FFLC BANCORP INC
Form 10-Q
April 27, 2001

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO 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 0-22608

FFLC BANCORP, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	59-3204891
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

800 North Boulevard West, Post Office Box 490420, Leesburg, Florida	34749-0420
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code (352) 787-3311

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report.

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 ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Common stock, par value $.01 per share

3,537,090 shares outstanding at April 23, 2001

FFLC BANCORP, INC.

INDEX

FFLC BANCORP, INC.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets
($ in thousands, except share amounts)

	At March 31, 2001	At December 31, 2000
Assets	(unaudited)	
Cash and due from banks	$ 17,554	16,036
Interest-bearing deposits	17,235	14,445
Cash and cash equivalents	34,789	30,481
Securities available for sale	42,706	42,717
Loans receivable, net of allowance for loan losses of $3,773 in 2001 and $3,552 in 2000	639,590	615,484
Accrued interest receivable	3,915	3,750
Premises and equipment, net	12,057	11,490
Foreclosed real estate	123	276
Federal Home Loan Bank stock, at cost	6,150	6,150
Other assets	1,205	1,145
Total	$ 740,535	711,493
Liabilities and Stockholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	14,124	13,335
NOW and money-market accounts	90,627	86,509
Savings accounts	19,639	19,143
Certificates	416,636	399,898
Total deposits	541,026	518,885
Advances from Federal Home Loan Bank	123,000	123,000
Other borrowed funds	11,777	6,376
Accrued expenses and other liabilities	4,312	3,949
Total liabilities	680,115	652,210

Stockholders' equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, none outstanding	--	--
Common stock, $.01 par value, 9,000,000 shares authorized, 4,501,771 in 2001 and 4,491,646 in 2000 shares issued	45	45
Additional paid-in-capital	31,071	31,010
Retained income	48,104	47,132
Accumulated other comprehensive income	318	81
Treasury stock, at cost (967,181 shares in 2001 and 959,085 shares in 2000)	(19,118)	(18,985)
Total stockholders' equity	60,420	59,283
Total	$ 740,535	711,493

See accompanying Notes to Condensed Consolidated Financial Statements.

2

FFLC BANCORP, INC.

Condensed Consolidated Statements of Income (Unaudited)
($ in thousands, except share amounts)

	Three Months Ended March 31, 2001	2000
Interest income:		
Loans receivable	$ 12,949	10,255
Securities available for sale	714	572
Other interest-earning assets	316	293
Total interest income	13,979	11,120
Interest expense:		
Deposits	6,933	4,965
Borrowed funds	1,988	1,430
Total interest expense	8,921	6,395
Net interest income	5,058	4,725
Provision for loan losses	275	200
Net interest income after provision for loan losses	4,783	4,525

Noninterest income:		
Deposit account fees	217	171
Other service charges and fees	203	182
Other	51	50
Total noninterest income	471	403
Noninterest expense:		
Salaries and employee benefits	1,719	1,652
Occupancy expense	481	423
Deposit insurance premium	24	21
Data processing expense	246	224
Professional services	59	72
Advertising and promotion	106	76
Other	328	288
Total noninterest expense	2,963	2,756
Income before income taxes	2,291	2,172
Income taxes	859	855
Net income	$ 1,432	1,317
Basic income per share of common stock	$ .41	.37
Weighted-average number of shares outstanding for basic	3,534,998	3,539,918
Diluted income per share of common stock	$ .40	.36
Weighted-average number of shares outstanding for diluted	3,621,029	3,627,734
Dividends per share $	.13	.12

See accompanying Notes to Condensed Consolidated Financial Statements

FFLC BANCORP, INC.

Condensed Consolidated Statement of Changes in Stockholders' Equity

Three Months Ended March 31, 2001 (Unaudited)
($ in thousands)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Reta Inc
Balance at December 31, 2000	$ 45	31,010	(18,985)	47,
Comprehensive income:				
Net income (unaudited)	--	--	--	1,
Net change in unrealized gain on securities available for sale, net of income taxes of $143 (unaudited)	--	--	--	-
Comprehensive income (unaudited)				
Net proceeds from the issuance of 10,125 shares of common stock, stock options exercised (unaudited)	--	61	--	-
Dividends paid (unaudited)	--	--	--	(
Purchase of treasury stock, 8,096 shares (unaudited)	--	--	(133)	-
Balance at March 31, 2001(unaudited)	$ 45	31,071	(19,118)	48,

See accompanying Notes to Condensed Consolidated Financial Statements.

4

FFLC BANCORP, INC.

Condensed Consolidated Statements of Cash Flows (Unaudited)
($ in thousands)

	Three Months E March 31,	
	2001	
Cash flows from operating activities:		
Net income	$ 1,432	1
Adjustments to reconcile net income		

to net cash provided by operations:		
Provision for loan losses	275	
Depreciation	191	
Credit for deferred income taxes	(53)	
Gain on sale of foreclosed real estate	(9)	
Shares committed and dividends to incentive plan participants	--	
Net amortization of premiums or discounts on securities	(22)	
Net deferral of loan fees and costs	31	
Increase in accrued interest receivable	(165)	
Increase in other assets	(60)	
Increase in accrued expenses and other liabilities	273	2
Net cash provided by operating activities	1,893	3
Cash flows from investing activities:		
Proceeds from maturities and principal repayments on securities available for sale	2,551	
Purchase of securities available for sale	(2,138)	
Loan disbursements	(42,507)	(51
Principal repayments on loans	18,037	18
Purchase of premises and equipment, net	(758)	(1
Purchase of Federal Home Loan Bank stock	--	
Proceeds from sales of foreclosed real estate	220	
Net cash used in investing activities	(24,595)	(33

(cont

FFLC BANCORP, INC.

Condensed Consolidated Statements of Cash Flows (Unaudited), Continued
($ in thousands)

	Thr
	2001
Cash flows from financing activities:	
Net increase in deposits	$ 22,141
Net decrease in advances from Federal Home Loan Bank	--
Net increase in other borrowed funds	5,401
Issuance of common stock	61
Purchase of treasury stock	(133)
Dividends paid on common stock	(460)
Net cash provided by financing activities	27,010
Net increase (decrease) in cash and cash equivalents	4,308

Cash and cash equivalents at beginning of period	30,481
Cash and cash equivalents at end of period	$ 34,789
Supplemental disclosures of cash flow information:	
Cash paid during the period for:	
Interest	$ 8,967
Income taxes	$ 88
Noncash investing and financing activities:	
Accumulated other comprehensive income (loss), net change in unrealized gain on securities available for sale, net of tax	$ 237
Transfers from loans to foreclosed real estate	$ 63
Loans originated on sales of foreclosed real estate	$ 5
Loans funded by and sold to correspondent	$ 3,032

See accompanying Notes to Condensed Consolidated Financial Statements.

FFLC BANCORP, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Basis of Presentation. In the opinion of the management of FFLC Bancorp, Inc., the accompanying condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position at March 31, 2001 and the results of operations and cash flows for the three-month periods ended March 31, 2001 and 2000. The results of operations for the three-month period ended March 31, 2001, are not necessarily indicative of results that may be expected for the year ending December 31, 2001.

   The condensed consolidated financial statements include the accounts of FFLC Bancorp, Inc. (the "Holding Company"), its wholly-owned subsidiary, First Federal Savings Bank of Lake County (the "Savings Bank") and the Savings Bank's wholly-owned subsidiary, Lake County Service Corporation (together, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

2. Loan Receivable. The following table sets forth the composition of the Bank's loan portfolio in dollar amounts and percentages at the dates indicated (in thousands):

	At March 31, 2001		At December 31
	Amount	% of Total	Amount
Mortgage loans:			
One-to-four-family	$ 412,561	63.15%	$ 409,600
Construction and land	18,932	2.90	13,006
Multi-family	18,828	2.88	17,602
Commercial real estate	83,571	12.80	79,729
Total mortgage loans	533,892	81.73	519,937
Consumer loans	102,972	15.76	95,824
Commercial loans	16,416	2.51	14,677
Total loans receivable (1)	653,280	100.00%	630,438
Less:			
Loans in process	(10,612)		(12,128)
Unearned discounts, premiums and deferred loan fees, net (includes dealer prepaid fees)	695		726
Allowance for loan losses	(3,773)		(3,552)
Loans receivable, net	$ 639,590		$ 615,484

(1) Total loans receivable outstanding by department consists of the following (in thousands):

	At			
	March 31, 2001		December 31, 2000	
	Amount	% of Total	Amount	% of Total
Residential	$ 406,224	62.18%	$ 404,494	64.16%
Commercial	144,084	22.06	130,120	20.64
Consumer	102,972	15.76	95,824	15.20
	$ 653,280	100.00%	$ 630,438	100.00%

(continued)

FFLC BANCORP, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

3. Loan Impairment and Loan Losses. The Company prepares a quarterly review of the adequacy of the allowance for loan losses to also identify and value impaired loans in accordance with guidance in the Statements of Financial Accounting Standards No. 114 and 118.

An analysis of the change in the allowance for loan losses was as follows (in thousands):

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Balance at January 1	$ 3,552	2,811
Provision for loan losses	275	200
Net loans charged-off	(54)	(31)
Balance at March 31	$ 3,773	2,980

The following summarizes the amount of impaired loans, all of which are collateral dependent (in thousands):

	At March 31, 2001	At December 31, 2000
Loans identified as impaired:		
Gross loans with no related allowance for losses	$ -	-
Gross loans with related allowance for losses recorded	1,579	1,280
Less: Allowances on these loans	(237)	(192)
Net investment in impaired loans	$ 1,342	1,088

The average net investment in impaired loans and interest income recognized and received on impaired loans was as follows (in thousands):

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Average net investment in impaired loans	$ 1,215	1,146
Interest income recognized on impaired loans	$ 11	5

	=======	======
Interest income received on impaired loans	$ 11	5
	=======	======

(continued)

FFLC BANCORP, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

4. Per Share Amounts. Basic income per share of common stock has been determined by dividing net income for the period by the weighted-average number of shares outstanding. Shares of common stock purchased by the ESOP and RRP incentive plans are only considered outstanding when the shares are released for allocation to participants. Dilutive income per share is computed by dividing net income by the weighted-average number of shares outstanding including the dilutive effect of stock options computed using the treasury stock method. The following table presents the calculation of basic and diluted income per share:

	Three Months E March 31, 2001
Weighted-average shares of common stock issued and outstanding before adjustments for ESOP, RRP and common stock options	3,537,733
Adjustment to reflect the effect of unallocated ESOP and RRP shares	(2,735)
Weighted-average shares for basic net income per share	3,534,998
Basic income per share	$ .41
Total weighted-average common shares and equivalents outstanding for basic income per share computation	3,534,998
Additional dilutive shares using the average market value for the period utilizing the treasury stock method regarding stock options	86,031
Weighted-average common shares and equivalents outstanding for diluted income per share	3,621,029
Diluted income per share	$ .40

FFLC BANCORP, INC.

Review by Independent Certified Public Accountants

Hacker, Johnson & Smith PA, the Company's independent certified public accountants, have made a limited review of the financial data as of March 31, 2001, and for the three-month periods ended March 31, 2001 and 2000 presented in this document, in accordance with standards established by the American Institute of Certified Public Accountants.

Their report furnished pursuant to Article 10 of Regulation S-X is included herein.

10

Report on Review by Independent Certified Public Accountants

The Board of Directors
FFLC Bancorp, Inc.
Leesburg, Florida:

We have reviewed the accompanying condensed consolidated balance sheet of FFLC Bancorp, Inc. and Subsidiary (the "Company") as of March 31, 2001, and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 2001 and 2000, and the condensed consolidated statement of changes in stockholders' equity for the three-month period ended March 31, 2001. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 2000, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated January 12, 2001 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2000, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

HACKER, JOHNSON & SMITH PA
Tampa, Florida
April 6, 2001

FFLC BANCORP, INC.

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

General

FFLC Bancorp, Inc. (the "Holding Company") is the holding company for First Federal Savings Bank of Lake County (the "Bank") and its wholly-owned subsidiary, Lake County Service Corporation (together, the "Company"). The Company's consolidated results of operations are primarily those of the Bank.

The Bank's principal business continues to be attracting retail deposits from the general public and investing those deposits, together with principal repayments on loans and investments and funds generated from operations, primarily in mortgage loans secured by one-to-four-family owner-occupied homes, commercial loans, securities and, to a lesser extent, construction loans, consumer and other loans, and multi-family residential mortgage loans. In addition, the Bank holds investments permitted by federal laws and regulations including securities issued by the U.S. Government and agencies thereof. The Company's revenues are derived principally from interest on its loan and mortgage-backed securities portfolios and interest and dividends on its investment securities. The Bank is a member of the Federal Home Loan Bank ("FHLB") system and its deposits are insured to the applicable limits by the Savings Association Insurance Fund ("SAIF") of the Federal Deposit Insurance Corporation (the "FDIC"). The Bank is subject to regulation by the Office of Thrift Supervision (the "OTS") as its chartering agency, and the FDIC as its deposit insurer.

The Bank has 12 full-service banking locations in Lake, Sumter and Citrus Counties, Florida.

The Company's results of operations are dependent primarily on net interest income, which is the difference between the interest income earned primarily on its loan and securities portfolios, and its cost of funds, consisting of the interest paid on its deposits and borrowings. The Company's operating results are also affected, to a lesser extent, by fee income. The Company's operating expenses consist primarily of salaries and employee benefits, occupancy expenses, deposit insurance premiums and other general and administrative expenses. The Company's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies, and actions of regulatory authorities.

Liquidity and Capital Resources

The Company's most liquid assets are cash, amounts due from depository institutions and interest-bearing deposits. The levels of these assets are dependent on the Company's lending, investing, operating, and deposit activities during any given period. At March 31, 2001, cash, amounts due from depository institutions and interest-bearing deposits, totaled $34.8 million.

The OTS has issued an interim final rule that removes the regulatory provisions establishing the required liquidity level and containing the definitions needed to calculate the level. The repeal of Section 6 of HOLA, and the removal of the regulatory section, places savings associations on the same basis as other insured depositories that do not have statutorily mandated liquidity requirements. Instead of a specific regulation, the OTS has amended its management and financial policies to provide that savings associations and their service corporations must be well managed and operate on a safe and sound basis. As part of meeting those requirements, each savings association and its service corporation must maintain sufficient liquidity to ensure its safe and sound operation. The Bank continued to maintain an adequate liquidity level at March 31, 2001.

The Bank's primary sources of funds include proceeds from payments and prepayments on mortgage loans and mortgage-backed securities, proceeds from maturities of investment securities, and increases in deposits. While maturities and scheduled amortization of loans and investment securities are predictable sources of funds, deposit inflows and mortgage prepayments are greatly influenced by local conditions, general interest rates, and regulatory changes.

At March 31, 2001, the Bank had outstanding commitments to originate $18.1 million of loans and to fund the undisbursed portion of loans in process of approximately $10.6 million and undisbursed lines of credit of approximately $37.4 million. The Bank believes that it will have sufficient funds available to meet its commitments. At March 31, 2001, certificates of deposit which were scheduled to mature in one year or less totaled $327.9 million. Management believes, based on past experience, that a significant portion of those funds will remain with the Bank.

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts (set forth in the table) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined). Management believes that, as of March 31, 2001, the Bank meets all capital adequacy requirements to which it is subject.

FFLC BANCORP, INC.

As of March 31, 2001, the most recent notification from the OTS categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum tangible, Tier I (core), Tier I (risk-based) and total risk-based capital percentages as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual capital amounts and percentages at March 31, 2001 are also presented in the table.

	Actual		Minimum For Capital Adequacy Purposes		To Cap Fo Corre P
	%	Amount	%	Amount	%
			($ in thousands)		
Stockholders' equity, and ratio to total assets	7.63%	$ 56,501			
Less: investment in nonincludable subsidiary		(484)			
Less: unrealized loss on securities available for sale		(377)			
Tangible capital, and ratio to adjusted total assets	7.52%	$ 55,640	1.5%	$ 11,099	
Tier 1 (core) capital, and ratio to adjusted total assets	7.52%	$ 55,640	3.0%	$ 22,198	5.0%
Tier 1 capital, and ratio to risk-weighted assets	11.90%	55,640	4.0%	$ 18,706	6.0%
Less: Nonincludable investment in 80% land loans		(548)			
Tier 2 capital (allowance for loan losses)		3,598			
Total risk-based capital,					

and ratio to risk-weighted assets	12.55%	$ 58,690	8.0%	$ 37,413	10.0%
Total assets		$ 740,781			
Adjusted total assets		$ 739,920			
Risk-weighted assets		$ 467,661			

FFLC BANCORP, INC.

The following table shows selected ratios for the periods ended or at the dates indicated:

	Three Months Ended March 31, 2001	Year Ended December 31, 2000	Three Mon Ended March 31 2000
Average equity as a percentage of average assets	8.27%	8.88%	9.42%
Total equity to total assets at end of period	8.16%	8.33%	9.34%
Return on average assets (1)	.79%	.82%	.88%
Return on average equity (1)	9.57%	9.24%	9.38%
Noninterest expense to average assets (1)	1.64%	1.76%	1.85%
Nonperforming assets to total assets at end of period	.49%	.39%	.45%
Operating efficiency ratio (1)	53.59%	54.44%	53.74%

(1) Annualized for the three months ended March 31, 2001 and 2000.

	At March 31, 2001	At December 31, 2000	At March 31, 2000
Weighted-average interest rates:			

Interest-earning assets:			
Loans receivable	8.11%	8.17%	7.94%
Securities	6.35%	6.50%	6.36%
Other interest-earning assets	5.82%	6.55%	6.71%
Total interest-earning assets	7.93%	8.02%	7.82%
Interest-bearing liabilities:			
Interest-bearing deposits	5.33%	5.29%	4.64%
Borrowed funds	6.08%	6.13%	5.99%
Total interest-bearing liabilities	5.48%	5.51%	4.88%
Interest-rate spread	2.45%	2.51%	2.94%

Change in Financial Condition

Total assets increased $29.0 million or 4.1%, from $711.5 million at December 31, 2000 to $740.5 million at March 31, 2001 primarily as a result of a $24.1 million increase in loans receivable, net, and an increase in cash and cash equivalents of $4.3 million. Deposits increased $22.1 million from $518.9 million at December 31, 2000 to $541.0 million at March 31, 2001. The $1.1 million net increase in stockholders equity during the three months ended March 31, 2001 resulted from net income of $1.4 million, credits to equity totaling $237,000 related to the change in unrealized gain on securities available for sale, and proceeds of $61,000 from stock options exercised, partially offset by repurchases of the Company's stock of $133,000 and dividends paid of $460,000.

FFLC BANCORP, INC.

Results of Operations

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest and dividend income of the Company from interest-earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average cost; (iii) net interest and dividend income; (iv) interest-rate spread; and (v) net interest margin. Yields and costs were derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods shown. The average balance of loans receivable includes loans on which the Company has discontinued accruing interest. The yields and costs include fees which are considered to constitute adjustments to yields.

	Three Months Ended			
	2001			
	Average Balance	Interest	Average Yield/ Cost	Av Ba
			($ in Thousan	
Interest-earning assets:				
Loans receivable	$ 628,834	12,949	8.24%	$ 51
Securities	43,613	714	6.55	3
Other interest-earning assets (1)	20,839	316	6.07	1

Total interest-earning assets	693,286	13,979	8.07	56
Noninterest-earning assets	30,640			2
Total assets	$ 723,926			$ 59
Interest-bearing liabilities:				
NOW and money-market accounts	87,405	580	2.65	7
Savings accounts	19,425	97	2.00	2
Certificates	407,708	6,256	6.14	32
Advances from Federal Home Loan Bank	123,000	1,896	6.17	9
Other borrowed funds	8,318	92	4.42	
Total interest-bearing liabilities	645,856	8,921	5.53	52
Noninterest-bearing deposits	12,825			1
Noninterest-bearing liabilities	5,388			
Stockholders' equity	59,857			5
Total liabilities and stockholders' equity	$ 723,926			$ 59
Net interest income		$ 5,058		
Interest-rate spread (2)			2.54%	
Net average interest-earning assets, net margin (3)	$ 47,430		2.92%	$ 4
Ratio of average interest-earning assets to average interest-bearing liabilities	1.07			

(1) Includes interest-bearing deposits, federal funds sold and Federal Home Loan Bank stock.

(2) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.

(3) Net interest margin is annualized net interest income divided by average interest-earning assets.

FFLC BANCORP, INC.

Comparison of the Three Months Ended March 31, 2001 and 2000

General Operating Results. Net income for the three-month period ended March 31, 2001 was $1.4 million compared to $1.3 million for the comparable 2000 period. An increase in net interest income of $333,000, partially offset by a $207,000 increase in noninterest expense contributed to the increase in net income.

Interest Income. Interest income increased $2.9 million, or 25.7%, from $11.1 million for the three-month period ended March 31, 2000 to $14.0 million for the three-month period ended March 31, 2001. The increase was due to a $123.4 million increase in the average balance of interest-earning assets outstanding during the three-month period ended March 31, 2001, compared to the 2000 period and an increase in the average yield earned on interest-earning assets from 7.81% for the three-month period ended March 31, 2000, to 8.07% for the three-month period ended March 31, 2001.

Interest Expense. Interest expense increased $2.5 million or 39.5%, from $6.4 million for the three-month period ended March 31, 2000 to $8.9 million for the three-month period ended March 31, 2001. The increase was primarily due to increases of $91.2 million and $34.4 million in average deposits and borrowed funds outstanding, respectively. Average deposits increased from $423.3 million outstanding during the three months ended March 31, 2000 to $514.5 million outstanding during the comparable period for 2001. Average borrowed funds increased from $96.9 million outstanding during the three months ended March 31, 2000 to $131.3 million outstanding during the three months ended March 31, 2001.

Noninterest Income. Noninterest income for the three-month period ended March 31, 2001 exceeded noninterest income for the three-month period ended March 31, 2000 by $68,000 mainly due to an increase in deposit account fees earned.

Noninterest Expense. Noninterest expense increased by $207,000, or 7.5% from the three-month period ended March 31, 2000 to the three-month period ended March 31, 2001. The increase was primarily due to increases in salaries and employee benefits of $67,000, occupancy expense of $58,000 and data processing expense of $22,000 related to the overall growth of the Company.

Income Tax Provision. The income tax provision increased from $855,000 (an effective tax rate of 39.4%) for the three-month period ended March 31, 2000 to $859,000 (an effective tax rate of 37.5%) for the corresponding period in 2001.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. The Company's market risk arises primarily from interest-rate risk inherent in its lending and deposit taking activities. The Company has little or no risk related to trading accounts, commodities or foreign exchange.

Management actively monitors and manages its interest rate risk exposure. The primary objective in managing interest-rate risk is to limit, within established guidelines, the adverse impact of changes in interest rates on the Company's net interest income and capital, while adjusting the Company's asset-liability structure to obtain the maximum yield-cost spread on that structure. Management relies primarily on its asset-liability structure to control interest rate risk. However, a sudden and substantial increase in interest rates could adversely impact the Company's earnings, to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent, or on the same basis. There have been no significant changes in the Company's market-risk exposure since December 31, 2000.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceeding to which FFLC Bancorp, Inc. or any of its subsidiaries is a party or to which any of their property is subject.

Item 2. Changes in Securities

Not applicable

Item 3. Default upon Senior Securities

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed as part of this report.

3.1 Certificate of Incorporation of FFLC Bancorp, Inc.*
3.2 Bylaws of FFLC Bancorp, Inc. ***
4.0 Stock Certificate of FFLC Bancorp, Inc.*
10.1 First Federal Savings Bank of Lake County Recognition and Retention Plan**
10.2 First Federal Savings Bank of Lake County Recognition and Retention Plan for Outside Directors**
10.3 FFLC Bancorp, Inc. Incentive Stock Option Plans for Officers and Employees**
10.4 FFLC Bancorp, Inc. Stock Option Plan for Outside Directors**

* Incorporated herein by reference into this document from the Exhibits to Form S-1, Registration Statement, initially filed on September 27, 1993, Registration No. 33-69466.

** Incorporated herein by reference into this document from the Proxy Statement for the Annual Meeting of Stockholders held on May 12, 1994.

*** Incorporated herein by reference into this document from the 2000 FFLC Bancorp, Inc. Form 10-K filed March 22, 2001.

(b) Reports on Form 8-K, there were no reports.

FFLC BANCORP, INC.

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.

FFLC BANCORP, INC.
(Registrant)

Date: April 26, 2001 By: /s/ Stephen T. Kurtz

Stephen T. Kurtz, President and Chief Executive Officer

Date: April 26, 2001 By: /s/ Paul K. Mueller

Paul K. Mueller, Executive Vice President and Treasurer