



Lakeland Financial Corporation

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

Investor Update
July 2015



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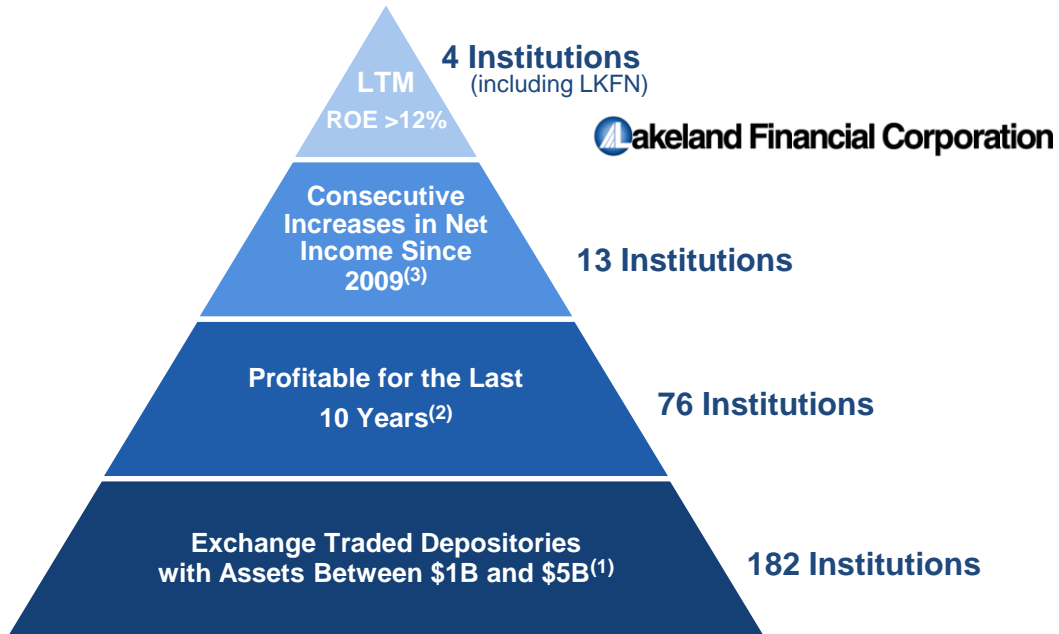
Forward-Looking Information

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.

A High Performer Among Peers



Source: SNL Financial. Financial data is as of March 31, 2015

- Includes banks and thrifts traded on the NYSE, NYSE MKT or NASDAQ as of 7/10/15.
- Defined as having positive net income before extraordinary items and preferred dividends for each of the last 10 years (calendar years ended December 31, 2005 through December 31, 2014) and the most recent year-to-date period. 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.
- Defined as consecutive increases in net income before extraordinary items for each of the years ending December 31, 2010, 2011, 2012, 2013 and 2014 and the most recent year-to-date period (annualized).

Lake City Bank Today

- An organic growth story
- Headquartered in Warsaw, Indiana
- 46 branch offices /502 FTEs
- \$3.6 billion banking assets
- \$1.3 billion trust assets
- A regional franchise focused on core banking services
- Continued high growth potential



Established Market Presence

Organic Growth Potential in Mature and New Markets

Warsaw – 1872

23 offices

Elkhart – 1990

11 offices

South Bend – 1997

4 offices

Fort Wayne – 1999

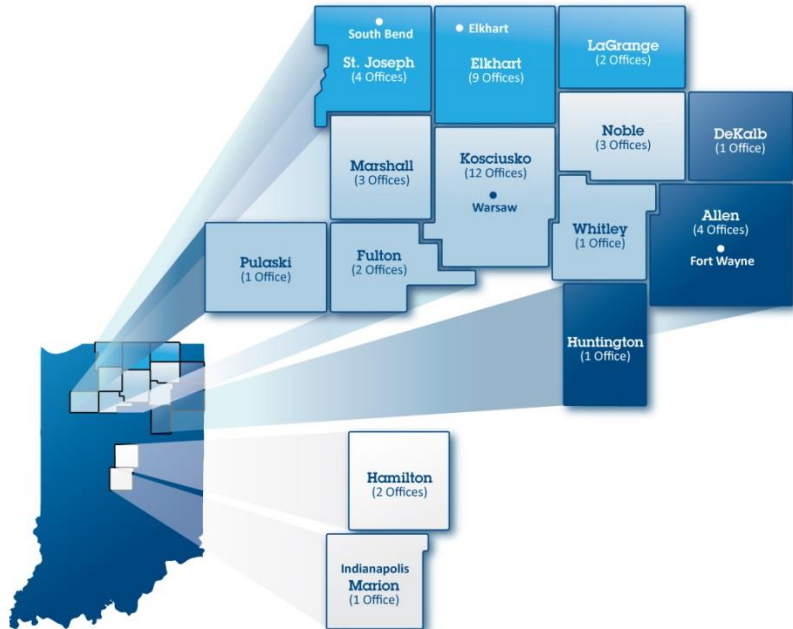
6 offices

+1 under development

Indianapolis – 2011

3 offices

+1 under development



Opening Date of First Office in Market

Growth Strategy

1. Business Owner Focus
2. High Quality People
3. Organic Growth Strategy – Larger Markets
4. Core Deposit Funding

Experienced and Committed Team

- 37 credit “smart” commercial bankers
- Average 20 years experience in banking and 10 years at Lake City Bank
- Deep organizational structure provides credit and administrative support
- Our commercial team reside in the markets they serve

Relationship Strategy

- We lead with credit and the operating relationship
- We understand our client needs
- We cross-sell aggressively by leveraging technology

Business Owner Focus

Credit Process

- We have a centralized committee structure
- We focus on management/cash flow
- We lend to people first – character matters
- Structure is important on collateral and guarantees
- We have an orientation toward owner-occupied and well structured nonowner occupied RE
- We must be responsive and consistent

High Quality People

Lake City Bank Culture

- Our Core Values start with honesty
- Lake City University drives our culture
- Our community involvement is “real” and critical to our strategy
- Our culture has not been diluted by acquisition



High Quality People

Face to Face Contact

- We simply love to call
- Sales calling program Includes 103 officers
- 16,431 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	0.5%	3

* Source: STATS Indiana

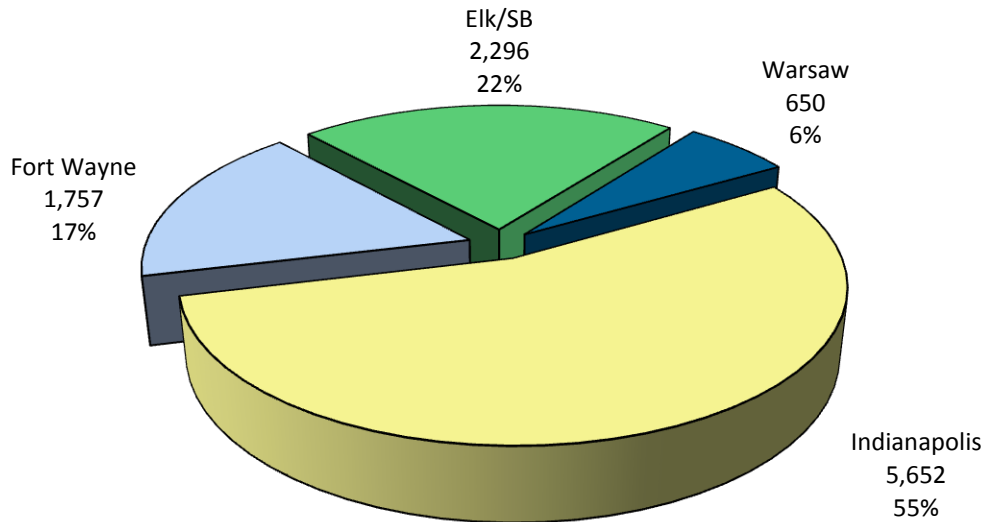
** Source: FDIC 6/30/14 Statistics



Organic Growth Strategy – Larger Markets

Commercial Banking Market

Growth Potential in Every Market



Companies with Revenue of \$1 to \$30 million
Source: 2012 Hoover's

Organic Growth Strategy – Larger Markets

Core Market Strength and Growth

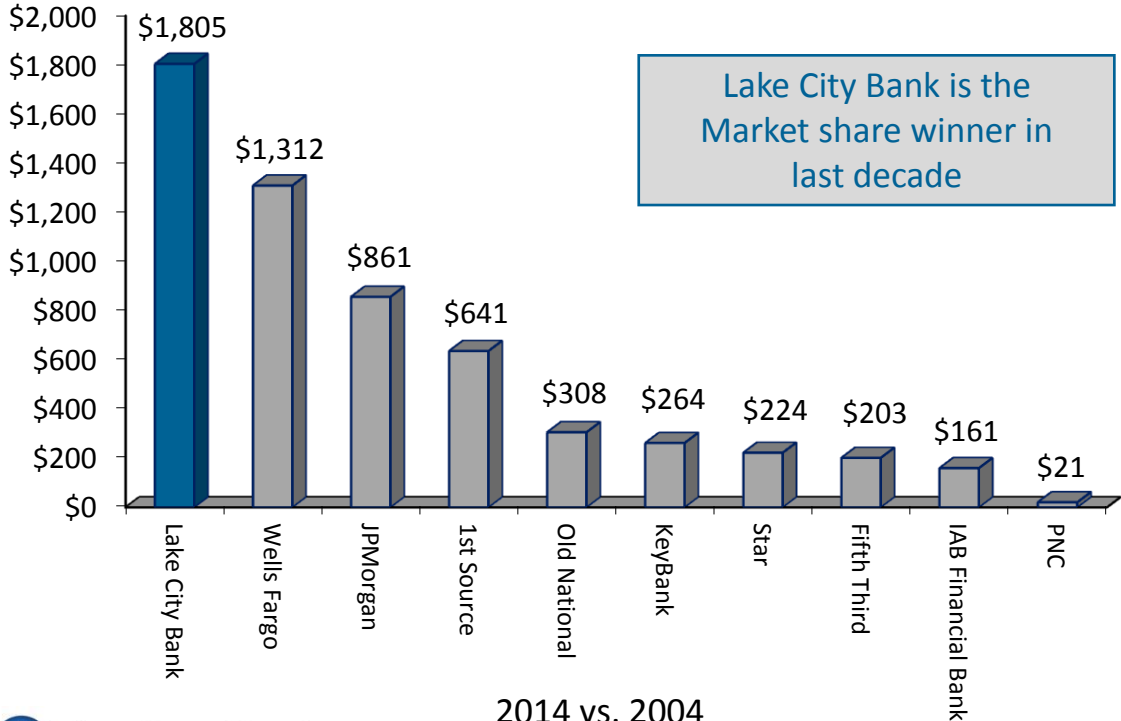
(millions)	2014		2004			2014 # of Offices
	Deposits	Share	Deposits	Share	Increase	
1. Lake City Bank	\$2,828	13.04%	\$1,023	6.92%	176.44%	46
2. JPM Chase	\$2,809	12.95%	\$1,948	13.17%	44.20%	46
3. 1 st Source	\$2,701	12.45%	\$2,060	13.93%	31.12%	50
4. Wells Fargo	\$2,350	10.84%	\$1,038	7.02%	126.40%	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
Market Total:	\$21,689		\$14,788		46.67%	

*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

Organic Growth Strategy – Larger Markets

Core Market Deposit Performance



2014 vs. 2004

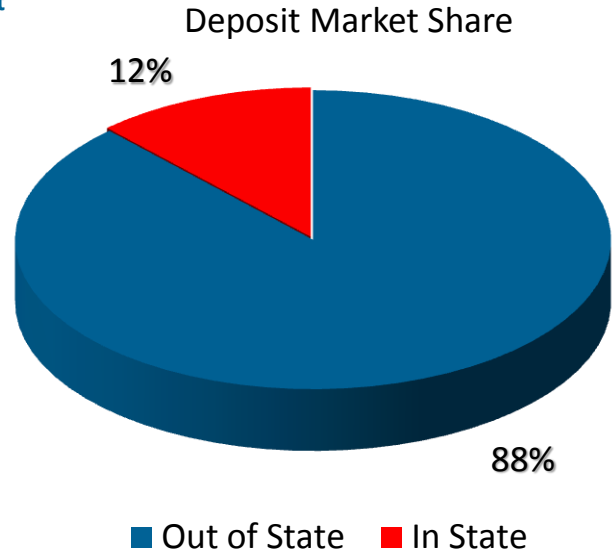
*Includes the counties of Kosciusko, Elkhart, St. Joseph, Marshall, Allen, Whitley, Hamilton, Huntington, LaGrange, Noble, DeKalb, Fulton and Pulaski

**Adjusted to include branches subsequently acquired by surviving banks

Organic Growth Strategy – Larger Markets

Indianapolis Market Opportunity

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%
Indianapolis Market Total	92%



- Marion and Hamilton Counties as of 6/30/14; Source: FDIC Statistics

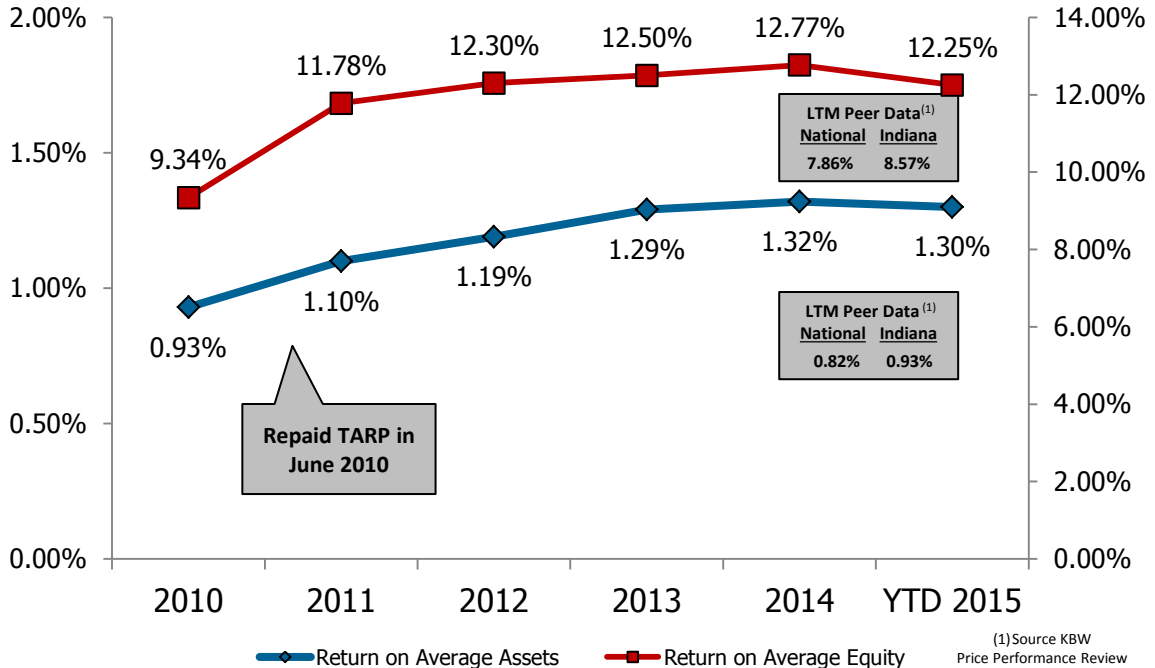
Core Deposit Funding

- Deposit Strategy Task Force created in 2014
- Focus is on core deposit growth in retail, commercial **and** public funds
- Demographic and lifestyle data is being leveraged
- Reviewing deposit products offering
- Emphasis is on checking account relationship products

Financial Performance

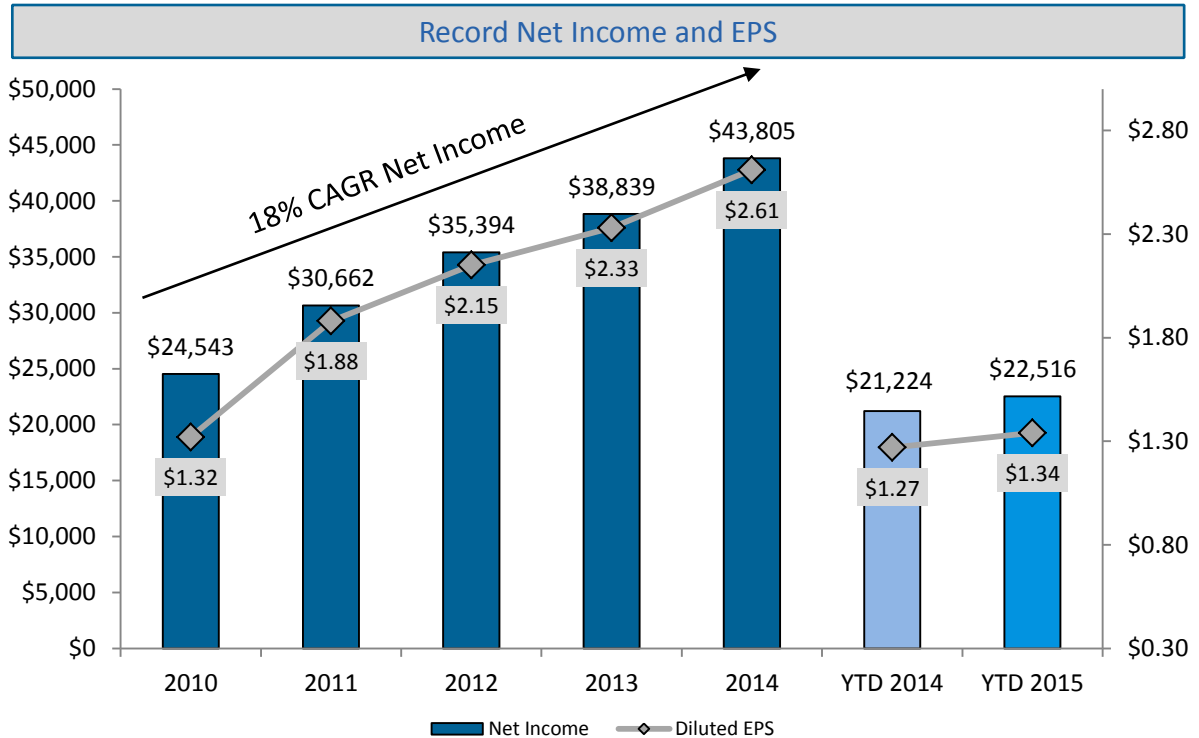
Income Performance Metrics

LKFN performance exceeds National and Indiana Peers



(1) Source KBW
Price Performance Review
March 2015

Net Income and EPS

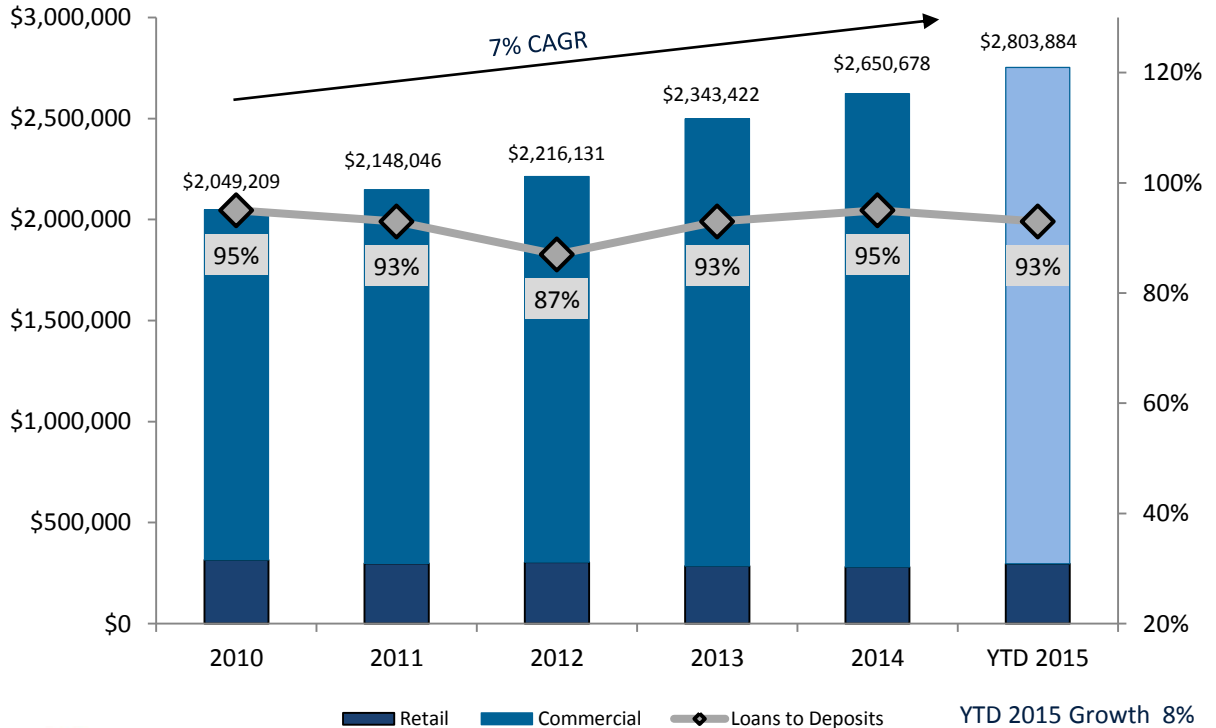


Note: Net income is before preferred dividends for 2010.

2015 Net Income Growth 6%
2015 Diluted EPS Growth 6%

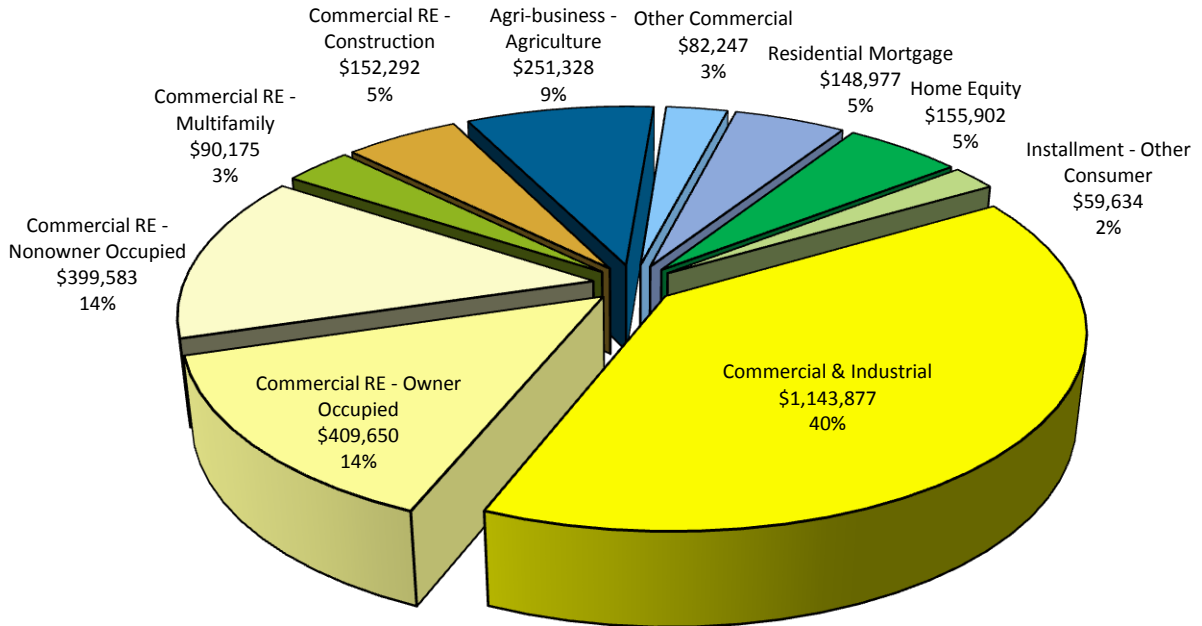
Average Loans

Commercial Emphasis Drives Growth



Loan Breakdown

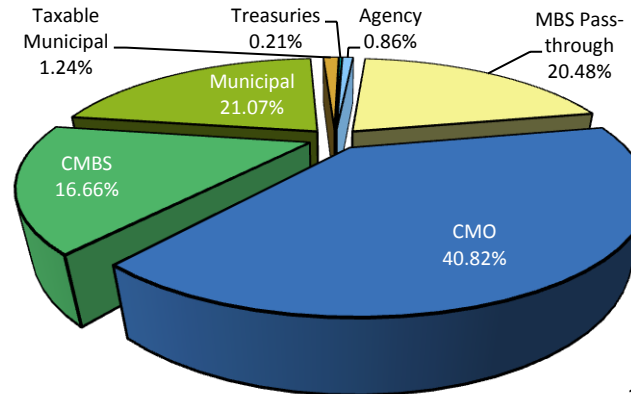
C&I Drives Lending Business



\$2.9 billion as of June 30, 2015

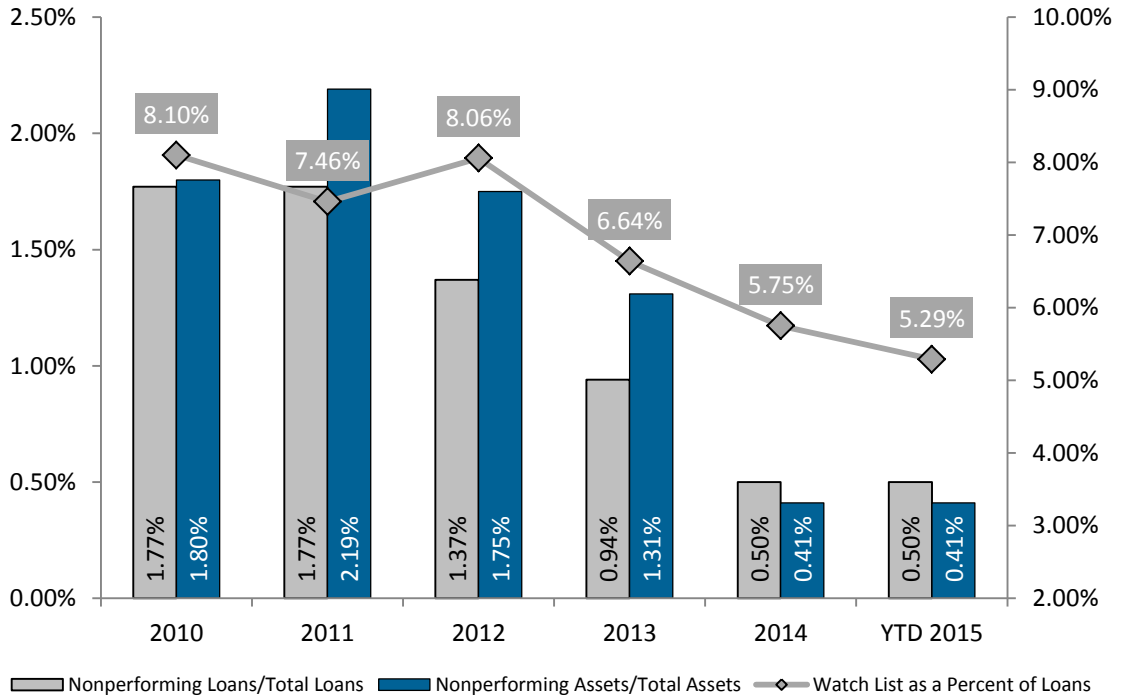
Investment Portfolio

June 30, 2015				
	Average Life	Book Yield	Effective Duration	Market Value
Agency	9.17	2.73%	4.03	\$4,027
MBS Pass-through	6.88	2.73%	5.83	\$96,344
CMO	3.44	2.98%	2.81	\$183,194
CMBS	5.60	2.48%	5.11	\$78,354
Municipal	5.42	4.69%	5.40	\$101,641
Taxable Municipal	2.97	3.10%	2.74	\$5,822
Treasuries	6.42	2.23%	5.95	\$1,002
Total	4.98	3.21%	4.39	\$470,383



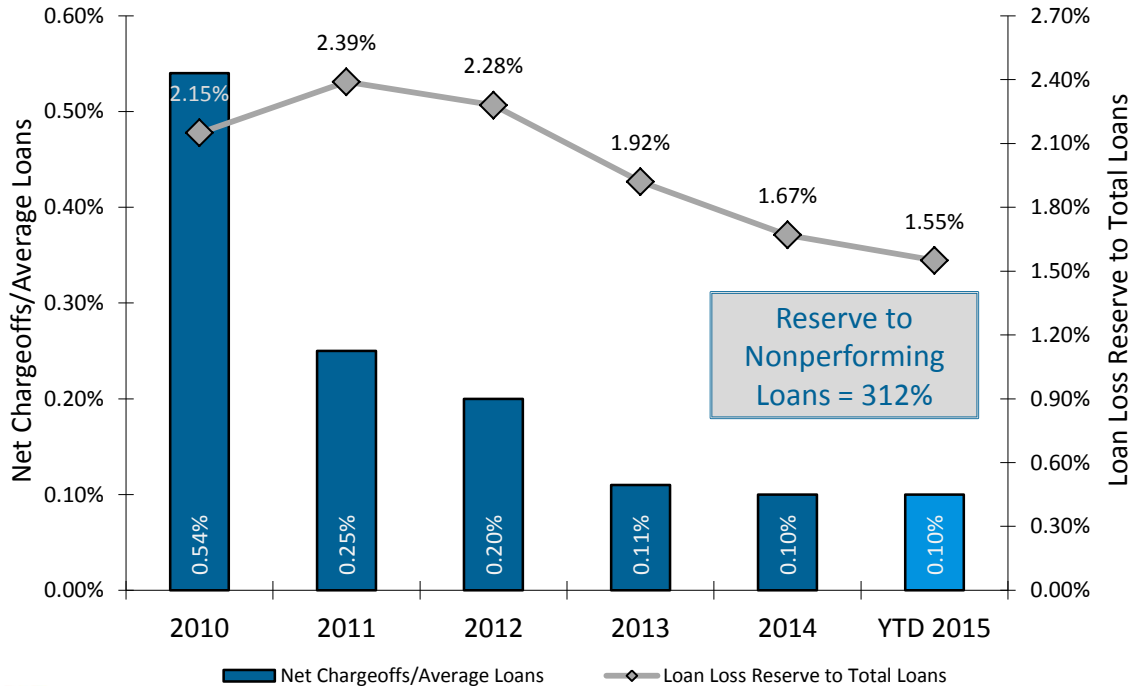
Asset Quality

Nonperforming levels are at 5-year lows



Asset Quality

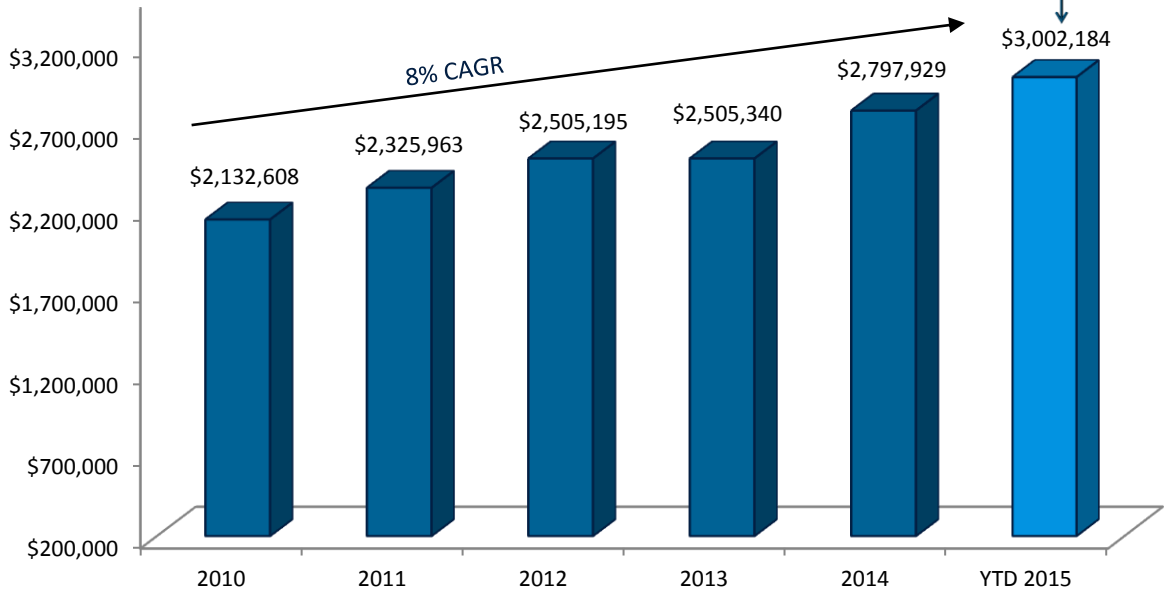
Strong Reserve Coverage



Average Deposits

Improved Funding Mix

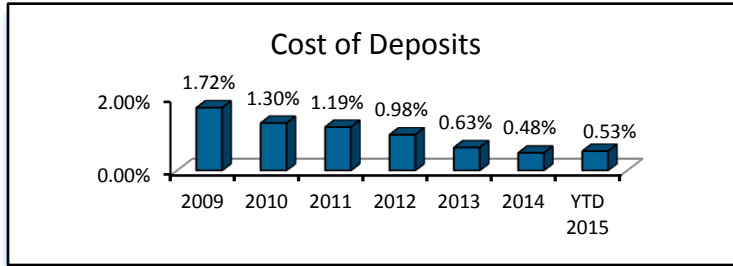
Deposits = 97% of Funding
vs. 90% in 2010



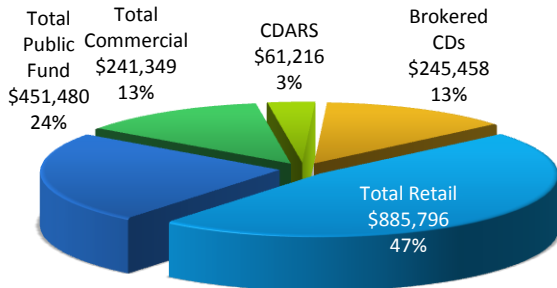
YTD 2015 Growth 11%

Average Deposit Breakdown

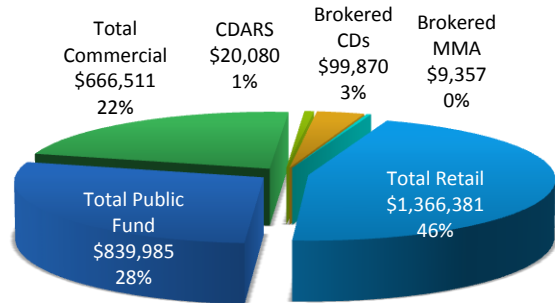
Deposit Growth Key to Franchise Value



December 31, 2008
(Pre-Liquidity Strategy)
Total Deposits - \$1.9 billion

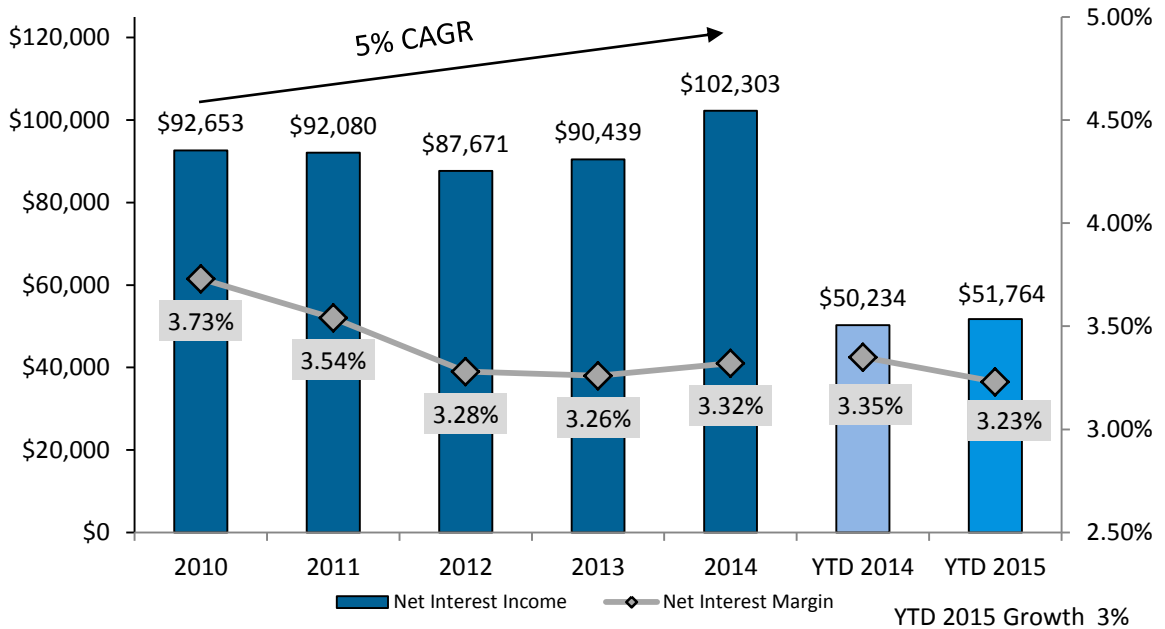


June 30, 2015
Total Deposits - \$3.0 billion



Net Interest Income

Loan Growth Driving Growth in Income

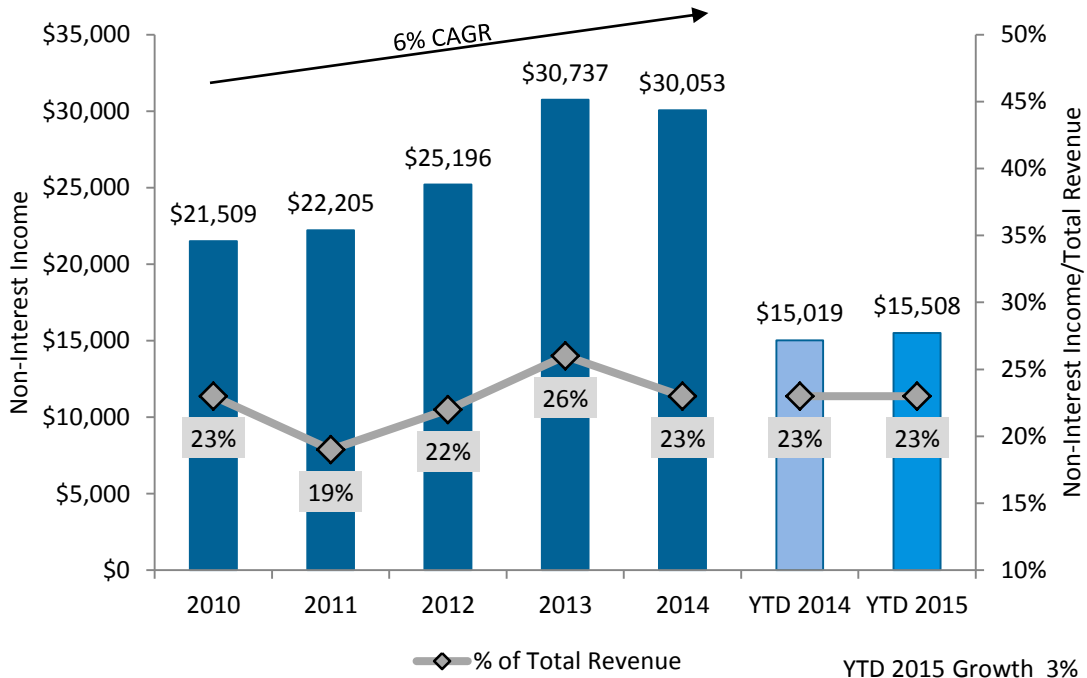


Impact of Rising Rates

- Asset sensitive balance sheet due to floating rate commercial loan portfolio
- 90% of loan portfolio is commercial
 - 66% of commercial loans are variable rate
 - Floors with average rate of 3.86% exist on 29% of commercial variable rate loans
 - The majority of fixed rate commercial loans have terms of 5 years or less
- Deposit rate increases should lag market actions absent aggressive loan growth

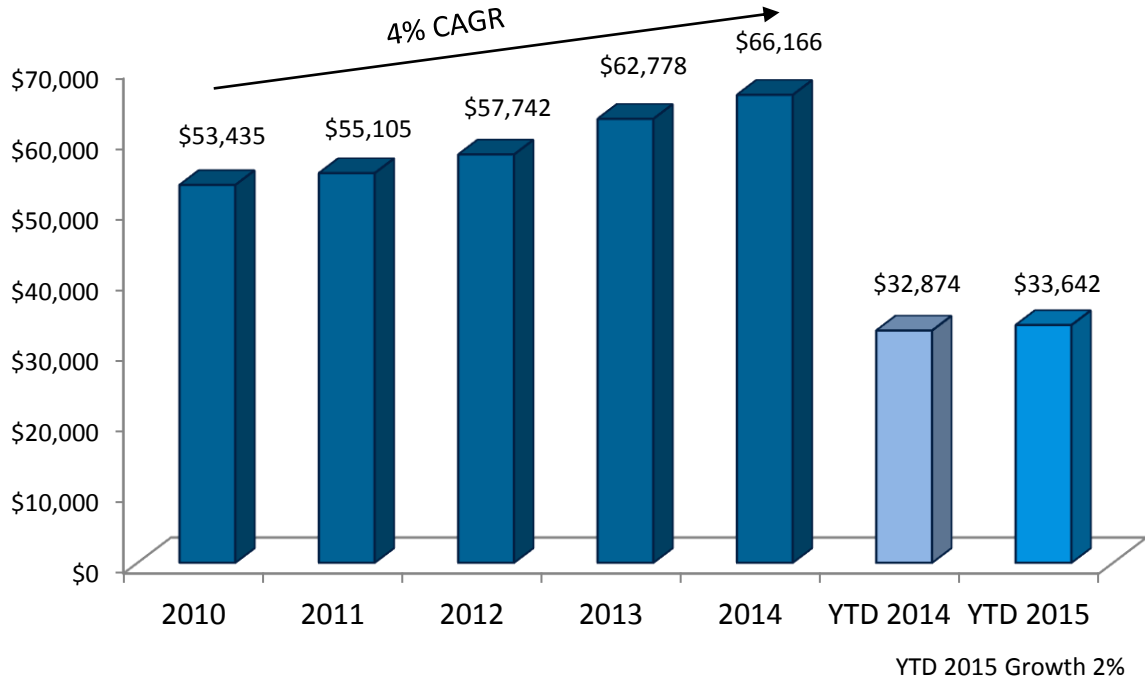
Non-Interest Income

Stable, Fee-Based Strategy Drives Increases



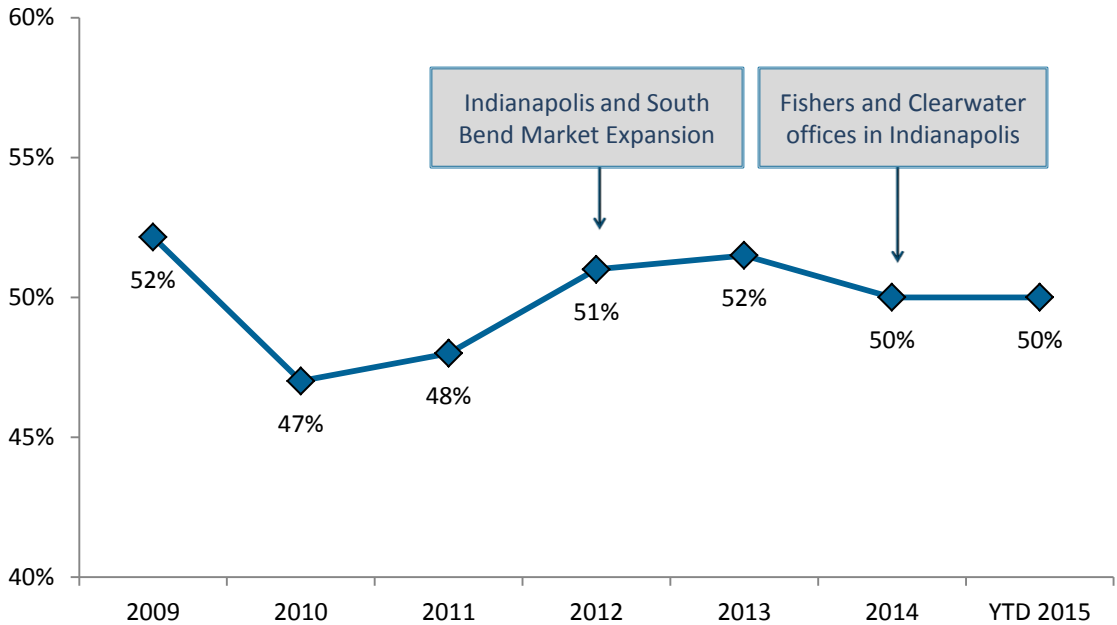
Non-Interest Expense

Disciplined Approach to Cost Structure



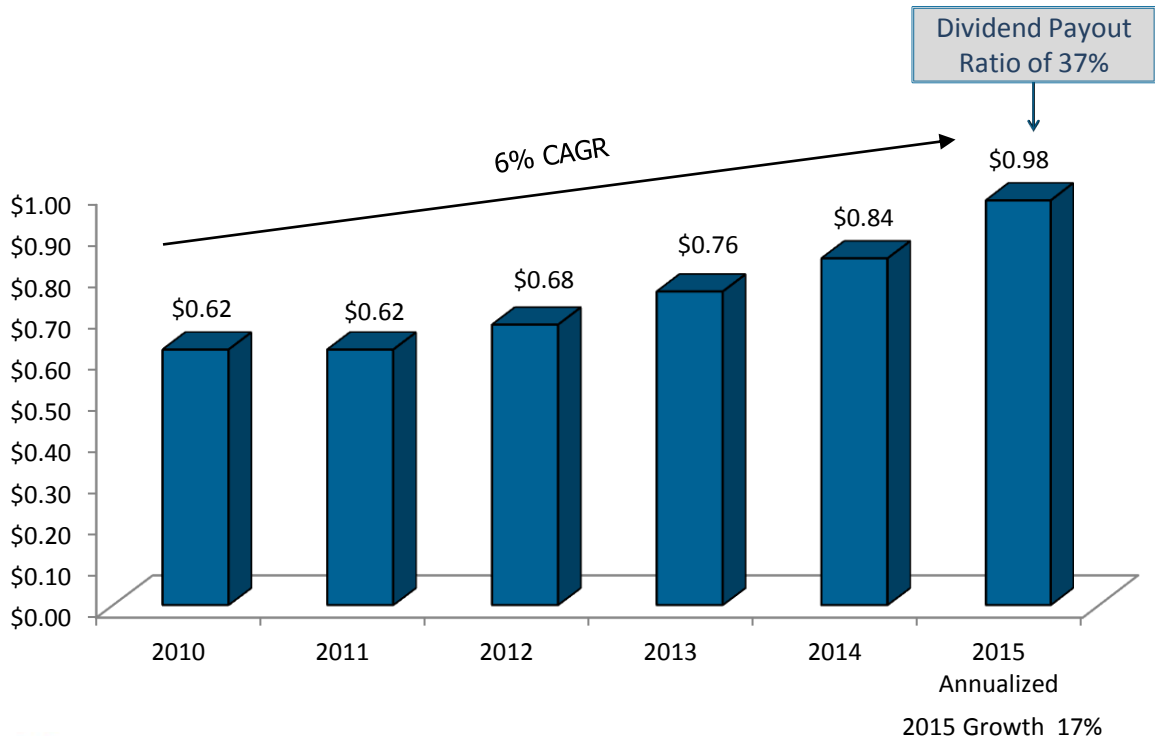
Efficiency Ratio

Revenue Growth is Primary Driver of Low Efficiency Ratio



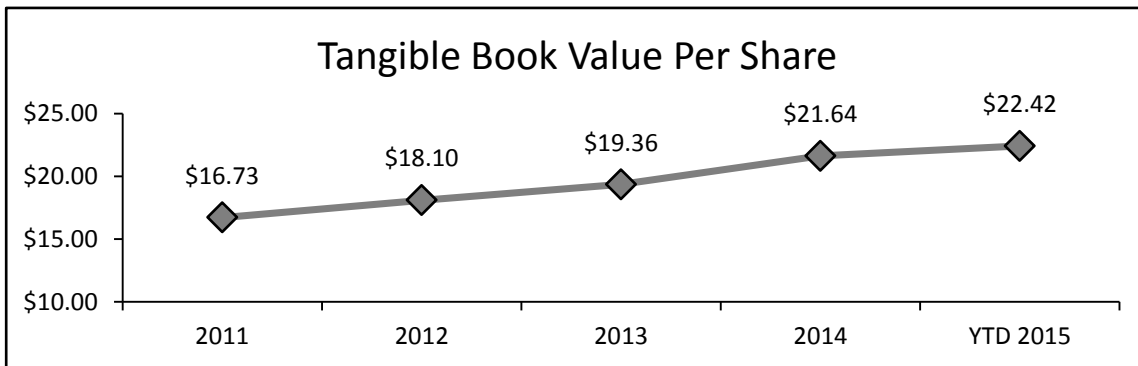
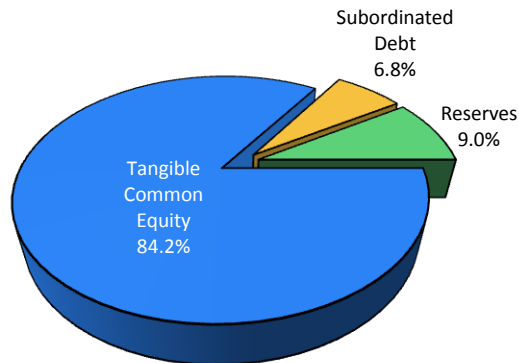
Stable Healthy Dividend

Significant Increase in Dividend Reflects Strength of Balance Sheet

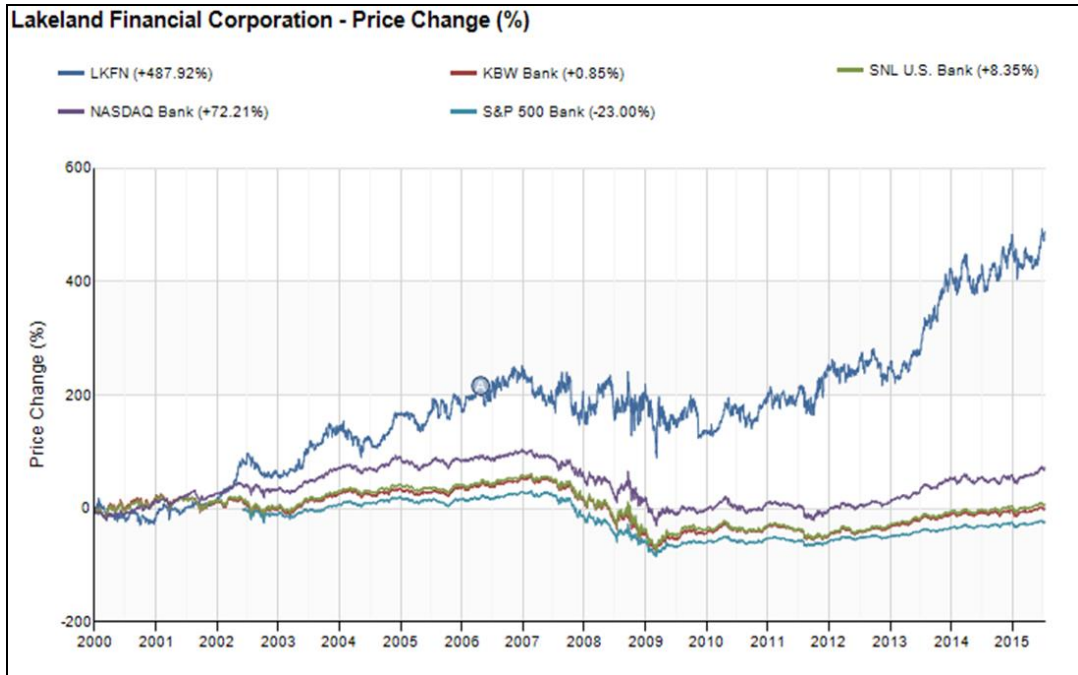


Strong Capital Structure

Key Ratios and Per Share Data As of June 30, 2015	
TCE /Tangible Assets	10.44%
Total Risk-Based	13.83%
Leverage	11.22%
Book Value	\$22.61
Tangible Book Value	\$22.42



LKFN Performance



Investment Highlights

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



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