

**BOSTON PRIVATE**  
FINANCIAL HOLDINGS, INC.

**BPFH Investor Presentation**

Clayton G. Deutsch, CEO and President

David J. Kaye, CFO

Q3 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 may constitute 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 in 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 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. Forward-looking statements speak only as of the date on which they are made. 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's judgment, at the 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 factors which adversely affect borrowers' ability to service or repay loans, typically result in changes in loan default and charge-off rates, and increased provisions to loan loss reserves, which adversely affect the 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

- I. Recent performance
  
- II. Progress with our restructuring program
  
- III. Review of our business model

# I. Consolidated P&L Highlights – Linked Quarter

(\$millions)	Q2 2011	Q3 2011	% Change	Results Driven By:
NII	\$46.0	\$45.1	(2%)	Stable NIM Pre-payment fees were booked in Q2 11
Fees*	\$27.9	\$27.7	(1%)	
<u>Other Revenue**</u>	<u>\$4.4</u>	<u>\$3.6</u>	<u>(18%)</u>	
<b>Total Revenue</b>	<b>\$78.3</b>	<b>\$76.4</b>	<b>(2%)</b>	Expense reductions at HoldCo, Bank and Wealth Managers
Operating Expenses	\$58.2	\$55.4	(5%)	
Restructuring	\$4.3	\$1.1	(74%)	
<b><u>Total Expenses</u></b>	<b><u>\$62.5</u></b>	<b><u>\$56.5</u></b>	<b><u>(10%)</u></b>	Booked \$7.3M (91%) of merger-related restructuring costs to date
<b>PTPP***</b>	<b>\$16.6</b>	<b>\$20.7</b>	<b>25%</b>	
<u>Provision/(Credit)</u>	<u>(\$2.2)</u>	<u>\$4.5</u>	<u>NM</u>	Provision reflects loan growth, without Q2 one-time effects
<b>Pre-Tax (Loss)/Income</b>	<b>\$18.8</b>	<b>\$16.2</b>	<b>(14%)</b>	
Efficiency Ratio	78%	72%	(6 pts)	

\*Includes IM&T fees and other private banking fees

\*\*Includes gain on sale of investments, loans and other

\*\*\*Pre-tax, pre-provision income

# Private Bank Performance Highlights – Linked Quarter

(\$millions)	Q2 2011	Q3 2011	% Change	Results Driven By:
NII	\$47.8	\$46.8	(2%)	Stable NIM Pre-payment fees were booked in Q2 11
Fees*	\$7.3	\$7.2	(1%)	
<u>Other Revenue**</u>	<u>\$2.6</u>	<u>\$3.8</u>	<u>46%</u>	
<b>Total Revenue</b>	<b>\$57.7</b>	<b>\$57.8</b>	<b>--</b>	Merger-related savings beginning to be realized
Operating Expenses	\$37.1	\$35.1	(6%)	
Restructuring	\$3.6	\$0.6	(83%)	
<b><u>Total Expenses</u></b>	<b><u>\$40.7</u></b>	<b><u>\$35.7</u></b>	<b><u>(12%)</u></b>	Decline driven by reductions in compensation and professional fees
<b>PTPP***</b>	<b>\$17.0</b>	<b>\$22.1</b>	<b>30%</b>	
<u>Provision</u>	<u>(\$2.2)</u>	<u>\$4.5</u>	<u>NM</u>	Provision reflects loan growth, without Q2 one-time effects
<b>Pre-Tax Income</b>	<b>\$19.2</b>	<b>\$17.6</b>	<b>(8%)</b>	
Efficiency Ratio	68%	60%	(8 pts)	

\*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 Performance Highlights – Linked Quarter

<i>(\$millions)</i>	Q2 2011	Q3 2011	% Change	Results Driven By:
Inv Mgt Fees	\$10.3	\$10.3	--	Stable revenue driven by timing of Inv Mgt accruals and low correlation between Wealth Adv Fees and equity markets
Wealth Adv Fees	\$10.3	\$10.2	(1%)	
<b>Total Revenue</b>	<b>\$20.6</b>	<b>\$20.5</b>	<b>--</b>	
<u>Operating Expenses</u>	<u>\$15.8</u>	<u>\$15.6</u>	<u>(1%)</u>	Continued improvement in margins (30% target)
<b>Pre-Tax Income</b>	<b>\$4.8</b>	<b>\$5.0</b>	<b>4%</b>	
EBITDA Margin	29%	30%	1%	Largely a result of US equity markets
Pre-tax Margin	23%	24%	1%	
AUM (\$B)	\$16.5	\$14.8	(10%)	
Net Flows (\$M)	(\$129)	(\$125)	\$4	

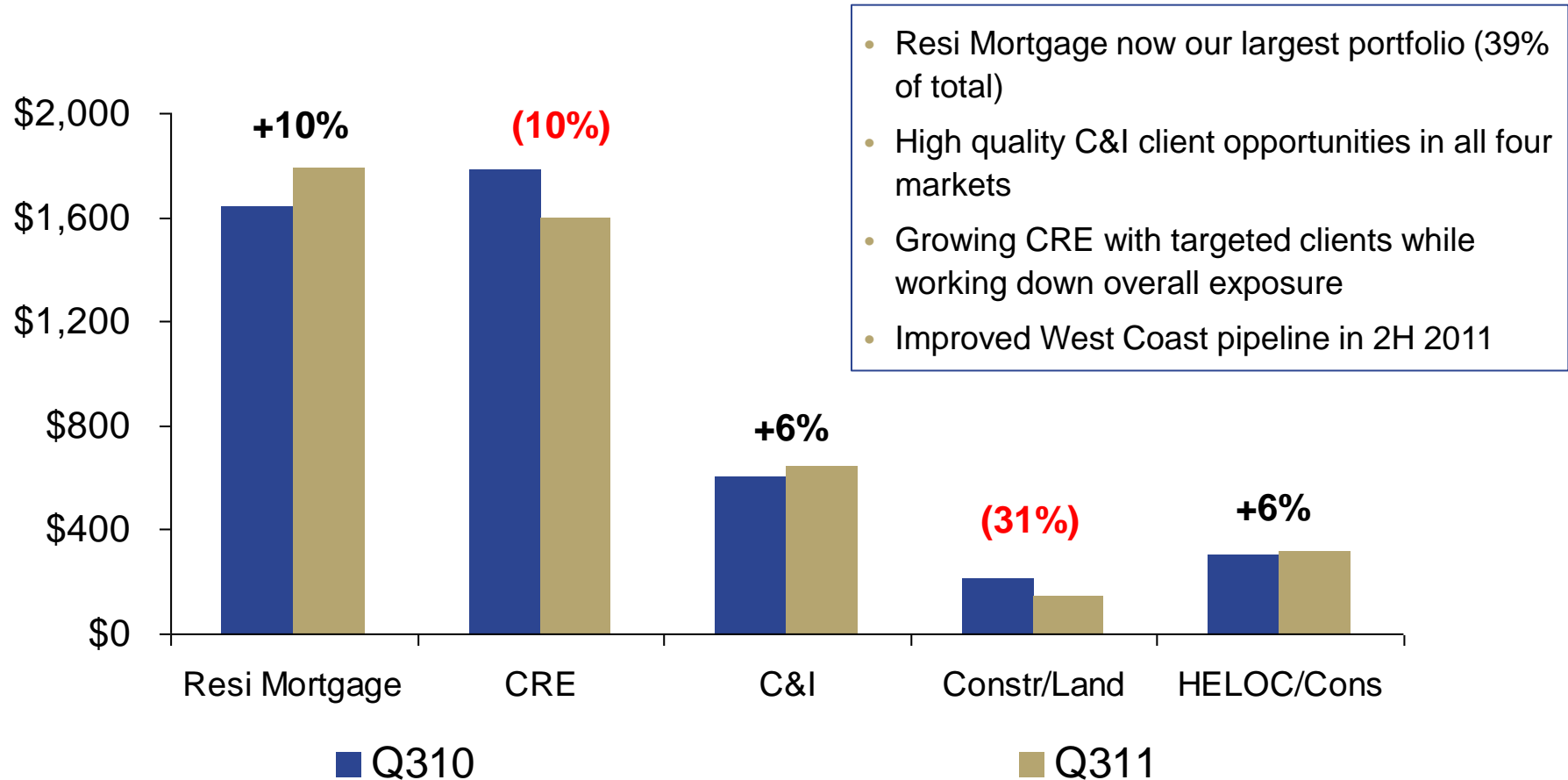
## II. Our Restructuring Priorities

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



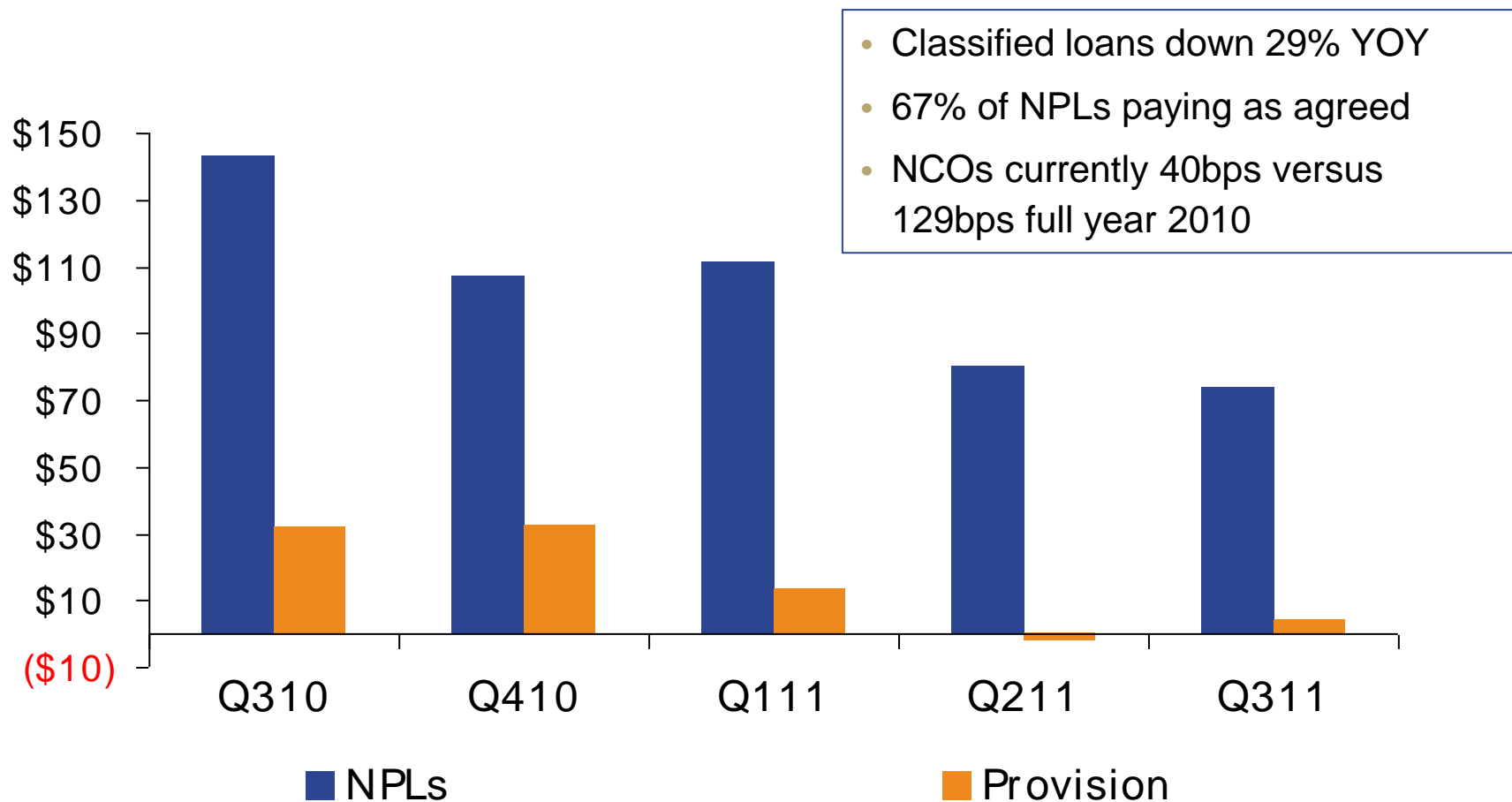
# Loan Portfolio Re-Mix

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



# Improved Credit Quality

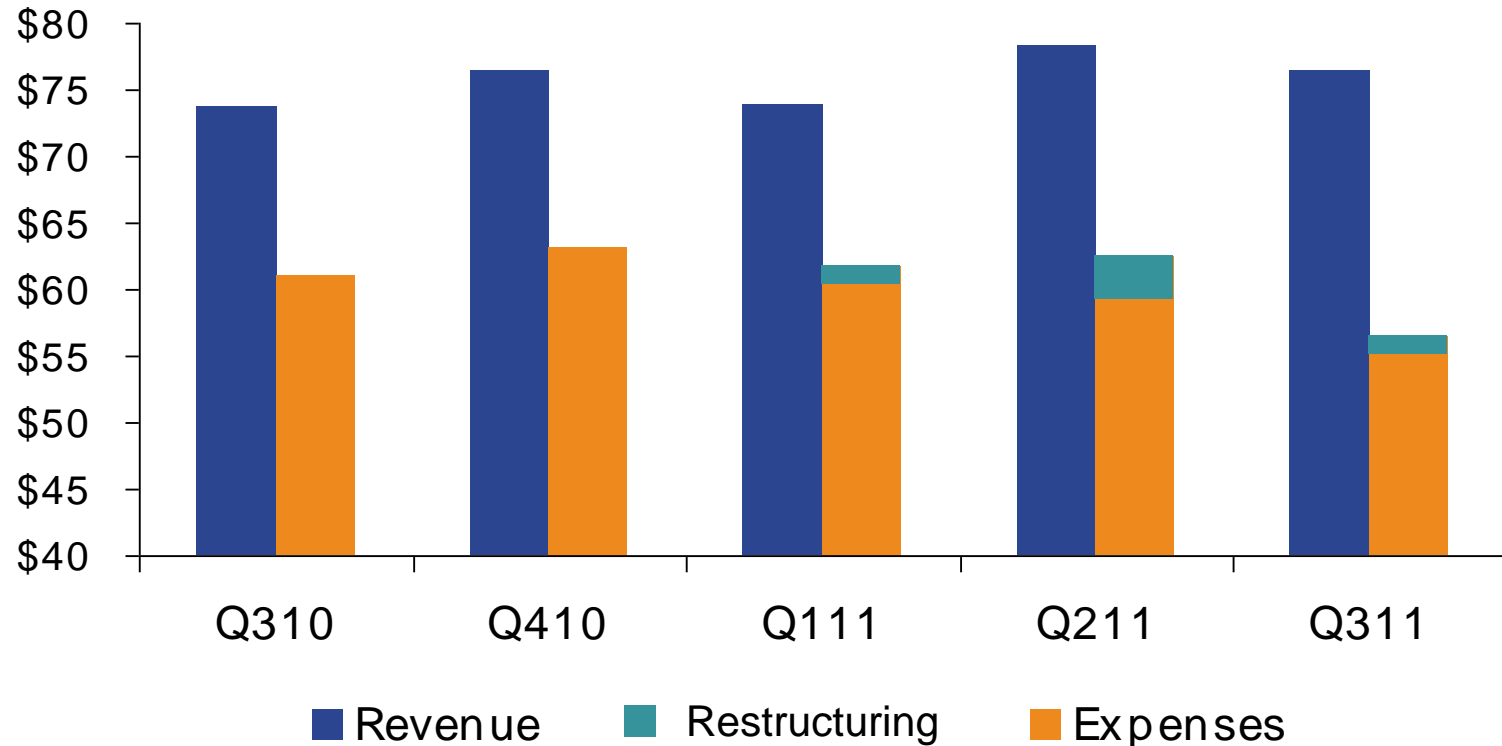
NPLs declined 49%, Provision down 85% since Q310



# Top Line Growth with Expense Reductions

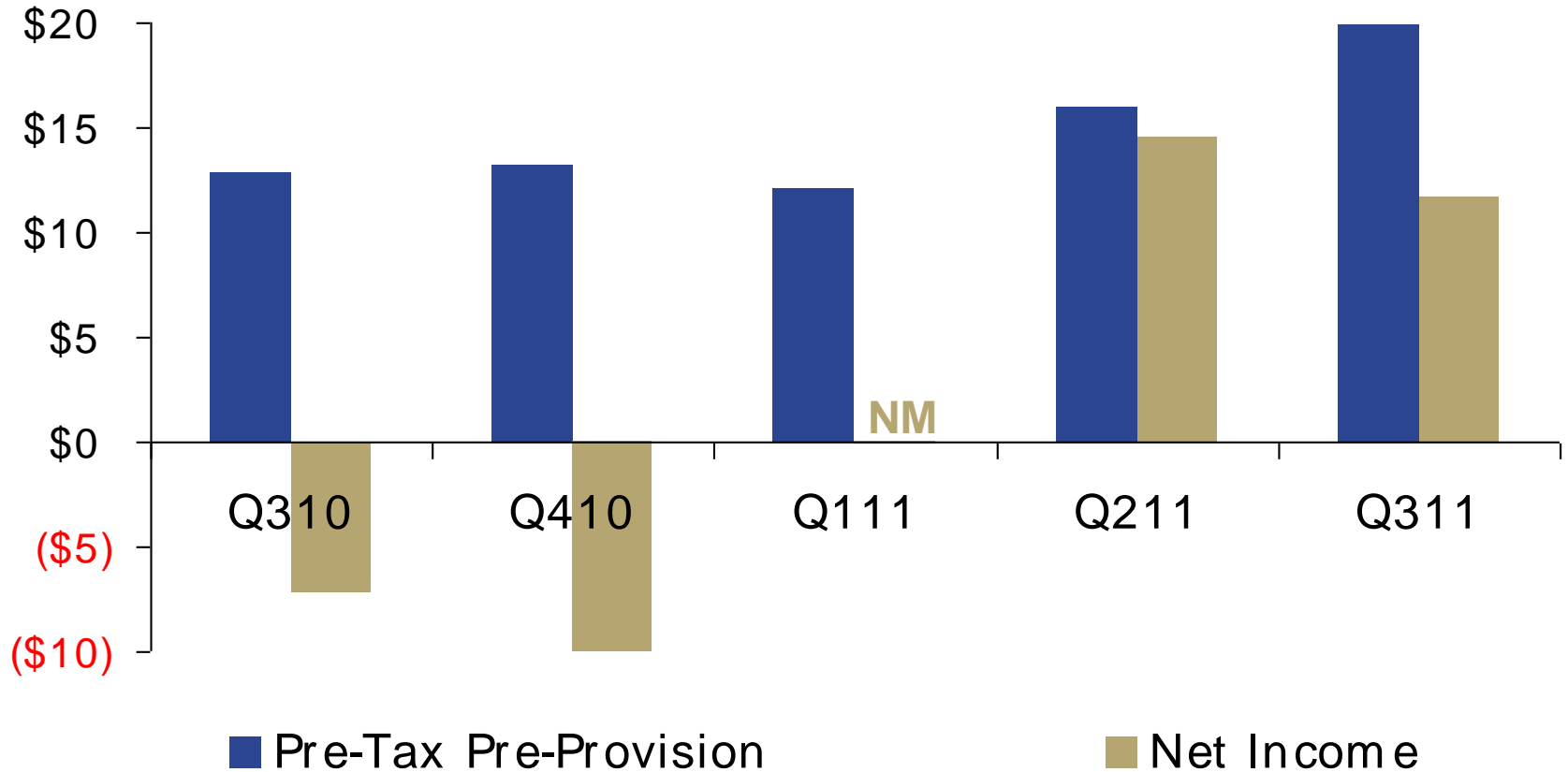
Revenue up 4% while Expenses down 7% since Q310

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



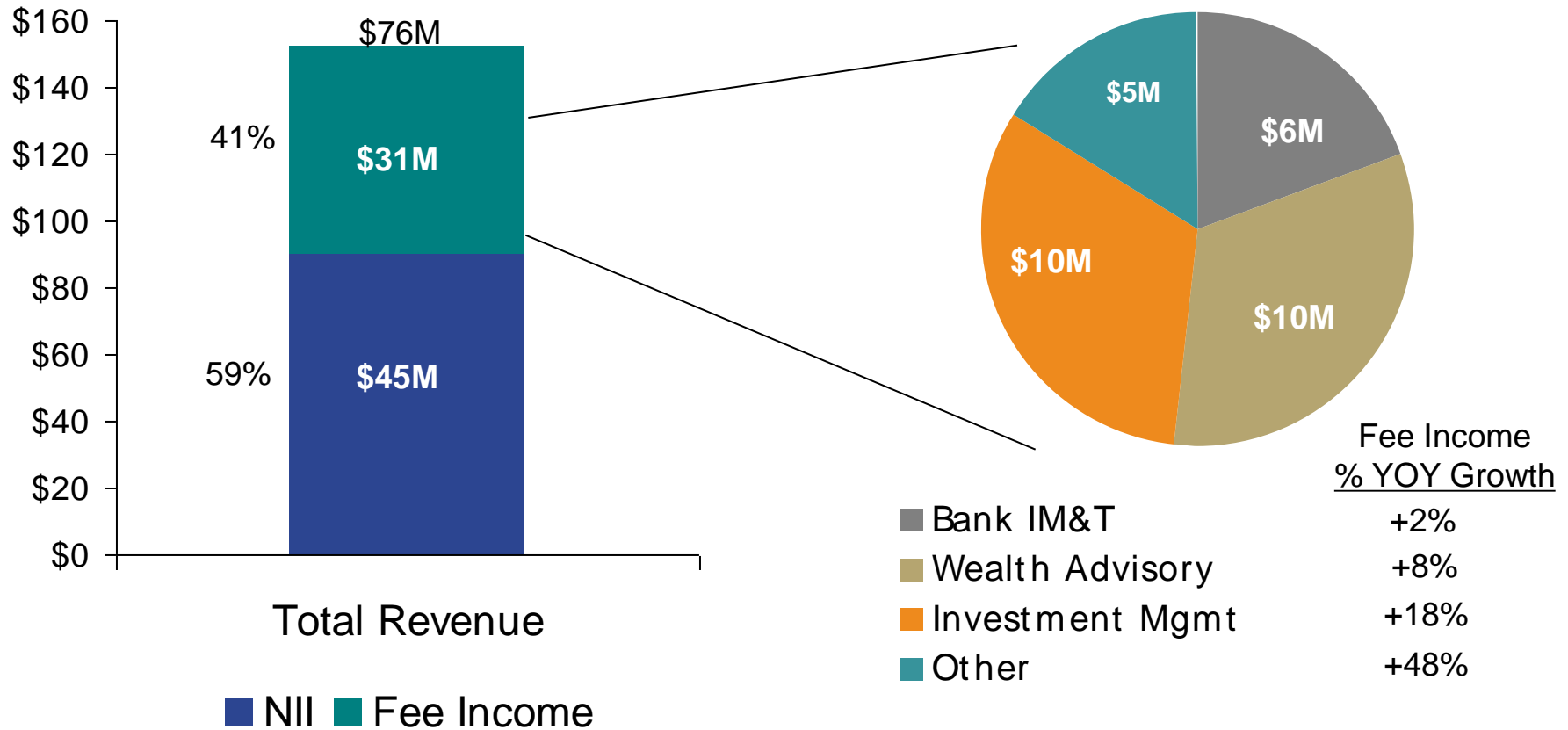
# Core Earnings Greatly Improved

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



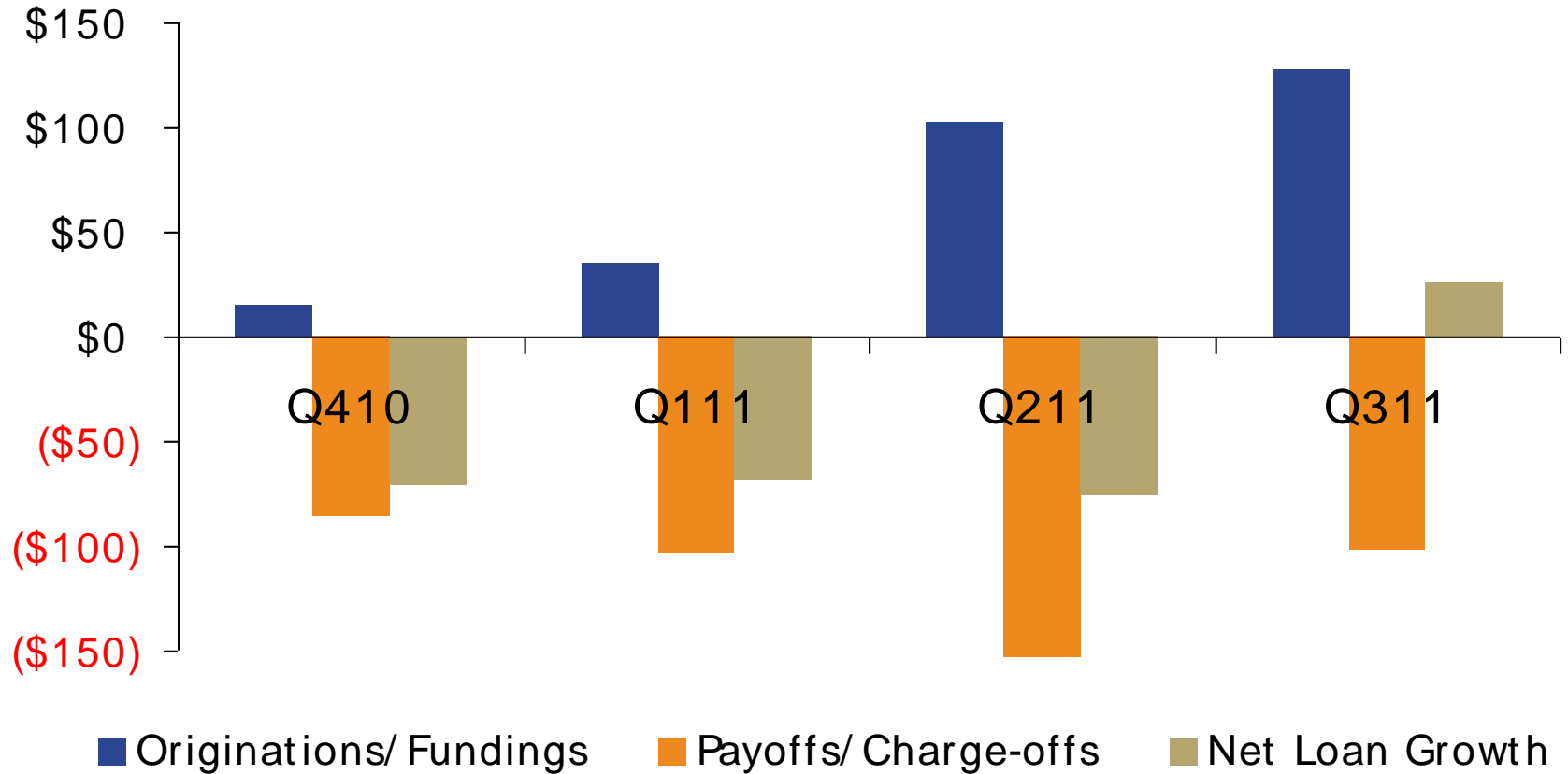
# Core Business Strength: A Diverse Revenue Stream

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



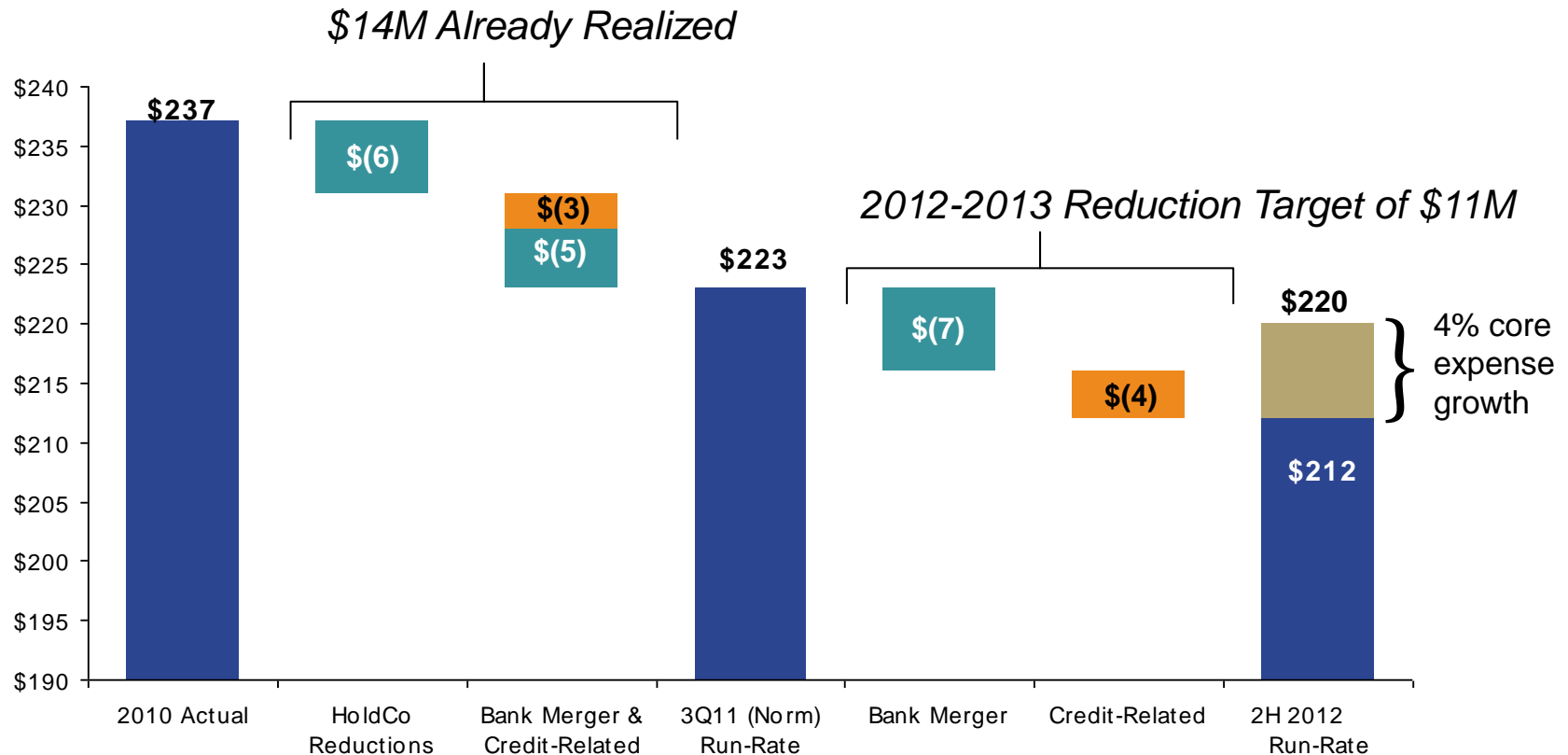
# West Coast Commercial Loan Build

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

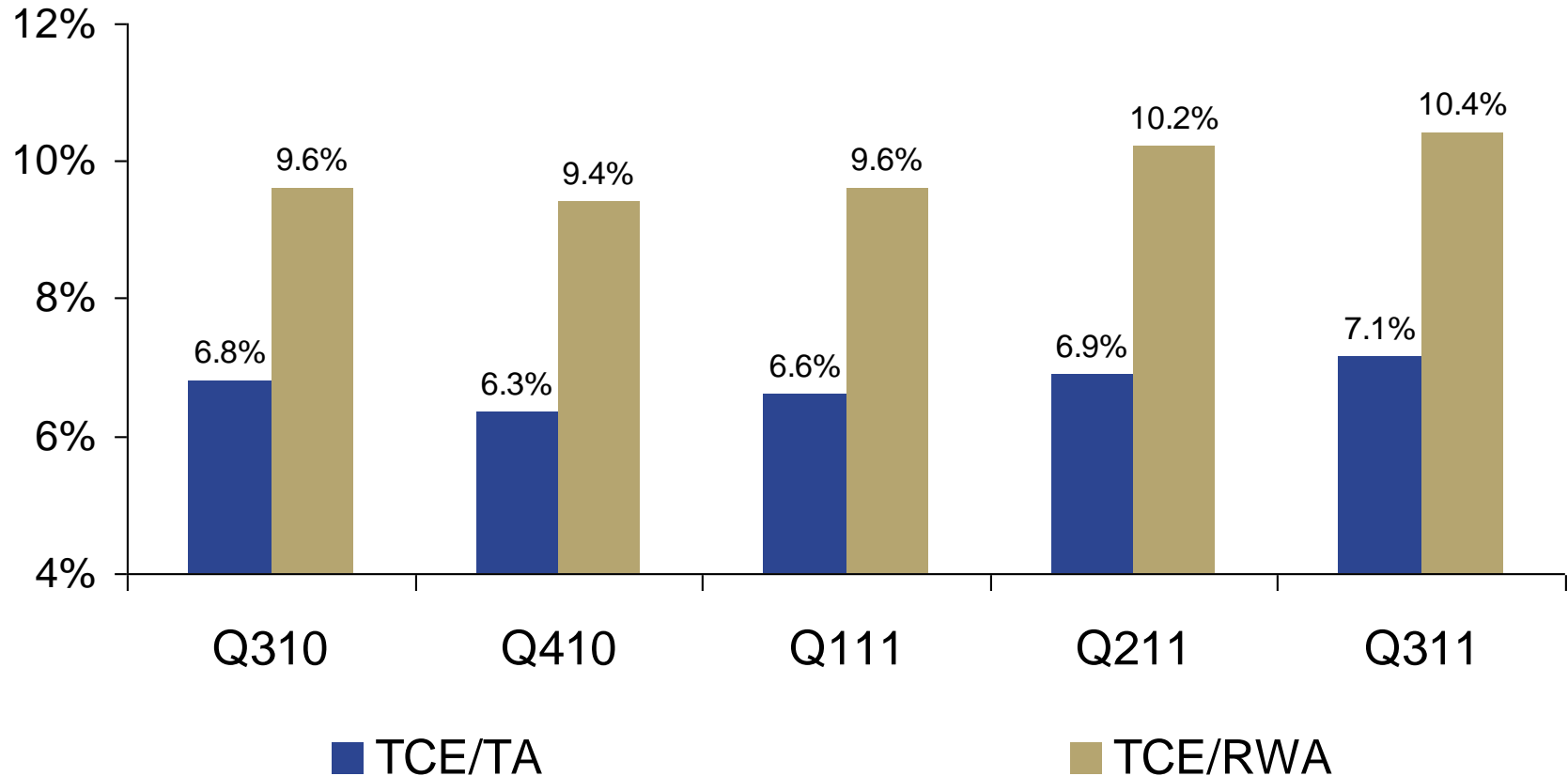
Efficiency Ratio down to 72% in Q311 from 81% in Q310



\*Assumes current revenue run-rate

# Capital Base Strengthened

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





# Near Term Focus Going Forward

## 1. Continue To Drive Credit Quality Improvements

- Asset quality improvements
- Better balanced loan portfolio

## 2. Flawlessly Execute The Bank Merger

- All consolidations/conversions complete in 1H 2012
- Finish the cost reduction program; capture remaining \$11M of \$25M commitment

## 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

## III. 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

# 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:

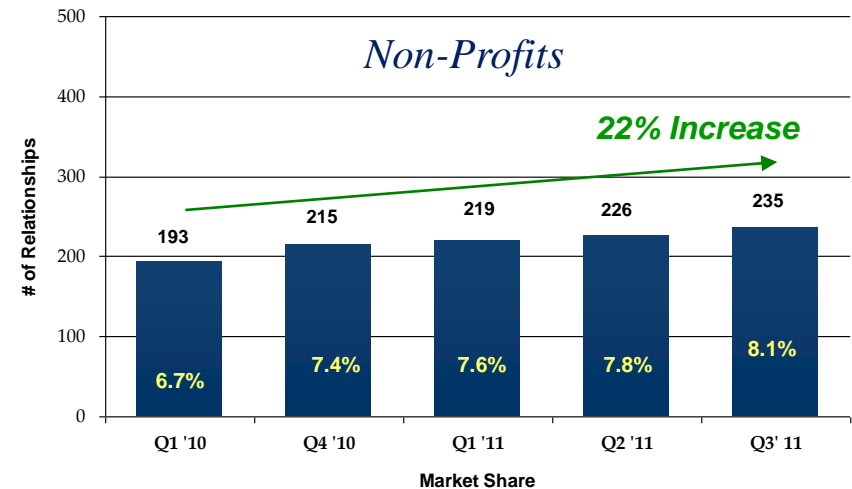
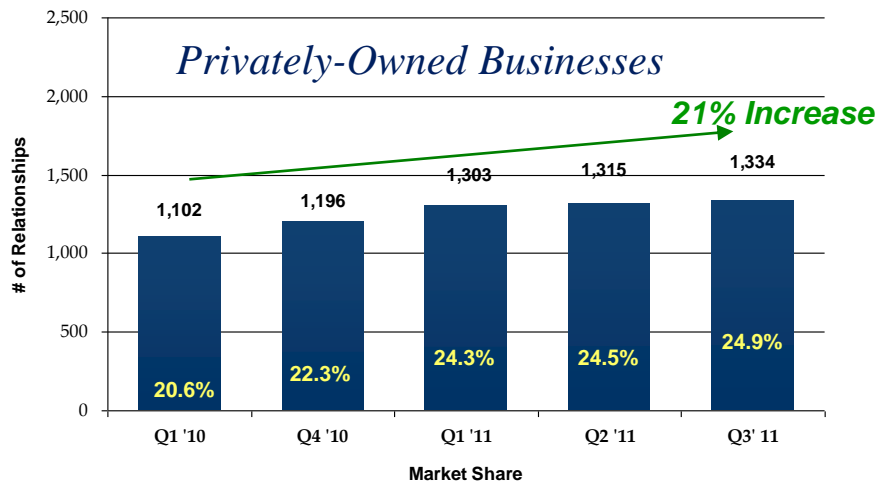
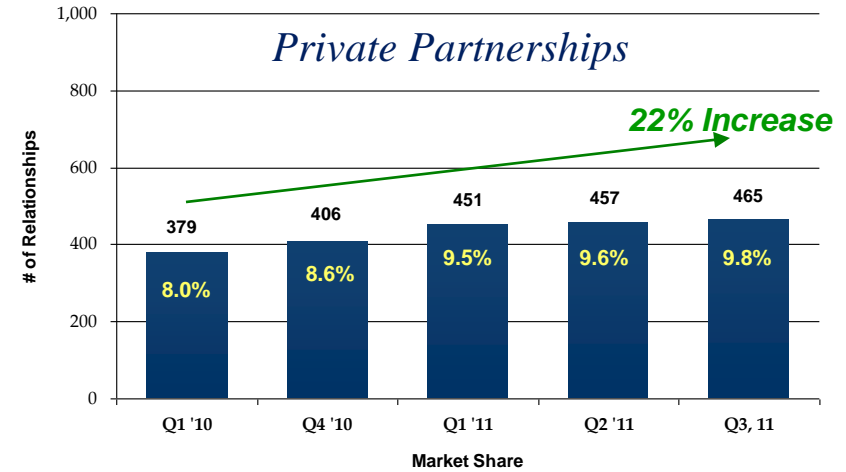
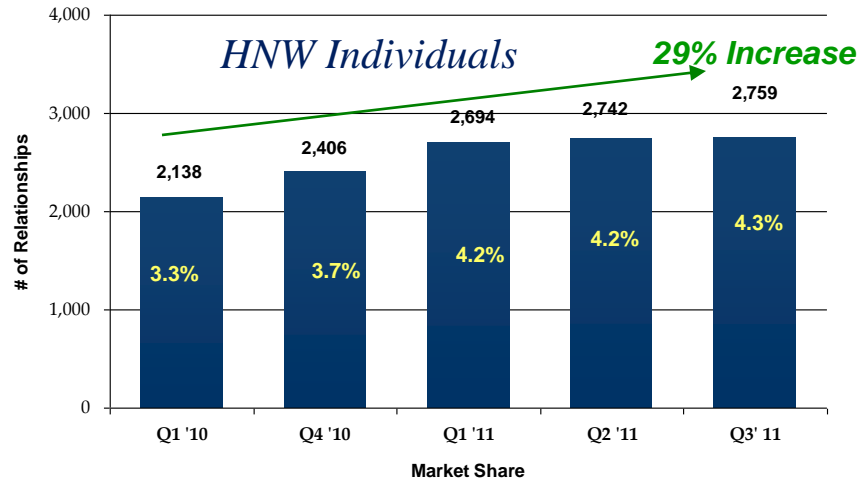
- Stable growth
  - Historically 1.5x – 3x GDP
- Lower risk
  - Better loan loss rates, capital-light advisory activities
- Superior profitability
  - Relationship size and longevity, pricing flexibility

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

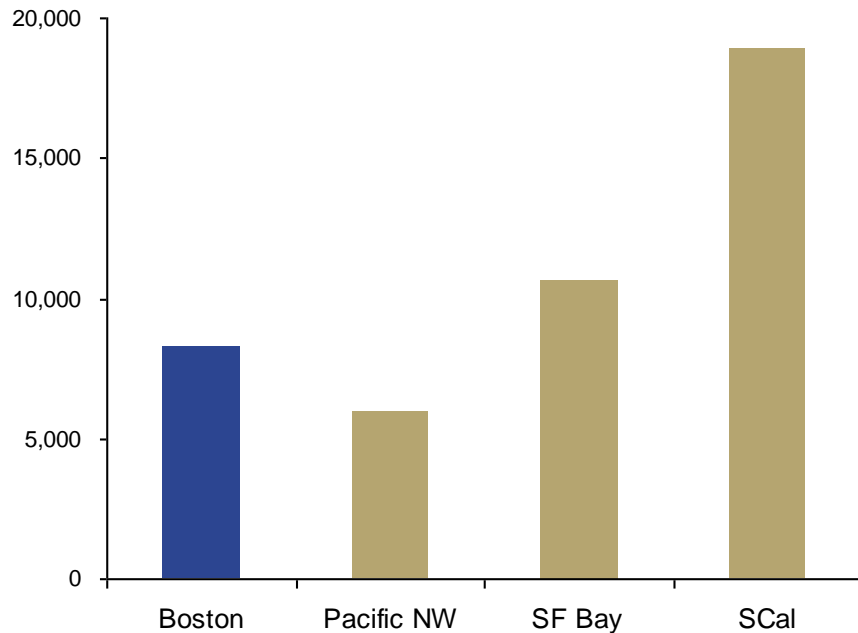
## New England Example



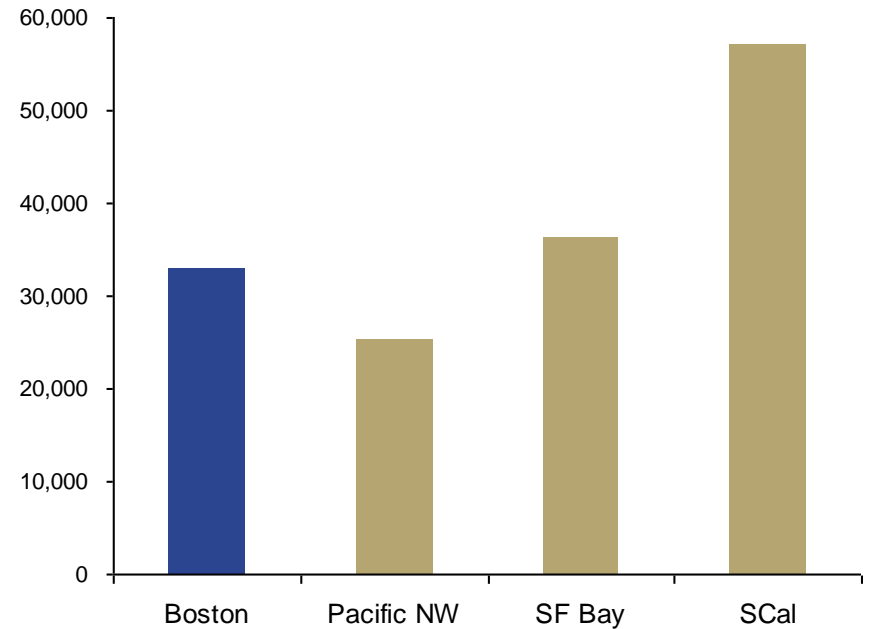
# Compelling Market Demographics

- 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

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

### New England Proves the Power of Our Office Model



- Median office size of over \$100 million of client deposit base
- Near term focus on organic growth and client acquisition
- Opened 3 new offices in 2011
- Targeting 3+ new office openings/year within footprint
- Office break-even is \$25M of deposits; typically achieved in 18-24 months
- Full client and deposit ramp typically achieved in 4-5 years



# 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

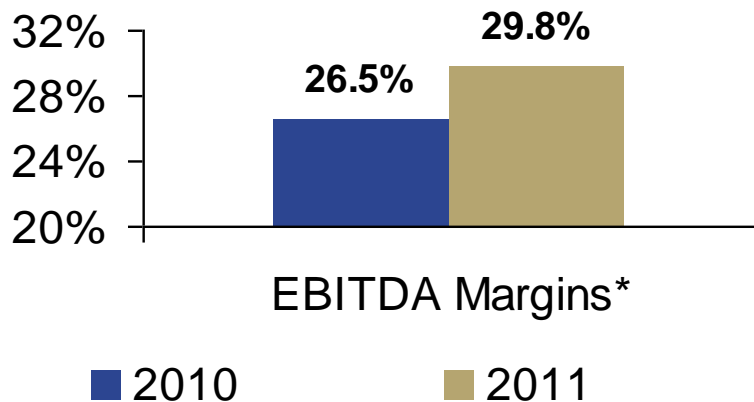
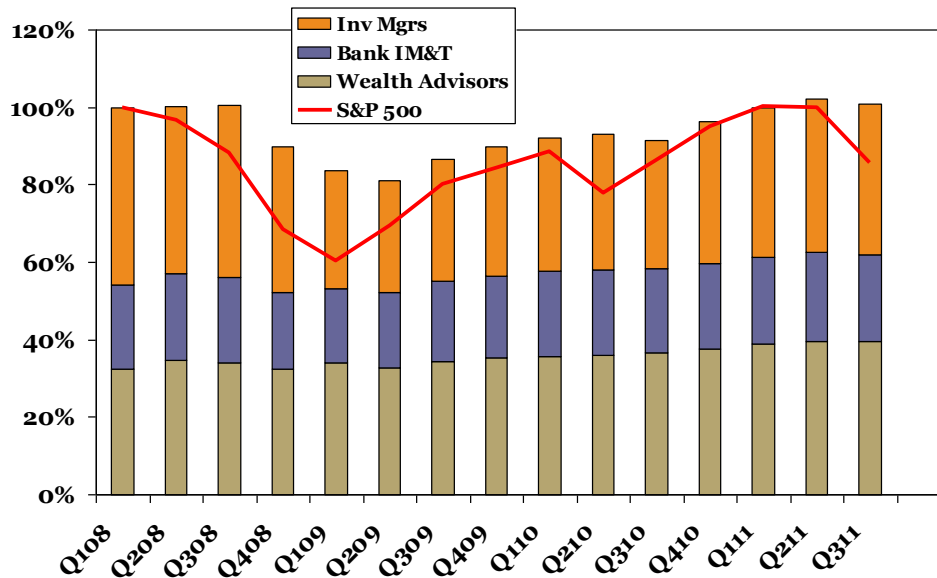
### 3. Fully and Seamlessly Deliver Our Product Platforms Across All Target Clients

- 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

# Attractiveness of Fee-Based Revenue Stream



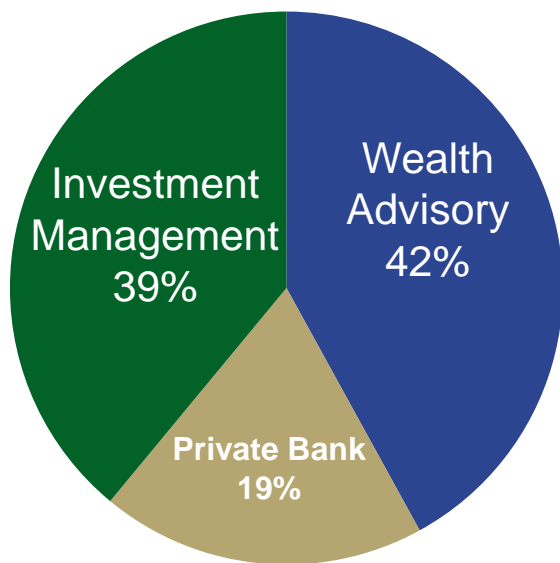
- Capital-light businesses
  - No additional capital needed for growth
  - Stable, significant stream of unrestricted cash flow
- Stable source of revenue
  - Diversifies NII exposure
  - Less volatile than overall equity market
  - Steady growth of Wealth Advisors
- Strong profit margins
  - Expand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

\*Wealth Advisors and Investment Managers only

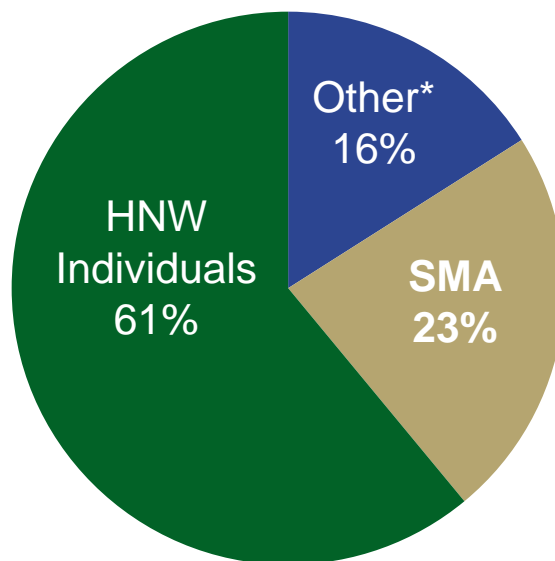
# Our Wealth Management Group Platform: A Diverse Portfolio

**\$18.2 Billion of AUM**

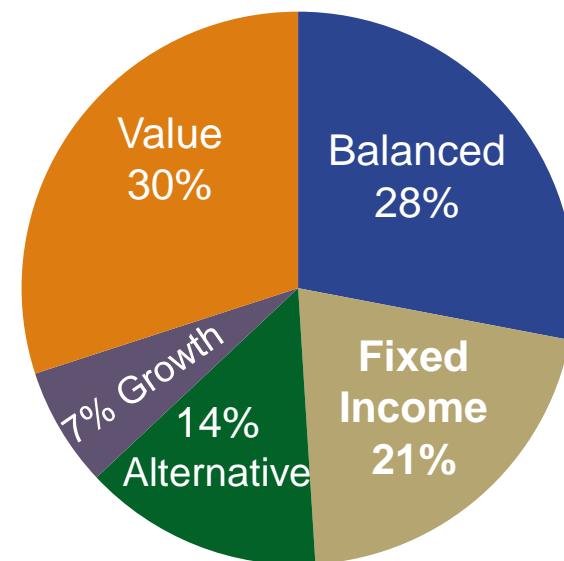
**By Source**



**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)

## 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)

# 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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