



Lakeland Financial Corporation

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

1st Quarter 2017



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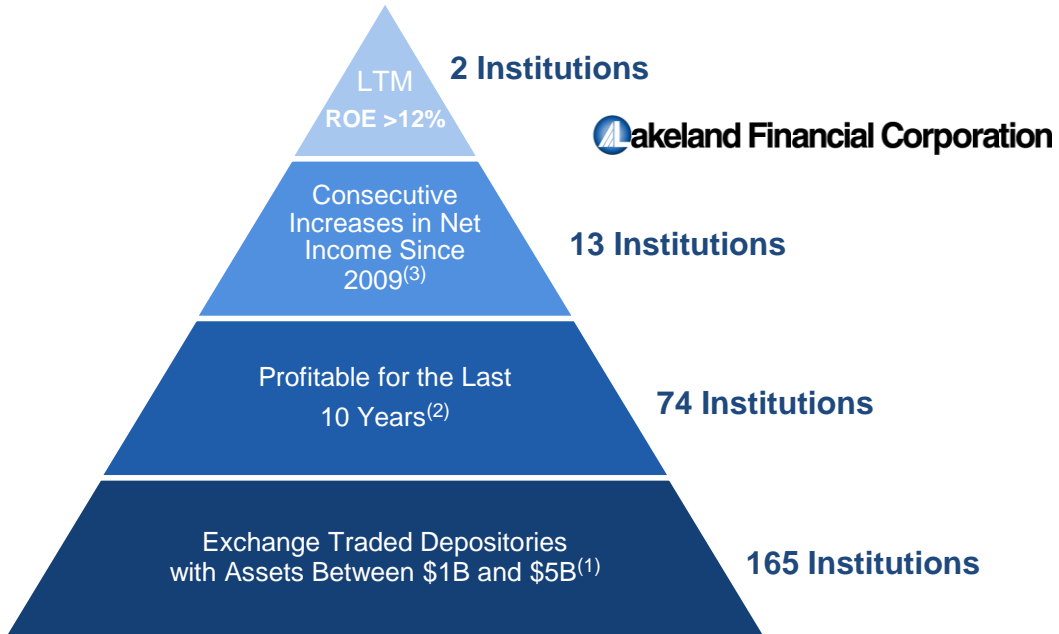
Forward-Looking Information

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.

Long Term Success for Shareholders



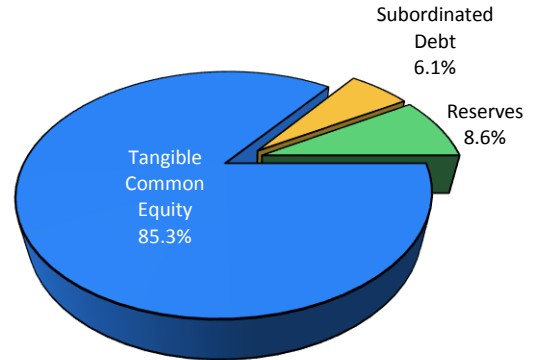
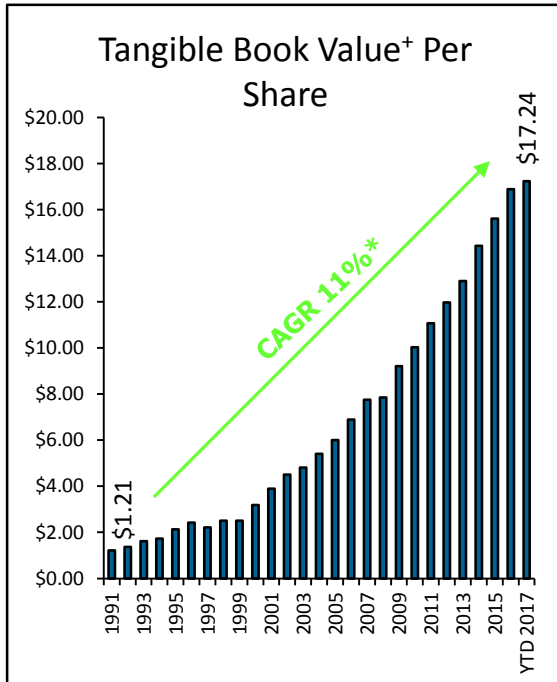
Source: SNL Financial. Financial data is as of December 31, 2016.

(1) Includes banks and thrifts traded on the NYSE, NYSE MKT or NASDAQ as of 2/24/17.

(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, 2007 through December 31, 2016). 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, 2014, 2015, and 2016.

Strong Capital Structure



| Key Ratios and Per Share Data As of March 31, 2017 | |
|---|---------|
| TCE /Tangible Assets | 10.06% |
| Total Risk-Based | 13.16% |
| Leverage | 10.78% |
| Book Value ⁺ | \$17.36 |
| Tangible Book Value ⁺ | \$17.24 |

*compounded annual growth rate
 computed from 1991-2016
 +Book Value split adjusted

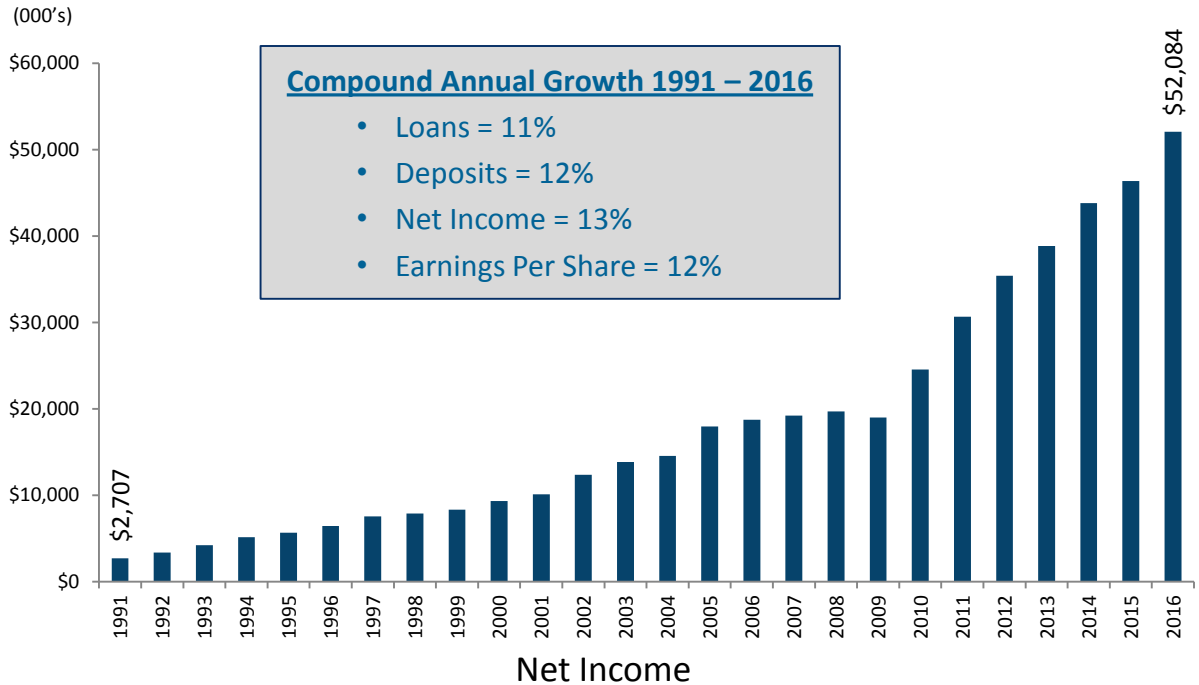
Lake City Bank Today

- A long-term and consistent organic growth story
- Headquartered in Warsaw, Indiana
- 49 branch offices - \$4.3 billion banking assets - \$1.5 billion trust assets
- Focused on execution – “blocking and tackling”
- Continued growth potential



A Quarter Century of Organic Growth

Record Net Income for 27 of 28 Years



Established Market Presence

Organic Growth Potential in Mature and New Markets

Market Data

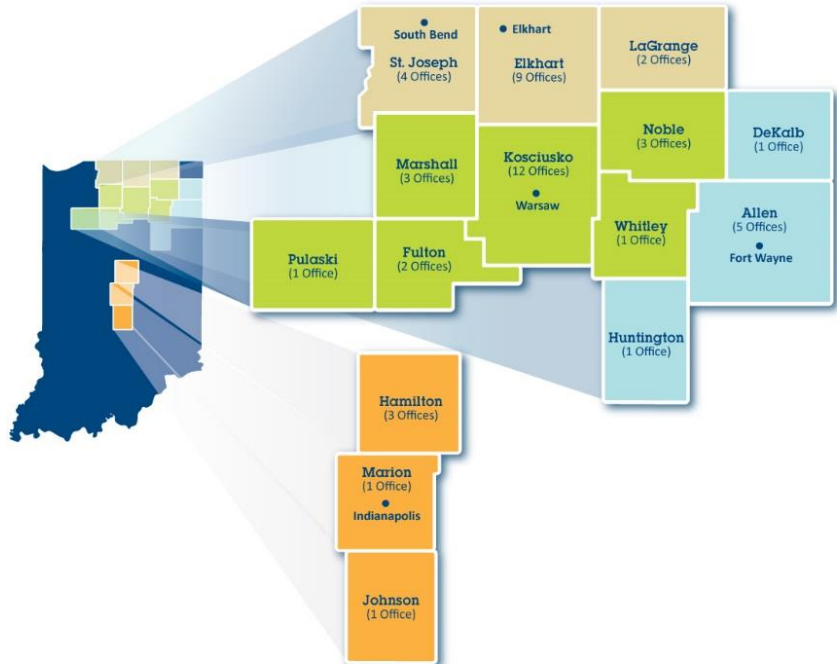
Warsaw – 1872
22 offices

Elkhart – 1990
11 offices

South Bend – 1997
4 offices

Fort Wayne – 1999
7 offices

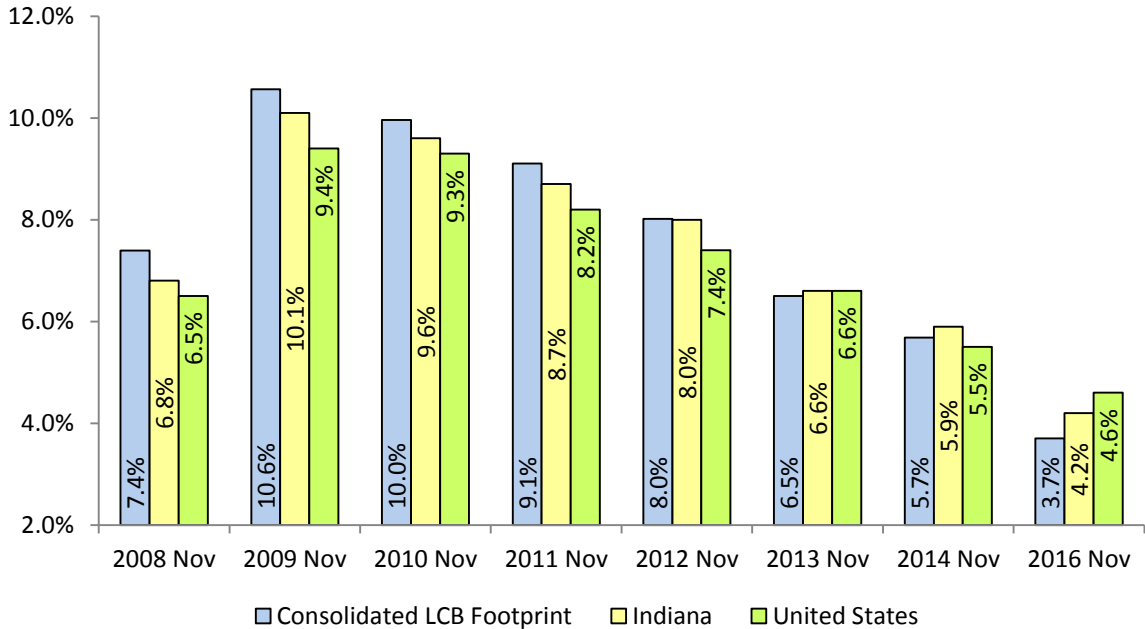
Indianapolis – 2011
5 offices



Opening Date of First Office in Market

Indiana Economic Outlook

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 20 years in banking & 11 years at Lake City Bank
- Deep organizational structure provides credit and administrative support
- Our commercial team reside in the markets they serve
- We lead with credit and the operating relationship
- We understand our client needs
- We cross-sell aggressively by leveraging technology

Commercial Banking Focus

Credit Process

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

High Quality Team Members

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



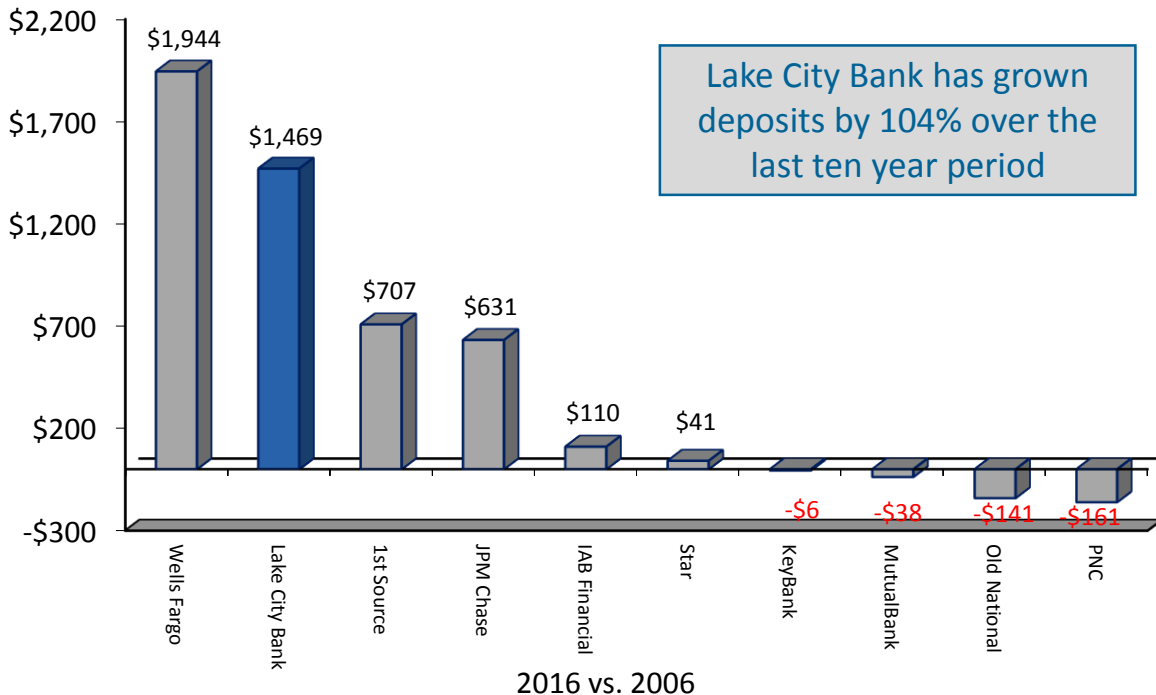
High Quality Team Members Face to Face Contact

- We simply love to call
- Sales calling program Includes 111 officers
- 17,454 client contacts in 2016
- Our people **are** the competitive advantage



Organic Growth

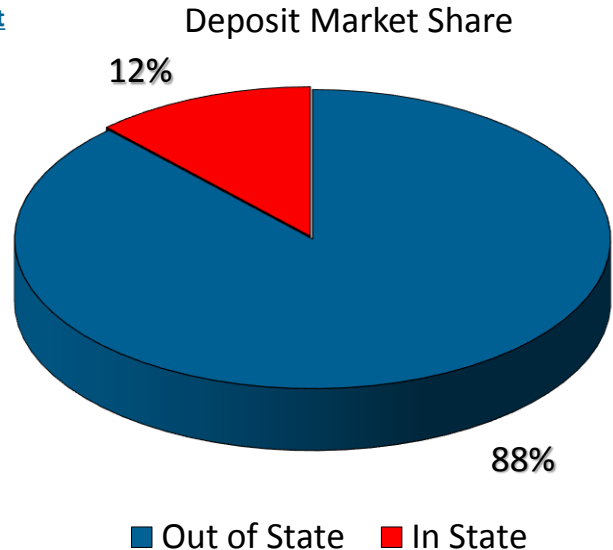
Mature⁽¹⁾ Market Deposit Performance



Organic Growth

Indianapolis Market Opportunity

| <u>Indianapolis Market Banks</u> | <u>Share of Market</u> |
|----------------------------------|------------------------|
| 1. JPM Chase | 27% |
| 2. PNC | 17% |
| 3. Fifth Third | 10% |
| 4. Huntington National | 8% |
| 5. BMO Harris | 5% |
| 6. KeyBank | 5% |
| 7. Merchants Bank of IN | 5% |
| 8. Regions Bank | 4% |
| 9. National Bank of Indy | 4% |
| 10. First Internet Bank of IN | 4% |
| 14. Lake City Bank | 2% |



- Marion and Hamilton Counties as of 6/30/16; Source: FDIC Statistics

Core Deposit Funding

Core Deposits Fund Organic Loan Growth

- 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
- Account offerings positioned for rates-up environment
- Emphasis is on checking account relationship products
- Account acquisition strategy is a focus for 2017

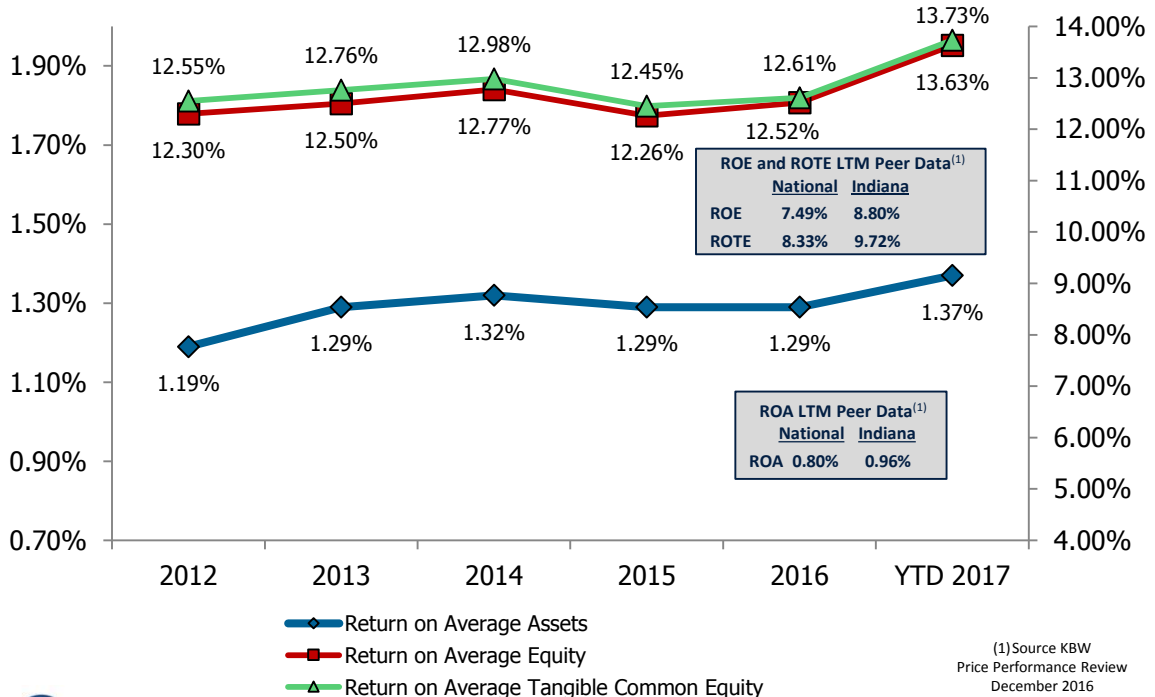
Competitive Technology Edge is Critical

- Fintech's role constantly under review
- Mobile and online adoption rates are accelerating
- Technology is a core competency
 - Fully resourced online banking for commercial and retail
 - Robust mobile banking capabilities
 - Competitive commercial treasury management services
 - Progressive retail applications include P to P, Apple Pay, Samsung Pay and Android Pay
 - Flexible interactive teller machines introduced in 2016
 - Emerging technologies are top of mind
 - Online retail and small business lending
 - Expansion of mobile capabilities
 - Enhanced cybersecurity protection

Financial Performance

Income Performance Metrics

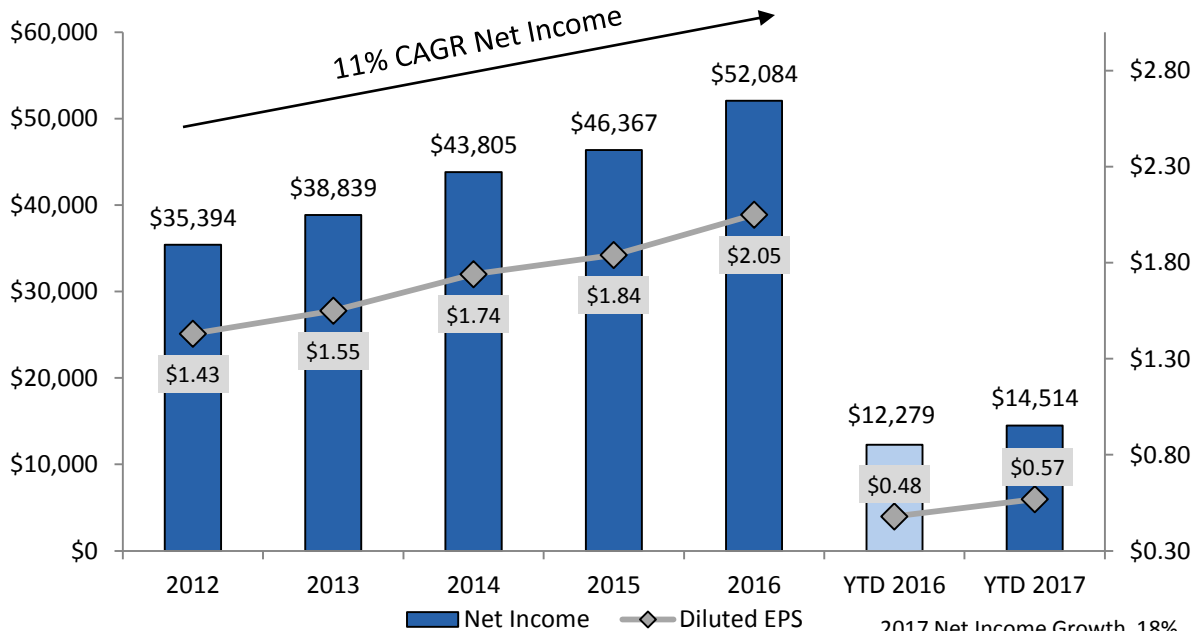
LKFN performance exceeds National and Indiana Peers



(1) Source KBW
Price Performance Review
December 2016

Net Income and EPS

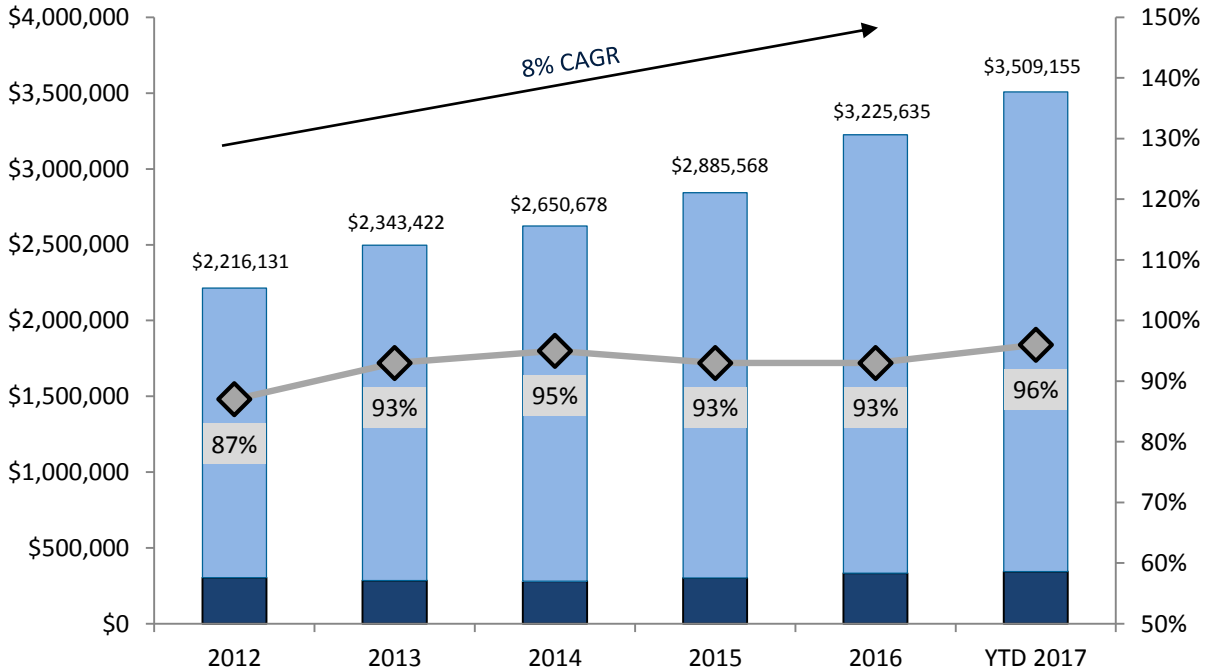
Record Net Income and EPS



2017 Net Income Growth 18%
2017 Diluted EPS Growth 19%

Average Loans

Commercial Emphasis Drives Growth

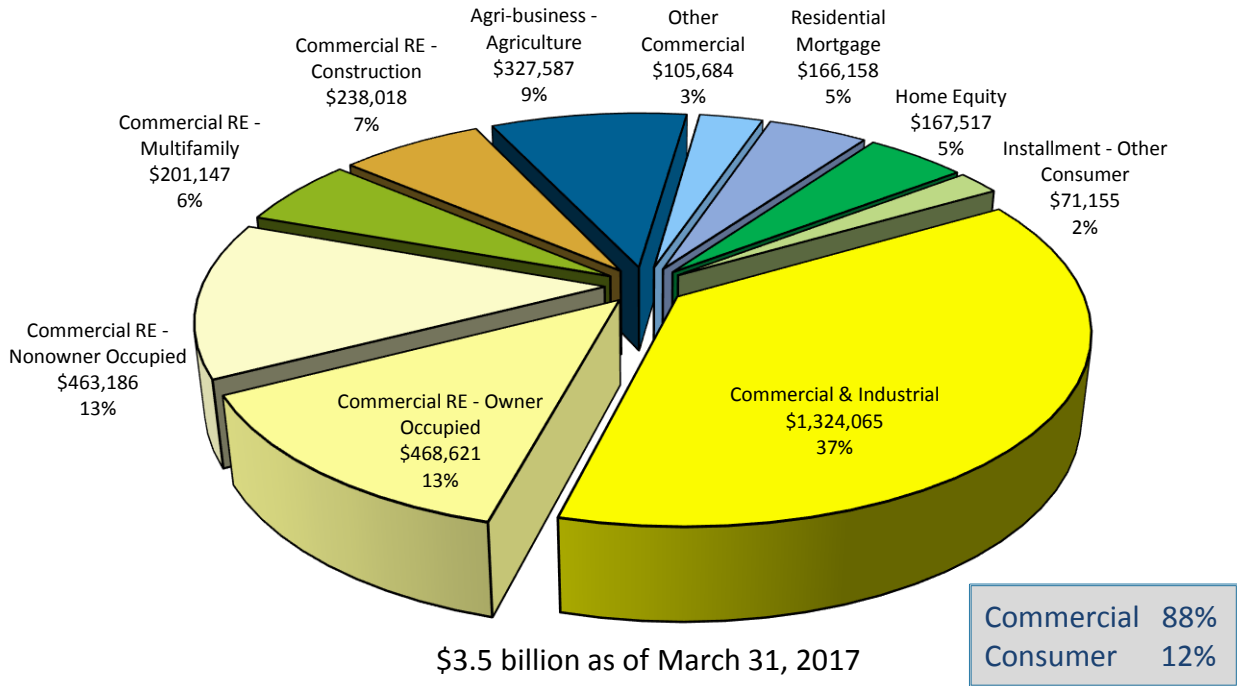


Retail
 Commercial
 Loans to Deposits

2017 YOY Growth 14%

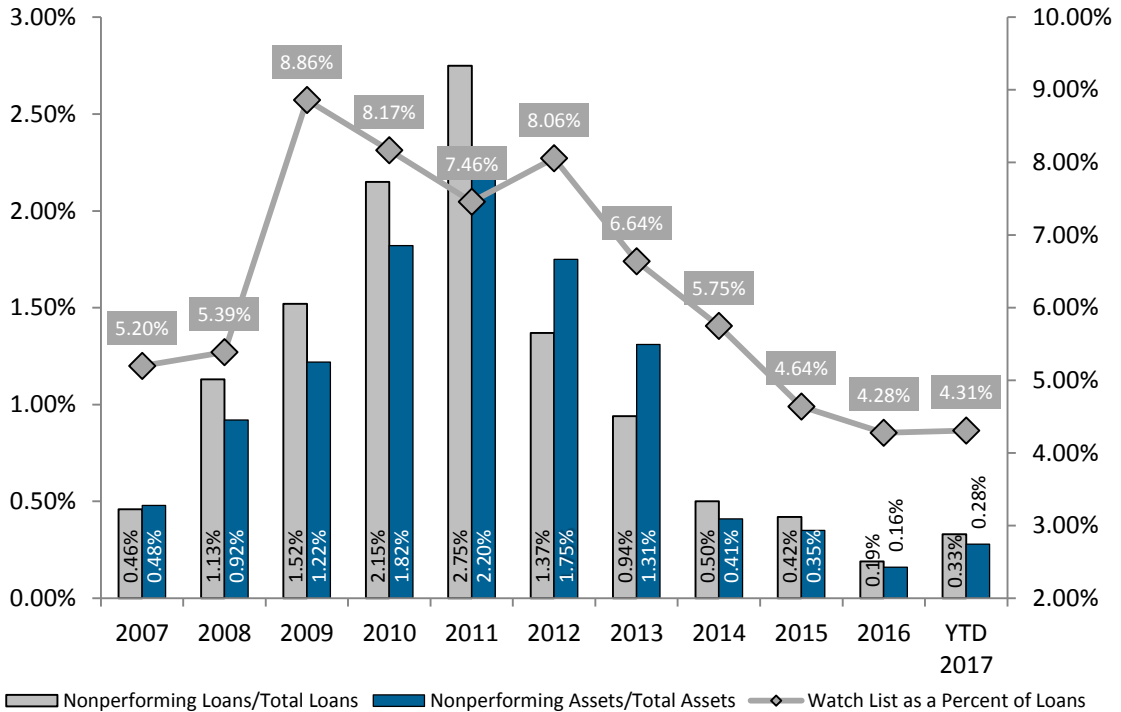
Loan Breakdown

C&I Drives Lending Business



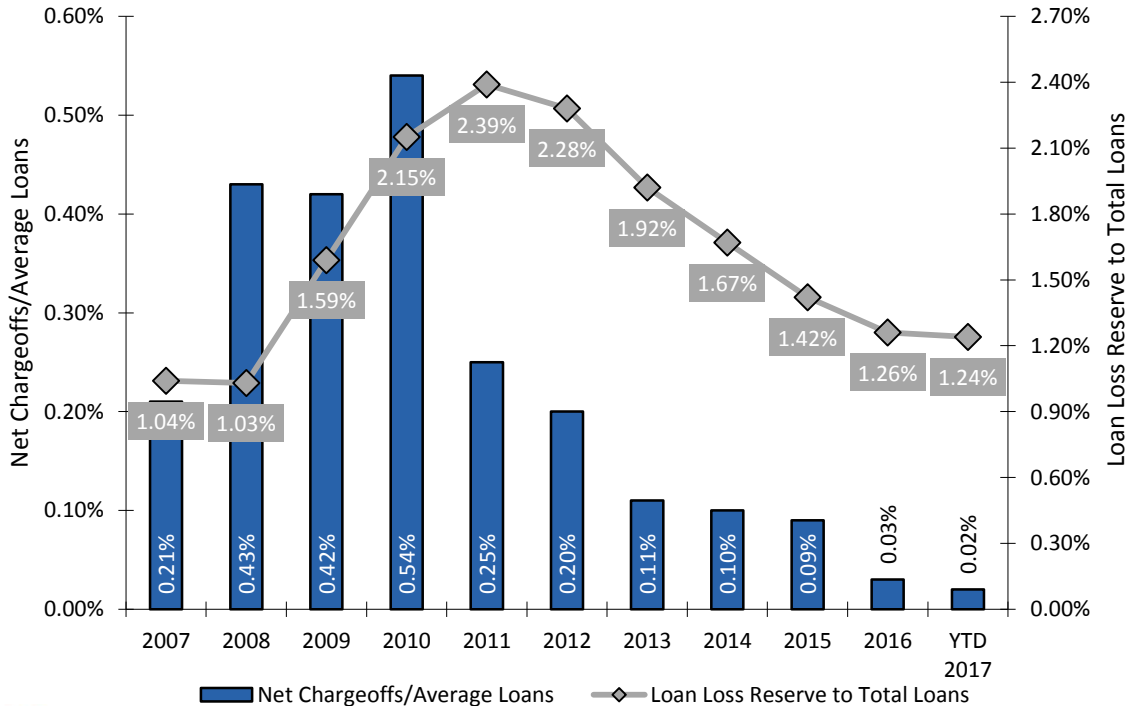
Asset Quality

Nonperforming levels reflect economic strength of markets



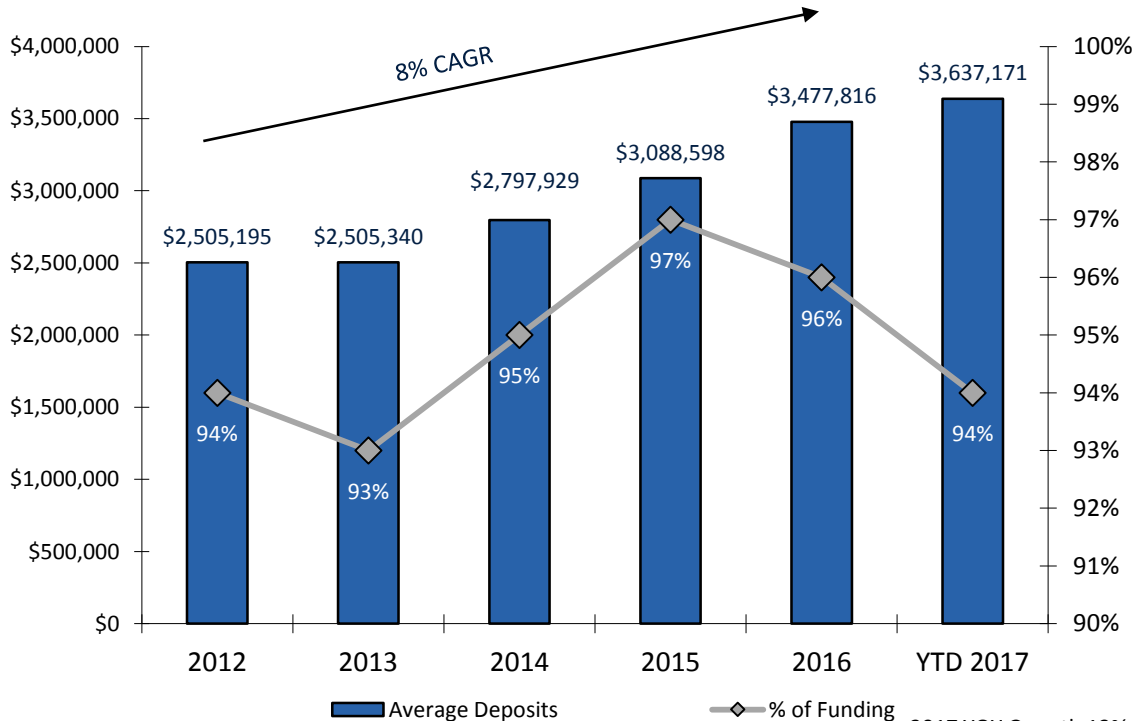
Asset Quality

Strong Reserve Coverage



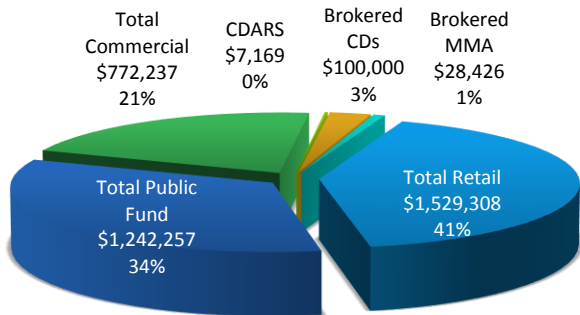
Average Deposits

Core Deposits* Fund Organic Loan Growth

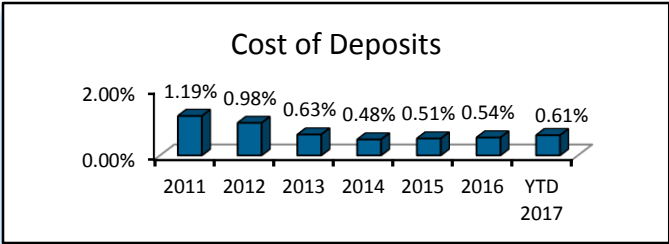


Deposit Breakdown

Deposit Growth Key to Franchise Value



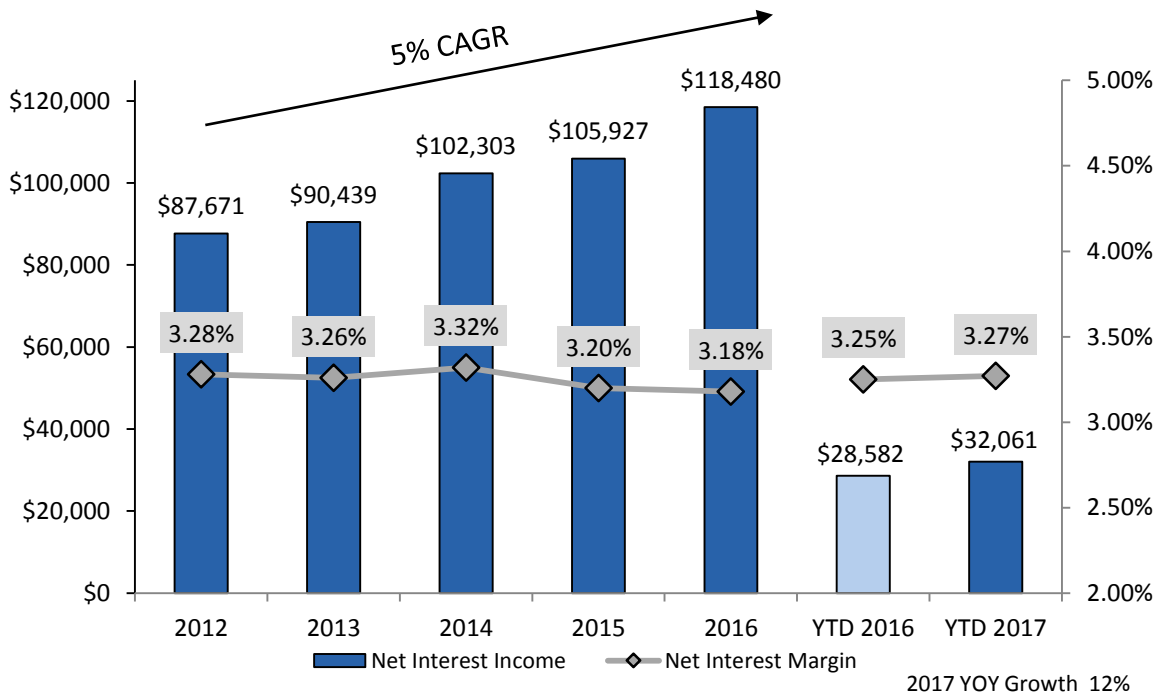
March 31, 2017
Total Deposits - \$3.7 billion



| <u>Deposit Composition at end of period:</u> | <u>2008</u> | <u>2017</u> |
|--|-------------|-------------|
| Non-interest Bearing Demand Deposits | 12% | 21% |
| Interest Bearing Demand, Savings & MMA | 34% | 44% |
| Time Deposits > or = to \$100,000 | 35% | 29% |
| Time Deposits < \$100,000 | 19% | 6% |
| Total Deposits (billion) | \$1.9 | \$3.7 |

Net Interest Income

Loan Growth Driving Growth in Income



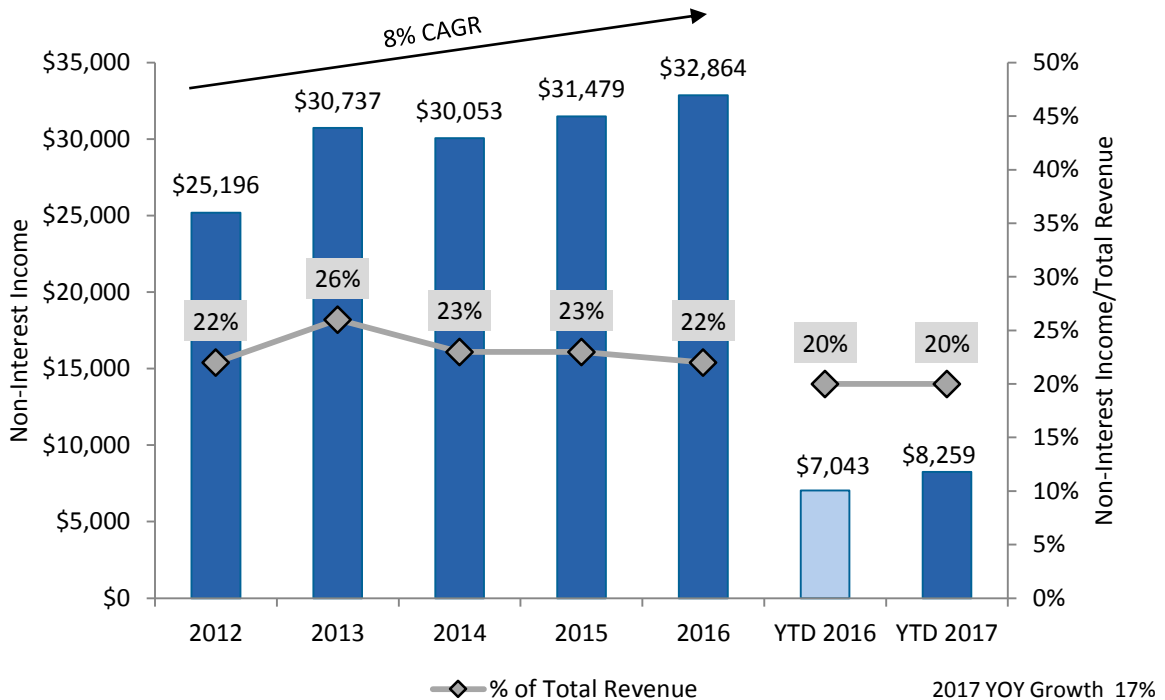
Asset Sensitive Balance Sheet

Floating rate commercial loan portfolio drives asset sensitivity

- 89% of loan portfolio consists of commercial loans
 - 67% of commercial loans are variable rate
 - Floors with average rate of 3.79% exist on 19% 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
- Every 0.25% Fed rate increase expected to boost net interest margin by 3 to 5 basis points

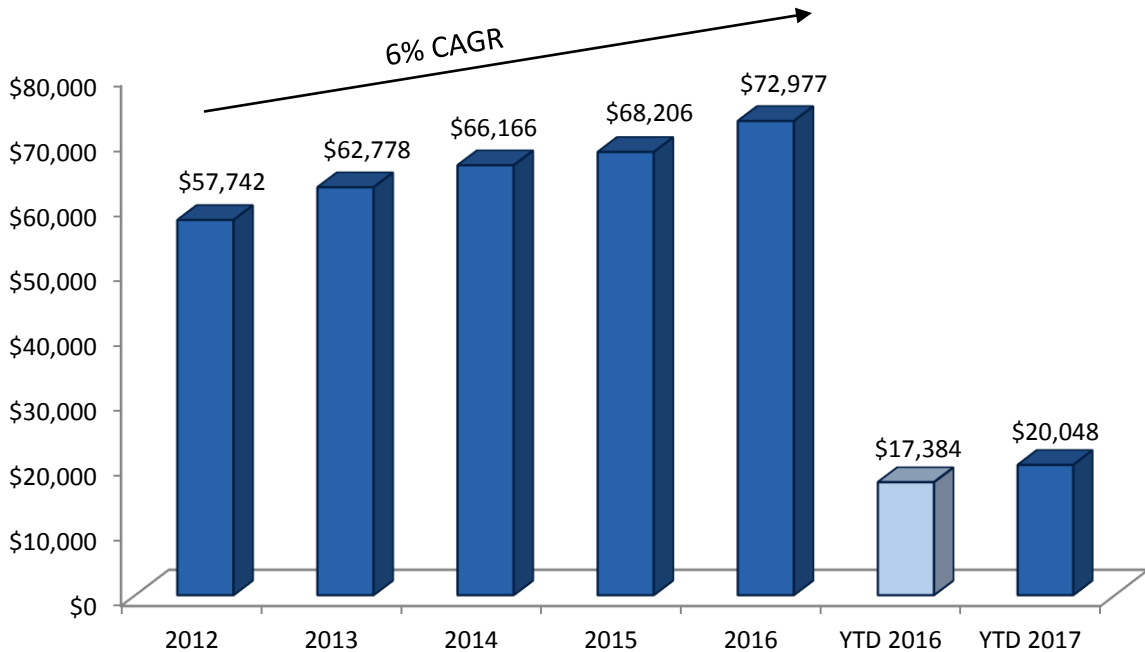
Non-Interest Income

Stable, Fee-Based Strategy Drives Increases



Non-Interest Expense

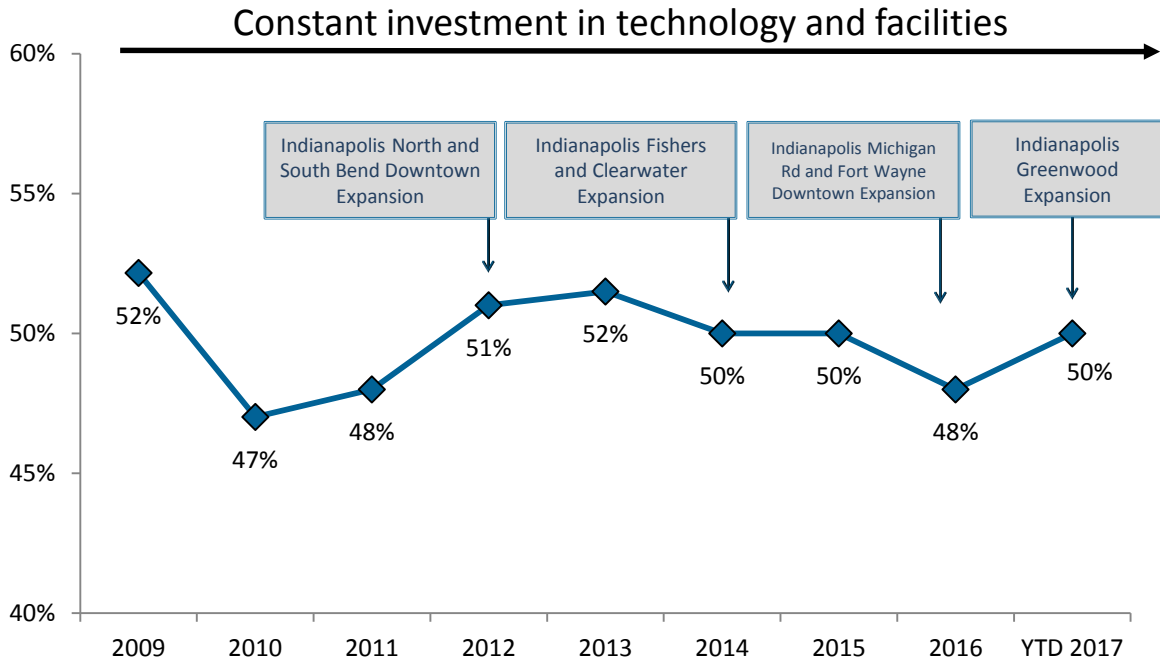
Disciplined Approach to Cost Structure While Continuing to Invest in the Future



2017 YOY Growth 15%

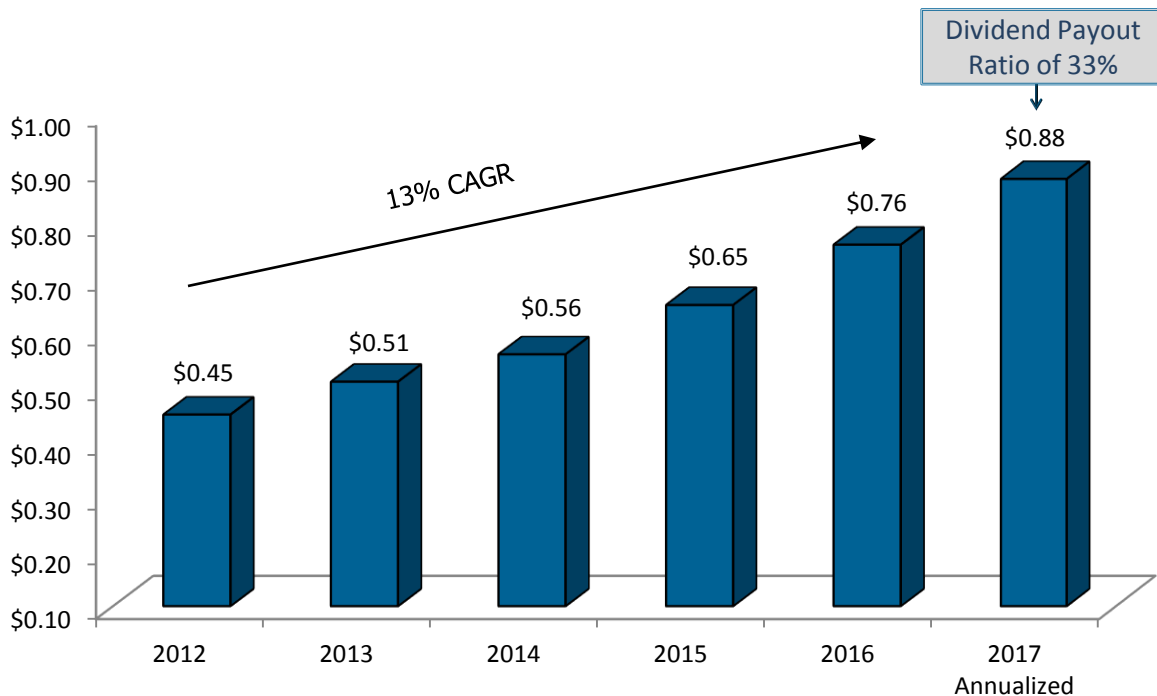
Efficiency Ratio

Revenue Growth is Primary Driver of Low Efficiency Ratio



Stable Healthy Dividend

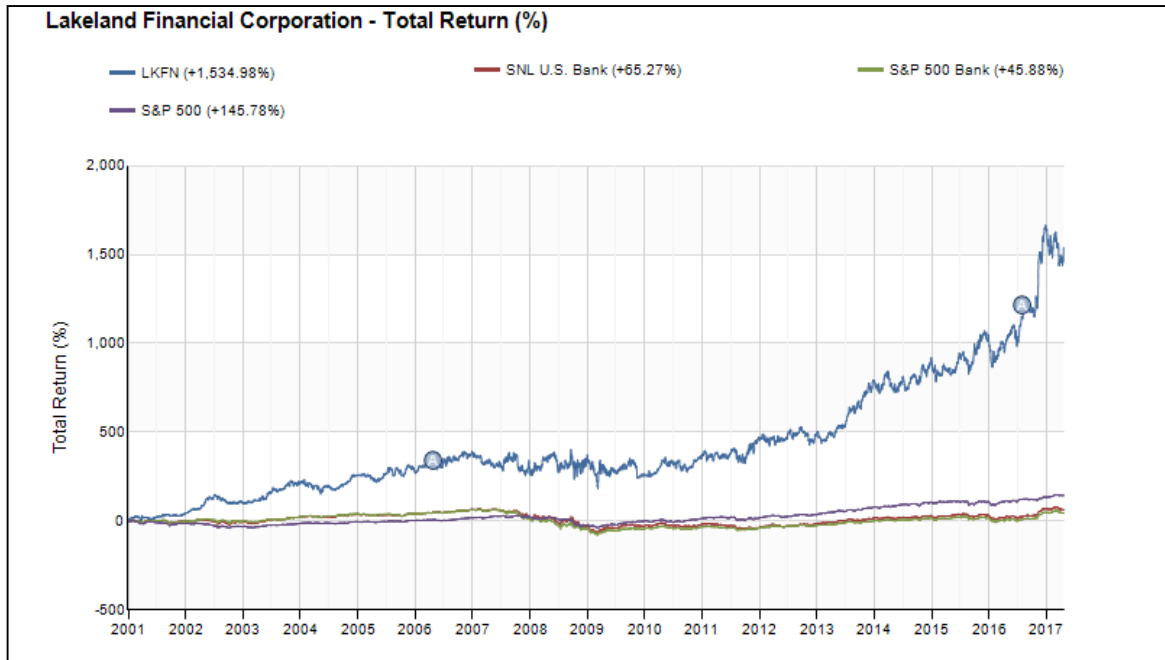
Significant Increase in Dividend Reflects Strength of Balance Sheet



2017 Growth 16%

LKFN Shareholder Value

Total Return Performance from 12/31/00 to 4/24/17



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

| <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 | 77,358 | 1872 | 52% | 12 |
| 6. | Elkhart | Elkhart | 197,559 | 1990 | 21% | 9 |
| 5. | St. Joseph | South Bend | 266,931 | 1997 | 7% | 4 |
| 3. | Allen | Fort Wayne | 355,329 | 1999 | 10% | 5 |
| 1. | Hamilton/Marion | Indianapolis | 1,177,962 | 2011 | 2% | 4 |

* Source: STATS Indiana

** Source: FDIC 6/30/16 Statistics



Organic Growth

Mature Market Strength and Growth

| (millions) (1) | 2016 | | 2006 | | | 2016 # of Offices |
|---------------------------|-----------------|--------|-----------------|--------|---------------|-------------------------|
| | Deposits | Share | Deposits | Share | Increase | |
| 1. 1 st Source | \$3,128 | 16.15% | \$2,421 | 17.77% | 29.20% | 54 |
| 2. Wells Fargo | \$2,915 | 15.05% | \$971 | 8.38% | 200.21% | 28 |
| 3. Lake City Bank | \$2,878 | 14.86% | \$1,409 | 7.65% | 104.26% | 48 |
| 4. JPM Chase | \$2,218 | 11.45% | \$1,587 | 11.36% | 39.76% | 27 |
| 5. PNC | \$1,308 | 6.75% | \$1,469 | 10.14% | (10.96)% | 31 |
| 6. KeyBank | \$966 | 4.99% | \$972 | 6.73% | (0.62)% | 19 |
| 7. IAB Financial Bank | \$695 | 3.59% | \$585 | 4.31% | 18.80% | 17 |
| 8. Old National Bank | \$648 | 3.35% | \$789 | 5.68% | (17.87)% | 13 |
| 9. Star | \$521 | 2.69% | \$480 | 2.46% | 8.54% | 12 |
| 10. MutualBank | \$442 | 2.28% | \$480 | 3.51% | (7.92)% | 17 |
| Market Total: | \$19,371 | | \$14,226 | | 36.17% | |

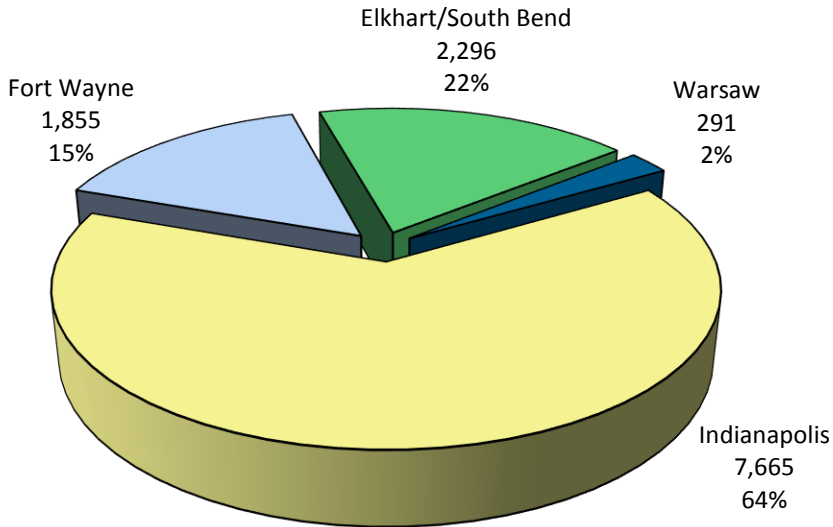


(1) Mature Markets includes 12 Northern Indiana counties and excludes 2 Central Indiana counties
 *Adjusted to include branches subsequently acquired by surviving banks

Organic Growth

Commercial Banking Target Opportunities

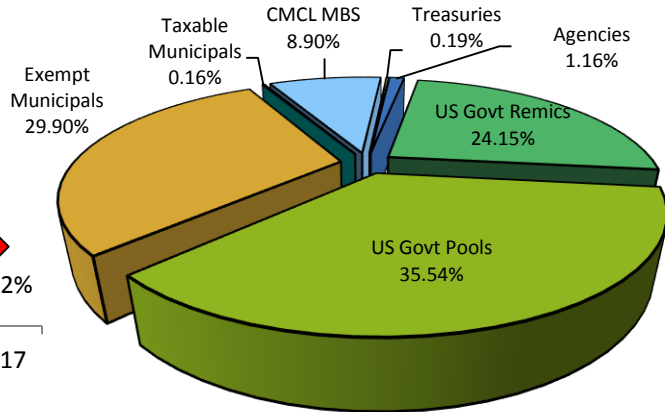
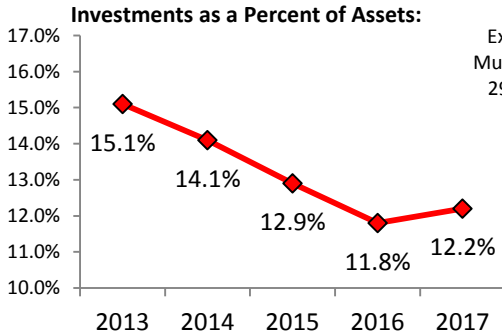
Growth Potential in Every Market



Companies with Revenue of \$1 to \$50 million

Source: 2016 Hoover's

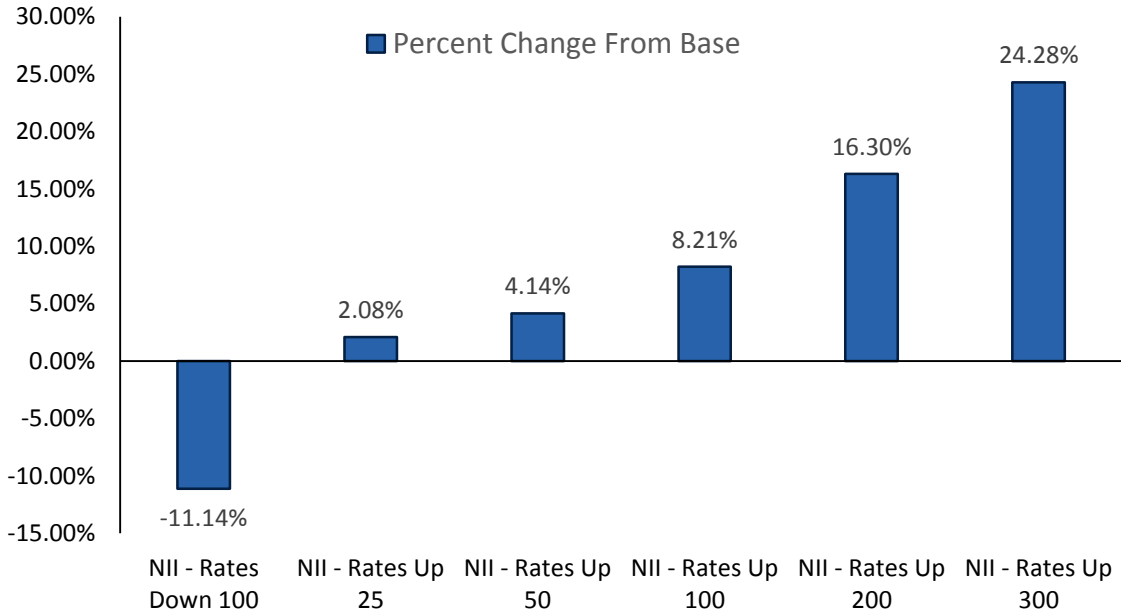
Investment Portfolio – Source of Liquidity



| | March 31, 2017 | | | |
|-------------------------------------|-------------------|--------------|-------------|------------------|
| | Weighted Maturity | Book Yield | Duration | Market Value |
| US Treasury Notes | 4.63 | 2.23% | 4.40 | \$1,005 |
| US Agencies | 7.11 | 2.28% | 3.78 | \$6,106 |
| US Govt REMICS | 5.12 | 3.05% | 4.29 | \$127,515 |
| US Govt Pools | 7.09 | 2.69% | 5.59 | \$187,664 |
| Exempt Municipals (TEY) | 10.65 | 4.71% | 5.54 | \$157,881 |
| Taxable Municipals | 2.79 | 3.22% | 2.65 | \$839 |
| CMCL MBS | 4.67 | 2.43% | 4.29 | \$47,021 |
| Total (Tax-Equivalent Yield) | 7.42 | 3.33% | 5.11 | \$528,031 |

Projected Impact of Rising Rates

Asset Sensitive Balance Sheet





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