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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the fiscal year ended December 31, 1999
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from ____________ to __________________

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
Common	The Nasdaq Stock Market's National Market
Preferred Securities of Lakeland Capital Trust	The Nasdaq Stock Market's National Market

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

None

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.[X]

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 Nasdaq closing value at February 22, 2000, and assuming solely for the purposes of this calculation that all directors and executive officers of the Registrant are "affiliates": $79,225,857.

Number of shares of common stock outstanding at February 22, 2000: 5,788,992

DOCUMENTS INCORPORATED BY REFERENCE

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

Part	Document
I, II & IV	Lakeland Financial Corporation's Annual Report to Shareholders for the year ended December 31, 1999, portions of which are incorporated into Parts I, II and IV of this Form 10-K.
III	Proxy statement mailed to shareholders on March 15, 2000, which is incorporated into Part III of this Form 10-K.

PART I.

ITEM 1. BUSINESS

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

General

Company's Business. The Company is a bank holding company as defined in the Bank Holding Company Act of 1956, as amended. The Company owns all of the outstanding stock of Lake City Bank, Warsaw, Indiana, a full service commercial bank organized under Indiana law (the "Bank"), and Lakeland Capital Trust, a statutory business trust formed under Delaware law ("Lakeland Trust"). In trust, the Bank recognizes a wholly-owned subsidiary, LCB Investments Limited, which manages a portion of the Bank's investment portfolio. The Company 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, brokerage services, commercial and agricultural lending, direct and indirect consumer lending, real estate mortgage lending, safe deposit box service and trust and investment services.

The Bank's main banking office is located at 202 East Center Street, Warsaw, Indiana. As of December 31, 1999, the Bank had 44 offices in fifteen counties throughout north central Indiana.

Forward-looking Statements

When used in this report and in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties, including but not limited to changes in economic conditions in the Company's market area, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the Company's market area and competition, all or some of which could cause actual results to differ materially from historical earnings and those presently anticipated or projected.

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

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

Business Developments

The Company conducts no business except that which is incident to its ownership of the stock of the Bank, the collection of dividends from the Bank, and the disbursement of dividends to shareholders.

Lakeland Trust, a statutory business trust, was formed under Delaware law pursuant to a trust agreement dated July 24, 1997 and a certificate of trust filed with the Delaware Secretary of State on July 24, 1997. Lakeland Trust exists for the exclusive purposes of (i) issuing the trust securities representing undivided beneficial interests in the assets of Lakeland Trust, (ii) investing the gross proceeds of the trust securities in the subordinated debentures issued by the Company, and (iii) engaging in only those activities necessary, advisable, or incidental thereto. The subordinated debentures and payments thereunder are the only assets of Lakeland Trust, and payments under the subordinated debentures are the only revenue of Lakeland Trust. Lakeland Trust has a term of 55 years, but may be terminated earlier as provided in the trust agreement.

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's activities cover all phases of commercial banking, including checking accounts, savings accounts, time deposits, the sale of securities under agreements to repurchase, brokerage services, commercial and agricultural lending, direct and indirect consumer lending, real estate mortgage lending, safe deposit box services, trust and investment 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 competes for loans principally through the range and quality of services it provides, interest rates and loan fees. The Bank believes that its convenience, quality service and hometown approach to banking enhances its ability to compete favorably in attracting and retaining individual and business customers. The Bank actively solicits deposit-related customers and competes for customers by offering personal attention, professional service and competitive interest rates.

The Bank's service area is north central Indiana. 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. Also, 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.

The Bank competes with other major banks for large commercial deposit and loan accounts. The Bank is presently subject to an aggregate maximum loan limit to any single account of approximately $9 million pursuant to Indiana law. This maximum prohibits the Bank from providing a full range of banking services to those businesses or personal accounts whose borrowings periodically exceed this amount. In order to retain at least a portion of the banking business of these large borrowers, the Bank maintains correspondent relationships with other financial institutions. 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 Company 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, 1999, the Company, including its subsidiaries, had 453 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. The Company also has a stock option plan under which stock options may be granted to employees and directors.

Supervision and Regulation

General

Financial institutions and their holding companies are extensively regulated under federal and state law. As a result, the growth and earnings performance of the Company can be affected not only by management decisions and general economic conditions, but also by the requirements of applicable state and federal statutes and regulations and the policies of various governmental regulatory authorities, including the Indiana Department of Financial Institutions (the "DFI"), the Board of Governors of the Federal Reserve System (the "Federal Reserve"), the Federal Deposit Insurance Corporation (the "FDIC"), the Internal Revenue Service and state taxing authorities and the Securities and Exchange Commission (the "SEC"). The effect of applicable statutes, regulations and regulatory policies can be significant, and cannot be predicted with a high degree of certainty.

Federal and state laws and regulations generally applicable to financial institutions, such as the Company and its subsidiaries, regulate, among other things, the scope of business, investments, reserves against deposits, capital levels relative to operations, the nature and amount of collateral for loans, the establishment of branches, mergers, consolidations and dividends. The system of supervision and regulation applicable to the Company and its subsidiaries establishes a comprehensive framework for their respective operations and is intended primarily for the protection of the FDIC's deposit insurance funds and the depositors, rather than shareholders, of financial institutions.

The following is a summary of the material elements of the regulatory framework that applies to the Company and its subsidiaries. It does not describe all of the statutes, regulations and regulatory policies that apply to the Company and its subsidiaries, nor does it restate all of the requirements of the statutes, regulations and regulatory policies that are described. As such, the following is qualified in its entirety by reference to the applicable statutes, regulations and regulatory policies. Any change in applicable law, regulations or regulatory policies may have a material effect on the business of the Company and its subsidiaries.

Recent Regulatory Developments

Pending Legislation. On November 12, 1999, President Clinton signed legislation that will allow bank holding companies to engage in a wider range of nonbanking activities, including greater authority to engage in securities and insurance activities. Under the Gramm-Leach-Bliley Act (the "Act"), a bank holding company may engage in any activity that the Federal Reserve, in consultation with the Secretary of the Treasury, determines by regulation or order is (i) financial in nature, (ii) incidental to any such financial

activity, or (iii) complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. The Act specifies certain activities that are deemed to be financial in nature, including lending, exchanging, transferring, investing for others, or safeguarding money or securities; underwriting and selling insurance; providing financial, investment, or economic advisory services; underwriting, dealing in or making a market in, securities; and any activity currently permitted for bank holding companies by the Federal Reserve under section 4(c)(8) of the Bank Holding Company Act. A bank holding company may elect to be treated as a financial holding company only if all depository institution subsidiaries of the holding company are well-capitalized, well-managed and have at least a satisfactory rating under the Community Reinvestment Act.

National banks are also authorized by the Act to engage, through "financial subsidiaries," in any activity that is permissible for a financial holding company (as described above) and any activity that the Secretary of the Treasury, in consultation with the Federal Reserve, determines is financial in nature or incidental to any such financial activity, except (i) insurance underwriting, (ii) real estate development or real estate investment activities (unless otherwise permitted by law), (iii) insurance company portfolio investments and (iv) merchant banking. The authority of a national bank to invest in a financial subsidiary is subject to a number of conditions, including, among other things, requirements that the bank must be well-managed and well-capitalized (after deducting from capital the bank's outstanding investments in financial subsidiaries). The Act provides that state banks may invest in financial subsidiaries (assuming they have the requisite investment authority under applicable state law) subject to the same conditions that apply to national bank investments in financial subsidiaries.

At this time, it is not possible to predict the impact the Act may have on the Company. Various bank regulatory agencies have just begun issuing regulations as mandated by the Act. The Federal Reserve has issued an interim rule that sets forth procedures by which bank holding companies may become financial holding companies, the criteria necessary for such a conversion, and the Federal Reserve's enforcement powers should a holding company fail to maintain compliance with the criteria. The Office of the Comptroller of the Currency has issued a final rule discussing the procedures by which national banks may establish financial subsidiaries, as well as the qualifications and safeguards that will be required. In addition, in February, 2000, all federal bank regulatory agencies jointly issued a proposed rule that would implement the financial privacy provisions of the Act.

The Company

General. The Company, as the sole shareholder of the Bank, is a bank holding company. As a bank holding company, the Company is registered with, and is subject to regulation by, the Federal Reserve under the Bank Holding Company Act, as amended (the"BHCA"). In accordance with Federal Reserve policy, the Company is expected to act as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances where the Company might not otherwise do so. Under the BHCA, the Company is subject to periodic examination by the Federal Reserve. The Company is also required to file with the Federal Reserve periodic reports of the Company's operations and such additional information regarding the Company and its subsidiaries as the Federal Reserve may require. The Company is also subject to regulation by the DFI under Indiana law.

Investments and Activities. Under the BHCA, a bank holding company must obtain Federal Reserve approval before: (i) acquiring, directly or indirectly, ownership or control of any voting shares of another bank or bank holding company if, after the acquisition, it would own or control more than 5% of the shares of the other bank or bank holding company (unless it already owns or controls the majority of such shares); (ii) acquiring all or substantially all of the assets of another bank; or (iii) merging or consolidating with another

bank holding company. Subject to certain conditions (including certain deposit concentration limits established by the BHCA), the Federal Reserve may allow a bank holding company to acquire banks located in any state in the United States without regard to whether the acquisition is prohibited by the law of the state in which the target bank is located. In approving interstate acquisitions, however, the Federal Reserve is required to give effect to applicable state law limitations on the aggregate amount of deposits that may be held by the acquiring bank holding company and its insured depository institution affiliates in the state in which the target bank is located (provided those limits do not discriminate against out-of-state depository institutions or their holding companies) and state laws which require that the target bank has been in existence for a minimum period of time (not to exceed five years) before being acquired by an out-of-state bank holding company.

The BHCA also generally prohibits the Company from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company which is not a bank and from engaging in any business other than that of banking, managing and controlling banks or furnishing services to banks and their subsidiaries. This general prohibition is subject to a number of exceptions. The principal exception allows bank holding companies to engage in, and to own shares of companies engaged in, certain businesses found by the Federal Reserve to be "so closely related to banking ... as to be a proper incident thereto." Under current regulations of the Federal Reserve, the Company and its non-bank subsidiaries are permitted to engage in a variety of banking-related businesses, including the operation of a thrift, sales and consumer finance, equipment leasing, the operation of a computer service bureau (including software development), mortgage banking and brokerage. The BHCA generally does not place territorial restrictions on the domestic activities of non-bank subsidiaries of bank holding companies.

Federal law also prohibits any person or company from acquiring "control" of a bank or a bank holding company without prior notice to the appropriate federal bank regulator. "Control" is defined in certain cases as the acquisition of 10% of the outstanding shares of a bank or a bank holding company.

Capital Requirement. Bank holding companies are required to maintain minimum levels of capital in accordance with Federal Reserve capital adequacy guidelines. If capital falls below minimum guideline levels, a bank holding company, among other things, may be denied approval to acquire or establish additional banks or non-bank businesses.

The Federal Reserve's capital guidelines establish the following minimum regulatory capital requirements for bank holding companies: a risk-based requirement expressed as a percentage of total risk-weighted assets, and a leverage requirement expressed as a percentage of total assets. The risk-based requirement consists of a minimum ratio of total capital to total risk-weighted assets of 8%, at least one-half of which must be Tier I capital. The leverage requirement consists of a minimum ratio of Tier I capital to total average assets of 3% for the most highly rated companies, with a minimum requirement of 4% for all others. For purposes of these capital standards, Tier I capital consists primarily of permanent stockholders' equity less intangible assets (other than certain mortgage servicing rights and purchased credit card relationships). Total capital consists primarily of Tier I capital plus certain other debt and equity instruments which do not qualify as Tier I capital and a portion of the company's allowance for loan and lease losses.

The risk-based and leverage standards described above are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual banking organizations. For example, the Federal Reserve's capital guidelines contemplate that additional capital may be required to take adequate account of, among other things, interest rate risk, or the risks posed by concentrations of credit, nontraditional activities or securities trading activities. Further, any banking organization experiencing or anticipating significant growth would be

expected to maintain capital ratios, including tangible capital positions (i.e., Tier I capital less all intangible assets), well above the minimum levels.

As of December 31, 1999, the Company had regulatory capital in excess of the Federal Reserve's minimum requirements, with a risk based ratio of 10.26% and a leverage ratio of 6.77%.

Dividends. The Federal Reserve has issued a policy statement with regard to the payment of cash dividends by bank holding companies. The policy statement provides that a bank holding company should not pay cash dividends which exceed its net income or which can only be funded in ways that weaken the bank holding company's financial health, such as by borrowing. The Federal Reserve also possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes or regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies.

Federal Securities Regulation. The Company's common stock is registered with the SEC under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Consequently, the Company is subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the SEC under the Exchange Act.

The Bank

General. The Bank is an Indiana-chartered bank, the deposits of which are insured by the FDIC's Bank Insurance Fund ("BIF"). As a BIF insured, Indiana-chartered bank, the Bank is subject to the examination, supervision, reporting and enforcement requirements of the DFI, as the chartering authority for Indiana banks, and the FDIC, as administrator of the BIF.

Deposit Insurance. As an FDIC-insured institution, the Bank is required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system under which all insured depository institutions are placed into one of nine categories and assessed insurance premiums based upon their respective levels of capital and results of supervisory evaluations. Institutions classified as well-capitalized (as defined by the FDIC) and considered healthy pay the lowest premium while institutions that are less than adequately capitalized (as defined by the FDIC) and considered of substantial supervisory concern pay the highest premium. Risk classification of all insured institutions is made by the FDIC for each semi-annual assessment period.

During the year ended December 31, 1999, BIF assessments ranged from 0% of deposits to 0.27% of deposits. For the semi-annual assessment period beginning January 1, 2000, BIF assessments will continue to range from 0% of deposits to 0.27% of deposits.

The FDIC may terminate the deposit insurance of any insured depository institution if the FDIC determines, after a hearing, that the institution (i) has engaged or is engaging in unsafe or unsound practices, (ii) is in an unsafe or unsound condition to continue operations or (iii) has violated any applicable law, regulation, order, or any condition imposed in writing by, or written agreement with, the FDIC. The FDIC may also suspend deposit insurance temporarily during the hearing process for a permanent termination of insurance if the institution has no tangible capital. Management of the Company is not aware of any activity or condition that could result in termination of the deposit insurance of the Bank.

FICO Assessment. Since 1987, a portion of the deposit insurance assessments paid by members of the FDIC's Savings Association Insurance Fund ("SAIF") has been used to cover interest payments due on the outstanding obligations of the Financing Corporation ("FICO"). FICO was created in 1987 to

finance the recapitalization of the Federal Savings and Loan Insurance Corporation, the SAIF's predecessor insurance fund. As a result of federal legislation enacted in 1996, beginning as of January 1, 1997, both SAIF and BIF members became subject to assessments to cover interest payments on outstanding FICO obligations. These FICO assessments are in addition to the amounts assessed by the FDIC for deposit insurance. Until January 1, 2000, the FICO assessments made against BIF members may not exceed 20% of the amount of the FICO assessments made against SAIF members. Between January 1, 2000, and the final maturity on the FICO obligations in 2019, BIF members and SAIF members will share the cost of the interest on the FICO bonds on a pro rata basis. During the year ended December 31, 1999, the FICO assessment rate for SAIF members ranges between approximately 0.0580% of deposits and approximately 0.0610% of deposits, while the FICO assessment rate for BIF members ranged between approximately 0.0116% of deposits and approximately 0.0122% of deposits. During the year ended December 31, 1999, the Bank paid FICO assessments totaling $83,000.

Supervisory Assessments. All Indiana banks are required to pay supervisory assessments to the DFI to fund the operations of the DFI. During the year ended December 31, 1999, the Bank paid supervisory assessments to the DFI totaling $69,000.

Capital Requirements. The FDIC has established the following minimum capital standards for state-chartered insured non-member banks, such as the Bank: a leverage requirement consisting of a minimum ratio of Tier I capital to total average assets of 3% for the most highly-rated banks with a minimum requirement of at least 4% for all others, and a risk-based capital requirement consisting of a minimum ratio of total capital to risk-weighted assets of 8%, at least one-half of which must be Tier I capital. For purposes of these capital standards, Tier I capital and total capital consist of substantially the same components as Tier I capital and total capital under the Federal Reserve's capital guidelines for bank holding companies (see "The Company -- Capital Requirements").

The capital requirements described above are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual institutions. For example, the regulations of the FDIC provide that additional capital may be required to take adequate account of, among other things, interest rate risk or the risks posed by concentrations of credit, nontraditional activities or securities trading activities.

During the year ended December 31, 1999, the Bank was not required by the FDIC to increase its capital to an amount in excess of the minimum regulatory requirement. As of December 31, 1999, the Bank exceeded its minimum regulatory capital requirements with a leverage ratio of 6.72% and a risk-based capital ratio of 10.01%.

Federal law provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators' powers depends on whether the institution in question is "well-capitalized", "adequately-capitalized", "undercapitalized", "significantly undercapitalized" or "critically undercapitalized", in each case as defined by regulation. Depending upon the capital category to which an institution is assigned, the regulators' corrective powers include: requiring the institution to submit a capital restoration plan; limiting the institution's asset growth and restricting its activities; requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; restricting transactions between the institution and its affiliates; restricting the interest rate the institution may pay on deposits; ordering a new election of directors of the institution; requiring that senior executive officers or directors be dismissed; prohibiting the institution from accepting deposits from correspondent banks; requiring the institution to divest certain subsidiaries; prohibiting the payment of principal or interest on subordinated

debt; and ultimately, appointing a receiver for the institution. As of December 31, 1999, the Bank was well-capitalized, as defined by FDIC regulations.

Dividends. Indiana law prohibits the Bank from paying dividends in an amount greater than its undivided profits. The Bank is required to obtain the approval of the DFI for the payment of any dividend if the total amount of all dividends declared by the Bank during the calendar year, including the proposed dividend, would exceed the sum of the retained net income for the year to date combined with its retained net income for the previous two years. Indiana law defines "retained net income" to mean the net income of a specified period, calculated under the consolidated report of income instructions, less the total amount of all dividends declared for the specified period.

The payment of dividends by any financial institution or its holding company is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. As described above, the Bank exceeded its minimum capital requirements under applicable guidelines as of December 31, 1999. As of December 31, 1999, approximately $15 million was available to be paid as dividends to the Company by the Bank. Notwithstanding the availability of funds for dividends, however, the FDIC may prohibit the payment of any dividends by the Bank if the FDIC determines such payment would constitute an unsafe or unsound practice.

Insider Transactions. The Bank is subject to certain restrictions imposed by federal law on extensions of credit to the Company and its subsidiaries, on investments in the stock or other securities of the Company and its subsidiaries, and the acceptance of the stock or other securities of the Company or its subsidiaries as collateral for loans. Certain limitations and reporting requirements are also placed on extensions of credit by the Bank to its directors and officers, to directors and officers of the Company and its subsidiaries, to principal stockholders of the Company and to "related interests" of such directors, officers and principal stockholders. In addition, federal law and regulations may affect the terms upon which any person becoming a director or officer of the Company or one of its subsidiaries or a principal stockholder of the Company may obtain credit from banks with which the Bank maintains a correspondent relationship.

Safety and Soundness Standards. The federal banking agencies have adopted guidelines which establish operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings. Since the fourth quarter of 1998, and through the first quarter of 2000, the federal banking regulators have issued safety and soundness standards for achieving Year 2000 compliance, including standards for developing and managing Year 2000 project plans, testing remediation efforts and planning for contingencies.

In general, the safety and soundness guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedure to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If an institution fails to submit an acceptable compliance plan, or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator's order is cured, the regulator may restrict the institution's rate of growth, require the institution to increase its capital, restrict the rate the institution pays on its deposits or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance with the standards

established by the safety and soundness guidelines may also constitute grounds for other enforcement action by the federal banking regulators, including cease and desist orders and civil money penalty assessments.

Branching Authority. Indiana banks, such as the Bank, have the authority under Indiana law to establish branches anywhere in the State of Indiana, subject to receipt of all regulatory approvals.

Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the"Riegle-Neal Act"), both state and national banks are allowed to establish interstate branch networks through acquisitions of other banks, subject to certain conditions, including certain limitations on the aggregate amount of deposits that may be held by the surviving bank and all of its insured depository institution affiliates. The establishment of new interstate branches or the acquisition of individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) is allowed by the Riegle-Neal Act only if specifically authorized by state law. The legislation allowed individual states to "opt-out" of certain provisions of the Riegle-Neal Act by enacting appropriate legislation prior to June 1, 1997. Indiana has enacted legislation permitting interstate mergers subject to certain conditions, including a prohibition against interstate mergers involving Indiana banks that have been in existence and continuous operation for fewer than five years. Additionally, Indiana law allows out-of-state banks to acquire individual branch offices in Indiana and to establish new branches in Indiana subject to certain conditions, including a requirement that the laws of the state in which the out-of-state bank is headquartered grant Indiana banks authority to acquire and establish branches in such state.

State Bank Activities. Under federal law and FDIC regulations, FDIC insured state banks are prohibited, subject to certain exceptions, from making or retaining equity investments of a type, or in an amount, that are not permissible for a national bank. Federal law and FDIC regulations also prohibit FDIC insured state banks and their subsidiaries, subject to certain exceptions, from engaging as principal in any activity that is not permitted for a national bank or its subsidiary, respectively, unless the bank meets, and continues to meet, its minimum regulatory capital requirements, and the FDIC determines that the activity would not pose a significant risk to the deposit insurance fund of which the bank is a member. These restrictions have not had, and are not currently expected to have, a material impact on the operations of the Bank.

Federal Reserve System. Federal Reserve regulations, as presently in effect, require depository institutions to maintain non-interest earning reserves against their transaction accounts (primarily NOW and regular checking accounts) as follows: for transaction accounts aggregating $44.3 million or less, the reserve requirement is 3% of total transaction accounts; and for transaction accounts aggregating in excess of $44.3 million, the reserve requirement is $1.329 million plus 10% of the aggregate amount of total transaction accounts in excess of $44.3 million. The first $5.0 million of otherwise reservable balances are exempted from the reserve requirements. These reserve requirements are subject to annual adjustment by the Federal Reserve. The Bank is in compliance with the foregoing requirements.

Industry Segments

The Company is engaged in a single industry and performs a single service -- commercial banking. On the pages that follow are tables which set forth selected statistical information relative to the business of the Company. This data should be read in conjunction with the consolidated financial statements, related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set forth in the 1999 Annual Report to Shareholders herein incorporated by reference (attached hereto as Exhibit 13).

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

	1999			1998		
	Average Balance	Interest Income	Yield (1)	Average Balance	Interest Income	Yield (1)
ASSETS						
Earning assets:						
Loans:						
Taxable (2)	$ 602,250	$ 51,602	8.57%	$ 486,437	$ 44,225	9.09%
Tax exempt (1)	2,920	275	9.42	2,899	295	10.18
Investments: (1)						
Available for sale	291,005	18,597	6.39	142,499	9,062	6.36
Held to maturity	0	0	0.00	160,173	10,858	6.78
Short-term investments	5,230	259	4.95	9,545	510	5.34
Interest bearing deposits	308	16	5.19	133	9	6.77
Total earning assets	901,713	70,749	7.85%	801,686	64,959	8.10%
Nonearning assets:						
Cash and due from banks	37,767	0		36,215	0	
Premises and equipment	27,248	0		25,198	0	
Other nonearning assets	27,784	0		24,324	0	
Less: allowance for loan losses	(5,958)	0		(5,403)	0	
Total assets	$ 988,554	$ 70,749		$ 882,020	$ 64,959	

(1) Tax exempt income was converted to a fully taxable equivalent basis at a 34 percent tax rate for 1999 and 1998. The tax equivalent rate for tax exempt loans and tax exempt securities acquired after January 1, 1983, included the TEFRA adjustment applicable to nondeductible interest expenses. Nonaccrual loans are included in the above analysis as earning assets - loans.

(2) Loan fees, which are immaterial in relation to total taxable loan interest income for the years ended December 31, 1999 and 1998 are included as taxable loan interest income.

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

	1998			1997		
	Average Balance	Interest Income	Yield (1)	Average Balance	Interest Income	Yield (1)
ASSETS						
Earning assets:						
Loans:						
Taxable (2)	$ 486,437	$ 44,225	9.09%	$ 410,798	$ 38,265	9.31%
Tax exempt (1)	2,899	295	10.18	3,235	345	10.66
Investments: (1)						
Available for sale	142,499	9,062	6.36	80,627	5,396	6.69
Held to maturity	160,173	10,858	6.78	136,618	9,244	6.77
Short-term investments	9,545	510	5.34	5,275	284	5.38
Interest bearing deposits	133	9	6.77	234	19	8.12
Total earning assets	801,686	64,959	8.10%	636,787	53,553	8.41%
Nonearning assets:						
Cash and due from banks	36,215	0		27,479	0	
Premises and equipment	25,198	0		17,961	0	
Other nonearning assets	24,324	0		11,735	0	
Less: allowance for loan losses	(5,403)	0		(5,302)	0	
Total assets	$ 882,020	$ 64,959		$ 688,660	$ 53,553	

(1) Tax exempt income was converted to a fully taxable equivalent basis at a 34 percent tax rate for 1998 and 1997. The tax equivalent rate for tax exempt loans and tax exempt securities acquired after January 1, 1983, included the TEFRA adjustment applicable to nondeductible interest expenses. Nonaccrual loans are included in the above analysis as earning assets - loans.

(2) Loan fees, which are immaterial in relation to total taxable loan interest income for the years ended December 31, 1998 and 1997 are included as taxable loan interest income.

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

	1999			1998		
	Average Balance	Interest Expense	Yield	Average Balance	Interest Expense	Yield
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest bearing liabilities:						
Savings deposits	$ 54,562	$ 935	1.71%	$ 55,299	$ 1,331	2.41%
Interest bearing checking accounts	56,304	861	1.53	65,895	1,322	2.01
Time Deposits:						
In denominations under $100,000	359,700	17,394	4.84	326,123	17,234	5.28
In denominations over $100,000	150,182	7,963	5.30	142,589	8,267	5.80
Miscellaneous short-term borrowings	146,680	7,139	4.87	90,752	4,724	5.21
Long-term borrowings	37,312	2,801	7.51	44,349	3,213	7.24
Total interest bearing liabilities	804,740	37,093	4.61%	725,007	36,091	4.98%
Noninterest bearing liabilities and stockholders' equity:						
Demand deposits	120,808	0		98,957	0	
Other liabilities	7,834	0		7,386	0	
Stockholders' equity	55,172	0		50,670	0	
Total liabilities and stockholders' equity	$ 988,554	$ 37,093		$ 882,020	$ 36,091	
Net interest differential - yield on average daily earning assets		$ 33,656	3.73%		$ 28,868	3.60%

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

	1998			1997		
	Average Balance	Interest Expense	Yield	Average Balance	Interest Expense	Yield
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest bearing liabilities:						
Savings deposits	$ 55,299	$ 1,331	2.41%	$ 45,278	$ 1,152	2.54%
Interest bearing checking accounts	65,895	1,332	2.01	55,063	1,180	2.14
Time Deposits:						
In denominations under $100,000	326,123	17,234	5.28	230,171	12,406	5.39
In denominations over $100,000	142,589	8,267	5.80	109,759	6,445	5.87
Miscellaneous short-term borrowings	90,752	4,724	5.21	90,097	4,921	5.46
Long-term borrowings	44,349	3,213	7.24	29,655	1,956	6.60
Total interest bearing liabilities	725,007	36,091	4.98%	560,023	28,060	5.01%
Noninterest bearing liabilities and stockholders' equity:						
Demand deposits	98,957	0		77,276	0	
Other liabilities	7,386	0		6,498	0	
Stockholders' equity	50,670	0		44,863	0	
Total liabilities and stockholders' equity	$ 882,020	$ 36,091		$ 688,660	$ 28,060	
Net interest differential - yield on average daily earning assets		$ 28,868	3.60%		$ 25,493	4.00%

ANALYSIS OF CHANGES IN INTEREST DIFFERENTIALS
(fully taxable equivalent basis)
(in thousands of dollars)

YEAR ENDED DECEMBER 31,

	1999 Over (Under) 1998 (1)			1998 Over (Under) 1997 (1)		
	Volume	Rate	Total	Volume	Rate	Total
INTEREST AND LOAN FEE INCOME (2)						
Loans:						
Taxable	$ 10,041	$ (2,664)	$ 7,377	$ 6,896	$ (936)	$ 5,960
Tax exempt	2	(115)	(113)	(35)	(15)	(50)
Investments:						
Available for sale	8,881	(607)	8,274	3,947	(281)	3,666
Held to maturity	(10,858)	0	(10,858)	1,597	17	1,614
Short-term investments	(215)	(37)	(252)	228	(2)	226
Interest bearing deposits	10	(3)	7	(7)	(3)	(10)
Total interest income	7,861	(3,426)	4,435	12,626	(1,220)	11,406
INTEREST EXPENSE						
Savings deposits	(18)	(378)	(396)	244	(65)	179
Interest bearing checking accounts	(175)	(286)	(461)	221	(79)	142
Time deposits						
In denominations under $100,000	1,692	(1,532)	160	5,075	(247)	4,828
In denominations over $100,000	426	(730)	(304)	1,904	(82)	1,822
Miscellaneous short-term borrowings	2,740	(325)	2,415	36	(233)	(197)
Long-term borrowings	(525)	113	(412)	1,049	208	1,257
Total interest expense	4,140	(3,138)	1,002	8,529	(498)	8,031
INCREASE (DECREASE) IN INTEREST DIFFERENTIALS	$ 3,721	$ (288)	$ 3,433	$ 4,097	$ (722)	$ 3,375

(1) The earning assets and interest bearing liabilities used to calculate interest differentials are based on average daily balances for 1999, 1998 and 1997. The changes in volume represent "changes in volume times the old rate". The changes in rate represent "changes in rate times old volume". The changes 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 was converted to a fully taxable equivalent basis at a 34 percent tax rate for 1999, 1998 and 1997. The tax equivalent rate for tax exempt loans and tax exempt securities acquired after January 1, 1983, included the TEFRA adjustment applicable to nondeductible interest expense.

ANALYSIS OF SECURITIES
(in thousands of dollars)

The amortized cost and the fair value of securities as of December 31, 1999, 1998 and 1997 were as follows:

	1999		1998		1997	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securities available for sale:						
U.S. Treasury securities	$ 35,133	$ 34,614	$ 38,938	$ 39,521	$ 28,833	$ 29,286
U.S. Government agencies and corporations	6,693	6,313	1,990	2,030	100	100
Mortgage-backed securities	196,245	192,569	225,741	225,914	52,746	53,309
State and municipal securities	35,432	32,714	56,924	59,112	1,787	1,904
Other debt securities	5,862	5,211	1,005	1,081	0	0
Total debt securities available for sale	$ 279,365	$ 271,421	$ 324,598	$ 327,658	$ 83,466	$ 84,599
Securities held to maturity:						
U.S. Treasury securities	$ 0	$ 0	$ 0	$ 0	$ 21,170	$ 21,501
U.S. Government agencies and corporations	0	0	0	0	2,176	2,246
Mortgage-backed securities	0	0	0	0	116,788	117,185
State and municipal securities	0	0	0	0	22,418	24,044
Other debt securities	0	0	0	0	1,007	1,103
Total debt securities held to maturity	$ 0	$ 0	$ 0	$ 0	$ 163,559	$ 166,079

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

The weighted average yields (1) and maturity distribution (2) for debt securities portfolio at December 31, 1999, were 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	$ 0	$ 35,133	$ 0	$ 0
Yield		6.37		
Government agencies and corporations				
Book value	0	9,805	0	0
Yield		5.95		
Mortgage-backed securities				
Book value	1,053	5,371	91,007	98,552
Yield	6.73	6.11	6.96	7.19
State and municipal securities subdivisions				
Book value	9	99	1,379	34,207
Yield	6.00	6.85	5.09	5.03
Other debt securities				
Book value	0	0	0	2,750
Yield				8.53
Total debt securities available for sale:				
Book value	$ 1,062	$ 50,408	$ 92,386	$ 135,509
Yield	6.72	6.26	6.93	6.67

(1) Tax exempt income was converted to a fully taxable equivalent basis at a 34% rate.

(2) The maturity distribution of mortgage-backed securities was based upon anticipated payments as computed by using the historic average payment speed from date of issue.

There were no investments in securities of any one issuer that exceeded 10% of stockholders' equity at December 31, 1999.

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

The Company segregates its loan portfolio into four basic segments: commercial (including agri-business and agricultural loans), real estate mortgages, installment and personal line of credit loans(including credit card loans). The loan portfolio as of December 31, 1999, 1998, 1997, 1996 and 1995 was as follows:

	1999	1998	1997	1996	1995
Commercial loans:					
Taxable	$ 419,034	$ 343,858	$ 269,887	$ 226,190	$ 192,359
Tax exempt	3,048	2,867	3,065	3,414	3,636
Total commercial loans	422,082	346,725	272,952	229,604	195,995
Real estate mortgage loans	46,872	60,555	65,368	60,949	55,948
Installment loans	146,711	100,196	89,107	71,398	58,175
Line of credit and credit card loans	38,233	31,020	31,207	20,314	17,499
Total loans	653,898	538,496	458,634	382,265	327,617
Less allowance for loan losses	6,522	5,510	5,308	5,306	5,472
Net loans	$ 647,376	$ 532,986	$ 453,326	$ 376,959	$ 322,145

The real estate mortgage loan portfolio included construction loans totaling $4,488, $2,975, $3,089, $1,647 and $1,224 as of December 31, 1999, 1998, 1997, 1996 and 1995. The loan classifications are based on the nature of the loans as of the loan origination date. There were no foreign loans included in the loan portfolio for the periods presented.

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 indicates the rate sensitivity of the loan portfolio as of December 31, 1999. 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	Line of Credit and Credit Card	Total	Percent
Immediately adjustable interest rates or original maturity of one day	$ 226,365	$ 0	$ 0	$ 35,124	$ 261,489	40.1%
Other within one year	27,561	29,750	44,140	3,109	104,560	16.0
After one year, within five years	144,775	13,912	99,169	0	257,856	39.4
Over five years	23,052	3,210	3,402	0	29,664	4.5
Nonaccrual loans	329	0	0	0	329	0.0
Total loans	$ 422,082	$ 46,872	$ 146,711	$ 38,233	$ 653,898	100.0%

A portion of the 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, 1999 amounted to $274,124 and $37,778.

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, 1999, 1998, 1997, 1996 and 1995.

	1999	1998	1997	1996	1995
PART A - PAST DUE ACCRUING LOANS (90 DAYS OR MORE)					
Real estate mortgage loans	$ 0	$ 0	$ 0	$ 126	$ 122
Commercial and industrial loans	20	159	236	22	69
Loans to individuals for household, family and other personal expenditures	151	68	69	68	18
Loans to finance agriculture production and other loans to farmers	0	0	0	0	0
Total past due loans	171	227	305	216	209
PART B - NONACCRUAL LOANS					
Real estate mortgage loans	0	0	338	155	76
Commercial and industrial loans	329	0	720	229	456
Loans to individuals for household, family and other personal expenditures	0	0	0	0	0
Loans to finance agriculture production and other loans to farmers	0	0	0	0	0
Total nonaccrual loans	329	0	1,058	384	532
PART C - TROUBLED DEBT RESTRUCTURED LOANS	1,179	1,281	1,377	1,284	1,432
Total nonperforming loans	$ 1,679	$ 1,508	$ 2,740	$ 1,884	$ 2,173

Nonearning assets of the Company include nonaccrual loans (as indicated above), nonaccrual investments, other real estate and repossessions, which amounted to $422 at December 31, 1999.

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 line 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 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 date when the loan becomes 90 days delinquent. Thereafter, interest is recognized and included in income only when received.

As of December 31, 1999, there were $329,000 of loans on nonaccrual status, including a $246,000 loan classified as impaired.

PART C - TROUBLED DEBT RESTRUCTURED LOANS

Loans renegotiated as troubled debt restructurings 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 restructurings totaled $1,179,000 as of December 31, 1999. Interest income of $95,000 was recognized in 1999. Had these loans been performing under the original contract terms, an additional $22,000 would have been reflected in interest income during 1999. The Company is not committed to lend additional funds to debtors whose loans have been modified.

PART D - OTHER NONPERFORMING ASSETS

Management is of the opinion that there are no significant foreseeable losses relating to substandard or nonperforming assets, except as discussed above in Part B - Nonperforming Loans and Part C - Troubled Debt Restructured Loans.

PART E - LOAN CONCENTRATIONS

There were no loan concentrations within industries which exceeded ten percent of total assets. It is estimated that over 90% 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 responsible for 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 (primarily in the commercial loan portfolio) for unfavorable collectability 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 economic conditions of its lending market to determine the effects on 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 loan charge-offs. High delinquencies are generally indicative of an increase in future loan charge-offs.

Based upon these policies and objectives, $1,310,000, $480,000 and $269,000 were charged to the provision for loan losses and added to the allowance for loan losses in 1999, 1998 and 1997.

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.

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

The following is a summary of the loan loss experience for the years ended December 31, 1999, 1998, 1997,

	1999	1998	1997	1996	1995
Amount of loans outstanding, December 31,	$ 653,898	$ 538,496	$ 458,634	$ 382,265	$ 327,617
Average daily loans outstanding during the year ended December 31,	$ 605,170	$ 489,336	$ 414,033	$ 352,811	$ 309,241
Allowance for loan losses, January 1,	$ 5,510	$ 5,308	$ 5,306	$ 5,472	$ 4,866
Loans charged-off					
Commercial	147	9	99	171	137
Real estate	6	0	33	0	48
Installment	252	329	190	158	112
Credit cards and personal credit lines	30	78	37	39	58
Total loans charged-off	435	416	359	368	355
Recoveries of loans previously charged-off					
Commercial	10	44	18	12	26
Real estate	0	0	0	0	0
Installment	114	86	66	54	63
Credit cards and personal credit lines	13	8	8	16	6
Total recoveries	137	138	92	82	95
Net loans charged-off	298	278	267	286	260
Purchase loan adjustment	0	0	0	0	746
Provision for loan loss charged to expense	1,310	480	269	120	120
Balance, December 31,	$ 6,522	$ 5,510	$ 5,308	$ 5,306	$ 5,472
Ratio of net charge-offs during the period to average daily loans outstanding					
Commercial	0.02%	(0.01)%	0.02%	0.03%	0.03%
Real estate	0.00	0.00	0.01	0.01	0.01
Installment	0.02	0.05	0.03	0.00	0.02
Credit cards and personal credit lines	0.01	0.02	0.01	0.04	0.02
Total	0.05%	0.06%	0.07%	0.08%	0.08%
Ratio of allowance for loan losses to Nonperforming assets	368.06%	258.20%	176.99%	204.31%	192.20%

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, 1999, 1998, 1997, 1996 and 1995.

	1999		1998		1997	
	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	$ 4,750	64.55%	$ 1,647	64.39%	$ 1,341	59.52%
Real estate	120	7.17	130	11.24	131	14.25
Installment	1,202	22.43	845	18.61	673	19.43
Credit cards and personal credit lines	185	5.85	130	5.76	103	6.80
Total allocated allowance for loan losses	6,257	100.00%	2,752	100.00%	2,248	100.00%
Unallocated allowance for loan losses	265		2,758		3,060	
Total allowance for loan losses	$ 6,522		$ 5,510		$ 5,308	

	1996		1995	
	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	$ 1,213	60.07%	$ 811	59.82%
Real estate	123	15.94	112	17.08
Installment	530	18.68	376	17.76
Credit cards and personal credit lines	151	5.31	112	5.34
Total allocated allowance for loan losses	2,017	100.00%	1,411	100.00%
Unallocated allowance for loan losses	3,289		4,061	
Total allowance for loan losses	$ 5,306		$ 5,472	

In 1999, the Company reviewed and revised the allocation process for the Allowance for Loan Losses. These changes primarily effected the allocations as they pertain to the commercial loans classified in the Company's internal watch list. These changes also brought the Company's methodology into closer conformity with regulatory guidance. The Company continues to review the allocation process and the documentation for the Allowance for Loan Losses, therefore future changes may occur.

ANALYSIS OF DEPOSITS
(in thousands of dollars)

The average daily deposits for the years ended December 31, 1999, 1998 and 1997, and the average rates paid on those deposits are summarized in the following table:

	1999		1998		1997	
	Average Daily Balance	Average Rate Paid	Average Daily Balance	Average Rate Paid	Average Daily Balance	Average Rate Paid
Demand deposits	$ 120,808	0.00%	$ 98,957	0.00%	$ 77,276	0.00%
Savings accounts:						
Regular savings	54,562	1.71	55,299	2.41	45,278	2.54
Interest bearing checking	56,304	1.53	65,895	2.01	55,063	2.14
Time deposits:						
Deposits of $100,000 or more	150,182	5.30	142,589	5.80	109,759	5.87
Other time deposits	359,700	4.84	326,123	5.28	230,171	5.39
Total deposits	$ 741,556	3.66%	$ 688,863	4.09%	$ 517,547	4.09%

As of December 31, 1999, time certificates of deposit in denominations of $100,000 or more will mature as follows:

Within three months	$ 59,825
Over three months, within six months	26,184
Over six months, within twelve months	30,096
Over twelve months	9,814
Total time certificates of deposit in denominations of $100,000 or more	$ 125,919

QUALITATIVE MARKET RISK DISCLOSURE

Management's market risk disclosure appears under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 1999 Annual Report to Shareholders and is incorporated herein by reference in response to this item. The Company's primary market risk exposure is interest rate risk. The Company does not have a material exposure to foreign currency exchange rate risk, does not own any derivative financial instruments and does not maintain a trading portfolio.

RETURN ON EQUITY AND OTHER RATIOS

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, 1999, 1998 and 1997 were as follows:

	1999	1998	1997
Percent of net income to:			
Average daily total assets	0.84%	0.89%	1.10%
Average daily stockholders' equity	15.08	15.57	16.81
Percentage of dividends declared per common share to basic earnings per weighted average number of common shares outstanding (5,813,984 shares in 1999, 5,813,984 shares in 1998 and 5,813,162 shares in 1997)	30.77	24.26	23.08
Percentage of average daily stockholders' equity to average daily total assets	5.58	5.74	6.51

SHORT-TERM BORROWINGS
(in thousands of dollars)

The following is a schedule, at the end of the year indicated, of statistical information relating to securities sold under agreement to repurchase maturing within one year and secured by either U.S. Government agency securities or mortgage-backed securities classified as other debt securities. 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 each period.

	1999	1998	1997
Outstanding at year end	$ 121,374	$ 110,163	$ 65,467
Approximate average interest rate at year end	4.75%	4.78%	4.90%
Highest amount outstanding as of any month end during the year	$ 143,353	$ 10,163	$ 98,917
Approximate average outstanding during the year	$ 120,950	$ 84,157	$ 83,732
Approximate average interest rate during the year	4.76%	5.19%	5.45%

Securities sold under agreement to repurchase include fixed rate, term transactions initiated by the investment department of the Bank, as well as corporate sweep accounts.

ITEM 2. PROPERTIES

The Company conducts its operations from the following locations:

Branches/Headquarters			
Main/Headquarters	202 E. Center St.	Warsaw	IN
Warsaw Drive-up	East Center St.	Warsaw	IN
Akron	102 East Rochester	Akron	IN
Argos	100 North Michigan	Argos	IN
Bremen	1600 Indiana State Road 331	Bremen	IN
Columbia City	601 Countryside Dr.	Columbia City	IN
Concord	4202 Elkhart Road	Goshen	IN
Cromwell	111 North Jefferson St.	Cromwell	IN
Elkhart Beardsley	864 East Beardsley St.	Elkhart	IN
Elkhart East	22050 State Road 120	Elkhart	IN
Elkhart Hubbard Hill	58404 State Road 19	Elkhart	IN
Elkhart Northwest	1208 N. Nappanee St.	Elkhart	IN
Fort Wayne North	302 East DuPont Rd.	Fort Wayne	IN
Goshen Downtown	102 North Main St.	Goshen	IN
Goshen South	2513 South Main St.	Goshen	IN
Granger	12830 State Road 23	Granger	IN
Greentown	520 W. Main	Greentown	IN
Huntington	1501 N. Jefferson St.	Huntington	IN
Kendallville Downtown	113 N. Main St.	Kendallville	IN
Kendallville East	631 Proffessional Way	Kendallville	IN
LaGrange	901 South Detroit	LaGrange	IN
Ligonier Downtown	222 S. Calvin St.	Ligonier	IN
Ligonier South	1470 U.S. Highway 33 South	Ligonier	IN
Logansport	3900 Highway 24 East	Logansport	IN
Medaryville	Main St.	Medaryville	IN
Mentone	202 East Main St.	Mentone	IN
Middlebury	712 Wayne Ave.	Middlebury	IN
Milford	Indiana State Road 15 North	Milford	IN
Mishawaka	5015 N. Main St.	Mishawaka	IN
Nappanee	202 West Market St.	Nappanee	IN
North Webster	644 North Main St.	North Webster	IN
Peru	2 N. Broadway	Peru	IN
Pierceton	202 South First St.	Pierceton	IN
Plymouth	862 E. Jefferson St.	Plymouth	IN
Roann	110 Chippewa St.	Roann	IN
Rochester	507 East 9th St.	Rochester	IN
Shipshewana	895 North Van Buren St.	Shipshewana	IN
Silver Lake	102 Main St.	Silver Lake	IN
Syracuse	502 South Huntington	Syracuse	IN
Wabash North	1004 North Cass St.	Wabash	IN
Wabash South	1940 South Wabash St.	Wabash	IN
Warsaw East	3601 Commerce Dr.	Warsaw	IN
Warsaw West	1221 West lake St.	Warsaw	IN
Winona Lake	99 Chestnut St.	Winona Lake	IN

The Company leases from third parties, the real estate and buildings for its offices in Akron and Milford. In addition, the Company leases the real estate for its Wabash North office and its freestanding ATMs. All the other branch facilities are owned by the Company. The Company also owns parking lots in downtown Warsaw for the use and convenience of Company employees and customers, as well as leasehold improvements, equipment, furniture and fixtures necessary to operate the banking facilities.

In addition, the Company owns buildings at 110 South High St., Warsaw, Indiana, and 114-118 East Market St., Warsaw, Indiana, which it uses for various offices, a building at 113 East Market St., Warsaw, Indiana, which it uses for office and computer facilities, a building at 109 South Buffalo St., Warsaw, Indiana, which it uses for employee training and undeveloped real estate at 10429 Illinois Rd., Fort Wayne, Indiana, which it currently intends to use for a branch facility in the future. The Company also leases from third parties facilities in Warsaw, Indiana, for the storage of supplies and in Elkhart, Indiana, for computer facilities.

None of the Company'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 Company and 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 during the fourth quarter of 1999.

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 Company's common stock, and information as to dividends are contained under the caption "Stock and Dividend Information" in the 1999 Annual Report to Shareholders and are incorporated herein by reference. On December 31, 1999, the Company had approximately 1,850 shareholders of record, including those employees who participate in the Company's 401(K) plan.

On January 15, 1997, the Company sold 20,000 shares of authorized but previously unissued common stock for $15.50 per share (split adjusted).

In August, 1997, the common stock of the Company and the preferred stock of its wholly-owned subsidiary, Lakeland Trust, began trading on The Nasdaq Stock Market under the symbols LKFN and LKFNP.

At the annual meeting of shareholders on April 14, 1998, the shareholders approved the Lakeland Financial Corporation 1997 Share Incentive Plan. This plan reserves 600,000 shares of common stock (split adjusted) for which incentive share options and non-qualified share options may be granted to directors and employees of the Company and its subsidiaries.

On April 30, 1998, the common stock split two-for-one.

ITEM 6. SELECTED FINANCIAL DATA

A five year consolidated financial summary, containing the required selected financial data, appears under the caption "Selected Financial Data" on page 7 in the 1999 Annual Report to Shareholders and is incorporated herein by reference.

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" on pages 27 - 31 in the 1999 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about market risk appear under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 27 - 31 in the 1999 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements appear in the 1999 Annual Report to Shareholders and are incorporated herein by reference.

Consolidated Balance Sheets at December 31, 1999 and 1998.

Consolidated Statements of Income for the years ended December 31, 1999, 1998 and 1997.

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 1999, 1998 and 1997. Consolidated Statements of Cash Flows for the years ended December 31, 1999, 1998 and 1997. 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 definitive Proxy Statement dated March 15, 2000, is incorporated herein by reference in response to this item.

ITEM 11. EXECUTIVE COMPENSATION

The information appearing in the definitive Proxy Statement dated March 15, 2000, is incorporated herein by reference in response to this item. The sections in the Proxy Statement marked "Report of the Compensation Committee on Executive Compensation" and "Stock Price Performance" are furnished for the information of the Commission and are not deemed to be "filed" as part of the Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information appearing in the definitive Proxy Statement dated March 15, 2000, is incorporated herein by reference in response to this item.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information appearing in the definitive Proxy Statement dated March 15, 2000, 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 appear in the 1999 Annual Report to Shareholders and are specifically incorporated by reference under Item 8 of this Form 10-K, or are a part of this Form 10-K, as indicated and at the pages set forth below.

	Reference	
	Form 10-K	1999 Annual Report
Consolidated Balance Sheets at December 31, 1999 and 1998.		9
Consolidated Statements of Income for the years ended December 31, 1999, 1998 and 1997.		10
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 1999, 1998 and 1997.		11
Consolidated Statements of Cash Flows for the years ended December 31, 1999, 1998 and 1997.		12
Notes to Consolidated Financial Statements.		13-25
Report of Independent Auditors.		26

(2) Financial Statement Schedules.

N/A

(3) Schedule of Exhibits.

The Exhibit Index, which immediately follows the signature pages to this Form 10-K is incorporated by reference.

(b) Reports on Form 8-K.

The Company did not file any Current Reports on Form 8-K during the fourth quarter of 1999.

(c) Exhibits.

The exhibits required to be filed with this Form 10-K are included with this Form 10-K and are located immediately following the Exhibit Index to this Form 10-K.

(d) Financial Data Schedule.

See Exhibit 27

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, 2000	By R. Douglas Grant (R. Douglas Grant) Chairman

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, 2000	Michael L. Kubacki (Michael L. Kubacki) Principal Executive Officer and Director
Date: March 14, 2000	Terry M. White (Terry M. White)Principal Financial and Accounting Officer
Date: March 14, 2000	R. Douglas Grant (R. Douglas Grant) Director
Date: March 14, 2000	Anna K. Duffin (Anna K. Duffin) Director
Date: March 14, 2000	Eddie Creighton (Eddie Creighton) Director
Date: March 14, 2000	L. Craig Fulmer (L. Craig Fulmer) Director
Date: March 14, 2000	(Jerry L. Helvey) Director
Date: March 14, 2000	Allan J. Ludwig (Allan J. Ludwig) Director
Date: March 14, 2000	(Charles E. Niemier) Director

Date: March 14, 2000	Richard L. Pletcher (Richard L. Pletcher) Director
Date: March 14, 2000	(Terry L. Tucker) Director
Date: March 14, 2000	M. Scott Welch (M. Scott Welch) Director
Date: March 14, 2000	G.L. White (G.L. White) Director

LAKELAND FINANCIAL CORPORATION
EXHIBIT INDEX
TO
ANNUAL REPORT ON FORM 10-K

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
3.1	Amended and Restated Articles of Incorporation of Lakeland Financial Corporation	Exhibit 4.1 to the Company's Form S-8 filed with the Commission on April 15, 1998	
3.2	Bylaws of Lakeland Financial Corporation	Exhibit 3(ii) to the Company's Form 10-Q for the quarter ended June 30, 1996	
13	Annual Report to Shareholders		X
10.1	Lakeland Financial Corporation 1997 Share Incentive Plan	Exhibit 4.3 to the Company's Form S-8 filed with the Commission on April 15, 1998	
21	Subsidiaries		X
27	Financial Data Schedules		X

EXHIBIT 13

1999 Report to Shareholders with Report of Independent Auditors.

EXHIBIT 21

Subsidiaries

1. Lake City Bank, Warsaw, Indiana, a banking corporation organized under the laws of the State of Indiana.

2. Lakeland Capital Trust, a statutory business trust formed under Delaware law.

3. LCB Investments Limited, a subsidiary of Lake City Bank formed under the laws of Bermuda to manage a portion of the Bank's investment portfolio.

Annual Meeting

The annual meeting of the shareholders of Lakeland Financial Corporation will be held at noon, April 11, 2000, at the Shrine Building, Kosciusko County Fair Grounds, Warsaw, Indiana. As of December 31, 1999, there were approximately 1,850 shareholders.

Special Notice: Form 10-K Available

The Company will provide without charge to each shareholder its Annual Report on Form 10-K, including financial statements and schedules thereto required to be filed with the Securities and Exchange Commission for the Company's most recent fiscal year upon written request of Lakeland Financial Corporation, Attn: Treasurer, P.O. Box 1387, Warsaw, Indiana 46581-1387. The Form 10-K and related exhibits are also available on the Internet at www.sec.gov.

Registrar and Transfer Agent

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

Stock and Dividend Information

The following companies are market makers in Lakeland Financial Corporation stock.

Stifel, Nicolaus & Company, Inc., 500 North Broadway, St. Louis, Missouri, 63102
Raymond James & Associates, Inc., P.O. Box 130, Elkhart, Indiana, 46515
McDonald Investments, Inc., 214 South Main Street, Elkhart, Indiana, 46516

As of August 25, 1997, the Company's common stock and the preferred stock of its wholly-owned subsidiary, Lakeland Capital Trust, began trading on The Nasdaq Stock MarketSM under the symbols LKFN and LKFNP. "The Nasdaq Stock Market" or "Nasdaq" is a highly-regulated electronic securities market comprised of competing market makers whose trading is supported by a communications network linking them to quotation dissemination, trade reporting, and order execution systems. This market also provides specialized automation services for screen-based negotiations of transactions, on-line comparison of transactions, and a range of informational services tailored to the needs of the securities industry, investors and issuers. The Nasdaq Stock Market is operated by The Nasdaq Stock Market, Inc., a wholly-owned subsidiary of the National Association of Securities Dealers, Inc.

The high-low prices for 1998 and 1999 were obtained from The Nasdaq Stock Market.

Forward-Looking Statements

When used in this report and in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties, including but not limited to changes in economic conditions in the Company's market area, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the Company's market area and competition, all or some of which could cause actual results to differ materially from historical earnings and those presently anticipated or projected.

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

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

President's Letter

All of us at Lake City Bank are happy to report on our accomplishments in

1999. Most importantly, we achieved record net earnings of $8.3 million; our eleventh consecutive year of increased income. We also ended the year with record assets of just over $1 billion. The $1 billion asset mark is a real milestone for us, in that it is the result of the successful strategy of providing high quality, hometown banking services to the communities throughout our market area. At the same time, though, we understand that size alone does not improve our ability to serve customers well. The goal is to continue to focus on maintaining the highest quality staff we can have, increasing business with our customers, and growing earnings for shareholders. Progress was made in a number of key areas in 1999.

The Commercial Banking Division had another excellent year serving their current commercial clients as well as adding over 350 new banking relationships. Commercial loan outstandings increased $75 million to $422 million at year-end compared to $347 million at the previous year-end. With over 470 combined years of experience the lenders provide extensive knowledge, personalized service, and understanding of the business trends of our market areas. That knowledge coupled with local decision making cannot be matched by our larger competitors. This experience is also evident in the continued excellent asset quality of the commercial portfolio.

Business development continues to play a vital role in our organization. The new calling officers are oriented through extensive training to explore and sharpen their communication and customer service skills before beginning their calling responsibilities. Our calling officers made almost 9,000 calls during the year selling products and services throughout our 15 county market area.

Consumer loans grew 41 percent in 1999, to $185 million. The Bank experienced strong growth in both the direct and indirect areas. Home equity lines of credit, a key account in establishing long-term relationships with our borrowers, achieved 25 percent growth in balances outstanding. Fee income associated with consumer lending experienced significant gains over 1998, due to a 29 percent increase in net commission income from the sale of credit life insurance, as well as other services and processing fees. Credit quality remained very high, with net losses of less than 0.1 percent of balances outstanding at year-end.

Nearly $61 million of mortgage loans were originated by the Bank in 1999. With relatively low market rates, the vast majority of these loans were fixed rate, and sold into the secondary markets. These sales generated over $1.3 million in gains, and protected the Bank from undue rate risk should interest rates continue to rise. We retain the servicing on sold mortgages to maintain contact with our customers and to be certain that those customers receive the best possible service. An additional commissioned originator was hired to generate mortgage loans in the Fort Wayne market area.

We worked closely with the NAACP of Elkhart County, and two nonprofit housing associations, LaCasa of Goshen and Elkhart Housing Partnership, to establish a loan pool with other area lenders for low income home buyers. Lake City Bank has agreed to act as the servicing bank for this program, and continues to investigate other avenues to serve the low income and minority populations within its market area. A new product that achieves this goal is the Community Saver Loan. Loan proceeds are deposited into a Lake City Bank certificate of deposit, which is then held as collateral. Repayment of the loan creates savings for the purchase of a home or car, and establishes a credit history for our customer.

Trust and Investment revenues, including Brokerage, increased 6 percent to $1.7 million from $1.6 million at the 1998 year-end. Conversion of both personal and corporate trust technology systems were completed this year. These state of the art systems support the staff to further enhance customer service. Several highly successful client seminars were held emphasizing the service available to our customers from our dedicated professional staff.

Our Corporate Cash Management Services and Products continue to be well received and in demand within our market place. We provide customized and tailored Cash Management Services specifically designed to meet the individual business customers needs. We introduced two new products in 1999: CD-ROM and Lockbox Service. The CD-ROM product is a way for our business customers to receive images of their monthly paid checks. This allows our business customers to retrieve, modify, and reconcile the monthly statement as well as maintain check records. They also have quicker access to paid items, improved recordkeeping, decreased storage costs and added security.

Our new Corporate Lockbox Service intercepts our business customers' mailed payments, processes and deposits them into their account and reports those deposits back to the customer quickly and accurately. This valuable service also frees the company of the time-consuming task of handling payments. Our Lockbox Service benefits include: reduction of processing time and costs, postal pick-ups, efficient check processing network, dedicated processing site and improved cash management. It also provides a complete audit trail and improved exception research.

Our Internet Web site, www.lakecitybank.com was officially released on July 1, 1999. We ended the year with over 1,200 Internet Banking customers. We released a second look in 1999 and added Trust Online to our online services as well as updating the product content to over 120 pages. In 2000, we will introduce Brokerage Online and our new Corporate Management online services.

The Investor's Weekly, one of our core deposit products, had another great year with nearly 3,000 accounts on record. Total deposits in this account were $155 million at the end of 1999 as compared to $123 million at the 1998 year-end, representing a 25 percent growth.

Operationally, this year we were dedicated to identifying and improving various internal functions. After a year long planning and implementation schedule, the Item Processing area was expanded to support a remote capture site in Elkhart. This area processes approximately 37 percent of all MICR documents handled by the Bank. This capture site also provides us with a totally redundant image capture processing center for disaster recovery and contingency purposes.

Staff development programs, extensive training, and the employee review process took on a new feel this year with managers and supervisors working with new processes to improve productivity and staff retention.

This year saw tremendous changes in the technology area as well, due to new projects and Y2K. The project management team oversaw nine new projects that ranged from implementing a new trust accounting system to AFS image file folder system. We currently have nine additional projects in the pipeline for the year 2000.

The Network Services staff reviewed hardware, software and systems for Y2K compliance throughout the year. They reviewed 128 individual processes, upgraded 19 systems and replaced 23 non-compliant systems. The individual application managers were then responsible for testing 13 critical dates associated with the upcoming millennium. The end result was that Y2K was a non-event at Lake City Bank.

Our efforts to focus on quality customer service and delivering high touch technology to each employee's workstation, as well as our customers, have been extremely successful. Our customers saw new ATM's, improved telephone banking functionality, Internet Banking and mortgage loan production software that decreased loan turnaround times. Employees saw enhanced call center software, faster teller software, improved telephone systems, and check images at their desktop.

Lake City Bank introduced an Employee PC Purchase Program for all team members in 1999 to encourage the purchase of PCs for employees' use at home. The objective was to better prepare them for the direction we are all moving - that is to the Internet and online financial services technology. Nearly 100 employees participated in this program.

Bank employees were busy sharpening their skills in 1999. In-house training was provided on a number of levels, with all employees meeting once per quarter in Warsaw for Corporate Training. Four sessions are held over two days so all can attend to hear management and various departments update the team on product changes, compliance issues, and other news that affect employees and customers. Since moving into our new Training Center at 109 S. Buffalo, "Corporate Training" has a permanent home complete with audio visual equipment and comfortable decor. A small PC lab/classroom found on the upper level facilitates computer training.

Thirty-four supervisors completed the Supervisor I series in 1999. Various topics were discussed, including interviewing new candidates, building effective teams, performance management, maintaining discipline and managing resources. A series II is planned for summer of 2000.

Teller and CSR training is an ongoing process, designed to equip new hires with the practical and technological skills they will need to efficiently and professionally serve our customers.

In an effort to increase effectiveness and provide accountability all training efforts were consolidated near year-end. Plans for future training and development include expanding supervisory/leadership training, developing end-user computer technology courses, and stepping up sales training for tellers and CSRs. All of these training endeavors are aimed at improving customer relations, increasing overall sales, and heightening operational efficiency in an extremely dynamic banking environment. We also believe that an internal commitment to training increases job satisfaction and employee retention.

The Marketing department hosted numerous events featuring educational, motivational and interesting subjects for our customers. The intimate setting of meeting with 10 -12 current and potential customers allowed for ease in discussion and for guests to be specific in the nature of their questions. Additionally, the Trust and Investment Management team was host to several legal and accounting firms. The camaraderie established through these events solidifies our referral relationships with them. The popular and well-attended annual Egg Breakfast, co hosted with Creighton Brothers, celebrated its 29th year. Nearly 1,000 people enjoy this morning treat. Celebrating with our retired friends was a bright spot as we hosted a Valentine party for Grace Village in Winona Lake and a Spring celebration at Hubbard Hill in Elkhart. The business community benefits from our Spring and Fall Economic Briefings which include an economic forecast from noted IUSB professors and a local business leader presenting an overview of their company.

As with any organization our size, there is a certain amount of change in our family of employees over the course of a year. Among the many hirings, promotions and retirements in 1999, one name stands out, R. Douglas Grant. Doug retired as Chief Executive Officer at the end of June. In his 19 years at Lake City Bank, Doug's skill, instinct and dedication have been the thrust behind our growth. For that we are grateful. He continues to contribute his knowledge and expertise as Chairman of the Board of Directors.

After 20 years of service to your Bank, Executive Vice President Paul Siebenmorgen retired. Paul contributed greatly to our success in the commercial lending area and we wish him well.

Robert C. Condon joined your Bank early this year as Executive Vice President with principal responsibilities in the Trust and Brokerage areas. He is a graduate of Denison University and holds a Juris Doctor Degree from the University of Illinois. He has over 10 years of Trust and Brokerage management experience and most recently was Managing Director of Northern Trust's Northern California office.

The Fort Wayne North office opened in June and has exceeded our expectations both in loan volume and deposits. Construction has begun on a second office on the Southwest side of that city. It will open by early summer. We are constantly exploring other opportunities for expansion as we continue to take advantage of the geographic growth opportunities available to us.

Lake City Bank is composed of four different, equally important, inseparable components; shareholders, customers, employees and communities. Our commitment to each is to conduct business with uncompromising dignity, integrity and professionalism. To that end, we endeavor to increase shareholder value, create innovative products to positively impact customers' daily lives and offer comprehensive training to employees to enhance their ability to serve those customers even more effectively. We encourage each employee to lend expertise in enriching the communities we serve through the donation of their time and talent.

We will continue to operate as an independent, locally owned community bank, providing business and individual customers with the necessary tools to assist them in reaching their financial goals. We will do this through enhanced products, state of the art technology, professional, knowledgeable staff and convenient locations. This strategy has sustained Lake City Bank since 1872 and we anticipate it will carry us far into the future.

To all shareholders, customers and employees - thank you for your support in 1999. Your combined effort is the consistency that makes Lake City Bank the bank that provides "Banking Like It Ought To Be".

Michael L. Kubacki

Lakeland Financial Corporation and Lake City Bank Board of Directors

Eddie Creighton Former Partner and General Manager, Creighton Brothers	Anna K. Duffin Civic Leader	L. Craig Fulmer Chairman, Heritage Financial Group, Inc.	R. Douglas Grant Chairman, Lakeland Financial Corporation and Lake City Bank
Jerry L. Helvey President, Helvey & Associates, Inc.	Michael L. Kubacki President, Lakeland Financial Corporation and Lake City Bank	Allan J. Ludwig Industrial Developer	Charles E. Niemier Senior Vice President, Biomet, Inc.
Richard L. Pletcher President, Pletcher Enterprises, Inc.	Terry L. Tucker President, Maple Leaf Farms, Inc.	M. Scott Welch Chief Executive Officer, Welch Packaging Group	G.L. White Former President, United Telephone Company of Indiana

LAKELAND FINANCIAL CORPORATION OFFICERS

R. Douglas Grant	Chairman
Michael L. Kubacki	President and Chief Executive Officer
Robert C. Condon	Executive Vice President
D. Jean Northenor	Executive Vice President
Charles D. Smith	Executive Vice President
Walter L. Weldy	Executive Vice President
Terry M. White	Executive Vice President and Secretary
James J. Nowak	Vice President and Treasurer

Selected Financial Data (in thousands except share and per share data)

	1999	1998	1997	1996	1995
Interest income	$ 69,395	$ 63,667	$ 52,699	$ 45,941	$ 41,944
Interest expense	37,093	36,091	28,060	23,737	21,642
Net interest income	32,302	27,576	24,639	22,204	20,302
Provision for loan losses	1,310	480	269	120	120
Net interest income after provision for loan losses	30,992	27,096	24,370	22,084	20,182
Other noninterest income	9,311	8,486	6,978	5,396	4,297
Net gains on sale of real estate mortgages held for sale	1,302	1,467	545	412	159
Net securities gains (losses)	1,340	1,256	(19)	(9)	315
Noninterest expense	(30,541)	(26,491)	(20,414)	(17,935)	(16,244)
Income before income tax expense	12,404	11,814	11,460	9,948	8,709
Income tax expense	4,085	3,926	3,920	3,504	3,064
Net income	$ 8,319	$ 7,888	$ 7,540	$ 6,444	$ 5,645
Average shares outstanding*	5,813,984	5,813,984	5,813,162	5,792,825	5,753,984
Basic earnings per common share*	$ 1.43	$ 1.36	$ 1.30	$ 1.11	$ 0.98
Diluted earnings per common share*	$ 1.43	$ 1.36	$ 1.30	$ 1.11	$ 0.98
Cash dividends declared*	$ 0.44	$ 0.33	$ 0.30	$ 0.23	$ 0.19

Balances at December 31:

	1999	1998	1997	1996	1995
Total assets	$ 1,039,843	$ 978,909	$ 796,478	$ 656,551	$ 568,579
Total deposits	$ 748,243	$ 739,347	$ 612,992	$ 496,553	$ 431,934
Long-term borrowings	$ 16,473	$ 21,386	$ 25,367	$ 23,531	$ 17,432
Guaranteed preferred beneficial interests in Company's subordinated debentures	$ 19,264	$ 19,238	$ 19,211	$ 0	$ 0
Total stockholders' equity	$ 54,194	$ 55,156	$ 48,256	$ 42,043	$ 36,754

* Adjusted for 2-for-1 stock splits on April 30, 1996 and April 30, 1998.

Selected Quarterly Data (in thousands except per share data) (unaudited)

1999	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest income	$ 18,215	$ 17,689	$ 17,075	$ 16,416
Interest expense	9,737	9,260	9,126	8,970
Net interest income	8,478	8,429	7,949	7,446
Provision for loan losses	260	550	275	225
Noninterest income	2,495	3,288	3,146	3,024
Noninterest expense	7,882	7,947	7,571	7,141
Income tax expense	833	1,128	1,090	1,034
Net income	$ 1,998	$ 2,092	$ 2,159	$ 2,070
Basic earnings per common share	$ 0.34	$ 0.36	$ 0.37	$ 0.36
Diluted earnings per common share	$ 0.34	$ 0.36	$ 0.37	$ 0.36
Stock and Dividend Information				
Trading range (per share)*				
Low	$ 13.75	$ 16.00	$ 17.06	$ 17.75
High	$ 18.00	$ 19.88	$ 18.50	$ 19.88
Dividends declared (per share)	$ 0.11	$ 0.11	$ 0.11	$ 0.11

1998	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest income	$ 16,451	$ 16,366	$ 15,904	$ 14,946
Interest expense	9,344	9,354	9,037	8,356
Net interest income	7,107	7,012	6,867	6,590
Provision for loan losses	120	120	120	120
Noninterest income	3,018	3,020	2,731	2,440
Noninterest expense	6,920	7,059	6,478	6,034
Income tax expense	1,106	981	965	874
Net income	$ 1,979	$ 1,872	$ 2,035	$ 2,002
Basic earnings per common share**	$ 0.34	$ 0.33	$ 0.35	$ 0.34
Diluted earnings per common share**	$ 0.34	$ 0.33	$ 0.35	$ 0.34
Stock and Dividend Information				
Trading range (per share)* **				
Low	$ 16.50	$ 19.00	$ 22.25	$ 23.00
High	$ 20.00	$ 24.50	$ 29.00	$ 34.00
Dividends declared (per share)**	$ 0.09	$ 0.09	$ 0.08	$ 0.07

* The trading ranges are the high and low as obtained from the Nasdaq Stock Market.

** Per share data has been adjusted for a 2-for-1 stock split on April 30, 1998.

Consolidated Balance Sheets (in thousands except share data)

December 31	1999	1998
ASSETS		
Cash and due from banks	$ 59,321	$ 45,933
Short-term investments	3,783	15,575
Total cash and cash equivalents	63,104	61,508
Securities available for sale (carried at fair value)	271,421	327,658
Real estate mortgages held for sale	862	3,796
Total loans	653,898	538,496
Less allowance for loan losses	6,522	5,510
Net loans	647,376	532,986
Land, premises and equipment, net	27,808	26,370
Accrued income receivable	5,420	5,669
Intangible assets	10,522	11,453
Other assets	13,330	9,469
Total assets	$ 1,039,843	$ 978,909
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Noninterest bearing deposits	$ 136,595	$ 118,361
Interest bearing deposits	611,648	620,986
Total deposits	748,243	739,347
Short-term borrowings		
Federal funds purchased	15,000	0
Securities sold under agreements to repurchase	121,374	110,163
U.S. Treasury demand notes	4,000	1,527
Other short-term borrowings	55,000	24,000
Total short-term borrowings	195,374	135,690
Accrued expenses payable	4,760	6,503
Other liabilities	1,535	1,589
Long-term borrowings	16,473	21,386
Guaranteed preferred beneficial interests in Company's subordinated debentures	19,264	19,238
Total liabilities	985,649	923,753
Commitments, off-balance sheet risks and contingencies		
STOCKHOLDERS' EQUITY		
Common stock: 90,000,000 shares authorized, no par value, 5,813,984 shares issued, 5,792,182 outstanding as of December 31, 1999; 5,813,984 shares issued, 5,796,918 outstanding as of December 31, 1998	1,453	1,453
Additional paid-in capital	8,537	8,537
Retained earnings	49,422	43,652
Accumulated other comprehensive income	(4,797)	1,848
Treasury stock, at cost	(421)	(334)
Total stockholders' equity	54,194	55,156
Total liabilities and stockholders' equity	$ 1,039,843	$ 978,909

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

Consolidated Statements of Income (in thousands except share data)

Year Ended December 31	1999	1998	1997
NET INTEREST INCOME			
Interest and fees on loans			
Taxable	$ 51,602	$ 44,225	$ 38,265
Tax-exempt	182	194	228
Interest and dividends on securities			
Taxable	14,888	16,416	12,472
Tax-exempt	2,448	2,313	1,431
Interest on short-term investments	275	519	303
Total interest income	69,395	63,667	52,699
Interest on deposits	27,153	28,154	21,183
Interest on borrowings			
Short-term	7,139	4,724	4,921
Long-term	2,801	3,213	1,956
Total interest expense	37,093	36,091	28,060
NET INTEREST INCOME	32,302	27,576	24,639
Provision for loan losses	1,310	480	269
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	30,992	27,096	24,370
NONINTEREST INCOME			
Trust income	1,149	1,205	1,188
Service charges on deposits	4,321	4,004	3,369
Other income	3,841	3,277	2,421
Net gains on the sale of real estate mortgages held for sale	1,302	1,467	545
Net securities gains (losses)	1,340	1,256	(19)
Total noninterest income	11,953	11,209	7,504
NONINTEREST EXPENSE			
Salaries and employee benefits	15,911	14,076	11,317
Net occupancy expense	2,148	1,866	1,397
Equipment costs	3,167	2,205	1,747
Other expense	9,315	8,344	5,953
Total noninterest expense	30,541	26,491	20,414
INCOME BEFORE INCOME TAX EXPENSE	12,404	11,814	11,460
Income tax expense	4,085	3,926	3,920
NET INCOME	$ 8,319	$ 7,888	$ 7,540
AVERAGE COMMON SHARES OUTSTANDING	5,813,984	5,813,984	5,813,162
BASIC EARNINGS PER COMMON SHARE	$ 1.43	$ 1.36	$ 1.30
DILUTED EARNINGS PER COMMON SHARE	$ 1.43	$ 1.36	$ 1.30

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

Consolidated Statements of Changes in Stockholders' Equity (in thousands except share data)

Year Ended December 31	1999		1998		1997	
COMMON STOCK						
Balance at beginning of the period	$ 1,453		$ 1,453		$ 1,448	
Issued shares of previously authorized, unissued stock (10,000 - 1997)	0		0		5	
Balance at end of the period	1,453		1,453		1,453	
ADDITIONAL PAID-IN CAPITAL						
Balance at beginning of the period	8,537		8,537		8,232	
Issued shares of previously authorized, unissued stock (10,000 - 1997)	0		0		305	
Balance at end of the period	8,537		8,537		8,537	
RETAINED EARNINGS						
Balance at beginning of the period	43,652		37,766		31,967	
Net income	8,319	$ 8,319	7,888	$ 7,888	7,540	$ 7,540
Cash dividends declared ($.44, $.33 and $.30) per share	(2,549)		(2,002)		(1,741)	
Balance at end of the period	49,422		43,652		37,766	
ACCUMULATED OTHER COMPREHENSIVE INCOME						
Balance at beginning of the period	1,848		685		396	
Unrealized gain (loss) on available for sale securities arising during the period	(5,836)		(573)		289	
Reclassification adjustments for accumulated (gains) losses included in net income	(809)		(759)		0	
Cumulative effect of adopting SFAS No. 133	0		2,495		0	
Other comprehensive income (net of taxes $(4,359), $762 and $190)	(6,645)	(6,645)	1,163	1,163	289	289
Balance at end of the period	(4,797)		1,848		685	
Total comprehensive income		$ 1,674		$ 9,051		$ 7,829
TREASURY STOCK						
Balance at beginning of the period	(334)		(185)		0	
Acquisition of treasury stock	(87)		(149)		(185)	
Balance at end of the period	(421)		(334)		(185)	
TOTAL STOCKHOLDERS' EQUITY	$ 54,194		$ 55,156		$ 48,256	

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

Consolidated Statements of Cash Flows (in thousands)

Year Ended December 31	1999	1998	1997
Cash flows from operating activities			
Net income	$ 8,319	$ 7,888	$ 7,540
Adjustments to reconcile net income to net cash from operating activities			
Depreciation	2,373	1,782	1,393
Provision for loan losses	1,310	480	269
Write down of other real estate owned	0	0	19
Amortization of intangible assets	957	942	26
Amortization of mortgage servicing rights	265	171	48
Loans originated for sale	(79,276)	(65,425)	(27,426)
Net gain on sale of loans	(1,302)	(1,467)	(545)
Proceeds from sale of loans	82,796	64,612	27,350
Net (gain) loss on sale of premises and equipment	26	(40)	11
Net gain on sale of securities available for sale	(1,340)	(1,257)	0
Net loss on calls of securities held to maturity	0	1	19
Net securities amortization	1,935	1,379	23
Increase (decrease) in taxes payable	1,078	(1,207)	(217)
(Increase) decrease in income receivable	249	(754)	(661)
Increase in accrued expenses payable	102	949	224
(Increase) decrease in other assets	(1,789)	(1,940)	411
Increase (decrease) in other liabilities	(54)	62	427
Total adjustments	7,330	(1,712)	1,371
Net cash from operating activities	15,649	6,176	8,911
Cash flows from investing activities			
Proceeds from sale of securities available for sale	44,428	65,404	0
Proceeds from maturities and calls of securities held to maturity	0	45,787	14,557
Proceeds from maturities and calls of securities available for sale	65,695	32,980	26,100
Purchases of securities available for sale	(65,485)	(89,948)	(28,315)
Purchases of securities held to maturity	0	(131,919)	(52,946)
Net increase in total loans	(115,885)	(80,809)	(53,286)
Proceeds from sales of land, premises and equipment	82	530	0
Purchases of land, premises and equipment	(3,919)	(3,950)	(5,464)
Net proceeds (payments) from acquisitions	0	30,020	58,889
Net cash from investing activities	(75,084)	(131,905)	(40,465)
Cash flows from financing activities			
Net increase in total deposits	8,896	92,034	21,257
Proceeds from short-term borrowings	21,877,999	4,740,920	889,826
Payments on short-term borrowings	(21,818,315)	(4,689,347)	(894,089)
Proceeds from long-term borrowings	5,124	20,050	10,000
Payments on long-term borrowings	(10,037)	(24,031)	(8,163)
Dividends paid	(2,549)	(2,002)	(1,741)
Proceeds from sale of common stock	0	0	310
Net proceeds from issuance of guaranteed preferred beneficial interests in Company's subordinated debentures	0	0	19,222
Purchase of treasury stock	(87)	(149)	(185)
Net cash from financing activities	61,031	137,475	36,437
Net increase in cash and cash equivalents	1,596	11,746	4,883
Cash and cash equivalents at beginning of the year	61,508	49,762	44,879
Cash and cash equivalents at end of year	$ 63,104	$ 61,508	$ 49,762
Cash paid during the year for:			
Interest	$ 37,459	$ 35,228	$ 27,921
Income taxes	$ 4,139	$ 3,610	$ 3,918
Securities transferred from held to maturity to available for sale	$ 0	$ 249,087	$ 0
Loans transferred to other real estate	$ 185	$ 683	$ 284

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation:

The consolidated financial statements include Lakeland Financial Corporation and its wholly-owned subsidiaries, Lake City Bank and Lakeland Capital Trust, together referred to as the "Company". Included in the consolidated financial statements is LCB Investments Limited, a wholly-owned subsidiary of Lake City Bank. All intercompany transactions and balances are eliminated in consolidation.

The Company provides financial services through its subsidiary, Lake City Bank (the Bank), a full-service commercial bank with 44 branch offices in fifteen counties in northern Indiana. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and consumer loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. Real estate loans are secured by both residential and commercial real estate. Other financial instruments, which potentially represent concentrations of credit risk, include deposit accounts in other financial institutions.

Use of Estimates:

To prepare financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses, the fair values of financial instruments, and the fair value of mortgage servicing rights are particularly subject to change.

Cash Flows:

Cash and cash equivalents includes cash, demand deposits in other financial institutions and short-term investments with maturities of 90 days or less. Cash flows are reported net for customer loan and deposit transactions.

Securities:

Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income. Trading securities are bought for sale in the near term and are carried at fair value, with changes in unrealized holding gains and losses included in income. Federal Home Loan Bank Stock is carried at cost in other assets.

The Financial Accounting Standards Board (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities in June, 1998. The Company adopted SFAS No. 133 as of October 1, 1998. As permitted in SFAS No. 133, on October 1, 1998, the Company transferred securities with an amortized cost of $249,087,000 and a fair value of $253,218,000 from the held to maturity portfolio to the available for sale portfolio. None of these securities were sold during the fourth quarter of 1998. The Company does not have any derivative instruments nor does the Company have any hedging activities.

Interest income includes amortization of purchase premium or discount. Gains and losses on sales are based on the amortized cost of the security sold. Securities are written down to fair value when a decline in fair value is not temporary.

Loans:

Loans are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs, and an allowance for loan losses. Loans held for sale are reported at the lower of cost or market, on an aggregate basis.

Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Interest income is not reported when full loan repayment is in doubt. All unpaid accrued interest is reversed and interest income is subsequently recorded only to the extent cash payments are received. Accrued status is resumed when all contractually due payments are brought current and future payments are reasonably assured.

Allowance for Loan Losses:

The allowance for loan losses is a valuation allowance for probable credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the allowance balance required using past loan loss experience, known and inherent risks in the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available or as future events change. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off. A loan is charged-off as a loss when deemed uncollectible, although collection efforts continue and future recoveries may occur.

A loan is impaired when full payment under the loan terms is not expected. Impairment is evaluated in total for smaller-balance loans of similar nature such as residential mortgage, consumer, and credit card loans, and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from

the collateral.

Foreclosed Assets:

Assets acquired through or instead of loan foreclosure are initially recorded at fair value when acquired, establishing a new cost basis. If fair value declines, a valuation allowance is recorded through expense. Costs after acquisition are expensed.

Land, Premises and Equipment:

Land, premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on both straight-line and accelerated methods over the useful lives of the assets. Long-term assets are reviewed for impairment when events indicate the carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at discounted amounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Servicing Rights:

Servicing rights are recognized as assets for the allocated value of retained servicing rights on loans sold. Servicing rights are expensed in proportion to, and over the period of, estimated net servicing revenues. Impairment is evaluated based on the fair value of the rights, using groupings of the underlying loans as to interest rates and then, secondarily, as to geographic and prepayment characteristics. Any impairment of a grouping is reported as a valuation allowance. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions.

Intangibles:

Purchased intangible assets, primarily goodwill and core deposit value, are recorded at cost and amortized over the estimated life. Goodwill amortization is straight-line over 15 years, and core deposit amortization is accelerated over 12 years. Goodwill is reported net of accumulated amortization of $1,330,000 and $663,000 at year end 1999 and 1998. Core deposit is reported net of accumulated amortization of $561,000 and $297,000.

Repurchase Agreements:

Substantially all repurchase agreement liabilities represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

Benefit Plans:

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.

Stock Compensation:

There are 600,000 shares of common stock reserved for which stock options may be granted to employees of Lakeland Financial Corporation, its subsidiaries and Board of Directors. These are accounted for under APB No. 25. Pro forma disclosures of net income and earnings per share are shown using the fair value method of SFAS No. 123 to measure expense for options granted using an option pricing model to estimate fair value.

Income Taxes:

An annual consolidated federal income tax return is filed by the Company. Income tax expense is recorded based on the amount of taxes due on its tax return plus deferred taxes computed based upon the expected future tax consequences of temporary differences between carrying amounts and tax bases of assets and liabilities, using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Financial Instruments:

Financial instruments include credit instruments, such as commitments to make loans and standby letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Earnings Per Common Share:

Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options. Earnings and dividends per share are restated for all stock splits and dividends through the date of issue of the financial statements. The common shares outstanding for the Stockholders' Equity section of the Balance Sheet reflect the acquisition of 21,802 shares of Lakeland Financial Corporation common stock to offset a liability for a directors' deferred compensation plan. These shares are treated as outstanding when computing the weighted-average common shares outstanding for the calculation of both basic and diluted earnings per share.

Comprehensive Income:

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale which are also recognized as separate components of equity.

Loss Contingencies:

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Restrictions on Cash:

The Company was required to have $50,000 and $615,000 of cash on hand or on deposit with the Federal Reserve Bank to meet regulatory reserve and clearing requirements at year end 1999 and 1998. These balances do not earn interest.

Dividend Restriction:

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the Company or by the Company to its shareholders.

Fair Value of Financial Instruments:

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Industry Segments:

Internal financial information is primarily reported and aggregated in the line of business of banking.

Reclassifications:

Certain amounts appearing in the financial statements and notes thereto for prior periods have been reclassified to conform with the current presentation. The reclassifications had no effect on net income or stockholders' equity as previously reported.

NOTE 2 - SECURITIES

Information related to the fair value of securities and the total gains and losses for securities with net gains and losses in accumulated other comprehensive income at December 31 is provided in the table below.

	Fair Value	Gains	Losses
		(in thousands)	
Securities available for sale at December 31, 1999			
U.S. Treasury securities	$ 34,614	$ 60	$ (579)
U.S. Government agencies and corporations	6,313	0	(380)
Mortgage-backed securities	192,569	51	(3,727)
State and municipal securities	32,714	37	(2,755)
Other debt securities	5,211	0	(651)
Total securities available for sale at December 31, 1999	$ 271,421	$ 148	$ (8,092)
Securities available for sale at December 31, 1998			
U.S. Treasury securities	$ 39,521	$ 751	$ (168)
U.S. Government agencies and corporations	2,030	40	0
Mortgage-backed securities	225,914	1,086	(913)
State and municipal securities	59,112	2,312	(124)
Other debt securities	1,081	76	0
Total securities available for sale at December 31, 1998	$ 327,658	$ 4,265	$ (1,205)

Information regarding the fair value of available for sale debt securities by maturity as of December 31, 1999, is presented below. Maturity information is based on contractual maturity for all securities other than mortgage-backed securities. Actual maturities of securities may differ from contractual maturities because borrowers may have the right to prepay the obligation without prepayment penalty.

	Fair Value
	(in thousands)
Due in one year or less	$ 9
Due after one year through five years	43,995
Due after five years through ten years	2,163
Due after ten years	32,685
	78,852
Mortgage-backed securities	192,569
Total debt securities	$ 271,421

Security proceeds, gross gains and gross losses for 1999, 1998 and 1997 were as follows:

	1999	1998	1997
		(in thousands)	
Sales and calls of securities available for sale			
Proceeds	$ 46,350	$ 66,197	$ 100
Gross gains	1,340	1,257	0
Gross losses	0	0	0
Calls of securities held to maturity			
Proceeds	$ 0	$ 1,532	$ 638
Gross gains	0	0	0
Gross losses	0	1	19

Securities with carrying values of $194,316,000 and $143,450,000 were pledged as of December 31, 1999 and 1998, as collateral for deposits of public

funds, securities sold under agreements to repurchase and for other purposes as permitted or required by law.

NOTE 3 - LOANS

Total loans outstanding as of year end consisted of the following:

	1999	1998
	(in thousands)	
Commercial and industrial loans	$ 375,421	$ 301,682
Agri-business and agricultural loans	46,661	45,043
Real estate mortgage loans	42,384	57,580
Real estate construction loans	4,488	2,975
Installment loans and credit cards	184,944	131,216
Total loans	$ 653,898	$ 538,496

NOTE 4 - ALLOWANCE FOR LOAN LOSSES

The following is an analysis of the allowance for loan losses for 1999, 1998 and 1997:

	1999	1998	1997
		(in thousands)	
Balance, January 1	$ 5,510	$ 5,308	$ 5,306
Provision for loan losses	1,310	480	269
Loans charged-off	435	416	359
Recoveries	137	138	92
Net loans charged-off	298	278	267
Balance, December 31	$ 6,522	$ 5,510	$ 5,308

Nonaccrual loans at December 31, 1999, 1998 and 1997, totaled $329,000, $0 and $1,058,000. Interest lost on nonaccrual loans was approximately $26,000, $42,000 and $44,000 for 1999, 1998 and 1997. Loans renegotiated as troubled debt restructuring totaled $1,179,000 and $1,281,000 as of December 31, 1999 and 1998. Interest income of $95,000, $84,000 and $92,000 was recognized in 1999, 1998 and 1997. Had these loans been performing under the original contract terms, an additional $22,000 would have been reflected in interest income during 1999, $47,000 in 1998 and $50,000 in 1997. The Company is not committed to lend additional funds to debtors whose loans have been modified. At December 31, 1999, the Company had one loan meeting the definition of impaired totaling $246,000, which was included in the total of nonaccrual loans. At December 31, 1998 and 1997, the Company had no loans meeting the definition of impaired. One loan was classified as impaired during 1998, but was repaid prior to year-end. Loans past due over 90 days and still acccruing interest were $171,000 and $227,000 at year end 1999 and 1998.

NOTE 5 - SECONDARY MORTGAGE MARKET ACTIVITIES

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans were $147,932,000 and $106,392,000 at December 31, 1999 and 1998, respectively. Net loan servicing income was $57,000, $11,000 and $98,000 for 1999, 1998 and 1997. Information on mortgage servicing rights follows:

	1999	1998
	(in thousands)	
Beginning of year	$ 1,008	$ 425
Originations	716	754
Amortization	(265)	(171)
End of year	$ 1,459	$ 1,008

At year end 1999 and 1998, there was no valuation allowance required

NOTE 6 - LAND, PREMISES AND EQUIPMENT, NET

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

	1999	1998
	(in thousands)	
Land	$ 6,717	$ 6,274
Premises	19,639	18,269
Equipment	14,551	13,059
Total cost	40,907	37,602
Less accumulated depreciation	13,099	11,232
Land, premises and equipment, net	$ 27,808	$ 26,370

NOTE 7 - DEPOSITS

The aggregate amount of time deposits, each with a minimum denomination of $100,000, was approximately $125,919,000 and $153,991,000 at December 31, 1999 and 1998.

At December 31, 1999, the scheduled maturities of time deposits were as follows:

	Amount
	(in thousands)
Maturing in 2000	$ 414,773
Maturing in 2001	61,477
Maturing in 2002	11,922
Maturing in 2003	5,623
Maturing in 2004	3,069
Thereafter	1,656
Total time deposits	$ 498,520

NOTE 8 - SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase (repo accounts) represent collateralized borrowings with customers located primarily within the Company's trade area. Repo accounts are not covered by federal deposit insurance and are secured by securities owned. Information on these liabilities and the related collateral for 1999 and 1998 is as follows:

	1999	1998
	(in thousands)	
Average balance during the year	$ 120,950	$ 84,157
Average interest rate during the year	4.76%	5.19%
Maximum month-end balance during the year	$ 143,353	$ 110,163
Securities underlying the agreements at year-end		
Amortized cost	$ 123,388	$ 112,301
Fair value	$ 121,494	$ 113,078

			Collateral Value			
			U.S. Treasury Securities		Mortgage-backed Securities	
Term	Repurchase Liability	Weighted Average Interest Rate	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in thousands)		(in thousands)			
On demand	$ 94,440	4.48%	$ 0	$ 0	$ 95,883	$ 94,277
1 to 30 days	2,942	5.21	845	840	2,129	2,107
31 to 90 days	4,300	5.24	1,845	1,845	2,554	2,554
Over 90 days	19,692	5.86	2,605	2,530	17,527	17,341
Total	$ 121,374	4.75%	$ 5,295	$ 5,215	$ 118,093	$ 116,279

The Company 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, 1999, there were no material amounts of securities at risk with any one customer. The Company maintains control of these securities through the use of third-party safekeeping arrangements.

NOTE 9 - LONG -TERM BORROWINGS

Long-term borrowings at December 31 consisted of:

	1999	1998
	(in thousands)	
Federal Home Loan Bank of Indianapolis Notes, Variable Rate, Due April 27, 1999	$ 0	$ 10,000
Federal Home Loan Bank of Indianapolis Notes, Variable Rate, Due April 28, 2000	5,000	0
Federal Home Loan Bank of Indianapolis Notes, 5.25%, Due December 28, 2001	10,000	10,000
Federal Home Loan Bank of Indianapolis Notes, 6.15%, Due June 24, 2003	1,300	1,300
Federal Home Loan Bank of Indianapolis Notes, 6.15%, Due January 15, 2018	49	50
Capital Leases	124	36
Total	$ 16,473	$ 21,386

All notes require monthly interest payments and were secured by residential real estate loans and securities with a carrying value of $83,517,000 at December 31, 1999. At December 31, 1999, the Company owned $3,567,500 of Federal Home Loan Bank (FHLB) stock, which also secures debts to the FHLB. The capital leases had original terms of approximately three years

and require monthly payments.

NOTE 9 - LONG TERM BORROWINGS (continued)

In addition to the long-term borrowings, the Company has $45 million in variable rate notes and $10 million in fixed rate notes with the FHLB. These notes mature at various times between January 31, 2000 and June 20, 2000. These notes are classified as short-term borrowings in the financial statements. The Company is authorized to borrow up to $100 million from the FHLB.

NOTE 10 - GUARANTEED PREFERRED BENEFICIAL INTERESTS

In September 1997, Lakeland Capital Trust (Lakeland Trust) completed a public offering of 2 million shares of cumulative trust preferred securities (Preferred Securities) with a liquidation preference of $10 per security. The proceeds of the offering were loaned to the Company in exchange for subordinated debentures with terms similar to the Preferred Securities. The sole assets of Lakeland Trust are the subordinated debentures of the Company and payments thereunder. The subordinated debentures and the back-up obligations, in the aggregate, constitute a full and unconditional guarantee by the Company of the obligations of Lakeland Trust under the Preferred Securities. Distributions on the securities are payable quarterly at the annual rate of 9% of the liquidation preference and are included in interest expense in the consolidated financial statements. These securities are considered as Tier I capital (with certain limitations applicable) under current regulatory guidelines. As of December 31, 1999, the outstanding principal balance of the subordinated debentures was $20,619,000. The principal balance of the subordinated debentures less the unamortized issuance costs constitute the guaranteed preferred beneficial interests in the Company's subordinated debentures in the financial statements.

The Preferred Securities are subject to mandatory redemption, in whole or in part, upon repayment of the subordinated debentures at maturity or their earlier redemption at the liquidation preference. Subject to the Company having received prior approval of the Federal Reserve if then required, the subordinated debentures are redeemable prior to the maturity date of September 30, 2027 at the option of the Company on or after September 30, 2002, or upon occurrence of specific events defined within the trust indenture. The Company has the option to defer distributions on the subordinated debentures from time to time for a period not to exceed 20 consecutive quarters.

NOTE 11 - EMPLOYEE BENEFIT PLANS

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

	1999	1998
	(in thousands)	
Change in benefit obligation:		
Beginning benefit obligation	$ 2,408	$ 1,949
Service cost	284	177
Interest cost	171	149
Actuarial gain	(93)	276
Benefits paid	(131)	(143)
Ending benefit obligation	2,639	2,408
Change in plan assets (primarily money market funds and equity and fixed income investments), at fair value:		
Beginning plan assets	1,964	1,640
Actual return	408	(68)
Employer contribution	228	535
Benefits paid	(131)	(143)
Ending plan assets	2,469	1,964
Funded status	(170)	(444)
Unrecognized net actuarial loss	133	466
Unrecognized prior service cost	(22)	(24)
Accrued benefit cost	$ (59)	$ (2)

NOTE 11 - EMPLOYEE BENEFIT PLANS (continued)

Net pension expense includes the following:

	1999	1998	1997
	(in thousands)		
Service cost	$ 284	$ 190	$ 178
Interest cost	171	144	120
Expected return on plan assets	(192)	(133)	(306)
Recognized net actuarial (gain) loss	23	2	197
Net pension expense	$ 286	$ 203	$ 189

The following assumptions were used in calculating the net pension expense:

	1999	1998	1997
Weighted average discount rate	7.50%	6.75%	7.25%
Rate of increase in future compensation	4.50%	4.50%	4.50%
Expected long-term rate of return	10.00%	8.00%	8.00%

The Company maintains a 401(k) profit sharing plan for all employees meeting age and service requirements. The Company contributions are based upon the rate of return on January 1 stockholders' equity. The expense recognized was $344,000, $401,000 and $393,000 in 1999, 1998 and 1997.

NOTE 12 - OTHER EXPENSE

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

	1999	1998	1997
	(in thousands)		
Data processing fees and supplies	$ 2,036	$ 1,605	$ 1,151
Corporate and business development	861	750	687
Advertising	436	422	347
Office supplies	687	488	633
Telephone and postage	1,375	1,377	833
Regulatory fees and FDIC insurance	160	138	122
Amortization of intangible assets	957	942	26
Miscellaneous	2,803	2,622	2,154
Total other expense	$ 9,315	$ 8,344	$ 5,953

NOTE 13 - INCOME TAXES

Income tax expense consisted of the following:

	1999	1998	1997
	(in thousands)		
Current federal	$ 2,998	$ 2,829	$ 2,881
Deferred federal	120	54	100
Current state	933	982	906
Deferred state	34	61	33
Total income tax expense	$ 4,085	$ 3,926	$ 3,920

Income tax expense (credit) included $531,000, $498,000 and $(8,000) applicable to security transactions for 1999, 1998 and 1997. 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 were as follows:

	1999	1998	1997
	(in thousands)		
Income taxes at statutory federal rate	$ 4,217	$ 4,017	$ 3,896
Increase (decrease) in taxes resulting from:			
Tax exempt income	(884)	(839)	(554)
Nondeductible expense	198	192	135
State income tax, net of federal tax effect	638	688	661
Net operating loss, Gateway	(29)	(29)	(29)
Tax credits	(48)	(33)	(23)
Other	(7)	(70)	(166)
Total income tax expense	$ 4,085	$ 3,926	$ 3,920

NOTE 13 - INCOME TAXES (continued)

The net deferred tax asset recorded in the consolidated balance sheets at December 31 consisted of the following:

	1999		1998	
	Federal	State	Federal	State
	(in thousands)			
Deferred tax assets				
Bad debts	$ 2,153	$ 538	$ 1,809	$ 452
Pension and deferred compensation liability	535	134	460	115
Net operating loss carryforward	288	0	317	0
Other	190	48	161	41
	3,166	720	2,747	608
Deferred tax liabilities				
Accretion	24	6	103	26
Depreciation	467	117	372	93
Mortgage servicing rights	496	124	343	86
State taxes	96	0	107	0
Leases	301	75	165	41
Deferred loan fees	465	116	186	46
Other	0	0	0	0
	1,849	438	1,276	292
Valuation allowance	138	0	172	0
Net deferred tax asset	$ 1,179	$ 282	$ 1,299	$ 316

In addition to the net deferred tax assets included above, the deferred income tax asset (liability) allocated to the unrealized net gain (loss) on securities available for sale included in equity was $3,147,000 and $(1,212,000) for 1999 and 1998.

NOTE 14 - ACQUISITIONS

On February 20, 1998, the Company acquired the Peru, Indiana and Greentown, Indiana offices of National City Bank. These acquisitions were accounted for using the purchase method of accounting. The results of the operations of the acquired offices are included in the income statement of the Company beginning as of the purchase date.

The branch acquisitions were not considered to be acquisitions of a business since, among other things, approximately 87% of the $34,335,000 in assets received were in the form of cash and only a relatively small portion of the assets were in the form of loans. The future earnings from the assets acquired will be primarily dependent on the effective use of the cash and, thus, historical operating results of the branches acquired would not be indicative of future results. Accordingly, only summary information regarding the effect of the acquisition on the balance sheet is presented:

Assets	(in thousands)
Cash and due from banks	$ 30,020
Loans	14
Land, premises and equipment	1,584
Intangible assets	2,717
Liabilities	
Deposits	$ 34,321
Other liabilities	14

On November 3, 1997, the Company acquired the Huntington, Indiana office of 1st Chicago/NBD. On December 8, 1997, the Company acquired Indiana offices in Columbia City, Kendallville, Ligonier, Logansport, Medaryville and Rochester from KeyCorp. Subsequent to the acquisitions, the Company closed the Rochester office acquired from KeyCorp and the Company's previously existing office in Columbia City. These acquisitions were accounted for using the purchase method of accounting. The results of the operations of the acquired offices are included in the income statement of the Company beginning as of the respective purchase dates.

The branch acquisitions were not considered to be acquisitions of a business since, among other things, approximately 62% of the $95,235,000 in assets received were in the form of cash and only a relatively small portion of the assets were in the form of loans. The future earnings from the assets acquired will be primarily dependent on the effective use of the cash and, thus, historical operating results of the branches acquired would not be indicative of future results. Accordingly, only summary information regarding the effect of the acquisitions on the balance sheet is presented:

Assets	(in thousands)
Cash and due from banks	$ 58,889
Loans	23,591
Land, premises and equipment	3,076
Intangible assets	9,675
Other assets	4
Liabilities	
Deposits	$ 95,181
Other liabilities	54

NOTE 15 - RELATED PARTY TRANSACTIONS

Loans to principal officers, directors, and their affiliates in 1999 were as follows:

	(in thousands)
Beginning balance	$ 21,004
New loans and advances	112,516
Effect of changes in related parties	11
Repayments	(108,813)
Ending balance	$ 24,718

Deposits from principal officers, directors, and their affiliates at year-end 1999 and 1998 were $7,422,000 and $9,579,000.

NOTE 16 - STOCK OPTIONS

A stock option plan was approved by shareholders at their annual meeting in April,1998. The exercise price for the options is the market price at the date the options are granted. The maximum option term is ten years and the options vest over 3 to 5 years. A summary of the activity in the plan follows:

	1999		1998	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of the year	188,935	$ 24.60	0	$ 0.00
Granted	113,910	19.33	195,145	24.60
Exercised	0	0.00	0	0.00
Forfeited	12,575	23.49	6,210	24.38
Outstanding at end of the year	290,270	$ 22.58	188,935	$ 24.60
Options exercisable at end of the year	0	$ 0.00	925	$ 28.00
Weighted-average fair value of options granted during the year		$ 7.46		$ 9.80

Options outstanding at year-end 1999 were as follows:

	Outstanding		Exercisable	
	Number	Weighted-Average Remaining Contractual Life	Number	Weighted-Average Exercise Price
Range of exercise prices				
$14.01 - $16.80	1,000	9.9	0	$ 0.00
$16.81 - $19.60	110,160	9.1	0	$ 0.00
$22.40 - $25.20	158,760	8.3	0	$ 0.00
$25.21 - $28.00	20,350	8.4	0	$ 0.00
Outstanding at year-end	290,270	8.6	0	$ 0.00

Options outstanding at year-end 1998 were as follows:

	Outstanding		Exercisable	
	Number	Weighted-Average Remaining Contractual Life	Number	Weighted-Average Exercise Price
Range of exercise prices				
$22.40 - $25.20	167,660	9.3	0	$ 0.00
$25.21 - $28.00	21,275	9.0	925	$ 28.00
Outstanding at year-end	188,935	9.3	925	$ 28.00

NOTE 16 - STOCK OPTIONS (continued)

Had compensation cost for stock options been measured using SFAS No. 123, net income and earnings per common share would have been the pro forma amounts indicated below. The pro forma effect may increase in the future if more options are granted.

	1999	1998
Net income (in thousands) as reported	$ 8,319	$ 7,888
Pro forma net income (in thousands)	$ 7,799	$ 7,752
Basic earnings per common share as reported	$ 1.43	$ 1.36
Pro forma basic earnings per common share	$ 1.34	$ 1.33
Diluted earnings per common share as reported	$ 1.43	$ 1.36
Pro forma diluted earnings per common share	$ 1.34	$ 1.33

The pro forma effects are computed with option pricing models, using the following weighted-average assumptions as of the grant date:

	1999	1998
Risk-free interest rate	5.26%	5.53%
Expected option life	4.94 years	4.91 years
Expected price volatility	44.00%	40.75%
Dividend yield	1.47%	1.44%

NOTE 17 - CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS

The Company and Bank are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly discretionary, actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of the assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 1999 and 1998, that the Company and Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 1999, the most recent notification from the federal regulators categorized the Company and Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Company's or Bank's category.

	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(in thousands)			
As of December 31, 1999						
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 74,844	10.26%	$ 58,330	8.00%	$ 72,913	10.00%
Bank	$ 73,980	10.01%	$ 59,144	8.00%	$ 73,298	10.00%
Tier I Capital (to Risk Weighted Assets)						
Consolidated	$ 67,986	9.32%	$ 29,165	4.00%	$ 43,748	6.00%
Bank	$ 67,458	9.12%	$ 29,572	4.00%	$ 44,358	6.00%
Tier I Capital (to Average Assets)						
Consolidated	$ 67,986	6.77%	$ 40,167	4.00%	$ 50,208	5.00%
Bank	$ 67,458	6.72%	$ 40,183	4.00%	$ 50,228	5.00%
As of December 31, 1998						
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 67,264	10.83%	$ 49,703	8.00%	$ 62,129	10.00%
Bank	$ 66,535	10.71%	$ 49,687	8.00%	$ 62,109	10.00%
Tier I Capital (to Risk Weighted Assets)						
Consolidated	$ 59,524	9.58%	$ 24,851	4.00%	$ 37,277	6.00%
Bank	$ 61,025	9.83%	$ 24,844	4.00%	$ 37,265	6.00%
Tier I Capital (to Average Assets)						
Consolidated	$ 59,524	6.39%	$ 37,286	4.00%	$ 46,607	5.00%
Bank	$ 61,025	6.55%	$ 37,290	4.00%	$ 46,612	5.00%

NOTE 18 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table contains the estimated fair values and the related carrying values of the Company's financial instruments at December 31, 1999 and 1998. Items which are not financial instruments are not included.

	1999		1998	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in thousands)			
Assets:				
Cash and cash equivalents	$ 63,104	$ 63,104	$ 61,508	$ 61,508
Real estate mortgages held for sale	862	862	3,796	3,796
Securities available for sale	271,421	271,421	327,658	327,658
Loans, net	647,376	638,331	532,986	537,223
Accrued interest income receivable	5,402	5,402	5,653	5,653
Mortgage servicing rights	1,459	1,459	1,008	1,008
Liabilities:				
Certificates of deposit	(498,520)	(498,654)	(500,157)	(502,823)
All other deposits	(249,723)	(249,723)	(239,190)	(239,190)
Securities sold under agreements to repurchase	(121,374)	(122,189)	(110,163)	(111,311)
Other short-term borrowings	(74,000)	(74,000)	(25,527)	(25,527)
Long-term debt	(16,473)	(16,213)	(21,386)	(21,568)
Guaranteed preferred beneficial interests in Company's subordinated debentures	(19,264)	(18,500)	(19,238)	(22,500)
Accrued interest expenses payable	(3,391)	(3,391)	(3,639)	(3,639)

For purposes of the above disclosures of estimated fair value, the following assumptions were used as of December 31, 1999 and 1998. The estimated fair value for cash, cash equivalents and accrued interest is considered to approximate cost. Real estate mortgages held for sale are based upon 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 and guaranteed preferred beneficial interests in the Company's subordinated debentures are 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 Company would charge for similar loans at December 31, 1999 and 1998, applied for the time period until estimated repayment. The estimated fair value of mortgage servicing rights is based upon valuation methodology which considers current market conditions and historical performance of the loans being serviced. 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 Company would pay on such deposits or borrowings at December 31, 1999 and 1998, applied for the time period until maturity. The estimated fair value of short-term borrowed funds is considered to approximate carrying value. 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 Company to have disposed of such items at December 31, 1999 and 1998, 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, 1999 and 1998, should not necessarily be considered to apply at subsequent dates.

In addition, other assets and liabilities of the Company 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 the Company's trust department, the trained work force, customer goodwill and similar items.

NOTE 19 - COMMITMENTS, OFF-BALANCE SHEET RISKS AND CONTINGENCIES

During the normal course of business, the Company 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, 1999 and 1998, were as follows:

	1999		1998	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
	(in thousands)			
Commercial loan lines of credit	$ 30,797	$ 179,986	$ 16,783	$ 124,975
Commercial loan standby letters of credit	0	6,783	0	14,186
Real estate mortgage loans	2,424	1,030	4,473	908
Real estate construction mortgage loans	0	1,762	0	2,237
Credit card open-ended revolving lines	6,584	0	5,514	0
Home equity mortgage open-ended revolving lines	0	31,521	0	29,178

Consumer loan open-ended revolving lines	0	4,626	0	4,185
Total	$ 39,805	$ 225,708	$ 26,770	$ 175,669

NOTE 19 - COMMITMENTS, OFF-BALANCE SHEET RISKS AND CONTINGENCIES (continued)

At December 31, 1999 and 1998, the range of interest rates for commercial loan commitments with a fixed rate was 4.92% to 12.50%. The range of interest rates for commercial loan commitments with variable rates was 6.93% to 12.50% and 7.00% to 11.75% at December 31, 1999 and 1998. The index on variable rate commercial loan commitments is principally the Company's base 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 Company 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 Company's exposure to credit losses in the event of nonperformance is represented by the contractual amount of the commitments. Management does not expect any significant losses as a result of these commitments.

NOTE 20 - PARENT COMPANY STATEMENTS

The Company operates primarily in the banking industry, which accounts for 100 percent of its revenues, operating income, and assets. Presented below are parent only financial statements:

CONDENSED BALANCE SHEETS

	December 31	
	1999	1998
	(in thousands)	
ASSETS		
Deposits with Lake City Bank	$ 466	$ 113
Investment in subsidiaries	73,948	75,045
Other assets	1,705	1,108
Total assets	$ 76,119	$ 76,266
LIABILITIES		
Dividends payable and other liabilities	$ 1,306	$ 491
Subordinated debt	20,619	20,619
STOCKHOLDERS' EQUITY	54,194	55,156
Total liabilities and stockholders' equity	$ 76,119	$ 76,266

CONDENSED STATEMENTS OF INCOME

	Years Ended December 31		
	1999	1998	1997
	(in thousands)		
Dividends from Lake City Bank	$ 3,928	$ 2,182	$ 982
Interest on deposits and repurchase agreements, Lake City Bank	5	6	24
Equity in undistributed income of subsidiaries	5,547	6,870	7,085
Interest expense on subordinated debt	1,800	1,800	655
Miscellaneous expense	120	134	242
INCOME BEFORE INCOME TAXES	7,560	7,124	7,194
Income tax benefit	759	764	346
NET INCOME	$ 8,319	$ 7,888	$ 7,540

NOTE 20 - PARENT COMPANY STATEMENTS (continued)

CONDENSED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	1999	1998	1997
	(in thousands)		
Cash flows from operating activities			
Net income	$ 8,319	$ 7,888	$ 7,540
Adjustments to net cash from operating activities			
Equity in undistributed income of subsidiaries	(5,547)	(6,870)	(7,085)
Other changes	218	(175)	(770)
Net cash from operating activities	2,990	843	(315)
Cash flows from investing activities	0	0	(17,283)
Cash flows from financing activities	(2,637)	(2,150)	19,003
Net increase (decrease) in cash and cash equivalents	353	(1,307)	1,405
Cash and cash equivalents at beginning of the year	113	1,420	15
Cash and cash equivalents at end of the year	$ 466	$ 113	$ 1,420

NOTE 21 - EARNINGS PER SHARE

Following are the factors used in the earnings per share computations:

	1999	1998	1997
Basic earnings per common share			
Net income	$ 8,319,000	$ 7,888,000	$ 7,540,000
Weighted-average common shares outstanding	5,813,984	5,813,984	5,813,162
Basic earnings per common share	$ 1.43	$ 1.36	$ 1.30
Diluted earnings per common share			
Net income	$ 8,319,000	$ 7,888,000	$ 7,540,000
Weighted-average common shares outstanding for basic earnings per common share	5,813,984	5,813,984	5,813,162
Add: Dilutive effect of assumed exercises of stock options	8	0	0
Average shares and dilutive potential common shares	5,813,992	5,813,984	5,813,162
Diluted earnings per common share	$ 1.43	$ 1.36	$ 1.30

Stock options for 290,262 and 188,935 shares of common stock were not considered in computing diluted earnings per common share for 1999 and 1998 because they were antidilutive. The stock option plan was adopted in 1998.

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 subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 1999, 1998 and 1997. These financial statements are the responsibility of the Company'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 subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for the years ended December 31, 1999, 1998 and 1997, in conformity with generally accepted accounting principles.

Crowe, Chizek and Company LLP

South Bend, Indiana
January 14, 2000

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation of the Company'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 Company's financial position and results of operations and were prepared in conformity with generally accepted accounting principles. Management also has included in the Company's financial statements; amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

The Company maintains a system of internal controls designed to provide reasonable assurance that all assets are safeguarded, financial records are reliable for preparing consolidated financial statements and the Company complies with laws and regulations relating to safety and soundness which are designated by the FDIC and other appropriate federal banking agencies. The selection and training of qualified personnel and the establishment and communication of accounting and administrative policies and procedures are elements of this control system. The effectiveness of the internal control system is monitored by a program of internal audit and by independent certified public accountants (independent auditors). Management recognizes that the cost of a system of internal controls should not exceed the benefits derived and that there are inherent limitations to be considered in the potential effectiveness of any system. Management believes the Company's system provides the appropriate balance between costs of controls and the related benefits.

The independent auditors have audited the Company'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 Company has an Audit Review Committee composed of five non-management Directors. The Committee meets periodically with the internal auditors and the independent auditors.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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FINANCIAL CONDITION

Growth and Expansion

The Company continued to grow in 1999, adding two new offices and expanding its primary market area. Over the last five years, the Company has added nineteen new offices. The Company now has 44 offices servicing 15 counties across north central Indiana. This growth was evident in the total assets of the Company, which were $1,039,843,000 at December 31, 1999, an increase of 6.2 percent over 1998. The Company opened its first office in Allen County, the second largest market in the state of Indiana. This office was well received and grew steadily during the seven months it was open. The Company will open its second office in Allen County in 2000. Bank consolidation has been very rapid in Allen County, and we expect that customer acceptance of our Company will continue to be positive over the next several years. The Company also added a satellite office to supplement its current location in Winona Lake, Indiana. The Company continues to evaluate other expansion opportunities throughout northern Indiana, with an emphasis on markets that would be receptive to our local, hometown business philosophy.

Liquidity

Management maintains a liquidity position to ensure funding is available to provide for loan demand and deposit run-off that occurs in the normal course of business. The Company relies on various funding sources in order to meet these demands. Primary sources include increases in deposit accounts and cash flows from loan payments and the securities portfolio. The cash flow from the securities portfolio alone, given current prepayment assumptions, is anticipated to be approximately $43.3 million in 2000.

In addition to the primary sources of funds, management can draw upon several secondary sources to meet any unusual demands. The Company has $84 million in Federal fund lines with correspondent banks, which can be used to meet immediate needs. The Company has also been authorized to borrow up to $100 million at the Federal Home Loan Bank of Indianapolis. On October 1, 1998, the Company transferred all securities in its held to maturity (HTM) portfolio to its available for sale (AFS) portfolio as permitted by the early adoption of SFAS No. 133. This increases the possible sources the Company may access since these securities may be sold to meet any funding demands. All securities in the AFS portfolio are of high quality and are easily marketable. Approximately 85.9 percent of this portfolio is comprised of U.S. Treasury securities, Federal agency securities or mortgage-backed securities directly or indirectly backed by the Federal government. The Company also sells mortgage loans on the secondary market to reduce interest rate risk and as a source of funding.

During 1999, cash and cash equivalents increased $1.6 million to $63,104,000 at December 31, 1999. Low interest rates continued to prevail throughout much of 1999 keeping the demand high for residential real estate loans. Proceeds from the sale of loans was $83 million for 1999. Other sources of funds came from sales, calls and maturities of securities of $110 million. The sales of loans and securities also contributed $2.6 million to pre-tax income. The major uses of funds were for the increase in loans, purchases of securities, and purchases of fixed assets. Loans increased approximately $116 million, which was net of approximately $80 million of loans originated and sold during 1999. Purchases of securities were $65 million and purchases of land, premises and equipment were $4 million.

During 1998, cash and cash equivalents increased $11.7 million to $61,508,000 at December 31, 1998. Part of the increase in the cash and cash equivalents during 1998 was the result of the $92 million increase in deposit accounts which does not include deposits acquired in conjunction with offices acquired from other financial institutions, the small increase in short-term borrowings and cash flows from loan and security payments. The net proceeds from the acquisition of offices from another financial institution in February added approximately $30 million in additional funds. Historically low interest rates generated a significant increase in residential real estate loan demand. This increased activity resulted in proceeds from the sales of loans of $65 million for 1998, as compared to $27 million in 1997. These low rates also provided the Company with an opportunity to sell securities from the AFS portfolio at significant gains. Proceeds from the sales of securities during 1998 were $65 million. The sales of loans and securities accomplished several objectives, providing a source of funds to meet increased funding demands and adding approximately $2.7 million to pre-tax income. Major uses of the funds generated were funding the increases in loans, the purchases of securities and the purchases of fixed assets. Loans increased approximately $80 million during 1998. This increase was net of approximately $63 million of loans originated and sold during 1998. During 1998, $223 million of securities were purchased and approximately $4 million was spent for land, premises and equipment, not including what was added through office acquisitions.

During the year 1997, cash and cash equivalents increased $5 million. In addition to the funds from the payments on loans and the calls and maturities of securities, major sources of funds were the proceeds from sales of loans of $27 million, the proceeds of $59 million from the acquisitions of offices from other financial institutions, and $21 million from the increase in deposit accounts net of deposits obtained through acquisitions. Another major source of funds during 1997 was the $19 million net proceeds from the issuance of guaranteed preferred beneficial interests in the Company's subordinated debentures. Major uses of funds during 1997 were the $53 million increase in loans, purchases of securities totaling $81 million, and $5 million for purchases of land, premises and equipment not including those related to

acquisitions from other financial institutions.

Asset/Liability Management (ALCO) and Securities

The Company's primary market risk exposure is interest rate risk. The Company does not have a material exposure to foreign currency exchange risk, does not own any derivative financial instruments and does not maintain a trading portfolio. The 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 protects the Company from excessive net income volatility that could result from changing interest rates. The Company uses a computer program to stress test the balance sheet under a wide variety of interest rate scenarios. This model quantifies the impact on income of such things as: changes in customer preference for products, basis risk between the 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. Although management does not consider GAP ratios in its planning, this information can be used in a general fashion to look at asset and liability mismatches. The Company's cumulative GAP ratio at December 31, 1999, for the next 12 months is a negative 30.1 percent of earning assets.

The following tables provide information about the Company's financial instruments used for purposes other than trading that are sensitive to changes in interest rates. For loans, securities, and liabilities with contractual maturities, the tables present principal cash flows and related weighted-average interest rates by contractual maturities as well as the Company's historical experience of the impact of interest-rate fluctuations on the prepayment of residential and home equity loans and mortgage-backed securities. For core deposits (demand deposits, interest-bearing checking, savings and money market deposits) that have no contractual maturity, the tables present principal cash flows and, as applicable, related weighted-average interest rates based upon the Company's historical experience, management's judgment and statistical analysis, as applicable, concerning their most likely withdrawal behaviors. Weighted-average variable rates are based upon rates existing at the reporting date.

1999 Principal/Notional Amount Maturing in:

(Dollars in thousands)

	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total	Fair Value 12/31/99
Rate sensitive assets:								
Fixed interest rate loans	$ 78,484	$ 56,049	$ 49,134	$ 58,882	$ 80,464	$ 29,188	$ 352,201	$ 343,652
Average interest rate	8.65%	8.69%	8.66%	8.29%	7.97%	7.98%	8.39%	
Variable interest rate loans	$ 264,375	$ 1,657	$ 1,442	$ 1,300	$ 1,142	$ 32,643	$ 302,559	$ 302,062
Average interest rate	8.93%	10.25%	10.18%	10.26%	10.80%	8.98%	8.96%	
Fixed interest rate securities	$ 18,233	$ 47,209	$ 22,150	$ 26,985	$ 21,305	$ 139,405	$ 275,287	$ 267,414
Average interest rate	6.54%	5.65%	6.42%	6.10%	6.38%	6.11%	6.10%	
Variable interest rate securities	$ 209	$ 206	$ 218	$ 231	$ 245	$ 2,968	$ 4,077	$ 4,007
Average interest rate	6.36%	6.69%	6.69%	6.69%	6.69%	6.98%	6.88%	
Other interest-bearing assets	$ 3,783	-	-	-	-	-	$ 3,783	$ 3,783
Average interest rate	5.50%	-	-	-	-	-	5.50%	
Rate sensitive liabilities:								
Noninterest bearing checking	$ 7,103	$ 6,338	$ 1,147	$ 1,093	$ 1,598	$ 119,316	$ 136,595	$ 136,595
Average interest rate	-	-	-	-	-	-	-	
Savings & interest bearing checking	$ 4,669	$ 4,216	$ 3,744	$ 3,401	$ 2,727	$ 94,371	$ 113,128	$ 113,128
Average interest rate	1.82%	1.82%	1.82%	1.82%	1.82%	1.67%	1.69%	
Time deposits	$ 414,773	$ 61,477	$ 11,922	$ 5,623	$ 3,069	$ 1,656	$ 498,520	$ 498,654
Average interest rate	5.13%	5.71%	5.75%	5.38%	5.46%	5.55%	5.22%	
Fixed interest rate borrowings	$ 129,574	$ 20,800	$ -	1,473	$ -	$ 19,264	$ 171,111	$ 170,902
Average interest rate	4.60%	5.58%	-	6.15%	-	9.00%	5.23%	
Variable interest rate borrowings	$ 60,000	-	-	-	-	-	$ 60,000	$ 60,000
Average interest rate	5.42%	-	-	-	-	-	5.42%	

1998 Principal/Notional Amount Maturing in:

(Dollars in thousands)

	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total	Fair Value 12/31/98
Rate sensitive assets:								
Fixed interest rate loans	$ 117,708	$ 42,340	$ 34,989	$ 18,088	$ 41,387	$ 20,781	$ 275,293	$ 276,230
Average interest rate	8.86%	8.84%	8.70%	8.83%	8.13%	7.83%	8.65%	
Variable interest rate loans	$ 216,002	$ 1,861	$ 1,762	$ 1,615	$ 1,565	$ 40,398	$ 263,203	$ 260,993
Average interest rate	9.67%	7.76%	7.83%	8.02%	8.06%	7.47%	9.28%	
Fixed interest rate securities	$ 69,716	$ 57,082	$ 67,696	$ 27,003	$ 15,946	$ 81,943	$ 319,386	$ 322,446
Average interest rate	6.52%	6.54%	5.88%	6.43%	6.46%	5.65%	6.14%	
Variable interest rate securities	$ 1,658	$ 1,122	$ 777	$ 535	$ 368	$ 752	$ 5,212	$ 5,212
Average interest rate	6.44%	6.43%	6.44%	6.45%	6.46%	6.52%	6.45%	
Other interest-bearing assets	$ 15,575	-	-	-	-	-	$ 15,575	$ 15,575
Average interest rate	4.75%	-	-	-	-	-	4.75%	
Rate sensitive liabilities:								
Noninterest bearing checking	$ 6,143	$ 5,492	$ 994	$ 947	$ 1,385	$ 103,400	$ 118,361	$ 118,361
Average interest rate	-	-	-	-	-	-	-	
Savings & interest bearing checking	$ 16,183	$ 14,618	$ 12,931	$ 11,749	$ 9,432	$ 55,916	$ 120,829	$ 120,829
Average interest rate	1.54%	1.54%	1.54%	1.54%	1.54%	1.70%	1.61%	
Time deposits	$ 425,808	$ 47,775	$ 13,619	$ 7,029	$ 4,292	$ 1,634	$ 500,157	$ 502,823
Average interest rate	5.09%	5.63%	5.68%	6.16%	5.48%	5.94%	5.18%	
Fixed interest rate borrowings	$ 101,139	$ 10,550	$ 10,090	-	$ 1,297	$ 19,238	$ 142,314	$ 146,906
Average interest rate	4.67%	5.90%	5.25%	-	6.15%	9.00%	5.40%	
Variable interest rate borrowings	$ 34,000	-	-	-	-	-	$ 34,000	$ 34,000
Average interest rate	4.96%	-	-	-	-	-	4.96%	

Comparison of these tables illustrates the growth the Company experienced during 1999. Increases in fixed rate loans, variable loans, fixed rate borrowings and variable rate borrowings reflect the growth of the Company's existing offices. The increase in loans for 1999 was in commercial and consumer loans. Significant increases were seen in excess cash investments and fed fund purchases, which are fixed rate, and in short-term variable rate borrowings from the Federal Home Loan Bank. These increases in funding sources were used to finance the increase in the loan portfolio.

During 1999, LCB Investments Limited was formed to manage part of the Company's investment portfolio. LCB Investments Limited, located in Bermuda, is a subsidiary of Lake City Bank and is included in the consolidation of the Company's financial statements.

The Company's investment portfolios consist of U.S. Treasuries, agencies, mortgage-backed securities, municipal bonds and corporates. During 1999, purchases primarily consisted of U.S. Treasuries, mortgage-backed securities and municipal bonds. At December 31, 1999, the Company's investment in mortgage-backed securities comprised approximately 70 percent of total securities and consisted of CMOs and mortgage pools issued by GNMA, FNMA and FHLMC. As such, these securities are backed directly or indirectly by the Federal government. All mortgage securities purchased are within risk tolerances for price, prepayment, extension and original life risk characteristics contained in the Company's investment policy. The Company uses Bloomberg analytics to evaluate and monitor all purchases. At December 31, 1999, the mortgage securities in the AFS portfolio had a three and two-thirds year average life, with approximately 11 percent price depreciation should rates move up 300 basis points and approximately 8 percent price appreciation should rates move down 300 basis points. As of December 31, 1999, all mortgage securities were performing in a manner consistent with management's original expectations.

Capital Management

The Company believes that a strong, but aggressively managed, capital position is vital to long-term earnings and expansion. Currently the Company maintains capital levels in excess of "well-capitalized" levels as defined by the FDIC. Bank regulatory agencies exclude the market value adjustment created by SFAS No. 115 (AFS adjustment) from capital adequacy calculations. Therefore, excluding this adjustment from the calculation, the Company had Tier I leverage capital, Tier I risk based capital and Tier II risk based capital ratios of 6.8 percent, 9.3 percent and 10.3 percent at December 31, 1999. All three ratios met or exceeded 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 is a function of net income growth and a prudent dividend policy. Total stockholders' equity decreased by 1.7 percent, to $54,194,000 as of December 31, 1999, from $55,156,000 as of December 31, 1998. The 1999 decrease resulted from the retention of net income of $8,319,000, minus cash dividends declared of $2,549,000, less the change in the AFS adjustment of $6,645,000, net of tax, less $87,000 for the purchase of treasury stock. The AFS adjustment reflects a 350 basis point increase in two to five year U. S. Treasury rates during 1999. Since the securities portfolio is primarily fixed rate, a negative equity adjustment should occur whenever interest rates increase. Management has factored this into the determination of the size of the AFS portfolio, to assure that stockholders' equity is adequate under various scenarios. The 1998 growth of $6,900,000 resulted from the retention of net income of $7,888,000, minus cash dividends declared of $2,002,000, plus the AFS adjustment of $1,163,000, net of tax, less $149,000 for the purchase of treasury stock. This 1998 AFS adjustment reflected a 114 basis point decrease in two to five year U. S. Treasury rates during 1998. Included in the change in the AFS adjustment was an increase of $2,495,000 from securities transferred to AFS on October 1, 1998 as permitted by the early adoption of SFAS No. 133. None of the securities transferred to AFS were sold during the fourth quarter of 1998.

Management is not aware of any known trends, events or uncertainties that would have a material effect on the Company's liquidity, capital and results of operations. Nor is management aware of any regulatory recommendations that, if implemented, would have such an effect.

Allowance for Credit Risk

At December 31, 1999, the allowance for loan losses was $6,522,000 or 1.00 percent of total loans outstanding, compared with $5,510,000 or 1.02 percent of total loans outstanding at December 31, 1998. The process of identifying credit losses that may occur based upon current circumstances is subjective. Therefore, the Company maintains a general allowance to cover all credit losses within the entire portfolio. The methodology management uses to determine the adequacy of the loan loss reserve includes the following:

1. Management reviews the larger individual loans (primarily in the commercial loan portfolio) for unfavorable collectibility factors (including impairment) 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 enables management to establish probable losses 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 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 loss. High delinquencies are generally indicative of an increase in loan losses.

As a result of the methodology in determining the adequacy of the allowance for loan losses, the provision for loan losses was $1,310,000 in 1999 as compared to $480,000 in 1998. The increased provision for loan losses was primarily related to the growth in the loan portfolio, particularly the commercial and consumer portfolios. The past due accruing loans (90 days or more) and nonaccrual loans continued to be at low levels throughout 1999. At December 31, 1999, loans past due 90 days or more and still accruing were $171,000 and nonaccrual loans were $329,000, which included one impaired loan

of $246,000. These trends in non-performing loans reflect both general economic conditions that have promoted growth and expansion in the Company's market area, and a credit risk management strategy that promotes diversification.

The continued low levels of nonperforming loans and net charge-offs have permitted the Company to provide modest amounts for the provision for loan losses in recent years. Due to the increase in the loan portfolio, it was necessary to provide a larger provision in 1999 compared to 1998 and 1997. The total provision for loan losses and the total net charge-offs for the two years prior to 1999 combined were $749,000 and $545,000. The total provision for loan losses and the total net charge-offs for 1999 were $1,310,000 and $298,000.

The Company has experienced growth in total loans over the last three years of $195 million, or about 42.6 percent, and the concentration of this loan growth was in the commercial loan portfolio. Commercial loans comprised 57.4 percent, 56.0 percent and 51.7 percent of the total loan portfolio at December 31, 1999, 1998 and 1997. With this type of loan growth, management believes that it is prudent to continue to provide for loan losses at the current levels.

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 Company. 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.

RESULTS OF OPERATIONS

1999 vs 1998

The Company reached a milestone in 1999, as total assets exceeded $1 billion for the first time, totaling $1,039,843,000 at December 31, 1999. This was an increase of $60,934,000 or 6.2 percent over December 31, 1998. The lending areas had a terrific year, as total loans increased 21.4 percent to $653,898,000 at December 31, 1999. Total securities decreased 17.2 percent to 271,421,000 at December 31, 1999. This change in the asset mix was a result of management's work to more profitably employ the funding received from the branch acquisitions late in 1997 and early in 1998 that was originally invested into securities until it could be used to fund loan growth. The Company also employed a more aggressive funding strategy in 1999. Emphasis was placed on growth in relationship type accounts. Therefore, while total deposits were up a modest one percent, growth in checking accounts and the Investor Weekly product were 15.4 and 25.4 percent, respectively. We also emphasized the sale of cash management accounts during the year, which resulted in a 40.2 percent increase in overnight repurchase agreements. This growth, combined with a greater use of short-term FHLB borrowings, resulted in an increase in short-term borrowings of 44.0 percent, to $195,374,000 at December 31, 1999.

The Company also had another record year of earnings with net income at $8,319,000 for 1999. This was an increase of $431,000 or 5.5 percent over 1998. Interest income in 1999 was $69,395,000, an increase of $5,728,000 or 9.0 percent over 1998. This was a result of the success the Company had during 1999 in moving many of the securities purchased with the funds from the acquisitions of late 1997 and early 1998 to higher yielding loans. The loan to deposit ratio increased from 72.8 percent at December 31, 1998 to 87.4 percent at year-end 1999. Interest and fees on loans increased $7,365,000 or 16.6 percent while interest and dividends on securities decreased $1,393,000 or 7.4 percent. Total interest expense was $37,093,000 for 1999, an increase of $1,002,000 or 2.8 percent over 1998. An emphasis on controlling the Company's funding costs during the year contributed to this modest increase. The net result of the above factors was net interest income of $32,302,000 for 1999, a 17.1 percent increase over 1998. The impact to the interest margin was an increase of 12 basis points to 3.7 percent when comparing 1999 to 1998. The Company plans to continue growing the loan portfolio, as well as continuing the relationship funding strategy implemented during 1999. The prime rate was on the rise during the second half of 1999, increasing 75 basis points by the end of the year, but most of the increase, 50 basis points, occurred in the last two months of the year. The effect of this increase was not significant.

As the Company continued to emphasize loan growth, asset quality remained a top priority throughout 1999. Nonaccrual loans were $329,000 at year-end, or .05 percent of total loans. This included one loan totaling $246,000, which was recognized as impaired in 1999. Net charge-offs were $298,000 or .05 percent of average daily loans. Although asset quality remained high, the growth in the loan portfolio made it necessary to recognize provision for loan loss expense of $1,310,000. The allowance for loan losses at December 31, 1999 was $6,522,000, which represented 1.00 percent of the loan portfolio. The Company's management continues to monitor the adequacy of the provision based on loan levels, asset quality and the economic outlook among other factors.

Noninterest income was good in 1999, however slowing mortgage loan demand reduced the contribution from this area as compared to 1998. Noninterest income for 1999 was $11,953,000, an increase of $744,000 or 6.6 percent over 1998. Deposit fees increased $317,000 or 7.9 percent, with other major increases in brokerage income, which was up $159,000 or 37.7 percent, insurance and credit card fees. Mortgage originations decreased 3.6 percent comparing year end 1998 to year end 1999. The gains on sale of mortgage loans were therefore down 11.2 percent due to rising rates and lower refinance activity. Security gains for 1999 increased 6.6 percent over 1998.

Noninterest expense for 1999 was $30,541,000, an increase of $4,050,000 or 15.3 percent over 1998. Salaries and employee benefits increased $1,835,000 or 13.0 percent reflecting normal salary increases, additions to staff and increased health care costs. Occupancy and equipment expenses increased $1,244,000 or 30.6 percent. This reflected the investments in equipment and technology as part of our commitment to provide our customers with the highest degree of customer service and to prepare the Company for the year 2000. Other expense increased $971,000 or 11.6 percent with the largest increase seen in data processing fees, up $431,000 or 26.9 percent. This reflected both a change in our trust accounting system and year 2000 preparations.

As a result of all those factors, income before income tax expense increased $590,000 or 5.0 percent, to $12,404,000 for 1999, as compared to $11,814,000 for 1998. Income tax expense was $4,085,000 for 1999 and $3,926,000 for 1998. Income tax as a percent of income before tax was 32.9 percent for 1999 and 33.2 percent for 1998. Net income increased $431,000 or 5.5 percent, to $8,319,000 for 1999, as compared to $7,888,000 for 1998. Basic earnings per share for 1999 was $1.43, as compared to $1.36 for 1998. Net income of $8,319,000 represented a 15.6 percent return on January 1, 1999, stockholders' equity (excluding the equity adjustment related to SFAS No. 115), and a .84 percent return on average daily assets.

1998 vs 1997

In 1998, the Company reported earnings of $7,888,000. This was approximately a five percent increase over 1997, and represented the eleventh consecutive year of record earnings. In 1998, total interest income was $63,667,000, an increase of $10,968,000 or 20.8 percent from 1997. Interest

income was principally effected by the growth in assets, the composition of assets, the degree of competition and current interest rates. In 1998, both asset growth of 22.9 percent and loan growth of 17.4 percent contributed positively to interest income. The composition of the Company's assets was a major challenge in 1998. In the fourth quarter of 1997 and at the beginning of 1998, the Company had acquired approximately $129.5 million of funding through branch acquisitions in order to meet the future lending needs of current and future customers. These funds were temporarily invested in securities until they were used to fund loan growth. While loan growth was strong in 1998, resulting in a steady improvement in the loan-to-deposit ratio during the year, the Company was still aggressively pursuing good quality commercial and consumer loans to better utilize these funds. On a less positive note, fierce competition, and a 75 basis point decrease in the prime lending rate, reduced the yield on the loan portfolio by 23 basis points in 1998 versus 1997. With respect to the securities portfolio, a 114 basis point reduction in two-to-five year treasury rates and a flattening of the yield curve, resulted in higher prepayment rates on mortgage related securities, and lower reinvestment rates. The combined impact of this was a 17 basis point reduction in the securities yield. All of these factors resulted in a 31 basis point reduction in the overall yield on earning assets. Total interest expense was $36,091,000 in 1998, an increase of $8,031,000 or 28.6 percent over 1997. The increase was primarily the result of internal growth and deposits acquired in branch acquisitions. The impact of low rates and a flat yield curve were most pronounced on the Company's funding costs. During much of the year, customers shortened their investment horizon. The Company experienced substantial growth in short-term deposits and purchased funds. This type of activity typically reduces average funding costs, since these funds are priced to what is generally the lower end of the yield curve. However, with a flat yield curve, these funds are as costly as long-term funds. This combination resulted in only a three basis point reduction in funding costs. The net impact of these interest income and interest expense trends resulted in net interest income of $27,576,000, an increase of $2,937,000 or 11.9 percent. While margin deterioration is an industry wide phenomenon, economic factors in 1998 accelerated this trend.

Asset quality continued to be very strong. The Company concluded the year absent any nonaccrual or impaired loans. Delinquency rates continued to be very low, and net charge-offs for the year were $278,000 or .06 percent of average daily loans. These quality trends resulted in only a modest amount of expense to be prudently recognized as a provision for loan losses. This $480,000 expense, less 1998 net charge-offs, resulted in a $5,510,000 allowance for loan losses at year-end. This represented 1.02 percent of the loan portfolio. As 1999 began, loan growth continued to be very strong, and loan growth is one of many factors that are reviewed when determining the amount of loan loss provision expense that should be recognized.

Noninterest income was a primary focus of management during 1998. As the interest margin continued to decline, it became important to search for new types of revenue. In 1998, noninterest income totaled $11,209,000. This was a $3,705,000 or 49.4 percent increase over 1997. The Company experienced an 18.8 percent increase in deposit fees. This increase was primarily related to the growth in deposits of $126 million in 1998. Higher deposit service fees were directly related to the growth of transaction accounts. Other exceptional contributors included insurance income and brokerage income. Another major contributor was the gains on the sale of mortgages. For the last five years, the Company has been selling fixed rate mortgages into the secondary market. These sales allow the Company to meet the fixed rate mortgage needs of the many small communities served, while not exposing the Company to unacceptable rate risk. In 1998, thirty-year mortgage rates declined to historically low levels, which increased the volume in the mortgage area tremendously. The result was a gain on mortgages sold of $1,467,000, an increase of $922,000 or 169.2 percent over 1997. The Company also sold securities, realizing a $1,256,000 gain on these sales. The declining rate environment allowed the Company to recognize these gains while better positioning the portfolio for future liquidity needs.

A major challenge during 1998 was the completion of a two-year, $4.5 million investment in technology. As the Company nearly doubled in size from $497 million in 1994, to $979 million in 1998, investments needed to be made to provide superior local service to our customers in 14 counties. These investments included new teller and sales systems, new image capture software and hardware, a data warehouse system and a new telephone system utilizing voice over data frame relay. These improvements positioned the Company for future growth, and allowed any bank location to provide customers with the type of service and information that they expect from their hometown bank. The cost of these improvements, and the thirty percent increase in the branch network in 1998, resulted in a 29.5 percent increase in occupancy and equipment costs in 1998. The Company also experienced a 24.4 percent increase in salaries and benefits related to the growth in offices. Also, $942,000 of expense was added to the growth in other expenses due to the amortization of the intangible assets relating to the branch purchases in late 1997 and early 1998.

As a result of all these factors, income before income tax expense increased $354,000 or 3.1 percent to $11,814,000 for 1997, as compared to $11,460,000 for 1997. Income tax expense was $3,926,000 and $3,920,000 for 1998 and 1997. Income tax expense as a percent of income before taxes was 33.2 percent for 1998 and 34.2 percent for 1997. Net income increased to $7,888,000 for 1998, an increase of $348,000 or 4.6 percent over the net income of $7,540,000 for 1997. Basic earnings per share for 1998 was $1.36 as compared to $1.30 for 1997. Net income of $7,888,000 represented a 16.6 percent return on January 1, 1998 stockholders' equity (excluding the equity adjustment related to SFAS No. 115) and a .89 percent return on average daily assets.

YEAR 2000

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

LAKE CITY BANK OFFICERS

Name	Title
Michael L. Kubacki	President
Robert C. Condon	Executive Vice President
D. Jean Northenor	Executive Vice President
Charles D. Smith	Executive Vice President
Walter L. Weldy	Executive Vice President
Terry M. White	Executive Vice President

Audit

Name	Title
Betty L. McHenry	Senior Vice President and Auditor
Kevin A. Linehan	Vice President
Michelle R. Halter	Assistant Vice President
Teah D. O'Dell	Assistant Auditor

Commercial Services

Name	Title
Kelly K. Ayers	Vice President
David A. Bickel	Vice President
James R. Cowan	Vice President
Drew D. Dunlavy	Vice President
Michael E. Gavin	Vice President
Kenneth L. Kasamis	Vice President
Joseph F. Kessie	Vice President
William D. Leedy	Vice President
J. Randall Leininger	Vice President
H.A. "Rocky" Meyer	Vice President
Jack E. Mills	Vice President
Eric H. Ottinger	Vice President
Larry L. Penrod	Vice President
Thomas G. Stark	Vice President
James C. Stout	Vice President
J. Mark Ulrich	Vice President
Randal U. Vutech	Vice President
Chad D. Brouyette	Assistant Vice President
Stephanie L. DuBois	Assistant Vice President
Brent E. Hoffman	Assistant Vice President
Kelli S. Robinson	Assistant Vice President
Timothy M. Rudge	Assistant Vice President
J. Chad Stoltzfus	Assistant Vice President

Corporate Cash Management

Name	Title
Dennis E. Cultice	Senior Vice President
Julie W. Whitehead	Vice President
Abbe S. Muta	Cash Management Officer

Financial

Name	Title
Teresa A. Bartman	Vice President and Controller
James J. Nowak	Vice President and Treasurer
Brian M. Lamb	Assistant Vice President

Marketing, Human Resources and Facilities

Name	Title
Jill DeBatty	Vice President
Allyn P. Decker	Vice President
Cathy L. Teghtmeyer	Vice President
John W. Gove	Assistant Vice President
Paul S. Purvis	Assistant Vice President
Aimee C. Morgan	Human Resource Officer

Operations

Name	Title
Frank A. Soltis	Senior Vice President
Vicki D. Martin	Vice President
Angela K. Ritchey	Vice President
Lisa M. Bicknese	Assistant Vice President
Jean A. Ciriello	Assistant Vice President
Kirk B. Davis	Assistant Vice President
Joanie L. Foreman	Assistant Vice President
Lisa A. Fulton	Assistant Vice President
Ruth A. Hutcherson	Assistant Vice President
Linda A. Owens	Assistant Vice President
Lorretta J. Burnworth	Operations Officer
Janice J. Cox	Operations Officer
William L. Hilliard	Operations Officer
Scot A. Karbach	Operations Officer
Jan R. Martin	Operations Officer
Linda L. Swoverland	Operations Officer

Retail Services

Name	Title
Kevin L. Deardorff	Senior Vice President
Dale L. Cramer	Vice President
Thomas P. Frantz	Vice President
James D. Tague	Vice President
Janet K. Anderson	Assistant Vice President
Barry A. Bailey	Assistant Vice President
Dennis E. Dolby	Assistant Vice President
Craig A. Haecker	Assistant Vice President
T. Larry Mitchell	Assistant Vice President
Jenifer L. Rafferty	Assistant Vice President
Sue L. Sands	Assistant Vice President
W. Randy Yoder	Assistant Vice President
Glenn A. Goudey	Senior Mortgage Underwriter
Lisa A. Stookey	Merchant Services Officer
Carolyn A. Crabb	Mortgage Banking Officer
Aaron M. Stroup	Mortgage Banking Officer
Rafael M. Villalon	Mortgage Banking Officer
W. John Pritz	Retail Banking Officer
Melanie R. Shipley	Retail Banking Officer

Trust & Investments

Name	Title
William C. Coleman	Vice President
Patricia L. Culp	Vice President
Keith E. Davis	Vice President
Jeanine D. Knowles	Vice President
Dennis A. Reeve	Vice President
Judith R. Simcox	Vice President
Alan S. Duff	Assistant Vice President
Larry L. Poyser	Assistant Vice President
Kevin M. Reed	Assistant Vice President
Debra L. Rich	Assistant Vice President
Sarah A. Richardson	Assistant Vice President
Peggy L. Terhaar	Assistant Vice President
Marjorie E. Kurtz	Trust Administrator

LAKE CITY BANK OFFICERS (continued)

Office Administration

Jane E. Miller	Vice President
Jeri L. Yoder	Vice President
Jeannine P. Cooley	Assistant Vice President
Karin A. Steffensmeier	Retail Banking Officer

Offices

Akron	L. Jane Murphy	Assistant Vice President
Argos	Stanley G. Reinholt	Assistant Vice President
Bremen	Matthew K. Bixel	Vice President
Columbia City	Donald L. Sexton	Vice President
Concord	Steve Colagrossi	Assistant Vice President
Cromwell	Jana L. Miller	Office Manager
Elkhart Beardsley	Rosalie M. Smith	Vice President
Elkhart East	Kathleen M. Dougherty	Office Manager
Elkhart Hubbard Hill	Samuel M. Bouie	Office Manager
Elkhart Northwest	Don A. Brincefeild	Vice President
Fort Wayne North	Bruce A. Wright	Vice President
Fort Wayne South	Robert J. Savage	Vice President
Goshen Downtown	Jane M. Greene	Assistant Vice President
Goshen South	Clarence J. "CJ" Yoder	Vice President
Granger	Daniel E. Hunt	Office Manager
Greentown	Donna L. Graham	Assistant Vice President
Huntington	Joseph E. Blomeke	Vice President
Kendallville East	L. Duane Smith	Vice President
	Mark R. Rensner	Assistant Office Manager
LaGrange	Cathy I. Hefty	Assistant Vice President
Ligonier Downtown	Gaylord A. West	Vice President
	Lori I. Cunningham	Assistant Office Manager
Ligonier South	Craig R. Atz	Vice President
	Nanceen P. Briggs	Office Manager
Logansport	J. Bradley Glasson	Assistant Vice President
Medaryville	Elaine C. Parish	Assistant Vice President
Mentone	Karen A. Francis	Assistant Vice President
Middlebury	Shannon D. Schrock	Office Manager
Milford	Timothy L. Sutton	Office Manager
Mishawaka	Robert J. DeCola	Vice President
Nappanee	Jeffery W. Krusenklaus	Office Manager
North Webster	Jeanne G. Bowen	Vice President
Peru	Linda L. Rodgers	Assistant Vice President
Pierceton	Lisa L. Hockemeyer	Assistant Vice President
Plymouth	Michael D. Burroughs	Vice President
	Carol D. Brown	Assistant Office Manager
Roann	Merrill A. Templin	Assistant Vice President
Rochester	Phyllis M. Biddinger	Office Manager
Shipshewana	Michele D. Grimm	Office Manager
	Sarah Miller-Bontrager	Assistant Office Manager
Silver Lake	Deborah A. Lotz	Assistant Vice President
Syracuse	Amanda Russell	Office Manager
Wabash North	Merrill A. Templin	Assistant Vice President
Warsaw Downtown	Rosemary K. Baumgardner	Office Manager
Warsaw East	Pamela F. Messmore	Assistant Vice President
Warsaw West	Linda M. Riley	Office Manager
Winona Lake	Allan L. Disbro	Vice President
Winona Lake East	Lana M. Shepherd	Assistant Office Manager

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This schedule contains financial information extracted from the 12/31/99 Form 10-K and is qualified in its entirety by reference to such financial statements.

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12-MOS
DEC-31-1999
JAN-01-1999
DEC-31-1999
59,321
593
3,190
0
271,421
0
0
654,760
6,522
1,039,843
748,243
195,374
6,295
35,737
0
0
1,453
52,741
1,039,843
51,784
17,336
275
69,395
27,153
37,093
32,302
1,310
1,340
30,541
12,404
8,319
0
0
8,319
1.43
1.43
3.61
329
171
1,179
0
5,510
435
137
6,522
6,522
0
0