42745 U.S. Highway 27
Davenport, FL 33837

CenterState
Banks of Florida, Inc.

(863) 419-7750
Fax (863) 419-7798

March 4, 2009

Mr. Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky:

Our response to your letter of February 6, 2009 is as follows.

When the TARP CPP was first offered to us in October 2008 we were profitable, well capitalized and although our non performing loans and assets were higher than what we had experienced in our past history, they compared favorably to our Florida peer group and the industry in general. Pre-TARP, our regulatory capital ratios at September 30, 2008 were as follows:

Total capital to risk weighted assets	14.9%
Tier 1 capital to risk weighted assets	13.6%
Tier 1 capital to average assets	11.1%

In addition to regulatory capital ratios, our common equity and common tangible equity ratios were 12.1% and 9.7%, respectively, as of the same date. Although earnings decreased year to year, we did have net income of $3.4 million in 2008, compared to $7.8 million in 2007, a decrease of approximately 56%. A summary of our non-performing loans and non-performing assets over the past twelve quarters has been attached as Exhibit A.

In October, we were encouraged to participate in the TARP CPP. We felt that it was an attractively priced source of capital, and, although we didn't need the capital, as stated above, we felt that we could use it to grow our deposits and loans either organically and/or through acquisition. As most everyone else in these uncertain times, we also had a significant feeling of uncertainty about the real estate market in particular and the overall economy in general. As such, we felt it prudent to accumulate excess capital as a precaution of any unknowns which may surface in the future.

Since November we have continued to grow loans and deposits. During December, January and February, we have originated approximately $48 million of new loans, and net deposits have grown approximately $300 million between the end of November and the end of February. Included in the deposit growth is our January 2009 purchase of approximately $180 million of deposits from the FDIC pursuant to it closing the Ocala National Bank in Ocala, Florida. We have also identified approximately $20 million of loans from the Ocala transaction which we expect to purchase from the FDIC during March.

We also have programs in place whereby we can help CenterState qualified borrowers who are having difficulty with their mortgage on their primary residence or their small business. We are committed to this policy because it makes good business sense, yet TARP enhances our ability to broaden this type commitment.

There were no actions taken that we could not have taken absent the infusion of the TARP capital. We had the necessary capital, and would have taken these actions whether we had TARP capital or not. However, as stated above, these are uncertain times, and as an abundance of caution we felt it prudent to maintain excess capital.

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The TARP capital is a segregated capital component of our shareholders' equity. The actual funds we received in exchange for the preferred stock and warrant is co-mingled with other institutional assets and is not segregated.

On February 3, 2009, the Compensation Committee met to discuss executive compensation requirements associated with the TARP CPP. The purpose of the meeting was to consider the report of the senior risk officer, ask questions, engage in discussion and arrive at a determination. Based on the senior risk officer's report and analysis, input from the Company's corporate attorney and from the Company's CEO, along with the Committee's own discussion and analysis, the Committee unanimously concluded that the SEO's incentive compensation arrangements do not encourage the SEOs to take unnecessary and excessive risks that would threaten the value of the institution. The Committee members executed the appropriate certification as required, and the CEO executed his certification that these events had taken place and submitted such certification to the U.S. Treasury.

During this same meeting, the Committee also noted that SEO compensation in excess of $500,000 per year will not be tax deductible. [redacted] The b(4), b(6) Committee is required to approve all SEO compensation. Clawback provisions under CPP were also discussed and acknowledged. The Committee acknowledged that companies participating in the CPP may not make "golden parachute payments" to an SEO during the period of Treasury's investment in the company. It was also acknowledged during this meeting, that [redacted]

It is our understanding, that the new TARP CAP incorporates all the requirements of TARP CPP and adds additional requirements specifically prohibiting the payment of incentive compensation to the five highest paid "employees."

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I certify the accuracy of the information provided in this letter.

Sincerely,

Ernest S. Pinner
Chairman of the Board,
Chief Executive Officer and President

CenterState Banks of Florida

Exhibit A

Summary of Credit Quality trends

(in thousands of dollars)	12/31/05	3/31/06	6/30/06	9/30/06	12/31/06	3/31/07	6/30/07	9/30/07	12/31/07	3/31/08	6/30/08	9/30/08	12/31/08
Total non performing loans (note 1)	1,510	1,198	851	1,154	610	1,260	2,264	4,937	4,074	11,446	10,453	13,098	19,913
non performing lns as % of total loans	**0.29%**	**0.20%**	**0.14%**	**0.18%**	**0.09%**	**0.18%**	**0.27%**	**0.59%**	**0.48%**	**1.37%**	**1.23%**	**1.49%**	**2.23%**
Total non performing assets (note 2)	1,549	1,263	901	1,189	645	1,475	2,321	5,247	4,827	12,474	13,089	16,343	24,835
non performing assets as % of total assets		**0.13%**	**0.09%**	**0.12%**	**0.06%**	**0.14%**	**0.19%**	**0.43%**	**0.40%**	**1.00%**	**1.07%**	**1.32%**	**1.86%**
Past due loans 30-89days (note 5)	5,782	7,468	1,715	2,320	2,821	3,645	6,296	9,666	9,399	9,304	6,644	8,789	19,346
30-89days as % of total loans	**1.12%**	**1.24%**	**0.28%**	**0.36%**	**0.43%**	**0.53%**	**0.76%**	**1.15%**	**1.12%**	**1.12%**	**0.78%**	**1.00%**	**2.17%**
Total past due loans (note 3)	7,292	8,666	2,566	3,474	3,106	3,975	7,727	12,744	10,939	15,442	14,499	21,112	37,193
Total past due as % of total loans	**1.41%**	**1.44%**	**0.41%**	**0.54%**	**0.47%**	**0.58%**	**0.94%**	**1.52%**	**1.30%**	**1.85%**	**1.71%**	**2.41%**	**4.17%**
Total assets	871,521	1,004,713	1,028,630	1,024,690	1,077,102	1,086,818	1,240,984	1,225,586	1,217,430	1,248,599	1,222,140	1,234,722	1,333,143
Total loans	516,658	599,884	621,638	637,684	657,963	684,141	826,215	840,341	841,405	833,743	849,058	876,307	892,001
Impaired loans (note 4)	**6,346**	**4,512**	**4,994**	**5,619**	**4,986**	**5,237**	**7,510**	**10,577**	**11,803**	**18,947**	**19,523**	**21,637**	**24,191**
Loans that are not impaired	510,312	595,372	616,644	632,065	652,977	678,904	818,705	829,764	829,602	814,796	829,535	854,670	867,810

ALLL = Allowance for Loan Losses

Dollars													
ALLL -general reserve	5,474	6,420	6,508	6,862	6,983	7,182	9,047	9,145	10,016	10,058	10,434	11,204	11,536
ALLL- specific reserve	1,017	675	802	505	372	450	475	758	812	1,200	1,165	1,065	1,799
ALLL - Total	**6,491**	**7,095**	**7,310**	**7,367**	**7,355**	**7,632**	**9,519**	**9,903**	**10,828**	**11,258**	**11,599**	**12,269**	**13,335**
As % of loans													
ALLL -general reserve	1.07%	1.08%	1.06%	1.09%	1.07%	1.06%	1.11%	1.10%	1.21%	1.23%	1.26%	1.31%	1.33%
ALLL- specific reserve	16.03%	14.96%	16.06%	8.99%	7.46%	8.59%	6.32%	7.17%	6.88%	6.33%	5.97%	4.92%	7.44%
ALLL - Total	**1.26%**	**1.18%**	**1.18%**	**1.16%**	**1.12%**	**1.12%**	**1.15%**	**1.18%**	**1.29%**	**1.35%**	**1.37%**	**1.40%**	**1.49%**