



PUBLIC DISCLOSURE

July 07, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sunrise Banks, National Association
Charter Number 14991

200 University Avenue West
St. Paul, MN 55103

Office of the Comptroller of the Currency

Campbell Mithun Tower
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Minneapolis, MN 55402-3393

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 Outstanding.

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Outstanding.

The major factors supporting the institution's rating include:

- A substantial majority of loan originations are within the bank's designated Assessment Area (AA).
- The distribution of loans to businesses of different sizes reflects excellent penetration.
- The geographic distribution of loans to businesses reflects excellent dispersion throughout the AA.
- The bank demonstrated excellent responsiveness to area needs through qualified Community Development loans, investments, and services.

Scope of Examination

This performance evaluation (PE) assesses the bank's Community Reinvestment Act (CRA) performance under the Lending and Community Development (CD) Tests, utilizing intermediate small bank performance standards. CRA activities in the bank's designated AA were reviewed using full-scope procedures.

Sunrise Banks, National Association (Sunrise) previously operated as three separately chartered national banks: Franklin National Bank (Franklin), Park Midway Bank, NA (Park Midway), and University National Bank (University). In April 2013, the affiliated banks merged to form Sunrise Banks with University Bank the surviving charter.

For CRA purposes, the evaluation period is determined by the date of the last CRA evaluation of the surviving bank. Therefore, the evaluation period for the surviving bank is November 17, 2008 through July 7, 2014. Under the affiliate rule, the surviving bank can include activities of the non-surviving banks going back to the dates of the most recent respective CRA evaluations. Thus, we evaluated CRA activities for Franklin from March 8, 2010 and Park Midway from December 6, 2010 up until the merger date in April 2013.

The lending test analysis is based on the bank's primary loan products. Primary loan products were determined based on loan originations and purchases for the period of January 1, 2012 through December 31, 2013. The bank's primary loan product is commercial loans based on both the number and dollar volume of loans. The table on the following page demonstrates the bank's loan originations and purchases in 2012 and 2013.

Loan Originations and Purchases in 2012 and 2013		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Commercial	60.52%	97.70%
Consumer	39.08%	1.93%
Residential Real Estate	0.40%	0.37%
Agricultural	0.00%	0.00%

Source: Bank loan origination report for 2012 and 2013

Description of Institution

Sunrise is a family owned, community bank headquartered in St. Paul, MN. The bank is 100 percent owned by University Financial Corp, Inc. doing business as Sunrise Banks. In April of 2013, the holding company merged three separately chartered banks, Franklin, Park Midway, and University to form Sunrise. Sunrise has seven branch locations, including three in Minneapolis and four in St. Paul. The branches are located in the urban core of the Twin Cities, and the majority (5) are located in low- and moderate-income (LMI) areas. In addition to an ATM at each branch location, the bank has three stand-alone ATMs located throughout St. Paul, none of which accept deposits. In July 2010, Franklin opened a branch location in the Karmel Mall, a Somali shopping center in a moderate-income area of South Minneapolis. In 2011, University purchased a branch location on Arcade Street, a moderate-income area in St. Paul. At year-end 2013, Sunrise made a business decision to close the Karmel Mall branch due to low customer traffic.

Sunrise's mission is "To be the most innovative bank empowering the underserved to achieve." The organization has developed several innovative products and services to accomplish this mission. In addition to operating as a full-service community bank with a range of traditional products and services, Sunrise operates a National Products business line, which enables the bank to provide flexible products to customers, including the "unbanked" or "under banked." The National Products division includes a sizeable prepaid card division, which is located in Sioux Falls, SD. The bank also has an arrangement with a third party offering tax-related financial products through a network of tax preparers. In this arrangement, the bank facilitates the processing of income tax refund transfers, receiving funds from the IRS through the Federal Reserve Bank and then disbursing those funds to the customer through either ACH or paper check.

Sunrise is also a Preferred SBA Lender offering several SBA products to meet the needs of their small business customers, including the 7(a) Loan program, Express Loans, 504 loans, and CAP lines.

As of March 31, 2014, bank assets totaled \$909 million; however, the bank's asset size fluctuates significantly during the year because of increased deposit volume attributed to the National Products. Specifically, at year-end prepaid card activity spikes due to holiday gift card sales and in the first and second quarter tax refund processing causes another increase in deposit volume. For comparison purposes, the bank's assets

totaled \$847 million, \$688 million, and \$683 million as of December 31st, September 30th, and June 30th, 2013 respectively.

As of March 31, 2014, the bank's loan portfolio totaled \$438 million or 47.54 percent of total assets. The following table reflects the distribution of the bank's loan portfolio as of March 31, 2014:

Loan Portfolio Composition	\$000	%
Commercial	\$359,065	81.89%
Residential Real-Estate	\$78,559	17.92%
Consumer	\$834	0.19%
Agricultural	\$0	0.00%
Total Loans	\$438,458	100%

Source: March 31, 2014 Call Report Data

Sunrise has been designated a Community Development Financial Institution (CDFI) since 2001. The CDFI fund, part of the U.S. Department of the Treasury, works to increase economic opportunity and promote community development investments for underserved populations and distressed communities in the U.S. As a CDFI, the bank is able to apply for monetary awards. In 2010, Sunrise received its first allocation of New Markets Tax Credits from the US Treasury. Sunrise continues to receive and deploy these credits. Both the tax credits and the CDFI awards are leveraged to provide financing to homeowners, businesses, and real estate developments, and invest in their communities. As of June 2014, there were only 99 certified CDFI banks or thrifts in the U.S. and Sunrise is the only bank in Minnesota holding this designation. Among the criteria to receive CDFI designation is a primary mission of community development and providing 60 percent of its services in LMI areas.

In 2009, Sunrise met the requirements for B Corporation certification. The B Corp designation recognizes companies using the power of business for good and meeting rigorous standards of overall social and environmental performance, accountability, and transparency. Sunrise was recognized for its community impact in the 'B Corp Best for the World' lists in both 2013 and 2014.

There are no known financial, legal, or other factors impeding the bank's ability to meet its CRA obligations. University, the surviving charter, received an "Outstanding" rating at its November 17, 2008 CRA evaluation. Park Midway and Franklin also received "Outstanding" ratings at their 2010 CRA evaluations.

Description of Assessment Area(s)

Sunrise's AA consists of 463 contiguous census tracts (CTs) in the Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area (MSA). The area is commonly referred to as the "Twin Cities", given the geographical proximity of Minneapolis and St. Paul. The AA includes all of Ramsey County and portions of Anoka, Dakota, Hennepin, and Washington counties. The AA includes those CTs where the bank's seven branches are located as well as the surrounding CTs where the bank can reasonably serve. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income CTs. The AAs of the non-surviving charters are the same as the AA of the surviving charter.

The following table shows the demographics of the bank's AA:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE Sunrise AA	
Population	
Number of Families	406,022
Number of Households	710,557
% of Low-Income Families	24.80%
% of Moderate-Income Families	18.66%
% of Middle-Income Families	21.57%
% of Upper-Income Families	34.97%
Geographies*	
Number of Census Tracts	463
% Low-Income Census Tracts	14.04%
% Moderate-Income Census Tracts	28.51%
% Middle-Income Census Tracts	36.93%
% Upper-Income Census Tracts	20.09%
Median Family Income (MFI)	
2010 MFI for AA	\$80,925
2013 HUD-Adjusted MFI	\$82,300
Economic Indicators	
2013 Unemployment Rate	4.8%
2010 Median Housing Value	\$246,454
% of Households Below Poverty Level	11.73%

*0.43% of Census Tracts Income category was N/A

Source: 2010 U.S. Census data with updated information when available

Economic conditions in the Twin Cities strengthened during the review period, outperforming both the Midwest region and nation as a whole. According to the U.S. Bureau of Labor and Statistics, the annual unemployment rate for the Minneapolis-St. Paul-Bloomington, MN-WI MSA was 4.8 percent in 2013, compared to the State of Minnesota unemployment rate of 5.1 percent and the U.S. unemployment rate of 7.9

percent for the same time period. The area's unemployment rate has steadily decreased during the review period from a high of 7.9 percent in 2009 and is now the lowest among the 50 largest metro areas nationally. Other economic strengths include a number of major research institutions and corporate headquarters in the area, which provide economic diversity and foster innovation. Additionally, the area benefits from a highly educated labor force and a relatively low cost of living.

Major employers in the area include Target Corporation, Allina Health System, Fairview Health System, Wells Fargo & Co., the University of Minnesota, and 3M Corporation. Primary employment sectors include Education & Health Services, Professional & Business Services, Government, Manufacturing, and Retail Trade.

Competition from other financial institutions in the AA is high. According to the June 30, 2013 FDIC market share report, there are 118 deposit taking institutions operating in the bank's AA. Large financial institutions dominate the banking market with Wells Fargo Bank, N.A. and US Bank, N.A. holding a combined 84 percent of the market share. Sunrise ranks eighth overall in deposit market share with 0.36 percent of the total market share.

In order to determine AA credit needs and opportunities for bank involvement, we contacted several members of the community, including a representative from Lutheran Social Services (LSS) and a member of the Metropolitan Consortium of Community Developers (MCCD).

LSS is the largest statewide private non-profit social service agency in MN. The organization primarily serves the LMI population, providing a range of human support services related to the necessities of life. The contact indicated that the primary credit need in the area is affordable housing. She also mentioned the need for non-traditional banking products for "unbanked" individuals such as prepaid debit cards and money transfers. LSS specifically mentioned Sunrise as a local financial institution with whom they actively work with in housing development and other consumer lending activities. Further, the contact mentioned Sunrise as providing innovative financial products and services to the unbanked community in Minneapolis.

MCCD is an association of nonprofit community development organizations committed to expanding the wealth and resources of neighborhoods through housing and economic development initiatives. Our contact at the organization indicated that there is opportunity for bank involvement by participating in loans to small businesses. Per the contact, MCCD previously worked closely with Franklin prior to the bank merger.

Other community contacts utilized as part of the evaluation included Common Bond Communities and Greater Metro Housing Corporation. Both contacts noted affordable housing as a primary credit need. The Common Bond contact specifically mentioned Sunrise as being a supporter of the organization's needs.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the Lending Test is rated Outstanding. The assessment of the bank's lending performance is based on the loan-to-deposit (LTD) ratio, lending in the bank's AA, borrower lending distribution, and geographic lending distribution.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the bank's performance context, including its size, financial condition, business strategy, product offerings, target market, and the credit needs of the AA. During the 22 quarters encompassing the review period, the bank's quarterly LTD averaged 62.67 percent. The LTD fluctuates significantly due to the bank's business strategy, which includes a National Products division that increases the bank's deposit base at certain times throughout the year. Considering only core banking activity, the LTD ratio was 100.47 percent as of March 31, 2014 and averaged 100.84 percent since the merger in April 2013.

We evaluated the bank's LTD ratio compared to five similarly situated banks. Similarly situated banks include those operating within Sunrise's AA with similar asset sizes. While the bank's overall LTD ratio appears to be lower than similarly situated banks, core bank metrics reflect a LTD ratio higher than the competitors'.

Loan-to-deposit Ratio	Assets as of	Average LTD Ratio
Institution (Headquarters)	3/31/14 (\$000s)	(%)
Sunrise Bank (St Paul, MN)	\$908,663	62.67%
Bridgewater Bank (Bloomington, MN)	\$680,460	91.99%
Premier Bank (Maplewood, MN)	\$559,056	81.50%
Vermillion State Bank (Vermillion, MN)	\$527,873	69.57%
Western Bank (St Paul, MN)	\$484,577	85.67%
Venture Bank (Bloomington, MN)	\$432,918	89.43%

Source: Call Report data from December 31, 2008 through March 31, 2014.

Lending in Assessment Area

A substantial majority of Sunrise's loans were originated inside its designated AA during the evaluation period. Based on sampling of commercial loans, the bank originated 95 percent of loans by number and nearly 99 percent by dollar amount inside the AA.

Lending in the Twin Cities AA										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	19	95.00%	1	5.00%	20	8,565	98.59%	123	1.41%	8,688
Totals	19	95.00%	1	5.00%	20	8,565	98.59%	123	1.41%	8,688

Source: Commercial Loan Sample

Lending to Businesses of Different Sizes

The borrower distribution of loans to small businesses demonstrates excellent penetration among businesses of different sizes. The bank's percentage of loans by both number and dollar amount exceeds the percentage of area businesses with revenues less than or equal to a million dollars.

Borrower Distribution of Loans to Businesses in the Twin Cities AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	70.48%	6.09%	23.43%	100%
% of Bank Loans in AA by #	75.00%	25.00%	0.00%	100%
% of Bank Loans in AA by \$	77.00%	23.00%	0.00%	100%

Source: Loan sample; 2013 Business Geodemographic Data

Geographic Distribution of Loans

The geographic distribution of loans to businesses in the AA demonstrates excellent dispersion when compared to the area demographics. The bank's lending to businesses located in low- and moderate-income CTs significantly exceeds the percentage of area businesses operating within those CTs.

Geographic Distribution of Loans to Businesses in the Twin Cities AA								
Census Tract Income Level*	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Commercial	8.57%	15.00%	24.70%	40.00%	39.09%	30.00%	27.60%	15.00%

*0.03% of businesses income level was N/A.

Source: Loan Sample; 2013 Business Geodemographic Data

Responses to Complaints

Sunrise has not received any complaints regarding its CRA performance since the merger. Further, neither University, Franklin, nor Park Midway received any CRA related complaints since their last respective CRA performance evaluations.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development (CD) Test is rated Outstanding. The bank's performance is based upon the number and amount of CD loans and investments, the extent to which the bank provides CD services, and the responsiveness of these activities to identified community needs. Performance is evaluated in the context of the bank's capacity, business strategy, and CD needs and opportunities in the area.

Number and Amount of Community Development Loans

Sunrise's level of CD loans reflects excellent responsiveness to area needs.

During the evaluation period, Sunrise originated 184 CD loans totaling \$106.4 million that directly benefit the AA. The majority of loans by number were to organizations promoting affordable housing initiatives.

In 2010, Sunrise received \$25 million in New Markets Tax Credits (NMTCs) through the CDFI fund to invest in small local businesses in the most highly distressed neighborhoods within its service area. Sunrise also acted as the leveraged lender in deploying \$7 million in NMTC allocation funds for the Midwest Metropolitan Community Development Corporation (MMCDC). The bank made 19 NMTC loans during the evaluation period utilizing the \$32 million in tax credit funds. These loans primarily promoted revitalization and stabilization of LMI areas in the Twin Cities.

In 2013, Sunrise was awarded another \$38 million in NMTCs to invest in small businesses and non-profits in the highly distressed Central Corridor of Minneapolis-St. Paul to leverage Minnesota's largest public works project to construct a light rail line between the two cities. These funds were not yet deployed as of the evaluation date.

Examples of CD loans include:

- Three NMTC loans totaling \$9.1 Million to purchase and redevelop property for a new headquarters location in St. Paul. The new headquarters will allow the organization to meet growing needs and increase the impact and efficiency of their work.
- Two NMTC loans totaling \$6.1 Million to support a neighborhood revitalization project in a moderate-income area of Minneapolis. The project included creation of a pedestrian mall spanning several blocks and created approximately 350-450 part-time jobs in the service and retail sector. Further, it provided employment

opportunities for 750 construction workers throughout the 12-month construction period.

- 46 loans totaling \$6.0 Million to support affordable housing and neighborhood revitalization in LMI areas of the Twin Cities. These funds were used to purchase and improve foreclosed, condemned, or boarded properties that are then sold to LMI persons through contract for deed arrangements.
- Three NMTC loans totaling \$3.6 to finance construction of new office property and redevelop a former gas station in a low-income area of Minneapolis for business expansion.
- Two NMTC loans totaling \$2.6 Million to renovate a six-level office building in a low-income area of St. Paul. This project created numerous housing units and commercial space to attract new businesses and residents to the area.

Number and Amount of Qualified Investments

Sunrise's level of CD investments reflects excellent responsiveness to area needs through both qualified investments and donations to organizations supporting CD.

In 2013, Sunrise purchased a substantial CD investment totaling \$4.6 million in a mortgage-backed security secured by loans to LMI borrowers and properties in LMI areas in the bank's AA.

Additionally, during the review period, the bank made 141 qualified donations totaling approximately \$196 thousand to 68 different area organizations supporting CD. These included:

- \$32 thousand donated to Twin Cities Habitat for Humanity to support affordable housing;
- \$15 thousand donated to First Children's Finance to support community services to LMI; and
- \$12.5 thousand donated to the MMCDC, which supports all facets of CD.

Extent to Which the Bank Provides Community Development Services

Sunrise's level of CD services reflects excellent responsiveness to area needs through both community partnerships and employee volunteerism.

During the review period, 31 bank employees served with 28 different area organizations promoting CD, including four in a leadership capacity. Overall, employee service hours totaled approximately 1,560.

Community Services included:

- An officer serving on the board of the Community Neighborhood Housing Services (CNHS), including one year spent with the organization in a leadership capacity as the board President. CNHS works to revitalize neighborhoods by providing programs and services to families that stabilize the community including affordable housing programs and services.

- An employee serving on the board of the Women’s Venture organization which supports women-owned businesses (focus on LMI women) by providing micro-loans, working capital, education, and ongoing consultation through all stages of business.
- Two employees serving on the Finance and Fundraising committees of the Latino Economic Development Center, which supports scholarships for low-income Latinos.

In 2012, Sunrise began an innovative partnership with First Children’s Finance (FCF) through the Adopt-a-Childcare Center Program. FCF provides loans and business-development assistance to high-quality childcare businesses serving LMI families. Through this partnership, the bank “adopted” a Childcare Center located in a low-income area of North Minneapolis. As part of the program, Sunrise provides volunteer hours and helps to build the center’s business capacity through marketing, fundraising, and non-profit board governance. During the evaluation period, 13 bank employees served with the organization providing approximately 130 hours of service as part of the Adopt-a-Childcare Center Program.

Sunrise has also partnered with Lutheran Social Services (LSS) since 2011 by offering affordable products and services through a kiosk housed at the Eastside Financial Center location. LSS provides financial counseling including budgeting, debt counseling, credit report review, foreclosure prevention, and debt management plans. In 2013, Sunrise began offering “Financial Choice” a free financial counseling and budgeting program through LSS. This service is available to all customers, employees, and any member of their household. Although not specifically targeted to LMI, given the fact that the bank’s branches are primarily in LMI areas would likely result in the majority of those benefitting from the service being LMI.

Responsiveness to Community Development Needs

Sunrise demonstrates excellent responsiveness to area CD needs through various CD activities, non-profit involvement, and community outreach activities. Sunrise has developed relationships with many organizations in the community that encompass a wide range of CD activities such as providing donations, serving on boards of directors, providing financial counseling, and allowing bank office space to be used for board meetings. Further, Sunrise utilizes an advisory board consisting of six outside community members to help gain an understanding of the needs of the community, particularly as it relates to the bank’s NMTC Program and allocation of those funds.

Sunrise also offers a Socially Responsible Deposit Fund (SRDF) allowing customers to actively support local community development. By administering the Funds, Sunrise supports affordable housing initiatives, small business development, and community services. In 2012, the Federal Reserve Bank of San Francisco awarded Sunrise (Park Midway) with the Community Reinvestment Award for two initiatives, including the SRDF. As of June 30, 2014, Sunrise had approximately \$115 million designated to the SRDF.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's (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.

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