

Investor Update

May 2014

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



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.



Lake City Bank Today

- **Headquartered in Warsaw, Indiana**
- **46 branch offices**
- **502 FTEs**
- **\$3.2 billion banking assets**
- **\$1.0 billion trust assets**
- **Regional franchise**
- **Low market shares – high growth potential**



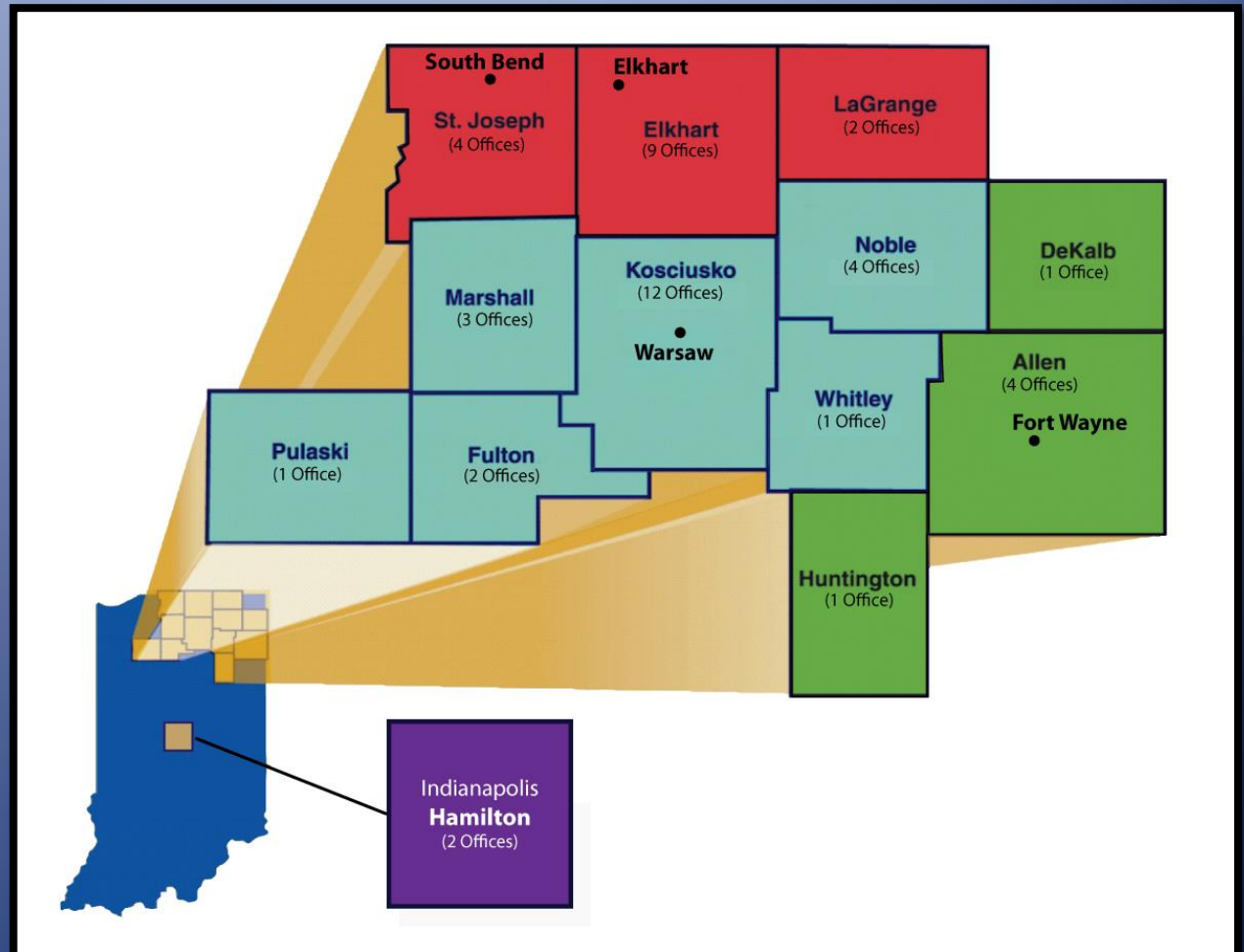


Established Market Presence

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**
 - 2 offices





Growth Strategy

Business Owner Focus

High Quality People

Larger Market Organic Expansion



Business Owner Focus

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



Business Owner Focus **Relationship Strategy**

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



Business Owner Focus **Credit Process**

- **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**



Quality People Lake City Bank Culture

- 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
- Leadership is key to culture and succession plan will ensure smooth transition



Quality People Face to Face Contact

- We Love to Call
- Sales Calling Program Includes 105 Officers
- 11,658 “Real” Client Contacts in 2013
- 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 | 77,609 | 1872 | 49% | 12 |
| 6. | Elkhart | Elkhart | 199,619 | 1990 | 20% | 9 |
| 5. | St. Joseph | South Bend | 266,344 | 1997 | 4% | 4 |
| 3. | Allen | Fort Wayne | 360,412 | 1999 | 10% | 4 |
| 4. | Hamilton/Marion | Indianapolis | 1,208,472 | 2011 | 0.27% | 1 |

* Source: STATS Indiana

** Source: FDIC 6/30/13 Statistics

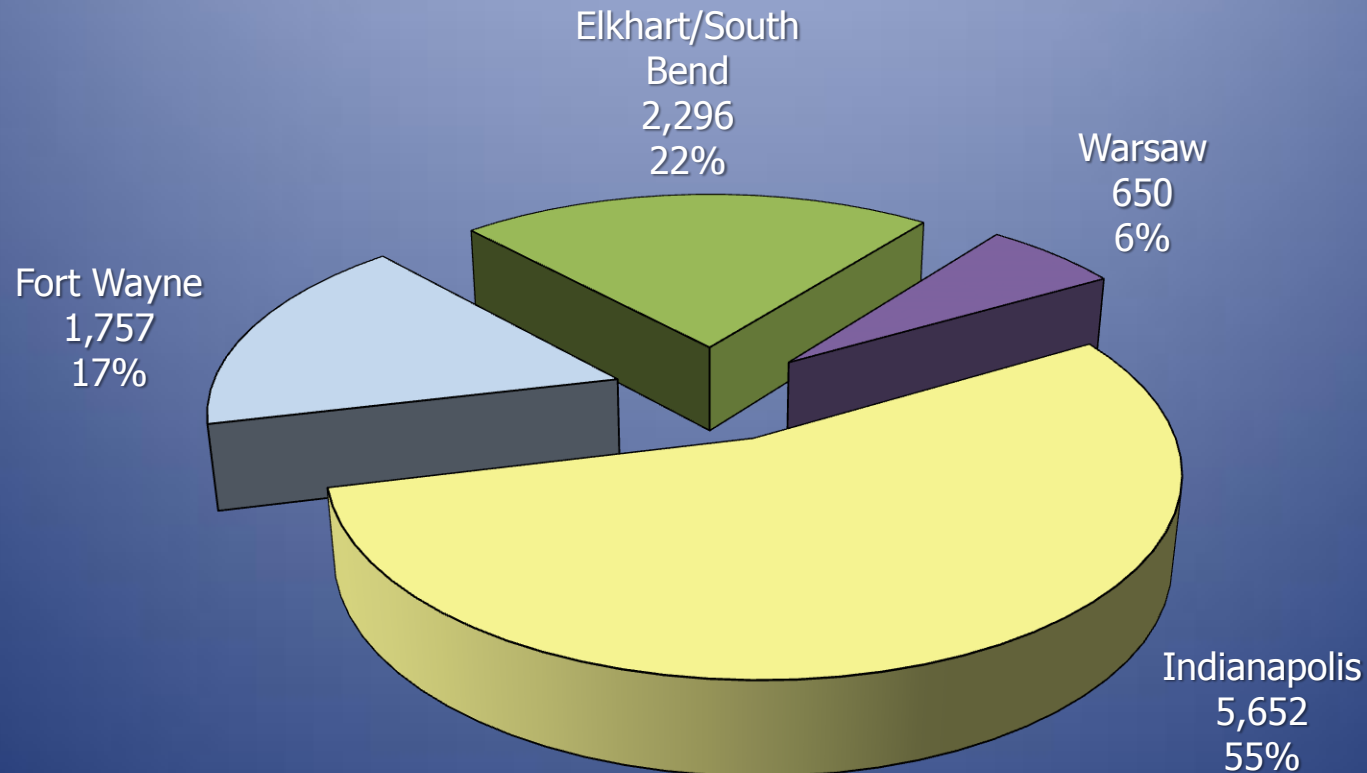




Larger Markets

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) | 2013 | | 2003 | | Increase | # of Offices |
|---------------------------|-----------------|---------------|-----------------|--------------|----------------|--------------|
| | Deposits | Share | Deposits | Share | | |
| 1. JPM Chase | \$2,651 | 11.85% | \$1,528 | 12.51% | 73.49% | 46 |
| 2. 1 st Source | \$2,627 | 11.75% | \$2,297 | 15.73% | 14.37% | 49 |
| 3. Lake City Bank | \$2,485 | 11.11% | \$967 | 6.62% | 156.98% | 47 |
| 4. Wells Fargo | \$2,467 | 11.03% | \$997 | 6.82% | 147.44% | 27 |
| 5. PNC | \$1,544 | 7.35% | \$1,613 | 11.04% | (4.28)% | 45 |
| 6. Bank of America | \$1,255 | 5.61% | \$129 | 0.88% | 872.87% | 4 |
| 7. KeyBank | \$1,218 | 5.45% | \$967 | 5.62% | 25.96% | 30 |
| 8. Fifth Third | \$759 | 3.39% | \$309 | 2.12% | 145.63% | 19 |
| 9. IAB Financial Bank | \$585 | 2.62% | \$328 | 2.25% | 78.35% | 16 |
| 10. Tower | \$582 | 2.60% | \$350 | 2.40% | 66.29% | 7 |
| Market Total: | \$22,360 | | \$14,606 | | 53.09% | |

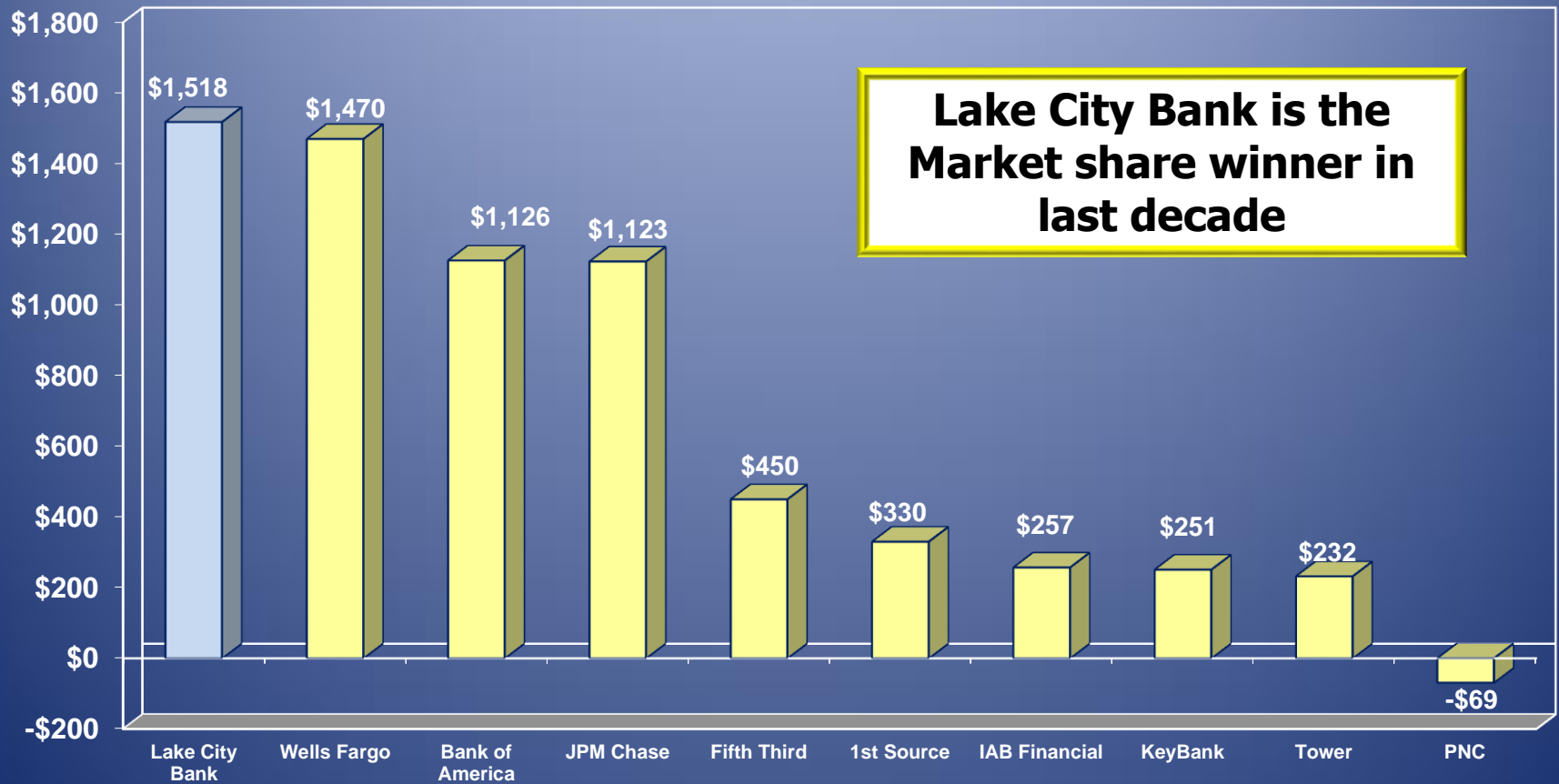
*Includes the counties of Kosciusko, Elkhart, St. Joseph, Marshall, Allen, Whitley, Hamilton, Huntington, LaGrange, Noble, DeKalb, Fulton and Pulaski

**Adjusted to include branches subsequently acquired by surviving banks



Larger Markets

Market Deposit Performance



Lake City Bank is the Market share winner in last decade

2013 vs. 2003

*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



Indianapolis Market Area*

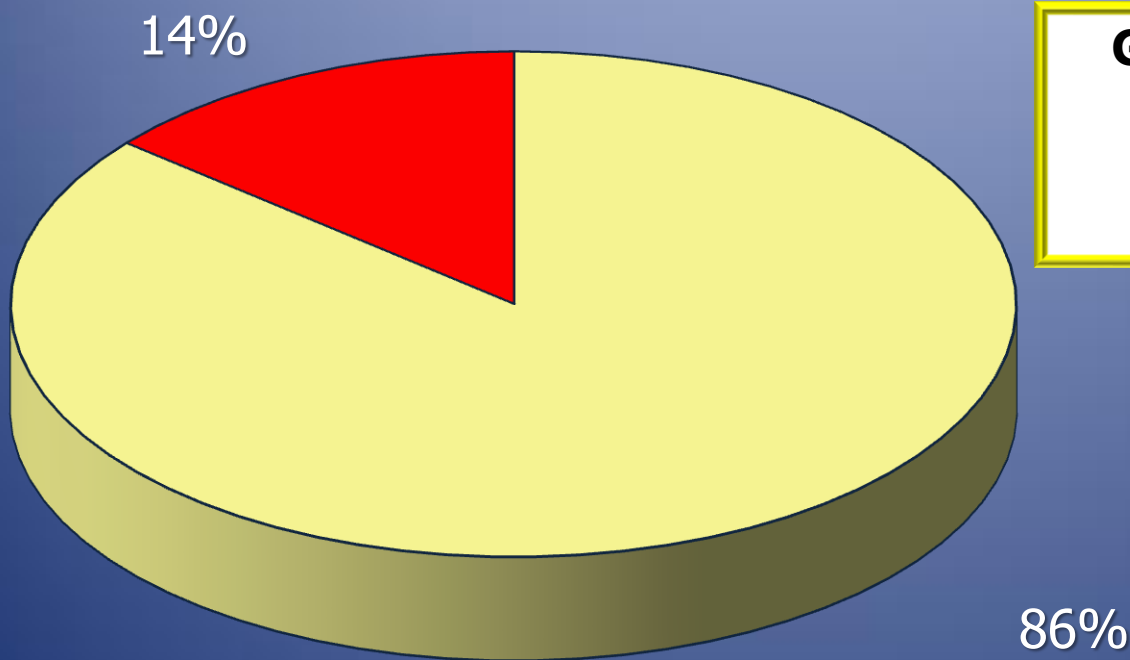
Key Competitors

| (millions) | 2013 | | 2003 | | Increase |
|-------------------------------|-----------------|--------|-----------------|--------|---------------|
| | Deposits | Share | Deposits | Share | |
| 1. JPM Chase | \$7,877 | 27.98% | \$5,203 | 28.59% | 51.39% |
| 2. PNC | \$6,069 | 21.56% | \$4,482 | 24.63% | 35.41% |
| 3. Fifth Third | \$3,128 | 11.11% | \$1,427 | 7.84% | 119.20% |
| 4. Huntington National | \$2,498 | 8.87% | \$2,776 | 15.26% | (10.01)% |
| 5. BMO Harris | \$1,711 | 6.08% | \$1,418 | 7.79% | 20.66% |
| 6. KeyBank | \$1,349 | 4.79% | \$264 | 1.45% | 410.98% |
| 7. National Bank of Indy | \$1,271 | 4.51% | \$598 | 3.29% | 112.54% |
| 8. Regions Bank | \$1,185 | 4.21% | \$796 | 4.37% | 48.87% |
| 9. Merchants Bank of IN | \$671 | 2.38% | \$0 | n/a | n/a |
| 10. First Internet Bank of IN | \$564 | 2.00% | \$267 | 1.47% | 111.24% |
| Market Total: | \$28,153 | | \$18,198 | | 54.70% |

Larger Markets



Indianapolis Market Deposit Concentrations



**Great opportunity for
Indiana focused
institutions to grab
market share**

■ Out of State ■ In State

*Marion and Hamilton Counties as of 6/30/13

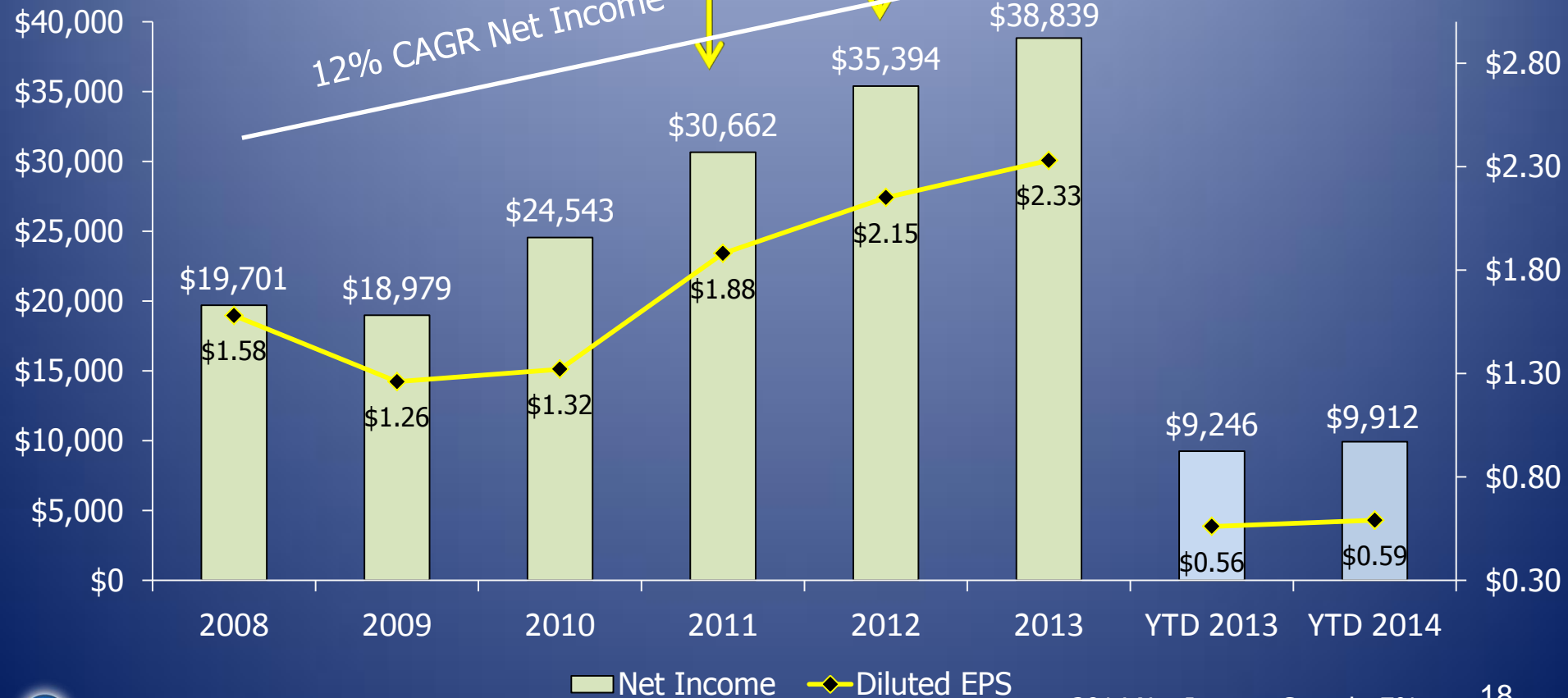
Financial Performance



Net Income and EPS

Record net income and EPS

12% CAGR Net Income

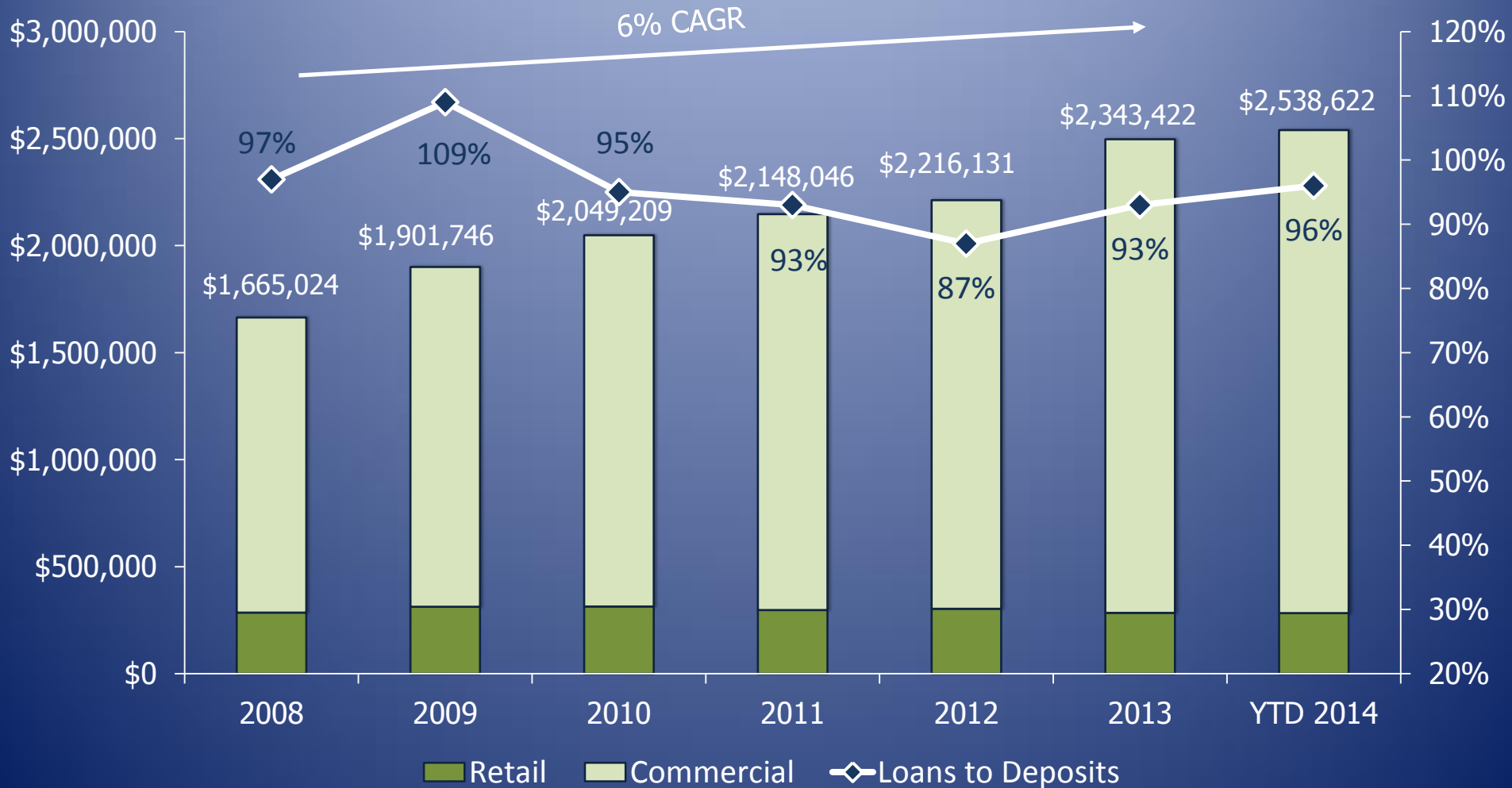


Note: Net income is before preferred dividends for 2009 and 2010.



Average Loans

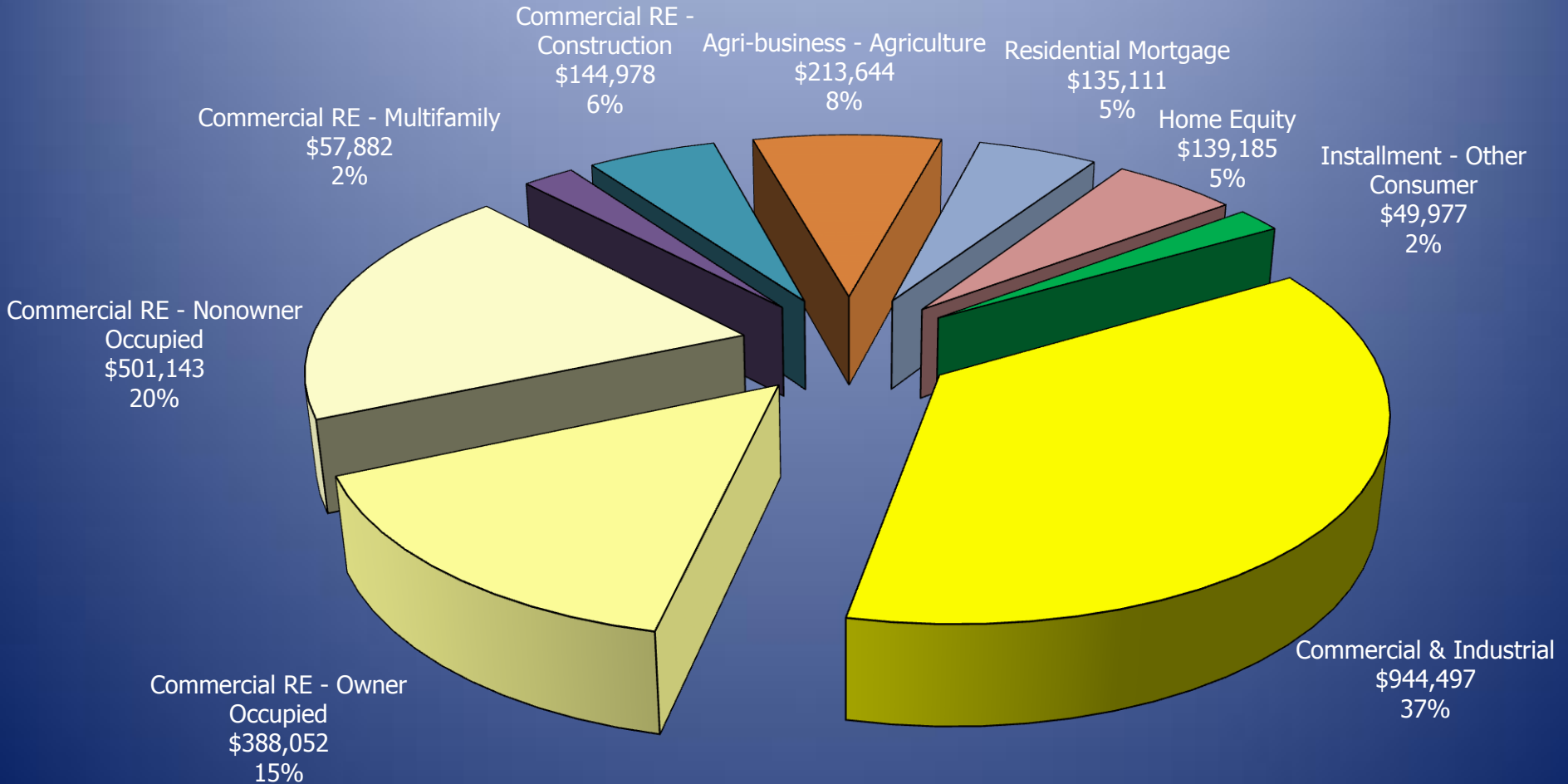
Commercial Emphasis Drive Growth





Loan Breakdown

C & I Drives Lending Business



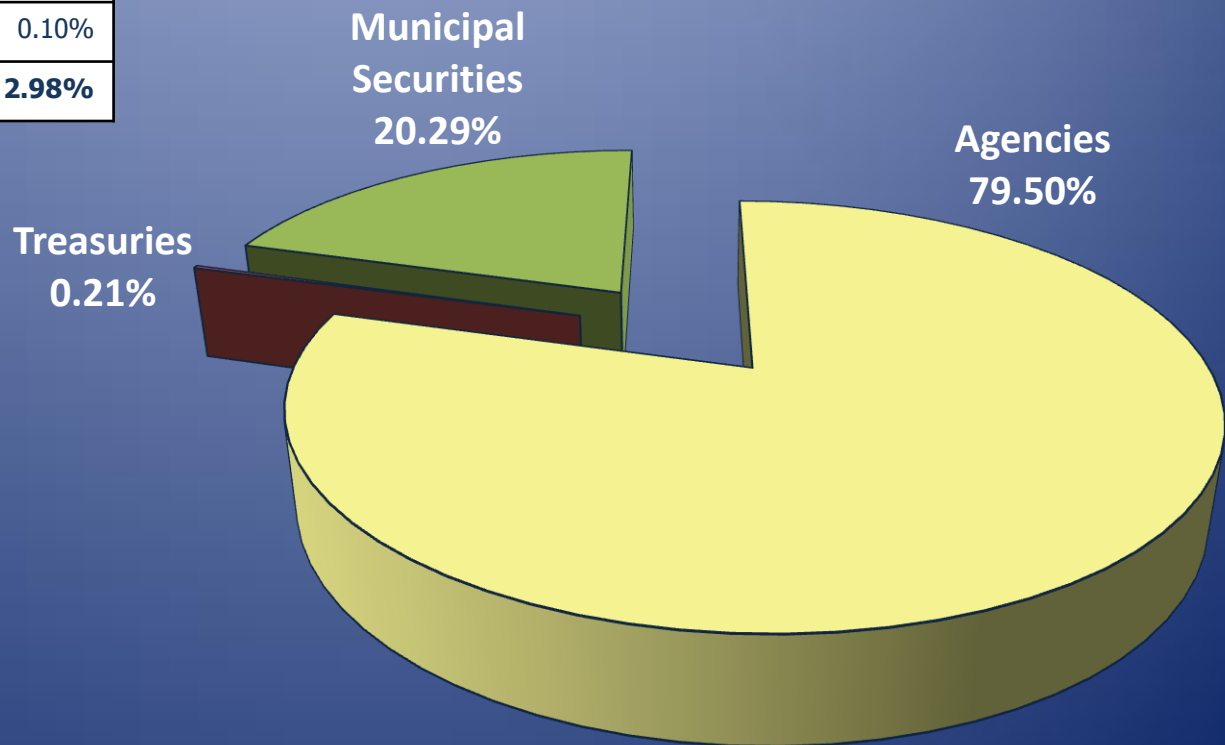
As of March 31, 2014



Investment Portfolio

March 31, 2014

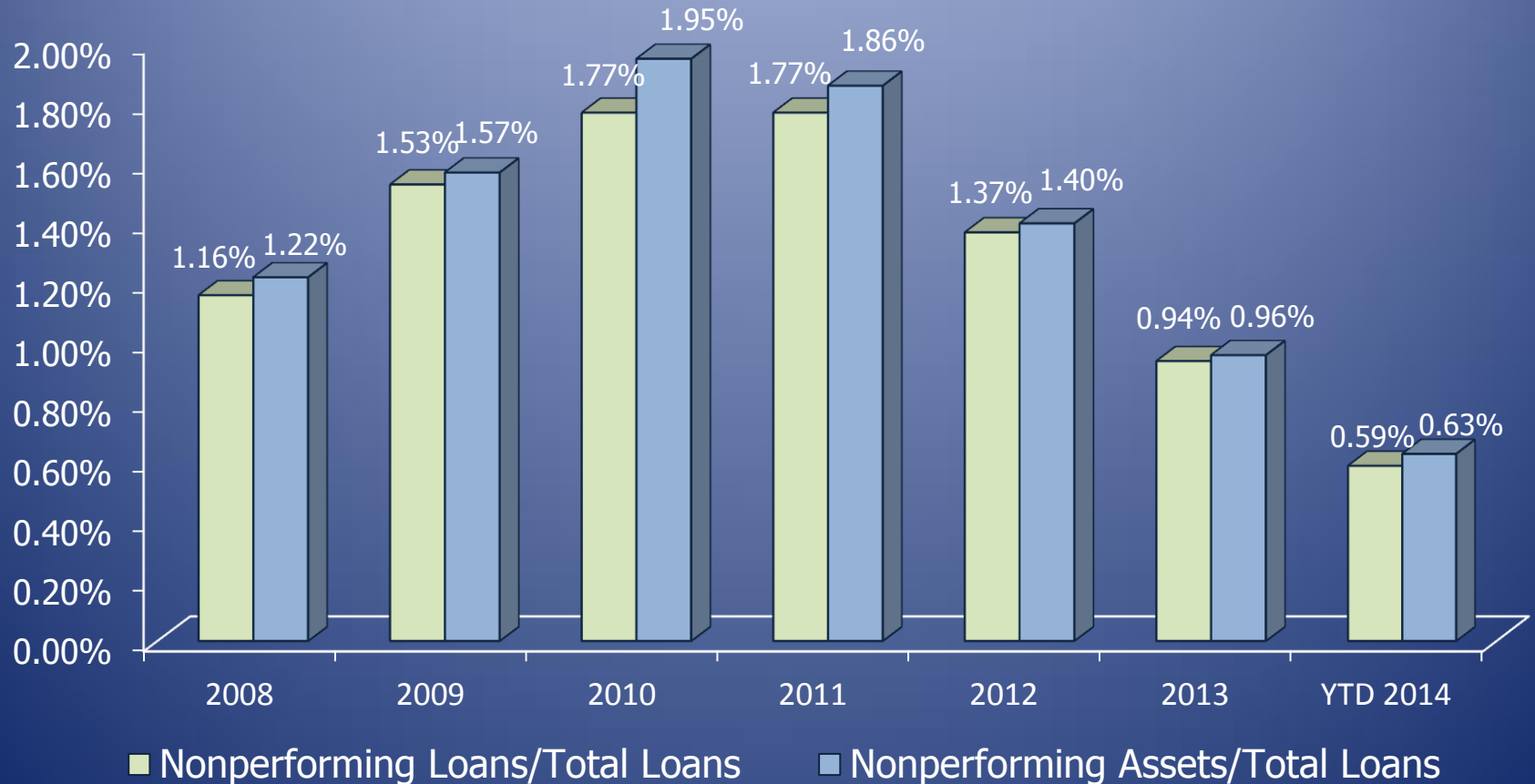
| Security Type | Weighted Average Life | Tax Equivalent Yield |
|---------------|-----------------------|----------------------|
| Agencies | 4.36 | 2.64% |
| Municipal | 5.46 | 4.35% |
| Treasuries | 0.50 | 0.10% |
| Total | 4.57 | 2.98% |





Asset Quality

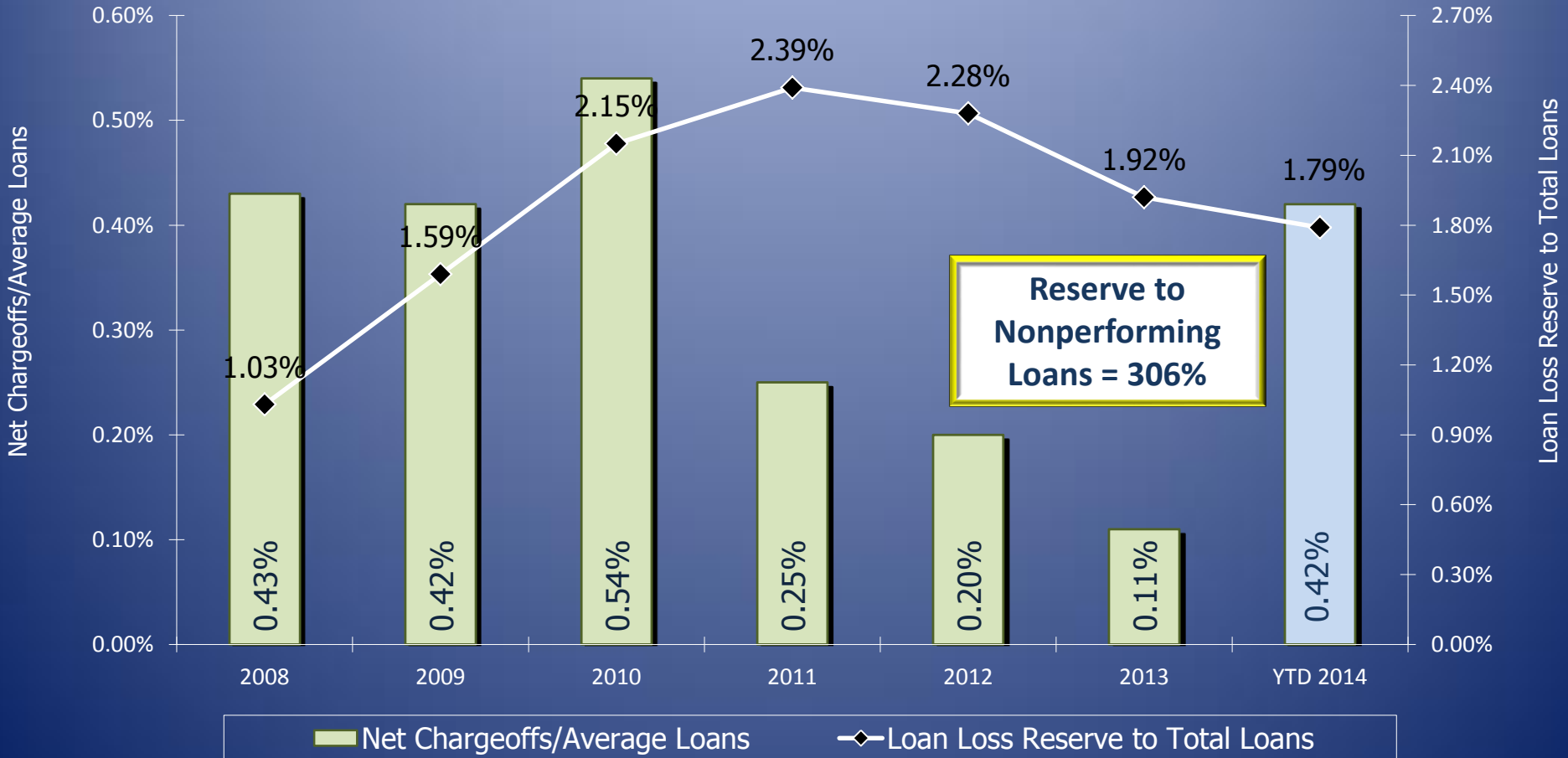
Nonperforming Levels Continue to Improve





Asset Quality

Strong Reserve Coverage

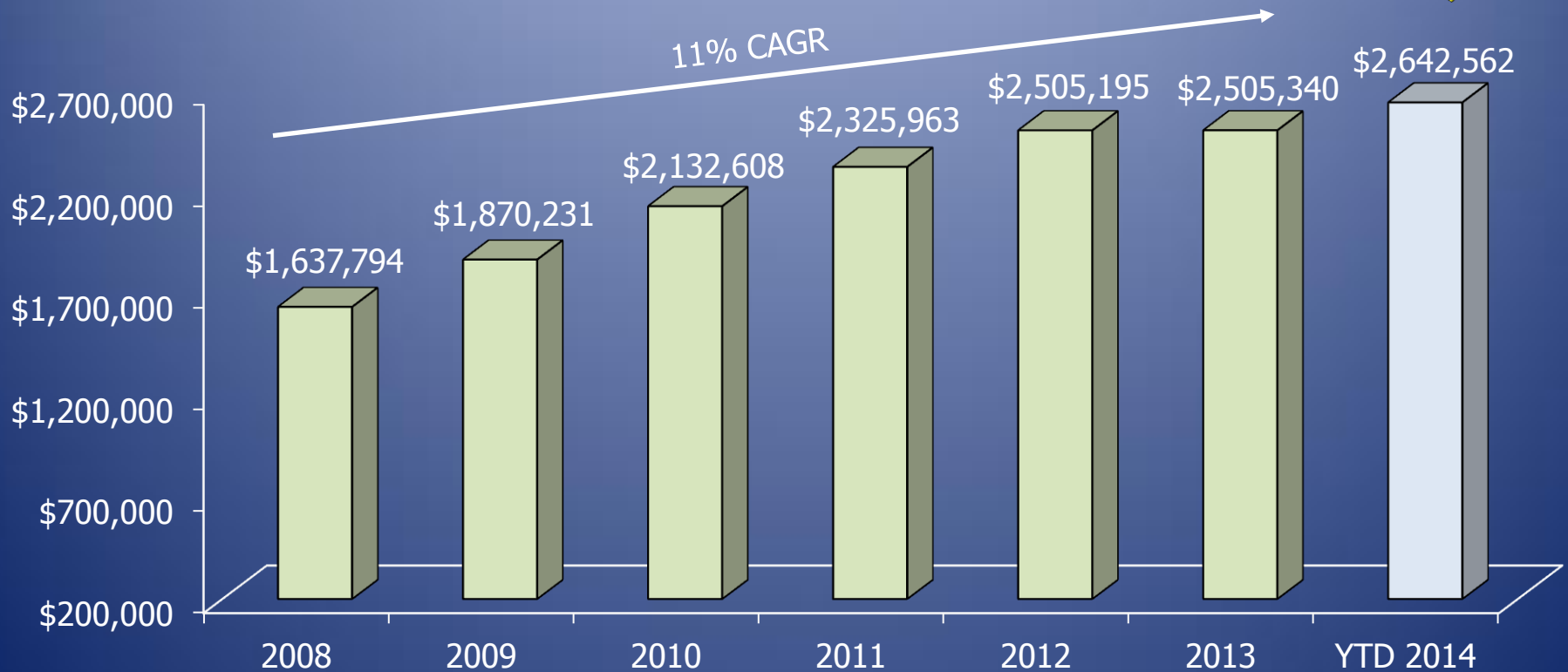




Average Deposits

Improves Funding Mix

Deposits = 96% of Funding
vs. 87% in 2009



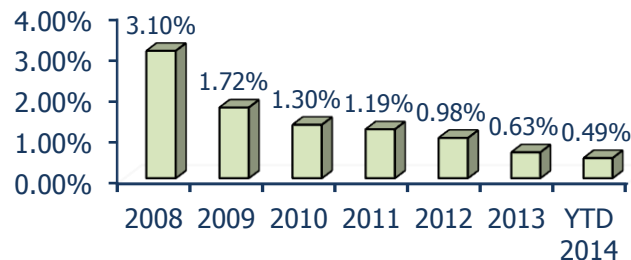
2014 YTD Growth 5.5%



Deposit Breakdown

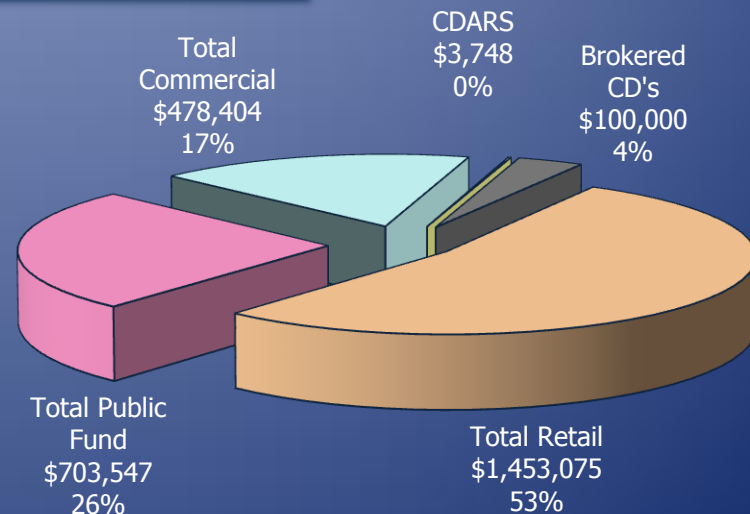
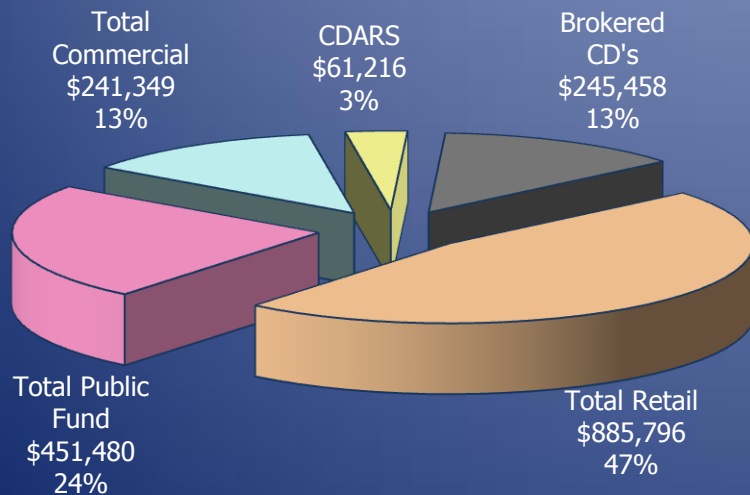
Retail Strategy Key to Deposit Growth

Cost of Deposits



Pre-Liquidity Strategy
December 31, 2008

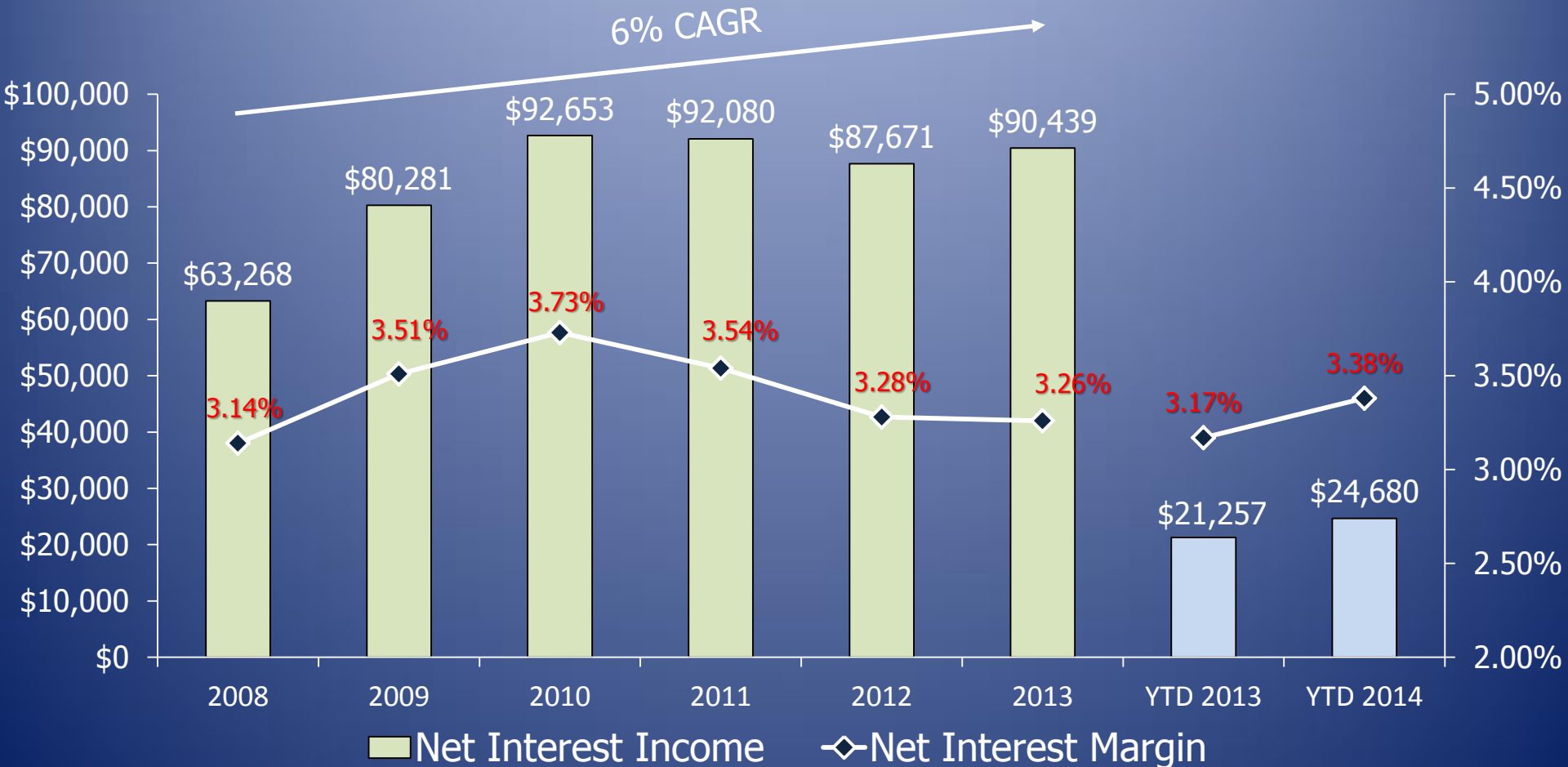
March 31, 2014





Net Interest Income

Margin Improved Each Quarter in 2013





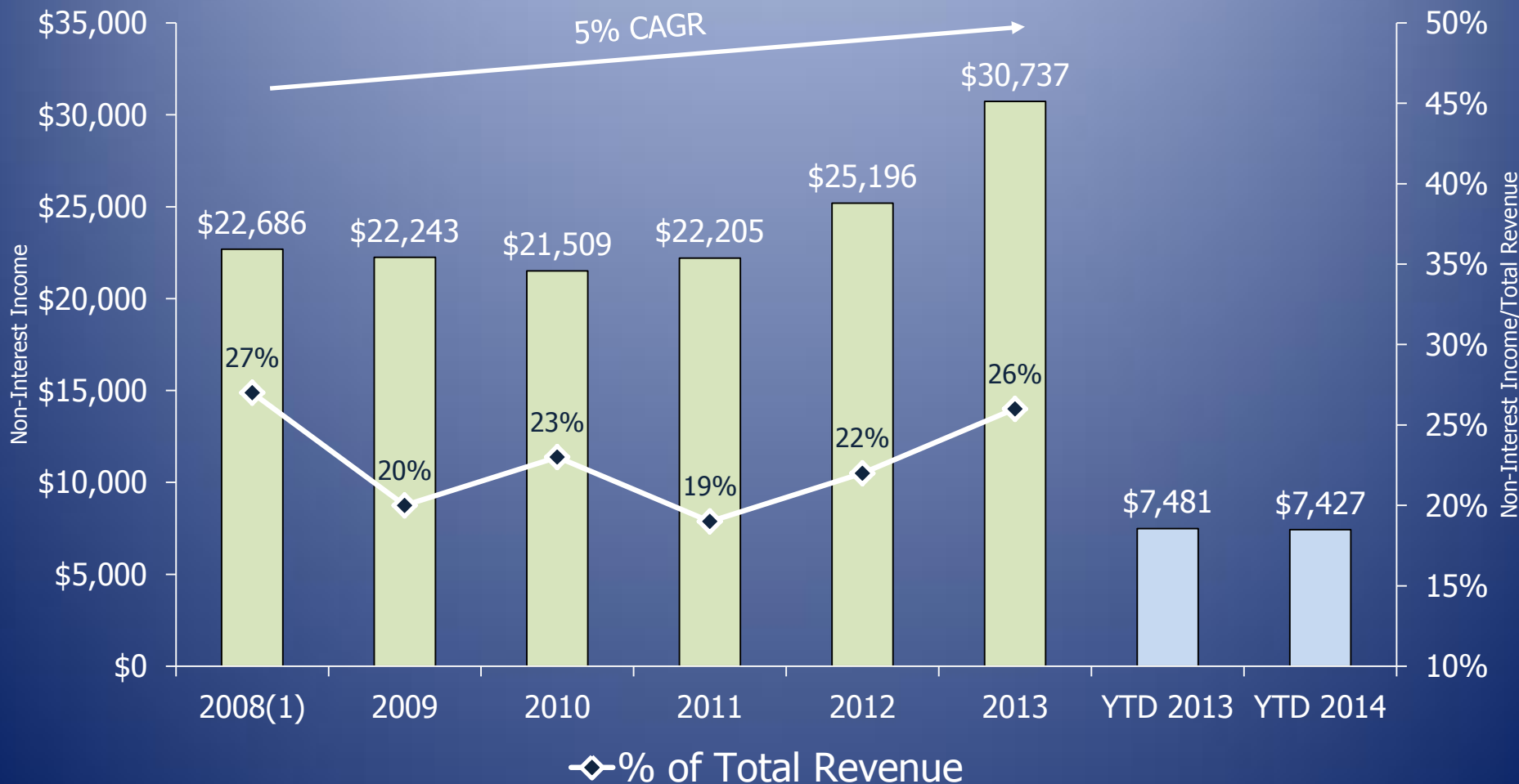
Impact of Rising Rates

- **89% of loan portfolio is commercial**
- **65% of commercial loans are variable rate – mostly Prime and LIBOR based**
 - **Floors with average rate of 3.81% exist on 48% of commercial variable rate loans**
- **35% 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

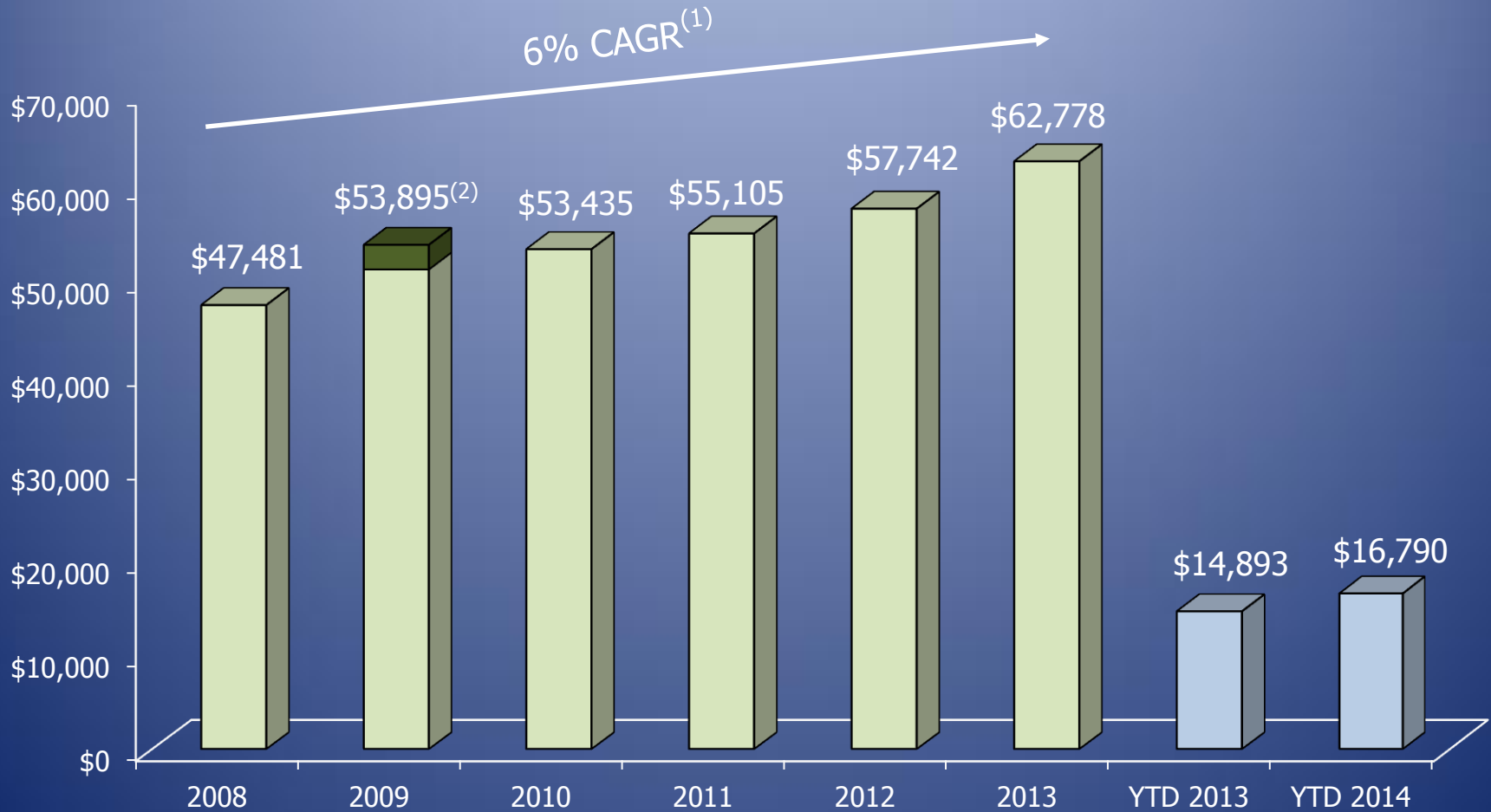
Stable Fee-Based Strategy Drives Increases





Non-Interest Expense

Historical Cost Control is Part of Culture

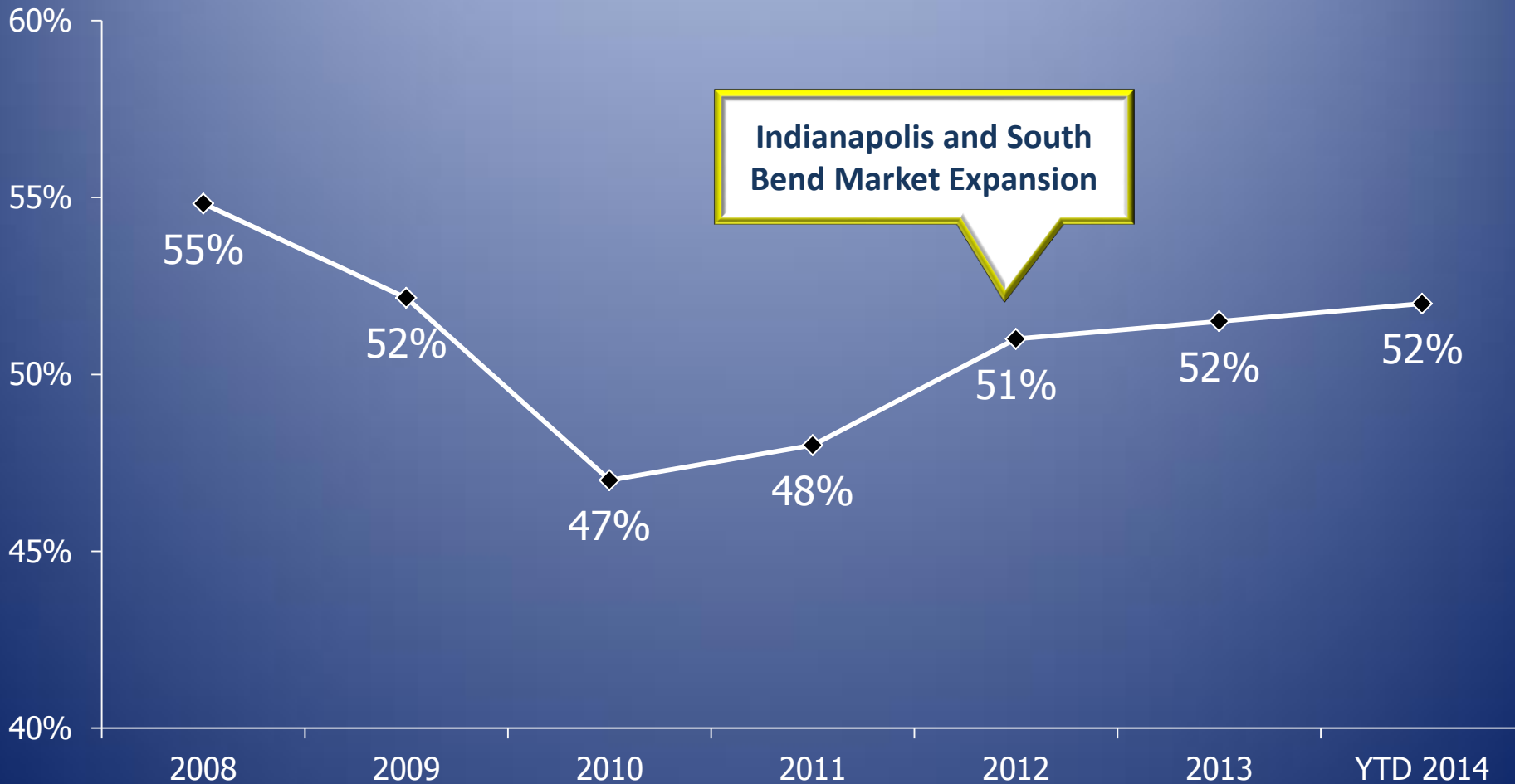


(1) Excluding special FDIC assessment and temporary increase in 2009
(2) Includes FDIC special assessment of \$2,614



Efficiency Ratio

Leveraging Offices, People and Technology





Stable Healthy Dividend



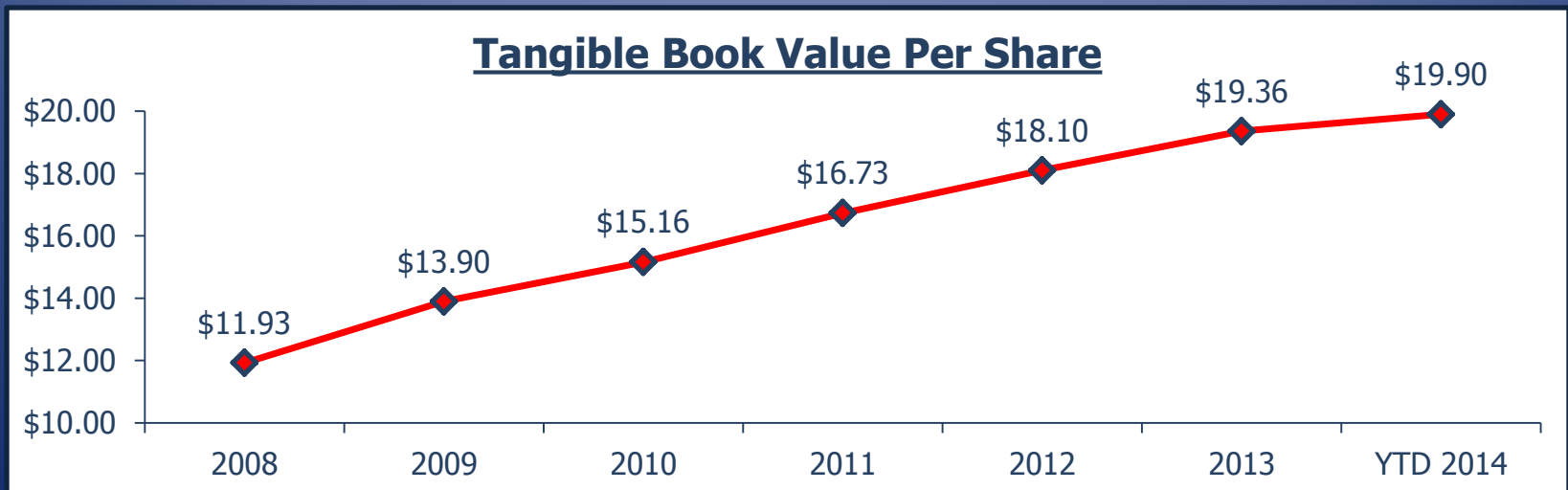
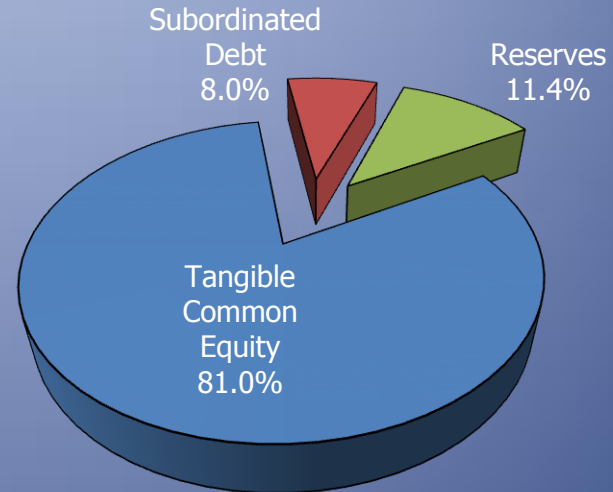
Note - Split Adjusted
- Paid Dividends

2014 Growth 11%



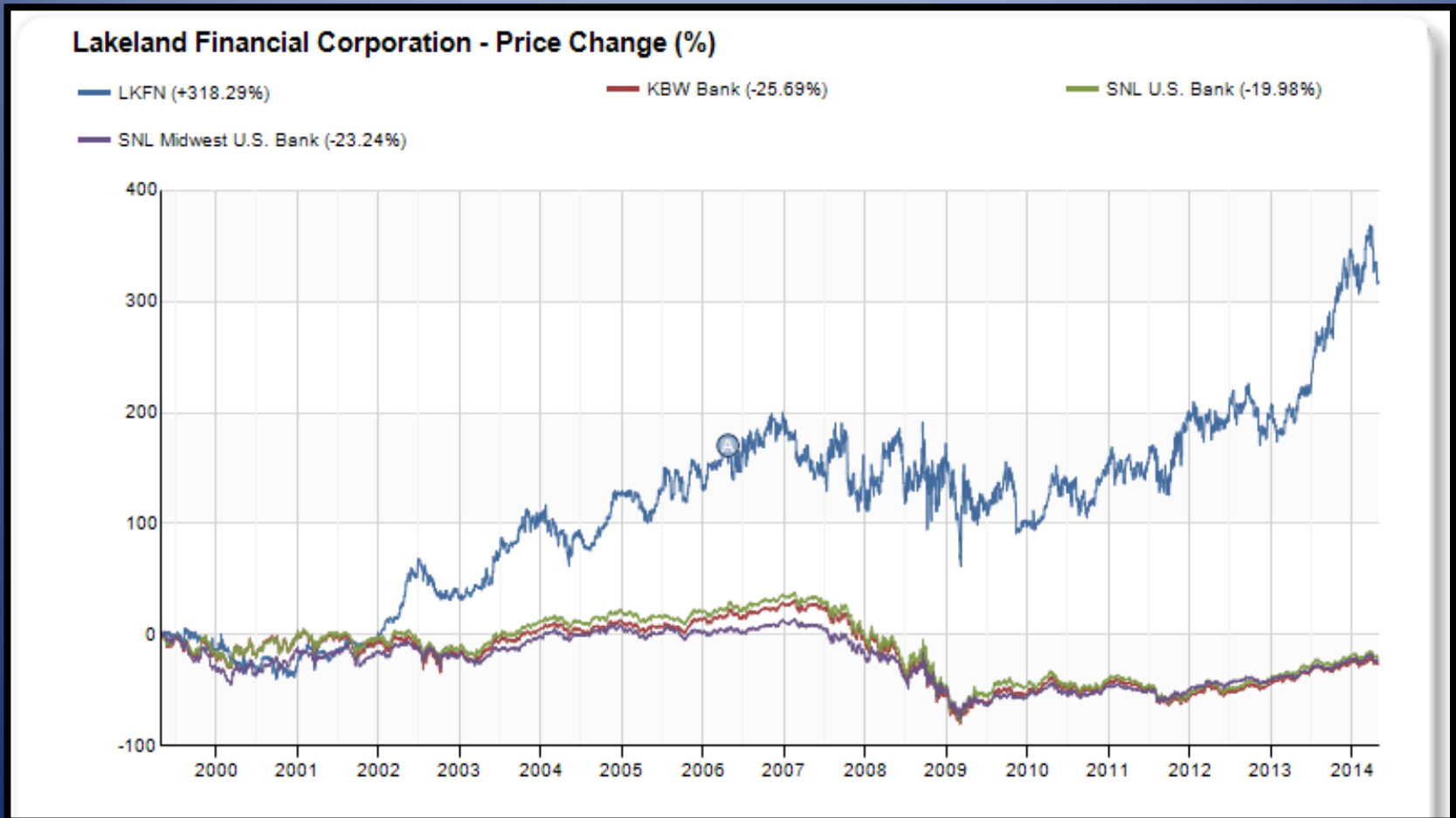
Strong Capital Structure

| Key Ratios and Per Share Data As of March 31, 2014 | |
|---|---------|
| TCE /Tangible Assets | 10.18% |
| Tier 1 Common Risk-Based | 11.98% |
| Total Risk-Based | 14.34% |
| Leverage | 11.20% |
| Book Value | \$20.08 |
| Tangible Book Value | \$19.90 |





LKFN Performance





Investment Highlights

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