

# Burbank Savings, Summit rank highest

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Luther Burbank Savings and Summit State Bank ranked highest in the latest ratings for Sonoma County-based financial institutions, helped by their retreat from construction lending early in the housing downturn, bank officials and analysts said.

## WHAT THE RATINGS MEAN

TheStreet.com and Bauer Financial are two national financial firms that evaluate the strength of banks nationwide. Ratings are based on quarterly financial reports, and the latest come from the third quarter of 2008. Ratings consider a number of factors including long-term funding sources, profitability, loan delinquencies, reserves, asset quality, and historical trends.

## Bank / TheStreet.com / Bauer Financial

Atlantic Pacific / C / 4 Stars

Exchange Bank / D+ / 2 Stars

First Community Bank / D+ / 3 Stars

Luther Burbank Savings / B+ / 5 Stars

Sonoma Valley Bank / B+ / 4 Stars

*Summit State Bank / B / 5 Stars*

## Here's what the two firms' ratings mean:

**TheStreet.com: A = Excellent; B = Good; C = Fair; D = Weak; E = Very weak; F = Failed**

**Bauer Financial: 5 stars = Superior; 4 stars = Excellent; 3.5 stars = Good; 3 stars = Adequate; 2 stars = Problematic; 1 star = Troubled**

Both started saying no to more developers in 2006 as the decline in home sales began taking hold, reducing exposure to construction loan defaults and foreclosures that hit other area banks much harder.

The often-volatile residential construction sector has been in a steep decline. Sonoma County housing starts declined the past two years and are on pace to hit the lowest level for the region in at least two decades.

"We pretty much exited that market, and I think as time has shown, it was the correct move to make. There were other lenders that kept lending," said Tom Duryea, Summit State Bank's president and CEO.

Summit State Bank still carries construction and development loans. But analysts credited the bank with acting sooner than its competitors to curtail new loans to builders.

"They made the right calls. They have a very clean loan portfolio," said Harry Eisenberg, manager of a community bank investment fund in Lafayette.

A similar move by Luther Burbank Savings has helped the county's largest financial institution keep loan defaults and losses low.

Luther Burbank President John Biggs has credited a strategic decision by the savings and loan to limit development loans with protecting its bottom line.

Minimizing problem loans keeps operating capital available because banks and savings and loans don't need to put as much into reserves to cover losses.

Luther Burbank Savings ratings also got a boost due to a lean operation and its focus on lending for apartment-building purchases in both the North Bay and the Los Angeles region, said Philip Van Doorn, senior banking analyst for TheStreet.com.

"It tends to be a very stable, steady way to go. They're doing great," he said.