,662,707	3,477,431	**3,686,112**	3,340,696
Interest Bearing Liabilities	**3,859,971**	3,737,707	3,568,572	**3,761,520**	3,437,338
Total Equity	**692,396**	688,252	644,677	**674,637**	624,174
INCOME STATEMENT DATA					
Net Interest Income	**$ 45,007**	$ 45,741	$ 44,713	**$ 178,088**	$ 163,008
Net Interest Income-Fully Tax Equivalent	**46,140**	46,717	45,362	**181,675**	165,454
Provision for Credit Losses (2)	**0**	1,300	920	**1,077**	14,770
Noninterest Income	**9,709**	11,114	11,782	**44,720**	46,843
Noninterest Expense	**24,926**	25,967	24,912	**104,287**	91,205
Net Income	**24,283**	24,119	24,592	**95,733**	84,337
Pretax Pre-Provision Earnings (3)	**29,790**	30,888	31,583	**118,521**	118,646
PER SHARE DATA					
Basic Net Income Per Common Share	**$ 0.95**	$ 0.95	$ 0.97	**$ 3.76**	$ 3.31
Diluted Net Income Per Common Share	**0.95**	0.94	0.97	**3.74**	3.30
Cash Dividends Declared Per Common Share	**0.34**	0.34	0.30	**1.36**	1.20
Dividend Payout	**35.79 %**	36.17 %	30.93 %	**36.36 %**	36.36 %
Book Value Per Common Share (equity per share issued)	**27.65**	26.80	25.85	**27.65**	25.85
Tangible Book Value Per Common Share (3)	**27.50**	26.66	25.70	**27.50**	25.70
Market Value – High	**80.77**	73.04	56.28	**80.77**	56.28
Market Value – Low	**71.19**	56.06	40.57	**50.71**	30.49
Basic Weighted Average Common Shares Outstanding	**25,486,484**	25,479,654	25,424,307	**25,475,994**	25,469,242
Diluted Weighted Average Common Shares Outstanding	**25,669,042**	25,635,288	25,519,643	**25,620,105**	25,573,941
KEY RATIOS					
Return on Average Assets	**1.51 %**	1.56 %	1.70 %	**1.56 %**	1.55 %
Return on Average Total Equity	**13.91**	13.90	15.18	**14.19**	13.51
Average Equity to Average Assets	**10.82**	11.19	11.22	**10.96**	11.51
Net Interest Margin	**2.98**	3.13	3.28	**3.07**	3.19
Net Interest Margin, Excluding PPP Loans (3)	**2.87**	2.95	3.12	**2.95**	3.19
Efficiency (Noninterest Expense / Net Interest Income plus Noninterest Income)	**45.56**	45.67	44.10	**46.81**	43.46
Tier 1 Leverage (4)	**10.72**	10.91	10.93	**10.72**	10.93
Tier 1 Risk-Based Capital (4)	**14.09**	14.18	13.39	**14.09**	13.39
Common Equity Tier 1 (CET1) (4)	**14.09**	14.18	13.39	**14.09**	13.39
Total Capital (4)	**15.34**	15.44	14.65	**15.34**	14.65
Tangible Capital (3) (4)	**10.70**	10.92	11.21	**10.70**	11.21
ASSET QUALITY					
Loans Past Due 30 - 89 Days	**$ 729**	$ 1,245	$ 1,263	**$ 729**	$ 1,263
Loans Past Due 90 Days or More	**117**	18	116	**117**	116
Non-accrual Loans	**14,973**	30,978	11,986	**14,973**	11,986
Nonperforming Loans (includes					

Nonperforming Loans (includes nonperforming TDRs)	**15,090**	30,996	12,102	**15,090**	12,102
Other Real Estate Owned	**196**	316	316	**196**	316
Other Nonperforming Assets	**0**	20	6	**0**	6
Total Nonperforming Assets	**15,286**	31,332	12,424	**15,286**	12,424
Performing Troubled Debt Restructurings	**5,121**	4,973	5,237	**5,121**	5,237
Nonperforming Troubled Debt Restructurings (included in nonperforming loans)	**6,218**	6,093	6,476	**6,218**	6,476
Total Troubled Debt Restructurings	**11,339**	11,066	11,713	**11,339**	11,713
Individually Analyzed Loans	**25,581**	41,148	20,177	**25,581**	20,177
Non-Individually Analyzed Watch List Loans	**208,881**	217,386	265,970	**208,881**	265,970
Total Individually Analyzed and Watch List Loans	**234,462**	258,534	286,147	**234,462**	286,147
Gross Charge Offs	**5,390**	90	688	**5,983**	5,253
Recoveries	**115**	125	429	**2,221**	1,239
Net Charge Offs/(Recoveries)	**5,275**	(35)	259	**3,762**	4,014
Net Charge Offs/(Recoveries) to Average Loans	**0.49 %**	0.00 %	0.02 %	**0.09 %**	0.09 %
Credit Loss Reserve to Loans (2)	**1.58 %**	1.72 %	1.32 %	**1.58 %**	1.32 %
Credit Loss Reserve to Loans, Excluding PPP Loans (2) (3)	**1.59 %**	1.76 %	1.45 %	**1.59 %**	1.45 %
Credit Loss Reserve to Nonperforming Loans (2)	**449.13 %**	235.67 %	507.42 %	**449.13 %**	507.42 %
Credit Loss Reserve to Nonperforming Loans and Performing TDRs (2)	**335.33 %**	203.08 %	354.17 %	**335.33 %**	354.17 %
Nonperforming Loans to Loans	**0.35 %**	0.73 %	0.26 %	**0.35 %**	0.26 %
Nonperforming Assets to Assets	**0.23 %**	0.50 %	0.21 %	0.23 %	0.21 %
Total Individually Analyzed and Watch List Loans to Total Loans	**5.47 %**	6.10 %	6.15 %	5.47 %	6.15 %
Total Individually Analyzed and Watch List Loans to Total Loans, Excluding PPP Loans (3)	**5.50 %**	6.23 %	6.75 %	5.50 %	6.75 %
OTHER DATA					
Full Time Equivalent Employees	**582**	592	585	582	585
Offices	**51**	51	50	51	50

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(1) Core deposits equals deposits less brokered deposits
(2) Beginning January 1, 2021 calculation is based on the current expected credit loss methodology. Prior to January 1, 2021 calculation was based on the incurred loss methodology.
(3) Non-GAAP financial measure - see "Reconciliation of Non-GAAP Financial Measures"
(4) Capital ratios for December 31, 2021 are preliminary until the Call Report is filed.

Lakeland Financial Corporation

CONSOLIDATED BALANCE SHEETS (in thousands, except share data)

	December 31, 2021 (Unaudited)	December 31, 2020
ASSETS		
Cash and due from banks	**$ 51,830**	$ 74,457
Short-term investments	**631,410**	175,470
Total cash and cash equivalents	**683,240**	249,927
Securities available-for-sale (carried at fair value)	**1,398,558**	734,845
Real estate mortgage loans held-for-sale	**7,470**	11,218
Loans, net of allowance for credit losses* of $67,773 and $61,408	**4,220,068**	4,587,748
Land, premises and equipment, net	**59,309**	59,298
Bank owned life insurance	**97,652**	95,227
Federal Reserve and Federal Home Loan Bank stock	**13,772**	13,772
Accrued interest receivable	**17,674**	18,761
Goodwill	**4,970**	4,970
Other assets	**54,610**	54,669
Total assets	**$ 6,557,323**	$ 5,830,435
LIABILITIES		
Noninterest bearing deposits	**$ 1,895,481**	$ 1,538,331
Interest bearing deposits	**3,839,926**	3,498,474
Total deposits	**5,735,407**	5,036,805
Borrowings		
Federal Home Loan Bank advances	**75,000**	75,000
Miscellaneous borrowings	**0**	10,500
Total borrowings	**75,000**	85,500
Accrued interest payable	**2,619**	5,959
Other liabilities	**39,391**	44,987
Total liabilities	**5,852,417**	5,173,251
STOCKHOLDERS' EQUITY		
Common stock: 90,000,000 shares authorized, no par value		
25,777,609 shares issued and 25,300,793 outstanding as of December 31, 2021		
25,713,408 shares issued and 25,239,748 outstanding as of December 31, 2020	**120,615**	114,927
Retained earnings	**583,134**	529,005
Accumulated other comprehensive income	**16,093**	27,744
Treasury stock, at cost (476,816 shares and 473,660 shares as of December 31, 2021 and 2020, respectively)	**(15,025)**	(14,581)
Total stockholders' equity	**704,817**	657,095
Noncontrolling interest	**89**	89
Total equity	**704,906**	657,184
Total liabilities and equity	**$ 6,557,323**	$ 5,830,435

* Beginning January 1, 2021 calculation is based on the current expected credit loss methodology. Prior to January 1, 2021 calculation was based on the incurred loss methodology.

Lakeland Financial Corporation

CONSOLIDATED STATEMENTS OF INCOME (unaudited - in thousands, except share and per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
NET INTEREST INCOME				
Interest and fees on loans				
Taxable	$ 41,253	$ 45,779	$ 170,081	$ 176,538
Tax exempt	146	105	470	647
Interest and dividends on securities				
Taxable	2,604	1,554	9,086	6,973
Tax exempt	4,118	2,340	13,033	8,577
Other interest income	201	76	549	368
Total interest income	48,322	49,854	193,219	193,103
Interest on deposits	3,240	5,018	14,827	29,342
Interest on borrowings				
Short-term	0	48	7	506
Long-term	75	75	297	247
Total interest expense	3,315	5,141	15,131	30,095
NET INTEREST INCOME	45,007	44,713	178,088	163,008
Provision for credit losses*	0	920	1,077	14,770
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	45,007	43,793	177,011	148,238
NONINTEREST INCOME				
Wealth advisory fees	2,317	1,874	8,750	7,468
Investment brokerage fees	415	522	1,975	1,670
Service charges on deposit accounts	2,840	2,658	10,608	10,110
Loan and service fees	3,099	2,615	11,922	10,085
Merchant card fee income	797	475	3,023	2,408
Bank owned life insurance income	366	629	2,467	2,105
Interest rate swap fee income	101	984	1,035	5,089
Mortgage banking income (loss)	(338)	966	1,418	3,911
Net securities gains	0	70	797	433
Other income	112	989	2,725	3,564
Total noninterest income	9,709	11,782	44,720	46,843
NONINTEREST EXPENSE				
Salaries and employee benefits	13,505	13,717	57,882	49,413
Net occupancy expense	1,385	1,515	5,728	5,851
Equipment costs	1,396	1,550	5,530	5,766
Data processing fees and supplies	2,982	3,128	12,674	11,864
Corporate and business development	1,054	769	4,262	3,093
FDIC insurance and other regulatory fees	535	483	2,242	1,707
Professional fees	2,006	1,808	7,064	5,314
Other expense	2,063	1,942	8,905	8,197
Total noninterest expense	24,926	24,912	104,287	91,205
INCOME BEFORE INCOME TAX EXPENSE	29,790	30,663	117,444	103,876
Income tax expense	5,507	6,071	21,711	19,539
NET INCOME	$ 24,283	$ 24,592	$ 95,733	$ 84,337
BASIC WEIGHTED AVERAGE COMMON SHARES	$ 25,486,484	$ 25,424,307	$ 25,475,994	$ 25,469,242
BASIC EARNINGS PER COMMON SHARE	$ 0.95	$ 0.97	$ 3.76	$ 3.31
DILUTED WEIGHTED AVERAGE COMMON SHARES	$ 25,669,042	25,519,643	$ 25,620,105	25,573,941
DILUTED EARNINGS PER COMMON SHARE	$ 0.95	$ 0.97	$ 3.74	$ 3.30

* Beginning January 1, 2021 calculation is based on the current expected credit loss methodology. Prior to January 1, 2021 calculation was based on the incurred loss methodology.

Lakeland Financial Corporation

LAKELAND FINANCIAL CORPORATION
LOAN DETAIL
(unaudited, in thousands)

	December 31, 2021		September 30, 2021		December 31, 2020	
Commercial and industrial loans:						
Working capital lines of credit loans	**$ 652,861**	**15.2 %**	$ 659,166	15.5 %	$ 626,023	13.5 %
Non-working capital loans	**736,608**	**17.2**	782,618	18.5	1,165,355	25.0
Total commercial and industrial loans	**1,389,469**	**32.4**	1,441,784	34.0	1,791,378	38.5
Commercial real estate and multi-family residential loans:						
Construction and land development loans	**379,813**	**8.9**	378,716	8.9	362,653	7.8
Owner occupied loans	**739,371**	**17.2**	740,836	17.4	648,019	13.9
Nonowner occupied loans	**588,458**	**13.7**	582,019	13.7	579,625	12.5
Multifamily loans	**247,204**	**5.8**	252,983	6.0	304,717	6.5
Total commercial real estate and multi-family residential loans	**1,954,846**	**45.6**	1,954,554	46.0	1,895,014	40.7
Agri-business and agricultural loans:						
Loans secured by farmland	**206,331**	**4.8**	152,099	3.5	195,410	4.2
Loans for agricultural production	**239,494**	**5.6**	171,981	4.1	234,234	5.0
Total agri-business and agricultural loans	**445,825**	**10.4**	324,080	7.6	429,644	9.2
Other commercial loans	**73,490**	**1.7**	83,595	2.0	94,013	2.0
Total commercial loans	**3,863,630**	**90.1**	3,804,013	89.6	4,210,049	90.4
Consumer 1-4 family mortgage loans:						
Closed end first mortgage loans	**176,561**	**4.1**	173,689	4.1	167,847	3.6
Open end and junior lien loans	**156,238**	**3.6**	161,941	3.8	163,664	3.5
Residential construction and land development loans	**11,921**	**0.3**	12,542	0.3	12,007	0.3
Total consumer 1-4 family mortgage loans	**344,720**	**8.0**	348,172	8.2	343,518	7.4
Other consumer loans	**82,755**	**1.9**	92,169	2.2	103,616	2.2
Total consumer loans	**427,475**	**9.9**	440,341	10.4	447,134	9.6
Subtotal	**4,291,105**	**100.0 %**	4,244,354	100.0 %	4,657,183	100.0 %
Less: Allowance for credit losses (1)	**(67,773)**		(73,048)		(61,408)	
Net deferred loan fees	**(3,264)**		(4,901)		(8,027)	
Loans, net	**$ 4,220,068**		$ 4,166,405		$ 4,587,748	

(1) Beginning January 1, 2021 calculation is based on the current expected credit loss methodology. Prior to January 1, 2021 calculation was based on the incurred loss methodology.

LAKELAND FINANCIAL CORPORATION
DEPOSITS AND BORROWINGS
(unaudited, in thousands)

	December 31, 2021	September 30, 2021	December 31, 2020
Noninterest bearing demand deposits	**$ 1,895,481**	$ 1,762,021	$ 1,538,331
Savings and transaction accounts:			
Savings deposits	**409,343**	375,993	312,702
Interest bearing demand deposits	**2,601,065**	2,411,722	2,160,953
Time deposits:			
Deposits of $100,000 or more	**627,123**	658,050	785,238
Other time deposits	**202,395**	206,852	239,581
Total deposits	**$ 5,735,407**	$ 5,414,638	$ 5,036,805
FHLB advances and other borrowings	**75,000**	75,000	85,500
Total funding sources	**$ 5,810,407**	$ 5,489,638	$ 5,122,305

Lakeland Financial Corporation

LAKELAND FINANCIAL CORPORATION
AVERAGE BALANCE SHEET AND NET INTEREST ANALYSIS
(UNAUDITED)

	Three Months Ended December 31, 2021			Three months ended September 30, 2021			Three Months Ended December 31, 2020		
(fully tax equivalent basis, dollars in thousands)	**Average Balance**	**Interest Income**	**Yield (1)/ Rate**	Average Balance	Interest Income	Yield (1)/ Rate	Average Balance	Interest Income	Yield (1)/ Rate
Earning Assets									
Loans:									
Taxable (2)(3)	**$ 4,260,960**	**$ 41,253**	**3.84 %**	$ 4,339,792	$ 43,025	3.93 %	$ 4,604,704	$ 45,779	3.96 %
Tax exempt (1)	**18,302**	**184**	**3.99**	14,312	150	4.16	13,208	132	3.97
Investments: (1)									
Available-for-sale	**1,336,492**	**7,817**	**2.32**	1,201,657	6,971	2.30	657,990	4,516	2.73
Short-term investments	**2,201**	**1**	**0.11**	2,304	0	0.00	2,334	1	0.17
Interest bearing deposits	**530,130**	**200**	**0.15**	351,769	125	0.14	223,269	75	0.13
Total earning assets	**$ 6,148,085**	**$ 49,455**	**3.19 %**	$ 5,909,834	$ 50,271	3.37 %	$ 5,501,505	$ 50,503	3.65 %
Less: Allowance for credit losses (4)	**(72,972)**			(72,157)			(61,438)		
Nonearning Assets									
Cash and due from banks	**72,908**			67,715			66,851		
Premises and equipment	**59,712**			59,824			59,942		
Other nonearning assets	**189,664**			188,118			180,958		
Total assets	**$ 6,397,397**			$ 6,153,334			$ 5,747,818		
Interest Bearing Liabilities									
Savings deposits	**$ 384,229**	**$ 74**	**0.08 %**	$ 369,191	$ 71	0.08 %	$ 297,832	$ 57	0.08 %
Interest bearing checking accounts	**2,563,557**	**1,854**	**0.29**	2,390,462	1,712	0.28	2,058,069	1,585	0.31
Time deposits:									
In denominations under $100,000	**203,706**	**388**	**0.76**	211,911	457	0.86	242,846	792	1.30
In denominations over $100,000	**633,345**	**924**	**0.58**	691,143	1,239	0.71	878,684	2,584	1.17
Miscellaneous short-term borrowings	**134**	**0**	**0.00**	0	0	0.00	16,141	48	1.18
Long-term borrowings and subordinated debentures	**75,000**	**75**	**0.40**	75,000	75	0.40	75,000	75	0.40
Total interest bearing liabilities	**$ 3,859,971**	**$ 3,315**	**0.34 %**	$ 3,737,707	$ 3,554	0.38 %	$ 3,568,572	$ 5,141	0.57 %
Noninterest Bearing Liabilities									
Demand deposits	**1,800,700**			1,681,565			1,482,012		
Other liabilities	**44,330**			45,810			52,557		
Stockholders' Equity	**692,396**			688,252			644,677		
Total liabilities and stockholders' equity	**$ 6,397,397**			$ 6,153,334			$ 5,747,818		
Interest Margin Recap									
Interest income/average earning assets		**49,455**	**3.19**		50,271	3.37		50,503	3.65
Interest expense/average earning assets		**3,315**	**0.21**		3,554	0.24		5,141	0.37
Net interest income and margin		**$ 46,140**	**2.98 %**		$ 46,717	3.13 %		$ 45,362	3.28 %

(1) Tax exempt income was converted to a fully taxable equivalent basis at a 21 percent tax rate. The tax equivalent rate for tax exempt loans and tax exempt securities acquired after January 1, 1983 included the Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”) adjustment applicable to nondeductible interest expenses. Taxable equivalent basis adjustments were $1.13 million, $976,000 and $649,000 in the three-month periods ended December 31, 2021, September 30, 2021 and December 31, 2020, respectively.

(2) Loan fees are included as taxable loan interest income. Net loan fees attributable to PPP loans were $2.02 million, $3.57 million, and $5.21 million for the three-month periods ended December 31, 2021, September 30, 2021 and December 31, 2020, respectively. All other loan fees were immaterial in relation to total taxable loan interest income for the periods presented.

(3) Nonaccrual loans are included in the average balance of taxable loans.

(4) Beginning January 1, 2021 calculation is based on the current expected credit loss methodology. Prior to January 1, 2021 calculation was based on the incurred loss methodology.

Reconciliation of Non-GAAP Financial Measures

The allowance for credit losses (1) to total loans, excluding PPP loans, and total individually analyzed and watch list loans to total loans, excluding PPP loans, are non-GAAP ratios that management believes are important because they provide better comparability to prior periods. PPP loans are fully guaranteed by the SBA and have not been allocated for within the allowance for credit losses (1).

A reconciliation of these non-GAAP measures is provided below (dollars in thousands).

	Three Months Ended		
	December 31, 2021	September 30, 2021	December 31, 2020
Total Loans	**$ 4,287,841**	$ 4,239,453	$ 4,649,156
Less: PPP Loans	**26,151**	91,897	412,007
Total Loans, Excluding PPP Loans	**4,261,690**	4,147,556	4,237,149
Allowance for Credit Losses (1)	**$ 67,773**	$ 73,048	$ 61,408
Credit Loss Reserve to Total Loans (1)	**1.58 %**	1.72 %	1.32 %
Credit Loss Reserve to Total Loans, Excluding PPP Loans (1)	**1.59 %**	1.76 %	1.45 %
Total Individually Analyzed and Watch List Loans	**$ 234,462**	$ 258,534	$ 286,147
Total Individually Analyzed and Watch List Loans to Total Loans	**5.47 %**	6.10 %	6.15 %
Total Individually Analyzed and Watch List Loans to Total Loans, Excluding PPP Loans	**5.50 %**	6.23 %	6.75 %

(1) Beginning January 1, 2021 calculation is based on the current expected credit loss methodology. Prior to January 1, 2021 calculation was based on the incurred loss methodology.

Lakeland Financial Corporation

Tangible common equity, tangible assets, tangible book value per share, tangible common equity to tangible assets ratio and pretax pre-provision earnings are non-GAAP financial measures calculated using GAAP amounts. Tangible common equity is calculated by excluding the balance of goodwill and other intangible assets from the calculation of equity, net of deferred tax. Tangible assets are calculated by excluding the balance of goodwill and other intangible assets from the calculation of total assets, net of deferred tax. Tangible book value per share is calculated by dividing tangible common equity by the number of shares outstanding less true treasury stock. Pretax pre-provision earnings is calculated by adding net interest income to noninterest income and subtracting noninterest expense. Because not all companies use the same calculation of tangible common equity and tangible assets, this presentation may not be comparable to other similarly titled measures calculated by other companies. However, management considers these measures of the company's value including only earning assets as meaningful to an understanding of the company's financial information.

A reconciliation of these non-GAAP financial measures is provided below (dollars in thousands, except per share data).

	Three Months Ended			Twelve Months Ended	
	Dec. 31, 2021	Sep. 30, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Total Equity	**$ 704,906**	$ 683,202	$ 657,184	**$ 704,906**	$ 657,184
Less: Goodwill	**(4,970)**	(4,970)	(4,970)	**(4,970)**	(4,970)
Plus: Deferred tax assets related to goodwill	**1,176**	1,176	1,176	**1,176**	1,176
Tangible Common Equity	**701,112**	679,408	653,390	**701,112**	653,390
Assets	**$ 6,557,323**	$ 6,222,916	$ 5,830,435	**$ 6,557,323**	$ 5,830,435
Less: Goodwill	**(4,970)**	(4,970)	(4,970)	**(4,970)**	(4,970)
Plus: Deferred tax assets related to goodwill	**1,176**	1,176	1,176	**1,176**	1,176
Tangible Assets	**6,553,529**	6,219,122	5,826,641	**6,553,529**	5,826,641
Ending common shares issued	**25,488,508**	25,486,032	25,424,307	**25,488,508**	25,424,307
Tangible Book Value Per Common Share	**$ 27.50**	$ 26.66	$ 25.70	**$ 27.50**	$ 25.70
Tangible Common Equity/Tangible Assets	**10.70 %**	10.92 %	11.21 %	**10.70 %**	11.21 %
Net Interest Income	**$ 45,007**	$ 45,741	$ 44,713	**$ 178,088**	$ 163,008
Plus: Noninterest income	**9,709**	11,114	11,782	**44,720**	46,843
Minus: Noninterest expense	**(24,926)**	(25,967)	(24,912)	**(104,287)**	(91,205)
Pretax Pre-Provision Earnings	**$ 29,790**	$ 30,888	$ 31,583	**$ 118,521**	$ 118,646

Net interest margin on a fully-tax equivalent basis, net of PPP loan impact, is a non-GAAP measure that management believes is important because it provides for better comparability to prior periods. Because PPP loans have a low fixed interest rate of 1.0% and because the accretion of net loan fee income can be accelerated upon borrower forgiveness and repayment by the SBA, management is actively monitoring net interest margin on a fully tax equivalent basis with and without PPP loan impact for the duration of this program.

A reconciliation of this non-GAAP financial measure is provided below (dollars in thousands).

Impact of Paycheck Protection Program on Net Interest Margin FTE

	Three Months Ended			**Twelve Months Ended**	
	Dec. 31, 2021	Sep. 30, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Total Average Earnings Assets	**$ 6,148,085**	$ 5,909,834	$ 5,501,505	**$ 5,906,640**	$ 5,184,836
Less: Average Balance of PPP Loans	**(62,910)**	(142,917)	(503,041)	**(237,951)**	(376,785)
Total Adjusted Earning Assets	**6,085,175**	5,766,917	4,998,464	**5,668,689**	4,808,051
Total Interest Income FTE	**$ 49,455**	$ 50,271	$ 50,503	**$ 196,806**	$ 195,549
Less: PPP Loan Income	**(2,182)**	(3,946)	(6,509)	**(14,945)**	(12,832)
Total Adjusted Interest Income FTE	**47,273**	46,325	43,994	**181,861**	182,717
Adjusted Earning Asset Yield, net of PPP Impact	**3.08 %**	3.19 %	3.50 %	**3.21 %**	3.80 %
Total Average Interest Bearing Liabilities	**$ 3,859,971**	$ 3,737,707	$ 3,568,572	**$ 3,761,520**	$ 3,437,338
Less: Average Balance of PPP Loans	**(62,910)**	(142,917)	(503,041)	**(237,951)**	(376,785)
Total Adjusted Interest Bearing Liabilities	**3,797,061**	3,594,790	3,065,531	**3,523,569**	3,060,553
Total Interest Expense FTE	**$ 3,315**	$ 3,554	$ 5,141	**$ 15,131**	$ 30,095
Less: PPP Cost of Funds	**(40)**	(90)	(320)	**(595)**	(956)
Total Adjusted Interest Expense FTE	**3,275**	3,464	4,821	**14,536**	29,139
Adjusted Cost of Funds, net of PPP Impact	**0.21 %**	0.24 %	0.38 %	**0.26 %**	0.61 %
Net Interest Margin FTE, net of PPP Impact	**2.87 %**	2.95 %	3.12 %	**2.95 %**	3.19 %

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