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# BANK OF MARIN BANCORP REPORTS FOURTH QUARTER AND FULL YEAR 2023 EARNINGS PROACTIVE BALANCE SHEET AND CREDIT RISK MANAGEMENT 

NOVATO, CA, January 29, 2024 - Bank of Marin Bancorp, "Bancorp" (Nasdaq: BMRC), parent company of Bank of Marin, "Bank," today announced earnings of $\$ 610$ thousand for the fourth quarter of 2023, compared to $\$ 5.3$ million for the third quarter of 2023. Diluted earnings per share were $\$ 0.04$ for the fourth quarter of 2023, compared to $\$ 0.33$ for the prior quarter. Full year 2023 earnings were $\$ 19.9$ million, compared to $\$ 46.6$ million for 2022 . Diluted earnings per share were $\$ 1.24$ and $\$ 2.92$ for the years ended December 31, 2023 and December 31, 2022, respectively. Major drivers of the decrease in fourth quarter earnings were a $\$ 5.9$ million pretax net loss on the sale of investment securities in an unrealized loss position as part of our strategic balance sheet restructuring, which reduced net income by $\$ 4.2$ million, or $\$ 0.26$ per share, and an $\$ 875$ thousand increase in the pre-tax credit loss provision, both of which are discussed in more detail below.

Concurrent with this release, Bancorp issued presentation slides providing supplemental information, some of which will be discussed during the fourth quarter 2023 earnings call. The earnings release and presentation slides are intended to be reviewed together and can be found online on Bank of Marin's website at www.bankofmarin.com. under "Investor Relations."
"We made meaningful progress on multiple important fronts during the fourth quarter. We sold securities and paid down borrowings in strategic moves that improved our net interest margin in the quarter and positioned the Bank for bolstered profitability in 2024," said Tim Myers, President and Chief Executive Officer. "Our lending teams also drove improvement in originations, with yields significantly higher than those on loans paid off. While payoffs were elevated, the bulk of them were the result of deliberate credit risk management, successful construction project completions and asset sales. We continue to proactively manage and provision for credit risk, exiting certain loans, and preparing for a potential protracted period of commercial and real estate weakness. This is consistent with our conservative credit culture and long history of successfully managing risk exposure in our loan portfolio. We believe our asset quality is strong, with non-accrual loans at just $0.39 \%$ of total loans at quarter-end."

Bancorp also provided the following highlights for the fourth quarter and year ended December 31, 2023:

- The fourth quarter tax-equivalent net interest margin improved 5 basis points over the preceding quarter to $2.53 \%$ from $2.48 \%$ due to the reduction in borrowings and higher yields on loans and investments, partially offset by higher deposit rates.
- The Bank sold $\$ 131.9$ million in available-for-sale investment securities in the fourth quarter as part of a balance sheet restructuring, resulting in a net pretax loss of $\$ 5.9$ million, as mentioned above. At the time, the sales proceeds were largely directed toward new loan originations and repayment of borrowings, which is expected to accelerate the improvement of the net interest margin over the coming quarters. Over the course of 2023, balance sheet restructuring activities included the sale of $\$ 214.5$ million in available-for-sale securities, the sale of 10,439 shares of Visa Inc. Class B restricted common stock, and the execution of $\$ 101.8$ million of fair value hedges. The securities sales benefited net interest income through higher interest
earned on cash and loans and lower borrowing costs, while the hedges were designed to protect the fair value of the available-for-sale investment portfolio against further increases in the yield curve and have been accretive to net interest margin.
- A $\$ 1.3$ million provision for credit losses on loans in the fourth quarter brought the allowance for credit losses to $1.21 \%$ of total loans, compared to $1.16 \%$ as of September 30,2023 . The increase was due primarily to specific allowances on loans with unique credit risk characteristics not indicative of pooled loans, as discussed further below.
- Our loan portfolio continues to perform well, with classified loans at $1.56 \%$ of total loans. Non-owner-occupied commercial real estate loans made up $\$ 23.7$ million, or $73 \%$, of total classified loans as of December 31, 2023 , compared to $\$ 23.6$ million, or $59 \%$, at September 30 , 2023. The Bank continues to proactively identify and manage credit risk within the loan portfolio.
- Non-accrual loans were $0.39 \%$ of total loans at quarter-end, up from $0.27 \%$ at September 30, 2023. The $\$ 2.3$ million net increase is explained further below.
- Loan balances of $\$ 2.074$ billion at December 31, 2023, were down slightly from $\$ 2.087$ billion at September 30, 2023, reflecting originations of $\$ 53.8$ million and payoffs of $\$ 50.3$ million. Originations were at rates averaging approximately 175 basis points above the rates on loans paid off during the quarter. Loan amortization from scheduled repayments, partially offset by the net increase in utilization of credit lines, reduced loan balances by $\$ 16.7$ million during the quarter.
- Total deposits decreased by $\$ 153.6$ million to $\$ 3.290$ billion as of December 31, 2023, from $\$ 3.444$ billion as of September 30, 2023. Most of the decline was due to a combination of outflows related to planned business activities and seasonal fluctuations consistent with prior years. Additionally, some balance declines were associated with loan relationships exited during the quarter and we saw some customers move cash into alternative investments to capture higher returns, a portion of which was directed to our own wealth management group. Deposits have increased by as much as $\$ 104$ million during January, which illustrates how normal fluctuations in our customers' operating accounts can affect daily balances and why we maintain high levels of on-balance-sheet and contingent liquidity. Non-interest bearing deposits declined to $43.8 \%$ of total deposits at December 31, 2023, compared to 47.7\% at September 30, 2023. The increase in average cost of deposits decelerated to 21 basis points in the fourth quarter, from $0.94 \%$ to $1.15 \%$, compared to a 25 basis point increase in the prior quarter. We believe we are appropriately competitive in regard to deposit pricing, given our relationship banking model that differentiates Bank of Marin with exceptional service. Balances in the reciprocal deposit network program decreased $\$ 59.8$ million during the quarter to $\$ 423.5$ million, and estimated uninsured deposits consisted of $28 \%$ of total deposits as of December 31, 2023. Customers continue to show interest in deposit networks for FDIC protection and traditional time deposit accounts, although activity for both has slowed from prior quarters.
- Total borrowings decreased by $\$ 94.0$ million to $\$ 26.0$ million during the fourth quarter as a result of the balance sheet restructuring. Net available funding sources of $\$ 2.0$ billion provided $213 \%$ coverage of an estimated $\$ 923.4$ million in uninsured deposits as of December 31, 2023. Subsequent to year-end, borrowings net of cash have been zero since January 9th.
- Return on average assets ("ROA") was $0.06 \%$ for the fourth quarter of 2023, compared to $0.52 \%$ for the prior quarter, and return on average equity ("ROE") was $0.57 \%$, compared to $4.94 \%$ for the prior quarter. The efficiency ratio for the fourth quarter of 2023 was $91.94 \%$, compared to $72.96 \%$ for the prior quarter of 2023.
- All capital ratios were above well-capitalized regulatory requirements. The total risk-based capital ratios at December 31, 2023 for Bancorp and the Bank were 16.89\% and 16.62\%, respectively, compared to $16.56 \%$ and $16.13 \%$ at September 30, 2023. Bancorp's tangible common equity to tangible assets ("TCE ratio") was
$9.73 \%$ at December 31, 2023, and the Bank's TCE ratio was $9.53 \%$. While the Bank has no intention of selling its held-to-maturity securities, as of December 31, 2023, Bancorp's TCE ratio, net of after-tax unrealized losses on held-to-maturity securities as if the losses were realized, was $7.8 \%$ (refer to the discussion and reconciliation of this non-GAAP financial measure below).
- The Board of Directors declared a cash dividend of $\$ 0.25$ per share on January 25,2024 , which was the $75^{\text {th }}$ consecutive quarterly dividend paid by Bancorp. The dividend is payable on February 15, 2024 to shareholders of record at the close of business on February 8, 2024.
"While fourth quarter earnings reflect the cost of restructuring the balance sheet, our pre-tax, pre-credit loss provision income would have been $4 \%$ higher than in the third quarter excluding the loss on sale of securities. Although the interest rate risk position is fairly neutral and would benefit from falling rates, we believe that the full effect of the restructuring combined with selective growth in loans and the natural repricing of the existing loan book will continue to support net interest margin expansion," said Tani Girton, Executive Vice President and Chief Financial Officer. "We will continue to look for opportunities to make incremental adjustments across our balance sheet and expense structure to enhance profitability and self-fund improvements in efficiency and organizational effectiveness. Our vigilant credit administration, consistent expense discipline, and commitment to strong capital and liquidity levels give us a strong foundation to continue pursuing prudent expansion in 2024."


## Loans and Credit Quality

Loans decreased by $\$ 13.2$ million for the fourth quarter and totaled $\$ 2.074$ billion as of December 31, 2023. Loan originations were $\$ 53.8$ million for the fourth quarter of 2023 , compared to $\$ 22.7$ million in the prior quarter. The pipeline is growing with greater diversity in product and industry types. The commercial banking unit continues to look to add efficiencies to its business model through the consolidation of smaller offices and increased recruitment discussions with consistently high-achieving relationship bankers whose expertise includes outstanding credit acumen. A focus on owner-occupied commercial real estate is expected to drive new customer growth and, as a byproduct, deposits and private banking or wealth management service opportunities. While Bank of Marin has continued its steadfast conservative underwriting practices and has not changed its credit standards or policies in reaction to current market conditions, our portfolio management and credit teams are exercising heightened awareness of the potential for credit quality deterioration. The Bank continues to focus on extending credit within the markets within our footprint and serving the needs of our existing clients while ensuring new opportunities present the appropriate levels of risk and return.

Loan payoffs were $\$ 50.3$ million for the fourth quarter of 2023, compared to $\$ 12.7$ million for the prior quarter. The majority of the payoffs were a result of asset sales, cash payoffs, project completions, and purposeful relationship exits, all of which showcased the Bank's focus on credit quality and proactive engagement with customers. It should be noted that only a minimal amount was refinanced. In addition, $\$ 16.7$ million of loan amortization from scheduled repayments, net of credit line utilization, contributed to the decline in loan balances for the quarter ended December 31, 2023.

Loans decreased $\$ 18.8$ million in the year ended December 31, 2023, compared to a $\$ 163.1$ million decrease in 2022. Loan originations were $\$ 144.1$ million in 2023, compared to $\$ 240.2$ million in 2022. Excluding PPP loans, payoffs were $\$ 107.1$ million in 2023, compared to $\$ 258.5$ million in 2022. PPP loan payoffs during 2023 and 2022 were $\$ 2.7$ million and $\$ 107.7$ million, respectively. In addition, loan amortization from scheduled repayments totaling $\$ 79.6$ million was partially offset by a $\$ 26.5$ million net increase in utilization of credit lines in 2023.

Non-accrual loans totaled $\$ 8.0$ million, or $0.39 \%$ of the loan portfolio, at December 31, 2023, compared to $\$ 5.7$ million, or $0.27 \%$, at September 30, 2023. Three loans totaling $\$ 6.2$ million moved to non-accrual status in the fourth quarter, including one unsecured commercial loan, one commercial loan secured by owner-occupied real estate, and one nonowner occupied commercial real estate loan. These increases were partially offset by the note sale of a $\$ 3.8$ million
owner-occupied agricultural commercial real estate loan to a third party, as discussed further below, and $\$ 223$ thousand in payoffs and paydowns. Of the total non-accrual loans as of December 31, 2023, 66\% were collateralized by real estate with no expected credit losses.

Classified loans totaled $\$ 32.3$ million as of December 31, 2023, compared to $\$ 39.7$ million as of September 30, 2023. The decrease of $\$ 7.4$ million was due primarily to payoffs totaling $\$ 4.6$ million, the partial charge-off from a note sale related to a $\$ 3.8$ million owner-occupied agricultural commercial real estate loan, and paydowns of $\$ 267$ thousand, partially offset by the downgrade to substandard of one commercial loan secured by owner-occupied real estate totaling $\$ 1.3$ million. Accruing loans past due 30 to 89 days totaled $\$ 1.0$ million at December 31, 2023, compared to $\$ 2.2$ million at September 30, 2023.

Loans designated special mention, which are not considered adversely classified, increased by $\$ 22.8$ million to $\$ 135.2$ million as of December 31, 2023, from $\$ 112.4$ million as of September 30, 2023. The increase was largely due to $\$ 26.2$ million in downgrades from pass risk ratings, $98 \%$ of which are real estate secured, offset by $\$ 1.9$ million in net paydowns and payoffs, $\$ 1.3$ million in downgrades from special mention to substandard, and $\$ 188$ thousand in upgrades to pass risk rating.

With the heightened market concern about non-owner-occupied commercial real estate, and in particular the office sector, we are providing the following additional information. We continue to maintain diversity among property types and within our geographic footprint. In particular, our office commercial real estate portfolio in the City of San Francisco represents just $3 \%$ of our total loan portfolio and $6 \%$ of our total non-owner-occupied commercial real estate portfolio. As of the last measurement period, the weighted average loan-to-value and weighted average debt-service coverage ratios for the entire non-owner-occupied office portfolio were $59 \%$ and $1.60 x$, respectively. For the thirteen non-owneroccupied office loans in the City of San Francisco, the weighted average loan-to-value and debt-service coverage ratios were $67 \%$ and 1.00x, respectively. During the fourth quarter, we conducted a review of the refinance risk in our non-owner-occupied commercial real estate portfolio, the results of which can be seen in our earnings presentation. We evaluated 70 loans with commitments of $\$ 1.0$ million or more, totaling $\$ 184.1$ million, that mature or reprice in 2024 and 2025. We determined that the refinance risk on these loans is manageable with weighted average debt service coverage ratios ranging from 1.52 to 1.69 times for maturities and from 1.20 to 1.59 times for repricings based on current market interest rates.

Net charge-offs for the fourth quarter of 2023 totaled $\$ 387$ thousand, compared to net recoveries of $\$ 3$ thousand in the prior quarter. The ratio of allowance for credit losses to loans was $1.21 \%$ at December 31, 2023, compared to $1.16 \%$ at September 30, 2023.

The provision for credit losses on loans for the fourth quarter was $\$ 1.3$ million, compared to $\$ 425$ thousand for the prior quarter. The fourth quarter provision was due primarily to $\$ 1.4$ million in specific allowances related to three non-owner-occupied commercial real estate loans and one commercial loan that have exhibited certain credit risk characteristics over time not indicative of pooled loans. Of the specific allowances, $\$ 817$ thousand was related to two non-owner-occupied commercial real estate loans with existing substandard risk ratings and collateral valuation issues caused by persistently higher than average vacancy rates. In addition, $\$ 601$ thousand was related to one unsecured commercial loan and one non-owner-occupied commercial real estate loan that were placed on nonaccrual status during the fourth quarter, where the estimated credit losses were derived using either discounted expected cash flows or adjusted collateral values and loss rates. A large portion of these specific allowances was previously recognized in the quantitative and qualitative estimated credit losses for pooled loans and shifted to the allowance for individually evaluated loans in the fourth quarter. Other elements of the provision included a $\$ 406$ thousand loss on the note sale of an owner-occupied agricultural commercial real estate loan to an unrelated third party that was charged to the allowance concurrent with the sale, a decrease in loans, and a stable California unemployment rate forecast for the next four quarters. Net adjustments to qualitative factors in the fourth quarter did not materially affect the provision.

There was no provision for credit losses on unfunded loan commitments for either the fourth quarter of 2023 or the prior quarter.

## Cash, Cash Equivalents and Restricted Cash

Total cash, cash equivalents and restricted cash were $\$ 30.5$ million at December 31, 2023, compared to $\$ 123.1$ million at September 30, 2023. The $\$ 92.7$ million reduction was a component of the balance sheet restructuring strategy.

## Investments

The investment securities portfolio totaled $\$ 1.477$ billion at December 31, 2023, a decrease of $\$ 116.7$ million from September 30, 2023. The decrease in the fourth quarter of 2023 was primarily the result of sales of $\$ 131.9$ million of available-for-sale securities, principal repayments totaling $\$ 18.7$ million, and $\$ 1.0$ million in net amortization, offset by a $\$ 34.8$ million decrease in pre-tax unrealized losses on available-for-sale investment securities. The year-over-year decrease of $\$ 297.1$ million was due to sales of $\$ 214.5$ million of available-for-sale securities, maturities, calls, and principal repayments totaling $\$ 106.5$ million, and $\$ 5.2$ million in net amortization, partially offset by a $\$ 29.1$ million decrease in pre-tax unrealized losses on investment securities. Both the available-for-sale and held-to-maturity portfolios are eligible for pledging to either the FHLB or the Federal Reserve as collateral for borrowings. The portfolios are comprised of high-credit quality investments with average effective durations of 4.37 on available-for-sale securities and 5.72 on held-to-maturity securities. Both portfolios generated cash flows monthly from interest, principal amortization and payoffs, which support the Bank's liquidity, totaling $\$ 28.0$ million and $\$ 41.1$ million in the fourth and third quarters of 2023, respectively.

## Deposits

Deposits totaled $\$ 3.290$ billion at December 31, 2023, compared to $\$ 3.444$ billion at September 30, 2023, and $\$ 3.573$ billion at December 31, 2022. The decline in deposits was mostly due to seasonal and planned year-end business activities or unique events, such as payroll, profit-sharing, partner and trust distributions, substantial year-end vendor payments, and traditional business expenses. Non-interest bearing deposits made up $43.8 \%$ of total deposits as of December 31, 2023, compared to $47.7 \%$ as of September 30, 2023. The decline in non-interest-bearing deposits aligns with the changes in total deposits during the quarter. Money market balances increased from $31.7 \%$ to $34.6 \%$, and time deposits increased from $6.7 \%$ to $7.6 \%$ of total deposits.

Although we have experienced growth and movement in both money market accounts and time deposits, all activity was a result of relationship pricing, the current rate environment, and customer behaviors, as opposed to CD specials or blanket rate adjustments. We continue our disciplined and focused approach to relationship management and customer outreach, adding nearly 1,300 new accounts during the fourth quarter, totaling over 5,000 in 2023. In the fourth quarter, $29 \%$ of our new accounts represented new relationships, bringing total new relationships to over 1,600 for 2023. Trends in deposit networks, as well as new account activity, demonstrate increased customer confidence, as compared to early 2023.

While we saw a decline in deposits overall in the fourth quarter and for the year 2023, deposits were up $\$ 39.5$ million since the events that led to the failure of a few regional banks at the end of the first quarter of 2023 and we continue to execute our business model without the utilization of brokered deposits. As of December 31, 2023, 59\% of deposit balances were held in business accounts with average balances of $\$ 120$ thousand per account. The remaining 41\% were consumer accounts with average balances of $\$ 41$ thousand per account. The largest depositor represented $1.7 \%$ of total deposits and the combined four largest depositors represented $4.6 \%$ of total deposits. Our liquidity policies require that compensating cash or investment security balances be held against concentrations over a certain level.

## Borrowing and Liquidity

At December 31, 2023, the Bank had $\$ 26.0$ million in outstanding borrowings, a reduction of $\$ 94.0$ million from $\$ 120.0$ million at September 30, 2023, and $\$ 86.0$ million from $\$ 112.0$ million at December 31, 2022. The quarterly decrease was the result of the balance sheet restructuring discussed above. Net available funding sources, including unrestricted cash, unencumbered available-for-sale securities, and total available borrowing capacity, were $\$ 1.967$ billion, or $60 \%$ of total deposits and $213 \%$ of estimated uninsured and/or uncollateralized deposits as of December 31, 2023. The Federal Reserve's Bank Term Funding Program ("BTFP") facility offers borrowing capacity based on the par values of securities pledged, making the funds available less sensitive to changes in market rates.

The following table details the components of our contingent liquidity sources as of December 31, 2023.

|  | Total Available | Amount Used | Net Availability |  |
| :--- | ---: | ---: | ---: | ---: |
| Internal Sources |  |  |  |  |
| Unrestricted cash ${ }^{1}$ | $\$$ | 13.5 | $\mathrm{~N} / \mathrm{A} \$$ | 13.5 |
| Unencumbered securities at market value | 501.7 | $\mathrm{~N} / \mathrm{A}$ | 501.7 |  |
| External Sources | $1,009.0 \$$ | - | $1,009.0$ |  |
| FHLB line of credit | 334.2 | $(26.0)$ | 308.2 |  |
| FRB line of credit and BTFP facility | 135.0 | - | 135.0 |  |
| Lines of credit at correspondent banks |  | $1,993.4 \$$ | $(26.0) \$$ | $1,967.4$ |
| Total Liquidity | $\$$ |  |  |  |

${ }^{1}$ Excludes cash items in transit as of December 31, 2023.
Note: Brokered deposits available through third-party networks are not included above.

## Capital Resources

The total risk-based capital ratio for Bancorp was $16.89 \%$ at December 31, 2023, compared to $16.56 \%$ at September 30, 2023. The total risk-based capital ratio for the Bank was $16.62 \%$ at December 31, 2023, compared to $16.13 \%$ at September 30, 2023.

Bancorp's tangible common equity to tangible assets ("TCE ratio") was $9.7 \%$ at December 31, 2023, compared to $8.6 \%$ at September 30, 2023. The TCE ratio increased quarter over quarter as the decrease in unrealized losses on available-for-sale securities increased tangible equity and tangible assets decreased. The Bank's capital plan and point-in-time capital stress tests indicate that capital ratios will remain above well-capitalized regulatory and internal policy minimums throughout the five-year forecast horizon and across various stress scenarios. The TCE ratio if the net unrealized losses on held-to-maturity securities were treated the same as available-for-sale securities at December 31, 2023 would have been $7.8 \%$. Management believes this non-GAAP measure is important because it reflects the level of capital available to withstand drastic changes in market conditions (refer to the discussion and reconciliation of this non-GAAP financial measure below).

## Earnings

## Net Interest Income

Net interest income totaled $\$ 24.3$ million for the fourth quarter of 2023, compared to $\$ 24.5$ million for the prior quarter. The $\$ 205$ thousand decrease from the prior quarter was primarily related to an increase of $\$ 1.7$ million in interest expense on deposits, partially offset by a $\$ 1.2$ million decrease in borrowing expense and an increase of $\$ 319$ thousand in interest income on earning assets. Quarter-over-quarter, average interest-bearing deposit balances decreased by $\$ 63.5$ million to $\$ 1.824$ billion, while the cost of deposits increased 21 basis points to $1.15 \%$. Average borrowings and other obligations decreased by $\$ 83.6$ million to $\$ 104.9$ million, and the cost of borrowings decreased 24 basis points to $5.15 \%$ for the quarter.

Net interest income totaled $\$ 102.8$ million in 2023, compared to $\$ 127.5$ million in 2022. The $\$ 24.7$ million decrease from the prior year was primarily due to higher funding costs of $\$ 34.2$ million, partially offset by higher average yields on earning assets.

The tax-equivalent net interest margin was $2.53 \%$ for the fourth quarter of 2023 , compared to $2.48 \%$ for the prior quarter. The increase from the prior quarter was primarily due to the reduction of high-cost borrowings and higher yields on earning assets, partially offset by the higher cost of deposits.

The tax-equivalent net interest margin was $2.63 \%$ for 2023 , compared to $3.11 \%$ for 2022 . The decrease was primarily attributed to higher deposit and borrowing costs, partially offset by higher yields on loans and investment securities. Average interest-bearing deposit balances decreased by $\$ 115.2$ million while the average rate increased by 133 basis points, decreasing the margin by 58 basis points. Average borrowings and other obligations increased by $\$ 219.3$ million while the average cost increased 125 basis points, decreasing the net interest margin by 29 basis points. Average loan balances decreased by $\$ 75.5$ million while the average yield increased by 36 basis points, increasing the margin by 23 basis points. Average investment securities decreased $\$ 42.9$ million, while their average yield increased 25 basis points, improving the margin by 14 basis points.

## Non-Interest Income

Non-interest income ended up in a loss position of $\$ 3.3$ million for the fourth quarter of 2023 , compared to income of $\$ 2.6$ million for the third quarter of 2023. The $\$ 5.9$ million decrease from the prior quarter was primarily attributed to the $\$ 5.9$ million net loss on sale of available-for-sale investment securities in the quarter, as discussed above. Excluding the loss on sale of securities, non-interest income rose by $\$ 40$ thousand, largely due to modest increases from wealth management and trust services and other income, partially offset by a decrease in debit card interchange fees.

Non-interest income totaled $\$ 5.0$ million for 2023, a $\$ 5.9$ million decrease from $\$ 10.9$ million for 2022 . The decrease in 2023 was primarily due to the $\$ 5.9$ million net loss on the sale of investment securities mentioned above. Excluding this loss, non-interest income decreased by $\$ 86$ thousand, which included a $\$ 504$ thousand decline in deposit network fees earned when deposit balances were brought back on the balance sheet, and a $\$ 220$ thousand decrease in debit card interchange income. Decreases were partially offset by $\$ 573$ thousand higher benefit payments from and balances in bank-owned life insurance, and \$209 thousand from increases in dividends on Federal Home Loan Bank stock.

## Non-Interest Expense

Non-interest expenses totaled $\$ 19.3$ million for the fourth quarter of 2023 , compared to $\$ 19.7$ million for the prior quarter, a decrease of $\$ 458$ thousand. Salaries and related benefits decreased $\$ 380$ thousand, largely due to incentive bonus and profit sharing accrual adjustments, a decrease in stock-based compensation for performance awards due to revised payout estimates, and an increase to the discount rate on SERPs, partially offset by increases in regular salaries and accruals for insurance and employee paid time off. In addition, deposit network fees decreased by $\$ 287$ thousand from a decline in average reciprocal deposit network balances. These decreases were partially offset by a $\$ 164$ thousand increase in professional services expenses from certain legal, compliance, and systems transformation consulting costs.

Non-interest expenses increased $\$ 4.2$ million to $\$ 79.5$ million in 2023 from $\$ 75.3$ million in 2022. Significant fluctuations were as follows:

- Deposit network fees increased by $\$ 2.5$ million as customers sought additional FDIC insurance protection through reciprocal deposit networks.
- Salaries and employee benefits increased by $\$ 1.4$ million primarily due to the filling of open positions and the hiring of several key employees and officers, an increase in SERP-related expenses largely due to new and retired participant adjustments lowering costs for 2022, an increase in deferred officer compensation expense from increased participation and interest rates, higher insurance costs, and lower deferred loan origination costs. Increases to salaries and employee benefits were partially offset by a decrease in profit sharing expense mainly from accrual adjustments and because some contributions in 2023 were made from forfeitures rather than paid in cash, a decrease in accrued incentive bonuses, and a decrease in stock-based compensation from changes in award structure and estimated performance award payout estimates.
- FDIC insurance expense increased by $\$ 699$ thousand due to an increase in the FDIC statutory assessment rate to strengthen the Deposit Insurance Fund.
- Occupancy and equipment and depreciation and amortization expenses rose by $\$ 483$ thousand and $\$ 258$ thousand, respectively, mainly from the acceleration of lease-related costs for branch closures in the first quarter of 2023 and higher maintenance costs.
- Professional services expenses increased by $\$ 299$ thousand, mainly from consulting fees associated with core systems contract negotiations, systems transformation projects, and internal and external audit costs.
- Information technology and data processing expenses decreased by $\$ 628$ thousand and $\$ 592$ thousand, respectively, due to our core system contract renegotiation for the current period and because the prior year included data processing expenses largely eliminated after the systems conversion associated with the American River Bankshares merger.
- Other real estate owned expenses decreased by $\$ 311$ thousand due to the write-down in 2022 of the property that was then sold in the third quarter of 2023.


## Statement Regarding Use of Non-GAAP Financial Measures

Results for 2022 were impacted by costs associated with our 2021 acquisition of American River Bankshares, which we considered immaterial to discuss in this release. For additional information regarding the impact of non-GAAP adjustments to our third quarter and year-to-date 2022 performance measures, refer to Form 10-Q filed on November 8, 2022.

Financial results are presented in accordance with GAAP and with reference to certain non-GAAP financial measures. Management believes that, given recent industry turmoil, the presentation of Bancorp's non-GAAP TCE ratio reflecting the after tax impact of unrealized losses on held-to-maturity securities provides useful supplemental information to investors because it reflects the level of capital available to withstand drastic changes in market conditions. Because there are limits to the usefulness of this measure to investors, Bancorp encourages readers to consider its annual and quarterly consolidated financial statements and notes related thereto for their entirety, as filed with the Securities and Exchange Commission, and not to rely on any single financial measure. A reconciliation of the non-GAAP TCE ratio is presented below.

## Reconciliation of GAAP and Non-GAAP Financial Measures

| (in thousands, unaudited) |  | $\begin{gathered} \text { December 31, } \\ 2023 \\ \hline \end{gathered}$ |  | $\begin{gathered} \text { December 31, } \\ 2022 \end{gathered}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Tangible Common Equity - Bancorp |  |  |  |  |  |
| Total stockholders' equity |  | \$ | 439,062 | \$ | 412,092 |
| Goodwill and core deposit intangible |  |  | $(76,520)$ |  | $(77,870)$ |
| Total TCE | a |  | 362,542 |  | 334,222 |
| Unrealized losses on HTM securities, net of tax |  |  | $(77,739)$ |  | $(89,432)$ |
| TCE, net of unrealized losses on HTM securities (non-GAAP) | b | \$ | 284,803 | \$ | 244,790 |
| Total assets |  | \$ | 3,803,903 | \$ | 4,147,464 |
| Goodwill and core deposit intangible |  |  | $(76,520)$ |  | $(77,870)$ |
| Total tangible assets | c |  | 3,727,383 |  | 4,069,594 |
| Unrealized losses on HTM securities, net of tax |  |  | $(77,739)$ |  | $(89,432)$ |
| Total tangible assets, net of unrealized losses on HTM securities (non-GAAP) | d | \$ | 3,649,644 | \$ | 3,980,162 |
| Bancorp TCE ratio | a/c |  | 9.7 \% |  | 8.2 \% |
| Bancorp TCE ratio, net of unrealized losses on HTM securities (non-GAAP) | b/d |  | 7.8 \% |  | 6.2 \% |

## Share Repurchase Program

On July 21, 2023, the Board of Directors approved the adoption of Bancorp's new share repurchase program, which replaced the existing program that expired on July 31, 2023, for up to $\$ 25.0$ million and expiring on July 31, 2025. There have been no repurchases under this program in 2023.

## Earnings Call and Webcast Information

Bank of Marin Bancorp (Nasdaq: BMRC) will present its fourth quarter and year-end 2023 earnings call on Monday, January 29, 2024 at 8:30 a.m. PT/11:30 a.m. ET. Investors can listen to the webcast online through Bank of Marin's website at www.bankofmarin.com under "Investor Relations." To listen to the live call, please go to the website at least 15 minutes early to register, download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will be available at the same website location shortly after the call. Closed captioning will be available during the live webcast, as well as on the webcast replay.

## About Bank of Marin Bancorp

Founded in 1990 and headquartered in Novato, Bank of Marin is the wholly owned subsidiary of Bank of Marin Bancorp (Nasdaq: BMRC). A leading business and community bank in Northern California, with assets of $\$ 3.8$ billion as of December 31, 2023, Bank of Marin had 27 retail branches and 8 commercial banking offices located across 10 counties. Bank of Marin provides commercial banking, personal banking, and wealth management and trust services. Specializing in providing legendary service to its customers and investing in its local communities, Bank of Marin has consistently been ranked one of the "Top Corporate Philanthropists" by the San Francisco Business Times and one of the "Best Places to Work" by the North Bay Business Journal. Bank of Marin Bancorp is included in the Russell 2000 Small-Cap Index and the Nasdaq ABA Community Bank Index. For more information, go to www.bankofmarin.com.

## Forward-Looking Statements

This release may contain certain forward-looking statements that are based on management's current expectations regarding economic, legislative, and regulatory issues that may impact Bancorp's earnings in future periods. Forwardlooking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "intend," "estimate" or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could" or "may." Factors that could cause future results to vary materially from current management expectations include, but are not limited to, general economic conditions and the economic uncertainty in the United States and abroad, including economic or other disruptions to financial markets caused by acts of
terrorism, war or other conflicts such as Russia's military action in Ukraine and more recently between Israel and Hamas, impacts from inflation, supply chain disruptions, changes in interest rates (including the actions taken by the Federal Reserve to control inflation), California's unemployment rate, deposit flows, real estate values, and expected future cash flows on loans and securities; the impact of adverse developments at other banks, including bank failures, that impact general sentiment regarding the stability and liquidity of banks; costs or effects of acquisitions; competition; changes in accounting principles, policies or guidelines; changes in legislation or regulation; natural disasters (such as wildfires and earthquakes in our area); adverse weather conditions; interruptions of utility service in our markets for sustained periods; and other economic, competitive, governmental, regulatory and technological factors (including external fraud and cybersecurity threats) affecting our operations, pricing, products and services; and successful integration of acquisitions. These and other important factors are detailed in various securities law filings made periodically by Bancorp, copies of which are available from Bancorp without charge. Bancorp undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events.
(BMRC-ER)

BANK OF MARIN BANCORP FINANCIAL HIGHLIGHTS

| (in thousands, except per share amounts; unaudited) | Three months ended |  |  |  | Years ended |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \hline \text { December 31, } \\ 2023 \\ \hline \end{gathered}$ |  | $\begin{gathered} \hline \text { September 30, } \\ 2023 \end{gathered}$ |  | $\begin{gathered} \hline \text { December 31, } \\ 2023 \\ \hline \end{gathered}$ |  | $\begin{gathered} \hline \text { December 31, } \\ 2022 \\ \hline \end{gathered}$ |  |
| Selected operating data and performance ratios: |  |  |  |  |  |  |  |  |
| Net income | \$ | 610 | \$ | 5,295 | \$ | 19,895 | \$ | 46,586 |
| Diluted earnings per common share | \$ | 0.04 | \$ | 0.33 | \$ | 1.24 | \$ | 2.92 |
| Return on average assets |  | 0.06 \% |  | 0.52 \% |  | 0.49 \% |  | 1.08 \% |
| Return on average equity |  | 0.57 \% |  | 4.94 \% |  | 4.69 \% |  | 11.16 \% |
| Efficiency ratio |  | 91.94 \% |  | 72.96 \% |  | 73.76 \% |  | 54.39 \% |
| Tax-equivalent net interest margin |  | 2.53 \% |  | 2.48 \% |  | 2.63 \% |  | 3.11 \% |
| Cost of deposits |  | 1.15 \% |  | 0.94 \% |  | 0.74 \% |  | 0.06 \% |
| Net charge-offs (recoveries) | \$ | 387 | \$ | (3) | \$ | 386 | \$ | (23) |
| Net charge-offs (recoveries) to average loans |  | 0.02 \% |  | NM |  | 0.02 \% |  | NM |


| (in thousands; unaudited) | $\begin{gathered} \text { December 31, } \\ 2023 \\ \hline \end{gathered}$ |  | $\begin{gathered} \text { September 30, } \\ 2023 \\ \hline \end{gathered}$ |  | $\begin{gathered} \text { December 31, } \\ 2022 \\ \hline \end{gathered}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Selected financial condition data: |  |  |  |  |  |  |
| Total assets | \$ | 3,803,903 | \$ | 4,035,549 | \$ | 4,147,464 |
| Loans: |  |  |  |  |  |  |
| Commercial and industrial | \$ | 153,750 | \$ | 174,096 | \$ | 173,547 |
| Real estate: |  |  |  |  |  |  |
| Commercial owner-occupied |  | 333,181 |  | 346,307 |  | 354,877 |
| Commercial non--owner occupied |  | 1,219,385 |  | 1,190,813 |  | 1,191,889 |
| Construction |  | 99,164 |  | 109,305 |  | 114,373 |
| Home equity |  | 82,087 |  | 83,267 |  | 88,748 |
| Other residential |  | 118,508 |  | 116,674 |  | 112,123 |
| Installment and other consumer loans |  | 67,645 |  | 66,480 |  | 56,989 |
| Total loans | \$ | 2,073,720 | \$ | 2,086,942 | \$ | 2,092,546 |
| Non-accrual loans: ${ }^{1}$ |  |  |  |  |  |  |
| Commercial and industrial | \$ | 4,008 | \$ | - | \$ | - |
| Real estate: |  |  |  |  |  |  |
| Commercial owner-occupied |  | 434 |  | 4,281 |  | 1,563 |
| Commercial non-owner occupied |  | 3,081 |  | 901 |  | - |
| Home equity |  | 469 |  | 490 |  | 778 |
| Installment and other consumer loans |  | - |  | - |  | 91 |
| Total non-accrual loans | \$ | 7,992 | \$ | 5,672 | \$ | 2,432 |
| Classified loans (graded substandard and doubtful) | \$ | 32,324 | \$ | 39,697 | \$ | 28,109 |
| Classified loans as a percentage of total loans |  | 1.56 \% |  | 1.90 \% |  | 1.34 \% |
| Total accruing loans 30-89 days past due | \$ | 1,017 | \$ | 2,216 | \$ | 664 |
| Allowance for credit losses to total loans |  | 1.21 \% |  | 1.16 \% |  | 1.10 \% |
| Allowance for credit losses to non-accrual loans |  | 3.15x |  | 4.28x |  | 9.45x |
| Non-accrual loans to total loans |  | 0.39 \% |  | 0.27 \% |  | 0.12 \% |
| Total deposits | \$ | 3,290,075 | \$ | 3,443,684 | \$ | 3,573,348 |
| Loan-to-deposit ratio |  | 63.03 \% |  | 60.60 \% |  | 58.56 \% |
| Stockholders' equity | \$ | 439,062 | \$ | 418,618 | \$ | 412,092 |
| Book value per share | \$ | 27.17 | \$ | 25.94 | \$ | 25.71 |
| Tangible common equity to tangible assets- Bank |  | 9.53 \% |  | 8.34 \% |  | 8.10 \% |
| Tangible common equity to tangible assets- Bancorp |  | 9.73 \% |  | 8.63 \% |  | 8.21 \% |
| Total risk-based capital ratio - Bank |  | 16.62 \% |  | 16.13 \% |  | 15.73 \% |
| Total risk-based capital ratio - Bancorp |  | 16.89 \% |  | 16.56 \% |  | 15.90 \% |
| Full-time equivalent employees |  | 329 |  | 334 |  | 313 |

${ }^{1}$ There were no non-performing loans over 90 days past due and accruing interest as of December 31, 2023, September 30, 2023 and December $31,2022$.
NM - Not meaningful.

| (in thousands, except share data; unaudited) | $\begin{gathered} \text { December 31, } \\ 2023 \\ \hline \end{gathered}$ |  | $\begin{gathered} \text { September 30, } \\ 2023 \\ \hline \end{gathered}$ |  | $\begin{gathered} \text { December 31, } \\ 2022 \\ \hline \end{gathered}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Assets |  |  |  |  |  |  |
| Cash, cash equivalents and restricted cash | \$ | 30,453 | \$ | 123,132 | \$ | 45,424 |
| Investment securities: |  |  |  |  |  |  |
| Held-to-maturity (at amortized cost, net of zero allowance for credit losses at December 31, 2023, September 30, 2023, and December 31, 2022) |  | 925,198 |  | 935,142 |  | 972,207 |
| Available-for-sale (at fair value; amortized cost of $\$ 613,479, \$ 755,038$ and $\$ 892,605$ at December 31, 2023, September 30, 2023 and December 31, 2022, respectively; net of zero allowance for credit losses at December 31, 2023, September 30, 2023 and December 31, 2022) |  | 552,028 |  | 658,815 |  | 802,096 |
| Total investment securities |  | 1,477,226 |  | 1,593,957 |  | 1,774,303 |
| Loans, at amortized cost |  | 2,073,720 |  | 2,086,942 |  | 2,092,546 |
| Allowance for credit losses on loans |  | $(25,172)$ |  | $(24,260)$ |  | $(22,983)$ |
| Loans, net of allowance for credit losses on loans |  | 2,048,548 |  | 2,062,682 |  | 2,069,563 |
| Goodwill |  | 72,754 |  | 72,754 |  | 72,754 |
| Bank-owned life insurance |  | 68,102 |  | 67,738 |  | 67,066 |
| Operating lease right-of-use assets |  | 20,316 |  | 21,589 |  | 24,821 |
| Bank premises and equipment, net |  | 7,792 |  | 8,174 |  | 8,134 |
| Core deposit intangible, net |  | 3,766 |  | 4,096 |  | 5,116 |
| Other real estate owned |  | - |  | - |  | 455 |
| Interest receivable and other assets |  | 74,946 |  | 81,427 |  | 79,828 |
| Total assets | \$ | 3,803,903 | \$ | 4,035,549 | \$ | 4,147,464 |
| Liabilities and Stockholders' Equity |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |
| Deposits: |  |  |  |  |  |  |
| Non-interest bearing | \$ | 1,441,987 | \$ | 1,642,244 | \$ | 1,839,114 |
| Interest bearing: |  |  |  |  |  |  |
| Transaction accounts |  | 225,040 |  | 221,128 |  | 287,651 |
| Savings accounts |  | 233,298 |  | 257,754 |  | 338,163 |
| Money market accounts |  | 1,138,433 |  | 1,090,181 |  | 989,390 |
| Time accounts |  | 251,317 |  | 232,377 |  | 119,030 |
| Total deposits |  | 3,290,075 |  | 3,443,684 |  | 3,573,348 |
| Borrowings and other obligations |  | 26,298 |  | 120,335 |  | 112,439 |
| Operating lease liabilities |  | 22,906 |  | 24,040 |  | 26,639 |
| Interest payable and other liabilities |  | 25,562 |  | 28,872 |  | 22,946 |
| Total liabilities |  | 3,364,841 |  | 3,616,931 |  | 3,735,372 |
| Stockholders' Equity |  |  |  |  |  |  |
| Preferred stock, no par value; authorized - $5,000,000$ shares, none issued |  | - |  | - |  | - |
| Common stock, no par value; authorized - 30,000,000 shares; issued and outstanding $16,158,413,16,139,321$ and 16,029,138 at December 31, 2023, September 30, 2023 and December 31. 2022. respectivelv |  | 217,498 |  | 217,202 |  | 215,057 |
| Retained earnings |  | 274,570 |  | 277,996 |  | 270,781 |
| Accumulated other comprehensive loss, net of tax |  | $(53,006)$ |  | $(76,580)$ |  | $(73,746)$ |
| Total stockholders' equity |  | 439,062 |  | 418,618 |  | 412,092 |
| Total liabilities and stockholders' equity | \$ | 3,803,903 | \$ | 4,035,549 | \$ | 4,147,464 |

## BANK OF MARIN BANCORP CONSOLDATFD STATFMFNTS OF COMPRFHFNSIVF INCOMF (l OSS)

| (in thousands, except per share amounts; unaudited) | Three months ended |  |  |  |  |  | Years ended |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { December 31, } \\ 2023 \end{gathered}$ |  | $\begin{gathered} \text { September 30, } \\ 2023 \end{gathered}$ |  | $\begin{gathered} \text { December 31, } \\ 2022 \\ \hline \end{gathered}$ |  | $\begin{gathered} \text { December 31, } \\ 2023 \end{gathered}$ |  | $\begin{gathered} \text { December 31, } \\ 2022 \end{gathered}$ |  |
| Interest income |  |  |  |  |  |  |  |  |  |  |
| Interest and fees on loans | \$ | 24,964 | \$ | 24,704 | \$ | 23,500 | \$ | 98,505 | \$ | 93,868 |
| Interest on investment securities |  | 9,289 |  | 9,345 |  | 10,126 |  | 38,660 |  | 34,766 |
| Interest on federal funds sold and due from banks |  | 1,170 |  | 1,055 |  | 575 |  | 2,329 |  | 1,407 |
| Total interest income |  | 35,423 |  | 35,104 |  | 34,201 |  | 139,494 |  | 130,041 |
| Interest expense |  |  |  |  |  |  |  |  |  |  |
| Interest on interest-bearing transaction accounts |  | 278 |  | 270 |  | 191 |  | 1,036 |  | 421 |
| Interest on savings accounts |  | 322 |  | 229 |  | 32 |  | 867 |  | 125 |
| Interest on money market accounts |  | 7,188 |  | 5,988 |  | 405 |  | 18,553 |  | 1,589 |
| Interest on time accounts |  | 1,991 |  | 1,555 |  | 114 |  | 4,715 |  | 323 |
| Interest on borrowings and other obligations |  | 1,380 |  | 2,593 |  | 89 |  | 11,562 |  | 91 |
| Total interest expense |  | 11,159 |  | 10,635 |  | 831 |  | 36,733 |  | 2,549 |
| Net interest income |  | 24,264 |  | 24,469 |  | 33,370 |  | 102,761 |  | 127,492 |
| Provision for (reversal of) credit losses on loans |  | 1,300 |  | 425 |  | - |  | 2,575 |  | (63) |
| Reversal of credit losses on unfunded loan commitments |  | - |  | - |  | - |  | (342) |  | (318) |
| Net interest income after provision for (reversal of) credit losses |  | 22,964 |  | 24,044 |  | 33,370 |  | 100,528 |  | 127,873 |
| Non-interest income |  |  |  |  |  |  |  |  |  |  |
| Wealth Manaqement and Trust Services |  | 560 |  | 515 |  | 490 |  | 2,145 |  | 2,227 |
| Service charges on deposit accounts |  | 522 |  | 508 |  | 519 |  | 2.083 |  | 2.007 |
| Debit card interchange fees, net |  | 373 |  | 456 |  | 513 |  | 1,831 |  | 2,051 |
| Earninas on bank-owned life insurance, net |  | 364 |  | 371 |  | 296 |  | 1.802 |  | 1.229 |
| Dividends on Federal Home Loan Bank stock |  | 349 |  | 324 |  | 297 |  | 1,265 |  | 1,056 |
| Merchant interchange fees, net |  | 119 |  | 117 |  | 119 |  | 496 |  | 549 |
| (Losses) gains on investment securities, net |  | $(5,907)$ |  | 14 |  | - |  | $(5,893)$ |  | (63) |
| Other income |  | 337 |  | 293 |  | 353 |  | 1,260 |  | 1,849 |
| Total non-interest income |  | $(3,283)$ |  | 2,598 |  | 2,587 |  | 4,989 |  | 10,905 |
| Non-interest expense |  |  |  |  |  |  |  |  |  |  |
| Salaries and emplovee benefits |  | 10,361 |  | 10,741 |  | 9,600 |  | 43,448 |  | 42,046 |
| Occupancy and equipment |  | 1,939 |  | 1,973 |  | 2,084 |  | 8,306 |  | 7,823 |
| Data processing |  | 1,081 |  | 1,009 |  | 1,080 |  | 4,057 |  | 4,649 |
| Professional services |  | 921 |  | 757 |  | 985 |  | 3,598 |  | 3,299 |
| Deposit network fees |  | 940 |  | 1,227 |  | 105 |  | 2,783 |  | 258 |
| Depreciation and amortization |  | 393 |  | 423 |  | 581 |  | 2.098 |  | 1.840 |
| Federal Deposit Insurance Corporation insurance |  | 454 |  | 469 |  | 293 |  | 1,878 |  | 1,179 |
| Information technoloav |  | 431 |  | 411 |  | 678 |  | 1.569 |  | 2,197 |
| Amortization of core deposit intangible |  | 330 |  | 335 |  | 365 |  | 1,350 |  | 1,489 |
| Directors' expense |  | 319 |  | 272 |  | 269 |  | 1,212 |  | 1,107 |
| Charitable contributions |  | 10 |  | 20 |  | 104 |  | 717 |  | 709 |
| Other real estate owned |  | - |  | - |  | 4 |  | 48 |  | 359 |
| Other expense |  | 2.110 |  | 2,110 |  | 2,162 |  | 8.417 |  | 8,314 |
| Total non-interest expense |  | 19,289 |  | 19,747 |  | 18,310 |  | 79,481 |  | 75,269 |
| Income before provision for income taxes |  | 392 |  | 6,895 |  | 17,647 |  | 26,036 |  | 63,509 |
| Provision for income taxes |  | (218) |  | 1,600 |  | 4,766 |  | 6,141 |  | 16,923 |
| Net income | \$ | 610 | \$ | 5,295 | \$ | 12,881 | \$ | 19,895 | \$ | 46,586 |
| Net income per common share: |  |  |  |  |  |  |  |  |  |  |
| Basic | \$ | 0.04 | \$ | 0.33 | \$ | 0.81 | \$ | 1.24 | \$ | 2.93 |
| Diluted | \$ | 0.04 | \$ | 0.33 | \$ | 0.81 | \$ | 1.24 | \$ | 2.92 |
| Weighted average shares: |  |  |  |  |  |  |  |  |  |  |
| Basic |  | 16,040 |  | 16,028 |  | 15,948 |  | 16,012 |  | 15,921 |
| Diluted |  | 16,052 |  | 16,036 |  | 16,001 |  | 16,026 |  | 15,969 |
| Comorehensive income (loss): |  |  |  |  |  |  |  |  |  |  |
| Net income | \$ | 610 | \$ | 5,295 | \$ | 12,881 | \$ | 19,895 | \$ | 46,586 |
| Other comprehensive income (loss): |  |  |  |  |  |  |  |  |  |  |
| Change in net unrealized gains or losses on available-for-sale securities |  | 28,865 |  | $(13,792)$ |  | 8,474 |  | 20,358 |  | $(88,620)$ |
| Reclassification adjustment for losses (gains) on available-for-sale serurities included in net income |  | 5,907 |  | 2,793 |  | - |  | 8,700 |  | 63 |
| Reclassification adjustment for gains or losses for fair value hedges |  | $(1,726)$ |  | 367 |  | - |  | $(1,359)$ |  | - |
| Net unrealized losses on securities transferred from available-for-sale to held-tn-maturitu |  | - |  | - |  | - |  | - |  | $(14,847)$ |
| Amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity |  | 418 |  | 411 |  | 454 |  | 1,743 |  | 1,580 |
| Other comprehensive income (loss), before tax |  | 33,464 |  | $(10,221)$ |  | 8,928 |  | 29,442 |  | $(101,824)$ |
| Deferred tax expense (benefit) |  | 9,890 |  | $(3,021)$ |  | 2,639 |  | 8,702 |  | $(30,102)$ |
| Other comprehensive income (loss), net of tax |  | 23,574 |  | $(7,200)$ |  | 6,289 |  | 20,740 |  | $(71,722)$ |
| Total comprehensive income (loss) | \$ | 24,184 | \$ | $(1,905)$ | \$ | 19,170 | \$ | 40,635 | \$ | $(25,136)$ |

## BANK OF MARIN BANCORP

AVERAGE STATEMENTS OF CONDITION AND ANALYSIS OF NET INTEREST INCOME

|  | Three months ended December 31. 2023 |  |  | Three months ended September 30. 2023 |  |  | Three months ended December 31. 2022 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| (dollars in thousands: unaudited) | Average Balance | Interest Income/ Expense | Yield/ <br> Rate | Average Balance | Interest Income/ Expense | Yield/ <br> Rate | Average Balance | Interest Income/ Expense | Yield/ Rate |
| Assets |  |  |  |  |  |  |  |  |  |
| Interest-earnina deposits with banks ${ }^{1}$ | \$ 84,864 | \$ 1,170 | 5.40 \% | \$ 76.896 | \$ 1,055 | 5.37 \% | \$ 61,878 | \$ 575 | 3.64 \% |
| Investment securities ${ }^{2,3}$ | 1,625,084 | 9,368 | 2.31 \% | 1,721,367 | 9,436 | 2.19 \% | 1,873,028 | 10,319 | 2.20 \% |
| Loans ${ }^{1,3,4}$ | 2,072,654 | 25,081 | 4.73 \% | 2,096,814 | 24,823 | 4.63 \% | 2,113,201 | 23,670 | 4.38 \% |
| Total interest-earning assets ${ }^{1}$ | 3,782,602 | 35,619 | 3.68 \% | 3,895,077 | 35,314 | 3.55 \% | 4,048,107 | 34,564 | 3.34 \% |
| Cash and non-interest-bearing due from banks | 35,572 |  |  | 37,964 |  |  | 44,480 |  |  |
| Bank premises and equipment, net | 8,027 |  |  | 8,428 |  |  | 7,933 |  |  |
| Interest receivable and other assets, net | 128,587 |  |  | 134,075 |  |  | 125,483 |  |  |
| Total assets | \$ 3,954,788 |  |  | \$ 4,075,544 |  |  | \$ 4,226,003 |  |  |
| Liabilities and Stockholders' Equity |  |  |  |  |  |  |  |  |  |
| Interest-bearing transaction accounts | \$ 228,168 | \$ 278 | 0.48 \% | \$ 230,085 | \$ 270 | 0.47 \% | \$ 290,064 | \$ 191 | 0.26 \% |
| Savings accounts | 245,712 | 322 | 0.52 \% | 266,770 | 229 | 0.34 \% | 338,760 | 32 | 0.04 \% |
| Money market accounts | 1,105,286 | 7,188 | 2.58 \% | 1,046,011 | 5,988 | 2.27 \% | 1,036,932 | 405 | 0.15 \% |
| Time accounts, including CDARS | 244,661 | 1,991 | 3.23 \% | 217,467 | 1,555 | 2.84 \% | 127,906 | 114 | 0.35 \% |
| Borrowings and other obligations ${ }^{1}$ | 104,855 | 1,380 | 5.15 \% | 188,415 | 2,593 | 5.39 \% | 8,014 | 89 | 4.34 \% |
| Total interest-bearina liabilities | 1,928,682 | 11,159 | 2.30 \% | 1,948,748 | 10,635 | 2.17 \% | 1,801,676 | 831 | 0.18 \% |
| Demand accounts | 1,556,437 |  |  | 1,649,691 |  |  | 1,975,390 |  |  |
| Interest pavable and other liabilities | 48.322 |  |  | 52.067 |  |  | 48.592 |  |  |
| Stockholders' equity | 421,347 |  |  | 425,038 |  |  | 400,345 |  |  |
| Total liabilities \& stockholders' equity | \$ 3,954,788 |  |  | \$ 4,075,544 |  |  | \$ 4,226,003 |  |  |
| Tax-equivalent net interest income/margin ${ }^{1}$ |  | \$ 24,460 | 2.53 \% |  | \$ 24,679 | 2.48 \% |  | \$ 33,733 | 3.26 \% |
| Reported net interest income/margin ${ }^{1}$ |  | \$ 24,264 | 2.51 \% |  | \$ 24,469 | 2.46 \% |  | \$ 33,370 | 3.23 \% |
| Tax-equivalent net interest rate spread |  |  | 1.38 \% |  |  | 1.38 \% |  |  | 3.16 \% |


|  | Year ended <br> December 31, 2023 |  |  | Year ended <br> December 31, 2022 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| (dollars in thousands; unaudited) | Average Balance | Interest Income/ Expense | Yield/ <br> Rate | Average Balance | Interest Income/ Expense | Yield/ <br> Rate |
| Assets |  |  |  |  |  |  |
| Interest-earning deposits with banks ${ }^{1}$ | \$ 42,864 | \$ 2,329 | 5.36 \% | \$ 120,395 | \$ 1,407 | 1.15 \% |
| Investment securities ${ }^{2,3}$ | 1,753.708 | 39,100 | 2.23 \% | 1,796,628 | 35.534 | 1.98 \% |
| Loans 1, 3, 4 | 2,099,719 | 99,018 | 4.65 \% | 2,175,259 | 94,614 | 4.29 \% |
| Total interest-earning assets ${ }^{1}$ | 3,896,291 | 140,447 | 3.56 \% | 4,092,282 | 131,555 | 3.17 \% |
| Cash and non-interest-bearing due from banks | 37,868 |  |  | 53,534 |  |  |
| Bank premises and equipment, net | 8.348 |  |  | 7.400 |  |  |
| Interest receivable and other assets, net | 135,200 |  |  | 151,295 |  |  |
| Total assets | \$ 4,077,707 |  |  | \$ 4,304,511 |  |  |
| Liabilities and Stockholders' Equity |  |  |  |  |  |  |
| Interest-bearing transaction accounts | \$ 240,524 | \$ 1,036 | 0.43 \% | \$ 294,682 | \$ 421 | 0.14 \% |
| Savings accounts | 281,611 | 867 | 0.31 \% | 341,710 | 125 | 0.04 \% |
| Monev market accounts | 1,013,620 | 18.553 | 1.83 \% | 1.065,104 | 1.589 | 0.15 \% |
| Time accounts, including CDARS | 191,056 | 4,715 | 2.47 \% | 140,547 | 323 | 0.23 \% |
| Borrowings and other obligations ${ }^{1,6}$ | 221,623 | 11,562 | 5.15 \% | 2,295 | 91 | 3.90 \% |
| Total interest-bearing liabilities | 1,948,434 | 36,733 | 1.89 \% | 1,844,338 | 2,549 | 0.14 \% |
| Demand accounts | 1,656,047 |  |  | 1,993.373 |  |  |
| Interest payable and other liabilities | 49,442 |  |  | 49,456 |  |  |
| Stockholders' equity | 423,784 |  |  | 417,344 |  |  |
| Total liabilities \& stockholders' equity | \$ 4,077,707 |  |  | \$ 4,304,511 |  |  |
| Tax-equivalent net interest income/margin ${ }^{1}$ |  | \$ 103,714 | 2.63 \% |  | \$ 129,006 | 3.11 \% |
| Reported net interest income/margin ${ }^{1}$ |  | \$ 102,761 | 2.60 \% |  | \$ 127,492 | 3.07 \% |
| Tax-equivalent net interest rate spread |  |  | 1.67 \% |  |  | 3.03 \% |

[^0]
[^0]:    ${ }^{1}$ Interest income/expense is divided by actual number of days in the period times 360 days to correspond to stated interest rate terms, where applicable.
    ${ }^{2}$ Yields on available-for-sale securities are calculated based on amortized cost balances rather than fair value, as changes in fair value are reflected as a component of
    
    ${ }^{3}$ Yields and interest income on tax-exempt securities and loans are presented on a taxable-equivalent basis using the Federal statutory rate of 21 percent in 2023 and 2nつつ
    ${ }^{4}$ Average balances on loans outstanding include non-performing loans. The amortized portion of net loan origination fees is included in interest income on loans, representing an adjustment to the yield.

