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

FORM 10-Q

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

For the quarterly period ended June 30, 2004

OR

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

For the transition period from ____________ to _____________

Commission File Number 0-11487

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

INDIANA	35-1559596
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

202 East Center Street	
P.O. Box 1387, Warsaw, Indiana	46581-1387
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (574)267-6144

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
YES [x] NO [ ]

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

Class	Outstanding at July 31, 2004
Common Stock, No Par Value	5,839,677

LAKELAND FINANCIAL CORPORATION

Form 10-Q Quarterly Report

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PART II.

Part 1
LAKELAND FINANCIAL CORPORATION
ITEM 1 - FINANCIAL STATEMENTS

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
As of June 30, 2004 and December 31, 2003
(in thousands)

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	June 30, 2004 (Unaudited)	December 31, 2003
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 60,849	$ 52,297
Short-term investments	6,095	5,144
Total cash and cash equivalents	66,944	57,441
Securities available-for-sale:		
U. S. Treasury and government agency securities	21,443	17,280
Mortgage-backed securities	204,681	211,142
State and municipal securities	51,763	52,945
Total securities available-for-sale (carried at fair value)	277,887	281,367
Real estate mortgages held-for-sale	5,866	3,431
Loans:		
Total loans	929,565	870,882
Less: Allowance for loan losses	10,643	10,234
Net loans	918,922	860,648
Land, premises and equipment, net	25,790	26,157
Accrued income receivable	4,977	5,010
Goodwill	4,970	4,970
Other intangible assets	1,353	1,460
Other assets	31,391	30,930
Total assets	$ 1,338,100	$ 1,271,414

(Continued)

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
As of June 30, 2004 and December 31, 2003
(in thousands except for share and per share data)

	June 30, 2004 (Unaudited)	December 31, 2003
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest bearing deposits	$ 210,437	$ 185,734
Interest bearing deposits	811,898	740,657
Total deposits	1,022,335	926,391
Short-term borrowings:		
Federal funds purchased	12,000	24,000
Securities sold under agreements to repurchase	90,007	102,601
U.S. Treasury demand notes	1,662	3,160
Other borrowings	70,000	55,000
Total short-term borrowings	173,669	184,761
Accrued expenses payable	6,674	7,804
Other liabilities	1,518	1,461
Long-term borrowings	10,046	30,047
Subordinated debentures	30,928	30,928
Total liabilities	1,245,170	1,181,392
STOCKHOLDERS' EQUITY		
Common stock: No par value, 90,000,000 shares authorized, 5,873,244 shares issued and 5,841,021 outstanding as of June 30, 2004, and 5,834,744 shares issued and 5,788,263 outstanding at December 31, 2003	1,453	1,453
Additional paid-in capital	11,304	10,509
Retained earnings	84,647	80,260
Accumulated other comprehensive loss	(3,803)	(1,282)
Treasury stock, at cost	(671)	(918)
Total stockholders' equity	92,930	90,022
Total liabilities and stockholders' equity	$ 1,338,100	$ 1,271,414

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

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months and Six Months Ended June 30, 2004 and 2003
(in thousands except for share and per share data)

(Unaudited)

(Page 1 of 2)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
INTEREST AND DIVIDEND INCOME				
Interest and fees on loans: Taxable	$ 11,587	$ 12,077	$ 22,903	$ 23,910
Tax exempt	71	66	139	129
Total loan income	11,658	12,143	23,042	24,039
Short-term investments	21	58	49	85
Securities:				
U.S. Treasury and government agency securities	186	145	343	315
Mortgage-backed securities	1,682	2,694	3,704	5,626
State and municipal securities	588	497	1,172	925
Total interest and dividend income	14,135	15,537	28,310	30,990
INTEREST EXPENSE				
Interest on deposits	3,101	3,702	6,132	7,488
Interest on short-term borrowings	352	313	698	653
Interest on long-term debt	404	779	994	1,555
Total interest expense	3,857	4,794	7,824	9,696
NET INTEREST INCOME	10,278	10,743	20,486	21,294
Provision for loan losses	246	717	498	1,384
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	10,032	10,026	19,988	19,910
NONINTEREST INCOME				
Trust and brokerage fees	780	565	1,519	1,175
Service charges on deposit accounts	1,697	1,736	3,354	3,400
Credit card fee income	581	466	1,081	826
Other income (net)	1,115	979	2,059	1,652
Net gains on sale of real estate mortgages held for sale	(27)	1,193	293	2,272
Total noninterest income	4,146	4,939	8,306	9,325
NONINTEREST EXPENSE				
Salaries and employee benefits	4,859	5,008	9,784	9,713
Occupancy and equipment expense	1,114	1,218	2,131	2,580
Data processing expense	650	690	1,245	1,273
Credit card interchange	343	247	633	443
Other expense	2,229	2,104	4,310	4,229
Total noninterest expense	9,195	9,267	18,103	18,238

(Continued)

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months and Six Months Ended June 30, 2004 and 2003
(in thousands except for share and per share data)

(Unaudited)

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
INCOME BEFORE INCOME TAX EXPENSE	4,983	5,698	10,191	10,997
Income tax expense	1,639	1,949	3,345	3,733
NET INCOME	$ 3,344	$ 3,749	$ 6,846	$ 7,264
Other comprehensive loss, net of tax:				
Unrealized loss on available-for-sale securities	(3,972)	(1,240)	(2,521)	(2,564)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ (628)	$ 2,509	$ 4,325	$ 4,700
AVERAGE COMMON SHARES OUTSTANDING FOR BASIC EPS	5,859,474	5,819,448	5,851,210	5,815,386
BASIC EARNINGS PER COMMON SHARE	$ 0.57	$ 0.65	$ 1.17	$ 1.25
AVERAGE COMMON SHARES OUTSTANDING FOR DILUTED EPS	6,048,256	5,977,598	6,050,297	5,960,399
DILUTED EARNINGS PER SHARE	$ 0.55	$ 0.63	$ 1.13	$ 1.22

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

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2004 and 2003
(in thousands)

(Unaudited)

(Page 1 of 2)

	2004	2003
Cash flows from operating activities:		
Net income	$ 6,846	$ 7,264
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	960	1,118
Provision for loan losses	498	1,384
Amortization of intangible assets	107	88
Amortization of mortgage servicing rights	251	414
Impairment (recovery) of mortgage servicing rights	(71)	169
Loans originated for sale	(36,565)	(84,959)
Net gain on sale of loans	(293)	(2,272)
Proceeds from sale of loans	34,147	85,857
Net loss on sale of premises and equipment	49	1
Net securities amortization	1,899	709
Stock compensation expense	33	0
Earnings on life insurance	(312)	(340)
Net change:		
Income receivable	33	56
Accrued expenses payable	(1,163)	(466)
Other assets	1,829	(367)
Other liabilities	57	(545)
Total adjustments	1,459	847
Net cash from operating activities	8,305	8,111
Cash flows from investing activities:		
Proceeds from maturities, sales and calls of securities available-for-sale	35,587	68,833
Purchases of securities available-for-sale	(38,069)	(70,782)
Purchase of life insurance	(104)	0
Net increase in total loans	(58,779)	(19,339)
Proceeds from sales of land, premises and equipment	49	0
Purchase of land, premises and equipment	(691)	(2,636)
Net cash from investing activities	(62,007)	(23,924)

(Continued)

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2004 and 2003
(in thousands)

(Unaudited)

	2004	2003
Cash flows from financing activities:		
Net increase in total deposits	$ 95,944	$ 52,919
Net decrease in short-term borrowings	(11,092)	(57,384)
Payments on long-term borrowings	(20,001)	(1,301)
Dividends paid	(2,338)	(2,094)
Proceeds from stock options exercise	780	81
(Purchase) sale of treasury stock	(88)	39
Net cash from financing activities	63,205	(7,740)
Net increase (decrease) in cash and cash equivalents	9,503	(23,553)
Cash and cash equivalents at beginning of the period	57,441	87,149
Cash and cash equivalents at end of the period	$ 66,944	$ 63,596
Cash paid during the period for:		
Interest	$ 7,111	$ 9,642
Income taxes	$ 2,740	$ 4,277
Loans transferred to other real estate	$ 7	$ 1,530

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

(Unaudited)

NOTE 1. BASIS OF PRESENTATION

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

The unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with instructions for Form 10-Q. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (all of which are normal and recurring in nature) considered necessary for a fair presentation have been included. Operating results for the three-month and six-month periods ending June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. The 2003 Lakeland Financial Corporation Annual Report on Form 10-K should be read in conjunction with these statements.

NOTE 2. RECENT REGULATORY DEVELOPMENTS

Trust Preferred Securities. On May 6, 2004, the Board of Governors of the Federal Reserve System (the "Board") issued a Notice of Proposed Rulemaking in which it proposed to allow the continued inclusion of trust preferred securities in the tier 1 capital of bank holding companies, subject to stricter standards. The Board is proposing to limit the aggregate amount of a bank holding company's cumulative perpetual preferred stock, trust preferred securities and other minority interests to 25% of the company's core capital elements, net of goodwill. Current regulations do not require the deduction of goodwill. The proposal also provides that amounts of qualifying trust preferred securities and certain minority interests in excess of the 25% limit may be included in tier 2 capital but would be limited, together with subordinated debt and limited-life preferred stock, to 50% of tier 1 capital. The proposal provides a three-year transition period for bank holding companies to meet these quantitative limitations. At this time, it is not possible to predict the impact that this proposal would have on the Company.

Bank Sales of Securities. On June 17, 2004, the Securities and Exchange Commission (the "SEC") issued a Proposed Rule in which it described the parameters under which banks may sell securities to their customers without having to register as broker-dealers with the SEC in accordance with Title II of the Gramm-Leach-Bliley Act of 1999. The proposal, which is designated as Regulation B, clarifies, among other things: (i) the limitations on the amount that unregistered bank employees may be compensated for making referrals in connection with a third-party brokerage arrangement; (ii) the manner by which banks may be compensated for effecting securities transactions for its customers in a fiduciary capacity; and (iii) the extent to which banks may engage in certain securities transactions as a custodian. At this time, it is not possible to predict the impact that this proposal would have on the Company and its subsidiaries.

NOTE 3. EARNINGS PER SHARE

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

Employee compensation expense under stock options is reported using the intrinsic value method. No stock-based compensation cost is reflected in net income at the time of grant, as all options granted had an exercise price equal to or greater than the market price of the underlying common stock at date of grant. No additional options were granted in the first six months of 2004. Had compensation cost for stock options been recorded in the financial statements, net income and earnings per share would have been the pro forma amounts indicated below. The pro forma effect may increase in the future if more options are granted.

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Net income (in thousands) as reported	$ 6,846	$ 7,264
Deduct: stock-based compensation expense determined under fair value based method	291	270
Pro forma net income	$ 6,555	$ 6,994
Basic earnings per common share as reported	$ 1.17	$ 1.25
Pro forma basic earnings per share	$ 1.12	$ 1.20
Diluted earnings per share as reported	$ 1.13	$ 1.22
Pro forma diluted earnings per share	$ 1.08	$ 1.17

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003
Net income (in thousands) as reported	$ 3,344	$ 3,749
Deduct: stock-based compensation expense determined under fair value based method	185	152
Pro forma net income	$ 3,159	$ 3,597
Basic earnings per common share as reported	$ 0.57	$ 0.64
Pro forma basic earnings per share	$ 0.54	$ 0.62
Diluted earnings per share as reported	$ 0.55	$ 0.63
Pro forma diluted earnings per share	$ 0.52	$ 0.60

The common shares outstanding for the stockholders' equity section of the consolidated balance sheet at June 30, 2004 reflects the acquisition of 32,223 shares of Company common stock to offset a liability for a directors' deferred compensation plan. These shares are treated as outstanding when computing the weighted-average common shares outstanding for the calculation of both basic and diluted earnings per share.

NOTE 4. LOANS

	June 30, 2004	December 31, 2003
	(in thousands)	
Commercial and industrial loans	$ 642,812	$ 593,194
Agri-business and agricultural loans	84,496	82,262
Real estate mortgage loans	39,257	40,118
Real estate construction loans	5,466	3,932
Installment loans and credit cards	157,534	151,376
Total loans	$ 929,565	$ 870,882
Impaired loans	$ 4,056	$ 3,039
Non-performing loans	$ 4,430	$ 3,744

NOTE 5. EMPLOYEE BENEFIT PLANS

Components of Net Periodic Benefit Cost

	Six Months Ended June 30			
	Pension Benefits		SERP Benefits	
	2004	2003	2004	2003
Service cost	$ 0	$ 0	$ 0	$ 0
Interest cost	74	78	42	45
Expected return on plan assets	(62)	(71)	(50)	(47)
Recognized net actuarial loss	19	14	18	15
Net pension expense	$ 31	$ 21	$ 10	$ 13

	Three Months Ended June 30			
	Pension Benefits		SERP Benefits	
	2004	2003	2004	2003
Service cost	$ 0	$ 0	$ 0	$ 0
Interest cost	37	39	22	22
Expected return on plan assets	(31)	(36)	(25)	(23)
Recognized net actuarial loss	9	7	9	8
Net pension expense	$ 15	$ 10	$ 6	$ 7

The Company previously disclosed in its financial statements for the year ended December 31, 2003, that it expected to contribute $299,000 to its pension plan and $119,000 to its SERP plan in 2004. As of June 30, 2004, $119,000 had been contributed to the SERP plan and $47,000 to the pension plan. The Company presently anticipates contributing an additional $237,000 to its pension plan in 2004, for a total of $284,000.

NOTE 6. RECLASSIFICATIONS

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

Part 1
LAKELAND FINANCIAL CORPORATION
ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
and
RESULTS OF OPERATION

June 30, 2004

OVERVIEW

Lakeland Financial Corporation is the holding company for Lake City Bank. The Company is headquartered in Warsaw, Indiana and operates 43 offices in 12 counties in northern Indiana. The Company earned $6.8 million for the first six months of 2004, versus $7.3 million in the same period of 2003, a decrease of 5.8%. Earnings were negatively impacted by a $1.0 million decrease in noninterest income and an $808,000 decrease in net interest income. Offsetting these negative impacts were decreases of $886,000 in the provision for loan losses and $135,000 in noninterest expense. Basic earnings per share for the first six months of 2004 were $1.17 per share versus $1.25 per share for the first six months of 2003. Diluted earnings per share reflect the potential dilutive impact of stock options granted under the stock option plan. Diluted earnings per share for the first six months of 2004 were $1.13 per share, versus $1.22 per share for the first six months of 2003.

Net income for the second quarter of 2004 was $3.3 million, a decrease of 10.8% versus $3.7 million for the comparable period of 2003. Basic earnings per share for the second quarter of 2004 were $0.57 per share, versus $0.65 per share for the second quarter of 2003. Diluted earnings per share for the second quarter of 2004 were $0.55 per share, versus $0.63 per share for the second quarter of 2003.

RESULTS OF OPERATIONS

Net Interest Income

For the six-month period ended June 30, 2004, net interest income totaled $20.5 million, a decrease of 3.8%, or $808,000 versus the first six months of 2003. For the three-month period ended June 30, 2004, net interest income totaled $10.3 million, a decrease of 4.3%, or $465,000 over the same period of 2003. Net interest income decreased in both the six-month and three-month periods of 2004 versus the comparable periods of 2003, primarily due to declines in the net interest margin. For the six-month period ended June 30, 2004, the net interest margin declined 36 basis points to 3.56%, versus the comparable period of 2003. For the three-month period ended June 30, 2004, the net interest margin declined 37 basis points to 3.52%, versus the comparable period of 2003. For the six-month period ended June 30, 2004, average earning assets increased by $69.6 million, or 6.2%, to $1.195 billion, and average noninterest bearing demand deposits increased by $33.4 million, or 20.3%, to $197.6 million, versus the same period in 2003. For the three-month period ended June 30, 2004, average earning assets increased by $76.0 million, or 6.7%, to $1.213 billion, and average noninterest bearing demand deposits increased by $37.1 million, or 21.7%, to $208.2 million.

Given the Company's mix of interest earning assets and interest bearing liabilities at June 30, 2004, the net interest margin could be expected to increase in a rising rate environment. Management expects the net interest margin to improve during the second half of 2004, as the effects of the recent rate increase by the Federal Reserve Bank are felt.

During the first six months of 2004, total interest and dividend income decreased by $2.7 million, or 8.7% to $28.3 million, versus $31.0 million during the same six months of 2003. During the second quarter of 2004, interest and dividend income decreased $1.4 million, or 9.0%, to $14.1 million, versus $15.5 million during the same quarter of 2003. The tax equivalent yield on average earning assets decreased by 68 basis points to 4.9% for the six-month period ended June 30, 2004 versus the same period of 2003. For the three-month period ended June 30, 2004, the yield decreased 67 basis points to 4.8% from the yield for the three-month period ended June 30, 2003.

The average daily loan balances for the first six months of 2004 increased 7.9% to $904.3 million, over the average daily loan balances of $838.1 million for the same period of 2003. During the same period, loan interest income declined by $997,000, or 4.2%, to $23.0 million. The decrease was the result of a 53 basis point decrease in the tax equivalent yield on loans to 5.1% from 5.7% in the first six months of 2003. The average daily loan balances for the second quarter of 2004 increased $78.3 million, or 9.3%, to $924.8 million, versus $846.5 million for the same period of 2003. During the same period, loan interest income declined by $485,000, or 4.0%, to $11.7 million versus $12.1 million during the second quarter of 2003. The decrease was the result of a 52 basis point decrease in the tax equivalent yield on loans, to 5.1%, versus 5.6% in the second quarter of 2003.

The average daily securities balances for the first six months of 2004 increased $8.5 million, or 3.1%, to $281.1 million, versus $272.6 million for the same period of 2003. During the same periods, income from securities declined by $1.6 million, or 28.1%, to $5.2 million versus $6.9 million during the first six months of 2003. The decrease was primarily the result of a 126 basis point decline in the tax equivalent yields on securities, to 4.2% versus 5.4% in the first six months of 2003. The average daily securities balances for the second quarter of 2004 increased $10.2 million, or 3.8%, to $280.2 million, versus $269.9 million for the same period of 2003. During the same periods, income from securities declined by $880,000, or 26.4%, to $2.5 million versus $3.3 million during the second quarter of 2003. The decrease was primarily the result of a 138 basis point decrease in the tax equivalent yield on securities, to 4.0%, versus 5.3% in the second quarter of 2003.

Total interest expense decreased $1.9 million, or 19.3%, to $7.8 million for the six-month period ended June 30, 2004, from $9.7 million for the comparable period in 2003. The decrease was primarily the result of a 42 basis point decrease in the Company's daily cost of funds to 1.31%, versus 1.73% for the same period of 2003. Total interest expense decreased $937,000, or 19.6%, to $3.9 million for the three-month period ended June 30, 2004, from $4.8 million for the comparable period in 2003. The decrease was primarily the result of a 41 basis point decrease in the Company's daily cost of funds to 1.28%, versus 1.69% for the same period of 2003. On an average daily basis, total deposits (including demand deposits) increased $41.7 million, or 4.4%, to $992.8 million for the six-month period ended June 30, 2004, versus $951.2 million in the same period in 2003. The average daily deposit balances for the second quarter of 2004 increased $48.9 million, or 5.1%, to $1.017 billion from $968.1 million during the second quarter of 2003. On an average daily basis, noninterest bearing demand deposits increased $33.4 million, or 20.3% and $37.1 million, or 21.7% for the six and three-month periods ended June 30, 2004, versus the same periods in 2003. When comparing the six months ended June 30, 2004 with the same period of 2003, the average daily balance of time deposits, which pay a higher rate of interest compared to demand deposit and transaction accounts, decreased $79.3 million and the rate paid on such accounts declined by 4 basis points versus the same period in 2003. In the second quarter of 2004, the average daily balance of time deposits decreased by $61.6 million and the rate paid on such accounts increased by three basis points versus the same period in 2003. The increase was primarily the result of a time deposit promotion that ran during the first quarter of 2004, as well as the general increase in interest rates. Management believes that it is critical to grow demand deposit accounts in both the dollar volume and total number of accounts. These accounts typically provide the Company with opportunities to expand into ancillary activities for both retail and commercial customers. In addition, they represent low cost deposits. Furthermore, the Company is focused on growing transaction money market accounts which also provide a reasonable cost of funds and generally represent relationship accounts. Average daily balances of borrowings increased $31.9 million, or 18.2%, to $207.4 million for the six months ended June 30, 2004 versus $175.5 million for the same period in 2003, and increased $31.0 million, or 18.1% for the three months ended June 30, 2004. The rate on borrowings decreased 88 basis points and 103 basis points, respectively, when comparing the six and three month periods of 2004 with the same periods of 2003. On an average daily basis, total deposits (including demand deposits) and purchased funds increased 6.5% and 7.0%, respectively, when comparing the six and three month periods ended June 30, 2004 versus the same periods in 2003. The following tables set forth consolidated information regarding average balances and rates.

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

	Six Months Ended June 30,					
	2004			2003		
	Average Balance	Interest Income	Yield (1)	Average Balance	Interest Income	Yield (1)
ASSETS						
Earning assets:						
Loans:						
Taxable (2)(3)	$ 895,679	$ 22,903	5.14 %	$ 831,090	$ 23,910	5.80 %
Tax exempt (1)	8,575	186	4.37	7,019	172	4.93
Investments: (1)						
Available for sale	281,106	5,815	4.16	272,560	7,326	5.42
Short-term investments	6,128	29	0.95	8,620	50	1.17
Interest bearing deposits	3,448	20	1.17	6,005	35	1.18
Total earning assets	1,194,936	28,953	4.87 %	1,125,294	31,493	5.55 %
Nonearning assets:						
Cash and due from banks	49,704	0		44,985	0	
Premises and equipment	25,996	0		25,195	0	
Other nonearning assets	42,760	0		39,235	0	
Less allowance for loan loss losses	(10,435)	0		(9,778)	0	
Total assets	$ 1,302,961	$ 28,953		$ 1,224,931	$ 31,493	

(1) Tax exempt income was converted to a fully taxable equivalent basis at a 35 percent tax rate for 2004 and 2003. 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.

(2) Loan fees, which are immaterial in relation to total taxable loan interest income for the six months ended June 30, 2004 and 2003, are included as taxable loan interest income.

(3) Nonaccrual loans are included in the average balance of taxable loans.

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

	Six Months Ended June 30,					
	2004			2003		
	Average Balance	Interest Expense	Yield	Average Balance	Interest Expense	Yield
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest bearing liabilities:						
Savings deposits	$ 67,611	$ 48	0.14 %	$ 58,751	$ 139	0.48 %
Interest bearing checking accounts	346,980	1,380	0.80	268,308	1,596	1.20
Time deposits:						
In denominations under $100,000	214,077	3,016	2.83	207,152	3,268	3.18
In denominations over $100,000	166,606	1,688	2.04	252,788	2,485	1.98
Miscellaneous short-term borrowings	155,551	698	0.90	123,598	653	1.07
Long-term borrowings	53,297	994	3.75	51,915	1,555	6.04
Total interest bearing liabilities	1,004,122	7,824	1.57 %	962,512	9,696	2.03 %
Noninterest bearing liabilities and stockholders' equity:						
Demand deposits	197,563	0		164,175	0	
Other liabilities	8,150	0		11,565	0	
Stockholders' equity	93,126	0		86,679	0	
Total liabilities and stockholders' equity	$ 1,302,961	$ 7,824		$ 1,224,931	$ 9,696	
Net interest differential - yield on average daily earning assets		$ 21,129	3.56 %		$ 21,797	3.92 %

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

	Three Months Ended June 30,					
	2004			2003		
	Average Balance	Interest Income	Yield (1)	Average Balance	Interest Income	Yield (1)
ASSETS						
Earning assets:						
Loans:						
Taxable (2)(3)	$ 915,879	$ 11,587	5.09 %	$ 839,251	$ 12,077	5.77 %
Tax exempt (1)	8,938	154	4.28	7,228	142	4.86
Investments: (1)						
Available for sale	280,159	2,751	3.95	269,945	3,587	5.33
Short-term investments	4,080	10	0.99	12,271	35	1.14
Interest bearing deposits	3,889	11	1.14	8,256	23	1.12
Total earning assets	1,212,945	14,513	4.79 %	1,136,951	15,864	5.46 %
Nonearning assets:						
Cash and due from banks	51,640	0		46,974	0	
Premises and equipment	25,928	0		25,600	0	
Other nonearning assets	43,011	0		37,966	0	
Less allowance for loan loss losses	(10,509)	0		(9,936)	0	
Total assets	$ 1,323,015	$ 14,513		$ 1,237,555	$ 15,864	

(1) Tax exempt income was converted to a fully taxable equivalent basis at a 35 percent tax rate for 2004 and 2003. 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.

(2) Loan fees, which are immaterial in relation to total taxable loan interest income for the three months ended June 30, 2004 and 2003, are included as taxable loan interest income.

(3) Nonaccrual loans are included in the average balance of taxable loans.

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

	Three Months Ended June 30,					
	2004			2003		
	Average Balance	Interest Expense	Yield	Average Balance	Interest Expense	Yield
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest bearing liabilities:						
Savings deposits	$ 70,268	$ 20	0.11 %	$ 60,759	$ 70	0.46 %
Interest bearing checking accounts	347,633	642	0.74	283,818	839	1.19
Time deposits:						
In denominations under $100,000	222,777	1,576	2.85	205,371	1,584	3.09
In denominations over $100,000	168,048	863	2.07	247,008	1,209	1.96
Miscellaneous short-term borrowings	160,113	352	0.88	119,968	313	1.05
Long-term borrowings	44,176	404	3.68	51,866	779	6.02
Total interest bearing liabilities	1,013,015	3,857	1.53 %	968,790	4,794	1.98 %
Noninterest bearing liabilities and stockholders' equity:						
Demand deposits	208,225	0		171,126	0	
Other liabilities	7,967	0		10,070	0	
Stockholders' equity	93,808	0		87,569	0	
Total liabilities and stockholders' equity	$ 1,323,015	$ 3,857		$ 1,237,555	$ 4,794	
Net interest differential - yield on average daily earning assets		$ 10,656	3.52 %		$ 11,070	3.89 %

Provision for Loan Losses

Based on management's review of the adequacy of the allowance for loan losses, provisions for losses on loans of $498,000 and $246,000 were recorded during the six-month and three-month periods ended June 30, 2004, versus provisions of $1.4 million and $717,000 recorded during the same periods of 2003. The decrease in the provision for loan losses for the periods ended June 30, 2004 reflected a number of factors, including the level of charge-offs, management's overall view on current credit quality, the amount and status of impaired loans and the amount and status of past due accruing loans (90 days or more), as discussed in more detail below in the analysis relating to the Company's financial condition.

Noninterest Income

Noninterest income categories for the six and three-month periods ended June 30, 2004 and 2003 are shown in the following table:

	Six Months Ended June 30,		
	2004	2003	Percent Change
	(in thousands)		
Trust and brokerage fees	$ 1,519	$ 1,175	29.3 %
Service charges on deposits	3,354	3,400	(1.4)
Credit card fee income	1,081	826	30.9
Other income (net)	2,059	1,652	24.6
Net gains on the sale of real estate mortgages held-for-sale	293	2,272	(87.1)
Total noninterest income	$ 8,306	$ 9,325	(10.9)%

	Three Months Ended June 30,		
	2004	2003	Percent Change
	(in thousands)		
Trust and brokerage fees	$ 780	$ 565	38.1 %
Service charges on deposits	1,697	1,736	(2.3)
Credit card fee income	581	466	24.7
Other income (net)	1,115	979	13.9
Net gains (losses) on the sale of real estate mortgages held for sale	(27)	1,193	(102.3)
Total noninterest income	$ 4,146	$ 4,939	(16.1)%

Trust fees increased $287,000 and $136,000, respectively, in the six-month and three-month periods ended June 30, 2004 versus the same periods in 2003. The increases in 2004 were primarily in living trust, agency, IRA and employee benefit plan fees, and were derived principally from the Company's December 1, 2003 acquisition of Indiana Capital Management. Brokerage fees increased $57,000 and $79,000 respectively, in the six-month and three-month periods ended June 30, 2004 versus the same periods in 2003.

Credit card fee income increased by $255,000 and $115,000, respectively, in the six-month and three-month periods ended June 30, 2004 versus the same periods in 2003. The increases were driven by higher volume activity in interchange and merchant fee income.

Other income consists of normal recurring fee income such as mortgage service fees, insurance income and fees, valuation of mortgage servicing rights and safe deposit box rent, as well as other income that management classifies as non-recurring. Other income increased $407,000 and $136,000, respectively, in the six-month and three-month periods ended June 30, 2004 versus the same period of 2003. The primary drivers behind the increase in the six-month period were a reduction of $240,000 in the non-cash impairment of the Bank's mortgage servicing rights portfolio, and a $242,000 increase in operating lease income. The primary drivers behind the increase in the three-month period were a reduction of $258,000 in the non-cash impairment of the Bank's mortgage servicing rights portfolio, and a $76,000 increase in operating lease income.

The decrease in profits from the sale of mortgages reflected both the timing of mortgage sales into the secondary market as well as a decrease in the volume of mortgages sold during both the six-month and three-month periods ended June 30, 2004 versus the same periods in 2003. During the first six months of 2004, the Company sold $34.1 million in mortgages versus $84.1 million in the comparable period of 2003. During the second quarter of 2004, the Company sold $20.8 million in mortgages versus $43.2 million in the second quarter of 2003. The decreases in volume in 2004 were primarily the result of rising mortgage rates during the second half of 2003 and the second quarter of 2004, which has resulted in decreased mortgage refinance activity and decreased demand for home mortgages during 2004. Management does not expect that the high level of mortgage sales gains experienced during 2003 will be repeated during 2004.

Noninterest Expense

Noninterest expense categories for the six and three-month periods ended June 30, 2004, and 2003 are shown in the following table:

	Six Months Ended June 30,		
	2004	2003	Percent Change
	(in thousands)		
Salaries and employee benefits	$ 9,784	$ 9,713	0.7 %
Occupancy and equipment expense	2,131	2,580	(17.4)
Data processing expense	1,245	1,273	(2.2)
Credit card interchange	633	443	42.9
Other expense	4,310	4,229	1.9
Total noninterest expense	$ 18,103	$ 18,238	(0.7)%

	Three Months Ended June 30,		
	2004	2003	Percent Change
	(in thousands)		
Salaries and employee benefits	$ 4,859	$ 5,008	(3.0)%
Occupancy and equipment expense	1,114	1,218	(8.5)
Data processing expense	650	690	(5.8)
Credit card interchange	343	247	38.9
Other expense	2,229	2,104	5.9
Total noninterest expense	$ 9,195	$ 9,267	(0.8)%

The slight increase in salaries and employee benefits in the first six months of 2004 was primarily due to higher health care costs. Total employees remained stable with 477 at June 30, 2004, compared to 471 at June 30, 2003.

The decrease in occupancy and equipment expense reflected lower property taxes, as well as lower depreciation expense due to the fact that much of the equipment purchased for significant technology upgrades in 1998 and 1999 and to ensure no interruption from Year 2000 issues, is now fully depreciated.

Credit card interchange fees increased during the six-month and three-month periods ended June 30, 2004, due to an increase in processing costs charged by VISA and increased credit card usage by Bank customers during those periods versus the same periods of 2003.

Other expense includes corporate and business development, data processing fees, telecommunications, postage, and professional fees such as legal, accounting, and directors' fees. Other expense increased slightly in the six-month and three-month periods ended June 30, 2004 versus the comparable periods in 2003 primarily due to increases in corporate and business development expense related to advertising.

Income Tax Expense

Income tax expense decreased $388,000, or 10.4%, for the first six months of 2004, compared to the same period in 2003. Income tax expense for the second quarter of 2004 decreased $310,000, or 15.9%, compared to the same period of 2003. The combined state franchise tax expense and the federal income tax expense as a percentage of income before income tax expense decreased to 32.8% during the first six months of 2004 compared to 33.9% during the same period in 2003. It decreased to 32.9% for the second quarter of 2004, versus 34.2% for the second quarter of 2003. The decreases were the result of a higher percentage of income being derived from tax-exempt securities and loans during the six-month and three-month periods ended June 30, 2004, versus the comparable periods in 2003.

FINANCIAL CONDITION

Certain of the Company's accounting policies are important to the portrayal of the Company's financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Some of the facts and circumstances which could affect these judgments include changes in interest rates, in the performance of the economy or in the financial condition of borrowers. Management believes that its critical accounting policies include determining the allowance for loan losses, determining the fair value of securities and other financial instruments and the valuation of mortgage servicing rights. The Company's critical accounting policies are discussed in detail in the Annual Report for the year ended December 31, 2003 (incorporated by reference as part of the Company's 10-K filing).

Total assets of the Company were $1.338 billion as of June 30, 2004, an increase of $66.7 million, or 5.2%, when compared to $1.271 billion as of December 31, 2003.

Total cash and cash equivalents increased by $9.5 million, or 16.5%, to $66.9 million at June 30, 2004 from $57.4 million at December 31, 2003.

Total securities available-for-sale decreased by $3.5 million, or 1.2%, to $277.9 million at June 30, 2004 from $281.4 million at December 31, 2003. The decrease was a result of a number of transactions in the securities portfolio. Paydowns totaling $34.7 million were received, and the amortization of premiums, net of the accretion of discounts totaled $1.9 million. Maturities and calls of securities totaled $873,000. Additionally, the fair market value of the securities portfolio declined by $4.1 million. The market value decrease was driven by the rising interest rate environment during the second quarter of 2004. These decreases were offset by securities purchases totaling $38.1 million. The investment portfolio is managed to limit the Company's exposure to risk by containing mostly CMO's and other securities which are either directly or indirectly backed by the federal government or a local municipal government.

Real estate mortgages held-for-sale increased by $2.4 million, or 71.0%, to $5.9 million at June 30, 2004 from $3.4 million at December 31, 2003. The balance of this asset category is subject to a high degree of variability depending on, among other things, recent mortgage loan rates and the timing of loan sales into the secondary market. During the six months ended June 30, 2004, $36.6 million in real estate mortgages were originated for sale and $34.1 million in mortgages were sold.

Total loans, excluding real estate mortgages held-for-sale, increased by $58.7 million, or 6.7%, to $929.6 million at June 30, 2004 from $870.9 million at December 31, 2003. The mix of loan types within the Company's portfolio was unchanged, reflecting 78% commercial, 5% real estate and 17% consumer loans at both June 30, 2004 and December 31, 2003.

The Company has a relatively high percentage of commercial and commercial real estate loans, most of which are extended to small or medium-sized businesses. Commercial loans represent higher dollar loans to fewer customers and therefore higher credit risk. Pricing is adjusted to manage the higher credit risk associated with these types of loans. The majority of fixed rate mortgage loans, which represent increased interest rate risk, are sold in the secondary market, as well as some variable rate mortgage loans. The remainder of the variable rate mortgage loans and a small number of fixed rate mortgage loans are retained. Management believes the allowance for loan losses is at a level commensurate with the overall risk exposure of the loan portfolio.

However, as a result of the slow economic recovery, certain borrowers may experience difficulty and the level of non-performing loans, charge-offs, and delinquencies could rise and require further increases in the provision for loan losses.

Loans are charged against the allowance for loan losses when management believes that the uncollectibility of the principal is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance is an amount that management believes will be adequate to absorb probable incurred credit losses relating to specifically identified loans based on an evaluation as well as other probable incurred losses inherent in the loan portfolio. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrower's ability to repay. Management also considers trends in adversely classified loans based upon a monthly review of those credits. An appropriate level of general allowance is determined based on the application of loss percentages to graded loans by categories. Federal regulations require insured institutions to classify their own assets on a regular basis. The regulations provide for three categories of classified loans - substandard, doubtful and loss. The regulations also contain a special mention category. Special mention is defined as loans that do not currently expose an insured institution to a sufficient degree of risk to warrant classification but do possess credit deficiencies or potential weaknesses deserving management's close attention. Assets classified as substandard or doubtful require the institution to establish general allowances for loan losses. If an asset or portion thereof is classified as loss, the insured institution must either establish specified allowances for loan losses in the amount of 100% of the portion of the asset classified loss, or charge off such amount. At June 30, 2004, on the basis of management's review of the loan portfolio, the Company had $30.2 million of assets classified special mention, $24.7 million classified as substandard, $1.5 million classified as doubtful and $0 classified as loss as compared to $41.9 million, $27.7 million, $869,000 and $0 at December 31, 2003.

Allowance estimates are developed by management in consultation with regulatory authorities, taking into account actual loss experience, and are adjusted for current economic conditions. Allowance estimates are considered a prudent measurement of the risk in the Company's loan portfolio and are applied to individual loans based on loan type. In accordance with FASB Statements 5 and 114, the allowance is provided for losses that have been incurred as of the balance sheet date and is based on past events and current economic conditions, and does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. The following table summarizes the loan loss reserve and nonperforming assets at June 30, 2004 and June 30, 2003.

	June 30, 2004	June 30, 2003
	(in thousands)	
ALLOWANCE FOR LOAN LOSSES:		
Beginning balance, January 1	$ 10,234	$ 9,533
Provision for loan losses, year-to-date	498	1,384
Loans charged-off, year-to-date	(293)	(1,211)
Recoveries, year-to-date	204	80
Ending balance	$ 10,643	$ 9,786
NONPERFORMING ASSETS:		
Nonaccrual loans	$ 1,575	$ 3,548
Loans past due over 90 days and accruing	2,855	3,085
Other real estate	277	1,530
Repossessions	30	26
Total nonperforming assets	$ 4,737	$ 8,189

Total impaired loans increased by $1.1 million to $4.1 million at June 30, 2004 from $3.0 million at December 31, 2003. The increase in the impaired loans category resulted primarily from the addition of two commercial credits and one mortgage loan to the impaired category. The impaired loan total included $1.3 million in nonaccrual loans. A loan is impaired when full payment under the original 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 may be 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.

Total deposits increased by $95.9 million, or 10.4%, to $1.022 billion at June 30, 2004 from $926.4 million at December 31, 2003. The increase resulted from increases of $75.1 million in certificates of deposit, $24.7 million in demand deposits, $5.9 million in savings accounts and $317,000 in NOW accounts. Offsetting these increases were declines of $9.7 million in money market accounts and $397,000 in Investors' Money Market accounts.

Total short-term borrowings decreased by $11.1 million, or 6.0%, to $173.7 million at June 30, 2004 from $184.8 million at December 31, 2003. The decrease resulted primarily from declines of $12.6 million in securities sold under agreements to repurchase and $12.0 million in federal funds purchased.

Offsetting these decreases were increases of $15.0 million in other borrowings, primarily short-term advances from the Federal Home Loan Bank of Indianapolis.

Long-term borrowings decreased by $20.0 million, or 66.6%, to $10.0 million at June 30, 2004 from $30.0 million at December 31, 2003. Long-term borrowings are primarily long-term advances from the Federal Home Loan Bank of Indianapolis.

Total stockholders' equity increased by $2.9 million, or 3.2%, to $92.9 million at June 30, 2004 from $90.0 million at December 31, 2003. Net income of $6.8 million, minus the decrease in the accumulated other comprehensive income of $2.5 million, less dividends of $2.4 million, plus $1.1 million for stock issued through options exercised and stock option expense, minus $88,000 for the cost of treasury stock purchased, comprised most of this increase.

The Federal Deposit Insurance Corporation's risk based capital regulations require that all banking organizations maintain an 8.0% total risk based capital ratio. The FDIC has also established definitions of "well capitalized" as a 5.0% Tier I leverage capital ratio, a 6.0% Tier I risk based capital ratio and a 10.0% total risk based capital ratio. All of the Company's ratios continue to be above "well capitalized" levels. As of June 30, 2004, the Company's Tier 1 leverage capital ratio, Tier 1 risk based capital ratio and total risk based capital ratio were 9.1%, 11.6% and 12.6%, respectively.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk represents the Company's primary market risk exposure. The Company does not have a material exposure to foreign currency exchange risk, does not have any material amount of derivative financial instruments and does not maintain a trading portfolio. The board of directors annually reviews and approves the policy used to manage interest rate risk. The policy was last reviewed and approved in May 2004. The policy sets guidelines for balance sheet structure, which are designed to protect the Company from the impact that interest rate changes could have on net income, but does not necessarily indicate the effect on future net interest income. The Company, through its Asset/Liability Committee, manages interest rate risk by monitoring the computer simulated earnings impact of various rate scenarios and general market conditions. The Company then modifies its long-term risk parameters by attempting to generate the type of loans, investments, and deposits that currently fit the Company's needs, as determined by the Asset/Liability Committee. This computer simulation analysis measures the net interest income impact of various interest rate scenario changes during the next 12 months. If the change in net interest income is less than 3% of primary capital, the balance sheet structure is considered to be within acceptable risk levels. At June 30, 2004, the Company's potential pretax exposure was within the Company's policy limit, and not significantly different from December 31, 2003.

ITEM 4 - CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of June 30, 2004. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls.

FORWARD-LOOKING STATEMENTS

This document contains, and future oral and written statements of the Company and its management may contain, forward-looking statements, within the meaning of such term in the Private Securities Litigation Reform Act of 1995, with respect to the financial condition, results of operations, plans, objectives, future performance and business of the Company. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of the Company's management and on information currently available to management, are generally identifiable by the use of words such as "believe," "expect," "anticipate," "plan," "intend," "estimate," "may," "will," "would," "could," "should" or other similar expressions. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and the Company undertakes no obligation to update any statement in light of new information or future events.

The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors, which could have a material adverse effect on the operations and future prospects of the Company and its subsidiaries include, but are not limited to, the following:

o The strength of the United States economy in general and the strength of the local economies in which the Company conducts its operations which may be less favorable than expected and may result in, among other things, a deterioration in the credit quality and value of the Company's assets.

- The economic impact of past and any future terrorist attacks, acts of war or threats thereof and the response of the United States to any such threats and attacks.

- The effects of, and changes in, federal, state and local laws, regulations and policies affecting banking, securities, insurance and monetary and financial matters.

- The effects of changes in interest rates (including the effects of changes in the rate of prepayments of the Company's assets) and the policies of the Board of Governors of the Federal Reserve System.

- The ability of the Company to compete with other financial institutions as effectively as the Company currently intends due to increases in competitive pressures in the financial services sector.

- The inability of the Company to obtain new customers and to retain existing customers.

- The timely development and acceptance of products and services, including products and services offered through alternative delivery channels such as the Internet.

- Technological changes implemented by the Company and by other parties, including third party vendors, which may be more difficult or more expensive than anticipated or which may have unforeseen consequences to the Company and its customers.

- The ability of the Company to develop and maintain secure and reliable electronic systems.

- The ability of the Company to retain key executives and employees and the difficulty that the Company may experience in replacing key executives and employees in an effective manner.

- Consumer spending and saving habits, which may change in a manner that affects the Company's business adversely.

- Business combinations and the integration of acquired businesses, which may be more difficult or expensive than expected.

- The costs, effects and outcomes of existing or future litigation.

- Changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board.

- The ability of the Company to manage the risks associated with the foregoing as well as anticipated.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning the Company and its business, including other factors that could materially affect the Company's financial results, is included in the Company's filings with the Securities and Exchange Commission.

Part II - Other Information

Item 1. Legal proceedings

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

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases Of Equity Securities

The following table provides information as of June 30, 2004 with respect to shares of common stock repurchased by the Company during the quarter then ended:

Issuer Purchases of Equity Securities(a)

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plan or Programs
April 1-30	203	$ 33.33	0	0
May 1-31	0	$ 0	0	0
June 1-30	0	$ 0	0	0
Total	203	$ 33.33		

(a) The shares purchased during the periods were credited to the deferred share accounts of seven non-employee directors under the Company's directors' deferred compensation plan.

Item 3. Defaults Upon Senior Securities

None

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

On April 13, 2004, the Company's annual meeting of stockholders was held. At the meeting, Crowe Chizek and Company LLC was appointed as the Company's independent auditors for the year ended December 31, 2004, and L. Craig Fulmer, Charles E. Niemier, Donald B. Steininger and Terry L. Tucker were elected to serve as directors with terms expiring in 2007. Continuing as directors until 2005 are Robert E. Bartels, Jr., Michael L. Kubacki, Steven D. Ross and M. Scott Welch. Continuing as directors until 2006 are Allan J. Ludwig, Emily E. Pichon and Richard L. Pletcher.

Election of Directors:

	For	Withheld
L. Craig Fulmer	4,769,111	34,430
Charles E. Niemier	4,787,611	15,930
Donald B. Steininger	4,792,382	11,159
Terry L. Tucker	4,755,933	47,608

Ratification of Auditors:

	For	Against	Abstain
Crowe Chizek and Company LLC	4,782,311	16,652	4,577

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)

31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b. Reports

A report on Form 8-K was filed on July 15, 2004 under Item 12 which reported the Company's second quarter financial information in the form of a press release.

A report on Form 8-K was filed on June 23, 2004 under Item 11 which reported a blackout period for directors and executive officers resulting from a change in administrators for the Lakeland Financial Corporation 401(k) Plan.

A report on Form 8-K was filed on April 15, 2004 under Item 12 which reported the Company's first quarter financial information in the form of a press release.

LAKELAND FINANCIAL CORPORATION

FORM 10-Q

June 30, 2004

Part II - Other Information

Signatures

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

LAKELAND FINANCIAL CORPORATION
(Registrant)

Date: August 2, 2004 /s/Michael L. Kubacki
Michael L. Kubacki - President and Chief Executive Officer

Date: August 2, 2004 /s/David M. Findlay
David M. Findlay - Executive Vice President and Chief Financial Officer

Date: August 2, 2004 /s/Teresa A. Bartman
Teresa A. Bartman - Vice President and Controller

Exhibit 31.1

I, Michael L. Kubacki, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lakeland Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2004

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

Exhibit 31.2

I, David M. Findlay, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lakeland Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2004

/s/David M. Findlay
David M. Findlay
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lakeland Financial Corporation (the "Company") on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael L. Kubacki, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/Michael L. Kubacki

Michael L. Kubacki
Chief Executive Officer
August 2, 2004

A signed original of this written statement required by Section 906 has been provided to Lakeland Financial Corporation and will be retained by Lakeland Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lakeland Financial Corporation (the "Company") on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David M. Findlay, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/David M. Findlay

David M. Findlay
Chief Financial Officer
August 2, 2004

A signed original of this written statement required by Section 906 has been provided to Lakeland Financial Corporation and will be retained by Lakeland Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.