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 March 31, 2001

OR

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

For the transition period from ____________ to _____________

Commission File Number 0-11487

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

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

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

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

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

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

Class	Outstanding at April 30, 2001
Common Stock, No Par Value	5,779,932

LAKELAND FINANCIAL CORPORATION

Form 10-Q Quarterly Report

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PART I.

PART II.

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
As of March 31, 2001 and December 31, 2000
(in thousands)

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	March 31, 2001	December 31, 2000
	(Unaudited)	
ASSETS Cash and cash equivalents:		
Cash and due from banks	$ 38,234	$ 84,682
Short-term investments	875	4,311
Total cash and cash equivalents	39,109	88,993
Securities available-for-sale:		
U. S. Treasury and government agency securities	38,285	38,066
Mortgage-backed securities	211,717	207,594
State and municipal securities	35,463	35,430
Other debt securities	13,209	12,518
Total securities available-for-sale (carried at fair value)	298,674	293,608
Real estate mortgages held-for-sale	1,515	183
Loans:		
Total loans	714,740	718,876
Less: Allowance for loan losses	7,189	7,124
Net loans	707,551	711,752
Land, premises and equipment, net	27,034	27,297
Accrued income receivable	6,418	6,744
Intangible assets	9,407	9,624
Other assets	12,120	10,956
Total assets	$ 1,101,828	$ 1,149,157

(Continued)

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
As of March 2001 and December 31, 2000
(in thousands)

	March 31, 2001	December 31, 2000
	(Unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest bearing deposits	$ 128,537	$ 164,606
Interest bearing deposits	713,872	680,723
Total deposits	842,409	845,329
Short-term borrowings:		
Federal funds purchased	6,000	8,250
U.S. Treasury demand notes	891	3,674
Securities sold under agreements to repurchase	121,696	138,154
Other borrowings	20,000	50,000
Total short-term borrowings	148,587	200,078
Accrued expenses payable	10,288	6,684
Other liabilities	1,540	1,369
Long-term borrowings	11,422	11,433
Guaranteed preferred beneficial interests in Company's subordinated debentures	19,298	19,291
Total liabilities	1,033,544	1,084,184
SHAREHOLDERS' EQUITY		
Common stock: No par value, 90,000,000 shares authorized, 5,813,984 shares issued and 5,779,932 outstanding as of March 31, 2001, and 5,813,984 shares issued and 5,784,105 outstanding at December 31, 2000	1,453	1,453
Additional paid-in capital	8,537	8,537
Retained earnings	57,111	55,734
Accumulated other comprehensive income/(loss)	1,787	(207)
Treasury stock, at cost	(604)	(544)
Total shareholders' equity	68,284	64,973
Total liabilities and shareholders' equity	$ 1,101,828	$ 1,149,157

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

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2001, and 2000
(in thousands except for share data)

(Unaudited)

(Page 1 of 2)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans: Taxable	$ 15,614	$ 14,377
Tax exempt	33	45
Total loan income	15,647	14,422
Short-term investments	242	58
Securities:		
U.S. Treasury and government agency securities	733	729
Mortgage-backed securities	3,316	3,079
State and municipal securities	445	446
Other debt securities	115	101
Total interest and dividend income	20,498	18,835
INTEREST EXPENSE		
Interest on deposits	9,315	7,439
Interest on short-term borrowings	1,991	2,276
Interest on long-term debt	603	681
Total interest expense	11,909	10,396
NET INTEREST INCOME	8,589	8,439
Provision for loan losses	213	215
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,376	8,224
NONINTEREST INCOME		
Trust and brokerage fees	794	551
Service charges on deposit accounts	1,108	1,078
Other income (net)	706	803
Net gains on the sale of real estate mortgages held-for-sale	127	130
Total noninterest income	2,735	2,562
NONINTEREST EXPENSE		
Salaries and employee benefits	4,212	4,029
Occupancy and equipment expense	1,269	1,289
Other expense	2,627	2,303
Total noninterest expense	8,108	7,621

(Continued)

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2001, and 2000
(in thousands except for share data)

(Unaudited)

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	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
INCOME BEFORE INCOME TAX EXPENSE	3,003	3,165
Income tax expense	874	963
NET INCOME	$ 2,129	$ 2,202
AVERAGE COMMON SHARES OUTSTANDING (Note 2)	5,813,984	5,813,984
BASIC EARNINGS PER COMMON SHARE	$ 0.37	$ 0.38
DILUTED EARNINGS PER COMMON SHAE SHARE	$ 0.37	$ 0.38

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

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Three Months Ended March 31, 2001 and 2000
(in thousands)

(unaudited)

	For the Three Months Ended March 31,			
	2001		2000	
Common Stock:				
Balance at beginning of the period	$ 1,453		$ 1,453	
Balance at end of the period	1,453		1,453	
Paid-in Capital:				
Balance at beginning of the period	8,537		8,537	
Balance at end of the period	8,537		8,537	
Retained Earnings:				
Balance at beginning of the period	55,734		49,422	
Net Income	2,129	$ 2,129	2,202	$ 2,202
Cash dividends declared ($.13 per share for 2001 and 2000)	(752)		(754)	
Balance at end of the period	57,111		50,870	
Accumulated Other Comprehensive Income/(Loss):				
Balance at beginning of the period	(207)		(4,797)	
Unrealized gain (loss) on available-for-sale securities arising during the period	1,994		(314)	
Other comprehensive income/(loss)(net of taxes of $1,046 and $[206])	1,994	1,994	(314)	(314)
Total comprehensive income		$ 4,123		$ 1,888
Balance at end of the period	1,787	=======	(5,111)	=======
Treasury Stock:				
Balance at beginning of the period	(544)		(421)	
Acquisition of treasury stock	(60)		(57)	
Balance at end of the period	(604)		(478)	
Total Shareholders' Equity	$68,284		$55,271	

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

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2001 and 2000
(in thousands)

(Unaudited)

(Page 1 of 2)

	2001	2000
Cash flows from operating activities:		
Net income	$ 2,129	$ 2,202
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	588	605
Provision for loan losses	213	215
Amortization of intangible assets	224	231
Amortization of mortgage servicing rights	65	62
Impairment of mortgage servicing rights	192	0
Loans originated for sale	(8,245)	(5,379)
Net gain on sale of loans	(127)	(130)
Proceeds from sale of loans	7,002	5,649
Net loss on sale of premises and equipment	11	7
Net securities amortization	202	267
Increase in taxes payable	854	117
(Increase) decrease in income receivable	326	(720)
Increase in accrued expenses payable	1,417	2,213
Increase in other assets	(1,200)	(1,147)
Decrease in other liabilities	171	212
Total adjustments	1,693	2,202
Net cash from operating activities	3,822	4,404
Cash flows from investing activities:		
Proceeds from maturities and calls of securities available-for-sale	8,467	10,556
Purchases of securities available-for-sale	(10,559)	(18,633)
Net (increase) decrease in total loans	3,956	(7,574)
Purchases of land, premises and equipment	(336)	(254)
Net cash from investing activities	1,528	(15,905)

(Continued)

LAKELAND FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2001 and 2000
(in thousands)

(Unaudited)

	2001	2000
Cash flows from financing activities:		
Net increase (decrease) in total deposits	$ (2,920)	$ 45,766
Proceeds from short-term borrowings	6,863,916	5,289,199
Payments on short-term borrowings	(6,915,407)	(5,325,869)
Payments on long-term borrowings	(11)	(10)
Dividends declared	(752)	(754)
Purchase of treasury stock	(60)	(57)
Net cash from financing activities	(55,234)	8,275
Net increase (decrease) in cash and cash equivalents	(49,884)	(3,226)
Cash and cash equivalents at beginning of the period	88,993	63,104
Cash and cash equivalents at end of the period	$ 39,109	$ 59,878
Cash paid during the period for:		
Interest	$ 10,258	$ 9,400
Income taxes	$ 20	$ 247
Loans transferred to other real estate	$ 32	$ 0

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

(Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report to shareholders and Form 10-K. In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates and assumptions. These estimates and assumptions affect the amounts reported and the disclosures provided. Results for the period ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. In the opinion of management, all adjustments (consisting only of normal, recurring adjustments) which are necessary for a fair statement of the results for interim periods are reflected in the quarterly statements.

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

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

NOTE 2. EARNINGS PER SHARE

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

The common shares outstanding for the shareholders' equity section of the consolidated balance sheet at March 31, 2001 reflects the acquisition of 34,052 shares of Company common stock to offset a liability for a directors' deferred compensation plan. These shares are treated as outstanding when computing the weighted-average common shares outstanding for the calculation of both basic and diluted earnings per share.

A reconciliation of the numerators and denominators of the basic earnings per common share and the diluted earnings per common share for the periods ended March 31, 2001 and 2000 follows. All amounts are in thousands except share data.

	For the three months ended March 31,	
	2001	2000
Basic earnings per common share		
Net income	$ 2,129	$ 2,202
Weighted-average common shares outstanding	5,813,984	5,813,984
Basic earnings per common share	$ .37	$ .38
Diluted earnings per common share		
Net income	$ 2,129	$ 2,202
Weighted-average common shares outstanding for basic earnings per common share	5,813,984	5,813,984
Add: dilutive effect of assumed exercises of stock options	15,703	0
Average common shares and dilutive potential common shares	5,829,687	5,813,984
Diluted earnings per common share	$ .37	$ .38

Stock options for 318,570 and 353,670 shares of common stock were not considered in computing diluted earnings per common share for March 31, 2001 and 2000 because they were antidilutive.

NOTE 3. STOCK OPTIONS

The Lakeland Financial Corporation 1997 Share Incentive Plan reserves 600,000 shares of common stock for which Incentive Share Options (ISO) and Non-Qualified Share Options (NQSO) may be granted to employees of the Company and its subsidiaries, and NQSOs which may be granted to directors of the Company. Most options granted under this plan were issued for 10-year periods with full vesting five years from the date the option was granted. Information about options granted, exercised and forfeited during 2001 follows:

	Number of Options	Weighted Exercise Price	Risk-Free Rate	Stock Price Volatility	Fair Value of Grants
Outstanding 1/1/01	454,770				
Granted 1/9/01	134,025	$ 13.63	4.73%	62.45%	$ 5.92
Exercised	0				
Forfeited	22,000	$ 23.27			
Outstanding 3/31/01	566,795				

The fair values of the options were estimated using an expected life of 5 years and expected dividends of $.13 per quarter. There were 6,200 options exercisable as of March 31, 2001.

The Company accounts for the stock options under APB 25. Statement of Financial Accounting Standards (SFAS) No. 123 requires pro forma disclosures for companies that do not adopt its fair value accounting method for stock-based compensation. The following pro forma information presents net income, basic earnings per common share and diluted earnings per common share had the fair value method been used to measure compensation cost for stock option plans. No compensation cost was actually recognized for stock options in 2001 or 2000.

	For the three months ended March 31, 2001	2000
Net income as reported	$ 2,129	$ 2,202
Pro forma net income	$ 1,931	$ 2,099
Basic earnings per common share as reported	$ .37	$ .38
Diluted earnings per common share as reported	$ .37	$ .38
Pro forma basic earnings per common share	$ .33	$ .36
Pro forma diluted earnings per common share	$ .33	$ .36

NOTE 4. SECURITIES AVAILABLE-FOR-SALE

	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
	(in thousands)		
March 31, 2001			
U.S. Treasury securities	$ 38,285	$ 362	$ (6)
U.S. Government agencies and corporations	6,707	41	0
Mortgage-backed securities	211,717	3,082	(702)
State and municipal securities	35,463	244	(195)
Other debt securities	6,502	85	(78)
Total securities available-for-sale at March 31, 2001	$ 298,674	$ 3,814	$ (981)
December 31, 2000			
U.S. Treasury securities	$ 38,066	$ 212	$ (183)
U.S. Government agencies and corporations	9,579	0	(170)
Mortgage-backed securities	207,594	1,809	(1,714)
State and municipal securities	35,430	214	(200)
Other debt securities	2,939	9	(320)
Total securities available-for-sale at December 31, 2000	$ 293,608	$ 2,244	$ (2,587)

The fair value of available-for-sale debt securities by maturity as of March 31, 2001, 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	$ 30,330
Due after one year through five years	18,301
Due after five years through ten years	2,307
Due after ten years	36,019
	86,957
Mortgage-backed securities	211,717
Total debt securities	$ 298,674

NOTE 5. LOANS

	March 31, 2001	December 31, 2000
	(in thousands)	
Commercial and industrial loans	$ 443,578	$ 440,941
Agri-business and agricultural loans	45,792	48,704
Real estate mortgage loans	50,246	48,959
Real estate construction loans	2,361	3,626
Installment loans and credit cards	172,763	176,646
Total loans	$ 714,740	$ 718,876
Impaired loans	$ 1,413	$ 1,413
Non-performing loans	$ 2,542	$ 8,410

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

March 31, 2001

OVERVIEW

Lakeland Financial Corporation (the "Company") is the holding company for Lake City Bank. The Company is headquartered in Warsaw, Indiana and operates 43 offices in 15 counties in northern Indiana. The Company earned $2.1 million for the first three months of 2001 versus $2.2 million in the same period of 2000. The decrease was primarily caused by a reduction in the Company's net interest margin, which decreased 24 basis points to 3.49% during the first quarter of the year versus the comparable period in 2000. The decrease occurred as a result of a 1.50% reduction in Lake City Bank's prime rate which was driven by corresponding rate cuts by the Federal Reserve Bank during the quarter. Given the Company's balance sheet structure, a declining interest rate environment will generally lead to a lower net interest margin and lower net interest income.

Since March 31, 1996, total Company assets have increased 91.2%, from $576.3 million to $1.102 billion at March 31, 2001, a 13.8% annual compounded growth rate. This growth was accomplished through continued growth in existing markets with de-novo branch activity and the existing network of offices and acquisitions. Shareholders' equity has increased 80.9% from $37.8 million to $68.3 million over the same time period, a 12.6% annual compounded growth rate. Net income for the three months ended March 31, 1996, compared to the net income for the same period of 2001, increased 41.6% from $1.5 million to $2.1 million. From March 31, 1996, to March 31, 2001, the number of Lake City Bank offices increased from 30 to 43. The capital necessary to support this growth has been provided through results of operation, issuance of trust preferred securities and existing capital. It should be noted that historical rates of growth may not be indicative of growth in future periods.

Forward-looking Statements

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

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

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

FINANCIAL CONDITION

Assets

Total assets of the Company were $1.102 billion as of March 31, 2001, a decrease of $47.3 million, or 4.1%, when compared to $1.149 billion as of December 31, 2000. Total loans were $714.7 million at March 31, 2001, a decrease of $4.1 million, or 0.6%, versus the December 31, 2000 balance. Total securities increased $5.1 million, or 1.7%, to $298.7 million as of March 31, 2001, versus $293.6 million at December 31, 2000. Earning assets decreased to $1.009 billion as of March 31, 2001, a decrease of $1.2 million, or 0.1%, versus the December 31, 2000, total of $1.010 billion.

Funding

Total deposits and securities sold under agreements to repurchase (repurchase agreements) consist of funds generated within the Company's primary market area. At March 31, 2001, this funding totaled $964.1 million. This represented a $19.4 million, or 2.0%, decrease versus December 31, 2000. The decrease was primarily in noninterest-bearing demand accounts, which decreased $36.1 million, or 21.9%, when compared to the balance at December 31, 2000, and repurchase agreements, which decreased $16.5 million, or 11.9%, during the same period. The repurchase agreements are a combination of fixed rate contracts and variable rate corporate cash management accounts. Time deposits increased $37.4 million, or 6.7% compared to the balance at December 31, 2000.

In addition to these local funding sources, the Company borrows through the Treasury, Tax and Loan program, federal fund lines with correspondent banks and advances from the Federal Home Loan Bank of Indianapolis (FHLB). Including these non-local sources, funding totaled $1.002 billion at March 31, 2001, a $54.4 million, or a 5.1%, decrease versus $1.057 billion as of December 31, 2000. The primary decrease in non-local funding sources was advances from the FHLB, which are used for short- and long-term funding needs.

Earning Assets

On an average daily basis, total earning assets increased 9.5% for the three-month period ended March 31, 2001, as compared to the same period in 2000. On an average daily basis, total deposits and purchased funds increased 7.3% for the three-month period ended March 31, 2001, as compared to the same period in 2000.

Investment Portfolio

The Company's available-for-sale portfolio is managed with consideration given to factors such as the Company's capital levels, growth prospects, asset/liability structure and liquidity needs. At March 31, 2001, the securities in the available-for-sale portfolio had a three year average life and a potential for approximately 10% price depreciation in the event that rates move up 300 basis points. If rates move down 300 basis points, the average life would be three years with approximately 4% price appreciation possible. The composition of this portfolio is primarily CMOs and mortgage pools issued by GNMA, FNMA and FHLMC, which are directly or indirectly guaranteed by the federal government. As of March 31, 2001, all mortgage-backed securities were performing in a manner consistent with management's original expectations. Future investment activity is difficult to predict, as it is dependent upon loan and deposit trends and other factors.

Loans

The Company had 68.5% of its loans concentrated in commercial loans at March 31, 2001 versus 68.1% as of December 31, 2000. Traditionally, this type of lending may have more credit risk than other types of lending because of the size and diversity of the credits. The Company manages this risk by adjusting its pricing to the perceived risk of each individual credit and by diversifying the portfolio by customer, product, industry and geography. Customer diversification is accomplished through an administrative loan limit of $10.0 million. Based upon state banking regulations, the Bank's legal loan limit as of March 31, 2001, was approximately $12.6 million. Product diversification is accomplished by offering a wide variety of financing options. Management reviews the loan portfolio to ensure loans are diversified by industry. The loans in the portfolios are distributed throughout the Company's principal trade area, which encompasses 15 counties in Indiana.

The real estate loan portfolio is impacted by secondary market activity, which is a function of current interest rates and economic conditions. As interest rates have gradually fallen since December 31, 2000, the level of new financings and refinancings has increased. Through March 31, 2001, the Company sold mortgages totaling $6.9 million into the secondary market as compared to $5.6 million during the same period in 2000. During these same two periods, loans originated for sale totaled $8.2 million and $5.4 million, respectively. As a part of the Community Reinvestment Act commitment to making real estate financing available to a variety of customers, the Company continues to originate non-conforming loans that are held to maturity or prepayment.

Loans renegotiated as troubled debt restructurings are those loans for which either the contractual interest rate has been reduced and/or other concessions were granted to the borrower. These actions are typically taken as a result of a deterioration in the financial condition of the borrower which results in the inability of the borrower to perform under the original terms of the loan. Loans renegotiated as troubled debt restructurings totaled $1.1 million at both March 31, 2001 and December 31, 2000. The loans classified as troubled debt restructurings at March 31, 2001 were performing in accordance with the modified terms.

While the trend in non-performing loans reflects improved asset quality, the Company continues to be concerned with weakening economic conditions in some of its market area as well as the country in general. A slowing economy could adversely affect cash flows for both commercial and individual borrowers, as a result of which, the Company could experience increases in problem assets, delinquencies, and losses on loans.

For the first three months of 2001, loans decreased more than deposits. During this three-month period, time deposits increased $35.6 million, or 9.0%, from $396.5 million to $432.0 million and other transaction accounts decreased $2.4 million, or 0.9%, during the same period. Repurchase agreements decreased $16.5 million, or 11.9%, during the first three months of this year, and demand accounts, which are noninterest bearing, decreased $36.1 million, or 21.9%. During this same three-month period, loans decreased $4.1 million, or 0.6%. Commercial loan growth opportunities continue to be strong, while consumer loan growth opportunities have slowed somewhat. Since 2000, the Company has strategically focused on loan growth in the commercial portfolio that historically produces higher returns than the consumer loan portfolio. The Company's loan to deposit ratio was 84.8% as of March 31, 2001, versus 85.0% at December 31, 2000.

Market Risk

The Company's primary market risk exposure is interest rate risk. The Company does not have a material exposure to foreign currency exchange risk, does not own any derivative financial instruments and does not maintain a trading portfolio. The board of directors annually reviews and approves the policy used to manage interest rate risk. This policy was last reviewed and approved in May 2000. This 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. Given the Company's mix of interest bearing liabilities and interest bearing assets at March 31, 2001, the net interest margin could be expected to decline in a falling rate environment and conversely, to increase in a rising rate environment. The Company, through its asset/liability committee, manages interest rate risk by monitoring the computer simulated earnings impact of various rate scenarios. The Company then modifies its long-term risk parameters by attempting to generate the type of loans, investments, and deposits that currently fit the Company's needs, as determined by the asset/liability committee. This computer simulation analysis measures the net interest income impact of a 300 basis point change in interest rates during the next 12 months. If the change in net interest income is less than 3% of primary capital, the balance sheet structure is considered to be within acceptable risk levels. At March 31, 2001, the Company's potential pretax exposure was within the Company's policy limit.

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

QUANTITATIVE MARKET RISK DISCLOSURE

	Principal/Notional Amount Maturing in: (Dollars in thousands)							Fair Value 3/31/01
	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total	
Rate sensitive assets:								
Fixed interest rate loans	$ 114,814	$ 72,401	$ 81,383	$ 47,103	$ 20,239	$ 12,107	$ 348,047	$ 358,973
Average interest rate	8.69%	8.79%	8.52%	8.43%	8.68%	8.01%	8.62%	
Variable interest rate loans	$ 323,174	$ 1,325	$ 1,276	$ 1,232	$ 1,217	$ 39,984	$ 368,208	$ 368,110
Average interest rate	8.74%	10.56%	10.11%	9.78%	9.39%	7.13%	8.58%	
Fixed interest rate securities	$ 46,788	$ 28,493	$ 23,999	$ 21,183	$ 20,184	$ 152,107	$ 292,754	$ 295,550
Average interest rate	5.74%	6.46%	6.32%	6.53%	6.61%	6.46%	6.35%	
Variable interest rate securities	$ 310	$ 318	$ 326	$ 334	$ 344	$ 1,455	$ 3,087	$ 3,124
Average interest rate	5.68%	5.80%	5.76%	5.72%	5.68%	5.77%	5.75%	
Other interest-bearing assets	$ 875	$ 0	$ 0	$ 0	$ 0	$ 0	$ 875	$ 875
Average interest rate	5.11%	0.00%	0.00%	0.00%	0.00%	0.00%	5.11%	
Rate sensitive liabilities:								
Non-interest bearing checking	$ 6,684	$ 5,964	$ 1,080	$ 1,028	$ 1,504	$ 112,277	$ 128,537	$ 128,537
Average interest rate								
Savings & interest bearing checking	$ 21,475	$ 19,390	$ 17,219	$ 15,641	$ 12,541	$ 195,558	$ 281,824	$ 281,825
Average interest rate	3.59%	3.59%	3.59%	3.59%	3.59%	3.03%	3.20%	
Time deposits	$ 375,828	$ 38,256	$ 10,052	$ 3,988	$ 2,652	$ 1,272	$ 432,048	$ 435,243
Average interest rate	6.06%	5.92%	5.62%	5.72%	5.91%	4.30%	6.03%	
Fixed interest rate borrowings	$ 158,187	$ 400	$ 1,422	$ 0	$ 0	$ 19,298	$ 179,307	$ 177,700
Average interest rate	4.78%	6.45%	6.15%	0.00%	0.00%	8.96%	5.24%	

Borrowings

The Company is a member of the FHLB of Indianapolis. Membership has enabled the Company to participate in the housing programs sponsored by the FHLB, which enhances the Company's ability to offer additional programs throughout its trade area. The Company has authorized borrowings of up to $100 million under the FHLB program. As of March 31, 2001, the borrowings from the FHLB totaled $31.3 million, with maturities as follows:

	March 31, 2001
	(in thousands)
Due July 10, 2001	20,000
Due December 28, 2001	10,000
Due June 24, 2003	1,300
Due January 15, 2018	49
Total	$ 31,349

All borrowings are collateralized by residential real estate mortgages and mortgage-backed securities. Membership in the FHLB requires an equity investment in FHLB stock. The amount required is computed annually, and is based upon a formula that considers the Company's total investment in residential real estate loans, mortgage-backed securities and any FHLB advances outstanding at year-end. The Company's investment in FHLB stock at March 31, 2001, was $3.6 million.

Capital and Shareholders' Equity

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

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

	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2001						
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 84,141	10.57%	$ 63,666	8.00%	$ 79,583	10.00%
Bank	$ 83,827	10.56%	$ 63,510	8.00%	$ 79,388	10.00%
Tier I Capital (to Risk Weighted Assets)						
Consolidated	$ 76,951	9.67%	$ 31,833	4.00%	$ 47,750	6.00%
Bank	$ 76,638	9.65%	$ 31,755	4.00%	$ 47,633	6.00%
Tier I Capital (to Average Assets)						
Consolidated	$ 76,951	6.97%	$ 44,164	4.00%	$ 55,205	5.00%
Bank	$ 76,638	6.93%	$ 44,252	4.00%	$ 55,316	5.00%
As of December 31, 2000						
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 82,537	10.24%	$ 64,496	8.00%	$ 80,621	10.00%
Bank	$ 81,020	10.06%	$ 64,434	8.00%	$ 80,542	10.00%
Tier I Capital (to Risk Weighted Assets)						
Consolidated	$ 75,414	9.35%	$ 32,248	4.00%	$ 48,372	6.00%
Bank	$ 73,896	9.17%	$ 32,217	4.00%	$ 48,325	6.00%
Tier I Capital (to Average Assets)						
Consolidated	$ 75,414	7.20%	$ 41,874	4.00%	$ 52,343	5.00%
Bank	$ 73,896	7.06%	$ 41,850	4.00%	$ 52,313	5.00%

Total shareholders' equity as of March 31, 2001 increased $3.3 million, or 5.1%, to $68.3 million when compared to December 31, 2000. Net income of $2.1 million, less dividends of $0.8 million, plus the increase in the accumulated other comprehensive income of $2.0 million, less $60,000 for the cost of treasury stock acquired, comprised this increase. The Company has adopted a dividend reinvestment and stock purchase plan that became available to the Company's shareholders in July 2000. The purpose of the dividend reinvestment plan is to provide participating shareholders with a simple and convenient method of investing cash dividends paid by the Company on its shares of common stock into additional shares of common stock. All of the Company's shareholders of record are eligible to participate in the plan.

RESULTS OF OPERATIONS

Net Income

Net income decreased $73,000, or 3.3%, to $2.1 million for the first three months of 2001, versus $2.2 million in the same period in 2000. Basic earnings per share for the first three months of 2001 was $0.37 per share, versus $0.38 per share for the first three months of 2000. Diluted earnings per share reflect the potential dilutive impact of stock options granted under an employee stock option plan. The stock options did not have an impact on earnings per share as diluted earnings per share were the same as basic earnings per share for the three-month period ended March 31, 2001.

Net Interest Income

The net impact of the factors affecting total interest and dividend income and total interest expense was an increase in net interest income. For the three-month period ended March 31, 2001, net interest income increased 1.8% to $8.6 million, an increase of $0.2 million, versus the first three months of 2000. The increase occurred as a result of the increase in average earning assets, and despite a significant decline in the Company's net interest margin from 3.73% to 3.49%.

During the first three months of 2001, total interest and dividend income increased $1.7 million, or 8.8%, to $20.5 million, versus $18.8 million during the same three months of 2000. Daily average earning assets for the first quarter of 2001 increased 9.5% to $1.026 billion versus the same period in 2000. The tax equivalent yield on average earning assets was 8.1% for the three-month period ended March 31, 2001, which is unchanged compared to the same period of 2000.

The yield on securities is historically lower than the yield on loans, and decreasing the ratio of securities to total earning assets will normally raise the yield on earning assets. The ratio of average daily securities to average earning assets for the three-month periods ended March 31, 2001 was 28.7% compared to 29.1% for the same period of 2000. In addition, the overall tax equivalent yield on loans increased seven basis points to 8.8% when comparing the three-month periods. The yield on securities decreased nine basis points to 6.6% when comparing the three-month periods.

The average daily loan balances for the first three months of 2001 increased 8.3% to $714.0 million, over the average daily loan balances of $659.4 million for the same period of 2000. This loan growth was funded by increases in deposits and borrowings. The 8.5% increase in loan interest income of $1.2 million for the three-month period in 2001 versus the same period in 2000 resulted primarily from the loan growth, as well as an increase in the yields.

Income from securities totaled $4.6 million for the first three months of 2001, an increase of $254,000, or 5.8%, versus the same period of 2000. This increase resulted from an increase in the average daily balances of securities and was offset by a decrease in yields on securities. The average daily balances of securities for the three-month period ended March 31, 2001 increased $21.4 million to $294.3 million when compared to $272.9 the same period of the prior year.

Income from short-term investments amounted to $242,000 for the three-month period ended March 31, 2001, compared to $58,000 for the same period in 2000. The increase of $184,000 resulted primarily from a $12.9 million increase in the average daily balances of short-term investments to $17.6 million compared to the same period of the prior year.

Total interest expense increased $1.5 million, or 14.6% to $11.9 million for the three-month period ended March 31, 2001, from $10.4 million for the comparable period in 2000. The increase resulted from the overall growth of deposits in existing offices, changes in the deposit mix and a 33 basis point increase in the Company's daily cost of funds. On an average daily basis, total deposits (including demand deposits) increased 11.9% for the three-month period ended March 31, 2001, as compared to the same period in 2000. When comparing the same periods, the average daily balances of the demand deposit accounts rose $3.7 million, while the average daily balances of savings and transaction accounts combined increased $6.8 million. The average daily balance of time deposits, which pay a higher rate of interest compared to demand deposit and transaction accounts, increased $80.1 million, from $363.2 million to $443.3 million, for the three months ended March 31, 2001, versus the same period in 2000. This increase was driven by the loan growth which required additional funding. During the remainder of 2001, management plans to continue efforts to grow relationship type accounts such as demand deposit and Investors' Weekly accounts, which pay a lower rate of interest compared to time deposit accounts and better match the characteristics of the assets being generated. Average daily balances of borrowings decreased $31.8 million for the three-month period ended March 31, 2001 compared to the same period of 2000. In addition, the rate on borrowings decreased 12 basis points when comparing the same periods. On an average daily basis, total deposits (including demand deposits) and purchased funds increased 7.3% from $968.4 million to $1.039 billion for the three-month period ended March 31, 2001, versus the comparable period in 2000.

Provision for Loan Losses

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

The provision was $213,000 and $215,000 for the three-month periods ended March 31, 2001 and 2000, respectively. These provisions reflected a number of factors, including the size of the loan portfolio, the amount of past due accruing loans (90 days or more), the amount of non-accrual loans and management's overall view on current credit quality.

As of March 31, 2001, loans delinquent 90 days or more that were included in the accompanying financial statements as accrual loans totaled approximately $706,000 versus $6.8 million as of December 31, 2000, a reduction of 89.6%. At March 31, 2001, loans totaling $1.8 million were on non-accrual versus $206,000 as of December 31, 2000. Major reductions resulted from the repayment of a $1.4 million loan from another bank, and the extension of terms of a $4.8 million loan, which now matures in July, 2001. These levels of non-performing loans reflect both the general economic conditions that have promoted growth and expansion in the Company's trade area during the last several years, and a credit risk management strategy that promotes diversification.

As a result of management's analysis of the adequacy of the allowance, the ratio of the allowance for loan losses to total loans was approximately 1.01% at March 31, 2001, compared to 0.99% at December 31 and 1.01% at March 31, 2000. While management believes that it uses the best information available to determine the allowance for losses loan losses, unforeseen market conditions could result in adjustments to the allowance for loan losses and net earnings could be significantly affected if circumstances differ substantially from the assumptions used in establishing the allowance for loan losses.

As part of the loan review process, management reviews all loans classified as `special mention' or below, as well as other loans that might require classification as impaired. As of March 31, 2001 and December 31, 2000, loan balances totaling $1,413,000 were classified as impaired.

Following is a summary of the loan loss experience for the three months ended March 31, 2001, and the year ended December 31, 2000.

	March 31, 2001	December 31, 2000
	(in thousands)	
Amount of loans outstanding	$ 714,740	$ 718,876
Average daily loans outstanding for the period	$ 714,007	$ 659,365
Allowance for loan losses at the beginning of the period	$ 7,124	$ 6,522
Charge-offs:		
Commercial	0	200
Real estate	0	30
Installment	170	483
Credit card and personal credit lines	14	35
Total charge-offs	184	748
Recoveries:		
Commercial	1	45
Real estate	0	0
Installment	33	93
Credit card and personal credit lines	2	6
Total recoveries	36	144
Net charge-offs	148	604
Provision charged to expense	213	1,206
Allowance for loan losses at the end of the period	$ 7,189	$ 7,124
Ratio of annualized net charge-offs during the period to average daily loans during the period:		
Commercial	0.00%	0.02%
Real estate	0.00%	0.01%
Installment	0.08%	0.06%
Credit card and personal credit lines	0.00%	0.00%
Total	0.08%	0.09%

Net interest income after provision for loan losses totaled $8.4 million for the three-month period ended March 31, 2001, an increase of 1.8% over the comparable period 2000.

Noninterest Income

Noninterest income categories for the three-month periods ended March 31, 2001, and 2000 are shown in the following table:

	Three Months Ended March 31,		
	2001	2000	Percent Change
	(in thousands)		
Trust and brokerage fees	$ 794	$ 551	44.1 %
Service charges on deposits	1,108	1,078	2.8
Other income (net)	706	803	(12.1)
Net gains on the sale of real estate mortgages held-for-sale	127	130	(2.3)
Total noninterest income	$ 2,735	$ 2,562	6.8 %

Trust fees increased 10.9% in the first quarter of 2001 versus the same period in 2000. This increase was primarily in agency and living trust fees. Brokerage fees increased $203,000, or 112.6%, in the first quarter of 2001 versus the same period in 2000, driven by fees of approximately $156,000 related to the sale of several annuity accounts. This portion of the increase may be non-recurring. Excluding these fees, brokerage revenues increased 24.4% in the first quarter of 2001 versus the comparable period in 2000.

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

Other income consists of normal recurring fee income such as mortgage service fees, credit card fees, insurance fees, and safe deposit box rent, as well as other income that management classifies as non-recurring. Other income decreased $97,000 in the first quarter of 2001 versus the same period in 2000. The decrease was in mortgage service fee income due to a charge of $192,500 related to non-cash impairment of the Bank's mortgage servicing rights. The impairment was a direct result of the decline in interest rates during the first quarter of 2001.

Noninterest Expense

Noninterest expense categories for the three-month periods ended March 31, 2001, and 2000 are shown in the following tables:

	Three Months Ended March 31,		
	2001	2000	Percent Change
	(in thousands)		
Salaries and employee benefits	$ 4,212	$ 4,029	4.5 %
Occupancy and equipment expense	1,269	1,289	(1.6)
Other expense	2,627	2,303	14.1
Total noninterest expense	$ 8,108	$ 7,621	6.4 %

The increase in salaries and employee benefits reflected an increase in employee benefit expenses, primarily insurance costs, and normal salary increases. Total employees decreased to 474 at March 31, 2001, from 478 at March 31, 2000. This decrease resulted primarily from the closing of two offices during the second quarter of 2000.

The decrease in occupancy and equipment expense was also primarily the result of closing two offices in the second quarter of 2000.

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 primarily as a result of an increase in professional fees and losses related to robberies which occurred in the quarter.

Income Before Income Tax Expense

Income before income tax expense decreased $162,000, or 5.1%, to $3.0 million for the first three months of 2001 versus $3.2 million for the same period in 2000. This was primarily due to the decrease in the net interest margin.

Income Tax Expense

Income tax expense decreased $89,000, or 9.2%, from $963,000 to $874,000 for the first three months of 2001, compared to the same period in 2000.

The combined state franchise tax expense and the federal income tax expense as a percentage of income before income tax expense decreased to 29.1% during the first three months of 2001, compared to 30.4% during the same period in 2000. The decrease was primarily a result of lower state franchise tax expense.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

See "Market Risk" on pages 17-19.

LAKELAND FINANCIAL CORPORATION

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Part II - Other Information

Item 1. Legal proceedings

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

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

None

b. Reports

None

LAKELAND FINANCIAL CORPORATION

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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: May 14, 2001 /s/Michael L. Kubacki
Michael L. Kubacki - President and Chief Executive Officer

Date: May 14, 2001 /s/David M. Findlay
David M. Findlay - Executive Vice President and Chief Financial Officer

Date: May 14, 2001 /s/Teresa A. Bartman
Teresa A. Bartman - Vice President and Controller