CENTERSTATE BANKS OF FLORIDA INC
Form S-3
May 19, 2005
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As filed with the Securities and Exchange Commission on May 19, 2005.

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

Estimated

fair

value

U.S. Treasury securities

$58,752 $146 $(7) $58,891

Obligations of U.S. government agencies

7,999 14 (25) 7,988

Mortgage backed securities

26,662 48 (145) 26,565

Municipal securities

635 635

Federal Home Loan Bank stock

612 612

Federal Reserve Bank stock

566 566

Other equity investment

100 ***THE SECURITIES ACT OF 1933***

CenterState Banks of Florida, Inc.

(Exact name of registrant as specified in its charter)

Florida	**59-3606741**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

1101 First Street South, Suite 202, Winter Haven, Florida 33880 (863) 291-3900

(Address, including zip code and telephone number, including area code, of registrant s principal executive offices)

Ernest S. Pinner

Chairman, President and Chief Executive Officer

CenterState Banks of Florida, Inc.

1101 First Street South, Suite 202, Winter Haven, Florida 33880

(Name, address, including zip code and telephone number, including area code, of agent for service)

Copy to:

John P. Greeley, Esquire	**Randolph A. Moore NT FACE="Times New Roman" SIZE="2">**	100
Smith Mackinnon, PA		
255 South Orange Avenue		

Suite 800

Orlando, Florida 32801

(407) 843-7300

Facsimile (407) 843-2448

	$ 95,326	$ 208	$ (177)	$ 95,357

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CENTERSTATE BANKS OF FLORIDA, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(amounts are in thousands of dollars, except per share data)

December 31, 2004 and 2003

The amortized cost and estimated fair value of investment securities available for sale at December 31, 2004, by contractual maturity, are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized cost	Estimated fair value
Investment securities available for sale		
Due in one year or less	$ 78,678	$ 78,406
Due after one year through five years	109,042	**Alston & Bird LLP** **One Atlantic Center** **1201 W. Peachtree St.** **Atlanta, GA 30309** **(404) 881-7000** **Facsimile: (404) 881-7777**

Approximate date of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the Prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of shares to be registered	**Amount to be registered**	**Proposed maximum offering price per share[(1)]**	**Proposed maximum aggregate offering price[(1)]**	**Amount of registration fee**
Common Shares, $.01 par value	1,150,000 shares[(2)]	$37.65	108,128	
Due after five years through fifteen years	3,094		3,044	
Due after fifteen years through thirty years	635		635	
Federal Home Loan Bank stock	413		413	
Federal Reserve Bank stock	674		674	
Other equity investment	100		100	
	$ 192,636		$ 191,400	

At December 31, 2004, the Company had $35,827 (estimated fair value) in investment securities pledged to the Treasurer of the State of Florida as collateral on public fund deposits and for other purposes required or permitted by law. Repurchase agreements are secured by U.S. Treasury securities and Government Agency securities with fair values of $41,188 and $27,939 at December 31, 2004 and 2003, respectively.

Proceeds from sales of investment securities available for sale were $229, $999 and $5,049 for the years ending December 31, 2004, 2003 and 2002, respectively. Gross realized (losses) gains on sales of investment securities available for sale during 2004, 2003 and 2002 were $0, ($1) and $21, respectively.

The following tables show the Company s investments gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2004 and 2003.

	December 31, 2004		
	less than 12 months	12 months or more	Total
$43,297,500	$5,097		

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(a) under the Securities Act of 1933.

(2) Includes an aggregate of 150,000 shares to cover overallotments, if any, pursuant to the overallotment option granted to the Underwriters.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not seeking an offer to buy the securities in any state or jurisdiction where the offer or sale is not permitted.

Subject to completion, dated May 19, 2005

PRELIMINARY PROSPECTUS

1,000,000 Shares

Common Stock

We are offering 1,000,000 shares of our common stock, par value $0.01 per share. The public offering price is $ per share.

Our common stock is currently quoted and traded on The Nasdaq National Market under the symbol CSFL. The last reported sale price of our common stock on The Nasdaq National Market on May 18, 2005 was $37.65 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 9 to read about factors you should consider before you make your investment decision.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds to us, before expenses	$	$

fair value

unrealized

losses

fair value

unrealized

losses

fair value

unrealized

losses

U.S. Treasury securities	$107,351	$577	$8,437	$52	$115,788	$629
Obligations of U.S. government agencies	14,762	79	1,970	31	16,732	110
Mortgage backed securities	28,713	307	10,652	199	39,365	506
Total temporarily impaired securities	$150,826					

Neither the Securities and Exchange Commission nor any state securities commission or other regulatory agency has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposit accounts or other obligations of our banking subsidiaries and are not insured or guaranteed by the Federal Deposit Insurance Corporation s Bank Insurance Fund, Savings Association Insurance Fund, or any other government agency.

We have granted the underwriters an option to purchase up to 150,000 additional shares of common stock to cover over-allotments, if any. The underwriters can exercise this option at any time within 30 days after the offering.

The underwriters expect to deliver the shares to purchasers on or about , 2005.

Keefe, Bruyette & Woods **SunTrust Robinson Humphrey**

The date of this prospectus is , 2005

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$963 $21,059 $282 $171,885 $1,245

December 31, 2003

less than 12 months

12 months or more

Total

fair value

unrealized

losses

fair value

unrealized

losses

fair value

unrealized

losses

U.S. Treasury securities

$13,505 $7 $ $ $13,505 $7

Obligations of U.S. government agencies

1,975 25 60

ABOUT THIS PROSPECTUS

You should rely only on the information contained in this document or incorporated by reference in this prospectus. See Documents Incorporated by Reference. We have not authorized anyone to provide you with different information. This document may only be used where it is legal to sell these securities. The information contained in this document is current only as of its date, regardless of the time of delivery of this prospectus or of any sales of shares of our common stock.

In this prospectus we rely on and refer to information and statistics regarding the banking industry and the Florida market. We obtained this market data from independent publications or other publicly available information. Although we believe these sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information.

As used in this prospectus, the terms we, us, our, CenterState, and Company mean CenterState Banks of Florida, Inc. and its subsidiaries on consolidated basis (unless the context indicates another meaning); the term the Banks means our four subsidiary banks: First National Bank of Osceola County, CenterState Bank West Florida, N.A., First National Bank of Polk County, and CenterState Bank of Florida (unless the context indicates another meaning).

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SUMMARY

This summary highlights specific information contained elsewhere or incorporated by reference in this prospectus. This summary is not complete and does not contain all of the information you should consider before investing in our common stock and is qualified in its entirety by the more detailed information included or incorporated by reference in this prospectus. To understand this offering fully, you should carefully read this entire prospectus, including the Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations sections and the documents incorporated by reference.

Our Company

We are a bank holding company headquartered in Winter Haven, Florida. We operate 25 banking offices through our four wholly owned banking subsidiaries located in the Central Florida marketplace, as indicated on the map on the inside front cover of this prospectus. Through our subsidiary banks, we offer a range of lending services, including real estate, consumer and commercial loans to both individuals and small to medium-sized businesses located in our markets. We complement our lending operations with an array of retail deposit products. We offer quality relationship banking services to customers whose banking needs are not large enough to attract significant attention from our super-regional and national competitors. We believe our focus on customer relationships allows us to compete effectively within our markets and will provide us with a competitive advantage as we expand both within our existing markets and into new markets.

We were organized as a bank holding company in September 1999 and, in June 2000, closed three separate merger transactions resulting in First National Bank of Osceola County, CenterState Bank West Florida, N.A., (formerly known as Community National Bank of Pasco County) and First National Bank of Polk County becoming separate wholly owned subsidiaries of CenterState. In December 2002, we acquired CenterState Bank of Florida, which became our fourth wholly owned subsidiary bank. Substantially all of our current management team has been in place since 1999. From December 31, 2000 to December 31, 2004, we have achieved strong growth through the acquisitions of our subsidiary banks and our de novo branching strategy. Specifically, we have:

- increased our total consolidated assets from approximately $310.7 million to approximately $753.8 million;
- increased our total consolidated deposits from approximately $280.2 million to approximately $659.6 million;

	1,975	25				
Mortgage backed securities	15,679	145			15,679	145
Total temporarily impaired securities	$ 31,159	$ 177	$	$	$ 31,159	$ 177

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CENTERSTATE BANKS OF FLORIDA, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(amounts are in thousands of dollars, except per share data)

December 31, 2004 and 2003

U.S. Treasury securities and Obligations of U.S. Government agencies: The unrealized losses on investments in U.S. Treasury securities and Obligations of U.S Government agencies were caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. Because the Company has the ability and intent to hold these investments until a market price recovery or maturity, these investments are not considered other-than-temporarily impaired.

Mortg increased our total consolidated net loans from approximately $207.1 million to approximately $435.3 million;

expanded our branch network from 15 locations to 25 locations; and

successfully integrated the acquisitions of all of our banking subsidiaries.

We have been able to achieve this significant growth without sacrificing credit quality. Our ratio of non-performing assets to total assets was 0.27% and 0.17% for the years ended December 31, 2003 and 2004, respectively. Our ratio of net charge-offs to average loans was 0.12% and 0.07% for the years ended December 31, 2003 and 2004, respectively.

At March 31, 2005, we had total consolidated assets of approximately $789.8 million, total consolidated deposits of approximately $680.5 million, total consolidated net loans of approximately $455.7 million and total consolidated shareholders equity of approximately $58.2 million. Additional information about us is included in this prospectus and in documents incorporated by reference in this prospectus. See Business, Where You Can Find More Information and Documents Incorporated by Reference.

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Market Areas and Growth Strategy

We currently conduct business through 25 branches in our market areas of Citrus, Hernando, Orange, Osceola, Pasco, Polk and Sumter Counties, Florida. Our markets are located in Central Florida and are comprised of residential communities exhibiting strong growth characteristics within our seven county footprint. The strength of the Central Florida economy depends significantly upon agriculture, tourism, real estate, construction and Central Florida s attractiveness as a retirement area. The seven counties in which we operate had a population of approximately 2.5 million as of December 31, 2004 and are some of the fastest growing counties in Florida based on population growth. According to 2004 data from the U.S. Census Bureau, the projected population growth in our markets from 2004 to 2009 is expected to be 12.75% versus 9.33% for the state of Florida and a U.S. average of 5.25%. Based upon FDIC data as of June 30, 2004, our Banks total deposits ranked 8th among financial institutions in our market areas, representing approximately 2.0% of the total deposits in our market.

We have a decentralized, community banking strategy that emphasizes responsive and personalized service to our customers. Due to the consolidation of small and medium-sized financial institutions in our markets, we believe there is a significant opportunity for a community-focused bank to provide a full range of financial services to small and middle-market commercial and retail customers. In addition, consolidation of the Florida banking market has dislocated experienced and talented management and lending personnel. As a result, we believe we have a substantial opportunity to attract experienced management, loan officers and banking customers both within our current markets and other markets in which we might expand in Central Florida.

We intend to achieve our primary goal of maximizing long term returns to stockholders by focusing on the following objectives:

Emphasize Relationship Banking. We believe customers still want to do business with a person and they want to feel they are important to us. To accomplish this objective, we emphasize to our employees the importance of delivering exemplary customer service and seeking opportunities to build further relationships with our customers. Our goal is to compete by relying on the strength of our customer service and relationship banking approach. Additionally, our ability to respond rapidly to customers needs helps us solidify relationships and build customer loyalty.

Maintain Local Decision Making. Our subsidiary banks each operate autonomously under our corporate umbrella. As a result, each bank has its own board of directors and management comprised of persons known in the local community in which each bank operates, strengthening our ability to foster local relationships with individuals and businesses. We plan to maintain our local presence and decision making processes as we expand and grow in our existing markets and additional markets throughout Central Florida.

536 527

(3) Loans

Major categories of loans included in the loan portfolio as of December 31, 2004 and 2003 are:

	December 31,	
	2004	**2003**

Real estate:		
Residential	$ 129,796	$ 140,826
Commercial	179,846	157,586
Construction	20,032	16,930
Total real estate	329,674	315,342
Commercial	64,984	59,175
Consumer and other loans	46,883	39,908
	441,541	414,425

Less: Deferred loaWIDTH="1%" VALIGN="top">

Continue our Disciplined Execution. We believe our success as a banking organization depends on a disciplined approach to originating loans and monitoring the performance of our loan portfolio. Despite our growth, we have consistently maintained strong asset quality. We believe our strong asset quality is the result of conservative underwriting standards, experienced loan officers and the strength of the Central Florida economy. At March 31, 2005, our nonperforming assets as a percentage of total assets were 0.18% and our ratio of net charge-offs to average loans was 0.03%. Our year-end nonperforming assets as a percentage of total assets have not exceeded 0.34% in any of the past five years, and have averaged approximately 0.25%.

Grow Organically in Our Existing Markets. Our markets have been subject to large scale consolidation of local community banks primarily by larger, out-of-state financial institutions. We believe there is a large customer base in our markets which prefers doing business with a local institution and may be dissatisfied with the service received from larger regional banks. By

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providing our customers with quality service, coupled with the underlying characteristics of the counties in which we operate, we expect to continue our strong organic growth. We believe the success of our strategy is evidenced by the growth of our deposits from approximately $280.2 million at December 31, 2000 to approximately $680.5 million at March 31, 2005, and net loans, which increased from approximately $207.1 million at December 31, 2000 to approximately $455.7 million at March 31, 2005.

Grow through Acquisitions and Branching. We will actively consider both acquisitions and de novo branching in both our existing market areas and in contiguous markets in Central Florida. We are focused on expansion opportunities in markets with favorable growth characteristics and in which we have identified experienced bankers to help execute our strategy. Since June 30, 2000, we have successfully integrated four banks, and have opened nine de novo branches. As part of our branching strategy, we have identified site locations for two more de novo branches to be opened in 2005.

Improve Our Core Profitability. We believe as we grow our franchise we will be able to take advantage of the economies of scale typically enjoyed by larger organizations. We believe the investments we have made in our branch network and technology infrastructure are sufficient to support a much larger organization, and therefore believe increases in our expense base going forward should be lower than our proportional increase in assets and revenues. We believe the effect of these trends going forward should improve our profitability over time.

Recent Developments

First Quarter Results

On April 25, 2005, we reported our results of operations for the quarter ending March 31, 2005. As reported, our net income for the first quarter of 2005 was $1,262,000 compared to $1,753,000 for the same period in 2004. Diluted earnings per share for the first quarter of 2005 were $0.30 compared to $0.51 for the first quarter of 2004. Included in last year s quarterly earnings was a $1,844,000 ($1,150,000 after tax) gain from the sale of two of our branches. Excluding the gain on sale of the branches, last year s quarterly earnings would be $603,000 with diluted earnings per share equal to $0.18. The quarterly per share comparison reflects a 22.7% increase in average diluted shares outstanding to 4,216,408 primarily as a result of the 675,627 shares sold in our shareholders rights offering that closed in June 2004.

Our total revenue, defined as net interest income and non-interest income, was $7,614,000 for the first quarter of 2005 compared to the $7,983,000 for the first quarter of 2004. Included in total revenue for the first quarter of 2004 was the $1,844,000 gain from the sale of the two branches discussed above. Total revenue for the first quarter of 2004 reduced by the gain on sale of those branches equals $6,139,000, which, when compared to total revenue in the first quarter of 2005, results in a quarter to quarter increase of $1,475,000, or 24.0%. Our net interest income rose 27.9% to $6,273,000, reflecting a 25.1% increase in average earning assets over the first quarter of 2004 and an 8 basis point increase in the net interest margin to 3.58% over the same period. Non-interest income for the first quarter of 2005 was $1,341,000 compared to the $3,078,000 reported for the first quarter of 2004. Non-interest income for the first quarter of 2004 less the gain on sale of branches of $1,844,000 equals $1,234,000, which, when compared to the first quarter of 2005, results in a quarter to quarter increase of $107,000, or 8.7%.

Our total assets at quarter end of approximately $789.8 million were up 25.3% from approximately $630.2 million at March n origination fees, net

Total loans		441,005	413,898
Less: Allowance for loan losses		5,685	4,850
Total net loans	$	435,320	$ 409,048

The following is a summary of information regarding nonaccrual loans, impaired loans and other real estate owned at December 31, 2004 and 2003:

	December 31,	
	2004	2003
Nonaccrual loans	$ 890	$ 1,078
Recorded investment in impaired loans	$ 1,053	$ 368
Allowance for loan losses related to impaired loans	$ 406	$

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During the first quarter, we recognized $29,000 in net charge-offs, representing 0.03% of average loans on an annualized basis. Our first quarter 2005 provision expense for loan losses totaled $285,000. Quarter-end nonperforming assets were 0.18% of our total assets. The allowance for loan losses covered nonperforming assets by 416%.

Corporate Information

Our headquarters are located at 1101 First Street South, Suite 202, Winter Haven, Florida 33880, and our telephone number is (863) 293-2600.

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THE OFFERING

Common stock offered	1,000,000 shares (1,150,000 shares if the underwriters exercise their over-allotment option in full).
Common stock outstanding after the offering[(1)]	5,075,184 shares (5,225,184 shares if the underwriters exercise their over-allotment option in full).
Use of proceeds	We intend to use the net proceeds of this offering for general corporate purposes, which may include, among other things, our working capital needs and investments in our subsidiary banks to support our growth. Additionally, we may use a portion of the net proceeds to finance possible acquisitions, although we have no current agreements with respect to any acquisition. *See* Use of Proceeds on page 16.
Dividends	Historically, we have paid

	quarterly dividends. We paid a dividend for the quarter ended March 31, 2005 of $0.06 per share of common stock, or $0.24 on an annualized basis. We intend to continue paying dividends, but the payment of dividends in the future will depend upon a number of factors. We cannot give you any assurance we will continue to pay dividends or that their amount will not be reduced in the future.
Nasdaq National Market symbol	CSFL

—

(1) The number of shares to be outstanding after the offering is based on the number of shares outstanding as of March 31, 2005 and does not include 363,266 shares of common stock issuable upon exercise of options outstanding as of March 31, 2005 at a weighted average exercise price of $19.99. If exercised, the shares represented by these options would represent 8.9% of our issued and outstanding common stock. After giving effect to the sale of 1,000,000 shares pursuant to this offering, the shares represented by these options would represent 7.2% of our issued and

outstanding common stock (or 7.0% if the underwriters exercise their over-allotment option in full).

Unless otherwise expressly stated or the context otherwise requires, all information contained in this prospectus assumes that the underwriters over-allotment option will not be exercised. For more information regarding the over-allotment option, see the Underwriting section beginning on page 57 of this prospectus.

Risk factors

Prior to making an investment decision, a prospective purchaser should consider all of the information set forth in this prospectus and should evaluate the statements set forth in Risk Factors beginning on Page 9.

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		132
Other real estate owned	$ 384	$ 282

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CENTERSTATE BANKS OF FLORIDA, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(amounts are in thousands of dollars, except per share data)

December 31, 2004 and 2003

	Interest income not recognized on nonaccrual loans	Interest Income recognized on impaired loans	Average recorded investment in impaired loans	
ember 31:				
	$ 40	$ 48	$ 1,103	
	$ 10	$ 22	$ 333	
25,802	$ 21,048		$ 23,513	$ 22,263

d Financial Data

ollowing selected consolidated
consolidated financial
and Management s Discussion
cial Condition and Results of
g elsewhere in this prospectus.
e years ended December 31,
derived in part from, and
r with, our audited
statements and notes thereto
nce into this prospectus. The
ee months ended March 31,
dited. However, in the
ement, all adjustments
ecurring adjustments
esentation of the results of
udited periods have been
erating data for the three
31, 2005 are not necessarily
s that might be expected for

he

hs

	At and For Year Ended December 31,				
04	2004	2003	2002	2001	2000
n thousands except per share data)					
593	$ 29,088	$ 12	$ 19	$ 298	

holders, directors and officers
sts were indebted to the
zed below at December 31,

December 31,		
004	2003	2002
3,230	$ 11,768	$ 8,593
5,297	4,488	7,992
7,490	3,026	4,817
1,037	$ 13,230	$ 11,768

ade in the ordinary course of
r 31, 2004, 2003 and 2002,
holders, directors and officers
heir related interests had
,839, respectively, available

nce for loan losses for the
r 31, 2004, 2003 and 2002, are

(2,413)	(1,788)	(7,874)	(7,532)	(6,
6,273	4,905	21,214	18,270	14,

December 31,

2004

2003

2002

Balance, beginning of year

$4,850 $4,055 $3,076

Provision charged to operations

1,270 1,243 644

Loans charged-off

(350) (534) (366)

Recoveries of previous charge-offs

45 86 26

Adjustment relating to sale of branches

(130)

Effect of merger with CenterState Bank

675 (285) (435) (1,270) (1,243) (644) (577) (614)

Net interest income after provision for loan losses

5,988 4,470 19,944 17,027 13,512 13,110 12,002

Non-interest income

1,341 1,234 4,932 4,687 3,660 3,062 2,384

Gain on sale of branches

1,844 1,844

Balance, end of year	$5,685	$4,850	$4,055

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CENTERSTATE BANKS OF FLORIDA, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(amounts are in thousands of dollars, except per share data)

December 31, 2004 and 2003

(4) Bank Premises and Equipment

A summary of bank premises and equipment as of December 31, 2004 and 2003, is as follows:

	December 31,							
	2004	2003						
Land	$ 9,139	$ 7,710						
Land improvements	309	265						
Buildings	14,456	11,487						
Leasehold improvements	1,139							
Non-interest expense	(5,321)		(4,756)	(19,780)	(17,547)	(13,397)	(12,143)	(11,154)
Income before income taxes	2,008		2,792	6,940	4,167	3,775	4,029	3,232
Income taxes	(746832							
Furniture, fixtures and equipment	8,936	8,714						
Construction in progress	143	1,819						
	34,122	30,827						
Less: Accumulated depreciation	8,453	7,903						
	$ 25,669	$ 22,924						

(5) Deposits

A detail of deposits at December 31, 2004 and 2003 is as follows:

December 31,			
2004	Weighted	2003	Weighted

		average interest rate		average interest rate						
Non-interest bearing deposits	$ 175,072)	(1,039)		(2,567)	(1,541)	(1,406)	(1,513)	(1,324)		
Net income	$ 1,262	$ 1,753		$ 4,373	$ 2,626	$ 2,369	$ 2,516	$ 1,908		
								0.0%	$ 118,219	0.0%
Interest bearing deposits:										
Interest bearing demand deposits	100,496	0.3%	76,404	0.3%						
Savings deposits	51,011	0.3%	40,210	0.3%						
Money market accounts	119,881	1.2%	85,360	0.9%						
Time deposits less than $100,000	126,006	3.0%	136,209	2.8%						
Time deposits of $100,000 or greater	87,164	3.0%	81,833	2.9%						
PER COMMON SHARE DATA:										
Basic earnings per share	$ 0.31	$ 0.52		$ 1.17	$ 0.78	$ 0.84	$ 0.89	$ 0.68		
Diluted earnings per share	$ 0.30	$ 0.51		$ 1.14	$ 0.77	$ 0.82	$ 0.89	$ 0.67		
Book value per share	$ 14.27	$ 12.95		$ 14.17	$ 12.45	$ 11.87				
	$ 659,630	1.3%	$ 538,235	1.4%						

The following table presents the amount of certificate accounts at December 31, 2004, maturing during the periods reflected below:

Year	**Amount**
2005	$ 101,932
2006	33,384
2007	37,773
2008	18,005
2009	22,076
Total	$ 213,170

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CENTERSTATE BANKS OF FLORIDA, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(amounts are in thousands of dollars, except per share data)

December 31, 2004 and 2003

A summary of interest expense on deposits for the years ended December 31, 2004, 2003 and 2002, is as follows:

December 31,

		$ 9.83	$ 8.99				
Tangible book value per share	$ 12.99	$ 11.39	$ 12.89	$ 10.35	$ 10.37	$ 9.54	$ 8.94
Dividends per share	$ 0.06	$ 0.06	$ 0.24	$ 0.22	$ 0.20	$ 0.18	$ 0.16
Actual shares outstanding	4,075,184	3,378,137	4,068,713	3,369,380	3,362,068	2,818,602	2,815,872
Weighted average shares outstanding	4,071,525						

	2004	**2003**	**2002**
Interest-bearing demand deposits	$ 265	$ 261	$ 279
Savings deposits	133	142	231
Money market accounts	1,057	886	870
Time deposits less than $100,000	3,480	3,803	4,066
Time deposits of $100,000 or greater	2,250	2,223	1,406
	$ 7,185	$ 7,315	$ 6,852

The Company had deposits from certain principle shareholders, directors and officers and their related interests of approximately $10,274, and $14,207 at December 31, 2004 and 2003, respectively.

(6) Securities sold under agreements to repurchase

The Company s subsidiary banks enter into borrowing arrangements with their retail business customers by agreements to repurchase (repurchase agreements) under which the banks pledge investment securities owned and under its control as collateral against the one-day borrowing arrangement.

3,373,316 3,750,158 3,364,824 2,823,213 2,817,240 2,811,651

Diluted weighted average shares outstanding

4,216,408	3,436,736	3,828,154	3,428,819	2,878,770	2,839,914	2,826,704

BALANCE SHEET DATA:

Assets

$789,813	$630,162	$753,779	$608,896	$494,800

At December 31, 2004 and 2003, the Company had $24,627 and $17,465 in repurchase agreements with weighted average interest rates of 1.56% and 0.28%, respectively. Repurchase agreements are secured by U.S. Treasury securities and Government Agency securities with fair values of $41,188 and $27,939 at December 31, 2004 and 2003, respectively.

Repurchase agreements averaged $26,110, $15,562 and $4,185 for the years ended December 31, 2004, 2003 and 2002, respectively. The maximum amount outstanding at any month-end for the corresponding periods was $35,167, $24,366 and $11,486, respectively. Total interest expense paid on repurchase agreements for the years ending December 31, 2004, 2003 and 2002, was $193, $73 and $40, respectively.

(7) Note Payable

During the quarter ended June 30, 2003, the Company entered into an unsecured borrowing facility with a larger regional bank. The facility is a two year $2,400 line of credit with a floating interest rate of LIBOR +1.75%. The facility was paid off during September 2003 using funds from the corporate debenture issued on September 22, 2003 described below.

(8) Corporate debenture

The Company formed CenterState Banks of Florida Statutory Trust I (the Trust) for the purpose of issuing trust preferred securities. On September 22, 2003, the Company issued a floating rate corporate debenture in the amount of $10 million. The Trust used the proceeds from the issuance of a trust preferred security to acquire the corporate debenture of the Company. The trust preferred security essentially mirrors the corporate debenture, carrying a cumulative preferred dividend at a variable rate equal to the interest rate on the corporate debentue (three month LIBOR plus 305 basis points). The rate is subject to change on a quarterly basis. The rate in effect

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during the quarter ended December 31, 2004 was 5.025%. The corporate debenture and the trust preferred security each have 30-year lives. The trust preferred security and the corporate debenture are callable by the Company or the Trust, at their respective option after five years, and sooner in specific events, subject to prior approval by the Federal Reserve Board, if then required. Related loan origination costs of $188 were capitalized and are being amortized to interest expense over a five year period. The Company has treated the trust preferred security as Tier 1 capital up to the maximum amount allowed, and the remainder as Tier 2 capital for federal regulatory purposes.

The Company used a portion of the $10,000 of capital received to pay down a $2,150 short-term borrowing facility. The Company intends to use the remainder to capitalize the future growth of its subsidiary banks.

(9) Income Taxes

The provision for income taxes at December 31, 2004, 2003 and 2002, consists of the following:

	Current	Deferred		Total					
December 31, 2004:									
Federal	$ 1,681	$ 341,374		$ 310,662					
Total loans, net	455,726		393,212		435,320	409,048	329,666	241,349	207,133
Total deposits	680,506		545,376		659,630	538,235	441,462	307,998	280,168
Short-term borrowings	38,570		29,122		24,627	17,465	10,005	4,598	4,305
Corporate debentures	10,000		$ 499		$ 2,180				
State	301	86		387					
	$ 1,982	$ 585		$ 2,567					
December 31, 2003:									
Federal	$ 1,557	$ (249)		$ 1,308					
State	274	(41)		233					
	$ 1,831	$ (290)		$ 1,541					
	— 10,000		10,000		10,000				

Shareholders equity	58,165	43,758	57,664	41,963	39,915	27,717	25,321
Tangible capital[1]	52,957	38,467	52,438	36,651	34,868	26,883	25,164
Goodwill	4,675	4,675	4,675	4,675	4,308	—	—

December 31, 2002:			
Federal	$ 1,268	$ (41)	$ 1,227
State	186	(7)	179
	$ 1,454	$ (48)	$ 1,406

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The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2004 and 2003, are presented below:

	December 31,						
	2004	2003					
Core deposit intangible (CDI)	533	616	551	637	739		
Average total assets	762,757	616,194	673,669	550,866	374,008	331,768	295,660
Average loans, net	444,710	400,371	415,864	370,029	258,232	224,865	191,191
Average interest earning assets	701,041						
Deferred tax assets:							
Allowance for loan losses	$ 2,085	$ 1,732					
Deferred loan fees	202	199					
Merger cost	50	50					
Intangible assets	36	46					
Unrealized loss on investment securities available for sale	464						
Net operating loss carryforward	277	495					
Other		94					
Total deferred tax asset	3,116	2,616					
		560,594	618,589	503,292	343,541	303,726	269,316

Average deposits	662,013	537,710	584,442	488,952	340,123	298,828	266,585
Average interest bearing deposits	489,317	418,273	445,358	393,528	277,466	248,534	221,748
Average interest bearing liabilities	529,862	451,935	481,468	412,457			
Deferred tax liabilities:							
Premises and equipment, due to differences in depreciation methods and useful lives	(630)	(438)					
Unrealized gain on investment securities available for sale		(12)					
Core deposit intangible	(207)	(158)					
Like kind exchange	(293)						
Accretion of discounts on investments	(67)	(16)					
Other	(33)						
Total deferred tax liability	(1,232)	(624)					
Net deferred tax asset	$	281,651	253,561	225,849			
Average shareholders equity	58,095	43,181	51,340	40,955	28,581	26,785	24,220

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	At and for the Three Months Ended March 31		At and For Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(dollars in thousands except per share data)						
SELECTED FINANCIAL RATIOS:		1,884	$ 1,992				

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences.

A reconciliation between the actual tax expense and the expected tax expense (computed by applying the U.S. federal corporate rate of 34 percent to earnings before income taxes) is as follows:

	December 31,						
	2004	2003	2002				
Expected tax expense	$ 2,360	$ 1,417	$ 1,284				
Tax exempt interest	(84)	(51)	(28)				
State income taxes, net of federal income tax benefits	256	154	118				
Merger and other public registration expenses							
Return on average assets	0.66%	1.14%	0.65%	0.48%	0.63%	0.76%	0.65%
Return on average tangible assets[1]	0.67%	1.15%	0.65%	0.48%	0.63%	0.76%	0.65%
Return on average tangible equity[1]	9.55%	18.51%	9.49%	7.38%	8.29%	9.39%	7.88%
Return on average equity	8.69%	16.24%	8.52%	6.41%	8.29%		(12)
Other, net	35	21	44				
	$ 2,567	$ 1,541	$ 1,406				

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CENTERSTATE BANKS OF FLORIDA, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

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(10) Rent

The following is a schedule of future minimum annual rentals under the noncancellable operating leases of the Company s facilities:

Year ending December 31,									
2005	$	340							
2006		321							
2007		332							
2008		9.39%	7.88%						
Dividend payout	19%		12%	21%	28%	24%	20%	24%	
Efficiency(2)	70%		77%	76%	76%	75%	72%	74%	
Net interest margin(3)	3.58%		3.50%	3.43%	3.63%	4.12%	4.51%	4.68%	
Net interest spread(4)	3.14%		3.20%	3.06%	3.30%	3.68%	3.86%	4.00>	290
2009		252							
	$	1,535							

Rent expense for the years ended December 31, 2004, 2003 and 2002, was $335, $304 and $195, respectively, and is included in occupancy expense in the accompanying consolidated statements of operations.

(11) Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

Cash and cash equivalents The carrying amount of cash and cash equivalents approximates fair value due to short-term maturity and market interest rates earned.

Investments The Company s investment securities available for sale represents investments in U.S. Treasury securities, U.S. Government agency securities, mortgage backed securities, and municipal securities. The Company s equity investments at year end represents stock investments in the Federal Reserve Bank, Federal Home Loan Bank and other equity. The stocks are not publicly traded and the carrying amount was used to estimate the fair value. The fair value of the U.S. Treasury securities, U.S. Government agency securities, mortgage backed securities and municipal securities was estimated based on quoted market prices.

Loans For variable rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. Fair values for commercial real estate, commercial and consumer loans other than variable rate loans are estimated using discounted cash flow analysis, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values of impaired loans are estimated using discounted cash flow analysis or underlying collateral values, where applicable.

Deposits The fair values disclosed for non-interest bearing demand deposits are, by definition, equal to the amount payable on demand (that is their carrying amounts). The carrying amounts of variable rate, money market accounts and fixed term certificates of deposit (CDs) approximate their fair value at the reporting date due to the fact they reprice frequently. Fair values for fixed rate CDs are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Repurchase agreements The carrying amount of the repurchase agreements approximate their fair value due to the short-term nature of the agreement and the market interest rates charged.

Corporate debenture Because it reprices quarterly and has no significant change in credit risk, fair value is based on carrying value.

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The following tables present the carrying amounts and estimated fair values of the Company s financial instruments.

	December 31, 2004						
	Carrying						
CAPITAL RATIOS:							
Tier 1 leverage ratio	8.50%	7.87%	8.60%	7.84%	8.54%	7.89%	8.21%
Risk-based capital							
Tier 1	12.88%	11.75%	13.40%	11.30%	9.95%	11.51%	12.56%
Total						**Fair**	
					Amount	**value**	
	14.06%	13.00%	14.61%	12.48%	11.16		
Financial assets:							
Cash and cash equivalents	$ 90,115	$ 90,115					
Investment securities available for sale	191,400	191,400					
Loans, less allowance for loan losses of $5,685	435,320	434,565					
Financial liabilities:							
Deposits:							
Without stated maturities	$ 446,460	$ 446,460					
With stated maturities	213,170	219,647					
Securities sold under agreement to repurchase	24,627	24,627					
Corporate debenture	10,000	10,000					

	December 31, 2003						
	Carrying Amount	Fair value					
Financial assets:	 FONT FACE="Times New Roman" SIZE="1">%	12.76%	13.81%				
Average equity to average assets	7.62%	7.01%	7.62%	7.43%	7.64%	8.07%	8.19%
Average tangible equity to average tangible assets[1]	6.98%	6.20%	6.89%	6.52%	7.64%	8.07%	8.19%
ASSET QUALITY RATIOS:							
Net charge-offs to average loans	0.03%	0.00%	0.07%	0.12%	0.13%	0.10%	0.10%
Allo;							
Cash and cash equivalents	$ 71,059	$ 71,059					
Investment securities available for sale	95,357	95,357					

Loans, less allowance for loan losses of $4,850		409,048		410,078
Financial liabilities:				
Deposits:				
Without stated maturities	$	320,193	$	320,193
With stated maturities		218,042		223,982
Securities sold under agreement to repurchase		17,465		17,465
Corporate debenture		10,000		10,000

(12) Regulatory Capital

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

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets. Management believes, as of December 31, 2004, that the Company meets all capital adequacy requirements to which it is subject.

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CENTERSTATE BANKS OF FLORIDA, INC. AND SUBSIDIARIES

1.29% 1.30% 1.29% 1.17% 1.22% 1.26% 1.30%

Allowance for loan losses to non-performing assets

416% 391% 436% 296% 274% 467% 256%

Non-performing assets to total assets

0.18% 0.21% 0.17% 0.27% 0.30% 0.19% 0.34%

OTHER DATA:

Banking locations(5)

25 23 25

Notes to Consolidated Financial Statements, Continued

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As of December 31, 2004, the most recent notification from the Office of Comptroller of the Currency and the FDIC categorized the Banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Banks must maintain total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution s category.

A summary of actual, required, and capital levels necessary to be considered well-capitalized for the Company as of December 31, 2004 and 2003, are presented in the table below.

	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provision		
	Amount	Ratio	Amount	Ratio	Amount	Ratio	
December 31, 2004:							
Total capital (to risk weighted assets)	$ 68,894	14.6%	$ 37,730	> 8%	$ 47,163	>10%	
	25	21	16	15			
Full-time equivalent employees	259	244	257	254	233	169	150

(1) These measures are non-GAAP measures. See reconciliation table below. Average tangible assets is average assets less average intangibles. Average tangible equity is average equity less average intangibles.

(2) Efficiency ratio is non-interest expense divided by the sum of net interest income before the provision for loan losses plus non-interest income, exclusive of non-recurring income.

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

(4) Net interest spread is the difference between the average yield on earning assets and the average yield on average interest bearing liabilities.

(5) In the first quarter of 2004, we sold two branches located in Lake County and thereafter we opened a branch office in Polk County and a branch office in Osceola County in the second quarter of 2004.

GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures

Certain financial information included in our discussion of recent developments, summary consolidated financial data and selected consolidated financial data is determined by methods other than in accordance with GAAP. These non-GAAP financial measures are tangible book value per share, tangible equity to tangible assets, return on average tangible equity, return on average tangible assets, average tangible equity to average tangible assets, and earning assets. Our management uses these non-GAAP measures in its analysis of our performance.

Tangible book value per share is defined as total equity reduced by recorded intangible assets divided by total common shares outstanding. This measure is important to investors interested in changes from period to period in book value per share exclusive of changes in intangible assets. Goodwill, an intangible asset that is recorded in a purchase business combination, has the effect of increasing total book value while not increasing the tangible assets of the company. For companies such as ours that have engaged in business combinations, purchase accounting can result in the recording of significant amounts of goodwill related to such transactions.

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Return on average tangible equity is defined as annualized earnings for the period divided by average equity reduced by average goodwill and other intangible assets.

Return on average tangible assets is defined as annualized earnings for the period divided by average assets reduced by average goodwill and other intangible assets. We believe these measures are important when measuring the company s performance exclusive of the effects of goodwill and other intangibles recorded in recent acquisitions, and these measures are used by many investors as part of their analysis of the company s performance.

Average tangible equity to average tangible assets is defined as average total equity reduced by recorded average intangible assets divided by average total assets reduced by recorded average intangible assets. This measure is important to many investors that are interested in the equity to asset ratio exclusive of the effect of changes in average intangible assets on average equity and average total assets.

Earning assets is defined as total assets plus the allowance for loan losses less all other assets which includes cash and due from banks, premises and equipment, accrued interest receivable, other real estate owned, deferred income taxes, goodwill, core deposit intangible, prepaid expenses and other assets. This measure is important to many investors because for financial institutions, their net interest income is directly related to their level of earning assets.

These disclosures should not be viewed as a substitute for results determined in accordance with GAAP, and are not necessarily comparable to non-GAAP performance measures which may be presented by other companies. The following reconciliation table provides a more detailed analysis of these non-GAAP performance measures.

	At and for the Three Months Ended March 31		At and For Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(dollars in thousands except per share data)						
Book value per common share	46,310	7.8%	23,616	> 4%	29,520	> 5%	

(13) Dividends

The Company declared and paid cash dividends of $933, $740 and $565 during the years ended December 31, 2004, 2003 and 2002, respectively. Banking regulations limit the amount of dividends that may be paid by the subsidiary banks to the Company without prior approval of the Bank s regulatory agency. At December 31, 2004 dividends from the subsidiary banks available to be paid to the Company, without prior approval of the Bank s regulatory agency, was $6,419, subject to the Banks meeting or exceeding regulatory capital requirements.

(14) Stock Option Plans

The Company has authorized 365,000 common shares for employees of the Company under an incentive stock option and non-statutory stock option plan (the 1999 Plan). Options are granted at fair market value of the underlying stock at date of grant. Each option expires ten years from the date of grant. Options become 25% vested immediately as of the grant date and will continue to vest at a rate of 25% on each anniversary date thereafter. At December 31, 2004, there were 87,480 shares available for future grants. In addition to the 1999 Plan, the Company has assumed and converted the stock option plans of the four subsidiary Banks consistent with the terms and conditions of their respective merger agreements. These options are all vested and exercisable. At December 31, 2004, they represented exercisable options on 74,063 shares of the Company s common stock.

In 2004, the Company s shareholders authorized an Employee Stock Purchase Plan (ESPP). The number of shares of common stock for which options may be granted under the ESPP is 200,000, which amount shall be increased on December 31 of each calendar year for an amount equal to 6% of the increase in the outstanding shares of common stock from January 1 of each calendar year (from February 27, 2004 for the 2004 calendar year). During July 2004, the Company granted options on 30,607 shares of common stock pursuant to the ESPP. The options vest at the date of grant. The exercise price is $20.31 per share and the options expire on June 30, 2005.

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A summary of the status of the Company s stock option plans at December 31, 2004, 2003 and 2002, and changes during the years ended on those dates is presented below:

	2004		2003		2002			
	Number	Weighted Average						
		EIZE="1">$14.27	$ 12.95	$ 14.17	$ 12.45	$ 11.87	$ 9.83	$ 8.99
Effect of intangible assets per share	(1.28)	(1.56)	(1.28)	(2.10)	(1.50)	(0.29)	(0.05)	
Tangible book value per share	12.99	11.39	12.89	10.35	10.37	9.54	8.94	
Average equity to assets	7.62%	7.01%	7.62%					