SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1994   Commission File No. 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 No.)

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 1-219-267-6144

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

COMMON
(Title of Class)

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 other 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 by check mark if disclosure of delinquent filers pursuant to Item 405 of regulation S-K is not contained herein and will not be contained, to the best of the Registrant's knowledge, in definitive Proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.[   ]

Aggregate market value of the voting stock held by non-affiliates of the registrant, computed solely for the purposes of this requirement on the basis of the book value at February 28, 1995, and assuming solely for the purposes of this calculation that all Directors and executive officers of the Registrant are "affiliates": $29,135,839.

Number of shares of common stock outstanding at February 28, 1995: 1,438,496

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference in the Part of 10-K indicated:

Part	Document
I, II & IV	Lakeland Financial Corporation's Annual Report to Shareholders for year ended December 31, 1994, parts of which are incorporated into Parts I, II and IV of this Form 10-K.
III	Proxy statement mailed to Shareholders on March 16, 1995, which is incorporated into Part III of this Form 10-K.

PART I.

ITEM 1. BUSINESS

The registrant was incorporated under the laws of the State of Indiana on February 8, 1983. As used herein, the term "Registrant" refers to Lakeland Financial Corporation or, if the context dictates, the Lakeland Financial Corporation and its wholly owned subsidiary, Lake City Bank, Warsaw, Indiana.

General

Registrant's Business. The Registrant is a bank holding company as defined in the Bank Holding Company Act of 1956, as amended. Registrant owns all of the outstanding stock of Lake City Bank, Warsaw, Indiana, a full service commercial bank organized under Indiana law (the "Bank"). Registrant conducts no business except that incident to its ownership of the outstanding stock of the Bank and the operation of the Bank.

The Bank's deposits are insured by the Federal Deposit Insurance Corporation. The Bank's activities cover all phases of commercial banking, including checking accounts, savings accounts, time deposits, the sale of securities under agreements to repurchase, discount brokerage services, commercial and agricultural lending, direct and indirect consumer lending, real estate mortgage lending, safe deposit box service and trust services.

The Bank's main banking office is located at 202 East Center Street, Post Office Box 1387, Warsaw, Indiana. As of December 31, 1994, the Bank had nine branch offices and one drive-up facility in Kosciusko County, five branch offices in Elkhart County, three branch offices in Wabash County, two branch offices in Marshall County, two branch offices in Noble County, one branch office in Whitley County, one branch office in LaGrange County and one branch office and one drive-up facility in Fulton County. The Bank's operations center is located at 113 East Market Street, Warsaw, Indiana.

Supervision and Regulation. The Registration is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended ("BHC Act"). As a bank holding company, the registrant is required to file with the Federal Reserve Board (the "FRB") annual reports and such additional information as the FRB may require. The FRB may also make an examination or inspection of the Registrant.

The BHC Act prohibits a bank holding company from engaging in, or acquiring direct or indirect control of more than five percent of the voting shares of any company engaged in non-banking activities. One of the principal exceptions to this prohibition is for activities deemed by the FRB to be "closely relating to banking". Under current regulations, bank holding companies and their subsidiaries may engage in such bank related business ventures as consumer finance, equipment leasing, computer service bureau and software operations and mortgage banking.

The BHC Act also governs banking expansion by bank holding companies. Before a bank holding company acquires more than five percent of the voting shares of any other bank it must receive the prior written approval of the FRB or its delegate. Furthermore, the BHC Act does not permit a bank holding company to acquire a bank located outside the State of Indiana unless the acquisition is specifically authorized by the laws of the State in which such bank is located.

The acquisition of banking subsidiaries by bank holding companies is subject to the jurisdiction of, and requires the prior approval of, the Federal Reserve, and for institutions resident in Indiana, the Indiana Department of Financial Institutions. Bank holding companies located in Indiana are permitted to acquire banking subsidiaries throughout the state, subject to limitations based upon the percentage of total state deposits of the holding company's subsidiary banks. Indiana law permits the Registrant to acquire banks, and be acquired by bank holding companies, located in any state in the country which permits reciprocal entry by Indiana bank holding companies.

The Registrant is an "affiliate" of the Bank within the meaning of Section 23A of the Federal Reserve Act (as made applicable to the Bank by the Federal Deposit Insurance Act) and Indiana Code 28-1-18.1. As a result, the Bank is restricted in making loans to, investments in, or loans secured by securities of, the Registrant. The BHC Act also prohibits the Registrant and its subsidiaries from imposing "tie-in" requirements in connection with extensions of credit and other services.

Under the provisions of Indiana law, the registrant may not acquire more than twenty-five percent of the voting stock in any banks other than the Bank without the approval of the Indiana Department of Financial Institutions. In any such event, the Registrant would be required to obtain the prior approval of the FRB as described above to purchase interest of five percent or more in another bank.

The Bank is under supervision of and subject to examination by the Indiana Department of Financial Institutions and the Federal Deposit Insurance Corporation. Regulation and examination by banking regulatory agencies are primarily for the benefit of depositors and not shareholders.

The earnings of commercial banks are affected not only by general economic conditions, but also by the policies of various governmental regulatory authorities. In particular, the FRB regulates money and credit conditions and interest rates in order to influence general economic conditions, primarily through open-market operations in U.S. Government securities, the discount rate on bank borrowing, setting the reserves that banks must maintain against certain bank deposits and the regulation of interest rates payable by banks on certain time and savings deposits. These policies have a significant effect on the overall growth and distribution of bank loans, investments and deposits. They influence interest rates charged on loans, earned on investments and paid for time and savings deposits. FRB monetary policies have had significant effect on the operating results of commercial banks in the past, and are expected to exert similar influence in the future. The general effect, if any, of such policies upon the future business and earnings of the Registrant and the Bank cannot be reasonably predicted.

Material Changes and Business Developments

From the date of the Registrant's incorporation, February 8, 1983, until October 31, 1983, the Registrant conducted no business and had no assets (except nominal assets necessary to complete the acquisition of the Bank). The Registrant has conducted no business since October 31, 1983, except that incident to its ownership of the stock of the Bank, the collection of dividends from the Bank, and the disbursement of dividends to the Registrant's shareholders. During the period from 1985 to 1987, the Registrant owned all of the outstanding shares of Lakeland Mortgage Corp., a mortgage lending and servicing corporation doing business in Indiana. Lakeland Mortgage Corp. discontinued business operations on December 15, 1987. The Registrant continued to own all of the stock of Lakeland Mortgage Corp. until 1992, during which year, Lakeland Mortgage Corp. was liquidated and all stock was redeemed.

Competition

The Bank was originally organized in 1872 and has continuously operated under the laws of the State of Indiana since its organization. The Bank is a full service bank providing both commercial and personal banking services. Bank products offered include interest and noninterest bearing demand accounts, savings and time deposit accounts, sale of securities under agreements to repurchase, discount brokerage, commercial loans, mortgage loans, consumer loans, letters of credit, and a wide range of trust services. The interest rates for both deposits and loans, as well as the range of services provided, are nearly the same for all banks competing within the Bank's service area.

The Bank's service area is described as all of Kosciusko, Elkhart, and Wabash Counties and portions of St. Joseph, Marshall, Fulton, Miami, Huntington, Whitley, Noble, and LaGrange Counties. Within this area the Bank competes with 20 other banks, 6 of which are larger than the Bank. Of the 14 which are smaller than the Bank, 4 are members of Bank Holding Companies which are larger than the Registrant. Eight of these institutions have home offices outside the Bank's defined business area but operate branches within this area.

In addition to the banks located within its service area, the Bank also competes with savings and loan associations, credit unions, farm credit services, finance companies, personal loan companies, insurance companies, money market funds, and other non-depository financial intermediaries. In addition, financial intermediaries such as money market mutual funds and large retailers are not subject to the same regulations and laws that govern the operation of traditional depository institutions and accordingly may have an advantage in competing for funds.

In addition to the banks within its service area, the Bank competes with other major banks for the large commercial deposit and loan accounts. The Bank is presently subject to an aggregate maximum loan limit to any single account in the amount of $5,445,000 pursuant to Indiana law. This maximum prohibits the Bank from providing a full range of banking services to those businesses or personal accounts whose borrowing periodically exceed this amount. In order to retain at least a portion of the bank business of these large borrowers, the Bank maintains correspondent relationships with: Norwest Bank, Indiana, N.A., Fort Wayne, Indiana; NBD, N.A., Indianapolis, Indiana and Detroit, Michigan; Northern Trust Company, Chicago, Illinois; Bank One, N.A., Indianapolis, Indiana; and Mellon Bank, N.A., Pittsburgh, Pennsylvania. The Bank also participates with local and other banks in the placement of large borrowings in excess of its lending limit. The Bank is also a member of the Federal Home Loan Bank of Indianapolis in order to broaden its mortgage lending and investment activities and to provide additional funds, if necessary, to support these activities.

Foreign Operations

The Bank has no investments with any foreign entity other than a nominal demand deposit account which is maintained with a Canadian bank in order to facilitate the clearing of checks drawn on banks located in that country. There are no foreign loans.

Employees

At December 31, 1994, the Registrant, including its subsidiary corporation, had approximately 278 full time equivalent employees. Benefit programs include a pension plan, 401(k) plan, group medical insurance, group life insurance and paid vacations. The bank is not a party to any collective bargaining agreement, and employee relations are considered good.

Industry Segments

The Registrant and the Bank are engaged in a single industry and perform a single service -- commercial banking. On the pages that follow are tables which set forth selected statistical information relative to the business of the Registrant.

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DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY;
INTEREST RATES AND INTEREST DIFFERENTIAL
(in thousands of dollars)

	1994			1993		
	Average Balance	Interest Income	Yield*	Average Balance	Interest Income	Yield*
ASSETS						
Earning assets:						
Trading account investments	$0	$0	0.00 %	$72	$2	3.31 %
Loans:						
Taxable **	267,604	23,658	8.84	235,352	19,946	8.48
Tax Exempt *	3,787	413	10.91	5,114	529	10.34
Investments:						
Taxable	149,049	8,842	5.79	100,507	6,459	6.43
Tax Exempt *	11,436	1,102	9.27	9,463	971	10.26
Short-term investment	3,551	152	4.28	3,111	93	2.96
Interest bearing deposits	98	3	3.06	3,116	92	2.97
Total Earning Assets	$435,525	$34,170	7.85 %	$356,735	$28,092	7.87 %
Nonearning assets:						
Cash and due from banks	18,164	0		12,505	0	
Premises and equipment	10,104	0		8,119	0	
Other assets	7,508	0		8,308	0	
Less: allowance for loan losses	(4,417)	0		(3,419)	0	
Total assets	$466,884	$34,170		$382,248	$28,092	

* Tax exempt income converted to fully taxable equivalent basis at a 34 percent tax rate for 1994 and 1993. Tax equivalent rate for tax exempt loans and tax exempt securities acquired after January 1, 1983, includes TEFRA adjustment applicable to nondeductible interest expenses. Investment yields for 1994 are based on average balances excluding unrealized net gains or losses on securites available for sale. Nonaccrual loans are included in the above analysis as earning assets - loans.

**Loan fees, which are immaterial in relation to total taxable loan interest income for the years ended December 31, 1994, and 1993, are included as taxable loan interest income.

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY;
INTEREST RATES AND INTEREST DIFFERENTIAL (cont.)
(in thousands of dollars)

	1993			1992		
	Average Balance	Interest Income	Yield*	Average Balance	Interest Income	Yield*
ASSETS						
Earning assets:						
Trading account investments	$72	$2	3.31 %	$135	$14	10.37 %
Loans:						
Taxable **	235,352	19,946	8.48	207,569	18,762	9.04
Tax Exempt *	5,114	529	10.34	6,030	605	10.03
Investments:						
Taxable	100,507	6,459	6.43	100,983	7,801	7.73
Tax Exempt *	9,463	971	10.26	6,959	722	10.37
Short-term investment	3,111	93	2.96	2,368	89	3.76
Interest bearing deposits	3,116	92	2.97	2,677	99	3.70
Total earning assets	$356,735	$28,092	7.87 %	$326,721	$28,092	8.60 %
Nonearning assets:						
Cash and due from banks	12,505	0		10,722	0	
Premises and equipment	8,119	0		7,070	0	
Other assets	8,308	0		5,696	0	
Less: allowance for loan losses	(3,419)	0		(2,881)	0	
Total assets	$382,248	$28,092		$347,328	$28,092	

* Tax exempt income converted to fully taxable equivalent basis at a 34 percent tax rate for 1993 and 1992. Tax equivalent rate for tax exempt loans and tax exempt securities acquired after January 1, 1983, includes TEFRA adjustment applicable to nondeductible interest expenses. Nonaccrual loans are included in the above analysis as earning assets - loans.

**Loan fees, which are immaterial in relation to total taxable loan interest income for the years ended December 31, 1993, and 1992, are included as taxable loan interest income.

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY;
INTEREST RATES AND INTEREST DIFFERENTIAL (cont.)
(in thousands of dollars)

	1994			1993		
	Average Balance	Interest Expense	Rate	Average Balance	Interest Expense	Rate
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest bearing liabilities						
Savings deposits	$55,855	$1,517	2.72 %	$38,263	$1,059	2.77 %
Interest bearing checking accounts	58,945	1,394	2.36	54,197	1,380	2.55
Time deposits						
In denominations under $100,000	148,251	6,837	4.61	128,520	6,074	4.73
In denominations over $100,000	54,389	2,360	4.34	42,458	1,588	3.74
Miscellaneous short-term borrowings	47,220	1,879	3.98	42,919	1,428	3.33
Long-term borrowings	15,806	900	5.69	8,677	493	5.68
Capital notes	0	0	0.00	0	0	0.00
Total interest bearing liabilities	$380,466	$14,887	3.91 %	$315,034	$12,022	3.82 %
Non-interest bearing liabilities and stockholders' equity						
Demand deposits	52,893	0		37,709	0	
Other liabilities	4,606	0		3,847	0	
Stockholders' equity	28,919	0		25,658	0	
Total liabilities and stock-holders' equity	$466,884	$14,887	3.19 %	$382,248	$12,022	3.15 %
Net interest differential - yield on average daily earning assets		$19,283	4.43 %		$16,070	4.50 %

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY;
INTEREST RATES AND INTEREST DIFFERENTIAL (cont.)
(in thousands of dollars)

	1993			1992		
	Average Balance	Interest Expense	Rate	Average Balance	Interest Expense	Rate
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest bearing liabilities						
Savings deposits	$38,263	$1,059	2.77 %	$27,493	$935	3.40 %
Interest bearing checking accounts	54,197	1,380	2.55	48,398	1,637	3.38
Time deposits						
In denominations under $100,000	128,520	6,074	4.73	143,430	7,997	5.58
In denominations over $100,000	42,458	1,588	3.74	26,448	1,215	4.59
Miscellaneous short-term borrowings	42,919	1,428	3.33	45,031	1,836	4.08
Long-term borrowings	8,677	493	5.68	43	2	5.63
Capital notes	0	0	0.00	0	0	0.00
Total interest bearing liabilities	$315,034	$12,022	3.82 %	$290,843	$13,622	4.68 %
Non-interest bearing liabilities and stockholders' equity						
Demand deposits	37,709	0		31,503	0	
Other liabilities	3,847	0		2,704	0	
Stockholders' equity	25,658	0		22,278	0	
Total liabilities and stockholders' equity	$382,248	$12,022	3.15 %	$347,328	$13,622	3.92 %
Net interest differential - yield on average daily earning assets		$16,070	4.50 %		$14,470	4.43 %

ANALYSIS OF CHANGES IN INTEREST DIFFERENTIALS
(Fully Taxable Equivalent Basis)
(in thousands of dollars)

	YEAR ENDED DECEMBER 31,					
	1994 Over (under) 1993(1)			1993 Over (under) 1992(1)		
	Volume	Rate	Total	Volume	Rate	Total
INTEREST AND LOAN FEE INCOME(2)						
Loans:						
Taxable	2,823	889	3,712	2,404	(1,220)	1,184
Tax exempt	(143)	27	(116)	(94)	18	(76)
Investments:						
Taxable	2,912	(529)	2,383	(36)	(1,306)	(1,342)
Tax exempt	193	(61)	132	257	(8)	249
Trading account investments	(1)	(1)	(2)	(5)	(7)	(12)
Short-term investment	14	45	59	24	(20)	4
Interest bearing deposits	(100)	10	(90)	15	(22)	(7)
Total interest income	$5,698	$380	$6,078	$2,565	($2,565)	$0
INTEREST EXPENSE						
Savings deposits	478	(20)	458	320	(196)	124
Interest bearing checking accounts	116	(102)	14	180	(437)	(257)
Time deposits						
In denominations under $100,000	914	(150)	764	(780)	(1,143)	(1,923)
In denominations over $100,000	492	280	772	631	(258)	373
Miscellaneous short-term borrowings	152	298	450	(82)	(326)	(408)
Long-term borrowings	406	1	407	490	1	491
Total interest expense	$2,558	$307	$2,865	$759	($2,359)	($1,600)
INCREASE (DECREASE) IN INTEREST DIFFERENTIALS	$3,140	$73	$3,213	$1,806	($206)	$1,600

(1) The earning assets and interest bearing liabilities used to calculate interest differentials are based on average daily balances for 1994, 1993 and 1992. The changes in volume represent "changes in volume times rate". The changes in rate represent "changes in rate times old volume". The change in rate/volume were also calculated by "change in rate times change in volume" and allocated consistently based upon the relative absolute values of the changes in volume and changes in rate.

(2) Tax exempt income converted to fully taxable equivalent basis at a 34 percent tax rate for 1994, 1993 and 1992. Tax equivalent rate for tax exempt loans and tax exempt securities acquired after January 1, 1983, includes TEFRA adjustment applicable to nondeductible interest expense.

ANALYSIS OF TRADING ACCOUNT SECURITIES
AND SECURITIES HELD FOR SALE
(in thousands of dollars)

The carrying value and the fair value of trading account securities and securities held for sale as of December 31, 1994, 1993 and 1992 are as follows:

	1994		1993		1992	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Part A: Trading account						
Government agencies and corporations	$0	$0	$0	$0	$0	$0
Part B: Securities held for sale						
U.S. Treasury	$0	$0	$0	$0	$6,187	$6,397
Government agencies and corporations	0	0	0	0	4,274	4,379
Other securities	0	0	0	0	0	0
Total securities held for sale	$0	$0	$0	$0	$10,461	$10,776

ANALYSIS OF SECURITIES
(in thousands of dollars)

The amortized cost and the fair value of securities as of December 31, 1994, 1993 and 1992 are as follows:

	1994		1993		1992	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securities available for sale:						
U.S. Treasury securities	26,960	25,916	29,701	30,446	0	0
Government agencies and corporations	1,000	1,000	0	0	0	0
Mortgage-backed securities	30,734	28,987	26,798	26,810	0	0
Obligations of state and political subdivisions	887	933	882	975	0	0
Other securities	999	1,026	999	1,128	0	0
Total debt securities available for sale	60,580	57,862	58,380	59,359	0	0
Equity securities	1,760	1,738	1,774	1,774	0	0
Total securities available for sale	62,340	59,600	60,154	61,133	0	0
Securities held to maturity:						
U.S. Treasury securities	14,714	13,876	10,544	10,559	10,256	10,430
Government agencies and corporations	2,034	2,037	99	99	99	113
Mortgage-backed securities	78,781	73,673	77,085	77,067	69,826	69,898
Obligations of state and political subdivisions	13,608	13,061	10,825	11,457	7,513	7,822
Other securities	1,015	1,076	1,017	1,195	2,023	2,023
Total debt securities held to maturity	110,152	103,723	99,570	100,377	89,717	90,286
Equity securities	0	0	0	0	1,774	1,774
Total securities held to maturity	110,152	103,723	99,570	100,377	91,491	92,060

* Equity securities include $1,724, $1,724 and $1,724 as of December 31, 1994, 1993 and 1992, respectively, of the Federal Home Loan Bank of Indianapolis (FHLB) stock, The FHLB stock is redeemable at par upon six months notice to FHLB.

ANALYSIS OF SECURITIES (cont.)
(Fully Tax Equivalent Basis)
(in thousands of dollars)

The maturity distribution (2) and weighted average yields (1) for debt securities portfolio at December 31, 1994 are as follows:

	Within One Year	After One Year Within Five Years	After Five Years Within Ten Years	Over Ten Years
Securities available for sale:				
U.S. Treasury securities				
Book value	3,017	23,942	0	0
Yield	6.04	5.25		
Government agencies and corporations				
Book value	0	1,000	0	0
Yield		4.88		
Mortgage-backed securities				
Book value	0	30,734	0	0
Yield		5.32		
Obligations of state and political subdivisions				
Book value	300	587	0	0
Yield	9.38	10.19		
Other debt securities				
Book value	0	1,000	0	0
Yield		7.91		
Total debt securities available for sale:				
Book value	3,317	57,263	0	0
Yield	6.34	5.41		
Securities held to maturity:				
U.S. Treasury securities				
Book value	0	14,714	0	0
Yield		4.92		
Government agencies and corporations				
Book value	0	2,034	0	0
Yield		8.75		
Mortgage-backed securities				
Book value	857	55,012	18,303	4,609
Yield	12.53	5.87	6.68	6.82
Obligations of state and political subdivisions				
Book value	342	284	2,371	10,611
Yield	9.77	6.38	11.16	7.88
Other debt securities				
Book value	0	0	1,015	0
Yield			10.36	
Total debt securities held to maturity:				
Book value	1,199	72,044	21,689	15,220
Yield	11.74	5.71	7.23	7.50

(1) Tax exempt income converted to a fully taxable equivalent basis at a 34% rate.
(2) The maturity distribution of mortgage-backed securities is based upon anticipated payments as computed by using the historic average repayment speed from date of issue.
(3) There are no investments in securities of any one issuer that exceed 10% of stockholders' equity.

Equity investments of $1,760 include $1,724 of stock of the Federal Home Loan Bank of Indianapolis (FHLB). The stock is redeemable at par upon presentation of a six month notice of withdrawal to the FHLB. Dividends are declared and paid as of the last day of each calendar quarter at the sole discretion of the Board of Directors of the FHLB. During 1994, the Registrant received dividends amounting to $99 for an average annualized yield of 5.74%.

ANALYSIS OF LOAN PORTFOLIO
Analysis of Loans Outstanding
(in thousands of dollars)

The Registrant segregates its loan portfolio into four basic segments: commercial (including agri-business and agricultural loans), real estate mortgages, installment and credit cards (including personal line of credit loans). The loan portfolio as of December 31, 1994, 1993, 1992, 1991 and 1990 is as follows:

	1994	1993	1992	1991	1990
Commercial loans:					
Taxable	$173,325	$144,274	$128,268	$97,510	$86,788
Tax exempt	3,207	4,501	5,594	6,521	5,722
Total commercial loans	$176,532	$148,775	$133,862	$104,031	$92,510
Real estate mortgage loans	47,296	49,816	50,413	50,697	36,976
Installment loans	48,228	46,914	36,111	33,312	32,676
Credit card and line of credit loans	15,900	14,680	13,816	11,986	10,222
Total loans	$287,956	$260,185	$234,202	$200,026	$172,384
Less allowance for loan losses	4,866	4,010	3,095	2,612	1,777
Net loans	$283,090	$256,175	$231,107	$197,414	$170,607

The real estate mortgage loan portfolio includes construction loans totaling $426, $223, $1,164, $885 and $380 as of December 31, 1994, 1993, 1992, 1991 and 1990, respectively. Installment loans are net of unearned discount of $34, $151, $0, $0 and $0 as of December 31, 1994, 1993, 1992, 1991 and 1990 respectively. The above loan classifications are based on the nature of the loans as of the loan origination date, and are independent as to the use of the funds by the borrower. There are no foreign loans included in the above analysis.

ANALYSIS OF LOAN PORTFOLIO (cont.)
Analysis of Loans Outstanding (cont.)
(in thousands of dollars)

Repricing opportunities of the loan portfolio occur either according to predetermined adjustable rate schedules included in the related loan agreements or upon scheduled maturity of each principal payment. The following table indicated the rate sensitivity of the loan portfolio as of December 31, 1994. The table includes the real estate loans held for sale and assumes these loans will not be sold during the various time horizons.

	Commercial	Real Estate	Installment	Credit Card and Line of Credit	Total	Percent
Immediately adjustable interest rates or original maturity of one day	$145,470	$1,876	$3,107	$13,086	$163,539	56.8 %
Other within one year	2,989	22,356	19,900	0	45,245	15.7
After one year, within five years	20,904	16,449	24,539	2,814	64,706	22.4
Over five years	7,169	6,772	682	0	14,623	5.1
Nonaccrual loans	0	18	0	0	18	0.0
Total loans	$176,532	$47,471	$48,228	$15,900	$288,131	100.0 %

A portion of the Bank's loans are short-term maturities. At maturity, credits are reviewed, and if renewed, are renewed at rates and conditions that prevail at the time of maturity.

Loans due after one year which have a predetermined interest rate and loans due after one year which have floating or adjustable interest rates as of December 31, 1994 amounted to $68,963 and $94,159 respectively.

ANALYSIS OF LOAN PORTFOLIO (cont.)
Review of Nonperforming Loans
(in thousands of dollars)

The following is a summary of nonperforming loans as of December 31, 1994, 1993, 1992, 1991 and 1990.

	1994	1993	1992	1991	1990
PART A - PAST DUE ACCRUING LOANS (90 DAYS OR MORE)					
Real estate mortgage loans	$0	$1	$79	$27	$56
Commercial and industrial loans	16	315	100	1,127	1,149
Loans to individuals for household, family and other personal expenditures	19	346	42	55	97
Loans to finance agriculture production and other loans to farmers	0	0	0	0	0
Total past due loans	$35	$662	$221	$1,209	$1,302
PART B - NONACCRUAL LOANS					
Real estate mortgage loans	$18	$0	$0	$22	$62
Commercial and industrial loans	0	0	0	198	957
Loans to individuals for household, family and other personal expenditures	0	0	0	5	15
Loans to finance agriculture production and other loans to farmers	0	0	0	628	0
Total nonaccrual loans	$18	$0	$0	$853	$1,034
PART C - TROUBLED DEBT RESTRUCTURED LOANS	$1,406	$0	$86	$4	$5
Total nonperforming loans	$1,459	$662	$307	$2,066	$2,341

Nonearning assets of the Corporation include nonaccrual loans (as indicated above), nonaccrual investments, other real estate, and repossessions which amounted to $815 at December 31, 1994.

ANALYSIS OF LOAN PORTFOLIO (cont.)
Comments Regarding Nonperforming Assets

PART A - CONSUMER LOANS

Consumer installment loans, except those loans that are secured by real estate, are not placed on a nonaccrual status since these loans are charged off when they have been delinquent from 90 to 180 days, and when the related collateral, if any, is not sufficient to offset the indebtedness. Advances under Mastercard and Visa programs, as well as advances under all other consumer lines of credit programs, are charged off when collection appears doubtful.

PART B - NONPERFORMING LOANS

When a loan is classified as a nonaccrual loan, interest on the loan is no longer accrued and all accrued interest receivable is charged off. It is the policy of the Bank that all unsecured loans (i.e. loans for which the collateral is insufficient to cover all principal and accrued interest) will be reclassified as nonperforming loans to the extent they are unsecured, on or before the loan becomes 90 days delinquent. Thereafter, interest is recognized and included in income only when received.

As of December 31, 1994, loans totaling $18,000 were on nonaccrual status.

PART C - TROUBLED DEBT RESTRUCTURED LOANS

Loans renegotiated as troubled debt restructuring are those loans for which either the contractual interest rate has been reduced and/or other concessions are granted to the borrower because of a deterioration in the financial condition of the borrower which results in the inability of the borrower to meet the terms of the loan.

Loans renegotiated as troubled debt restructuring totaled $1,406,000 as of December 31, 1994. Interest income of $82,000 was recognized in 1994. Had these loans been performing under the original contract terms, an additional $31,000 would have been reflected in interest income during 1994. The Bank is not committed to lend additional funds to debtors whose loans have been modified.

PART D - OTHER NONPERFORMING ASSETS

The Bank will adopt SFAS No. 114 and SFAS No. 118 at January 1, 1995. Under these standards, loans considered to be impaired are reduced to the present value of future cash flows or to the fair value of collateral, by allocating a portion of the allowance for loan losses to such loans. If these allocations cause the allowance for loan losses to require an increase, such increase is reported as bad debt expense. The effect of adopting these accounting standards on January 1, 1995 will be immaterial.

The management of the Bank is of the opinion that there are no significant foreseeable losses relating to substandard or nonperforming assets, except as discussed above.

PART E - LOAN CONCENTRATIONS

There were no loan concentrations within industries which exceeded ten percent of total assets. It is estimated that over 98% of all the Bank's commercial, industrial, agri-business and agricultural real estate mortgage, real estate construction mortgage and consumer loans are made within its basic trade area.

Basis For Determining Allowance For
Loan Losses

Management is charged with the responsibility of determining the adequacy of the allowance for loan losses. This responsibility is fulfilled by management in the following ways:

1. Management reviews the larger individual loans for unfavorable collectibility factors and assesses the requirement for specific reserves on such credits. For those loans not subject to specific reviews, management reviews previous loan loss experience to establish historical ratios and trends in charge-offs by loan category. The ratios of net charge-offs to particular types of loans enable management to estimate charge-offs in future periods by loan category and thereby establish appropriate reserves for loans not specifically reviewed.

2. Management reviews the current and anticipated economic conditions of its lending market to determine the effects on future loan charge-offs by loan category, in addition to the effects on the loan portfolio as a whole.

3. Management reviews delinquent loan reports to determine risk of future loan charge-offs. High delinquencies are generally indicative of an increase in future loan charge-offs.

Based upon the above described policy and objectives, $795,000, $790,000 and $1,340,000 were charged to the provision for loan losses and added to the allowance for loan losses in 1994, 1993 and 1992, respectively.

The allocation of the allowance for loan losses to the various lending areas is performed by management in relation to perceived exposure to loss in the various loan portfolios. However, the allowance for loan losses is available in its entirety to absorb losses in any particular loan category.

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ANALYSIS OF LOAN PORTFOLIO (cont.)
Summary of Loan Loss
(in thousands of dollars)

Following is a summary of the loan loss experience for the years ended December 31, 1994, 1993, 1992, 1991, and 1990.

	1994	1993	1992	1991	1990
Amount of loans outstanding, December 31,	$287,956	$260,185	$234,202	$200,026	$172,384
Average daily loans outstanding during the year ended December 31,	$271,391	$240,466	$213,599	$178,619	$161,153
Allowance for loan losses, January 1,	$4,010	$3,095	$2,612	$1,777	$1,724
Loans charged off					
Commercial	$27	$99	$446	$1,016	$194
Real Estate	0	4	258	20	24
Installment	93	97	217	221	224
Credit cards and personal credit lines	15	28	39	66	28
Total loans charged off	$135	$228	$960	$1,323	$470
Recoveries of loans previously charged off					
Commercial	$107	$40	$11	$18	$76
Real Estate	1	1	0	0	0
Installment	81	56	85	106	80
Credit cards and personal credit lines	7	6	7	5	7
Total recoveries	$196	$103	$103	$129	$163
Net loans charged off	($61)	$125	$857	$1,194	$307
Purchase loan adjustment	0	250	0	59	0
Provision for loan loss charged to expense	795	790	1,340	1,970	360
Balance December 31,	$4,866	$4,010	$3,095	$2,612	$1,777
Ratio of net charge-offs during the period to average daily loans outstanding					
Commercial	(0.03%)	0.02%	0.20%	0.56%	0.07%
Real Estate	0.00%	0.00%	0.12%	0.01%	0.02%
Installment	0.01%	0.02%	0.06%	0.07%	0.09%
Credit cards and personal credit lines	0.00%	0.01%	0.03%	0.03%	0.01%
Total	(0.02%)	0.05%	0.40%	0.67%	0.19%

ANALYSIS OF LOAN PORTFOLIO (cont.)
Allocation of Allowance for Loan Losses
(in thousands of dollars)

The following is a summary of the allocation for loan losses as of December 31, 1994, 1993, 1992, 1991 and 1990.

	1994		1993		1992	
	Allowance For Loan Losses	Loans as Percentage of Gross Loans	Allowance For Loan Losses	Loans as Percentage of Gross Loans	Allowance For Loan Losses	Loans as Percentage of Gross Loans
Allocated allowance for loan losses						
Commercial	$665	61.31	$1,120	57.18	$864	57.16
Real Estate	95	16.42	108	19.15	105	21.52
Installment	311	16.75	302	18.04	230	15.42
Credit cards and personal credit lines	101	5.52	95	5.63	87	5.90
Total allocated allowance for loan losses	$1,172	100.00	$1,625	100.00	$1,286	100.00
Unallocated allowance for loan losses	3,694		2,385		1,809	
Total allowance for loan losses	$4,866		$4,010		$3,095	

	1991		1990	
	Allowance For Loan Losses	Loans as Percentage of Gross Loans	Allowance For Loan Losses	Loans as Percentage of Gross Loans
Allocated allowance for loan losses				
Commercial	$1,168	52.01	$880	53.67
Real Estate	90	25.35	71	21.45
Installment	214	16.65	214	18.95
Credit cards and personal credit lines	76	5.99	64	5.93
Total allocated allowance for loan losses	$1,548	100.00	$1,229	100.00
Unallocated allowance for loan losses	1,064		548	
Total allowance for loan losses	$2,612		$1,777	

ANALYSIS OF DEPOSITS
(in thousands of dollars)

The average daily deposits for the years ended December 31, 1994, 1993 and 1992, and the average rates paid on those deposits are summarized in the following table:

	1994		1993		1992	
	Average Daily Balance	Average Rate Paid	Average Daily Balance	Average Rate Paid	Average Daily Balance	Average Rate Paid
Demand deposits	$52,893	0.00	$37,709	0.00	$31,503	0.00
Savings accounts:						
Regular savings	55,855	2.72	38,263	2.77	27,493	3.40
Interest checking	58,945	2.36	54,197	2.55	48,398	3.38
Time deposits:						
Deposits of $100,000 or more	54,389	4.34	42,458	3.74	26,448	4.59
Other time deposits	148,251	4.61	128,520	4.73	143,430	5.58
Total deposits	$370,333	3.27	$301,147	3.35	$277,272	4.25

As of December 31, 1994, time certificates of deposit in denominations of $100,000 or more will mature as follows:

Within three months	$32,380
Over three months, within six months	13,274
Over six months, within twelve months	6,151
Over twelve months	4,954
Total time certificates of deposit in denominations of $100,000 or more	$56,759

RETURN ON EQUITY AND ASSETS

The rates of return on average daily assets and stockholders' equity, the dividend payout ratio, and the average daily stockholders' equity to average daily assets for the years ended December 31, 1994, 1993 and 1992 are as follows:

	1994	1993	1992
Percent of net income to:			
Average daily total assets	1.10	1.11	0.97
Average daily stockholders' equity	17.73	16.51	15.08
Percentage of dividends declared per common share to net income per weighted average number of common shares outstanding (1,438,496 shares in 1994, 1993 and 1992)*	16.57	17.01	17.79
Percentage of average daily stockholders' equity to average daily total assets	6.19	6.71	6.41

* Data adjusted for 10 percent stock dividend paid as of July 31, 1992.

SHORT-TERM BORROWINGS

The following is a schedule of statistical information relating to securities sold under agreement to repurchase which are secured by either U.S. Government agency securities or mortgage-backed securities classified as other debt securities and maturing within one year. There were no other categories of short-term borrowings for which the average balance outstanding during the period was 30 percent or more of stockholders' equity at the end of the period.

	1994	1993	1992
Outstanding at year end	$41,750	$29,372	$31,058
Approximate average interest rate at year end	5.11	3.22	3.54
Highest amount outstanding as of any month end during the year	$50,460	$42,485	$46,475
Approximate average outstanding during the year	$42,584	$38,299	$38,122
Approximate average interest rate during the year	3.96	3.34	4.19

Securities sold under agreement to repurchase include both transactions initiated by the investment division of the Bank, as well as the automatic borrowings from selected demand deposit customers who had excess balances in their accounts.

ITEM 2. Properties

The Bank conducts its operations from its main operations offices located in Warsaw, as well as branch offices in Warsaw (West), Warsaw (East), Winona Lake, Silver Lake, North Webster, Syracuse, Milford, Pierceton, Wabash (North), Wabash (South), Roann, Mentone, Akron, Nappanee, Goshen, Goshen (South), Columbia City, Argos, Bremen, Elkhart, Elkhart (East), Cromwell, Ligonier, and Shipshewana. In addition, the Bank operates a remote ATM in Warsaw. The facilities are described in the following table:

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Office Location	Retail Banking	Commercial Banking	Drive-Up	Parking	ATM	Year of Construction	Type of Construction
Main Office - 202 East Center St., Warsaw, IN	Yes	Yes	No	Yes	Yes	1961 with second story added in 1972	Two story with basement construction
Downtown Drive-Up - East Center St., Warsaw, IN	No	No	Yes	No	No	1980	Frame construction with brick veneer
Warsaw - East - 3601 Commerce Dr., Warsaw, IN	Yes	Yes	Yes	Yes	Yes	1990	Frame construction with brick veneer
Warsaw - West - 1221 West Lake St., Warsaw, IN	Yes	Yes	Yes	Yes	Yes	1972	Frame construction with brick veneer
Winona Lake - 99 Chestnut, Winona Lake, IN	Yes	Yes	Yes	Yes	No	1965	Frame construction with brick veneer
Mentone - 202 East Main St., Mentone, IN	Yes	Yes	Yes	Yes	No	1946 and completely remodeled in 1983	Block construction with brick veneer
Milford - Indiana State Road 15 North, Milford, IN	Yes	Yes	Yes	Yes	No	Year of construction unknown, remodeled in 1984	Block construction
North Webster - Indiana State Road 13 North, North Webster, IN	Yes	Yes	Yes	Yes	Yes	1974	Frame construction with brick veneer
Pierceton - 202 South First St., Pierceton, IN	Yes	Yes	Yes	Yes	No	1984	Frame construction with brick veneer
Silver Lake - Main Street, Silver Lake, IN	Yes	Yes	No	No	No	Year of construction unknown, acquired in 1966	Brick construction
Syracuse - Indiana State Road 13 South, Syracuse, IN	Yes	Yes	Yes	Yes	Yes	1982	Frame construction with brick veneer
Wabash North - 1004 North Cass St., Wabash, IN	Yes	Yes	Yes	Yes	Yes	1989	Frame construction with brick veneer
Wabash South - 1940 South Wabash St., Wabash, IN	Yes	Yes	Yes	Yes	No	1983	Frame construction with brick veneer
Roann - 110 Chippewa St., Roann, IN	Yes	Yes	Yes	Yes	No	Year of construction unknown, remodeled in 1981	Frame and brick construction
Akron - 102 East Rochester, Akron, IN	Yes	Yes	Yes	No	No	Year of construction unknown, remodeled 1990, drive-thru added in 1993	Brick construction
Argos - 100 North Michigan, Agros, IN	Yes	Yes	Yes	Yes	Yes	1964	Limestone construction
Bremen - 1600 Indiana State Road 331, Bremen, IN	Yes	Yes	Yes	Yes	Yes	1977	Frame construction with brick veneer
Columbia City -	Yes	Yes	Yes	Yes	Yes	Year of	Frame

507 North Main St., Columbia City, IN						construction unknown, remodeled 1990	construction
Goshen Downtown - 102 North Main St., Goshen, IN	Yes	Yes	No	No	No	1924	Limestone construction
Goshen South - 2513 South Main St., Goshen, IN	Yes	Yes	Yes	Yes	Yes	1992	Frame construction with brick veneer
Nappanee - 202 West Market St., Nappanee, IN	Yes	Yes	Yes	Yes	Yes	1980	Frame construction with brick veneer
Free-standing ATM - 2101 East Center St., Warsaw, IN	No	No	No	Yes	Yes	1985	Frame enclosure
Elkhart - 862 East Beardsley St., Elkhart, IN	Yes	Yes	Yes	Yes	Yes	1993	Frame construction with brick veneer
Cromwell - 111 North Jefferson St., Cromwell, IN	Yes	Yes	Yes	Yes	No	1970	Frame construction with brick veneer
Ligonier - 1470 U.S. Highway 33 South, Ligonier, IN	Yes	Yes	Yes	Yes	Yes	1974	Frame construction with brick veneer
Elkhart East- 22050 State Road 120, Elkhart, IN	Yes	Yes	Yes	Yes	Yes	1994	Frame construction with brick veneer
Shipshewana 895 North Van Buren St., Shipshewana, IN	Yes	Yes	Yes	Yes	Yes	1985, remodeled in 1994	Frame construction with brick veneer

The Bank leases from third parties the real estate and buildings upon which its branch offices in Milford and Akron are located. In addition, the Bank leases the real estate upon which it constructed its Wabash North branch office and its free-standing ATM facility in Warsaw. All of the other branch facilities are owned by the Bank. Other physical assets owned by the Bank include the property located at 110 South High Street, Warsaw, Indiana, which is unoccupied, parking lots in downtown Warsaw for the use and convenience of the Bank's employees and customers, as well as the leasehold improvements, equipment, furniture and fixtures necessary and appropriate to operate the foregoing banking facilities.

The Bank also owns a 15,000 square foot Operations Center located at 113 East Market Street, Warsaw, Indiana, which it uses for office and computer facilities. This facility was acquired and extensively remodeled in 1984. The Bank also leases from third parties facilities in downtown Warsaw for the storage of supplies and for employee training.

None of the Bank's assets are the subject of any material encumbrances.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings other than ordinary routine litigation incidental to the business to which the Registrant of the Bank are a party or of which any of their property is subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders from October 1, 1992 to December 31, 1994

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Information relating to the principal market for and the prices of the Registrant's common stock, and information as to dividends declared by the Registrant, are contained under the caption "Stock and Dividend Information" in the 1994 Annual Report and are incorporated herein by reference in response to this item. On December 31, 1994, the Registrant had 738 shareholders, including those employees who participate in the Registrant's 401(K) plan.

ITEM 6. SELECTED FINANCIAL DATA

A five year consolidated financial summary, containing the required selected financial data, appears under the caption "Selected Financial Data" in the 1994 Annual Report and is incorporated herein by reference in response to this item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations appears under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 1994 Annual Report and is incorporated herein by reference in response to this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements appear in the 1994 Annual Report and are incorporated herein by reference in response to this item.

Consolidated Balance Sheets at December 31, 1994 and 1993.
Consolidated Statements of Income for the years ended December 31, 1994, 1993 and 1992.
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 1994, 1993 and 1992.
Consolidated Statements of Cash Flows for the years ended December 31, 1994, 1993 and 1992.
Notes to Consolidated Financial Statements.
Report of Independent Auditors.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information appearing in the Registrant's definitive Proxy Statement dated March 16, 1995, is incorporated herein by reference in response to this item.

ITEM 11. EXECUTIVE COMPENSATION

The information appearing in the Registrant's definitive Proxy Statement dated March 16, 1995, is incorporated herein by reference in response to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information appearing in the Registrant's definitive Proxy Statement dated March 16, 1995, is incorporated herein by reference in response to this item.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information appearing in the Registrant's definitive Proxy Statement dated March 16, 1995, is incorporated herein by reference in response to this item.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The documents listed below are filed as a part of this report:

(1) Financial Statements.

The following financial statements of the Registrant and its subsidiaries appear in the 1994 Annual Report and are specifically incorporated by reference under Item 8 of this Form 10-K, or are a part of this Form 10-K.

	Reference Form 10-K	Reference 1994 Annual Report
Consolidated Balance Sheets at December 31, 1994 and 1993.		X
Consolidated Statements of Income for the years ended December 31, 1994, 1993 and 1992.		X
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 1994, 1993 and 1992.		X
Consolidated Statements of Cash Flows for the years ended December 31, 1994, 1993 and 1992.		X
Notes to Consolidated Financial Statements.		X
Report of Independent Auditors.		X

(2) Financial Statement Schedules

The financial statement schedules of the Registrant and its subsidiary have been omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.

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SIGNATURES

Pursuant to the requirements of Section 15(d) of the Securities and 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

Date: March 14, 1995	By R. Douglas Grant (R. Douglas Grant) President

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: March 14, 1995	R. Douglas Grant (R. Douglas Grant) Principal Executive Officer and Director
Date: March 14, 1995	Terry M. White (Terry M. White) Principal Financial and Accounting Officer
Date: March 14, 1995	Anna K. Duffin (Anna K. Duffin) Director
Date:	(W.E. Creighton) Director
Date: March 14, 1995	Jerry L. Helvey (Jerry L. Helvey) Director
Date: March 14, 1995	Homer A. Kent (Dr. Homer A. Kent) Director
Date:	(J. Alan Morgan) Director
Date: March 14, 1995	Richard L. Pletcher (Richard L. Pletcher) Director
Date:	(Joseph P. Prout) Director
Date: March 14, 1995	Philip G. Spear (Philip G. Spear) Director
Date: March 16, 1995	Terry L. Tucker (Terry L. Tucker) Director
Date:	(G.L. White) Director
Date: March 20, 1995	L. Craig Fulmer (L. Craig Fulmer) Director

EXHIBIT INDEX

The following Exhibits are filed as part of this Report and not incorporated by reference from another document:

Exhibit 13 - 1994 Report to Shareholders with Report of Independent Auditors.

Exhibit 22 - Subsidiaries

Exhibit 27 - Financial Data Schedules

EXHIBIT 13

1994 Report to Shareholders with Report of Independent Auditors.

EXHIBIT 22

Subsidiaries. The Registrant has one wholly owned subsidiary, Lake City Bank, Warsaw, Indiana, a banking corporation organized under the laws of the State of Indiana.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE 1994 ANNUAL REPORT AND THE DEFINITIVE PROXY STATEMENT DATED MARCH 16, 1995, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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YAEAR
DEC-31-1994
JAN-01-1994
DEC-31-1994
21,306
40
2,801
0
59,600
110,152
103,723
287,956
4,866
496,963
396,740
48,323
4,579
17,432
1,438
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0
28,451
496,963
23,931
9,569
155
33,655
12,108
14,887
18,768
795
(7)
14,092
8,150
5,126
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5,126
3.56
3.56
4.31
18
35
1,406
0
4,010
135
196
4,866
1,172
0
3,694

Stock and Dividend Information

The table below lists the range of the bid-ask prices of common stock of Lakeland Financial Corporation and the dividend information on a quarterly basis over the last two calendar years. Roney & Company (P.O. Box 130, Elkhart, Indiana, 46515, telephone 219-293-7585 or 1-800-43-Roney) and McDonald and Company Securities, Inc. (214 South Main Street, Elkhart, Indiana, 46516, telephone 219-294-2526) have advised the Corporation that they are serving as "market makers" for the common stock of the Corporation. Edward D. Jones & Co. (117 W. Center Street, Suite B, Warsaw, Indiana 46580, telephone 219-267-2914 or 1-800-441-2914) is a trader in the stock of Lakeland Financial Corporation. These companies have reported to the Corporation the bid-ask prices for the common stock of the Corporation as set forth in the table below. Such bid-ask prices are not a definite indication that sales transactions occurred at the quoted prices or that sales transactions did not occur outside of the quoted prices. The trading volume of the Corporation's stock continues to be limited; as a result, these quotations do not necessarily reflect the price at which the Corporation's stock would trade in a more active market.

	Quarters			
	1st	2nd	3rd	4th
Trading Range:*				
1993	$19.00-$22.00	$21.00-$25.50	$24.00-$26.00	$24.00-$26.00
1994	$26.00-$29.00	$29.50-$31.50	$31.00-$32.50	$32.50-$34.50
Dividends Declared:				
1993	$.12	$.12	$.12	$.14
1994	$.14	$.14	$.14	$.17

* Based upon information supplied by the firms listed above.

Annual Meeting

The annual meeting of the shareholders of Lakeland Financial Corporation will be held at noon, April 11, 1995 at the Shrine Building, Kosciusko County Fair Grounds, Warsaw, Indiana. As of December 31, 1994, there were 738 shareholders.

Special Notice: Form 10-K Available

The Corporation will provide without charge to each shareholder, Lakeland Financial Corporation's Annual Report on Form 10-K, including Financial Statements and schedules thereto required to be filed with the Securities and Exchange Commission for the Corporation's most recent fiscal year upon written request of Mr. Terry M. White, Secretary and Treasurer, P.O. Box 1387, Warsaw, Indiana 46581-1387.

Registrar and Transfer Agent

Lake City Bank
Trust Department
P.O. Box 1387
Warsaw, Indiana 46581-1387

Selected Financial Data (In Thousands Except for Share and Per Share Data)

	1994	1993	1992	1991	1990
Interest income	$33,655	$27,607	$27,683	$28,245	$25,286
Interest expense	14,887	12,022	13,622	16,408	15,287
Net interest income	18,768	15,585	14,061	11,837	9,999
Provision for loan losses	795	790	1,340	1,970	360
Net interest income after provision for loan losses	17,973	14,795	12,721	9,867	9,639
Other noninterest income	4,099	2,813	2,735	1,866	1,749
Net gains on the sale of real estate mortgages held for sale	177	676	176	174	5
Net trading gains (losses)	0	0	(2)	36	0
Net securities gains (losses)	(7)	175	323	1,283	2
Noninterest expense	(14,092)	(12,378)	(10,832)	(9,238)	(7,907)
Income before income tax expense and cumulative effect of change in accounting principle	8,150	6,081	5,121	3,988	3,488
Income tax expense	3,024	2,171	1,762	1,281	1,081
Income before cumulative effect of change in accounting principle	5,126	3,910	3,359	2,707	2,407
Cumulative effect of adopting SFAS No. 109	0	325	0	0	0
Net income	$5,126	$4,235	$3,359	$2,707	$2,407
Average shares outstanding*	1,438,496	1,438,496	1,438,496	1,438,496	1,438,496

Per average common share outstanding:*					
Income before cumulative effect of change in accounting principle	$3.56	$2.72	$2.34	$1.88	$1.67
Net income	$3.56	$2.94	$2.34	$1.88	$1.67
Cash dividends declared	$0.590	$0.500	$0.416	$0.374	$0.364
Balances at December 31:					
Total assets	$496,963	$449,954	$362,497	$339,458	$286,548
Total deposits	$396,740	$370,032	$284,308	$265,524	$244,108
Long term debt	$17,432	$9,300	$8,000	$0	$373
Total stockholders' equity	$29,889	$27,912	$23,750	$20,991	$18,820

* Adjusted for a 10 percent stock dividend (Note 1)

Consolidated Balance Sheets

	December 31 1994	December 31 1993
ASSETS		
Cash and due from banks	$21,346,000	$11,960,000
Short term investments	2,801,000	909,000
Total cash and cash equivalents	24,147,000	12,869,000
Securities available for sale (Note 2) (carried at fair value)	59,600,000	61,133,000
Securities held to maturity (Note 2) (market value of $103,723,000 at 1994 and $100,377,000 at 1993)	110,152,000	99,570,000
Real estate mortgages held for sale	175,000	2,191,000
Total loans (Note 3)	287,956,000	260,185,000
Less allowance for loan losses (Note 4)	4,866,000	4,010,000
Net loans	283,090,000	256,175,000
Land, premises and equipment, net (Note 5)	11,295,000	9,734,000
Accrued income receivable	3,464,000	2,858,000
Other assets	5,040,000	5,424,000
Total assets	$496,963,000	$449,954,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Noninterest bearing deposits	$62,830,000	$46,719,000
Interest bearing deposits (Note 6)	333,910,000	323,313,000
Total deposits	396,740,000	370,032,000
Short-term borrowings		
Federal funds purchased	4,000,000	1,450,000
Securities sold under agreements to repurchase (Note 7)	41,750,000	29,372,000
U.S. Treasury demand notes	2,573,000	7,115,000
Total short-term borrowings	48,323,000	37,937,000
Accrued expenses payable	3,280,000	3,022,000
Other liabilities	1,299,000	1,751,000
Long-term debt (Note 8)	17,432,000	9,300,000
Total liabilities	467,074,000	422,042,000
Commitments, off-balance sheet risks and contingencies (Note 14)		
STOCKHOLDERS' EQUITY		
Common stock: $1.00 stated value, 2,750,000 shares authorized, 1,438,496 shares outstanding as of December 31, 1994 and 1993 (Note 1)	1,438,000	1,438,000
Additional paid-in capital (Note 1)	7,827,000	7,827,000
Retained earnings	22,279,000	18,001,000
Unrealized net gain (loss) on securities available for sale (Note 1)	(1,655,000)	646,000
Total stockholders' equity	29,889,000	27,912,000
Total liabilities and stockholders' equity	$496,963,000	$449,954,000

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

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	1994	1993	1992
NET INTEREST INCOME			
Interest and fees on loans			
Taxable	$23,658,000	$19,946,000	$18,762,000
Tax exempt	273,000	371,000	435,000
Interest and dividends on securities			
Taxable	8,842,000	6,459,000	7,801,000
Tax exempt	727,000	644,000	483,000
Interest on short-term investments	155,000	185,000	188,000
Interest on trading account securities	0	2,000	14,000
Total interest income	33,655,000	27,607,000	27,683,000
Interest on deposits	12,108,000	10,101,000	11,784,000
Interest on borrowings	2,779,000	1,921,000	1,838,000
Total interest expense	14,887,000	12,022,000	13,622,000
NET INTEREST INCOME	18,768,000	15,585,000	14,061,000
Provision for loan losses (Note 4)	795,000	790,000	1,340,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	17,973,000	14,795,000	12,721,000
NONINTEREST INCOME			
Trust income	609,000	524,000	420,000
Service charges on deposit accounts	2,078,000	1,775,000	1,546,000
Other income	1,412,000	514,000	769,000
Net gains on the sale of real estate mortgages held for sale	177,000	676,000	176,000
Net trading account securities losses	0	0	(2,000)
Net securities gains (losses) (Note 2)	(7,000)	175,000	323,000
Total noninterest income	4,269,000	3,664,000	3,232,000
NONINTEREST EXPENSE			
Salaries and employee benefits (Note 9)	7,278,000	6,236,000	5,318,000
Net occupancy expense	1,057,000	996,000	887,000
Equipment costs	1,001,000	780,000	728,000
Other expense (Note 10)	4,756,000	4,366,000	3,899,000
Total noninterest expense	14,092,000	12,378,000	10,832,000
Income before income tax expense and cumulative effect of change in accounting principle	8,150,000	6,081,000	5,121,000
Income tax expense (Notes 1 and 11)	3,024,000	2,171,000	1,762,000
Income before cumulative effect of change in accounting principle	5,126,000	3,910,000	3,359,000
Cumulative effect of adopting SFAS No. 109 (Notes 1 and 11)	0	325,000	0
NET INCOME	$5,126,000	$4,235,000	$3,359,000
AVERAGE COMMON SHARES OUTSTANDING (Note 1)	1,438,496	1,438,496	1,438,496
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE PER COMMON SHARE (Notes 1 and 11)	$3.56	$2.72	$2.34
CUMULATIVE EFFECT OF ADOPTING SFAS No.109 PER COMMON SHARE (Notes 1 and 11)	$0.00	$0.22	$0.00
NET INCOME PER COMMON SHARE (Note 1)	$3.56	$2.94	$2.34

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Retained Earnings	Unrealized Net Gain (Loss) on Securities Available for Sale	Total Stockholders' Equity
	Shares	Amount				
Balances, January 1, 1992	1,307,844	$1,308,000	$5,475,000	$14,208,000	$0	$20,991,000
10% Common Stock Dividend (Note 1)	130,652	130,000	2,352,000	(2,485,000)		(3,000)
Net income for 1992				3,359,000		3,359,000
Cash dividends declared ($.416 per share) (Note 1)				(597,000)		(597,000)
Balances, December 31, 1992	1,438,496	1,438,000	7,827,000	14,485,000	0	23,750,000
Net income for 1993				4,235,000		4,235,000
Net change in unrealized net gain (loss) on securities available for sale (Note 1)					646,000	646,000
Cash dividends declared ($.50 per share) (Note 1)				(719,000)		(719,000)
Balances, December 31, 1993	1,438,496	1,438,000	7,827,000	18,001,000	646,000	27,912,000
Net income for 1994				5,126,000		5,126,000
Net change in unrealized net gain (loss) on securities available for sale (Note 1)					(2,301,000)	(2,301,000)
Cash dividends declared ($.59 per share) (Note 1)				(848,000)		(848,000)
Balances, December 31, 1994	1,438,496	$1,438,000	$7,827,000	$22,279,000	($1,655,000)	$29,889,000

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	1994	1993	1992
Cash flows from operating activities			
Net income	$5,126,000	$4,235,000	$3,359,000
Adjustments to reconcile net income to net cash from operating activities:			
Cumulative effect of change in accounting principle	0	325,000	0
Depreciation	928,000	797,000	706,000
Provision for loan loss	795,000	790,000	1,340,000
Write down of other real estate owned	0	262,000	85,000
Loans originated for sale	(9,426,000)	(20,810,000)	0
Net gain on sale of loans	(177,000)	(676,000)	(176,000)
Proceeds from sale of loans	11,619,000	23,509,000	5,064,000
Net loss on sale of premises and equipment	1,000	6,000	0
Purchases of trading account securities	0	(485,000)	0
Proceeds from sales of trading account securities	0	487,000	1,377,000
Net loss on sale of trading account securities	0	0	2,000
Net (gain) on sale of securities available for sale	0	(53,000)	0
Net (gain) loss on sale of securities held to maturity	7,000	(122,000)	(323,000)
Net investment amortization (accretion)	444,000	369,000	(153,000)
(Increase) decrease in market value, securities held for sale	0	0	18,000
Increase (decrease) in taxes payable	(15,000)	(969,000)	(431,000)
(Increase) decrease in income receivable	(606,000)	(541,000)	406,000
Increase (decrease) in accrued expenses payable	340,000	434,000	(139,000)
(Increase) decrease in other assets	1,735,000	(94,000)	(827,000)
Increase (decrease) in other liabilities	(495,000)	246,000	(80,000)
Total adjustments	5,150,000	3,475,000	6,869,000
Net cash from operating activities	10,276,000	7,710,000	10,228,000
Cash flows from investing activities			
Proceeds from sale of securities held to maturity	0	6,588,000	16,460,000
Proceeds from sale of securities held for sale	0	1,613,000	31,817,000
Proceeds from maturities and calls of securities held to maturity	8,899,000	17,683,000	50,353,000
Proceeds from maturities and calls of securities available for sale	6,409,000	1,123,000	2,856,000
Purchases of securities available for sale	(9,033,000)	0	0
Purchases of securities held to maturity	(19,494,000)	(84,976,000)	(88,178,000)
Net (increase) decrease in total loans	(27,709,000)	(8,240,000)	(44,135,000)
Purchases of new premises and equipment	(2,490,000)	(1,602,000)	(1,869,000)
Net proceeds from branch acquisitions (Note 12)	0	29,839,000	0
Net cash from investing activities	(43,418,000)	(37,972,000)	(32,696,000)
Cash flows from financing activities			
Net increase in total deposits	26,708,000	37,569,000	18,784,000
Proceeds from short-term borrowings	395,939,000	327,360,000	336,881,000
Payments on short-term borrowings	(385,553,000)	(332,700,000)	(343,901,000)
Proceeds from long-term borrowings	8,132,000	1,300,000	8,000,000
Dividends paid	(806,000)	(676,000)	(579,000)
Net cash from financing activities	44,420,000	32,853,000	19,185,000
Net increase (decrease) in cash and cash equivalents	11,278,000	2,591,000	(3,283,000)
Cash and cash equivalents at beginning of year	12,869,000	10,278,000	13,561,000
Cash and cash equivalents at end of year	$24,147,000	$12,869,000	$10,278,000
Cash paid during the year for:			
Interest	$14,496,000	$12,254,000	$14,114,000
Income taxes	$3,038,000	$2,490,000	$2,160,000
Investment securities transferred to securities held for sale	$0	$0	$26,808,000
Loans transferred to real estate mortgages held for sale	$0	$0	$9,204,000
In-substance foreclosure transferred to loans	$1,100,000	$0	$0
Loans transferred to other real estate	$107,000	$420,000	$3,050,000

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

The consolidated financial statements include Lakeland Financial Corporation (the Corporation) and its wholly-owned subsidiary, Lake City Bank (the Bank). All significant intercompany balances and transactions are eliminated in consolidation.

Securities:

On December 31, 1993, the Corporation elected to adopt the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Corporation now classifies securities into held to maturity, available for sale and trading categories. Held to maturity securities are those which the Corporation has the positive intent and ability to hold to maturity, and are reported at amortized cost. Available for sale securities are those the Corporation may decide to sell if needed for liquidity, asset-liability management or other reasons. Available for sale securities are reported at fair value, with unrealized gains and losses included as a separate component of equity, net of tax. Trading securities are bought principally for sale in the near term, and are reported at fair value with unrealized gains and losses included in earnings. Prior to December 31, 1993, securities were reported at amortized cost except for securities held for sale, which were reported at the lower of cost or market. This reclassification increased equity by $646,000 at December 31, 1993. Realized gains and losses resulting from the sale of securities are computed by the specific identification method. Interest and dividend income, adjusted by amortization of purchase premium or discount, is included in earnings.

Real Estate Mortgages Held for Sale:

Real estate mortgages classified as held for sale in the secondary market are carried at the lower of aggregate cost or estimated fair value. Net unrealized losses are recognized in a valuation allowance by charges to income. Gains and losses on sales of mortgages are recognized on the settlement date. Gains and losses are determined by the difference between sales proceeds and the carrying value of the mortgages.

Interest Income on Loans:

Interest is accrued over the loan term based upon the principal balances outstanding. Loans are placed on nonaccrual when interest collection becomes doubtful. Loan fees and related costs are netted and deferred. The deferral is included in loans and recognized in interest income over the loan term on the level yield method.

Concentration of Credit:

The Bank is a full service bank with headquarters in Warsaw, Indiana with offices in 20 cities and towns located within Kosciusko and contiguous counties. It is estimated that over 98% of all the Bank's commercial, industrial, agri-business and agricultural real estate mortgage, real estate construction mortgage and consumer loans are made within its basic trade area. This area generally lies within a radius of 10 miles or less from any of its existing offices. The loan portfolios are well diversified and are secured to the extent deemed appropriate by management. Mortgage-backed securities are collateralized by mortgages located throughout the United States. Substantially all mortgage-backed securities are insured directly or indirectly by the U. S. Government.

Allowance for Loan Losses:

The allowance is judgmentally determined by management and is maintained at a level considered adequate to cover possible losses currently anticipated based on past loss experience, general national and local economic conditions, information about specific borrower situations, including their financial position and collateral values, and other factors and estimates which may change over time. While management may periodically allocate portions of the allowance for specific problem loan situations, the whole allowance is available for any loan charge-off that might occur. A loan is charged-off as a loss when deemed uncollectible, although collection efforts continue and future recoveries may occur. Increases to the allowance are recorded by a charge to expense and are based upon subjective judgments.

The Corporation will adopt SFAS No. 114 and SFAS No. 118 at January 1, 1995. Under these standards, loans considered to be impaired are reduced to the present value of future cash flows or to the fair value of collateral, by allocating a portion of the allowance for loan losses to such loans. If these allocations cause the allowance for loan losses to require increase, such increase is reported as bad debt expense. The effect of adopting this accounting standard on January 1, 1995 will not be material.

Land, Premises and Equipment:

Land, premises, and equipment are carried at cost, net of accumulated depreciation. Depreciation is computed on both straight-line and declining-balance methods based on estimated useful lives of the assets.

Other Real Estate Owned:

Other real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at fair value at the date of acquisition. Any reduction to fair value from the carrying value of the related loan at the time of acquisition is accounted for as a loan loss and charged against the allowance for loan losses. After acquisition, a valuation allowance is recorded through a charge to income for the amount of estimated selling costs. Valuations are periodically performed by management, and valuation allowances are adjusted through a charge to income for changes in fair value or estimated selling costs.

Income Taxes:

The Corporation files annual consolidated federal income tax returns. Prior to 1993, income tax expense was based upon the liability method under SFAS No. 96. Beginning in 1993, the Corporation adopted the provisions of Statement of

Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. The Corporation records income tax expense based on the amount of taxes due on its tax return plus deferred taxes computed based on the expected future tax consequences of temporary differences between carrying amounts and tax bases of assets and liabilities, using enacted tax rates. The effect of the adoption of SFAS No. 109, as of January 1, 1993 is shown as the cumulative effect of an accounting change in the 1993 income statement.

Stock Dividend:

A 10% stock dividend was declared payable as of July 31, 1992. The market value of shares issued was transferred from retained earnings to common and additional paid-in capital. Cash payments were made in lieu of issuing fractional shares.

Dividend Restriction:

The Bank is subject to banking regulations which require the maintenance of certain capital levels and which may limit the amount of dividends which may be paid to the Corporation. At December 31, 1994, approximately $4,136,000 of the Bank's retained earnings is available for distribution to the Corporation without prior regulatory approval.

Earnings Per Share:

Earnings per common share are based upon the weighted average number of common shares outstanding, with prior periods adjusted to reflect the 10 percent stock dividend in 1992.

Pension Plan:

A noncontributory defined benefit pension plan covers substantially all employees. Funding of the plan equals or exceeds the minimum funding requirement determined by the actuary. The projected unit credit cost method is used to determine expense. Benefits are based on years of service and compensation levels.

Statement of Cash Flows:

Cash and cash equivalents include cash on hand, demand deposits in other institutions and short-term investments with maturities of 90 days or less.

Reclassifications:

Certain amounts appearing in the financial statements and notes thereto for the years ended December 31, 1993 and 1992 have been reclassified to conform with the December 31, 1994, presentation.

NOTE 2 - SECURITIES

Information related to the amortized cost and fair value of securities at December 31 is provided in the table below.

	Amortized Cost	Unrealized Gross Gains	Unrealized Gross Losses	Fair Value
Securities Available for Sale at December 31, 1994:				
U.S. Treasury securities	$26,960,000	$2,000	($1,046,000)	$25,916,000
U.S. Government agencies and corporations	1,000,000	0	0	1,000,000
Mortgage-backed securities	30,734,000	1,000	(1,748,000)	28,987,000
State and municipal securities	887,000	46,000	0	933,000
Other debt securities	999,000	27,000	0	1,026,000
Total debt securities	60,580,000	76,000	(2,794,000)	57,862,000
Equity securities	1,760,000	0	(22,000)	1,738,000
Total securities available for sale at December 31, 1994	$62,340,000	$76,000	($2,816,000)	$59,600,000
Securities Held to Maturity at December 31, 1994:				
U.S. Treasury securities	$14,714,000	$0	($838,000)	$13,876,000
U.S. Government agencies and corporations	2,034,000	4,000	(1,000)	2,037,000
Mortgage-backed securities	78,781,000	22,000	(5,130,000)	73,673,000
State and municipal securities	13,608,000	73,000	(620,000)	13,061,000
Other debt securities	1,015,000	61,000	0	1,076,000
Total securities held to maturity at December 31, 1994	$110,152,000	$160,000	($6,589,000)	$103,723,000
Securities Available for Sale at December 31, 1993:				
U.S. Treasury securities	$29,701,000	$818,000	($73,000)	$30,446,000
Mortgage-backed securities	26,798,000	142,000	(130,000)	26,810,000
State and municipal securities	882,000	93,000	0	975,000
Other debt securities	999,000	129,000	0	1,128,000
Total debt securities	58,380,000	1,182,000	(203,000)	59,359,000
Equity securities	1,774,000	0	0	1,774,000
Total securities available for sale at December 31, 1993	$60,154,000	$1,182,000	($203,000)	$61,133,000
Securities Held to Maturity at December 31, 1993:				
U.S. Treasury securities	$10,544,000	$27,000	($12,000)	$10,559,000
U.S. Government agencies and corporations	99,000	0	0	99,000
Mortgage-backed securities	77,085,000	613,000	(631,000)	77,067,000
State and municipal securities	10,825,000	651,000	0	1,195,000
Total securities held to maturity at December 31, 1993	$99,570,000	$1,469,000	($662,000)	$100,377,000

Information regarding the amortized cost and fair value of debt securities by maturity as of December 31, 1994 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.

	Available for Sale December 31, 1994		Held to Maturity December 31, 1994	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$3,317,000	$3,325,000	$342,000	$343,000
Due after one year through five years	26,529,000	25,550,000	17,032,000	16,205,000
Due after five years through ten years	0	0	3,386,000	3,369,000
Due after ten years	0	0	10,611,000	10,133,000
	29,846,000	28,875,000	31,371,000	30,050,000
Mortgage-backed securities	30,734,000	28,987,000	78,781,000	73,673,000
Total debt securities	$60,580,000	$57,862,000	$110,152,000	$103,723,000

There were no sales of securities in 1994. During 1994, the proceeds from the call of securities held to maturity amounted to $249,000, with gross gains of $10,000 and gross losses of $17,000. In 1993, proceeds from the sales of securities held for sale amounted to $1,613,000 with gross gains of $53,000 and gross losses of $0 and proceeds from sales of securities held to maturity amounted to $6,588,000 with gross gains of $149,000 and gross losses of $27,000. Securities with a carrying value of $81,206,000 were pledged as of December 31, 1994 as collateral for deposits of public funds, securities sold under agreements to repurchase and for and for other purposes as permitted or required by law.

NOTE 3 - TOTAL LOANS

Total loans outstanding as of December 31, 1994 and 1993 consist of the following:

	1994	1993
Commercial and industrial loans	$154,326,000	$127,839,000
Agri-business and agricultural loans	22,206,000	20,936,000
Real estate mortgage loans	46,870,000	49,593,000
Real estate construction loans	426,000	223,000
Installment loans and credit cards	64,128,000	61,594,000
Total loans	$287,956,000	$260,185,000

Loans aggregating $60,000 or more with executive officers and directors (including their associates) amounted to $7,109,000 and $5,862,000 as of December 31, 1994 and 1993, respectively. During 1994, new loans or advances were $16,111,000, loan repayments were $14,864,000 and other changes were $0.

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans at December 31 are summarized as follows:

	1994	1993
Mortgage loan portfolios serviced for:		
FHLMC	$28,909,000	$23,372,000
Other investors	1,456,000	2,050,000
Total mortgage loan portfolios serviced	$30,365,000	$25,422,000

Income earned for loan servicing was $68,000 and $41,000 for 1994 and 1993, respectively.

NOTE 4 - ALLOWANCE FOR LOAN LOSSES

The following is an analysis of the allowance for loan losses for 1994, 1993 and 1992:

	1994	1993	1992
Balance, January 1	$4,010,000	$3,095,000	$2,612,000
Allowance related to assets acquired	0	250,000	0
Provision for loan losses	795,000	790,000	1,340,000
Less: Loans charged-off (recovered) (net of recoveries of $196,000 in 1994; $103,000 in 1993; and $103,000 in 1992)	(61,000)	125,000	857,000
Balance, December 31	$4,866,000	$4,010,000	$3,095,000

Nonaccrual loans at December 31, 1994, 1993 and 1992 totaled $18,000,$0, and $0, respectively. 1994 nonaccrual loans consisted of one mortgage loan of $18,000. Loans renegotiated as troubled debt restructuring totaled $1,406,000 as of December 31, 1994. Interest income of $82,000 was recognized in 1994. Had these loans been performing under the original contract terms, an additional $31,000 would have been reflected in interest income during 1994. The Bank is not committed to lend additional funds to debtors whose loans have been modified. Amounts for restructured loans in periods prior to 1994 were not material.

NOTE 5 - LAND, PREMISES AND EQUIPMENT

Land, premises and equipment and related accumulated depreciation were as follows at December 31:

	1994	1993
Land	$2,872,000	$2,520,000
Buildings	8,824,000	7,940,000
Equipment	6,117,000	4,881,000
Total Cost	17,813,000	15,341,000
Less accumulated depreciation	6,518,000	5,607,000
Land, premises and equipment, net	$11,295,000	$9,734,000

NOTE 6 - INTEREST BEARING DEPOSITS

The following is an analysis of interest bearing deposits as of December 31:

	1994	1993
Super NOW	$44,335,000	$46,343,000
Insured money market	17,993,000	18,935,000
Savings	52,091,000	56,971,000
Time: In denominations under $100,000	162,732,000	143,871,000

In denominations of $100,000 or more	56,759,000	57,193,000
Total interest bearing deposits	$333,910,000	$323,313,000

NOTE 7 - SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase (repo accounts) represent collateralized borrowings with customers located primarily within the Bank's trade area. Liabilities and the related collateral consisting of U.S. Treasury securities and mortgage-backed securities, as of December 31, 1994 were as follows:

			Collateral Value			
		Weighted Average	U.S. Treasury Securities		Mortgage-backed Securities	
TERM	Repurchase Liability	Interest Rate	Book	Fair Value	Book	Fair Value
On demand	$10,487,000	3.75%	$0	$0	$12,467,000	$11,352,000
Less than 90 days	19,091,000	5.67%	1,885,000	1,794,000	20,773,000	19,347,000
Over 90 days	12,172,000	5.28%	12,067,000	11,444,000	1,724,000	1,633,000
Total	$41,750,000	5.11%	$13,952,000	$13,238,000	$34,964,000	$32,332,000

As indicated in Note 2, securities are pledged to meet both current and potential collateral requirements applicable to deposits of public funds, securities sold under agreements to repurchase and for other purposes permitted or required by law. The Bank retains the right to substitute similar type securities, and has the right to withdraw all collateral applicable to repo accounts whenever the collateral values are in excess of the related repurchase liabilities. At December 31, 1994, there were no material amounts of assets at risk with any one customer.

NOTE 8 - LONG-TERM DEBT

Long-term debt at December 31 consisted of:	1994	1993
Federal Home Loan Bank of Indianapolis Notes, 5.55%, Due January 2, 1996	$8,000,000	$8,000,000
Federal Home Loan Bank of Indianapolis Notes, 5.59%, Due January 14, 1997	8,132,000	0
Federal Home Loan Bank of Indianapolis Notes, 6.15%, Due June 24, 2003	1,300,000	1,300,000
Total	$17,432,000	$9,300,000

All notes require monthly interest payments and are secured by residential real estate loans with a carrying value of $27,217,000 at December 31, 1994.

NOTE 9 - EMPLOYEE BENEFIT PLANS

Information as to the Corporation's pension plan at December 31 is as follows:

	1994	1993
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $640,000 for 1994 and $626,000 for 1993	$719,000	$673,000
Projected benefit obligation for service rendered to date	$949,000	$973,000
Plan assets at fair value (primarily money market funds and equity and fixed income investments)	(893,000)	(686,000)
Unrecognized gains	193,000	27,000
Unrecognized prior service cost	33,000	(24,000)
Accrued balance sheet pension liability	$282,000	$290,000

Net pension expense includes the following:	1994	1993	1992
Service cost for benefits earned	$119,000	$113,000	$91,000
Interest cost	66,000	58,000	49,000
Actual return on plan assets	(56,000)	(52,000)	(35,000)
Net amortization and deferrals	(3,000)	4,000	(10,000)
Net pension expense	$126,000	$123,000	$95,000

The following assumptions were used in calculating the net pension cost.

Weighted average discount rate	8.00%	6.75%	7.75%
Rate of increase in future compensation	4.50%	4.50%	4.75%
Expected long-term rate of return	8.00%	8.00%	8.00%

Under a 401(k) profit sharing plan, Corporation contributions are based upon the rate of return on January 1st stockholders' equity. Expense recognized was $370,000, $332,000 and $248,000 in 1994, 1993 and 1992, respectively.

NOTE 10 - OTHER EXPENSE

Other expense for the years ended December 31, were as follows:

	1994	1993	1992
Regulatory fees and FDIC insurance	$904,000	$783,000	$715,000
Data processing fees and supplies	769,000	873,000	694,000
Office supplies	519,000	440,000	431,000
Telephone and postage	535,000	466,000	419,000
Miscellaneous	2,029,000	1,804,000	1,640,000
Total other expense	$4,756,000	$4,366,000	$3,899,000

NOTE 11 - INCOME TAXES

Effective January 1, 1993, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. The adjustment of $325,000 to apply the new accounting method is included in income for the year ended December 31, 1993. The change in method had no affect on income before cumulative effect of the change in accounting principle in 1993.

Income tax expense consists of the following:	1994	1993	1992
Current federal income tax expense	$2,301,000	$1,831,000	$1,580,000
Deferred federal income tax expense (credit)	11,000	(158,000)	(283,000)
Current state income tax expense	673,000	600,000	529,000
Deferred state income tax expense (credit)	39,000	(102,000)	(64,000)
Total income tax expense	$3,024,000	$2,171,000	$1,762,000

Income tax expense (credit) included $(34,000), $58,000 and $75,000 applicable to security transactions for 1994, 1993 and 1992, respectively. The differences between financial statement tax expense and amounts computed by applying the statutory federal income tax rate of 34% for all three years to income before income taxes are as follows:

	1994	1993	1992
Income taxes at statutory federal rate	$2,771,000	$2,068,000	$1,741,000
Increase (decrease) in taxes resulting from:			
Tax exempt income	(338,000)	(339,000)	(310,000)
Nondeductible expense	73,000	45,000	43,000
State income tax, net of federal tax effect	471,000	328,000	307,000
Other	47,000	69,000	(19,000)
Total income tax expense	$3,024,000	$2,171,000	$1,762,000

The components of the net deferred tax asset recorded in the balance sheet as of December 31, are as follows:

	1994	1993
Total deferred federal tax assets	$1,850,000	$1,545,000
Total deferred federal tax liabilities	(745,000)	(429,000)
Total deferred state tax assets	542,000	455,000
Total deferred state tax liabilities	(201,000)	(75,000)
Total valuation allowance	0	0
Net deferred tax asset	$1,446,000	$1,496,000

The deferred federal tax asset in 1994 consists of the following: bad debts of $1,247,000, ORE of $194,000, pension and deferred compensation liability of $255,000, deferred loan fees of $144,000 and other of $10,000. The deferred federal tax liability consists of: depreciation of $243,000, state taxes of $146,000 and other of $356,000.

The deferred federal tax asset in 1993 consisted of the following: bad debts of $885,000, ORE of $274,000, pension and deferred compensation liability of $217,000, deferred loan fees of $151,000 and other of $18,000. The deferred federal tax liability consisted of: depreciation of $203,000 and other of $226,000.

The deferred state tax asset in 1994 consists of the following: bad debts of $392,000, ORE of $48,000, pension and deferred compensation liability of $64,000, deferred loan fees of $36,000 and other of $2,000. The deferred state tax liability consists of: depreciation of $61,000 and other of $140,000.

The deferred state tax asset in 1993 consisted of the following: bad debts of $290,000, ORE of $68,000, pension and deferred compensation liability of $54,000, deferred loan fees of $38,000 and other of $5,000. The deferred state tax liability consisted of: depreciation of $51,000 and other of $24,000.

In addition to the net deferred tax assets included above, income taxes (credits) allocated to the unrealized net gain (loss) account included in equity were ($1,085,000) and $333,000 for 1994 and 1993, respectively.

NOTE 12 - NET PROCEEDS, BRANCH ACQUISITION

On November 20, 1993, the Bank acquired the Cromwell, Ligonier and Elkhart offices of another financial institution, purchasing certain assets and assuming certain liabilities associated with those offices:

Liabilities assumed (including deposits of $48,155,000)	$49,074,000
Less: Assets purchased at fair value:	
Loans, net of allowance for loan losses	17,618,000
Fixed assets ($1,193,000), covenants and other assets	1,617,000
Net proceeds, branch acquisitions	$29,839,000

Subsequent to this transaction, the Elkhart office operations were transferred to an existing office.

NOTE 13 - PARENT COMPANY STATEMENTS

The Corporation operates primarily in the banking industry, which accounts for more than 90 percent of its revenues, operating income, and assets. Presented below are parent only financial statements:

CONDENSED BALANCE SHEETS

	December 31	
	1994	1993
ASSETS		
Deposits with Lake City Bank	$15,000	$24,000
Investment in subsidiary	30,085,000	27,979,000
Other assets	12,000	110,000
Total assets	$30,112,000	$28,113,000
LIABILITIES		
Dividends payable and other liabilities	$223,000	$201,000
STOCKHOLDERS' EQUITY	29,889,000	27,912,000
Total liabilities and stockholders' equity	$30,112,000	$28,113,000

CONDENSED STATEMENTS OF INCOME

	Years Ended December 31		
	1994	1993	1992
Dividends from Lake City Bank	$982,000	$458,000	$567,000
Interest on deposits and repurchase agreements, Lake City Bank	3,000	0	4,000
Security gains	0	0	35,000
Miscellaneous income	22,000	(10,000)	0
Equity in undistributed income of subsidiary	4,168,000	3,782,000	2,740,000
Miscellaneous expense (credit)	68,000	(2,000)	(4,000)
INCOME BEFORE INCOME TAXES	5,107,000	4,232,000	3,350,000
Income tax expense (credit)	(19,000)	(3,000)	(9,000)
NET INCOME	$5,126,000	$4,235,000	$3,359,000

CONDENSED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	1994	1993	1992
Cash flows from operating activities			
Net income	$5,126,000	$4,235,000	$3,359,000
Adjustments to net cash from operating activities			
Equity in undistributed earnings of subsidiary	(4,168,000)	(3,782,000)	(2,740,000)
Other changes	18,000	36,000	23,000
Net cash from operating activities	976,000	489,000	642,000
Cash flows from investing activities	(137,000)	0	59,000
Cash flows from financing activities	(848,000)	(716,000)	(598,000)

Net increase (decrease) in cash and cash equivalents	(9,000)	(227,000)	103,000
Cash and cash equivalents at beginning of year	24,000	251,000	148,000
Cash and cash equivalents at end of year	$15,000	$24,000	$251,000

NOTE 14 - COMMITMENTS, OFF-BALANCE SHEET RISKS AND CONTINGENCIES

During the normal course of business, the Bank becomes a party to financial instruments with off-balance sheet risk in order to meet the financing needs of its customers. These financial instruments include commitments to make loans and open-ended revolving lines of credit. Amounts as of December 31, 1994 were as follows:

	Fixed Rate	Variable Rate	Total
Commercial loan lines of credit	$3,267,000	$71,075,000	$74,342,000
Commercial loan standby letters of credit	0	6,807,000	6,807,000
Real estate mortgage loans	0	485,000	485,000
Real estate construction mortgage loans	0	460,000	460,000
Credit card open-ended revolving lines	4,444,000	0	4,444,000
Home equity mortgage open-ended revolving lines	0	11,317,000	11,317,000
Consumer loan open-ended revolving lines	0	2,384,000	2,384,000
Total	$7,711,000	$92,528,000	$100,239,000

At December 31, 1994, the range of interest rates for commercial loan commitments with a fixed rate was 6.99 to 9.50 percent. The range of interest rates for commercial loan commitments with variable rates was 8.50 to 13.50 percent. The index on variable rate commercial loan commitments is primarily the prime rate.

Commitments, excluding open-ended revolving lines, generally have fixed expiration dates of one year or less. Credit card open-ended revolving lines of credit are normally reviewed bi-annually and other personal lines of credit are normally reviewed annually. Since many commitments expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Bank follows the same credit policy (including requiring collateral, if deemed appropriate) to make such commitments as is followed for those loans that are recorded in its financial statements. The Bank's exposure to credit losses in the event of nonperformance is represented by the contractual amount of the commitments. Management does not expect any losses as a result of these commitments. There are presently no lawsuits which, in the opinion of management and legal counsel, would have a material affect on the financial statements.

NOTE 15 - FAIR VALUE ACCOUNTING

The SFAS No. 107 requires management to estimate the fair value of its financial instruments. The following table contains these values and the related carrying values at December 31, 1994 and 1993. Items which are not financial instruments are not included.

	1994		1993	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Cash and cash equivalents	$24,147,000	$24,147,000	$12,869,000	$12,869,000
Real estate mortgages held for sale	175,000	179,000	2,191,000	2,253,000
Securities available for sale	59,600,000	59,600,000	61,133,000	61,133,000
Securities held to maturity	110,152,000	103,723,000	99,570,000	100,377,000
Loans, net	283,090,000	279,035,000	256,175,000	260,000,000
Accrued income receivable	3,464,000	3,464,000	2,858,000	2,858,000
Certificates of deposit	(219,491,000)	(218,739,000)	(201,064,000)	(203,121,000)
All other deposits	(177,249,000)	(177,249,000)	(168,968,000)	(168,968,000)
Securities sold under agreements to repurchase	(41,750,000)	(41,833,000)	(29,372,000)	(29,416,000)
Other short-term debt	(6,573,000)	(6,573,000)	(8,737,000)	(8,737,000)
Long-term debt	(17,432,000)	(16,337,000)	(9,300,000)	(9,448,000)
Accrued expenses payable	(3,280,000)	(3,280,000)	(3,022,000)	(3,022,000)

For purposes of the above disclosures of estimated fair value, the following assumptions were used as of December 31, 1994 and 1993. The estimated fair value for cash, cash equivalents and accruals is considered to approximate cost. Real estate mortgages held for sale are based upon either the actual contracted price for those loans sold but not yet delivered, or the current FHLMC price for normal delivery of mortgages with similar coupons and maturities at year-end. The estimated fair value for securities is based on quoted market rates for individual securities or for equivalent quality, coupon and maturity securities. The estimated fair value of loans is based on estimates of the rate the Bank would charge for similar such loans at December 31, 1994 and 1993, applied for the time period until estimated repayment. The estimated fair value for demand and savings deposits is based on their carrying value. The estimated fair value for certificates of deposit and borrowings is based on estimates of the rate the Bank would pay on such deposits or borrowings at December 31, 1994 and 1993, applied for the time period until maturity. The estimated fair value of short-term borrowed funds is considered to approximate cost. The estimated fair value of other financial instruments and off-balance sheet loan commitments approximate cost and are not considered significant to this presentation.

While these estimates of fair value are based on management's judgment of the most appropriate factors, there is no assurance that were the Bank to have disposed of such items at December 31, 1994 and 1993, the estimated fair values would necessarily have been achieved at that date, since market values may differ depending on various circumstances. The estimated fair values at December 31, 1994 and 1993, should not necessarily be considered to apply at subsequent dates.

In addition, other assets and liabilities of the Bank that are not defined as financial instruments are not included in the above disclosures, such as land, premises and equipment. Also, non-financial instruments typically not recognized in financial statements nevertheless may have value but are not included in the above disclosures. These include, among other items, the estimated earnings power of core deposit accounts, the earnings potential of loan servicing rights, the earnings potential of the Bank's trust department, the trained work force, customer goodwill and similar items.

REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors
Lakeland Financial Corporation
Warsaw, Indiana

We have audited the accompanying consolidated balance sheets of Lakeland Financial Corporation and subsidiary as of December 31, 1994 and 1993, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 1994, 1993 and 1992. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lakeland Financial Corporation and subsidiary as of December 31, 1994 and 1993, and the results of its operations and its cash flows for the years ended December 31, 1994, 1993 and 1992, in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 11, the Corporation changed its method of accounting for income taxes in 1993, and as discussed in Notes 1 and 2, the Corporation elected to classify its securities in accordance with Statement of Financial Accounting Standards (SFAS) No. 115 at December 31, 1993.

CROWE, CHIZEK AND COMPANY
South Bend, Indiana

January 27, 1995

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation of the Corporation's consolidated financial statements and related information appearing in this annual report. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present the Corporation's financial position and results of operations and were prepared in conformity with generally accepted accounting principles. Management also has included in the Corporation's financial statements, amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

The independent auditors have audited the Corporation's consolidated financial statements in accordance with generally accepted auditing standards and provide an objective, independent review of the fairness of the reported operating results and financial position.

The Board of Directors of the Corporation has an Audit Review Committee composed of five non-management Directors. The Committee meets periodically with the internal auditors and the independent auditors.

FINANCIAL CONDITION

Liquidity

The Corporation manages its primary liquidity position to provide funding at the lowest possible cost for anticipated loan demand and/or deposit run-off that occurs in the regular course of business. Such sources of liquidity are: federal fund lines with correspondent banks, advances from the Federal Home Loan Bank, repurchase agreements with local bank customers and cash flow from the securities portfolio. This cash flow from the securities portfolio could total approximately $18,700,000 in 1995, given current prepayment assumptions. Additionally, continuous growth into new markets in northern Indiana has diversified the retail deposit base, reducing volatility that might occur in one geographical location. Kosciusko county provides less than 50 percent of the Corporation's funding today, as compared to nearly 90 percent only five years ago.

The Corporation manages a secondary liquidity position to provide funding in the event of unanticipated loan demand and/or deposit run-off. Management has designated approximately 35 percent of its investment portfolio as available for sale (AFS). This designation provides the liquidity to fund abnormal loan demand, or to manage the loss of deposits. The Corporation's securities are all very high quality and easily marketable, with 89 percent either U.S. Treasuries, federal agency securities or mortgage-backed securities directly or indirectly guaranteed by the Federal government.

The following is a brief description of the sources and uses of funds for the indicated periods:

During the year ended December 31, 1994, there was a net increase of $11.3 million in cash and cash equivalents. The major uses of cash during the period included the funding of a $27.7 million increase in loans and the purchase of securities totaling $28.5 million. Major sources of funds were: a net increase in cash from operating activities of $10.3 million, maturing securities of $15.3 million, an increase in deposits of $26.7 million and an $18.5 million increase in total borrowings.

During the year ended December 31, 1993, there was a net increase of $2.6 million in cash and cash equivalents. The major uses of cash during the period included the funding of a $8.2 million increase in loans and the purchase of securities totaling $85.0 million. Major sources of funds were: a net increase in cash from operating activities of $7.7 million, proceeds from the sale or maturity of securities totaling $27.0 million, an increase in deposits of $37.6 million, and proceeds from branch acquisitions of $29.8 million.

During the year ended December 31, 1992, there was a net decrease of $3.3 million in cash and cash equivalents. The major uses of cash during the period included the funding of a $44.1 million increase in loans and the purchase of securities totaling $88.2 million. Major sources of funds were: a net increase in cash from operating activities of $10.2 million, proceeds from the sale or maturity of securities totaling $101.6 million and an increase in deposits of $18.8 million.

Asset/Liability Management (ALCO)

The Board of Directors annually reviews and approves the ALCO policy used to manage interest rate risk. This policy sets guidelines for balance sheet structure that protect the Corporation from excessive net income volatility that could result from changing interest rates. The Corporation uses a GAP report, which details the relative mismatch of asset and liability cash flows occurring in specified time horizons, as a rough estimate of the current rate sensitivity position. In 1993 the Corporation began using a computer program to test the balance sheet's performance under a wide variety of interest rate scenarios. This model quantifies the impact on income of such things as: changes in customer preference for bank products, basis risk between the Bank's assets and the funds supporting them and the risk inherent in different yield curves. The ALCO committee reviews these possible outcomes and makes loan, investment and deposit decisions that maintain reasonable balance sheet structure in light of potential interest rate movements. After the committee has specified a maximum risk tolerance for dollar margin volatility, the committee develops guidelines for the GAP ratios. As indicated in Table 1, the Corporation's GAP ratio at December 31, 1994, for the next 12 months is a negative 7.4 percent of total assets. This ratio indicates that the interest margin could be somewhat lower if interest rates rise, as compared to flat or falling interest rate environments. The computer model also produces this result. The computer generated forecast indicates that the percentage margin would decline only modestly if rates rose approximately 200 basis points. Both measures are well within policy limits.

Capital Management

The Corporation believes that a strong capital position is vital to long-term earnings and expansion. Currently the Bank maintains capital levels in excess of "well-capitalized" levels as defined by the FDIC. Bank regulatory agencies have recently ruled that the market value adjustment created by SFAS No. 115 (AFS adjustment) should be excluded from capital adequacy calculations. Therefore, excluding this market valuation adjustment from the calculation, the Bank attained tier I leverage capital, tier I risk based capital and tier II risk based capital ratios of 6.3 percent, 10.1 percent and 11.3 percent, respectively at December 31, 1994. All three ratios are well above the "well-capitalized" minimums of 5.0 percent, 6.0 percent and 10.0 percent, respectively. The ability to maintain these ratios at these levels are a function of net income growth and a prudent dividend policy. Total stockholders' equity increased by 7.1 percent, to $29,889,000 as of December 31, 1994, from $27,912,000 as of December 31, 1993. Total stockholders' equity increased by 25.8 percent or $6,139,000 from $23,750,000 as of December 31, 1992. The 1994 growth of $1,977,000 resulted from the retention of net income of $5,126,000, minus cash dividends declared of $848,000 and change in the AFS adjustment of $2,301,000. The 1993 growth of $4,162,000 resulted from the retention of net income of $4,235,000, minus cash dividends declared of $719,000 plus the AFS adjustment of $646,000.

Inflation

For a financial institution, the effects of price changes and inflation can vary substantially. Inflation affects the growth of total assets, but it is difficult to assess its impact since neither the timing nor the magnitude of the changes in the consumer price index (CPI) coincides with changes in interest rates. The price of one or more of the important components of the CPI may fluctuate considerably and thereby influence the overall CPI without having a corresponding affect on interest rates or upon the cost of those goods and services normally purchased by the Corporation. In years of high inflation and high interest rates, intermediate and long-term interest rates tend to increase, thereby adversely impacting the market values of investment securities, mortgage loans and other long-term fixed rate loans. In addition, higher short-term interest rates caused by inflation tend to increase the cost of funds. In other years, the reverse situation may occur.

Growth and Expansion

The assets of the Corporation increased 10.5 percent, or $47,009,000, to $496,963,000 as of December 31, 1994, from $449,954,000 as of December 31, 1993. Assets at December 31, 1994, increased 37.1 percent, or $134,466,000, from $362,497,000 as of December 31, 1992. The Corporation has been pursuing expansion into contiguous markets since 1990. Most recently, the Corporation purchased two offices from Prime Bank in Noble county (see Note 12 to the Consolidated Financial Statements), and opened an additional office in Elkhart county in 1993. In 1994, another office was opened in Elkhart county and the Corporation opened its first location in LaGrange county in Shipshewana, Indiana. Plans call for additional expansion in Elkhart county in 1995. Although growth continues to be strong in the traditional markets served by the Bank, clearly the ability to grow earnings at a rate that will maximize the value of the Corporation's stock depends on the ability to access new markets. Expansion has opened new markets for the Corporation's loan and deposit products in Elkhart, Fulton, LaGrange, Marshall, Noble and Whitley counties. Further, diversifying the retail deposit base continues to be a key long-term liquidity and ALCO management objective, since these funds are typically less volatile, and less costly, than purchased funds. However, the Corporation continues to protect its traditional markets by modifying its existing market coverage by adding new products, offices and ATM's in areas where the demographic trends dictate. All of these factors have contributed significantly to net income in recent years.

Changes in Accounting Methods

At December 31, 1993, the Corporation elected to adopt the provisions of Statement of Financial Accounting Standards (SFAS) No. 115. This deals with the accounting for certain debt and equity securities. Stockholders' equity includes the impact of this accounting standard. During the first quarter of 1993, the Corporation adopted the provisions of SFAS No. 109, Accounting for Income Taxes. Net income in 1993 includes the cumulative impact of this change in accounting standard. Effective January 1, 1995, the Corporation will adopt SFAS No. 114, and SFAS No. 118, Accounting by Creditors for Impairment of a Loan. The affect on the Corporation of the adoption of these accounting standards will not be material.

RESULTS OF OPERATIONS

1994 versus 1993

Record assets and earnings characterized 1994. Loans increased 10.7 percent, or $27,771,000, to $287,956,000 at year-end 1994. Total deposits increased 7.2 percent, or $26,708,000, to $396,740,000 at December 31, 1994, while deposits and securities sold under agreement to repurchase increased 9.8 percent, or $39,086,000, to $438,490,000. Net income totaled $5,126,000, surpassing 1993 results by 21.0 percent. On an average daily basis, gross earning assets increased by 22.1 percent and total deposits and purchased funds increased by 22.9 percent. The Prime Bank offices added in late 1993 account for approximately two-thirds of this average daily earning asset growth.

Total interest income increased 21.9 percent, or $6,048,000 to $33,655,000 for the year ended December 31, 1994. The 22.1 percent growth in average daily earning assets was solely responsible for this increase, as the overall tax equivalent yield of 7.70 percent on average earning assets in 1994 was unchanged from 1993.

Nonearning assets of the Corporation include non-accrual loans and investments, other real estate, and repossessions, and amounted to $815,000, $2,379,000 and $3,132,000 as of December 31, 1994, 1993 and 1992, respectively. There was one $18,000 nonaccrual loan at year-end 1994.

Interest expense totaled $14,887,000 in 1994, a 23.8 percent, or $2,865,000 increase over 1993. Average daily deposits and purchased funds increased by 22.9 percent in 1994, and rising interest rates during the year increased the average rate paid on interest bearing liabilities by 3 basis points to 3.44 percent for the year. As interest rates rose during 1994, Bank customers have returned to fixed rate certificates of deposit. This shift in mix modestly increased the Bank's overall cost of funds during 1994.

Net interest income increased 20.4 percent, or $3,183,000, to $18,768,000 in 1994, from $15,585,000 in 1993. Net interest income as a percentage of average earning assets was 4.41 percent in 1994. This represents an 8 basis point decline from 4.49 percent in 1993. This reduction is due in equal measure to the modest increase in the cost of funds and a lower level of loan fees. The Corporation expects net interest income growth to be comparable to the growth of earning assets in 1995.

As indicated in Notes 1 and 4 to the Consolidated Financial Statements, management maintains the allowance for loan losses at an appropriate level given many different factors. The December 31, 1994, allowance for loan losses of $4,866,000 is believed by management to be adequate to absorb all potential inherent risk applicable to the classification of loans as loss, doubtful, substandard or special mention. This allowance does not represent or result from trends that will materially adversely impact future operating results, liquidity or capital resources. Net interest income after provision for loan losses increased 21.5 percent, or $3,178,000, to $17,973,000 in 1994, from $14,795,000 in 1993.

Trust income and service charges on deposit accounts, two large components of noninterest income, increased 16.9 percent, or $388,000 to $2,687,000 in 1994, from $2,299,000 in 1993. Trust income totaled $609,000, an increase of 16.2 percent from 1993. This reflects increased corporate trust business.

Service charges on deposit accounts increased by 17.1 percent, to $2,078,000 in 1994, reflecting the growth in individual and corporate deposit accounts paying fees. Other income increased $898,000 to $1,412,000 in 1994. A portion of this growth reflects the reversal of certain other real estate valuation allowances totaling $404,000 that were related to two large loans. These situations were resolved in 1994 and the reserves were no longer necessary. Other components of other income such as wire transfer fees, credit card fees and mortgage service fees increased 15.0 percent in 1994.

The Corporation continues its program of originating and selling real estate mortgages in the secondary market. During the course of 1994, the Bank sold approximately $8,800,000 of mortgages through the FHLMC Gold program. Gains on the sale of these loans totaled $177,000, a decrease of $499,000 over 1993. This decrease represents the higher rate environment that substantially reduced the level of home refinancing during the year.

Net investment securities losses totaled $(7,000) in 1994, as compared to net investment security gains of $175,000 in 1993. The ALCO committee reviews the portfolio monthly and makes investment decisions based upon the projected balance sheet needs. During 1994, there were no securities sold from either the AFS or HTM portfolios. The small security losses experienced during 1994 were the result of several partial calls on zero coupon bonds. It is difficult to predict the level of future sales of securities.

Salaries and employee benefit costs increased 16.7 percent in 1994, to $7,278,000 from $6,236,000. This increase reflects an 10.8 percent increase in full-time equivalent employees (FTE) in 1994, to 278, and normal annual salary increases. This increase in FTE relates to the full year impact of the offices added in Noble county in late 1993 and the two new offices added in 1994. There has also been an increase in fringe benefit costs and indirect payroll costs, as some of these programs reflect corporate performance that has been at record levels.

Another component of other expense that is growing due to expansion is net occupancy expense of premises and equipment costs. These expenses totaled $2,058,000 in 1994, an increase of 15.9 percent over 1993. Again, the additional offices added in 1994, as well as, a full year of expense on the offices added in Elkhart and Noble counties in 1993 contributed to this increase.

As indicated in Note 10 to the Consolidated Financial Statements, all major components of other expense contributed to the 8.9 percent, or $390,000 increase to $4,756,000 for 1994, from $4,366,000 in 1993. Regulatory and FDIC insurance premiums are the largest component of other expense, totaling $904,000 in 1994. This is an increase of $121,000, or 15.5 percent from 1993. This increase reflects the overall growth in deposits. Data processing and supplies are the second largest component of other expense, totaling $766,000 in 1994. This represents a decrease of 11.9 percent, or $104,000 from 1993. Included in the 1993 amount were certain non-recurring expenses related to the acquisition of the branches of Prime Bank.

As a result of all of these factors, income before income tax and cumulative effect of change in accounting principle totaled $8,150,000, an increase of 34.0 percent, or $2,069,000 from the $6,081,000 reported in 1993. Income before cumulative change in accounting principle was $5,126,000, an increase of 31.1 percent, or $1,216,000 over 1993. In the first quarter of 1993, the Corporation applied the provisions of SFAS No. 109, Accounting for Income Taxes. Included in 1993 income is the cumulative adjustment of $325,000 to apply this new accounting method. Net income totaled $5,126,000 in 1994, an increase of 21.0 percent, or $891,000, from $4,235,000 in 1993. On a per share basis, income before cumulative change in accounting principle was $3.56 in 1994, as compared to $2.72 in 1993. Also on a per share basis, net income was $3.56 in 1994, as compared to $2.94 in 1993. Net income of $5,126,000 represents a 18.8 percent return on January 1, 1994, stockholders' equity (excluding the equity adjustment related to SFAS No. 115), and a 1.10 percent return on average daily assets.

RESULTS OF OPERATIONS
1993 VERSUS 1992

Record breaking growth and earnings characterized 1993. Loans increased 11.1 percent, or $25,983,000, to $260,185,000 at year-end 1993. Total deposits increased 30.2 percent, or $85,724,000, to $370,032,000 at December 31,1993, while deposits and securities sold under agreement to repurchase increased 26.6 percent, or $84,038,000, to $399,404,000. Net income totaled $4,235,000, surpassing 1992 results by 26.1 percent. On an average daily basis, gross earning assets increased by 9.2 percent and total deposits and purchased funds increased by 9.4 percent. Without the acquisition of the Prime Bank offices, growth in average daily gross earning assets would have been approximately 7.4 percent.

Total interest income decreased .3 percent, or $76,000 to $27,607,000 for the year ended December 31, 1993. The 9.2 percent growth in average daily earning assets was more than offset by the decline in the overall yield of earning assets in 1993. The decline in average daily tax equivalent yields was 91 basis points. This decrease resulted from the reinvestment of cash flow in lower yielding assets as rates remained at historically low levels in 1993, and from the assumption of the deposits of Prime Bank, a portion of which were invested in lower yielding short-term investments.

Nonearning assets of the Corporation include nonaccrual loans and investments, other real estate, in substance foreclosure accounts and repossessions, and amounted to $2,379,000, $3,132,000 and $2,731,000 as of December 31, 1993, 1992 and 1991, respectively. There were no nonaccrual loans at year-end 1993.

The slight decline in interest income was more than offset by the decline in interest expense. Interest expense totaled $12,022,000 in 1993, an 11.7 percent, or $1,600,000 decrease from $13,622,000 experienced in 1992. Average daily deposits and purchased funds increased by 9.4 percent in 1993, but the decline in interest rates more than offset this growth. During 1993, the Bank's interest expense decreased for a variety of reasons. To the extent that customers renewed or purchased time deposits in 1993, these funds were generally at lower rates than the time deposits that matured. The low rate environment also encouraged the growth of transaction accounts as Bank customers were hesitant to extend the maturities of their deposits. Transaction accounts are generally the lowest cost sources of funds for the Bank since they earn rates at the lowest end of the yield curve. Finally, the Bank benefited from the growth in demand deposit accounts that are interest free. These last two reasons for the decline in interest expense are temporary, as they are customer driven by the low rate environment. The Bank expects that as rates increase, these funds will at some point return to time deposits thus increasing interest expense to a greater degree than if these funds stayed strictly in transaction accounts.

Net interest income increased 10.8 percent, or $1,524,000, to $15,585,000 in 1993, from $14,061,000 in 1992. Net interest income as a percent of average earning assets was 4.48 percent in 1993. Management anticipates that this percentage will decline somewhat in 1994. Two factors will contribute to this: the loan-to-deposit ratio will be lower in 1994, as it will take time to generate loan volume to employ the deposits assumed from Prime Bank, and the cost of funds has probably reached its low point in this economic cycle. In dollar terms, the Bank expects to generate a reasonable increase in net interest income in 1994, as the Bank anticipates earning on an average asset base approximately 20 percent larger than in 1993.

As indicated in Notes 1 and 4 to the Consolidated Financial Statements, the allowance for loan losses is maintained at a level deemed appropriate by management. The December 31, 1993, allowance for loan losses of $4,010,000 is believed by management to be adequate to absorb all potential inherent risk applicable to the classification of loans as loss, doubtful, substandard or special mention. It does not represent or result from trends that will materially adversely impact future operating results, liquidity or capital resources. Net interest income after provision for loan losses increased 16.3 percent, or $2,074,000, to $14,795,000 in 1993, from $12,721,000 in 1992.

Trust income and service charges on deposit accounts, two large components of noninterest income, increased 16.9 percent, or $333,000 to $2,299,000 in 1993, from $1,966,000 in 1992. Trust income totaled $524,000, an increase of 24.8 percent, from 1992. This reflects increased business in corporate trust accounts such as employee benefit plans. As reported last year, it is a major long-term strategy to increase these recurring sources of trust income in order to provide for a stable and growing source of noninterest income. Service charges of deposit accounts increased by 14.8 percent, to $1,775,000 in 1993, reflecting the growth in individual and corporate deposit accounts paying fees, and adjustments made to the fee schedules in 1992 and 1993. Other income declined $255,000 to $514,000 in 1993. The 1993 results reflect the net write-down of the carrying value of other real estate totaling $262,000. Other components of other income such as wire transfer fees, mortgage service fees and mortgage loan fees increased 12.0 percent in 1993.

The Bank instituted a formal policy for the origination and sale of real estate mortgages in the secondary market in 1993. During the course of the year, the Bank sold mortgage loans totaling approximately $19,700,000 through the FHLMC Gold program. Gains on the sale of these loans totaled $676,000, an increase of $500,000 over 1992. This increase represents a full year of sales and the high level of home refinancing during the year due to the low interest rate environment.

Net investment securities gains totaled $175,000 in 1993, as compared to $323,000 in 1992. The ALCO committee reviews the portfolio monthly and makes investment decisions based upon the projected balance sheet needs. During 1993, investment activity included the sale of selected securities in anticipation of SFAS No. 115, and the anticipation that certain adjustable rate securities tied to the 11th District Cost of Funds (COFI) would not perform well under the anticipated rate environment.

Salaries and employee benefit costs increased 17.3 percent in 1993, to $6,236,000 from $5,318,000. This increase reflects a 15.7 percent increase in full-time equivalent employees (FTE) in 1993, to 251, and normal annual salary increases. The increase in FTE relates to the addition of the two acquired offices in Noble county and the new Elkhart location. There has also been an increase in fringe benefit costs and indirect payroll costs, as some of these programs depend on corporate performance that has been running at record levels.

Another component of other expense that is growing due to expansion is net occupancy expense and equipment costs. These expenses totaled $1,776,000 in 1993, an increase of 10.0 percent over 1992. Again, the additional office in Elkhart, the new drive-up in Akron and the Noble county locations contributed to this increase. The full impact of these expenses will be reflected in 1994, since these additions occurred late in 1993.

As indicated in Note 10 to the Consolidated Financial Statements, all major components of other expense contributed to the 12.0 percent, or $467,000 increase to $4,366,000 for 1993, from $3,899,000 in 1992. Data processing and supplies are the largest component of other expense, totaling $873,000 in 1993. This represents an increase of 25.8 percent, or $179,000 from 1992. Included in this amount are certain non-recurring expenses related to the acquisition of the offices of Prime Bank. Regulatory and FDIC insurance premiums are the second largest component of other expense, totaling $783,000 in 1993. This is an increase of $68,000, or 9.5 percent from 1992. This increase reflects the overall growth in deposits, as there was no change in the Bank's FDIC insurance rate during 1993.

As a result of all of these factors, income before income tax and cumulative effect of change in accounting principle totaled $6,081,000, an increase of 18.7 percent, or $960,000 from $5,121,000 reported in 1992. Income before cumulative change in accounting principle was $3,910,000, an increase of 16.4 percent, or $551,000 over 1992. In the first quarter of 1993, the Corporation applied the provisions of SFAS No. 109, Accounting for Income Taxes. Included in 1993 net income is the cumulative adjustment of $325,000 to apply this new accounting method. Net income totaled $4,235,000 in 1993, an increase of 26.1 percent, or $876,000, from $3,359,000 in 1992. On a per share basis, income before cumulative change in accounting principle was $2.72 in 1993, as compared to $2.34 in 1992. Also on a per share basis, net income was $2.94 in 1993, as compared to $2.34 in 1992. Net income of $4,235,000 represents a 17.8 percent return on January 1, 1993 stockholders' equity, and a 1.11 percent return on average daily assets.

TABLE 1 - REPRICING OPPORTUNITIES (In Thousands)

The table below illustrates the funding gaps for selected maturity periods as of December 31, 1994. Repricing opportunities for fixed rate loans and mortgage-backed securities are based upon anticipated prepayment speeds. Demand deposit accounts and savings accounts are classified as having maturities beyond twenty-four months. The effect of the current rate sensitivity position is to make the Corporation's earnings slightly vulnerable to rising rates.

	Repricing or Maturing Within		
	Six Months	Twelve Months	Twenty-four Months
Rate Sensitive Assets:			
Overnight Investments	$2,841	$2,841	$2,841
Loans	190,199	212,788	240,427
Securities	16,026	18,697	40,024
Total	209,066	234,326	283,292
Rate Sensitive Liabilities:			
Deposits	189,963	225,689	264,824
Borrowings	39,190	45,353	55,434
Total	229,153	271,042	320,258
Rate sensitive assets under rate sensitive liabilities	($20,087)	($36,716)	($36,966)
Rate sensitive assets under rate sensitive liabilities as a percent of total assets	(4.0)%	(7.4)%	(7.4)%

TABLE 2 - CAPITAL RATIOS

Regulatory agencies specifically exclude the equity adjustment associated with SFAS No. 115 from the calculation of capital adequacy. The following table presents the Bank's current capital adequacy ratios, as well as the FDIC defined levels to be considered well-capitalized" and the Bank's current excess capital position in relation to these "well-capitalized" levels.

	Regulatory Capital Ratio		
	December 31, 1994	Well-Capitalized	Excess Capital
Ratio			
Tier I leverage	6.27%	5.00%	$6,351,000
Tier I risk based	10.07%	6.00%	$12,709,000
Tier II risk based	11.33%	10.00%	$4,136,000