



# Lakeland Financial Corporation

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

Investor Update  
4<sup>th</sup> Quarter 2016



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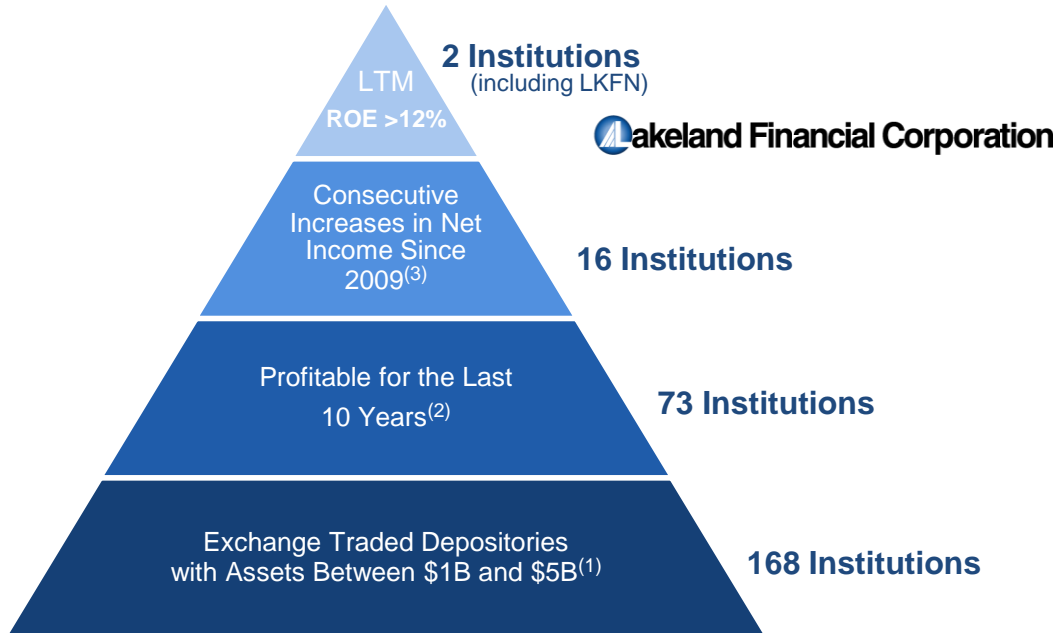
# Forward-Looking Information

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



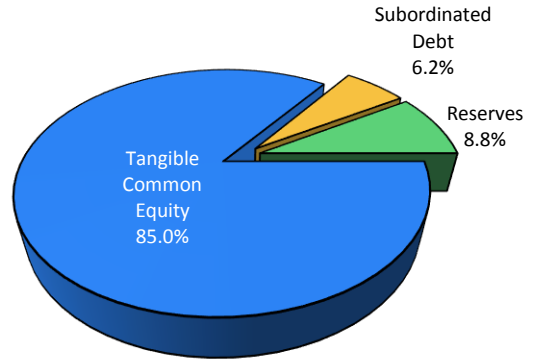
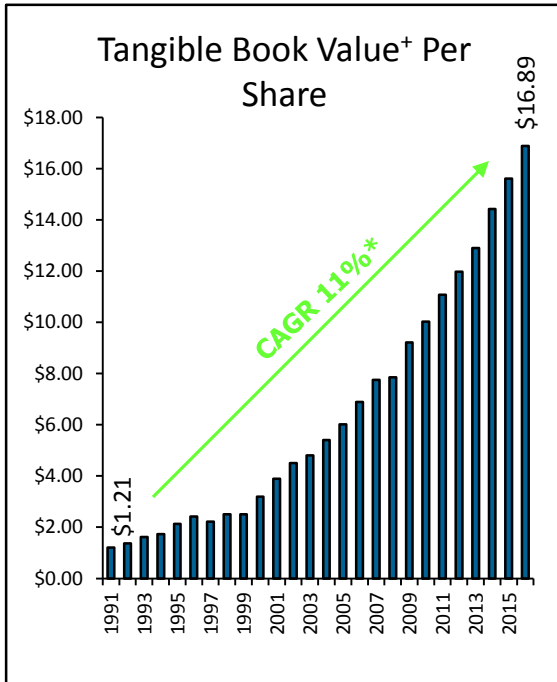
Source: SNL Financial. Financial data is as of September 30, 2016.

(1) Includes banks and thrifts traded on the NYSE, NYSE MKT or NASDAQ as of 1/10/17.

(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, 2006 through December 31, 2015). 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, and 2015.

# Strong Capital Structure



Key Ratios and Per Share Data As of December 31, 2016	
TCE /Tangible Assets	9.89%
Total Risk-Based	13.23%
Leverage	10.86%
Book Value <sup>+</sup>	\$17.01
Tangible Book Value <sup>+</sup>	\$16.89

\*compounded annual growth rate  
 computed from 1991-2015  
 +Book Value split adjusted

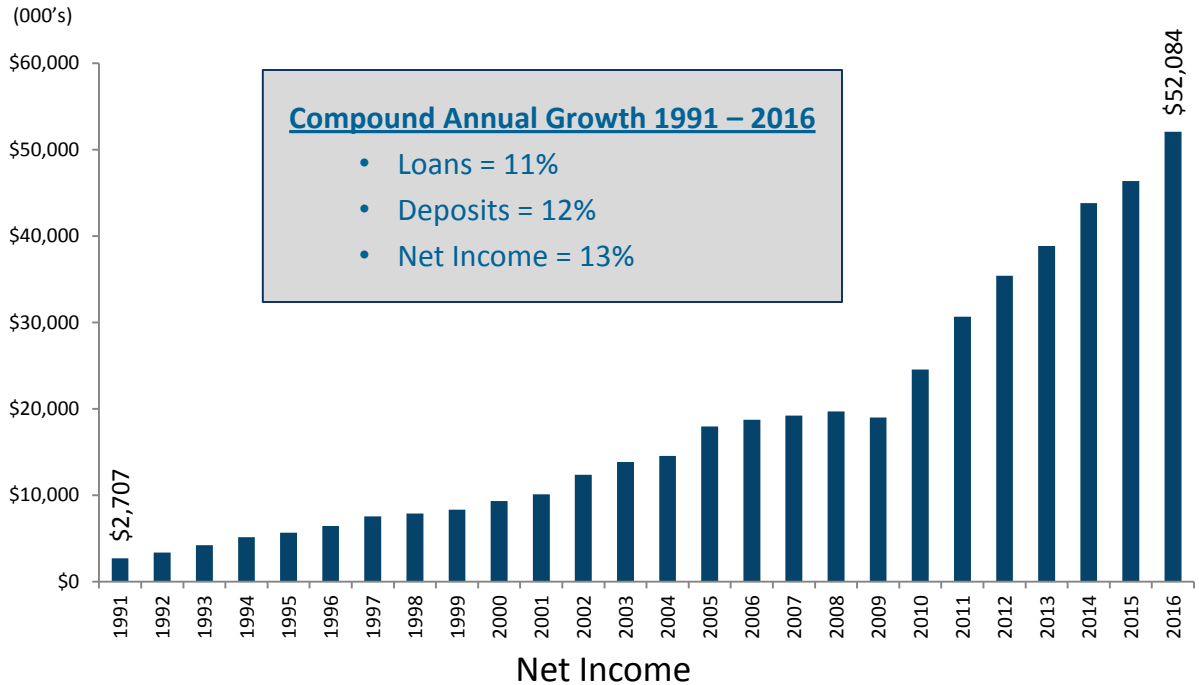
# Lake City Bank Today

- A long-term and consistent organic growth story
- Headquartered in Warsaw, Indiana
- 49 branch offices /524 FTEs
- \$4.3 billion banking assets
- \$1.73 billion trust assets
- A regional franchise focused on core banking
- Continued high 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

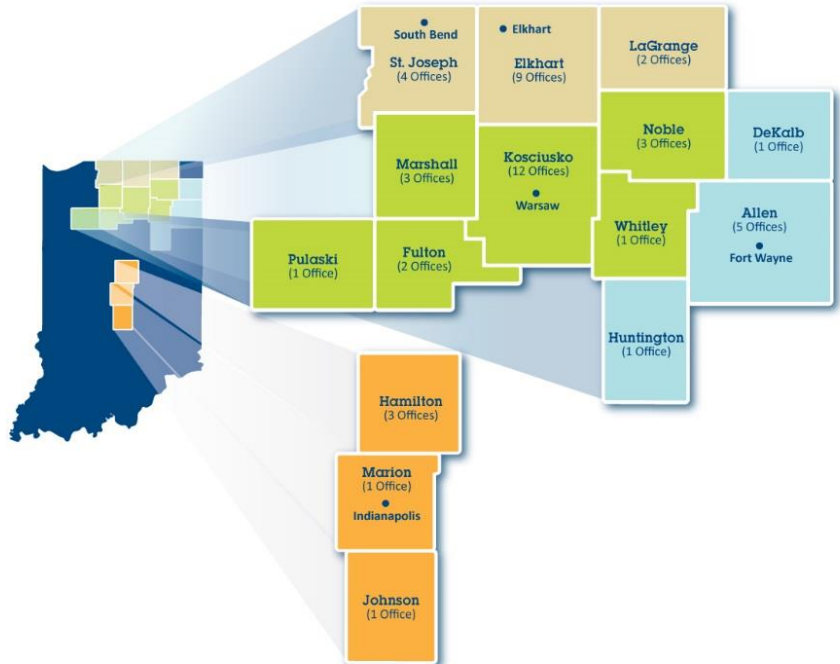
Warsaw – 1872  
22 offices

Elkhart – 1990  
11 offices

South Bend – 1997  
4 offices

Fort Wayne – 1999  
7 offices

Indianapolis – 2011  
5 offices

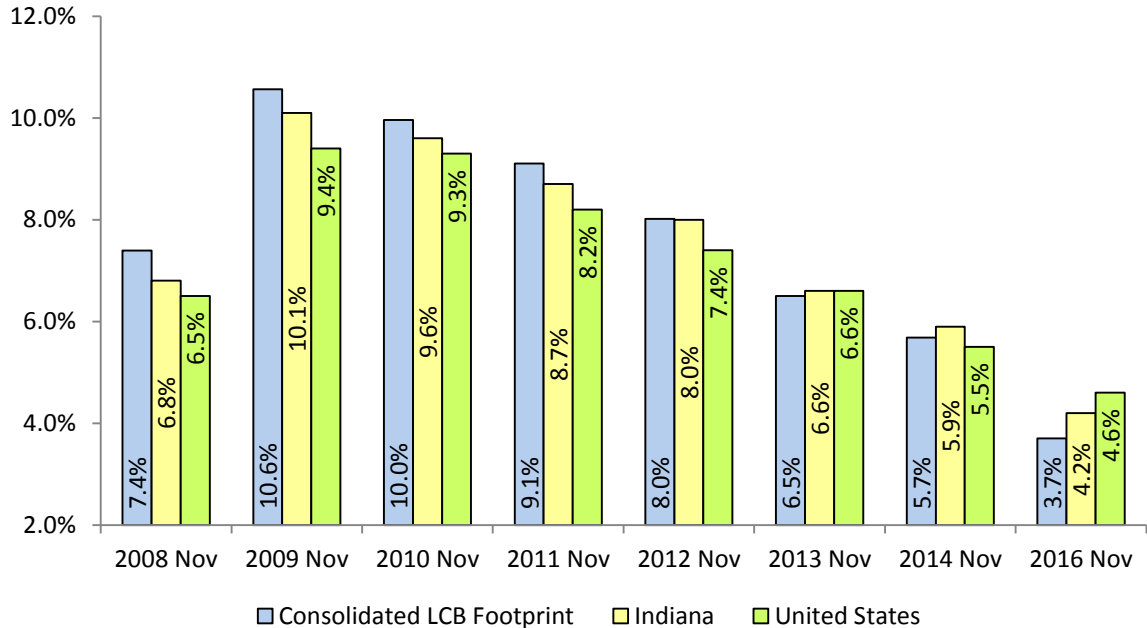


Opening Date of First Office in Market



# 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, and Hamilton 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 and Committed Team

- 39 credit “smart” commercial bankers
- Average 22 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

## Commercial Banking Focus

# Relationship Strategy

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

## Commercial Banking Focus

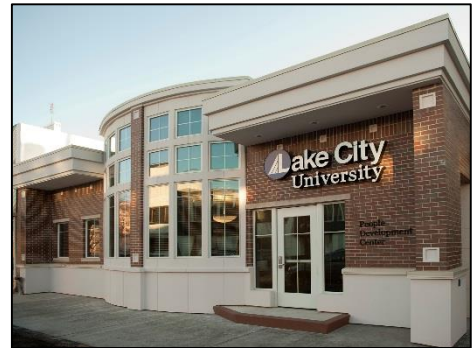
# Credit Process

- We have a centralized committee structure
- We 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

## 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



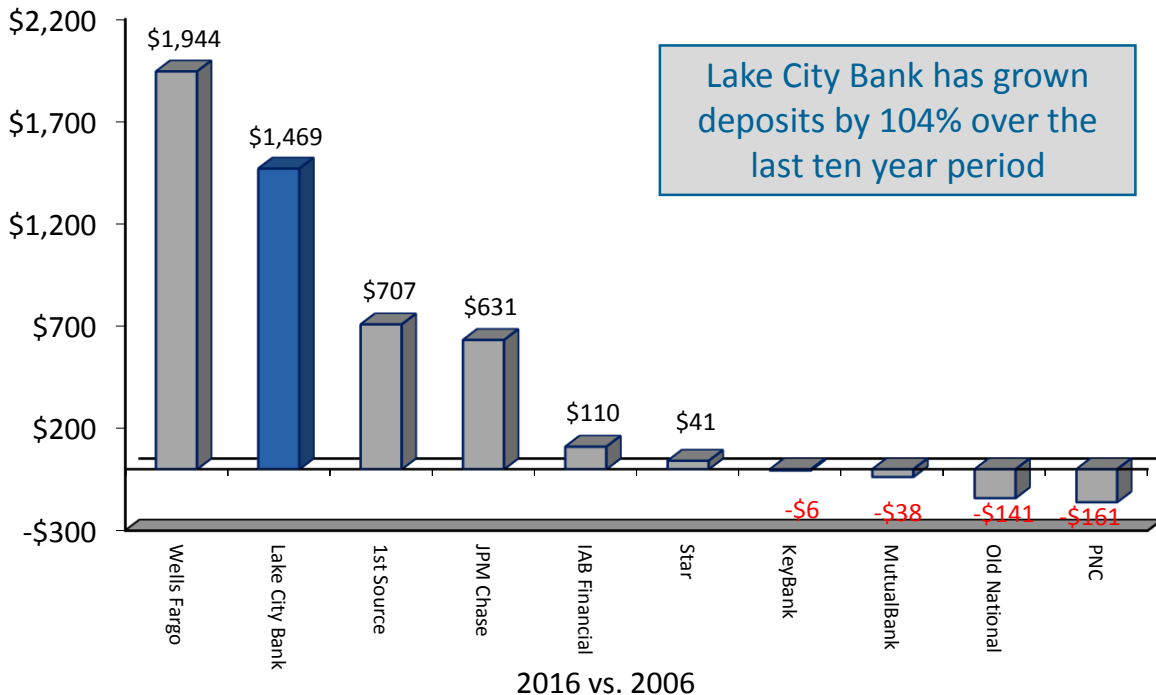
# High Quality Team Members Face to Face Contact

- 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<sup>(1)</sup> Market Deposit Performance

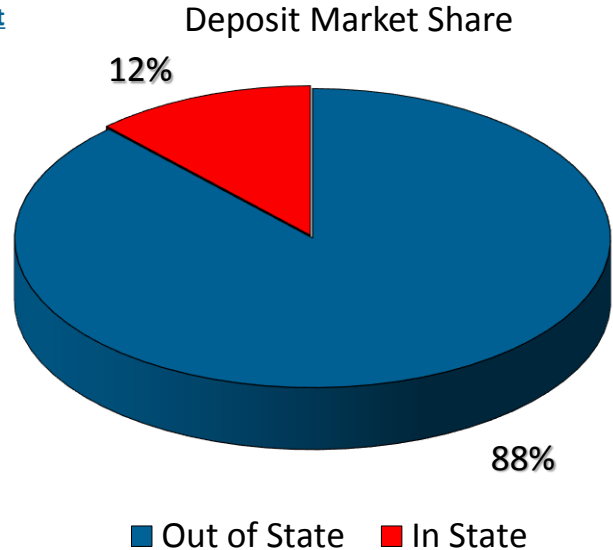




# Organic Growth

## 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
- Enhanced checking deposit offering in 2015 through segmentation study
- Emphasis is on checking account relationship products
- Core deposit focus continues in 2017

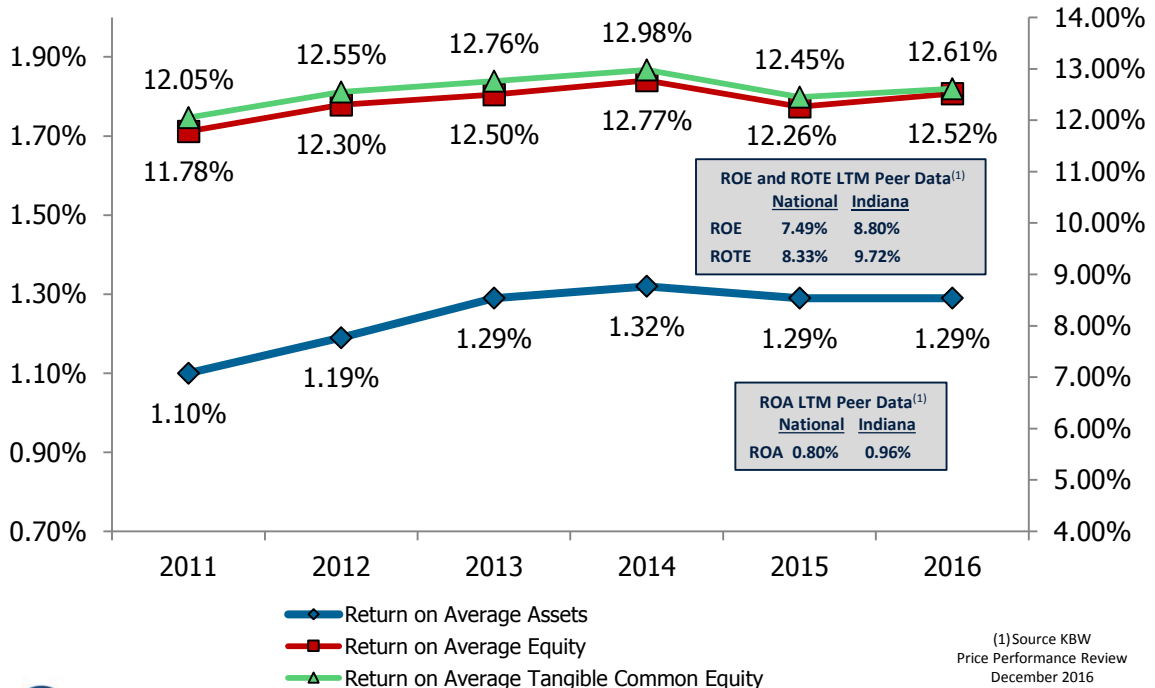
# Competitive Technology Edge is Critical

- 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

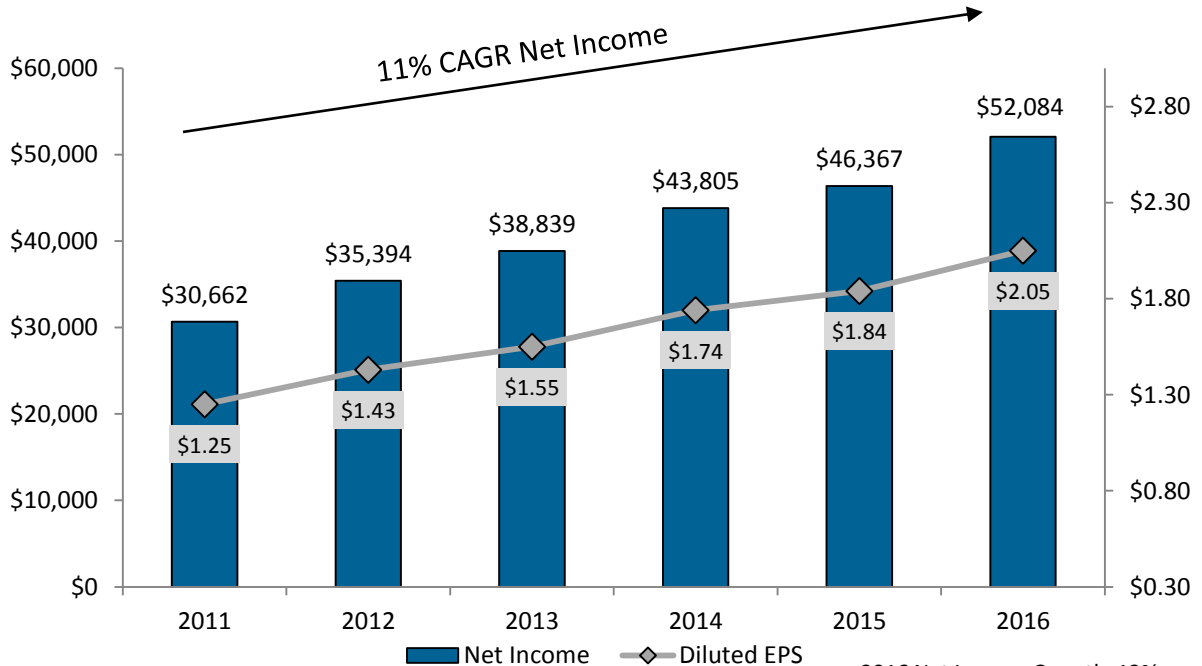
LKFN performance exceeds National and Indiana Peers



(1) Source KBW  
Price Performance Review  
December 2016

# Net Income and EPS

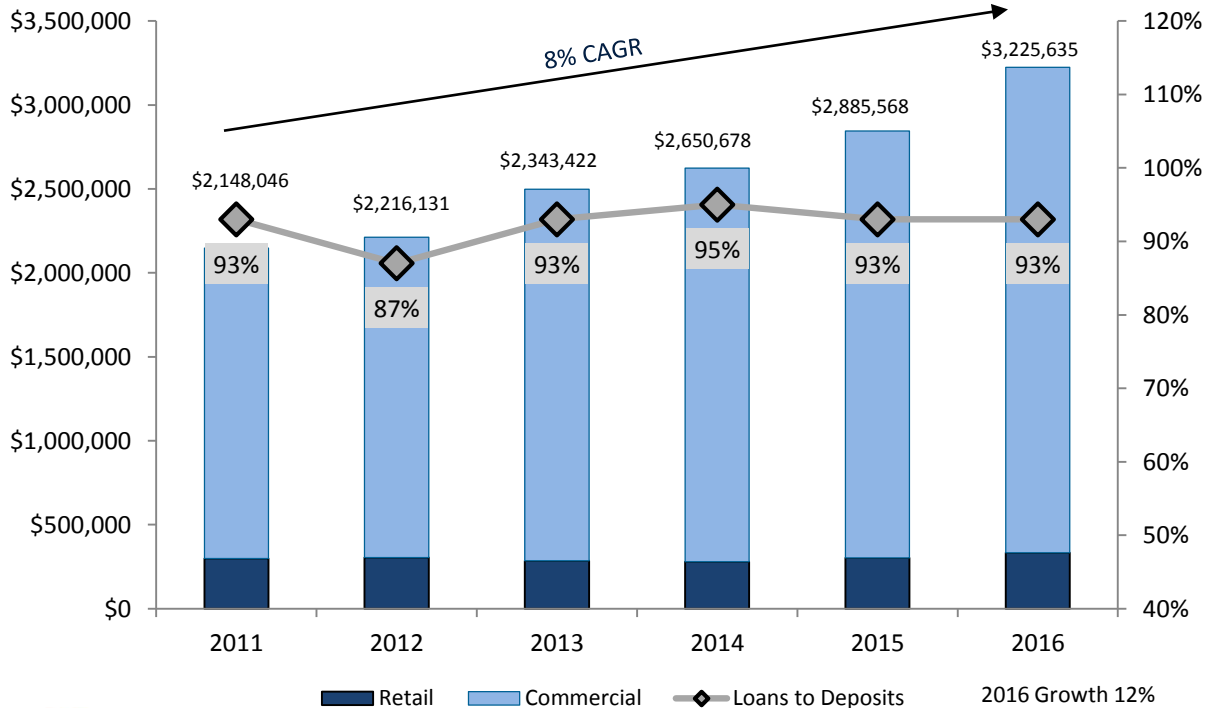
Record Net Income and EPS



2016 Net Income Growth 12%  
2016 Diluted EPS Growth 11%

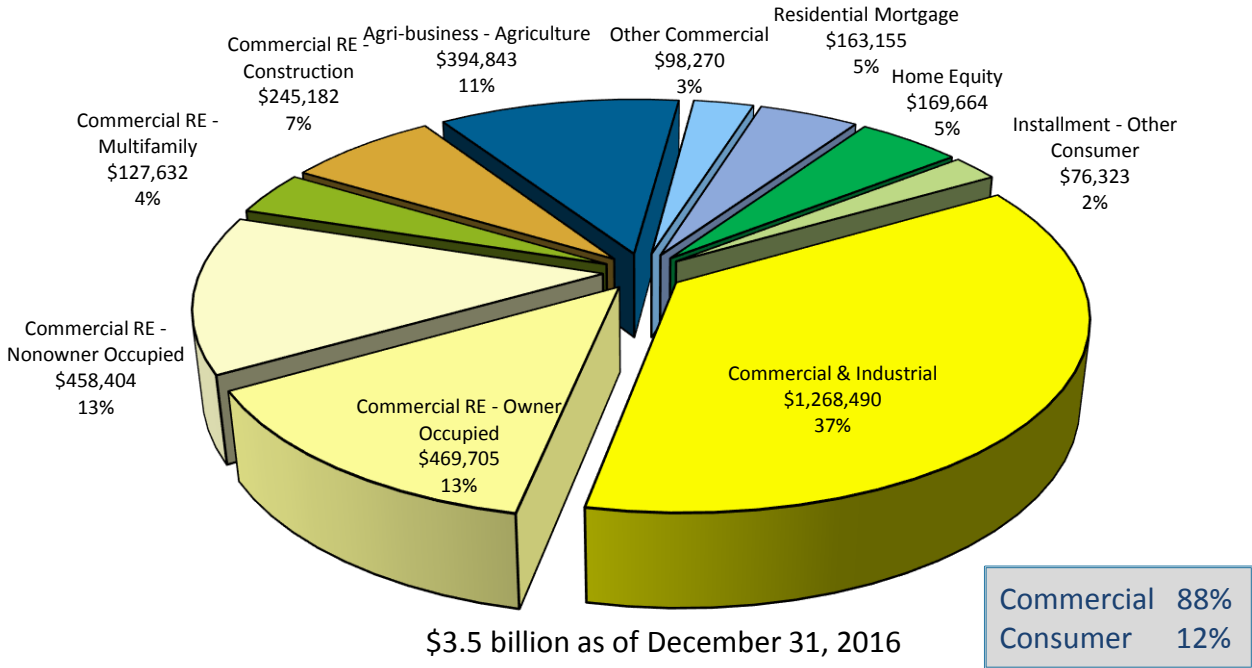
# Average Loans

## Commercial Emphasis Drives Growth



# Loan Breakdown

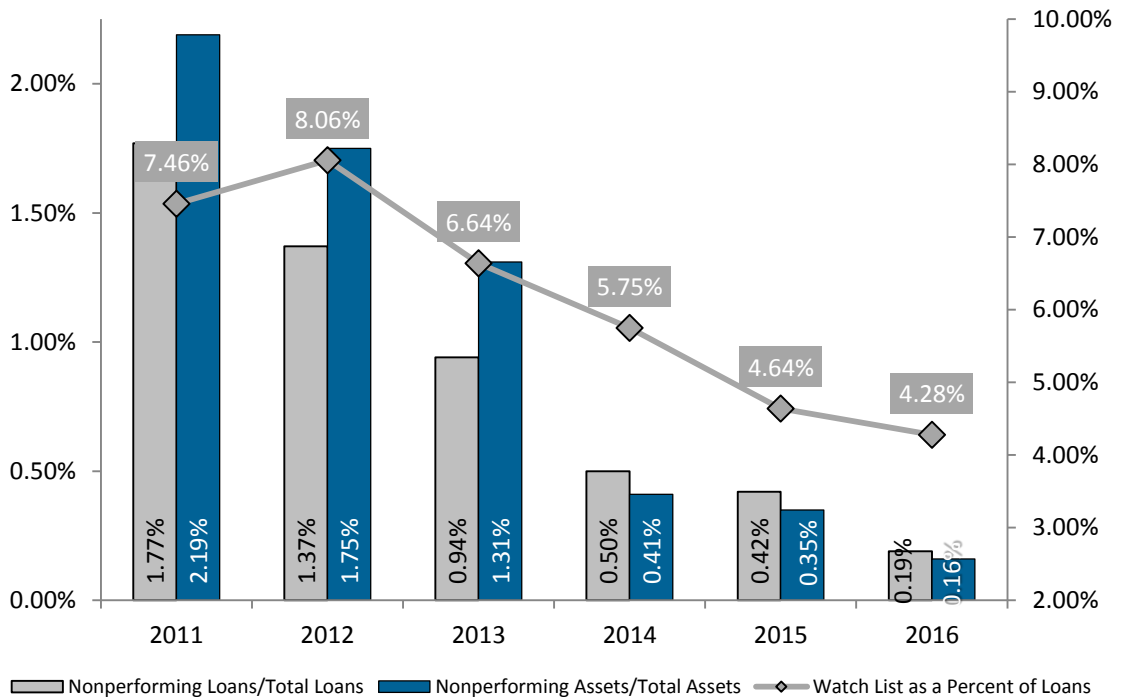
## C&I Drives Lending Business





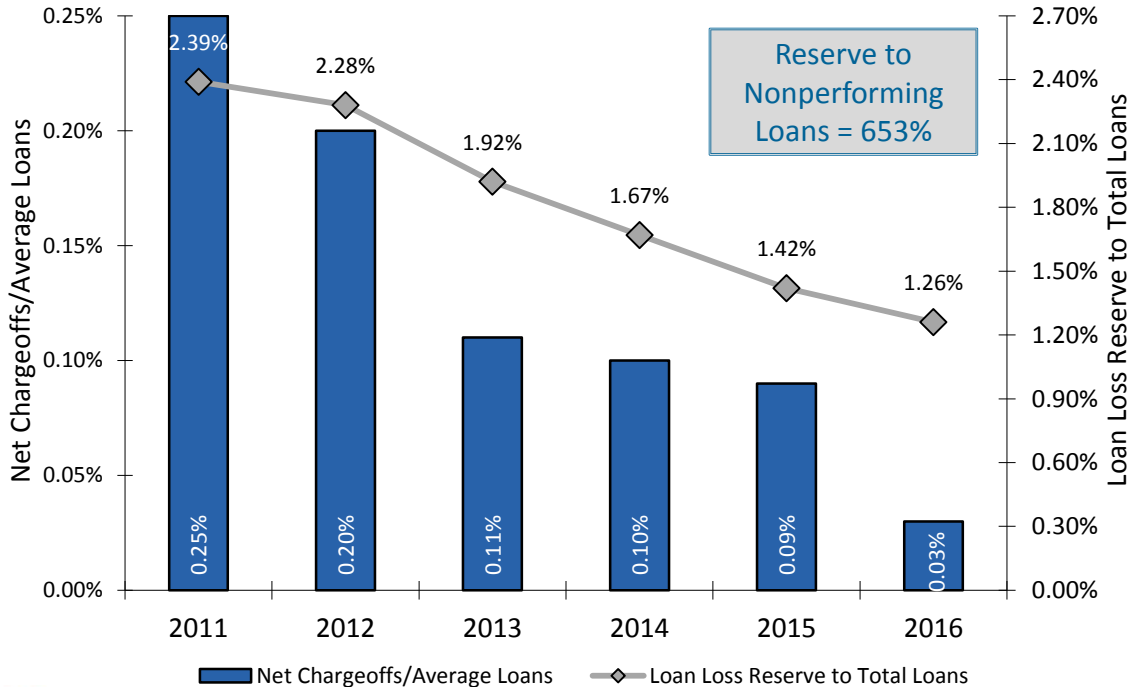
# Asset Quality

Nonperforming levels reflect economic strength of markets



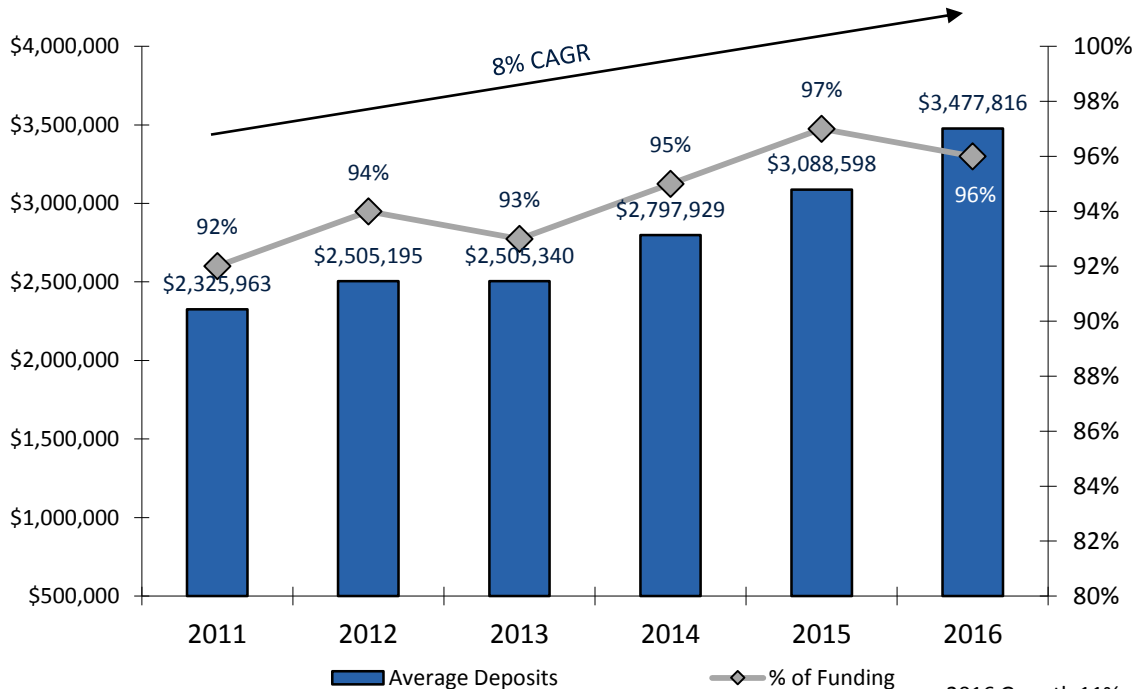
# Asset Quality

## Strong Reserve Coverage



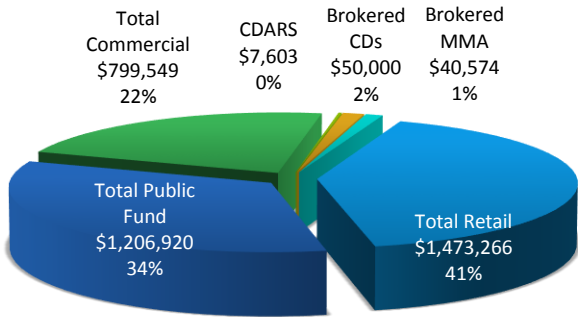
# Average Deposits

Core Deposits\* Fund Organic Loan Growth

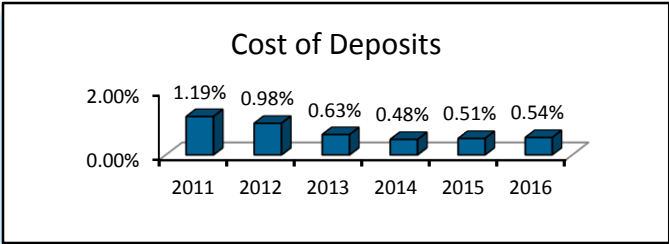


# Deposit Breakdown

Deposit Growth Key to Franchise Value



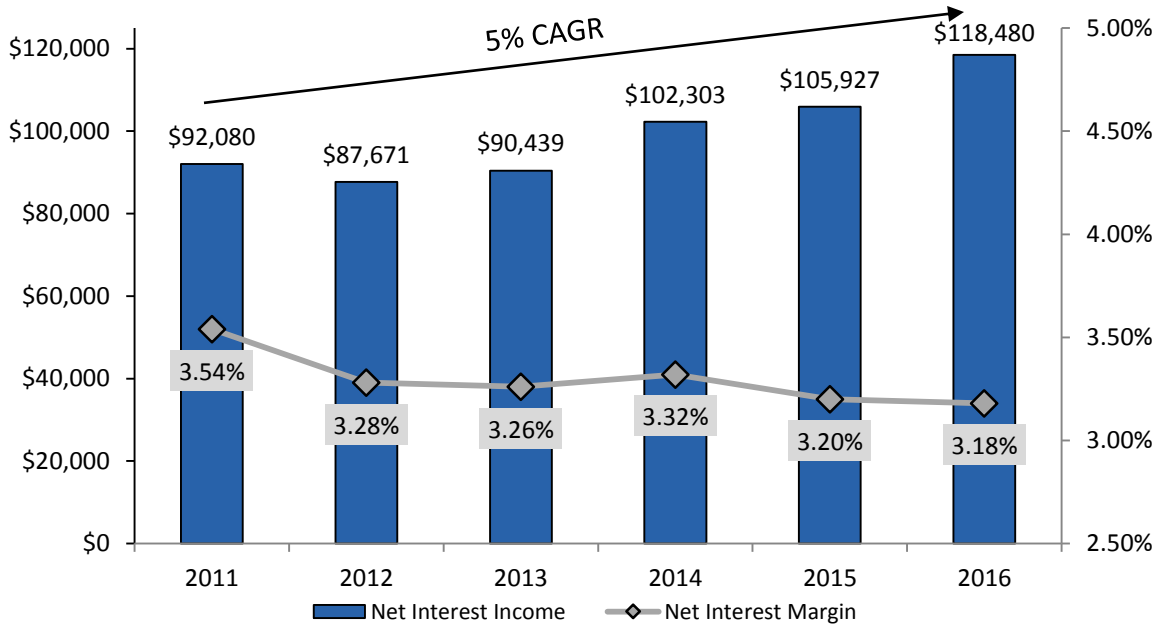
December 31, 2016  
Total Deposits - \$3.6 billion



<u>Deposit Composition at end of period:</u>	<u>2008</u>	<u>2016</u>
Non-interest Bearing Demand Deposits	12%	23%
Interest Bearing Demand, Savings & MMA	34%	45%
Time Deposits > or = to \$100,000	35%	26%
Time Deposits < \$100,000	19%	6%
Total Deposits (billion)	\$1.9	\$3.6

# Net Interest Income

## Loan Growth Driving Growth in Income



2016 Growth 12%

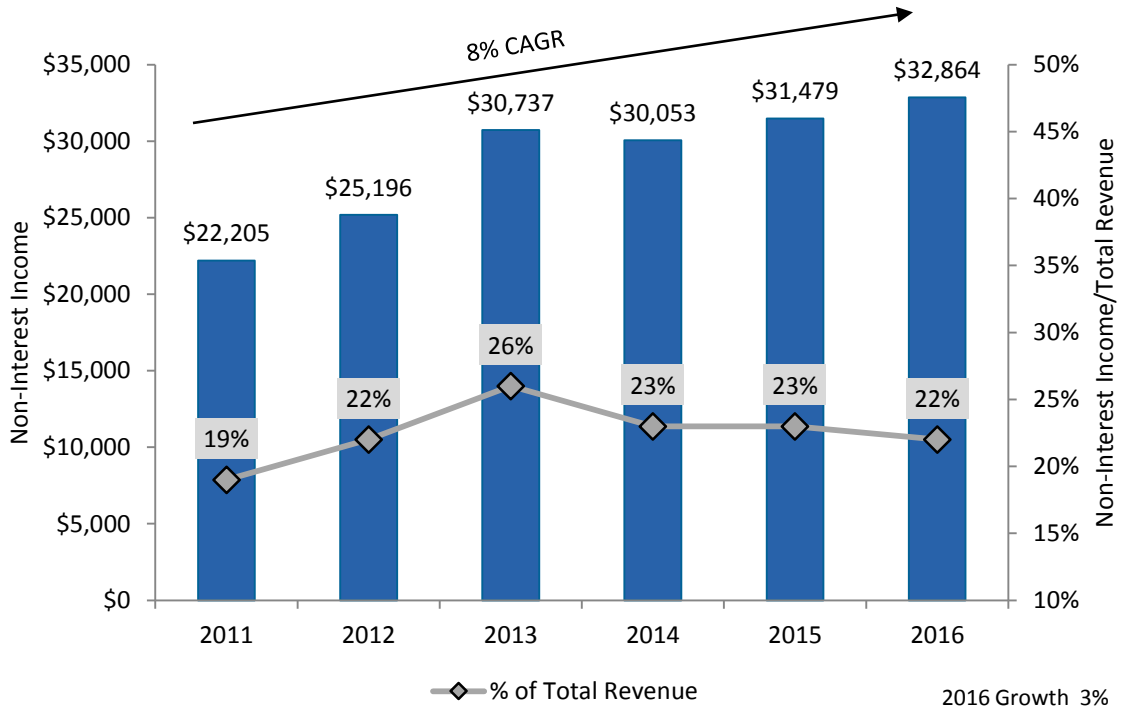
# Projected Impact of Rising Rates

Asset Sensitive Balance Sheet due to floating rate commercial loan portfolio

- 88% of loan portfolio consists of commercial loans
  - 69% of commercial loans are variable rate
    - Floors with average rate of 3.78% 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

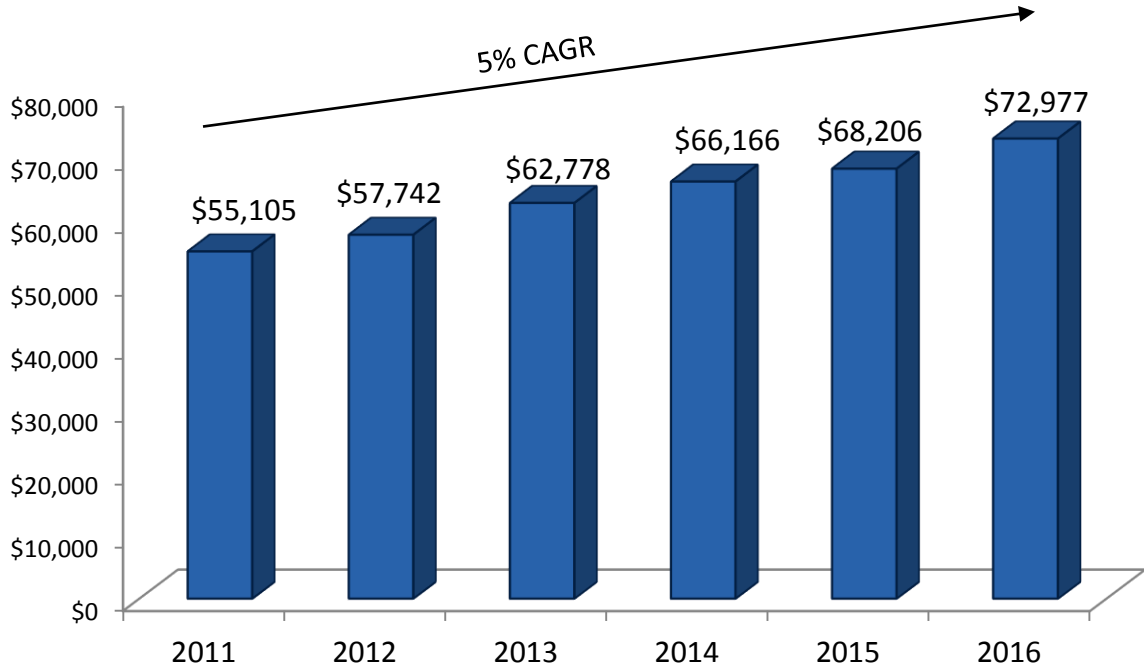
# Non-Interest Income

Stable, Fee-Based Strategy Drives Increases



# Non-Interest Expense

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

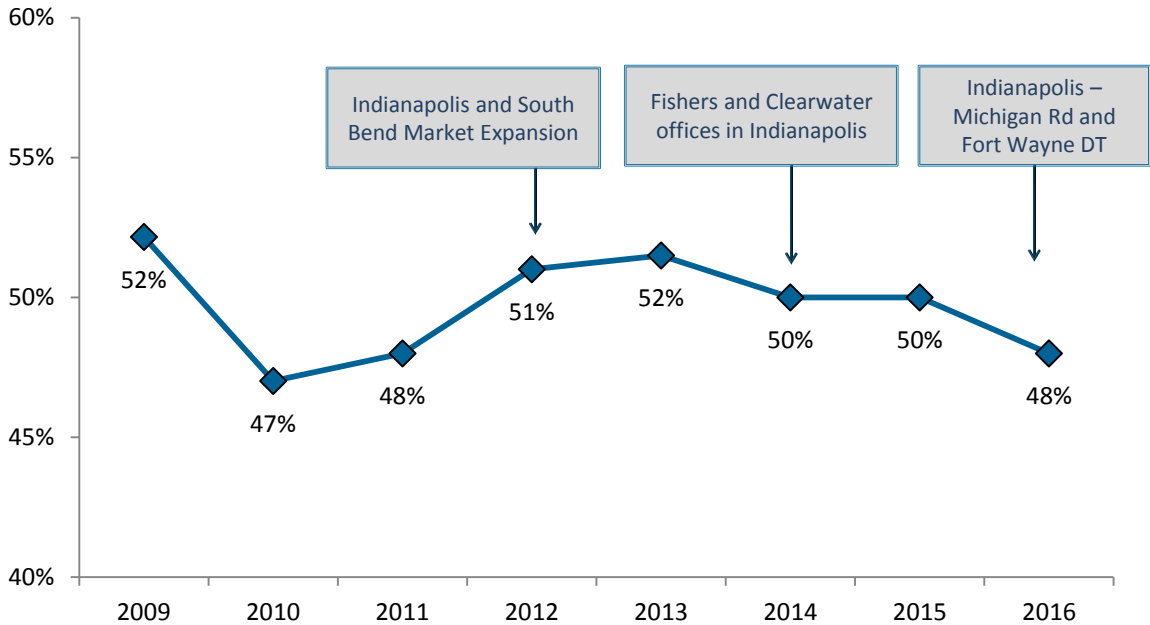


2016 Growth 7%



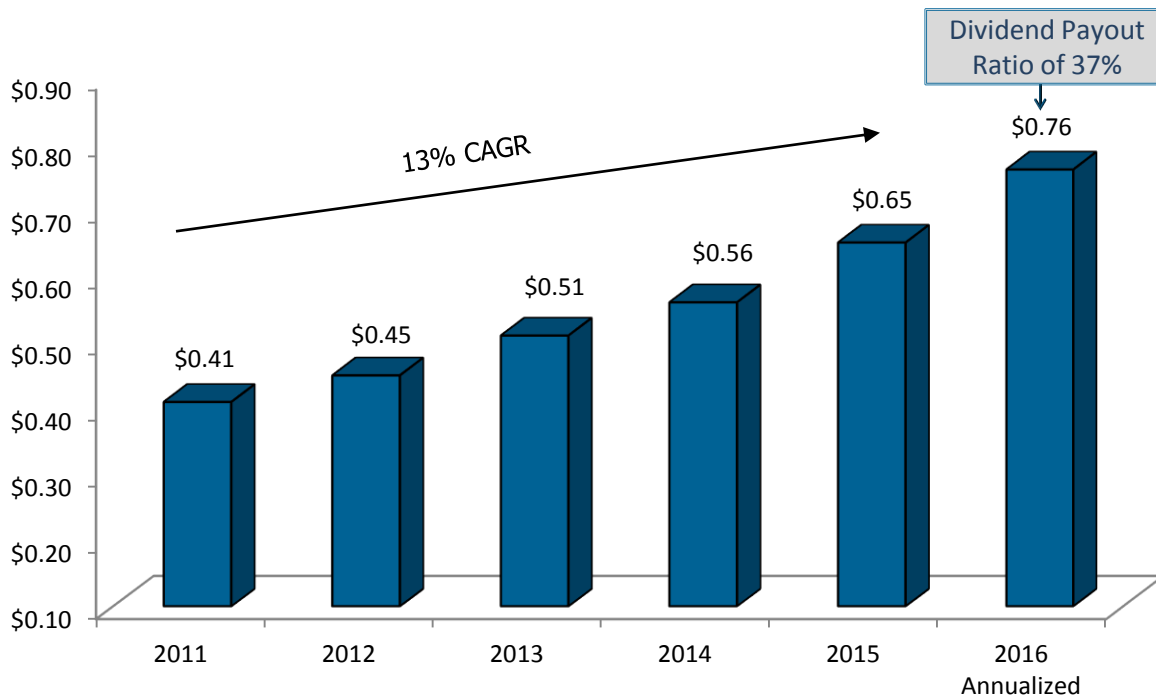
# Efficiency Ratio

Revenue Growth is Primary Driver of Low Efficiency Ratio



# Stable Healthy Dividend

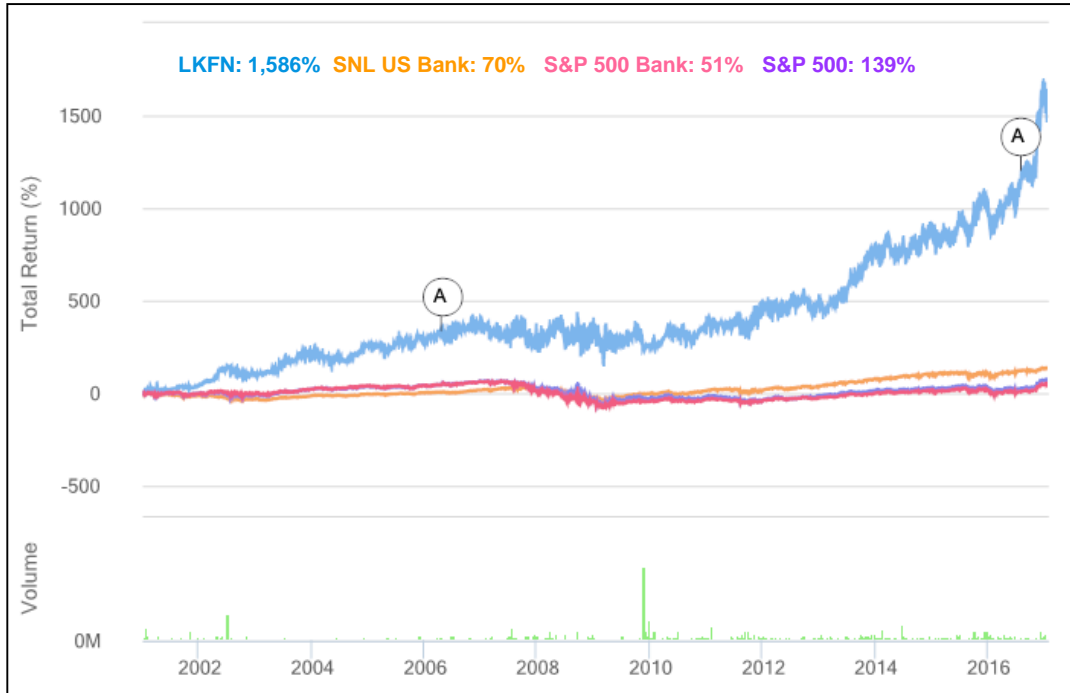
Significant Increase in Dividend Reflects Strength of Balance Sheet



2016 Growth 17%

# LKFN Shareholder Value

Total Return Performance from 12/31/00 to 1/27/17



# 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 <sup>st</sup> 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
<b>3. Lake City Bank</b>	<b>\$2,878</b>	<b>14.86%</b>	<b>\$1,409</b>	<b>7.65%</b>	<b>104.26%</b>	<b>48</b>
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
<b>Market Total:</b>	<b>\$19,371</b>		<b>\$14,226</b>		<b>36.17%</b>	

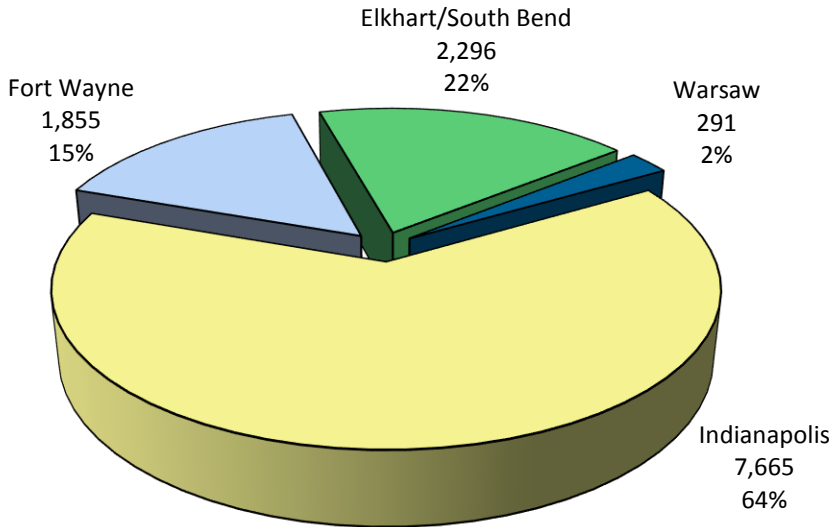


(1) Mature Markets includes 12 Northern Indiana counties and excludes 2 Central Indiana counties  
 \*Adjusted to include branches subsequently acquired by surviving banks

## Organic Growth

# Commercial Banking Target Opportunities

Growth Potential in Every Market

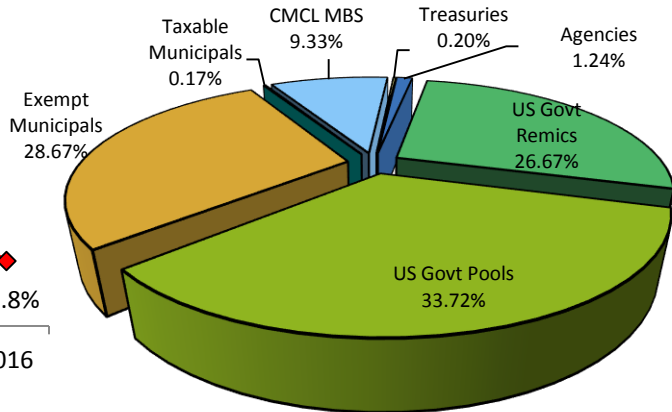
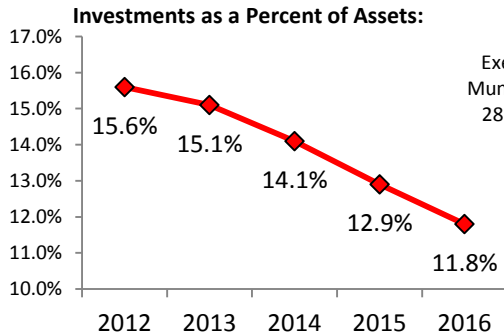


Companies with Revenue of \$1 to \$50 million

Source: 2016 Hoover's



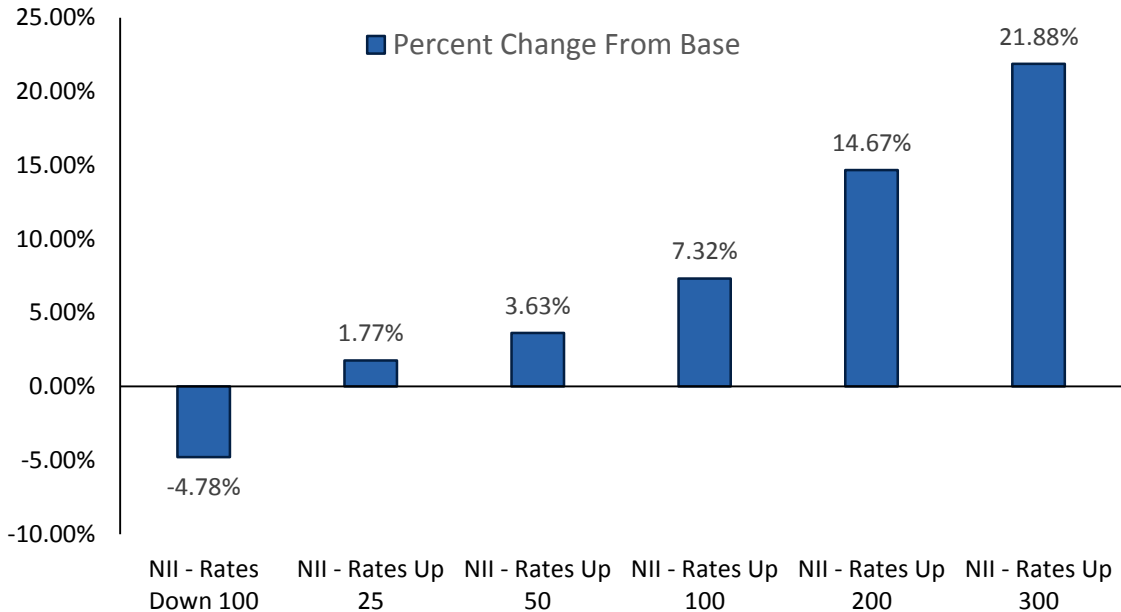
# Investment Portfolio – Source of Liquidity



December 31, 2016				
	Weighted Maturity	Book Yield	Duration	Market Value
US Treasury Notes	4.88	2.23%	4.65	\$1,003
US Agencies	7.07	2.28%	3.84	\$6,242
US Govt REMICS	4.45	3.01%	4.03	\$134,474
US Govt Pools	6.77	2.67%	5.45	\$170,020
Exempt Municipals (TEY)	10.09	4.65%	5.43	\$144,538
Taxable Municipals	3.04	3.22%	2.40	\$840
CMCL MBS	4.85	2.42%	4.51	\$47,074
<b>Total (Tax-Equivalent Yield)</b>	<b>6.89</b>	<b>3.29%</b>	<b>4.95</b>	<b>\$504,191</b>

# Projected Impact of Rising Rates

## Asset Sensitive Balance Sheet





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