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 June 30, 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 July 31, 2025, there were 16,125,301 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)	June 30, 2025	December 31, 2024
Assets		
Cash, cash equivalents and restricted cash	$ 228,863	$ 137,304
Investment securities:		
Held-to-maturity, at amortized cost (net of zero allowance for credit losses at June 30, 2025 and December 31, 2024)	823,314	879,199
Available-for-sale, at fair value (net of zero allowance for credit losses at June 30, 2025 and December 31, 2024)	391,985	387,534
Total investment securities	1,215,299	1,266,733
Loans, at amortized cost	2,073,638	2,083,256
Allowance for credit losses on loans	(29,854)	(30,656)
Loans, net of allowance for credit losses on loans	2,043,784	2,052,600
Goodwill	72,754	72,754
Bank-owned life insurance	70,432	71,026
Operating lease right-of-use assets	18,316	19,025
Bank premises and equipment, net	7,472	6,832
Core deposit intangible, net	2,344	2,792
Interest receivable and other assets	66,929	72,269
Total assets	**$ 3,726,193**	**$ 3,701,335**
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	$ 1,379,814	$ 1,399,900
Interest bearing:		
Transaction accounts	180,444	198,301
Savings accounts	221,172	225,691
Money market accounts	1,246,013	1,153,746
Time accounts	217,605	242,377
Total deposits	3,245,048	3,220,015
Borrowings and other obligations	77	154
Operating lease liabilities	20,668	21,509
Interest payable and other liabilities	21,862	24,250
Total liabilities	3,287,655	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 - 16,116,470 and 16,089,454 at June 30, 2025 and December 31, 2024, respectively	214,713	215,511
Retained earnings	238,225	249,964
Accumulated other comprehensive loss, net of taxes	(14,400)	(30,068)
Total stockholders' equity	438,538	435,407
Total liabilities and stockholders' equity	**$ 3,726,193**	**$ 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 June 30, 2025	Three months ended March 31, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Interest income					
Interest and fees on loans	$ 25,861	$ 25,183	$ 25,109	$ 51,044	$ 50,129
Interest on investment securities	8,423	8,261	8,299	16,684	17,104
Interest on federal funds sold and due from banks	2,004	1,795	924	3,799	1,245
Total interest income	36,288	35,239	34,332	71,527	68,478
Interest expense					
Interest on interest-bearing transaction accounts	351	343	274	694	535
Interest on savings accounts	587	533	511	1,120	882
Interest on money market accounts	7,878	7,626	8,641	15,504	17,090
Interest on time accounts	1,559	1,790	2,291	3,349	4,571
Interest on borrowings and other obligations	1	1	148	2	239
Total interest expense	10,376	10,293	11,865	20,669	23,317
Net interest income	25,912	24,946	22,467	50,858	45,161
Provision for credit losses on loans	—	75	5,200	75	5,550
Net interest income after provision for credit losses	25,912	24,871	17,267	50,783	39,611
Non-interest income					
Earnings on bank-owned life insurance, net	667	544	421	1,211	856
Wealth management and trust services	612	563	585	1,175	1,138
Service charges on deposit accounts	550	548	541	1,098	1,070
Debit card interchange fees, net	410	396	444	806	852
Dividends on Federal Home Loan Bank stock	362	375	366	737	743
Merchant interchange fees, net	90	96	10	186	177
Losses on sale of investment securities	(18,736)	—	(32,542)	(18,736)	(32,542)
Other income	424	352	420	776	705
Total non-interest income	(15,621)	2,874	(29,755)	(12,747)	(27,001)
Non-interest expense					
Salaries and related benefits	12,045	12,050	12,364	24,095	24,448
Occupancy and equipment	2,226	2,106	2,049	4,332	4,018
Deposit network fees	1,054	932	916	1,986	1,761
Data processing	1,041	1,136	1,005	2,177	2,075
Professional services	908	937	1,043	1,845	2,121
Information technology	563	413	448	976	850
Federal Deposit Insurance Corporation insurance	421	388	426	809	861
Depreciation and amortization	320	322	379	642	767
Directors' expense	279	304	306	583	623
Amortization of core deposit intangible	220	227	246	447	497
Charitable contributions	116	403	604	519	617
Other expense	2,297	2,046	2,108	4,343	4,425
Total non-interest expense	21,490	21,264	21,894	42,754	43,063
(Loss) income before (benefit from) provision for income taxes	(11,199)	6,481	(34,382)	(4,718)	(30,453)
(Benefit from) provision for income taxes	(2,663)	1,605	(12,480)	(1,058)	(11,473)
Net (loss) income	**$ (8,536)**	**$ 4,876**	**$ (21,902)**	**$ (3,660)**	**$ (18,980)**
Net (loss) income per common share					
Basic	$ (0.53)	$ 0.31	$ (1.36)	$ (0.23)	$ (1.18)
Diluted	$ (0.53)	$ 0.30	$ (1.36)	$ (0.23)	$ (1.18)
Weighted average shares:					
Basic	15,989	15,977	16,108	15,983	16,095
Diluted	15,989	16,002	16,108	15,983	16,095
Comprehensive income:					
Net (loss) income	$ (8,536)	$ 4,876	$ (21,902)	$ (3,660)	$ (18,980)
Other comprehensive income:					
Change in net unrealized gains or losses on available-for-sale securities	(486)	3,289	559	2,803	(4,009)
Reclassification adjustment for realized losses on available-for-sale securities in net loss	18,736	—	32,542	18,736	32,542
Reclassification adjustment for gains or losses on fair value hedges	—	—	282	—	1,499
Amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity	365	340	403	705	764
Other comprehensive income, before tax	18,615	3,629	33,786	22,244	30,796
Deferred tax expense	5,503	1,073	9,981	6,576	9,097
Other comprehensive income, net of tax	13,112	2,556	23,805	15,668	21,699
Total comprehensive income	**$ 4,576**	**$ 7,432**	**$ 1,903**	**$ 12,008**	**$ 2,719**

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 June 30, 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 June 30, 2025				
Balance at April 1, 2025	16,202,869	$ 216,263	$ 250,815	$ (27,512)	$ 439,566
Net loss	—	—	(8,536)	—	(8,536)
Other comprehensive income, net of tax	—	—	—	13,112	13,112
Stock issued under employee stock purchase plan	401	9	—	—	9
Stock issued under employee stock ownership plan	21,500	429	—	—	429
Restricted stock granted	6,415	—	—	—	—
Restricted stock surrendered for tax withholdings upon vesting	(368)	(8)	—	—	(8)
Restricted stock forfeited / cancelled	(14,347)	—	—	—	—
Stock-based compensation - restricted stock	—	195	—	—	195
Cash dividends paid on common stock ($0.25 per share)	—	—	(4,054)	—	(4,054)
Stock repurchased	(100,000)	(2,175)	—	—	(2,175)
Balance at June 30, 2025	16,116,470	$ 214,713	$ 238,225	$ (14,400)	$ 438,538
	Three months ended June 30, 2024				
Balance at April 1, 2024	16,285,786	$ 218,342	$ 273,450	$ (55,112)	$ 436,680
Net loss	—	—	(21,902)	—	(21,902)
Other comprehensive income, net of tax	—	—	—	23,805	23,805
Stock issued under employee stock purchase plan	751	12	—	—	12
Restricted stock surrendered for tax withholdings upon vesting	(166)	(3)	—	—	(3)
Restricted stock forfeited / cancelled	(8,111)	—	—	—	—
Stock-based compensation - stock options	—	20	—	—	20
Stock-based compensation - restricted stock	—	402	—	—	402
Cash dividends paid on common stock ($0.25 per share)	—	—	(4,071)	—	(4,071)
Balance at June 30, 2024	16,278,260	$ 218,773	$ 247,477	$ (31,307)	$ 434,943

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 six months ended June 30, 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
	Six months ended June 30, 2025				
Balance at January 1, 2025	16,089,454	$ 215,511	$ 249,964	$ (30,068)	$ 435,407
Net loss	—	—	(3,660)	—	(3,660)
Other comprehensive income, net of tax	—	—	—	15,668	15,668

Stock issued under employee stock purchase plan	803	17	—	—	17
Stock issued under employee stock ownership plan	38,500	846	—	—	846
Restricted stock granted	96,620	—	—	—	—
Restricted stock surrendered for tax withholdings upon vesting	(4,325)	(104)	—	—	(104)
Restricted stock forfeited / cancelled	(15,417)	—	—	—	—
Stock-based compensation - stock options	—	5	—	—	5
Stock-based compensation - restricted stock	—	358	—	—	358
Cash dividends paid on common stock ($0.50 per share)	—	—	(8,079)	—	(8,079)
Stock issued in payment of director fees	10,835	255	—	—	255
Stock repurchased	(100,000)	(2,175)	—	—	(2,175)
Balance at June 30, 2025	16,116,470	$ 214,713	$ 238,225	$ (14,400)	$ 438,538
		Six months ended June 30, 2024			
Balance at January 1, 2024	16,158,413	$ 217,498	$ 274,570	$ (53,006)	$ 439,062
Net loss	—	—	(18,980)	—	(18,980)
Other comprehensive income, net of tax	—	—	—	21,699	21,699
Stock issued under employee stock purchase plan	1,372	22	—	—	22
Stock issued under employee stock ownership plan	24,600	425	—	—	425
Restricted stock granted	106,964	—	—	—	—
Restricted stock surrendered for tax withholdings upon vesting	(3,504)	(58)	—	—	(58)
Restricted stock forfeited / cancelled	(21,395)	—	—	—	—
Stock-based compensation - stock options	—	37	—	—	37
Stock-based compensation - restricted stock	—	590	—	—	590
Cash dividends paid on common stock ($0.50 per share)	—	—	(8,113)	—	(8,113)
Stock issued in payment of director fees	11,810	259	—	—	259
Balance at June 30, 2024	16,278,260	$ 218,773	$ 247,477	$ (31,307)	$ 434,943

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

BANK OF MARIN BANCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2025 and 2024

(in thousands; unaudited)	2025	2024
Cash Flows from Operating Activities:		
Net loss	$ (3,660)	$ (18,980)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for credit losses on loans	75	5,550
Noncash contribution expense to employee stock ownership plan	846	425
Noncash director compensation expense	255	259
Stock-based compensation expense	363	627
Amortization of core deposit intangible	447	497
Amortization of investment security premiums, net of accretion of discounts	559	2,437
Accretion of discounts on acquired loans, net	(82)	(174)
Net change in deferred loan origination costs/fees	(64)	185
Loss on sale of investment securities	18,736	32,542
Depreciation and amortization	642	767
Loss on disposal of premises and equipment	1	21
Earnings on bank-owned life insurance policies	(1,211)	(856)
Net changes in interest receivable and other assets	(1,396)	(14,186)
Net changes in interest payable and other liabilities	(2,535)	(1,339)
Total adjustments	16,636	26,755
Net cash provided by operating activities	12,976	7,775
Cash Flows from Investing Activities:		
Purchase of available-for-sale securities	(252,714)	(18,987)
Proceeds from sale of available-for-sale securities	167,017	292,627
Proceeds from paydowns/maturities of held-to-maturity securities	56,140	20,861
Proceeds from paydowns/maturities of available-for-sale securities	83,939	19,517
(Increase) decrease in loans receivable, net	9,062	(8,854)
Purchase of bank-owned life insurance policies	—	(1,210)
Proceeds from bank-owned life insurance policies	1,805	—
Purchase of premises and equipment	(1,281)	(250)
Cash paid for low income housing tax credit investment	—	(1)
Net cash provided by investing activities	63,968	303,703
Cash Flows from Financing Activities:		
Net increase (decrease) in deposits	25,033	(76,298)
Repayment of short-term borrowings, net	—	(26,000)
Repayment of finance lease obligations	(77)	(76)
Restricted stock surrendered for tax withholdings upon vesting	(104)	(58)
Cash dividends paid on common stock	(8,079)	(8,113)
Stock repurchased	(2,175)	—
Proceeds from stock issued under employee and director stock purchase plans	17	22
Net cash used in financing activities	14,615	(110,523)
Net increase in cash, cash equivalents and restricted cash	91,559	200,955
Cash, cash equivalents and restricted cash at beginning of period	137,304	30,453
Cash, cash equivalents and restricted cash at end of period	$ 228,863	$ 231,408
Supplemental disclosure of cash flow information:		
Interest paid on deposits and borrowings	$ 22,053	$ 23,487
Income taxes paid, net of refunds	$ 2,930	$ 2,100
Supplemental disclosure of noncash investing and financing activities:		
Change in net unrealized gains or losses on available-for-sale securities	$ 2,803	$ (4,009)
Amortization of net unrealized loss on available-for-sale securities transferred to held-to-maturity	$ 705	$ 764

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, 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 (loss) 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 or loss 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 (in thousands)	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Community banking segment:				
Interest income	$ 36,288	34,332	71,527	68,478
Non-interest income	(16,233)	(30,340)	(13,922)	(28,139)
Reconciliation of income				
All other income[1]	612	585	1,175	1,138
Total consolidated income	20,667	4,577	58,780	41,477
Less:[2]				
Total interest expense	10,376	11,865	20,669	23,317
Provision for credit losses on loans	—	5,200	75	5,550
Provision for credit losses on unfunded loan commitments	—	—	—	—
Non-interest expense				
Salaries and related benefits	11,851	12,126	23,689	23,964
Occupancy and equipment	2,225	2,049	4,331	4,016
Data processing	1,008	962	2,087	1,985
Deposit network fees	1,054	916	1,986	1,761
Information technology	563	448	976	850
Charitable contributions	116	604	519	617
Federal Deposit Insurance Corporation insurance	421	426	809	861
Professional services	757	902	1,541	1,853
Depreciation and amortization	320	379	642	767
Directors' expense	279	306	583	623
Amortization of core deposit intangible	220	246	447	497
Other expense	2,278	2,090	4,314	4,392
Segment (loss) income	(10,801)	(33,942)	(3,888)	(29,576)
Reconciliation of segment income				
All other loss[1]	398	440	830	877
Loss before income taxes	$ (11,199)	$ (34,382)	$ (4,718)	$ (30,453)

[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 $398 thousand, and $440 thousand for the three months ended June 30, 2025 and 2024, respectively, and $830 thousand and $877 thousand for the six months ended June 30, 2025 and 2024, 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 (loss) 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 June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Weighted average basic common shares outstanding	15,989	16,108	15,983	16,095
Potentially dilutive common shares related to:				
Stock options	—	—	—	—
Unvested restricted stock awards	—	—	—	—
Weighted average diluted common shares outstanding	15,989	16,108	15,983	16,095
Net loss	$ (8,536)	$ (21,902)	$ (3,660)	$ (18,980)
Basic loss per common share	$ (0.53)	$ (1.36)	$ (0.23)	$ (1.18)
Diluted loss per common share [1]	$ (0.53)	$ (1.36)	$ (0.23)	$ (1.18)
Weighted average anti-dilutive common shares and unvested restricted shares not included in the calculation of diluted EPS	298	393	284	325

[1] Because Bancorp was in a net loss position for the three and six months ended June 30, 2025 and 2024, diluted net loss per share is the same as basic net loss per share, as the inclusion of potentially dilutive common shares would have been anti-dilutive.

Note 2: Recently Adopted and Issued Accounting Standards

Accounting Standards Adopted in 2025

We have not adopted any new accounting standards during the six months ended June 30, 2025.

Accounting Standards Not Yet Adopted

In December 2023, the Financial Accounting Standards Board "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.

In May 2025, the FASB issued ASU *2025-03*, *Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*, which revises current guidance for determining the accounting acquirer for a transaction effected primarily by exchanging equity interests in which the legal acquiree is a variable interest entity that meets the definition of a business. The amendments require that an entity consider the same factors that are currently required for determining which entity is the accounting acquirer in other acquisition transactions. *ASU 2025-03* is effective for the Company's annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods, with early adoption permitted. *ASU 2025-03* is required to be applied prospectively. The Company is evaluating the impact of this update on its financial statements and related disclosures, and does not expect the adoption to have a material impact on its business operations or Consolidated Statements of Financial Condition.

In May 2025, the FASB issued *ASU 2025-04, Compensation – Stock Compensation (Topic 718) and Revenue From Contracts With Customers (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer,* to clarify guidance in Topic 606 and Topic 718 related to share-based payments made as consideration payable to a

customer. This amendment revises the Master Glossary definition of a performance obligation to include conditions tied to a customer's purchases or those of other parties within the distribution chain. This revised definition applies only to share-based consideration payable to customers and cannot be analogized to awards granted to employees or nonemployees. Additionally, the amendment clarifies that grantors must evaluate the likelihood of vesting using Topic 718 alone and should not apply the variable consideration constraints from Topic 606. *ASU 2025-04* is effective for the Company's annual reporting periods beginning after Dec. 15, 2026, and interim reporting periods within those annual reporting periods, with early adoption permitted. The Company is evaluating the impact of this update on its financial statements and related 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]
June 30, 2025					
Securities available-for-sale:					
Commercial mortgage-backed securities, mortgage-backed securities and collateralized mortgage obligations issued by U.S. government-sponsored agencies	$ 364,638	$ —	$ 364,638	$ —	OCI
Obligations of state and political subdivisions	$ 27,347	$ —	$ 27,347	$ —	OCI
Derivative financial assets (interest rate contracts)	$ 177	$ —	$ 177	$ —	NI
Derivative financial liabilities (interest rate contracts)	$ 10	$ —	$ 10	$ —	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. 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 June 30, 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 six months ended June 30, 2025 or June 30, 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 June 30, 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 June 30, 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 June 30, 2025 or December 31, 2024. See further discussion on values within Note 4, Investment Securities.

	June 30, 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	$ 228,863	$ 228,863	Level 1	$ 137,304	$ 137,304	Level 1
Investment securities held-to-maturity	823,314	727,596	Level 2	879,199	763,535	Level 2
Loans, net of allowance for credit losses	2,043,784	1,973,448	Level 3	2,052,600	1,965,429	Level 3
Interest receivable	10,868	10,868	Level 2	11,934	11,934	Level 2
Financial liabilities (recorded at amortized cost)						
Time deposits	217,605	218,430	Level 2	242,377	243,773	Level 2
Interest payable	1,635	1,635	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 June 30, 2025 or December 31, 2024.

Note 4: Investment Securities

Our investment securities portfolio consists of 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 June 30, 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
June 30, 2025						
Securities of U.S. government-sponsored enterprises:						
CMBS issued by FHLMC, FNMA and GNMA	$ 239,623	$ —	$ 239,623	$ —	$ (28,390)	$ 211,233
CMOs issued by FHLMC, FNMA and GNMA	200,269	—	200,269	101	(13,276)	187,094
MBS pass-through securities issued by FHLMC, FNMA and GNMA	184,141	—	184,141	—	(26,982)	157,159
SBA-backed securities	1,382	—	1,382	—	(33)	1,349
Debentures of government-sponsored agencies	121,580	—	121,580	—	(18,687)	102,893
Obligations of state and political subdivisions	61,319	—	61,319	1	(8,071)	53,249
Corporate bonds	15,000	—	15,000	—	(381)	14,619
Total held-to-maturity	$ 823,314	$ —	$ 823,314	$ 102	$ (95,820)	$ 727,596
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 $2.9 million and $3.4 million at June 30, 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 June 30, 2025 and December 31, 2024.

	Obligations of state and political subdivisions		Corporate bonds	
(in thousands)	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
Aaa / AAA	$ 38,479	$ 42,161	$ —	$ —
Aa1 / AA+	22,840	19,399	—	—
A2 / A	—	—	15,000	30,000
Total	$ 61,319	$ 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 June 30, 2025 and December 31, 2024 is presented below.

Available-for-sale:		Gross Unrealized			
(in thousands)	Amortized Cost [1]	Gains	(Losses)	Allowance for Credit Losses	Fair Value
June 30, 2025					
Securities of U.S. government-sponsored enterprises:					
CMBS issued by FHLMC, FNMA and GNMA	$ 175,456	$ 528	$ (627)	$ —	$ 175,357
CMOs issued by FHLMC, FNMA and GNMA	150,444	105	(1,646)	—	148,903
MBS pass-through securities issued by FHLMC, FNMA and GNMA	42,732	159	(2,513)	—	40,378
Obligations of state and political subdivisions	33,573	—	(6,226)	—	27,347
Total available-for-sale	$ 402,205	$ 792	$ (11,012)	$ —	$ 391,985
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 $1.4 million and $1.7 million at June 30, 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 June 30, 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.

	June 30, 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	$ 13,426	$ 13,269	$ 48,086	$ 48,018	$ 36,476	$ 36,380	$ 99,431	$ 99,258
After one but within five years	123,981	116,754	69,789	70,072	118,590	110,857	106,986	103,058
After five years through ten years	209,666	182,041	74,799	74,811	229,040	191,328	75,429	67,940
After ten years	476,241	415,532	209,531	199,084	495,093	424,970	137,446	117,278
Total	$ 823,314	$ 727,596	$ 402,205	$ 391,985	$ 879,199	$ 763,535	$ 419,292	$ 387,534

Sales of investment securities and gross gains and losses are shown in the following table:

(in thousands)	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Available-for-sale:				
Sales proceeds	$ 167,017	$ 292,627	$ 167,017	$ 292,627
Gross realized gains	—	—	—	—
Gross realized losses	(18,736)	(32,542)	(18,736)	(32,542)

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

(in thousands)	June 30, 2025	December 31, 2024
Pledged to the State of California:		
Secure public deposits in compliance with the Local Agency Security Program	$ 326,962	$ 288,385
Collateral for trust deposits	1,200	1,284
Collateral for Wealth Management and Trust Services checking account	1,500	895
Total investment securities pledged to the State of California	329,662	290,564
Bankruptcy trustee deposits pledged with Federal Reserve Bank	2,142	651
Pledged to FHLB Securities-Backed Credit Program	274,290	284,148
Pledged to the Federal Reserve Discount Window	322,977	365,759
Total pledged investment securities	$ 929,071	$ 941,122

There were 166 and 269 securities in unrealized loss positions at June 30, 2025 and December 31, 2024, respectively. Those securities are summarized and classified according to the duration of the loss period in the tables below:

June 30, 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	$ —	$ —	$ 211,233	$ (28,390)	$ 211,233	$ (28,390)
CMOs issued by FHLMC, FNMA and GNMA	7,882	(1,119)	168,972	(12,157)	176,854	(13,276)
MBS pass-through securities issued by FHLMC, FNMA and GNMA	3,230	(87)	153,929	(26,895)	157,159	(26,982)
SBA-backed securities	—	—	1,349	(33)	1,349	(33)
Debentures of government-sponsored agencies	—	—	102,893	(18,687)	102,893	(18,687)
Obligations of state and political subdivisions	2,434	(119)	47,788	(7,952)	50,222	(8,071)
Corporate bonds	—	—	14,619	(381)	14,619	(381)
Total held-to-maturity	13,546	(1,325)	700,783	(94,495)	714,329	(95,820)
Available-for-sale:						
CMBS issued by FHLMC, FNMA and GNMA	70,746	(146)	13,509	(481)	84,255	(627)
CMOs issued by FHLMC, FNMA and GNMA	95,080	(976)	3,342	(670)	98,422	(1,646)
MBS pass-through securities issued by FHLMC, FNMA and GNMA	—	—	12,091	(2,513)	12,091	(2,513)
Obligations of state and political subdivisions	—	—	27,347	(6,226)	27,347	(6,226)
Total available-for-sale	165,826	(1,122)	56,289	(9,890)	222,115	(11,012)
Total securities at loss position	$ 179,372	$ (2,447)	$ 757,072	$ (104,385)	$ 936,444	$ (106,832)

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 June 30, 2025, the investment portfolio included 144 investment securities that had been in a continuous loss position for twelve months or more and 22 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 June 30, 2025 or December 31, 2024. In addition, for any available-for-sale securities in an unrealized loss position at June 30, 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 to be amortized over the life of the hedged securities. In the second quarter of 2025, a total of $69.1 million of par value of these securities were sold. 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 June 30, 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 June 30, 2025 and December 31, 2024. On July 25, 2025, FHLB announced a cash dividend for the second quarter of 2025 at an annualized dividend rate of 8.75% to be distributed in mid-August 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 June 30, 2025 and December 31, 2024.

(in thousands)	June 30, 2025	December 31, 2024
Commercial and industrial	$ 154,576	$ 152,263
Real estate:		
Commercial owner-occupied	320,439	321,962
Commercial non-owner occupied	1,285,803	1,273,596
Construction	25,018	36,970
Home equity	95,241	88,325
Other residential	127,947	143,207
Installment and other consumer loans	64,614	66,933
Total loans, at amortized cost [1]	2,073,638	2,083,256
Allowance for credit losses on loans	(29,854)	(30,656)
Total loans, net of allowance for credit losses on loans	$ 2,043,784	$ 2,052,600

[1] Amortized cost includes net deferred loan origination costs of $2.6 million and $2.5 million at June 30, 2025 and December 31, 2024, respectively. Amounts are also net of unrecognized purchase discounts of $1.0 million and $1.1 million at June 30, 2025 and December 31, 2024, respectively. Amortized cost excludes accrued interest, which totaled $6.6 million and $6.8 million at June 30, 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.

<u>Credit Quality Indicators</u>

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 June 30, 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	
June 30, 2025	2025	2024	2023	2022	2021	Prior	Amortized Cost	Total
Commercial and industrial:								
Pass and Watch	$ 13,121	$ 8,645	$ 18,731	$ 6,956	$ 1,013	$ 26,512	$ 68,946	$ 143,924
Special Mention	—	—	—	—	—	161	—	161
Substandard	—	503	—	2,793	—	—	7,195	10,491
Total commercial and industrial	$ 13,121	$ 9,148	$ 18,731	$ 9,749	$ 1,013	$ 26,673	$ 76,141	$ 154,576
Gross current period charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ (52)	$ (52)
Commercial real estate, owner-occupied:								
Pass and Watch	$ 16,368	$ 14,513	$ 12,908	$ 41,062	$ 43,799	$ 161,450	$ 70	$ 290,170
Special Mention	—	—	372	—	18,516	5,082	—	23,970
Substandard	—	—	99	3,214	—	2,986	—	6,299
Total commercial real estate, owner-occupied	$ 16,368	$ 14,513	$ 13,379	$ 44,276	$ 62,315	$ 169,518	$ 70	$ 320,439
Commercial real estate, non-owner occupied:								
Pass and Watch	$ 63,956	$ 105,302	$ 64,138	$ 158,730	$ 193,971	$ 585,928	$ 10,962	$ 1,182,987
Special Mention	1,095	15,244	—	2,712	—	41,639	—	60,690
Substandard	2,771	—	—	—	—	39,355	—	42,126
Total commercial real estate, non-owner occupied	$ 67,822	$ 120,546	$ 64,138	$ 161,442	$ 193,971	$ 666,922	$ 10,962	$ 1,285,803
Gross current period charge-offs	$ —	$ —	$ —	$ —	$ (809)	$ —	$ —	$ (809)

(in thousands)	Term Loans - Amortized Cost by Origination Year						Revolving Loans	
June 30, 2025	2025	2024	2023	2022	2021	Prior	Amortized Cost	Total
Construction:								
Pass and Watch	$ 4,372	$ 13,938	$ —	$ —	$ —	$ —	$ —	$ 18,310
Special Mention	6,708	—	—	—	—	—	—	6,708
Total construction	$ 11,080	$ 13,938	$ —	$ —	$ —	$ —	$ —	$ 25,018
Home equity:								
Pass and Watch	$ —	$ 76	$ 13	$ —	$ —	$ 928	$ 92,708	$ 93,725
Substandard	—	—	—	—	—	170	1,346	1,516
Total home equity	$ —	$ 76	$ 13	$ —	$ —	$ 1,098	$ 94,054	$ 95,241
Other residential:								
Pass and Watch	$ 2,386	$ 24,818	$ 16,851	$ 17,979	$ 11,636	$ 53,995	$ —	$ 127,665
Substandard	—	—	76	—	206	—	—	282
Total other residential	$ 2,386	$ 24,818	$ 16,927	$ 17,979	$ 11,842	$ 53,995	$ —	$ 127,947
Installment and other consumer:								
Pass and Watch	$ 7,185	$ 15,439	$ 12,231	$ 9,449	$ 7,171	$ 11,438	$ 1,325	$ 64,238
Substandard	—	—	176	—	190	10	—	376
Total installment and other consumer	$ 7,185	$ 15,439	$ 12,407	$ 9,449	$ 7,361	$ 11,448	$ 1,325	$ 64,614
Gross current period charge-offs	$ —	$ —	$ —	$ —	$ —	$ (15)	$ (1)	$ (16)
Total loans:								
Pass and Watch	$ 107,388	$ 182,731	$ 124,872	$ 234,176	$ 257,590	$ 840,251	$ 174,011	$ 1,921,019
Total Special Mention	$ 7,803	$ 15,244	$ 372	$ 2,712	$ 18,516	$ 46,882	$ —	$ 91,529
Total Substandard	$ 2,771	$ 503	$ 351	$ 6,007	$ 396	$ 42,521	$ 8,541	$ 61,090
Totals	$ 117,962	$ 198,478	$ 125,595	$ 242,895	$ 276,502	$ 929,654	$ 182,552	$ 2,073,638
Total gross current period charge-offs	$ —	$ —	$ —	$ —	$ (809)	$ (15)	$ (53)	$ (877)

(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
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
Total home equity	$ 94	$ 13	$ —	$ —	$ —	$ 1,142	$ 87,076	$ 88,325

(in thousands)	Term Loans - Amortized Cost by Origination Year						Revolving Loans Amortized Cost	
December 31, 2024	2024	2023	2022	2021	2020	Prior		Total
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

The following table shows the amortized cost of loans by portfolio class, payment aging and non-accrual status as of June 30, 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
June 30, 2025								
30-59 days past due	$ 695	$ 1,008	$ —	$ —	$ 986	$ —	$ 325	$ 3,014
60-89 days past due	1	—	—	—	149	76	—	226
90 days or more past due [1]	2,793	356	8,118	—	749	206	10	12,232
Total past due	3,489	1,364	8,118	—	1,884	282	335	15,472
Current	151,087	319,075	1,277,685	25,018	93,357	127,665	64,279	2,058,166
Total loans [1]	$ 154,576	$ 320,439	$ 1,285,803	$ 25,018	$ 95,241	$ 127,947	$ 64,614	$ 2,073,638
Non-accrual loans [2]	$ 2,793	$ 1,554	$ 26,012	$ —	$ 1,456	$ 282	$ 375	$ 32,472
Non-accrual loans with no allowance	$ —	$ 1,554	$ 8,835	$ —	$ 1,456	$ 206	$ 375	$ 12,426
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 June 30, 2025 or December 31, 2024.

[2] None of the non-accrual loans as of June 30, 2025 or December 31, 2024 were earning interest on a cash or accrual basis. We reversed $11 thousand and $44 thousand in accrued interest income for loans that were placed on non-accrual status during the three and six months ended June 30, 2025, respectively. We reversed accrued interest income of $256 thousand and $266 thousand for loans that were placed on non-accrual status during the three and six months ended June 30, 2024, respectively.

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 June 30, 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
June 30, 2025					
Commercial real estate, owner-occupied	$ 1,554	$ —	$ —	$ 1,554	$ —
Commercial real estate, non-owner occupied	26,012	—	—	26,012	7,307
Home equity	—	1,456	—	1,456	—
Other residential	—	282	—	282	36
Total	$ 27,566	$ 1,738	$ —	$ 29,304	$ 7,343
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 June 30, 2025 and December 31, 2024. The weighted average loan-to-value of real estate secured collateral dependent loans was approximately 103% at June 30, 2025 and 115% at December 31, 2024.

Loan Modifications to Borrowers Experiencing Financial Difficulty

The following table summarizes the amortized cost of loans as of June 30, 2025 and June 30, 2024 that were modified during the three months and six months ended June 30, 2025 and during the three and six months ended June 30, 2024, by portfolio class and type of modification granted.

(in thousands)	Term Extension	Total Modifications	Percent of Portfolio Class Total
Three months ended June 30, 2025			
Commercial non-owner occupied	3,488	3,488	0.3 %
Total			
Six months ended June 30, 2025			
Commercial non-owner occupied	3,488	3,488	0.3 %
Total	$ 3,488	$ 3,488	

(in thousands)	Term Extension	Total Modifications	Percent of Portfolio Class Total
Three months ended June 30, 2024			
Home Equity	159	159	0.2 %
Total	$ 159	$ 159	
Six months ended June 30, 2024			
Commercial and industrial	$ 2,191	$ 2,191	1.3 %
Home equity	241	241	0.3 %
Total	$ 2,432	$ 2,432	

As of June 30, 2025 and June 30, 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 tables above during the three and six months ended June 30, 2025 and June 30, 2024 by portfolio class.

	Weighted-Average Term Extension (in years)
Three months ended June 30, 2025	
Commercial non-owner occupied	1.2
Six months ended June 30, 2025	
Commercial non-owner occupied	1.2

	Weighted-Average Term Extension (in years)
Three months ended June 30, 2024	
Home Equity	1.0
Six months ended June 30, 2024	
Commercial and industrial	0.3
Home Equity	5.6

The loan modifications did not significantly impact the determination of the allowance for credit losses on loans during the three and six months ended June 30, 2025 and June 30, 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 June 30, 2025 and June 30, 2024 that were modified during the three and six months ended June 30, 2025 and June 30, 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 June 30, 2025						
Commercial non-owner occupied	3,488	—	—	—	3,488	717
Total	$ 3,488	$ —	$ —	$ —	$ 3,488	$ 717
Six months ended June 30, 2025						
Commercial non-owner occupied	3,488	—	—	—	3,488	717
Total	$ 3,488	$ —	$ —	$ —	$ 3,488	$ 717

(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 June 30, 2024						
Home Equity	159	—	—	—	159	120
Total	$ 159	$ —	$ —	$ —	$ 159	$ 120
Six months ended June 30, 2024						
Commercial and industrial	$ —	$ —	$ 1,796	$ —	$ 1,796	$ 1,796
Home equity	238	—	—	—	238	199
Total	$ 238	$ —	$ 1,796	$ —	$ 2,034	$ 1,995

There were no loans to borrowers experiencing financial difficulty that were modified within the three and six months ended June 30, 2025 and June 30, 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 June 30, 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
June 30, 2025									
Modeled expected credit losses	$ 895	$ 1,295	$ 7,711	$ 38	$ 722	$ 1,072	$ 615	$ —	$ 12,348
Qualitative adjustments	640	1,107	6,498	346	61	2	256	1,180	10,090
Specific allocations	73	—	7,307	—	—	36	—	—	7,416
Total	$ 1,608	$ 2,402	$ 21,516	$ 384	$ 783	$ 1,110	$ 871	$ 1,180	$ 29,854
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 June 30, 2025									
Beginning balance	$ 1,508	$ 2,319	$ 21,761	$ 416	$ 698	$ 1,074	$ 884	$ 1,246	$ 29,906
Provision (Reversal)	152	83	(245)	(32)	85	36	(13)	(66)	—
(Charge-offs)	(52)	—	—	—	—	—	—	—	(52)
Recoveries	—	—	—	—	—	—	—	—	—
Ending balance	$ 1,608	$ 2,402	$ 21,516	$ 384	$ 783	$ 1,110	$ 871	$ 1,180	$ 29,854
Three months ended June 30, 2024									
Beginning balance	$ 1,727	$ 2,500	$ 15,704	$ 1,282	$ 627	$ 692	$ 920	$ 2,049	$ 25,501
Provision (Reversal)	177	(92)	6,461	(408)	23	77	(12)	(1,026)	5,200
(Charge-offs)	(29)	—	—	—	—	—	(1)	—	(30)
Recoveries	1	—	—	—	—	—	3	—	4
Ending balance	$ 1,876	$ 2,408	$ 22,165	$ 874	$ 650	$ 769	$ 910	$ 1,023	$ 30,675
Six months ended June 30, 2025									
Beginning balance	$ 1,576	$ 2,361	$ 22,093	$ 638	$ 684	$ 1,141	$ 908	$ 1,255	$ 30,656
Provision (Reversal)	84	41	232	(254)	99	(31)	(21)	(75)	75
(Charge-offs)	(52)	—	(809)	—	—	—	(16)	—	(877)
Recoveries	—	—	—	—	—	—	—	—	—
Ending balance	$ 1,608	$ 2,402	$ 21,516	$ 384	$ 783	$ 1,110	$ 871	$ 1,180	$ 29,854
Six months ended June 30, 2024									
Beginning balance	$ 1,712	$ 2,476	$ 14,933	$ 1,832	$ 552	$ 653	$ 976	$ 2,038	$ 25,172
Provision (Reversal)	196	(68)	7,232	(958)	98	116	(51)	(1,015)	5,550
(Charge-offs)	(33)	—	—	—	—	—	(18)	—	(51)
Recoveries	1	—	—	—	—	—	3	—	4
Ending balance	$ 1,876	$ 2,408	$ 22,165	$ 874	$ 650	$ 769	$ 910	$ 1,023	$ 30,675

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 $1.383 billion and $1.351 billion at June 30, 2025 and December 31, 2024, respectively. In addition, we pledge eligible residential loans, which totaled $103.4 million and $110.0 million at

June 30, 2025 and December 31, 2024, respectively, to secure our borrowing capacity with the Federal Reserve Bank ("FRB"). For additional information, see Note 6, Borrowings.

<u>Related Party Loans</u>

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 $3.7 million and $4.1 million as of June 30, 2025 and December 31, 2024, respectively. In addition, undisbursed commitments to related parties totaled $210 thousand and $211 thousand as of June 30, 2025 and December 31, 2024, respectively.

Note 6: Borrowings and Other Obligations

Federal Reserve Bank: The Bank had a line of credit through the Discount Window at the Federal Reserve Bank of San Francisco ("FRBSF") totaling $319.8 million and $358.0 million as of June 30, 2025 and December 31, 2024, respectively, secured by investment securities and residential loans.

Federal Home Loan Bank: The Bank had lines of credit with the FHLB totaling $946.0 million and $948.1 million as of June 30, 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 June 30, 2025 and December 31, 2024. In general, interest rates on these lines approximate the federal funds target rate.

Other Obligations: Finance lease liabilities totaling $77 thousand and $154 thousand as of June 30, 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 June 30, 2025 and December 31, 2024 are summarized in the following table.

	June 30, 2025		December 31, 2024	
(dollars in thousands)	Carrying Value	Weighted Average Rate	Carrying Value	Weighted Average Rate
FRBSF federal funds purchased	$ —	— %	$ —	— %
FHLB short-term borrowings	—	— %	—	— %
Federal funds lines of credit	—	— %	—	— %
Other obligations (finance leases)	77	3.78 %	154	2.23 %
Total borrowings and other obligations	$ 77	3.78 %	$ 154	2.23 %

Note 7: Stockholders' Equity

Dividends

On April 24, 2025, Bancorp approved a $0.25 per share cash dividend, paid May 15, 2025 to shareholders of record at the close of business on May 8, 2025. Subsequent to quarter end on July 24, 2025, Bancorp approved a $0.25 per share cash dividend, payable on August 14, 2025, to shareholders of record at the close of business on August 7, 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.

	Six months ended	
	June 30, 2025	June 30, 2024
Number of shares withheld	4,325	3,504
Total amount withheld (in thousands)	$ 103	$ 58
Weighted-average price	$ 23.93	$ 16.59

Share Repurchase Program

Bancorp repurchased 100,000 shares totaling $2.2 million at an average price of $21.72 per share in the six months ending June 30, 2025, under our share repurchase program that expired July 31, 2025. On July 24, 2025, the board of directors authorized the repurchase of up to $25.0 million of its common stock effective July 24, 2025 through July 31, 2027. This stock buyback program replaced the program approved in 2023 which expired July 31, 2025, under which Bancorp repurchased shares totaling $6.4 million. Bancorp will continue to assess opportunities to utilize the new program.

There were no repurchases in the six months ended June 30, 2024.

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)	June 30, 2025	December 31, 2024
Commercial lines of credit	$ 220,789	$ 233,462
Revolving home equity lines	209,419	208,372
Undisbursed construction loans	7,953	8,294
Personal and other lines of credit	8,378	7,781
Standby letters of credit	2,895	2,777
Total unfunded loan commitments and standby letters of credit	$ 449,434	$ 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 June 30, 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 three and six months ended June 30,2025 and 2024.

Leases

We lease premises under long-term non-cancelable operating leases with remaining terms of 4 months to 16 years, 11 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)	June 30, 2025	December 31, 2024
Operating leases:		
Operating lease right-of-use assets	$ 18,316	$ 19,025
Operating lease liabilities	$ 20,668	$ 21,509
Finance leases:		
Finance lease right-of-use assets	$ 616	$ 616
Accumulated amortization	(542)	(467)
Finance lease right-of-use assets, net[1]	$ 74	$ 149
Finance lease liabilities [2]	$ 77	$ 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.

(in thousands)	Six months ended June 30, 2025	Six months ended June 30, 2024
Right-of-use assets obtained in exchange for operating lease liabilities	$ 1,387	$ 2,417

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

	Three months ended		Six months ended	
(in thousands)	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Operating lease cost [1]	$ 1,207	$ 1,245	$ 2,392	$ 2,562
Finance lease cost:				
Amortization of right-of-use assets [2]	$ 37	$ 37	$ 74	$ 73
Interest on finance lease liabilities [3]	1	1	2	3
Total finance lease cost	$ 38	$ 38	$ 76	$ 76
Total lease cost	$ 1,245	$ 1,283	$ 2,468	$ 2,638

[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 June 30, 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)	June 30, 2025	
Year	Operating Leases	Finance Leases
2025	$ 2,556	$ 32
2026	3,996	40
2027	3,556	7
2028	3,141	1
2029	2,489	—
Thereafter	7,719	—
Total minimum lease payments	23,457	80
Amounts representing interest (present value discount)	(2,789)	(3)
Present value of net minimum lease payments (lease liability)	$ 20,668	$ 77
Weighted average remaining term (in years)	7.33	1.53
Weighted average discount rate	2.99 %	3.78 %

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 an 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. In the second quarter of 2025, a total of $69.1 million of par value of these securities were sold.

Information on our derivatives follows:

	Asset derivatives		Liability derivatives	
(in thousands)	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
Loans receivable:				
Interest rate contracts - notional amount	$ 5,393	$ 7,654	$ 1,775	$ —
Interest rate contracts - fair value[1]	$ 177	$ 333	$ 10	$ —

[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 June 30, 2025 and December 31, 2024.

	Carrying Amounts of Hedged Assets		Cumulative Amounts of Fair Value Hedging Adjustments Included in the Carrying Amounts of the Hedged Assets	
(in thousands)	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
Loans receivable [1]	$ 6,907	$ 7,215	$ (223)	$ (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.

	Three months ended		Six months ended	
(in thousands)	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Interest on investment securities [1]				
Increase in fair value of interest rate swaps hedging available-for-sale securities	$ —	$ 282	$ —	$ 1,499
Hedged interest earned	—	206	—	412
Decrease in carrying value included in the hedged available-for-sale securities	—	(282)	—	(1,499)
Net gain recognized in interest income on investment securities	$ —	$ 206	$ —	$ 412
Interest and fees on loans [1]				
Decrease (increase) in fair value of interest rate swaps hedging loans receivable	$ (60)	$ 11	$ (166)	$ 126
Hedged interest earned	30	54	60	109
Increase (decrease) in carrying value included in the hedged loans	64	(6)	175	(117)
Decrease in value of yield maintenance agreement	(2)	(2)	(4)	(4)
Net gain recognized in interest income on loans	$ 32	$ 57	$ 65	$ 114

[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

				Gross Amounts Not Offset in the Statements of Condition		
(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]	Financial Instruments	Cash Collateral Received	Net Amount
June 30, 2025						
Derivatives by Counterparty:						
Counterparty	$ 177	$ —	$ 177	$ —	$ —	$ 177
Total	$ 177	$ —	$ 177	$ —	$ —	$ 177
December 31, 2024						
Derivatives by Counterparty:						
Counterparty	$ 333	$ —	$ 333	$ —	$ —	$ 333
Total	$ 333	$ —	$ 333	$ —	$ —	$ 333

Offsetting of Financial Liabilities and Derivative Liabilities

(in thousands)	Gross Amounts of Recognized Liabilities[1]	Gross Amounts Offset in the Statements of Condition	Net Amounts of Liabilities Presented in the Statements of Condition[1]	Gross Amounts Not Offset in the Statements of Condition		Net Amount
				Financial Instruments	Cash Collateral Pledged	
June 30, 2025						
Counterparty	10	—	10	(10)		—
Total	$ 10	$ —	$ 10	$ (10)	$ —	$ —
December 31, 2024						
Counterparty	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ —

[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 loss for the second quarter of 2025 was $8.5 million, compared to net income of $4.9 million for the prior quarter. Diluted loss per share was $0.53 for the second quarter of 2025, compared to diluted earnings per share of $0.30 for the prior quarter. The loss was attributable to securities repositioning which is more fully described below. Net income and diluted earnings per share for the second quarter excluding the loss on sale of securities was $4.7 million and $0.29, respectively, all other factors unchanged and with adjustments made based on the Company's blended statutory tax rate of 29.56%. If the adjustments were made using the Company's second quarter 2025 effective tax rate of 23.78%, net income and diluted earnings per share for the second quarter of 2025 excluding the loss on sale of securities was $5.7 million and $0.36, respectively, all other factors unchanged. Net loss for the six months ended June 30, 2025 was $3.7 million, compared to a loss of $19.0 million for the same period of 2024, and diluted loss per share was $0.23 and $1.18 for the first six months of 2025 and 2024, respectively. Net income and diluted earnings per share for the six months ending June 30 excluding the loss on sale of securities during both periods was $9.5 million and $0.59 in 2025 and $3.9 million and $0.24 in 2024, respectively, all other factors unchanged.

Comparable (non-GAAP) Excluding Loss on Sale of Securities

	Three months ended		Six months ended	
(in thousands, except per share amounts; unaudited)	June 30, 2025	March 31, 2025	June 30, 2025	June 30, 2024
Pre-tax, pre-provision net (loss) income				
Pre-tax, pre-provision net (loss) income (GAAP)	$ (11,199)	$ 6,556	$ (4,643)	$ (24,903)
Comparable pre-tax, pre-provision net income (non-GAAP)	7,537	6,556	14,093	7,639
Net (loss) income				
Net (loss) income (GAAP)	(8,536)	4,876	(3,660)	(18,980)
Comparable net income (non-GAAP)	4,662	4,876	9,538	3,942
Diluted (loss) earnings per share				
Diluted (loss) earnings per share (GAAP)	(0.53)	0.30	(0.23)	(1.18)
Comparable diluted earnings per share (non-GAAP)	0.29	0.30	0.59	0.24

See complete Reconciliation of GAAP and Non-GAAP Financial Measures below

Related tax benefit calculated using blended statutory rate of 29.56%

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

- As previously announced, the Bank sold a book value of $185.8 million of available-for-sale securities ("AFS") securities resulting in a loss on sale of $18.7 million. Redeployment of the proceeds is expected to provide a 13 basis point increase in annualized net interest margin and $0.20 of estimated earnings per share accretion over the next four quarters, assuming a 5.0% average yield on reinvestment. The securities repositioning is expected to have an approximate four-year earn back. The sale is part of a continued strategy to improve future earnings and increase return on equity. Excluding the loss on security sales, net income and diluted earnings per share for the second quarter would have been $4.7 million and $0.29, respectively, all other factors unchanged. See Reconciliation of GAAP and Non-GAAP Financial Measures below.

- The tax-equivalent net interest margin increased to 2.93% in the second quarter of 2025 from 2.86% in the prior quarter, largely due to the effects of new loan production at higher rates. The tax-equivalent net interest margin for the six months ended June 30, 2025, improved 39 basis points over the same period of the prior year due to the favorable impact of the securities repositioned in the second quarter of 2024, which resulted in higher yielding assets during the first six months of 2025.

- Total deposits were $3.245 billion as of June 30, 2025, compared to $3.220 billion as of December 31, 2024, an increase of $25.0 million. The primary recipient of the deposit growth was money market accounts while non-interest bearing accounts experienced outflows due to business operating expenses, asset purchases, distributions, payroll and taxes. We continue to manage targeted deposit interest rate reductions that are aligned with customer relationship pricing policies and expected Federal Reserve interest rate reductions.

- The average cost of total deposits and of interest-bearing deposits decreased by 1 and 3 basis points, respectively, to 1.28% and 2.24%, in the second quarter of 2025, compared to the prior quarter. Non-interest-bearing deposits continued to make up a significant portion of total deposits at 42.5% as of June 30, 2025, compared to 43.5% on December 31, 2024.

- Net available contingent funding sources, including unrestricted cash, unencumbered available-for-sale securities and total available borrowing capacity was $1.863 billion, or 57% of total deposits and 200% of estimated uninsured and/or uncollateralized deposits as of June 30, 2025.

- Loans totaled $2.074 billion as of June 30, 2025, a net decrease of $9.6 million from December 31, 2024. Loan originations during the six months ended June 30, 2025 were $132.8 million ($98.0 million funded) including $99.7 million ($85.3 million funded) in commercial loans, which are comprised of commercial and industrial and commercial real estate loans. Originations increased to $69.2 million ($50.6 million funded) in the second quarter compared to $63.6 million ($47.4 million funded) in the first quarter of 2025. Loan originations were $119.9 million ($76.5 million funded) for the first six months of 2024. Payoffs were $62.0 million in the six months ending June 30, 2025, compared to $53.0 million for the same period in 2024. This included payoffs of $36.5 million and $25.5 million in the second and first quarters of 2025, respectively.

- There was no provision for credit losses on loans in the second quarter of 2025, compared to a $75 thousand provision in the prior quarter. The allowance for credit losses was 1.44% of total loans on June 30, 2025, compared to 1.47% as of December 31, 2024.

- Non-accrual loans decreased to $32.5 million, or 1.57% of total loans on June 30, 2025, compared to $33.9 million, or 1.63% on December 31, 2024. Of the total non-accrual loans as of June 30, 2025, approximately 60% were paying as agreed and 89% were real estate secured.

- The following table summarizes GAAP and non-GAAP results for return on average assets ("ROA"), return on average equity ("ROE") and the efficiency ratio for comparable periods. All GAAP ratios were significantly impacted by the securities sales discussed above. Non-GAAP ratios exclude the loss on security sales, with all other factors unchanged. See Reconciliation of GAAP and Non-GAAP Financial Measures below.

Performance and other financial ratios:

Comparable (non-GAAP) Excluding Loss on Sale of Securities

	Three months ended		Six months ended	
(in thousands, except per share amounts; unaudited)	June 30, 2025	March 31, 2025	June 30, 2025	June 30, 2024
Return on average assets				
Return on average assets (GAAP)	(0.92)%	0.53 %	(0.20)%	(1.01)%
Comparable return on average assets (non-GAAP)	0.50 %	0.53 %	0.52 %	0.21 %
Return on average equity				
Return on average equity (GAAP)	(7.80)%	4.52 %	(1.68)%	(8.79)%
Comparable return on average equity (non-GAAP)	4.26 %	4.52 %	4.39 %	1.83 %
Efficiency ratio				
Efficiency ratio (GAAP)	208.81 %	76.44 %	112.18 %	237.13 %
Comparable efficiency ratio (non-GAAP)	74.03 %	76.44 %	75.21 %	84.93 %

Non-GAAP ratios exclude the loss on security sales, and all other factors unchanged..See complete Reconciliation of GAAP and Non-GAAP Financial Measures below

Related tax benefit calculated using blended statutory rate of 29.56%

- ROA was (0.92)% (non-GAAP 0.50%), ROE was (7.80)% (non-GAAP 4.26%), and the efficiency ratio was 208.81% (non-GAAP 74.03%) for the second quarter of 2025.

- ROA was (0.20)% (non-GAAP 0.52%), ROE was (1.68)% (non-GAAP 4.39%) and the efficiency ratio was 112.18% (non-GAAP 75.21%) for the six months ended June 30, 2025.

- Capital was above well-capitalized regulatory thresholds with Bancorp's and the Bank's total risk-based capital ratios of 16.25% and 15.00%, respectively, as of June 30, 2025. Our 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 9.95% as of June 30, 2025, and the Bank's TCE ratio was 9.09%. 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 8.26% as of June 30, 2025, compared to 7.85% as of December 31, 2024.

- Bancorp repurchased 100,000 in shares for $2.2 million during the second quarter of 2025, contributing to an increase in the book value per share to $27.21 at June 30, 2025 compared to $27.13 at March 31, 2025 and the tangible book value per share to $22.55 at June 30, 2025 compared to $22.48 at March 31, 2025.

- The Board of Directors approved a cash dividend of $0.25 per share on July 24, 2025, which represents the 81st consecutive quarterly dividend paid by Bancorp. The dividend is payable on August 14, 2025, to shareholders of record at the close of business on August 7, 2025.

[1] Refer to the discussion and reconciliation of this non-GAAP financial measure in the section below entitled *S*tatement 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 June 30, 2025	Three months ended March 31, 2025	Six months ended June 30, 2025	Six months ended June 30, 2024
Selected operating data:				
Net interest income	$ 25,912	$ 24,946	$ 50,858	$ 45,161
Provision for credit losses on loans	—	75	75	5,550
Non-interest income	(15,621)	2,874	(12,747)	(27,001)
Non-interest expense	21,490	21,264	42,754	43,063
Net (loss) income	(8,536)	4,876	(3,660)	(18,980)
Net (loss) income per common share:				
Basic	$ (0.53)	$ 0.31	$ (0.23)	$ (1.18)
Diluted	$ (0.53)	$ 0.30	$ (0.23)	$ (1.18)
Performance and other financial ratios:				
Return on average assets	(0.92)%	0.53 %	(0.20)%	(1.01)%
Return on average equity	(7.80)%	4.52 %	(1.68)%	(8.79)%
Tax-equivalent net interest margin	2.93 %	2.86 %	2.90 %	2.51 %
Cost of deposits	1.28 %	1.29 %	1.28 %	1.41 %
Cost of funds	1.28 %	1.29 %	1.28 %	1.42 %
Efficiency ratio	208.81 %	76.44 %	112.18 %	237.13 %
Net charge-offs	$ 52	$ 825	$ 877	$ 47
Cash dividend payout ratio on common stock [1]	NM	80.65 %	NM	NM

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

dollars in thousands, except per share data)	June 30, 2025	December 31, 2024
Selected financial condition data:		
Total assets	$ 3,726,193	$ 3,701,335
Investment securities	1,215,299	1,266,733
Loans, net of allowance for credit losses on loans	2,043,784	2,052,600
Deposits	3,245,048	3,220,015
Borrowings and other obligations	77	154
Stockholders' equity	438,538	435,407
Book value per share	27.21	27.06
Tangible book value per share[1]	22.55	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	0.92x	0.90x
Non-accrual loans to total loans	1.57 %	1.63 %
Classified loans (graded substandard and doubtful) as a percentage of total loans	2.95 %	2.17 %
Capital ratios:		
Equity to total assets ratio	11.77 %	11.76 %
Tangible common equity to tangible assets	9.95 %	9.93 %
Total capital (to risk-weighted assets)	16.25 %	16.54 %
Tier 1 capital (to risk-weighted assets)	15.03 %	15.32 %
Tier 1 capital (to average assets)	10.22 %	10.46 %
Common equity Tier 1 capital (to risk weighted assets)	15.03 %	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 June 30, 2025			Three months ended March 31, 2025		
(dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets						
Interest-earning deposits with banks [1]	$ 180,730	$ 2,004	4.39 %	$ 163,446	$ 1,795	4.39 %
Investment securities [2, 3]	1,266,317	8,495	2.68 %	1,273,422	8,331	2.62 %
Loans [1, 3, 4, 5]	2,073,110	25,965	4.95 %	2,073,739	25,289	4.88 %
Total interest-earning assets [1]	3,520,157	36,464	4.10 %	3,510,607	35,415	4.04 %
Cash and non-interest-bearing due from banks	37,721			37,493		
Bank premises and equipment, net	7,259			6,831		
Interest receivable and other assets, net	172,657			173,135		
Total assets	$ 3,737,794			$ 3,728,066		
Liabilities and Stockholders' Equity						
Interest-bearing transaction accounts	$ 187,297	$ 351	0.75 %	$ 191,089	$ 343	0.73 %
Savings accounts	222,524	587	1.06 %	227,098	533	0.95 %
Money market accounts	1,227,506	7,878	2.57 %	1,192,956	7,626	2.59 %
Time accounts including CDARS	218,150	1,559	2.87 %	228,018	1,790	3.18 %
Borrowings and other obligations [1]	91	1	3.39 %	130	1	2.86 %
Total interest-bearing liabilities	1,855,568	10,376	2.24 %	1,839,291	10,293	2.27 %
Demand accounts	1,398,570			1,406,648		
Interest payable and other liabilities	44,469			44,951		
Stockholders' equity	439,187			437,176		
Total liabilities & stockholders' equity	$ 3,737,794			$ 3,728,066		
Tax-equivalent net interest income/margin [1]		$ 26,088	2.93 %		$ 25,122	2.86 %
Reported net interest income/margin [1]		$ 25,912	2.91 %		$ 24,946	2.84 %
Tax-equivalent net interest rate spread			1.86 %			1.77 %

(in thousands)	Six months ended June 30, 2025 Average Balance	Interest Income/ Expense	Yield/ Rate	Six months ended June 30, 2024 Average Balance	Interest Income/ Expense	Yield/ Rate
Assets						
Interest-earning deposits with banks [1]	$ 172,136	$ 3,799	4.39 %	$ 45,613	$ 1,245	5.40 %
Investment securities [2, 3]	1,269,850	16,821	2.65 %	1,480,462	17,247	2.33 %
Loans [1, 3, 4, 5]	2,073,423	51,254	4.92 %	2,063,351	50,346	4.83 %
Total interest-earning assets [1]	3,515,409	71,874	4.07 %	3,589,426	68,838	3.79 %
Cash and non-interest-bearing due from banks	37,608			36,275		
Bank premises and equipment, net	7,046			7,564		
Interest receivable and other assets, net	172,894			147,949		
Total assets	**$ 3,732,957**			**$ 3,781,214**		
Liabilities and Stockholders' Equity						
Interest-bearing transaction accounts	$ 189,182	$ 694	0.74 %	$ 206,268	$ 535	0.52 %
Savings accounts	224,798	1,120	1.00 %	228,559	882	0.78 %
Money market accounts	1,210,327	15,504	2.58 %	1,152,492	17,090	2.98 %
Time accounts including CDARS	223,057	3,349	3.03 %	262,598	4,571	3.50 %
Borrowings and other obligations [1]	110	2	3.08 %	9,116	239	5.18 %
Total interest-bearing liabilities	1,847,474	20,669	2.26 %	1,859,033	23,317	2.52 %
Demand accounts	1,402,587			1,440,114		
Interest payable and other liabilities	44,709			47,735		
Stockholders' equity	438,187			434,332		
Total liabilities & stockholders' equity	**$ 3,732,957**			**$ 3,781,214**		
Tax-equivalent net interest income/margin [1]		$ 51,205	2.90 %		$ 45,521	2.51 %
Reported net interest income/margin [1]		$ 50,858	2.88 %		$ 45,161	2.49 %
Tax-equivalent net interest rate spread			1.81 %			1.27 %

[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 $399 thousand and $364 thousand for the three months ended June 30, 2025 and March 31, 2025, and totaled $764 thousand and $811 thousand for the six months ended June 30, 2025 and 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 June 30, 2025, compared to the three months ended March 31, 2025, and one day less in the first three months of 2025, compared to the first three months of 2024.

	Three months ended June 30, 2025 compared to three months ended March 31, 2025				Six months ended June 30, 2025 compared to six months ended June 30, 2024			
(in thousands)	Volume	Yield/Rate	Mix	Total	Volume	Yield/Rate	Mix	Total
Interest-earning deposits with banks	$ 190	$ (3)	$ 22	$ 209	$ 3,453	$ (233)	$ (666)	$ 2,554
Investment securities [1]	(46)	212	(2)	164	(2,454)	2,365	(337)	(426)
Loans [1]	(8)	398	286	676	247	941	(280)	908
Total interest-earning assets	136	607	306	1,049	1,246	3,073	(1,283)	3,036
Interest-bearing transaction accounts	(7)	10	5	8	(44)	226	(23)	159
Savings accounts	(11)	59	6	54	(15)	263	(10)	238
Money market accounts	221	(53)	84	252	858	(2,245)	(199)	(1,586)
Time accounts, including CDARS	(77)	(176)	22	(231)	(688)	(608)	74	(1,222)
Borrowings and other obligations	—	—	—	—	(236)	(74)	73	(237)
Total interest-bearing liabilities	126	(160)	117	83	(125)	(2,438)	(85)	(2,648)
Changes in tax-equivalent net interest income	$ 10	$ 767	$ 189	$ 966	$ 1,371	$ 5,511	$ (1,198)	$ 5,684

[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%.

Second Quarter of 2025 compared to the First Quarter of 2025

Net interest income totaled $25.9 million for the second quarter of 2025, a $966 thousand increase from the prior quarter. This was driven by an increase of $9.6 million in average earning assets including a $676 thousand increase in loan interest income due to the continued replenishment of the loan portfolio at higher rates.

The tax-equivalent net interest margin was 2.93% for the second quarter of 2025, compared to 2.86% for the prior quarter. Loan originations at higher rates contributed to 4 basis points growth in the second quarter. Higher average interest-earning deposit balances with banks increased the margin by 2 basis points and the repositioning of securities already added 1 basis point to the margin.

First Six Months of 2025 compared to the First Six Months of 2024

Net interest income totaled $50.9 million for the six months ended June 30, 2025, compared to $45.2 million for the same period in the prior year. The $5.7 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 2.90% for the six months ended June 30, 2025, compared to 2.51% for the same period in the prior year. The increase of 39 basis points was primarily attributed to higher interest-earning deposit balances with banks, higher average loan balances and yields, and lower deposit costs which provided a positive impact of 15, 13 and 10 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, and 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 2023, 2024 and 2025, we sold available-for-sale 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.

The FOMC 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 half of 2025, the FOMC left rates unchanged due to continued economic uncertainty, relatively sound economic indicators and elevated inflation pressures, partly driven by trade policy uncertainties such as tariffs. 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		Six months ended	
(dollars in thousands)	June 30, 2025	March 31, 2025	June 30, 2025	June 30, 2024
Provision for credit losses on loans	$ —	$ 75	$ 75	$ 5,550

We recorded no provision for credit losses on loans in the second quarter of 2025. This compares to a $75 thousand provision in the prior quarter.

We recorded a $75 thousand provision for credit losses on loans in the six months ended June 30, 2025. Modest deterioration in the economic forecast, the effects from charge-offs in the first quarter of 2025, and the pooled and individual total loan balance declines in the first quarter of 2025, contributed to the provision. We recorded a provision totaling $5.6 million for the six months ending June 30, 2024. This was primarily due to an increase to the individual reserve of $5.2 million for one non-owner occupied commercial real estate loan totaling $16.7 million placed on non-accrual during the second quarter of 2024. The remainder of the provision recorded in the six months ended June 30, 2024 was due to adjustments to certain qualitative risk factors to account for continued negative trends in adversely graded loans for our non-owner occupied commercial real estate and commercial and industrial portfolios, as well as adjustments to the discounted cash flow modeling assumptions to reflect revised estimated default timing and increased California unemployment forecasts. This was partially offset by the impact of a decrease in our pooled loans and changes in our loan mix.

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 (Loss) Income

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

(dollars in thousands)	Three months ended June 30, 2025	Three months ended March 31, 2025	Amount Change	Percent Change
Earnings on bank-owned life insurance, net	$ 667	$ 544	$ 123	22.6 %
Wealth management and trust services	612	563	49	8.7 %
Service charges on deposit accounts	550	548	2	0.4 %
Debit card interchange fees, net	410	396	14	3.5 %
Dividends on Federal Home Loan Bank stock	362	375	(13)	(3.5)%
Merchant interchange fees, net	90	96	(6)	(6.3)%
Losses on sale of investment securities	(18,736)	—	(18,736)	NM
Other income	424	352	72	20.5 %
Total non-interest (loss) income	$ (15,621)	$ 2,874	$ (18,495)	(643.5)%

(dollars in thousands)	Six months ended June 30, 2025	Six months ended June 30, 2024	Amount Change	Percent Change
Earnings on bank-owned life insurance, net	$ 1,211	$ 856	$ 355	41.5 %
Wealth management and trust services	1,175	1,138	37	3.3 %
Service charges on deposit accounts	1,098	1,070	28	2.6 %
Debit card interchange fees, net	806	852	(46)	(5.4)%
Dividends on Federal Home Loan Bank stock	737	743	(6)	(0.8)%
Merchant interchange fees, net	186	177	9	5.1 %
Losses on sale of investment securities	(18,736)	(32,542)	13,806	(42.4)%
Other income	776	705	71	10.1 %
Total non-interest (loss) income	$ (12,747)	$ (27,001)	$ 14,254	(52.8)%

NM - not meaningful

Second Quarter of 2025 Compared to the First Quarter of 2025

Non-interest loss was $15.6 million for the second quarter of 2025, compared to income of $2.9 million for the prior quarter. The decrease of $18.5 million from the prior quarter was primarily attributable to securities repositioning during the second quarter of 2025. We sold available-for-sale securities ("AFS") securities with a book value of $185.8 million, resulting in a pre-tax loss of $18.7 million, as part of our strategy to improve future earnings and increase return on equity. This was partially offset by an increase in gains on proceeds from bank owned life insurance death benefits of $123 thousand. Excluding the loss on sales, non-interest income was $3.1 million for the second quarter of 2025, all other factors unchanged, an increase of $241 thousand from the prior quarter. See the non-GAAP disclosure below.

First Six Months of 2025 Compared to the First Six Months of 2024

Non-interest loss was $12.7 million for the six months ended June 30, 2025, compared to a loss of $27.0 million for the same period of the prior year. The $14.3 million reduction in losses from the prior year period was primarily attributed to a reduction of $13.8 million in pre-tax losses on the sale of AFS securities and an increase in bank owned life insurance death benefit proceeds of $355 thousand. We sold AFS securities with a book value of $185.8 million, resulting in a pre-tax loss of $18.7 million, in the first six months of 2025, and sold AFS securities with a book value of $293.0 million, resulting in a pre-tax loss of $32.5 million, in the first six months of 2024. Excluding the loss on AFS sales, non-interest income was $6.0 million and $5.5 million for the first six months of 2025 and 2024, respectively, all other factors unchanged. See the non-GAAP disclosure below.

Non-interest Expense

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

(dollars in thousands)	Three months ended June 30, 2025	Three months ended March 31, 2025	Amount Change	Percent Change
Salaries and related benefits	$ 12,045	$ 12,050	$ (5)	— %
Occupancy and equipment	2,226	2,106	120	5.7 %
Deposit network fees	1,054	932	122	13.1 %
Data processing	1,041	1,136	(95)	(8.4)%
Professional services	908	937	(29)	(3.1)%
Information technology	563	413	150	36.3 %
Federal Deposit Insurance Corporation insurance	421	388	33	8.5 %
Depreciation and amortization	320	322	(2)	(0.6)%
Directors' expense	279	304	(25)	(8.2)%
Amortization of core deposit intangible	220	227	(7)	(3.1)%
Charitable contributions	116	403	(287)	(71.2)%
Other non-interest expense				
Advertising	269	226	43	19.0 %
Other expense	2,028	1,820	208	11.4 %
Total other non-interest expense	2,297	2,046	251	12.3 %
Total non-interest expense	$ 21,490	$ 21,264	$ 226	1.1 %

(dollars in thousands)	Six months ended June 30, 2025	Six months ended June 30, 2024	Amount Change	Percent Change
Salaries and related benefits	$ 24,095	$ 24,448	$ (353)	(1.4)%
Occupancy and equipment	4,332	4,018	314	7.8 %
Data processing	2,177	2,075	102	4.9 %
Deposit network fees	1,986	1,761	225	12.8 %
Professional services	1,845	2,121	(276)	(13.0)%
Information technology	976	850	126	14.8 %
Federal Deposit Insurance Corporation insurance	809	861	(52)	(6.0)%
Depreciation and amortization	642	767	(125)	(16.3)%
Directors' expense	583	623	(40)	(6.4)%
Charitable contributions	519	617	(98)	(15.9)%
Amortization of core deposit intangible	447	497	(50)	(10.1)%
Other real estate owned	—	—	—	NM
Other non-interest expense				
Advertising	495	621	(126)	(20.3)%
Other expense	3,848	3,804	44	1.2 %
Total other non-interest expense	4,343	4,425	(82)	(1.9)%
Total non-interest expense	$ 42,754	$ 43,063	$ (309)	(0.7)%

NM - Not Meaningful

Second Quarter of 2025 Compared to the First Quarter of 2025

Non-interest expense totaled $21.5 million for the second quarter of 2025, compared to $21.3 million for the prior quarter, an increase of $226 thousand. This was primarily due to an increase in information technology expense of $150 thousand, an increase of $122 thousand in deposit network fees, and a net increase of $208 thousand in all other expenses. This was offset by a decrease of $287 thousand in charitable contributions in the second quarter of 2025. 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.

First Six Months of 2025 Compared to the First Six Months of 2024

Non-interest expense totaled $42.8 million for the six months ending June 30, 2025, compared to $43.1 million for the same period of 2024, a decrease of $309 thousand. This was primarily due to a decrease of $353 thousand in salaries and benefits, a decrease of $276 thousand in professional services, partially offset by an increase in occupancy and equipment expense of $314 thousand.

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 benefit for the second quarter of 2025 totaled $2.7 million at an effective tax rate of 23.8%, compared to a provision of $1.6 million at an effective tax rate of 24.8% in the prior quarter. The decrease in the provision for income taxes in the second quarter of 2025 reflected lower pre-tax income as compared to the prior quarter. The decrease in the effective tax rate in the second quarter of 2025 was primarily due to the treatment of certain permanent tax differences while in a loss position for the second quarter.

The income tax benefit for the first half of 2025 totaled $1.1 million at an effective tax rate of 22.4%, compared to an income tax benefit of $11.5 million at an effective tax rate of 37.7% for the first half of 2024. The decrease in the effective tax rate in the first half of 2025, as compared to the same period a year ago, was primarily due to the lower pre-tax loss on investment securities sale of $18.7 million in 2025, compared to $32.5 million in 2024.

On June 27, 2025, Senate Bill 132 (“SB 132”) was passed and signed into law by Governor Newsom. Effective for taxable years beginning on or after January 1, 2025, SB 132 amends California Rev. & Tax. Code (“CRTC”) to require financial institutions to apportion income using the single sales factor formula. Prior to this change, these businesses were required by CRTC Sec. 25128(b) to use an evenly weighted three-factor apportionment formula contemplating a payroll factor, property factor, and sales factor. The company does not expect this bill to have a material impact on the company’s tax expense as of June 30, 2025

On July 4, 2025, the President of the United States signed and enacted the “One Big Beautiful Bill Act” into law. Except for certain provisions, the Tax Act is effective for tax years beginning on or after January 1, 2025. The tax and spending legislation permanently extends key business tax breaks originally enacted under the 2017 Tax Cuts and Jobs Act. The Company is currently evaluating the impact the bill will have on income tax expense.

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 June 30, 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 $228.9 million at June 30, 2025, an increase of $91.6 million compared to $137.3 million at December 31, 2024, driven by proceeds from the sale of available for sale securities of $167.0 million, proceeds from paydowns and maturities of investment securities of $140.1 million, growth in deposits totaling $25.0 million, and a decrease of $9.1 million in loans receivable, offset by purchases of investment securities of $252.7 million.

Investment Securities

The investment securities portfolio totaled $1.215 billion at June 30, 2025, a decrease of $51.4 million from $1.267 billion at December 31, 2024. The decrease was primarily the result of the sale of available for sale securities with a book value of $185.8 million and principal repayments and maturities totaling $140.1 million, partially offset by a $21.5 million improvement in unrealized losses on available for sale securities and $252.7 million available-for-sale securities purchases.

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 2.55 on available-for-sale securities and 5.58 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 $158.2 million in the first six 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 June 30, 2025 and December 31, 2024.

	June 30, 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	$ 17,533	$ 14,619	18.5 %	$ 22,913	$ 18,749	14.5 %
Revenue bonds	—	—	—	2,060	1,658	1.3
Total within California	17,533	14,619	18.5	24,973	20,407	15.8
Outside California:						
General obligation bonds	60,325	51,700	63.5	108,037	94,748	68.5
Revenue bonds	17,034	14,277	18.0	24,728	21,778	15.7
Total outside California	77,359	65,977	81.5	132,765	116,526	84.2
Total obligations of state and political subdivisions	$ 94,892	$ 80,596	100.0 %	$ 157,738	$ 136,933	100.0 %
Percent of investment portfolio	7.7 %	7.2 %		12.2 %	11.9 %	

Of the total investment in obligations of state and political subdivisions, the largest concentrations outside of California are in Texas (37.6%), Washington (10.0%) and Wisconsin (15.5%). 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 June 30, 2025, compared to $2.083 billion as of December 31, 2024. The decrease in the six months ended June 30, 2025 totaled $9.6 million, compared to an increase of $8.7 million in the six months ended June 30, 2024. Loan originations for the six months ended June 30, 2025 were $132.8 million ($98.0 million funded) including $99.7 million ($85.3 million funded) in commercial loans, which includes commercial and industrial, commercial real estate and construction, compared to $119.9 million ($76.5 million funded) for the six months ended June 30, 2024. Originations increased to $69.2 million ($50.6 million funded) in the second quarter compared to $63.6 million ($47.4 million funded) in the first quarter of 2025. Payoffs were $62.0 million in the six months ended June 30, 2025, compared to $53.0 million for the same period in 2024. This included payoffs of $36.5 million and $25.5 million in the second and first quarters of 2025, respectively. In addition, amortization from scheduled payments totaled $39.1 million and net utilization of credit lines decreased by $6.5 million during the six months ended June 30, 2025, compared to amortization from scheduled payments totaled $40.0 million and net utilization of credit lines increased by $27.9 million during the six months ended June 30, 2024.

Non-accrual loans totaled $32.5 million, or 1.57% of the loan portfolio, at June 30, 2025, compared to $33.9 million, or 1.63% at December 31, 2024. The $1.4 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 $726 thousand, payoffs of $661 thousand and charged off loans totaling $66 thousand, partially offset by the addition of nine loans totaling $2.7 million.

Of the total non-accrual loans as of June 30, 2025, approximately 60% were paying as agreed, 89% 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 $61.1 million as of June 30, 2025, compared to $45.1 million as of December 31, 2024. The $16.0 million increase was largely due to downgrades of $19.8 million, partially offset by the sale of a $2.1 million non-owner occupied real estate loan and payoffs and paydowns of $1.6 million.

Loans designated special mention, which are not considered adversely classified, decreased by $17.4 million to $91.5 million as of June 30, 2025, from $108.9 million as of December 31, 2024. The decrease was largely due to $17.1 million in downgrades to substandard risk rating and contractual paydowns and payoffs totaling $9.7 million, offset by downgrades from pass/watch to special mention loans of $9.4 million. Of the loans designated special mention, 100% were real estate secured.

Net charge-offs for the six months ended June 30, 2025 totaled $877 thousand, including the $809 thousand charge-off of an acquired commercial non-owner occupied real estate loan. This compared to net charge-offs of $47 thousand for the same period 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 six months of 2025, total liabilities increased by $21.7 million to $3.288 billion. Deposits totaled $3.245 billion at June 30, 2025, an increase of $25.0 million, compared to $3.220 billion at December 31, 2024.

Non-interest bearing deposits made up 42.5% of total deposits at June 30, 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 June 30, 2025.

We had no outstanding borrowings at June 30, 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 $1.863 billion, or 57% of total deposits and 200% of estimated uninsured and/or uncollateralized deposits as of June 30, 2025. Balances in the reciprocal deposit network program were $425.3 million and $404.7 million at June 30, 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 June 30, 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 16.25% at June 30, 2025, compared to 16.54% at December 31, 2024. The decrease was largely due to losses realized on the sale of available-for-sale securities associated with the portfolio repositioning. The total risk-based capital ratio for the Bank was 15.00% at June 30, 2025, compared to 16.13% at December 31, 2024. The decrease was mainly due to a dividend of $32.0 million that was paid by the Bank to Bancorp during the second quarter of 2025.

Bancorp's tangible common equity to tangible assets ("TCE ratio") was 9.95% at June 30, 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 8.26%, compared to 7.85% at December 31, 2024. Management believes this non-GAAP measure is important because it reflects the level of capital remaining after a hypothetical liquidation of the entire securities portfolio.

The Bancorp's and Bank's capital adequacy ratios as of June 30, 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	
June 30, 2025	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk-weighted assets)	$ 407,724	16.25 %	$ 263,525	10.50 %	$ 250,976	10.00 %
Tier 1 Capital (to risk-weighted assets)	$ 377,292	15.03 %	$ 213,330	8.50 %	$ 200,781	8.00 %
Tier 1 Leverage Capital (to average assets)	$ 377,292	10.22 %	$ 147,678	4.00 %	$ 184,597	5.00 %
Common Equity Tier 1 (to risk-weighted assets)	$ 377,292	15.03 %	$ 175,683	7.00 %	$ 163,135	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 *S*tatement 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	
June 30, 2025	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk-weighted assets)	$ 376,299	15.00 %	$ 263,470	10.50 %	$ 250,924	10.00 %
Tier 1 Capital (to risk-weighted assets)	$ 345,867	13.78 %	$ 213,285	8.50 %	$ 200,739	8.00 %
Tier 1 Leverage Capital (to average assets)	$ 345,867	9.37 %	$ 147,659	4.00 %	$ 184,574	5.00 %
Common Equity Tier 1 (to risk-weighted assets)	$ 345,867	13.78 %	$ 175,646	7.00 %	$ 163,100	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 $1.863 billion or 57% of total deposits and 200% of estimated uninsured and/or uncollateralized deposits as of June 30, 2025.

The following table details the components of our contingent liquidity sources as of June 30, 2025.

(in thousands)	Total Available	Amount Used	Net Availability
Internal Sources			
Unrestricted cash [1]	$ 201,162	N/A	$ 201,162
Unencumbered securities at market value	270,966	N/A	270,966
External Sources			
FHLB line of credit	945,977	$ —	945,977
FRB line of credit	319,843	—	319,843
Lines of credit at correspondent banks	125,000	—	125,000
Total Liquidity	$ 1,862,948	$ —	$ 1,862,948

[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 $91.6 million in the first six months of 2025. The most significant sources of liquidity during the first six months of 2025 were proceeds of $167.0 million from the sale of available for sale investment securities, $140.1 million from principal paydowns, calls and maturities of investment securities, loan payoffs of $62.0 million, $39.1 million in amortization of principal and a net $6.5 million decrease in utilization of credit lines, and $25.0 million from net increase of deposits, in addition to $13.0 million in net cash provided by operating activities.

Significant uses of liquidity during the first six months of 2025 were $252.7 million in investment securities purchased, $98.0 million in loan fundings, and $8.1 million in cash dividends paid on common stock to our shareholders and $2.2 million in common stock repurchases. 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 $449.4 million at June 30, 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, $208.4 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 June 30, 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"). On May 30, 2025, the Bank received approval from the State of California - DFPI for a dividend of $32.0 million which was paid to Bancorp on May 30, 2025. The primary uses of funds for Bancorp are shareholder dividends, share repurchases and ordinary operating expenses. Bancorp held $31.1 million in cash at June 30, 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)		June 30, 2025	December 31, 2024
Tangible Common Equity - Bancorp			
Total stockholders' equity		$ 438,538	$ 435,407
Goodwill and core deposit intangible		(75,098)	(75,546)
Total TCE	a	363,440	359,861
Unrealized losses on HTM securities, net of tax [1]		(74,625)	(89,171)
Unrealized losses on HTM securities included in AOCI, net of tax [2]		7,205	7,701
TCE, net of unrealized losses on HTM securities (non-GAAP)	b	$ 296,020	$ 278,391
Total assets		$ 3,726,193	$ 3,701,335
Goodwill and core deposit intangible		(75,098)	(75,546)
Total tangible assets	c	3,651,095	3,625,789
Unrealized losses on HTM securities, net of tax [1]		(74,625)	(89,171)
Unrealized losses on HTM securities included in AOCI, net of tax [2]		7,205	7,701
Total tangible assets, net of unrealized losses on HTM securities (non-GAAP)	d	$ 3,583,675	$ 3,544,319
Bancorp TCE ratio	a / c	10.0 %	9.9 %
Bancorp TCE ratio, net of unrealized losses on HTM securities (non-GAAP)	b / d	8.3 %	7.9 %
Tangible Book Value Per Share			
Common shares outstanding	e	16,116	16,089
Book value per share		$ 27.21	$ 27.06
Tangible book value per share	a / e	$ 22.55	$ 22.37

[1] Unrealized losses on held-to-maturity securities as of June 30, 2025 and December 31, 2024 of $105.9 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 $31.3 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, as of June 30, 2025 and December 31, 2024, net of an estimated $3.0 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.

(in thousands, except per share amounts; unaudited)	Three months ended		Six months ended	
Pre-tax, pre-provision net (loss) income	June 30, 2025	March 31, 2025	June 30, 2025	June 30, 2024
(Loss) income before (benefit from) provision for income taxes	$ (11,199)	$ 6,481	$ (4,718)	$ (30,453)
Provision for credit losses on loans	—	75	75	5,550
Pre-tax, pre-provision net (loss) income (GAAP)	(11,199)	6,556	(4,643)	(24,903)
Adjustments:				
Losses on sale of investment securities from portfolio repositioning	18,736	—	18,736	32,542
Comparable pre-tax, pre-provision net income (non-GAAP)	$ 7,537	$ 6,556	$ 14,093	$ 7,639
Net (loss) income				
Net (loss) income (GAAP)	$ (8,536)	$ 4,876	$ (3,660)	$ (18,980)
Adjustments:				
Losses on sale of investment securities from portfolio repositioning	18,736	—	18,736	32,542
Related income tax benefit[1]	(5,538)	—	(5,538)	(9,620)
Adjustments, net of taxes	13,198	—	13,198	22,922
Comparable net income (non-GAAP)	$ 4,662	$ 4,876	$ 9,538	$ 3,942
Diluted (loss) earnings per share				
Weighted average diluted shares	15,989	16,002	15,983	16,095
Diluted (loss) earnings per share (GAAP)	$ (0.53)	$ 0.30	$ (0.23)	$ (1.18)
Comparable diluted earnings per share (non-GAAP)	$ 0.29	$ 0.30	$ 0.60	$ 0.24
Return on average assets				
Average assets	$ 3,737,794	$ 3,728,066	$ 3,732,957	$ 3,781,214
Return on average assets (GAAP)	(0.92)%	0.53 %	(0.20)%	(1.01)%
Comparable return on average assets (non-GAAP)	0.50 %	0.53 %	0.52 %	0.21 %
Return on average equity				
Average stockholders' equity	$ 439,187	$ 437,176	$ 438,187	$ 434,332
Return on average equity (GAAP)	(7.80)%	4.52 %	(1.68)%	(8.79)%
Comparable return on average equity (non-GAAP)	4.26 %	4.52 %	4.39 %	1.83 %
Efficiency ratio				
Non-interest expense	$ 21,490	$ 21,264	$ 42,754	$ 43,063
Net interest income	$ 25,912	$ 24,946	$ 50,858	$ 45,161
Non-interest income (GAAP)	$ (15,621)	$ 2,874	$ (12,747)	$ (27,001)
Losses on sale of investment securities from portfolio repositioning	18,736	—	18,736	32,542
Non-interest income (non-GAAP)	$ 3,115	$ 2,874	$ 5,989	$ 5,541
Efficiency ratio (GAAP)	208.81 %	76.44 %	112.18 %	237.13 %
Comparable efficiency ratio (non-GAAP)	74.03 %	76.44 %	75.21 %	84.93 %

[1]Related tax benefit calculated using blended statutory rate of 29.56%

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 June 30, 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	(3.7)%	8.9 %
up 300	(2.5)%	6.9 %
up 200	(1.5)%	4.8 %
up 100	(0.5)%	2.8 %
down 100	0.3 %	(0.6)%
down 200	0.8 %	(1.0)%
down 300	0.8 %	(2.3)%
down 400	— %	(4.8)%

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 45%, for rates paid on non-maturity interest-bearing deposits in rising rate scenarios. Deposit betas of up to 60%, averaging 38%, 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 to balance customer needs with the bank's deposit expenses. 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 June 30, 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

Bancorp repurchased 100,000 shares totaling $2.2 million at an average price of $21.72 per share during the second quarter of 2025 under our share repurchase program that expired July 31, 2025. As announced in the Form 8-K filed July 28, 2025, the board of directors authorized the repurchase of up to $25.0 million of its common stock effective July 24, 2025 through July 31, 2027. This stock buyback program replaced the program approved in 2023 which expired July 31, 2025, under which Bancorp repurchased shares totaling $6.4 million.

The following table sets forth for the indicated period, share repurchases of our common stock:

(in thousands, except per share data)

Period	Total Number of Shares Purchased	Average Price Paid per Share [1 2]	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value That May yet Be Purchased Under the Program [3]
April 1, 2025 to April 30, 2025	—	$ —	—	$ 20,766
May 1, 2025 to May 31, 2025	—	—	—	20,766
June 1, 2025 to June 30, 2025	100	21.72	100	18,591
Three months ended June 30, 2025	100	$ 21.72	100	$ 18,591

[1] Average price paid per share excludes commission.

[2] The aggregate purchase price and weighted average price per share does not include the effect of excise tax expense incurred on net stock repurchases.

[3] Bancorp's share repurchase program approved by the Board of Directors on July 21, 2023, for up to $25.0 million which expired on July 31, 2025.

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 Form	File No.	Exhibit	Filing Date	Herewith
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 Misako 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)

August 8, 2025	*/s/ Timothy D. Myers*
Date	Timothy D. Myers President and Chief Executive Officer (Principal Executive Officer)
August 8, 2025	*/s/ David Bonaccorso*
Date	David Bonaccorso Executive Vice President & Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)

EXHIBIT 31.01

Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002

I, Timothy D. Myers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bank of Marin Bancorp (the Registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a -15(f) and 15d-15(f)) for the Registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

August 8, 2025	*/s/ Timothy D. Myers*
Date	Timothy D. Myers President & Chief Executive Officer

EXHIBIT 31.02

Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002

I, David Bonaccorso, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bank of Marin Bancorp (the Registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

August 8, 2025	*/s/ David Bonaccorso*
Date	David Bonaccorso
	Executive Vice President & Chief Financial Officer

EXHIBIT 32.01

Certification pursuant to 18 U.S.C. §1350 as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report on Form 10-Q of Bank of Marin Bancorp (the Registrant) for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission, the undersigned hereby certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1) such Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

August 8, 2025	*/s/ Timothy D. Myers*
Date	Timothy D. Myers President & Chief Executive Officer
August 8, 2025	*/s/ David Bonaccorso*
Date	David Bonaccorso Executive Vice President & Chief Financial Officer

This certification accompanies each report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Registrant for purposes of §18 of the Securities Exchange Act of 1934, as amended.