FFLC BANCORP INC
Form 10-K
March 25, 2003

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, 2002 Commission File Number 0-226

FFLC BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware	59-32048
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employ Identification No
800 North Boulevard West, Post Office Box 490420, Leesburg, Florida	34749-04
(Address of principal executive offices)	(Zip Cod
Registrant's telephone number, including area code:	(352) 787-33

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. (X)

Indicate by check mark whether the registrant is an accelerator filer (as defined in Rule 12b-2 of the Act). YES [X] NO[_]

The aggregate market value of the voting and nonvoting common equity held by nonaffiliates was $74,802,790 computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2002 the last business day of the Registrant's most recently completed second fiscal quarter.

The Registrant had 3,584,897 shares outstanding as of March 7, 2003.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Annual Report to Stockholders for the Fiscal Year Ended December 31, 2002. (Part II and IV)
2. Portions of Proxy Statement for the 2003 Annual Meeting of Stockholders. (Part III)

INDEX

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 mainly transacts its business through its subsidiary, the Bank. At December 31, 2002, the Company had total assets of $915.8 million and stockholders' equity of $71.1 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, 2002, the Bank had total assets of $915.1 million and stockholders' equity of $72.4 million.

During 2001, First Alliance Title, L.L.C. ("First Alliance"), a 90% owned subsidiary of the Company, was formed to operate as a title agency. This subsidiary had only a minimal amount of activity during 2001. During 2002, First Alliance received commission income for issuing title insurance on approximately fifty loans.

During 2002, the Holding Company formed FFLC Statutory Trust I (the "Trust"), a wholly-owned subsidiary, for the sole purpose of issuing $5,000,000 of trust preferred securities as more fully described in the Borrowings section.

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, Citrus and Marion counties in central Florida. Management believes that its offices are located in communities that generally can be characterized as rural service and retirement communities with residential neighborhoods comprised predominately of one-to-four-family residences. The Bank is the largest (by asset size) locally-based financial institution in Lake County, and serves its market area with a wide selection of residential mortgage loans and other retail financial services. Management considers the Bank's reputation for financial strength and customer service as a major advantage in attracting and retaining customers in its market area and believes it benefits from its community orientation as well as its established deposit base and level of core deposits.

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.

3

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, 2002, the Bank's total gross loans outstanding were $756.6 million, of which $395.1 million or 52.2% 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, approximately 45% were fixed rate loans and 55% were adjustable-rate ("ARM") loans. At the same date, commercial real estate loans and other loans on improved real estate totaled $140.8 million, or 18.6% of the Bank's total loan portfolio; construction (excluding construction/permanent loans) and land loans totaled $30.8 million or 4.1% of the Bank's total loan portfolio; and multi-family mortgage loans totaled $22.8 million or 3.0% 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 $167.1 million or 22.1% of the Bank's total loan portfolio at December 31, 2002.

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

	At December 31,				
	1998		1999		
	Amount	% of Total	Amount	% of Total	Amount
	($ in thousands)				
Mortgage loans:					
One-to-four-family	$ 283,372	70.59%	$ 354,317	68.28%	$ 409,600
Construction and land	11,683	2.91%	11,861	2.29%	13,006
Multi-family	8,165	2.04%	13,394	2.58%	17,602
Commercial real estate and other	44,211	11.01%	61,052	11.76%	79,729
Total mortgage loans	347,431	86.55%	440,624	84.91%	519,937
Consumer loans	43,490	10.83%	64,042	12.34%	95,824
Commercial loans	10,532	2.62%	14,285	2.75%	14,677
Total loans receivable (1)	401,453	100.00%	518,951	100.00%	630,438
Less:					
Loans in process	(10,637)		(15,907)		(12,128)
Net deferred loan costs	526		668		726
Allowance for loan losses	(2,283)		(2,811)		(3,552)
Loans receivable, net	$ 389,059		$ 500,901		$ 615,484
(1) Total loans receivable outstanding by department consists of the following:					
Residential	$ 287,874	71.71%	$ 353,422	68.10%	$ 404,494
Commercial	70,089	17.46%	101,487	19.56%	130,120
Consumer	43,490	10.83%	64,042	12.34%	95,824

	$ 401,453	100.00%	$ 518,951	100.00%	$ 630,438
	=======	======	=======	======	=======

	At December 31,		
	2001		2002
	% of Total	Amount	% of Total
		($ in thousands)	
Mortgage loans:			
One-to-four-family	58.77%	$ 395,116	52.23%
Construction and land	3.26%	30,792	4.07
Multi-family	2.88%	22,796	3.01
Commercial real estate and other	15.46%	140,770	18.61
Total mortgage loans	80.37%	589,474	77.92
Consumer loans	16.96%	138,202	18.26
Commercial loans	2.67%	28,879	3.82
Total loans receivable	100.00%	756,555	100.00%
Less:			
Loans in process		(16,770)	
Net deferred loan costs		734	
Allowance for loan losses		(5,181)	
Loans receivable, net		$ 735,338	

(1) Total loans receivable outstanding by department consists of the following:			
Residential	57.37%	$ 385,711	50.98%
Commercial	25.67%	229,930	30.39%
Consumer	16.96%	140,914	18.63%
	100.00%	$ 756,555	100.00%

Purchase of Mortgage Loans. From time to time, the Bank purchases mortgage loans originated by other lenders. At December 31, 2002, $5.3 million, or .7% of the Bank's total loan portfolio consisted of purchased mortgage loans or loan participations. Purchased or participated mortgage loans consist of one-to-four-family residential mortgage loans and commercial real estate loans.

Secondary Market Activities. The Bank participates in the secondary market directly and through correspondent relationships, originating loans (primarily 30-year fixed-rate loans) which are primarily funded by the Bank and then reimbursed by the investor correspondents. Funding by the correspondent occurs on some loans. These 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, 2002, total loans originated by the Bank and through the correspondents amounted to $64.7 million or 34.8% 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		
	2000	2001	2
	(In thousands)		
Mortgage loans (gross):			
At beginning of year	$ 440,624	519,937	565,
Mortgage loans originated:			
One-to-four-family	106,209	101,977	114,
Construction and land	3,457	9,314	19,
Multi-family	3,800	4,475	1,
Commercial real estate	9,950	12,408	50,
Total mortgage loans originated	123,416	128,174	186,
Mortgage loans purchased or participated	-	4,134	-
Total mortgage loans originated and purchased or participated	123,416	132,308	186,
Transfer of loans to foreclosed assets	(826)	(656)	(1,
Principal repayments	(42,156)	(70,892)	(103,
Sales of loans (1)	(1,121)	(14,926)	(57,
At end of year	$ 519,937	565,771	589,
Consumer loans (gross):			
At beginning of year	64,042	95,824	119,
Loans originated	60,214	68,777	69,
Principal repayments	(28,432)	(45,244)	(51,

At end of year	$ 95,824	119,357	138,
Commercial loans (gross):			
At beginning of year	14,285	14,677	18,
Loans originated	5,632	12,782	17,
Principal repayments	(5,240)	(8,645)	(7,
At end of year	$ 14,677	18,814	28,

(1) Represents loans originated for and funded by correspondents and loans originated and sold by the Bank.

6

Maturities of Loans. The following table shows the contractual maturities of the Bank's loan portfolio at December 31, 2002. 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 $75.8 million, $124.8 million and $162.1 million for the years ended December 31, 2000, 2001 and 2002, respectively.

	Mortgage Loans				
	One-to-Four-Family	Other	Commercial Loans	Consumer Loans	Recei
			(In thousands)		
Amounts due:					
Within 1 year	$ 3,079	28,192	4,546	6,045	41
1 to 3 years	1,499	24,695	6,965	27,095	60
3 to 5 years	3,263	26,765	6,072	49,590	85
5 to 10 years	7,917	24,295	3,838	17,774	53
10 to 20 years	75,899	71,925	7,458	37,654	192
Over 20 years	303,459	18,486	--	44	321
Total due after 1 year	392,037	166,166	24,333	132,157	714
Total amounts due	395,116	194,358	28,879	138,202	756
Loans in process	(16,770)	--	--	--	(16
Net deferred loan fees and costs	749	(15)	--	--	
Allowance for loan losses	(840)	(2,850)	(434)	(1,057)	(5
Loans receivable, net	$ 378,255	191,493	28,445	137,145	735

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Loans Due After December 31, 2003. The following table sets forth at December 31, 2002, the dollar amount of all loans due or scheduled to reprice after December 31, 2003, classified according to whether such loans have fixed or adjustable interest rates.

	Due after December 31, 2003		
	Fixed	Adjustable	Total
		(In thousands)	
Mortgage loans:			
One-to-four-family	$137,423	254,614	392,037
Construction and land	17,089	12,315	29,404
Multi-family	12,227	10,164	22,391
Commercial real estate	25,840	88,531	114,371
Consumer loans	116,914	15,243	132,157
Commercial loans	13,677	10,656	24,333
Total	$323,170	391,523	714,693

One-to-Four-Family Mortgage Lending. The Bank's primary residential 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.

7

In the years ended December 31, 2000, 2001 and 2002, the Bank's total mortgage loan originations, including loans purchased or participated, amounted to $123.4 million, $132.3 million and $165.8 million, respectively, of which $106.2 million, $102.0 million and $93.7 million, respectively, were secured by one-to-four-family properties.

At December 31, 2002, 52.23% of total loans consisted of one-to-four-family residential loans, of which approximately 65% 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, 2002, $140.8 million, or 18.61% of the Bank's total loan portfolio consisted of commercial real estate loans and $22.8 million, or 3.01% of the Bank's total loan portfolio, consisted of multi-family mortgage 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 mortgage 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, 2002, $28.9 million or 3.82% 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, 2002, construction (excluding construction/permanent loans) and land loans totaled $30.8 million or 4.07% of the Bank's total loan portfolio.

At December 31, 2002, the Bank had loans in process (undisbursed loan proceeds of construction loans) of $16.8 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, 2002, $138.2 million or 18.26% of the Bank's total loan portfolio consisted of consumer loans, including home equity loans of $40.9 million, lines of credit of $19.0 million, direct auto and truck loans of $16.6 million, indirect auto and truck loans of $22.8 million, home improvement loans and other secured consumer loans of $21.2 million, lot loans of $16.8 million and unsecured personal loans of $.9 million.

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 or 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 1.5% of the balance outstanding including interest.

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. Loan approval authority for loans exceeding $1,600,000 is vested in the Loan Committee 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. Manaagement has been delegated authority to approve mortgage loans, commercial loans, home equity loans, home equity lines of credit and secured consumer loans up to $1,600,000.

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.

9

At December 31, 2000, 2001 and 2002, delinquencies in the Bank's loan portfolio were as follows:

	At December 31, 2000					
	60-89 Days		90 Days or More		60-89 Days	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
One-to-four-family	5	$ 427	10	$ 980	4	$ 126
Construction and land	-	-	2	213	-	-
Multi-family	-	-	-	-	-	-
Commercial real estate	-	-	1	1,279	-	-
Total mortgage loans	5	427	13	2,472	4	126
Consumer loans	3	32	2	8	27	391
Commercial loans	3	260	1	30	2	194

Total loans	11	$ 719	16	$ 2,510	33	$ 711
Delinquent loans to total loans		.11%		.40%		.10

	At December 31, 2002			
	60-89 Days		90 Days or More	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
One-to-four-family	10	$ 793	27	$ 1,956
Construction and land	-	-	-	-
Multi-family	-	-	-	-
Commercial real estate	-	-	2	254
Total mortgage loans	10	793	29	2,210
Consumer loans	49	584	14	152
Commercial loans	-	-	1	230
Total loans	59	$ 1,377	44	$ 2,592
Delinquent loans to total loans		.19%		.35%

10

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

	1998	1999	2000
Nonaccrual mortgage loans	$ 430	2,200	2,472
Nonaccrual commercial and consumer loans	14	162	38

Total nonperforming loans	444	2,362	2,510
Foreclosed assets	366	400	276
Total nonperforming assets	$ 810	2,762	2,786
Nonperforming loans to total loans	.11%	.46%	.40%
Total nonperforming assets to total assets	.17%	.47%	.39%

At December 31, 2002, 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 $2.6 million, $1.9 million and $2.5 million at December 31, 2002, 2001 and 2000, respectively. For the year ended December 31, 2002, interest income that would have been recorded under the original terms of nonaccrual loans at December 31, 2002 and interest income actually recognized is summarized below (in thousands):

Interest income that would have been recorded	$ 202
Interest income recognized	(96)
Interest income foregone	$ 106

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 foreclosed assets classified as "special mention" or "substandard" at the dates indicated. No loans or foreclosed assets were classified "doubtful" or "loss" at those dates.

	Special Mention		Substandard	
	Number	Amount	Number	Amount
			($ in thousands)	
At December 31, 2002:				
Loans	20	$5,659	54	$3,076
Foreclosed assets:				
One-to-four-family properties	--	--	5	422
Other	--	--	18	204
Total	20	$5,659	77	$3,702
At December 31, 2001:				
Loans	7	2,182	48	2,722
Foreclosed assets:				
One-to-four-family properties	--	--	2	139
Other	--	--	5	234
Total	7	$2,182	55	$3,095

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,				
	1998	1999	2000	2001	2002
				($ in thousands)	
Balance at beginning of year	$ 1,684	2,283	2,811	3,552	4,289
Provision for loan losses	682	719	880	1,115	1,845
Charge-offs:					
One-to-four-family	(80)	--	(58)	(48)	(93)
Construction and land	--	(44)	--	--	--
Multi-family	--	--	--	--	--
Commercial real estate	--	--	--	(90)	(150)
Commercial and consumer loans	(6)	(166)	(99)	(258)	(753)
Total charge-offs by category	(86)	(210)	(157)	(396)	(996)
Recoveries	3	19	18	18	43
Balance at end of year	$ 2,283	2,811	3,552	4,289	5,181

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

	1998	1999	2000	
Net charge-offs during the year as a percentage of average loans outstanding during the year	.03%	.04%	.03%	
Allowance for loan losses as a percentage of gross loans receivable at end of year	.57%	.54%	.56%	
Allowance for loan losses as a percentage of total nonperforming assets at end of year	281.85%	101.77%	127.49%	1
Allowance for loan losses as a percentage of nonperforming loans at end of year	514.19%	119.01%	141.51%	2

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,						
	1998		1999		2000		
	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount Lo
							($ in tho
At end of year allocated to:							
One-to-four-family	$ 575	70.59%	$ 528	68.28%	$ 609	64.97%	$ 752
Construction and land	338	2.91	408	2.29	423	2.06	595
Multi-family	295	2.04	301	2.58	488	2.79	353
Commercial real estate	565	11.01	750	11.76	998	12.65	1,357
Consumer loans	304	10.83	447	12.34	708	15.20	895
Commercial loans	206	2.62	377	2.75	326	2.33	337
Total	$2,283	100.00%	$2,811	100.00%	$3,552	100.00%	$4,289

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.

The Company follows 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. At December 31, 2002, all securities have been classified as available for sale by management.

Mortgage-Backed Securities

The Company's mortgage-backed securities consist of securities issued by the Government National Mortgage Association ("GNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC") or the Federal National Mortgage Association ("FNMA"). These mortgage-backed securities totaled $22.3 million or 28.8% of total securities.

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

	Year Ended December 31,		
	2000	2001	2002
	(In thousands)		
At beginning of year	$ 17,490	14,394	10,943
Purchases	1,005	500	17,891
Amortization and principal repayments	(4,096)	(4,009)	(6,665)
Change in unrealized gain	(5)	58	127
At end of year	$ 14,394	10,943	22,296

Investment Securities

At December 31, 2002, the Bank held $55.0 million in investment securities consisting of $37.6 million in U.S. Government and agency securities, $9.4 million in mutual funds and $8.0 million in other investment securities. In addition, the Bank holds $49.2 million in interest-earning deposits and $7.7 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:

	2000		2001	
	Amortized	Market	Amortized	Market

	Cost	Value	Cost	Value
		(In thousands)		
Interest-earning deposits	$ 14,445	14,445	30,183	30,183
FHLB stock	$ 6,150	6,150	7,700	7,700
Investment securities-				
Available-for-sale:				
U.S. Government and agency securities	17,849	17,968	32,670	33,241
Other investment securities	1,365	1,376	6,268	6,276
Investment in mutual funds	9,130	8,979	9,125	9,043
Total available-for-sale	$ 28,344	28,323	48,063	48,560

16

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, 2002.

	Due Within One Year		Due After One Through Five Years		Due Af Five Thro 10 Ye	
	Amortized Cost	Annualized Weighted Average Yield	Amortized Cost	Annualized Weighted Average Yield	Amortized Cost	Annuali Weight Avera Yiel
		($ in thousands)				
FHLB stock (no defined maturity)	$ 7,700	5.00%	$ --	--%	$--	--%
Investment securities:						
U.S. Government and agency obligations	12,531	4.46	24,270	4.49	--	--
Other investment						

securities	--		--	--	--	--
Mutual funds (no defined maturity)	9,433	2.60	--	--	--	--
Total investment securities	$21,964	3.66%	$24,270	4.49%	$--	--%

	Total	
	Amortized Cost	Approximate Market Value
FHLB stock (no defined maturity)	$ 7,700	$ 7,700
Investment securities:		
U.S. Government and agency obligations	36,801	37,649
Other investment securities	7,990	8,005
Mutual funds (no defined maturity)	9,433	9,374
Total investment securities	$54,224	$55,028

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, 2002, $53.0 million or 7.9%

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 22.9%, 25.7% and 27.3% of total deposits at December 31, 2000, 2001 and 2002, 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, 2002 ($ in thousands).

	At December 31,				
	2000		2001		
	Amount	Percent of Total Deposits	Amount	Percent of Total Deposits	Amount
Demand accounts:					
Noninterest-bearing checking	$ 13,335	2.57%	$ 14,334	2.45%	$ 18,867
NOW and money-market accounts	86,509	16.67	111,961	19.13	137,858
Passbook and statement savings	19,143	3.69	24,093	4.12	25,403
Total	118,987	22.93	150,388	25.70	182,128
Certificate accounts:					
Custom	19,141	3.69	38,854	6.64	31,600
91 day	220	.04	279	.05	209
182 day	6,630	1.28	10,085	1.72	10,599
7 months	50	.01	325	.06	-
9 months	8,631	1.66	17,974	3.07	11,042
10 months	4,772	.92	-	-	-
12 months	32,190	6.21	55,356	9.46	62,564
13 months	61	.01	88,670	15.15	18,078
14 months	137,618	26.52	18,835	3.22	-
15 months	-	-	-	-	34,654
18 months	12,647	2.44	27,374	4.68	26,363
20 months	24	.00	26	.00	-
21 months	24,432	4.71	94,807	16.20	50,623
22 months	101,945	19.65	4,721	.81	-
24 months	15,784	3.04	25,414	4.34	112,025
25 months	17,609	3.39	18,193	3.11	-
30 months	8,869	1.71	21,471	3.67	19,202
36 months	100	.02	2,615	.45	41,388
54 months	-	-	-	-	51,537
60 months	9,175	1.77	9,741	1.67	16,046

Total	399,898	77.07	434,740	74.30	485,930	
Total deposits	$ 518,885	100.00%	$ 585,128	100.00%	$ 668,058	1

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

	Year Ended December 31,		
	2000	2001	2002
			(In thousands)
Deposits	$ 1,898,638	2,394,602	3,161,518
Withdrawals	(1,826,173)	(2,353,541)	(3,094,131)
Deposits in excess of withdrawals	72,465	41,061	67,387
Interest credited on deposits	17,146	25,182	15,543
Total increase in deposits	$ 89,611	66,243	82,930

The following table presents the amount of time deposit accounts in amounts of $100,000 or more at December 31, 2002 maturing as follows (in thousands):

Maturity Period	
One month through three months	$ 25,177
Over three through six months	11,342
Over six through 12 months	29,403
Over 12 months	74,656
Total	$ 140,578

The following table presents, by various rate categories, the amount of certificate accounts outstanding at December 31, 2000, 2001 and 2002 and the periods to maturity of the certificate accounts outstanding at December 31, 2002.

	At December 31,				Period to Matu	
	2000	2001	2002	Within 1 Year	1 to 2 Years	2 to 3 Years
				(In thousands)		
2.00% or less	$ -	-	48,547	46,437	2,110	-
2.01% to 3.00%	-	48,916	112,037	78,015	31,833	2,189
3.01% to 4.00%	-	92,048	122,814	64,169	33,985	17,467
4.01% to 5.00%	24,433	141,637	171,116	44,837	57,323	22,618
5.01% to 6.00%	128,393	68,394	30,092	17,950	2,558	974
6.01% to 8.00%	247,072	83,745	1,324	149	-	1,095
	$ 399,898	434,740	485,930	251,557	127,809	44,343

20

Borrowings

Guaranteed Preferred Beneficial Interest in Junior Subordinated Debentures. On September 26, 2002, the Trust sold adjustable-rate Trust Preferred Securities due September 26, 2032 in the aggregate principal amount of $5,000,000 (the "Capital Securities") in a pooled trust preferred securities offering. The interest rate on the Capital Securities adjusts quarterly, to a rate equal to the then current three-month London Interchange Bank Offering Rate ("LIBOR"), plus 340 basis points. In addition, the Holding Company contributed capital of $155,000 to the Trust for the purchase of the common securities of the Trust. The proceeds from these sales were paid to the Holding Company in exchange for $5,155,000 of its adjustable-rate Junior Subordinated Debentures (the "Debentures") due September 26, 2032. The Debentures have the same terms as the Capital Securities. The Holding Company then invested $3,000,000 as a capital contribution in the Bank. The sole asset of the Trust, the obligor on the Capital Securities, is the Debentures.

The Holding Company has guaranteed the Trust's payment of distributions on, payments on any redemptions of, and any liquidation distribution with respect to, the Capital Securities. Cash distributions on both the Capital Securities and the Debentures are payable quarterly in arrears on March 26, June 26, September 26 and December 26 of each year. Issuance costs of approximately $169,000 associated with the Capital Securities have been capitalized by the Holding Company and are being amortized over the life of the securities.

Name	Capital Securities Outstanding at December 31, 2002	2001	Prepayment Option Date
	(In thousands)		

FFLC Statutory Trust I	$ 5,000	-	September 26, 2007
	=====	=====	

The Capital Securities are subject to mandatory redemption (i) in whole, but not in part, upon repayment of the Debentures at stated maturity or, at the option of the Holding Company, their earlier redemption in whole upon the occurrence of certain changes in the tax treatment or capital treatment of the Capital Securities, or a change in the law such that the Trust would be considered an investment company and (ii) in whole or in part at any time on or after September 26, 2007 contemporaneously with the optional redemption by the Holding Company of the Debentures in whole or in part. The Debentures are redeemable prior to maturity at the option of the Holding Company (i) on or after September 26, 2007, in whole at any time or in part from time to time, or (ii) in whole, but not in part, at any time within 90 days following the occurrence and continuation of certain changes in the tax treatment or capital treatment of the Capital Securities, or a change in law such that the Trust would be considered an Investment Company, required to be registered under the Investment Company Act of 1940.

The Company has entered into a five year interest rate swap agreement that effectively converted the floating interest rate of these Capital Securities into a fixed interest rate of 6.85%, thus reducing the impact of interest rate changes on future interest expense for the five year period. In accordance with Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities," this interest rate swap qualifies as a cash flow hedge. The fair value of this interest rate swap is recorded as an asset or liability on the consolidated balance sheet with an offsetting entry recorded in other comprehensive income, net of the income tax effect. At December 31, 2002, the unrealized loss of the derivative instrument was $120,000 ($75,000 net of tax).

Federal Home Loan Bank Advances and Other 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, 2002, the Bank had $149.0 million in FHLB advances outstanding.

The Bank also borrows under retail repurchase agreements with customers of the Bank. These agreements are 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:

	2000	
		($ in
FHLB advances:		
Average balance outstanding	$ 104,647	$
Maximum amount outstanding at any month end during the year	$ 123,000	$
Balance outstanding at end of year	$ 123,000	$
Weighted average interest rate during the year	6.21%	
Weighted average interest rate at end of year	6.18%	
Other borrowed funds:		
Average balance outstanding	$ 5,729	$
Maximum amount outstanding at any month end during the year	$ 8,013	$
Balance outstanding at end of year	$ 6,376	$
Weighted average interest rate during the year	5.11%	
Weighted average interest rate at end of year	5,25%	
Total borrowings:		
Average balance outstanding	$ 110,376	$
Maximum amount outstanding at any month end during the year	$ 131,013	$
Balance outstanding at end of year	$ 129,376	$
Weighted average interest rate during the year	6.15%	
Weighted average interest rate at end of year	6.13%	

Subsidiary Activities

The Bank has a wholly-owned subsidiary, Lake County Service Corporation ("LCSC"), originally formed to develop a 100-lot subdivision. LCSC sold the last remaining lots during 2001. LCSC's primary activity is now investment services for the Bank's customers. During the second quarter of 2001, the Bank introduced an Investment Services Program through a joint venture with T.H.E. Financial Group, Ltd., an independent securities broker-dealer firm and a member of the National Association of Securities Dealers and the Securities Investor Protection Corporation. Through this program, the Bank offers mutual funds, annuities, discount brokerage and financial planing services to bank customers. The services are offered through LCSC, which receives monthly fees on sales made through this program. During 2002 and 2001, LCSC recognized fees of $295,000 and $114,000 and expenses of $227,000 and $123,000 (including $37,000 of initial start-up costs in 2001), respectively from this program.

During 2001, First Alliance was formed to facilitate the sale of title insurance. This subsidiary recognized fees of $26,000 and expenses of $12,000 during 2002. They did not have a material amount of activity during 2001.

During 2002, the Trust was formed solely to issue trust preferred securities (see Borrowings).

Personnel

As of February 13, 2003, the Bank had 234 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, 2002, the Bank met each of its capital requirements.

The following table presents the Bank's capital position at December 31, 2002.

				Capital Ratios	
	Actual Capital	Required Capital	Excess Amount	Actual Percent	Required Percent
				($ in thousands)	
Tangible	$ 71,139	13,719	57,420	7.78%	1.50%
Core (Leverage)	$ 71,139	27,439	43,700	7.78	3.00
Risk-based	$ 75,645	47,794	27,851	12.66	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. By law, there has been equal sharing of FICO payments between SAIF and BIF members since January 1, 2000.

The Bank did not pay an assessment for deposit insurance in 2002, however, its payments toward the FICO bonds amounted to approximately $104,000. 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, 2002, the Bank's limit on loans to one borrower was $11.3 million and the Bank's largest aggregate outstanding loans and extensions of credit to one borrower was $9.6 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, 2002, the Bank maintained 77% 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. Under a new regulation effective April 1, 1999, 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.

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 assessed approximately $164,000 for the fiscal year ended December 31, 2002.

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 recently enacted Sarbanes-Oxley Act of 2002 generally prohibits loans by the Company to its executive officers and directors. However, that Act contains a specific exception for loans by the Bank to its executive officers and directors in compliance with federal banking laws. 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 ("FHLB") System, which consists of 12 regional FHLBs. The FHLB provides a central credit facility primarily for member institutions. In order to borrow from the FHLB, the Bank is required to purchase shares of the FHLB's nonmarketable equity securities at par. The Bank, as a member of the FHLB, is required to acquire and hold shares of capital stock in that FHLB 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 FHLB, whichever is greater. The Bank was in compliance with this requirement with an investment in FHLB stock at December 31, 2002 of $7.7

million. For the year ended December 31, 2002, the dividend yield on FHLB stock was 5.2%.

The FHLBs 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 FHLBs pay to their members and could also result in the FHLBs imposing a higher rate of interest on advances to their members. If dividends were reduced, or interest on future FHLB advances increased, the Bank's net interest income would likely also be reduced. Recent legislation has changed the structure of the FHLBs funding obligations for insolvent thrifts, revised the capital structure of the FHLBs and implemented entirely voluntary membership for FHLBs. Management cannot predict the effect that these changes may have with respect to its FHLB 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 $42.1 million or less (subject to adjustment by the Federal Reserve Board) the reserve requirement is 3%; and for accounts aggregating greater than $42.1 million, the reserve requirement is $1.083 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 $42.1 million. The first $6.0 million of otherwise reservable balances (subject to adjustments by the Federal Reserve Board) are exempted from the reserve requirements. At December 31, 2002, the Bank complied with the foregoing requirements.

Community Reinvestment Act

Under the Community Reinvestment Act ("CRA"), as implemented by Office of Thrift Supervision regulations, a savings association has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the Office of Thrift Supervision, in connection with its examination of an institution, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of applications by such institution. The CRA requires public disclosure of an institution's CRA rating. The latest CRA rating of the Bank received from the Office of Thrift Supervision was "Satisfactory."

Federal and State 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 2002 taxable year, the Bank is subject to a maximum federal income tax rate of 35%.

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, 2002, the Bank had approximately $111,000 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 14 branch offices. The following table sets forth certain information regarding the Bank's office properties:

Net Book Value of Land

Location	Date Acquired	and Buildings at December 31, 2002
		(In thousands)
Main Office 800 North Boulevard, West Leesburg, Florida 34748-5053	1961	$ 2,221
Wildwood 837 South Main Street Wildwood, Florida 34785-5302	1967	243
Main Street 1409 West Main Street Leesburg, Florida 34748-4854	1972	336
Clermont 481 East Highway 50 Clermont, Florida 34711-4032	1982	623
Eustis 2901 South Bay Street Eustis, Florida 32726-6551	1979	490
Fruitland Park 410 Palm Street Fruitland Park, Florida 34731-4013	1983	450
Lady Lake 431 US Highway 441/27 Lady Lake, Florida 32159-3046	1995	1,127
Lake Square (1) 32612 Vista Avenue Leesburg, Florida 34788-3952	2002	1,280
South Leesburg US Highway 27 Leesburg, Florida 34748	1996	1,248
Inverness 2709 East Gulf to Lake Highway Inverness, Florida 34453-3245	1998	798
Citrus Ridge 16550 Woodcrest Way Clermont, Florida 34711-7004	1998	978

(continued)

Location	Date Acquired	Net Book Value of Land and Buildings at December 31, 2002
		(In thousands)
Bushnell (2) 1128 North Main Street		

Bushnell, Florida 33513	1998	$ 227
Administration 715 West Oak Terrace Drive Leesburg, Florida 34748	1961	1,811
Sumter County (3)	1999	418
Boulevard (4) 900 North Boulevard West Leesburg, Florida 34748	2000	305
Accounting and Human Resource Offices 800 North Lee Street Leesburg, Florida 34748	2001	220
Kings Ridge (5) 4299 South Highway 27 Clermont, Florida 34711	2001	1,539
Spruce Creek (1) 17801 SE 109th Avenue Summerfield, Florida 34491	2002	2,027
Old Lake Square (6) 10105 U.S. Highway 441 Leesburg, Florida 34788	1995	384
Office Park (7)	2002	304

(1) Branch office acquired in 2002.
(2) Leased branch office opened May, 1999.
(3) Two parcels of land purchased by Lake County Service Corp. for future branch office locations.
(4) Storage facility owned by the Bank.
(5) Construction completed and branch opened in 2002.
(6) Unused branch office.
(7) Building purchased in 2002 to be remodeled for future expansion of the accounting and operations departments.

The Bank owns and operates personal computers, teller terminals and associated equipment. At December 31, 2002, such equipment had a net book value of $1,524,000. The Bank also had $816,000 in construction in process at December 31, 2002.

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, 2002, 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 2002 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 2002 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 2002 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 2002 Annual Report to Stockholders on pages 21 through 53 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 8, 2003 at pages 6 through 9.

34

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 8, 2003 at pages 12 through 13.

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 8, 2003 at pages 5 through 8.

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 8, 2003.

ITEM 14. 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 IV

ITEM 15. 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 2002 Annual Report to Stockholders.

	Page
Independent Auditors' Report	54
Consolidated Balance Sheets as of December 31, 2002 and 2001	21
Consolidated Statements of Income for the Years Ended December 31, 2002, 2001 and 2000	22
Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2002, 2001 and 2000	23-25

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)
- 99.1 CEO Certification required under Section 906 of Sarbanes-Oxley Act of 2002
- 99.2 CFO Certification required under 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 Form 10-Q, filed November 3, 1999.

(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 13, 2003

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/ Claron D. Wagner Claron D. Wagner	Chairman of the Board	March 13, 2003
/s/ James P. Logan James P. Logan	Vice Chairman of the Board	March 13, 2003
/s/ Joseph J. Junod Joseph J. Junod	Director	March 13, 2003
/s/ Ted R. Ostrander, Jr. Ted R. Ostrander	Director	March 13, 2003
/s/ H.D. Robuck, Jr. H.D. Robuck, Jr.	Director	March 13, 2003
/s/ Howard H. Hewitt Howard H. Hewitt	Director	March 13, 2003
/s/ Stephen T. Kurtz Stephen T. Kurtz	Chief Executive Officer, President and Director	March 13, 2003
/s/ Paul K. Mueller Paul K. Mueller	Executive Vice President, Chief Operating Officer and Treasurer and Director	March 13, 2003

CERTIFICATIONS

I, Stephen T. Kurtz, certify, that:

1. I have reviewed this annual report on Form 10-K of FFLC Bancorp, Inc.;

2. Based on my knowledge, the annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   (a) all significant deficiencies in the design or operation of the internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect the internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 13, 2003 By: /s/ Stephen T. Kurtz

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Stephen T. Kurtz, President and Chief Executive Officer

I, Paul K. Mueller, certify, that:

1. I have reviewed this annual report on Form 10-K of FFLC Bancorp, Inc.;

39

2. Based on my knowledge, the annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   (a) all significant deficiencies in the design or operation of the internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect

the internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 13, 2003 By: /s/ Paul K. Mueller

Paul K. Mueller, Executive Vice President and Treasurer