

Bank of Marin Bancorp  
Form 10-Q  
November 04, 2008

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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 September 30, 2008

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  
(State or other jurisdiction of incorporation)

20-8859754  
(IRS Employer Identification No.)

504 Redwood Blvd., Suite 100, Novato, CA  
(Address of principal executive office)

94947  
(Zip Code)

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

Not Applicable  
(Former name or former address, if changes since last  
report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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

Indicate by check mark if the registrant is a shell company, in Rule 12b(2) of the Exchange Act.

Yes     No

As of October 31, 2008 there were 5,144,822 shares of common stock outstanding.

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BANK OF MARIN BANCORP

Explanatory Note

Bank of Marin Bancorp is the successor registrant to Bank of Marin pursuant to an 8-K filed with the SEC on June 29, 2007.

On July 1, 2007 (the “Effective Date”), a bank holding company reorganization was completed whereby Bank of Marin Bancorp became the parent holding company for Bank of Marin. On the Effective Date, each outstanding share of Bank of Marin common stock was converted into one share of Bank of Marin Bancorp common stock and Bank of Marin became a wholly-owned subsidiary of the holding company. Bancorp assumed the ticker symbol BMRC, which was formerly used by Bank of Marin. Prior to the Effective Date, Bank of Marin filed reports and proxy statements with the Federal Deposit Insurance Corporation (“FDIC”) pursuant to Sections 12 of the Securities Exchange Act of 1934 (the “’34 Act”).

The financial statements and discussion thereof contained in this report for periods subsequent to the reorganization relate to consolidated Bank of Marin Bancorp. Periods prior to the reorganization relate to Bank of Marin only. The information is comparable as the sole subsidiary of Bank of Marin Bancorp is the Bank of Marin.

This report refers to previous filings made by Bank of Marin with the FDIC pursuant to the ’34 Act. Copies of these filings are available by requesting them in writing or by phone from:

Corporate Secretary  
Bank of Marin  
504 Redwood Blvd., Suite 100  
Novato, CA 94947  
415-763-4523

Copies of such filings are also available on Bancorp’s website at [www.bankofmarin.com](http://www.bankofmarin.com). This website address is for information only and is not intended to be an active link, or to incorporate any website information into this document.

BANK OF MARIN BANCORP

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## BANK OF MARIN BANCORP

CONSOLIDATED STATEMENTS OF CONDITION  
at September 30, 2008 and December 31, 2007

(in thousands, except share amounts - 2008 unaudited)

September 30, 2008 December 31, 2007

## Assets

Cash and due from banks	\$	20,464	\$	28,765
Federal funds sold		---		47,500
Cash and cash equivalents		20,464		76,265

## Investment securities

Held to maturity, at amortized cost		20,542		13,182
Available for sale (at fair market value, amortized cost \$73,405 at September 30, 2008 and \$87,450 at December 31, 2007)		73,348		86,989
Total investment securities		93,890		100,171

Loans, net of allowance for losses of \$9,271 at September 30, 2008 and \$7,575 at December 31, 2007

Bank premises and equipment, net		829,736		717,303
Interest receivable and other assets		8,558		7,821
		32,091		32,341

Total assets	\$	984,739	\$	933,901
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## Liabilities and Stockholders' Equity

## Liabilities

## Deposits

Non-interest bearing	\$	215,307	\$	220,272
Interest bearing				
Transaction accounts		80,723		110,174
Savings and money market		449,303		421,255
CDARS® reciprocal time		16,776		---
Other time		87,119		82,941
Total deposits		849,228		834,642

Federal funds purchased and Federal Home Loan Bank borrowings		28,600		---
Subordinated debenture		5,000		5,000
Interest payable and other liabilities		7,238		6,485

Total liabilities		890,066		846,127
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## Stockholders' Equity

## Preferred stock, no par value

Authorized - 5,000,000 shares; none issued		---		---
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## Common stock, no par value

Authorized - 15,000,000 shares				
		50,527		51,059

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Issued and outstanding - 5,136,267 shares at September 30, 2008 and 5,122,971 at December 31, 2007			
Retained earnings		44,179	36,983
Accumulated other comprehensive loss, net		(33)	(268)
Total stockholders' equity		94,673	87,774
Total liabilities and stockholders' equity	\$	984,739	\$ 933,901

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

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## BANK OF MARIN BANCORP

CONSOLIDATED STATEMENTS OF OPERATIONS  
for the nine months ended September 30, 2008 and September 30, 2007

(in thousands, except per share amounts - unaudited)

September 30, 2008 September 30, 2007

Interest income			
Interest and fees on loans held in portfolio	\$	40,545	\$ 39,006
Interest on auto loans held for sale		---	2,062
Interest on investment securities			
U.S. Treasury securities		---	8
Securities of U.S. Government agencies		2,641	2,714
Obligations of state and political subdivisions (tax exempt)		531	358
Corporate debt securities and other		258	336
Interest on Federal funds sold		138	1,657
Total interest income		44,113	46,141
Interest expense			
Interest on interest bearing transaction accounts		277	225
Interest on savings and money market deposits		5,607	11,052
Interest on CDARS® reciprocal time deposits		55	---
Interest on other time deposits		1,962	2,628
Interest on borrowed funds		702	973
Total interest expense		8,603	14,878
Net interest income		35,510	31,263
Provision for loan losses		2,810	340
Net interest income after provision for loan losses		32,700	30,923
Non-interest income			
Service charges on deposit accounts		1,253	894
Wealth Management Services		976	904
Net gain on indirect auto and Visa portfolios		---	1,097
Net gain on redemption of shares in Visa, Inc.		457	---
Other income		1,489	1,592
Total non-interest income		4,175	4,487
Non-interest expense			
Salaries and related benefits		12,372	12,064
Occupancy and equipment		2,363	2,155
Depreciation and amortization		996	929
Data processing		1,355	1,254
Professional services		1,161	1,239
Other expense		3,336	3,004
Total non-interest expense		21,583	20,645
Income before provision for income taxes		15,292	14,765

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Provision for income taxes		5,935		5,699
Net income	\$	9,357	\$	9,066
Net income per common share:				
Basic	\$	1.82	\$	1.74
Diluted	\$	1.79	\$	1.70
Weighted average shares used to compute net income per common share:				
Basic		5,135		5,197
Diluted		5,224		5,347
Dividends declared per common share	\$	0.42	\$	0.38

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

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## BANK OF MARIN BANCORP

## CONSOLIDATED STATEMENTS OF OPERATIONS

for the three months ended September 30, 2008, June 30, 2008 and September 30, 2007

(in thousands, except per share amounts - unaudited) September 30, 2008 June 30, 2008 September 30, 2007

## Interest income

Interest and fees on loans held in portfolio	\$	13,833	\$	13,400	\$	13,283
Interest on investment securities						
Securities of U.S. Government agencies		892		882		1,063
Obligations of state and political subdivisions (tax exempt)		187		183		129
Corporate debt securities and other		91		78		115
Interest on Federal funds sold		25		1		1,240
Total interest income		15,028		14,544		15,830

## Interest expense

Interest on interest bearing transaction accounts		93		96		74
Interest on savings and money market deposits		1,833		1,583		3,882
Interest on CDARS® reciprocal time deposits		50		4		---
Interest on other time deposits		562		650		877
Interest on borrowed funds		179		302		209
Total interest expense		2,717		2,635		5,042

Net interest income		12,311		11,909		10,788
Provision for loan losses		1,685		510		200
Net interest income after provision for loan losses		10,626		11,399		10,588

## Non-interest income

Service charges on deposit accounts		417		430		325
Wealth Management Services		330		310		331
Net gain on Visa portfolio		---		---		387
Other income		447		539		543
Total non-interest income		1,194		1,279		1,586

## Non-interest expense

Salaries and related benefits		4,179		4,035		3,938
Occupancy and equipment		802		793		716
Depreciation and amortization		351		327		318
Data processing		480		430		411
Professional services		336		419		536
Other expense		1,294		1,136		1,007
Total non-interest expense		7,442		7,140		6,926

Income before provision for income taxes		4,378		5,538		5,248
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Provision for income taxes		1,683		2,152		2,059
Net income	\$	2,695	\$	3,386	\$	3,189

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Net income per common share:

Basic	\$	0.53	\$	0.66	\$	0.62
Diluted	\$	0.52	\$	0.65	\$	0.60

Weighted average shares used to compute net income per common share:

Basic	5,130	5,139	5,172
Diluted	5,209	5,226	5,301

Dividends declared per common share	\$	0.14	\$	0.14	\$	0.13
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The accompanying notes are an integral part of these consolidated financial statements.

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BANK OF MARIN BANCORP

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
for the year ended December 31, 2007 and the nine months ended September 30, 2008

(dollar amounts in thousands - 2008 unaudited)	Common Stock		Retained	Accumulated Other Comprehensive Loss, Net of Taxes	Total
	Shares	Amount	Earnings		
Balance at December 31, 2006	5,366,416	\$ 61,355			