



140
YEARS
of caring and commitment

2012 Annual Report

 Lake City Bank |  Lakeland Financial Corporation

 **Lake City Bank**

2013
Annual
Meeting

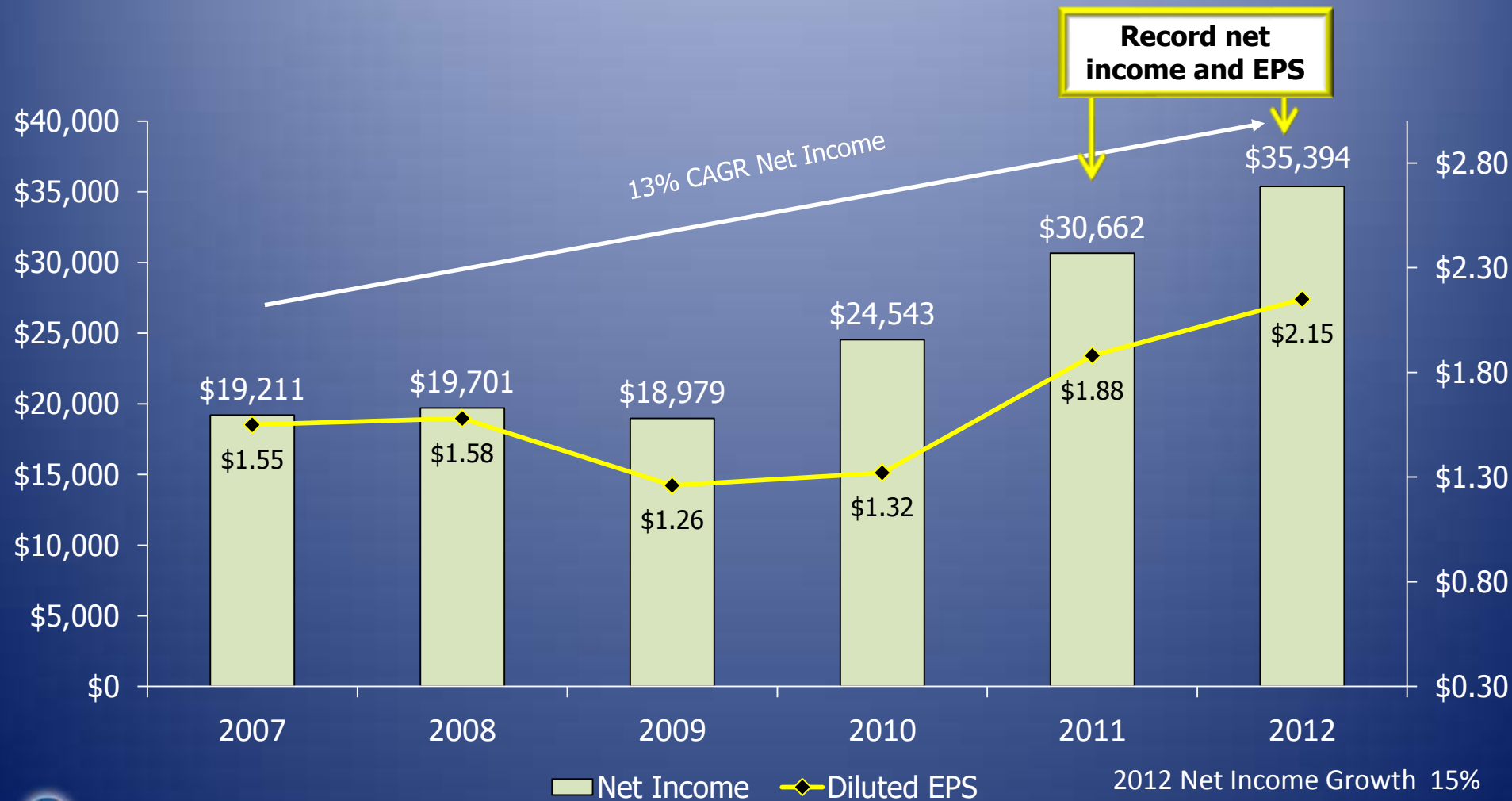
Forward-Looking Information

This presentation 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. All statements in this presentation, including forward-looking statements, speak only as of today's date, 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. Additional information is included in the Company's filings with the Securities and Exchange Commission.

Net Income and EPS

“Record net income 24 out of last 25 years”



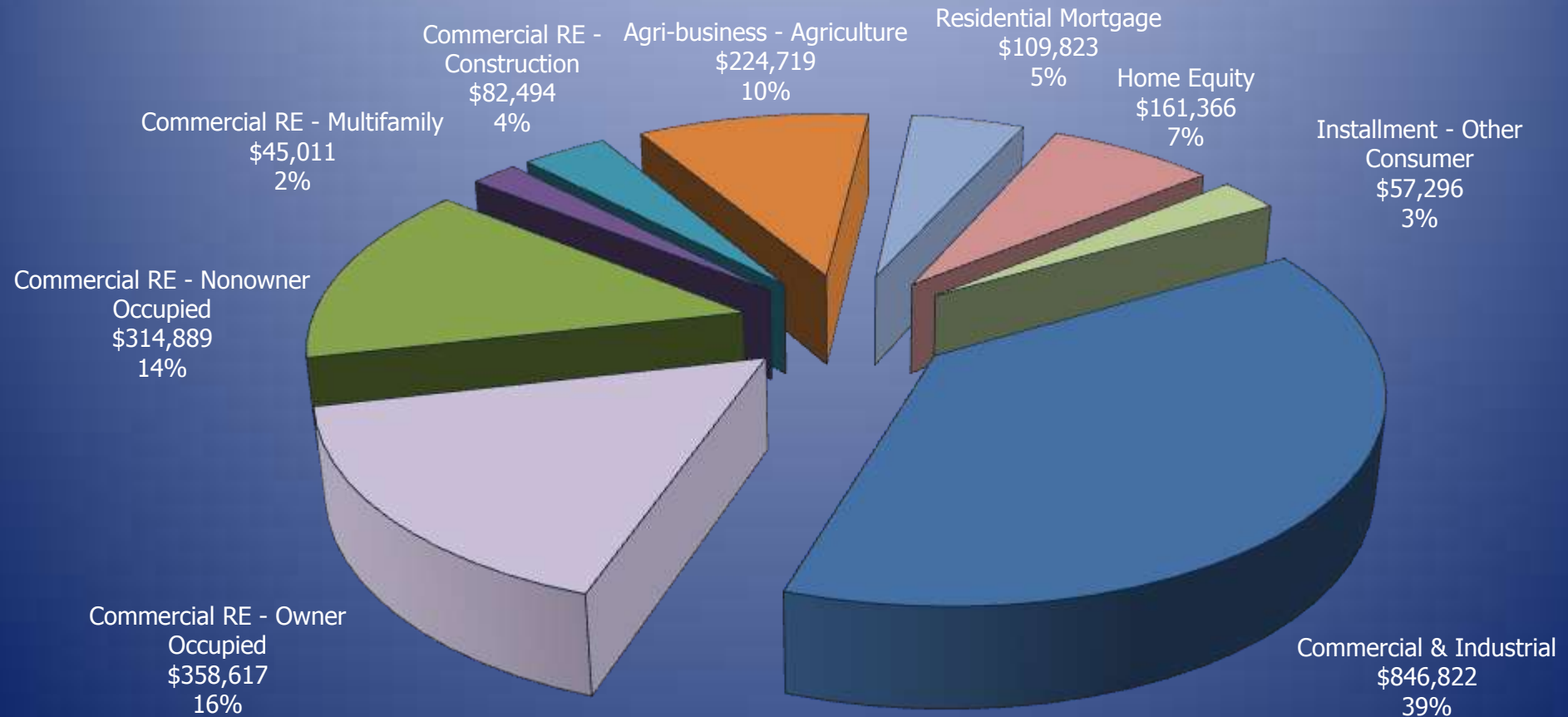
Average Loans

“Most significant driver of income growth”



Loan Breakdown

“Commercial and industrial lending drives business”



As of December 31, 2012

Average Deposits

“Demonstrated ability to fund loan growth”

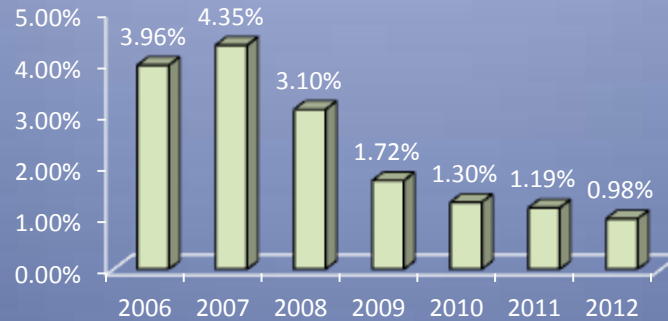


2012 Growth 8%

Deposit Breakdown – 2008 vs. 2012

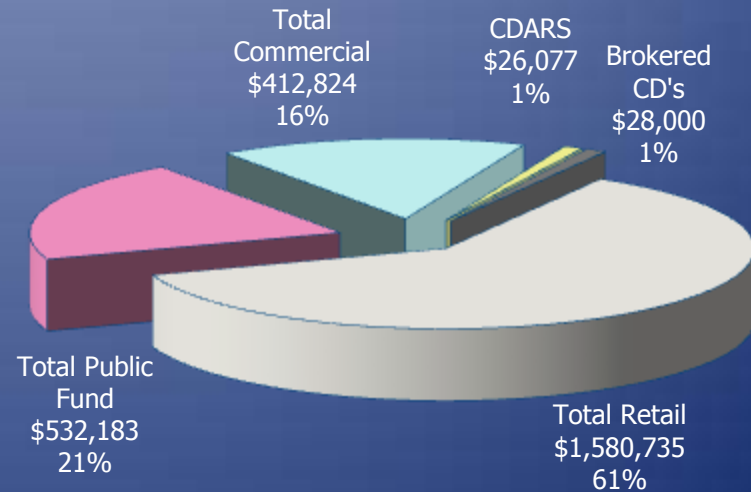
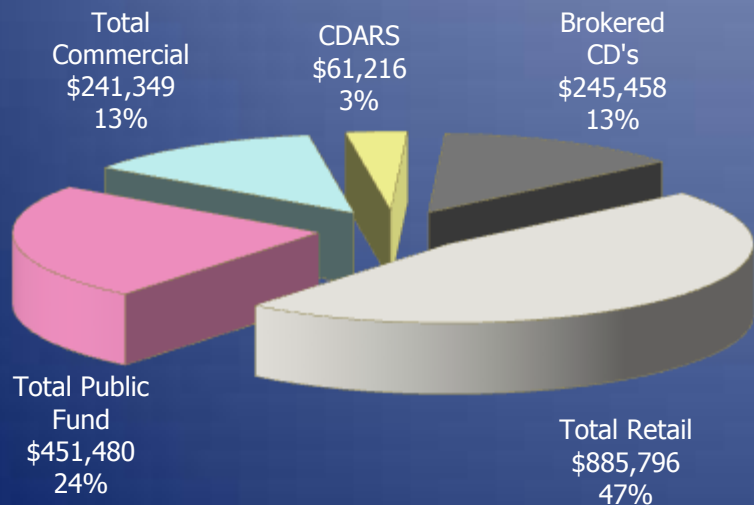
“A concentrated focus on core funding”

Cost of Deposits in Period



December 31, 2008

December 31, 2012



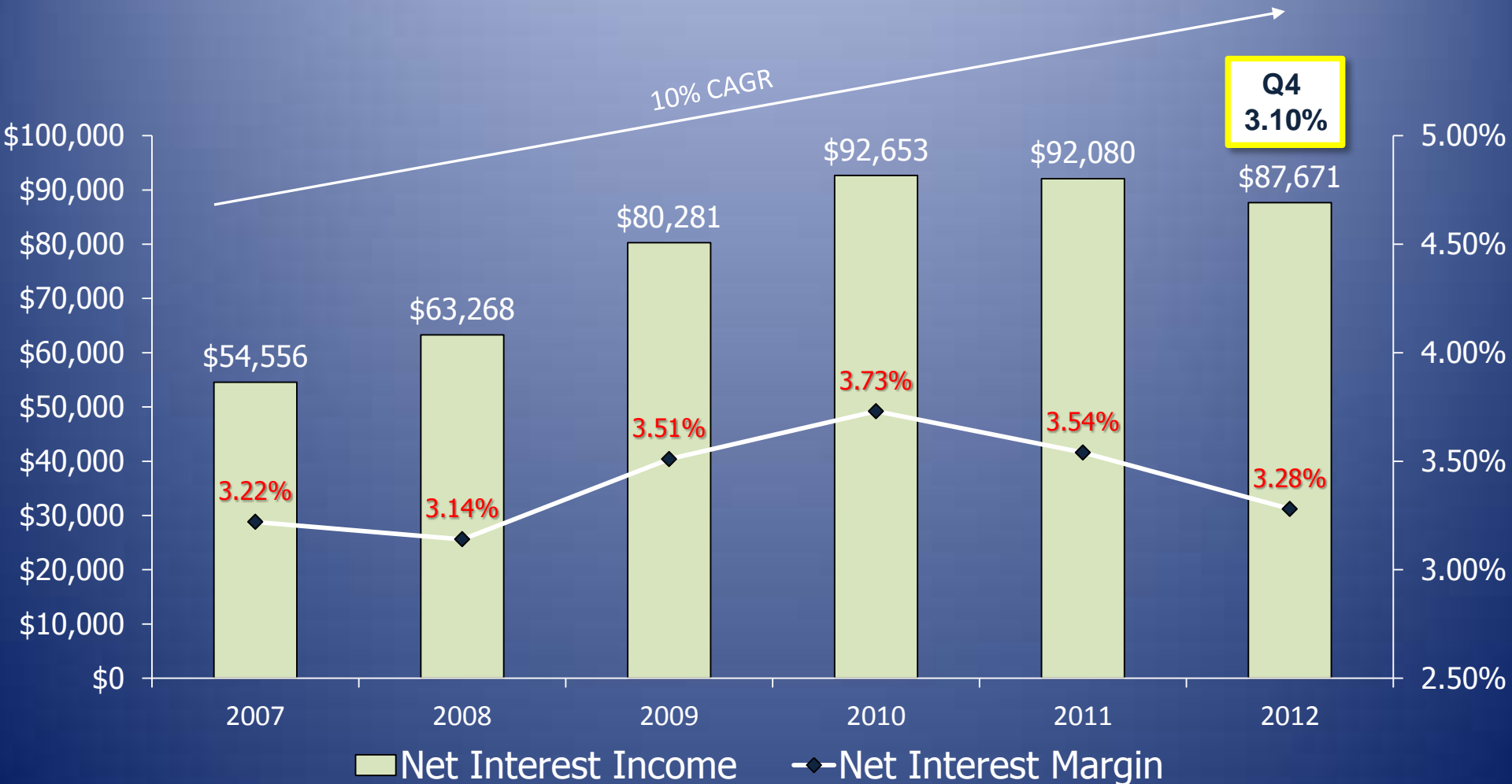
Funding Snapshot – 2009-2012

“Funding mix improves due to client deposits”

	Total Dec 31, 2009	% of Mix	Total Dec 31, 2012	% of Mix
<u>Client Funding</u>				
Total Deposits	\$1,851	81%	\$2,582	94%
Repurchase Agreements	\$127	6%	\$122	4%
Total Client	\$1,978	87%	\$2,704	98%
<u>Wholesale Funding</u>				
Federal Reserve Programs	\$85	4%	\$0	0%
Fed Funds Purchased	\$10	0%	\$0	0%
FHLB Advances	\$170	8%	\$15	1%
Trust Preferred	\$31	1%	\$31	1%
Total Wholesale	\$296	13%	\$46	2%
Summary Funding Total	\$2,274	100%	\$2,750	100%

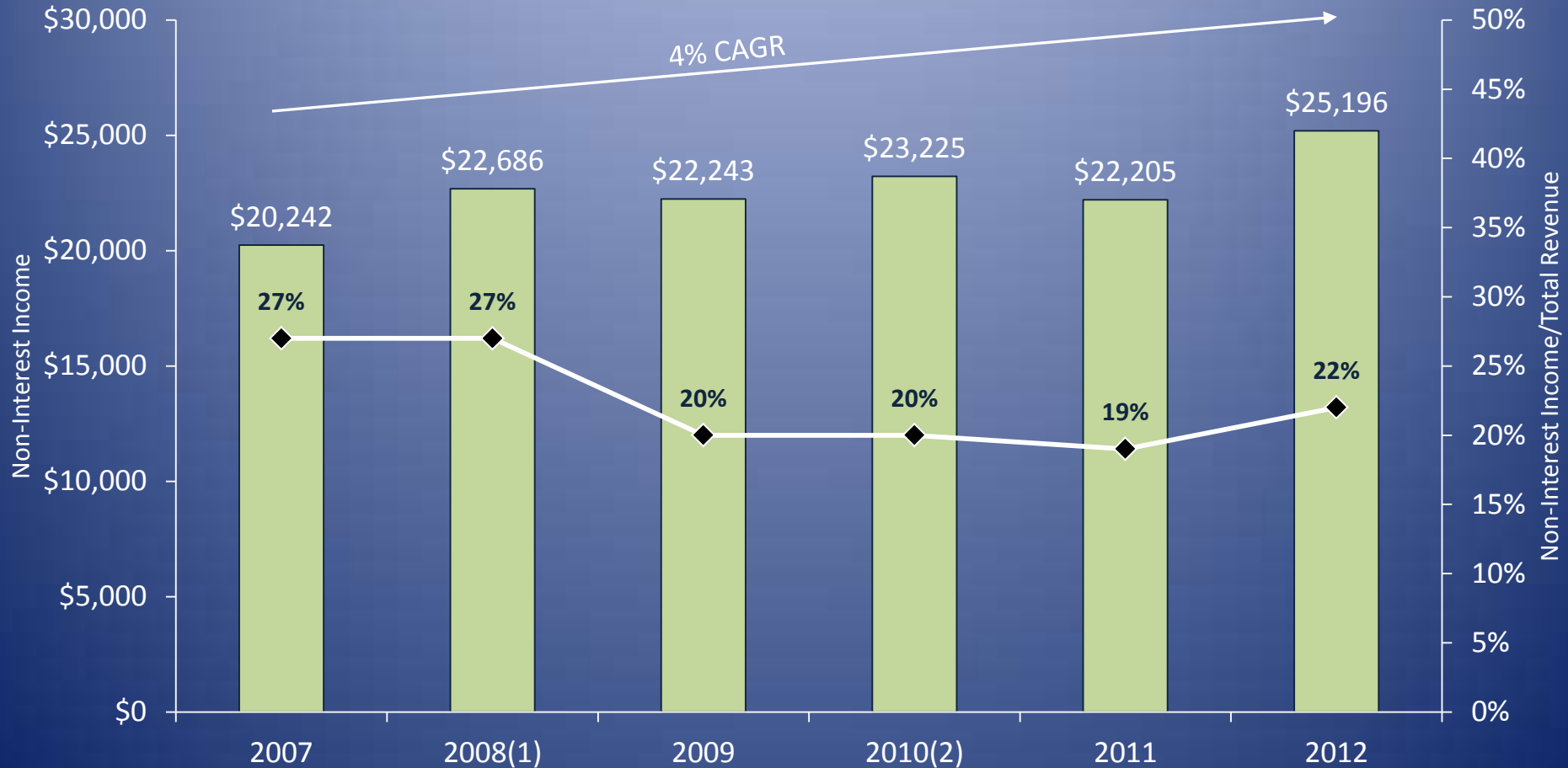
Net Interest Income

"Tightening margin is affecting contribution"



Non-Interest Income = Fee Services

“Stabilization in fee business with good mortgage growth”



(1) Excluding gain on redemption of VISA shares in 2008.

(2) Excluding non-cash OTTI in 2010

2012 Growth 13%

Non-Interest Expense

“Diligently managing expenses”

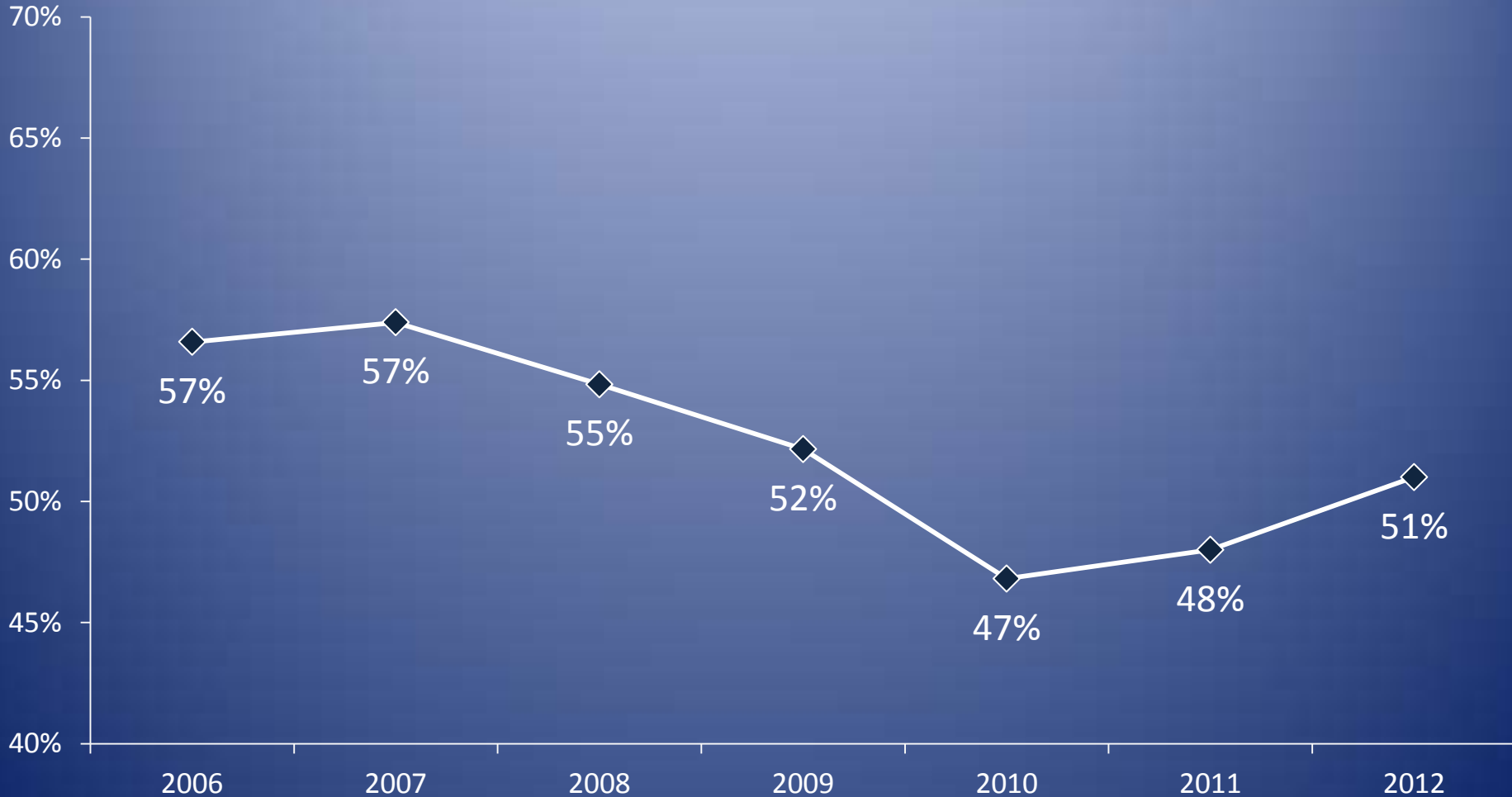


2012 Growth 6%

- (1) Excluding special FDIC assessment and temporary increase in 2009
- (2) Includes FDIC special assessment of \$2,614

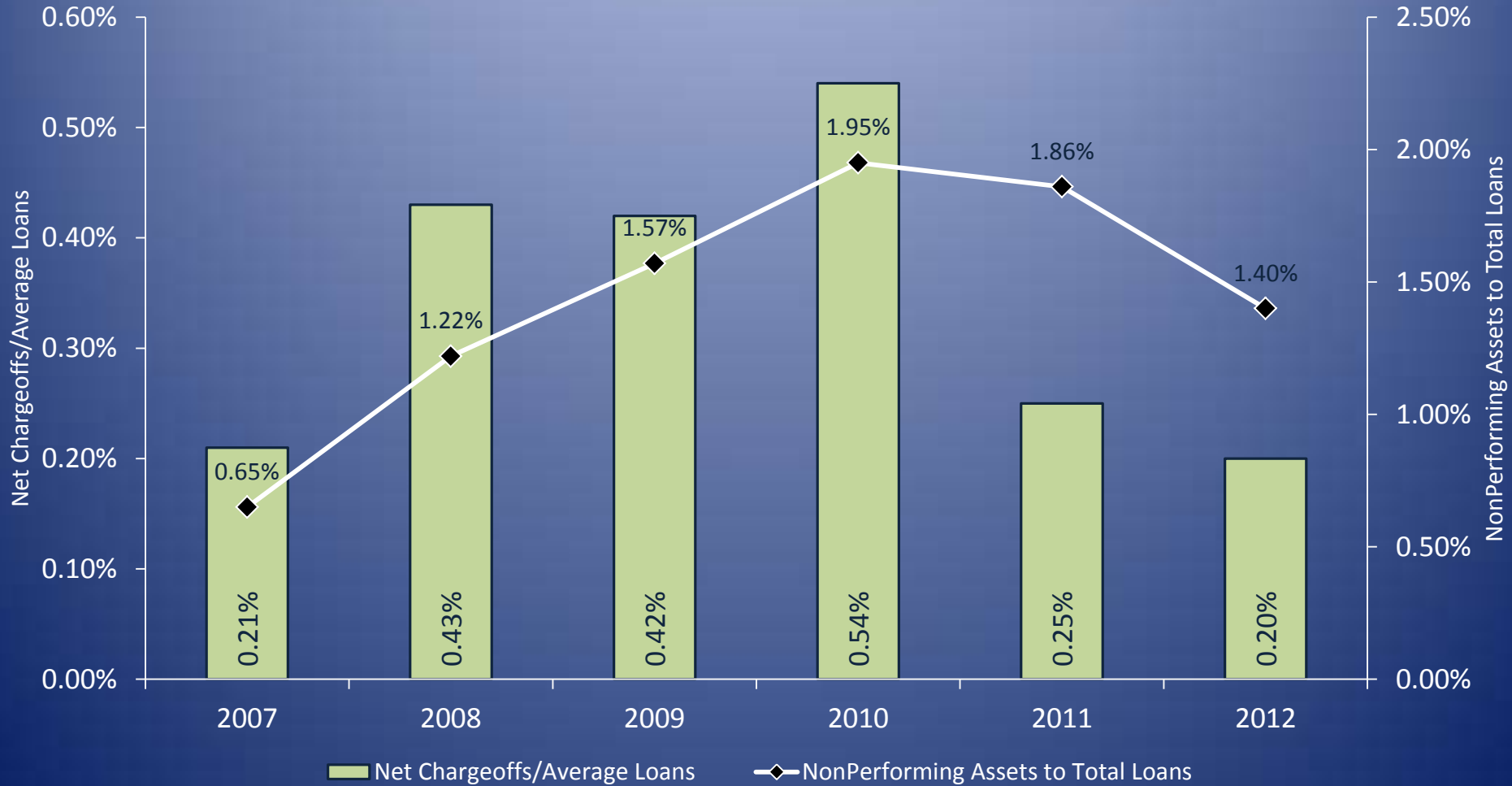
Efficiency Ratio

“Investment in expansion drives ratio increase”



Loan and Investment Quality

“Loan quality measures improving and losses reducing”



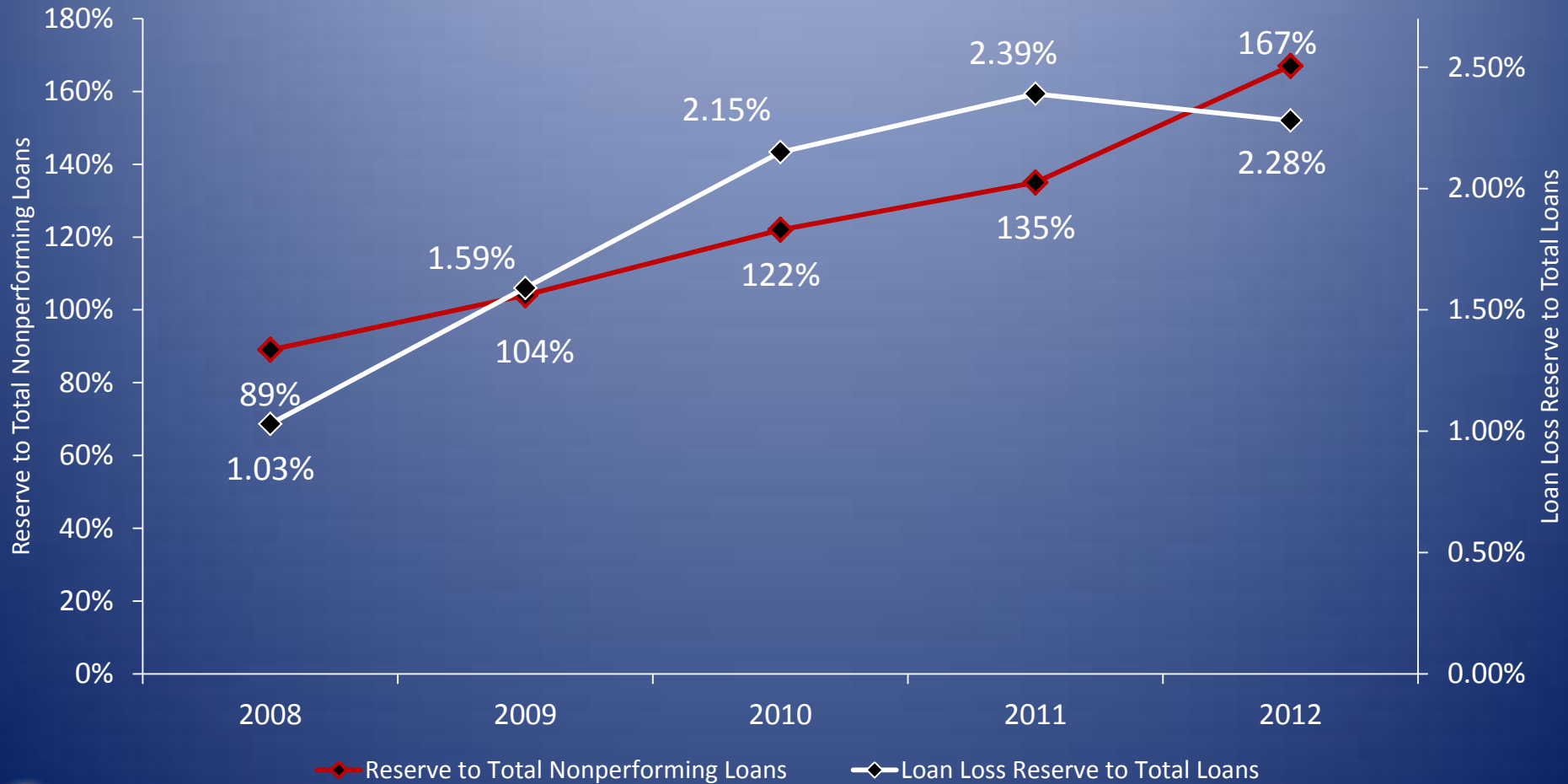
Asset Quality

“Nonperforming Asset Levels Stabilized”



Asset Quality

“Reserve is strong by any measure”



Paid Dividends Per Share

“Consistent earnings performance makes this possible”



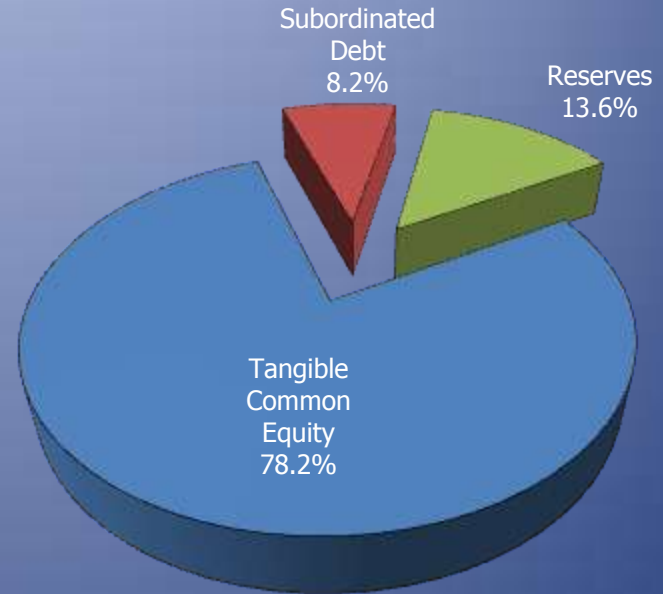
Note - Split Adjusted
- Paid Dividends

Capital Strength

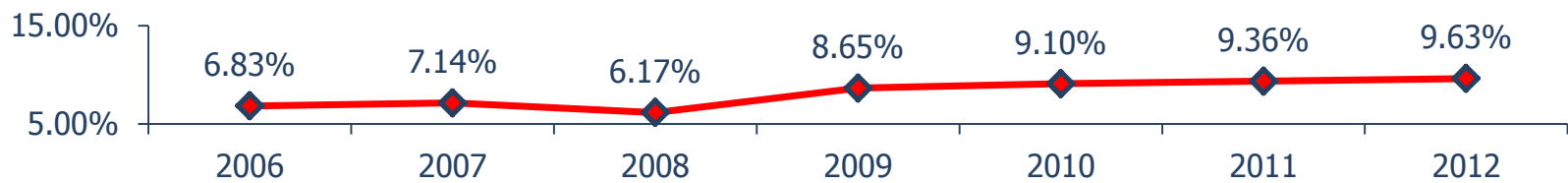
"We have built a fortress balance sheet"

Key Ratios and Per Share Data As of December 31, 2012

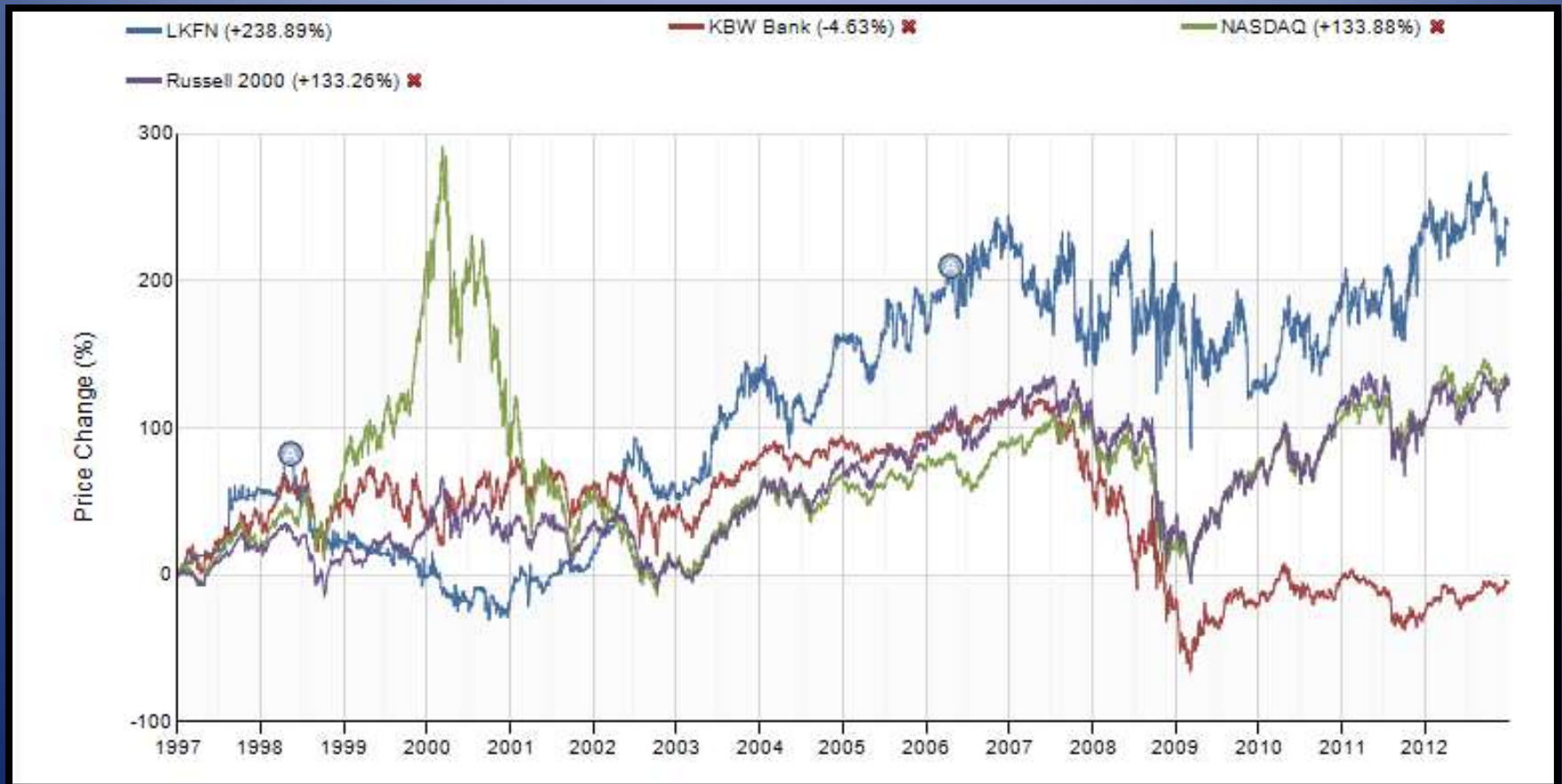
TCE /Tangible Assets	9.63%
Tier 1 Risk-Based	13.01%
Total Risk-Based	14.27%
Leverage	10.46%
Book Value	\$18.18
Tangible Book Value	\$18.10



Tangible Equity Ratio



LKFN Performance vs. Key Industry Index and Markets





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 **Lake City Bank**

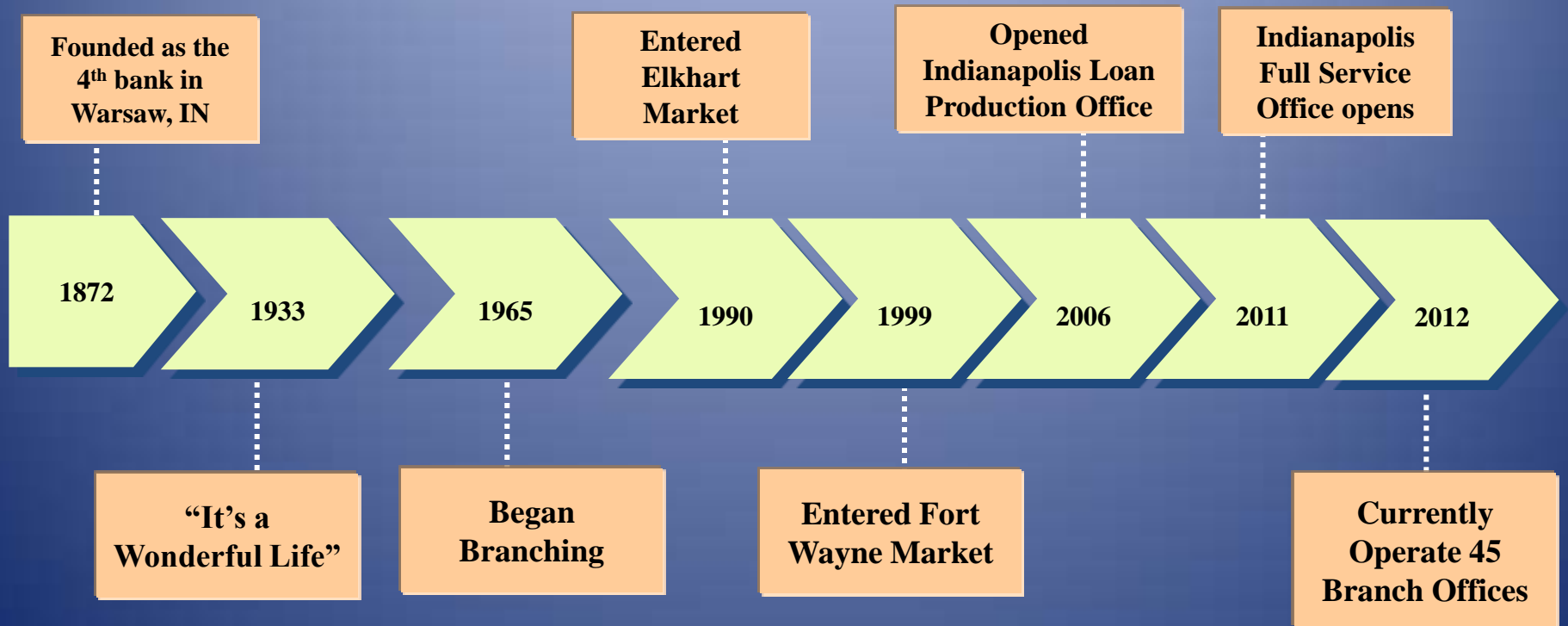
2013
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Lake City Bank Today

- **Headquartered in Warsaw, Indiana**
- **45 branch offices**
- **493 FTEs**
- **\$3.0 billion banking assets**
- **\$900 million trust assets**
- **Regional franchise**
- **Low market shares – high growth potential**

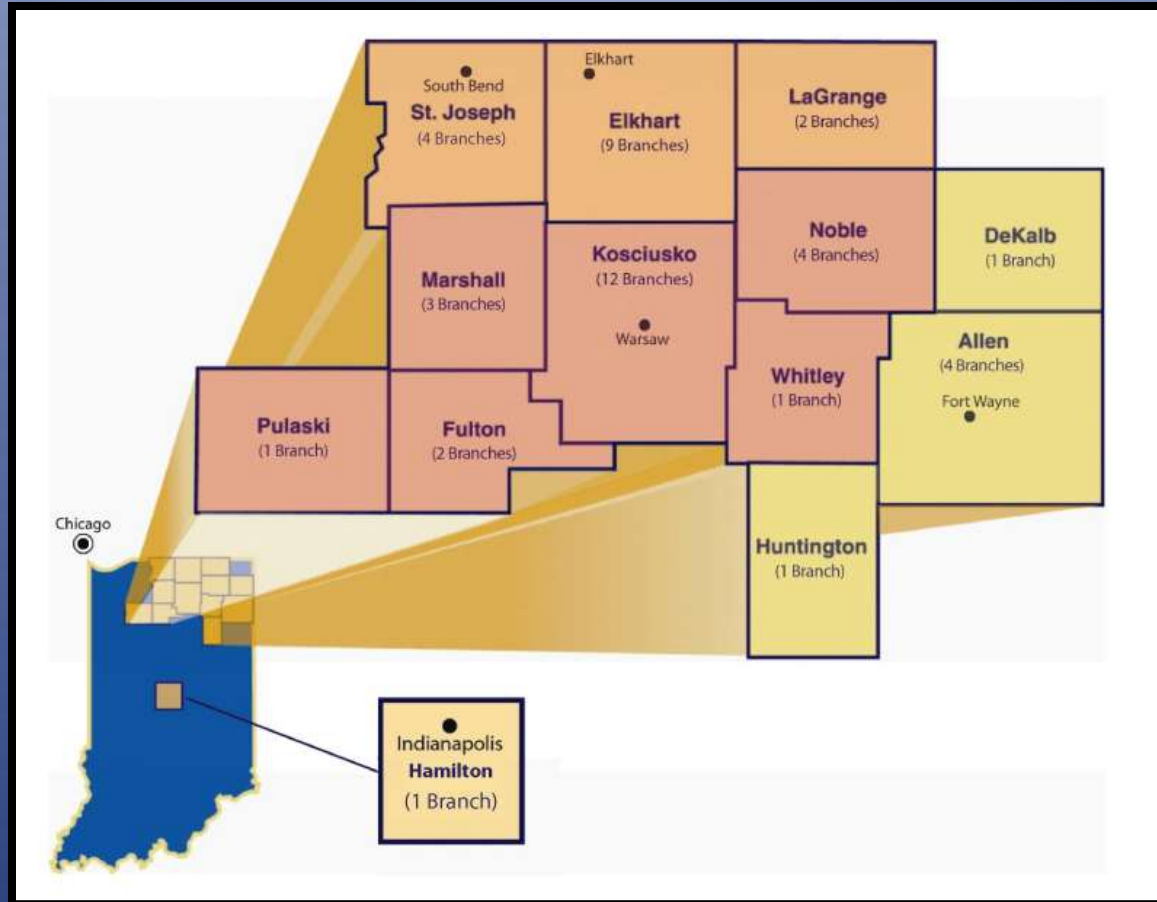


Historical Highlights



Diversified Market Area

13 Counties and 30 Communities



Growth Strategy

Business Owner Focus

High Quality People

Larger Market Organic Expansion

Business Owner Focus

- **35 Corporate Banking Officers**
- **Average 20 years experience in banking**
- **Average 10 years at Lake City Bank**

Business Owner Focus **Relationship Strategy**

- **Lead with Credit**
- **Understand Client Needs**
- **Cross-sell Based on Needs**

Quality People Lake City Bank Culture



Quality People

Commitment to Development

- Over 90 instructor-led courses, seminars, workshops and live webinars
- 17,000 Contact Hours
- Average 34 hours training per employee
- Over 3400 online courses completed through e-learning



Quality People Face to Face Contact

- **Over 107 Calling Officers**
- **16,146 Calls in 2012**
- **Establish our people as the competitive advantage**



Quality People

Community Involvement

- **Company-wide involvement**
- **Connections with hundreds of community groups**
- **Thousands of volunteer hours**



Larger Market Organic Expansion

<u>State Rank</u>	<u>County</u>	<u>Primary City</u>	<u>Population*</u>	<u>LCB Entry</u>	<u>LCB Deposit Market Share**</u>	<u># of Branches</u>
20.	Kosciusko	Warsaw	77,336	1872	51%	12
6.	Elkhart	Elkhart	198,941	1990	22%	9
5.	St. Joseph	South Bend	266,700	1997	5%	4
3.	Allen	Fort Wayne	358,327	1999	10%	4
4.	Hamilton/Marion	Indianapolis	1,201,787	2011	0.22%	1

* Source: STATS Indiana

** Source: FDIC 6/30/12 Statistics



Larger Markets

Lake City Bank Market Area* Deposit Performance

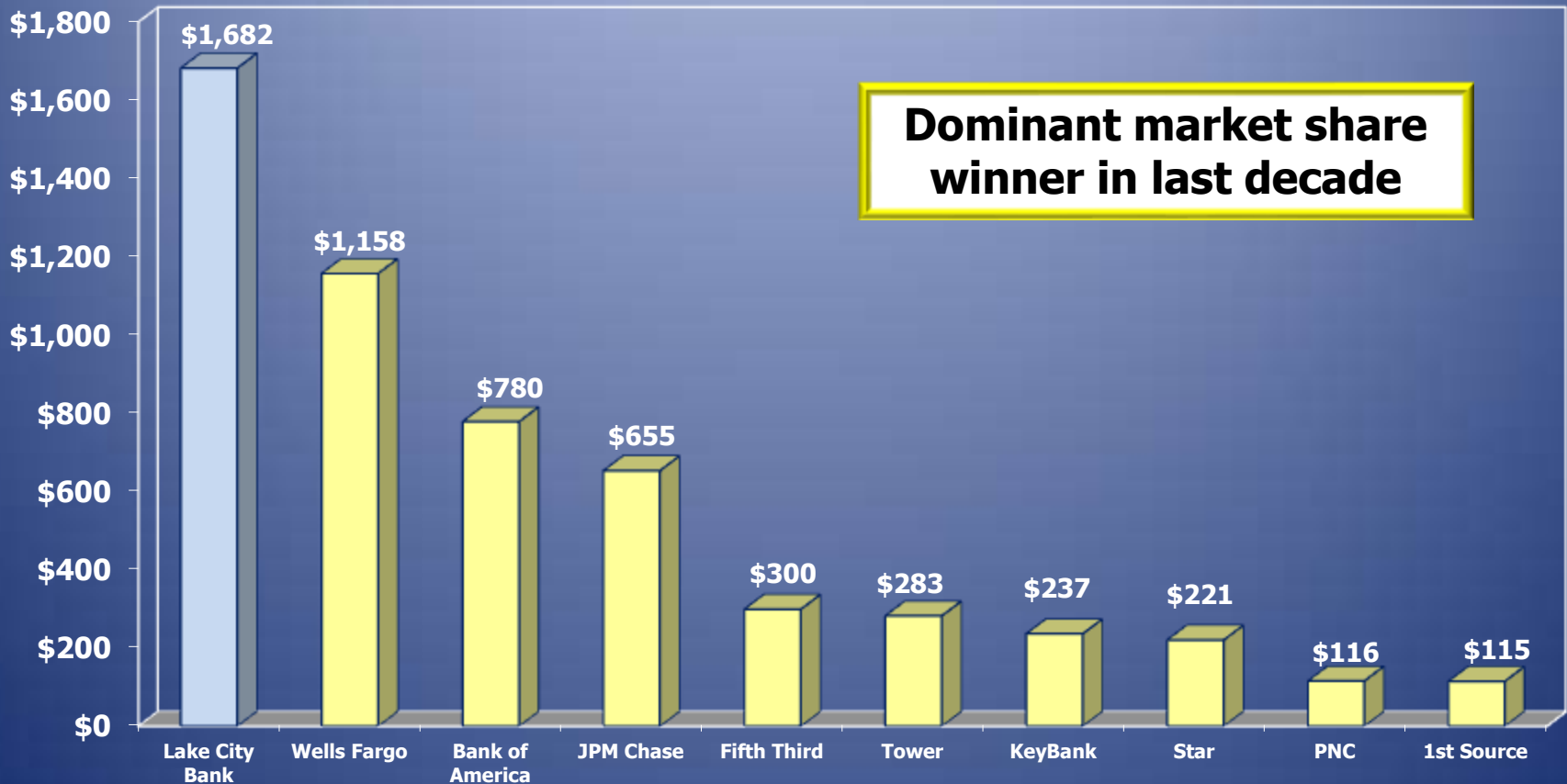
(millions)	2012		2002		Increase	# of Offices
	Deposits	Share	Deposits	Share		
1. First Source	\$2,550	12.08%	\$2,435	17.51%	4.72%	49
2. Lake City Bank	\$2,527	11.97%	\$845	6.07%	199.05%	47
3. JPM Chase	\$2,352	11.14%	\$1,698	12.21%	38.57%	47
4. Wells Fargo	\$2,141	10.14%	\$983	7.07%	117.80%	27
5. PNC	\$1,654	7.84%	\$1,538	11.06%	7.54%	48
6. KeyBank	\$1,162	5.50%	\$925	6.65%	25.62%	34
7. Bank of America	\$918	4.35%	\$138	0.99%	565.22%	5
8. Fifth Third	\$805	3.81%	\$300	2.16%	168.33%	19
9. Tower	\$552	2.62%	\$269	1.93%	105.20%	7
10. Star	\$492	2.33%	\$271	1.95%	81.55%	19
Market Total:	\$21,112		\$13,907		51.81%	

*Includes the counties of Kosciusko, Elkhart, St. Joseph, Marshall, Allen, Whitley, Hamilton, Huntington, LaGrange, Noble, DeKalb, Fulton and Pulaski

**Adjusted to include branches subsequently acquired by surviving banks

Larger Markets

Market Area Deposit Performance



**Dominant market share
winner in last decade**

2012 vs. 2002

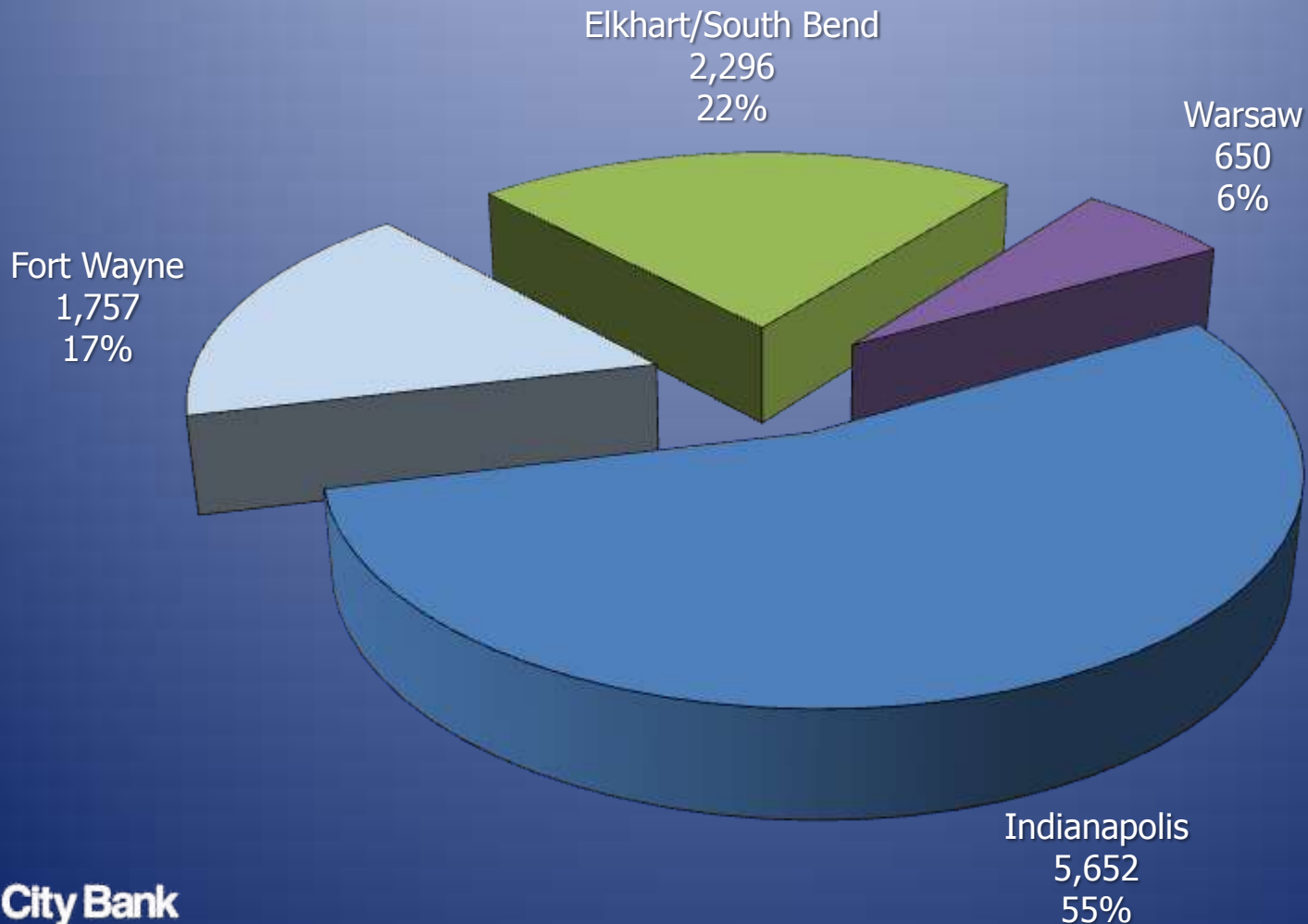
*Includes the counties of Kosciusko, Elkhart, St. Joseph, Marshall, Allen, Whitley, Hamilton, Huntington, LaGrange, Noble, DeKalb, Fulton and Pulaski

**Adjusted to include branches subsequently acquired by surviving banks

Larger Markets

Commercial Banking Market

Companies \$1-30 Million



Larger Markets

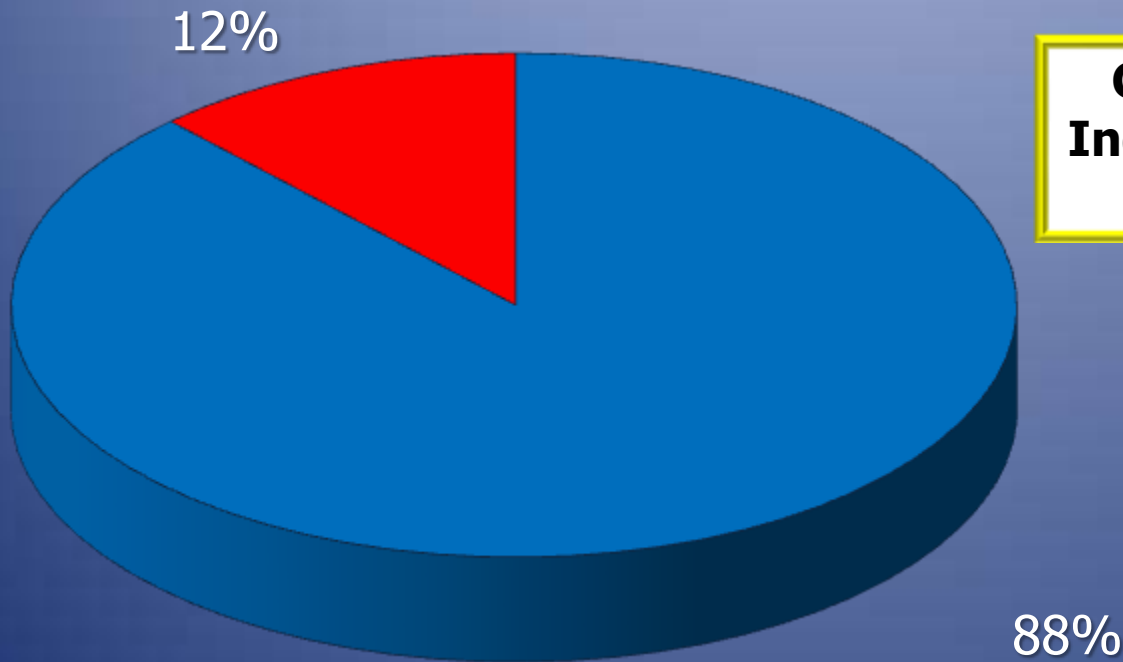
Indianapolis Market Area*

Deposit Performance

(millions)	<u>2012</u>		<u>2002</u>		
	<u>Deposits</u>	<u>Share</u>	<u>Deposits</u>	<u>Share</u>	<u>Increase</u>
1. JPM Chase	\$7,540	28.44%	\$4,631	29.56%	62.82%
2. PNC	\$5,640	21.27%	\$4,176	26.66%	35.06%
3. Fifth Third	\$2,987	11.27%	\$1,263	8.06%	136.50%
4. Huntington National	\$2,200	8.30%	\$1,687	10.77%	30.41%
5. BMO Harris	\$1,667	6.29%	\$1,380	8.81%	20.80%
6. Regions	\$1,321	4.98%	\$768	4.90%	72.01%
7. National Bank of Indy	\$1,260	4.75%	\$541	3.45%	132.90%
8. KeyBank	\$1,221	4.61%	\$244	1.56%	400.41%
9. First Internet	\$523	1.97%	\$289	1.84%	80.97%
10. Old National	\$476	1.80%	\$70	0.45%	580.00%
Market Total:	\$26,509		\$15,664		69.24%

Larger Markets

Indianapolis Market Deposit Concentrations*



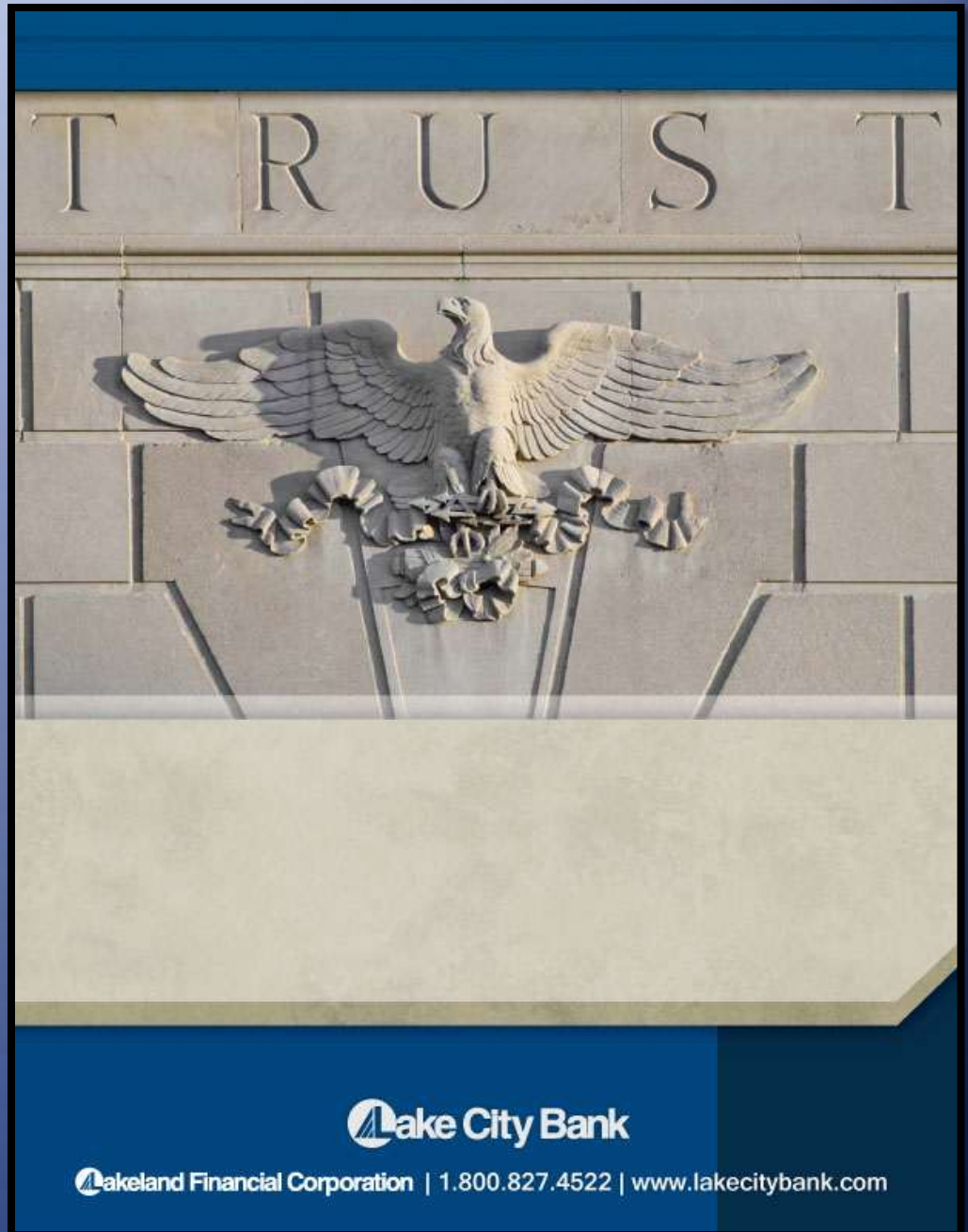
**Great opportunity for
Indiana-based players to
grab market share**

■ Out of State ■ In State

*Marion and Hamilton Counties as of 6/30/12



2013 Annual Meeting



 Lakeland Financial Corporation | 1.800.827.4522 | www.lakecitybank.com