
Comptroller of the Currency
Administrator of National Banks

Small Bank

Minneapolis Duty Station
920 Second Avenue South, Suite 800
Minneapolis, MN 55402

PUBLIC DISCLOSURE

August 16, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Anchor Bank National Association
1055 Wayzata Boulevard East
Wayzata, Minnesota 55391**

Charter # 15659

**Office of the Comptroller of the Currency
920 Second Ave. S. Suite 800
Minneapolis, MN 55402**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Anchor Bank, National Association, prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 16, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: ASatisfactory®

- o The bank has a reasonable distribution of lending to businesses and consumer borrowers of different income levels in relation to the demographics of the assessment area.
- o The bank originates a majority of their loans inside their assessment area.
- o The bank has a satisfactory loan-to-deposit ratio.
- o The bank has a reasonable penetration of loans originated in moderate income areas.

DESCRIPTION OF INSTITUTION

Anchor Bank, N.A. (Anchor Bank) is a \$177 million institution with a main office located in Wayzata, Minnesota, an affluent suburb 15 miles west of Minneapolis. The bank has two branches located in the neighboring communities of Plymouth and Eden Prairie. ATMs are located at each banking location and in a local shopping center. Drive-up facilities are available at the main office and branch locations. The bank is wholly owned by Anchor Bancorp, Inc., a \$500 million dollar multi-bank holding company headquartered in Wayzata, Minnesota.

Anchor Bank has ten other similarly situated financial institutions ranging from \$44 million to \$205 million in assets to provide competition. In addition, the bank has substantial competition provided by two of the Midwest's largest financial institutions, three other midsized institutions with large branching networks, and various other independent banks and credit unions throughout the Minneapolis / St. Paul metropolitan area.

Anchor Bank's primary focus is commercial lending. As of June 30, 1999, the bank's loan mix consisted of 69% commercial and commercial real estate, 20% residential real estate, 10% consumer, and 1% other. Net loans and leases comprised 50% of the bank's total assets. The bank offers a vast range of credit products and deposit services.

Anchor Bank's last CRA rating was "Satisfactory Record of Meeting Community Credit Needs" dated July 11, 1996. There are no legal or financial impediments limiting the bank's ability to meet community credit needs.

DESCRIPTION OF THE ASSESSMENT AREA

Anchor Bank's assessment area is located in the western suburbs of the Minneapolis - St. Paul Metropolitan Statistical Area. The assessment area includes the cities of Maple Grove, Medina, New Hope, Plymouth, Long Lake, Wayzata, Golden Valley, Mound, Shorewood, Excelsior, Minnetonka, Hopkins, Chanhassen and Eden Prairie.

The bank's assessment area consists of 99 census tracts. Three census tracts are in the northeastern portion of Carver County and 96 census tracts are in the western half of Hennepin County. Three of the census tracts are designated moderate-income, 47 are designated middle-income and 49 are designated upper-income. The bank's assessment area does not include any low-income census tracts. Management chose not to include all of Hennepin County in its assessment area due to the bank's geographic location and the substantial size of the county.

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low-income geographies. Hennepin County and Carver County are located in the Minneapolis-St Paul Metropolitan Statistical Area (MSA) #5120. Carver County has no low- or moderate-income census tracts. Hennepin County has 37 low-income census tracts and 46 moderate-income census tracts of which three moderate-income census tracts are included in the bank's assessment area. The other low- and moderate-income tracts are located near downtown Minneapolis and further east than the bank's assessment area.

Based on 1990 Census data, the population of the assessment area is approximately 417,199. The updated 1998 median family income for the MSA is \$63,600. A breakdown of family income levels in the assessment area show 10% are low-income, 14% are moderate-income, 25% are middle-income, and 51% are upper-income. Four percent of the number of households are below poverty level, and 68% of the housing is owner occupied.

The economy of the bank's assessment area is strong and diverse with major employers like General Mills, Cargill and Carlson Companies. In addition, there are numerous other small commercial and industrial businesses. The assessment area has a mix of mature areas to new suburban communities with rapid growth and expansion. Unemployment is low at 2%.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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

Our samples and rating conclusions are centered on the bank's commercial and real estate lending in correspondence to the significant dollar volume of originations. This is also consistent with the general composition of the bank's loan portfolio. The following table illustrates the origination activity between July 1996 and August 1999. Our sample represents all loan origination activity in this time period. The bank collects income information on all loans originated. We sampled several loan files and found that the income information is accurately recorded. Commercial and residential real estate originations accounted for 86% of all the bank's originations since our last review.

Loan Origination Activity July 1996 through August 1999				
Type of Loan	Number of Loans	% of Total	Dollar Amount (000's)	% of Total
Commercial Loans	1,352	33%	\$183,959	67%
Residential Real Estate Loans **	586	14%	\$53,425	19%
Home Equity Loans	302	7%	\$11,313	4%
Consumer Loans	1,343	33%	\$23,283	8%
Other	513	13%	\$2,441	1%
Totals	4,096	100%	\$274,421	100%

Data Source: Bank

Records

**It should be noted that the bank sells mortgage loans in the secondary market. From July 1996 to August 1999 the bank sold 196 loans in the secondary market totaling \$29 million dollars.

The bank has a reasonable distribution of lending to consumer borrowers of different income levels in relation to the demographics of the assessment area. We reviewed all real estate loans in the bank's assessment area that the bank originated between July 11, 1996 and August 31, 1999. The review consisted of 418 loans totaling \$38.3 million. The bank's number of loan originations to individuals of low- and moderate-income levels generally matches the demographics for the assessment area.

Lending Distribution Based on Income Level of Consumer Borrowers July 1996 - August 1999 Residential Real Estate Loan Originations			
Borrower Income Level	Bank Lending Distribution by Number of Loans	Percentage of Families in each Income Category (census information)	Bank Lending Distribution by Dollar of Loans
Low	8%	10%	5%
Moderate	16%	14%	10%
Middle	24%	25%	18%
Upper	52%	51%	67%
Totals	100%	100%	100%

The bank has a reasonable distribution of lending to different sizes of businesses in relation to the demographics of the assessment area. We reviewed all commercial loans within the assessment area that were originated between July 11, 1996 and August 31, 1999 (981 loans totaling \$118.8 million).

The results of our review illustrated in the table below, show that the bank extended 56% by number, and 32% by dollar of its commercial loans to borrowers with annual revenues less than \$1 million. This compares to 69% of businesses in the assessment area having annual revenues of less than \$1 million, per updated 1998 Dunn and Bradstreet Information (D&B).

Lending Distribution Based on Gross Revenues Commercial Loan Originations			
Revenue Size of Businesses Sampled \$(000's)	Bank Lending Distribution by Number of Loans	Percentage of Businesses in each Revenue Category (D&B Information)	Bank Lending Distribution by Dollar of Loans
< \$100	9%	61%	4%
\$100 - \$250	12%		6%
\$250 - \$500	17%		12%
\$500 - \$1,000	18%	8%	10%
> \$1,000	44%	14%	68%
Revenue not reported	0%	17%	0%
Totals	100%	100%	100%

Loan-to-Deposit Analysis

The bank's average quarterly loan-to-deposit ratio from September 1996 to June 1999 is 60% percent. This ratio is satisfactory given the bank's size, financial condition and lending opportunities within its assessment area. Anchor Bank has the second lowest average loan-to-deposit ratio of ten similarly situated banks in their assessment area. Ten banks of similar size and product offerings, operating in the bank's assessment area, had average loan-to-deposit ratios ranging from 48% to 85% over the same time period. The average loan-to-deposit ratio of these ten banks was 71%.

Lending Inside the Assessment Area

Anchor Bank originates a majority of its loans inside its assessment area. We reviewed all commercial and residential real estate loans that were originated between July 1996 and August 1999. Our sample included 1,352 commercial loans totaling \$184 million and 586 residential real estate loans totaling \$53 million.

The following table illustrates the level of lending inside the bank's assessment area:

Penetration of Lending Inside the Bank's Assessment Area		
	% of Total Number of Loans Inside the Assessment Area	% of Total Dollar Amount of Loans Inside the Assessment Area
Commercial Loans	74%	77%
Real Estate Loans	71%	76%

Geographic Distribution of Loans:

The bank has no low-income census tracts included in its assessment area. Three of the bank's 99 census tracts included in the bank's assessment area are designated as moderate-income areas. We found the bank to have reasonable penetration in these tracts. While we found no residential real estate lending in the bank's moderate-income tracts, commercial lending penetration is reasonable. Only 30 percent of the housing in the moderate-income tracts is owner-occupied. In addition, the moderate-income tracts are on the outer edge of the bank's assessment area.

We found that the bank originated 2.2 percent of their commercial loans in the bank's moderate-income areas. Dunn and Bradstreet demographic information show that 1.8 percent of businesses in the assessment area are located in these moderate-income census tracts.

Response to CRA Related Complaints

The bank has not received any CRA related complaints since the previous evaluation.

Compliance with Antidiscrimination Laws

Anchor Bank is in compliance with applicable antidiscrimination laws and regulations. We found no evidence of apparent disparate treatment during our fair lending review.

We performed a fair lending review of all approved new auto loans that originated between June 1, 1999 and August 31, 1999. Our review focused on rates received by single female applicants versus those received by single male applicants. Our review did not identify any loan terms that were less favorable for female applicants than male applicants.

Other Information

Anchor Bank is a regular contributor to nonprofit and charitable organizations located in the assessment area. Donations totaled \$85 thousand in 1997 and \$90 thousand in 1998.