



February 29, 2008

Dear Fellow Shareholder:

We are happy to report fourth quarter earnings for Bank of Marin Bancorp of \$3.3 million, a 2.2% increase over the third quarter of 2007. Earnings for the year ending December 31, 2007 were \$12.3 million, a 3.7% increase over the twelve months ending December 31, 2006. Diluted earnings per share for the year were \$2.31 compared to \$2.11 per share for the same period in 2006, which represents a 9.5% growth in EPS. As of December 31, 2007, total assets stood at \$934 million, total deposits at \$835 million, and loans totaled \$725 million.

We are pleased with our results for the fourth quarter and all of 2007. In a challenging environment, we were able to grow earnings per share, total deposits and total loans. We now hold an approximate 10% market share of deposits in Marin County and we continue to grow.

In 2007, we accomplished much in a turbulent economy. We have never participated in the sub-prime mortgage market and so we avoided any issues related to the residential mortgage market. We are pleased that our decision to sell our indirect auto portfolio in June allowed us the flexibility to manage our interest costs and maintain a net interest margin well above our peers.

We look forward to 2008. While the market is extremely challenging, we feel we are well positioned to continue to build market share and capitalize on opportunities in the marketplace. We continue to have a loan portfolio that is very high quality and a solid base of core deposits.

We want to thank you for your continued support of Bank of Marin Bancorp. Although the stock market in general has not been favorable, we have fared better than many financial institutions and our consistent results will pay off for our shareholders.

Please plan to attend the Tuesday, May 13 Annual Meeting of Shareholders. The meeting begins at 6:00 p.m. this year and will be held at a new location; the Marin Showcase Theatre at the Marin Center, 10 Avenue of the Flags, San Rafael. A reception will immediately follow the meeting.

Thank you again for your support. We are committed to consistent growth and success.

Joel Sklar, M.D.
Chairman of the Board

Russell A. Colombo
President and Chief Executive Officer