

BOSTON PRIVATE
FINANCIAL HOLDINGS, INC.

Managing BPFH for Performance and Differentiation

Clayton G. Deutsch, CEO and President

David J. Kaye, CFO

Mark D. Thompson, CEO, Boston Private Bank & Trust Company

November 2, 2011

Agenda

- I. Progress with our 24 month Restructuring Program
David Kaye

- II. Positioning our Company for Longer Term Success
Clay Deutsch and Mark Thompson

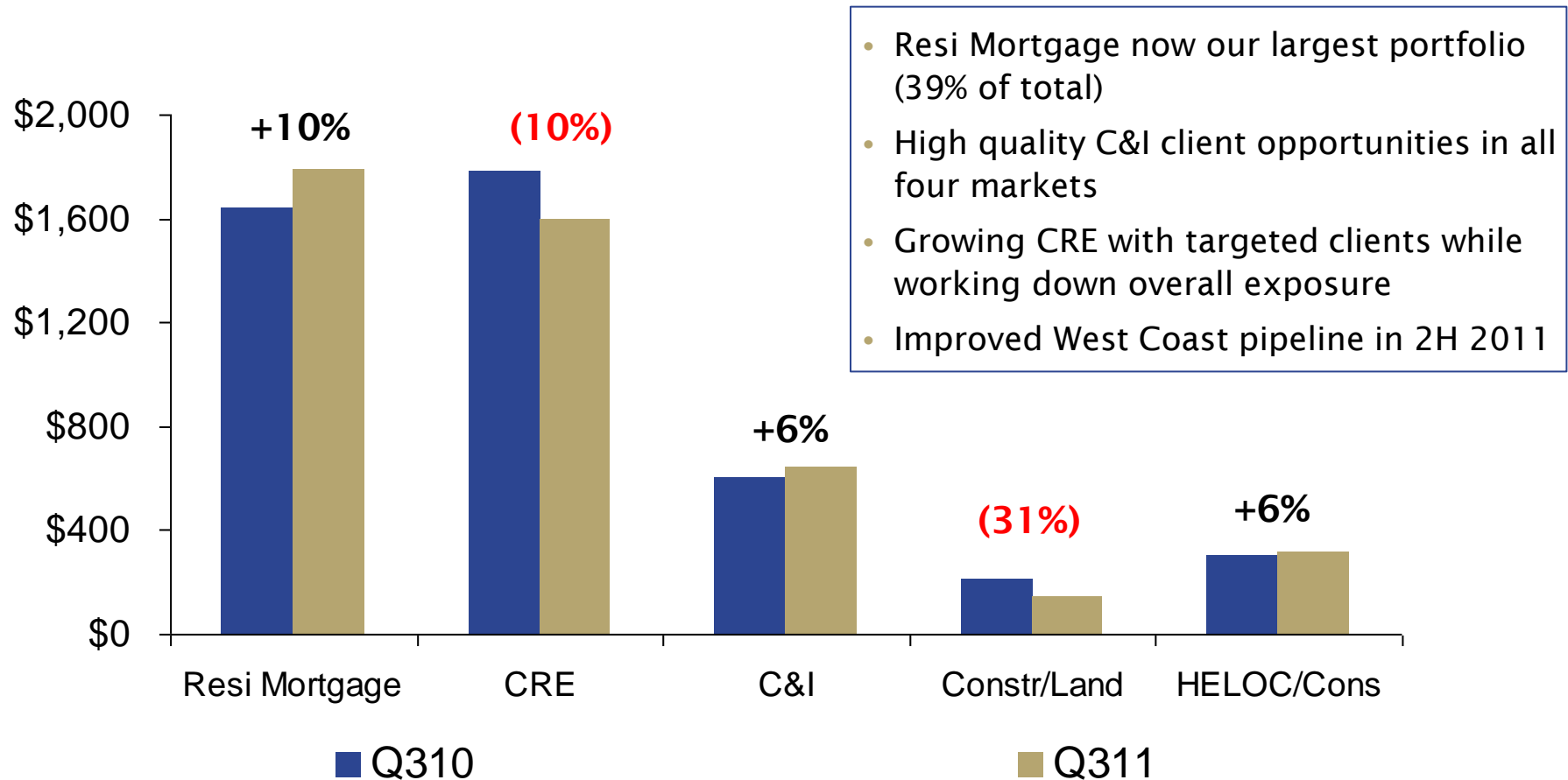
- III. Question and Answer

Our Restructuring Priorities

1. Re-weight toward Private Banking loan categories and client types
2. Reduce our risk profile
3. Improve our core business performance
4. Drive cost out of the Company
5. Accumulate capital

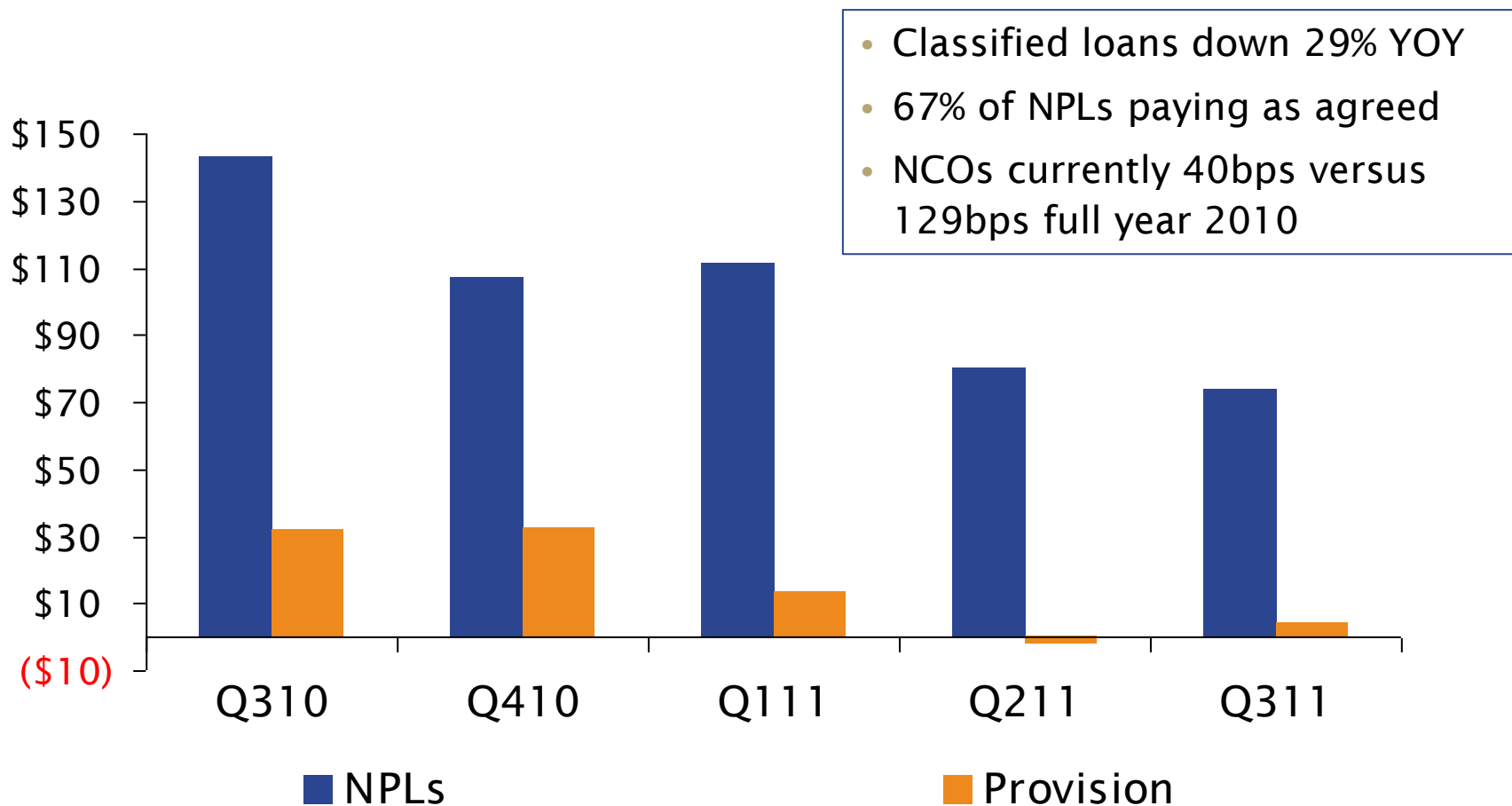
Loan Portfolio Re-Mix

Significant re-weight toward Residential and C&I, away from CRE and Construction



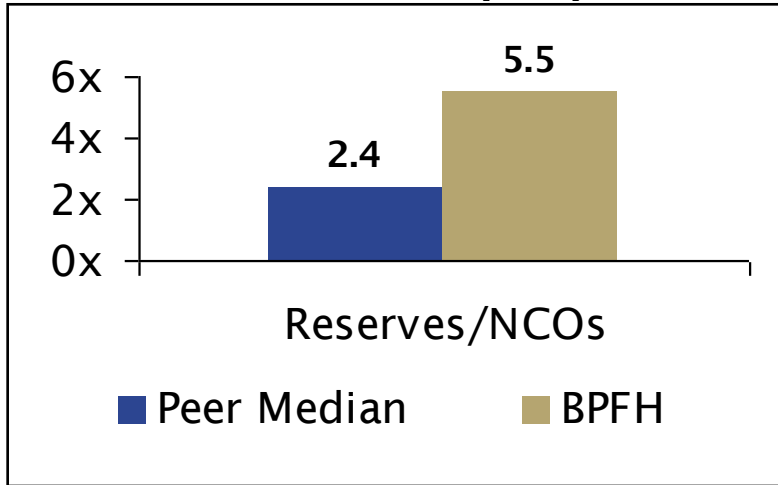
Improved Credit Quality

NPLs declined 49%, Provision down 85% since Q310

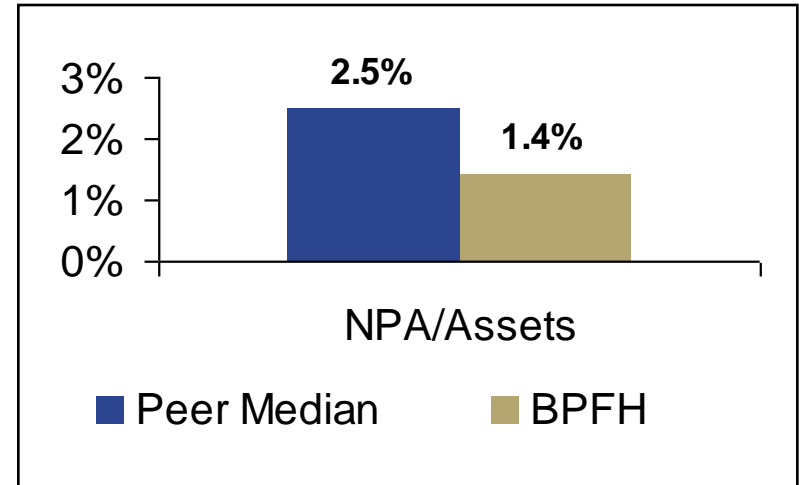


Key Quality Measures

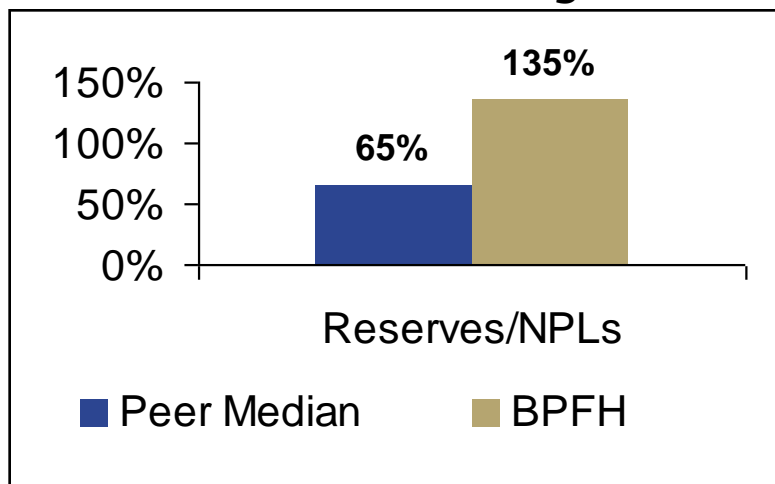
Reserve Adequacy



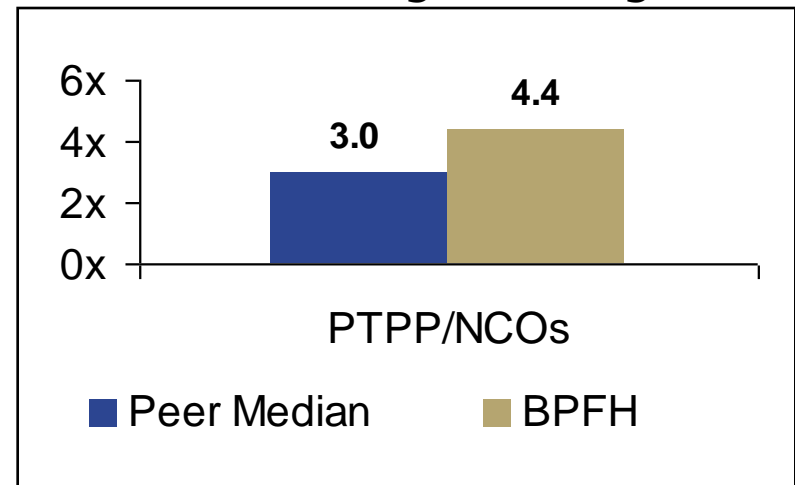
NPA Levels



Reserve Coverage



Core Earnings Coverage

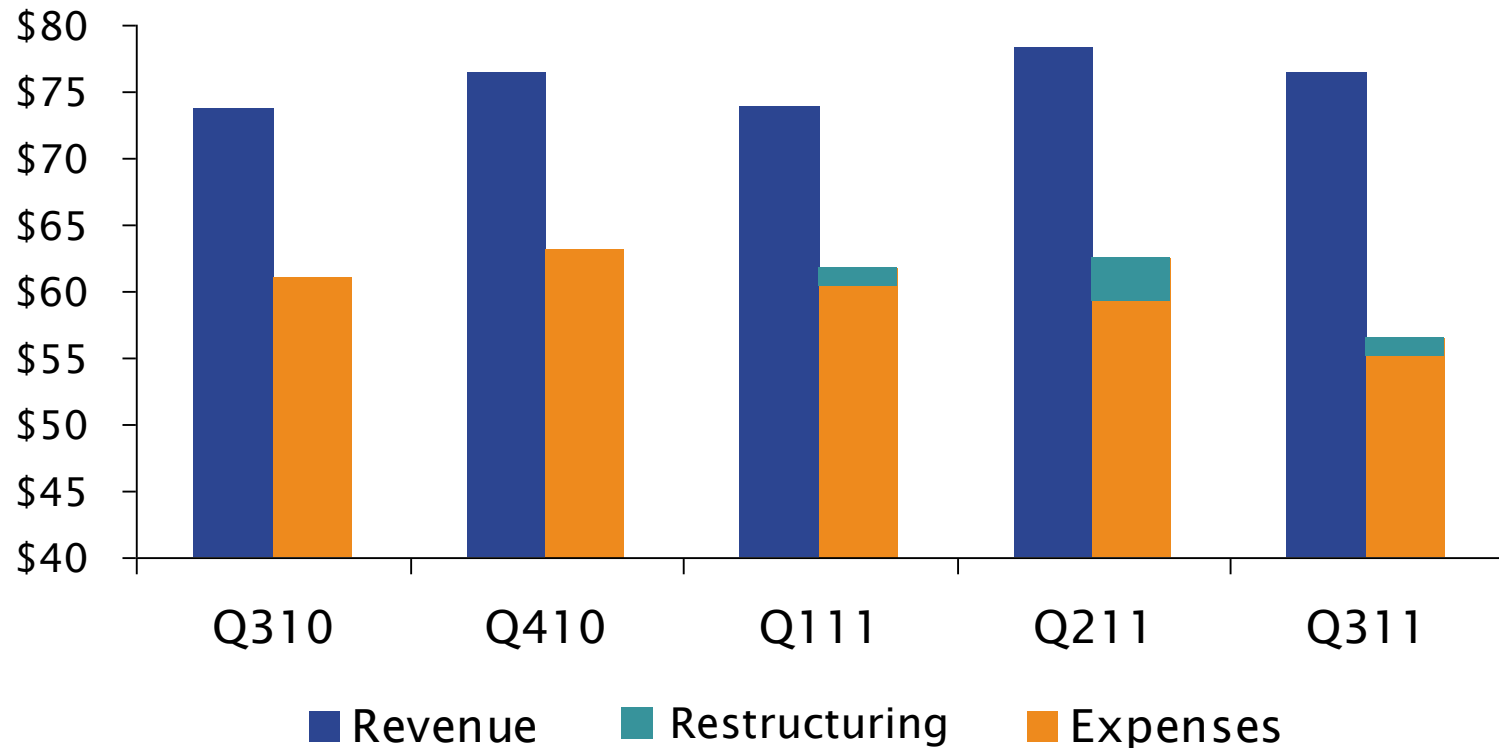


*Source: SNL, most recent quarter, Peer Group is \$2-\$20B

Top Line Growth with Expense Reductions

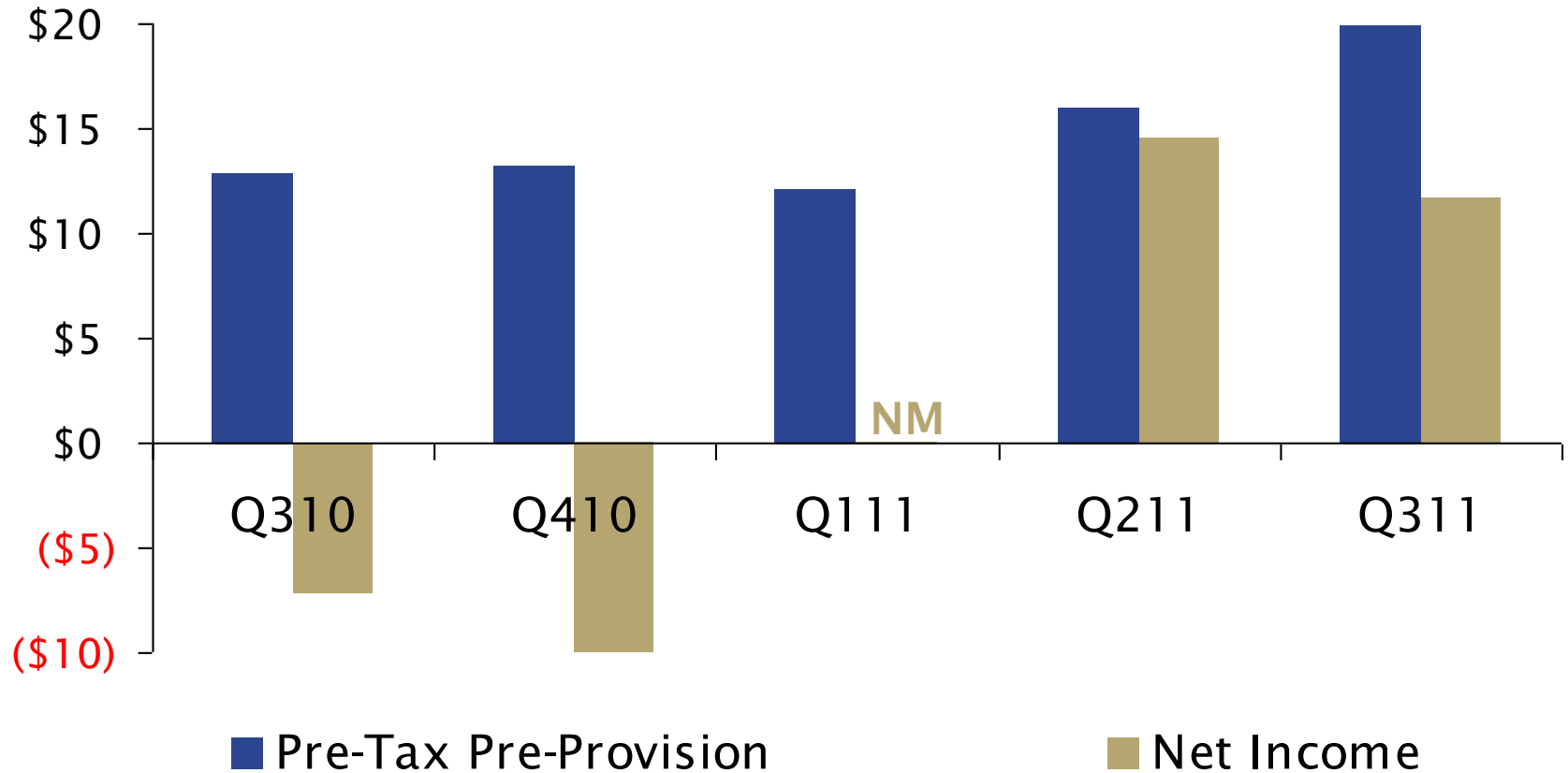
Revenue up 4% while Expenses down 7% since Q310

- NII down 3% YOY
- Fee-Based revenues up 9%



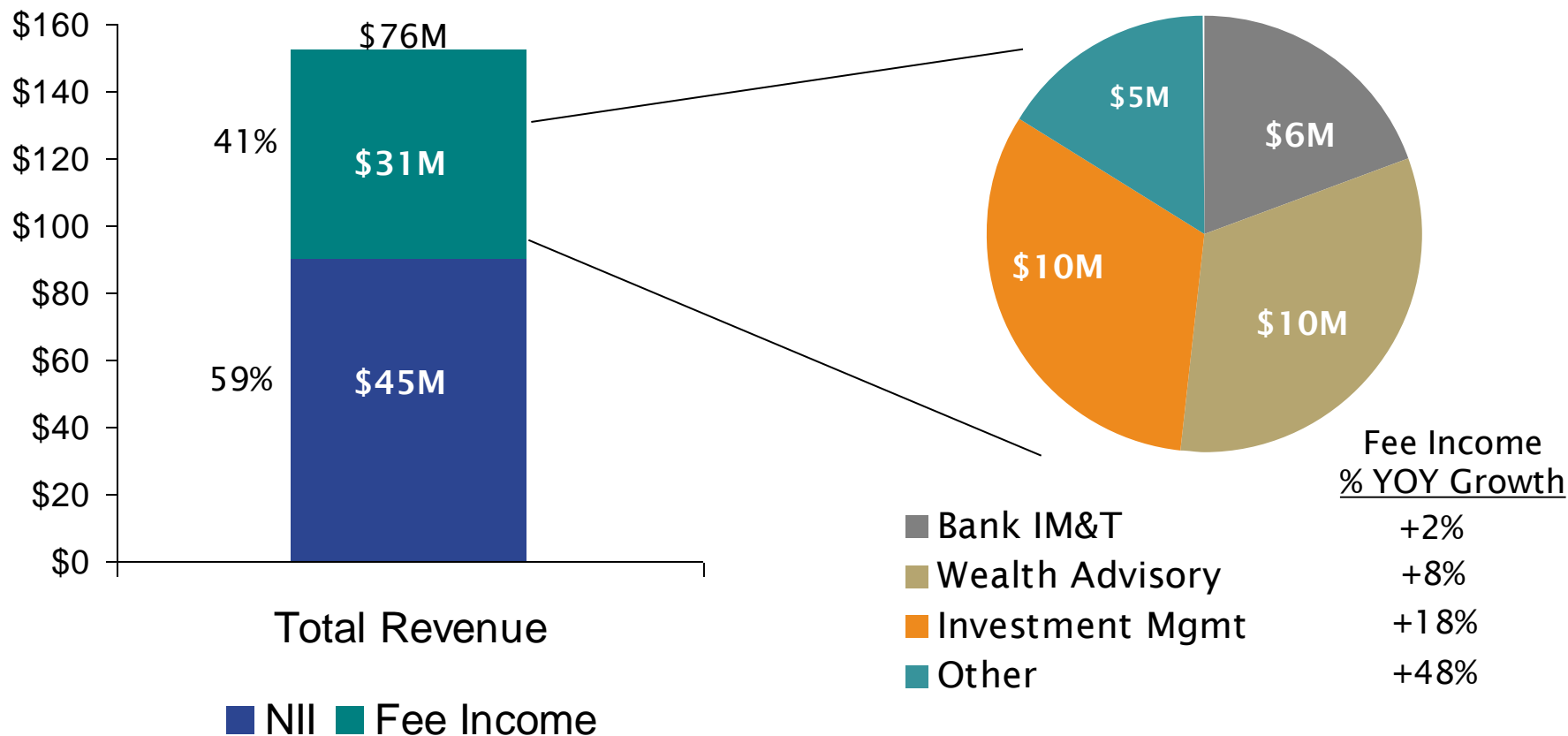
Core Earnings Greatly Improved

PTPP up 55% with solid Net Income the past 2 quarters



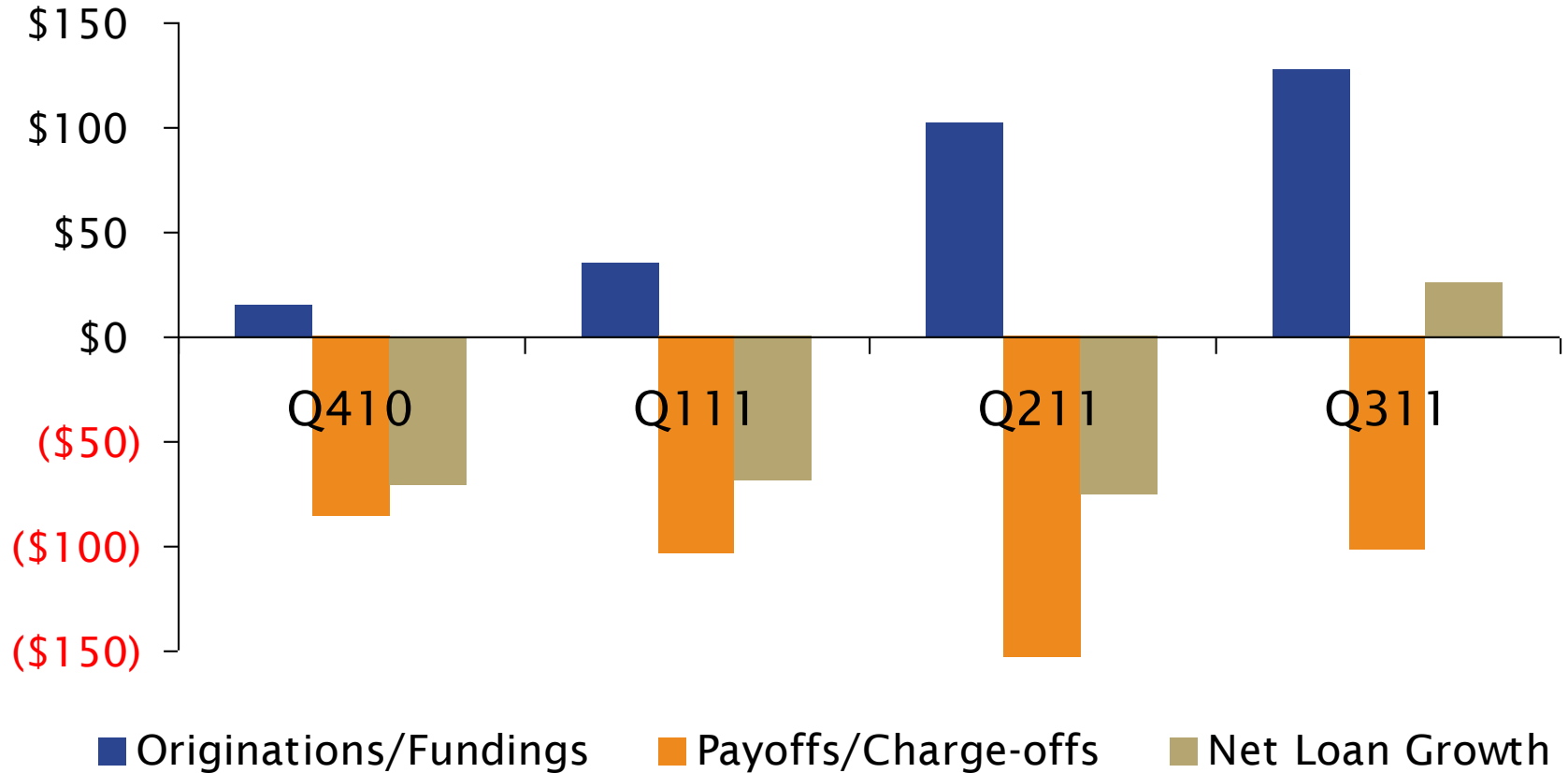
Core Business Strength: A Diverse Revenue Stream

Total Revenue up 4% year-over-year
 Fee-Based Revenue up 9% year-over-year



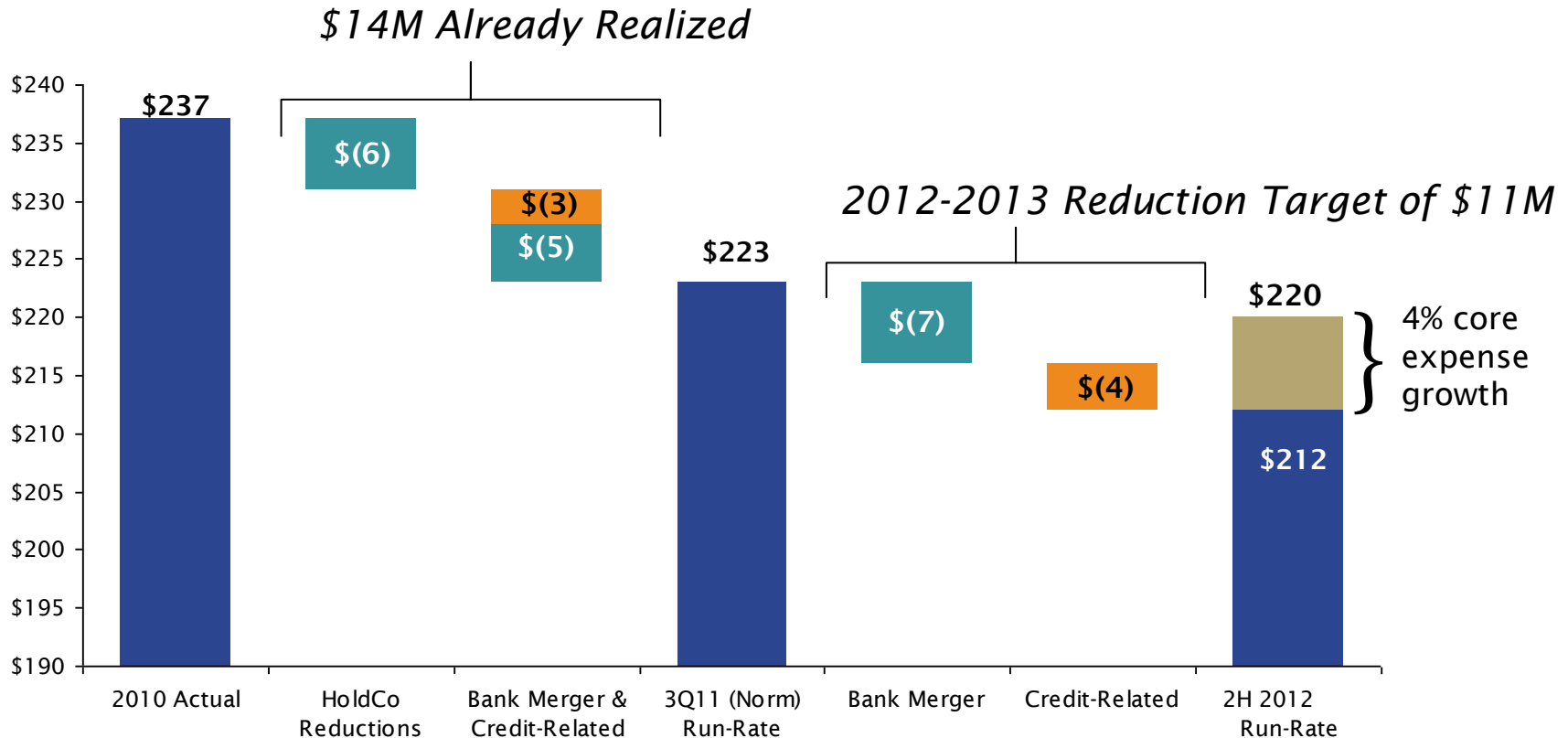
West Coast Commercial Loan Build

Improved production and a slow-down in payoffs have led to Q3 loan growth for CRE and C&I



\$25M Cost Reduction Program Gaining Traction

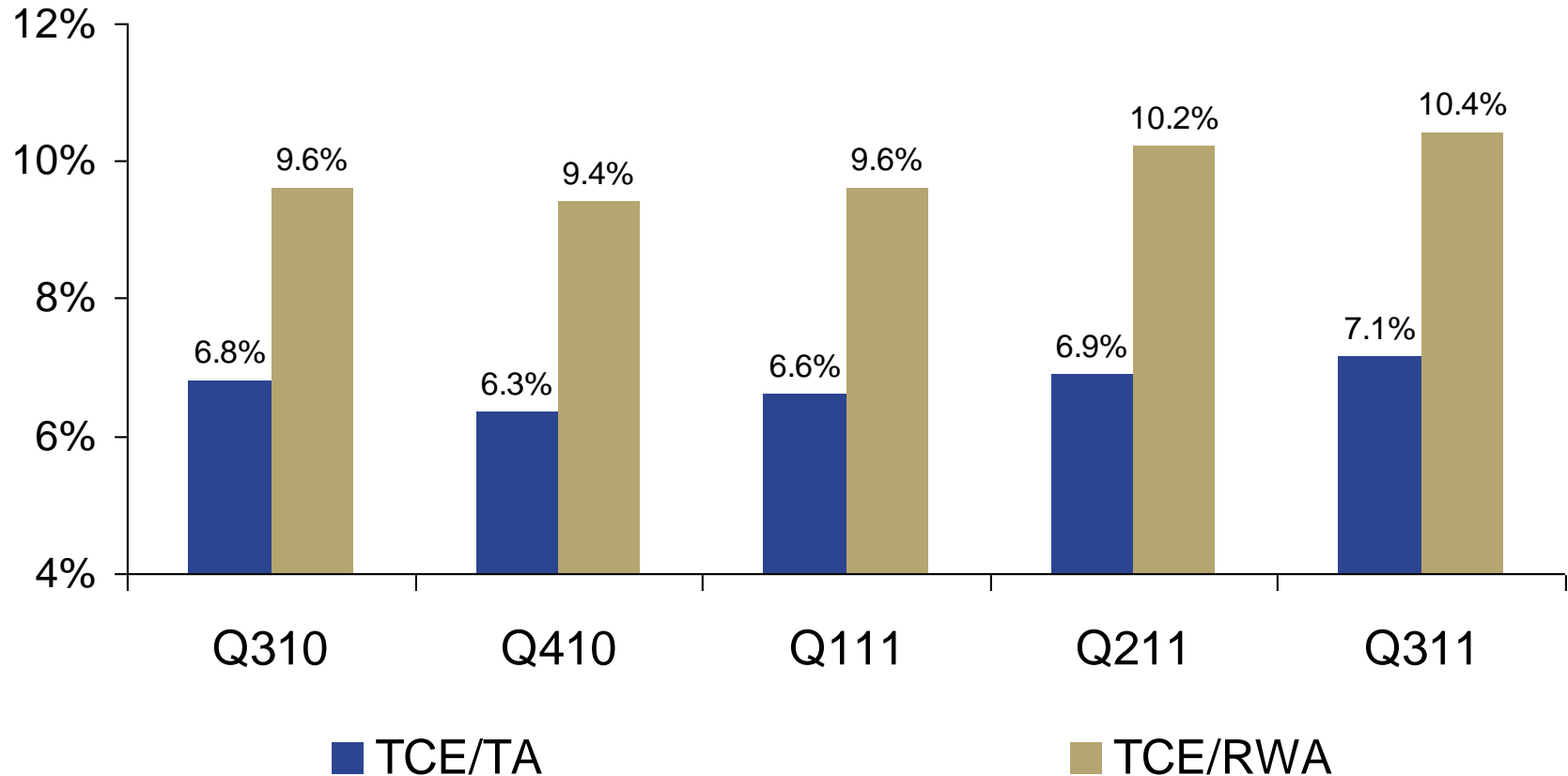
Efficiency Ratio down to 72% in Q311 from 81% in Q310



*Assumes current revenue run-rate

Capital Base Strengthened

Added 30bps to TCE/TA, 80bps to TCE/RWA since Q310



Summary of Restructuring Efforts to Date

12 months into a 24 month restructuring program, BPFH is in a much stronger position given our:

- **Reduced Risk Profile**
 - Asset quality improvements
 - Better balanced loan portfolio
- **Enhanced Earnings Power**
 - PTPP up 55% due to revenue strength, expense cuts
 - Expense management across the Company with \$14M realized and \$11M remaining versus \$25M target
 - Early signs of merger benefits in West Coast growth
- **Capital Build**
 - Steady growth of common equity ratios
 - Plan to continue capital accumulation into 2012

Near Term Focus Going Forward

- 1. Continue To Drive Credit Quality Improvements**
- 2. Flawlessly Execute The Bank Merger**
 - All consolidations/conversions complete in 1H 2012
 - Finish the cost reduction program
- 3. Efficiently Grow The Overall Business**
 - Carefully manage the expansion of our loan book with high-quality, relationship-based lending
 - Invest in fee-based revenue streams
- 4. Demonstrate Progress Toward 12% ROE Target**
 - Q3 2011: 8.6% ROE
 - Goal of target run-rate by late 2012

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Our Intent: Build a Company That is Purpose-Built To Win With Private Clients

- Private client-centered
 - Tight definition of target clients
 - Clear differentiation from the industry and most peers
- Weighted toward a greater mix of wealth management businesses and other fee generating activities, while leveraging core private banking skills
 - Higher return profile with a lighter capital need
 - Balance of fee-generating and spread-generating activities
- Less atomized and more integrated overall
 - More fully satisfying client needs
 - Adding more ownership value to our Affiliates

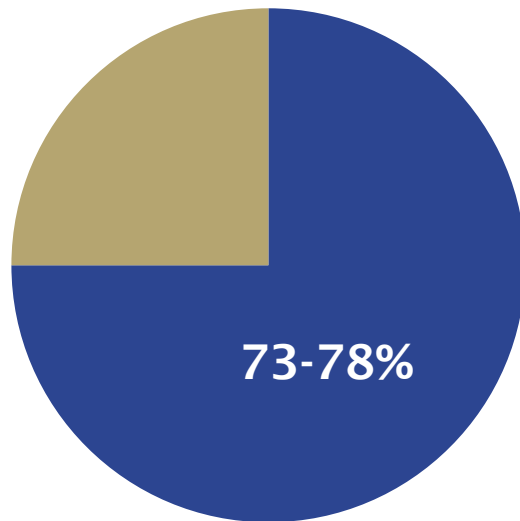
Our Business Model

The business model we have chosen to pursue our private client strategy includes:

1. A **unified and focused Private Bank**, delivering four essential private client services across our markets under the Boston Private banner
2. High integrity, highly competent, independent **wealth advice**, delivered to our private clients
3. High performance **investment management** delivered on a proprietary basis to a defined set of clients

What Private Clients Want

Percent of \$3-\$30 million clients placing a high value on wealth advice/investment management and private banking products



Hierarchy of **most highly valued products** for private clients

1. Wealth advice/investment management
2. Specific investment options
3. Customized lending
4. Retirement management, 401K rollover
5. Deposits and banking products

Source: McKinsey & Company

Targeted Private Client Segments

High Net Worth Individuals

- Entrepreneurs
- Executives
- Family Wealth
- Baby Boomers/Retirees

Privately Held Businesses

- C&I (preferred industries)
- Professional Service Firms

Private Partnerships

- Venture Capital
- Hedge Funds
- Private Equity
- Real Estate Inv/Dev

Non-Profits

- Educational
- Foundations/Endowments
- Health & Human Services

\$3 - \$50 million of financial assets

- “Sweet spot” is \$3 - \$30 million
- Selection factors favor us

Appeal of targeted segments includes:

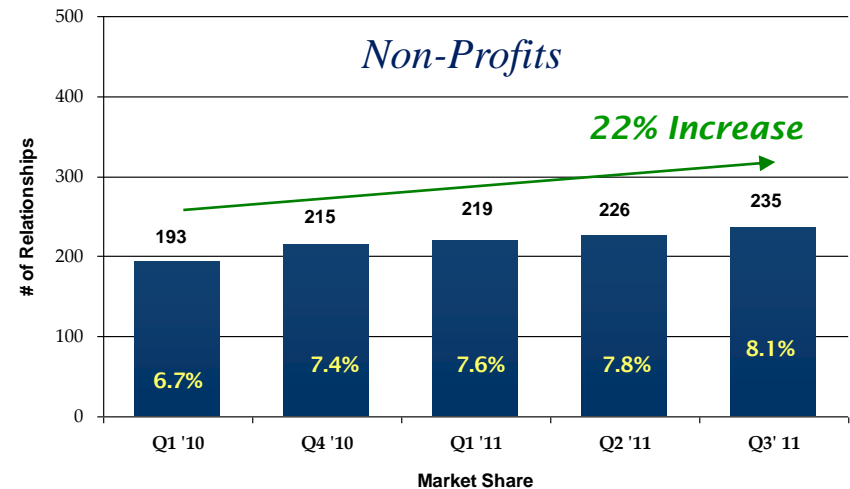
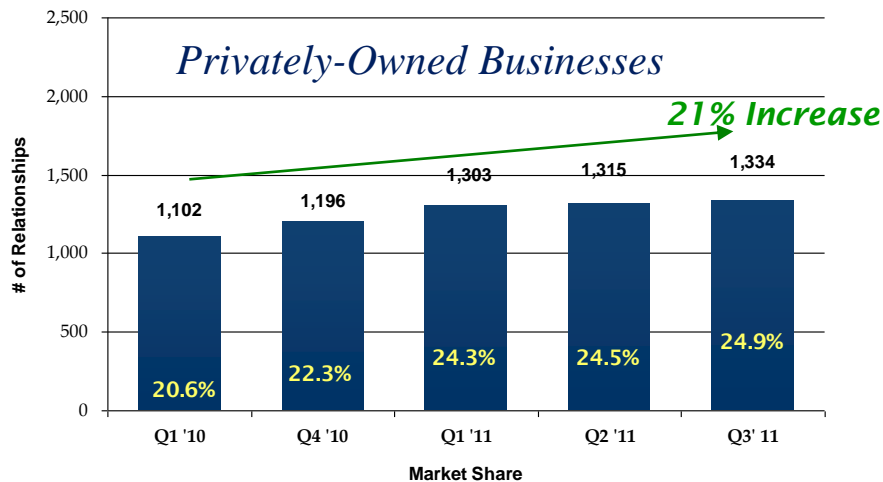
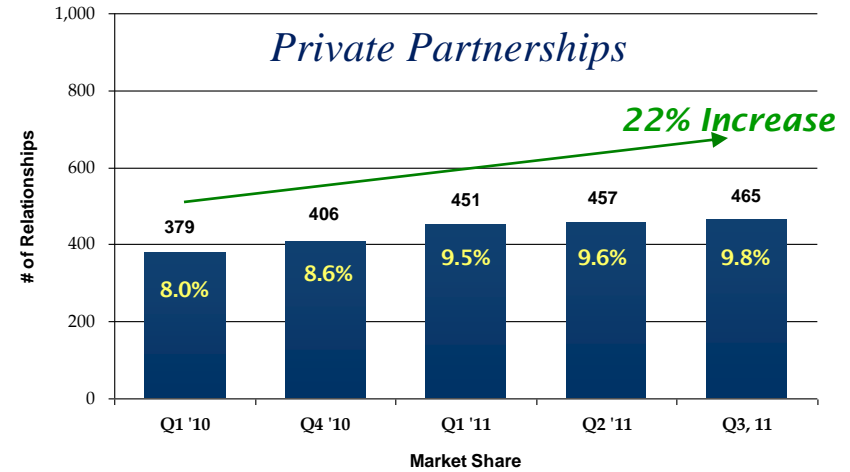
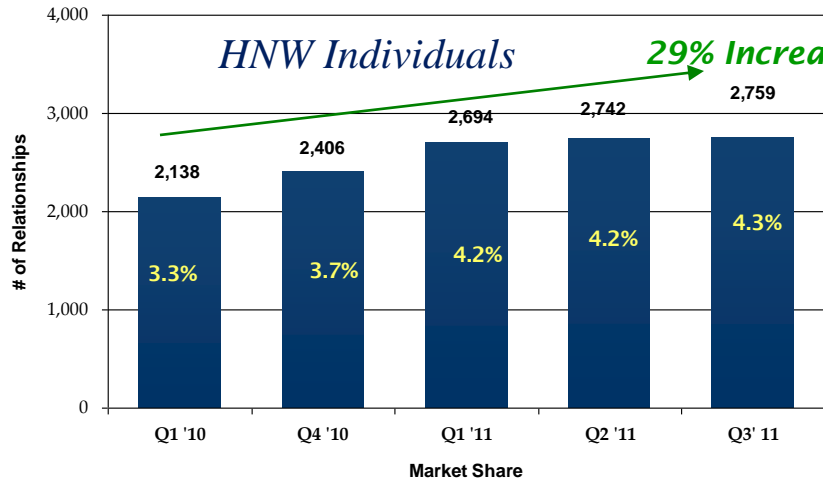
- Stable growth
 - Historically 1.5x – 3x GDP
- Lower risk
 - Better loan loss rates, capital-light advisory activities
- Superior profitability
 - Relationship size and longevity, pricing flexibility

Basis of differentiation:

- Distinctive client service
- Banker stability; and single point of contact
- Superb execution
- Cross-silo client development and delivery of expertise

Our Private Banking Model: Proven Ability to Drive High Rates of Client Growth

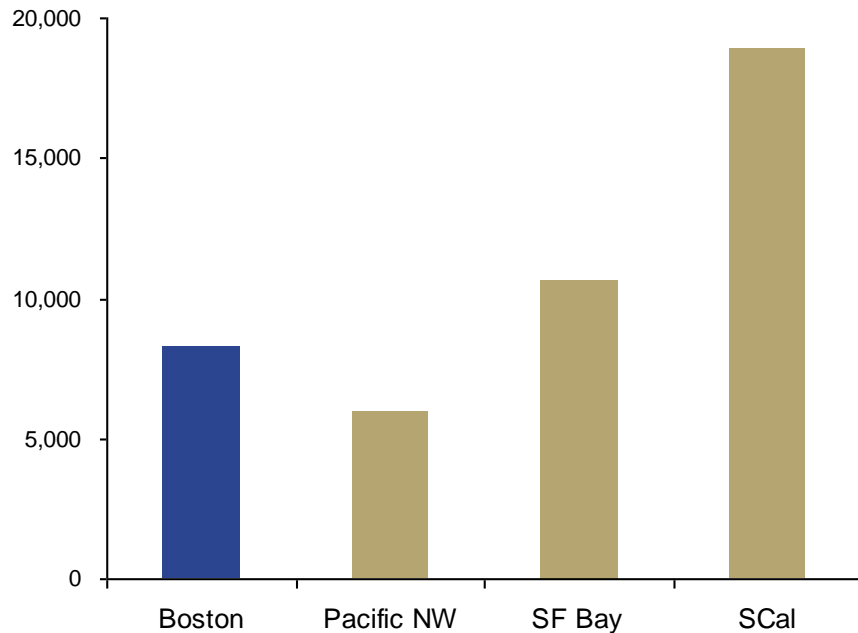
New England Example



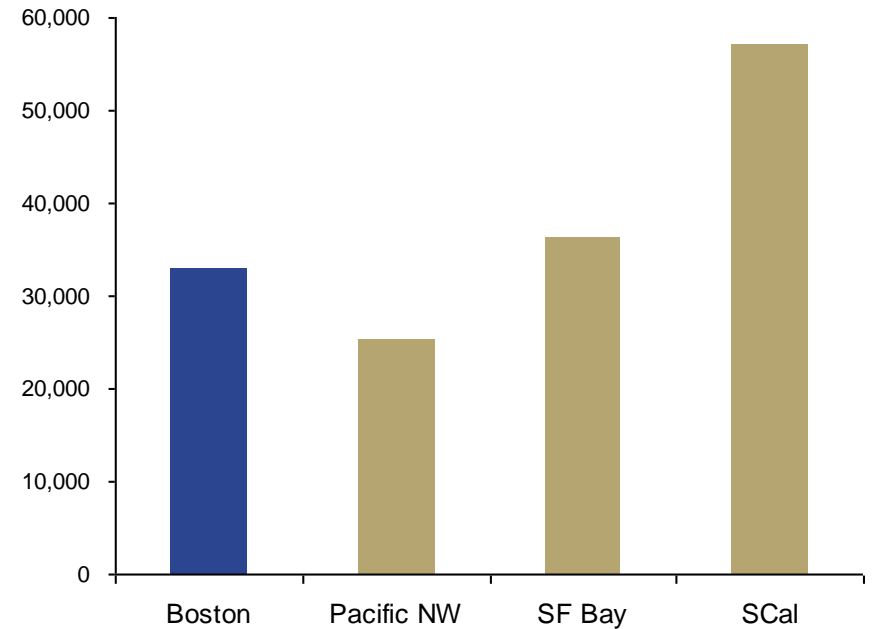
Compelling Market Demographics

- All targeted markets* have significant concentrations of HNW Households and Small Businesses
- Our “available” market on the West Coast is 4x - 5x New England

of HH with \$250k+ Income



of Small Businesses



**Targeted zip codes within each market, source Experian (HH) and Dun & Bradstreet (Small Businesses)*

Our Program to Fully Develop Our Private Clients Across Markets

1. Transform our Investment Management and Trust platform to serve as a private client beacon and lead offering
2. Upgrade and enhance our office model across all markets
3. Fully and seamlessly deliver our four product platforms across all private client segments

1. Transform the IM&T Platform

- Deliver an expanded, open architecture set of investment alternatives with:
 - Highly professional manager selection via external consultants
 - Governed “top down” across all markets
- Deliver proprietary excellence in our chosen investment management disciplines, with a focus on core fixed income and equity styles
- Apply “institutional quality” asset allocation tools and performance analytics, sourced via licensed software/external partnerships
- Build a West Coast platform with highly professional client-facing experts supporting our Private Bankers and developing clients
- Begin roll out in Q1 2012

How Our Bank Feeds Investment Management & Trust

- Of the top 100 Boston Private Bank & Trust IM&T clients (by revenue):
 - 80 are high net worth individuals
 - 20 are institutional
- Of the 80 high net worth clients, 48% are closely held business owners
- 45% are new clients since 2007
- IM&T enjoys a 35% referral rate from our Private Banks

2. Upgrade and Enhance Our Office Model in all Four Markets

- Our office-based approach to deposit management, client service, and client development is a key part of our client value proposition and our sales/profit management process...**New England proves the power of the model**
- “Great offices with great bankers” has performed as a winning model wherever we have achieved this combination
- Our model delivers high “linked product” sell through rates, high levels of client satisfaction and loyalty, and strong economics

Our Plan: Ten New Offices Over Three Years



- Near term focus on organic growth and client acquisition
- Opened 3 new offices in 2011
- Targeting 3+ new office openings/year within footprint
- High traffic, high visibility sites, with Boston Private “look and feel”
- Site opportunities identified in New England, San Francisco Bay Area, Southern California and Pacific Northwest, with deposit markets > \$1 billion

What We Know About Our Private Banking Offices

- BPB&TC median office size of over \$100 million of client deposit base
- Office break-even is \$25 million of deposits; typically reached in 18-24 months (< 3 years in today's yield environment)
- Full client and deposit ramp typically achieved in 4-5 years

3. Fully and Seamlessly Deliver Our Product Platforms Across All Target Clients

- Install the Boston Private office-based service and sales model in all markets, all offices (2011, 2012 roll out)
- Position Residential Mortgage as a key client introduction and expansion vehicle in all three West Coast markets
- Build a stronger Commercial Lending skill base on the West Coast
- Cover all markets with an expanded IM&T platform and network of client-facing Wealth Advisors

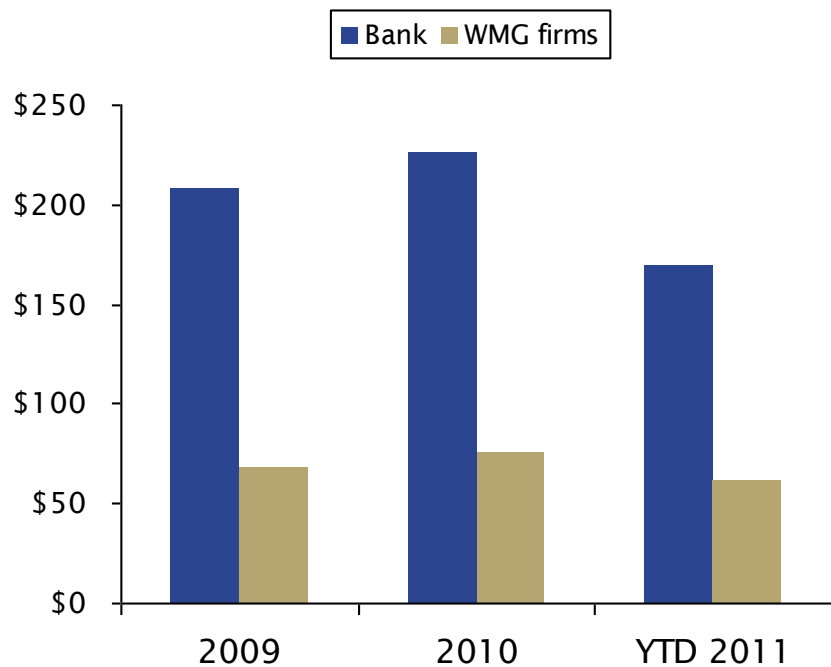
Our Wealth Management Firms Are Strategically Important to Our Overall Success

- Vital earnings contributions to our overall Company
- Meaningful part of our private client positioning
- Enhances our revenue mix
 - BPFH revenue per employee = \$335K
 - All banks \$2-20 billion top quartile of \$270K, median of \$220K
- ROE additive, and higher multiple on equivalent dollar earnings due to ROE advantage

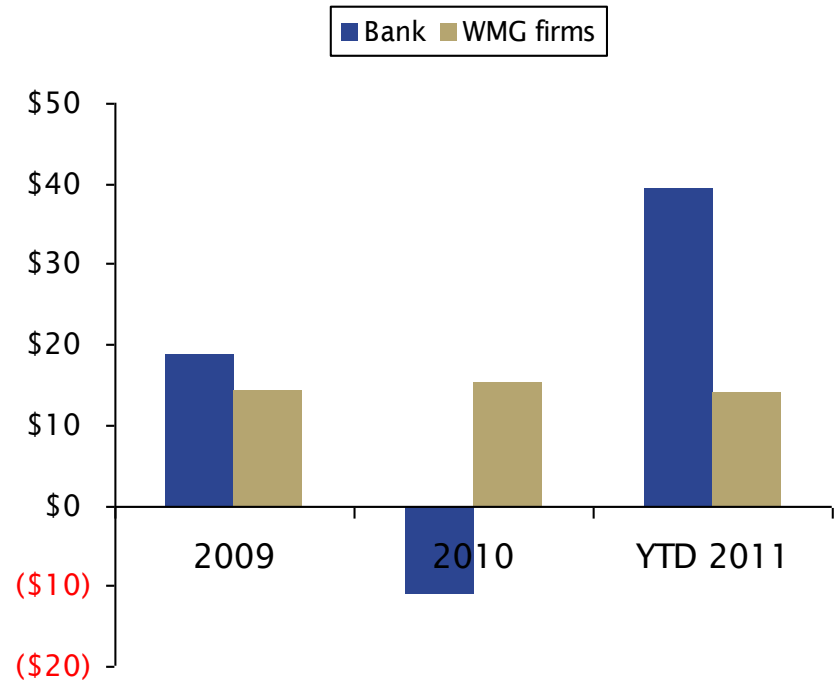
Wealth Management Firms Provide Important Contributions To The Company

Steady source of Revenue and Operating Income throughout the cycle

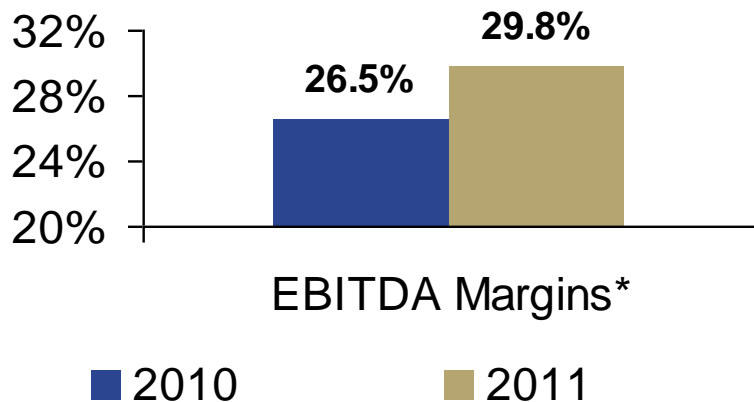
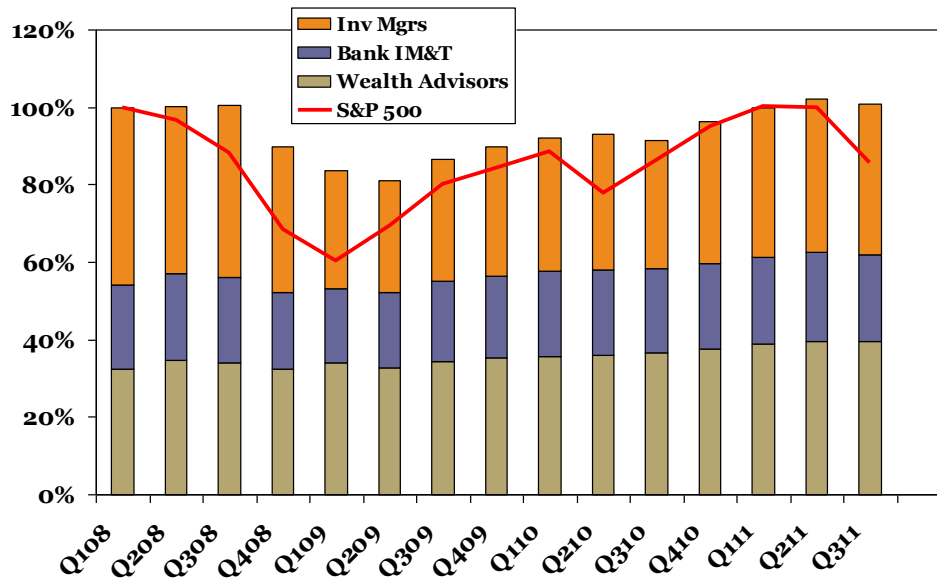
Revenue



Pre-Tax Income



Attractiveness of Fee-Based Revenue Stream

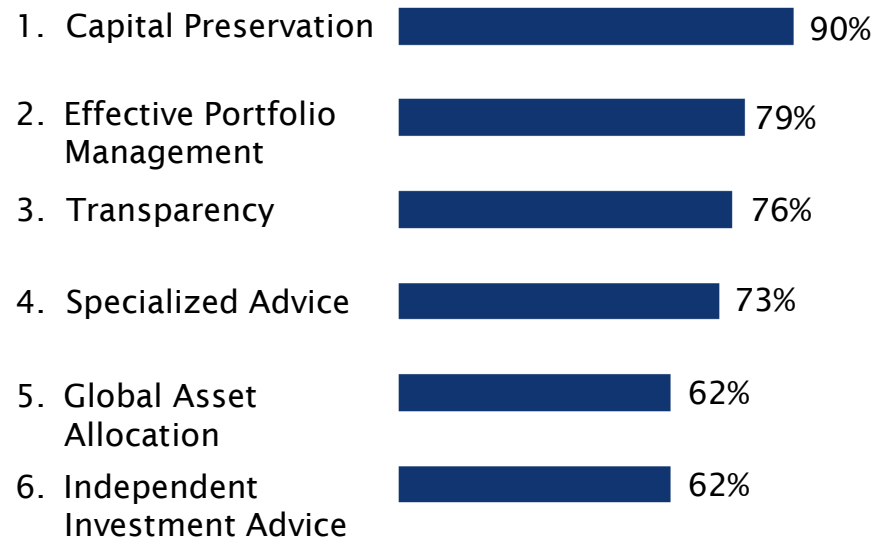


- Capital-light businesses
 - No additional capital needed for growth
 - Stable, significant stream of unrestricted cash flow
- Stable source of revenue
 - Diversifies NII exposure
 - Less volatile than overall equity market
 - Steady growth of Wealth Advisors
- Strong profit margins
 - Expand well in growth cycle
 - Demonstrated operating leverage

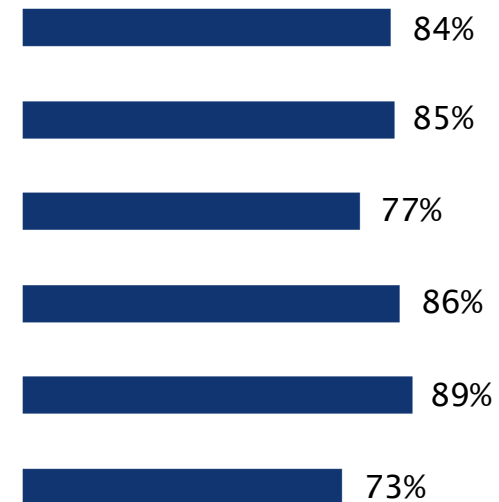
*Wealth Advisors and Investment Managers only

The Priorities of Private Clients and Who “Best Fulfills”

Top Six Wealth Management Priorities of Private Clients – “Important Or Extremely Important”



“Best Fulfills” Score for “Full Service” Wealth Advisory and Banking Firms

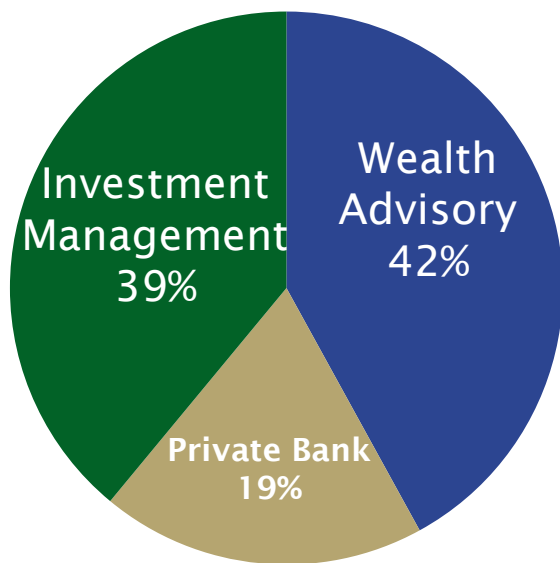


Source: 2011 CapGemini/Merrill Lynch World Wealth Report

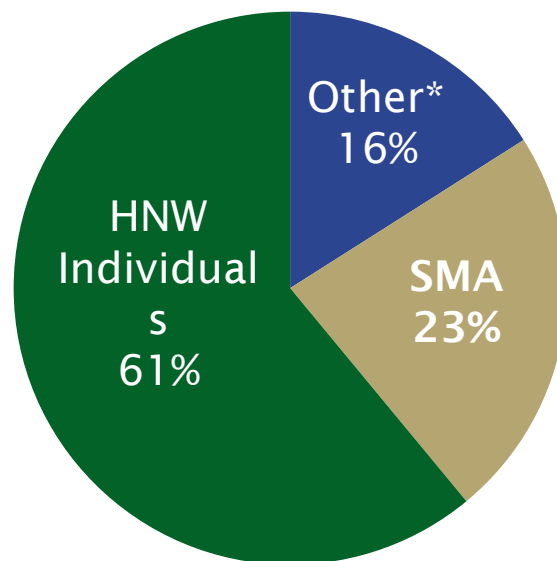
Our Wealth Management Group Platform: A Diverse Portfolio

\$18.2 Billion of AUM

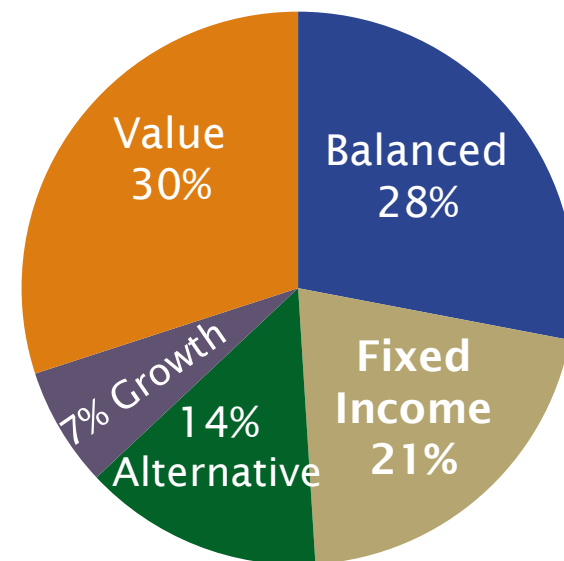
By Source



By Client Type



By Asset Class



*Corporate, ERISA, Foundations/Endowments, Public, Sub Advisory

Way Forward With Our Wealth Management Firms

Wealth Advisory (KLS, BOS, DTC)

- Segment produces steady AUM and client growth
 - Positive net flows in 15 of last 16 quarters (\$800+ million cumulative)
 - Solid revenue growth of +8% YOY (Q311 versus Q310)
 - Expanding EBITDA margins (28% in Q311 versus 26% in Q310)
 - Pre-Tax Income increased 20% YOY (Q311 versus Q310)
- Working constructively firm-by-firm to build stronger growth platforms, *e.g.*
 - Crafting a private client referral program
 - Developing a revamped ownership structure to enable expansion, long term partner growth, and reward client development
 - Launching a set of client service initiatives to support client expansion, and improve profitability and efficiency

Way Forward With Our Wealth Management Firms

Investment Management (Anchor, DGHM)

- Overall negative net flows (-\$425 million, -5% YTD) but uneven by firm
 - DGHM consistent inflows (+\$75mm), Anchor experiencing outflows (-\$500M)
 - Anchor outflows driven by SMA platform contraction at large wire houses
 - Investment performance strong over multiple timeframes
- Despite negative flows, strong P&L contribution with favorable mix development
 - Revenue up 18% YOY
 - EBITDA margins expanded to 32% in Q311 versus 27% in Q310
 - Pre-Tax income increased 60% YOY (Q311 versus Q310)
- Current and future initiatives include:
 - Multi strategy repositioning at Anchor
 - Greater focus on consultants and key intermediaries
 - Launching comprehensive marketing/sales efforts to more fully develop new channels and new platform programs

Summary: Our Beliefs

- Our Wealth Management and Private Banking model has the intrinsic capability to outperform core financial services
- Our target segments are highly attractive and we operate in four deep, opportunity-rich geographic markets
- Our fee mix is attractive and provides an important element of revenue diversification
- We have continued opportunities to improve our expense profile and our operating leverage
- We are investing in Private Banking franchise building, and client acquisition across all of our Banking and Wealth Management businesses
 - Expanded IM&T platform
 - New/upgraded offices
 - High quality client-facing professionals in all markets and all businesses
 - Client building initiatives in all of our Wealth Management firms

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