

Investor Update

February 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**



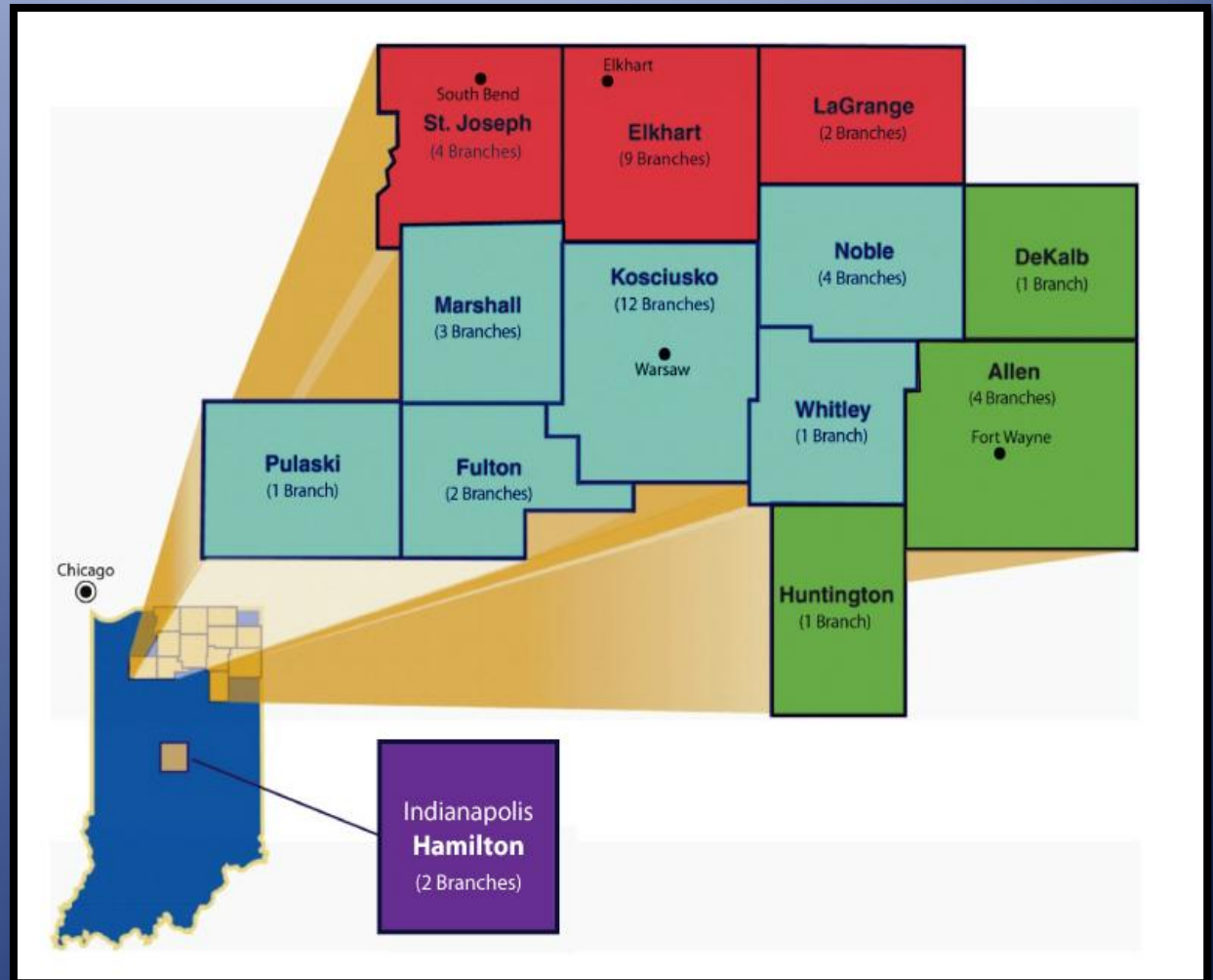


Established Market Presence

Organic Growth Potential in Mature and New Markets

Opening Date of First Office in Market

- **Warsaw – 1872**
- **Elkhart – 1990**
- **South Bend – 1997**
- **Fort Wayne – 1999**
- **Indianapolis – 2011**





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**
- **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

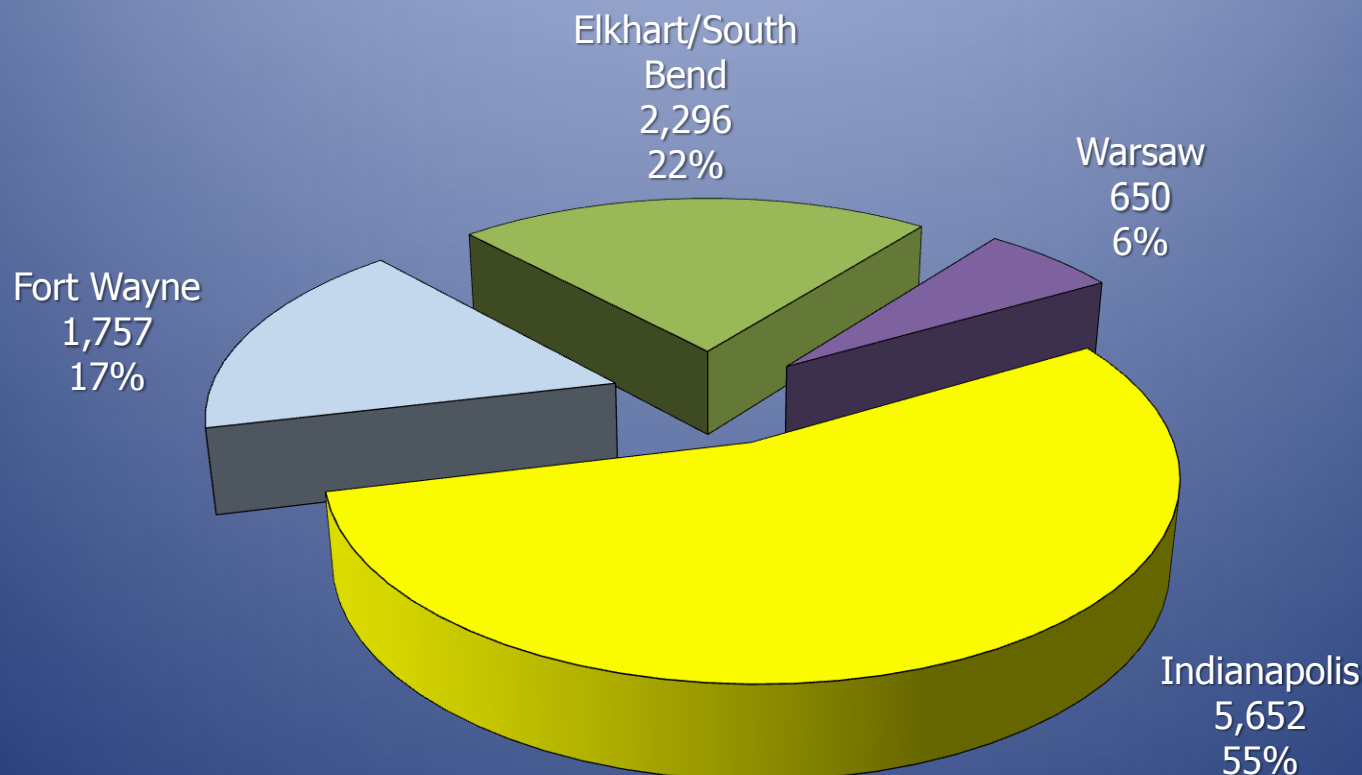




Larger Markets

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%	

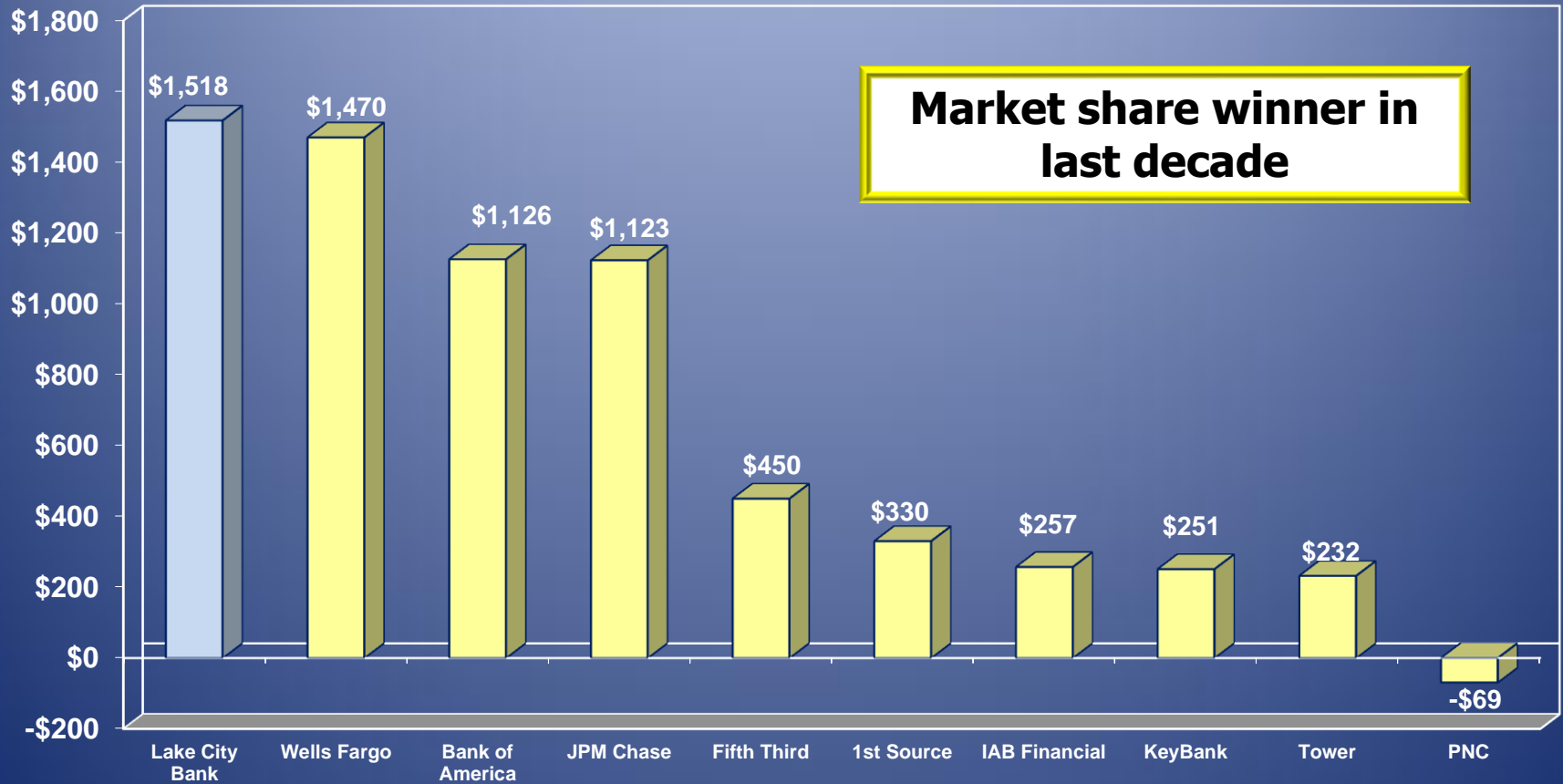
*Includes the counties of Kosciusko, Elkhart, St. Joseph, Marshall, Allen, Whitley, Hamilton, Huntington, LaGrange, Noble, DeKalb, Fulton and Pulaski

**Adjusted to include branches subsequently acquired by surviving banks



Larger Markets

Market Deposit Performance



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*

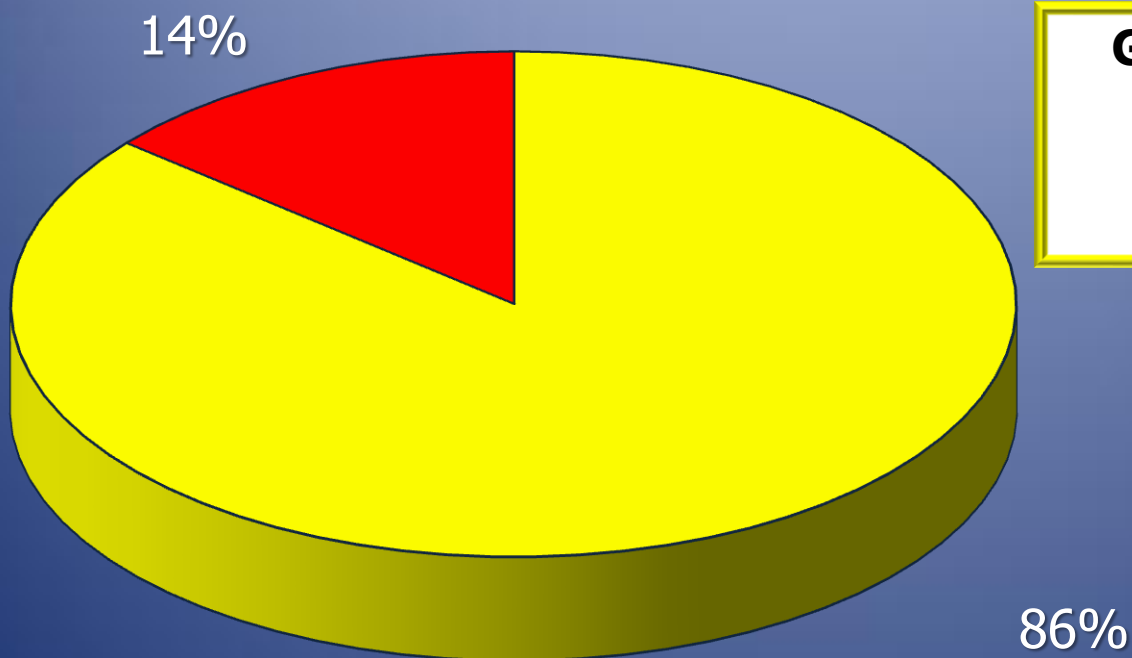
Key Competitors

(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

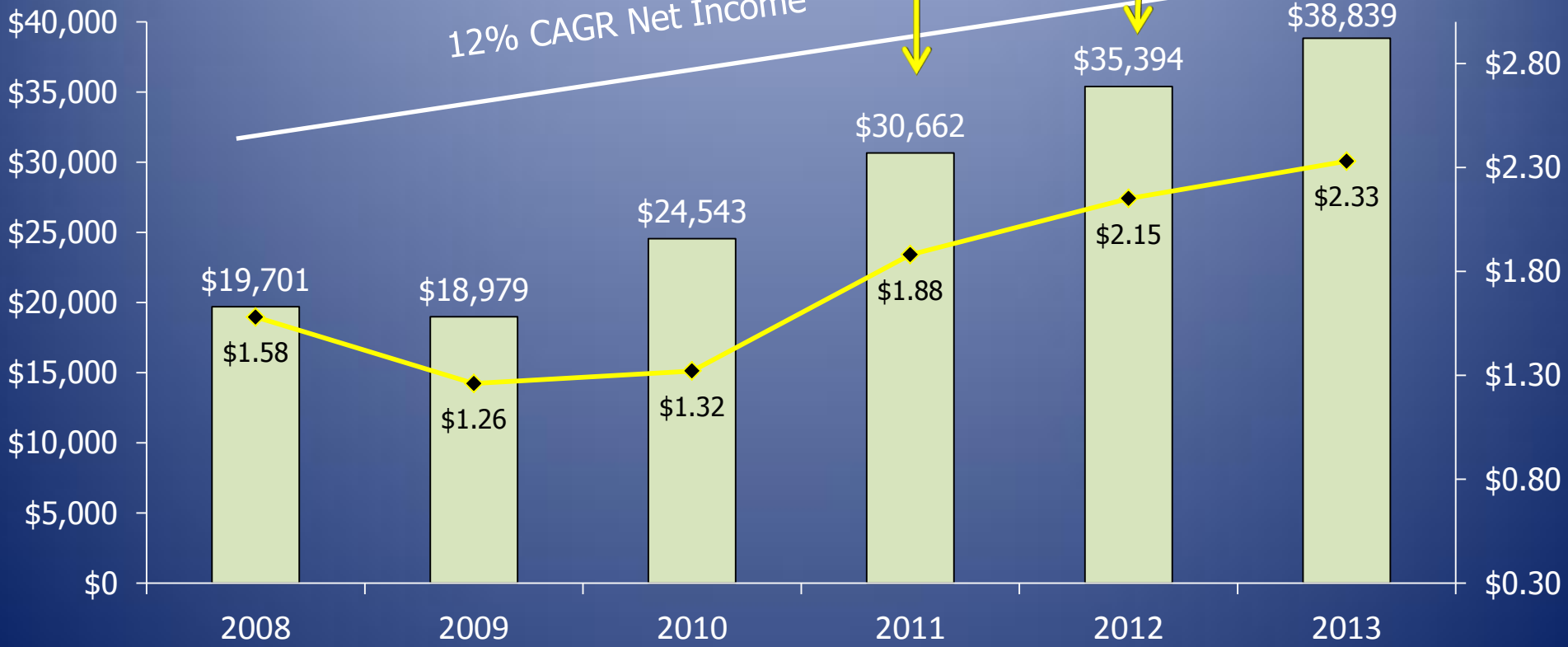
Financial Performance



Net Income and EPS

Record net income and EPS

12% CAGR Net Income



Net Income Diluted EPS

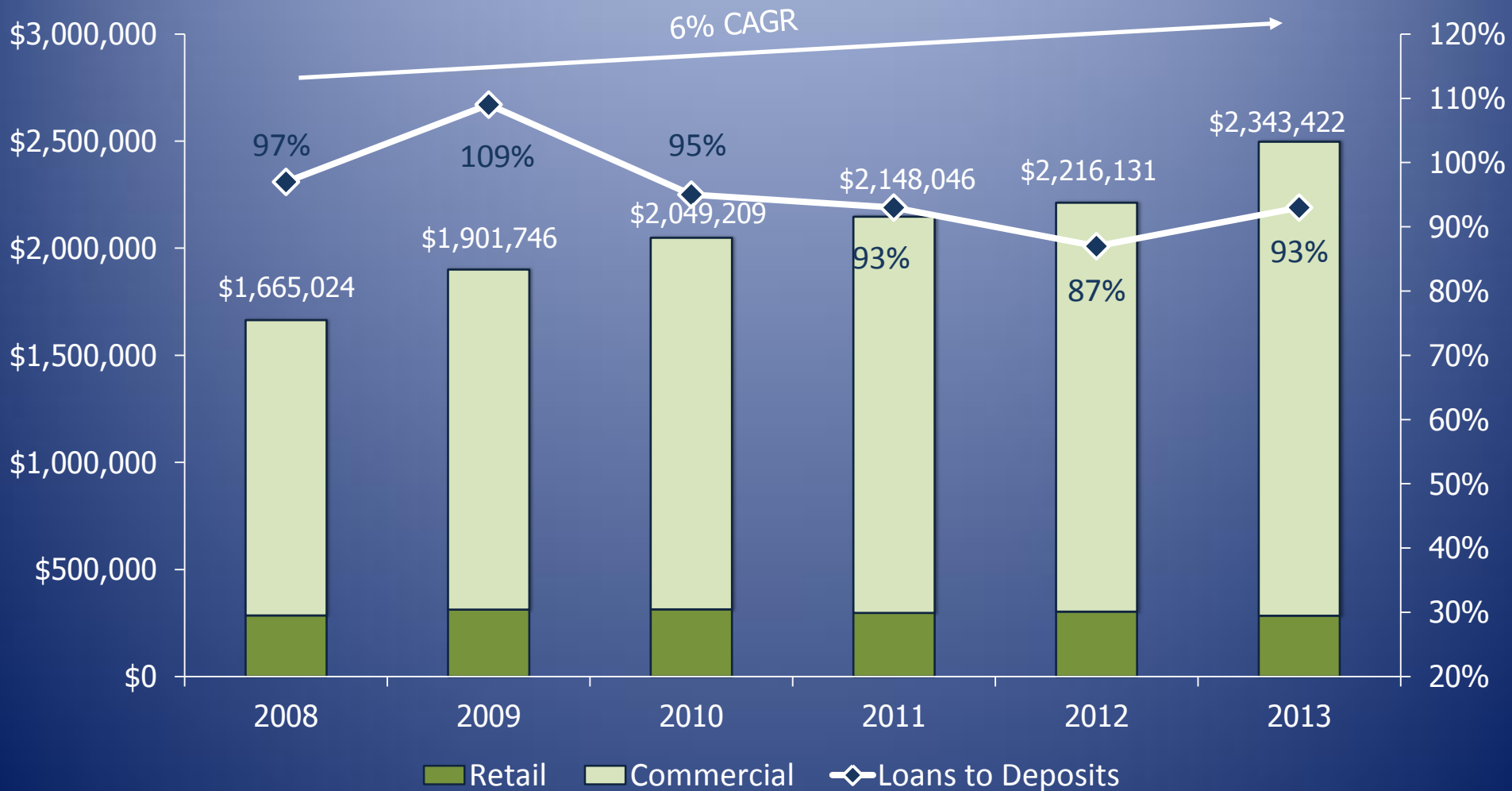
2013 Net Income Growth 10%
2013 Diluted EPS Growth 8%

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



Average Loans

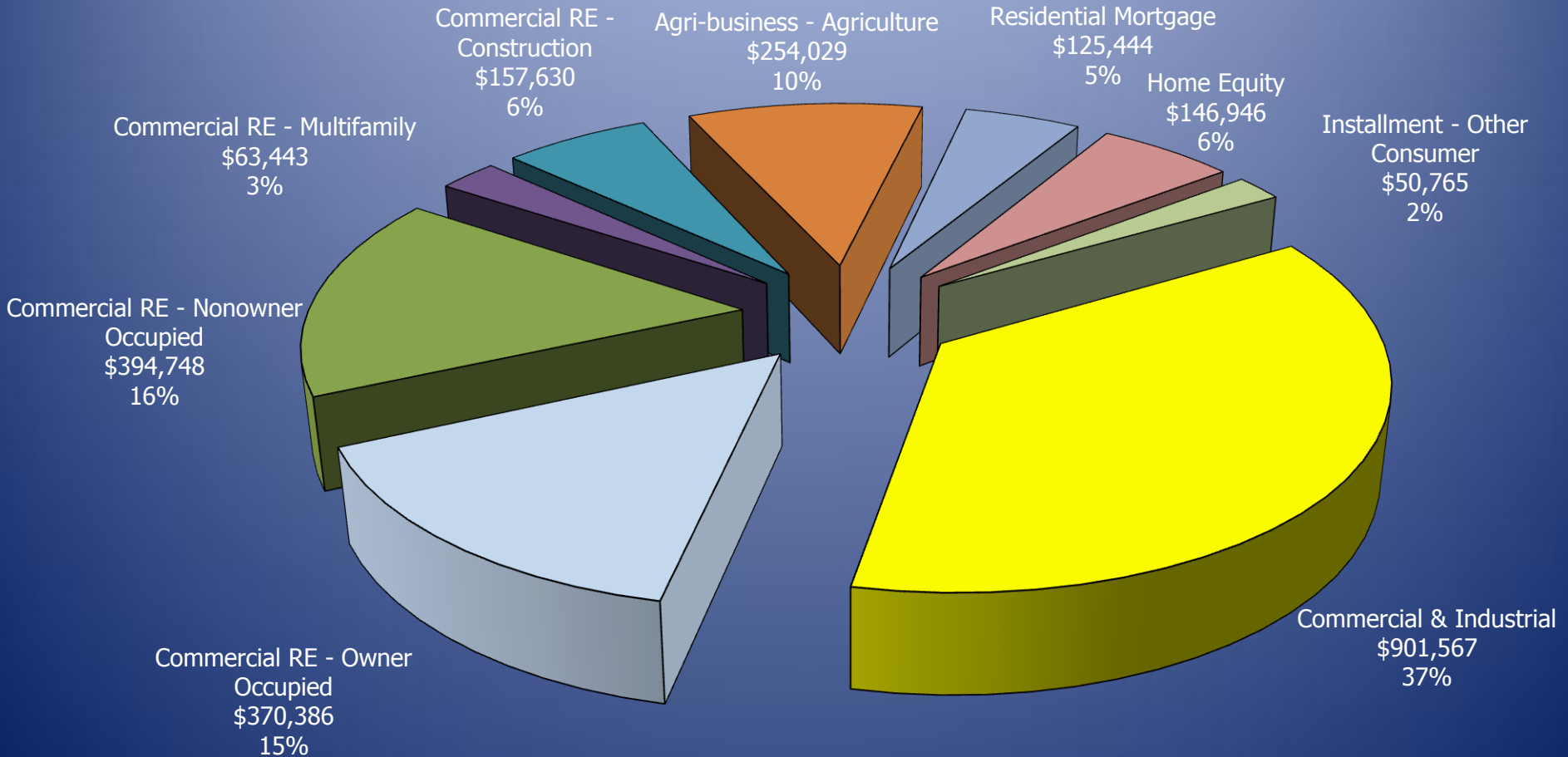
Commercial Emphasis Drive Growth





Loan Breakdown

C & I Drives Lending Business

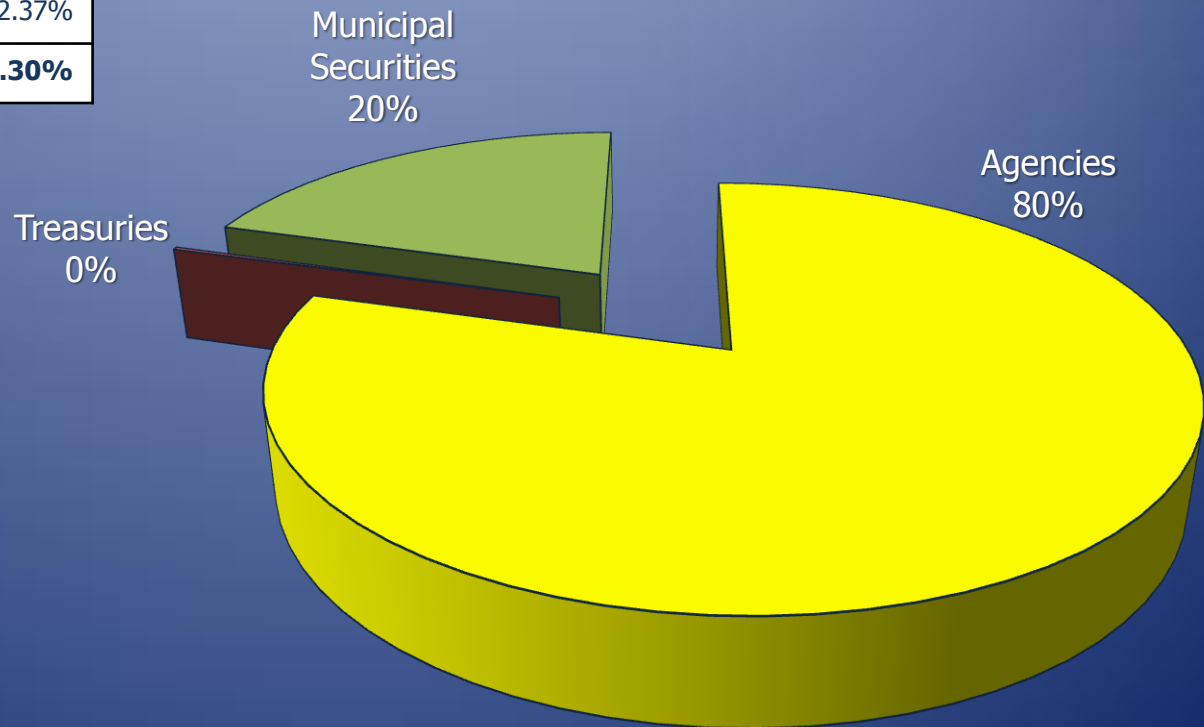


As of December 31, 2013



Investment Portfolio

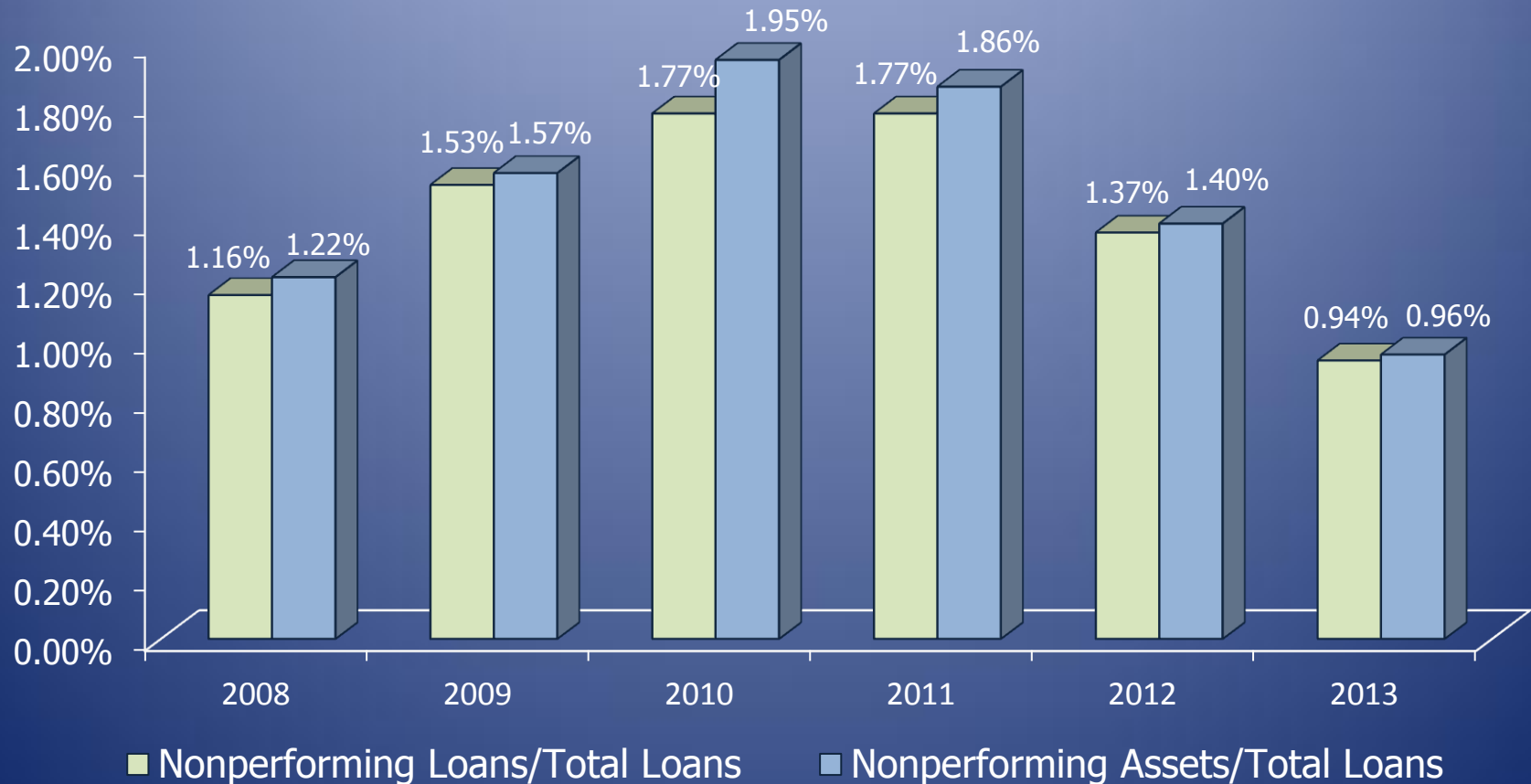
	December 31, 2013	
Security Type	Weighted Average Life	Tax Equivalent Yield
Agencies	4.50	2.66%
Municipal	5.75	4.66%
Treasuries	0.75	2.37%
Total	4.75	3.30%





Asset Quality

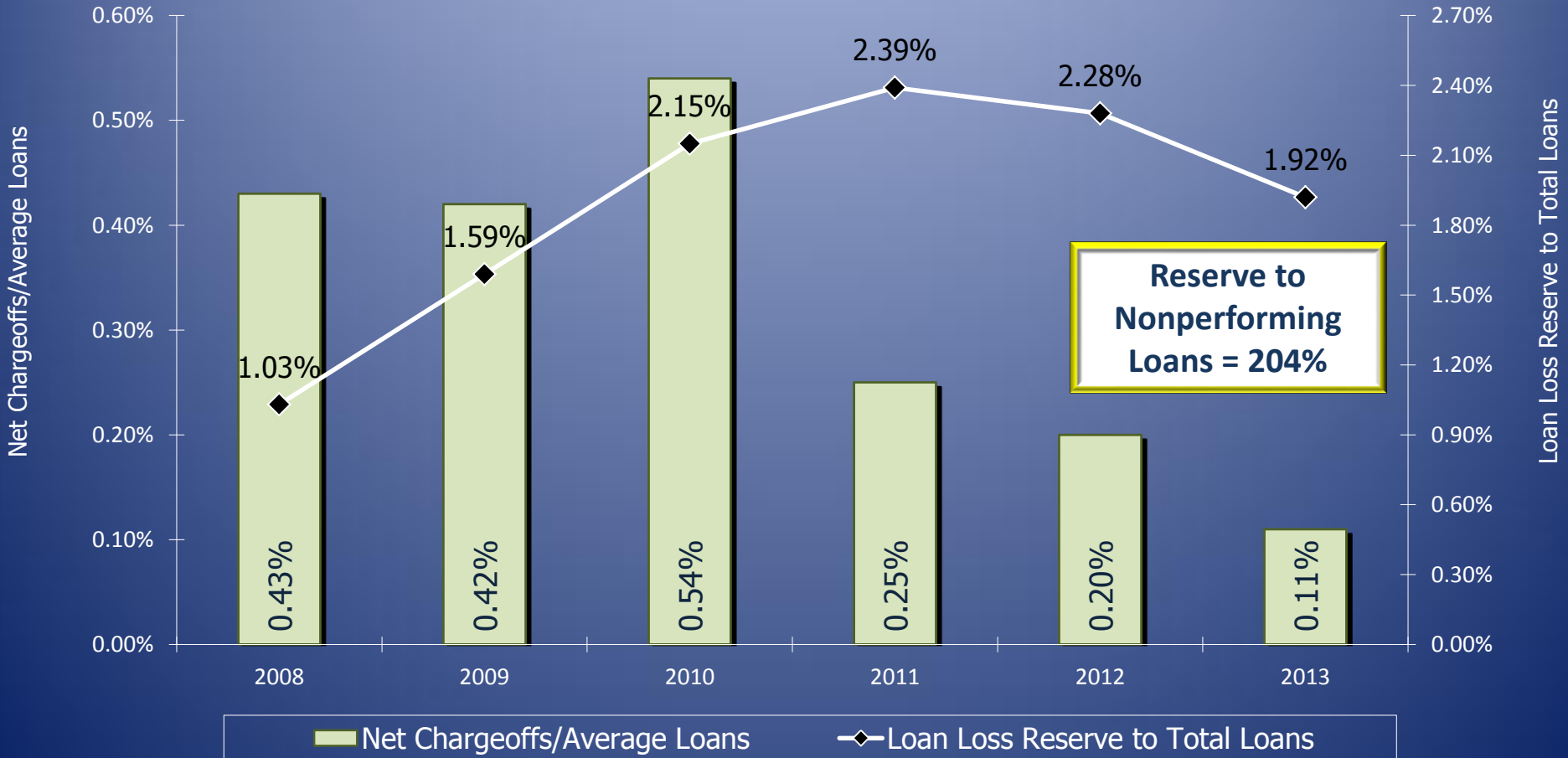
Nonperforming Levels Continue to Improve





Asset Quality

Strong Reserve Coverage

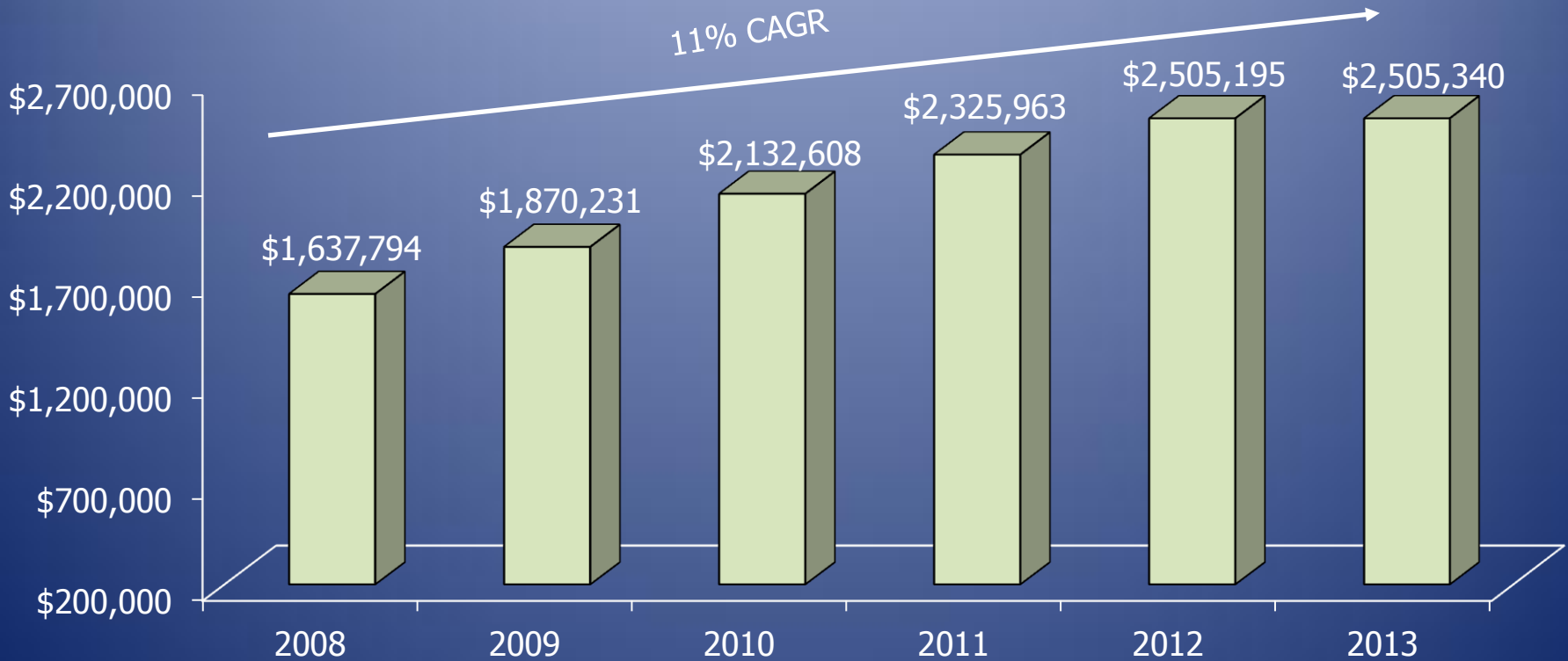




Average Deposits

Improves Funding Mix

Deposits = 99% of Funding
vs. 87% in 2009



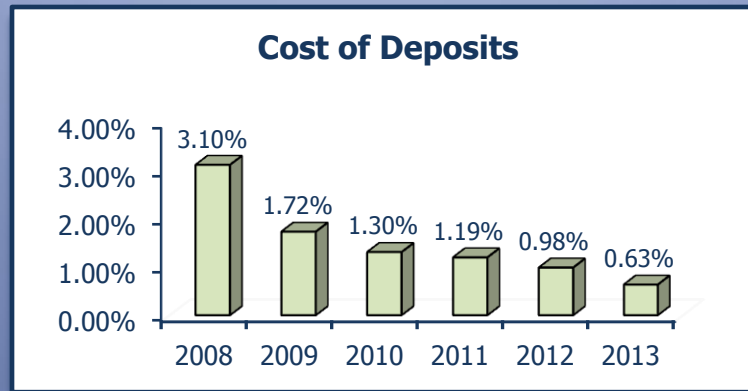
2013 Growth 0%



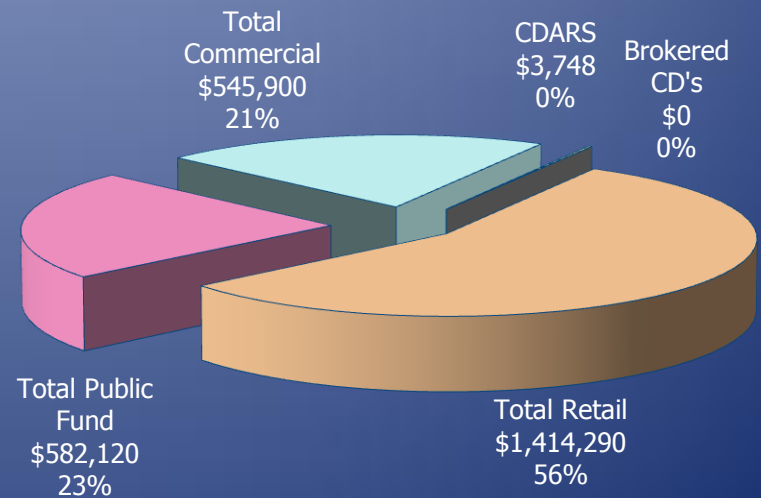
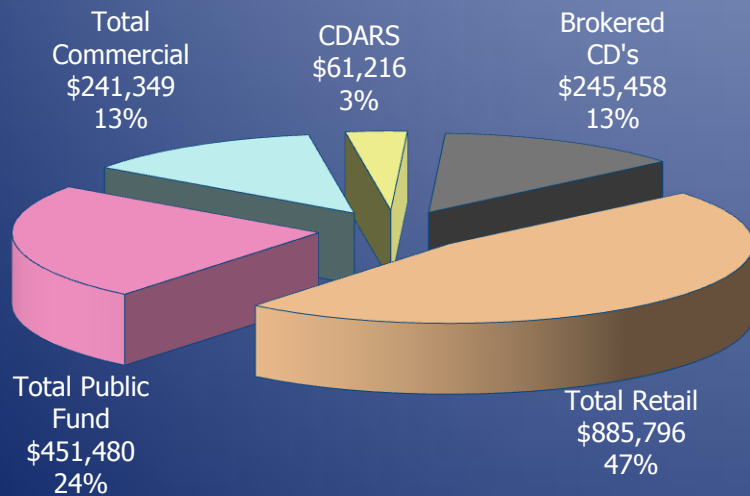
Deposit Breakdown

Retail Strategy Key to Deposit Growth

Pre-Liquidity Strategy
December 31, 2008



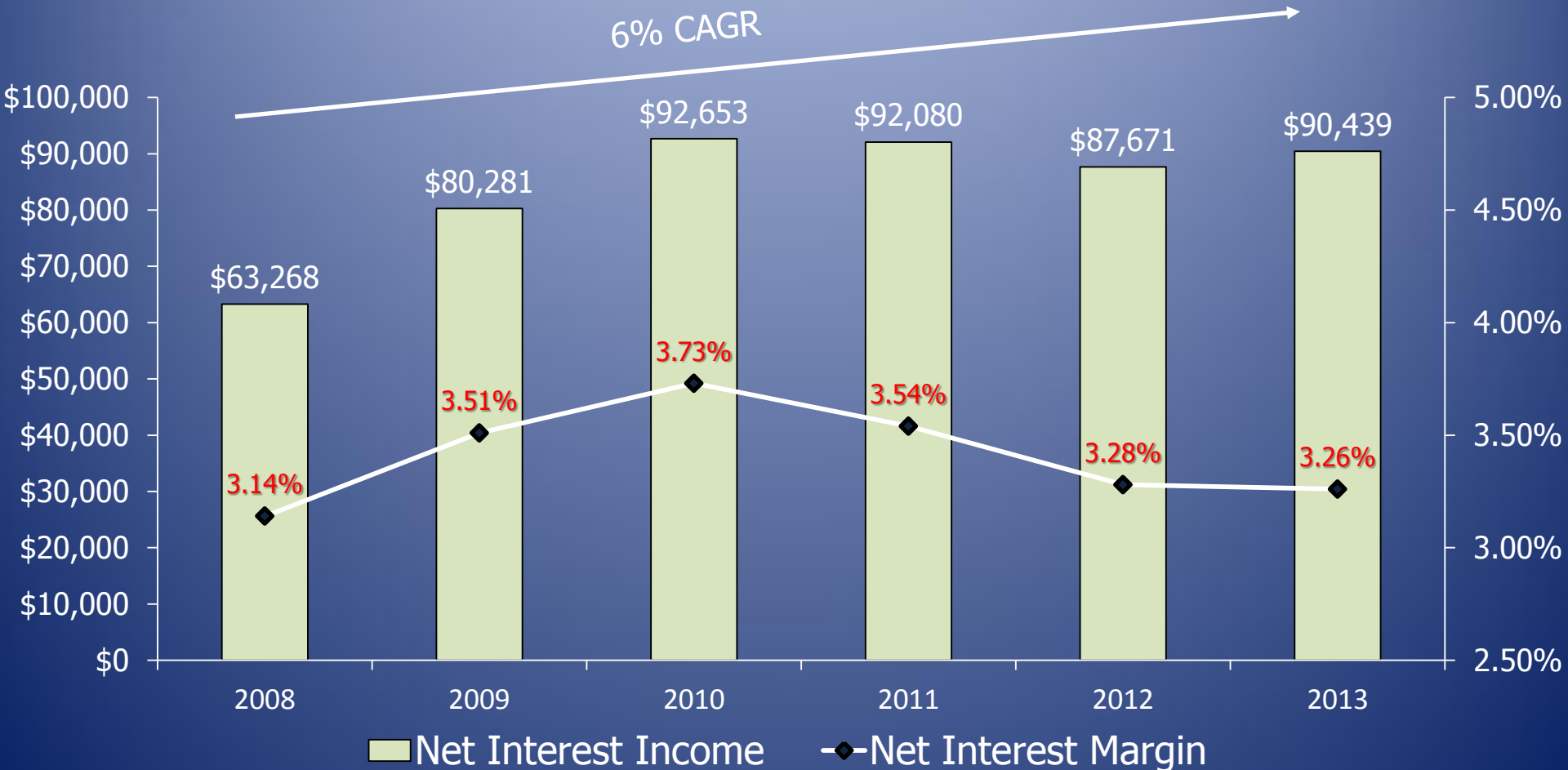
December 31, 2013





Net Interest Income

Margin Improved Each Quarter in 2013





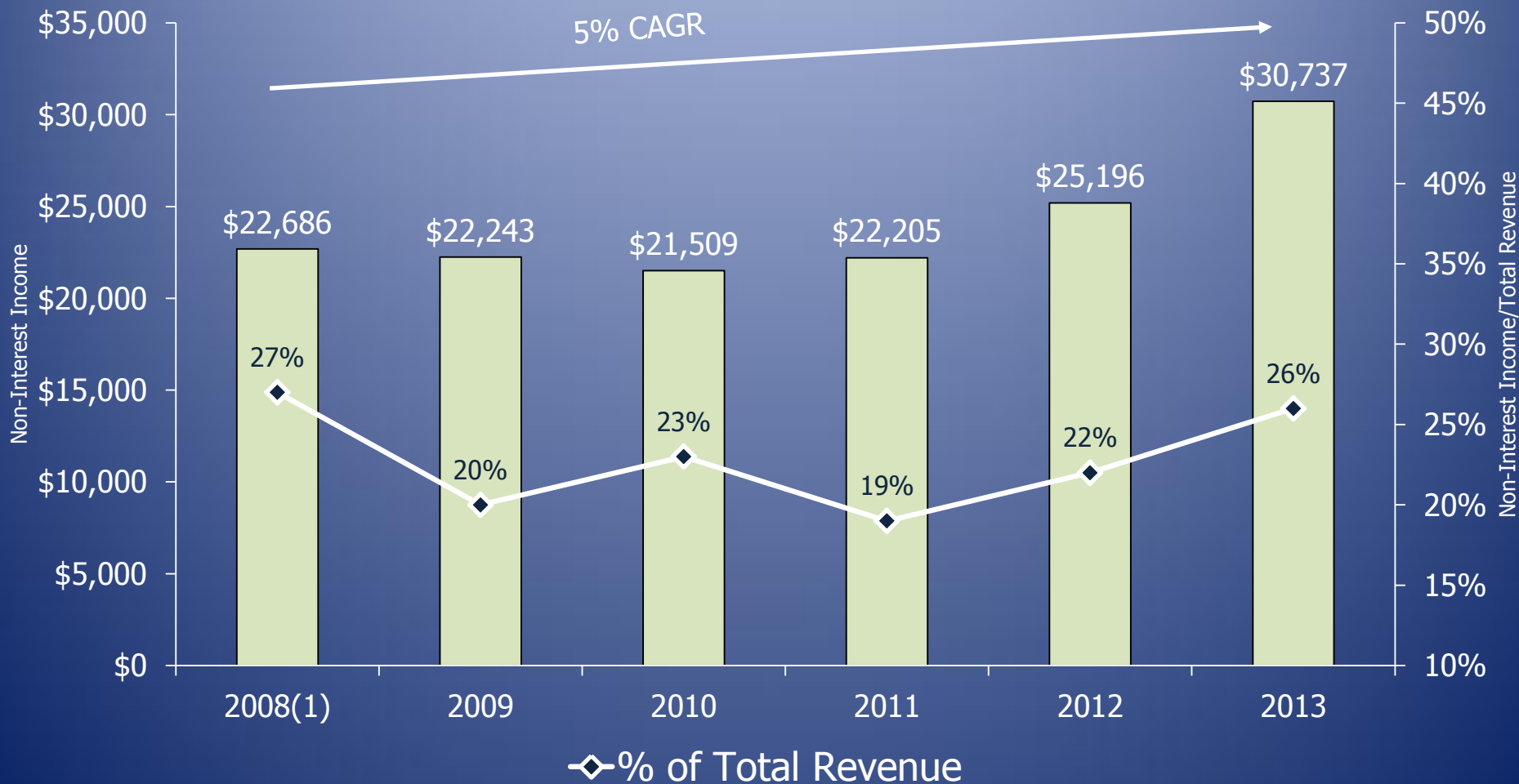
Impact of Rising Rates

- **89% of loan portfolio is commercial**
- **65% of commercial loans are variable rate – mostly Prime and LIBOR based**
 - **Floors with average rate of 3.77% exist on 54% 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

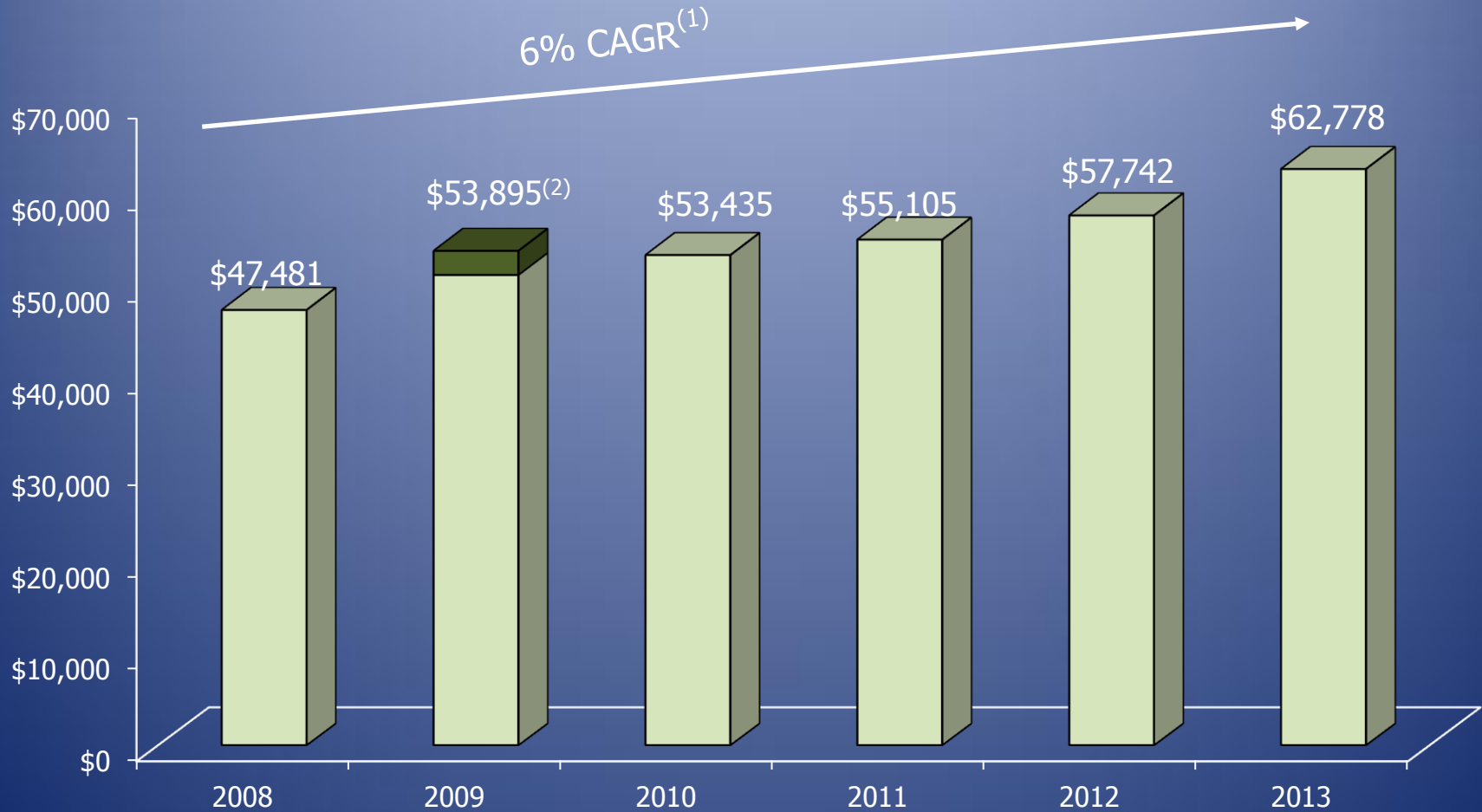


(1) Excluding gain on redemption of VISA shares in 2008.



Non-Interest Expense

Historical Cost Control is Part of Culture



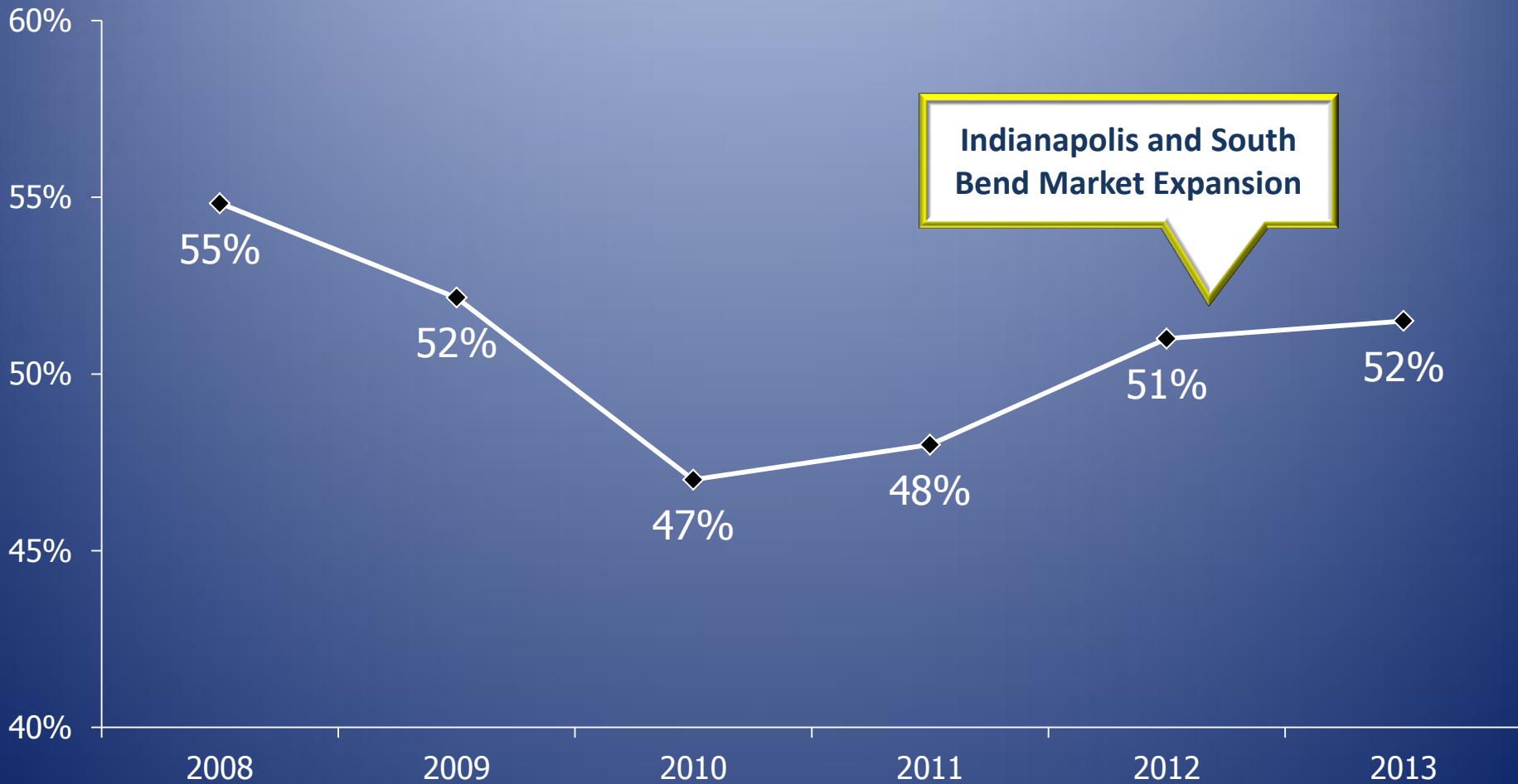
2013 Growth 8%

(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



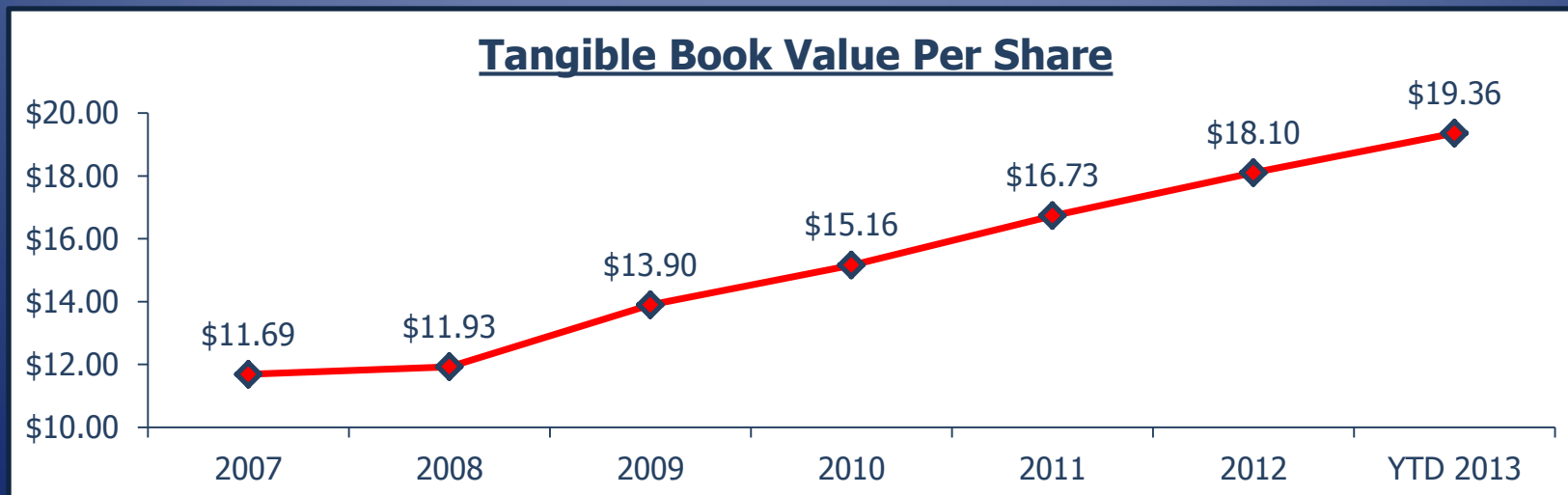
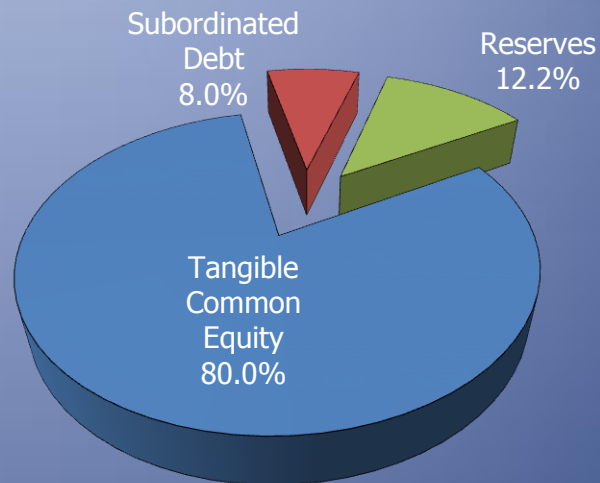
Note - Split Adjusted
- Paid Dividends

2013 Growth 12%



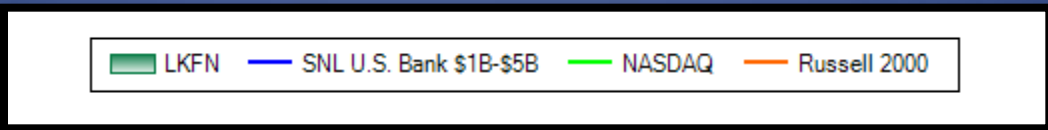
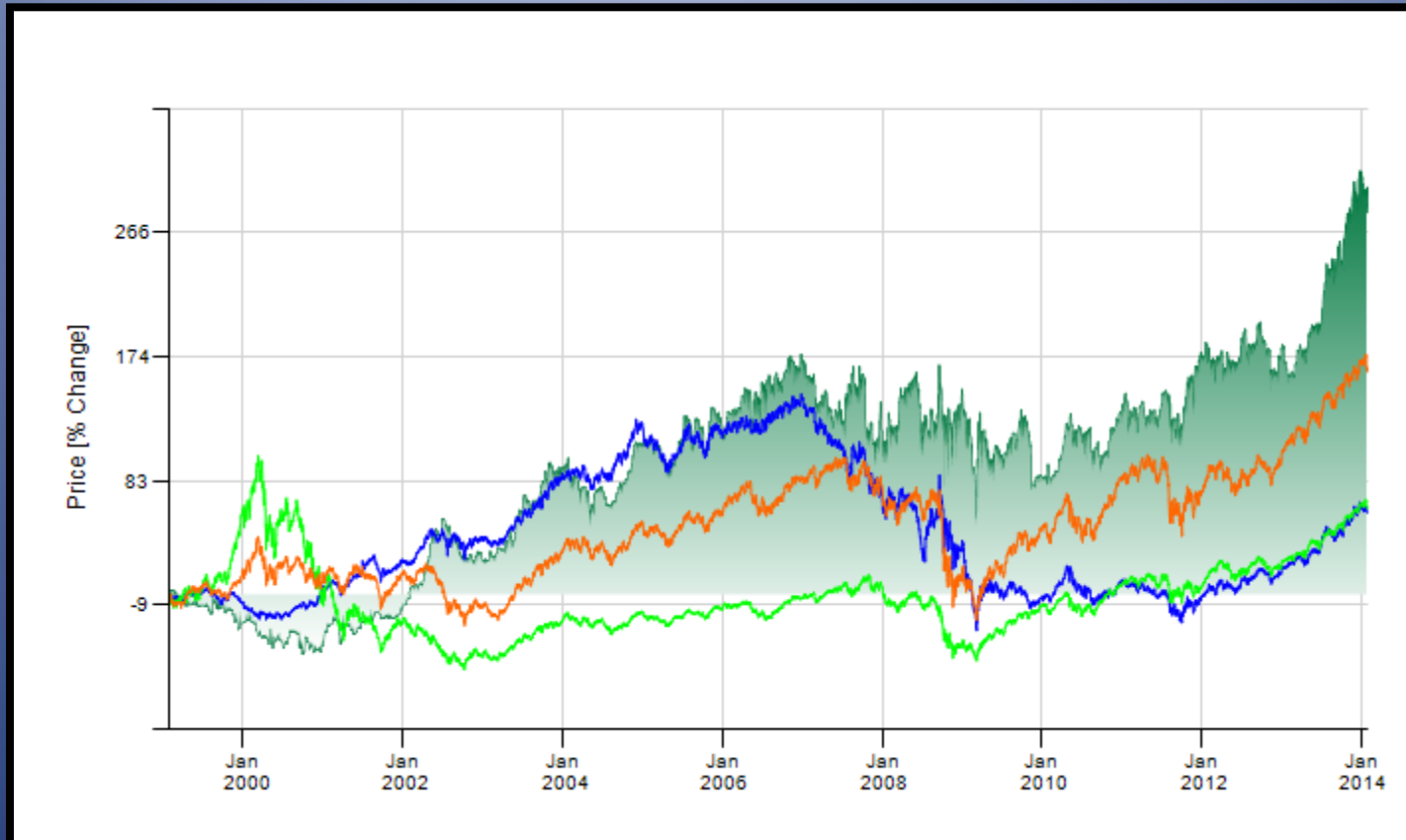
Strong Capital Structure

Key Ratios and Per Share Data As of December 31, 2013	
TCE /Tangible Assets	10.05%
Tier 1 Common Risk-Based	11.88%
Total Risk-Based	14.25%
Leverage	11.25%
Book Value	\$19.54
Tangible Book Value	\$19.36





LKFN Performance





Investment Highlights

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