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DELTA REPORT

10-Q

BMRC - BANK OF MARIN BANCORP

10-Q - JUNE 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1117
CHANGES	212
DELETIONS	448
ADDITIONS	457

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023 June 30, 2023
OR

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

For the transition period from ______________ to ______________

Commission File Number 001-33572

Bank of Marin Bancorp

(Exact name of Registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes No

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

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

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

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

As of April 30, 2023 July 31, 2023, there were 16,115,082 16,120,092 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)	(in thousands, except share data; unaudited)	March 31, 2023	December 31, 2022	(in thousands, except share data; unaudited)	June 30, 2023	December 31, 2022
Assets	**Assets**			**Assets**		

Cash, cash equivalents and restricted cash	Cash, cash equivalents and restricted cash	$ 37,993	$ 45,424	Cash, cash equivalents and restricted cash	$ 39,657	$ 45,424
Investment securities:	Investment securities:			Investment securities:		
Held-to-maturity, at amortized cost (net of zero allowance for credit losses at March 31, 2023 and December 31, 2022)		958,560	972,207			
Available-for-sale, at fair value (net of zero allowance for credit losses at March 31, 2023 and December 31, 2022)		797,533	802,096			
Held-to-maturity, at amortized cost (net of zero allowance for credit losses at June 30, 2023 and December 31, 2022)				Held-to-maturity, at amortized cost (net of zero allowance for credit losses at June 30, 2023 and December 31, 2022)	946,808	972,207
Available-for-sale, at fair value (net of zero allowance for credit losses at June 30, 2023 and December 31, 2022)				Available-for-sale, at fair value (net of zero allowance for credit losses at June 30, 2023 and December 31, 2022)	770,942	802,096
Total investment securities	Total investment securities	1,756,093	1,774,303	Total investment securities	1,717,750	1,774,303
Loans, at amortized cost	Loans, at amortized cost	2,112,328	2,092,546	Loans, at amortized cost	2,102,796	2,092,546
Allowance for credit losses on loans	Allowance for credit losses on loans	(23,330)	(22,983)	Allowance for credit losses on loans	(23,832)	(22,983)
Loans, net of allowance for credit losses on loans	Loans, net of allowance for credit losses on loans	2,088,998	2,069,563	Loans, net of allowance for credit losses on loans	2,078,964	2,069,563
Goodwill	Goodwill	72,754	72,754	Goodwill	72,754	72,754
Bank-owned life insurance	Bank-owned life insurance	67,006	67,066	Bank-owned life insurance	67,367	67,066
Operating lease right-of-use assets	Operating lease right-of-use assets	22,854	24,821	Operating lease right-of-use assets	22,739	24,821
Bank premises and equipment, net	Bank premises and equipment, net	8,690	8,134	Bank premises and equipment, net	8,683	8,134
Core deposit intangible, net	Core deposit intangible, net	4,771	5,116	Core deposit intangible, net	4,431	5,116
Other real estate owned	Other real estate owned	455	455	Other real estate owned	415	455
Interest receivable and other assets	Interest receivable and other assets	75,665	79,828	Interest receivable and other assets	79,373	79,828
Total assets	**Total assets**	**$ 4,135,279**	**$ 4,147,464**	**Total assets**	**$ 4,092,133**	**$ 4,147,464**
Liabilities and Stockholders' Equity	**Liabilities and Stockholders' Equity**			**Liabilities and Stockholders' Equity**		
Liabilities	**Liabilities**			**Liabilities**		
Deposits:	Deposits:			Deposits:		
Non-interest bearing	Non-interest bearing	$ 1,636,651	$ 1,839,114	Non-interest bearing	$ 1,588,723	$ 1,839,114
Interest bearing	Interest bearing			Interest bearing		
Transaction accounts	Transaction accounts	251,716	287,651	Transaction accounts	229,434	287,651
Savings accounts	Savings accounts	306,951	338,163	Savings accounts	274,510	338,163
Money market accounts	Money market accounts	911,189	989,390	Money market accounts	1,029,082	989,390
Time accounts	Time accounts	144,067	119,030	Time accounts	203,463	119,030
Total deposits	Total deposits	3,250,574	3,573,348	Total deposits	3,325,212	3,573,348
Short-term borrowings and other obligations	Short-term borrowings and other obligations	405,802	112,439	Short-term borrowings and other obligations	292,572	112,439
Operating lease liabilities	Operating lease liabilities	25,433	26,639	Operating lease liabilities	25,220	26,639
Interest payable and other liabilities	Interest payable and other liabilities	23,296	22,946	Interest payable and other liabilities	25,188	22,946
Total liabilities	Total liabilities	3,705,105	3,735,372	Total liabilities	3,668,192	3,735,372

Commitments and contingent liabilities (Note 8)	Commitments and contingent liabilities (Note 8)			Commitments and contingent liabilities (Note 8)		
Stockholders' Equity	**Stockholders' Equity**			**Stockholders' Equity**		
Preferred stock, no par value, Authorized - 5,000,000 shares, none issued	Preferred stock, no par value, Authorized - 5,000,000 shares, none issued	—	—	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 - 16,107,210 and 16,029,138 at March 31, 2023 and December 31, 2022, respectively		215,965	215,057			
Common stock, no par value, Authorized - 30,000,000 shares; issued and outstanding - 16,107,192 and 16,029,138 at June 30, 2023 and December 31, 2022, respectively				Common stock, no par value, Authorized - 30,000,000 shares; issued and outstanding - 16,107,192 and 16,029,138 at June 30, 2023 and December 31, 2022, respectively	216,589	215,057
Retained earnings	Retained earnings	276,209	270,781	Retained earnings	276,732	270,781
Accumulated other comprehensive loss, net of taxes	Accumulated other comprehensive loss, net of taxes	(62,000)	(73,746)	Accumulated other comprehensive loss, net of taxes	(69,380)	(73,746)
Total stockholders' equity	Total stockholders' equity	430,174	412,092	Total stockholders' equity	423,941	412,092
Total liabilities and stockholders' equity	**Total liabilities and stockholders' equity**	**$ 4,135,279**	**$ 4,147,464**	**Total liabilities and stockholders' equity**	**$ 4,092,133**	**$ 4,147,464**

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

BANK OF MARIN BANCORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

BANK OF MARIN BANCORP CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

BANK OF MARIN BANCORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

		Three months ended				Three months ended			Six months ended	
(in thousands, except per share amounts; unaudited)	(in thousands, except per share amounts; unaudited)	March 31, 2023	December 31, 2022	March 31, 2022	(in thousands, except per share amounts; unaudited)	June 30, 2023	March 31, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Interest income	**Interest income**				**Interest income**					
Interest and fees on loans	Interest and fees on loans	$ 24,258	$ 23,500	$ 23,677	Interest and fees on loans	$ 24,579	$ 24,258	$ 23,334	$ 48,837	$ 47,011
Interest on investment securities	Interest on investment securities	10,033	10,126	6,693	Interest on investment securities	9,994	10,033	8,273	20,027	14,966
Interest on federal funds sold and due from banks	Interest on federal funds sold and due from banks	56	575	106	Interest on federal funds sold and due from banks	48	56	180	104	286

Total interest income	Total interest income	34,347	34,201	30,476	Total interest income	34,621	34,347	31,787		68,968	62,263		
Interest expense	**Interest expense**				**Interest expense**								
Interest on interest-bearing transaction accounts	Interest on interest-bearing transaction accounts	254	191	56	Interest on interest-bearing transaction accounts	234	254	53		488	109		
Interest on savings accounts	Interest on savings accounts	170	32	29	Interest on savings accounts	146	170	32		316	61		
Interest on money market accounts	Interest on money market accounts	1,085	405	478	Interest on money market accounts	4,292	1,085	438		5,377	916		
Interest on time accounts	Interest on time accounts	223	114	14	Interest on time accounts	946	223	67		1,169	81		
Interest on borrowings and other obligations	Interest on borrowings and other obligations	2,716	89	1	Interest on borrowings and other obligations	4,873	2,716	—		7,589	1		
Total interest expense	Total interest expense	4,448	831	578	Total interest expense	10,491	4,448	590		14,939	1,168		
Net interest income	Net interest income	29,899	33,370	29,898	Net interest income	24,130	29,899	31,197		54,029	61,095		
Provision for (reversal of) credit losses on loans	Provision for (reversal of) credit losses on loans	350	—	(485)	Provision for (reversal of) credit losses on loans	500	350	—		850	(485)		
Reversal of credit losses on unfunded loan commitments	Reversal of credit losses on unfunded loan commitments	(174)	—	(318)	Reversal of credit losses on unfunded loan commitments	(168)	(174)	—		(342)	(318)		
Net interest income after provision for (reversal of) credit losses	Net interest income after provision for (reversal of) credit losses	29,723	33,370	30,701	Net interest income after provision for (reversal of) credit losses	23,798	29,723	31,197		53,521	61,898		
Non-interest income	**Non-interest income**				**Non-interest income**								
Wealth Management and Trust Services								Wealth Management and Trust Services	559	511	630	1,070	1,230
Earnings on bank-owned life insurance, net	Earnings on bank-owned life insurance, net	705	296	413	Earnings on bank-owned life insurance, net	362	705	298		1,067	711		
Service charges on deposit accounts	Service charges on deposit accounts	533	519	488	Service charges on deposit accounts	520	533	465		1,053	953		
Wealth Management and Trust Services		511	490	600									
Debit card interchange fees, net	Debit card interchange fees, net	447	513	505	Debit card interchange fees, net	555	447	531		1,002	1,036		

Dividends on Federal Home Loan Bank stock	Dividends on Federal Home Loan Bank stock	302	297	259	Dividends on Federal Home Loan Bank stock	290	302		249		592	508		
Merchant interchange fees, net	Merchant interchange fees, net	133	119	140	Merchant interchange fees, net	127	133		149		260	289		
Other income	Other income	304	353	462	Other income	326	304		406		630	868		
Total non-interest income	Total non-interest income	2,935	2,587	2,867	Total non-interest income	2,739	2,935		2,728		5,674	5,595		
Non-interest expense	**Non-interest expense**				**Non-interest expense**									
Salaries and related benefits	Salaries and related benefits	10,930	9,600	11,548	Salaries and related benefits	11,416	10,930		10,341		22,346	21,889		
Occupancy and equipment	Occupancy and equipment	2,414	2,084	1,907	Occupancy and equipment	1,980	2,414		1,891		4,394	3,798		
Data processing								Data processing		922	1,045	1,199	1,967	2,476
Professional services	Professional services	1,123	985	913	Professional services	797	1,123		665		1,920	1,578		
Data processing		1,045	1,080	1,277										
Depreciation and amortization	Depreciation and amortization	882	581	452	Depreciation and amortization	400	882		393		1,282	845		
Federal Deposit Insurance Corporation insurance								Federal Deposit Insurance Corporation insurance		666	289	296	955	586
Information technology	Information technology	370	678	478	Information technology	357	370		468		727	946		
Charitable contributions								Charitable contributions		638	49	511	687	556
Amortization of core deposit intangible	Amortization of core deposit intangible	345	365	380	Amortization of core deposit intangible	340	345		374		685	754		
Directors' expense	Directors' expense	321	269	311	Directors' expense	300	321		294		621	605		
Federal Deposit Insurance Corporation insurance		289	293	290										
Charitable contributions		49	104	45										
Other real estate owned	Other real estate owned	4	4	2	Other real estate owned	44	4		3		48	5		
Other expense	Other expense	2,008	2,267	1,772	Other expense	2,805	2,008		2,471		4,813	4,243		
Total non-interest expense	Total non-interest expense	19,780	18,310	19,375	Total non-interest expense	20,665	19,780		18,906		40,445	38,281		
Income before provision for income taxes	Income before provision for income taxes	12,878	17,647	14,193	Income before provision for income taxes	5,872	12,878		15,019		18,750	29,212		
Provision for income taxes	Provision for income taxes	3,438	4,766	3,728	Provision for income taxes	1,321	3,438		3,953		4,759	7,681		
Net income	**Net income**	**$ 9,440**	**$ 12,881**	**$ 10,465**	**Net income**	**$ 4,551**	**$ 9,440**		**$ 11,066**		**$ 13,991**	**$ 21,531**		
Net income per common share:	Net income per common share:				Net income per common share:									
Basic	Basic	$ 0.59	$ 0.81	$ 0.66	Basic	$ 0.28	$ 0.59		$ 0.70		$ 0.88	$ 1.35		
Diluted	Diluted	$ 0.59	$ 0.81	$ 0.66	Diluted	$ 0.28	$ 0.59		$ 0.69		$ 0.87	$ 1.35		

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Weighted average shares:	Weighted average shares:				Weighted average shares:					
Basic	Basic	15,970	15,948	15,876	Basic	16,009	15,970	15,921	15,990	15,898
Diluted	Diluted	15,999	16,001	15,946	Diluted	16,016	15,999	15,955	16,008	15,950
Comprehensive income (loss):										
Comprehensive (loss) income:								**Comprehensive (loss) income:**		
Net income	Net income	$ 9,440	$ 12,881	$ 10,465	Net income	$ 4,551	$ 9,440	$ 11,066	$ 13,991	$ 21,531
Other comprehensive income (loss):										
Other comprehensive (loss) income:								Other comprehensive (loss) income:		
Change in net unrealized gains or losses on available-for-sale securities	Change in net unrealized gains or losses on available-for-sale securities	16,213	8,474	(38,228)	Change in net unrealized gains or losses on available-for-sale securities	(10,928)	16,213	(27,050)	5,285	(65,278)
Net unrealized losses on securities transferred from available-for-sale to held-to-maturity	Net unrealized losses on securities transferred from available-for-sale to held-to-maturity	—	—	(14,847)	Net unrealized losses on securities transferred from available-for-sale to held-to-maturity	—	—	—	—	(14,847)
Amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity	Amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity	463	454	144	Amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity	451	463	472	914	616

Other comprehensive income (loss), before tax	16,676	8,928	(52,931)
Deferred tax expense (benefit)	4,930	2,639	(15,648)
Other comprehensive income (loss), net of tax	11,746	6,289	(37,283)
Total comprehensive income (loss)	**$ 21,186**	**$ 19,170**	**$ (26,818)**

Other comprehensive (loss) income, before tax	Other comprehensive (loss) income, before tax	(10,477)	16,676	(26,578)	6,199	(79,509)
Deferred tax (benefit) expense	Deferred tax (benefit) expense	(3,097)	4,930	(7,857)	1,833	(23,505)
Other comprehensive (loss) income, net of tax	Other comprehensive (loss) income, net of tax	(7,380)	11,746	(18,721)	4,366	(56,004)
Total comprehensive (loss) income	**Total comprehensive (loss) income**	**$ (2,829)**	**$ 21,186**	**$ (7,655)**	**$ 18,357**	**$ (34,473)**

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

BANK OF MARIN BANCORP

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the three months ended March 31, 2023 June 30, 2023 and 2022

(in thousands, except share data; unaudited)	(in thousands, except share data; unaudited)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive (Loss) Income, Net of Taxes	Total
	Three months ended March 31, 2023					
Balance at January 1, 2023		16,029,138	$ 215,057	$ 270,781	$ (73,746)	$ 412,092
Balance at April 1, 2023						
Net income	Net income	—	—	9,440	—	9,440
Other comprehensive income, net of tax		—	—	—	11,746	11,746
Other comprehensive loss, net of tax						
Stock issued under employee stock purchase plan						
Stock issued under employee stock ownership plan						
Restricted stock surrendered for tax withholdings upon vesting						
Restricted stock forfeited / cancelled						
Stock-based compensation - stock options						
Stock-based compensation - restricted stock						
Cash dividends paid on common stock ($0.25 per share)						
Balance at June 30, 2023						
Balance at April 1, 2022						
Net income						
Other comprehensive loss, net of tax						

(in thousands, except share data; unaudited)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive (Loss) Income, Net of Taxes	Total
Three months ended June 30, 2023					
Balance at April 1, 2023	16,107,210	$ 215,965	$ 276,209	$ (62,000)	$ 430,174
Net income	—	—	4,551	—	4,551
Other comprehensive loss, net of tax	—	—	—	(7,380)	(7,380)
Stock issued under employee stock purchase plan	741	12	—	—	12
Stock issued under employee stock ownership plan	19,700	424	—	—	424
Restricted stock surrendered for tax withholdings upon vesting	(285)	(4)	—	—	(4)
Restricted stock forfeited / cancelled	(20,174)	—	—	—	—
Stock-based compensation - stock options	—	21	—	—	21
Stock-based compensation - restricted stock	—	171	—	—	171
Cash dividends paid on common stock ($0.25 per share)	—	—	(4,028)	—	(4,028)
Balance at June 30, 2023	16,107,192	$ 216,589	$ 276,732	$ (69,380)	$ 423,941
Three months ended June 30, 2022					
Balance at April 1, 2022	16,003,847	$ 213,204	$ 246,511	$ (39,307)	$ 420,408
Net income	—	—	11,066	—	11,066
Other comprehensive loss, net of tax	—	—	—	(18,721)	(18,721)

Stock options exercised, net of shares surrendered for cashless exercises and tax withholdings	Stock options exercised, net of shares surrendered for cashless exercises and tax withholdings	11,530	230	—	—	230	Stock options exercised, net of shares surrendered for cashless exercises and tax withholdings	4,768	81	—	—	81
Stock issued under employee stock purchase plan	Stock issued under employee stock purchase plan	415	9	—	—	9	Stock issued under employee stock purchase plan	936	30	—	—	30
Stock issued under employee stock ownership plan	Stock issued under employee stock ownership plan	14,300	423	—	—	423	Stock issued under employee stock ownership plan	13,000	412	—	—	412
Restricted stock granted		49,428	—	—	—	—						
Restricted stock surrendered for tax withholdings upon vesting		(2,213)	(65)	—	—	(65)						
Stock-based compensation - stock options		—	116	—	—	116						
Stock-based compensation - restricted stock		—	45	—	—	45						
Cash dividends paid on common stock ($0.25 per share)		—	—	(4,012)	—	(4,012)						
Stock issued in payment of director fees		4,612	150	—	—	150						
Balance at March 31, 2023		16,107,210	$ 215,965	$ 276,209	$ (62,000)	$ 430,174						
		Three months ended March 31, 2022										
Balance at January 1, 2022		15,929,243	$ 212,524	$ 239,868	$ (2,024)	$ 450,368						
Net income		—	—	10,465	—	10,465						
Other comprehensive loss, net of tax		—	—	—	(37,283)	(37,283)						
Stock options exercised, net of shares surrendered for cashless exercises and tax withholdings		35,543	739	—	—	739						
Stock issued under employee stock ownership plan		12,000	417	—	—	417						
Restricted stock granted		46,672	—	—	—	—						
Restricted stock surrendered for tax withholdings upon vesting	Restricted stock surrendered for tax withholdings upon vesting	(836)	(29)	—	—	(29)	Restricted stock surrendered for tax withholdings upon vesting	(333)	(11)	—	—	(11)
Restricted stock forfeited / cancelled	Restricted stock forfeited / cancelled	(649)	—	—	—	—	Restricted stock forfeited / cancelled	(12,618)	—	—	—	—
Stock-based compensation - stock options	Stock-based compensation - stock options	—	86	—	—	86	Stock-based compensation - stock options	—	29	—	—	29

Stock-based compensation - restricted stock	Stock-based compensation - restricted stock	—	151	—	—	151	Stock-based compensation - restricted stock	—	119	—	—	119
Cash dividends paid on common stock ($0.24 per share)	Cash dividends paid on common stock ($0.24 per share)	—	—	(3,822)	—	(3,822)	Cash dividends paid on common stock ($0.24 per share)	—	—	(3,840)	—	(3,840)
Stock issued in payment of director fees		5,149	193	—	—	193						
Stock repurchased, including commissions		(23,275)	(877)	—	—	(877)						
Balance at March 31, 2022		16,003,847	$ 213,204	$ 246,511	$ (39,307)	$ 420,408						
Balance at June 30, 2022							Balance at June 30, 2022	16,009,600	$ 213,864	$ 253,737	$ (58,028)	$ 409,573

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, 2023 and 2022

(in thousands, except share data; unaudited)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive (Loss) Income, Net of Taxes	Total
			Six months ended June 30, 2023		
Balance at January 1, 2023	16,029,138	$ 215,057	$ 270,781	$ (73,746)	$ 412,092
Net income	—	—	13,991	—	13,991
Other comprehensive income, net of tax	—	—	—	4,366	4,366
Stock options exercised, net of shares surrendered for cashless exercises and tax withholdings	11,530	230	—	—	230
Stock issued under employee stock purchase plan	1,156	21	—	—	21
Stock issued under employee stock ownership plan	34,000	847	—	—	847
Restricted stock granted	49,428	—	—	—	—
Restricted stock surrendered for tax withholdings upon vesting	(2,498)	(70)	—	—	(70)
Restricted stock forfeited / cancelled	(20,174)	—	—	—	—
Stock-based compensation - stock options	—	137	—	—	137
Stock-based compensation - restricted stock	—	217	—	—	217
Cash dividends paid on common stock ($0.50 per share)	—	—	(8,040)	—	(8,040)
Stock issued in payment of director fees	4,612	150	—	—	150
Balance at June 30, 2023	16,107,192	$ 216,589	$ 276,732	$ (69,380)	$ 423,941
			Six months ended June 30, 2022		
Balance at January 1, 2022	15,929,243	$ 212,524	$ 239,868	$ (2,024)	$ 450,368
Net income	—	—	21,531	—	21,531
Other comprehensive loss, net of tax	—	—	—	(56,004)	(56,004)
Stock options exercised, net of shares surrendered for cashless exercises and tax withholdings	40,311	820	—	—	820
Stock issued under employee stock purchase plan	936	30	—	—	30
Stock issued under employee stock ownership plan	25,000	829	—	—	829
Restricted stock granted	46,672	—	—	—	—
Restricted stock surrendered for tax withholdings upon vesting	(1,169)	(40)	—	—	(40)
Restricted stock forfeited / cancelled	(13,267)	—	—	—	—
Stock-based compensation - stock options	—	115	—	—	115

Stock-based compensation - restricted stock	—	270	—	—	270
Cash dividends paid on common stock ($0.48 per share)	—	—	(7,662)	—	(7,662)
Stock issued in payment of director fees	5,149	193	—	—	193
Stock repurchased, including commissions	(23,275)	(877)	—	—	(877)
Balance at June 30, 2022	16,009,600	$ 213,864	$ 253,737	$ (58,028)	$ 409,573

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

BANK OF MARIN BANCORP

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three six months ended March 31, 2023 June 30, 2023 and 2022

(in thousands; unaudited)	(in thousands; unaudited)	2023	2022	(in thousands; unaudited)	2023	2022
Cash Flows from Operating Activities:	**Cash Flows from Operating Activities:**			**Cash Flows from Operating Activities:**		
Net income	Net income	$ 9,440	$ 10,465	Net income	$ 13,991	$ 21,531
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:			Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (reversal of) credit losses on loans	Provision for (reversal of) credit losses on loans	350	(485)	Provision for (reversal of) credit losses on loans	850	(485)
Reversal of credit losses on unfunded loan commitments	Reversal of credit losses on unfunded loan commitments	(174)	(318)	Reversal of credit losses on unfunded loan commitments	(342)	(318)
Noncash contribution expense to employee stock ownership plan	Noncash contribution expense to employee stock ownership plan	423	417	Noncash contribution expense to employee stock ownership plan	847	829
Noncash director compensation expense	Noncash director compensation expense	150	193	Noncash director compensation expense	150	193
Stock-based compensation expense	Stock-based compensation expense	161	237	Stock-based compensation expense	354	385
Amortization of core deposit intangible	Amortization of core deposit intangible	345	380	Amortization of core deposit intangible	685	754
Amortization of investment security premiums, net of accretion of discounts	Amortization of investment security premiums, net of accretion of discounts	1,964	2,497	Amortization of investment security premiums, net of accretion of discounts	3,781	4,963
(Accretion of discounts) amortization of premiums on acquired loans, net	(Accretion of discounts) amortization of premiums on acquired loans, net	(168)	115	(Accretion of discounts) amortization of premiums on acquired loans, net	(415)	281
Net change in deferred loan origination costs/fees	Net change in deferred loan origination costs/fees	(324)	(1,591)	Net change in deferred loan origination costs/fees	(588)	(2,322)
Write-down of other real estate owned				Write-down of other real estate owned	40	—
Depreciation and amortization	Depreciation and amortization	882	452	Depreciation and amortization	1,282	845
Earnings on bank-owned life insurance policies	Earnings on bank-owned life insurance policies	(705)	(413)	Earnings on bank-owned life insurance policies	(1,067)	(711)

Net changes in interest receivable and other assets	Net changes in interest receivable and other assets	(203)	4,648	Net changes in interest receivable and other assets	(1,354)	(443)
Net changes in interest payable and other liabilities	Net changes in interest payable and other liabilities	1,303	(5,118)	Net changes in interest payable and other liabilities	3,284	(5,894)
Total adjustments	Total adjustments	4,004	1,014	Total adjustments	7,507	(1,923)
Net cash provided by operating activities	Net cash provided by operating activities	13,444	11,479	Net cash provided by operating activities	21,498	19,608
Cash Flows from Investing Activities:	**Cash Flows from Investing Activities:**			**Cash Flows from Investing Activities:**		
Purchase of held-to-maturity securities	Purchase of held-to-maturity securities	—	(95,932)	Purchase of held-to-maturity securities	—	(208,784)
Purchase of available-for-sale securities	Purchase of available-for-sale securities	—	(243,459)	Purchase of available-for-sale securities	—	(243,459)
Proceeds from paydowns/maturities of held-to-maturity securities	Proceeds from paydowns/maturities of held-to-maturity securities	13,634	5,067	Proceeds from paydowns/maturities of held-to-maturity securities	25,377	16,827
Proceeds from paydowns/maturities of available-for-sale securities	Proceeds from paydowns/maturities of available-for-sale securities	19,288	42,966	Proceeds from paydowns/maturities of available-for-sale securities	33,595	76,276
(Increase) decrease in loans receivable, net	(Increase) decrease in loans receivable, net	(19,072)	54,524	(Increase) decrease in loans receivable, net	(9,271)	93,875
Proceeds from bank-owned life insurance policies	Proceeds from bank-owned life insurance policies	—	350	Proceeds from bank-owned life insurance policies	766	350
Purchase of premises and equipment	Purchase of premises and equipment	(1,438)	(130)	Purchase of premises and equipment	(1,823)	(354)
Cash paid for low income housing tax credit investment	Cash paid for low income housing tax credit investment	(38)	(4)	Cash paid for low income housing tax credit investment	(39)	(30)
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	12,374	(236,618)	Net cash provided by (used in) investing activities	48,605	(265,299)
Cash Flows from Financing Activities:	**Cash Flows from Financing Activities:**			**Cash Flows from Financing Activities:**		
Net (decrease) increase in deposits	Net (decrease) increase in deposits	(322,774)	52,792	Net (decrease) increase in deposits	(248,136)	22,120
Proceeds from short-term Federal Home Loan Bank borrowings, net	Proceeds from short-term Federal Home Loan Bank borrowings, net	293,400	—	Proceeds from short-term Federal Home Loan Bank borrowings, net	180,200	—
Repayment of finance lease obligations	Repayment of finance lease obligations	(37)	(31)	Repayment of finance lease obligations	(75)	(63)
Proceeds from stock options exercised	Proceeds from stock options exercised	230	739	Proceeds from stock options exercised	230	820
Restricted stock surrendered for tax withholdings upon vesting	Restricted stock surrendered for tax withholdings upon vesting	(65)	(29)	Restricted stock surrendered for tax withholdings upon vesting	(70)	(40)
Cash dividends paid on common stock	Cash dividends paid on common stock	(4,012)	(3,822)	Cash dividends paid on common stock	(8,040)	(7,662)
Stock repurchased, including commissions	Stock repurchased, including commissions	—	(1,250)	Stock repurchased, including commissions	—	(1,250)
Proceeds from stock issued under employee and director stock purchase plans	Proceeds from stock issued under employee and director stock purchase plans	9	—	Proceeds from stock issued under employee and director stock purchase plans	21	30

Net cash (used in) provided by financing activities	Net cash (used in) provided by financing activities		(33,249)		48,399	Net cash (used in) provided by financing activities		(75,870)		13,955
Net decrease in cash, cash equivalents and restricted cash	Net decrease in cash, cash equivalents and restricted cash		(7,431)		(176,740)	Net decrease in cash, cash equivalents and restricted cash		(5,767)		(231,736)
Cash, cash equivalents and restricted cash at beginning of period	Cash, cash equivalents and restricted cash at beginning of period		45,424		347,641	Cash, cash equivalents and restricted cash at beginning of period		45,424		347,641
Cash, cash equivalents and restricted cash at end of period	Cash, cash equivalents and restricted cash at end of period	$	37,993	$	170,901	Cash, cash equivalents and restricted cash at end of period	$	39,657	$	115,905
Supplemental disclosure of cash flow information:	**Supplemental disclosure of cash flow information:**					**Supplemental disclosure of cash flow information:**				
Cash paid in interest	Cash paid in interest	$	4,290	$	588	Cash paid in interest	$	14,151	$	1,175
Cash paid in income taxes	Cash paid in income taxes	$	—	$	—	Cash paid in income taxes	$	—	$	8,450
Supplemental disclosure of noncash investing and financing activities:	**Supplemental disclosure of noncash investing and financing activities:**					**Supplemental disclosure of noncash investing and financing activities:**				
Change in net unrealized gains or losses on available-for-sale securities	Change in net unrealized gains or losses on available-for-sale securities	$	16,213	$	(38,228)	Change in net unrealized gains or losses on available-for-sale securities	$	5,285	$	(65,278)
Securities transferred from available-for-sale to held-to-maturity, at fair value	Securities transferred from available-for-sale to held-to-maturity, at fair value	$	—	$	357,482	Securities transferred from available-for-sale to held-to-maturity, at fair value	$	—	$	357,482
Amortization of net unrealized loss on available-for-sale securities transferred to held-to-maturity	Amortization of net unrealized loss on available-for-sale securities transferred to held-to-maturity	$	463	$	144	Amortization of net unrealized loss on available-for-sale securities transferred to held-to-maturity	$	914	$	616
Purchase of investment securities not yet settled						Purchase of investment securities not yet settled	$	—	$	40,278
Bank-owned life insurance benefit receivable		$	765	$	—					
Stock issued to employee stock ownership plan	Stock issued to employee stock ownership plan	$	423	$	417	Stock issued to employee stock ownership plan	$	847	$	829
Restricted cash[1]	**Restricted cash**[1]	$	—	$	930	**Restricted cash**[1]	$	—	$	930

[1] Restricted cash includes reserve requirements held with the Federal Reserve Bank of San Francisco and other cash pledged. In response to the COVID-19 pandemic, the Federal Reserve reduced the reserve requirement ratios to zero percent effective March 26, 2020.

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 2022 Annual Report on Form 10-K. In the opinion of management, the unaudited consolidated financial statements reflect all adjustments, which are necessary for a fair presentation of the consolidated financial position, the results of operations, changes in comprehensive income (loss), changes in stockholders' equity, and cash flows for the periods presented. All material intercompany transactions have been eliminated. The results of these interim periods may not be indicative of the results for the full year or for any other period.

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 per share ("EPS") are calculated by dividing net income by the weighted average number of common shares outstanding during each period, excluding unvested restricted stock awards. Diluted EPS are calculated using the weighted average number of potentially dilutive common shares. The number of potentially dilutive common shares included in the quarterly diluted EPS is computed using the average market prices during the three months included in the reporting period under the treasury stock method. The number of potentially dilutive common shares included in year-to-date diluted EPS is a year-to-date weighted average of potentially dilutive common shares included in each quarterly diluted EPS computation. In computing diluted EPS, we exclude anti-dilutive shares such as options whose exercise prices exceed the current common stock price, as they would not reduce EPS under the treasury 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.

		Three months ended			Three months ended		Six months ended	
(in thousands, except per share data)	(in thousands, except per share data)	March 31, 2023	March 31, 2022	(in thousands, except per share data)	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Weighted average basic common shares outstanding	Weighted average basic common shares outstanding	15,970	15,876	Weighted average basic common shares outstanding	16,009	15,921	15,990	15,898
Potentially dilutive common shares related to:	Potentially dilutive common shares related to:			Potentially dilutive common shares related to:				
Stock options	Stock options	14	52	Stock options	—	24	7	38
Unvested restricted stock awards	Unvested restricted stock awards	15	18	Unvested restricted stock awards	7	10	11	14
Weighted average diluted common shares outstanding	Weighted average diluted common shares outstanding	15,999	15,946	Weighted average diluted common shares outstanding	16,016	15,955	16,008	15,950
Net income	Net income	$ 9,440	$ 10,465	Net income	$ 4,551	$ 11,066	$ 13,991	$ 21,531
Basic EPS	Basic EPS	$ 0.59	$ 0.66	Basic EPS	$ 0.28	$ 0.70	$ 0.88	$ 1.35
Diluted EPS	Diluted EPS	$ 0.59	$ 0.66	Diluted EPS	$ 0.28	$ 0.69	$ 0.87	$ 1.35
Weighted average anti-dilutive common shares not included in the calculation of diluted EPS	Weighted average anti-dilutive common shares not included in the calculation of diluted EPS	250	125	Weighted average anti-dilutive common shares not included in the calculation of diluted EPS	389	230	358	167

Note 2: Recently Adopted and Issued Accounting Standards

Accounting Standards Adopted in 2023

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The amendment eliminated the recognition measurement guidance for troubled debt restructured ("TDR") loans and instead enhanced disclosure requirements for certain loan modifications when a borrower is experiencing financial difficulty. In addition, the amendment required that an entity include in its vintage disclosures the current period gross loan charge-offs by year of origination. We early adopted the current period charge-off disclosures in the first quarter of 2022. We adopted the loan modification provisions as

of January 1, 2023 using a modified retrospective method. The cumulative-effect adjustment to retained earnings was considered immaterial. Refer to Note 5, Loans and Allowance for Credit Losses on Loans, for additional information.

In March 2022, the FASB issued ASU No. 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method*. Among other things, the ASU renamed the "last-of-layer" method to the "portfolio layer" method and made fair value hedging more accessible for hedge accounting of interest rate risk for portfolios and financial assets. For example, the guidance permits an entity to apply the same portfolio hedging method to both prepayable and non-prepayable financial assets, thereby providing for consistency between accounting for similar hedges. We adopted the amendments on January 1, 2023, which had no effect on our existing hedge accounting, disclosures, financial condition or results of operations.

Accounting Standards Not Yet Effective

In March 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-04, *Reference Rate Reform (Topic 848)*. The amendments in this ASU are elective and provide optional guidance for a limited period of time to ease the potential burden of accounting for, or recognizing the effects of reference rate reform. The amendments in this ASU provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments Topic 848 was further amended in this ASU may be elected December 31, 2024 (as amended by ASU No. 2022-06 discussed below).An entity may elect the amendments in this update at an interim period with adoption methods varying based on transaction type. We have not elected to apply amendments at this time and will assess the applicability of this ASU to us as we continue to monitor guidance for reference rate reform from FASB and its impact on our financial condition and results of operations.

In January 2021 the FASB issued with ASU No. 2021-01, *Reference Rate Reform (Topic 848).* The main amendments in this ASU intend to clarify which provided additional guidance on certain optional expedients and scope of derivative instruments. The amendments are elective instruments, and effective immediately upon issuance of this ASU. Amendments may be elected through December 31, 2022. As of March 31, 2023, we had four interest rate swap contracts with notional values totaling $11.8 million indexed to LIBOR that will either be subject to the fall-back index rate stipulated by the ISDA protocol or modified to other reference rates such as Prime or SOFR as mutually agreed by our counterparty and us. We have not elected to apply the amendments at this time and will continue to assess the applicability of this ASU to us as we monitor guidance for reference rate reform from FASB and its impact on our financial condition and results of operations.

In in December 2022 with ASU 2022-06, which extended the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date sunset date of Topic 848. 848 to December 31, 2024 given* The objective of the guidance in Topic 848 was to provide temporary relief during the transition period, as noted in the discussion of ASU 2020-04 above, under which the sunset provision was based on an expectation that LIBOR would cease being published after December 31, 2021. In March 2021, the UK Financial Conduct Authority ("FCA") announced March 2021 announcement that the intended cessation date of certain tenors of USD LIBOR would be June 30, 2023. An entity may elect the amendments in these updates at an interim period with adoption methods varying based on transaction type. As of June 30, 2023, we had four interest rate swap contracts with notional values totaling $11.5 million indexed to LIBOR, which is beyond transitioned to the current sunset date Secured Overnight Financing Rate ("SOFR") effective July 1, 2023. The transition to SOFR did not have a material impact to either our financial condition or results of Topic 848. Therefore, this amendment deferred the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. operations.

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The amendment reduces diversity in practice by clarifying that a separate contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. In addition, this ASU provided amended examples to illustrate that a restriction that is a characteristic of the equity security, which market participants would take into account when pricing them, would be considered in measuring fair value. This ASU also introduces new disclosure requirements. The amendments are effective prospectively for years beginning after December 15, 2023. Early adoption is permitted for both interim and annual financial statements. As discussed in Note 4, Investment Securities, on July 13, 2023 we hold sold our remaining shares of Visa Inc. Class B restricted common stock that is legally restricted from resale to non-member banks of Visa U.S.A. until the covered litigation against Visa Inc. is settled. While the adoption stock. As a result of the amendments may require additional disclosures, we do sale, this update will not anticipate that it will impact our financial condition, or results of operations. operations or disclosures.

In March 2023, the FASB issued ASU No. 2023-01, *Leases (Topic 842): Common Control Arrangements*. For public companies, the amendment requires entities to amortize leasehold improvements associated with common control lease arrangements over the useful life of the improvements to the common control group, as opposed to the shorter of the remaining lease term and the useful life of the improvements for all other operating leases. The amendments are effective for years beginning after December 15, 2023, and may be adopted either prospectively or retrospectively. Early adoption is permitted for both interim and annual financial statements. We currently do not

have common control lease arrangements, and therefore do not anticipate that the amendments will impact our financial condition and results of operations.

In March 2023, the FASB issued ASU No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. Under current GAAP, an entity can only elect to apply the proportional amortization method to investments in low-income housing tax credit ("LIHTC") structures. The proportional amortization method results in the cost of the investment being amortized in proportion to the income tax credits and other income tax benefits received, with the amortization of the investment and the income tax credits being presented net in the consolidated statements of income as a component of income tax expense (benefit). The amendments will allow entities to elect to account for all other equity investments made primarily for the purpose of receiving income tax credits to using the proportional amortization method, regardless of the tax credit program through which the investment earns income tax credits,

when certain conditions are met. The amendments are effective for fiscal years beginning after December 15, 2023, and may be adopted either on a modified retrospective basis or retrospectively. Other than investments in LIHTC funds, as disclosed in Note 4, Investment Securities, we currently have no other equity investments made primarily for the purpose of receiving income tax credits, and therefore do not anticipate that the amendments will impact our financial condition and results of operations.

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	(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	(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
March 31, 2023												
June 30, 2023							**June 30, 2023**					
Securities available-for-sale:	Securities available-for-sale:						Securities available-for-sale:					

Mortgage-backed securities and collateralized mortgage obligations issued by U.S. government-sponsored agencies	Mortgage-backed securities and collateralized mortgage obligations issued by U.S. government-sponsored agencies	$ 471,458	$ —	$ 471,458	$ —	OCI	Mortgage-backed securities and collateralized mortgage obligations issued by U.S. government-sponsored agencies	$ 449,823	$ —	$ 449,823	$ —	OCI
SBA-backed securities	SBA-backed securities	$ 37,971	$ —	$ 37,971	$ —	OCI	SBA-backed securities	$ 36,649	$ —	$ 36,649	$ —	OCI
Debentures of government sponsored agencies	Debentures of government sponsored agencies	$ 137,121	$ —	$ 137,121	$ —	OCI	Debentures of government sponsored agencies	$ 135,868	$ —	$ 135,868	$ —	OCI
U.S. Treasury securities	U.S. Treasury securities	$ 10,524	$ 10,524	$ —	$ —	OCI	U.S. Treasury securities	$ 10,334	$ 10,334	$ —	$ —	OCI
Obligations of state and political subdivisions	Obligations of state and political subdivisions	$ 105,136	$ —	$ 105,136	$ —	OCI	Obligations of state and political subdivisions	$ 102,916	$ —	$ 102,916	$ —	OCI
Corporate bonds	Corporate bonds	$ 33,961	$ —	$ 33,961	$ —	OCI	Corporate bonds	$ 34,043	$ —	$ 34,043	$ —	OCI
Asset-backed securities	Asset-backed securities	$ 1,362	$ —	$ 1,362	$ —	OCI	Asset-backed securities	$ 1,309	$ —	$ 1,309	$ —	OCI
Derivative financial assets (interest rate contracts)	Derivative financial assets (interest rate contracts)	$ 404	$ —	$ 404	$ —	NI	Derivative financial assets (interest rate contracts)	$ 631	$ —	$ 631	$ —	NI
Derivative financial liabilities (interest rate contracts)		$ 23	$ —	$ 23	$ —	NI						
December 31, 2022	**December 31, 2022**						**December 31, 2022**					
Securities available-for-sale:	Securities available-for-sale:						Securities available-for-sale:					
Mortgage-backed securities and collateralized mortgage obligations issued by U.S. government-sponsored agencies	Mortgage-backed securities and collateralized mortgage obligations issued by U.S. government-sponsored agencies	$ 475,505	$ —	$ 475,505	$ —	OCI	Mortgage-backed securities and collateralized mortgage obligations issued by U.S. government-sponsored agencies	$ 475,505	$ —	$ 475,505	$ —	OCI
SBA-backed securities	SBA-backed securities	$ 44,355	$ —	$ 44,355	$ —	OCI	SBA-backed securities	$ 44,355	$ —	$ 44,355	$ —	OCI
Debentures of government sponsored agencies	Debentures of government sponsored agencies	$ 135,106	$ —	$ 135,106	$ —	OCI	Debentures of government sponsored agencies	$ 135,106	$ —	$ 135,106	$ —	OCI
U.S. Treasury securities	U.S. Treasury securities	$ 10,269	$ 10,269	$ —	$ —	OCI	U.S. Treasury securities	$ 10,269	$ 10,269	$ —	$ —	OCI

Obligations of state and political subdivisions	Obligations of state and political subdivisions	$ 102,123	$ —	$ 102,123	$ —	OCI	Obligations of state and political subdivisions	$ 102,123	$ —	$ 102,123	$ —	OCI
Corporate bonds	Corporate bonds	$ 33,276	$ —	$ 33,276	$ —	OCI	Corporate bonds	$ 33,276	$ —	$ 33,276	$ —	OCI
Asset-backed securities	Asset-backed securities	$ 1,462	$ —	$ 1,462	$ —	OCI	Asset-backed securities	$ 1,462	$ —	$ 1,462	$ —	OCI
Derivative financial assets (interest rate contracts)	Derivative financial assets (interest rate contracts)	$ 602	$ —	$ 602	$ —	NI	Derivative financial assets (interest rate contracts)	$ 602	$ —	$ 602	$ —	NI

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

Available-for-sale securities are recorded at fair value on a recurring basis. When available, quoted market prices (Level 1) are used to determine the fair value of available-for-sale securities. Level 1 securities include U.S. Treasury securities. If quoted market prices are not available, we obtain pricing information from a reputable third-party service provider, who may utilize valuation techniques that use current market-based or independently sourced parameters, such as bid/ask prices, dealer-quoted prices, interest rates, benchmark yield curves, prepayment speeds, probability of default, loss severity and credit spreads (Level 2). Level 2 securities include asset-backed securities, obligations of state and political subdivisions, U.S. agencies or government-sponsored agencies' debt securities, mortgage-backed securities, government agency-issued, and corporate bonds. As of March 31, 2023June 30, 2023 and December 31, 2022, there were no Level 3 securities.

Held-to-maturity securities may be written down subject to fair value an allowance for credit losses as a result of our evaluation of expected losses due to credit losses or other factors, and we quality factors. We did not record any write-downs credit loss expense on held-to-maturity securities during the three six months ended March 31, 2023 June 30, 2023 or March 31, 2022 June 30, 2022. 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 London Interbank Offered Rate ("LIBOR") and Overnight Index Swap ("OIS") rates (for the very short term), quoted prices for LIBOR futures contracts, observable market prices for LIBOR and OIS swap rates, and one-month and three-month LIBOR 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 LIBOR for the closest maturity term corresponding to the duration of the swaps to derive the CVA. A similar credit risk adjustment, correlated to the credit standing of the counterparty, is made when collateral posted by the counterparty does not fully cover their liability to us. For further discussion on our methodology in 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").

OREO represents collateral acquired through foreclosure and is initially recorded at fair value as established by a current appraisal of the collateral. Subsequent to foreclosure, OREO is carried at the lower of cost or fair value, less estimated costs to sell. OREO values are reviewed on an ongoing basis and any subsequent decline in fair value is recorded as a foreclosed asset expense in the current period. The value of OREO is classified as Level 3. Our current OREO resulted from the American River Bankshares ("AMRB") merger in 2021.

The following table presents the carrying value of assets measured at fair value on a non-recurring basis and that were held in the consolidated statements of condition at each respective period end, by level within the fair value hierarchy as of March 31, 2023June 30, 2023 and December 31, 2022.

(in thousands)	(in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	(in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2023										

June 30, 2023				
Other real estate owned	Other real estate owned $ 455	$ —	$ —	$ 455
December 31, 2022				
Other real estate owned	Other real estate owned $ 455	$ —	$ —	$ 455

June 30, 2023				
Other real estate owned	$ 415	$ —	$ —	$ 415
December 31, 2022				
Other real estate owned	$ 455	$ —	$ —	$ 455

On July 12, 2023, the Bank completed the sale of its only other real estate owned property and realized a negligible gain after sales costs.

Disclosures about Fair Value of Financial Instruments

The table below is a summary of fair value estimates for financial instruments as of March 31, 2023June 30, 2023 and December 31, 2022, 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 and Visa Inc. Class B common stock both recorded at cost, with no carrying value, as there was no impairment or changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer as of March 31, 2023June 30, 2023 or December 31, 2022. The values are discussed in Note 4, Investment Securities.

	March 31, 2023			December 31, 2022		
(in thousands)	Carrying Amounts	Fair Value	Fair Value Hierarchy	Carrying Amounts	Fair Value	Fair Value Hierarchy
Financial assets (recorded at amortized cost):						Page-11
Cash and cash equivalents	$ 37,993	$ 37,993	Level 1	$ 45,424	$ 45,424	Level 1
Investment securities held-to-maturity	958,560	850,125	Level 2	972,207	845,239	Level 2
Loans, net	2,088,998	1,999,187	Level 3	2,069,563	1,993,866	Level 3
Interest receivable	11,791	11,791	Level 2	13,069	13,069	Level 2
Financial liabilities (recorded at amortized cost):						
Time deposits	144,067	144,071	Level 2	119,030	118,333	Level 2
Federal Home Loan Bank short-term borrowings	405,400	405,400	Level 2	112,000	112,000	Level 2
Interest payable	234	234	Level 2	75	75	Level 2

	June 30, 2023			December 31, 2022		
(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	$ 39,657	$ 39,657	Level 1	$ 45,424	$ 45,424	Level 1
Investment securities held-to-maturity	946,808	826,067	Level 2	972,207	845,239	Level 2
Loans, net	2,078,964	1,985,481	Level 3	2,069,563	1,993,866	Level 3
Interest receivable	12,810	12,810	Level 2	13,069	13,069	Level 2
Financial liabilities (recorded at amortized cost):						
Time deposits	203,463	204,679	Level 2	119,030	118,333	Level 2
Federal Home Loan Bank short-term borrowings	292,200	292,200	Level 2	112,000	112,000	Level 2
Interest payable	868	868	Level 2	75	75	Level 2

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 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.

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.

Due to the short-term nature of the FHLB borrowings, the carrying value approximates fair value.

The value of off-balance-sheet financial instruments is estimated based on the fee income associated with the commitments, which in the absence of credit exposure, is considered to approximate their settlement value. The fair value of commitment fees was not material as of March 31, 2023June 30, 2023 or December 31, 2022.

Note 4: Investment Securities

Our investment securities portfolio consists of U.S. Treasury securities, obligations of state and political subdivisions, U.S. federal government agencies such as Government National Mortgage Association ("GNMA") and Small Business Administration ("SBA"), U.S. government-sponsored enterprises ("GSEs"), such as Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), Federal Farm Credit Banks Funding Corporation and FHLB, U.S. Corporations and one asset-backed security collateralized by student loan pools. 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.

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A summary of the amortized cost, fair value and allowance for credit losses related to securities held-to-maturity as of March 31, 2023June 30, 2023 and December 31, 2022 is presented below.

Held-to-maturity: (in thousands)	**Held-to-maturity:** (in thousands)	Amortized Cost [1]	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value	**Held-to-maturity:** (in thousands)	Amortized Cost [1]	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
March 31, 2023														
June 30, 2023									**June 30, 2023**					
Securities of U.S. government-sponsored enterprises:	Securities of U.S. government-sponsored enterprises:							Securities of U.S. government-sponsored enterprises:						
MBS pass-through securities issued by FHLMC, FNMA and GNMA	MBS pass-through securities issued by FHLMC, FNMA and GNMA	$ 322,691	$ —	$ 322,691	$ —	$ (45,007)	$ 277,684	MBS pass-through securities issued by FHLMC, FNMA and GNMA	$ 316,968	$ —	$ 316,968	$ —	$ (48,904)	$ 268,064
CMOs issued by FHLMC	CMOs issued by FHLMC	233,796	—	233,796	139	(24,973)	208,962	CMOs issued by FHLMC	231,217	—	231,217	177	(27,759)	203,635
CMOs issued by FNMA	CMOs issued by FNMA	109,694	—	109,694	176	(3,729)	106,141	CMOs issued by FNMA	106,894	—	106,894	113	(6,436)	100,571
CMOs issued by GNMA	CMOs issued by GNMA	52,120	—	52,120	164	(3,020)	49,264	CMOs issued by GNMA	51,511	—	51,511	216	(3,271)	48,456
SBA-backed securities	SBA-backed securities	1,977	—	1,977	—	(99)	1,878	SBA-backed securities	1,977	—	1,977	—	(130)	1,847
Debentures of government-sponsored agencies	Debentures of government-sponsored agencies	145,898	—	145,898	—	(22,149)	123,749	Debentures of government-sponsored agencies	145,973	—	145,973	—	(24,087)	121,886
Obligations of state and political subdivisions	Obligations of state and political subdivisions	62,384	—	62,384	24	(8,728)	53,680	Obligations of state and political subdivisions	62,268	—	62,268	6	(9,029)	53,245
Corporate bonds	Corporate bonds	30,000	—	30,000	—	(1,233)	28,767	Corporate bonds	30,000	—	30,000	—	(1,637)	28,363
Total held-to-maturity	Total held-to-maturity	$ 958,560	$ —	$ 958,560	$ 503	$ (108,938)	$ 850,125	Total held-to-maturity	$ 946,808	$ —	$ 946,808	$ 512	$ (121,253)	$ 826,067
December 31, 2022	**December 31, 2022**							**December 31, 2022**						

Securities of U.S. government-sponsored enterprises:	Securities of U.S. government-sponsored enterprises:							Securities of U.S. government-sponsored enterprises:						
MBS pass-through securities issued by FHLMC, FNMA and GNMA	MBS pass-through securities issued by FHLMC, FNMA and GNMA	$ 331,281	$ —	$ 331,281	$ —	$ (50,147)	$ 281,134	MBS pass-through securities issued by FHLMC, FNMA and GNMA	$ 331,281	$ —	$ 331,281	$ —	$ (50,147)	$ 281,134
CMOs issued by FHLMC	CMOs issued by FHLMC	235,971	—	235,971	59	(29,503)	206,527	CMOs issued by FHLMC	235,971	—	235,971	59	(29,503)	206,527
CMOs issued by FNMA	CMOs issued by FNMA	111,904	—	111,904	—	(5,419)	106,485	CMOs issued by FNMA	111,904	—	111,904	—	(5,419)	106,485
CMOs issued by GNMA	CMOs issued by GNMA	52,356	—	52,356	11	(3,076)	49,291	CMOs issued by GNMA	52,356	—	52,356	11	(3,076)	49,291
SBA-backed securities	SBA-backed securities	2,372	—	2,372	—	(133)	2,239	SBA-backed securities	2,372	—	2,372	—	(133)	2,239
Debentures of government-sponsored agencies	Debentures of government-sponsored agencies	145,823	—	145,823	—	(26,467)	119,356	Debentures of government-sponsored agencies	145,823	—	145,823	—	(26,467)	119,356
Obligations of state and political subdivisions	Obligations of state and political subdivisions	62,500	—	62,500	—	(10,741)	51,759	Obligations of state and political subdivisions	62,500	—	62,500	—	(10,741)	51,759
Corporate bonds	Corporate bonds	30,000	—	30,000	—	(1,552)	28,448	Corporate bonds	30,000	—	30,000	—	(1,552)	28,448
Total held-to-maturity	Total held-to-maturity	$ 972,207	$ —	$ 972,207	$ 70	$ (127,038)	$ 845,239	Total held-to-maturity	$ 972,207	$ —	$ 972,207	$ 70	$ (127,038)	$ 845,239

1 Amortized cost and fair values exclude accrued interest receivable of $2.6 million and $3.7 million at March 31, 2023 and December 31, 2022, respectively, which is included in interest receivable and other assets in the consolidated statements of condition.

[1] Amortized cost and fair values exclude accrued interest receivable of $3.6 million and $3.7 million at June 30, 2023 and December 31, 2022, respectively, which is included in interest receivable and other assets in the consolidated statements of condition.

[1] Amortized cost and fair values exclude accrued interest receivable of $3.6 million and $3.7 million at June 30, 2023 and December 31, 2022, 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 MBSs 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 our comprehensive analysis, no credit credit losses are expected.

The following table summarizes the amortized cost of our portfolio of held-to-maturity securities issued by states and political subdivisions and corporate bonds by Moody's and/or Standard & Poor's bond ratings as of March 31, 2023 June 30, 2023.

	Obligations of state and political subdivisions		Corporate bonds	
(in thousands)	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
AAA / Aaa	$ 42,884	$ 42,986	$ —	$ —
AA / Aa	19,500	19,514	—	—
A2 / A	—	—	30,000	30,000
Total	$ 62,384	$ 62,500	$ 30,000	$ 30,000

	Obligations of state and political subdivisions		Corporate bonds	
(in thousands)	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
AAA / Aaa	$ 42,783	$ 42,986	$ —	$ —
AA / Aa	19,485	19,514	—	—
A2 / A	—	—	30,000	30,000
Total	$ 62,268	$ 62,500	$ 30,000	$ 30,000

A summary of the amortized cost, fair value and allowance for credit losses related to securities available-for-sale as of March 31, 2023 June 30, 2023 and December 31, 2022 is presented below.

Available-for-sale:	Amortized Cost [1]	Gross Unrealized	Allowance for Credit Losses	Fair Value

Available-for-sale:	Amortized Cost [1]	Gross Unrealized	Allowance for Credit Losses	Fair Value

(in thousands)	(in thousands)		Gains	(Losses)			(in thousands)		Gains	(Losses)		
March 31, 2023												
June 30, 2023							**June 30, 2023**					
Securities of U.S. government-sponsored enterprises:	Securities of U.S. government-sponsored enterprises:						Securities of U.S. government-sponsored enterprises:					
MBS pass-through securities issued by FHLMC, FNMA and GNMA	MBS pass-through securities issued by FHLMC, FNMA and GNMA	$ 106,151	$ 4	$ (10,423)	$ —	$ 95,732	MBS pass-through securities issued by FHLMC, FNMA and GNMA	$ 102,420	$ 2	$ (11,758)	$ —	$ 90,664
CMOs issued by FHLMC	CMOs issued by FHLMC	340,647	—	(27,514)	—	313,133	CMOs issued by FHLMC	333,374	—	(32,162)	—	301,212
CMOs issued by FNMA	CMOs issued by FNMA	34,782	—	(3,182)	—	31,600	CMOs issued by FNMA	32,916	—	(3,816)	—	29,100
CMOs issued by GNMA	CMOs issued by GNMA	33,714	22	(2,743)	—	30,993	CMOs issued by GNMA	32,193	31	(3,377)	—	28,847
SBA-backed securities	SBA-backed securities	40,547	2	(2,578)	—	37,971	SBA-backed securities	39,824	—	(3,175)	—	36,649
Debentures of government-sponsored agencies	Debentures of government-sponsored agencies	149,121	—	(12,000)	—	137,121	Debentures of government-sponsored agencies	149,129	—	(13,261)	—	135,868
U.S. Treasury securities	U.S. Treasury securities	11,909	—	(1,385)	—	10,524	U.S. Treasury securities	11,914	—	(1,580)	—	10,334
Obligations of state and political subdivisions	Obligations of state and political subdivisions	116,549	84	(11,497)	—	105,136	Obligations of state and political subdivisions	116,040	36	(13,160)	—	102,916
Corporate bonds	Corporate bonds	36,990	—	(3,029)	—	33,961	Corporate bonds	36,991	—	(2,948)	—	34,043
Asset-backed securities	Asset-backed securities	1,419	—	(57)	—	1,362	Asset-backed securities	1,365	—	(56)	—	1,309
Total available-for-sale	Total available-for-sale	$ 871,829	$ 112	$ (74,408)	$ —	$ 797,533	Total available-for-sale	$ 856,166	$ 69	$ (85,293)	$ —	$ 770,942
December 31, 2022	**December 31, 2022**						**December 31, 2022**					
Securities of U.S. government-sponsored enterprises:	Securities of U.S. government-sponsored enterprises:						Securities of U.S. government-sponsored enterprises:					
MBS pass-through securities issued by FHLMC, FNMA and GNMA	MBS pass-through securities issued by FHLMC, FNMA and GNMA	$ 109,736	$ 3	$ (12,133)	$ —	$ 97,606	MBS pass-through securities issued by FHLMC, FNMA and GNMA	$ 109,736	$ 3	$ (12,133)	$ —	$ 97,606
CMOs issued by FHLMC	CMOs issued by FHLMC	347,437	—	(33,682)	—	313,755	CMOs issued by FHLMC	347,437	—	(33,682)	—	313,755
CMOs issued by FNMA	CMOs issued by FNMA	36,172	—	(3,852)	—	32,320	CMOs issued by FNMA	36,172	—	(3,852)	—	32,320
CMOs issued by GNMA	CMOs issued by GNMA	35,120	—	(3,296)	—	31,824	CMOs issued by GNMA	35,120	—	(3,296)	—	31,824

SBA-backed securities	SBA-backed securities	47,724	2	(3,371)	—	44,355	SBA-backed securities	47,724	2	(3,371)	—	44,355
Debentures of government-sponsored agencies	Debentures of government-sponsored agencies	149,114	—	(14,008)	—	135,106	Debentures of government-sponsored agencies	149,114	—	(14,008)	—	135,106
U.S. Treasury securities	U.S. Treasury securities	11,904	—	(1,635)		10,269	U.S. Treasury securities	11,904	—	(1,635)		10,269
Obligations of state and political subdivisions	Obligations of state and political subdivisions	116,855	29	(14,761)	—	102,123	Obligations of state and political subdivisions	116,855	29	(14,761)	—	102,123
Corporate bonds	Corporate bonds	36,990	—	(3,714)	—	33,276	Corporate bonds	36,990	—	(3,714)	—	33,276
Asset-backed securities	Asset-backed securities	1,553	—	(91)	—	1,462	Asset-backed securities	1,553	—	(91)	—	1,462
Total available-for-sale	Total available-for-sale	$ 892,605	$ 34	$ (90,543)	$ —	$ 802,096	Total available-for-sale	$ 892,605	$ 34	$ (90,543)	$ —	$ 802,096

[1] Amortized cost and fair value exclude accrued interest receivable of $3.1 million and $3.2 million at March 31, 2023 and December 31, 2022, respectively, which is included in interest receivable and other assets in the consolidated statements of condition.

[1] Amortized cost and fair value exclude accrued interest receivable of $3.1 million and $3.2 million at June 30, 2023 and December 31, 2022, respectively, which is included in interest receivable and other assets in the consolidated statements of condition.

[1] Amortized cost and fair value exclude accrued interest receivable of $3.1 million and $3.2 million at June 30, 2023 and December 31, 2022, respectively, which is included in interest receivable and other assets in the consolidated statements of condition.

As part of our ongoing review of our investment securities portfolio, we reassessed the classification of certain securities issued by government sponsored agencies. In March 2022, we transferred $357.5 million of these securities from available-for-sale to held-to-maturity at fair value. We intend and have the ability to hold these securities to maturity. The net unrealized pre-tax loss of $14.8 million that remained and the related accumulated other comprehensive loss are accreted to interest income over the remaining lives of the securities. Because these entries offset each other, there is was no impact to net income.

The amortized cost and fair value of investment debt securities by contractual maturity at March 31, 2023 June 30, 2023 and December 31, 2022 are shown below. Expected maturities may differ from contractual maturities if the issuers of the securities have the right to call or prepay obligations with or without call or prepayment penalties.

		March 31, 2023				December 31, 2022					June 30, 2023				December 31, 2022			
		Held-to-Maturity		Available-for-Sale		Held-to-Maturity		Available-for-Sale			Held-to-Maturity		Available-for-Sale		Held-to-Maturity		Available-for-Sale	
(in thousands)	(in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	(in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value

Within one year	Within one year	$ 52	$ 51	$ 1,132	$ 1,124	$ 450	$ 446	$ 1,254	$ 1,239	Within one year	$ —	$ —	$ 26,665	$ 25,344	$ 450	$ 446	$ 1,254	$ 1,239
After one but within five years	After one but within five years	85,323	82,266	362,588	336,054	87,418	83,663	335,813	307,843	After one but within five years	89,625	85,060	354,735	324,368	87,418	83,663	335,813	307,843
After five years through ten years	After five years through ten years	268,433	232,936	154,572	141,260	262,072	222,280	185,997	166,273	After five years through ten years	266,785	227,818	130,738	117,530	262,072	222,280	185,997	166,273
After ten years	After ten years	604,752	534,872	353,537	319,095	622,267	538,850	369,541	326,741	After ten years	590,398	513,189	344,028	303,700	622,267	538,850	369,541	326,741
Total	Total	$ 958,560	$850,125	$ 871,829	$797,533	$ 972,207	$845,239	$ 892,605	$802,096	Total	$ 946,808	$826,067	$ 856,166	$770,942	$ 972,207	$845,239	$ 892,605	$802,096

There were no sales of investment securities in either the first quarter half of 2023 or 2022. However, in July 2023, the Bank sold $82.7 million of available-for-sale securities for a net loss of $2.8 million. In addition, on July 13, 2023, the Bank sold its remaining investment in Visa Inc. Class B restricted common stock, which had a zero carrying value, for a $2.8 million gain.

The carrying values of pledged investment securities are shown in the following table:

					Three months ended	
(in thousands)	(in thousands)	March 31, 2023	December 31, 2022	(in thousands)	June 30, 2023	December 31, 2022
Pledged to the State of California:	Pledged to the State of California:			Pledged to the State of California:		
Secure public deposits in compliance with the Local Agency Security Program	Secure public deposits in compliance with the Local Agency Security Program	$ 228,970	$ 235,587	Secure public deposits in compliance with the Local Agency Security Program	$ 199,327	$ 235,587
Collateral for trust deposits	Collateral for trust deposits	674	677	Collateral for trust deposits	672	677
Collateral for Wealth Management and Trust Services checking account	Collateral for Wealth Management and Trust Services checking account	567	569	Collateral for Wealth Management and Trust Services checking account	565	569
Total investment securities pledged to the State of California	Total investment securities pledged to the State of California	230,211	236,833	Total investment securities pledged to the State of California	200,564	236,833
Bankruptcy trustee deposits pledged with Federal Reserve Bank	Bankruptcy trustee deposits pledged with Federal Reserve Bank	1,700	1,737	Bankruptcy trustee deposits pledged with Federal Reserve Bank	1,594	1,737
Pledged to FHLB Securities-Backed Credit Program	Pledged to FHLB Securities-Backed Credit Program	395,780	—	Pledged to FHLB Securities-Backed Credit Program	391,668	—
Pledged to the Federal Reserve Bank Term Funding Program ("BTFP")	Pledged to the Federal Reserve Bank Term Funding Program ("BTFP")	278,638	—	Pledged to the Federal Reserve Bank Term Funding Program ("BTFP")	274,215	—
Total pledged investment securities	Total pledged investment securities	$ 906,329	$ 238,570	Total pledged investment securities	$ 868,041	$ 238,570

There were 397 396 and 407 securities in unrealized loss positions at March 31, 2023 June 30, 2023 and December 31, 2022, respectively. Those securities are summarized and classified according to the duration of the loss period in the tables below:

March 31, 2023		< 12 continuous months		≥ 12 continuous months		Total securities in a loss position								
June 30, 2023								June 30, 2023	< 12 continuous months		≥ 12 continuous months		Total securities in a loss position	
(in thousands)	(in thousands)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	(in thousands)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Held-to-maturity:	**Held-to-maturity:**							**Held-to-maturity:**						
MBS pass-through securities issued by FHLMC, FNMA and GNMA	MBS pass-through securities issued by FHLMC, FNMA and GNMA	$ 9,107	$ (316)	$ 268,577	$ (44,691)	$ 277,684	$ (45,007)	MBS pass-through securities issued by FHLMC, FNMA and GNMA	$ 4,178	$ (132)	$ 263,886	$ (48,772)	$ 268,064	$ (48,904)
CMOs issued by FHLMC	CMOs issued by FHLMC	44,217	(1,091)	150,466	(23,882)	194,683	(24,973)	CMOs issued by FHLMC	31,915	(1,171)	162,369	(26,588)	194,284	(27,759)
CMOs issued by FNMA	CMOs issued by FNMA	37,106	(353)	41,538	(3,376)	78,644	(3,729)	CMOs issued by FNMA	43,167	(2,064)	39,161	(4,372)	82,328	(6,436)
CMOs issued by GNMA	CMOs issued by GNMA	27,285	(1,802)	10,467	(1,218)	37,752	(3,020)	CMOs issued by GNMA	27,024	(1,895)	9,902	(1,376)	36,926	(3,271)
SBA-backed securities	SBA-backed securities	—	—	1,878	(99)	1,878	(99)	SBA-backed securities	—	—	1,847	(130)	1,847	(130)
Debentures of government-sponsored agencies	Debentures of government-sponsored agencies	29,433	(561)	94,316	(21,588)	123,749	(22,149)	Debentures of government-sponsored agencies	29,245	(749)	92,642	(23,338)	121,887	(24,087)
Obligations of state and political subdivisions	Obligations of state and political subdivisions	9,000	(74)	41,565	(8,654)	50,565	(8,728)	Obligations of state and political subdivisions	—	—	50,154	(9,029)	50,154	(9,029)
Corporate bonds	Corporate bonds	—	—	28,767	(1,233)	28,767	(1,233)	Corporate bonds	—	—	28,363	(1,637)	28,363	(1,637)
Total held-to-maturity	Total held-to-maturity	156,148	(4,197)	637,574	(104,741)	793,722	(108,938)	Total held-to-maturity	135,529	(6,011)	648,324	(115,242)	783,853	(121,253)
Available-for-sale:	**Available-for-sale:**							**Available-for-sale:**						
MBS pass-through securities issued by FHLMC, FNMA and GNMA	MBS pass-through securities issued by FHLMC, FNMA and GNMA	7,729	(233)	87,173	(10,190)	94,902	(10,423)	MBS pass-through securities issued by FHLMC, FNMA and GNMA	4,422	(177)	85,498	(11,581)	89,920	(11,758)
CMOs issued by FHLMC	CMOs issued by FHLMC	13,194	(263)	299,939	(27,251)	313,133	(27,514)	CMOs issued by FHLMC	12	—	301,200	(32,162)	301,212	(32,162)

CMOs issued by FNMA	CMOs issued by FNMA	279	(4)	31,321	(3,178)	31,600	(3,182)	CMOs issued by FNMA	37	(1)	29,063	(3,815)	29,100	(3,816)
CMOs issued by GNMA	CMOs issued by GNMA	71	(1)	27,014	(2,742)	27,085	(2,743)	CMOs issued by GNMA	—	—	25,070	(3,377)	25,070	(3,377)
SBA-backed securities	SBA-backed securities	30	—	37,580	(2,578)	37,610	(2,578)	SBA-backed securities	29	—	36,309	(3,175)	36,338	(3,175)
Debentures of government-sponsored agencies	Debentures of government-sponsored agencies	—	—	137,121	(12,000)	137,121	(12,000)	Debentures of government-sponsored agencies	—	—	135,868	(13,261)	135,868	(13,261)
U.S. Treasury securities	U.S. Treasury securities	—	—	10,523	(1,385)	10,523	(1,385)	U.S. Treasury securities	—	—	10,334	(1,580)	10,334	(1,580)
Obligations of state and political subdivisions	Obligations of state and political subdivisions	4,486	(11)	92,776	(11,486)	97,262	(11,497)	Obligations of state and political subdivisions	4,799	(54)	90,869	(13,106)	95,668	(13,160)
Corporate bonds	Corporate bonds	—	—	33,962	(3,029)	33,962	(3,029)	Corporate bonds	—	—	34,043	(2,948)	34,043	(2,948)
Asset-backed securities	Asset-backed securities	—	—	1,361	(57)	1,361	(57)	Asset-backed securities	—	—	1,309	(56)	1,309	(56)
Total available-for-sale	Total available-for-sale	25,789	(512)	758,770	(73,896)	784,559	(74,408)	Total available-for-sale	9,299	(232)	749,563	(85,061)	758,862	(85,293)
Total securities at loss position	Total securities at loss position	$ 181,937	$ (4,709)	$ 1,396,344	$ (178,637)	$ 1,578,281	$ (183,346)	Total securities at loss position	$144,828	$ (6,243)	$1,397,887	$(200,303)	$1,542,715	$(206,546)

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December 31, 2022	< 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:						
MBS pass-through securities issued by FHLMC, FNMA and GNMA	$ 62,627	$ (5,960)	$ 218,507	$ (44,187)	$ 281,134	$ (50,147)
CMOs issued by FHLMC	78,144	(5,874)	113,796	(23,629)	191,940	(29,503)
CMOs issued by FNMA	106,485	(5,419)	—	—	106,485	(5,419)
CMOs issued by GNMA	27,570	(1,676)	10,331	(1,400)	37,901	(3,076)
SBA-backed securities	2,239	(133)	—	—	2,239	(133)
Debentures of government- sponsored agencies	38,645	(2,530)	80,711	(23,937)	119,356	(26,467)
Obligations of state and political subdivisions	15,155	(589)	36,603	(10,152)	51,758	(10,741)
Corporate Bonds	28,448	(1,552)	—	—	28,448	(1,552)
Total held-to-maturity	359,313	(23,733)	459,948	(103,305)	819,261	(127,038)
Available-for-sale:						
MBS pass-through securities issued by FHLMC, FNMA and GNMA	44,630	(4,501)	52,235	(7,632)	96,865	(12,133)
CMOs issued by FHLMC	169,760	(15,144)	143,995	(18,538)	313,755	(33,682)

CMOs issued by FNMA	4,790	(235)	27,529	(3,617)	32,319	(3,852)
CMOs issued by GNMA	8,214	(374)	23,612	(2,922)	31,826	(3,296)
SBA-backed securities	37,845	(3,228)	6,133	(143)	43,978	(3,371)
Debentures of government- sponsored agencies	19,054	(946)	116,052	(13,062)	135,106	(14,008)
U.S. Treasury securities	—	—	10,269	(1,635)	10,269	(1,635)
Obligations of state and political subdivisions	70,402	(9,459)	28,711	(5,302)	99,113	(14,761)
Corporate Bonds	—	—	33,276	(3,714)	33,276	(3,714)
Asset-backed securities	—	—	1,462	(91)	1,462	(91)
Total available-for-sale	354,695	(33,887)	443,274	(56,656)	797,969	(90,543)
Total securities at loss position	$ 714,008	$ (57,620)	$ 903,222	$ (159,961)	$ 1,617,230	$ (217,581)

As of March 31, 2023 June 30, 2023, the investment portfolio included 353 373 investment securities that had been in a continuous loss position for twelve months or more and 44 23 investment securities that had been in a loss position for less than twelve months.

Securities issued by government-sponsored agencies, enterprises, such as FNMA and FHLMC, usually have implicit credit support by 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. 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 investment in obligations of state and political subdivisions bonds are deemed credit worthy after our comprehensive analysis of the issuers' latest financial information, credit ratings by major credit agencies, and/or credit enhancements.

At March 31, 2023, management determined that it did not intend to sell any investment securities with unrealized losses, and it is more likely than not that we will not be required to sell securities with unrealized losses before recovery of their amortized cost. 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 reasons of credit quality risk factors at March 31, 2023 either June 30, 2023 or December 31, 2022.

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. 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 determined by the Board of Directors of the FHLB. The minimum investment requirements can increase in the event we increase our total asset size or borrowings with the FHLB. Shares cannot be purchased or sold except between the FHLB and its members at the $100 per share par value. We held $16.7 million of FHLB stock included in other assets on the consolidated statements of condition at both March 31, 2023 June 30, 2023 and December 31, 2022. The carrying amounts of these investments are reasonable estimates of fair value because the securities are restricted to member banks and they do not have a readily determinable market value. Based on our analysis of FHLB's financial condition and certain qualitative factors, we determined that the FHLB stock was not impaired at March 31, 2023 June 30, 2023 and December 31, 2022. On April 27, 2023 July 27, 2023, FHLB announced a cash dividend for the first second quarter of 2023 at an annualized dividend rate of 7.00% 7.75% to be distributed on May 11, 2023 August 10, 2023. Cash dividends paid on FHLB capital stock are recorded as non-interest income.

VISA Inc. Class B Common Stock

As a member bank of Visa U.S.A., we held 10,439 shares of Visa Inc. Class B common stock at March 31, 2023 June 30, 2023 and December 31, 2022. These shares have had a carrying value of zero and are were restricted from resale to non-member banks of Visa U.S.A. until their conversion into Class A (voting) shares upon the termination of Visa Inc.'s Covered Litigation escrow account. Because of the restriction and the uncertainty on the conversion rate to Class A shares, these shares lack lacked a readily determinable fair value. When converting this On July 13, 2023, the Bank sold the entirety of its remaining investment in Visa Inc. Class B restricted common stock to Class A common stock based on the estimated conversion rate of 1.5991 at March 31, 2023 and December 31, 2022, and the closing stock price of Class A shares at those respective dates, the converted value of our shares of Class B common stock would have been $3.8 million and $3.5 million at March 31, 2023 and December 31, 2022, respectively. The conversion rate is subject to further adjustment upon the final settlement of the covered litigation against Visa Inc. and its member banks. As such, the fair value of these Class B shares can differ significantly from their converted values. for a $2.8 million gain.

For further information on the Covered Litigation, refer to Note 8, Commitments and Contingencies.

Low Income Housing Tax Credits

We invest in low-income housing tax credit funds as a limited partner, which totaled $2.4 million $2.3 million and $2.5 million recorded in other assets as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively. In the first three six months of 2023, we recognized $151 $300 thousand of low-income housing tax credits and other tax benefits, offset by $127 $252 thousand of amortization expense of low-income housing tax credit investment, as a component of income tax expense. As of March 31, 2023 June 30, 2023, our unfunded commitments for these low-income housing tax credit funds totaled $347 $346 thousand. We did not recognize any impairment losses on these low-income housing tax credit investments during the first three six months of 2023 or 2022, as the value of the future tax benefits exceeds the carrying value of the investments.

Note 5: Loans and Allowance for Credit Losses on Loans

The following table presents the amortized cost of loans by class as of March 31, 2023 June 30, 2023 and December 31, 2022.

(in thousands)	(in thousands)	March 31, 2023	December 31, 2022	(in thousands)	June 30, 2023	December 31, 2022
Commercial and industrial	Commercial and industrial	$ 195,964	$ 173,547	Commercial and industrial	$ 183,157	$ 173,547
Real estate:	Real estate:			Real estate:		
Commercial owner-occupied	Commercial owner-occupied	352,529	354,877	Commercial owner-occupied	344,951	354,877
Commercial non-owner occupied	Commercial non-owner occupied	1,189,962	1,191,889	Commercial non-owner occupied	1,196,158	1,191,889
Construction	Construction	110,386	114,373	Construction	108,986	114,373
Home equity	Home equity	86,572	88,748	Home equity	85,587	88,748
Other residential	Other residential	116,447	112,123	Other residential	118,646	112,123
Installment and other consumer loans	Installment and other consumer loans	60,468	56,989	Installment and other consumer loans	65,311	56,989
Total loans, at amortized cost [1]	Total loans, at amortized cost [1]	2,112,328	2,092,546	Total loans, at amortized cost [1]	2,102,796	2,092,546
Allowance for credit losses on loans	Allowance for credit losses on loans	(23,330)	(22,983)	Allowance for credit losses on loans	(23,832)	(22,983)
Total loans, net of allowance for credit losses on loans	Total loans, net of allowance for credit losses on loans	$ 2,088,998	$ 2,069,563	Total loans, net of allowance for credit losses on loans	$ 2,078,964	$ 2,069,563

[1] Amortized cost includes net deferred loan origination costs of $2.1 million $2.4 million and $1.8 million at March 31, 2023 June 30, 2023 and December 31, 2022, respectively. Amounts are also net of unrecognized purchase discounts of $2.4 million $2.2 million and $2.6 million at March 31, 2023 June 30, 2023 and December 31, 2022, respectively. Amortized cost excludes accrued interest, which totaled $6.0 million and $6.1 million at both March 31, 2023 June 30, 2023 and December 31, 2022, 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 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 nonaccrual status before the depletion of the interest reserve, we apply the interest funded by the interest reserve against the loan's principal balance. These loans are underwritten after evaluation of the borrower's financial strength, reputation, prior track record, and independent appraisals. We monitor all construction projects to determine whether they are on schedule, completed as planned and in accordance with the approved construction budgets. Significant events can affect the construction industry, including: the inherent volatility of real estate markets and vulnerability to delays due to weather, change orders, inability to obtain construction permits, labor or material shortages, and price changes.

Estimates of construction costs and value associated with the completed project may be inaccurate. Repayment of construction loans is largely dependent on the ultimate success of the project.

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

Credit Quality Indicators

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

Pass and Watch - Loans to borrowers of acceptable or better credit quality. Borrowers in this category demonstrate fundamentally sound financial positions, repayment capacity, credit history and management expertise. Loans in this category must have an identifiable and stable source of repayment and meet the Bank’s policy regarding debt-service-coverage ratios. These borrowers are capable of sustaining normal economic, market

or operational setbacks without significant financial consequences. Negative external industry factors are generally not present. The loan may be secured, unsecured or supported by non-real estate collateral for which the value is more difficult to determine and/or marketability is more uncertain. This category also includes “Watch” loans, where the primary source of repayment has been delayed. “Watch” is intended to be a transitional grade, with either an upgrade or downgrade within a reasonable period.

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

Substandard - Inadequately protected by either the current sound worth and paying capacity of the obligor or the collateral pledged, if any. A Substandard asset has a well-defined weakness or weaknesses that jeopardize(s) 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 class, origination year and internal risk rating as of March 31, 2023June 30, 2023 and December 31, 2022. The current year vintage table reflects gross charge-offs by loan 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, 2023	2023	2022	2021	2020	2019	Prior	Amortized Cost	Total
Commercial and industrial:								
Pass and Watch	$ 30,686	$ 11,481	$ 3,726	$ 5,173	$ 16,419	$ 25,287	$ 67,323	$ 160,095
Special Mention	—	—	—	—	2,718	664	8,656	12,038
Substandard	—	274	—	1,030	—	3,641	6,079	11,024
Total commercial and industrial	$ 30,686	$ 11,755	$ 3,726	$ 6,203	$ 19,137	$ 29,592	$ 82,058	$ 183,157
Gross current period charge-offs	$ —	$ —	$ —	$ —	$ (3)	$ —	$ —	$ (3)
Commercial real estate, owner-occupied:								
Pass and Watch	$ 1,045	$ 55,268	$ 50,712	$ 39,447	$ 44,398	$ 125,506	$ —	$ 316,376
Special Mention	—	—	15,919	—	293	10,537	—	26,749
Substandard	—	—	—	—	—	1,826	—	1,826
Total commercial real estate, owner-occupied	$ 1,045	$ 55,268	$ 66,631	$ 39,447	$ 44,691	$ 137,869	$ —	$ 344,951
Commercial real estate, non-owner occupied:								
Pass and Watch	$ 21,865	$ 175,197	$ 208,613	$ 153,439	$ 145,528	$ 419,415	$ —	$ 1,124,057
Special Mention	—	2,815	3,320	11,918	15,903	13,797	—	47,753
Substandard	—	—	2,227	—	—	22,121	—	24,348
Total commercial real estate, non-owner occupied	$ 21,865	$ 178,012	$ 214,160	$ 165,357	$ 161,431	$ 455,333	$ —	$ 1,196,158

(in thousands) (in thousands)	Term Loans - Amortized Cost by Origination Year						Revolving Loans Amortized Cost	
March 31, 2023	2023	2022	2021	2020	2019	Prior	Cost	Total
Commercial and industrial:								
Pass and Watch	$ 25,074	$ 13,349	$ 5,414	$ 6,732	$ 17,105	$ 27,065	$ 87,069	$ 181,808
Special Mention	3	275	—	—	2,743	4,395	1,089	8,505
Substandard	—	—	—	1,141	—	585	3,925	5,651
Total commercial and industrial	$ 25,077	$ 13,624	$ 5,414	$ 7,873	$ 19,848	$ 32,045	$ 92,083	$ 195,964
Gross current period charge-offs	$ —	$ —	$ —	$ —	$ (3)	$ —	$ —	$ (3)
Commercial real estate, owner-occupied:								
Pass and Watch	$ 371	$ 55,727	$ 51,067	$ 39,903	$ 47,400	$ 130,314	$ —	$ 324,782
Special Mention	—	—	16,058	—	298	9,680	—	26,036
Substandard	—	—	—	—	—	1,711	—	1,711
Total commercial real estate, owner-occupied	$ 371	$ 55,727	$ 67,125	$ 39,903	$ 47,698	$ 141,705	$ —	$ 352,529
Commercial real estate, non-owner occupied:								
Pass and Watch	$ 5,456	$ 179,181	$ 210,546	$ 154,342	$ 162,111	$ 426,972	$ 48	$ 1,138,656
Special Mention	—	—	1,166	11,998	3,907	11,466	—	28,537
Substandard	—	—	2,246	—	—	20,523	—	22,769

(in thousands)	Term Loans - Amortized Cost by Origination Year	Revolving Loans Amortized Cost

(in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost	Total
Total commercial real estate, non-owner occupied	$ 5,456	$ 179,181	$ 213,958	$ 166,340	$ 166,018	$ 458,961	$ 48	$ 1,189,962

June 30, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost	Total
Construction:								
Pass and Watch	$ 4,578	$ 44,693	$ 24,804	$ 27,198	$ —	$ 9,113	$ —	$ 110,386
Total construction	$ 4,578	$ 44,693	$ 24,804	$ 27,198	$ —	$ 9,113	$ —	$ 110,386
Home equity:								
Pass and Watch	$ —	$ —	$ —	$ —	$ —	$ 966	$ 84,723	$ 85,689
Substandard	—	—	—	—	—	228	655	883
Total home equity	$ —	$ —	$ —	$ —	$ —	$ 1,194	$ 85,378	$ 86,572
Other residential:								
Pass and Watch	$ 6,223	$ 21,047	$ 14,386	$ 28,542	$ 21,750	$ 24,499	$ —	$ 116,447
Total other residential	$ 6,223	$ 21,047	$ 14,386	$ 28,542	$ 21,750	$ 24,499	$ —	$ 116,447
Installment and other consumer:								
Pass and Watch	$ 6,591	$ 18,531	$ 12,501	$ 5,443	$ 5,951	$ 10,501	$ 950	$ 60,468
Total installment and other consumer	$ 6,591	$ 18,531	$ 12,501	$ 5,443	$ 5,951	$ 10,501	$ 950	$ 60,468
Gross current period charge-offs	$ —	$ (5)	$ —	$ (3)	$ —	$ (1)	$ (2)	$ (11)
Total loans:								
Pass and Watch	$ 48,293	$ 332,528	$ 318,718	$ 262,160	$ 254,317	$ 629,430	$ 172,790	$ 2,018,236
Total Special Mention	$ 3	$ 275	$ 17,224	$ 11,998	$ 6,948	$ 25,541	$ 1,089	$ 63,078
Total Substandard	$ —	$ —	$ 2,246	$ 1,141	$ —	$ 23,047	$ 4,580	$ 31,014
Total Doubtful	$ —	$ —	$ —	$ —	$ —	$ —	$ —	—
Totals	$ 48,296	$ 332,803	$ 338,188	$ 275,299	$ 261,265	$ 678,018	$ 178,459	$ 2,112,328
Total gross current period charge-offs	$ —	$ (5)	$ —	$ (3)	$ (3)	$ (1)	$ (2)	$ (14)

June 30, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost	Total
Construction:								
Pass and Watch	$ 10,537	$ 45,971	$ 24,061	$ 28,417	$ —	$ —	$ —	$ 108,986
Total construction	$ 10,537	$ 45,971	$ 24,061	$ 28,417	$ —	$ —	$ —	$ 108,986
Home equity:								
Pass and Watch	$ —	$ —	$ —	$ —	$ —	$ 717	$ 84,007	$ 84,724
Substandard	—	—	—	—	—	441	422	863
Total home equity	$ —	$ —	$ —	$ —	$ —	$ 1,158	$ 84,429	$ 85,587
Other residential:								
Pass and Watch	$ 12,521	$ 20,322	$ 13,818	$ 27,340	$ 21,605	$ 23,040	$ —	$ 118,646
Total other residential	$ 12,521	$ 20,322	$ 13,818	$ 27,340	$ 21,605	$ 23,040	$ —	$ 118,646
Installment and other consumer:								
Pass and Watch	$ 14,426	$ 16,790	$ 11,884	$ 5,182	$ 5,741	$ 10,264	$ 1,024	$ 65,311
Total installment and other consumer	$ 14,426	$ 16,790	$ 11,884	$ 5,182	$ 5,741	$ 10,264	$ 1,024	$ 65,311
Gross current period charge-offs	$ (6)	$ (5)	$ —	$ (4)	$ —	$ (1)	$ (4)	$ (20)
Total loans:								
Pass and Watch	$ 91,080	$ 325,029	$ 312,814	$ 258,998	$ 233,691	$ 604,229	$ 152,354	$ 1,978,195
Total Special Mention	$ —	$ 2,815	$ 19,239	$ 11,918	$ 18,914	$ 24,998	$ 8,656	$ 86,540
Total Substandard	$ —	$ 274	$ 2,227	$ 1,030	$ —	$ 28,029	$ 6,501	$ 38,061
Totals	$ 91,080	$ 328,118	$ 334,280	$ 271,946	$ 252,605	$ 657,256	$ 167,511	$ 2,102,796
Total gross current period charge-offs	$ (6)	$ (5)	$ —	$ (4)	$ (3)	$ (1)	$ (4)	$ (23)

(in thousands) December 31, 2022	Term Loans - Amortized Cost by Origination Year 2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost	Total
Commercial and industrial:								
Pass and Watch	$ 15,349	$ 6,679	$ 7,603	$ 19,982	$ 5,362	$ 24,954	$ 84,655	$ 164,584
Special Mention	275	—	—	2,272	3,836	—	402	6,785

(in thousands) December 31, 2022	Term Loans - Amortized Cost by Origination Year 2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost	Total
Commercial and industrial:								
Pass and Watch	$ 15,349	$ 6,679	$ 7,603	$ 19,982	$ 5,362	$ 24,954	$ 84,655	$ 164,584
Special Mention	275	—	—	2,272	3,836	—	402	6,785

Substandard	Substandard	—	—	1,252	—	—	625	301	2,178	Substandard	—	—	1,252	—	—	625	301	2,178
Total commercial and industrial	Total commercial and industrial	$ 15,624	$ 6,679	$ 8,855	$ 22,254	$ 9,198	$ 25,579	$ 85,358	$ 173,547	Total commercial and industrial	$ 15,624	$ 6,679	$ 8,855	$ 22,254	$ 9,198	$ 25,579	$ 85,358	$ 173,547
Commercial real estate, owner-occupied:	**Commercial real estate, owner-occupied:**									**Commercial real estate, owner-occupied:**								
Pass and Watch	Pass and Watch	$ 54,188	$ 52,080	$ 40,369	$ 44,798	$ 29,856	$ 104,377	$ —	$ 325,668	Pass and Watch	$ 54,188	$ 52,080	$ 40,369	$ 44,798	$ 29,856	$ 104,377	$ —	$ 325,668
Special Mention	Special Mention	—	16,199	—	304	5,255	4,493	—	26,251	Special Mention	—	16,199	—	304	5,255	4,493	—	26,251
Substandard	Substandard	—	—	—	1,160	—	1,699	—	2,859	Substandard	—	—	—	1,160	—	1,699	—	2,859
Doubtful	Doubtful	—	—	99	—	—	—	—	99	Doubtful	—	—	99	—	—	—	—	99
Total commercial real estate, owner-occupied	Total commercial real estate, owner-occupied	$ 54,188	$ 68,279	$ 40,468	$ 46,262	$ 35,111	$ 110,569	$ —	$ 354,877	Total commercial real estate, owner-occupied	$ 54,188	$ 68,279	$ 40,468	$ 46,262	$ 35,111	$ 110,569	$ —	$ 354,877
Commercial real estate, non-owner occupied:	**Commercial real estate, non-owner occupied:**									**Commercial real estate, non-owner occupied:**								
Pass and Watch	Pass and Watch	$ 177,822	$ 211,228	$ 155,278	$ 160,670	$ 129,166	$ 308,509	$ 57	$ 1,142,730	Pass and Watch	$ 177,822	$ 211,228	$ 155,278	$ 160,670	$ 129,166	$ 308,509	$ 57	$ 1,142,730
Special Mention	Special Mention	—	1,172	12,097	3,934	678	9,290	—	27,171	Special Mention	—	1,172	12,097	3,934	678	9,290	—	27,171
Substandard	Substandard	—	2,264	—	—	—	19,724	—	21,988	Substandard	—	2,264	—	—	—	19,724	—	21,988
Total commercial real estate, non-owner occupied	Total commercial real estate, non-owner occupied	$ 177,822	$ 214,664	$ 167,375	$ 164,604	$ 129,844	$ 337,523	$ 57	$ 1,191,889	Total commercial real estate, non-owner occupied	$ 177,822	$ 214,664	$ 167,375	$ 164,604	$ 129,844	$ 337,523	$ 57	$ 1,191,889
Construction:	**Construction:**									**Construction:**								
Pass and Watch	Pass and Watch	$ 49,262	$ 19,393	$ 28,861	$ 7,745	$ 9,112	$ —	$ —	$ 114,373	Pass and Watch	$ 49,262	$ 19,393	$ 28,861	$ 7,745	$ 9,112	$ —	$ —	$ 114,373
Total construction	Total construction	$ 49,262	$ 19,393	$ 28,861	$ 7,745	$ 9,112	$ —	$ —	$ 114,373	Total construction	$ 49,262	$ 19,393	$ 28,861	$ 7,745	$ 9,112	$ —	$ —	$ 114,373
Home equity:	**Home equity:**									**Home equity:**								
Pass and Watch	Pass and Watch	$ —	$ —	$ —	$ —	$ —	$ 883	$ 86,971	$ 87,854	Pass and Watch	$ —	$ —	$ —	$ —	$ —	$ 883	$ 86,971	$ 87,854
Substandard	Substandard	—	—	—	—	—	480	414	894	Substandard	—	—	—	—	—	480	414	894
Total home equity	Total home equity	$ —	$ —	$ —	$ —	$ —	$ 1,363	$ 87,385	$ 88,748	Total home equity	$ —	$ —	$ —	$ —	$ —	$ 1,363	$ 87,385	$ 88,748
Other residential:	**Other residential:**									**Other residential:**								
Pass and Watch	Pass and Watch	$ 21,154	$ 14,547	$ 29,018	$ 21,890	$ 11,064	$ 14,450	$ —	$ 112,123	Pass and Watch	$ 21,154	$ 14,547	$ 29,018	$ 21,890	$ 11,064	$ 14,450	$ —	$ 112,123
Total other residential										Total other residential	$ 21,154	$ 14,547	$ 29,018	$ 21,890	$ 11,064	$ 14,450	$ —	$ 112,123
Installment and other consumer:										**Installment and other consumer:**								
Pass and Watch										Pass and Watch	$ 20,054	$ 13,022	$ 5,727	$ 6,492	$ 4,181	$ 6,478	$ 944	$ 56,898
Substandard										Substandard	—	—	—	—	—	91	—	91

Total installment and other consumer	$ 20,054	$ 13,022	$ 5,727	$ 6,492	$ 4,181	$ 6,569	$ 944	$ 56,989
Total loans:								
Pass and Watch	$ 337,829	$ 316,949	$ 266,856	$ 261,577	$ 188,741	$ 459,651	$ 172,627	$ 2,004,230
Total Special Mention	$ 275	$ 17,371	$ 12,097	$ 6,510	$ 9,769	$ 13,783	$ 402	$ 60,207
Total Substandard	$ —	$ 2,264	$ 1,252	$ 1,160	$ —	$ 22,619	$ 715	$ 28,010
Total Doubtful	$ —	$ —	$ 99	$ —	$ —	$ —	$ —	$ 99
Totals	$ 338,104	$ 336,584	$ 280,304	$ 269,247	$ 198,510	$ 496,053	$ 173,744	$ 2,092,546

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(in thousands)	Term Loans - Amortized Cost by Origination Year						Revolving Loans	
December 31, 2022	2022	2021	2020	2019	2018	Prior	Amortized Cost	Total
Total other residential	$ 21,154	$ 14,547	$ 29,018	$ 21,890	$ 11,064	$ 14,450	$ —	$ 112,123
Installment and other consumer:								
Pass and Watch	$ 20,054	$ 13,022	$ 5,727	$ 6,492	$ 4,181	$ 6,478	$ 944	$ 56,898
Substandard	—	—	—	—	—	91	—	91
Total installment and other consumer	$ 20,054	$ 13,022	$ 5,727	$ 6,492	$ 4,181	$ 6,569	$ 944	$ 56,989
Total loans:								
Pass and Watch	$ 337,829	$ 316,949	$ 266,856	$ 261,577	$ 188,741	$ 459,651	$ 172,627	$ 2,004,230
Total Special Mention	$ 275	$ 17,371	$ 12,097	$ 6,510	$ 9,769	$ 13,783	$ 402	$ 60,207
Total Substandard	$ —	$ 2,264	$ 1,252	$ 1,160	$ —	$ 22,619	$ 715	$ 28,010
Total Doubtful	$ —	$ —	$ 99	$ —	$ —	$ —	$ —	$ 99
Totals	$ 338,104	$ 336,584	$ 280,304	$ 269,247	$ 198,510	$ 496,053	$ 173,744	$ 2,092,546

The following table shows the amortized cost of loans by class, payment aging and non-accrual status as of March 31, 2023 June 30, 2023 and December 31, 2022.

Loan Aging Analysis by Class

(in thousands)	Commercial and industrial	Commercial real estate, owner-occupied	Commercial real estate, non-owner occupied	Construction	Home equity	Other residential	Installment and other consumer	Total
March 31, 2023								
30-59 days past due	$ 822	$ —	$ 924	$ —	$ 399	$ —	$ 1	$ 2,146
60-89 days past due	—	—	—	—	—	—	—	—

(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, 2023								
30-59 days past due	$ —	$ —	$ 371	$ —	$ 124	$ —	$ 51	$ 546
60-89 days past due	436	—	—	—	91	—	1	528

90 days or more past due	—	33	—	—	598	—	3	634	—	164	906	—	218	—	—	1,288
Total past due	822	33	924	—	997	—	4	2,780	436	164	1,277	—	433	—	52	2,362
Current	195,142	352,496	1,189,038	110,386	85,575	116,447	60,464	2,109,548	182,721	344,787	1,194,881	108,986	85,154	118,646	65,259	2,100,434
Total loans 1	$195,964	$352,529	$1,189,962	$ 110,386	$86,572	$116,447	$ 60,468	$2,112,328	$183,157	$344,951	$1,196,158	$ 108,986	$85,587	$118,646	$ 65,311	$2,102,796
Non-accrual loans 2	$ —	$ 331	$ 924	$ —	$ 768	$ —	$ 3	$ 2,026	$ —	$ 457	$ 906	$ —	$ 749	$ —	$ —	$ 2,112
Non-accrual loans with no allowance	$ —	$ 331	$ 924	$ —	$ 768	$ —	$ —	$ 2,023	$ —	$ 457	$ 906	$ —	$ 749	$ —	$ —	$ 2,112
December 31, 2022																
30-59 days past due	$ 3	$ —	$ —	$ —	$ 319	$ 93	$ 5	$ 420	$ 3	$ —	$ —	$ —	$ 319	$ 93	$ 5	$ 420
60-89 days past due	—	—	—	—	244	—	—	244	—	—	—	—	244	—	—	244
90 days or more past due	264	—	—	—	414	—	—	678	264	—	—	—	414	—	—	678
Total past due	267	—	—	—	977	93	5	1,342	267	—	—	—	977	93	5	1,342
Current	173,280	354,877	1,191,889	114,373	87,771	112,030	56,984	2,091,204	173,280	354,877	1,191,889	114,373	87,771	112,030	56,984	2,091,204
Total loans 1	$173,547	$354,877	$1,191,889	$ 114,373	$88,748	$112,123	$ 56,989	$2,092,546	$173,547	$354,877	$1,191,889	$ 114,373	$88,748	$112,123	$ 56,989	$2,092,546
Non-accrual loans 2	$ —	$ 1,563	$ —	$ —	$ 778	$ —	$ 91	$ 2,432	$ —	$ 1,563	$ —	$ —	$ 778	$ —	$ 91	$ 2,432
Non-accrual loans with no allowance	$ —	$ 1,563	$ —	$ —	$ 778	$ —	$ 91	$ 2,432	$ —	$ 1,563	$ —	$ —	$ 778	$ —	$ 91	$ 2,432

1 There were no non-performing loans past due more than ninety days and accruing interest as of March 31, 2023 June 30, 2023 and December 31, 2022.

2 None of the non-accrual loans as of March 31, 2023 June 30, 2023 or December 31, 2022 were earning interest on a cash basis. We recognized no interest income on non-accrual loans for the three and six months ended March 31, 2023 June 30, 2023 and 2022. We reversed interest income totaling $16 of $14 thousand and less than one $8 thousand for loans placed on non-accrual status during the three six months ended March 31, 2023 June 30, 2023 and March 31, 2022 June 30, 2022, respectively.

Collateral Dependent Loans

The following table presents the amortized cost basis of individually analyzed collateral-dependent loans, which are all on non-accrual status, by class at March 31, 2023 June 30, 2023 and December 31, 2022.

		Amortized Cost by Collateral Type						Amortized Cost by Collateral Type				
(in thousands)	(in thousands)	Commercial Real Estate	Residential Real Estate	Other	Total 1	Allowance for Credit Losses	(in thousands)	Commercial Real Estate	Residential Real Estate	Other	Total 1	Allowance for Credit Losses

March 31, 2023												
June 30, 2023								June 30, 2023				
Commercial real estate, owner-occupied	Commercial real estate, owner-occupied	$ 331	$ —	$ —	$ 331	$ —	Commercial real estate, owner-occupied	$ 457	$ —	$ —	$ 457	$ —
Commercial real estate, non-owner occupied	Commercial real estate, non-owner occupied	924	—	—	924	—	Commercial real estate, non-owner occupied	906	—	—	906	—
Home equity	Home equity	—	768	—	768	—	Home equity	—	749	—	749	—
Installment and other consumer		—	—	3	3	3						
Total	Total	$ 1,255	$ 768	$ 3	$ 2,026	$ 3	Total	$ 1,363	$ 749	$ —	$ 2,112	$ —
December 31, 2022	December 31, 2022						December 31, 2022					
Commercial real estate, owner-occupied	Commercial real estate, owner-occupied	$ 1,563	$ —	$ —	$ 1,563	$ —	Commercial real estate, owner-occupied	$ 1,563	$ —	$ —	$ 1,563	$ —
Home equity	Home equity	—	778	—	778	—	Home equity	—	778	—	778	—
Installment and other consumer	Installment and other consumer	—	—	91	91	—	Installment and other consumer	—	—	91	91	—
Total	Total	$ 1,563	$ 778	$ 91	$ 2,432	$ —	Total	$ 1,563	$ 778	$ 91	$ 2,432	$ —

1 There were no collateral-dependent residential real estate mortgage loans in process of foreclosure or in substance repossessed at March 31, 2023 June 30, 2023 or December 31, 2022. The weighted average loan-to-value of collateral dependent loans was approximately 40% at June 30, 2023 and 42% at both March 31, 2023 and December 31, 2022.

Loan Modifications

We adopted ASU No. 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* on January 1, 2023, as described in Note 2, Recently Adopted and Issued Accounting Standards. The amendments enhanced disclosures related to certain types of loan modifications for borrowers experiencing financial difficulty, including principal forgiveness, interest rate reductions, other-than-insignificant payment delays, and/or term extensions. There were no such material modifications during the three six months ended March 31, 2023 June 30, 2023 requiring disclosure.

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 segments as of March 31, 2023 June 30, 2023 and December 31, 2022 December 31, 2022.

(in thousands)	(in thousands)	Commercial and industrial	Commercial real estate, owner-occupied	Commercial real estate, non-owner occupied	Construction	Home equity	Other residential	Installment and other consumer	Unallocated	Total
March 31, 2023										
June 30, 2023										
Modeled expected credit losses	Modeled expected credit losses	$ 1,137	$ 1,349	$ 7,409	$ 239	$459	$ 535	$ 574	$ —	$11,702
Qualitative adjustments	Qualitative adjustments	784	1,291	5,292	1,780	79	42	305	2,032	11,605
Specific allocations	Specific allocations	20	—	—	—	—	—	3	—	23
Total	Total	$ 1,941	$ 2,640	$ 12,701	$ 2,019	$538	$ 577	$ 882	$ 2,032	$23,330
December 31, 2022	December 31, 2022									
Modeled expected credit losses	Modeled expected credit losses	$ 1,079	$ 1,497	$ 7,937	$ 453	$504	$ 571	$ 610	$ —	$12,651
Qualitative adjustments	Qualitative adjustments	706	990	4,739	1,484	54	24	258	2,068	10,323
Specific allocations	Specific allocations	9	—	—	—	—	—	—	—	9
Total	Total	$ 1,794	$ 2,487	$ 12,676	$ 1,937	$558	$ 595	$ 868	$ 2,068	$22,983

(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, 2023									
Modeled expected credit losses	$ 1,100	$ 1,329	$ 7,441	$ 195	$486	$ 558	$ 609	$ —	$11,71
Qualitative adjustments	711	1,260	5,760	1,747	75	40	331	2,169	12,09
Specific allocations	20	—	—	—	—	1	—	—	2
Total	$ 1,831	$ 2,589	$ 13,201	$ 1,942	$561	$ 599	$ 940	$ 2,169	$23,83
December 31, 2022									
Modeled expected credit losses	$ 1,079	$ 1,497	$ 7,937	$ 453	$504	$ 571	$ 610	$ —	$12,65
Qualitative adjustments	706	990	4,739	1,484	54	24	258	2,068	10,32
Specific allocations	9	—	—	—	—	—	—	—	
Total	$ 1,794	$ 2,487	$ 12,676	$ 1,937	$558	$ 595	$ 868	$ 2,068	$22,98

Allowance for Credit Losses on Loans Rollforward

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

(in thousands)	(in thousands)	Commercial and industrial	Commercial real estate, owner-occupied	Commercial real estate, non-owner occupied	Construction	Home equity	Other residential	Installment and other consumer	Unallocated	Total
Three months ended March 31, 2023										
Three months ended June 30, 2023										
Beginning balance	Beginning balance	$ 1,794	$ 2,487	$ 12,676	$ 1,937	$558	$ 595	$ 868	$ 2,068	$22,983
Provision (reversal)		147	153	25	74	(20)	(18)	25	(36)	350
(Reversal) Provision										
(Charge-offs)	(Charge-offs)	(3)	—	—	—	—	—	(11)	—	(14)
Recoveries	Recoveries	3	—	—	8	—	—	—	—	11
Ending balance	Ending balance	$ 1,941	$ 2,640	$ 12,701	$ 2,019	$538	$ 577	$ 882	$ 2,032	$23,330
Three months ended March 31, 2022										

(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, 2023									
Beginning balance	$ 1,941	$ 2,640	$ 12,701	$ 2,019	$538	$ 577	$ 882	$ 2,032	$23,33
(Reversal) Provision	(111)	(51)	500	(86)	23	22	66	137	50
(Charge-offs)	—	—	—	—	—	—	(9)	—	(
Recoveries	1	—	—	9	—	—	1	—	1
Ending balance	$ 1,831	$ 2,589	$ 13,201	$ 1,942	$561	$ 599	$ 940	$ 2,169	$23,83

Three months ended June 30, 2022										
Beginning balance	Beginning balance	$ 1,709	$ 2,776	$ 12,739	$ 1,653	$595	$ 644	$ 621	$ 2,286	$23,023
Provision (reversal)		72	(154)	(438)	56	(46)	(16)	22	19	(485)
(Reversal) Provision										
(Charge-offs)	(Charge-offs)	—	—	—	—	—	—	(2)	—	(2)
Recoveries	Recoveries	3	—	—	8	—	—	—	—	11
Ending balance	Ending balance	$ 1,784	$ 2,622	$ 12,301	$ 1,717	$549	$ 628	$ 641	$ 2,305	$22,547

Three months ended June 30, 2022									
Beginning balance	$ 1,784	$ 2,622	$ 12,301	$ 1,717	$549	$ 628	$ 641	$ 2,305	$22,54
(Reversal) Provision	(89)	(5)	138	12	(19)	(43)	112	(106)	—
(Charge-offs)	—	—	—	—	—	—	(20)	—	(20
Recoveries	4	—	—	8	—	—	—	—	1
Ending balance	$ 1,699	$ 2,617	$ 12,439	$ 1,737	$530	$ 585	$ 733	$ 2,199	$22,53

Allowance for Credit Losses on Loans Rollforward

(in thousands)	Commercial and industrial	Commercial real estate, owner-occupied	Commercial real estate, investor	Construction	Home equity	Other residential	Installment and other consumer	Unallocated	Total
Six months ended June 30, 2023									
Beginning balance	$ 1,794	$ 2,487	$ 12,676	$ 1,937	$ 558	$ 595	$ 868	$ 2,068	$ 22,983
Provision (reversal)	36	102	525	(12)	3	4	91	101	850
Charge-offs	(3)	—	—	—	—	—	(20)	—	(23)
Recoveries	4	—	—	17	—	—	1	—	22
Ending balance	$ 1,831	$ 2,589	$ 13,201	$ 1,942	$ 561	$ 599	$ 940	$ 2,169	$ 23,832
Six months ended June 30, 2022									
Beginning balance	$ 1,709	$ 2,776	$ 12,739	$ 1,653	$ 595	$ 644	$ 621	$ 2,286	$ 23,023
(Reversal) Provision	(17)	(159)	(300)	68	(65)	(59)	134	(87)	(485)
Charge-offs	—	—	—	—	—	—	(22)	—	(22)
Recoveries	7	—	—	16	—	—	—	—	23
Ending balance	$ 1,699	$ 2,617	$ 12,439	$ 1,737	$ 530	$ 585	$ 733	$ 2,199	$ 22,539

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 $1.308 billion $1.293 billion and $1.298 billion at March 31, 2023 June 30, 2023 and December 31, 2022, respectively. In addition, we pledge eligible TIC loans, which totaled $106.2 million $109.0 million and $105.0 million at March 31, 2023 June 30, 2023 and December 31, 2022, respectively, to secure our borrowing capacity with the Federal Reserve Bank ("FRB"). For additional information, see Note 6, Borrowings.

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Related Party Loans

The Bank has, and expects to have in the future, banking transactions in the ordinary course of its business with directors, officers, principal shareholders and their businesses or associates. These transactions, including loans, are granted on substantially the same terms, including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with persons not related to us. Likewise, these transactions do not involve more than the normal risk of collectability or present other unfavorable features. Related party loans totaled $6.4$6.3 million at March 31, 2023June 30, 2023 and $6.4 million at December 31, 2022. In addition, undisbursed commitments to related parties totaled $562 thousand at both March 31, 2023June 30, 2023 and December 31, 2022.

Note 6: Short-Term Borrowings and Other Obligations

Federal Home Loan Bank – As of March 31, 2023June 30, 2023 and December 31, 2022, the Bank had total lines of credit with the FHLB totaling $1.037 billion$1.034 billion and $711.6 million, 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 $135.0 million and $150.0 million at March 31, 2023June 30, 2023 and December 31, 2022., respectively. In general, interest rates on these lines approximate the federal funds target rate.

Federal Reserve Bank – The Bank has a line of credit with the Federal Reserve Bank of San Francisco ("FRBSF") secured by certain residential loans. At March 31, 2023June 30, 2023 and December 31, 2022, the Bank had total borrowing capacity under this line of $60.6 million$58.0 million and $58.7 million, respectively. In addition, under the Federal Reserve's new BTFP facility, the Bank could borrow up to an additional $283.6279.0 million based on the par value of pledged investment securities as of March 31, 2023June 30, 2023.

Other Obligations – Finance lease liabilities totaling $402$372 thousand and $439 thousand at March 31, 2023June 30, 2023 and December 31, 2022, respectively, are included in short-term borrowings and other obligations in the consolidated statements of condition. See Note 8, Commitments and Contingencies, for additional information.

Outstanding balances and weighted average interest rates on short-term borrowings and other obligations as of March 31, 2023June 30, 2023 and December 31, 2022 are summarized in the following table.

		March 31, 2023		December 31, 2022			June 30, 2023		December 31, 2022	
(dollars in thousands)	(dollars in thousands)	Outstanding Balance	Weighted Average Rate	Outstanding Balance	Weighted Average Rate	(dollars in thousands)	Outstanding Balance	Weighted Average Rate	Outstanding Balance	Weighted Average Rate
FHLB - short-term borrowings	FHLB - short-term borrowings	$ 405,400	5.17 %	$ 112,000	4.65 %	FHLB - short-term borrowings	$ 292,200	5.28 %	$ 112,000	4.65 %
Federal funds lines of credit	Federal funds lines of credit	—	— %	—	— %	Federal funds lines of credit	—	— %	—	— %
FRBSF - federal funds purchased	FRBSF - federal funds purchased	—	— %	—	— %	FRBSF - federal funds purchased	—	— %	—	— %
FRBSF - short-term borrowings under the BTFP	FRBSF - short-term borrowings under the BTFP	—	— %	—	— %	FRBSF - short-term borrowings under the BTFP	—	— %	—	— %
Other obligations (finance leases)	Other obligations (finance leases)	402	1.89 %	439	1.86 %	Other obligations (finance leases)	372	1.97 %	439	1.86 %
Total short-term borrowings and other obligations	Total short-term borrowings and other obligations	$ 405,802	5.17 %	$ 112,439	4.64 %	Total short-term borrowings and other obligations	$ 292,572	5.28 %	$ 112,439	4.64 %

Note 7: Stockholders' Equity

Dividends

On January 20, 2023April 21, 2023, Bancorp declared a $0.25 per share cash dividend, paid February 10, 2023 to shareholders of record at the close of business on February 3, 2023. Subsequent to quarter end on April 21, 2023, Bancorp declared a $0.25 per share cash dividend, payable on May 12, 2023 to shareholders of record at the close of business on May 5, 2023. Subsequent to quarter end on July 21, 2023, Bancorp declared a $0.25

per share cash dividend, payable on August 11, 2023 to shareholders of record at the close of business on August 4, 2023.

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 (loss) 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,

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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. Beginning in 2018, stock option 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. During the three six months ended March 31, 2023 June 30, 2023, we withheld 2,847 3,132 shares totaling $82 $86 thousand at a weighted-average price of $28.74 $27.57 for cashless exercises. During the three six months ended March 31, 2022 June 30, 2022, we withheld 8,003 10,208 shares totaling $278 $351 thousand at a weighted-average price of $34.76 $34.38 for cashless exercises. Shares withheld under net settlement arrangements are available for future grants.

Share Repurchase Program

Bancorp has had an approved share repurchase program with $34.7 million outstanding at March 31, 2023 June 30, 2023. There have been no repurchases in 2023. Cumulative shares repurchased under the current this program totaled 618,991 shares as of March 31, 2023 June 30, 2023 at an average price of $36.04 per share. Subsequent to quarter end on July 21, 2023, Bancorp adopted a new share repurchase program, which replaced the existing program that expired on July 31, 2023, for up to $25.0 million and expiring on July 31, 2025.

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

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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.

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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)	(in thousands)		March 31, 2023		December 31, 2022	(in thousands)		June 30, 2023		December 31, 2022
Commercial lines of credit	Commercial lines of credit	$	266,082	$	292,204	Commercial lines of credit	$	236,895	$	292,204
Revolving home equity lines	Revolving home equity lines		218,353		218,907	Revolving home equity lines		219,144		218,907
Undisbursed construction loans	Undisbursed construction loans		32,471		43,179	Undisbursed construction loans		22,683		43,179
Personal and other lines of credit	Personal and other lines of credit		10,851		10,842	Personal and other lines of credit		9,701		10,842
Standby letters of credit	Standby letters of credit		1,720		1,738	Standby letters of credit		1,157		1,738
Total unfunded loan commitments and standby letters of credit	Total unfunded loan commitments and standby letters of credit	$	529,477	$	566,870	Total unfunded loan commitments and standby letters of credit	$	489,580	$	566,870

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 $1.3$1.1 million and $1.5 million as of March 31, 2023June 30, 2023 and December 31, 2022, respectively, which is included in interest payable and other liabilities in the consolidated statements of condition. The $174$168 thousand reversal of the provision for credit losses on unfunded loan commitments in the second quarter of 2023 was due primarily to a $39.9 million decrease in total unfunded commitments. This compares to no provision for the same quarter in 2022. The $342 thousand reversal of the provision for credit losses on unfunded loan commitments in the first quarterhalf of 2023 was due primarily to a $37.4$77.3 million decrease in total unfunded commitments, compared to a $318 thousand provision reversal in the first quarterhalf of 2022, due mainly to an improvement in the underlyingimproved economic forecasts at the time.

Leases

We lease premises under long-term non-cancelable operating leases with remaining terms of 410 months to 1918 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 3 years to 5 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)	(in thousands)		March 31, 2023		December 31, 2022	(in thousands)		June 30, 2023		December 31, 2022
Operating leases:	**Operating leases:**					**Operating leases:**				
Operating lease right-of-use assets	Operating lease right-of-use assets	$	22,854	$	24,821	Operating lease right-of-use assets	$	22,739	$	24,821
Operating lease liabilities	Operating lease liabilities	$	25,433	$	26,639	Operating lease liabilities	$	25,220	$	26,639
Finance leases:	**Finance leases:**					**Finance leases:**				
Finance lease right-of-use assets	Finance lease right-of-use assets	$	606	$	616	Finance lease right-of-use assets	$	608	$	616
Accumulated amortization	Accumulated amortization		(214)		(187)	Accumulated amortization		(245)		(187)
Finance lease right-of-use assets, net[1]	Finance lease right-of-use assets, net[1]	$	392	$	429	Finance lease right-of-use assets, net[1]	$	363	$	429
Finance lease liabilities[2]	Finance lease liabilities[2]	$	402	$	439	Finance lease liabilities[2]	$	372	$	439

1 Included in premises and equipment in the consolidated statements of condition.	1 Included in premises and equipment in the consolidated statements of condition.	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.	2 Included in borrowings and other obligations in the consolidated statements of condition.	2 Included in borrowings and other obligations in the consolidated statements of condition.

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

		Three months ended
(in thousands)	March 31, 2023	March 31, 2022
Right-of-use assets obtained in exchange for operating lease liabilities	$ —	$ 1,120

		Six months ended
(in thousands)	June 30, 2023	June 30, 2022
Right-of-use assets obtained in exchange for operating lease liabilities, net of tenant improvement allowances received	$ 572	$ 1,124
Right-of-use assets obtained in exchange for finance lease liabilities	$ 7	$ —

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

		Three months ended			Three months ended		Six months ended	
(in thousands)	(in thousands)	March 31, 2023	March 31, 2022	(in thousands)	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Operating lease cost	Operating lease cost	$1,610	$1,284	Operating lease cost	$1,322	$1,295	$2,932	$2,579
Variable lease cost	Variable lease cost	—	—	Variable lease cost	—	—	—	—
Total operating lease cost1	Total operating lease cost1	$1,610	$1,284	Total operating lease cost1	$1,322	$1,295	$2,932	$2,579
Finance lease cost:	Finance lease cost:			Finance lease cost:				
Amortization of right-of-use assets2	Amortization of right-of-use assets2	$ 37	$ 31	Amortization of right-of-use assets2	$ 37	$ 31	$ 74	$ 62
Interest on finance lease liabilities3	Interest on finance lease liabilities3	2	1	Interest on finance lease liabilities3	2		4	1
Total finance lease cost	Total finance lease cost	$ 39	$ 32	Total finance lease cost	$ 39	$ 31	$ 78	$ 63

Total lease cost	Total lease cost	$1,649	$1,316	Total lease cost	$1,361 $1,326	$3,010 $2,642

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

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

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

The following table shows the future minimum lease payments, weighted average remaining lease terms, and weighted average discount rates under operating and finance lease arrangements as of March 31, 2023June 30, 2023. 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)	(in thousands)	March 31, 2023		(in thousands)	June 30, 2023	
Year	Year	Operating Leases	Finance Leases	Year	Operating Leases	Finance Leases
2023	2023	$ 3,997	$ 115	2023	$ 2,587	$ 78
2024	2024	4,585	153	2024	4,753	155
2025	2025	3,875	106	2025	4,112	108
2026	2026	3,129	36	2026	3,373	37
2027	2027	2,845	5	2027	3,097	5
Thereafter	Thereafter	9,693	—	Thereafter	10,017	—
Total minimum lease payments	Total minimum lease payments	28,124	415	Total minimum lease payments	27,939	383
Amounts representing interest (present value discount)	Amounts representing interest (present value discount)	(2,691)	(13)	Amounts representing interest (present value discount)	(2,719)	(11)
Present value of net minimum lease payments (lease liability)	Present value of net minimum lease payments (lease liability)	$ 25,433	$ 402	Present value of net minimum lease payments (lease liability)	$ 25,220	$ 372
Weighted average remaining term (in years)	Weighted average remaining term (in years)	7.6	2.9	Weighted average remaining term (in years)	7.5	2.6
Weighted average discount rate	Weighted average discount rate	2.27 %	1.89 %	Weighted average discount rate	2.36 %	1.97 %

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"). OurWe 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. banks or, per the terms of the sale, to the recent purchaser of our shares. Visa established an escrow account to pay for settlements or judgments in the Covered Litigation. Under the terms of the U.S. retrospective responsibility plan, when Visa Litigation that it periodically funds, the litigation escrow account, it triggers a conversion rate reduction of the Class B common stock to shares of Class A common stock, effectively reducing the aggregate value of the Class B common stock held by Visa's member banks like us.

In 2012, Visa reached a $4.0 billion interchange multidistrict litigation class settlement agreement with plaintiffs representing a class of U.S. retailers. During its six month fiscal reporting period ended March 31, 2023, Visa deposited an additional $350 million into the litigation escrow account to address claims of certain merchants who opted out of the Amended Settlement Agreement for a balance of $1.6 billion. Combined with funds previously deposited with the court, these funds arewhich is expected to cover the settlement payment obligations.

The outcome of the Covered Litigation affects the conversion rate of Visa Class B common stock held by us to Visa Class A common stock, as discussed above and in Note 4, Investment Securities. The final conversion rate is subject to change depending on the final settlement payments, and the full effect on member banks is still uncertain.

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.

Note 9: Derivative Financial Instruments and Hedging Activities

We entered into interest rate swap agreements, primarily as an asset/liability management strategy, in order to mitigate the changes in the fair value of specified long-term fixed-rate loans (or firm commitments to enter into long-term fixed-rate loans) caused by changes in interest rates. These hedges allow 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 LIBOR index (which transitioned to the SOFR effective July 1, 2023 due to the cessation of the LIBOR index on June 30, 2023) protects us against changes in the fair value of our loans associated with fluctuating interest rates.

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.

As of March 31, 2023June 30, 2023, we had four interest rate swap agreements, which are scheduled to mature at various dates ranging from June 2031 to October 2037. All of our derivatives are accounted for as fair value hedges. The notional amounts of the interest rate contracts are equal to the notional amounts of the hedged loans. Our interest rate swap payments are settled monthly with counterparties. Accrued interest receivable on the swaps totaled $6$7 thousand at March 31, June 30, 2023 and $5 thousand at December 31, 2022. Information on our derivatives follows:

		Asset Derivatives		Liability Derivatives			Asset Derivatives		Liability Derivatives	
(in thousands)	(in thousands)	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022	(in thousands)	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Fair value hedges:	Fair value hedges:					Fair value hedges:				
Interest rate contracts notional amount	Interest rate contracts notional amount	$ 9,450	$ 12,046	$ 2,340	$ —	Interest rate contracts notional amount	$ 11,535	$ 12,046	$ —	$ —
Interest rate contracts fair value[1]	Interest rate contracts fair value[1]	$ 404	$ 602	$ 23	$ —	Interest rate contracts fair value[1]	$ 631	$ 602	$ —	$ —

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

The following table presents the carrying amount and associated cumulative basis adjustment related to the application of fair value hedge accounting that is included in the carrying amount of hedged assets as of March 31, 2023June 30, 2023 and December 31, 2022.

		Carrying Amounts of Hedged Assets		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Loans			Carrying Amounts of Hedged Assets		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Loans	
(in thousands)	(in thousands)	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022	(in thousands)	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Loans	Loans	$ 11,284	$ 11,319	$ (506)	$ (726)	Loans	$ 10,786	$ 11,319	$ (749)	$ (726)

The following table presents the net losses gains (losses) recognized in interest income on loans on the consolidated statements of comprehensive income (loss) related to our derivatives designated as fair value hedges.

(in thousands)	Three months ended March 31, 2023	Three months ended March 31, 2022	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Interest and fees on loans [1]	$ 24,258	$ 23,677	$ 24,579	$ 23,334	$ 48,837	$ 47,011
(Decrease) increase in fair value of designated interest rate swaps due to LIBOR interest rate movements	$ (221)	$ 757				
Increase (decrease) in fair value of designated interest rate swaps due to LIBOR interest rate movements			$ 250	$ 430	$ 29	$ 1,187
Receivable (payment) on interest rate swaps	51	(85)	66	(65)	118	(150)
Increase (decrease) in fair value hedging adjustment of hedged loans	221	(752)				
(Decrease) increase in fair value hedging adjustment of hedged loans			(243)	(428)	(23)	(1,180)
Decrease in value of yield maintenance agreement	(2)	(3)	(2)	(2)	(4)	(5)
Net gain (losses) on fair value hedging relationships recognized in interest income	$ 49	$ (83)				
Net gain (loss) on fair value hedging relationships recognized in interest income			$ 71	$ (65)	$ 120	$ (148)

[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 counterparties are under International Swaps and Derivative Association ("ISDA") master agreements that include "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	Gross Amounts Offset in the	Net Amounts of Assets Presented	Gross Amounts Not Offset in the Statements of Condition	Gross Amounts	Gross Amounts Offset in the	Net Amounts of Assets Presented	Gross Amounts Not Offset in the Statements of Condition

(in thousands)	(in thousands)	of Recognized Assets	Statements of Condition	in the Statements of Condition	Financial Instruments	Cash Collateral Received	Net Amount	(in thousands)	of Recognized Assets[1]	Statements of Condition	in the Statements of Condition[1]	Financial Instruments	Cash Collateral Received	Net Amount
March 31, 2023														
June 30, 2023								**June 30, 2023**						
Counterparty	Counterparty $	404 $	— $	404 $	(23) $	— $	381	Counterparty $	631 $	— $	631 $	— $	— $	631
December 31, 2022	**December 31, 2022**							**December 31, 2022**						
Counterparty	Counterparty $	602 $	— $	602 $	— $	— $	602	Counterparty $	602 $	— $	602 $	— $	— $	602

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: Financial Instruments	Cash Collateral Pledged	Net Amount
March 31, 2023							
Counterparty	$	23 $	— $	23 $	(23) $	— $	—
December 31, 2022							
Counterparty	$	— $	— $	— $	— $	— $	—

Offsetting of Financial Liabilities and Derivative Liabilities

[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 2022 Form 10-K filed with the SEC on March 16, 2023.

On July 7, 2023, the Bank entered into various interest rate swap agreements with notional values totaling approximately $101.8 million and split evenly between terms of 2.5 and 3.0 years 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. The interest rate swaps are expected to be immediately accretive to earnings.

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 financial statements in this Form 10-Q and with the audited consolidated financial statements and accompanying notes included in our 2022 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

This discussion of financial results 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 acts of terrorism, war or other conflicts such as Russia's military action in Ukraine, impacts from inflation, supply change 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 materially differ from those expressed in our prior forward-looking statements are detailed in ITEM 1A, Risk Factors section of our 2022 Form 10-K as filed with the SEC, and ITEM 1A Risk Factors herein, copies of which are available from us at no charge. Forward-looking statements speak only as of the date they are made. We do not undertake to update forward-looking statements to reflect circumstances or events 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, Income Taxes, Fair Value Measurements, and Business Combinations.* For a detailed discussion, refer to the Critical Accounting Estimates section of our 2022 Form 10-K filed with the SEC on March 16, 2023.

Executive Summary

We generated earnings of $4.6 million for the second quarter of 2023, compared to $9.4 million for the first quarter of 2023, compared to $12.9 million for the fourth quarter of 2022 and $10.5 million in the first quarter of 2022. 2023. Diluted earnings per share were $0.59 $0.28 for the first second quarter of 2023, compared to $0.81 $0.59 for the preceding quarter and $0.66 quarter. Earnings for the first six months of 2023 totaled $14.0 million, compared to $21.5 million in the same quarter a year ago. Earnings declined in period last year. Diluted earnings per share were $0.87 and $1.35 for the first quarter six months of 2023 as an increase in and 2022, respectively. 2023 earnings presented were impacted by the increased cost of interest expense reflected bearing deposits catching up to market interest rate increases rates and higher average balances on a lagged basis. borrowings.

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

- Following recent industry events, our deposit franchise remained strong at $3.251 billion on March 31, 2023 Deposits totaled $3.325 billion as of June 30, 2023, a decrease of $322.8 million $248.1 million from $3.573 billion at December 31, 2022. While there have been some We are closing the gap on the deposit outflows related to industry concerns experienced in March the first quarter of 2023. Our deposit franchise exhibited good growth in new and pandemic surge deposits redeploying to money market funds, existing relationships in the largest transactions were related to the normal operating activities second quarter of 2023 as a result of our customers. Those activities include vendor payments, taxes, payroll extensive customer outreach, with the addition of over 1,400 new accounts in the quarter and singular events such as disbursement of proceeds from the sale of a business, real property acquisitions for cash, trust distributions or estate settlements. The over 2,400 new accounts year-to-date at average rates well below our cost of borrowing. In fact, total deposits increased 12 basis points by $69 million post quarter-end through July 31, 2023, following a $75 million increase in second quarter over as previously reported in our earnings release, and were less than $80 million below levels immediately preceding the first quarter due to targeted relationship-based pricing adjustments. bank failures that resulted in industry disruption.

- Non-interest bearing deposits made up 50.3% 47.8% of total deposits at March 31, 2023 June 30, 2023, compared to 51.5% at December 31, 2022. We have successfully maintained high non-interest bearing deposit balances consistent with pre-pandemic levels, despite market and industry turbulence. Customer participation in the reciprocal deposit network program grew to $421.0 million, and we bringing estimated that 67% FDIC insured and/or collateralized deposits up to 71% of total deposits were fully covered by FDIC insurance as of March 31, 2023 June 30, 2023. Our largest depositor represented 1.3% of total deposits as of June 30, 2023.

- Liquidity is strong, providing 181% Contingent liquidity provided 209% coverage of estimated uninsured deposits. and/or uncollateralized deposits at June 30, 2023. The Bank has long followed sound liquidity management practices similar to larger large banks with robust liquidity requirements and regular liquidity stress testing. While testing that have been enhanced subsequent to events of the Bank has the ability to utilize the Federal Reserve Bank Term Funding Program ("BTFP") and has tested it for contingency planning purposes, there has been no need to utilize the facility at this time. first quarter.

- Loan balances The credit quality of $2.112 billion our loan portfolio remains strong with classified loans at March 31, 2023, increased $19.8 million from $2.093 billion at December 31, 2022 reflecting originations only 1.81% of $44.9 million total loans and payoffs of $22.2 million. Utilization of manageable delinquencies with no meaningful credit lines was offset by loan amortization from scheduled repayments surprises during the quarter and unfunded commitments declined $37.4 million from December 31, 2022 to $529.5 million at March 31, 2023.

- first half of the year. Non-accrual loans were only 0.10% of total loans as of March 31, 2023 June 30, 2023, compared to 0.12% at December 31, 2022. We recorded a $350 $500 thousand provision for credit losses on loans in the first second quarter, compared to no a provision of $350 thousand in the previous quarter and quarter. For six months ended June 30, 2023, we recorded a provision for credit losses on loans of $850 thousand, compared to a reversal of $485 thousand provision reversal in for the same quarter of period in 2022. The provision in the first quarter of 2023 was due primarily to qualitative risk factor adjustments.

- Credit quality remains sound notwithstanding Loan balances of $2.103 billion increased $10.3 million during the trends in the commercial real estate market. Our loan portfolio continues to perform well, with classified loans at only 1.47% of total loans six months ended June 30, 2023. Loan originations were $67.7 million and manageable delinquencies. Non-owner occupied commercial real estate loans made up 73% of total classified loans as of March 31, 2023, compared to 76% at December 31, 2022, and all are currently paying as agreed. We continue to maintain diversity among property types and within our geographic footprint. In particular, our office commercial real estate portfolio in the City of San Francisco represents just 3% of our total loan portfolio and 6% of our total non-owner occupied commercial real estate portfolio. As of the last measurement period, the average loan-to-value and debt-service coverage payoffs were $46.8 million for the entire non-owner occupied office portfolio were 55% and 1.67x, respectively. For the eleven non-owner occupied office loans in the City of San Francisco, the average loan-to-value and debt-service coverage were 60% and 1.20x, respectively. More details are available in the supplementary earnings presentation filed as Exhibit 99.2 to our 8-K on April 24, 2023, and also available on our website. six months ended June 30, 2023.

- The first second quarter tax-equivalent net interest margin decreased 22 59 basis points to 3.04% 2.45% from 3.26% 3.04% for the previous quarter due primarily to increased deposit costs and average borrowing balances, partially offset by higher loan yields. The tax-equivalent net interest margin was up for the first six months of 2023 of 2.74% decreased 27 basis points from 2.96% in 3.01% for the same period of 2022. in 2022 for the same reasons mentioned above.

- Return on average assets ("ROA") was 0.44% for the second quarter of 2023, compared to 0.92% for the first quarter of 2023, compared to 1.21% for the fourth quarter of 2022 and 0.98% for the first quarter of 2022, and return 2023. Return on average equity ("ROE") was 4.25% for the second quarter of 2023, compared to 9.12% for the prior quarter. ROA was 0.68% for the six months ended June 30, 2023, compared to 12.77% 1.00% in the same period of the prior year. ROE was 6.65% for the prior quarter and 9.61% for six months ended June 30, 2023, compared to 10.16% in the first quarter in same period of the prior year. The efficiency

ratio for the first second quarter of 2023 was 60.24% 76.91%, compared to 50.92% 60.24% for the prior quarter and 59.13% quarter. The efficiency ratio was 67.74% for the first quarter six months ended June 30, 2023, compared to 57.40% in the same period of 2022. the prior year. The sequential declines in ROA and ROE and increase in the efficiency ratio in the first six months of 2023 were due primarily to the $3.6 million a $13.8 million increase in interest expense.

- The Bank finalized the closure of four branch locations which were announced in January 2023. The acquisition of American River Bank ("ARB") resulted in an overlap in the Bank's branch network in Santa Rosa and Healdsburg, prompting branch consolidations within Northern Sonoma County. In addition, our Tiburon and Buckhorn branches in Marin and Amador counties were in close proximity to other branches fully able to meet our customers' needs. These closures represented the remaining expense savings anticipated from the acquisition, optimizing efficiency and our ability to fund strategic initiatives going forward. The pre-tax savings in 2023 from the branch closures, net of accelerated costs, is expected to be approximately $470 thousand, and future annual pre-tax savings are expected to be approximately $1.4 million.

- All capital ratios were above well-capitalized regulatory requirements. The total risk-based capital ratios at March 31, 2023 June 30, 2023 for Bancorp and the Bank were 16.2% 16.4% and 15.6% 16.0%, respectively. Bancorp's tangible common equity to tangible assets ("TCE ratio") was 8.7% 8.6% at March 31, 2023 June 30, 2023, and the Bank's compared to 8.2% as of December 31, 2022. As of June 30, 2023, Bancorp's TCE ratio, net of after tax unrealized losses on held-to-maturity securities, was 8.3% 6.7%, compared to 6.2% at December 31, 2022 (refer to page 45 for a discussion and reconciliation of this non-GAAP financial measure).

- Given On July 12, 2023, the strength Bank completed the sale of its only other real estate owned property, which was obtained in the 2021 merger with American River Bankshares. After previously recorded write-downs totaling $385 thousand, including $40 thousand in the second quarter of 2023, the Bank realized a negligible gain after sales costs.

- 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 durability protect selected securities in its available-for-sale portfolio against changes in fair value related to changes in the benchmark interest rate. The interest rate swaps are expected to be immediately accretive to earnings.

- In July 2023, the Bank sold $82.7 million of available-for-sale securities for a net loss of $2.8 million. We held the Bank's financial performance, sales proceeds in cash as part of our liquidity strategy. The loss was offset by a $2.8 million gain from the July 13, 2023 sale of our remaining investment in Visa Inc. Class B restricted common stock, which had a zero carrying value.

- The Board of Directors declared a cash dividend of $0.25 per share on April 21, 2023 July 21, 2023, which represents the 72 73nd rd consecutive quarterly dividend paid by Bancorp. The dividend is payable on May 12, 2023 August 11, 2023, to shareholders of record at the close of business on May 5, 2023 August 4, 2023.

- On July 21, 2023, the Board of Directors approved the adoption of Bancorp's new share repurchase program for up to $25.0 million and expiring on July 31, 2025, replacing the program that expired on July 31, 2023.

RESULTS OF OPERATIONS

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

(dollars in thousands, except per share data)	(dollars in thousands, except per share data)	Three months ended March 31, 2023	Three months ended December 31, 2022	Three months ended March 31, 2022	(dollars in thousands, except per share data)	Three months ended June 30, 2023	Three months ended March 31, 2023	Six months ended June 30, 2023	Six months ended June 30, 2022
Selected operating data:	**Selected operating data:**				**Selected operating data:**				
Net interest income	Net interest income	$ 29,899	$ 33,370	$ 29,898	Net interest income	$ 24,130	$ 29,899	$ 54,029	$ 61,095
Provision for (reversal of) credit losses on loans	Provision for (reversal of) credit losses on loans	350	—	(485)	Provision for (reversal of) credit losses on loans	500	350	850	(485)
Reversal of credit losses on unfunded loan commitments	Reversal of credit losses on unfunded loan commitments	(174)	—	(318)	Reversal of credit losses on unfunded loan commitments	(168)	(174)	(342)	(318)
Non-interest income	Non-interest income	2,935	2,587	2,867	Non-interest income	2,739	2,935	5,674	5,595
Non-interest expense	Non-interest expense	19,780	18,310	19,375	Non-interest expense	20,665	19,780	40,445	38,281
Net income	Net income	9,440	12,881	10,465	Net income	4,551	9,440	13,991	21,531
Net income per common share:	**Net income per common share:**				**Net income per common share:**				
Basic	Basic	$ 0.59	$ 0.81	$ 0.66	Basic	$ 0.28	$ 0.59	$ 0.88	$ 1.35
Diluted	Diluted	$ 0.59	$ 0.81	$ 0.66	Diluted	$ 0.28	$ 0.59	$ 0.87	$ 1.35
Performance and other financial ratios:	**Performance and other financial ratios:**				**Performance and other financial ratios:**				
Return on average assets	Return on average assets	0.92 %	1.21 %	0.98 %	Return on average assets	0.44 %	0.92 %	0.68 %	1.00 %
Return on average equity	Return on average equity	9.12 %	12.77 %	9.61 %	Return on average equity	4.25 %	9.12 %	6.65 %	10.16 %
Tax-equivalent net interest margin	Tax-equivalent net interest margin	3.04 %	3.26 %	2.96 %	Tax-equivalent net interest margin	2.45 %	3.04 %	2.74 %	3.01 %
Cost of deposits	Cost of deposits	0.20 %	0.08 %	0.06 %	Cost of deposits	0.69 %	0.20 %	0.44 %	0.06 %
Efficiency ratio	Efficiency ratio	60.24 %	50.92 %	59.13 %	Efficiency ratio	76.91 %	60.24 %	67.74 %	57.40 %
Net (recoveries) charge-offs	Net (recoveries) charge-offs	$ 3	$ (20)	$ (9)	Net (recoveries) charge-offs	$ (2)	$ 3	$ 1	$ (1)
Cash dividend payout ratio on common stock [1]	Cash dividend payout ratio on common stock [1]	42.37 %	30.86 %	36.36 %	Cash dividend payout ratio on common stock [1]	89.29 %	42.37 %	56.82 %	35.56 %

(dollars in thousands, except per share data)	(dollars in thousands, except per share data)	March 31, 2023	December 31, 2022	(dollars in thousands, except per share data)	June 30, 2023	December 31, 2022
Selected financial condition data:	**Selected financial condition data:**			**Selected financial condition data:**		
Total assets	Total assets	$ 4,135,279	$ 4,147,464	Total assets	$ 4,092,133	$ 4,147,464
Investment securities	Investment securities	1,756,093	1,774,303	Investment securities	1,717,750	1,774,303

Loans, net	Loans, net	2,088,998		2,069,563		Loans, net	2,078,964		2,069,563	
Deposits	Deposits	3,250,574		3,573,348		Deposits	3,325,212		3,573,348	
Short-term borrowings and other obligations	Short-term borrowings and other obligations	405,802		112,439		Short-term borrowings and other obligations	292,572		112,439	
Stockholders' equity	Stockholders' equity	430,174		412,092		Stockholders' equity	423,941		412,092	
Book value per share	Book value per share	26.71		25.71		Book value per share	26.32		25.71	
Asset quality ratios:	**Asset quality ratios:**					**Asset quality ratios:**				
Allowance for credit losses on loans to total loans	Allowance for credit losses on loans to total loans	1.10	%	1.10	%	Allowance for credit losses on loans to total loans	1.13	%	1.10	%
Allowance for credit losses on loans to non-performing loans	Allowance for credit losses on loans to non-performing loans		11.52x		9.45x	Allowance for credit losses on loans to non-performing loans		11.28x		9.45x
Non-accrual loans to total loans	Non-accrual loans to total loans	0.10	%	0.12	%	Non-accrual loans to total loans	0.10	%	0.12	%
Capital ratios:	**Capital ratios:**					**Capital ratios:**				
Equity to total assets ratio	Equity to total assets ratio	10.40	%	9.94	%	Equity to total assets ratio	10.36	%	9.94	%
Tangible common equity to tangible assets	Tangible common equity to tangible assets	8.69	%	8.21	%	Tangible common equity to tangible assets	8.64	%	8.21	%
Total capital (to risk-weighted assets)	Total capital (to risk-weighted assets)	16.15	%	15.90	%	Total capital (to risk-weighted assets)	16.36	%	15.90	%
Tier 1 capital (to risk-weighted assets)	Tier 1 capital (to risk-weighted assets)	15.27	%	15.02	%	Tier 1 capital (to risk-weighted assets)	15.45	%	15.02	%
Tier 1 capital (to average assets)	Tier 1 capital (to average assets)	9.94	%	9.60	%	Tier 1 capital (to average assets)	10.10	%	9.60	%
Common equity Tier 1 capital (to risk weighted assets)	Common equity Tier 1 capital (to risk weighted assets)	15.27	%	15.02	%	Common equity Tier 1 capital (to risk weighted assets)	15.45	%	15.02	%

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

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

		Three months ended March 31, 2023			Three months ended December 31, 2022			March 31, 2022		
(dollars in thousands)	(dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets	Assets									
	Interest-earning deposits with banks 1	$ 4,863	$ 56	4.58 %	$ 61,878	$ 575	3.64 %	$ 231,555	$ 106	0.18 %
	Investment securities 2, 3	1,851,743	10,194	2.20 %	1,873,028	10,319	2.20 %	1,626,537	6,871	1.69 %
	Loans 1, 3, 4	2,121,718	24,415	4.60 %	2,113,201	23,670	4.38 %	2,227,495	23,881	4.29 %
	Total interest-earning assets 1	3,978,324	34,665	3.49 %	4,048,107	34,564	3.34 %	4,085,587	30,858	3.02 %
	Cash and non-interest-bearing due from banks	39,826			44,480			69,019		
	Bank premises and equipment, net	8,396			7,933			7,430		
	Interest receivable and other assets, net	137,114			125,483			183,222		
Total assets	Total assets	$ 4,163,660			$ 4,226,003			$ 4,345,258		
Liabilities and Stockholders' Equity	Liabilities and Stockholders' Equity									
	Interest-bearing transaction accounts	$ 272,353	$ 254	0.38 %	$ 290,064	$ 191	0.26 %	$ 295,183	$ 56	0.08 %
	Savings accounts	329,299	170	0.21 %	338,760	32	0.04 %	343,327	29	0.03 %
	Money market accounts	952,479	1,085	0.46 %	1,036,932	405	0.15 %	1,122,215	478	0.17 %
	Time accounts including CDARS	126,030	223	0.72 %	127,906	114	0.35 %	147,707	14	0.04 %
	Short-term borrowings and other obligations 1	222,571	2,716	4.88 %	8,014	89	4.34 %	399	1	0.62 %
	Total interest-bearing liabilities	1,902,732	4,448	0.95 %	1,801,676	831	0.18 %	1,908,831	578	0.12 %
	Demand accounts	1,792,998			1,975,390			1,942,804		
	Interest payable and other liabilities	48,233			48,592			51,997		
	Stockholders' equity	419,697			400,345			441,626		

	Three months ended June 30, 2023			Three months ended March 31, 2023		
(dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets						
Interest-earning deposits with banks 1	$ 3,578	$ 48	5.35 %	$ 4,863	$ 56	4.58 %
Investment securities 2, 3	1,819,486	10,103	2.22 %	1,851,743	10,194	2.20 %
Loans 1, 3, 4	2,108,260	24,700	4.63 %	2,121,718	24,415	4.60 %
Total interest-earning assets 1	3,931,324	34,851	3.51 %	3,978,324	34,665	3.49 %
Cash and non-interest-bearing due from banks	38,154			39,826		
Bank premises and equipment, net	8,546			8,396		
Interest receivable and other assets, net	141,130			137,114		
Total assets	$ 4,119,154			$ 4,163,660		
Liabilities and Stockholders' Equity						
Interest-bearing transaction accounts	$ 232,090	$ 234	0.41 %	$ 272,353	$ 254	0.38 %
Savings accounts	285,745	146	0.20 %	329,299	170	0.21 %
Money market accounts	948,670	4,292	1.81 %	952,479	1,085	0.46 %
Time accounts including CDARS	174,471	946	2.18 %	126,030	223	0.72 %
Short-term borrowings and other obligations 1	372,308	4,873	5.18 %	222,571	2,716	4.88 %
Total interest-bearing liabilities	2,013,284	10,491	2.09 %	1,902,732	4,448	0.95 %
Demand accounts	1,627,730			1,792,998		
Interest payable and other liabilities	49,116			48,233		
Stockholders' equity	429,024			419,697		

Total liabilities & stockholders' equity	Total liabilities & stockholders' equity	$ 4,163,660		$ 4,226,003		$ 4,345,258		Total liabilities & stockholders' equity	$ 4,119,154		$ 4,163,660	
Tax-equivalent net interest income/margin [1]	Tax-equivalent net interest income/margin [1]	$ 30,217	3.04 %	$ 33,733	3.26 %	$ 30,280	2.96 %	Tax-equivalent net interest income/margin [1]	$ 24,360	2.45 %	$ 30,217	3.04 %
Reported net interest income/margin [1]	Reported net interest income/margin [1]	$ 29,899	3.01 %	$ 33,370	3.23 %	$ 29,898	2.93 %	Reported net interest income/margin [1]	$ 24,130	2.43 %	$ 29,899	3.01 %
Tax-equivalent net interest rate spread	Tax-equivalent net interest rate spread		2.54 %		3.16 %		2.90 %	Tax-equivalent net interest rate spread		1.42 %		2.54 %

[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 in 2023 and 2022.

[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.

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(in thousands)	Six months ended June 30, 2023 Average Balance	Interest Income/ Expense	Yield/ Rate	Six months ended June 30, 2022 Average Balance	Interest Income/ Expense	Yield/ Rate
Assets						
Interest-earning deposits with banks [1]	$ 4,217	$ 104	4.91 %	$ 163,064	$ 286	0.35 %
Investment securities [2, 3]	1,835,525	20,297	2.21 %	1,717,624	15,340	1.79 %
Loans [1, 3, 4]	2,114,952	49,115	4.62 %	2,211,062	47,403	4.26 %
Total interest-earning assets [1]	3,954,694	69,516	3.50 %	4,091,750	63,029	3.06 %
Cash and non-interest-bearing due from banks	38,985			62,679		
Bank premises and equipment, net	8,471			7,305		
Interest receivable and other assets, net	139,134			167,265		
Total assets	**$ 4,141,284**			**$ 4,328,999**		
Liabilities and Stockholders' Equity						
Interest-bearing transaction accounts	$ 252,110	$ 488	0.39 %	$ 297,734	$ 109	0.07 %
Savings accounts	307,402	316	0.21 %	343,333	61	0.04 %
Money market accounts	950,564	5,377	1.14 %	1,099,439	916	0.17 %
Time accounts including CDARS	150,384	1,169	1.57 %	146,061	81	0.11 %
Short-term borrowings and other obligations [1]	297,853	7,589	5.07 %	384	1	0.62 %
Total interest-bearing liabilities	1,958,313	14,939	1.54 %	1,886,951	1,168	0.12 %
Demand accounts	1,709,907			1,963,832		
Interest payable and other liabilities	48,678			50,846		
Stockholders' equity	424,386			427,370		
Total liabilities & stockholders' equity	**$ 4,141,284**			**$ 4,328,999**		
Tax-equivalent net interest income/margin [1]		$ 54,577	2.74 %		$ 61,861	3.01 %
Reported net interest income/margin [1]		$ 54,029	2.72 %		$ 61,095	2.97 %
Tax-equivalent net interest rate spread			1.96 %			2.94 %

[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 in 2023 and 2022.

[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.

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 fewer days one more day in the three months ended March 31, 2023 June 30, 2023, compared to December 31, 2022 March 31, 2023.

		Three Months Ended March 31, 2023 Compared to Three Months Ended December 31, 2022				Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022					Three Months Ended June 30, 2023 Compared to Three Months Ended March 31, 2023				Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022			
(in thousands)	(in thousands)	Volume	Yield/Rate	Mix	Total	Volume	Yield/Rate	Mix	Total	(in thousands)	Volume	Yield/Rate	Mix	Total	Volume	Yield/Rate	Mix	Total
Interest-earning deposits with banks	Interest-earning deposits with banks	$ (530)	$ 153	$ (142)	$ (519)	$ (105)	$ 2,559	$ (2,504)	$ (50)	Interest-earning deposits with banks	$ (15)	$ 9	$ (2)	$ (8)	$ (280)	$ 3,735	$ (3,637)	$ (182)
Investment securities [1]	Investment securities [1]	(117)	(8)	—	(125)	951	2,083	289	3,323	Investment securities [1]	(178)	88	(1)	(91)	1,053	3,653	251	4,957
Loans [1]	Loans [1]	95	1,187	(537)	745	(1,134)	1,751	(83)	534	Loans [1]	(155)	170	270	285	(2,061)	3,944	(171)	1,712
Total interest-earning assets	Total interest-earning assets	(552)	1,332	(679)	101	(288)	6,393	(2,298)	3,807	Total interest-earning assets	(348)	267	267	186	(1,288)	11,332	(3,557)	6,487
Interest-bearing transaction accounts	Interest-bearing transaction accounts	(12)	86	(11)	63	(4)	219	(17)	198	Interest-bearing transaction accounts	(38)	18	—	(20)	(17)	467	(71)	379
Savings accounts	Savings accounts	(1)	147	(8)	138	(1)	148	(6)	141	Savings accounts	(22)	(4)	2	(24)	(6)	292	(31)	255
Money market accounts	Money market accounts	(33)	802	(89)	680	(72)	800	(121)	607	Money market accounts	(4)	3,177	34	3,207	(124)	5,303	(718)	4,461
Time accounts, including CDARS	Time accounts, including CDARS	(2)	117	(6)	109	(2)	247	(36)	209	Time accounts, including CDARS	86	453	184	723	2	1,054	32	1,088
Short-term borrowings and other obligations	Short-term borrowings and other obligations	2,383	11	233	2,627	557	4	2,154	2,715	Short-term borrowings and other obligations	1,827	165	165	2,157	775	8	6,805	7,588
Total interest-bearing liabilities	Total interest-bearing liabilities	2,335	1,163	119	3,617	478	1,418	1,974	3,870	Total interest-bearing liabilities	1,849	3,809	385	6,043	630	7,124	6,017	13,771
Changes in tax-equivalent net interest income	Changes in tax-equivalent net interest income	$ (2,887)	$ 169	$ (798)	$ (3,516)	$ (766)	$ 4,975	$ (4,272)	$ (63)	Changes in tax-equivalent net interest income	$ (2,197)	$ (3,542)	$ (118)	$ (5,857)	$ (1,918)	$ 4,208	$ (9,574)	$ (7,284)

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

First Second Quarter of 2023 Compared to the Fourth First Quarter of 2022 2023

Net interest income totaled $24.1 million in the second quarter of 2023, compared to $29.9 million in the first quarter of 2023, compared to $33.4 million in the fourth quarter of 2022. 2023. The $3.5 million $5.8 million decrease from the prior quarter was primarily related to an increase in the cost of deposits and higher average borrowing balances.

The tax-equivalent net interest margin was 2.45% in the second quarter of 2023, compared to 3.04% in the first quarter of 2023, compared to 3.26% in the fourth quarter of 2022. 2023. The decline from prior quarter was primarily due to higher deposit and borrowing and deposit costs partially slightly offset by higher interest rates yields on loans. The tax-equivalent Average interest-bearing deposit balances decreased by $39.2 million while the cost increased by 95 basis points. Average borrowing balances increased by $149.7 million and the cost of borrowings increased by 30 basis points. Average loan balances decreased by $13.5 million while the average yield on interest-earning assets was 3.49% in the first quarter of 2023, an increase of 15 increased by 3 basis points over the fourth quarter of 2022. For the first quarter of 2023, interest-bearing liabilities costs were 0.95%, which was a 77 basis point increase over the fourth quarter of 2022. points.

First Quarter Six Months of 2023 Compared to the First Quarter Six Months of 2022

Net interest income totaled $29.9 million $54.0 million for the first quarter six months ended June 30, 2023, a decrease of 2023, largely unchanged $7.1 million, compared to the first quarter of 2022, as the increase six months ended June 30, 2022. The decrease was primarily due to higher deposit costs resulting in interest income on loans and investments offset the increases an incremental $6.2 million in interest expense, and borrowing costs of $7.6 million. These decreases were partially offset by higher average balances and yields on deposits the investment portfolio, generating incremental income of $5.1 million, and borrowings. higher yields on loans, adding $1.8 million.

The tax-equivalent net interest margin was 3.04% 2.74% in the first quarter of 2023, six months ended June 30, 2023, compared to 2.96% 3.01% in the same period in the prior year. The increase over the same quarter last year decrease was primarily due attributed to higher yields on loans borrowing and investments deposit costs partially offset by higher yields on investments and loans. Average interest-bearing deposits balances decreased by $226.1 million while the cost increased by 77 basis points, mainly for money market and time deposit and account types. Average borrowing costs. balances increased by $297.5 million at an average cost of 4.45%. Average loan balances decreased by $96.1 million while the average yield increased by 36 basis points.

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% to 0.25% through the beginning of 2022, putting downward pressure on our asset yields and net interest margin. Beginning in March 2022, the FOMC began successive increases to the federal funds rate due to the evolving inflation risks, complicated by international political unrest and supply chain disruptions. As a result of five seven rate adjustments during 2022, the federal funds target rate increased to a range of 4.25% to 4.50% at year-end. year-end 2022. In 2023, on both each of February 1st and, March 2 22nd, May 3rd, and July 26th the FOMC increased the target rate by 25 basis points to a range of 4.75% 5.25% to 5.00% 5.50%. Federal Reserve policymakers continue to monitor inflation and economic developments throughout 2023. 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				Three months ended		Six months ended	
(dollars in thousands)	(dollars in thousands)	March 31, 2023	December 31, 2022	March 31, 2022	(dollars in thousands)	June 30, 2023	March 31, 2023	June 30, 2023	June 30, 2022
Provision for (reversal of) credit losses on loans	Provision for (reversal of) credit losses on loans	$ 350	$ —	$ (485)	Provision for (reversal of) credit losses on loans	$ 500	$ 350	$ 850	$ (485)

We recorded a $500 thousand provision for credit losses on loans in the second quarter. The provision was due primarily to increases in qualitative risk factors from continued negative trends in adversely graded loans and/or collateral values on our non-owner occupied commercial real estate office and multi-family real estate portfolios. These increases were partially offset by the impact of a decrease in loan balances.

We recorded a $350 thousand provision for credit losses on loans in the first quarter. The provision was due primarily to to increases in qualitative risk factors to account for continued uncertainty about inflation and recession risks. Management believed that these risk factors were not adequately captured in the modeled quantitative portion of the allowance and took the a more prudent approach to account for loan and collateral concentration risks, mainly in our construction and commercial real estate portfolios and the need for heightened portfolio management in light of current economic conditions. In addition, addition, the $19.8 million increase in loans contributed contributed modestly to the provision. provision in the first quarter. These increases were partially offset by the quantitative impact of an improvement in Moody's Analytics' baseline California unemployment rate forecasts over the next four quarters. quarters at the time.

There was no provision in The reversal of the prior quarter and a $485 thousand provision reversal in allowance for credit losses on loans for the first quarter of 2022, due six months ended June 30, 2022 primarily to an improvement in underlying economic resulted from improved unemployment rate forecasts at the time.

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

Non-interest Income

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

		Three months ended			Quarter over quarter		Year over year			Three months ended			
(dollars in thousands)	(dollars in thousands)	March 31, 2023	December 31, 2022	March 31, 2022	Amount Change	Percent Change	Amount Change	Percent Change	(dollars in thousands)	June 30, 2023	March 31, 2023	Amount Change	Percent Change
Wealth Management and Trust Services									Wealth Management and Trust Services	$ 559	$ 511	$ 48	9.4 %
Earnings on bank-owned life insurance, net	Earnings on bank-owned life insurance, net	$ 705	$ 296	$ 413	$ 409	138.2 %	$ 292	70.7 %	Earnings on bank-owned life insurance, net	362	$ 705	(343)	(48.7) %
Service charges on deposit accounts	Service charges on deposit accounts	533	519	488	14	2.7 %	45	9.2 %	Service charges on deposit accounts	520	533	(13)	(2.4) %
Wealth Management and Trust Services		511	$ 490	600	21	4.3 %	(89)	(14.8) %					
Debit card interchange fees, net	Debit card interchange fees, net	447	513	505	(66)	(12.9) %	(58)	(11.5) %	Debit card interchange fees, net	555	447	108	24.2 %
Dividends on Federal Home Loan Bank stock	Dividends on Federal Home Loan Bank stock	302	297	259	5	1.7 %	43	16.6 %	Dividends on Federal Home Loan Bank stock	290	302	(12)	(4.0) %
Merchant interchange fees, net	Merchant interchange fees, net	133	119	140	14	11.8 %	(7)	(5.0) %	Merchant interchange fees, net	127	133	(6)	(4.5) %
Other income	Other income	304	353	462	(49)	(13.9) %	(158)	(34.2) %	Other income	326	304	22	7.2 %
Total non-interest income	Total non-interest income	$ 2,935	$ 2,587	$ 2,867	$ 348	13.5 %	$ 68	2.4 %	Total non-interest income	$ 2,739	$ 2,935	$ (196)	(6.7) %

First Quarter of 2023 Compared to the Fourth Quarter of 2022

-	Six months ended	Amount	Percent Change

(dollars in thousands)	June 30, 2023	June 30, 2022	Change	
Wealth Management and Trust Services	$ 1,070	$ 1,230	$ (160)	(13.0)%
Earnings on bank-owned life insurance, net	1,067	711	356	50.1 %
Service charges on deposit accounts	1,053	953	100	10.5 %
Debit card interchange fees, net	1,002	1,036	(34)	(3.3)%
Dividends on Federal Home Loan Bank stock	592	508	84	16.5 %
Merchant interchange fees, net	260	289	(29)	(10.0)%
Other income	630	868	(238)	(27.4)%
Total non-interest income	$ 5,674	$ 5,595	$ 79	1.4 %

Non-interest income totaled $2.9 million in the first quarter of 2023, compared to $2.6 million in the prior quarter. The $348 thousand increase from the prior quarter was primarily related to the recognition of a death benefit on bank-owned life insurance, partially offset by decreases in debit card interchange fees and other income.

First Second Quarter of 2023 Compared to the First Quarter of 2022 2023

Non-interest income totaled $2.9 million in $2.7 million for the first second quarter of 2023, compared to $2.9 million for the prior quarter. The $196 thousand decrease from the prior quarter was primarily related to the recognition of a bank-owned life insurance benefit payment in the prior quarter, partially offset by increases in ATM and debit card interchange fees.

First Six Months of 2023 Compared to the First Six Months of 2022

Non-interest income totaled $5.7 million for the six months ended June 30, 2023, compared to $5.6 million for the same period of the prior year. The $68 $79 thousand improvement increase from the first quarter of 2022, prior year period was primary due mostly attributable to the death

higher bank-owned life insurance balances and benefit payments, partially offset by decreases in wealth management and trust services income and other income. income including one-way deposit and cash management fees.

Non-interest Expense

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

		Three months ended			Quarter over quarter		Year over year			Three months ended			
(dollars in thousands)	(dollars in thousands)	March 31, 2023	December 31, 2022	March 31, 2022	Amount Change	Percent Change	Amount Change	Percent Change	(dollars in thousands)	June 30, 2023	March 31, 2023	Amount Change	Percent Change
Salaries and related benefits	Salaries and related benefits	$ 10,930	$ 9,600	$ 11,548	$ 1,330	13.9 %	$ (618)	(5.4) %	Salaries and related benefits	$ 11,416	$ 10,930	$ 486	4.4 %
Occupancy and equipment	Occupancy and equipment	2,414	2,084	1,907	330	15.8 %	507	26.6 %	Occupancy and equipment	1,980	2,414	(434)	(18.0) %
Data processing									Data processing	922	1,045	(123)	(11.8) %
Professional services	Professional services	1,123	985	913	138	14.0 %	210	23.0 %	Professional services	797	1,123	(326)	(29.0) %
Data processing		1,045	1,080	1,277	(35)	(3.2) %	(232)	(18.2) %					
Depreciation and amortization	Depreciation and amortization	882	581	452	301	51.8 %	430	95.1 %	Depreciation and amortization	400	882	(482)	(54.6) %
Federal Deposit Insurance Corporation insurance									Federal Deposit Insurance Corporation insurance	666	289	377	130.4 %

Information technology	Information technology	370	678	478	(308)	(45.4) %	(108)	(22.6) %	Information technology	357	370	(13)	(3.5) %
Charitable contributions									Charitable contributions	638	49	589	1,202.0 %
Amortization of core deposit intangible	Amortization of core deposit intangible	345	365	380	(20)	(5.5) %	(35)	(9.2) %	Amortization of core deposit intangible	340	345	(5)	(1.4) %
Directors' expense	Directors' expense	321	269	311	52	19.3 %	10	3.2 %	Directors' expense	300	321	(21)	(6.5) %
Federal Deposit Insurance Corporation insurance		289	293	290	(4)	(1.4) %	(1)	(0.3) %					
Charitable contributions		49	104	45	(55)	(52.9) %	4	8.9 %					
Other real estate owned	Other real estate owned		4	2	—	— %	2	100.0 %	Other real estate owned	44	4	40	1,000.0 %
Other non-interest expense	Other non-interest expense								Other non-interest expense				
Advertising	Advertising	278	281	347	(3)	(1.1) %	(69)	(19.9) %	Advertising	300	278	22	7.9 %
Other expense	Other expense	1,730	1,986	1,425	(256)	(12.9) %	305	21.4 %	Other expense	2,505	1,730	775	44.8 %
Total other non-interest expense	Total other non-interest expense	2,008	2,267	1,772	(259)	(11.4) %	236	13.3 %	Total other non-interest expense	2,805	2,008	797	39.7 %
Total non-interest expense	Total non-interest expense	$ 19,780	$ 18,310	$ 19,375	$ 1,470	8.0 %	$ 405	2.1 %	Total non-interest expense	$ 20,665	$ 19,780	$ 885	4.5 %

First Quarter of 2023 Compared to the Fourth Quarter of 2022

	Six months ended		Amount	
(dollars in thousands)	June 30, 2023	June 30, 2022	Change	Percent Change
Salaries and related benefits	$ 22,346	$ 21,889	$ 457	2.1 %
Occupancy and equipment	4,394	3,798	596	15.7 %
Data processing	1,967	2,476	(509)	(20.6)%
Professional services	1,920	1,578	342	21.7 %
Depreciation and amortization	1,282	845	437	51.7 %
Federal Deposit Insurance Corporation insurance	955	586	369	63.0 %
Information technology	727	946	(219)	(23.2)%
Charitable contributions	687	556	131	23.6 %
Amortization of core deposit intangible	685	754	(69)	(9.2)%
Directors' expense	621	605	16	2.6 %
Other real estate owned	48	5	43	NM
Other non-interest expense				
Advertising	578	568	10	1.8 %
Other expense	4,235	3,675	560	15.2 %
Total other non-interest expense	4,813	4,243	570	13.4 %
Total non-interest expense	$ 40,445	$ 38,281	$ 2,164	5.7 %

NM - Not Meaningful

Non-interest expense totaled $19.8 million in the first quarter of 2023, compared to $18.3 million in the prior quarter. The $1.5 million increase from the prior quarter included $417 thousand in adjustments to estimated incentive and supplemental executive retirement plan accruals, and $432 thousand from accelerated amortization and lease costs associated with branch closures. Other increases to salaries and related benefits included $389 thousand in 401(k) matching contributions, which is typically higher in the first quarter, and $383 thousand of additional salaries, insurance and payroll taxes. Meaningful decreases in expenses included $343 thousand in information technology and data processing costs due largely to timing of purchases and the renegotiation of our data processing contract.

First Second Quarter of 2023 Compared to the First Quarter of 2023

Non-interest expense totaled $20.7 million for the three months ended June 30, 2023, compared to $19.8 million for the prior quarter. The $885 thousand increase from the prior quarter included $589 thousand in charitable contributions as part of our annual grant program, $486 thousand in salaries and related benefits, which included annual merit increases, and $393 thousand in expenses and fees associated with an increase in our customers' participation in reciprocal deposit networks to bolster their FDIC insured balances. In addition, our FDIC insurance expense increased by $377 thousand as the statutory rates increased uniformly by 2 basis points for all depository institutions effective January 1, 2023 in order to strengthen the FDIC's Deposit Insurance Fund. These and other lesser increases were partially offset by a $482 thousand reduction in depreciation and amortization expense and $434 thousand decrease in occupancy and equipment expense, primarily due to the acceleration of lease-related costs for branches closed in the first quarter. These branch closures also reduced maintenance, janitorial and

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utilities expenses for the quarter. In addition, professional services decreased by $326 thousand, mainly due to timing of audit work performed.

First Six Months of 2023 Compared to the First Six Months of 2022

Non-interest expense totaled $19.8 million$40.4 million for the six months ended June 30, 2023, compared to $38.3 million for the six months ended June 30, 2022, an increase of$2.2 million. The most significant increases over prior year came fromoccupancy and equipment and depreciation and amortization expenses, which rose $596 thousand and $437 thousand, respectively, from branch closures in the first quarter of 2023, compared2023. In addition, expenses associated with reciprocal deposits placed into deposit networks included in other expenses increased $497 thousand due to $19.4 million in the first quarter of 2022. higher average balances and fees. Salaries and related benefits increased by $457 thousand primarily due to regularly scheduled annual merit and other increases and lower deferred origination costs, which were partially offset by an adjustment to our incentive bonus accrual. The $405 thousand increase from the first quarter of 2022 was primarily related to $646 thousand in accelerated amortization FDIC insurance assessment and lease costs for branches closed and a $210 thousand increase in professional services fees from also increased by $369 thousand and $342 thousand, respectively, for the completion of multiple internal audit and consulting engagements. same reasons mentioned above. These increases were partially offset by $466 a $509 thousand decrease in net changes to estimated incentive, vacation and retirement plan accruals included within salaries and related benefits expense and acquisition costs included within data processing expense. expenses due to our core system contract renegotiation for the current period and because the prior year included data processing expenses largely eliminated after the systems conversion associated with the American River Bankshares merger. In addition, the pre-tax savings in 2023 from the branch closures, net of accelerated costs, are expected to be approximately $470 thousand, and future annual pre-tax savings are expected to be approximately $1.4 million.

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, BOLI, bank-owned life insurance ("BOLI") income, 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 provision for income taxes for the first second quarter of 2023 totaled $3.4 $1.3 million at an effective tax rate of 26.7% 22.5%, compared to $4.8 million $3.4 million at an effective tax rate of 27.0% 26.7% in the prior quarter. The decrease in the provision for income taxes in the second quarter of 2023 reflected lower pre-tax income. The 420 basis point decrease in the effective tax rate in the second quarter of 2023 was primarily due to the larger proportional effect of permanent tax differences on lower pretax income. This decrease was partially offset by a reduction in the tax-exempt interest exclusion (due to a larger IRC Section 291(e) interest expense disallowance) and $3.7 lower tax-exempt BOLI income in the second quarter, compared to the prior quarter.

The provision for income taxes for the first half of 2023 totaled $4.8 million at an effective tax rate of 25.4%, compared to $7.7 million at an effective tax rate of 26.3% in the same quarter last year. The decrease in the provision in for the first quarter half of 2023 reflected lower pre-tax income as compared to the prior quarter and the same quarter a year ago. 2022. The 30 90 basis point decrease in the effective tax rate in the first quarter of 2023 as compared to the prior quarter was primarily due to higher nontaxable BOLI income in 2023. The 40 basis point increase in the effective tax rate in the first quarter half of 2023, as compared to the same quarter period a year ago, was primarily due to the larger proportional effect of permanent tax differences on lower pretax income from tax exempt loans and municipal securities

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and a higher level of tax benefits in 2022 from the exercise of stock options and disqualifying dispositions of incentive stock options. tax-exempt BOLI income.

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 issuance of this report. At March 31, 2023 June 30, 2023, neither the Bank nor Bancorp had accruals for interest nor or penalties related to unrecognized tax benefits.

FINANCIAL CONDITION SUMMARY

Cash, Cash Equivalents and Restricted Cash

Total cash, cash equivalents and restricted cash were $38.0 million $39.7 million at March 31, 2023 June 30, 2023, compared to $45.4 million at December 31, 2022. The $7.4 million $5.8 million decrease was due primarily to increases in loans and decreases in deposits, partially offset by cash flows from investment securities and increased borrowings.

Investment Securities

The investment securities portfolio totaled $1.756 billion $1.718 billion at March 31, 2023 June 30, 2023, a decrease of $18.2 million $56.6 million from $1.774 billion at December 31, 2022. The decrease was primarily the result of principal repayments and maturities totaling $32.9 million,

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$58.9 million, partially offset by a $16.2 million reduction $5.3 million decrease in pre-tax unrealized losses on available-for-sale investment securities. securities, along with $2.9 million in net amortization in the first half of 2023. Both the available-for-sale and held-to maturity portfolios are eligible for pledging to either the FHLB or the Federal Reserve as collateral for borrowing. The portfolio is portfolios are comprised of high credit quality investments with average effective durations durations of approximately 3.8 on available-for-sale securities and 5.9 5.8 on held-to-maturity securities. Both portfolios generate cash flow inflows monthly from interest, principal amortization and payoffs, which supports the Bank's liquidity. In liquidity. Those cash inflows totaled $82.9 million in the first six months of 2023.

Subsequent to quarter end, the Bank sold $82.7 million of available-for-sale securities and recognized a $2.8 million net loss. We held the sales proceeds in cash as part of our liquidity strategy. The net loss was offset with the $2.8 million gain from the July 13, 2023 sale of the Bank's remaining investment cash flows totaled $46.2 million. in Visa Inc. Class B restricted common stock, which had a zero carrying value. See Note 4, Investment Securities, for additional information.

The following table summarizes our investment in obligations of state and political subdivisions at March 31, 2023 June 30, 2023 and December 31, 2022.

		March 31, 2023			December 31, 2022				June 30, 2023			December 31, 2022		
(dollars in thousands)	(dollars in thousands)	Amortized Cost	Fair Value	% of Total State and Political Subdivisions	Amortized Cost	Fair Value	% of Total State and Political Subdivisions	(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:	Within California:							Within California:						
	General obligation bonds	$ 25,780	$ 21,491	14.4 %	$ 25,806	$ 20,768	14.4 %	General obligation bonds	$ 25,755	$ 21,352	14.4 %	$ 25,806	$ 20,768	14.4 %
	Revenue bonds	3,716	3,085	2.1	3,719	2,987	2.1	Revenue bonds	3,513	2,902	2.0	3,719	2,987	2.1
Total within California	Total within California	29,496	24,576	16.5	29,525	23,755	16.5	Total within California	29,268	24,254	16.4	29,525	23,755	16.5
Outside California:	Outside California:							Outside California:						
	General obligation bonds	121,571	109,632	67.9	121,908	106,375	68.0	General obligation bonds	121,232	107,777	68.0	121,908	106,375	68.0
	Revenue bonds	27,865	24,608	15.6	27,922	23,752	15.5	Revenue bonds	27,808	24,130	15.6	27,922	23,752	15.5
Total outside California	Total outside California	149,436	134,240	83.5	149,830	130,127	83.5	Total outside California	149,040	131,907	83.6	149,830	130,127	83.5
Total obligations of state and political subdivisions	Total obligations of state and political subdivisions	$ 178,932	$158,816	100.0 %	$179,355	$153,882	100.0 %	Total obligations of state and political subdivisions	$178,308	$156,161	100.0 %	$179,355	$153,882	100.0 %

Percent of investment portfolio	Percent of investment portfolio	9.8 %	9.6 %	9.6 %	9.3 %	Percent of investment portfolio	9.7 %	9.5 %	9.6 %	9.3 %	

Of the total investment in obligations of state and political subdivisions, the largest concentrations outside of California are in Texas (39.6%(39.7%), Washington (14.3%) and Wisconsin (8.9%). Our investment in obligations issued by municipal issuers in Texas are either guaranteed by the AAA-rated 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

During the first three months half of 2023, loans increased by $19.8 million $10.3 million and totaled $2.112 billion $2.103 billion at March 31, 2023 June 30, 2023, compared to $2.093 billion at December 31, 2023 December 31, 2022. Loan originations were $67.7 million for the six months ended June 30, 2023, compared to $152.0 million for the first quarter six months of 2023 2022. Excluding PPP loans, payoffs were $44.9 million $45.0 million in the six months ended June 30, 2023, compared to $36.1 million $159.1 million for the fourth quarter same period in 2022. PPP loan payoffs during the six months ended June 30, 2023 and 2022 were $1.8 million and $94.2 million, respectively. In addition, loan amortization from scheduled repayments totaling $39.9 million was partially offset by a net increase in

utilization of 2022 and $49.8 million credit lines of $29.7 million for the first quarter six months ended June 30, 2023. Bank of 2022. Loan payoffs were $22.2 million for Marin has continued its usual steadfast conservative underwriting practices, and has not changed its credit standards or policies specifically in reaction to the first quarter, compared current market conditions. The Bank continues to $55.3 million for the fourth quarter of 2022 and $119.7 million for the first quarter of 2022, which included $70.4 million in PPP loan payoffs. First quarter 2023 loan payoffs were the lowest first quarter payoffs since 2017 and consisted mainly of a large construction project completed. be focused on achieving risk-adjusted returns.

The ratio of allowance for credit losses on loans to total loans remained was 1.13% at June 30, 2023 compared to 1.10% at March 31, 2023 and December 31, 2022. Net charge-offs for the first quarter of 2023 totaled $3 thousand, compared to net recoveries of $20 thousand for the fourth quarter of 2022 and net recoveries of $9 thousand for the first quarter of 2022.

Non-accrual loans decreased $406 $320 thousand to $2.0 million $2.1 million, or 0.10% of the loan portfolio at March 31, 2023 June 30, 2023 from $2.4 million, or 0.12% at December 31, 2022. Non-accrual loans at March 31, 2023 included the addition of six loans totaling $1.4 million in the first quarter, 68% of which were well-secured by commercial real estate, offset by decreases due to payoffs of $1.4 million, upgrades of $413 thousand, and paydowns of $27 thousand. Over 99%All of the non-accrual loans were are collateralized by real estate with no expected credit loss as of March 31, 2023.June 30, 2023. Accruing loans past due 30 to 89 days totaled $1.2 million $1.0 million at March 31, 2023 June 30, 2023, compared to $664 thousand at December 31, 2022.

Classified loans with risk ratings of substandard or doubtful totaled $31.0 million $38.1 million at March 31, 2023 June 30, 2023, compared to $28.1 million at December 31, 2022, increasing . Increases in 2023 were primarily due to higher a $5.8 million increase in the usage of a revolving line of credit already graded substandard. Other increases included $1.4 million in downgrades, partially offset by $1.7 million that was previously downgraded and the addition of eight loans to seven borrowers totaling $7.4 million. Approximately 90% of the additions were comprised of one commercial loan and two non-owner occupied commercial real estate loans. Partially offsetting the additions were $2.3 million in payoffs and paydowns and $314 $939 thousand in upgrades to pass risk rating. All of the downgrades in the first quarter were for loans that are secured by real estate collateral.

Loans designated special mention, which are not considered adversely classified, increased year-to-date by $2.9 million $26.3 million to $63.1 million $86.5 million at March 31, 2023 June 30, 2023 from $60.2 million at December 31, 2022. The increase was largely due to $3.0 million $35.9 million in downgrades from pass risk ratings and balance increases of $550 $548 thousand, which were partially offset by $630 thousand $5.9 million in downgrades from special mention to substandard and $4.2 million in paydowns and payoffs.

With the heightened market concern about non-owner occupied commercial real estate, and in particular the office portfolios, we are providing the following additional information. Non-owner occupied commercial real estate loans made up 64% of total classified loans as of June 30, 2023, compared to 88% at December 31, 2022 and all are currently paying in accordance with loan terms. We continue to maintain diversity among property types and within our geographic footprint. Specifically, our office commercial real estate portfolio in the City of San Francisco represents just 3% of our total loan portfolio and 6% of our total non-owner occupied commercial real estate portfolio. As of the last annual review period (generally December 2022), the average loan-to-value and debt-service coverage for the entire non-owner occupied office portfolio were 55% and 1.67x, respectively. For the eleven non-owner occupied office loans in the City of San Francisco totaling $71.4 with an average loan balance of $6.5 million, the average loan-to-value and debt-service coverage ratios were 63% and 1.20x, respectively.

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

Liabilities - Deposits and Borrowings

During the first three six months of 2023, total liabilities decreased by $30.3 million $67.2 million to $3.705 billion $3.668 billion. Deposits totaled $3.251 billion $3.325 billion at March 31, 2023 June 30, 2023, a decrease of $322.8 million, $248.1 million compared to $3.573 billion at December 31, 2022. Federal Home Loan Bank borrowings increased $293.4 million $180.2 million to $405.4 million $292.2 million at June 30, 2023 from $112.0 million at December 31, 2022. Post quarter end, we reduced borrowings by another $92 million through July 31, 2023 and maintained excess cash, mostly from the sale of available-for-sale securities mentioned above, that is available for further reductions.

Non-interest bearing deposits decreased $250.4 million, while money market deposits increased $39.7 million and time deposits increased $84.4 million in the first six months of 2023. There was a small shift in deposit composition in the first half of 2023, dropping non-interest bearing deposits from 51.5% of total deposits to 47.8%, and raising money markets from 27.7% to 30.9% and time deposits from 3.3% to 6.1%. While there was some runoff in the first quarter of 2023.

Up until the regulatory closures of Silicon Valley Bank on March 10, 2023 attributed to industry disruptions and Signature Bank on March 12, 2023, deposit fluctuations were fairly consistent with prior years' first quarter customer activity with some additional outflows bank deposits moving to alternative investments observed. In 2022, money market funds, the Bank maintained excess liquidity experienced a modest recovery and gained deposit growth momentum in anticipation of planned customer activities the second quarter. Additionally, the Bank's competitive and expected outflows from pandemic surge deposits received balanced approach to relationship management and focused outreach supported the growth adding over 1,400 new accounts during the second quarter, bringing the total to over 2,400 new accounts in 2020 and 2021. As outflows materialized, our low cost of funds relative 2023 (excluding new reciprocal accounts). Of those, approximately 40% were new relationships to the industry provided an opportunity to balance deposit levels against costs. Early in the first quarter of 2023, our bankers engaged in discussions with clients about account structure and pricing, which positioned the Bank well to navigate uncertainty in the marketplace later in the quarter. The Bank experien Bank. ced a $203.6 million decline in deposits between March 10th and March 31st. Of the 100 relationships with the largest net outflows totaling approximately $206.4 million, 83% was attributed to normal business activities including vendor payments, taxes, payroll and singular events such as estate settlements and sales of businesses, 14% moved to outside brokerage firms or other financial institutions, and the remaining 3% moved to assets under management of our Wealth Management and Trust Services department. From March 31st

through May 5th deposits have been relatively stable. Daily balances have not fluctuated up or down more than 0.70% when compared to total deposits as of March 31st. We believe that our customer outreach has been effective, and it has resulted in a 48 basis point increase in the cost of our deposits to 56 basis points in the month of April from 8 basis points in the month of December, as we balanced the level of deposits against cost. Additionally, we opened over 1,000 accounts in the first quarter with $60 million in new deposits.

Non-interest bearing deposits decreased $202.5 million, money market deposits decreased $78.2 million while time deposits increased $25.0 million in the first three months of 2023. Non-interest bearing deposits represented 50.3% of total deposits at March 31, 2023, compared to 51.5% at December 31, 2022. The average cost of deposits was 0.20% 0.44% in the first quarter half of 2023, compared to 0.06% in the same period of 2022.

At March 31, 2023 June 30, 2023, the Bank had $155.4 million $292.2 million outstanding in overnight borrowings and $250.0 million outstanding in short-term borrowings from the Federal Home Loan Bank at rates a rate of 5.11% and 5.21% 5.28%, respectively. This an increase of $180.2 million, compared toto $112.0 million in overnight borrowings at December 31, 2022 at a rate of 4.65%. The Bank is actively evaluating strategies for reducing borrowings in the current environment and as market conditions change. Total immediate contingent funding sources, including unrestricted cash, unencumbered available-for-sale securities, and remaining borrowing capacity was $1.932 billion $1.992 billion, or 59% 60% of total deposits and 181% 209% of estimated uninsured and/or uncollateralized deposits as of March 31, 2023 June 30, 2023.

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

Management reviews capital ratios on a regular basis and produces a five-year capital plan semi-annually to ensure that capital exceeds the prescribed regulatory minimums and is adequate to meet our anticipated future needs. Stress tests are performed on capital ratios and include scenarios such as additional unrealized losses on the investment portfolio, additional deposit growth and potential share repurchases. For all periods presented, the Bank's ratios exceed the regulatory definition of "well capitalized" under the regulatory framework for prompt corrective action and Bancorp's ratios exceed the required minimum ratios to be considered a well-capitalized bank holding company. In addition, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action as of March 31, 2023June 30, 2023. 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.

Bancorp's tangible common equity to tangible assetsTCE ratio was 8.7%8.6% at March 31, 2023June 30, 2023, compared to 8.2% at December 31, 2022. The Bank's tangible common equity to tangible assetsBancorp's TCE ratio, net of after tax unrealized losses on held-to-maturity securities, was 8.3% at March 31, 20236.7%, compared to 8.1%6.2% at December 31, 2022 for the Bank.. The pro forma TCE ratio if held-to-maturity securities were treated the same as available-for-sale securities at March 31, 2023 would have been 6.9% (refer to page 41 for a discussion and reconciliation of this non-GAAP financial measure). Management believes this non-GAAP measure is important because it reflects the level of capital available to withstand drastic changes in market conditions. Contingent funding sources, such as the Federal Home Loan Bank conditions (refer to page 45 for a discussion and the Federal Reserve BTFP facility, ensure that banks have immediate access to liquidity and alleviate the need to sell securities in an unrealized loss position. reconciliation of this non-GAAP financial measure).

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The Bancorp's and Bank's capital adequacy ratios as of March 31, 2023June 30, 2023 and December 31, 2022 are presented in the following tables.

Bancorp Capital Ratios (dollars in thousands)	Actual		Adequately Capitalized Threshold 1		Threshold to be a Well Capitalized Bank Holding Company	
March 31, 2023	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk-weighted assets)	$ 438,510	16.15 %	$ 285,095	10.50 %	$ 271,519	10.00 %
Tier 1 Capital (to risk-weighted assets)	$ 414,524	15.27 %	$ 230,791	8.50 %	$ 217,215	8.00 %
Tier 1 Leverage Capital (to average assets)	$ 414,524	9.94 %	$ 166,844	4.00 %	$ 208,555	5.00 %
Common Equity Tier 1 (to risk-weighted assets)	$ 414,524	15.27 %	$ 190,063	7.00 %	$ 176,487	6.50 %
December 31, 2022						

Bancorp Capital Ratios (dollars in thousands)	Actual		Adequately Capitalized Threshold 1		Threshold to be a Well Capitalized Bank Holding Company	
June 30, 2023	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk-weighted assets)	$ 440,340	16.36 %	$ 282,667	10.50 %	$ 269,207	10.00 %
Tier 1 Capital (to risk-weighted assets)	$ 415,943	15.45 %	$ 228,826	8.50 %	$ 215,365	8.00 %
Tier 1 Leverage Capital (to average assets)	$ 415,943	10.10 %	$ 164,763	4.00 %	$ 205,954	5.00 %
Common Equity Tier 1 (to risk-weighted assets)	$ 415,943	15.45 %	$ 188,445	7.00 %	$ 174,984	6.50 %
December 31, 2022						

Total Capital (to risk-weighted assets)	Total Capital (to risk-weighted assets)	$	431,667	15.90	% $	285,079	10.50	% $	271,504	10.00	%	Total Capital (to risk-weighted assets)	$	431,667	15.90	% $	285,079	10.50	% $	271,504	10.00	%
Tier 1 Capital (to risk-weighted assets)	Tier 1 Capital (to risk-weighted assets)	$	407,912	15.02	% $	230,778	8.50	% $	217,203	8.00	%	Tier 1 Capital (to risk-weighted assets)	$	407,912	15.02	% $	230,778	8.50	% $	217,203	8.00	%
Tier 1 Leverage Capital (to average assets)	Tier 1 Leverage Capital (to average assets)	$	407,912	9.60	% $	169,948	4.00	% $	212,435	5.00	%	Tier 1 Leverage Capital (to average assets)	$	407,912	9.60	% $	169,948	4.00	% $	212,435	5.00	%
Common Equity Tier 1 (to risk-weighted assets)	Common Equity Tier 1 (to risk-weighted assets)	$	407,912	15.02	% $	190,053	7.00	% $	176,478	6.50	%	Common Equity Tier 1 (to risk-weighted assets)	$	407,912	15.02	% $	190,053	7.00	% $	176,478	6.50	%

Bank Capital Ratios

(dollars in thousands)		Actual		Adequately Capitalized Threshold [1]		Threshold to be Well Capitalized under Prompt Corrective Action Provisions	
March 31, 2023		Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk-weighted assets)	$	424,276	15.63 % $	285,083	10.50 % $	271,508	10.00 %
Tier 1 Capital (to risk-weighted assets)	$	400,290	14.74 % $	230,782	8.50 % $	217,206	8.00 %
Tier 1 Leverage Capital (to average assets)	$	400,290	9.60 % $	166,837	4.00 % $	208,546	5.00 %
Common Equity Tier 1 (to risk-weighted assets)	$	400,290	14.74 % $	190,056	7.00 % $	176,480	6.50 %
December 31, 2022							
Total Capital (to risk-weighted assets)	$	427,108	15.73 % $	285,052	10.50 % $	271,478	10.00 %
Tier 1 Capital (to risk-weighted assets)	$	403,352	14.86 % $	230,757	8.50 % $	217,183	8.00 %
Tier 1 Leverage Capital (to average assets)	$	403,352	9.49 % $	169,940	4.00 % $	212,425	5.00 %
Common Equity Tier 1 (to risk-weighted assets)	$	403,352	14.86 % $	190,035	7.00 % $	176,461	6.50 %

Bank Capital Ratios

(dollars in thousands)		Actual		Adequately Capitalized Threshold [1]		Threshold to be Well Capitalized under Prompt Corrective Action Provisions	
June 30, 2023		Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk-weighted assets)	$	430,491	15.99 % $	282,659	10.50 % $	269,199	10.00 %
Tier 1 Capital (to risk-weighted assets)	$	406,094	15.09 % $	228,819	8.50 % $	215,359	8.00 %
Tier 1 Leverage Capital (to average assets)	$	406,094	9.86 % $	164,759	4.00 % $	205,949	5.00 %
Common Equity Tier 1 (to risk-weighted assets)	$	406,094	15.09 % $	188,439	7.00 % $	174,979	6.50 %
December 31, 2022							
Total Capital (to risk-weighted assets)	$	427,108	15.73 % $	285,052	10.50 % $	271,478	10.00 %
Tier 1 Capital (to risk-weighted assets)	$	403,352	14.86 % $	230,757	8.50 % $	217,183	8.00 %
Tier 1 Leverage Capital (to average assets)	$	403,352	9.49 % $	169,940	4.00 % $	212,425	5.00 %
Common Equity Tier 1 (to risk-weighted assets)	$	403,352	14.86 % $	190,035	7.00 % $	176,461	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 independent 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 and diversification requirements using tools similar to larger banks such as the Liquidity Coverage Ratio and multi-scenario, long-horizon stress testing. 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 potential 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. We maintained $2.2 million in one-way-sale deposits off-balance sheet one-way deposit sales with our deposit networks at March 31, 2023 both June 30, 2023 and December 31, 2022.

In February 2023, we enhanced our borrowing capacity at the FHLB by pledging certain held-to-maturity securities to the Securities-Backed Credit Program. In addition, under the Federal Reserve's new BTFP facility, we added $283.6 million to our borrowing capacity. Net available contingent funding sources, including unrestricted cash, unencumbered available-for-sale securities and total available borrowing capacity was $1.932 billion $1.992 billion, or 181% 209% of estimated uninsured and/or uncollateralized deposits as of March 31, 2023 June 30, 2023. The Federal Reserve Reserve's new BTFP facility offers borrowing capacity

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based on par values of securities pledged and attractive borrowing making it less sensitive to changes in market rates. While the Bank has pledged securities and tested the facility, there has been no need to use it. The following table details the components of our contingent liquidity sources as of March 31, 2023 June 30, 2023.

(in thousands)	(in thousands)	Total Available	Amount Used	Net Availability	(in thousands)	Total Available	Amount Used	Net Availability
Internal Sources	**Internal Sources**				**Internal Sources**			
Unrestricted cash		$ 37,993	N/A	$ 37,993				
Unrestricted cash [1]					Unrestricted cash [1]	$ 16,705	N/A	$ 16,705
Unencumbered securities at market value	Unencumbered securities at market value	767,724	N/A	767,724	Unencumbered securities at market value	761,472	N/A	761,472
External Sources	**External Sources**				**External Sources**			
FHLB line of credit	FHLB line of credit	1,037,158	$ (405,400)	631,758	FHLB line of credit	1,033,792	$ (292,200)	741,592
FRB line of credit and BTFP facility	FRB line of credit and BTFP facility	344,181	—	344,181	FRB line of credit and BTFP facility	337,047	—	337,047
Lines of credit at correspondent banks	Lines of credit at correspondent banks	150,000	—	150,000	Lines of credit at correspondent banks	135,000	—	135,000
Total Liquidity	**Total Liquidity**	$ 2,337,056	$ (405,400)	$ 1,931,656	**Total Liquidity**	$ 2,284,016	$ (292,200)	$ 1,991,816

[1] Excludes cash items in transit.

Note: Access to brokered deposit purchases Brokered deposits available through third party networks such as Intrafi and Reich & Tang and brokered CD sales is are not included above.

We obtain funds from the repayment and maturity of loans, deposit inflows, investment security maturities and paydowns, federal funds purchases, FHLB advances, other borrowings, and cash flow from operations. Our primary uses of funds are the origination of loans, the purchase of investment securities, withdrawals of deposits, maturity of certificates of deposit, repayment of borrowings, and dividends to common stockholders. stockholders, and operating expenses.

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Customer deposits are a significant component of our daily liquidity position. The attraction and retention of new deposits depends 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 decreased $7.4 million $5.8 million in the first three months half of 2023. Significant uses of liquidity during 2023 were $322.8 million $248.1 million in withdrawals of deposits, $19.1 million $9.3 million in loan originations and advances, net of principal collected, and $4.0 million $8.0 million in cash dividends paid on common stock to our shareholders.

The most significant sources of liquidity during the first three months half of 2023 were increased Federal Home Loan Bank borrowings of $293.4 million $180.2 million, proceeds from principal paydowns and maturities of investment securities of $32.9 million $59.0 million, and $13.4 million $21.5 million in net cash provided by operating activities. 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 is are adequate to fund support our operations. operational needs.

Undrawn credit Unfunded loan commitments, as discussed in Note 8 to the Consolidated Financial Statements in this Form 10-Q, totaled $529.5 million $489.6 million at March 31, 2023 June 30, 2023. 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, $112.0 million $179.4 million of time deposits will mature. We expect to replace these funds with new deposits or excess liquidity. Our emphasis on local deposits, combined with our immediately available funding sources, provides a very stable base for our liquidity needs.

We had borrowings under our credit facilities of $405.4 million $292.2 million at March 31, 2023 June 30, 2023, and $112.0 million at December 31, 2022, as discussed in Note 6 to the Consolidated Financial Statements in ITEM 1 of this report.

Since 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. The primary uses of funds for Bancorp are shareholder dividends and ordinary operating expenses. Bancorp held $14.1 million $9.7 million in cash at March 31, 2023, which is expected to be sufficient to cover Bancorp's operational needs June 30, 2023 and cash dividends to shareholders through 2023. Management management anticipates that there will be sufficient earnings at the Bank to provide dividends to Bancorp to meet its funding requirements for the foreseeable future.

Statement Regarding use of Non-GAAP Financial Measures

Our first quarter half of 2022 was impacted by costs associated with our 2021 acquisition of American River Bank ("ARB"), Bankshares, which we considered immaterial to discuss in this release. report. For additional information regarding the impact of non-GAAP adjustments to our first quarter half of 2022 performance measures, refer to Form 10-Q filed on May 9, 2022 August 8, 2022.

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In this Form 10-Q, report, financial results are presented in accordance with GAAP and with reference to certain non-GAAP financial measures. Management believes that, given recent industry turmoil, the presentation of Bancorp's non-GAAP TCE ratio reflecting the after tax after-tax impact of unrealized losses on HTM held-to-maturity securities provides useful supplemental information to investors because it reflects the level of capital available to withstand drastic changes in market conditions. Because there are limits to the usefulness of this measure to investors, Bancorp encourages readers to consider its annual and quarterly consolidated financial statements and notes related thereto in their entirety, as filed with the Securities and Exchange Commission, and not to rely on any single financial measure. A reconciliation of the non-GAAP TCE ratio is presented below.

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Reconciliation of GAAP and Non-GAAP Financial Measures

(in thousands, unaudited)			March 31, 2023
Tangible Common Equity - Bancorp			
Total stockholders' equity		$	430,174
Goodwill and core deposit intangible			(77,525)
Total TCE	a		352,649
Unrealized losses on HTM securities, net of tax [1]			(76,378)
TCE, net of unrealized losses on HTM securities (non-GAAP)	b	$	276,271
Total assets		$	4,135,279
Goodwill and core deposit intangible			(77,525)
Total tangible assets	d		4,057,754
Unrealized losses on HTM securities, net of tax [1]			(76,378)
Total tangible assets, net of unrealized losses on HTM securities (non-GAAP)	e	$	3,981,376
Bancorp TCE ratio	a / d		8.7 %
Bancorp TCE ratio, net of unrealized losses on HTM securities (non-GAAP)	b / e		6.9 %

(in thousands, unaudited)			June 30, 2023	December 31, 2022
Tangible Common Equity - Bancorp				
Total stockholders' equity		$	423,941	412,092
Goodwill and core deposit intangible			(77,185)	(77,870)
Total TCE	a		346,756	334,222
Unrealized losses on HTM securities, net of tax [1]			(85,046)	(89,432)
TCE, net of unrealized losses on HTM securities (non-GAAP)	b	$	261,710	244,790
Total assets		$	4,092,133	4,147,464
Goodwill and core deposit intangible			(77,185)	(77,870)

Total tangible assets	d	4,014,948	4,069,594
Unrealized losses on HTM securities, net of tax [1]		(85,046)	(89,432)
Total tangible assets, net of unrealized losses on HTM securities (non-GAAP)	e	$ 3,929,902	3,980,162
Bancorp TCE ratio	a / d	8.6 %	8.2 %
Bancorp TCE ratio, net of unrealized losses on HTM securities (non-GAAP)	b / e	6.7 %	6.2 %

[1] Net unrealized losses on held-to-maturity securities as of March 31, 2023 June 30, 2023 and December 31, 2022 of $108.4 million, $120.7 million and $127.0, respectively, as shown in Note 4, net of an estimated $32.0 million $35.7 million and $37.5, respectively, in deferred tax benefits based on a blended state and federal statutory tax rate of 29.56%.

ITEM 3. Quantitative and Qualitative Disclosure 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 affects 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 and liability management policy sets limits on the acceptable amount of change to net interest income and 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 specified long-term fixed-rate loans and firm commitments to enter into long-term fixed-rate loans caused by changes in interest rates. See Note 9 to the Consolidated Financial Statements in this Form 10-Q.

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 to adapt to changes in idiosyncratic and systemic risks. At March 31, 2023 June 30, 2023, 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 and Parallel Shift 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	(10.2)%	(0.6)%
up 300	(7.7)%	(0.5)%
up 200	(5.1)%	(0.4)%
up 100	(2.4)%	0.3 %
down 100	(0.5)%	(2.3)%
down 200	(1.5)%	(4.2)%

Immediate and Parallel Shift 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	(18.0)%	(4.9)%
up 300	(13.6)%	(3.8)%
up 200	(9.1)%	(2.8)%
up 100	(4.5)%	(1.2)%
down 100	4.9 %	2.9 %
down 200	9.1 %	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 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. We applied deposit betas up to to 45%, averaging 35%, to rates paid on non-maturity interest-bearing deposits in rising rate scenarios, reflected in the table above. 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. Accordingly, the results presented should not be relied upon as indicative of actual results in the event of changing market interest rates.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2023 June 30, 2023, there were no significant changes that materially affected, or were 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 effected 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 2022 Form 10-K and Note 8 to the Consolidated Financial Statements in 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 2022 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. Other than as noted below, there have been no material changes in the risk factors disclosed in our 2022 Form 10-K.

Recent Negative Developments Affecting the Banking Industry and Resulting Media Coverage Have Eroded Customer and Investor Confidence in the Banking System

The recent high-profile bank failures involving Silicon Valley Bank, Signature Bank, and First Republic Bank, as well as media and market coverage of the Bay Area economy and local financial institutions, have generated significant market volatility among publicly traded bank holding companies and, in particular, regional and community banks like the Company. These market developments have negatively impacted customer confidence in the safety and soundness of regional and community banks. As a result, customers may choose to maintain deposits with larger financial institutions or invest in higher yielding short-term fixed income securities, all of which could materially adversely impact the Company's liquidity, loan funding capacity, net interest margin, capital and results of operations. Additionally, these recent events have, and could continue to, adversely impact the market price and volatility of the Company's common stock independent from the Company's actual underlying financial performance.

Rising Interest Rates Have Decreased the Value of the Company's Held-To-Maturity and Available-for-Sale Securities Portfolio, and the Company Would Realize Losses if It Were Required to Sell Such Securities to Meet Liquidity Needs

As a result Because of inflationary pressures and the resulting rapid increases in interest rates over the last year, the trading value of previously issued government and other fixed income securities has declined significantly. These securities make up a majority of the securities portfolio of most banks in the U.S., including the Company's, resulting in unrealized losses embedded in the held-to-maturity portion of U.S. banks' securities portfolios and unrealized losses on available-for-sale securities reflected in the Company's accumulated other comprehensive income. While the Company does may use the sale of eligible securities in the normal course of business as a source of liquidity or to reposition the balance sheet for strategic purposes, it is not currently intend our intention to sell these securities at a net loss. However, if the Company were required to sell such securities to meet liquidity needs, it may incur losses which that could impair the Company's capital, financial condition, and results of operations and may require the Company to raise additional capital on unfavorable terms, thereby negatively impacting its profitability.

Any Regulatory Examination Scrutiny or New Regulatory Requirements Arising From the Recent Events in the Banking Industry Could Increase the Company's Expenses and Affect the Company's Operations

The Company also anticipates increased regulatory scrutiny – in the course of routine examinations and otherwise – and new regulations directed towards banks of similar size to the Bank, designed to address the recent negative developments in the banking industry, all of which may increase the Company's costs of doing business and reduce its profitability. As primarily a commercial bank, the Bank has a higher percentage of uninsured deposits compared to primarily retail focused banks. As a result, the Bank could face increased scrutiny or be viewed as higher risk by regulators and the investor community.

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

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

Issuer Purchases of Equity Securities

On July 16, 2021, Bancorp Board of Directors approved a share repurchase program under which Bancorp could repurchase up to $25.0 million of its outstanding common stock through July 31, 2023. On October 22, 2021, Bancorp's Bancorp Board of Directors approved an amendment, to the current share repurchase program, which increased the total authorization from $25.0 million to $57.0 million and left the expiration date unchanged.

The last activity under the program was in the first quarter of 2022. Cumulative shares repurchased

On July 21, 2023, Bancorp Board of Directors approved the adoption of a new share repurchase program under which Bancorp could repurchase up to $25.0 million of its outstanding common stock expiring on July 31, 2025, which replaced the current program total 618,991 shares at an average price of $36.04 per share, with $34.7 million outstanding as of March 31, 2023. The Bank opted not to repurchase shares in the first quarter, exercising prudence given recent uncertainties in the marketplace and the importance of maintaining capital and liquidity reserves to absorb the impacts of external events the Bank cannot control. existing program.

ITEM 3 Defaults upon Senior Securities

None.

ITEM 4 Mine Safety Disclosures

Not applicable.

ITEM 5 Other Information

None. 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.

		Incorporated by Reference				
Exhibit Number	Exhibit Description	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	
10.12	Salary Continuation Agreement for executive officer Nicolette Sloan, Head of Commercial Banking, dated January 1, 2022	8-K	001-33572	10.2	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	
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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Bank of Marin Bancorp (registrant)
May 9, August 8, 2023	*/s/ Timothy D. Myers*
Date	Timothy D. Myers President and Chief Executive Officer (Principal Executive Officer)
May 9, August 8, 2023	*/s/ Tani Girton*
Date	Tani Girton Executive Vice President & Chief Financial Officer (Principal Financial Officer)
May 9, August 8, 2023	*/s/ David A. Merck*
Date	David A. Merck First Vice President & Controller (Principal Accounting Officer)

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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.

May 9, August 8, 2023	*/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, Tani Girton, 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.

May 9, August 8, 2023	*/s/ Tani Girton*
Date	Tani Girton 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 March 31, 2023June 30, 2023, 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.

May 9, August 8, 2023	*/s/ Timothy D. Myers*
Date	Timothy D. Myers President & Chief Executive Officer
May 9, August 8, 2023	*/s/ Tani Girton*
Date	Tani Girton 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.

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