March 6, 2009

Via electronic and U.S. Mail

Mr. Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky:

Thank you for your February 6, 2009 letter requesting further information regarding Anchor BanCorp Wisconsin Inc.'s anticipated use of the TARP funds, and plans and status with regards to addressing the executive compensation requirements associated with the TARP funding.

Anchor BanCorp Wisconsin Inc. (ABCW) closed its TARP funding transaction on January 30, 2009. In ABCW's application, it indicated that it would downstream the proceeds from the sale of the senior preferred shares to the holding company's depository institution subsidiary, AnchorBank, fsb (Bank). At the Bank level, the intention is to use the proceeds to prudently increase lending activities to the extent qualified residential and consumer loan applicants are available and to increase ALLL to continue to maintain a reserve cushion that will continue to be sufficient even if current economic conditions to not improve in the short term. In addition, by strengthening ALLL, the Bank will have greater latitude to postpone foreclosures and be able to work with homeowners for whom additional time or loan restructuring may present a viable alternative to foreclosure.

Accordingly, upon receipt of the TARP funds, ABCW segregated the funds from other funds at ABCW. The TARP funds were subsequently down-streamed into the paid-in capital account of the Bank, where they comprise a significant portion of the paid-in capital funds of the Bank. (b) (4) [redacted] The TARP funds and corresponding capital infusion significantly supported the making of the foregoing referenced loans. We continue to monitor and track residential and consumer loan production on a monthly basis.

With regards to our plans and the implementation of plans for addressing the executive compensation requirements associated with the funding we, along with ABCW's legal counsel, are reviewing the provisions of the U.S. Emergency Economic Stabilization Act of 2008 ("EESA") and of the American Recovery and Reinvestment Act of 2009 (the "Stimulus Act") signed into law on February 17, 2009. We are also reviewing what guidance and regulations are currently available, although in both cases the need for additional regulatory action and interpretation makes it difficult to determine exactly how they will apply to our existing employment agreements and compensation arrangements. (b) (4) [redacted] While it is not clear that any of our agreements or compensation arrangements provide compensation in excess of applicable limits, Mr. Mark Timmerman, along with the next two (2) most highly compensated ABCW and Bank employees (Mr. Douglas Timmerman and Mr. Anthony Cattelino), have all entered into written agreements with ABCW and the Bank not to add an additional year to their current employment agreements of three (3), three (3), and two (2) years, respectively, on their anniversary/extension dates this June. Thus, as of June, their respective employment contracts will have two (2), two (2) and one (1) year remaining. This step was taken to provide ABCW and the Bank with maximum flexibility in the event it is determined that there is a need to restructure any of the existing agreements or arrangements for compliance purposes. We and our counsel will continue to monitor our compensation arrangements to assure EESA and Stabilization Act compliance as further regulations become available.

Should there be any questions regarding the foregoing, please do not hesitate to contact the undersigned. By signing below, the undersigned certifies the accuracy of all statements, representations and supporting information provided, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

Best regards,

Mark D. Timmerman
Executive Vice President
(b) (6) [redacted]