THE STILWELL GROUP
111 BROADWAY • 12TH FLOOR
NEW YORK, NY 10006
(212) 269-1551
INFO@STILWELLGROUP.COM

July 7, 2016

Mr. Jerald L. Shaw
President and Chief Executive Officer
Anchor Bancorp
601 Woodland Square Loop SE
Lacey, Washington 98503

Dear Jerry:

This letter serves to formalize our June 15th meeting and to re-emphasize our belief that Anchor should be sold.

When we met with you two years ago, your plans to work diligently and improve bank operations sounded reasonable to us. We believed you when you promised you were making sincere efforts to position Anchor to maximize shareholder value. We understand that you have done your very best.

However, continued poor performance highlights the reality that Anchor should now be sold.

At our June meeting, your statements on further improvement to Anchor's return on equity by the end of 2018 sounded unrealistic to us. In our view, it is not in shareholders' best interests for management and the board to work 2½ more years towards a marginally better - but still inadequate - ROE.

Now is the time for Anchor to find a suitable merger partner.

Sincerely,

/s/ Megan Parisi
Megan Parisi
(917) 881-8076
mparisi@stilwellgroup.com