



PUBLIC DISCLOSURE

October 20, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sunshine Savings Bank
Charter Number 717971

1400 East Park Avenue
Tallahassee, FL 32301

Office of the Comptroller of the Currency

8375 Dix Ellis Trail, Suite 403
Jacksonville, FL 32256-8273

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

Sunshine Savings Bank has a satisfactory record of meeting community credit needs.

- The bank's loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance, given the capacity, local competition and lending opportunities in its assessment area (AA).
- A substantial majority of the institution's lending activities were made in the AA.
- The distribution of loans reflects reasonable penetration among business of different sizes and borrowers of different income levels.
- The geographic distribution of residential and business lending activities reflects reasonable dispersion throughout the AA.
- The bank has not received any CRA related complaints during the evaluation period.

SCOPE OF EXAMINATION

The Performance Evaluation is an assessment of Sunshine Savings Bank ability to meet the credit needs of the community in which it operates. The evaluation period is from August 18, 2009 through October 20, 2014. The lending test period covers the bank's performance from January 1, 2012 through September 15, 2014.

We evaluated the bank's performance under the Small Bank criteria using the Interagency Community Reinvestment Act (CRA) procedures. Based on the Call Report, loans reported under the Home Mortgage Disclosure Act (HMDA) and internal bank reports, we determined the bank's primary loan products during the evaluation period were residential mortgage loans and business loans. In addition, we spoke with management to determine business strategies and product offerings during the evaluation period.

Sunshine Savings Bank is a HMDA reporting institution. On annual basis, an independent third party reviews the HMDA loan data for accuracy. The annual review was found to be adequate and found the accuracy of the HMDA data to be reliable. . Additionally, we pulled a judgmental sample of twenty (20) business loans originated during the evaluation period. Community credit needs in the AA were determined by contacting a local government community organization.

DESCRIPTION OF INSTITUTION

Sunshine Savings Bank (SSB) is a federally chartered, savings association headquartered in Tallahassee, Florida. The bank is wholly owned by Sunshine Financial Holding Company, a one-bank holding company. SSB opened for business in

1952 as a state-chartered credit union until 2007, when the institution began operating as a federal thrift. Presently, the institution has six locations, including the main branch throughout Tallahassee, Florida. SSB offers full service banking, which includes drive-up facilities, automated teller machines (ATM), and on-line banking.

SSB is a portfolio lender but does sell some loans to the secondary market. SSB’s primary lending focus is residential mortgages and business loans. As of June 30, 2014, mortgages loans represent 60% of the gross loan portfolio while business loans represent 22% of the gross loan portfolio, based on dollar volume. The bank does originate other types of loans such as retail and construction. The following table provides further indication of the bank’s role as primarily a residential mortgage and commercial business lender.

Loan Portfolio Summary by Product 30-Jun-14		
Loan Category	Dollar Volume \$ (000)	% of Outstanding Dollars
RE Residential (1-4 Family)	\$58,632	60%
Commercial Real Estate	\$21,645	22%
Consumer	\$12,052	12%
Construction and Land Development	\$5,320	5%
Commercial and Industrial	\$564	1%
Gross Loan Portfolio	\$98,213	100%

Source: Call Report data as of June 30, 2104

As of June 30, 2014, the bank reported \$148 million in total assets; net loans as a percentage of average assets are 65%, and total equity is \$21.0 million. During the evaluation period, there have been no acquisitions or mergers. In 2014, the bank opened two branch locations in its AA.

Bank activities are consistent with its size, structure and capacity. On the deposit side, products include checking, savings, and certificate and retirement accounts. SSB’s financial position and local economic condition enables it to meet the credit needs of the community. Furthermore, the institution has no legal impediment that affects its ability to lend and meet the credit needs of the community. SSB’s most recent CRA examination was performed on August 17, 2009. The bank received a “Satisfactory” CRA rating.

DESCRIPTION OF ASSESSMENT AREA(S)

SSB’s AA consists of Leon County, Florida. Leon County is located in the Tallahassee Metropolitan Statistical Area (MSA) and consists of twelve low, seventeen moderate, seventeen middle, and twenty-one upper income census tracts, as well as one census tract area without income designation. The AA includes geographies where the bank has their main office, branches, and deposit-taking ATMs. The AA complies with

regulatory requirements and does not arbitrarily exclude low-or moderate-income geographies.

Tallahassee is the capital of Florida, the county seat, and the only incorporated municipality in Leon County. Tallahassee is a college town with two public universities; Florida State University, a large research university, and Florida A&M University, the country’s largest historically African-American university. Tallahassee is also home to several other educational institutions, state government offices, and several smaller entities that conduct business with government, government employees and the university students. The State of Florida is by far the largest employer in the community, in addition to other state government offices.

Residents of Leon County have the highest level of education of any county in Florida, with nearly 50% of the population obtaining some form of a higher level degree. Tallahassee is a center for trade and agriculture in the Florida Panhandle and is served by Tallahassee Regional Airport. As the state capital, the city is home to a number of law firms, lobbying organizations, trade associations, and professional associations.

According to the 2013 U.S Census, the estimated population of Leon County is 281,845. The average unemployment rate in 2013 for Leon County is 6.0%, compared to 5.5% and 6.1% for the Tallahassee MSA and State of Florida, respectively.

County/State	Labor Force	Employed	Unemployed	Rate
Leon	149,410	140,420	8,990	6.0
Tallahassee	194,366	183,707	10,659	5.5
Florida	9,637,351	9,047,703	589,648	6.1
United States	155,862,000	146,600,000	9,262,000	5.9

Source: Bureau of Labor Statistics; US Labor Force Statistics

The estimated median family income for Leon County is \$45,915 and 23% of the population lives below the poverty line. Labor force and demographics statistics indicate 2.3% population growth in Leon County over the past three years. Additional demographic and economic data from the U.S. Census Bureau is shown below:

Demographic and Economic Quick Facts for Leon County	Leon County	Florida
Population, 2013 estimate	281,845	19,552,860
Population, 2010 (April 1) estimates base	275,487	18,802,690
Population, percent change, April 1, 2010 to July 1, 2013	2.3%	4.0%
Population, 2010	275,487	18,801,310
Living in same house 1 year & over, percent, 2008-2012	72.3%	83.7%
Foreign born persons, percent, 2008-2012	6.7%	19.3%
Language other than English spoken at home, pct age 5+, 2008-2012	9.7%	27.3%
High school graduate or higher, percent of persons age 25+, 2008-2012	91.7%	85.8%
Bachelor's degree or higher, percent of persons age 25+, 2008-2012	43.5%	26.2%
Veterans, 2008-2012	18,286	1,606,758
Mean travel time to work (minutes), workers age 16+, 2008-2012	19.8	25.8
Housing units, 2013	125,481	9,047,612
Homeownership rate, 2008-2012	54.7%	68.1%
Housing units in multi-unit structures, percent, 2008-2012	31.6%	30.1%
Median value of owner-occupied housing units, 2008-2012	\$189,100	\$170,800
Households, 2008-2012	109,560	7,147,013
Persons per household, 2008-2012	2.39	2.58
Per capita money income in past 12 months (2012 dollars), 2008-2012	\$26,340	\$26,451
Median household income, 2008-2012	\$45,915	\$47,309
Persons below poverty level, percent, 2008-2012	22.8%	15.6%
Building permits, 2012	1,090	64,810
Land area in square miles, 2010	666.85	53,624.76
Persons per square mile, 2010	413.1	350.6

Source: U.S. Census Bureau & County Quick Facts.

The bank operates in a moderately aggressive competitive environment. Local competition exists from other community banks in the area, as well as competition from larger regional and national banks. The FDIC Market-Share Deposit Report indicates that in Leon County, Florida there are seventeen (17) banks and seventy-nine (79) offices, with deposits of \$5.1 billion. As of June 30, 2014, SSB's deposits total \$128 million, which ranks thirteenth among the seventeen FDIC-insured institutions. As of June 30, 2014, the bank's deposit market share was 2.50%.

A representative from a local government agency was contacted to discuss the community credit needs and involvement by local institutions. The contact mentioned the local economy did not suffer as much as the rest of the State of Florida during the recession due to the city's reliance on government and universities, which are more stable than other industries. According to the contact, local institutions were taking advantage of opportunities by their membership in the Tallahassee Lenders' Consortium (TLC), which is a non-profit organization that provides education and credit counseling to low income families and seeks to improve access to affordable financing. The contact mentioned that local banks and credit unions were generally active in addressing community needs because of their TLC participation. SSB is a member of the TLC. The contact also indicated that some banks were offering foreclosed properties to the City, County or nonprofits for rehabilitation and sale to homebuyers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Sunshine Savings Bank's performance of meeting the community credit needs is satisfactory. This review focused on the bank's primary loan products, residential mortgages, and business loans. A substantial majority of loans were originated within the AA. Lending activities reflect reasonable penetration of borrowers of different income levels and businesses of different sizes. The geographic distribution of residential and business lending activities reflect reasonable dispersion throughout the AA.

Loan-to-Deposit Ratio

The institutions loan-to-deposit (LTD) ratio is reasonable and meets the standards for satisfactory performance, given the bank's size, financial condition, and lending opportunities in the assessment area (AA).

The bank's LTD is compared to four (4) peer institutions in the Leon County and surrounding market area. During the evaluation period, the bank's quarterly average LTD ratio was 81.67%. Peer institutions averaged 75.22% during the same period.

Lending in Assessment Area

A substantial majority of the bank's lending activity is located within its AA. Lending levels reflect a satisfactory commitment to community credit needs. As detailed in

Table 1, the bank originated 86% of its loans inside its AA. We based this analysis on HMDA data and a sample of 20 business loans originated, renewed, or purchased during the evaluation period.

Table 1 - Lending in Tallahassee MSA AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	81	84.4	15	15.6	96	9,983	84.3	1,855	15.7	11,838
Home Improvement	9	69.2	4	30.8	13	119	86.2	19	13.8	138
Home Refinance	173	86.9	26	13.1	199	27,870	87.5	3,976	12.5	31,846
Business Loans	19	95.0	1	5	20	14,048	94.8	767	5.2	14,815
Totals	282	86.0%	46	14.0%	328	52,020	88.7%	6,617	11.3%	58,637

Source: HMDA Reported Data for 2012, 2013 and YTD 2014 and a sample of business loans during the same period.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending to borrowers of different incomes and business of different sizes meets the standards for satisfactory performance.

The distribution of residential mortgage loans reflects reasonable penetration among borrowers of different income levels. As shown in Table 2, home improvement and refinance coverage to Low-to-Moderate income (LMI) borrowers is reasonable. However, home purchase lending to LMI borrowers is less than the aggregate amount of loans per HMDA data. It is worth noting that according to the 2013 estimated U.S. Census Bureau, 22.8% of all families in Leon County live below the poverty level. Given that the median home value is \$189,100, it is very difficult for these individuals and families to achieve homeownership due to their limited financial resources. Furthermore, housing inventory levels in the AA are relatively high but most families are not purchasing homes due to negative equity balances on existing homes, which explains why SSB’s performance in the home purchase lending is below the aggregate AA level of low- and moderate-income borrowers.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Tallahassee MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of 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
Home Purchase	9.6	1.2	20.4	9.9	20.7	24.7	38.9	63.0
Home Improvement	9.6	22.2	21.5	11.1	24.6	11.1	42.3	55.6
Home Refinance	5.1	5.8	13.3	12.7	21.00	16.8	47.9	62.4

Source: HMDA Reported Data for 2012, 2013 and YTD 2014.

The distribution of lending to businesses of different sizes reflects reasonable penetration. Based on our sample of business loans, we concluded that 100% of the business lending activity was made to borrowers with revenues less \$1 million, in its AA. This is compared to 72% of area businesses being classified as small business under CRA.

Table 2A - Borrower Distribution of Loans to Businesses in Tallahassee MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.5	2.7	25.8	100%
% of Bank Loans in AA by #	100.0	0.0	0.0	100%
% of Bank Loans in AA by \$	100.0	0.0	0.0	100%

Source: Sample of business loans originated in 2012, 2013 and YTD 2014.

Geographic Distribution of Loans

The geographic distribution in the AA reflects reasonable dispersion across the census tract of different income levels. As Table 3 illustrates, the bank’s lending in low-and moderate income census tracts is comparable to the percentage of owner-occupied housing in those census tracts. Though there are 0 home improvement loans in low income census tracts, this is reasonable as disposable income for home improvement loan payments would be more limited in low income tracts.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Tallahassee MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Home Purchase	3.4	7.4	14.4	19.8	26.7	37.0	55.5	35.8
Home Improvement	3.1	0.0	11.5	11.1	22.3	11.1	63.1	77.8
Home Refinance	3.2	4.6	10.9	10.4	25.6	25.4	60.4	59.6

Source: HMDA reported data for 2012, 2013 and YTD 2014

The geographic distribution of business loans reflects reasonable dispersion throughout the AA. As shown in Table 3A, business loans made by the bank to low-and moderate-income census tracts exceed the percentage of AA businesses in those census tracts.

Table 3A - Geographic Distribution of Loans to Businesses in Tallahassee MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	8.8	21.1	21.6.8	26.3	28.3	15.8	41.0	36.8

Source: Sample of business loans originated in 2012, 2013 and YTD 2014.

Responses to Complaints

FNB did not receive any complaints regarding its performance under CRA during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.