PUBLIC DISCLOSURE

January 8, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Marin
Certificate Number: 32779

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Novato, California 94947

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

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San Francisco, California 94105

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory.**

The following table indicates the performance level of the institution with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	**PERFORMANCE TESTS**		
	Lending Test*	**Investment Test**	**Service Test**
Outstanding			X
High Satisfactory		X	
Low Satisfactory	X		
Needs to Improve			
Substantial Noncompliance			

** The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.*

The Lending Test is rated Low Satisfactory.

- The institution's lending levels reflect adequate responsiveness to combined assessment area (CAA) credit needs.
- The institution originates a substantial majority of its loans within its CAA.
- The geographic distribution of loans reflects adequate penetration throughout the CAA.
- The distribution of borrowers reflects, given the product lines offered by the institution, poor penetration among retail customers of different income levels and business customers of different revenue sizes.
- The institution has made an adequate level of community development (CD) loans.
- The institution makes limited use of innovative and/or flexible lending practices in order to serve assessment area credit needs.

The Investment Test is rated High Satisfactory.

- The institution has a significant level of qualified CD investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits good responsiveness to credit and community economic development needs.
- The institution occasionally uses innovative and/or complex investments to support CD initiatives.

The Service Test is rated Outstanding.

- Delivery systems are readily accessible to all portions of the institution's CAA.
- To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low-and moderate-income (LMI) geographies and/or to LMI individuals.
- Services and business hours do not vary in a way that inconveniences certain portions of the CAA, particularly LMI geographies and/or individuals.
- The institution is a leader in providing CD services.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation, dated May 18, 2015, to January 8, 2018. Examiners used the Interagency Large Institution Examination Procedures to evaluate BOM's CRA performance. CRA defines a large institution as a bank or savings association with assets of at least $1.252 billion as of December 31st of both of the prior 2 calendar years. The examination procedures for large institutions include three tests: the Lending, the Investment, and the Service Tests.

BOM's CRA performance was evaluated in the context of the following:

- The performance context of the institution;
- The current economic environment;
- The demographic characteristics of the AAs;
- Lending and CD opportunities within the AAs;
- Competition from other financial institutions;
- The bank's locations, financial capacity, and branch structure;
- The bank's product offerings and business strategy; and
- Information derived from community contacts.

This evaluation was conducted at the bank's corporate office located in Novato, California. Examiners relied upon records provided by the bank, publicly available loan and financial information, demographic and economic information from various government and private agencies such as the 2010 U.S. Census data and D&B, and other information gathered from community contacts. This evaluation does not include any lending activity performed by affiliates. During the evaluation review period, the institution acquired the Bank of Napa in November 2017. The scope of the evaluation is summarized in the Appendix, and the terms used are defined in Glossary of this document.

Loan Products Reviewed

To evaluate lending performance, examiners analyzed all loans originated and purchased from January 1, 2015, to December 31, 2016. The evaluation included a review of loans reported pursuant to the Home Mortgage Disclosure (HMDA) and CRA data collection requirements for calendar years 2015 and 2016. Examiners reviewed and considered the 2015 lending performance but the data did not present any differing conclusions; therefore, the written analysis only includes the 2016 lending data. Since there was no change in the bank's business strategy and full year data was not available for 2017, examiners did not analyze the 2017 lending data. Examiners determined that the bank's major product lines are small business and home mortgage loans. This conclusion considered the bank's business strategy, market share, and the number- and dollar-volume of loans originated or purchased during the evaluation period.

The bank's record of originating small business loans contributed more weight to the overall conclusions due to the larger loan volumes by number and greater market share when compared to home mortgage lending during the review period. In 2016, BOM originated 381 small business loans totaling $91.7 million and 61 home mortgage loans totaling $47.1 million. BOM originated 58 consumer loans totaling $4.4 million in 2016, which does not represent a major product line. Also, BOM did not originate any small farm loans in 2016. Therefore; consumer loans and small farm loans do not provide material support for conclusions or ratings and are not presented.

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. This evaluation considered all small business loans reported on the bank's 2015 and 2016 CRA loan registers. In 2015, the bank reported 363 small business loans totaling $104.4 million, and in 2016, the bank reported 381 small business loans totaling $91.7 million. Examiners compared the bank's 2016 small business lending performance to the 2016 aggregate lending data of large bank reporters. Examiners further compared the bank's small business lending performance to the 2016 D&B data.

In addition, this evaluation considered all home mortgage loans reported on the bank's 2015 and 2016 HMDA Loan Application Registers. In 2015, the bank reported 104 originated home mortgage loans totaling $72.6 million, and in 2016, the bank reported 61 originated home mortgage loans totaling $47.1 million. The bank's 2016 home mortgage lending performance is compared to the 2016 aggregate lending data. The bank's 2016 home mortgage lending performance is also compared to the percentage of owner-occupied housing units for geographic distribution analysis and compared to the percentage of families for borrower profile analysis based on the 2010 U.S. Census data. Examiners will place greater weight on the aggregate lending data because it is based on the actual performance of large banks in the area.

For the AA concentration, geographic distribution of loans, and borrower profile components of the Lending Test, examiners reviewed the number- and dollar-volume of small business, and home mortgage loans originated or purchased during 2015 and 2016. Although both number and dollar volume were analyzed and presented, the number of loans will receive more weight in the lending analysis. Examiners placed greater weight on lending performance for 2016 because of the availability of comparable aggregate lending performance data.

For CD lending, innovative and flexible practices, qualified investments, and CD services, the review period was from May 19, 2015, to January 8, 2018. The Investment Test included investments made during the current evaluation period and any investments still outstanding from the prior evaluation period.

DESCRIPTION OF INSTITUTION

Background

BOM is a state-chartered full-service commercial bank headquartered in Novato, California. The bank is wholly owned by Bank of Marin Bancorp and does not maintain any other affiliate relationships. At the previous CRA Performance Evaluation (evaluation) dated May 18, 2015, BOM received an overall "Satisfactory" rating based on Interagency Large Institution Examination Procedures.

Operations

BOM operates 23 full-service branch offices, one administrative office, and one Commercial Banking office within its CAA. Since the prior evaluation, BOM opened one full-service branch in Sonoma County on August 7, 2017. In addition, the bank acquired two branches in Napa County with the acquisition of Bank of Napa on November 21, 2017.

Commercial lending remains a primary business focus of the bank. This includes term loans used primarily for business expansion, equipment purchase or permanent working capital. Also included are commercial real estate loans (CRE), lines of credit, letters of credit, construction loans and tax exempt loans to municipalities and non-profit entities.

The bank continues to offer its consumer customers a wide range of banking loan products, such as home equity lines of credit, construction loans, dwelling secured home loans, and general consumer loans.

The institution provides a variety of deposit services including checking, savings, money-market, and time deposits. Other products and services include automated teller machine (ATM) cards, Internet banking, mobile banking, night depositories, and trust and wealth management services.

Ability and Capacity

As of the September 30, 2017 Consolidated Report of Condition (Call Report), BOM reported total assets of $2.2 billion, total deposits of $1.9 billion, total loans of $1.5 billion, and total equity capital of $0.2 billion. The bank's loan portfolio was comprised of 66.3 percent CRE and commercial and industrial loans, 22.2 percent residential including multi-family, 1.8 percent consumer, and 0.9 percent farm loans.

The table below presents the loan portfolio distribution:

Loan Portfolio Distribution as of September 30, 2017		
Loan Type	**Dollar Volume $(000)**	**Percentage of Total Loans**
Construction and Land Development	85,531	5.6
Secured by Farmland	13,392	0.9
Revolving Open-end 1 to 4 Family Residential	127,319	8.4
Closed-end 1 to 4 Family Residential First Lien	119,012	7.8
Closed-end 1 to 4 Family Residential Junior Lien	1,162	0.0
Multi-family Residential	91,048	6.0
Commercial Real Estate	878,153	57.6
Total Real Estate Secured	**1,315,617**	**86.3%**
Loans to Finance Agricultural Production	861	0.0
Commercial and Industrial Loans	132,324	8.7
Consumer Credit Cards	0	0.0
Other Consumer Revolving Loans	4,103	0.3
Closed-end Consumer Loans	22,589	1.5
Obligations of States and Political Subdivisions	37,613	2.5
Other Loans	11,340	0.8
Lease financing receivables	0	0.0
Less: Any Unearned Income on Loans	0	0.0
Total Loans	**1,524,447**	**100.0%**
Source: Call Report dated September 30, 2017. Some of the numbers may not add up to 100 percent due to rounding.		

The institution provides for the credit needs of its community in a manner consistent with its size financial capacity, location, resources, and local economic conditions. There are no legal or financial impediments that prevent the bank from helping meet the credit needs of its CAA.

DESCRIPTION OF ASSESSMENT AREA

CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. BOM's CAA is located within the San Jose-San Francisco-Oakland Combined Statistical Area (CSA) #488 and will be combined and rated under this evaluation as one AA. The CAA consists of five whole counties. Marin County is in the San Rafael Metropolitan Divisions (MD) #42034; San Francisco County which comprises a portion of the San Francisco-Redwood City-South San Francisco MD #41884; Sonoma County is in the Santa Rosa Metropolitan Statistical Areas (MSA) #42220; Napa County is in the Napa MSA #34900; and Alameda County which comprises a portion of the Oakland-Hayward-Berkeley MD #36084. The table below shows details on the CSA Composition, Branches, and ATMS.

CSA Composition, Branches, and ATMs					
AA	**MSA or MD**	**MSA #**	**Counties**	**Branches**	**ATMs**
San Jose-San Francisco-Oakland, CA CSA #488	San Rafael	42034	Marin	10	10
	San Francisco-Redwood City-South San Francisco	41884	San Francisco	1	0
	Santa Rosa	42220	Sonoma	6	5
	Napa	34900	Napa	3	3
	Oakland-Hayward-Berkeley	36084	Alameda	3	2
			Total Branches/ATMs	**23**	**20**
Source: Bank Records					

Economic and Demographic Data

The CAA includes 567 CTs. These CTs reflect the following income designations according to the 2010 U.S. Census:

- 92 low-income CT,
- 122 moderate-income CTs,
- 205 middle-income CTs,
- 140 upper-income CTs, and
- 8 CT with no income designation.

The following table illustrates select demographic characteristics of the CAA used to analyze performance beginning on January 1, 2016:

Demographic Information of the Assessment Area **Assessment Area: CAA**						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	567	16.2	21.5	36.2	24.7	1.4
Population by Geography	2,294,417	15.4	22.3	38.6	23.4	0.3
Housing Units by Geography	1,010,082	15.2	20.7	38.5	25.7	0.0
Owner-Occupied Units by Geography	446,014	6.1	17.4	44.8	31.7	0.0
Occupied Rental Units by Geography	469,543	22.5	23.9	33.5	20.1	0.0
Vacant Units by Geography	94,525	21.4	20.4	33.4	24.9	0.0
Businesses by Geography	211,396	18.5	17.1	34.5	29.8	0.1
Farms by Geography	4,439	5.5	15.2	45.4	34.0	0.0
Family Distribution by Income Level	489,189	26.7	16.6	18.3	38.3	0.0
Household Distribution by Income Level	915,557	29.4	15.7	16.3	38.6	0.0
Median Family Income MSA - 34900 Napa, CA MSA		$80,030	Median Housing Value			$659,420
Median Family Income MSA - 36084 Oakland-Hayward-Berkeley, CA MD		$88,024	Median Gross Rent			$1,261
Median Family Income MSA - 41884 San Francisco-Redwood City-South San Francisco, CA		$93,987	Families Below Poverty Level			7.9%
Median Family Income MSA - 42034 San Rafael, CA MD		$112,911				
Median Family Income MSA - 42220 Santa Rosa, CA MSA		$76,715				

Source: 2010 U.S. Census and 2016 D&B Data
Due to rounding, totals may not equal 100.0
(*) The NA category consists of geographies that have not been assigned an income classification.

According to the 2016 D&B data, there were 211,396 businesses in the CAA.

Gross annual revenues (GARs) for these businesses are below:

- 86.2 percent have $1 million or less.
- 6.1 percent have more than $1 million.
- 7.7 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level.

As shown above, 6.1 percent and 17.4 percent of owner-occupied housing units are located in LMI CTs; meanwhile, 22.5 percent and 23.9 percent of renter-occupied units are located in LMI CTs. In addition, the 2010 U.S. Census data reveals that 7.9 percent of households in the CAA have incomes below the poverty level. These figures are indicators of a reduced capacity to borrow, which can impact a financial institution's ability to lend in these areas.

The following table illustrates the median family income (MFI) ranges in the CAA within low-, moderate-, middle-, and upper-income categories. The 2016 Federal Financial Institutions Examination Council (FFIEC)-updated MFI levels are used to analyze the home mortgage loans under the Borrower Profile criterion.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
Napa, CA MSA Median Family Income (34900)				
2016 ($82,500)	<$41,250	$41,250 to <$66,000	$66,000 to <$99,000	≥$99,000
Oakland-Hayward-Berkeley, CA MD Median Family Income (36084)				
2016 ($93,600)	<$46,800	$46,800 to <$74,880	$74,880 to <$112,320	≥$112,320
San Francisco-Redwood City-South San Francisco, CA Median Family Income (41884)				
2016 ($104,700)	<$52,350	$52,350 to <$83,760	$83,760 to <$125,640	≥$125,640
San Rafael, CA MD Median Family Income (42034)				
2016 ($123,700)	<$61,850	$61,850 to <$98,960	$98,960 to <$148,440	≥$148,440
Santa Rosa, CA MSA Median Family Income (42220)				
2016 ($75,900)	<$37,950	$37,950 to <$60,720	$60,720 to <$91,080	≥$91,080
Source: FFIEC *Due to rounding, totals may not equal 100.0*				

According to the Housing and Urban Development (HUD), the highest MFI in the CAA is located in Marin and San Francisco Counties at $107,700. In contrast, the MFI in California was $70,000 and $65,700 for the nation. Housing costs in the area are among the highest in the nation. According to the U.S. Census Bureau, the highest median housing value of owner-occupied housing units in Marin County and San Francisco County are $816,933 and $772,086, respectively, compared to $409,300 for California and $184,700 for the nation.

San Rafael MD

According to the April 2017 Moody's Analytics Report, the San Rafael, California MD economy continues to expand healthily. From 2015 to 2016 the area grew at a rate of 4.1 percent and the unemployment rate continued to decrease. San Rafael benefits from a per capita income that is more than double California's at $114,646 in 2016, partly driven by the highly educated population. The percentage of adults 25 and older in the area with college or graduate school degrees is 59 percent, versus 32 percent in California. The biotech industry in the area is thriving due to companies' recent successful drug trials and increased reinvestment. Chemical manufacturing and related jobs have increased dramatically in the area as biotech companies increase capacity and expand facilities to manufacture their drugs. The area also benefits from the significantly lower cost of doing business compared to other areas in the Bay Area, like San Francisco and San Jose. The top three employers in the area are Marin General Hospital, Kaiser Permanente San Rafael Medical Center, and Autodesk.

San Francisco-Redwood City-South San Francisco MD
Based on the April 2017 Moody's Analytics Report, the San Francisco-Redwood City-South San Francisco, California MD economy continues to standout in the U.S. as an area of exceptional economic growth. The area's unemployment rate has dropped below three percent and the median household income continues to grow. The technology sector in the area and neighboring areas has been the driving force of job creation and income growth; however, more recently this has decelerated. As demand for labor has outpaced supply, and costs of living and doing business have increased, companies have been looking to other areas to expand. According to the January 2018 U.S. Bureau of Labor and Statistics (BLS) Report, the unemployment rate for the San Francisco-Redwood City–South San Francisco, California MD as of December 2017, is 2.7 percent, which is less than the state average of 4.9 percent. The top employers in the area are the University of California–San Francisco, Stanford University, and the University of San Francisco.

Oakland-Hayward-Berkeley MD
According to the April 2017 Moody's Analytics Report, the Oakland-Hayward-Berkeley, California MD economy is expanding. Unemployment in the area is lower than in the state and nation at 4.0 percent. The MD has experienced a positive spillover effect from neighboring cities of San Francisco and San Jose. Affordability in these areas decreased and caused companies to seek more affordable options like Oakland. The pace of residential and commercial construction has increased to even higher levels as organizations and businesses like Tesla, Uber, the University of California, and Blue Shield have expanded or relocated to the MD. This fact has been driving additional construction in the area. The area's economy is diverse and benefits from various sectors. According to the U.S. BLS January 2018 Report, the unemployment rate for the Oakland-Hayward-Berkeley, California MD for December of 2017 is 2.7 percent, which is less than the state average of 4.9 percent. The top three employers in the area are the University of California–Berkeley, Safeway Inc., and Kaiser Permanente.

Napa MSA
According to the April 2017 Moody's Analytics Report, the Napa, California MSA continues to thrive as tourism and disposable income increase. However, the October 2017 wildfires were the most destructive in recent history with full repercussions still unknown. The wine industry remains the major source of employment, providing 1 out of 5 jobs in the area with the harvest-taking place when the fires hit. The end of the California drought enabled wineries to produce greater quality of wines, which was supported by the increasing demand and disposable income of consumers visiting the area. However, strong competition has brought challenges for the MSA as hotel rates continue to increase and stricter building regulations restrict hotel construction. The lack of affordability has made other destinations, such as Oregon, more attractive to tourists. The median household income for 2016 was $78,000, a 3.0 percent

increase from 2015. The area's unemployment rate is now below 3.8 percent; however, most job growth is attributed to low-paying jobs in the beverage industry. According to the U.S. BLS January 2018 Report, the unemployment rate for the Napa, California MSA is 3.6 percent as of December 2017, which is less than the state average of 4.9 percent. The largest employer for the MSA is Queen of the Valley Medical Center followed by St. Helena Hospital, and Trinchero Family Estates.

Santa Rosa MSA

Based on the April 2017 Moody's Analytics Report, the Santa Rosa, California MSA economy has experienced rising income, job growth, and strong demand for housing. The October 2017 wildfires were the most destructive in recent history with full repercussions still unknown. High income tourists visiting the area's wineries have been proven beneficial to Santa Rosa. Hospitality services continue to reach capacity and are increasing hotel construction needs especially after the loss of 8,000 structures including at least two established hotels. Health services are the second largest industry in the MSA, partly due to baby boomers' healthcare needs. Most healthcare jobs pay low wages, but a shift toward ambulatory care is increasing demand for higher paying nurse and physicians' assistant jobs. Living costs remain low in comparison with other mid-size metropolitan areas in California. Median household income for 2016 was $69,000, a $2,000 increase from 2015. As food and beverage producers come together, jobs are being cut and slowing down the industry growth. According to the U.S. BLS January 2018 Report,, the unemployment rate for the Santa Rosa, California MSA for December 2017 is 2.8 percent, which is less than the state average of 4.9 percent. The largest employer is Kaiser Permanente, followed by Graton Resort & Casino, and St. Joseph Health System.

Data obtained from the U.S. BLS indicates that the 2016 year-end unemployment rate was 5.2 percent statewide. As shown below, the unemployment rates in all of the counties that make up the bank's CAA are below the State of California unemployment rate and the National Average.

Unemployment Rates	
Assessment Area / County	**2016**
	%
Marin	2.9
San Francisco	2.9
Napa	4.6
Sonoma	3.6
Alameda	3.7
California	5.2
National Average	4.7
Source: Bureau of Labor Statistics	

<u>Competition</u>

BOM operates in a highly competitive market that includes a number of large national and regional financial institutions within the AA. According to the June 30, 2017 Deposit Market Share Report, the AA had 68 FDIC-insured financial institutions with $289.0 billion in deposits operating 817 branches. The top 5 institutions operating in the AA control approximately 76.9 percent of the deposit market share with a combined $222.2 billion in deposits. BOM operates 23 branches and holds approximately $2.1 billion in deposits (approximately 0.7 percent), ranking 13th in the AA based on deposit market share.

Community Contact

As part of the evaluation process, examiners contact organizations active in the AA to assist in identifying the credit and CD needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and CD opportunities are available. Examiners interviewed one new community contact on economic development and used one existing community contact on affordable housing in conjunction with this evaluation.

A new contact, who represented an economic development and affordable housing organization with activities in the Marin County, stated that the economic condition is strong. Unemployment rate is close to historic low and the county is in a state of full employment. Personal income per capita is up at about 7.0 percent and the job growth is 2.2 percent since November 2016, which equate to approximately 2,600 more jobs. The primary industries in Marin County include health care, professional service, retail, government, and construction. Tourism has a small present versus its neighboring counties (Sonoma, Napa, and San Francisco) of which have global tourism presence.

According to the contact, small business and affordable housing struggle to find credit sources in Marin County which is related to risk and shifting incentives for local lenders to finance small businesses and how the local community defines "affordable housing." Multi-family housing has generally been the way housing units have expanded and therefore the expansion of supply is rapidly filled by demand. The short supply of land coupled with deed restrictions or other mechanisms that protect the housing for low and moderate income household has limited the determination to build housing. Credit for new housing developments is needed.

The contact stated that while there may be local non-profit and some CRA activities, there is not a high number of banking programs for low and moderate income neighborhoods by local financial institutions. Local financial institutions are involved in CRA activities including presence for local chamber of commerce, local non-profit organizations, and presence in the community. However, there is not a large financial institution presence providing programs beyond financial literacy. Financing small businesses and augmenting funding to organizations to help unqualified borrowers for Small Business Administration lending or conventional lending would be a good first step. A local non-profit called Working Solutions (which is a Community Development Financial Institution) for example, act as a conduit to businesses and provide mentoring for new entrepreneurs to facilitate payback.

The existing contact representing an economic development organization with activities in Sonoma County stated that there is reasonable participation by local institutions in the community; however, there is a need for funding for startup organizations. There has been a recent collaboration between eight local banks and an economic development organization to fund loans to businesses who could not qualify for traditional financing.

The existing contact from a Sonoma County-based affordable housing organization emphasized the need to provide alternative financing options. The contact stated that loans to finance the accessory dwelling units (ADUs), which was made possible from the recent passage of the California Assembly Bill 1866 and park mobile homes as examples of the area's need. The contact also stated that funds in order to rehabilitate existing affordable multi-unit homes are another area of need in the community.

Credit and Community Development Needs and Opportunities

Considering the information from the community contacts, bank management, and demographic and economic data, examiners determined that small business loans represent a primary credit need for the San Francisco CSA AA. Small business loans, particularly those for start-up businesses and for working capital are in high demand. Opportunity exists for originating such loans throughout the AA. The significant costs of doing business in the AA, demonstrate the specialized needs of start-up businesses, and businesses with GARs of $1.0 million or less.

Across the Northern California AAs, the need for affordable housing in these high-cost areas is difficult to address due to a lack of inventory and a lack of political will at the county level to build more units. This shortage is demonstrated by the passage of California Assembly Bill 1866 in December of 2016, which made financing of the ADU possible. This law allows homeowners to build a second living unit behind their main residence bypassing many county restrictions. The intention of the ADU is to increase the inventory of rental units to meet demand and lower costs.

The ADU Memorandum dated December 2016, provides the following quote:

"California's housing production is not keeping pace with demand. In the last decade less than half of the needed housing was built. This lack of housing is impacting affordability with average housing costs in California exceeding the rest of the nation. As affordability becomes more problematic, people drive longer distances between a home that is affordable and where they work, or double up to share space, both of which reduces quality of life and produces negative environmental impacts. Beyond traditional market-rate construction and government subsidized production and preservation there are alternative housing models and emerging trends that can contribute to addressing home supply and affordability in California. One such example gaining popularity is ADUs, also referred to as second units, in-law units, or granny flats."

These actions by the state are in-line with the commentary from the affordable housing community contact.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

BOM's Lending Test performance is rated "Low Satisfactory." The Lending Test evaluates the bank's record of helping to meet the credit needs of its AAs by considering an institution's small business, home mortgage, and CD lending. The institution's performance is evaluated under the following criteria:

- Lending activity;
- AA concentration;
- Geographic distribution;
- Borrowers profile;
- Innovative or flexible lending practices; and
- CD lending.

Lending Activity

BOM's level of lending reflects adequate responsiveness to credit needs of the CAA. During 2016, BOM originated 357 small business loans and 57 home mortgage loans totaling approximately $83.1 million and $43.3 million, respectively, within the CAA. As discussed previously, examiners placed more weight on small business lending since this is a primary lending focus of the bank.

Assessment Area Concentration

A substantial majority of small business and home mortgage loans are made in the institution's CAA. The percentage of lending by number and dollar volume, particularly small business loans, within its AAs reflects the bank's commitment to lending within the communities it serves.

The following table illustrates the lending inside and outside the CAA:

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans $(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%	#	$(000s)	%	$(000s)	%	$(000s)
Home Mortgage										
2016	57	93.4	4	6.6	61	43,283	91.8	3,843	8.2	47,126
Subtotal	**57**	**93.4**	**4**	**6.6**	**61**	**43,283**	**91.8**	**3,843**	**8.2**	**47,126**
Small Business										
2016	357	93.7	24	6.3	381	83,057	90.6	8,637	9.4	91,694
Subtotal	**357**	**93.7**	**24**	**6.3**	**381**	**83,057**	**90.6**	**8,637**	**9.4**	**91,694**
Total	**414**	**93.7**	**28**	**6.3**	**442**	**126,340**	**91.0**	**12,480**	**9.0**	**138,820**
Source: Evaluation Period: 1/1/2016 - 12/31/2016. Due to rounding, totals may not equal 100.0										

Geographic Distribution

Overall, the bank's geographic distribution of loans reflects adequate penetration throughout the CAA. Analysis of the bank's performance under this criterion was based on a review of small business and home mortgage loans originated in the bank's CAA during the review period. Examiners noted no conspicuous gaps in the geographic distribution of loans.

For the geographic distribution portion of the Lending Test, examiners reviewed the number and dollar volume of all loan products. While number and dollar volume are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of businesses and individuals served.

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the CAA. The table on the following page shows that the bank's performance by number of loans in low-income CTs for 2016 at 7.3 percent is below business demographics and aggregate data at 18.5 percent and 15.0 percent respectively. As for moderate-income CTs, the bank's performance at 14.0 percent by number of loans slightly trails aggregate data at 17.8 percent and demographic data at 17.1 percent. The bank's performance under the geographic distribution test is attributed to BOM's highly competitive marketplace for loans in LMI CTs and the bank's commercial business focus. Refer to the competition section above for more information about the bank's competitive market.

Geographic Distribution of Small Business Loans Assessment Area: CAA						
Tract Income Level	**% of Businesses**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2016	18.5	15.0	26	7.3	8,734	10.5
Moderate						
2016	17.1	17.8	50	14.0	11,925	14.4
Middle						
2016	34.5	37.4	176	49.3	37,345	45.0
Upper						
2016	29.8	29.7	103	28.9	24,651	29.7
Not Available						
2016	0.1	0.1	2	0.6	402	0.5
Totals						
2016	**100.0**	**100.0**	**357**	**100.0**	**83,057**	**100.0**
Source: 2016 D&B Data; 1/1/2016 - 12/31/2016 Bank Data; and 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the CAA. The following table shows that the bank's performance in low-income CTs in 2016 is significantly above the aggregate lending performance and the percent of owner-occupied housing units. The bank's performance in moderate-income CTs is below the aggregate lending performance and the percentage of owner-occupied units. The lending penetration of home mortgage loans in this market is difficult, as depicted by the low aggregate performance numbers and the limited number of LMI owner-occupied housing units. The bank's performance reflects adequate performance after considering competition in the bank's market area.

Geographic Distribution of Home Mortgage Loans Assessment Area: CAA						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2016	6.1	7.9	8	14.0	6,023	13.9
Moderate						
2016	17.4	18.7	3	5.3	1,738	4.0
Middle						
2016	44.8	43.6	12	21.1	15,503	35.8
Upper						
2016	31.7	29.7	34	59.6	20,019	46.3
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
Totals						
2016	**100.0**	**100.0**	**57**	**100.0**	**43,283**	**100.0**
Source: 2015 ACS U.S. Census; 1/1/2016 - 12/31/2016 Bank Data, and 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, poor penetration among retail customers of different income levels and business customers of different revenue sizes. Analysis of the bank's performance under this criterion was based on a review of small business and home mortgage loans originated in the bank's CAA during the review period. Examiners noted no conspicuous gaps in the distribution of loans. For the borrower profile portion of the Lending Test, examiners reviewed the number and dollar volume of both loan products. While number and dollar volume are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals served.

Small Business Loans

The distribution of small business loans reflects poor penetration of loans to businesses with GARs of $1 million or less as shown on the following table. Examiners focused on the percentage by number of small business loans to businesses with GARs of $1 million or less but also considered other performance context factors. The following table shows that the bank originated 33.1 percent of its small business loans to businesses with GARs of $1 million or less. This performance is poor when compared to aggregate lending performance and the D&B data. The bank's performance also showed a declining trend compared to the last examination where the bank performance for 2013 and 2014 showed 38.5 percent and 33.5 percent respectively. In October 2015, the bank introduced a Small Business Loan program in an attempt to increase its small business lending penetration. Since the program started in late 2015, the number of loans originated was not enough to alter the bank's performance for this review period. Please see the Innovative or Flexible Lending Practices section for more information about this Small Business Loan program.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: CAA						
Gross Revenue Level	**% of Businesses**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000						
2016	86.2	40.2	118	33.1	21,872	26.3
>1,000,000						
2016	6.1	--	214	59.9	59,879	72.1
Revenue Not Available						
2016	7.7	--	25	7.0	1,306	1.6
Totals						
2016	**100.0**	**100.0**	**357**	**100.0**	**83,057**	**100.0**
Source: 2016 D&B Data; 1/1/2016 - 12/31/2016 Bank Data; and 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0						

Home Mortgage Loans

The distribution of borrowers reflects, given the product lines offered by the institution, poor penetration among retail customers of different income levels. The table on the following page shows that in 2016, the percent of loans originated to low-income borrowers was significantly below demographic data, but within a reasonable range of aggregate lending percentage. Aggregate performance of 2.5 percent to low-income borrowers indicates that opportunities in the area are limited. The home mortgage loan percentage to moderate-income borrowers is below aggregate lending performance and demographic data. The bank was also rated poor for this section on its previous evaluation. The 2010 U.S. Census data shows that 26.7 percent of families are low-income; however, the 2016 aggregate lending performance shows that only 2.5 percent of all lenders are able to penetrate this market. The 2010 U.S. Census data further shows that 16.6 percent of families are moderate-income; however, the 2016 aggregate lending performance shows that only 8.9 percent of all lenders were able to penetrate the market. These statistics demonstrate the difficulty lenders have reaching LMI borrowers in this market. Considering these factors the bank's performance is still considered poor.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: CAA						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2016	26.7	2.5	1	1.8	75	0.2
Moderate						
2016	16.6	8.9	2	3.5	352	0.8
Middle						
2016	18.3	17.7	9	15.8	2,788	6.4
Upper						
2016	38.3	59.1	35	61.4	21,371	49.4
Not Available						
2016	0.0	11.8	10	17.5	18,697	43.2
Totals						
2016	**100.0**	**100.0**	**57**	**100.0**	**43,283**	**100.0**
Source: 2015 ACS U.S. Census; 1/1/2016 - 12/31/2016 Bank Data, and 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

Innovative or Flexible Lending Practices

BOM makes limited use of innovative or flexible lending practices to serve the CAA credit needs. The bank provides unconventional mortgage loans in the forms of Tenant in Common (TIC) and Floating Home loans (FH). These products are flexible due to the type of collateral and the ownership interest in the property being outside the standard single-family residence loan market. Further, the bank introduced a small business loan program in 2015 that incorporated streamlined underwriting targeted to small businesses.

TIC Loans:

TIC is a form of ownership in a property outside of the normal joint tenancy (JT) and community property (CP) with or without right of survivorship more commonly found in California. Ownership interests must be equal in JT and CP but do not in TIC.
A TIC is held by two or more persons, in which each has an "undivided interest" in the property and all have an equal right to use the property, even if the percentage of interests are not equal or the living spaces are different sizes. TICs generally are more affordable than condominiums due to the ability to hold the property in unequal portions of ownership interests.

FH Loans:

A floating home, more colloquially referred to as a houseboat, sits on buoyant platforms or raft that are docked, plugged in to the electrical grid, and receive water and sewage service. The floating home has no propulsion power of its own and is considered a dwelling not a boat. Floating homes are an appealing option for home ownership due to the lower cost of ownership. Land is particularly expensive in the CAA and FH provides the purchaser the opportunity to own without purchasing land. There are other monthly fees associated with FH, such as mooring or docking fees, but the initial purchase price and subsequent mortgage payments are less than condominiums or single family residences in the area.

Small Business Loan Program:

BOM introduced a small business product in October 2015, which is sold primarily through retail branches. The Bank created a special lending program to promote and encourage small business loans. The goal of the program is to offer a standard product at a reasonable rate, which could be underwritten and documented quickly.

This program is geared to businesses with GARs of less than $1 million and has two products:

- Easy Underwrite for loan amounts from $5,001 to $20,000. This is a quick qualifying loan approval process based on credit scores and is only available for businesses with GARs of $1 million & less. This is the Bank's most popular small business product. The first page of the most recent Federal Tax return or Schedule C for a business entity is needed. A credit score is used for this product with no additional financial information.

- Full Underwrite for loan amounts from $20,001 to $150,000. This is a Limited underwriting loan approval process based on two years of business income along with a minimum credit score. The qualifying debt coverage requirement for this program is 1.25 times over the debt servicing ratio while the required coverage for businesses over $1 million in revenue requires 1.50 times of the debt servicing ratio.

The TIC and the FH loans directly address housing needs in the area by providing flexible alternatives to the standard options for home ownership. The small business program provides flexibility to smaller businesses with lower barriers of entry by providing flexible underwriting criteria.

Community Development Lending

Overall, BOM has made an adequate level of CD loans. BOM originated 42 qualified CD loans totaling $43.2 million during the review period, representing approximately 2.2 percent of average total assets and 3.0 percent of average net loans and leases over the review period. The CD Lending dollar volume increased by $2.5 million compared to the previous evaluation.

The majority of the CD loans are primarily allocated to community services. Within the CAA, the bank originated 36 community service loans totaling $33.6 million and 5 affordable housing loans totaling $9.4 million.

As previously discussed, the CAA has community needs for affordable housing and economic development. The bank provided affordable housing CD loans; however, the bank did not provide any economic development CD loans within the CAA. The following table details the bank's CD lending activity:

Community Development Lending by Assessment Area													
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Neighborhood Stabilization**		**Totals**		
	#	**$(000s)**	#	**$(000s)**	#	**$(000s)**	#	**$(000s)**	#	**$(000s)**	#	**$(000s)**
CSA												
2015	2	2,978	10	10,846	0	0	0	0	0	0	**12**	**13,824**
2016	1	1,740	15	13,800	0	0	0	0	0	0	**16**	**15,540**
2017	2	4,700	11	8,971	0	0	1	200	0	0	**14**	**13,871**
Total	**5**	**9,418**	**36**	**33,617**	**0**	**0**	**1**	**200**	**0**	**0**	**42**	**43,235**
Source: Bank Records												

The following describes a few notable examples of CD loans extended during the review period:

- BOM originated a $3.3 million loan to finance the acquisition of an affordable housing project in the Alameda AA. The project will finance the acquisition of 96 affordable housing units designated for individuals who are LMI.
- BOM originated a $1.4 million loan to finance the construction of an affordable housing project in the CAA. This project will finance the construction of 50 Recreational Vehicle sites and provide below market rents to LMI.
- BOM renewed a $5.0 million line of credit to a non-profit community service organization that provides healthcare for uninsured and under-served families.

INVESTMENT TEST

BOM's Investment Test performance is rated **"High Satisfactory."**

The Investment Test evaluates the bank's record of helping to meet the credit needs of its CAA through its use of qualified investments, which benefit the CAA or a broader statewide or regional area that includes the bank's CAA. Activities considered under the Lending or Service Test may not be considered under the Investment Test.

The bank's investment performance is evaluated pursuant to the following criteria:

- Investment activity;
- Responsiveness to credit and CD needs; and
- Innovativeness or complexity of qualified investments.

When determining the overall rating for the Investment Test, greater weight was given to the dollar amount of the bank's qualified investments activity during the current evaluation period, and the responsiveness of the bank's investment activity to the CD needs of the CAA.

Investment Activity

BOM has a significant level of qualified CD investments and grants, occasionally in a leadership position, particularly those that are not provided by private investors. The combined CD investments, both new and prior period as well as grants and donations, total approximately $22.2 million.

BOM made approximately $12.1 million in new qualified investments, as well as approximately $627,000 in qualified grants and donations during the review period. The bank also maintains approximately $9.4 million in prior period qualified CD investments.

Affordable housing received the majority of the qualified investments with $20.5 million or 95.1 percent. Based on discussions with community contacts and a review of economic reports, affordable housing is one of the greatest needs across the CAA.

Together, BOM's investments, grants, and donations totaled $22.2 million, which is a 16.8 percent increase from the approximately $19.0 million identified during the prior CRA Evaluation. The current level represents 1.1 percent of average total assets ($2.0 billion) and 5.4 percent of average total securities ($411.0 million) as of September 30, 2017.

The following table details the qualified investment activities:

Community Development Investment by Assessment Area												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
CSA												
Prior Period	16	9,420	0	0	0	0	0	0	0	0	**16**	**9,420**
2015	0	0	0	0	0	0	0	0	0	0	**0**	**0**
2016	1	2,296	1	560	0	0	0	0	0	0	**2**	**2,856**
2017	5	8,781	1	500	0	0	0	0	0	0	**6**	**9,281**
Total	**22**	**20,497**	**2**	**1,060**	**0**	**0**	**0**	**0**	**0**	**0**	**24**	**21,557**
Source: Bank Records												

The following are notable qualified investments made by BOM during the review period:

- A $618,000 investment into a general obligation bond benefitting a school district within the CAA where 85.0 percent of the student population is LMI.
- A $1.5 million investment in a multifamily Mortgage Security Pool in San Francisco, where at least 20.0 percent of all units must be rented to tenants with households earning 50.0 percent or less of the annual HUD adjusted MFI.

The bank made 330 donations totaling $627,031 during the review period, representing an adequate level of activity in the CAA. This represents an increase in donation activity of 31.4 percent from the $476,694 noted at the previous evaluation. The following table details the qualified grant and donation activities:

Community Development Donations by Assessment Area												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
CSA												
2015	6	12	64	113	1	5	2	2	0	0	**73**	**132**
2016	10	28	130	240	3	9	0	0	0	0	**143**	**277**
2017	10	28	102	183	2	7	0	0	0	0	**114**	**218**
Total	**26**	**68**	**296**	**536**	**6**	**21**	**2**	**2**	**0**	**0**	**330**	**627**
Source: Bank Records												

Responsiveness to Credit and Community Development Needs

The institution exhibits good responsiveness to credit and community economic development needs. Examiners identified 354 qualified investments, grants, and donations totaling $22.2

million that were extended by BOM over the evaluation period. Of these activities, all investments, grants, and donations directly benefited the CAA. In addition to the new investments, the bank maintained approximately $9.4 million in prior period investments.

The previously mentioned increase in investment activity affected all geographies inside of the CAA with a particular emphasis placed on affordable housing. These investments were primarily made through mortgage-backed securities (MBSs). The securities are collateralized by mortgages for homes and multi-family developments located in LMI CTs or to borrowers within the CAA whose incomes are no more than 80 percent of the respective area's MFI. While investments in MBSs are recognized as supporting the provision of affordable housing to LMI borrowers, they are not considered particularly innovative or complex.

The remaining new CD investments included municipal bonds helping LMI school districts.

In light of the devastating October 2017 wildfires in Napa and Sonoma, BOM provided assistance to the impacted communities, which included donating $10,000 to five non-profit organizations that help those who were impacted by the fires.

Innovativeness or Complexity of Qualified Investments

The institution occasionally uses innovative and/or complex investments to support CD initiatives. The following example shows the use of complex vehicles to provide investments to the community:

- The bank purchased $1.1 million in municipal bonds to improve schools that serve LMI individuals in the CAA.

SERVICE TEST

BOM's Service Test performance is rated **"Outstanding."**

The Service Test evaluated the bank's record of helping to meet the credit needs of its CAA by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent of the innovativeness of its CD services.

The bank's services were evaluated pursuant to the following criteria:

- Accessibility of delivery systems;
- Changes in branch locations;
- Reasonableness of business hours and services, and
- CD services.

Accessibility of Delivery Systems

BOM's delivery systems are readily accessible to all portions of the CAA. As of December 31, 2017, the institution operates 24 locations in the San Francisco CSA. Of these, 23 are full-service branches and one is an administrative location. Of the institution's branches, 34.8 percent are located in LMI geographies, with 4 in low- and 4 in moderate-income CTs. Branching distribution in LMI geographies is consistent with the percent of the population in LMI CTs in the AA an in line with the distribution of LMI CTs. For more information, refer to demographic data included in the Description of CAA section of the evaluation above.

The following table illustrates the bank's branch and ATM structure:

Branch and ATM Distribution by Geography Income Level Assessment Area: CAA								
Tract Income Level	**Census Tracts**		**Population**		**Branches**		**ATMs**	
	#	%	#	%	#	%	#	%
Low	92	16.2	352,274	15.4	4	17.4	2	10.0
Moderate	122	21.5	512,197	22.3	4	17.4	4	20.0
Middle	205	36.2	886,633	38.6	9	39.1	8	40.0
Upper	140	24.7	537,020	23.4	6	26.1	6	30.0
NA	8	1.4	6,293	0.3	0	0.0	0	0.0
Totals	**567**	**100.0**	**2,294,417**	**100.0**	**23**	**100.0**	**20**	**100.0**
Source: 2010 U.S. Census & Bank Data. Due to rounding, totals may not add up to 100.0 percent								

The bank offers a range of alternative delivery systems such as ATMs, internet banking with bill pay, telephone banking, bank by mail, direct deposit, courier service, night deposit, remote deposit capture, and wire transfer, which are accessible to essentially all portions of the CAA.

In addition, BOM uses the services of its Commercial Office located in San Francisco, which is located in a low-income CT, to reach small businesses in its CAA.

The bank's ATMs are available 24 hours a day. In addition to BOM's ATMs, the bank offers access to MoneyPass ATM network nation-wide surcharge-free. Internet banking service is offered to bank customers through the bank's website at http://www.bankofmarin.com. Customers may review their accounts, pay bills, and transfer funds between BOM accounts through this internet service or through the bank's Mobile Banking service

Changes in Branch Locations

To the extent changes have been made, BOM's opening and closing of branches in the AA have not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals. Since the previous evaluation, BOM acquired two branches in Napa and opened one in Healdsburg, CA. One of the three branches is located in a moderate-income CT with the other two in middle-income CTs. In addition, the institution moved three branches within the assessment area all of which remained at the same income designation with 2 branches moving within 100 yards of their previous location.

Reasonableness of Business Hours and Services

Hours do not vary in a way that inconveniences certain portions of the CAA, particularly in LMI geographies or individuals. Branch hours are generally Monday through Friday from 10:00 a.m. to 6:00 p.m. and they do not significantly vary. Of the institution's 23 full-service branches, the 2 newly acquired branches have hours from 9:00 a.m. to 5:00 p.m. Once the branches have been fully integrated into the BOMs systems the branches will shift to 10:00 a.m. to 6:00 p.m. BOM services are available across all full-service branches. Moreover, the bank offers a broad range of alternative delivery systems that are effective in delivering retail banking services throughout the CAA. All delivery systems discussed in this evaluation are available in the CAA.

Community Development Services

BOM is a leader in providing CD services. During the evaluation period, 45 bank employees, members of senior management, and the Board of Directors provided 465 service instances, totaling 2,063 hours of financial expertise or technical assistance to 34 CD-related organizations in the CAA. This performance shows an increase from the prior evaluation where the bank provided 739 service hours.

The following tables illustrate the bank's CD services by AA and purpose:

Community Development Services by Assessment Area												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	# Hrs	#	#Hrs	#	#Hrs	#	#Hrs	#	#Hrs	#	#Hrs
CSA												
2015	0	0	119	635	5	21	0	0	0	0	**124**	**656**
2016	50	156	176	882	1	15	0	0	0	0	**227**	**1,053**
2017	10	100	104	254	0	0	0	0	0	0	**114**	**354**
Total	**60**	**256**	**399**	**1,771**	**6**	**36**	**0**	**0**	**0**	**0**	**465**	**2,063**
Source: Bank Records												

The following are examples of CD services provided in this CAA:

- An employee served 241 hours on the board of non-profit organization that provides a range of support programs, including housing, employment and wellness, and counseling and addition recovery to LMI individuals.
- BOM employees across different lines of the bank's business partnered with local low-income schools throughout the CAA to teach students about financial, economic, and entrepreneurial concepts. The majority of the students attending these schools qualify for the federal free or reduced lunch program.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX

SCOPE OF EVALUATION

SCOPE OF EVALUATION			
TIME PERIOD REVIEWED	The time period was from May 19, 2015, to January 8, 2018, for the Investment Test, Service Test, CD lending, Innovative and/or flexible lending programs, and serving the credit needs of the most economically disadvantaged. The evaluation period was January 1, 2015, through December 31, 2016, for the lending activity, AA concentration, geographic distribution, and borrower profile analyses of the Lending Test.		
FINANCIAL INSTITUTION			**PRODUCTS REVIEWED**
Bank of Marin			Small Business, and Home Mortgage
AFFILIATE(S)	**AFFILIATE RELATIONSHIP**		**PRODUCTS REVIEWED**
None			

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	**TYPE OF EXAMINATION**	**BRANCHES VISITED**	**OTHER INFORMATION**
San Jose-San Francisco-Oakland CSA #488	Full Scope	1	None

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

(1) Support affordable housing for low- and moderate-income individuals;
(2) Target community services toward low- and moderate-income individuals;
(3) Promote economic development by financing small businesses or farms;
(4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
(5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that

(1) Has as its primary purpose community development; and

(2) Except in the case of a wholesale or limited purpose bank:

(i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and

(ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that

(1) Has as its primary purpose community development;

(2) Is related to the provision of financial services; and

(3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

(1) An unemployment rate of at least 1.5 times the national average;
(2) A poverty rate of 20 percent or more; or
(3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.