ANCHOR BANCORP

2015
Annual Report

ANCHOR

Dear Fellow Shareholder:

I am pleased to report that Anchor's 2015 fiscal year reflects significant improvements across many areas of our operations. In particular, these improvements are reflected in our increased earnings and improved asset quality as reported in our fiscal 2015 financial results below. These improvements are a result of our hard work coupled with the economic improvements in the State of Washington.

Despite the economic recovery experienced by much of our nation, 13 FDIC insured institutions nationwide failed between July 2014 and June 2015. Fortunately, not one of those failed institutions was in Washington State. The total number of institutions in Washington did, however, decrease by three during this time period due to merger activities. This compares to a decrease of approximately 330 institutions nationwide, consisting primarily of small community banks, which was attributable to, among other things, mergers and being placed into receivership. The decrease in financial institutions and in particular community banks reflects the competitive pressure on community banks from credit unions and other financial intermediaries. We anticipate that this pressure will intensify if the Federal Reserve raises interest rates as community banks have been cautious in taking on low yielding assets in the current interest rate environment.

One notable aspect of the State of Washington's economic recovery is that the average unemployment rate has stabilized at approximately 5.3%. The primary reason for this relatively low rate is the concentration of very high performing tech and retail distribution companies located in King County. Despite the stabilization of the state's unemployment rates, the unemployment rates in more rural counties have remained significantly higher. The unemployment rate of Grays Harbor County at June 30, 2015 remained unchanged at 8.5% from June 2014. Thurston County's unemployment rate dropped from 5.9% to 5.2% over the same period. The decrease in Thurston County's unemployment rate is partially attributable to the increase in new businesses that have demonstrated an increased willingness to take on risk. There is strong competition for lending opportunities to these new businesses and other qualified borrowers and we are endeavoring to capture our share of the market. As with all loans we originate and in light of the uncertainty about future interest rates, the "risk" verses "reward" for the borrower and for Anchor Bank is constantly evaluated. We continue to seek long term, mutually beneficial relationships with our customers, while mitigating any effect of possible rising interest rates.

Anchor is well situated not only to survive but to thrive in this changing economic environment. With our capital levels significantly exceeding what is required by banking regulators and with our experienced staff able to handle increased lending activity, we have the resources to continue to maintain compliance with the many laws and regulations we operate within.

OUR FINANCIAL RESULTS

As part of our strategy this year we continued our focus on paying down Federal Home Loan Bank ("FHLB") advances to reduce our cost of funds. During the year ended June 30, 2015, we repaid a $7.5 million advance at 3.5% and reduced the interest paid on a $10.5 million advance from 3.5% to 1.22%. The decrease in our FHLB advances contributed to an increase of 18 basis points in our net interest margin to 4.05% for the year ended June 30, 2015 from 3.87% for the 2014 fiscal year end. Also contributing to the improvement in our net interest margin was a decrease in the adverse effect of nonperforming assets and a reduction in the cost of deposits.

For the year ended June 30, 2015 net income before tax provision increased $1.1 million to $1.5 million compared to $423,000 for the year ended June 30, 2014. The increase in net income for fiscal 2015 includes an $8.2 million tax benefit related to the reversal of the valuation allowance on deferred tax assets. Reducing non-interest expense has been a key focal point during fiscal 2015 combined with the elimination of surplus facilities and ongoing decreases in non-performing assets.

During fiscal 2015, our continued focus on decreasing troubled assets resulted in a reduction of $1.2 million in real estate owned impairments and related holding costs for these properties. We also experienced a decrease of $7.0 million in nonperforming assets to $2.8 million at June 30, 2015 from $9.8 million at June 30, 2014.

Anchor Bank's capital ratios continue to exceed regulatory requirements with total risk-based capital of 17.4%, Tier 1 (core) risk-based capital of 16.2%, common equity Tier 1 capital (CET1) of 16.2% and Tier 1 capital of 14.3%. On June 30, 2015 Anchor Bank paid a $5.0 million cash dividend to Anchor Bancorp, which will be used to support operations, including possible stock repurchases.

We continue to be very optimistic about our future. We believe that the positive results for the 2015 fiscal year, along with improvements in the economy, increased loan demand and the infrastructure we have put in place, have us well positioned to achieve our goals. Thank you for your continued interest and support of Anchor Bancorp and Anchor Bank.

Jerald L. Shaw
President and Chief Executive Officer

FINANCIAL CONDITION DATA: Unaudited	At June 30, 2015	2014	2013	2012	2011
	(In Thousands)				
Total assets	$ 379,230	$ 389,128	$ 452,179	$ 470,815	$ 488,935
Securities	554	573	1,591	1,798	5,594
Mortgage-backed securities	36,628	47,109	57,012	54,098	40,156
Loans receivable, net[(1)]	283,444	281,526	277,454	287,755	325,464
Deposits	299,812	311,034	328,584	345,798	339,474
FHLB advances	10,000	17,500	64,900	64,900	85,900
Total equity	63,723	53,675	52,368	54,024	57,452

OPERATING DATA:	Year Ended June 30, 2015	2014	2013	2012	2011
	(In Thousands)				
Total interest income	$ 16,886	$ 17,789	$ 19,727	$ 22,464	$ 25,969
Total interest expense	3,076	3,681	4,764	6,090	8,002
Net interest income before provision for loan losses	13,810	14,108	14,963	16,374	17,967
Provision for loan losses	-	-	750	2,735	8,078
Net interest income after provision for loan losses	13,810	14,108	14,213	13,639	9,889
Noninterest income	4,503	4,075	4,924	6,674	5,752
Noninterest expense	16,807	17,760	19,392	22,025	24,461
Income (loss) before provision (benefit) for income	1,506	423	(255)	(1,712)	(8,820)
Total benefit for income tax	(8,321)	-	-	-	-
Net income (loss)	$ 9,827	$ 423	$ (255)	$ (1,712)	$ (8,820)
Basic earnings (loss) per share[(2)]	$ 3.97	$ 0.17	$ (0.10)	$ (0.70)	$ (3.28)

[(1)] Net of allowances for loan losses, loans in process and deferred loan fees.

[(2)] Loss per share for the year ended June 30, 2011 included in the table above represents the period from January 25, 2011 through June 30, 2011 as the Company completed its initial public offering on January 25, 2011 with the issuance of 2,550,000 shares of common stock. Prior to January 25, 2011 there were no shares outstanding.

KEY FINANCIAL RATIOS:	At or For the Year Ended June 30, 2015	2014	2013	2012	2011
Performance ratios:					
Return on assets[1]	0.43%	0.10%	(0.05)%	(0.36)%	(1.72)%
Return on equity[2]	3.10	0.83	(0.49)	(3.13)	(16.66)
Equity to total assets ratio[3]	13.87	12.66	11.23	11.36	10.32
Interest rate spread[4]	3.83	3.68	3.35	3.43	3.57
Net interest margin[5]	4.05	3.87	3.53	3.65	3.78
Average interest-earning assets to average interest-bearing liabilities	124.7	119.2	115.9	116.4	112.3
Efficiency ratio[6]	91.8	97.7	97.5	95.6	103.1
Other operating expenses as a percent of average total assets	4.5	4.4	4.2	4.6	4.8
Capital Ratios:					
Tier I leverage	14.3	13.6	11.4	10.9	10.7
Common equity Tier 1 capital[7]	16.2	N/A	N/A	N/A	N/A
Tier I risk-based	16.2	16.8	16.7	17.0	15.8
Total risk-based	17.4	18.0	18.0	18.2	17.1
Asset Quality Ratios:					
Nonaccrual and 90 days or more past due loans as a percent of total loans	0.7	1.6	2.2	3.0	4.3
Nonperforming assets as a percent of total assets	0.7	2.5	2.7	3.3	5.5
Allowance for loan losses as a percent of total loans	1.3	1.6	1.8	2.4	2.2
Allowance for loan losses as a percent of nonperforming loans	185.0	98.1	83.6	80.4	51.1
Net charge-offs to average outstanding loans	0.3	0.2	0.9	0.9	4.7

(1) Net income (loss) divided by average total assets.
(2) Net income (loss) divided by average equity.
(3) Average equity divided by average total assets.
(4) Difference between weighted average yield on interest-earning assets and weighted average rate on interest-bearing liabilities.
(5) Net interest income as a percentage of average interest-earning assets.
(6) The efficiency ratio represents the ratio of noninterest expense divided by the sum of net interest income and noninterest income.
(7) The common equity Tier 1 capital ratio was required beginning the quarter ended March 31, 2015.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2015 or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-34965

ANCHOR BANCORP
(Exact name of registrant as specified in its charter)

Washington	26-3356075
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
601 Woodland Square Loop SE, Lacey, Washington	98503
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code:	(360) 491-2250

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.01 per share	The Nasdaq Stock Market LLC
(Title of Class)	(Name of each exchange on which registered)
Securities registered pursuant to Section 12(g) of the Act:	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ___ NO _X_

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ____ NO _X_

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes _X_ No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§232.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. _____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer _____ Accelerated filer _____ Non-accelerated filer _____ Smaller reporting company _X_

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ___ NO _X_

As of September 11, 2015, there were issued and outstanding 2,530,000 shares of the registrant's common stock, which are traded on the NASDAQ Global Market under the symbol "ANCB." The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price of such stock as of December 31, 2014, was $50.5 million. (The exclusion from such amount of the market value of the shares owned by any person shall not be deemed an admission by the registrant that such person is an affiliate of the registrant.)

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2015 Annual Meeting of Stockholders are incorporated by reference into Part III.

ANCHOR BANCORP
2015 ANNUAL REPORT ON FORM 10-K

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As used in this report, the terms, “we,” “our,” and “us,” and “Company” refer to Anchor Bancorp and its consolidated subsidiary, unless the context indicates otherwise. When we refer to “Anchor Bank” or the “Bank” in this report, we are referring to Anchor Bank, the wholly owned subsidiary of Anchor Bancorp.

Forward-Looking Statements

This Form 10-K, including information included or incorporated by reference, future filings by the Company on Form 10-Q, and Form 8-K, and future oral and written statements by Anchor Bancorp and its management may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements often include the words "believes," "expects," "anticipates," "estimates," "forecasts," "intends," "plans," "targets," "potentially," "probably," "projects," "outlook" or similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated, including, but not limited to:

- the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write offs and changes in our allowance for loan losses and provision for loan losses that may be impacted by deterioration in the housing and commercial real estate markets;
- changes in general economic conditions, either nationally or in our market areas;
- changes in the levels of general interest rates, and the relative differences between short and long term interest rates, deposit interest rates, our net interest margin and funding sources;
- fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in our market area;
- secondary market conditions for loans and our ability to sell loans in the secondary market;
- results of examinations of us by the Federal Deposit Insurance Corporation ("FDIC"), the Washington State Department of Financial Institution, Division of Banks ("DFI") or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require us to increase our reserve for loan losses, write-down assets, change our regulatory capital position or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings;
- our ability to attract and retain deposits;
- increases in premiums for deposit insurance;
- management's assumptions in determining the adequacy of the allowance for loan losses;
- our ability to control operating costs and expenses;
- the use of estimates in determining fair value of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation;
- difficulties in reducing risks associated with the loans on our balance sheet;
- staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our workforce and potential associated charges;
- computer systems on which we depend could fail or experience a security breach;
- our ability to retain key members of our senior management team;
- costs and effects of litigation, including settlements and judgments;
- our ability to manage loan delinquency rates;
- increased competitive pressures among financial services companies;
- changes in consumer spending, borrowing and savings habits;
- legislative or regulatory changes that adversely affect our business including the effect of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and changes in regulatory policies and principles, or the interpretation of regulatory capital or other rules, including as a result of Basel III;
- the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions;

- our ability to pay dividends on our common stock;
- adverse changes in the securities markets;
- inability of key third-party providers to perform their obligations to us;
- changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies, or the Financial Accounting Standards Board, including additional guidance and interpretation on existing accounting issues and details of the implementation of new accounting methods, including relating to fair value accounting and loan loss reserve requirements; and
- other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services and the other risks described elsewhere in our filings with the Securities and Exchange Commission ("SEC"), including this Form 10-K.

These developments could have an adverse impact on our financial position and our results of operations.

Any forward-looking statements are based upon management's beliefs and assumptions at the time they are made. We undertake no obligation to publicly update or revise any forward-looking statements included or incorporated by reference in this document or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this document might not occur, and you should not put undue reliance on any forward-looking statements.

Available Information

The Company provides a link on its investor information page at www.anchornetbank.com to the Securities and Exchange Commission's ("SEC") website (www.sec.gov) for purposes of providing copies of its annual report to shareholders, Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and press releases. Other than an investor's own internet access charges, these filings are available free of charge and also can be obtained by calling the SEC at 1-800-SEC-0330. The information contained on the Company's website is not included as part of, or incorporated by reference into, this Annual Report on Form 10-K.

PART I

Item 1. Business

General

Anchor Bancorp, a Washington corporation, was formed for the purpose of becoming the bank holding company for Anchor Bank in connection with the Bank's conversion from mutual to stock form, which was completed on January 25, 2011. In connection with the mutual to stock conversion, the Bank changed its name from "Anchor Mutual Savings Bank" to "Anchor Bank." At June 30, 2015, we had total assets of $379.2 million, total deposits of $299.8 million and total stockholders' equity of $63.7 million. Anchor Bancorp's business activities generally are limited to passive investment activities and oversight of its investment in Anchor Bank. Accordingly, the information set forth in this report, including consolidated financial statements and related data, relates primarily to Anchor Bank.

Anchor Bancorp is a bank holding company and is subject to regulation by the Board of Governors of the Federal Reserve System ("Federal Reserve"). Anchor Bank is examined and regulated by the Washington State Department of Financial Institutions, Division of Banks ("DFI") and by the Federal Deposit Insurance Corporation ("FDIC"). Anchor Bank is required to have certain reserves set by the Federal Reserve and is a member of the Federal Home Loan Bank of Des Moines ("FHLB" or "FHLB of Des Moines"), which is one of the 11 regional banks in the Federal Home Loan Bank System ("FHLB System").

Anchor Bank is a community-based savings bank primarily serving Western Washington through our 11 full-service banking offices (including one Wal-Mart in-store location) located within Grays Harbor, Thurston, Lewis, Pierce and Mason counties, Washington. We are in the business of attracting deposits from the public and utilizing those deposits to originate loans. We offer a wide range of loan products to meet the demands of our customers, however, at June 30, 2015, 91.2% of our loans were collateralized by real estate. Historically, our principal lending activity has consisted of the origination of loans secured by first mortgages on owner-occupied, one-to-four family residences and loans for the construction of one-to-four family residences, as well as consumer loans, with an emphasis on home equity loans and lines of credit. Since 1990, we have been actively offering commercial real estate loans and multi-family loans primarily in Western Washington.

The executive office of the Company is located at 601 Woodland Square Loop SE, Lacey, Washington 98503, and its telephone number is (360) 491-2250.

Corporate Developments

Anchor Bank entered into an Order to Cease and Desist ("Order") with the FDIC and the Washington DFI on August 12, 2009. On September 5, 2012, Anchor Bank's regulators, the FDIC and the DFI terminated the Order as a result of the steps Anchor Bank took in complying with the Order and reducing its level of classified assets, augmenting management and improving the overall condition of the Bank. In place of the Order, Anchor Bank entered into a Supervisory Directive with the DFI. The Supervisory Directive with the DFI was terminated on November 20, 2014. The Federal Reserve Bank of San Francisco terminated the Supervisory Directive it had with the Company on January 13, 2015.

Market Area

Anchor Bank is a community-based financial institution primarily serving Western Washington including Grays Harbor, Thurston, Lewis, Pierce, and Mason counties. Based on information from the Washington Center for Real Estate Research, for the quarter ended December 31, 2014, the median home price in our five-county market area was $182,620 a 1.4% decrease compared to the quarter ended December 31, 2013. Existing home sales in our five-county primary market area for the quarter ended December 31, 2014 totaled $18.7 million, which reflected an 7.58% decrease compared to the quarter ended December 31, 2013. According to the Department of Labor, the unemployment rate in our five-county primary market area averaged 7.3% during June 2015 compared to 6.9% during June 2014. These unemployment rates are higher than the national unemployment rates of 5.3% and 6.1%, as of June 2015 and June 2014, respectively. A continuation of the overall economic weakness in the counties in our market area could negatively impact our lending opportunities and profitability.

Grays Harbor County has a population of 72,399 and a median household income of $40,582 according to the latest 2014 information available from the U.S. Census Bureau. The economic base in Grays Harbor has been historically dependent on the timber and fishing industries. Other industries that support the economic base are tourism, manufacturing, agriculture, shipping, transportation and technology. Based on information from the Washington Center for Real Estate Research, for the quarter ended December 31, 2014, the median home price in Grays Harbor County was $125,300 compared to $128,100 for the quarter ended December 31, 2013 and represents a decline of 2.2%. In addition, existing home sales in Grays Harbor County for the quarter ended December 31, 2014 declined by 7.8% from the total for the quarter ended December 31, 2013. According to the U.S. Department of Labor, the unemployment rate in Grays Harbor County remained at 8.5% at June 30, 2015 and June 30, 2014. We have six branches (including our home office) located throughout this county.

Thurston County has a population of 267,951 and a median household income of $59,393 according to the latest 2014 information available from the U.S. Census Bureau. Thurston County is home of Washington State's capital (Olympia) and its economic base is largely driven by state government related employment. Based on information from the Washington Center for Real Estate Research, for the quarter ended December 31, 2014, the median home price in Thurston County was $235,700 compared to $238,700 for the quarter ended December 31, 2013, and represents a 1.3% decline. In addition, existing home sales in Thurston County for the quarter ended December 31, 2014 declined by 11.1% from the quarter ended December 31, 2013. According to the U.S. Department of Labor, the unemployment rate for the Thurston County area increased to 5.9% at June 30, 2015 from 5.2% at June 30, 2014. We currently have two branches in Thurston County. Thurston County has a stable economic base primarily attributable to the state government presence.

Lewis County has a population of 76,257 and a median household income of $42,048 according to the latest 2014 information available from the U.S. Census Bureau. The economic base in Lewis County is supported by manufacturing, retail trade, local government and industrial services. Based on information from the Washington Center for Real Estate Research, for the quarter ended December 31, 2014, the median home price in Lewis County was $160,000 compared to $160,000 for the quarter ended December 31, 2013, and represents no change. In addition, existing home sales in Lewis County for the quarter ended December 31, 2014 declined by 14.9% from the quarter ended December 31, 2013. According to the U.S. Department of Labor, the unemployment rate in Lewis County increased to 8.2% at June 30, 2015 from 8.0% at June 30, 2014. We have one branch located in Lewis County.

Pierce County is the second most populous county in the state and has a population of 834,906 and a median household income of $57,536 according to the latest 2014 information available from the U.S. Census Bureau. The economy in Pierce County is diversified with the presence of military related government employment (Lewis/McChord JBLM Base), transportation and shipping employment (Port of Tacoma), and aerospace related employment (Boeing). Based on information from the Washington Center for Real Estate Research, for the quarter ended December 31, 2014, the median home price in Pierce County was $233,000 compared to $235,000 for the quarter ended December 31, 2013, and represents a 0.93% decline. In addition, existing home sales in Pierce County for the quarter ended December 31, 2014 declined by 5.7% from the quarter ended December 31, 2013. According to the U.S. Department of Labor, the unemployment rate for the Pierce County area increased to 6.4% at June 30, 2015 from 6.0% at June 30, 2014. We have one branch located in Pierce County.

Mason County has a population of 61,816 and a median household income of $46,227 according to the latest information available from the U.S. Department of Labor. The economic base in Mason County is supported by wood products. Based on information from the Washington Center for Real Estate Research, for the quarter ended December 31, 2014, the median home price in Mason County was $159,100 compared to $164,200 for the quarter ended December 31, 2013, and represents a 3.1% decline. In addition, existing home sales in Mason County for the quarter ended December 31, 2014 declined by 9.2% from the quarter ended December 31, 2013. According to the U.S. Department of Labor, the unemployment rate in Mason County increased to 7.3% at June 30, 2015 from 6.8% at June 30, 2014. We have one branch located in Mason County.

For a discussion regarding the competition in our primary market area, see "– Competition."

Lending Activities

General. Historically, our principal lending activity has consisted of the origination of loans secured by first mortgages on owner-occupied, one-to-four family residences and loans for the construction of one-to-four family residences, as well as consumer loans, with an emphasis on home equity loans and lines of credit. Since 1990, we have been actively offering commercial real estate loans and multi-family loans primarily in Western Washington and beginning in 2014 increased our focus on construction lending. A substantial portion of our loan portfolio is secured by real estate, either as primary or secondary collateral, located in our primary market area. As of June 30, 2015, the net loan portfolio totaled $283.4 million and represented 74.6% of our total assets. As of June 30, 2015, 20.1% of our total loan portfolio was comprised of one-to-four family loans, 6.1% of home equity loans and lines of credit, 44.5% of commercial real estate loans, 15.0% of multi-family real estate loans, 6.6% of commercial business loans, 5.5% of construction and land loans, 1.9% of unsecured consumer loans and 0.2% of automobile loans.

As a state chartered savings bank chartered under Washington law, we are subject to 20% of total risk based capital plus reserves as our statutory lending limit to one borrower or $13.7 million at June 30, 2015. At June 30, 2015, there were no borrowing relationships that were over the legal amount. Our ten largest credit relationships at June 30, 2015 were as follows:

- Our largest single borrower relationship totaled $10.2 million outstanding and consisted of three loans secured by hospitality properties;

- The second largest borrower relationship is one loan for $8.9 million, secured by an airport parking structure;
- The third largest borrower relationship totaled $8.1 million outstanding and consisted of 39 loans, 37 of which are secured by single family rental homes with an average loan balance of $134,000, one multi-family structure under construction with an additional $354,000 committed but not yet funded; and an unfunded $69,000 business loan;
- The fourth largest borrower relationship totaled $7.9 million and consisted of three loans secured by congregate care facilities;
- The fifth largest borrower relationship totaled $7.8 million and consisted of three loans secured by office and light industrial buildings;
- The sixth largest borrower relationship is one loan for $5.3 million secured by a commercial real estate property;
- The seventh largest borrower relationship totaled $5.3 million and consisted of 16 loans which range in size up to $1.4 million, plus an additional $383,000 which has not yet been funded. The collateral for these loans consists primarily of owner and non-owner occupied light industrial and commercial real estate;
- The eighth largest borrower relationship is one loan for $5.1 million which is a purchased minority interest in a Shared National Credit loan secured by an entertainment, hospitality and dining complex;
- The ninth largest borrower relationship totaled $5.0 million and consisted of three loans secured by commercial income-producing properties; and
- The tenth largest borrower relationship is one loan for $4.7 million secured by a church complex.

All of these relationships include personal guarantees except for the eighth largest borrower relationship which is a minority interest in a shared national credit and the tenth largest borrower relationship which is a loan secured by a church complex. All of the properties securing these loans are located in our primary market area in Grays Harbor, Thurston, Lewis, Pierce and Mason counties or our secondary market area in other parts of Washington State or Northwest Oregon. These loans were all performing according to their repayment terms as of June 30, 2015.

Loan Portfolio Analysis. The following table sets forth the composition of Anchor Bank's loan portfolio by type of loan at the dates indicated:

	At June 30,									
	2015		2014		2013		2012		2011	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
Real estate:										
One-to-four family	$ 57,944	20.1%	$ 63,009	21.9%	$ 73,901	26.1%	$ 82,709	28.0%	$ 97,133	29.1%
Multi-family	43,249	15.0	47,507	16.5	38,425	13.6	42,032	14.2	42,608	12.8
Commercial	128,306	44.5	107,828	37.6	106,859	37.7	97,306	32.9	105,997	31.8
Construction	11,731	4.1	19,690	6.9	5,641	2.0	6,696	2.3	11,650	3.5
Land loans	4,069	1.4	4,126	1.4	5,330	1.9	7,062	2.4	6,723	2.0
Total real estate	$ 245,299	85.1%	$ 242,160	84.3%	$ 230,156	81.2%	$ 235,805	79.8%	$ 264,111	79.2%
Consumer:										
Home equity	17,604	6.1	20,894	7.3	25,835	9.1	31,504	10.7	35,729	10.7
Credit cards	3,289	1.1	3,548	1.2	4,741	1.7	5,180	1.8	7,101	2.1
Automobile	686	0.2	1,073	0.4	1,850	0.7	3,342	1.1	5,547	1.7
Other	2,347	0.8	2,838	1.0	2,723	1.0	2,968	1.0	3,595	1.1
Total consumer	23,926	8.3	28,353	9.9	35,149	12.4	42,994	14.6	51,972	15.6
Commercial business	18,987	6.6	16,737	5.8	18,211	6.4	16,618	5.6	17,268	5.2
Total loans	288,212	100.0%	287,250	100.0%	283,516	100.0%	295,417	100.0%	333,351	100.0%
Less:										
Deferred loan fees	1,047		1,100		915		605		648	
Allowance for loan losses	3,721		4,624		5,147		7,057		7,239	
Loans receivable, net	$ 283,444		$ 281,526		$ 277,454		$ 287,755		$ 325,464	

The following table shows the composition of Anchor Bank's loan portfolio by fixed- and adjustable-rate loans at the dates indicated:

	At June 30,									
	2015		2014		2013		2012		2011	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
FIXED-RATE LOANS	(Dollars in thousands)									
Real estate:										
One-to-four family	$ 46,686	16.2%	$ 50,778	17.7%	$ 58,639	20.7%	$ 69,635	23.6%	$ 80,938	24.3%
Multi-family	23,716	8.2	32,813	11.4	29,603	10.4	33,174	11.2	32,967	9.9
Commercial	25,048	8.7	34,776	12.1	42,128	14.9	57,449	19.4	71,493	21.4
Land loans	2,667	0.9	3,137	1.1	4,316	1.5	6,045	2	5,869	1.8
Total real estate	98,117	34.0	121,504	42.3	134,686	47.5	166,303	56.3	191,267	57.4
Real estate construction:										
One-to-four family	—	—	312	0.1	—	—	449	0.2	1,481	0.4
Multi-family	—	—	—	—	2,254	0.8	1,370	0.5	—	—
Commercial	—	—	6,523	2.3	88	—	4,044	1.4	3,642	1.1
Total real estate construction	—	—	6,835	2.4	2,342	0.8	5,863	2	5,123	1.5
Consumer:										
Home equity	9,888	3.4	12,042	4.2	15,848	5.6	20,805	7.0	25,806	7.7
Automobile	686	0.2	1,073	0.4	1,850	0.7	3,342	1.1	5,547	1.7
Other	2,345	0.8	2,838	1.0	2,723	1.0	2,968	1.0	3,510	1.1
Total consumer	12,919	4.5	15,953	5.6	20,421	7.2	27,115	9.2	34,863	10.5
Commercial business	12,404	4.3	11,717	4.1	11,050	3.9	9,690	3.3	8,460	2.5
Total fixed-rate loans	$123,440	42.8	$156,009	54.4	$168,499	59.4	$208,971	70.7	$239,713	71.9
ADJUSTABLE-RATE LOANS										
Real estate:										
One-to-four family	$ 11,258	3.9	$ 12,231	4.3	$ 15,262	5.4	$ 13,074	4.4	$ 16,195	4.9
Multi-family	19,533	6.8	14,694	5.1	8,822	3.1	8,858	3.0	9,641	2.9
Commercial	103,258	35.8	73,052	25.4	64,731	22.8	39,857	13.5	34,504	10.4
Land loans	1,402	0.5	989	0.3	1,014	0.4	1,017	0.3	854	0.3
Total real estate	135,451	47.0	100,966	35.1	89,829	31.7	62,806	21.3	61,194	18.4
Real estate construction:										
One-to-four family	2,119	0.7	2,697	0.9	858	0.3	—	—	3,829	1.1
Multi-family	9,353	3.2	3,432	1.2	1,270	0.4	—	—	—	—
Commercial	259	0.1	6,726	2.3	1,171	0.4	833	0.3	2,698	0.8
Total real estate construction	11,731	4.1	12,855	4.4	3,299	1.2	833	0.3	6,527	2

(table continued on following page)

	At June 30,									
	2015		2014		2013		2012		2011	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
Consumer:										
Home equity	7,716	2.7	8,852	3.1	9,987	3.5	10,699	3.6	9,923	300.0
Automobile	—	—	—	—	—	—	—	—	—	—
Credit cards	3,289	1.1	3,548	1.2	4,741	1.7	5,180	1.8	7,101	210.0
Other	2	—	—	—	—	—	—	—	85	—
Total consumer	11,007	3.8	12,400	4.3	14,728	5.2	15,879	5.4	17,109	510.0
Commercial business	6,583	2.3	5,020	1.8	7,161	2.5	6,928	2.3	8,808	260.0
Total adjustable rate loans	164,772	57.2	131,241	45.6	115,017	40.6	86,446	29.3	93,638	2,810.0
Total loans	288,212	100.0%	287,250	100.0%	283,516	100.0%	295,417	100.0%	333,351	100.0%
Less:										
Deferred loan fees	1,047		1,100		915		605		648	
Allowance for loan losses	3,721		4,624		5,147		7,057		7,239	
Loans receivable, net	$ 283,444		$ 281,526		$ 277,454		$ 287,755		$ 325,464	

Commercial and Multi-Family Real Estate Lending. As of June 30, 2015, $171.6 million, or 59.5% of our total loan portfolio was secured by commercial and multi-family real estate property located in our market area. Of this amount, $44.8 million was identified as owner occupied commercial real estate, and the remaining $126.8 million, or 44.0% of our total loan portfolio was secured by income producing, or non-owner occupied commercial real estate. Our commercial real estate loans include loans secured by properties classified as office, hospitality, mini storage, mobile home park, congregate care, retail, education/worship and other non-residential. As of June 30, 2015, commercial real estate loans totaled $128.3 million, or 44.5% of our portfolio and multi-family real estate totaled $43.2 million, or 15.0% of our portfolio. These loans generally are priced at a higher rate of interest than one-to-four family loans. Typically, these loans have higher loan balances, are more difficult to evaluate and monitor, and involve a greater degree of risk than one-to-four family loans. Often payments on loans secured by commercial or multi-family properties are dependent on the successful operation and management of the property; therefore, repayment of these loans may be affected by adverse conditions in the real estate market or the economy. We generally require and obtain loan guarantees from financially capable parties based upon the review of personal financial statements. If the borrower is a corporation, we generally require and obtain personal guarantees from the corporate principals based upon a review of their personal financial statements and individual credit reports.

The average loan size in our commercial and multi-family real estate portfolio was $783,000 as of June 30, 2015. We target individual commercial and multi-family real estate loans to small and mid-size owner occupants and investors in our market area, between $1.0 million and $6.0 million. At June 30, 2015, the largest commercial loan in our portfolio was a $8.9 million loan secured by an airport parking structure, located in Burien, Washington. Our largest multi-family loan as of June 30, 2015, was a participation in a loan with a total balance of $7.7 million, of which, our portion of the loan is $3.9 million. This loan is secured by a 104 unit apartment complex located in Lacey, Washington.

We offer both fixed and adjustable rates on commercial and multi-family real estate loans. Loans originated on a fixed rate basis generally are originated at terms up to ten years, with amortization terms up to 30 years. As of June 30, 2015, we had $23.7 million and $19.5 million in fixed and adjustable rate multi-family loans, respectively, and $25.0 million and $103.3 million in fixed and adjustable rate commercial real estate loans, respectively.

Commercial and multi-family real estate loans are originated with rates that generally adjust after an initial period ranging from three to ten years. Adjustable rate multi-family and commercial real estate loans are generally priced utilizing the applicable FHLB or U.S. Treasury Term Borrowing Rate plus an acceptable margin. These loans are typically amortized for up to 30 years with a prepayment penalty. The maximum loan-to-value ratio for commercial and multi-family real estate loans is generally 75%. We require appraisals of all properties securing commercial and multi-family real estate loans, performed by independent appraisers designated by us. We require our commercial and multi-family real estate loan borrowers with outstanding balances in excess of $750,000, or a loan-to-value ratio in excess of 60% to submit annual financial statements and rent rolls on the subject property. The properties that fit within this profile are also inspected annually, and an inspection report and photograph are included. We generally require a minimum pro forma debt coverage ratio of 1.20 times for loans secured by commercial and multi-family properties.

The following is an analysis of the types of collateral securing our commercial real estate and multi-family loans at June 30, 2015:

Collateral	Amount	Percent of Total
	(Dollars in thousands)	
Multi-family	$ 43,249	25.2%
Office	21,246	12.4
Hospitality	16,962	9.9
Mini storage	30,433	17.7
Mobile home park	5,029	2.9
Congregate care	10,299	6.0
Retail	19,727	11.5
Education/Worship	7,281	4.2
Airport parking structure	8,904	5.2
Other non-residential	8,425	5.0
Total	$ 171,555	100.0%

If we foreclose on a multi-family or commercial real estate loan, our holding period for the collateral typically is longer than for one-to-four family mortgage loans because there are fewer potential purchasers of the collateral. Additionally, as a result of our increasing emphasis on this type of lending, a portion of our multi-family and commercial real estate loan portfolio is relatively unseasoned and has not been subjected to unfavorable economic conditions. As a result, we may not have enough payment history with which to judge future collectability or to predict the future performance of this part of our loan portfolio. These loans may have delinquency or charge-off levels above our historical experience, which could adversely affect our future performance. Further, our multi-family and commercial real estate loans generally have relatively large balances to single borrowers or related groups of borrowers. Accordingly, if we make any errors in judgment in the collectability of our commercial real estate loans, any resulting charge-offs may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. At June 30, 2015, there were no commercial real estate or multi-family loans that were on nonaccrual status. Commercial real estate loan charge offs for the years ended June 30, 2015 and 2014 were $340,000 and $403,000, respectively, of which we sold and recovered $330,000 during the year ended June 30, 2015. There was one $159,000 multi-family loan charge-off for the year ended June 30, 2015 and none for the year ended June 30, 2014.

One-to-Four Family Real Estate Lending. As of June 30, 2015, $57.9 million, or 20.1%, of our total loan portfolio consisted of permanent loans secured by one-to-four family residences of which $1.3 million were nonperforming. We originate both fixed rate and adjustable rate loans in our residential lending program and use Freddie Mac underwriting guidelines. None of our residential loan products allow for negative amortization of principal. We typically base our decision on whether to sell or retain secondary market quality loans on the rate and fees for each loan, market conditions and liquidity needs. Although we have sold the majority of our residential loans over the last two years, we do not sell all qualified loans on the secondary market as we hold in our portfolio many residential loans that may not meet all Freddie Mac guidelines yet meet our investment and liquidity objectives.

At June 30, 2015, $46.7 million of this loan portfolio consisted of fixed rate loans which were 80.6% of our total one-to-four family portfolio and 16.2% of our total loans at that date. Specifically, we offer fixed rate, residential mortgages from 10 to 30 year terms and we use Freddie Mac daily pricing to set our pricing. Borrowers have a variety of buy-down options with each loan and most mortgages have a duration of less than ten years. The average loan duration is a function of several factors, including real estate supply and demand, current interest rates, expected future rates and interest rates payable on outstanding loans.

Additionally, we offer a full range of adjustable rate mortgage products. These loans offer three, five or seven year fixed-rate terms with annual adjustments thereafter. The annual adjustments are limited to increases or decreases of no more than two percent and carry a typical lifetime cap of five percent above the original rate. At this time, we hold these adjustable rate mortgages in our portfolio. Similar to fixed rate loans, borrower demand for adjustable rate mortgage loans is a function of the current rate environment, the expectations of future interest rates and the difference between the initial interest rates and fees charged for each type of loan. The relative amount of fixed rate mortgage loans and adjustable rate mortgage loans that can be originated at any time is largely determined by the demand for each in a competitive environment.

While adjustable rate mortgages in our loan portfolio help us reduce our exposure to changes in interest rates, it is possible that, during periods of rising interest rates, the risk of default on adjustable rate mortgage loans may increase as a result of annual repricing and the subsequent higher payment to the borrower. In some rate environments, adjustable rate mortgages may be offered at initial rates of interest below a comparable fixed rate and could result in a higher risk of default or delinquency. Another consideration is that although adjustable rate mortgage loans allow us to decrease the sensitivity of our asset base as a result of changes in the interest rates, the extent of this interest sensitivity is limited by the periodic and lifetime interest rate adjustment limits. Our historical experience with adjustable rate mortgages has been very favorable. We do not, however, offer adjustable rate mortgages with initial teaser rates. At June 30, 2015, $11.3 million of our permanent one-to-four family mortgage loans were adjustable rate loans which were 19.4% of our total one-to-four family loan portfolio and 3.9% of our total loans at that date.

Regardless of the type of loan, we underwrite our residential loans based on Freddie Mac's Loan Prospector guidelines. This underwriting considers a variety of factors such as credit history, debt to income, property type, loan-to-value, and occupancy, to name a few. Generally, we use the same Freddie Mac criteria for establishing maximum loan-to-values and also consider whether a transaction is a purchase, rate and term refinance, or cash-out refinance. For loans above 80% loan-to-value, we typically require private mortgage insurance in order to reduce our risk exposure should the loan default. Regardless of the loan-to-value, our one-to-four family loans are appraised by independent fee appraisers that have been approved by us and generally carry no prepayment restrictions. We also require title insurance, hazard insurance, and if necessary, flood insurance in an amount not less than the current regulatory requirements.

We also have additional products designed to make home ownership available to qualified low to moderate income borrowers. The underwriting guidelines for these programs are usually more flexible in the areas of credit or work history. For example, some segments of the low to moderate income population have non-traditional credit histories and pay cash for many of their consumer purchases. They may also work in seasonal industries that do not offer a standard work schedule or salary. Loans such as Freddie Mac's “Homestart Program” are designed to meet this market's needs and often require a borrower to show a history of saving and budgeting. These types of programs also provide education on the costs and benefits of homeownership. We plan on continuing to offer these and other programs which reach out to qualifying borrowers in all the markets we serve.

Anchor Bank does not actively engage in subprime lending, either through advertising, marketing, underwriting and/or risk selection, and has no established program to originate or purchase subprime loans to be held in its portfolio. Residential mortgage loans identified as subprime, with FICO scores of less than 660, were originated and managed in the ordinary course of business, and totaled $5.3 million at June 30, 2015, representing 1.8% of total loans, 9.1% of one-to-four family mortgage loans, and 9.4% of Tier 1 Capital. Our weighted average seasoning for these loans (the number of months since the funding date of the loans) was 77 months as of June 30, 2015. Our one-to-four family mortgage loans identified as subprime based on the borrower’s FICO score at time the loan was originated do not represent a material part of our lending activity. Accordingly, these loans are identified as “exclusions” as defined pursuant to regulatory guidance issued by the FDIC in Financial Institutions Letter FIL-9-2001 on subprime lending.

Mortgage reform rules mandated by the Dodd-Frank Act became effective in January 2014, requiring lenders to make a reasonable, good faith determination of a borrower’s ability to repay any consumer closed-end credit transaction secured by a dwelling and to limit prepayment penalties. Increased risks of legal challenge, private right of action and regulatory enforcement are presented by these rules. Anchor Bank does not originate loans that do not meet the regulatory definition of a qualified mortgage.

Construction and Land Loans. We have been an active originator of real estate construction loans in our market area since 1990. At June 30, 2015, our construction loans totaled $11.7 million or 4.1% of the total loan portfolio, a decrease of $8.0 million or 40.6% since June 30, 2014. The majority of these loans are for the construction of multi-family real estate.

We generally provide an interest reserve for funds on builder construction loans that have been advanced. Interest reserves are a means by which a lender builds in, as a part of the loan approval and as a component of the cost of the project, the amount of the monthly interest required to service the debt during the construction period of the loan.

At June 30, 2015, our construction loan portfolio contained no loans which had been previously extended or renewed. Our entire construction loan portfolio at June 30, 2015 consisted of 10 loans requiring interest only payments, six of which totaled $6.21 million and were relying on the interest reserve to make this payment. At June 30, 2015, no construction loans were delinquent. No construction loans were charged-off during the years ended June 30, 2015 and 2014. During the year ended June 30, 2013, one construction loan totaling $105,000 was charged-off.

At the dates indicated, the composition of our construction portfolio was as follows:

	At June 30,		
	2015	2014	2013
		(In thousands)	
One-to-four family:			
Speculative	$ 2,119	$ 2,159	$ 589
Permanent	—	—	—
Custom	—	850	269
Land acquisition and development loans	—	—	—
Multi-family	9,353	3,432	3,524
Commercial real estate:			
Construction	259	13,249	1,259
Total construction [1]	$ 11,731	$ 19,690	$ 5,641

(1) Loans in process for these loans at June 30, 2015, 2014 and 2013 were $7.2 million, $11.8 million and $5.4 million, respectively.

For the year ended June 30, 2015, we originated two builder construction loans to fund the construction of one-to-four family properties totaling $4.2 million, as compared to five for $3.0 million during the year ended June 30, 2014, and one for $1.8 million during the year ended June 30, 2013. We originate construction and site development loans to experienced contractors and builders in our market area primarily to finance the construction of single-family homes and subdivisions, which homes typically have an average price ranging from $200,000 to $500,000. All builders were qualified using the same standards as other commercial loan credits, requiring minimum debt service coverage ratios and established cash reserves to carry projects through construction completion and sale of the project. The maximum loan-to-value limit on both pre-sold and speculative projects is generally up to 75% of the appraised market value or sales price upon completion of the project. Development plans are required from builders prior to making the loan. We also require that builders maintain adequate insurance coverage. Maturity dates for residential construction loans are largely a function of the estimated construction period of the project, and generally did not exceed 18 months for residential subdivision development loans at the time of origination. Our residential construction loans typically have adjustable rates of interest based on *The Wall Street Journal* prime rate and during the term of construction, the accumulated interest is added to the principal of the loan through an interest reserve. Construction loan proceeds are disbursed periodically in increments as construction progresses and based on inspections by our approved inspectors. At June 30, 2015, our largest builder relationship consisted of one loan for $3.9 million, including $3.1 million which was undisbursed.

We also make, from time to time, construction loans for commercial development projects. These projects include multi-family, apartment, retail, office/warehouse and office buildings. These loans generally have an interest-only phase during construction, rely on an interest reserve to fund interest payments and generally convert to permanent financing when construction is completed. Disbursement of funds is at our sole discretion and is based on the progress of the construction. The maximum loan-to-value limit applicable to these loans is generally 75% of the appraised post-construction value. Additional analysis and underwriting of these loans typically results in lower loan-to-value ratios based on the debt service coverage analysis, including our interest rate and vacancy stress testing. Our target minimum debt coverage ratio is 1.20 for loans on these projects. At June 30, 2015, our portfolio of construction loans for commercial and multi-family projects included six loans totaling $9.6 million, and there is an additional $3.0 million undisbursed. These loan commitments range in size from $364,000 to $4.3 million with an average disbursed balance of $1.6 million. These loans consisted of five multi-family complexes, and construction of an additional single family residential rental on commercial investment property all located in Washington. Monitoring construction progress and managing advances during construction are risks not present when lending on complete commercial properties. In order to mitigate these risks the Bank requires the use of an approved third-party construction process monitoring firm for inspections, progress reports and construction budget oversight and utilizes construction loan management software to assist in assuring that advances are consistent with the progress that has been confirmed.

Properties which are the subject of a construction loan are monitored for progress through our construction loan administration department, and include monthly site inspections, inspection reports and photographs provided by a qualified staff inspector or a licensed and bonded third party inspection service contracted by and for us. If we make a determination that there is deterioration, or if the loan becomes nonperforming, we halt any disbursement of those funds identified for use in paying interest and bill the borrower directly for interest payments. Construction loans with interest reserves are underwritten similarly to construction loans without interest reserves.

We also originate land loans which are typically made to individual consumers to buy a lot or parcel of land for the future construction of the buyer's primary residence and are included in "land loans". At June 30, 2015, our land loans totaled $4.1 million or 1.4% of the total loan portfolio, none of which were on nonaccrual status.

Construction lending contains the inherent difficulty in estimating both a property's value at completion of the project and the estimated cost (including interest) of the project. If the estimate of construction cost proves to be inaccurate, we may be required to advance funds beyond the amount originally committed to permit completion of the project. If the estimate of value upon completion proves to be inaccurate, we may be confronted at, or prior to, the maturity of the loan with a project the value of which is insufficient to assure full repayment. In addition, speculative construction loans to a builder are often associated with homes that are not pre-sold, and thus pose a greater potential risk to us than construction loans to individuals on their personal residences. This type of lending also typically involves higher loan principal amounts and is often concentrated with a small number of builders. In addition, generally during the term of a construction loan, no payment from the borrower is generally required since the accumulated interest is added to the principal of the loan through an interest reserve. Land loans also pose additional risk because of the lack of income being produced by the property and the potential illiquid nature of the collateral. These risks can be significantly impacted by the supply and demand conditions. As a result, construction lending often involves the disbursement of substantial funds with repayment dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property rather than the ability of the borrower or guarantor themselves to repay principal and interest.

Consumer Lending. We offer a variety of consumer loans, including home equity loans and lines of credit, automobile loans, credit cards and personal lines of credit. At June 30, 2015, the largest component of the consumer loan portfolio consisted of home equity loans and lines of credit, which totaled $17.6 million, or 6.1%, of the total loan portfolio. Our home equity loans are risk priced using credit score, loan-to-value and overall credit quality of the applicant. Home equity loans and lines of credit are made for a variety of purposes including improvement of residential properties. The majority of these loans are secured by a second deed of trust on owner-occupied primary single family residential property. Our home equity lines of credit include a maximum total term of 30 years, including an initial period of 10 years with interest-only payments and a variable rate of interest tied to the Prime Rate, plus a margin (the "draw" period), followed by 20 years of principal and interest payments under a level amortization schedule and an interest rate that is fixed for the 20 years at the fully indexed accrual rate as of the time of variable-to-fixed rate conversion. Our home equity loans are closed-end loans with a term of 20 years and have level amortization with regular monthly payments of principal and interest. The interest rate is risk based and reflects both credit and collateral risk. Both our home equity lines and home equity loans are available up to 95% of the combined loan to value ratio as determined by the Bank.

Our credit card portfolio includes both VISA and MasterCard brands, and totaled $3.3 million, or 1.1% of the total loan portfolio at June 30, 2015. We have been offering credit cards for more than 20 years and all of our credit cards have interest rates and credit limits determined by the creditworthiness of the borrower. We use credit bureau scores in addition to other criteria such as income in our underwriting decision process on these loans.

Our automobile loan portfolio totaled $686,000 or 0.2% of the total loan portfolio at June 30, 2015. We offer several options for vehicle purchase or refinance with a maximum term of 84 months for newer vehicles and 72 months for older vehicles. As with home equity loans, our vehicle and recreational vehicle loans are risk priced based on creditworthiness, loan term and loan-to-value. We currently access a Carfax Vehicle Report to ensure that the collateral being loaned against is acceptable and to protect borrowers from a "lemon" or other undesirable histories. Other consumer loans, consisting primarily of unsecured personal lines of credit totaled $2.3 million or 0.8% of our total loan portfolio at June 30, 2015.

Consumer loans entail greater risk than do residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by rapidly depreciating assets such as automobiles. In these cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. The remaining deficiency often does not warrant further substantial collection efforts against the borrower beyond obtaining a deficiency judgment. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on these loans. These risks are not as prevalent with respect to our consumer loan portfolio because a large percentage of the portfolio consists of home equity lines of credit that are underwritten in a manner such that they result in credit risk that is substantially similar to one-to-four family mortgage loans. Nevertheless, home equity lines of credit have greater credit risk than one-to-four family mortgage loans because they are secured by mortgages subordinated to the existing first mortgage on the property, which we may or may not hold and do not have private mortgage insurance coverage. At June 30, 2015, $37,000 of consumer loans were delinquent in excess of 90 days or in nonaccrual status. Consumer loans of $351,000 were charged off during the year ended June 30, 2015 compared to $876,000 and $1.2 million of consumer loans that were charged-off during the years ended June 30, 2014 and 2013, respectively.

Commercial Business Lending. These loans are primarily originated as conventional loans to business borrowers, which include lines of credit, term loans and letters of credit. These loans are typically secured by collateral and are used for general business purposes, including working capital financing, equipment financing, capital investment and general investments. Loan terms vary from one to seven years. The interest rates on such loans are generally floating rates indexed to *The Wall Street Journal* prime rate. Inherent with our extension of business credit is the business deposit relationship which frequently includes multiple accounts and related services from which we realize low cost deposits plus service and ancillary fee income.

Commercial business loans typically have shorter maturity terms and higher interest spreads than real estate loans, but generally involve more credit risk because of the type and nature of the collateral. We are focusing our efforts on small- to medium-sized, privately-held companies with local or regional businesses that operate in our market area. Our commercial business lending policy includes credit file documentation and analysis of the borrower's background, capacity to repay the loan, the adequacy of the borrower's capital and collateral, as well as an evaluation of other conditions affecting the borrower. Analysis of the borrower's past, present and future cash flows is also an important aspect of our credit analysis. We generally obtain personal guarantees on our commercial business loans. At June 30, 2015, commercial business loans totaled $19.0 million, or 6.6% of our loan portfolio comprised of 173 loans in 86 different business classifications as identified by the North American Industrial Classification System. The largest commercial business relationship at June 30, 2015 included two loans which totaled $1.3 million to a borrower located in Western Washington secured by the assets of a forest products specialty business.

Repayment of our commercial business loans is often dependent on the cash flows of the borrower, which may be unpredictable, and the collateral securing these loans may fluctuate in value. Our commercial business loans are originated primarily based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral consists of accounts receivable, inventory or equipment. Credit support provided by the borrower for most of these loans and the probability of repayment is based on the liquidation of the pledged collateral and enforcement of a personal guarantee, if any. As a result, in the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. The collateral securing other loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. For the years ended June 30, 2015 and 2014, Anchor Bank charged off $86,000 and $258,000 from its commercial business loan portfolio. At June 30, 2015, there were five commercial business loans totaling $711,000 on nonaccrual status and collateralized by inventory and equipment.

Loan Maturity and Repricing. The following table sets forth certain information at June 30, 2015 regarding the dollar amount of loans maturing in our portfolio based on their contractual terms to maturity, but does not include scheduled payments or potential prepayments. Demand loans, loans having no stated schedule of repayments and no stated maturity, are reported as due in one year or less. Loan balances do not include undisbursed loan proceeds, unearned discounts, unearned income and allowance for loan losses.

	Within One Year	After One Year Through 3 Years	After 3 Years Through 5 Years	After 5 Years Through 10 Years	Beyond 10 Years	Total
			(In thousands)			
Real estate:						
One-to-four family	$ 3,151	$ 4,506	$ 2,018	$ 3,613	$ 44,656	$ 57,944
Multi-family	2,925	2,925	3,890	20,810	12,699	43,249
Commercial	9,872	10,910	2,575	85,505	19,444	128,306
Construction	10,771	960	—	—	—	11,731
Land loans	1,300	1,576	39	544	610	4,069
Total real estate	28,019	20,877	8,522	110,472	77,409	245,299
Consumer:						
Home equity	423	4,211	3,484	3,991	5,495	17,604
Credit cards	3,289	—	—	—	—	3,289
Automobile	19	146	151	288	82	686
Other	388	333	454	383	789	2,347
Total consumer	4,119	4,690	4,089	4,662	6,366	23,926
Commercial business	4,271	2,904	3,754	7,207	851	18,987
Total	$ 36,409	$ 28,471	$ 16,365	$ 122,341	$ 84,626	$ 288,212

The following table sets forth the dollar amount of all loans due after June 30, 2016, which have fixed interest rates and have floating or adjustable interest rates:

	Fixed Rates	Floating or Adjustable Rates	Total
		(In thousands)	
Real estate:			
One-to-four family	$ 43,670	$ 11,123	$ 54,793
Multi-family	21,027	19,297	40,324
Commercial	15,383	103,051	118,434
Construction	—	960	960
Land loans	1,576	1,193	2,769
Total real estate	81,656	135,624	217,280
Consumer:			
Home equity	9,888	7,293	17,181
Automobile	667	—	667
Other	1,957	2	1,959
Total consumer	12,512	7,295	19,807
Commercial business	11,331	3,385	14,716
Total	$ 105,499	$ 146,304	$ 251,803

Loan Solicitation and Processing. Loan originations are obtained from a variety of sources, including direct mail and telephone solicitation, trade and business organization participation. Our management and staff are also involved in a wide variety of professional, charitable, service and social organizations within the communities in which we operate, and our branch managers, loan representatives and business bankers solicit referrals from existing clients and new prospects. We also originate and cross sell loans and services to our existing customer base as well as our walk-in/call-in/internet traffic as a result of our long standing community presence and broad based advertising efforts. Loan processing and underwriting, closing and funding are determined by the type of loan. Consumer loans, including conforming one-to-four family mortgage loans are processed, underwritten, documented and funded through our centralized processing and underwriting center located in Lacey, Washington. Commercial business loans, including commercial and multi-family real estate loans and any non-conforming one-to-four family mortgage loans are processed and underwritten in one of our two Business Banking Center offices located in Lacey and Aberdeen, Washington. Our consumer and residential loan underwriters have specific approval authority, and requests that exceed such authority are referred to the appropriate supervisory level.

Depending upon the size of the loan request and the total borrower credit relationship with us, loan decisions may include the Executive Loan Committee, Senior Loan Committee, and/or Board of Directors. The Executive Loan Committee is currently comprised of the President/Chief Executive Officer, Chief Financial Officer, Chief Lending Officer, Chief Credit Officer, Credit Administrator, Business Banking Manager, Note Department Manager, and Senior Data Manager. The Senior Loan Committee, is a Board committee, comprised of three board members. Credit relationships up to $4.0 million may be approved by the Executive Loan Committee. Loans or aggregated credit relationships which exceed $4.0 million must be approved by Senior Loan Committee, with an authority limit of $6.0 million, or by the Board of Directors.

Commercial and multi-family real estate loans can be approved up to $250,000 by the Chief Financial Officer, up to $500,000 by either the Senior Data Manager or Commercial Loan Administrator, and up to $750,000 by the Special Assets/Construction Manager. These loans can be approved up to $1.0 million by either the President/Chief Executive Officer, Chief Lending Officer or Chief Credit Officer, and up to $2.0 million with the combination of both President/Chief Executive Officer, Chief Lending Officer or Chief Credit Officer. Our Executive Loan Committee, is authorized to approve loans to one borrower or a group of related borrowers up to $4.0 million. Loans over $4.0 million must be approved by the Senior Loan Committee with a limit of $6.0 million, or the Board of Directors.

Loan Originations, Servicing, Purchases and Sales. During the years ended June 30, 2015 and 2014, our total loan originations and purchases were $72.6 million and $88.1 million, respectively.

One-to-four family loans are generally originated in accordance with the guidelines established by Freddie Mac, with the exception of our special community development loans under the Community Reinvestment Act. We utilize the Freddie Mac Loan Prospector, an automated loan system to underwrite the majority of our residential first mortgage loans (excluding community development loans). The remaining loans are underwritten by designated real estate loan underwriters internally in accordance with standards as provided by our Board-approved loan policy.

We actively sell the majority of our residential fixed rate first mortgage loans to the secondary market at the time of origination. During the years ended June 30, 2015 and 2014, we sold $1.1 million and $2.5 million, respectively, in whole loans to the secondary market. Our secondary market relationship is with Freddie Mac. We generally retain the servicing on the loans we sell into the secondary market. Loans are generally sold on a non-recourse basis. As of June 30, 2015 and 2014, our residential loan servicing portfolio was $81.1 million and $96.5 million, respectively.

The following table shows total loans originated, purchased, sold and repaid during the periods indicated:

	Year Ended June 30,		
	2015	2014	2013
Loans originated:		(In thousands)	
Real estate:			
One-to-four family	$ 5,050	$ 3,356	$ 28,120
Multi-family	4,946	17,613	1,069
Commercial	34,444	32,624	41,157
Construction	17,977	21,289	13,632
Land loans	776	—	252
Total real estate	63,193	74,882	84,230
Consumer:			
Home equity	651	953	283
Automobile	222	175	221
Other	317	1,039	562
Total consumer	1,190	2,167	1,066
Commercial business	8,214	6,681	8,238
Total loans originated	72,597	83,730	93,534
Loans purchased:			
Real estate:			
Multi-family	—	4,370	—
Total loans purchased	—	4,370	—
Loans sold:			
One-to-four family	1,053	2,532	22,566
Total loans sold	1,053	2,532	22,566
Principal repayments	70,473	77,210	79,419
Loans securitized	—	—	1,069
Transfer to real estate owned	3,188	7,101	5,365
Increase (decrease) in other items, net	4,540	2,815	(4,806)
Loans held for sale	505	—	222
Net increase (decrease) in loans receivable, net	$ 1,918	$ 4,072	$ (19,913)

Loan Origination and Other Fees. In some instances, we receive loan origination fees on real estate related products. Loan fees generally represent a percentage of the principal amount of the loan that is paid by the borrower. Accounting standards require that certain fees received, net of certain origination costs, be deferred and amortized over the contractual life of the loan. Net deferred fees or costs associated with loans that are prepaid or sold are recognized as income at the time of prepayment. We had $1.0 million of net deferred loan fees and costs as of June 30, 2015 compared to $1.1 million and $915,000 at June 30, 2014 and 2013, respectively.

Asset Quality

The objective of our loan review process is to determine risk levels and exposure to loss. The depth of review varies by asset types, depending on the nature of those assets. While certain assets may represent a substantial investment and warrant individual reviews, other assets may have less risk because the asset size is small, the risk is spread over a large number of obligors or the obligations are well collateralized and further analysis of individual assets would expand the review process without measurable advantage to risk assessment. Asset types with these characteristics may be reviewed as a total portfolio on the basis of risk indicators such as delinquency (consumer and residential real estate loans) or credit rating. A formal review process is conducted on individual assets that represent greater potential risk. A formal review process is a total re-evaluation of the risks associated with the asset and is documented by completing an asset review report. Certain real estate-related assets must be evaluated in terms of their fair market value or net realizable value in order to determine the likelihood of loss exposure and, consequently, the adequacy of valuation allowances.

We define a loan as being impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due under the contractual terms of the loan agreement. Large groups of smaller balance homogeneous loans such as consumer secured loans, residential mortgage loans and consumer unsecured loans are collectively evaluated for potential loss. All other loans are evaluated for impairment on an individual basis.

We generally assess late fees or penalty charges on delinquent loans of five percent of the monthly payment amount due. Substantially all fixed rate and adjustable rate mortgage loan payments are due on the first day of the month; however, the borrower is given a 15-day grace period to make the loan payment. When a mortgage loan borrower fails to make a required payment when it is due, we institute collection procedures. The first notice is mailed to the borrower on the 16th day requesting payment and assessing a late charge. Attempts to contact the borrower by telephone generally begin upon the 30th day of delinquency. If a satisfactory response is not obtained, continual follow-up contacts are attempted until the loan has been brought current. Before the 90th day of delinquency, attempts to interview the borrower are made to establish the cause of the delinquency, whether the cause is temporary, the attitude of the borrower toward the debt and a mutually satisfactory arrangement for curing the default.

When a consumer loan borrower fails to make a required payment on a consumer loan by the payment due date, we institute the same collection procedures as for our mortgage loan borrowers.

The Board of Directors is informed monthly as to the number and dollar amount of mortgage and consumer loans that are delinquent by more than 30 days, and is given information regarding classified assets.

If the borrower is chronically delinquent and all reasonable means of obtaining payments have been exercised, we will seek to recover the collateral securing the loan according to the terms of the security instrument and applicable law. In the event of an unsecured loan, we will either seek legal action against the borrower or refer the loan to an outside collection agency.

Nonperforming Assets. The following table sets forth information with respect to our nonperforming assets and restructured loans for the periods indicated:

	At June 30, 2015	2014	2013	2012	2011
Loans accounted for on a nonaccrual basis:	(Dollars in thousands)				
Real estate:					
One-to-four family	$ 1,263	$ 2,101	$ 4,758	$ 1,878	$ 3,113
Multi-family	—	158	—	—	—
Commercial	—	2,070	—	—	2,280
Construction	—	—	—	3,369	4,055
Land loans	—	150	734	109	90
Total real estate	1,263	4,479	5,492	5,356	9,538
Consumer:					
Home equity	—	—	428	159	121
Credit cards	—	—	—	16	—
Automobile	—	—	2	66	63
Other	31	—	—	1	9
Total consumer	31	—	430	242	193
Commercial business	711	235	219	3,124	1,245
Total	2,005	4,714	6,141	8,722	10,976
Accruing loans which are contractually past due 90 days or more:					
One-to-four family	—	—	—	55	44
Multi-family	—	—	—	—	—
Commercial	—	—	—	—	—
Construction	—	—	—	—	2,845
Land loans	—	—	—	—	—
Total real estate	—	—	—	55	2,889
Consumer:					
Home equity	—	—	—	—	1
Credit cards	6	—	18	—	137
Automobile	—	—	—	—	—
Other	—	—	—	—	42
Total consumer	6	—	18	—	180
Commercial business	—	—	—	—	124
Total of nonaccrual and 90 days past due loans	2,011	4,714	6,159	8,777	14,169
Real estate owned	797	5,067	6,212	6,708	12,597
Repossessed automobiles	—	59	21	—	130
Total nonperforming assets	$ 2,808	$ 9,840	$ 12,392	$ 15,485	$ 26,896
Troubled debt restructured loans (1)	$ 9,827	$ 11,261	$ 17,469	$ 15,112	$ 15,034
Allowance for loan loss as a percent of nonperforming loans	185.0%	98.1%	83.6%	80.4%	51.1%
Classified assets included in nonperforming assets	$ 2,011	$ 4,714	$ 6,159	$ 8,777	$ 14,169
Nonaccrual and 90 days or more past due loans as percentage of total loans	0.7%	1.6%	2.2%	3.0%	4.3%
Nonaccrual and 90 days or more past due loans as a percentage of total assets	0.5%	1.2%	1.4%	1.9%	2.9%
Nonperforming assets as a percentage of total assets	0.7%	2.5%	2.7%	3.3%	5.5%
Nonaccrued interest (2)	$ 140	$ 323	$ 475	$ 665	$ 783

(1) There is $681,000 of restructured loans that are also included in nonperforming assets as of June 30, 2015.

(2) Represents foregone interest on nonaccrual loans.

Real Estate Owned and Other Repossessed Assets. As of June 30, 2015, the Company had eight real estate owned ("REO") properties with an aggregate book value of $797,000 compared to 20 properties with an aggregate book value of $5.1 million at June 30, 2014. The decrease in number of properties during the year ended June 30, 2015 was primarily attributable to ongoing sales of residential properties and two commercial real estate properties with a net book value of $4.0 million. At June 30, 2015, the largest of the REO properties was a residential real estate property with an aggregate book value of $257,000 located in Grays Harbor County, Washington.

Restructured Loans. According to generally accepted accounting principles, we are required to account for certain loan modifications or restructurings as "troubled debt restructurings." Our policy is to track and report all loans modified to terms not generally available in the market, except for those outside of the materiality threshold established for such tracking and reporting. In general, the modification or restructuring of a debt is considered a troubled debt restructuring if we, for economic or legal reasons related to a borrower's financial difficulties, grant a concession to the borrower that we would not otherwise consider. We will modify the loan when upon completion of the residence the home is rented instead of sold, or when the borrower can continue to make interest payments and is unable to repay the loan until the property is sold as a result of current market conditions. In connection with a loan modification, we may lower the interest rate, extend the maturity date and require monthly payments when monthly payments are not otherwise required. We may also require additional collateral. All loans which are extended with rates and/or terms below market are identified as impaired loans and an appropriate allowance is established pursuant to generally accepted accounting principles. Loans which are placed in nonaccrual status and subsequently modified are not returned to accruing status until there has been at least six months of consecutive satisfactory performance. As of June 30, 2015, there were 39 loans with aggregate net principal balances of $9.8 million that we have identified as "troubled debt restructures." In connection with these loans, a valuation allowance in the form of charged-off principal equal to $315,000 has been taken. Of these 39 loans, five loans totaling $902,000 were not performing according to the modified repayment terms at June 30, 2015.

The existence of a guarantor is an important factor that we consider in every deteriorating credit relationship and in our determination as to whether or not to restructure the loan. Additional factors we consider include the cooperation we receive from the borrower and/or guarantor as determined by the timeliness and quality of their direct and indirect communication, including providing us with current financial information; their willingness to develop new, and report on, previously identified risk mitigation strategies; and whether we receive additional collateral. The financial ability of the borrower and/or guarantor is determined through a review and analysis of personal and business financial statements, tax return filings, liquidity verifications, personal and business credit reports, rent rolls, and direct reference checks. The type of financial statements required of a borrower and/or guarantor varies based upon the credit risk and our aggregate credit exposure as it relates to the borrower and any guarantor. Reviewed financial statements are required for commercial business loans greater than $1.5 million and for commercial real estate loans greater than $5.0 million, with the level of outside independent accounting review decreasing as our risk exposure decreases. We conduct reviews of the financial condition of borrowers and guarantors at least annually for credits of $750,000 or more, and for aggregate relationships of $1.5 million or more.

At both the time of loan origination and when considering a restructuring of a loan, we also assess the guarantor's character and reputation. This assessment is made by reviewing both the duration or length of time such guarantor has been providing credit guarantees, the aggregate of the contingent liabilities of such guarantor as it relates to guarantees of additional debt provided to other lenders, and the results of direct reference checks. Cooperative and communicative borrowers and/or guarantors may create opportunities for restructuring a loan, however, this cooperation does not affect the amount of the allowance for loan losses recorded or the timing of charging off the loan.

Classified Assets. Federal regulations provide for the classification of lower quality loans and other assets, such as debt and equity securities, as substandard, doubtful or loss. An asset is considered substandard if it is inadequately protected by the current net worth and repayment capacity of the borrower or of any collateral pledged. Substandard assets include those characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full highly questionable and improbable, on the basis of currently existing facts, conditions and values. Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted.

When we classify problem assets as either substandard or doubtful, we may establish a specific allowance in an amount we deem prudent and approved by senior management or the Classified Asset Committee to address the risk specifically or we may allow the loss to be charged-off against the general loan allowance. General loan allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been specifically allocated to particular problem assets. When an insured institution classifies problem assets as a loss, it is required to charge off such assets in the period in which they are deemed uncollectible. Assets that do not currently expose us to sufficient risk to warrant classification as substandard or doubtful but possess identified weaknesses are considered either watch or special mention assets. Our determination as to the classification of our assets and the amount of our valuation allowances is subject to review by our regulators, which can order the establishment of additional loss allowances.

In connection with the filing of periodic reports with the FDIC classification of assets policy, we regularly review the problem loans in our portfolio to determine whether any loans require classification in accordance with applicable regulations. On the basis of our review of our loans, as of June 30, 2015, we had classified loans of $3.7 million. The total amount classified represented 5.8% of equity capital and 1.0% of assets at June 30, 2015.

The aggregate amounts of our classified loans at the date indicated (as determined by management), were as follows:

	At June 30,	
	2015	2014
	(In thousands)	
Classified Loans:		
Substandard	$ 3,682	$ 6,608
Doubtful	—	—
Loss	—	—
Total	$ 3,682	$ 6,608

Our $3.7 million of substandard loans at June 30, 2015, consisted primarily of $2.6 million of real estate secured loans and $962,000 of consumer and commercial business loans. Of the $2.6 million of substandard loans which were real estate secured, $408,000 were land loans, and $365,000 were multi-family, secured by property located in Washington. The balance of our substandard real estate secured loans at June 30, 2015 was $1.9 million, which consisted of loans secured by one-to-four family properties, and an additional $21,000 in home equity loans.

Potential Problem Loans. Potential problem loans are loans that do not yet meet the criteria for identification as classified assets graded as substandard or doubtful, but where known information about the borrower causes management to have serious concerns about the ability of the borrower to comply with present loan repayment terms and may result in the loan being included as a classified asset for future periods. At June 30, 2015, we had $12.1 million, or 4.2% of our net loans that were identified as potential problem loans compared to $19.5 million or 6.9% of our net loans at June 30, 2014.

Within these problem loans were the following:

- a term loan of $2.4 million secured by single family residential condominium rental units in Oregon; and
- a term loan of $1.1 million secured by commercial real estate in Washington.

The two loans described above comprise $3.5 million, or 28.9% of the potential problem loans that were identified as of June 30, 2015. The loans identified above are located in Western Washington and Portland, Oregon and were in compliance with their repayment terms at June 30, 2015. No other potential problem loan had a balance in excess of $1.0 million at June 30, 2015.

Allowance for Loan Losses. Management recognizes that loan losses may occur over the life of a loan and that the allowance for loan losses must be maintained at a level necessary to absorb specific losses on impaired loans and probable losses inherent in the loan portfolio. Our Chief Credit Officer assesses the allowance for loan and lease losses on a monthly basis and reports to the Board of Directors no less than quarterly. The assessment includes analysis of several different factors, including delinquency, charge-off rates and the changing risk profile of our loan portfolio, as well as local economic conditions such as unemployment rates, bankruptcies and vacancy rates of business and residential properties.

We believe that the accounting estimate related to the allowance for loan losses is a critical accounting estimate because it is highly susceptible to change from period to period and requires management to make assumptions about probable losses inherent in the loan portfolio. The impact of a sudden large loss could deplete the allowance and potentially require increased provisions to replenish the allowance, which would negatively affect earnings.

Our methodology for analyzing the allowance for loan losses consists of two components: general and specific allowances. The formula allowance is determined by applying an estimated loss percentage to various groups of loans. The loss percentages are generally based on various historical measures such as the amount and type of classified loans, past due ratios and loss experience, which could affect the collectability of the respective loan types.

The specific allowance component is created when management believes that the collectability of a specific large loan, such as a real estate, multi-family or commercial real estate loan, has been impaired and a loss is probable.

The allowance is increased by the provision for loan losses, which is charged against current period earnings and decreased by the amount of actual loan charge-offs, net of recoveries.

No provision for loan losses was required for the years ended June 30, 2015 and June 30, 2014. No provision was required as a result of the decreases in loan delinquencies, classified loans and loan charge-offs, together with our recognition of the qualitative factors. The specific risks that are considered in our analysis for determining the provision for loan losses include an automatic elevation in risk grade and corresponding reserve requirement based on loan payment and payment delinquencies, including debt to the borrower and related entities under loans to one borrower guidelines; and a qualitative analysis of the economic and portfolio trends. We also continually monitor the market conditions reported at national, regional, and local levels including those from the FDIC, Case-Shiller, and Realtor Boards.

The calculation of the allowance for loan losses includes an incremental component, a qualitative component, and specific reserve amount as a result of impairment analysis. The total allowance for loan losses was $3.7 million and $4.6 million at June 30, 2015 and 2014, respectively. Of the total allowance at June 30, 2015, specific reserves decreased to $740,000 and general reserves decreased to $3.0 million from specific reserves of $1.4 million and general reserves of $3.2 million, respectively, at June 30, 2014. Included in the general reserve amount of $3.0 million at June 30, 2015 was $115,000 based on incremental changes in asset quality and $790,000 based on qualitative analysis. The level of the allowance is based on estimates, and the ultimate losses may vary from the estimates. Management will continue to review the adequacy of the allowance for loan losses and make adjustments to the provision for loan losses based on loan growth, economic conditions, charge-offs and portfolio composition.

Levels and trends in delinquencies and nonperforming loans have decreased during the year ended June 30, 2015. During the current economic cycle, we have experienced changes in our portfolio with respect to delinquent, nonperforming and impaired loans. At June 30, 2015 and June 30, 2014, our total delinquent loans, including loans 30 or more days past due, were $3.6 million and $7.5 million, respectively, which included nonperforming loans of $2.0 million and $4.7 million, respectively. Net charge-offs during the years ended June 30, 2015 and June 30, 2014 were $903,000 and $523,000, respectively.

Management identifies a loan as impaired when the source of repayment of the loan is recognized as being in jeopardy, such that economic or other changes have affected the borrower to the extent that it may not be able to meet repayment terms, and that resources available to the borrower, including the liquidation of collateral, may be insufficient. Impairment is measured on a loan-by-loan basis for each loan based upon its source or sources of repayment. For collateral dependent loans management utilizes the valuation from an appraisal obtained generally within the last six months in establishing the allowance for loan losses, unless additional information known to management results in management applying a downward adjustment to the valuation. Appraisals are updated subsequent to the time of origination when management identifies a loan as impaired or potentially being impaired, as indicated by the borrower's payment and loan covenant performance, an analysis of the borrower's financial condition, property tax and/or assessment delinquency, increases in deferred maintenance or other information known to management. When the results of the impairment analysis indicate a potential loss, the loan is classified as substandard and a specific reserve is established for such loan in the amount determined. Further, the specific reserve amount is adjusted to reflect any further deterioration in the value of the collateral that may occur prior to liquidation or reinstatement. The impairment analysis takes into consideration the primary, secondary, and tertiary sources of repayment, whether impairment is likely to be temporary in nature or liquidation is anticipated.

A loan is considered impaired when we have determined that we may be unable to collect payments of principal and/or interest when due under the terms of the loan. In the process of identifying loans as impaired, management takes into consideration factors which include payment history and status, collateral value, financial condition of the borrower, and the probability of collecting scheduled payments in the future. Minor payment delays and insignificant payment shortfalls typically do not result in a loan being classified as impaired. The significance of payment delays and shortfalls is considered by management on a case by case basis, after taking into consideration the totality of circumstances surrounding the loans and the borrowers, including payment history and amounts of any payment shortfall, length and reason for delay, and likelihood of return to stable performance.

Impairment is measured on a loan by loan basis for all loans in the portfolio except for the smaller groups of homogeneous consumer loans in the portfolio.

As of June 30, 2015 and 2014, we had impaired loans of $11.2 million and $14.6 million, respectively. Included within the impaired loan totals are loans identified as troubled debt restructures.

The following table summarizes the distribution of the allowance for loan losses by loan category at the dates indicated:

	At June 30,														
	2015			2014			2013			2012			2011		
	Loan Balance	Amount by Loan Category	Percent of Loans in Loan Category to total Loans	Loan Balance	Amount by Loan Category	Percent of Loans in Loan Category to total Loans	Loan Balance	Amount by Loan Category	Percent of Loans in Loan Category to total Loans	Loan Balance	Amount by Loan Category	Percent of Loans in Loan Category to total Loans	Loan Balance	Amount by Loan Category	Percent of Loans in Loan Category to total Loans
	(Dollars in thousands)														
Real estate:															
One-to-four family	$ 57,944	$ 1,113	20.1%	$ 63,009	$ 1,550	21.9%	$ 73,901	$ 1,393	26.1%	$ 82,709	$ 1,659	28.0%	$ 97,133	$ 1,980	29.1%
Multi-family	43,249	95	15.0	47,507	229	16.5	38,425	156	13.6	42,032	238	14.2	42,608	88	12.8
Commercial	128,306	262	44.5	107,828	682	37.6	106,859	671	37.7	97,306	578	32.9	105,997	173	31.8
Construction	11,731	247	4.1	19,690	190	6.9	5,641	356	2.0	6,696	148	2.3	11,650	1,163	3.5
Land loans	4,069	75	1.4	4,126	74	1.4	5,330	531	1.9	7,062	368	2.4	6,723	191	2.0
Total real estate	245,299	1,792	85.1	242,160	2,725	84.3	230,156	3,107	81.2	235,805	2,991	79.8	264,111	3,595	79.2
Consumer:															
Home equity	17,604	189	6.1	20,894	290	7.3	25,835	376	9.1	31,504	681	10.7	35,729	739	10.7
Credit cards	3,289	161	1.1	3,548	167	1.2	4,741	283	1.7	5,180	328	1.8	7,101	568	2.1
Automobile	686	39	0.2	1,073	63	0.4	1,850	103	0.7	3,342	373	1.1	5,547	675	1.7
Other	2,347	56	0.8	2,838	67	1.0	2,723	55	1.0	2,968	126	1.0	3,595	153	1.1
Total consumer	23,926	445	8.3	28,353	587	9.9	35,149	817	12.4	42,994	1,508	14.6	51,972	2,135	15.6
Commercial business	18,987	1,405	6.6	16,737	1,231	5.8	18,211	1,172	6.4	16,618	2,558	5.6	17,268	1,509	5.2
Unallocated	—	79	—	—	81	—	—	51	—	—	—	—	—	—	—
Total	$ 288,212	$ 3,721	100.0%	$ 287,250	$ 4,624	100.0%	$ 283,516	$ 5,147	100.0%	$ 295,417	$ 7,057	100.0%	$ 333,351	$ 7,239	100.0%

Management believes that it uses the best information available to determine the allowance for loan losses. However, unforeseen market conditions could result in adjustments to the allowance for loan losses and net income could be significantly affected, if circumstances differ substantially from the assumptions used in determining the allowance.

The following table sets forth an analysis of our allowance for loan losses at the dates and for the periods indicated:

	Year Ended June 30,				
	2015	2014	2013	2012	2011
	(Dollars in thousands)				
Allowance at beginning of period	$ 4,624	$ 5,147	$ 7,057	$ 7,239	$ 16,788
Provision for loan losses	—	—	750	2,735	8,078
Recoveries:					
Real estate loans:					
One-to-four family	129	389	143	498	238
Multi-family	—	—	—	—	—
Commercial	—	972	201	18	5
Construction	254	374	43	271	502
Land loans	—	—	—	—	—
Total real estate	—	1,735	387	787	745
Consumer:					
Home equity	44	37	57	20	9
Credit cards	60	46	51	121	98
Automobile	3	6	23	20	62
Other	8	49	68	22	27
Total consumer	—	138	199	183	196
Commercial business	96	38	37	131	3
Total recoveries	594	1,911	623	1,101	944
Charge-offs:					
Real estate loans:					
One-to-four family	561	897	416	1,465	3,003
Multi-family	159	—	—	—	—
Commercial	340	403	—	571	584
Construction	—	—	105	561	8,915
Land loans	—	—	—	—	—
Total real estate	1,060	1,300	521	2,597	12,502
Consumer:					
Home equity	239	572	356	337	465
Credit cards	72	198	212	492	591
Automobile	—	41	30	59	55
Other	40	65	633	470	777
Total consumer	351	876	1,231	1,358	1,888
Commercial business	86	258	1,531	63	4,181
Total charge-offs	1,497	2,434	3,283	4,018	18,571
Net charge-offs	903	523	2,660	2,917	17,627
Balance at end of period	$ 3,721	$ 4,624	$ 5,147	$ 7,057	$ 7,239
Allowance for loan losses as a percentage of total loans outstanding at the end of the period	1.3%	1.6%	1.8%	2.4%	2.2%
Net charge-offs as a percentage of average total loans outstanding during the period	0.3%	0.2%	0.9%	0.9%	4.7%
Allowance for loan losses as a percentage of nonperforming loans at the end of period	185.0%	98.1%	83.6%	80.4%	51.1%

Our Executive Loan Committee reviews the appropriate level of the allowance for loan losses on a quarterly basis and establishes the provision for loan losses based on the risk composition of our loan portfolio, delinquency levels, loss experience, economic conditions, bank regulatory examination results, seasoning of the loan portfolios and other factors related to the collectability of the loan portfolio as detailed further in this Form 10-K under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Allowance for Loan Losses." The allowance is increased by the provision for loan losses, which is charged against current period operating results and decreased by the amount of actual loan charge-offs, net of recoveries.

Management believes that our allowance for loan losses as of June 30, 2015 was adequate to absorb the known and inherent risks of loss in the loan portfolio at that date. While management believes the estimates and assumptions used in its determination of the adequacy of the allowance are reasonable, there can be no assurance that such estimates and assumptions will not be proven incorrect in the future, or that the actual amount of future provisions will not exceed the amount of past provisions or that any increased provision that may be required will not adversely impact our financial condition and results of operations. In addition, the determination of the amount of our allowance for loan losses is subject to review by bank regulators, as part of the routine examination process, which may result in the establishment of additional reserves based upon their judgment of information available to them at the time of their examination.

The following table provides certain summary information with respect to our allowance for loan losses, including charge-offs, recoveries and selected ratios for the periods indicated:

	Year Ended June 30,				
	2015	2014	2013	2012	2011
	(Dollars in thousands)				
Provision for loan losses	$ —	$ —	$ 750	$ 2,735	$ 8,078
Allowance for loan losses	3,721	4,624	5,147	7,057	7,239
Allowance for loan losses as a percentage of total loans outstanding at the end of the period	1.3%	1.6%	1.8%	2.4%	2.2%
Net charge-offs	903	523	2,660	2,917	17,627
Total of nonaccrual and 90 days past due loans still accruing interest	2,011	4,714	6,159	8,722	14,169
Allowance for loan losses as a percentage of nonperforming loans at end of period	185.0%	98.1%	83.6%	80.4%	51.1%
Nonaccrual and 90 days or more past due loans still accruing interest as a percentage of loans receivable at the end of the period	0.7%	1.6%	2.2%	3.0%	4.3%
Total loans	$ 288,212	$ 287,250	$ 283,516	$ 295,417	$ 333,351

Investment Activities

General. Under Washington law, savings banks are permitted to invest in various types of liquid assets, including U.S. Treasury obligations, securities of various federal agencies, certain certificates of deposit of insured banks and savings institutions, banker's acceptances, repurchase agreements, federal funds, commercial paper, investment grade corporate debt securities, and obligations of states and their political sub-divisions.

The Investment Committee has the authority and responsibility to administer our investment policy, monitor portfolio strategies, and recommend appropriate changes to policy and strategies to the Board. On a monthly basis, our management reports to the Board a summary of investment holdings with respective market values, and all purchases and sales of investments. The Chief Financial Officer has the primary responsibility for the management of the investment portfolio. The Chief Financial Officer considers various factors when making decisions regarding proposed investments, including the marketability, maturity and tax consequences. The maturity structure of investments will be affected by various market conditions, including the current and anticipated slope of the yield curve, the level of interest rates, the trend of new deposit inflows and the anticipated demand for funds via deposit withdrawals and loan originations and purchases.

The general objectives of the investment portfolio are to provide liquidity when loan demand is high, to assist in maintaining earnings when loan demand is low and to maximize earnings while satisfactorily managing risk, including credit risk, reinvestment risk, liquidity risk and interest rate risk.

At June 30, 2015, our investment portfolio consisted principally of mortgage-backed securities, municipal bonds and mutual funds consisting of mortgage-backed securities. From time to time, investment levels may increase or decrease depending upon yields available on investment opportunities and management's projected demand for funds for loan originations, deposits and other activities.

Mortgage-Backed Securities. The mortgage-backed securities in our investment portfolio were comprised of Freddie Mac, Fannie Mae and Ginnie Mae mortgage-backed securities. At June 30, 2015, the amortized cost of mortgage-backed securities held in the available-for-sale category was $29.3 million with a weighted average yield of 2.24%, while the mortgage-backed securities in the held-to-maturity category was $7.5 million with a weighted average yield of 3.03%.

Municipal Bonds. The tax-exempt and taxable municipal bond portfolios were comprised of general obligation bonds (*i.e.*, backed by the general credit of the issuer) and revenue bonds (*i.e.*, backed by revenues from the specific project being financed) issued by various municipal corporations. All bonds are rated "A" or better and are from issuers located within the State of Washington. The weighted average yield on the tax exempt bonds (on a tax equivalent basis) was 4.94% at June 30, 2015, and the total amount of amortized cost of our municipal bonds was $553,000 at that date, of which $434,000 was available-for-sale and the remaining balance categorized as held-to-maturity.

Federal Home Loan Bank Stock. As a member of the FHLB of Des Moines, we are required to own capital stock in the FHLB of Des Moines. The amount of stock we hold is based on guidelines specified by the FHLB of Des Moines. The redemption of any excess stock is determined daily based on our membership requirement as well as outstanding borrowings. The carrying value of FHLB stock was $853,400 at June 30, 2015.

Our investment in FHLB stock is carried at cost, which approximates fair value. As a member of the FHLB System, we are required to maintain a minimum level of investment in FHLB stock based on specific percentages of our outstanding mortgages, total assets, or FHLB advances. At June 30, 2015, our minimum investment requirement was $853,400. We were in compliance with the FHLB minimum investment requirement at June 30, 2015. For the year ended June 30, 2015, we received $7,000 of dividends from the FHLB.

Bank-Owned Life Insurance. We purchase bank-owned life insurance policies ("BOLI") to offset future employee benefit costs. At June 30, 2015, we had a $19.0 million investment in life insurance contracts. The purchase of BOLI policies, and its increase in cash surrender value, is classified as "Life insurance investment, net of surrender charges" in our Consolidated Statements of Financial Condition. The income related to the BOLI, which is generated by the increase in the cash surrender value of the policy. See Item 8. "Financial Statements and Supplementary Data" of this Form 10-K for our Consolidated Financial Statements and specifically the Consolidated Statements of Financial Condition and Consolidated Statements of Income regarding BOLI.

The following table sets forth the composition of our investment portfolio at the dates indicated:

	At June 30,					
	2015		2014		2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)					
Available-for-sale:						
Securities:						
Municipal bonds	$ 434	$ 435	$ 443	$ 446	$ 1,446	$ 1,456
Mortgage-backed securities:						
FHLMC	11,780	11,791	16,901	16,956	20,675	20,415
FNMA	16,534	16,408	20,567	20,331	25,639	24,971
GNMA	948	931	1,196	1,184	1,499	1,466
Total available-for-sale	29,696	29,565	39,107	38,917	49,259	48,308
Held-to-maturity:						
Securities:						
Municipal bonds	119	119	127	127	135	135
Mortgage-backed securities:						
FHLMC	3,367	3,406	3,958	4,017	4,744	4,754
FNMA	1,858	1,960	2,268	2,394	2,931	3,048
GNMA	2,273	2,207	2,412	2,370	2,485	2,379
Total held-to-maturity	7,617	7,692	8,765	8,908	10,295	10,316
Total securities	$ 37,313	$ 37,257	$ 47,872	$ 47,825	$ 59,554	$ 58,624

The table below sets forth information regarding the amortized cost, weighted average yields and maturities or call dates of Anchor Bank's investment portfolio at June 30, 2015:

	At June 30, 2015		At June 30, 2015											
	At June 30, 2015		One Year or Less		Over One to Five Years		Over Five to Ten Years		Over Ten Years		Mortgage-Backed Securities		Totals	
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	MBS Securities Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
	(Dollars in thousands)													
Available-for-sale:														
Securities:														
Municipal bonds [1]	$ 434	4.55%	$ 250	3.69%	$ —	—%	$ —	—%	$ 184	5.71%	$ —	—%	$ 434	4.55%
Mortgage-backed securities:														
FHLMC	11,780	2.34	—	—	—	—	—	—	—	—	11,780	2.34	11,780	2.34
FNMA	16,534	2.19	—	—	—	—	—	—	—	—	16,534	2.19	16,534	2.19
GNMA	948	1.84	—	—	—	—	—	—	—	—	948	1.84	948	1.84
Total available-for-sale	29,696		250		—		—		184		29,262		29,696	
Held-to-maturity:														
Securities:														
Municipal bonds [1]	119	6.37	—	—	—	—	119	6.37	—	—	—	—	119	6.37
Mortgage-backed securities:														
FHLMC	3,367	2.66	—	—	—	—	—	—	—	—	3,367	2.66	3,367	2.66
FNMA	1,858	3.74	—	—	—	—	—	—	—	—	1,858	3.74	1,858	3.74
GNMA	2,273	3.00	—	—	—	—	—	—	—	—	2,273	3.00	2,273	3.00
Total held-to-maturity	7,617		—		—		119		—		7,498		7,617	
Total	$ 37,313		$ 250		$ —		$ 119		$ 184		$ 36,760		$ 37,313	

(1) Yields on tax exempt obligations are computed on a tax equivalent basis using a federal tax rate of 31.0%.

Deposit Activities and Other Sources of Funds

General. Deposits and loan repayments are the major sources of our funds for lending and other investment purposes. Scheduled loan repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are influenced significantly by general interest rates and market conditions. Borrowings from the FHLB of Des Moines are used to supplement the availability of funds from other sources and also as a source of term funds to assist in the management of interest rate risk.

Our deposit composition reflects a mixture with certificates of deposit accounting for approximately one-half of the total deposits and interest and noninterest-bearing checking, savings and money market accounts comprising the balance of total deposits. We rely on marketing activities, convenience, customer service and the availability of a broad range of deposit products and services to attract and retain customer deposits.

Deposits. Substantially all of our depositors are residents of Washington State. Deposits are attracted from within our market area through the offering of a broad selection of deposit instruments, including checking accounts, money market deposit accounts, savings accounts and certificates of deposit with a variety of rates. Deposit account terms vary according to the minimum balance required, the time periods the funds must remain on deposit and the interest rate, among other factors. In determining the terms of our deposit accounts, we consider the development of long term profitable customer relationships, current market interest rates, current maturity structure and deposit mix, our customer preferences and the profitability of acquiring customer deposits compared to alternative sources.

At June 30, 2015, we had $64.8 million of jumbo ($100,000 or more) retail certificates of deposit. We also had $8.6 million in public funds, which represented 2.9% of total deposits at June 30, 2015. Anchor Bank had no brokered deposits at June 30, 2015.

In the unlikely event we are liquidated, depositors will be entitled to full payment of their deposit accounts prior to any payment being made to Anchor Bancorp, as the sole shareholder of Anchor Bank. For additional information, see Note 1 of the Notes to Consolidated Financial Statements.

Deposit Activities. The following table sets forth our total deposit activities for the periods indicated:

	Year Ended June 30,		
	2015	2014	2013
		(In thousands)	
Beginning balance	$ 311,034	$ 328,584	$ 345,798
Net deposits (withdrawals) before interest credited	(13,952)	(20,486)	(20,736)
Interest credited	2,730	2,936	3,522
Net increase (decrease) in deposits	(11,222)	(17,550)	(17,214)
Ending balance	$ 299,812	$ 311,034	$ 328,584

The following table sets forth information concerning our time deposits and other deposits at June 30, 2015:

Weighted Average Interest Rate	Term	Category	Amount	Minimum Balance	Percentage of Total Deposits
			(In thousands)		
0.15	N/A	Savings deposits	$ 42,399	100	14.2%
0.04	N/A	Demand deposit accounts	67,167	10	22.4
0.15	N/A	Money market accounts	63,916	1,000	21.3
		Certificates of Deposit			
0.10	6 month	Fixed-term, fixed rate	1,916	500	0.7
0.26	9-12 month	Fixed-term, fixed rate	8,707	500	2.9
0.26	13-16 month	Fixed-term, fixed rate	404	500	0.1
0.37	18-20 month	Fixed term-fixed or variable rate	7,219	500	2.4
0.26	24 month	Fixed term-fixed or variable rate	8,570	2,000	2.9
0.51	30-36 month	Fixed term-fixed or variable rate	8,445	500	2.8
0.95	48 month	Fixed term-fixed or variable rate	3,688	500	1.2
1.53	60 month	Fixed term-fixed or variable rate	8,202	500	2.7
3.24	96 month	Fixed term-fixed or variable rate	68,310	500	22.8
0.45	Other	Fixed term-fixed or variable rate	10,869	500	3.6
		Total of certificates of deposit	$ 126,330		42.1%
		Total of deposits	$ 299,812		100.0%

Time Deposits by Rate. The following table sets forth our time deposits classified by rates as of the dates indicated:

	At June 30,		
	2015	2014	2013
	(In thousands)		
0.00 - 0.99%	$ 50,185	$ 57,926	$ 57,443
1.00 - 1.99	9,608	11,143	19,946
2.00 - 2.99	17,813	19,600	21,169
3.00 - 3.99	44,062	44,033	44,565
4.00 - 4.99	4,522	4,973	6,167
5.00 - 5.99	140	136	393
Total	$ 126,330	$ 137,811	$ 149,683

Time Deposit Certificates. The following table sets forth the amount and maturities of time deposit certificates at June 30, 2015:

	Amount Due					
	Within 1 Year	After 1 Year Through 2 Years	After 2 Years Through 3 Years	After 3 Years Through 4 Years	Beyond 4 Years	Total
	(In thousands)					
0.00 - 0.99%	$ 32,069	$ 13,079	$ 3,071	$ 1,640	$ 326	$ 50,185
1.00 - 1.99	914	2,742	991	138	4,823	9,608
2.00 - 2.99	2,181	300	—	11,189	4,143	17,813
3.00 - 3.99	959	5,479	18,012	19,612	—	44,062
4.00 - 4.99	4,150	372	—	—	—	4,522
5.00 - 5.99	140	—	—	—	—	140
Total	$ 40,413	$ 21,972	$ 22,074	$ 32,579	$ 9,292	$ 126,330

The following table indicates the amount of our jumbo certificates of deposit by time remaining until maturity as of June 30, 2015. Jumbo certificates of deposit are certificates in amounts of $100,000 or more.

Maturity Period	Time Deposit Certificates
	(In thousands)
Three months or less	$ 7,619
Over three through six months	4,626
Over six through twelve months	8,671
Over twelve months	43,841
Total	$ 64,757

Deposits. The following table sets forth the balances of deposits in the various types of accounts we offered at the dates indicated:

	At June 30,							
	2015			2014			2013	
	Amount	Percent of Total	Increase/ (Decrease)	Amount	Percent of Total	Increase/ (Decrease)	Amount	Percent of Total
	(Dollars in thousands)							
Savings deposits	$ 42,399	14.1%	$ 2,706	$ 39,693	12.8%	$ 3,175	$ 36,518	11.1%
Demand deposit accounts	67,167	22.4	3,247	63,920	20.6	4,140	59,780	18.2
Money market accounts	63,916	21.3	(5,694)	69,610	22.4	(12,993)	82,603	25.1
Fixed-rate certificates which mature in the year ending:								
Within 1 year	37,097	12.4	(6)	37,103	11.9	(7,419)	44,522	13.5
After 1 year, but within 2 years	18,222	6.1	3,804	14,418	4.6	5,265	9,153	2.8
After 2 years, but within 5 years	61,844	20.6	(3,259)	65,103	20.9	25,690	39,413	12.0
Certificates maturing thereafter	2,101	0.7	(6,670)	8,771	2.8	(31,260)	40,031	12.2
Variable rate certificates	7,066	2.4	(5,350)	12,416	4.0	(4,148)	16,564	5.0
Total	$ 299,812		$ (11,222)	$ 311,034		$ (17,550)	$ 328,584	

Borrowings. Customer deposits are the primary source of funds for our lending and investment activities. We do, however, use advances from the FHLB of Des Moines to supplement our supply of lendable funds, to meet short-term deposit withdrawal requirements and also to provide longer term funding to better match the duration of selected loan and investment maturities.

As one of our capital management strategies, we have used advances from the FHLB of Des Moines to fund loan originations in order to increase our net interest income. Depending upon the retail banking activity and the availability of excess capital, we will consider and undertake additional leverage strategies within applicable regulatory requirements or restrictions. Such borrowings would be expected to primarily consist of FHLB of Des Moines advances.

As a member of the FHLB of Des Moines, we are required to own capital stock in the FHLB of Des Moines and are authorized to apply for advances on the security of that stock and certain of our mortgage loans and other assets (principally securities which are obligations of, or guaranteed by, the U.S. Government) provided certain creditworthiness standards have been met. Advances are individually made under various terms pursuant to several different credit programs, each with its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based on the financial condition of the member institution and the adequacy of collateral pledged to secure the credit. We also maintain a committed credit facility with the FHLB of Des Moines that provides for immediately available advances up to an aggregate of 35% of the prior quarter's total assets of Anchor Bank. At June 30, 2015, outstanding advances to Anchor Bank from the FHLB of Des Moines totaled $10.0 million as compared to $17.5 million at June 30, 2014.

The following tables set forth information regarding FHLB of Des Moines advances by us during and at the end of the periods indicated.

	Year Ended June 30,		
	2015	2014	2013
	(Dollars in thousands)		
Maximum amount of borrowing outstanding at any month end:			
FHLB advances	$ 22,500	$ 64,900	$ 64,900
Approximate average borrowing outstanding:			
FHLB advances	13,629	26,015	64,900
Approximate weighted average rate paid on:			
FHLB advances	2.65%	2.86%	1.91%

	At June 30,		
	2015	2014	2013
	(Dollars in thousands)		
Balance outstanding at end of period:			
FHLB advances	$ 10,000	$ 17,500	$ 64,900
Weighted average rate paid on:			
FHLB advances	1.18%	3.58%	1.91%

Subsidiaries and Other Activities

Anchor Bank. Anchor Bank has one wholly-owned subsidiary, Anchor Financial Services, Inc., that is currently inactive. At June 30, 2015, Anchor Bank's equity investment in Anchor Financial Services, Inc. was $303,000.

Competition

Anchor Bank operates in an intensely competitive market for the attraction of deposits (generally its primary source of lendable funds) and in the origination of loans. Historically, its most direct competition for deposits has come from large commercial banks, thrift institutions and credit unions in its primary market area. In times of high interest rates, Anchor Bank experiences additional significant competition for investors' funds from short-term money market securities and other corporate and government securities. Anchor Bank's competition for loans comes principally from mortgage bankers, commercial banks and other thrift institutions. Such competition for deposits and the origination of loans may limit Anchor Bank's future growth and earnings prospects.

Natural Disasters

Grays Harbor, Thurston, Lewis, Pierce, Mason and King counties, where substantially all of the real and personal properties securing our loans are located, is an earthquake-prone region. We have not suffered any losses in the last fifteen years from earthquake damage to collateral secured loans, which include the July 1999 and February 2001 major earthquakes in the region. Although we have experienced no losses related to earthquakes, a major earthquake could result in material loss to us in two primary ways. If an earthquake damages real or personal properties collateralizing outstanding loans to the point of insurable loss, material loss would be suffered to the extent that the properties are uninsured or inadequately insured. A substantial number of our borrowers do not have insurance which provides for coverage as a result of losses from earthquakes. Earthquake insurance is generally not required by other lenders in the market area, and as a result in order to remain competitive in the marketplace, we do not require earthquake insurance as a condition of making a loan. Earthquake insurance is also not always available at a reasonable coverage level and cost because of changing insurance underwriting practices in our market area resulting from past earthquake activity and the likelihood of future earthquake activity in the region. In addition, if the collateralized properties are only damaged and not destroyed to the point of total insurable loss, borrowers may suffer sustained job interruptions or job loss, which may materially impair their ability to meet the terms of their loan obligations. While risk of credit loss can be insured against by, for example, job interruption insurance or "umbrella" insurance policies, such forms of insurance often are beyond the financial means of many individuals. Accordingly, for most individuals, sustained job interruption or job loss would likely result in financial hardship that could lead to delinquency in their financial obligations or even bankruptcy. Accordingly, no assurances can be given that a major earthquake in our primary market area will not result in material losses to us.

Employees

At June 30, 2015, we had 114 full-time equivalent employees. Our employees are not represented by any collective bargaining group. We consider our employee relations to be good.

Executive Officers. The following table sets forth information regarding the executive officers of the Company and the Bank:

Name	Age at June 30, 2015	Position	
		Company	Bank
Jerald L. Shaw	69	President and Chief Executive Officer	President and Chief Executive Officer
Terri L. Degner	52	Chief Financial Officer	Chief Financial Officer
Gary P. Koch	61	Executive Vice President	Executive Vice President and Chief Lending Officer

Biographical Information. The following is a description of the principal occupation and employment of the executive officers of the Company and the Bank during at least the past five years:

Jerald L. Shaw is the President and Chief Executive Officer of Anchor Bank, positions he has held since July 2006. He has also served in those capacities for Anchor Bancorp since its formation is September 2008. Prior to serving as President and Chief Executive Officer, he served as Chief Operating Officer from 2004 to 2006 and Chief Financial Officer from 1988 to 2002. Prior to that, he served Anchor Bank and its predecessor, Aberdeen Federal Savings and Loan Association, in a variety of capacities since 1976. Prior to that time, Mr. Shaw piloted C-130 aircraft for the U.S. Air Force including numerous combat missions during the Vietnam War. Having performed virtually every position at Anchor Bank, he has extensive knowledge of our operations. He is a distinguished graduate of the School for Executive Development of the U.S. League of Savings Institutions at the University of Washington. Mr. Shaw is also a graduate of the Asset Liability Management School of America's Community Bankers, and many other educational programs. He is a past member of the Board of Trustees for the Thurston County Chamber of Commerce, and a member of the South Sound YMCA. Mr. Shaw also holds a position on the Board of Washington Bankers Association.

Terri L. Degner is the Executive Vice President, Chief Financial Officer and Treasurer of Anchor Bank, positions she has held since 2004. She has also served in those capacities for Anchor Bancorp since its formation in September 2008. Prior to serving as Executive Vice President, Chief Financial Officer and Treasurer, Ms. Degner has served Anchor Bank in a variety of capacities since 1990, including as Senior Vice President and Controller from 1994 to 2004. Ms. Degner has been in banking since high school. She has worked in multiple lending positions in various size institutions. Since 1990, she has held a variety of positions in the finance area of Anchor Bank. Ms. Degner demonstrated her determination to succeed when she worked full time in Anchor's Accounting Department and commuted 60 miles to evening classes at St. Martin's College where she received her Bachelor's Degree in Accounting. At the same time she worked full days and met all expectations for performance. In 2000, she graduated from the Pacific Coast Banking School at the University of Washington in the top 10% of her class and her thesis was published in the University's library. She has become the management expert on issues ranging from information technology to asset-liability management. Ms. Degner also serves on the board of directors and finance committee of NeighborWorks of Grays Harbor, sits on the St. Martins University Accounting Advisory Committee and is on the Executive Committee of the Providence St. Peter Foundation Christmas Forest.

Gary P. Koch, is the Executive Vice President and Chief Lending Officer of Anchor Bank, a position he has held since December 2014. In his current capacity, Mr. Koch serves on many Bank committees, including Chairman of the Executive Loan Committee, and as a member of Executive Management, Senior Management, Risk Management, ALCO, IT, Loan Policy, and Problem Asset committees. Mr. Koch has more than 37 years in banking and finance, beginning in 1976 as an investment officer with National Bank of Alaska. From 1983 until 1989 he served as Senior Vice President Investments and Funds Management for Key Bank of Alaska and Chief Investment Officer and a Director of Key Trust Company of Alaska. From 1989 until 2009 he served in a variety of positions, including most recently as Senior Vice President and Team Leader for Business Banking in Southwest Washington. From 2010 until 2014, he was Commercial Banking Officer at Fife Commercial Bank, Fife, Washington. Mr. Koch joined Anchor Bank in April 2014. In October of 2014 he was named Senior Vice President and Senior Commercial Lender. Mr. Koch earned his Bachelor of Science Degree in Economics from Willamette University in Salem, Oregon. Mr. Koch also participates as a volunteer for charitable organizations including Rotary, Relay for Life, and Habitat for Humanity. He has served on the Board of Directors for United Way and Mason General Hospital Foundation.

How We Are Regulated

The following is a brief description of certain laws and regulations applicable to Anchor Bancorp and Anchor Bank. Descriptions of laws and regulations here and elsewhere in this report do not purport to be complete and are qualified in their entirety by reference to the actual laws and regulations. Legislation is introduced from time to time in the United States Congress or the Washington State Legislature that may affect the operations of Anchor Bancorp and Anchor Bank. In addition, the regulations governing us may be amended from time to time by our regulators, the FDIC, DFI, Federal Reserve and the Consumer Financial Protection Bureau ("CFPB"). Any such legislation or regulatory changes in the future could have an adverse effect on our operations and financial condition. We cannot predict whether any such changes may occur.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which was enacted in July 2010 imposed new restrictions and an expanded framework of regulatory oversight for financial institutions, including depository institutions and their holding companies. Among other changes, the Dodd-Frank Act established the CFPB as an independent bureau of the Federal Reserve Board. The CFPB assumed responsibility for the implementation of the federal financial consumer protection and fair lending laws and regulations and has authority to impose new requirements. Anchor Bank is subject to consumer protection regulations issued by the CFPB, but as a smaller financial institution, we are generally subject to supervision and enforcement by the FDIC and the DFI with respect to our compliance with consumer financial protection laws and CFPB regulations.

Many aspects of the Dodd-Frank Act are subject to rulemaking by the federal banking agencies, which has not been completed and will not take effect for some time, making it difficult to anticipate the overall financial impact of the Dodd-Frank Act on the Company, the Bank and the financial services industry more generally.

Regulation and Supervision of Anchor Bank

General. Anchor Bank, as a state-chartered savings bank, is subject to applicable provisions of Washington law and to regulations and examinations of the DFI. As an insured institution, it also is subject to examination and regulation by the FDIC, which insures the deposits of Anchor Bank to the maximum permitted by law. During these state or federal regulatory examinations, the examiners may require Anchor Bank to provide for higher general or specific loan loss reserves, which can impact our capital and earnings. This regulation of Anchor Bank is intended for the protection of depositors and the Deposit Insurance Fund ("DIF") of the FDIC and not for the purpose of protecting shareholders of Anchor Bank or Anchor Bancorp. Anchor Bank is required to maintain minimum levels of regulatory capital and is subject to some limitations on the payment of dividends to Anchor Bancorp. See "- Regulatory Capital Requirements" and "- Limitations on Dividends and Stock Repurchases."

Federal and State Enforcement Authority and Actions. As part of its supervisory authority over Washington-chartered savings banks, the DFI may initiate enforcement proceedings to obtain a cease-and-desist order against an institution believed to have engaged in unsafe and unsound practices or to have violated a law, regulation, or other regulatory limit, including a written agreement. The FDIC also has the authority to initiate enforcement actions against insured institutions for similar reasons and may terminate the deposit insurance if it determines that an institution has engaged in unsafe or unsound practices or is in an unsafe or unsound condition. Both these agencies may utilize less formal supervisory tools to address their concerns about the condition, operations or compliance status of a savings bank.

Regulation by the Washington Department of Financial Institutions. State law and regulations govern Anchor Bank's ability to take deposits and pay interest, to make loans on or invest in residential and other real estate, to make consumer loans, to invest in securities, to offer various banking services to its customers, and to establish branch offices. As a state savings bank, Anchor Bank must pay semi-annual assessments, examination costs and certain other charges to the DFI.

Washington law generally provides the same powers for Washington savings banks as federally and other-state chartered savings institutions and banks with branches in Washington, subject to the approval of the DFI. Washington law allows Washington savings banks to charge the maximum interest rates on loans and other extensions of credit to Washington residents which are allowable for a national bank in another state if higher than Washington limits. In addition, the DFI may approve applications by Washington savings banks to engage in an otherwise unauthorized activity, if the DFI determines that the activity is closely related to banking, and Anchor Bank is otherwise qualified under the statute. This additional authority, however, is subject to review and approval by the FDIC if the activity is not permissible for national banks.

Insurance of Accounts and Regulation by the FDIC. The DIF of the FDIC insures deposit accounts in Anchor Bank up to $250,000 per separately insured depositor. As insurer, the FDIC imposes deposit insurance premiums and is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. Our deposit insurance premiums for the year ended June 30, 2015, were $342,000. During the last three years our premiums have decreased due to the termination of the Order and increased quality of loan performance. Management is not aware of any existing circumstances which would result in termination of Anchor Bank's deposit insurance.

Under the FDIC's risk-based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other risk factors. Rates are based on each institution's risk category and certain specified risk adjustments. Stronger institutions pay lower rates while riskier institutions pay higher rates.

As required by the Dodd-Frank Act, in February 2011 the FDIC published a final rule to reform the deposit insurance assessment system. The rule redefined the assessment base used for calculating deposit insurance assessments effective April 1, 2011. Under the new rule, assessments are based on an institution's average consolidated total assets minus average tangible equity instead of total deposits. The proposed rule revised the assessment rate schedule to establish assessments ranging from 2.5 to 45 basis points.

As insurer, the FDIC is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the DIF. The FDIC also has the authority to take enforcement actions against banks and savings associations. We are unaware of any practice, condition or violation that may lead to termination of our deposit insurance.

The FDIC has authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what assessment rates may be in the future.

Prompt Corrective Action. Federal statutes establish a supervisory framework based on five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. An institution’s category depends upon where its capital levels are in relation to relevant capital measures, which include a risk-based capital measure, a leverage ratio capital measure and certain other factors. The federal banking agencies have adopted regulations that implement this statutory framework. Under these regulations, an institution is treated as well capitalized if its ratio of core capital to risk-weighted assets is 6.0% or more, its ratio of core capital to adjusted total assets (leverage ratio) is 5.0% or more, and it is not subject to any federal supervisory order or directive to meet a specific capital level. In order to be adequately capitalized, an institution must have a total risk-based capital ratio of not less than 8.0%, a core capital to risk-weighted assets ratio of not less than 4.0%, and a leverage ratio of not less than 4%. An institution that is not well capitalized is subject to certain restrictions on brokered deposits, including restrictions on the rates it can offer on its deposits generally. Any institution which is neither well capitalized nor adequately capitalized is considered undercapitalized.

Undercapitalized institutions are subject to certain prompt corrective action requirements, regulatory controls and restrictions which become more extensive as an institution becomes more severely undercapitalized. Failure by an institution to comply with applicable capital requirements would, if unremedied, result in progressively more severe restrictions on its activities and lead to enforcement actions, including, but not limited to, the issuance of a capital directive to ensure the maintenance of required capital levels and, ultimately, the appointment of the FDIC as receiver or conservator. Banking regulators will take prompt corrective action with respect to depository institutions that do not meet minimum capital requirements. Additionally, approval of any regulatory application filed for their review may be dependent on compliance with capital requirements.

At June 30, 2015, Anchor Bank was categorized as "well capitalized". For additional information, see Note 13 of the Notes to Consolidated Financial Statements included in Item 8 of the Form 10-K.

Capital Requirements. In early July 2013, the Federal Reserve Board and the FDIC approved revisions to their capital adequacy guidelines and prompt corrective action rules that implement the revised standards of the Basel Committee on Banking Supervision, commonly called Basel III, and address relevant provisions of the Dodd-Frank Act. "Basel III" refers to two consultative documents released by the Basel Committee on Banking Supervision in December 2009, the rules text released in December 2010, and loss absorbency rules issued in January 2011, which include significant changes to bank capital, leverage and liquidity requirements.

The rules include new risk-based capital and leverage ratios, which became effective January 1, 2015, and revised the definition of what constitutes "capital" for purposes of calculating those ratios. The new minimum capital level requirements applicable to Anchor Bancorp and Anchor Bank are: (i) a new common equity Tier 1 capital ratio ("CET1") of 4.5%; (ii) a Tier 1 capital ratio of 6.0% (increased from 4.0%); (iii) a total capital ratio of 8.0% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4.0% for all financial institutions. In addition, the rules assign a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property.

The rules also establish a "capital conservation buffer" of 2.5% above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital and would result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. The new capital conservation buffer requirement will be phased in beginning in January 2016 at 0.625% of risk-weighted assets and will increase by that amount each year until fully implemented in January 2019. A financial institution would be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations would establish a maximum percentage of eligible retained income that could be utilized for such actions.

The table below sets forth Anchor Bank's capital position under the prompt corrective action regulations of the FDIC at June 30, 2015 and 2014. The Bank paid a $5.0 million cash dividend to Anchor Bancorp on June 30, 2015. The dividend will be used to support the Company's operations including the possible repurchase of the Company's common stock.

	At June 30,			
	2015		2014	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Bank equity capital under GAAP	$ 63,723		$ 53,675	
Total risk-based capital	$ 57,321	17.4%	$ 57,344	18.0%
Total risk-based capital requirement	26,422	8.0	25,460	8.0
Excess	$ 30,899	9.4%	$ 31,884	10.0%
Tier 1 risk-based capital	$ 53,600	16.2%	$ 53,358	16.8%
Tier 1 risk-based capital requirement	19,816	6.0	12,730	4.0
Excess	$ 33,784	10.2%	$ 40,628	12.8%
Common equity Tier 1 capital	$ 53,600	16.2%	N/A	N/A
Common equity Tier 1 capital requirement	$ 14,862	4.5	N/A	N/A
Excess	$ 38,738	11.7%	N/A	N/A
Tier 1 leverage capital	$ 53,600	14.3%	$ 53,358	13.6%
Tier 1 leverage capital requirement	14,963	4.0	15,688	4.0
Excess	$ 38,637	10.3%	$ 37,670	9.6%

Pursuant to minimum capital requirements of the FDIC, Anchor Bank is required to maintain a leverage ratio (capital to assets ratio) of 4% and risk-based capital ratios of common equity Tier 1 capital, Tier 1 capital and total capital (to total risk-weighted assets) of 4.5%, 6.0% and 8%, respectively.

In addition, for all of these capital requirements, there are a number of changes in what constitutes regulatory capital, some of which are subject to a two-year transition period ending December 31, 2017. These changes include the phasing-out of certain instruments as qualifying capital. The Bank does not have any of these instruments. Under the new requirements for total capital, Tier 2 capital is no longer limited to the amount of Tier 1 capital included in total capital.

Mortgage servicing rights, certain deferred tax assets and investments in unconsolidated subsidiaries over designated percentages of CET1 are deducted from capital, subject to the two-year transition period. In addition, Tier 1 capital includes accumulated other comprehensive income, which includes all unrealized gains and losses on available for sale debt and equity securities, subject to the two-year transition period. Because of its asset size, the Bank is not considered an advanced approaches banking organization and has permanently opted-out of the inclusion of the inclusion of unrealized gains and losses on available for sale debt and equity securities in its capital calculations.

The new requirements also change in the risk-weightings of assets to better reflect credit risk and other risk exposures. These include a 150% risk weight (up from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and for non-residential mortgage loans that are 90 days past due or otherwise in nonaccrual status; a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; a 250% risk weight (up from 100%) for mortgage servicing and deferred tax assets that are not deducted from capital; and increased risk-weightings (0% to 600%) for equity exposures.

The FDIC also has authority to establish individual minimum capital requirements in appropriate cases upon a determination that an institution's capital level is or may become inadequate in light of particular risks or circumstances.

Anchor Bank's management believes that, under the current regulations, Anchor Bank will continue to meet its minimum capital requirements in the foreseeable future. However, events beyond the control of Anchor Bank, such as a downturn in the economy in areas where it has most of its loans, could adversely affect future earnings and, consequently, the ability of Anchor Bank to meet its capital requirements.

Federal Home Loan Bank System. Anchor Bank is a member of the FHLB of Des Moines following the voluntary merger of the FHLB of Seattle with and into the FHLB Des Moines effective May 31, 2015. The FHLB of Des Moines is one of 11 regional FHLBs that administer the home financing credit function of savings institutions. As a member, Anchor Bank is required to purchase and maintain stock in the FHLB. At June 30, 2015, the Bank had $853,400 in FHLB stock, which was in compliance with this requirement. Each FHLB serves as a reserve or central bank for its members within its assigned region. It is funded primarily from proceeds derived from the sale of consolidated obligations of the Federal Home Loan Bank System. It makes loans or advances to members in accordance with policies and procedures, established by the Board of Directors of the FHLB, which are subject to the oversight of the Federal Housing Finance Board. All advances from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB. In addition, all long-term advances are required to provide funds for residential home financing. See "Business - Deposit Activities and Other Sources of Funds - Borrowings" in this Form 10-K.

The FHLBs continue to contribute to low- and moderately-priced housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects. These contributions have affected adversely the level of FHLB dividends paid and could continue to do so in the future. These contributions could also have an adverse effect on the value of FHLB stock in the future. A reduction in value of Anchor Bank's FHLB stock may result in a corresponding reduction in its capital.

Standards for Safety and Soundness. The federal banking regulatory agencies have prescribed, by regulation, guidelines for all insured depository institutions relating to: internal controls, information systems and internal audit systems; loan documentation; credit underwriting; interest rate risk exposure; asset growth; asset quality; earnings and compensation, fees and benefits. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. Each insured depository institution must implement a comprehensive written information security program that includes administrative, technical, and physical safeguards appropriate to the institution's size and complexity and the nature and scope of its activities. The information security program also must be designed to ensure the security and confidentiality of customer information, protect against any unanticipated threats or hazards to the security or integrity of such information, protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer, and ensure the proper disposal of customer and consumer information. Each insured depository institution must also develop and implement a risk-based response program to address incidents of unauthorized access to customer information in customer information systems. If the FDIC determines that Anchor Bank fails to meet any standard prescribed by the guidelines, it may require Anchor Bank to submit an acceptable plan to achieve compliance with the standard. FDIC regulations establish deadlines for the submission and review of such safety and soundness compliance plans. Management of Anchor Bank is not aware of any conditions relating to these safety and soundness standards which would require submission of a plan of compliance.

Real Estate Lending Standards. FDIC regulations require Anchor Bank to adopt and maintain written policies that establish appropriate limits and standards for real estate loans. These standards, which must be consistent with safe and sound banking practices, must establish loan portfolio diversification standards, prudent underwriting standards (including loan-to-value ratio limits) that are clear and measurable, loan administration procedures, and documentation, approval and reporting requirements. Anchor Bank is obligated to monitor conditions in its real estate markets to ensure that its standards continue to be appropriate for current market conditions. Anchor Bank's Board of Directors is required to review and approve Anchor Bank's standards at least annually. The FDIC has published guidelines for compliance with these regulations, including supervisory limitations on loan-to-value ratios for different categories of real estate loans. Under the guidelines, the aggregate amount of all loans in excess of the supervisory loan-to-value ratios should not exceed 100% of total capital, and the total of all loans for commercial, agricultural, multifamily or other non-one-to-four-family properties should not exceed 30% of total capital. Loans in excess of the supervisory loan-to-value ratio limitations must be identified in Anchor Bank's records and reported at least quarterly to Anchor Bank's Board of Directors. Anchor Bank is in compliance with the record and reporting requirements. As of June 30, 2015, Anchor Bank's aggregate loans in excess of the supervisory loan-to-value ratios were 5.34% and Anchor Bank's loans on commercial, agricultural, multifamily or other non-one-to-four-family properties in excess of the supervisory loan-to-value ratios were 0%. Based on strong risk management practices, Anchor Bank has consistently operated above the aggregate 100% of capital guideline limit since these standards were imposed.

Activities and Investments of Insured State-Chartered Financial Institutions. Federal law generally limits the activities and equity investments of FDIC-insured, state-chartered banks to those that are permissible for national banks. An insured state bank is not prohibited from, among other things, (1) acquiring or retaining a majority interest in a subsidiary, (2) investing as a limited partner in a partnership the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation or new construction of a qualified housing project, provided that such limited partnership investments may not exceed 2% of the bank's total assets, (3) acquiring up to 10% of the voting stock of a company that solely provides or reinsures directors', directors' and officers' liability insurance coverage or bankers' blanket bond group insurance coverage for insured depository institutions, and (4) acquiring or retaining the voting shares of a depository institution owned by another FDIC-insured institution if certain requirements are met.

Washington State has enacted a law regarding financial institution parity. Primarily, the law affords Washington-chartered commercial banks the same powers as Washington-chartered savings banks. In order for a bank to exercise these powers, it must provide 30 days notice to the Director of Financial Institutions and the Director must authorize the requested activity. In addition, the law provides that Washington-chartered savings banks may exercise any of the powers of Washington-chartered commercial banks, national banks and federally-chartered savings banks, subject to the approval of the Director in certain situations. Finally, the law provides additional flexibility for Washington-chartered commercial and savings banks with respect to interest rates on loans and other extensions of credit. Specifically, they may charge the maximum interest rate allowable for loans and other extensions of credit by federally-chartered financial institutions to Washington residents.

Environmental Issues Associated With Real Estate Lending. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") is a federal statute that generally imposes strict liability on all prior and present "owners and operators" of sites containing hazardous waste. However, Congress asked to protect secured creditors by providing that the term "owner and operator" excludes a person whose ownership is limited to protecting its security interest in the site. Since the enactment of the CERCLA, this "secured creditor exemption" has been the subject of judicial interpretations which have left open the possibility that lenders could be liable for cleanup costs on contaminated property that they hold as collateral for a loan. To the extent that legal uncertainty exists in this area, all creditors, including Anchor Bank, that have made loans secured by properties with potential hazardous waste contamination (such as petroleum contamination) could be subject to liability for cleanup costs, which costs often substantially exceed the value of the collateral property.

Federal Reserve System. The Federal Reserve requires that all depository institutions maintain reserves on transaction accounts or non-personal time deposits. These reserves may be in the form of cash or noninterest-bearing deposits with the regional Federal Reserve Bank. Negotiable order of withdrawal (NOW) accounts and other types of accounts that permit payments or transfers to third parties fall within the definition of transaction accounts and are subject to the reserve requirements, as are any non-personal time deposits at a savings bank. As of June 30, 2015, Anchor Bank's deposit with the Federal Reserve Bank and vault cash exceeded its reserve requirements.

Affiliate Transactions. Federal laws strictly limit the ability of banks to engage in certain transactions with their affiliates, including their bank holding companies. Transactions deemed to be a "covered transaction" under Section 23A of the Federal Reserve Act and between a subsidiary bank and its parent company or the nonbank subsidiaries of the bank holding company are limited to 10% of the bank subsidiary's capital and surplus and, with respect to the parent company and all such nonbank subsidiaries, to an aggregate of 20% of the bank subsidiary's capital and surplus. Further, covered transactions that are loans and extensions of credit generally are required to be secured by eligible collateral in specified amounts. Federal law also requires that covered transactions and certain other transactions listed in Section 23B of the Federal Reserve Act between a bank and its affiliates be on terms as favorable to the bank as transactions with non-affiliates.

Community Reinvestment Act and Consumer Protection Laws. Anchor Bank is subject to the provisions of the Community Reinvestment Act of 1977 ("CRA"), which requires the appropriate federal bank regulatory agency to assess a bank's performance under the CRA in meeting the credit needs of the community serviced by the bank, including low and moderate income neighborhoods. The regulatory agency's assessment of the bank's record is made available to the public. Further, a bank's CRA performance must be considered in connection with a bank's application to, among other things, establish a new branch office that will accept deposits, relocate an existing office or merge or consolidate with, or acquire the assets or assume the liabilities of, a federally regulated financial institution. Anchor Bank received a "satisfactory" rating during its most recent examination.

In connection with its deposit-taking, lending and other activities, the Bank is subject to a number of federal laws designed to protect consumers and promote lending to various sectors of the economy and population. The CFPB issues regulations and standards under these federal consumer protection laws, which include the Equal Credit Opportunity Act, the Truth-in-Lending Act, the Home Mortgage Disclosure Act and the Real Estate Settlement Procedures Act. Through its rulemaking authority, the CFPB has promulgated several proposed and final regulations under these laws that will affect our consumer businesses. Among these regulatory initiatives, are final regulations setting "ability to repay" and "qualified mortgage" standards for residential mortgage loans and establishing new mortgage loan servicing and loan originator compensation standards. The Bank is evaluating these recent CFPB regulations and proposals and devotes substantial compliance, legal and operational business resources to ensure compliance with these consumer protection standards. In addition, the FDIC has enacted customer privacy regulations that limit the ability of the Bank to disclose nonpublic consumer information to non-affiliated third parties. The regulations require disclosure of privacy policies and allow consumers to prevent certain personal information from being shared with non-affiliated parties.

Bank Secrecy Act/Anti-Money Laundering Laws. The Bank is subject to the Bank Secrecy Act and other anti-money laundering laws and regulations, including the USA PATRIOT Act of 2001. These laws and regulations require the Bank to implement policies, procedures, and controls to detect, prevent, and report money laundering and terrorist financing and to verify the identity of their customers. Violations of these requirements can result in substantial civil and criminal sanctions. In addition, provisions of the USA PATRIOT Act require the federal financial institution regulatory agencies to consider the effectiveness of a financial institution's anti-money laundering activities when reviewing mergers and acquisitions.

Dividends. The amount of dividends payable by Anchor Bank to Anchor Bancorp depends upon Anchor Bank's earnings and capital position, and is limited by federal and state laws, regulations and policies. According to Washington law, Anchor Bank may not declare or pay a cash dividend on its capital stock if it would cause its net worth to be reduced below (1) the amount required for liquidation accounts or (2) the net worth requirements, if any, imposed by the Director of the DFI. Dividends on Anchor Bank's capital stock may not be paid in an aggregate amount greater than the aggregate retained earnings of Anchor Bank, without the approval of the Director of the DFI.

The amount of dividends actually paid during any one period is strongly affected by Anchor Bank's policy of maintaining a strong capital position. Federal law further provides that no insured depository institution may pay a cash dividend if it would cause the institution to be "undercapitalized," as defined in the prompt corrective action regulations. Moreover, the federal bank regulatory agencies also have the general authority to limit the dividends paid by insured banks if such payments are deemed to constitute an unsafe and unsound practice. In addition, as noted above, beginning in 2016, if the Bank does not have the required capital conservation buffer, its ability to pay dividends to the Company would be limited, which may limit the ability of the Company to pay dividends to its shareholders.

Regulation and Supervision of Anchor Bancorp

General. Anchor Bancorp is a bank holding company registered with the Federal Reserve and the sole shareholder of Anchor Bank. Bank holding companies are subject to comprehensive regulation by the Federal Reserve under the Bank Holding Company Act of 1956, as amended, ("BHCA"), and the regulations promulgated thereunder. This regulation and oversight is generally intended to ensure that Anchor Bancorp limits its activities to those allowed by law and that it operates in a safe and sound manner without endangering the financial health of Anchor Bank.

As a bank holding company, Anchor Bancorp is required to file quarterly reports with the Federal Reserve and any additional information required by the Federal Reserve and will be subject to regular examinations by the Federal Reserve. The Federal Reserve also has extensive enforcement authority over bank holding companies, including the ability to assess civil money penalties, to issue cease and desist or removal orders and to require that a holding company divest subsidiaries (including its bank subsidiaries). In general, enforcement actions may be initiated for violations of law and regulations and unsafe or unsound practices.

The Bank Holding Company Act. Under the BHCA, Anchor Bancorp is supervised by the Federal Reserve. The Federal Reserve has a policy that a bank holding company is required to serve as a source of financial and managerial strength to its subsidiary banks and may not conduct its operations in an unsafe or unsound manner. In addition, the Federal Reserve provides that bank holding companies should serve as a source of strength to its subsidiary banks by being prepared to use available resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity, and should maintain the financial flexibility and capital raising capacity to obtain additional resources for assisting its subsidiary banks. A bank holding company's failure to meet its obligation to serve as a source of strength to its subsidiary banks will generally be considered by the Federal Reserve to be an unsafe and unsound banking practice or a violation of the Federal Reserve's regulations or both.

Under the BHCA, the Federal Reserve may approve the ownership of shares by a bank holding company in any company the activities of which the Federal Reserve has determined to be so closely related to the business of banking or managing or controlling banks as to be a proper incident thereto. These activities generally include, among others, operating a savings institution, mortgage company, finance company, credit card company or factoring company; performing certain data processing operations; providing certain investment and financial advice; underwriting and acting as an insurance agent for certain types of credit related insurance; leasing property on a full payout, non-operating basis; selling money orders, travelers' checks and U.S. Savings Bonds; real estate and personal property appraising; providing tax planning and preparation services; and, subject to certain limitations, providing securities brokerage services for customers.

Acquisitions. The BHCA prohibits a bank holding company, with certain exceptions, from acquiring ownership or control of more than 5% of the voting shares of any company that is not a bank or bank holding company and from engaging in activities other than those of banking, managing or controlling banks, or providing services for its subsidiaries. A bank holding company that meets certain supervisory and financial standards and elects to be designed as a financial holding company may also engage in certain securities, insurance and merchant banking activities and other activities determined to be financial in nature or incidental to financial activities. The BHCA prohibits a bank holding company, with certain exceptions, from acquiring ownership or control of more than 5% of the voting shares of any company that is not a bank or bank holding company and from engaging in activities other than those of banking, managing or controlling banks, or providing services for its subsidiaries.

Interstate Banking. The Federal Reserve must approve an application of a bank holding company to acquire control of, or acquire all or substantially all of the assets of, a bank located in a state other than the holding company's home state, without regard to whether the transaction is prohibited by the laws of any state. The Federal Reserve may not approve the acquisition of a bank that has not been in existence for the minimum time period, not exceeding five years, specified by the law of the host state. Nor may the Federal Reserve approve an application if the applicant controls or would control more than 10% of the insured deposits in the United States or 30% or more of the deposits in the target bank's home state or in any state in which the target bank maintains a branch. Federal law does not affect the authority of states to limit the percentage of total insured deposits in the state that may be held or controlled by a bank holding company to the extent such limitation does not discriminate against out-of-state banks or bank holding companies. Individual states may also waive the 30% state-wide concentration limit contained in the federal law.

The federal banking agencies are authorized to approve interstate merger transactions without regard to whether the transaction is prohibited by the law of any state, unless the home state of one of the banks adopted a law prior to June 1, 1997 which applies equally to all out-of-state banks and expressly prohibits merger transactions involving out-of-state banks. Interstate acquisitions of branches will be permitted only if the law of the state in which the branch is located permits such acquisitions. Interstate mergers and branch acquisitions will also be subject to the nationwide and statewide insured deposit concentration amounts described above.

Regulatory Capital Requirements. The Federal Reserve has adopted capital guidelines pursuant to which it assesses the adequacy of capital in examining and supervising a bank holding company and in analyzing applications under the BHCA. These guidelines apply on a consolidated basis to bank holding companies with $500 million or more in assets, or with fewer assets but certain risky activities, and on a bank-only basis to other companies. These bank holding company capital adequacy guidelines are similar to those imposed by the FDIC on the Bank. For a bank holding company with less than $500 million in total consolidated assets, such as the Company, the capital guidelines apply on a bank only basis and the Federal Reserve expects the holding company's subsidiary banks to be well capitalized under the prompt corrective action regulations. In July 2013, the Federal Reserve and the FDIC approved revisions to their capital adequacy guidelines and prompt corrective action rules to implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act. For additional information, see the section above entitled "- Regulation and Supervision of Anchor Bank - Capital Requirements" and Note 13 of the Notes to Consolidated Financial Statements included in Item 8., "Financial Statements and Supplementary Data," of this Form 10-K.

Restrictions on Dividends. Anchor Bancorp's ability to declare and pay dividends may depend in part on dividends received from Anchor Bank. The Revised Code of Washington regulates the distribution of dividends by savings banks and states, in part, that dividends may be declared and paid out of accumulated net earnings, provided that the bank continues to meet its surplus requirements. In addition, dividends may not be declared or paid if Anchor Bank is in default in payment of any assessment due the FDIC.

Federal Reserve policy limits the payment of a cash dividend by a bank holding company if the holding company's net income for the past year is not sufficient to cover both the cash dividend and a rate of earnings retention that is consistent with capital needs, asset quality and overall financial condition. A bank holding company that does not meet any applicable capital standard would not be able to pay any cash dividends under this policy. A bank holding company not subject to consolidated capital requirements is expected not to pay dividends unless its debt-to-equity ratio is less than 1:1, and it meets certain additional criteria. The Federal Reserve also has indicated that it would be inappropriate for a company experiencing serious financial problems to borrow funds to pay dividends.

Except for a company that meets the well-capitalized standard for bank holding companies, is well managed, and is not subject to any unresolved supervisory issues, a bank holding company is required to give the Federal Reserve prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the company's consolidated net worth. The Federal Reserve may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation or regulatory order, condition, or written agreement. A bank holding company is considered well-capitalized if on a consolidated basis it has a total risk-based capital ratio of at least 10.0% and a Tier 1 risk-based capital ratio of 6.0% or more, and is not subject to an agreement, order, or directive to maintain a specific level for any capital measure.

Stock Repurchases. Bank holding companies, except for certain "well-capitalized" and highly rated bank holding companies, are required to give the Federal Reserve prior written notice of any purchase or redemption of its outstanding equity securities if the consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of their consolidated net worth. The Federal Reserve may disapprove a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, Federal Reserve order, or any condition imposed by, or written agreement with, the Federal Reserve.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. On July 21, 2010, the Dodd-Frank Act was signed into law. The Dodd-Frank-Act imposes new restrictions and an expanded framework of regulatory oversight for financial institutions, including depository institutions and implements new capital regulations that Anchor Bancorp will become subject to and that are discussed above under "- Regulation and Supervision of Anchor Bank - New Capital Rules." In addition, among other changes, the Dodd-Frank Act requires public companies, such as Anchor Bancorp, to (i) provide their shareholders with a non-binding vote (a) at least once every three years on the compensation paid to executive officers and (b) at least once every six years on whether they should have a "say on pay" vote every one, two or three years; (ii) have a separate, non-binding shareholder vote regarding golden parachutes for named executive officers when a shareholder vote takes place on mergers, acquisitions, dispositions or other transactions that would trigger the parachute payments; (iii) provide disclosure in annual proxy materials concerning the relationship between the executive compensation paid and the financial performance of the issuer; and (iv) amend Item 402 of Regulation S-K to require companies to disclose the ratio of the Chief Executive Officer's annual total compensation to the median annual total compensation of all other employees. For certain of these changes, the implementing regulations have not been promulgated, so the full impact of the Dodd-Frank Act on public companies cannot be determined at this time.

Sarbanes-Oxley Act of 2002. As a public company, Anchor Bancorp is subject to the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), which implements a broad range of corporate governance and accounting measures for public companies designed to promote honesty and transparency in corporate America and better protect investors from corporate wrongdoing. The Sarbanes-Oxley Act was enacted in 2002 in response to public concerns regarding corporate accountability in connection with various accounting scandals. The stated goals of the Sarbanes-Oxley Act are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws.

The Sarbanes-Oxley Act includes very specific additional disclosure requirements and corporate governance rules and required the SEC and securities exchanges to adopt extensive additional disclosure, corporate governance and other related rules. The Sarbanes-Oxley Act represents significant federal involvement in matters traditionally left to state regulatory systems, such as the regulation of the accounting profession, and to state corporate law, such as the relationship between a Board of Directors and management and between a Board of Directors and its committees.

TAXATION

Federal Taxation

General. Anchor Bancorp and Anchor Bank are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal taxation is intended only to summarize certain pertinent federal income tax matters and is not a comprehensive description of the tax rules applicable to Anchor Bancorp or Anchor Bank. The Company files income tax returns in the U.S. federal jurisdiction. With few exceptions, the Company is no longer subject to U.S. federal or state/local income tax examinations by tax authorities for years before 2010.

Anchor Bancorp files a consolidated federal income tax return with Anchor Bank. Any cash distributions made by Anchor Bancorp to its shareholders would be considered to be taxable dividends and not as a non-taxable return of capital to shareholders for federal and state tax purposes.

Method of Accounting. For federal income tax purposes, Anchor Bank currently reports its income and expenses on the accrual method of accounting and uses a fiscal year ending on June 30 for filing its federal income tax return.

Minimum Tax. The Internal Revenue Code imposes an alternative minimum tax at a rate of 20% on a base of regular taxable income plus certain tax preferences, called alternative minimum taxable income. The alternative minimum tax is payable to the extent such alternative minimum taxable income is in excess of an exemption amount. Net operating losses can offset no more than 90% of alternative minimum taxable income. Certain payments of alternative minimum tax may be used as credits against regular tax liabilities in future years.

Net Operating Loss Carryovers. A financial institution may carryback net operating Federal losses to the preceding two taxable years and forward to the succeeding 20 taxable years. This provision applies to losses incurred in taxable years beginning after August 6, 1997.

Corporate Dividends-Received Deduction. Anchor Bancorp may eliminate from its income dividends received from Anchor Bank as a wholly-owned subsidiary of Anchor Bancorp if it elects to file a consolidated return with Anchor Bank. The corporate dividends-received deduction is 100% or 80%, in the case of dividends received from corporations with which a corporate recipient does not file a consolidated tax return, depending on the level of stock ownership of the payor of the dividend. Corporations which own less than 20% of the stock of a corporation distributing a dividend may deduct 70% of dividends received or accrued on their behalf.

Washington Taxation

Anchor Bank is subject to a business and occupation tax imposed under Washington law at the rate of 1.8% of gross receipts. Interest received on loans secured by mortgages or deeds of trust on residential properties and certain securities are exempt from this tax.

Oregon Taxation

The Company files income tax returns in Oregon state and within local jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal or state/local income tax examinations by tax authorities for years before 2010.

Item 1A. Risk Factors.

An investment in our common stock involves various risks which are particular to Anchor Bancorp, our industry, and our market area. Before making an investment decision, you should carefully consider the risks and uncertainties described below, together with all of the other information included in this report. In addition to the risks and uncertainties described below, other risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and results of operations. The value or market price of our common stock could decline due to any of these identified or other risks, and you could lose all or part of your investment.

The current weak economic conditions in the market areas we serve may continue to adversely impact our earnings and could increase the credit risk associated with our loan portfolio.

Substantially all of our loans are to businesses and individuals in the state of Washington. A decline in the economies of the five counties in which we operate, which we consider to be our primary market areas, could have a material adverse effect on our business, financial condition, results of operations and prospects. Weak economic conditions and previous strains in the financial and housing markets in our market area has resulted in higher levels of loan delinquencies, problem assets and foreclosures and a decline in the values of the collateral securing our loans.

Continued weakness or a further deterioration in economic conditions in the market areas we serve could result in the following consequences, any of which could have a materially adverse impact on our business, financial condition and results of operations:

- loan delinquencies, problem assets and foreclosures may increase;
- the slowing of sales of foreclosed assets;
- demand for our products and services may decline, possibly resulting in a decrease in our total loans or assets;
- collateral for loans made may decline further in value, exposing us to increased risk of loss on existing loans, reducing customers' borrowing power, and reducing the value of assets and collateral associated with existing loans;
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us; and
- the amount of our low-cost or noninterest bearing deposits may decrease and the composition of our deposits may be adversely affected.

A return of recessionary conditions could result in increases in our level of nonperforming loans and/or reduce demand for our products and services, which could have adverse effect on our results of operations.

Economic conditions have improved since the end of the economic recession that officially ended in June, 2009; however, economic growth has been slow and uneven, unemployment remains relatively high and concerns still exist over the federal deficit, government spending and global geopolitical risks which have all contributed to diminished expectations for the economy in our market areas. A return of recessionary conditions and/or negative developments in the domestic and international credit markets may significantly affect the markets in which we do business, the value of our loans and investments, and our ongoing operations, costs and profitability. Further declines in real estate values and sales volumes and continued high unemployment levels may result in higher than expected loan delinquencies and a decline in demand for our products and services. These negative events may cause us to incur losses and may adversely affect our capital, liquidity, and financial condition.

Furthermore, the Board of Governors of the Federal Reserve System, in an attempt to help the overall economy, has, among other things, kept interest rates low through its targeted federal funds rate and the purchase of mortgage-backed securities. If the Federal Reserve increases the federal funds rate, overall interest rates will likely rise, which may negatively impact the housing markets and the U.S. economic recovery. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance.

Our loan portfolio is concentrated in loans with a higher risk of loss.

In addition to residential mortgage loans, we originate construction and land loans, commercial and multi-family mortgage loans, commercial business loans, and consumer loans primarily within our market areas. At June 30, 2015, we had $230.3 million outstanding in non-residential loans. At that date, loans delinquent 30 days or more, including nonperforming loans, were $3.6 million, and delinquent loans represented 1.3% of total loans. Many of these loans are perceived to have greater credit risk than residential real estate loans for a number of reasons, including those described below:

Commercial and Multi-family Mortgage Loans. These loans typically involve higher principal amounts than other types of loans. Repayment is dependent upon income being generated from the property securing the loan in amounts sufficient to cover operating expenses and debt service, which may be adversely affected by changes in the economy or local market conditions. Commercial and multi-family mortgage loans also expose a lender to greater credit risk than loans secured by residential real estate because the collateral securing these loans may not be sold as easily as residential real estate. In addition, many of our commercial and multi-family real estate loans are not fully amortizing and contain large balloon payments upon maturity. Such balloon payments may require the borrower to either sell or refinance the underlying property in order to make the payment, which may increase the risk of default or non-payment. At June 30, 2015, we had $171.6 million or 59.5% of total loans in commercial and multi-family mortgage loans, none of which were nonperforming.

Construction and Land Loans. During the fiscal years ended June 30, 2015 and 2014, we originated $12.8 million and $21.3 million in construction loans, but only a very limited number of land loans. From June 30, 2012 through June 30, 2015, our construction loans grew 175.2%, while our land loans declined by 42.4%. At June 30, 2015, we had $15.8 million or 5.5% of total loans in construction and land loans of which $4.1 million were land loans. There were no land acquisition and development loans outstanding at June 30, 2015.

Construction and land lending includes the inherent difficulty in estimating both a property's value at completion of the project and the estimated cost (including interest) of the project. If the estimate of construction cost proves to be inaccurate, we may advance funds beyond the amount originally committed to permit completion of the project. In addition, during the term of a construction loan, no payment from the borrower typically is required since the accumulated interest is added to the principal of the loan through an interest reserve. If the estimate of value upon completion proves to be inaccurate, we may be confronted at, or prior to, the maturity of the loan with a project the value of which is insufficient to assure full repayment and may incur a loss. In addition, speculative construction loans to a builder are for homes that are not pre-sold, and thus pose a greater potential risk to us than construction loans to individuals on their personal residences.

Loans on land under development or held for future construction as well as lot loans made to individuals for the future construction of a residence also pose additional risk because the length of time from financing to completion of a development project is significantly longer than for a traditional construction loan, which makes them more susceptible to declines in real estate values, declines in overall economic conditions which may delay the development of the land and changes in the political landscape that could affect the permitted and intended use of the land being financed, and the potential illiquid nature of the collateral. In addition, during this long period of time from financing to completion, the collateral often does not generate any cash flow to support the debt service.

As a result, construction and land lending often involves the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or to obtain permanent take-out financing, rather than the ability of the borrower or guarantor to independently repay principal and interest. At June 30, 2015, $2.1 million of our construction loans were to builders for speculative residential construction. Speculative construction loans are loans made to builders who have not identified a buyer for the completed property at the time of origination. At June 30, 2015, none of our construction and land loans were nonperforming.

Commercial Business Loans. At June 30, 2015, we had $19.0 million or 6.6% of total loans in commercial business loans, however, we are currently planning on expanding our commercial business lending, subject to market conditions. Commercial business lending involves risks that are different from those associated with residential and commercial real estate lending. Real estate lending is generally considered to be collateral based lending with loan amounts based on predetermined loan to collateral values and liquidation of the underlying real estate collateral being viewed as the primary source of repayment in the event of borrower default. Our commercial business loans are primarily made based on the cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The borrower's cash flow may be unpredictable, and collateral securing these loans may fluctuate in value. Although commercial business loans are often collateralized by equipment, inventory, accounts receivable, or other business assets, the liquidation of collateral in the event of default is often an insufficient source of repayment because accounts receivable may be uncollectible, inventories may be obsolete or of limited use, and other collateral securing other loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. Accordingly, the repayment of commercial business loans depends primarily on the cash flow and creditworthiness of the borrower and secondarily on the underlying collateral provided by the borrower. At June 30, 2015, nonperforming commercial business loans totaled $711,000.

Consumer Loans. We make secured and unsecured consumer loans. Our secured consumer loans are collateralized with assets that may not provide an adequate source of payment of the loan due to depreciation, damage, or loss. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on these loans. At June 30, 2015, we had $23.9 million or 8.3% of total loans in consumer loans of which $31,000 were nonperforming. Of this amount, $17.6 million were in home equity loans, some of which are loans in amounts for up to 100% of collateral value. For more information about the credit risk, we face with respect to these types of loans, see "Our business may be adversely affected by credit risk associated with residential property."

Our business may be adversely affected by credit risk associated with residential property.

At June 30, 2015, $57.9 million, or 20.1%, of our total loan portfolio, was secured by one-to-four single-family real property. This type of lending is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. A decline in residential real estate values resulting from a downturn in the Washington housing markets in which we operate may reduce the value of the real estate collateral securing these loans and increase our risk of loss if borrowers default on their loans. Recessionary conditions or declines in the volume of real estate sales and/or the sales prices couples with elevated unemployment rates may result in higher than expected loan delinquencies or problem assets, and a decline in demand for our products and services. These potential negative events may cause us to incur losses, adversely affect our capital and liquidity and damage our financial condition and business operations. These declines may also have a greater effect on our earnings and capital than on the earnings and capital of financial institutions whose loan portfolios are more diversified.

Many of our residential mortgage loans are secured by liens on mortgage properties in which the borrowers have little or no equity because either we originated the loan with a relatively high combined loan-to-value ratio or because of the decline in home values in our market areas. Residential loans with combined higher loan-to-value ratios will be more sensitive to declining property values than those with lower combined loan-to-value ratios and therefore may experience a higher incidence of default and severity of losses. In addition, if the borrowers sell their homes, such borrowers may be unable to repay their loans in full from the sale proceeds. Further, a significant amount of our home equity lines of credit consist of second mortgage loans. For those home equity lines secured by a second mortgage, it is unlikely that we will be successful in recovering all or a portion of our loan proceeds in the event of default unless we are prepared to repay the first mortgage loan and such repayment and the costs associated with a foreclosure are justified by the value of the property. For these reasons, we may experience higher rates of delinquencies, default and losses on our residential loans.

Our loan portfolio possesses increased risk as the result of subprime loans.

As of June 30, 2015, we held in our loan portfolio $5.3 million in one-to-four family mortgage loans ($2.7 million of which were fixed rate), $1.9 million of home equity loans (of which $1.3 million were fixed rate) and $162,000 of other types of consumer loans (of which were fixed rate), which are considered “subprime” by federal banking regulators. The aggregate amount of loans considered subprime at June 30, 2015 was $7.4 million or 2.6% of our total loan portfolio. In exchange for the additional lender risk associated with these loans, these borrowers generally are required to pay a higher interest rate, and depending on the severity of the credit history, a lower loan-to-value ratio may be required than for a conforming loan borrower. At the time of loan origination, our subprime borrowers had an average Fair Isaac and Company, Incorporated, or FICO, credit score of 628 and a weighted average loan-to-value ratio of 62%, which loan-to-value ratio may be significantly understated if current market values are used. A FICO score is a principal measure of credit quality and is one of the significant criteria we rely upon in our underwriting. Generally, a FICO score higher than 660 indicates the borrower has an acceptable credit reputation. At June 30, 2015, $668,000 or 9.0% of our subprime loans were categorized as nonperforming assets. Subprime loans are generally considered to have an increased risk of delinquency and foreclosure than do conforming loans, especially when adjustable rate loans adjust to a higher interest rate. We had not experienced such increased delinquencies or foreclosures at June 30, 2015, however, our subprime loan portfolio will be adversely affected in the event of a further downturn in regional or national economic conditions. In addition, we may not recover funds in an amount equal to any remaining loan balance. Consequently, we could sustain loan losses and potentially incur a higher provision for loan loss expense.

Our concentration in non-owner occupied residential real estate loans may expose us to increased credit risk.

At June 30, 2015, $15.2 million, or 27.2% of our residential mortgage loan portfolio and 5.3% of our total loan portfolio, consisted of loans secured by non-owner occupied residential properties. Loans secured by non-owner occupied properties generally expose a lender to greater risk of non-payment and loss than loans secured by owner occupied properties because repayment of such loans depends primarily on the tenant’s continuing ability to pay rent to the property owner, who is our borrower, or, if the property owner is unable to find a tenant, the property owner’s ability to repay the loan without the benefit of a rental income stream. In addition, the physical condition of non-owner occupied properties is often below that of owner occupied properties due to lax property maintenance standards, which has a negative impact on the value of the collateral properties. Furthermore, some of our non-owner occupied residential loan borrowers have more than one loan outstanding with us. At June 30, 2015, we had nine non-owner occupied residential loan relationships, with aggregate outstanding balances of $7.8 million, of which two loan relationships had an aggregate outstanding balance over $500,000. Consequently, an adverse development with respect to one credit relationship may expose us to a greater risk of loss compared to an adverse development with respect to an owner occupied residential mortgage loan. At June 30, 2015, all of our non-owner occupied residential mortgage loans complied with their loan repayment terms, except for one loan which totaled $172,000 at that date.

We have a concentration of large loans outstanding to a limited number of borrowers that increases our risk of loss.

We have extended significant amounts of credit to a limited number of borrowers, largely in connection with our commercial real estate, non-owner occupied residential real estate loans and construction loans. At June 30, 2015, the aggregate amount of loans to our ten largest borrowers amounted to approximately $68.4 million or 23.7% of total loans. At this date, none of the loans to our ten largest borrowers were nonperforming.

A high concentration of credit to a limited number of borrowers increases the risk of our loan portfolio. In the event that one or more of these borrowers is not able to meet interest payments or pay scheduled amortization on such obligations, the potential loss to us is more likely to have a material adverse impact on our business, financial condition and results of operations.

The level of our commercial real estate loan portfolio may subject us to additional regulatory scrutiny.

The FDIC, the Federal Reserve and the Office of the Comptroller of the Currency, have promulgated joint guidance on sound risk management practices for financial institutions with concentrations in commercial real estate lending. Under the guidance, a financial institution that, like us, is actively involved in commercial real estate lending should perform a risk assessment to identify concentrations. A financial institution may have a concentration in commercial real estate lending if, among other factors, (i) total reported loans for construction, land acquisition and development, and other land represent 100% or more of total capital, or (ii) total reported loans secured by multi-family and non-farm residential properties, loans for construction, land acquisition and development and other land, and loans otherwise sensitive to the general commercial real estate market, including loans to commercial real estate related entities, represent 300% or more of total capital. The particular focus of the guidance is on exposure to commercial real estate loans that are dependent on the cash flow from the real estate held as collateral and that are likely to be at greater risk to conditions in the commercial real estate market (as opposed to real estate collateral held as a secondary source of repayment or as an abundance of caution). The purpose of the guidance is to guide banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The guidance states that management should employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing. Our total of income producing or non-owner occupied commercial real estate loans were $126.8 million or 211.7% of total capital at June 30, 2015 compared to $124.3million or 216.9% of total capital at June 30, 2014. While we believe we have implemented policies and procedures with respect to our commercial real estate loan portfolio consistent with this guidance, bank regulators could require us to implement additional policies and procedures consistent with their interpretation of the guidance that may result in additional costs to us.

Our allowance for loan losses may prove to be insufficient to absorb losses in our loan portfolio.

Lending money is a substantial part of our business and each loan carries a certain risk that it will not be repaid in accordance with its terms, or that any underlying collateral will not be sufficient to assure repayment. This risk is affected by, among other things:

- cash flow of the borrower and/or the project being financed;
- the changes and uncertainties as to the future value of the collateral, in the case of a collateralized loan;
- the duration of the loan;
- the character and creditworthiness of a particular borrower; and
- changes in economic and industry conditions.

We maintain an allowance for loan losses, which we believe is an appropriate reserve to provide for probable losses in our loan portfolio. The allowance is funded by provisions for loan losses charged to expense. The amount of this allowance is determined by our management through periodic reviews and consideration of several factors, including, but not limited to:

- our general reserve, based on our historical default and loss experience, certain macroeconomic factors, and management's expectations of future events;
- our specific reserve, based on our evaluation of nonperforming loans and their underlying collateral; and
- an allocated pool reserve to provide for other credit losses including allocations for secured and unsecured loans.

The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. In addition, bank regulatory agencies periodically review our allowance for loan losses and may require an increase in the provision for possible loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for loan losses we will need additional provisions to replenish the allowance for loan losses. Any additional provisions will result in a decrease in net income and possibly capital, and may have a material adverse effect on our financial condition and results of operations.

If our nonperforming assets increase, our earnings will be adversely affected.

At June 30, 2015, our nonperforming assets which consist of nonaccruing loans and real estate owned, were $2.8 million, or 0.7% of total assets. Our nonperforming assets adversely affect our net income in various ways:

- we record interest income only on a cash basis for nonaccrual loans and any nonperforming securities and we do not record interest income for real estate owned;
- we must provide for probable loan losses through a current period charge to the provision for loan losses;
- noninterest expense increases when we write down the value of properties in our real estate owned portfolio to reflect changing market values or recognize other-than-temporary impairment on nonperforming securities;
- there are legal fees associated with the resolution of problem assets, as well as carrying costs, such as taxes, insurance, and maintenance fees related to our real estate owned; and
- the resolution of nonperforming assets requires the active involvement of management, which can distract them from more profitable activity.

If additional borrowers become delinquent and do not pay their loans and we are unable to successfully manage our nonperforming assets, our losses and troubled assets could increase significantly, which could have a material adverse effect on our financial condition and results of operations.

If our investments in real estate are not properly valued or sufficiently reserved to cover actual losses, or if we are required to increase our valuation reserves, our earnings could be reduced.

We obtain updated valuations in the form of appraisals and broker price opinions when a loan has been foreclosed upon and the property taken in as real estate owned and at certain other times during the asset's holding period. Our net book value ("NBV") in the loan at the time of foreclosure and thereafter is compared to the updated market value of the foreclosed property less estimated selling costs ("fair value"). A charge-off is recorded for any excess in the asset's NBV over its fair value. If our valuation process is incorrect, the fair value of the investments in real estate may not be sufficient to recover our NBV in such assets, resulting in the need for additional charge-offs. Additional material charge-offs to our investments in real estate could have a material adverse effect on our financial condition and results of operations.

In addition, bank regulators periodically review our real estate owned and may require us to recognize further charge-offs. Any increase in our charge-offs, as required by the bank regulators, may have a material adverse effect on our financial condition and results of operations.

Our securities portfolio may be negatively impacted by fluctuations in market value and interest rates.

Our securities portfolio may be impacted by fluctuations in market value, potentially reducing accumulated other comprehensive income and/or earnings. Fluctuations in market value may be caused by changes in market interest rates, lower market prices for securities and limited investor demand. Our securities portfolio is evaluated for other-than-temporary impairment. If this evaluation shows impairment to the actual or projected cash flows associated with one or more securities, a potential loss to earnings may occur. Changes in interest rates can also have an adverse effect on our financial condition, as our available-for-sale securities are reported at their estimated fair value, and therefore are impacted by fluctuations in interest rates. We increase or decrease our shareholders' equity by the amount of change in the estimated fair value of the available-for-sale securities, net of taxes. There can be no assurance that the declines in market value will not result in other-than-temporary impairments of these assets, which would lead to accounting charges that could have a material adverse effect on our net income and capital levels.

Fluctuating interest rates can adversely affect our profitability.

Our profitability is dependent to a large extent upon net interest income, which is the difference, or spread, between the interest earned on loans, securities and other interest-earning assets and the interest paid on deposits, borrowings, and other interest-bearing liabilities. Because of the differences in maturities and repricing characteristics of our interest-earning assets and interest-bearing liabilities, changes in interest rates do not produce equivalent changes in interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. We principally manage interest rate risk by managing our volume and mix of our earning assets and funding liabilities. In a changing interest rate environment, we may not be able to manage this risk effectively. Changes in interest rates also can affect: (1) our ability to originate and/or sell loans; (2) the fair value of our financial assets and liabilities, which could negatively impact shareholders' equity, and our ability to realize gains from the sale of such assets; (3) our ability to obtain and retain deposits in competition with other available investment alternatives; (4) the ability of our borrowers to repay adjustable or variable rate loans; and (5) the average duration of our mortgage backed securities portfolio and other interest-earning assets.

If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. As a result of the relatively low interest rate environment, an increasing percentage of our deposits have been comprised of short-term certificates of deposit and other deposits yielding no or a relatively low rate of interest. At June 30, 2015, we had $40.4 million in certificates of deposit that mature within one year and $44.7 million in non-interest bearing demand deposits. We would incur a higher cost of funds to retain these deposits in a rising interest rate environment. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. In addition, a substantial amount of our mortgage loans and home equity loans have adjustable interest rates. As a result, these loans may experience a higher rate of default in a rising interest rate environment. Further, a prolonged period of exceptionally low market interest rates, such as we are currently experiencing, could have an adverse effect on our results of operations as a result of substantially reduced asset yields.

Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on our results of operations, any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations. Further, a prolonged period of exceptionally low market interest rates, such as we are currently experiencing, limits our ability to lower our interest expense, while the average yield on our interest-earning assets may continue to decrease as our loans reprice or are originated at these low market rates. Accordingly, our net interest income may continue to decrease, which may have an adverse effect on our profitability. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our balance sheet.

Further decreases in noninterest income could adversely affect our ability to remain profitable and, if we cannot generate and increase our income, our stock price may be adversely affected.

Our net interest income has decreased steadily in recent years. We also face significant challenges that will hinder our ability to generate competitive returns. Our most significant challenge has been our low interest rate spread and margin during recent periods. As a result, we have become even more reliant on our noninterest income, including from time to time significant gains on sales of investments in order to increase noninterest income. These gains on sales of investments are subject to market and other risks and cannot be relied upon. During the years ended June 30, 2015 and 2014, net interest income before provision for loan losses was less than noninterest expense by $3.0 million and $3.7 million, respectively. While we have identified various strategic initiatives that we will pursue in our efforts to overcome these challenges and improve earnings, our strategic initiatives may not succeed in generating and increasing income. If we are unable to generate or increase income, our stock price may be adversely affected.

In addition, we originate and sell residential mortgage loans. Changes in interest rates affect demand for our residential loan products and the revenue realized on the sale of loans. A decrease in the volume of loans sold can decrease our revenues and net income. Further, recent regulatory changes to the rules for overdraft fees for debit transactions and interchange fees have reduced our fee income, resulting in a reduction of our noninterest income.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition, and growth prospects.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. We rely on customer deposits and advances from the Federal Home Loan Bank of Des Moines ("FHLB") and other borrowings to fund our operations. At June 30, 2015, we had $10.0 million of FHLB advances outstanding with an additional $122.3 million of available borrowing capacity. Additionally we have $5.0 million available with Pacific Coast Bankers Bank and $1.0 million available with the Federal Reserve. Although we have historically been able to replace maturing deposits and advances if desired, we may not be able to replace such funds in the future if, among other things, our financial condition, the financial condition of the FHLB, or market conditions change. Our access to funding sources in amounts adequate to finance our activities or the terms of which are acceptable could be impaired by factors that affect us specifically or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the Washington or Oregon markets where our loans are concentrated, or adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry.

Our financial flexibility will be severely constrained if we are unable to maintain our access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. Although we consider our sources of funds adequate for our liquidity needs, we may seek additional debt in the future to achieve our long-term business objectives. Additional borrowings, if sought, may not be available to us or, if available, may not be available on reasonable terms. If additional financing sources are unavailable, or are not available on reasonable terms, our financial condition, results of operations, growth and future prospects could be materially adversely affected. Finally, if we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In this case, our operating margins and profitability would be adversely affected.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions and limit our ability to get regulatory approval of acquisitions.

The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions and limit our ability to get regulatory approval of acquisitions. Recently several banking institutions have received large fines for non-compliance with these laws and regulations. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance can be given that these policies and procedures will be effective in preventing violations of these laws and regulations.

Our growth or future losses may require us to raise additional capital in the future, but that capital may not be available when it is needed or the cost of that capital may be very high.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. At some point, we may need to raise additional capital to support continued growth.

Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial condition and performance. Accordingly, we may not be able to raise additional capital if needed on terms that are acceptable to us, or at all. If we cannot raise additional capital when needed, our operations could be materially impaired and our financial condition and liquidity could be materially and adversely affected. In addition, if we are unable to raise additional capital when required by the FDIC and DFI, we may be subject to additional adverse regulatory action. See "– We are subject to increased regulatory scrutiny and are subject to certain business limitations. Further, we may be subject to more severe future regulatory enforcement actions if our financial condition or performance weakens further." above.

We are subject to certain risks in connection with our use of technology.

Our security measures may not be sufficient to mitigate the risk of a cyber attack. Communications and information systems are essential to the conduct of our business, as we use such systems to manage our customer relationships, our general ledger and virtually all other aspects of our business. Our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software, and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses, or other malicious code and cyber attacks that could have a security impact. If one or more of these events occur, this could jeopardize our or our customers' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our customers or counterparties. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. We could also suffer significant reputational damage.

Security breaches in our internet banking activities could further expose us to possible liability and damage our reputation. Any compromise of our security also could deter customers from using our internet banking services that involve the transmission of confidential information. We rely on standard internet security systems to provide the security and authentication necessary to effect secure transmission of data. These precautions may not protect our systems from compromises or breaches of our security measures, and could result in significant legal liability and significant damage to our reputation and our business.

Our security measures may not protect us from system failures or interruptions. While we have established policies and procedures to prevent or limit the impact of systems failures and interruptions, there can be no assurance that such events will not occur or that they will be adequately addressed if they do. In addition, we outsource certain aspects of our data processing and other operational functions to certain third-party providers. If our third-party providers encounter difficulties, or if we have difficulty in communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely impacted. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any failures or interruptions may require us to identify alternative sources of such services, and we cannot assure you that we could negotiate terms that are as favorable to us, or could obtain services with similar functionality as found in our existing systems without the need to expend substantial resources, if at all. Further, the occurrence of any systems failure or interruption could damage our reputation and result in a loss of customers and business, could subject us to additional regulatory scrutiny, or could expose us to legal liability. Any of these occurrences could have a material adverse effect on our financial condition and results of operations.

Our business may be adversely affected by an increasing prevalence of fraud and other financial crimes.

Our loans to businesses and individuals and our deposit relationships and related transactions are subject to exposure to the risk of loss due to fraud and other financial crimes. Nationally, reported incidents of fraud and other financial crimes have increased. We have also experienced losses due to apparent fraud and other financial crimes. While we have policies and procedures designed to prevent such losses, there can be no assurance that such losses will not occur.

Managing reputational risk is important to attracting and maintaining customers, investors and employees.

Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality, compliance deficiencies, and questionable or fraudulent activities of our customers. We have policies and procedures in place to protect our reputation and promote ethical conduct, but these policies and procedures may not be fully effective. Negative publicity regarding our business, employees, or customers, with or without merit, may result in the loss of customers, investors and employees, costly litigation, a decline in revenues and increased governmental regulation.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At June 30, 2015, we had one administrative office, 11 full service banking offices of which nine locations are owned and three locations are leased. At June 30, 2015, the net book value of our investment in premises, equipment and leaseholds was $10.4 million. The net book value of our data processing and computer equipment at June 30, 2015 was $187,000.

The following table provides a list of our main and branch offices and indicates whether the properties are owned or leased:

Location	Leased or Owned	Lease Expiration Date	Square Footage	Net Book Value at June 30, 2015
				(In thousands)
ADMINISTRATIVE OFFICE				
100 West First Aberdeen, Washington 98520	Owned	—	7,410	$ 1,209
BRANCH OFFICES:				
Aberdeen (1) (2) 120 N. Broadway Aberdeen, Washington 98520	Owned	—	17,550	1,419
Centralia (2) 604 S. Tower Centralia, Washington 98531	Owned	—	3,000	596
Elma (2) 216 S. Third Street Elma, Washington 98541	Owned	—	2,252	254
Hoquiam 701 Simpson Avenue Hoquiam, Washington 98550	Leased	6/30/2016	550	—
Lacey (2) 601 Woodland Square Loop SE Lacey, Washington 98503	Owned	—	13,505	2,244
Montesano (2) 301 Pioneer Avenue East Montesano, Washington 98563	Owned	—	2,125	2,653
Ocean Shores (2) 795 Pt. Brown Avenue NW Ocean Shores, Washington 98569	Owned	—	2,550	547
Olympia (2) 2610 Harrison Avenue West Olympia, Washington 98502	Owned	—	1,882	423

(*table continued on following page*)

Location	Leased or Owned	Lease Expiration Date	Square Footage	Net Book Value at June 30, 2015
Puyallup (2) 10514 156th Street East Bldg B4, Suite 106 Puyallup, Washington 98374	Leased	11/30/2019	3,027	87
Shelton (3) 100 E. Wallace Kneeland Boulevard Shelton, Washington 98584	Leased	5/31/2018	673	1
Westport (2) 915 N. Montesano Westport, Washington 98595	Owned	—	3,850	937

(1) Includes our home branch.
(2) Drive-up ATM available.
(3) Wal-Mart locations.

Item 3. Legal Proceedings

The Company or Anchor Bank from time to time is involved in various claims and legal actions arising in the ordinary course of business. There are currently no matters that in the opinion of management, would have material adverse effect on our consolidated financial position, results of operation, or liquidity.

Item 4. Mine Safety Disclosures

Not applicable

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

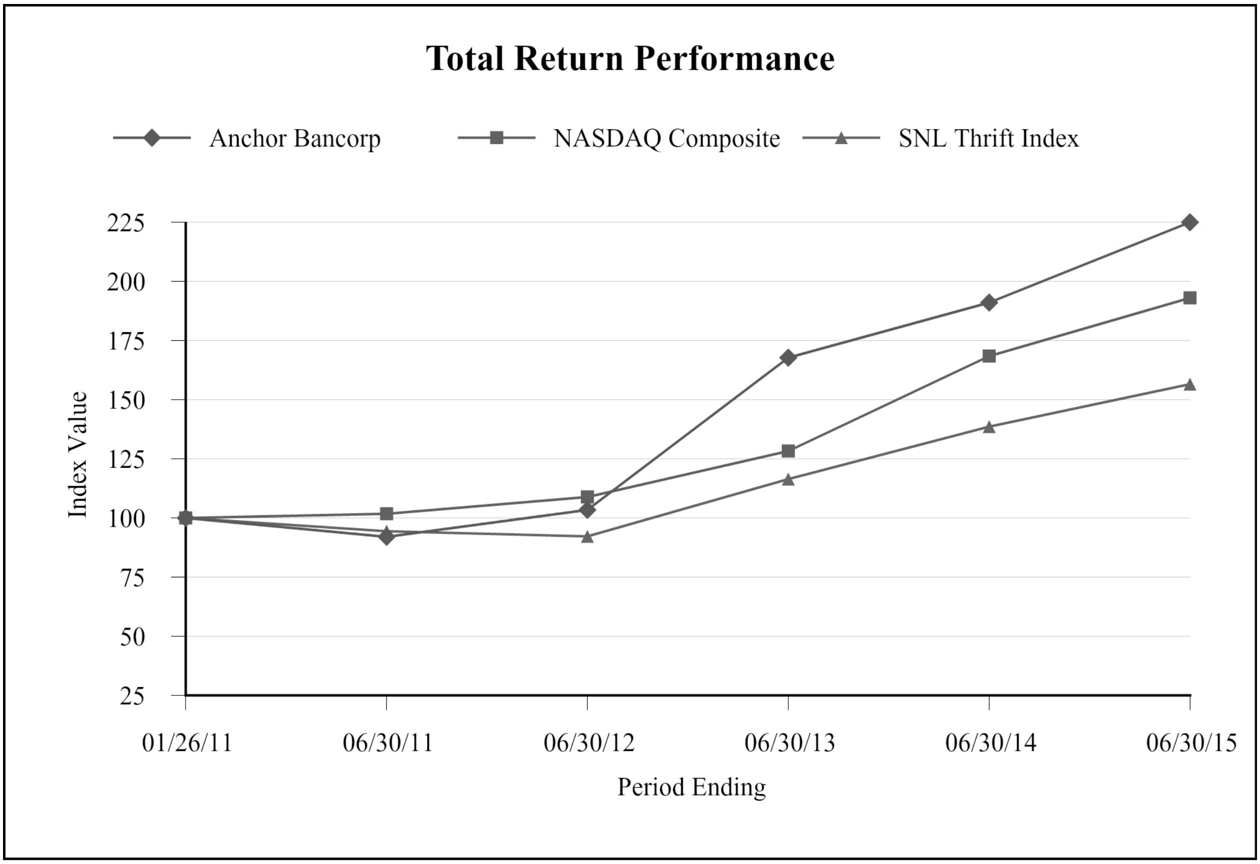
Our common stock is listed on The Nasdaq Stock Market LLC's Global Market, under the symbol "ANCB." As of June 30, 2015, there were 2,550,000 shares of common stock issued and outstanding and we had approximately 214 shareholders of record, excluding persons or entities who hold stock in nominee or "street name" accounts with brokers. The Company has not paid any dividends to shareholders since its formation.

Under Washington law, the Company is prohibited from paying a dividend if, as a result of its payment, the Company would be unable to pay its debts as they become due in the normal course of business, or if the Company's total liabilities would exceed its total assets. The principal source of funds for the Company is dividend payments from the Bank. According to Washington law, Anchor Bank may not declare or pay a cash dividend on its capital stock if it would cause its net worth to be reduced below (1) the amount required for liquidation accounts or (2) the net worth requirements, if any, imposed by the Director of the DFI. Dividends on Anchor Bank's capital stock may not be paid in an aggregate amount greater than the aggregate retained earnings of Anchor Bank, without the approval of the Director of the DFI.

Stock Repurchases. The Company had no stock repurchases of its outstanding common stock during the fourth quarter of the year ended June 30, 2015.

Equity Compensation Plan Information. The equity compensation plan information presented under subparagraph (d) in Part III, Item 12 of this report is incorporated herein by reference.

Performance Graph. The following graph compares the cumulative total shareholder return on the Company's Common Stock with the cumulative total return on the NASDAQ Composite Index and a peer group of the SNL All Thrift Index. Total return assumes the reinvestment of all dividends and that the value of Common Stock and each index was $100 on January 26, 2011.



	Period Ending					
Index	01/26/11	06/30/11	06/30/12	06/30/13	06/30/14	06/30/15
Anchor Bancorp	$ 100.00	$ 92.00	$ 103.40	$ 167.70	$ 190.87	$ 224.90
NASDAQ Composite	100.00	101.67	108.85	128.27	168.34	192.92
SNL Thrift Index	100.00	94.32	92.20	116.40	138.49	156.51

Source: SNL Financial LC, Charlottesville, VA

Item 6. Selected Financial Data

The following table sets forth certain information concerning our consolidated financial position and results of operations at and for the dates indicated and have been derived from our audited consolidated financial statements. The information below is qualified in its entirety by the detailed information included elsewhere herein and should be read along with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8. "Financial Statements and Supplementary Data."

	At June 30,				
	2015	2014	2013	2012	2011
FINANCIAL CONDITION DATA:			(In thousands)		
Total assets	$ 379,230	$ 389,128	$ 452,179	$ 470,815	$ 488,935
Securities	554	573	1,591	1,798	5,594
Mortgage-backed securities	36,628	47,109	57,012	54,098	40,156
Loans receivable, net [(1)]	283,444	281,526	277,454	287,755	325,464
Deposits	299,812	311,034	328,584	345,798	339,474
FHLB advances	10,000	17,500	64,900	64,900	85,900
Total equity	63,723	53,675	52,368	54,024	57,452

	Year Ended June 30,				
OPERATING DATA:	2015	2014	2013	2012	2011
			(In thousands)		
Total interest income	$ 16,886	$ 17,789	$ 19,727	$ 22,464	$ 25,969
Total interest expense	3,076	3,681	4,764	6,090	8,002
Net interest income before provision for loan losses	13,810	14,108	14,963	16,374	17,967
Provision for loan losses	—	—	750	2,735	8,078
Net interest income after provision for loan losses	13,810	14,108	14,213	13,639	9,889
Noninterest income	4,503	4,075	4,924	6,674	5,752
Noninterest expense	16,807	17,760	19,392	22,025	24,461
Income (loss) before provision (benefit) for income tax	1,506	423	(255)	(1,712)	(8,820)
Total benefit for income tax	(8,321)	—	—	—	—
Net income (loss)	$ 9,827	$ 423	$ (255)	$ (1,712)	$ (8,820)

(1) Net of allowances for loan losses, loans in process and deferred loan fees.

	At June 30,				
OTHER DATA:	2015	2014	2013	2012	2011
Number of:					
Real estate loans outstanding	1,907	1,997	1,733	1,950	2,222
Deposit accounts	20,588	21,834	23,366	25,411	26,837
Full-service offices	11	11	11	13	14

KEY FINANCIAL RATIOS:	At or For the Year Ended June 30, 2015	2014	2013	2012	2011
Performance Ratios:					
Return on assets [1]	0.43%	0.10%	(0.05)%	(0.36)%	(1.72)%
Return on equity [2]	3.10	0.83	(0.49)	(3.13)	(16.66)
Equity to total assets ratio [3]	13.87	12.66	11.23	11.36	10.32
Interest rate spread [4]	3.83	3.68	3.35	3.43	3.57
Net interest margin [5]	4.05	3.87	3.53	3.65	3.78
Average interest-earning assets to average interest-bearing liabilities	124.7	119.2	115.9	116.4	112.3
Efficiency ratio [6]	91.8	97.7	97.5	95.6	103.1
Other operating expenses as a percent of average total assets	4.5	4.4	4.2	4.6	4.8
Anchor Bank Capital Ratios:					
Tier I leverage	14.3	13.6	11.4	10.9	10.7
Common equity Tier I capital [7]	16.2	N/A	N/A	N/A	N/A
Tier I risk-based	16.2	16.8	16.7	17.0	15.8
Total risk-based	17.4	18.0	18.8	18.2	17.1
Asset Quality Ratios:					
Nonaccrual and 90 days or more past due loans as a percent of total loans	0.7	1.6	2.2	3.0	4.3
Nonperforming assets as a percent of total assets	0.7	2.5	2.7	3.3	5.5
Allowance for loan losses as a percent of total loans	1.3	1.6	1.8	2.4	2.2
Allowance for loan losses as a percent of nonperforming loans	185.0	98.1	83.6	80.4	51.1
Net charge-offs to average outstanding loans	0.3	0.2	0.9	0.9	4.7

(1) Net income (loss) divided by average total assets.
(2) Net income (loss) divided by average equity.
(3) Average equity divided by average total assets.
(4) Difference between weighted average yield on interest-earning assets and weighted average rate on interest-bearing liabilities.
(5) Net interest income as a percentage of average interest-earning assets.
(6) The efficiency ratio represents the ratio of noninterest expense divided by the sum of net interest income and noninterest income.
(7) The common equity Tier 1 capital ratio was required beginning the quarter ended March 31, 2015.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis reviews our consolidated financial statements and other relevant statistical data and is intended to enhance your understanding of our financial conditions and results of operations. The information in this section has been derived from the Consolidated Financial Statements and footnotes thereto, which are included in Item 8 of this Form 10-K. You should read the information in this section in conjunction with the business and financial information regarding us as provided in this Form 10-K. Unless otherwise indicated, the financial information presented in this section reflects the consolidated financial condition and results of operations of Anchor Bancorp and its subsidiary.

Overview

Anchor Bancorp is a bank holding company which primarily engages in the business activity of its subsidiary, Anchor Bank. Anchor Bank is a community-based savings bank primarily serving Western Washington through our 11 full-service banking offices (including one Wal-Mart in-store location) located within Grays Harbor, Thurston, Lewis, Pierce, and Mason counties, Washington. We are in the business of attracting deposits from the public and utilizing those deposits to originate loans. We offer a wide range of loan products to meet the demands of our customers. Historically, our principal lending activity has consisted of the origination of loans secured by first mortgages on owner-occupied, one-to-four family residences and loans for the construction of one-to-four family residences, as well as consumer loans, with an emphasis on home equity loans and lines of credit. Since 1990, we have been aggressively offering commercial real estate loans and multi-family loans primarily in Western Washington.

Our primary source of pre-tax income is net interest income. Net interest income is the difference between interest income, which is the income that we earn on our loans and investments, and interest expense, which is the interest that we pay on our deposits and borrowings. Changes in levels of interest rates also affect our net interest income. Additionally, to offset the impact of the current low interest rate environment, we are seeking other means of increasing interest income while controlling expenses. We intend to enhance the mix of our assets by further increasing our commercial business relationships which have higher risk-adjusted returns. These commercial business relationships also typically help us generate lower cost deposits. A secondary source of income is noninterest income, which includes gains on sales of assets, and revenue we receive from providing products and services. In recent years, our noninterest expense has exceeded our net interest income after provision for loan losses and we have relied primarily upon gains on sales of assets (primarily sales of investments and mortgage loans to Freddie Mac) to supplement our net interest income.

Our operating expenses consist primarily of compensation and benefits, general and administrative, real estate owned expenses, FDIC insurance premiums, information technology, occupancy and equipment, deposit services and marketing expenses. Compensation and benefits expense consist primarily of the salaries and wages paid to our employees, payroll taxes, expenses for retirement and other employee benefits. Occupancy and equipment expenses, which are the fixed and variable costs of building and equipment, consist primarily of lease payments, taxes, depreciation charges, maintenance and costs of utilities.

Operating Strategy

Our focus is on managing our problem assets, increasing our higher-yielding assets (in particular commercial business loans), increasing our core deposit balances, reducing expenses, and retaining experienced employees with a commercial lending focus. We seek to achieve these results by focusing on the following objectives:

Origination of commercial real estate loans. We plan to continue our focus on commercial real estate loans; we maintain a diversified portfolio the majority of these loans are secured by commercial income producing properties, including retail centers, warehouses, and office buildings located in our market areas. At June 30, 2015 our current portfolio totals $128.3 million, or 44.5% of our total loan portfolio. We plan to increase our focus of owner-occupied commercial real estate which will bring a relationship that will potentially increase commercial business as well as deposits.

Focusing on Asset Quality. We have de-emphasized new loan originations for investment purposes to focus on monitoring existing performing loans, resolving nonperforming loans and selling foreclosed assets. We have aggressively sought to reduce our level of nonperforming assets through write-downs, collections, modifications and sales of nonperforming loans and the sale of properties once they become real estate owned. We have taken proactive steps to resolve our nonperforming loans, including negotiating repayment plans, forbearances, loan modifications and loan extensions with our borrowers when appropriate, and accepting short payoffs on delinquent loans, particularly when such payoffs result in a smaller loss to us than foreclosure. During the latter part of fiscal 2007, as part of management's decision to reduce the risk profile of our loan portfolio, we implemented more stringent underwriting guidelines and procedures. Prior to this time our underwriting emphasis with respect to commercial real estate, multi-family and construction loans focused heavily on the value of the collateral securing the loan, with less emphasis placed on the borrower's debt servicing capacity or other credit factors. Our revised underwriting guidelines place greater emphasis on the borrower's credit, debt service coverage and cash flows as well as on collateral appraisals. Additionally, our policies with respect to loan extensions became more conservative than our previous policies, and now require that a review of all relevant factors, including loan terms, the condition of the security property, market changes and trends that may affect the security property and financial condition of the borrower conform to our revised underwriting guidelines and that the extension be in our best interest.

Improving our Earnings by Expanding Our Product Offerings. We intend, subject to market conditions, to prudently increase the percentage of our assets consisting of higher-yielding commercial business loans, which offer higher risk-adjusted returns, shorter maturities and more sensitivity to interest rate fluctuations. At June 30, 2015, our commercial business loans totaled $19.0 million, or 6.6% of our total loan portfolio. We also intend to selectively add additional products to further diversify revenue sources and to capture more of each customer's banking relationship by cross selling our loan and deposit products and additional services to our customers such as electronic invoicing and payroll services for our business customers.

Attracting Core Deposits and Other Deposit Products. Our strategic focus is to emphasize total relationship banking with our customers to increase core deposits to internally fund our loan growth. The Company has reduced its reliance on other wholesale funding sources, including FHLB advances and brokered deposits, by focusing on customer deposits. We believe that by focusing on customer relationships, our level of core deposits and locally-based retail certificates of deposit will increase.

Continued Expense Control. Management has undertaken several initiatives to reduce noninterest expense and will continue to emphasize the identification of cost savings opportunities throughout all phases of our operations. Our expense control measures have included eliminating Anchor Bank's discretionary matching contribution to its 401(k) plan, reducing most marketing expenses and charitable contributions, cancelling certain projects and capital purchases, and reducing travel and entertainment expenditures. In particular we have also reduced our number of full-time equivalent employees from 194 at September 30, 2008 to 114 at June 30, 2015, primarily by closing six in store Wal-Mart branch offices as a result of their failure to meet our required growth standards. The reduction in personnel, cost savings and the closure of offices resulted in savings of approximately $1.8 million per year from the closure of these six offices. Notwithstanding these initiatives, our efforts to reduce noninterest expense were until recently adversely affected by significant costs associated with our REO. Noninterest expense decreased by $953,000 or 5.4% to $16.8 million during fiscal 2015 as compared to $17.8 million and $19.4 million during fiscal years 2014 and 2013, respectively.

Retaining Experienced Personnel with a Focus on Relationship Banking. Our ability to continue to retain banking professionals with strong community relationships and significant knowledge of our markets will be a key to our success. We believe that we enhance our market position and add profitable growth opportunities by focusing on retaining experienced bankers who are established in their communities. We emphasize to our employees the importance of delivering exemplary customer service and seeking opportunities to build further relationships with our customers. Our goal is to compete with other financial service providers by relying on the strength of our customer service and relationship banking approach.

Critical Accounting Policies

We use estimates and assumptions in our consolidated financial statements in accordance with generally accepted accounting principles. Management has identified several accounting policies that, due to the judgments, estimates and assumptions inherent in those policies, are critical to an understanding of our consolidated financial statements. These policies relate to the determination of the allowance for loan losses and the associated provision for loan losses, deferred income taxes and the associated income tax expense, as well as valuation of real estate owned. Management reviews the allowance for loan losses for adequacy on a monthly basis and establishes a provision for loan losses that it believes is sufficient for the loan portfolio growth expected and the loan quality of the existing portfolio. The carrying value of real estate owned is assessed on a quarterly basis. Income tax expense and deferred income taxes are calculated using an estimated tax rate and are based on management's understanding of our effective tax rate and the tax code.

Allowance for Loan Losses. Management recognizes that loan losses may occur over the life of a loan and that the allowance for loan losses must be maintained at a level necessary to absorb specific losses on impaired loans and probable losses inherent in the loan portfolio. Our Board of Directors and management assess the allowance for loan losses on a quarterly basis. The Executive Loan Committee analyzes several different factors including delinquency rates, charge-off rates and the changing risk profile of our loan portfolio, as well as local economic conditions such as unemployment rates, number of bankruptcies and vacancy rates of business and residential properties.

We believe that the accounting estimate related to the allowance for loan losses is a critical accounting estimate because it is highly susceptible to change from period to period, requiring management to make assumptions about future losses on loans. The impact of a sudden large loss could deplete the allowance and require increased provisions to replenish the allowance, which would negatively affect earnings.

Our methodology for analyzing the allowance for loan losses consists of specific allocations on significant individual credits that meet the definition of impaired and a general allowance amount. The specific allowance component is determined when management believes that the collectability of a specifically identified large loan has been impaired and a loss is probable. The general allowance component relates to assets with no well-defined deficiency or weakness and takes into consideration loss that is inherent within the portfolio but has not been realized. The general allowance is determined by applying an expected loss percentage to various classes of loans with similar characteristics and classified loans that are not analyzed specifically for impairment. Because of the imprecision in calculating inherent and potential losses, the national and local economic conditions are also assessed to determine if the general allowance is adequate to cover losses.

The allowance is increased by the provision for loan losses, which is charged against current period operating results and decreased by the amount of actual loan charge-offs, net of recoveries.

Deferred Income Taxes. Deferred income taxes are reported for temporary differences between items of income or expense reported in the financial statements and those reported for income tax purposes. Deferred taxes are computed using the asset and liability method. Under this method, a deferred tax asset or liability is determined based on the enacted tax rates that will be in effect when the differences between the financial statement carrying amounts and tax basis of existing assets and liabilities are expected to be reported in an institution's income tax returns. Deferred tax assets are deferred tax consequences attributable to deductible temporary differences and carryforwards. After the deferred tax asset has been measured using the applicable enacted tax rate and provisions of the enacted tax law, it is then necessary to assess the need for a valuation allowance. A valuation allowance is needed when, based on the weight of the available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. As required by GAAP, available evidence is weighted heavily on cumulative losses with less weight placed on future projected profitability. Realization of the deferred tax asset is dependent on whether there will be sufficient future taxable income of the appropriate character in the period during which deductible temporary differences reverse or within the carryback and carryforward periods available under tax law. Based upon the available evidence, we carried no valuation allowance at June 30, 2015. The tax provision for the period is equal to the net change in the net deferred tax asset from the beginning to the end of the period, less amounts applicable to the change in value related to securities available-for-sale. The effect on deferred taxes of a change in tax rates is recognized as income in the period that includes the enactment date. The primary differences between financial statement income and taxable income result from REO, deferred loan fees and costs, and loan loss reserves. Deferred income taxes do not include a liability for pre-1988 bad debt deductions allowed to thrift institutions that may be recaptured if the institution fails to qualify as a bank for income tax purposes in the future.

Real Estate Owned. Real estate acquired through foreclosure is transferred to the real estate owned asset classification at fair value estimated fair market value less estimated costs of disposal and subsequently carried at the lower of cost or market. Any impairment on the initial transfer is charged to the allowance for loan losses. Costs associated with real estate owned for maintenance, repair, property tax, etc., are expensed during the period incurred. Assets held in real estate owned are reviewed quarterly for potential impairment. When impairment is indicated the impairment is charged against current period operating results and netted against the real estate owned to reflect a net book value. At disposition any residual difference is either charged to current period earnings as a loss on sale or reflected as income in a gain on sale.

Comparison of Financial Condition at June 30, 2015 and June 30, 2014

General. Total assets decreased $9.9 million, or 2.5%, to $379.2 million at June 30, 2015 from $389.1 million at June 30, 2014. Federal Home Loan Bank ("FHLB") stock decreased $5.2 million, or 85.9% to $853,000. The FHLB stock decreased due to the merger of the Seattle FHLB with the Des Moines FHLB. Our excess FHLB Seattle stock was redeemed upon the merger in June 2015. Securities available-for-sale decreased $9.4 million, or 24.0% and securities held-to-maturity decreased $1.1 million, or 13.1% from June 30, 2014. The decreases in securities were primarily the result of contractual principal repayments and the sale of five securities totaling $2.4 million resulting in a gain of $47,000. In addition, total real estate owned decreased $4.3 million, or 84.3%, to $797,000 at June 30, 2015 from $5.1 million at June 30, 2014. These declines were partially offset by an increase in the deferred tax asset (“DTA”), net, of $8.3 million as the valuation allowance was reversed during the year due to the our return to profitability and our expectations of sustainable profitability for future periods. Total liabilities decreased $20.0 million or 5.9% to $315.5 million at June 30, 2015 compared to $335.5 million at June 30, 2014 primarily as the result of a decline in our interest bearing deposits, mostly certificates of deposit, of $14.8 million or 5.5% and a decrease in FHLB advances of $7.5 million or 42.9% to $10.0 million.

Assets. For the year ended June 30, 2015, total assets decreased $9.9 million. The following table details the increases and decreases in the composition of our assets from June 30, 2014 to June 30, 2015:

	Balance at June 30, 2015	Balance at June 30, 2014	Increase/(Decrease)	
			Amount	Percent
		(Dollars in thousands)		
Cash and cash equivalents	$ 14,450	$ 14,758	$ (308)	(2.1)%
Mortgage-backed securities, available-for-sale	29,130	38,471	(9,341)	(24.3)
Mortgage-backed securities, held-to-maturity	7,498	8,638	(1,140)	(13.2)
Loans receivable, net of allowance for loan losses	283,444	281,526	1,918	0.7
Real estate owned, net	797	5,067	(4,270)	(84.3)

From June 30, 2014 to June 30, 2015, cash and cash equivalents decreased $308,000.

Mortgage-backed securities available-for-sale decreased by $9.3 million or 24.3% to $29.1 million at June 30, 2015 from $38.5 million at June 30, 2014. Mortgage-backed securities held-to-maturity decreased $1.1 million or 13.2% to $7.5 million at June 30, 2015 from $8.6 million at June 30, 2014. The decreases in these portfolios were primarily the result of contractual principal repayments.

Loans receivable, net, increased $1.9 million or 0.7% to $283.4 million at June 30, 2015 from $281.5 million at June 30, 2014 as a result of new loan production exceeding principal reductions and loans transferred to REO. Commercial real estate loans increased $20.5 million or 19.0% to $128.3 million at June 30, 2015 from $107.8 million at June 30, 2014, primarily due to a $7.7 million and $5.7 million increase in retail and office properties, respectively. Several commercial construction projects were completed and converted to permanent financing. Commercial business loans increased $2.3 million or 13.4% to $19.0 million at June 30, 2015 from $16.7 million at June 30, 2014. Partially offsetting these increases were decreases in all other loan categories. Construction and land loans decreased $8.0 million, net, or 33.7% to $15.8 million at June 30, 2015 from $23.8 million at June 30, 2014. In addition, one-to-four family loans decreased $5.1 million or 8.0% to $57.9 million from $63.0 million at June 30, 2014. Multi-family loans decreased $4.3 million or 9.0% to $43.2 million at June 30, 2015 from $47.5 million at June 30, 2014. In addition, consumer loans decreased $4.4 million or 15.6% to $23.9 million at June 30, 2015 from $28.3 million at June 30, 2014 as consumers continue to reduce their debt. The demand for loans in our market area has been modest during the current economic recovery.

Real estate owned, net decreased $4.3 million, or 84.3% to $797,000 at June 30, 2015 from $5.1 million at June 30, 2014 as a result of ongoing sales to reduce our nonperforming assets. The $4.3 million decline was a result of REO sales of $6.5 million, net of impairments, and $32,000 of REO valuation write-downs partially offset by the transfer of loans to REO totaling $2.2 million as well as $27,000 of capital improvements to REO.

Deposits. Deposits decreased $11.2 million, or 3.6%, to $299.8 million at June 30, 2015 from $311.0 million at June 30, 2014 primarily as a result of an $11.2 million or 8.3% decrease in certificates of deposit, partially offset by increases in savings deposits and non-interest bearing demand deposits.

The following table details the changes in deposit accounts at the dates indicated:

	Balance at June 30, 2015	Balance at June 30, 2014	Increase/(Decrease)	
			Amount	Percent
		(Dollars in thousands)		
Noninterest-bearing demand deposits	$ 44,719	$ 41,149	$ 3,570	8.7 %
Interest-bearing demand deposits	22,448	22,771	(323)	(1.4)
Money market accounts	63,916	69,610	(5,694)	(8.2)
Savings deposits	42,399	39,693	2,706	6.8
Certificates of deposit	126,330	137,811	(11,481)	(8.3)
Total deposit accounts	$ 299,812	$ 311,034	$ (11,222)	(3.6)%

Borrowings. FHLB advances decreased $7.5 million, or 42.9%, to $10.0 million at June 30, 2015 from $17.5 million at June 30, 2014.

Equity. Total stockholders' equity increased $10.0 million or 18.7% to $63.7 million at June 30, 2015 from $53.7 million at June 30, 2014. The increase was primarily the result of net income of $9.8 million of which $8.3 million was from the reversal of our DTA valuation allowance and $1.5 million from operating income for year the ended June 30, 2015.

Comparison of Operating Results for the Years Ended June 30, 2015 and June 30, 2014

General. Net income for the year ended June 30, 2015 was $9.8 million or $3.97 per diluted share compared to net income of $423,000 or $0.17 per diluted share for the year ended June 30, 2014.

Net Interest Income. Net interest income before the provision for loan losses decreased $298,000, or 2.1%, to $13.8 million for the year ended June 30, 2015, from $14.1 million for the year ended June 30, 2014. For the year ended June 30, 2015, average loans receivable, net, increased $271,000 or 0.09% to $282.8 million from $282.6 million for the year ended June 30, 2014.

Our net interest margin increased 18 basis points to 4.05% for the year ended June 30, 2015, from 3.87% for the prior fiscal year. The improvement in our net interest margin compared to a year ago reflects a significant reduction in the adverse effect of nonperforming assets and reductions in the cost of deposits and FHLB advances. Our yield on earnings assets increased to 4.96% for the year ended June 30, 2015 from 4.88% for the year ended June 30, 2014. Our funding costs have decreased to 1.13% during the year ended June 30, 2015 from 1.20% during the year ended June 30, 2014. The declines reflect the low interest rate environment that has persisted throughout the year. We expect further declines in our funding costs as our certificates of deposit mature and reprice to current market rates. The cost of certificates of deposit increased to 1.96%, during the year ended June 30, 2015 from 1.93% for the same period of the prior year. At June 30, 2015, $40.4 million of our certificates of deposit with a weighted average rate of 0.67% will mature within one year. Our net interest rate spread increased to 3.83% for the year ended June 30, 2015 as compared to 3.68% for the year ended June 30, 2014.

The following table sets forth the results of changes in our balance sheet and in interest rates to our net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). Changes attributable to both rate and volume, which cannot be segregated, are allocated proportionately to the changes in rate and volume.

	Year Ended June 30, 2015 Compared to June 30, 2014		
	Increase (Decrease) Due to		
	Rate	Volume	Total
		(In thousands)	
Interest-earning assets:			
Loans receivable, net	$ (728)	$ 16	$ (712)
Mortgage-backed securities	51	(184)	(133)
Investment securities, FHLB and cash and cash equivalents	(4)	(54)	(58)
Total net change in income on interest-earning assets	(681)	(222)	(903)
Interest-bearing liabilities:			
Savings deposits	—	4	4
Interest bearing demand deposits	—	—	—
Money market accounts	2	(14)	(12)
Certificates of deposit	46	(244)	(198)
FHLB advances	(28)	(371)	(399)
Total net change in expense on interest-bearing liabilities	20	(625)	(605)
Net change in net interest income	$ (701)	$ 403	$ (298)

Interest Income. Total interest income for the year ended June 30, 2015 decreased $903,000, or 5.1%, to $16.9 million, from $17.8 million for the year ended June 30, 2014. The decrease during the year was primarily attributable to the 26 basis point decline in the yield on loans compared to the prior fiscal year. In addition, the average balance of mortgage backed-securities decreased $9.9 million or 19.3% to $41.5 million from $51.4 million for the year ended June 30, 2014.

The following table compares detailed average earning asset balances, associated yields, and resulting changes in interest income for the years ended June 30, 2015 and 2014:

	Year Ended June 30,				
	2015		2014		Increase/ (Decrease) in Interest and Dividend Income from 2014
	Average Balance	Yield	Average Balance	Yield	
	(Dollars in thousands)				
Loans receivable, net	$ 282,841	5.66%	$ 282,570	5.92%	$ (712)
Mortgage-backed securities	41,493	1.98	51,407	1.86	(133)
Investment securities	562	4.98	920	5.00	(18)
FHLB stock	5,544	0.13	6,179	0.10	1
Cash and cash equivalents	10,326	0.21	23,792	0.26	(41)
Total interest-earning assets	$ 340,766	4.96%	$ 364,868	4.88%	$ (903)

Interest Expense. Interest expense decreased $605,000, or 16.4%, to $3.1 million for the year ended June 30, 2015 from $3.7 million for the year ended June 30, 2014 primarily due to a decline in our average interest bearing liabilities. The average balance of total interest-bearing liabilities decreased $32.9 million, or 10.7%, to $273.3 million for the year ended June 30, 2015 from $306.2 million for the year ended June 30, 2014 primarily as a result of our managed decline in FHLB advances and certificates of deposits.

In addition, as a result of general market rate decreases, the average cost of funds for total interest-bearing liabilities decreased seven basis points to 1.13% for the year ended June 30, 2015 compared to 1.20% for the year ended June 30, 2014.

The following table details average balances, cost of funds and the change in interest expense for the years ended June 30, 2015 and 2014:

	Year Ended June 30,				
	2015		2014		Increase/ (Decrease) in Interest Expense from 2014
	Average Balance	Yield	Average Balance	Yield	
	(Dollars in thousands)				
Savings deposits	$ 41,220	0.15%	$ 38,610	0.15%	$ 4
Interest-bearing demand deposits	20,355	0.04	20,570	0.04	—
Money market accounts	68,245	0.15	77,886	0.14	(12)
Certificates of deposit	130,428	1.96	143,080	1.93	(198)
FHLB advances	13,049	2.65	26,015	2.86	(399)
Total interest-bearing liabilities	$ 273,297	1.13%	$ 306,161	1.20%	$ (605)

Provision for Loan Losses. In connection with our analysis of the loan portfolio, management determined that no provision for loan losses was required for the years ended June 30, 2015 and 2014. No provision was required during these periods due to the stabilization of the general economy and real estate market, the decline in the level of nonperforming and classified loans, and the decrease in loan charge-offs during these periods. Loans charge-offs decreased to $1.5 million for year ended June 30, 2015 as compared to $2.4 million for the last fiscal year. The $1.5 million of loans charged off during the fiscal year included $561,000 of one-to-four family mortgage loans, $159,000 of multi-family loans, $340,000 of commercial real estate loans, $239,000 of home equity loans, $112,000 of direct consumer loans, including credit cards, and $86,000 of commercial business loans. Nonperforming assets were $2.8 million or 0.7% of total assets at June 30, 2015, compared to $9.8 million, or 2.5% of total assets at June 30, 2014. Total delinquent loans (past due 30 days or more), decreased $3.9 million, or 52.0% to $3.6 million at June 30, 2015 from $7.5 million at June 30, 2014. Nonperforming loans decreased to $2.0 million at June 30, 2015 from $4.7 million at June 30, 2014. The ratio of nonperforming loans, which includes nonaccrual loans and loans which are 90 days or more past due and still accruing interest, to total loans decreased to 0.7% at June 30, 2015 from 1.6% at June 30, 2014. Classified loans declined to $3.7 million at June 30, 2015 from $6.6 million a year ago. The allowance for loan losses of $3.7 million at June 30, 2015 represented 1.3% of loans receivable and 185.0% of nonperforming loans.

Management considers the allowance for loan losses at June 30, 2015 to be adequate to cover probable losses inherent in the loan portfolio based on the assessment of the above-mentioned factors affecting the loan portfolio. While management believes the estimates and assumptions used in its determination of the adequacy of the allowance are reasonable, there can be no assurance that such estimates and assumptions will not be proven incorrect in the future, or that the actual amount of future provisions will not exceed the amount of past provisions or that any increased provisions that may be required will not adversely impact our financial condition and results of operations. In addition, the determination of the amount of our allowance for loan losses is subject to review by bank regulators, as part of the routine examination process, which may result in the establishment of additional reserves based upon their judgment of information available to them at the time of their examination.

The following table details activity and information related to the allowance for loan losses for the year ended June 30, 2015 and 2014:

	At or For the Year Ended June 30,	
	2015	2014
	(Dollars in thousands)	
Provision for loan losses	$ —	$ —
Net charge-offs	903	523
Allowance for loan losses	3,721	4,624
Allowance for losses as a percentage of total loans receivable at the end of this period	1.3%	1.6%
Nonaccrual and 90 days or more past due loans still accruing interest	$ 2,011	$ 4,714
Allowance for loan losses as a percentage of nonperforming loans at the end of the period	185.0%	98.1%
Nonaccrual and 90 days or more past due loans still accruing interest as a percentage of loans receivable at the end of the period	0.7%	1.6%
Total loans, gross and excluding loans held for sale	$ 288,212	$ 287,250

Noninterest Income. Noninterest income increased $428,000, or 10.5%, to $4.5 million for the year ended June 30, 2015 from $4.1 million for the year ended June 30, 2014. The following table provides a detailed analysis of the changes in the components of noninterest income:

	Year Ended June 30,		Increase (Decrease)	
	2015	2014	Amount	Percent
	(Dollars in thousands)			
Deposit services fees	$ 1,381	$ 1,562	$ (181)	(11.6)%
Other deposit fees	735	790	(55)	(7.0)
Gain on sale of investments	47	—	47	—
Loan fees	588	657	(69)	(10.5)
(Loss) gain on sale of loans	(15)	8	(23)	(287.5)
Bank owned life insurance	1,019	549	470	85.6
Other income	748	509	239	47.0
Total noninterest income	$ 4,503	$ 4,075	$ 428	10.5 %

Noninterest income increased during the year ended June 30, 2015, primarily attributable to a $470,000 increase in bank owned life insurance, due to the receipt of $479,000 related to a former Anchor Bank executive's insurance death benefit. In addition, other income increased $239,000 primarily due to a large prepayment on a commercial real estate loan.

Noninterest Expense. Noninterest expense decreased $953,000, or 5.4%, to $16.8 million for the year ended June 30, 2015 from $17.8 million for the year ended June 30, 2014. The following table provides an analysis of the changes in the components of noninterest expense:

	At or For the Year Ended June 30,		Increase (Decrease)	
	2015	2014	Amount	Percent
	(Dollars in thousands)			
Compensation and benefits	$ 8,003	$ 8,100	$ (97)	(1.2)%
General and administrative expenses	2,663	3,086	(423)	(13.7)
Real estate owned impairment	32	1,090	(1,058)	(97.1)
Real estate holding cost	267	447	(180)	(40.3)
FDIC insurance premium	342	505	(163)	(32.3)
Information technology	1,739	1,710	29	1.7
Occupancy and equipment	1,944	1,833	111	6.1
Deposit services	570	725	(155)	(21.4)
Marketing	710	679	31	4.6
Loss (gain) on sale of property, premises and equipment	820	(8)	828	(10,350.0)
Gain on sale of REO	(283)	(407)	124	(30.5)
Total noninterest expense	$ 16,807	$ 17,760	$ (953)	(5.4)%

Noninterest expense decreased during the year ended June 30, 2015 primarily due to decreases in REO impairment expense and REO holding costs of $1.1 million and $180,000, respectively as compared to 2014, reflecting the stabilization in real estate prices in our market and the reduction in the number of REO properties held by us. In addition our general and administrative expenses decreased $423,000 or 13.7% during the year ended June 30, 2015 to $2.7 million from $3.1 million last year reflecting our focus on cost control. Partially offsetting these decreases was a $820,000 loss on sale of premises, primarily due to a $758,000 loss on sale of our Aberdeen Loan Center locations.

Our efficiency ratio, which is the percentage of noninterest expense to net interest income plus noninterest income, was 91.8% for the year ended June 30, 2015 compared to 97.7% for the year ended June 30, 2014. By definition, a lower efficiency ratio would be an indication that we are more efficiently utilizing resources to generate net interest income and other fee income.

Provision (benefit) for Income Taxes. The Company had an $8.3 million benefit for income taxes for the year ended June 30, 2015 and no provision (benefit) for income taxes for the year ended June 30, 2014 due to the Bank's valuation allowance. At June 30, 2015, the Company had a DTA of $8.9 million which included $13.9 million for federal net operating loss carryforwards, which will begin to expire in 2031.

DTAs are deferred tax consequences attributable to deductible temporary differences and carryforwards. After the DTA has been measured using the applicable enacted tax rate and provisions of the enacted tax law, it is then necessary to assess the need for a valuation allowance. A valuation allowance is needed when, based on the weight of the available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. As required by generally accepted accounting principles, available evidence is weighted heavily on cumulative losses with less weight placed on future projected profitability. Realization of the DTA is dependent on whether there will be sufficient future taxable income of the appropriate character in the period during which deductible temporary differences reverse or within the carryback and carryforward periods available under tax law. During fiscal 2015, the Company reversed its DTA valuation allowance related to the Company's' deferred tax assets as management deemed that it was no longer appropriate to carry a DTA valuation allowance as a result of changes in the factors considered by management when the Company initially established the valuation allowance. In reaching this determination, management considered, among other factors, the scheduled reversal of deferred tax assets and liabilities, taxes paid in carryback years, available tax planning strategies, the Company's cumulative earnings during the past three years, including the Company's recent financial performance, the improvement in the Company's asset quality and financial condition, as well as projected earnings. As of June 30, 2015, management deemed that a deferred tax asset valuation allowance related to the Company's DTA was not necessary as compared to a valuation allowance of $8.5 million and $8.7 million at June 30, 2014 and 2013, respectively. See Note 14 of the Notes to the Consolidated Financial Statements contained in Item 8 of this Form 10-K, for further discussion of the Company's income taxes.

Comparison of Financial Condition at June 30, 2014 and June 30, 2013

General. Total assets decreased $63.1 million, or 14.0%, to $389.1 million at June 30, 2014 from $452.2 million at June 30, 2013. The decrease in assets during this period was primarily a result of a $50.6 million or 77.4% decline in cash and cash equivalents, as we used our excess cash to repay $47.4 million of maturing FHLB advances. Securities available-for-sale decreased $9.4 million, or 19.4% and securities held-to-maturity decreased $1.4 million, or 13.6% from June 30, 2013. The decreases in securities were primarily the result of contractual principal repayments. In addition, total real estate owned decreased $1.1 million, or 18.4%, to $5.1 million at June 30, 2014 from $6.2 million at June 30, 2013. Total liabilities decreased $64.4 million or 16.1% to $335.5 million at June 30, 2014 compared to $399.8 million at June 30, 2013. Total deposits decreased $17.6 million, or 5.3%, to $311.0 million at June 30, 2014 from $328.6 million at June 30, 2013 primarily as a result of a $13.0 million or 15.7% decrease in money market accounts and $11.9 million or 7.9% in certificates of deposit which decreases were partially offset by increases in savings deposits and interest-bearing and non-interest bearing demand deposits. Our total borrowings, which consisted of FHLB advances, decreased $47.4 million from June 30, 2013 to June 30, 2014.

Assets. For the year ended June 30, 2014, total assets decreased $63.1 million. The following table details the increases and decreases in the composition of our assets from June 30, 2013 to June 30, 2014:

	Balance at June 30, 2014	Balance at June 30, 2013	Increase (Decrease) Amount	Percent
	(Dollars in thousands)			
Cash and cash equivalents	$ 14,758	$ 65,353	$ (50,595)	(77.4)%
Mortgage-backed securities, available-for-sale	38,471	46,852	(8,381)	(17.9)
Mortgage-backed securities, held-to-maturity	8,638	10,160	(1,522)	(15.0)
Loans receivable, net of allowance for loan losses	281,526	277,454	4,072	1.5
Real estate owned	5,067	6,212	(1,145)	(18.4)

From June 30, 2013 to June 30, 2014, cash and cash equivalents decreased $50.6 million. The decrease is primarily a result of a $47.4 million decline in cash and cash equivalents that were used to repay FHLB advances.

Mortgage-backed securities available-for-sale decreased by $8.4 million or 17.9% to $38.5 million at June 30, 2014 from $46.9 million at June 30, 2013. Mortgage-backed securities held-to-maturity decreased $1.5 million or 15.0% to $8.6 million at June 30, 2014 from $10.2 million at June 30, 2013. The decreases in these portfolios were primarily the result of contractual principal repayments.

Loans receivable, net, increased $4.1 million or 1.5% to $281.5 million at June 30, 2014 from $277.5 million at June 30, 2013 as a result of new loan production exceeding principal reductions. Construction and land loans increased $12.8 million, net or 117.1% to $23.8 million at June 30, 2014 from $11.0 million at June 30, 2013. Included in the increase of construction loans is an increase in owner-occupied hospitality loans of $9.9 million. The remaining increases are construction loans to build commercial real estate properties. Multi-family loans increased $9.1 million or 23.6% to $47.5 million at June 30, 2014 from $38.4 million at June 30, 2013. Commercial real estate loans increased $969,000 or 0.9% to $107.8 million at June 30, 2014 from $106.9 million at June 30, 2013. Partially offsetting these increases, one-to-four family loans decreased $10.9 million or 14.7% to $63.0 million from $73.9 million at June 30, 2013 and commercial business loans decreased $1.5 million or 8.1% to $16.7 million at June 30, 2014 from $18.2 million at June 30, 2013. In addition, consumer loans decreased $6.8 million or 19.3% to $28.3 million at June 30, 2014 from $35.1 million at June 30, 2013 as consumers continue to reduce their debt. The demand for loans in our market area has been modest during the current economic recovery.

Real estate owned, net decreased $1.1 million, or 18.4% to $5.1 million at June 30, 2014 from $6.2 million at June 30, 2013 as a result of ongoing sales to reduce our nonperforming assets. The $1.1 million decline was a result of REO sales of $6.4 million, net of impairments, and $1.1 million of REO valuation write-downs partially offset by the transfer of loans to REO totaling $5.8 million as well as $591,000 of capital improvements.

Deposits. Deposits decreased $17.6 million, or 5.3%, to $311.0 million at June 30, 2014 from $328.6 million at June 30, 2013.

The following table details the changes in deposit accounts at the dates indicated:

	Balance at June 30, 2014	Balance at June 30, 2013	Increase (Decrease) Amount	Percent
	(Dollars in thousands)			
Noninterest-bearing demand deposits	$ 41,149	$ 39,713	$ 1,436	3.6 %
Interest-bearing demand deposits	22,771	20,067	2,704	13.5
Money market accounts	69,610	82,603	(12,993)	(15.7)
Savings deposits	39,693	36,518	3,175	8.7
Certificates of deposit	137,811	149,683	(11,872)	(7.9)
Total deposit accounts	$ 311,034	$ 328,584	$ (17,550)	(5.3)%

Borrowings. FHLB advances decreased $47.4 million, or 73.0%, to $17.5 million at June 30, 2014 from $64.9 million at June 30, 2013.

Equity. Total stockholders' equity increased $1.3 million, or 2.5%, to $53.7 million at June 30, 2014 from $52.4 million at June 30, 2013. The increase was primarily due to the $761,000 decrease in accumulated other comprehensive loss representing a decline in our unrealized losses on securities available-for-sale and our net income of $423,000 for the year ended June 30, 2014.

Comparison of Operating Results for the Years Ended June 30, 2014 and June 30, 2013

General. Net income for the year ended June 30, 2014 was $423,000 or $0.17 per diluted share compared to a net loss of $255,000 or $(0.10) per diluted share for the year ended June 30, 2013.

Net Interest Income. Net interest income before the provision for loan losses decreased $855,000, or 5.7%, to $14.1 million for the year ended June 30, 2014, from $15.0 million for the year ended June 30, 2013. For the year ended June 30, 2014, average loans receivable, net, decreased $9.7 million or 3.3% to $282.6 million from $292.3 million for the year ended June 30, 2013.

Our net interest margin increased 34 basis points to 3.87% for the year ended June 30, 2014, from 3.53% for the prior fiscal year. The improvement in our net interest margin compared to a year ago reflects a significant reduction in the adverse effect of nonperforming assets and reductions in the cost of deposits and Federal Home Loan Bank ("FHLB") advances. Our yield on earnings assets increased to 4.88% for the year ended June 30, 2014 from 4.66% for the year ended June 30, 2013. Our funding costs have decreased from 1.30% during the year ended June 30, 2013 to 1.20% during the year ended June 30, 2014. The declines reflect the low interest rate environment that has persisted throughout the year. We expect further declines in our funding costs as our certificates of deposit mature and reprice to current market rates. The cost for certificates of deposit decreased to 1.93%, during the year ended June 30, 2014 from 2.01% for the same period of the prior year. At June 30, 2014, $46.1 million of our certificates of deposit with a weighted average rate of 0.51% will mature within one year. Our net interest rate spread increased to 3.68% for the year ended June 30, 2014 as compared to 3.35% for the year ended June 30, 2013.

The following table sets forth the results of changes in our balance sheet and in interest rates to our net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). Changes attributable to both rate and volume, which cannot be segregated, are allocated proportionately to the changes in rate and volume.

	Year Ended June 30, 2014 Compared to June 30, 2013		
	Increase (Decrease) Due to		
	Rate	Volume	Total
	(In thousands)		
Interest-earning assets:			
Loans receivable, net	$ (724)	$ (598)	$ (1,322)
Mortgage-backed securities	(306)	(183)	(489)
Investment securities, FHLB and cash and cash equivalents	12	(139)	(127)
Total net change in income on interest-earning assets	(1,018)	(920)	(1,938)
Interest-bearing liabilities:			
Savings deposits	(31)	4	(27)
Interest bearing demand deposits	(8)	2	(6)
Money market accounts	(96)	(25)	(121)
Certificates of deposit	(113)	(319)	(432)
FHLB advances	247	(744)	(497)
Total net change in expense on interest-bearing liabilities	(1)	(1,082)	(1,083)
Net change in net interest income	$ (1,017)	$ 162	$ (855)

Interest Income. Total interest income for the year ended June 30, 2014 decreased $1.9 million, or 9.8%, to $17.8 million, from $19.7 million for the year ended June 30, 2013. The decrease during the year was primarily attributable to the declines in the average balance of loans receivable, net, and mortgage-backed securities along with declines in the average yield earned on both. For the year ended June 30, 2014, the average balance of loans receivable, net, decreased $9.7 million or 3.3% to $282.6 million from $292.3 million for the year ended June 30, 2013. The average balance of mortgage backed-securities decreased $7.5 million or 12.3% to $51.4 million from $58.9 million for the year ended June 30, 2013. In addition, the yields on loans and mortgage-backed securities decreased 25 basis points and 59 basis points, respectively for the year ended June 30, 2014 compared to the prior fiscal year.

The following table compares detailed average earning asset balances, associated yields, and resulting changes in interest income for the years ended June 30, 2014 and 2013:

	Year Ended June 30,				
	2014		2013		
	Average Balance	Yield	Average Balance	Yield	Increase/ (Decrease) in Interest Income from 2013
	(Dollars in thousands)				
Loans receivable, net	$ 282,570	5.92%	$ 292,255	6.17%	$ (1,322)
Mortgage-backed securities	51,407	1.86	58,870	2.45%	(489)
Investment securities	920	5.00	1,682	4.88%	(36)
FHLB stock	6,179	0.10	6,415	—%	6
Cash and cash equivalents	23,792	0.26	64,472	0.25%	(97)
Total interest-earning assets	$ 364,868	4.88%	$ 423,694	4.66%	$ (1,938)

Interest Expense. Interest expense decreased $1.1 million, or 22.7%, to $3.7 million for the year ended June 30, 2014 from $4.8 million for the year ended June 30, 2013 primarily due to a decline in our average interest bearing liabilities. The average balance of total interest-bearing liabilities decreased $59.4 million, or 16.3%, to $306.2 million for the year ended June 30, 2014 from $365.5 million for the year ended June 30, 2013 primarily as a result of our managed decline in FHLB advances and time deposits.

In addition, as a result of general market rate decreases, the average cost of funds for total interest-bearing liabilities decreased 10 basis points to 1.20% for the year ended June 30, 2014 compared to 1.30% for the year ended June 30, 2013.

The following table details average balances, cost of funds and the change in interest expense for the years ended June 30, 2014 and 2013:

	Year Ended June 30,				
	2014		2013		
	Average Balance	Yield	Average Balance	Yield	Increase/ (Decrease) in Interest Expense from 2013
	(Dollars in thousands)				
Savings deposits	$ 38,610	0.15%	$ 36,867	0.23%	$ (27)
Interest-bearing demand deposits	20,570	0.04	17,723	0.08%	(6)
Money market accounts	77,886	0.14	87,090	0.27%	(121)
Certificates of deposit	143,080	1.93	158,969	2.01%	(432)
FHLB advances	26,015	2.86	64,900	1.91	(497)
Total interest-bearing liabilities	$ 306,161	1.20%	$ 365,549	1.30%	$ (1,083)

Provision for Loan Losses. In connection with our analysis of the loan portfolio for the year ended June 30, 2014, management determined that no provision for loan losses was required for the year ended June 30, 2014, compared to a provision for loan losses of $750,000 established for the year ended June 30, 2013. The decrease in the provision primarily reflects a decrease in charge-offs to $2.4 million for year ended June 30, 2014 as compared to $3.3 million for the last fiscal year and the decline in nonperforming loans. The $2.4 million of loans charged off during the fiscal year included $897,000 of one-to-four family mortgage loans, $403,000 of commercial real estate loans, $572,000 of home equity loans, $304,000 of direct consumer loans, including credit cards, and $258,000 of commercial business loans. Nonperforming assets were $9.8 million or 2.5% of total assets at June 30, 2014, compared to $12.4 million, or 2.7% of total assets at June 30, 2013. Total delinquent loans (past due 30 days or more), decreased $2.7 million, or 26.8% to $7.5 million at June 30, 2014 from $10.2 million at June 30, 2013. Nonperforming loans decreased to $4.7 million at June 30, 2014 from $6.2 million at June 30, 2013. In particular, our higher risk nonperforming construction loans remained unchanged at none for both June 30, 2013 and June 30, 2014. The ratio of nonperforming loans, which includes nonaccrual loans and loans which are 90 days or more past due and still accruing interest, to total loans decreased to 1.6% at June 30, 2014 from 2.2% at June 30, 2013. The allowance for loan losses of $4.6 million at June 30, 2014 represented 1.6% of loans receivable and 98.1% of nonperforming loans.

The following table details activity and information related to the allowance for loan losses for the year ended June 30, 2014 and 2013:

	At or For the Year Ended June 30,	
	2014	2013
	(Dollars in thousands)	
Provision for loan losses	$ —	$ 750
Net charge-offs	523	2,660
Allowance for loan losses	4,624	5,147
Allowance for losses as a percentage of total loans receivable at the end of the period	1.6%	1.8%
Nonaccrual and 90 days or more past due loans still accruing interest	$ 4,714	$ 6,159
Allowance for loan losses as a percentage of nonperforming loans at the end of the period	98.1%	83.6%
Nonaccrual and 90 days or more past due loans still accruing interest as a percentage of loans receivable at the end of the period	1.6%	2.2%
Total loans	$ 287,250	$ 283,516

Noninterest Income. Noninterest income decreased $849,000, or 17.2%, to $4.1 million for the year ended June 30, 2014 from $4.9 million for the year ended June 30, 2013. The following table provides a detailed analysis of the changes in the components of noninterest income:

	Year Ended June 30,		Increase (Decrease)	
	2014	2013	Amount	Percent
	(Dollars in thousands)			
Deposit services fees	$ 1,562	$ 1,468	$ 94	6.4 %
Other deposit fees	790	863	(73)	(8.5)
Gain on sale of investments	—	70	(70)	(100.0)
Loan fees	657	712	(55)	(7.7)
Gain on sale of loans	8	444	(436)	(98.2)
Bank owned life insurance	549	621	(72)	(11.6)
Other income	509	746	(237)	(31.8)
Total noninterest income	$ 4,075	$ 4,924	$ (849)	(17.2)%

Noninterest income decreased during the year ended June 30, 2014, primarily due to a $436,000 decline in gain on sales of loans, resulting from lower mortgage loan sales due to a decline in one-to-four family mortgage loan originations and a $237,000 decline in other income due to the decrease in interest rate lock fees reflecting the decline in loan sales.

Noninterest Expense. Noninterest expense decreased $1.6 million, or 8.4%, to $17.8 million for the year ended June 30, 2014 from $19.4 million for the year ended June 30, 2013. The following table provides an analysis of the changes in the components of noninterest expense:

	At or For the Year Ended June 30,		Increase (Decrease)	
	2014	2013	Amount	Percent
	(Dollars in thousands)			
Compensation and benefits	$ 8,100	$ 8,441	$ (341)	(4.0)%
General and administrative expenses	3,086	3,277	(191)	(5.8)
Real estate owned reserve	1,090	1,487	(397)	(26.7)
Real estate holding costs	447	496	(49)	(9.9)
FDIC insurance premium	505	651	(146)	(22.4)
Information technology	1,710	1,661	49	3.0
Occupancy and equipment	1,833	2,182	(349)	(16.0)
Deposit services	725	651	74	11.4
Marketing	679	584	95	16.3
Loss on sale of property, premises and equipment	(8)	56	(64)	(114.3)
Net (gain) loss on sale of REO	(407)	(94)	(313)	333.0
Total noninterest expense	$ 17,760	$ 19,392	$ (1,632)	(8.4)%

Noninterest expense decreased $1.6 million or 8.4% in the year ended June 30, 2014 to $17.8 million from $19.4 million for the year ended June 30, 2013. The decrease was primarily due to a decrease in REO impairment expense of $397,000 and an increase of $313,000 in the gain on sale of REO as compared to the same period in 2013, reflecting the stabilization in the real estate market. Also contributing to the decrease was a decline in occupancy and equipment and compensation and benefits expenses which decreased $349,000 and $341,000, respectively, from the previous year. The decreases reflect the realized savings from the closure of one Wal-Mart branch and one leased branch.

Our efficiency ratio, which is the percentage of noninterest expense to net interest income plus noninterest income, was 97.7% for the year ended June 30, 2014 compared to 97.5% for the year ended June 30, 2013. The increase in efficiency ratio was primarily attributable to the decrease in noninterest income. By definition, a lower efficiency ratio would be an indication that we are more efficiently utilizing resources to generate net interest income and other fee income.

Provision (benefit) for Income Taxes. There was no provision (benefit) for income taxes for the years ended June 30, 2014 and 2013 due to the Bank's DTA valuation allowance. At June 30, 2014, based upon the available evidence, we recorded a partial DTA valuation allowance of $8.5 million as compared to $8.7 million and $7.9 million at June 30, 2013 and 2012, respectively.

At June 30, 2014, the Company had a net operating loss carryforward totaling $14.5 million which can be used to offset future taxable income. The Federal net operating loss carryforward begins to expire in 2031.

Average Balances, Interest and Average Yields/Cost

The following table sets forth for the periods indicated, information regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest-earning assets and interest expense on average interest-bearing liabilities, resultant yields, interest rate spread, net interest margin, and the ratio of average interest-earning assets to average interest-bearing liabilities. Average balances have been calculated using the average of weekly interest-earning assets and interest-bearing liabilities. Noninterest-earning assets and noninterest-bearing liabilities have been computed on a monthly basis.

	Year Ended June 30,								
	2015			2014			2013		
	Average Balance [1]	Interest and Dividends	Yield/ Cost	Average Balance [1]	Interest and Dividends	Yield/ Cost	Average Balance [1]	Interest and Dividends	Yield/ Cost
	(Dollars in thousands)								
Interest-earning assets:									
Loans receivable, net [1]	$ 282,841	$ 16,006	5.66%	$ 282,570	$ 16,718	5.92%	$ 292,255	$ 18,040	6.17%
Mortgage-backed securities	41,493	823	1.98	51,407	956	1.86	58,870	1,445	2.45
Investment securities	562	28	4.98	920	46	5.00	1,682	82	4.88
FHLB stock	5,544	7	0.13	6,179	6	—	6,415	—	—
Cash and cash equivalents	10,326	22	0.21	23,792	63	0.26	64,472	160	0.25
Total interest-earning assets	340,766	16,886	4.96	364,868	17,789	4.88	423,694	19,727	4.66
Noninterest earning assets	36,521			39,789			40,691		
Total average assets	$ 377,287			$ 404,657			$ 464,385		
Interest-bearing liabilities:									
Savings deposits	41,220	62	0.15	38,610	58	0.15	36,867	85	0.23
Interest-bearing demand deposits	20,355	9	0.04	20,570	9	0.04	17,723	15	0.08%
Money market accounts	68,245	100	0.15	77,886	112	0.14	87,090	233	0.27
Certificates of deposit	130,428	2,559	1.96	143,080	2,757	1.93	158,969	3,189	2.01
Total deposits	260,248	2,730	1.05	280,146	2,936	1.05	300,649	3,522	1.17
FHLB advances	13,049	346	2.65	26,015	745	2.86	64,900	1,242	1.91
Total interest-bearing liabilities	273,297	3,076	1.13	306,161	3,681	1.20	365,549	4,764	1.30
Noninterest-bearing liabilities	51,666			47,265			46,681		
Total average liabilities	324,963			353,426			412,230		
Average equity	52,324			51,231			52,155		
Total liabilities and equity	$ 377,289			$ 404,657			$ 464,385		
Net interest income			$ 13,810			$ 14,108			$ 14,963
Interest rate spread			3.83%			3.68%			3.35%
Net interest margin			4.05%			3.87%			3.53%
Ratio of average interest-earning assets to average interest-bearing liabilities			124.7%			119.2%			115.9%

[1] Average loans receivable includes nonperforming loans and does not include net deferred loan fees.

Yields Earned and Rates Paid

The following table sets forth (on a consolidated basis) for the periods and at the dates indicated, the weighted average yields earned on our assets, the weighted average interest rates paid on our liabilities, together with the net yield on interest-earning assets.

	At June 30, 2015	Year Ended June 30, 2015	2014	2013
Weighted average yield on:				
Loans receivable, net	5.30%	5.66%	5.92%	6.17%
Mortgage-backed securities	2.40	1.98	1.86	2.45
Investment securities	4.94	4.98	5.00	4.88
FHLB stock	—	0.13	0.10	—
Cash and cash equivalents	0.23	0.21	0.26	0.25
Total interest-earning assets	4.73	4.96	4.88	4.66
Weighted average rate paid on:				
Savings accounts	0.15	0.15	0.15	0.23
Interest-bearing demand deposits	0.10	0.04	0.04	0.08
Money market accounts	0.42	0.15	0.14	0.27
Certificates of deposit	2.02	1.96	1.93	2.01
Total average deposits	1.14	1.05	1.05	1.17
FHLB advances	1.18	2.65	2.86	1.91
Total interest-bearing liabilities	0.89	1.13	1.20	1.30
Interest rate spread (spread between weighted average rate on all interest-earning assets and all interest-bearing liabilities)	3.84	3.83	3.68	3.35
Net interest margin (net interest income (expense) as a percentage of average interest-earning assets)	N/A	4.05	3.87	3.53

Rate/Volume Analysis

The following table sets forth the effects of changing rates and volumes on our net interest income. Information is provided with respect to: (1) effects on interest income attributable to changes in volume (changes in volume multiplied by prior rate); and (2) effects on interest income attributable to changes in rate (changes in rate multiplied by prior volume). Changes attributable to both rate and volume, which cannot be segregated, are allocated proportionately to the changes in rate and volume.

	Year Ended June 30, 2015 Compared to June 30, 2014 Increase (Decrease) Due to			Year Ended June 30, 2014 Compared to June 30, 2013 Increase (Decrease) Due to		
	Rate	Volume	Total	Rate	Volume	Total
	(In thousands)					
Interest-earning assets:						
Loans receivable, net	$ (728)	$ 16	$ (712)	$ (724)	$ (598)	$ (1,322)
Mortgage-backed securities	51	(184)	(133)	(306)	(183)	(489)
Investment securities, FHLB stock and cash and cash equivalents	(4)	(54)	(58)	12	(139)	(127)
Total net change in income on interest-earning assets	$ (681)	$ (222)	$ (903)	$ (1,018)	$ (920)	$ (1,938)
Interest-bearing liabilities:						
Savings accounts	$ —	$ 4	$ 4	$ (31)	$ 4	$ (27)
Interest-bearing demand deposits	—	—	—	(8)	2	(6)
Money market accounts	2	(14)	(12)	(96)	(25)	(121)
Certificates of deposit	46	(244)	(198)	(113)	(319)	(432)
FHLB advances	(28)	(371)	(399)	247	(744)	(497)
Total net change in expense on interest-bearing liabilities	$ 20	$ (625)	$ (605)	$ (1)	$ (1,082)	$ (1,083)
Net change in net interest income	$ (701)	$ 403	$ (298)	$ (1,017)	$ 162	$ (855)

Asset and Liability Management and Market Risk

General. Our Board of Directors has established an asset and liability management policy to guide management in maximizing net interest rate spread by managing the differences in terms between interest-earning assets and interest-bearing liabilities while maintaining acceptable levels of liquidity, capital adequacy, interest rate sensitivity, changes in net interest income, credit risk and profitability. The policy includes the use of an Asset Liability Management Committee whose members include certain members of senior management. The Committee's purpose is to communicate, coordinate and manage our asset/liability positions consistent with our business plan and Board-approved policies. The Asset Liability Management Committee meets monthly to review various areas including:

- economic conditions;
- interest rate outlook;
- asset/liability mix;
- interest rate risk sensitivity;
- change in net interest income;
- current market opportunities to promote specific products;
- historical financial results;
- projected financial results; and
- capital position.

The Committee also reviews current and projected liquidity needs monthly. As part of its procedures, the Asset Liability Management Committee regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and market value of portfolio equity, which is defined as the net present value of an institution's existing assets, liabilities and off-balance sheet instruments, and evaluating such impacts against the maximum potential change in market value of portfolio equity that is authorized by the Board of Directors.

Our Risk When Interest Rates Change. The rates of interest we earn on assets and pay on liabilities generally are established contractually for a period of time. Market interest rates change over time. Our loans generally have longer maturities than our deposits. Accordingly, our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our assets and liabilities. The risk associated with changes in interest rates and our ability to adapt to these changes is known as interest rate risk and is our most significant market risk.

In recent years, we primarily have utilized the following strategies in our efforts to manage interest rate risk:

- we have increased our originations of shorter term loans and particularly, home equity loans (limited recent originations) and commercial business loans;
- we have structured certain borrowings with maturities that match fund our loan portfolios; and
- we have sold our fixed rate single family loans to generate noninterest income as well as managing interest rate risk.

How We Measure the Risk of Interest Rate Changes. We measure our interest rate sensitivity on a quarterly basis utilizing an internal model. Management uses various assumptions to evaluate the sensitivity of our operations to changes in interest rates. Although management believes these assumptions are reasonable, the interest rate sensitivity of our assets and liabilities on net interest income and the market value of portfolio equity could vary substantially if different assumptions were used or actual experience differs from such assumptions. The assumptions we use are based upon proprietary and market data and reflect historical results and current market conditions. These assumptions relate to interest rates, prepayments, deposit decay rates and the market value of certain assets under the various interest rate scenarios. An independent service was used to provide market rates of interest and certain interest rate assumptions to determine prepayments and maturities of loans, investments and borrowings and decay rates on deposits. Time deposits are modeled to reprice to market rates upon their stated maturities. We assumed that non-maturity deposits can be maintained with rate adjustments not directly proportionate to the change in market interest rates.

In the past, we have demonstrated that the tiering structure of our deposit accounts during changing rate environments results in relatively low volatility and less than market rate changes in our interest expense for deposits. Our deposit accounts are tiered by balance and rate, whereby higher balances within an account earn higher rates of interest. Therefore, deposits that are not very rate sensitive (generally, lower balance tiers) are separated from deposits that are rate sensitive (generally, higher balance tiers).

We generally have found that a number of our deposit accounts are less rate sensitive than others. Thus, when interest rates increase, the interest rates paid on these deposit accounts do not require a proportionate increase in order for us to retain them. These assumptions are based upon an analysis of our customer base, competitive factors and historical experience. The following table shows the change in our net portfolio value at June 30, 2015 that would occur upon an immediate change in interest rates based on our assumptions, but without giving effect to any steps that we might take to counteract that change. The net portfolio value is calculated based upon the present value of the discounted cash flows from assets and liabilities. The difference between the present value of assets and liabilities is the net portfolio value and represents the market value of equity for the given interest rate scenario. Net portfolio value is useful for determining, on a market value basis, how much equity changes in response to various interest rate scenarios. Large changes in net portfolio value reflect increased interest rate sensitivity and generally more volatile earnings streams.

	Net Portfolio Value			Net Portfolio as % of Portfolio Value of Assets		
Basis Point Change in Rates	Amount	$ Change [1]	% Change	NPV Ratio [2]	% Change [3]	Market Value of Assets [4]
			(Dollars in thousands)			
300	$ 59,230	$ (2,932)	(4.72)%	16.98%	0.20%	$ 348,800
200	60,788	(1,374)	(2.21)	17.06	0.28	356,306
100	61,826	(336)	(0.54)	17.01	0.23	363,565
Base	62,162	—	—	16.78	—	370,410
(100)	65,395	3,233	5.20	17.31	0.53	377,697
(200)	70,351	8,189	13.17	18.28	1.50	384,865

(1) Represents the increase (decrease) in the estimated net portfolio value at the indicated change in interest rates compared to the net portfolio value assuming no change in interest rates.
(2) Calculated as the net portfolio value divided by the market value of assets (“net portfolio value ratio”).

(3) Calculated as the increase (decrease) in the net portfolio value ratio assuming the indicated change in interest rates over the estimated net portfolio value ratio assuming no change in interest rates.

(4) Calculated based on the present value of the discounted cash flows from assets. The market value of assets represents the value of assets under the various interest rate scenarios and reflects the sensitivity of those assets to interest rate changes.

The following table illustrates the change in net interest income that would occur in the event of an immediate change in interest rates at June 30, 2015, but without giving effect to any steps that might be taken to counter the effect of that change in interest rates.

Basis Point Change in Rates	Net Interest Income		
	Amount	$ Change (1)	% Change
		(Dollars in thousands)	
300	$ 16,243	$ 1,853	12.9%
200	15,682	1,292	9.0
100	15,078	688	4.8
Base	14,390	—	—
(100)	13,390	(1,000)	(6.9)
(200)	12,606	(1,784)	(12.4)

(1) Represents the increase (decrease) of the estimated net interest income at the indicated change in interest rates compared to net interest income assuming no change in interest rates.

We use certain assumptions in assessing our interest rate risk. These assumptions relate to interest rates, loan prepayment rates, deposit decay rates and the market values of certain assets under differing interest rate scenarios, among others.

As with any method of measuring interest rate risk, shortcomings are inherent in the method of analysis presented in the foregoing tables. For example, although assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in the market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable rate mortgage loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. Further, if interest rates change, expected rates of prepayments on loans and early withdrawals from certificates of deposit could deviate significantly from those assumed in calculating the table.

The following table presents our interest sensitivity gap between interest-earning assets and interest-bearing liabilities at June 30, 2015. These amounts are based on daily averages.

	Within Six Months	Over Six Months to One Year	Over 1 - 3 Years	Over 3 - 5 Years	Over 5 - 10 Years	Over 10 Years	Total
			(Dollars in thousands)				
Interest-earning assets:							
Loans	$ 102,858	$ 31,386	$ 96,917	$ 37,676	$ 14,258	$ 4,566	$ 287,661
Investments and other interest bearing deposits	3,969	3,295	9,500	6,511	10,416	2,788	36,479
Life insurance investment, net	19,001	—	—	—	—	—	19,001
Total rate sensitive assets	125,828	34,681	106,417	44,187	24,674	7,354	343,141
Interest-bearing liabilities:							
Deposits	165,380	18,444	52,309	48,794	14,885	—	299,812
Borrowings	—	—	10,000	—	—	—	10,000
Total rate sensitive liabilities	165,380	18,444	62,309	48,794	14,885	—	309,812
Excess (deficiency) of interest sensitivity assets over interest sensitivity liabilities	(39,552)	16,237	44,108	(4,607)	9,789	7,354	
Cumulative excess (deficiency) of interest sensitivity assets	(39,552)	(23,315)	20,793	16,186	25,975	33,329	—
Cumulative gap as a % of earning assets	(11.53)%	(6.79)%	6.06%	4.72%	7.57%	9.71%	—

Anchor Bank currently runs an internal model to simulate interest rate risk; the model in use is a Fiserv model which calculates interest-earning assets and liabilities using a monthly average.

Liquidity

We are required to have enough cash flow in order to maintain sufficient liquidity to ensure a safe and sound operation. Historically, we have maintained cash flow above the minimum level believed to be adequate to meet the requirements of normal operations, including potential deposit outflows. On a monthly basis, we review and update cash flow projections to ensure that adequate liquidity is maintained.

Our primary sources of funds are from customer deposits, loan repayments, loan sales, investment payments, maturing securities and advances from the FHLB of Des Moines. These funds, together with retained earnings and equity, are used to make loans, acquire securities and other assets, and fund continuing operations. While maturities and the scheduled amortization of loans are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by the level of interest rates, economic conditions and competition.

We believe that our current liquidity position is sufficient to fund all of our existing commitments. At June 30, 2015, the total approved loan origination commitments outstanding amounted to $5.0 million. At the same date, unused lines of credit were $28.7 million.

For purposes of determining our liquidity position, we use a concept of basic surplus, which is derived from the total of available-for-sale investments, as well as other liquid assets, less short-term liabilities. Our Board of Directors has established a target range for basic surplus of 5% to 7%. During the year ended June 30, 2015, our average basic surplus was 3.69% due to our ongoing reduction in wholesale funds.

Liquidity management is both a daily and long-term function of business management. Excess liquidity is generally invested in short-term investments such as overnight deposits or mortgage-backed securities. On a longer-term basis, we maintain a strategy of investing in various lending products as described in greater detail under Item 1. "Business – Lending Activities."

We use our sources of funds primarily to meet ongoing commitments, to pay maturing certificates of deposit and savings withdrawals, to fund loan commitments and to maintain our portfolio of mortgage-backed securities and other securities.

Certificates of deposit scheduled to mature in one year or less at June 30, 2015 totaled $40.4 million. Management's policy is to generally maintain deposit rates at levels that are competitive with other local financial institutions. Recently we have targeted certain deposit rates at a lower level as part of our efforts to reduce higher costing certificates of deposits as part of our overall capital and liquidity strategy. Based on historical experience, we believe that a significant portion of maturing deposits will remain with Anchor Bank. In addition, we had the ability at June 30, 2015 to borrow an additional $122.3 million from the FHLB of Des Moines. We also have a line of credit with the Federal Reserve Bank for $1.0 million which is collateralized with securities and a line of credit for $5.0 million with Pacific Coast Bankers Bank.

We measure our liquidity based on our ability to fund our assets and to meet liability obligations when they come due. Liquidity (and funding) risk occurs when funds cannot be raised at reasonable prices, or in a reasonable time frame, to meet our normal or unanticipated obligations. We regularly monitor the mix between our assets and our liabilities to manage effectively our liquidity and funding requirements.

Our primary source of funds is our deposits. When deposits are not available to provide the funds for our assets, we use alternative funding sources. These sources include, but are not limited to: cash management from the FHLB of Des Moines, wholesale funding, brokered deposits, federal funds purchased and dealer repurchase agreements, as well as other short-term alternatives. Alternatively, we may also liquidate assets to meet our funding needs. On a monthly basis, we estimate our liquidity sources and needs for the coming three-month, six-month, and one-year time periods. Also, we determine funding concentrations and our need for sources of funds other than deposits. This information is used by our Asset Liability Management Committee in forecasting funding needs and investing opportunities.

Contractual Obligations

Through the normal course of operations, we have entered into certain contractual obligations. Our obligations generally relate to funding of operations through deposits and borrowings as well as leases for premises. Lease terms generally cover a five-year period, with options to extend, and are non-cancelable.

At June 30, 2015, our scheduled maturities of contractual obligations were as follows:

	Within 1 Year	After 1 Year Through 3 Years	After 3 Years Through 5 Years	Beyond 5 Years	Total Balance
			(In thousands)		
Certificates of deposit	$ 40,413	$ 44,046	$ 39,770	$ 2,101	$ 126,330
FHLB advances	—	10,000	—	—	10,000
Operating leases	110	241	120	—	471
Other long-term liabilities (1)	162	450	295	2,240	3,147
Total contractual obligations	$ 40,685	$ 54,737	$ 40,185	$ 4,341	$ 139,948

(1) Maximum payments related to employee benefit plan, assuming all future vesting conditions are met. Additional information about employee benefit plan is provided in Note 10 of the *Notes to Consolidated Financial Statements.*

Commitments and Off-Balance Sheet Arrangements

We are party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the financing needs of our customers. These financial instruments generally include commitments to originate mortgage, commercial and consumer loans, and involve to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. Our maximum exposure to credit loss in the event of nonperformance by the borrower is represented by the contractual amount of those instruments. Because some commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We use the same credit policies in making commitments as we do for on-balance sheet instruments. Collateral is not required to support commitments.

Undisbursed balances of loans closed include funds not disbursed but committed for construction projects. Unused lines of credit include funds not disbursed, but committed to, home equity, commercial and consumer lines of credit.

The following table summarizes our commitments and contingent liabilities with off-balance sheet risks as of June 30, 2015:

	Amount of Commitment Expiration - Per Period	
	Total Amounts Committed [2]	Due in One Year
	(In thousands)	
Commitments to originate loans [1]	$ 5,024	$ 5,024
Line of Credit		
Fixed rate [3]	1,708	399
Adjustable rate	26,961	962
Undisbursed balance of loans closed	28,669	1,361
Total balance	33,693	6,385

(1) Interest rates on fixed rate loans range from 3.75% to17.99%.
(2) At June 30, 2015 there were $79 in reserves for unfunded commitments.
(3) Includes standby letters of credit.

Capital

Consistent with our goal to operate a sound and profitable financial organization, we actively seek to maintain a “well capitalized” institution in accordance with regulatory standards. Anchor Bank’s total regulatory capital was $57.3 million at June 30, 2015, or 15.1%, of total assets on that date. As of June 30, 2015, we exceeded all regulatory capital requirements to be considered well capitalized as of that date. Our regulatory capital ratios at June 30, 2015 were as follows: Tier 1 capital 14.3%; common equity Tier 1 capital (CET1)16.2%, Tier 1 (core) risk-based capital 16.2%; and total risk-based capital 17.4%. The regulatory capital requirements to be considered well capitalized are 6.5%, 5%, 8% and 10%, respectively. We were “well capitalized” at June 30, 2015 based on financial statements prepared in accordance with generally accepted accounting principles in the United States and the general percentages in the regulatory guidelines, for federal regulatory purposes. Anchor Bancorp exceeded all regulatory capital requirements with Tier 1 Leverage Capital, CET1, Tier 1 Risk-Based Capital and Total Risk-Based Capital ratios of 16.6%, 19.0%, 19.0%, and 20.1%, respectively, as of June 30, 2015. The CET1 ratio is a new regulatory capital required beginning the quarter ended March 31, 2015.

Impact of Inflation

The Consolidated Financial Statements and related financial data presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles generally require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. The primary impact of inflation is reflected in the increased cost of our operations. As a result, interest rates generally have a more significant impact on a financial institution’s performance than do general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services. In a period of rapidly rising interest rates, the liquidity and maturity structures of our assets and liabilities are critical to the maintenance of acceptable performance levels.

The principal effect of inflation on earnings, as distinct from levels of interest rates, is in the area of noninterest expense. Expense items such as employee compensation, employee benefits and occupancy and equipment costs may be subject to increases as a result of inflation. An additional effect of inflation is the possible increase in dollar value of the collateral securing loans that we have made. Our management is unable to determine the extent, if any, to which properties securing loans have appreciated in dollar value due to inflation.

Recent Accounting Pronouncements

In August 2014, The Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-14, *Receivable-Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure.* The objective of this amendment is to reduce variations in practice related to the classification of foreclosed loans that are either fully or partially guaranteed under government programs. Upon foreclosure of fully or partially guaranteed loans which are guaranteed under government programs the creditor will be required to reclassify the previously existing mortgage loan to a separate other receivable from the guarantor, measured at the amount of the guarantee that it expects to collect. The effective date will be for fiscal years, and interim periods within those years, beginning after December 15, 2014 for public organizations. The adoption of ASU 2014-14 is not expected to have a material impact on the Company's consolidated financial statements.

In January 2015, FASB issued ASU No. 2015-01, *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items,* which eliminates from U.S. GAAP the concept of an extraordinary item. The Board released the new guidance as part of its simplification initiative, which, as explained in the ASU, is intended to "identify, evaluate and improve areas of U.S. GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to the users of financial statements. To be considered an extraordinary item under existing U.S. GAAP, an event or transaction must be unusual in nature and must occur infrequently. As a result, an entity will no longer (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; and (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. However, the ASU does not affect the reporting and disclosure requirements for an event that is unusual in nature or that occurs infrequently. For all entities, the ASU is effective for annual periods beginning after December 15, 2015, and interim periods within those annual periods. Entities may apply the guidance prospectively or retrospectively to all prior periods presented in the financial statements. If an entity chooses to apply the guidance prospectively, it must disclose whether amounts included in income from continuing operations after adoption of the ASU are related to events and transactions previously recognized and classified as extraordinary items before the date of adoption. Early adoption is permitted if the guidance is applied as of the beginning of the annual period of adoption. The adoption of ASU 2015-01 is not expected to have a material impact on the Company's financial statements.

In February 2015, FASB issued ASU No. 2015-02, C*onsolidation (Topic 810): Amendments to the Consolidation Analysis*, which is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The ASU focuses on the consolidation evaluation for reporting organizations (public and private companies and not-for-profit organizations) that are required to evaluate whether they should consolidate certain legal entities. In addition to reducing the number of consolidation models from four to two, the new standard simplifies the FASB Accounting Standards Codification™ and improves current GAAP by placing more emphasis on risk of loss when determining a controlling financial interest. A reporting organization may no longer have to consolidate a legal entity in certain circumstances based solely on its fee arrangement, when certain criteria are met, reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a variable interest entity (VIE), changing consolidation conclusions for public and private companies in several industries that typically make use of limited partnerships or VIEs. The ASU will be effective for periods beginning after December 15, 2015, for public companies. For private companies and not-for-profit organizations, the ASU will be effective for annual periods beginning after December 15, 2016; and for interim periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The adoption of ASU 2015-02 is not expected to have a material impact on the Company's financial statements.

In April 2015, FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost,* which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. For public business entities, the guidance in the ASU is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015. For entities other than public business entities, the guidance is effective for fiscal years beginning after December 15, 2015, and interim periods beginning after December 15, 2016. Early adoption is allowed for all entities for financial statements that have not been previously issued. Entities would apply the new guidance retrospectively to all prior periods. The adoption of ASU 2015-03 is not expected to have a material impact on the Company's financial statements.

In April 2015, FASB issued ASU No. 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. The amendments in this ASU provide guidance to customers in cloud computing arrangements about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments are effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. This ASU is not expected to have a material effect on the Company's consolidated financial statements.

In June 2015, FASB issued ASU No. 2015-10, *Technical Corrections and Improvements*. On November 10, 2010 FASB added a standing project that will facilitate the FASB Accounting Standards Codification ('Codification") updates for technical corrections, clarifications, and improvements. These amendments are referred to as *Technical Corrections and Improvements*. Maintenance updates include non-substantive corrections to the Codification, such as editorial corrections, various link-related changes, and changes to source fragment information. This update contains amendments that will affect a wide variety of Topics in the Codification. The amendments in this ASU will apply to all reporting entities within the scope of the affected accounting guidance and generally fall into one of four categories: amendments related to differences between original guidance and the Codification, guidance clarification and reference corrections, simplification, and minor improvements. In summary, the amendments in this ASU represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice. Transition guidance varies based on the amendments in this ASU. The amendments in this ASU that require transition guidance are effective for fiscal years and interim reporting periods after December 15, 2015. Early adoption is permitted including adoption in an interim period. All other amendments are effective upon the issuance of this ASU. ASU 2015-10 did not have a material impact on the Company's consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. Our market risk arises principally from interest rate risk inherent in our lending, investing, deposit and borrowings activities. Management actively monitors and manages its interest rate risk exposure. In addition to other risks that we manage in the normal course of business, such as credit quality and liquidity, management considers interest rate risk to be a significant market risk that could have a potential material effect on our financial condition and result of operations. The information contained in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Asset and Liability Management and Market Risk" in this Form 10-K is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Anchor Bancorp

We have audited the accompanying consolidated statements of financial condition of Anchor Bancorp (the Company) as of June 30, 2015 and 2014, and the related consolidated statements of income, comprehensive loss, stockholders' equity, and cash flows for the three years in the period ended June 30, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Anchor Bancorp as of June 30, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Everett, Washington
September 10, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands, except share data)

	June 30, 2015	June 30, 2014
ASSETS		
Cash and cash equivalents	$ 14,450	$ 14,758
Securities available-for-sale, at fair value, amortized cost of $29,696 and $39,107	29,565	38,917
Securities held-to-maturity, at amortized cost, fair value of $7,692 and $8,908	7,617	8,765
Loans held for sale	505	—
Loans receivable, net of allowance for loan losses of $3,721 and $4,624	283,444	281,526
Life insurance investment, net of surrender charges	19,001	19,428
Accrued interest receivable	1,069	1,236
Real estate owned, net	797	5,067
Federal Home Loan Bank ("FHLB") stock, at cost	853	6,046
Property, premises, and equipment, at cost, less accumulated depreciation of $13,482 and $14,777	10,370	11,313
Deferred tax asset, net	8,867	555
Prepaid expenses and other assets	2,692	1,517
Total assets	$ 379,230	$ 389,128
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 44,719	$ 41,149
Interest-bearing	255,093	269,885
Total deposits	299,812	311,034
FHLB advances	10,000	17,500
Advance payments by borrowers for taxes and insurance	1,002	891
Supplemental Executive Retirement Plan liability	1,814	1,715
Accounts payable and other liabilities	2,879	4,313
Total liabilities	315,507	335,453
Commitments and Contingencies (Note 16)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value per share, authorized 5,000,000 shares; no shares issued or outstanding	—	—
Common stock, $0.01 par value per share, authorized 45,000,000 shares; 2,550,000 issued and 2,480,865 and 2,473,981 outstanding at June 30, 2015 and 2014, respectively	25	25
Additional paid-in capital	23,404	23,293
Retained earnings	41,741	31,914
Unearned Employee Stock Ownership Plan ("ESOP") shares	(736)	(797)
Accumulated other comprehensive loss, net of tax	(711)	(760)
Total stockholders' equity	63,723	53,675
Total liabilities and stockholders' equity	$ 379,230	$ 389,128

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended June 30, 2015, 2014, and 2013
(Dollars in thousands, except per share data)

	Years Ended June 30,		
	2015	2014	2013
Interest income:			
Loans receivable, including fees	$ 16,006	$ 16,718	$ 18,040
Securities	57	115	242
Mortgage-backed securities	823	956	1,445
Total interest income	16,886	17,789	19,727
Interest expense:			
Deposits	2,730	2,936	3,522
FHLB advances	346	745	1,242
Total interest expense	3,076	3,681	4,764
Net interest income before provision for loan losses	13,810	14,108	14,963
Provision for loan losses	—	—	750
Net interest income after provision for loan losses	13,810	14,108	14,213
Noninterest income			
Deposit service fees	1,381	1,562	1,468
Other deposit fees	735	790	863
Gain on sale of investments	47	—	70
Other loan fees	588	657	712
(Loss) gain on sale of loans	(15)	8	444
Increase in cash surrender value of life insurance investment	540	549	621
Gain on death benefit of life insurance investment, net	479	—	—
Other income	748	509	746
Total noninterest income	4,503	4,075	4,924
Noninterest expense			
Compensation and benefits	8,003	8,100	8,441
General and administrative expenses	2,663	3,086	3,277
Real estate owned impairment, net	32	1,090	1,487
Real estate owned holding costs	267	447	496
Federal Deposit Insurance Corporation ("FDIC") insurance premiums	342	505	651
Information technology	1,739	1,710	1,661
Occupancy and equipment	1,944	1,833	2,182
Deposit services	570	725	651
Marketing	710	679	584
Loss (gain) on sale of property, premises and equipment	820	(8)	56
Gain on sale of real estate owned	(283)	(407)	(94)
Total noninterest expense	16,807	17,760	19,392
Income (loss) before (benefit) provision for income taxes	1,506	423	(255)
Benefit for income taxes	(8,321)	—	—
Net income (loss)	$ 9,827	$ 423	$ (255)
Basic earnings (loss) per share	$ 3.97	$ 0.17	$ (0.10)
Diluted earnings (loss) per share	$ 3.97	$ 0.17	$ (0.10)

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Years Ended June 30, 2015, 2014, and 2013
(Dollars in thousands, except share data)

	Years Ended June 30,		
	2015	2014	2013
NET INCOME (LOSS)	$ 9,827	$ 423	$ (255)
OTHER COMPREHENSIVE INCOME (LOSS), net of income tax			
Unrealized holding gain (loss) on available-for-sale securities during the period, net of income tax benefit of $9, $0, and $0, respectively	96	761	(1,426)
Adjustment for realized gains included in net income (loss)	(47)	—	(70)
Other comprehensive income (loss), net of income tax	49	761	(1,496)
COMPREHENSIVE INCOME (LOSS)	$ 9,876	$ 1,184	$ (1,751)

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended June 30, 2015, 2014, and 2013
(Dollars in thousands, except share data)

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Unearned ESOP shares	Accumulated Other Comprehensive Income (Loss), net of tax	Total Stockholders' Equity
Balance at June 30, 2012	2,550,000	$ 25	$ 23,202	$ 31,746	$ (924)	$ (25)	$ 54,024
Net loss	—	—	—	(255)	—	—	(255)
Other comprehensive loss net of tax	—	—	—	—	—	(1,496)	(1,496)
ESOP shares allocated	—	—	27	—	68	—	95
Balance at June 30, 2013	2,550,000	$ 25	$ 23,229	$ 31,491	$ (856)	$ (1,521)	$ 52,368
Net income	—	$ —	$ —	$ 423	$ —	$ —	$ 423
Other comprehensive income net of tax	—	—	—	—	—	761	761
ESOP shares allocated	—	—	64	—	59	—	123
Balance at June 30, 2014	2,550,000	$ 25	$ 23,293	$ 31,914	$ (797)	$ (760)	$ 53,675
Net income	—	$ —	$ —	$ 9,827	$ —	$ —	$ 9,827
Other comprehensive income of tax	—	—	—	—	—	49	49
ESOP shares allocated	—	—	111	—	61	—	172
Balance at June 30, 2015	2,550,000	$ 25	$ 23,404	$ 41,741	$ (736)	$ (711)	$ 63,723

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015, 2014, and 2013
(In thousands)

	Year Ended June 30,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 9,827	$ 423	$ (255)
Adjustments to reconcile net loss to net cash from operating activities			
Depreciation and amortization	665	608	946
Net amortization of premiums on securities	576	725	616
Provision for loan losses	—	—	750
ESOP expense	172	123	95
Real estate owned impairment	32	1,090	1,487
Deferred income taxes benefit	(81)	—	—
Increase in cash surrender value of life insurance investment	(540)	(549)	(621)
Gain on death benefit of life insurance investment	(479)	—	—
Loss (gain) on sale of loans	15	(8)	(444)
Gain on sale of investments	(47)	—	(70)
Originations of loans held for sale	(1,572)	(2,303)	(23,100)
Proceeds from sale of loans held for sale	1,053	2,532	22,566
Loss (gain) on sale of property, premises, and equipment	820	(8)	56
Gain on sale of real estate owned	(283)	(407)	(94)
Changes in operating assets and liabilities:			
Accrued interest receivable	167	347	(51)
Prepaid expenses and other assets	370	4,129	(3,242)
Deferred income tax asset	(8,240)	—	—
Supplemental Executive Retirement Plan ("SERP")	99	12	(61)
Accounts payable and other liabilities	(1,534)	480	66
Net cash provided by operating activities	1,020	7,194	(1,356)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of available-for-sale securities	2,335	995	1,165
Purchases of available-for-sale investments	—	—	(18,548)
Purchase of held-to-maturity investments	—	—	(5,830)
Principal repayments on mortgage-backed securities available-for-sale	6,549	8,435	15,752
Principal repayments on mortgage-backed securities held-to-maturity	1,137	1,464	2,649
Loan originations, net of undisbursed loan proceeds and principal repayments	(3,392)	(9,569)	5,864
Proceeds from sale of real estate owned	6,789	6,846	4,945
Capital improvements on real estate owned	(27)	(591)	(793)
Proceeds from sale of property, premises, and equipment, net	2	8	(37)
Purchase of fixed assets	(1,303)	(527)	(146)
Proceeds from sale of FHLB stock	5,193	—	—
Net cash provided by investing activities	17,283	7,061	5,021

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended June 30, 2015, 2014, and 2013
(In thousands)

	Year Ended June 30,		
	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
Net decrease in deposits	(11,222)	(17,550)	(17,214)
Net change in advance payments by borrowers for taxes and insurance	111	100	229
Proceeds from FHLB advances	36,110	—	—
Repayment of FHLB advances	(43,610)	(47,400)	—
Net cash used for financing activities	(18,611)	(64,850)	(16,985)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(308)	(50,595)	(13,320)
Beginning of period	14,758	65,353	78,673
End of period	$ 14,450	$ 14,758	$ 65,353
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Noncash investing activities			
Net loans transferred to real estate owned	$ 2,241	$ 5,793	$ 5,050
Unrealized holding gains (losses) on available-for-sale securities	$ 96	$ 761	$ (1,426)
Loans securitized into mortgage-backed securities	$ —	$ —	$ 1,069
Transfer of receivable related to proceeds from death benefit to other assets	$ 1,545	$ —	$ —
CASH PAID DURING THE PERIOD FOR INTEREST	$ 3,119	$ 3,732	$ 4,765

See accompanying notes to these consolidated financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

General - Anchor Bancorp is a bank holding company which operates primarily through its subsidiary, Anchor Bank (the Bank) (collectively referred to as the "Company"). Anchor Bank is a community-based savings bank primarily serving Western Washington through its 11 full-service banking offices (including one Wal-Mart in-store location) located within Grays Harbor, Thurston, Lewis, Mason and Pierce counties, Washington. Anchor Bank's business consists of attracting deposits from the public and utilizing those deposits to originate loans.

Segment Information - The Bank's operations include commercial banking services, such as lending activities, deposit products, and other cash management services. The performance of the Bank is reviewed by the Board of Directors and Senior Management Committee. The Senior Management Committee, which is the senior decision-making group of the Bank, is composed of three members, including the President and Chief Executive Officer, the Executive Vice President, Chief Financial Officer, and Treasurer, and the Executive Vice President and Chief Lending Officer. The Company's activities are considered to be a single industry segment for financial reporting purposes.

Financial statement presentation and use of estimates - The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reporting practices applicable to the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, as of the date of the consolidated statements of financial condition, and revenues and expenses for the period. Actual results could differ from estimated amounts. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and impaired loans, fair value of financial instruments, valuation of real estate owned, and deferred tax assets.

Principles of consolidation - The consolidated financial statements include the accounts of Anchor Bancorp and its wholly-owned subsidiary, Anchor Bank. All material intercompany accounts have been eliminated in the consolidation.

Subsequent events - The Company has evaluated events and transactions subsequent to June 30, 2015 for potential recognition or disclosure.

Cash and cash equivalents - For purposes of the consolidated statements of cash flows, the Company considers all deposits and funds in interest-bearing accounts with an original term to maturity of three months or less to be cash equivalents. The Bank maintains its cash in bank deposit accounts that, at times, may exceed the federally insured limits. The Bank has not experienced any losses in such accounts and evaluates the credit quality of these banks and financial institutions to mitigate its credit risk.

Restricted assets - Federal Reserve regulations require maintenance of certain minimum reserve balances on deposit with the Federal Reserve Bank of San Francisco ("FRB"). The amount required to be on deposit was $1.4 million and $1.3 million at June 30, 2015 and 2014, respectively. The Bank was in compliance with this requirement at June 30, 2015 and 2014.

Investment securities - Securities are classified as held-to-maturity when the Company has the ability and positive intent to hold them to maturity. Securities held-to-maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts to maturity. Securities bought and held principally for the purpose of sale in the near term are classified as trading securities and are carried at fair value. There were no trading securities at June 30, 2015 and 2014. Securities not classified as trading or held-to-maturity are classified as available-for-sale. Unrealized holding gains and losses on securities available-for-sale are excluded from earnings and are reported net of tax as a separate component of equity until realized. These unrealized holding gains and losses, net of tax, are also included as a component of comprehensive income. Realized gains and losses are recorded on the trade date and are determined using the specific identification method. Amortization of premiums and accretion of discounts are recognized into interest income using the effective interest method over the period to maturity.

The Company evaluates securities for other-than-temporary impairment on a periodic basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and whether the Bank has the intent and ability to hold these securities or if it is likely that it will be required to sell the securities before their anticipated recovery. In analyzing an issuer's financial condition, the Bank may consider whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. If the Bank does not intend to sell the security and it is not likely it will be required to sell the security prior to recovery of its cost basis, the credit loss component of impairment is recognized in earnings and impairment associated with non-credit factors, such as market liquidity, is recognized in other comprehensive income, net of tax. A credit loss is the difference between the cost basis of the security and the present value of cash flows expected to be collected, discounted at the security's effective interest rate at the date of acquisition. The cost basis of an other-than-temporarily impaired security is written down by the amount of impairment recognized in earnings. The new cost basis is not adjusted for subsequent recoveries in fair value. However, the difference between the new amortized cost basis and the cash flows expected to be collected is accreted as interest income. The total other-than-temporary impairment is presented in the consolidated statements of income with a reduction for the amount of other-than-temporary impairment that is recognized in other comprehensive income, if any.

Federal Home Loan Bank stock - The Bank's investment in FHLB stock is carried at cost, which approximates fair value. As a member of the FHLB system, the Bank is required to maintain a minimum level of investment in FHLB stock based on specific percentages of its outstanding mortgages, total assets, or FHLB advances. At June 30, 2015 and 2014, the Bank's minimum investment requirement was $853 and $916, respectively. The Bank was in compliance with the FHLB minimum investment requirement at June 30, 2015 and 2014.

Management evaluates FHLB stock for impairment as needed. Management's determination of whether these investments are impaired is based on its assessment of the ultimate recoverability of cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of cost is influenced by criteria such as (1) the significance of any decline in net assets of the FHLB as compared with the capital stock amount for the FHLB and the length of time this situation has persisted; (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB; (3) the impact of legislative and regulatory changes on institutions and, accordingly, the customer base of the FHLB; and (4) the liquidity position of the FHLB. Based on its evaluation, management determined that there was no impairment of FHLB stock at June 30 2015 and 2014, respectively.

Securitizations - The Bank historically has securitized and services interests in residential home loans. The Bank has securitized these loans through the Federal Home Loan Mortgage Corporation ("FHLMC"). Of the total serviced loan portfolio of $81.1 million and $96.5 million at June 30, 2015 and 2014, $24.7 million and $30.4 million, respectively, represent securitized loans. The loans have been sold without recourse, servicing retained. All principal, interest, late fees, and escrow payments are collected and remitted to the investor daily.

Loans - Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal amount outstanding, net of unamortized nonrefundable loan fees and related direct loan origination costs. Deferred net fees and costs are recognized in interest income over the loan term using a method that generally produces a level yield on the unpaid loan balance. Interest is accrued primarily on a simple interest basis.

Nonaccrual loans are those for which management has discontinued accrual of interest because there exists significant uncertainty as to the full and timely collection of either principal or interest or because such loans have become contractually past due 90 days with respect to principal or interest. When a loan is placed on nonaccrual, all previously accrued but uncollected interest is reversed against current-period interest income. All subsequent payments received are first applied to unpaid principal and then to unpaid interest. Interest income is accrued at such time as the loan is brought fully current as to both principal and interest, and, in management's judgment, such loans are considered to be fully collectible.

Loans are considered impaired when the Bank has determined that it may be unable to collect payments of principal or interest when due under the terms of the loan. In the process of identifying loans as impaired, management takes into consideration factors which include payment history and status, collateral value, financial condition of the borrower, and the probability of collecting scheduled payments in the future. Minor payment delays and insignificant payment shortfalls typically do not result in a loan being classified as impaired. The significance of payment delays and shortfalls is considered by management on a case by case basis, after taking into consideration the totality of circumstances surrounding the loans and the borrowers, including payment history and amounts of any payment shortfall, length and reason for delay, and likelihood of return to stable performance. Impairment is measured on a loan by loan basis for all loans in the portfolio except for the smaller groups of homogeneous consumer loans in the portfolio.

Troubled debt restructured loans- A loan is classified as a troubled debt restructuring when a borrower is experiencing financial difficulties that lead to a restructuring of the loan, and the Bank grants concessions to the borrower in the restructuring that it would not otherwise consider. These concessions may include interest rate reductions, principal forgiveness, extension of maturity date and other actions intended to minimize potential losses. Generally, a nonaccrual loan that is restructured remains on nonaccrual status for a period of six months to demonstrate that the borrower can meet the restructured terms. If the borrower's performance under the new terms is not reasonably assured, the loan remains classified as a nonaccrual loan.

Allowance for loan losses - Key elements of the allowance for loan loss methodology include the specific loan loss reserve, the general loan loss reserve, and the unallocated reserve, individually described below.

The specific loan loss reserve is established for individually impaired loans when the discounted cash flow or collateral value of the impaired loan is lower than the carrying value of that loan. Restructured loans are accounted for as impaired loans.

The general loan loss reserve is calculated by applying a specific loss percentage factor to the various groups of loans by loan type, based upon historic loss experience, and adjusted based upon the risk grade attached to any loan or group of loans. This portion of the allowance may be further adjusted for qualitative and environmental conditions such as changes in lending policies and procedures; experience and ability of lending staff; concentrations of credit; national, regional, and local economic conditions; and other factors including levels and trends of delinquency.

The unallocated reserve recognizes the estimation risk associated with the mathematical calculations applied in both specific and general portions of the allowance for loan loss, together with the assumption risk relative to management's assessment of the variables included in the qualitative and environmental factors.

The Bank maintains an allowance for loan losses to absorb losses inherent in the loan portfolio. The allowance is based on ongoing quarterly assessments of the probable estimated losses inherent in the loan portfolio. The allowance is increased by the provision for loan losses, which is charged against current-period operating results and decreased by the amount of charge-offs, net of recoveries. Various regulatory agencies, as part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require management to make adjustments to the allowance using judgments available to them at the time of their examination.

Loans held-for-sale - Loans originated as held-for-sale are carried at the lower of cost or market value on an aggregate basis. Net unrealized losses, if any, are recognized through a valuation allowance by a charge to income. Nonrefundable fees and direct loan origination costs related to loans held-for-sale are deferred and recognized when the loans are sold.

Real estate owned - Real estate owned (REO) and other repossessed items consist of properties or assets acquired through or in lieu of foreclosure in full satisfaction of a loan receivable, and are recorded initially at fair value of the REO properties less estimated costs of disposal with any initial losses charged to the allowance for loan losses. Costs relating to development and improvement of the properties or assets are capitalized, while costs relating to holding the properties or assets are expensed. Valuations are periodically performed by management, and a charge to earnings is recorded if the recorded value of a property exceeds its estimated fair value.

Gains or losses at the time the property is sold are charged or credited to noninterest expense in the period in which they are realized. The amounts the Bank will ultimately recover from REO may differ substantially from the carrying value of the assets because of future market factors beyond the control of the Bank or because of changes in the Bank's strategy for recovering its investments.

Life insurance investment - The Bank is the sole beneficiary of life insurance policies that are recorded at their cash surrender value, net of any surrender charges, and cover certain key executives of the Bank. The $540, $549, and $621 of income for the years ended June 30, 2015, 2014, and 2013, respectively is included in noninterest income. In addition the Bank recorded income of $479 related to a former Anchor Bank executive's insurance death benefit for year ended June 30, 2015.

Transfers of financial assets - Transfers of financial asset, a group of financial assets, or a participating interest in a financial asset are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Mortgage servicing rights - Mortgage servicing rights are recorded as separate assets at fair value when mortgage loans are originated and subsequently sold or securitized (and held as available-for-sale securities) with servicing rights retained. Periodically, the Bank estimates the fair value of its mortgage servicing rights based upon observed market prices.

Mortgage servicing rights are amortized in proportion to, and over, the estimated period that net servicing income will be collected. The carrying value of mortgage servicing rights is periodically evaluated in relation to estimated future cash flows to be received, and such carrying value is adjusted for indicated impairments based on management's best estimate of the remaining cash flows. The Bank has stratified its mortgage servicing rights based on whether the loan was sold or securitized and the interest rate of the underlying loans. The Bank uses the direct write-down method for mortgage servicing rights where the serviced loan has been paid off. The mortgage servicing asset was $235 and $367 at June 30, 2015 and 2014, respectively, and is included in prepaid expenses and other assets in the consolidated statements of financial condition.

(Dollars in thousands except share data)

Property, premises, and equipment - Property, premises, and equipment are stated at cost less accumulated depreciation. The depreciation charged is computed on the straight-line method over estimated useful lives as follows:

Buildings	40 years
Furniture and equipment	5-10 years
Improvements	10 years
Computer equipment	3 years

Income taxes-The provision for income taxes includes current and deferred income tax expense on net income adjusted for permanent and temporary differences such as interest income on state and municipal securities and BOLI. Deferred tax assets and liabilities are recognized for the expected future tax consequences of existing temporary differences between the financial reporting and tax reporting basis of assets and liabilities using enacted tax laws and rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. On a quarterly basis, management evaluates deferred tax assets to determine if these tax benefits are expected to be realized in future periods. This determination is based on facts and circumstances, including the Company's current and future tax outlook. To the extent a deferred tax asset is no longer considered “more likely than not” to be realized, a valuation allowance is established.

Marketing costs - The Company expenses marketing costs as they are incurred. Total marketing expenses were $710, $679, and $584 for the years ended June 30, 2015, 2014, and 2013, respectively.

Financial instruments - In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Contingencies - The Company is a defendant in various legal proceedings arising in connection with its business. It is the opinion of management that the financial position and the results of operations of the Company will not be materially adversely affected by the final outcome of the legal proceedings and that adequate provision has been made in the accompanying consolidated financial statements.

At periodic intervals, the Washington State Department of Financial Institutions, Division of Banks ("DFI") and the Federal Deposit Insurance Corportaion ("FDIC") routinely examine the Bank’s financial statements as part of their legally prescribed oversight of the banking industry. Based on these examinations, the regulators can direct that the Bank’s financial statements be adjusted in accordance with their findings.

Employee Stock Ownership Plan (ESOP) - The cost of shares issued to the ESOP, but not yet allocated to participants, is shown as a reduction of stockholders’ equity. Compensation expense is based on the market price of shares as they are committed to be released to participant accounts. Dividends on allocated ESOP shares reduce retained earnings; dividends on unearned ESOP shares reduce debt and accrued interest.

Earnings (Loss) Per Share (EPS) - Basic EPS is computed by dividing net income or (loss) by the weighted-average number of common shares outstanding during the period. As ESOP shares are committed to be released they become outstanding for EPS calculation purposes. ESOP shares not committed to be released are not considered outstanding. The basic EPS calculation excludes the dilutive effect of all common stock equivalents. Diluted earnings (loss) per share reflects the weighted-average potential dilution that could occur if all potentially dilutive securities or other commitments to issue common stock were exercised or converted into common stock using the treasury stock method.

Comprehensive income (loss) - Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income (loss). Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale investments, are reported as a separate component of stockholders' equity.

Fair value - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company determines the fair values of its financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair values. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Bank's estimates for market assumptions.

Valuation inputs refer to the assumptions market participants would use in pricing a given asset or liability using one of the three valuation techniques. Inputs can be observable or unobservable. Observable inputs are those assumptions that market participants would use in pricing the particular asset or liability. These inputs are based on market data and are obtained from an independent source. Unobservable inputs are assumptions based on the Company's own information or estimate of assumptions used by market participants in pricing the asset or liability. Unobservable inputs are based on the best and most current information available on the measurement date.

All inputs, whether observable or unobservable, are ranked in accordance with a prescribed fair value hierarchy:

- Level 1 - Quoted prices for identical instrument in active markets.

- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-driven valuations whose inputs are observable.

- Level 3 - Instruments whose significant value drivers are unobservable.

Recently issued accounting pronouncements - In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-14, *Receivable-Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure.* The objective of this ASU is to reduce variations in practice related to the classification of foreclosed loans that are either fully or partially guaranteed under government programs. Upon foreclosure of fully or partially guaranteed loans which are guaranteed under government programs the creditor will be required to reclassify the previously existing mortgage loan to a separate other receivable from the guarantor, measured at the amount of the guarantee that it expects to collect. The effective date will be for fiscal years, and interim periods within those years, beginning after December 15, 2014 for public organizations. The adoption of ASU 2014-14 is not expected to have a material impact on the Company's consolidated financial statements.

In January 2015, FASB issued ASU No. 2015-01, *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items,* which eliminates from U.S. GAAP the concept of an extraordinary item. The Board released the new guidance as part of its simplification initiative, which, as explained in the ASU, is intended to "identify, evaluate and improve areas of U.S. GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to the users of financial statements. To be considered an extraordinary item under existing U.S. GAAP, an event or transaction must be unusual in nature and must occur infrequently. As a result, an entity will no longer (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; and (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. However, the ASU does not affect the reporting and disclosure requirements for an event that is unusual in nature or that occurs infrequently. For all entities, the ASU is effective for annual periods beginning after December 15, 2015, and interim periods within those annual periods. Entities may apply the guidance prospectively or retrospectively to all prior periods presented in the financial statements. If an entity chooses to apply the guidance prospectively, it must disclose whether amounts included in income from continuing operations after adoption of the ASU are related to events and transactions previously recognized and classified as extraordinary items before the date of adoption. Early adoption is permitted if the guidance is applied as of the beginning of the annual period of adoption. The adoption of ASU 2015-01 is not expected to have a material impact on the Company's financial statements.

In February 2015, FASB issued ASU No. 2015-02, C*onsolidation (Topic 810): Amendments to the Consolidation Analysis*, which is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The ASU focuses on the consolidation evaluation for reporting organizations (public and private companies and not-for-profit organizations) that are required to evaluate whether they should consolidate certain legal entities. In addition to reducing the number of consolidation models from four to two, the new standard simplifies the FASB Accounting Standards Codification™ and improves current GAAP by placing more emphasis on risk of loss when determining a controlling financial interest. A reporting organization may no longer have to consolidate a legal entity in certain circumstances based solely on its fee arrangement, when certain criteria are met, reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a variable interest entity (VIE), changing consolidation conclusions for public and private companies in several industries that typically make use of limited partnerships or VIEs. The ASU will be effective for periods beginning after December 15, 2015, for public companies. For private companies and not-for-profit organizations, the ASU will be effective for annual periods beginning after December 15, 2016; and for interim periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The adoption of ASU 2015-02 is not expected to have a material impact on the Company's financial statements.

In April 2015, FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost,* which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. For public business entities, the guidance in the ASU is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015. For entities other than public business entities, the guidance is effective for fiscal years beginning after December 15, 2015, and interim periods beginning after December 15, 2016. Early adoption is allowed for all entities for financial statements that have not been previously issued. Entities would apply the new guidance retrospectively to all prior periods. The adoption of ASU 2015-03 is not expected to have a material impact on the Company's financial statements.

In April 2015, FASB issued ASU No. 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. The amendments in this ASU provide guidance to customers in cloud computing arrangements about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments are effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. This ASU is not expected to have a material effect on the Company's consolidated financial statements.

In June 2015, FASB issued ASU No. 2015-10, *Technical Corrections and Improvements*. On November 10, 2010 FASB added a standing project that will facilitate the FASB Accounting Standards Codification ('Codification") updates for technical corrections, clarifications, and improvements. These amendments are referred to as *Technical Corrections and Improvements*. Maintenance updates include non-substantive corrections to the Codification, such as editorial corrections, various link-related changes, and changes to source fragment information. This update contains amendments that will affect a wide variety of Topics in the Codification. The amendments in this ASU will apply to all reporting entities within the scope of the affected accounting guidance and generally fall into one of four categories: amendments related to differences between original guidance and the Codification, guidance clarification and reference corrections, simplification, and minor improvements. In summary, the amendments in this ASU represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice. Transition guidance varies based on the amendments in this ASU. The amendments in this ASU that require transition guidance are effective for fiscal years and interim reporting periods after December 15, 2015. Early adoption is permitted including adoption in an interim period. All other amendments are effective upon the issuance of this ASU. ASU 2015-10 did not have a material impact on the Company's consolidated financial statements.

Note 2 - Supervisory Directive

Anchor Bank entered into a Cease and Desist Order ("Order") with the FDIC and the DFI on August 12, 2009. On September 5, 2012, the FDIC and the DFI terminated the Order and it was replaced with a Supervisory Directive with the DFI. The Supervisory Directive with the DFI was terminated on November 20, 2014. The FRB terminated the Supervisory Directive it had with the Company on January 13, 2015.

(Dollars in thousands except share data)

Note 3 - Securities

The amortized cost and estimated fair market values of investment securities were as follows:

June 30, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
Municipal bonds	$ 434	$ 1	$ —	$ 435
Mortgage-backed securities:				
FHLMC [(1)]	11,780	134	(123)	11,791
FNMA [(2)]	16,534	70	(196)	16,408
GNMA [(3)]	948	—	(17)	931
	$ 29,696	$ 205	$ (336)	$ 29,565
Securities held-to-maturity				
Municipal bonds	$ 119	$ —	$ —	$ 119
Mortgage-backed securities:				
FHLMC	3,367	95	(56)	3,406
FNMA	1,858	124	(22)	1,960
GNMA	2,273	—	(66)	2,207
	$ 7,617	$ 219	$ (144)	$ 7,692

(1) Federal Home Loan Mortgage Corporation (Freddie Mac)
(2) Federal National Mortgage Association (Fannie Mae)
(3) Government National Mortgage Association (Ginnie Mae)

June 30, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
Municipal bonds	$ 443	$ 3	$ —	$ 446
Mortgage-backed securities:				
FHLMC	16,901	242	(187)	16,956
FNMA	20,567	90	(326)	20,331
GNMA	1,196	—	(12)	1,184
	$ 39,107	$ 335	$ (525)	$ 38,917
Securities held-to-maturity				
Municipal bonds	$ 127	$ —	$ —	$ 127
Mortgage-backed securities:				
FHLMC	3,958	122	(63)	4,017
FNMA	2,268	155	(29)	2,394
GNMA	2,412	—	(42)	2,370
	$ 8,765	$ 277	$ (134)	$ 8,908

There were 30 and 38 securities in an unrealized loss position at June 30, 2015 and June 30, 2014, respectively. The unrealized losses on investments in debt securities relate principally to the general change in interest rates in changing market conditions and not credit quality that has occurred since the securities' purchase dates, and such unrecognized losses or gains will continue to vary with general interest rate level fluctuations in the future. We do not intend to sell the temporarily impaired securities and it is not likely that we will be required to sell the securities prior to their maturity. We do expect to recover the entire amortized cost basis of the securities. The fair value of temporarily impaired securities, the amount of unrealized losses, and the length of time these unrealized losses existed as of June 30, 2015 and 2014 were as follows:

(Dollars in thousands except share data)

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2015						
Securities available-for-sale						
Mortgage-backed securities:						
FHLMC	$ 747	$ (1)	$ 5,404	$ (122)	$ 6,151	$ (123)
FNMA	3,105	(45)	6,898	(151)	10,003	(196)
GNMA	—	—	931	(17)	931	(17)
	$ 3,852	$ (46)	$ 13,233	$ (290)	$ 17,085	$ (336)

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2015						
Securities held-to-maturity						
Mortgage-backed securities:						
FHLMC	$ —	$ —	$ 2,299	$ (56)	$ 2,299	$ (56)
FNMA	—	—	772	(22)	772	(22)
GNMA	—	—	2,207	(66)	2,207	(66)
	$ —	$ —	$ 5,278	$ (144)	$ 5,278	$ (144)

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2014						
Securities available-for-sale						
Mortgage-backed securities:						
FHLMC	$ —	$ —	$ 9,072	$ (187)	$ 9,072	$ (187)
FNMA	—	—	15,799	(326)	15,799	(326)
GNMA	—	—	1,184	(12)	1,184	(12)
	$ —	$ —	$ 26,055	$ (525)	$ 26,055	$ (525)

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2014						
Securities held-to-maturity						
Mortgage-backed securities:						
FHLMC	$ —	$ —	$ 2,642	$ (63)	$ 2,642	$ (63)
FNMA	—	—	862	(29)	862	(29)
GNMA	—	—	2,370	(42)	2,370	(42)
	$ —	$ —	$ 5,874	$ (134)	$ 5,874	$ (134)

(Dollars in thousands except share data)

Contractual maturities of securities at June 30, 2015 are listed below. Expected maturities of mortgage-backed securities may differ from contractual maturities because borrowers may have the right to call or prepay the obligations; therefore, these securities are classified separately with no specific maturity date.

June 30, 2015	**Amortized Cost**	**Fair Value**
Securities available-for-sale		
Municipal bonds:		
Due within one year	$ 250	$ 251
Due after one to five years	—	—
Due five years to ten years	—	—
Due after ten years	184	184
Mortgage-backed securities:		
FHLMC	11,780	11,791
FNMA	16,534	16,408
GNMA	948	931
	$ 29,696	$ 29,565
Securities held-to-maturity		
Municipal bonds:		
Due after ten years	$ 119	$ 119
Mortgage-backed securities:		
FHLMC	3,367	3,406
FNMA	1,858	1,960
GNMA	2,273	2,207
	$ 7,617	$ 7,692

Sales, maturities, and calls of securities for the years presented are summarized as follows:

	Year Ended June 30,		
	2015	2014	2013
Proceeds from sales	$ 2,355	$ —	$ 995
Proceeds from maturities and calls	—	995	170
Gross realized gains	65	—	70
Gross realized loss	(18)	—	—

Pledged securities at the dates indicated are summarized as follows:

	June 30, 2015		June 30, 2014	
Pledged to secure:	Book Value	Fair Value	Book Value	Fair Value
Certain public deposits	$ 12,184	$ 12,189	$ 10,081	$ 10,154
FHLB borrowings	1,727	1,788	2,223	2,301
Federal Reserve borrowing line	1,001	990	1,127	1,120

(Dollars in thousands except share data)

Note 4 - Loans Receivable

Loans receivable consisted of the following at the dates indicated:

	June 30, 2015	June 30, 2014
Real estate:		
One-to-four family	$ 57,944	$ 63,009
Multi-family	43,249	47,507
Commercial	128,306	107,828
Construction	11,731	19,690
Land	4,069	4,126
Total real estate	245,299	242,160
Consumer:		
Home equity	17,604	20,894
Credit cards	3,289	3,548
Automobile	686	1,073
Other consumer	2,347	2,838
Total consumer	23,926	28,353
Commercial business	18,987	16,737
Total loans	288,212	287,250
Less:		
Deferred loan fees	1,047	1,100
Allowance for loan losses	3,721	4,624
Loans receivable, net	$ 283,444	$ 281,526

A summary of activity in the allowance for loan losses follows:

	June 30, 2015	June 30, 2014	June 30, 2013
Beginning balance	$ 4,624	$ 5,147	$ 7,057
Provision for losses	—	—	750
Charge-offs	(1,497)	(2,434)	(3,283)
Recoveries	594	1,911	623
Ending balance	$ 3,721	$ 4,624	$ 5,147

(Dollars in thousands except share data)

The following table presents the activity in the allowance for loan losses by portfolio segment for the year ended June 30, 2015:

	One-to-four family	Multi-family	Commercial real estate	Construction	Land	Consumer (1)	Commercial business	Unallocated	Total
Allowance for loan losses:									
Beginning balance	$ 1,550	$ 229	$ 682	$ 190	$ 74	$ 587	$ 1,231	$ 81	$ 4,624
Provision (benefit) for loan losses	(5)	25	(80)	(197)	1	94	164	(2)	—
Charge-offs	(561)	(159)	(340)	—	—	(351)	(86)	—	(1,497)
Recoveries	129	—	—	254	—	115	96	—	594
Ending balance	$ 1,113	$ 95	$ 262	$ 247	$ 75	$ 445	$ 1,405	$ 79	$ 3,721

(1) Consumer loans include home equity, credit cards, auto, and other consumer loans. The only consumer loans with impairment are home equity loans.

The following table presents the activity in the allowance for loan losses by portfolio segment for the year ended June 30, 2014:

	One-to-four family	Multi-family	Commercial real estate	Construction	Land	Consumer (1)	Commercial business	Unallocated	Total
Allowance for loan losses:									
Beginning balance	$ 1,393	$ 156	$ 671	$ 356	$ 531	$ 817	$ 1,172	$ 51	$ 5,147
Provision (benefit) for loan losses	665	73	(558)	(540)	(457)	508	279	30	—
Charge-offs	(897)	—	(403)	—	—	(876)	(258)	—	(2,434)
Recoveries	389	—	972	374	—	138	38	—	1,911
Ending balance	$ 1,550	$ 229	$ 682	$ 190	$ 74	$ 587	$ 1,231	$ 81	$ 4,624

(1) Consumer loans include home equity, credit cards, auto, and other consumer loans. The only consumer loans with impairment are home equity loans.

The following table presents the activity in the allowance for loan losses by portfolio segment for the year ended June 30, 2013:

	One-to-four family	Multi-family	Commercial real estate	Construction	Land	Consumer (1)	Commercial business	Unallocated	Total
Allowance for loan losses:									
Beginning balance	$ 1,659	$ 238	$ 578	$ 148	$ 368	$ 1,508	$ 2,558	$ —	$ 7,057
Provision (benefit) for loan losses	7	(82)	(108)	270	163	341	108	51	750
Charge-offs	(416)	—	—	(105)	—	(1,231)	(1,531)	—	(3,283)
Recoveries	143	—	201	43	—	199	37	—	623
Ending balance	$ 1,393	$ 156	$ 671	$ 356	$ 531	$ 817	$ 1,172	$ 51	$ 5,147

(1) Consumer loans include home equity, credit cards, auto, and other consumer loans. The only consumer loans with impairment are home equity loans.

(Dollars in thousands except share data)

The following table presents loans individually evaluated for impairment by class of loans as of June 30, 2015:

	Recorded Investments	Unpaid Principal Balance	Related Allowance
With no allowance recorded			
One-to-four family	$ 1,557	$ 1,860	$ —
Land	231	245	—
Home equity	64	65	—
Other consumer	31	32	—
Commercial business	64	126	—
With an allowance recorded			
One-to-four family	7,716	7,743	500
Land	408	408	3
Home equity	212	212	26
Commercial business	868	868	211
Total			
One-to-four family	9,273	9,603	500
Land	639	653	3
Home equity	276	277	26
Other consumer	31	32	—
Commercial business	932	994	211
Total	$ 11,151	$ 11,559	$ 740

(Dollars in thousands except share data)

The following table presents loans individually evaluated for impairment by class of loans as of June 30, 2014:

	Recorded Investments	Unpaid Principal Balance	Related Allowance
With no allowance recorded			
One-to-four family	$ 2,213	$ 2,653	$ —
Commercial real estate	219	219	—
Land	307	321	—
Home equity	145	147	—
Commercial business	64	126	—
With an allowance recorded			
One-to-four family	8,475	8,486	780
Multi-family	158	158	158
Commercial real estate	1,850	1,850	340
Land	508	508	28
Home equity	223	223	43
Commercial business	393	393	90
Total			
One-to-four family	10,688	11,139	780
Multi-family	158	158	158
Commercial real estate	2,069	2,069	340
Land	815	829	28
Home equity	368	370	43
Commercial business	457	519	90
Total	$ 14,555	$ 15,084	$ 1,439

(Dollars in thousands except share data)

The following table presents the average recorded investment in loans individually evaluated for impairment and the interest income recognized for the year ended June 30, 2015:

	Year Ended June 30, 2015	
	Average Recorded Investment	Interest Income Recognized
With no allowance recorded		
One-to-four family	$ 3,802	$ 67
Multi-family	1,132	—
Commercial real estate	984	—
Land	355	12
Home equity	153	3
Other consumer	—	1
Commercial business	723	8
With an allowance recorded		
One-to-four family	7,989	308
Land	765	25
Home equity	325	10
Commercial business	469	36
Total		
One-to-four family	11,791	375
Multi-family	1,132	—
Commercial real estate	984	—
Land	1,120	37
Home equity	478	13
Other consumer	—	1
Commercial business	1,192	44
Total	$ 16,697	$ 470

(Dollars in thousands except share data)

The following table presents the average recorded investment in loans individually evaluated for impairment and the interest income recognized for the year ended June 30, 2014:

	Year Ended June 30, 2014	
	Average Recorded Investment	Interest Income Recognized
With no allowance recorded		
One-to-four family	$ 4,199	$ 97
Multi-family	1,132	—
Commercial real estate	1,094	12
Land	393	18
Home equity	194	6
Commercial business	723	8
With an allowance recorded		
One-to-four family	8,360	379
Multi-family	79	—
Commercial real estate	925	21
Land	815	32
Home equity	330	11
Commercial business	231	20
Total		
One-to-four family	12,559	476
Multi-family	1,211	—
Commercial real estate	2,019	33
Land	1,208	50
Home equity	524	17
Commercial business	954	28
Total	$ 18,475	$ 604

(Dollars in thousands except share data)

The following table presents the average recorded investment in loans individually evaluated for impairment and the interest income recognized for the year ended June 30, 2013:

	Year Ended June 30, 2013	
	Average Recorded Investment	Interest Income Recognized
With no allowance recorded		
One-to-four family	$ 9,094	$ 190
Multi-family	2,408	109
Commercial real estate	2,363	131
Construction	2,022	—
Land	612	25
Home equity	260	10
Commercial business	—	70
With an allowance recorded		
One-to-four family	4,571	292
Land	561	64
Home equity	222	19
Commercial business	1,374	6
Total		
One-to-four family	13,665	482
Multi-family	2,408	109
Commercial real estate	2,363	131
Construction	2,022	—
Land	1,173	89
Home equity	482	29
Commercial business	1,374	76
Total	$ 23,487	$ 916

(Dollars in thousands except share data)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of June 30, 2015:

	One-to-four family	Multi-family	Commercial real estate	Construction	Land	Consumer (1)	Commercial business	Unallocated	Total
Allowance for loan losses:									
Ending balance	$ 1,113	$ 95	$ 262	$ 247	$ 75	$ 445	$ 1,405	$ 79	$ 3,721
Ending balance: individually evaluated for impairment	500	—	—	—	3	26	211		740
Ending balance: collectively evaluated for impairment	$ 613	$ 95	$ 262	$ 247	$ 72	$ 419	$ 1,194	$ 79	$ 2,981
Loans receivable:									
Ending balance	$ 57,944	$ 43,249	$ 128,306	$ 11,731	$ 4,069	$ 23,926	$ 18,987	$ —	$ 288,212
Ending balance: individually evaluated for impairment	9,273	—	—	—	639	307	932	—	11,151
Ending balance: collectively evaluated for impairment	$ 48,671	$ 43,249	$ 128,306	$ 11,731	$ 3,430	$ 23,619	$ 18,055	$ —	$ 277,061

(1) Consumer loans include home equity, credit cards, auto and other consumer loans.

(Dollars in thousands except share data)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of June 30, 2014:

	One-to-four family	Multi-family	Commercial real estate	Construction	Land	Consumer (1)	Commercial business	Unallocated	Total
Allowance for loan losses:									
Ending balance	$ 1,550	$ 229	$ 682	$ 190	$ 74	$ 587	$ 1,231	$ 81	$ 4,624
Ending balance: individually evaluated for impairment	780	158	340	—	28	43	90	—	1,439
Ending balance: collectively evaluated for impairment	$ 770	$ 71	$ 342	$ 190	$ 46	$ 544	$ 1,141	$ 81	$ 3,185
Loans receivable:									
Ending balance	$ 63,009	$ 47,507	$ 107,828	$ 19,690	$ 4,126	$ 28,353	$ 16,737	$ —	$ 287,250
Ending balance: individually evaluated for impairment	10,688	158	2,069	—	815	368	457	—	14,555
Ending balance: collectively evaluated for impairment	$ 52,321	$ 47,349	$ 105,759	$ 19,690	$ 3,311	$ 27,985	$ 16,280	$ —	$ 272,695

(1) Consumer loans include home equity, credit cards, auto, and other consumer loans.

The following table presents the recorded investment in nonaccrual and loans past due 90 days still on accrual by type of loans as of the dates indicated:

	June 30, 2015	June 30, 2014
One-to-four family	$ 1,263	$ 2,101
Multi-family	—	158
Commercial real estate	—	2,070
Land loans	—	150
Credit cards	6	—
Other consumer	31	—
Commercial business	711	235
Total	$ 2,011	$ 4,714

The table above includes $2.0 million in nonaccrual and $6 in past due 90 days or more and still accruing interest, net of partial loan charge-offs at June 30, 2015. There were $4.7 million in nonaccrual and no loans in past due 90 days or more and still accruing interest, net of partial loan charge-offs at June 30, 2014.

(Dollars in thousands except share data)

Past Due Loans. Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due.

The following table presents past due loans, net of partial loan charge-offs, by class, as of June 30, 2015:

	30-59 Days Past Due	60-89 Days Past Due	90 Days Or More Past Due [(1)]	Total Past Due	Current	Total Loans
One-to-four family	$ 616	$ 552	$ 1,263	$ 2,431	$ 55,513	$ 57,944
Multi-family	—	—	—	—	43,249	43,249
Commercial real estate	—	—	—	—	128,306	128,306
Construction	—	—	—	—	11,731	11,731
Land	—	—	—	—	4,069	4,069
Home equity	15	16	—	31	17,573	17,604
Credit cards	8	26	6	40	3,249	3,289
Automobile	9	—	—	9	677	686
Other consumer	16	—	31	47	2,300	2,347
Commercial business	64	273	711	1,048	17,939	18,987
Total	$ 728	$ 867	$ 2,011	$ 3,606	$ 284,606	$ 288,212

(1) Includes loans on nonaccrual status, that may be less than 90 days contractually past due.

The following table presents past due loans, net of partial loan charge-offs, by class as of June 30, 2014:

	30-59 Days Past Due	60-89 Days Past Due	90 Days Or More Past Due [(1)]	Total Past Due	Current	Total Loans
One-to-four family	$ 1,384	$ 819	$ 2,101	$ 4,304	$ 58,705	$ 63,009
Multi-family	32	—	158	190	47,317	47,507
Commercial real estate	—	—	2,070	2,070	105,758	107,828
Construction	—	—	—	—	19,690	19,690
Land	—	—	150	150	3,976	4,126
Home equity	239	108	—	347	20,547	20,894
Credit cards	32	27	—	59	3,489	3,548
Automobile	14	—	—	14	1,059	1,073
Other consumer	43	—	—	43	2,795	2,838
Commercial business	64	—	235	299	16,438	16,737
Total	$ 1,808	$ 954	$ 4,714	$ 7,476	$ 279,774	$ 287,250

(1) Includes loans on nonaccrual status, that may be less than 90 days contractually past due.

Credit Quality Indicators. The Bank utilizes a ten-point risk rating system and assign a risk rating for all credit exposures. The risk rating system is designed to define the basic characteristics and identify risk elements of each credit extension.

Credits risk rated 1 through 7 are considered to be "pass" credits. Pass credits can be assets where there is virtually no credit risk, such as cash secured loans with funds on deposit with the Bank. Pass credits also include credits that are on our Watch and Special Mention lists, where the borrower exhibits potential weaknesses, which may, if not checked or corrected, negatively affect the borrower's financial capacity and threaten their ability to fulfill debt obligations in the future. A seasoned loan with a Debt Service Coverage Ratio ("DSCR") of greater than 1.00 is the minimum acceptable level for a "Pass Credit". Particular attention is paid to the coverage trend analysis as any loan with a declining DSCR trend may warrant a higher risk grade even if the current coverage is at or above the 1.00 threshold.

Credits classified as Watch are risk rated 6 and possess weaknesses that deserve management's close attention. These assets do not expose the Bank to sufficient risk to warrant adverse classification in the substandard, doubtful or loss categories. The Bank uses this rating when a material documentation deficiency exists but correction is anticipated within an acceptable time frame.

A loan classified as Watch may have the following characteristics:

- Acceptable asset quality, but requiring increased monitoring. Strained liquidity and less than anticipated performance. The loan may be fully leveraged.
- Apparent management weakness, perhaps demonstrated by an irregular flow of adequate and/or timely performance information required to support the credit.
- The borrower has a plausible plan to correct problem(s) in the near future that is devoid of material uncertainties.
- Lacks reserve capacity, so the risk rating will improve or decline in relatively short time (results of corrective actions should be apparent within six months or less).

Credits classified as Special Mention are risk rated 7. These credits have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset. Special Mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

A loan classified as Special Mention may have the following characteristics:

- Performance is poor or significantly less than expected. A debt service deficiency either exists or cannot be ruled out.
- Generally an undesirable business credit. Assets in this category are protected, but are potentially weak. These assets constitute an undue and unwarranted credit risk, but not to the point of justifying a classification of Substandard. Special mention assets have potential weaknesses which may, if not checked or corrected, weaken the asset or inadequately protect the Bank's credit position at some future date.
- Assets which might be detailed in this category include credits that the lending officer may be unable to supervise properly because of lack of expertise, an inadequate loan agreement, the condition of and control over collateral, failure to obtain proper documentation, or any other deviations from prudent lending practices.
- An adverse trend in the borrower's operations or an imbalanced position in the balance sheet which does not jeopardize liquidation may best be handled by this classification.
- A Special Mention classification should not be used as a compromise between a pass and substandard rating. Assets in which actual, not potential, weaknesses are evident and significant, and should be considered for more serious criticism.

A loan classified as Substandard is risk rated 8. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. An asset is considered Substandard if it is inadequately protected by the current net worth and payment capacity of the borrower or of any collateral pledged.

A loan classified as Substandard may have the following characteristics:

- Unacceptable business credit. The asset is inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Assets so classified must have a well defined weakness or weaknesses that jeopardize the liquidation of the debt.
- Though no loss is envisioned, the outlook is sufficiently uncertain to preclude ruling out the possibility. Some liquidation of assets will likely be necessary as a corrective measure.
- Assets in this category may demonstrate performance problems such as debt servicing deficiencies with no immediate relief, including having a DSCR of less than 1.00. Borrowers have an inability to adjust to prolonged and unfavorable industry or economic trends. Management's character and/or effectiveness have become suspect.

A loan classified as Doubtful is risk rated 9 and has all the inherent weaknesses as those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values highly questionable is improbable.

A loan classified as Doubtful is risk rated 9 and has the following characteristics:

(Dollars in thousands except share data)

- The possibility of loss is extremely high, but because of certain important and reasonable specific pending factors which may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined.
- Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

A loan risk rated 10 is a loan for which a total loss is expected.

A loan classified as a Loss has the following characteristics:

- An uncollectible asset or one of such little value that it does not warrant classification as an active, earning asset. Such an asset may, however, have recovery or salvageable value, but not to the point of deferring full write off, even though some recovery may occur in the future.
- The Bank will charge off such assets as a loss during the accounting period in which they were identified.
- Loan to be eliminated from the active loan reporting system via charge off.

The following table represents the internally assigned grade as of June 30, 2015, by class of loans:

	One-to-four family	Multi-family	Commercial real estate	Construction	Land	Home equity	Credit cards	Automobile	Other consumer	Commercial business	Total
Grade:											
Pass	$ 49,119	$ 42,884	$ 125,586	$ 11,731	$ 3,430	$ 16,585	$ 3,249	$ 615	$ 2,214	$ 16,981	$272,394
Watch	2,151	—	2,044	—	—	697	34	71	102	915	6,014
Special Mention	4,755	—	676	—	231	301	—	—	—	159	6,122
Substandard	1,919	365	—	—	408	21	6	—	31	932	3,682
Doubtful	—	—	—	—	—	—	—	—	—	—	—
Total	$ 57,944	$ 43,249	$ 128,306	$ 11,731	$ 4,069	$ 17,604	$ 3,289	$ 686	$ 2,347	$ 18,987	$288,212

The following table represents the credit risk profile based on payment activity as of June 30, 2015, by class of loans:

	One-to-four family	Multi-family	Commercial real estate	Construction	Land	Home equity	Credit cards	Automobile	Other consumer	Commercial business	Total
Performing	$56,681	$ 43,249	$ 128,306	$ 11,731	$ 4,069	$ 17,604	$3,283	$ 686	$ 2,316	$ 18,276	$286,201
Nonperforming (1)	1,263	—	—	—	—	—	6	—	31	711	2,011
Total	$57,944	$ 43,249	$ 128,306	$ 11,731	$ 4,069	$ 17,604	$3,289	$ 686	$ 2,347	$ 18,987	$288,212

(1) Loans that are more than 90 days past due and nonaccrual loans are considered nonperforming.

The following table represents the internally assigned grade as of June 30, 2014, by class of loans:

	One-to-four family	Multi-family	Commercial real estate	Construction	Land	Home equity	Credit cards	Automobile	Other consumer	Commercial business	Total
Grade:											
Pass	$ 49,504	$ 47,317	$ 102,216	$ 19,690	$ 3,248	$ 18,925	$3,489	$ 976	$ 2,732	$ 13,040	$ 261,137
Watch	4,505	32	449	—	—	1,434	59	97	106	1,005	7,687
Special Mention	6,171	—	3,093	—	307	406	—	—	—	1,841	11,818
Substandard	2,829	158	2,070	—	571	129	—	—	—	851	6,608
Doubtful	—	—	—	—	—	—	—	—	—	—	—
Total	$ 63,009	$ 47,507	$ 107,828	$ 19,690	$ 4,126	$ 20,894	$3,548	$ 1,073	$ 2,838	$ 16,737	$ 287,250

(Dollars in thousands except share data)

The following table represents the credit risk profile based on payment activity as of June 30, 2014, by class of loans:

	One-to-four family	Multi-family	Commercial real estate	Construction	Land	Home equity	Credit cards	Automobile	Other consumer	Commercial business	Total
Performing	$60,908	$47,349	$ 105,758	$ 19,690	$ 3,976	$20,894	$ 3,548	$ 1,073	$ 2,838	$ 16,502	$ 282,536
Nonperforming [(1)]	2,101	158	2,070	—	150	—	—	—	—	235	4,714
Total	$63,009	$47,507	$ 107,828	$ 19,690	$ 4,126	$20,894	$ 3,548	$ 1,073	$ 2,838	$ 16,737	$ 287,250

(1) Loans that are more than 90 days past due and nonaccrual loans are considered nonperforming.

Troubled Debt Restructure. At June 30, 2015 and June 30, 2014, troubled debt restructured loans ("TDRs"), included in impaired loans above, totaled $9.8 million and $11.3 million, respectively and $681,000 with $1.4 million currently in nonaccrual, respectively. Restructured loans are an option that the Bank uses to minimize risk of loss and are a concession granted to a borrower experiencing financial difficulties that it would not otherwise consider. The modifications have included items such as lowering the interest rate on the loan for a period of time and extending the maturity date of the loan. These modifications are made only when there is a reasonable and attainable workout plan that has been agreed to by the borrower and is in the Bank's best interest.

The Bank has utilized a combination of rate and term modifications for its TDRs.

The following table represents TDRs by accrual versus nonaccrual status and by loan class as of June 30, 2015:

	June 30, 2015		
	Accrual Status	Nonaccrual Status	Total Modifications
One-to-four family	$ 8,010	$ 681	$ 8,691
Land	639	—	639
Home equity	276	—	276
Commercial business	221	—	221
Total	$ 9,146	$ 681	$ 9,827

The following table represents TDRs by accrual versus nonaccrual status and by loan class as of June 30, 2014:

	June 30, 2014		
	Accrual Status	Nonaccrual Status	Total Modifications
One-to-four family	$ 8,590	$ 1,355	$ 9,945
Land	727	—	727
Home equity	367	—	367
Commercial business	222	—	222
Total	$ 9,906	$ 1,355	$ 11,261

(Dollars in thousands except share data)

The following tables present TDR loans and their recorded investment prior to the modification and after the modification for TDR transactions that originated during the years ended June 30, 2015, 2014 and 2013:

	Year Ended June 30, 2015		
	Number of Contracts	Pre-TDR Recorded Investment	Post -TDR Recorded Investment
One-to-four family	1	$ 197	$ 194
Total	1	$ 197	$ 194

	Year Ended June 30, 2014		
	Number of Contracts	Pre-TDR Recorded Investment	Post -TDR Recorded Investment
One-to-four family	7	$ 1,530	$ 1,545
Home equity	1	75	67
Commercial business	1	145	158
Total	9	$ 1,750	$ 1,770

	Year Ended June 30, 2013		
	Number of Contracts	Pre-TDR Recorded Investment	Post -TDR Recorded Investment
One-to-four family	22	$ 7,381	$ 7,179
Land	1	429	429
Home equity	4	299	301
Total	27	$ 8,109	$ 7,909

There were no TDRs modified within the previous 12 months for which there was a payment default for the years ended June 30, 2015 and 2014.

The following table below represents TDRs modified within the previous 12 months for which there was a payment default within 12 months of their restructure for the year ended June 30, 2013:

	Number of Contracts	For the Year Ended June 30, 2013
Post TDR investment		
One-to-four family	2	$ 506
Home equity	1	73
Total	3	$ 579

(Dollars in thousands except share data)

Note 5 - Real Estate Owned, net

The following table is a summary of REO for the years ended June 30, 2015, 2014 and 2013:

	Year Ended June 30,		
	2015	2014	2013
Balance at the beginning of the period	$ 5,067	$ 6,212	$ 6,708
Net loans transferred to real estate owned	2,241	5,793	5,050
Capitalized improvements	27	591	793
Sales	(6,506)	(6,439)	(4,852)
Impairments	(32)	(1,090)	(1,487)
Balance at the end of the period	$ 797	$ 5,067	$ 6,212

Note 6 - Property, Premises, and Equipment

Property, premises, and equipment owned by the Bank are summarized as follows:

	June 30,	
	2015	2014
Land	$ 2,247	$ 2,323
Building and improvements	15,883	16,691
Furniture and fixtures	4,778	5,710
Automobiles	334	289
Software	593	1,056
Leasehold improvements	17	21
	23,852	26,090
Less accumulated depreciation and amortization	(13,482)	(14,777)
Property, premises, and equipment, net of depreciation and amortization	$ 10,370	$ 11,313

Depreciation and amortization expense for the years ended June 30, 2015, 2014, and 2013, was $665, $608 and $946, respectively.

(Dollars in thousands except share data)

Note 7 - Deposits

Deposits consist of the following:

	June 30,						
	2015			2014			
	Amount		Percent	Amount		Percent	
Noninterest-bearing demand deposits	$	44,719	15.0%	$	41,149	13.2%	
Interest-bearing demand deposits, weighted-average rate of 0.04% and 0.04% in fiscal 2015 and fiscal 2014, respectively		22,448	7.5		22,771	7.3	
Savings deposits, weighted-average rate of 0.15% in fiscal 2015 and 0.15% in fiscal 2014		42,399	14.1		39,693	12.8	
Money market accounts, weighted-average rate of 0.15% and 0.14% in fiscal 2015 and fiscal 2014, respectively		63,916	21.3		69,610	22.4	
Certificates of deposit							
0.00 to 3.49%		100,286	33.4		111,463	35.8	
3.50 to 5.49%		26,044	8.7		26,348	8.5	
Total of certificates of deposit		126,330	42.1		137,811	44.3	
Total deposits	$	299,812	100.0%	$	311,034	100.0%	

Certificates of deposit in denominations of $250,000 or more totaled $16.4 million and $16.8 million at June 30, 2015 and 2014, respectively. Included in deposits at June 30, 2015 and 2014, were $8.6 million and $9.5 million, respectively, of public funds. There were no brokered deposits at June 30, 2015 or 2014.

As of June 30, 2015, certificates of deposit mature as follows:

Year Ended June 30,	Amount	
2015	$	40,413
2016		21,972
2017		22,074
2018		32,579
Thereafter		9,292
	$	126,330

Note 8 - Borrowings

The Bank is a member of the FHLB of Des Moines. Based on eligible collateral, consisting of loans at June 30, 2015 and 2014, the total amount available under this line of credit was $132.3 million and $98.3 million, respectively. The total balance of loans pledged at June 30, 2015 and 2014 was $228.6 million and $217.7 million, respectively. The total balance of advances outstanding was $10.0 million and $17.5 million at June 30, 2015 and 2014. The net remaining amounts available as of June 30, 2015 and 2014 were $122.3 million and $80.8 million, respectively. Borrowings generally provide for interest at the then-current published rates. FHLB advances (at weighted-average interest rates of 1.18% and 3.58% at June 30, 2015 and 2014, respectively) and lines of credit are scheduled to mature as follows:

(Dollars in thousands except share data)

	June 30, 2015	June 30, 2014
One year or less	$ —	$ 17,500
After one year through three years	10,000	—
	$ 10,000	$ 17,500

Advances from FHLB are collateralized by all FHLB stock owned by the Bank, deposits with the FHLB, certain investments, and all loans as described in the Advances, Pledge, and Security Agreement with the FHLB. The maximum and average outstanding advances and lines of credit from the FHLB are as follows:

	June 30, 2015	June 30, 2014
Highest outstanding advances at month-end for the previous 12 months	$ 22,500	$ 64,900
Average outstanding	$ 13,629	$ 26,015

The Bank also maintains a short-term borrowing line with the Federal Reserve with total credit based on eligible collateral. As of June 30, 2015, the Bank had a borrowing capacity of $1.0 million, of which none was outstanding. Additionally we have a $5.0 million borrowing line with Pacific Coast Bankers' Bank of which none was outstanding at June 30, 2015 and 2014.

Note 9 - Employee Benefit Plans

Employee Stock Ownership Plan

On January 25, 2011, the Company established an ESOP for the benefit of substantially all employees. The ESOP borrowed $1.0 million from Anchor Bancorp and used those funds to acquire 102,000 shares of the Anchor Bancorp's common stock at the time of the initial public offering at a price of $10.00 per share.

Shares purchased by the ESOP with the loan proceeds are held in a suspense account and allocated to ESOP participants on a pro rata basis as principal and interest payments are made by the ESOP to Anchor Bancorp. The loan is secured by shares purchased with the loan proceeds and will be repaid by the ESOP with funds from the Company's discretionary contributions to the ESOP and earnings on the ESOP assets. Payments of principal and interest are due annually on June 30, the Company's fiscal year end.

As shares are committed to be released from collateral, the Company reports compensation expense equal to the daily average market prices of the shares and the shares become outstanding for EPS computations. The compensation expense is accrued throughout the year.

Compensation expense related to the ESOP for the years ended June 30, 2015, 2014 and 2013 was $172, $123 and $95 respectively.

Shares held by the ESOP as of the dates indicated are as follows:

	June 30, 2015	June 30, 2014
Allocated shares	32,865	25,981
Unallocated shares	69,135	76,019
Total ESOP shares	102,000	102,000
Fair value of unallocated shares	$ 1,555	$ 1,451

(Dollars in thousands except share data)

Note 10 - Supplemental Executive Retirement Plan (SERP)

On July 1, 2002, the Bank implemented a nonqualified SERP for the benefit of senior officers and directors of the Bank. The SERP entitles these individuals to receive defined benefits upon their retirement or death based on the appreciation in Bank value. The SERP value is based on the Company's stock price and the change from the last trading day of March 31, 2014 to March 31, 2015. On January 1, 2004, the SERP was amended to provide that a participant's SERP unit shall be valued at no less than 90%, and no more than 125%, of the participant's SERP unit as of the preceding valuation date. The value of the participant's SERP unit is based upon the stock value of the Bank. The accrual for the deferred compensation owed under the SERP is based upon the net present value of the vested benefits expected to be paid under the SERP. The Bank recognized $99, $12, and $61 in compensation cost related to the SERP for the years ended June 30, 2015, 2014, and 2013, respectively. The SERP liability totaled $1,814 and $1,715 at June 30, 2015 and 2014, respectively.

Note 11 - Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing income or loss, as applicable, available to common stockholders by the weighted average number of common shares outstanding for the period. As ESOP shares are committed to be released they become outstanding for basic EPS calculation purposes. ESOP shares not committed to be released are not considered outstanding. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. There were no stock options or other potential common shares during the following periods. The following table presents a reconciliation of the components used to compute basic and diluted earnings (loss) per share:

	For the Year Ended June 30,		
	2015	2014	2013
Net income (loss)	$ 9,827	$ 423	$ (255)
Weighted-average common shares outstanding	2,477,423	2,466,983	2,461,033
Basic earnings (loss) per share	$ 3.97	$ 0.17	$ (0.10)
Diluted earnings (loss) per share	$ 3.97	$ 0.17	$ (0.10)

There were no antidilutive stock options or other potential common shares at or for the years ended June 30, 2015, 2014 and 2013.

Note 12 - Related Party Transactions

During the normal course of business, the Bank originates loans to directors, committee members, and senior management. Such loans are granted with interest rates, terms, and collateral requirements substantially the same as those for all other customers.

Total deposits to directors, executive officers, and their affiliates for the years ended June 30, 2015, 2014, and 2013 were $1.9 million, $1.9 million, and $2.0 million, respectively.

Total loans to directors, executive officers, and their affiliates are subject to regulatory limitations. Aggregate loans balances are as follows and were within regulatory limitations:

	At June 30,		
	2015	2014	2013
Beginning balance	$ 887	$ 228	$ 254
Extensions of Credit	—	668	6
Repayments	610	9	32
Ending balance	$ 277	$ 887	$ 228

Note 13 - Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table that follows) of total and Tier I capital to risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined).

Effective January 1, 2015 (with some changes transitioned into full effectiveness over two to four years), the Bank is now subject to new capital requirements which create a new required ratio for common equity Tier 1 ("CET1") capital, increases the leverage and Tier 1 capital ratios, changes the risk-weightings of certain assets for purposes of the risk-based capital ratios, creates an additional capital conservation buffer over the required capital ratios and changes what qualifies as capital for purposes of meeting these various capital requirements. The Bank is required to maintain additional levels of Tier 1 common equity over the minimum risk-based capital levels before it may pay dividends, repurchase shares or pay discretionary bonuses.

The new minimum requirements are a ratio of common equity Tier 1 capital (CET1 capital) to total risk-weighted assets the ("CET1 risk-based ratio") of 4.5%, a Tier 1 capital ratio of 6.0%, a total capital ratio of 8.0%, and a leverage ratio of 4.0%.

In addition to the capital requirements, there are a number of changes in what constitutes regulatory capital, subject to a certain transition period. These changes include the phasing-out of certain instruments as qualifying capital. The Bank does not have any of these instruments. Mortgage servicing and deferred tax assets over designated percentages of CET1 are deducted from capital, subject to a transition period ending December 31, 2017. CET1 consists of Tier 1 capital less all capital components that are not considered common equity. In addition, Tier 1 capital includes accumulated other comprehensive income, which includes all unrealized gains and losses on available for sale debt and equity securities, subject to a transition period ending December 31, 2017. Because of the Bank's asset size, the Bank is not considered an advanced approaches banking organization and has elected to permanently opt-out of the inclusion of unrealized gains and losses on available for sale debt and equity securities in its capital calculations.

The new requirements also include changes in the risk-weighting of assets to better reflect credit risk and other risk exposure. These include a 150% risk weight (up from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and for non-residential mortgage loans that are 90 days past due or otherwise in nonaccrual status; a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; and a 250% risk weight (up from 100%) for mortgage servicing and deferred tax assets that are not deducted from capital.

In addition to the minimum CET1, Tier 1 and total capital ratios, the Bank will have to maintain a capital conservation buffer consisting of additional CET1 capital equal to 2.5% of risk-weighted assets above the required minimum levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses based on percentages of eligible retained income that could be utilized for such actions. This new capital conservation buffer requirement is to be phased in beginning in January 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented in January 2019.

Under the new standards, in order to be considered well-capitalized, the Bank must maintain a CET1 risk-based ratio of 6.5% (new), a Tier 1 risk-based ratio of 8% (increased from 6%), a total risk-based capital ratio of 10% (unchanged) and a leverage ratio of 5% (unchanged). As of June 30, 2015, the Bank was categorized as well-capitalized under the regulatory framework for prompt corrective action.

(Dollars in thousands except share data)

The Bank's capital accounts and ratios are also presented in the following table:

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2015						
Total capital (to risk-weighted assets)	$ 57,321	17.4%	$ 26,422	8.0%	$ 33,027	10.0%
Tier I capital (to risk-weighted assets)	53,600	16.2	19,816	6.0	26,422	8.0
Common equity Tier 1 capital (to risk-weighted assets)	53,600	16.2	14,862	4.5	21,468	6.5
Tier I leverage capital (to average assets)	53,600	14.3	14,963	4.0	18,703	5.0
As of June 30, 2014						
Total capital (to risk-weighted assets)	$ 57,344	18.0%	$ 25,460	8.0%	$ 31,826	10.0%
Tier I capital (to risk-weighted assets)	53,358	16.8	12,730	4.0	19,095	6.0
Tier I leverage capital (to average assets)	53,358	13.6	15,688	4.0	19,610	5.0

Anchor Bancorp exceeded all regulatory capital requirements with Tier 1 Leverage-Based Capital, Common Equity Tier 1 Capital, Tier 1 Risk- Based Capital and Total Risk-Based Capital ratios of 16.6%, 19.0%, 19.0% and 20.1%, respectively, as of June 30, 2015. As of June 30, 2014, Tier 1 Leverage-Based Capital, Tier 1 Risk-Based Capital and Total Risk-Based Capital ratios were 14.0%, 17.1% and 18.3%, respectively.

(Dollars in thousands except share data)

Note 14 - Income Taxes

The components of current and deferred tax expense for the years ended June 30, 2015 and 2014 were as follows:

	Year Ended June 30,	
	2015	2014
Current	$ —	$ —
Deferred	148	(50)
Change in valuation allowance	(8,469)	50
Total	$ (8,321)	$ —

Retained earnings at June 30, 2015 and 2014, included $5.5 million in tax-basis bad debt reserves for which no income tax liability has been recorded. In the future, if this tax-basis bad debt reserve is used for purposes other than to absorb bad debts, or if legislation is enacted requiring recapture of all tax-basis bad debt reserves, the Bank will incur a federal tax liability at the then-prevailing corporate tax rate.

A reconciliation of the provision for income taxes based on statutory corporate tax rates on pre-tax income and the provision shown in the accompanying consolidated statements of income at the dates indicated is summarized as follows:

	Amount	Percent of Pre-Tax Income (loss)
June 30, 2015		
Income taxes computed at statutory rates	$ 511	34.0 %
Tax-exempt income	(193)	(12.8)
Deferred tax asset valuation allowance	(8,469)	(562.5)
Other, net	(170)	(11.4)
Provision for income taxes	$ (8,321)	(552.7)%
June 30, 2014		
Income taxes computed at statutory rates	$ 144	34.0 %
Tax-exempt income	(202)	(47.8)
Deferred tax asset valuation allowance	50	11.9
Other, net	8	1.9
Provision for income taxes	$ —	— %
June 30, 2013		
Income taxes computed at statutory rates	$ (86)	(34.0)%
Tax-exempt income	(239)	(94.0)
Deferred tax asset valuation allowance	303	119.0
Other, net	22	9.0
Provision for income taxes	$ —	— %

(Dollars in thousands except share data)

The components of net deferred tax assets and liabilities at the dates indicated are summarized as follows:

	June 30, 2015	June 30, 2014
Deferred tax assets		
Allowance for loan losses	$ 3,139	$ 3,446
AMT credit carryforward	199	198
Deferred compensation - SERP	573	583
Securities impairment charge	340	340
Net operating loss carryforward	4,726	4,943
Real estate owned	198	992
Unrealized loss on securities available-for-sale	45	65
Accumulated depreciation	314	94
Total deferred tax assets	9,534	10,661
Deferred tax liabilities		
Deferred loan fees and costs	396	395
FHLB stock dividends	166	1,035
Mortgage servicing rights	80	125
Other common, net	25	72
Total deferred tax liabilities	667	1,627
Net deferred tax asset, before valuation allowance	8,867	9,034
Valuation allowance	—	8,479
Net deferred tax asset, after valuation allowance	$ 8,867	$ 555

DTAs are deferred tax consequences attributable to deductible temporary differences and carryforwards. After the DTA has been measured using the applicable enacted tax rate and provisions of the enacted tax law, it is then necessary to assess the need for a valuation allowance. A valuation allowance is needed when, based on the weight of the available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. As required by generally accepted accounting principles, available evidence is weighted heavily on cumulative losses with less weight placed on future projected profitability. Realization of the DTA is dependent on whether there will be sufficient future taxable income of the appropriate character in the period during which deductible temporary differences reverse or within the carryback and carryforward periods available under tax law. During fiscal 2015, the Company reversed its DTA valuation allowance related to the Company's deferred tax assets as management deemed that it was no longer appropriate to carry a DTA valuation allowance as a result of changes in the factors considered by management when the Company initially established the valuation allowance. In reaching this determination, management considered, among other factors, the scheduled reversal of deferred tax assets and liabilities, taxes paid in carryback years, available tax planning strategies, the Company's cumulative earnings during the past three years, including the Company's recent financial performance, the improvement in the Company's asset quality and financial condition, as well as projected earnings. As of June 30, 2015, management deemed that a deferred tax asset valuation allowance related to the Company's DTA was not necessary as compared to a valuation allowance of $8.5 million and $8.7 million at June 30, 2014 and 2013, respectively.

As of June 30, 2015, the consolidated statements of condition includes gross deferred tax assets of $8.9 million. The full deferred tax valuation allowance was reversed on December 31, 2014.

As of June 30, 2015, the Company had a federal net operating loss carryforwards totaling $13.9 million and Oregon net operating loss carryforward of $675,000 which can be used to offset future taxable income. The net operating losses begin to expire in 2031 for federal and 2024 for Oregon. The Company's net operating loss carryforwards may be subject to limitations under Internal Revenue Code Section 382.

The Company had no uncertain tax positions at June 30, 2015, 2014, and 2013. The Company recognizes interest accrued on and penalties related to uncertain tax positions in tax expense. During the years ended June 30, 2015, 2014, and 2013, the Company recognized no interest and penalties.

The Company files income tax returns in the U.S. federal and Oregon state and local jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal or state/local income tax examinations by tax authorities for years before 2009.

(Dollars in thousands except share data)

Note 15 – Parent Company Financials

Presented below are the condensed statement of financial condition, statement of income, and statement of cash flows for Anchor Bancorp.

ANCHOR BANCORP STATEMENTS OF FINANCIAL CONDITION

	June 30,	
	2015	2014
ASSETS		
Cash	$ 5,324	$ 240
ESOP loan	735	797
Investment in bank subsidiary	47,506	52,634
Prepaid and other assets	505	38
Total assets	$ 54,070	$ 53,709
LIABILITIES		
Total liabilities	$ 3	$ 34
STOCKHOLDERS' EQUITY		
Common stock	$ 25	$ 25
Additional paid-in-capital	23,404	23,293
Retained earnings, substantially restricted	32,084	31,914
Unearned ESOP shares	(735)	(797)
Accumulated other comprehensive (loss), net of tax	(711)	(760)
Total stockholders' equity	$ 54,067	$ 53,675
Total liabilities and stockholders' equity	$ 54,070	$ 53,709

(Dollars in thousands except share data)

ANCHOR BANCORP STATEMENTS OF INCOME

	For the Years Ended June 30,		
	2015	2014	2013
Operating income			
Interest income ESOP loan	$ 26	$ 28	$ 30
Dividends received from subsidiary	5,350	—	—
Total operating income	5,376	28	30
Operating expenses			
Legal expense	105	127	164
Accounting expense	47	44	47
Professional fees	60	60	76
Management fees	67	68	73
General and administrative	54	77	22
Total operating expenses	333	376	382
Profit (loss) before income tax	5,043	(348)	(352)
Income tax benefit	(478)	—	—
Income (loss) before equity in undistributed income of subsidiary	5,521	(348)	(352)
Equity in undistributed income of subsidiary	4,306	771	97
Net income (loss)	$ 9,827	$ 423	$ (255)

ANCHOR BANCORP CONDENSED STATEMENTS OF CASH FLOWS

	For the Years Ended June 30,		
	2015	2014	2013
Cash flows from operating activities			
Net income (loss)	$ 9,827	$ 423	$ (255)
Adjustments to reconcile net loss to net cash from operating activities:			
Equity in undistributed income of subsidiary	(4,306)	(771)	(97)
Change in deferred tax assets, net	(478)	—	—
Change in other assets	(46)	(45)	(31)
Net cash used by operating activities	4,997	(393)	(383)
Cash flows from financing activities			
ESOP loan repayments	88	123	95
Net cash provided by investing activities	88	123	95
Net change in cash and cash equivalents	5,084	(270)	(288)
Cash and cash equivalents at beginning of period	240	510	798
Cash and cash equivalents at end of period	$ 5,324	$ 240	$ 510

(Dollars in thousands except share data)

Note 16 - Commitments and Contingencies

Credit-related financial instruments - The Bank is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to a varying degree, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet.

The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

The following financial instruments were outstanding whose contract amounts represent credit risk at June 30, 2015:

	Amount of Commitment Expiration - Per Period	
	Total Amounts Committed [2]	Due in One Year
Commitments to originate loans [1]	$ 5,024	$ 5,024
Line of credit		
Fixed rate [3]	1,708	399
Adjustable rate	26,961	962
Undisbursed balance of loans closed	28,669	1,361
Total balance	$ 33,693	$ 6,385

[1] Interest rates on fixed rate loans range from 3.75% to 17.99%.
[2] At June 30, 2015 there were $79 in reserves for unfunded commitments.
[3] Includes standby letters of credit.

The following financial instruments were outstanding whose contract amounts represent credit risk at June 30, 2014:

	Amount of Commitment Expiration - Per Period	
	Total Amounts Committed [2]	Due in One Year
Commitments to originate loans [1]	$ 327	$ 327
Line of credit		
Fixed rate [3]	5,106	434
Adjustable rate	28,599	3,744
Undisbursed balance of loans closed	33,705	4,178
Total balance	$ 34,032	$ 4,505

[1] Interest rates on fixed rate loans range from 3.75% to 17.99%.
[2] At June 30, 2014 there were $81 in reserves for unfunded commitments.
[3] Includes standby letters of credit.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon.

Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the borrower.

(Dollars in thousands except share data)

Unfunded commitments under commercial lines of credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent that the Bank is committed.

Contingent liabilities for sold loans - In the ordinary course of business, the Bank sells loans without recourse that may have to subsequently be repurchased due to defects that occurred during the origination of the loan. The defects are categorized as documentation errors, underwriting errors, early payment defaults, breach of representation or warranty, and fraud. When a loan sold to an investor without recourse fails to perform according to its contractual terms, the investor will typically review the loan file to determine whether defects in the origination process occurred. If a defect is identified, the Bank may be required to either repurchase the loan or indemnify the investor for losses sustained. If there are no such defects, the Bank has no commitment to repurchase the loan. The Bank has recorded no reserve to cover loss exposure related to these guarantees. The principal balance of loans sold without recourse as of June 30, 2015 and 2014, was $86.8 million and $102.3 million, respectively. The Bank repurchased no loans for the year ended June 30, 2015, three loans for the year ended June 30, 2014 and no loans for the year ended June 30, 2013. The associated losses were not significant for the years ended June 30, 2014 and 2013.

Operating lease commitment - The Bank leases space for branches and operations located in Hoquiam, Shelton, and Puyallup, Washington. These leases run for periods ranging from three to five years. All leases require the Bank to pay all taxes, maintenance, and utility costs, as well as maintain certain types of insurance. The annual lease commitments for the next five years are as follows:

Year Ended June 30,	Amount
2016	$110
2017	$117
2018	$124
2019	$84
2020	$37

Rental expense charged to operations was $133, $121, and $238 for the years ended June 30, 2015, 2014, and 2013, respectively.

Note 17 - Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis - Assets and liabilities are considered to be fair valued on a recurring basis if fair value is measured regularly. The following tables show the Company's assets and liabilities at the dates indicated measured at fair value on a recurring basis:

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Municipal bonds	$ —	$ 435	$ —	$ 435
Mortgage-backed securities:				
FHLMC	—	11,791	—	11,791
FNMA	—	16,408	—	16,408
GNMA	—	931	—	931

(Dollars in thousands except share data)

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Municipal bonds	$ —	$ 446	$ —	$ 446
Mortgage-backed securities:				
FHLMC	—	16,956	—	16,956
FNMA	—	20,331	—	20,331
GNMA	—	1,184	—	1,184

Assets and liabilities measured at fair value on a nonrecurring basis - Assets and liabilities are considered to be fair valued on a nonrecurring basis if the fair value measurement of the instrument does not necessarily result in a change in the amount recorded on the balance sheet. Generally, a nonrecurring valuation is the result of the application of other accounting pronouncements that require assets or liabilities to be assessed for impairment or recorded at the lower of cost or fair value.

The following table presents the balances of assets measured at fair value on a nonrecurring basis during the year ended June 30, 2015:

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Impaired loans:				
Mortgage loans				
One-to-four family	$ —	$ —	$ 4,172	$ 4,172
Commercial	—	—	408	408
Land	—	—	212	212
Commercial business	—	—	868	868
Total impaired loans	—	—	5,660	5,660
Real estate owned:				
One-to-four family	$ —	$ —	$ 188	$ 188
Commercial	—	—	—	—
Land	—	—	418	418
Total real estate owned	—	—	606	606
Total	$ —	$ —	$ 6,266	$ 6,266

(Dollars in thousands except share data)

The following table presents the balance of assets measured at fair value on a nonrecurring basis during the year ended June 30, 2014:

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Impaired loans:				
Mortgage loans				
One-to-four family	$ —	$ —	$ 2,488	$ 2,488
Commercial	—	—	1,850	1,850
Land	—	—	88	88
Commercial business	—	—	392	392
Total impaired loans	—	—	4,818	4,818
Real estate owned:				
One-to-four family	$ —	$ —	$ 364	$ 364
Commercial	—	—	3,539	3,539
Land	—	—	40	40
Total real estate owned	—	—	3,943	3,943
Total	$ —	$ —	$ 8,761	$ 8,761

The fair value of impaired loans is calculated using the collateral value method or on a discounted cash flow basis. Inputs used in the collateral value method include appraisal values, estimates of certain completion costs and closing and selling costs. Some of these inputs may not be observable in the marketplace.

The fair value of real estate owned properties is measured at the lower of their carrying amount or fair value, less costs to sell. Fair values are generally based on third party appraisal of the property, resulting in Level 3 classification. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized.

The following tables present quantitative information about Level 3 fair value measurements at June 30, 2015 and 2014:

	June 30, 2015			
	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Average Discount
Impaired loans	$ 5,660	Fair value of underlying collateral	Discount applied to the obtained appraisal	0% - 100% (4%)
Real estate owned	$ 606	Fair value of collateral	Discount applied to the obtained appraisal	0% - 100% (1%)

(Dollars in thousands except share data)

	June 30, 2014				
		Fair Value	Valuation Technique(s)	Unobservable Input(s)	Average Discount
Impaired loans	$	4,818	Fair value of underlying collateral	Discount applied to the obtained appraisal	0% - 100% (4%)
Real estate owned	$	3,943	Fair value of collateral	Discount applied to the obtained appraisal	0% - 100% (18%)

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments as of June 30, 2015 and June 30, 2014. For short-term financial assets such as cash and cash equivalents, the carrying amount is a reasonable estimate of fair value due to the relatively short time between the origination of the instrument and its expected realization. For financial liabilities such as demand deposits, savings, and money market, the carrying amount is a reasonable estimate of fair value due to these products having no stated maturity.

	June 30, 2015				
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Instruments-Assets					
Cash and cash equivalents	$ 14,450	$ 14,450	$ 14,450	$ —	$ —
Securities available-for-sale	29,565	29,565	—	29,565	—
Securities held-to-maturity	7,617	7,692	—	7,692	—
FHLB stock	853	853	—	853	—
Loans held for sale	505	505	—	—	—
Loans receivable	287,165	288,424	—	—	288,424
Bank owned life insurance investment, net of surrender charges	19,001	19,001	—	19,001	—
Accrued interest receivable	1,069	1,069	—	1,069	—
Financial Instruments-Liabilities					
Demand deposits, savings and money market	$ 173,482	$ 173,482	$ 173,482	$ —	$ —
Certificates of deposit	126,330	125,942	—	125,942	—
FHLB advances	10,000	9,882	—	9,882	—
Advance payments by borrowers taxes and insurance	1,002	1,002	1,002	—	—

(Dollars in thousands except share data)

	June 30, 2014				
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Instruments-Assets					
Cash and cash equivalents	$ 14,758	$ 14,758	$ 14,758	$ —	$ —
Securities available-for-sale	38,917	38,917	—	38,917	—
Securities held-to-maturity	8,765	8,908	—	8,908	—
FHLB stock	6,046	6,046	—	6,046	—
Loans held for sale	—	—	—	—	—
Loans receivable	286,150	283,424	—	—	283,424
Bank owned life insurance investment, net of surrender charges	19,428	19,428	—	19,428	—
Accrued interest receivable	1,236	1,236	—	1,236	—
Financial Instruments-Liabilities					
Demand deposits, savings and money market	$ 173,223	$ 173,223	$ 173,223	$ —	$ —
Certificates of deposit	137,811	137,627	—	137,627	—
FHLB advances	17,500	17,661	—	17,661	—
Advance payments by borrowers taxes and insurance	891	891	891	—	—

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents - For cash, the carrying amount is a reasonable estimate of fair value.

Securities - The estimated fair values of securities are based on quoted market prices of similar securities.

Loans held for sale - The fair value of loans held-for-sale is based on quoted market prices from FHLMC. FHLMC quotes are updated daily and represent prices at which loans are exchanged in high volumes and in a liquid market.

Loans receivable - For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair value of fixed-rate loans is estimated using discounted cash flow analysis, utilizing interest rates that would be offered for loans with similar terms to borrowers of similar credit quality. As a result of current market conditions, cash flow estimates have been further discounted to include a credit factor. The fair value of nonperforming loans is estimated using the fair value of the underlying collateral.

Bank owned life insurance investment, net of surrender charges - The carrying amount is a reasonable estimate of its fair value.

FHLB stock - FHLB stock is carried at par and does not have a readily determinable fair value. Ownership of FHLB stock is restricted to the member institutions, and can only be purchased and redeemed at par.

Demand deposits, savings, money market, and certificates of deposit - The fair value of the Bank's demand deposits, savings, and money market accounts is the amount payable on demand. The fair value of fixed-maturity certificates is estimated using a discounted cash flow analysis using current rates offered for deposits of similar remaining maturities.

FHLB advances - The fair value of the Bank's FHLB advances was calculated using the discounted cash flow method. The discount rate was equal to the current rate offered by the FHLB for advances of similar remaining maturities.

Accrued interest receivable and advance payments by borrowers for taxes and insurance - The carrying value has been determined to be a reasonable estimate of their fair value.

Commitments to extend credit represent the principal categories of off-balance-sheet financial instruments - The fair values of these commitments are not material since they are for a short period of time and are subject to customary credit terms.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures: An evaluation of the Company's disclosure controls and procedures (as defined in Section 13a-15(e) of the Securities Exchange Act of 1934 (the "Act")) was carried out under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and several other members of the Company's senior management as of the end of the period covered by this report. The Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures in effect as of June 30, 2015 were effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Act was (i) accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

(b) Report of Management on Internal Control over Financial Reporting: The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The internal control process has been designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2015, utilizing the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of June 30, 2015 was effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, transactions and dispositions of assets; and provide reasonable assurances that: (1) transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States; (2) receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and (3) unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's financial statements are prevented or timely detected.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(c) Changes in Internal Controls: There have been no changes in the Company's internal control over financial reporting during the year ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company intends to continually review and evaluates the design and effectiveness of its disclosure controls and procedures and to improve its controls and procedures over time and to correct any deficiencies that it may discover in the future. The goal is to ensure that senior management has timely access to all material financial and non-financial information concerning the Company's business. While the Company believes the present design of its disclosure controls and procedures is effective to achieve its goal, future events affecting its business may cause the Company to modify its disclosure controls and procedures. The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent every error or instance of fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns in controls or procedures can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information contained under the section captioned " Proposal 1 – Election of Directors" in the Company's proxy statement, a copy of which will be filed with the SEC no later than 120 days after the Company's year end (the "Proxy Statement") is incorporated herein by reference.

For information regarding the executive officers of the Company and the Bank, see the information contained herein under the section captioned "Item 1. Business – Employees – Executive Officers."

Audit Committee Financial Expert. The Audit Committee of the Company is composed of Directors Kay (Chairperson), Ruecker and Donovan. Each member of the Audit Committee is "independent" in accordance with the requirement for companies listed on Nasdaq. In addition the Board of Directors has determined that Mr. Kay meets the definition of "audit committee financial expert," as defined by the SEC.

Code of Business Conduct and Ethics. The Board of Directors adopted our Code of Business Conduct and Ethics, which applies to all employees and directors and is designed to deter wrongdoing and to promote honest and ethical conduct in every respect. The Code addresses conflicts of interest, the treatment of confidential information, general employee conduct and compliance with applicable laws, rules, and regulations. A copy of the Code of Business Conduct and Ethics is available on our website at www.anchornetbank.com.

Compliance with Section 16(a) of the Exchange Act. The information contained under the section captioned "Section 16(a) Beneficial Ownership Reporting Compliance" is included in the Company's Proxy Statement and is incorporated herein by reference.

Nomination Procedures. There have been no material changes to the procedures by which shareholders may recommend nominees to the Company's Board of Directors.

Item 11. Executive Compensation

The information contained in the section captioned "Executive Compensation" and "Directors' Compensation" in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

(a) Security Ownership of Certain Beneficial Owners.

The information contained in the section captioned "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement is incorporated herein by reference.

(b) Security Ownership of Management.

The information contained in the section captioned "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement is incorporated herein by reference.

(c) Changes In Control

The Company is not aware of any arrangements, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

(d) Equity Compensation Plan Information

The Company has not established any equity compensation plans as of June 30, 2015.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Related Transactions. The information contained in the section captioned "Meetings and Committees of the Board of Directors and Corporate Governance Matters – Corporate Governance – Transactions with Related Persons" in the Proxy Statement is incorporated herein by reference.

Director Independence. The information contained in the section captioned "Meetings and Committees of the Board of Directors and Corporate Governance Matters – Corporate Governance – Director Independence" in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information contained under the section captioned "Proposal 2 – Ratification of Appointment of Independent Auditor" is included in the Company's Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements.

For a list of the financial statements filed as part of this report see Part II – Item 8.

2. Financial Statement Schedules.

All schedules have been omitted as the required information is either inapplicable or contained in the Consolidated Financial Statements or related Notes contained in Part II, Item 8 of this Form 10-K.

3. Exhibits:

Exhibits are available from the Company by written request.

3.1	Articles of Incorporation (1)
3.2	Amended and Restated Bylaws (2)
4.1	Form of Stock Certificate of the Company (1)
10.1	Form of Anchor Bank Employee Severance Compensation Plan (1)
10.2	Anchor Bank Phantom Stock Plan (1)
10.3	Form of 401(k) Retirement Plan (1)
10.4	Form of Employment Agreement between Anchor Bank and Jerald L. Shaw and Terri L. Degner (3)
10.5	Form of Severance Agreement and Release (4)
14	Code of Ethics (3)
21	Subsidiaries of Registrant✦
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act✦
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act✦
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act✦
101	The following materials from Anchor Bancorp's Annual Report on Form 10-K for the year ended June 30, 2015, formatted in Extensible Business Reporting Language (XBRL): (1) Consolidated Statements of Financial Condition; (2) Consolidated Statements of Operations; (3) Consolidated Statements of Comprehensive Income (Loss); (4) Consolidated Statements of Stockholders' Equity; (5) Consolidated Statements of Cash Flows; and (6) Notes to Consolidated Financial Statements

(1) Filed on October 24, 2008, as an exhibit to the Company's Registration Statement on Form S-1 (File No. 333-154734) and incorporated herein by reference.
(2) Filed as an exhibit to the Company's Current Report on Form 8-K dated December 13, 2011 and incorporated herein by reference.
(3) Filed as an exhibit to the Company's Current Report on Form 8-K dated May 19, 2014.
(4) Filed as an exhibit to the Company's Current Report on Form 8-K dated January 22, 2015.

(5) The Company elects to satisfy Regulation S-K §229.406(c) by posting its Code of Ethics on its website at www.anchornetbank.com.

✦ Copies of these exhibits are available upon written request to Investor Relations, Anchor Bancorp, 601 Woodland Square Loop SE, Lacey, Washington 98503.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ANCHOR BANCORP

September 11, 2015

By: /s/Jerald L. Shaw
Jerald L. Shaw
President, Chief Executive Officer and Director
(Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/Jerald L. Shaw Jerald L. Shaw President, Chief Executive Officer and Director (Principal Executive Officer)	September 11, 2015
By: /s/Terri L. Degner Terri L. Degner Chief Financial Officer and Director (Principal Financial and Accounting Officer)	September 11, 2015
By: /s/Robert D. Ruecker Robert D. Ruecker Chairman of the Board and Director	September 11, 2015
By: /s/Douglas A. Kay Douglas A. Kay Director	September 11, 2015
By: /s/George W. Donovan George W. Donovan Director	September 11, 2015
By: /s/William K. Foster William K. Foster Director	September 11, 2015
By: /s/Reid A. Bates Reid A. Bates Director	September 11, 2015

ANNUAL MEETING

The annual meeting of shareholders will be held at the Lacey Community Center at 6729 Pacific Avenue SE, Lacey, WA on Wednesday, October 21, 2015 at 10:00 a.m., local time.

CORPORATE OFFICE

Anchor Bancorp
601 Woodland Square Loop SE
Lacey, Washington 98503
(360) 491-2250

INTERNET ADDRESS

www.anchornetbank.com

SPECIAL COUNSEL

Breyer & Associates PC
8180 Greensboro Drive, Suite 785
McLean, VA 22102

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Moss Adams LLP
2707 Colby Avenue, Suite 801
Everett, WA 98201

TRANSFER AGENT

Computershare
Attn: Company Items
250 Royall Street
Canton, MA 02021
(800) 368-5948

MARKET INFORMATION

Anchor Bancorp is traded on the NASDAQ Global Select Market under the symbol ANCB.

FINANCIAL INFORMATION

Requests for copies of our Form 10-K and Forms 10-Q filed with the Securities and Exchange Commission should be directed in writing to:

Terri L. Degner
Chief Financial Officer
Anchor Bancorp
601 Woodland Square Loop SE
Lacey, Washington 98503

CORPORATE PROFILE

Anchor Bancorp (the "Corporation"), a Washington corporation, was organized for the purpose of becoming the holding company for Anchor Bank (the "Bank"), upon the Bank's conversion from a mutual to a stock savings bank ("Conversion"). The Conversion was completed in January 2011. The Corporation does not engage in any significant activity other than holding the stock of the Bank. Anchor Bank is a community-based savings bank primarily serving Western Washington through its 11 full-service banking offices (including one Wal-Mart in-store location), which are located within Grays Harbor, Thurston, Lewis, Pierce and Mason counties, Washington. Anchor Bank's business consists of attracting deposits from the public and utilizing those deposits to originate loans.

BOARD OF DIRECTORS

Robert D. Ruecker
Chairman of the Board, Anchor Bancorp
Retired HR Coordinator, Westport Shipyard

Douglas A. Kay
Vice Chairman of the Board
C.P.A., C.F.E.,A.B.V.

George W. Donovan
Secretary/Treasurer
Barrier West, Inc.

Jerald L. Shaw
President, CEO, Anchor Bancorp

Terri L. Degner
EVP, CFO, Anchor Bancorp

William K. Foster
Principal and Architect
Street Lundgren & Foster Architects

Reid A. Bates
Owner, Express Employment Professionals

ANCHOR BANCORP OFFICERS

Jerald L. Shaw
President, CEO

Terri L. Degner
EVP, Chief Financial Offcer

Gary P. Koch
EVP, Chief Lending Officer

Janice Sepulveda
Corporate Secretary

ANCHOR BANK OFFICERS

Jerald L. Shaw
President, CEO

Terri L. Degner
EVP, Chief Financial Offcer

Gary P. Koch
EVP, Chief Lending Officer

Janice Sepulveda
Corporate Secretary

RETAIL BRANCH LOCATIONS

Aberdeen
120 N Broadway
Aberdeen, WA 98520

Centralia
604 S Tower Avenue
Centralia, WA 98531

Elma
216 S. Third Street
Elma, WA 98541

Hoquiam
701 Simpson Avenue
Hoquiam, WA 98550

Lacey
601 Woodland Square Loop SE
Lacey, WA 98503

Montesano
301 Pioneer Avenue East
Montesano, WA 98563

Ocean Shores
795 Point Brown Avenue NW
Ocean Shores, WA 98569

Olympia
2610 Harrison Avenue W
Olympia, WA 98502

Westport
915 N Montesano Street
Westport, WA 98595

Puyallup
10514 156th St E, Suite 106
Puyallup, WA 98374

IN-STORE BRANCH LOCATIONS

Shelton
100 E Wallace Kneeland Boulevard
Shelton, WA 98584

Customer Information 1-800-562-9744 or www.anchornetbank.com

ANCHOR BANCORP

601 Woodland Square Loop SE
Lacey, WA 98503
360.491.2250
www.anchornetbank.com