



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

January 30, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Anchor Bank Saint Paul, National Association
Charter Number 21179**

**66 E Thompson Avenue
West St. Paul, MN 55118**

**Comptroller of the Currency
Minneapolis South
920 Second Avenue South Suite 800
Minneapolis, MN 55402**

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

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of loan originations are made within the bank's assessment area.
- The distribution of loans reflects reasonable penetration among businesses of different sizes and individuals with different income levels.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The bank's community development performance demonstrates reasonable responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services.

SCOPE OF EXAMINATION

We evaluated Anchor Bank Saint Paul's Community Reinvestment Act performance under the Lending and Community Development Tests. The evaluation covers the period from the date of the previous CRA Examination, January 12, 2004 through December 31, 2006. In evaluating the bank's lending performance we reviewed lending data for the bank's three primary loan products. We reviewed residential mortgage data (consisting of both purchase and refinance loans) and small loans to businesses for the period January 1, 2005 through December 31, 2006.

The Community Development Test covered community development loans, investments, and services during the entire evaluation period. We reviewed these areas based on information provided by the bank. We used only those that met the regulatory definition for community development in our analysis of the Community Development Test.

DESCRIPTION OF INSTITUTION

Anchor Bank Saint Paul (Anchor) is a \$438MM bank chartered in West St. Paul, MN. Anchor is owned by Anchor Bancorp, Inc, a four-bank holding company located in Wayzata, MN. The three other bank charters are located in Wayzata, Farmington, and North St. Paul, MN. As of December 31, 2006, Anchor Bancorp, Inc. had total consolidated assets of \$1,137MM. The bank does not have any affiliate relationships that impact CRA performance.

On December 1, 2006 Anchor Bank West St. Paul, N.A. merged with its state chartered affiliate, Anchor Bank Saint Paul. The surviving national charter was renamed Anchor Bank Saint Paul, N.A.

Anchor has five full-service branches, one loan/deposit production office, and one part-time branch located at an Apple Valley Senior Housing facility. All branches are located within the Minneapolis-St. Paul Metropolitan Statistical Area (MSA). The full-service branches are located in Apple Valley, Eagan, St. Paul, St. Paul Park, and West St. Paul. The loan/deposit production office is located in St. Paul. The bank has six ATMs with one located at each branch and one at the loan/deposit production office. The ATM located at the loan/deposit production office accepts deposits.

Anchor is a full-service bank and offers a wide variety of banking products. As of December 31, 2006 the bank's \$344MM loan portfolio consisted of 56% real estate loans, 41% commercial loans, and 3% individual loans. Net loans make up 79% of total assets and Tier I Capital was \$37MM.

There are no legal, financial, or other factors that impede Anchor's ability to help meet the credit needs in its assessment area (AA). At their last CRA examinations Anchor Bank West St. Paul, N.A. and Anchor Bank Saint Paul were both rated Satisfactory. Both banks were previously evaluated under the Small Bank performance test. This examination is being completed under the Intermediate Small Bank performance test.

DESCRIPTION OF ANCHOR'S ASSESSMENT AREA

Anchor's AA includes the counties of Dakota, Hennepin, Ramsey, and Washington, all located in MN. These four counties are all part of the Minneapolis-St. Paul, MSA. The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

The MSA is the 16th largest metropolitan area in the nation according to 2000 census population figures. The MSA is comprised of thirteen counties located in both Minnesota and Wisconsin. Major employers within the MSA include Target Corporation, 3M, Best Buy, General Mills, Medtronic, and Lutheran Brotherhood. The MSA is ranked 6th for per capita income among the top 25 metro areas.

Based on 2000 census data, Anchor's AA included 571 census tracts (CTs). Within the AA, there were 47 tracts (8.23%) designated as low-income, 132 (23.12%) designated as moderate-income, 237 (41.51%) designated as middle-income, 151 (26.44%) designated as upper-income, and 4 (.70%) with no income designation.

Based on the Department of Housing and Urban Development's 2006 estimate, median family income for the MSA is \$78,500. The 2000 census data reported that 25,870 families or 4.79% are below the poverty level in the AA. This is slightly higher than the 4.24% of families below the poverty level reported for the MSA. According to the U.S. Bureau of Labor Statistics, unemployment levels in the State of Minnesota as of December 31, 2006 were 4.2%, compared to 3.7% in the Minneapolis-St. Paul MSA, and 4.5% nationwide.

Bank competition is strong with approximately 129 financial institutions with offices in the AA. Of those financial institutions, Anchor had the eleventh highest deposit volume, with .70% market share according to June 30, 2006 Federal Deposit Insurance Corporation deposit information. Local competition includes offices of large nation-wide and regional banking companies, locally owned financial institutions, and mortgage companies.

As part of our examination we contacted a member of the business community in the AA. The contact noted the positive impact local financial institutions provide the local business community through their involvement with helping small businesses to obtain financing. She stated that the degree of involvement in the community by these financial institutions is very good.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending Test

The bank's performance under the Lending Test is satisfactory. We based this conclusion on small loans to businesses, loans to purchase residential real estate, and loans to refinance residential real estate. We placed more emphasis on the bank's small loans to businesses as this represented the largest percentage (over 50%) of the three primary products.

Loan-to-Deposit Ratio

The quarterly loan-to-deposit ratio of 89% is reasonable given the bank's size, financial condition, and AA credit needs. Anchor is ranked fifth of five similarly situated banks having total assets between \$350 and \$450 million and branches located within the bank's AA.

Institution	Asset Size (12/31/06) (000)	Average LTD ratio (4th Quarter 2002 - 4th Quarter 2006)
Fidelity Bank	\$408,610	114.21%
Western Bank	\$358,376	110.13%
Highland Bank	\$404,420	91.90%
Vermillion State Bank	\$354,099	89.99%
Anchor Bank Saint Paul, N.A.	\$437,511	89.07%

Lending in Assessment Area

The level of lending in the AA is good. We reviewed a random sample of 20 small loans to businesses, 20 loans to purchase residential real estate, and 20 loans to refinance residential real estate originated between January 1, 2005 and December 31, 2006. The majority of loans, 90% by number and 90% by dollar volume, were originated in the bank's AA.

Loan Type	Number of Loans				Dollar of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$ (000)	%	\$ (000)	%
Commercial	20	100%	0	0%	\$7,340	100.00%	\$0	0.00%
Loans to Purchase Residential RE	17	85%	3	15%	\$4,652	86.03%	\$755	13.97%
Loans to Refinance Residential RE	17	85%	3	15%	\$4,047	79.69%	\$1,031	20.31%
Total	54	90%	6	10%	\$16,038	89.98%	\$1,787	10.02%

Lending to Businesses of Different Sizes and Borrowers of Different Incomes

The distribution of loans reflects reasonable penetration among businesses of different sizes and borrowers of different income levels. Based on a random sample of 25 loans, Anchor has a reasonable distribution of credit among businesses of different revenue sizes.

Borrower Distribution of Loans to Businesses		
Business Revenues	<\$1,000,000	>\$1,000,000
% of AA businesses	65.01%	6.82%
% of Bank loans in AA by #	52.00%	48.00%
% of Bank loans in AA by \$	49.33%	50.67%

* per 2006 Business Demographic Data; 28.17% of businesses did not report revenues.

Anchor has a reasonable distribution of credit among residential real estate borrowers of different income levels. The following table compares the percentage of families based on income levels located within the AA to those loans made by the bank from a random sample of 20 loans to purchase residential real estate and 20 loans to refinance residential real estate. Anchor's overall distribution of lending to low-income borrowers is good in comparison to the percentage of low-income borrowers in the AA and the 4.79% poverty level in the AA. The distribution of lending to moderate-income borrowers is adequate for loans to purchase residential real estate, and excellent for loans to refinance residential real estate.

Borrower Distribution of Residential Real Estate Loans				
Borrower Income Level	Low (\$0-39,249)	Moderate (\$39,250-62,799)	Middle (\$62,800-94,199)	Upper (\$94,200 and above)
% of AA Families	17.81%	18.46%	24.92%	38.81%
Loans to Purchase Residential Real Estate (% of loans by #)	15.00%	10.00%	20.00%	55.00%
Loans to Refinance Residential Real Estate (% of loans by #)	15.00%	25.00%	15.00%	45.00%

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA. As shown in the following table, Anchor’s lending to businesses in moderate-income CTs is excellent. The percentage of small loans to businesses located in moderate-income CTs significantly exceeds the percentage of businesses located in moderate-income CTs within the bank’s AA. Based on our sample of 25 loans, Anchor did not have any small loans to businesses located in low-income CTs, however, this is impacted by the small percentage of businesses located in low-income tracts within the AA.

Geographic Distribution of Loans to Businesses in AA				
Census Tract Income Type (% of income tracts in AA)	Low (8.23%)	Moderate (23.12%)	Middle (41.51%)	Upper (26.44%)
% of AA businesses	5.44%	18.71%	46.29%	29.37%
Commercial Loan	0.00%	36.00%	44.00%	20.00%

The bank’s lending for residential real estate purchases and refinances in moderate-income CTs is excellent. The percentage of residential real estate loans located in moderate-income CTs exceeds the percentage of owner-occupied housing units in moderate-income CTs for the AA. In a random sample of 20 loans, the bank did not have any loans to purchase or refinance residential real estate in low-income CTs, however this is impacted by the small percentage of owner-occupied housing located within these CTs.

Geographic Distribution of Residential Real Estate Loans in AA				
Census Tract Income Type (% of income tracts in AA)	Low (8.23%)	Moderate (23.12%)	Middle (41.51%)	Upper (26.44%)
% of AA Owner Occupied	2.08%	16.24%	48.11%	33.56%
Loans to Purchase Residential Real Estate	0.00%	20.00%	35.00%	45.00%
Loans to Refinance Residential Real Estate	0.00%	20.00%	45.00%	35.00%

Responses to Complaints

The bank has not received any complaints regarding its CRA performance since the last evaluation.

Community Development Test

Anchor’s performance under the Community Development Test is satisfactory. The bank’s community development performance demonstrates reasonable responsiveness to community development needs in its AA through community development loans, qualified investments, and community development services.

Community Development Loans

Anchor has an adequate amount of community development loans. The bank has five qualifying loans totaling \$543M. Four of the loans were made to an organization that helps provide housing to disabled people who are predominately low- to moderate-income. The other loan was made to an organization that helps individuals who are reentering society to find jobs, housing, transportation, etc. All of the loans made by the bank directly benefited its AA.

Community Development Investments

Anchor has an excellent amount of qualified community development investments. The bank made \$6,952M in qualifying investments during the evaluation period. Of these investments \$6,940M directly benefited the bank's AA. Investments consist of mortgage backed securities comprised of loans to low- to moderate-income borrowers within the bank's AA. They also include donations to various community organizations including Hope Community Academy, Hope for the City, Community Neighborhood Housing Services, food shelves located in the AA, and various other organizations.

Community Development Services

The bank provides a satisfactory level of community development services through its branches, products, and involvement with local organizations that support community development activities.

Anchor has one branch located in a moderate-income CT, and all branches are located in areas where they are accessible to all persons. One of the bank's branches and its loan/deposit production office are located in a CT that borders a low-income tract. Three of the bank's branches are located in middle- or upper-income census tracts that are bordered by moderate-income tracts. In addition to the bank's full-service branch and ATM locations, Anchor also offers Internet banking and telephone banking to its customers.

Anchor's five full-service branches offer a full range of consumer and commercial banking products and services. The "Thrift Savings" product provides customers with a savings account that requires a minimal balance. In addition, the bank offers a no fee checking account.

Anchor staff and management are also involved in various community development services that benefit low- and moderate-income individuals and organizations. The majority of services provided by employees benefit the bank's AA. Employees serve on committees and in various leadership capacities for non-profit organizations that provide services for low- or moderate-income individuals. In addition, bank employees have sponsored various seminars to provide technical assistance on financial matters to small businesses or community development organizations. A bank employee serves as the President for Development Corporation for Children whose purpose is to support the childcare industry through low-interest loans, business development services, and innovative educational purposes. Another employee serves as an Executive Vice President for SPEDCO whose purpose is to help small businesses obtain financing for job creation, to fund business expansion, and to promote economic development in Minnesota. An employee also serves as the Loan Committee Chairperson for the Riverview Economic Development Association, whose purpose is to foster economic development in St. Paul's West side business district and provide a high level of business guidance through technical assistance programs.

Fair Lending or Other Illegal Credit Practices Review

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