

LAKELAND BANCORP INC
Form 424B3
April 01, 2013
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Registration No. 333-187319

MERGER PROPOSED - YOUR VOTE IS VERY IMPORTANT

Dear Shareholder:

You are invited to attend the annual meeting of Lakeland Bancorp, Inc. shareholders on May 8, 2013. At the meeting, you will be asked to approve a proposal to authorize the issuance of the shares of Lakeland common stock issuable upon consummation of the proposed merger of Somerset Hills Bancorp with and into Lakeland. In the merger:

Lakeland shareholders will retain their shares of Lakeland common stock; and

the shareholders of Somerset Hills will receive, at their election, for each outstanding share of Somerset Hills common stock that they own at the effective time of the merger, either 1.1962 shares of Lakeland common stock or \$12.00 in cash, subject to proration as described in the merger agreement, so that 90% of the aggregate merger consideration will be shares of Lakeland Bancorp common stock and 10% will be cash.

In addition to voting to authorize the issuance of Lakeland common stock in the merger, at the meeting you also will be asked to elect directors, ratify the appointment of our auditors, approve, on an advisory basis, the executive compensation of our executive officers and approve an increase in our authorized shares of common stock from 40,000,000 to 70,000,000.

Your vote is very important. Whether or not you plan to attend the annual meeting, please take the time to vote by completing and mailing the enclosed proxy card to us. The annual meeting will be held on May 8, 2013, at 5:00 p.m., at The Knoll Country Club West, 990 Greenbank Road, Boonton, New Jersey 07005.

The attached joint proxy statement and prospectus gives you detailed information about the proposed merger and the other matters to be voted upon at the annual meeting. We suggest that you pay special attention to the section entitled **RISK FACTORS** beginning on page 24.

We strongly support this strategic combination of Lakeland and Somerset Hills, and we join with the other members of our board of directors in recommending that you vote in favor of the issuance of the shares of Lakeland common stock in the merger.

Mary Ann Deacon
Chairman

Thomas J. Shara
President and CEO

Neither the Securities and Exchange Commission, nor any bank regulatory agency, nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares of Lakeland common stock to be issued in the merger are not savings accounts, deposits or other obligations of a bank or depository institution and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

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This joint proxy statement and prospectus is dated April 1, 2013, and is first being mailed to Lakeland shareholders on or about April 4, 2013.

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LAKELAND BANCORP, INC.

250 Oak Ridge Road

Oak Ridge, New Jersey 07438

Notice of Annual Meeting of Shareholders

To be Held May 8, 2013

To the Shareholders of Lakeland Bancorp, Inc.:

The annual meeting of shareholders of Lakeland Bancorp, Inc. will be held at The Knoll Country Club West, 990 Greenbank Road, Boonton, New Jersey 07005, on Wednesday, May 8, 2013, at 5:00 p.m., for the following purposes:

1. To vote on a proposal to authorize the issuance of the shares of Lakeland common stock issuable upon consummation of the proposed merger of Somerset Hills Bancorp into Lakeland (including the shares of Lakeland common stock issuable upon exercise of stock options to be assumed by Lakeland pursuant to the merger agreement).
 2. To elect three directors for three year terms.
 3. To ratify the appointment of Grant Thornton LLP as Lakeland's independent registered public accounting firm for 2013.
 4. To approve, on an advisory basis, the executive compensation of Lakeland's named executive officers as described in this joint proxy statement and prospectus.
 5. To authorize an increase in the number of authorized shares of common stock of Lakeland to 70,000,000 shares, and the total number of authorized shares of capital stock to 71,000,000 shares.
 6. To transact such other business as may properly come before the meeting and/or any adjournment or adjournments thereof.
- Only shareholders of record on March 22, 2013 are entitled to receive notice of, and to vote at, the annual meeting.

Information regarding the merger and other matters to be considered at the annual meeting is contained in the accompanying joint proxy statement and prospectus and its annexes.

Whether or not you plan to attend the annual meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope. It is important that your interests be represented at the meeting.

By order of the board of directors,

Timothy J. Matteson,

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Executive Vice President,

General Counsel and Corporate Secretary

Oak Ridge, New Jersey

April 1, 2013

Important notice regarding the availability of proxy materials for the annual meeting of shareholders to be held on May 8, 2013: This proxy statement, the form of proxy and our 2012 annual report are available at www.lakelandbank.com.

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REFERENCES TO ADDITIONAL INFORMATION

This joint proxy statement and prospectus provides you with detailed information about the merger agreement and the merger and the other matters that will be considered at each of the annual meetings. The boards of directors of Somerset Hills Bancorp, which we sometimes refer to as Somerset Hills, and Lakeland Bancorp, Inc., which we sometimes refer to as Lakeland Bancorp or Lakeland, encourage you to read this entire document carefully.

This joint proxy statement and prospectus incorporates by reference important business and financial information about Lakeland Bancorp that is not included in or delivered with this document. You can obtain free copies of this information by writing or calling:

Harry Cooper

Vice President

Lakeland Bancorp, Inc.

250 Oak Ridge Road

Oak Ridge, New Jersey 07438

Telephone: 973-697-2000

Email: hcooper@lakelandbank.com

In order to obtain timely delivery of these documents, you should request the information by May 1, 2013. See **WHERE YOU CAN FIND MORE INFORMATION** at page 150 for additional information.

If you have any questions, please contact our information agent, AST Phoenix Advisors. Shareholders should call AST Phoenix at (877) 478-5038. Banks and brokers with questions should call AST Phoenix at (212) 493-3910.

Neither Somerset Hills nor Lakeland has authorized anyone to provide you with any information other than the information included in this document and the documents to which you are referred in this document. If someone provides you with other information, please do not rely on it as being authorized by Somerset Hills or Lakeland.

This joint proxy statement and prospectus offers only the cash and shares of Lakeland common stock offered in the merger, and offers such shares only where it is legal to do so.

This joint proxy statement and prospectus has been prepared as of April 1, 2013. Changes that may have occurred in the affairs of Lakeland or Somerset Hills or their respective subsidiaries since that date are not reflected in this document.

The information contained in this document with respect to Lakeland was provided solely by Lakeland, and the information contained in this document with respect to Somerset Hills was provided solely by Somerset Hills.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE ANNUAL MEETINGS

Q: WHAT IS THE PURPOSE OF THIS DOCUMENT?

A: This document serves as both a proxy statement of Somerset Hills and as a proxy statement and prospectus of Lakeland. As a joint proxy statement, it is being provided to:

Somerset Hills shareholders by the Somerset Hills board of directors in connection with that board's solicitation of proxies for the Somerset Hills annual meeting at which the Somerset Hills shareholders will be asked to:

approve the merger agreement and the merger between Somerset Hills and Lakeland;

approve, on an advisory basis, certain golden parachute compensation payable under existing agreements that certain Somerset Hills officers will receive from Somerset Hills and Somerset Hills Bank as a result of the merger;

elect two directors to serve until the earlier of the closing of the merger or the expiration of their terms;

ratify the appointment of Crowe Horwath LLP as Somerset Hills independent registered public accounting firm for 2013;

approve, on an advisory basis, the executive compensation of Somerset Hills named executive officers as described in this joint proxy statement and prospectus; and

vote, on an advisory basis, on how often Somerset Hills will conduct an advisory vote on executive compensation.

Lakeland shareholders by the Lakeland board of directors in connection with that board's solicitation of proxies for the Lakeland annual meeting at which the Lakeland shareholders will be asked to:

authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement;

elect three directors for three year terms;

ratify the appointment of Grant Thornton LLP as Lakeland's independent registered public accounting firm for 2013;

approve, on an advisory basis, the executive compensation of Lakeland's named executive officers as described in this joint proxy statement and prospectus; and

approve an amendment to Lakeland's restated certificate of incorporation to increase the number of authorized shares of common stock from 40,000,000 shares to 70,000,000 shares and the total number of authorized shares of capital stock from

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41,000,000 shares to 71,000,000 shares.

As a prospectus, this document is being provided to Somerset Hills shareholders because Lakeland is offering to exchange shares of its common stock and cash for shares of Somerset Hills common stock upon completion of the merger.

Q: WHY ARE SOMERSET HILLS AND LAKELAND PROPOSING TO MERGE?

A: The boards of directors of Somerset Hills and Lakeland are proposing to merge Somerset Hills into Lakeland because they believe that combining the strengths of these two financial institutions is in the best interests of both companies, their respective shareholders and their respective customers. Please see THE MERGER - Somerset Hills Reasons for the Merger and THE MERGER - Recommendation of the Somerset Hills Board of Directors at pages 44 to 45 for the various factors considered by the Somerset Hills board of directors in recommending that Somerset Hills shareholders vote **FOR** the proposal to approve the merger agreement and the merger. Please see THE MERGER - Lakeland's Reasons for the Merger and THE MERGER - Recommendation of the Lakeland Board of Directors at pages 52 to 53 for the various

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factors considered by the Lakeland board of directors in recommending that Lakeland's shareholders vote **FOR** the proposal to authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement.

Q: WHAT WILL A SOMERSET HILLS SHAREHOLDER RECEIVE IN THE MERGER?

A: Upon completion of the merger, the shareholders of Somerset Hills will receive, at their election, for each outstanding share of Somerset Hills common stock that they own at the effective time of the merger, either 1.1962 shares of Lakeland common stock or \$12.00 in cash, subject to proration as described in the merger agreement, so that 90% of the aggregate merger consideration will be shares of Lakeland common stock and 10% will be cash.

Holders of Somerset Hills' shares immediately prior to the effective time of the merger will be able to elect to receive cash, stock or to indicate that such holder has no preference as to the receipt of cash or Lakeland common stock. If the elections would result in other than 90% of the merger consideration to be paid by Lakeland equaling stock and 10% cash, then the Exchange Agent, described below, will designate, on a pro rata basis, from those holders electing to receive shares, those electing to receive cash, and those indicating no preference, those holders who will receive shares or cash, as applicable, so that 90% of the outstanding shares of Somerset Hills will receive Lakeland common stock and 10% of the outstanding shares of Somerset Hills will receive cash. See "The MERGER - Terms of the Merger - What Somerset Hills Shareholders Will Receive in the Merger," beginning at page 53.

Q: WHAT ARE THE TAX CONSEQUENCES OF THE MERGER TO SOMERSET HILLS' SHAREHOLDERS?

A. The obligation of Lakeland and Somerset Hills to complete the merger is conditioned upon the receipt of a legal opinion from Lowenstein Sandler LLP, counsel to Lakeland, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Provided that the merger qualifies as a reorganization for United States federal income tax purposes, the specific tax consequences of the merger to a Somerset Hills shareholder will depend upon the form of consideration such Somerset Hills shareholder receives in the merger.

If you receive solely shares of Lakeland common stock and cash instead of a fractional share of Lakeland common stock in exchange for your Somerset Hills common stock, then you generally will not recognize any gain or loss, except with respect to the cash received instead of a fractional share of Lakeland common stock.

If you receive solely cash, then you generally will recognize gain or loss equal to the difference between the amount of cash you receive and your adjusted tax basis in your Somerset Hills common stock. Generally, any gain recognized upon the exchange will be capital gain, and any such capital gain will be long-term capital gain if you have established a holding period of more than one year for your shares of Somerset Hills common stock.

If you receive a combination of Lakeland common stock and cash, other than cash instead of a fractional share of Lakeland common stock, in exchange for your Somerset Hills common stock, then you may recognize gain, but you will not recognize loss, upon the exchange of your shares of Somerset Hills common stock for shares of Lakeland common stock and cash. If the sum of the fair market value of the Lakeland common stock and the amount of cash you receive in exchange for your shares of Somerset Hills common stock exceeds the adjusted tax basis of your shares of Somerset Hills common stock, you will recognize taxable gain equal to the lesser of the amount of such excess or the amount of cash you receive in the exchange. Generally, any gain recognized upon the exchange will be capital gain, and any such capital gain will be long-term capital gain if you have established a holding period of more than one year for your shares of Somerset Hills common stock. Depending on certain facts specific to you, any gain could instead be characterized as ordinary dividend income.

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For a more detailed discussion of the material United States federal income tax consequences of the transaction, see **THE MERGER - Material United States Federal Income Tax Consequences** beginning on page 67.

The consequences of the merger to any particular shareholder will depend on that shareholder's particular facts and circumstances. Accordingly, you are urged to consult your tax advisor to determine your tax consequences from the merger.

Q: DO I HAVE RIGHTS TO DISSENT FROM THE MERGER?

A: No.

Q: ARE THERE ANY REGULATORY OR OTHER CONDITIONS TO THE MERGER OCCURRING?

A: Yes. The merger of Somerset Hills into Lakeland, and the merger of Somerset Hills Bank into Lakeland Bank, which the merger agreement provides will occur immediately following the holding company merger, must be approved by the Federal Deposit Insurance Corporation (the FDIC) and the New Jersey Department of Banking and Insurance, and a waiver must be obtained from the Board of Governors of the Federal Reserve System. As Somerset Hills Bank has a mortgage banking subsidiary, in addition to approval by the New Jersey Department of Banking and Insurance, approvals are required from the State of Pennsylvania, the U.S. Department of Housing and Urban Development, referred to as HUD, and the U.S. Veterans Administration. Applications were filed with the FDIC and the New Jersey Department of Banking and Insurance on February 15, 2013, and approvals are pending.

In addition, the merger must be approved by the holders of at least a majority of the outstanding shares of Somerset Hills common stock. Lakeland shareholders must approve a proposal to authorize the issuance of the shares of Lakeland common stock issuable in the merger. Assuming that a quorum is present at the Lakeland shareholders' meeting, a majority of the votes cast must be voted in favor of the proposal in order to approve it.

Completion of the merger is also subject to certain other conditions. See **THE MERGER - Conditions to the Merger**, beginning at page 60.

Q: WHAT DO THE RESPECTIVE BOARDS OF DIRECTORS RECOMMEND?

A: The Somerset Hills board of directors has unanimously approved the merger and the merger agreement and believes that the proposed merger is in the best interests of Somerset Hills and its shareholders. Accordingly, the Somerset Hills board of directors unanimously recommends that Somerset Hills shareholders vote **FOR** approval of the merger agreement and the merger. The Somerset Hills board also recommends that Somerset Hills shareholders vote **FOR** approval of Somerset Hills proposals 2 through 5 and, with respect to Somerset Hills proposal 6, **FOR** Somerset Hills holding an advisory vote on executive compensation every three years, as described in this joint proxy statement and prospectus.

Similarly, the Lakeland board of directors has unanimously approved the merger and the authorization of the shares of common stock issuable pursuant to the merger agreement and believes that such action is in the best interests of Lakeland and its shareholders. Accordingly, the Lakeland board of directors unanimously recommends that Lakeland shareholders vote **FOR** approval of the authorization of the issuance of the shares of Lakeland common stock pursuant to the merger agreement. The Lakeland board also recommends that Lakeland shareholders vote **FOR** approval of the other proposals to be considered at the Lakeland annual meeting, as described in this joint proxy statement and prospectus.

Q: ARE THERE RISKS ASSOCIATED WITH LAKELAND'S COMMON STOCK OR THE MERGER?

A: Yes. For a description of some of the risks, see **RISK FACTORS**, beginning at page 24.

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Q: WHAT DO I NEED TO DO NOW?

A: After you have carefully read this joint proxy statement and prospectus, you should indicate on your proxy card how you want your shares to be voted, then sign, date and mail the proxy card in the enclosed postage-paid envelope as soon as possible so that your shares may be represented and voted at the applicable shareholders' meeting. You should also indicate on your proxy card how you want your shares voted on the other proposals to be considered at your shareholders' meeting. In addition, you may attend your shareholders' meeting in person and vote, whether or not you have signed and mailed your proxy card.

If you are a Somerset Hills shareholder and you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote **FOR** approval of the merger agreement, **FOR** nonbinding approval of the golden parachute agreements described in this joint proxy statement and prospectus, **FOR** the board's nominees for director (who would serve until the earlier of the closing of the merger or the expiration of their terms), **FOR** ratification of the appointment of Crowe Horwath LLP as Somerset Hills' independent registered public accounting firm for 2013, **FOR** non-binding approval of the compensation of Somerset Hills' executives as described in this joint proxy statement and prospectus and **FOR** approval of an advisory vote on executive compensation to be held every three years.

If you are a Lakeland shareholder and you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote **FOR** authorization of the issuance of the shares of Lakeland common stock issuable pursuant to the merger, **FOR** the Board's nominees for election to the Board, **FOR** ratification of the appointment of Grant Thornton LLP as Lakeland's independent registered public accounting firm for 2013, **FOR** non-binding approval of the compensation of Lakeland's executives as described in this joint proxy statement and prospectus and **FOR** an increase in the authorized shares of common stock of Lakeland to 70,000,000 shares.

Q: IF I AM A SOMERSET HILLS SHAREHOLDER, AM I REQUIRED TO SUBMIT MY ELECTION FORM WHEN I SUBMIT MY PROXY CARD?

A: No. By a separate mailing being sent concurrently with this joint proxy statement and prospectus, you will be receiving an Election Form for your use in making an election to receive either cash or Lakeland common stock pursuant to the merger. The Election Forms must be received by American Stock Transfer & Trust Company, the Exchange Agent, no later than 5:00 p.m. on the date that is three business days prior to the date on which we consummate the merger. Assuming that all regulatory approvals are received (and the 15 to 30 day period following FDIC approval during which the Justice Department may file objections to the merger relating to competitive factors has passed) prior to the annual meetings and assuming that the Somerset Hills and Lakeland shareholders approve the proposals described in this document, we hope to consummate the merger immediately after the shareholders' meetings are conducted. **Thus, if you are a Somerset Hills shareholder, you should make sure that the Exchange Agent receives your Election Form at least three business days before the Somerset Hills annual meeting.** If you are a Somerset Hills shareholder and you either do not submit an Election Form or you submit an Election Form after the deadline, your shares will be deemed to be No Election Shares for purposes of the allocation procedures described in this joint proxy statement and prospectus. We cannot tell you at this point whether No Election Shares will receive cash or Lakeland common stock in the merger. See THE MERGER - Terms of the Merger - Election Form; Exchange of Shares beginning on page 54.

Q: MUST MY ELECTION FORM COVER ALL OF MY SOMERSET HILLS SHARES?

A: Yes. Each holder of Somerset Hills shares may submit only one Election Form. The only exception is for shareholders who hold shares on behalf of others or shareholders who hold shares in a retirement account. Shareholders who hold Somerset Hills shares as nominees, trustees or in other representative capacities may submit multiple Election Forms, provided that each such Election Form covers all of the shares of Somerset Hills common stock held by such representative for a particular beneficial owner. Shareholders who hold shares in a retirement account may also submit multiple Election Forms as long as each Election Form covers all of the shares held by such shareholder individually or in the retirement account.

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Q: MAY I CHANGE MY VOTE AFTER I HAVE MAILED MY SIGNED PROXY CARD?

A: Yes. There are three ways for you to revoke your proxy and change your vote. First, you may send a later-dated, signed proxy card before the annual meeting. Second, you may revoke your proxy by written notice (which you could personally deliver at the annual meeting) to the Secretary of Somerset Hills or the Secretary of Lakeland, as the case may be, at any time prior to the vote being taken at the applicable shareholders meeting. Third, you may submit a new proxy via telephone or the Internet. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote. If you deliver such a notice or if you do not submit a proxy, you may vote your shares at your shareholders meeting. If you wish to vote in person at your shareholders meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which will be available at each meeting. Attendance at the shareholders meeting will not by itself constitute a revocation of a proxy.

Q: IF I AM A SOMERSET HILLS SHAREHOLDER, MAY I CHANGE MY ELECTION FORM AFTER I HAVE MAILED IT TO THE EXCHANGE AGENT?

A: Yes, provided that you deliver a notice of revocation to the Exchange Agent prior to the election deadline, which will be 5:00 p.m. on the third business day prior to the date on which the merger is consummated. You may deliver a new Election Form with your notice of revocation, provided that both documents are received prior to the election deadline.

Q: IF I AM A SOMERSET HILLS SHAREHOLDER, SHOULD I SEND IN MY STOCK CERTIFICATES NOW?

A: You should only submit your Somerset Hills stock certificates when you submit your Election Form. If you do not submit an Election Form, Lakeland will mail to you instructions for exchanging your stock certificates promptly after the merger is consummated.

Q: HOW MANY SHARES OF LAKELAND COMMON STOCK ARE ISSUABLE PURSUANT TO THE MERGER?

A: If:

none of the outstanding Somerset Hills stock options is exercised prior to the completion of the merger;

no adjustment is made in the exchange ratio because of a stock split, stock dividend or similar event affecting the stock price of Lakeland common stock; and

no adjustment is made in the exchange ratio as a result of the price adjustment provision described below under **THE MERGER - Termination** ,

then, as result of the 90% stock/10% cash allocation of the merger consideration contained in the merger agreement, the maximum number of shares of Lakeland common stock issuable pursuant to the merger agreement is 6,180,094 shares.

Q: IS THERE OTHER INFORMATION I SHOULD CONSIDER?

A: Yes. Much of the business and financial information about Lakeland that may be important to you is not included in this document. Instead, that information is incorporated by reference to documents separately filed by Lakeland with the Securities and Exchange Commission. This means that Lakeland may satisfy its disclosure obligations to you by referring you to one or more documents separately filed by it with the SEC. See **WHERE YOU CAN FIND MORE INFORMATION** beginning at page 150, for a list of documents that Lakeland has incorporated by reference into this joint proxy statement and prospectus and for instructions on how to obtain copies of those documents. The documents are available to you without charge.

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Q: WHAT IF THERE IS A CONFLICT BETWEEN DOCUMENTS?

A: You should rely on the later filed document. Information in this joint proxy statement and prospectus may update information contained in one or more of the Lakeland documents incorporated by reference. Similarly, information in documents that Lakeland may file after the date of this joint proxy statement and prospectus may update information contained in this joint proxy statement and prospectus or information contained in previously filed documents.

Q: WHEN DO YOU EXPECT TO MERGE?

A: We are working toward completing the merger as quickly as possible. We cannot close the merger until (a) after we receive all necessary bank regulatory approvals and the 15 to 30 day period following FDIC approval during which the Justice Department may file objections to the merger relating to competitive factors has passed and (b) after the shareholders of Somerset Hills have approved the merger agreement and the merger and after the shareholders of Lakeland have approved the authorization of the issuance of the shares of Lakeland common stock in the merger at the respective shareholders' meetings. We expect to complete the merger during the second or third calendar quarters of 2013.

Q: WHOM SHOULD I CALL WITH QUESTIONS OR TO OBTAIN ADDITIONAL COPIES OF THIS JOINT PROXY STATEMENT AND PROSPECTUS?

A: If you are a Somerset Hills shareholder and you have questions about the Somerset Hills annual meeting or if you need additional copies of this joint proxy statement and prospectus, you should contact:

Jeanne Hagen

Corporate Secretary

Somerset Hills Bancorp

155 Morristown Road

Bernardsville, New Jersey 07924

Telephone: 908-221-0100

Email: jhagen@somersethillsbank.com

Or

Eagle Rock Proxy Advisors (Somerset Hills' proxy solicitor)

12 Commerce Drive

Cranford, New Jersey 07016

Telephone: 800-951-2406

If you are a Lakeland shareholder and you have questions about the Lakeland annual meeting or if you need additional copies of this joint proxy statement and prospectus, you should contact:

Harry Cooper

Vice President

Lakeland Bancorp, Inc.

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250 Oak Ridge Road

Oak Ridge, New Jersey 07438

Telephone: 973-697-2000

Email: hcooper@lakelandbank.com

Any shareholder of Somerset Hills or Lakeland may also call our information agent, AST Phoenix Advisors. Shareholders should call AST Phoenix at (877) 478-5038. Banks and brokers with questions should call AST Phoenix at (212) 493-3910.

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SUMMARY

This summary highlights selected information from this joint proxy statement and prospectus. Because this is a summary, it does not contain all of the information that may be important to you. You should carefully read this entire document and the other documents we refer to in this document before you decide how to vote. These references will give you a more complete description of the merger agreement and the merger and the other matters to be considered at the annual meetings. We have included page references in this summary to direct you to more complete descriptions of the topics provided elsewhere in this joint proxy statement and prospectus.

The Companies (See pages 72 to 94 for Somerset Hills and page 72 for Lakeland)

Somerset Hills Bancorp

155 Morristown Road

Bernardsville, New Jersey 07924

Telephone: 908-221-0100

Somerset Hills Bancorp, which is sometimes referred to in this joint proxy statement and prospectus as Somerset Hills, is a one-bank holding company incorporated under the laws of New Jersey in January 2000 to serve as the holding company for Somerset Hills Bank. Effective January 1, 2001, Somerset Hills acquired all of the capital stock of Somerset Hills Bank and became a bank holding company under the Bank Holding Company Act of 1956, as amended. Somerset Hills Bank is a banking corporation organized under the banking laws of the State of New Jersey. Somerset Hills Bank operates six banking offices in New Jersey: its main office, located in Somerset County, four branch offices in Morris County and one branch office in Union County. Its lending activities are oriented to the small-to-medium sized business, high net worth individuals, professional practices and consumer and retail customers living and working primarily in its market area. Somerset Hills Bank also operates a licensed mortgage company subsidiary. As of December 31, 2012, Somerset Hills Bancorp had consolidated total assets, total loans, total deposits and total stockholders' equity of \$368.9 million, \$241.9 million, \$320.2 million and \$41.8 million, respectively.

Lakeland Bancorp, Inc.

250 Oak Ridge Road

Oak Ridge, New Jersey 07438

Telephone: 973-697-2000

Lakeland Bancorp, Inc., which is sometimes referred to in this joint proxy statement and prospectus as Lakeland Bancorp or Lakeland, is a New Jersey business corporation and a registered bank holding company. Lakeland was organized in March of 1989 and commenced operations on May 19, 1989, upon the consummation of the acquisition of all of the outstanding stock of Lakeland Bank, formerly named Lakeland State Bank. Lakeland Bank is a banking corporation organized under the banking laws of the State of New Jersey. Lakeland Bank has 46 offices spanning six northwestern New Jersey counties: Bergen, Essex, Morris, Passaic, Sussex and Warren. It offers an extensive array of consumer and commercial products and services, including online banking, localized commercial lending teams and 24-hour or less turnaround time on consumer loan applications. As of December 31, 2012, Lakeland Bancorp had consolidated total assets, total loans, total deposits and total stockholders' equity of \$2.92 billion, \$2.15 billion, \$2.37 billion and \$280.9 million, respectively.

The Merger (See page 41)

Somerset Hills will merge with and into Lakeland, with Lakeland as the surviving corporation in the merger. Immediately after the merger of the holding companies, Somerset Hills Bank will merge with and into Lakeland Bank, with Lakeland Bank as the surviving bank in the merger.

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A copy of the merger agreement between Lakeland and Somerset Hills is attached to this joint proxy statement and prospectus as Annex A. A copy of the form of the merger agreement pertaining to the bank merger is included as Exhibit A to the merger agreement attached to this joint proxy statement and prospectus as Annex A.

Somerset Hills shareholders will either receive cash or stock, or a combination of cash and stock. Upon completion of the merger, the shareholders of Somerset Hills will receive, at their election, for each outstanding share of Somerset Hills common stock that they own at the effective time of the merger, either 1.1962 shares of Lakeland common stock or \$12.00 in cash, subject to proration as described in the merger agreement, so that 90% of the aggregate merger consideration will be shares of Lakeland common stock and 10% will be cash.

Holders of Somerset Hills stock immediately prior to the effective time of the merger will be able to elect to receive cash, stock or to indicate that such holder has no preference as to the receipt of cash or Lakeland common stock. If such election would result in other than 90% of the merger consideration to be paid by Lakeland equaling stock and 10% cash, then the Exchange Agent will designate, on a pro rata basis, from those holders electing to receive shares, those electing to receive cash, and those indicating no preference, those holders who will receive shares or cash, as applicable, so that 90% of the outstanding shares of Somerset Hills will receive Lakeland common stock and 10% of the outstanding shares of Somerset Hills will receive cash. See THE MERGER - Terms of the Merger - What Somerset Hills Shareholders Will Receive in the Merger, beginning at page 53.

The exchange ratio will be adjusted proportionately if Lakeland makes any stock splits, stock dividends or similar distributions prior to the closing of the merger.

Lakeland will not issue any fractions of a share of common stock. Rather, Lakeland will pay cash (without interest) for any fractional share interest any Somerset Hills shareholder would otherwise receive in the merger. All shares of Somerset Hills common stock held by a shareholder immediately prior to the effective time of the merger will be aggregated before determining the need to pay cash in lieu of fractional shares to such former shareholder.

Tax Consequences (See pages 67 to 70)

We expect that for federal income tax purposes, the merger will be a taxable event to those Somerset Hills shareholders who receive cash in whole or in part in exchange for their Somerset Hills common stock, and the merger will not be a taxable event to those Somerset Hills shareholders who receive solely Lakeland common stock in exchange for their Somerset Hills common stock. However, we urge you to consult your tax advisor to gain a full understanding of the tax consequences of the merger to you. Tax matters are very complicated, and in many cases, the tax consequences of the merger will depend on your particular facts and circumstances.

Reasons for proposing the merger (See pages 44 to 45 for Somerset Hills and pages 52 to 53 for Lakeland)

Somerset Hills board of directors has unanimously approved the merger and the merger agreement and believes that the proposed merger is in the best interests of Somerset Hills and its shareholders. If the merger is consummated, Somerset Hills shareholders who receive Lakeland common stock in the merger will own stock in a larger and more diversified corporation.

In unanimously approving the merger agreement, Somerset Hills board considered, among other things, the terms of the merger agreement, including the financial terms, the income tax consequences of the transaction, the historical market prices and liquidity of Lakeland common stock and Somerset Hills common stock, the historical cash dividends paid on Lakeland common stock and on Somerset Hills common stock, the competitive environment facing Somerset Hills and the business and prospects of Lakeland.

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Lakeland's board of directors focused principally on Somerset Hills' shared focus with Lakeland on community banking and the demographics of the New Jersey counties in which Somerset Hills has locations.

Board recommendations (See page 45 for Somerset Hills and page 53 for Lakeland)

The board of directors of Somerset Hills unanimously approved the merger agreement and the merger, and unanimously recommends that Somerset Hills shareholders vote **FOR** approval of that proposal. The board of directors of Lakeland unanimously approved the merger agreement and the merger, and unanimously recommends that Lakeland shareholders vote **FOR** the proposal to authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement.

Somerset Hills' financial advisor has concluded that the consideration that Somerset Hills shareholders will receive in the merger is fair. (See pages 45 to 51)

Keefe, Bruyette & Woods, Inc., financial advisor to Somerset Hills, whom we refer to as KBW, has provided a written fairness opinion, dated January 28, 2013, to Somerset Hills' board of directors to the effect that, as of that date, the aggregate consideration to be paid in the merger is fair to Somerset Hills' shareholders from a financial point of view. A copy of the fairness opinion is attached to this joint proxy statement and prospectus as Annex B.

You should read the fairness opinion in its entirety.

Pursuant to the KBW engagement agreement, Somerset Hills agreed to pay KBW a fee of \$100,000 concurrently with the rendering of the opinion as well as a cash fee equal to 1.05% of the aggregate consideration offered in the merger to be paid as follows: (i) one-third of the fee was paid at the time of signing of the merger agreement; (ii) one-third of the fee will be paid on the date of mailing of the definitive proxy statement to Somerset Hills' shareholders for approval of the merger; and (iii) one-third of the fee is payable at the time of closing of the merger. The \$100,000 paid for the opinion will be credited against the final payment due at the closing of the merger. In addition, Somerset Hills also agreed to reimburse KBW for reasonable out-of-pocket expenses and disbursements incurred in connection with its retention up to \$10,000 and to indemnify against certain liabilities, including liabilities under the federal securities laws. During the two years preceding the date of its opinion to Somerset Hills, KBW has not received compensation for investment banking services from Somerset Hills, and KBW has received compensation for investment banking services from Lakeland.

Annual meeting of Somerset Hills' shareholders to be held on May 8, 2013 (See pages 33 to 34)

The annual meeting of Somerset Hills' shareholders will be held at the Washington Ballroom at The Olde Mill Inn, 225 Route 202, Basking Ridge, New Jersey 07920 at 1:00 p.m. on Wednesday, May 8, 2013. At the annual meeting, Somerset Hills will ask its shareholders:

1. To approve an Agreement and Plan of Merger, dated as of January 28, 2013, by and between Somerset Hills and Lakeland, providing for:

the merger of Somerset Hills with and into Lakeland; and

the automatic conversion of all of the outstanding capital stock of Somerset Hills into either cash or shares of Lakeland common stock, pursuant to election and allocation procedures described in the merger agreement.

2. To approve, on an advisory basis, certain golden parachute compensation payable under existing agreements that certain Somerset Hills officers will receive from Somerset Hills and Somerset Hills Bank as a result of the merger.

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3. To elect two directors to serve until the earlier of the closing of the merger or the expiration of their terms, as described in this joint proxy statement and prospectus.
4. To ratify the appointment of Crowe Horwath LLP as Somerset Hills independent registered public accounting firm for 2013.
5. To approve, on an advisory basis, the executive compensation of Somerset Hills named executive officers as described in this joint proxy statement and prospectus.
6. To vote, on an advisory basis, on how often Somerset Hills will conduct an advisory vote on executive compensation.
7. To transact such other business as shall properly come before the annual meeting, which may include a motion to adjourn the meeting to another time or place in order to solicit additional proxies in favor of the merger agreement and the merger.

Annual meeting of Lakeland s shareholders to be held on May 8, 2013 (See pages 33 to 35)

The annual meeting of shareholders of Lakeland Bancorp will be held at The Knoll Country Club West, 990 Greenbank Road, Boonton, New Jersey 07005, on Wednesday, May 8, 2013, at 5:00 p.m., for the following purposes:

1. To vote on a proposal to authorize the issuance of the shares of Lakeland common stock issuable upon consummation of the proposed merger of Somerset Hills Bancorp into Lakeland (including the shares of Lakeland common stock issuable upon exercise of stock options to be assumed by Lakeland pursuant to the merger agreement).
2. To elect three directors for three year terms.
3. To ratify the appointment of Grant Thornton LLP as Lakeland s independent registered public accounting firm for 2013.
4. To approve, on an advisory basis, the executive compensation of Lakeland s named executive officers as described in this joint proxy statement and prospectus.
5. To authorize an increase in the number of authorized shares of common stock of Lakeland to 70,000,000 shares and the total number of authorized shares of capital stock to 71,000,000 shares.
6. To transact such other business as may property come before the meeting and/or any adjournment or adjournments thereof.

Who can vote (See page 35)

You are entitled to vote at the Somerset Hills annual meeting if you owned shares of Somerset Hills common stock at the close of business on the record date of March 22, 2013 and at the Lakeland annual meeting if you owned shares of Lakeland common stock at the close of business on the record date of March 22, 2013. You will have one vote for each share of Somerset Hills common stock or Lakeland common stock that you owned on the applicable record date. On Somerset Hills record date, there were 5,369,800 shares of Somerset Hills common stock outstanding. On Lakeland s record date, there were 29,859,282 shares of Lakeland common stock outstanding.

You may vote either by attending your shareholders meeting and voting your shares, or by completing the enclosed proxy card and mailing it to Somerset Hills or Lakeland, as the case may be, in the enclosed white

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envelope. Somerset Hills and Lakeland shareholders may also vote by telephone or via the Internet, as described in the enclosed instructions for Somerset Hills or Lakeland, as applicable.

The boards of directors of Somerset Hills and Lakeland are seeking your proxy to use at the respective shareholders' meetings. We have prepared this joint proxy statement and prospectus to assist you in deciding how to vote and whether or not to grant your proxy. Please indicate on your proxy card how you want to vote. Then sign, date and mail the proxy card as soon as possible so that your shares will be represented at the applicable shareholders' meeting.

If you are a Somerset Hills shareholder and you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote **FOR** approval of the merger agreement, **FOR** nonbinding approval of the golden parachute agreements described in this joint proxy statement and prospectus, **FOR** the board's nominees for director (who would serve until the earlier of the closing of the merger or the expiration of their terms), **FOR** ratification of the appointment of Crowe Horwath LLP as Somerset Hills' independent registered public accounting firm for 2013, **FOR** non-binding approval of the compensation of Somerset Hills' executives as described in this joint proxy statement and prospectus and **FOR** approval of an advisory vote on executive compensation to be held every three years.

If you are a Lakeland shareholder and you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote **FOR** authorization of the issuance of the shares of Lakeland common stock issuable pursuant to the merger, **FOR** the Board's nominees for election to the Board, **FOR** ratification of the appointment of Grant Thornton LLP as Lakeland's independent registered public accounting firm for 2013, **FOR** non-binding approval of the compensation of Lakeland's executives as described in this joint proxy statement and prospectus and **FOR** an increase in the authorized shares of common stock of Lakeland to 70,000,000 shares.

If you sign a proxy, you may revoke it by written notice to the Secretary of Somerset Hills or Lakeland, as the case may be, at any time before it is voted at the applicable annual meeting.

You cannot vote shares held by your broker in street name. Only your broker can vote those shares, with your instructions. If you do not provide your broker with instructions on how to vote your shares, your broker will not be permitted to vote them.

Voting matters (See pages 35 to 39)

The presence, in person or by proxy, of a majority of the shares of Somerset Hills common stock outstanding on the record date will constitute a quorum for the purposes of the Somerset Hills annual meeting. The approval of the merger agreement and the merger will require the affirmative vote, in person or by proxy, of the holders of at least a majority of the shares of Somerset Hills common stock outstanding on the record date. Each holder of shares of Somerset Hills common stock outstanding on the record date will be entitled to one vote for each share held of record. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present and will have the same effect as a vote against the merger and merger agreement.

As for the other matters to be considered at the Somerset Hills annual meeting, provided that a quorum is present, directors will be elected by plurality vote (there is no right to vote stock cumulatively), approval of the other Somerset Hills proposals (except for the advisory vote on how often Somerset Hills will conduct an advisory vote on executive compensation, which is referred to as a say on frequency vote) will require the affirmative vote of a majority of the votes cast with respect to each proposal, and with respect to the say on frequency vote, the option of one year, two years or three years that receives the highest number of votes cast will be the frequency of that vote that has been approved by the Somerset Hills shareholders on an advisory

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basis. For purposes of determining the votes cast with respect to these matters (but not the approval of the merger agreement, as described above), only those votes cast for or against (or, with respect to the say on frequency vote, every one year, every two years or every three years) are included. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present and will have no effect on the matters described in this paragraph (but will have an effect on the merger agreement vote, as described above).

The approval of the proposal to authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement will require the affirmative vote, in person or by proxy, of the holders of a majority of the votes cast at Lakeland's annual meeting, assuming that a quorum is present in person or by proxy. As for the other matters to be voted on at Lakeland's annual meeting, assuming a quorum is present, directors will be elected by a plurality vote (there is no right to vote stock cumulatively), and approval of the other proposals to be considered at the Lakeland annual meeting (ratification of Grant Thornton LLP as Lakeland's auditors for 2013, the advisory vote on Lakeland's executive compensation and the increase in the number of authorized shares of Lakeland's common stock) will each require the affirmative vote of a majority of the votes cast with respect to each proposal. Each holder of shares of Lakeland common stock outstanding on the record date will be entitled to one vote for each share held of record. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present, but will have no effect on any of the matters presented at Lakeland's annual meeting.

Shares owned by Somerset Hills directors and executive officers have agreed to vote in favor of the merger agreement (See pages 35 to 36)

On Somerset Hills' record date, the directors and executive officers of Somerset Hills, together with their affiliates, had sole or shared voting power over 486,755 shares of Somerset Hills common stock, or approximately 9.06% of the shares of Somerset Hills common stock outstanding on the record date.

Somerset Hills' directors and executive officers have entered into agreements with Lakeland in which they have agreed to vote all shares of Somerset Hills common stock which they own on the record date in favor of the merger agreement and the merger.

On Lakeland's record date, Lakeland's directors and executive officers, together with their affiliates, had sole or shared voting power over 2,687,067 shares of Lakeland common stock, or approximately 9.0% of the shares of Lakeland common stock outstanding on the record date.

To the best knowledge of Lakeland and Somerset Hills:

Lakeland holds no shares of Somerset Hills common stock other than shares held in a fiduciary capacity for others.

Somerset Hills holds no shares of Lakeland common stock other than shares held in a fiduciary capacity for others.

As of March 22, 2013, Lakeland's directors and executive officers, together with their affiliates, did not beneficially own any shares of Somerset Hills common stock.

As of March 22, 2013, Somerset Hills' directors and executive officers, together with their affiliates, did not beneficially own any shares of Lakeland common stock.

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Interests of Somerset Hills directors and management in the merger (See pages 65 to 67)

The directors and executive officers of Somerset Hills have interests in the merger as directors and employees that are different from the interests of the other Somerset Hills shareholders. These interests include, among others:

Upon consummation of the holding company merger and the bank merger, which are sometimes referred to collectively as the mergers, Edward B. Deutsch and Thomas J. Marino (currently the Chairman of the Board and a director of Somerset Hills Bancorp and Somerset Hills Bank, respectively) will be appointed to the boards of directors of Lakeland Bancorp and Lakeland Bank (or if either of them is unable or unwilling to serve, such other person or persons from among the current board of directors of Somerset Hills as Lakeland shall designate). Lakeland directors receive certain fees for serving as directors, as described under Lakeland Proposal 2 Election of Directors - Directors Compensation.

Stewart E. McClure, Jr. (currently Vice Chairman and member of the board of directors of Somerset Hills, and the President, Chief Executive Officer and Chief Operating Officer of Somerset Hills and Somerset Hills Bank) has entered into an employment agreement with Lakeland and Lakeland Bank, dated as of January 28, 2013, which we refer to as the new employment agreement, which will become effective at the effective time of the mergers. The new employment agreement provides that Mr. McClure will serve as Co-President of Lakeland Bank, at an annual base salary of \$320,000.

Under Mr. McClure's existing employment agreement with Somerset Hills, the holding company merger will constitute a change in control, and Mr. McClure will become entitled to receive a lump-sum payment in the amount of \$837,500 (which equals two and one half times his base salary and the bonus he received in the preceding year) upon the consummation of the merger.

In addition to Mr. McClure's arrangement, Alfred J. Soles (Executive Vice President and Chief Financial Officer), James Nigro (Executive Vice President and Chief Lending Officer) and David Lidster (Senior Vice President and Chief Technology Officer) of Somerset Hills will each receive a lump sum payment of \$75,000, \$322,500 and \$53,750, respectively, upon the closing of the merger, under their respective change in control agreements.

Certain senior officers of Somerset Hills (excluding Messrs. McClure, Soles, Nigro and Lidster) will be entitled to a retention bonus if they maintain their employment with Somerset Hills until such time after the effective date of the merger as their position or function has been converted or transitioned and are not then offered continued employment by Lakeland.

Lakeland will assume all Somerset Hills stock options outstanding immediately prior to the consummation of the merger.

The merger agreement provides that Lakeland will indemnify the directors and officers of Somerset Hills against certain liabilities for a six-year period following completion of the merger. In addition, Lakeland has agreed to cause the persons serving as officers and directors of Somerset Hills immediately prior to the merger to be covered by directors and officers liability insurance for a period of six years after the closing, subject to a limitation on the amount which Lakeland must spend for this insurance.

Somerset Hills' board of directors and Lakeland's board of directors were aware of these interests and considered them in approving and recommending the merger. For additional information on the benefits of the merger to Somerset Hills' management, see pages 65 to 67.

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Merger expected to occur in the second or third calendar quarters of 2013 (See page 56)

The merger of Somerset Hills with and into Lakeland will become final when a certificate of merger is filed under New Jersey law. That certificate may not be filed until all bank regulatory approvals have been received, the 15 to 30 day period following FDIC approval during which the Justice Department may file objections to the merger relating to competitive factors has passed, Somerset Hills' shareholders approve the merger agreement and the merger and Lakeland's shareholders authorize the issuance of the Lakeland shares of common stock issuable pursuant to the merger agreement. We currently anticipate that the merger will be completed in the second or third calendar quarters of 2013, although delays could occur. Immediately following the merger of Somerset Hills with and into Lakeland, Somerset Hills Bank will merge with and into Lakeland Bank. The bank merger will become final when a merger agreement attaching certifications by Lakeland Bank and Somerset Hills Bank as to the requisite shareholder approval having been obtained, is filed with the New Jersey Commissioner of Banking and Insurance.

We cannot assure you that we can obtain the necessary regulatory or shareholder approvals or that the other conditions precedent to the merger or the bank merger can or will be satisfied.

Regulatory approval must be obtained and other conditions must be satisfied before the mergers will be completed (See pages 60 to 62 and page 65)

Our obligations to complete the mergers are subject to various conditions that are usual and customary for this kind of transaction, including obtaining approvals from the New Jersey Department of Banking and Insurance and the FDIC, and obtaining a waiver from the Board of Governors of the Federal Reserve System. Since Somerset Hills Bank has a mortgage banking subsidiary, in addition to approval by the New Jersey Department of Banking and Insurance, approvals are required from the State of Pennsylvania, the U.S. Department of Housing and Urban Development, referred to as HUD, and the U.S. Veterans Administration. Applications were filed with the FDIC and the New Jersey Department of Banking and Insurance on February 15, 2013, and approvals are pending. In addition to the required regulatory approvals, the merger will only be completed if certain conditions, including the following, are met or, where permissible, waived:

Somerset Hills shareholders must approve the merger agreement at the Somerset Hills annual meeting and the Lakeland shareholders must authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement at the Lakeland annual meeting.

Somerset Hills and Lakeland must each receive an opinion of Lakeland's counsel with respect to certain tax matters.

Somerset Hills and Lakeland must not have breached any of their respective representations or obligations under the merger agreement, subject to certain materiality qualifications.

The merger agreement attached to this joint proxy statement and prospectus as Annex A describes other conditions that must be met or waived before the merger may be completed.

Amendment or termination of the merger agreement is possible (See pages 62 to 64)

Lakeland and Somerset Hills may agree to terminate the merger agreement and not complete the merger at any time before the merger is completed. We each can unilaterally terminate the merger in certain circumstances. These include a failure to complete the merger by January 28, 2014, unless the terminating party's breach is the reason that the merger has not been completed.

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Somerset Hills may terminate the merger agreement if:

during a specified 20 business day period, the average closing sale price of Lakeland common stock on the Nasdaq Global Select Market is less than \$8.0256; and

such average closing sale price of Lakeland common stock under-performs the average stock price of the Nasdaq Bank Index by more than 20%, as measured in accordance with the merger agreement; and

in response to its receipt of a notice of termination from Somerset Hills, Lakeland does not increase the number of shares of Lakeland common stock issuable for each share of Somerset Hills common stock in the merger to the extent required by the merger agreement.

See THE MERGER - Termination beginning at page 62 for additional information regarding this and other bases for terminating the merger agreement, including Somerset Hills fiduciary out.

Rights of Lakeland shareholders differ from those of Somerset Hills shareholders (See pages 98 to 99)

When the merger is completed, each Somerset Hills shareholder will automatically become a Lakeland shareholder unless such shareholder's Somerset Hills shares are converted entirely into cash under the merger agreement. The rights of Lakeland shareholders differ from the rights of Somerset Hills shareholders in certain ways, primarily as a result of certain provisions in Lakeland's certificate of incorporation and by-laws that differ from those of Somerset Hills' certificate of incorporation and by-laws. Some of these provisions are intended to make a takeover of Lakeland harder if Lakeland's board of directors does not approve it.

Somerset Hills shareholders do not have dissenters' appraisal rights (See page 71)

Under the New Jersey Business Corporation Act, Somerset Hills' shareholders will not have dissenters' appraisal rights in connection with the merger.

Stock certificates to be submitted with the Election Forms or after the merger is complete (See pages 54 to 56)

Holders of record of Somerset Hills common stock as of the record date for the annual meeting will receive an Election Form in a separate mailing being distributed concurrently with this joint proxy statement and prospectus. Persons who become holders of record of Somerset Hills common stock after the record date will also be provided with Election Forms from time to time prior to the consummation of the merger. In order to make an effective election to receive cash or stock in the merger, it will be necessary for such shareholders to submit their Somerset Hills stock certificates to the Exchange Agent, together with their Election Forms, in the envelope provided in the separate Election Form mailing to Somerset Hills' shareholders. If such shareholders do not submit an Election Form, then, promptly after the merger is completed, they will receive a letter and instructions on how to surrender their Somerset Hills stock certificates in exchange for Lakeland stock certificates and/or cash. Somerset Hills shareholders will need to carefully review and complete these materials and return them as instructed along with their stock certificates for Somerset Hills common stock.

If you do not have stock certificates but hold shares of Somerset Hills common stock with your broker in street name, you will need to provide your broker with instructions regarding your election. If you do not instruct your broker to make an election, your broker will automatically exchange your shares upon completion of the merger.

If you or your broker do not submit an Election Form covering your shares of Somerset Hills common stock prior to the election deadline, which is 5:00 p.m. on the third business days prior to the date the merger is consummated, then you will lose the opportunity to indicate your preference as to whether your shares will be converted into Lakeland common stock or cash.

Table of Contents**MARKET PRICE AND DIVIDEND INFORMATION****Somerset Hills**

The shares of Somerset Hills common stock are traded on the Nasdaq Global Market under the symbol SOMH. The following table sets forth the high and low closing sale prices of, and the cash dividends declared on, shares of Somerset Hills common stock for the periods indicated.

	High	Low	Cash Dividend Per Share
Year Ended December 31, 2011:			
Quarter ended March 31	\$ 10.18	\$ 8.50	\$ 0.06
Quarter ended June 30	9.24	8.05	0.06
Quarter ended September 30	8.60	7.10	0.06
Quarter ended December 31	7.98	7.10	0.07
Year Ended December 31, 2012:			
Quarter ended March 31	\$ 8.68	\$ 7.46	\$ 0.07
Quarter ended June 30	9.05	8.15	0.08
Quarter ended September 30	9.29	8.19	0.08
Quarter ended December 31	8.99	8.25	0.08
Year Ending December 31, 2013:			

Quarter ending March 31 (through March 28, 2013)	\$ 11.63	\$ 8.58	\$ 0.08
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On January 28, 2013, the last full trading day prior to announcement of the execution of the merger agreement, the reported high and low sales prices and the closing sale price of Somerset Hills common stock on the Nasdaq Global Market were as follows:

	January 28, 2013		
	High	Low	Closing Sale Price
Somerset Hills	\$9.13	\$9.13	\$9.13

On March 28, 2013, the last full trading day prior to the date of this joint proxy statement and prospectus, the reported high and low sales prices and the closing sale price of Somerset Hills common stock on the Nasdaq Global Market were as follows:

	March 28, 2013		
	High	Low	Last Sale Price
Somerset Hills	\$11.63	\$11.53	\$11.63

Shareholders are urged to obtain current market quotations for shares of Somerset Hills common stock.

As of the March 22, 2013 record date for the Somerset Hills annual meeting, there were 5,369,800 shares of Somerset Hills common stock outstanding, held of record by approximately 173 shareholders, and outstanding options that were exercisable on that date, or within 60 days after that date, for 219,245 additional shares of Somerset Hills common stock.

Holders of Somerset Hills common stock are entitled to receive dividends, when declared by Somerset Hills board of directors, out of funds that are legally available for dividends. Somerset Hills primarily obtains funds for the payment of dividends from dividends paid by Somerset Hills Bank. Somerset Hills Bank is subject to certain statutory and regulatory restrictions on the amount of dividends it can pay to Somerset Hills.

Table of Contents**Lakeland**

The shares of Lakeland common stock are traded on the Nasdaq Global Select Market. The following table sets forth the high and low closing sale prices for shares of Lakeland common stock and the cash dividends declared per share by Lakeland for the periods indicated. All information is adjusted for Lakeland's 5% stock dividends distributed on February 16, 2011 and April 16, 2012:

	High	Low	Cash Dividend Per Share
Year Ended December 31, 2011:			
Quarter ended March 31	\$ 10.48	\$ 8.92	\$ 0.054
Quarter ended June 30	10.95	8.71	0.057
Quarter ended September 30	10.44	6.90	0.057
Quarter ended December 31	9.30	6.90	0.057
Year Ended December 31, 2012:			
Quarter ended March 31	\$ 10.21	\$ 8.33	\$ 0.057
Quarter ended June 30	10.52	8.75	0.060
Quarter ended September 30	10.97	9.09	0.060
Quarter ended December 31	10.77	8.45	0.070
Year Ending December 31, 2013:			
Quarter ending March 31 (through March 28, 2013)	\$ 10.75	\$ 9.32	\$ 0.070

On January 28, 2013, the last full trading day prior to announcement of the execution of the merger agreement, the reported high and low sales prices and the closing sale price of Lakeland common stock on the Nasdaq Global Select Market were as follows:

	January 28, 2013		
	High	Low	Closing Sale Price
Lakeland	\$10.04	\$9.69	\$10.02

On March 28, 2013, the last full trading day prior to the date of this joint proxy statement and prospectus, the reported high and low sales prices and the closing sale price of Lakeland common stock on the Nasdaq Global Select Market were as follows:

	March 28, 2013		
	High	Low	Last Sale Price
Lakeland	\$9.93	\$9.78	\$9.85

Shareholders are urged to obtain current market quotations for shares of Lakeland common stock.

As of the March 22, 2013 record date for the Lakeland annual meeting, there were 29,859,282 shares of Lakeland common stock outstanding, held of record by approximately 3,197 shareholders, and outstanding options that were exercisable on that date, or within 60 days after that date, for 464,656 additional shares of Lakeland common stock.

Holders of Lakeland common stock are entitled to receive dividends, when declared by Lakeland's board of directors, out of funds that are legally available for dividends. Lakeland primarily obtains funds for the payment of dividends from dividends paid by Lakeland Bank. Lakeland Bank is subject to certain statutory and regulatory restrictions on the amount of dividends it can pay to Lakeland.

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Lakeland maintains a dividend reinvestment plan available to shareholders who elect to reinvest cash dividends for the purchase of additional shares of Lakeland common stock. The plan also contains a voluntary cash payment feature.

Equivalent value per share

The following table shows the closing sale price of Lakeland common stock on the Nasdaq Global Select Market on January 28, 2013, the last full trading day prior to announcement of the execution of the merger agreement and on March 28, 2013, the last full trading day prior to the date of this joint proxy statement and prospectus, the closing sale price of Somerset Hills common stock on the Nasdaq Global Market on the same two dates and the equivalent value per share of Somerset Hills common stock on the same two dates. The equivalent value per share is calculated by multiplying the per share price of Lakeland common stock by the exchange ratio of 1.1962.

	Lakeland Common Stock	Somerset Hills Common Stock	Equivalent Value Per Share of Somerset Hills Common Stock
January 28, 2013	\$ 10.02	\$ 9.13	\$ 11.99
March 28, 2013	\$ 9.85	\$ 11.63	\$ 11.78

Table of Contents**SUMMARY FINANCIAL DATA****Lakeland Summary Historical Consolidated Financial Information**

The following table sets forth selected consolidated financial data for Lakeland for each of the periods and as of the dates indicated. The financial data presented are derived from Lakeland's audited consolidated financial statements.

	2012	2011	2010	2009	2008
	(in thousands except per share data)				
Years Ended December 31					
Interest income	\$ 110,959	\$ 117,524	\$ 125,649	\$ 133,822	\$ 143,937
Interest expense	15,446	20,111	25,895	40,443	55,358
Net interest income	95,513	97,413	99,754	93,379	88,579
Provision for loan and lease losses	14,907	18,816	19,281	51,615	23,730
Noninterest income excluding gains on sales of investment securities	17,856	16,888	17,654	15,952	17,558
Gains on sales of investment securities	1,049	1,229	1,742	3,845	53
Other than temporary impairment losses on equity securities			(128)	(940)	
Noninterest expenses	67,673	68,151	70,405	73,794	60,071
Income (loss) before income taxes (benefit)	31,838	28,563	29,336	(13,173)	22,389
Income tax provision (benefit)	10,096	8,712	10,125	(7,777)	7,224
Net income (loss)	21,742	19,851	19,211	(5,396)	15,165
Dividends on preferred stock and accretion	620	2,167	3,987	3,194	
Net income (loss) available to common shareholders	\$ 21,122	\$ 17,684	\$ 15,224	\$ (8,590)	\$ 15,165
Per-Share Data(1)					
Weighted average shares outstanding:					
Basic	27,619	26,572	26,352	26,099	25,870
Diluted	27,692	26,681	26,384	26,099	25,963
Earnings (loss) per share:					
Basic	\$ 0.76	\$ 0.66	\$ 0.57	(\$ 0.33)	\$ 0.58
Diluted	\$ 0.76	\$ 0.66	\$ 0.57	(\$ 0.33)	\$ 0.58
Cash dividend per common share	\$ 0.25	\$ 0.23	\$ 0.19	\$ 0.27	\$ 0.36
Book value per common share	\$ 9.45	\$ 8.99	\$ 8.40	\$ 8.05	\$ 8.46
Tangible book value per common share(2)	\$ 6.52	\$ 5.75	\$ 5.10	\$ 4.68	\$ 5.02
At December 31					
Investment securities available for sale and other	\$ 399,092	\$ 471,944	\$ 487,107	\$ 375,530	\$ 282,174
Investment securities held to maturity	96,925	71,700	66,573	81,821	110,114
Loans and leases, net of deferred costs	2,146,843	2,041,575	2,014,617	2,017,035	2,034,831
Goodwill and other identifiable intangible assets	87,111	87,111	87,689	88,751	89,812
Total assets	2,918,703	2,825,950	2,792,674	2,723,968	2,642,625
Total deposits	2,370,997	2,249,653	2,195,889	2,157,187	2,056,133
Total core deposits	2,067,205	1,890,101	1,783,040	1,691,447	1,445,101
Term borrowings	136,548	232,322	272,322	223,222	288,222
Total stockholders' equity	280,867	259,783	260,709	267,986	220,941
Performance ratios					
Return on Average Assets(3)	0.77%	0.71%	0.69%	NM	0.59%
Return on Average Common Equity(3)	8.48%	8.53%	8.70%	NM	6.99%
Return on Average Equity(3)	8.42%	7.79%	7.13%	NM	6.99%
Efficiency ratio(4)	58.33%	56.87%	56.40%	62.06%	54.72%
Net Interest Margin (tax equivalent basis)	3.70%	3.85%	3.95%	3.74%	3.79%
Loans to Deposits	90.55%	90.75%	91.74%	93.50%	98.96%

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Capital ratios

Common Equity to Asset ratio	9.62%	8.54%	7.99%	7.78%	8.36%
Tangible common equity to tangible assets(2)	6.84%	5.63%	5.01%	4.68%	5.14%
Equity to Asset ratio	9.62%	9.19%	9.34%	9.84%	8.36%
Tier 1 leverage ratio	8.62%	8.33%	9.21%	9.44%	8.08%
Tier 1 risk-based capital ratio	11.52%	11.23%	12.43%	12.65%	10.24%
Total risk-based capital ratio	12.77%	13.39%	13.68%	13.90%	11.52%

(1) Restated for 5% stock dividends in 2012 and 2011.

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- (2) A non-GAAP financial measure. See Non-GAAP Financial Measures for a reconciliation of such measures to data calculated in accordance with generally accepted accounting principles.
- (3) Ratios for 2009 are not meaningful (NM) and therefore not presented.
- (4) Ratio represents non-interest expense, excluding other real estate expense, other repossessed asset expense, long-term debt prepayment fee, provision for unfunded lending commitments and core deposit amortization, as a percentage of total revenue (calculated on a tax equivalent basis), excluding gains (losses) on securities.

Total revenue represents net interest income (calculated on a tax equivalent basis) plus non-interest income.

Non-GAAP Financial Measures

In general, Lakeland's reported amounts are presented in accordance with U.S. GAAP. Lakeland's management believes that the supplemental non-GAAP information presented in the preceding table, which consists of measurements and ratios based on tangible equity and tangible assets and measurements of efficiency, are utilized by regulators and market analysts to evaluate a company's financial condition and that therefore such information is useful to investors. These disclosures should not be viewed as a substitute for financial results determined in accordance with U.S. GAAP, nor are they necessarily comparable to non-GAAP performance measures which may be presented by other companies.

	For the year ended December 31,				
	2012	2011	2010	2009	2008
	(dollars in thousands)				
Calculation of efficiency ratio (a non-GAAP measure)					
Total non-interest expense	\$ 67,673	\$ 68,151	\$ 70,405	\$ 73,794	\$ 60,071
Less:					
Amortization of core deposit intangibles		(577)	(1,062)	(1,062)	(1,062)
Other real estate owned and other repossessed asset expense	(99)	(780)	(483)	(1,002)	(155)
Long-term debt prepayment fee	(782)	(800)	(1,835)	(3,075)	
Provision for unfunded lending commitments	(93)	(375)	(195)	(58)	(76)
Non-interest expense, as adjusted	\$ 66,699	\$ 65,619	\$ 66,830	\$ 68,597	\$ 58,778
Net interest income	\$ 95,513	\$ 97,413	\$ 99,754	\$ 93,379	\$ 88,579
Noninterest income	18,905	18,117	19,268	18,857	17,611
Total revenue	114,418	115,530	119,022	112,236	106,190
Plus: Tax-equivalent adjustment on municipal securities	981	1,080	1,082	1,206	1,287
Less: (gains) losses on investment securities	(1,049)	(1,229)	(1,614)	(2,905)	(53)
Total revenue, as adjusted	\$ 114,350	\$ 115,381	\$ 118,490	\$ 110,537	\$ 107,424
Efficiency ratio	58.33%	56.87%	56.40%	62.06%	54.72%

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(In thousands, except per share amounts)	2012	2011	December 31, 2010	2009	2008
Calculation of tangible book value per common share					
Total common stockholders' equity at end of period - GAAP	\$ 280,867	\$ 241,303	\$ 223,235	\$ 211,963	\$ 220,941
Less:					
Goodwill	87,111	87,111	87,111	87,111	87,111
Other identifiable intangible assets, net			578	1,640	2,701
Total tangible common stockholders' equity at end of period - Non-GAAP	\$ 193,756	\$ 154,192	\$ 135,546	\$ 123,212	\$ 131,129
Shares outstanding at end of period(1)	29,726	26,836	26,588	26,319	26,115
Book value per share - GAAP(1)	\$ 9.45	\$ 8.99	\$ 8.40	\$ 8.05	\$ 8.46
Tangible book value per share - Non-GAAP(1)	\$ 6.52	\$ 5.75	\$ 5.10	\$ 4.68	\$ 5.02

(1) Adjusted for 5% stock dividend payable in 2012 and 2011.

Calculation of tangible common equity to tangible assets

Total tangible common stockholders' equity at end of period - Non-GAAP	\$ 193,756	\$ 154,192	\$ 135,546	\$ 123,212	\$ 131,129
Total assets at end of period	\$ 2,918,703	\$ 2,825,950	\$ 2,792,674	\$ 2,723,968	\$ 2,642,625
Less:					
Goodwill	87,111	87,111	87,111	87,111	87,111
Other identifiable intangible assets, net			578	1,640	2,701
Total tangible assets at end of period - Non-GAAP	\$ 2,831,592	\$ 2,738,839	\$ 2,704,985	\$ 2,635,217	\$ 2,552,813
Common equity to assets - GAAP	9.62%	8.54%	7.99%	7.78%	8.36%
Tangible common equity to tangible assets - Non-GAAP	6.84%	5.63%	5.01%	4.68%	5.14%

	2012	2011	For the years ended December 31, 2010 2009		2008
	(dollars in thousands)				
Calculation of return on average tangible common equity					
Net income (loss) - GAAP	\$ 21,742	\$ 19,851	\$ 19,211	\$ (5,396)	\$ 15,165
Total average common stockholders' equity	\$ 256,364	\$ 232,711	\$ 220,796	\$ 217,062	\$ 216,931
Less:					
Average goodwill	87,111	87,111	87,111	87,111	87,111
Average other identifiable intangible assets, net		166	1,120	2,182	3,247
Total average tangible common stockholders' equity - Non GAAP	\$ 169,253	\$ 145,434	\$ 132,565	\$ 127,769	\$ 126,573
Return on average common stockholders' equity - GAAP	8.48%	8.53%	8.70%	-2.49%	6.99%
Return on average tangible common stockholders' equity - Non-GAAP	12.85%	13.65%	14.49%	-4.22%	11.98%

Table of Contents**Somerset Hills Summary Historical Consolidated Financial Information**

The following table sets forth selected consolidated financial data for Somerset Hills for each of the periods and as of the dates indicated. The financial data are derived from Somerset Hills' audited consolidated financial statements.

	2012	Years Ended December 31,			2008
		2011	2010	2009	
(in thousands, except per share data)					
Selected Operating Data:					
Total interest income	\$ 13,204	\$ 13,640	\$ 13,473	\$ 13,854	\$ 14,988
Total interest expense	1,289	1,793	2,193	3,391	4,275
Net interest income	11,915	11,847	11,280	10,463	10,713
Provision for loan losses	290	220	125	950	515
Net interest income after provision for loan losses	11,625	11,627	11,155	9,513	10,198
Other income	2,848	2,002	2,214	2,931	1,747
Other expenses	9,265	9,627	9,640	10,109	9,780
Income before income taxes	5,208	4,002	3,729	2,335	2,165
Income tax expense	1,830	1,189	1,219	441	599
Net income	3,378	2,813	2,510	1,894	1,566
Dividends on preferred stock and accretion				350	
Net income available to common stockholders	\$ 3,378	\$ 2,813	\$ 2,510	\$ 1,544	\$ 1,566
Basic earnings per share	\$ 0.63	\$ 0.52	\$ 0.46	\$ 0.28	\$ 0.29
Diluted earnings per share	0.63	0.52	0.46	\$ 0.28	0.28

Note: All per share data has been restated to reflect the 5% stock dividends declared in 2008 and 2010.

	At December 31,				
	2012	2011	2010	2009	2008
Selected Financial Data:					
Total Assets	\$ 368,930	\$ 364,025	\$ 328,896	\$ 330,110	\$ 299,663
Net Loans	238,753	229,503	204,271	203,657	208,427
Total Deposits	320,187	314,714	276,541	279,125	249,760
Stockholders' Equity	41,848	40,369	39,391	38,200	37,529
Selected Financial Ratios:					
Return on Average Assets	0.95%	0.83%	0.80%	0.61%	0.56%
Return on Average Equity	8.15%	6.98%	6.37%	4.65%	4.24%
Tangible Common Equity to Total Assets at Year-End*	11.34%	11.09%	11.98%	11.57%	12.52%

* Represents stockholders' equity as a percentage of total assets at the end of each period, since Somerset Hills did not have any goodwill or other intangibles at these dates.

Table of Contents**COMPARATIVE PER SHARE INFORMATION**

We have set forth below information concerning earnings, cash dividends declared and book value per share for Somerset Hills and Lakeland on both historical and pro forma combined bases and on a per share equivalent pro forma basis for Somerset Hills. The pro forma combined diluted earnings of Lakeland common stock is based on the pro forma combined net income of Lakeland and Somerset Hills, divided by total pro forma diluted common shares of the combined entity. The pro forma net income includes adjustments related to the estimated fair value of assets and liabilities and is subject to adjustment as additional information becomes available and as additional analysis is performed. Pro forma combined cash dividends declared per share reflect Lakeland's cash dividends declared in 2012. Book value per share for the pro forma combined presentation is based upon outstanding shares of Lakeland common stock, adjusted to include the estimated number of shares of Lakeland common stock to be issued in the merger for outstanding shares of Somerset Hills common stock at the time the merger is completed, assuming that 90% of Somerset Hills' outstanding shares of common stock are converted into shares of Lakeland common stock, excluding stock options. The per share equivalent pro forma combined data for shares of Somerset Hills common stock is also based on the assumed conversion of 90% of the outstanding shares of Somerset Hills common stock into shares of Lakeland common stock based upon the exchange ratio of 1.1962 shares of Lakeland common stock for each share of Somerset Hills stock. The pro forma and pro forma equivalent data does not take into account any cost savings, revenue enhancements or synergies that may be achieved as a result of the merger. The following information is not necessarily indicative of future results. You should read the information set forth below in conjunction with the respective financial statements of Lakeland and Somerset Hills included or incorporated by reference in this document. See **WHERE YOU CAN FIND MORE INFORMATION** beginning on page 150.

	Year Ended December 31, 2012
LAKELAND - HISTORICAL	
Earnings per share-diluted	\$ 0.76
Cash dividends declared per share	0.25
Book value per share	9.45
SOMERSET HILLS - HISTORICAL	
Earnings per share-diluted	0.63
Cash dividends declared per share	0.31
Book value per share	7.79
LAKELAND and SOMERSET HILLS - PRO FORMA COMBINED	
Earnings per share-diluted	0.71
Cash dividends declared per share	0.25
Book value per share	9.53
EQUIVALENT PRO FORMA COMBINED PER SHARE OF SOMERSET HILLS COMMON STOCK	
Earnings per share-diluted	0.85
Cash dividends declared per share	0.30
Book value per share	11.40

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RISK FACTORS

By approving the merger, Somerset Hills shareholders may, even if they elect to receive cash, ultimately receive Lakeland common stock and thus will be investing in Lakeland's common stock. An investment in Lakeland's common stock involves a degree of risk. In addition to the other information included in this document, including the matters addressed in FORWARD-LOOKING INFORMATION immediately following this section, you should carefully consider the matters described below in determining whether to approve the merger agreement.

Risks pertaining to the proposed merger:

If Somerset Hills shareholders elect to receive cash in the merger, they may not exclusively receive cash.

Although Somerset Hills shareholders will be given the right to elect to receive cash or Lakeland common stock in the merger, it is possible that if a shareholder elects to receive some or all of the merger consideration in the form of cash, that shareholder will not receive the form of consideration that was requested. There are two factors that could cause a Somerset Hills shareholder to receive a form of consideration other than what was chosen:

The merger agreement provides that subject to certain tax constraints that we have described below, 90% of the merger consideration will be shares of Lakeland common stock and 10% will be cash. If Somerset Hills shareholders' Election Forms in the aggregate provide for a different allocation of stock and cash, then the Exchange Agent will make pro rata adjustments so that 90% of the shares of Somerset Hills common stock are converted into the right to receive Lakeland common stock and 10% of the shares of Somerset Hills common stock are converted into the right to receive cash.

If the aggregate amount of cash paid in the merger substantially exceeds the value of the Lakeland common stock that is issued in the merger, Lakeland's counsel may be unable to issue the tax opinion which constitutes a condition of closing. While this is unlikely to occur, the merger agreement provides that if tax counsel cannot provide the tax opinion for this reason, the percentage of the consideration payable in the form of cash will be decreased to the extent necessary to enable counsel to render that opinion. In turn, the portion of a Somerset Hills shareholder's shares to be converted into cash may be reduced if tax considerations require a decrease in the percentage of the aggregate consideration payable in the form of cash.

Since the exchange ratio is fixed, Somerset Hills shareholders are at risk in the event that the market price of Lakeland's common stock declines prior to the consummation of the merger.

Absent special circumstances described under THE MERGER - Termination, the number of shares that Lakeland will issue for each share of Somerset Hills common stock to be converted into Lakeland common stock - that is, 1.1962 shares - is fixed. If the market price of Lakeland's common stock declines, the value of the stock consideration that Somerset Hills shareholders will receive will decline. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in Lakeland's business, operations and prospects and regulatory considerations. Many of these factors are beyond Lakeland's control. The merger is not expected to close until the second or third calendar quarters of 2013. Moreover, Somerset Hills shareholders can expect that there will be some delay after the merger is consummated before they will receive their Lakeland stock certificates. Thus, Somerset Hills shareholders receiving stock in the merger will be subject to the risk of market declines in the value of Lakeland common stock for a substantial period of time.

Since the cash amount per share is fixed, Somerset Hills shareholders are at risk in the event that the market price of Lakeland's common stock increases prior to the consummation of the merger.

Those shareholders who receive cash in exchange for their shares of Somerset Hills common stock will receive \$12.00 in cash for each such share. If the market price of Lakeland's common stock increases, those Somerset Hills shareholders who receive cash will receive less than the value of the stock they would have received if they had elected to receive stock and had, in fact, received stock in the merger.

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Somerset Hills shareholders are urged to obtain current market quotations for Lakeland common stock.

Somerset Hills shareholders will have less influence as a shareholder of Lakeland than as a shareholder of Somerset Hills.

The shareholders of Somerset Hills currently have the right to control Somerset Hills through their ability to elect the board of directors of Somerset Hills and to vote on other matters affecting Somerset Hills. The merger will transfer control of Somerset Hills to Lakeland. After completion of the merger, former Somerset Hills shareholders will own less than 17% of Lakeland's outstanding common stock (excluding stock options). Consequently, the former Somerset Hills shareholders will exercise much less influence over the management and policies of Lakeland than they currently exercise over the management and policies of Somerset Hills.

If Lakeland does not successfully integrate Somerset Hills Bank and any other banks that Lakeland may acquire in the future, the combined company may be adversely affected.

If the merger of Somerset Hills into Lakeland, and the merger of Somerset Hills Bank into Lakeland Bank, are completed, and if Lakeland makes additional acquisitions in the future, Lakeland will need to integrate the acquired entities into its existing business and systems. Lakeland may experience difficulties in accomplishing this integration or in effectively managing the combined company after the mergers with Somerset Hills and Somerset Hills Bank, and after any future acquisition. Any actual cost savings or revenue enhancements that Lakeland may anticipate from a future acquisition will depend on future expense levels and operating results, the timing of certain events and general industry, regulatory and business conditions. Many of these events will be beyond Lakeland's control, and Lakeland cannot assure you that if the mergers are consummated or if Lakeland makes any additional acquisitions in the future, it will be successful in integrating those businesses into its own.

Lakeland's future acquisitions could dilute your ownership of Lakeland and may cause Lakeland to become more susceptible to adverse economic events.

Lakeland has acquired other companies with its common stock in the past and intends to acquire or make investments in banks and other complementary businesses with its common stock in the future. Lakeland may issue additional shares of common stock to pay for those acquisitions, which would dilute your ownership interest in Lakeland. Future business acquisitions could be material to Lakeland, and the degree of success achieved in acquiring and integrating these businesses into Lakeland could have a material effect on the value of Lakeland common stock. In addition, any such acquisition could require Lakeland to use substantial cash or other liquid assets or to incur debt. In those events, Lakeland could become more susceptible to economic downturns and competitive pressures.

Failure to complete the merger could severely disadvantage Somerset Hills.

In order to complete the merger, Somerset Hills must focus on meeting all merger conditions. If for any reason the merger does not occur, that failure could adversely affect Somerset Hills' business and make it difficult for Somerset Hills to attract other acquisition partners.

If the merger has not occurred by January 28, 2014, either Lakeland or Somerset Hills is generally free to choose not to proceed with the merger.

Either Lakeland or Somerset Hills may terminate the merger agreement if the merger has not been completed by January 28, 2014, unless such failure has resulted from the failure to perform by the party seeking to terminate the merger agreement. Although Lakeland and Somerset Hills expect to close the merger in the second or third quarters of 2013, there can be no assurance that all conditions to the merger will have been satisfied by January 28, 2014.

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The expected benefits of the merger may not be realized if the combined company does not achieve certain cost savings and other benefits.

Lakeland's belief that cost savings and revenue enhancements are achievable is a forward-looking statement that is inherently uncertain. The combined company's actual cost savings and revenue enhancements, if any, cannot be quantified at this time. Any actual cost savings or revenue enhancements will depend on future expense levels and operating results, the timing of certain events and general industry, regulatory and business conditions. Many of these events will be beyond the control of the combined company.

Somerset Hills' officers and directors may have conflicts of interest and will receive benefits in the merger that other Somerset Hills shareholders will not receive.

Somerset Hills' directors and executive officers may have conflicts of interest with respect to the merger because they will receive benefits from the merger that other Somerset Hills shareholders will not receive. See "The Merger - Interests of Management and Others in the Merger" beginning on page 65. Both boards of directors considered these interests, together with other relevant factors, in deciding whether to approve the merger.

Risks pertaining to Lakeland's business:

Recently enacted legislation, particularly the Dodd-Frank Act, could materially and adversely affect Lakeland by increasing compliance costs, heightening Lakeland's risk of noncompliance with applicable regulations, and changing the competitive landscape in the banking industry.

From time to time, the U.S. Congress and state legislatures consider changing laws and enact new laws to further regulate the financial services industry. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, was signed into law. The Dodd-Frank Act has resulted in sweeping changes in the regulation of financial institutions. The Dodd-Frank Act contains numerous provisions that affect all banks and bank holding companies. Many of the provisions in the Dodd-Frank Act remain subject to regulatory rule-making and implementation, the effects of which are not yet known. Although Lakeland cannot predict the specific impact and long-term effects that the Dodd-Frank Act and the regulations promulgated thereunder will have on Lakeland and its prospects, Lakeland's target markets and the financial industry more generally, Lakeland believes that the Dodd-Frank Act and the regulations promulgated thereunder are likely to impose additional administrative and regulatory burdens that will obligate Lakeland to incur additional expenses and will adversely affect Lakeland's margins and profitability. For example, the elimination of the prohibition on the payment of interest on demand deposits could materially increase Lakeland's interest expense, depending on competitors' responses. Provisions in the legislation that require revisions to the capital requirements of Lakeland and Lakeland Bank could require Lakeland and Lakeland Bank to seek additional sources of capital in the future. More stringent consumer protection regulations could materially and adversely affect profitability. Lakeland will also have a heightened risk of noncompliance with all of the additional regulations. Finally, the impact of some of these new regulations is not known and may affect Lakeland's ability to compete long-term with larger competitors.

The Federal Reserve's repeal of the prohibition against payment of interest on demand deposits may increase competition for such deposits and ultimately increase interest expense.

A major portion of Lakeland's net income comes from the interest rate spread, which is the difference between the interest rates paid on amounts used to fund assets and the interest rates and fees received on interest-earning assets. Lakeland's interest-earning assets include outstanding loans extended to customers and securities held in its investment portfolio. Lakeland funds assets using deposits and other borrowings.

In July 2011, Regulation Q, which had prohibited the payment of interest on demand deposits by institutions that are member banks of the Federal Reserve System, was repealed. As a result, member banks and thrifts are now permitted to offer interest-bearing demand deposit accounts to commercial customers, which could result in increased competition for Lakeland for deposits. If Lakeland decides to pay interest on demand accounts in the face of such competition, Lakeland's interest expense is expected to increase.

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Lakeland and Lakeland Bank may be subject to more stringent capital and liquidity requirements.

The Dodd-Frank Act also imposes more stringent capital requirements on bank holding companies such as Lakeland by, among other things, imposing leverage ratios on bank holding companies and prohibiting new trust preferred issuances from counting as Tier I capital. These restrictions will limit Lakeland's future capital strategies. Under the Dodd-Frank Act, Lakeland's currently outstanding trust preferred securities will continue to count as Tier I capital, but Lakeland will be unable to issue replacement or additional trust preferred securities which would count as Tier I capital.

While U.S. banking regulators have postponed the implementation of the Basel III rules, which would generally be applicable to institutions with greater than \$50 billion in assets, Lakeland expects that these rules will eventually be implemented in the U.S. In addition, banking regulators could implement additional changes to the capital adequacy standards applicable to financial institutions with \$50 billion or less in assets, such as Lakeland and Lakeland Bank, in light of Basel III.

Future increases in minimum capital requirements could adversely affect Lakeland's net income. Furthermore, Lakeland's failure to comply with the minimum capital requirements could result in its regulators taking formal or informal actions against Lakeland which could restrict its future growth or operations.

Recent negative developments in the financial services industry and U.S. and global credit markets may adversely impact Lakeland's operations and results.

The general economic downturn during the past few years, including a decline in the value of the collateral supporting loans, has resulted in the deterioration of loan portfolio performances at many institutions. The competition for deposits has increased significantly due to liquidity concerns at many of these same institutions. Stock prices of bank holding companies, like Lakeland, have been negatively affected by the current condition of the financial markets, as has Lakeland's ability, if needed, to raise capital or borrow in the debt markets compared to prior years. While economic growth may have resumed recently, the rate of this growth has been very slow and unemployment remains at a high level. As a result, recent legislation, such as the Dodd-Frank Act, will require new regulations regarding lending and funding practices and liquidity standards, and financial institution regulatory agencies are expected to be very aggressive in responding to concerns and trends identified in examinations, including the expected issuance of many formal enforcement actions. Negative developments in the financial services industry and the impact of new legislation, including The Dodd-Frank Act, in response to those developments could negatively impact Lakeland's operations by restricting its business operations, including its ability to originate or sell loans, and adversely impact Lakeland's financial performance.

The downgrade of the U.S. credit rating and Europe's debt crisis could have a material adverse effect Lakeland's business, financial condition and liquidity.

Standard & Poor's lowered its long term sovereign credit rating on the United States of America from AAA to AA+ on August 5, 2011. A further downgrade or a downgrade by other rating agencies could have a material adverse impact on financial markets and economic conditions in the United States and worldwide. Any such adverse impact could have a material adverse effect on Lakeland's liquidity, financial condition and results of operations. Many of Lakeland's investment securities are issued by and some of its loans are made to U.S. government agencies and U.S. government sponsored entities.

In addition, the possibility that certain European Union (EU) member states will default on their debt obligations has negatively impacted economic conditions and global markets. The continued uncertainty over the outcome of international and the EU's financial support programs and the possibility that other EU member states may experience similar financial troubles could further disrupt global markets. The negative impact on economic conditions and global markets could also have a material adverse effect on Lakeland's liquidity, financial condition and results of operations.

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A decrease in Lakeland's ability to borrow funds could adversely affect Lakeland's liquidity.

Lakeland's ability to obtain funding from the Federal Home Loan Bank or through Lakeland's overnight federal funds lines with other banks could be negatively affected if Lakeland experiences a substantial deterioration in its financial condition or if such funding became restricted due to a further deterioration in the financial markets. While Lakeland has a contingency funds management plan to address such a situation if it were to occur (such plan includes deposit promotions, the sale of securities and the curtailment of loan growth, if necessary), a significant decrease in Lakeland's ability to borrow funds could adversely affect its liquidity.

Lakeland is subject to interest rate risk and variations in interest rates may negatively affect Lakeland's financial performance.

Lakeland is unable to predict actual fluctuations of market interest rates. Rate fluctuations are influenced by many factors, including:

inflation or deflation;

excess growth or recession;

a rise or fall in unemployment;

tightening or expansion of the money supply;

domestic and international disorder; and

instability in domestic and foreign financial markets.

Both increases and decreases in the interest rate environment may reduce Lakeland's profits. Lakeland expects that it will continue to realize income from the difference or spread between the interest it earns on loans, securities and other interest-earning assets, and the interest it pays on deposits, borrowings and other interest-bearing liabilities. Lakeland's net interest spreads are affected by the differences between the maturities and repricing characteristics of its interest-earning assets and interest-bearing liabilities. Lakeland's interest-earning assets may not reprice as slowly or rapidly as its interest-bearing liabilities. Changes in market interest rates could materially and adversely affect Lakeland's net interest spread, asset quality, levels of prepayments, cash flows, the market value of its securities portfolio, loan and deposit growth, costs and yields on loans and deposits and Lakeland's overall profitability.

Lakeland may incur impairment to goodwill.

Lakeland reviews its goodwill at least annually. Significant negative industry or economic trends, including the lack of recovery in the market price of Lakeland's common stock price, reduced estimates of future cash flows or disruptions to Lakeland's businesses, could indicate that goodwill might be impaired. Lakeland's valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and to rely on projections of future operating performance. Lakeland operates in a competitive environment and projections of future operating results and cash flows may vary significantly from actual results. Additionally, if Lakeland's analysis results in an impairment to goodwill, Lakeland would be required to record a non-cash charge to earnings in its financial statements during the period in which such impairment is determined to exist. Any such charge could have a material adverse effect on Lakeland's results of operations and its stock price.

The extensive regulation and supervision to which Lakeland is subject impose substantial restrictions on its business.

Lakeland, Lakeland Bank and certain non-bank subsidiaries are subject to extensive regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole. Such laws are not designed to protect Lakeland's shareholders. These

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regulations affect Lakeland's lending practices, capital structure, investment practices, dividend policy and growth, among other things. Lakeland is also subject to a number of laws which, among other things, govern its lending practices and require Lakeland Bank to establish and maintain comprehensive programs relating to anti-money laundering and customer identification. The United States Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect Lakeland in substantial and unpredictable ways. Such changes could subject Lakeland to additional costs, limit the types of financial services and products it may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputational damage, which could have a material adverse effect on Lakeland's business, financial condition and results of operations.

Current levels of volatility in the capital markets are unprecedented and may adversely impact Lakeland's operations and results.

The capital markets have been experiencing unprecedented volatility for the past several years. Such negative developments and disruptions have resulted in uncertainty in the financial markets and a general economic downturn. Bank and bank holding company stock prices have been negatively affected, as has the ability of banks and bank holding companies to raise capital or borrow in the debt markets compared to prior years. If current levels of market disruption and volatility continue or worsen, there can be no assurance that Lakeland will not experience an adverse effect, which may be material, on its business, financial condition and results of operations or its ability to access capital.

Lakeland Bank's ability to pay dividends is subject to regulatory limitations which, to the extent that Lakeland requires such dividends in the future, may affect Lakeland's ability to pay its obligations and pay dividends to shareholders.

As a bank holding company, Lakeland is a separate legal entity from Lakeland Bank and its subsidiaries, and Lakeland does not have significant operations of its own. Lakeland currently depends on Lakeland Bank's cash and liquidity to pay its operating expenses and dividends to shareholders. The availability of dividends from Lakeland Bank is limited by various statutes and regulations. The inability of Lakeland to receive dividends from Lakeland Bank could adversely affect Lakeland's financial condition, results of operations, cash flows and prospects and Lakeland's ability to pay dividends.

Lakeland's allowance for loan and lease losses may not be adequate to cover actual losses.

Like all commercial banks, Lakeland Bank maintains an allowance for loan and lease losses to provide for loan and lease defaults and non-performance. If Lakeland Bank's allowance for loan and lease losses is not adequate to cover actual loan and lease losses, Lakeland may be required to significantly increase future provisions for loan and lease losses, which could materially and adversely affect Lakeland's operating results. Lakeland Bank's allowance for loan and lease losses is determined by analyzing historical loan and lease losses, current trends in delinquencies and charge-offs, plans for problem loan and lease resolution, the opinions of regulators, changes in the size and composition of the loan and lease portfolio and industry information. Lakeland also considers the possible effects of economic events, which are difficult to predict. The amount of future losses is affected by changes in economic, operating and other conditions, including changes in interest rates, many of which are beyond Lakeland's control. These losses may exceed current estimates. Federal regulatory agencies, as an integral part of their examination process, review Lakeland's loans and the allowance for loan and lease losses. While Lakeland believes that its allowance for loan and lease losses in relation to its current loan portfolio is adequate to cover current losses, Lakeland cannot assure you that it will not need to increase its allowance for loan and lease losses or that regulators will not require it to increase the allowance. Future increases in the allowance for loan and lease losses could materially and adversely affect Lakeland's earnings and profitability.

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Lakeland is subject to various lending and other economic risks that could adversely affect its results of operations and financial condition.

Economic, political and market conditions, trends in industry and finance, legislative and regulatory changes, changes in governmental monetary and fiscal policies and inflation affect Lakeland's business. These factors are beyond Lakeland's control. A further deterioration in economic conditions, particularly in New Jersey, could have the following consequences, any of which could materially adversely affect Lakeland's business:

loan and lease delinquencies may increase;

problem assets and foreclosures may increase;

demand for Lakeland's products and services may decrease; and

collateral for loans made by Lakeland may decline in value, in turn reducing the borrowing ability of Lakeland's customers. Further deterioration in the real estate market, particularly in New Jersey, could adversely affect Lakeland's business. As real estate values in New Jersey decline, Lakeland's ability to recover on defaulted loans by selling the underlying real estate is reduced, which increases the possibility that Lakeland may suffer losses on defaulted loans.

Lakeland may suffer losses in its loan portfolio despite its underwriting practices.

Lakeland seeks to mitigate the risks inherent in its loan portfolio by adhering to specific underwriting practices. Although Lakeland believes that its underwriting criteria are appropriate for the various kinds of loans that it makes, Lakeland may incur losses on loans that meet its underwriting criteria, and these losses may exceed the amounts set aside as reserves in its allowance for loan and lease losses.

Lakeland faces strong competition from other financial institutions, financial service companies and other organizations offering services similar to the services that Lakeland provides.

Many competitors offer the types of loans and banking services that Lakeland offers. These competitors include other state and national banks, savings associations, regional banks and other community banks. Lakeland also faces competition from many other types of financial institutions, including finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and other financial intermediaries. Many of Lakeland's competitors have greater financial resources than Lakeland does, which may enable them to offer a broader range of services and products, and to advertise more extensively, than Lakeland does. Lakeland's inability to compete effectively would adversely affect its business.

Declines in value may adversely impact Lakeland's investment portfolio.

As of December 31, 2012, Lakeland had approximately \$393.7 million and \$96.9 million in available for sale and held to maturity investment securities, respectively. Lakeland may be required to record impairment charges on its investment securities if they suffer a decline in value that is considered other-than-temporary. Numerous factors, including lack of liquidity for sales of certain investment securities, absence of reliable pricing information for investment securities, adverse changes in business climate, adverse actions by regulators, or unanticipated changes in the competitive environment could have a negative effect on Lakeland's investment portfolio in future periods. If an impairment charge is significant enough it could affect the ability of Lakeland Bank to upstream dividends to the holding company, which could have a material adverse effect on Lakeland's liquidity and its ability to pay dividends to shareholders and could also negatively impact its regulatory capital ratios.

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Concern of customers over deposit insurance may cause a decrease in deposits.

With recent increased concerns about bank failures, customers increasingly are concerned about the extent to which their deposits are insured by the FDIC. Customers may withdraw deposits in an effort to ensure that the amount they have on deposit with their bank is fully insured. Decreases in deposits may adversely affect Lakeland's funding costs and net income.

Increases in FDIC premiums could have a material adverse effect on Lakeland's future earnings.

The FDIC insures deposits at FDIC insured financial institutions, including Lakeland Bank. The FDIC charges the insured financial institutions premiums to maintain the Deposit Insurance Fund at a certain level. The Dodd-Frank Act amended the Federal Deposit Insurance Act by changing the base against which an insured depository institution's deposit insurance assessment is calculated. These amendments require the appropriate assessment base to be calculated as the institution's average consolidated total assets minus average tangible equity, rather than the institution's deposits. These developments may cause an increase in Lakeland's future assessments. In addition, the FDIC may be required to increase assessment rates and levy special assessments on Lakeland and other financial institutions in the future, which could have a material adverse effect on Lakeland's future earnings.

A breach of information security could negatively affect Lakeland's operations, earnings and reputation.

Increasingly, Lakeland depends upon data processing, communication and information exchange on a variety of computing platforms and networks, and over the internet. Lakeland cannot be certain all of its systems are entirely free from vulnerability to attack, despite safeguards it has instituted including independent third party testing. In addition, Lakeland relies on the services of a variety of vendors to meet its data processing and communication needs. Disruptions to its vendors' systems may arise from events that are wholly or partially beyond the control of Lakeland's vendors (including, for example, computer viruses or electrical or telecommunications outages). The occurrence of system failures or security breaches, despite the controls Lakeland has instituted, could result in damage to Lakeland's reputation, increased regulatory scrutiny and financial loss or costs to Lakeland.

Any unforeseen transition issues that arise in connection with upgrades to Lakeland's computer hardware and software systems could adversely affect its business.

In the normal course of business, Lakeland upgrades certain hardware and software systems critical to its core banking operations and financial reporting. While Lakeland expects these changes to go smoothly, no assurances can be given that unforeseen issues will not arise. Depending on the nature of those issues, if any, and the time and resources necessary to correct or resolve them, Lakeland's business could be adversely affected.

Risk pertaining to Somerset Hills' mortgage banking operations:

Somerset Hills' mortgage banking operations expose Somerset Hills, and upon the mergers of Somerset Hills into Lakeland and Somerset Hills Bank into Lakeland Bank, will expose Lakeland, to risks that are different from community banking.

Somerset Hills Bank's mortgage banking operations are subject to risks that are different from retail banking operations. The mortgage banking operations are dependent upon the level of demand for residential mortgages. During higher and rising interest rate environments, the level of refinancing activity tends to decline, which can lead to reduced volumes of business and lower revenues than currently recognized and that may not exceed the fixed costs to run the business. In addition, mortgages sold to third-party investors are typically subject to certain repurchase provisions related to borrower refinancing, defaults, fraud or other reasons stipulated in the applicable third-party investor agreements. If the fair value of a loan when repurchased is less than the fair value when sold, Somerset Hills Bank (or, after the mergers, Lakeland Bank) may be required to charge such shortfall to earnings.

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In addition, Somerset Hills Bank's mortgage banking subsidiary may make residential mortgage loans that do not qualify as Qualified Mortgage Loans under the recently enacted Consumer Financial Protection Bureau regulations effective January 10, 2014, and may not qualify as Qualified Residential Mortgages under final rules to be promulgated under the Dodd-Frank Act. See Business of Somerset Hills - Regulation of Sullivan on page 77. These loans may expose Sullivan and Somerset Hills, and, after the mergers, Lakeland, to greater losses, litigation related expenses and/or delays in taking title to collateral real estate, if these loans do not perform and borrowers assert claims in connection with foreclosure or otherwise.

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FORWARD-LOOKING INFORMATION

This joint proxy statement and prospectus, including information incorporated by reference in this document, contains forward-looking statements with respect to the consolidated financial condition, results of operations and business of Somerset Hills and Lakeland. These include statements relating to revenues, cost savings and anticipated benefits resulting from the merger. You can find many of these statements by looking for words such as believes, expects, anticipates, estimates, projects or similar words or expressions.

These forward-looking statements involve substantial risks and uncertainties. There are many factors that may cause actual results to differ materially from those contemplated by such forward-looking statements. In addition to the factors disclosed by us under the caption "RISK FACTORS" and elsewhere in this document, the following factors, among others, could cause Lakeland's actual results to differ materially and adversely from our forward-looking statements: uncertainties relating to general economic conditions; uncertainties relating to the determination of Lakeland's provisions for loan and lease losses and allowances for loan and lease losses; uncertainties relating to Lakeland's analysis of the assessment of rate sensitive assets and rate sensitive liabilities and relating to the extent to which market factors indicate that a financial institution such as Lakeland Bank should match such assets and liabilities; the impact of competition among financial institutions and between financial institutions and other sources of credit; changes to the presentation of financial results and condition resulting from the adoption of new accounting principles or upon the advice of our independent auditors or the staff of various regulatory agencies; unanticipated demands upon our liquidity; unanticipated failure or malfunction of our information systems; changes in, or failure to comply with, governmental regulations; the costs and other effects of administrative and legal proceedings; the continued financial viability of our borrowers; the continued financial viability of the issuers of securities within our investment portfolio; labor and employment benefit costs; changes in the conditions of the capital markets in general and in the capital markets for financial institutions in particular; the ability of Lakeland Bank to integrate Somerset Hills Bank promptly into its overall business and plans if the merger is consummated; the extent and timing of legislative and regulatory actions and reforms; and other factors referenced in Lakeland's Annual Report on Form 10-K for the year ended December 31, 2012. Risks pertaining directly to the merger are described under "RISK FACTORS" beginning on page 24 of this joint proxy statement and prospectus.

Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such statements. You should not place undue reliance on such statements. These statements speak only as of the date of this joint proxy statement and prospectus or, if made in any document incorporated by reference, as of the date of that document.

All written or oral forward-looking statements attributable to Lakeland or Somerset Hills or any person acting on their behalf made after the date of this joint proxy statement and prospectus are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Neither Lakeland nor Somerset Hills undertakes any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date of this joint proxy statement and prospectus or to reflect the occurrence of unanticipated events.

THE MEETINGS

When and Where the Annual Meetings will be Held

Somerset Hills will hold its annual meeting of shareholders at the Washington Ballroom at The Olde Mill Inn, 225 Route 202, Basking Ridge, New Jersey 07920, commencing at 1:00 p.m., local time, on Wednesday, May 8, 2013.

Lakeland will hold its annual meeting of shareholders at The Knoll Country Club West, 990 Greenbank Road, Boonton, New Jersey 07005, commencing at 5:00 p.m., local time, on Wednesday, May 8, 2013.

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What will be Voted on at the Shareholders Meetings

At the Somerset Hills annual meeting, Somerset Hills shareholders will consider and vote on proposals to do the following:

1. Approve an Agreement and Plan of Merger, dated as of January 28, 2013, by and between Somerset Hills and Lakeland, providing for:

the merger of Somerset Hills with and into Lakeland; and

the automatic conversion of all of the outstanding capital stock of Somerset Hills into either cash or shares of Lakeland common stock, pursuant to election and allocation procedures described in the merger agreement.

2. Approve, on an advisory basis, certain golden parachute compensation payable under existing agreements that certain Somerset Hills officers will receive from Somerset Hills and Somerset Hills Bank as a result of the merger.
3. Elect two directors to serve until the earlier of the closing of the merger or the expiration of their terms.
4. Ratify the appointment of Crowe Horwath LLP as Somerset Hills independent registered public accounting firm for 2013.
5. Approve, on an advisory basis, the executive compensation of Somerset Hills named executive officers as described in this joint proxy statement and prospectus.
6. Vote, on an advisory basis, on how often Somerset Hills will conduct an advisory vote on executive compensation.
7. Transact such other business as shall properly come before the annual meeting, which may include a motion to adjourn the meeting to another time or place in order to solicit additional proxies in favor of the merger agreement and the merger.

If a quorum is not present, or if fewer shares of Somerset Hills common stock are voted in favor of the merger agreement and the merger than the number required for approval, it is expected that the meeting will be adjourned to allow additional time for obtaining additional proxies. In that event, proxies will be voted to approve an adjournment, except for proxies as to which instructions have been given to vote against the merger agreement and the merger. The holders of a majority of the shares present at the meeting would be required to approve any adjournment of the meeting.

At the Lakeland annual meeting, Lakeland shareholders will consider and vote on proposals to do the following:

1. Authorize the issuance of the shares of Lakeland common stock issuable upon consummation of the proposed merger of Somerset Hills Bancorp into Lakeland (including the shares of Lakeland common stock issuable upon exercise of stock options to be assumed by Lakeland pursuant to the merger agreement).
2. Elect three directors for three year terms.
3. Ratify the appointment of Grant Thornton LLP as Lakeland's independent registered public accounting firm for 2013.
4. Approve, on an advisory basis, the executive compensation of Lakeland's named executive officers as described in this joint proxy statement and prospectus.

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5. Authorize an increase in the number of authorized shares of common stock of Lakeland to 70,000,000 shares and the number of authorized shares of capital stock to 71,000,000.

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6. Transact such other business as may properly come before the meeting and/or any adjournment or adjournments thereof.
Shareholders Entitled to Vote

Somerset Hills has set March 22, 2013 as the record date to determine which Somerset Hills shareholders will be entitled to vote at the annual meeting. Only Somerset Hills shareholders at the close of business on this record date will be entitled to vote at the annual meeting. As of the record date, there were 5,369,800 shares of Somerset Hills common stock outstanding and entitled to be voted at the annual meeting, held by approximately 173 shareholders of record. Each holder of shares of Somerset Hills common stock outstanding on the record date will be entitled to one vote for each share held of record.

Lakeland has set March 22, 2013 as the record date to determine which Lakeland shareholders will be entitled to vote at the annual meeting. Only Lakeland shareholders at the close of business on this record date will be entitled to vote at the annual meeting. As of the record date, there were 29,859,282 shares of Lakeland common stock outstanding and entitled to be voted at the annual meeting, held by approximately 3,197 shareholders of record. Each holder of shares of Lakeland common stock outstanding on the record date will be entitled to one vote for each share held of record.

In order to reduce the number of annual reports being sent to one address, only one Lakeland annual report is being delivered to multiple security holders sharing an address unless Lakeland has received contrary instructions from one or more of the security holders. This is called householding. Lakeland will deliver a separate copy of the annual report to any security holder who requests a copy in writing or by telephone. If you wish to receive a separate copy of the 2012 annual report, or if you wish to receive a separate copy of future annual reports, please contact Mr. Harry Cooper at Lakeland Bancorp, Inc., 250 Oak Ridge Road, Oak Ridge, New Jersey 07438 (toll-free telephone 866-284-1291). If you are currently receiving multiple copies of the annual report at the same address, and wish to have one annual report sent to multiple security holders sharing that address in the future, please contact Mr. Cooper at the above address and telephone number.

Number of Shares that Must be Represented for a Vote to be Taken

In order to have a quorum at each of the shareholder meetings, a majority of the total outstanding shares of common stock entitled to vote at the meeting must be represented at the meeting in person or by proxy.

We will count as present at each of the shareholders meetings, for purposes of determining the presence or absence of a quorum:

shares of common stock held by persons attending the shareholders meeting, whether or not they are voting, and

shares of common stock for which the applicable company has received proxies, including proxies with respect to which holders of those shares have abstained from voting.

Vote Required; Voting Agreements

The approval of the merger agreement and the merger will require the affirmative vote, in person or by proxy, of the holders of at least a majority of the shares of Somerset Hills common stock outstanding on the record date. Each holder of shares of Somerset Hills common stock outstanding on the record date will be entitled to one vote for each share held of record. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present and will have the same effect as a vote against the merger and merger agreement.

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As for the other matters to be considered at the Somerset Hills annual meeting, provided that a quorum is present, directors will be elected by plurality vote (there is no right to vote stock cumulatively), approval of the other Somerset Hills proposals (except for the advisory vote on how often Somerset Hills will conduct an advisory vote on executive compensation, which is referred to as a say on frequency vote) will require the affirmative vote of a majority of the votes cast with respect to each proposal, and with respect to the say on frequency vote, the option of one year, two years or three years that receives the highest number of votes cast will be the frequency of that vote that has been approved by the Somerset Hills shareholders on an advisory basis. For purposes of determining the votes cast with respect to these matters (but not the approval of the merger agreement, as described above), only those votes cast for or against (or, with respect to the say on frequency vote, every one year, every two years or every three years) are included. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present and will have no effect on the matters described in this paragraph (but will have an effect on the merger agreement vote, as described above).

The approval of the proposal to authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement will require the affirmative vote, in person or by proxy, of the holders of a majority of the shares of Lakeland common stock voting (or cast) at Lakeland's annual meeting, assuming that a quorum is present in person or by proxy. As for the other matters to be voted on at Lakeland's annual meeting, assuming a quorum is present, directors will be elected by a plurality vote (there is no right to vote stock cumulatively), and approval of the other proposals to be considered at the Lakeland annual meeting (ratification of Grant Thornton LLP as Lakeland's auditors for 2013, the advisory vote on Lakeland's executive compensation and the increase in the number of authorized shares of Lakeland's common stock) will each require the affirmative vote of a majority of the votes cast with respect to each proposal. Each holder of shares of Lakeland common stock outstanding on the record date will be entitled to one vote for each share held of record. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present, but will have no effect on any of the matters presented at Lakeland's annual meeting.

The directors and executive officers of Somerset Hills have agreed with Lakeland to vote all shares of Somerset Hills common stock for which they have voting power on the record date in favor of the approval of the merger agreement and the merger. On the record date, such directors and executive officers had sole or shared voting power over 486,755 shares of Somerset Hills common stock, or approximately 9.06% of the shares of Somerset Hills common stock outstanding on the record date.

Voting your Shares

The Somerset Hills board of directors is soliciting proxies from the Somerset Hills shareholders and the Lakeland board of directors is soliciting proxies from the Lakeland shareholders. This will give you an opportunity to vote at the applicable shareholders' meeting. When you deliver a valid proxy, the shares represented by that proxy will be voted by a named agent in accordance with your instructions.

If you are a Somerset Hills shareholder and you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote **FOR** approval of the merger agreement, **FOR** nonbinding approval of the golden parachute agreements described in this joint proxy statement and prospectus, **FOR** the board's nominees for director (who would serve until the earlier of the closing of the merger or the expiration of their terms), **FOR** ratification of the appointment of Crowe Horwath LLP as Somerset Hills' independent registered public accounting firm for 2013, **FOR** non-binding approval of the compensation of Somerset Hills' executives as described in this joint proxy statement and prospectus and **FOR** approval of an advisory vote on executive compensation to be held every three years.

If you are a Lakeland shareholder and you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote **FOR** authorization of the issuance of the shares of Lakeland common stock issuable pursuant to the merger, **FOR** the Board's nominees for election to the Board, **FOR** ratification of the appointment of Grant Thornton LLP as Lakeland's independent registered public accounting

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firm for 2013, **FOR** non-binding approval of the compensation of Lakeland's executives as described in this joint proxy statement and prospectus and **FOR** an increase in the authorized shares of common stock of Lakeland to 70,000,000 shares.

If you sign a proxy, you may revoke it by written notice to the Secretary of Somerset Hills or Lakeland, as the case may be, at any time before it is voted at the applicable annual meeting.

You cannot vote shares held by your broker in street name. Only your broker can vote those shares, with your instructions. If you do not provide your broker with instructions on how to vote your shares, your broker will not be permitted to vote them.

Somerset Hills and Lakeland shareholders will have four alternative ways to vote:

by traditional paper proxy card;

by telephone;

via the Internet; or

in person at the applicable annual meeting.

Please take a moment to read the instructions for Somerset Hills or Lakeland shareholders, as applicable, choose the way to vote that you find most convenient and cast your vote as soon as possible.

Voting by Proxy Card. If proxy cards in the accompanying form are properly executed and returned, the shares represented thereby will be voted in the manner specified therein. As stated above, if you are a Somerset Hills shareholder and you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote **FOR** approval of the merger agreement, **FOR** nonbinding approval of the golden parachute agreements described in this joint proxy statement and prospectus, **FOR** the board's nominees for director (who would serve until the earlier of the closing of the merger or the expiration of their terms), **FOR** ratification of the appointment of Crowe Horwath LLP as Somerset Hills' independent registered public accounting firm for 2013, **FOR** non-binding approval of the compensation of Somerset Hills executives as described in this joint proxy statement and prospectus and **FOR** approval of an advisory vote on executive compensation to be held every three years. As stated above, if you are a Lakeland shareholder and you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote **FOR** authorization of the issuance of the shares of Lakeland common stock issuable pursuant to the merger, **FOR** the Board's nominees for election to the Board, **FOR** ratification of the appointment of Grant Thornton LLP as Lakeland's independent registered public accounting firm for 2013, **FOR** non-binding approval of the compensation of Lakeland's executives as described in this joint proxy statement and prospectus and **FOR** an increase in the authorized shares of common stock of Lakeland to 70,000,000 shares.

Voting by Telephone. If you wish to vote by telephone and you are a shareholder of record of Somerset Hills, use a touch-tone telephone to call toll-free 1-866-333-6051 and follow the instructions. If you wish to vote by telephone and you are a shareholder of record of Lakeland, use a touch-tone telephone to call toll-free 1-800-PROXIES and follow the instructions. If you vote by telephone, you must have your control number and the proxy card available when you call.

Voting by the Internet. If you wish to vote through the Internet and you are a shareholder of record of Somerset Hills, you can access the web page at <http://www.rtcoproxy.com/somh> and follow the on-screen instructions. If you wish to vote through the Internet and you are a shareholder of record of Lakeland, you can access the web page at www.voteproxy.com and follow the on-screen instructions. If you vote through the Internet, you must have your control number and the proxy card available when you access the web page.

If your shares are registered in the name of a broker or other nominee, the voting form your broker or other nominee sent you will provide telephone and Internet voting instructions.

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The deadline for voting by telephone or through the Internet as a shareholder of record of Somerset Hills is 3:00 a.m., local time, on May 8, 2013. The deadline for voting by telephone or through the Internet as a shareholder of record of Lakeland is 11:59 p.m., local time, on May 7, 2013. For shareholders whose shares are registered in the name of a broker or other nominee, please consult the voting instructions provided by your broker or other nominee for information about the deadline for voting by telephone or through the Internet.

Voting in Person. If you attend the Lakeland annual meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

Changing your Vote

Somerset Hills

As a Somerset shareholder, you will be able to change your vote as many times as you wish and the last vote received chronologically by any means will supersede your prior vote(s).

Any Somerset Hills shareholder may revoke a proxy at any time before or at the Somerset Hills annual meeting in one or more of the following ways:

Delivering a written notice of revocation, bearing a later date than the proxy, at any time prior to the vote at the annual meeting to Jeanne Hagen, Corporate Secretary; or

Submitting a later-dated proxy card; or

Submitting a new proxy via telephone or the Internet.

A Somerset Hills shareholder should send any written notice of revocation or subsequent proxy to Somerset Hills Bancorp, Attention: Jeanne Hagen, Corporate Secretary, 155 Morristown Road, Bernardsville, New Jersey 07924, or hand deliver the notice of revocation or subsequent proxy to Ms. Hagen before the taking of the vote at the Somerset Hills annual meeting. Attendance at the Somerset Hills annual meeting will not by itself constitute a revocation of a proxy.

Lakeland

As a Lakeland shareholder, you will be able to change your vote as many times as you wish and the last vote received chronologically by any means will supersede your prior vote(s). Please note, however, that if you vote by the Internet, the maximum number of times that you can access the website using any one control number is limited to five times per day.

Any Lakeland shareholder may revoke a proxy at any time before or at the annual meeting in one or more of the following ways:

Delivering a written notice of revocation, bearing a later date than the proxy, at any time prior to the vote at the Lakeland annual meeting to Timothy J. Matteson, Corporate Secretary of Lakeland; or

Submitting a later-dated proxy card; or

Submitting a new proxy via telephone or the Internet.

A Lakeland shareholder should send any written notice of revocation or subsequent proxy card to Lakeland Bancorp, Inc., Attention: Timothy J. Matteson, Executive Vice President, General Counsel and Corporate Secretary, 250 Oak Ridge Road, Oak Ridge, New Jersey 07438, or hand deliver the notice of revocation or subsequent proxy card to Mr. Matteson before the taking of the vote at the annual meeting. Attendance at the

annual meeting will not by itself constitute a revocation of a proxy.

Table of Contents**Solicitation of Proxies and Costs**

The solicitation of proxies for the Lakeland annual meeting is made on behalf of the Lakeland board of directors. The solicitation of proxies for the Somerset Hills meeting is made on behalf of the Somerset Hills board of directors. Somerset Hills and Lakeland will each pay the costs of soliciting proxies with respect to their separate meetings. In addition to solicitation by mail, directors, officers and employees acting on behalf of Somerset Hills or Lakeland may solicit proxies for the annual meetings in person or by telephone, telegraph, facsimile or other means of communication. Somerset Hills and Lakeland will not pay any additional compensation to these directors, officers or employees for these activities, but may reimburse them for reasonable out-of-pocket expenses.

Somerset Hills and Lakeland will each make arrangements with brokerage houses, custodians, nominees and fiduciaries for the forwarding of proxy solicitation materials to beneficial owners of shares held of record by these brokerage houses, custodians, nominees and fiduciaries, and Somerset Hills and Lakeland will reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in connection with the solicitation.

Somerset Hills has retained Eagle Rock Proxy Advisors, at an estimated cost of \$5,000 plus reimbursement of out of pocket expenses, including per call fees for each call made, to assist in the solicitation of proxies. Somerset Hills also has agreed to indemnify Eagle Rock Proxy Advisors against certain liabilities in connection with this proxy solicitation.

Principal Shareholders

Set forth below is the name and address of each shareholder of Somerset Hills known by Somerset Hills to have beneficially owned more than five percent of Somerset Hills common stock as of the March 22, 2013 record date, along with the number of shares of Somerset Hills common stock believed to be owned by such shareholder on such date and such shareholder's percentage ownership. The following information is based solely upon public filings made with the Securities and Exchange Commission.

Name of Beneficial Owner of More Than 5% of the Common Stock	Number of Shares Beneficially Owned¹	Percentage of Class
PRB Investors, L.P. ²		
600 Third Ave, 17 th Floor, New York, NY 10016	465,541	8.7%

- (1) Beneficially owned shares include shares over which the named person exercises either sole or shared voting power or sole or shared investment power. It also includes shares owned (i) by a spouse, minor children or by relatives sharing the same home, (ii) by entities owned or controlled by the named person, and (iii) by other persons if the named person has the right to acquire such shares within 60 days by the exercise of any right or option. Unless otherwise noted, all shares are owned of record and beneficially by the named person, either directly or through the dividend reinvestment plan.
- (2) Based solely upon a Schedule 13-G/A filed by PRB Investors, L.P. with the SEC on February 14, 2013.

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Set forth below is the name and address of each shareholder of Lakeland known by Lakeland to have beneficially owned more than five percent of Lakeland's common stock as of the March 22, 2013 record date, along with the number of shares of Lakeland common stock believed to be owned by such shareholder on such date and such shareholder's percentage ownership, based on filings made with the Securities and Exchange Commission.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Wellington Management Company, LLP 280 Congress Street Boston, MA 02210	2,786,420(1)	9.38%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	1,658,097(2)	5.58%

- (1) Pursuant to a filing made by Wellington Management Company, LLP (Wellington Management) with the Securities and Exchange Commission on February 14, 2013, Wellington Management, in its capacity as investment adviser, may be deemed to beneficially own 2,786,420 shares of Lakeland common stock which are held of record by clients of Wellington Management. The filing indicates that Wellington Management has shared power to vote or direct the vote with respect to 2,454,412 shares and shared dispositive power with respect to 2,786,420 shares. The filing further indicates that the clients who own the shares of record have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such shares, and that no client is known to Wellington Management to have such right or power with respect to more than 5% of Lakeland's common stock.
- (2) Pursuant to a filing made by BlackRock, Inc. with the Securities and Exchange Commission on February 11, 2013, BlackRock, Inc., a parent holding company or control person, beneficially owned 1,658,097 shares, or 5.58%, of Lakeland's common stock. The filing identified the following subsidiaries of BlackRock, Inc. as having acquired the shares being reported: BlackRock Japan Co. Ltd., BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Investment Management, LLC, BlackRock Advisors, LLC and BlackRock Asset Management Canada Limited.

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LAKELAND AND SOMERSET HILLS PROPOSAL 1

THE MERGER

The following information describes the material terms and provisions of the merger. This description is not complete. We qualify this discussion in its entirety by reference to the merger agreement which we incorporate by reference in this joint proxy statement and prospectus. A copy of the merger agreement is attached hereto as Annex A. We urge you to read the full text of the agreement carefully.

The merger agreement provides that Somerset Hills will merge with and into Lakeland, with Lakeland as the surviving corporation in the merger. Immediately after the merger of the holding companies, Somerset Hills Bank will merge with and into Lakeland Bank, with Lakeland Bank as the surviving bank in the merger.

Somerset Hills shareholders will either receive cash or stock, or a combination of cash and stock. Upon completion of the merger, the shareholders of Somerset Hills will receive, at their election, for each outstanding share of Somerset Hills common stock that they own at the effective time of the merger, either 1.1962 shares of Lakeland common stock or \$12.00 in cash, subject to proration as described in the merger agreement, so that 90% of the aggregate merger consideration will be shares of Lakeland common stock and 10% will be cash.

Holders of Somerset Hills stock immediately prior to the effective time of the merger will be able to elect to receive cash, stock or to indicate that such holder has no preference as to the receipt of cash or Lakeland common stock. If such election would result in other than 90% of the merger consideration to be paid by Lakeland equaling stock and 10% cash, then the Exchange Agent will designate, on a pro rata basis, from those holders electing to receive shares, those electing to receive cash, and those indicating no preference, those holders who will receive shares or cash, as applicable, so that 90% of the outstanding shares of Somerset Hills will receive Lakeland common stock and 10% of the outstanding shares of Somerset Hills will receive cash. See Terms of the Merger -What Somerset Hills Shareholders Will Receive in the Merger, beginning at page 53.

The exchange ratio will be adjusted proportionately if Lakeland makes any stock splits, stock dividends or similar distributions prior to the closing of the merger.

Lakeland will not issue any fractions of a share of common stock. Rather, Lakeland will pay cash (without interest) for any fractional share interest any Somerset Hills shareholder would otherwise receive in the merger. All shares of Somerset Hills common stock held by a shareholder immediately prior to the effective time of the merger will be aggregated before determining the need to pay cash in lieu of fractional shares to such former shareholder.

The boards of directors of Somerset Hills and Lakeland have unanimously approved and adopted the merger agreement and believe that the merger is in the best interests of their respective shareholders. The Somerset Hills board of directors unanimously recommends that Somerset Hills shareholders vote **FOR** the merger agreement and the merger and the Lakeland board of directors unanimously recommends that Lakeland shareholders vote **FOR** the proposal to authorize the issuance of the shares of common stock issuable pursuant to the merger agreement.

Somerset Hills stock options that are outstanding when the merger is completed will be converted into options to purchase the number of shares of Lakeland common stock that the option holder would have received had such option holder exercised his or her option prior to the effective time of the merger and had all of his or her Somerset Hills shares converted into Lakeland common stock.

The directors of Somerset Hills have interests in the merger as directors that are different from the interests of Somerset Hills shareholders in general. See - Interests of Management and Others in the Merger beginning on page 65. These interests were considered by Somerset Hills board of directors and Lakeland's board of directors before approving and recommending the merger.

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Background of the Merger

As part of Lakeland's strategic growth plan, Lakeland's board and senior management explore on an ongoing basis the feasibility of acquiring banks and bank holding companies that would broaden Lakeland's presence in its markets while enabling it to maintain its focus on community banking.

Thomas J. Shara, the President and Chief Executive Officer of Lakeland, and Stewart E. McClure, Jr., the President, Chief Executive Officer and Chief Operating Officer of Somerset Hills, have known each other for many years. During the first half of 2012, they met on several occasions, and had preliminary discussions about Lakeland's possible acquisition of Somerset Hills.

On July 25, 2012, Messrs. Shara and McClure had another informal meeting during which they discussed a possible transaction, but not any specific terms.

On September 25, 2012, Messrs. Shara and McClure, and the two Chairmen of the Board (Mary Ann Deacon, Chairman of Lakeland, and Edward B. Deutsch, Chairman of Somerset Hills), met for an informal dinner. Again, no specific terms of a transaction were discussed.

On October 2, 2012, Messrs. McClure and Deutsch met with Andy Senchak and Joseph Moeller, representatives of Keefe, Bruyette and Woods (KBW) to discuss a possible transaction between Somerset Hills and Lakeland.

On November 30, 2012, another informal meeting occurred between Messrs. Shara and McClure.

On December 12, 2012, Mr. McClure made a presentation to the Executive Committee of the Somerset Hills board concerning Lakeland and the pros and cons of a possible merger transaction with Lakeland. The Executive Committee authorized Mr. McClure and other senior management to engage in preliminary discussions with representatives of Lakeland concerning a possible merger.

On December 24, 2012, an informal meeting between Messrs. Shara and McClure took place, at which they confirmed their mutual desire to explore a possible merger of Somerset Hills into Lakeland.

On December 27, 2012, a mutual Confidentiality Agreement was circulated and eventually executed by Somerset Hills and Lakeland.

On January 3, 2013, Mr. Shara, Mr. McClure and representatives of KBW met to discuss the possible terms of a proposed merger.

On January 7, 2013, the members of Lakeland's executive management team were assembled and advised by Mr. Shara of the proposed merger discussions and instructed to consider selecting members of a due diligence team without disclosing the nature of the project or identifying the target. Additionally, Lakeland's executive management team was instructed that the information was confidential and subject to a confidentiality agreement.

On January 8, 2013, Mr. Shara, Mr. McClure, Joseph F. Hurley, Executive Vice President and Chief Financial Officer of Lakeland, and Alfred J. Soles, Executive Vice President and Chief Financial Officer of Somerset Hills, met to discuss the due diligence process.

On January 9, 2013, Messrs. Shara and Hurley distributed information regarding Somerset Hills to Lakeland's board at Lakeland's regularly scheduled January board meeting. Further discussions ensued during Lakeland's regularly scheduled strategic planning meeting the following day, which included representatives of Lakeland's board and senior management.

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On or about January 10, 2013, Lakeland contacted Michael Mayes, Managing Director at Raymond James, to discuss engaging Raymond James for a merger transaction. Lakeland prepared and circulated a confidentiality agreement on that date, which agreement was executed. On or about that same date, Lakeland began using the name Project Martin to identify the transaction. Although Raymond James provided financial advisory services thereafter, the formal engagement agreement between Raymond James and Lakeland was not finalized and executed until January 28, 2013.

In or about the week of January 14, 2013, representatives of Lakeland (Messrs. Shara, Vandenberg, Hurley and Matteson) met with representatives of Lowenstein Sandler LLP (legal counsel to Lakeland) and with representatives of Raymond James (including Mr. Mayes, who participated by telephone) to discuss the basic terms of a proposed merger agreement and coordinate due diligence efforts.

On January 15, 2013, KBW was formally engaged by Somerset Hills, and Messrs. Shara and McClure met to discuss the terms of the proposed transaction and the upcoming diligence process.

On January 16, 2013, Lakeland's board conducted a special meeting, following which Lakeland presented its non-binding indication of interest to Somerset Hills. The non-binding indication of interest provided that Somerset Hills would be merged with and into Lakeland, and that each shareholder of Somerset Hills would receive the equivalent of \$12 per share, valuing the transaction at \$64.4 million (excluding options) with 90% of the aggregate merger consideration being provided in shares of Lakeland common stock and 10% being cash.

On January 17, 2013, the Somerset Hills board met to discuss the terms of the indication of interest with its legal and financial advisors, and the board authorized senior management to negotiate the terms of a definitive agreement with Lakeland.

On January 18, 2013, the members of Lakeland's due diligence team met and were advised, for the first time, of the nature of the project, the identity of the target company and the project name (Project Martin). Each member of the due diligence team were further instructed on the procedures to be followed to maintain the confidentiality of Project Martin, the obligations under the confidentiality agreement between Lakeland and Somerset Hills, along with the potential consequences for individuals were they to disclose or misuse information relating to the proposed merger transaction.

From January 20 through January 27, 2013, the parties conducted due diligence, with the Lakeland due diligence team performing onsite due diligence reviews at the corporate headquarters of Somerset Hills in Bernardsville, New Jersey on Sunday and Monday, January 20 and 21, 2013 of the Martin Luther King, Jr. holiday weekend, and representatives of Lowenstein Sandler LLP, legal counsel to Lakeland, and Windels Marx Lane & Mittendorf, LLP, legal counsel to Somerset Hills, with input from their respective financial advisors (KBW, financial advisor to Somerset Hills, and Raymond James, financial advisor to Lakeland), negotiated the terms of the definitive merger agreement.

On January 23, 2013, the status of the proposed merger was discussed at Somerset Hills' regularly scheduled board meeting. That same day, Lakeland's board convened at a special meeting to discuss the progress of the proposed merger transaction and related financial terms.

The Lakeland board met on January 27, 2013, to discuss the status of the negotiations and the results of their due diligence inquiry. Also present at this meeting were Lakeland's legal and financial advisors.

On January 28, 2013, the respective boards of Somerset Hills and Lakeland met and approved the definitive merger agreement. At the Somerset Hills board meeting, KBW provided its opinion that the merger consideration was fair to the shareholders of Somerset Hills, from a financial point of view. A copy of that fairness opinion is attached to this joint proxy statement and prospectus as Annex B. After the respective meetings were concluded, the merger agreement was signed by the parties.

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On January 29, 2013, a joint press release announcing the execution of the definitive merger agreement was disseminated by the parties prior to the opening of the financial markets.

Somerset Hills Reasons for the Merger

In the course of its deliberations on the proposed transaction with Lakeland, the Somerset Hills board consulted with its legal counsel with respect to its legal duties and the terms of the merger agreement. The Somerset Hills board consulted with its financial advisor with respect to the financial aspects of the transaction and the fairness of the consideration to be received by Somerset Hills shareholders from a financial point of view, and with senior management regarding, among other things, operational matters.

The following discussion of the information and factors considered by the Somerset Hills board is not intended to be exhaustive; it does, however, include all material factors considered by the board.

In reaching its decision to approve the merger agreement, the Somerset Hills board considered the following:

The current regulatory environment and its effect on smaller community banks like Somerset Hills Bank. Increasing regulatory requirements have made it increasingly difficult for smaller banks to manage their expenses and enhance their profitability. The Somerset Hills board believed the shareholders would be better served by converting their stock into ownership in a larger institution which could spread these compliance and operating costs over a larger base of earning assets;

The difficulty in growing organically while continuing to maintain Somerset Hills historic asset quality in the current economic environment;

The lack of opportunity and potential risk involved for a company the size of Somerset Hills to grow through acquisitions. Although the Board has looked at potential acquisition opportunities, most targets available to Somerset Hills have asset quality issues that would increase the risk in any transaction and potentially distract management from growing the combined franchise. The Board also believes that a larger institution with a more liquid trading market for its stock, like Lakeland, would have a better opportunity to grow through acquisitions;

The terms of the merger agreement, including the financial terms and the fact that 90% of the merger consideration would be paid in Lakeland common stock, thereby making the transaction a tax free exchange for those Somerset Hills shareholders receiving Lakeland stock;

The enhanced liquidity that would be available to Somerset Hills shareholders through ownership of Lakeland stock, as well as the increased cash dividends and the opportunity for stock dividends represented by the Lakeland common stock;

The similar culture of customer service and the focus on small to medium sized businesses and retail customers shared by Lakeland and Somerset Hills, and the fact that Somerset Hills customers would benefit from the more diverse products and services, higher lending limit and larger branch network offered by the combined entity. In addition, the two franchises are a natural geographical fit;

The opportunity to enhance revenue for the combined entity by expanding Somerset Hills mortgage banking business across Lakeland's larger branch network and by deploying Somerset Hills excess liquidity into higher yielding assets;

The fact that senior officers of Somerset Hills, including its President and CEO Stewart E. McClure, Jr., would continue to be employed by Lakeland, thereby minimizing the risk of customer defections, and strengthening the business prospects of the resulting

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entity, as well as the ability of Somerset Hills shareholders to have continuing representation on the Board of Lakeland through the appointment of two members of the Somerset Hills Board to the Lakeland Board;

The financial condition, operating results and prospects of Lakeland;

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A review of comparable transactions, including a comparison of the price being paid in the merger with the prices paid in other comparable financial institution mergers, expressed as, among other things, multiples of book value and earnings; and

Management's view based on, among other things, the opinion of KBW described below, that the exchange ratio and cash consideration paid is fair to Somerset Hills and its shareholders from a financial point of view.

All business combinations, including the merger, also include certain risks and disadvantages. The material potential risks and disadvantages to Somerset Hills' shareholders identified by Somerset Hills' board and management include the following material matters, the order of which does not necessarily reflect their relative significance:

there can be no assurance that the combined company will attain the type of revenue enhancements and cost savings necessary to cause the trading markets to consider the transaction a success, increasing the value of the Lakeland stock received by the stockholders of Somerset Hills;

since the exchange ratio is fixed in most instances, Somerset Hills shareholders will receive less value if the Lakeland common stock price declines prior to the closing; and

The fact that the termination fee provided for in the merger agreement and certain other provisions of the merger agreement might discourage third parties from seeking to acquire Somerset Hills, in light of the fact that Lakeland was unwilling to enter into the merger agreement absent such provisions.

In reaching the determination to approve the merger agreement and the related transactions, the Somerset Hills board of directors did not quantify or otherwise attempt to assign any relative weight to the various factors it considered, and individual directors may have viewed certain factors more positively or negatively than others. In addition, as in any business combination, there can be no assurances that the benefits of the merger perceived by the Somerset Hills board of directors and described above will be realized or will outweigh the risks and uncertainties.

Recommendation of the Somerset Hills Board of Directors

The Somerset Hills board of directors has unanimously approved the merger and the merger agreement, and believes that the proposed merger is in the best interests of Somerset Hills and its shareholders. Accordingly, the Somerset Hills board of directors unanimously recommends that Somerset Hills shareholders vote **FOR** approval of the merger agreement and the merger.

Opinion of Somerset Hills' Financial Advisor

On January 17, 2013, Somerset Hills engaged Keefe, Bruyette & Woods, whom we refer to as KBW, to render financial advisory and investment banking services to Somerset Hills. KBW agreed to assist Somerset Hills in assessing the fairness, from a financial point of view, of the consideration in the proposed merger with Lakeland, to the shareholders of Somerset Hills. Somerset Hills selected KBW because KBW is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger and is familiar with Somerset Hills and its business. As part of its investment banking business, KBW is continually engaged in the valuation of financial services companies and their securities in connection with mergers and acquisitions.

As part of its engagement, representatives of KBW attended the meeting of the Somerset Hills board held on January 28, 2013, at which the Somerset Hills board evaluated the proposed merger with Lakeland. At this meeting, KBW reviewed the financial aspects of the proposed merger and rendered an opinion that, as of such date, the merger consideration was fair, from a financial point of view, to the holders of Somerset Hills common stock. The Somerset Hills board approved the merger agreement at this meeting.

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The full text of KBW's written opinion is attached as Annex B to this document and is incorporated herein by reference. Somerset Hills shareholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion.

KBW's opinion speaks only as of the date of the opinion. The opinion is directed to the Somerset Hills board and addresses only the fairness, from a financial point of view, of the merger consideration to the holders of Somerset Hills common stock. It does not address the underlying business decision to proceed with the merger and does not constitute a recommendation to any Somerset Hills shareholder as to how the shareholder should vote at the Somerset Hills annual meeting on the merger or any related matter.

In rendering its opinion, KBW:

reviewed, among other things,

the merger agreement;

Annual Reports to Stockholders and the Annual Reports on Form 10-K for the three years ended December 31, 2011 of Somerset Hills and Lakeland, respectively;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Somerset Hills and Lakeland, respectively, and certain other communications from Somerset Hills and Lakeland to their respective stockholders; and

other financial information concerning the businesses and operations of Somerset Hills and Lakeland furnished to KBW by Somerset Hills and Lakeland for purposes of KBW's analysis.

In addition, KBW held discussions with members of senior management of Somerset Hills and Lakeland regarding past and current business operations, regulatory relations, financial condition and future prospects of their respective companies, and other matters KBW deemed relevant. In addition, KBW compared certain financial and stock market information for Somerset Hills and Lakeland with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the banking industry, and performed other studies and analyses that it considered appropriate.

In conducting its review and arriving at its opinion, KBW relied upon the accuracy and completeness of all of the financial and other information provided to them or otherwise publicly available. KBW did not independently verify the accuracy or completeness of any such information or assume any responsibility for such verification or accuracy. KBW relied upon the management of Somerset Hills and Lakeland as to the reasonableness and achievability of the financial and operating forecasts and projections (and the assumptions and bases therefor) provided to KBW and assumed that such forecasts and projections reflected the best currently available estimates and judgments of such managements and that such forecasts and projections will be realized in the amounts and in the time periods estimated by such managements. KBW assumed, without independent verification, that the aggregate allowance for loan and lease losses for Somerset Hills and Lakeland were adequate to cover those losses. KBW did not make or obtain any evaluations or appraisals of the property, assets or liabilities of Somerset Hills or Lakeland, nor did it examine any individual credit files.

The projections and associated assumptions used by KBW in certain of its analyses were sourced from Somerset Hills' and Lakeland's senior management teams. Somerset Hills and Lakeland do not publicly disclose internal management projections of the type provided to KBW in connection with its review of the merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions, which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections.

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For purposes of rendering its opinion, KBW assumed that, in all respects material to its analyses:

the merger will be completed substantially in accordance with the terms set forth in the merger agreement with no additional payments or adjustments to the merger consideration;

the representations and warranties of each party in the merger agreement and in all related documents and instruments referred to in the merger agreement are true and correct;

each party to the merger agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

all conditions to the completion of the merger will be satisfied without any waivers or modifications to the merger agreement; and

in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the merger, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of the combined entity or the contemplated benefits of the merger, including the cost savings, revenue enhancements and related expenses expected to result from the merger.

KBW further assumed that the merger will be accounted for using the acquisition method under generally accepted accounting principles, and that the merger will qualify as a tax-free reorganization for United States federal income tax purposes. KBW's opinion is not an expression of an opinion as to the prices at which shares of Somerset Hills common stock or shares of Lakeland common stock will trade following the announcement of the merger or the actual value of the shares of common stock of the combined company when issued pursuant to the merger, or the prices at which the shares of common stock of the combined company will trade following the completion of the merger.

In performing its analyses, KBW made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, which are beyond the control of KBW, Somerset Hills and Lakeland. Any estimates contained in the analyses performed by KBW are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the KBW opinion was among several factors taken into consideration by the Somerset Hills board in making its determination to approve the merger agreement and the merger. Consequently, the analyses described below should not be viewed as determinative of the decision of the Somerset Hills board with respect to the fairness of the consideration.

The following is a summary of the material analyses presented by KBW to the Somerset Hills board on January 28, 2013, in connection with its fairness opinion. The summary is not a complete description of the analyses underlying the KBW opinion or the presentation made by KBW to the Somerset Hills board, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, KBW did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. Accordingly, KBW believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone do not constitute a complete description of the financial analyses.

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Summary of Proposal. Pursuant to the terms of the Agreement, each outstanding share of common stock, no par value, of Somerset Hills not owned by Somerset Hills or Lakeland or by any of their respective wholly-owned subsidiaries other than shares owned in a fiduciary capacity or as a result of debts previously contracted, will be converted into the right to receive 1.1962 shares of common stock, no par value, of Lakeland or cash in the amount of \$12.00 (the merger consideration). Based on Lakeland's twenty day average closing price on January 25, 2013, of \$10.032, the merger consideration represented a price of \$12.00 per share to Somerset Hills' shareholders.

Selected Companies Analysis. Using publicly available information, KBW compared the financial performance, financial condition and market performance of Somerset Hills to the following publicly traded banks headquartered in New Jersey, excluding mutual holding companies, with assets between \$200 million and \$1 billion. Companies included in this group were:

Unity Bancorp, Inc.	1st Constitution Bancorp
Parke Bancorp, Inc.	Community Partners Bancorp
Stewardship Financial Corporation	Colonial Financial Services, Inc.
Bancorp of New Jersey, Inc.	Sussex Bancorp
Hopewell Valley Community Bank	Pascack Bancorp, Inc.
Cornerstone Financial Corp.	First Bank
Community Bank of Bergen County	Capital Bank of New Jersey
1st Colonial Bancorp, Inc.	Elmer Bancorp, Inc.
Shore Community Bank	Rumson-Fair Haven Bank & Trust Co.

Using publicly available information, KBW compared the financial performance, financial condition, and market performance of Lakeland to the following publicly traded banks headquartered in the Mid Atlantic with assets between \$1.0 and \$8.0 billion. Companies included in this group were:

Community Bank System, Inc.	NBT Bancorp Inc.
First Commonwealth Financial Corporation	Tompkins Financial Corporation
S&T Bancorp, Inc.	Sun Bancorp, Inc.
Hudson Valley Holding Corp.	Sterling Bancorp
Financial Institutions, Inc.	Univest Corporation of Pennsylvania
First of Long Island Corporation	Bryn Mawr Bank Corporation
Arrow Financial Corporation	Canandaigua National Corporation
Center Bancorp, Inc.	Peapack-Gladstone Financial Corporation
Suffolk Bancorp	Bridge Bancorp, Inc.
Citizens & Northern Corporation	BCB Bancorp, Inc.

To perform this analysis, KBW used financial information as of the most recently available quarter and market price information was as of January 25, 2013. Earnings estimates for 2013 and 2014 were taken from a nationally recognized earnings estimate consolidator for selected companies. Certain financial data prepared by KBW, and as referenced in the tables presented below, may not correspond to the data presented in Somerset Hills' and Lakeland's historical financial statements as a result of the different periods, assumptions and methods used by KBW to compute the financial data presented.

KBW's analysis showed the following concerning Somerset Hills' and Lakeland's financial condition:

	Somerset Hills	Somerset Hills Group Minimum	Somerset Hills Group Maximum
Core Return on Average Assets(1)	0.92%	0.04%	0.99%
Core Return on Average Equity(1)	8.01%	0.56%	10.14%
Net Interest Margin	3.37%	2.58%	4.36%
Fee Income / Operating Revenue Ratio	18.8%	1.0%	28.0%
Efficiency Ratio	70.8%	37.4%	94.3%

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	Lakeland	Lakeland Group Minimum	Lakeland Group Maximum
Core Return on Average Assets(1)	0.81%	(3.09)%	1.84%
Core Return on Average Equity(1)	8.30%	(34.32)%	14.22%
Net Interest Margin	3.69%	3.14%	4.05%
Fee Income / Operating Revenue Ratio	16.2%	6.3%	43.3%
Efficiency Ratio	61.8%	46.8%	94.4%

	Somerset Hills	Somerset Hills Group Minimum	Somerset Hills Group Maximum
Tangible Common Equity / Tangible Assets	11.34%	5.07%	11.13%
Total Capital Ratio	16.69%	10.00%	20.92%
Loans / Deposits	75.6%	53.5%	100.1%
Loan Loss Reserve / Loans	1.27%	1.01%	2.89%
Nonperforming Assets / Loans + OREO	0.44%	0.64%	18.94%
Net Charge-Offs / Average Loans	0.10%	(0.03)%	1.73%

	Lakeland	Lakeland Group Minimum	Lakeland Group Maximum
Tangible Common Equity / Tangible Assets	6.84%	6.19%	13.39%
Total Capital Ratio	12.77%	12.02%	23.97%
Loans / Deposits	90.5%	55.7%	93.8%
Loan Loss Reserve / Loans	1.35%	0.83%	2.72%
Nonperforming Assets / Loans + OREO	1.67%	0.64%	7.26%
Net Charge-Offs / Average Loans	0.54%	0.04%	9.52%

(1) Core income defined as net income after taxes and before extraordinary items, less net income attributable to noncontrolling interest, the after-tax portion of income from investment securities and nonrecurring items.

KBW's analysis showed the following concerning Somerset Hills' and Lakeland's market performance:

	Somerset Hills	Somerset Hills Group Minimum	Somerset Hills Group Maximum
Stock Price / Book Value per Share	1.16x	0.12x	1.30x
Stock Price / Tangible Book Value per Share	1.16x	0.12x	1.30x
Stock Price / LTM EPS	14.3x	5.7x	23.1x
Dividend Yield	3.6%	0.0%	3.2%
LTM Dividend Payout Ratio	50.8%	0.00%	56.9%

	Lakeland	Lakeland Group Minimum	Lakeland Group Maximum
Stock Price / Book Value per Share	1.05x	0.97x	1.77x
Stock Price / Tangible Book Value per Share	1.52x	0.99x	2.19x

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Stock Price / LTM EPS	13.0x	10.6x	27.0x
Stock Price / 2013 EPS(1)	12.4x	10.3x	15.3x
Stock Price / 2014 EPS(1)	11.5x	10.1x	27.2x
Dividend Yield	2.8%	0.0%	9.7%
LTM Dividend Payout Ratio	36.8%	0.0%	129.0%

(1) Estimates per First Call consensus estimates

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Selected Transactions Analysis. KBW reviewed publicly available information related to selected acquisitions of banks and bank holding companies as well as thrifts and thrift holding companies headquartered in the New England and Mid-Atlantic regions that were announced after January 1, 2011, with announced aggregate transaction values between \$25 million and \$150 million. The transactions included in the group were:

Acquiror

F.N.B. Corporation
 Penns Woods Bancorp, Inc.
 WesBanco, Inc.
 Old Line Bancshares, Inc.
 Investors Bancorp, Inc. (MHC)
 Berkshire Hills Bancorp, Inc.
 Independent Bank Corp.
 Commerce Bancshares Corp.
 United Financial Bancorp, Inc.
 Tompkins Financial Corporation
 Provident New York Bancorp
 Beneficial Mutual Bancorp, Inc. (MHC)
 NBT Bancorp Inc.
 Berkshire Hills Bancorp, Inc.
 Sandy Spring Bancorp, Inc.
 S&T Bancorp, Inc.
 BankUnited, Inc.

Acquiree

Annapolis Bancorp, Inc.
 Luzerne National Bank Corporation
 Fidelity Bancorp, Inc.
 WSB Holdings, Inc.
 Marathon Banking Corporation
 Beacon Federal Bancorp, Inc.
 Central Bancorp, Inc.
 Mercantile Capital Corp
 New England Bancshares, Inc.
 VIST Financial Corp.
 Gotham Bank of New York
 SE Financial Corp.
 Hampshire First Bank
 Connecticut Bank and Trust Company
 CommerceFirst Bancorp, Inc.
 Mainline Bancorp, Inc.
 Herald National Bank

Transaction multiples for the merger were derived from an offer price of \$12.00 per share for Somerset Hills. For each transaction referred to above, KBW derived and compared, among other things, the following implied ratios:

price per common share paid for the acquired company to tangible book value per share of the acquired company based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition;

tangible equity premium to core deposits (total deposits less time deposits greater than \$100,000) based on the latest publicly available financial statements of the acquired company prior to the announcement of the acquisition;

price per common share paid for the acquired company to last twelve months earnings per share of the acquired company;

price per common share paid for the acquired company to closing price of the acquired company one day prior to the announcement of the acquisition (expressed as a percentage and referred to as the 1-day market premium).

The results of the analysis are set forth in the following table:

Transaction Price to:	Lakeland/ Somerset Hills Merger	Recent Transactions Minimum	Recent Transactions Maximum
Tangible Book Value	1.54x	0.89x	1.94x
Core Deposit Premium	7.9%	(2.8)%	8.4%
Price / LTM EPS	19.0x	16.3x	56.4x
Market Premium(1)	33.3%	0.1%	249.9%

(1) Based on Somerset Hills stock price of \$9.00 on January 25, 2013.

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No company or transaction used as a comparison in the above analysis is identical to Somerset Hills, Lakeland or the merger. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

Financial Impact Analysis. KBW performed pro forma merger analyses that combined projected income statement and balance sheet information of Somerset Hills and Lakeland. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact that the merger would have on certain projected financial results of Lakeland. In the course of this analysis, KBW used earnings estimates for Lakeland for 2013 and 2014 per First Call consensus and used earnings estimates for Somerset Hills for 2013 from Somerset Hills management and estimates for 2014 per First Call consensus. This analysis indicated that the merger is expected to be accretive to Lakeland's estimated earnings per share in 2013 and 2014. The analysis also indicated that the merger is expected to be accretive to book value per share and dilutive to tangible book value per share for Lakeland and that Lakeland would maintain well capitalized capital ratios. For all of the above analyses, the actual results achieved by Lakeland following the merger will vary from the projected results, and the variations may be material.

Discounted Cash Flow Analysis. KBW performed a discounted cash flow analysis to estimate a range of the present values of after-tax cash flows that Somerset Hills could provide to equity holders through 2018 on a stand-alone basis. In performing this analysis, KBW used earnings estimates for Somerset Hills for 2013 and a growth rate of 6.0% thereafter, from Somerset Hills management, and assumed discount rates ranging from 8.0% to 16.0%. The range of values was determined by adding (1) the present value of projected cash flows to Somerset Hills shareholders from 2012 to 2017 and (2) the present value of the terminal value of Somerset Hills's common stock. In determining cash flows available to shareholders, KBW assumed balance sheet growth per Somerset Hills management and assumed that Somerset Hills would maintain a tangible common equity / tangible asset ratio of 8.00%, a dividend payout ratio of 50.0%, and would retain sufficient earnings to maintain these levels. Any earnings in excess of what would need to be retained represented dividendable cash flows for Somerset Hills. In calculating the terminal value of Somerset Hills, KBW applied multiples ranging from 10.0 times to 14.0 times 2018 forecasted earnings. This resulted in a range of values of Somerset Hills from \$7.47 to \$11.67 per share. The discounted cash flow present value analysis is a widely used valuation methodology that relies on numerous assumptions, including asset and earnings growth rates, terminal values and discount rates. The analysis did not purport to be indicative of the actual values or expected values of Somerset Hills.

The Somerset Hills board retained KBW as financial adviser to Somerset Hills regarding the merger. As part of its investment banking business, KBW is continually engaged in the valuation of bank and bank holding company securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for other purposes. As specialists in the securities of banking companies, KBW has experience in, and knowledge of, the valuation of banking enterprises. In the ordinary course of its business as a broker-dealer, KBW may, from time to time, purchase securities from, and sell securities to, Somerset Hills and Lakeland. As a market maker in securities KBW may from time to time have a long or short position in, and buy or sell, debt or equity securities of Somerset Hills and Lakeland for KBW's own account and for the accounts of its customers. To the extent KBW held any such positions, it was disclosed to Lakeland.

Pursuant to the KBW engagement agreement, Somerset Hills agreed to pay KBW a fee of \$100,000 concurrently with the rendering of the opinion as well as a cash fee equal to 1.05% of the aggregate consideration offered in the merger to be paid as follows: (i) one-third of the fee was paid at the time of signing of the merger agreement; (ii) one-third of the fee will be paid on the date of mailing of the definitive proxy statement to Somerset Hills' shareholders for approval of the merger; and (iii) one-third of the transaction fee is payable at the time of closing of the merger. The \$100,000 paid for the opinion will be credited against the final payment due at the closing of the merger. In addition, Somerset Hills also agreed to reimburse KBW for reasonable out-of-pocket expenses and disbursements incurred in connection with its retention up to \$10,000 and to indemnify against certain liabilities, including liabilities under the federal securities laws. During the two years preceding the date of its opinion to Somerset Hills, KBW has not received compensation for investment banking services from Somerset Hills, and KBW has received compensation for investment banking services from Lakeland.

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Lakeland's Reasons for the Merger

Lakeland's board and management believe that both Somerset Hills and Lakeland share a focus on community banking. In addition, the acquisition will enable Lakeland to expand into new counties such as Somerset and Union, and broaden its presence in Morris County. Lakeland believes the demographics of these counties, in terms of per capita income and population, are favorable. In evaluating acquisition opportunities, Lakeland generally considers potential revenue enhancements and operating efficiencies, asset quality and interest rate risk.

In determining the terms of its proposal for Somerset Hills and whether to enter into the merger agreement, Lakeland's board of directors considered a number of factors, including the following:

the strategic importance to Lakeland of expanding its presence into Somerset and Union Counties in New Jersey and broadening its presence in Morris County, New Jersey;

the terms of the merger agreement, including the financial terms of the transaction;

Somerset Hills' service-oriented emphasis on community banking, small to medium sized businesses and retail customers, which is consistent with Lakeland's general business approach;

the financial condition, operating results and future prospects of Lakeland and Somerset Hills;

historical pro forma financial information on the merger, including, among other things, pro forma book value and earnings per share information, dilution analysis and capital ratio impact information;

a review of comparable transactions, including a comparison of the price being paid in the merger with the prices paid in other comparable financial institution mergers, expressed as, among other things, multiples of book value and earnings; and

management's view based on, among other things, such comparable transactions review, that the exchange ratio and cash consideration paid is fair to Lakeland and its shareholders from a financial point of view.

In approving the transaction, the Lakeland board did not specifically identify any one factor or group of factors as being more significant than any other factor in the decision making process. Individual directors may have given one or more factors more weight than other factors. The emphasis of the Lakeland board's discussion, in considering the transaction, was on the strategic benefits and financial aspects of the transaction, particularly:

the importance to Lakeland of expanding its franchise into Somerset and Union Counties and broadening its presence in Morris County, New Jersey;

a comparison of the expenses associated with the pending transaction with the expenses of opening new branches in the locations where Somerset Hills operates; and

perceived opportunities to increase the combined company's lending opportunities, and to reduce the combined company's operating expenses, following the merger.

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As we have noted above, business combinations, including the merger, typically include certain risks and disadvantages. The material potential risks and disadvantages to Lakeland identified by Lakeland's board and management include the following material matters, the order of which does not necessarily reflect their relative significance:

there can be no assurance that the combined company will attain the type of revenue enhancements and cost savings necessary to justify the expenditure of funds and issuance of stock contemplated by the merger agreement;

since the exchange ratio is fixed in most instances, Somerset Hills shareholders will receive the benefit of any appreciation in the market price of Lakeland's common stock; and

utilizing cash for a portion of the merger consideration will negatively impact Lakeland's capital.

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There can be no certainty that the above benefits of the merger anticipated by the Lakeland board will occur. Actual results may vary materially from those anticipated. For more information on the factors that could affect actual results, see **RISK FACTORS** at page 24 and **FORWARD-LOOKING INFORMATION** at page 33.

Recommendation of the Lakeland Board of Directors

The Lakeland board of directors has unanimously approved the merger and the merger agreement, and believes that the proposed merger is in the best interests of Lakeland and its shareholders. Accordingly, the Lakeland board of directors unanimously recommends that Lakeland shareholders vote **FOR** the proposal to authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement.

Terms of the Merger

Effect of the Merger

Upon completion of the merger, the separate legal existence of Somerset Hills will cease. All property, rights, powers, duties, obligations, debts and liabilities of Somerset Hills will automatically be deemed transferred to Lakeland, as the surviving corporation in the merger. Immediately following the merger of the holding companies, Somerset Hills Bank will merge with and into Lakeland Bank, the separate legal existence of Somerset Hills Bank will cease, and all property, rights, powers, duties, obligations, debts and liabilities of Somerset Hills Bank will be transferred to Lakeland Bank, as the surviving bank in the bank merger.

What Somerset Hills Shareholders Will Receive in the Merger

In the merger, 10% of the outstanding Somerset Hills common stock will be exchanged for cash and 90% will be exchanged for stock. Lakeland reserves the right to reduce the percentage of cash consideration that will be paid in the merger and increase the percentage of stock consideration that will be paid in the merger to the extent necessary to enable the tax opinion required for the merger to occur to be rendered. See **THE MERGER - Material United States Federal Income Tax Consequences** at page 67. Shareholders receiving cash in the merger will receive \$12.00 for each share of Somerset Hills common stock exchanged for cash in the merger. Subject to a possible adjustment in the exchange ratio described under **- Termination**, Somerset Hills shareholders receiving Lakeland common stock in the merger will receive 1.1962 shares of Lakeland common stock for each share of Somerset Hills common stock exchanged for stock in the merger. In this document, we refer to the ratio of 1.1962 shares of Lakeland common stock to one share of Somerset Hills common stock as the **exchange ratio**.

As described below under **Election Form; Exchange of Shares**, the Exchange Agent will modify on a pro rata basis, the elections of Somerset Hills shareholders so that 10% of the merger consideration will be cash and 90% will be stock.

The closing price of Lakeland common stock on March 28, 2013, shortly before this joint proxy statement and prospectus was mailed to you, was \$9.85.

If there is a stock split, stock dividend or similar transaction affecting Lakeland common stock prior to the closing, appropriate changes will be made to the exchange ratio. Certain shares of Somerset Hills common stock held by Somerset Hills or by Lakeland or its subsidiaries will be canceled in the merger and will not be converted into Lakeland common stock.

If your Somerset Hills shares are converted into Lakeland common stock, you will not receive any fractional shares of Lakeland common stock. Instead, you will receive, without interest, cash equal to the fractional share interest you otherwise would have received, multiplied by the average (rounded to four decimal places) of the daily closing sales prices of Lakeland common stock as reported on the Nasdaq Global Select Market for the 20 consecutive trading days ending on the date that all regulatory approvals are received. All shares of Somerset

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Hills common stock held by a Somerset Hills shareholder immediately prior to the effective time will be aggregated before determining the need to pay cash in lieu of fractional shares to such holder.

The price of Lakeland common stock at the time the merger takes effect may be higher or lower than the price: (1) when the merger agreement was signed; (2) when this joint proxy statement and prospectus was mailed; (3) when the Somerset Hills shareholders meet to vote on the merger; or (4) when Somerset Hills shareholders receive Lakeland stock certificates from the Exchange Agent following the merger. We urge you to obtain current market quotations for the Lakeland common stock and the Somerset Hills common stock.

Election Form; Exchange of Shares

In a separate mailing being distributed concurrently with this joint proxy statement and prospectus, we have sent Somerset Hills shareholders a form of election that we refer to as the Election Form. We will make additional copies of the Election Form available upon request. Each Somerset Hills shareholder should use this election form to tell the Exchange Agent such shareholder's preferences. Each Somerset Hills shareholder may use the Election Form to elect to:

convert each of such shareholder's Somerset Hills shares into Lakeland common stock;

convert each of such shareholder's Somerset Hills shares into cash; or

convert a portion (in even 10% integrals) of such shareholder's Somerset Hills shares into Lakeland common stock and convert the balance of such shareholder's Somerset Hills shares into cash.

We will refer to all shares that are so designated for conversion into cash as Cash Election Shares and all shares that are so designated for conversion into Lakeland common stock as Stock Election Shares. Alternatively, each Somerset Hills shareholder may indicate to the Exchange Agent that such shareholder has no preference as to whether such shareholder receives cash or Lakeland common stock pursuant to the merger. We will refer to these shares as Non-Election Shares. If a Somerset Hills shareholder either (i) does not submit a properly completed Election Form in a timely fashion or (ii) revokes such shareholder's Election Form and does not submit a new Election Form prior to the deadline for the submission of the Election Form, the shares of Somerset Hills common stock held by such shareholder will be treated as Non-Election Shares. We refer to the number of shares equal to 10% of the shares of Somerset Hills common stock outstanding immediately prior to the effective time of the merger as the Cash Number, and the number of shares equal to 90% of the shares of Somerset Hills common stock outstanding immediately prior to the effective time of the merger as the Stock Number.

All elections must be made on an Election Form. To make an effective election, each Somerset Hills shareholder must, in accordance with the Election Form, (i) complete properly and return the Election Form to the Exchange Agent in the envelope provided in the separate Election Form mailing being made concurrently with this joint proxy statement and prospectus and (ii) deliver to the Exchange Agent such shareholder's Somerset Hills stock certificates with respect to such shares and any other required documents, all prior to the election deadline, which will be 5:00 p.m. on the third business day prior to the date on which the merger is consummated. The merger could close as soon as immediately after the Lakeland and Somerset Hills shareholders' meetings. **Thus, you should assume that the election deadline may be as soon as 5:00 p.m. on May 3, 2013, the third business day prior to the date scheduled for the shareholders' meetings.**

A holder of shares of Somerset Hills common stock having a preference as to the form of consideration to be received for his or her shares should make an election because shares as to which an election has been made will be given priority in allocating such consideration over shares as to which an election is not received. Neither Somerset Hills nor Lakeland nor their respective boards of directors will make any recommendation as to whether shareholders should elect to receive cash or stock in the merger. Each holder of Somerset Hills common stock must make his or her own decision with respect to such election.

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Subject to adjustment to comply with certain tax requirements, the cash and stock consideration payable in the merger will be allocated as follows:

Oversubscription for Stock. If the aggregate number of Stock Election Shares exceeds the Stock Number:

All Non-Election Shares and Cash Election Shares will be converted into the right to receive cash; and

The Stock Election Shares will be converted into the right to receive Lakeland common stock and cash in the following manner:

the Exchange Agent will select from among the holders of Stock Election Shares, on a pro rata basis, a sufficient number of those shares, referred to as Cash Designated Shares, so that the number of Cash Designated Shares will, when added to the number of Cash Election Shares and Non-Election Shares, equal as closely as practicable the Cash Number, and all of the Cash Designated Shares will be converted into the right to receive cash; and

the Stock Election Shares that are not selected as Cash Designated Shares will be converted into the right to receive shares of Lakeland common stock.

Oversubscription for Cash. If the aggregate number of Cash Election Shares exceeds the Cash Number:

all Non-Election Shares and Stock Election Shares will be converted into the right to receive Lakeland common stock; and

the Cash Election Shares will be converted into the right to receive Lakeland common stock and cash in the following manner:

the Exchange Agent will select from among the holders of Cash Election Shares, on a pro rata basis, a sufficient number of these shares, referred to as Stock Designated Shares, so that the number of Stock Designated Shares will, when added to the number of Stock Election Shares and Non-Election Shares, equal as closely as practicable the Stock Number, and all of the Stock Designated Shares will be converted into the right to receive Lakeland common stock; and

the Cash Election Shares not selected as Stock Designated Shares will be converted into the right to receive cash.

Other Outcomes. If the aggregate number of Cash Election Shares is equal to or less than the Cash Number and the aggregate number of Stock Election Shares is equal to or less than the Stock Number:

All Stock Election Shares will be converted into the right to receive Lakeland common stock;

All Cash Election Shares will be converted into the right to receive cash; and

All Non-Election Shares, if any, will be converted into the right to receive Lakeland common stock or the right to receive cash in the following manner:

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The Exchange Agent will select from among the holders of Non-Election Shares, on a pro rata basis, a significant number of those shares, referred to as the Stock Exchanged Shares, so that the number of Stock Exchanged Shares will, when added to the number of Stock Election Shares, be equal as closely as practicable to the Stock Number, and all of those Stock Exchanged Shares will be converted into the right to receive Lakeland common stock; and

The Non-Election Shares not selected as Stock Exchanged Shares will be converted into the right to receive cash. The Election Form will also serve as a letter of transmittal, which is the form Somerset Hills shareholders will use to send their stock certificates to the Exchange Agent to be exchanged in the merger. The Election Form will have explicit instructions on how to exchange Somerset Hills stock certificates. Certificates representing shares of Somerset Hills common stock **MUST** be sent in with your Election Form in the envelope provided in the separate election form mailing. Somerset Hills shareholders should not send their stock certificates with their proxy card.

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After Somerset Hills shareholders surrender their Somerset Hills stock certificates to the Exchange Agent and after the time the merger takes effect, former Somerset Hills shareholders will receive cash and/or a certificate representing their shares of Lakeland common stock. At the time any new stock certificate is issued, former Somerset Hills shareholders will also receive a check for any fractional shares. All shares of Somerset Hills common stock held by a shareholder immediately prior to the effective time of the merger will be aggregated before determining the need to pay cash in lieu of fractional shares to such former shareholder. No interest will be paid with respect to any cash payable in the merger.

Stock Options

As of the record date for the Somerset Hills annual meeting, various directors, officers and employees of Somerset Hills held options to purchase a total of 333,618 shares of Somerset Hills common stock, all granted under Somerset Hills equity compensation plans. All such options will be converted into options to purchase Lakeland common stock upon consummation of the merger. The terms of the new Lakeland options will be the same as the terms of the old Somerset Hills stock options, except that:

upon exercise of the new options, optionees will acquire Lakeland common stock rather than Somerset Hills common stock;

the number of shares covered by each new option will equal the number of shares covered by the corresponding old option multiplied by the exchange ratio;

the exercise price of each new option will equal the exercise price of the corresponding old option divided by the exchange ratio; and

the new options will be administered by the same committee that administers the options granted by Lakeland to Lakeland employees.

Lakeland Common Stock

Each share of Lakeland common stock outstanding immediately prior to completion of the merger will remain outstanding and unchanged by the merger.

Effective Date

The merger will take effect when all conditions to the merger, including obtaining shareholder and regulatory approval, have been fulfilled or waived or as soon as practicable thereafter as Lakeland and Somerset Hills mutually select. Neither regulatory approval nor the required approvals of Somerset Hills or Lakeland's shareholders can be waived. Lakeland and Somerset Hills presently expect to close the merger during the second or third quarters of 2013. See THE MERGER - Conditions to the Merger at page 60 and THE MERGER - Regulatory Approvals at page 65.

Representations and Warranties

The merger agreement contains customary representations and warranties relating to, among other things:

Somerset Hills

Organization of Somerset Hills and its subsidiaries.

Capital structure of Somerset Hills.

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Due authorization, execution, delivery, performance and enforceability of the merger agreement and interrelationship with other agreements.

Consents or approvals of regulatory authorities or third parties necessary to complete the merger.

Accuracy of reports filed with regulatory authorities and with the SEC.

Consistency of financial statements with generally accepted accounting principles and existence of suitable internal controls.

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Liabilities incurred since September 30, 2012.

Brokers' fees.

Absence of material adverse changes, since December 31, 2011, in Somerset Hills' consolidated business, results of operations or financial condition.

Absence of undisclosed material pending or threatened legal proceedings.

Filing of tax returns and payment of taxes.

Retirement and other employee plans and matters relating to the Employee Retirement Income Security Act of 1974.

Accuracy of information supplied by Somerset Hills for inclusion in the registration statement filed under the Securities Act of 1933 in connection with the issuance of Lakeland common stock in the merger, this joint proxy statement and prospectus, and all applications filed with regulatory authorities for approval of the merger.

Compliance with applicable laws and regulations.

Disclosure of material contracts.

Absence of regulatory orders.

Quality of title to assets and properties.

Maintenance of adequate insurance.

Absence of material environmental violations, actions or liabilities.

Indemnification obligations of Somerset Hills and its subsidiaries.

Validity and binding nature of loans reflected as assets in Somerset Hills' financial statements.

Inapplicability of anti-takeover provisions of New Jersey law to the merger.

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Investment securities, deposits and other borrowings on Somerset Hills statement of condition.

Intellectual property matters.

Conduct of the mortgage banking business by the mortgage banking subsidiary of Somerset Hills Bank.

Lakeland

Organization of Lakeland and its subsidiaries.

Capital structure of Lakeland.

Due authorization, execution, delivery, performance and enforceability of the merger agreement and interrelationship with other agreements.

Consents or approvals of regulatory authorities or third parties necessary to complete the merger.

Accuracy of reports filed with regulatory authorities.

Consistency of financial statements with generally accepted accounting principles and existence of suitable internal controls.

Accuracy of reports filed by Lakeland with the SEC.

Absence of material adverse changes, since December 31, 2011, in Lakeland's consolidated business, results of operations or financial condition.

Accuracy of information supplied by Lakeland for inclusion in the registration statement filed under the Securities Act of 1933 in connection with the issuance of Lakeland common stock in the merger, this joint proxy statement and prospectus, and all applications filed with regulatory authorities for approval of the merger.

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Compliance with applicable laws and regulations.

Absence of regulatory orders.

Regulatory capital.

Conduct of Business Pending the Merger

In the merger agreement, we each agreed to use commercially reasonable efforts to maintain and preserve intact our respective business organizations, properties, leases, employees and advantageous business relationships.

In addition, Somerset Hills agreed to conduct its business and to engage in transactions only in the ordinary and usual course consistent with past practices and prudent banking practice, except as otherwise required by the merger agreement or consented to by Lakeland. Subject to certain exceptions referred to in the merger agreement, Somerset Hills also agreed in the merger agreement that Somerset Hills will not, without the written consent of Lakeland except as otherwise specifically provided in the merger agreement:

declare or pay any dividends on its capital stock other than regular quarterly cash dividends not to exceed \$0.08 per share consistent with past practices;

repurchase, redeem or otherwise acquire any of its capital stock;

issue any shares of its capital stock or any securities convertible into or exercisable for, or any rights, warrants or options to acquire, any such shares, except for the issuance of up to a total of 334,536 shares of Somerset Hills common stock upon the exercise of stock options outstanding on the date of the merger agreement;

amend its certificate of incorporation or by-laws;

make any capital expenditures in excess of \$50,000 in the aggregate;

enter into any new line of business or offer any new products or services;

acquire any business or any assets outside of the ordinary course of business;

take any action that is intended or may reasonably be expected to result in any of the conditions to closing the merger set forth in the merger agreement not being satisfied or not being satisfied prior to January 28, 2014;

change its methods of accounting, except as required by changes in generally accepted accounting principles or regulatory accounting principles as concurred with in writing by Somerset Hills independent auditors;

adopt, amend, or terminate any employee benefit plan;

increase the compensation or fringe benefits of any director, officer or employee, pay any benefit not required by any plan or agreement, pay any bonus or grant any stock options, stock appreciation rights, restricted stock, restricted stock units or performance units or shares;

other than in the ordinary course of business consistent with past practice, dispose of its material assets, properties or other rights or agreements;

other than in the ordinary course of business consistent with past practice, incur any indebtedness for borrowed money;

file any application to relocate or terminate the operations of any of its banking offices;

create, renew, amend or terminate any material contract;

settle any claim in excess of \$50,000 or involving any material restrictions on Somerset Hills operations;

except in the ordinary course of business consistent with past practices and in amounts less than \$250,000, waive or release any material right;

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make loans that fall outside of parameters set forth in the merger agreement;

make any investment or commitment to invest in real estate or in any real estate development project, other than real estate acquired in satisfaction of defaulted mortgage loans;

except pursuant to commitments existing on the date of the merger agreement and disclosed to Lakeland, make any construction loans outside the ordinary course of business consistent with past practices, make any real estate loans secured by undeveloped land or make any real estate loans secured by land located outside the States of New Jersey and New York;

establish any new branch or other office facilities other than those for which all regulatory approvals have been obtained, and with respect to any new branch or other office facility for which regulatory approval has been received, make any capital expenditures that in the aggregate would exceed \$50,000;

elect to the board of directors any person who is not a current member of Somerset Hills board;

change any method of tax accounting, make and change any tax election, file any amended tax return, settle any tax liability or surrender any right to claim a tax refund;

take any other action outside of the ordinary course of business; or

agree to do any of the foregoing.

Somerset Hills also agreed in the merger agreement, among other things:

to submit the proposed merger (and a Say on Merger Pay non-binding advisory vote as required by SEC regulations) to its shareholders for approval at a shareholders meeting to be held as soon as is reasonably practicable after the date on which the registration statement, of which this joint proxy statement and prospectus is a part, is declared effective by the SEC;

through the Somerset Hills board of directors, subject to applicable fiduciary obligations, to recommend that Somerset Hills shareholders approve the merger agreement, and such other matters as are submitted to Somerset Hills shareholders in connection with the merger agreement;

to provide Lakeland with certain financial statements as reasonably requested by Lakeland in order to enable Lakeland to comply with its reporting obligations under the Exchange Act;

to cooperate with Lakeland to conform certain policies and procedures to the policies and procedures followed by Lakeland; and

to provide Lakeland with any information about Somerset Hills reasonably requested by Lakeland for use in any subsequent filings that Lakeland may be required to make in transactions unrelated to the merger.

Somerset Hills has also agreed not to solicit any proposal from a third party with respect to a merger, consolidation or similar transaction involving, or any purchase of, all or more than 25% of the assets or voting power of Somerset Hills or any of its subsidiaries. We refer to any

such proposal as an acquisition proposal.

Similarly, Somerset Hills has agreed not to participate in any negotiations concerning, or provide any confidential information with respect to, an acquisition proposal. These obligations are subject to certain exceptions in the merger agreement designed to assure that Somerset Hills' board of directors may exercise its fiduciary responsibilities in the event that a third party, acting on an unsolicited basis, makes an acquisition proposal prior to the consummation of the merger. In the event that Somerset Hills receives any such proposal, Somerset Hills is required to promptly (and in any event within 48 hours of receipt) disclose to Lakeland the identity of the person making the proposal and the substance of such proposal.

We jointly agreed, among other things:

to cooperate in preparing all regulatory and other filings to be made in connection with the merger;

to provide access to each other and to each other's representatives;

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subject to applicable provisions of the merger agreement, to use our reasonable best efforts to consummate the transactions contemplated by the merger agreement and to obtain any consent of any governmental entity or other third party which is required in connection with the merger;

to deliver to each other monthly, quarterly and, if applicable, annual financial statements; and

to agree upon the form and substance of any press release or public disclosure related to the proposed merger.

Lakeland has agreed:

to use its reasonable best efforts to cause the Lakeland common stock to be issued in the merger to be approved for listing on the Nasdaq Global Select Market;

to permit the Somerset Hills employees who remain in Lakeland's employ after the merger is consummated to participate in Lakeland's employee benefit plans to the same extent as similarly situated employees of Lakeland and generally to credit such employees with the years of service earned as employees of Somerset Hills;

to indemnify any current or former director or officer of Somerset Hills against any claim, including any claim which relates in any way to the merger, this joint proxy statement and prospectus, the merger agreement, any of the transactions contemplated by the merger agreement, such person's service as a member of the board of directors of Somerset Hills, the events leading up to the execution of the merger agreement, any statement, recommendation or solicitation made in connection with the merger and any breach of any duty in connection with any of the foregoing, in each case to the extent that indemnification would have been permitted under any applicable law and Somerset Hills' certificate of incorporation and by-laws had the merger not occurred;

to cause the persons serving as officers and directors of Somerset Hills immediately prior to the consummation of the merger to be covered by directors and officers liability insurance for a period of six years after the closing, subject to a limitation on the amount which Lakeland must spend for such insurance; and

to provide severance to any Somerset Hills employee who is terminated or whose terms of employment are substantially adversely modified within one year after the date on which the merger is consummated.

Conditions to the Merger

Our obligations to effect the merger are subject to various conditions, including the following:

Conditions Applicable to Somerset Hills and Lakeland

Somerset Hills' shareholders shall have approved the merger agreement and the transactions contemplated by that agreement;

Lakeland's shareholders shall have approved the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement;

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the registration statement of which this joint proxy statement and prospectus is a part shall not be subject to an order - typically referred to as a stop order - demanding that we cease using these documents;

we shall have received all necessary approvals of governmental entities, such approvals shall not be subject to any material conditions, any conditions relating to such approvals shall have been satisfied and all statutory waiting periods shall have expired;

no order, judgment or decree shall be outstanding that would have the effect of preventing completion of the merger;

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no suit, action or other proceeding shall be pending or threatened by any governmental entity seeking to restrain or prohibit the merger;

no suit, action or other proceeding shall be pending before any court or governmental entity seeking to restrain or prohibit the merger or obtain other substantial monetary or other relief against one or more of the parties which Lakeland or Somerset Hills determines in good faith, based upon the advice of their respective counsel, makes it inadvisable to proceed;

Somerset Hills and Lakeland shall have received from Lakeland's counsel the tax opinion described under THE MERGER - Material United States Federal Income Tax Consequences ; and

the shares of Lakeland common stock issuable in the merger shall have been authorized for listing on the Nasdaq Global Select Market, subject to official notice of issuance.

Additional Conditions Applicable to Lakeland

In addition to the foregoing, Lakeland's obligations to close the merger are also conditioned, among other things, on the following:

except for representations made as of a particular date, Somerset Hills' representations shall be true and correct in all material respects (or in all respects for representations which are qualified as to materiality) at closing;

Somerset Hills' representations made as of a particular date shall be true and correct in all material respects (or in all respects for representations which are qualified as to materiality) as of such date;

Somerset Hills shall have performed in all material respects the covenants which it is required to perform under the merger agreement;

Somerset Hills shall have obtained all consents of any third parties, other than governmental entities, which are necessary to permit the consummation of the merger, except for those which would not materially adversely affect Somerset Hills or Lakeland if not obtained;

none of such consents shall contain any term or condition which would materially adversely affect Lakeland; and

Somerset Hills Bank shall have taken all necessary corporate action to effectuate the merger of Somerset Hills Bank into Lakeland Bank immediately following the effective time of the merger of the holding companies and all conditions to the closing of the bank merger shall have been satisfied or waived.

Additional Conditions Applicable to Somerset Hills

In addition to the foregoing, Somerset Hills' obligations to close the merger are also conditioned, among other things, on the following:

except for representations made as of a particular date, Lakeland's representations shall be true and correct in all material respects (or in all respects for representations which are qualified as to materiality) at closing;

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Lakeland representations made as of a particular date shall be true and correct in all material respects (or in all respects for representations which are qualified as to materiality) as of such date;

Lakeland shall have performed in all material respects the covenants which it is required to perform under the merger agreement; and

Lakeland Bank shall have taken all necessary corporate action to effectuate the bank merger immediately following the merger of the holding companies and all conditions to the closing of the bank merger shall have been satisfied or waived.

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Except for the requirements of Somerset Hills and Lakeland shareholder approval, regulatory approvals and the absence of any order, decree, or injunction preventing the transactions contemplated by the merger agreement, we each may waive each of the conditions described above in the manner and to the extent described in THE MERGER - Amendment; Waiver below. However, neither of us anticipates waiving the condition that a tax opinion be delivered by Lakeland's counsel.

Amendment; Waiver

Subject to applicable law, at any time prior to completion of the merger, we may:

Amend the merger agreement.

Extend the time for the performance of any of the obligations or other acts of the other party required in the merger agreement.

Waive any inaccuracies in the representations and warranties of the other party contained in the merger agreement.

Waive compliance by the other party with any of the agreements or conditions contained in the merger agreement, except for the requirements of Somerset Hills shareholder approval, Lakeland shareholder approval, regulatory approvals and the absence of any order, decree, or injunction preventing the transactions contemplated by the merger agreement.

Termination

Subject to certain qualifications described in the merger agreement, the merger agreement may be terminated under the following circumstances:

by agreement of Lakeland and Somerset Hills;

by either Lakeland or Somerset Hills:

if a required regulatory approval shall have been denied by final, non-appealable action, provided that the right to terminate will not be available to any party whose failure to comply with the merger agreement has been the cause of, or materially contributed to, such action;

if the merger is not consummated on or before January 28, 2014;

if Somerset Hills' shareholders fail to approve the merger or if Lakeland's shareholders fail to approve the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement;

if there is a breach of the other party's representations in the merger agreement, and such breach is not cured within thirty days following written notice to the party committing such breach; provided, however, that neither party can terminate the merger agreement unless the breach, together with all other such breaches, would constitute a failure to satisfy a condition of closing;

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if the other party materially breaches any covenant in the merger agreement; or

if the conditions to such party's obligations to close are not capable of being satisfied on or before January 28, 2014.

by Somerset Hills, if it approves an acquisition proposal, but only if:

at least four business days prior to entering into a definitive agreement relating to the acquisition proposal, Somerset Hills provides Lakeland with a copy of that agreement;

Somerset Hills' board determines in good faith that approving that definitive agreement is legally necessary for the proper discharge of its fiduciary duties; and

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after considering any response that Lakeland may have after reviewing that definitive agreement, the Somerset Hills board determines in good faith that the transactions contemplated by that definitive agreement are reasonably likely to be consummated and would, if consummated, be more favorable to Somerset Hills shareholders than the merger agreement and any transaction then being proposed by Lakeland.

We refer to this termination right as Somerset Hills fiduciary out.

In addition, Somerset Hills will have the right to terminate the merger agreement in the event that both of the following events occur:

the average closing sales price of Lakeland common stock on the Nasdaq Global Select Market System, during the 20 consecutive full trading days ending on the date (referred to in this document as the Determination Date) on which all bank regulatory approvals for the merger have been received - an average price which we refer to as the Lakeland Average Closing Price - is less than \$8.0256; and

the number obtained by dividing the Lakeland Average Closing Price on the Determination Date by \$10.0320 shall be less than the number obtained by dividing the average of the daily closing prices of the Nasdaq Bank Index for the 20 consecutive trading days immediately preceding the Determination Date by \$1,934.3395 and subtracting 0.20 (this number is referred to as the Index Ratio).

The effect of this provision is to enable Somerset Hills to terminate the merger agreement if the market price of Lakeland common stock falls substantially, both in absolute terms (that is, below \$8.0256) and by comparison to the list of banking institutions that comprise the Nasdaq Bank Index. However, if Somerset Hills seeks to exercise its pricing out, Lakeland will have the right to negate such termination by increasing the exchange ratio from 1.1962 to a formula amount determined in accordance with Section 8.1(k) of the merger agreement. Lakeland will not be required to take such action. If Lakeland does take such action, each share of Somerset Hills common stock converted into Lakeland common stock in the merger will be converted into a number of shares of Lakeland common stock equal to the lesser of:

\$9.6002 divided by the Lakeland Average Closing Price; or

a fraction, the numerator of which is 1.1962 times the Index Ratio and the denominator of which is the Lakeland Average Closing Price divided by \$10.0320.

Termination Fees

Somerset Hills has agreed to pay a fee of \$2,950,000 to Lakeland and has agreed to reimburse Lakeland for up to \$325,000 in out-of-pocket expenses if:

(i) Somerset Hills exercises its fiduciary out;

(ii) Lakeland terminates the merger agreement under circumstances where, prior to Somerset Hills shareholder approval, Somerset Hills refuses to recommend that its shareholders approve the merger or adopts an alternative acquisition proposal, breaches its non-solicitation obligations with respect to alternative acquisition proposals in any material respect adverse to Lakeland or recommends that Somerset Hills shareholders tender their shares (or fail to reject) a tender offer or exchange offer for 10% or more of the Somerset Hills common stock; or

(iii)(A) a tender or exchange offer to acquire 50% or more of the voting power in Somerset Hills or any of its subsidiaries, a proposal for a merger, consolidation or other business combination involving Somerset Hills or any of its subsidiaries or any other proposal or offer to acquire in any manner 50% or more of the voting power in, or 50% or more of the business, assets or deposits of, Somerset Hills or any of its subsidiaries (an Acquisition Proposal) shall have been made directly to Somerset Hills shareholders or otherwise publicly

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disclosed or communicated or made known to any member of Somerset Hills senior management or board and (B) the merger agreement is thereafter terminated (x) by Lakeland or Somerset Hills if the approval of Somerset Hills shareholders has not been obtained by reason of the failure to obtain the required vote at a duly held meeting or any adjournment or postponement thereof following the effectiveness of the registration statement of which this joint proxy statement and prospectus is a part, (y) by Lakeland as a result of its termination right in connection with a breach of any of the representations or warranties on the part of Somerset Hills which breach, if curable prior to the one year anniversary of the merger agreement, is not cured within 30 days following written notice, or (z) by Lakeland as a result of its termination right in connection with a material breach of any of the covenants or agreements on the part of Somerset Hills, which breach, if curable prior to the one year anniversary of the merger agreement, is not cured within 30 days following written notice, and, within 12 months after the termination referred to in clause (x), (y) or (z), Somerset Hills or any of its subsidiaries enters into a definitive agreement with respect to, or consummates a transaction contemplated by an Acquisition Proposal.

Nasdaq Listing

Somerset Hills obligation to complete the merger is subject to the condition that the Lakeland common stock issuable in the merger be authorized for listing on the Nasdaq Global Select Market.

Expenses

Subject to expense reimbursement in connection with certain types of termination, we will each pay all costs and expenses that we incur in connection with the transactions contemplated by the merger agreement, including fees and expenses of financial consultants, accountants and legal counsel.

Exchange of Somerset Hills Stock Certificates and Payment of Consideration

The conversion of Somerset Hills common stock into the right to receive Lakeland common stock or cash will occur automatically on the merger's effective date. As soon as possible after the effective date of the merger, the Exchange Agent designated by Lakeland will send, to those Somerset Hills shareholders who have not already submitted their stock certificates and Election Forms, a transmittal form, along with instructions, to use in exchanging Somerset Hills stock certificates for Lakeland stock certificates or the cash portion of the merger consideration, as well as for cash in lieu of fractional shares. The Exchange Agent will mail certificates representing shares of Lakeland common stock, checks for the cash consideration and checks for cash in lieu of fractional share interests to former shareholders of Somerset Hills as soon as reasonably possible following the closing and its receipt of certificates representing former shares of Somerset Hills common stock and other related documentation required by the Exchange Agent.

Somerset Hills shareholders should not return their Somerset Hills stock certificates with the enclosed proxy card. They should not send their Somerset Hills stock certificates to the Exchange Agent until they are ready to submit their Election Forms or, if they do not submit an Election Form prior to the closing, until they receive the transmittal form after the closing.

Until the merger has been consummated and the certificates representing shares of Somerset Hills common stock are surrendered for exchange, holders of such certificates will not receive the merger consideration or, in the case of former Somerset Hills shareholders entitled to receive Lakeland common stock, dividends or distributions on the Lakeland common stock into which such shares have been converted. When such certificates are surrendered, any unpaid dividends or other distributions will be paid without interest. For all other purposes, however, each certificate representing shares of Somerset Hills common stock outstanding at the merger's effective date will be deemed to evidence ownership of and the right to receive the shares of Lakeland common stock (and cash in lieu of fractional shares) and cash into which such shares have been converted.

None of the parties will be liable to any Somerset Hills shareholder for any amount paid in good faith to a public official pursuant to any applicable abandoned property, escheat or similar law.

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No fractional shares of Lakeland common stock will be issued to any shareholder of Somerset Hills upon completion of the merger. For each fractional share that would otherwise be issued, Lakeland will pay by check an amount equal to the fractional share interest to which such holder would otherwise be entitled multiplied by the Lakeland Average Closing Price. All shares of Somerset Hills common stock held by a former Somerset Hills shareholder immediately prior to the merger will be aggregated before determining the need to pay cash in lieu of fractional shares to such former shareholder.

Regulatory Approvals

Completion of the merger and the bank merger requires approval by the Federal Reserve Board, the FDIC and the New Jersey Department of Banking and Insurance. Approval by any of these bank regulators does not constitute an endorsement of the merger or a determination that the terms of the merger are fair to Somerset Hills shareholders. As Somerset Hills Bank has a mortgage banking subsidiary, in addition to approval by the New Jersey Department of Banking and Insurance, approvals are required from the State of Pennsylvania, the U.S. Department of Housing and Urban Development, referred to as HUD, and the U.S. Veterans Administration. Applications were filed with the FDIC and the New Jersey Department of Banking and Insurance on February 15, 2013, and approvals are pending. We cannot assure you that the necessary regulatory approvals and waivers will be granted, or that they will be granted on a timely basis without conditions unacceptable to Lakeland.

Interests of Management and Others in the Merger

In considering the recommendation of the Somerset Hills board regarding the merger, Somerset Hills shareholders should know that certain directors and officers of Somerset Hills have interests in the merger in addition to their interests as shareholders of Somerset Hills. All those additional interests are described below, to the extent they are material and are known to Somerset Hills. The Somerset Hills board and the Lakeland board were aware of these interests and considered them, among other matters, in approving the merger agreement:

Change-in-Control and Severance Agreements. Under his existing employment agreement with Somerset Hills, Stewart E. McClure, Jr., Somerset Hills President, Chief Executive Officer and Chief Operating Officer, will receive a lump-sum payment in the amount of \$837,500 (which equals two and one half times his base salary and the bonus he received in the preceding year) upon the consummation of the merger. The merger will constitute a change of control under Mr. McClure's employment agreement. If Mr. McClure is terminated without just cause within two years after the closing of the merger, he will be entitled to receive an amount equal to three times his base salary and three times the bonus he received in the preceding year less the amount he received upon the closing of the merger.

Mr. McClure also has an Amended and Restated Supplemental Executive Retirement Plan, referred to as a SERP, which provides that, subject to the terms and conditions contained therein, he will receive a retirement benefit of \$48,000 per year for 15 years, commencing at the later of Mr. McClure's retirement or attainment of age 65. This SERP has been in effect for several years, and except as described in the next sentence, is not affected by the merger. In connection with the execution of the merger agreement, Mr. McClure signed an amendment to the SERP which provides that the closing of the merger with Lakeland will not constitute a change in control for purposes of the SERP.

In addition, any Somerset Hills employee, including executive officers, whose employment is terminated or substantially adversely modified (other than for cause) within one year of the merger will be entitled to severance equal to two weeks of his or her then current base salary plus two additional weeks of salary for each year of service with Somerset Hills or Somerset Hills Bank.

Mr. McClure has entered into an Employment Agreement with Lakeland which will become effective at the effective time of the merger. The employment agreement provides that Mr. McClure will serve as Co-President

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of Lakeland Bank, at an annual base salary of \$320,000. The employment agreement is for an initial two year term, with automatic renewals of one year, unless either party provides the other with notice of non-renewal at least 90 days before each anniversary of the effective date of the agreement. The employment agreement provides that Mr. McClure will participate in Lakeland's executive bonus program. If Mr. McClure's employment is involuntarily terminated (including by Mr. McClure for good reason (as defined in the employment agreement)) during the initial two year term, he will be entitled to receive severance equal to (1) approximately 1.5 times his base salary payable over 12 months if the termination is not related to a change in control, or (2) if the termination is in connection with a change in control, two times the sum of his base salary and the average of his most recent two annual bonuses, payable in a lump sum (subject to a cap so that any such payments will not constitute a golden parachute payment under applicable law).

Alfred J. Soles, Executive Vice President and Chief Financial Officer of Somerset Hills, is a party to a Change in Control Agreement with Somerset Hills, pursuant to which he will receive 50% of his then current base salary, but in no event less than \$75,000, upon the closing of a change in control. As a result, Mr. Soles will receive a lump sum payment of \$75,000 upon the closing of the merger, subject to his continued employment by Somerset Hills through the closing.

James Nigro, Executive Vice President and Chief Lending Officer of Somerset Hills, is a party to a Change in Control Agreement with Somerset Hills, pursuant to which he will receive, upon the closing of a change in control, an amount equal to one and one-half times the sum of (i) the highest annual salary assigned to him during the 24 months prior to the closing plus (ii) the highest annual bonus paid to or accrued for him over the 24 months prior to the closing. As a result, Mr. Nigro will receive a lump sum payment of \$322,500 upon the closing of the merger, subject to his continued employment by Somerset Hills through the closing.

David Lidster, Senior Vice President and Chief Technology Officer of Somerset Hills, is a party to a Change in Control Agreement with Somerset Hills, pursuant to which he will receive, upon the closing of a change in control, an amount equal to one-half times the sum of (i) the highest annual salary assigned to him during the 24 months prior to the closing plus (ii) the highest annual bonus paid to or accrued for him over the 24 months prior to the closing. As a result, Mr. Lidster will receive a lump sum payment of \$53,750 upon the closing of the merger, subject to his continued employment by Somerset Hills through the closing.

Certain employees of Somerset Hills and Somerset Hills Bank will be entitled to a retention bonus if they maintain their employment with Somerset Hills until that person's job function has been converted or transitioned and that person does not accept an offer for continued employment. Somerset Hills may establish a pool of up to \$125,000 to be paid in such amounts, and to such current employees of Somerset Hills and Somerset Hills Bank, as are designated by Somerset Hills' Chief Executive Officer, Mr. McClure. In no event will the bonuses payable to all such employees exceed \$125,000 in the aggregate.

Stock Options. When the merger becomes effective, each outstanding option to purchase Somerset Hills common stock will be converted into an option to purchase Lakeland common stock. See - Terms of the Merger - Stock Options.

Indemnification; Directors and Officers. The merger agreement requires Lakeland to indemnify each director and senior officer of Somerset Hills and Somerset Hills Bank to the fullest extent permitted under applicable law and Somerset Hills' certificate of incorporation and by-laws, for a period of six years after the merger is completed. The merger agreement also requires Lakeland to provide Somerset Hills' officers and directors with directors' and officers' liability insurance for at least six years after the merger takes effect upon terms and conditions not materially less advantageous than Somerset Hills' existing directors' and officers' insurance policy, subject to restrictions as to the price of such policy.

Share Ownership. As of March 22, 2013, the record date for the meeting, the directors and executive officers of Somerset Hills beneficially owned in the aggregate 486,755 shares of Somerset Hills common stock, or 9.06%

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of the outstanding shares (excluding options). The directors and executive officers of Somerset Hills have executed voting agreements, in which they committed to vote in favor of the merger agreement.

Other Arrangements. Upon consummation of the mergers, Edward B. Deutsch and Thomas J. Marino (currently the Chairman of the Board and a director of Somerset Hills and Somerset Hills Bank, respectively) will be appointed to the boards of directors of Lakeland and Lakeland Bank (or if either of them is unable or unwilling to serve, such other person or persons from among the current board of directors of Somerset Hills as Lakeland shall designate). Lakeland directors receive certain fees for serving as directors, as described under Lakeland Proposal 2 - Election of Directors - Directors Compensation.

Accounting Treatment

Lakeland will account for the merger under the purchase method of accounting. Lakeland will record, at fair value, the acquired assets and assumed liabilities of Somerset Hills. To the extent that the total purchase price exceeds the fair value of the assets acquired and liabilities assumed, Lakeland may record intangible assets, which include goodwill and core deposit intangibles. Lakeland will include in its results of operations the results of Somerset Hills operations after completion of the merger.

Material United States Federal Income Tax Consequences

This section describes the anticipated material United States federal income tax consequences of the merger to U.S. holders of Somerset Hills common stock who exchange shares of Somerset Hills common stock for shares of Lakeland common stock, cash, or a combination of shares of Lakeland common stock and cash pursuant to the merger.

For purposes of this discussion, a U.S. holder is a beneficial owner of Somerset Hills common stock who for United States federal income tax purposes is:

An individual who is a citizen or resident of the United States;

a corporation, or other entity treated as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States or any state or political subdivision thereof;

a trust that (1) is subject to (A) the primary supervision of a court within the United States and (B) the authority of one or more United States persons to control all substantial decisions of the trust or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person; or

an estate that is subject to United States federal income tax on its income regardless of its source.

If a partnership (including for this purpose any entity treated as a partnership for United States federal income tax purposes) holds Somerset Hills common stock, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partner and the partnership. If you are a partner of a partnership holding Somerset Hills common stock, you should consult your tax advisor.

This discussion addresses only those Somerset Hills shareholders that hold their Somerset Hills common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code, and does not address all the United States federal income tax consequences that may be relevant to particular Somerset Hills shareholders in light of their individual circumstances or to Somerset Hills shareholders that are subject to special rules, such as:

financial institutions;

investors in pass-through entities;

insurance companies;

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tax-exempt organizations;

dealers in securities;

traders in securities that elect to use a mark-to-market method of accounting;

persons that hold Somerset Hills common stock as part of a straddle, hedge, constructive sale or conversion transaction;

certain expatriates or persons that have a functional currency other than the U.S. dollar;

persons who are not U.S. holders; and

shareholders who acquired their shares of Somerset Hills common stock through the exercise of an employee stock option or otherwise as compensation or through a tax-qualified retirement plan.

In addition, the discussion does not address any alternative minimum tax or any state, local or foreign tax consequences of the merger, nor does it address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010.

The following discussion is based on the Internal Revenue Code, its legislative history, existing and proposed regulations thereunder and published rulings and decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this discussion.

Lakeland and Somerset Hills have structured the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Assuming that the merger is completed according to the terms of the merger agreement and based upon facts, factual representations and assumptions contained in representation letters provided by Lakeland and Somerset Hills, all of which must continue to be true and accurate in all material respects through the effective time of the merger, and subject to the assumptions and qualifications to be contained in the opinion of Lowenstein Sandler LLP to be delivered at closing and the assumptions and qualifications contained in this Material United States Federal Income Tax Consequences section of this joint proxy statement and prospectus, it is the opinion of Lowenstein Sandler LLP, counsel to Lakeland, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

The obligation of Lakeland and Somerset Hills to complete the merger is conditioned upon the receipt at closing of an opinion from Lowenstein Sandler LLP, counsel to Lakeland, to the effect that the merger will for federal income tax purposes qualify as a reorganization based upon customary representations made by Lakeland and Somerset Hills. This opinion will not be binding on the Internal Revenue Service or the courts. Lakeland and Somerset Hills have not requested and do not intend to request any ruling from the Internal Revenue Service as to the United States federal income tax consequences of the merger. Accordingly, each Somerset Hills shareholder should consult its tax advisor with respect to the particular tax consequences of the merger to such holder. In addition, because a Somerset Hills shareholder may receive a mix of cash and stock despite having made a cash election or stock election, it will not be possible for holders of Somerset Hills common stock to determine the specific tax consequences of the merger to them at the time of making the election.

Tax Consequences of the Merger Generally to Holders of Somerset Hills Common Stock if the Merger Qualifies as a Reorganization Under Section 368(a) of the Code. If the merger is treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, the tax consequences are as follows:

gain or loss will be recognized by those holders receiving solely cash for Somerset Hills common stock pursuant to the merger equal to the difference between the amount of cash received by a holder of Somerset Hills common stock and such holder's adjusted tax basis in such holder's shares of Somerset Hills common stock;

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no gain or loss will be recognized by those holders receiving solely shares of Lakeland common stock in exchange for shares of Somerset Hills common stock pursuant to the merger (except with respect to any cash received instead of fractional share interests in Lakeland common stock, as discussed in the section entitled *Cash Received Instead of a Fractional Share of Lakeland Common Stock* below);

gain (but not loss) will be recognized by those holders who receive shares of Lakeland common stock and cash in exchange for shares of Somerset Hills common stock pursuant to the merger, in an amount equal to the lesser of (1) the amount by which the sum of the fair market value of the Lakeland common stock and cash received by a holder of Somerset Hills common stock exceeds such holder's adjusted tax basis in its Somerset Hills common stock, and (2) the amount of cash received by such holder of Somerset Hills common stock (except with respect to any cash received instead of fractional share interests in Lakeland common stock, as discussed in the section entitled *Cash Received Instead of a Fractional Share of Lakeland Common Stock* below);

the aggregate basis of the Lakeland common stock received in the merger will be the same as the aggregate basis of the Somerset Hills common stock for which it is exchanged, decreased by the amount of cash received in the merger (except with respect to any cash received instead of fractional share interests in Lakeland common stock), decreased by any basis attributable to fractional share interests in Lakeland common stock for which cash is received, and increased by the amount of gain recognized on the exchange (regardless of whether such gain is classified as capital gain, or as ordinary dividend income, as discussed below, but excluding any gain or loss recognized with respect to fractional share interests in Lakeland common stock for which cash is received); and

the holding period of Lakeland common stock received in exchange for shares of Somerset Hills common stock will include the holding period of the Somerset Hills common stock for which it is exchanged.

If holders of Somerset Hills common stock acquired different blocks of Somerset Hills common stock at different times or at different prices, any gain or loss will be determined separately with respect to each block of Somerset Hills common stock and such holder's basis and holding period in their shares of Lakeland common stock may be determined with reference to each block of Somerset Hills common stock. Any such holders should consult their tax advisors regarding the manner in which cash and Lakeland common stock received in the exchange should be allocated among different blocks of Somerset Hills common stock and with respect to identifying the bases or holding periods of the particular shares of Lakeland common stock received in the merger.

Gain that holders of Somerset Hills common stock recognize in connection with the merger generally will constitute capital gain and will constitute long-term capital gain if such holders have held (or are treated as having held) their Somerset Hills common stock for more than one year as of the date of the merger. Long-term capital gain of non-corporate holders of Somerset Hills common stock is generally taxed at preferential rates. In some cases, if a holder actually or constructively owns Lakeland stock other than Lakeland stock received pursuant to the merger, the recognized gain could be treated as having the effect of a distribution of a dividend under the tests set forth in Section 302, in which case such gain would be treated as dividend income. Because the possibility of dividend treatment depends primarily upon each holder's particular circumstances, including the application of the constructive ownership rules, holders of Somerset Hills common stock should consult their tax advisors regarding the application of the foregoing rules to their particular circumstances.

Cash Received Instead of a Fractional Share of Lakeland Common Stock. A holder of Somerset Hills common stock who receives cash instead of a fractional share of Lakeland common stock will generally be treated as having received the fractional share pursuant to the merger and then as having sold that fractional share of Lakeland common stock for cash. As a result, a holder of Somerset Hills common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the basis in his or her fractional share interest as set forth above. Except as described above, this gain or loss will generally be capital

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gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, the holding period for such shares is greater than one year. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting. Payments of cash to a holder of Somerset Hills common stock may, under certain circumstances, be subject to information reporting and backup withholding, unless the holder provides proof of an applicable exemption satisfactory to Lakeland and the exchange agent or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a holder under the backup withholding rules are not additional tax and will be allowed as a refund or credit against the holder's United States federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

Tax Consequences if the Merger Fails to Qualify as a Reorganization. If the merger does not qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, then each U.S. holder of Somerset Hills common stock will recognize capital gain or loss equal to the difference between (a) the sum of the fair market value of the shares of Lakeland common stock, as of the effective date of the merger, received by such U.S. holder pursuant to the merger and the amount of any cash received by such U.S. holder pursuant to the merger and (b) its adjusted tax basis in the shares of Somerset Hills common stock surrendered in exchange therefor. Gain or loss will be computed separately with respect to each identified block of Somerset Hills common stock exchanged in the merger.

Further, if the merger is not treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, Somerset Hills will be subject to tax on the deemed sale of its assets to Lakeland, with gain or loss for this purpose measured by the difference between Somerset Hills' tax basis in its assets and the fair market value of the consideration deemed to be received therefor or, in other words, the cash and shares of Lakeland common stock plus liabilities assumed in the merger, and Lakeland will become liable for any tax liability of Somerset Hills resulting from the merger.

The preceding discussion is intended only as a summary of material United States federal income tax consequences of the merger. It is not a complete analysis or discussion of all potential tax effects that may be important to you. Thus, you are urged to consult your tax advisor as to the specific tax consequences resulting from the merger, including tax return reporting requirements, the applicability and effect of federal, state, local, and other tax laws and the effect of any proposed changes in the tax laws.

Resale of Lakeland Common Stock

The Lakeland common stock issued in the merger will be freely transferable under the Securities Act, except for shares issued to any Somerset Hills shareholder who may be deemed to be:

an affiliate of Somerset Hills for purposes of Rule 145 under the Securities Act; or

an affiliate of Lakeland for purposes of Rule 144 under the Securities Act.

Affiliates will include persons - generally executive officers, directors and 10% or more shareholders - who control, are controlled by, or are under common control with, Lakeland or Somerset Hills at the time of the Somerset Hills annual meeting, and with respect to Lakeland, at or after the effective date of the merger.

Somerset Hills' affiliates will be subject to Rules 144 and 145. Those rules restrict the sale of shares of Lakeland common stock received in the merger by affiliates and certain of their family members and related interests. Under those rules:

Generally, during the six months following the effective date of the merger, those persons who are affiliates of Somerset Hills at the time of the Somerset Hills annual meeting, provided they are not affiliates of Lakeland at or following the merger's effective date, may publicly resell any shares of

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Lakeland common stock received by them in the merger, subject to certain limitations and requirements. These limitations and requirements include the amount of Lakeland common stock that may be sold by them in any three-month period, the manner of sale, and the adequacy of current public information about Lakeland.

After the six-month period, such affiliates may resell their shares without such restrictions so long as there is adequate current public information with respect to Lakeland as required by Rule 144.

After the one-year anniversary of the closing of the merger, such affiliates will not be subject to any such restrictions. Persons who are affiliates of Lakeland after the merger's effective date may publicly resell any shares of Lakeland common stock received by them in the merger, subject to the same limitations and requirements as apply to Somerset Hills affiliates in the first year and subject to certain filing requirements specified in Rule 144.

The ability of affiliates to resell shares of Lakeland common stock received in the merger under Rule 144 or Rule 145, as summarized in this joint proxy statement and prospectus, generally will be subject to Lakeland's having satisfied its public reporting requirements under the Securities Exchange Act of 1934 for specified periods prior to the time of sale.

This joint proxy statement and prospectus does not cover any resales of shares of Lakeland common stock received by persons who may be deemed to be affiliates of Lakeland or Somerset Hills.

No Appraisal Rights

Somerset Hills shareholders will not have any rights to dissent, otherwise known as appraisal rights, with respect to the merger.

Voting Agreements

As a condition to Lakeland's execution of the merger agreement, members of Somerset Hills' board of directors and executive officers have entered into a voting agreement with Lakeland. A copy of the form of voting agreement is attached to this joint proxy statement and prospectus as Exhibit B to Annex A. Under the voting agreement, the directors and executive officers who are parties to such agreement have agreed to vote in favor of the merger and against any competing proposal. This commitment, however, is subject to the fiduciary out provision of the merger agreement described above. As of the record date for the Somerset Hills annual meeting, the directors and executive officers of Somerset Hills beneficially owned a total of 9.06% of Somerset Hills' outstanding common stock.

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BUSINESS OF LAKELAND

Financial and other information relating to Lakeland is set forth in Lakeland's 2012 Annual Report on Form 10-K, which is incorporated by reference in this joint proxy statement and prospectus, and elsewhere in this joint proxy statement and prospectus. Lakeland will furnish you with copies of the documents incorporated by reference in this joint proxy statement and prospectus upon request. See WHERE YOU CAN FIND MORE INFORMATION at page 150.

BUSINESS OF SOMERSET HILLS

General

Somerset Hills Bancorp, sometimes referred to as Somerset Hills, is a one-bank holding company incorporated under the laws of New Jersey in January 2000 to serve as the holding company for Somerset Hills Bank. Somerset Hills was organized at the direction of the board of directors of Somerset Hills Bank. Effective January 1, 2001, Somerset Hills Bancorp acquired all of the capital stock of Somerset Hills Bank and became a bank holding company under the Bank Holding Company Act of 1956, as amended. Somerset Hills' only significant operation is its investment in Somerset Hills Bank. Its main office is located at 155 Morristown Road, Bernardsville, New Jersey and its telephone number is (908) 630-5029.

Somerset Hills Bank is a commercial bank formed under the laws of the State of New Jersey in 1997. Somerset Hills Bank operates from its main office at 155 Morristown Road, Bernardsville, New Jersey, and its five branch offices located in Long Valley, Madison, Mendham, Morristown and Summit, New Jersey. Somerset Hills Bank operates a licensed mortgage company subsidiary, Sullivan Financial Services, Inc. (Sullivan). Sullivan's operations are located in Madison, New Jersey. Somerset Hills considers Sullivan to be a separate business segment.

Somerset Hills Bank's deposits are insured by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation up to applicable limits. The operations of Somerset Hills Bank are subject to the supervision and regulation of the Federal Deposit Insurance Corporation and the New Jersey Department of Banking and Insurance. Somerset Hills' mortgage company's operations are subject to regulation by the New Jersey Department of Banking and Insurance and the Department of Banking in Pennsylvania as well as the Department of Housing and Urban Development and the Veterans Administration.

Somerset Hills separates its business into two reporting segments: community banking and mortgage banking. For financial information on its business segments, see Note 12 to Somerset Hills' Consolidated Financial Statements included in this joint proxy statement and prospectus.

Pending Merger

As described elsewhere in this joint proxy statement and prospectus, on January 29, 2013, Somerset Hills and Lakeland announced that they had entered into a definitive Agreement and Plan of Merger, which we refer to as the merger agreement, pursuant to which Somerset Hills will be merged with and into Lakeland, with Lakeland as the surviving bank holding company. The merger agreement provides that the shareholders of Somerset Hills will receive, at their election, for each outstanding share of Somerset Hills common stock that they own at the effective time of the merger, either 1.1962 shares of Lakeland common stock or \$12.00 in cash, subject to proration as described in the merger agreement, so that 90% of the aggregate merger consideration will be shares of Lakeland common stock and 10% will be cash. The merger agreement also provides that immediately after the merger of Somerset Hills into Lakeland, Somerset Hills Bank will merge with and into Lakeland Bank, with Lakeland Bank as the surviving bank. Consummation of the merger is subject to the satisfaction of a number of conditions, including but not limited to (i) approval of the merger by the holders of a majority of the outstanding shares of Somerset Hills' common stock, (ii) approval of the issuance of the shares of

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Lakeland common stock issuable in the merger by a majority of the votes cast at the Lakeland annual meeting, (iii) the receipt of all required regulatory approvals, without significant adverse or burdensome conditions, and (iv) other conditions to closing as are customary in transactions such as the merger.

Business of Somerset Hills Bank

Somerset Hills Bank conducts a traditional commercial banking business and offers services including personal and business checking accounts, time deposits, money market accounts and regular savings accounts. Somerset Hills Bank's lending activities are oriented to the small-to-medium sized business, high net worth individuals, professional practices and consumer and retail customers living and working primarily in Somerset Hills Bank's market area of Somerset, Morris and Union Counties, New Jersey. Somerset Hills Bank offers the commercial, consumer, and mortgage-lending products typically offered by community banks and, through its mortgage company subsidiary, a variety of residential mortgage products.

The deposit services offered by Somerset Hills Bank include small business and personal checking and savings accounts and certificates of deposit. Somerset Hills Bank's signature retail deposit account is the Paramount Checking Account, an interest paying checking account offering features such as free checks, telephone banking, text banking, internet banking and bill payment, free safe deposit box and a refund of foreign ATM fees. Another deposit service Somerset Hills Bank offers is the Escrow Ease product. Escrow Ease is specifically designed to meet the trust account needs of attorneys, realtors and title companies. The Escrow Ease Account offers the convenience of segregation of client funds, by subaccount, within a single master trust account with detailed subaccount reporting including the preparation of year-end tax documents. Subaccounts may be either interest or non-interest bearing and, for attorneys, can also be designated as IOLTA accounts. Somerset Hills Bank concentrates on customer relationships in building its customer deposit base and competes aggressively in the area of transaction accounts.

In addition, Somerset Hills Bank has established a wealth management subsidiary pursuant to which it offers insurance services, securities brokerage and investment advisory services on a non-proprietary basis under the terms of an agreement with Mass Mutual, its affiliated securities brokerage and its locally affiliated agents. Somerset Hills Bank has also established a title insurance agency joint venture which offers traditional title agency services in connection with commercial real estate transactions. Somerset Hills Bank is a 50 percent owner of the joint venture.

Service Area

The service area of Somerset Hills Bank primarily consists of Somerset, Morris and Union Counties, New Jersey, although it makes loans throughout New Jersey. Somerset Hills Bank operates through its main office in Bernardsville, New Jersey, and its branch offices located in Long Valley, Madison, Mendham, Morristown and Summit, New Jersey.

Somerset Hills Bank's mortgage company subsidiary originates loans primarily in New Jersey, and to a lesser degree, New York, Pennsylvania and Florida. The mortgage company's operations are located in Madison, New Jersey.

Competition

Somerset Hills Bank operates in a highly competitive environment competing for deposits and loans with commercial banks, thrifts and other financial institutions, many of which have greater financial resources than Somerset Hills Bank. Many large financial institutions compete for business in the service area of Somerset Hills Bank. In addition, in November 1999, the Gramm-Leach-Bliley Financial Modernization Act of 1999 was passed into law. The act permits insurance companies and securities firms, among others, to acquire financial institutions and has increased competition within the financial services industry. Certain of Somerset Hills Bank's competitors have significantly higher lending limits than Somerset Hills Bank does and provide services to their customers that Somerset Hills Bank does not offer.

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Management believes that Somerset Hills Bank is able to compete favorably with its competitors because it provides responsive personalized service through management's knowledge and awareness of its market area, customers and businesses.

Employees

At December 31, 2012 and 2011, Somerset Hills employed 53 and 56 full-time employees and 8 and 5 part-time employees, respectively. None of these employees are covered by a collective bargaining agreement and Somerset Hills believes that its employee relations are good.

Supervision and Regulation

Bank holding companies and banks are extensively regulated under both federal and state law. These laws and regulations are intended to protect depositors, not shareholders. In addition, the operations of Sullivan are subject to various state and federal regulations designed to protect consumers, not shareholders. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions. Any change in the applicable law or regulation may have a material effect on the business and prospects of Somerset Hills and Somerset Hills Bank.

BANK HOLDING COMPANY REGULATION

General

As a bank holding company registered under the Bank Holding Company Act, Somerset Hills is subject to the regulation and supervision applicable to bank holding companies by the Board of Governors of the Federal Reserve System. Somerset Hills is required to file with the Federal Reserve annual reports and other information regarding its business operations and those of its subsidiaries.

The Bank Holding Company Act requires, among other things, the prior approval of the Federal Reserve in any case where a bank holding company proposes to (i) acquire all or substantially all of the assets of any other bank, (ii) acquire direct or indirect ownership or control of more than 5% of the outstanding voting stock of any bank (unless it owns a majority of such company's voting shares) or (iii) merge or consolidate with any other bank holding company. The Federal Reserve will not approve any acquisition, merger, or consolidation that would have a substantially anticompetitive effect, unless the anti-competitive impact of the proposed transaction is clearly outweighed by a greater public interest in meeting the convenience and needs of the community to be served. The Federal Reserve also considers capital adequacy and other financial and managerial resources and future prospects of the companies and the banks concerned, together with the convenience and needs of the community to be served, when reviewing acquisitions or mergers.

The Bank Holding Company Act generally prohibits a bank holding company, with certain limited exceptions, from (i) acquiring or retaining direct or indirect ownership or control of more than 5% of the outstanding voting stock of any company which is not a bank or bank holding company, or (ii) engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or performing services for its subsidiaries, unless such non-banking business is determined by the Federal Reserve to be so closely related to banking or managing or controlling banks as to be properly incident thereto.

The Bank Holding Company Act was substantially amended through the Gramm-Leach Bliley Financial Modernization Act of 1999 (Financial Modernization Act). The Financial Modernization Act permits bank holding companies and banks, which meet certain capital, management and Community Reinvestment Act standards to engage in a broader range of non-banking activities. In addition, bank holding companies that elect to become financial holding companies may engage in certain banking and non-banking activities without prior Federal Reserve approval. Finally, the Financial Modernization Act imposes certain privacy requirements on all

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financial institutions and their treatment of consumer information. At this time, Somerset Hills has elected not to become a financial holding company, as it does not engage in any activities that are not permissible for banks.

There are a number of obligations and restrictions imposed on bank holding companies and their depository institution subsidiaries by law and regulation that are designed to minimize potential loss to the depositors of such depository institutions and the Deposit Insurance Fund in the event the depository institution becomes in danger of default. Under provisions of the Bank Holding Company Act, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstances where it might not do so absent such policy. The Federal Reserve also has the authority under the Bank Holding Company Act to require a bank holding company to terminate any activity or to relinquish control of a non-bank subsidiary upon the Federal Reserve's determination that such activity or control constitutes a serious risk to the financial soundness and stability of any bank subsidiary of the bank holding company.

Capital Adequacy Guidelines for Bank Holding Companies

The Federal Reserve has adopted risk-based capital guidelines for bank holding companies. The risk-based capital guidelines are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks and bank holding companies to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Under these guidelines, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. These requirements apply on a consolidated basis to bank holding companies with consolidated assets of \$500 million or more and to certain bank holding companies with less than \$500 million in consolidated assets if they are engaged in substantial non-banking activities or meet certain other criteria. Somerset Hills does not meet these criteria, and so is not subject to a minimum consolidated capital requirement.

In addition to the risk-based capital guidelines, the Federal Reserve has adopted a minimum Tier I capital (leverage) ratio, under which a bank holding company must maintain a minimum level of Tier I capital to average total consolidated assets of at least 3% in the case of a bank holding company that has the highest regulatory examination rating and is not contemplating significant growth or expansion. All other bank holding companies are expected to maintain a leverage ratio of at least 100 to 200 basis points above the stated minimum. This minimum leverage requirement only applies to bank holding companies on a consolidated basis if the risk based capital requirements discussed above apply. Somerset Hills does not have a minimum consolidated capital requirement at the holding company level at this time.

BANK REGULATION

As a New Jersey-chartered commercial bank, Somerset Hills Bank is subject to the regulation, supervision, and control of the New Jersey Department of Banking and Insurance. As an FDIC-insured institution, Somerset Hills Bank is subject to regulation, supervision and control of the FDIC, an agency of the federal government. The regulations of the FDIC and the New Jersey Department of Banking and Insurance impact virtually all of Somerset Hills Bank's activities, including the minimum level of capital it must maintain, its ability to pay dividends, its ability to expand through new branches or acquisitions and various other matters.

Insurance of Deposits

The Dodd-Frank Wall Street Reform and Consumer Protection act of 2010 (the Dodd-Frank Act) has caused significant changes in the FDIC's insurance of deposit accounts. Among other things, the Dodd-Frank Act permanently increased the FDIC deposit insurance limit to \$250,000 per depositor. In addition, the Dodd-Frank Act includes provisions replacing, by statute, the FDIC's program to provide unlimited deposit insurance coverage for noninterest bearing transactional accounts. The program expired at year-end 2012.

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On February 7, 2011, the FDIC announced the approval of a revised assessment system mandated by the Dodd-Frank Act. The Dodd-Frank Act requires that the base on which deposit insurance assessments are charged be revised from one based on domestic deposits to one based on average total consolidated assets minus average tangible equity. The new rate schedule became effective during the second quarter of 2011 and reduced Somerset Hills' costs for Federal deposit insurance.

Capital Adequacy Guidelines

The FDIC has promulgated risk-based capital guidelines, which are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Under these guidelines, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. The minimum ratio of total capital to risk-weighted assets (including certain off-balance sheet activities, such as standby letters of credit) is 8%. At least 4% of the total capital is required to be Tier I Capital, consisting of common stockholders' equity, qualifying preferred stock and certain permissible hybrid instruments, less certain goodwill items and other intangible assets. The remainder (Tier II Capital) may consist of (a) the allowance for loan losses of up to 1.25% of risk-weighted assets, (b) non-qualifying preferred stock, (c) hybrid capital instruments, (d) perpetual debt, (e) mandatory convertible securities, and (f) qualifying subordinated debt and intermediate-term preferred stock up to 50% of Tier I capital. Total capital is the sum of Tier I and Tier II capital less reciprocal holdings of other banking organizations' capital instruments, investments in unconsolidated subsidiaries and any other deductions as determined by the Federal Reserve (determined on a case by case basis or as a matter of policy after formal rule-making).

Bank assets are given risk-weights of 0%, 20%, 50% and 100%. In addition, certain off-balance sheet items are given similar credit conversion factors to convert them to asset equivalent amounts to which an appropriate risk-weight will apply. These computations result in the total risk-weighted assets. Most loans are assigned to the 100% risk category, except for performing first mortgage loans fully secured by residential property, which carry a 50% risk-weighting, and loans secured by deposits in Somerset Hills Bank which carry a 20% risk weighting. Most investment securities (including, primarily general obligation claims of states or other political subdivisions of the United States) are assigned to the 20% category, except for municipal or state revenue bonds, which have a 50% risk-weight, and direct obligations of the U.S. Treasury or obligations backed by the full faith and credit of the U.S. Government, which have a 0% risk-weight. In converting off-balance sheet items, direct credit substitutes including general guarantees and standby letters of credit backing financial obligations are given a 100% risk weighting. Transaction related contingencies such as bid bonds, standby letters of credit backing non-financial obligations, and undrawn commitments (including commercial credit lines with an initial maturity of more than one year) have a 50% risk weighting. Short-term commercial letters of credit have a 20% risk weighting and certain short-term unconditionally cancelable commitments have a 0% risk weighting.

In addition to the risk-based capital guidelines, the FDIC has adopted a minimum Tier 1 capital (leverage) ratio. Under these guidelines, a bank must maintain a minimum level of Tier I capital to average total consolidated assets of at least 3% in the case of a bank that has the highest regulatory examination rating and is not contemplating significant growth or expansion. All other banks are expected to maintain a leverage ratio of at least 100 to 200 basis points above the stated minimum.

The capital requirements applicable to Somerset Hills and Somerset Hills Bank may be enhanced in the future. The Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, adopted Basel III in September 2010, which constitutes a strengthened set of capital requirements for banking organizations in the United States and around the world. Basel III is currently the subject of notices of proposed rulemakings released in June of 2012 by the respective U.S. federal banking agencies. Basel III would require a minimum amount of capital to be held in the form of tangible common equity, generally increase the required capital ratios, phase out certain kinds of intangibles treated as capital and certain types of instruments and change the risk weightings of assets used to determine required capital ratios. In

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addition, institutions that seek the freedom to make capital distributions and pay discretionary bonuses to executive officers without restriction must also maintain 2.5% in common equity attributable to a capital conservation buffer to be phased in from January 1, 2016 until January 1, 2019. However, on November 9, 2012, the U.S. federal banking agencies announced that they do not expect that any of the proposed rules would become effective on January 1, 2013. They did not indicate the likely new effective date.

Dividends

As long as the operations of Somerset Hills Bank remain the primary source of income of Somerset Hills, the ability of Somerset Hills to pay dividends will be affected by any legal or regulatory limitations on Somerset Hills Bank's ability to pay dividends. Somerset Hills Bank may pay dividends as declared from time to time by the board of directors out of funds legally available, subject to certain restrictions. Under the New Jersey Banking Act of 1948, Somerset Hills Bank may not pay a cash dividend unless, following the payment, Somerset Hills Bank's capital stock will be unimpaired and Somerset Hills Bank will have a surplus of no less than 50% of Somerset Hills Bank's capital stock or, if not, the payment of the dividend will not reduce the surplus. In addition, Somerset Hills Bank would be prohibited from paying dividends in such amounts as would reduce Somerset Hills Bank's capital below regulatory imposed minimums.

REGULATION OF SULLIVAN

As a subsidiary of Somerset Hills Bank, Sullivan is subject to regulation and examination by the New Jersey Department of Banking and Insurance and the FDIC. In addition, as a licensed lender, Sullivan is subject to the jurisdiction of the New Jersey Department of Banking and Insurance and, as an approved Department of Housing and Urban Development and Veterans Administration lender, Sullivan is subject to examination by the Department of Housing and Urban Development and the Veterans Administration. Sullivan is also subject to regulation by the Pennsylvania Department of Banking.

The Dodd-Frank Act, discussed below, imposes new obligations on originators of residential mortgage loans, such as Sullivan. Among other things, the Dodd Frank Act requires originators to make a reasonable and good faith determination based on documented information that a borrower has a reasonable ability to repay a particular mortgage loan over the long term. If the originator cannot meet this standard, the loan may be unenforceable in foreclosure proceedings. The Dodd Frank Act contains an exception from this ability to repay rule for "qualified mortgages", which are deemed to satisfy the rule, but does not define the term, and left authority to the Consumer Financial Protection Bureau, or CFPB, to adopt a definition. A rule issued by the CFPB in January 2013, and effective January 10, 2014, sets forth specific underwriting criteria for a loan to qualify as a Qualified Mortgage Loan. The criteria generally exclude loans that are interest-only, have excessive upfront points or fees, have negative amortization features or balloon payments, or have terms in excess of 30 years. The underwriting criteria also impose a maximum debt to income ratio of 43%. If a loan meets these criteria and is not a "higher priced loan" as defined in Federal Reserve regulations, the CFPB rule establishes a safe harbor preventing a consumer from asserting as a defense to foreclosure the failure of the originator to establish the consumer's ability to repay. However, this defense will be available to a consumer for all other residential mortgage loans.

Although the majority of residential mortgages historically originated by Sullivan would qualify as Qualified Mortgage Loans, Sullivan has also made, and may continue to make in the future, residential mortgage loans that will not qualify as Qualified Mortgage Loans. These loans may expose Sullivan to greater losses, loan repurchase obligations, or litigation related expenses and delays in taking title to collateral real estate, if these loans do not perform and borrowers challenge whether Sullivan satisfied the ability to repay rule on originating the loan.

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LEGISLATIVE AND REGULATORY CHANGES

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 was signed into law on July 21, 2010. Generally, the Dodd-Frank Act is effective the day after it was signed into law, but different effective dates apply to specific sections of the law, many of which will not become effective until various Federal regulatory agencies have promulgated rules implementing the statutory provisions. Some uncertainty remains as to the ultimate impact of the Dodd-Frank Act, which could have a material adverse impact on the financial services industry by increasing compliance costs and reducing some sources of revenue. The Dodd-Frank Act, among other things:

Directs the Federal Reserve to issue rules which limit debit-card interchange fees;

Provides for an increase in the FDIC assessment for depository institutions with assets of \$10 billion or more, increases in the minimum reserve ratio for the deposit insurance fund from 1.15% to 1.35% and changes the basis for determining FDIC premiums from deposits to assets;

Permanently increases the deposit insurance coverage to \$250,000 and allows depository institutions to pay interest on checking accounts;

Creates a new consumer financial protection bureau that has rulemaking authority for a wide range of consumer protection laws that would apply to all banks and has broad powers to supervise and enforce consumer protection laws directly for large institutions;

Provides for new disclosure and other requirements relating to executive compensation and corporate governance;

Changes standards for Federal preemption of state laws related to federally chartered institutions and their subsidiaries;

Provides mortgage reform provisions regarding a customer's ability to repay, restricting variable-rate lending by requiring the ability to repay to be determined for variable-rate loans by using the maximum rate that will apply during the first five years of a variable-rate loan term, and making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions; and

Creates a financial stability oversight council that will recommend to the Federal Reserve increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity.

On July 30, 2002, the Sarbanes-Oxley Act, or SOX was enacted. SOX is not a banking law, but applies to all public companies, including Somerset Hills. The stated goals of SOX are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. SOX is the most far reaching U.S. securities legislation enacted in some time. SOX generally applies to all companies, both U.S. and non-U.S., that file or are required to file periodic reports with the Securities and Exchange Commission (the SEC) under the Securities Exchange Act of 1934, as amended.

SOX includes very specific additional disclosure requirements and new corporate governance rules and requires the SEC and securities exchanges to adopt extensive additional disclosure, corporate governance and other related rules and mandates further studies of specific issues by the SEC. SOX represents significant federal involvement in matters traditionally left to state regulatory systems, such as the regulation of the accounting profession, and to state corporate law, such as the relationship between a board of directors and management and between a board of directors and its committees. SOX addresses, among other matters:

audit committees;

certification of financial statements by the chief executive officer and the chief financial officer;

management's assessment of a company's internal controls over financial reporting, and a company's auditor's certification of such assessment;

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the forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve month period following initial publication of any financial statements that later require restatement;

a prohibition on insider trading during pension plan blackout periods;

disclosure of off-balance sheet transactions;

a prohibition on personal loans to officers and directors, unless subject to Federal Reserve Regulation O;

expedited filing requirements for Form 4 statements of changes of beneficial ownership of securities required to be filed by officers, directors and 10% shareholders;

disclosure of whether or not a company has adopted a code of ethics;

real time filing of periodic reports;

auditor independence; and

various increased criminal penalties for violations of securities laws.

Complying with the requirements of SOX as implemented by the SEC has and will continue to increase Somerset Hills' compliance costs and could make it more difficult to attract and retain board members.

On October 26, 2001, a new anti-terrorism bill, the International Money Laundering Abatement and Anti-Terrorism Funding Act of 2001, was signed into law. This law restricts money laundering by terrorists in the United States and abroad. This act specifies new "know your customer" requirements that will obligate financial institutions to take actions to verify the identity of the account holders in connection with opening an account at any U.S. financial institution. Banking regulators will consider compliance with the act's money laundering provisions in making decisions regarding approval of acquisitions and mergers. In addition, sanctions for violations of the act can be imposed in an amount equal to twice the sum involved in the violating transaction, up to \$1 million.

SOMERSET HILLS' PROPERTIES

Somerset Hills Bank owns its main office in Bernardsville, New Jersey and branch office in Long Valley, New Jersey, and leases its Madison, Mendham, Morristown and Summit, New Jersey branch offices.

The following table sets forth certain information regarding the properties of Somerset Hills Bank:

	Owned Properties	
Location		Square Feet
Bernardsville		14,000
Long Valley		1,200

Leased Properties

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Location	Square Feet	Monthly Rental	Expiration of Term
Madison	4,000*	\$ 11,241	2016
Mendham	2,500	7,500	2015
Morristown	2,379	4,758	2018
Summit	4,016	9,625	2014

* Represents a lease on land upon which Somerset Hills Bank owns the building.

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LEGAL PROCEEDINGS

On February 8, 2013, a complaint was filed against Somerset Hills and the members of its Board of Directors in the Superior Court of New Jersey, Somerset County, seeking class action status and asserting that Somerset Hills and the members of its Board had violated their duties to Somerset Hills shareholders in connection with the proposed merger with Lakeland. The complaint also alleges that Lakeland has aided and abetted the individual defendants in their alleged breaches of fiduciary duties. On March 27, 2013, the plaintiff filed an amended complaint. The litigation is in its very early stages, and Somerset Hills and Lakeland's time to answer has not yet run. Somerset Hills and Lakeland believe this complaint is without merit, and intend to vigorously defend against this complaint.

Somerset Hills and Somerset Hills Bank are periodically parties to or otherwise involved in legal proceedings arising in the normal course of business, such as claims to enforce liens, claims involving the making and servicing of real property loans, and other issues incident to the business of Somerset Hills and Somerset Hills Bank. Management does not believe that there is any pending or threatened proceeding against Somerset Hills or Somerset Hills Bank, which if determined adversely, would have a material effect on the business or financial position of Somerset Hills.

SOMERSET HILLS MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this section discuss future expectations, contain projections or results of operations or financial conditions or state other forward-looking information with respect to Somerset Hills. Those statements are subject to known and unknown risk, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. Somerset Hills based the forward-looking statements on various factors and using numerous assumptions. Important factors that may cause actual results to differ from those contemplated by forward-looking statements include those disclosed under Item 1A - Risk Factors in Somerset Hills Annual Report on Form 10-K for the year ended December 31, 2012, which has been filed with the Securities and Exchange Commission as well as the following factors:

the success or failure of Somerset Hills efforts to implement its business strategy;

the effect of changing economic conditions and, in particular, changes in interest rates;

changes in government regulations, tax rates and similar matters;

Somerset Hills ability to attract and retain quality employees; and

other risks which may be described in Somerset Hills future filings with the SEC.

Somerset Hills does not promise to update forward-looking information to reflect actual results or changes in assumptions or other factors that could affect those statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon Somerset Hills consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires Somerset Hills to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Note 1 to Somerset Hills Consolidated Financial Statements for the year ended December 31, 2012, included in this joint proxy statement and prospectus, contains a summary of Somerset Hills significant accounting policies. Management believes Somerset Hills policy with respect to the methodology for the determination of the allowance for loan losses involves a higher degree of complexity and requires management to

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make difficult and subjective judgments which often require assumptions or estimates about highly uncertain matters. Changes in these judgments, assumptions or estimates could materially impact results of operations. This critical policy and its application are periodically reviewed with the audit committee and the board of directors of Somerset Hills.

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The allowance for loan losses is based upon management's evaluation of the adequacy of the allowance, including an assessment of known and inherent risks in the portfolio, giving consideration to the size and composition of the loan portfolio, actual loan loss experience, level of delinquencies, detailed analysis of individual loans for which full collectability may not be assured, the existence and estimated net realizable value of any underlying collateral and guarantees securing the loans, and current economic and market conditions. Although management uses the best information available, the level of the allowance for loan losses remains an estimate which is subject to significant judgment and short-term change. Various regulatory agencies, as an integral part of their examination process, periodically review Somerset Hills' allowance for loan losses. Such agencies may require Somerset Hills to make additional provisions for loan losses based upon information available to them at the time of their examination. Furthermore, the majority of Somerset Hills' loans are secured by real estate in the State of New Jersey. Accordingly, the collectability of a substantial portion of the carrying value of Somerset Hills' loan portfolio is susceptible to changes in local market conditions and may be adversely affected by declines in real estate values, or if the Central or Northern areas of New Jersey experience an adverse economic shock. Future adjustments to the allowance for loan losses may be necessary due to economic, operating, regulatory and other conditions beyond Somerset Hills' control.

OVERVIEW AND STRATEGY

Somerset Hills serves as a holding company for Somerset Hills Bank, which is its primary asset and only operating subsidiary. Somerset Hills Bank conducts a traditional banking business, making commercial loans, consumer loans, and residential and commercial real estate loans. In addition, Somerset Hills Bank offers various non-deposit products through non-proprietary relationships with third party vendors. Somerset Hills Bank relies primarily upon deposits as the funding source for its assets. Somerset Hills Bank offers traditional deposit products. In addition, as an alternative to traditional certificate of deposit accounts, Somerset Hills Bank offers its Paramount Checking Account, a retail interest paying checking account which also provides a suite of additional services, such as free checks, free telephone banking and free bill payment, free safe deposit box and refunds for foreign ATM fees. Although the rate Somerset Hills Bank pays on the Paramount Checking Account may be higher than the rate offered on interest paying checking accounts by many of Somerset Hills Bank's competitors, management believes the account has helped to reduce Somerset Hills Bank's overall cost of funds and has been an integral part of Somerset Hills Bank's core account acquisition strategy. Core accounts consist of noninterest-bearing deposits-demand, NOW, money market and savings accounts. Paramount Checking Account balances are generally higher than other account balances, and the account helps Somerset Hills Bank develop an overall relationship with its customers, which frequently leads to cross-selling opportunities, which Somerset Hills Bank actively pursues through direct mailings and other special promotions. Another component to Somerset Hills Bank's core account acquisition strategy is the generation of deposit accounts which result from new commercial loan customers who move their deposit relationship to Somerset Hills Bank and the continued expansion of Somerset Hills Bank's Escrow Ease product. Escrow Ease is specially designed to meet the trust account needs of attorneys, realtors and title companies. At December 31, 2012, the core account balances represented 89.3% of total deposit balances.

Through its Sullivan Financial Services subsidiary (Sullivan), Somerset Hills Bank also engages in mortgage banking operations, originating loans primarily for resale into the secondary market and, to a lesser extent, for Somerset Hills Bank's loan portfolio. Somerset Hills treats the operations of Sullivan as a separate reporting segment apart from its community banking business. See Note 12 to Somerset Hills' Consolidated Financial Statements included in this joint proxy statement and prospectus for financial information on Somerset Hills' business segments.

Somerset Hills' results of operations depend primarily on its net interest income, which is the difference between the interest earned on its interest-earning assets and the interest paid on funds borrowed to support those assets, primarily deposits. Net interest margin is the difference between the weighted average rate received on interest-earning assets and the weighted average rate paid on interest-bearing liabilities, and is also affected by the average level of interest-earning assets as compared with that of interest-bearing liabilities. Net income is also affected by the amount of non-interest income and non-interest expenses.

Table of Contents**RESULTS OF OPERATIONS - 2012 versus 2011****Net Income**

Somerset Hills' net income for 2012 was \$3.4 million, up \$565,000, or 20.1%, from \$2.8 million in 2011. On a fully diluted basis, net income per share was \$0.63 for 2012, a 21.2% increase from \$0.52 in 2011. The significant improvement in both net income and earnings per share for 2012 versus 2011 was due primarily to higher gains on sale of residential mortgages combined with effective cost containment efforts that resulted in lower staff-related costs and lower occupancy and data processing expenses. During 2012, Somerset Hills realized \$500,000 in net securities gains and incurred a \$334,000 pretax charge on the early extinguishment of certain of Somerset Hills Bank's Federal Home Loan Bank (FHLB) borrowings, as part of its overall asset/liability management strategy. Operating results for 2011 included a \$267,000 tax-free mortality gain on a bank-owned insurance policy (BOLI) and a \$426,000 pretax charge on the early extinguishment of certain of Somerset Hills Bank's FHLB borrowings.

Net Interest Income

Fully taxable equivalent (FTE) net interest income for 2012 was \$12.1 million, up modestly, from the \$12.0 million earned in 2011. The slight increase in net interest income during 2012 was primarily attributable to a 4.7% increase in average interest-earning assets to \$334.0 million in 2012 from \$318.9 million in 2011, which was partially offset by a 16 basis-point decline in the net interest margin to 3.62% in 2012 from 3.78% in 2011. The increase in average interest earning assets was largely due to growth in average loans, primarily funded by a growth in core deposits. Average loans increased to \$235.5 million, or 5.1%, in 2012 over \$223.9 million in 2011, while average core deposits (defined as all deposits other than time deposits) grew by 8.0% to \$266.3 million in 2012 from \$246.5 million in 2011. The excess in average core deposit growth over that of average loans contributed to the increase in Somerset Hills Bank's average interest earning deposits in 2012 from 2011. The decrease in net interest margin in 2012 versus 2011 was due to the aforementioned increase in average interest earning deposits, which was predominantly invested at low overnight rates, as well as the repricing characteristics of Somerset Hills Bank's loans and investment securities, which repriced downward at a faster pace than its deposits.

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The following table sets forth certain information relating to Somerset Hills' average assets and liabilities for the years ended December 31, 2012, 2011, and 2010, as well as the average yield on assets and average cost of liabilities for the periods indicated. Such yields are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods shown. Securities available for sale are reflected in the following table at amortized cost. Nonaccrual loans are included in the average loan balance.

<i>(dollars in thousands)</i>	For the years ended December 31,								
	Average Balance	2012 Interest	Average Yield/Cost	Average Balance	2011 Interest	Average Yield/Cost	Average Balance	2010 Interest	Average Yield/Cost
ASSETS									
Interest Earning Assets:									
Interest bearing deposits	\$ 51,874	\$ 135	0.26%	\$ 45,602	\$ 135	0.30%	\$ 38,789	\$ 119	0.31%
Loans receivable	235,457	11,648	4.95	223,937	11,776	5.26	206,639	11,357	5.50
Investment securities	42,954	1,434	3.34	46,421	1,780	3.83	44,550	1,980	4.44
Loans held for sale	2,894	127	4.40	1,989	103	5.22	3,429	187	5.46
Restricted stock	815	36	4.44	902	43	4.79	938	47	5.05
Total interest earning assets	333,994	13,380	4.01	318,851	13,837	4.34	294,345	13,690	4.65
Non-interest earning assets	23,530			23,699			23,126		
Allowance for loan losses	(3,089)			(2,968)			(3,160)		
TOTAL ASSETS	\$ 354,435			\$ 339,582			\$ 314,311		
LIABILITIES AND STOCKHOLDERS EQUITY									
Interest Bearing Liabilities:									
Interest bearing demand deposits									
	\$ 153,447	\$ 250	0.16%	\$ 145,012	\$ 535	0.37%	\$ 131,368	\$ 786	0.60%
Savings accounts	7,772	8	0.10	7,851	14	0.19	6,940	19	0.27
Money market accounts	24,200	43	0.18	20,486	60	0.29	20,900	91	0.44
Certificates of deposit	37,981	728	1.92	41,494	841	2.03	43,069	926	2.15
FHLB advances	7,380	260	3.52	10,082	343	3.40	11,003	371	3.37
Other borrowings	3		0.77	3		0.73	3		0.73
Federal funds purchased				8		0.92			
Total interest bearing liabilities	230,783	1,289	0.56	224,936	1,793	0.80	213,283	2,193	1.03
Non-interest bearing deposits	80,883			73,184			60,330		
Other liabilities	1,327			1,154			1,325		
Total liabilities	312,993			299,274			274,938		
Stockholders' Equity	41,442			40,308			39,373		
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 354,435			\$ 339,582			\$ 314,311		
Net Interest Income		\$ 12,091			\$ 12,044			\$ 11,497	
Net Interest Rate Spread(1)			3.45%			3.54%			3.62%

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Net Interest Margin(2)	3.62%	3.78%	3.91%
Ratio of Average Interest-Earning Assets to Average Interest-Bearing Liabilities	144.7%	141.75%	138.01%

- (1) Net Interest Rate Spread equals Total interest earning assets yield less Total interest bearing liabilities cost.
(2) Net Interest Margin equals Net Interest Income divided by Total average interest earning assets.

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The data contained in the table has been adjusted to a tax equivalent basis, based on Somerset Hills' federal statutory rate of 34 percent. Management believes that this presentation provides comparability of net interest income and net interest margin arising from both taxable and tax-exempt sources and is consistent with industry practice and SEC rules.

Rate/Volume Analysis

The following table presents, by category, the major factors that contributed to the changes in Somerset Hills' net interest income. Changes due to both volume and rate have been allocated fully to the rate variance.

	Year Ended December 31, 2012 versus 2011			Year Ended December 31, 2011 versus 2010		
	(in thousands)					
	Increase (Decrease) due to change in Average			Increase (Decrease) due to change in Average		
	Volume	Rate	Net	Volume	Rate	Net
Interest Income:						
Interest bearing deposits	\$ 19	\$ (19)	\$	\$ 21	\$ (5)	\$ 16
Loans receivable	606	(734)	(128)	951	(532)	419
Investment securities	(133)	(213)	(346)	83	(283)	(200)
Loans held for sale	47	(23)	24	(79)	(5)	(84)
Restricted stock	(4)	(3)	(7)	(2)	(2)	(4)
Total interest income	535	(992)	(457)	974	(827)	147
Interest Expense:						
Interest bearing deposits	31	(316)	(285)	82	(333)	(251)
Savings accounts		(6)	(6)	2	(7)	(5)
Money market accounts	11	(28)	(17)	(2)	(29)	(31)
Certificates of deposit	(72)	(41)	(113)	(34)	(51)	(85)
FHLB advances	(92)	9	(83)	(31)	3	(28)
Total interest expense	(122)	(382)	(504)	17	(417)	(400)
Net interest income	\$ 657	\$ (610)	\$ 47	\$ 957	\$ (410)	\$ 547

Provision for Loan Losses

For the year ended December 31, 2012, Somerset Hills' provision for loan losses was \$290,000, an increase of \$70,000 from \$220,000 for the year ended December 31, 2011. The increase in provision for loan losses in 2012 versus 2011 was largely due to growth in the loan portfolio in 2012. Somerset Hills' asset quality metrics, such as nonaccrual loan, charge-off, and delinquency ratios remain sound relative to its competitive peer groups, and the relatively low level of loan loss provisioning during both 2012 and 2011 reflects very few new problem credits. Nevertheless, management continues to believe that there remains a heightened risk in certain segments of the loan portfolio. Management regularly reviews the adequacy of its allowance and may provide for additional provisions in future periods due to increased general weakness in the economy or in our geographic trade area, deterioration or impairment of specific credits, or as management may deem necessary.

Non-Interest Income

The largest component of Somerset Hills' non-interest income is gains on sales of mortgage loans originated by Sullivan, Somerset Hills mortgage company subsidiary (see Note 12 to Somerset Hills' Consolidated Financial Statements included in this joint proxy statement and prospectus). Somerset Hills also earns non-interest revenue from additional sources such as BOLI, wealth management, fees on deposit accounts, ATM usage, wire transfer, lock box services, and safe deposit boxes.

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Non-interest income increased to \$2.8 million for the year 2012 from \$2.0 million for 2011. After excluding net securities gains realized in both years and a nonrecurring, tax-free mortality gain recorded in 2011 of \$267,000 on a BOLI policy, adjusted non-interest income grew 36.0% during 2012 to \$2.3 million over the \$1.7 million earned in 2011. An increase in gains on sales of residential loans at Sullivan in 2012 to \$1.4 million from \$786,000 in 2011 was the primary factor contributing to the year-to-year growth in adjusted non-interest income. The gains realized on the sales of investment securities in 2012 amounted to \$500,000 and were undertaken by Somerset Hills as part of its ongoing asset liability management strategy.

Non-Interest Expense

Management continued its focus on operating efficiency throughout 2012. Non-interest expense declined to \$9.3 million for the year 2012 from \$9.6 million for all of 2011. Included in non-interest expense were nonrecurring charges on the early extinguishment of FHLB borrowings of \$334,000 in 2012 and \$426,000 in 2011. Excluding these items, adjusted non-interest expense decreased by \$270,000 or 2.9% to \$8.9 million for the year 2012 from \$9.2 million in the year 2011. The decline in non-interest expense resulted primarily from decreases in personnel, occupancy and data processing expenses.

Income Taxes

Somerset Hills recorded provisions for income taxes of \$1.8 million and \$1.2 million for the full-year 2012 and 2011, respectively. The effective tax rates were 35.1% for 2012 and 29.7% for 2011. The increase in the effective tax rate was due to the previously-mentioned tax-free BOLI death benefit received in 2011.

FINANCIAL CONDITION

Somerset Hills total assets as of December 31, 2012 were \$368.9 million, largely unchanged from \$364.0 million at December 31, 2011. Loans receivable increased by \$9.4 million to \$241.9 million at year-end 2012, and total cash and cash equivalents increased by \$23.4 million to \$82.7 million at December 31, 2012, while investment securities available for sale declined \$30.2 million to \$13.4 million at the end of 2012. Half of the decline in investment securities available for sale during 2012 resulted from planned sales of mortgage-backed and certain government-sponsored agency securities as part of its overall asset liability management strategy. A \$12.1 million growth in core deposits (defined as all deposits other than time deposits) to \$285.9 million as of year-end 2012 served offset a \$6.6 million runoff in time deposits and a \$2.0 million decline in FHLB advances.

Loan Portfolio

Somerset Hills Bank's lending activities are generally oriented to small-to-medium sized businesses, high net worth individuals, professional practices and consumer and retail customers living and working in Somerset Hills Bank's market area of Somerset, Morris and Union Counties, New Jersey. Somerset Hills Bank has not made loans to borrowers outside of the United States. Somerset Hills Bank believes that its strategy of customer service, competitive rate structures and selective marketing have enabled it to gain market entry. Bank mergers and lending restrictions at larger banks competing with Somerset Hills Bank have also contributed to Somerset Hills Bank's success in attracting borrowers.

Commercial loans are loans made for business purposes and are primarily secured by collateral such as cash balances with Somerset Hills Bank, marketable securities held by or under the control of Somerset Hills Bank, business assets including accounts receivable, inventory and equipment and liens on commercial and residential real estate. Construction, land and land development loans include loans secured by first liens on commercial or residential properties to finance the construction or renovation of such properties. Commercial mortgages include loans secured by first liens on completed commercial properties to purchase or refinance such properties. Residential mortgages include loans secured by first liens on residential real estate, and are generally made to existing customers of Somerset Hills Bank to purchase or refinance primary and secondary residences. Consumer loans consist primarily of home equity loans secured by 1st or 2nd liens.

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During 2012, the loan portfolio was positively impacted by an increase in commercial real estate loan demand, as well as refinancing strategies employed by many of Somerset Hills Bank's borrowers. With regard to new loan originations, Somerset Hills Bank has made a strategic decision to hold in its loan portfolio a portion of residential mortgages that meet its credit quality standards that were closed by Sullivan Financial, Somerset Hills Bank's mortgage banking subsidiary.

The following table sets forth the classification of Somerset Hills Bank's loans by major category as of December 31, 2012, 2011, 2010, 2009 and 2008, respectively:

<i>(dollars in thousands)</i>	2012		2011		December 31, 2010		2009		2008	
	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans
Commercial	\$ 32,192	13.3%	\$ 32,206	13.9%	\$ 31,556	15.2%	\$ 40,102	19.4%	\$ 57,600	27.3%
Construction, land and land development	1,902	0.8	7,505	3.2	7,489	3.6	7,540	3.7	6,945	3.3
Commercial mortgages	130,733	54.1	113,148	48.7	98,183	47.4	100,118	48.4	84,578	40.1
Residential mortgages	39,766	16.5	37,360	16.1	26,907	13.0	11,656	5.6	12,718	6.0
Consumer	37,088	15.3	42,074	18.1	42,864	20.8	47,237	22.9	49,274	23.3
Gross Loans	241,681	100.0%	232,293	100.0%	206,999	100.0%	206,653	100.0%	211,115	100.0%
Net deferred costs	230		192		147		115		131	
Total loans	241,911		232,485		207,146		206,768		211,246	
Less: Allowance for loan losses	3,158		2,982		2,875		3,111		2,819	
Net loans	\$ 238,753		\$ 229,503		\$ 204,271		\$ 203,657		\$ 208,427	

The following table sets forth fixed and adjustable rate loans in the loan portfolio as of December 31, 2012 in terms of contractual maturity:

<i>(dollars in thousands)</i>	Within One Year	One to Five Years	After Five Years	Total
Loans with Fixed Rate	\$ 15,175	\$ 6,916	\$ 94,405	\$ 116,496
Loans with Adjustable Rate	27,581	75,665	21,939	125,185

Asset Quality

Somerset Hills' principal assets are its loans. Inherent in the lending function is the risk of the borrower's inability to repay a loan under its existing terms. Somerset Hills attempts to minimize overall credit risk through loan diversification and its loan approval procedures. Due diligence begins at the time a borrower and Somerset Hills begin to discuss the origination of a loan. Documentation, including a borrower's credit history, materials establishing the value and liquidity of potential collateral, the purpose of the loan, the source and timing of the repayment of the loan, and other factors are analyzed before a loan is submitted for approval. Loans made are also subject to periodic audit and review.

Non-performing assets include nonaccrual loans and other real estate owned (OREO). Generally, a loan is placed on nonaccrual status when principal or interest is past due for a period of 90 days or more, unless the asset is both well secured and in the process of collection. When a loan is classified as nonaccrual, interest accruals discontinue and all past due interest, including interest applicable to prior periods, is reversed and charged against current income. OREO refers to real estate acquired by Somerset Hills Bank as a result of foreclosure or by deed in lieu of foreclosure. The OREO property is recorded at the lower of cost or estimated fair value at the

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time of acquisition. Estimated fair value generally represents the estimated sale price based on current market conditions, less estimated costs to sell the property. Holding costs and declines in estimated fair value result in charges to expense after acquisition.

In limited situations Somerset Hills will modify or restructure a borrower's existing loan terms and conditions. A restructured loan is considered a troubled debt restructuring (TDRs) when Somerset Hills, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower in modifying or renewing a loan that the institution would not otherwise consider. As of December 31, 2012, Somerset Hills had one TDR totaling \$340,000, which is currently performing under its restructured terms.

The following table sets forth information concerning Somerset Hills' non-performing assets, loans delinquent 90 days or more and still accruing, and TDRs as of the dates indicated:

	2012	2011	December 31, 2010 (in thousands)	2009	2008
Nonaccrual loans	\$ 746	\$ 146	\$ 254	\$ 256	\$ 1,365
OREO					
Total non-performing assets	\$ 746	\$ 146	\$ 254	\$ 256	\$ 1,365
Troubled debt restructured loans	\$ 340	\$ 344	\$ 738	\$ 394	\$
Loans past due 90 days or more and still accruing	\$ 420	\$	\$	\$	\$
Nonaccrual loans to total loans	0.31%	0.06%	0.12%	0.12%	0.65%
Non-performing assets to total assets	0.20	0.04	0.08	0.08	0.46
Allowance for loan losses as a percentage of nonaccrual loans	423	2,042	1,132	1,215	207

Other than as disclosed in the table above and impaired loans (as disclosed in Note 3 to Somerset Hills' Consolidated Financial Statements included in this joint proxy statement and prospectus), there were no loans where information about possible credit problems of borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and which may result in disclosure of such loans in the table above.

As of December 31, 2012 and 2011, there were no concentrations of loans to any one borrower or group of borrowers exceeding 10% of Somerset Hills' total loans. Somerset Hills' loans are primarily to businesses and individuals located in northern and central New Jersey, which are secured by real estate.

Allowance for Loan Losses

The allowance for loan losses is a reserve established through charges to earnings in the form of a provision for loan losses. Somerset Hills maintains an allowance for loan losses at a level considered adequate to provide for probable incurred loan losses. The level of the allowance is based on management's evaluation of estimated losses in the portfolio, after consideration of risk characteristics of the loans and prevailing and anticipated economic conditions. Loan charge-offs (i.e., loans judged to be uncollectible) are charged against the reserve and any subsequent recovery is credited. Somerset Hills' officers analyze risks within the loan portfolio on a continuous basis, through an external independent loan review function, and by Somerset Hills' Audit Committee. A risk system, consisting of multiple grading categories for each portfolio class, is utilized as an analytical tool to assess risk and appropriate reserves. In addition to the risk system, management further evaluates risk characteristics of the loan portfolio under current and anticipated economic conditions and considers such factors as the financial condition of the borrower, past and expected loss experience, and other factors which management feels deserve recognition in establishing an appropriate reserve. These estimates are reviewed at least quarterly, and, as adjustments become necessary, they are recognized in the periods in which

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they become known. Although management strives to maintain an allowance it deems adequate, future economic changes, deterioration of borrowers creditworthiness, and the impact of examinations by regulatory agencies all could cause changes to Somerset Hills allowance for loan losses.

The following is a summary of the reconciliation of the allowance for loan losses for the periods indicated:

	2012	2011	2010	2009	2008
	(in thousands)				
Balance, beginning of year	\$ 2,982	\$ 2,875	\$ 3,111	\$ 2,819	\$ 3,201
Charge-offs					
Commercial and commercial mortgage	(67)	(125)	(389)	(656)	(898)
Residential mortgage					
Consumer	(77)	(2)	(6)	(7)	(3)
Total Charge-offs	(144)	(127)	(395)	(663)	(901)
Recoveries					
Commercial and commercial mortgage	27	14	34		
Real Estate					
Consumer	3			5	4
Total Recoveries	30	14	34	5	4
Provision charged to expense	290	220	125	950	515
Balance, end of year	\$ 3,158	\$ 2,982	\$ 2,875	\$ 3,111	\$ 2,819
Ratio of net charge-offs to average loans outstanding	0.05%	0.05%	0.17%	0.32%	0.43%
Balance of allowance as a percentage of total loans at end of year	1.31	1.28	1.39	1.50	1.33

The following table sets forth, for each of Somerset Hills major lending areas, the amount and percentage of Somerset Hills allowance for loan losses attributable to such category, and the percentage of total loans represented by such category, as of the periods indicated:

Allocation of the Allowance for Loan Losses (ALL) by Category

For the years ended December 31,

(dollars in thousands)

	2012			2011			2010			2009			2008		
	Amount	% of ALL	% of Total Loans	Amount	% of ALL	% of Total Loans	Amount	% of ALL	% of Total Loans	Amount	% of ALL	% of Total Loans	Amount	% of ALL	% of Total Loans
Balance applicable to:															
Commercial and commercial real estate	\$ 2,336	74.0%	68.2%	\$ 2,186	73.3%	65.8%	\$ 2,109	73.4%	66.2%	\$ 2,503	80.4%	71.5%	\$ 2,240	79.5%	70.7%
Residential real estate	227	7.2	16.5	215	7.2	16.1	205	7.1	13.0	65	2.1	5.6	64	2.3	6.0
Consumer, installment and home equity loans	551	17.4	15.3	531	17.8	18.1	506	17.6	20.8	537	17.3	22.9	489	17.3	23.3

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Sub-total	\$ 3,114	98.6	100.0	\$ 2,932	98.3	100.0	\$ 2,820	98.1	100.0	\$ 3,105	99.8	100.0	\$ 2,793	99.1	100.0
Unallocated reserves	44	1.4		50	1.7		55	1.9		6	0.2		26	0.9	
TOTAL	\$ 3,158	100.0%	100.0%	\$ 2,982	100.0%	100.0%	\$ 2,875	100.0%	100.0%	\$ 3,111	100.0%	100.0%	\$ 2,819	100.0%	100.0%

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Somerset Hills maintains an investment portfolio to fund increased loan demand or deposit withdrawals and other liquidity needs and to provide an additional source of interest income. The portfolio is composed of obligations of U.S. Government Agencies, obligations of U.S. States and Political Subdivisions and corporate debt securities, stock in the Federal Home Loan Bank, and equity securities of another financial institution. Corporate debt securities consist of trust preferred securities and corporate debt securities issued by various large-capitalization financial institutions.

Securities are classified as held-to-maturity (HTM), available for sale (AFS), or trading at time of purchase. Securities are classified as HTM based upon management's intent and the Company's ability to hold them to maturity. Such securities are stated at cost, adjusted for unamortized purchase premiums and discounts. Securities which are bought and held principally for resale in the near term are classified as trading securities, which are carried at market value. Realized gains and losses as well as gains and losses from marking the portfolio to market value are included in trading revenue. Somerset Hills has no trading securities. Securities not classified as HTM or trading securities are classified as AFS and are stated at fair value. Unrealized gains and losses on AFS securities are excluded from results of operations, and are reported as a component of accumulated other comprehensive (loss) income, net of taxes, which is included in stockholders' equity. Securities classified as AFS include securities that may be sold in response to changes in interest rates, changes in prepayment risks, the need to increase regulatory capital, or other similar requirements.

Management of Somerset Hills determines the appropriate classification of securities, whether AFS or HTM, at the time of purchase. The carrying value of our available for sale investment securities portfolio decreased \$30.2 million from year-end 2011 to \$13.4 million at year-end 2012. This decline was primarily due to sales, calls and maturities of general obligation bonds and mortgage-backed securities issued by U.S. Government sponsored agencies. The carrying value of our held to maturity investment securities portfolio declined to \$8.9 million at December 31, 2012 from \$10.7 million at year-end 2011. The following table sets forth both the amortized cost and the estimated fair value of Somerset Hills' investment securities portfolio as of the dates indicated.

	2012		At December 31, 2011		2010	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
<i>(in thousands)</i>						
Available for sale						
U.S. Government sponsored agency securities	\$ 2,894	\$ 2,921	\$ 14,560	\$ 14,753	\$ 9,051	\$ 9,023
Mortgage backed securities	7,160	7,667	22,775	23,814	18,909	19,847
Collateralized mortgage obligations	1,290	1,324	2,677	2,734	5,583	5,677
Corporate debt securities	1,463	1,458	2,372	2,278	1,470	1,446
Total available for sale	12,807	13,370	42,384	43,579	35,013	35,993
Held to maturity						
Obligations of US States and Political Subdivisions	7,902	8,294	9,228	9,640	9,227	9,209
Corporate debt securities	998	892	1,510	1,209	1,513	1,339
Total held to maturity	8,900	9,186	10,738	10,849	10,740	10,548
Total securities	\$ 21,707	\$ 22,556	\$ 53,122	\$ 54,428	\$ 45,753	\$ 46,541

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The following table sets forth as of December 31, 2012 and December 31, 2011, the maturity distribution of Somerset Hills' debt investment portfolio:

	Maturity of Debt Investment Securities Securities Available for Sale					
	December 31, 2012			December 31, 2011		
	Amortized Cost	Estimated Fair Value	Weighted Average Yield*	Amortized Cost	Estimated Fair Value	Weighted Average Yield
<i>(dollars in thousands)</i>						
Within One Year	\$ 42	\$ 45	3.23%	\$ 1,032	\$ 1,034	0.52%
One to Five Years	1,696	1,742	2.50%	8,628	8,661	1.43%
Over Five Years	11,069	11,583	3.49%	32,724	33,884	3.12%
	\$ 12,807	\$ 13,370		\$ 42,384	\$ 43,579	

	Maturity of Debt Investment Securities Securities Held to Maturity					
	December 31, 2012			December 31, 2011		
	Amortized Cost	Estimated Fair Value	Weighted Average Yield*	Amortized Cost	Estimated Fair Value	Weighted Average Yield(1)
<i>(dollars in thousands)</i>						
Within One Year	\$ 704	\$ 687	1.94%	\$ 375	\$ 378	4.71%
One to Five Years	8,196	8,499	5.86%	706	611	2.11%
Over Five Years	704	687	1.94%	9,657	9,860	5.95%
	\$ 8,900	\$ 9,186		\$ 10,738	\$ 10,849	

* Weighted average yield, where applicable, is reflected on a tax equivalent basis.

Deposits

Deposits are Somerset Hills' primary source of funds. Average total deposits increased \$16.3 million, or 5.6%, to \$304.3 million in 2012 from \$288.0 million in 2011. The increase in deposits in 2012 was largely due to growth in demand deposits (both interest- and noninterest-bearing), which increased by \$16.1 million, or 7.4%, to \$234.3 million in 2012 from \$218.2 million in 2011. This growth in demand deposits served to reduce Somerset Hills Bank's overall cost of deposits.

The following table sets forth the average amount of various types of deposits for each of the periods indicated:

	Year Ended December 31,					
	2012		2011		2010	
	Average Amount	Average Yield/ Rate	Average Amount	Average Yield/ Rate	Average Amount	Average Yield/ Rate
<i>(dollars in thousands)</i>						
Non-interest bearing demand	\$ 80,883	%	\$ 73,184	%	\$ 60,330	%
Interest bearing demand	153,447	0.16	145,012	0.37	131,368	0.60
Savings and money market	31,972	0.16	28,337	0.26	27,840	0.39
Time deposits	37,981	1.92	41,494	2.03	43,069	2.15

\$ 304,283	0.34%	\$ 288,027	0.50%	\$ 262,607	0.69%
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Somerset Hills does not typically rely on short-term deposits of \$100,000 or more because of the liquidity risks posed by such deposits. The following table summarizes the maturity distribution of time deposits in denominations of \$100,000 or more as of December 31, 2012.

	Amount (in thousands)
Three months or less	\$ 3,546
Over three months through six months	3,757
Over six months through twelve months	2,303
Over twelve months	6,908
Total	\$ 16,514

Liquidity

Somerset Hills liquidity is a measure of its ability to fund loans, withdrawals or maturities of deposits, and other cash outflows in a cost-effective manner. Somerset Hills principal sources of funds are deposits, scheduled amortization and prepayments of loan principal, maturities of investment securities, and funds provided by operations. While scheduled loan payments and maturing investments are relatively predictable sources of funds, deposit flow and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition.

At December 31, 2012, the amount of liquid assets remained at a level management deemed adequate to ensure that, on a short- and long-term basis, contractual liabilities, depositors withdrawal requirements, and other operational and customer credit needs could be satisfied. As of December 31, 2012, liquid assets (cash and due from banks, interest bearing deposits at other banks and unencumbered investment securities) were \$91.7 million, which represented 24.8% of total assets and 28.1% of total deposits and borrowings.

Somerset Hills Bank is a member of the Federal Home Loan Bank of New York and, based on available qualified collateral as of December 31, 2012, had the ability to borrow \$83.5 million. Somerset Hills Bank also has a credit facility with the Federal Reserve Bank of New York for direct discount window borrowings that had, as of December 31, 2012, an approximate borrowing capacity based on pledged collateral of \$9.0 million. In addition, Somerset Hills Bank has in place additional borrowing capacity of \$18.5 million through correspondent banks. At December 31, 2012, Somerset Hills Bank had aggregate available and unused credit of \$105.5 million, which represents the aforementioned facilities totaling \$111.0 million net of \$5.5 million in outstanding borrowings. At December 31, 2012, Somerset Hills Bank's outstanding commitments to extend credit and standby letters of credit totaled \$86.9 million.

Off-Balance Sheet Arrangements

Somerset Hills is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition. Somerset Hills exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. Somerset Hills uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

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The following table shows the amounts and expected maturities of significant commitments, as of December 31, 2012. Further discussion of these commitments is included in Note 11 to Somerset Hills Consolidated Financial Statements included in this joint proxy statement and prospectus.

	One Year or Less	One to Three Years	Three to Five Years	Over Five Years	Total
	(in thousands)				
Standby letters of credit	\$ 1,324	\$ 97	\$	\$	\$ 1,421

Commitments under standby letters of credit, both financial and performance letters, do not necessarily represent future cash requirements, in that these commitments often expire without being drawn upon.

CONTRACTUAL OBLIGATIONS

The following table shows the contractual obligations of Somerset Hills by expected payment period, as of December 31, 2012. Further discussion of these commitments is included in Notes 10 and 11 to Somerset Hills Consolidated Financial Statements included in this joint proxy statement and prospectus.

	Total	Within One Year	One to Three Years	Three to Five Years	Over Five Years
	(in thousands)				
Contractual Obligation					
Operating Lease Obligations	\$ 1,010	\$ 364	\$ 545	\$ 101	\$
Federal Home Loan Bank Borrowings	5,500			1,500	4,000

Operating leases represent obligations entered into by Somerset Hills for the use of land, premises and equipment. The leases generally have escalation terms based upon certain defined indexes.

Interest Rate Sensitivity Analysis

The principal objective of Somerset Hills asset and liability management function is to evaluate the interest-rate risk included in certain balance sheet accounts; determine the level of risk appropriate given Somerset Hills business focus, operating environment, and capital and liquidity requirements; establish prudent asset concentration guidelines; and manage the risk consistent with Board approved guidelines. Somerset Hills seeks to reduce the vulnerability of its operations to changes in interest rates, and actions in this regard are taken under the guidance of the Asset/Liability Committee (the ALCO). The ALCO generally reviews Somerset Hills liquidity, cash flow needs, maturities of investments, deposits and borrowings, and current market conditions and interest rates.

Somerset Hills currently utilizes net interest income simulation and economic value of portfolio equity (EVPE) models to measure the potential impact to Somerset Hills of future changes in interest rates. As of December 31, 2012 and 2011, the results of the models were within guidelines prescribed by Somerset Hills Board of Directors. If model results were to fall outside prescribed ranges, action would be required by the ALCO.

The net interest income simulation model attempts to measure the change in net interest income over the next one-year period assuming certain changes in the general level of interest rates. In our model, which was run as of December 31, 2012, we estimated that a gradual (often referred to as ramped) 200 basis-point increase in the general level of interest rates will increase our net interest income by 9.3%, while a ramped 200 basis-point decrease in interest rates will decrease net interest income by 2.9%. As of December 31, 2011, our model predicted that a 200 basis-point ramped increase in general interest rates would increase net interest income by 0.1%, while a 200 basis point decrease would decrease net interest income by 1.7%.

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An EVPE analysis is also used to dynamically model the present value of asset and liability cash flows with rate shocks of up and down 200 basis points. The economic value of equity is likely to be different as interest rates change. The Company's variance in EVPE as a percentage of assets as of December 31, 2011, was -0.26% with a rate shock of up 200 basis points, and -1.00% with a rate shock of down 200 basis points. At December 31, 2011, the variances were -1.25% assuming an up 200 basis-point rate shock and -0.34% assuming a down 200 basis-point rate shock.

Capital

A significant measure of the strength of a financial institution is its capital base. Somerset Hills Bank's Federal regulators have classified and defined capital into the following components: (1) Tier I Capital, which includes tangible stockholders' equity for common stock, qualifying preferred stock and certain qualifying hybrid instruments, and (2) Tier II Capital, which includes a portion of the allowance for probable loan losses, certain qualifying long-term debt, and preferred stock which does not qualify for Tier I Capital. Minimum capital levels are regulated by risk-based capital adequacy guidelines which require certain capital as a percent of Somerset Hills Bank's assets and certain off-balance sheet items adjusted for predefined credit risk factors (risk-adjusted assets).

A bank is required to maintain, at a minimum, Tier I Capital as a percentage of risk-adjusted assets of 4.0% and combined Tier I and Tier II Capital as a percentage of risk-adjusted assets of 8.0%.

In addition to the risk-based guidelines, Somerset Hills Bank's regulators require that an institution which meets the regulator's highest performance and operation standards maintain a minimum leverage ratio (Tier I Capital as a percentage of average tangible assets) of 4.0%. For those institutions with higher levels of risk or that are experiencing or anticipating significant growth, the minimum leverage ratio will be evaluated through the ongoing regulatory examination process.

The following table summarizes the risk-based and leverage capital ratios for Somerset Hills Bank as well as the required minimum regulatory capital ratios:

	At December 31, 2012		
	Actual Ratio	Minimum Requirement	Well Capitalized Requirement
Somerset Hills Bank:			
Total risk-based capital ratio	16.30%	8.00%	10.00%
Tier 1 risk-based capital ratio	15.12	4.00	6.00
Leverage ratio	11.04	4.00	5.00

	At December 31, 2011		
	Actual Ratio	Minimum Requirement	Well Capitalized Requirement
Somerset Hills Bank:			
Total risk-based capital ratio	15.03%	8.00%	10.00%
Tier 1 risk-based capital ratio	13.91	4.00	6.00
Leverage ratio	10.16	4.00	5.00

Somerset Hills' tangible common equity ratio was 11.34% as of December 31, 2012 and 11.09% as of December 31, 2011.

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As an additional source of liquidity, we use advances from the Federal Home Loan Bank of New York. Somerset Hills had outstanding advances at December 31, 2012 as follows:

Maturity	Rate	Amount
November 29, 2017	3.41%	\$ 1,500,000
January 8, 2018	3.12%	\$ 2,000,000
January 8, 2018	3.61%	\$ 2,000,000
		\$ 5,500,000

IMPACT OF INFLATION AND CHANGING PRICES

The consolidated financial statements of Somerset Hills and notes thereto, presented elsewhere herein, have been prepared in accordance with generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time and due to inflation. The impact of inflation is reflected in the increased cost of Somerset Hills' operations. Unlike most industrial companies, nearly all of the assets and liabilities of Somerset Hills are monetary. Therefore, interest rates have a greater impact on Somerset Hills' performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

RECENT ACCOUNTING PRONOUNCEMENTS

For a discussion of the impact of recently issued accounting standards, please see Note 1 to Somerset Hills' Consolidated Financial Statements included in this joint proxy statement and prospectus.

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DESCRIPTION OF LAKELAND CAPITAL STOCK

The authorized capital stock of Lakeland currently consists of 40,000,000 shares of common stock, no par value, and 1,000,000 shares of preferred stock, no par value. At the Lakeland annual meeting, shareholders will be asked to vote on a proposal to increase the number of authorized shares of common stock to 70,000,000 shares and the number of authorized shares of capital stock to 71,000,000 shares. As of the March 22, 2013 record date, there were 29,859,282 shares of Lakeland common stock issued and outstanding. As of the same date, there were no shares of preferred stock issued or outstanding. All outstanding shares of Lakeland common stock are fully paid and non-assessable. The Lakeland common stock is listed on the NASDAQ Global Select Market under the symbol LBAI.

Lakeland has no options, warrants or other rights authorized, issued or outstanding other than options, restricted stock and rights granted under Lakeland's various equity compensation and dividend reinvestment plans.

Common Stock

Dividends

The holders of Lakeland common stock share ratably in dividends when and if declared by Lakeland's board of directors from legally available funds. Declaration and payment of cash dividends by Lakeland depends upon cash dividend payments to it by Lakeland's subsidiaries, which are Lakeland's primary source of revenue and cash flow. Lakeland is a legal entity separate and distinct from its subsidiaries. Accordingly, the right of Lakeland, and consequently the right of creditors and shareholders of Lakeland, to participate in any distribution of the assets or earnings of any subsidiary is necessarily subject to the prior claims of creditors of the subsidiary, except to the extent that claims of Lakeland in its capacity as a creditor may be recognized.

Dividends by Lakeland and its subsidiaries are subject to various limitations imposed by federal and state laws and by regulations and policies adopted by federal and state regulatory agencies. Under New Jersey law, a bank may not pay dividends unless, following the dividend payment, the capital stock of the bank would be unimpaired and either the bank will have a surplus of not less than 50% of its capital stock, or, if not, the payment of the dividend will not reduce the surplus of the bank.

If, in the opinion of the FDIC, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice - which could include the payment of dividends - the FDIC may require, after notice and hearing, that such bank cease and desist from such practice or, as a result of an unrelated practice, require the bank to limit dividends in the future. The Federal Reserve Board has similar authority with respect to bank holding companies. In addition, the Federal Reserve Board and the FDIC have issued policy statements which provide that insured banks and bank holding companies should generally only pay dividends out of current operating earnings. Regulatory pressures to reclassify and charge off loans and to establish additional loan loss reserves can have the effect of reducing current operating earnings and thus impacting an institution's ability to pay dividends. Further, bank regulatory authorities have established guidelines with respect to the maintenance of appropriate levels of capital by a bank or bank holding company under their jurisdiction. Compliance with the standards set forth in these policy statements and guidelines could limit the amount of dividends which Lakeland, Lakeland Bank and Somerset Hills Bank may pay.

Voting Rights

At meetings of shareholders, holders of Lakeland common stock are entitled to one vote per share. The quorum for shareholders' meetings is a majority of the outstanding shares entitled to vote represented in person or by proxy. Except as indicated below, all actions and authorizations to be taken or given by shareholders require the approval of a majority of the votes cast by holders of Lakeland common stock at a meeting at which a quorum is present.

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The Lakeland board of directors is divided into three classes, each class being as nearly equal in number of directors as possible. Approximately one-third of the entire Lakeland board of directors is elected each year and the directors serve for terms of up to three years.

The exact number of directors and the number constituting each class is fixed from time to time by resolution adopted by a majority of the entire board of directors. The affirmative vote of at least eighty percent of the outstanding voting stock of Lakeland is required to amend or repeal the provisions of the Lakeland certificate of incorporation relating to the classification of the board of directors. In addition, shareholders may remove any director from office only for cause, as defined in the Lakeland certificate of incorporation.

Lakeland common stock currently trades on the Nasdaq Global Select Market. Under Nasdaq's applicable rules, approval of Lakeland's shareholders is required for the issuance of shares of Lakeland common stock or securities convertible into or exercisable for Lakeland common stock if the issuance of such securities:

Is in connection with the acquisition of a company, is not in connection with a public offering for cash, and the securities to be issued will have 20% or more of the voting power outstanding before such issuance;

Is in connection with the acquisition of a company in which a director, officer or substantial shareholder of Lakeland has a 5% or greater interest, and the issuance of the securities could result in an increase in outstanding Lakeland common stock or voting power of 5% or more;

Is in connection with a transaction, other than a public offering, at a price less than the greater of book or market value in which the shares issued will equal 20% or more of the shares of Lakeland common stock, or have 20% or more of the voting power, outstanding before issuance;

Would result in a change in control of Lakeland; or

Is in connection with the adoption or material modification of a stock compensation plan.

Pre-Emptive Rights; Redemption

Holders of Lakeland common stock do not have pre-emptive rights to acquire any additional shares of Lakeland common stock. Lakeland common stock is not subject to redemption.

Liquidation Rights

In the event of liquidation, dissolution or winding up of Lakeland Bancorp, holders of our common stock are entitled to share equally and ratably in assets available for distribution after payment of debts and liabilities, subject to the rights of holders of any preferred stock that we may issue in the future, as described below.

Anti-Takeover Provisions in the Certificate of Incorporation and New Jersey Law Provisions

Lakeland's certificate of incorporation and by-laws contain certain provisions which may have the effect of deterring or discouraging an attempt to take control of Lakeland. These provisions:

Divide Lakeland's board of directors into three classes serving staggered three-year terms;

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Prevent the shareholders from removing directors without cause;

Require that shares with at least 80% of the total voting power, and shares with at least two thirds of the total voting power after excluding any 20% shareholder, approve a merger or other similar transaction if the transaction is not approved, in advance, by Lakeland's board of directors;

Require that shares with at least 80% of the total voting power approve the repeal or amendment of certain provisions of Lakeland's certificate of incorporation;

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Authorize the Lakeland board to consider all factors that it deems relevant in evaluating a pending tender offer or other potentially hostile acquisition; and

Require advance notice of nominations for the election of directors and require any individuals so nominated to be present in person at the meeting at which he or she is voted upon.

The New Jersey Business Corporation Act also contains certain provisions applicable to Lakeland that may have the effect of deterring or discouraging an attempt to take control of Lakeland. Specifically:

The New Jersey Business Corporation Act provides that in determining whether a proposal or offer to acquire a corporation is in the best interest of the corporation, a board may, in addition to considering the effects of any action on shareholders, consider any of the following:

the effects of the proposed action on the corporation's employees, suppliers, creditors and customers;

the effects on the community in which the corporation operates; and

the long-term as well as short-term interests of the corporation and its shareholders, including the possibility that these interests may best be served by the continued independence of the corporation.

Lakeland is subject to the New Jersey Shareholders Protection Act, which prohibits certain New Jersey public corporations from engaging in business combinations - including mergers, consolidations, significant asset dispositions and certain stock issuances - with any 10% shareholder for five years after such person becomes a 10% shareholder, unless the business combination is approved by the board of directors prior to the date that the shareholder became a 10% shareholder. In addition, the Protection Act prohibits any business combination at any time with a 10% shareholder other than a transaction that is approved by the board of directors in advance or is approved by the affirmative vote of the holders of two-thirds of the voting stock not beneficially owned by the 10% shareholder, or satisfies certain fair price and related criteria.

Preferred Stock

Lakeland has 1,000,000 shares of authorized but unissued preferred stock. These shares are typically referred to as blank check preferred stock. This term refers to stock for which the rights and restrictions are determined by the board of directors of a corporation. In general, our restated certificate of incorporation, as amended, authorizes our board of directors to issue new shares of our common stock or preferred stock without further shareholder action, provided that there are sufficient authorized shares.

The issuance of additional common or preferred stock may be viewed as having adverse effects upon the holders of common stock. Holders of our common stock do not have preemptive rights with respect to any newly issued stock. Our board could adversely affect the voting power of holders of our common stock by issuing shares of preferred stock with certain voting, conversion and/or redemption rights. In the event of a proposed merger, tender offer or other attempt to gain control of Lakeland that the board of directors does not believe to be in the best interests of its shareholders, the board could issue preferred stock which could make any such takeover attempt more difficult to complete. Our board of directors does not intend to issue any preferred stock except on terms that the board deems to be in the best interests of our company and our shareholders.

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COMPARISON OF SHAREHOLDERS RIGHTS

As a result of the merger, certain of Somerset Hills shareholders will receive shares of Lakeland common stock in exchange for their shares of Somerset Hills common stock. The following is a summary of certain material differences between the rights of holders of Somerset Hills common stock and the rights of holders of Lakeland common stock. Since both Lakeland and Somerset Hills are incorporated in New Jersey and are both governed by the New Jersey Business Corporations Act, these differences arise from their respective certificates of incorporation and by-laws. Although it is impractical to compare all of the aspects in which the companies governing instruments differ with respect to shareholders rights, the following discussion summarizes certain significant differences. This summary is qualified in its entirety by reference to the applicable provisions of the companies governing instruments.

Directors

Lakeland's certificate of incorporation provides for the election of directors on a three year staggered term basis. Somerset Hills' certificate of incorporation also provides for the election of directors on a three year staggered term basis.

Lakeland's by-laws exclude certain persons from election to the board. Directors may not serve on the board of any other financial institution or bank or savings and loan holding company. Somerset Hills does not provide for similar limitations.

Vote Required

Lakeland's certificate of incorporation provides several instances - most of which relate to the amendment of provisions in the certificate of incorporation - in which a greater than majority voting requirement is imposed for purposes of determining whether shareholders have approved a particular matter. For example, the affirmative vote of holders of at least 80% of Lakeland's outstanding voting stock is required to amend or repeal provisions in Lakeland's certificate of incorporation relating to (i) the authority of Lakeland's board of directors to issue stock without prior shareholder approval, (ii) the number and terms of directors, including the classification of the Lakeland board, (iii) the considerations to be taken into account by the Lakeland board in evaluating acquisition offers and (iv) the requisite shareholder vote in respect of acquisitions of Lakeland. The affirmative vote of holders of at least 80% of Lakeland's outstanding voting stock is also required to amend, alter or repeal Lakeland's bylaws (provided that Lakeland's board may alter, amend or repeal the bylaws without any shareholder action). In addition, (i) the affirmative vote of the holders of at least 80% of Lakeland's voting stock is required to approve a merger or consolidation of Lakeland with, or a sale, exchange or lease of all or substantially all of Lakeland's assets to, any person or entity where Lakeland's board of directors has not recommended the transaction to Lakeland's shareholders, and (ii) the affirmative vote of the holders of at least 80% of Lakeland's voting stock, and the affirmative vote of the holders of at least 67% of Lakeland's voting stock not held by a Controlling Party (defined as any shareholder owning or controlling 20% or more of Lakeland's voting stock at the time of the proposed transaction), is required to approve certain mergers, consolidations, sales, exchanges or leases of all or substantially all of Lakeland's assets not recommended by Lakeland's board.

Somerset Hills' certificate of incorporation provides that approval of a merger or sale of substantially all of the assets of Somerset Hills requires the affirmative vote of the holders of at least 75% of Somerset Hills' outstanding shares, except that if the transaction (such as the merger with Lakeland) has been approved by the Somerset Hills board prior to the shareholders vote, then the affirmative vote of the holders of a majority of the outstanding shares of Somerset Hills' stock is required.

Somerset Hills' directors, like Lakeland's directors, are elected by a plurality of the votes cast.

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Exculpation of Directors and Officers

New Jersey law permits a corporation to provide that its directors and officers will not be liable to the corporation or its shareholders for breach of fiduciary duties, provided that the law does not excuse:

a breach of the duty of loyalty;

an act or omission that is not in good faith;

a knowing violation of law; or

receipt of an improper personal benefit.

Both Somerset Hills' certificate of incorporation and Lakeland's certificate of incorporation contain this exculpatory language.

Indemnification

Lakeland's by-laws permit, but do not require, that directors and officers be indemnified from specific actions. Somerset Hills' certificate of incorporation and by-laws require that directors and officers be indemnified from specific actions.

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ELECTION OF DIRECTORS AND OTHER PROPOSALS TO BE CONSIDERED AT THE LAKELAND ANNUAL MEETING

LAKELAND PROPOSAL 2

ELECTION OF DIRECTORS

Unless a shareholder either indicates withhold authority on his proxy or indicates on his proxy that his shares should not be voted for certain nominees, it is intended that the persons named in the proxy will vote for the election as directors of the three persons named in Table I below to serve for three year terms and thereafter until their successors shall have been duly elected and shall have qualified. Each of the Board's nominees has consented to be named in this proxy statement and to serve as a director of Lakeland if elected. Discretionary authority is also solicited to vote for the election of a substitute for any of said nominees who, for any reason presently unknown, cannot be a candidate for election.

Table I sets forth the names and ages of the nominees for election to the Board of Directors, the positions and offices presently held by each such person within Lakeland, the period during which each such person has served on Lakeland's Board of Directors, the expiration of their respective terms, the principal occupations and employment of each such person during the past five years, and the number of shares of Lakeland common stock which they beneficially owned as of February 1, 2013. Except as otherwise indicated, Table II sets forth comparable information with respect to those directors whose terms of office will continue beyond the date of the Lakeland annual meeting. Unless otherwise indicated, positions have been held for more than five years. Unless otherwise stated in the footnotes following the tables, the nominees and other directors listed in the tables have sole power to vote and dispose of the shares which they beneficially owned as of February 1, 2013. Shares covered by stock options are included in the tables below only to the extent that such options may be exercised by April 1, 2013.

All of the persons named in both tables have been directors of Lakeland and Lakeland Bank for at least five years, except as follows: (a) Mr. McCracken and Ms. Hendershot were appointed to the Lakeland Bank Board on August 13, 2008, (b) Thomas J. Shara was appointed to the Boards of Lakeland and Lakeland Bank on April 2, 2008 and (c) Mr. Flynn was appointed to the Boards of Lakeland and Lakeland Bank on June 9, 2010.

For a description of the attributes of each director that the Board considered in determining that such director should serve on Lakeland's Board, see Board Qualifications below.

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TABLE I

NOMINEES FOR ELECTION AS DIRECTORS

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM IF ELECTED	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF FEBRUARY 1, 2013	
				NUMBER OF SHARES	PERCENT OF CLASS
Robert E. McCracken Age 55	2004	2016	Sole managing member and owner (11/98 to present), REM, LLC (a real estate and investment company), Newton, NJ; owner/manager (1/00 to present), Wood Funeral Home, Branchville, NJ; owner/ manager (10/90 to present), Smith-McCracken Funeral Home, Newton, NJ	156,762(a)	.5%
Thomas J. Shara Age 55	2008	2016	President and CEO, Lakeland Bancorp, Inc. (4/2/08 to present) and CEO of Lakeland Bank (4/2/08 to present); President of Lakeland Bank (4/2/08 to 1/29/2013); President and Chief Credit Officer (5/07 to 4/1/08) and Executive Vice President and Senior Commercial Banking Officer (2/06 to 5/07), TD Banknorth, N.A.'s Mid-Atlantic Division; Executive Vice President and Senior Loan Officer, Hudson United Bancorp and Hudson United Bank (prior years to 2/06)	183,509(b)	.6%
Stephen R. Tilton, Sr. Age 67	2001	2016	Chairman, Tilton Automotive LLC (5/08 to present); Chairman and Chief Executive Officer, Tilton Securities LLC, Upper Montclair, NJ (investment trader) (10/98 to present); Chairman and Chief Executive Officer, Chaumont Holdings, Inc. (real estate holding company) (9/92 to present); Chairman and Chief Executive Officer, Fletcher Holdings, LLC (commercial real estate company) (10/98 to present)	749,108(c)	2.5%

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TABLE II
CONTINUING DIRECTORS

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF FEBRUARY 1, 2013	
				NUMBER OF SHARES	PERCENT OF CLASS
Roger Bosma Age 70	1999	2014	President and CEO, Lakeland Bancorp, Inc. (6/1/99 to 4/2/08); President and CEO, Lakeland Bank (1/1/02 to 4/2/08)	141,298(d)	.5%
Mark J. Fredericks Age 52	1994	2014	President of Fredericks Fuel & Heating Service, Oak Ridge, NJ (1/1/02 to present); President of Keil Oil Company, Riverdale, NJ (1986 to present)	494,054(e)	1.7%
Janeth C. Hendershot Age 58	2004	2014	Global Project Team Lead, Munich Re Group (prior to 2/1/10); Insurance Company Operations General Manager, Senior Vice President, Munich-American Risk Partners at Munich Reinsurance America, Inc. (prior to 12/1/06); President, Exchange Insurance Company and Regional Vice President at Selective Insurance Group (prior to 10/1/97)	89,253(f)	.3%
Robert B. Nicholson, III Age 48	2003	2014	President and Chief Executive Officer, Eastern Propane Corporation (1988 to present); President and Chief Executive Officer, Eastern Propane Energy Corporation (1993 to present); General Partner, Eastern Properties, L.P. (1999 to present); Managing Member, East Coast Development Associates, LLC (2004 to present); President and CEO, Landmark America Corporation (1988 to present)	134,566(g)	.5%
Bruce D. Bohuny Age 44	2007	2015	President, Brooks Ltd. Builders, Franklin Lakes, NJ (10/1993 to present) (construction company)	65,289(h)	.2%
Mary Ann Deacon Age 61	1995	2015	Chairman, Lakeland Bancorp, Inc. and Lakeland Bank (5/24/11 to present); Vice Chairman, Lakeland Bancorp, Inc. and Lakeland Bank (1/14/10 to 5/23/2011); Secretary/Treasurer of Deacon Homes, Inc. (1980 to present) (real estate development), Sparta, NJ	363,685(i)	1.2%

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NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF FEBRUARY 1, 2013	
				NUMBER OF SHARES	PERCENT OF CLASS
Joseph P. O Dowd Age 66	1998	2015	President and Owner of O Dowd Advertising of Montville, NJ (4/14/82 to present); partner of O Dowd Associates (real estate holding company) (7/1/86 to present) and O Dowd Realty (7/1/86 to present)	59,010(j)	.2%
Brian Flynn Age 53	2010	2015	Partner, O Connor Davies, LLP in Paramus, NJ (1981 to present); Director, TD Bank, N.A. (formerly TD Banknorth, N.A.) and TD Banknorth, Inc. and Member of Audit Committee (February 2006 to February 2007); Director and Member of Audit Committee, Hudson United Bancorp and Hudson United Bank (January 2004 to January 2006)	36,401(k)	.1%

Included in the amounts beneficially owned listed in the tables, the directors of Lakeland held the following interests:

- (a) Includes 33 shares owned jointly by Mr. McCracken and his wife; 3,744 shares held as custodian for his children; 71,357 shares held by REM, LLC of which Mr. McCracken is sole managing member; 13,834 shares held by the McCracken Family Trust, of which Mr. McCracken is a co-trustee; 19,447 held in the Shirley McCracken Irrevocable Trust, of which Mr. McCracken is a Trustee; and 31,907 shares issuable upon the exercise of stock options.
- (b) Includes 105,636 shares owned jointly by Mr. Shara and his wife; 1,753 shares held as custodian for his son; 693 shares held by a family partnership of which Mr. Shara and his wife are general partners or trustees; and 60,536 shares subject to restricted stock awards that have not yet vested. These 60,536 shares vest as follows: 12,214 shares vest 9,992 on January 25, 2014, and the remaining 2,222 on January 25, 2016; and 19,612 shares vest 8,826 on January 30, 2014, 8,826 on January 30, 2015 and the remaining 1,960 on January 30, 2017. 28,710 shares vest 12,920 on February 1, 2015, 12,920 on February 1, 2016 and 2,870 on February 1, 2018. All of these restricted shares may be voted, unless forfeited.
- (c) Includes 30,165 shares held by Mr. Tilton's wife; 3,347 shares held by Chaumont Holdings, Inc. of which Mr. Tilton is Chairman and Chief Executive Officer; and 47,571 shares held by the Tilton Securities LLC Profit Sharing Plan of which Mr. Tilton is the beneficiary.
- (d) Includes 52,430 shares held jointly by Mr. Bosma and his wife; and 27,563 shares issuable upon the exercise of stock options.
- (e) Includes 49,166 shares owned by Mr. Fredericks' wife; 171,644 shares held by Mark J. Fredericks as custodian for his children; 37,228 shares held by Mark J. Fredericks as Trustee of the Keil Oil Employee Profit Sharing Plan; 32,397 shares held by Mark J. Fredericks as Trustee for the Fredericks Fuel & Heating Service Profit Sharing Plan; and 22,396 shares held by Fredericks Fuel & Heating Service of which Mark Fredericks is President. Includes 206,777 shares pledged as security for loan obligations.
- (f) Includes 31,907 shares issuable upon the exercise of stock options.
- (g) Includes 31,907 shares issuable upon the exercise of stock options.
- (h) Includes 5,745 shares held by the Bohuny Family LLC of which Mr. Bohuny is a passive member; 469 shares held by Mr. Bohuny's wife; 1,486 shares held by Mr. Bohuny as custodian for his children; and 28,940 shares issuable upon the exercise of stock options. Includes 7,499 shares pledged as security for loan obligations.

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- (i) Includes 18,035 shares held in the name of Mary Ann Deacon's husband; 234,677 shares held in the name of the Philip Deacon Limited Partnership; and 91,598 shares held by the Deacon Home Inc. Profit Sharing Plan of which Ms. Deacon is a trustee.
- (j) Includes 56,801 shares owned jointly by Mr. O Dowd and his wife. Includes 24,000 shares pledged as security for loan obligations.
- (k) All shares other than shares subject to stock options are owned jointly by Mr. Flynn and his wife. Includes 16,539 shares issuable upon the exercise of stock options.

Stock Ownership Guidelines for Directors; Adoption of Prospective Anti-Pledging Policy

Although Lakeland's by-laws provide that the minimum value of Lakeland common stock to be held by directors is \$1,000, during 2010, the Board adopted Corporate Guidelines which established a goal that directors own or otherwise control, at a minimum, the number of shares or share equivalents of Lakeland common stock equal to approximately five times (5x) the director annual retainer fee, with new directors attaining that goal within five years. The Compensation Committee periodically reviews this stock ownership goal, and has determined that all directors have attained the prescribed goal.

In March 2013 Lakeland's Board adopted an anti-pledging policy that prohibits future pledging of Lakeland common stock by Lakeland's executive officers and directors. The policy does not require existing pledges to be unwound.

Board Qualifications

Lakeland's Board does not have a formal policy of considering diversity in identifying potential director candidates. However, since the Board believes that its membership should broadly reflect the banking community served by Lakeland, it has an informal practice of considering a nominee's age, race, ethnicity, national origin, gender, and geographic location in addition to such nominee's qualifications for Board service. See Nominating and Corporate Governance Committee Matters-Qualifications and the charter of such committee for a description of the qualifications Lakeland's directors must possess.

The Board considered the following attributes of its nominees and other directors in determining that each is qualified to serve as a director of Lakeland:

Mr. Bosma's 50 years of banking experience and the breadth of his knowledge in all areas of banking, including asset/liability management, loans and asset quality, retail banking and bank marketing, the audit function and overall bank operations, and his stature in the banking industry, led the Board to conclude that this individual should serve as a director of Lakeland. Mr. Bosma has an intimate knowledge of Lakeland and Lakeland Bank after serving as President and Chief Executive Officer from 1999 to April 2008. He has served in many prominent positions in the banking industry, including as chairman of the New Jersey Bankers Association and a member of the Community Bankers Committee of the American Bankers Association. Mr. Bosma has held leadership positions in numerous charitable organizations, including the Chilton Hospital Foundation, the Juvenile Diabetes Research Foundation, the Ramapo College Foundation and Paterson Habitat for Humanity.

Mr. Mark Fredericks' experience in managing three businesses in Lakeland's market area, his long service as a director of Lakeland and Lakeland Bank and his charitable work led the Board to conclude that this individual should serve as a director of Lakeland. His business experience includes serving as president of Fredericks Fuel and Heating Service, Keil Oil Inc. and F&B Trucking Inc. He is knowledgeable about the real estate industry as a result of his management of a number of real estate partnerships. He has served as a trustee (1998-2008) of Chilton Memorial Hospital (and served as a member of the finance committee during that time) and as president of the West Milford Education Foundation (1996 to present).

Ms. Hendershot has had significant experience in the leadership and management of various corporate entities and operations. She also has experience in managing and controlling risk-taking operations within the insurance industry, and in IT strategy and developments. This experience, as well as her educational background (including a degree in economics from Cornell University) led the Board to conclude that this individual should serve as a director of Lakeland.

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Mr. Nicholson's business experience with Eastern Propane Corporation (including his serving as president and CEO of that entity since 1988), his educational background in finance and business management, his experience in buying and selling companies and commercial real estate properties and his reputation in the business and local community led the Board to conclude that this individual should serve as a director of Lakeland. In 2009, Mr. Nicholson was honored with the Outstanding Citizen of the Year award from Sparta Township and as a Distinguished Citizen by the Boy Scouts of America, Patriots Path Council. In March 2010, Mr. Nicholson received the Distinguished Alumni Award from Florida Southern College for outstanding service to his professions and community. Mr. Nicholson currently serves as chairman of the board of trustees for the Sussex County New Jersey Chamber of Commerce.

Mr. Flynn is a Partner at O'Connor Davies, LLP, one of the largest regional accounting firms in the tri-state area. He received his Bachelor of Science Degree, cum laude, from Monmouth College. With nearly 30 years of experience as a practicing CPA, Mr. Flynn brings in depth knowledge of generally accepted accounting principles and auditing standards to our Board. He has worked with audit committees and boards of directors in the past, including previously serving on the Boards of TD Banknorth, Inc. and Hudson United Bancorp, and provides Lakeland's Board of Directors and its Audit Committee with extensive experience in auditing and preparation of financial statements. For these reasons, the Board has concluded that this individual should serve as a director of Lakeland.

Mr. Bohuny's 20 years of experience in the real estate business, particularly land development and building, and his background in the equity and fixed income markets, led the Board to conclude that this individual should serve as a director of Lakeland.

Ms. Deacon's over 30 years of extensive experience in the real estate development process, building contracting, property management and sales, her service to a number of community associations, her reputation in the broader business community as well as in the local real estate markets and her dedication to Lakeland and Lakeland Bank led the Board to conclude that this individual should serve as a director of Lakeland. Ms. Deacon is responsible for the planning and administration of numerous operating companies, three condominium associations and an equipment leasing entity. Her past participation in the state and local real estate associations includes leadership positions and committee experience in ethics, professional standards, strategic planning and governance. Ms. Deacon is committed to enhancing her professional participation as a director of Lakeland and frequently attends continuing education seminars and institutes applicable to directors of banks and bank holding companies. During her 17 year tenure at Lakeland, she has served on every committee of the Board. In January 2010, she was elected Vice Chairman of the Board of Lakeland and Lakeland Bank and in May 2011, she was elected Chairman of the Board of Lakeland and Lakeland Bank.

Mr. O'Dowd's knowledge of the banking industry, gained through his service as a director of Lakeland for 15 years and for the 12 years prior to his joining Lakeland, as a director of Metropolitan State Bank, his experience and reputation in the business community and his civic service led the Board to conclude that this individual should serve as a director of Lakeland. He is president of his own advertising company, a partner in two real estate holding companies and the former owner and operator of a food manufacturing business. He is the director of the Montville Chamber of Commerce, a past president of the Montville Kiwanis Club and has served as Deputy Mayor and on the Planning Board of Montville Township.

Mr. McCracken's knowledge of the banking industry, his over 15 years of service on the boards of various banks (including serving on Lakeland's Board since 2004 and Lakeland Bank's Board since 2008), his business experience as an owner and operator of various businesses and real estate within Lakeland's footprint, his reputation in the community as a lifelong resident within Lakeland's footprint, his many long standing relationships with Lakeland's non-institutional shareholder base and his involvement in many non-profit and local charities (including serving as former Chairman of the Newton Medical Center as well as on the boards of other similar organizations) led the Board to conclude that this individual should serve as a director of Lakeland.

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Mr. Shara's over 30 years of experience in the banking industry, his stature and reputation in the banking and local community, and his service as President and CEO of Lakeland and Lakeland Bank since April 2008 led the Board to conclude that this individual should serve as a director of Lakeland. His knowledge and understanding of all facets of the business of banking, the leadership he has demonstrated at Lakeland and at prior institutions and his involvement in charitable and trade organizations make him extremely valuable as a Board member. Mr. Shara serves as a member of the Federal Reserve Bank of New York's Community Institutions Advisory Counsel, on the Board of Directors of the Commerce and Industry Association of New Jersey, the Board of Trustees of the Boys and Girls Club of Paterson and Passaic, New Jersey and the Board of Trustees of the Chilton Hospital Foundation. He also serves on the Board of Governors of the Ramapo College Foundation. Mr. Shara earned a Master's Degree in Business Administration as well as a Bachelor of Science Degree from Fairleigh Dickinson University.

Mr. Tilton's extensive and diverse experience in the financial markets and knowledge of financial instruments, including his current positions as Chairman and Chief Executive Officer of Tilton Securities, LLC, led the Board to conclude that this individual should serve as a director of Lakeland. This experience also includes serving as Chairman of GovPx, a company organized by dealers and brokers in 1990, which provides financial prices on all U.S. Treasury securities, including MBS securities, playing a significant role in establishing a clearing house for all government securities trading globally, his expertise on interest rates and derivative products and his involvement in establishing various federal funds markets between 1967 and 1985. Additionally, Mr. Tilton serves as president of Tilton Automotive Group, which consists of two automotive dealerships in northern New Jersey.

Security Ownership of Management

The following table sets forth information regarding the beneficial ownership of Lakeland's common stock as of February 1, 2013 by (i) the four Named Executive Officers (as defined below under "Executive Compensation") who are not directors of Lakeland and (ii) all current executive officers and directors of Lakeland as a group. Unless otherwise indicated, each of the named shareholders possesses sole voting and investment power with respect to the shares beneficially owned. For information concerning the beneficial ownership of Lakeland's common stock by directors and nominees for director, see the tables above under "Election of Directors". Shares covered by stock options are included in the table below only to the extent that such options may be exercised by April 1, 2013.

Shareholder	Shares	
	Number	Percent
Joseph F. Hurley	77,835(A)	.3%
Robert A. Vandenberg	147,858(B)	.5%
Ronald E. Schwarz	37,672(C)	.1%
Louis E. Luddecke	100,138(D)	.3%
All current executive officers and directors as a group (19 persons)	3,030,871(E)	10.1%

(A) Includes 37,681 shares issuable upon the exercise of stock options. Also includes 21,153 shares subject to restricted stock awards that have not yet vested. These shares vest as follows: 6,708 shares vest 3,019 on February 1, 2015, 3,019 on February 1, 2016 and 670 on February 1, 2018. 8,313 shares vest 3,741 on January 30, 2014, 3,741 on January 30, 2015, and 831 on January 30, 2017; 5,460 shares vest 4,469 on January 25, 2014, and 991 on January 25, 2016; and 672 shares vest on January 26, 2015. All of these shares may be voted, unless forfeited.

(B) Includes 7,574 shares held jointly with his wife; 18,635 shares which have been allocated to Mr. Vandenberg in the ESOP; and 37,681 shares issuable upon the exercise of stock options. Also includes 34,150 shares subject to restricted stock awards that have not yet vested. These shares vest as follows: 15,235 shares vest 6,856 on February 1, 2015, 6,856 shares on February 1, 2016 and 1,523 on February 1,

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2018. 10,990 shares vest 4,946 on January 30, 2014, 4,946 on January 30, 2015 and 1,098 on January 30, 2017; 7,479 shares vest 6,120 on January 25, 2014, and 1,359 on January 25, 2016; and 446 shares vest on January 26, 2015. All of these shares may be voted, unless forfeited. Includes 32,873 shares pledged as security for loan obligations.
- (C) Includes 15,686 shares subject to restricted stock awards that have not yet vested. These shares vest as follows: 5,072 shares vest 2,282 on February 1, 2015, 2,282 on February 1, 2016 and 508 on February 1, 2018. 6,167 shares vest 2,775 on January 30, 2014, 2,775 on January 30, 2015, and 617 on January 30, 2017; 4,065 shares vest 3,325 on January 25, 2014, and 740 on January 25, 2016; and 382 shares vest on January 26, 2015. All of these shares may be voted, unless forfeited.
- (D) Includes seven shares held by Mr. Luddecke's wife and 37,681 shares issuable upon the exercise of stock options. Also includes 15,495 shares subject to restricted stock awards that have not yet vested. These shares vest as follows: 4,839 shares vest 2,178 on February 1, 2015, 2,178 on February 1, 2016 and 483 on February 1, 2018. 6,047 shares vest 2,721 on January 30, 2014, 2,721 on January 30, 2015, and 605 on January 30, 2017; 4,037 shares vest 3,303 on January 25, 2014, and 734 on January 25, 2016; and 572 shares vest on January 26, 2015. All of these shares may be voted, unless forfeited.
- (E) Includes an aggregate of 350,786 shares issuable upon the exercise of stock options, 200,407 shares subject to restricted stock awards that have not yet vested; and 18,635 shares which have been allocated under the ESOP.

Stock Ownership Guidelines for Executive Officers

During 2010, the Board, through the Compensation Committee, adopted executive officer stock ownership guidelines which established certain goals that current executive officers own or otherwise control, at a minimum, the following number of shares or share equivalents of Company stock within the next three years: for the President and Chief Executive Officer, 100,000 shares; for Senior Executive Vice Presidents, 50,000 shares; and for Executive Vice Presidents, 25,000 shares. New executive officers would be expected to attain the prescribed goals within three years from the date of promotion or joining Lakeland. The Compensation Committee periodically reviews these stock ownership goals, and has determined that all executive officers are in compliance with the prescribed guidelines.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder require Lakeland's directors, executive officers and 10% shareholders to file with the SEC certain reports regarding such persons' ownership of Lakeland's securities. Lakeland is required to disclose any failures to file such reports on a timely basis. Based solely upon a review of the copies of the forms or information furnished to Lakeland, Lakeland believes that during 2012, all filing requirements applicable to its directors and officers were satisfied on a timely basis, except that Mr. Bohuny failed to file on a timely basis seven reports disclosing that a total of 10,409 shares were sold by the Bohuny Family LLC, an entity in which he maintains a non-controlling membership interest, on seven different dates in 2012. The failures to file on a timely basis were inadvertent, and the filings were made promptly after the failures to file were noted.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our Compensation Objectives and the Focus of Our Compensation Rewards

Our compensation program is designed to attract highly qualified individuals, retain those individuals in a competitive marketplace for executive talent and reward performance in a manner that maximizes our corporate performance while ensuring that these programs do not encourage unnecessary or excessive risks that threaten the