FFLC BANCORP INC
Form 10-Q
October 30, 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 September 30, 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

3,561,166 shares outstanding at October 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 September 30, 2001 (unaudited)
Assets	
Cash and due from banks	$ 18,396
Interest-bearing deposits	24,453
Cash and cash equivalents	42,849
Securities available for sale	56,172
Loans, net of allowance for loan losses of $4,210 in 2001 and $3,552 in 2000	675,526
Accrued interest receivable	4,114
Premises and equipment, net	13,887
Foreclosed real estate	163
Federal Home Loan Bank stock, at cost	7,450
Other assets	1,079
Total	$ 801,240
Liabilities and Stockholders' Equity	
Liabilities:	
Noninterest-bearing demand deposits	14,419
NOW and money-market accounts	104,857
Savings accounts	19,961
Certificates	431,001
Total deposits	570,238
Advances from Federal Home Loan Bank	149,000
Other borrowed funds	14,522
Accrued expenses and other liabilities	4,538
Total liabilities	738,298
Stockholders' equity:	
Preferred stock, $.01 par value, 1,000,000 shares authorized,	

none outstanding	--
Common stock, $.01 par value, 9,000,000 shares authorized, 4,539,332 in 2001 and 4,491,646 in 2000 shares issued	45
Additional paid-in-capital	31,328
Retained income	50,219
Accumulated other comprehensive income	685
Treasury stock, at cost (978,421 shares in 2001 and 959,085 shares in 2000)	(19,335)
Total stockholders' equity	62,942
Total	$ 801,240

See accompanying Notes to Condensed Consolidated Financial Statements.

FFLC BANCORP, INC.

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

	Three Months Ended September 30,	
	2001	2000
Interest income:		
Loans	$ 13,348	11,894
Securities available for sale	739	580
Other interest-earning assets	342	359
Total interest income	14,429	12,833
Interest expense:		
Deposits	6,747	6,198
Borrowed funds	2,315	1,815
Total interest expense	9,062	8,013
Net interest income	5,367	4,820
Provision for loan losses	225	210
Net interest income after provision for loan losses	5,142	4,610

Noninterest income:			
Deposit account fees	214	224	
Other service charges and fees	282	179	
Other	64	10	
Total noninterest income	560	413	
Noninterest expense:			
Salaries and employee benefits	1,847	1,666	
Occupancy	533	499	
Deposit insurance premiums	25	23	
Data processing	241	225	
Professional services	152	77	
Advertising and promotion	112	77	
Other	291	321	
Total noninterest expense	3,201	2,888	
Income before income taxes	2,501	2,135	
Income taxes	936	828	
Net income	$ 1,565	1,307	
Basic income per share of common stock	$ .44	.37	
Weighted-average number of shares outstanding for basic	3,557,820	3,540,284	3,
Diluted income per share of common stock	$ .43	.36	
Weighted-average number of shares outstanding for diluted	3,635,164	3,613,869	3,
Dividends per share	$ .13	.12	

See accompanying Notes to Condensed Consolidated Financial Statements

FFLC BANCORP, INC.

Condensed Consolidated Statement of Changes in Stockholders' Equity

Nine Months Ended September 30, 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)	--	--	--	4,
Net change in unrealized gain on securities available for sale, net of income taxes of $365 (unaudited)	--	--	--	-
Comprehensive income (unaudited)				
Net proceeds from the issuance of 47,686 shares of common stock, stock options exercised (unaudited)	--	318	--	-
Dividends paid (unaudited)	--	--	--	(1,
Purchase of treasury stock, 19,336 shares (unaudited)	--	--	(350)	-
Balance at September 30, 2001 (unaudited)	$ 45	31,328	(19,335)	50,

See accompanying Notes to Condensed Consolidated Financial Statements.

FFLC BANCORP, INC.

Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	20
Cash flows from operating activities:	
Net income	$ 4
Adjustments to reconcile net income to net cash provided by operations:	
Provision for loan losses	
Depreciation	
Credit for deferred income taxes	

Shares committed and dividends to incentive plan participants	
Net amortization of premiums or discounts on securities	
Net deferral of loan fees and costs	
Gain on sale of foreclosed real estate	
Increase in accrued interest receivable	
Decrease (increase) in other assets	
Increase in accrued expenses and other liabilities	

Net cash provided by operating activities	5

Cash flows from investing activities:	
Proceeds from maturities and principal repayments on securities available for sale	8
Purchase of securities available for sale	(21
Loan disbursements	(148
Principal repayments on loans	87
Purchase of premises and equipment, net	(3
Purchase of Federal Home Loan Bank stock	(1
Proceeds from sales of foreclosed real estate	

Net cash used in investing activities	(77

(continued)

FFLC BANCORP, INC.

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

	Nine Sep 2001
Cash flows from financing activities:	
Net increase in deposits	$ 51,353
Net increase in advances from Federal Home Loan Bank	26,000
Net increase in other borrowed funds	8,146
Issuance of common stock	318
Purchase of treasury stock	(350)
Dividends paid on common stock	(1,383)

Net cash provided by financing activities	84,084

Net increase (decrease) in cash and cash equivalents	12,368
Cash and cash equivalents at beginning of period	30,481

Cash and cash equivalents at end of period	$ 42,849
Supplemental disclosures of cash flow information: Cash paid during the period for:	
Interest	$ 26,957
Income taxes	$ 2,823
Noncash investing and financing activities:	
Accumulated other comprehensive income, net change in unrealized gain on securities available for sale, net of tax	$ 604
Transfers from loans to foreclosed real estate	$ 395
Loans originated on sales of foreclosed real estate	$ 89
Loans funded by and sold to correspondent	$ 11,542

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 September 30, 2001 and the results of operations for the three- and nine-month periods ended September 30, 2001 and 2000 and cash flows for the nine month periods ended September 30, 2001 and 2000. The results of operations for the three- and nine-month periods ended September 30, 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 "Bank"), its 90% owned subsidiary, First Alliance Title, LLC ("First Alliance") and the Bank's wholly-owned subsidiary, Lake County Service Corporation (together, the "Company"). During the third quarter of 2001, First Alliance was organized to facilitate the sale of title insurance. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. Loans. 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 September 30, 2001		At December 3
	Amount	% of Total	Amount
Mortgage loans:			
One-to-four-family	$ 415,598	59.90%	$ 409,600
Construction and land	21,912	3.16	13,006
Multi-family	20,118	2.90	17,602
Commercial real estate	103,734	14.95	79,729
Total mortgage loans	561,362	80.91	519,937
Consumer loans	114,448	16.49	95,824
Commercial loans	18,050	2.60	14,677
Total loans (1)	693,860	100.00%	630,438
Less:			
Loans in process	(14,745)		(12,128)
Unearned discounts, premiums and deferred loan fees, net (includes dealer prepaid fees)	621		726
Allowance for loan losses	(4,210)		(3,552)
Loans, net	$ 675,526		$ 615,484

(continued)

FFLC BANCORP, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

2. Loans, Continued.

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

At			
September 30, 2001		December 31, 2000	
Amount	% of Total	Amount	% of Total

Residential	$ 408,869	58.93%	$ 404,494	64.16%
Commercial	170,543	24.58	130,120	20.64
Consumer	114,448	16.49	95,824	15.20
	$ 693,860	100.00%	$ 630,438	100.00%

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 Nos. 114 and 118.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Beginning balance	$ 4,054	3,182	3,552	2,811
Provision for loan losses	225	210	825	670
Net loans charged-off	(69)	(15)	(167)	(104)
Ending balance	$ 4,210	3,377	4,210	3,377

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

	At	
	September 30, 2001	December 31, 2000
Loans identified as impaired:		
Gross loans with no related allowance for losses	$ --	--
Gross loans with related allowance for losses recorded	597	1,280
Less: Allowances on these loans	(240)	(192)
Net investment in impaired loans	$ 357	1,088

(continued)

FFLC BANCORP, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

3. Loan Impairment and Loan Losses, Continued. The average net investment in impaired loans and interest income recognized and received on impaired loans was as follows (in thousands):

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Average net investment in impaired loans	$ 364	1,088	723	1,117
Interest income recognized on impaired loans	$ --	12	81	26
Interest income received on impaired loans	$ --	12	81	26

During the second quarter of 2001, an impaired loan in the amount of $1.3 million was repaid.

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 weighted-average number of shares:

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000
Weighted-average shares of common stock issued and outstanding before adjustments for ESOP, RRP and common stock options	3,560,555	3,564,592
Adjustment to reflect the effect of unallocated ESOP and RRP shares	(2,735)	(24,308)
Weighted-average common shares for basic income per share	3,557,820	3,540,284
Basic income per share	$ .44	.37
Total weighted-average common shares and equivalents outstanding for basic income		

per share computation	3,557,820	3,540,284
Additional dilutive shares using the average market value for the period utilizing the treasury stock method regarding stock options	77,344	73,585
Weighted-average common shares and equivalents outstanding for diluted income per share	3,635,164	3,613,869
Diluted income per share	$ .43	.36

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 September 30, 2001, and for the three- and nine-month periods ended September 30, 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.

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 September 30, 2001, the related condensed consolidated statements of income for the three- and nine-month periods ended September 30, 2001 and 2000, the related condensed consolidated statement of changes in stockholders' equity for the nine-month period ended September 30, 2001 and the related condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2001 and 2000. 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 auditing standards generally accepted in the United States of America, 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 reviews, 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 accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, 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
October 5, 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 its wholly-owned subsidiary, First Federal Savings Bank of Lake County (the "Bank"), its 90% owned subsidiary, First Alliance Title, LLC and the Bank's wholly-owned subsidiary, Lake County Service Corporation (together, the "Company"). During the third quarter of 2001, First Alliance Title, LLC was created to facilitate the sale of title insurance. 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 September 30, 2001, cash, amounts due from depository institutions and interest-bearing deposits, totaled $42.8 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 be well managed and operate on a safe and sound basis. To meet those requirements, each savings association and its service corporation maintain sufficient liquidity to ensure its safe and sound operation. The Bank continued to maintain an adequate liquidity level at September 30, 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 and Federal Home Loan Bank advances. 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 September 30, 2001, the Bank had outstanding commitments to originate $12.5 million of loans and to fund the undisbursed portion of loans in process of approximately $14.7 million and undisbursed lines of credit of approximately $40.5 million. The Bank believes that it will have sufficient funds available to meet its commitments. At September 30, 2001, certificates of deposit which were scheduled to mature in one year or less totaled $323.2 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 below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined). Management believes, as of September 30, 2001, that the Bank meets all capital adequacy requirements to which it is subject.

FFLC BANCORP, INC.

As of September 30, 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 September 30, 2001 are also presented in the table.

	Actual		Minimum For Capital Adequacy Purposes		To Be Capit For P Correct Prov
	%	Amount	%	Amount	%
			($ in thousands)		
Stockholders' equity, and ratio to total assets	7.30%	$ 58,525			
Less: investment in nonincludable subsidiary		(455)			

Less: unrealized gain on securities available for sale		(726)			
Tangible capital, and ratio to adjusted total assets	7.17%	$ 57,344	1.5%	$ 12,002	
Tier 1 (core) capital, and ratio to adjusted total assets	7.17%	$ 57,344	3.0%	$ 24,004	5.0%
Tier 1 capital, and ratio to risk-weighted assets	11.16%	57,344	4.0%	$ 20,558	6.0%
Less: Nonincludable investment in 80% land loans		(434)			
Tier 2 capital (allowance for loan losses)		3,840			
Total risk-based capital, and ratio to risk-weighted assets	11.82%	$ 60,750	8.0%	$ 41,116	10.0%
Total assets		$ 801,329			
Adjusted total assets		$ 800,148			
Risk-weighted assets		$ 513,955			

FFLC BANCORP, INC.

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

	Nine Months Ended September 30, 2001	Year Ended December 31, 2000	S
Average equity as a percentage of average assets	8.11%	8.88%	
Total equity to total assets at end of period	7.86%	8.33%	

Return on average assets (1)	.79%	.82%
Return on average equity (1)	9.77%	9.24%
Noninterest expense to average assets (1)	1.63%	1.76%
Nonperforming assets to total assets at end of period	.28%	.39%
Operating efficiency ratio (1)	53.62%	54.44%

(1) Annualized for the nine months ended September 30, 2001 and 2000.

	At September 30, 2001	At December 31, 2000
Weighted-average interest rates:		
Interest-earning assets:		
Loans	7.82%	8.17%
Securities	5.63%	6.50%
Other interest-earning assets	4.08%	6.55%
Total interest-earning assets	7.51%	8.02%
Interest-bearing liabilities:		
Interest-bearing deposits	4.50%	5.29%
Borrowed funds	5.60%	6.13%
Total interest-bearing liabilities	4.75%	5.51%
Interest-rate spread	2.76%	2.51%

Change in Financial Condition

Total assets increased $89.7 million or 12.6%, from $711.5 million at December 31, 2000 to $801.2 million at September 30, 2001, primarily as a result of an increase in net loans of $60.0 million. Deposits increased $51.4 million from $518.9 million at December 31, 2000 to $570.2 million at September 30, 2001. The $3.7 million net increase in stockholders equity during the nine months ended September 30, 2001 resulted from net income of $4.5 million, proceeds of $.3 million from stock options exercised and an increase of $.6 million in accumulated other comprehensive income, partially offset by repurchases of the Company's stock of $.4 million and dividends paid of $1.4 million.

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 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	Ave Bal
			($ in Thous	
Interest-earning assets:				
Loans	$ 664,371	13,348	8.04%	$ 58
Securities	53,351	739	5.54	3
Other interest-earning assets (1)	32,033	342	4.27	2
Total interest-earning assets	749,755	14,429	7.70	63
Noninterest-earning assets	34,629			2
Total assets	$ 784,384			$ 66
Interest-bearing liabilities:				
NOW and money-market accounts	100,664	574	2.28	8
Savings accounts	19,617	95	1.94	1
Certificates	425,005	6,078	5.72	36
Advances from Federal Home Loan Bank	144,054	2,177	6.04	10
Other borrowed funds	13,160	138	4.19	
Total interest-bearing liabilities	702,500	9,062	5.16	58
Noninterest-bearing deposits	13,837			1
Noninterest-bearing liabilities	5,853			
Stockholders' equity	62,194			5
Total liabilities and stockholders' equity	$ 784,384			$ 66
Net interest income		$ 5,367		
Interest-rate spread (2)			2.54%	
Net average interest-earning assets, net interest margin (3)	$ 47,255		2.86%	$ 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 net interest income divided by average interest-earning assets.

16

FFLC BANCORP, INC.

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 includes loans on which the Company has discontinued accruing interest. The yields and costs include fees which are considered to constitute adjustments to yields.

	Nine Months End		
	2001		
	Average Balance	Interest	Average Yield/ Cost
			($ in Th
Interest-earning assets:			
Loans	$ 646,659	39,643	8.17%
Securities	48,141	2,180	6.04
Other interest-earning assets (1)	24,774	929	5.00
Total interest-earning assets	719,574	42,752	7.92
0			
Noninterest-earning assets	32,412		
Total assets	$ 751,986		
Interest-bearing liabilities:			
NOW and money-market accounts	93,539	1,740	2.48
Savings accounts	19,545	298	2.03
Certificates	416,563	18,687	5.98
Advances from Federal Home Loan Bank	131,436	6,039	6.13
Borrowed funds	10,749	368	4.56

Total interest-bearing liabilities	671,832	27,132	5.38
Noninterest-bearing deposits	13,343		
Noninterest-bearing liabilities	5,818		
Stockholders' equity	60,993		
Total liabilities and stockholders' equity	$ 751,986		
Net interest income		$ 15,620	
Interest-rate spread (2)			2.54%
Net average interest-earning assets, net interest margin (3)	$ 47,742		2.89%
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 net interest income divided by average interest-earning assets.

FFLC BANCORP, INC.

Comparison of the Three Months Ended September 30, 2001 and 2000

General Operating Results. Net income for the three-month period ended September 30, 2001 was $1.6 million, or $.44 per basic and $.43 per diluted share, respectively, compared to $1.3 million, or $.37 per basic and $.36 per diluted share, respectively, for the comparable period in 2000. The increase in net income was primarily a result of an increase of $1.6 million in interest income, partially offset by increases of $1.0 million in interest expense and $313,000 in noninterest expense.

Interest Income. Interest income increased $1.6 million or 12.4%, from $12.8 million for the three-month period ended September 30, 2000 to $14.4 million for the three-month period ended September 30, 2001. The increase was due to a $112.5 million or 17.6% increase in average interest-earning assets outstanding for the three months ended September 30, 2001 compared to the 2000 period, partially offset by an decrease in the average yield earned on interest-earning assets from 8.05% for the three months ended September 30, 2000 to 7.70% for the three months ended September 30, 2001.

Interest Expense. Interest expense increased $1.0 million or 13.1%, from $8.0 million for the three-month period ended September 30, 2000 to $9.1 million for the three-month period ended September 30, 2001. The increase was due to increases of $73.3 million and $41.3 million in average interest-bearing deposits and borrowings outstanding, respectively. Average interest-bearing deposits increased from $472.0 million outstanding during the three months ended September 30, 2000 to $545.3 million outstanding during the comparable period for 2001. Average borrowings increased from $116.0 million during the three months ended September 30, 2000 to $157.2 million for the comparable 2001 period. The average yield paid on interest-bearing liabilities decreased from 5.45% for the three months ended September 30, 2000 to 5.16% for the comparable 2001 period.

Noninterest Income. Noninterest income increased $147,000 or 35.6% from $413,000 during the 2000 period to $560,000 during the 2001 period. The increase was mainly due to a $103,000 increase in other service charges and fees.

Noninterest Expense. Noninterest expense increased by $313,000 or 10.8% from $2.9 million for the three-month period ended September 30, 2000 to $3.2 million for the three-month period ended September 30, 2001. The increase was primarily due to increases of $181,000 in salaries and employee benefits, $34,000 in occupancy expense and $75,000 in professional services related to the overall growth of the Company.

Income Tax Provision. The income tax provision increased from $828,000 for the three-month period ended September 30, 2000 (an effective tax rate of 38.8%) to $936,000 (an effective tax rate of 37.4%) for the corresponding period in 2001.

FFLC BANCORP, INC.

Comparison of the Nine-Month Periods Ended September 30, 2001 and 2000

General Operating Results. Net income for the nine-month period ended September 30, 2001 was $4.5 million, or $1.26 per basic and $1.23 per diluted share, respectively, compared to $4.0 million, or $1.13 per basic and $1.10 per diluted share, respectively, for the comparable period in 2000. The increase was primarily due to an increase in interest income of $6.9 million, partially offset by increases in interest expense of $5.7 million and noninterest expense of $781,000.

Interest Income. Interest income increased $6.9 million or 19.4%, from $35.8 million for the nine-month period ended September 30, 2000 to $42.8 million for the comparable period in 2001. The increase was due to a $117.6 million or 19.5% increase in average interest-earning assets outstanding for the nine months ended September 30, 2001 compared to the 2000 period, partially offset by a decrease in the average yield earned on interest-earning assets from 7.93% for the nine months ended September 30, 2000 to 7.92% for the nine months ended September 30, 2001.

Interest Expense. Interest expense increased $5.7 million or 26.6%, from $21.4 million for the nine-month period ended September 30, 2000 to $27.1 million for the nine-month period ended September 30, 2001. The increase was due to increases of $82.8 million and $36.2 million in average interest-bearing deposits and borrowings outstanding, respectively. Average interest-bearing deposits increased from $446.9 million outstanding during the nine months ended September 30, 2000 to $529.6 million outstanding during the comparable period for 2001. Average borrowings increased from $106.0 million outstanding during the nine months ended September 30, 2000 to $142.2 million for the comparable 2001 period. The average yield paid on interest-bearing liabilities increased from 5.17% for the nine months ended September 30, 2000 to 5.38% for the comparable 2001 period.

Noninterest Income. Noninterest income increased $310,000 or 24.6% from $1.3 million for the nine-months ended September 30, 2000 to $1.6 million for the comparable 2001 period. This increase was primarily due to an increase of $226,000 in other service charges and fees.

Noninterest Expense. Noninterest expense increased by $781,000 or 9.26%, from $8.4 million for the nine-month period ended September 30, 2000 to $9.2 million for the nine-month period ended September 30, 2001. The increase was primarily due to increases in salaries and employee benefits of $378,000, occupancy expense of $135,000 and advertising and promotion expense of $91,000 related to the overall growth of the Company.

Income Tax Provision. The income tax provision increased from $2.5 million for the nine-month period ended September 30, 2000 (an effective tax rate of 38.9%) to $2.7 million (an effective tax rate of 37.5%) for the corresponding period for 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 has been no significant change 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 4. Submission of Matters to a Vote of Security Holders

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 on Form 8-K filed during the three months ended September 30, 2001.

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: October 25, 2001 By: /s/ Stephen T. Kurtz

Stephen T. Kurtz, President and Chief Executive Officer

Date: October 25, 2001 By: /s/ Paul K. Mueller

Paul K. Mueller, Executive Vice President and Treasurer