



# **BOSTON PRIVATE**

FINANCIAL HOLDINGS, INC.

## **Investor Presentation**

Clayton G. Deutsch  
CEO and President

David J. Kaye  
CFO

Q1 2011

# Forward Looking Statement

*This presentation contains financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company's management uses these non-GAAP measures in its analysis of the Company's performance. These measures typically adjust GAAP performance measures to exclude the effects of charges and expenses related to the consummation of mergers and acquisitions, as well as, excluding other significant gains or losses that are unusual in nature. Because these items and their impact on the Company's performance are difficult to predict, management believes that presentations of financial measures excluding the impact of these items provide useful supplemental information that is essential to a proper understanding of the operating results of the Company's core businesses. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures which may be presented by other companies.*

*Statements in this presentation that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties. These statements, which are based on certain assumptions and describe our future plans, strategies and expectations, include, among others, statements regarding our strategy, evaluations of future interest rate trends and liquidity, prospects for growth in assets, and prospects for overall results over the long term. You should not place undue reliance on our forward-looking statements. You should exercise caution in interpreting and relying on forward-looking statements because they are subject to significant risks, uncertainties and other factors which are, in some cases, beyond the Company's control. Forward-looking statements are based on the current assumptions and beliefs of management and are only expectations of future results. The Company's actual results could differ materially from those projected in the forward-looking statements as a result of, among other factors, changes in assumptions or unanticipated factors adversely affecting the timing, among other matters, of expenses or cost savings relating to or resulting from the consolidation of the Company's banking subsidiaries; adverse conditions in the capital and debt markets and the impact of such conditions on the Company's private banking, investment management and wealth advisory activities; changes in interest rates; competitive pressures from other financial institutions; the effects of a continuing deterioration in general economic conditions on a national basis or in the local markets in which the Company operates, including changes which adversely affect borrowers' ability to service and repay our loans; changes in loan defaults and charge-off rates; changes in the value of securities and other assets, adequacy of loan loss reserves, or deposit levels necessitating increased borrowing to fund loans and investments; increasing government regulation, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; the risk that goodwill and intangibles recorded in the Company's financial statements will become impaired; and risks related to the identification and implementation of acquisitions; changes in assumptions used in making such forward looking statements, as well as the other risks and uncertainties detailed in the Company's Annual Report on Form 10-K, as updated by the Company's Quarterly Reports on Form 10-Q; and other filings submitted to the Securities and Exchange Commission. The Company does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made.*

# Forward Looking Statement

Please note that the loan classifications are assessments made by the Company of the status of the loans based on the facts and circumstances known to the Company, including management judgment, at that time of assessment. Some or all of these classifications may change in the future if there are unexpected changes in the financial condition of the borrower, including but not limited to, changes resulting from continuing deterioration in general economic conditions on a national basis or in the local markets in which the Company operates adversely affecting, among other things, real estate values. Such conditions, as well as other changes which adversely affect borrowers' ability to service or repay loans, typically result in changes in loan default and charge-off rates, as well as increased provisions to loan loss reserves, which adversely affect financial performance and financial condition of companies such as Boston Private. These circumstances are not entirely foreseeable and as a result, may not be able to be accurately reflected in the Company's analysis of credit risk.

In particular, loans that form the category "Special Mention" are considered more variable than other categories, since they will typically migrate through categories more quickly.

# Agenda

1. Update on our credit situation
2. Update on our business initiatives
  - Appendix

# Credit Update

## What We Said in Q1 11

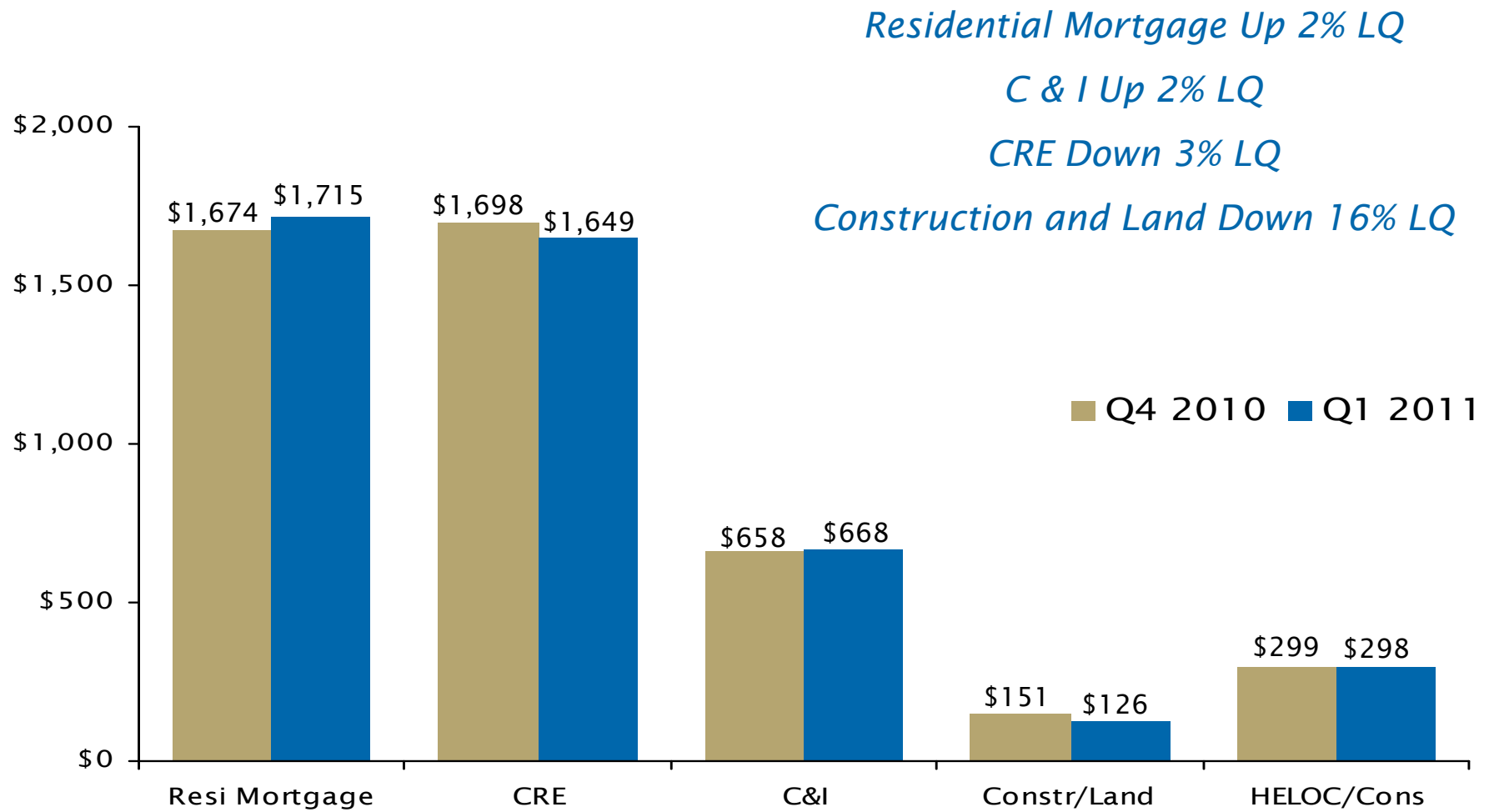
- Remix the balance sheet
- Drive down problem loans
- Derisk, control growth, and preserve capital

## What We've Done\*

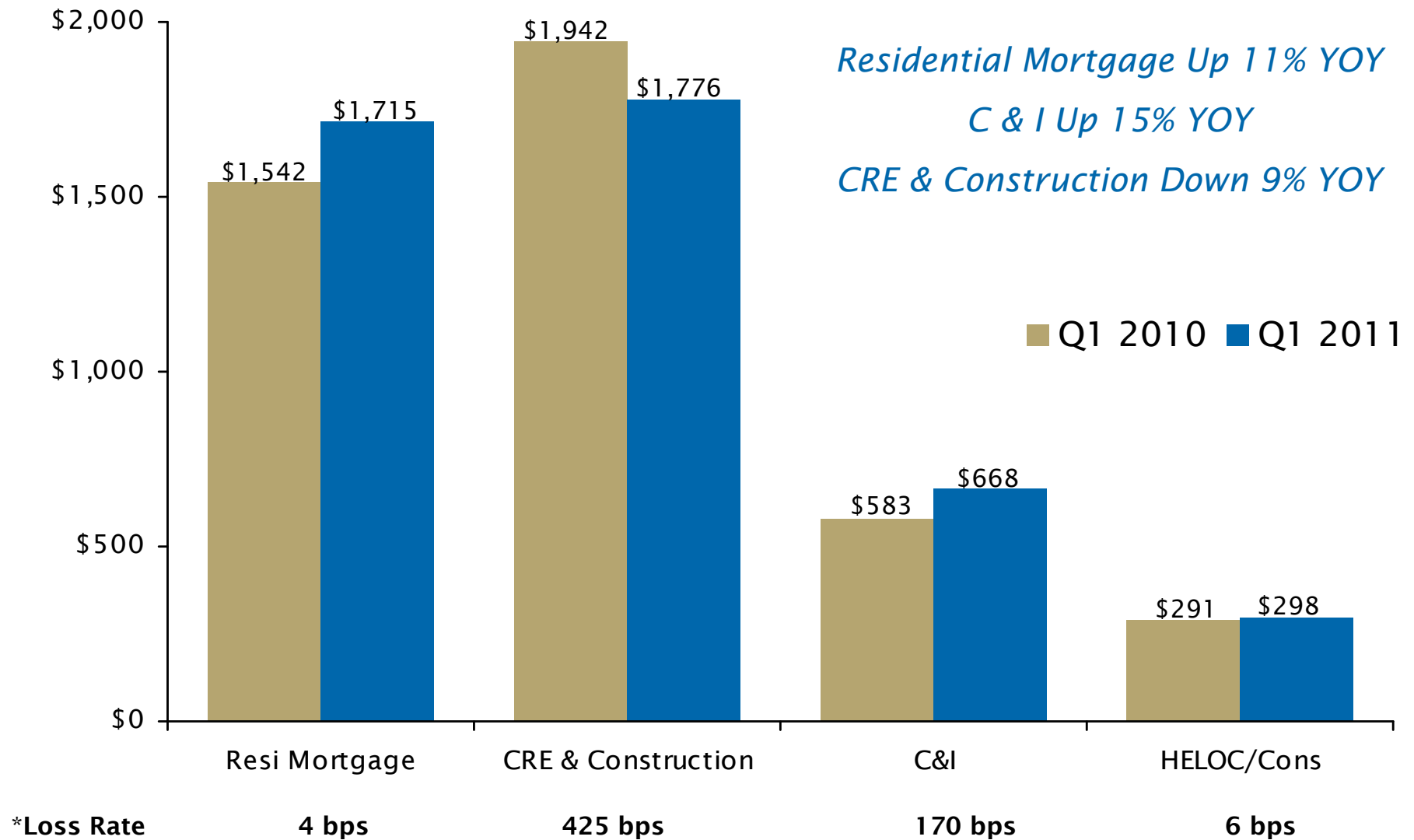
- Driving down CRE and Construction
- Steady growth in Residential Mortgage and C&I
- Resi Mortgage portfolio size now exceeds CRE
- Criticized Loans down 8%
- Significantly reduced rate of “new” problem loans
- TCE/TA up 30 bps to 6.62%

*\*Linked quarter basis*

# Restructuring Our Balance Sheet – Linked Quarter



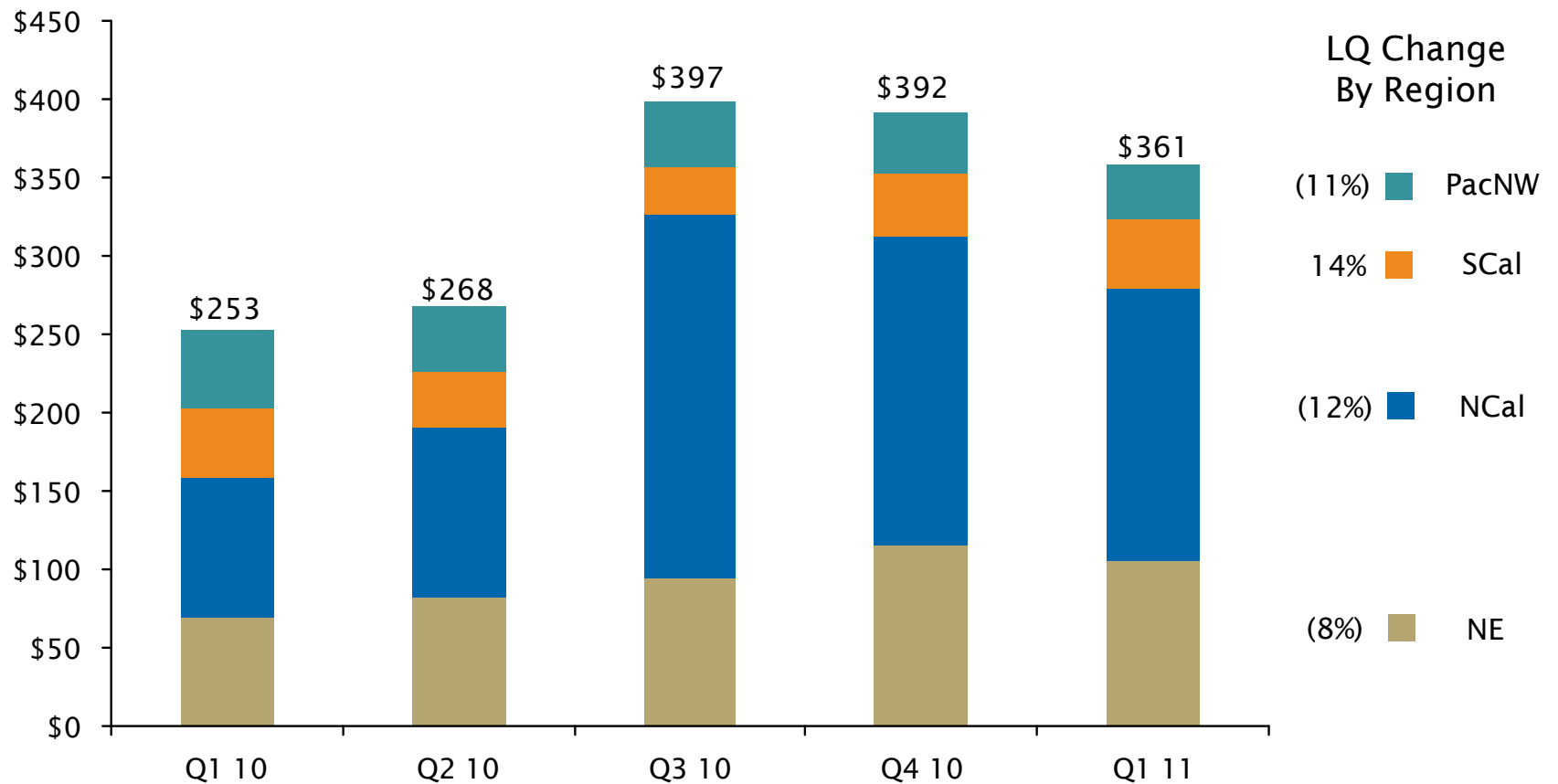
# Restructuring Our Balance Sheet - YOY



\*Average from 2008-Q1 11

# Criticized Loans By Region (Classified + Special Mention)

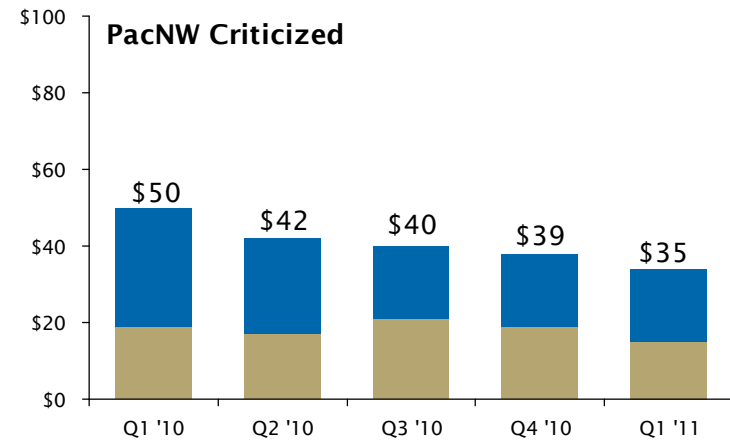
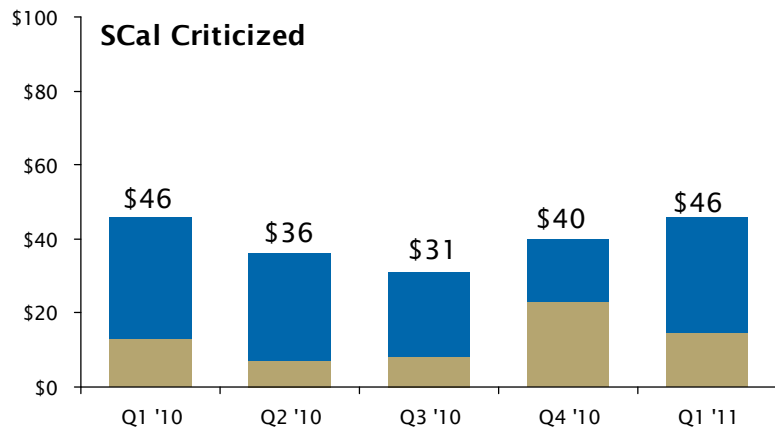
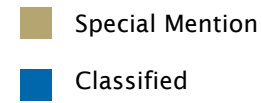
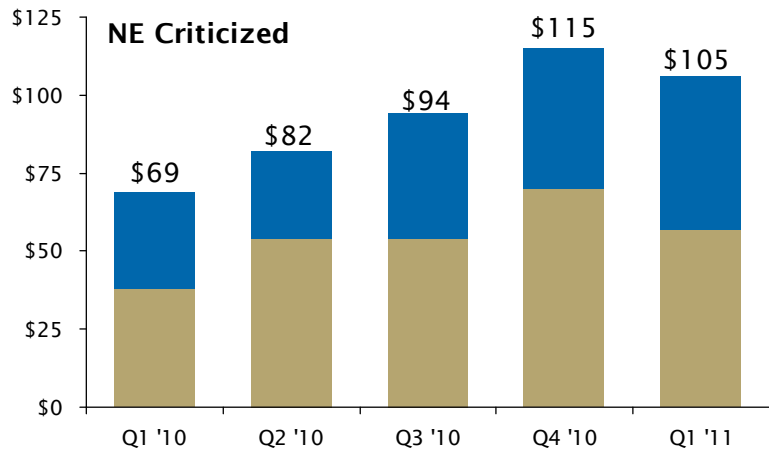
*Criticized Loans declined 8% linked quarter*



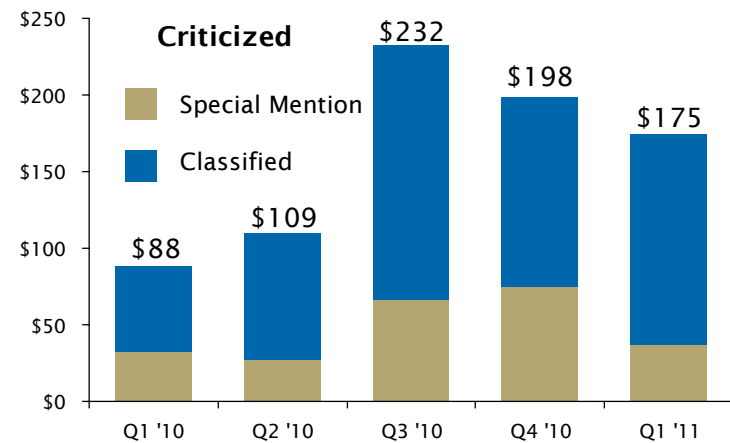
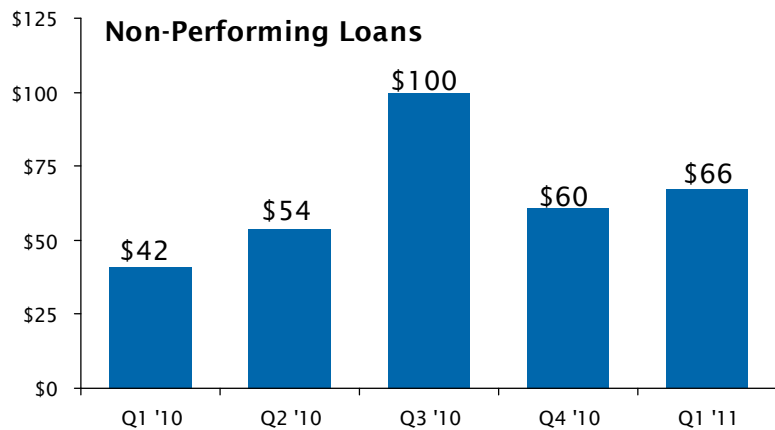
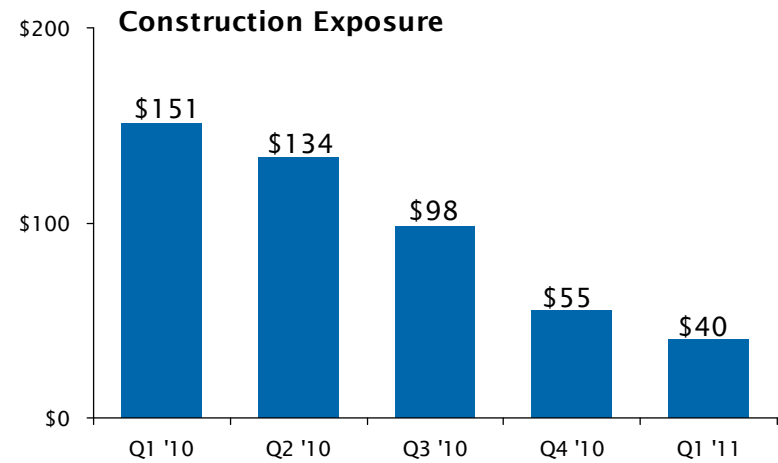
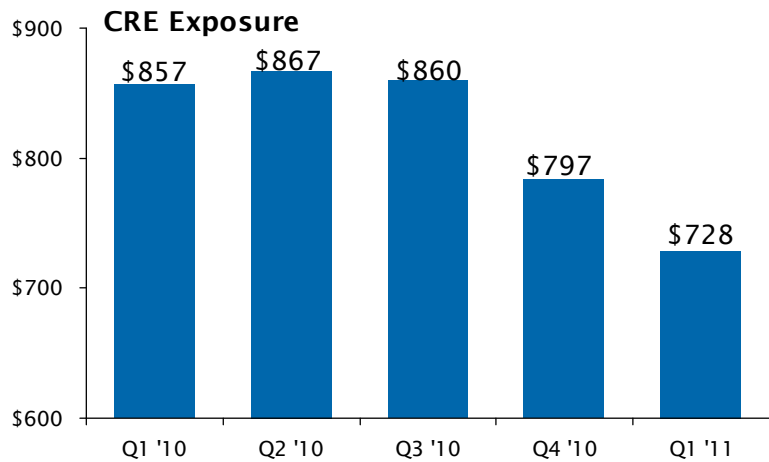
*\*Special Mention is a "Pass Rated" loan but is used as a transitory category with higher volatility*



# Criticized Loans: NE, SCal and PacNW

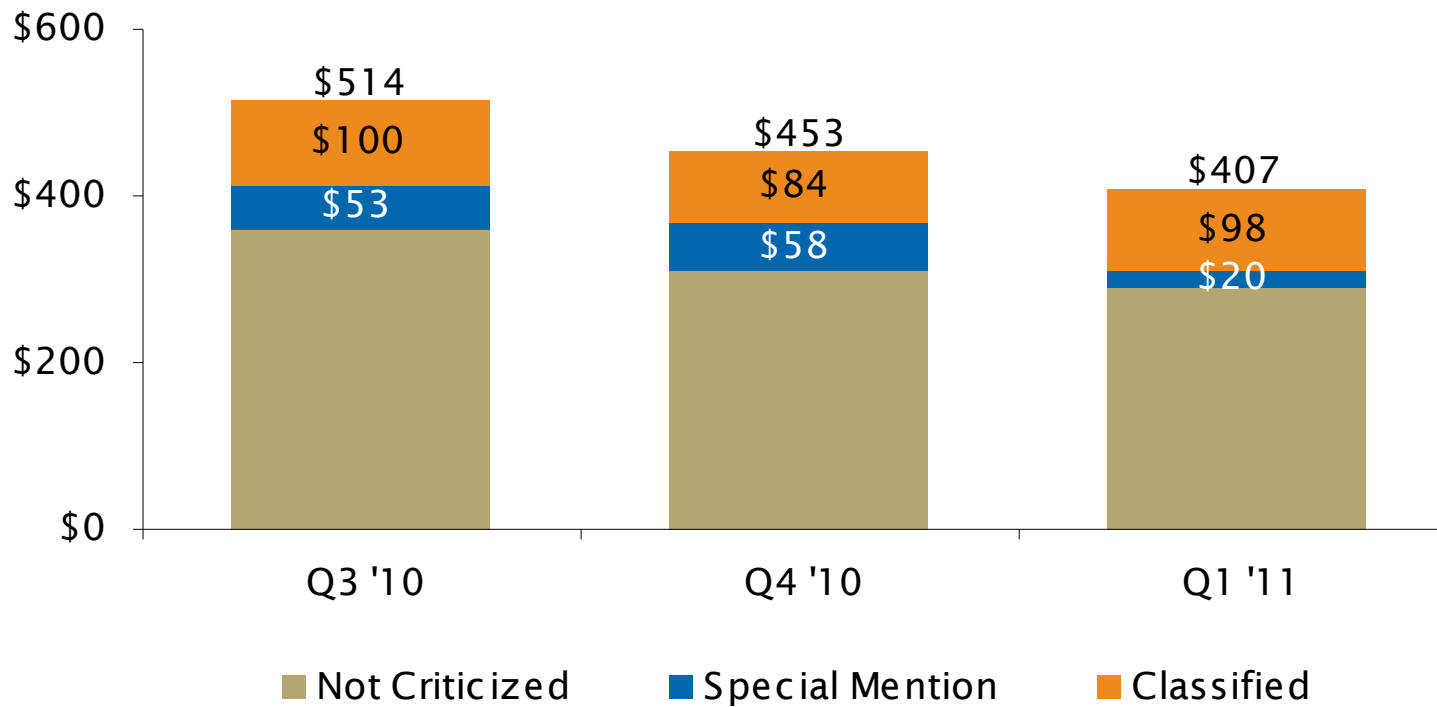


# Northern California Credit Metrics

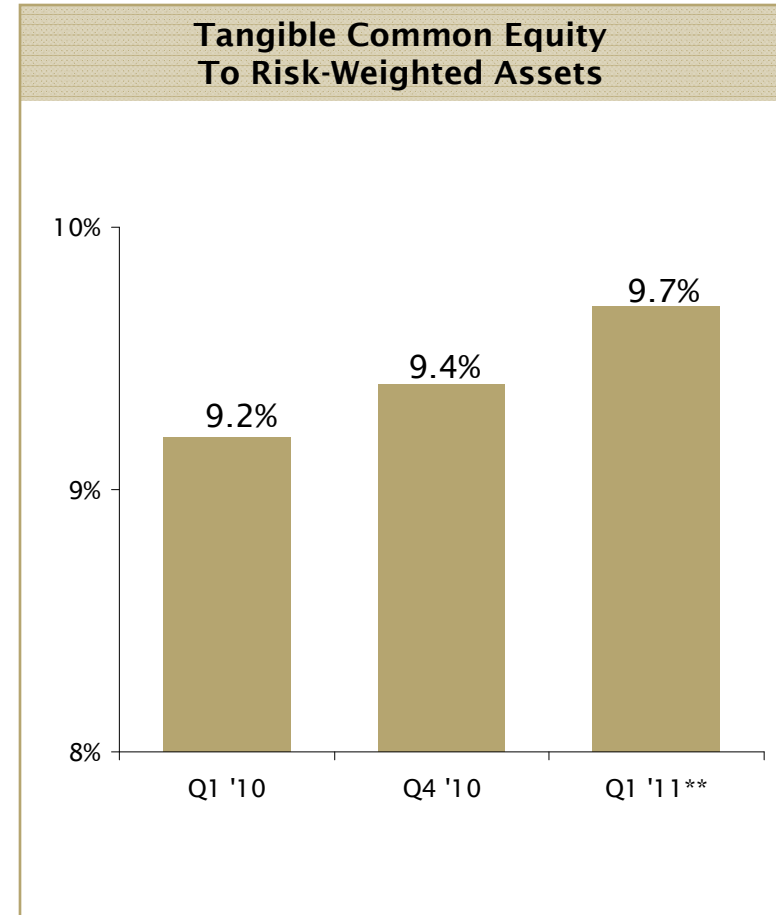
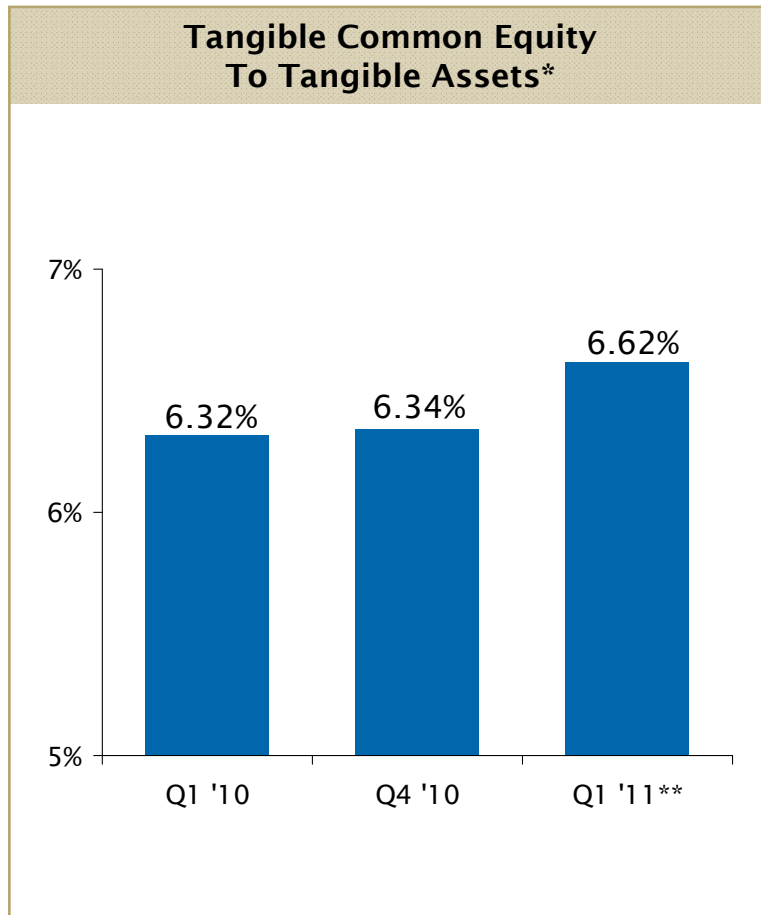


# Northern California CRE By Vintage (2006-2008 Only)

*Loans underwritten during 06-08 represent 34% of Northern California's loan portfolio and 67% of its Criticized Loans*



# Strong Capital Position



\*Includes Carlyle Preferreds and the redeemable non-controlling interest  
\*\*Pro forma

# Private Banking Update

## What We Said Q1 11

- Filed for regulatory approval of our bank merger
- Developed and rolling out target operating model and organizational structure
- Anticipate total transition costs of \$6M-\$7M to realize \$12M in savings by mid-year 2012

## What We've Done

- Received approval March 31; expect charter consolidation to be completed in Q2 11
- Completed organization design work several months ahead of schedule
  - All departing personnel notified and in transition process; departures staged through '11 and early '12
  - Business-building initiatives and associated hiring now underway
- Booked \$2M in restructuring costs; 30% of expected total

## Summary of Expected Benefits

- Levers distinctive, economically attractive, and deliverable product platforms across all markets
- Streamlines shared services
  - Better risk management
  - Efficiencies (cost savings 8-9%)
- Creates strong balance sheet, efficient capital base
  - Total Risk-Based Capital 12%+

# Private Banking Group Performance Highlights – Linked Quarter

(\$millions)	Q4 2010	Q1 2011	% Change	Results Driven By:
NII	\$47.4	\$45.5	(4%)	
Fees*	\$7.3	\$7.2	(1%)	Q4 included \$3.6M gain on sale of loans
<u>Other Revenue**</u>	<u>\$4.0</u>	<u>\$1.4</u>	<u>(65%)</u>	
<b>Total Revenue</b>	<b>\$58.7</b>	<b>\$54.1</b>	<b>(8%)</b>	
Operating Expenses	\$41.1	\$37.4	(9%)	
Restructuring	--	\$0.9	NM	Severance charges
<b><u>Total Expenses</u></b>	<b><u>\$41.1</u></b>	<b><u>\$38.3</u></b>	<b><u>(7%)</u></b>	
<b>PTPP***</b>	<b>\$17.6</b>	<b>\$15.8</b>	<b>(10%)</b>	
<u>Provision</u>	<u>\$32.6</u>	<u>\$13.4</u>	<u>(59%)</u>	Provision decline driven by NCal
<b>Pre-Tax Loss/Income</b>	<b>(\$15.0)</b>	<b>\$2.5</b>	<b>117%</b>	
Efficiency Ratio	70%	71%		

\*Includes IM&T fees and other private banking fees  
 \*\*Includes gain on sale of investments, loans and other  
 \*\*\*Pre-tax, pre-provision income

# Wealth Management Update

## What We Said Q1 10

- Improve performance of Wealth Advisors and Investment Managers
  - Demonstrate growth at or above market
  - Deliver operating leverage
  - Achieve threshold margins

## What We've Done

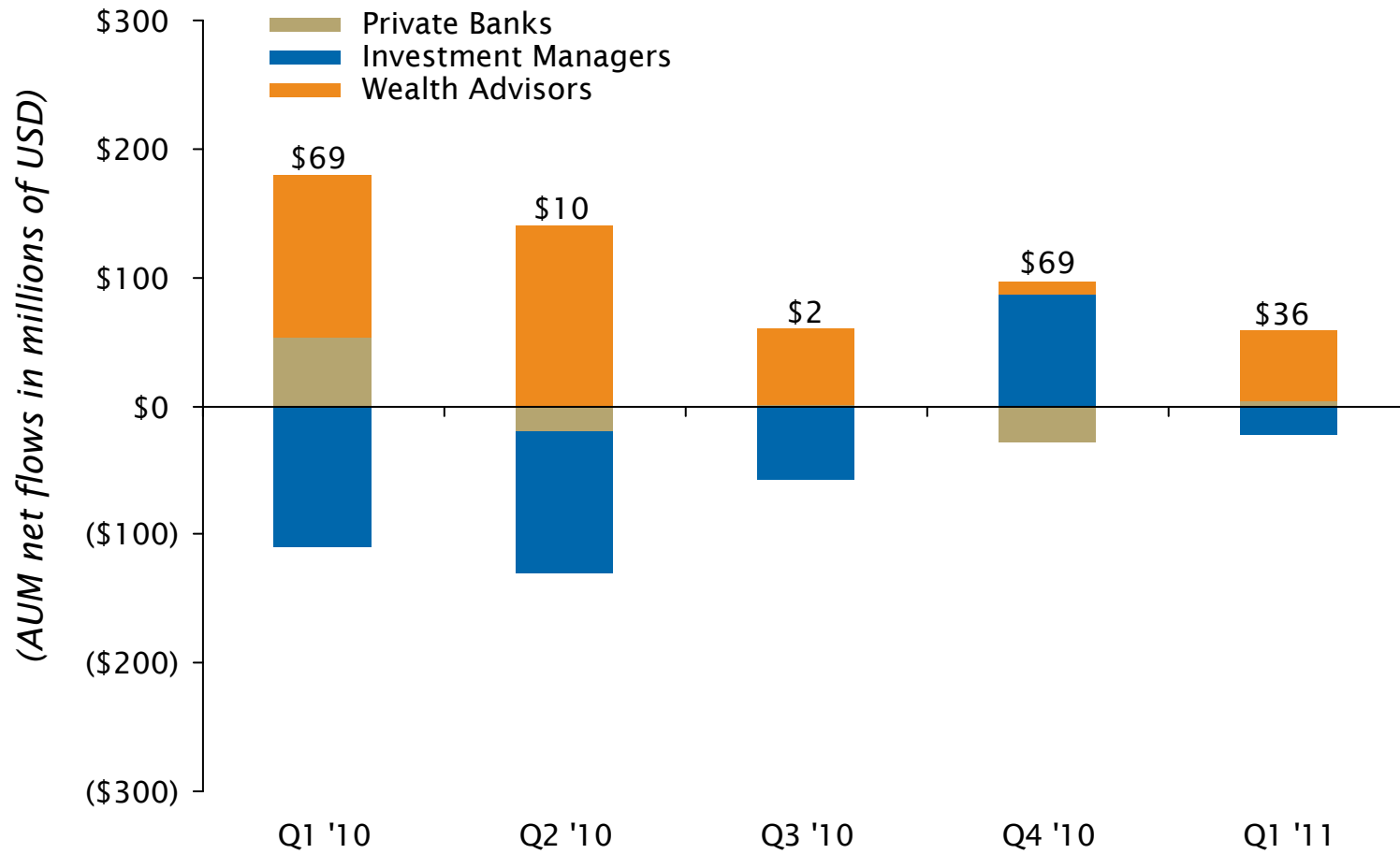
- AUM up 3% LQ
- Positive flows of \$36M
- All Wealth Management firms now focused on growth and client expansion



# Wealth Management Performance Highlights – Linked Quarter

<i>(\$millions)</i>	Q4 2010	Q1 2011	% Change	Results Driven By:
Inv Mgt Fees	\$9.7	\$10.1	5%	
Wealth Adv Fees	\$9.8	\$10.1	3%	
<b>Total Revenue</b>	<b>\$19.5</b>	<b>\$20.2</b>	<b>4%</b>	
<u>Operating Expenses</u>	<u>\$15.5</u>	<u>\$16.0</u>	<u>3%</u>	Positive operating leverage
<b>Pre-Tax Income</b>	<b>\$4.0</b>	<b>\$4.3</b>	<b>7%</b>	
EBITDA Margin	27%	27%	NM	
Pre-tax Margin	21%	21%	NM	
AUM (\$B)	\$16.0	\$16.5	3%	
Net Flows (\$M)	\$97	\$33	(66%)	

# AUM Net Flows



Excluding market changes and acquisitions

# Individual Affiliate Initiatives

Investment Management focus on:

- New markets (US, and ex-US)
- New channels (premier distribution-rich firms, RIA channel, family office channel)

Wealth Advisory focus on:

- Client acquisition initiatives, marketing and sales investments
- New markets, and market extension initiatives

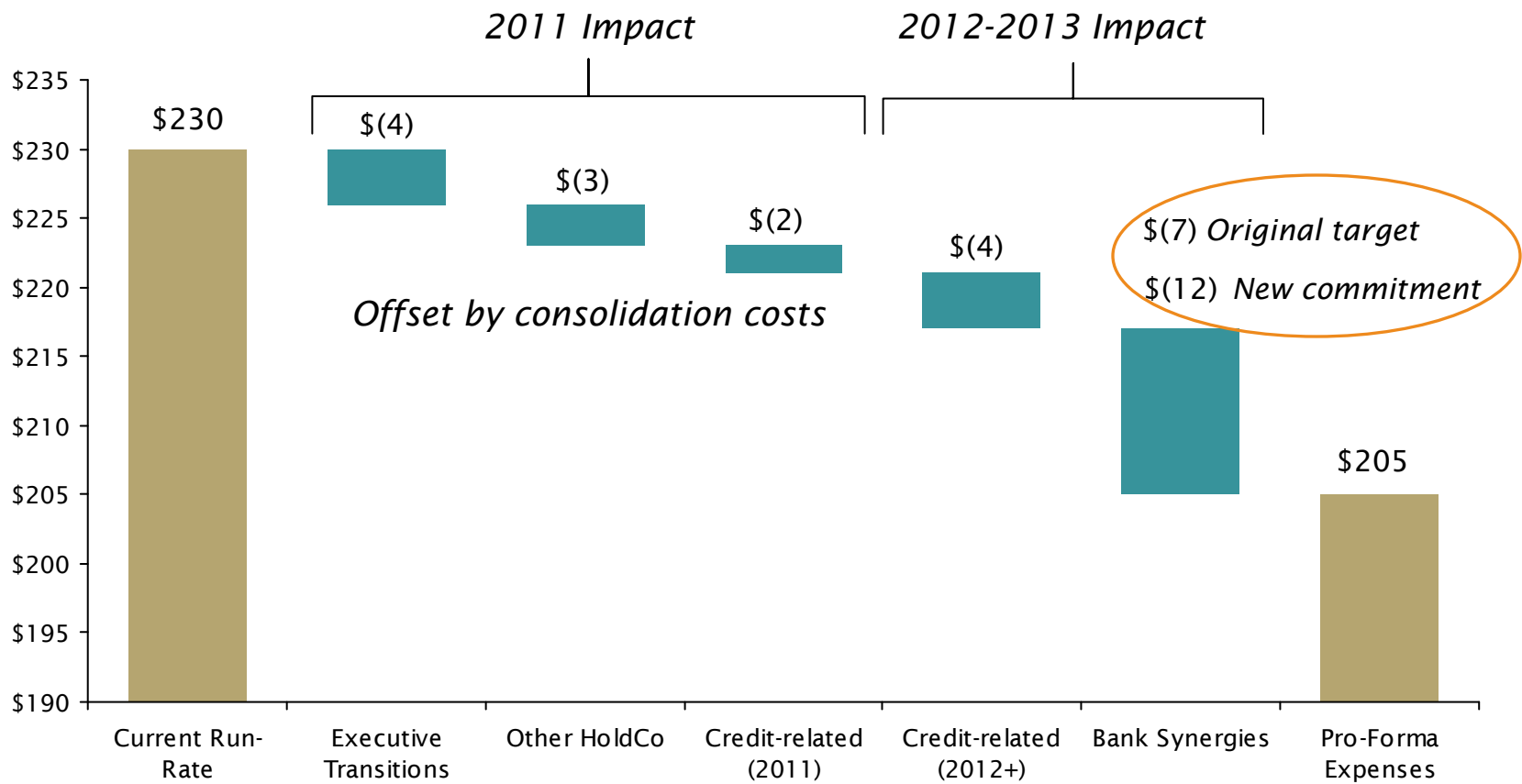


*All Wealth Management firms focused on growth in an increasingly positive environment*

# BPFH Cost Program

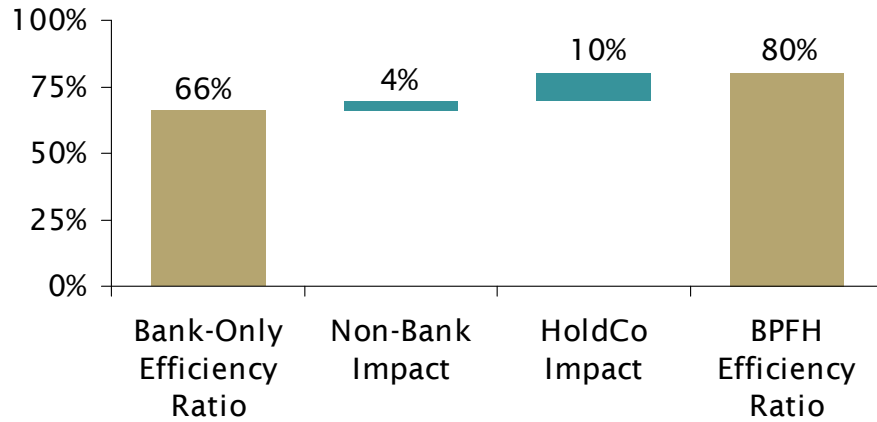
Previously announced \$20M target reduction becomes \$25M with bank consolidation

**BPFH \$25mm Cost Reduction Plan (in \$millions)**

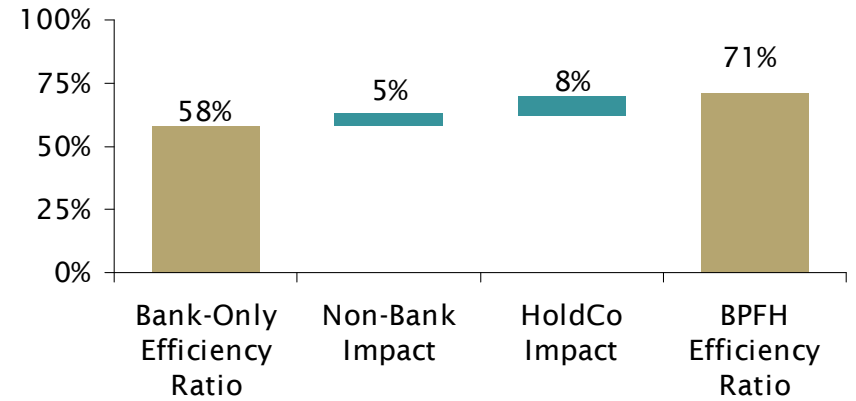


# BPFH Efficiency Ratio

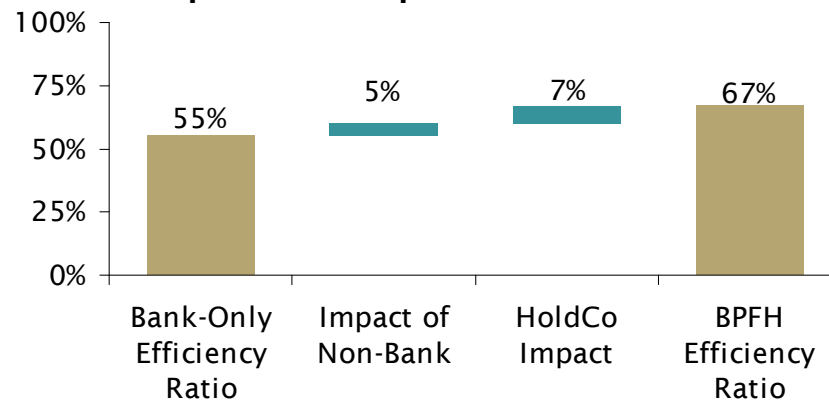
**BPFH Efficiency Ratio  
Current State**



**BPFH Efficiency Ratio  
Assumes no Revenue Growth but Expense Saves**



**BPFH Efficiency Ratio  
Expense Saves plus Revenue Growth**



# Appendix

## Our Loan Portfolio At A Glance

(\$millions)	NE	NCal	Scal	PacNw	Total
Resi Mortgage	\$1,197	\$306	\$161	\$51	\$1,715
HELOC/Cons	\$202	\$71	\$17	\$6	\$298
C&I	\$514	\$61	\$54	\$40	\$668
CRE	\$644	\$728	\$180	\$97	\$1,649
Constr/Land	\$72	\$40	\$2	\$12	\$126
<b>Total Loans</b>	<b>\$2,628</b>	<b>\$1,206</b>	<b>\$415</b>	<b>\$206</b>	<b>\$4,457</b>

### Portfolio Facts:

#### Resi Mortgage

38% of total portfolio  
50%+ '09-'10 Vintages  
NCOs of 5 bps

#### C&I

15% of total portfolio  
77% in NE  
NCOs of 27 bps

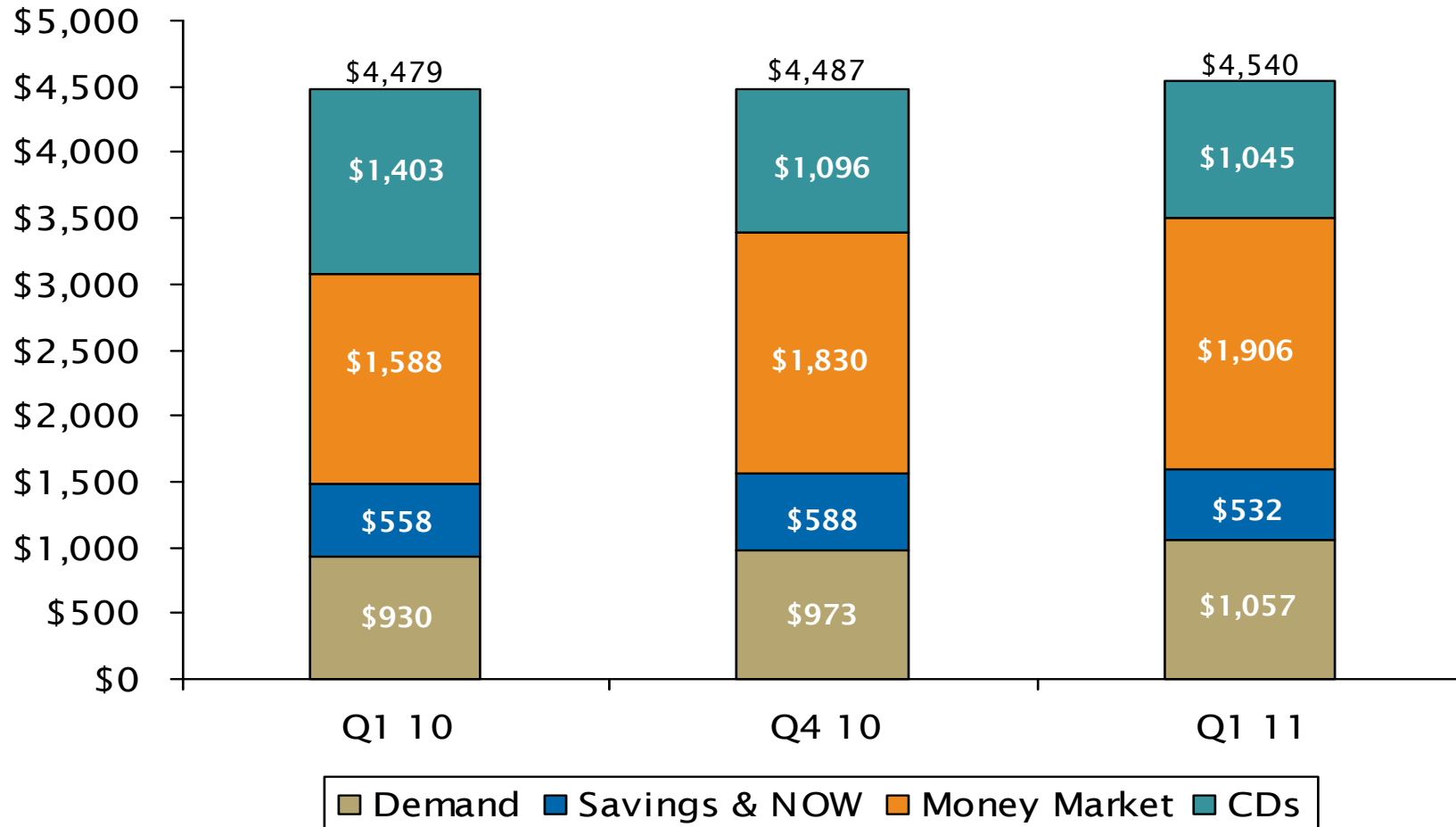
#### CRE/Construction

40% of total portfolio  
80% of criticized loans  
NCOs of 240bps

51% of Non-Accrual Loans  
are paying as agreed

\*Excludes eliminations and misc. non-bank loans

# Deposits





# Holding Company Costs – Linked Quarter

<i>(\$millions)</i>	Q4 2010	Q1 2011	% Change
NII	(\$2.5)	(\$1.8)	28%
<u>Other Revenue</u>	<u>\$0.6</u>	<u>\$1.3</u>	<u>116%</u>
<b>Total Revenue</b>	<b>(\$1.8)</b>	<b>(\$0.5)</b>	<b>74%</b>
Operating Expenses	\$6.5	\$6.4	--
Restructuring	--	\$1.1	--
<b>Total Expenses</b>	<b>\$6.5</b>	<b>\$7.5</b>	<b>15%</b>
<u>Westfield Payment*</u>	<u>\$2.5</u>	<u>\$3.0</u>	<u>20%</u>
<b>HoldCo Pre-Tax</b>	<b>(\$5.8)</b>	<b>(\$5.0)</b>	<b>14%</b>

## Results Driven By:

Includes gain on sale of Coldstream

\*12.5% revenue share through 2017, shown net of tax in Discontinued Operations



# **BOSTON PRIVATE**

FINANCIAL HOLDINGS, INC.

## **Investor Presentation**

Clayton G. Deutsch  
CEO and President

David J. Kaye  
CFO

Q1 2011