FFLC BANCORP INC
Form 10-Q
April 23, 2004

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, 2004

OR

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

For the transition period from __________________ to __________________

Commission file number 0-22608

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12B-2 of the Exchange Act): 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	5,398,054 shares outstanding at April 19, 2004

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FFLC BANCORP, INC.

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FFLC BANCORP, INC.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	At March 31, 2004 (unaudited)	At December 31, 2003
Assets		
Cash and due from banks	$ 42,676	35,072
Interest-earning deposits	28,913	27,088
Cash and cash equivalents	71,589	62,160
Securities available for sale	75,165	82,137
Loans, net of allowance for loan losses of $5,646 in 2004 and $5,490 in 2003	795,433	767,987
Accrued interest receivable	3,598	3,849
Premises and equipment, net	21,933	21,448
Foreclosed assets	1,048	881
Federal Home Loan Bank stock, at cost	6,650	6,900
Deferred income taxes	1,008	1,134
Other assets	5,614	1,418
Total	$ 982,038	947,914
Liabilities and Stockholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	36,412	31,481
NOW and money-market accounts	178,164	161,527
Savings accounts	27,215	26,636
Certificates	494,743	485,945
Total deposits	736,534	705,589
Advances from Federal Home Loan Bank	133,000	133,000
Other borrowed funds	17,978	17,786
Junior subordinated debentures	5,155	5,155
Accrued expenses and other liabilities	10,437	9,028
Total liabilities	903,104	870,558
Stockholders' equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, none outstanding	--	--
Common stock, $.01 par value, 15,000,000 shares authorized, 6,397,702 in 2004 and 6,397,202 in 2003 shares issued	64	64
Additional paid-in-capital	31,841	31,837

Retained income	66,634	65,071
Accumulated other comprehensive income	311	297
Treasury stock, at cost (1,000,148 shares in 2004 and 1,000,048 shares in 2003)	(19,916)	(19,913)
Total stockholders' equity	78,934	77,356
Total	$ 982,038	947,914

See accompanying Notes to Condensed Consolidated Financial Statements.

FFLC BANCORP, INC.

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

	Three Months Ended March 31, 2004	2003
Interest income:		
Loans	$ 12,492	12,722
Securities	603	588
Other	125	267
Total interest income	13,220	13,577
Interest expense:		
Deposits	3,736	4,415
Borrowed funds	1,934	2,127
Total interest expense	5,670	6,542
Net interest income	7,550	7,035
Provision for loan losses	339	406
Net interest income after provision for loan losses	7,211	6,629
Noninterest income:		
Deposit account fees	259	231
Other service charges and fees	450	584
Net gain on sales of loans held for sale	150	271
Other	119	197

Total noninterest income	978	1,283
Noninterest expense:		
Salaries and employee benefits	2,660	2,446
Occupancy and equipment	702	648
Data processing	391	273
Advertising and promotion	164	137
Professional services	132	103
Other	518	515
Total noninterest expense	4,567	4,122
Income before income taxes	3,622	3,790
Income taxes	1,358	1,436
Net income	$ 2,264	2,354
Basic income per share	$ .42	.44
Weighted-average number of shares outstanding for basic	5,394,301	5,373,607
Diluted income per share	$ .41	.43
Weighted-average number of shares outstanding for diluted	5,488,954	5,479,331
Dividends per share	$ .13	.10

See accompanying Notes to Condensed Consolidated Financial Statements

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FFLC BANCORP, INC.

Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

Three Months Ended March 31, 2004 and 2003
($ in thousands)

	Common Stock		Additional		
	Number of Shares	Amount	Paid-In Capital	Treasury Stock	Ret In

Balance at December 31, 2002	4,574,944	$ 46	31,638	(19,667)	58
Comprehensive income:					
Net income (unaudited)	--	--	--	--	2
Change in unrealized gains on securities available for sale, net of income tax benefit of $52 (unaudited)	--	--	--	--	
Change in unrealized loss on derivative instrument, net of income tax benefit of $6 (unaudited)	--	--	--	--	
Comprehensive income (unaudited)					
Net proceeds from the issuance of common stock, stock options exercised (unaudited)	4,227	--	40	--	
Dividends paid (unaudited)	--	--	--	--	
Purchase of treasury stock, 2,605 shares (unaudited)	--	--	--	(89)	
Three-for-two stock split (unaudited)	1,792,269	18	(18)	--	
Balance at March 31, 2003 (unaudited)	6,371,440	$ 64	31,660	(19,756)	60

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FFLC BANCORP, INC.

Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited), Continued

Three Months Ended March 31, 2004 and 2003
($ in thousands)

	Common Stock				
	Number of Shares	Amount	Additional Paid-In Capital	Treasury Stock	Ret In
Balance at December 31, 2003	6,397,202	$ 64	31,837	(19,913)	65
Comprehensive income:					

Net income (unaudited)	--	--	--	--	2
Change in unrealized gains on securities available for sale, net of income tax of $37 (unaudited)	--	--	--	--	
Change in unrealized loss on derivative instrument, net of income tax benefit of $29 (unaudited)	--	--	--	--	
Comprehensive income (unaudited)					
Net proceeds from the issuance of common stock, stock options exercised (unaudited)	500	--	4	--	
Dividends paid (unaudited)	--	--	--	--	
Purchase of treasury stock, 100 shares (unaudited)	--	--	--	(3)	
Balance at March 31, 2004 (unaudited)	6,397,702	$ 64	31,841	(19,916)	66

See accompanying Notes to Condensed Consolidated Financial Statements.

FFLC BANCORP, INC.

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

	Three Months Ended March 31, 2004	2003
Cash flows from operating activities:		
Net income	$ 2,264	2,354
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	339	406
Depreciation and amortization	327	301
Deferred income taxes	118	(164)
Net amortization of premiums and discounts on securities	111	235
Net amortization of deferred loan fees and costs	31	(134)
Net gain on sales of loans held for sale	(150)	(271)
Loans originated for sale	(7,162)	(16,339)
Proceeds from sales of loans held for sale	8,541	16,556
Decrease in accrued interest receivable	251	461
Increase in other assets	(4,196)	(65)
Increase in accrued expenses and other liabilities	1,332	4,216

Net cash provided by operating activities	1,806	7,556
Cash flows from investing activities:		
Purchase of securities available for sale	(52)	(19,596)
Proceeds from principal repayments and maturities on securities available for sale	7,012	7,827
Loan disbursements	(61,792)	(65,800)
Principal repayments on loans	32,172	66,532
Purchase of premises and equipment, net	(812)	(549)
Net proceeds from sales of foreclosed assets	408	541
Redemption of Federal Home Loan Bank stock	250	--
Net cash used in investing activities	(22,814)	(11,045)
Cash flows from financing activities:		
Net increase in deposits	30,945	26,160
Net increase in other borrowed funds	192	2,778
Issuance of common stock	4	40
Purchase of treasury stock	(3)	(89)
Cash dividends paid	(701)	(544)
Net cash provided by financing activities	30,437	28,345
Net increase in cash and cash equivalents	9,429	24,856
Cash and cash equivalents at beginning of period	62,160	69,394
Cash and cash equivalents at end of period	$ 71,589	94,250

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FFLC BANCORP, INC.

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

	Three Month March 2004
Supplemental disclosures of cash flow information-	
Cash paid during the period for:	
Interest	$ 5,649
Income taxes	$ 28

Noncash investing and financing activities:	
Accumulated other comprehensive income:	
Net change in unrealized gain on securities available for sale, net of tax	$ 62
Net change in unrealized loss on derivative instrument, net of tax	$ (48)
Transfers from loans to foreclosed assets	$ 575
Loans funded by and sold to correspondent	$ 2,089

See accompanying Notes to Condensed Consolidated Financial Statements.

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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 "Holding Company"), the accompanying condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position at March 31, 2004 and the results of operations and cash flows for the three-month periods ended March 31, 2004 and 2003. The results of operations for the three-month period ended March 31, 2004, are not necessarily indicative of results that may be expected for the year ending December 31, 2004.

   The condensed consolidated financial statements include the accounts of the Holding Company and its two subsidiaries, First Federal Savings Bank of Lake County (the "Bank") and First Alliance Title, LLC and the Bank's wholly-owned subsidiary, Lake County Service Corporation (together, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. First Alliance Title, LLC ceased operations in November 2003.

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

	At March 31, 2004		At December 31
	Amount	% of Total	Amount
First mortgage loans secured by:			
One-to-four-family residential *	$ 394,010	47.80%	$ 384,514
Construction and land	50,815	6.17	43,575
Multi-family units	13,421	1.63	12,453
Commercial real estate, churches and other	172,918	20.98	167,381

Total first mortgage loans	631,164	76.58	607,923
Consumer loans	160,533	19.48	155,438
Commercial loans	32,509	3.94	33,990
Total loans (1)	824,206	100.00%	797,351
Undisbursed portion of loans in process	(23,891)		(24,573)
Net deferred loan costs	764		699
Allowance for loan losses (2)	(5,646)		(5,490)
Loans, net	$ 795,433		$ 767,987

* Includes $14.4 million and $15.6 million of loans held for sale at March 31, 2004 and December 31, 2003, respectively.

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

	At March 31, 2004		At December 31, 2003	
	Amount	% of Total	Amount	% of Total
Residential	$ 381,300	46.26%	$ 372,551	46.72%
Commercial	279,590	33.92	265,655	33.32
Consumer	163,316	19.82	159,145	19.96
	$ 824,206	100.00%	$ 797,351	100.00%

(continued)

FFLC BANCORP, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

2. Loans, Continued.

(2) Total allowance for loan losses by department consist of the following ($ in thousands):

At March 31, 2004		At December 31, 2003	
Amount	% to Gross Loans	Amount	% to Gross Loans

Residential	$ 840	.22%	$ 911	.24%
Commercial	3,545	1.27	3,371	1.27
Consumer	1,261	.77	1,208	.76
	$ 5,646	.69%	$ 5,490	.69%

Total gross loans originated by department, including unfunded construction and line of credit loans, consist of the following (in thousands):

	Three Months Ended March 31, 2004	2003
Residential	$ 37,413	45,013
Commercial	37,966	25,898
Consumer	26,631	20,973
	$ 102,010	91,884

3. Loan Impairment and Loan Losses. The Company prepares a quarterly review of the adequacy of the allowance for loan losses to 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, 2004	2003
Balance at January 1	$ 5,490	5,181
Provision for loan losses	339	406
Net loans charged-off	(183)	(276)
Balance at March 31	$ 5,646	5,311

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FFLC BANCORP, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

3. Loan Impairment and Loan Losses, Continued. The following summarizes the amount of impaired loans, all of which were collateral dependent (in thousands):

	At March 31, 2004	At December 31, 2003
Loans identified as impaired:		
Gross loans with no related allowance for losses	$ 2,979	2,971
Gross loans with related allowance for losses recorded	400	400
Less: Allowances on these loans	(50)	(50)
Net investment in impaired loans	$ 3,329	3,321

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, 2004	Three Months Ended March 31, 2003
Average net investment in impaired loans	$ 3,325	443
Interest income recognized on impaired loans	$ 6	2
Interest income received on impaired loans	$ 6	2

Nonaccrual and accruing past due loans were as follows (in thousands):

	At March 31, 2004	At December 31, 2003
Nonaccrual loans	$ 4,553	5,287
Accruing loans past due ninety days or more	--	--
Total	$ 4,553	5,287

(continued)

4. Income Per Share of Common Stock. Basic income per share of common stock has been computed by dividing the net income for the period by the weighted-average number of shares outstanding. Shares of common stock purchased by the Retention and Recognition Plan ("RRP") are only considered outstanding when the shares are released or committed to be released for allocation to participants. Diluted 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. All per share amounts reflect the three-for-two stock split declared on February 14, 2003. The following table presents the calculation of basic and diluted income per share of common stock:

	Three Month March 2004
Weighted-average shares of common stock issued and outstanding before adjustments for RRP and common stock options	5,397,321
Adjustment to reflect the effect of unallocated RRP average shares	(3,020)
Weighted-average shares for basic income per share	5,394,301
Basic income per share	$ .42
Total weighted-average common shares and equivalents outstanding for basic income per share computation	5,394,301
Additional dilutive shares using the average market value for the period utilizing the treasury stock method regarding stock options	94,653
Weighted-average common shares and equivalents outstanding for diluted income per share	5,488,954
Diluted income per share	$ .41

5. Stock Split. On February 14, 2003, the Board of Directors declared a three-for-two stock split on all outstanding common shares for shareholders of record on February 28, 2003, which were distributed on March 14, 2003. Stockholders received cash in lieu of fractional shares resulting from the split based on the closing price on the record date.

(continued)

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

6. Stock Option Plans. During 2002, the Company adopted a new stock option plan (the "2002 Plan") which authorizes the Company to issue up to 375,000 shares (adjusted) in connection with options granted to directors, officers or employees of the Company. The terms and vesting periods will be determined as each option is granted, but the option price cannot be less than the then current market value of the common stock at the grant date. No options had been granted under the 2002 Plan through March 31, 2004.

The Company also has a 1993 stock option plan (the "1993 Plan") under which common shares are authorized to be issued in connection with options granted to directors, officers and employees of the Company. Options granted under the 1993 Plan are exercisable at the market price of the common stock at the date of grant. Incentive stock options granted to officers and employees are exercisable in three equal annual installments, with the first installment becoming exercisable one year from the date of grant. Options granted to outside directors are exercisable immediately, but any common shares obtained from exercise of the options may not be sold prior to one year from the date of grant. All options expire at the earlier of ten years for officers and employees or twenty years for directors from the date of grant or one year following the date which the outside director, officer or employee ceases to serve in such capacity. All authorized options under the 1993 Plan have been granted.

The following is a summary of stock option transactions during the three-month periods ended March 31, 2004 and 2003 (All options and option price per share information has been adjusted to reflect the three-for-two stock split in 2003):

	Number of Options	Range of Exercise Prices	Weighted-Average Exercise Price
Outstanding, December 31, 2002	152,327	$ 4.00-14.17	6.61
Exercised	(6,340)	4.00-10.20	6.45
Outstanding, March 31, 2003	145,987	$ 4.00-14.17	6.53
Outstanding, December 31, 2003	170,796	$ 4.00-26.74	12.61
Exercised	(500)	8.00	8.00
Outstanding, March 31, 2004	170,296	$ 4.00-26.74	12.62

(continued)

6. Stock Option Plans, Continued. No stock options were granted under the

plans during the three-month periods ended March 31, 2004 or 2003. SFAS No. 123 requires pro forma fair value disclosures if the intrinsic value method is being utilized to value stock-based compensation awards. For purposes of pro forma disclosures, the estimated fair value of stock options granted is included in expense in the period vesting occurs. The proforma information has been determined as if the Company had accounted for its stock options under the fair value method of SFAS No. 123. The Company accounts for its stock option plans under the recognition and measurement principles of APB No. 25. No stock-based employee compensation cost is reflected in net income during the periods presented, as all stock options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and basic and diluted income per share as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation ($ in thousands, except per share data):

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Weighted-average grant-date fair value of stock options issued during the period	$ N/A	N/A
Net income, as reported	$ 2,264	2,354
Deduct: Total stock-based employee compensation determined under the fair value based method for all awards, net of related tax effect	(39)	--
Proforma net income	$ 2,225	2,354
Basic income per share, as reported	$ .42	.44
Proforma basic income per share	$ .41	.44
Diluted income per share, as reported	$ .41	.43
Proforma diluted income per share	$ .41	.43

7. Reclassifications. Certain amounts in the 2003 condensed consolidated financial statements have been reclassified to conform to the 2004 presentation.

FFLC BANCORP, INC.

Review by Independent Accountants

Hacker, Johnson & Smith PA, the Company's independent accountants, have made a limited review of the financial data as of March 31, 2004, and for the three-month periods ended March 31, 2004 and 2003 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 Accountants

FFLC Bancorp, Inc.
Leesburg, Florida:

We have reviewed the accompanying condensed consolidated balance sheet of FFLC Bancorp, Inc. and Subsidiaries (the "Company") as of March 31, 2004, and the related condensed consolidated statements of income, changes in stockholders' equity and cash flows for the three-month periods ended March 31, 2004 and 2003. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews 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, 2003, 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 16, 2004 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, 2003, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
Orlando, Florida
April 7, 2004

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 the Bank's wholly-owned subsidiary, Lake County Service Corporation ("LCSC") (together, the "Company"). The Holding Company's other subsidiary, First Alliance Title, LLC ceased operations in November 2003. 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 borrowings and principal repayments on loans and investments and funds generated from operations in loans. Those loans are primarily loans secured by first mortgage on one-to-four-family homes or commercial real estate. The Bank also makes commercial and consumer loans and, to a lesser extent, construction, land and multi-family mortgage loans. In addition, the Bank holds investments permitted by federal laws and regulations including securities issued by the U.S. Government and its agencies. The Bank's revenues are derived principally from interest on its loan and securities portfolios. The Bank is a member of the Federal Home Loan Bank ("FHLB") system and its deposits are insured up 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 fifteen full-service banking facilities in Lake, Sumter, Citrus and Marion Counties, Florida. The Bank is in the process of constructing its sixteenth branch in Sumter County which it expects to open during the second quarter of 2004.

The Company's results of operations depend primarily on its 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, 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.

Off-Balance Sheet Arrangements

The Company'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 advances from the Federal Home Loan Bank and other borrowed funds. 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.

To meet the financing needs of its customers, the Company is a party to financial instruments with off-balance sheet risk in the normal course of business. In the event of nonperformance by the other party to the off-balance sheet financial instrument, the Company's exposure to credit loss is the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments. A summary of the contractual amounts of the Company's financial instruments with off-balance sheet risk at March 31, 2004 follows (in thousands):

Commitments to extend credit	$ 31,254
Unused lines of credit	$ 87,393
Undisbursed portion of loans in process	$ 23,891
Standby letters of credit	$ 3,311

Capital Resources

The Company believes that it will have sufficient funds available to meet its commitments. At March 31, 2004, certificates of deposit which were scheduled to mature in one year or less totaled $284.9 million. Based on past experience, management believes that a significant portion of those funds will remain with the Company.

Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can result in regulators initiating 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, 2004, the Bank meets all capital adequacy requirements to which it is subject.

As of March 31, 2004, 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, 2004 are also presented in the table.

	Actual		Minimum For Capital Adequacy Purposes		To Be W Capitali For Pro Corrective Provisi	
	%	Amount	%	Amount	%	
			($ in thousands)			
Stockholders' equity, and ratio to total assets	8.31%	$ 81,581				
Less: investment in nonincludable subsidiary		(4,452)				
Less: unrealized gain on securities available for sale		(485)				
Tangible capital, and ratio to adjusted total assets	7.85%	$ 76,644	1.5%	$ 14,653		
Tier 1 (core) capital, and ratio to adjusted total assets	7.85%	$ 76,644	3.0%	$ 29,306	5.0%	$
Tier 1 capital, and ratio to risk-weighted assets	11.61%	76,644	4.0%	$ 26,398	6.0%	$
Tier 2 capital (allowance for loan losses)		5,560				
Total risk-based capital, and ratio to risk-weighted assets	12.46%	$ 82,204	8.0%	$ 52,796	10.0%	$
Total assets		$ 981,796				
Adjusted total assets		$ 976,857				
Risk-weighted assets		$ 659,946				

FFLC BANCORP, INC.

Selected Financial Data

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

	Three Months Ended March 31, 2004	Year Ended December 31, 2003	Three M Ende March 200
Average equity as a percentage of average assets	8.17%	8.02%	7.77
Total equity to total assets at end of period	8.04%	8.16%	7.65
Return on average assets (1)	.94%	.98%	1.01
Return on average equity (1)	11.53%	12.23%	13.01
Noninterest expense to average assets (1)	1.90%	1.86%	1.77
Nonperforming assets to total assets at end of period	.57%	.65%	.39
Operating efficiency ratio (1)	53.55%	51.66%	49.56

(1) Annualized for the three months ended March 31, 2004 and 2003.

	At March 31, 2004	At December 31, 2003	At March 2003
Weighted-average interest rates:			
Interest-earning assets:			
Loans	6.34%	6.45%	6.99
Securities	3.14%	3.24%	4.37
Other interest-earning assets	1.44%	1.45%	1.66
Total interest-earning assets	5.89%	5.96%	6.34
Interest-bearing liabilities:			
Interest-bearing deposits	2.13%	2.22%	2.62
Borrowed funds	4.91%	4.93%	4.98
Total interest-bearing liabilities	2.61%	2.70%	3.09
Interest-rate spread	3.28%	3.26%	3.25

Changes in Financial Condition

Total assets increased $34.1 million or 3.6%, from $947.9 million at December 31, 2003 to $982.0 million at March 31, 2004, primarily as a result of a $27.4 million increase in net loans and an increase in cash and cash equivalents of $9.4 million. Deposits increased $30.9 million from $705.6 million at December 31, 2003 to $736.5 million at March 31, 2004. The $1.6 million net increase in stockholders' equity during the three months ended March 31, 2004 resulted primarily from net income of $2.3 million less dividends paid of $701,000.

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 costs; (iii) net interest/dividend income; (iv) interest-rate spread; and (v) net interest margin. Yields and costs were derived by dividing annualized 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 certain fees which are considered to constitute adjustments to yields.

	Three Months Ended M			
	2004			
	Average Balance	Interest and Dividends	Average Yield/ Cost	Ave Bal
	($ in thousands)			
Interest-earning assets:				
Loans	$ 784,943	12,492	6.37%	$ 73
Securities	86,045	603	2.80	8
Other interest-earning assets (1)	27,111	125	1.84	5
Total interest-earning assets	898,099	13,220	5.89	88
Noninterest-earning assets	63,347			5
Total assets	$ 961,446			$ 93
Interest-bearing liabilities:				
NOW and money-market accounts	169,469	165	.39	14
Savings accounts	26,724	36	.54	2
Certificates	488,287	3,535	2.90	48
Federal Home Loan Bank advances	133,000	1,814	5.46	14
Other borrowings (2)	22,307	120	2.15	2

Total interest-bearing liabilities	839,787	5,670	2.70	82
Noninterest-bearing deposits	33,954			2
Noninterest-bearing liabilities	9,131			1
Stockholders' equity	78,574			7
Total liabilities and stockholders' equity	$ 961,446			$ 93
Net interest income		$ 7,550		
Interest-rate spread (3)			3.19%	
Net interest-earning assets, net margin (4)	$ 58,312		3.36%	$ 5
Ratio of interest-earning assets to interest-bearing liabilities	1.07			

(1) Includes interest-earning deposits and Federal Home Loan Bank stock.

(2) Includes other borrowed funds and junior subordinated debentures.

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

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

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Comparison of the Three-Month Periods Ended March 31, 2004 and 2003

General Operating Results. Net income for the three-month period ended March 31, 2004 was $2.3 million, or $.42 per basic share and $.41 per diluted share, compared to $2.4 million, or $.44 per basic share and $.43 per diluted share, for the comparable period in 2003. All per share information has been presented to reflect the three-for-two stock split in 2003. The $90,000 decrease in net income resulted primarily from an increase in noninterest expense of $445,000 and a decrease in noninterest income of $305,000, not withstanding a $515,000 increase in net interest income.

Interest Income. Interest income decreased $357,000 to $13.2 million for the three-month period ended March 31, 2004, when compared to the three-month period ended March 31, 2003. The decrease was due to a decrease in the average yield earned on interest-earning assets from 6.17% for the three months ended March 31, 2003 to 5.89% for the three months ended March 31, 2004. The decrease in yield was partially offset by a $17.6 million or 2.0% increase in average interest-earning assets outstanding for the three months ended March 31, 2004.

Interest Expense. Interest expense decreased $872,000 or 13.3%, from $6.5

million for the three-month period ended March 31, 2003 to $5.7 million for the three-month period ended March 31, 2004. The decrease was primarily due to a decrease in the average cost of interest-bearing liabilities from 3.16% for the three months ended March 31, 2003 to 2.70% for the comparable 2004 period, partially offset by an increase of $12.9 million or 1.6% in average interest-bearing liabilities outstanding. Average interest-bearing deposits increased from $657.7 million outstanding during the three months ended March 31, 2003 to $684.5 million outstanding during the comparable period for 2004. Average borrowings decreased from $169.2 million during the three months ended March 31, 2003 to $155.3 million for the comparable 2004 period.

Provision for Loan Losses. The provision for loan losses is charged to income to increase the total loan loss allowance to a level deemed appropriate by management. The provision is based upon the volume and type of lending conducted by the Company, the Company's charge-off experience, industry standards, the amount of nonperforming loans, general economic conditions, particularly as they relate to the Company's market area, and other factors related to the collectibility of the Company's loan portfolio. The Company recorded provisions for loan losses for the three-month periods ended March 31, 2004 and 2003 of $339,000 and $406,000, respectively. Net loans charged off for the three-month periods ended March 31, 2004 and 2003 were $183,000 and $276,000, respectively. Management believes that the allowance for loan losses, which was $5.6 million or .69% of gross loans at March 31, 2004 is adequate.

Noninterest Income. Noninterest income decreased $305,000 or 23.8% from $1.3 million during the 2003 period to $1.0 million during the 2004 period. The decrease was primarily due to a $121,000 decrease in gain on sales of loans held for sale and a $212,000 decrease in other service charges and fees and other noninterest income. These decreases resulted from a slowdown in the Company's mortgage refinancing activities as interest rates began to steady during the period. During the three months ended March 31, 2004, the Company originated $7.2 million of loans intended to be sold in the secondary market compared to the $16.3 million originated in the first three months in 2003.

Noninterest Expense. Noninterest expense increased by $445,000 or 10.8% from $4.1 million for the three-month period ended March 31, 2003 to $4.6 million for the three-month period ended March 31, 2004. The increase was primarily due to increases of $214,000 in salaries and employee benefits, $118,000 in data processing expense and $54,000 in occupancy expense all related to the overall growth of the Company.

Income Taxes. The Company made a provision for $1.4 million for income taxes for the three-month period ended March 31, 2003 (an effective tax rate of 37.9%) and $1.4 million (an effective tax rate of 37.5%) for the corresponding period in 2004.

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 the 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, and is effected by 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, 2003. The Company does not believe that the interest rate swap entered into in September 2002 exposes the Company to significant interest rate risk.

Item 4. Controls and Procedures

a. Evaluation of disclosure controls and procedures. The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, the Chief Executive and Chief Financial officers of the Company concluded that the Company's disclosure controls and procedures were adequate.

b. Changes in internal controls. The Company made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the Chief Executive and Chief Financial officers.

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, Use of Proceeds and Issuer Purchases of Equity Securities

Common Stock. The following table shows information relating to the repurchase of shares of its common stock by the Holding Company during the three months ended March 31, 2004:

	Total Number of Shares	Average Price Paid	Total Number of Shares Purchased as Part of Publicly Announced Plans or	Maximum Number of Shares that May Yet Be Purchased Under the Plans or

	Purchased	Per Share	Programs	Programs
January	100	$ 29.34	100	232,573
February	--	--	--	232,573
March	--	--	--	232,573
Total	100	$ 29.34	100	232,573

Junior Subordinated Debentures. The Holding Company has the right at one or more times, unless an event of default exists under the floating rate junior subordinated deferrable interest debentures due September 26, 2032 (the "Debentures"), to defer interest payments on the Debentures for up to twenty consecutive quarterly periods. During that time, the Holding Company will be prohibited from declaring or paying cash dividends on its common stock.

Item 3. Defaults 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**

31.1 Certification of Chief Executive Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act

31.2 Certification of Chief Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act

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

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

* 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 September 30, 1999 FFLC Bancorp, Inc. Form 10-Q filed November 3, 1999.

(b) The following Form 8-K was filed during the three-month period ended March 31, 2004:

On January 16, 2004, the Registrant filed a Form 8-K as notification that the Registrant issued a press release on January 16, 2004 announcing the Registrant's earnings for the fourth quarter and fiscal year ending December 31, 2003 and the declaration of a dividend.

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 hereunto duly authorized.

Date: April 23, 2004

FFLC Bancorp, Inc.

By: /s/ Stephen T. Kurtz

Name: Stephen T. Kurtz, President and Chief Executive Officer

By: /s/ Paul K. Mueller

Name: Paul K. Mueller, Executive Vice President and Treasurer