



# Lakeland Financial Corporation

A Proven History of Shareholder Value Creation  
And Commitment to Our Communities

3<sup>rd</sup> Quarter 2019



# David M. Findlay

President & Chief Executive Officer

[david.findlay@lakecitybank.com](mailto:david.findlay@lakecitybank.com)

(574) 267-9197

# Lisa M. O'Neill

Executive Vice President & Chief Financial Officer

[lisa.oneill@lakecitybank.com](mailto:lisa.oneill@lakecitybank.com)

(574) 267-9125

# 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. Forward-looking statements are generally identifiable by the use of words such as “believe”, “expect”, “anticipate”, “estimate”, “could”, and other similar expressions. 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.

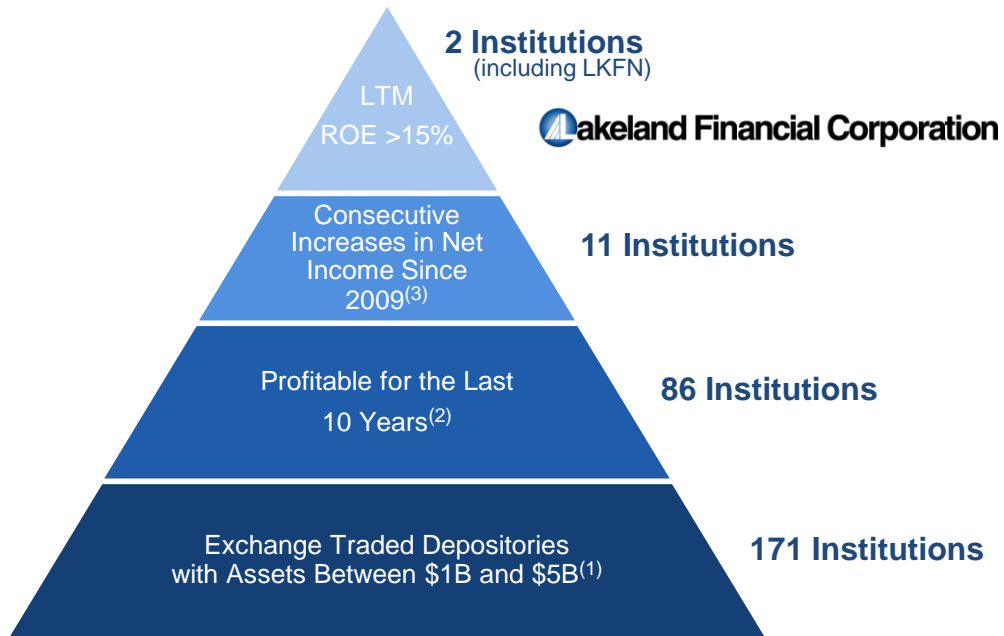
Factors that could have a material adverse effect on the Company’s financial condition, results of operations and future prospects can be found in the “Risk Factors” section of the prospectus included in the Registration Statement on Form S-1 filed on October 26, 2009, as amended under Item 1A “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2008 and elsewhere in the Company’s periodic and current reports filed with the Securities and Exchange Commission. These factors include, but are not limited to, the effects of future economic, business and market conditions and changes, domestic and foreign, including competition, governmental policies and seasonality; legislative and regulatory changes, including changes in banking, securities and tax laws and regulations and their application by Company regulators, and changes in the scope and cost of FDIC insurance and other coverages; the risks of changes in interest rates on the levels, composition and costs of deposits, loan demand and other interest sensitive assets and liabilities; the failure of assumptions and estimates underlying the establishment of reserves for possible loan losses, analysis of capital needs and other estimates; changes in borrowers’ credit risks and payment behaviors; and changes in the availability and cost of credit and capital in the financial markets.

# TOP 25 BANKS

Rank	Company Name	Ticker	State	Total Assets (\$millions)	Profitability				Capital Adequacy			Asset Quality			Final Score
					Core ROAA (%)	ROA Rank	Core ROAE (%)	ROE Rank	Tang Common Equity/ Tang Assets (%)	TCE Rank	NPAs/ Loans & REO (%)	NPA Rank	NCOs/ Avg Loans (%)	NCOs Rank	
1	RBB Bancorp	RBB	CA	1,691	1.84	4	12.99	23	14.09	10	0.21	18	-0.05	16	54.0
2	Bank of the Ozarks	OZRK	AR	21,276	1.92	3	12.06	40	13.38	13	0.24	23	0.07	132	133.5
3	Live Oak Bancshares	LOB	NC	2,758	2.11	1	15.66	8	15.71	3	0.33	35	0.21	227	143.0
<b>4</b>	<b>Lakeland Financial Corp.</b>	<b>LKFN</b>	<b>IN</b>	<b>4,683</b>	<b>1.38</b>	<b>29</b>	<b>13.63</b>	<b>14</b>	<b>9.91</b>	<b>77</b>	<b>0.32</b>	<b>33</b>	<b>-0.01</b>	<b>32</b>	<b>152.5</b>
5	Eagle Bancorp	EGBN	MD	7,479	1.61	11	12.60	30	11.45	34	0.42	59	0.06	108	158.5
6	Sterling Bancorp	SBT	MI	2,962	1.56	16	20.39	2	9.20	136	0.13	11	-0.04	22	170.5
7	FCB Financial Holdings	FCB	FL	10,677	1.40	24	12.43	34	10.33	67	0.34	37	0.00	56	171.5



# Long Term Success for Shareholders



Source: S&P Global Market Intelligence. Financial data is as of June 30, 2019.

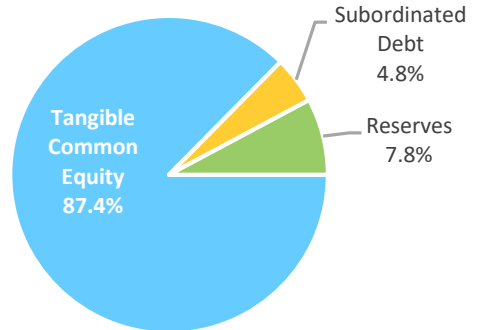
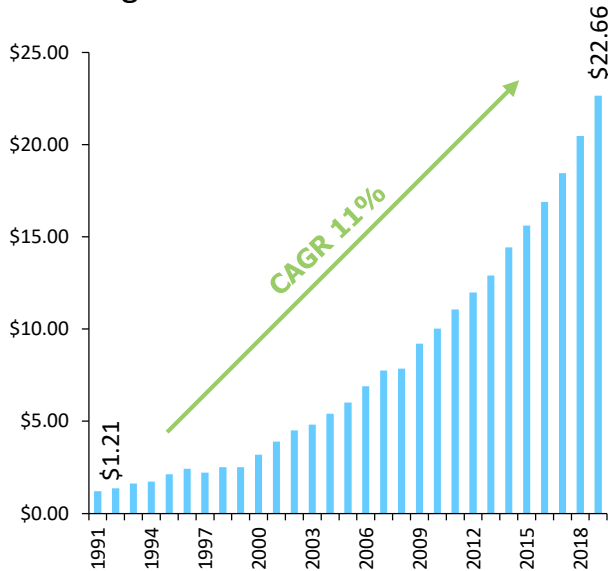
(1) Includes banks and thrifts traded on the NYSE, NYSEAM or NASDAQ as of 10/9/19; excludes merger targets.

(2) Defined as having positive net income before extraordinary items and preferred dividends for each of the last 10 years (calendar years ended December 31, 2009 through December 31, 2018). Net income before extraordinary items is defined by S&P Global Market Intelligence as GAAP net income, after taxes, minority interest, and other after tax items, but before any extraordinary items. Excludes any revaluation of net deferred tax assets due to tax reform per S&P Global Market Intelligence.

(3) Defined as consecutive increases in net income before extraordinary items for each of the years ending December 31, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, and 2018. Excludes any revaluation of net deferred tax assets due to tax reform per S&P Global Market Intelligence.

# Strong Capital Structure

Tangible Book Value<sup>+</sup> Per Share



**Key Ratios and Per Share Data as of September 30, 2019**

TCE /Tangible Assets	11.74%
Total Risk-Based	14.78%
Leverage	12.07%
Book Value <sup>+</sup>	\$22.81
Tangible Book Value <sup>+</sup>	\$22.66

\*compounded annual growth rate computed from 1991-2018

<sup>+</sup>Split adjusted

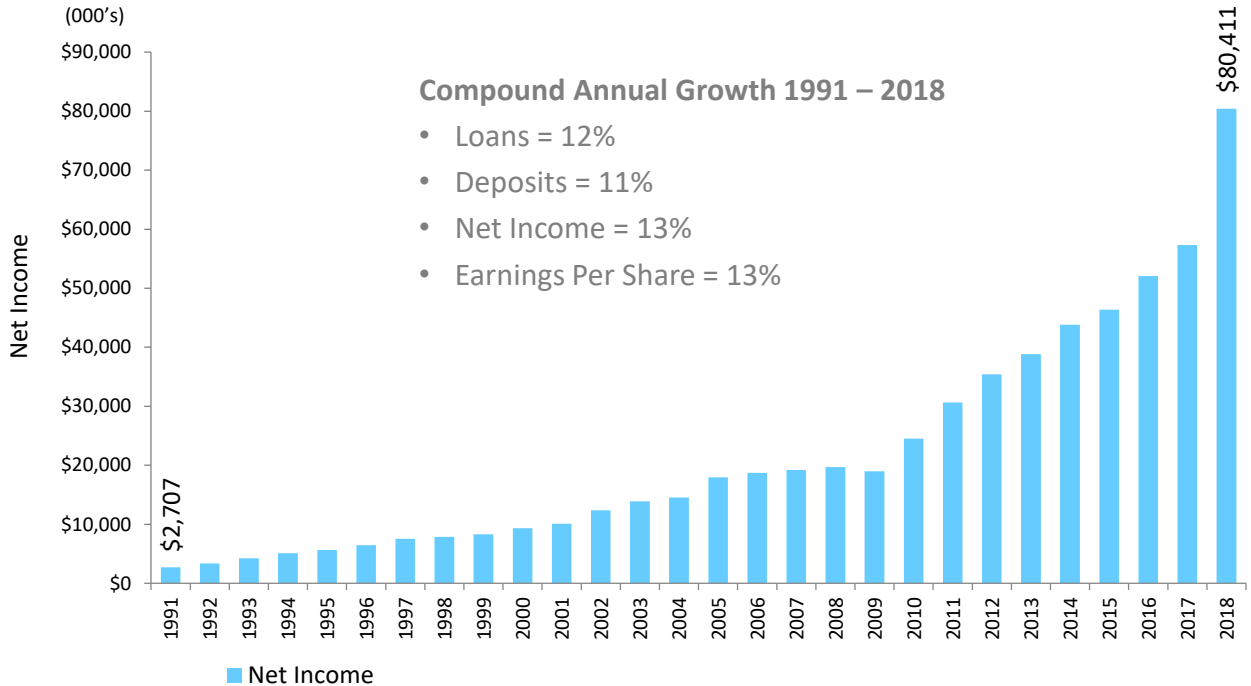
# Lake City Bank Today

- A long-term and consistent organic growth story
- Headquartered in Warsaw, Indiana
- 50 branch offices - \$5.0 billion banking assets - \$2.4 billion trust and investment assets
- Focused on execution – “blocking and tackling”
- Continued growth potential



# A Quarter Century of Organic Growth

Record Net Income for 29 of 30 Years



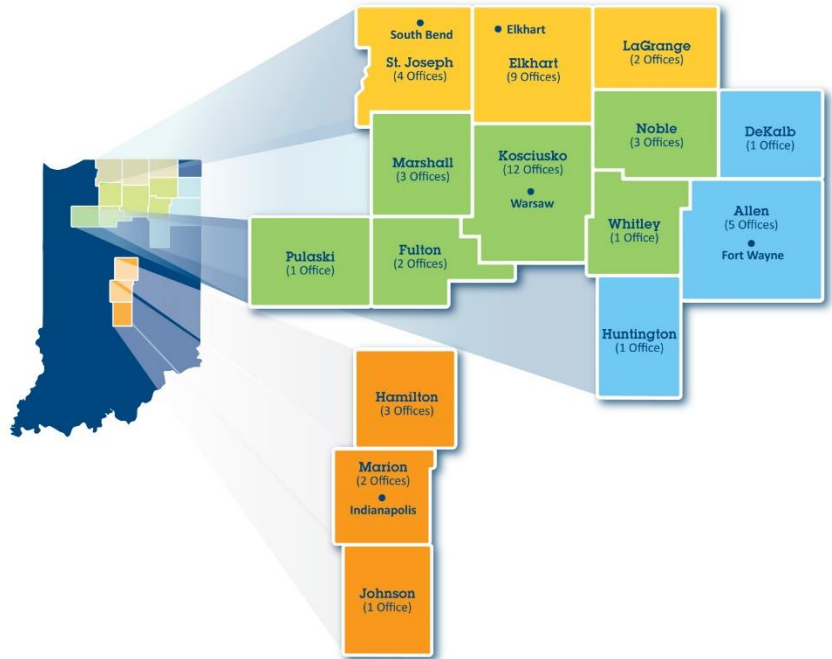


# Established Market Presence

Organic Growth Potential in Mature and Developing Markets

## Market Data

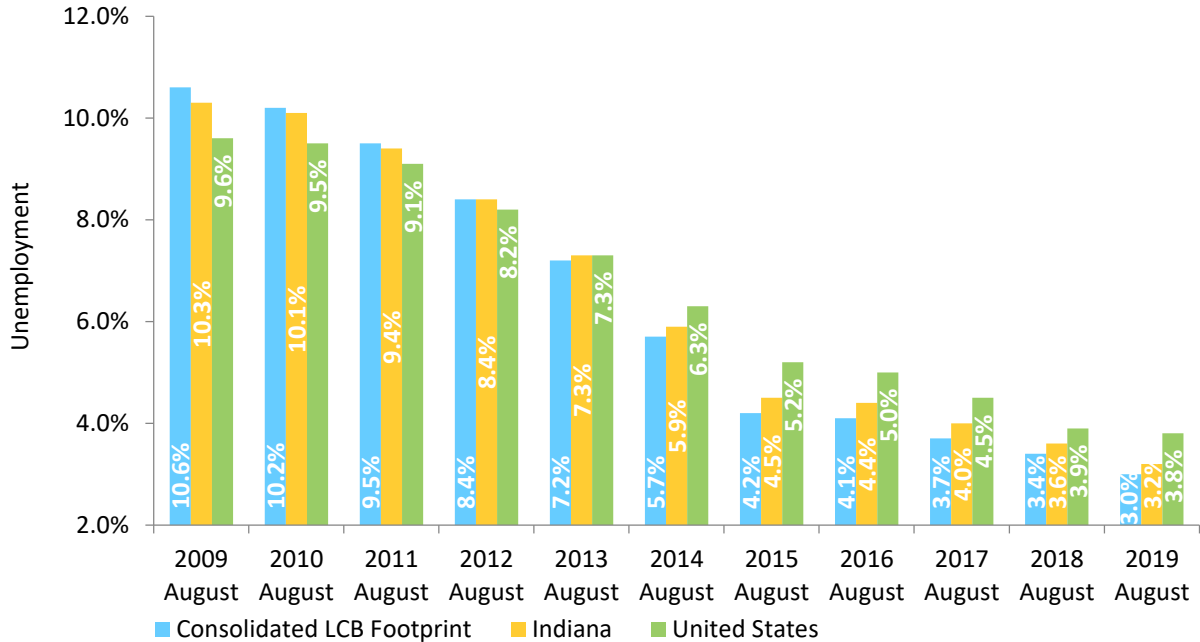
Warsaw – 1872 22 offices
Elkhart – 1990 11 offices
South Bend – 1997 4 offices
Fort Wayne – 1999 7 offices
Indianapolis – 2011 6 offices



Opening Date of First Office in Market

# Strong Regional and Statewide Economy

## Indiana Employment Trends Versus National Averages



Source: United States Bureau of Labor Statistics. Lake City Bank footprint is defined as Kosciusko, Marshall, Fulton, Pulaski, Noble, Whitley, St. Joseph, Elkhart, LaGrange, Allen, DeKalb, Huntington, Marion, Hamilton and Johnson Counties in Indiana

# Shareholder Value Strategy

1. Commercial Banking Focus
2. High Quality Team Members
3. Proven Organic Growth Experience
4. Focus on Core Deposit Funding
5. Commitment to Technology

## Commercial Banking Focus

# Experienced Relationship Driven Team

- 40 credit “smart” commercial bankers
- Average 21 years in banking & 9 years at Lake City Bank
- We live where we lend
- Face to face calling matters and is a teamwork effort
- We understand our client needs
- Deep organizational structure provides credit and administrative support
- We cross-sell aggressively by leveraging technology

## Commercial Banking Focus

# Credit Process

- We are in-market lender to in-market clients
- Character matters – we lend to people first
- Our credit discipline has never changed
- We focus on management/cash flow
- We have a centralized committee structure
- Structure is important
- Orientation towards owner-occupied and well structured nonowner occupied real estate

# High Quality Team Members

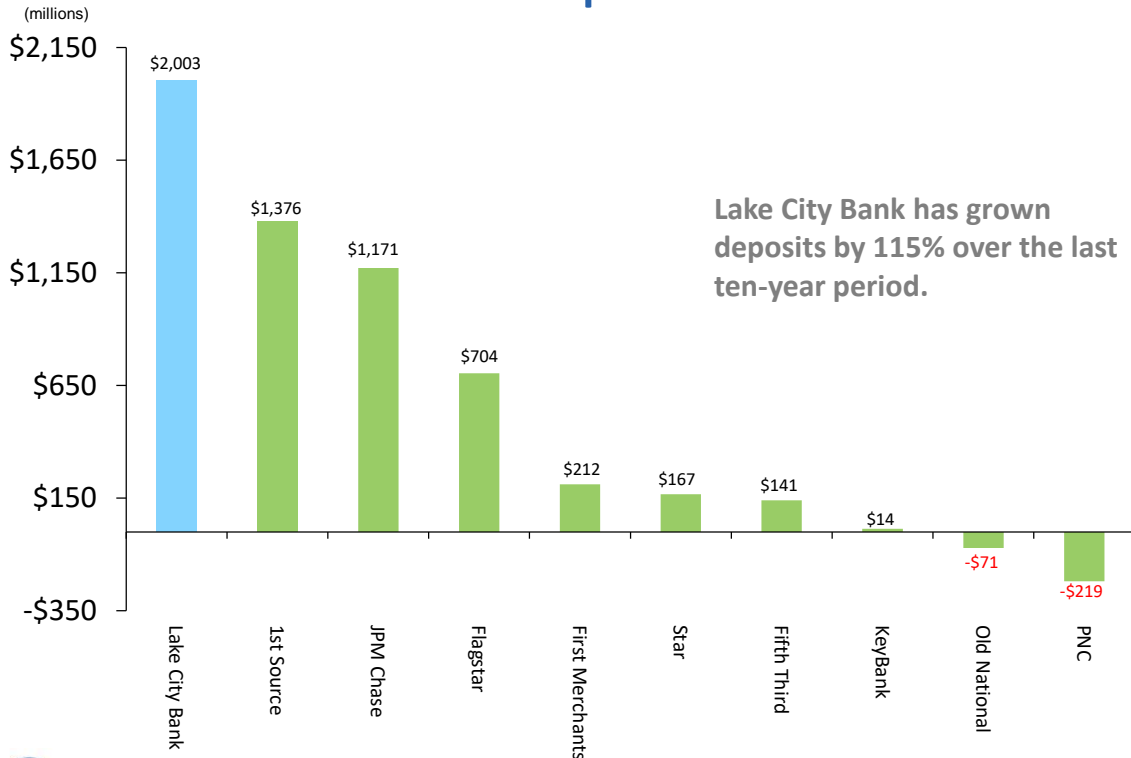
## Lake City Bank Culture

- Our culture is our greatest asset and it will be preserved
- Lake City University drives our culture
- Our community involvement is real and critical to our strategy
- Our culture has not been diluted by acquisition



## Organic Growth 2009 - 2019

# Mature<sup>1</sup> Market Deposit Performance

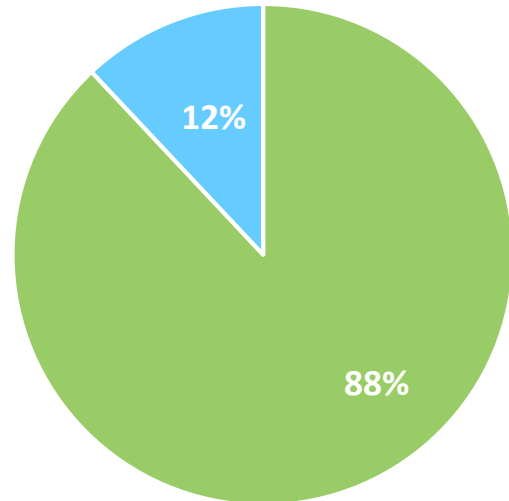


# Organic Growth

## Indianapolis Market Opportunity

Indianapolis Market Banks	Share of Market
1. JPM Chase	22%
2. PNC	14%
3. Fifth Third	9%
4. Huntington National	7%
5. First Internet Bank	7%
6. BMO Harris	7%
7. KeyBank	6%
8. Bank of America	6%
9. Merchants Bank	5%
10. National Bank of Indy	4%
16. Lake City Bank	1%

### Deposit Market Share



■ Out of State ■ In State

- Marion, Hamilton and Johnson Counties as of 6/30/19; Source: FDIC Statistics



## Core Deposit Funding

# Core Deposits Fund Organic Loan Growth

- Deposit Strategy Committee created in 2014
- Focus is on core deposit growth in retail, commercial and public funds
- Deposit growth has outpaced loan growth in 2019
- Emphasis is on checking account relationship products and flexible solutions
- Demographic and lifestyle data is being leveraged
- Omni channel media campaign evolving

## Commitment to Technology and Cyber Risk Management

# Technology Innovation is Critical

- Technology partnership with FIS is strong – User Planning Council and Strategic Planning Advisory Council
- Fintech partnerships play a growing role in our technology strategy
- Mobile banking applications adoption accelerating in Retail and Commercial Banking
- Retail and Commercial platforms ensure competitive positioning
- Cybersecurity protection is a constant focus
- Data gathering and analysis playing an increasingly important role
- Branch strategies involve hardware and software innovations

# Commitment to Technology and Cyber Risk Management

## Technology Innovation is Critical



**Better to be alerted  
than alarmed.**

Lake City Bank's Fraud Prevention tools help you get out in front of fraud before it happens. Alerts to your email or mobile device warn you *before* unrecognized debits clear your account. It's just one of our technology-driven Treasury Management services that help you focus on the business at hand, worry free.

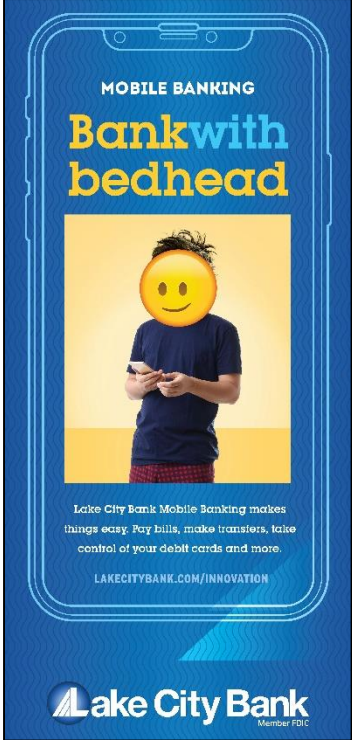
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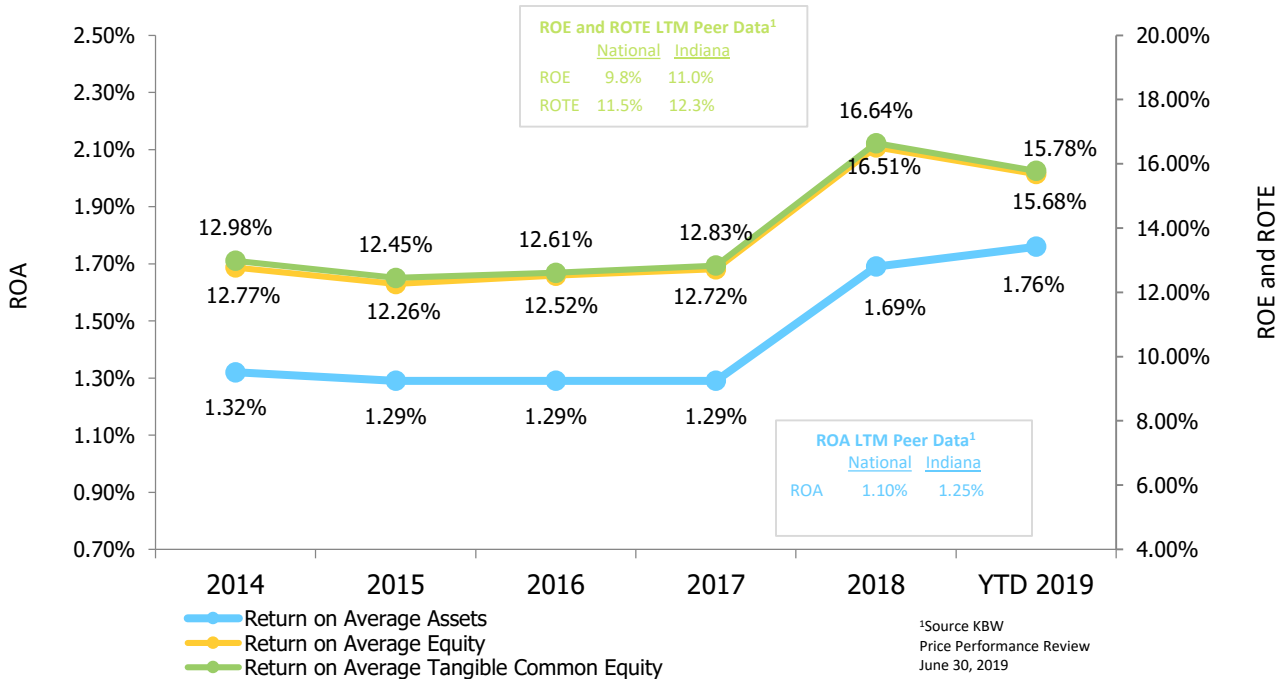


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# Financial Performance

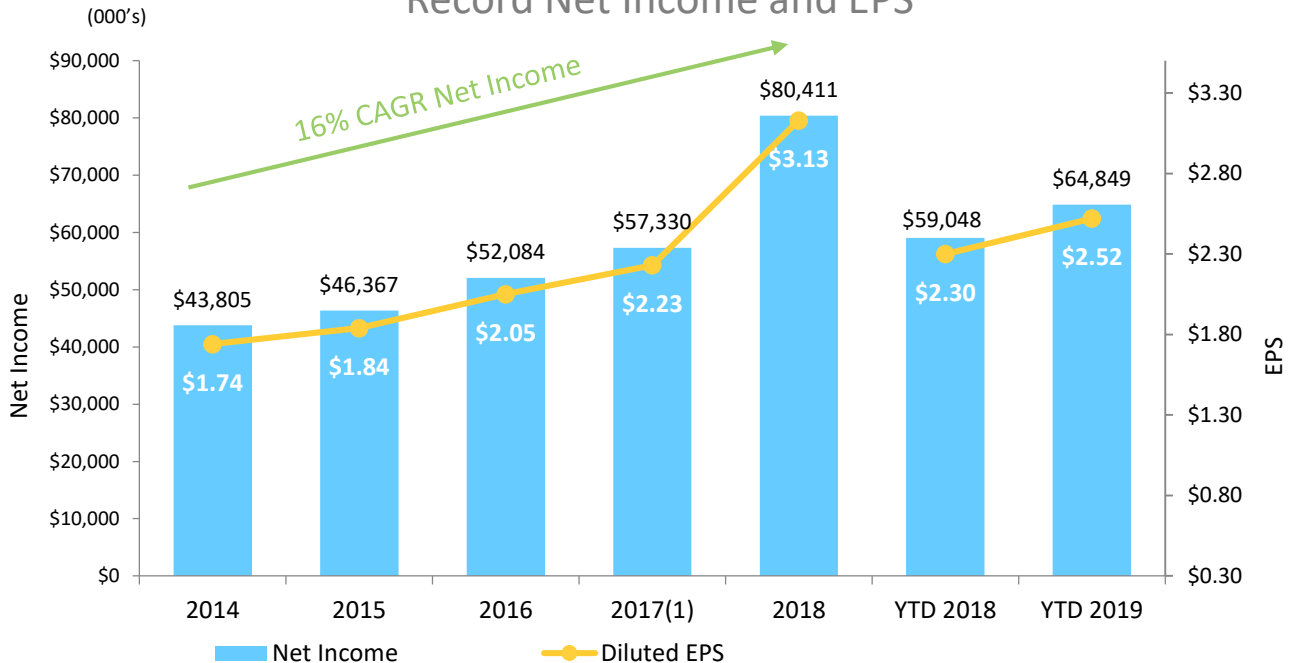
# Income Performance Metrics

LKFN Performance Exceeds National and Indiana Peers



# Net Income and EPS

## Record Net Income and EPS



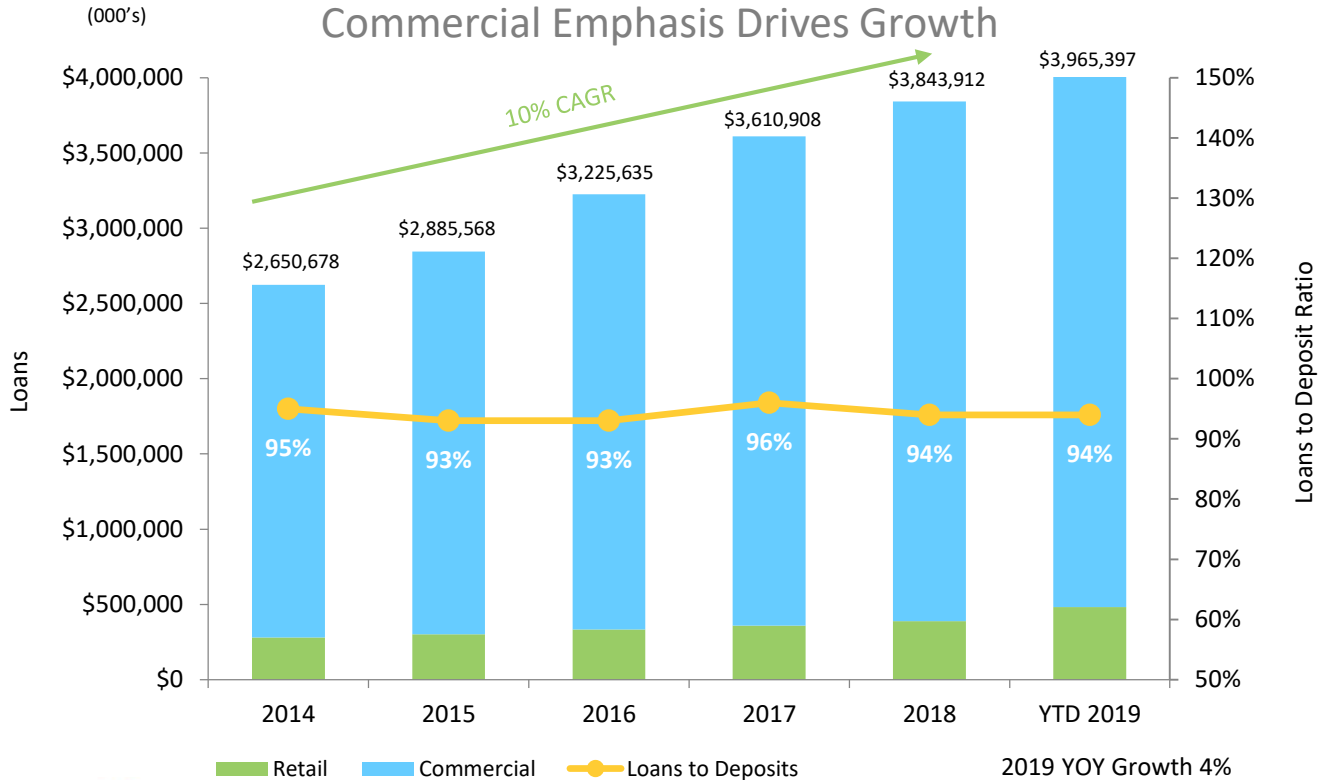
(1) Includes impact of tax reform of \$4.1 million income tax provision for 2017

2019 Net Income Growth 10%

2019 Diluted EPS Growth 10%

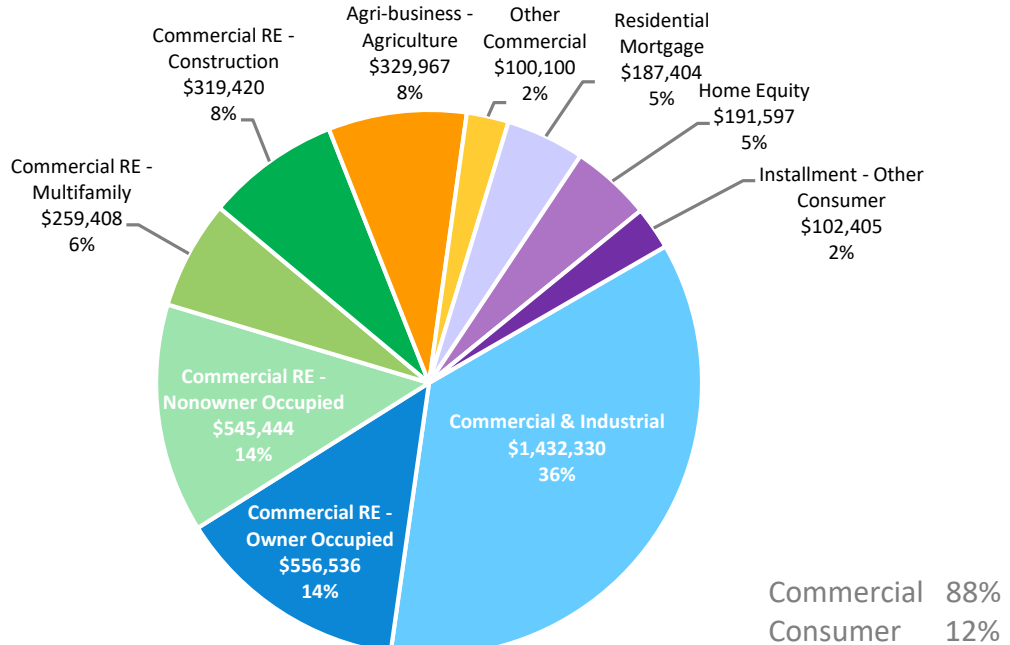
# Average Loans

Commercial Emphasis Drives Growth



# Loan Breakdown

## C&I Drives Lending Business



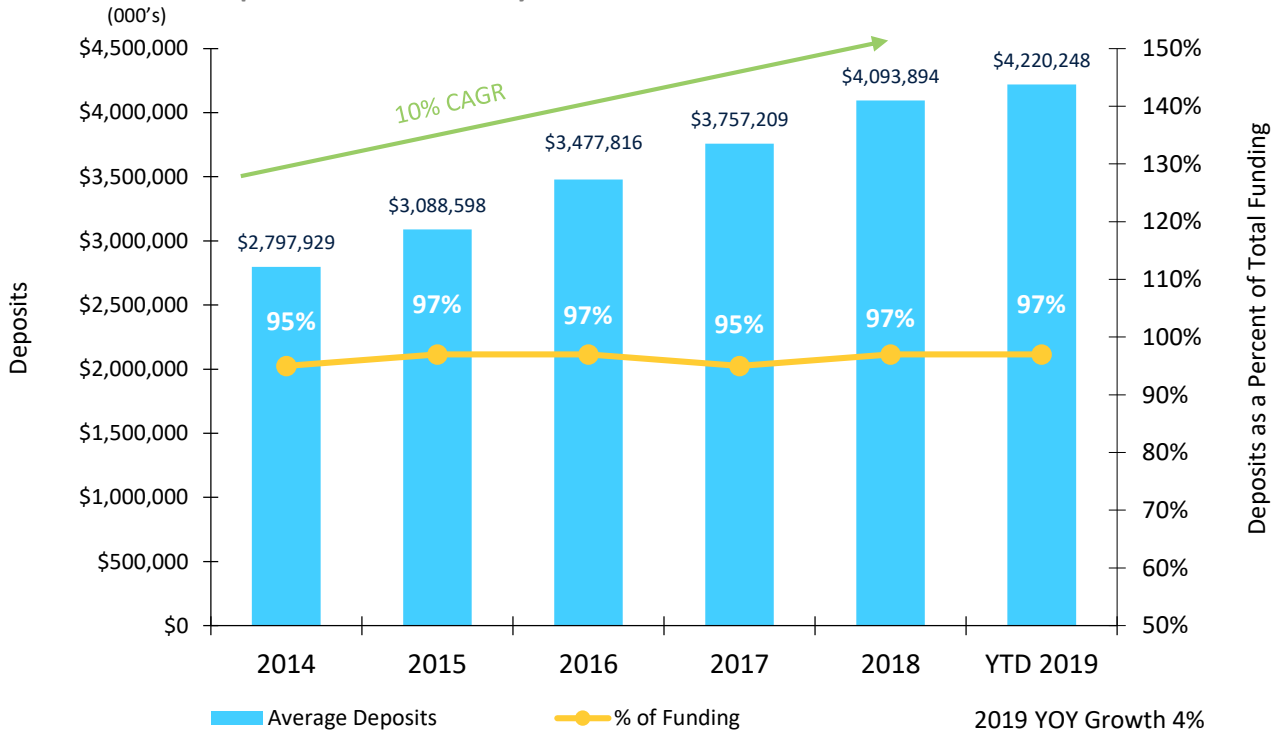
\$4.0 billion as of September 30, 2019

(000's)



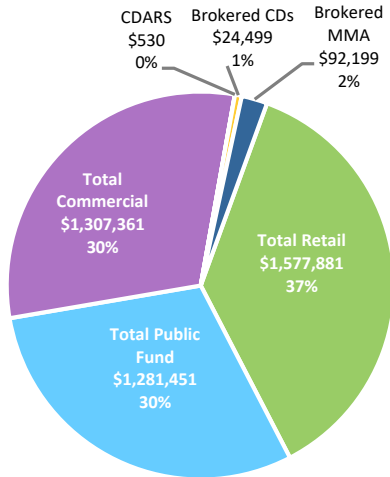
# Average Deposits

Core Deposits\* Grow by 5% or \$200.2 Million Year-over-Year



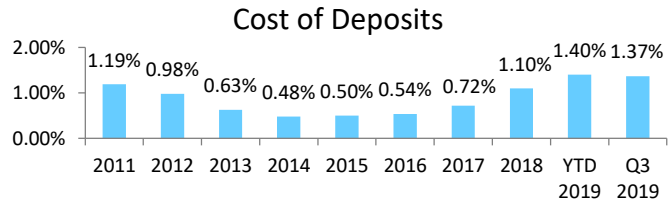
# Deposit Breakdown

Deposit Growth Key to Franchise Value



September 30, 2019  
Total Deposits - \$4.3 billion

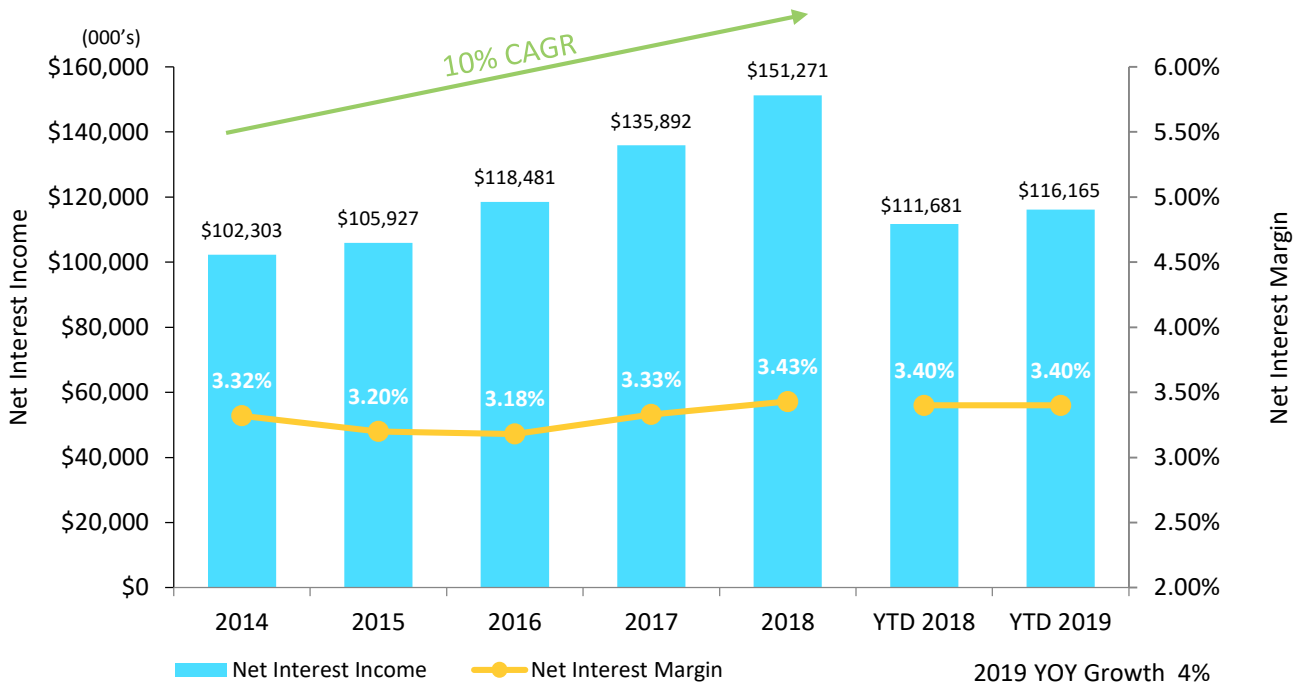
(000's)



Deposit Composition at end of period	2009	2019
Non-interest Bearing Demand Deposits	12%	24%
Interest Bearing Demand, Savings & MMA	34%	44%
Time Deposits > or = to \$100,000	35%	26%
Time Deposits < \$100,000	19%	6%
<b>Total Deposits (billions)</b>	<b>\$1.9</b>	<b>\$4.3</b>

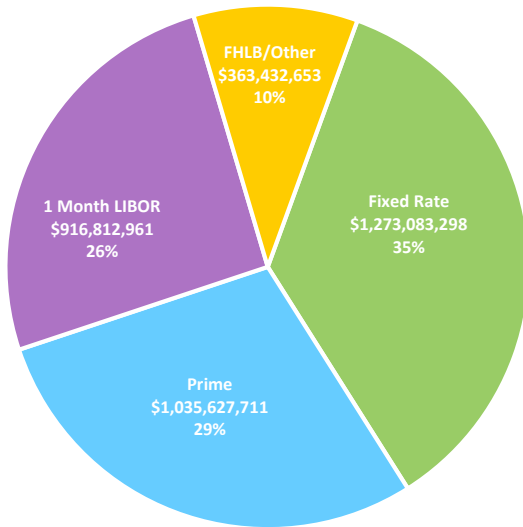
# Net Interest Income

Loan Growth Driving Growth in Income



# Interest Rate Sensitivity

Impact of FOMC Accommodative Policy on Commercial Loans:

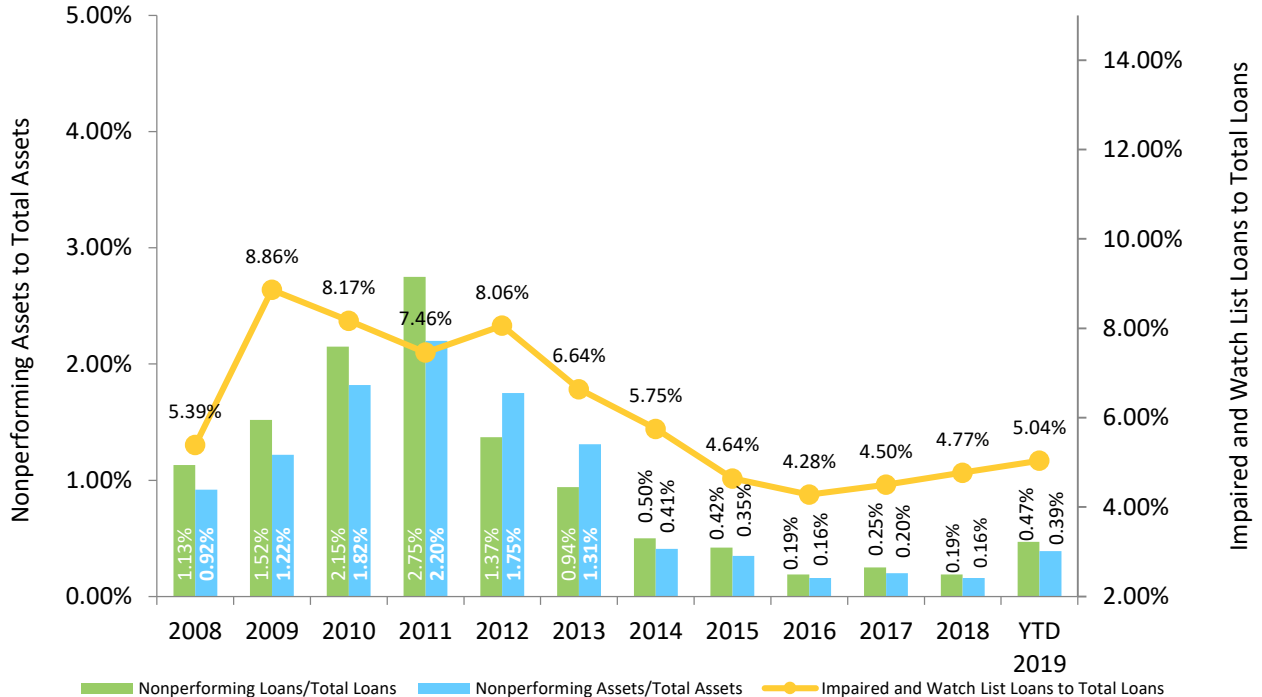


Commercial Loans  
\$3.6 billion as of September 30, 2019

- 88% of loan portfolio consists of commercial loans
- Fixed rate commercial loans have average terms of 5 years
- Re-implementing floors as appropriate
- Proactive deposit pricing reflects FOMC easing
- 51% of Public Funds are tied to Fed Funds effective rate
- Investment portfolio duration is 4.73 years

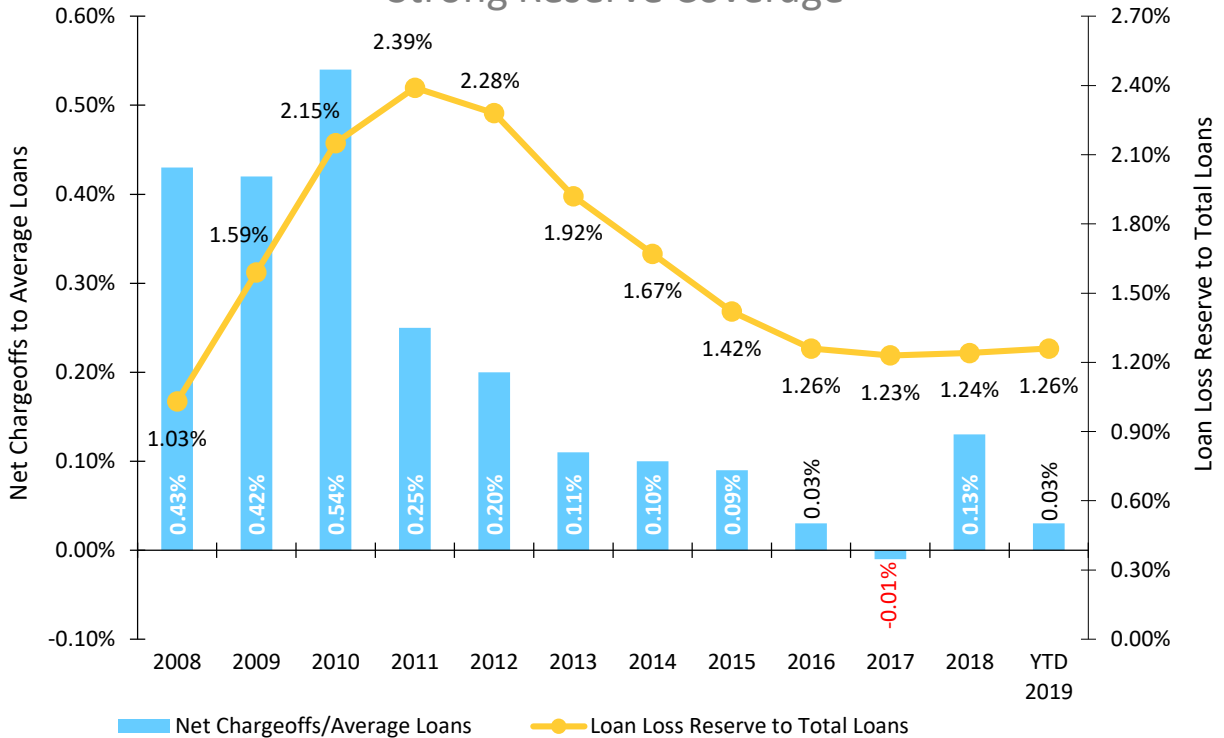
# Asset Quality

Nonperforming Levels Reflect Economic Strength of Markets



# Asset Quality

Strong Reserve Coverage



# Current Expected Credit Losses (CECL) Standard

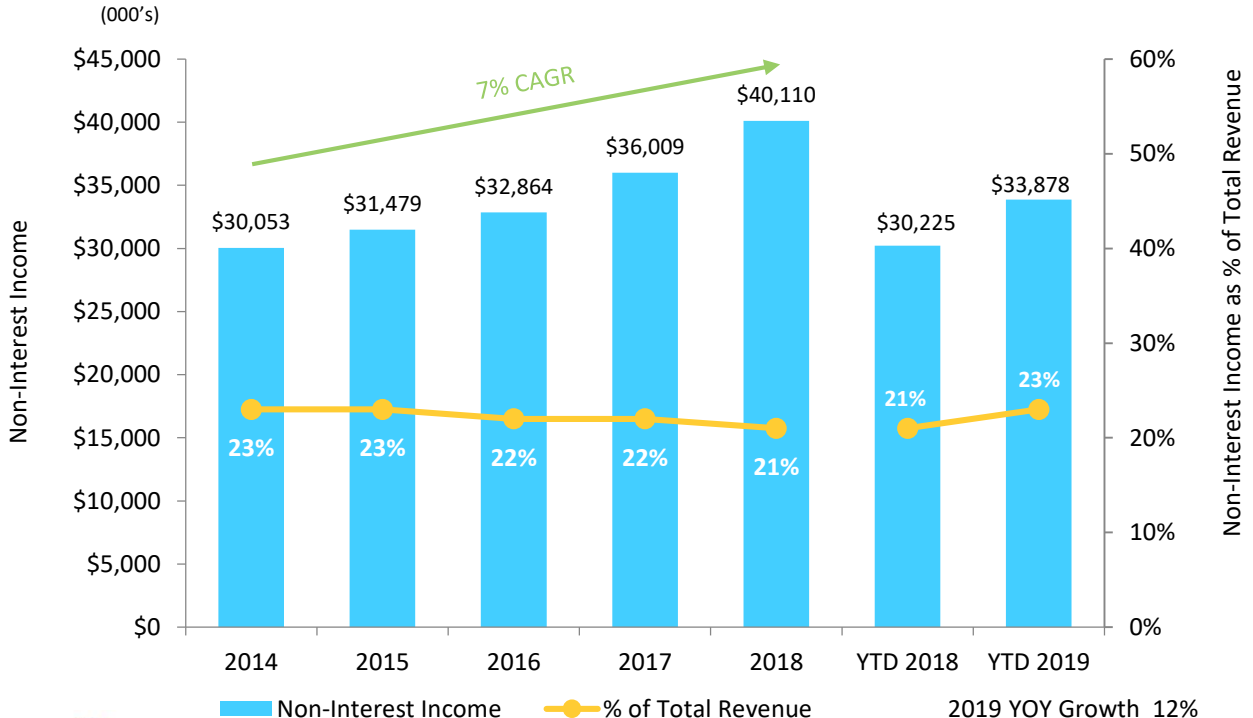
## Estimated Cumulative Effect Adjustment to Retained Earnings at implementation in Q1 2020:

- Estimate of 5% to 15% increase in allowance balance based on 9/30/19 data
- Anticipated lower impact due to predominately commercial loan portfolio
- Will be impacted by multiple factors:
  - economic environment,
  - portfolio credit quality, and
  - refinements to model, methodology and other key assumptions
- Anticipated insignificant impact to capital adequacy is nominal

# Non-Interest Income

## Fee-Based Revenue Drives Increases

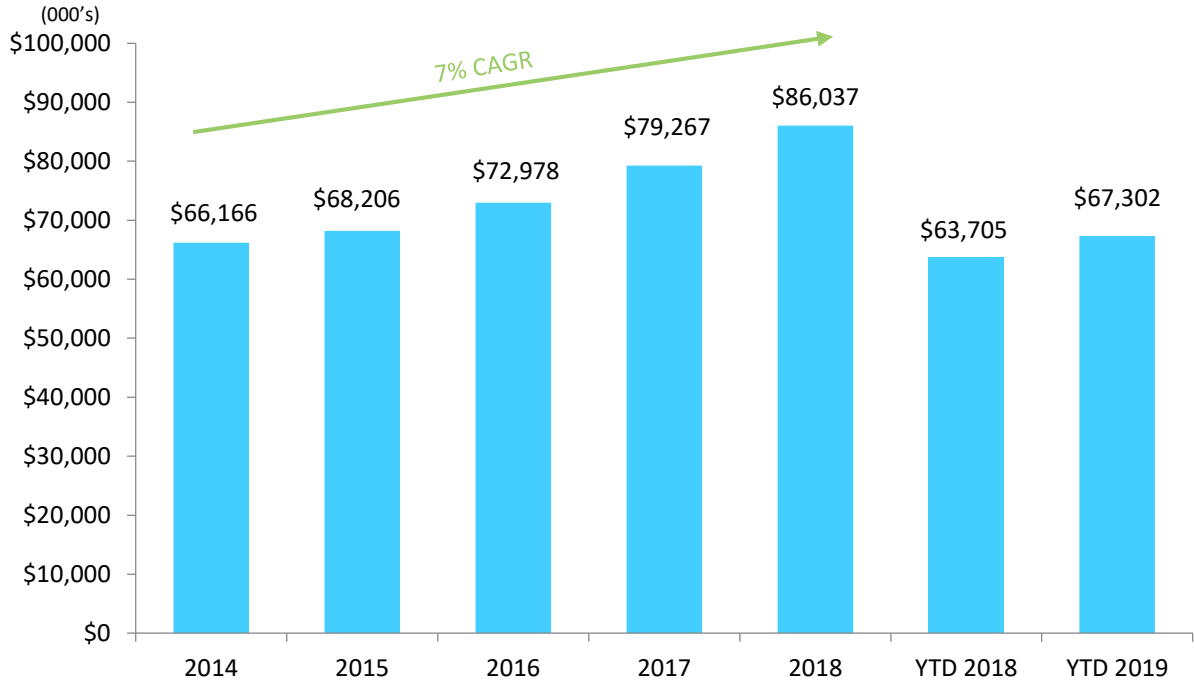
However service charges on deposit accounts will decline in future periods





# Non-Interest Expense

Disciplined Approach to Cost Structure While Continuing to Invest in the Future

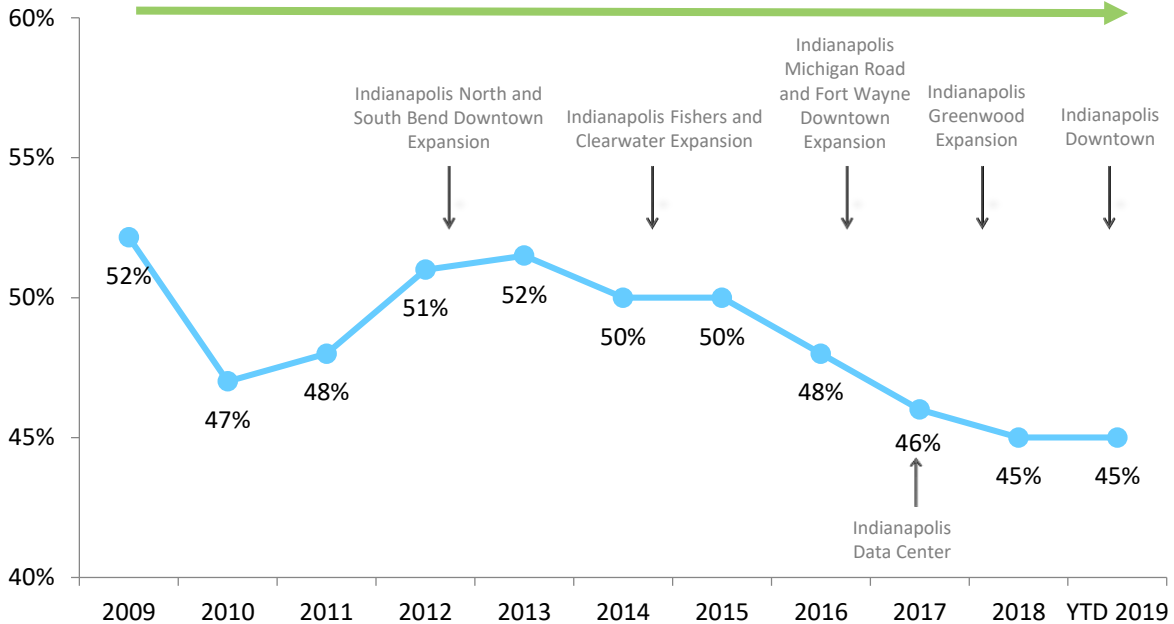


2019 YOY Growth 6%

# Efficiency Ratio

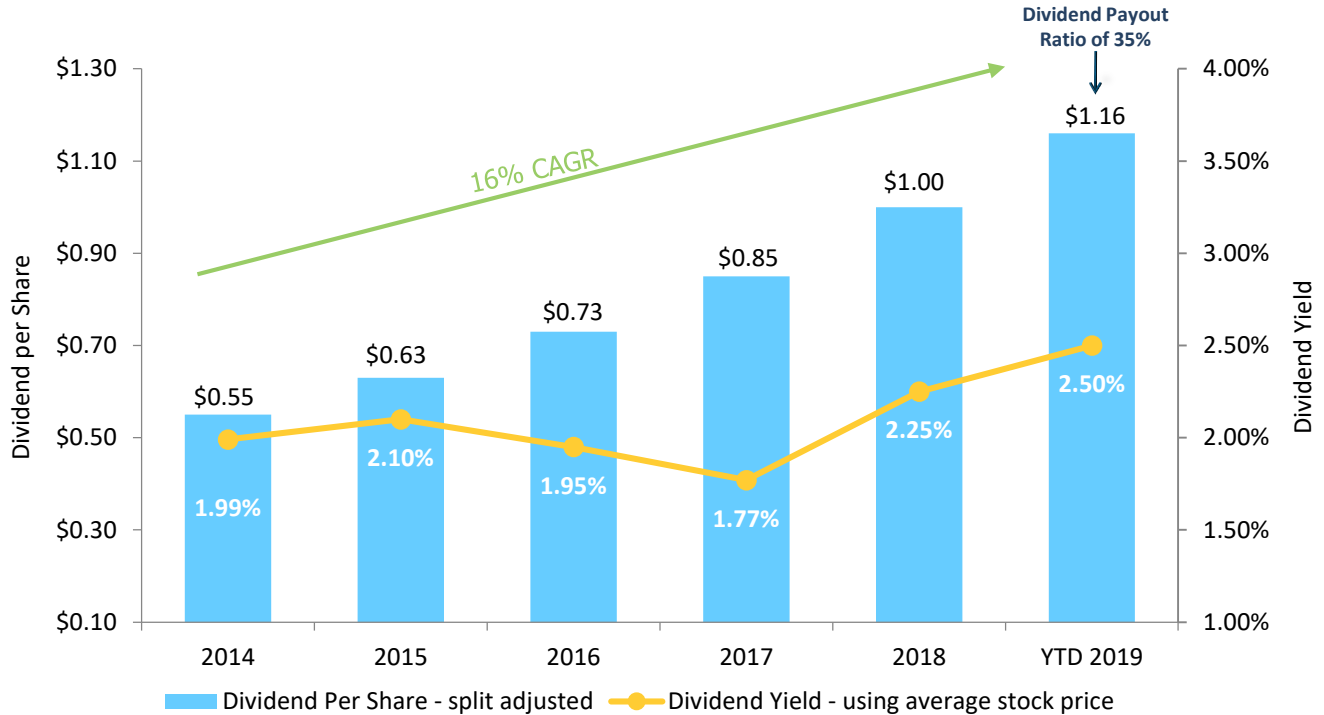
Revenue Growth is Primary Driver of Low Efficiency Ratio

Constant investment in technology and facilities



# Stable Healthy Dividend

Significant Increase in Dividend Reflects Strength of Balance Sheet

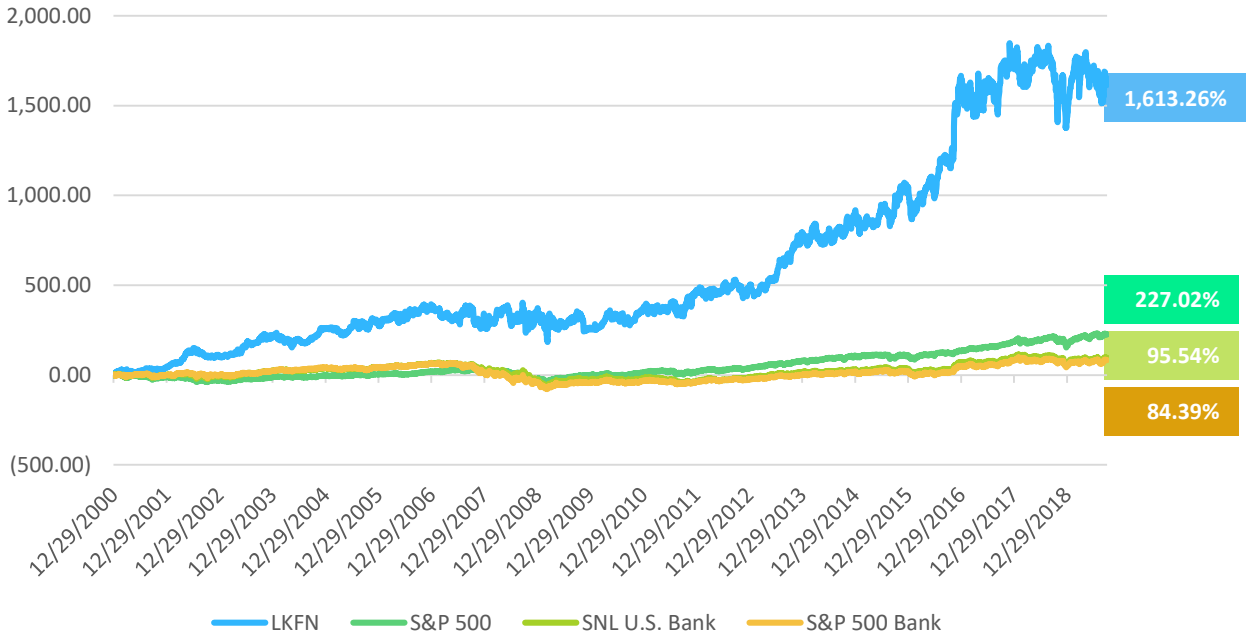


2019 Growth 16%

35

# LKFN Shareholder Value

Total Return Performance from 12/31/00 to 9/30/19



Source: SNL database

# Investment Highlights

- Proven History of Organic Growth
- Disciplined and Focused Strategy
- Strong Internal Culture
- Consistent Execution
- Service Excellence Drives Shareholder Value

# Supplemental Information

# Organic Growth

## Larger Market Organic Expansion

State Rank	County	Primary City	Population*	LCB Entry	LCB Deposit Market Share**	# of Branches
20.	Kosciusko	Warsaw	79,344	1872	59%	12
6.	Elkhart	Elkhart	205,560	1990	21%	9
5.	St. Joseph	South Bend	270,771	1997	8%	4
3.	Allen	Fort Wayne	375,351	1999	14%	5
1.	Hamilton/Marion	Indianapolis	1,284,756	2011	1%	5

\* Source: STATS Indiana

\*\* Source: FDIC 6/30/19 Statistics



# Organic Growth

## Mature Market Strength and Growth

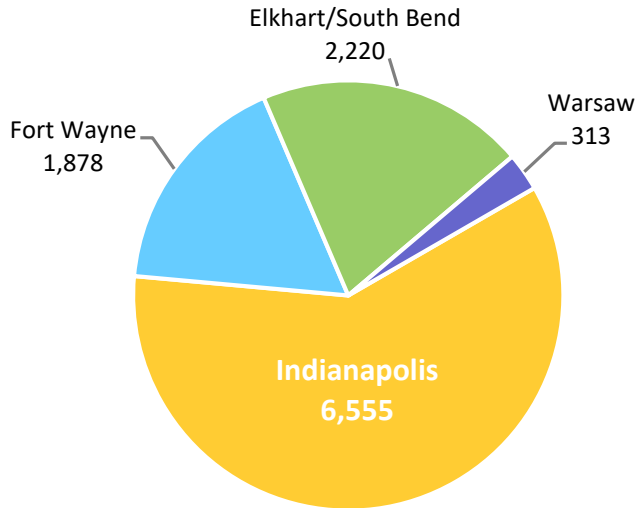
(millions) <sup>1</sup>	2019		2009			2019 # of Offices
	<u>Deposits</u>	<u>Share</u>	<u>Deposits</u>	<u>Share</u>	<u>Increase</u>	
1. 1 <sup>st</sup> Source	\$4,053	19.62%	\$2,677	17.16%	51.40%	53
<b>2. Lake City Bank</b>	<b>\$3,739</b>	<b>18.10%</b>	<b>\$1,736</b>	<b>11.13%</b>	<b>115.38%</b>	<b>50</b>
3. JPM Chase	\$2,655	12.85%	\$1,484	9.51%	78.91%	23
4. PNC	\$1,432	6.93%	\$1,651	10.58%	(13.26)%	26
5. KeyBank	\$1,060	5.13%	\$1,046	6.70%	1.34%	18
6. First Merchants	\$784	3.80%	\$572	3.67%	37.06%	12
7. Flagstar	\$759	3.67%	\$55	0.35%	1280.00%	24
8. Old National Bank	\$754	3.65%	\$825	5.28%	(8.61)%	10
9. Star	\$643	3.11%	\$476	3.05%	35.08%	11
10. Fifth Third	\$492	2.38%	\$351	2.25%	40.17%	10
<b>Market Total</b>	<b>\$20,655</b>		<b>\$15,602</b>		<b>32.39%</b>	



## Organic Growth

# Commercial Banking Target Opportunities

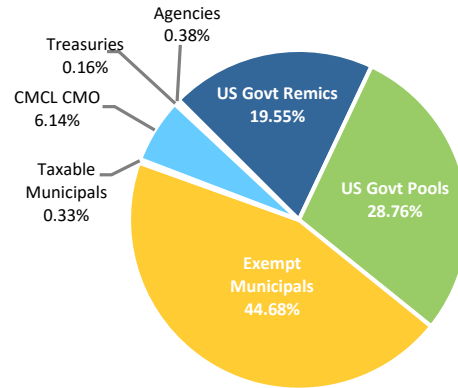
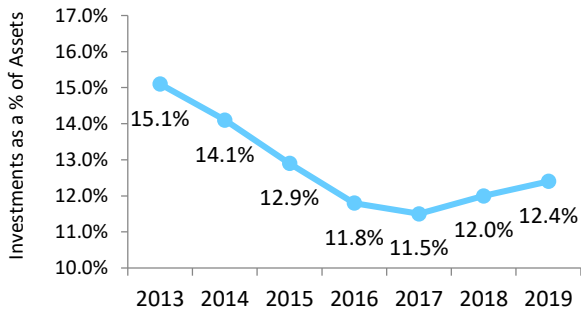
Growth Potential in Every Market



Companies with Revenue of \$1 to \$50 million in Lake City Bank footprint by county

Source: 2017 Hoover's

# Investment Portfolio – Source of Liquidity

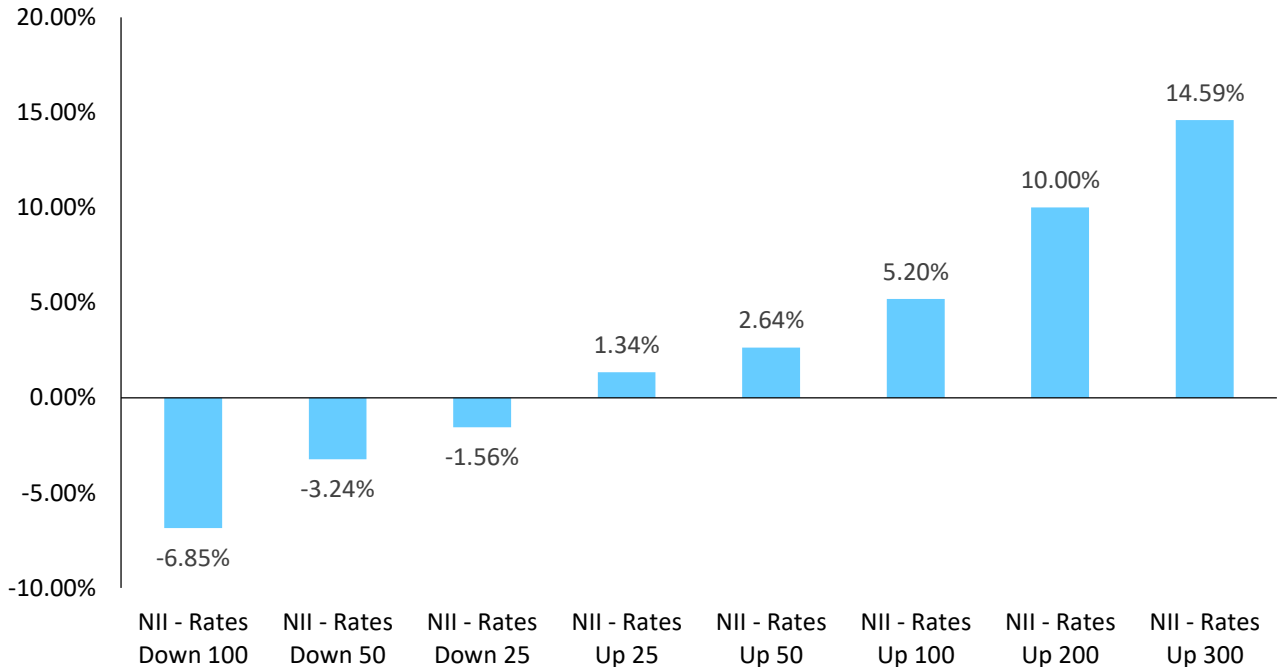


September 30, 2019

	Weighted Maturity	Book Yield	Duration	Market Value
Govt Treasuries	2.13	2.23%	2.08	\$1,008
US Agencies	5.59	2.22%	5.21	2,307
US Govt REMICS	3.40	2.98%	3.50	119,863
US Govt Pools	5.10	2.75%	4.44	176,368
Exempt Municipals (TEY)	13.63	3.77%	5.96	274,009
Taxable Municipals	1.05	2.25%	1.04	2,005
CMCL CMO	2.50	2.42%	2.02	37,669
<b>Total (Tax-Equivalent Yield)</b>	<b>8.20</b>	<b>3.20%</b>	<b>4.73</b>	<b>\$613,229</b>

# Projected Impact of Rising/Falling Rates

## Asset Sensitive Balance Sheet



Graph presents 12 month projected net interest income simulation results as of September 30, 2019 using parallel shocks



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