



Lakeland Financial Corporation

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

Investor Update
3rd Quarter 2015



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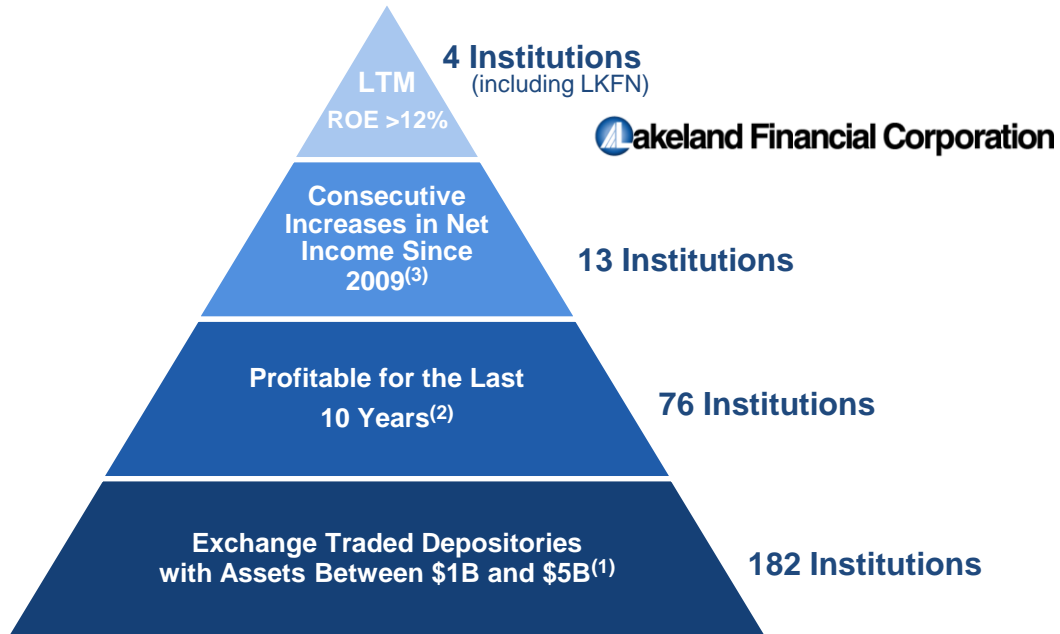
Forward-Looking Information

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

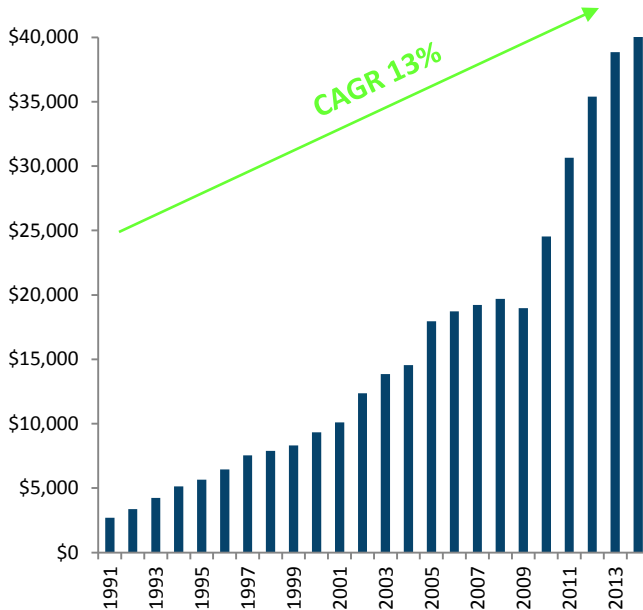
- Includes banks and thrifts traded on the NYSE, NYSE MKT or NASDAQ as of 7/10/15.
- Defined as having positive net income before extraordinary items and preferred dividends for each of the last 10 years (calendar years ended December 31, 2005 through December 31, 2014) and the most recent year-to-date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

- A long-term and consistent organic growth story
- Headquartered in Warsaw, Indiana
- 46 branch offices /502 FTEs
- \$3.7 billion banking assets
- \$1.3 billion trust assets
- A regional franchise focused on core banking services
- Continued high growth potential



A Quarter Century of Strong Organic Growth



- Loan CAGR equals 12%
- Deposits CAGR equals 11%
- Record net income for 25 of 26 years

Established Market Presence

Organic Growth Potential in Mature and New Markets

Warsaw – 1872

22 offices

Elkhart – 1990

11 offices

South Bend – 1997

4 offices

Fort Wayne – 1999

6 offices

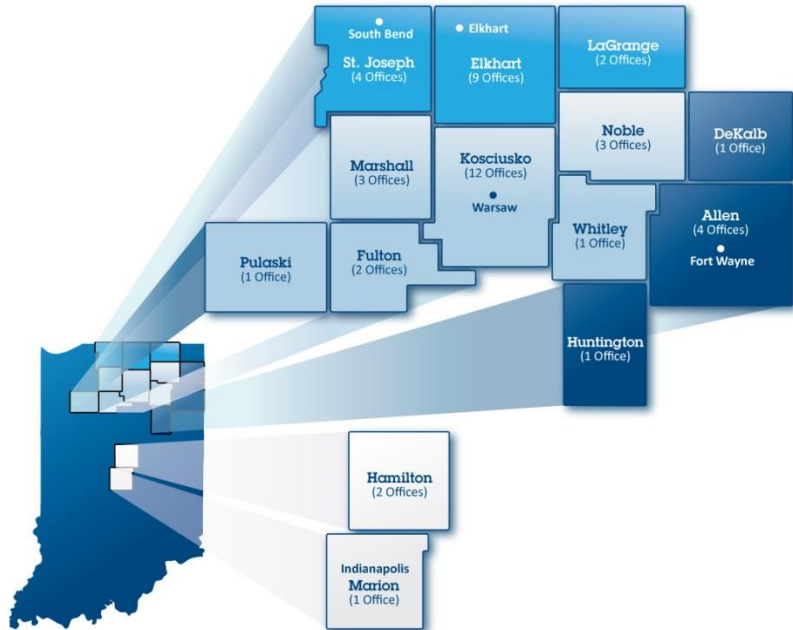
+1 under development

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

Business Owner Focus

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

Business Owner Focus

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	78,564	1872	52%	12
6.	Elkhart	Elkhart	201,971	1990	21%	9
5.	St. Joseph	South Bend	267,618	1997	7%	4
3.	Allen	Fort Wayne	365,918	1999	11%	4
1.	Hamilton/Marion	Indianapolis	1,236,866	2011	1%	3

* Source: STATS Indiana

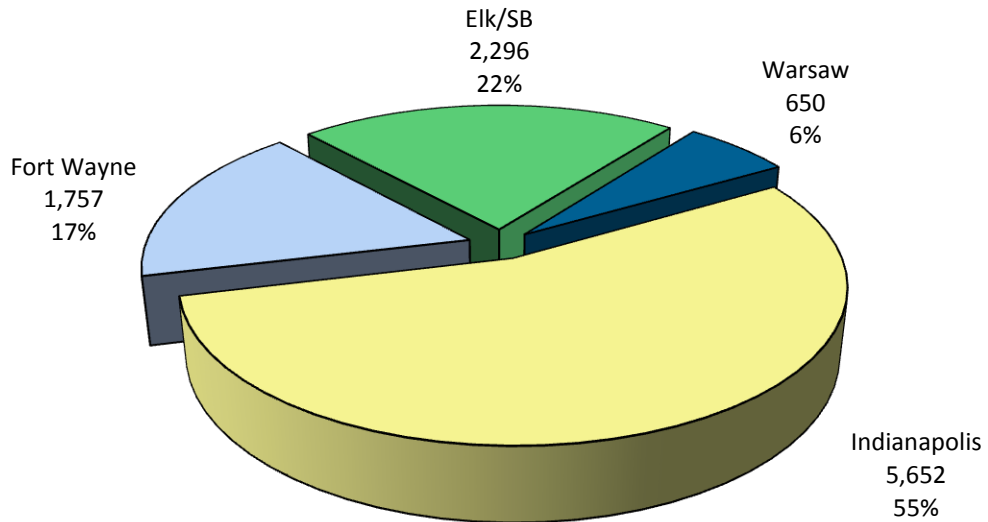
** Source: FDIC 6/30/15 Statistics



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

Mature Market Strength and Growth

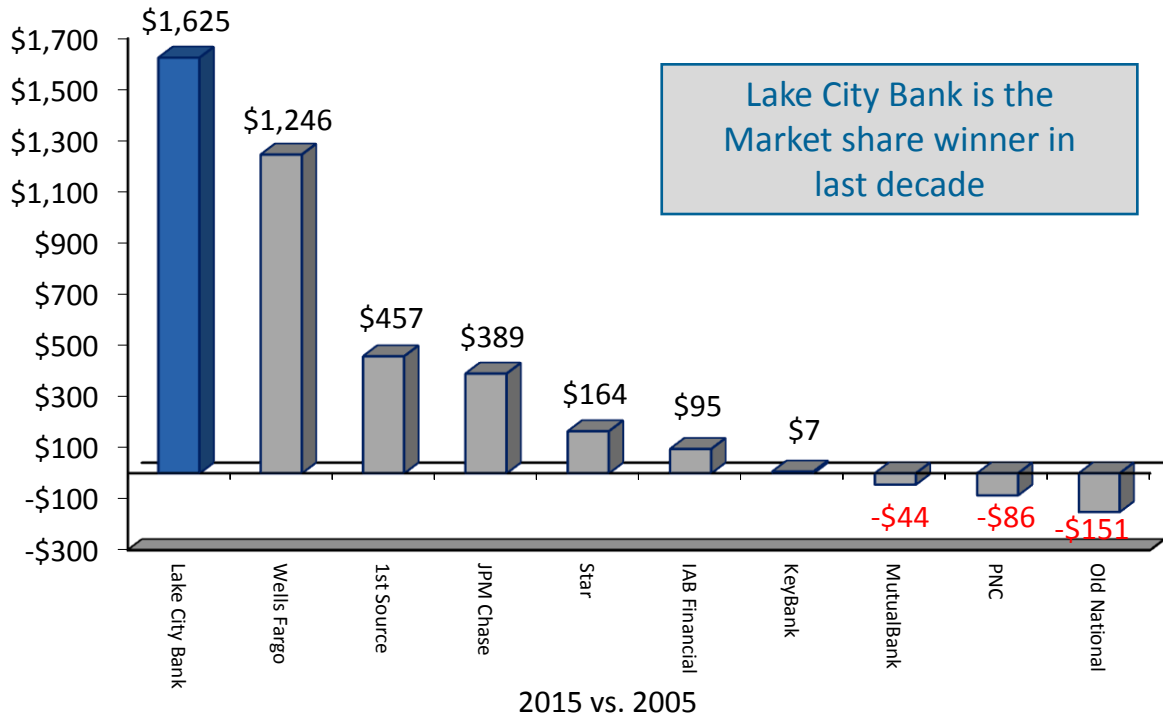
(millions) (1)	2015		2005			2015 # of Offices
	Deposits	Share	Deposits	Share	Increase	
1. 1 st Source	\$2,850	16.09%	\$2,393	17.77%	19.10%	53
2. Lake City Bank	\$2,752	15.53%	\$1,127	8.38%	144.19%	46
3. Wells Fargo	\$2,276	12.85%	\$1,030	7.65%	120.97%	28
4. JPM Chase	\$1,918	10.83%	\$1,529	11.36%	25.44%	29
5. PNC	\$1,279	7.22%	\$1,365	10.14%	(6.30)%	32
6. KeyBank	\$913	5.15%	\$906	6.73%	0.77%	22
7. IAB Financial Bank	\$676	3.81%	\$581	4.31%	16.35%	17
8. Old National Bank	\$613	3.46%	\$764	5.68%	(19.76)%	13
9. Star	\$495	2.79%	\$331	2.46%	49.55%	13
10. MutualBank	\$429	2.42%	\$473	3.51%	(9.30)%	16
Market Total:	\$17,715		\$13,461		31.60%	



(1) Mature Markets includes 12 Northern Indiana counties and excludes 2 Central Indiana counties
 *Adjusted to include branches subsequently acquired by surviving banks

Organic Growth Strategy

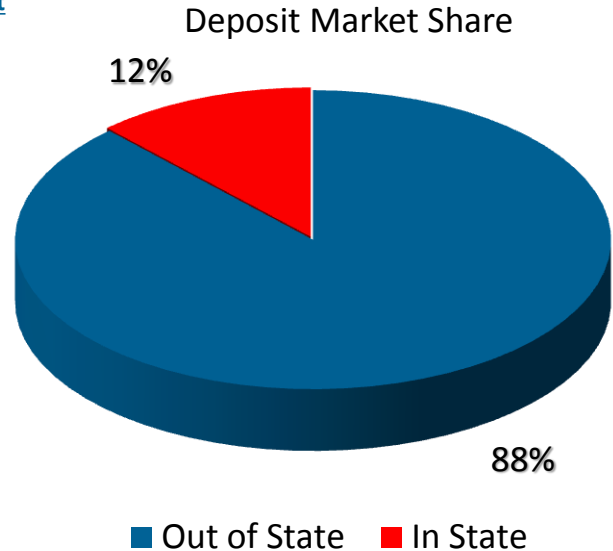
Mature⁽¹⁾ Market Deposit Performance



Organic Growth Strategy – Larger Markets

Indianapolis Market Opportunity

<u>Indianapolis Market Banks</u>	<u>Share of Market</u>
1. JPM Chase	28%
2. PNC	20%
3. Fifth Third	10%
4. Huntington National	8%
5. BMO Harris	6%
6. KeyBank	6%
7. Merchants Bank of IN	4%
8. National Bank of Indy	4%
9. Regions Bank	4%
10. First Internet Bank of IN	3%
Indianapolis Market Total	93%
15. Lake City Bank	1%



- Marion and Hamilton Counties as of 6/30/15; Source: FDIC Statistics

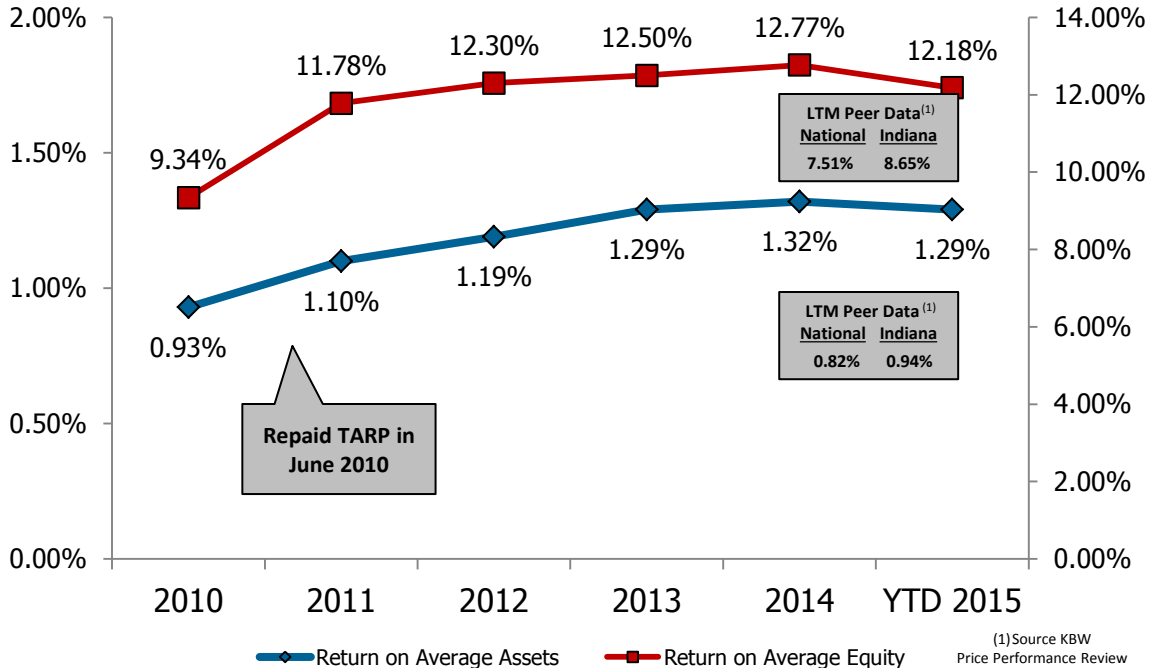
Core Deposit Funding

- 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
- Enhanced checking deposit offering complete
- Emphasis is on checking account relationship products

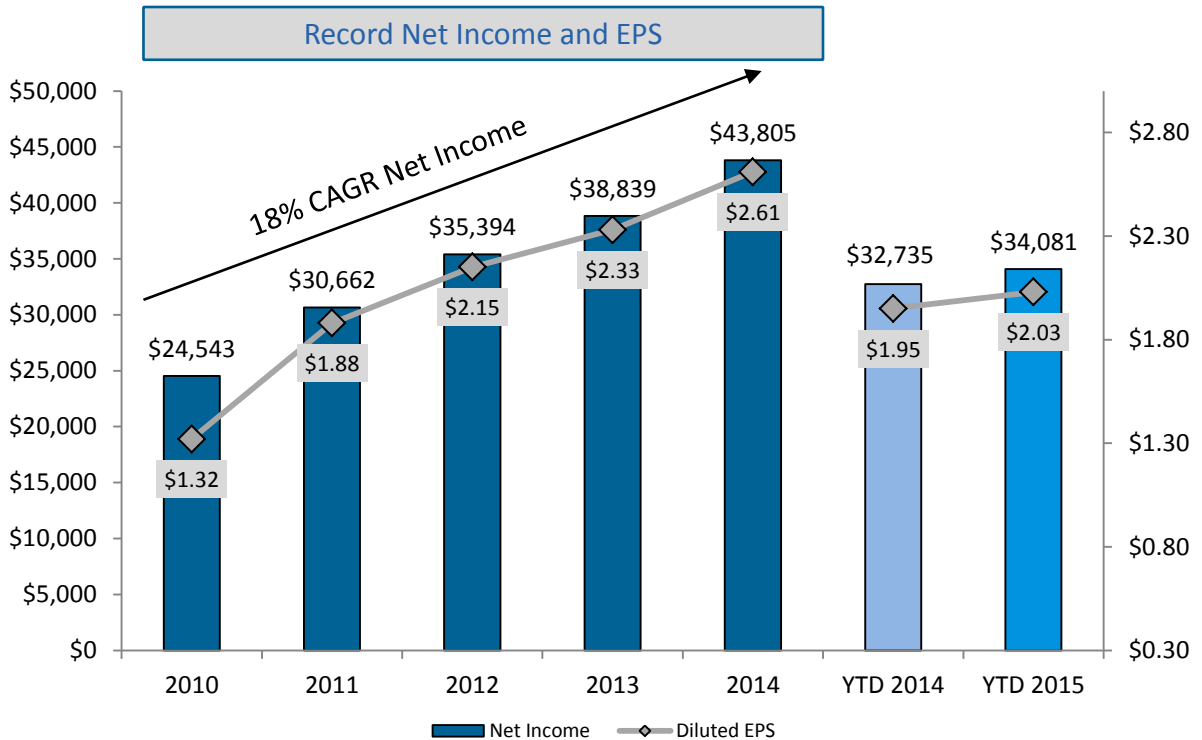
Financial Performance

Income Performance Metrics

LKFN performance exceeds National and Indiana Peers



Net Income and EPS

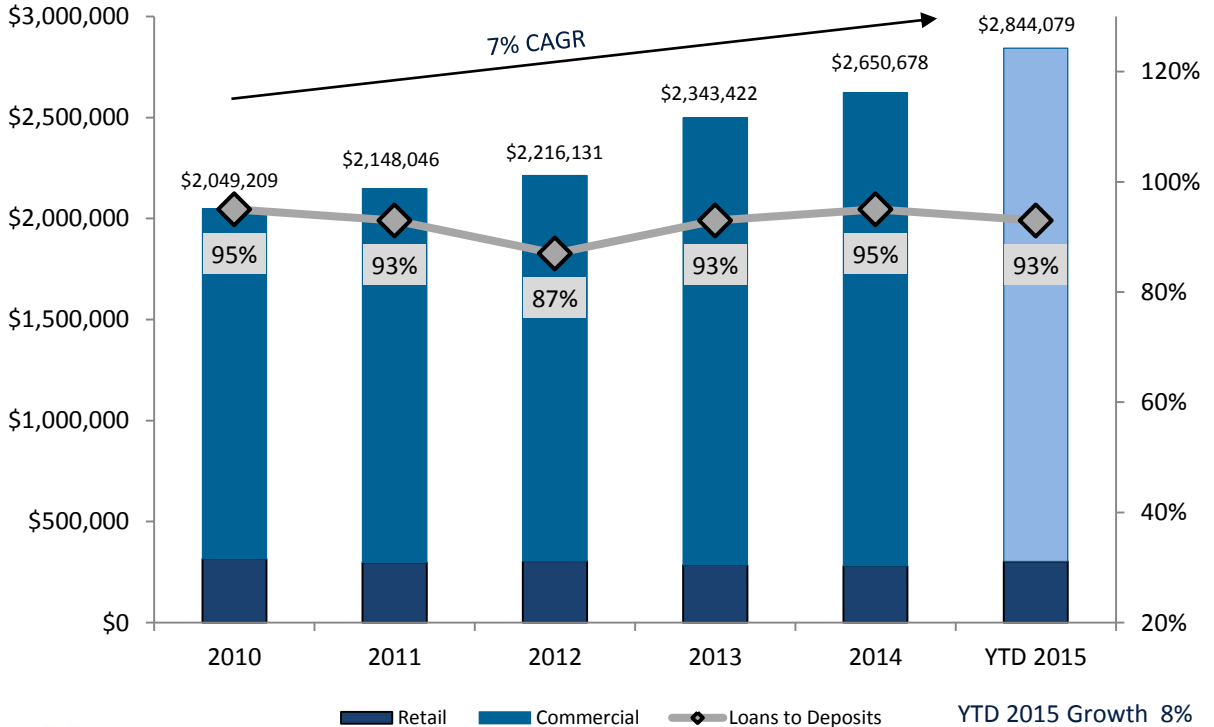


Note: Net income is before preferred dividends for 2010.

2015 Net Income Growth 4%
2015 Diluted EPS Growth 4%

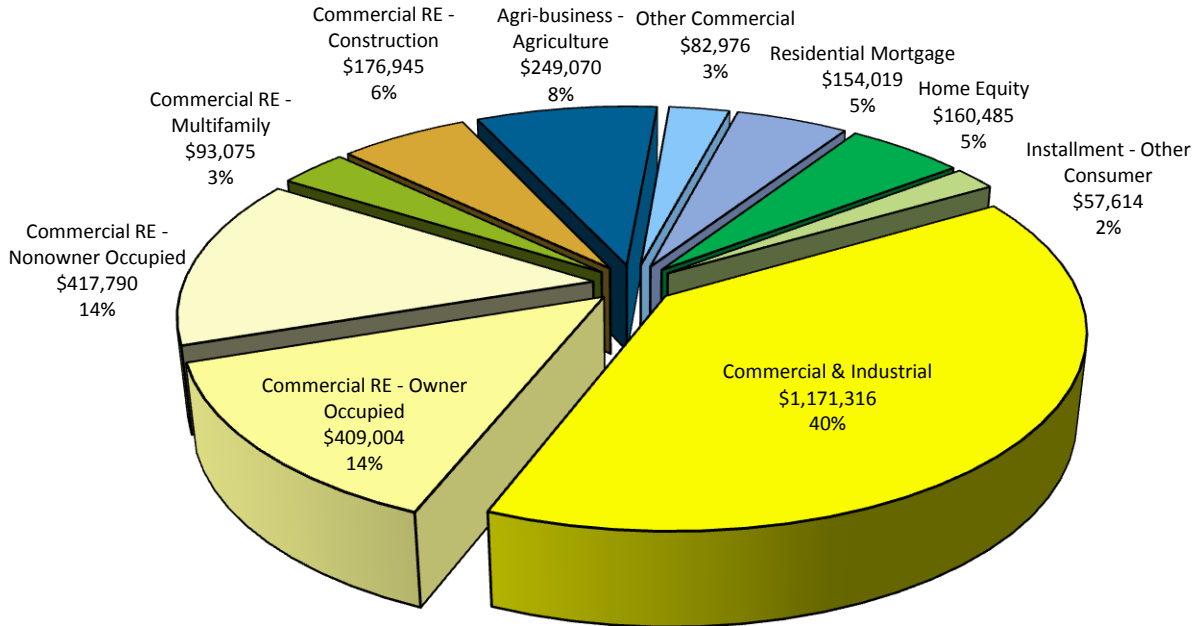
Average Loans

Commercial Emphasis Drives Growth



Loan Breakdown

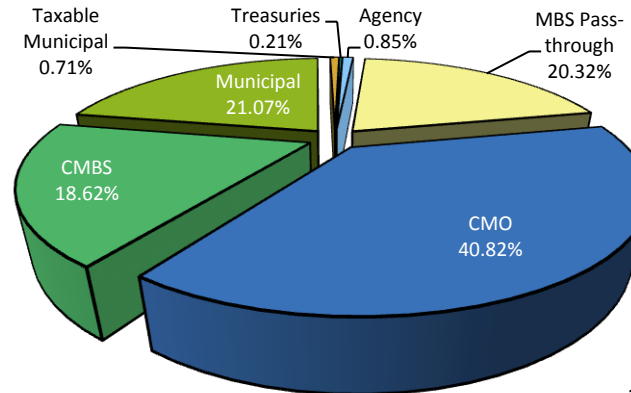
C&I Drives Lending Business



\$3.0 billion as of September 30, 2015

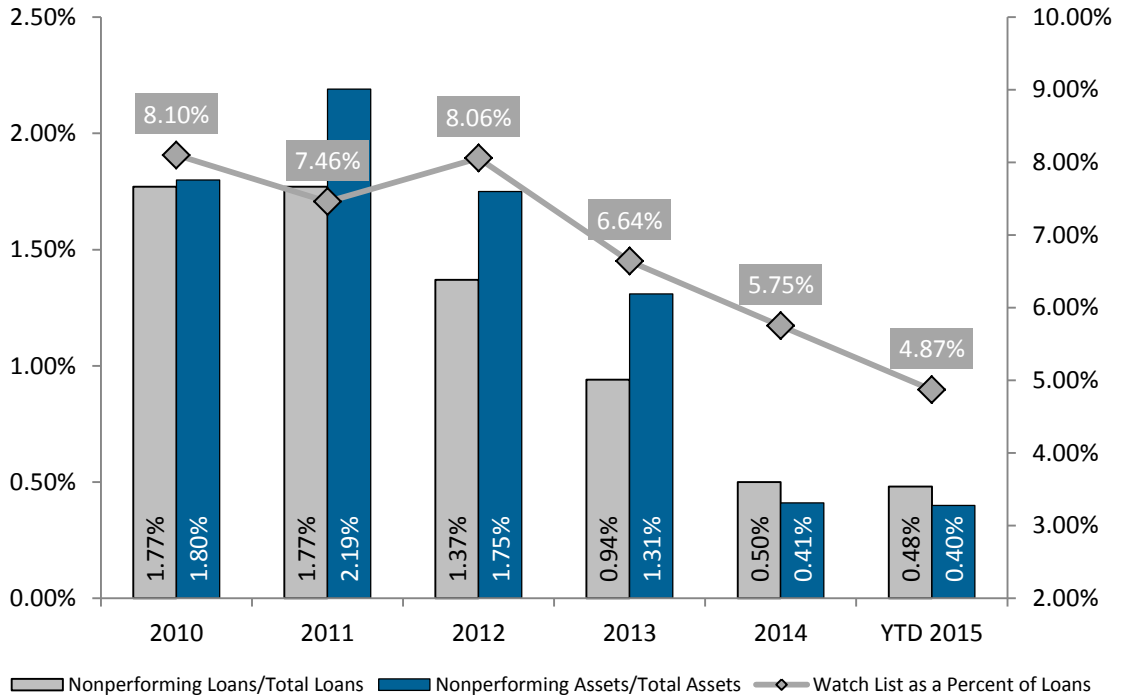
Investment Portfolio

September 30, 2015				
	Average Life	Book Yield	Effective Duration	Market Value
Agency	0.08	2.81%	0.08	\$4,074
MBS Pass-through	7.50	2.81%	5.91	\$97,070
CMO	4.45	3.04%	2.83	\$179,596
CMBS	5.57	2.51%	5.09	\$88,951
Municipal	4.98	4.58%	5.22	\$103,584
Taxable Municipal	4.83	2.46%	4.49	\$3,404
Treasuries	6.17	2.23%	5.71	\$1,020
Total	5.36	3.21%	4.39	\$477,698



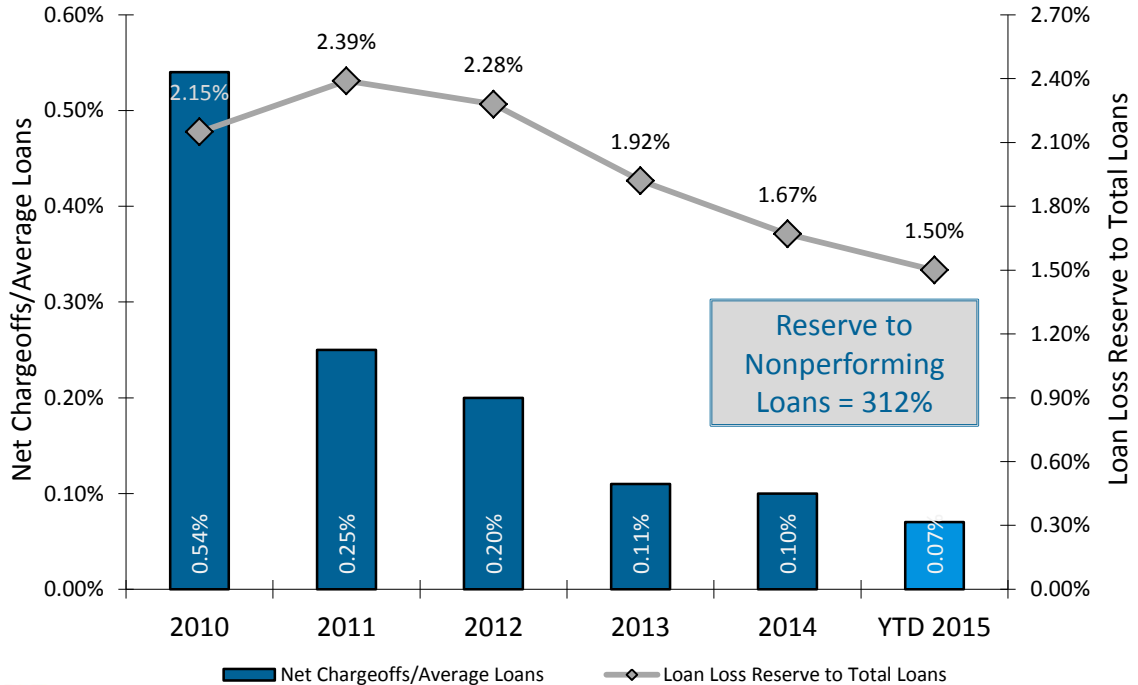
Asset Quality

Nonperforming levels are at 5-year lows



Asset Quality

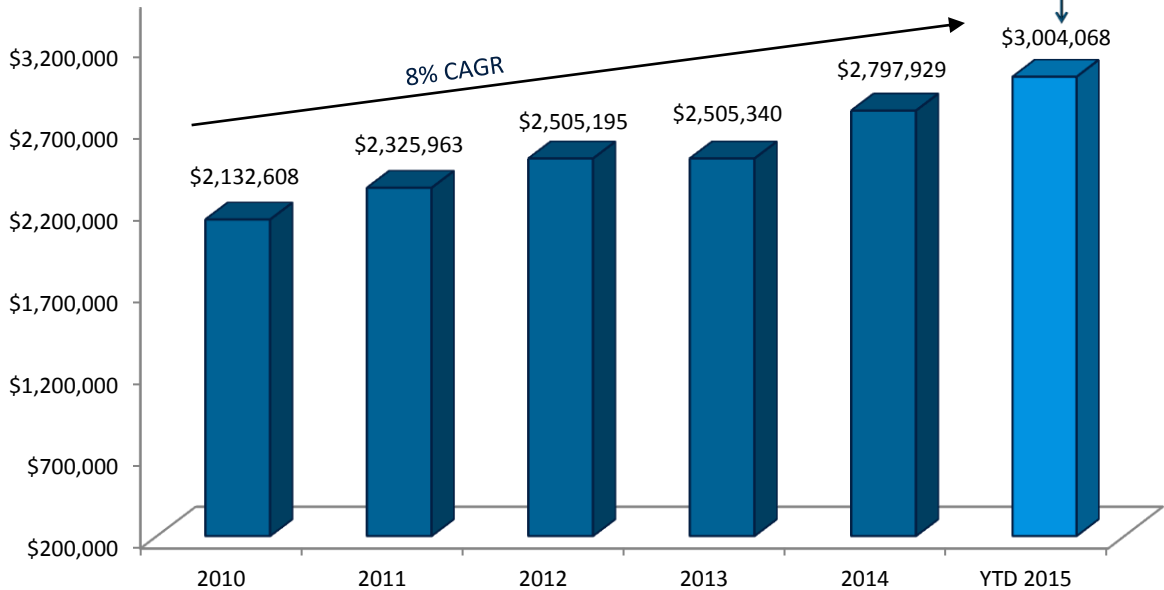
Strong Reserve Coverage



Average Deposits

Improved Funding Mix

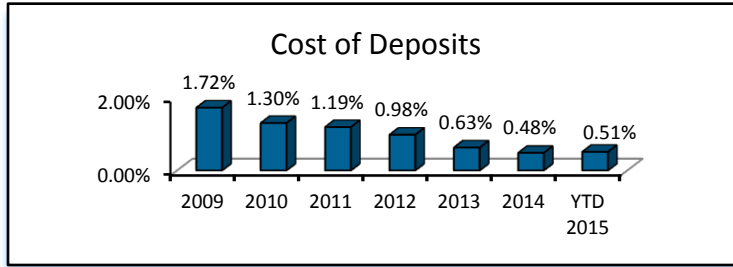
Deposits = 97% of Funding
vs. 90% in 2010



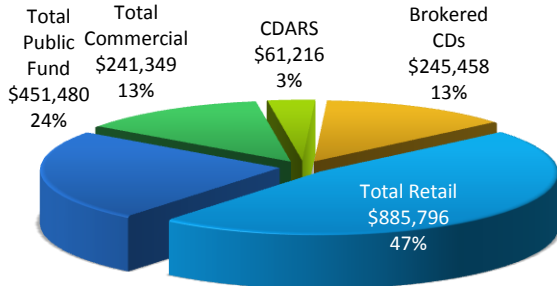
YTD 2015 Growth 11%

Average Deposit Breakdown

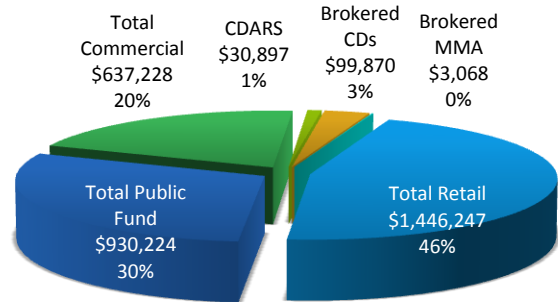
Deposit Growth Key to Franchise Value



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

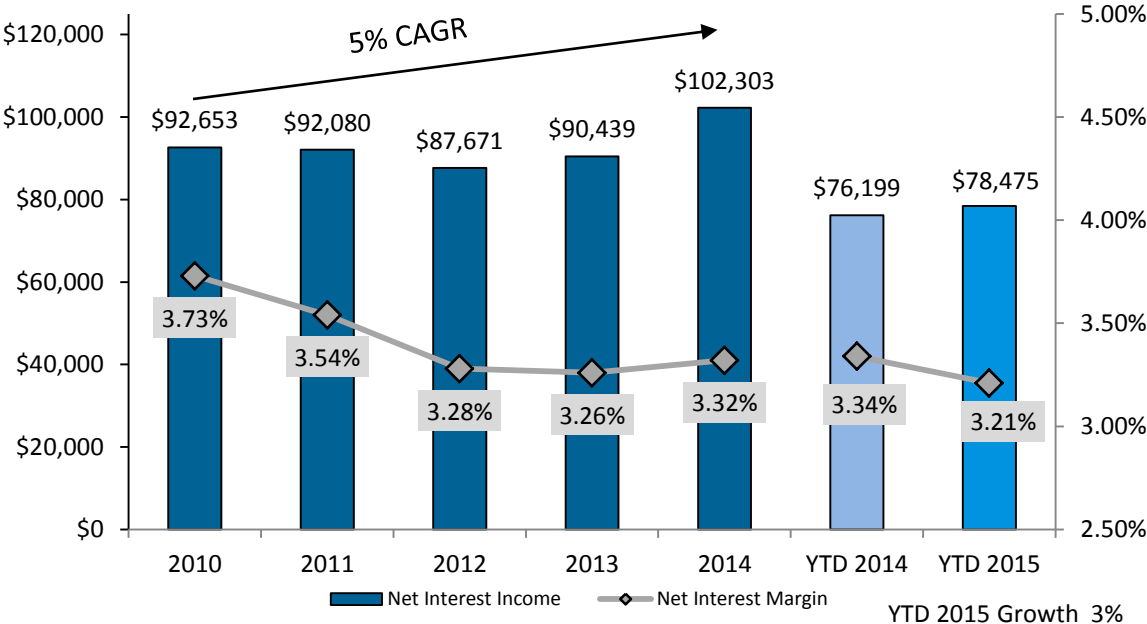


September 30, 2015
Total Deposits - \$3.0 billion



Net Interest Income

Loan Growth Driving Growth in Income

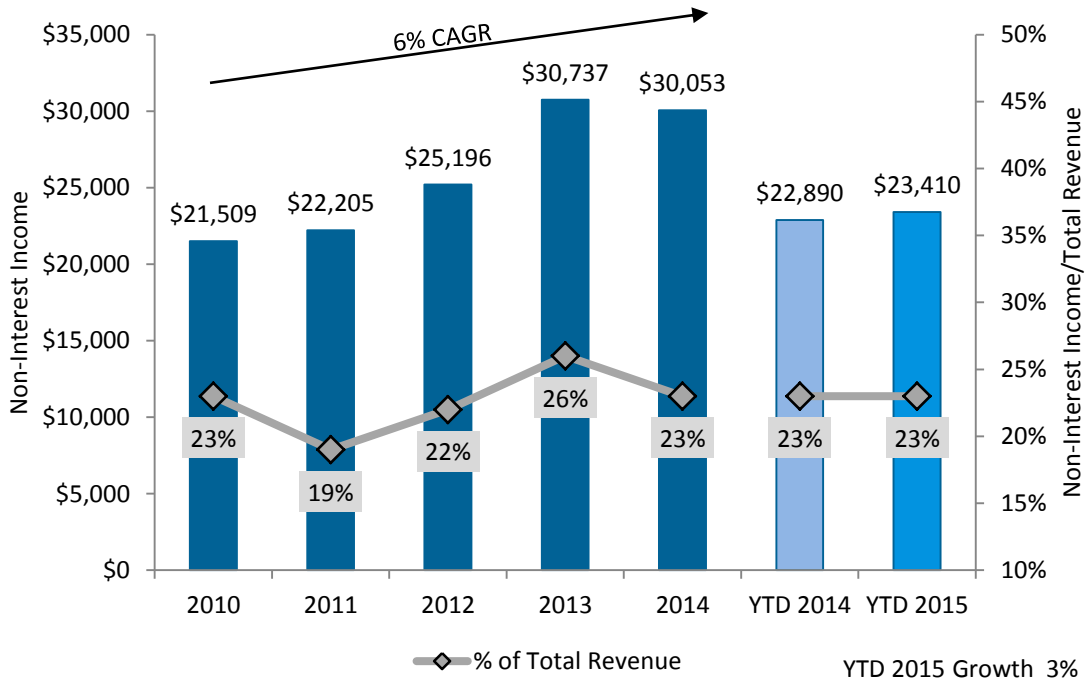


Impact of Rising Rates

- 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 3.87% exist on 27% 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

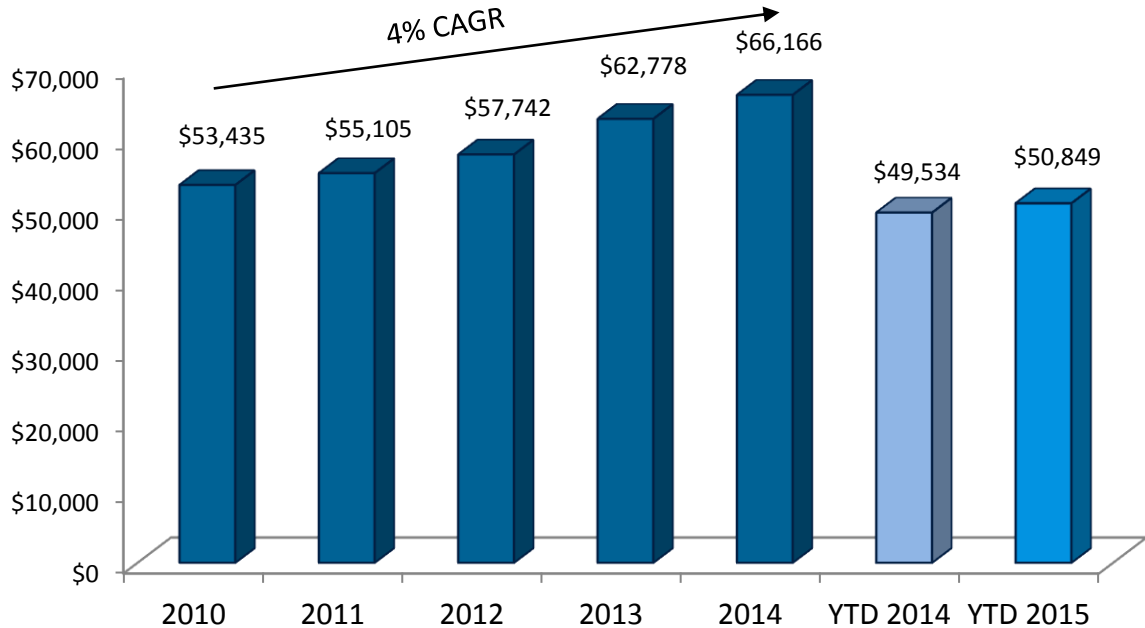
Non-Interest Income

Stable, Fee-Based Strategy Drives Increases



Non-Interest Expense

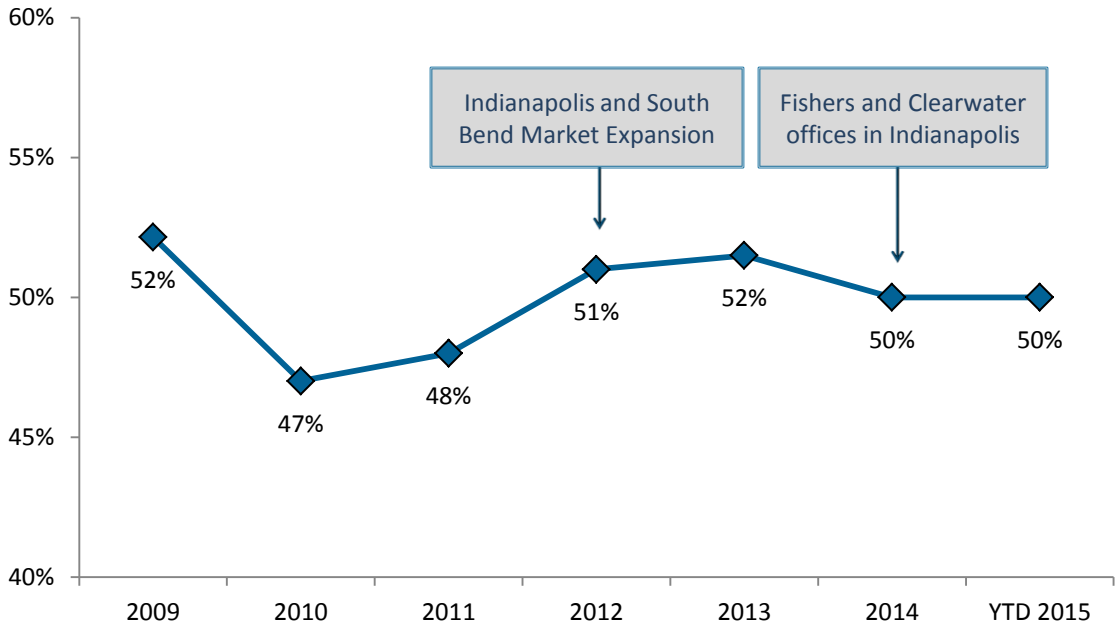
Disciplined Approach to Cost Structure



YTD 2015 Growth 3%

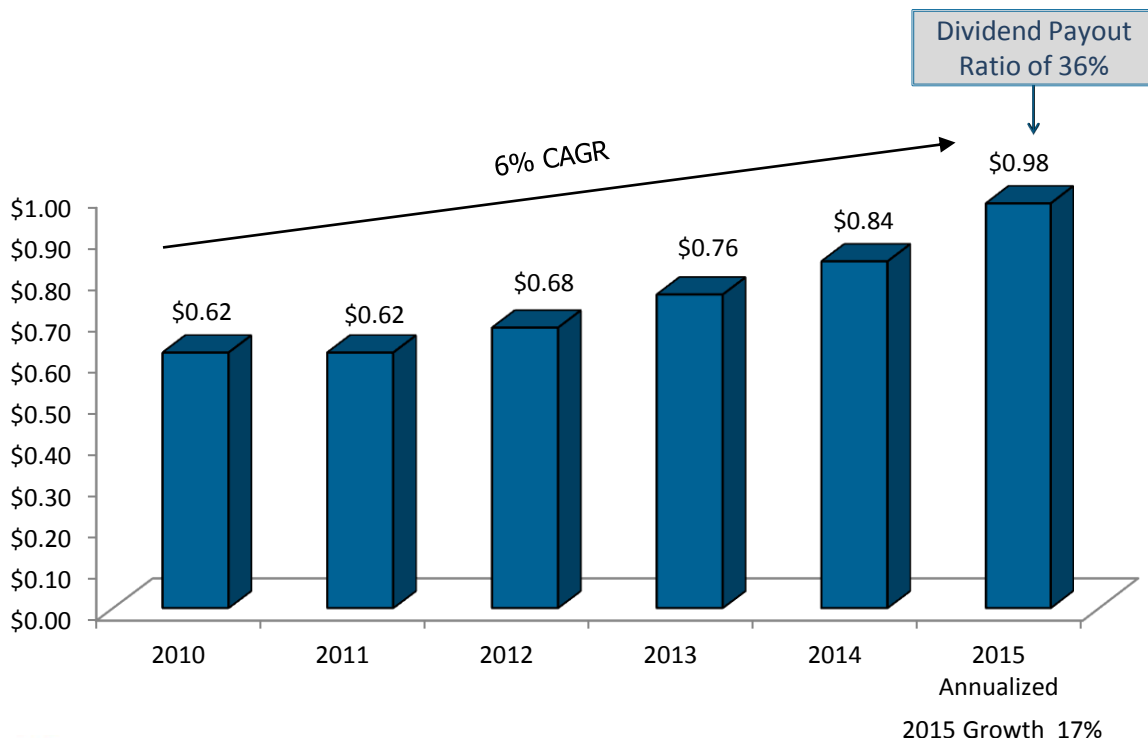
Efficiency Ratio

Revenue Growth is Primary Driver of Low Efficiency Ratio



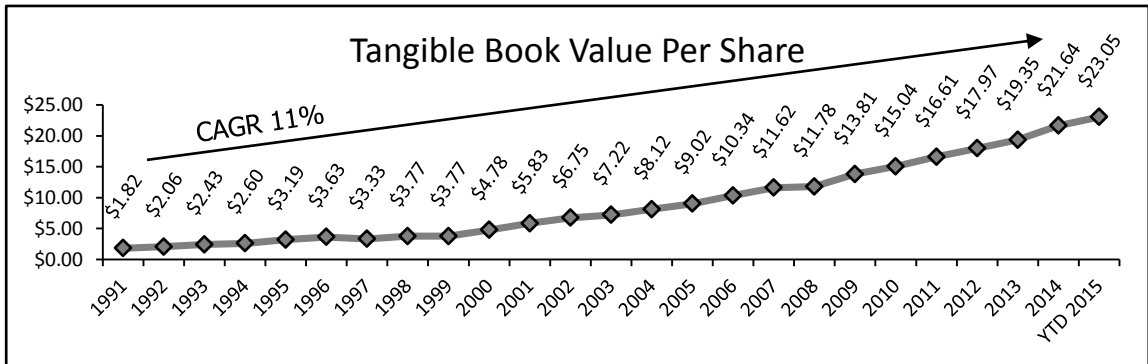
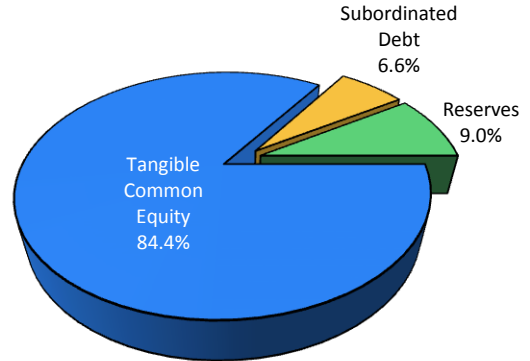
Stable Healthy Dividend

Significant Increase in Dividend Reflects Strength of Balance Sheet

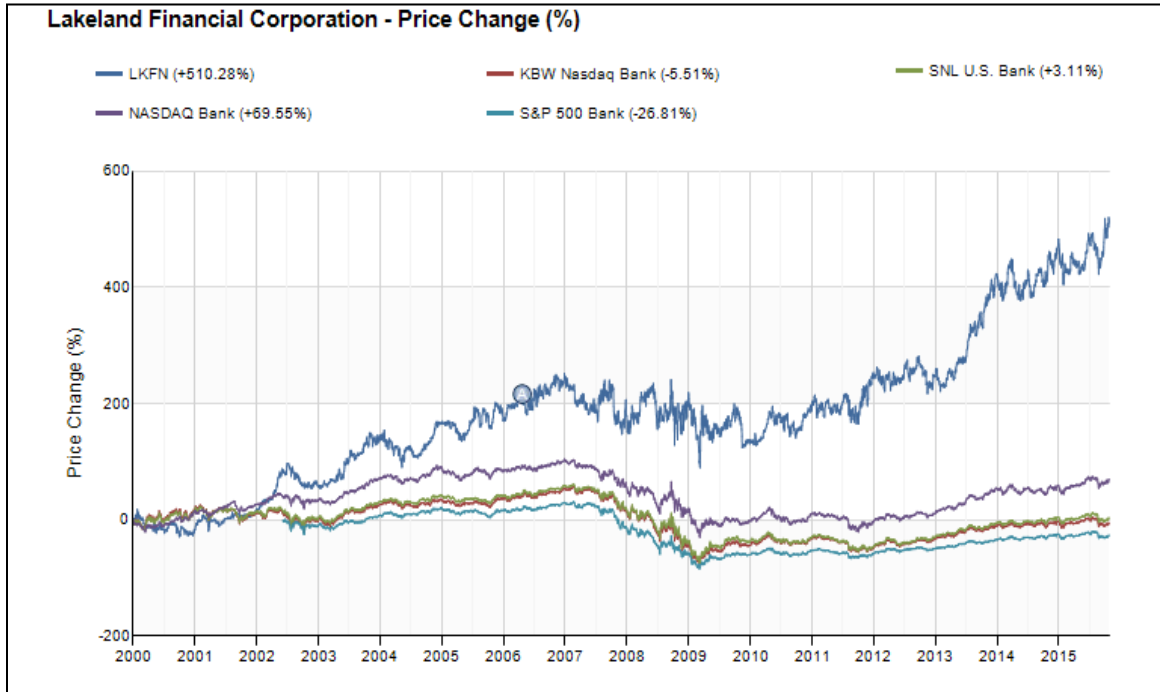


Strong Capital Structure

Key Ratios and Per Share Data As of September 30, 2015	
TCE /Tangible Assets	10.47%
Total Risk-Based	13.79%
Leverage	11.18%
Book Value	\$23.24
Tangible Book Value	\$23.05



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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