UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2000

OR

[ ]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to _____________

Commission File Number 0-11487

LAKELAND FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

INDIANA	35-1559596
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
202 East Center Street P.O. Box 1387, Warsaw, Indiana	46581-1387
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (219)267-6144

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES [x] NO [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Class	Outstanding at October 31, 2000
Common Stock, No Par Value	5,784,105

LAKELAND FINANCIAL CORPORATION

Form 10-Q Quarterly Report

Table of Contents

PART I.

PART II.

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
As of September 30, 2000 and December 31, 1999
(in thousands)

	September 30, 2000	December 31, 1999
	(Unaudited)	
ASSETS Cash and cash equivalents:		
Cash and due from banks	$ 47,770	$ 59,321
Short-term investments	912	3,783
Total cash and cash equivalents	48,682	63,104
Securities available-for-sale:		
U. S. Treasury and government agency securities	37,842	34,614
Mortgage-backed securities	201,856	192,569
State and municipal securities	33,705	32,714
Other debt securities	12,282	11,524
Total securities available-for-sale (carried at fair value)	285,685	271,421
Real estate mortgages held-for-sale	708	862
Loans:		
Total loans	695,232	653,898
Less: Allowance for loan losses	6,949	6,522
Net loans	688,283	647,376
Land, premises and equipment, net	26,869	27,808
Accrued income receivable	6,653	5,420
Intangible assets	9,849	10,522
Other assets	13,274	13,330
Total assets	$ 1,080,003	$ 1,039,843

(Continued)

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
As of September 30, 2000 and December 31, 1999
(in thousands)

	September 30, 2000	December 31, 1999
	(Unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest bearing deposits	$ 136,250	$ 136,595
Interest bearing deposits	666,887	611,648
Total deposits	803,137	748,243
Short-term borrowings:		
Federal funds purchased	18,850	15,000
U.S. Treasury demand notes	4,000	4,000
Securities sold under agreements to repurchase	114,982	121,374
Other borrowings	40,000	55,000
Total short-term borrowings	177,832	195,374
Accrued expenses payable	7,116	4,760
Other liabilities	1,289	1,535
Long-term borrowings	11,443	16,473
Guaranteed preferred beneficial interests in Company's subordinated debentures	19,284	19,264
Total liabilities	1,020,101	985,649
SHAREHOLDERS' EQUITY		
Common stock: No par value, 90,000,000 shares authorized, 5,813,984 shares issued and 5,788,992 outstanding as of September 30, 2000, and 5,813,984 shares issued and 5,792,182 outstanding at December 31, 1999	1,453	1,453
Additional paid-in capital	8,537	8,537
Retained earnings	54,181	49,422
Accumulated other comprehensive income/(loss)	(3,725)	(4,797)
Treasury stock, at cost	(544)	(421)
Total shareholders' equity	59,902	54,194
Total liabilities and shareholders' equity	$ 1,080,003	$ 1,039,843

The accompanying notes are an integral part of these consolidated financial statements.

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months and Nine Months Ended September 30, 2000, and 1999
(in thousands except for share data)

(Unaudited)

(Page 1 of 2)

	Three Months Ended September 30, 2000	Three Months Ended September 30, 1999	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999
INTEREST AND DIVIDEND INCOME				
Interest and fees on loans: Taxable	$ 15,752	$ 13,490	$ 45,291	$ 37,669
Tax exempt	33	46	107	135
Total loan income	15,785	13,536	45,398	37,804
Short-term investments	97	40	240	232
Securities:				
U.S. Treasury and government agency securities	727	530	2,190	1,756
Mortgage-backed securities	3,228	2,837	9,491	9,014
State and municipal securities	446	575	1,337	2,007
Other debt securities	115	171	320	367
Total interest and dividend income	20,398	17,689	58,976	51,180
INTEREST EXPENSE				
Interest on deposits	8,484	6,787	23,578	20,305
Interest on short-term borrowings	2,559	1,797	7,370	4,934
Interest on long-term debt	607	676	1,916	2,117
Total interest expense	11,650	9,260	32,864	27,356
NET INTEREST INCOME	8,748	8,429	26,112	23,824
Provision for loan losses	92	550	707	1,050
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,656	7,879	25,405	22,774
NONINTEREST INCOME				
Trust fees	530	456	1,586	1,286
Service charges on deposit accounts	1,109	1,105	3,304	3,198
Other income (net)	871	865	2,478	2,498
Net gains on the sale of real estate mortgages held-for-sale	128	381	366	1,136
Net securities gains (losses)	0	481	0	1,340
Total noninterest income	2,638	3,288	7,734	9,458
NONINTEREST EXPENSE				
Salaries and employee benefits	4,257	4,089	11,881	11,790
Occupancy and equipment expense	1,277	1,402	3,866	4,010
Other expense	2,471	2,456	7,272	6,859
Total noninterest expense	8,005	7,947	23,019	22,659

(Continued)

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months and Nine Months Ended September 30, 2000, and 1999
(in thousands except for share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
INCOME BEFORE INCOME TAX EXPENSE	3,289	3,220	10,120	9,573
Income tax expense	974	1,128	3,102	3,252
NET INCOME	$ 2,315	$ 2,092	$ 7,018	$ 6,321
AVERAGE COMMON SHARES OUTSTANDING (Note 2)	5,813,984	5,813,984	5,813,984	5,813,984
BASIC EARNINGS PER COMMON SHARE	$ 0.40	$ 0.36	$ 1.21	$ 1.09
DILUTED EARNINGS PER COMMON SHAE SHARE	$ 0.40	$ 0.36	$ 1.21	$ 1.09

The accompanying notes are an integral part of these consolidated financial statements.

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Three Months and Nine Months Ended September 30, 2000 and 1999
(in thousands)

(unaudited)

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2000		1999		2000		1999	
Common Stock:								
Balance at beginning of the period	$ 1,453		$ 1,453		$ 1,453		$ 1,453	
Balance at end of the period	1,453		1,453		1,453		1,453	
Paid-in Capital:								
Balance at beginning of the period	8,537		8,537		8,537		8,537	
Balance at end of the period	8,537		8,537		8,537		8,537	
Retained Earnings:								
Balance at beginning of the period	52,618		46,606		49,422		43,652	
Net Income	2,315	$ 2,315	2,092	$ 2,092	7,018	$ 7,018	6,321	$ 6,321
Cash dividends declared ($.13 and $.11 per share for 2000 and 1999)	(752)		(637)		(2,259)		(1,912)	
Balance at end of the period	54,181		48,061		54,181		48,061	
Accumulated Other Comprehensive Income/(Loss):								
Balance at beginning of the period	(5,414)		(1,972)		(4,797)		1,848	
Unrealized gain (loss) on available-for-sale securities arising during the period	1,689		(1,256)		1,072		(4,563)	
Reclassification adjustments for accumulated (gains) losses included in net income	0		(296)		0		(809)	
Other comprehensive income/(loss)(net of taxes of $1,108, $[1,018], $703 and $[3,524])	1,689	1,689	(1,552)	(1,552)	1,072	1,072	(5,372)	(5,372)
Total comprehensive income		$ 4,004		$ 540		$ 8,090		$ 949
Balance at end of the period	(3,725)		(3,524)		(3,725)		(3,524)	
Treasury Stock:								
Balance at beginning of the period	(478)		(379)		(421)		(334)	
Acquisition of treasury stock	(66)		(42)		(123)		(87)	
Balance at end of the period	(544)		(421)		(544)		(421)	
Total Shareholders' Equity	$59,902		$54,106		$59,902		$54,106	

The accompanying notes are an integral part of these consolidated financial statements.

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2000 and 1999
(in thousands)

(Unaudited)

	2000	1999
Cash flows from operating activities:		
Net income	$ 7,018	$ 6,321
Adjustments to reconcile net income to net cash from operating activites:		
Depreciation	1,829	1,781
Provision for loan losses	707	1,050
Amortization of intangible assets	693	718
Amortization of mortgage servicing rights	179	202
Loans originated for sale	(15,897)	(55,962)
Net gain on sale of loans	(366)	(1,136)
Proceeds from sale of loans	16,287	60,014
Net (gain) loss on sale of premises and equipment	(2)	11
Net gain on sale of securities available-for-sale	0	(1,340)
Net securities amortization	761	1,594
Increase (decrease) in taxes payable	(3,508)	310
Increase in income receivable	(1,233)	(24)
Increase in accrued expenses payable	5,697	146
Increase in other assets	(530)	(1,144)
Decrease in other liabilities	(246)	(40)
Total adjustments	4,371	6,180
Net cash from operating activities	11,389	12,501
Cash flows from investing activities:		
Proceeds from sales of securities available-for-sale	0	44,428
Proceeds from maturities and calls of securities available-for-sale	30,417	53,539
Purchases of securities available-for-sale	(43,667)	(55,649)
Net increase in total loans	(41,613)	(97,941)
Proceeds from sales of land, premises and equipment	436	83
Purchases of land, premises and equipment	(1,324)	(2,765)
Net cash from investing activities	(55,751)	(58,305)

(Continued)

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2000 and 1999
(in thousands)

(Unaudited)

	2000	1999
Cash flows from financing activities:		
Net increase (decrease) in total deposits	$ 54,894	$ (18,353)
Proceeds from short-term borrowings	17,083,485	15,351,351
Payments on short-term borrowings	(17,101,027)	(15,295,671)
Proceeds from long-term borrowings	0	111
Payments on long-term borrowings	(5,030)	(5,025)
Dividends declared	(2,259)	(1,912)
Purchase of treasury stock	(123)	(87)
Net cash from financing activities	29,940	30,414
Net increase (decrease) in cash and cash equivalents	(14,422)	(15,390)
Cash and cash equivalents at beginning of the period	63,104	61,508
Cash and cash equivalents at end of the period	$ 48,682	$ 46,118
Cash paid during the period for:		
Interest	$ 30,913	$ 27,781
Income taxes	$ 3,642	$ 2,891
Loans transferred to other real estate	$ 0	$ 185

The accompanying notes are an integral part of these consolidated financial statements.

(Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This report is filed for Lakeland Financial Corporation (the Company) and its wholly owned subsidiaries, Lake City Bank (the Bank) and Lakeland Capital Trust (Lakeland Trust). All significant inter-company balances and transactions have been eliminated in consolidation. Also included is the Bank's wholly-owned subsidiary, LCB Investments Limited (LCB Investments).

The consolidated financial statements have been prepared by the Company, without audit and pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures are adequate and do not make the information presented misleading.

It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report to shareholders and Form 10-K. In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates and assumptions. These estimates and assumptions affect the amounts reported and the disclosures provided. Results for the periods ended September 30, 2000 are not necessarily indicative of the results that may be expected for the year ended December 31, 2000. In the opinion of management, all adjustments (consisting only of normal, recurring adjustments) which are necessary for a fair statement of the results for interim periods are reflected in the quarterly statements.

The Company formed Lakeland Trust in July 1997. Lakeland Trust issued $20 million of 9% Cumulative Trust Preferred Securities (Preferred Securities). The Preferred Securities issued by Lakeland Trust are presented as a separate line item as long-term debt in the consolidated balance sheets of the Company. The securities are captioned "Guaranteed Preferred Beneficial Interests in Company's Subordinated Debentures". The Company records distributions payable on the Preferred Securities as interest expense in its consolidated statements of income.

LCB Investments is a single purpose, wholly-owned subsidiary of the Bank that began operation in November 1999. Its principal office is in Bermuda, and it was formed to manage a portion of the securities portfolio of the Bank.

NOTE 2. EARNINGS PER SHARE

Basic earnings per common share is based upon weighted-average common shares outstanding. Diluted earnings per common share shows the dilutive effect of additional common shares issueable.

The common shares outstanding for the shareholders' equity section of the consolidated balance sheet at September 30, 2000 reflects the acquisition of 28,879 shares of Company common stock to offset a liability for a directors' deferred compensation plan. These shares are treated as outstanding when computing the weighted-average common shares outstanding for the calculation of both basic and diluted earnings per share.

A reconciliation of the numerators and denominators of the basic earnings per common share and the diluted earnings per common share for the periods ended September 30, 2000 and 1999 follows. All amounts are in thousands except share data.

	For the three months ended Septmeber 30,		For the nine months ended September 30,	
	2000	1999	2000	1999
Basic earnings per common share				
Net income	$ 2,315	$ 2,092	$ 7,018	$ 6,321
Weighted-average common shares outstanding	5,813,984	5,813,984	5,813,984	5,813,984
Basic earnings per common share	$ .40	$ .36	$ 1.21	$ 1.09
Diluted earnings per common share				
Net income	$ 2,315	$ 2,092	$ 7,018	$ 6,321
Weighted-average common shares outstanding for basic earnings per common share	5,813,984	5,813,984	5,813,984	5,813,984
Add: dilutive effect of assumed exercises of stock options	23	14	250	14
Average common shares and dilutive potential common shares	5,814,007	5,813,998	5,814,234	5,813,998
Diluted earnings per common share	$ .40	$ .36	$ 1.21	$ 1.09

Stock options for 353,670 and 298,295 shares of common stock were not considered in computing diluted earnings per common share for September 30, 2000 and 1999 because they were antidilutive.

NOTE 3. STOCK OPTIONS

The Lakeland Financial Corporation 1997 Share Incentive Plan reserves 600,000 shares of common stock for which Incentive Share Options (ISO) and Non-Qualified Share Options (NQSO) may be granted to employees of the Company and its subsidiaries, and NQSOs which may be granted to directors of the Company. Most options granted under this plan were issued for 10-year periods with full vesting five years from the date the option was granted. Information about options granted, exercised and forfeited during 2000 follows:

	Number of Options	Exercise Price	Risk-Free Rate	Stock Price Volatility	Fair Value of Grants
Outstanding 1/1/00	290,270				
Granted 2/8/00	98,150	$ 15.13	6.73%	64.88%	$ 7.26
Granted 5/9/00	14,000	$ 14.13	6.79%	65.55%	$ 6.72
Granted 6/13/00	89,500	$ 13.50	6.31%	66.77%	$ 6.37
Granted 7/11/00	500	$ 12.38	6.13%	157.01%	$ 9.27
Granted 9/5/00	15,000	$ 13.50	5.90%	157.10%	$ 10.30
Exercised	0				
Forfeited	49,350				
Outstanding 9/30/00	458,070				

The fair values of the options were estimated using an expected life of 5 years and expected dividends of $.13 per quarter. There were 20,200 options exercisable as of September 30, 2000.

The Company accounts for the stock options under APB 25. Statement of Financial Accounting Standards (SFAS) No. 123 requires pro forma disclosures for companies that do not adopt its fair value accounting method for stock-based compensation. The following pro forma information presents net income, basic earnings per common share and diluted earnings per common share had the fair value method been used to measure compensation cost for stock option plans. No compensation cost was actually recognized for stock options in 2000 or 1999.

	For the three months ended September 30,		For the nine months ended September 30,	
	2000	1999	2000	1999
Net income as reported	$ 2,315	$ 2,092	$ 7,018	$ 6,321
Pro forma net income	$ 2,097	$ 1,972	$ 6,538	$ 5,962
Basic earnings per common share as reported	$ .40	$ .36	$ 1.21	$ 1.09
Diluted earnings per common share as reported	$ .40	$ .36	$ 1.21	$ 1.09
Pro forma basic earnings per common share	$ .36	$ .34	$ 1.12	$ 1.03
Pro forma diluted earnings per common share	$ .36	$ .34	$ 1.12	$ 1.03

NOTE 4. PENSION PLAN CURTAILMENT

On April 1, 2000 the Lake City Bank Pension Plan was frozen. As a result of this curtailment, a $500,000 gain was recognized in the income statement for the second quarter of 2000. The gain is included in the salaries and employee benefits line of the income statement.

NOTE 5. SECURITIES AVAILABLE-FOR-SALE

	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
	(in thousands)		
September 30, 2000			
U.S. Treasury securities	$ 37,842	$ 64	$ (370)
U.S. Government agencies and corporations	6,362	0	(315)
Mortgage-backed securities	201,659	346	(3,767)
State and municipal securities	33,705	69	(1,780)
Other debt securities	6,117	18	(433)
Total securities available-for-sale at September 30, 2000	$ 285,685	$ 497	$ (6,665)
December 31, 1999			
U.S. Treasury securities	$ 34,614	$ 60	$ (579)
U.S. Government agencies and corporations	6,313	0	(380)
Mortgage-backed securities	192,569	51	(3,727)
State and municipal securities	32,714	37	(2,755)
Other debt securities	5,211	0	(651)
Total securities available-for-sale at December 31, 1999	$ 271,421	$ 148	$ (8,092)

The fair value of available-for-sale debt securities by maturity as of September 30, 2000, is presented below. Maturity information is based on contractual maturity for all securities other than mortgage-backed securities. Actual maturities of securities may differ from contractual maturities because borrowers may have the right to prepay the obligation without prepayment penalty.

	Fair Value
	(in thousands)
Due in one year or less	$ 6,007
Due after one year through five years	41,742
Due after five years through ten years	2,076
Due after ten years	34,201
	84,026
Mortgage-backed securities	201,659
Total debt securities	$ 285,685

NOTE 6. LOANS

	September 30, 2000	December 31, 1999
	(in thousands)	
Commercial and industrial loans	$ 417,055	$ 375,421
Agri-business and agricultural loans	46,762	46,661
Real estate mortgage loans	48,206	42,384
Real estate construction loans	3,194	4,488
Installment loans and credit cards	180,015	184,944
Total loans	$ 695,232	$ 653,898
Impaired loans	$ 825	$ 246
Non-performing loans	$ 1,145	$ 500

Part 1

LAKELAND FINANCIAL CORPORATION

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

and

RESULTS OF OPERATION

September 30, 2000

OVERVIEW

Lakeland Financial Corporation (the "Company") is the holding company for Lake City Bank. The Company is headquartered in Warsaw, Indiana and operates 42 offices in 15 counties in northern Indiana. The Company earned $7.0 million for the first nine months of 2000, an increase of 11.0% over the same period last year. During the third quarter of this year, earnings were $2.3 million, a 10.7% increase versus $2.1 million in the third quarter of 1999. The most substantial impact on earnings came from net interest income, which increased $2.3 million during the first nine months of the year versus the comparable period in 1999. The increase occurred in part as a result of the increase in loans, and by the gradual rise in interest rates, beginning in July 1999 and continuing during the first nine months of 2000.

Since September 30, 1995, total Company assets have increased 89.9%, from $568.6 million to $1.080 billion at September 30, 2000, a 13.7% annual compounded growth rate. This growth was accomplished through continued growth in existing markets with de-novo branch activity and the existing network of offices and acquisitions. Shareholders' equity has increased 63.0% from $36.8 million to $59.9 million over the same time period, a 10.3% annual compounded growth rate. Net income for the nine months ended September 30, 1995, compared to the net income for the same period of 2000, increased 24.3% from $5.6 million to $7.0 million. From September 30, 1995, to September 30, 2000, the number of Lake City Bank offices increased from 28 to 42. The capital necessary to support this growth has been provided through results of operation, issuance of trust preferred securities and existing capital. It should be noted that historical rates of growth may not be indicative of growth in future periods.

Forward-looking Statements

This release may contain forward-looking statements. Forward-looking statements are identifiable by the inclusion of such qualifications as expects, intends, believes, may, likely or similar statements or variations of such terms which express views concerning trends and the future. These forward looking statements are not historical facts and instead they are expressions about management's confidence and strategies and management's expectations about new and existing programs and products, relationships, opportunities, technology and market conditions. Actual events and results may differ significantly from those described in such forward-looking statements, due to changes in the general economic or market conditions, government regulation, competition or other factors. For additional information about these factors, please review our filings with the Securities and Exchange Commission.

The Company wishes to caution readers not to place undo reliance on any such forward-looking statements, which speak only as of the date made, and advise readers that various factors, including regional and national economic conditions, substantial changes in levels of market interest rates, credit and other risks of lending and investment activities and competitive and regulatory factors, could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from those anticipated or projected.

The Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

FINANCIAL CONDITION

Assets

Total assets of the Company were $1.080 billion as of September 30, 2000, an increase of $40.2 million, or 3.9%, when compared to $1.040 billion as of December 31, 1999. Total loans were $695.2 million at September 30, 2000, an increase of $41.3 million, or 6.3%, versus the December 31, 1999 balance. Total securities increased $14.3 million, or 5.3%, to $285.7 million as of September 30, 2000, versus $271.4 million at December 31, 1999. Earning assets increased to $975.6 million as of September 30, 2000, an increase of $52.1 million, or 5.6%, versus the December 31, 1999, total of $923.4 million.

Funding

Total deposits and securities sold under agreements to repurchase (repurchase agreements) consist of funds generated within the Company's primary market area. At September 30, 2000, this funding totaled $918.1 million. This represented a $48.5 million, or 5.6%, increase versus December 31, 1999. The increase was primarily in time deposits, which increased $48.3 million, or 9.7%, when compared to the balance at December 31, 1999, and interest-bearing demand accounts, which increased $6.9 million, or 6.1%, during the same period. Repurchase agreements decreased $6.4 million, or 5.3%, when compared to the balance at December 31, 1999, and noninterest-bearing demand accounts decreased slightly. The repurchase agreements are a combination of fixed rate contracts and variable rate corporate cash management accounts.

In addition to these local funding sources, the Company borrows through the Treasury, Tax and Loan program, federal fund lines with correspondent banks and advances from the Federal Home Loan Bank of Indianapolis (FHLB). Including these non-local sources, funding totaled $992.4 million at September 30, 2000, a $32.3 million, or a 3.4%, increase versus $960.1 million as of December 31, 1999. The primary increase in non-local funding sources was advances from the FHLB, which are used for short- and long-term funding needs.

Earning Assets

On an average daily basis, total earning assets increased 6.5% and 7.0%, respectively, for the nine-month and three-month periods ended September 30, 2000, as compared to the same periods in 1999. On an average daily basis, total deposits and purchased funds increased 7.1% and 6.9%, respectively, for the nine-month and three-month periods ended September 30, 2000, as compared to the same periods in 1999.

Investment Portfolio

The Company's available-for-sale portfolio is managed with consideration given to factors such as the Company's capital levels, growth prospects, asset/liability structure and liquidity needs. At September 30, 2000, the securities in the available-for-sale portfolio had a four year average life and a potential for approximately 10% price depreciation in the event that rates move up 300 basis points. If rates move down 300 basis points, the average life would be three years with approximately 7% price appreciation possible. The composition of this portfolio is primarily CMOs and mortgage pools issued by GNMA, FNMA and FHLMC, which are directly or indirectly guaranteed by the federal government. As of September 30, 2000, all mortgage-backed securities were performing in a manner consistent with management's original expectations. Future investment activity is difficult to predict, as it is dependent upon loan and deposit trends and other factors.

Loans

The Company had 66.7% of its loans concentrated in commercial loans at September 30, 2000 versus 64.6% as of December 31, 1999. Traditionally, this type of lending may have more credit risk than other types of lending because of the size and diversity of the credits. The Company manages this risk by adjusting its pricing to the perceived risk of each individual credit and by diversifying the portfolio by customer, product, industry and geography. Customer diversification is accomplished through an administrative loan limit of $8.5 million. Based upon state banking regulations, the Bank's legal loan limit as of September 30, 2000, was approximately $11.9 million. Product diversification is accomplished by offering a wide variety of financing options. Management reviews the loan portfolio to ensure loans are diversified by industry. The loans in the portfolios are distributed throughout the Company's principal trade area, which encompasses 15 counties in Indiana.

The real estate loan portfolio is impacted by secondary market activity, which is a function of current interest rates and economic conditions. As interest rates have gradually risen since mid-1999, the level of new financings and refinancings has declined. Through September 30, 2000, the Company sold mortgages totaling $15.9 million into the secondary market as compared to $55.9 million during the same period in 1999. During these same two periods, loans originated for sale totaled $15.9 million and $53.0 million, respectively. As a part of the Community Reinvestment Act commitment to making real estate financing available to a variety of customers, the Company continues to originate non-conforming loans that are held to maturity or prepayment.

Loans renegotiated as troubled debt restructurings are those loans for which either the contractual interest rate has been reduced and/or other concessions were granted to the borrower. These actions are typically taken as a result of a deterioration in the financial condition of the borrower which results in the inability of the borrower to perform under the original terms of the loan. Loans renegotiated as troubled debt restructurings totaled $1.1 million at September 30, 2000, versus $1.2 million at December 31, 1999. The loans classified as troubled debt restructurings at September 30, 2000 were performing in accordance with the modified terms.

For the first nine months of 2000, deposits increased more than loans. During this nine-month period, time deposits increased $48.3 million, or 9.7%, from $498.5 million to $546.9 million and other transaction accounts increased $6.9 million, or 6.1%, during the same period. Repurchase agreements decreased $6.4 million, or 5.3%, during the first nine months of this year, and demand accounts, which are noninterest bearing, decreased slightly. During this same nine-month period, loans increased $41.3 million, or 6.3%. Commercial loan growth opportunities continue to be strong, while consumer loan growth opportunities have slowed somewhat. The Company's loan to deposit ratio was 86.6% as of September 30, 2000, versus 87.4% at December 31, 1999.

Market Risk

The Company's primary market risk exposure is interest rate risk. The Company does not have a material exposure to foreign currency exchange risk, does not own any derivative financial instruments and does not maintain a trading portfolio. The Company, through its Asset/Liability Committee (ALCO), manages interest rate risk by monitoring the computer simulated earnings impact of various rate scenarios. The Company then modifies its long-term risk parameters by attempting to generate the type of loans, investments, and deposits that currently fit ALCO needs. This computer simulation analysis measures the net interest income impact of a 300 basis point change in interest rates during the next 12 months. If the change in net interest income is less than 3% of primary capital, the balance sheet structure is considered to be within acceptable risk levels. At September 30, 2000, the Company's potential pretax exposure was within the Company's policy limit. This policy was last reviewed and approved by the Board of Directors in May, 2000.

The following table provides information about the Company's financial instruments used for purposes other than trading that are sensitive to changes in interest rates. For loans, securities, and liabilities with contractual maturities, the table presents principal cash flows and related weighted-average interest rates by contractual maturities. Additionally, the Company's historical prepayment experience is included in cash flows for residential and home equity loans and for mortgage-backed securities. For core deposits such as demand deposits, interest-bearing checking, savings and money market deposits that have no contractual maturity, the table presents principal cash flows based upon management's judgment and statistical analysis. Weighted-average variable rates are the rates in effect at the reporting date.

QUANTITATIVE MARKET RISK DISCLOSURE

Principal/Notional Amount Maturing in:
(Dollars in thousands)

	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total	Fair Value 9/30/00
Rate sensitive assets:								
Fixed interest rate loans	$ 107,743	$ 74,947	$ 67,107	$ 61,400	$ 23,440	$ 12,529	$ 347,166	$ 356,939
Average interest rate	8.78%	8.69%	8.64%	8.21%	8.65%	8.17%	8.60%	
Variable interest rate loans	$ 304,905	$ 1,635	$ 1,487	$ 1,397	$ 1,213	$ 38,137	$ 348,774	$ 355,466
Average interest rate	9.73%	10.43%	10.20%	10.15%	10.66%	8.85%	9.64%	
Fixed interest rate securities	$ 22,192	$ 45,894	$ 24,516	$ 26,091	$ 19,389	$ 150,464	$ 288,546	$ 282,440
Average interest rate	6.61%	5.65%	6.48%	6.27%	6.65%	6.50%	6.36%	
Variable interest rate securities	$ 316	$ 323	$ 330	$ 337	$ 346	$ 1,655	$ 3,307	$ 3,245
Average interest rate	6.64%	7.28%	7.26%	7.23%	7.21%	7.23%	7.18%	
Other interest-bearing assets	$ 912	$ 0	$ 0	$ 0	$ 0	$ 0	$ 912	$ 912
Average interest rate	6.50%	0.00%	0.00%	0.00%	0.00%	0.00%	6.50%	
Rate sensitive liabilities:								
Non-interest bearing checking	$ 7,085	$ 6,322	$ 1,145	$ 1,090	$ 1,594	$ 119,014	$ 136,250	$ 136,250
Average interest rate								
Savings & interest bearing checking	$ 9,146	$ 8,258	$ 7,333	$ 6,661	$ 5,341	$ 83,284	$ 120,023	$ 120,023
Average interest rate	1.97%	1.79%	1.79%	1.79%	1.79%	1.73%	1.79%	
Time deposits	$ 478,474	$ 47,847	$ 11,321	$ 4,412	$ 3,095	$ 1,715	$ 546,864	$ 546,909
Average interest rate	5.91%	6.08%	5.87%	5.39%	6.01%	3.82%	5.91%	
Fixed interest rate borrowings	$ 130,832	$ 17,000	$ 1,443	$ 0	$ 0	$ 19,284	$ 168,559	$ 168,139
Average interest rate	5.80%	5.72%	6.15%	0.00%	0.00%	9.29%	6.19%	
Variable interest rate borrowings	$ 40,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 40,000	$ 40,000
Average interest rate	6.62%	0.00%	0.00%	0.00%	0.00%	0.00%	6.62%	

Borrowings

The Company is a member of the FHLB of Indianapolis. Membership has enabled the Company to participate in the housing programs sponsored by the FHLB, which enhances the Company's ability to offer additional programs throughout its trade area. The Company's Board of Directors has authorized borrowings of up to $100 million under the FHLB program. As of September 30, 2000, the borrowings from the FHLB totaled $51.3 million, with maturities as follows:

	September 30, 2000
	(in thousands)
Due October 23, 2000	5,000
Due October 24, 2000	5,000
Due October 25, 2000	5,000
Due December 18, 2000	10,000
Due December 26, 2000	15,000
Due December 28, 2001	10,000
Due June 24, 2003	1,300
Due January 15, 2018	49
Total	$ 51,349

All borrowings are collateralized by residential real estate mortgages and mortgage-backed securities. Membership in the FHLB requires an equity investment in FHLB stock. The amount required is computed annually, and is based upon a formula that considers the Company's total investment in residential real estate loans, mortgage-backed securities and any FHLB advances outstanding at year-end. The Company's investment in FHLB stock at September 30, 2000, was $3.6 million.

Capital and Shareholders' Equity

The Federal Deposit Insurance Corporation's (FDIC) risk based capital regulations require that all banks maintain an 8.0% total risk based capital ratio. The FDIC has also established definitions of "well capitalized" as a 5.0% Tier I leverage capital ratio, a 6.0% Tier I risk based capital ratio and a 10.0% total risk based capital ratio. All of the Bank's ratios continue to be above "well capitalized" levels.

The Company's and Bank's actual capital amounts and ratios are presented in the following table (in thousands):

	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2000						
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 79,375	10.20%	$ 62,247	8.00%	$ 77,809	10.00%
Bank	$ 80,613	10.34%	$ 62,370	8.00%	$ 77,962	10.00%
Tier I Capital (to Risk Weighted Assets)						
Consolidated	$ 73,635	9.46%	$ 31,123	4.00%	$ 46,685	6.00%
Bank	$ 73,664	9.45%	$ 31,185	4.00%	$ 46,777	6.00%
Tier I Capital (to Average Assets)						
Consolidated	$ 73,635	6.88%	$ 42,798	4.00%	$ 53,498	5.00%
Bank	$ 73,664	6.90%	$ 42,692	4.00%	$ 53,364	5.00%
As of December 31, 1999						
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 74,844	10.26%	$ 58,330	8.00%	$ 72,913	10.00%
Bank	$ 73,980	10.01%	$ 59,144	8.00%	$ 73,298	10.00%
Tier I Capital (to Risk Weighted Assets)						
Consolidated	$ 67,986	9.32%	$ 29,165	4.00%	$ 43,748	6.00%
Bank	$ 67,458	9.12%	$ 29,572	4.00%	$ 44,358	6.00%
Tier I Capital (to Average Assets)						
Consolidated	$ 67,986	6.77%	$ 40,167	4.00%	$ 50,208	5.00%
Bank	$ 67,458	6.72%	$ 40,183	4.00%	$ 50,228	5.00%

Total shareholders' equity as of September 30, 2000 increased $5.7 million, or 10.5%, to $59.9 million when compared to December 31, 1999. Net income of $7.0 million, less dividends of $2.3 million, plus the increase in the accumulated other comprehensive income of $1.1 million, less $123,000 for the cost of treasury stock acquired, comprised this increase. The Company has adopted a dividend reinvestment and stock purchase plan that became available to the Company's shareholders in July, 2000. The purpose of the dividend reinvestment plan is to provide participating shareholders with a simple and convenient method of investing cash dividends paid by the Company on its shares of common stock into additional shares of common stock. All of the Company's shareholders of record are eligible to participate in the plan.

RESULTS OF OPERATIONS

Net Income

Net income increased $697,000, or 11.0%, to $7.0 million for the first nine months of 2000, versus $6.3 million in the same period in 1999. For the three months ended September 30, 2000, net income was $2.3 million compared to $2.1 million for the three months ended September 30, 1999. Basic earnings per share for the first nine months of 2000 was $1.21 per share, versus $1.09 per share for the first nine months of 1999, and $.40 per share for the third quarter of 2000 compared to $.36 per share for the same period of 1999. Diluted earnings per share reflect the potential dilutive impact of stock options granted under an employee stock option plan. The stock options did not have an impact on earnings per share as diluted earnings per share were the same as basic earnings per share for both the nine-month and three-month periods ended September 30, 2000.

Net Interest Income

The net effect of all factors affecting total interest and dividend income and total interest expense was an increase in net interest income. For the nine-month period ended September 30, 2000, net interest income totaled $26.1 million, an increase of 9.6%, or $2.3 million, versus the first nine months of 1999. For the three-month period ended September 30, 2000, net interest income totaled $8.7 million, an increase of 3.8%, or $319,000, over the same period of 1999. The increase occurred in part as a result of the increase in loans, and by the gradual rise in interest rates, beginning in July 1999 and continuing during the first nine months of 2000.

During the first nine months of 2000, total interest and dividend income increased $7.8 million, or 15.2%, to $59.0 million, versus $51.2 million during the same nine months of 1999. Interest and dividend income increased $2.7 million, or 15.3%, for the third quarter of 2000, compared to the 1999 quarter. Daily average earning assets for the first three quarters of 2000 increased to $954.3 million, a 6.5% increase over the same period in 1999. For the third quarter, the daily average earning assets increased to $969.0 million, a 7.0% increase over the daily average earning assets of the third quarter of 1999. The tax equivalent yield on average earning assets increased by 58 basis points to 8.26% for the nine-month period ended September 30, 2000, when compared to the same period of 1999. For the three-month period ended September 30, 2000, the yield increased 61 basis points to 8.46% from the yield for the three-month period ended September 30, 1999.

The increase in the yield on average earning assets reflected increases in the yields on both loans and securities caused by the rising interest rate environment. The yield on securities is historically lower than the yield on loans, and decreasing the ratio of securities to total earning assets will normally raise the yield on earning assets. The ratio of average daily securities to average earning assets for the nine-month and three-month periods ended September 30, 2000 were 29.0% and 29.1% compared to 33.2% and 30.1% for the same periods of 1999. In addition, the overall tax equivalent yield on loans increased 51 and 70 basis points to 8.92% and 9.19% when comparing the nine-month and three-month periods. The yield on securities increased 42 basis points to 6.71% and 42 basis points to 6.73% when comparing the nine-month and three-month periods.

The average daily loan balances for the first nine months of 2000 increased 13.4% over the average daily loan balances for the same period of 1999. The average daily loan balances for the three-months ended September 30, 2000 increased 8.2% over the average daily loan balances for the three-months ended September 30, 1999. The loan growth since the first quarter of 1999 was primarily funded by securities sales and maturities and also partially funded by increases in deposits and borrowings. The increase in loan interest income of $7.6 million, or 20.1%, and $2.2 million, or 16.6%, for the nine and three-month periods in 2000 as compared to the same periods in 1999, primarily resulted from this loan growth, as well as an increase in the yields.

Income from securities totaled $13.3 million for the first nine months of 2000, an increase of $194,000, or 1.5%, versus the same period of 1999. The income from securities for the three-month period ended September 30, 2000 was $4.5 million as compared to $4.1 million, an increase of $403,000, or 9.8%, over the three-month period ended September 30, 1999. This increase resulted from an increase in the yields on securities offset by the decrease in average daily balances of securities. The average daily balances of securities for the nine-month period ended September 30, 2000 decreased $20.6 million to $277.2 million when compared to the same period of the prior year. For the three-month period ended September 30, 2000 the average daily balances of securities increased $8.5 million to $281.5 million when compared to the same period of 1999.

Income from short-term investments amounted to $240,000 for the nine-month period and $97,000 for the three-month period ended September 30, 2000. This compares to $232,000 and $40,000 for the same periods in 1999. The increases of $57,000 and $8,000 for the nine and three-month periods of 2000 over the same periods in 1999 resulted primarily from a 129 and 127 basis point increase in the yields.

Total interest expense increased $5.5 million or 20.1% to $32.9 million for the nine-month period ended September 30, 2000, from $27.4 million for the nine-month period ended September 30, 1999 and increased $2.4 million or 25.8% for the three-month period ended September 30, 2000, from the $9.3 million for the three-month period ended September 30, 1999. This was a result of the overall growth of deposits in existing offices, changes in the deposit mix and a 48 basis point increase in the Company's daily cost of funds. On an average daily basis, total deposits (including demand deposits) increased 4.6% and 5.7% for the nine and three-month periods ended September 30, 2000, as compared to the similar periods in 1999. When comparing the same periods, the average daily balances of the demand deposit accounts rose $16.4 million and $9.8 million, while the average daily balances of savings and transaction accounts combined increased $15.1 million and $22.0 million. The average daily balance of time deposits, which pay a higher rate of interest compared to demand deposit and transaction accounts, increased $3.9 million for the nine months ended September 30, 2000, compared to the nine months ended September 30, 1999. For the three-month period ended September 30, 2000, the average daily balance of time deposits decreased $11.6 million, as compared to the three-months ended September 30, 1999. These deposit trends are the result of management's efforts to grow relationship type accounts such as demand deposit and Investors' Weekly accounts, which pay a lower rate of interest compared to time deposit accounts and better match the characteristics of the assets being generated. Management plans to continue these efforts during the remainder of 2000. Average daily balances of borrowings increased $31.3 million and $19.9 million for the nine and three-month periods ended September 30, 2000 compared to the same periods of 1999, and the rate on borrowings increased 81 and 114 basis points when comparing the same periods. On an average daily basis, total deposits (including demand deposits) and purchased funds increased 7.1% and 6.9% for the nine and three-month periods ended September 30, 2000, as compared to the nine and three-month periods ended September 30, 1999.

Provision for Loan Losses

The Company maintains the allowance for loan losses at a level that is deemed appropriate based upon loan loss experience, the nature of the portfolio, the growth of the portfolio and the evaluation of current economic conditions. Special consideration is given to watch list loans, non-performing loans and non-accrual loans, as well as other factors that management feels deserve recognition. The Company maintains a quarterly loan review program designed to provide reasonable assurance that the allowance is maintained at an appropriate level and that changes in the status of loans are reflected in the financial statements in a timely manner. The adherence to this policy may result in fluctuations in the provision for loan losses. Consequently, the increase in net interest income before provision for loan losses, discussed above, may not necessarily flow through to the net interest income after provision for loan losses.

The provision amounted to $707,000 and $1,050,000 for the nine-month periods ended September 30, 2000 and 1999,respectively. For the three-month periods ended September 30, 2000 and 1999, the provision amounted to $92,000 and $550,000, respectively. These provisions reflect a number of factors including the size of the loan portfolio, the amount of past due accruing loans (90 days or more), the amount of non-accrual loans and management's overall view on credit quality.

As of September 30, 2000, loans delinquent 90 days or more that were included in the accompanying financial statements as accrual loans totaled approximately $881,000. At September 30, 2000, loans totaling $264,000 were on non-accrual. At December 31, 1999, there were $171,000 in loans delinquent 90 days or more included as accruing loans in the financial statements and there were $329,000 on non-accrual. These levels of non-performing loans reflect both the general economic conditions that have promoted growth and expansion in the Company's trade area during the last several years, and a credit risk management strategy that promotes diversification.

As a result of management's analysis of the adequacy of the allowance, the ratio of the allowance for loan losses to total loans was approximately 1.00% for September 30, 2000, as well as for December 31 and September 30, 1999.

As part of the loan review process, management reviews all loans classified as `special mention' or below, as well as other loans that might require classification as impaired. As of September 30, 2000, loan balances totaling $825,000 were classified as impaired and as of December 31, 1999, $246,000 were classified as impaired.

Following is a summary of the loan loss experience for the nine months ended September 30, 2000, and the year ended December 31, 1999.

	September 30, 2000	December 31, 1999
	(in thousands)	
Amount of loans outstanding	$ 695,232	$ 653,898
Average daily loans outstanding for the period	$ 671,544	$ 642,307
Allowance for loan losses at the beginning of the period	$ 6,522	$ 5,510
Charge-offs:		
Commercial	0	147
Real estate	0	6
Installment	378	252
Credit card and personal credit lines	26	30
Total charge-offs	404	435
Recoveries:		
Commercial	45	10
Real estate	0	0
Installment	75	114
Credit card and personal credit lines	4	13
Total recoveries	124	137
Net charge-offs	280	298
Provision charged to expense	707	1,310
Allowance for loan losses at the end of the period	$ 6,949	$ 6,522
Ratio of annualized net charge-offs during the period to average daily loans during the period:		
Commercial	(0.01)%	0.02%
Real estate	0.00%	0.00%
Installment	0.06%	0.03%
Credit card and personal credit lines	0.00%	0.00%
Total	0.05%	0.05%

Net interest income after provision for loan losses totaled $25.4 million and $8.7 million for the nine and three-month periods ended September 30, 2000. This represented increases of 11.6% and 9.9% over the same periods ended September 30, 1999.

Noninterest Income

Noninterest income categories for the nine and three-month periods ended September 30, 2000, and 1999 are shown in the following tables:

	Nine Months ended September 30, 2000		
	2000	1999	Percent Change
	(in thousands)		
Trust and brokerage fees	$ 1,586	$ 1,286	23.3%
Service charges on deposits	3,304	3,198	3.3
Other income (net)	2,478	2,498	(0.8)
Net gains on the sale of real estate mortgages held-for-sale	366	1,136	(67.8)
Net securities gains	0	1,340	(100.0)
Total noninterest income	$ 7,734	$ 9,458	(18.2)%

	Three Months ended September 30, 2000		
	2000	1999	Percent Change
	(in thousands)		
Trust and brokerage fees	$ 530	$ 456	16.2%
Service charges on deposits	1,109	1,105	0.4
Other income (net)	871	865	0.7
Net gains on the sale of real estate mortgages held-for-sale	128	381	(66.4)
Net securities gains	0	481	(100.0)
Total noninterest income	$ 2,638	$ 3,288	(19.8)%

Trust fees increased 24.6% in the first three quarters of 2000 versus the same period in 1999. This increase was primarily in employee benefit plans, agency and testamentary trusts. Brokerage fees increased 21.0% in the first three quarters of 2000 versus the same period in 1999. This increase was the result of increased volume as customer acceptance of the product appeared to increase.

The primary sources for the increase in service charges on deposit accounts were fees related to business checking accounts.

Other income consists of normal recurring fee income, as well as other income that management classifies as non-recurring. The primary decreases for the none-month period ended September 30, 2000 were in other real estate income and mortgage fee income. For the three-month period ended September 30, 2000 the primary increases were in other real estate income and credit card fee income.

The decrease in profits from the sale of mortgages reflected a decrease in the volume of mortgages sold during the first nine months of 2000 versus sales during the first nine months of 1999. This decrease in volume was a result of the rising interest rate environment and a decrease in demand for home mortgages, which began in the last half of 1999. Management does not anticipate that this trend will shift during the balance of 2000.

Noninterest Expense

Noninterest expense categories for the nine and three-month periods ended September 30, 2000, and 1999 are shown in the following tables:

	Nine Months ended September 30, 2000		
	2000	1999	Percent Change
	(in thousands)		
Salaries and employee benefits	$ 11,881	$ 11,790	0.8%
Occupancy and equipment expense	3,866	4,010	(3.6)
Other expense	7,272	6,859	6.0
Total noninterest expense	$ 23,019	$ 22,659	1.6%

	Three Months ended September 30, 2000		
	2000	1999	Percent Change
	(in thousands)		
Salaries and employee benefits	$ 4,257	$ 4,089	4.1%
Occupancy and equipment expense	1,277	1,402	(8.9)
Other expense	2,471	2,456	0.6
Total noninterest expense	$ 8,005	$ 7,947	0.7%

The increase in salaries and employee benefits reflected normal salary increases and higher employee insurance premiums, offset by the pension plan curtailment gain of $500,000 recognized in the second quarter of 2000. Total employees decreased to 479 at September 30, 2000, from 485 at September 30, 1999. This decrease resulted primarily from the closing of two offices during the second quarter of 2000.

The decrease in occupancy and equipment expense was the result of closing two offices in the second quarter of 2000. Also, the growth in these expenses has lessened with the completion of the Year 2000 project and the completion of a major technology upgrade.

When comparing other expense for the nine and three-month periods ended September 30, 2000 to the same periods of 1999, a significant increase was noted in professional fees (up $372,000, or 76.1%, and $269,000, or 78.4%). This increase was primarily due to non-recurring expenses related to employee benefit plans.

Income Before Income Tax Expense

Income before income tax expense increased $547,000, or 5.7%, to $10.1 million for the first nine months of 2000, versus $9.6 million for the same period in 1999. For the three months ended September 30, 2000, income before income taxes was $3.3 million versus $3.2 million for the three months ended September 30, 1999. This was due primarily to the increase in net interest income.

Income Tax Expense

Income tax expense decreased $150,000, or 4.6%, for the first nine months of 2000, compared to the same period in 1999. Income tax expense for the third quarter of 2000 decreased $154,000, or 13.7%, compared to the third quarter of 1999.

The combined state franchise tax expense and the federal income tax expense as a percentage of income before income tax expense decreased to 30.7% during the first nine months of 2000, compared to 34.0% during the same period in 1999. It decreased to 29.6% for the three months ended September 30, 2000, compared to 35.0% for the same three months in 1999. The decreases were primarily a result of lower state franchise tax expense.

YEAR 2000

The Company had a successful Year 2000 and leap year rollover. At this point, the Company has not experienced any Year 2000 issues as a result of the rollover, and is not aware of any customers that have experienced any material Year 2000 issues. This success can be attributed to the two years of planning and preparation for the Year 2000. Part of the preparation was evaluating, upgrading and/or replacing all hardware, software, and electrical and mechanical equipment that was not year 2000 compliant. Through this evaluation process, systems that were identified as not Year 2000 ready were either upgraded or retired. The Company upgraded 19 systems and retired 23 systems based on the results of the evaluation process. As part of this preparation, the Company contacted all vendors, corporate depositors, and all large corporate lending customers to assess their Year 2000 efforts. While the rollover went smoothly, Year 2000 monitoring will continue for much of the year to assure that all potential Year 2000 issues are addressed.

Recent Regulatory Developments

The Gramm-Leach-Bliley Act (the "Act"), which was enacted in November, 1999, allows eligible bank holding companies to engage in a wider range of nonbanking activities, including greater authority to engage in securities and insurance activities. Under the Act, an eligible bank holding company that elects to become a financial holding company may engage in any activity that the Board of Governors of the Federal Reserve System (the "Federal Reserve"), in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature, incidental to any such financial activity, or complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. National banks are also authorized by the Act to engage, through "financial subsidiaries," in certain activity that is permissible for financial holding companies (as described above) and certain activity that the Secretary of the Treasury, in consultation with the Federal Reserve, determines is financial in nature or incidental to any such financial activity.

Although various bank regulatory agencies have issued regulations as mandated by the Act, except for the jointly issued privacy regulations, the Act and its implementing regulations have had little impact on the daily operations of the Company and the Bank and, at this time, it is not possible to predict the impact the Act and its implementing regulations may have on the Company or the Bank. As of the date of this filing, the Company has not applied for or received approval to operate as a financial holding company. In addition, the Bank has not applied for or received approval to establish any financial subsidiaries. Less than 10% of all bank holding companies have elected to become financial holding companies.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

See "Market Risk" on pages 18-20.

LAKELAND FINANCIAL CORPORATION

FORM 10-Q

September 30, 2000

Part II - Other Information

Item 1. Legal proceedings

There are no material pending legal proceedings to which the Company or its subsidiaries is a party other than ordinary routine litigation incidental to their respective businesses.

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

27 Financial Data Schedule

b. Reports

None

LAKELAND FINANCIAL CORPORATION

FORM 10-Q

September 30, 2000

Part II - Other Information

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LAKELAND FINANCIAL CORPORATION
(Registrant)

Date: November 14, 2000

/s/ Michael L. Kubacki
Michael L. Kubacki - President and Chief Executive Officer

Date: November 14, 2000

/s/ David M. Findlay
David M. Findlay - Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description	Page
27	Financial Data Schedule (EDGAR filing only)	