



Lakeland Financial Reports Record Performance

July 25, 2017

WARSAW, Ind., July 25, 2017 (GLOBE NEWSWIRE) -- Lakeland Financial Corporation (Nasdaq:LKFN), parent company of Lake City Bank, today reported record second quarter net income of \$15.4 million for the three months ended June 30, an increase of 20% versus \$12.8 million for the second quarter of 2016. Diluted net income per common share also increased 20% to \$0.60 for the second quarter of 2017, versus \$0.50 for the second quarter of 2016, representing a record quarter for the company and its shareholders. On a linked quarter basis net income increased 6% or \$850,000 from the first quarter ended March 31, 2017, which had net income of \$14.5 million and \$0.57 diluted net income per common share. All share and per share data presented in this press release has been adjusted for a 3-for-2 stock split paid in the form of a stock dividend on August 5, 2016.

The company further reported record net income of \$29.9 million for the six months ended June 30, 2017 versus \$25.1 million for the comparable period of 2016, an increase of 19%. Diluted net income per common share was also a record for the period and increased 18% to \$1.17 for the six months ended June 30, 2017 versus \$0.99 for the comparable period of 2016.

David M. Findlay, President and CEO commented, "The entire Lake City Bank team has contributed to these record results and we are very proud of the continued strength of the bank's overall performance. These strong results reflect the overall economic vitality of our Indiana footprint and the continued growth of our commercial and consumer loan businesses. The best way for Lake City Bank to contribute to our markets is through the business of lending, and we are very pleased with our overall growth."

Highlights for the quarter are noted below:

2nd Quarter 2017 versus 2nd Quarter 2016 highlights:

- Organic average loan growth of \$394 million or 12%
- Average deposit growth of \$245 million or 7%
- Net interest income increase of \$4.5 million or 16%
- Net interest margin increase of 15 basis points to 3.34%
- Revenue growth of \$5.3 million or 14%
- Continued strong asset quality with nonperforming assets to total assets at 0.23% compared to 0.24%
- Tangible common equity¹ increase of \$31.6 million or 8%

2nd Quarter 2017 versus 1st Quarter 2017 highlights:

- Organic average loan growth of \$77 million or 2%
- Average deposit growth of \$45 million or 1%
- Net interest income increase of \$1.8 million or 5%
- Net interest margin increase of 7 basis points to 3.34%
- Revenue growth of \$2.3 million or 6%
- Continued strong asset quality with nonperforming assets to total assets at 0.23% compared to 0.28%
- Tangible common equity¹ increase of \$13.3 million or 3%

As previously announced, the board of directors approved a cash dividend for the second quarter of \$0.22 per share, payable on August 7, 2017, to shareholders of record as of July 25, 2017. The second quarter dividend per share represents a 16% increase over the dividend rate paid in the last three quarters of 2016 and in the first quarter of 2017 of \$0.19 per share.

Findlay added, "Continued loan growth, stable asset quality and net interest margin expansion have positively impacted our profitability in the first half of 2017. As a result, our capital position remains solid and is supportive of this significant increase in our dividend and the continued growth in Lake City Bank."

Return on average total equity for the second quarter of 2017 was 13.84%, compared to 12.50% in the second quarter of 2016 and 13.63% in the linked first quarter of 2017. Return on average total equity for the first six months of 2017 was 13.74%, compared to 12.43% in the same period of 2016. Return on average assets for the second quarter of 2017 was 1.40%, compared to 1.29% in the second quarter of 2016 and 1.37% in the linked first quarter of 2017. Return on average assets for the first six months of 2017 was 1.38% compared to 1.29% in the same period of 2016. The company's total capital as a percent of risk-weighted assets was 13.30% at June 30, 2017, compared to 13.65% at June 30, 2016 and 13.16% at March 31, 2017. The company's tangible common equity to tangible assets ratio ¹ was 10.19% at June 30, 2017, compared to 10.57% at June 30, 2016 and 10.06% at March 31, 2017.

Average total loans for the second quarter of 2017 were \$3.59 billion, an increase of \$393.9 million, or 12%, versus \$3.19 billion for the second quarter of 2016. Total loans outstanding grew \$379.0 million, or 12%, from \$3.20 billion as of June 30, 2016 to \$3.58 billion as of June 30, 2017. On a linked quarter basis, total loans grew \$44.7 million, or 1%, from \$3.53 billion at March 31, 2017.

Average total deposits for the second quarter of 2017 were \$3.68 billion, an increase of \$244.9 million, or 7%, versus \$3.44 billion for the second quarter of 2016. Total deposits grew \$212.5 million, or 6%, from \$3.40 billion as of June 30, 2016 to \$3.62 billion as of June 30, 2017. In addition, total

core deposits, which exclude brokered deposits, increased \$208.9 million, or 6%, from \$3.29 billion at June 30, 2016 to \$3.50 billion at June 30, 2017. The year over year core deposit growth was generated by retail deposit, public funds deposit, and commercial deposit growth in the amounts of \$104.0 million, \$75.4 million and \$29.6 million, respectively. On a linked quarter basis, total average deposits grew \$45.2 million, or 1%, from \$3.64 billion at March 31, 2017.

The company's net interest margin increased 15 basis points to 3.34% for the second quarter of 2017 compared to 3.19% for the second quarter of 2016. The higher margin in the second quarter of 2017 was due to higher yields on loans and securities, partially offset by a higher cost of funds. On a linked quarter basis, the net interest margin improved by 7 basis points from 3.27% in the first quarter of 2017 due to the positive impact of the Federal Reserve Bank increases in the target Federal Funds Rate in mid-March 2017 and mid-June 2017. Net interest income increased \$4.5 million, or 16%, to \$33.8 million for the second quarter of 2017, versus \$29.3 million in the second quarter of 2016. The company's net interest margin for the six months ended June 30, 2017 was 3.31% compared to 3.22% in the prior year six month period.

The company recorded a provision for loan losses of \$500,000 in the second quarter of 2017, primarily driven by the growth in the loan portfolio. The company's allowance for loan losses as of June 30, 2017 was \$44.6 million compared to \$43.2 million as of June 30, 2016 and \$43.8 million as of March 31, 2017. The allowance for loan losses represented 1.25% of total loans as of June 30, 2017 versus 1.35% at June 30, 2016 and 1.24% as of March 31, 2017.

Nonperforming assets increased \$513,000, or 5%, to \$10.1 million as of June 30, 2017 versus \$9.6 million as of June 30, 2016. On a linked quarter basis, nonperforming assets were \$1.9 million lower than the \$12.0 million reported as of March 31, 2017. The ratio of nonperforming assets to total assets at June 30, 2017 decreased to 0.23% from 0.24% at June 30, 2016 and 0.28% at March 31, 2017. The \$1.9 million decrease in nonperforming assets during the quarter was primarily due to payments received from an accruing commercial relationship which had become 90 days past due. Net recoveries totaled \$289,000 in the second quarter of 2017 versus net charge-offs of \$36,000 during the second quarter of 2016 and net charge-offs of \$144,000 during the linked first quarter of 2017.

Findlay added, "We are pleased that our asset quality trends continue to be stable. During the second quarter, nonperforming assets to total assets improved as compared to last quarter and we recorded net recoveries. The economic conditions in our Indiana markets are reflected in our asset quality performance and we remain optimistic about the future."

The company's noninterest income increased \$724,000 or 9% to \$8.8 million for the second quarter of 2017 versus \$8.1 million for the second quarter of 2016. Noninterest income was positively impacted by a \$410,000 increase in service charges on deposit accounts primarily due to growth in fees from business accounts. In addition, wealth advisory fees increased \$151,000 or 13%.

The company's noninterest income increased 13% to \$17.1 million for the six months ended June 30, 2017 compared to \$15.1 million in the prior year period. Noninterest income was positively impacted by a \$773,000 or 14% increase in service charges on deposit accounts. In addition, wealth advisory fees increased by \$241,000 or 11% and investment brokerage fees increased by \$120,000 or 24%. Bank owned life insurance income increased \$211,000 or 32% from first six months of 2016 to the first six months of 2017 primarily due to increased revenue from variable life insurance contracts owned by the company. In addition, other income increased \$653,000 or 127% compared to the first six months of 2016. During the first quarter of 2016, other income was negatively impacted by credit valuation adjustment losses related to the company's swap arrangements, which account for \$295,000 of the increase in other income from the first six months of 2016 to the first six months of 2017. In addition, a write down in the first quarter of 2016 of \$226,000 to a property formerly used as a Lake City Bank branch negatively impacted other income in 2016. Noninterest income during the first six months of 2017 was negatively impacted by a decrease of \$202,000 or 28% in mortgage banking income resulting from lower mortgage loan originations as compared to the prior year period.

The company's noninterest expense increased by 5% to \$19.4 million in the second quarter of 2017 compared to \$18.4 million in the second quarter of 2016. Salaries and employee benefits increased by 4% or \$473,000 primarily due to incentive-based compensation costs, increased health insurance cost, normal merit increases and staff additions related to the company's branch expansion. Corporate and business development expense increased by \$433,000 or 57%, primarily due to an increase in the second quarter of 2017 of community support and donation expense. Equipment costs and net occupancy expense increased by \$247,000 and \$113,000 or 27% and 11%, respectively, driven by the company's branch expansion as well as remodeling of existing branches. Noninterest expense was positively impacted by decreases of \$146,000 or 7% in data processing fees and supplies and \$138,000 or 25% in FDIC insurance and other regulatory fees.

The company's noninterest expense increased by \$3.6 million or 10% to \$39.4 million in the first six months of 2017 compared to \$35.8 million in the prior year period. The increase was driven by salaries and employee benefits, which increased by 11% or \$2.3 million, primarily due to incentive-based compensation costs, increased health insurance cost, normal merit increases and staff additions related to the company's branch expansion. In addition, corporate and business development increased by 67%, or \$1.1 million, primarily due to community support and donation expense of \$750,000 and \$283,000 of increased advertising expense. The company's efficiency ratio was 45.4% for the second quarter of 2017, compared to 49.4% for the second quarter of 2016 and 49.7% for the linked first quarter of 2017.

Lakeland Financial Corporation is a \$4.4 billion bank holding company headquartered in Warsaw, Indiana. Lake City Bank, its single bank subsidiary, is the fourth largest bank headquartered in the state, and the largest bank 100% invested in Indiana. Lake City Bank operates 49 offices in Northern and Central Indiana, delivering technology driven and client-centric financial services solutions to individuals and businesses.

Information regarding Lakeland Financial Corporation may be accessed on the home page of its subsidiary, Lake City Bank, at lakecitybank.com. The company's common stock is traded on the Nasdaq Global Select Market under "LKFN." In addition to the results presented in accordance with generally accepted accounting principles in the United States of America, this earnings release contains certain non-GAAP financial measures. Lakeland Financial believes that providing non-GAAP financial measures provides investors with information useful to understanding the company's financial performance. Additionally, these non-GAAP measures are used by management for planning and forecasting purposes, including measures based on "tangible common equity" which is "common stockholders' equity" excluding intangible assets, net of deferred tax and "tangible assets" which is "assets" excluding intangible assets, net of deferred tax. A reconciliation of these non-GAAP measures to the most comparable GAAP equivalent is included in the attached financial tables where the non-GAAP measure is presented.

This document 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, which may be based upon beliefs, expectations and assumptions of

the company's management and on information currently available to management, are generally identifiable by the use of words such as "believe," "expect," "anticipate," "continue," "plan," "intend," "estimate," "may," "will," "would," "could," "should" or other similar expressions. The company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain and, accordingly, the reader is cautioned not to place undue reliance on any forward-looking statements made by the company. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and the company undertakes no obligation to update any statement in light of new information or future events. Additional information concerning the company and its business, including factors that could materially affect the company's financial results, is included in the company's filings with the Securities and Exchange Commission, including the company's Annual Report on Form 10-K.

¹ Non-GAAP financial measure – see "Reconciliation of Non-GAAP Financial Measures"

LAKELAND FINANCIAL CORPORATION
SECOND QUARTER 2017 FINANCIAL HIGHLIGHTS

| (Unaudited – Dollars in thousands, except per share data) | Three Months Ended | | | Six Months Ended | |
|---|--------------------|------------------|------------------|------------------|------------------|
| | Jun. 30, 2017 | Mar. 31, 2017 | Jun. 30, 2016 | Jun. 30, 2017 | Jun. 30, 2016 |
| END OF PERIOD BALANCES | | | | | |
| Assets | \$ 4,392,999 | \$ 4,319,103 | \$ 3,937,304 | \$ 4,392,999 | \$ 3,937,304 |
| Deposits | 3,615,939 | 3,679,397 | 3,403,455 | 3,615,939 | 3,403,455 |
| Brokered Deposits | 116,435 | 135,595 | 112,884 | 116,435 | 112,884 |
| Core Deposits | 3,499,504 | 3,543,802 | 3,290,571 | 3,499,504 | 3,290,571 |
| Loans | 3,577,004 | 3,532,279 | 3,197,997 | 3,577,004 | 3,197,997 |
| Allowance for Loan Losses | 44,563 | 43,774 | 43,247 | 44,563 | 43,247 |
| Total Equity | 450,460 | 437,202 | 418,893 | 450,460 | 418,893 |
| Goodwill net of deferred tax assets | 3,126 | 3,130 | 3,137 | 3,126 | 3,137 |
| Tangible Common Equity (1) | 447,334 | 434,072 | 415,756 | 447,334 | 415,756 |
| AVERAGE BALANCES | | | | | |
| Total Assets | \$ 4,395,495 | \$ 4,310,145 | \$ 4,003,633 | \$ 4,353,056 | \$ 3,907,974 |
| Earning Assets | 4,150,234 | 4,059,885 | 3,763,022 | 4,105,309 | 3,681,747 |
| Investments | 531,262 | 515,283 | 488,762 | 523,317 | 483,650 |
| Loans | 3,586,408 | 3,509,155 | 3,192,545 | 3,547,995 | 3,140,947 |
| Total Deposits | 3,682,349 | 3,637,171 | 3,437,493 | 3,659,884 | 3,334,395 |
| Interest Bearing Deposits | 2,926,086 | 2,868,676 | 2,759,696 | 2,897,539 | 2,664,700 |
| Interest Bearing Liabilities | 3,171,565 | 3,084,584 | 2,887,534 | 3,128,315 | 2,807,478 |
| Total Equity | 445,287 | 431,895 | 411,986 | 438,628 | 405,953 |
| INCOME STATEMENT DATA | | | | | |
| Net Interest Income | \$ 33,819 | \$ 32,061 | \$ 29,273 | \$ 65,880 | \$ 57,855 |
| Net Interest Income-Fully Tax Equivalent | 34,550 | 32,733 | 29,818 | 67,281 | 58,920 |
| Provision for Loan Losses | 500 | 200 | 0 | 700 | 0 |
| Noninterest Income | 8,791 | 8,259 | 8,067 | 17,050 | 15,110 |
| Noninterest Expense | 19,352 | 20,048 | 18,446 | 39,400 | 35,830 |
| Net Income | 15,364 | 14,514 | 12,803 | 29,878 | 25,082 |
| PER SHARE DATA | | | | | |
| Basic Net Income Per Common Share * | \$ 0.61 | \$ 0.58 | \$ 0.51 | \$ 1.19 | \$ 1.00 |
| Diluted Net Income Per Common Share * | 0.60 | 0.57 | 0.51 | 1.17 | 0.99 |
| Cash Dividends Declared Per Common Share * | 0.22 | 0.19 | 0.19 | 0.41 | 0.35 |
| Dividend Payout | 36.67 % | 33.33 % | 36.84 % | 35.04 % | 35.47 % |
| Book Value Per Common Share (equity per share issued) * | 17.88 | 17.36 | 16.72 | 17.88 | 16.72 |
| Tangible Book Value Per Common Share * (1) | 17.76 | 17.24 | 16.60 | 17.76 | 16.60 |
| Market Value – High * | 48.70 | 48.32 | 33.27 | 48.70 | 33.27 |

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Market Value – Low * | 41.38 | 39.68 | 28.94 | 39.68 | 26.53 |
| Basic Weighted Average Common Shares Outstanding * | 25,183,186 | 25,152,242 | 25,045,251 | 25,167,799 | 25,032,502 |
| Diluted Weighted Average Common Shares Outstanding * | 25,619,977 | 25,596,136 | 25,395,770 | 25,618,552 | 25,370,607 |
| KEY RATIOS | | | | | |
| Return on Average Assets | 1.40 % | 1.37 % | 1.29 % | 1.38 % | 1.29 % |
| Return on Average Total Equity | 13.84 | 13.63 | 12.50 | 13.74 | 12.43 |
| Average Equity to Average Assets | 10.13 | 10.02 | 10.29 | 10.08 | 10.39 |
| Net Interest Margin | 3.34 | 3.27 | 3.19 | 3.31 | 3.22 |
| Efficiency (Noninterest Expense / Net Interest Income plus Noninterest Income) | 45.42 | 49.72 | 49.40 | 47.51 | 49.11 |
| Tier 1 Leverage (2) | 10.82 | 10.78 | 10.85 | 10.82 | 10.85 |
| Tier 1 Risk-Based Capital (2) | 12.15 | 12.02 | 12.41 | 12.15 | 12.41 |
| Common Equity Tier 1 (CET1) (2) | 11.39 | 11.25 | 11.55 | 11.39 | 11.55 |
| Total Capital (2) | 13.30 | 13.16 | 13.65 | 13.30 | 13.65 |
| Tangible Capital (1) (2) | 10.19 | 10.06 | 10.57 | 10.19 | 10.57 |
| ASSET QUALITY | | | | | |
| Loans Past Due 30 - 89 Days | \$ 1,559 | \$ 1,490 | \$ 1,795 | \$ 1,559 | \$ 1,795 |
| Loans Past Due 90 Days or More | 0 | 1,633 | 0 | 0 | 0 |
| Non-accrual Loans | 9,886 | 10,188 | 9,329 | 9,886 | 9,329 |
| Nonperforming Loans (includes nonperforming TDR's) | 9,886 | 11,821 | 9,329 | 9,886 | 9,329 |
| Other Real Estate Owned | 194 | 115 | 238 | 194 | 238 |
| Other Nonperforming Assets | 0 | 15 | 0 | 0 | 0 |
| Total Nonperforming Assets | 10,080 | 11,951 | 9,567 | 10,080 | 9,567 |
| Performing Troubled Debt Restructurings | 8,425 | 10,234 | 8,647 | 8,425 | 8,647 |
| Nonperforming Troubled Debt Restructurings (included in nonperforming loans) | 6,852 | 7,180 | 6,040 | 6,852 | 6,040 |
| Total Troubled Debt Restructurings | 15,277 | 17,414 | 14,688 | 15,277 | 14,688 |
| Impaired Loans | 19,583 | 21,670 | 19,267 | 19,583 | 19,267 |
| Non-Impaired Watch List Loans | 133,526 | 130,551 | 139,706 | 133,526 | 139,706 |
| Total Impaired and Watch List Loans | 153,109 | 152,221 | 158,973 | 153,109 | 158,973 |
| Gross Charge Offs | 261 | 503 | 296 | 765 | 762 |
| Recoveries | 550 | 359 | 260 | 909 | 400 |
| Net Charge Offs/(Recoveries) | (289) | 144 | 36 | (145) | 362 |
| Net Charge Offs/(Recoveries) to Average Loans | (0.03) % | 0.02 % | 0.00 % | (0.01) % | 0.02 % |
| Loan Loss Reserve to Loans | 1.25 % | 1.24 % | 1.35 % | 1.25 % | 1.35 % |
| Loan Loss Reserve to Nonperforming Loans | 450.75 % | 370.31 % | 463.58 % | 450.75 % | 463.58 % |
| Loan Loss Reserve to Nonperforming Loans and Performing TDR's | 243.37 % | 198.48 % | 240.58 % | 243.37 % | 240.58 % |
| Nonperforming Loans to Loans | 0.28 % | 0.33 % | 0.29 % | 0.28 % | 0.29 % |
| Nonperforming Assets to Assets | 0.23 % | 0.28 % | 0.24 % | 0.23 % | 0.24 % |
| Total Impaired and Watch List Loans to Total Loans | 4.28 % | 4.31 % | 4.97 % | 4.28 % | 4.97 % |
| OTHER DATA | | | | | |
| Full Time Equivalent Employees | 540 | 528 | 531 | 540 | 531 |
| Offices | 49 | 49 | 48 | 49 | 48 |

(1) Non-GAAP financial measure - see "Reconciliation of Non-GAAP Financial Measures"

(2) Capital ratios for June 30, 2017 are preliminary until the Call Report is filed.

* Share and per share data has been adjusted for a 3-for-2 stock split in the form of a stock dividend on August 5, 2016.

CONSOLIDATED BALANCE SHEETS (in thousands except share data)

| | June 30, 2017 | December 31, 2016 |
|---|---------------------|----------------------|
| | <u>(Unaudited)</u> | |
| ASSETS | | |
| Cash and due from banks | \$ 111,406 | \$ 142,408 |
| Short-term investments | 25,930 | 24,872 |
| Total cash and cash equivalents | <u>137,336</u> | 167,280 |
| Securities available for sale (carried at fair value) | 530,312 | 504,191 |
| Real estate mortgage loans held for sale | 4,221 | 5,915 |
| Loans, net of allowance for loan losses of \$44,563 and \$43,718 | 3,532,441 | 3,427,209 |
| Land, premises and equipment, net | 56,492 | 52,092 |
| Bank owned life insurance | 74,929 | 74,006 |
| Federal Reserve and Federal Home Loan Bank stock | 11,522 | 11,522 |
| Accrued interest receivable | 12,028 | 11,687 |
| Goodwill | 4,970 | 4,970 |
| Other assets | 28,748 | 31,153 |
| Total assets | <u>\$ 4,392,999</u> | <u>\$ 4,290,025</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Noninterest bearing deposits | \$ 762,965 | \$ 819,803 |
| Interest bearing deposits | 2,852,974 | 2,758,109 |
| Total deposits | <u>3,615,939</u> | 3,577,912 |
| Short-term borrowings | | |
| Securities sold under agreements to repurchase | 60,188 | 50,045 |
| Other short-term borrowings | 215,000 | 180,000 |
| Total short-term borrowings | <u>275,188</u> | 230,045 |
| Long-term borrowings | 30 | 32 |
| Subordinated debentures | 30,928 | 30,928 |
| Accrued interest payable | 4,809 | 5,676 |
| Other liabilities | 15,645 | 18,365 |
| Total liabilities | <u>3,942,539</u> | 3,862,958 |
| STOCKHOLDERS' EQUITY | | |
| Common stock: 90,000,000 shares authorized, no par value | | |
| 25,185,619 shares issued and 25,021,759 outstanding as of June 30, 2017 | | |
| 25,096,087 shares issued and 24,937,865 outstanding as of December 31, 2016 | 105,744 | 104,405 |
| Retained earnings | 347,427 | 327,873 |
| Accumulated other comprehensive income/(loss) | 369 | (2,387) |
| Treasury stock, at cost (2017 - 163,860 shares, 2016 - 158,222 shares) | (3,169) | (2,913) |
| Total stockholders' equity | <u>450,371</u> | 426,978 |
| Noncontrolling interest | 89 | 89 |

| | | |
|------------------------------|---------------------|---------------------|
| Total equity | <u>450,460</u> | <u>427,067</u> |
| Total liabilities and equity | <u>\$ 4,392,999</u> | <u>\$ 4,290,025</u> |

CONSOLIDATED STATEMENTS OF INCOME (unaudited - in thousands except share and per share data)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|---------------|------------------|---------------|
| | June 30, | | June 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| NET INTEREST INCOME | | | | |
| Interest and fees on loans | | | | |
| Taxable | \$ 36,967 | \$ 30,918 | \$ 71,414 | \$ 60,548 |
| Tax exempt | 162 | 111 | 312 | 222 |
| Interest and dividends on securities | | | | |
| Taxable | 2,364 | 2,297 | 4,684 | 4,843 |
| Tax exempt | 1,274 | 947 | 2,436 | 1,842 |
| Interest on short-term investments | 54 | 82 | 102 | 110 |
| Total interest income | <u>40,821</u> | <u>34,355</u> | <u>78,948</u> | <u>67,565</u> |
| Interest on deposits | 6,243 | 4,694 | 11,685 | 8,889 |
| Interest on borrowings | | | | |
| Short-term | 431 | 99 | 741 | 246 |
| Long-term | 328 | 289 | 642 | 575 |
| Total interest expense | <u>7,002</u> | <u>5,082</u> | <u>13,068</u> | <u>9,710</u> |
| NET INTEREST INCOME | 33,819 | 29,273 | 65,880 | 57,855 |
| Provision for loan losses | 500 | 0 | 700 | 0 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 33,319 | 29,273 | 65,180 | 57,855 |
| NONINTEREST INCOME | | | | |
| Wealth advisory fees | 1,284 | 1,133 | 2,534 | 2,293 |
| Investment brokerage fees | 299 | 212 | 620 | 500 |
| Service charges on deposit accounts | 3,253 | 2,843 | 6,396 | 5,623 |
| Loan, insurance and service fees | 1,897 | 1,892 | 3,790 | 3,730 |
| Merchant card fee income | 570 | 527 | 1,108 | 1,024 |
| Bank owned life insurance income | 402 | 489 | 873 | 662 |
| Other income | 659 | 587 | 1,168 | 515 |
| Mortgage banking income | 378 | 384 | 509 | 711 |
| Net securities gains | 49 | 0 | 52 | 52 |
| Total noninterest income | <u>8,791</u> | <u>8,067</u> | <u>17,050</u> | <u>15,110</u> |
| NONINTEREST EXPENSE | | | | |
| Salaries and employee benefits | 11,065 | 10,592 | 22,486 | 20,197 |
| Net occupancy expense | 1,154 | 1,041 | 2,274 | 2,137 |
| Equipment costs | 1,156 | 909 | 2,231 | 1,810 |
| Data processing fees and supplies | 1,974 | 2,120 | 3,990 | 4,152 |
| Corporate and business development | 1,196 | 763 | 2,698 | 1,620 |
| FDIC insurance and other regulatory fees | 419 | 557 | 853 | 1,080 |

| | | | | |
|---|--------------------------|-------------------|--------------------------|-------------------|
| Professional fees | 801 | 859 | 1,755 | 1,686 |
| Other expense | 1,587 | 1,605 | 3,113 | 3,148 |
| Total noninterest expense | <u>19,352</u> | <u>18,446</u> | <u>39,400</u> | <u>35,830</u> |
| INCOME BEFORE INCOME TAX EXPENSE | 22,758 | 18,894 | 42,830 | 37,135 |
| Income tax expense | 7,394 | 6,091 | 12,952 | 12,053 |
| NET INCOME | <u>\$ 15,364</u> | <u>\$ 12,803</u> | <u>\$ 29,878</u> | <u>\$ 25,082</u> |
| BASIC WEIGHTED AVERAGE COMMON SHARES | <u>25,183,186</u> | <u>25,045,251</u> | <u>25,167,799</u> | <u>25,032,502</u> |
| BASIC EARNINGS PER COMMON SHARE | <u>\$ 0.61</u> | <u>\$ 0.51</u> | <u>\$ 1.19</u> | <u>\$ 1.00</u> |
| DILUTED WEIGHTED AVERAGE COMMON SHARES | <u>25,619,977</u> | <u>25,395,770</u> | <u>25,618,552</u> | <u>25,370,607</u> |
| DILUTED EARNINGS PER COMMON SHARE | <u>\$ 0.60</u> | <u>\$ 0.50</u> | <u>\$ 1.17</u> | <u>\$ 0.99</u> |

LAKELAND FINANCIAL CORPORATION
LOAN DETAIL
SECOND QUARTER 2017
(unaudited in thousands)

| | June 30, 2017 | | March 31, 2017 | | December 31, 2016 | | June 30, 2016 | |
|---|------------------|-------------|-------------------|-------------|----------------------|-------------|------------------|-------------|
| Commercial and industrial loans: | | | | | | | | |
| Working capital lines of credit loans | \$ 717,875 | 20.0% | \$ 650,691 | 18.4% | \$ 624,404 | 18.0% | \$ 598,531 | 18.7% |
| Non-working capital loans | 646,517 | 18.1 | 673,374 | 19.1 | 644,086 | 18.6 | 628,119 | 19.7 |
| Total commercial and industrial loans | <u>1,364,392</u> | <u>38.1</u> | <u>1,324,065</u> | <u>37.5</u> | <u>1,268,490</u> | <u>36.5</u> | <u>1,226,650</u> | <u>38.4</u> |
| Commercial real estate and multi-family residential loans: | | | | | | | | |
| Construction and land development loans | 209,772 | 5.8 | 238,018 | 6.7 | 245,182 | 7.1 | 221,027 | 6.9 |
| Owner occupied loans | 511,425 | 14.3 | 468,621 | 13.3 | 469,705 | 13.5 | 457,461 | 14.3 |
| Nonowner occupied loans | 450,907 | 12.6 | 463,186 | 13.1 | 458,404 | 13.2 | 395,597 | 12.4 |
| Multifamily loans | 170,902 | 4.8 | 201,147 | 5.7 | 127,632 | 3.7 | 114,618 | 3.6 |
| Total commercial real estate and multi-family residential loans | <u>1,343,006</u> | <u>37.5</u> | <u>1,370,972</u> | <u>38.8</u> | <u>1,300,923</u> | <u>37.5</u> | <u>1,188,703</u> | <u>37.2</u> |
| Agri-business and agricultural loans: | | | | | | | | |
| Loans secured by farmland | 156,053 | 4.4 | 138,071 | 3.9 | 172,633 | 5.0 | 146,519 | 4.6 |
| Loans for agricultural production | 175,334 | 4.9 | 189,516 | 5.4 | 222,210 | 6.4 | 162,240 | 5.1 |
| Total agri-business and agricultural loans | <u>331,387</u> | <u>9.3</u> | <u>327,587</u> | <u>9.3</u> | <u>394,843</u> | <u>11.4</u> | <u>308,759</u> | <u>9.7</u> |
| Other commercial loans | <u>116,651</u> | <u>3.3</u> | <u>105,684</u> | <u>3.0</u> | <u>98,270</u> | <u>2.8</u> | <u>82,786</u> | <u>2.5</u> |
| Total commercial loans | <u>3,155,436</u> | <u>88.2</u> | <u>3,128,308</u> | <u>88.6</u> | <u>3,062,526</u> | <u>88.2</u> | <u>2,806,898</u> | <u>87.8</u> |

| | | | | | | | | | |
|---|---------------------|---------|---------------------|---------|---------------------|---------|---------------------|---------|--|
| Consumer 1-4 family mortgage loans: | | | | | | | | | |
| Closed end first mortgage loans | 171,495 | 4.8 | 166,158 | 4.7 | 163,155 | 4.7 | 164,564 | 5.1 | |
| Open end and junior lien loans | 172,530 | 4.8 | 167,517 | 4.7 | 169,664 | 4.9 | 164,645 | 5.2 | |
| Residential construction and land development loans | 10,118 | 0.3 | 10,274 | 0.3 | 15,015 | 0.4 | 9,570 | 0.3 | |
| Total consumer 1-4 family mortgage loans | 354,143 | 9.9 | 343,949 | 9.7 | 347,834 | 10.0 | 338,779 | 10.6 | |
| Other consumer loans | 68,646 | 1.9 | 60,881 | 1.7 | 61,308 | 1.8 | 52,492 | 1.6 | |
| Total consumer loans | 422,789 | 11.8 | 404,830 | 11.4 | 409,142 | 11.8 | 391,271 | 12.2 | |
| Subtotal | 3,578,225 | 100.0 % | 3,533,138 | 100.0 % | 3,471,668 | 100.0 % | 3,198,169 | 100.0 % | |
| Less: Allowance for loan losses | (44,563) | | (43,774) | | (43,718) | | (43,247) | | |
| Net deferred loan fees | (1,221) | | (859) | | (741) | | (172) | | |
| Loans, net | <u>\$ 3,532,441</u> | | <u>\$ 3,488,505</u> | | <u>\$ 3,427,209</u> | | <u>\$ 3,154,750</u> | | |

LAKELAND FINANCIAL CORPORATION
DEPOSITS AND BORROWINGS
SECOND QUARTER 2017
(unaudited in thousands)

| | June 30, 2017 | March 31, 2017 | December 31, 2016 | June 30, 2016 |
|--------------------------------------|---------------------|---------------------|-------------------------|---------------------|
| Non-interest bearing demand deposits | \$ 762,965 | \$ 762,575 | \$ 819,803 | \$ 727,308 |
| Savings and transaction accounts: | | | | |
| Savings deposits | 275,151 | 277,148 | 268,970 | 265,415 |
| Interest bearing demand deposits | 1,322,847 | 1,346,651 | 1,325,320 | 1,235,305 |
| Time deposits: | | | | |
| Deposits of \$100,000 or more | 1,015,741 | 1,056,025 | 924,825 | 928,156 |
| Other time deposits | 239,235 | 236,998 | 238,994 | 247,271 |
| Total deposits | <u>\$ 3,615,939</u> | <u>\$ 3,679,397</u> | <u>\$ 3,577,912</u> | <u>\$ 3,403,455</u> |
| FHLB advances and other borrowings | 275,188 | 175,734 | 261,005 | 87,328 |
| Total funding sources | <u>\$ 3,891,127</u> | <u>\$ 3,855,131</u> | <u>\$ 3,838,917</u> | <u>\$ 3,490,783</u> |

LAKELAND FINANCIAL CORPORATION
AVERAGE BALANCE SHEET AND NET INTEREST ANALYSIS
(UNAUDITED)

| | Three Months Ended June 30, 2017 | | | Three Months Ended March 31, 2017 | | | Three Months Ended June 30, 2016 | | |
|--|-------------------------------------|-----------|---------------|--------------------------------------|-----------|---------------|-------------------------------------|-----------|---------------|
| | Average | Interest | Yield (1)/ | Average | Interest | Yield (1)/ | Average | Interest | Yield (1)/ |
| | Balance | Income | Rate | Balance | Income | Rate | Balance | Income | Rate |
| (fully tax equivalent basis, dollars in thousands) | | | | | | | | | |
| Earning Assets | | | | | | | | | |
| Loans: | | | | | | | | | |
| Taxable (2)(3) | \$ 3,566,504 | \$ 36,967 | 4.16 % | \$ 3,491,018 | \$ 34,447 | 4.00 % | \$ 3,180,783 | \$ 30,918 | 3.91 % |
| Tax exempt (1) | 19,903 | 240 | 4.82 | 18,137 | 221 | 4.94 | 11,763 | 164 | 5.62 |
| Investments: (1) | | | | | | | | | |
| Available for sale | 531,262 | 4,291 | 3.24 | 515,283 | 4,083 | 3.21 | 488,762 | 3,736 | 3.07 |
| Short-term investments | 6,124 | 8 | 0.52 | 5,121 | 5 | 0.40 | 5,805 | 3 | 0.21 |
| Interest bearing deposits | 26,441 | 46 | 0.70 | 30,326 | 43 | 0.58 | 75,908 | 79 | 0.42 |
| Total earning assets | \$ 4,150,234 | \$ 41,552 | 4.02 % | \$ 4,059,885 | \$ 38,799 | 3.88 % | \$ 3,763,021 | \$ 34,900 | 3.73 % |
| Less: Allowance for loan losses | (44,090) | | | (43,981) | | | (43,228) | | |
| Nonearning Assets | | | | | | | | | |
| Cash and due from banks | 101,446 | | | 108,682 | | | 109,744 | | |
| Premises and equipment | 54,341 | | | 52,729 | | | 48,921 | | |
| Other nonearning assets | 133,564 | | | 132,830 | | | 125,175 | | |
| Total assets | <u>\$ 4,395,495</u> | | | <u>\$ 4,310,145</u> | | | <u>\$ 4,003,633</u> | | |
| Interest Bearing Liabilities | | | | | | | | | |
| Savings deposits | \$ 274,645 | \$ 105 | 0.15 % | \$ 271,087 | \$ 99 | 0.15 % | \$ 263,331 | \$ 115 | 0.18 % |
| Interest bearing checking accounts | 1,403,560 | 2,387 | 0.68 | 1,383,791 | 1,952 | 0.57 | 1,309,443 | 1,455 | 0.45 |
| Time deposits: | | | | | | | | | |
| In denominations under \$100,000 | 237,917 | 700 | 1.18 | 238,347 | 670 | 1.14 | 249,452 | 719 | 1.16 |
| In denominations over \$100,000 | 1,009,964 | 3,051 | 1.21 | 975,450 | 2,721 | 1.13 | 937,470 | 2,405 | 1.03 |
| Miscellaneous short-term borrowings | 214,520 | 431 | 0.81 | 184,950 | 310 | 0.68 | 96,878 | 99 | 0.41 |
| Long-term borrowings and subordinated debentures (4) | 30,959 | 328 | 4.25 | 30,959 | 314 | 4.11 | 30,960 | 289 | 3.75 |
| Total interest bearing liabilities | \$ 3,171,565 | \$ 7,002 | 0.89 % | \$ 3,084,584 | \$ 6,066 | 0.80 % | \$ 2,887,534 | \$ 5,082 | 0.71 % |
| Noninterest Bearing Liabilities | | | | | | | | | |
| Demand deposits | 756,262 | | | 768,495 | | | 677,797 | | |
| Other liabilities | 22,381 | | | 25,172 | | | 26,316 | | |
| Stockholders' Equity | <u>445,287</u> | | | <u>431,894</u> | | | <u>411,986</u> | | |

| | | | | | |
|--|---------------------|--------------|---------------------|--------------|-------------------------------|
| Total liabilities and stockholders' equity | <u>\$ 4,395,495</u> | | <u>\$ 4,310,145</u> | | <u>\$ 4,003,633</u> |
| Interest Margin Recap | | | | | |
| Interest income/average earning assets | 41,552 | 4.02 | 38,799 | 3.88 | 34,900 3.73 |
| Interest expense/average earning assets | <u>7,002</u> | <u>0.68</u> | <u>6,066</u> | <u>0.61</u> | <u>5,082</u> <u>0.54</u> |
| Net interest income and margin | <u>\$ 34,550</u> | <u>3.34%</u> | <u>\$ 32,733</u> | <u>3.27%</u> | <u>\$ 29,818</u> <u>3.19%</u> |

- (1) Tax exempt income was converted to a fully taxable equivalent basis at a 35 percent tax rate for 2017 and 2016. The tax equivalent rate for tax exempt loans and tax exempt securities acquired after January 1, 1983 included the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") adjustment applicable to nondeductible interest expenses. Taxable equivalent basis adjustments were \$731,000, \$672,000 and \$545,000 in the three-month periods ended June 30, 2017, March 31, 2017 and June 30, 2016, respectively.
- (2) Loan fees, which are immaterial in relation to total taxable loan interest income for 2017 and 2016, are included as taxable loan interest income.
- (3) Nonaccrual loans are included in the average balance of taxable loans.

(1) Reconciliation of Non-GAAP Financial Measures

Tangible common equity, tangible assets and tangible book value per share are non-GAAP financial measures calculated using GAAP amounts. Tangible common equity is calculated by excluding the balance of goodwill and other intangible assets from the calculation of stockholders' equity. Tangible assets are calculated by excluding the balance of goodwill and other intangible assets from the calculation of total assets. Tangible book value per share is calculated by dividing tangible common equity by the number of shares outstanding. Because not all companies use the same calculation of tangible common equity and tangible assets, this presentation may not be comparable to other similarly titled measures calculated by other companies. However, management considers these measures of the company's value including only earning assets as meaningful to an understanding of the company's financial information. A reconciliation of these non-GAAP financial measures is provided below (dollars in thousands, except per share data).

| | Three Months Ended | | | Six Months Ended | |
|---|--------------------|------------------|------------------|------------------|------------------|
| | Jun. 30, 2017 | Mar. 31, 2017 | Jun. 30, 2016 | Jun. 30, 2017 | Jun. 30, 2016 |
| Total Equity | \$ 450,460 | \$ 437,202 | \$ 418,893 | \$ 450,460 | \$ 418,893 |
| Less: Goodwill | (4,970) | (4,970) | (4,970) | (4,970) | (4,970) |
| Plus: Deferred tax assets related to goodwill | 1,844 | 1,840 | 1,833 | 1,844 | 1,833 |
| Tangible Common Equity | 447,334 | 434,072 | 415,756 | 447,334 | 415,756 |
| Assets | \$ 4,392,999 | \$ 4,319,103 | \$ 3,937,304 | \$ 4,392,999 | \$ 3,937,304 |
| Less: Goodwill | (4,970) | (4,970) | (4,970) | (4,970) | (4,970) |
| Plus: Deferred tax assets related to goodwill | 1,844 | 1,840 | 1,833 | 1,844 | 1,833 |
| Tangible Assets | 4,389,873 | 4,315,973 | 3,934,167 | 4,389,873 | 3,934,167 |
| Ending common shares issued | 25,185,619 | 25,180,759 | 25,045,251 | 25,185,619 | 25,045,251 |
| Tangible Book Value Per Common Share | \$ 17.76 | \$ 17.24 | \$ 16.60 | \$ 17.76 | \$ 16.60 |

*

| | | | | | |
|--|--------|--------|--------|--------|--------|
| Tangible Common Equity/Tangible Assets | 10.19% | 10.06% | 10.57% | 10.19% | 10.57% |
|--|--------|--------|--------|--------|--------|

*Share and per share data has been adjusted for a 3-for-2 stock split in the form of a stock dividend on August 5, 2016.

Contact

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Source: Lake City Bank