CEO CFO

Bank of Marin

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Having Grown To $1 Billion In Assets As Of December 31, 2008, Bank of Marin Bancorp Is Well Positioned For Growth In Their Marketplace, Serving Three Counties In Northern California

Financial
Regional – Pacific Banks
(BMRC-NASDAQ)

Bank of Marin Bancorp

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Russell A. Colombo
President, CEO and Director

BIO:
Russell A. Colombo is a lifelong resident of Marin County. He received a Bachelor of Science degree in Agricultural Economics & Business Management from University of California, Davis and an MBA in Banking & Finance from Golden Gate University. He joined Bank of Marin in March 2004 as Executive Vice President and Branch Administrator and was appointed Executive Vice President and Chief Operating Officer in July 2005. As of July 1, 2006 he assumed the position of President and Chief Executive Officer. He has thirty-four years of banking experience including positions as Senior Vice President and Group Manager of the San Francisco office of Comerica Bank and as Senior Vice President and Regional Manager during his nineteen year career with Union Bank of California. He serves on the Boards of Hanna Boys Center, Marin Workforce Housing Trust, and is Chair of College of Marin's President's Circle.

Company Profile:
On July 1, 2007 a bank holding company reorganization was completed whereby Bank of Marin Bancorp became the parent holding company for its sole subsidiary, Bank of Marin. On this date each outstanding share of Bank of Marin common stock was converted into one share of Bank of Marin Bancorp common stock and Bank of Marin became a wholly-owned subsidiary of the holding company. Bank of Marin Bancorp assumed the ticker symbol BMRC, which was formerly used by Bank of Marin.

Bank of Marin was incorporated in August 1989, received its charter from the California Superintendent of Banks (now the California Department of Financial Institutions) and commenced operations on January 23, 1990 with two branch offices. The Bank is an insured bank under the Federal Deposit Insurance Act. At the initial offering price of $10.00 per share 824,000 shares were sold, primarily to residents of Marin County. Since that initial offering the number of shares outstanding has changed as the result of stock splits and stock dividends, stock option exercises, conversion of subordinated debentures due May 2001, contribution of newly issued stock in the early years of the Bank's Employee Stock Ownership and Savings Plan, stock issued in payment of director fees and two stock repurchase plans.

Virtually all of the Bancorp's business is conducted through its sole subsidiary, Bank of Marin. The Bank operates through twelve branch offices in Marin and southern Sonoma counties, north of San Francisco, California. The Bank also has a commercial loan production office in San Francisco. The Bank's customer base is made up of business and personal banking relationships from the communities near the branch office locations. The Bank's business banking focus is on small to medium sized business, professionals and not-for-profit organizations.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Colombo, what is your vision for the Bank of Marin?
Mr. Colombo: "I've been CEO since July of 2006 and we are a community bank that serves three counties in Northern California, San Francisco, Marin County, which is on the other side of the Golden Gate Bridge in San Francisco, and Sonoma, County which is directly north of that. This community that we serve is a fairly affluent community. The medium household income is about twice what the average in the state and in the country as well. So we have a lot of wealth here, however in an area that primarily has a very low population growth, there is a lot of accumulation of wealth. Our vision as we go forward is to serve our communities and continue to expand in the contiguous counties around our market. We just passed a billion dollars in assets on December 31, 2008. We provide a variety

of services and lending facilities to consumers and small businesses in our market. We do not offer residential mortgages, but other than that, we offer a pretty broad array of business products and loans, such as commercial real estate, commercial loans and consumer loans (such as home equity loans) and other types of consumer loans. Our vision as we go forward is to continue to grow and to be the dominant community bank of our market."

CEOCFO: You've grown to a billion in assets; would you tell us how you got there?

Mr. Colombo: "All of the growth for this bank since we started 19 years ago has been organic. We have 12 branch offices; 9 in Marin County, 3 in Sonoma County (Petaluma) and one loan production office, not a full branch, in San Francisco. We have not made any acquisitions in our history. We maintain a culture of serving our communities and giving back to the communities that we serve. Our loan growth was very strong in 2008, and we had 22% loan growth. Credit quality remains good. Fourth quarter wasn't as good as historical numbers, but we were still very profitable and made $2.5 million in the fourth quarter and for the year over $12 million. Contrary to many banks theses days, we're in very good financial condition. I look at that and I think it's a function that we stayed pretty true to our communities and did not venture into other areas looking for growth. It served us well because there's not a lot of big residential development here in Marin county, so we haven't had the problems that so many communities have had with sub-prime mortgages and the over building of single family homes."

CEOCFO: Are you still considered a de novo?

Mr. Colombo: "We were de novo back in 1990. As a $1 billion bank, while it's relatively small to the big banks in our market, we are the largest community bank."

CEOCFO: What are your plans for future growth?

Mr. Colombo: "When we look at growth, we look at it from three perspectives. We have been working really hard to expand our product offerings to our small business clients. We have a very strong presence in this community and we're trying to expand the product offerings so that we can expand the services that we provide them and continue to build that market share. Secondly, we're focused on growing our market share in Marin County and Sonoma by developing new businesses and taking market share from our competitors. Thirdly, we're looking at expanding outside of our market. Our San Francisco loan production office was our first venture outside of our existing footprint and now we're expanding that office to grow our business development efforts in East Bay, so that we build our commercial banking activity. We think it is important to build our commercial banking activities because that grows the core deposit base of the bank which is our real strength. About 25% of our deposits are in demand deposits and that really is the value of our franchise."

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CEOCFO: Is your focus more on commercial or consumer at this point?

Mr. Colombo: "We're more of a commercial bank, but we like to consider ourselves as a community bank. When you look at deposits in Marin County, on the business side we have about 25% market share and on the consumer side, it's much less. Our total market share deposits are about 10%. We have built the bank by serving the small business man and the consumer growth has really been a function of that. In other words, we bank the individuals who have businesses. It starts out more as a business bank, but we also offer many consumer products other than residential mortgages."

CEOCFO: You mentioned that you are in a wealth growth area; has the economic downturn affected the bank of Marin?

Mr. Colombo: "It certainly has affected us. While this county is more resilient than most, it certainly has been impacted. The retail sales are down and the unemployment is up, but relative to other communities, it's not nearly as bad. When I think of that, I look at the fact that there hasn't been a lot of new residential development in markets, which has been a catalyst for all of the problems. In areas like Sacramento, where there is huge residential development, they have problems, which causes commercial real estate problems. We do a lot of commercial real estate lending, but we are in markets that are relatively mature, so you don't' have the kind of problems that come with the high growth, new development areas. Therefore, we've been impacted relatively less than the rest of the country; this county is in pretty good shape."

CEOCFO: Did you participate in the Tarp funding?

Mr. Colombo: "Yes, we chose to participate in the Tarp funding, but have already repurchased the $28 million in preferred stock that was originally issued. When we received the Tarp funding we were - and still are - a very healthy bank and only had to leverage that twice in order for it to be EPS neutral. The reality was we received our funding on December 5th and by December 31st we had lent out $27.1 million. At that time we viewed the program as an opportunity for a good bank to increase capital and leverage that capital with more lending to the communities we serve. We didn't take it because we needed it. But the rules of the TARP

program changed, and we felt it would negatively impact our customers, shareholders, and employees and overall how we run our organization as an independent business.

We are still a very healthy, stable bank and well capitalized with a Risk-Based Capital Ratio exceeding the regulatory standard for a "Well Capitalized" institution.

CEOCFO: Capitalization is key for banks.
Mr. Colombo: "We clearly are not leveraged as high as the investment banks and we have not taken the risky portfolio positions that the investment banks do. We have a very well diversified loan portfolio. Our credit under writing is very conservative and has been consistently applied over the years. We've had very high capital ratio and we decided that this would be a good opportunity to expand that capital ratio. At a 14% capital ratio, we are in a pretty good position to weather even more significant downturn than we've had thus far. We thought that was important to protect our shareholders and to protect the organization even if there are problems. However, if there weren't, we have a lot of capital to grow the bank even further. Clearly, we've gone over a billion dollars with a very significant loan growth in 2008 and we're anticipating that 2009 will continue that trend."

CEOCFO: Would you ever consider making acquisitions as a part of your growth strategy?
Mr. Colombo: "The bank has never made an acquisition, however, if an opportunity came along that would enhance our franchise, we would certainly consider it. We keep our eyes open and it's not like we would never do it. We would not make an acquisition however that jumped over a market or was not contiguous of existing markets."

CEOCFO: What would you say sets you apart and gives you an edge on you competition with both the smaller community banks and the larger community banks in your area?
Mr. Colombo: "I think the real edge is with being a community bank. The businesses that are located in this area can come to us and actually deal with bankers that take the time to understand the business and provide a service level that the bigger banks can't and won't do. We're part of this community, so we collect deposits from our markets and then we reinvest in our communities. We're not collecting deposits in Marin and lending in Sacramento; we're keeping it local. On top of that, we have a very high level of service and we're a high touch bank. That means better communication with our customers, and that's what's important. When customers have problems, they want a bank that has taken the time to understand what they do. Another advantage is that from a structural standpoint, we are very well capitalized. As I talked about, the real value of our franchise is our core deposit ratio. We have 25% in demand deposits and when you add savings and Now Accounts to that, over 40% of our funding is in either no interest or very low interest accounts. Our cost of funds in total is just over 1% and our net interest margin is 5.35%, so that's a tremendous advantage over our competition."

CEOCFO: Do you have the products that you feel are necessary for what your customers are asking for, or are there products that you think you'll be adding?
Mr. Colombo: "The last couple of years we have been focusing on bringing on the kind of products that our business customers need. We brought on remote deposit capture, positive pay, and automated lock box, and we've wrapped all of our business offering into a product offering that we call BAM, which is Business Account Management. Our cash management products are up to date. Our business internet banking is top quality. We're able to go to our clients and offer the same types of services that they would get from a bigger bank with a much higher level of service. What we want to do is to focus on building loyalty with our clients and having them understand the value proposition that we offer versus banking with some other organization."

CEOCFO: In closing, why should potential investors put Bank of Marin Bancorp on their radar and would you ever consider going to the street for funding?
Mr. Colombo: "We are a public company and we are traded on Nasdaq Capital Markets. We have about 5.2 million shares outstanding. We're trading currently about just over book. For a bank like ours, our multiple is 8 ½ times earnings, which is pretty low, but financials in general are being dragged down by all of the mess that is going on. I personally think that we have a very strong market niche and if you look historically, the trading values for banks like ours are a a lot higher than we are currently trading. If you look at our organization, the fundamentals are very good, conservative underwriting, high core deposit ratio, a good diversification of loans, no residential mortgages and not a lot of borrowing. Most of our funding is deposit based as opposed to the borrowing a lot of money from the Federal Home Loan Bank. We have a product called CDARS, which is a deposit product where we offer CDs that you can have FDIC insurance up to $50 million. Technically, that's called a brokered deposit, but it's all with our customers and we don't do other brokered deposits. We're gathering deposits in our market and lending them out in these markets and that's a key strength. We have such a strong deposit base that the chances of a liquidity crisis, which in my view is a big risk for some banks that borrow a lot of money, is very low and we have managed that pretty well. Overall, we have a very bright future because of the fundamentals of our business."

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