

Lakeland Financial Corporation

Investor Update September 2014

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



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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.



Lake City Bank Today

- Headquartered in Warsaw, Indiana
- 46 branch offices
- 502 FTEs
- \$3.4 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

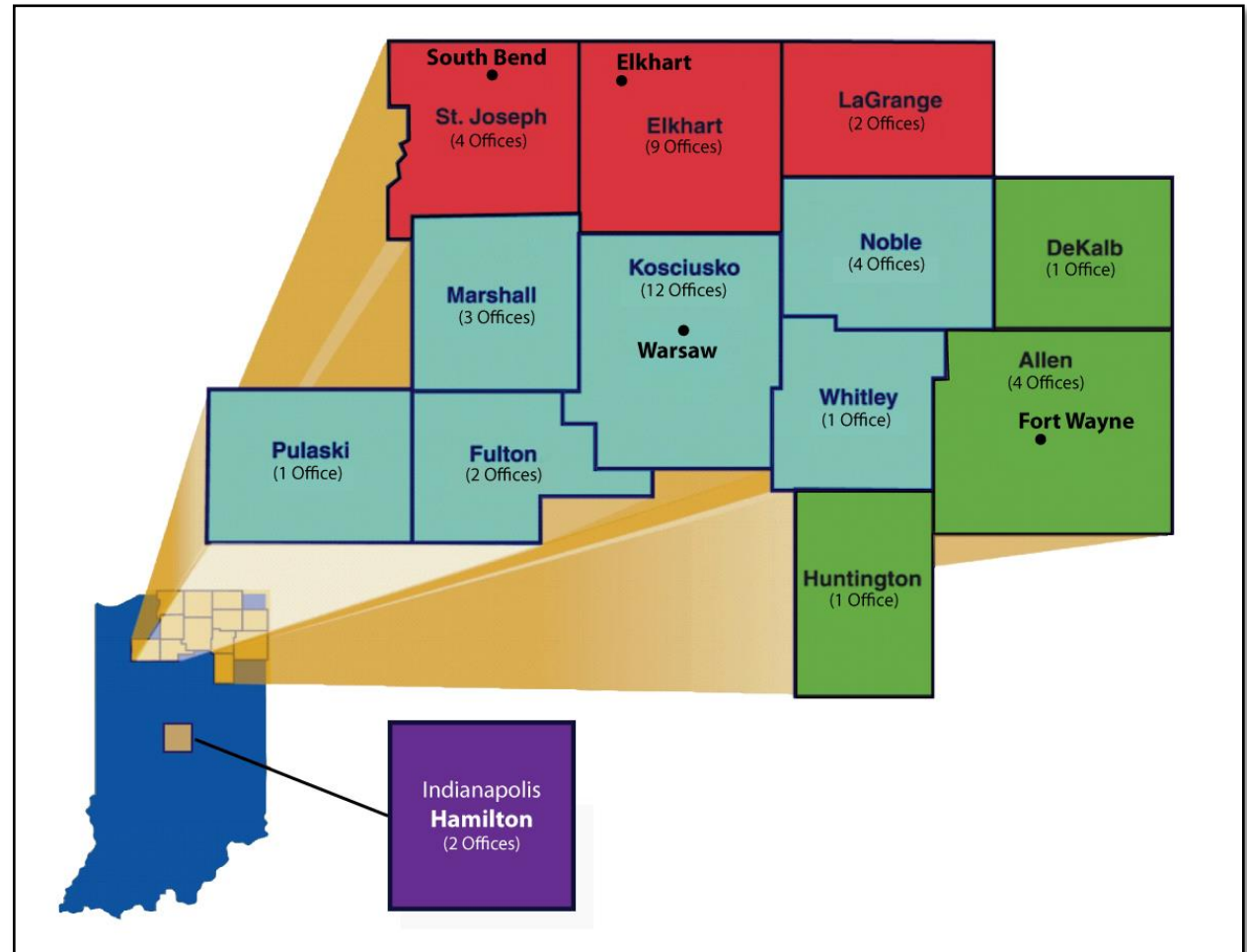
4 offices

Fort Wayne – 1999

6 offices

Indianapolis – 2011

2 offices





Lake City Bank

Growth Strategy

- 1. Business Owner Focus*
- 2. High Quality People*
- 3. Larger Market Organic Expansion*



Business Owner Focus

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



Relationship Strategy

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



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**



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**



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%	2

* Source: STATS Indiana

** Source: FDIC 6/30/13 Statistics

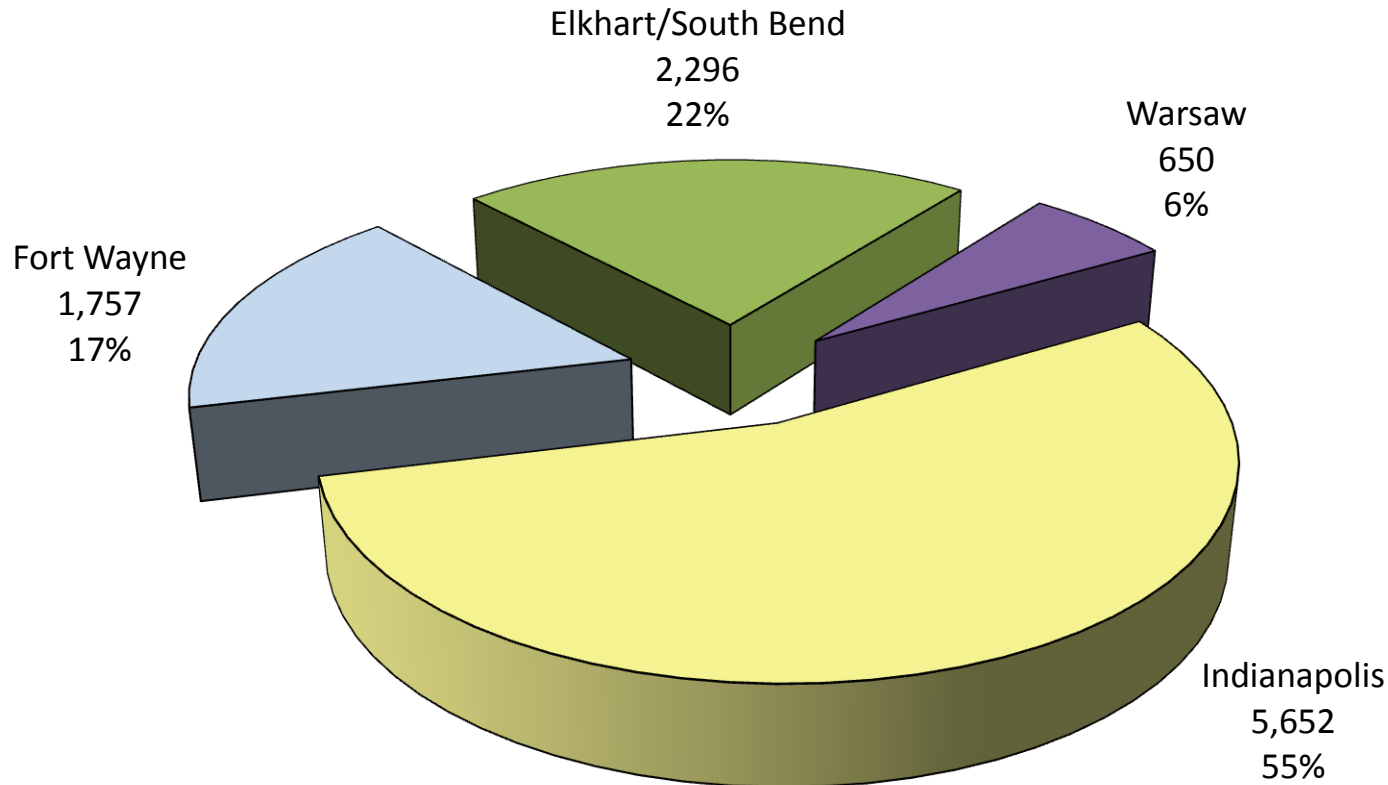




Larger Markets

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	2013 # 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%	46
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%	

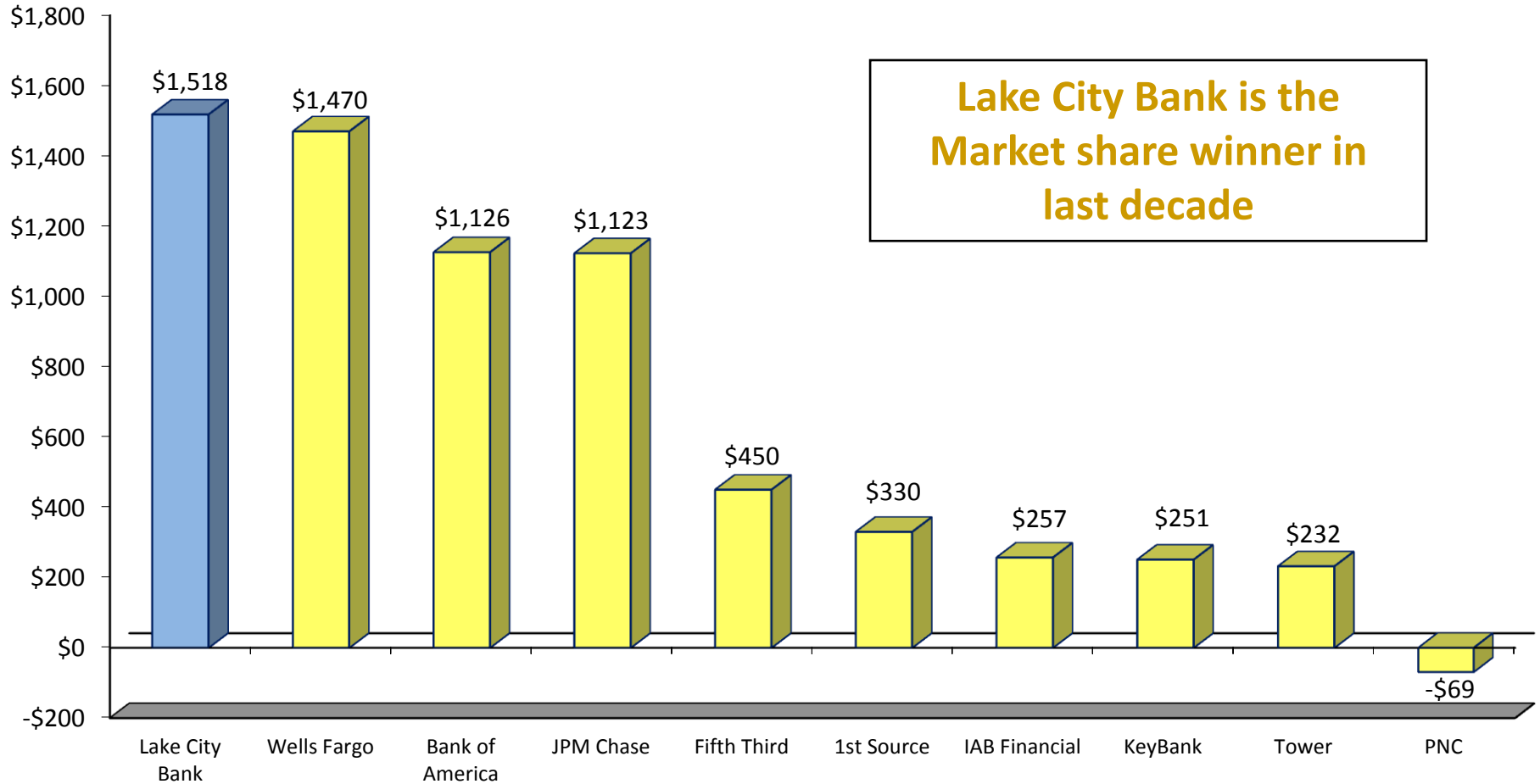
*Includes the counties of Kosciusko, Elkhart, St. Joseph, Marshall, Allen, Whitley, Hamilton, Huntington, LaGrange, Noble, DeKalb, Fulton and Pulaski

**Adjusted to include branches subsequently acquired by surviving banks



Larger Markets

Market Deposit Performance



2013 vs. 2003



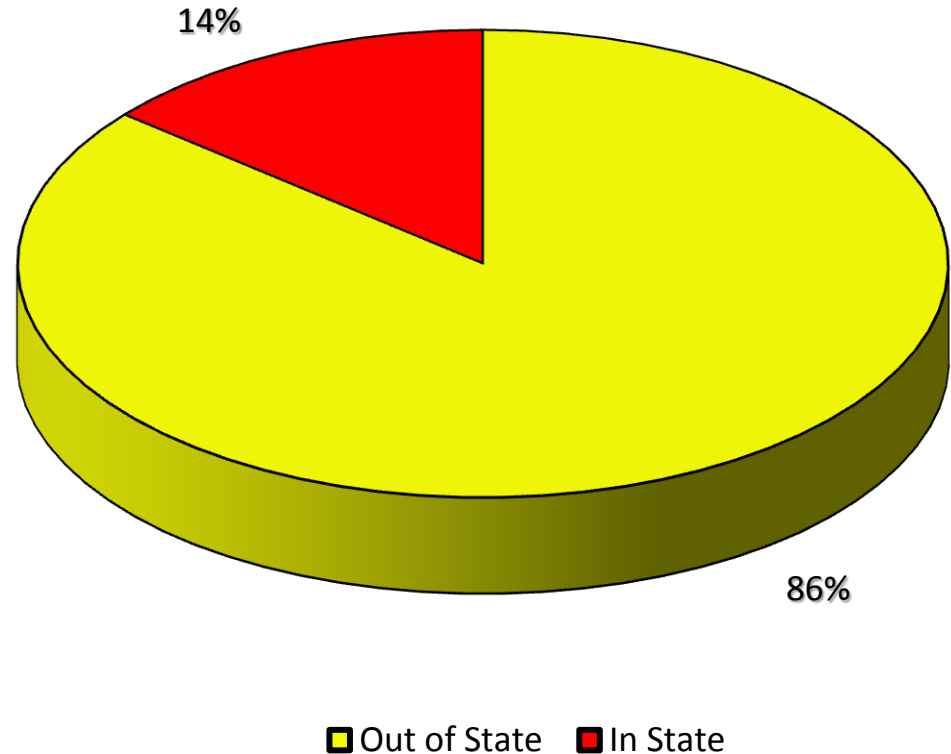
*Includes the counties of Kosciusko, Elkhart, St. Joseph, Marshall, Allen, Whitley, Hamilton, Huntington, LaGrange, Noble, DeKalb, Fulton and Pulaski
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Larger Markets

Indianapolis Deposit Share

Indianapolis Market Banks	Share of Market
1. JPM Chase	28%
2. PNC	22%
3. Fifth Third	11%
4. Huntington National	9%
5. BMO Harris	6%
6. KeyBank	5%
7. National Bank of Indy	5%
8. Regions Bank	4%
9. Merchants Bank of IN	2%
10. First Internet Bank of IN	2%
Indianapolis Market Total:	94%



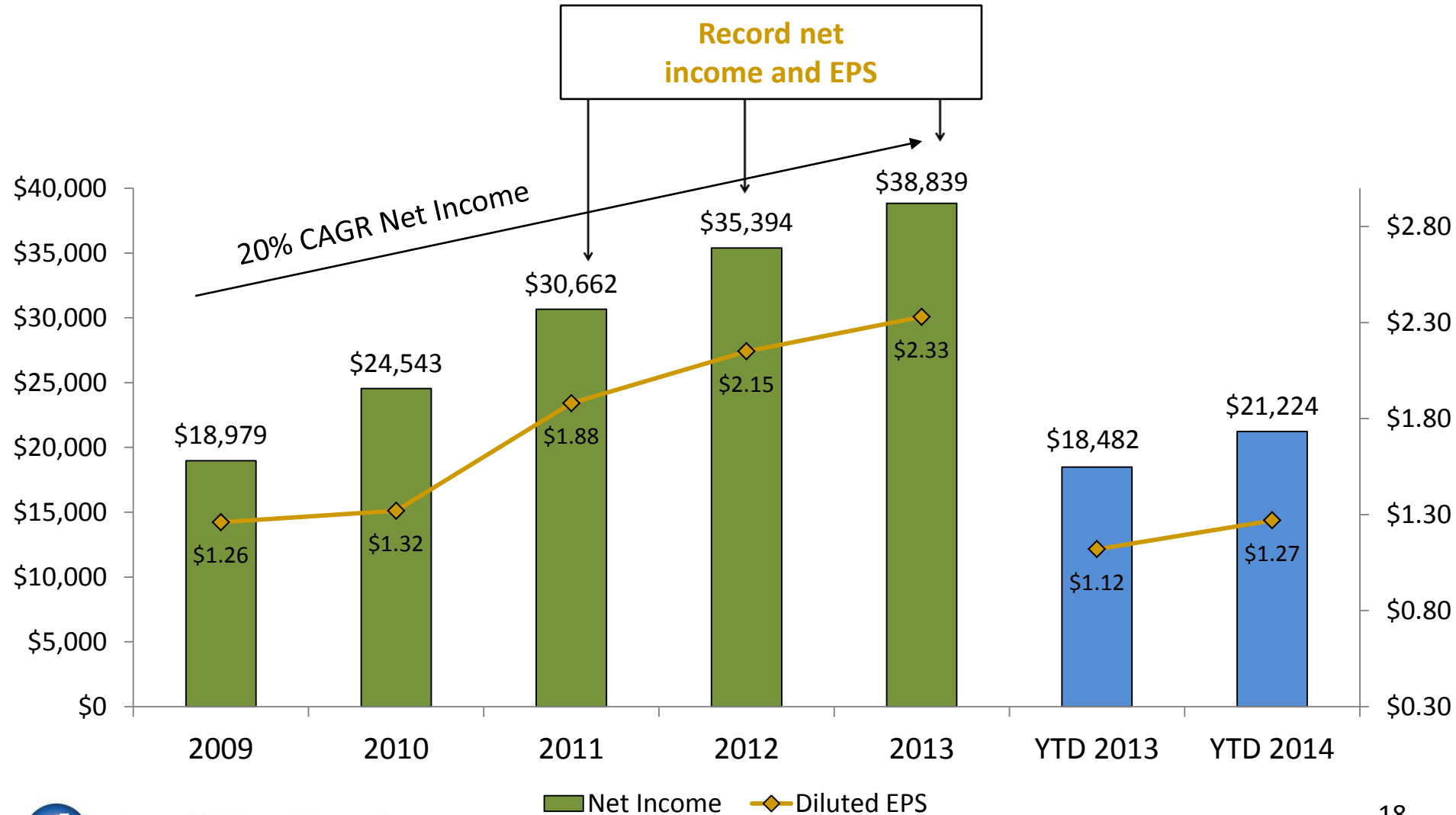


Lakeland Financial Corporation

Financial Performance



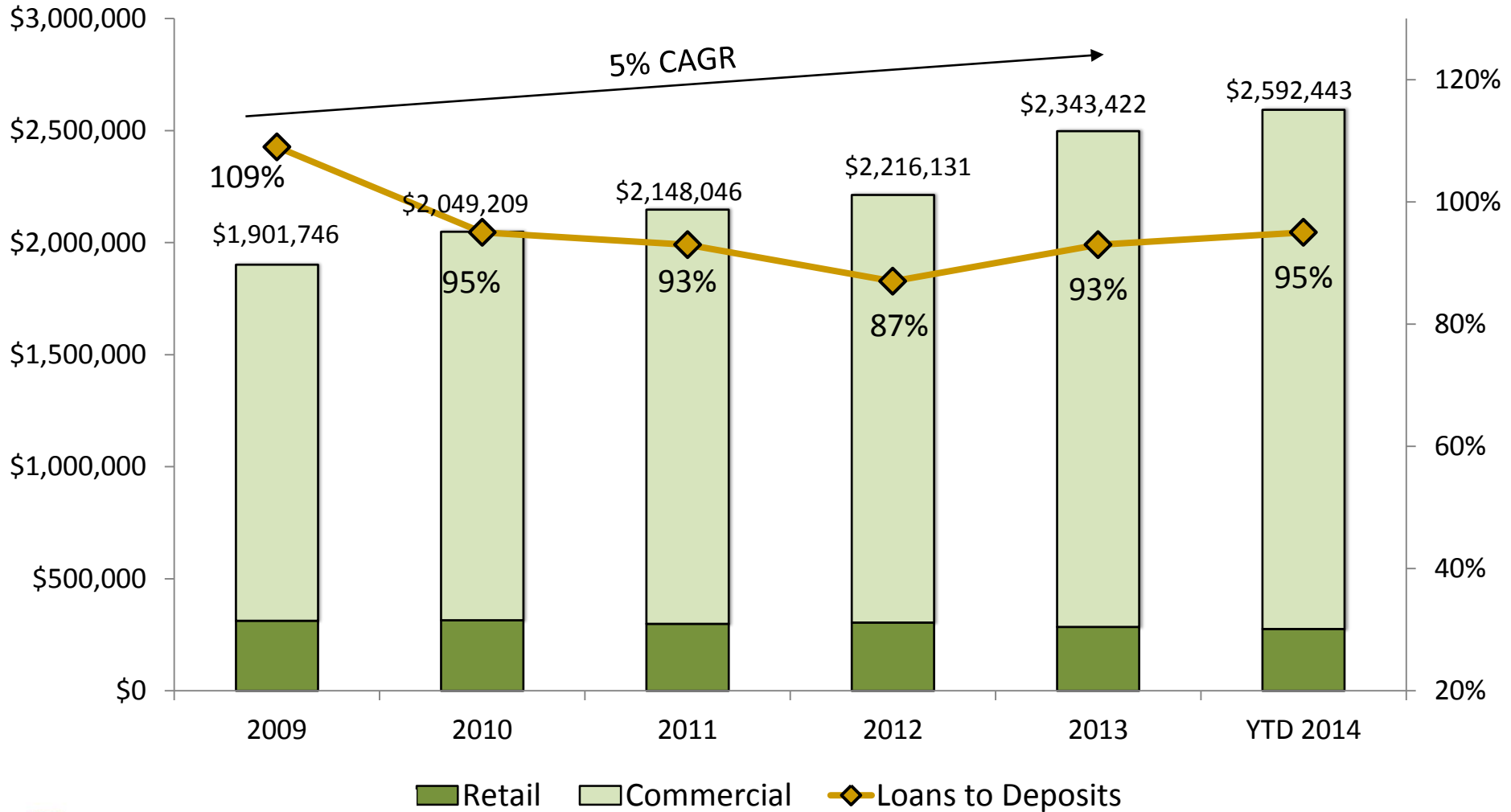
Net Income and EPS





Average Loans

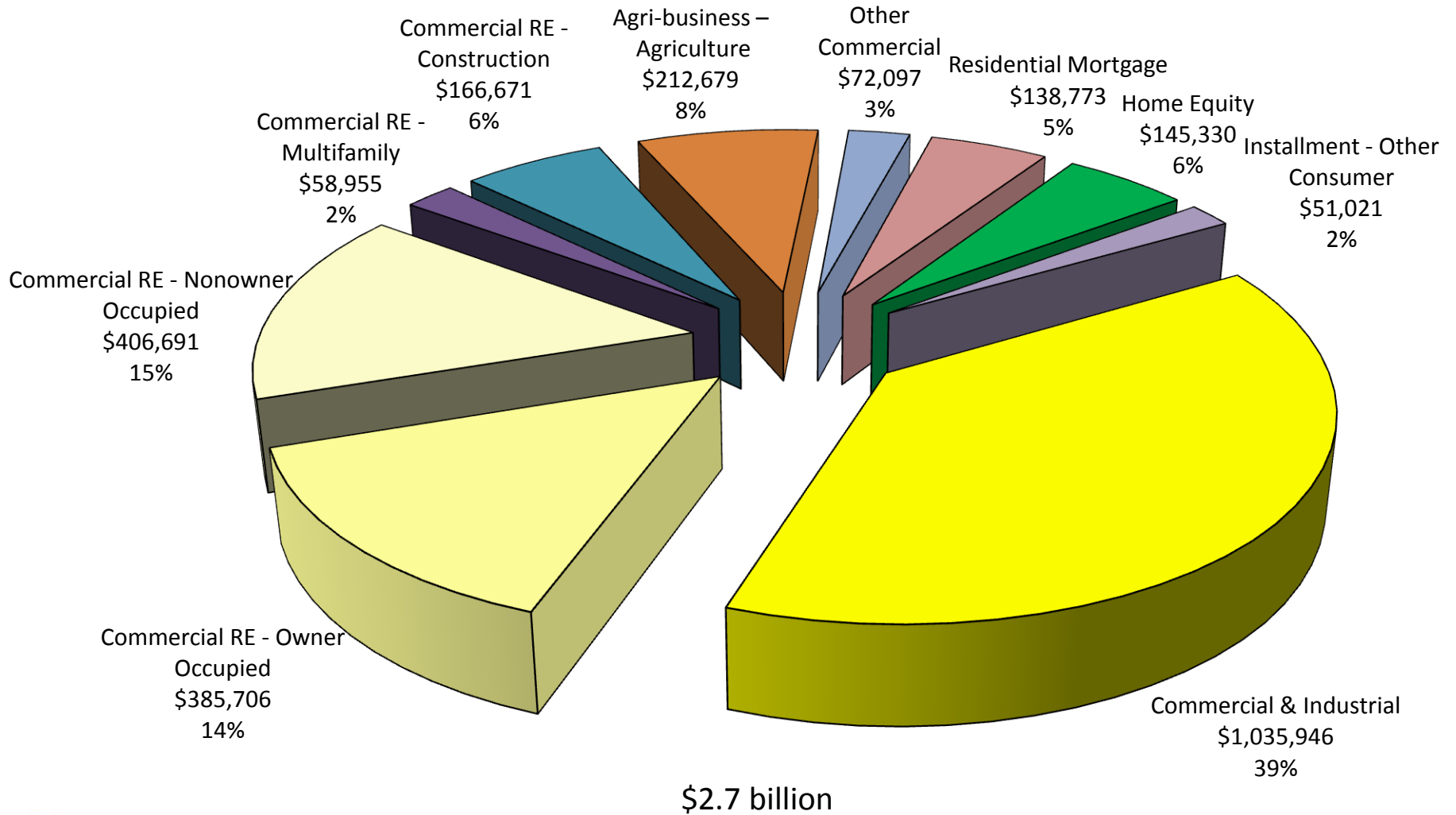
Commercial Emphasis Drives Growth





Loan Breakdown

C & I Drives Lending Business

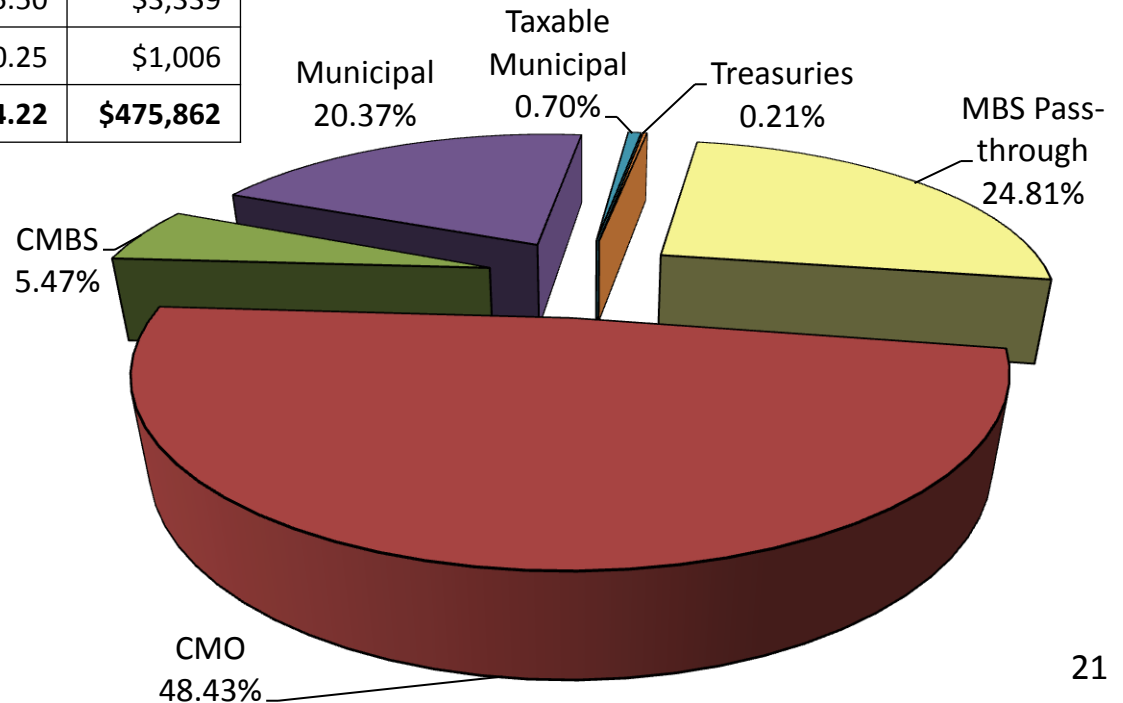


\$2.7 billion
as of June 30, 2014



Investment Portfolio

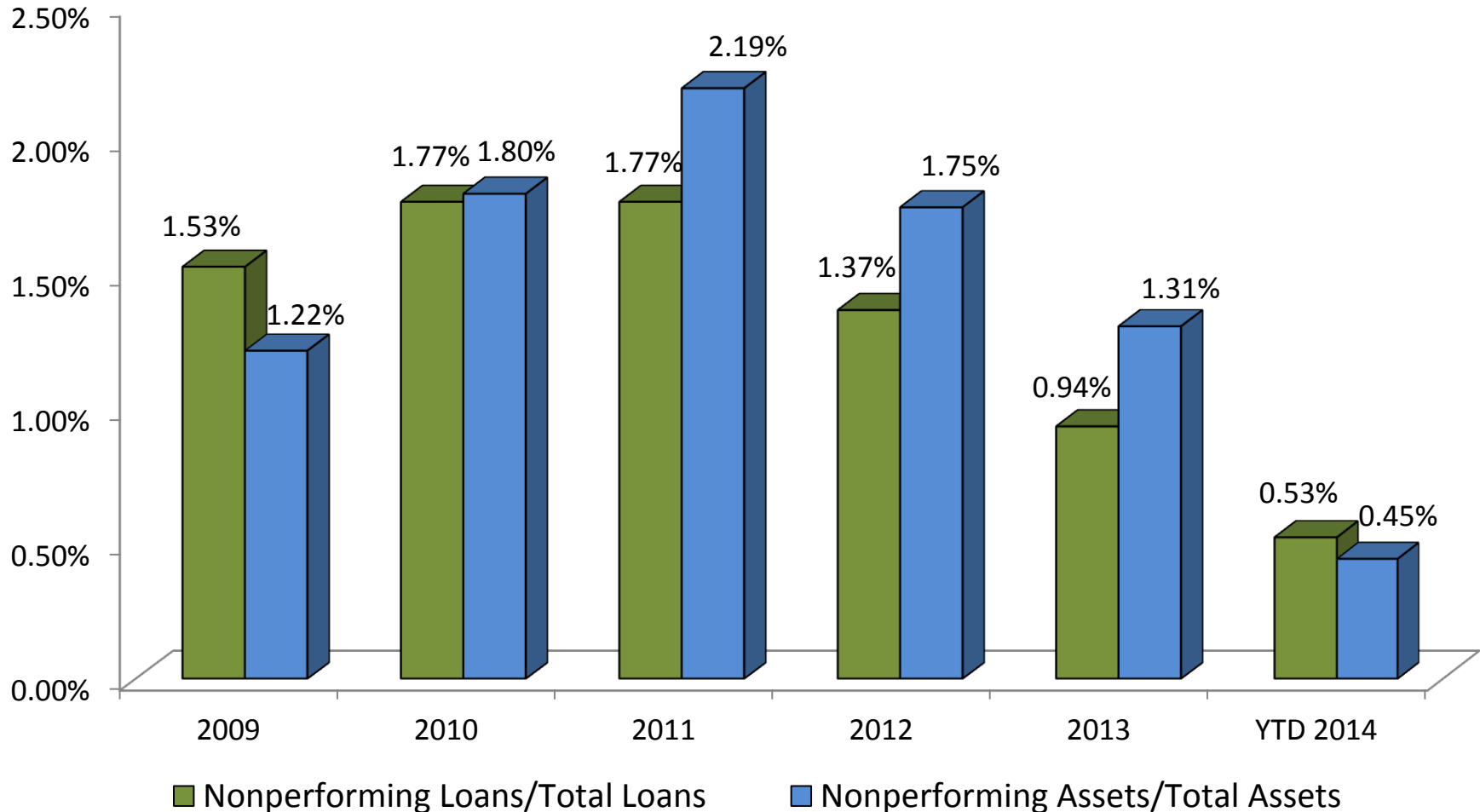
Security Type	June 30, 2014			
	Average Life	Book Yield	Effective Duration	Market Value
MBS Pass-through	5.71	2.85%	5.68	\$118,051
CMO	3.38	3.32%	2.71	\$230,479
CMBS	6.57	2.37%	5.98	\$26,048
Municipal	5.38	5.37%	5.54	\$96,939
Taxable Municipal	6.06	2.54%	5.50	\$3,339
Treasuries	0.25	2.37%	0.25	\$1,006
Total	4.55	3.16%	4.22	\$475,862





Asset Quality

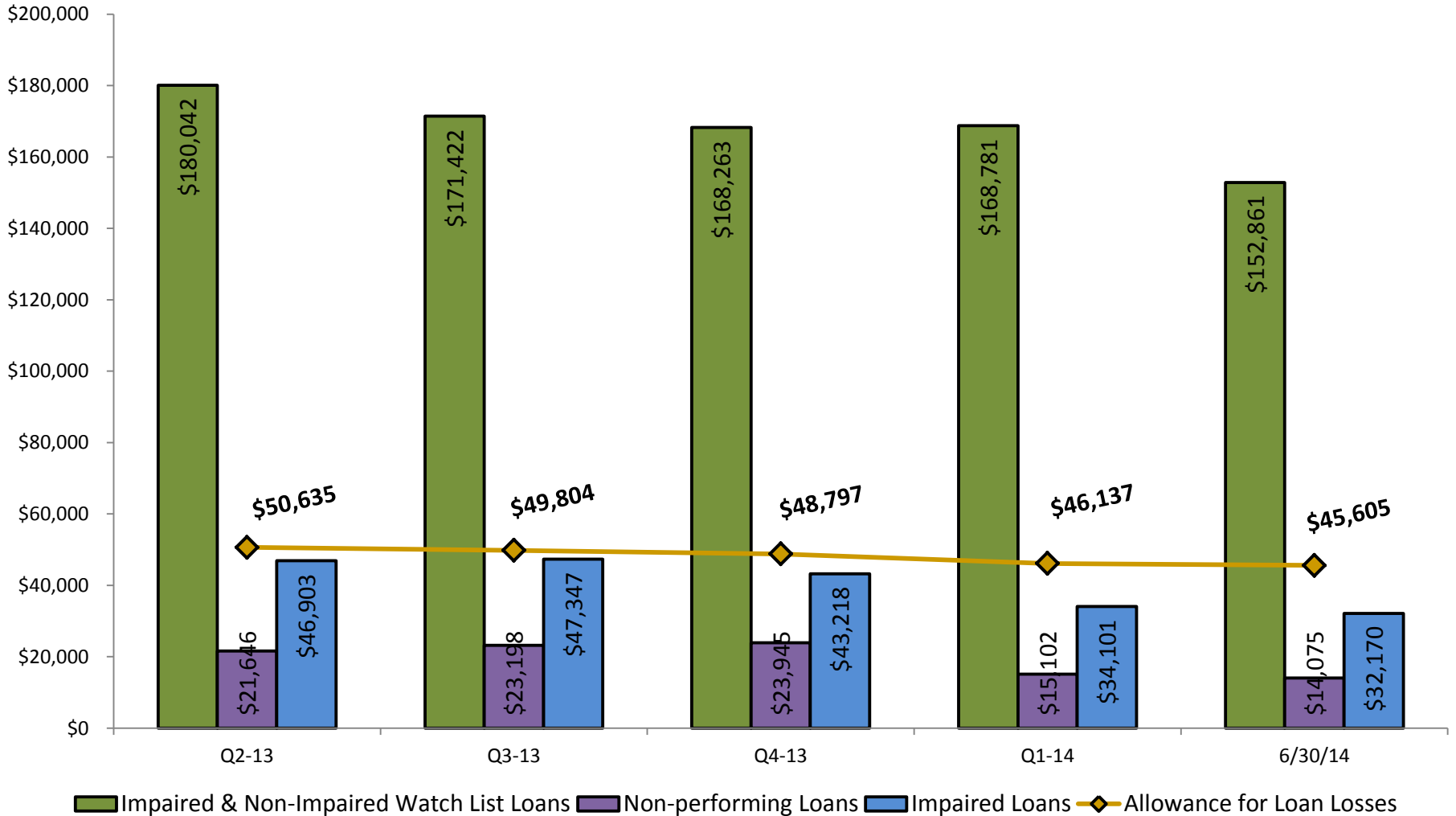
Nonperforming Levels Continue to Improve





Asset Quality

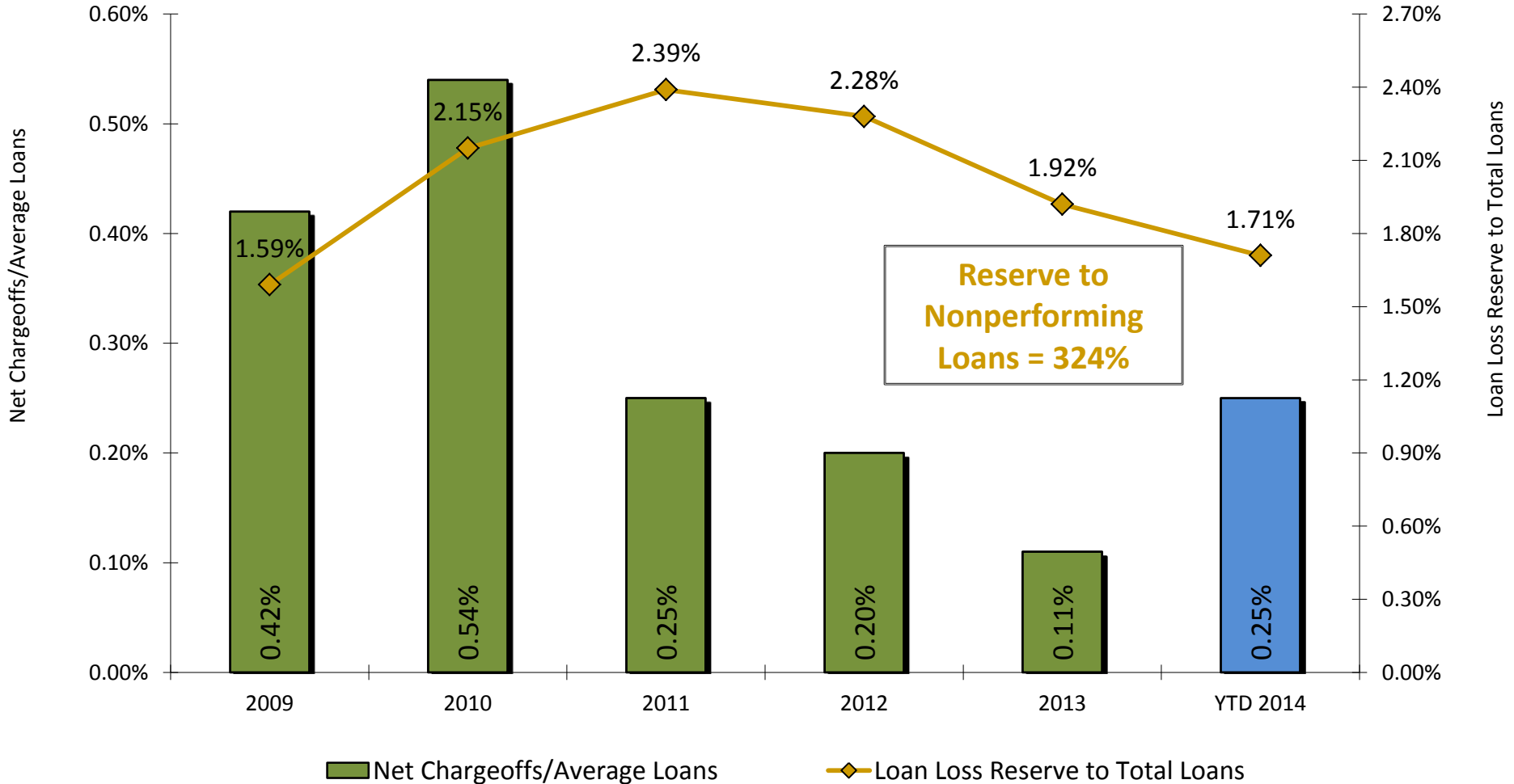
Improving Credit Trends





Asset Quality

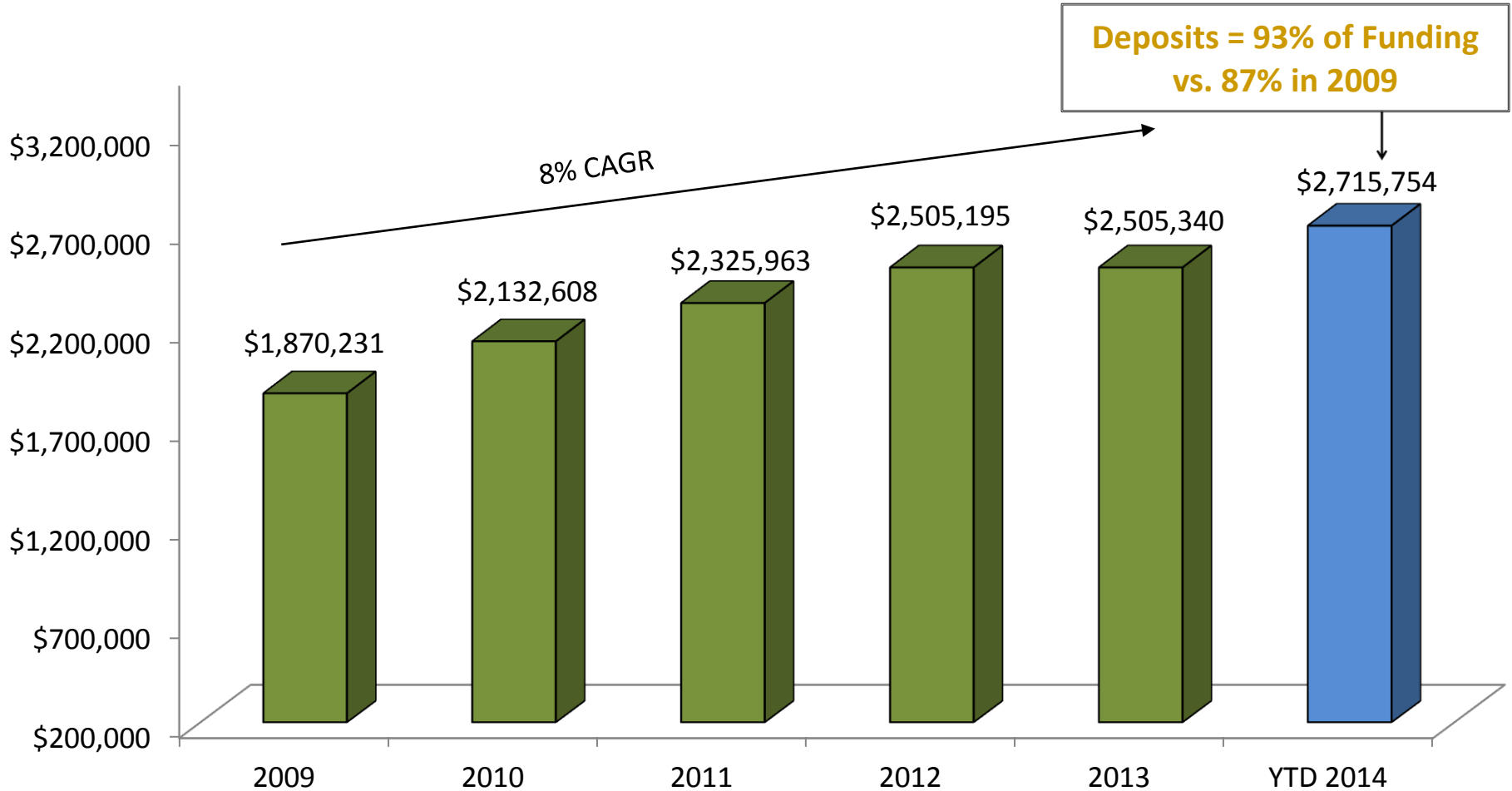
Strong Reserve Coverage





Average Deposits

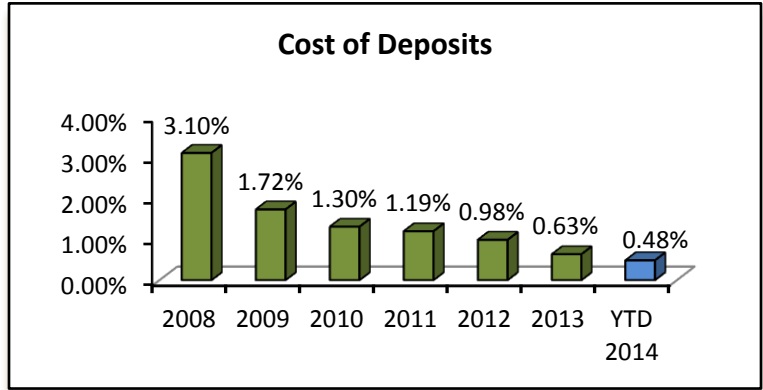
Improved Funding Mix





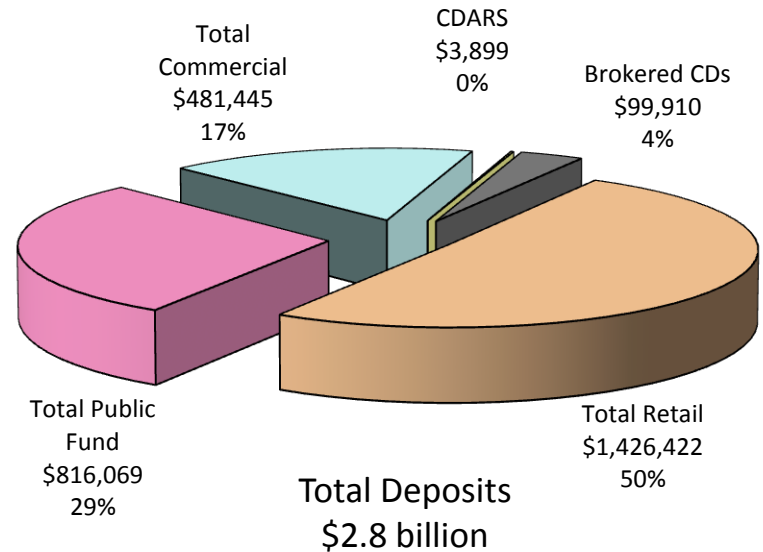
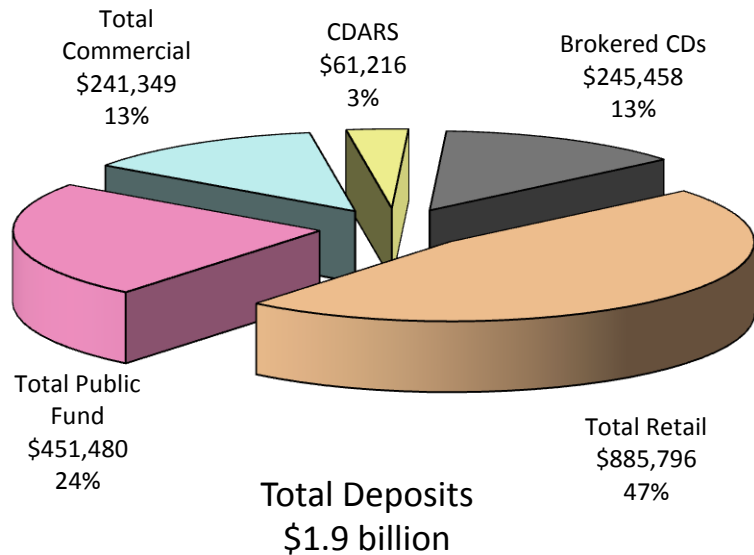
Deposit Breakdown

Retail Strategy Key to Deposit Growth



Pre-Liquidity Strategy
December 31, 2008

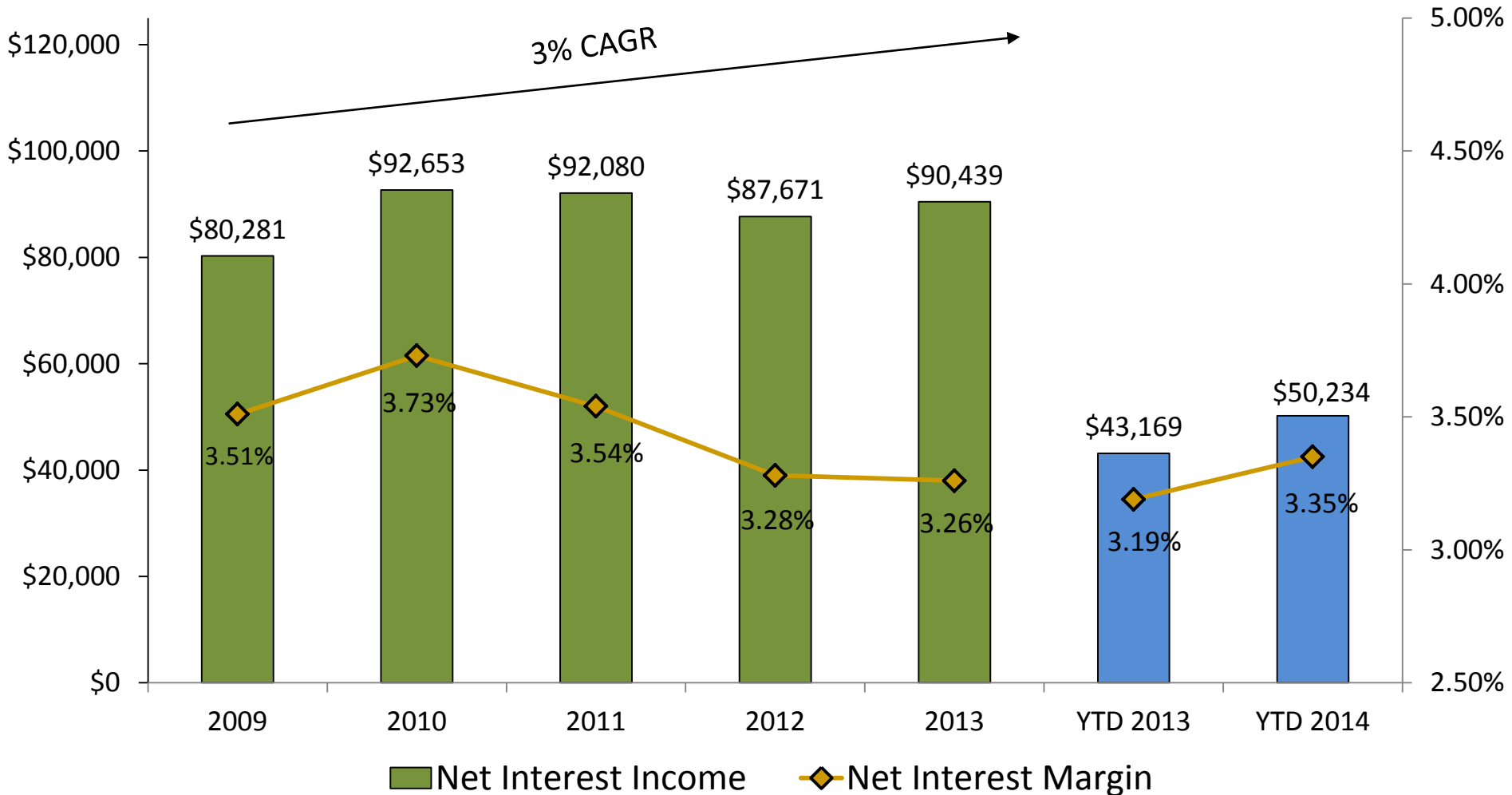
June 30, 2014





Net Interest Income

Margin Improved Each Quarter in 2013





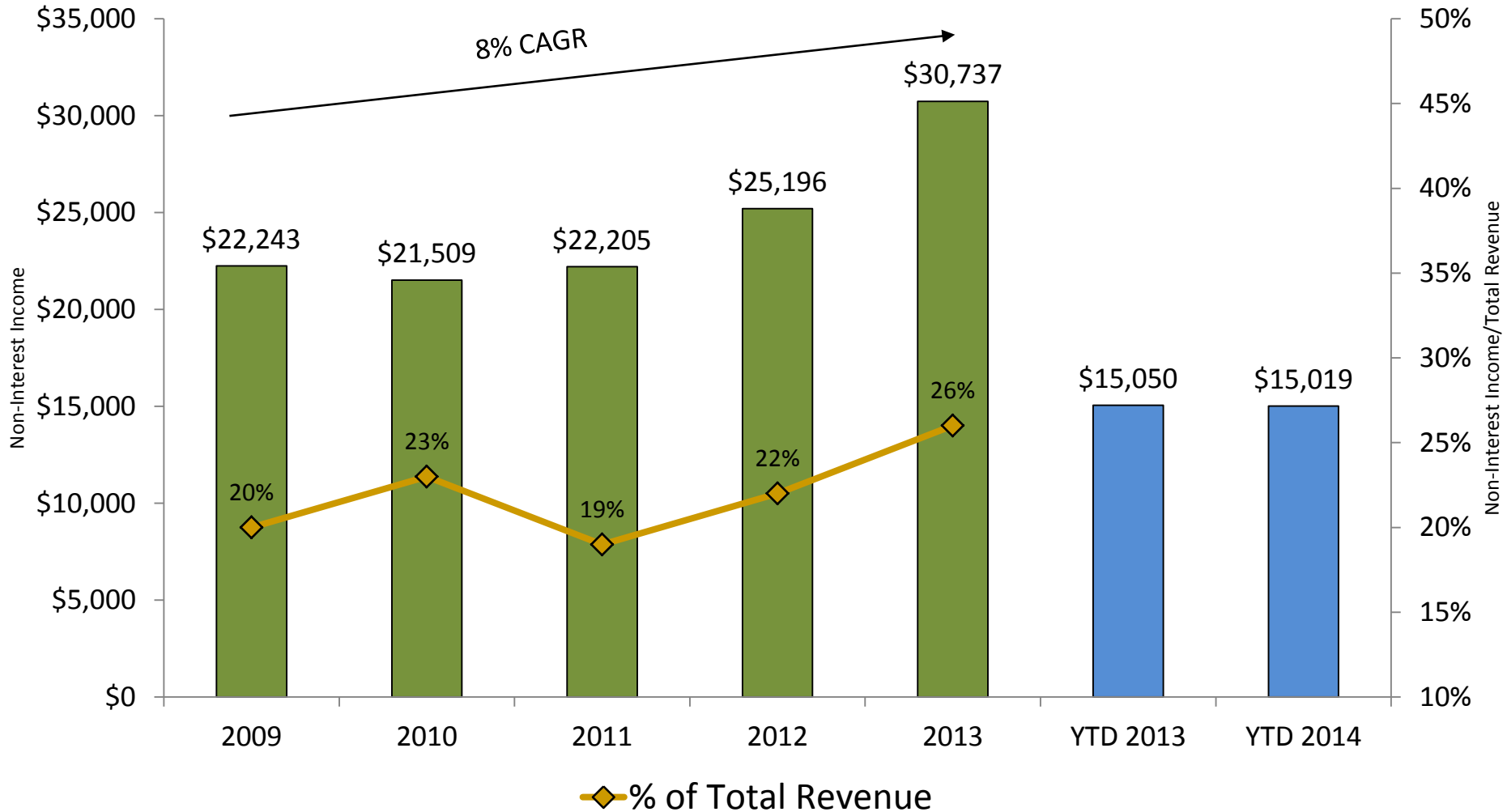
Impact of Rising Rates

- **90% of loan portfolio is commercial**
- **66% of commercial loans are variable rate – mostly Prime and LIBOR based**
 - **Floors with average rate of 3.80% exist on 46% of commercial variable rate loans**
- **34% 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

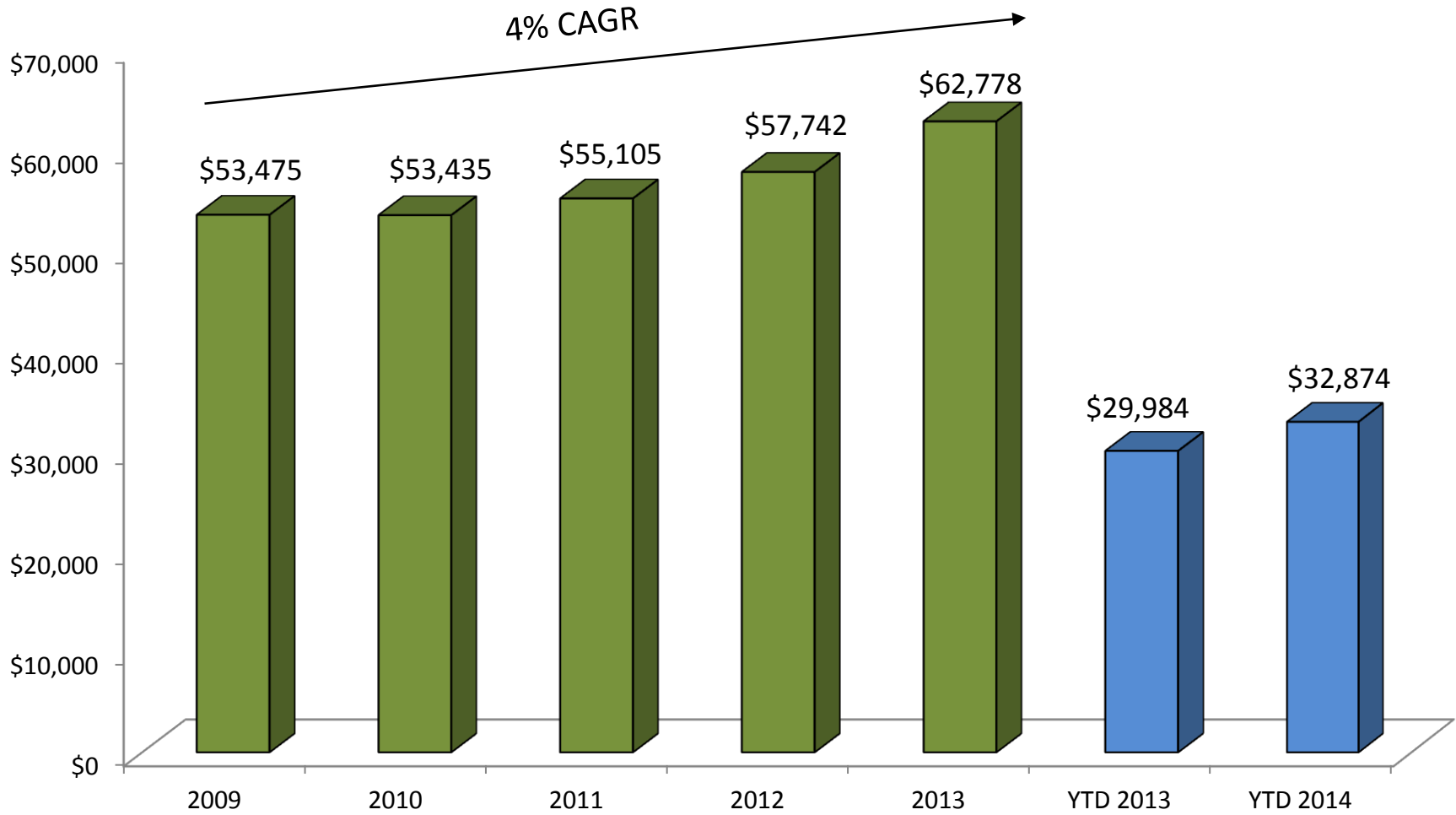
Stable, Fee-Based Strategy Drives Increases





Non-Interest Expense

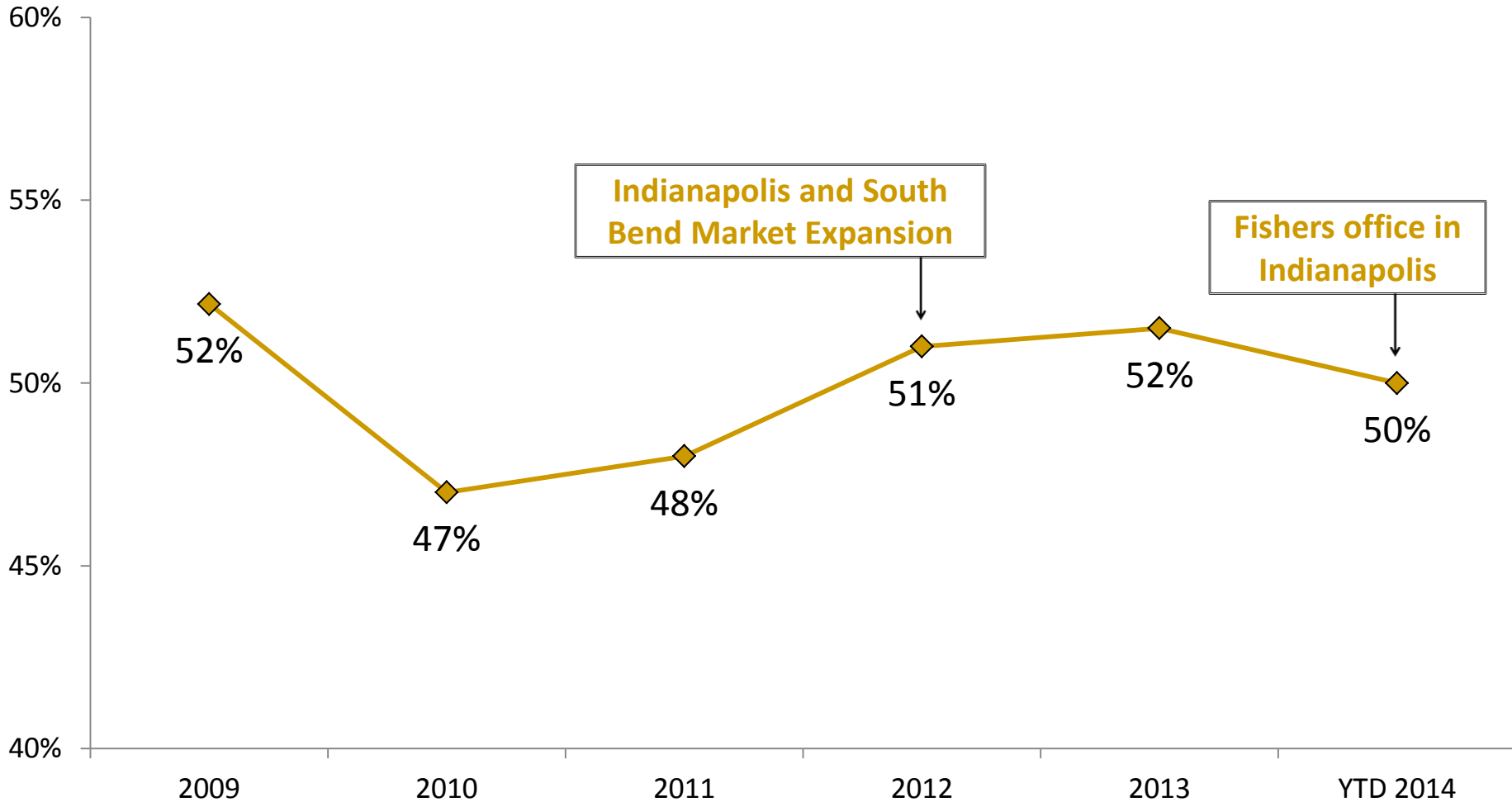
Disciplined Approach to Cost Structure





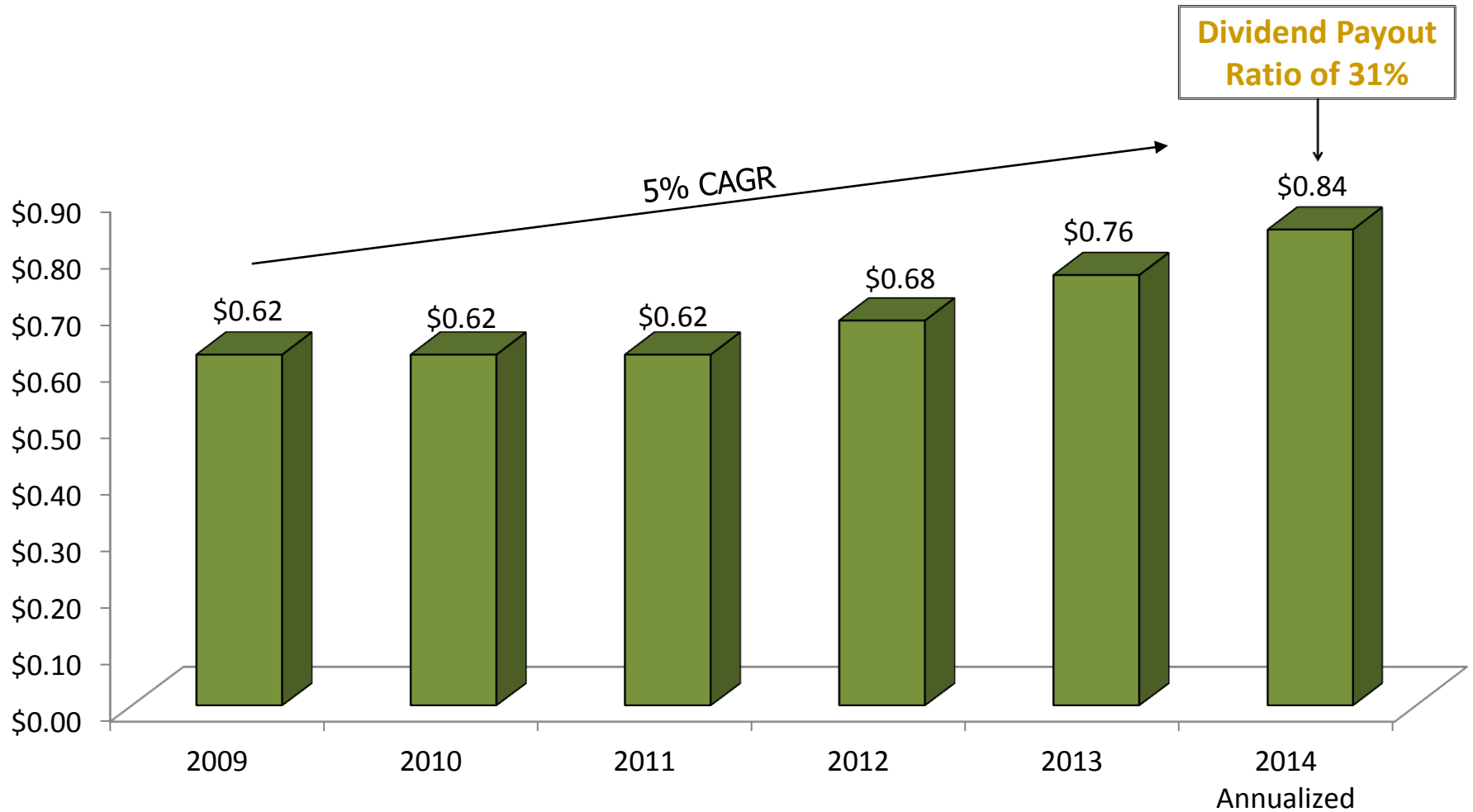
Efficiency Ratio

Leveraging Offices, People and Technology





Stable Healthy Dividend



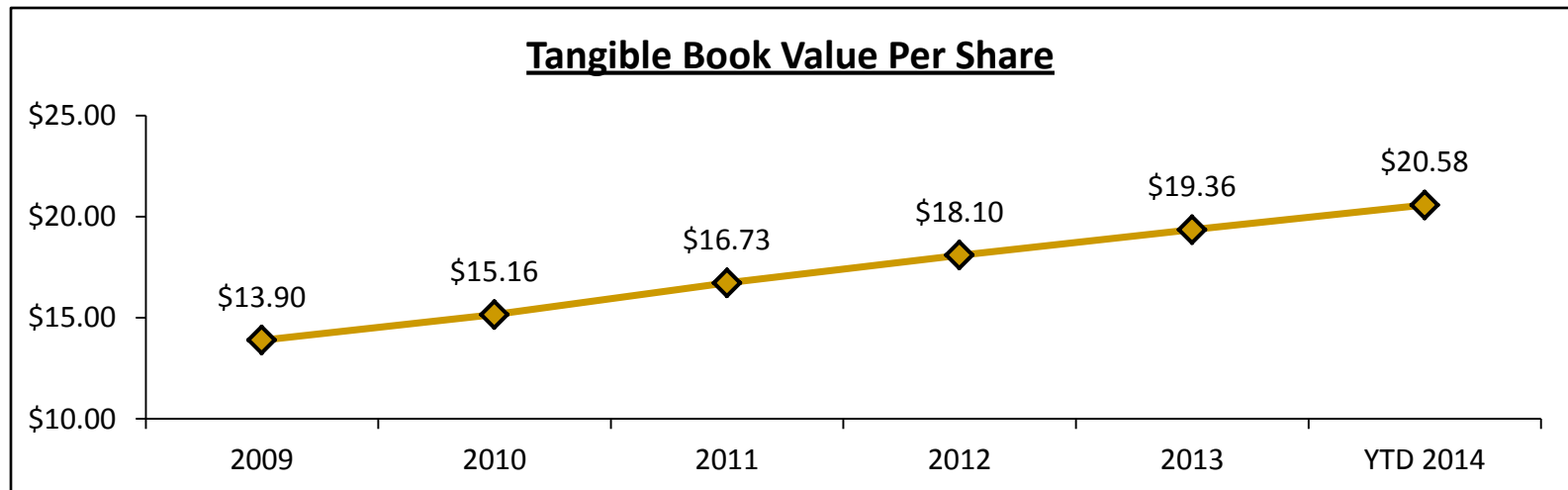
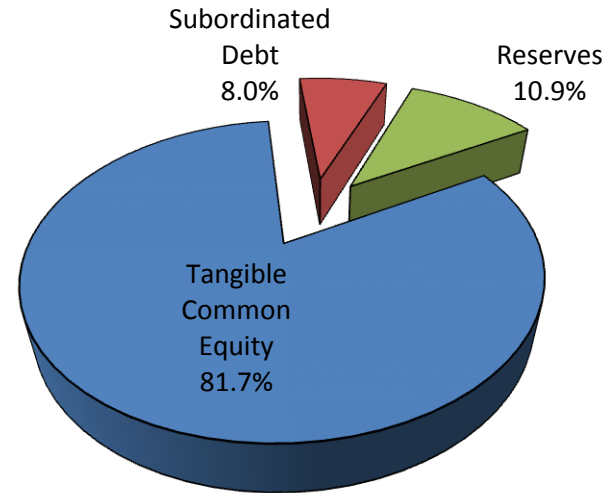
Note - Split Adjusted
- Paid Dividends

2014 Growth 8%



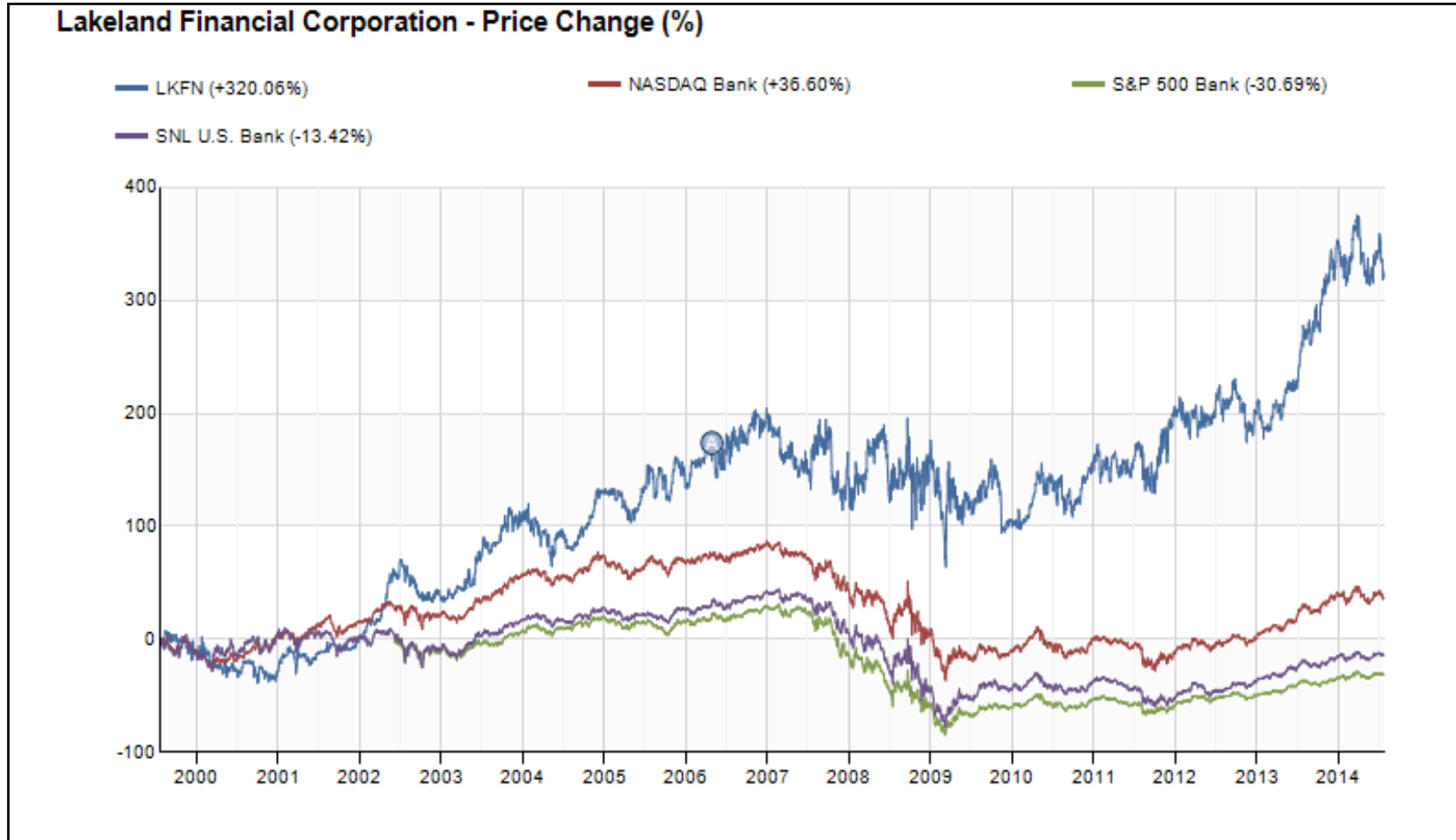
Strong Capital Structure

Key Ratios and Per Share Data As of June 30, 2014	
TCE /Tangible Assets	9.96%
Tier 1 Common Risk-Based	11.80%
Total Risk-Based	14.12%
Leverage	11.01%
Book Value	\$20.77
Tangible Book Value	\$20.58



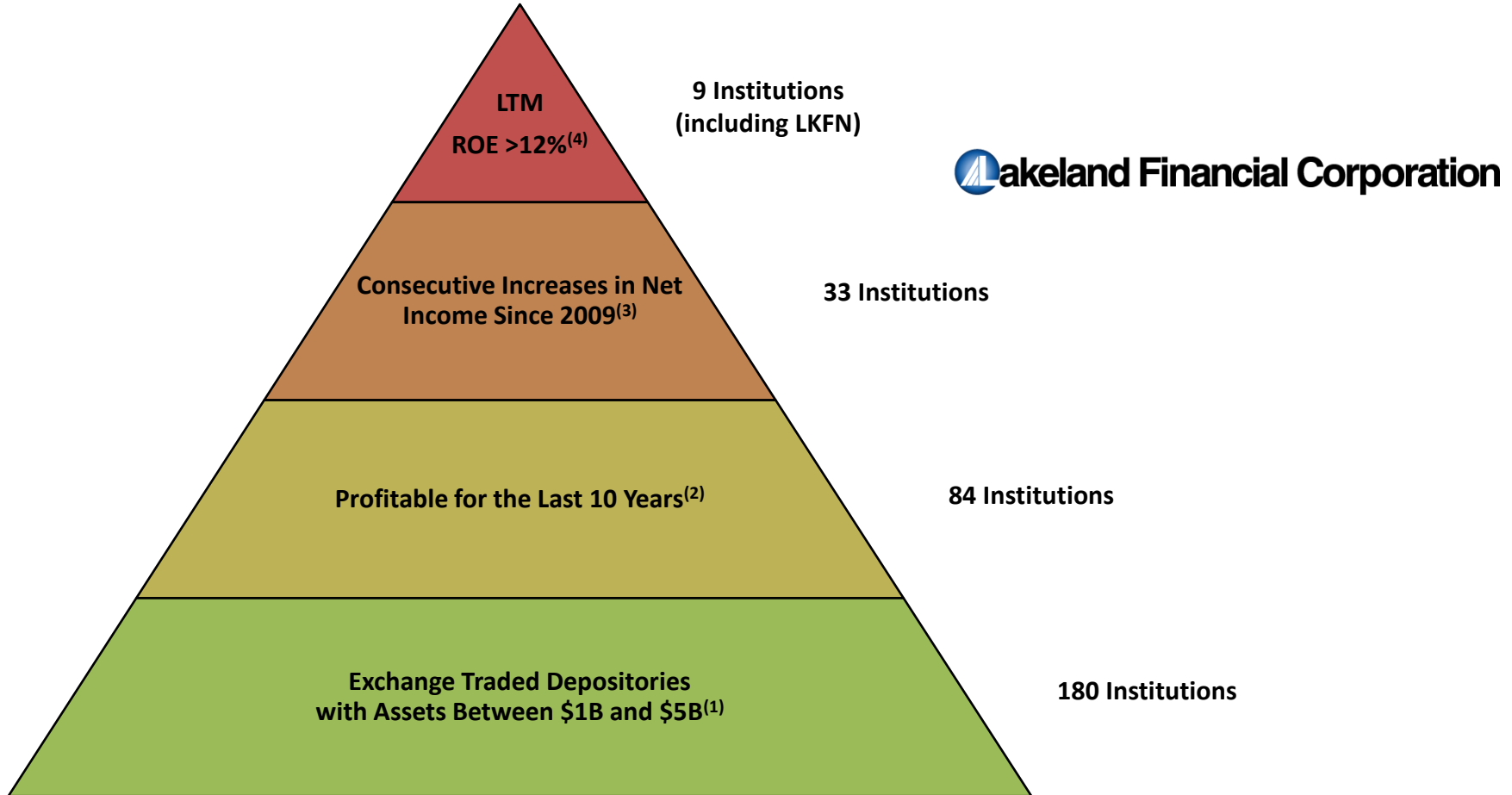


LKFN Performance





Consistently Strong Performance



Source Keefe, Bruyette & Woods: SNL Financial. Financial data is as of June 30, 2014.

1. Includes banks, thrifts and mutuals traded on the NYSE, NYSE MKT or NASDAQ as of August 6, 2014.
2. Defined as having positive net income before extraordinary items for each of the last 10 years (calendar years ended December 31, 2004 through December 31, 2013). 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 and 2013.
4. Includes: HIFS, GABC, NBCB, EGBN, LKFN, SYBT, WSFS, CNBKA and TRST.



Investment Highlights

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