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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2025
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 001-33572

Bank of Marin Bancorp

(Exact name of Registrant as specified in its charter)

California				20-8859754
(State or other jurisdiction of incorporation or organization)				(IRS Employer Identification No.)
504 Redwood Blvd.	Suite 100	Novato	CA	94947
(Address of principal executive office)				(Zip Code)

Registrant's telephone number, including area code: (415) 763-4520

Not Applicable
(Former name, former address and formal fiscal year, if changed since last report)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, no par value	BMRC	The Nasdaq Stock Market

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

As of April 30, 2025, there were 16,216,069 shares of common stock outstanding.

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PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

BANK OF MARIN BANCORP
CONSOLIDATED STATEMENTS OF CONDITION

(in thousands, except share data; unaudited)	March 31, 2025	December 31, 2024
Assets		
Cash, cash equivalents and restricted cash	$ 259,924	$ 137,304
Investment securities:		
Held-to-maturity, at amortized cost (net of zero allowance for credit losses at March 31, 2025 and December 31, 2024)	834,640	879,199
Available-for-sale, at fair value (net of zero allowance for credit losses at March 31, 2025 and December 31, 2024)	406,009	387,534
Total investment securities	1,240,649	1,266,733
Loans, at amortized cost	2,073,548	2,083,256
Allowance for credit losses on loans	(29,906)	(30,656)
Loans, net of allowance for credit losses on loans	2,043,642	2,052,600
Goodwill	72,754	72,754
Bank-owned life insurance	71,066	71,026
Operating lease right-of-use assets	19,076	19,025
Bank premises and equipment, net	6,824	6,832
Core deposit intangible, net	2,565	2,792
Interest receivable and other assets	67,743	72,269
Total assets	**$ 3,784,243**	**$ 3,701,335**
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	$ 1,426,446	$ 1,399,900
Interest bearing:		
Transaction accounts	184,322	198,301
Savings accounts	228,038	225,691
Money market accounts	1,246,739	1,153,746
Time accounts	216,426	242,377
Total deposits	3,301,971	3,220,015
Borrowings and other obligations	116	154
Operating lease liabilities	21,497	21,509
Interest payable and other liabilities	21,093	24,250
Total liabilities	3,344,677	3,265,928
Commitments and contingent liabilities (Note 8)		
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 - 16,202,869 and 16,089,454 at March 31, 2025 and December 31, 2024, respectively	216,263	215,511
Retained earnings	250,815	249,964
Accumulated other comprehensive loss, net of taxes	(27,512)	(30,068)
Total stockholders' equity	439,566	435,407
Total liabilities and stockholders' equity	**$ 3,784,243**	**$ 3,701,335**

The accompanying notes are an integral part of these consolidated financial statements (unaudited).

BANK OF MARIN BANCORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands, except per share amounts; unaudited)	Three months ended March 31, 2025	December 31, 2024	March 31, 2024
Interest income			
Interest and fees on loans	$ 25,183	$ 25,872	$ 25,020
Interest on investment securities	8,261	8,377	8,805
Interest on federal funds sold and due from banks	1,795	2,227	321
Total interest income	35,239	36,476	34,146
Interest expense			
Interest on interest-bearing transaction accounts	343	327	261
Interest on savings accounts	533	556	371
Interest on money market accounts	7,626	8,110	8,449
Interest on time accounts	1,790	2,252	2,280
Interest on borrowings and other obligations	1	1	91
Total interest expense	10,293	11,246	11,452
Net interest income	24,946	25,230	22,694
Provision for credit losses on loans	75	—	350
Net interest income after provision for credit losses	24,871	25,230	22,344
Non-interest income			
Wealth management and trust services	563	576	553
Service charges on deposit accounts	548	551	529
Earnings on bank-owned life insurance, net	544	432	435
Debit card interchange fees, net	396	426	408
Dividends on Federal Home Loan Bank stock	375	370	377
Merchant interchange fees, net	96	80	167
Other income	352	318	285
Total non-interest income	2,874	2,753	2,754
Non-interest expense			
Salaries and related benefits	12,050	9,413	12,084
Occupancy and equipment	2,106	2,127	1,969
Professional services	937	1,129	1,078
Data processing	1,136	1,096	1,070
Deposit network fees	932	838	845
Federal Deposit Insurance Corporation insurance	388	420	435
Information technology	413	432	402
Depreciation and amortization	322	341	388
Directors' expense	304	297	317
Amortization of core deposit intangible	227	237	251
Charitable contributions	403	30	12
Other expense	2,046	1,978	2,318
Total non-interest expense	21,264	18,338	21,169
Income before provision for income taxes	6,481	9,645	3,929
Provision for income taxes	1,605	3,644	1,007
Net income	**$ 4,876**	**$ 6,001**	**$ 2,922**
Net income per common share			
Basic	$ 0.31	$ 0.38	$ 0.18
Diluted	$ 0.30	$ 0.38	$ 0.18
Weighted average shares:			
Basic	15,977	15,941	16,081
Diluted	16,002	15,967	16,092
Comprehensive income:			
Net income	$ 4,876	$ 6,001	$ 2,922
Other comprehensive (loss) income:			
Change in net unrealized gains or losses on available-for-sale securities	3,289	(6,880)	(4,568)
Reclassification adjustment for gains or losses on fair value hedges	—	1,444	1,217
Amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity	340	355	361
Other comprehensive income (loss), before tax	3,629	(5,081)	(2,990)
Deferred tax expense (benefit)	1,073	(1,501)	(884)
Other comprehensive income (loss), net of tax	2,556	(3,580)	(2,106)
Total comprehensive income	**$ 7,432**	**$ 2,421**	**$ 816**

The accompanying notes are an integral part of these consolidated financial statements (unaudited).

BANK OF MARIN BANCORP
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the three months ended March 31, 2025 and 2024

(in thousands, except share data; unaudited)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Taxes	Total
			Three months ended March 31, 2025		
Balance at January 1, 2025	16,089,454	$ 215,511	$ 249,964	$ (30,068)	$ 435,407
Net income	—	—	4,876	—	4,876
Other comprehensive income, net of tax	—	—	—	2,556	2,556
Stock issued under employee stock purchase plan	402	8	—	—	8
Stock issued under employee stock ownership plan	17,000	417	—	—	417
Restricted stock granted	90,205	—	—	—	—
Restricted stock surrendered for tax withholdings upon vesting	(3,957)	(96)	—	—	(96)
Restricted stock forfeited / cancelled	(1,070)	—	—	—	—
Stock-based compensation - stock options	—	5	—	—	5
Stock-based compensation - restricted stock	—	163	—	—	163
Cash dividends paid on common stock ($0.25 per share)	—	—	(4,025)	—	(4,025)
Stock issued in payment of director fees	10,835	255	—	—	255
Balance at March 31, 2025	16,202,869	$ 216,263	$ 250,815	$ (27,512)	$ 439,566
			Three months ended March 31, 2024		
Balance at January 1, 2024	16,158,413	$ 217,498	$ 274,570	$ (53,006)	$ 439,062
Net income	—	—	2,922	—	2,922
Other comprehensive loss, net of tax	—	—	—	(2,106)	(2,106)
Stock issued under employee stock purchase plan	621	10	—	—	10
Stock issued under employee stock ownership plan	24,600	425	—	—	425
Restricted stock granted	106,964	—	—	—	—
Restricted stock surrendered for tax withholdings upon vesting	(3,338)	(55)	—	—	(55)
Restricted stock forfeited / cancelled	(13,284)	—	—	—	—
Stock-based compensation - stock options	—	17	—	—	17
Stock-based compensation - restricted stock	—	188	—	—	188
Cash dividends paid on common stock ($0.25 per share)	—	—	(4,042)	—	(4,042)
Stock issued in payment of director fees	11,810	259	—	—	259
Balance at March 31, 2024	16,285,786	$ 218,342	$ 273,450	$ (55,112)	$ 436,680

The accompanying notes are an integral part of these consolidated financial statements (unaudited).

BANK OF MARIN BANCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2025 and 2024

(in thousands; unaudited)	2025	2024
Cash Flows from Operating Activities:		
Net income	$ 4,876	$ 2,922
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses on loans	75	350
Noncash contribution expense to employee stock ownership plan	417	425
Noncash director compensation expense	255	259
Stock-based compensation expense	168	205
Amortization of core deposit intangible	227	251
Amortization of investment security premiums, net of accretion of discounts	277	1,277
Accretion of discounts on acquired loans, net	45	(98)
Net change in deferred loan origination costs/fees	(9)	34
Depreciation and amortization	322	388
Loss on disposal of premises and equipment	—	19
Earnings on bank-owned life insurance policies	(544)	(435)
Net changes in:		
Net changes in interest receivable and other assets	2,050	1,082
Net changes in interest payable and other liabilities	(3,223)	(2,353)
Total adjustments	60	1,404
Net cash provided by operating activities	4,936	4,326
Cash Flows from Investing Activities:		
Purchase of available-for-sale securities	(33,561)	—
Proceeds from paydowns/maturities of held-to-maturity securities	44,681	10,252
Proceeds from paydowns/maturities of available-for-sale securities	18,316	10,057
Proceeds from sale of loan	1,295	—
Decrease in loans receivable, net	8,958	18,690
Purchase of bank-owned life insurance policies	—	(1,210)
Proceeds from bank-owned life insurance policies	504	—
Purchase of premises and equipment	(314)	(161)
Cash paid for low income housing tax credit investment	—	(1)
Net cash provided by investing activities	39,879	37,627
Cash Flows from Financing Activities:		
Net increase (decrease) in deposits	81,956	(5,973)
Repayment of short-term borrowings, net	—	(26,000)
Repayment of finance lease obligations	(38)	(38)
Restricted stock surrendered for tax withholdings upon vesting	(96)	(55)
Cash dividends paid on common stock	(4,025)	(4,042)
Proceeds from stock issued under employee and director stock purchase plans	8	10
Net cash used in financing activities	77,805	(36,098)
Net increase in cash, cash equivalents and restricted cash	122,620	5,855
Cash, cash equivalents and restricted cash at beginning of period	137,304	30,453
Cash, cash equivalents and restricted cash at end of period	$ 259,924	$ 36,308
Supplemental disclosure of cash flow information:		
Interest paid on deposits and borrowings	$ 10,806	$ 11,087
Supplemental disclosure of noncash investing and financing activities:		
Change in net unrealized gains or losses on available-for-sale securities	$ 3,289	$ (4,568)
Amortization of net unrealized loss on available-for-sale securities transferred to held-to-maturity	$ 340	$ 361

The accompanying notes are an integral part of these consolidated financial statements (unaudited).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1: Basis of Presentation

The consolidated financial statements include the accounts of Bancorp, a bank holding company, and its wholly-owned bank subsidiary, Bank of Marin, a California state-chartered commercial bank. References to “we,” “our,” “us” mean Bancorp and the Bank that are consolidated for financial reporting purposes. The accompanying unaudited consolidated interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to those rules and regulations.

Although we believe that the disclosures are adequate and the information presented is not misleading, we suggest that these interim financial statements be read in conjunction with the annual financial statements and the notes thereto included in our 2024 Annual Report on Form 10-K. In the opinion of management, the unaudited consolidated financial statements reflect all adjustments, which are necessary for a fair presentation of the consolidated financial position, the results of operations, changes in comprehensive income (loss), changes in stockholders’ equity, and cash flows for the periods presented. All material intercompany transactions have been eliminated. The results of these interim periods may not be indicative of the results for the full year or for any other period.

Segment Reporting: Our Chief Operating Decision Maker ("CODM") is our Chief Executive Officer, who reviews our financial information on a consolidated basis for purposes of evaluating financial performance and allocating resources. We have one operating and reportable segment, community banking, and our other operating segment, wealth management services, does not meet the quantitative threshold for separate reporting. Our CODM reviews consolidated net income before provision for income taxes as our primary measure of profitability alongside significant expense information consistent with the expense captions presented in our Consolidated Statements of Comprehensive Income (Loss). These metrics are used by our CODM to monitor actual results and to benchmark to our peers. Segment assets are equal to consolidated total assets in our Consolidated Statements of Condition and all segment non-cash items are equal to those disclosed in our Consolidated Statements of Cash flows. We derive materially all of our income from activities within the United States, and materially all of our long lived assets are physically located within the United States. No single customer or client relationship accounts for ten percent or more of our income.

Segment revenue, profit or loss, significant segment expenses and other segment items	Three months ended		
(in thousands)	March 31, 2025	December 31, 2024	March 31, 2024
Community banking segment:			
Interest income	$ 35,239	$ 36,476	$ 34,146
Non-interest income	2,311	2,177	2,201
Reconciliation of income			
All other income[1]	563	576	553
Total consolidated income	38,113	39,229	36,900
Less:[2]			
Total interest expense	10,293	11,246	11,452
Provision for credit losses on loans	75	—	350
Provision for credit losses on unfunded loan commitments	—	—	—
Non-interest expense			
Salaries and related benefits	11,838	9,235	11,838
Occupancy and equipment	2,106	2,127	1,968
Data processing	1,079	1,030	1,070
Deposit network fees	932	838	798
Information technology	413	432	402
Charitable contributions	403	30	12
Federal Deposit Insurance Corporation insurance	388	420	435
Professional services	784	968	951
Depreciation and amortization	322	341	388
Directors' expense	304	297	317
Amortization of core deposit intangible	227	237	251
Other real estate owned	—	—	—
Other expense	2,036	1,965	2,303
Segment income	6,913	10,063	4,365
Reconciliation of segment income			
All other loss[1]	432	418	436
Income before income taxes	$ 6,481	$ 9,645	$ 3,929

[1]Other income and loss from segment below the quantitative thresholds are attributable to one operating segment of the Bank, the Wealth Management and Trust Services, which does not meet the quantitative thresholds for presenting reportable segments. Expenses of Wealth Management and Trust Services are comprised of salary and employee benefits, professional services, data processing, occupancy and equipment and other expenses totaling $432 thousand, $418 thousand, and $436 thousand, for the periods presented above, respectively

[2]The significant expense categories and amounts align with the segment-level information that is regularly provided to the chief operating decision maker.

Earnings Per Share: The following table shows: 1) weighted average basic shares, 2) potentially dilutive weighted average common shares related to stock options and unvested restricted stock awards, and 3) weighted average diluted shares. Basic earnings (loss) per share ("EPS") are calculated by dividing net income by the weighted average number of common shares outstanding during each period, excluding unvested restricted stock awards. Diluted EPS are calculated using the weighted average number of potentially dilutive common shares. The number of potentially dilutive common shares included in the quarterly diluted EPS is computed using the average market prices during the three months included in the reporting period under the treasury stock method. The number of potentially dilutive common shares included in year-to-date diluted EPS is a year-to-date weighted average of potentially dilutive common shares included in each quarterly diluted EPS computation. In computing diluted EPS, we exclude anti-dilutive shares such as options whose exercise prices exceed the current common stock price, as they would not reduce EPS under the treasury stock method. We have two forms of outstanding common stock: common stock and unvested restricted stock awards. Holders of unvested restricted stock awards receive non-forfeitable dividends at the same rate as common shareholders and they both share equally in undistributed earnings. Under the two-class method, the difference in EPS is nominal for these participating securities.

(in thousands, except per share data)	Three months ended March 31, 2025	March 31, 2024
Weighted average basic common shares outstanding	15,977	16,081
Potentially dilutive common shares related to:		
Stock options	—	—
Unvested restricted stock awards	25	11
Weighted average diluted common shares outstanding	16,002	16,092
Net income (loss)	$ 4,876	$ 2,922
Basic earnings (loss) per common share	$ 0.31	$ 0.18
Diluted earnings (loss) per common share	$ 0.30	$ 0.18
Weighted average anti-dilutive common shares not included in the calculation of diluted EPS	274	340

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Note 2: Recently Adopted and Issued Accounting Standards

Accounting Standards Adopted in 2025

We have not adopted any new accounting standards in the first quarter of 2025.

Accounting Standards Not Yet Adopted

In December 2023, the FASB issued Accounting Standards Update ("ASU") No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments require disaggregated information about the effective tax rate reconciliation and additional disclosures on reconciling items and taxes paid that meet a quantitative threshold. The amendments are effective for annual reporting periods beginning after December 15, 2024, and may be adopted either prospectively or retrospectively. Early adoption is permitted. The Company expects this ASU to only impact its disclosure requirements (i.e.2025 Form 10-K) and does not expect the adoption of this ASU to have a material impact on its business operations or Consolidated Statements of Financial Condition.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The amendments are intended to improve income statement expense disclosure requirements, primarily through enhanced disclosures about certain costs and expenses included in income statement expense captions. The amendments are effective for annual reporting periods beginning after December 15, 2026 (i.e., 2027 Form 10-K) and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of the amendments on its financial statement disclosures, and does not expect the adoption to have a material impact on its business operations or Consolidated Statements of Financial Condition.

Note 3: Fair Value of Assets and Liabilities

Fair Value Hierarchy and Fair Value Measurement

We group our assets and liabilities that are measured at fair value into three levels within the fair value hierarchy, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Valuations are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuations for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3: Valuations are based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Values are determined using pricing models and discounted cash flow models and may include significant management judgment and estimation.

Transfers between levels of the fair value hierarchy are recognized through our monthly and/or quarterly valuation process in the reporting period during which the event or circumstances that caused the transfer occurred. No such transfers occurred in the years presented.

The following table summarizes our assets and liabilities that were required to be recorded at fair value on a recurring basis.

(in thousands) Description of Financial Instruments	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measurement Categories: Changes in Fair Value Recorded In[1]
March 31, 2025					
Securities available-for-sale:					
Commercial mortgage-backed securities, mortgage-backed securities and collateralized mortgage obligations issued by U.S. government-sponsored agencies	$ 298,405	$ —	$ 298,405	$ —	OCI
SBA-backed securities	$ 279	$ —	$ 279	$ —	OCI
Debentures of government sponsored agencies	$ 7,453	$ —	$ 7,453	$ —	OCI
U.S. Treasury securities	$ 11,026	$ 11,026	$ —	$ —	OCI
Obligations of state and political subdivisions	$ 83,150	$ —	$ 83,150	$ —	OCI
Corporate bonds	$ 5,696	$ —	$ 5,696	$ —	OCI
Derivative financial assets (interest rate contracts)	$ 227	$ —	$ 227	$ —	NI
December 31, 2024					
Securities available-for-sale:					
Commercial mortgage-backed securities, mortgage-backed securities and collateralized mortgage obligations issued by U.S. government-sponsored agencies	$ 279,838	$ —	$ 279,838	$ —	OCI
SBA-backed securities	$ 308	$ —	$ 308	$ —	OCI
Debentures of government sponsored agencies	$ 7,210	$ —	$ 7,210	$ —	OCI
U.S. Treasury securities	$ 10,815	$ 10,815	$ —	$ —	OCI
Obligations of state and political subdivisions	$ 83,714	$ —	$ 83,714	$ —	OCI
Corporate bonds	$ 5,649	$ —	$ 5,649	$ —	OCI
Derivative financial assets (interest rate contracts)	$ 333	$ —	$ 333	$ —	NI

[1] Other comprehensive income ("OCI") or net income ("NI").

Available-for-sale securities are recorded at fair value on a recurring basis. When available, quoted market prices (Level 1) are used to determine the fair value of available-for-sale securities. Level 1 securities include U.S. Treasury securities. If quoted market prices are not available, we obtain pricing information from a reputable third-party service provider, who may utilize valuation techniques that use current market-based or independently sourced parameters, such as bid/ask prices, dealer-quoted prices, interest rates, benchmark yield curves, prepayment speeds, probability of default, loss severity and credit spreads (Level 2). Level 2 securities include obligations of state and political subdivisions, U.S. agencies or government-sponsored agencies' debt securities, mortgage-backed securities, government agency-issued securities, and corporate bonds. As of March 31, 2025 and December 31, 2024, there were no Level 3 securities.

Held-to-maturity securities may be subject to an allowance for credit losses as a result of our evaluation of expected losses due to credit quality factors. We did not record any credit loss expense on held-to-maturity securities during either the three months ended March 31, 2025 or March 31, 2024. Fair value of held-to-maturity securities is determined using the same techniques discussed above for available-for-sale securities.

On a recurring basis, derivative financial instruments are recorded at fair value, which is based on the income approach using observable Level 2 market inputs, reflecting market expectations of future interest rates as of the measurement date. Standard valuation techniques are used to calculate the present value of the future expected cash flows assuming an orderly transaction. Valuation adjustments may be made to reflect both our own credit risk and the counterparties' credit risk in determining the fair value of the derivatives. These unobservable inputs are not considered significant inputs to the fair value measurement overall. Level 2 inputs for the valuations are limited to observable market prices for Secured Overnight Financing Rate ("SOFR") and Overnight Index Swap ("OIS") rates (for the very short term), quoted prices for SOFR futures contracts, observable market prices for SOFR and OIS swap rates, and one-month and three-month SOFR basis spreads at commonly quoted intervals. Mid-market pricing of the inputs is used as a practical expedient in the fair value measurements. We project spot rates at reset

days specified by each swap contract to determine future cash flows, then discount to present value using OIS curves as of the measurement date. When the value of any collateral placed with counterparties is less than the interest rate derivative liability, a credit valuation adjustment ("CVA") is applied to reflect the credit risk we pose to counterparties. We have used the spread between the Standard & Poor's BBB rated U.S. Bank Composite rate and SOFR for the closest maturity term corresponding to the duration of the swaps to derive the CVA. Because there is little to no counterparty risk, we did not incorporate credit adjustments from our assessment of the counterparty credit risk in determining fair value. For further discussion on our methodology for valuing our derivative financial instruments, refer to Note 9, Derivative Financial Instruments and Hedging Activities.

Certain financial assets may be measured at fair value on a non-recurring basis. These assets are subject to fair value adjustments that result from the application of the lower of cost or fair value accounting or write-downs of individual assets, such as individually analyzed loans that are collateral dependent and other real estate owned ("OREO").

Disclosures about Fair Value of Financial Instruments

The table below is a summary of fair value estimates for financial instruments as of March 31, 2025 and December 31, 2024, excluding financial instruments recorded at fair value on a recurring basis (summarized in the first table in this note). The carrying amounts in the following table are recorded in the consolidated statements of condition under the indicated captions. Further, we have not disclosed the fair value of financial instruments specifically excluded from disclosure requirements such as bank-owned life insurance policies ("BOLI"), lease obligations and non-maturity deposit liabilities. Additionally, we held shares of Federal Home Loan Bank ("FHLB") of San Francisco stock at cost as of March 31, 2025 and December 31, 2024. There were no impairments or changes resulting from observable price changes in orderly transactions for the identical or similar investments of the same issuer as of March 31, 2025 or December 31, 2024. See further discussion on values within Note 4, Investment Securities.

	March 31, 2025			December 31, 2024		
(in thousands)	Carrying Amounts	Fair Value	Fair Value Hierarchy	Carrying Amounts	Fair Value	Fair Value Hierarchy
Financial assets (recorded at amortized cost)						
Cash and cash equivalents	$ 259,924	$ 259,924	Level 1	$ 137,304	$ 137,304	Level 1
Investment securities held-to-maturity	834,640	734,824	Level 2	879,199	763,535	Level 2
Loans, net of allowance for credit losses	2,043,642	1,962,812	Level 3	2,052,600	1,965,429	Level 3
Interest receivable	10,566	10,566	Level 2	11,934	11,934	Level 2
Financial liabilities (recorded at amortized cost)						
Time deposits	216,426	216,860	Level 2	242,377	243,773	Level 2
Interest payable	2,507	2,507	Level 2	3,019	3,019	Level 2

The fair value of loans is based on exit price techniques and obtained from an independent third-party that uses its proprietary valuation model and methodology and may differ from the actual price from a prospective buyer. The discounted cash flow valuation approach reflects key inputs and assumptions that are unobservable, such as loan probability of default, loss given default, prepayment speed, and market discount rates.

The fair value of fixed-rate time deposits is estimated by discounting future contractual cash flows using discount rates that reflect the current observable market rates offered for time deposits of similar remaining maturities.

The value of off-balance-sheet financial instruments is estimated based on the fee income associated with the commitments, which in the absence of credit exposure, is considered to approximate their settlement value. The fair value of commitment fees was not material as of March 31, 2025 or December 31, 2024.

Note 4: Investment Securities

Our investment securities portfolio consists of U.S. Treasury securities, obligations of state and political subdivisions, U.S. federal government agencies, such as the Government National Mortgage Association ("GNMA") and Small Business Administration ("SBA"), and U.S. government-sponsored enterprises ("GSEs"), such as the Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), Federal Farm Credit Banks Funding Corporation and FHLB, and U.S. and foreign corporations. We also invest in residential and commercial mortgage-backed securities ("MBS"/"CMBS") and collateralized mortgage obligations ("CMOs") issued or guaranteed by the GSEs, as reflected in the following table.

A summary of the amortized cost, fair value and allowance for credit losses related to securities held-to-maturity as of March 31, 2025 and December 31, 2024 is presented below.

Held-to-maturity: (in thousands)	Amortized Cost[1]	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
March 31, 2025						
Securities of U.S. government-sponsored enterprises:						
CMBS issued by FHLMC, FNMA and GNMA	$ 241,035	$ —	$ 241,035	$ —	$ (30,022)	$ 211,013
CMOs issued by FHLMC, FNMA and GNMA	205,424	—	205,424	63	(14,704)	190,783
MBS pass-through securities issued by FHLMC, FNMA and GNMA	188,853	—	188,853	—	(27,396)	161,457
SBA-backed securities	1,382	—	1,382	—	(45)	1,337
Debentures of government-sponsored agencies	121,506	—	121,506	—	(19,476)	102,030
Obligations of state and political subdivisions	61,440	—	61,440	—	(7,740)	53,700
Corporate bonds	15,000	—	15,000	—	(496)	14,504
Total held-to-maturity	$ 834,640	$ —	$ 834,640	$ 63	$ (99,879)	$ 734,824
December 31, 2024						
Securities of U.S. government-sponsored enterprises:						
CMBS issued by FHLMC, FNMA and GNMA	$ 242,559	$ —	$ 242,559	$ —	$ (34,449)	$ 208,110
CMOs issued by FHLMC, FNMA and GNMA	209,748	—	209,748	—	(18,492)	191,256
MBS pass-through securities issued by FHLMC, FNMA and GNMA	192,388	—	192,388	—	(30,942)	161,446
SBA-backed securities	1,513	—	1,513	—	(61)	1,452
Debentures of government-sponsored agencies	141,431	—	141,431	—	(22,694)	118,737
Obligations of state and political subdivisions	61,560	—	61,560	—	(8,341)	53,219
Corporate bonds	30,000	—	30,000	—	(685)	29,315
Total held-to-maturity	$ 879,199	$ —	$ 879,199	$ —	$ (115,664)	$ 763,535

[1] Amortized cost and fair values exclude accrued interest receivable of $2.2 million and $3.4 million at March 31, 2025 and December 31, 2024, respectively, which is included in interest receivable and other assets in the consolidated statements of condition.

Management measures expected credit losses on held-to-maturity securities collectively by major security type with each type sharing similar risk characteristics and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. With regard to MBS, CMBS and CMOs issued or guaranteed by the GSEs, and SBA-backed securities, we expect to receive all the contractual principal and interest on these securities as such securities are backed by the full faith and credit of and/or guaranteed by the U.S. government. Accordingly, no allowance for credit losses has been recorded for these securities. With regard to securities issued by states and political subdivisions and corporate bonds, management considers: (i) issuer and/or guarantor credit ratings, (ii) historical probability of default and loss given default rates for given bond ratings and remaining maturity, (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities, (iv) internal credit review of the financial information, and (v) whether or not such securities have credit enhancements such as guarantees, contain a defeasance clause, or are pre-refunded by the issuers. Based on the comprehensive analysis, no credit losses are expected.

The following table summarizes the amortized cost of our portfolio of held-to-maturity securities issued by states and political subdivisions and corporate bonds by Moody's and/or Standard & Poor's bond ratings as of March 31, 2025 and December 31, 2024.

(in thousands)	Obligations of state and political subdivisions		Corporate bonds	
	March 31, 2025	December 31, 2024	March 31, 2025	December 31, 2024
Aaa / AAA	$ 42,056	$ 42,161	$ —	$ —
Aa1 / AA+	19,384	19,399	—	—
A2 / A	—	—	15,000	30,000
Total	$ 61,440	$ 61,560	$ 15,000	$ 30,000

A summary of the amortized cost, fair value and allowance for credit losses related to securities available-for-sale as of March 31, 2025 and December 31, 2024 is presented below.

Available-for-sale: (in thousands)	Amortized Cost [1]	Gross Unrealized Gains	Gross Unrealized (Losses)	Allowance for Credit Losses	Fair Value
March 31, 2025					
Securities of U.S. government-sponsored enterprises:					
CMBS issued by FHLMC, FNMA and GNMA	$ 231,202	$ 266	$ (3,959)	$ —	$ 227,509
CMOs issued by FHLMC, FNMA and GNMA	50,573	76	(5,163)	—	45,486
MBS pass-through securities issued by FHLMC, FNMA and GNMA	29,559	2	(4,151)	—	25,410
SBA-backed securities	295	—	(16)	—	279
Debentures of government- sponsored agencies	8,971	—	(1,518)	—	7,453
U.S. Treasury securities	12,019	—	(993)	—	11,026
Obligations of state and political subdivisions	95,860	—	(12,710)	—	83,150
Corporate bonds	6,000	—	(304)	—	5,696
Total available-for-sale	$ 434,479	$ 344	$ (28,814)	$ —	$ 406,009
December 31, 2024					
Securities of U.S. government-sponsored enterprises:					
CMBS issued by FHLMC, FNMA and GNMA	$ 222,862	$ 154	$ (4,977)	$ —	218,039
CMOs issued by FHLMC, FNMA and GNMA	42,432	28	(6,321)	—	36,139
MBS pass-through securities issued by FHLMC, FNMA and GNMA	30,498	2	(4,840)	$ —	25,660
SBA-backed securities	331	—	(23)	—	308
Debentures of government- sponsored agencies	8,971	—	(1,761)	—	7,210
U.S. Treasury securities	12,020	—	(1,205)		10,815
Obligations of state and political subdivisions	96,178	—	(12,464)	—	83,714
Corporate bonds	6,000	—	(351)	—	5,649
Total available-for-sale	$ 419,292	$ 184	$ (31,942)	$ —	$ 387,534

[1] Amortized cost and fair value exclude accrued interest receivable of $1.8 million and $1.7 million at March 31, 2025 and December 31, 2024, respectively, which is included in interest receivable and other assets in the consolidated statements of condition.

The amortized cost and fair value of investment debt securities by contractual maturity at March 31, 2025 and December 31, 2024 are shown below. Expected maturities may differ from contractual maturities if the issuers of the securities have the right to call or prepay obligations with or without call or prepayment penalties.

	March 31, 2025				December 31, 2024			
	Held-to-Maturity		Available-for-Sale		Held-to-Maturity		Available-for-Sale	
(in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$ 6,396	$ 6,319	$ 97,597	$ 97,432	$ 36,476	$ 36,380	$ 99,431	$ 99,258
After one but within five years	132,305	123,708	108,875	105,917	118,590	110,857	106,986	103,058
After five years through ten years	210,571	180,823	83,968	77,239	229,040	191,328	75,429	67,940
After ten years	485,368	423,974	144,039	125,421	495,093	424,970	137,446	117,278
Total	$ 834,640	$ 734,824	$ 434,479	$ 406,009	$ 879,199	$ 763,535	$ 419,292	$ 387,534

There were no sales of investment securities in the first quarter of 2025 or 2024.

Three months ended Three months ended

The reported values of pledged investment securities are shown in the following table.

(in thousands)	March 31, 2025	December 31, 2024
Pledged to the State of California:		
Secure public deposits in compliance with the Local Agency Security Program	$ 300,703	$ 288,385
Collateral for trust deposits	923	1,284
Collateral for Wealth Management and Trust Services checking account	1,304	895
Total investment securities pledged to the State of California	302,930	290,564
Bankruptcy trustee deposits pledged with Federal Reserve Bank	522	651
Pledged to FHLB Securities-Backed Credit Program	280,652	284,148
Pledged to the Federal Reserve Discount Window	327,455	365,759
Total pledged investment securities	$ 911,559	$ 941,122

There were 259 and 269 securities in unrealized loss positions at March 31, 2025 and December 31, 2024, respectively. Those securities are summarized and classified according to the duration of the loss period in the tables below:

March 31, 2025	< 12 continuous months		≥ 12 continuous months		Total securities in a loss position	
(in thousands)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Held-to-maturity:						
CMBS issued by FHLMC, FNMA and GNMA	$ —	$ —	$ 211,013	$ (30,022)	$ 211,013	$ (30,022)
CMOs issued by FHLMC, FNMA and GNMA	7,849	(1,156)	172,218	(13,548)	180,067	(14,704)
MBS pass-through securities issued by FHLMC, FNMA and GNMA	3,380	(84)	158,077	(27,312)	161,457	(27,396)
SBA-backed securities	—	—	1,337	(45)	1,337	(45)
Debentures of government-sponsored agencies	—	—	102,030	(19,476)	102,030	(19,476)
Obligations of state and political subdivisions	5,515	(75)	48,185	(7,665)	53,700	(7,740)
Corporate bonds	—	—	14,504	(496)	14,504	(496)
Total held-to-maturity	16,744	(1,315)	707,364	(98,564)	724,108	(99,879)
Available-for-sale:						
CMBS issued by FHLMC, FNMA and GNMA	106,015	(235)	52,028	(3,724)	158,043	(3,959)
CMOs issued by FHLMC, FNMA and GNMA	—	—	33,697	(5,163)	33,697	(5,163)
MBS pass-through securities issued by FHLMC, FNMA and GNMA	4	—	25,243	(4,151)	25,247	(4,151)
SBA-backed securities	—	—	279	(16)	279	(16)
Debentures of government- sponsored agencies	—	—	7,453	(1,518)	7,453	(1,518)
U.S. Treasury securities	—	—	11,026	(993)	11,026	(993)
Obligations of state and political subdivisions	—	—	83,150	(12,710)	83,150	(12,710)
Corporate bonds	—	—	5,696	(304)	5,696	(304)
Total available-for-sale	106,019	(235)	218,572	(28,579)	324,591	(28,814)
Total securities at loss position	$ 122,763	$ (1,550)	$ 925,936	$ (127,143)	$ 1,048,699	$ (128,693)

December 31, 2024	< 12 continuous months		≥ 12 continuous months		Total securities in a loss position	
(in thousands)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Held-to-maturity:						
CMBS issued by FHLMC, FNMA and GNMA	$ —	$ —	$ 208,110	$ (34,449)	$ 208,110	$ (34,449)
CMOs issued by FHLMC, FNMA and GNMA	18,451	(1,623)	172,805	(16,869)	191,256	(18,492)
MBS pass-through securities issued by FHLMC, FNMA and GNMA	3,487	(150)	157,959	(30,792)	161,446	(30,942)
SBA-backed securities	—	—	1,452	(61)	1,452	(61)
Debentures of government- sponsored agencies	—	—	118,737	(22,694)	118,737	(22,694)
Obligations of state and political subdivisions	5,558	(44)	47,661	(8,297)	53,219	(8,341)
Corporate Bonds	—	—	29,315	(685)	29,315	(685)
Total held-to-maturity	27,496	(1,817)	736,039	(113,847)	763,535	(115,664)
Available-for-sale:						
CMBS issued by FHLMC, FNMA and GNMA	$ 129,402	$ (343)	$ 58,065	$ (4,634)	$ 187,467	$ (4,977)
CMOs issued by FHLMC, FNMA and GNMA	—	—	33,749	(6,321)	33,749	(6,321)
MBS pass-through securities issued by FHLMC, FNMA and GNMA	7	—	25,495	(4,840)	25,502	(4,840)
SBA-backed securities	—	—	309	(23)	309	(23)
Debentures of government- sponsored agencies	—	—	7,210	(1,761)	7,210	(1,761)
U.S. Treasury securities	—	—	10,815	(1,205)	10,815	(1,205)
Obligations of state and political subdivisions	—	—	83,714	(12,464)	83,714	(12,464)
Corporate Bonds	—	—	5,649	(351)	5,649	(351)
Total available-for-sale	129,409	(343)	225,006	(31,599)	354,415	(31,942)
Total securities at loss position	$ 156,905	$ (2,160)	$ 961,045	$ (145,446)	$ 1,117,950	$ (147,606)

As of March 31, 2025, the investment portfolio included 241 investment securities that had been in a continuous loss position for twelve months or more and 18 investment securities that had been in a loss position for less than twelve months.

Securities issued by government-sponsored agencies, such as FNMA and FHLMC, usually have implicit credit support from the U.S. federal government. However, since 2008, FNMA and FHLMC have been under government conservatorship and, therefore, contractual cash flows for these investments carry explicit guarantees by the U.S. federal government while FNMA and FHLMC remain under conservatorship. Securities issued by the SBA and GNMA have explicit credit guarantees by the U.S. federal government, which protects us from credit losses on the contractual cash flows of the securities.

Our investments in obligations of state and political subdivision bonds are deemed creditworthy after our comprehensive analysis of the issuers' latest financial information, credit ratings by major credit agencies, and/or credit enhancements.

No allowances for credit losses have been recognized on available-for-sale securities in an unrealized loss position, as management does not believe any of the securities are impaired due to credit risk factors at either March 31, 2025 or December 31, 2024. In addition, for any available-for-sale securities in an unrealized loss position at March 31, 2025 and December 31, 2024, the Bank assessed whether it intended to sell the securities, or if it was more likely than not that it would be required to sell the securities before recovery of its amortized cost basis, which would require a write-down to fair value through net income. Because the Bank did not intend to sell those securities that were in an unrealized loss position, and it was not more-likely-than-not that the Bank would be required to sell the securities before recovery of their amortized cost bases, the Bank determined that no write-down was necessary as of the reporting date.

On July 7, 2023, the Bank entered into various interest rate swap agreements with notional values totaling $101.8 million to hedge balance sheet interest rate sensitivity and protect selected securities in its available-for-sale

portfolio against changes in fair value related to changes in the benchmark interest rate. In the fourth quarter of 2024, the Bank terminated these contracts resulting in an immaterial loss that will be amortized over the life of the hedged securities. For additional details, refer to Note 9, Derivative Financial Instruments and Hedging Activities.

Non-Marketable Securities Included in Other Assets

FHLB Capital Stock

As a member of the FHLB, we are required to maintain a minimum investment in FHLB capital stock as determined by the Board of Directors of the FHLB. The minimum investment requirements can increase in the event we increase our total asset size or borrowings with the FHLB. Shares cannot be purchased or sold except between the FHLB and its members at the $100 per share par value. We held $16.7 million of FHLB stock included in other assets on the consolidated statements of condition at both March 31, 2025 and December 31, 2024. The carrying amounts of these investments are reasonable estimates of fair value because the securities are restricted to member banks, and they do not have a readily determinable market value. Based on our analysis of FHLB's financial condition and certain qualitative factors, we determined that the FHLB stock was not impaired at March 31, 2025 and December 31, 2024. On April 25, 2025, FHLB announced a cash dividend for the first quarter of 2025 at an annualized dividend rate of 8.75% to be distributed in mid-May 2025. Cash dividends paid on FHLB capital stock are recorded as non-interest income.

Note 5: Loans and Allowance for Credit Losses on Loans

The following table presents the amortized cost of loans by portfolio class as of March 31, 2025 and December 31, 2024.

(in thousands)	March 31, 2025	December 31, 2024
Commercial and industrial	$ 147,291	$ 152,263
Real estate:		
Commercial owner-occupied	319,112	321,962
Commercial non-owner occupied	1,292,281	1,273,596
Construction	25,745	36,970
Home equity	89,240	88,325
Other residential	133,960	143,207
Installment and other consumer loans	65,919	66,933
Total loans, at amortized cost [1]	2,073,548	2,083,256
Allowance for credit losses on loans	(29,906)	(30,656)
Total loans, net of allowance for credit losses on loans	$ 2,043,642	$ 2,052,600

[1] Amortized cost includes net deferred loan origination costs of $2.5 million and $2.5 million at March 31, 2025 and December 31, 2024, respectively. Amounts are also net of unrecognized purchase discounts of $1.2 million and $1.1 million at March 31, 2025 and December 31, 2024, respectively. Amortized cost excludes accrued interest, which totaled $6.6 million and $6.8 million at March 31, 2025 and December 31, 2024, respectively, and is included in interest receivable and other assets in the consolidated statements of condition.

Lending Risks

Commercial and Industrial Loans - Commercial loans are generally made to established small and mid-sized businesses to provide financing for their growth and working capital needs, equipment purchases and acquisitions. Management examines historical, current, and projected cash flows to determine the ability of the borrower to repay obligations as agreed. Commercial loans are made based primarily on the identified cash flows of the borrower and secondarily on the underlying collateral and guarantor support. The cash flows of borrowers, however, may not occur as expected, and the collateral securing these loans may fluctuate in value. Most commercial and industrial loans are secured by the assets being financed, such as accounts receivable and inventory, and typically include personal guarantees. We target stable businesses with guarantors who provide additional sources of repayment and have proven to be resilient in periods of economic stress. A weakened economy, and resultant decreased consumer and/or business spending, may have an effect on the credit quality of commercial loans.

Commercial Real Estate Loans - Commercial real estate loans, which include income producing investment properties and owner-occupied real estate used for business purposes, are subject to underwriting standards and

processes similar to commercial loans discussed above. We underwrite these loans to be repaid from cash flow from either the business or investment property and supported by real property collateral. Underwriting standards for commercial real estate loans include, but are not limited to, debt coverage and loan-to-value ratios. Furthermore, a large majority of our loans are guaranteed by the owners of the properties. Conditions in the real estate markets or a downturn in the general economy may adversely affect our commercial real estate loans. In the event of a vacancy, we expect guarantors to carry the loans until they find a replacement tenant. The owner's substantial equity investment provides a strong economic incentive to continue to support the commercial real estate projects. As such, we have generally experienced a relatively low level of loss and delinquencies in this portfolio.

Construction Loans - Construction loans are generally made to developers and builders to finance construction, renovation and occasionally land acquisitions in anticipation of near-term development. Construction loans include interest reserves that are used for the payment of interest during the development and marketing periods and are capitalized as part of the loan balance. When a construction loan is placed on non-accrual status before the depletion of the interest reserve, we apply the interest funded by the interest reserve against the loan's principal balance. These loans are underwritten after evaluation of the borrower's financial strength, reputation, prior track record, and independent appraisals. We monitor all construction projects to determine whether they are on schedule, completed as planned and in accordance with the approved construction budgets. Significant events can affect the construction industry, including: the inherent volatility of real estate markets and vulnerability to delays due to weather, change orders, inability to obtain construction permits, labor or material shortages, and price changes. Estimates of construction costs and value associated with the completed project may be inaccurate. Repayment of construction loans is largely dependent on the ultimate success of the project.

Consumer Loans - Consumer loans primarily consist of home equity lines of credit, other residential loans, floating homes, and indirect luxury auto loans, along with a small number of installment loans. Our other residential loans include tenancy-in-common fractional interest loans ("TIC") located almost entirely in San Francisco County. We originate consumer loans utilizing credit score information, debt-to-income ratio and loan-to-value ratio analysis. Diversification among consumer loan types, coupled with relatively small loan amounts that are spread across many individual borrowers, mitigates risk. We do not originate sub-prime residential mortgage loans, nor is it our practice to underwrite loans commonly referred to as "Alt-A mortgages," the characteristics of which are reduced documentation, borrowers with low FICO scores or collateral with high loan-to-value ratios.

Credit Quality Indicators

We use a risk rating system to evaluate asset quality, and to identify and monitor credit risk in individual loans, and in the loan portfolio. Our definitions of “Special Mention” risk graded loans, or worse, are consistent with those used by the Federal Deposit Insurance Corporation ("FDIC"). Our internally assigned grades are as follows:

Pass and Watch - Loans to borrowers of acceptable or better credit quality. Borrowers in this category demonstrate fundamentally sound financial positions, repayment capacity, credit history and management expertise. Loans in this category must have an identifiable and stable source of repayment and meet the Bank’s policy regarding debt-service-coverage ratios. These borrowers are capable of sustaining normal economic, market or operational setbacks without significant financial consequences. Negative external industry factors are generally not present. The loan may be secured, unsecured or supported by non-real estate collateral for which the value is more difficult to determine and/or marketability is more uncertain. This category also includes “Watch” loans, where the primary source of repayment has been delayed. “Watch” is intended to be a transitional grade, with either an upgrade or downgrade within a reasonable period.

Special Mention - Potential weaknesses that deserve close attention. If left uncorrected, those potential weaknesses may result in deterioration of the payment prospects for the asset. Special Mention assets do not present sufficient risk to warrant adverse classification.

Substandard - Inadequately protected by either the current sound worth and paying capacity of the obligor or the collateral pledged, if any. A Substandard asset has well-defined weaknesses that jeopardize the liquidation of the debt. Substandard assets are characterized by the distinct possibility that we will sustain some loss if such weaknesses or deficiencies are not corrected. Well-defined weaknesses include adverse trends or developments of the borrower’s financial condition, managerial weaknesses and/or significant collateral deficiencies.

Doubtful - Critical weaknesses that make collection or liquidation in full improbable. There may be specific pending events that work to strengthen the asset; however, the amount or timing of the loss may not be determinable. Pending events generally occur within one year of the asset being classified as Doubtful. Examples include: merger, acquisition, or liquidation; capital injection; guarantee; perfecting liens on additional collateral; and refinancing. Such loans are placed on non-accrual status and usually are collateral-dependent.

We regularly review our credits for accuracy of risk grades whenever we receive new information and at each quarterly and year-end reporting period. Borrowers are generally required to submit financial information at regular intervals. Typically, commercial borrowers with lines of credit are required to submit financial information with reporting intervals ranging from monthly to annually depending on credit size, risk and complexity. In addition, investor commercial real estate borrowers with loans exceeding a certain dollar threshold are usually required to submit rent rolls or property income statements annually. We monitor construction loans monthly. We review home equity and other consumer loans based on delinquency. We also review loans graded "Watch" or worse, regardless of loan type, no less than quarterly.

The following tables present the loan portfolio by loan portfolio class, origination/renewal year and internal risk rating as of March 31, 2025 and December 31, 2024. The current year vintage table reflects gross charge-offs by loan portfolio class and year of origination. Generally, existing term loans that were re-underwritten are reflected in the table in the year of renewal. Lines of credit that have a conversion feature at the time of origination, such as construction to perm loans, are presented by year of origination.

(in thousands)	Term Loans - Amortized Cost by Origination Year						Revolving Loans	
March 31, 2025	2025	2024	2023	2022	2021	Prior	Amortized Cost	Total
Commercial and industrial:								
Pass and Watch	$ 2,269	$ 10,117	$ 19,391	$ 7,349	$ 1,204	$ 28,128	$ 68,164	$ 136,622
Special Mention	18	—	—	—	—	191	—	209
Substandard	—	528	—	2,793	—	—	7,139	10,460
Total commercial and industrial	$ 2,287	$ 10,645	$ 19,391	$ 10,142	$ 1,204	$ 28,319	$ 75,303	$ 147,291
Commercial real estate, owner-occupied:								
Pass and Watch	$ 6,657	$ 14,570	$ 13,189	$ 41,394	$ 44,197	$ 168,522	$ 100	$ 288,629
Special Mention	—	—	375	1,172	18,690	5,383	—	25,620
Substandard	—	—	—	2,079	—	2,784	—	4,863
Total commercial real estate, owner-occupied	$ 6,657	$ 14,570	$ 13,564	$ 44,645	$ 62,887	$ 176,689	$ 100	$ 319,112
Commercial real estate, non-owner occupied:								
Pass and Watch	$ 33,132	$ 116,474	$ 64,634	$ 161,874	$ 195,261	$ 615,133	$ 9,089	$ 1,195,597
Special Mention	—	18,347	—	2,721	2,086	33,235	—	56,389
Substandard	—	—	497	—	—	39,798	—	40,295
Total commercial real estate, non-owner occupied	$ 33,132	$ 134,821	$ 65,131	$ 164,595	$ 197,347	$ 688,166	$ 9,089	$ 1,292,281

(in thousands)	Term Loans - Amortized Cost by Origination Year						Revolving Loans	
March 31, 2025	2025	2024	2023	2022	2021	Prior	Amortized Cost	Total
Gross current period charge-offs	$ —	$ —	$ —	$ —	$ (809)	$ —	$ —	(809)
Construction:								
Pass and Watch	$ 5,189	$ 13,855	$ —	$ —	$ —	$ —	$ —	19,044
Special Mention	6,701	—	—	—	—	—	—	6,701
Total construction	$ 11,890	$ 13,855	$ —	$ —	$ —	$ —	$ —	25,745
Home equity:								
Pass and Watch	$ —	$ 76	$ 13	$ —	$ —	$ 952	$ 86,786	$ 87,827
Substandard	—	—	—	—	—	171	1,242	1,413
Total home equity	$ —	$ 76	$ 13	$ —	$ —	$ 1,123	$ 88,028	$ 89,240
Other residential:								
Pass and Watch	$ —	$ 29,963	$ 17,025	$ 18,594	$ 12,215	$ 55,957	$ —	$ 133,754
Substandard	—	—	—	—	206	—	—	206
Total other residential	$ —	$ 29,963	$ 17,025	$ 18,594	$ 12,421	$ 55,957	$ —	$ 133,960
Installment and other consumer:								
Pass and Watch	$ 3,423	$ 17,144	$ 13,766	$ 10,202	$ 7,397	$ 12,652	$ 1,137	$ 65,721
Substandard	—	—	—	—	198	—	—	198
Total installment and other consumer	$ 3,423	$ 17,144	$ 13,766	$ 10,202	$ 7,595	$ 12,652	$ 1,137	$ 65,919
Gross current period charge-offs	$ —	$ —	$ —	$ —	$ —	$ (15)	$ (1)	$ (16)
Total loans:								
Pass and Watch	$ 50,670	$ 202,199	$ 128,018	$ 239,413	$ 260,274	$ 881,344	$ 165,276	$ 1,927,194
Total Special Mention	$ 6,719	$ 18,347	$ 375	$ 3,893	$ 20,776	$ 38,809	$ —	$ 88,919
Total Substandard	$ —	$ 528	$ 497	$ 4,872	$ 404	$ 42,753	$ 8,381	$ 57,435
Totals	$ 57,389	$ 221,074	$ 128,890	$ 248,178	$ 281,454	$ 962,906	$ 173,657	$ 2,073,548
Total gross current period charge-offs	$ —	$ —	$ —	$ —	$ (809)	$ (15)	$ (1)	$ (825)

(in thousands)	Term Loans - Amortized Cost by Origination Year						Revolving Loans	
December 31, 2024	2024	2023	2022	2021	2020	Prior	Amortized Cost	Total
Commercial and industrial:								
Pass and Watch	$ 9,951	$ 20,282	$ 7,742	$ 1,371	$ 2,650	$ 27,487	$ 71,212	$ 140,695
Special Mention	598	—	—	—	5	221	7,286	8,110
Substandard	—	—	2,793	—	—	—	665	3,458
Total commercial and industrial	$ 10,549	$ 20,282	$ 10,535	$ 1,371	$ 2,655	$ 27,708	$ 79,163	$ 152,263
Gross current period charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ (41)	$ (41)
Commercial real estate, owner-occupied:								
Pass and Watch	$ 14,638	$ 13,386	$ 43,381	$ 44,536	$ 41,160	$ 130,197	$ 169	$ 287,467
Special Mention	—	378	—	18,870	804	9,499	—	29,551
Substandard	—	—	2,110	—	—	2,834	—	4,944
Total commercial real estate, owner-occupied	$ 14,638	$ 13,764	$ 45,491	$ 63,406	$ 41,964	$ 142,530	$ 169	$ 321,962
Commercial real estate, non-owner occupied:								
Pass and Watch	$ 119,053	$ 64,906	$ 162,804	$ 196,661	$ 179,060	$ 442,574	$ 9,178	$ 1,174,236
Special Mention	18,343	—	2,736	2,097	729	39,888	—	63,793
Substandard	—	497	—	2,127	—	32,943	—	35,567
Total commercial real estate, non-owner occupied	$ 137,396	$ 65,403	$ 165,540	$ 200,885	$ 179,789	$ 515,405	$ 9,178	$ 1,273,596
Construction:								
Pass and Watch	$ 18,128	$ —	$ 11,380	$ —	$ —	$ —	$ —	29,508
Special Mention	7,462	—	—	—	—	—	—	7,462
Total construction	$ 25,590	$ —	$ 11,380	$ —	$ —	$ —	$ —	36,970
Home equity:								
Pass and Watch	$ 94	$ 13	$ —	$ —	$ —	$ 968	$ 86,337	$ 87,412
Substandard	—	—	—	—	—	174	739	913

(in thousands)	Term Loans - Amortized Cost by Origination Year							
December 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost	Total
Total home equity	$ 94	$ 13	$ —	$ —	$ —	$ 1,142	$ 87,076	$ 88,325
Other residential:								
Pass and Watch	$ 35,390	$ 17,267	$ 19,682	$ 12,989	$ 24,378	$ 33,501	$ —	$ 143,207
Total other residential	$ 35,390	$ 17,267	$ 19,682	$ 12,989	$ 24,378	$ 33,501	$ —	$ 143,207
Installment and other consumer:								
Pass and Watch	$ 17,525	$ 15,429	$ 10,841	$ 7,798	$ 2,788	$ 10,901	$ 1,429	$ 66,711
Substandard	—	—	—	207	—	15	—	222
Total installment and other consumer	$ 17,525	$ 15,429	$ 10,841	$ 8,005	$ 2,788	$ 10,916	$ 1,429	$ 66,933
Gross current period charge-offs	$ —	$ (14)	$ —	$ (39)	$ —	$ (1)	$ (4)	$ (58)
Total loans:								
Pass and Watch	$ 214,779	$ 131,283	$ 255,830	$ 263,355	$ 250,036	$ 645,628	$ 168,325	$ 1,929,236
Total Special Mention	$ 26,403	$ 378	$ 2,736	$ 20,967	$ 1,538	$ 49,608	$ 7,286	$ 108,916
Total Substandard	$ —	$ 497	$ 4,903	$ 2,334	$ —	$ 35,966	$ 1,404	$ 45,104
Totals	$ 241,182	$ 132,158	$ 263,469	$ 286,656	$ 251,574	$ 731,202	$ 177,015	$ 2,083,256
Total gross current period charge-offs	$ —	$ (14)	$ —	$ (39)	$ —	$ (1)	$ (45)	$ (99)

The following table shows the amortized cost of loans by portfolio class, payment aging and non-accrual status as of March 31, 2025 and December 31, 2024.

Loan Aging Analysis by Class

(in thousands)	Commercial and industrial	Commercial real estate, owner-occupied	Commercial real estate, non-owner occupied	Construction	Home equity	Other residential	Installment and other consumer	Total
March 31, 2025								
30-59 days past due	$ 245	$ 1,552	$ 382	$ —	$ —	$ 802	$ 204	$ 3,185
60-89 days past due	—	285	3,563	—	150	—	—	3,998
90 days or more past due [1]	2,845	365	8,616	—	925	—	—	12,751
Total past due	3,090	2,202	12,561	—	1,075	802	204	19,934
Current	144,201	316,910	1,279,720	25,745	88,165	133,158	65,715	2,053,614
Total loans [1]	$ 147,291	$ 319,112	$ 1,292,281	$ 25,745	$ 89,240	$ 133,960	$ 65,919	$ 2,073,548
Non-accrual loans [2]	$ 2,845	$ 1,493	$ 26,826	$ —	$ 1,353	$ 206	$ 198	$ 32,921
Non-accrual loans with no allowance	$ —	$ 1,493	$ 1,225	$ —	$ 1,353	$ 206	$ 198	$ 4,475
December 31, 2024								
30-59 days past due	$ 203	$ 208	$ 718	$ —	$ 738	$ —	$ 415	$ 2,282
60-89 days past due	—	559	—	—	186	—	7	752
90 days or more past due [1]	2,793	113	10,742	—	248	—	8	13,904
Total past due	2,996	880	11,460	—	1,172	—	430	16,938
Current	149,267	321,082	1,262,136	36,970	87,153	143,207	66,503	2,066,318
Total loans [1]	$ 152,263	$ 321,962	$ 1,273,596	$ 36,970	$ 88,325	$ 143,207	$ 66,933	$ 2,083,256
Non-accrual loans [2]	$ 2,845	$ 1,537	$ 28,525	$ —	$ 752	$ —	$ 222	$ 33,881
Non-accrual loans with no allowance	$ —	$ 1,537	$ 497	$ —	$ 752	$ —	$ 207	$ 2,993

[1] There were no non-performing loans over 90 days past due and accruing interest as of March 31, 2025 or December 31, 2024.

[2] None of the non-accrual loans as of March 31, 2025 or December 31, 2024 were earning interest on a cash or accrual basis. We reversed $33 thousand in accrued interest income for loans that were placed on non-accrual status during the three months ended March 31, 2025. We reversed accrued interest income of $10 thousand for loans that were placed on non-accrual status during the three months ended March 31, 2024.

Collateral Dependent Loans

The following table presents the amortized cost basis of individually analyzed collateral-dependent loans, which were all on non-accrual status, by portfolio class at March 31, 2025 and December 31, 2024.

	Amortized Cost by Collateral Type				
(in thousands)	Commercial Real Estate	Residential Real Estate	Other	Total [1]	Allowance for Credit Losses
March 31, 2025					
Commercial real estate, owner-occupied	$ 1,493	$ —	$ —	$ 1,493	$ —
Commercial real estate, non-owner occupied	26,826	—	—	26,826	7,478
Home equity	—	1,353	—	1,353	—
Other residential	—	206	—	206	—
Installment and other consumer	—	—	198	198	—
Total	$ 28,319	$ 1,559	$ 198	$ 30,076	$ 7,478
December 31, 2024					
Commercial and industrial	$ 52	$ —	$ —	$ 52	$ 52
Commercial real estate, owner-occupied	1,537	—	—	1,537	—
Commercial real estate, non-owner occupied	28,525	—	—	28,525	7,933
Home equity		752		752	
Installment and other consumer	—	—	222	222	15
Total	$ 30,114	$ 752	$ 222	$ 31,088	$ 8,000

[1] There were no collateral-dependent residential real estate mortgage loans in process of foreclosure or in substance repossessed at March 31, 2025 and December 31, 2024. The weighted average loan-to-value of real estate secured collateral dependent loans was approximately 128% at March 31, 2025 and 116% at December 31, 2024.

Loan Modifications to Borrowers Experiencing Financial Difficulty

There were no modifications of loans during the three months ended March 31, 2025 requiring disclosure. The following table summarizes the amortized cost of loans as of March 31, 2024 that were modified during the three months ended March 31, 2024 by portfolio class and type of modification granted.

(in thousands)	Term Extension	Total Modifications	Percent of Portfolio Class Total
Three months ended March 31, 2024			
Commercial and industrial	$ 2,191	$ 2,191	1.5 %
Home Equity	82	82	0.1 %
Total	$ 2,273	$ 2,273	

As of March 31, 2025 and March 31, 2024, there were no unfunded loan commitments for loans that were modified during the period presented.

The following table summarizes the financial effect of loan modifications presented in the table above during the three months ended March 31, 2024 by portfolio class.

	Weighted-Average Term Extension (in years)
Three months ended March 31, 2024	
Commercial and industrial	0.3
Home Equity	15.0

The loan modifications did not significantly impact the determination of the allowance for credit losses on loans during the three months ended March 31, 2024.

The Bank closely monitors the performance of the modified loans to understand the effectiveness of its modification efforts. The following table summarizes the amortized cost and payment status of loans as of March 31, 2024 that were modified during the three months ended March 31, 2024 by portfolio class.

(in thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total	Non-Accrual
Three months ended March 31, 2024						
Commercial and industrial	$ 2,191	$ —	$ —	$ —	$ 2,191	$ 2,191
Home Equity	82	—	—	—	82	82
Total	$ 2,273	$ —	$ —	$ —	$ 2,273	$ 2,273

There were no loans to borrowers experiencing financial difficulty that were modified within the three months ended March 31, 2024 that had subsequently defaulted (i.e., fully or partially charged-off or became 90 days or more past due).

Allocation of the Allowance for Credit Losses on Loans

The following table presents the details of the allowance for credit losses on loans segregated by loan portfolio class as of March 31, 2025 and December 31, 2024.

Allocation of the Allowance for Credit Losses on Loans

(in thousands)	Commercial and industrial	Commercial real estate, owner-occupied	Commercial real estate, non-owner occupied	Construction	Home equity	Other residential	Installment and other consumer	Unallocated	Total
March 31, 2025									
Modeled expected credit losses	$ 792	$ 1,198	$ 7,549	$ 42	$ 636	$ 1,072	$ 621	$ —	$ 11,910
Qualitative adjustments	615	1,121	6,734	374	62	2	263	1,246	10,417
Specific allocations	101	—	7,478	—	—	—	—	—	7,579
Total	$ 1,508	$ 2,319	$ 21,761	$ 416	$ 698	$ 1,074	$ 884	$ 1,246	$ 29,906
December 31, 2024									
Modeled expected credit losses	$ 759	$ 1,241	$ 7,632	$ 41	$ 620	$ 1,133	$ 625	$ —	$ 12,051
Qualitative adjustments	672	1,120	6,528	597	64	8	268	1,255	10,512
Specific allocations	145	—	7,933	—	—	—	15	—	8,093
Total	$ 1,576	$ 2,361	$ 22,093	$ 638	$ 684	$ 1,141	$ 908	$ 1,255	$ 30,656

Allowance for Credit Losses on Loans Rollforward

The following table discloses activity in the allowance for credit losses on loans for the periods presented.

Allowance for Credit Losses on Loans Rollforward

(in thousands)	Commercial and industrial	Commercial real estate, owner-occupied	Commercial real estate, non-owner occupied	Construction	Home equity	Other residential	Installment and other consumer	Unallocated	Total
Three months ended March 31, 2025									
Beginning balance	$ 1,576	$ 2,361	$ 22,093	$ 638	$ 684	$ 1,141	$ 908	$ 1,255	$ 30,656
(Reversal) Provision	(68)	(42)	477	(222)	14	(67)	(8)	(9)	75
(Charge-offs)	—	—	(809)	—	—	—	(16)	—	(825)
Recoveries	—	—	—	—	—	—	—	—	—
Ending balance	$ 1,508	$ 2,319	$ 21,761	$ 416	$ 698	$ 1,074	$ 884	$ 1,246	$ 29,906
Three months ended March 31, 2024									
Beginning balance	$ 1,712	$ 2,476	$ 14,933	$ 1,832	$ 552	$ 653	$ 976	$ 2,038	$ 25,172
Provision (Reversal)	19	24	771	(550)	75	39	(39)	11	350
(Charge-offs)	(4)	—	—	—	—	—	(17)	—	(21)
Recoveries	—	—	—	—	—	—	—	—	—
Ending balance	$ 1,727	$ 2,500	$ 15,704	$ 1,282	$ 627	$ 692	$ 920	$ 2,049	$ 25,501

Pledged Loans

Our FHLB line of credit is secured under terms of a blanket collateral agreement by a pledge of certain qualifying loans with unpaid principal balances of $1.377 billion and $1.351 billion at March 31, 2025 and December 31, 2024, respectively. In addition, we pledge eligible residential loans, which totaled $106.3 million and $110.0 million at March 31, 2025 and December 31, 2024, respectively, to secure our borrowing capacity with the Federal Reserve Bank ("FRB"). For additional information, see Note 6, Borrowings.

Related Party Loans

The Bank has, and expects to have in the future, banking transactions in the ordinary course of its business with directors, officers, principal shareholders and their businesses or associates. These transactions, including loans, are granted on substantially the same terms, including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with persons not related to us. Likewise, these transactions do not involve more than the normal risk of collectability or present other unfavorable features. Related party loans totaled $4.1 million as of March 31, 2025 and December 31, 2024. In addition, undisbursed commitments to related parties totaled $210 thousand and $211 thousand as of March 31, 2025 and December 31, 2024, respectively.

Note 6: Borrowings and Other Obligations

Federal Home Loan Bank: The Bank had lines of credit with the FHLB totaling $925.2 million and $948.1 million as of March 31, 2025 and December 31, 2024, respectively, based on eligible collateral of certain loans and investment securities.

Federal Funds Lines of Credit: The Bank had unsecured lines of credit with correspondent banks for overnight borrowings totaling $125.0 million as of both March 31, 2025 and December 31, 2024. In general, interest rates on these lines approximate the federal funds target rate.

Federal Reserve Bank: The Bank had a line of credit through the Discount Window at the Federal Reserve Bank of San Francisco ("FRBSF") totaling $325.1 million as of March 31, 2025, secured by investment securities and residential loans. As of December 31, 2024, the Bank had a line of credit through the Discount Window totaling $358.0 million secured by investment securities and residential loans.

Other Obligations: Finance lease liabilities totaling $116 thousand and $154 thousand as of March 31, 2025 and December 31, 2024, respectively, are included in borrowings and other obligations in the consolidated statements of condition. Refer to Note 8, Commitments and Contingencies, for additional information.

The carrying values and weighted average interest rates on borrowings and other obligations as of March 31, 2025 and December 31, 2024 are summarized in the following table.

	March 31, 2025		December 31, 2024	
(dollars in thousands)	Carrying Value	Weighted Average Rate	Carrying Value	Weighted Average Rate
FHLB short-term borrowings	$ —	— %	$ —	— %
Federal funds lines of credit	—	— %	—	— %
FRBSF federal funds purchased	—	— %	—	— %
FRBSF short-term borrowings under the BTFP	—	— %	—	— %
Other obligations (finance leases)	116	3.06 %	154	2.70 %
Total borrowings and other obligations	$ 116	3.06 %	$ 154	2.70 %

Note 7: Stockholders' Equity

Dividends

On January 23, 2025, Bancorp approved a $0.25 per share cash dividend, paid February 13, 2025 to shareholders of record at the close of business on February 6, 2025. Subsequent to quarter end on April 24, 2025, Bancorp approved a $0.25 per share cash dividend, payable on May 15, 2025 to shareholders of record at the close of business on May 8, 2025.

Share-Based Payments

The fair value of stock options as of the grant date is recorded as stock-based compensation expense in the consolidated statements of comprehensive income over the requisite service period, which is generally the vesting period, with a corresponding increase in common stock. Stock-based compensation also includes compensation expense related to the issuance of restricted stock awards. The grant-date fair value of the restricted stock awards, which equals the grant date price, is recorded as compensation expense over the requisite service period with a corresponding increase in common stock as the shares vest. Stock options and restricted stock awards issued include a retirement eligibility clause whereby the requisite service period is satisfied at the retirement eligibility date. For those awards, we accelerate the recording of stock-based compensation when the award holder is eligible to retire. However, retirement eligibility does not affect the vesting of restricted stock or the exercisability of the stock options, which are based on the scheduled vesting period.

Performance-based stock awards (restricted stock) are issued to a selected group of employees. Stock award vesting is contingent upon the achievement of pre-established long-term performance goals set by the Compensation Committee of the Board of Directors. Performance is measured over a three-year period and cliff vested. These performance-based stock awards were granted at a maximum opportunity level, and based on the achievement of the pre-established goals, the actual payouts can range from 0% to 200% of the target award. For

performance-based stock awards, an estimate is made of the number of shares expected to vest based on the probability that the performance criteria will be achieved to determine the amount of compensation expense to be recognized. The estimate is re-evaluated quarterly, and total compensation expense is adjusted for any change in the current period.

We record excess tax benefits (deficiencies) resulting from the exercise of non-qualified stock options, the disqualifying disposition of incentive stock options and vesting of restricted stock awards as income tax benefits (expense) in the consolidated statements of comprehensive income with a corresponding decrease (increase) to current taxes payable.

The holders of unvested restricted stock awards are entitled to dividends on the same per-share ratio as holders of common stock. Tax benefits for dividends paid on unvested restricted stock awards are recorded as tax benefits in the consolidated statements of comprehensive income with a corresponding decrease to current taxes payable. Dividends on forfeited awards are included in stock-based compensation expense.

Stock options and restricted stock may be net settled in a cashless exercise by a reduction in the number of shares otherwise deliverable upon exercise or vesting in satisfaction of the exercise payment and/or applicable tax withholding requirements. Shares withheld under net settlement arrangements are available for future grants. The table below depicts the total number of shares, amount, and weighted average price withheld for cashless exercises for the periods presented.

	Three months ended	
	March 31, 2025	March 31, 2024
Number of shares withheld	3,957	3,338
Total amount withheld (in thousands)	$ 96	$ 55
Weighted-average price	$ 24.22	$ 16.62

Share Repurchase Program

On July 21, 2023, the Board of Directors approved the adoption of Bancorp's new share repurchase program for up to $25.0 million and expiring on July 31, 2025. There were no repurchases in the three months ended March 31, 2025 and 2024. Bancorp will continue to assess opportunities to utilize the program.

Note 8: Commitments and Contingent Liabilities

Financial Instruments with Off-Balance Sheet Risk

We make commitments to extend credit in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit in the form of loans or through 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. Because various commitments will expire without being fully drawn, the total commitment amount does not necessarily represent future cash requirements.

Our credit loss exposure is equal to the contractual amount of the commitment in the event of nonperformance by the borrower. We use the same credit underwriting criteria for all credit exposure. The amount of collateral obtained, if deemed necessary by us, is based on management's credit evaluation of the borrower. Collateral types pledged may include accounts receivable, inventory, other personal property and real property.

The contractual amount of unfunded loan commitments and standby letters of credit not reflected in the consolidated statements of condition are as follows:

(in thousands)	March 31, 2025	December 31, 2024
Commercial lines of credit	$ 224,633	$ 233,462
Revolving home equity lines	207,652	208,372
Undisbursed construction loans	7,447	8,294
Personal and other lines of credit	8,591	7,781
Standby letters of credit	2,915	2,777
Total unfunded loan commitments and standby letters of credit	$ 451,238	$ 460,686

We record an allowance for credit losses on unfunded loan commitments at the balance sheet date based on estimates of the probability that these commitments will be drawn upon according to historical utilization experience of the different types of commitments and expected loss rates determined for pooled funded loans. The allowance for credit losses on unfunded commitments totaled $894 thousand at both March 31, 2025 and December 31, 2024, which is included in interest payable and other liabilities in the consolidated statements of condition. There was no provision for credit losses on unfunded loan commitments in the first quarter of 2025 or in the first quarter of prior year.

Leases

We lease premises under long-term non-cancelable operating leases with remaining terms of 90 days to 17 years, 2 months, most of which include escalation clauses and one or more options to extend the lease term, and some of which contain lease termination clauses. Lease terms may include certain renewal options that were considered reasonably certain to be exercised.

We lease certain equipment under finance leases with initial terms of three years to five years. The equipment finance leases do not contain renewal options, bargain purchase options or residual value guarantees.

The following table shows the balances of operating and finance lease right-of-use assets and lease liabilities.

(in thousands)	March 31, 2025	December 31, 2024
Operating leases:		
Operating lease right-of-use assets	$ 19,076	$ 19,025
Operating lease liabilities	$ 21,497	$ 21,509
Finance leases:		
Finance lease right-of-use assets	$ 616	$ 616
Accumulated amortization	(504)	(467)
Finance lease right-of-use assets, net[1]	$ 112	$ 149
Finance lease liabilities [2]	$ 116	$ 154

[1] Included in premises and equipment in the consolidated statements of condition.

[2] Included in borrowings and other obligations in the consolidated statements of condition.

The following table shows supplemental disclosures of noncash investing and financing activities for the periods presented.

	Three months ended	
(in thousands)	March 31, 2025	March 31, 2024
Right-of-use assets obtained in exchange for operating lease liabilities	$ 1,090	$ 2,417
Right-of-use assets obtained in exchange for finance lease liabilities	$ —	$ —

The following table shows components of operating and finance lease cost.

(in thousands)	Three months ended March 31, 2025	March 31, 2024
Operating lease cost [1]	$ 1,185	$ 1,318
Finance lease cost:		
Amortization of right-of-use assets [2]	$ 37	$ 37
Interest on finance lease liabilities [3]	1	1
Total finance lease cost	$ 38	$ 38
Total lease cost	$ 1,223	$ 1,356

[1] Included in occupancy and equipment expense in the consolidated statements of comprehensive income.

[2] Included in depreciation and amortization in the consolidated statements of comprehensive income.

[3] Included in interest on borrowings and other obligations in the consolidated statements of comprehensive income.

The following table shows the future minimum lease payments, weighted average remaining lease terms, and weighted average discount rates under operating and finance lease arrangements as of March 31, 2025. The discount rates used to calculate the present value of lease liabilities were based on the collateralized FHLB borrowing rates that were commensurate with lease terms and minimum payments on the lease commencement date.

(in thousands)	March 31, 2025	
Year	Operating Leases	Finance Leases
2025	$ 3,679	$ 71
2026	3,843	40
2027	3,556	7
2028	3,141	1
2029	2,489	—
Thereafter	7,719	—
Total minimum lease payments	24,427	119
Amounts representing interest (present value discount)	(2,930)	(3)
Present value of net minimum lease payments (lease liability)	$ 21,497	$ 116
Weighted average remaining term (in years)	7.46	1.43
Weighted average discount rate	2.95 %	3.06 %

Litigation Matters

Bancorp may be party to legal actions that arise from time to time in the normal course of business. Bancorp's management is not aware of any pending legal proceedings to which either it or the Bank may be a party or has recently been a party that will have a material adverse effect on the financial condition or results of operations of Bancorp or the Bank.

The Bank is responsible for a proportionate share of certain litigation indemnifications provided to Visa U.S.A. ("Visa") by its member banks in connection with Visa's lawsuits related to anti-trust charges and interchange fees ("Covered Litigation"). We sold our remaining shares on July 13, 2023, however our proportionate share of the litigation indemnification liability does not change or transfer upon the sale of our Class B Visa shares to member banks or, per the terms of the sale, to the recent purchaser of our shares. Visa established an escrow account for the Covered Litigation that it periodically funds, which is expected to cover the settlement payment obligations.

Litigation is ongoing and until the court approval process is complete, there is no assurance that Visa will resolve the claims as contemplated by the amended class settlement agreement, and additional lawsuits may arise from individual merchants who opted out of the class settlement. However, until the escrow account is fully depleted and the conversion rate of Class B to Class A common stock is reduced to zero, no future cash settlement payments are required by the member banks, such as us, on the Covered Litigation. Therefore, we are not required to record any contingent liabilities for the indemnification related to the Covered Litigation, as we consider the probability of losses to be remote.

In the third quarter of 2024, the Bank recorded a non-recurring accrual for a legal resolution of a Private Attorneys General Act/putative class action lawsuit of $615 thousand, pre-tax, involving alleged violations of wage and hour laws for all non-exempt employees covering any and all claims that were or could have been alleged in the operative complaint through the financial period of December 11, 2019 to October 12, 2024. The Bank shall pay an "all in" Gross Settlement Amount ("GSA") of $615 thousand to settle all of the wage and hour class and PAGA claims, and the named Plaintiff's individual claims. This amount settles all claims that were or could have been asserted based on the facts alleged in the operative complaint, and the as of yet unasserted individual claims by the named plaintiff, and includes attorneys' fees, costs including the cost of administration, and incentive payments. The only amount over and above the GSA which the Bank shall pay is its share of payroll taxes on the amount of the net settlement that is allocated as wages. There has been no finding of wrongdoing and the Bank denies all claims. The settlement agreement still requires final court approval and notice requirements; however, the Bank does not anticipate further significant costs related to this action. We are not aware of any other similar wage and hour claims at this time.

Note 9: Derivative Financial Instruments and Hedging Activities

The Bank is exposed to certain risks from both its business operations and changes in economic conditions. As part of our asset/liability and interest rate risk management strategy, we may enter into interest rate derivative contracts to modify repricing characteristics of certain of our interest-earning assets and interest-bearing liabilities. The Bank generally designates interest rate hedging agreements utilized in the management of interest rate risk as either fair value hedges or cash flow hedges.

Our credit exposure, if any, on interest rate swap asset positions is limited to the fair value (net of any collateral pledged to us) and interest payments of all swaps by each counterparty. Conversely, when an interest rate swap is in a liability position exceeding a certain threshold, we may be required to post collateral to the counterparty in an amount determined by the agreements. Collateral levels are monitored and adjusted on a regular basis for changes in interest rate swap values.

We had three interest rate swap agreements on certain loans with our customers, which are scheduled to mature at various dates ranging from June 2031 to July 2032. The loan interest rate swaps were designated as fair value hedges and allowed us to offer long-term fixed-rate loans to customers without assuming the interest rate risk of a long-term asset. Converting our fixed-rate interest payments to floating-rate interest payments, generally benchmarked to the one-month U.S. dollar SOFR index, protects us against changes in the fair value of our loans associated with fluctuating interest rates. The notional amounts of the interest rate contracts are equal to the notional amounts of the hedged loans.

In the third quarter of 2023, the Bank entered into various interest rate swap agreements with notional values totaling $101.8 million to hedge balance sheet interest rate sensitivity and protect certain of our fixed rate available-for-sale securities against changes in fair value related to changes in interest rates by receiving floating rate interest from a counterparty in exchange for us making fixed-rate interest payments. In the fourth quarter of 2024, the Bank terminated these contracts, resulting in an immaterial loss that will be amortized over the life of the hedged securities.

Information on our derivatives follows:

	Asset derivatives		Liability derivatives	
(in thousands)	March 31, 2025	December 31, 2024	March 31, 2025	December 31, 2024
Loans receivable:				
Interest rate contracts - notional amount	$ 7,412	$ 7,654	$ —	$ —
Interest rate contracts - fair value[1]	$ 227	$ 333	$ —	$ —

[1] Refer to Note 3, Fair Value of Assets and Liabilities, for valuation methodology.

The following table presents the carrying amount and associated cumulative basis adjustment related to the application of fair value hedge accounting that is included in the carrying amount of hedged assets as of March 31, 2025 and December 31, 2024.

(in thousands)	Carrying Amounts of Hedged Assets		Cumulative Amounts of Fair Value Hedging Adjustments Included in the Carrying Amounts of the Hedged Assets	
	March 31, 2025	December 31, 2024	March 31, 2025	December 31, 2024
Loans receivable [1]	$ 7,085	$ 7,215	$ (287)	$ (398)

[1] Carrying value equals the amortized cost basis of the loans underlying the hedge relationship, which is the loan balance net of deferred loan origination fees and cost and the fair value hedge adjustment. Amortized cost excludes accrued interest, which was not material.

The following table presents the pretax net gains recognized in interest income related to our fair value hedges for the years presented.

(in thousands)	Three months ended	
	March 31, 2025	March 31, 2024
Interest on investment securities [1]		
Increase in fair value of interest rate swaps hedging available-for-sale securities	$ —	$ 1,217
Hedged interest earned	—	206
Decrease in carrying value included in the hedged available-for-sale securities	—	(1,217)
Net gain recognized in interest income on investment securities	$ —	$ 206
Interest and fees on loans [1]		
Decrease (increase) in fair value of interest rate swaps hedging loans receivable	$ (106)	$ 115
Hedged interest earned	30	54
Increase (decrease) in carrying value included in the hedged loans	111	(110)
Decrease in value of yield maintenance agreement	(2)	(2)
Net gain recognized in interest income on loans	$ 33	$ 57

[1] Represents the income line item in the statement of comprehensive income in which the effects of fair value hedges are recorded.

Our derivative transactions with the counterparty are under an International Swaps and Derivative Association ("ISDA") master agreement that includes "right of set-off" provisions. "Right of set-off" provisions are legally enforceable rights to offset recognized amounts and there may be an intention to settle such amounts on a net basis. We do not offset such financial instruments for financial reporting purposes. Information on financial instruments that are eligible for offset in the consolidated statements of condition follows:

Offsetting of Financial Assets and Derivative Assets

(in thousands)	Gross Amounts of Recognized Assets[1]	Gross Amounts Offset in the Statements of Condition	Net Amounts of Assets Presented in the Statements of Condition[1]	Gross Amounts Not Offset in the Statements of Condition		Net Amount
				Financial Instruments	Cash Collateral Received	
March 31, 2025						
Counterparty	$ 227	$ —	$ 227	$ —	$ —	$ 227
Total	$ 227	$ —	$ 227	$ —	$ —	$ 227
December 31, 2024						
Counterparty	$ 333	$ —	$ 333	$ —	$ —	$ 333
Total	$ 333	$ —	$ 333	$ —	$ —	$ 333

[1] Amounts exclude accrued interest on swaps.

For more information on how we account for our interest rate swaps, refer to Note 1 to the Consolidated Financial Statements included in our 2024 Form 10-K filed with the SEC on March 14, 2025.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion of the financial condition and results of operations, which is unaudited, should be read in conjunction with the related unaudited consolidated interim financial statements in this Form 10-Q and with the audited consolidated financial statements and accompanying notes included in our 2024 Annual Report on Form 10-K. Average balances, including balances used in calculating certain financial ratios, are generally comprised of average daily balances.

Forward-Looking Statements

The discussion of financial results in this Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "1933 Act") and Section 21E of the Securities Exchange Act of 1934, as amended, (the "1934 Act"). Those sections of the 1933 Act and 1934 Act provide a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about their financial performance so long as they provide meaningful, cautionary statements identifying important factors that could cause actual results to differ significantly from projected results.

Our forward-looking statements include descriptions of plans or objectives of management for future operations, products or services, and forecasts of revenues, earnings or other measures of economic performance. Forward-looking 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 preceded by "will," "would," "should," "could" or "may."

Forward-looking statements are based on management's current expectations regarding economic, legislative, and regulatory issues that may impact Bancorp's earnings in future periods. 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 the Trump administration's approach to tariffs and trade, acts of terrorism, war or other conflicts, 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.

Important factors that could cause results or performance to differ materially from those expressed in our prior forward-looking statements are detailed in ITEM 1A, Risk Factors section of our 2024 Form 10-K as filed with the SEC, and ITEM 1A Risk Factors herein. Forward-looking statements speak only as of the date they are made. 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 that occur after the date the forward-looking statements are made or to reflect the occurrence of unanticipated events.

Critical Accounting Estimates

Critical accounting estimates are those estimates made in accordance with generally accepted accounting principles that involve a significant level of estimation and uncertainty and have had or are reasonably likely to have a material impact on our financial condition and results of operations. We consider accounting estimates to be critical to our financial results if (i) the accounting estimate requires management to make assumptions about matters that are highly uncertain, (ii) management could have applied different assumptions during the reported period, and (iii) changes in the accounting estimate are reasonably likely to occur in the future and could have a material impact on our financial statements. Our critical estimates include: *Allowance for Credit Losses on Loans and Unfunded Commitments, Fair Value Measurements, and Goodwill.* Refer to Critical Accounting Estimates in Item 7 of our 2024 Form 10-K for more information.

Executive Summary

Net income for the first quarter of 2025 was $4.9 million, compared to net income of $6.0 million for the fourth quarter of 2024. Diluted earnings per share was $0.30 for the first quarter of 2025, compared to diluted earnings per share of $0.38 for the preceding quarter and $0.18 for the same quarter a year ago.

The following are highlights of our operating and financial performance for the periods presented. Additional performance details can be found in the pages that follow.

- The tax-equivalent net interest margin increased to 2.86% in the first quarter of 2025 from 2.80% in the prior quarter, reflecting reductions in deposit interest rates. The tax-equivalent net interest margin was 2.50% for the same period in the prior year. The 36 basis point increase year over year was due to securities repositioning, the pay off of borrowings and the reduction of deposit costs.

- Total deposits increased by $82.0 million to $3.302 billion as of March 31, 2025, compared to $3.220 billion as of December 31, 2024 however, some seasonal outflow is expected in early second quarter. Non-interest bearing deposits made up 43.2% of total deposits as of March 31, 2025, compared to 43.5% as of December 31, 2024.

- The average cost of total deposits decreased 7 basis points to 1.29% in the first quarter of 2025. The average cost of interest bearing deposits decreased 17 basis points to 2.27% in the first quarter of 2025. This reflected strategic deposit interest rate pricing adjustments with limited rate related outflows, as well as deposit growth.

- Net available contingent funding sources, including unrestricted cash, unencumbered available-for-sale securities and total available borrowing capacity was $1.917 billion, or 58% of total deposits and 203% of estimated uninsured and/or uncollateralized deposits as of March 31, 2025.

- Loan balances of $2.074 billion decreased $9.7 million from $2.083 billion at December 31, 2024. Additions to the loan portfolio in the first quarter of 2025 reflected loan fundings of $47.4 million and payoffs of $25.5 million. Loan amortization from scheduled repayments totaled $20.5 million and net utilization of credit lines decreased by $9.5 million during the first quarter of 2025.

- There was a $75 thousand provision for credit losses on loans in the first three months of 2025, and no provision in the previous quarter, bringing the allowance for credit losses to 1.44% of total loans as of March 31, 2025, compared to 1.47% as of December 31, 2024.

- Non-accrual loans decreased to $32.9 million, or 1.59% of total loans at March 31, 2025, compared to $33.9 million, or 1.63% at December 31, 2024. The reduction in non-accrual balances included a $2.1 million non-owner occupied real estate loan sale that included a charge-off of $809 thousand. Approximately 57% of non-accrual loans were paying as agreed and 90% were real estate secured as of March 31, 2025.

- Return on average assets ("ROA") was 0.53% for the first quarter of 2025, compared to 0.63% for the fourth quarter of 2024, and return on average equity ("ROE") was 4.52% for the first quarter of 2025, compared to 5.48% for the prior quarter.

- The efficiency ratio for the first quarter of 2025 was 76.44%, compared to 65.53% for the prior quarter. The increase was primarily due to increased salary and benefit expense and contributions expense during the quarter.

- Capital was above well-capitalized regulatory thresholds with Bancorp's and the Bank's total risk-based capital ratios of 16.69% and 16.45%, respectively, as of March 31, 2025. The capital plan and point-in-time capital stress tests indicate that Bank of Marin and Bancorp capital ratios will remain above regulatory well-capitalized and internal policy minimums throughout a five-year forecast horizon and across stress scenarios such as additional unrealized losses on the investment portfolio, additional deposit growth or decline, loan credit quality deterioration, and potential share repurchases.

- Bancorp's tangible common equity to tangible assets ("TCE ratio") was 9.82% as of March 31, 2025, and the Bank's TCE ratio was 9.66%. While we do not intend to sell our held-to-maturity securities, the Bancorp's TCE ratio, net of after-tax unrealized losses on held-to-maturity securities as if the losses were realized[1], was 8.08% as of March 31, 2025, compared to 7.85% as of December 31, 2024.

- The Board of Directors approved a cash dividend of $0.25 per share on April 24, 2025, which represents the 80th consecutive quarterly dividend paid by Bancorp. The dividend is payable on May 15, 2025, to shareholders of record at the close of business on May 8, 2025.

[1] Refer to the discussion and reconciliation of this non-GAAP financial measure in the section below entitled Statement Regarding Use of Non-GAAP Financial Measures.

RESULTS OF OPERATIONS

Highlights of the financial results are presented in the following tables:

(dollars in thousands, except per share data)	Three months ended March 31, 2025	December 31, 2024	March 31, 2024
Selected operating data:			
Net interest income	$ 24,946	$ 25,230	$ 22,694
Provision for credit losses on loans	75	—	350
Non-interest income	2,874	2,753	2,754
Non-interest expense	21,264	18,338	21,169
Net income	4,876	6,001	2,922
Net income per common share:			
Basic	$ 0.31	$ 0.38	$ 0.18
Diluted	$ 0.30	$ 0.38	$ 0.18
Performance and other financial ratios:			
Return on average assets	0.53 %	0.63 %	0.31 %
Return on average equity	4.52 %	5.48 %	2.70 %
Tax-equivalent net interest margin	2.86 %	2.80 %	2.50 %
Cost of deposits	1.29 %	1.36 %	1.38 %
Cost of funds	1.29 %	1.36 %	1.38 %
Efficiency ratio	76.44 %	65.53 %	83.18 %
Net charge-offs	$ 825	$ 19	$ 21
Cash dividend payout ratio on common stock[1]	80.65 %	65.79 %	138.89 %

[1] Calculated as dividends on common shares divided by basic net income (loss) per common share.

(dollars in thousands, except per share data)	March 31, 2025	December 31, 2024
Selected financial condition data:		
Total assets	$ 3,784,243	$ 3,701,335
Investment securities	1,240,649	1,266,733
Loans, net of allowance for credit losses on loans	2,043,642	2,052,600
Deposits	3,301,971	3,220,015
Borrowings and other obligations	116	154
Stockholders' equity	439,566	435,407
Book value per share	27.13	27.06
Tangible book value per share[1]	22.48	22.37
Asset quality ratios:		
Allowance for credit losses on loans to total loans	1.44 %	1.47 %
Allowance for credit losses on loans to non-accrual loans	0.91x	0.90x
Non-accrual loans to total loans	1.59 %	1.63 %
Classified loans (graded substandard and doubtful) as a percentage of total loans	2.77 %	2.17 %
Capital ratios:		
Equity to total assets ratio	11.62 %	11.76 %
Tangible common equity to tangible assets	9.82 %	9.93 %
Total capital (to risk-weighted assets)	16.69 %	16.54 %
Tier 1 capital (to risk-weighted assets)	15.49 %	15.32 %
Tier 1 capital (to average assets)	10.62 %	10.46 %
Common equity Tier 1 capital (to risk weighted assets)	15.49 %	15.32 %

[1] Tangible book value per share is a non-GAAP financial measure used by Bancorp, as well as investors and analysts, in assessing Bancorp's use of equity. Refer to the reconciliation of common equity to tangible common equity and resulting calculation of tangible book value per share in the section below entitled Statement Regarding Use of Non-GAAP Financial Measures.

Net Interest Income

Net interest income is the interest earned on loans, investments and other interest-earning assets minus the interest expense incurred on deposits and other interest-bearing liabilities. Net interest income is impacted by changes in general market interest rates and by changes in the composition of interest-earning assets and interest-bearing liabilities. Interest rate changes can create fluctuations in the net interest income and/or margin due to an imbalance in the timing of repricing and maturity of assets and liabilities. We manage interest rate risk exposure with the goal of minimizing the impact of interest rate volatility on net interest income. For more information, refer to Item 3. Quantitative and Qualitative Disclosure about Market Risk in this Form 10-Q.

Net interest margin is expressed as net interest income divided by average interest-earning assets. Net interest rate spread is the difference between the average rate earned on total interest-earning assets and the average rate incurred on total interest-bearing liabilities. Both of these measures are reported on a taxable-equivalent basis. Net interest margin is the higher of the two because it reflects interest income earned on assets funded with non-interest-bearing sources of funds, which include demand deposits and stockholders' equity.

Average Statements of Condition and Analysis of Net Interest Income

The following table compares interest income, average interest-earning assets, interest expense, and average interest-bearing liabilities for the periods presented. The tables also present net interest income, net interest margin and net interest rate spread for each period reported.

	Three months ended March 31, 2025			Three months ended December 31, 2024			Three months ended March 31, 2024		
(dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets									
Interest-earning deposits with banks [1]	$ 163,446	$ 1,795	4.39 %	$ 183,597	$ 2,227	4.75 %	$ 23,439	$ 321	5.42 %
Investment securities [2, 3]	1,273,422	8,331	2.62 %	1,281,545	8,443	2.64 %	1,529,985	8,880	2.32 %
Loans [1, 3, 4, 5]	2,073,739	25,289	4.88 %	2,081,781	25,979	4.88 %	2,067,431	25,130	4.81 %
Total interest-earning assets [1]	3,510,607	35,415	4.04 %	3,546,923	36,649	4.04 %	3,620,855	34,331	3.75 %
Cash and non-interest-bearing due from banks	37,493			36,762			35,302		
Bank premises and equipment, net	6,831			6,936			7,708		
Interest receivable and other assets, net	173,135			178,978			147,405		
Total assets	$ 3,728,066			$ 3,769,599			$ 3,811,270		
Liabilities and Stockholders' Equity									
Interest-bearing transaction accounts	$ 191,089	$ 343	0.73 %	$ 183,640	$ 327	0.71 %	$ 215,001	$ 261	0.49 %
Savings accounts	227,098	533	0.95 %	223,978	556	0.99 %	230,133	371	0.65 %
Money market accounts	1,192,956	7,626	2.59 %	1,167,242	8,110	2.76 %	1,150,637	8,449	2.95 %
Time accounts including CDARS	228,018	1,790	3.18 %	257,096	2,252	3.49 %	264,594	2,280	3.47 %
Borrowings and other obligations [1]	130	1	2.86 %	168	1	2.52 %	7,323	91	4.93 %
Total interest-bearing liabilities	1,839,291	10,293	2.27 %	1,832,124	11,246	2.44 %	1,867,688	11,452	2.47 %
Demand accounts	1,406,648			1,452,966			1,458,686		
Interest payable and other liabilities	44,951			48,547			48,923		
Stockholders' equity	437,176			435,962			435,973		
Total liabilities & stockholders' equity	$ 3,728,066			$ 3,769,599			$ 3,811,270		
Tax-equivalent net interest income/margin [1]		$ 25,122	2.86 %		$ 25,403	2.80 %		$ 22,879	2.50 %
Reported net interest income/margin [1]		$ 24,946	2.84 %		$ 25,230	2.78 %		$ 22,694	2.48 %
Tax-equivalent net interest rate spread			1.77 %			1.60 %			1.28 %

[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 stockholders' equity. Investment security interest is earned on 30/360 day basis monthly.

[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.

[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.

[5] Net loan origination costs in interest income totaled $364 thousand, $341 thousand, and $375 thousand for the three months ended March 31, 2025, December 31, 2024, and March 31, 2024, respectively.

The following table presents the effects of changes in average balances (volume) or changes in average rates on tax-equivalent net interest income for the periods indicated. Volume variances are equal to the increase or decrease in average balances multiplied by prior period rates. Rate variances are equal to the increase or decrease in rates multiplied by prior period average balances. Mix variances are attributable to the change in yields or rates multiplied by the change in average balances, including two days less in the three months ended March 31, 2025, compared to the three months ended December 31, 2024, and one day less in the first three months of 2025, compared to the first three months of 2024.

	Three months ended March 31, 2025 compared to three months ended December 31, 2024				Three months ended March 31, 2025 compared to three months ended March 31, 2024			
(in thousands)	Volume	Yield/Rate	Mix	Total	Volume	Yield/Rate	Mix	Total
Interest-earning deposits with banks	$ (244)	$ (166)	$ (22)	$ (432)	$ 1,918	$ (61)	$ (383)	$ 1,474
Investment securities [1]	(54)	(58)	—	(112)	(1,489)	1,129	(189)	(549)
Loans [1]	(100)	(28)	(562)	(690)	77	362	(280)	159
Total interest-earning assets	(398)	(252)	(584)	(1,234)	506	1,430	(852)	1,084
Interest-bearing transaction accounts	13	10	(7)	16	(29)	129	(18)	82
Savings accounts	8	(19)	(12)	(23)	(5)	175	(8)	162
Money market accounts	179	(483)	(180)	(484)	311	(1,012)	(122)	(823)
Time accounts, including CDARS	(255)	(190)	(17)	(462)	(315)	(180)	5	(490)
Borrowings and other obligations	—	—	—	—	(89)	(34)	33	(90)
Total interest-bearing liabilities	(55)	(682)	(216)	(953)	(127)	(922)	(110)	(1,159)
Changes in tax-equivalent net interest income	$ (343)	$ 430	$ (368)	$ (281)	$ 633	$ 2,352	$ (742)	$ 2,243

[1] Yields and interest income on tax-exempt securities and loans are presented on a taxable-equivalent basis using the federal statutory rate of 21%.

First Quarter of 2025 compared to the Fourth Quarter of 2024

Net interest income totaled $24.9 million for the first quarter of 2025, a $284 thousand decrease from the prior quarter related to the decrease of $36.3 million in average earning assets including an $8.0 million decrease in average loan balances over the quarter, reducing interest income by $1.2 million. This was significantly offset by the reduction of interest expense of $1.0 million despite average interest-bearing deposit growth of $7.2 million over the quarter. Average money market balances increased by 2.20% and average time deposits decreased by 11.31% while the average cost of those deposits decreased by 17 and 31 basis points, respectively, due to relationship-focused rate management, contributing to the reduced costs.

The tax-equivalent net interest margin was 2.86% for the first quarter of 2025, compared to 2.80% for the prior quarter. Lower cost of funds, as referenced above, contributed 7 basis points, while lower average interest-earning deposit balances with banks and the December fed funds rate cut of 25 basis points, reducing the earning power on those deposits, reduced margin by 5 basis points. Minor changes in the loan and investment mix contributed to the margin by 2 basis points each, resulting in the 6 basis point margin expansion.

First Quarter of 2025 compared to the First Quarter of 2024

Net interest income totaled $24.9 million for the three months ended March 31, 2025, compared to $22.7 million for the same period in the prior year. The $2.3 million increase from the prior year was primarily due to higher average earning asset yields and lower cost of deposits.

The tax-equivalent net interest margin was 2.86% for the three months ended March 31, 2025, compared to 2.50% for the same period in the prior year. The increase of 36 basis points was primarily attributed to higher interest-earning deposit balances with banks and higher yields on investment securities resulting from the sale of lower yielding investment securities, which contributed 16 basis points. In addition, higher average loan balances and yields and lower deposit costs provided a positive impact of 14 and 7 basis points, respectively.

Market Interest Rates

Market interest rates are, in part, based on the target federal funds interest rate (the interest rate banks charge each other for short-term borrowings) implemented by the Federal Reserve Open Market Committee ("FOMC").

In response to the evolving risks to economic activity caused by the COVID-19 pandemic, the FOMC made two emergency federal funds rate cuts totaling 150 basis points in March 2020. The federal funds rate range remained between 0.0% and 0.25% through the beginning of 2022, putting downward pressure on our asset yields and net interest margin. The FOMC began increasing rates in March 2022, totaling seven rate increases in 2022 and four additional rate increases in 2023, ended the year of 2023 at a federal funds target rate range between 5.25% and 5.50%. Rising interest rates resulted in rapid increases in the cost of funds through rising deposit costs and increased average borrowings, putting pressure on our net interest margin. Because market interest rates remained high for longer than many market participants anticipated, during the second quarter of 2024, we sold securities with relatively low yields and redeployed the proceeds to pay off borrowings, invest in higher yielding loans and securities, and position the balance sheet for future acquisitions of similar assets.

Primarily due to declining inflation, the Federal Reserve lowered the target for the federal funds rate by 100 basis points, to a range of 4.25% to 4.50% in the later months of 2024. In the first quarter of 2025, the FOMC left rates unchanged in the January 29th and March 19th meetings due to projected slower economic growth and higher inflation by year-end. Management and the Board are continuously monitoring and analyzing the impact of market rates on the Company's financial condition and results of operations to enhance performance, safety and soundness and returns to shareholders. See ITEM 3. Quantitative and Qualitative Disclosure about Market Risk for further information.

Provision for Credit Losses on Loans

Management assesses the adequacy of the allowance for credit losses on loans quarterly based on several factors including growth of the loan portfolio, past events, current conditions, and reasonable and supportable forecasts to estimate expected losses over the contractual terms of our loans. The allowance for credit losses on loans is increased by provisions charged to expense and loss recoveries and decreased by loans charged off.

The following table shows the activity for the periods presented.

	Three months ended		
(dollars in thousands)	March 31, 2025	December 31, 2024	March 31, 2024
Provision for credit losses on loans	$ 75	$ —	$ 350

We recorded a $75 thousand provision for credit losses on loans in the first quarter of 2025. Modest deterioration in economic forecast, effects from the noted charge-offs, and the pooled and individual total loan balance declines this quarter contributed to the provision.

We recorded no provision for credit losses on loans in the fourth quarter of 2024. We recorded a provision totaling $350 thousand for the three months ended March 31, 2024. This was primarily due to increases in qualitative risk factors to account for continued uncertainty about inflation and recession risks, and from continued negative trends in adversely graded loans and/or collateral values on our non-owner occupied commercial real estate office and multi-family real estate portfolios.

For more information, refer to Note 5, Loans and Allowance for Credit Losses on Loans, to the consolidated financial statements in this Form 10-Q.

Non-interest Income

The following table details the components of non-interest income.

	Three months ended			Quarter over quarter		Year over year	
(dollars in thousands)	March 31, 2025	December 31, 2024	March 31, 2024	Amount Change	Percent Change	Amount Change	Percent Change
Wealth management and trust services	$ 563	$ 576	553	$ (13)	(2.3) %	$ 10	1.8 %
Service charges on deposit accounts	548	551	529	(3)	(0.5) %	19	3.6 %
Earnings on bank-owned life insurance, net	544	432	$ 435	112	25.9 %	109	25.1 %
Debit card interchange fees, net	396	426	408	(30)	(7.0) %	(12)	(2.9)%
Dividends on Federal Home Loan Bank stock	375	370	377	5	1.4 %	(2)	(0.5)%
Merchant interchange fees, net	96	80	167	16	20.0 %	(71)	(42.5)%
Gains (losses) on sale of investment securities	—	—	—	—	NM	—	NM
Other income	352	318	285	34	10.7 %	67	23.5 %
Total non-interest income	$ 2,874	$ 2,753	$ 2,754	$ 121	4.4 %	$ 120	4.4 %

First Quarter of 2025 Compared to the Fourth Quarter of 2024

Non-interest income was $2.9 million for the first quarter of 2025, compared to income of $2.8 million for the prior quarter. The increase from the prior quarter was primarily attributable to bank owned life insurance dividend income and a $71 thousand life insurance death benefit.

First Quarter of 2025 Compared to the First Quarter of 2024

Non-interest income was $2.9 million for the first quarter of 2025, compared to income of $2.8 million for the same period of the prior year. The $120 thousand increase from the prior year period was primarily attributed to bank owned life insurance dividend income and other life insurance income.

Non-interest Expense

The following table details the components of non-interest expense.

	Three months ended					Year over year	
(dollars in thousands)	March 31, 2025	December 31, 2024	March 31, 2024	Amount Change	Percent Change	Amount Change	Percent Change
Salaries and related benefits	$ 12,050	$ 9,413	$ 12,084	$ 2,637	28.0 %	$ (34)	(0.3)%
Occupancy and equipment	2,106	2,127	1,969	(21)	(1.0)%	137	7.0 %
Data processing	1,136	1,096	1,070	40	3.6 %	66	6.2 %
Professional services	937	1,129	1,078	(192)	(17.0)%	(141)	(13.1)%
Deposit network fees	932	838	845	94	11.2 %	87	10.3 %
Information technology	413	432	402	(19)	(4.4)%	11	2.7 %
Charitable contributions	403	30	12	373	1,243.3 %	391	3,258.3 %
Federal Deposit Insurance Corporation insurance	388	420	435	(32)	(7.6)%	(47)	(10.8)%
Depreciation and amortization	322	341	388	(19)	(5.6)%	(66)	(17.0)%
Directors' expense	304	297	317	7	2.4 %	(13)	(4.1)%
Amortization of core deposit intangible	227	237	251	(10)	(4.2)%	(24)	(9.6)%
Other non-interest expense							
Advertising	226	291	296	(65)	(22.3)%	(70)	(23.6)%
Other expense	1,820	1,687	2,022	133	7.9 %	(202)	(10.0)%
Total other non-interest expense	2,046	1,978	2,318	68	3.4 %	(272)	(11.7)%
Total non-interest expense	$ 21,264	$ 18,338	$ 21,169	$ 2,926	16.0 %	$ 95	0.4 %

First Quarter of 2025 Compared to the Fourth Quarter of 2024

Non-interest expense totaled $21.3 million for the first quarter of 2025, compared to $18.3 million for the prior quarter, an increase of $2.9 million. Salaries and related benefits increased $2.6 million, due to various factors, both in prior and current quarter. Last quarter, incentive, stock-based compensation and profit sharing accrual

adjustments reduced expenses. In the first quarter of 2025, there was an increase to the 401(k) contribution matching associated with the usual reset, lower deferred loan origination costs, bonus accruals based on budget, stock-based compensation grants and increased salary costs due to new talent acquisition. In order to better serve the timing needs of our non-profit communities, the bulk of our charitable contributions were pulled forward into the first quarter from the second quarter. In the first quarter, we incurred $403 thousand of contributions expense which compares to $30 thousand in the fourth quarter of 2024 and $12 thousand in the first quarter of 2024.

First Quarter of 2025 Compared to the First Quarter of 2024

Non-interest expense totaled $21.3 million for the three months ended March 31, 2025, compared to $21.2 million for the same period of 2024, an increase of $95 thousand. This was primarily due to an increase of $391 thousand in charitable contributions and an increase of $137 thousand in occupancy expenses, offset by a decrease in professional services expense of $141 thousand and a net decrease of $292 thousand in all other expenses.

Provision for Income Taxes

Income tax provisions reflect accruals for taxes at the applicable rates for federal income tax and California franchise tax based upon reported pre-tax income. Provisions also reflect permanent differences between income for tax and financial reporting purposes (such as earnings on tax exempt loans and municipal securities, bank-owned life insurance ("BOLI"), low-income housing tax credits, and stock-based compensation from the exercise of stock options, disqualifying dispositions of incentive stock options and vesting of restricted stock awards).

The income tax provision for the first quarter of 2025 totaled $1.6 million at an effective tax rate of 24.8%, compared to a provision of $3.6 million at an effective tax rate of 37.8% in the prior quarter. The decrease in the provision for income taxes in the first quarter of 2025 reflected lower pre-tax income as compared to the prior quarter. The decrease in the effective tax rate in the first quarter of 2025 was primarily due to the treatment of certain permanent tax differences while in a loss position for the 2024 tax year.

We file a consolidated return in the U.S. federal tax jurisdiction and a combined return in the state of California tax jurisdiction. There were no ongoing federal or state income tax examinations at the time of the issuance of this report. As of March 31, 2025, neither the Bank nor Bancorp had accruals for interest or penalties related to unrecognized tax benefits.

FINANCIAL CONDITION SUMMARY

Cash, Cash Equivalents and Restricted Cash

Total cash, cash equivalents and restricted cash were $259.9 million at March 31, 2025, an increase of $122.6 million compared to $137.3 million at December 31, 2024, driven by growth in deposits totaling $82.0 million and proceeds from paydowns and maturities of investment securities of $63.0 million offset by purchases of investment securities of $33.6 million.

Investment Securities

The investment securities portfolio totaled $1.241 billion at March 31, 2025, a decrease of $26.1 million from $1.267 billion at December 31, 2024. The decrease was primarily the result of principal repayments and maturities totaling $63.0 million, offset by $33.6 million available-for-sale securities purchases and a $3.3 million improvement in unrealized losses on available for sale securities.

Both the available-for-sale and held-to-maturity portfolios are eligible for pledging to FHLB or the Federal Reserve as collateral for borrowings. The portfolios are comprised of high credit quality investments with average effective durations of 3.27 on available-for-sale securities and 5.61 on held-to-maturity securities. Both portfolios generate cash flows monthly from interest, principal amortization and payoffs, which supports the Bank's liquidity. Those cash flows totaled $72.8 million in the first three months of 2025. See Note 4, Investment Securities, for additional information.

The following table summarizes our investment in obligations of state and political subdivisions at March 31, 2025 and December 31, 2024.

	March 31, 2025			December 31, 2024		
(dollars in thousands)	Amortized Cost	Fair Value	% of Total State and Political Subdivisions	Amortized Cost	Fair Value	% of Total State and Political Subdivisions
Within California:						
General obligation bonds	$ 22,889	$ 19,390	14.6 %	$ 22,913	$ 18,749	14.5 %
Revenue bonds	2,058	1,718	1.3	2,060	1,658	1.3
Total within California	24,947	21,108	15.9	24,973	20,407	15.8
Outside California:						
General obligation bonds	107,682	94,393	68.4	108,037	94,748	68.5
Revenue bonds	24,671	21,349	15.7	24,728	21,778	15.7
Total outside California	132,353	115,742	84.1	132,765	116,526	84.2
Total obligations of state and political subdivisions	$ 157,300	$ 136,850	100.0 %	$ 157,738	$ 136,933	100.0 %
Percent of investment portfolio	12.4 %	12.0 %		12.2 %	11.9 %	

Of the total investment in obligations of state and political subdivisions, the largest concentrations outside of California are in Texas (38.4%), Washington (15.6%) and Wisconsin (9.4%). Our investment in obligations issued by municipal issuers in Texas are either guaranteed by the AAA rated Texas Permanent School Fund ("PSF") or backed by revenue sources from essential services (such as utilities and transportation).

Investments in states, municipalities and political subdivisions are subject to an initial pre-purchase credit assessment and ongoing monitoring. Key considerations include:

- The soundness of a municipality’s budgetary position and stability of its tax revenues
- Debt profile and level of unfunded liabilities, diversity of revenue sources, taxing authority of the issuer
- Local demographics/economics including unemployment data, largest taxpayers and local employers, income indices and home values
- For revenue bonds, the source and strength of revenue for municipal authorities including the obligor’s financial condition and reserve levels, annual debt service and debt coverage ratio, and credit enhancement (such as insurer’s strength and collateral in escrow accounts)

- Credit ratings by major credit rating agencies

Loans and Credit Quality

Loans totaled $2.074 billion as of March 31, 2025, compared to $2.083 billion as of December 31, 2024. The decrease in the first three months of 2025 totaled $9.7 million, compared to an $18.8 million decrease during the three months ended March 31, 2024. Loan originations for the first quarter were $63.6 million ($47.4 million funded) including $50.2 million ($43.2 million funded) in commercial loans, which includes commercial and industrial, commercial real estate and construction. Funded commercial loans were more than five times those funded in the first quarter of prior year. The fourth quarter of 2024 included originations of $69.4 million ($47.1 million funded) and the first quarter of the prior year included total originations of $25.3 million ($12.4 million funded). Payoffs were $25.5 million in the three months ended March 31, 2025, compared to $36.7 million for the fourth quarter of 2024. In addition, amortization from scheduled payments totaled $20.5 million and net utilization of credit lines decreased by $9.5 million during the first quarter of 2025.

Non-accrual loans totaled $32.9 million, or 1.59% of the loan portfolio, at March 31, 2025, compared to $33.9 million, or 1.63% at December 31, 2024. The $1.0 million decrease in non-accrual balances reflected a $2.1 million non-owner occupied real estate loan sale that incurred a charge-off of $809 thousand, net paydowns of $370 thousand, one payoff of $100 thousand and two charged off loans totaling $16 thousand, partially offset by the addition of four loans totaling $1.7 million.

Of the total non-accrual loans as of March 31, 2025, approximately 57% were paying as agreed, 90% were real estate secured, and all are being closely monitored for payments or payoff.

Bank of Marin has continued its conservative underwriting practices, and in light of current market conditions, our portfolio management and credit teams are exercising heightened vigilance for potential credit quality weakening. Classified loans increased to $57.4 million as of March 31, 2025, compared to $45.1 million as of December 31, 2024. The $12.3 million increase was largely due to downgrades of one $7.1 million commercial relationship and two non-owner occupied real estate relationships totaling $7.2 million, partially offset by the sale of a $2.1 million non-owner occupied real estate loan.

Loans designated special mention, which are not considered adversely classified, decreased by $20.0 million to $88.9 million as of March 31, 2025, from $108.9 million as of December 31, 2024. The decrease was largely due to $14.2 million in downgrades to substandard risk rating and contractual paydowns and payoffs totaling $6.0 million. Of the loans designated special mention, 100% were real estate secured.

Net charge-offs for the three months ended March 31, 2025 totaled $825 thousand, including the $809 thousand charge-off of an acquired commercial non-owner occupied real estate loan the Bank had previously reserved $449 thousand for as of December 31, 2024. There was an additional decline in the financial condition of the borrower and guarantor and the value of the collateral during the first quarter that led to the Bank proactively selling the note in March rather than pursuing the additional costly steps of liquidating after foreclosure. It had been on non-accrual since late 2023. This compared to net charge-offs of $19 thousand for the fourth quarter of 2024.

For more information, refer to Note 5, Loans and Allowance for Credit Losses on Loans, to the consolidated financial statements in this Form 10-Q.

Liabilities - Deposits and Borrowings

During the first three months of 2025, total liabilities increased by $78.7 million to $3.345 billion. Deposits totaled $3.302 billion at March 31, 2025, an increase of $82.0 million, compared to $3.220 billion at December 31, 2024.

Non-interest bearing deposits made up 43.2% of total deposits at March 31, 2025, compared to 43.5% at December 31, 2024. Additionally, the Bank's competitive and balanced approach to relationship management and focused outreach supported the addition of approximately 1,000 new accounts during the three months ended March 31, 2025.

We had no outstanding borrowings at March 31, 2025 and December 31, 2024. Although available as a liquidity source, we have not utilized brokered deposits. Net available funding sources, including unrestricted cash, unencumbered available-for-sale securities, and total available borrowing capacity was $1.917 billion, or 58% of total deposits and 203% of estimated uninsured and/or uncollateralized deposits as of March 31, 2025. Balances in

the reciprocal deposit network program were $435.9 million and $404.7 million at March 31, 2025 and December 31, 2024, respectively.

Capital Adequacy

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

Management reviews capital ratios on a regular basis and produces a five-year capital plan semi-annually to ensure that capital exceeds the prescribed regulatory minimums and is adequate to meet our anticipated future needs. Stress tests are performed on capital ratios and include scenarios such as additional unrealized losses on the investment portfolio, additional deposit growth and potential share repurchases. For all periods presented, the Bank's ratios exceed the regulatory definition of "well capitalized" under the regulatory framework for prompt corrective action and Bancorp's ratios exceed the required minimum ratios to be considered a well-capitalized bank holding company. In addition, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action as of March 31, 2025. There are no conditions or events since that notification that management believes have changed the Bank's categories and we expect the Bank to remain well capitalized for prompt corrective action purposes.

The total risk-based capital ratio for Bancorp was 16.69% at March 31, 2025, compared to 16.54% at December 31, 2024. The total risk-based capital ratio for the Bank was 16.45% at March 31, 2025, compared to 16.13% at December 31, 2024.

Bancorp's tangible common equity to tangible assets ("TCE ratio") was 9.82% at March 31, 2025, compared to 9.93% at December 31, 2024. Bancorp's TCE ratio, net of after tax unrealized losses on held-to-maturity securities[1], was 8.08%, compared to 7.85% at December 31, 2024. Management believes this non-GAAP measure is important because it reflects the level of capital available to withstand drastic changes in market conditions.

The Bancorp's and Bank's capital adequacy ratios as of March 31, 2025 and December 31, 2024 are presented in the following tables.

Bancorp Capital Ratios

(dollars in thousands)	Actual		Adequately Capitalized Threshold [1]		Threshold to be a Well Capitalized Bank Holding Company	
March 31, 2025	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk-weighted assets)	$ 421,685	16.69 %	$ 265,264	10.50 %	$ 252,632	10.00 %
Tier 1 Capital (to risk-weighted assets)	$ 391,243	15.49 %	$ 214,737	8.50 %	$ 202,106	8.00 %
Tier 1 Leverage Capital (to average assets)	$ 391,243	10.62 %	$ 147,330	4.00 %	$ 184,162	5.00 %
Common Equity Tier 1 (to risk-weighted assets)	$ 391,243	15.49 %	$ 176,842	7.00 %	$ 164,211	6.50 %
December 31, 2024						
Total Capital (to risk-weighted assets)	$ 420,606	16.54 %	$ 266,991	10.50 %	$ 254,277	10.00 %
Tier 1 Capital (to risk-weighted assets)	$ 389,448	15.32 %	$ 216,136	8.50 %	$ 203,422	8.00 %
Tier 1 Leverage Capital (to average assets)	$ 389,448	10.46 %	$ 148,899	4.00 %	$ 186,123	5.00 %
Common Equity Tier 1 (to risk-weighted assets)	$ 389,448	15.32 %	$ 177,994	7.00 %	$ 165,280	6.50 %

[1] Refer to the discussion and reconciliation of this non-GAAP financial measure in the section below entitled Statement Regarding Use of Non-GAAP Financial Measures.

Bank Capital Ratios

(dollars in thousands)	Actual		Adequately Capitalized Threshold [1]		Threshold to be Well Capitalized under Prompt Corrective Action Provisions	
March 31, 2025	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk-weighted assets)	$ 415,633	16.45 %	$ 265,228	10.50 %	$ 252,598	10.00 %
Tier 1 Capital (to risk-weighted assets)	$ 385,191	15.25 %	$ 214,709	8.50 %	$ 202,079	8.00 %
Tier 1 Leverage Capital (to average assets)	$ 385,191	10.46 %	$ 147,316	4.00 %	$ 184,145	5.00 %
Common Equity Tier 1 (to risk-weighted assets)	$ 385,191	15.25 %	$ 176,819	7.00 %	$ 164,189	6.50 %
December 31, 2024						
Total Capital (to risk-weighted assets)	$ 410,186	16.13 %	$ 266,955	10.50 %	$ 254,243	10.00 %
Tier 1 Capital (to risk-weighted assets)	$ 379,028	14.91 %	$ 216,107	8.50 %	$ 203,395	8.00 %
Tier 1 Leverage Capital (to average assets)	$ 379,028	10.18 %	$ 148,887	4.00 %	$ 186,108	5.00 %
Common Equity Tier 1 (to risk-weighted assets)	$ 379,028	14.91 %	$ 177,970	7.00 %	$ 165,258	6.50 %

[1] Except for Tier 1 Leverage Capital, the adequately capitalized thresholds reflect the regulatory minimum plus a 2.5% capital conservation buffer as required under the *Basel III Capital Standards* in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses.

Liquidity and Capital Resources

The goal of liquidity management is to provide adequate funds to meet loan demand and to fund operating activities and deposit withdrawals. We accomplish this goal by maintaining an appropriate level of liquid assets and formal lines of credit with the FHLB, FRBSF and correspondent banks that enable us to borrow funds as seen in the table below and discussed in Note 6 to the Consolidated Financial Statements in ITEM 1 of this report. Our Asset Liability Management Committee ("ALCO"), which is comprised of Bank directors and the Bank's Chief Executive Officer, is responsible for approving and monitoring our liquidity targets and strategies. The Bank has long-established minimum liquidity requirements that are regularly monitored using metrics and tools similar to those used by larger banks, such as the liquidity coverage ratio, and multi-scenario, long-horizon stress tests. Our contingency funding plan provides for early detection of potential liquidity issues in the market or the Bank and institutes prompt responses that may prevent or alleviate a liquidity crisis. Management monitors liquidity daily and regularly adjusts our position based on current and future liquidity needs. We also have relationships with third-party deposit networks and can adjust the placement of our deposits via reciprocal or one-way sales as part of our cash management strategy.

Net available contingent funding sources, including unrestricted cash, unencumbered available-for-sale securities and total available borrowing capacity totaled $1.917 billion or 58% of total deposits and 203% of estimated uninsured and/or uncollateralized deposits as of March 31, 2025.

The following table details the components of our contingent liquidity sources as of March 31, 2025.

(in thousands)	Total Available	Amount Used	Net Availability
Internal Sources			
Unrestricted cash [1]	$ 231,437	N/A	$ 231,437
Unencumbered securities at market value	310,643	N/A	310,643
External Sources			
FHLB line of credit	925,249	$ —	925,249
FRB line of credit	325,074	—	325,074
Lines of credit at correspondent banks	125,000	—	125,000
Total Liquidity	$ 1,917,403	$ —	$ 1,917,403

[1] Excludes cash items in transit.
Note: Brokered deposits available through third party networks are not included above.

We obtain funds from the repayment and maturity of loans, deposit inflows, investment securities sales, maturities and paydowns, federal funds purchases, FRB and FHLB advances, other borrowings, and cash flow from operations. Although available as a liquidity source, we have not chosen to utilize brokered deposits. Our primary uses of funds are the origination of loans, the purchase of investment securities and loans, withdrawals of deposits, maturities of certificates of deposit, repayment of borrowings, dividends to common stockholders, share repurchases and operating expenses.

Customer deposits are a significant component of our daily liquidity position. The attraction and retention of deposits depend upon the variety and effectiveness of our customer account products, service and convenience,

rates paid to customers, and our financial strength. The cash cycles and unique business activities of some of our large commercial depositors may cause short-term fluctuations in their deposit balances held with us.
Our cash and cash equivalents increased $122.6 million in the first three months of 2025. The most significant sources of liquidity during the first three months of 2025 were proceeds of $82.0 million from net increase of deposits, $63.0 million from principal paydowns, calls and maturities of investment securities, loan payoffs of $25.5 million, $20.5 million in amortization of principal and a net $9.5 million decrease in utilization of credit lines, in addition to $4.9 million in net cash provided by operating activities.

Significant uses of liquidity during the first three months of 2025 were $47.4 million in loan fundings, $33.6 million in investment securities purchased, and $4.0 million in cash dividends paid on common stock to our shareholders. Refer to the Consolidated Statement of Cash Flows in this Form 10-Q for additional information on our sources and uses of liquidity. Management anticipates that our current strong liquidity position, as detailed in this report, and contingent funding sources outlined in the table above are adequate to support our operational needs.

Unfunded credit commitments, as discussed in Note 8 to the Consolidated Financial Statements in this Form 10-Q, totaled $451.2 million at March 31, 2025. We expect to fund these commitments to the extent utilized primarily through the repayment of existing loans, principal paydowns of investment securities, and liquid assets.

Over the next twelve months, $206.0 million of time deposits will mature. We expect that a high percentage of these funds will remain with the Bank either through renewals or shifts to other deposit products. Any outflows can be absorbed by the Bank's excess liquidity. We believe our emphasis on local deposits, combined with our immediately available funding sources, provides a very stable base for our liquidity needs.

We had no outstanding borrowings under our credit facilities at March 31, 2025, nor at December 31, 2024, as discussed in Note 6 to the Consolidated Financial Statements in ITEM 1 of this report.

Because Bancorp is a holding company and does not conduct regular banking operations, its primary sources of liquidity are dividends from the Bank. Under the California Financial Code, payment of a dividend from the Bank to Bancorp without advance regulatory approval is restricted to the lesser of the Bank’s retained earnings or the amount of the Bank’s net profits from the previous three fiscal years less the amount of dividends paid during that period. Dividends in excess of that amount may be paid with prior approval of the Department of Financial Protection and Innovation ("DFPI"). The Bank received approval from the State of California - DFPI on May 30, 2024, for a dividend of $19.0 million which was paid to Bancorp on June 24, 2024. The primary uses of funds for Bancorp are shareholder dividends, share repurchases and ordinary operating expenses. Bancorp held $5.8 million in cash at March 31, 2025. Management has requested approval from the DFPI for a dividend to be paid in the second quarter of 2025.

Statement Regarding use of Non-GAAP Financial Measures

Financial results are presented in accordance with GAAP and with reference to certain non-GAAP financial measures. Management believes that, given industry turmoil that largely began in the first quarter of 2023, 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 remaining after a hypothetical liquidation of the entire securities portfolio. In addition, management believes that providing selected financial measures excluding the loss on sale of securities discussed above is useful to investors as the strategic short-term loss taken for long-term profitability makes the operational performance difficult to compare to other periods. Because there are limits to the usefulness of this or any other non-GAAP measure to investors, Bancorp encourages readers to consider its annual and quarterly consolidated financial statements and notes related thereto in their entirety, as filed with the Securities and Exchange Commission, and not to rely on any single financial measure. A reconciliation of the GAAP financial measures to comparable non-GAAP financial measures is presented below.

Reconciliation of GAAP and Non-GAAP Financial Measures

(in thousands, except per share amounts; unaudited)		March 31, 2025	December 31, 2024
Tangible Common Equity - Bancorp			
Total stockholders' equity		$ 439,566	$ 435,407
Goodwill and core deposit intangible		(75,319)	(75,546)
Total TCE	a	364,247	359,861
Unrealized losses on HTM securities, net of tax [1]		(77,768)	(89,171)
Unrealized losses on HTM securities included in AOCI, net of tax [2]		7,462	7,701
TCE, net of unrealized losses on HTM securities (non-GAAP)	b	$ 293,941	$ 278,391
Total assets		$ 3,784,243	$ 3,701,335
Goodwill and core deposit intangible		(75,319)	(75,546)
Total tangible assets	c	3,708,924	3,625,789
Unrealized losses on HTM securities, net of tax [1]		(77,768)	(89,171)
Unrealized losses on HTM securities included in AOCI, net of tax [2]		7,462	7,701
Total tangible assets, net of unrealized losses on HTM securities (non-GAAP)	d	$ 3,638,618	$ 3,544,319
Bancorp TCE ratio	a / c	9.8 %	9.9 %
Bancorp TCE ratio, net of unrealized losses on HTM securities (non-GAAP)	b / d	8.1 %	7.9 %
Tangible Book Value Per Share			
Common shares outstanding	e	16,203	16,089
Book value per share		$ 27.13	$ 27.06
Tangible book value per share	a / e	$ 22.48	$ 22.37

[1] Unrealized losses on held-to-maturity securities as of March 31, 2025 and December 31, 2024 of $110.4 million and $126.6 million, respectively, including the unrealized losses that resulted from the transfer of securities from AFS to HTM, net of an estimated $32.6 million and $37.4 million, respectively, in deferred tax benefits based on a blended state and federal statutory tax rate of 29.56%.

[2] The remaining unrealized losses that resulted from the transfer of securities from AFS to HTM, net of an estimated $3.1 million and $3.2 million, respectively, in deferred tax benefits based on a blended state and federal statutory tax rate of 29.56% are added back as they are already included in AOCI.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is defined as the risk of loss arising from an adverse change in the market value (or prices) of financial instruments. A significant component of market risk is interest rate risk, which is inherent in our lending, investment, borrowing and deposit gathering activities. The Bank manages interest rate sensitivity to minimize the exposure of our net interest margin, earnings, and capital to changes in interest rates. Interest rate changes can create fluctuations in the net interest margin due to an imbalance in the timing of repricing, or maturity of assets or liabilities. Interest rate changes can also affect the market value of our financial instruments, such as available-for-sale securities and the related unrealized gains or losses, which affect our equity value.

To mitigate interest rate risk, the structure of our assets and liabilities is managed with the objective of correlating the effects of interest rate changes on loans and investments with those of deposits and borrowings. The Asset/Liability Management Policy sets limits on the acceptable amount of change to net interest income and the economic value of equity in different interest rate environments.

From time to time, we enter into interest rate swap contracts to mitigate the changes in the fair value of selected investment securities and specified long-term fixed-rate loans and firm commitments to enter into long-term fixed-rate loans caused by changes in interest rates. Refer to Note 9 to the Consolidated Financial Statements in this report.

ALCO and the Board of Directors review our exposure to interest rate risk at least quarterly. We use simulation models to measure interest rate risk and to evaluate strategies to improve profitability in the context of policy guidelines. A simplified statement of condition is prepared on a quarterly basis as a starting point, using instrument level data of our actual loans, investments, borrowings and deposits as inputs. If potential changes to net equity value and net interest income resulting from hypothetical interest rate changes are not within the limits established by the Board of Directors, management may adjust the asset and liability mix to bring the risk position within approved limits or take other actions. Governing policies are subject to review by regulators and are updated to incorporate their observations and adapt to changes in idiosyncratic and systemic risks. As of March 31, 2025, interest rate risk was within policy guidelines established by ALCO and the Board. One set of interest rates modeled and evaluated against flat interest rates and a static balance sheet is a series of immediate parallel shifts

in the yield curve. Our most recent analysis of our interest rate sensitivity is provided in the following table as an example rather than an expectation of likely interest rate movements.

Immediate Changes in Interest Rates (in basis points)	Estimated Change in Net Interest Income in Year 1, as Percent of Net Interest Income	Estimated Change in Net Interest Income in Year 2, as Percent of Net Interest Income
up 400	(6.4) %	6.9 %
up 300	(4.6) %	5.3 %
up 200	(2.8) %	3.8 %
up 100	(1.4) %	1.7 %
down 100	1.5 %	0.4 %
down 200	3.7 %	2.2 %
down 300	4.6 %	2.4 %
down 400	4.4 %	2.5 %

Interest rate sensitivity is a function of the repricing characteristics of our assets and liabilities. The Bank runs a combination of scenarios and sensitivities in its attempt to capture the range of interest rate risk including the simulations mentioned above. As with any simulation model or other method of measuring interest rate risk, limitations are inherent in the process and results are dependent on assumptions. For example, lower deposit growth than modeled may cause the Bank to increase its borrowing position, thereby increasing its liability sensitivity. Additionally, assets and liabilities may react differently to changes in market interest rates in terms of both timing and responsiveness to market rate movements. Important deposit modeling assumptions include the speed of deposit run-off and the amount by which interest-bearing deposit rates increase or decrease when market interest rates change, otherwise known as the deposit beta.

The above tables reflect deposit betas of up to 70%, averaging 42%, for rates paid on non-maturity interest-bearing deposits in rising rate scenarios. Deposit betas of up to 60%, averaging 36%, are applied to rates paid on non-maturity interest-bearing deposits in falling rate scenarios with a one month lag assumed. However, deposit pricing is actively managed at the relationship level and closely monitored real-time to avoid unintended consequences. The actual rates and timing of prepayments on loans and investment securities could vary significantly from the assumptions applied in the various scenarios. Lastly, uneven changes in different tenors of U.S. Treasury rates that result in changes to the shape of the yield curve could produce different results from those presented in the table. While not presented here, interest rate risk scenarios include yield curve steepening, flattening and twists. Accordingly, the results presented should not be relied upon as indicative of actual results in the event of changing market interest rates.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Bank of Marin Bancorp and its subsidiary (the "Company") conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934 (the “Act”)) as of the end of the period covered by this report. The term disclosure controls and procedures means controls and other procedures that are designed to ensure that information we are required to disclose in the reports that we file or submit under the Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2025, there were no significant changes that materially affected, or are reasonably likely to affect, our internal control over financial reporting. The term internal control over financial reporting, as defined by Rule 15d-15(f) of the Act, is a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers, or persons performing similar functions, and affected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

PART II OTHER INFORMATION

ITEM 1 Legal Proceedings

Refer to Note 12 to the Consolidated Financial Statements in Item 8 of our 2024 Form 10-K and Note 8 to the Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

ITEM 1A Risk Factors

Our business is influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond our control. In evaluating an investment in Bancorp's common stock, investors should consider, among other things, the risks previously disclosed in Part I, Item 1A, "Risk Factors" of our 2024 Form 10-K, and the information contained in this quarterly report on Form 10-Q and other reports and registration statements filed with the SEC, which are incorporated herein by reference. There have been no material changes to the risk factors disclosed in our 2024 Form 10-K.

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

There were no unregistered sales of equity securities during the period covered by this report.

Issuer Purchases of Equity Securities

On July 21, 2023, the Board of Directors approved the adoption of Bancorp's share repurchase program for up to $25.0 million and expiring on July 31, 2025. The only activity under the program was in the third quarter of 2024. Cumulative shares repurchased under the current program total 220,000 shares at an average price of $19.21 per share, with $20.7 million remaining available as of March 31, 2025. The Bank opted not to repurchase shares in the first quarter of 2025 nor the fourth quarter of 2024.

ITEM 3 Defaults upon Senior Securities

None.

ITEM 4 Mine Safety Disclosures

Not applicable.

ITEM 5 Other Information

Not applicable.

ITEM 6 Exhibits

The following exhibits are filed as part of this report or hereby incorporated by references to filings previously made with the SEC.

Exhibit Number	Exhibit Description	Incorporated by Reference				Herewith
		Form	File No.	Exhibit	Filing Date	
3.01	Articles of Incorporation, as amended	S-4	333-257025	3.01	June 11, 2021	
3.02	Bylaws, as amended	S-4	333-257025	3.02	June 11, 2021	
4.01	Description of Capital Stock	10-K	001-33572	4.01	March 16, 2023	
10.01	Employee Stock Ownership Plan	S-8	333-218274	4.1	May 26, 2017	
10.02	2017 Employee Stock Purchase Plan	S-8	333-221219	4.1	October 30, 2017	
10.03	2017 Equity Plan, as amended	S-8	333-227840	4.1	October 15, 2018	
10.04	2020 Director Stock Plan	S-8	333-239555	4.1	June 30, 2020	
10.05	Form of Indemnification Agreement for Directors and Executive Officers, dated August 9, 2007	10-Q	001-33572	10.06	November 7, 2007	
10.06	2010 Annual Individual Incentive Compensation Plan, revised 2019	10-K	001-33572	10.07	March 15, 2021	
10.07	Salary Continuation Agreement for executive officer Tani Girton, Chief Financial Officer, dated October 18, 2013	8-K	001-33572	10.2	November 4, 2014	
10.08	2007 Form of Change in Control Agreement	8-K	001-33572	10.1	October 31, 2007	
10.09	Director Deferred Fee Plan, dated December 17, 2020	10-K	001-33572	10.13	March 15, 2021	
10.10	Employment Agreement with Timothy Myers, dated September 23, 2021	8-K	001-33572	10.1	September 24, 2021	
10.11	Salary Continuation Agreement, as amended for executive officer Timothy Myers, Chief Executive Officer, dated January 1, 2022	8-K	001-33572	10.1	December 21, 2022	
10.13	Salary Continuation Agreement for executive officer Msako Stewart, Chief Credit Officer, dated January 1, 2022	8-K	001-33572	10.3	December 21, 2022	
10.14	Salary Continuation Agreement for executive officer Brandi Campbell, Head of Retail Banking, dated July 1, 2022	8-K	001-33572	10.4	December 21, 2022	
10.15	Salary Continuation Agreement by and between Bank of Marin and Dave Bonaccorso, dated January 2, 2025	8-K	001-33572	10.10	January 2, 2025	
31.01	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					Filed
31.02	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					Filed
32.01	Certification pursuant to 18 U.S.C. §1350 as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002					Filed
101.INS	Inline XBRL Instance Document					Filed
101.SCH	Inline XBRL Taxonomy Extension Schema Document					Filed
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					Filed
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					Filed
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					Filed
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					Filed

SIGNATURES

Pursuant to the requirements 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.

Bank of Marin Bancorp
(registrant)

May 12, 2025	*/s/ Timothy D. Myers*
Date	Timothy D. Myers President and Chief Executive Officer (Principal Executive Officer)
May 12, 2025	*/s/ David Bonaccorso*
Date	David Bonaccorso Executive Vice President & Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)