FFLC BANCORP INC
Form 10-K
March 22, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C 20549

FORM 10-K

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

For the fiscal year ended December 31, 2000 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

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.01 per share

(Title of Class)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or other information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

The aggregate market value of the voting stock held by nonaffiliates of the registrant was $48,618,472 and is based upon the last sales price as quoted on the NASDAQ Stock Market for March 13, 2001.

The Registrant had 3,534,590 shares outstanding as of March 13, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Annual Report to Stockholders for the Fiscal Year Ended December 31, 2000. (Part II and IV)

2. Portions of Proxy Statement for the 2000 Annual Meeting of Stockholders. (Part III)

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

Business

FFLC Bancorp, Inc., ("FFLC" or the "Company") was incorporated in Delaware on September 16, 1993, and acquired First Federal Savings Bank of Lake County (the "Bank") in connection with the Bank's conversion to stock form on January 4, 1994. The Company is a savings and loan holding company subject to regulation by the Office of Thrift Supervision ("OTS") which transacts its business through its subsidiary, the Bank. At December 31, 2000, the Company had total assets of $711.5 million and stockholders' equity of $59.3 million.

The Bank was established in 1934 as a federally-chartered mutual savings and loan association. The Bank is a member of the Federal Home Loan Bank ("FHLB") System and its deposit accounts are insured to the maximum allowable amount by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2000, the Bank had total assets of $711.5 million and stockholders' equity of $56.1 million.

The principal business of the Bank is attracting retail deposits from the general public and investing those deposits, together with payments and repayments on loans and investments and funds generated from operations, primarily in mortgage loans secured by one-to-four-family, owner-occupied homes, commercial real estate loans and securities, and, to a lesser extent, construction, commercial, 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 Bank's revenues are derived principally from interest on its loans and mortgage-backed securities portfolios and interest and dividends on its investment securities.

Market Area and Competition

The Bank is a community-oriented savings institution offering a variety of financial services to meet the needs of the communities it serves. The Bank's deposit gathering and lending markets are primarily concentrated in the communities surrounding its full service offices located in Lake, Sumter and Citrus counties in central Florida. The Bank's competition for loans comes principally from commercial banks, savings institutions, and mortgage banking companies. The Bank's most direct competition for savings has historically come from commercial banks, savings institutions and credit unions. The Bank faces additional competition for savings from money-market mutual funds and other corporate and government securities funds. The Bank also faces increased competition for deposits from other financial intermediaries such as securities brokerage firms and insurance companies.

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. To that end, management actively monitors and manages its interest-rate risk exposure. The measurement of market risk associated with financial instruments is meaningful only when all related and offsetting on- and off-balance-sheet transactions are aggregated, and the resulting net positions are identified. Disclosures about the fair value of financial instruments, which reflect changes in market prices and rates, can be found in Note 9 of Notes to Consolidated Financial Statements.

The Company's primary objective in managing interest-rate risk is to minimize the adverse impact of changes in interest rates on the Bank's net interest income and capital, and to adjust the Company's asset-liability structure to obtain the maximum yield-cost spread on that structure. The Company relies primarily on its asset-liability management to control interest-rate risk. However, a sudden and substantial increase in interest rates may 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. The Company does not engage in trading activities.

Lending Activities

Loan Portfolio. The Bank's loan portfolio consists primarily of conventional first mortgage loans secured by one-to-four-family residences. At December 31, 2000, the Bank's total gross loans outstanding were $630.4 million, of which $409.6 million or 64.96% of the Bank's total loan portfolio were one-to-four-family residential first mortgage loans. Of the one-to-four-family residential mortgage loans outstanding at that date, 34.80% were fixed rate loans and 65.20% were adjustable-rate ("ARM") loans. At the same date, commercial real estate loans and other loans on improved real estate totaled $79.7 million, or 12.65% of the Bank's total loan portfolio; construction (excluding construction/permanent loans) and land loans totaled $13.0 million or 2.06% of the Bank's total loan portfolio; and multi-family mortgage loans totaled $17.6 million or 2.79% of the Bank's total loan portfolio. Consumer, commercial and other loans held by the Bank, which principally consist of home equity loans, deposit, consumer, commercial and other loans, totaled $110.5 million or 17.53% of the Bank's total loan portfolio at December 31, 2000.

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The following table sets forth the composition of the Bank's loan portfolio in dollar amounts and percentages at the dates indicated:

	1996		1997		
	Amount	% of Total	Amount	% of Total	Am
			(Dollars in thousands)		
Mortgage loans:					
One-to-four-family	$ 191,788	80.95%	$ 245,524	74.64%	$ 28

Construction and land	5,489	2.32%	3,528	1.07%	1
Multi-family	4,180	1.76%	4,464	1.36%	
Commercial real estate and other	13,565	5.73%	37,975	11.54%	4
Total mortgage loans	215,022	90.76%	291,491	88.61%	34
Consumer loans	21,899	9.24%	32,834	9.98%	4
Commercial loans	--	--	4,632	1.41%	1
Total loans receivable (1)	236,921	100.00%	328,957	100.00%	40
Less:					
Loans in process	(8,007)		(12,253)		(1
Unearned discounts, premiums and deferred loan fees, net	97		333		
Allowance for loan losses	(1,063)		(1,684)		(
Loans receivable, net	$ 227,948		$ 315,353		$ 38

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

Residential			$ 253,159	76.96%	$ 28
Commercial			42,964	13.06%	7
Consumer			32,834	9.98%	4
			$ 328,957	100.00%	$ 40

	1999		2000	
	Amount	% of Total	Amount	% of Total
One-to-four-family	$ 354,317	68.28%	$ 409,600	64.97%
Construction and land	11,861	2.29%	13,006	2.06%
Multi-family	13,394	2.58%	17,602	2.79%
Commercial real estate and other	61,052	11.76%	79,729	12.65%
Total mortgage loans	440,624	84.91%	519,937	82.47%

Consumer loans	64,042	12.34%	95,824	15.20%
Commercial loans	14,285	2.75%	14,677	2.33%
Total loans receivable (1)	518,951	100.00%	630,438	100.00%
Less:				
Loans in process	(15,907)		(12,128)	
Unearned discounts, premiums and deferred loan fees, net	668		726	
Allowance for loan losses	(2,811)		(3,552)	
Loans receivable, net	$ 500,901		$ 615,484	
(1) Total loans receivable outstanding by department consists of the following:				
Residential	$ 353,422	68.10%	$ 404,494	64.16%
Commercial	101,487	19.56%	130,120	20.64%
Consumer	64,042	12.34%	95,824	15.20%
	$ 518,951	100.00%	$ 630,438	100.00%

Purchase of Mortgage Loans. From time to time, the Bank purchases mortgage loans originated by other lenders but has not purchased any mortgage loans in recent years. At December 31, 2000, $1.5 million, or .24% of the Bank's total loan portfolio consisted of purchased mortgage loans or loan participations. Purchased mortgage loans consist primarily of one-to-four-family residential mortgage loans.

Secondary Market Activities. The Bank participates in the secondary market through a correspondent relationship, originating loans (primarily 30-year fixed-rate loans) which are funded by the investor correspondent. Funding by the correspondent eliminates the Bank's interest-rate risk on such loans. Such loans are closed on the Bank's documents with funds provided by the investor correspondent at closing with all credit conditions established by the investor correspondent being satisfied prior to the issuance of a loan commitment. The Bank receives a fee for originating, processing and closing the loans and reports the loans to the OTS as loans originated and sold. In the year ended December 31, 2000, such loans amounted to $1.1 million or .9% of total mortgage loans originated.

Loan Originations, Sales and Principal Repayments. The following table sets forth the Bank's loan originations, sales and principal repayments for the periods indicated.

	Year Ended December 31,		
	1998	1999	2
		(In thousands)	
Mortgage loans (gross):			
At beginning of year	$ 291,491	347,431	440
Mortgage loans originated:			
One-to-four-family	107,418	136,456	106
Construction and land	1,193	2,387	3
Multi-family	634	1,037	3
Commercial real estate	10,230	14,345	9
Total mortgage loans originated	119,475	154,225	123
Mortgage loans purchased	--	--	
Total mortgage loans originated and purchased	119,475	154,225	123
Transfer of loans to real estate owned	(193)	(425)	
Principal repayments	(54,959)	(53,619)	(42
Sales of loans (1)	(8,383)	(6,988)	(1
At end of year	$ 347,431	440,624	519
Consumer loans (gross):			
At beginning of year	32,834	43,490	64
Loans originated	27,264	40,873	60
Principal repayments	(16,608)	(20,321)	(28
At end of year	$ 43,490	64,042	95
Commercial loans (gross):			
At beginning of year	4,632	10,532	14
Loans originated	13,055	6,924	5
Principal repayments	(7,155)	(3,171)	(5
At end of year	$ 10,532	14,285	14

(1) Represents loans originated for and funded by correspondents of $8.4 million, $7.0 million and $1.1 million for 1998, 1999 and 2000, respectively.

Maturities of Loans. The following table shows the contractual maturities of the

Bank's loan portfolio at December 31, 2000. Loans that have adjustable rates are shown as amortizing to final maturity rather than when the interest rates are next subject to change. The table does not include prepayments or scheduled principal repayments. Prepayments and scheduled principal repayments on the Bank's loans totaled $77.8 million, $77.1 million and $74.7 million for the years ended December 31, 1998, 1999 and 2000, respectively.

	Mortgage Loans			
	One-to-Four-Family	Other	Commercial Loans	Consu Loan
			(In thousands)	
Amounts due:				
Within 1 year	$ 3,120	10,118	1,531	5,4
1 to 3 years	2,154	24,200	6,330	17,7
3 to 5 years	2,341	9,201	5,715	33,7
5 to 10 years	9,914	12,317	1,101	16,3
10 to 20 years	62,925	39,918	--	22,5
Over 20 years	329,146	14,583	--	
Total due after 1 year	406,480	100,219	13,146	90,4
Total amounts due	409,600	110,337	14,677	95,8
Loans in process	(12,046)	--	--	(
Net deferred loan fees and costs	726	--	--	
Allowance for loan losses	(609)	(1,909)	(326)	(7
Loans receivable, net	$ 397,671	108,428	14,351	95,0

Loans Due After December 31, 2001. The following table sets forth at December 31, 2000, the dollar amount of all loans due or scheduled to reprice after December 31, 2001, classified according to whether such loans have fixed or adjustable interest rates.

	Due after December 31, 2001		
	Fixed	Adjustable	Total
		(In thousands)	
Mortgage loans:			
One-to-four-family	$141,263	265,217	406,480
Construction and land	3,677	5,381	9,058
Multi-family	2,305	13,508	15,813
Commercial real estate	25,878	49,470	75,348
Consumer loans	80,936	9,475	90,411
Commercial loans	5,829	7,317	13,146

Total	$259,888	350,368	610,256

One-to-Four-Family Mortgage Lending. The Bank's primary lending emphasis is on the origination of first mortgage loans secured by one-to-four-family residences within its primary lending area. Such residences are primarily single family homes, including condominium and townhouses, that serve as the primary residence of the owner. To a lesser degree, the Bank makes loans on residences used as second homes or as investments. The Bank also offers second mortgage loans which are underwritten applying the same standards as for first mortgage loans.

In the years ended December 31, 1998, 1999 and 2000, the Bank's total mortgage loan originations amounted to $119.5 million, $154.2 million and $123.4 million, respectively, of which $107.4 million, $136.5 million and $106.2 million, respectively, were secured by one-to-four-family properties.

At December 31, 2000, 64.96% of total loans receivable consisted of one-to-four-family residential loans, of which 65.20% were ARM loans. The Bank's ARM loans may carry an initial interest rate which is less than the fully indexed rate for the loan. The initial discounted rate is determined by the Bank in accordance with market and competitive factors. The Bank offers one-, three-, and five-year ARM loans which adjust by a maximum of 2% per adjustment period, with lifetime caps on increases of 5% to 6%, depending upon the program chosen.

The Bank's policy on one-to-four-family residential mortgage loans generally is to lend up to 80% of the appraised value of property securing the loan, or up to 95% if private mortgage insurance is obtained on the amount of the loan which exceeds 80%.

Commercial and Multi-Family Real Estate Lending. As of December 31, 2000, $79.7 million, or 12.65% of the Bank's total loan portfolio consisted of commercial real estate loans and $17.6 million, or 2.79% of the Bank's total loan portfolio, consisted of multi-family residential loans.

The commercial real estate loans in the Bank's portfolio consist of fixed-rate and ARM loans which were originated at prevailing market rates. The Bank's policy has been to originate commercial or multi-family loans only in its primary market area. Commercial and multi-family residential loans are generally made in amounts up to 80% of the appraised value of the property. In making such loans, the Bank primarily considers the net operating income generated by the real estate to support the debt service, the financial resources and income level and managerial expertise of the borrower, the marketability of the property and the Bank's lending experience with the borrower.

Commercial Loans. As of December 31, 2000, $14.7 million or 2.33% of the Bank's total loan portfolio, consisted of commercial loans.

Construction and Land Loans. The Bank originates loans to finance the construction of one-to-four-family homes and, to a much lesser extent, originates loans for the acquisition and development of land (either unimproved land or improved lots) on which the purchaser can then build. At December 31, 2000, construction (excluding construction/permanent loans) and land loans totaled $13.0 million or 2.06% of the Bank's total loan portfolio.

At December 31, 2000, the Bank had loans in process (undisbursed loan proceeds of construction loans) of $12.1 million which were mainly secured by residential mortgages. The Bank makes residential construction loans to homeowners on a long-term basis with amortization beginning at the conclusion of construction, usually a period of about six months. Such loans are carried in the one-to-four-family category and are not separately classified as construction loans. Residential construction loans to builders are carried in the construction and land category.

Construction and land loans also include construction loans for one-to-four-family residential property for which the borrower will obtain permanent financing from another lender. Such loans bear a fixed rate of interest that equals prime plus 1.0% during the construction period. The Bank obtains a commitment for the permanent financing from the other lender prior to originating the construction loan.

Consumer Lending. At December 31, 2000, $95.8 million or 15.20% of the Bank's total loan portfolio consisted of consumer loans, including home equity loans of $28.4 million, lines of credit of $9.5 million, direct auto and truck loans of $12.8 million, indirect auto and truck loans of $20.8 million, home improvement loans and other secured consumer loans of $13 million, lot loans of $10.4 million and unsecured personal loans of $933,000.

The Bank's home equity loans are originated on one-to-four-family residences, either on a fixed-rate basis with terms of up to 15 years or as balloon loans with terms up to five years with fifteen year amortization periods. Those loans are generally limited to aggregate outstanding indebtedness on the property securing the loan of 90% of the loan to value ratio. The Bank also offers home equity lines of credit, which bear prime-based adjustable interest rates with terms up to fifteen years. Such loans generally require monthly payments of interest plus 1.5% of the balance outstanding.

Consumer loans are offered primarily on a fixed-rate, short-term basis. Except for second mortgage loans which are underwritten pursuant to the standards applicable to one-to-four-family residential loans, the underwriting standards employed by the Bank for consumer loans include a determination of the applicant's payment history on other debts and an assessment of the borrower's ability to make payments on the proposed loan and other indebtedness.

Loan Approval and Authority. Mortgage loan approval authority for loans exceeding $1,000,000 is vested in the Executive Committee of the Board which meets weekly to consider loan recommendations of the Loan Committee. The Loan Committee is comprised of three outside directors, the President and the Senior Lending Officers of the Bank and has been delegated authority to approve mortgage loans, home equity loans, home equity lines of credit and secured consumer loans up to $1,000,000.

The Bank's policy is to require title and hazard insurance on all real estate loans, except home equity loans for which a title search is conducted in lieu of obtaining title insurance. Borrowers may be permitted to pay real estate taxes and hazard insurance premiums applicable to the secured property for a mortgage loan. In some instances, borrowers may be required to advance funds together with each payment of principal and interest to a mortgage escrow account from which the Bank makes disbursements for items such as real estate taxes, hazard insurance premiums and private mortgage insurance premiums.

Asset Quality

Delinquent Loans and Nonperforming Assets. Loans are generally placed on nonaccrual status when the collection of principal or interest is 90 days or more past due, or earlier if collection is deemed uncertain. The Bank provides an allowance for accrued interest deemed uncollectible. Accrued interest receivable is reported net of the allowance for uncollected interest. Loans may be reinstated to accrual status when all payments are brought current and, in the opinion of management, collection of the remaining balance can be reasonably expected.

At December 31, 1998, 1999 and 2000, delinquencies in the Bank's loan portfolio were as follows:

	At December 31, 1998				A	
	60-89 Days		90 Days or More		60-89 Da	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Pr B of
One-to-four-family	--	$ --	3	$ 87	3	$
Construction and land	--	--	6	343	1	
Multi-family	--	--	--	--	--	
Commercial real estate	--	--	--	--	--	
Total mortgage loans	--	--	9	430	4	
Consumer loans	4	40	3	14	7	
Other loans	--	--	--	--	--	
Total loans	4	$ 40	12	$ 444	11	$
Delinquent loans to total loans		.01%		.11%		

At December 31, 2000			
60-89 Days		90 Days or More	
Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans

	(Dollars in thousands)			
One-to-four-family	5	$ 427	10	$ 980
Construction and land	--	--	2	213
Multi-family	--	--	--	--
Commercial real estate	--	--	1	1,279
Total mortgage loans	5	427	13	2,472
Consumer loans	3	32	2	8
Other loans	3	260	1	30
Total loans	11	$ 719	16	$2,510
Delinquent loans to total loans		.11%		.40%

Nonperforming Assets. The following table sets forth information with respect to the Bank's nonperforming assets at the dates indicated.

	At December 31,				
	1996	1997	1998	1999	2
	(Dollars in thousands)				
Nonaccrual mortgage loans	$ 613	242	434	853	1
Nonaccrual commercial and consumer loans	53	--	10	1,509	1
Total nonperforming loans	666	242	444	2,362	2
Real estate owned	361	507	366	400	
Total nonperforming assets	$1,027	749	810	2,762	2
Nonperforming loans to total loans	.28%	.07%	.11%	.46%	
Total nonperforming assets to total assets	.30%	.19%	.17%	.47%	

At December 31, 2000, the Bank had no accruing loans which were contractually past due 90 days or more as to principal and interest and no troubled debt restructurings as defined by Statement of Financial Accounting Standards No. 15. Nonaccrual loans for which interest has been reduced totaled approximately $2.5 million, $2.4 million and $444,000 at December 31, 2000, 1999 and 1998, respectively. For the year ended December 31, 2000, interest income that would have been recorded under the original terms of nonaccrual loans at December 31, 2000 and interest income actually recognized is summarized below (in thousands):

Interest income that would have been recorded	$ 323
Interest income recognized	(93)
Interest income foregone	$ 230

Classified Assets. Federal regulations and the Bank's policy require the classification of loans and other assets, such as debt and equity securities, considered to be of lesser quality as "substandard", "doubtful" or "loss" assets. An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the institution will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full", on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. In addition, the Bank's policies require that assets which do not currently expose the insured institution to sufficient risk to warrant classification as substandard but possess other weaknesses are designated "special mention" by management.

If an asset is classified, the estimated fair value of the asset is determined and if that value is less than the then carrying value of the asset, the difference is established as a specific reserve. If an asset is classified as loss, the amount of the asset classified as loss is reserved. General reserves or general valuation allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities but, unlike specific reserves, are not allocated to particular assets.

The following table sets forth information concerning the number and dollar amount of loans and real estate owned classified as "special mention" or "substandard" at the dates indicated. No loans or real estate owned were classified "doubtful" or "loss" at those dates.

	Special Mention		Substandard	
	Number	Amount	Number	Amount
	(Dollars in thousands)			
At December 31, 2000:				
Loans	10	$1,829	20	$2,923

Real estate owned:				
One-to-four-family properties	--	--	3	208
Other	--	--	6	68
Total	10	$1,829	29	$3,199
At December 31, 1999:				
Loans	10	1,090	25	3,014
Real estate owned:				
One-to-four-family properties	--	--	8	389
Other	--	--	1	11
Total	10	$1,090	34	$3,414

Allowance for Loan Losses. The Bank's allowance for loan losses is established and maintained through a provision for loan losses based on management's evaluation of the risk inherent in its loan portfolio and the condition of the local economy in the Bank's market area. Such evaluation, which includes a review of all loans on which full collectibility may not be reasonably assured, considers, among other matters, the estimated fair value of the underlying collateral, economic and regulatory conditions, and other factors that warrant recognition in providing for an adequate loan loss allowance. Although management believes it uses the best information available to make determinations with respect to the Bank's allowance for loan losses, future adjustments may be necessary if economic conditions vary substantially from the economic conditions in the assumptions used in making the initial determinations or if other circumstances change.

The following table sets forth the Bank's allowance for loan losses at the dates indicated, the provisions made and the charge-offs and recoveries effected during the years indicated.

	At or For the Year Ended December 31,			
	1996	1997	1998	1999
	(Dollars in thousands)			
Balance at beginning of year	$ 977	1,063	1,684	2,283
Provision for loan losses	107	649	682	719
Charge-offs:				
One-to-four-family	(9)	(12)	(80)	--
Construction and land	--	--	--	(44)
Multi-family	--	--	--	--
Commercial real estate	--	--	--	--

Commercial and consumer loans	(12)	(16)	(6)	(166)
Total charge-offs by category	(21)	(28)	(86)	(210)
Recoveries	--	--	3	19
Balance at end of year	$ 1,063	1,684	2,283	2,811

The following table sets forth the ratios of the Bank's charge-offs and allowances for losses for the years indicated.

	1996	1997	1998	199
Net charge-offs during the year as a percentage of average loans outstanding during the year	.01%	.01%	.03%	.0
Allowance for loan losses as a percentage of gross loans receivable at end of year	.45%	.51%	.57%	.5
Allowance for loan losses as a percentage of total nonperforming assets at end of year	103.51%	224.83%	281.85%	101.7
Allowance for loan losses as a percentage of nonperforming loans at end of year	159.61%	695.87%	514.19%	119.0

The following table sets forth the Bank's specific and general allowance for possible loan losses by type of loan for the years indicated.

	At December 31,						
	1996		1997		1998		
	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	A
					(Dollars in thousands)		

At end of year allocated to:							
One-to-four-family	$ 302	80.95%	$ 507	74.64%	$ 575	70.59%	$
Construction and land	152	2.32	240	1.07	338	2.91	
Multi-family	169	1.76	268	1.36	295	2.04	
Commercial real estate	165	5.73	383	11.54	565	11.01	
Consumer loans	275	9.24	229	9.98	304	10.83	
Commercial loans	--	--	57	1.41	206	2.62	
Total	$1,063	100.00%	$1,684	100.00%	$2,283	100.00%	$

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Investment Activities

The investment policy of the Bank, which is established by the Board of Directors and implemented by the Chief Executive Officer who is designated as the Investment Officer, is designed primarily to provide and maintain liquidity, to generate a favorable return on investments without incurring undue interest rate and credit risk, and to complement the Bank's lending activities. In establishing its investment strategies, the Bank considers its business and growth plans, the economic environment, the types of securities to be held and other factors. Federally chartered savings institutions have the authority to invest in various types of assets, including U.S. Treasury obligations, securities of various federal agencies, certain certificates of deposit of insured banks and savings institutions, certain bankers acceptances, repurchase agreements, loans on federal funds, and, subject to certain limits, commercial paper and mutual funds.

On January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115. That statement requires investment and mortgage-backed securities that the Company has the positive intent and ability to hold to maturity to be classified as held-to-maturity securities and reported at amortized cost. Securities that are held principally for selling in the near term are to be classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings. Securities not classified as either held-to-maturity securities or trading securities are to be classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of stockholders' equity.

The Company adopted FAS 133 effective July 1, 1999. As allowed by this standard, the Company reclassified all securities held to maturity with a book value of $14,784,000 and a market value of $14,969,000 to available for sale on July 1, 1999.

Mortgage-Backed Securities

The Bank invests in collateralized mortgage obligations ("CMOs") and mortgage-backed securities such as government pass-through certificates. At December 31, 2000, the Bank's mortgage-backed securities portfolio totaled $14.4 million, or 2.02% of total assets. The mortgage-backed securities are not due at a single maturity date, and accordingly, contractual maturity information is not presented herein. CMOs, net of related premiums and discounts, totaled $942,000 or 6.54% of total mortgage-backed securities.

CMOs are typically issued by a special purpose entity, which may be organized in any of a variety of legal forms, such as a trust, a corporation or a partnership. The entity combines pools of pass-through securities, which are used to collateralize the mortgage related securities. Once combined, the cash flows can be divided into different "tranches" or "classes" of securities, thereby creating more predictable average lives for each tranch or class than is provided by the underlying pass-through pools. Under this structure, all principal repayments from the various mortgage pools can be allocated to a mortgage-related securities class or classes structured to have priority until it has been paid off. Thus, these securities are designed to address the reinvestment concerns associated with mortgage-backed security pass-throughs, namely that they tend to pay off more rapidly when interest rates fall. The Bank's CMOs have coupon rates ranging from 7.25% to 7.56% and had a weighted average yield of 7.36% at December 31, 2000.

The Bank's policy is to purchase CMOs rated AA or better by nationally recognized rating services. The majority of the CMOs owned by the Bank are insured or guaranteed either directly or indirectly, through mortgage-backed securities underlying the obligations issued by FNMA, FHLMC or GNMA.

The Company's mortgage-backed securities consist of securities issued by the Government National Mortgage Association ("GNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal National Mortgage Association ("FNMA").

These mortgage-backed securities totaled $13.4 million or 93.46% of total mortgage-backed securities. Other mortgage-backed securities consist of pass-through certificates issued by the FNMA, FHLMC or GNMA.

The following table sets forth mortgage-backed security purchases, sales, amortization and repayments during the periods indicated:

	Year Ended December 31,		
	1998	1999	2000
	(In thousands)		
At beginning of year	$ 38,291	24,784	17,490
Purchases	6,025	--	1,005
Amortization and repayments	(19,553)	(7,334)	(4,096)
Change in unrealized loss on securities available for sale	21	40	(5)
At end of year	$ 24,784	17,490	14,394

Investment Securities

At December 31, 2000, the Bank held $28.4 million in investment securities, all of which were classified available for sale, consisting of $18.0 million in U.S. Government and agency securities, $9.0 million in mutual funds and $1.4 million in other investment securities. In addition, the Bank holds $14.4 million in interest-earning deposits and $6.2 million of FHLB of Atlanta stock.

The following table sets forth certain information regarding the amortized cost and market values of the Bank's interest-earning deposits, FHLB stock and investment securities at the dates indicated:

	At December 3			
	1998		1999	
	Amortized Cost	Market Value	Amortized Cost	Ma Va
			(In thousands)	
Interest-earning deposits	$13,413	13,413	17,026	17
FHLB stock	$ 2,800	2,800	4,950	4
Investment securities:				
Held-to-maturity:				
SBA-related investment securities	$ 2,320	2,366	--	
Available-for-sale:				
U.S. Government and agency securities	4,036	4,058	8,998	8
Other investment securities	97	99	1,666	1
Investment in mutual funds	9,238	9,131	9,065	8
Total available-for-sale	$13,371	13,288	19,729	19

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The following table sets forth information concerning the amortized cost and weighted average yields by maturity on investment securities and FHLB stock at December 31, 2000.

	Due Within One Year		Due After One Through Five Years	
	Amortized Cost	Annualized Weighted Average Yield	Amortized Cost	Annualized Weighted Average Yield
			(Dollars in thousands)	
FHLB stock (no defined maturity)	$ 6,150	7.75%		

	=======	====		
Investment securities:				
U.S. Government and agency obligations	$ 4,994	5.79%	$12,855	5.81%
Other investment securities	--		--	--
Mutual funds (no defined maturity)	9,130	6.44%	--	--
	-----	-----	-------	-------
Total investment securities	$14,124	6.21%	$12,855	5.81%
	=======	=======	=======	=====

	Due After 10 Years		Total	
	Amortized Cost	Annualized Weighted Average Yield	Amortized Cost	Approximate Market Value
FHLB stock (no defined maturity)			$ 6,150	$ 6,150
			=======	=======
Investment securities:				
U.S. Government and agency obligations	$ --	-- %	$17,849	17,968
Other investment securities	1,365	7.63%	1,365	1,376
Mutual funds (no defined maturity)	--	--	9,130	8,979
Total investment securities	$ 1,365	7.63%	$28,344	$28,323
	=======	=========	=======	=======

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Sources of Funds

General. Repayments and maturities of mortgage-backed and investment securities, loan repayments, deposits and cash flows generated from operations are the primary sources of the Bank's funds for use in lending, investing and for other general purposes.

Deposits. The Bank offers a variety of deposit accounts having a range of interest rates and terms. The Bank's deposits consist of regular savings, non-interest-bearing checking, NOW checking, money market and certificate accounts. Of the deposit accounts at December 31, 2000, $41.0 million or 7.91% consist of individual retirement accounts ("IRAs").

The Bank seeks to retain core deposits consisting of passbook and statement savings, money market, noninterest-bearing checking, and NOW accounts, which contribute to a low cost of funds. Such core deposits represented 26.2%, 25.5% and 22.9% of total deposits at December 31, 1998, 1999 and 2000, respectively.

The following table shows the distribution of the Bank's deposits by type at the dates indicated and the weighted-average nominal interest rates on each category of deposits presented at December 31, 2000 (dollars in thousands).

	At December 31,				
	1998		1999		
	Amount	Percent of Total Deposits	Amount	Percent of Total Deposits	Amount
Demand accounts:					
Noninterest-bearing checking	$ 8,379	2.39%	$ 11,100	2.58%	$ 13,335
NOW and money-market accounts	60,437	17.21	77,293	18.01	86,509
Passbook and statement savings	23,038	6.56	21,110	4.92	19,143
Total	91,854	26.16	109,503	25.51	118,987
Certificate accounts:					
1-3 months	9,549	2.72	8,552	1.99	19,141
91 day	379	.11	358	.08	220
182 day	11,391	3.25	9,741	2.27	6,630
7 months	--	--	5,748	1.34	50
9 months	12,411	3.53	5,975	1.39	8,631
10 months	654	.19	20,729	4.83	4,772
12 months	31,697	9.03	31,298	7.29	25,047
12 month IRA	12,527	3.57	10,211	2.38	7,143
13 months	24,835	7.07	10,486	2.44	61
14 months	--	--	--	--	137,618
18 months	2,485	.71	6,637	1.55	12,647
20 months	93,181	26.55	63,454	14.79	24
21 months	--	--	--	--	24,432
22 months	--	--	108,261	25.22	101,945
24 months	29,429	8.38	16,031	3.73	15,784
25 months	--	--	--	--	17,609
30 months	6,482	1.85	4,970	1.16	8,869
36 months	--	--	--	--	100
60 months	24,156	6.88	17,320	4.03	9,175
Total	259,176	73.84	319,771	74.49	399,898

Total deposits	$351,030	100.00%	$429,274	100.00%	$518,885
	=======	=======	========	=======	========

The following table presents the deposit activity of the Bank for the years indicated.

	Year Ended December 31,		
	1998	1999	2000
	(In thousands)		
Deposits	$ 1,003,698	1,414,959	1,898,
Withdrawals	(979,194)	(1,349,451)	(1,826,
Deposits in excess of withdrawals	24,504	65,508	72,
Interest credited on deposits	11,136	12,736	17,
Total increase in deposits	$ 35,640	78,244	89,

The following table presents the amount of time deposit accounts in amounts of $100,000 or more at December 31, 2000 maturing as follows (in thousands):

Maturity Period	
One month through three months	$ 10,999
Over three through six months	5,763
Over six through 12 months	34,501
Over 12 months	10,701
Total	$ 61,964

The following table presents, by various rate categories, the amount of certificate accounts outstanding at December 31, 1998, 1999 and 2000 and the periods to maturity of the certificate accounts outstanding at December 31, 2000.

	At December 31,			Within	1 to	2 to
	1998	1999	2000	1 Year	2 Years	3 Years
					(In thousands)	
3.01% to 4.00%	$ 374	358	--	--	--	--
4.01% to 5.00%	56,059	106,202	24,433	22,240	1,156	364
5.01% to 6.00%	176,729	181,001	128,393	116,740	7,366	3,426
6.01% to 8.00%	26,014	32,210	247,072	177,293	68,502	130
	$259,176	319,771	399,898	316,273	77,024	3,920

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Borrowings

The Bank is authorized to obtain advances from the Federal Home Loan Bank ("FHLB") of Atlanta which are generally collateralized by a blanket lien against the Bank's mortgage portfolio. Such advances may be made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. The maximum amount that the FHLB of Atlanta will advance to member institutions, including the Bank, for purposes other than meeting withdrawals, fluctuates from time to time in accordance with the policies of the Federal Housing Finance Board and the FHLB of Atlanta. At December 31, 2000, the Bank had $123 million in FHLB advances outstanding.

During 1997, the Bank entered into agreements with nationally recognized primary securities dealers under which the Bank sold securities subject to repurchase agreements. Such agreements were accounted for as borrowings by the Bank and were secured by the securities sold. At December 31, 2000 and 1999, the Bank did not have any such borrowings outstanding. During 1998, the Bank began borrowing under retail repurchase agreements with customers of the Bank. These agreements are also accounted for as borrowings and are secured by securities owned by the Bank.

The following table sets forth certain information relating to the Bank's borrowings at the dates indicated:

	At or For th	
	Ended Decem	
	1998	1999
	(Dollars in th	
FHLB advances:		
Average balance outstanding	$ 33,718	$ 74,5
Maximum amount outstanding at any month end during the year	$ 56,000	$ 99,0

Balance outstanding at end of year	$ 56,000	$ 99,0
Weighted average interest rate during the year	5.91%	5.
Weighted average interest rate at end of year	5.28%	5.
Other borrowed funds:		
Average balance outstanding	$ 14	$ 1,9
Maximum amount outstanding at any month end during the year	$ 789	$ 3,9
Balance outstanding at end of year	$ 789	$ 3,9
Weighted average interest rate during the year	4.65%	4.
Weighted average interest rate at end of year	4,65%	4.7
Total borrowings:		
Average balance outstanding	$ 33,732	$ 76,4
Maximum amount outstanding at any month end during the year	$ 56,789	$ 102,9
Balance outstanding at end of year	$ 56,789	$ 102,9
Weighted average interest rate during the year	5.89%	5.
Weighted average interest rate at end of year	5.27%	5.

Subsidiary Activities

The Bank has one wholly-owned subsidiary; Lake County Service Corporation ("LCSC") formed to develop a 100-lot subdivision, which is substantially sold out. During 1999, LCSC sold an 8.4 acre commercial parcel and a one-acre lot that adjoins the Bank's main office. The gain on the sale of the commercial property was $553,000 after tax and $886,000 before tax. During 1999, LCSC purchased two commercial building sites for possible future bank branches and purchased an existing branch building in Inverness, which was rented to the Bank as a branch site. The Inverness branch property was transferred to the Bank in 2000.

Personnel

As of February 15, 2001, the Bank had 174 full-time employees and 14 part-time employees. The employees are not represented by a collective bargaining unit and the Bank considers its relationship with its employees to be good.

REGULATION AND SUPERVISION

General

As a savings and loan holding company, the Company is required by federal law to file reports with, and otherwise comply with, the rules and regulations of the OTS. The Bank is subject to extensive regulation, examination and supervision by the OTS, as its primary federal regulator, and the FDIC, as the deposit insurer. The Bank is a member of the Federal Home Loan Bank System and, with respect to deposit insurance, of the Savings Association Insurance Fund ("SAIF") managed by the FDIC. The Bank must file reports with the OTS and the FDIC concerning its activities and financial condition in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with, or acquisitions of, other savings institutions. The OTS and/or the FDIC conduct periodic examinations to test the Bank's safety and soundness and compliance with various regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulatory requirements and policies, whether by the OTS, the FDIC or the Congress, could have a material adverse impact on the Company, the Bank and their operations. Certain of the regulatory requirements applicable to the Bank and to the Company are referred to below or elsewhere herein. The description of statutory provisions and regulations applicable to savings institutions and their holding companies set forth in this Form 10-K does not purport to be a complete description of such statutes and regulations and their effects on the Bank and the Company.

Holding Company Regulation

The Company is a nondiversified unitary savings and loan holding company within the meaning of federal law. Under prior law, a unitary savings and loan holding company, such as the Company was not generally restricted as to the types of business activities in which it may engage, provided that the Bank continued to be a qualified thrift lender. See "Federal Savings Institution Regulation - QTL Test." The Gramm-Leach-Bliley Act of 1999 provides that no company may acquire control of a savings association after May 4, 1999 unless it engages only in the financial activities permitted for financial holding companies under the law or for multiple savings and loan holding companies as described below. Further, the Gramm-Leach-Bliley Act specifies that existing savings and loan holding companies may only engage in such activities. The Gramm-Leach-Bliley Act, however, grandfathered the unrestricted authority for activities with respect to unitary savings and loan holding companies existing prior to May 4, 1999, such as the Company, so long as the Bank continues to comply with the QTL Test. Upon any non-supervisory acquisition by the Company of another savings institution or Bank that meets the qualified thrift lender test and is deemed to be a savings institution by the OTS, the Company would become a multiple savings and loan holding company (if the acquired institution is held as a separate subsidiary) and would generally be limited to activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, subject to the prior approval of the OTS, and certain activities authorized by OTS regulation.

A savings and loan holding company is prohibited from, directly or indirectly, acquiring more than 5% of the voting stock of another savings institution or savings and loan holding company, without prior written approval of the OTS and from acquiring or retaining control of a depository institution that is not insured by the FDIC. In evaluating applications by holding companies to acquire savings institutions, the OTS considers the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on the risk to the deposit insurance funds, the convenience and needs of the community and competitive factors.

The OTS may not approve any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions: (i) the approval of interstate supervisory acquisitions by savings and loan holding companies and (ii) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisitions. The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

Although savings and loan holding companies are not subject to specific capital requirements or specific restrictions on the payment of dividends or other capital distributions, federal regulations do prescribe such restrictions on subsidiary savings institutions as described below. The Bank must notify the OTS 30 days before declaring any dividend to the Company. In addition, the financial impact of a holding company on its subsidiary institution is a matter that is evaluated by the OTS and the agency has authority to order cessation of activities or divestiture of subsidiaries deemed to pose a threat to the safety and soundness of the institution.

Federal Savings Institution Regulation

Business Activities. The activities of federal savings institutions are governed by federal law and regulations. These laws and regulations delineate the nature and extent of the activities in which federal associations may engage. In particular, many types of lending authority for federal association, e.g., commercial, non-residential real property loans and consumer loans, are limited to a specified percentage of the institution's capital or assets.

Capital Requirements. The OTS capital regulations require savings institutions to meet three minimum capital standards: a 1.5% tangible capital ratio, a 4% leverage ratio (3% for institutions receiving the highest rating on the CAMELS rating system) and an 8% risk-based capital ratio. In addition, the prompt corrective action standards discussed below also establish, in effect, a minimum 2% tangible capital standard, a 4% leverage ratio (3% for institutions receiving the highest rating on the CAMEL financial institution rating system), and, together with the risk-based capital standard itself, a 4% Tier 1 risk-based capital standard. The OTS regulations also require that, in meeting the tangible, leverage and risk-based capital standards, institutions must generally deduct investments in and loans to subsidiaries engaged in activities as principal that are not permissible for a national bank.

The risk-based capital standard for savings institutions requires the maintenance of Tier 1 (core) and total capital (which is defined as core capital and supplementary capital) to risk-weighted assets of at least 4% and 8%, respectively. In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet assets, are multiplied by a risk-weight factor of 0% to 100%, assigned by the OTS capital regulation based on the risks believed inherent in the type of asset. Core (Tier 1) capital is defined as common stockholders' equity (including retained earnings), certain noncumulative perpetual preferred stock and related surplus, and minority interests in equity accounts of consolidated subsidiaries less intangibles other than certain mortgage servicing rights and credit card relationships.

The components of supplementary capital currently include cumulative preferred stock, long-term perpetual preferred stock, mandatory convertible securities, subordinated debt and intermediate preferred stock, the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and up to 45%

of unrealized gains on available-for-sale equity securities with readily determinable fair market values. Overall, the amount of supplementary capital included as part of total capital cannot exceed 100% of core capital.

The capital regulations also incorporate an interest rate risk component. Savings institutions with "above normal" interest rate risk exposure are subject to a deduction from total capital for purposes of calculating their risk-based capital requirements. For the present time, the OTS has deferred implementation of the interest rate risk capital charge. At December 31, 2000, the Bank met each of its capital requirements.

The following table presents the Bank's capital position at December 31, 2000.

				Capital Ratios	
	Actual Capital	Required Capital	Excess Amount	Actual Percent	Required Percent
	(Dollars in thousands)				
Tangible	$ 55,470	10,670	44,800	7.80%	1.50%
Core (Leverage)	$ 55,470	21,340	34,130	7.80	3.00
Risk-based	$ 58,702	35,648	23,054	13.17	8.00

Prompt Corrective Regulatory Action. The OTS is required to take certain supervisory actions against undercapitalized institutions, the severity of which depends upon the institution's degree of undercapitalization. Generally, a savings institution that has a ratio of total capital to risk weighted assets of less than 8%, a ratio of Tier 1 (core) capital to risk-weighted assets of less than 4% or a ratio of core capital to total assets of less than 4% (3% or less for institutions with the highest examination rating) is considered to be "undercapitalized." A savings institution that has a total risk-based capital ratio less than 6%, a Tier 1 capital ratio of less than 3% or a leverage ratio that is less than 3% is considered to be "significantly undercapitalized" and a savings institution that has a tangible capital to assets ratio equal to or less than 2% is deemed to be "critically undercapitalized." Subject to a narrow exception, the OTS is required to appoint a receiver or conservator for an institution that is "critically undercapitalized." The regulation also provides that a capital restoration plan must be filed with the OTS within 45 days of the date a savings institution receives notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Compliance with the plan must be guaranteed by any parent holding company. In addition, numerous mandatory supervisory actions become immediately applicable to an undercapitalized institution, including, but not limited to, increased monitoring by regulators and restrictions on growth, capital distributions and expansion. The OTS could also take any one of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors.

Insurance of Deposit Accounts. The Bank is a member of the SAIF. The FDIC maintains a risk-based assessment system by which institutions are assigned to one of three categories based on their capitalization and one of three subcategories based on examination ratings and other supervisory information. An institution's assessment rate depends upon the categories to which it is assigned. Assessment rates for SAIF member institutions are determined semiannually by the FDIC and currently range from zero basis points for the healthiest institutions to 27 basis points for the riskiest.

In addition to the assessment for deposit insurance, institutions are required to make payments on bonds issued in the late 1980s by the Financing Corporation ("FICO") to recapitalize the predecessor to the SAIF. During 1999, FICO payments for SAIF members approximated 6.1 basis points, while Bank Insurance Fund ("BIF") members paid 1.2 basis points. By law, there is equal sharing of FICO payments between SAIF and BIF members beginning on January 1, 2000.

The Bank paid no assessment for 2000, however its payments toward the FICO bonds amounted to $90,091. The FDIC has authority to increase insurance assessments. A significant increase in SAIF insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what insurance assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or the OTS. The management of the Bank does not know of any practice, condition or violation that might lead to termination of deposit insurance.

Loans to One Borrower. Federal law provides that savings institutions are generally subject to the limits on loans to one borrower applicable to national banks. A savings institution may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of its unimpaired capital and surplus. An additional amount may be lent, equal to 10% of unimpaired capital and surplus, if secured by specified readily-marketable collateral. At December 31, 2000, the Bank's limit on loans to one borrower was $8.9 million, and the Bank's largest aggregate outstanding loans and extensions of credit to one borrower was $7.4 million.

QTL Test. The HOLA requires savings institutions to meet a qualified thrift lender test. Under the test, a savings association is required to either qualify as a "domestic building and loan association" under the Internal Revenue Code or maintain at least 65% of its "portfolio assets" (total assets less: (i) specified liquid assets up to 20% of total assets; (ii) intangibles, including goodwill; and (iii) the value of property used to conduct business) in certain "qualified thrift investments" (primarily residential mortgages and related investments, including certain mortgage-backed securities) in at least 9 months out of each 12 month period.

A savings institution that fails the qualified thrift lender test is subject to certain operating restrictions and may be required to convert to a bank charter. As of December 31, 2000, the Bank maintained 77.97% of its portfolio assets in qualified thrift investments and, therefore, met the qualified thrift lender test. Recent legislation has expanded the extent to which education loans, credit card loans and small business loans may be considered "qualified thrift investments."

Limitation on Capital Distributions. OTS regulations impose limitations upon all capital distributions by a savings institution, including cash dividends, payments to repurchase its shares and payments to shareholders of another institution in a cash-out merger. The rule effective in the first quarter of 1999 established three tiers of institutions based primarily on an institution's capital level. An institution that exceeded all capital requirements before and after a proposed capital distribution ("Tier 1 Bank") and had not been advised by the OTS that it was in need of more than normal supervision, could, after prior notice but without obtaining approval of the OTS, make capital distributions during the calendar year equal to the greater of (i) 100% of its net earnings to date during the calendar year plus the amount that would reduce by one-half the excess capital over its capital requirements at the beginning of the calendar year or (ii) 75% of its net income for the previous four quarters.

Any additional capital distributions required prior regulatory approval. Effective April 1, 1999, the OTS's capital distribution regulation changed. Under the new regulation, an application to and the prior approval of the OTS is required prior to any capital distribution if the institution does not meet the criteria for "expedited treatment" of applications under OTS regulations (i.e., generally, examination ratings in the two top categories), the total capital distributions for the calendar year exceed net income for that year plus the amount of retained net income for the preceding two years, the institution would be undercapitalized following the distribution or the distribution would otherwise be contrary to a statute, regulation or agreement with OTS. If an application is not required, the institution must still provide prior notice to OTS of the capital distribution if, like the Bank, it is a subsidiary of a holding company. In the event the Bank's capital fell below its regulatory requirements or the OTS notified it that it was in need of more than normal supervision, the Bank's ability to make capital distributions could be restricted. In addition, the OTS could prohibit a proposed capital distribution by any institution, which would otherwise be permitted by the regulation, if the OTS determines that such distribution would constitute an unsafe or unsound practice.

Liquidity. The Bank is required to maintain an average daily balance of specified liquid assets equal to a monthly average of not less than a specified percentage of its net withdrawable deposit accounts plus short-term borrowings. This liquidity requirement is currently 4%, but may be changed from time to time by the OTS to any amount within the range of 4% to 10%. Monetary penalties may be imposed for failure to meet these liquidity requirements. The Bank's liquidity ratio for December 31, 2000 was 10.3%, which exceeded the applicable requirements. The Bank has never been subject to monetary penalties for failure to meet its liquidity requirements.

Assessments. Savings institutions are required to pay assessments to the OTS to fund the agency's operations. The general assessments, paid on a semi-annual basis, are computed upon the savings institution's total assets, including consolidated subsidiaries, as reported in the Bank's latest quarterly thrift financial report. The Bank was not assessed any payments for the fiscal year ended December 31, 2000.

Transactions with Related Parties. The Bank's authority to engage in transactions with "affiliates" (e.g., any company that controls or is under common control with an institution, including the Company and its non-savings institution subsidiaries) is limited by federal law. The aggregate amount of covered transactions with any individual affiliate is limited to 10% of the capital and surplus of the savings institution. The aggregate amount of covered transactions with all affiliates is limited to 20% of the savings institution's capital and surplus. Certain transactions with affiliates are required to be secured by collateral in an amount and of a type described in federal law. The purchase of low quality assets from affiliates is generally prohibited. The transactions with affiliates must be on terms and under circumstances, that are at least as favorable to the institution as those prevailing at the time for comparable transactions with non-affiliated companies. In addition, savings institutions are prohibited from lending to any affiliate that is engaged in activities that are not permissible for bank holding companies and no savings institution may purchase the securities of any affiliate other than a subsidiary.

The Bank's authority to extend credit to executive officers, directors and 10% shareholders ("insiders"), as well as entities such persons control, is also governed by federal law. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. Recent legislation created an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees. The law limits both the individual and aggregate amount of loans the Bank may make to insiders based, in part, on the Bank's capital position and requires certain board approval procedures to be followed.

Enforcement. The OTS has primary enforcement responsibility over savings institutions and has the authority to bring actions against the institution and all institution-affiliated parties, including stockholders, and any attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on an insured institution. Formal enforcement action may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors to institution of receivership, conservatorship or termination of deposit insurance. Civil penalties cover a wide range of violations and can amount to $25,000 per day, or even $1 million per day in especially egregious cases. The FDIC has the authority to recommend to the Director of the OTS that enforcement action to be taken with respect to a particular savings institution. If action is not taken by the Director, the FDIC has authority to take such action under certain circumstances. Federal law also establishes criminal penalties for certain violations.

Standards for Safety and Soundness. The federal banking agencies have adopted Interagency Guidelines prescribing Standards for Safety and Soundness. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the OTS determines that a savings institution fails to meet any standard prescribed by the guidelines, the OTS may require the institution to submit an acceptable plan to achieve compliance with the standard.

Federal Home Loan Bank System

The Bank is a member of the Federal Home Loan Bank System, which consists of 12 regional Federal Home Loan Banks. The Federal Home Loan Bank provides a central credit facility primarily for member institutions. The Bank, as a member of the Federal Home Loan Bank, is required to acquire and hold shares of capital stock in that Federal Home Loan Bank in an amount at least equal to 1.0% of the aggregate principal amount of its unpaid residential mortgage loans and similar obligations at the beginning of each year, or 1/20 of its advances (borrowings) from the Federal Home Loan Bank, whichever is greater. The Bank was in compliance with this requirement with an investment in Federal Home Loan Bank stock at December 31, 2000 of $6.15 million.

The Federal Home Loan Banks are required to provide funds for the resolution of insolvent thrifts in the late 1980s and to contribute funds for affordable housing programs. These requirements could reduce the amount of dividends that the Federal Home Loan Banks pay to their members and could also result in the Federal Home Loan Banks imposing a higher rate of interest on advances to their members. If dividends were reduced, or interest on future Federal Home Loan Bank advances increased, The Bank's net interest income would likely also be reduced. Recent legislation has changed the structure of the Federal Home Loan Banks funding obligations for insolvent thrifts, revised the capital structure of the Federal Home Loan Banks and implemented entirely voluntary membership for Federal Home Loan Banks. Management cannot predict the effect that these changes may have with respect to its Federal Home Loan Bank membership.

Federal Reserve System

The Federal Reserve Board regulations require savings institutions to maintain non-interest earning reserves against their transaction accounts (primarily NOW and regular checking accounts). The regulations generally provide that reserves be maintained against aggregate transaction accounts as follows: for accounts aggregating $44.3 million or less (subject to adjustment by the Federal Reserve Board) the reserve requirement is 3%; and for accounts aggregating greater than $44.3 million, the reserve requirement is $1.329 million plus 10% (subject to adjustment by the Federal Reserve Board between 8% and 14%) against that portion of total transaction accounts in excess of $44.3 million. The first $5.0 million of otherwise reservable balances (subject to adjustments by the Federal Reserve Board) are exempted from the reserve requirements. The Bank complies with the foregoing requirements.

FEDERAL AND STATE TAXATION

Federal Taxation

General. The Company and the Bank report their income on a consolidated basis using the accrual method of accounting, and are subject to federal income taxation in the same manner as other corporations with some exceptions, including particularly the Bank's reserve for bad debts discussed below. The following discussion of tax matters is intended only as a summary and does not purport to be a comprehensive description of the tax rules applicable to the Bank or the Company. The Bank was last audited by the IRS for the year ended December 31, 1996. For its 2000 taxable year, the Bank is subject to a maximum federal income tax rate of 34%.

Bad Debt Reserves. For fiscal years beginning prior to December 31, 1995, thrift institutions which qualified under certain definitional tests and other conditions of the Internal Revenue Code of 1986 (the "Code") were permitted to use certain favorable provisions to calculate their deductions from taxable income for annual additions to their bad debt reserve. A reserve could be established for bad debts on qualifying real property loans (generally secured by interests in real property improved or to be improved) under (i) the Percentage of Taxable Income Method (the "PTI Method") or (ii) the Experience Method. The reserve for nonqualifying loans was computed using the Experience Method.

The Small Business Job Protection Act of 1996 (the "1996 Act"), which was enacted on August 20, 1996, requires savings institutions to recapture (i.e., take into income) certain portions of their accumulated bad debt reserves. The 1996 Act repeals the reserve method of accounting for bad debts effective for tax years beginning after 1995. Thrift institutions that would be treated as small banks are allowed to utilize the Experience Method applicable to such institutions, while thrift institutions that are treated as large banks (those generally exceeding $500 million in assets) are required to use only the specific charge-off method. Thus, the PTI Method of accounting for bad debts is no longer available for any financial institution.

A thrift institution required to change its method of computing reserves for bad debts will treat such change as a change in method of accounting, initiated by the taxpayer, and having been made with the consent of the IRS. Any Section 481(a) adjustment required to be taken into income with respect to such change generally will be taken into income ratably over a six-taxable year period, beginning with the first taxable year beginning after 1995, subject to the residential loan requirement.

Under the residential loan requirement provision, the recapture required by the 1996 Act is suspended for each of two successive taxable years, beginning with 1996, in which the Bank originates a minimum of certain residential loans based upon the average of the principal amounts of such loans made by the Bank during its six taxable years preceding its current taxable year. Under the 1996 Act, for its current and future taxable years, the Bank is permitted to make additions to its tax bad debt reserves. In addition, the Bank is required to recapture (i.e., take into income) over a six year period the excess of the balance of its tax bad debt reserves as of December 31, 1995 over the balance of such reserves as of December 31, 1987. At December 31, 2000, the Bank had approximately $454,000 of deferred tax liabilities recorded for the recapture of its bad debt reserves.

Distributions. Under the 1996 Act, if the Bank makes "non-dividend distributions" to the Company, such distributions will be considered to have been made from the Bank's unrecaptured tax bad debt reserves (including the balance of its reserves as of December 31, 1987) to the extent thereof, and then from the Bank's supplemental reserve for losses on loans, to the extent thereof, and an amount based on the amount distributed (but not in excess of the amount of such reserves) will be included in the Bank's income. Non-dividend distributions include distributions in excess of the Bank's current and accumulated earnings and profits, as calculated for federal income tax purposes, distributions in redemption of stock, and distributions in partial or complete liquidation. Dividends paid out of the Bank's current or accumulated earnings and profits will not be so included in the Bank's income.

The amount of additional taxable income triggered by a non-dividend is an amount that, when reduced by the tax attributable to the income, is equal to the amount of the distribution. Thus, if the Bank makes a non-dividend distribution to the Company, approximately one and one-half times the amount of such distribution (but not in excess of the amount of such reserves) would be includable in income for federal income tax purposes, assuming a 35% federal corporate income tax rate. The Bank does not intend to pay dividends that would result in a recapture of any portion of its bad debt reserves.

Corporate Alternative Minimum Tax. The Code imposes a tax on alternative minimum taxable income ("AMTI") at a rate of 20%. For fiscal years beginning prior to January 1, 1996, the excess of the bad debt reserve deduction using the percentage of taxable income method over the deduction that would have been allowable under the experience method is treated as a preference item for purposes of computing the AMTI. Only 90% of AMTI can be offset by net operating loss carryovers. The adjustment to AMTI based on book income is an amount equal to 75% of the amount by which a corporation's adjusted current earnings exceeds its AMTI (determined without regard to this adjustment and prior to reduction for net operating losses). In addition, for taxable years through 1995, an environmental tax of .12% of the excess of AMTI (with certain modifications) over $2.0 million is imposed on corporations, including the Bank, whether or not an Alternative Minimum Tax ("AMT") is paid. The Bank does not expect to be subject to the AMT.

Dividends Received Deduction and Other Matters. The Company may exclude from its income 100% of dividends received from the Bank as a member of the same affiliated group of corporations. The corporate dividends received deduction is generally 70% in the case of dividends received from unaffiliated corporations with which the Company and the Bank will not file a consolidated tax return, except that if the Company and the Bank own more than 20% of the stock of a corporation distributing a dividend, 80% of any dividends received may be deducted.

Florida Taxation. The Bank files Florida franchise tax returns. For Florida franchise tax purposes, savings institutions are presently taxed at a rate equal to 5.5% of taxable income. For this purpose, "taxable income" generally means federal taxable income, subject to certain adjustments (including the addition of interest income on State and municipal obligations). The Bank is not currently under audit with respect to its Florida franchise tax returns.

ITEM 2. PROPERTIES

The Bank conducts its business through its main office and 12 branch offices. The following table sets forth certain information regarding the Bank's office properties:

Location	Date Acquired	Net Book Value of Land and Buildings at December 31, 2000 (Dollars in thousands)
Main Office 800 North Boulevard, West Leesburg, Florida 34748-5053	1961	$ 382
Wildwood 837 South Main Street Wildwood, Florida 34785-5302	1967	297
Main Street 1409 West Main Street Leesburg, Florida 34748-4854	1972	364
Clermont 481 East Highway 50 Clermont, Florida 34711-4032	1982	680
Eustis 2901 South Bay Street Eustis, Florida 32726-6551	1979	544
Fruitland Park 410 Palm Street Fruitland Park, Florida 34731-4013	1983	377
Lady Lake		

431 US Highway 441/27 Lady Lake, Florida 32159-3046	1995	1,196
Lake Square 10105 US Highway 441 Leesburg, Florida 34788-3952	1995	471
South Leesburg (1) 27405 US Highway 27, Suite 123 Leesburg, Florida 34748-7914	1996	118
South Leesburg (2) US Highway 27 Leesburg, Florida 34748	1996	375
Inverness 2709 East Gulf to Lake Highway Inverness, Florida 34453-3245	1998	841
Citrus Ridge 16550 Woodcrest Way Clermont, Florida 34711-7004	1998	1,046
Bushnell (3) 1128 North Main Street Bushnell, Florida 33513	1998	262
Administration (4) 715 West Oak Terrace Drive Leesburg, Florida 34748	1961	1,883
Sumter County (5)	1999	418
Boulevard (6) 900 N. BLVD. West Leesburg, Florida 34748	2000	278

(1) Leased branch office opened February, 1997.
(2) Parcel of land purchased by the Bank for a future branch office location.
(3) Leased branch office opened May, 1999.
(4) Administration Offices for the Bank (opened June 2000)
(5) Two parcels of land purchased by Lake County Service Corp. for future branch office locations.
(6) Storage facility owned by the Bank.

The Bank owns and operates personal computers, teller terminals and associated equipment. At December 31, 2000, such equipment had a net book value of $973.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of the stockholders during the fourth quarter of the fiscal year ended December 31, 2000, through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The above-captioned information appears under "Common Stock Prices and Dividends" in the Registrant's 2000 Annual Report to Stockholders and is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The above-captioned information appears under "Selected Consolidated Financial Data" on page 8 and 9 of the Registrant's 2000 Annual Report to Stockholders and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The above-captioned information appears under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registrant's 2000 Annual Report to Stockholders on pages 10 through 20 and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of FFLC Bancorp, Inc. and Subsidiary, together with the report thereon by Hacker, Johnson & Smith PA appear in the Registrant's 2000 Annual Report to Stockholders on pages 21 through 51 and are incorporated herein by reference.

ITEM 9. CHANGE IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There have been no disagreements with the Registrant's accountants on any matters of accounting principles or practices or financial statement disclosures.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information related to Directors and Executive Officers of the Registrant is incorporated herein by reference to the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2001 at pages 6 through 9.

ITEM 11. EXECUTIVE COMPENSATION

The information relating to executive compensation is incorporated herein by reference to the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2001 at pages 12 through 14.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information relating to security ownership of certain beneficial owners and management is incorporated herein by reference to the Registrant's Proxy

Statement for the Annual Meeting of Stockholders to be held on May 10, 2001 at pages 4 through 7.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information relating to certain relationships and related transactions is incorporated herein by reference to pages 14 and 15 of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2001.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) The following documents are filed as a part of this report:

(1) Consolidated Financial Statements of the Company are incorporated by reference from the following indicated pages of the 2000 Annual Report to Stockholders.

The remaining information appearing in the Annual Report to Stockholders is not deemed to be filed as part of this report, except as expressly provided herein.

(2) All schedules are omitted because they are not required or applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

(3) Exhibits

(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**
13.0	Annual Report to Stockholders (filed herewith)
99	Proxy Statement for Annual Meeting (filed herewith)

* 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.

(b) Reports on Form 8-K.
No reports on Form 8-K were filed by the Company during the fourth quarter.

Pursuant to the requirements of Section 13 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.

By: /s/ Stephen T. Kurtz

Stephen T. Kurtz
Chief Executive Officer and President

Dated: March 22, 2001

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Name	Title	Date
/s/ Joseph J. Junod Joseph J. Junod	Chairman of the Board	March 22, 2001
/s/ Claron D. Wagner Claron D. Wagner	Vice Chairman of the Board	March 22, 2001
/s/ James P. Logan James P. Logan	Director	March 22, 2001
/s/ Ted R. Ostrander, Jr.	Director	March 22, 2001

Ted R. Ostrander

/s/ H.D. Robuck, Jr. H.D. Robuck, Jr.	Director	March 22, 2001
/s/ Howard H. Hewitt Howard H. Hewitt	Director	March 22, 2001
/s/ Stephen T. Kurtz Stephen T. Kurtz	Chief Executive Officer, President and Director	March 22, 2001
/s/ Paul K. Mueller Paul K. Mueller	Executive Vice President, Chief Operating Officer and Treasurer and Director	March 22, 2001

Pursuant to the requirements of Section 13 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.

By:

Stephen T. Kurtz
Chief Executive Officer and President

Dated: March 22, 2001

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Name	Title	Date
Joseph J. Junod	Chairman of the Board	March 22, 2001
Claron D. Wagner	Vice Chairman of the Board	March 22, 2001
James P. Logan	Director	March 22, 2001
Ted R. Ostrander	Director	March 22, 2001

------------------------ H.D. Robuck, Jr.	Director	March 22, 2001
------------------------ Howard H. Hewitt	Director	March 22, 2001
------------------------ Stephen T. Kurtz	Chief Executive Officer, President and Director	March 22, 2001
------------------------ Paul K. Mueller	Executive Vice President, Chief Operating Officer and Treasurer and Director	March 22, 2001