

# Lakeland Financial Corporation

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

3<sup>rd</sup> Quarter 2020



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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.

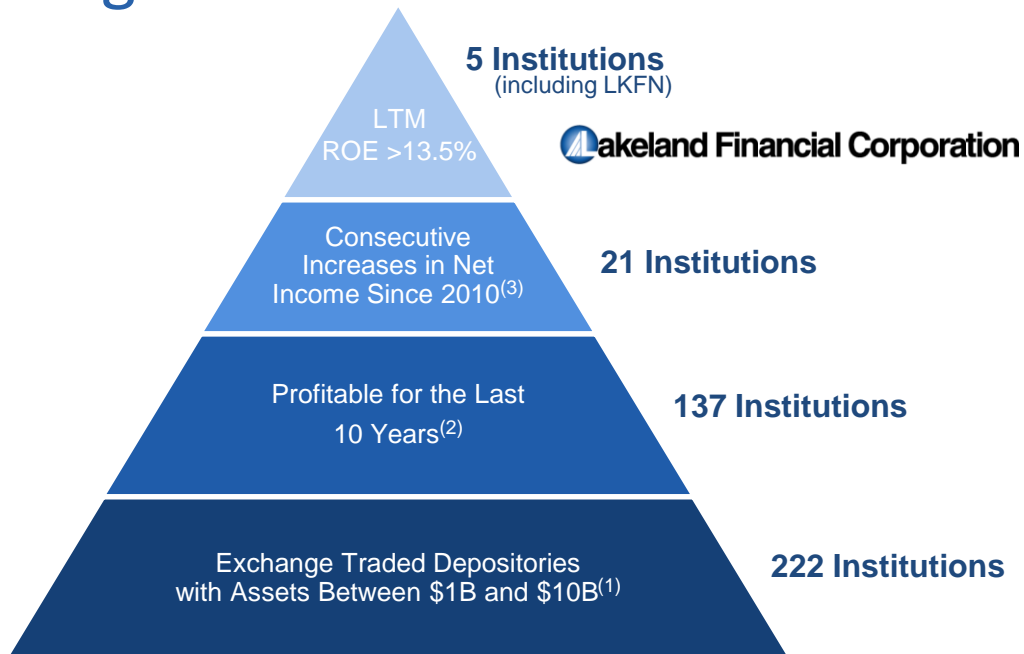
Factors that could have a material adverse effect on the Company’s financial condition, results of operations and future prospects can be found in the “Risk Factors” section of the prospectus included in the Registration Statement on Form S-1 filed on October 26, 2009, as amended under Item 1A “Risk 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.

# TOP 25 BANKS

Rank	Company Name	Ticker	State	Total Assets (\$millions)	Profitability				Capital Adequacy			Asset Quality			Final Score
					Core ROAA (%)	ROA Rank	Core ROAE (%)	ROE Rank	Tang Common Equity/ Tang Assets (%)	TCE Rank	NPAs/ Loans & REO (%)	NPA Rank	NCOs/ Avg Loans (%)	NCOs Rank	
1	RBB Bancorp	RBB	CA	1,691	1.84	4	12.99	23	14.09	10	0.21	18	-0.05	16	54.0
2	Bank of the Ozarks	OZRK	AR	21,276	1.92	3	12.06	40	13.38	13	0.24	23	0.07	132	133.5
3	Live Oak Bancshares	LOB	NC	2,758	2.11	1	15.66	8	15.71	3	0.33	35	0.21	227	143.0
4	Lakeland Financial Corp.	LKFN	IN	4,683	1.38	29	13.63	14	9.91	77	0.32	33	-0.01	32	152.5
5	Eagle Bancorp	EGBN	MD	7,479	1.61	11	12.60	30	11.45	34	0.42	59	0.06	108	158.5
6	Sterling Bancorp	SBT	MI	2,962	1.56	16	20.39	2	9.20	136	0.13	11	-0.04	22	170.5
7	FCB Financial Holdings	FCB	FL	10,677	1.40	24	12.43	34	10.33	67	0.34	37	0.00	56	171.5



# Long Term Success for Shareholders



Source: S&P Global Market Intelligence. Financial data is as of June 30, 2020.

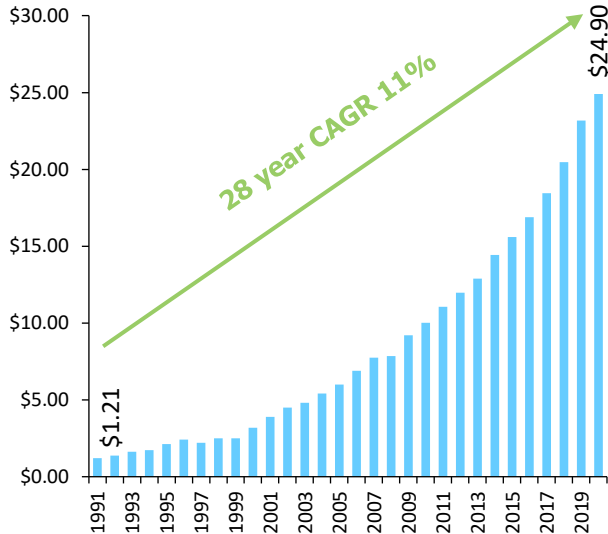
(1) Includes banks and thrifts traded on the NYSE, NYSEAM or NASDAQ as of 10/1/20; excludes merger targets.

(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, 2010 through December 31, 2019). Net income before extraordinary items is defined by S&P Global Market Intelligence as GAAP net income, after taxes, minority interest, and other after tax items, but before any extraordinary items. Excludes any revaluation of net deferred tax assets due to tax reform per S&P Global Market Intelligence.

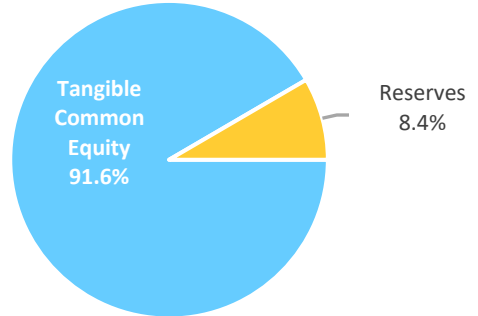
(3) Defined as consecutive increases in net income before extraordinary items for each of the years ending December 31, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019. Excludes any revaluation of net deferred tax assets due to tax reform per S&P Global Market Intelligence.

# Strong Capital Structure

Tangible Book Value<sup>(1)</sup> Per Share



<sup>(1)</sup>compounded annual growth rate computed from 1991-2019



**Key Ratios and Per Share Data as of September 30, 2020**

TCE/Tangible Assets	11.41%
Total Risk-Based	14.90%
Leverage	11.07%
Book Value	\$25.05
Tangible Book Value	\$24.90

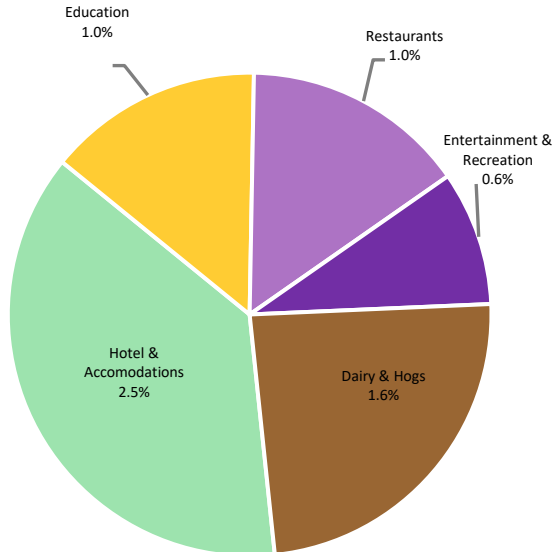
# COVID-19 Crisis Management

- Active Credit Risk Management
- COVID-19 Related Loan Deferrals
- Paycheck Protection Program
- Liquidity Preparedness
- Current Expected Loss (CECL) Standard Update

# Active Credit Risk Management

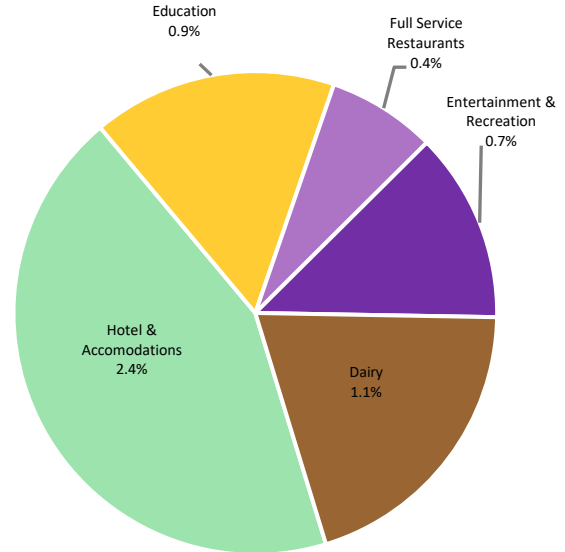
Ongoing Assessment of Potential Risk Sectors - COVID-19

**June 30, 2020**



6.6% of Loan Portfolio  
\$261 million  
(excludes PPP Loans)

**September 30, 2020**



5.7% of Loan Portfolio  
\$228 million  
(excludes PPP Loans)



# COVID-19 Related Loan Deferrals

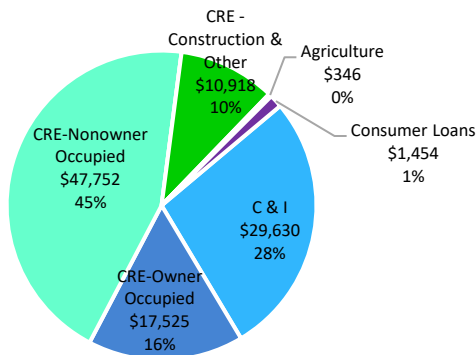
## COVID-19 Loan Deferrals as of October 21, 2020

Type of Loan	# of Borrowers	Loans (000's)	% of Total Loan Portfolio
Commercial	37	\$107,626	3%
Consumer	26	2,840	1%
<b>Total</b>	<b>63</b>	<b>\$110,465</b>	<b>2%</b>

## Credit Risk Management Efforts

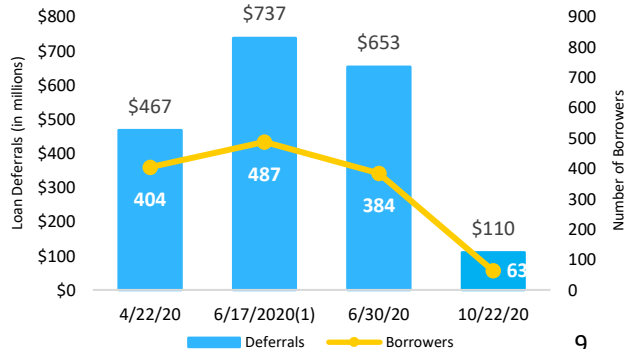
- All COVID-19 related loan deferrals remain on accrual status, each deferral is evaluated individually and management has determined that all contractual cash flows are collectible at this time
- Ongoing scrutiny of potential risk sector clients and other emerging situations

## Commercial Deferrals by Loan Type



\$108 million Commercial Deferrals

## COVID-19 Loan Deferrals



(1) Deferral balances peaked on June 17, 2020

# Paycheck Protection Program

Significant Positive Impact to Borrowers

## PPP Loans Outstanding as of October 22, 2020

(000's)				
Size of Loan	Number	% to Total	\$ of Loans	% to Total
\$50 or less	1,236	51%	\$ 24,264	4%
\$51 to \$150	560	23%	51,090	9%
\$151 to \$250	190	8%	36,741	7%
\$251 to \$1,000	288	12%	136,608	25%
Greater than \$1 million	135	6%	308,969	55%
<b>Total</b>	<b>2,409</b>	<b>100%</b>	<b>\$557,672</b>	<b>100%</b>

## PPP Highlights

### PPP Loans through October 22, 2020:

- 2,409 Loans
- \$558 million
- Average loans size of \$231,000

### Forgiveness Process Update:

- Fintech portal opened on August 27, 2020
- 36 PPP forgiveness applications submitted to SBA as of 10/22/20 representing 9% of total PPP loan balances

# Liquidity Preparedness

- Overall utilization of credit lines was 41% as of September 30, 2020 down from 48% as of March 31, 2020 and 46% at December 31, 2019
- Expansion of funding sources has provided additional liquidity
- Liquidity availability of \$2.7 billion consists of access to:
  - FHLB Indianapolis
  - FRB Discount Window
  - FRB PPP Lending Facility
  - Brokered Deposits
  - Promontory Insured Cash Sweep – one way buy
  - Federal Funds Lines

# Current Expected Credit Loss (CECL) Standard Update

- Adoption anticipated during the fourth quarter of 2020
- CECL Day 1 impact is estimated to result in a \$7.7 million increase to the allowance for credit losses, with an offset net of taxes to stockholders' equity
- Cumulative 2020 difference in provision expense between the incurred and CECL methods will be recorded during the fourth quarter of 2020

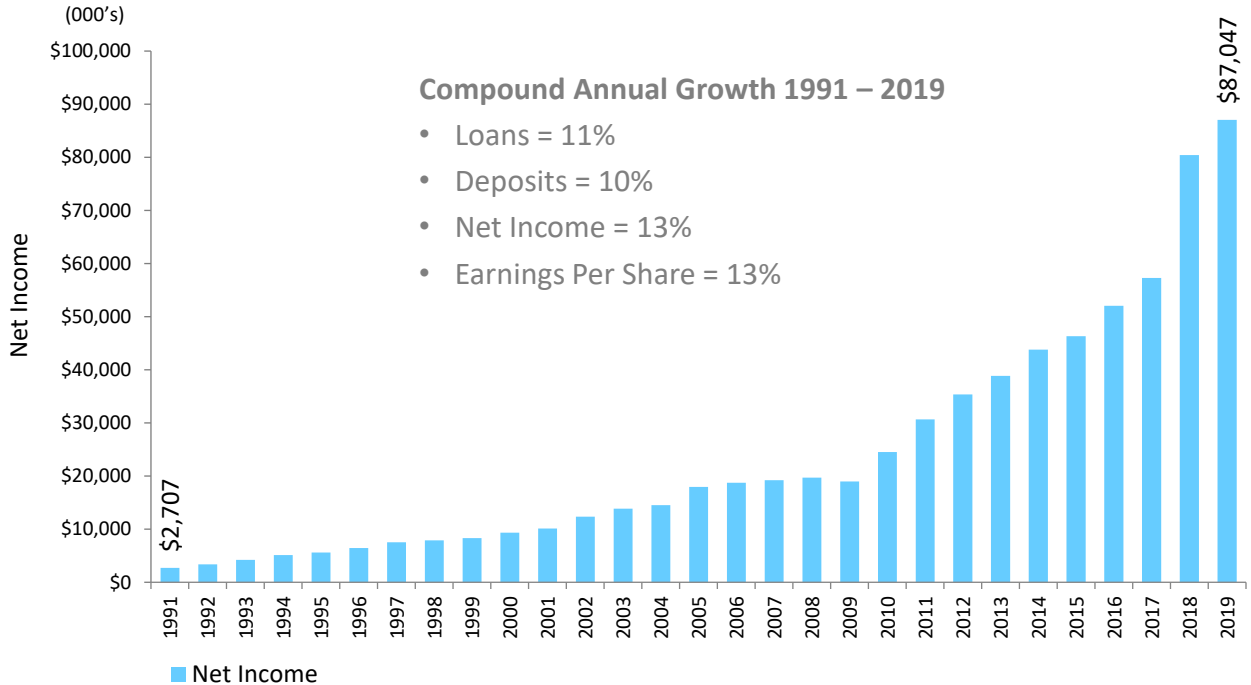
# Lake City Bank Today

- A long-term and consistent organic growth story
- Headquartered in Warsaw, Indiana
- 50 branch offices - \$5.6 billion banking assets - \$2.1 billion trust and investment assets
- Focused on execution – “blocking and tackling”
- Continued growth potential



# A Quarter Century of Organic Growth

Record Net Income for 30 of 31 Years

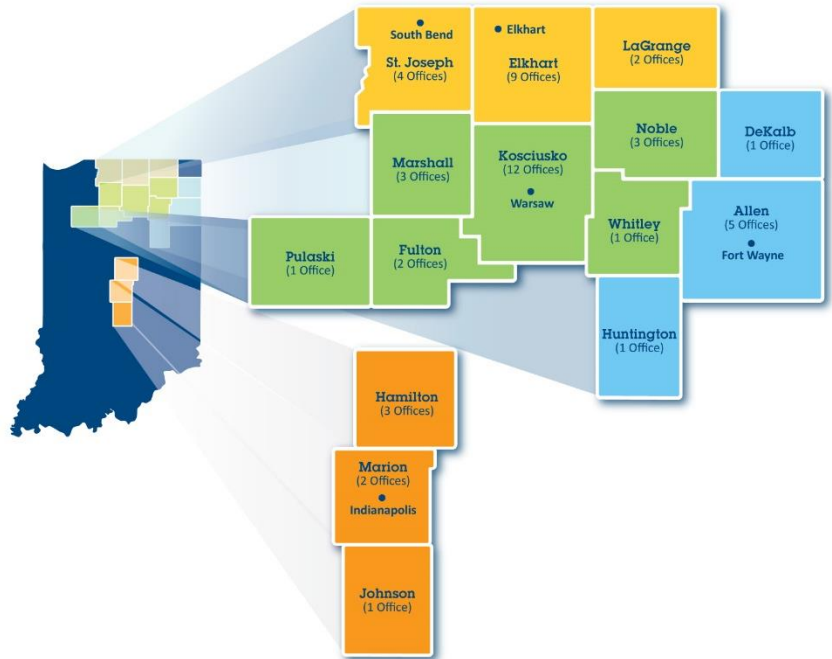


# Established Market Presence

Organic Growth Potential in Mature and Developing Markets

## Market Data

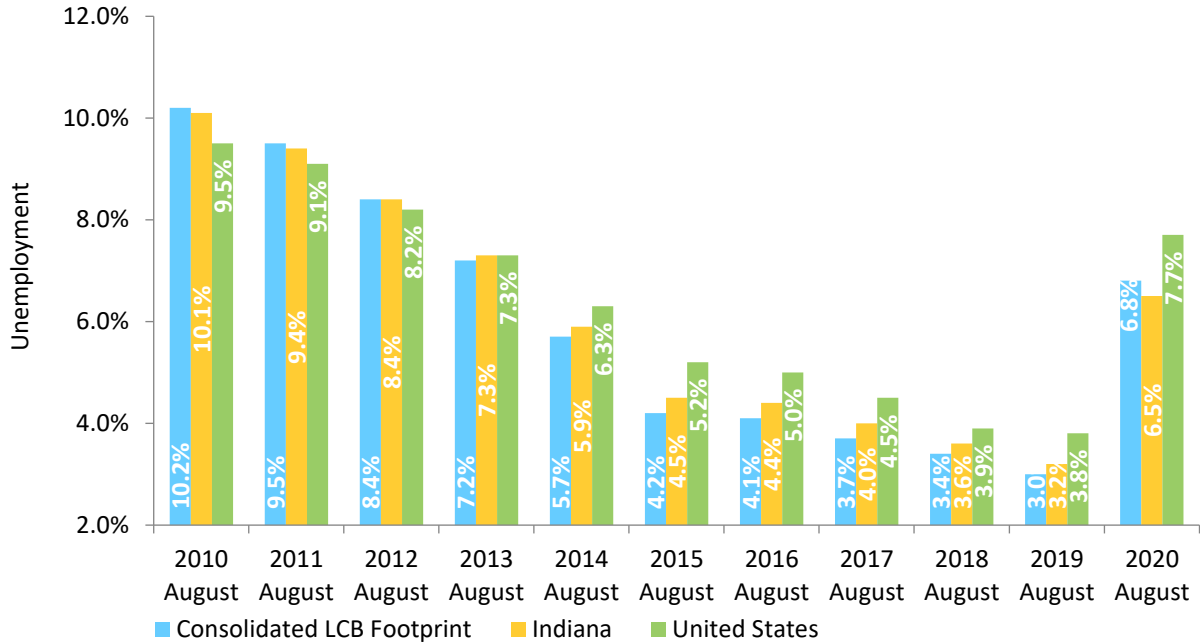
Warsaw – 1872 22 offices
Elkhart – 1990 11 offices
South Bend – 1997 4 offices
Fort Wayne – 1999 7 offices
Indianapolis – 2011 6 offices



Opening Date of First Office in Market

# Strong Regional and Statewide Economy

## 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
- We live where we lend
- Face to face calling matters and is a team effort
- We understand our client needs
- Deep organizational structure provides credit and administrative support
- We cross-sell aggressively by leveraging technology

## Commercial Banking Focus

# Credit Process

- We are in-market lender to in-market clients
- Character matters – we lend to people first
- Our credit discipline has never changed
- We focus on management/cash flow
- We have a centralized committee structure
- Structure is important
- Orientation towards owner-occupied and well structured nonowner occupied real estate

# High Quality Team Members

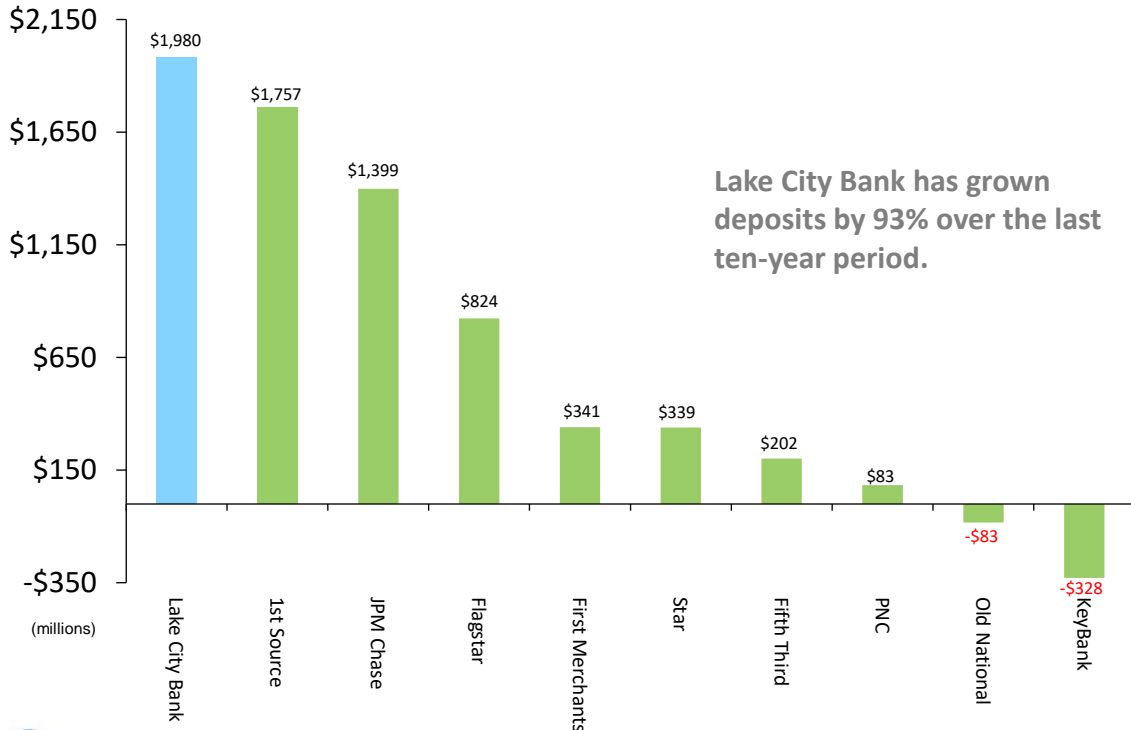
## Lake City Bank Culture

- Our culture is our greatest asset and we will preserve it
- Lake City University drives our culture
- Our community involvement is real and critical to our strategy
- Our culture has not been diluted by acquisition



## Organic Growth 2010 - 2020

# Mature<sup>1</sup> Market Deposit Performance

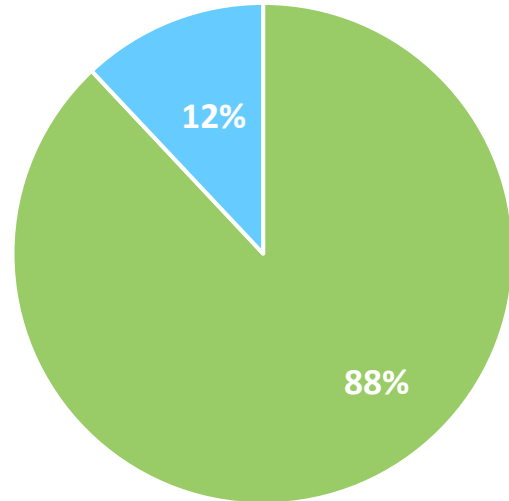


# Organic Growth

## Indianapolis Market Opportunity

Indianapolis Market Banks	Share of Market
1. JPM Chase	22%
2. PNC	14%
3. Fifth Third	9%
4. Huntington National	7%
5. First Internet Bank	7%
6. BMO Harris	7%
7. KeyBank	6%
8. Bank of America	6%
9. Merchants Bank	5%
10. National Bank of Indy	4%
16. Lake City Bank	1%

### Deposit Market Share



■ Out of State ■ In State

- Marion, Hamilton and Johnson Counties as of 6/30/20; Source: FDIC Statistics

# A Strong Environment for Growth and Expansion

- #1 manufacturing state in the country<sup>(1)</sup>
- CNBC named Indiana as #1 state for infrastructure
- K-12 funding increased \$1 billion since 2017
- Net population in-migration in 2019
- Economic expansion of 1.25% in 2019<sup>(2)</sup>

(1) Based on per capita population

(2) Indiana University study

## Core Deposit Funding

# Core Deposits Fund Organic Loan Growth

- Focus on core deposit growth in retail, commercial and public funds
- Commercial deposit growth over 5 years = 18% CAGR
- Capitalize on market disruption in our footprint to grow deposits
- Emphasize checking account relationship products and flexible solutions
- Leverage demographic and lifestyle data
- Omni channel media campaign is evolving



## Commitment to Technology and Cyber Risk Management

# Innovative and Competitive Technology is a Focus

- Technology partnership with FIS is strong – User Planning Council and Strategic Planning Advisory Council
- Fintech partnerships play a growing role in our technology strategy with an emphasis on digital mobile and online solutions
- Mobile banking applications adoption accelerating in Retail and Commercial Banking
- Retail and Commercial platforms ensure competitive positioning
- Cybersecurity protection is a constant focus
- Data gathering and analysis playing an increasingly important role
- Branch strategies involve hardware and software innovations

## Mobile Adoption is Growing Rapidly

# Channel Utilization Over Three Year Horizon<sup>(1)</sup>

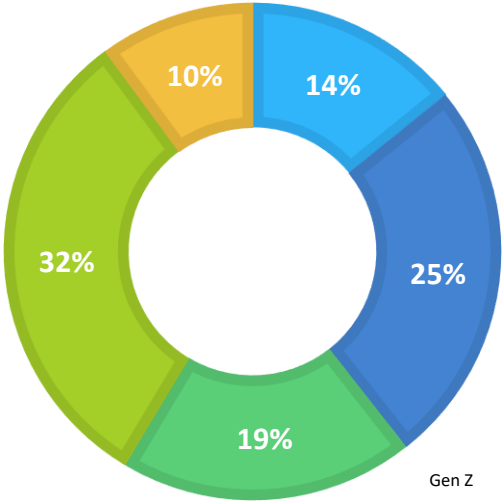
Channel Type	Total Transactions 2017	% of Total	Total Transactions 2020	% of Total	Three Year Change
Branch Transactions	2,439,894	21%	2,073,708	16%	(15)%
ATM/ITM	973,412	8%	891,756	7%	(8)%
Online Logins	4,729,525	41%	4,867,781	38%	3%
Mobile Logins	3,042,776	27%	4,716,618	37%	55%
Telephone Banking	288,068	3%	251,467	2%	(13)%
<b>Total</b>	<b>11,473,675</b>	<b>100%</b>	<b>12,801,330</b>	<b>100%</b>	<b>12%</b>

<sup>(1)</sup> Measurement period includes twelve months of data ending September 30, 2017 and September 30, 2020

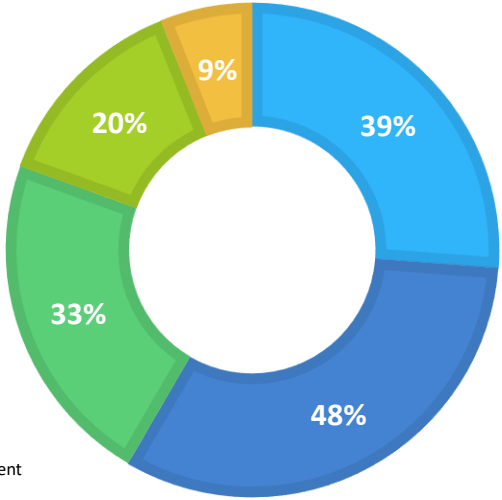
# Lake City Bank Mobile App Adoption by Age Demographic

## September 2020

### CUSTOMER BREAKDOWN



### MOBILE APP ADOPTION



- Gen Z
- Millennial
- Gen X
- Baby Boomer
- Senior

Gen Z	1996 – Current
Millennial	1977 – 1995
Gen X	1965 – 1976
Baby Boomer	1946 – 1964
Senior	1945 or before

Commitment to Technology and Cyber Risk Management

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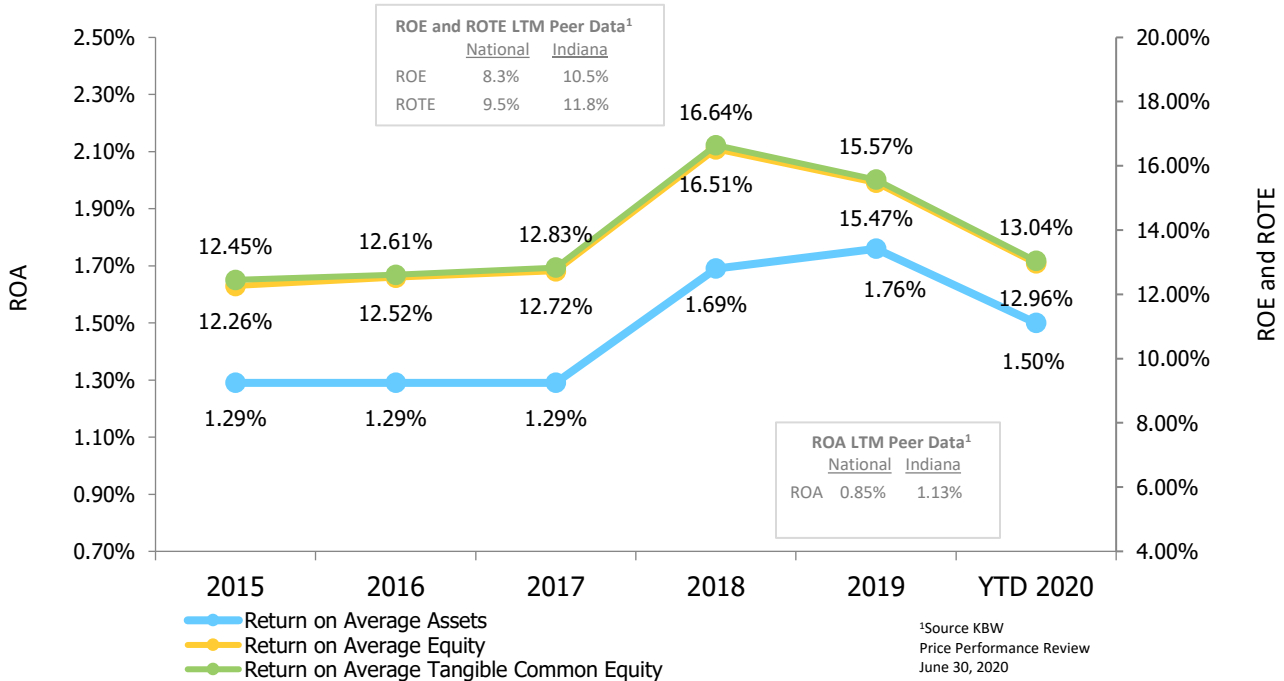
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# Financial Performance

# Income Performance Metrics

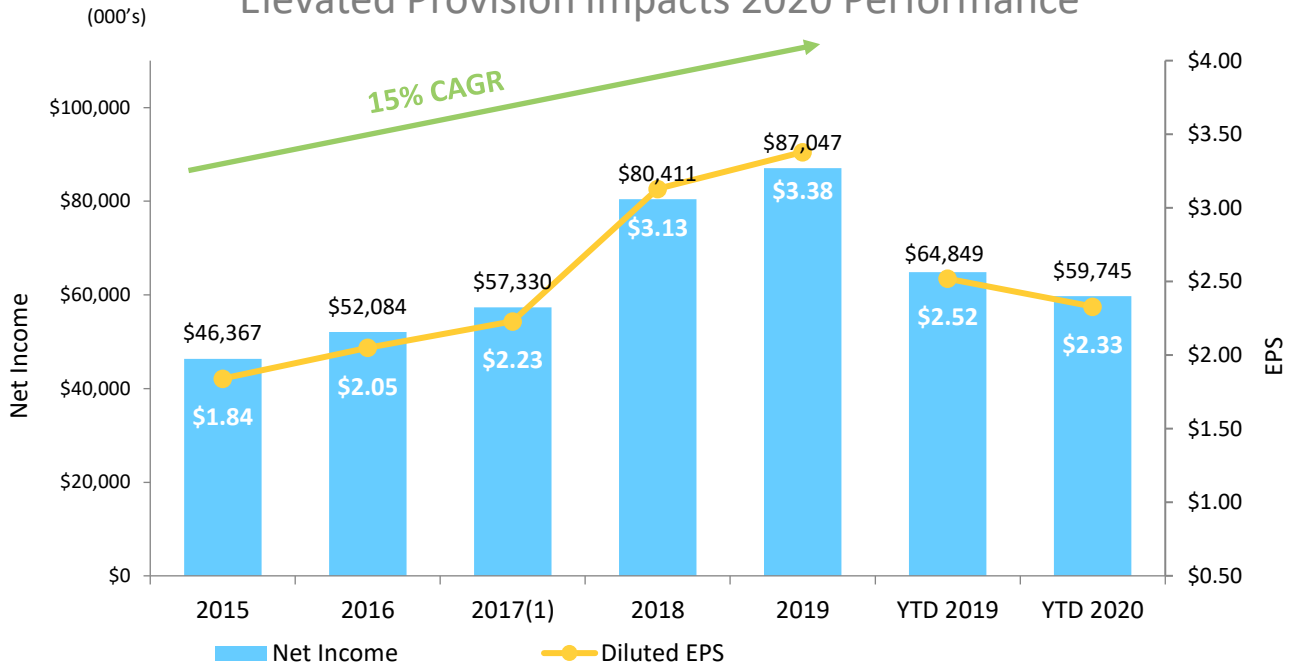
LKFN Performance Exceeds National and Indiana Peers



<sup>1</sup>Source KBW  
Price Performance Review  
June 30, 2020

# Net Income and EPS

Elevated Provision Impacts 2020 Performance

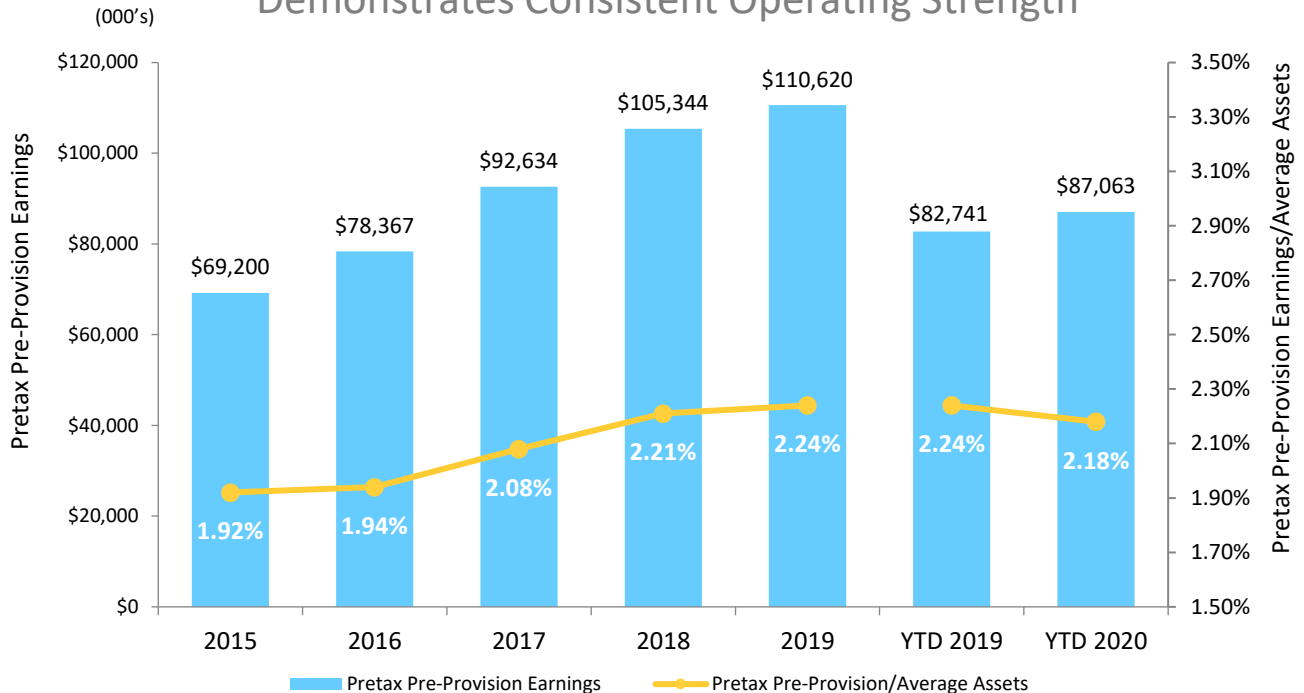


(1) Includes impact of tax reform of \$4.1 million income tax provision for 2017

2020 Net Income decline 8%  
2020 Diluted EPS decline 8%

# Pretax Pre-Provision Earnings

Demonstrates Consistent Operating Strength



2020 Pretax Pre-Provision Earnings YOY Growth 5%

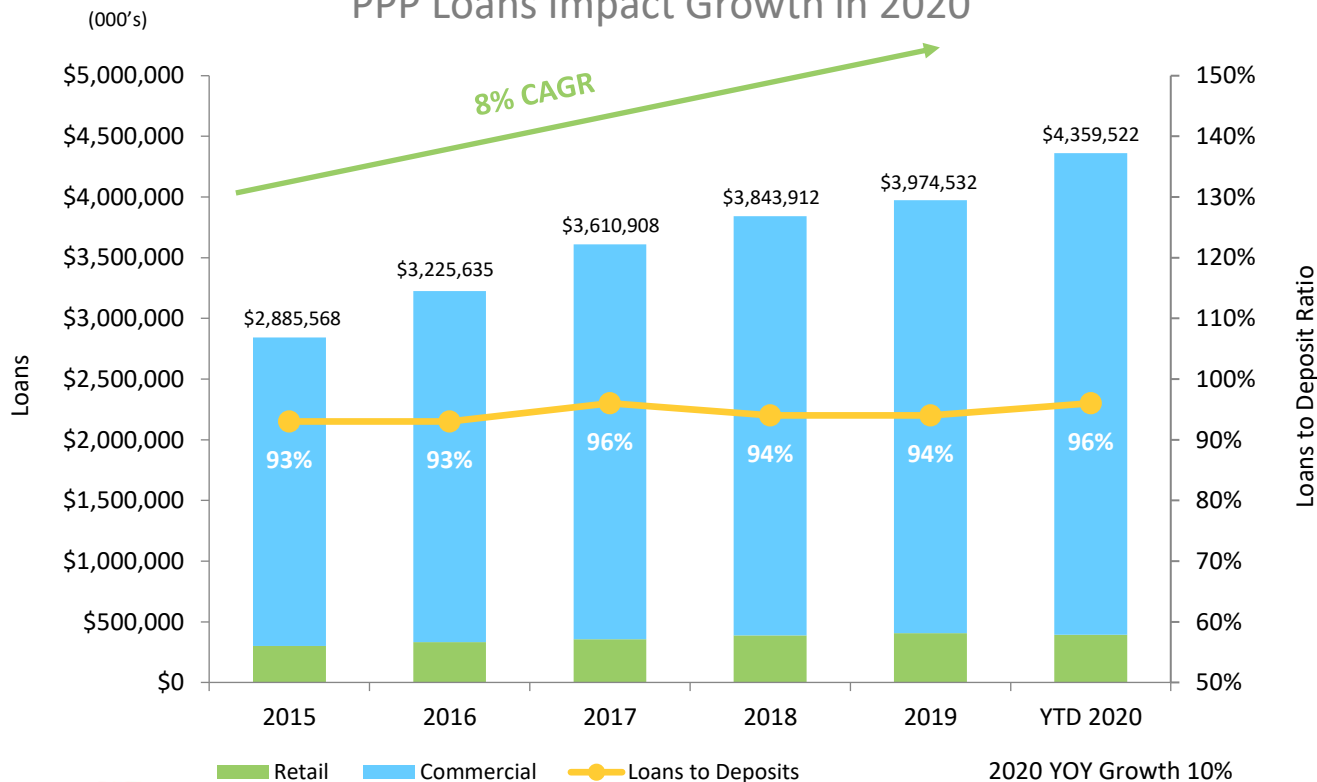


Note: Pretax Pre-Provision Earnings is a Non-GAAP financial measure. See "Reconciliation of Non-GAAP Financial Measures" in the Third Quarter 2020 Earnings Press Release and Form 8-K.



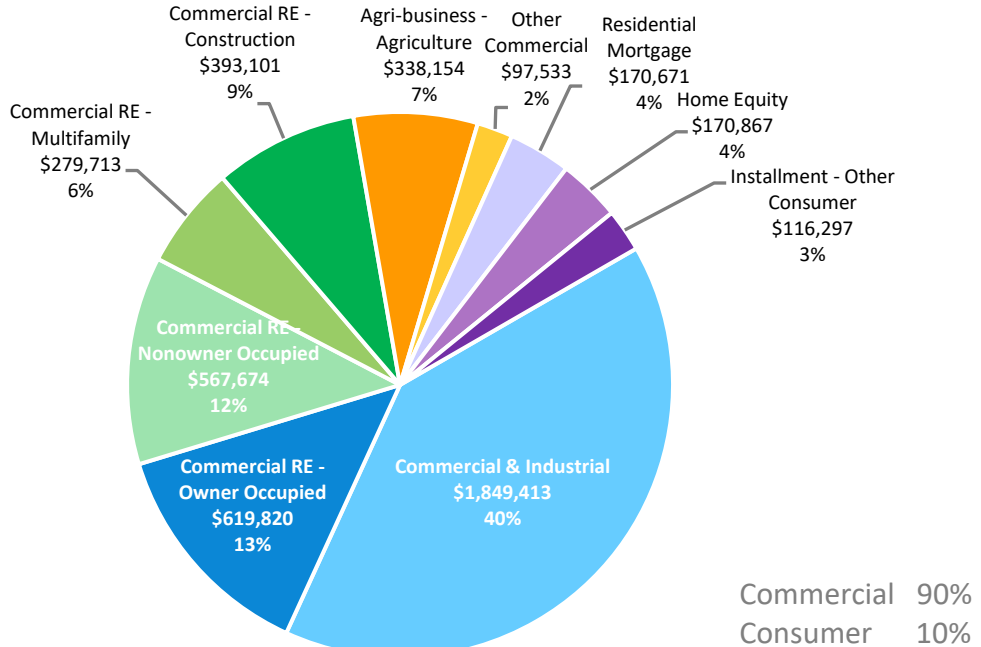
# Average Loans

PPP Loans Impact Growth in 2020



# Loan Breakdown

## C&I Drives Lending Business

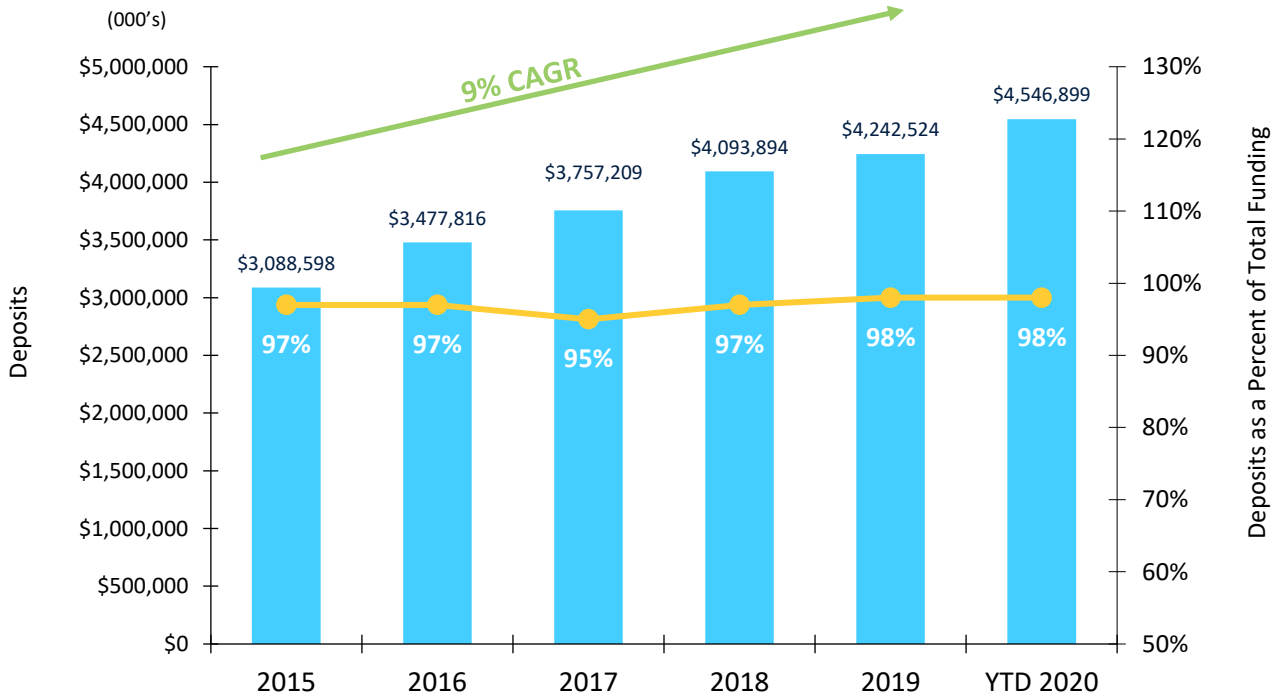


\$4.6 billion as of September 30, 2020

(000's)

# Average Deposits

Core Deposits Grow by 14% or \$572 Million Year-over-Year



2020 YOY Growth 8%

Average Deposits

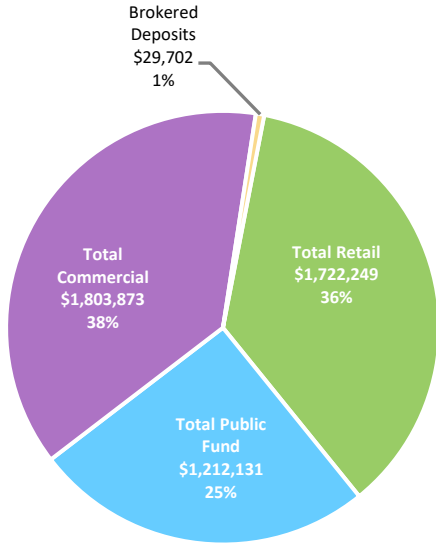
% of Funding



Note: Core Deposits are defined as total deposits less brokered deposits

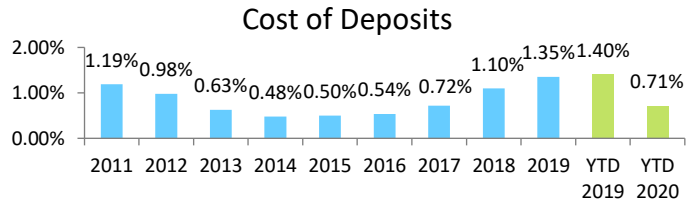
# Deposit Breakdown

Deposit Growth Key to Franchise Value



September 30, 2020  
Total Deposits - \$4.8 billion

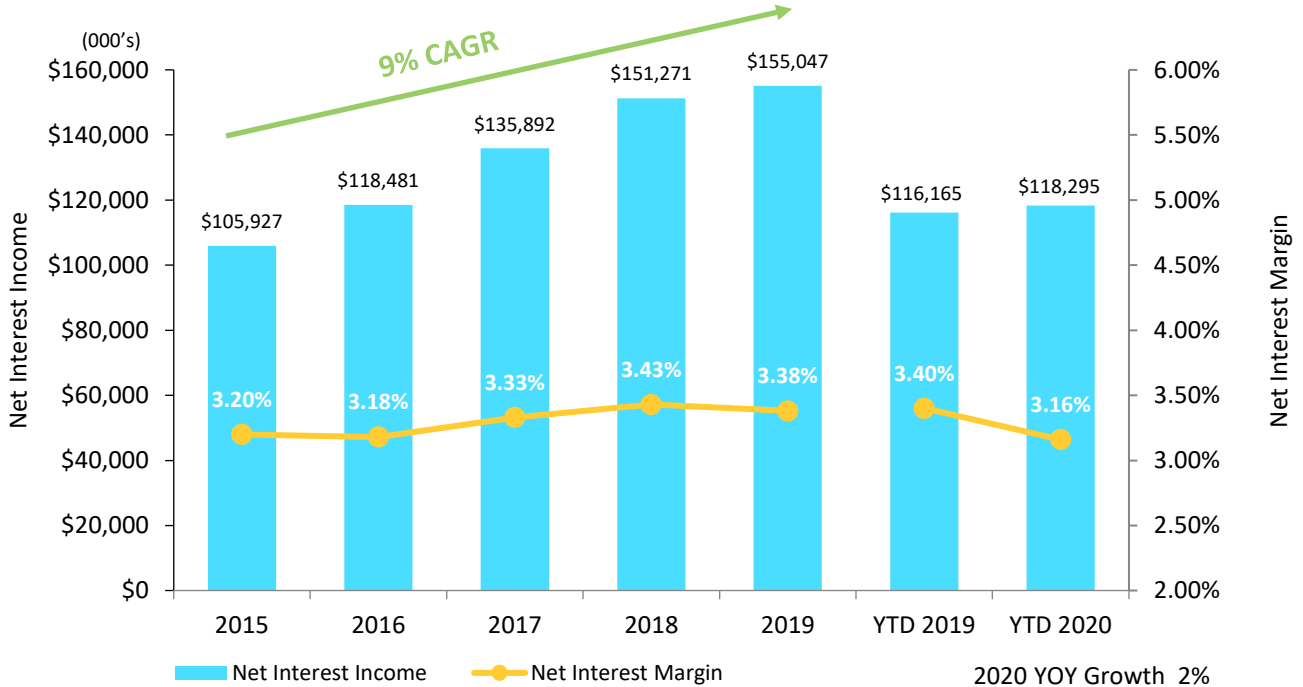
(000's)



Deposit Composition at end of period	2009	2020
Non-interest Bearing Demand Deposits	12%	30%
Interest Bearing Demand, Savings & MMA	34%	45%
Time Deposits > or = to \$100,000	35%	20%
Time Deposits < \$100,000	19%	5%
<b>Total Deposits (billions)</b>	<b>\$1.9</b>	<b>\$4.8</b>

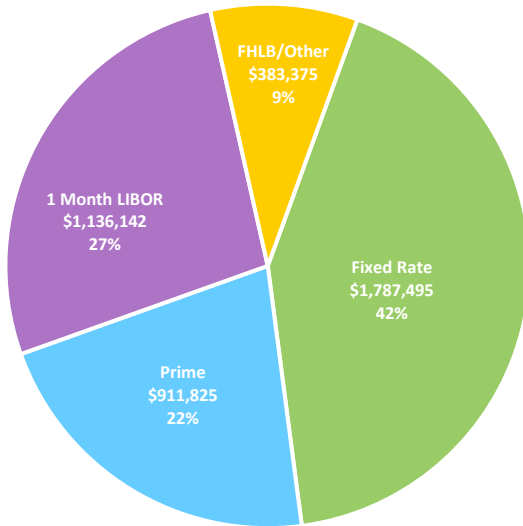
# Net Interest Income

Loan Growth Driving Growth in Income Offset by Margin Compression



# Interest Rate Sensitivity

## Commercial Loan Portfolio Pricing Composition

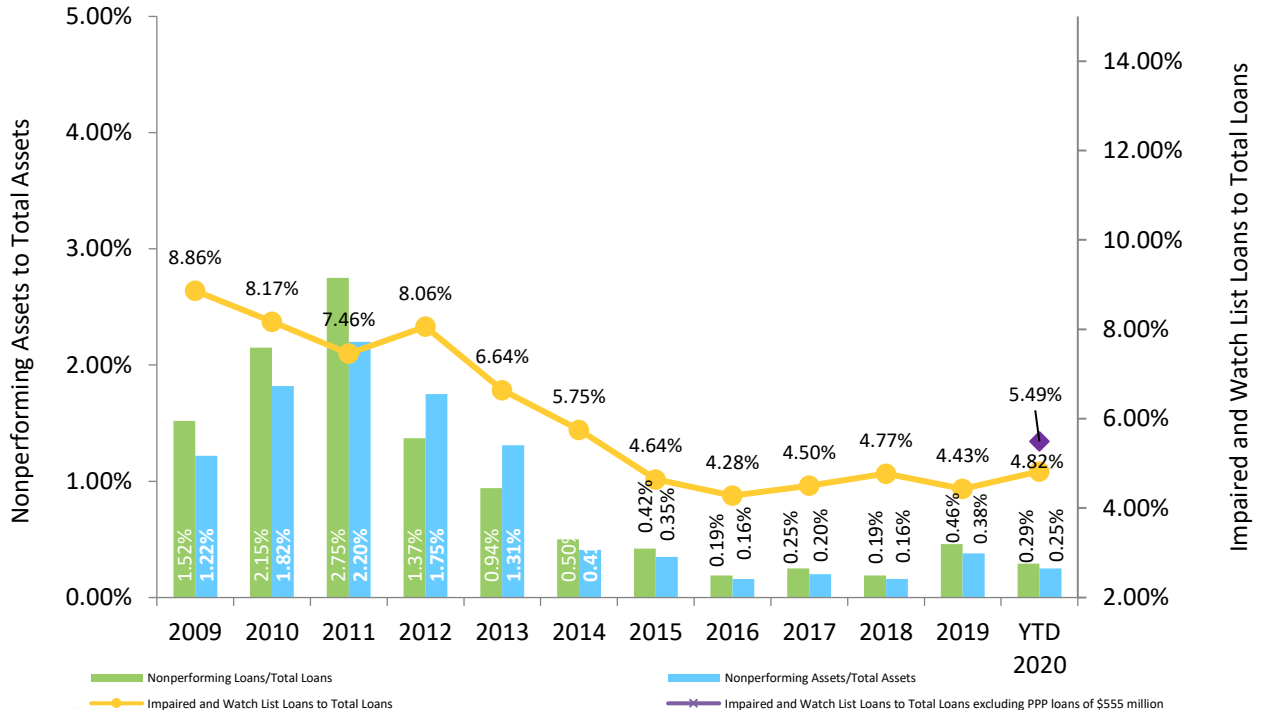


Commercial Loans  
\$4.2 billion as of September 30, 2020  
(000's)

- Proactive deposit pricing reductions concurrent with FOMC easing
- 54% of Public Funds are tied to Fed Funds effective rate
- 90% of loan portfolio consists of commercial loans
- Fixed rate commercial loans have average terms of 5 years
- 26% of variable rate loans have floors
- Investment portfolio duration is 4.50 years

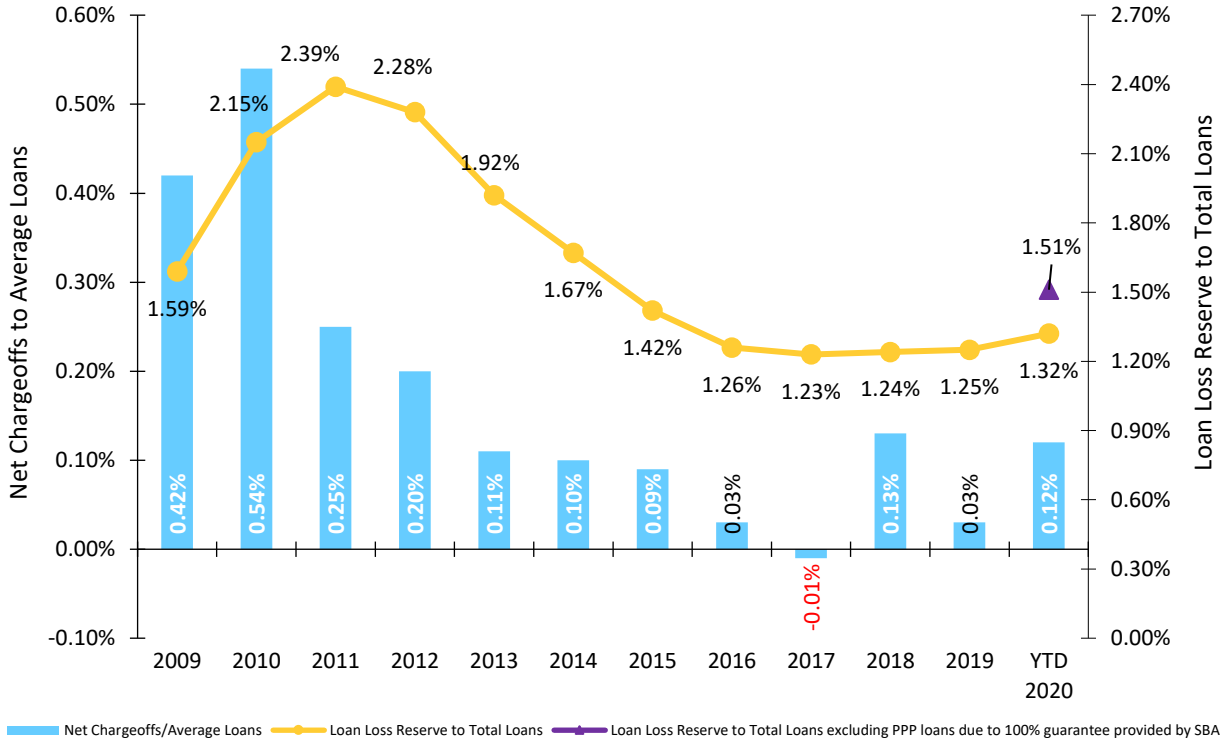
# Asset Quality

Nonperforming Levels are Low Despite Economic Challenges



# Asset Quality

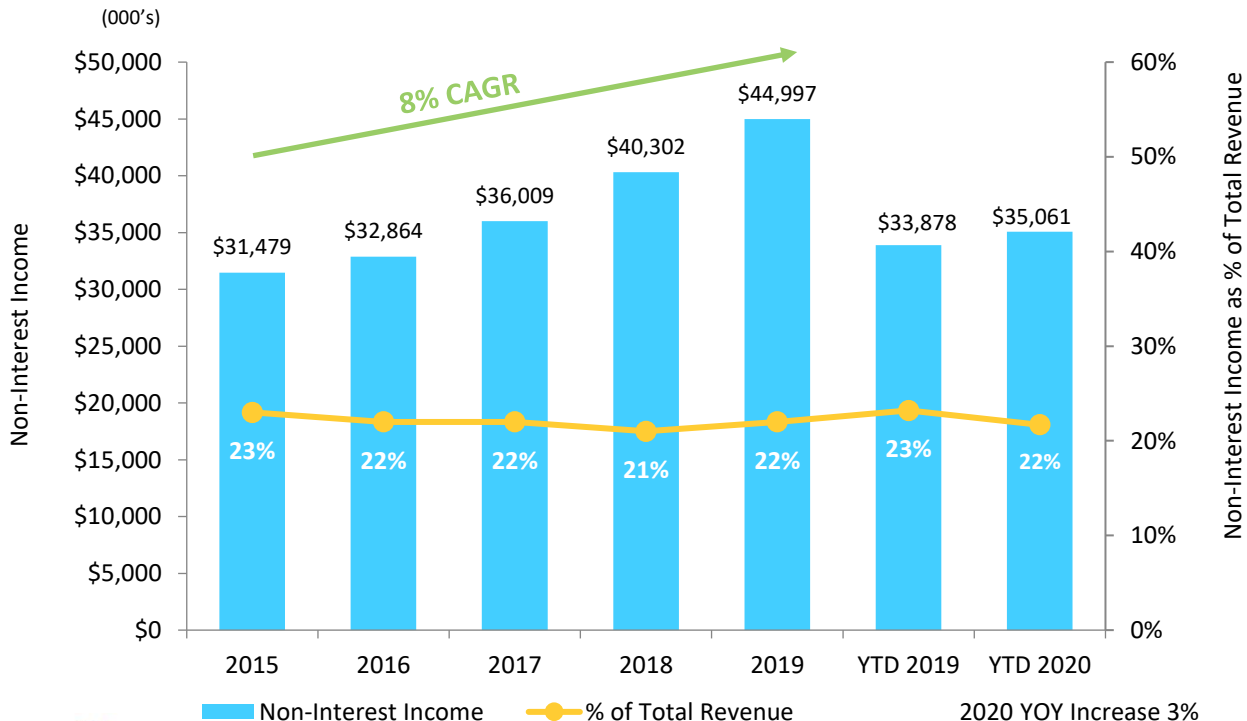
Allowance for Loan Losses increases by 20% or \$10 million since year-end 2019





# Non-Interest Income

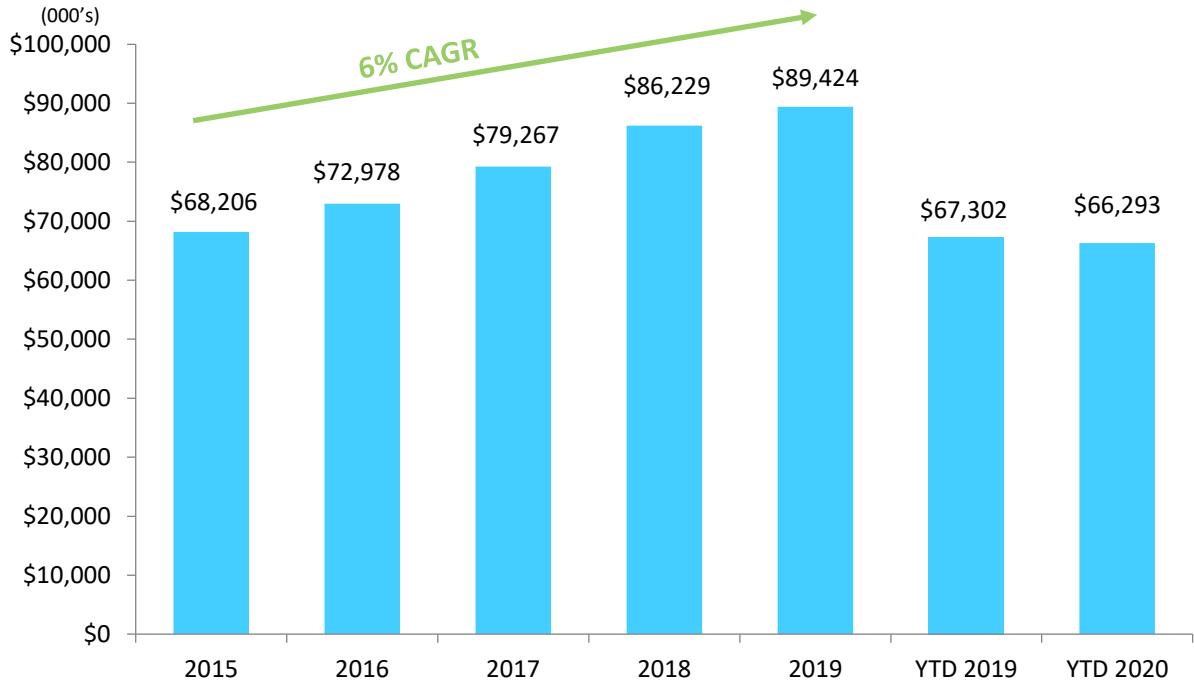
Mortgage Banking and Swap Fee Revenue are Bright Spots in 2020



2020 YOY Increase 3%

# Non-Interest Expense

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

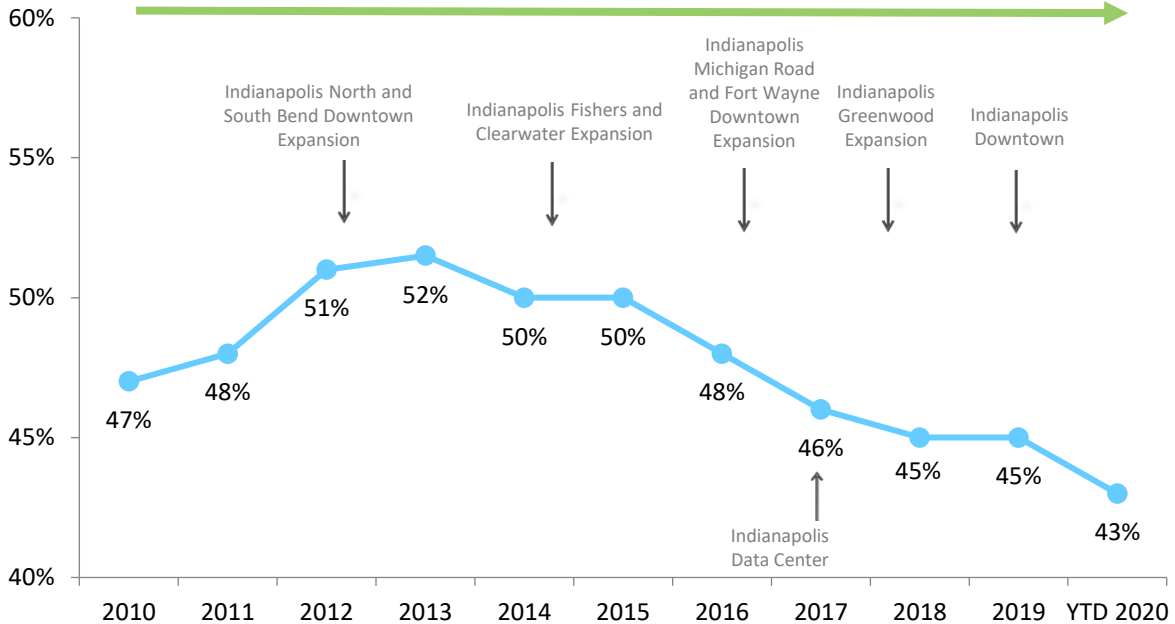


2020 YOY Decline 2%

# Efficiency Ratio

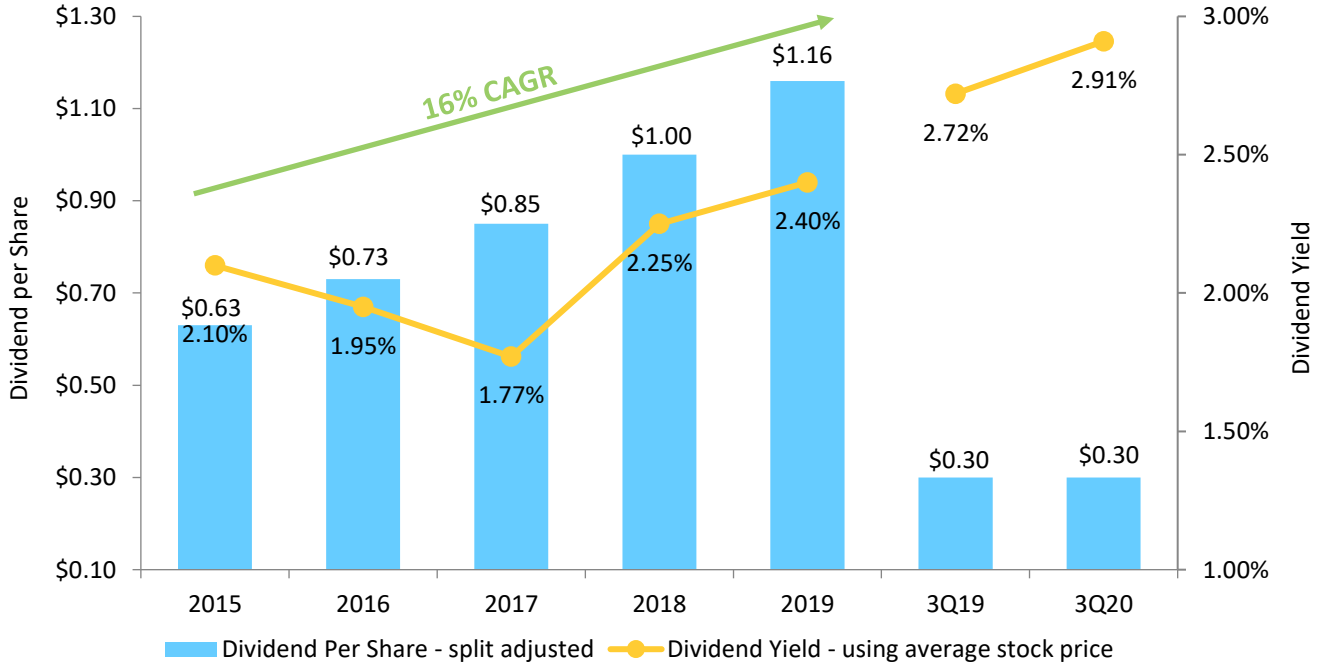
Revenue Growth is Primary Driver of Low Efficiency Ratio

Constant investment in technology and facilities



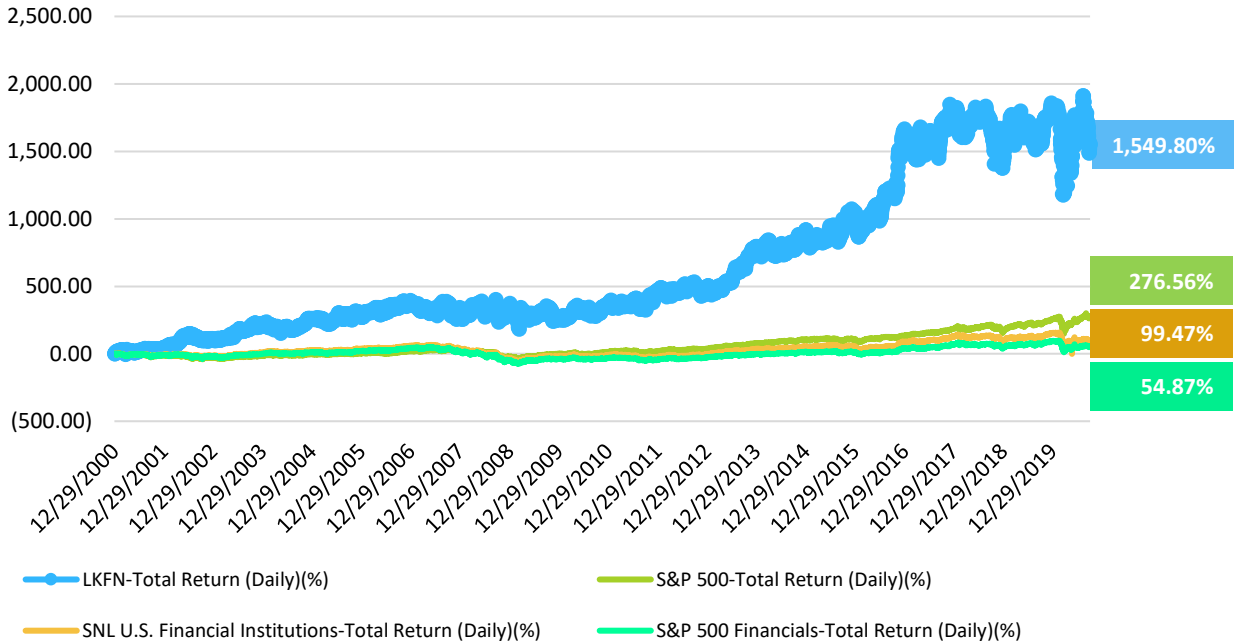
# Stable Healthy Dividend

Dividend Reflects Strength of Balance Sheet



# LKFN Shareholder Value

Total Return Performance from 12/31/00 to 9/30/20



Source: SNL database

# 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

State Rank	County	Primary City	Population*	LCB Entry	LCB Deposit Market Share**	# of Branches
20.	Kosciusko	Warsaw	79,456	1872	58%	12
6.	Elkhart	Elkhart	206,341	1990	23%	9
5.	St. Joseph	South Bend	271,286	1997	9%	4
3.	Allen	Fort Wayne	379,299	1999	14%	5
1.	Hamilton, Johnson, Marion	Indianapolis	1,460,760	2011	1%	6

\* Source: STATS Indiana

\*\* Source: FDIC 6/30/20 Statistics





# Organic Growth

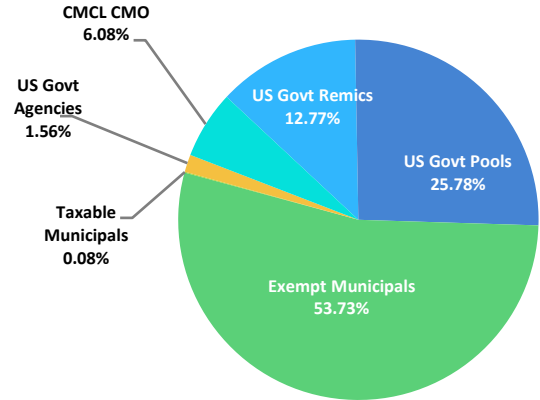
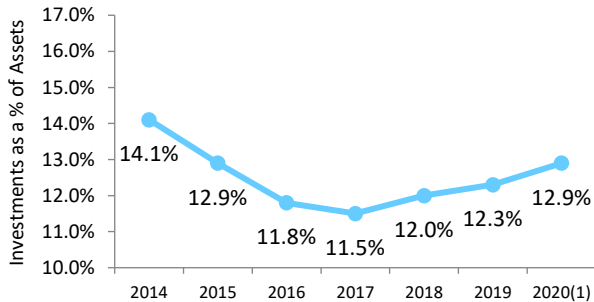
## Mature Market Strength and Growth

(millions) <sup>1</sup>	2020		2010			2020 # of Offices
	Deposits	Share	Deposits	Share	Increase	
1. 1 <sup>st</sup> Source	\$4,433	19.68%	\$2,676	15.68%	65.66%	53
<b>2. Lake City Bank</b>	<b>\$4,113</b>	<b>18.26%</b>	<b>\$2,133</b>	<b>12.50%</b>	<b>92.83%</b>	<b>50</b>
3. JPM Chase	\$2,992	13.29%	\$1,593	10.81%	87.82%	22
4. PNC	\$1,626	7.22%	\$1,543	9.07%	5.38%	24
5. First Merchants	\$941	4.18%	\$600	3.52%	56.83%	12
6. Flagstar	\$841	3.74%	\$17	0.10%	4847.06%	24
7. Star	\$797	3.54%	\$459	2.69%	73.86%	11
8. KeyBank	\$696	3.09%	\$1,024	6.00%	(32.03)%	17
9. Old National	\$639	2.84%	\$722	4.20%	(11.50)%	9
10. Fifth Third	\$571	2.54%	\$369	2.16%	54.74%	10
<b>Market Total</b>	<b>\$22,521</b>		<b>\$17,066</b>		<b>31.96%</b>	



<sup>1</sup>Mature Markets includes 12 Northern Indiana counties and excludes 3 Central Indiana counties  
Adjusted to include branches subsequently acquired by surviving banks

# Investment Portfolio – Source of Liquidity

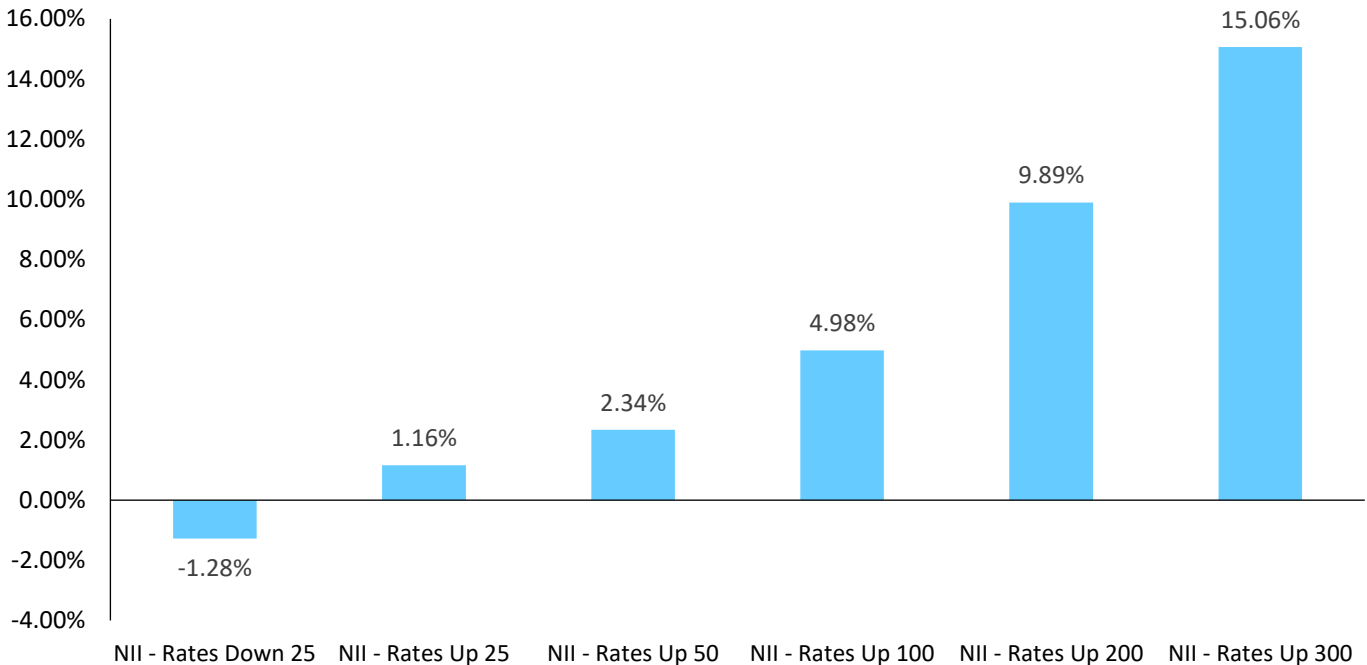


September 30, 2020

	Weighted Maturity	Book Yield	Duration	Market Value
US Govt REMICS	2.08	2.98%	2.23	82,211
US Govt Pools	3.02	2.59%	2.61	166,055
US Agencies	8.47	1.10%	10.52	10,026
Exempt Municipals (TEY)	14.43	3.58%	6.22	346,074
Taxable Municipals	0.67	3.00%	0.64	507
CMCL CMO	2.32	2.30%	1.79	39,161
<b>Total (Tax-Equivalent Yield)</b>	<b>8.84</b>	<b>3.11%</b>	<b>4.50</b>	<b>\$644,034</b>

# Projected Impact of Rising/Falling Rates

## Asset Sensitive Balance Sheet





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