

# Lakeland Financial Corporation

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## Investor Update

**A Proven History of  
Shareholder Value Creation  
Driven by Service Excellence**



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# Forward-Looking Information

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**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.**



# Lake City Bank Today

- Headquartered in Warsaw, Indiana
- 46 branch offices
- 502 FTEs
- \$3.4 billion banking assets
- \$1.2 billion trust assets
- Regional franchise
- Low market shares – high growth potential





# Established Market Presence

## Organic Growth Potential in Mature and New Markets

### Opening Date of First Office in Market

**Warsaw – 1872**

23 offices

**Elkhart – 1990**

11 offices

**South Bend – 1997**

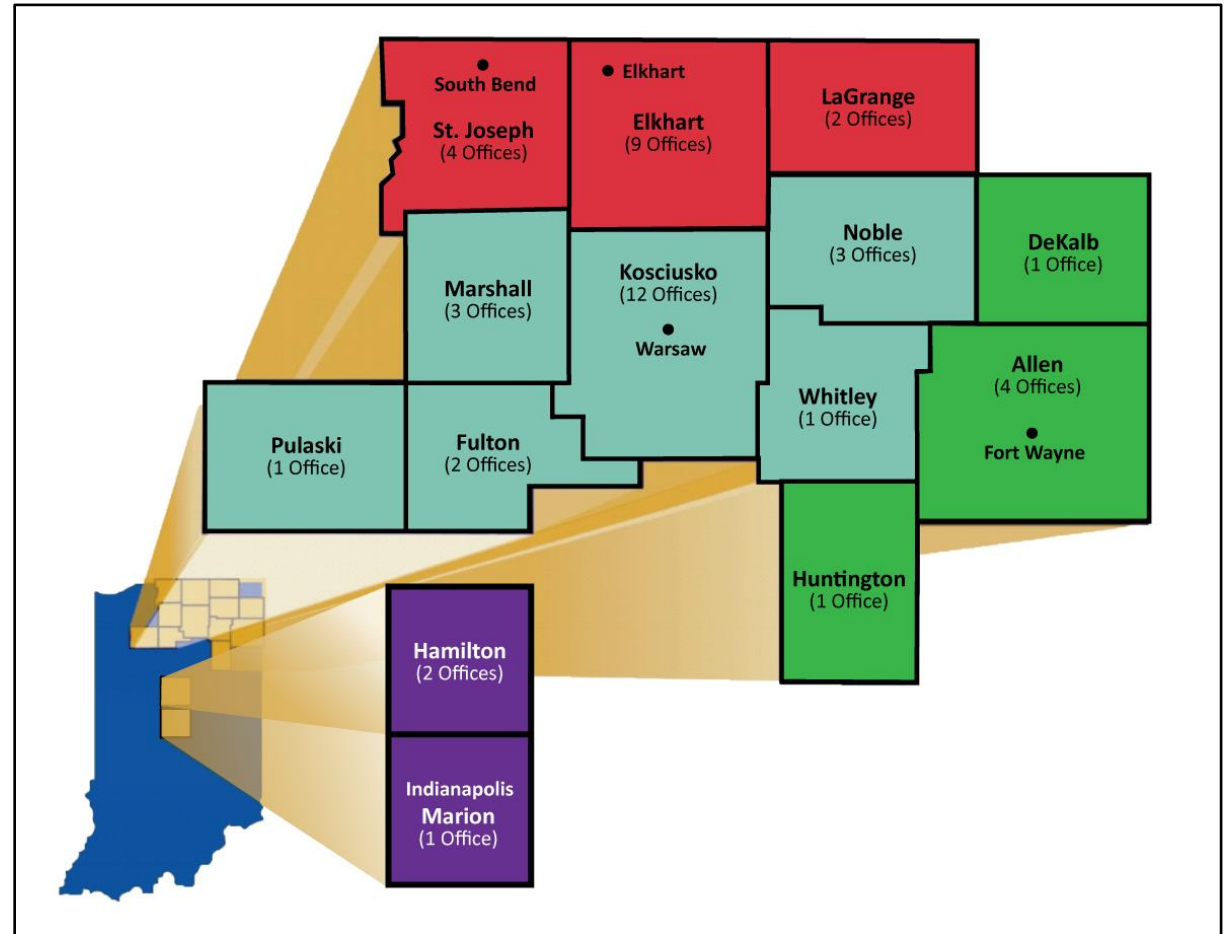
4 offices

**Fort Wayne – 1999**

6 offices

**Indianapolis – 2011**

3 offices





# Lake City Bank

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## Growth Strategy

- 1. Business Owner Focus*
- 2. High Quality People*
- 3. Larger Market Organic Expansion*



# Business Owner Focus

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- **38 Commercial Banking Officers**
- **Average 20 years experience in banking and 10 years at Lake City Bank**
- **Significant credit and administrative support staff**
- **Commercial staff reside in market they serve**



# Relationship Strategy

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- **Lead with Credit and Operating Relationship**
- **Understand Client Needs**
- **Cross-sell Aggressively by Leveraging Technology**





# **Credit Process**

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- **Centralized/Committee Approvals**
- **Focus on Management/Cash Flow**
- **Collateral and Guarantees**
- **Orientation Toward Owner-Occupied and well structured Nonowner Occupied RE**
- **Be Responsive and Consistent**



# Lake City Bank Culture

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- **Core Values start with honesty**
- **Lake City University drives education and culture**
- **Community involvement is “Real” and critical to our strategy**
- **Our Culture has not been diluted by acquisition**



# Face to Face Contact

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- We Love to Call
- Sales Calling Program Includes 100 Officers
- 16,431 “Real” Client Contacts in 2014
- Our People are the Competitive Advantage





# 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	77,963	1872	53%	12
6.	Elkhart	Elkhart	200,563	1990	22%	9
5.	St. Joseph	South Bend	266,709	1997	7%	4
3.	Allen	Fort Wayne	363,014	1999	11%	4
1.	Hamilton/Marion	Indianapolis	1,224,974	2011	0.46%	3

\* Source: STATS Indiana

\*\* Source: FDIC 6/30/14 Statistics

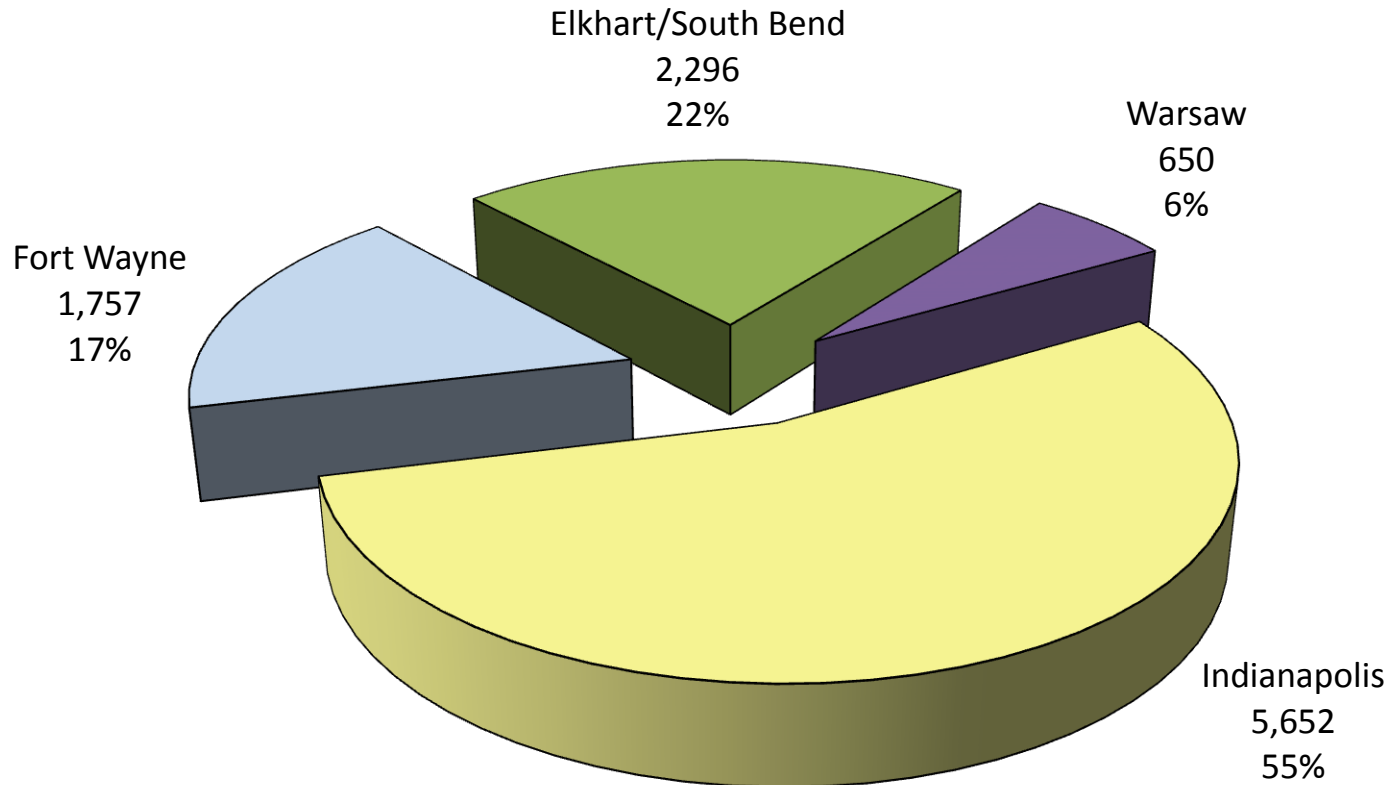




## Larger Markets

# Commercial Banking Market

### Growth Potential in Every Market



Companies with Revenue  
of \$1 to \$30 million



## Larger Markets

# Lake City Bank Market Area\*

## Key Competitors

(millions)	2014		2004		Increase	2014 # of Offices
	Deposits	Share	Deposits	Share		
<b>1. Lake City Bank</b>	<b>\$2,828</b>	<b>13.04%</b>	<b>\$1,023</b>	<b>6.92%</b>	<b>176.44%</b>	<b>46</b>
2. JPM Chase	\$2,809	12.95%	\$1,948	13.17%	44.20%	46
3. 1 <sup>st</sup> Source	\$2,701	12.45%	\$2,060	13.93%	31.12%	50
4. Wells Fargo	\$2,350	10.84%	\$1,038	7.02%	126.40%	28
5. PNC	\$1,663	7.67%	\$1,642	11.10%	1.26%	42
6. KeyBank	\$1,168	5.39%	\$904	6.11%	29.20%	29
7. Fifth Third	\$801	3.69%	\$598	4.04%	33.95%	18
8. Old National Bank	\$746	3.44%	\$438	2.96%	70.32%	21
9. IAB Financial Bank	\$631	2.91%	\$470	3.18%	34.26%	16
10. Star	\$554	2.55%	\$330	2.23%	67.88%	18
<b>Market Total:</b>	<b>\$21,689</b>		<b>\$14,788</b>		<b>46.67%</b>	

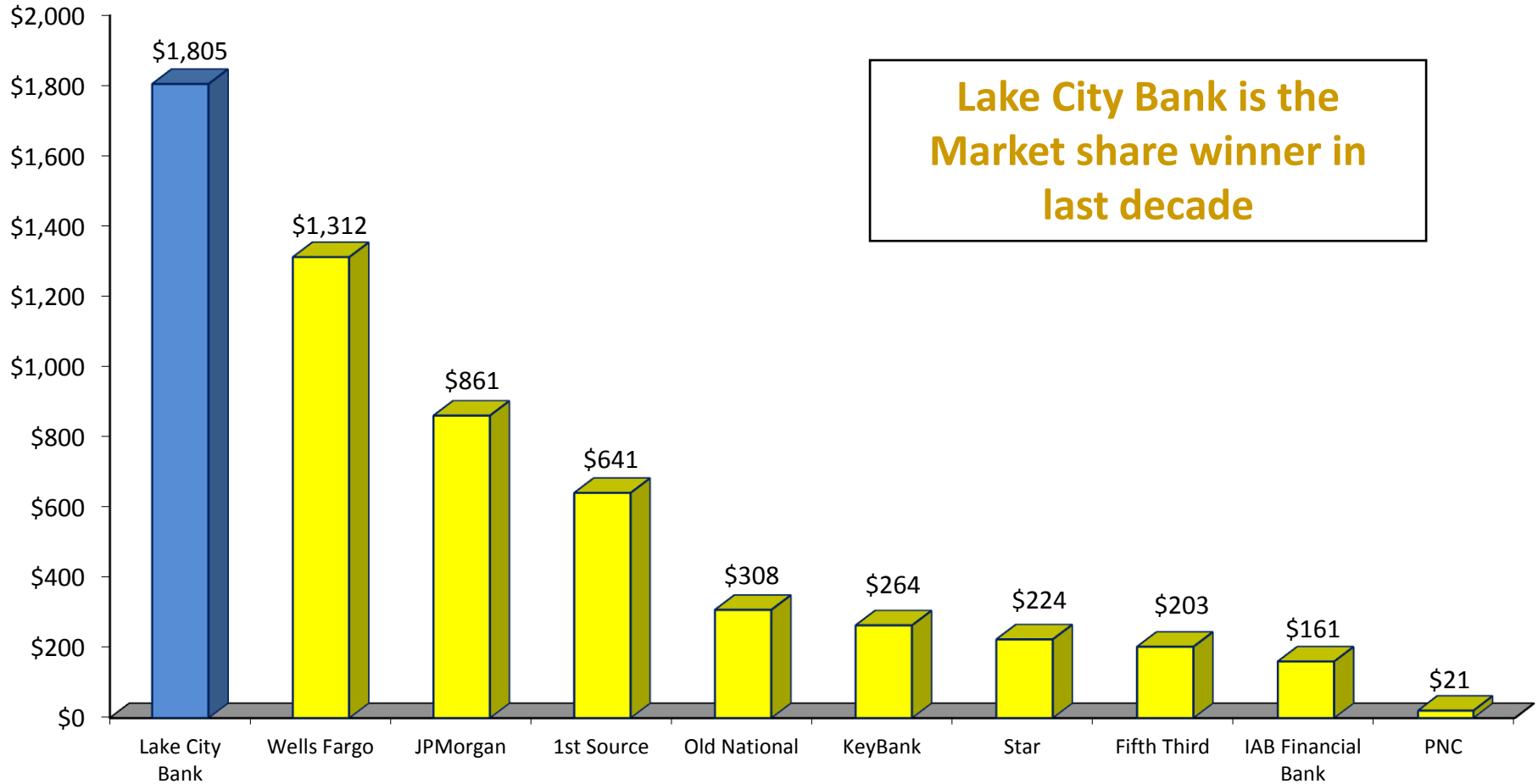
\*Includes the counties of Kosciusko, Elkhart, St. Joseph, Marshall, Allen, Whitley, Hamilton, Huntington, LaGrange, Noble, DeKalb, Fulton and Pulaski

\*\*Adjusted to include branches subsequently acquired by surviving banks



## Larger Markets

# Market Deposit Performance



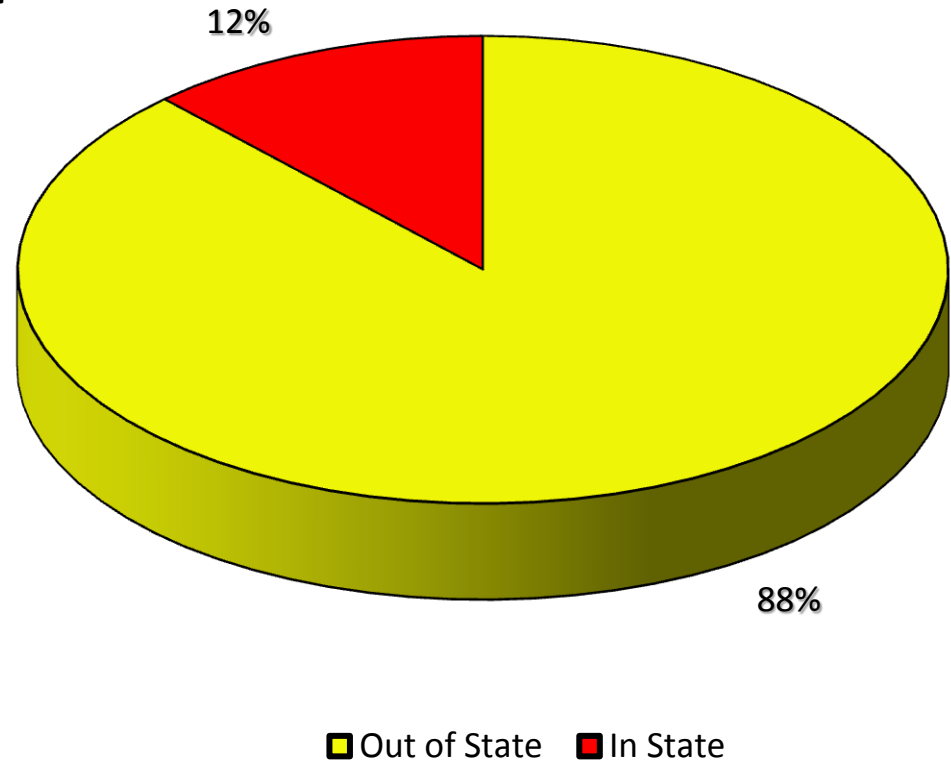
2014 vs. 2004



## Larger Markets

# Indianapolis Deposit Share

Indianapolis Market Banks	Share of Market
1. JPM Chase	29%
2. PNC	20%
3. Fifth Third	11%
4. Huntington National	8%
5. BMO Harris	6%
6. KeyBank	5%
7. National Bank of Indy	4%
8. Regions Bank	4%
9. Merchants Bank of IN	3%
10. First Internet Bank of IN	2%
<b>Indianapolis Market Total:</b>	<b>92%</b>







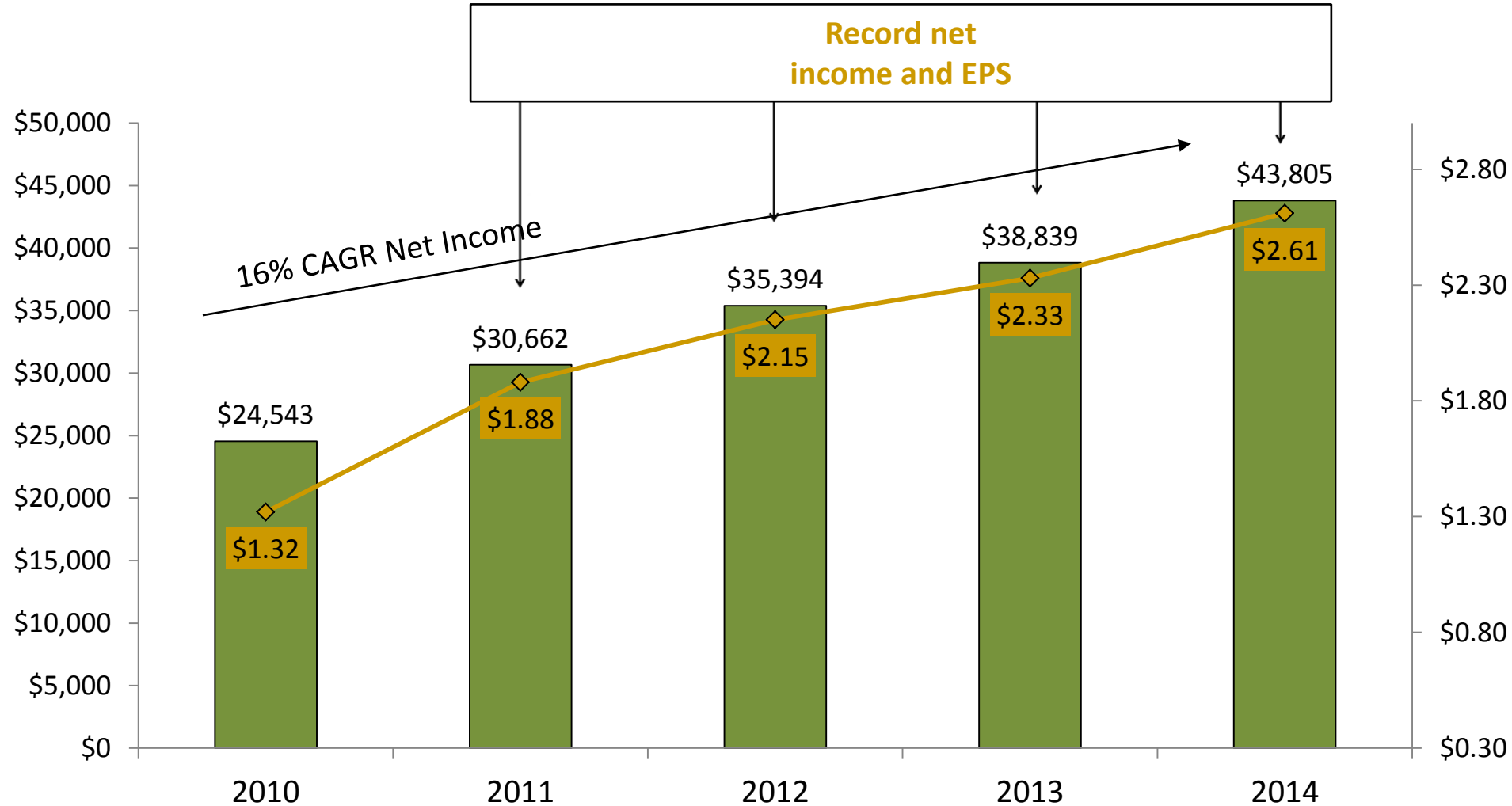
# Lakeland Financial Corporation

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# Financial Performance



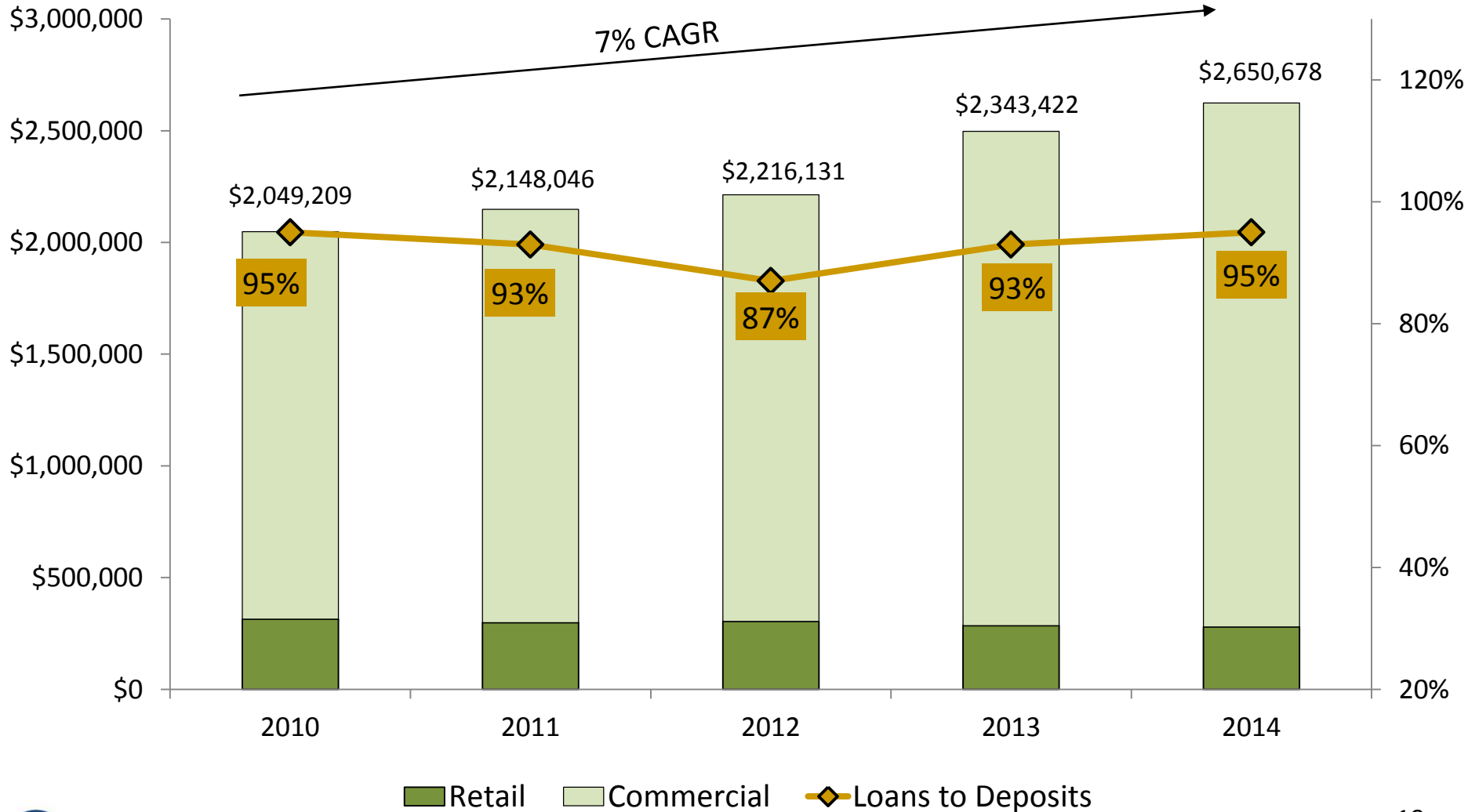
# Net Income and EPS





# Average Loans

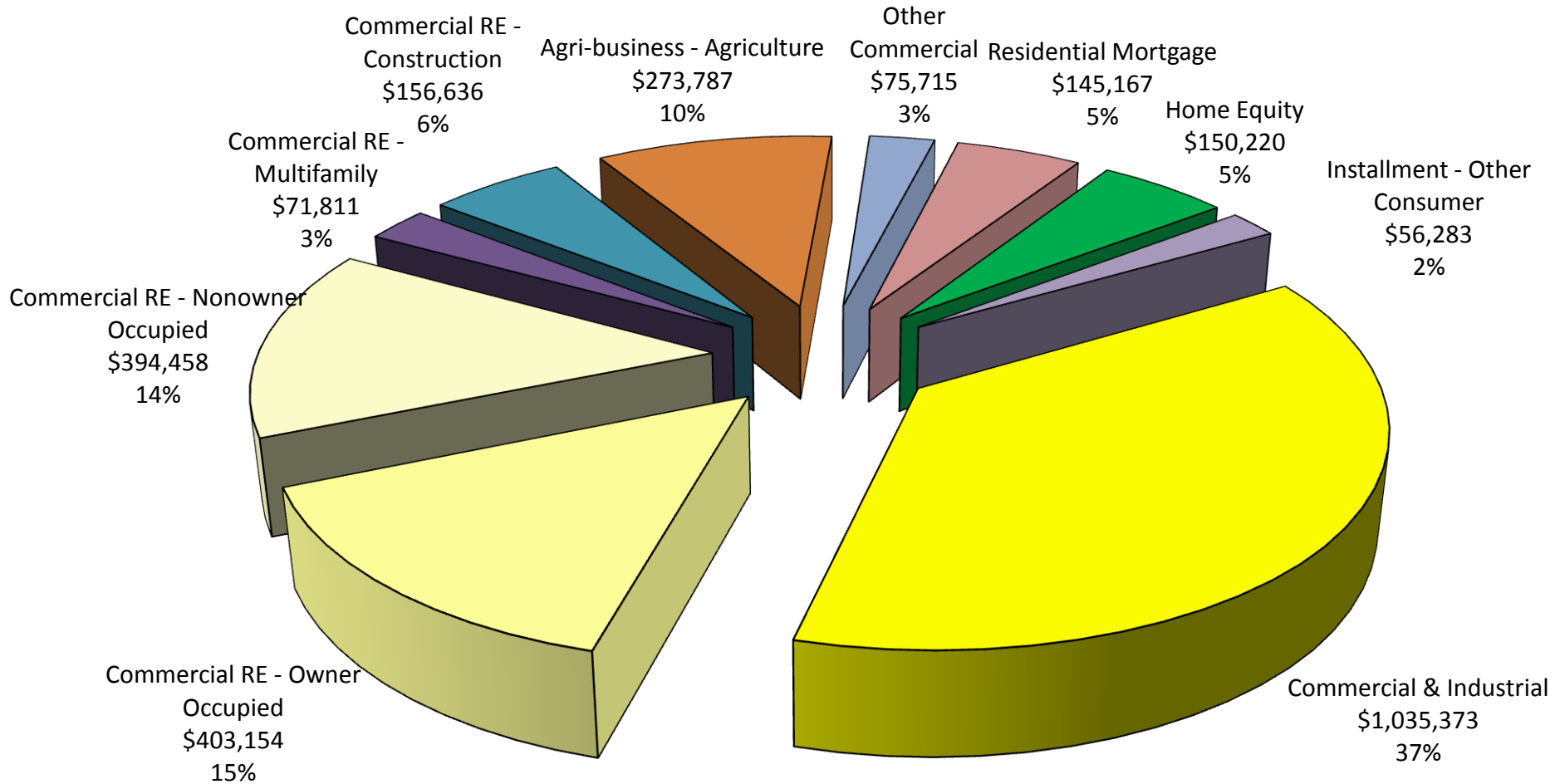
## Commercial Emphasis Drives Growth





# Loan Breakdown

## C & I Drives Lending Business



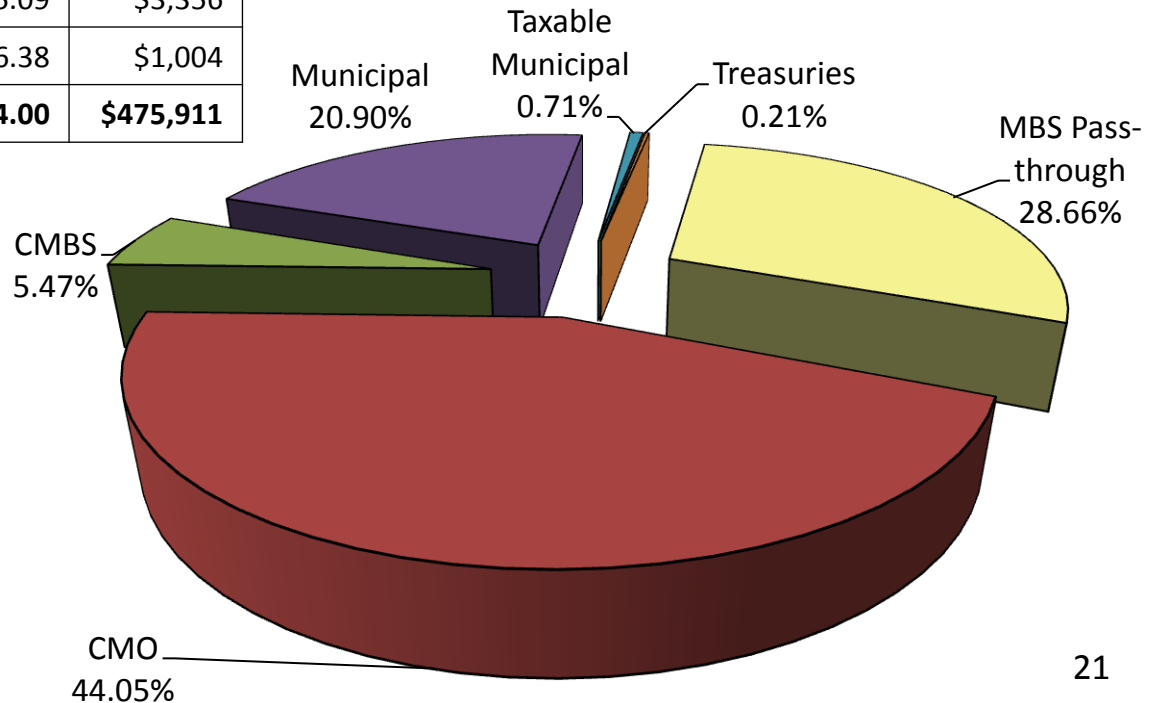
\$2.7 billion

as of December 31, 2014



# Investment Portfolio

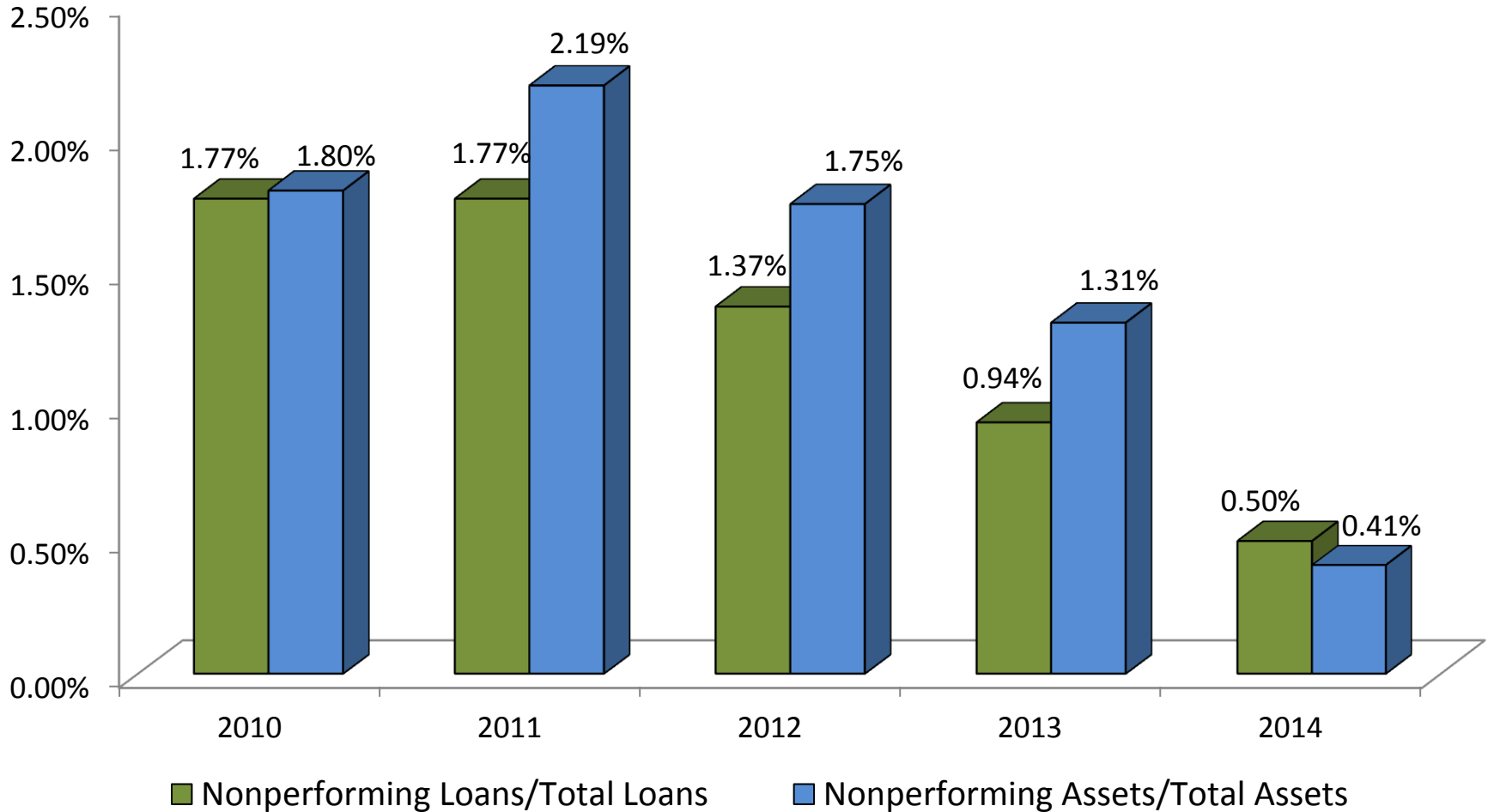
Security Type	December 31, 2014			
	Average Life	Book Yield	Effective Duration	Market Value
MBS Pass-through	6.46	2.80%	5.28	\$136,411
CMO	3.33	3.25%	2.53	\$209,634
CMBS	6.08	2.45%	5.57	\$26,050
Municipal	4.89	5.46%	4.85	\$99,456
Taxable Municipal	5.57	2.78%	5.09	\$3,356
Treasuries	6.91	2.22%	6.38	\$1,004
<b>Total</b>	<b>4.73</b>	<b>3.52%</b>	<b>4.00</b>	<b>\$475,911</b>





# Asset Quality

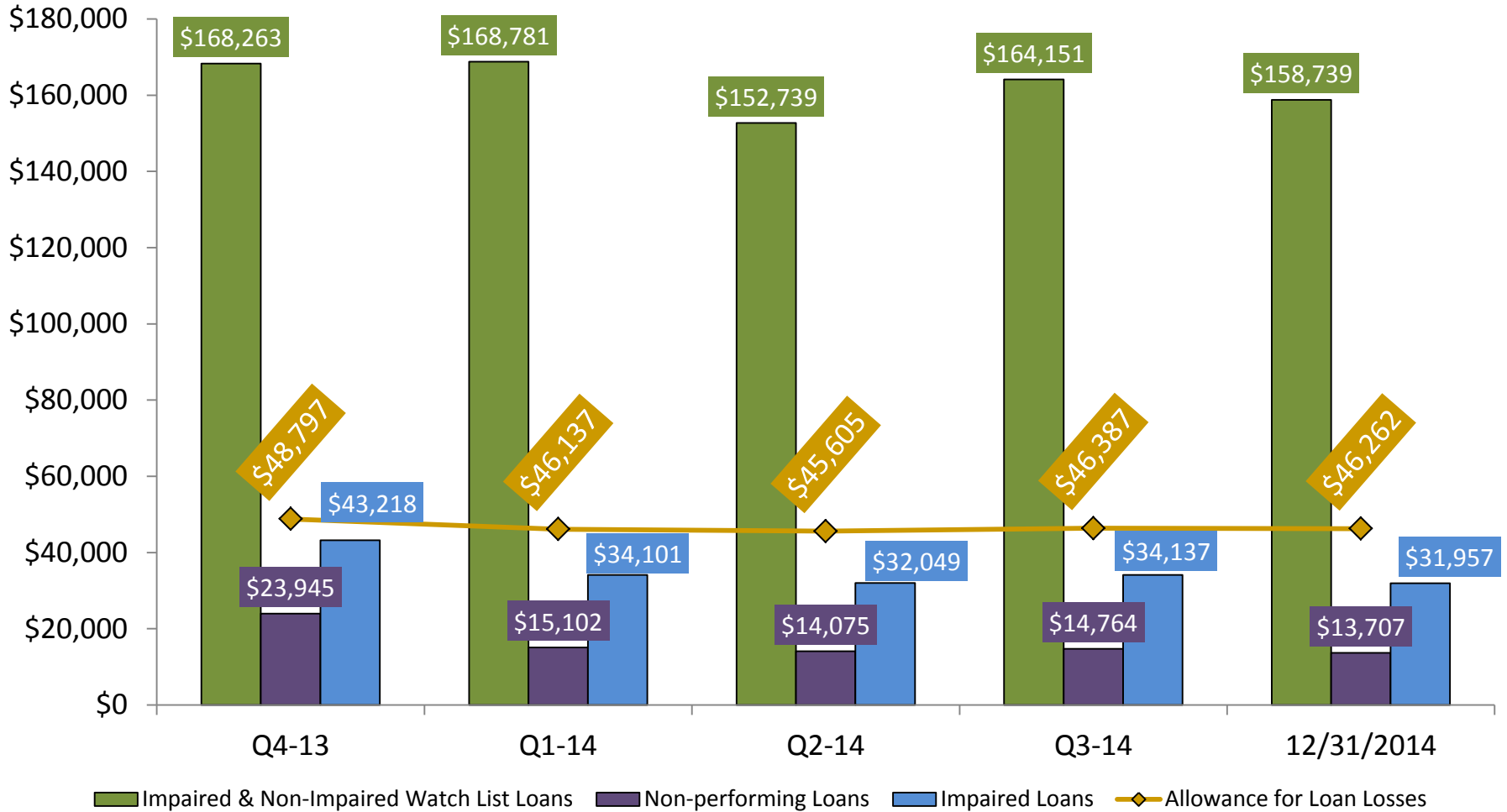
## Nonperforming Levels Continue to Improve





# Asset Quality

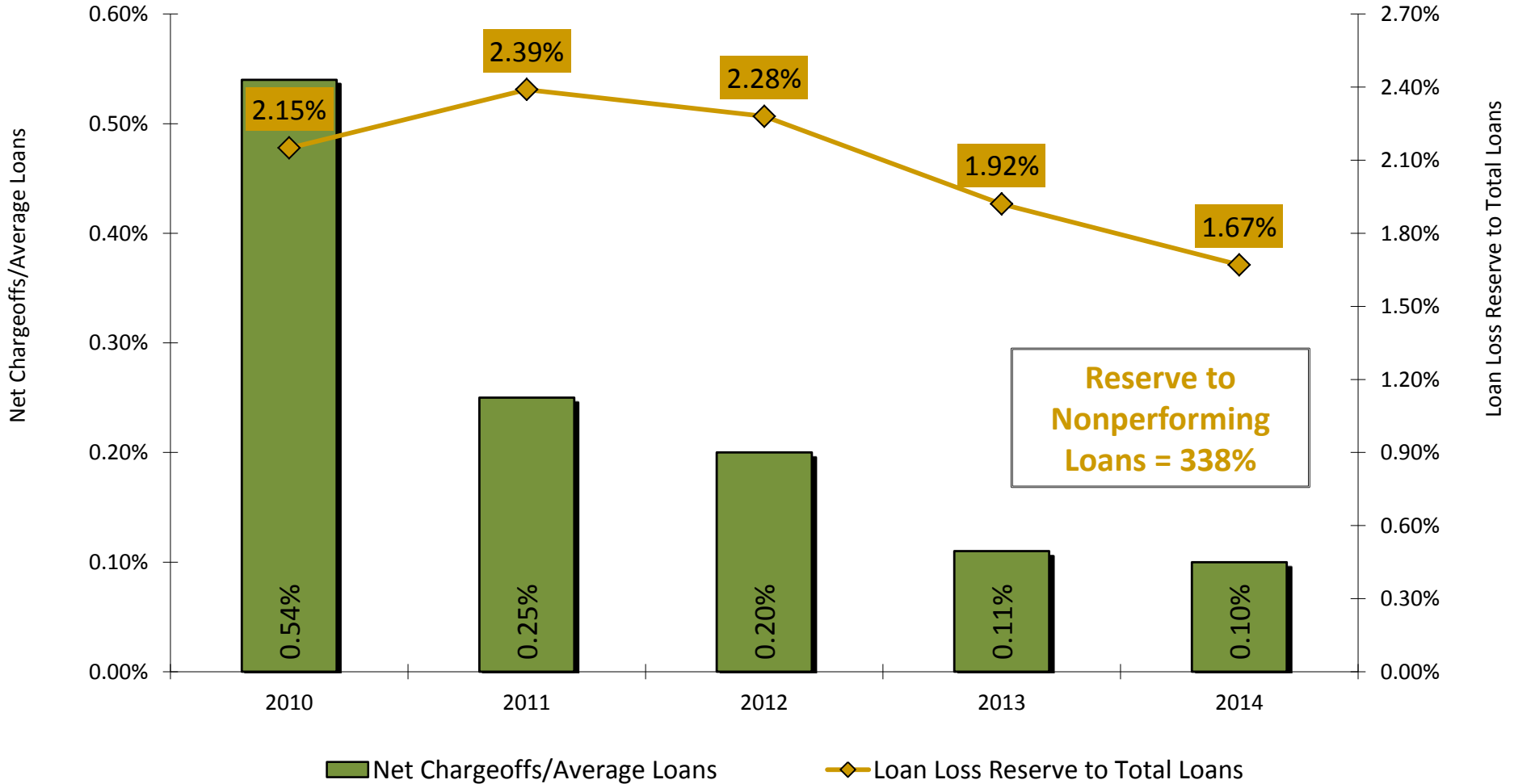
## Improving Credit Trends





# Asset Quality

## Strong Reserve Coverage

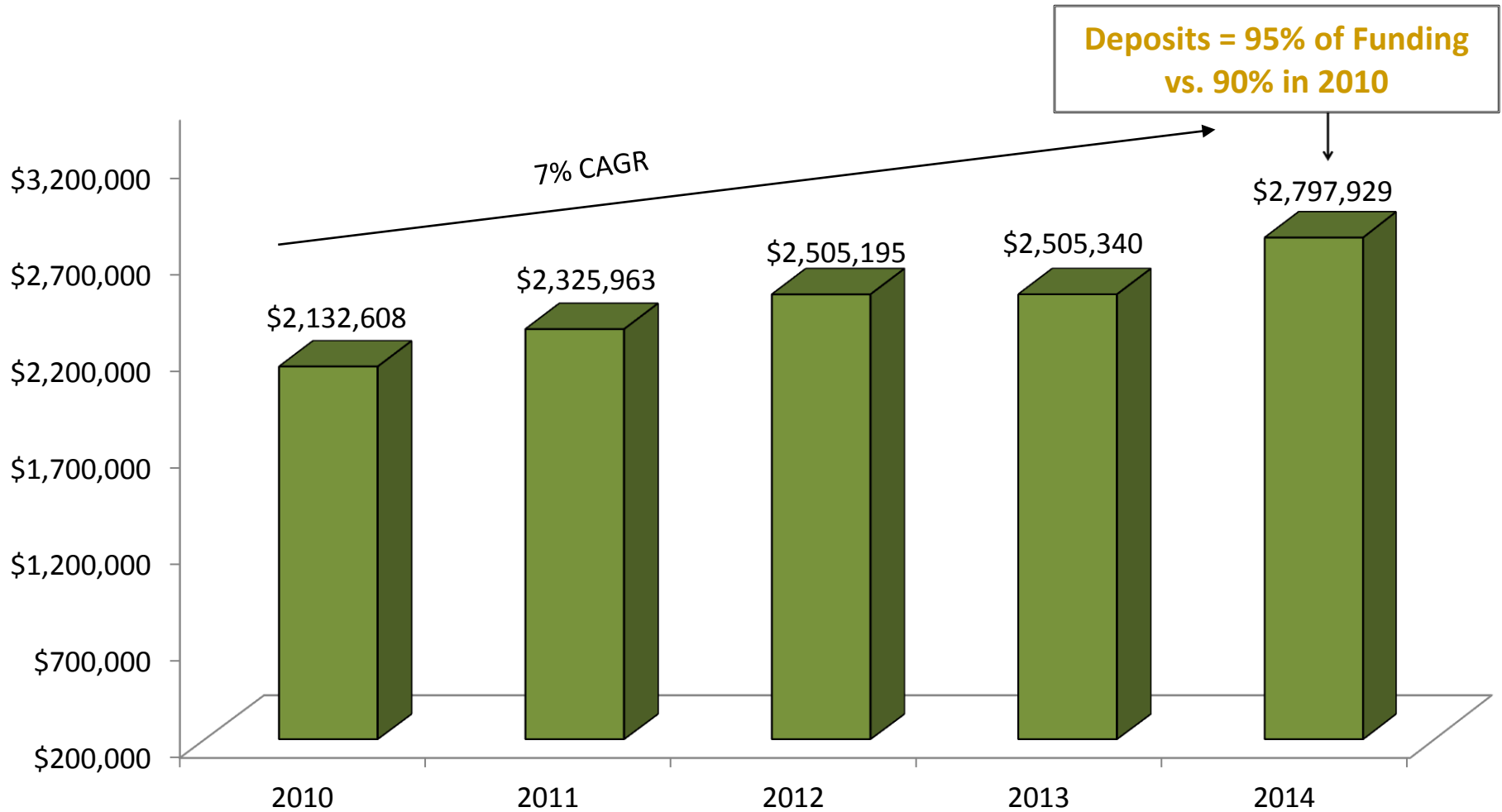






# Average Deposits

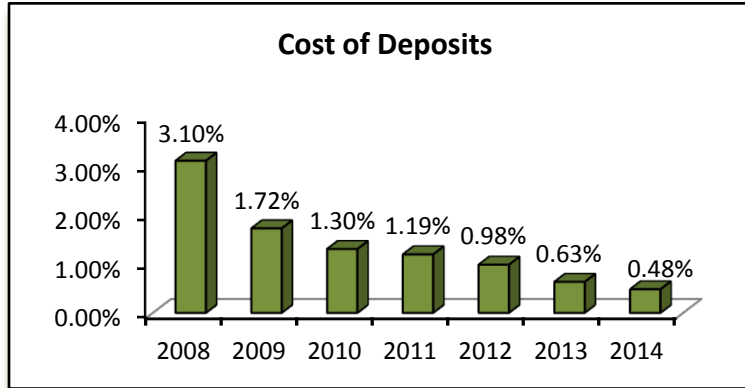
## Improved Funding Mix





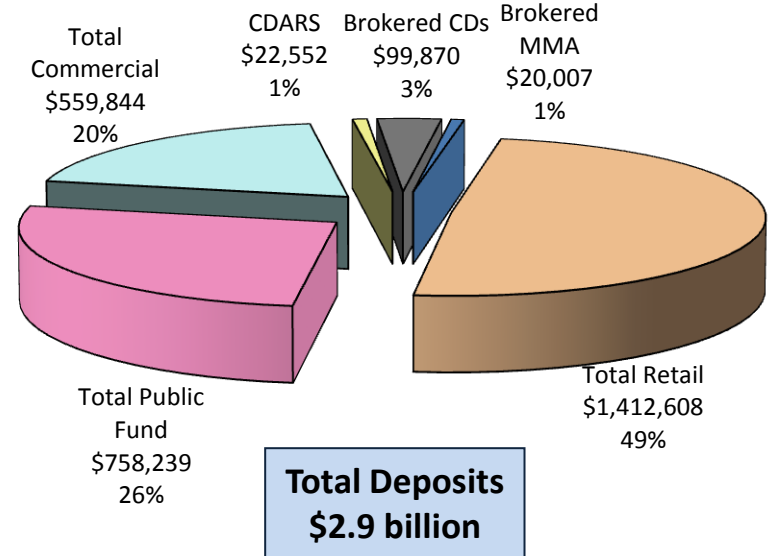
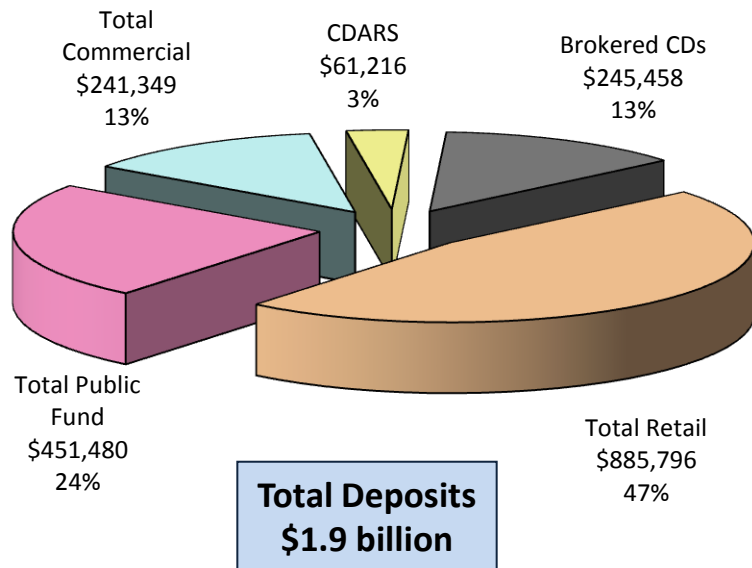
# Deposit Breakdown

## Retail Strategy Key to Deposit Growth



Pre-Liquidity Strategy  
December 31, 2008

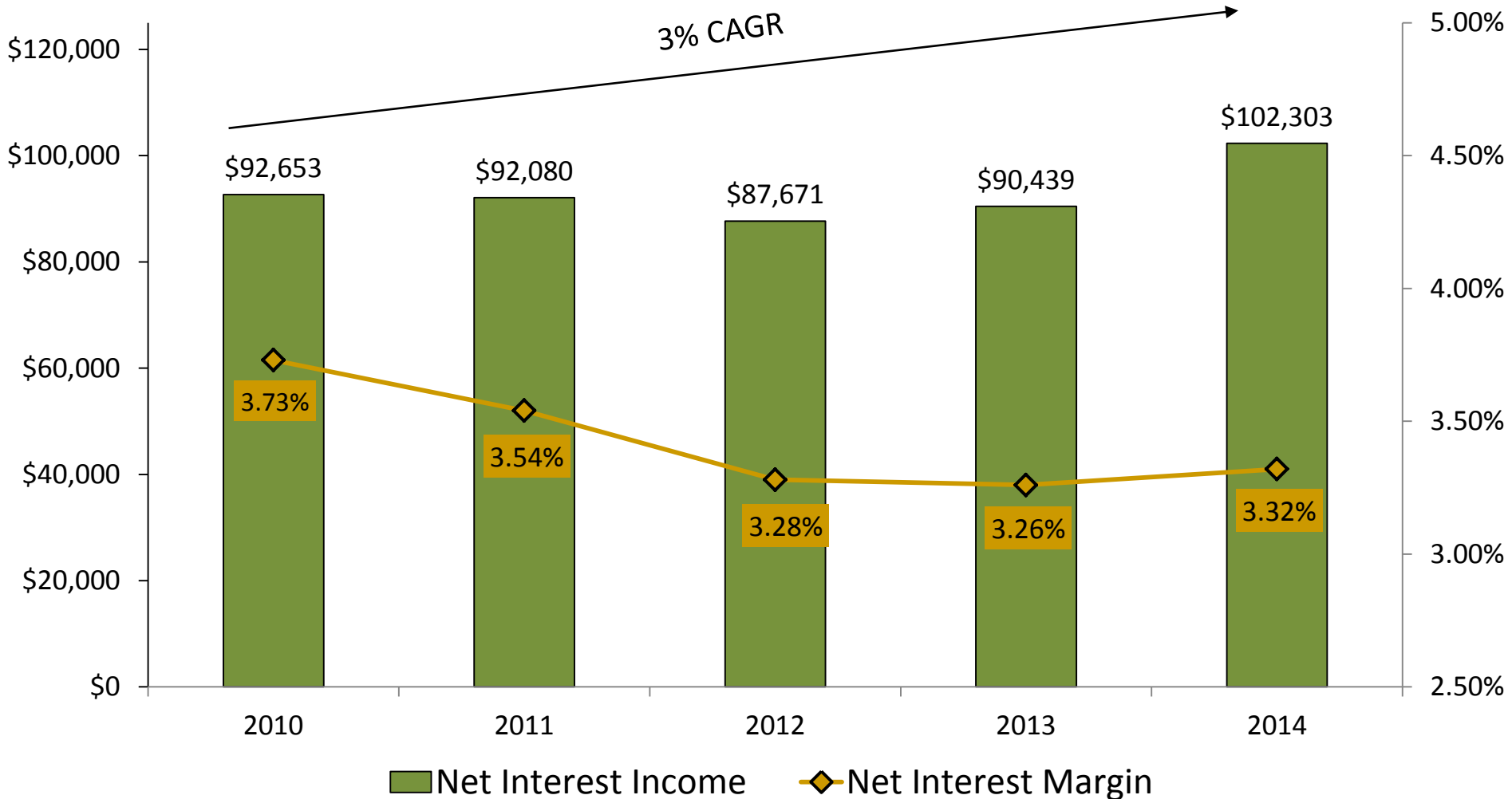
December 31, 2014





# Net Interest Income

## Margin Improved Each Quarter in 2013





# Impact of Rising Rates

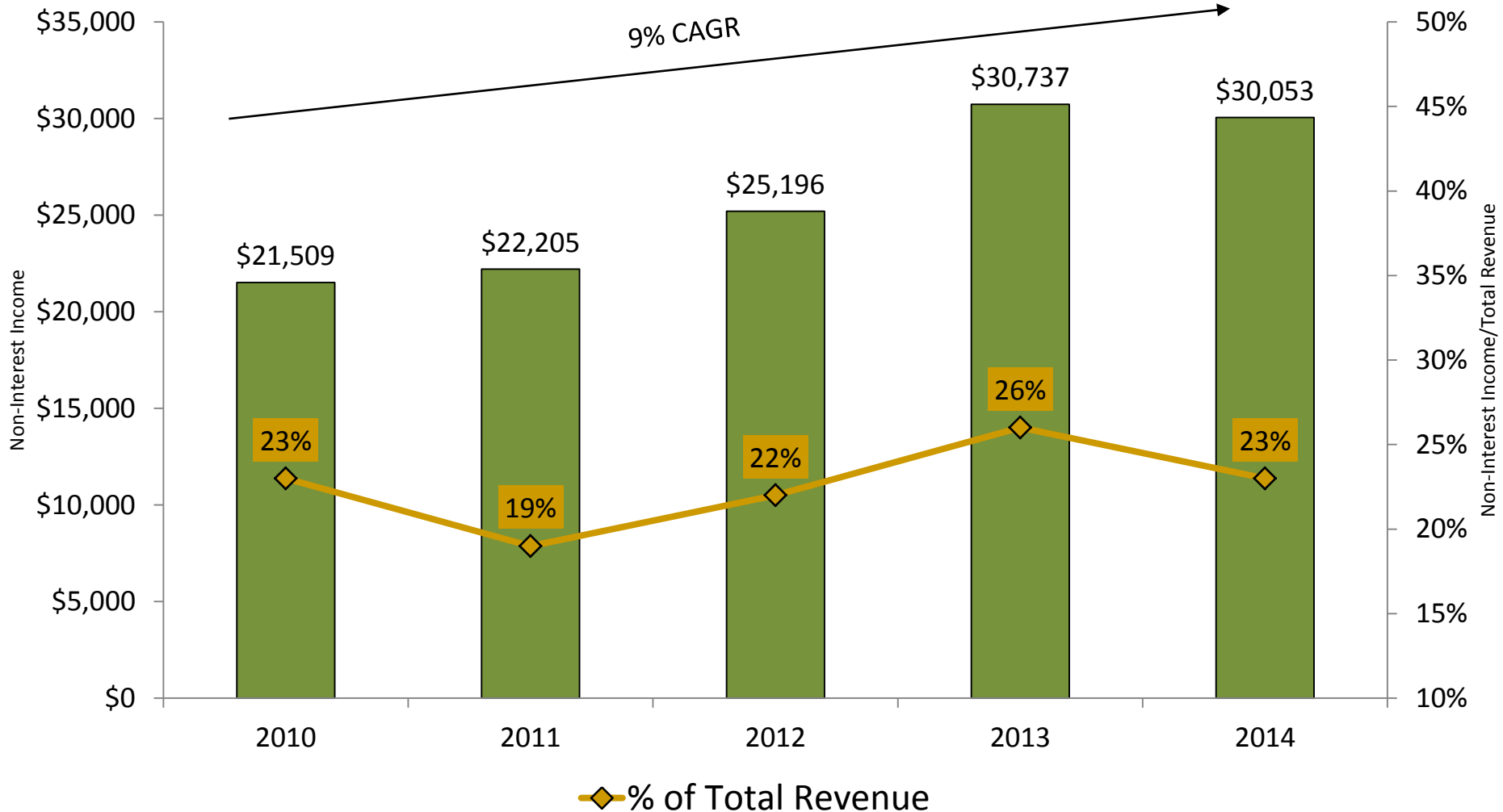
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- **90% of loan portfolio is commercial**
- **66% of commercial loans are variable rate – mostly Prime and LIBOR based**
  - **Floors with average rate of 3.85% exist on 37% of commercial variable rate loans**
- **34% of commercial loans are fixed rate with most less than 5 years**
- **Deposit rate increases should lag market actions absent aggressive loan growth**
- **Asset sensitive balance sheet**



# Non-Interest Income

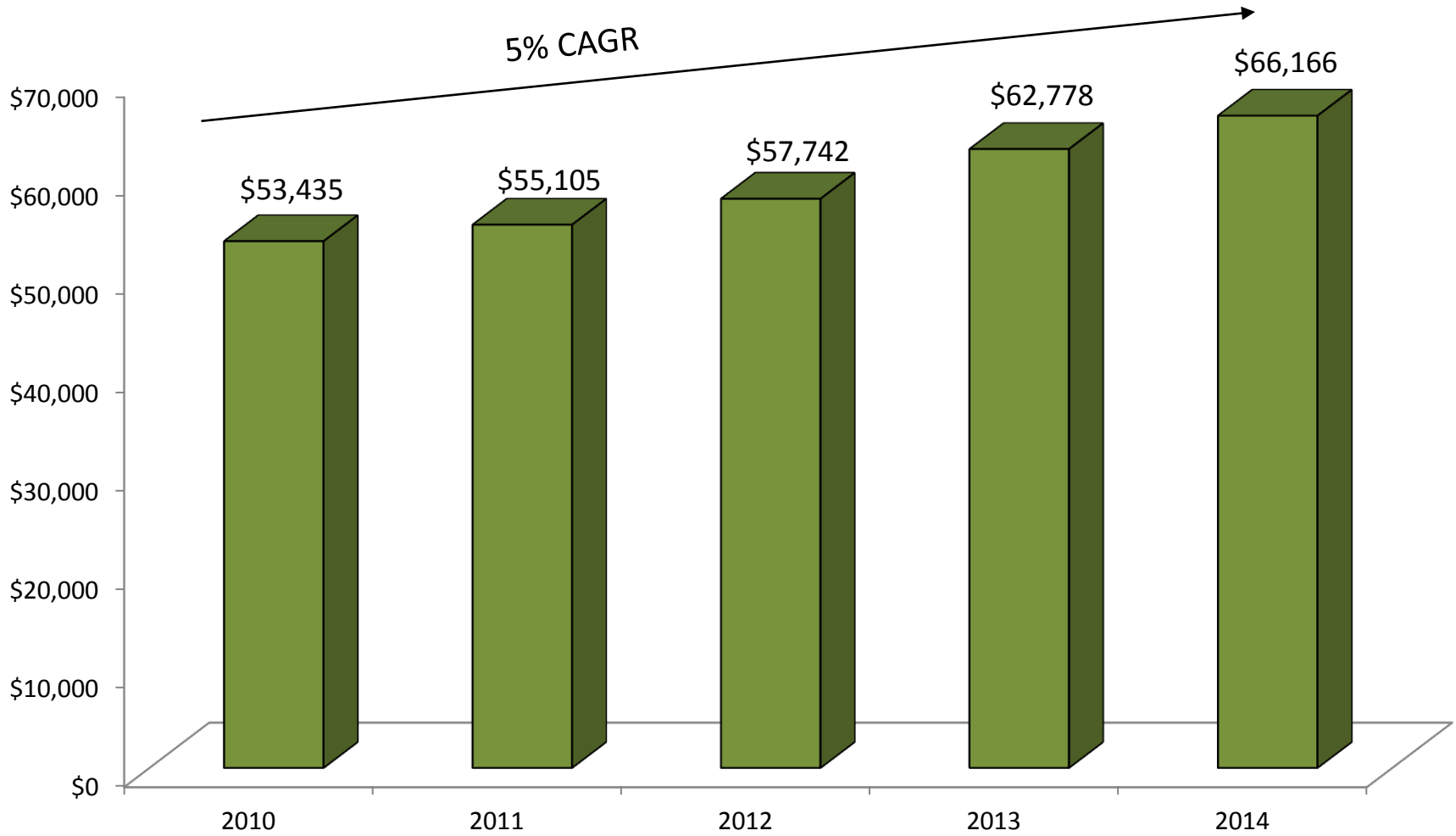
## Stable, Fee-Based Strategy Drives Increases





# Non-Interest Expense

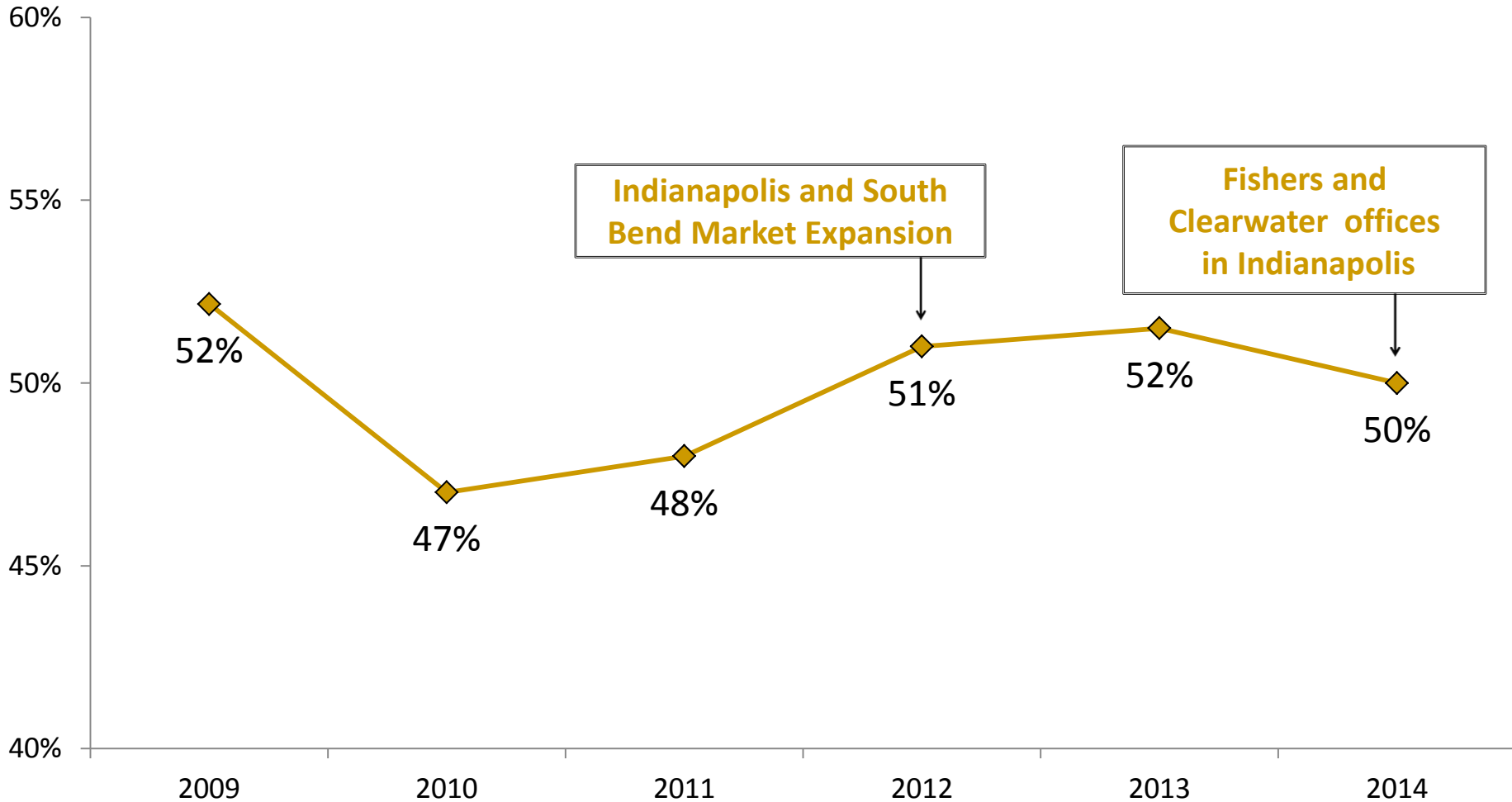
## Disciplined Approach to Cost Structure





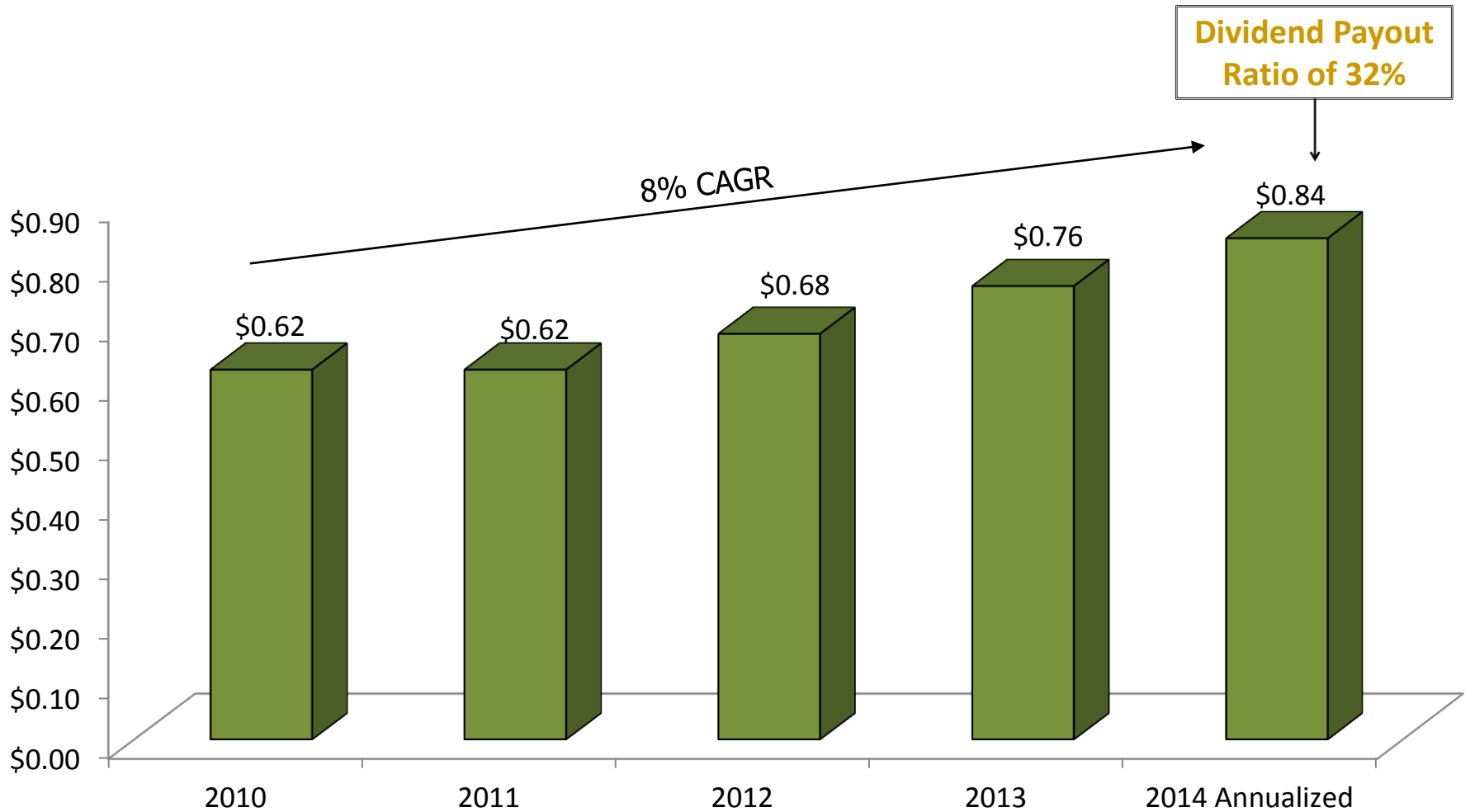
# Efficiency Ratio

## Leveraging Offices, People and Technology





# Stable Healthy Dividend



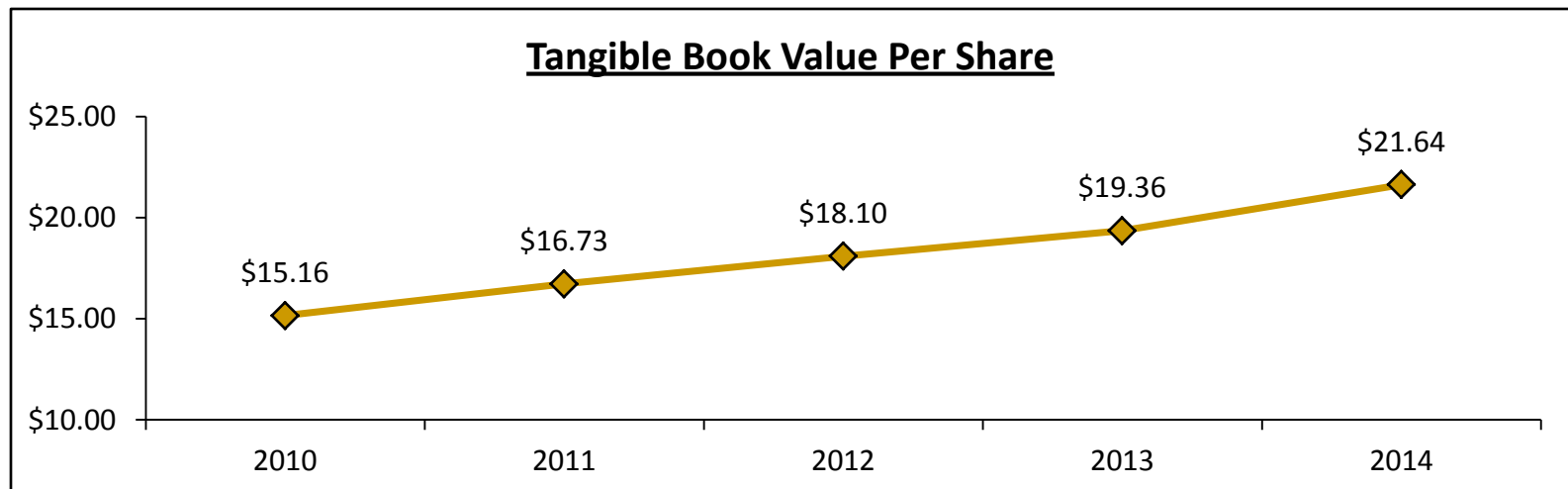
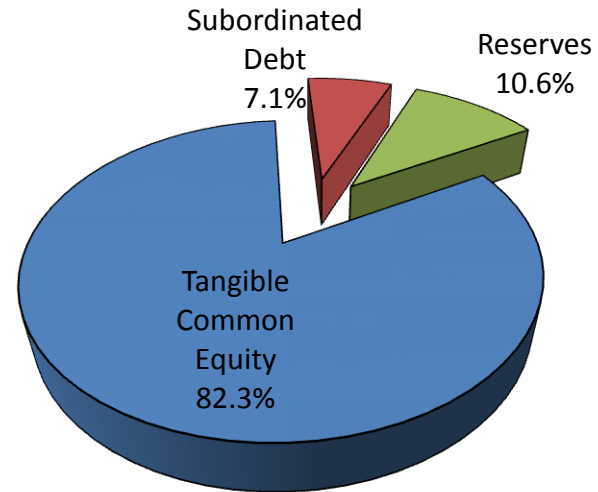
2014 Growth 11%





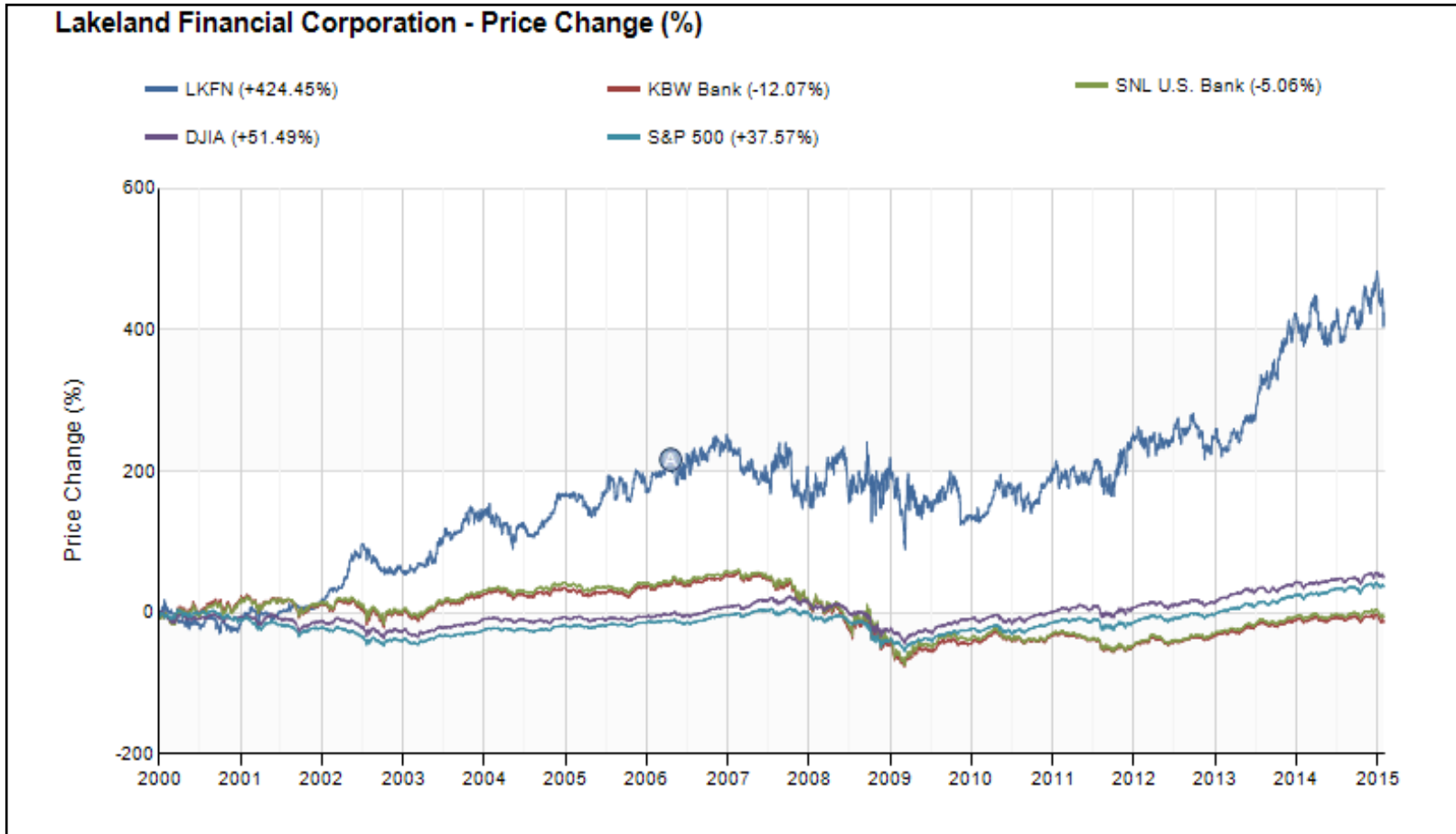
# Strong Capital Structure

Key Ratios and Per Share Data As of December 31, 2014	
TCE /Tangible Assets	10.41%
Bank - Total Risk-Based	13.87%
Bank - Leverage	10.84%
Book Value	\$21.83
Tangible Book Value	\$21.64



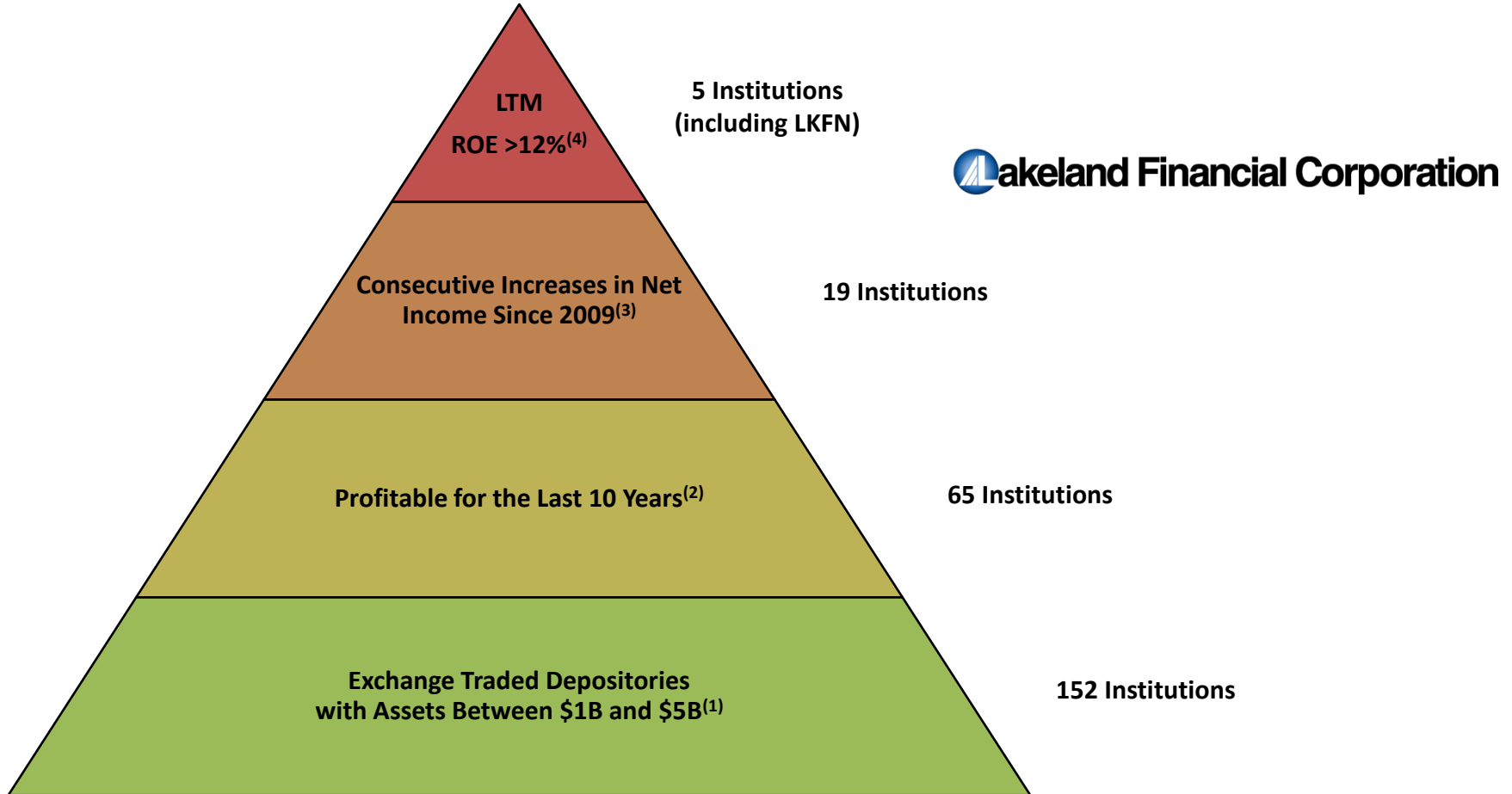


# LKFN Performance





# Consistently Strong Performance



Source Keefe, Bruyette & Woods: SNL Financial. Financial data is as of December 31, 2014 results as of January 30, 2015 have been excluded.

1. Includes banks, thrifts and mutuals traded on the NYSE, NYSE MKT or NASDAQ as of February 2, 2015.
2. Defined as having positive net income before extraordinary items for each of the last 10 years (calendar years ended December 31, 2005 through December 31, 2014). Net income before extraordinary items is defined by SNL Financial as GAAP net income, after taxes, minority interest, and other after tax items, but before any extraordinary items.
3. Defined as consecutive increases in net income before extraordinary items for each of the years ending December 31, 2010, 2011, 2012, 2013 and 2014.
4. Includes: GABC, HIFS, LKFN, SYBT, WSFS.



# Investment Highlights

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- **Proven History of Organic Growth**
- **Disciplined Strategy**
- **Strong Internal Culture**
- **Consistent Execution**
- **Service Excellence drives Shareholder Value**