Bank of Marin Bancorp
Form DEF 14A
April 17, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934 (Amendment No.)

Filed by Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Bank of Marin

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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BANK OF MARIN BANCORP

Notice of Annual Meeting of Shareholders

Marin Showcase Theatre at the Marin Center

10 Avenue of the Flags

San Rafael, California

Tuesday, May 22, 2018 – 6:00 p.m.

To Our Shareholders:

Notice is hereby given of the Annual Meeting of Shareholders of Bank of Marin Bancorp. The meeting will be held at 6:00 p.m. on Tuesday, May 22, 2018 at the Marin Showcase Theatre at the Marin Center, San Rafael, California. To enable our employee owners to attend the meeting, the branches will close at 5:00 p.m. on May 22. A reception at the Marin Showcase Theatre will immediately follow the Annual Meeting.

At the Annual Meeting you will be asked (1) to elect ten directors of Bank of Marin Bancorp to serve for the coming year and until their successors are duly elected and qualified, (2) to vote, on an advisory basis, to approve the Company's executive compensation for Named Executive Officers, (3) to vote to approve the Bank of Marin Bancorp 2017 Employee Stock Purchase Plan, (4) to vote to approve the amendment to the Bank of Marin Bancorp 2017 Equity Plan and (5) to ratify the selection of independent auditor, and (6) to act on such other business as may properly come before the meeting. You are urged to read the accompanying Proxy Statement carefully. It contains a detailed explanation of all matters on which you will be asked to vote.

Only shareholders of record as of the close of business on April 2, 2018 are entitled to receive notice of and to vote at this meeting.

It is very important that as many shares as possible be represented at the meeting. To assure your representation at the meeting, you are urged to mark, sign and date, and return the enclosed proxy card as promptly as possible in the postage-paid envelope enclosed for that purpose. If after signing and returning the proxy card you come to the meeting, you may vote in person if you withdraw your proxy. Additionally, you may vote by internet or by telephone. If you wish to vote by internet or by telephone you will need your Shareholder Control Number, which is circled in the gray shaded Title Bar on the right side of the enclosed proxy card, and the website address and/or toll-free telephone number, which are shown on the proxy card. No other personal information will be required in order to vote in this manner.

We encourage you to attend the Annual Meeting. Please RSVP by marking the appropriate box on the proxy card, by contacting the Company by May 15, 2018 by telephone at (415) 884-5348 or email to events@bankofmarin.com, or by registering at www.bankofmarin.com.

Our bylaws provide that nominations for election to the board of directors of the Company may be made by the board of directors or by any shareholder of the Company's stock entitled to vote for the election of directors. Nominations, other than those made by or on behalf of the existing management of the Company, must be made in writing and delivered or mailed to the Chairperson of the Board or the Chief Executive Officer not less than 14 days nor more than 50 days prior to any meeting of shareholders called for the election of directors. The notification of nomination should contain the following information to the extent known by the notifying shareholder: (a) name and address of the proposed nominee(s); (b) principal occupation of the proposed nominee(s); (c) total number of shares that will be voted for the proposed nominee(s); (d) name and residence address of the notifying shareholder; and (e) number of shares owned by the notifying shareholder. Nominations not made in accordance with this section may be disregarded by the Chairperson

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of the meeting, and upon instruction, the inspector of election shall disregard all votes cast for each such nominee.

One copy of the Annual Report on Form 10-K and Proxy Statement is being delivered to multiple shareholders sharing an address unless the Company has received contrary instructions from one or more of the shareholders. The Company will deliver promptly upon written or oral request a separate copy of the Annual Report and Proxy Statement to a shareholder at a shared address to which a single copy of the document was delivered. If a shareholder wishes to receive a separate copy or has received multiple copies at one address and would like to receive a single copy in the future, please contact Computershare by phone at (800) 368 5948 or by written request to Bank of Marin Bancorp c/o Computershare, P.O. Box 30170, College Station, TX 77842-3170. Overnight correspondence should be mailed to Bank of Marin Bancorp c/o Computershare, 211 Quality Circle, Suite 210, College Station, TX 77845. The shareholder website address is www.computershare.com/investor. Shareholder online inquiries may be submitted to https://www us.computershare.com/investor/contact/enquiry.

Important Notice Regarding the Availability of Proxy Materials for the

MEETING OF ShareholderS to Be Held on May 22, 2018

Copies of the Annual Meeting Proxy Material, including the Proxy Statement and the Annual Report on Form 10-K, are also available at: www.edocumentview.com/BMRC.

By order of the Board of Directors

Nancy Rinaldi Boatright

Secretary

April 17, 2018

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PROXY STATEMENT

OF

BANK OF MARIN BANCORP

504 Redwood Boulevard, Suite 100

Novato, California 94947

These proxy materials are furnished in connection with the solicitation by the Board of Directors of Bank of Marin Bancorp (the “Company”), of proxies for use at the Annual Meeting of Shareholders of the Company to be held on Tuesday, May 22, 2018, at 6:00 p.m. at the Marin Showcase Theatre at the Marin Center, 10 Avenue of the Flags, San Rafael, California, and at any adjournment thereof. These proxy materials were first sent to shareholders on or about April 17, 2018.

PURPOSE OF MEETING

The matters to be considered and voted upon at the meeting will be:

- Proposal 1: The election of ten directors to serve until the next Annual Meeting of Shareholders and until their successors are elected and qualified.
- Proposal 2: An advisory vote to approve the Company’s executive compensation for Named Executive Officers.
- Proposal 3: The approval of the Bank of Marin Bancorp 2017 Employee Stock Purchase Plan.
- Proposal 4: The approval of the amendment to the Bank of Marin Bancorp 2017 Equity Plan.
- Proposal 5: The ratification of the selection of independent auditor.
- Transacting such other business as may properly come before the meeting and any adjournments thereof.

GENERAL PROXY STATEMENT INFORMATION

Bank of Marin Bancorp, a corporation existing and organized under the laws of the State of California, is authorized to issue up to 15,000,000 shares of common stock and 5,000,000 shares of preferred stock. All of the outstanding shares are voting common shares and are entitled to vote at the Annual Meeting. Only those common shareholders of record as of April 2, 2018 (the "Record Date") will be entitled to notice of, and to vote at, the meeting. On that date, 6,985,125 shares of common stock were outstanding. The determination of shareholders entitled to vote at the meeting and the number of votes to which they are entitled was made on the basis of the Company's records as of the Record Date. The presence in person or by proxy (including internet and telephone voting) of a majority of the outstanding shares of stock entitled to vote at the Annual Meeting will constitute a quorum for the purpose of transacting business at the meeting. Abstentions, shares as to which voting authority has been withheld from any nominee and "broker non-votes" (as defined below), will be counted for purposes of determining the presence or absence of a quorum.

A broker or nominee holding shares for beneficial owners may vote on certain matters at the meeting pursuant to discretionary authority or instructions from the beneficial owners, but with respect to other matters for which the broker or nominee may not have received instructions from the beneficial owners and may not have discretionary voting power under the applicable rule of the New York Stock Exchange or other

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self-regulatory organizations to which the broker or nominee is a member, the shares held by the broker or nominee may not be voted. Such un-voted shares are called "broker non-votes." The rules of the New York Stock Exchange and other self-regulatory organizations generally permit a broker or nominee, in the absence of instructions, to deliver a proxy to vote for routine items, such as the ratification of independent auditors. Consequently, shares held by a broker or nominee will constitute "broker non-votes" regarding non-routine items, such as the election of directors, the matter regarding executive compensation, the 2017 Employee Stock Purchase Plan and the amendment to the 2017 Equity Plan. It is important that you provide voting instructions to your broker or nominee.

Revocability of Proxies

A proxy for use at the meeting is enclosed. Any shareholder who executes and delivers such proxy has the right to revoke it at any time before it is exercised by filing with the Corporate Secretary of the Company an instrument revoking it or by filing a duly executed proxy bearing a later date. In addition, the powers of the proxy holder will be revoked if the person executing the proxy is present at the meeting, revokes such proxy and elects to vote in person. Subject to such revocation, all shares represented by a properly executed proxy received in time for the meeting will be voted by the proxy holders in accordance with the instructions on the proxy.

IF NO INSTRUCTION IS SPECIFIED WITH REGARD TO A MATTER TO BE ACTED UPON, THE SHARES REPRESENTED BY THE PROXY WILL BE VOTED IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS "FOR" THE ELECTION OF ALL NOMINEES FOR DIRECTOR LISTED HEREIN, “FOR” THE APPROVAL OF THE COMPANY’S EXECUTIVE COMPENSATION, “FOR” THE APPROVAL OF THE BANK OF MARIN BANCORP 2017 EMPLOYEE STOCK PURCHASE PLAN, “FOR” THE APPROVAL OF THE AMENDMENT TO THE BANK OF MARIN BANCORP 2017 EQUITY PLAN AND "FOR" RATIFICATION OF THE SELECTION OF INDEPENDENT AUDITOR.

Person Making the Solicitation

This solicitation of proxies is being made by the Board of Directors of the Company. The expense of preparing, assembling, printing, and mailing this proxy statement and the material used in the solicitation of proxies for the meeting will be borne by the Company. It is contemplated that proxies will be solicited principally through the use of the mail, but officers, directors, and employees of the Company and Bank of Marin may solicit proxies personally or by telephone, without receiving special compensation therefor. Although there is no formal agreement to do so, the Company may reimburse banks, brokerage houses, and other custodians, nominees, and fiduciaries for their reasonable expense in forwarding these proxy materials to their principals.

Voting Rights

In connection with the election of directors, in accordance with California law, each shareholder entitled to vote may vote the shares owned by such shareholder as of the Record Date cumulatively if a shareholder present at the meeting has given notice at the meeting, prior to the voting, of his or her intention to vote cumulatively. If any shareholder has given such notice, then all shareholders entitled to vote for the election of directors may cumulate their votes for candidates properly nominated. Under cumulative voting, each share carries as many votes as the number of directors to be elected, and the shareholder may cast all of such votes for a single nominee or may distribute them in any manner among as many nominees as desired. In the election of directors, the ten nominees receiving the highest number of votes will be elected.

On all other matters submitted to the vote of the shareholders, each shareholder is entitled to one vote for each share of common stock owned on the books of the Company as of the Record Date.

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PROPOSAL NUMBER 1: ELECTION OF DIRECTORS

Board of Directors

At the Annual Meeting ten (10) directors of the Company are to be elected to serve until the next Annual Meeting of Shareholders and until their successors are elected and qualified. All of the nominees are currently members of the Board of Directors. The Bylaws of the Company provide for not fewer than nine (9) or more than seventeen (17) directors. By resolution, the Board of Directors has fixed the number of directors at ten (10).

The persons named below are nominated by the Board of Directors and, unless the shareholder marks the proxy to withhold the vote, the enclosed proxy, if returned and not subsequently revoked, will be voted in favor of their election as directors. If for any reason any such nominee becomes unavailable for election, the proxy holders will vote for such substitute nominee as may be designated by the Board of Directors. The proxy holders reserve the right to cumulate votes for the election of directors and to cast all of such votes for any one or more of the nominees, to the exclusion of the others, and in such order of preference as the proxy holders may determine in their discretion if cumulative voting is involved as described above under "Voting Rights."

The following table sets forth the names of the persons nominated by the Board of Directors for election as directors and certain additional information as of April 2, 2018, including biographical information, qualifications, business experience and directorships with other public companies of each nominee covering at least the last five years.

Name and Relationship With Company	Position, Principal Occupation, Business Experience and Directorships	Age
Steven I. Barlow Director	Mr. Barlow was appointed to the Board in November 2017 after the acquisition of Bank of Napa, where he had served as a Director for three years. He has served on the Audit Committee and the Bank's Asset Liability Management Committee since January 2018. Throughout a banking career spanning over forty years, Mr. Barlow held several C-suite positions, including Executive Vice President and Chief Operating Officer at Mechanics Bank from 1995 until he retired in 2014. In that capacity he was responsible for operations, retail banking, human resources, information technology, legal and compliance services, marketing and product management and facilities and security. Prior to that, he spent seventeen years at Napa Valley Bank, the last eight as President, CEO and Director. Mr. Barlow graduated from Stanford University with bachelor's degrees in Economics and Political Science and has been a resident of San Rafael, CA for over twenty	68

years. He served on the 2014 – 2015 Marin County Civil Grand Jury. Mr. Barlow is past president and a current director of the West Contra Costa YMCA and is also a member of the Finance Committee of the YMCA of the East Bay. We believe Mr. Barlow's strong banking experience, his high level of understanding of the Board's roles and responsibilities based on his service on another bank board and his extensive knowledge of the Napa and Marin communities well qualifies him to serve on our Board.

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Russell A. Colombo President, CEO and Director	Mr. Colombo has been President, CEO and Director since 2006, a member of the Executive Committee and the Bank's Asset/Liability Management Committee since 2006, and a member of the Bank's Wealth Management and Trust Services Committee since 2007. Mr. Colombo joined Bank of Marin in March 2004 as Executive Vice President and Branch Administrator and was appointed Executive Vice President and Chief Operating Officer in July 2005. As of July 1, 2006 he assumed the position of President and Chief Executive Officer. He has over forty years of banking experience including positions as Senior Vice President and Group Manager of the San Francisco office of Comerica Bank and as Senior Vice President and Regional Manager during his nineteen year career with Union Bank of California. He received a Bachelor of Science degree in Agricultural Economics & Business Management from University of California, Davis and an MBA in Banking & Finance from Golden Gate University. Mr. Colombo is a Board member of Western Bankers Association, past Chairman of Western Independent Bankers Association and former member of its Executive Committee. He was also a Regent of Hanna Boys Center for fifteen years until leaving the Board in 2017. Mr. Colombo is Chairman of the Citizens Oversight Committee of Sonoma-Marin Area Rail Transit (SMART). In addition to his proven exemplary leadership of the Company and his experience in relationship banking, we believe Mr. Colombo's extensive knowledge of the financial markets and the markets in which the Company serves well qualifies him to serve as CEO and President and to serve on our Board.	65
James C. Hale Director	Mr. Hale joined the Board in March 2014. He serves as Chair of the Audit Committee and is an "Audit Committee Financial Expert" as defined by the Securities and Exchange Commission. He has served as a member of the Executive Committee since April 2014, and a member of the Wealth Management and Trust Services Committee since February 2015. Beginning in August 1998, Mr. Hale founded and served as general partner and CEO of FTV Capital and its predecessor firm, FTVentures, an investment firm specializing in venture capital and private equity investments in financial technology companies worldwide. Mr. Hale currently serves as Founding Partner and an Advisor to the firm. Before establishing FTV Capital, Mr. Hale was a Senior Managing Partner at BancAmerica Securities (formally Montgomery Securities), where he founded the financial services corporate finance practice. Mr. Hale today serves as a Board member and Risk Committee Chair of ACI Worldwide (NASDAQ: ACIW) and a Board member and Audit Committee Chair of Mitek Systems (NASDAQ: MITK). In recent years, Mr. Hale served as Chairman of the Board and Audit Committee Chair of Official Payments Holdings, Inc. (NASDAQ: OPAY), a public payments company. He previously served as director and Audit Committee Chair of ExlService Holdings, Inc. (NASDAQ: EXLS), a publicly traded business process outsourcing company; and director of the State Bank of India (California). Mr. Hale has also served on boards of several private technology companies. We believe that Mr. Hale's thirty-eight years of management experience in the banking, payments, financial services and technology industries; his expertise and his experience as a corporate director and board chairman of other public financial services companies as well as his audit committee leadership well qualifies him to serve on our Board.	66

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Robert Heller Director	Dr. Heller has been a Director since 2005 and has served as a member of the Compensation Committee from 2006 to 2015 and the Bank's Wealth Management and Trust Services ("WMTS") Committee since 2006, serving as Chair of the WMTS Committee since 2008. He was named to the Nominating and Governance Committee in February 2014 and served on the Bank's Asset/Liability Committee from August 2014 through October 2015. Dr. Heller received his Ph.D. in Economics from the University of California at Berkeley. In 1974 he was named as Chief of the Financial Studies Division of the International Monetary Fund in Washington, DC. In 1978, he joined Bank of America in San Francisco as Director of International Economic Research. In 1986 he was appointed as a member of the Board of Governors of the Federal Reserve System. In 1989, Dr. Heller joined VISA International and starting in 1991 served as President and CEO of VISA USA until 1993. From 1995 to 2002, he was Executive Vice President and a member of the Board of Directors of the Fair Isaac Corporation (NYSE:FIC). He currently serves on the Board of Sonic Automotive Inc. (NYSE:SAH) as well as several private companies. He is now a Staff Commodore of The San Francisco Yacht Club. He has served as the Chairman of the Board of Marin General Hospital and on the boards of many educational and cultural institutions, including the World Affairs Council of Northern California, the Romberg Center for Environmental Studies of San Francisco State University and the Institute for International Education in San Francisco. We believe that Dr. Heller's experience as the president and chief executive officer of a large company, his leadership role with the Federal Reserve System, and his extensive financial expertise well qualifies him to serve on our Board.	78
Norma J. Howard Director	Ms. Howard has been a Director since 1996, has served as a member of the Compensation Committee since 1999, chairing the Committee from 2002 to 2007, and as a member of the Audit Committee from 2012 to 2015; a member of the Executive Committee and Nominating and Governance Committee since 2014, and is currently serving as Chair of the Nominating and Governance Committee. Since 2004, Ms. Howard has served as President of NOHOW Communications Consulting, a public affairs and public relations consulting firm. In 2003, Ms. Howard retired as General Manager after a thirty-three year career with SBC Communications. In her position, she was the company spokesperson of media/community relations and public affairs issues for a twenty-four county region. Ms. Howard has been a resident of Marin County for over forty years. She has served on the boards of Birkenstock Footprint Sandals, Inc., American Red Cross, United Way of the Bay Area, California State Automobile Association, ACA Holdings Inc., a subsidiary of CSAA, and Canal Alliance. She has also served as president of the San Rafael Chamber of Commerce and on numerous other boards. We believe that Ms. Howard's high level of understanding of the Company and the Board's roles and responsibilities developed during her long tenure on the Company's Board of Directors as well as her executive leadership experience and her communications and public relations experience well qualifies her to serve on our Board.	68

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Kevin R. Kennedy Director	Mr. Kennedy has been a director since November 2013 when the Company acquired NorCal Community Bancorp (“NorCal”) and Bank of Alameda. He has served as a member of the Bank’s Asset/Liability Committee since 2013 and was appointed a member of the Bank’s WMTS Committee in February 2015 and a member of Bancorp’s Audit Committee in August 2017. Mr. Kennedy has worked in the financial services industry for thirty years. In 2004, Mr. Kennedy founded Kevin Kennedy, LLC, a company engaged in financial planning and wealth management services, and he continues to be the owner and Managing Member of the company. He has also been the elected City Treasurer for the City of Alameda since 2000, now serving his fifth term. For many years, Mr. Kennedy wrote a column on financial matters for the Alameda Journal newspaper and hosted a business show on cable television. He received his Bachelor of Arts in Economics with a Minor in Statistics from University of California, Davis. He served on the Board of NorCal since 2009 and served as a member of the Loan, Audit, Compensation and Asset/Liability Committees. Mr. Kennedy is an active member of the Alameda Kiwanis Club and the Alameda Elks Lodge #1015. We believe that Mr. Kennedy’s strong business and financial experience, his high level of understanding of the Board’s roles and responsibilities based on his service on another bank board, and his extensive knowledge of the Alameda community, well qualifies him to serve on our Board.	51
William H. McDevitt, Jr. Vice Chairman of the Board	Mr. McDevitt has been a Director since 2007 and in 2015 he was elected Vice Chairman of the Board of Bank of Marin and Bank of Marin Bancorp. He has served on the Executive Committee since 2013 and the Bank’s Asset/Liability Management Committee since 2009, and has served as Chair of the Committee since 2013. He has also served on the Bank’s WMTS Committee from 2008 to 2009 and the Compensation Committee from 2007 to 2008 and was renamed to the Committee in March of 2015. He is a Marin native and has been a resident of Petaluma since 1979. Mr. McDevitt began his career in the construction industry in 1971, and is currently president of McDevitt Construction Partners, Inc. He is also general partner of McDevitt Enterprises, LP and president of Sausalito Hotel Corp (Inn Above Tide). Mr. McDevitt also invests in and manages commercial real estate in Marin & Sonoma Counties. In 1987, Mr. McDevitt became a founding director of Bank of Petaluma and held that position until the Bank was sold in 2000. Mr. McDevitt currently serves on the Workforce Development Committee of North Coast Builders Exchange and is a past President. He has previously been active in the Petaluma Boys & Girls Club, Carousel Fund and the United Way Southern Sonoma. We believe that Mr. McDevitt’s strong business experience and relationships, his high level of understanding of the Board’s roles and responsibilities based on his service on another bank board, and his extensive knowledge of the Company’s market areas, well qualifies him to serve on our Board.	65

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Leslie E. Murphy Director	Ms. Murphy joined the Board in January 2017. She has served on the Bank’s Asset and Liability Management Committee since January 2017 and on the Nominating and Governance Committee since September 2017. Ms. Murphy served on the Audit Committee from January 2017 to September 2017. A resident of Marin, Ms. Murphy is a past member of the board of Heffernan Insurance, a current board member of the North Bay Leadership Council and is on the Advisory Committee for the Boys and Girls Club for Marin and Petaluma. Ms. Murphy graduated from San Marin High School in Novato before going on to receive her degree in business management from California State University, Sacramento in 1984. She began working as an assistant project manager for W. Bradley Electric, Inc. (WBE) in 1985, founded by her father William Bradley, Sr. Fourteen years later she assumed the position of owner/CEO, which she has retained since 1999. Ms. Murphy has driven the company to not only take the number one spot on the list of top Electrical Contractors in the North bay and seventh largest woman owned business in the Bay Area, but has shaped the company to be loved and voted by employees as one of the Best Places to Work for the past ten years. She makes it a priority to help in the community and has supported WBE in becoming one of the top 80 Philanthropist companies in the Bay Area for the past few years as well as being voted as top 100 women of influence and receiving the Heart of Marin award. We believe that Ms. Murphy’s extensive knowledge of the Company’s market area, her commitment to the community and her leadership experience well qualifies her to serve on our Board.	56
Joel Sklar, MD Director	Dr. Sklar is a founding Director of Bank of Marin and has served on the Board since its inception in 1989. He served as Chairman of the Board of Bank of Marin and Bank of Marin Bancorp from July 2007 through December 2013. He has been a member of the Audit Committee since 1992 and served as Chair of the committee from 1997 through 2005. Dr. Sklar has served as a member of the Executive Committee since 2007, a member of the Compensation Committee since 2014 and Chair of the Committee since 2015, and as Chair of the Executive and Nominating and Governance Committees from 2007 through 2013. He graduated cum laude with a Bachelor of Arts degree from Williams College in Williamstown, Massachusetts and received his medical degree from the University of California at San Diego. He trained in internal medicine at U.C. Medical Center in San Diego and in cardiology at the University of Colorado Health Sciences Center. Dr. Sklar is currently the Chief Medical Officer at Marin General Hospital and a cardiologist with Cardiovascular Associates of Marin and San Francisco. He is also an Assistant Clinical Professor at the University of California at San Francisco. Dr. Sklar serves as a director of the California Film Institute. We believe that Dr. Sklar’s high level of understanding of the Company and the Board’s roles and responsibilities developed during his long tenure on the Company’s Board of Directors as well as his extensive leadership experience in the Marin medical community well qualifies him to serve on our Board.	68

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Brian M. Sobel Chairman of the Board	Mr. Sobel is Chairman of the Board of Bank of Marin and Bank of Marin Bancorp, having been appointed to the positions effective May 2015. He has been a Director since 2001 and has been a member of the Compensation Committee since 2003, serving as Chair from 2008 to 2015, and a member of the Nominating and Governance and Executive Committees since 2009, and as Chair of the Executive Committee since 2015. He served the on Audit Committee from June 2016 to January 2017 and is a member of the Bank's Asset/Liability Committee. Since 1987, he has been the principal consultant of Sobel Communications of Petaluma, a media and governmental relations firm. Mr. Sobel spent ten years as a city council member in Petaluma. He has served as chair of the Sonoma County Transportation Authority, president of a nonprofit housing group, corporate officer and trustee of the Cedars Foundation of Ross, and president of the Petaluma Area Chamber of Commerce. Educated at San Francisco State University, he has authored two books and an anthology and prior to 1987 worked for a major corporation as a writer, training consultant and video producer. He currently serves as a board member of the Golden Gate Bridge, Highway and Transportation District and was a two-term governor's appointee to the 4th Agricultural District Board of Directors. We believe that Mr. Sobel's media relations experience and his extensive knowledge of the Company's market area, particularly Marin and Sonoma Counties, well qualifies him to serve on our Board.	63

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS

A VOTE "FOR" EACH OF THE DIRECTORS NOMINATED FOR RE-ELECTION

IN PROPOSAL ONE.

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Director Compensation

The following table sets forth certain information regarding the compensation earned by or awarded to each non-employee director who served on the Board of Directors in 2017.

Name	Fees earned and paid in Cash ($)(1)	Stock Awards ($)(1)	Option Awards ($) (1)		All Other Compensation	Total ($)	
Steven I. Barlow	—	—	—		—	—	(3)
James C. Hale	37,273	—	31,227	(2)	—	68,500	
Robert Heller	36,316	31,184	—		—	67,500	
Norma J. Howard	36,316	31,184	—		—	67,500	
Kevin Kennedy	31,306	15,592	15,602	(2)	—	62,500	
William H. McDevitt Jr.	40,273	—	31,227	(2)	—	71,500	
Leslie E. Murphy	16,263	16,237	—		—	32,500	(4)
Michaela K. Rodeno	36,732	31,184	—		—	67,917	(5)
Joel Sklar, MD	36,316	31,184	—		—	67,500	
Brian M. Sobel	51,316	31,184	—		—	82,500	

(1) During 2017, each member of the Board who is not also an officer or employee of the Company received a director fee of $62,500; approximately $31,250 in Company stock and/or non-qualified stock options to purchase Company stock, and approximately $31,250 in cash. Compensation for service for incumbent directors is paid semi-annually in arrears in July and January. The equity component of the annual compensation is paid, at the election of the director, in 100% common stock, 100% non-qualified stock options to purchase common stock, or in a combination of 50% common stock and 50% non-qualified stock options. An analysis performed by the Company’s compensation consultant, Pearl Meyer, confirmed that the practice of delivering 50% of compensation in equity and 50% in cash meets with industry standards. The stock based compensation to each director for service in 2017 was paid in Company common stock with a market value at time of grant, with fractional shares being paid in cash. The non-qualified stock options were granted at fair market value at the time of grant with the number of shares covered by the option determined based on the Black-Scholes valuation method. The Chairs of the Bank’s WMTS Committee, the Compensation Committee and the Nominating and Governance Committee received an additional annual cash payment of $5,000. The Chairs of the Audit Committee and the Bank’s Asset/Liability Management Committee received an additional annual cash payment of $6,000. The Chairman of the Board received an additional annual cash payment of $20,000. The Vice Chairperson of the Board received an additional annual cash payment of $3,000. The Compensation Committee reviewed the additional cash payments paid to the Chairman of the Board, the Vice Chairperson of the Board and committee chairs relative to the Company’s peer group, discussed further in the Compensation Discussion and Analysis. Upon this review, the Committee affirmed the annual cash payments for these services. The stock portion of the fees was awarded from the 2010 Director Stock Plan. The non-qualified stock options granted in January were awarded from the Bank of Marin 2007 Equity Plan and those granted in July were awarded from the Bank of Marin 2017 Equity Plan. If a director retires from the Board before earned director compensation is paid, that individual receives payment in cash rather than in stock.

(2)

Mr. Hale and Mr. McDevitt elected to receive 2,664 non-qualified stock options and Mr. Kennedy elected to receive 1,331 non-qualified stock options. The stock options granted in 2017 were fully vested and exercisable immediately. As of December 31, 2017, Mr. Hale and Mr. McDevitt had

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3,235 exercisable shares and Mr. Kennedy had 3,416 exercisable shares, which include 1,800 shares from an award granted in 2015.

(3) Mr. Barlow joined the Board in November 2017 and was paid for his service provided in November and December in January 2018.

(4) Ms. Murphy joined the Board in January 2017.

(5) Ms. Rodeno retired from the Board of Directors, effective July 21, 2017 and was paid for her service in July in cash rather than in stock.

CORPORATE GOVERNANCE

Director Independence

As of the Record Date (April 2, 2018), each of the persons nominated for election as a director, except for Russell A. Colombo (the CEO and President of the Company) was "independent" within the meaning of NASDAQ's listing rules.

Board Meetings and Committees

There were six (6) regular meetings and three (3) special meetings of the Board of Directors of the Company during 2017. Each director standing for re-election to the Board attended at least 75% of the aggregate number of meetings of the Board of Directors and meetings held by all committees of the Board on which he/she served.

The Board of Directors is responsible for the overall affairs of the Company. To assist it in carrying out this responsibility, the Board has delegated certain authority to several Company committees, the duties of which and membership at April 2, 2018 were as follows:

Name of Director	Executive	Compensation	Audit	Nominating and Governance
Steven I. Barlow			X	
Russell A. Colombo	X			
James C. Hale	X		Chair	
Robert Heller				X
Norma J. Howard	X	X		Chair
Kevin Kennedy			X	
William H. McDevitt, Jr.	X	X		
Leslie E. Murphy				X
Joel Sklar, MD	X	Chair	X	
Brian M. Sobel	Chair	X		X

X = Committee Member

Members of the Board of Directors also participate in monthly Bank of Marin Board meetings and various committees of Bank of Marin.

The Executive Committee, subject to the provisions of law and certain limits imposed by the Board of Directors, may exercise any of the powers and perform any of the duties of the Board of Directors. The Committee met four (4) times in 2017.

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The Nominating and Governance Committee assists the Board in carrying out its duties and functions regarding corporate governance oversight and Board membership nominations. Subject to the standards required by applicable NASDAQ listing rules, the Committee is composed of no less than a majority of independent directors of the Board. The Committee will consider suggestions or recommendations for Board membership received from shareholders. Shareholders who wish to make such suggestions or recommendations should forward their written suggestions to the Chairman of the Nominating & Governance Committee addressed to Bank of Marin Bancorp, Attn: Corporate Secretary, 504 Redwood Boulevard, Suite 100, Novato, CA 94947. Whether a person is recommended for Board membership by a shareholder or by a director of the Company, the standards and qualifications to be considered for Board membership include local community involvement, sound reputation, and business or educational experience that will be beneficial to the Company. The Committee also considers each candidate’s contribution to the diversity of the Board, including personal characteristics, education, experience and skills. While the Committee carefully considers diversity when evaluating director candidates, it has not adopted a formal diversity policy. At present, the Committee does not engage a third party to identify and evaluate potential director candidates. All of the nominees approved by the Committee for election at the 2018 Annual Meeting were recommended by the Board. The Committee met four (4) times in 2017.

The Compensation Committee, consisting solely of independent directors as defined in the NASDAQ listing rules and Section 10C of the Securities Exchange Act of 1934, has primary responsibility for ensuring that compensation and benefits policies and programs for executive officers and the Board of Directors comply with applicable law and stock listing requirements, and are devised and maintained to provide and retain a high level of executive management and corporate governance competence. The Committee met seven (7) times in 2017.

The Audit Committee, consisting solely of independent members as defined in the NASDAQ listing rules and Section 10A of the Securities Exchange Act of 1934, selects and recommends appointment of independent auditors, reviews and approves professional services performed by them and reviews the reports of their work together with regulatory agency examination reports. The Committee also reviews and approves the programs, work plan and reports of the Bank's Audit Manager and internal auditor. Director James C. Hale has been determined to be the Audit Committee Financial Expert. The Committee met eight (8) times in 2017.

The Executive, Compensation, Audit, and Nominating and Governance Committee charters are available on the Company’s website at www.bankofmarin.com under the “Investor Relations” tab.

Each current and nominated Board member is encouraged to attend the Annual Meeting of Shareholders. All members of the Board attended the 2017 Annual Meeting.

Indebtedness and Other Transactions with Directors and Executive Officers

In accordance with the Nominating and Governance Committee Charter, the Nominating and Governance Committee is responsible for reviewing and acting upon all related party transactions required to be disclosed by Item 404 of Regulation S-K for potential conflicts of interest. Additionally, the Company's Code of Ethical Conduct provides rules that restrict transactions with affiliated persons.

Prior to engaging in any related party transaction, a completed questionnaire describing the nature and structure of the transaction, along with any necessary supporting documentation, is submitted to the

Nominating and Governance Committee. In determining whether to approve a related party transaction, the Nominating and Governance Committee will consider, among other things, the following:

· Whether the terms of the transaction are fair to the Company;

· Whether the transaction is material to the Company;

· The importance of the related person to the transaction;

· The role the related person has played in arranging the transaction;

· The structure of the transaction; and,

· The interests of all related persons in the transaction.

The Company will only enter into a related party transaction if the Nominating and Governance Committee determines that any interested director has abstained from voting on the matter and that the transaction is beneficial to the Company, and the terms of the transaction are fair to the Company.

In February 2012, the Board, at the recommendation of the Nominating and Governance Committee, approved a related party transaction between Bank of Marin and Terra Verde Property Management Corporation ("Terra Verde") to outsource the oversight of facility maintenance for the Company. The annual contract provides for an assessment of all of the Company's facilities, oversight and analysis of expenses incurred, preventative maintenance and lease negotiations. The initial term of the agreement is three years with an initial base annual compensation of $72,000, with an annual increase of 3.0% per year on each anniversary of the effective date of the agreement. Kevin Colombo, son of President and CEO Russell A. Colombo, is 100% owner of Terra Verde. As CEO and President, Russell A. Colombo is not directly involved in facility management and the costs associated with the contract are covered in an annual budget that is approved by the Board of Directors. The Company obtained two other bids from reputable companies and both were determined to be more costly and did not provide the added value of handling lease negotiations. The Board determined that the transaction is beneficial to the Company, and the terms of the transaction are fair to the Company. No waiver of the Company's Code of Ethical Conduct was required in approving the transaction.

In February 2015, the Board, at the recommendation of the Nominating and Governance Committee, approved a three year extension of the agreement, including provision for an automatic three-year extension, for the same services at an initial base annual compensation of $78,676, with an annual increase of 3.0% per year on each anniversary of the effective date of the agreement's extension. The agreement, as extended, was assigned, with the Company's consent, by Terra Verde to Collier International Real Estate Services Management (CA), Inc. Kevin Colombo has been hired as a consultant by Collier to serve as the point of contact with the Company. No waiver of the Company's Code of Ethical Conduct was required in approving the extension of the agreement.

Additionally, the Company's subsidiary, Bank of Marin, has had and expects to have banking transactions in the ordinary course of business with some of the directors and executive officers of the Bank (and their associates), on substantially the same terms (including interest rates, collateral and repayment terms) as those prevailing at the time for comparable loans with persons not related to the Company. During 2017 no loan to any director or executive officer of the Company (or their associates) has involved more than normal

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risk of collectability or presented other unfavorable features. All loans to directors or executive officers would be subject to the limitations prescribed by California Financial Code Section 1360, et seq. and applicable federal law and regulations.

Board Leadership Structure

It is the role of the Nominating and Governance Committee to annually review, and when appropriate make recommendations to the Board of Directors concerning board composition, structure, and functions. The Board has deemed it appropriate to have two separate individuals serve as Chairman of the Board and Chief Executive Officer. According to the Company's bylaws, the Chairman of the Board shall preside at meetings of the Board of Directors and shareholders and exercise and perform such other powers and duties as may be from time to time assigned to him/her by the Board of Directors. The bylaws further provide that the President of the Company will be the Chief Executive Officer and shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and the officers of the Company. As the oversight responsibilities of the Board of Directors grows, the Board believes it is beneficial to have an independent Chairman with the sole job of leading the Board, while allowing the President to focus his efforts on the day-to-day management of the Company and the Bank. The Board does believe that it is important to have the President as a director. The Company aims to foster an appropriate level of separation between these two distinct levels of leadership of the Company. In addition to the Chairman, leadership is also provided through the respective chairs of the Board's various committees.

Board's Role in Risk Oversight

It is a fundamental part of the Board's responsibility to understand the risks the Company faces and what steps management is taking to manage those risks. It is also important that the Board understands what level of risk is appropriate for the Company. While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the Audit Committee focuses on risk assessment and risk management as they relate to financial reporting, including appropriate guidelines and policies to govern the process, as well as the Company's major financial reporting risks and the steps management has taken to monitor and control them, and the Committee receives an annual risk assessment report from the Company's outside auditor. The Executive Committee fulfills its oversight responsibility with respect to compliance and operational risk, by working with the Company's Compliance Manager to understand regulatory and legislative issues and the Company's projects and systems. In setting compensation, the Compensation Committee strives to create incentives that do not encourage excessive risk-taking beyond the Company's ability to effectively identify and manage risk. The Bank's Asset Liability Management Committee functions as a directors' loan committee, oversees the Bank's balance sheet, liquidity and capital management, as well as the management of credit, interest rate, and market risk within the context of the risk appetite established by the Board of Directors, and receives monthly reports from the Chief Credit Officer and Chief Financial Officer. Additionally, the Board of Directors is provided physical and information security risk assessments by management on an annual basis.

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EXECUTIVE COMPENSATION

Executive Officers

The Board has designated the following officers as executive officers of the Company and/or Bank of Marin: President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Executive Vice President, Retail Banking, Chief Credit Officer, Chief Information Officer, and Executive Vice President, Commercial Banking. At December 31, 2017, the incumbents to those offices were: Russell A. Colombo, James S. Kimball, Tani Girton, Peter Pelham, Elizabeth Reizman, James T. Burke, and Tim Myers, respectively. Following is information regarding the executive officers excluding Mr. Colombo, who is a director nominee and whose information has been previously presented.

James S. Kimball, 53, joined Bank of Marin in October 2017 as Executive Vice President and Chief Operating Officer, assuming responsibility for Commercial Banking, Retail Banking, Wealth Management & Trust Services and Marketing. Mr. Kimball has more than twenty-eight years of commercial banking experience, primarily in the Bay Area. He joins Bank of Marin from Wells Fargo Bank, where, among other roles, he served as Senior Vice President and Region Head for the North Coast Regional Commercial Banking Office and Wine Industry Specialty Group. Earlier in his career, Mr. Kimball spent more than twenty years with Bank of America, ending his tenure as the Regional Manager responsible for the commercial banking segment in five Bay Area markets. Mr. Kimball earned his Masters of Business Administration and Bachelor of Science degree in Finance from California State University, Sacramento. A lifelong resident of Petaluma, Mr. Kimball has been involved in a number of community organizations including the San Francisco Chamber of Commerce, North Bay Leadership Council, Sonoma State's Wine Business Institute, the Greater Bay Area Leukemia & Lymphoma Society and the Petaluma Educational Foundation.

Tani Girton, 58, joined Bank of Marin in August 2013 as Executive Vice President and Chief Financial Officer. Ms. Girton's financial services career of over 31 years spans all aspects of financial, treasury and portfolio management across the banking, brokerage and thrift industries. Before joining Bank of Marin, she served as Executive Vice President and Treasurer for Bank of the West. Prior to her time with Bank of the West, as Charles Schwab's Vice President of Treasury Capital Markets, she was a key member of the team that launched and built Schwab Bank. Ms. Girton also served as a finance lecturer for San Francisco State University and in multiple roles for San Francisco Federal Savings and Loan and for its acquirer, CalFed Bank.

Peter Pelham, 61, joined Bank of Marin in 1994 as Manager of the Bank's first branch in Novato. In 2005 he was named Senior Vice President and Branch Administrator and in April 2006 he was named Executive Vice President and Branch Executive. As of June 2009, Mr. Pelham assumed the position of Executive Vice President, Retail Banking. Prior to joining Bank of Marin, he had sixteen years of banking experience, twelve of which were with Novato National Bank and Westamerica Bank in Marin County.

Elizabeth Reizman, 59, joined Bank of Marin in 1996 as Vice President and Commercial Lender in the Bank’s Novato branch. In 2004 she was named Senior Vice President and Loan Team Manager in the Bank’s credit management department. In 2009 she was named Senior Vice President and Commercial Banking Manager. In November 2013, Ms. Reizman assumed the position of Executive Vice President and Chief Credit Officer. She began her banking career in 1981 as a senior account administrator for Crocker Bank. In her fifteen year career prior to joining Bank of Marin, Ms. Reizman served as a commercial lender and as a senior credit examiner for Bank of California. Prior to her employment with Bank of California, she served in Private Banking and as a business banking credit administrator for Hibernia Bank. Ms. Reizman graduated from Stanford University with a bachelor’s degree in economics. A long-time volunteer in the Marin County community, Ms. Reizman serves on the Board of Directors of Whistlestop.

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James T. Burke, 63, joined Bank of Marin in 2013 as Senior Vice President and Chief Information Officer. In January 2016 he assumed the position of Executive Vice President and Chief Information Officer. He has responsibility for Centralized Services, which includes Operations, Information Technology, Security, Facilities, Project Management , Fraud Management and Administration. Prior to joining Bank of Marin, Mr. Burke had over thirty years of experience in financial services including serving as First Vice President and Chief Information Officer at Irwin Financial Corporation, Senior Vice President of Retail Technology at Bank of America and Vice President of Securities Custody Technology at Charles Schwab. Mr. Burke graduated from San Francisco State University with a bachelor's degree in mathematics. He currently serves on the Board of Directors of Alternatives in Action in Oakland, CA.

Tim Myers, 47, joined Bank of Marin in April 2007 as Senior Vice President and Manager of the San Francisco Commercial Banking Office. In 2013 he was named Senior Vice President and Commercial Banking Manager. In March 2015 he assumed the role of Executive Vice President, Commercial Banking. Mr. Myers has over twenty years of experience in finance with nineteen years of banking experience, all in commercial banking. He began his banking career in 1998 as Assistant Loan Officer at Imperial Bank, working with Russell Colombo. Prior to joining Bank of Marin, he served as a Vice President, Relationship Manager for U.S. Bank, National Association in Portland, OR. Prior to his time with U.S. Bank, Mr. Myers was Vice President, Commercial Banking Officer for Comerica Bank-Western Division.

Compensation Discussion and Analysis

This section addresses the compensation programs, philosophy and objectives, of the Bank of Marin Bancorp and its banking subsidiary, Bank of Marin (collectively in this section, the "Company"), including the process for making compensation decisions, the role of management in the design of such programs, and its 2017 executive compensation components. This section also addresses the factors most relevant to understanding the Company's compensation programs and what they are designed to reward, including the essential elements of compensation, the reasons for determining payment of each element of compensation, and how each compensation element fits into the Company's overall compensation objectives and affects decisions regarding other compensation elements.

Executive Summary

The Compensation Committee (the "Committee") of the Board of Directors establishes and administers the compensation and benefit programs for Named Executive Officers, the persons identified in the Summary Compensation Table which follows. In addition, the Committee is responsible for administering other companywide compensation and benefits plans for all employees. The Committee consists entirely of independent directors. The Committee carefully considers the components of the executive compensation programs to attract and retain high quality Named Executive Officers and to incent the behavior of Named Executive Officers to create shareholder value and accomplish the Company's strategic goals. The Committee engages independent consultants from time to time and considers the compensation programs of peer financial institutions to ensure that the Company's compensation programs are competitive with market practices.

The Committee's philosophy, practices and policies have been developed over a number of years and have not historically been subject to sweeping, material changes. In 2017, the Company included an advisory vote to approve executive compensation, providing shareholders with an opportunity to communicate their views on the Company's executive compensation program. The Company's executive compensation was approved by 96% of the shares voted.

The Committee considered the results of this vote in setting executive compensation for 2018 and concluded that the strong support of the Company's compensation program indicates that shareholders concur with the Company's alignment of compensation and performance. At the

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2017 Annual Meeting of Shareholders, the shareholders held, by majority vote, for a one-year frequency of the non-binding, advisory vote on executive compensation. While the frequency vote was non-binding, the Board of Directors has made the decision to continue to include the advisory vote to approve executive compensation annually.

Philosophy

The Company's executive compensation programs are designed to attract and retain high quality officers that are critical to its long-term success. The Company's Board of Directors and management believe that the most effective executive compensation program is one that is designed to reward the achievement of specific annual, long-term and strategic goals, which aligns Named Executive Officers' interests with those of the shareholders by rewarding performance above established goals, with the ultimate goal of improving shareholder value without rewarding undue short-term risk-taking. This is achieved by utilizing a combination of short-term cash incentives, paid annually, and long-term equity incentives, which vest over either a three-year period or a five-year period. The Committee engages independent national human resources consulting firms to periodically conduct a review of the Company's total compensation programs. During these periodic reviews, each component of total compensation is compared against a regional peer group that is similar to the Company in asset size, geography and performance. (For details, see "Compensation Consultants" and "Peer Group Review" herein.) In 2016, the Committee adopted a new peer group to be used in 2017 and 2018. They are used in the charts below. The 2016 peer group was made up of major exchange publicly traded banks on the West Coast, including Hawaii, with total assets between $1 billion and $5 billion.

The Committee's compensation philosophy is to target base salaries at or near the median (50th percentile) and to target total compensation (including annual cash incentives, long-term equity incentives, and benefits) between the 50th and 75th percentiles of the regional peer group. The Company believes paying total compensation between the 50th and 75th percentile for above-average performance is critical for attracting and retaining the qualified executives it needs to achieve its business objectives. Overall, compensation paid to Company executives is believed to be competitive with market practices.

Base compensation levels for Named Executive Officers are established based on market data and are adjusted based on individual performance and experience. Annual incentives, including performance-based bonuses and long term equity awards, are based on both Company and/or individual performance objectives, which include asset and revenue growth, identification of strategic opportunities, and core earnings performance. It is the Committee's desire to remove as much discretion as possible from the incentive based compensation in favor of a metrics based program.

Business Highlights

· In 2017, Bank of Marin acquired Bank of Napa. As a result, Bank of Marin is the largest community bank in Napa County by deposit share. This is the third acquisition in the past six years that strengthens the Bank's presence in the San Francisco Bay Area and has allowed for average deposit growth of 9% over the past ten years.

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- As part of its organic growth plan, the Bank expanded its executive and lending teams with several strategic hires in 2017.
- Strong credit quality remains a cornerstone of the Bank’s consistent performance, with non-performing assets under 2% every year for the past ten years, ending 2017 at 0.69%.

- Return on assets ("ROA") historically exceeded Peer Bank median returns, but declined to 0.75% in 2017. Acquisition expenses and the deferred tax asset write-down reduced ROA by 0.22 percentage points.

- With a focus on strong credit quality and growth, the Company generated total shareholder return over the period January 1, 2009 through December 31, 2017 at the 70th percentile of the peer group, while stock volatility was below the average of the Peer Group.

As the chart indicates, a $100 investment in the Company's common stock on January 1, 2009 would have grown to $335 on December 31, 2017 after dividend reinvestment. This compares to our peer group companies adopted in 2016 which remain publicly-held, where the median performance of the peer group would have resulted in a $100 investment over the same period increasing to $211, after dividend reinvestment. As a result, the Company's total shareholder return over the nine-year period was at the 70th percentile of the peer group.

As designed, our compensation program is instrumental in motivating and rewarding our executive officers for achieving financial performance which compares favorably with our peer banks.

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Compensation Best Practices

The Compensation Committee has implemented strong governance practices that reinforce our principles, support sound risk management and are shareholder-aligned:

- Assess Pay versus Performance. The Committee continually reviews the relationship between compensation and Company performance.
- Reasonable Compensation Targets. Base salaries are targeted at or near the median (50th percentile) while target total compensation (including annual cash incentives, long-term equity incentives, and benefits) is targeted between the 50th and 75th percentiles of the regional peer group, with variation based on individual experience and performance.
- Balanced Performance Measurement. To mitigate risk while driving performance the Committee approved an annual incentive plan based on multiple measures, including Net Income, Return on Assets, the Efficiency Ratio, Annual Loan Growth , Annual Deposit Growth, Annual Demand Deposit Growth, and individual performance.
- Clawback Provisions. The Committee has approved a clawback provision with respect to the annual incentive plan to allow for the recoupment of compensation under certain circumstances.
- Performance-Based Long-Term Incentives. The Committee increased the proportion of Performance Restricted Stock to 45% of the total equity grant. Performance objectives for 2017 include performance relative to peers.
- Stock Ownership Guidelines. Our stock ownership requirements are rigorous: 2 times base salary for the CEO, 1.5 times base salary for the COO, and 1 times base salary for other Named Executive Officers, and 2 times maximum annual cash retainer for Board members. All Named Executive Officers and Board members are in compliance with guidelines.
- No Hedging. The Company does not allow directors and Named Executive Officers to enter into short sales of common stock or similar transactions where potential gains are linked to a decline in the price of our stock. Recipients of equity awards also may not enter into any agreement that has the effect of transferring or exchanging any economic interest in an award for any other consideration.
- No Pledging. Directors and Named Executive Officers, as well as all officers of the Company, are prohibited from pledging Company securities as collateral for a loan or holding Company securities in a margin account.
- No Option Repricing Without Shareholder Approval.
- No Excise Tax Gross-Ups.
- Use of an Independent Compensation Consultant Reporting to the Compensation Committee.

Process for Making Compensation Decisions

Role of the Chief Executive Officer

Shortly following the conclusion of each calendar year, the Company's Chief Executive Officer (the "CEO"), assisted by the Director of Human Resources, conducts an annual performance evaluation process for all Named Executive Officers, other than for himself, as well as for other members of senior management who are not Named Executive Officers. As part of each annual performance evaluation, the CEO considers, among other key factors, i) the executive's performance of job responsibilities and achievement of individual and/or departmental objectives and ii) management and leadership skills, such as effective communication, problem solving, business development and community involvement. In addition, the executive's contributions to the

Company's overall financial goals are indirectly considered. Based on this evaluation, the CEO determines, for each of the Named Executive Officers (other than himself), recommendations for salary adjustments, including merit increases, and annual performance-based bonus amounts to be made to the Committee for its approval. The Named Executive Officer's performance-based bonus is determined by the Company's financial performance relative to that year's financial performance goal and individual performance goals.

In addition, recommendations by the CEO and the Director of Human Resources for the grant of equity awards to Named Executive Officers under the Company's equity compensation plan are submitted to the Committee for approval and are based on the Company's prior year performance.

Role of the Compensation Committee

The Committee periodically reviews the compensation levels of the Board of Directors. In its review, the Committee looks to ensure that the compensation is fair, reasonably competitive and commensurate to the responsibilities of both the individual directors as well as the Board in the aggregate. Additionally, the Committee specifically takes into consideration the Directors' adherence to the Company's Director Stock Ownership Guidelines when reviewing compensation.

The Committee has responsibility for establishing, implementing and continually monitoring adherence with the Company's compensation philosophy. The Committee ensures that the total compensation paid to Named Executive Officers is fair, reasonable and competitive and that the types of compensation and benefits provided to the Named Executive Officers are similar to comparable executives within an established peer group. The Committee is also responsible for the review and approval of Company goals and objectives relevant to the compensation, including the incentive awards, of the Company's CEO, to evaluate the performance of the CEO in light of the goals and objectives and to determine and approve the CEO's compensation levels based on this evaluation. The Committee reviews compensation levels for the other Named Executive Officers, including the CEO's recommendations on annual bonus and salary increases for Named Executive Officers and makes final determinations and approvals. Additionally, the Committee reviews and approves the grant of equity awards to assure that the Committee considers all elements of proposed compensation.

To achieve these goals and objectives, the Committee expects to maintain compensation plans that create an executive compensation program that is set at competitive levels of comparable public financial services institutions with comparable performance. The Committee has followed certain fundamental objectives to ensure the effectiveness of the Company's compensation strategy. These objectives include the following:

Internal and external fairness. The Committee recognizes the importance of perceived fairness both internally and externally of compensation practices. The Committee has evaluated the overall economic impact of the Company's compensation practices and, when deemed necessary, has consulted with independent outside advisors in the evaluation of contractual obligations and compensation levels.

Performance-based incentives. The Company has established financial incentives for executives who meet certain objectives, which thereby assist the Company in meeting its long-term growth and financial goals.

Shareholder value and long-term incentives. The Committee believes that the long-term success of the Company and its ability to consistently increase shareholder value is dependent on its ability to attract and retain skilled executives. The Company's compensation strategy encourages equity-based compensation to align the interests of management and shareholders.

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Full disclosure. The Committee seeks to provide full disclosure to the members of the Board of Directors of the Company of the compensation practices and issues to ensure that all directors understand the implications of the Committee's decisions.

The Committee has reviewed the compensation practices of peers and considered management's individual efforts for the benefit of the Company, and has reviewed various subjective measures in determining the adequacy and appropriateness of the compensation of Named Executive Officers. The Committee takes into account the performance of the Named Executive Officers and recognizes that the competition among financial institutions for attracting and retaining executives has become more intense in the past few years. The Committee takes such market considerations into account to ensure that the Company is providing appropriate long-term equity incentives to enable it to continue to attract new executives and to retain the ones it already employs. General economic conditions and the past practice of the Company are also factors that are considered by the Committee. Further, the Committee specifically took into consideration:

•Double-trigger Change in Control Severance Payments

•Absence of any gross-ups in any of the incentive programs

•Clawback Policy in our performance based incentive plan

•Executive Stock Ownership Guidelines

The Committee has established various processes to assist in ensuring that the Company's compensation program is achieving its objectives. Among these are:

Assessment of Company Performance. In establishing total compensation ranges, the Committee uses company performance measures, including net income, asset growth, earnings per share, return on assets, , asset quality, and efficiency ratio in two ways: to gauge generally the overall Company performance relative to peer companies and to gauge generally the overall Company performance against the Company's own strategic objectives. These specific performance targets provide guidance for a view of general Company performance, which is then utilized as one element in determining overall compensation ranges.

Assessment of Individual Performance. Individual performance has a strong impact on the compensation of all employees, including the CEO and the other Named Executive Officers. For the Named Executive Officers, the Committee receives a performance assessment and compensation recommendation from the CEO, other than for himself, and also exercises its judgment based on the Board's interactions with its Named Executive Officers. As with the CEO, the performance evaluation of these Named Executive Officers is based on his or her contribution to the Company's performance, and other leadership accomplishments.

Total Compensation Review. The Committee reviews each Named Executive Officer's base pay, bonus, and equity award compensation annually. In addition to these primary compensation elements, the Committee reviews the perquisites and other compensation and payments that would be required under various severance and change-in-control scenarios. Following the 2017 review, the Committee determined that these elements of compensation were reasonable in the aggregate.

Compensation Consultants

Pearl Meyer & Partners ("Pearl Meyer"), a large independent compensation consulting firm, was first engaged by the Committee in April 2012 to conduct a formal, comprehensive review of the Company's executive and director compensation. Pearl Meyer was also engaged in 2013, 2014, 2015, and 2016 to provide supplemental reviews and reports regarding the same. Pearl Meyer does not perform any other services for the Company.

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After the Committee's review of applicable rules for independence, the Committee determined that there are no known conflicts of interest between Pearl Meyer and its affiliates and the Company and its affiliates. Pearl Meyer reports directly to the Committee and does not provide services to, or on behalf of, any other part of the Company's business.

The major services provided by Pearl Meyer in 2016 included: 1) review of the Company's then current peer group, 2) recommendations to the Committee to refine the peer group based on the Company's and peers size, 3) comprehensive review of the Company's executive compensation programs, 4) comprehensive review of the Company's non-employee director compensation program, and 5) review of the Company's 2015 actual and target total direct compensation and 2016 target total direct compensation levels provided to the Company's Named Executive Officers and non-employee directors, as well as the Company's financial performance relative to the selected peer group to make recommendations to the Committee. The analysis and review performed by Pearl Meyer in 2016 were used in 2017 in setting executive compensation programs.

During 2017, Pearl Meyer provided minor consulting activities, including updating the executive and director compensation review, reviewing the Company's performance relative to peers, and review of the Compensation Discussion and Analysis.

Peer Group Review and Market Study

When reviewing each compensation component for the Named Executive Officers, the Committee considers the compensation practices of specific peer companies whose asset size, geography and performance are comparable to the Company. As discussed above, the Committee first engaged Pearl Meyer in 2012 to review the Company's peer group and make recommendations to the Committee. The Committee adopted a revised peer group, as recommended by Pearl Meyer, for 2015 and 2016 purposes. In 2016, the Committee adopted a new peer group to be used in 2017. The 2016 peer group was made up of major exchange publicly traded banks on the West Coast, including Hawaii, with total assets between $1 billion and $5 billion.

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Following is the specific peer group of twenty-three publicly-traded financial institutions approved by the Committee for use in 2016-and 2017 (the “2016 Peer Banks”):

Bank of Commerce Holdings	Heritage Financial Corporation
Cascade Bancorp	Heritage Oaks Bancorp
Central Valley Community Bancorp	National Bank Holdings Corporation
CoBiz Financial Inc.	Northrim BanCorp, Inc.
CU Bancorp	Pacific Continental Corporation
Farmers & Merchants Bancorp	Pacific Mercantile Bancorp
First Foundation Inc.	Pacific Premier Bancorp, Inc.
First Northern Community Bancorp	People's Utah Bancorp
FNB Bancorp	Preferred Bank
Guaranty Bancorp	Sierra Bancorp
Hanmi Financial Corporation	TriCo Bancshares
Heritage Commerce Corp	

Comparisons to the Peer Banks are based on the 2016 Peer Banks excluding those acquired as of March 15, 2018.

The Committee evaluated executive compensation to like positions in the 2016 Peer Banks in setting 2017 compensation. Based on this evaluation and Pearl Meyer’s analysis of the Company’s compensation programs relative to the peer group, the Committee approved the following executive compensation structure:

- Target executive base compensation near the 50th percentile of the peer group, as established in 2017, which reflects a minor de-emphasis on base compensation with more focus on incentive opportunity.
- Maximum incentive opportunity in 2017 was placed at 200% of the target incentive for both short term and long term incentives

Executive Compensation Components

For the fiscal year ended December 31, 2017, the principal components of compensation for Named Executive Officers were i) base salary, ii) performance-based bonuses, iii) equity awards and iv) perquisites and other plans and benefits. The Company’s policies and practices for each of the principal compensation components are explained in the following paragraphs.

Base Salary

Base salary is established based on market data and is adjusted based on individual performance and experience.

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Performance-Based Incentives

The Company provides annual cash incentive award opportunities for eligible employees, through the use of the Annual Individual Incentive Compensation Plan (the “Incentive Plan”). The Incentive Plan allows for performance-based bonuses for Named Executive Officers that are based on the overall performance of the Company and on individual goals specific to the executive's area of responsibility.

Overall Company performance comprises at least 50% of the Named Executive Officers’ cash incentive potential, with the remaining percentage based on achievement of individual goals. The metrics used in the Company goals, as stated below, include net income, return on assets, the efficiency ratio, loan growth, and deposit growth.

The specific goal for each of these metrics is revised each year, and each metric is given its own specific weighting in the determination of the overall performance-based bonus opportunity. The metrics are derived from the Company’s annual budgeting process and are weighted based on the Company’s particular focus and relative importance for that year. For 2017 the specific Company goals and relative weights of each metric were:

Category	Weight	2017 Goal	2017 Results
Net Income	30 %	$ 18,255,000	$ 20,247,000
Return on Assets	20 %	0.88 %	0.95 %
Efficiency Ratio	15 %	63.78 %	62.23 %
Annual Loan Growth	17.5 %	$ 105,558,000	$ 59,507,000
Annual Deposit Growth	7.5 %	$ 93,535,000	$ 148,360,000
Annual Demand Deposit Growth	10.0 %	$ 12,348,000	$ 128,231,000

Individual Named Executive Officer goals, which determine the remaining percent bonus potential, are either qualitative or quantitative. Individual goals are either independent from the six Company metrics or may be used to give more individual significance to one of the six Company goals within the executive’s specific area of responsibility.

The Incentive Plan is prospective in design with the utilization of a defined payout formula that is based upon the achievement of a combination of pre-determined Company, department and/or individual performance criteria. The Incentive Plan further details provisions related to participation and eligibility, award opportunities at minimum, target and maximum performance measures and responsibilities for the administration of the plan. It also includes provisions for minimum performance for plan funding (plan gate) and a clawback policy. The Incentive Plan was filed as an exhibit to the Company’s 8-K filed with the Securities and Exchange Commission on October 21, 2010. The plan gate provides that for the Incentive Plan to be funded and “activated” for a Plan Year, the Company must achieve a threshold performance level calculated as a percentage of the Company’s budgeted net income.

In line with our pay for performance philosophy, over the past five years our Committee has awarded our Named Executive Officers 134% of their target incentive, on average, which is commensurate with the Company’s favorable performance relative to peers. Further, the Committee has awarded the maximum incentive payout under the Plan in only one of the past five years, reflecting the difficulty in achieving the maximum payout of incentives under our Plan. Incentive payouts are calculated based on the individual goal result and weight. This format allows for higher payouts for exceptional results in one or more categories even if there is low or below minimum results for one or more categories.

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Clawback Provision for Performance-Based Incentives

The clawback provision provides that if financial results are significantly restated due to negligence, fraud or intentional misconduct, there may be recoupment of the amounts paid in excess of amounts otherwise earned.

Equity Awards

The purposes of equity awards are to allow executives to share in the growth and prosperity of the Company, to retain executives over the long term and to maintain competitive levels of total compensation.

At the 2017 annual meeting, by majority shareholder vote, the Bank of Marin Bancorp 2017 Equity Plan was adopted. The 2017 Plan replaced the Company's 2007 Equity Plan which expired in 2017. The Board of Directors wanted to continue with the flexibility and material features of the 2007 Plan and, therefore, the terms and conditions of the 2017 Plan were substantially similar to the terms and conditions of the 2007 Plan.

The 2017 Equity Plan allows the Company to offer multiple equity vehicles as incentives, including options, unrestricted stock, restricted stock, and stock appreciation rights. Executives may be awarded a blend of equity awards. The Committee considers the attributes of each form of equity award when determining equity compensation; including the ability to align management with the long-term interests of shareholders, the immediate value versus appreciation opportunity of each form, as well as the tax consequences of each type of award.

Award levels are based upon market and the executive's level of responsibility and influence on the performance of the Company. Executives are granted stock options and/or restricted stock annually, based on overall Company performance. The option and restricted stock price is based on the fair market value on the effective date of the grant. Grants are approved at regularly scheduled Committee meetings.

In 2015 Performance Equity was added as form of equity compensation. Performance shares were granted on March 1, 2015, March 1, 2016 and March 1, 2017 and cliff vest after three years based on achieving established performance metrics relative to peers. Three-year performance metrics include earnings per share growth, efficiency ratio, return on assets, as well as loan quality metrics, to provide incentive for balanced growth and quality.

For 2017, Named Executive Officers with the title of Executive Vice President and above were granted a blend of 30% Incentive Stock Options, 25% Restricted Stock, and 45% Performance Restricted Stock.

Perquisites and Other Plans and Benefits

Consistent with the Company's compensation objectives, Named Executive Officers are provided perquisites and other benefits that management believes are reasonable and consistent with the Company's overall compensation program and which keep the Company competitive in the marketplace. The Company periodically reviews the level of perquisites and other benefits provided to the Named Executive Officers for suitability with the program objectives.

The Company is competitive with market practices by providing medical, dental, vision and life insurance, a 401(k) employer matching contribution up to $5,000 annually, and an Employee Stock Purchase Plan (the "ESPP"). The Company also offers key management, including the Named Executive Officers, a monthly auto allowance that is based on position and his/her contact with clients.

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Employee Stock Ownership Plan

The Company also provides an Employee Stock Ownership Plan (the “ESOP”). Annually, the Company may make discretionary contributions of shares of common stock to the ESOP. The decision normally is based on the Company's financial performance and condition. The purposes of the ESOP are to include all eligible employees in the ownership of the Company, to provide them with compensation that is free from current income tax and to accumulate benefits for retirement. Stock is awarded as a percentage of eligible cash compensation. Executives receive the same percentage as all other employees, up to the IRS limits.

Deferred Compensation Plan

The Company sponsors an unsecured, non-qualified plan known as the Deferred Compensation Plan, which allows Named Executive Officers and certain other highly compensated employees to defer all or a portion of their base salary and/or bonus. Balances in the plan receive earnings, all of which are described in the “Nonqualified Deferred Compensation” table of this Proxy Statement. Other than earnings accruals, all credits to the Deferred Compensation Plan represent a Named Executive Officer’s compensation previously earned and deferred; the Company does not provide any matching or similar credits. The plan was designed to allow Named Executive Officers to defer some of their current income to help them with tax planning, and to assist the Company in attracting and retaining top executives by providing retirement benefits that are competitive within the Company’s peer group.

Supplemental Executive Retirement Plan

The Company also sponsors the Bank of Marin Supplemental Executive Retirement Plan. This plan allows named executives with the title of Executive Vice President and above who contribute materially to the continued growth, development and future business success of the Company, to receive a supplemental income at retirement. As this type of plan is commonly offered among the Company’s peers, the inclusion of this benefit enhances the Company’s compensation program allowing the Company to recruit, retain and reward key decision makers of the Company. See “Supplemental Retirement Plan for Named Executive Officers” herein for more information on this plan.

Change in Control Agreements

The Company provides Named Executive Officers and other senior officers with agreements that provide for certain specified benefits upon a change in control of the Company. These agreements are very useful tools that help the Company retain its key employees, including the Named Executive Officers, by providing those executives some certainty in compensation in the event the Company was to be sold, and also helps to ensure that the Company will have the benefit of their services through the pendency of any merger. Such agreements are particularly necessary in an industry such as ours, where there has been considerable consolidation over the last ten years. See “Potential Payments upon Termination or Change in Control” herein for detailed information about these agreements, including a description of payout amounts under a hypothetical change in control of the Company as of the last business day of 2017.

Compensation Risk Assessment

In determining the level of risk arising from the Company’s compensation policies and practices, a thorough review and risk assessment evaluation of the Company’s compensation plans for all employees, as well as the overall compensation philosophy was conducted. The Committee evaluated the form and mix of compensation, controls and process, and the Company’s business strategies. The Committee has concluded

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that the Company’s compensation arrangements do not encourage employees to take unnecessary and excessive risks.

Compensation Committee Interlocks and Insider Participation

At April 2, 2018 the Compensation Committee was comprised of Dr. Sklar (chair), Messrs. Sobel and McDevitt, Jr., and Ms. Howard. Each member of the committee is considered independent and none of the members are or have been officers of the Company, nor does any member have any relationship with the Company that would require disclosure under Item 404 of Regulations S-K concerning related party transactions.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement. Based on our Committee review of and the discussions with management with respect to the Compensation Discussion and Analysis, we recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Submitted by the Compensation Committee of the Board:

Joel Sklar, Chair

Norma J. Howard

William H. McDevitt, Jr.

Brian M. Sobel

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Summary Compensation Table

The following table sets forth summary compensation information for the President and Chief Executive Officer, Chief Financial Officer and each of the other three most highly compensated Named Executive Officers as of the end of the last fiscal year. Mr. James Kimball, who was hired on October 16, 2017, has also been included in the table as a Named Executive Officer by virtue of his title even though his 2017 compensation was not such as to require disclosure. The amount of his salary, bonus and total compensation have been annualized for disclosure purposes.

Bonus amounts were earned in the year shown and paid in the first quarter of the following year.

Name	Year	Salary ($)	Bonus ($)	Option Awards ($)(1)	Stock Awards ($)(1)	Other ($)(2)	Total ($)
Russell A. Colombo	2017	450,720	299,167	74,589	157,644	200,597	1,182,717
President & CEO	2016	437,592	274,000	76,486	128,097	199,505	1,115,680
	2015	400,355	231,614	87,795	141,593	184,052	1,045,409
James Kimball (3)	2017	325,000	130,000	62,520	139,000	2,830	659,350
EVP & Chief Operating Officer							
Tani Girton	2017	266,710	102,597	29,519	62,640	93,301	554,767
EVP & Chief Financial Officer	2016	258,940	93,500	30,450	51,140	76,465	510,494
	2015	239,500	80,000	35,265	56,840	72,609	484,214
Peter Pelham	2017	229,473	99,242	25,343	54,288	121,194	529,540
EVP, Retail Banking	2016	222,789	79,000	27,250	45,926	97,768	472,733
	2015	214,725	88,000	31,836	51,765	89,335	475,661
Elizabeth Reizman	2017	241,020	97,234	26,639	56,376	90,293	511,562
EVP & Chief Credit Officer	2016	234,000	90,000	28,385	47,416	77,457	477,259
	2015	221,250	80,000	31,836	51,765	70,264	455,115
Tim Myers	2017	242,462	71,687	26,783	56,724	70,294	467,950
EVP, Commercial Banking	2016	235,400	76,500	27,766	46,423	53,950	440,039
	2015	215,000	90,000	18,245	41,615	25,574	390,434

(1) The Black-Scholes pricing model was used to derive the fair value of the awards. The assumptions used in valuing the grants in 2017 are presented following the table “Grants of Plan Based Awards.”
(2) The “Other” column includes perquisites and personal benefits, such as car allowances, provided to the Named Executive Officers. Each of the above Named Executive Officers received less than $10,000 of aggregate

perquisites and personal benefits, except Mr. Colombo who received a car allowance of $14,400 and annual country club membership dues of $10,333. The “Other” column also includes matching contributions to the 401(k) Plan, profit sharing contributions to the Employee Stock Ownership Plan, imputed income on life insurance paid by the Company, imputed income on long term care insurance paid by the Company, dividends paid on unvested restricted stock, interest paid on the Deferred Compensation Plan, one-time payments pursuant to offers of employment letters, and the prorated account value increase attributable to the Supplemental Executive Retirement Plan.

(3) Compensation is annualized as Mr. Kimball was hired as Executive Vice President and Chief Operating Officer on October 16, 2017.

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CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, we have calculated the pay ratio between Russell A. Colombo, our Chief Executive Officer ("CEO"), and the median annual total compensation of our employees. The Company believes that the ratio of pay included in this information is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

As of December 31, 2017:

The median annual total compensation of all employees of our company (other than the CEO) was $78,043; and

The annual total compensation of our CEO was $1,195,460, including non-discriminatory benefits.

Based on this information, for 2017 the ratio of the annual total compensation for our CEO to the median of the annual total compensation of our employees was 15 to 1.

Methodology

This pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules based on our payroll and employment records and the methodology described above. The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. Therefore, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios

Median Employee Identification and Compensation Calculation

For purposes of determining the compensation paid to the employees under consideration, we used earnings subject to Medicare tax as reported in Box 5, ''Medicare wages and tips,'' on each employee's 2017 Form W 2. This group includes full-time, part-time and temporary workers. We did not exclude from consideration any employees who joined our company during the year as the result of a business acquisition. We did annualize the compensation of anyone who was employed by us for only part of the year.

December 31, 2017 was the date selected to identify the “median employee” because it is the date consistent with the rest of the discussion included in this proxy statement and because our employee base does not materially change at any point during the year.

Once we identified our median employee, we identified and calculated the elements of such employee’s compensation for 2017 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K. The median employee’s total compensation for 2017 consisted of the following elements: base wages plus overtime, an annual cash incentive earned in 2017 and paid in February 2018, change in pension SERP value, contributions to the Employee Stock Ownership Plan and matching contribution into the 401(k) plan. We also include the value of any non-discriminatory benefit plans in the total compensation amount.

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CEO Compensation Calculation

We then calculated our CEO's annual total compensation using the same approach to determine the pay ratio shown above.

As stated earlier in this discussion, we believe compensation must be competitive to attract and retain essential talent, to reward high performance, and to be internally equitable. Our expected total compensation opportunities for our employees are specific to the role they hold at the Company and generally reflect market median pay levels for our broader base of employees and median pay levels of our peer group for our executives, with variations based on specific talent needs, experience, and other internal factors. We believe that actual total compensation should vary with the performance of the organization, such that outstanding performance results in above-market compensation.

The tax reform legislation passed in December 2017, generally referred to as The Tax Cuts and Jobs Act, substantially modifies Section 162(m) and, among other things, eliminates the "performance based" exception to the $1 million deduction limit with respect to taxable years beginning after December 31, 2017. Effective for the fiscal year beginning January 1, 2018, compensation paid to our named executive officers (including our Chief Financial Officer), will be subject to the limitations on deductibility under Section 162(m), and we will not be able to deduct performance based compensation to our named executive officers (including our Chief Financial Officer) who receive annual compensation in excess of $1 million.

We invest in our employees at all levels in the Company by rewarding performance that balances risk and reward, empowering professional growth and development, and by offering affordable benefits and programs that meet the diverse needs of our employees and their families.

Securities Authorized for Issuance under Equity Compensation Plans

The following table summarizes information as of December 31, 2017 with respect to equity compensation plans. All plans have been approved by the shareholders.

(A) Shares to be issued upon exercise of outstanding options		(B) Weighted average exercise price of outstanding options	(C) Shares available for future issuance	
258,968	(1)	40.84	149,269	(2)

Equity compensation plans approved
by shareholders

(1) Represents shares of common stock issuable upon exercise of outstanding options under the 2007 Equity Plan and the 2017 Equity Plan.

(2) Represents shares of common stock available for future issuance under the 2017 Equity Plan, including both options and restricted stock awards, and the 2010 Director Stock Plan, excluding the shares in Column A.

The Bank of Marin 1999 Stock Option Plan (the "1999 Plan") was adopted by the Board of Directors and approved by the Bank's shareholders in 1999, and subsequently adopted by the Company in 2007 through its holding company reorganization. The 1999 Plan was replaced by the 2007 Equity Plan (the "2007 Plan"), which was adopted by the Board of Directors and approved by the shareholders in 2007. No options have been granted from the 1999 Plan since April 2007. In 2017, the Board of Directors adopted and shareholders approved the 2017 Equity Plan (the "2017 Plan"), which replaced the 2007 Plan. No options have been granted from the 2007 Plan since March 2017.

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The following three tables set forth certain information regarding restricted stock awards and options granted under the 2007 and 2017Plans to individuals who were Named Executive Officers of the Company at December 31, 2017.

Name	Grant Date	Stock Awards: Number of Shares of Stock (#)	Option Awards: Securities Underlying Options (#)	Exercise Price of Option Awards ($)	Grant Date Fair Value of Stock and Option Awards ($)	
Russell A. Colombo	3/01/2017	2,630			91,524	(1)
	3/01/2017	950	—	—	66,120	
	3/01/2017	—	5,180	69.60	74,589	
James Kimball	10/16/2017	2,000			139,000	
	10/16/2017		4,000	69.50	62,520	(1)
Tani Girton	3/01/2017	1,040			36,192	(1)
	3/01/2017	380			26,448	
	3/01/2017		2,050	69.60	29,519	(1)
Peter Pelham	3/01/2017	900			31,320	(1)
	3/01/2017	330			22,968	
	3/01/2017		1,760	69.60	25,343	(1)
Elizabeth Reizman	3/01/2017	940			32,712	(1)
	3/01/2017	340			23,664	
	3/01/2017		1,850	69.60	26,639	(1)
Tim Myers	3/01/2017	950			33,060	(1)
	3/01/2017	340			23,664	
	3/01/2017		1,860	69.60	26,783	(1)

Grants of Plan-Based Awards

(1) The Black-Scholes pricing model was used to derive the fair value of the option awards. The per share option value of $14.399329 was derived for awards granted on March 1, 2017 using the assumptions of 2.11% for risk-free rate of return, 1.58% for dividend yield, 21.85% for volatility rate and 6.25 years for expected life. The grant-date fair value of the restricted stock awards was $69.60, which was the intrinsic value, or stock price, on the grant date.

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Outstanding Equity Awards at Fiscal Year End December 31, 2017

	Option Awards				Stock Awards		
Name	Securities Underlying Exercisable Options (#)	Securities Underlying Unexercisable Options (#)(1)	Option Exercise Price ($)	Option Expiration Date	Grant Date	Number of Shares of Stock Not Vested (#)(2)	Market Value of Shares of Stock Not Vested ($)(3)
Russell A. Colombo	5,800		28.7500	5/01/2018	4/01/2013	220	14,960
	5,098		22.2500	4/01/2019	4/01/2014	480	32,640
	4,500		33.1000	4/01/2020	3/02/2015	2,697	183,396
	4,300		38.0000	4/01/2021	3/01/2016	3,720	252,960
	6,900	—	38.1800	4/02/2022	3/01/2017	3,580	243,440
	3,280	820	39.3500	4/01/2023			
	2,520	1,680	45.8800	4/01/2024			
	4,780	2,390	50.7500	3/02/2025			
	2,470	4,940	49.6500	3/01/2026			
	—	5,180	69.6000	3/01/2027			
James Kimball	—	4,000	69.5000	10/16/2027	3/01/2017	2,000	136,000
Tani Girton	8,800	2,200	40.7300	8/29/2023	8/29/2013	800	54,400
	1,920	960	50.7500	3/02/2025	3/02/2015	1,090	74,120
	983	1,967	49.6500	3/01/2026	3/01/2016	1,487	101,116
	—	2,050	69.6000	3/01/2027	3/01/2017	1,420	96,560
Peter Pelham	2,300		28.7500	5/01/2018	4/01/2013	85	5,780
	4,000		22.2500	4/01/2019	4/01/2014	180	12,240
	1,750		33.1000	4/01/2020	3/02/2015	990	67,320
	1,650		38.0000	4/01/2021	3/01/2016	1,330	90,440
	2,650	—	38.1800	4/02/2022	3/01/2017	1,230	83,640
	1,280	320	39.3500	4/01/2023			
	930	620	45.8800	4/01/2024			
	1,733	867	50.7500	3/02/2025			
	880	1,760	49.6500	3/01/2026			
	—	1,760	69.6000	3/01/2027			
Elizabeth Reizman	400		28.7500	5/01/2018	4/01/2013	55	3,740
	700		22.2500	4/01/2019	4/01/2014	180	12,240
	700		33.1000	4/01/2020	3/02/2015	990	67,320
	700		38.0000	4/01/2021	3/01/2016	1,377	93,636
	1,100	—	38.1800	4/02/2022	3/01/2017	1,280	87,040
	560	140	39.3500	4/01/2023			

	930	620	45.8800	4/01/2024			
	1,733	867	50.7500	3/02/2025			
	916	1,834	49.6500	3/01/2026			
	—	1,850	69.6000	3/01/2027			
Tim Myers	80		28.7500	5/01/2018	4/01/2013	45	3,060
	140		22.2500	4/01/2019	4/01/2014	120	8,160
	120		33.1000	4/01/2020	3/02/2015	740	50,320
	275		38.0000	4/01/2021	3/01/2016	1,350	91,800
	500	—	38.1800	4/02/2022	3/01/2017	1,290	87,720
	240	60	39.3500	4/01/2023			
	390	260	45.8800	4/01/2024			
	993	497	50.7500	3/02/2025			

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(1) The stock option awards granted through 2014 vest 20% per year beginning on the first anniversary of the grant date. The stock option awards granted in 2015, 2016 and 2017 vest by approximately 33% on each anniversary of the grant date for three years.
(2) The restricted stock awards granted through 2014 vest in five equal increments on the first five anniversaries of the grant date and pay dividend equivalents. The restricted stock awards granted in 2015, 2016 and 2017 vest by approximately 33% on each anniversary of the grant date for three years. The performance-based stock awards are contingent upon the achievement of pre-established long-term performance goals. Performance is measured over a three-year period and cliff vested.
(3) The market value of the restricted stock awards that have not vested was determined by multiplying the closing market price of the Company's Common stock on December 31, 2017 ($68.00) by the number of restricted shares

Option Exercises and Stock Vested

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($) (1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($) (2)
Russell A. Colombo	1,200	40,344	350	22,523
	4,800	161,376	220	14,157
	—	—	762	52,883
	—	—	240	15,444
	—	—	577	39,640
			360	25,056
James Kimball			—	—
Tani Girton			800	51,920
			230	15,801
			143	9,953
Peter Pelham			140	9,009
			85	5,470
			90	5,792
			210	14,427
			130	9,048
Elizabeth Reizman	1,500	50,430	90	5,792
			55	3,539
			90	5,792
			210	14,427
			133	9,257
Tim Myers			70	4,505
			45	2,896
			60	3,861
			180	12,366
			130	9,048

(1) The value realized on exercise is the difference between the closing price of the Company's Common Stock on the date of exercise and the exercise price of the options multiplied by the number of shares acquired on exercise.

(2) The value realized on vesting is the closing price of the Company’s Common Stock on the date of vesting multiplied by the number of shares vested.

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Supplemental Executive Retirement Plan

The Company has established a Supplemental Executive Retirement Plan (the "SERP" or the "Plan") covering officers in business lines of the Company with the title of Executive Vice President and above. The SERP is an unsecured non-qualified defined benefit plan that is unfunded and has no plan assets. Under the Plan, the participants' benefit payment is valued at 25% of his or her final salary. Most participants will be required to participate in the Plan for five years before vesting begins and after five years, the participant will vest ratable in the benefit over the remaining period until age 65. The payout duration for eligible employees will be a minimum of five years and a maximum of 15 years and each benefit contract is set up to provide one year of benefit payout per year of participation in the plan subject to the minimum and maximum durations.

See "Potential Payments upon Termination or Change of Control" herein for a description of the events that will result in payout of the benefit payment and the terms for each event under this Plan.

The following table shows the present value of the accumulated benefit payable to each of the Named Executive Officers that participate in the SERP as of December 31, 2017:

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)(1)	Payments During Last Fiscal Year ($)
Russell A. Colombo	Bank of Marin SERP	7	545,734	—
James Kimball	Bank of Marin SERP	—	—	—
Tani Girton	Bank of Marin SERP	5	201,467	—
Peter Pelham	Bank of Marin SERP	7	279,264	—
Elizabeth Reizman	Bank of Marin SERP	4	161,791	—
Tim Myers	Bank of Marin SERP	2	68,053	—

(1) The accumulated benefit obligation is determined by discounting the expected present value of the retirement payments at normal retirement age using a 6.00% discount rate, which is appropriate under generally accepted accounting principles.

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Nonqualified Deferred Compensation for 2017

The Nonqualified Deferred Compensation Plan is intended for a select group of employees of the Company who are in the highest salary band. Employees can defer up to 80% of base salary and up to 100% of bonus compensation into the plan. These are considered irrevocable elections and stay in place for the entire calendar year. The Company does not make any employer contributions to this plan, and employees are always 100% vested in their contributions. Named Executive Officers also make an election for distributions from the plan at termination.

The following table sets forth the plan contributions and earnings during 2016 and the aggregate balances at December 31, 2017:

Name	Executive Contributions in Last FY($)(1)	Registrants Contributions in Last FY($)	Aggregate Earnings in Last FY($)(1)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)(2)
Russell A. Colombo	46,184	—	58,510	—	1,616,169
James Kimball	—	—	—	—	—
Tani Girton	—	—	—	—	—
Peter Pelham	88,527	—	23,362	—	667,590
Elizabeth Reizman	36,970	—	5,061	—	156,960
Tim Myers	—	—	—	—	—

(1) These amounts reflect a portion of each executive's 2017 compensation, which is fully disclosed in the Summary Compensation Table of this proxy statement.
(2) These amounts reflect a portion of each executive's compensation previously reported in the Summary Compensation Table.

Potential Payments upon Termination or Change in Control

Set forth below is a description of the plans and agreements that could result in potential payments to the Named Executive Officers in the case of their termination of employment and/or a change in control.

Change in Control Agreements

Each Named Executive Officer has signed a Change in Control Agreement. The circumstances that would trigger payment(s) or the provision of other benefits, including perquisites and health care benefits under the Change in Control Agreement are: i) a Change in Control (defined in accordance with Section 409A of the Internal Revenue Code) followed by, ii) the occurrence within one year after the Change in Control of a subsequent "Good Reason," including:

- Without the executive’s express written consent, an adverse change in executive’s position or title, the assignment to the executive of any duties or responsibilities inconsistent with the executive’s position or removal of the executive from or any failure to re-elect the executive to any of such positions;
- A reduction of the executive’s base salary;
- A 20% or greater reduction in non-salary benefits;

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- Failure of the Company to obtain the assumption of the change in control agreement by any successor; or

- Requirement by the Company that the executive be based anywhere other than within 40 miles of the Company's current headquarters located in Novato, California.

Stock Options and Restricted Stock Awards

In the event of a change in control in which the Company is not the surviving corporation, unvested options and restricted stock awards immediately vest.

Supplemental Executive Retirement Plan

A participant whose employment terminates due to a change in control will be vested in 100% of the amount that the Company has accrued to that point to pay their retirement benefit. This accrued benefit will be paid out in a one-time payment.

Other Payments and Benefits

The Company shall pay to executive as severance pay (and without regard to the provisions of any benefit plan) in a lump sum on the fifth day following the date of termination, the average salary of the executive for the last three full years of service multiplied by executive's Seniority Factor (CEO 2.25 times; EVP 1.50 times), the executive's annual bonus for the previous year, and the executive's health premiums under COBRA for eighteen months and Dental/Vision premiums under COBRA for twelve months.

Estimated Total Benefits

The table below quantifies the estimated payments and benefits that would be provided to our Named Executive Officers in connection with the termination of his or her employment under the provisions of the Change in Control Agreements.

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In all cases, the information assumes that the triggering event occurred on the last day of fiscal year 2017, and the price per share of the Company's common stock is the closing market price as of that date (which was $68.00).

Named Executive	Value of Salary Component ($)	Value of Bonus Component ($)	Value of Benefits COBRA ($)	Value of Supplemental Retirement Benefit ($)	Incremental Market Value of Accelerated Restricted Stock Awards (1)($)	Incremental Market Value of Accelerated Stock Option Awards (2)($)	Total Estimated Payments and Benefits ($)
Russell A. Colombo	970,118	274,000	27,147	545,734	727,396	668,440	3,212,835
James Kimball	487,500	130,000	40,109	—	136,000	—	793,609
Tani Girton	383,825	93,500	53,527	201,467	326,196	348,636	1,407,151
Peter Pelham	334,281	76,500	29,982	279,264	259,420	242,556	1,222,003
Elizabeth Reizman	350,010	79,000	13,906	161,791	263,976	235,348	1,104,031
Tim Myers	348,931						