



SMALL BANK

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

PUBLIC DISCLOSURE

January 12, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Anchor Bank, West St. Paul National Association
Charter Number 21179**

**66 East 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 bank's average loan-to-deposit ratio is reasonable.
- The bank originates a majority of its loans by number and dollar within its assessment area.
- The bank has a good distribution of credit among commercial borrowers of different sizes and an excellent distribution of credit among residential real estate borrowers of different income levels.
- The geographic distribution of commercial loans reflect an excellent dispersion throughout the assessment area. Geographic distribution of residential real estate loans reflect a good dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

Anchor Bank West St. Paul, N.A. (Anchor) was a \$253 million institution as of December 31, 2002. Anchor has their main office located in West St. Paul, Minnesota. They have three branch locations. The Apple Valley branch is 16 miles south of the main bank. The two branches that have opened since the last CRA examination are located in St. Paul Park, Minnesota, 10 miles southeast of the main bank and Eagan, Minnesota, 8 miles southwest of the main bank. The West St. Paul, Apple Valley and Eagan banks are located in Dakota County while the St. Paul Park bank is located in Washington County. The bank offers telephone and Internet banking to its customers. This service provides customers with 24-hour access to deposit and loan account information. It also allows customers to make transfers between accounts. Anchor has twelve ATMs, none of which accept deposits.

Anchor offers a wide range of loan and deposit products which are designed to meet the community's needs. As of December 31, 2002, the bank's \$173 million loan portfolio consisted of 72% commercial loans, 20% residential real estate loans, 7% consumer loans and 1% other loans. As of December 31, 2002, net loans made up 68% of total assets. The bank's primary lending focus is commercial and residential real estate loans.

Anchor Bancorp, Inc. is a five-bank holding company that owns Anchor Bank West St. Paul, N.A. The other four Anchor Bank charters are located in Wayzata, St. Paul, Farmington, and North St. Paul, Minnesota. As of December 31, 2002, Anchor Bancorp, Inc. had assets of \$908 million. The bank does not have any affiliate relationships that impact the bank's CRA performance.

There are no financial, legal or other factors that impede Anchor's ability to meet its CRA obligations. The bank's last CRA rating was a "Satisfactory Record of Meeting Community Credit Needs" dated March 29, 1999.

DESCRIPTION OF ASSESSMENT AREA

Anchor's assessment area (AA) includes 42 census tracts (CTs) in northern Dakota County, 8 CTs in southwestern Washington County, and 6 CTs in south central Ramsey County. All three counties are part of the Minneapolis-St. Paul Metropolitan Statistical Area (MSA). Based on the 1990 census data, 8 of Anchor's AA CTs are moderate-income (14%), 33 CTs are middle-income (59%) and 14 CTs are upper-income (25%). 1 CT in Anchor's AA (2%) does not have income data available. There are no low-income CTs as part of Anchor's defined AA and none bordering their AA. The only moderate-income CTs located in Dakota and Washington Counties are included in their AA. There are low- and moderate-income CTs in Ramsey County, however, Anchor does not have any branch locations in this county and their AA extends only to the southernmost CTs, including 3 moderate-income CTs. Anchor's AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

Based on 1990 census information, 13.19% of the families within this AA are low income, 16.60% moderate income, 27.82% middle income and 42.39% upper income. The 1990 census median family income for the AA was \$43,063. Based on the Department of Housing and Urban Development's 2002 estimate, the updated median family income for the AA is \$76,700.

The 1990 census data indicates that 5,012 households (5%) are below the poverty level. The 2000 census indicates that 5,519 households (4%) are below the poverty level. The Census Bureau indicated that in 1999, 7.9% of persons in Minnesota were below the poverty level, compared to 12.4% nation-wide. The same data indicated that 3.6%, 2.9% and 10.6% in Dakota, Washington and Ramsey Counties, respectively, are below poverty level.

The Census Bureau indicates the population of the AA has increased 22% from 1990 to 2000. The fastest growing county during this timeframe was Washington County at 37.9%, followed by Dakota County at 29.3%. Ramsey County population only increased 5.2%. This is consistent with the area which is seeing large growth and expansion into the outlying areas of the Twin Cities.

The median value of owner occupied housing units in 2000 per census data for the State of Minnesota was \$122,400. This compares with Dakota County at \$152,400, Washington County at \$156,200 and \$126,400 in Ramsey County. In Anchor's AA, the 1990 census data indicated 69% of the housing units were owner occupied which has increased to 74% per the 2000 census data. Our community contact indicated that a major project for West St. Paul is the process of rehabilitating and maintaining current housing stock.

According to the Minnesota Workforce Center, unemployment levels in the State of Minnesota as of December 31, 2003 were at 4.5%, compared to 3.6% in Dakota and Washington Counties and 4.1% in Ramsey County. The nationwide unemployment rate as of December 31, 2003 was 5.4%. All three counties have slightly lower unemployment numbers at year-end 2003 than the 2002 average. There are several opportunities for employment in Anchor's AA. National chains are flourishing, while at the same time smaller "mom-and-pop" type operations have suffered due to the economic conditions. 2002 business demographic data indicates that 44% of the business in the AA have four or less employees. Our community contact indicated that no major

employers have left the area and some have expanded operations. Major employers include Dakota County, Southview Acres Health Care (nursing care facilities), Target, Tapemark Company (pulp, paper & paperboard mills), Cub Foods, Rainbow Foods, Flint Ink Corp., and KMart.

Bank competition in Anchor's AA is strong. There are nearly 40 financial institutions with a presence in Anchor's AA. Anchor has 4% of the market share in their AA according to 2001 deposit information obtained from the Federal Deposit Insurance Corporation.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition and local credit needs. The bank's quarterly average loan-to-deposit ratio for the 15 quarters since the previous CRA exam is 74.93%. Similarly situated banks with a presence in the AA are those with total assets between \$209 and \$259 million. Quarterly average loan-to-deposit ratios for similarly situated banks range from 73.31% to 89.39% over the same time frame. The loan-to-deposit ratio does not take into account loans sold by banks on the secondary market, which for Anchor totaled \$29 million in 2001 and \$50 million in 2002.

Institution	Assets (as of 12/31/02)	Average Loan-to-Deposit Ratio; 2Q99 – 4Q02
VERMILLION STATE BANK	\$259 million	73.31
CHEROKEE STATE BANK	\$230 million	73.76
ANCHOR BANK WEST ST. PAUL	\$253 million	74.93
BREMER BANK MARSHALL	\$210 million	80.05
BREMER BANK WILLMAR	\$209 million	86.31
BREMER BANK BRAINERD	\$256 million	89.39

Lending in Assessment Area

Based on a sample of 20 commercial loans and 20 residential real estate first mortgage loans, Anchor originates a majority of its loans to borrowers by number and dollar located within its defined AA. The sample determined that of loans originated from January, 2001 through December, 2002, 62.5% by number and 73.77% by dollar were made to commercial and residential real estate customers located within the bank's AA. The following table shows loans originated inside and outside their AA by number and dollar volume.

	Number of Loans	Dollar of Loans
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Loan Type	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	#	%
Commercial	11	55	9	45	1,155,643	71.10	469,643	28.90
Residential Real Estate	14	70	6	30	2,035,600	75.37	665,260	24.63
TOTALS:	25	62.50%	15	37.50%	3,191,243	73.77%	1,134,903	26.23%

Lending to Commercial Borrowers of Different Revenue Sizes and Residential Real Estate Customers of Different Income Levels.

Anchor has a good distribution of credit among businesses of different revenue sizes. Commercial borrowers have a wide diversity of gross revenue levels ranging from a few thousand to more than a million dollars. A random sample of 20 commercial files indicates the following breakdown of annual revenues.

Borrower Distribution of Loans to Businesses		
Business Revenues	< \$1,000,000	> \$1,000,000
% of AA Businesses*	56.03%	5.80%
% of Bank Loans in AA by #	55%	45%
% of Bank Loans in AA by \$	40.62%	59.38%

*per 2002 Business Demographic Data;
38.18% of businesses did not report revenues

Anchor has an excellent distribution of credit among residential real estate borrowers of different income levels. The following table compares the percentage of families based on income level located within the AA to those loans made by the bank from the selected loan sample of 20 residential real estate first mortgage loans.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level*	Low (0 - \$38,350)		Moderate (\$38,351 - \$61,360)		Middle (\$61,361 - \$92,040)		Upper (\$92,041 and over)	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate	13.19%	20%	16.60%	10%	27.82%	25%	42.39%	45%

*per 2002 HUD Estimated Median Family Income for Minneapolis-St. Paul MSA

Geographic Distribution of Loans

The geographic distribution of commercial loans reflect an excellent dispersion through the AA and geographic distribution of residential real estate loans reflect a good dispersion throughout the AA. None of Anchor’s locations are located in moderate-income CTs; however, they are lending to businesses and residential customers in those areas. Anchor’s main bank and the St. Paul Park branch are located in middle-income CTs and the Apple Valley and Eagan branches are located in upper-income CTs. There are no low-income tracts within the bank’s defined AA

or bordering the AA. We did not identify any conspicuous gaps in lending to moderate income CTs. The following tables reflect the demographics of the area to the bank’s actual lending, based on a random sample of 20 commercial loans and 20 residential real estate first mortgage loans.

Geographic Distribution of Loans to Businesses in Assessment Area								
Census Tract Income Level*	Low 0%		Moderate 14%		Middle 59%		Upper 25%	
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
Commercial	0%	0%	7.37%	15%	61.31%	55%	30.57%	30%

*2% of the Census Tracts in this AA are N/A; % of AA Businesses in these CTs are .75%

Geographic Distribution of Residential Real Estate Loans in Assessment Area								
CT Income Level*	Low 0%		Moderate 14%		Middle 59%		Upper 25%	
Loan Type	% of AA Owner Occupied Housing Units	% of Number of Loans	% of AA Owner Occupied Housing Units	% of Number of Loans	% of AA Owner Occupied Housing Units	% of Number of Loans	% of AA Owner Occupied Housing Units	% of Number of Loans
Residential Real Estate	0%	0%	8.55%	5%	58.04%	65%	33.41%	30%

*2% of the Census Tracts in this AA are N/A

Responses to Complaints

Anchor has not received any complaints about its performance in helping meet assessment area credit needs during this evaluation period.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.