



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 23, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sunshine State Federal Savings & Loan Association
Charter Number: 705852

102 West Baker Street
Plant City, FL 33563

Office of the Comptroller of the Currency

Tampa Field Office
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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**

The major factors that support this rating include:

- *Sunshine's level of lending, as reflected in the quarterly average net loan-to-deposit (LTD) ratio is more than reasonable given the performance context factors.*
- *A substantial majority of Sunshine's primary loan product originated over the evaluation period was within its assessment area (AA).*
- *Sunshine's lending activities, which carries the most significance in this evaluation, reflects a reasonable penetration among businesses of different sizes.*
- *The geographic distribution of small business loans reflects an excellent distribution throughout the AA.*

Scope of Examination

This Performance Evaluation (PE) assesses Sunshine State Federal Savings & Loan Association's (Sunshine) record of meeting the credit needs of the community in which it operates. We evaluated Sunshine as a Small Bank using the Community Reinvestment Act (CRA) examination procedures, which includes a lending test. The lending test evaluates the thrift's record of meeting the credit needs of its assessment area (AA) through its lending activities.

We determined Sunshine's primary loan product by considering both the number and dollar amount of loan originations provided to us for the time period of January 1, 2008 through December 31, 2011. The number of originations by loan type is depicted in the following chart.

Loan Originations for the time period of 1/1/08 through 12/31/11		
Loan Type	Number of originations/renewals	Percentage (%) of total originations
Commercial/CRE/Ag	649	76.35%
Home Mortgage (HMDA)	201	23.65%
Total Commercial and HMDA originations	850	100%

As noted above, the primary loan product was business originations accounting for 649 in number (76.35%) and \$118 million in dollar volume (81%) in comparison to residential real estate loans reported on the Home Mortgage Disclosure Act-Loan Application Register (HMDA) of 201 in number (23.65%) and \$28 million (19%) for the years 2008 through 2011. As such, our evaluation of the thrift's lending performance

will reflect only one loan product, business loans, as this was more representative of Sunshine’s lending strategy during the evaluation period. Our conclusions were based on an analysis of a random sample of 60 business loans originated during the time period of January 1, 2010 through December 31, 2011.

Description of Institution

Sunshine State Federal Savings and Loan Association (Sunshine) is an intrastate federally chartered mutual savings association headquartered in Plant City, Florida. Sunshine is owned by its depositors and managed by the board of directors. The thrift opened for business on December 1, 1954 under the name of Federal Savings and Loan Association of Plant City. The name was changed to Sunshine State Federal Savings and Loan Association in June, 1975.

Sunshine’s main office is located in Plant City, Florida. In addition, Sunshine has four other offices located in Plant City, Brandon, Riverview and Zephyrhills, Florida. Sunshine offers a variety of deposit and loan products for individuals and businesses. Banking services include internet banking, bill paying, debit card, telephone banking and remote deposit capture. In addition, all locations have onsite automated teller machine (ATM) access and drive-up facilities. Customers are not charged for transactions conducted at any bank-owned ATM.

Sunshine provides no-to-low cost checking accounts to consumers and businesses. For example, Sunshine offers a personal checking account with only a \$100 minimum balance requirement to open and no monthly minimum balance fees. In addition, Sunshine offers a business account with no monthly maintenance fees and no charge for the first 150 items deposited or paid per month. These two products are considered responsive to the banking needs of low- and moderate-income individuals and to small business.

Sunshine also offers a variety of lending programs for both individuals and businesses but its primary focus has been in business lending for the past couple of years. The composition of the loan portfolio as of March 31, 2012, indicates loans secured by residential real estate represent \$67 million or 55 percent of the total outstanding loan portfolio and commercial and commercial real estate represent \$49 million or 40 percent. Agriculture and consumer lending represent the remaining \$5 million or four percent and \$2 million or one percent of the total loan portfolio, respectively.

The composition of the loan portfolio as of March 31, 2012 is based on total loans of approximately \$123 million-as follows:

Composition of the Loan Portfolio as of 3/31/12		
Loan Type	Dollar Amount (000)	Percentage (%)
Consumer	\$1,619	1%
Agriculture	\$5,111	4%
Commercial	\$12,090	10%
Commercial RE	\$36,784	30%

Residential RE	\$66,979	55%
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As of March 31, 2012, Sunshine had total assets of \$203 million with net loans comprising 59 percent of total assets, or \$119 million. There are no financial or legal impediments that would prevent the thrift from meeting the credit needs of the community it serves. The preceding CRA evaluation dated August 6, 2007, (lending performance evaluation ended December 31, 2006), indicated the thrift received a “Satisfactory” rating.

Description of Assessment Area

The assessment area (AA) consists of a portion of Hillsborough and Pasco counties which is part of the Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (MSA) #45300, and is located in the central section of the west coast of Florida. The MSA also includes Pinellas and Hernando Counties which is not part of Sunshine’s assessment area. The AA consists of a total of 76 census tracts: 69 census tracts are located in the eastern part of Hillsborough County and seven census tracts are located in the southeast section of Pasco County. The AA includes the cities and towns of Plant City, Brandon, Bloomingdale, Dover, Gibsonton, Lithia, Riverview, Wimauma and Zephyrhills. The AA reflects census tracts that the thrift could reasonably serve considering the location of Sunshine's offices. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Sunshine operates five banking offices throughout the AA and detailed in the chart below. There were no offices opened or closed during the evaluation period and all offices are located in middle-income census tracts. In January of 2010, Sunshine relocated the Zephyrhills office from Gall Boulevard to Eiland Boulevard; however, both locations are in a middle-income census tract.

Sunshine’s Office Locations in the AA	
County/MSA	Office
Portion of Hillsborough County/Tampa- St. Pete-Clearwater MSA	Main Office located in Plant City
Portion of Hillsborough County/Tampa- St. Pete-Clearwater MSA	Walden Woods Office located in Plant City
Portion of Hillsborough Count/Tampa- St. Pete-Clearwater MSA	Brandon Office
Portion of Hillsborough County/Tampa- St. Pete-Clearwater MSA	Riverview Office
Portion of Pasco County/Tampa-St.Pete-Clearwater MSA	Zephyrhills Office

Specific 2000 and 2011 demographic and economic data for the assessment area are detailed in the table on the following page.

Demographic and Economic Characteristics of the AA			
Population		Geographies	
Total Persons	320,814	Number of Census Tracts	76
Number of Households	118,768	% Low-Income Census Tracts (0)	0.00%
Median Family Income (MFI)	\$55,700	% Moderate-Income Census Tracts (10)	13.16%
<i>Based on 2011 MFI</i>		% Middle-Income Census Tracts (40)	52.63%
Low-Income individuals earn	<\$27,850	% Upper-Income Census Tracts (26)	34.21%
Moderate-Income individuals earn	\$27,850-\$44,560		
Income Distribution		Non-Farm Businesses	
Number of Families	88,688	Number of Businesses located in the AA	51,626
Families residing in the AA by income category		% of Small Businesses located in the AA	72.49%
% Low-Income Families	15.92%	% of Large Businesses	1.66%
% Moderate-Income Families	17.89%	% of Business with no revenues reported	25.85%
% Middle-Income Families	22.68%	% of Biz in Low-Income Census Tracts	0.00%
% Upper-Income Families	43.51%	% of Biz in Moderate-Income Census Tracts	12.47%
		% of Biz in Middle-Income Census Tracts	44.27%
		% of Biz in Upper-Income Census Tracts	43.26%
<i>Source: 2000 Census, 2011 HUD updated income data and 2011 Dunn and Bradstreet data</i>			

According to the 2000 U.S. Census Bureau economic data, the assessment area has a total population of 320,814. Approximately 86 percent of the population is under 65 years of age and 8.40 percent of households live below the poverty level. Housing units in the AA total 133,619 with 122,895 or 92 percent, classified as 1-4 family units of which 69 percent are owner-occupied. Multifamily housing represent only 10,724 or eight percent and rental housing represent 30,462 or 23 percent of total housing units in the AA. Approximately 11 percent or 14,961 housing units are vacant. There are 53,400 total businesses throughout the AA of which 51,626 or 97 percent represent non-farm businesses and 1,774 or three percent represent farm businesses. Small businesses that reported revenues comprise 37,424 or 72.49 percent of total businesses in the AA.

The AA has always enjoyed a diversified economy and is not highly dependent on any one industry. Major industries in the AA include: service-oriented, retail trade and construction. Plant City is approximately 25 miles east of Tampa and 70 miles west of Orlando. The Plant City economy is generally based on service-related and some manufacturing industries. And, historically, it has been a farming community with a great number of migrant workers. According to Plant City’s government website, strawberries is the major crop and has brought the city national recognition as over three-quarters of the nation’s midwinter strawberries come from Plant City. Companies in Plant City include James Hardie Building Products, South Florida Baptist Hospital, International Paper, Paradise Fruit, Kerry Ingredients and Tata Tea. Also included in the AA are the cities of Brandon and Riverview which are located in Hillsborough County. These two cities are considered urbanized bedroom communities of Tampa and located near the I-4 corridor. The economy is mainly driven by a variety of health care and service-oriented industries. Lastly, the thrift has one office in the city of

Zephyrhills, which is located in Pasco County. It is also a suburb of Tampa and known as the *Home of the Pure Water* as the headquarters of Zephyrhills Bottled Water Company is located here. Although Zephyrhills is best known as a retirement community for seasonal residents, more young professionals and families also consider Zephyrhills home. Large employers in the city include Florida Hospital Zephyrhills, Florida Medical Clinic and Zephyrhills Bottled Water Company.

As with most metropolitan areas located in the State of Florida and throughout the country, the economy in the AA has been adversely impacted in the last several years due to high unemployment rates, foreclosures and a significant decline in home values. However, the economy in the AA is showing a somewhat slow but modest recovery. Unemployment rates in the AA during the evaluation period were historically much higher than the national unemployment rate and continue in 2012. According to the U.S. Department of Labor, Bureau of Labor Statistics June 2012 report, the unemployment rates (not seasonally adjusted) for Hillsborough and Pasco counties were 8.8 percent, 10 percent, respectively. With the exception of Pasco County, the unemployment rate for Hillsborough County is near the State of Florida's June 2012 unemployment rate (not seasonally adjusted) of 9.0 percent. The national unemployment rate seasonally adjusted in June 2012 was 8.2 percent. On a positive note, the two counties are reporting over a two percent decline in the unemployment rate within a year.

The AA has experienced a volatile housing market in the past several years as home values quickly escalated and declined in a short time period. The falling home values may continue as foreclosures and short sales continue in the assessment area but overall, median prices appear to be stabilizing. According to Zillow, the estimated median home value as of June 2012 for Plant City was \$140,000, a 21 percent decline in value between October 2008 – June 2012. Additionally, RealtyTrac.com is reporting one in every 483 housing units (59) received a foreclosure filing as of June 2012. In Riverview, the estimated median home value as of June 2012 was \$142,000, a decline of 9.6 percent from the same period last year and a 25 percent decline since October 2008. For Zephyrhills in Pasco County, the estimated median housing value in June 2012 was \$79,900 a 20 percent decline from the same period last year and a 39 percent decline in value since October 2008. Zillow is reporting one in every 601 housing units (75) received a foreclosure filing as of June 2012.

Competition for financial services within Sunshine's AA is high. According to the FDIC deposit market share data as of June 30, 2011; there were a total of 62 financial institutions operating in 435 offices within Hillsborough and Pasco Counties. Major competitors include: Wells Fargo, N.A., Bank of America, N.A. and SunTrust Bank. In addition, Farm Credit of Central Florida is also considered a major competitor with an office located in Plant City.

Our office recently met with a locally-based community organization to gain a better understanding of the most pressing credit needs within the thrift's AA. Bank specific opportunities were noted as providing short-term lines of credit or bridge loans to developers who are in the construction or rehabilitation business of 1-4 single family affordable housing during the construction process and prior to sale of home. Other

credit needs identified include providing small grants and/or volunteers to affordable housing programs and donation of foreclosed properties for re-housing of families at risk of being homeless.

Conclusions with Respect to Performance Criteria

- **Loan-to-Deposit Ratio - Exceeds the Standard for Satisfactory Performance**

Sunshine’s level of lending, as reflected in the quarterly average net loan-to-deposit (LTD) ratio is more than reasonable given the performance context factors. The thrift’s quarterly average net loan-to-deposit ratio since the preceding CRA evaluation (21 quarters beginning with the first quarter of 2007 and ending with the first quarter of 2012) is 85.89 percent, ranging from a high of 98.92 percent in the third quarter of 2009 to a low of 68.18 percent in the first quarter of 2012. Sunshine’s quarterly average net LTD ratio is higher than the 80.64 percent ratio of eight similarly situated banks/thrifts in its peer group (total assets less than \$250 million) operating in the two counties within the assessment area. The average high LTD ratio for the peer group throughout the 21 quarters was 99.03 percent and the low was 58.96 percent.

- **Lending in Assessment Area –Exceeds the Standard for Satisfactory Performance**

A substantial majority of Sunshine’s primary loan product originated over the evaluation period was within its AA. This conclusion is based on an analysis of a random sample of 60 business loans originated during the time period of January 1, 2010 through December 31, 2011. As detailed in the table below, approximately 85 percent by number and 80 percent by dollar amount of sampled loans were within Sunshine’s assessment area.

Lending in the Assessment Area										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	51	85.00%	9	15.00%	60	\$10,409	80.00%	\$2,682	20.00%	\$13,091

Source: Random sample of business loans for the time period of January 1, 2010 through December 31, 2011.

- **Lending to Businesses of Different Sizes-Meets the Standard for Satisfactory Performance.**

Sunshine’s lending activities, which carries the most significance in this evaluation, reflects a reasonable penetration among businesses of different sizes. Our analysis is based on a random sample of 60 business loans in which a total of 51 loans were originated in the AA during the time period of January 1, 2010 through December 31, 2011.

We compared the revenue data of business loans sampled and originated in the AA (51 loans) during the evaluation period against the economic data of all business operating in the AA. The following charts depict a breakdown of these loans according to business and loan size.

Borrower Distribution to Businesses in the AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Revenue Unavailable	Total
% of AA Non-farm Businesses	72.49%	1.66%	25.85%	100.00%
% of Bank Loans in AA by #	64.71%	35.29%	0.00%	100.00%
% of Bank Loans in AA by \$	51.99%	48.01%	0.00%	100.00%

Source: Random sample of business loans for the time period of January 1, 2010 through December 31, 2011, and 2011 Dunn and Bradstreet data

Borrower Distribution of Loans to Businesses in the AA by Loan Size				
Loan Size	Number of loans	Percent of #	\$ Volume of Loans (000's)	% of \$s
\$0-\$100,000	26	51.00%	\$1,456	14.00%
\$100,001-\$250,000	13	26.00%	\$2,339	22.00%
\$250,001-\$500,000	8	16.00%	\$2,827	27.00%
\$500,001-\$1,000,000	3	5.00%	\$2,775	27.00%
\$1,000,001-\$1,500,000	1	2.00%	\$1,012	10.00%
Total	51	100.00%	\$10,409	100.00%

Source: Random sample of business loans for the time period of January 1, 2010 through December 31, 2011.

As depicted in the table above, the percentage of loans to small businesses is slightly lower than the percent of such businesses operating in the AA. Based on all business loans originated during the evaluation period, Sunshine originated 64.71 percent of the total number of loans and 51.99 percent of the total dollar volume of loans to small businesses (those with total revenues of \$1 million or less). According to the economic business data, businesses in the assessment area that reported revenues, 72.49 percent, or 37,424 are considered small businesses. Sunshine’s level of lending for small businesses is considered reasonable due to the significant impact of the protracted weak economy on available lending opportunities, especially to small businesses, in the assessment area.

Additionally, as shown in the chart above, a substantial majority of the loans originated in the AA had original amounts of \$250 thousand or less. During the evaluation period, Sunshine originated 39 in number or 77 percent in total of all AA business loans sampled, with dollar amounts of \$250 thousand or less. Likewise, 47 loans, or 93 percent of all AA business loans sampled, had original amounts of \$500 thousand or less indicating that the thrift is meeting the needs of smaller businesses.

- **Geographic Distribution of Loans – Exceeds the Standard for Satisfactory Performance**

The geographic distribution of small business loans reflects an excellent distribution throughout the AA given the performance context. Our analysis was based on the same random sample of business loans originated during the evaluation period as noted above. There were a total of 33 small business loans out of the 51 business loans originated in the AA during the evaluation period. The following table illustrates the geographic distribution of aggregate business lending by other lenders within the bank’s designated AA.

Geographic Distribution of Small Business Loans in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
% of Total	0.00%	0.00%	12.06%	15.15%	44.58%	60.61%	43.37%	24.24%

Source: Sample of business loans for the time period of January 1, 2010 through December 31, 2011, and 2010 D&B data

Our analysis shows an excellent distribution among the various income geographies. As previously noted in the *Description of Assessment Area* section, there are no low-income geographies. In moderate-income geographies, the percentage of Sunshine’s small business lending exceeds the percentage of aggregate loans originated by tract income. The thrift extended 15.15 percent of its business loans to businesses that are located in moderate-income census tracts. By comparison, these moderate-income census tracts account for 12.06 percent of all lending to small businesses by other lenders within the AA. Lending to middle-and upper-income census tracts shows a reasonable pattern of distribution.

Responses to Complaints

No complaints were received during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.