



## PUBLIC DISCLOSURE

July 10, 2017

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sunshine Bank  
Charter Number 705852

102 W Baker St | Plant City, FL 33563-3306

Office of the Comptroller of the Currency

4042 Park Oaks Blvd | Suite 240 | Tampa, FL 33610

**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.

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

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

Major factors supporting the institution's rating:

- Sunshine Bank's loan-to-deposit ratio (LTD) is reasonable.
- The bank has an adequate percentage of loans that are made in its assessment areas.
- The bank's lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration within the AAs. The bank's geographic distribution of loans reflects reasonable dispersion within the AAs.
- The bank's record of community development loans is excellent.
- The bank's qualified investments in the full-scope AAs are poor given its capacity to provide investments.
- An adequate level of CD services was provided.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income (LMI) individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family

households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Sunshine Bank (“SB”, “Sunshine”) is an intrastate federally chartered stock savings bank headquartered in Plant City, FL. Sunshine Bank is 100 percent owned by Sunshine Bancorp Inc., a one-bank holding company. Sunshine Bank was first organized in 1954 in Plant City as Sunshine State Federal Savings & Loan Association. In 2014 after converting from a mutual ownership savings association to the stock ownership savings bank, the holding company was formed and the name Sunshine Bank was adopted. Sunshine’s common stock is traded on the NASDAQ under the symbol “SBCP.”

Sunshine’s main branch is located in Plant City, FL with 18 other branch offices across nine counties in the state of Florida. Many of these offices have come through mergers and acquisitions that have expanded the bank’s geographic area beyond the Tampa Bay area to include Bradenton and Sarasota to the south and Orlando to the east. In 2015, the bank completed the purchase of Community Southern Holdings and its subsidiary, Community Southern Bank, which expanded the bank’s core market into Polk County. In November 2015, Sunshine completed the acquisition of certain assets and liabilities from the First Federal Bank of Florida. Through the purchase, the bank acquired branches in Sarasota County and Manatee County. In March 2016, SB expanded into the Orange County market, opening a branch in Orlando. Sunshine acquired FBC Bancorp, Inc. and its subsidiary, Florida Bank of Commerce on October 31, 2016. This acquisition added to the branch network in Orlando and expanded the bank’s geographic area into Brevard, Osceola and Seminole counties.

Sunshine’s branch network now includes banking facilities operating in Brevard, Hillsborough, Manatee, Orange, Osceola, Pasco, Polk, Sarasota, and Seminole Counties. ATMs are located at 16 of the bank’s offices.

As of March 31, 2017, Sunshine had total assets of approximately \$955 million, with net loans totaling \$690.5 million. Business purpose loans represented 72.9 percent of the total number and 84.9 percent of the total dollar volume of all loans originated during the evaluation period.

Loan Type	Total Number	% of Total Number	Total Dollar Volume	% of Total Dollar Volume
Business Loans	2072	72.9%	\$521,620,816	84.9%
Residential Mortgage Loans	223	7.8%	\$80,758,985	13.1%
Consumer Loans	547	19.2%	\$12,101,947	2.0%
Total	2842	100.0%	\$614,481,748	100.0%

Within the business loan category, commercial real estate loans represented 51.8 percent of the total number and 80.7 of the total dollar volume of business loans originated during the evaluation period. Though consumer loans had a larger number of originations than residential mortgages during the evaluation period, this loan type comprised several consumer loan products including personal and home equity lines of credit.

As of December 31, 2016, the retail portfolio totaled \$177 million, or 26 percent of total loans. The residential portfolio, which represents 99 percent of total retail loans, increased by \$101 million over the last 12 months. This growth came primarily from the purchase of two



residential portfolios from Atlantic Coast and Seacoast National Bank totaling \$48 million, and the FBC acquisition which brought approximately \$31 million closed-end residential mortgages and \$11 million in home equity lines of credit (HELOC) to the portfolio. Organic growth was primarily centered in HELOCs, which increased by \$4.9 million over the year. The current HELOC exposure is manageable at 20 percent of tier 1 capital plus the allowance for loan and lease losses. The purpose for purchasing the two residential portfolios was to replace runoff from the residential portfolio to ensure compliance with thrift regulatory lending requirements. Purchased loans represent 7 percent of the total loan portfolio. The bank provides servicing for all of the purchased loans.

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its assessment areas. Sunshine received a "Satisfactory" rating during its prior CRA evaluation, dated July 23, 2012.

## Scope of the Evaluation

### *Evaluation Period/Products Evaluated*

We evaluated the Bank's CRA performance using Intermediate Small Bank Examination Procedures that include the Lending and Community Development (CD) tests. Lending Test performance included small loans to businesses and home mortgage loans. The Community Development test included an evaluation of the bank's loans, investments and services that met the definition of "community development" under the CRA.

The evaluation period for the Lending Test and the CD Test is January 1, 2012, through June 30, 2017. Our conclusions for community development loans and qualified investments were based on the number and dollar amounts made during the evaluation period. In addition, we considered the level of responsiveness to community credit needs when evaluating CD activity.

In evaluating residential mortgages, we used all loans reported under HMDA for the evaluation period. Loans reported under HMDA include originations of home mortgage loans by the bank and purchases of home mortgage loans from other lenders. For our evaluation of business loan performance, we analyzed a random sample of loans for business purposes originated during the evaluation period, with a minimum sample size of twenty loans. For the analysis of business loans for income and geographic distribution, we evaluated a random sample of twenty loans originated in each AA during the evaluation period.

### *Data Integrity*

This evaluation is based on accurate data. We tested the accuracy of the Bank's HMDA data prior to the beginning of the CRA examination and determined that it was accurate. We verified that community development loans, investments, and services submitted by Bank management met the regulatory definition for community development. We excluded any activities that did not meet the definition or purpose of community development.

### *Selection of Areas for Full-Scope Review*

The Bank's assessment areas (AAs) include:

Tampa-St. Petersburg-Clearwater, FL MSA 45300 – “Tampa MSA”
Lakeland-Winter Haven, FL MSA 29460 – “Lakeland MSA”
North Port-Sarasota-Bradenton, FL MSA 35840 – “Sarasota-Bradenton MSA”
Orlando-Kissimmee-Sanford, FL MSA 36740 – “Orlando MSA”
Palm Bay-Melbourne-Titusville, FL MSA 37340 – “Brevard MSA”

The Tampa-St. Petersburg-Clearwater, FL MSA 45300 (“Tampa MSA”) and Lakeland-Winter Haven, FL MSA 29460 (“Lakeland MSA”) were selected for a full-scope review. The North Port-Sarasota-Bradenton, FL MSA 35840, Orlando-Kissimmee-Sanford, FL MSA 36740 and Palm Bay-Melbourne-Titusville, FL MSA 37340 assessment areas received limited-scope reviews. The selection of full-scope AAs was based, in part, on the percentage of SB deposits and loans within each AA. Consideration was also given to the tenure of the bank's operation in the AA. As discussed in the Description of the Institution, SB's acquisition activity has resulted in new bank AAs. SB has not operated in some of these AAs for a sufficient time to generate meaningful loan volume for this Evaluation. For additional information on the AAs, refer to the Scope of Examination in Appendix A.

### *Ratings*

The bank's overall rating is based primarily on those areas that received full-scope reviews. The greatest consideration in the rating was given to performance in the Tampa MSA AA, which has the largest share of SB deposit and loan activity. The Tampa MSA AA is also the location of the Bank's headquarters and the majority of its branch offices. The Lakeland MSA AA has the second largest share of Bank deposit and loan activity.

Ratings primarily consider the performance in the AA and activity in the broader statewide or regional area. The evaluation considers the number and dollar volume of community development activities and the responsiveness SB's CD activity to identified community needs. Loans and investments made in the broader statewide or regional areas may receive less consideration than activities in the bank's AAs. In completing the analysis, we found that SB demonstrates satisfactory performance for its AAs consistent with the Bank's capacity; therefore, statewide and regional activities were considered in this evaluation.

For AAs where the bank recently expanded through acquisitions, ratings consider lending activity from the date of the acquisition forward. This includes home mortgage loans, business loans, CD loans and CD services. Qualified investments can consider CD investments made by acquired banks that remain on the Sunshine Bank's balance sheet at the start of our CRA evaluation.

### **Other**

Community credit needs in the assessment area were determined by reviewing recent housing and demographic information and community contacts conducted by the OCC and other bank regulatory agencies in connection with this and other CRA evaluations of Banks operating in

the same AAs. The community contacts provided an assessment of the community's needs, opportunities in which financial institutions may participate in meeting those needs, and information on the perception of financial institutions' involvement in the community.

Critical credit needs identified include home purchase loans with flexible underwriting criteria for LMI families; development affordable multifamily rental housing where banks can participate in the layered financing structure; financing for rehabilitation of existing housing, as much of the older LMI housing stock in the AAs is in deteriorating or obsolete condition and needing renovations. Other community development opportunities identified in the AAs include partnerships with local governments and community redevelopment agencies to support neighborhood revitalization; microloan programs for small businesses and financial education of consumers and small business owners.

For additional information on community contacts, see the Community Profiles in Appendix B.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this institution that other regulators may provide to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The lending test is Satisfactory. Sunshine Bank's loan-to-deposit ratio (LTD) is reasonable. The bank has an adequate percentage of loans that are made in its AAs. The bank's lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration within the AAs. The bank's geographic distribution of loans reflects reasonable dispersion within the AAs.

#### Loan-to-Deposit Ratio

Sunshine Bank's loan-to-deposit ratio (LTD) is reasonable. We compared the quarterly average of the Bank's LTD ratios over the evaluation period to peer banks over the same time period. Peer banks had similar asset size and branch locations in AAs also served by Sunshine Bank. This resulted in a peer group of seven banks. As shown in the table below, the bank's average LTD ratio was below the peer group average, but within the overall LTD ratio range for the entire time period. The LTD ratio also demonstrates that the bank had adequate capacity to lend during the evaluation period.

<b>LTD Ratio Summary</b>	<b>%</b>
<b><i>Sunshine Bank Avg. LTD Ratio</i></b>	<b><i>73.74</i></b>
Peer Banks - Avg. LTD Ratio	84.64
<b><i>Sunshine Bank High Avg. LTD Ratio</i></b>	<b><i>93.30</i></b>
Peer Banks - High Avg. LTD Ratio	101.36
<b><i>Sunshine Bank Low Avg. LTD Ratio</i></b>	<b><i>60.83</i></b>
Peer Banks - Low Avg. LTD Ratio	62.30

#### Lending in Assessment Area

The bank has an adequate percentage of loans that are made in its AAs. The table below shows that less than a majority of loans were made in the bank's AAs. However, the level of business lending in the bank's AAs is excellent, as all loans in the business sample were within the bank's AAs. Business loans shown in Table 1 below represent a sample of total business loan originations. As discussed in the Scope of the Evaluation, business loans were the primary product during the evaluation period, therefore supporting an adequate conclusion for lending in the AA.

<b>Table 1 - Lending in Sunshine Bank AAs</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	66	37.71	109	62.29	175	24,544	40.06	36,729	59.94	61,273
Home Improvement	6	66.67	3	33.33	9	1,618	78.20	451	21.80	2,069
Home Refinance	25	50.00	25	50.00	50	8,591	47.20	9,612	52.80	18,203
<b>Business Loans</b>	<b>24</b>	<b>100.00</b>	<b>0</b>	<b>0.00</b>	<b>24</b>	<b>9,122</b>	<b>100.00</b>	<b>0</b>	<b>0.00</b>	<b>9,122</b>
Totals	121	46.90	137	53.10	258	43,875	48.39	46,792	51.61	90,667

Source: Data reported under HMDA for home mortgages; Loan sample for business loans

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

The bank's lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration within the AAs.

Greater consideration was given to the business loan performance in the conclusion as this was the bank's primary loan product during the evaluation period. Consideration was also given to the performance context—economic conditions during the evaluation period, strong competition in the AAs from other banks and lenders as well as the changes in the bank's structure and the absorption of new AAs during the evaluation period.

The borrower distribution of loans in the full-scope AAs is reasonable. Home mortgage loan performance reflected poor penetration among borrowers of different incomes. Business loan performance was adequate with reasonable penetration among businesses of different sizes.

The borrower distribution of loans in the limited-scope AAs is reasonable considering the performance of business loans. The overall home mortgage loan volume in these AAs was low and the distribution among borrowers of different incomes was consistent with the poor performance in the full-scope AAs. Lending to small businesses was consistent with the reasonable performance in the full-scope AAs, with the exception of the Sarasota-Bradenton MSA which reflected excellent performance in lending to small businesses.

Lending activity for the full scope AAs is detailed below.

### **Tampa MSA**

#### *Home Mortgage Loans*

The borrower distribution of home mortgage loans in the Tampa MSA reflects poor penetration among borrowers of different incomes. For the Tampa MSA, there were a total of 41 home mortgage loans reported under HMDA for home purchase (23 loans), home improvement (3 loans) and home refinance (15 loans). There were no home purchase or refinance loans made to low-income persons in the AA. The level of home improvement lending to low-income borrowers exceeded the demographic comparator, but the total volume of home improvement loans originated in the Tampa MSA was very small and had no impact on the performance conclusion. There were no home purchase or home improvement loans made to moderate-

income persons in the AA. The level of home refinance loans reflected an adequate level of lending to moderate-income borrowers in the AA with penetration that was somewhat lower than the demographic comparator.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Tampa MSA								
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	4.54	0.00	16.22	0.00	19.50	4.35	42.88	26.09
Home Improvement	9.81	33.33	16.89	0.00	18.99	33.33	48.38	0.00
Home Refinance	4.97	0.00	11.19	6.67	16.42	13.33	41.63	20.00

Source: Data reported under SB HMDA and HMDA 2015 aggregate. HMDA income reported NA for SB (and Aggregate) = 69.56% (16.86% aggregate) of home purchase, 33.34% (5.94% aggregate) of home improvement, and 60.00% (25.79% aggregate) of home refinance loans.

### Small Business Loans

The borrower distribution of business loans in the Tampa MSA reflects reasonable penetration among businesses of different sizes. For our evaluation of business loan performance, we analyzed a random sample of loans for business purposes originated in the MSA during the evaluation period, with a minimum sample size of twenty loans. As indicated in the table below, the majority of business loans sampled (by number of loans) were made to small businesses (those with gross annual revenues of \$1 million or less), though the percentage is somewhat lower than the percent of small businesses operating in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in Tampa MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	89.31	3.82	6.87	100%
% of Bank Loans in AA by #	55.00	45.00	0.00	100%
% of Bank Loans in AA by \$	24.70	75.30	0.00	100%

Source: Loan sample; Dun and Bradstreet data.

Sunshine also makes a large portion of business loans in smaller dollar amounts. The majority of loan amounts are less than \$500 thousand in each AA. This indicates Sunshine makes loans in dollar amounts that can meet the needs of small businesses.

Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Tampa MSA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	6	30.00	457,534	2.44
\$100,001 - \$250,000	6	30.00	914,000	4.87
\$250,001 - \$500,000	2	10.00	664,380	3.54
\$500,001 - \$1,000,000	1	5.00	1,000,000	5.33
Over \$1,000,000	5	25.00	15,725,500	83.82

Source: Loan sample.

**Lakeland MSA**

*Home Mortgage Loans*

The borrower distribution of home mortgage loans in the Lakeland MSA reflects poor penetration among borrowers of different incomes. For the Lakeland MSA, there were a total of 15 home mortgage loans reported under HMDA for home purchase (13 loans), home improvement (1 loan) and home refinance (1 loan). There were no home mortgage loans made to low-income persons in the AA. The level of home purchase loans reflects a good level of lending to moderate-income borrowers in the AA, within the context of an overall small volume of home purchase loans originated throughout the AA. There were no home improvement or home refinance loans made to moderate-income persons in the AA.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Lakeland MSA</b>								
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	3.12	0.00	15.57	15.38	23.48	0.00	37.54	38.46
Home Improvement	9.07	0.00	17.99	0.00	19.97	0.00	46.88	100.00
Home Refinance	4.18	0.00	10.32	0.00	16.81	0.00	39.00	100.00

Source: Data reported under SB HMDA and HMDA 2015 aggregate. HMDA income reported NA for SB (and Aggregate) = 46.15% (20.20% aggregate) of home purchase, (6.09% aggregate) of home improvement and (29.68% aggregate) of home refinance loans.

*Small Business Loans*

The borrower distribution of business loans in the Lakeland MSA reflects reasonable penetration among businesses of different sizes. Using our same business loan sampling method described above, we determined Sunshine makes loans to businesses of varying sizes in the AA, but primarily to small businesses. The table below shows that the majority of business loans sampled (by number of loans) were made to small businesses.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Lakeland MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	88.63	3.63	7.74	100%
% of Bank Loans in AA by #	60.00	40.00	0.00	100%
% of Bank Loans in AA by \$	23.40	76.60	0.00	100%

Source: Dunn and Bradstreet data; 2010 US Census

As with the Tampa MSA, Sunshine also makes a large portion of business loans in smaller dollar amounts available in the Lakeland MSA. The majority of loan amounts are less than \$500 thousand in each AA.

<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Lakeland MSA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	8	40.00%	\$476,099	3.83%
\$100,001 - \$250,000	7	35.00%	\$1,297,159	10.45%
\$250,001 - \$500,000	1	5.00%	\$406,850	3.28%
\$500,001 - \$1,000,000	1	5.00%	\$576,550	4.64%
Over \$1,000,000	3	15.00%	\$9,660,475	77.80%

Source: Loan sample.

## Geographic Distribution of Loans

The bank's geographic distribution of loans reflects reasonable dispersion within the AAs.

Greater consideration was given to the business loan performance in the conclusion as this was the bank's primary loan product during the evaluation period. Consideration was also given to the performance context—economic conditions during the evaluation period, strong competition in the AAs from other banks and lenders as well as the changes in the bank's structure and the absorption of new AAs during the evaluation period.

The geographic distribution of loans in the full-scope AAs is good, with excellent dispersion in the Tampa MSA and adequate dispersion in the Lakeland MSA. The geographic distribution of loans in the limited-scope AAs is reasonable considering the performance of business loans. The overall home mortgage loan volume in these AAs was low and the geographic distribution was consistent with the poor dispersion in the full-scope AAs. However, the geographic distribution of business loans shows reasonable dispersion, with the exception of the Sarasota-Bradenton MSA which reflected excellent dispersion in moderate-income geographies.

The geographic distribution of loans does not reflect lending in most tracts in the AAs. However, we did not identify any unexplained conspicuous gaps in the geographic distribution, considering the size of the bank and the presence of other competitors in the AAs.

Lending activity for the full scope AAs is detailed below.

### **Tampa MSA**

#### *Home Mortgage Loans*

The geographic distribution of home mortgage loans in the Tampa MSA reflects excellent dispersion among geographies in the AA. The bank's home purchase loans and home refinance loans made in low-income census tracts exceeds the demographic comparator—the aggregate level of lending in low-income census tracts by all HMDA reporting lenders. There were no home improvement loans made in low-income census tracts. The bank's home purchase loans in moderate-income geographies was lower than the demographic comparator. Home refinance loans in moderate-income geographies was near the aggregate level. Home improvement loans in moderate-income census tracts exceeded the demographic comparator;



however, as discussed under the borrower distribution section, the total volume of home improvement loans originated in the Tampa MSA was very small and therefore had no impact on the performance conclusion.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Tampa MSA								
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	1.13	8.70	14.90	4.35	42.83	17.39	41.12	69.57
Home Improvement	1.89	0.00	19.17	33.33	41.89	33.33	37.04	33.33
Home Refinance	1.07	6.67	13.57	13.33	41.10	26.67	44.26	53.33

Source: Data reported under SB HMDA and HMDA 2015 aggregate. HMDA income reported NA for SB (and Aggregate) = 0.00% (0.02% aggregate) of home purchase, 0.00% (0.00% aggregate) of home improvement and 0.00% (0.01% aggregate) of home refinance loans.

### Small Business Loans

The geographic distribution of business loans in the Tampa MSA reflects excellent dispersion among geographies in the AA. For our evaluation of business loan performance, we analyzed a random sample of loans for business purposes originated in the MSA during the evaluation period, with a minimum sample size of twenty loans. We identified the geographic location of the business or business project. For comparison, we reviewed economic data that shows the geographic distribution of businesses in the AA. As shown in Table 3A, the percentage of sampled loans made to businesses in low-income geographies exceeds the percentage of businesses in those geographies. The percentage of sampled loans made to businesses in moderate-income geographies is near the percentage of businesses in those geographies.

Table 3A - Geographic Distribution of Loans to Businesses/Farms in Tampa MSA								
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	2.85	5.00	21.33	20.00	38.60	20.00	37.08	55.00

Source: Loan sample; Dun and Bradstreet data.

### Lakeland MSA

#### Home Mortgage Loans

The geographic distribution of home mortgage loans in the Lakeland MSA reflects adequate dispersion among geographies in the AA. There were no home mortgage loans made in low-income census tracts in the AA, however home purchase loans made in moderate-income census tracts exceeded the demographic comparator. There were no home improvement or home refinance loans made in moderate-income census tracts in the AA.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Lakeland MSA								
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	0.49	0.00	12.19	23.08	56.83	53.85	30.49	23.08
Home Improvement	1.13	0.00	17.85	0.00	51.98	100.00	29.04	0.00
Home Refinance	0.32	0.00	11.09	0.00	52.55	0.00	36.03	100.00

Source: Data reported under HMDA; HMDA 2015 aggregate

### Small Business Loans

The geographic distribution of business loans in the Lakeland MSA reflects adequate dispersion among geographies in the AA. Using our same business loan sampling method described above, our sample did not identify any loans to made businesses in low-income geographies in the AA. The percentage of sampled loans made in moderate-income census tracts is satisfactory, although below the percentage of small businesses located in the moderate-income census tracts.

Table 3A - Geographic Distribution of Loans to Businesses in Lakeland MSA								
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	4.84	0.00	19.54	15.00	49.71	55.00	25.91	30.00

Source: D & B data; 2010 US Census.

### Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank’s overall performance under the lending test in the limited-scope AAs is weaker than the bank’s overall Satisfactory performance under the Lending Test. The weaker performance is reflective of the bank’s recent expansion into these AAs and the short duration of lending in these AAs. Refer to the Description of the Institution for details on the recent acquisitions and AA expansion. The performance in the limited-scope AAs had a neutral impact on the overall Lending Test conclusion.

The bank’s performance under the Lending Test in the Brevard MSA is weaker than the bank’s overall performance under the Lending Test. There were no home mortgage loans made to LMI borrowers; however, the majority of business loans were made to small businesses. There were no home mortgage loans made in LMI geographies and no business loans made in low-income geographies; however, the percentage of business loans made in moderate-income geographies was near the overall percent of businesses in those geographies.

The bank’s performance under the Lending Test in the Orlando MSA is weaker than the bank’s overall performance under the Lending Test. There were no home mortgage loans made to

LMI borrowers and less than a majority of business loans were made to small businesses. There were no home mortgage loans or small business loans made in low-income geographies. There were no home purchase or home improvement loans made in moderate-income geographies. Home refinance loans in moderate-income geographies exceeded the demographic comparator, however the total number of refinance loans made in the AA was very small. The percentage of business loans made in moderate-income geographies exceeded the overall percent of businesses in those geographies.

The bank’s performance under the Lending Test in the Sarasota-Bradenton MSA is weaker than the bank’s overall performance under the Lending Test. There were no home mortgage loans made to LMI borrowers; however, the majority of business loans were made to small businesses. There are no low-income geographies in the AA. There are moderate-income geographies in the AA; however, the bank reported no home mortgage loans in those geographies. The percentage of sampled business loans made in moderate-income geographies exceeded the overall percent of businesses in those geographies.

**Responses to Complaints**

The Bank received no CRA-related complaints during the evaluation period.

**COMMUNITY DEVELOPMENT TEST**

The community development test is Satisfactory. The bank’s record of community development loans is excellent. The bank’s qualified investments in the full-scope AAs are poor given its capacity to provide investments. An adequate level of CD services was provided.

**Number and Amount of Community Development Loans**

*Full Scope AAs*

Assessment Area	Number of CD Loans	Dollar Volume of CD Loans
Tampa MSA	29	\$22,215,499
Lakeland MSA	9	\$2,984,019
Total	38	\$25,199,518

The bank’s community development lending in the full-scope AAs is excellent. CD loans in the Tampa MSA include \$6.6 million in loans made under the SBA 504 CDC program that provided financing health services and hospitality companies. CD loans in the Tampa MSA also includes a \$1.3 million loan to renovate a historic building into affordable housing. CD lending in the Lakeland MSA includes \$2.2 million in SBA 504 CDC loans that supported job creation for LMI persons in the AAs.

*Limited-Scope AAs*

Assessment Area	Number of CD Loans	Dollar Volume of CD Loans
Orlando MSA	4	\$3,429,829
Sarasota-Bradenton MSA	2	\$652,797
Brevard MSA	5	\$1,735,000
Total	11	\$5,817,626

The bank's community development lending in the limited scope AAs is excellent. Loans in the limited-scope AAs included financing for small, multifamily housing developments and loans to small business manufacturing companies that created jobs benefitting LMI persons in the AAs.

**Number and Amount of Qualified Investments***Full Scope AAs*

<u>Assessment Area</u>	<u>Amount</u>
Tampa MSA	\$1,150
Lakeland MSA	\$1,400

The bank's qualified investments in the full-scope AAs are poor given its capacity to provide investments. Qualified investments in the Tampa MSA represent three grants made during the evaluation period. Qualified investments in the Lakeland represents one grant made during the evaluation period. These grants were made to community organizations with a primary of providing services to LMI; or to broader organizations with a specific program that provides services to LMI.

*Limited-Scope AAs*

Orlando MSA	\$0
Sarasota-Bradenton MSA	\$0
Brevard MSA	\$2,029,700

The bank's qualified investments in the limited-scope AAs are adequate. There were no qualified investments made in the Orlando MSA, nor the Sarasota-Bradenton MSA during the evaluation period. Investments in the Brevard MSA were comprised of one \$2.0 million mortgage-backed security that supported a single 216-unit multifamily housing development in the Brevard AA where 90 percent of the housing units are restricted to those making less than 60 percent of the MSA MFI. As discussed throughout this Evaluation, when evaluating the bank's performance in the limited-scope AAs, consideration was given to the bank's short operating time in these AAs and the ability to identify CD opportunities in these AA in that time.

*Broader Statewide or Regional Area*

Broader Statewide or Regional Area	\$4,231,158
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Investments in the broader statewide or regional area had a positive impact on the CD test conclusion. The bank's qualified investments included one \$4.2 million mortgage-backed security comprised of primarily LMI single-family residential mortgages made in the AAs with 27.5% of the underlying mortgages in the Tampa MSA, 7.1% in the Lakeland MSA, 28.2% in the Orlando MSA, 21.5% in the Sarasota-Bradenton MSA and 15.8% in the Brevard MSA.

### **Extent to Which the Bank Provides Community Development Services**

The Bank provided an adequate level of community development services through its branches, products, services, and activities with local organizations that support community development.

The bank has four branches located in moderate-income census tracts, one in the Tampa MSA (the bank's main office) and three in the Orlando MSA in the cities of Orlando, Kissimmee and Winter Park. There was one branch closed during the evaluation period, in an upper income census tract in the Tampa MSA. The Bank primarily offers business banking products and services including a low-cost business checking account.

#### *Full-Scope AAs*

CD services in the full-scope AAs were adequate. There were 23 CD service activities in the Tampa MSA and 8 CD service activities in the Lakeland MSA during the evaluation period. These activities were done with community organizations with a purpose, mandate or function to provide services to LMI; or to broader organizations with a specific program that provides services to LMI. Sunshine employees used their professional expertise to instruct financial education classes for LMI families, students and senior citizens. Other employees serve on the boards or committees of organizations whose primary purpose is community development.

#### *Limited-Scope AAs*

CD services in the limited-scope AAs were adequate. Our conclusion considers the time the bank has been operating in these markets. During the evaluation period, there were four CD service activities in the Orlando MSA, two CD service activities in the Sarasota-Bradenton MSA and two CD service activities in the Brevard MSA. Employees engaged in CD service activities in the limited scope AAs that were similar to those in the full scope AAs—financial education to LMI and board/committee service to CD organizations.

### **Responsiveness to Community Development Needs**

Responsiveness to community development needs is evaluated for the full-scope AAs. Sunshine Bank demonstrated adequate responsiveness to the credit needs in the full-scope AAs through its CD loans, investments and services. As detailed in the Description of the Institution and in the Community Profiles sections, there is a critical need for affordable housing, including multifamily units. There is also a need for small business lending and financial education of LMI families and small businesses. Sunshine Bank's CD activities are consistent with identified needs.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (January 1, 2012 to June 30, 2017)  Investment and Service Tests and CD Loans: (January 1, 2012 to June 30, 2017)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Sunshine Bank	Home Mortgage Loans Business Loans CD Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Tampa-St. Petersburg-Clearwater, FL MSA 45300 Hillsborough County Pasco County Hernando County Pinellas County	Full Scope	
Lakeland-Winter Haven, FL MSA 29460 Polk County	Full Scope	
North Port-Sarasota-Bradenton, FL MSA 35840 Sarasota County Manatee County	Limited Scope	
Orlando-Kissimmee-Sanford, FL MSA 36740 ( <i>portion</i> ) Orange County Osceola County Seminole County	Limited Scope	<i>Excludes: Lake County</i>
Palm Bay-Melbourne-Titusville, FL MSA 37340 Brevard County	Limited Scope	

## Appendix B: Community Profiles for Full-Scope Areas

### 45300 Tampa-St Petersburg-Clearwater MSA

Demographic Information for Full Scope Area: 29460 Lakeland Winter Haven MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	742	4.45	25.71	41.24	17.36	1.21
Population by Geography	2,888,458	3.63	25.12	41.44	29.66	0.19
Owner-Occupied Housing by Geography	782,399	1.78	22.22	43.76	32.24	0.00
Business by Geography	285,030	2.85	21.33	38.60	37.08	0.14
Farms by Geography	7,292	2.22	22.55	43.94	31.75	0.00
Family Distribution by Income Level	698,563	20.72	18.53	19.74	41.01	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	189,541	10.76	36.57	37.71	14.95	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2017 Households Below Poverty Level		58,916 59,800 16%	Median Housing Value Unemployment Rate (2017 U.S. Bureau of Labor Statistics)		207,500 3.80%	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2015 US Census and 2017 FFIEC updated MFI

The Plant City office (Main Branch), along with five (5) other locations, is located in Hillsborough County in the Tampa-St. Petersburg-Clearwater MSA. The AA does not arbitrarily exclude any LMI geographies.

As detailed in the table below, the total population of the AA was 2,888,458 according to 2015 Census. According to Moody's Analytics March 2017 report, the AA's population increased 1.5% in 2016 and is expected to increase an additional 1.8% in 2017. The increase, particularly amongst younger individuals and families, is tied to relatively cheap residences in the wake of the housing crisis bust. The income distribution of families by income level was 20.72 percent low income, 18.53 percent moderate income, 19.74 percent middle income, and 41.01 percent high income. The percentage of households in the AA living below the federal poverty income level was 15.57 percent for 2015, above the national rate of 13.5 percent. The 2017 adjusted median family income for the AA (\$59,800) was above the national median household income (\$53,889).

#### Deposit Market Share

The bank ranked thirty-third amongst the 64 depository institutions listed in the AA, with 0.28 percent of the market share of deposits. As of March 31, 2017, Sunshine held \$775 million in deposits. Market share for deposits in the AA is extremely competitive

with four institutions holding 61.33 percent of the AA's total deposits; 49 institutions, including Sunshine, hold less than one percent of deposits in the AA.

### Employment and Economic Factors

Employment conditions in the AA have improved during the assessment period. Per the Bureau of Labor Statistics, the AA has an unemployment rate of 3.8 percent as of May 2017, down from 8.2 percent as of May 2012. The AA has outperformed state wide unemployment, which was 4.0 percent as of May 2017.

Moody's Analytics' March 2017 Metro Report for the AA noted tourism had its highest growth since the Great Recession in 2016. Growth in leisure/hospitality is expected to slow, however, to a moderate pace in 2017 as last year's momentum is unsustainable. Warmer winters in the US and Canada, as well as economic turmoil in Europe, political unrest in Latin America and a stronger dollar represent threats to US and Florida tourism.

Construction jobs in the AA are expected to be in line with the statewide high-pace over the next 5 years. This growth will be supported by the \$3 billion transformation of downtown Tampa into a 40-acre planned waterfront community. The recently named "Water Street Tampa" development, backed by billionaires Bill Gates and NHL Tampa Bay Lightning owner Jeff Vinik, is expected to kick off fall of 2017. In addition, the University of South Florida unveiled plans for a \$153 million medical school that will serve as one of the projects anchors. The campus is expected to be completed by 2019.

Long term forecasts for the AA are further strengthened by the shift in the AA's demographic profile. For prior generations, the AA was one of the most popular destination for retirees, but the relatively cheap residences in the wake of the housing bust help explain the lure to young families. Since the great recession, the US population of resident younger than 20 years old has declined 1.4%, while the AA has seen an increase of 1.5%. This increase is expected to add to the AA's labor supply, aggregate demand, and economic vitality.

### Housing

According to the US Census of 2010 58.54 percent of housing units were owner occupied, while 25.50 percent were renter occupied. Vacant housing units represented 15.95 percent of housing units. 1.78 percent of owner occupied housing units are located in low income CTs while 22.22 percent of owner occupied housing units are in moderate income CTs.

Homeownership has declined during the review period; mortgage lending standards tightening and an increased propensity to rent were primary contributors, as noted in the Department of Housing and Urban Development (HUD) noted in its Comprehensive Housing Market Analysis in April 2015. Adverse effects of the national housing crisis still linger in the AA as 38 percent of total home loans in the AA are "underwater", compared to 14 percent nationally. Families with monthly housing costs of more than 30 percent of



income included 21.03 percent of home owners and 13.39 percent of renters. Median home pricing has increased 14 percent year over, to \$207,500, per the National Association of Realtors as of May 2017. Median monthly gross rent is \$918. Median gross rent in low income CTs is \$720 and \$822 in moderate income CTs. Families with monthly housing costs that exceed 30 percent of income totaled more than 21 percent of home owners and more than 13 percent of renters. The rental housing market in the AA is slightly soft, but improving. Forecast puts demand at 14,450 new rental units with 5,350 currently under construction.

### Community Contacts

Community credit needs in the assessment area were determined by reviewing recent housing and demographic information and community contacts conducted by the OCC and other bank regulatory agencies in connection with this and other CRA evaluations of Banks operating in the same assessment areas. Critical needs identified in the Tampa MSA include financing to develop new units of affordable housing and rehabilitate existing affordable housing. Additional needs include technical assistance through financial education including for prospective homebuyers. There is also a need for more mortgage loan products with flexible underwriting criteria.

**29460 Lakeland-Winter Haven MSA**

Demographic Information for Full Scope Area: 29460 Lakeland Winter Haven MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	154	3.25	23.38	49.35	23.38	0.65
Population by Geography	666,149	2.08	23.27	52.70	21.96	0.00
Owner-Occupied Housing by Geography	277,547	1.27	19.20	54.65	24.88	0.00
Business by Geography	44,257	4.84	19.54	49.71	25.91	0.00
Farms by Geography	1,845	2.28	20.49	51.98	25.26	0.0
Family Distribution by Income Level	157,222	1.76	22.12	52.97	23.15	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	201,865	71.92	58.08	37.19	21.97	0.00
Median Family Income		51,395	Median Housing Value		168,000	
FFIEC Adjusted Median Family Income for 2017		50,400	Unemployment Rate		4.40%	
Households Below Poverty Level		14%	(2017 US Bureau of Labor Statistics)			

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2015 US Census and 2017 FFIEC updated MFI

The bank has three branches located within the AA. The branches are located in moderate income areas. The AA does not arbitrarily exclude low or moderate census tracts.

The US Census Bureau estimates the AA's population, as of December 31, 2016, at 666,149, an increase of 8.27 percent since 2012. HUD's Housing Market Analysis for the AA projects that the population will continue to grow at a rate of 1.1 percent through 2017. Proximity to Tampa and Orlando, along with infrastructure improvements, are expected to aid in job and population growth in the AA. The unemployment rate within the AA was 4.4 percent as of May 2017. The poverty rate was 17 percent as of December 31, 2015. The AA's unemployment was lower than the state's rate of 4.8%, while the AA poverty rate exceeded statewide levels of 12%.

**Deposit Market Share**

Sunshine ranked twelfth amongst 18 institutions within the AA with 2.1 percent of the market's deposit share, or \$127 million in deposits. The largest competitors in the AA are Wells Fargo, N.A., Bank of America, N.A., SunTrust Bank, and CenterState Bank. The top institutions in the AA hold, roughly 64 percent of deposits.

**Employment and Economic Factors**

Like much of the US and Florida, the unemployment rate of the AA has declined and is nearing pre-recession levels. As of May 2017, the unemployment rate was 4.4 percent. Moody's Analytics notes that the AA has added jobs at nearly three times the national rate as shipping firms and national retailers have built new warehouse space in the

region. Fulfillment centers opened by Amazon, FedEx and Walmart have opened recently, and along with growth in trade and transportation is allowing the reliance on housing spillover from neighboring Tampa and Orlando to subside. Tourists and families seeking cost comparative alternatives to lodgings in Tampa and Orlando, will also benefit the AA. Subdued growth in high-paying services is a source of weakness that could keep the area from matching the economies of larger metro areas in Florida. The sector was hit hard by the recession; payrolls fell by an average of 4.3 percent annually from the end of 2006 through 2011, per HUD's Housing Market Analysis. The professional sector is expected to trail hospitality, manufacturing, transportation, and utilities during the forecasted period, through 2017.

### Housing

The 2010 US Census noted that 58.08 percent of housing units in the AA were owner occupied with 22.51 percent being rental units and 19.41 percent of housing units being vacant. 29.29 percent of low income CTs are owner occupied, while 49.72 percent of moderate income CTs are owner occupied housing units. Low income CTs are 51.45 percent renter occupied and 19.25 percent vacant; moderate income CTs are 30.57 percent rental occupied and 19.72 percent vacant. LMI CTs have the highest percentage of multifamily units and renter occupied housing units in the AA.

Home ownership rate declined has declined from 2010 when 70.5 percent of households were home owners. HUD attributes the decline to weak housing sales market, tighten lending practices, and a shift in household preferences toward renting. The for-sale inventory declined from 7.8 units per month to 5.2 units from 2012 to 2014, putting an upward pressure on home prices. New home construction began improvement in 2012, increasing by 30 percent over the prior year as of August 31, 2014. The three year forecast projects new home construction and a portion of vacant homes to satisfy most of the upcoming demand. Demand is expected to be greatest in the \$100,000 to \$199,000 range.

HUD noted that the rental market had not kept pace with the demand (through September 1, 2014) particularly in apartment rentals. Vacancy rates declined to 3.8 percent through third quarter 2014, down from 12 percent at its peak during first quarter 2010 for apartment rentals. Construction of multifamily units has slowed as well. Projections through 2017 estimates 1,110 annual new market rentals are needed for the AA. At its healthiest (2004-2008), the AA produced 1,175 new rental units per year.

The median home price is \$168,000 as of first quarter 2017, an increase of 8.5 percent year over. Median monthly gross rent is \$838 (for a two bedroom unit).

### Community Contact

Community credit needs in the assessment area were determined by reviewing recent housing and demographic information and community contacts conducted by the OCC and other bank regulatory agencies in connection with this and other CRA evaluations of Banks operating in the same assessment areas. Critical needs identified in the

Lakeland MSA include financial education for LMI families and small businesses. Additionally, loans for small business startups are needed.