

BOSTON PRIVATE
FINANCIAL HOLDINGS, INC.

BPFH Investor Presentation

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Q1 2012

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.

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Agenda

- I. Priorities for the year
- II. Our Private Clients Business Model:
Excellence in Wealth Management and Private
Banking
- III. Appendix

I. 2012 Priorities

- Complete the restructuring
- Continue to pursue value-creating transactions
- Invest in our Company
- Focus on client growth and improved profitability

We Are Satisfied With The Restructuring Program Results To Date

Significant improvements in credit quality and overall risk profile. Tight disciplines and controls in place, with consistency across the Company

On-track with the Private Bank post-merger conversion and consolidation effort

- On budget
- On time
- Minimal client or staff loss

\$25 million cost reduction target intact; have captured \$17 million to date, with \$8 million more to come. Efficiency ratio improved from 81% to 75%

Wealth Management firms in aggregate approaching 30% EBITDA margin threshold

Value-Creating Transactions

- Repurchase of Trust Preferred Securities (TRUPs) at a discount (Q4 last year, Q1 this year)
- Repurchase of 5.4M warrants held by The Carlyle Group (Q1, 2012)
- Sale of Davidson Trust Company to BMTC for small gain in Q2 2012

We will continue to accumulate capital, pursue value-creating transactions, and reinvest in our Wealth Management and Private Banking businesses

Investing In Our Company

New West Coast Residential Mortgage Originators and Commercial Lenders fully staffed to target levels

Deposit Services Private Bankers being developed

New Private Banking Wealth Advisory, Investment Management and Trust platform introduced late February; new Portfolio Managers now in place

New Private Banking offices identified for 2012 and 2013; three new locations in 2012

Actively exploring Wealth Management affiliate expansion and add-on opportunities

Evidence Our Model Is Beginning To Perform

Promising growth demonstrated in Q1 2012

- Total Loans increased 4%, with growth coming from all markets and asset classes
- Deposits increased 2%, with growth in lower-cost DDA and NOW accounts
- Assets Under Management increased 6%, with strong net inflows
- Net Interest Income increased 1% in challenging environment
- Net Interest Margin increased 6 basis points
- Operating Expenses declined 4%

II. 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:

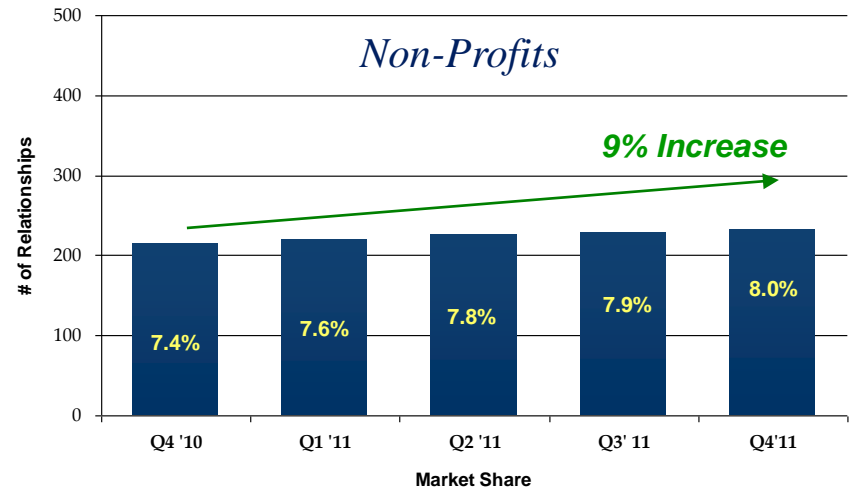
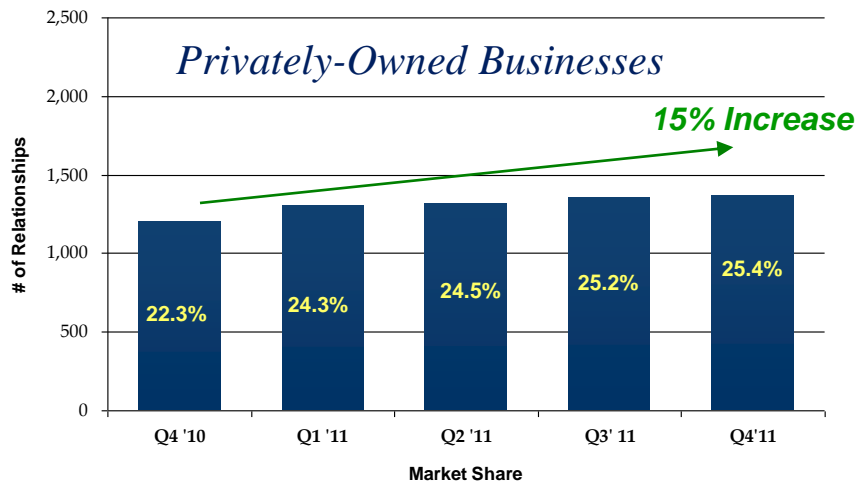
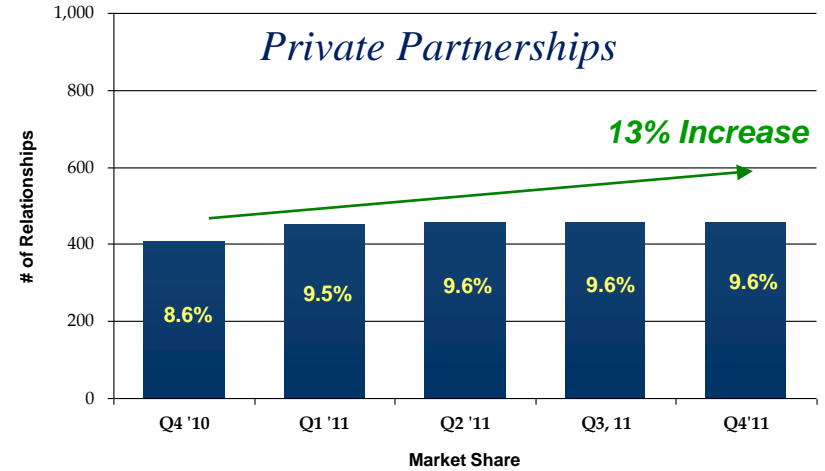
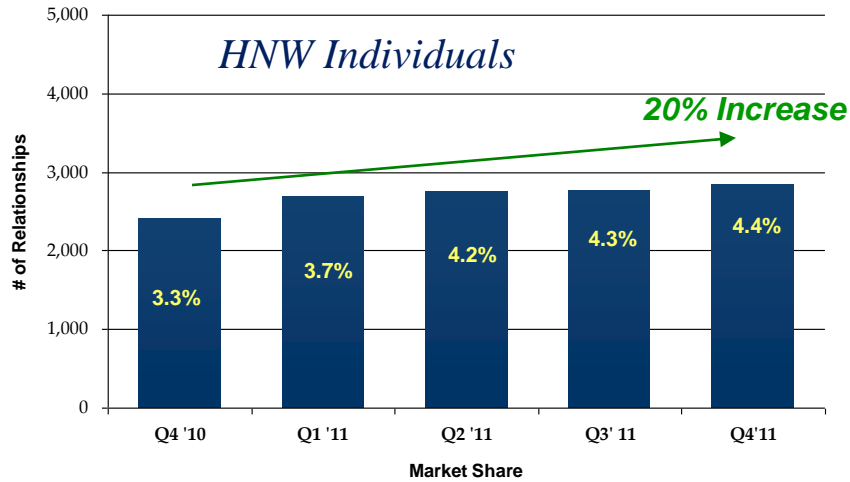
- Stable growth
 - Historically 1.5x – 3x GDP
- Lower risk
 - Better loan loss rates, capital-light advisory activities
- Superior profitability
 - Relationship size and longevity, pricing flexibility

Basis of differentiation:

- Distinctive client service
- Private Banker stability; relationship management focus
- Superb execution
- Delivery of cross-enterprise client development expertise

Our Private Banking Model: Proven Ability to Drive Client Growth

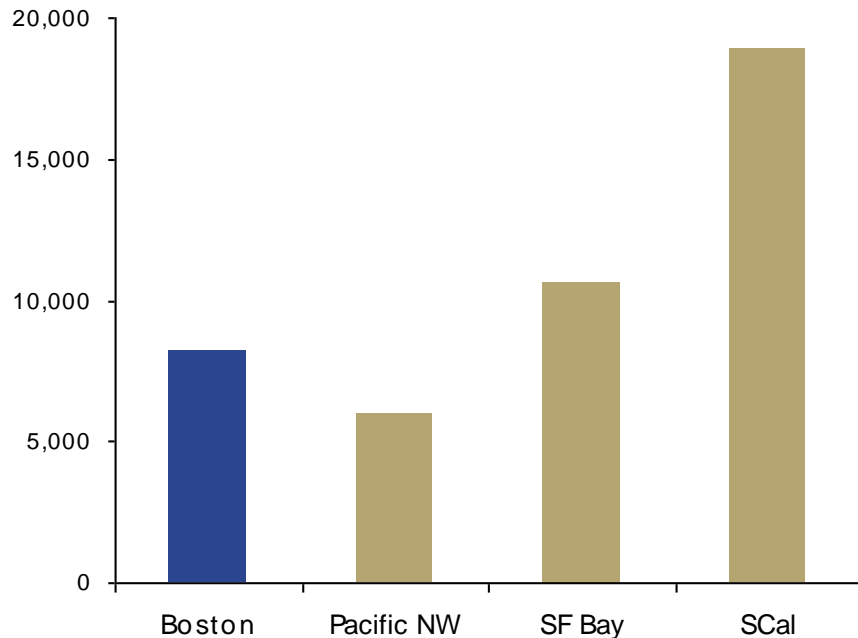
New England Example



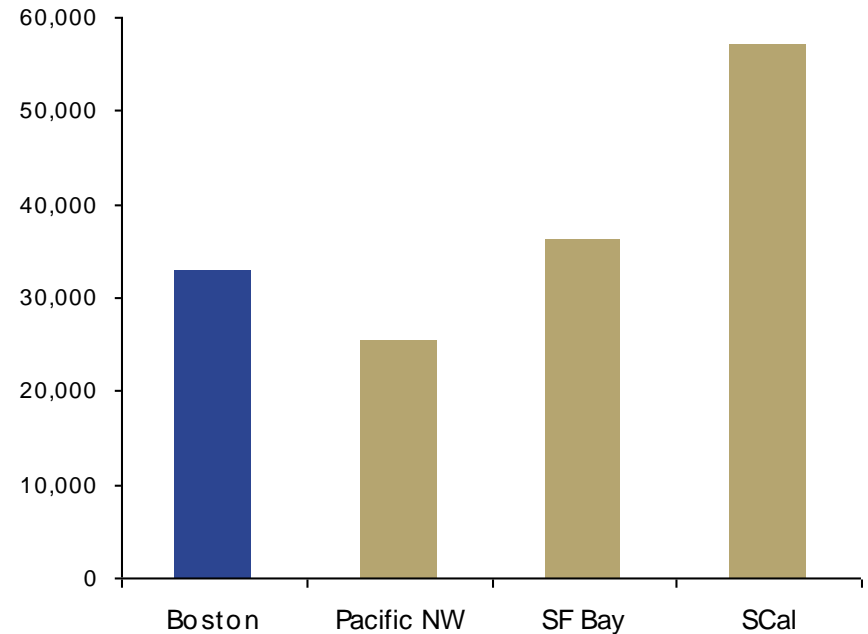
Compelling Market Demographics

- 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
- Began 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

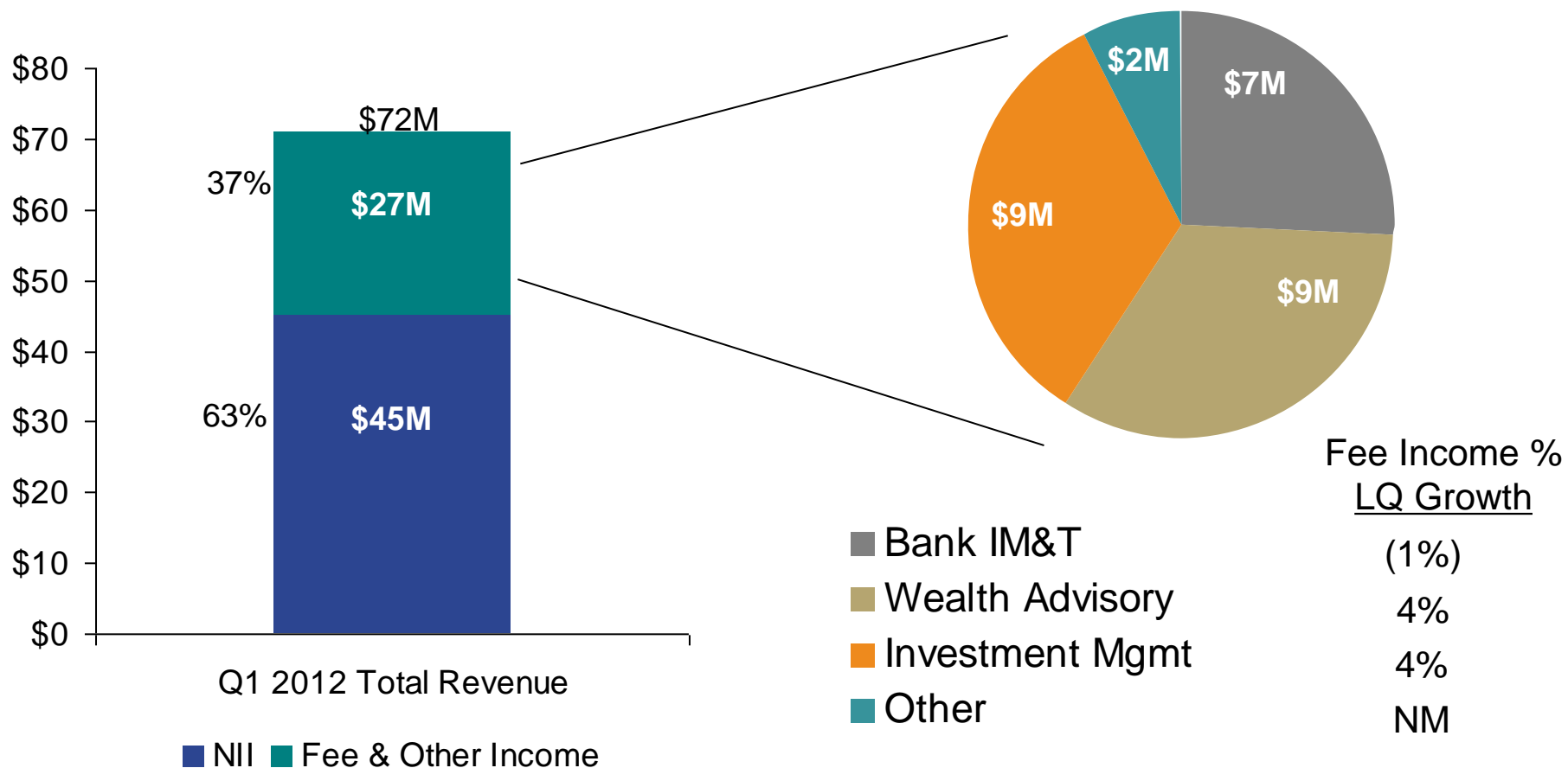
3. Fully and Seamlessly Deliver Our Product Platforms Across All Target Clients

- Install the Boston Private office-based service and sales model in all markets, all offices (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

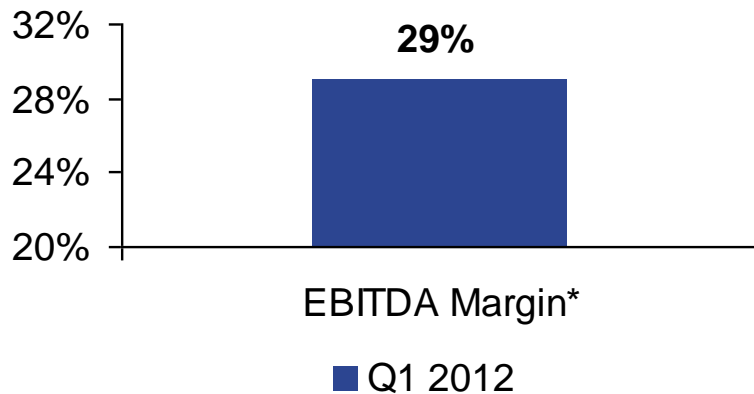
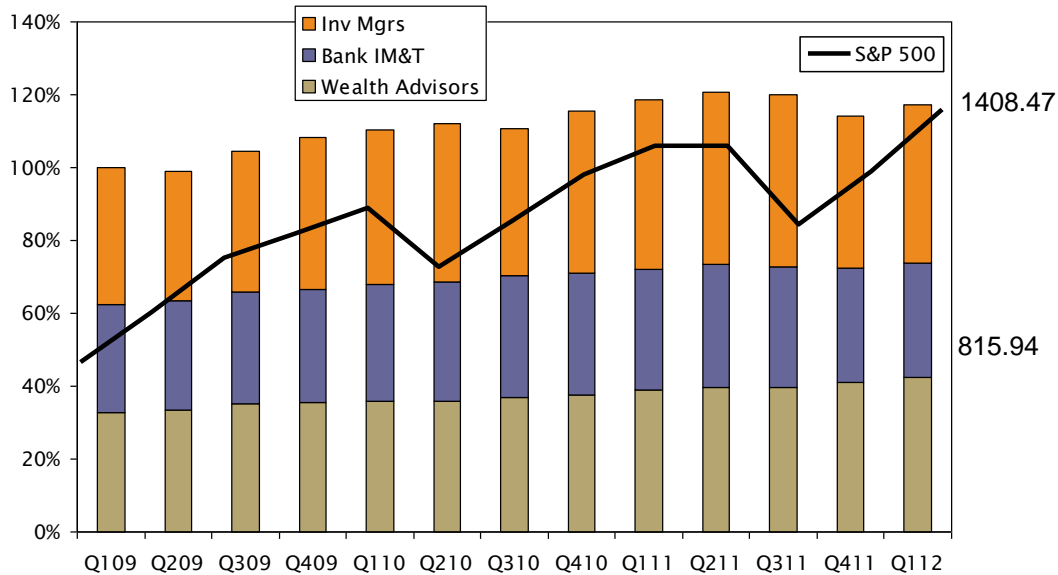
Our Wealth Management Firms Are Strategically Important to Our Overall Success

- Vital earnings contributions to our overall Company
- Meaningful part of our private client positioning
- Enhances our revenue mix
 - BPFH revenue per employee = \$368K
 - All banks \$2-20 billion top quartile of \$265K, median of \$220K
- ROE additive, and higher multiple on equivalent dollar earnings due to ROE advantage

Core Business Strength: A Diverse Revenue Stream



Attractiveness of Fee-Based Revenue Stream



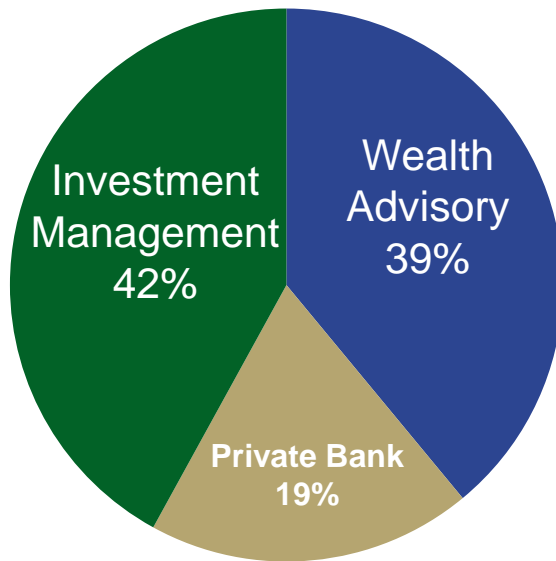
- Capital-light businesses
 - No additional capital needed for growth
 - Stable, significant stream of unrestricted cash flow
- Stable source of revenue
 - Diversifies NII exposure
 - Less volatile than overall equity market
 - Steady growth of Wealth Advisors
- Strong profit margins
 - Expand well in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

*Wealth Advisors and Investment Managers only

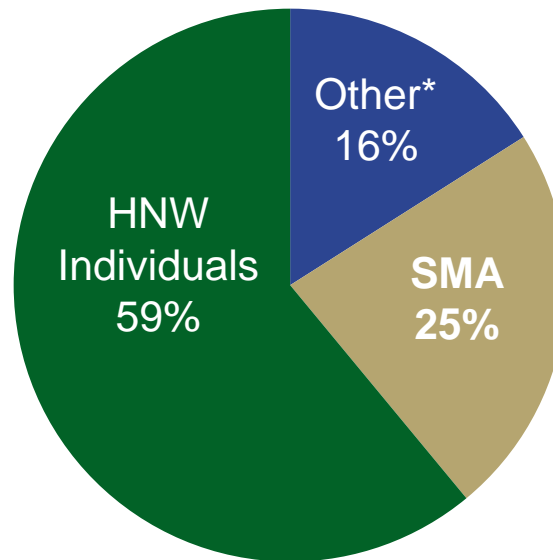
Our Wealth Management Group Platform: A Diverse Portfolio

\$19.3 Billion of AUM

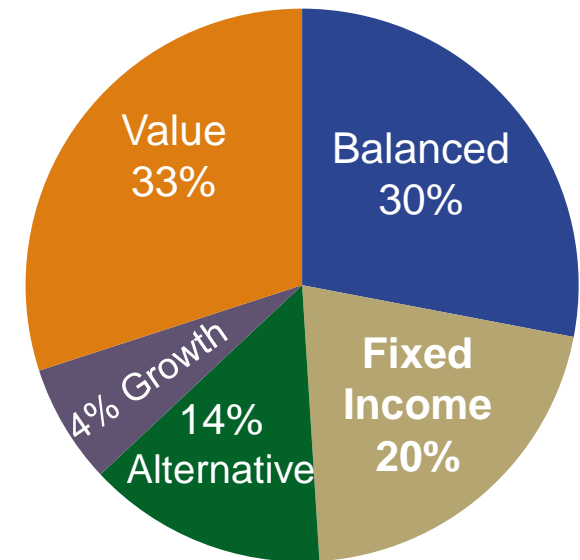
By Source



By Client Type



By Asset Class



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

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
 - Exploration of Wealth Management extensions/add-ons

III. Appendix

Consolidated P&L Highlights – Linked Quarter

(\$millions)	Q4 2011	Q1 2012	% Change	Results Driven By:
NII	\$44.1	\$44.8	1%	NIM up 6 bps to 3.23%
Fees*	\$24.8	\$25.9	3%	
<u>Other Revenue**</u>	<u>\$4.8</u>	<u>\$2.0</u>	<u>(59%)</u>	Q4 2011 reflects gains on debt repurchase and gain on sale of OREO
Total Revenue	\$73.8	\$72.2	(2%)	
Operating Expenses	\$57.3	\$55.5	(3%)	5% decline in salaries and benefits 32% decline in FDIC insurance
Restructuring	\$0.6	\$0.1	(79%)	
<u>Total Expenses</u>	<u>\$58.0</u>	<u>\$55.6</u>	<u>(4%)</u>	
PTPP***	\$16.3	\$17.4	7%	
<u>Provision/(Credit)</u>	<u>(\$2.5)</u>	<u>\$4.0</u>	<u>NM</u>	
Pre-Tax Income	\$18.8	\$13.4	(29%)	
Efficiency Ratio	77%	75%	(2 pts)	

*Includes IM&T fees, wealth advisory fees and other private banking fees

**Includes gain on sale of investments, debt repurchase, loans, OREO and other

***Pre-tax, pre-provision income

Private Bank Performance Highlights – Linked Quarter

(\$millions)	Q4 2011	Q1 2012	% Change	Results Driven By:
NII	\$45.8	\$46.4	1%	Bank-only NIM of 3.36%, up 7 bps quarter-to-quarter Fee waivers to support merger-related client retention
Fees*	\$6.9	\$6.8	(1%)	
<u>Other Revenue**</u>	<u>\$2.4</u>	<u>\$0.9</u>	<u>(63%)</u>	
Total Revenue	\$55.1	\$54.1	(2%)	11% decline in professional fees 32% decline in FDIC insurance
Operating Expenses	\$36.7	\$35.5	(3%)	
Restructuring	\$0.4	\$0.1	NM	
<u>Total Expenses</u>	<u>\$37.1</u>	<u>\$35.6</u>	<u>(4%)</u>	\$3.0 million to support loan growth
PTPP***	\$18.0	\$18.5	3%	
<u>Provision/(Credit)</u>	<u>(\$2.5)</u>	<u>\$4.0</u>	<u>NM</u>	
Pre-Tax Income	\$20.5	\$14.5	(29%)	
Efficiency Ratio	65%	66%	--	

*Includes IM&T fees and other private banking fees

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

***Pre-tax, pre-provision income

Investment Management Performance Highlights – Linked Quarter

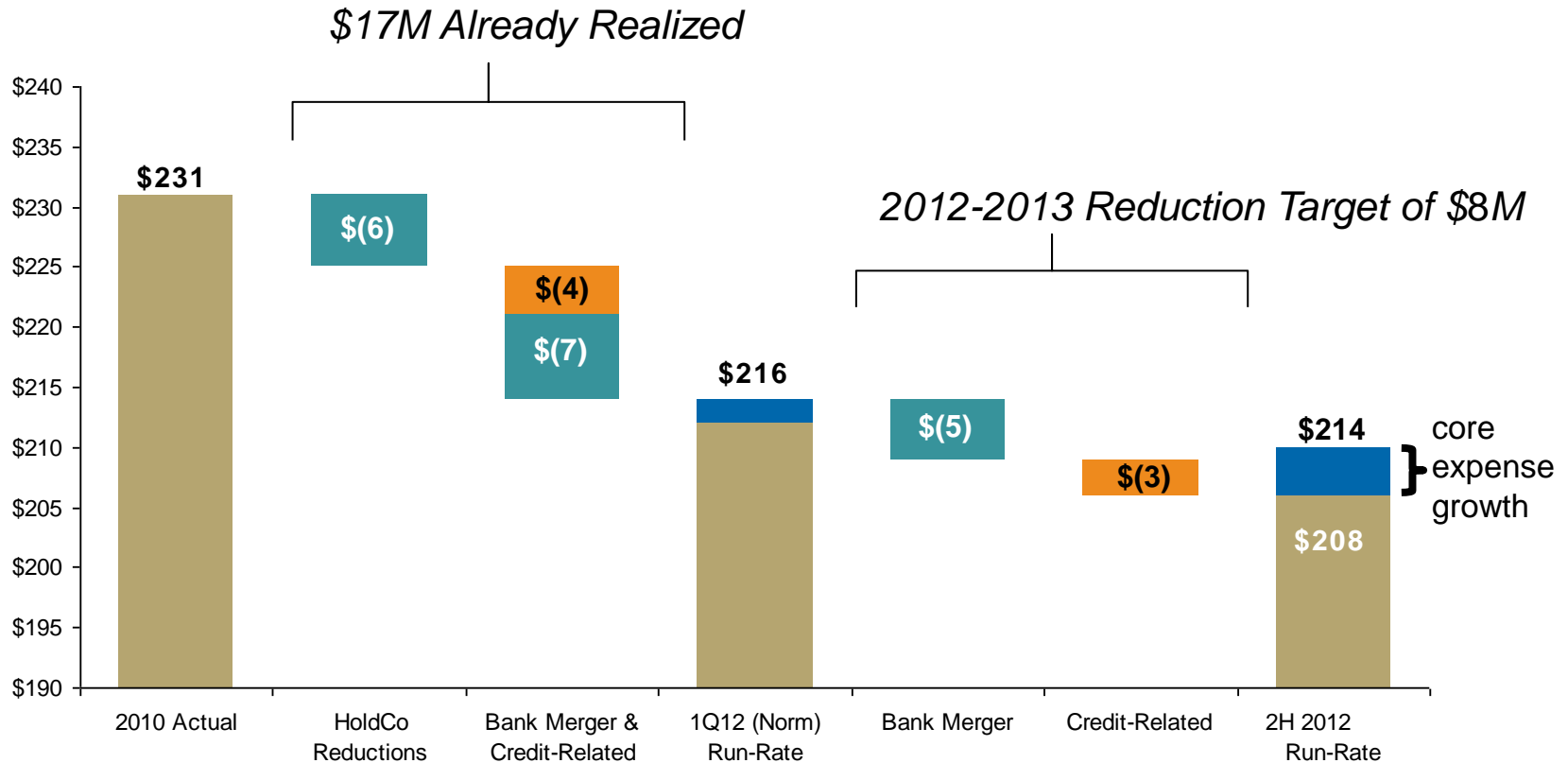
<i>(\$millions)</i>	Q4 2011	Q1 2012	% Change	Results Driven By:
Inv Mgt Fees	\$9.1	\$9.5	4%	Negative flows Q-to-Q Total AUM up 6% driven by market lift Stable pricing
Total Revenue	\$9.1	\$9.5	5%	
<u>Operating Expenses</u>	<u>\$7.5</u>	<u>\$7.6</u>	<u>2%</u>	
Pre-Tax Income	\$1.6	\$1.8	14%	Margins continue to improve, approaching our 30% target
EBITDA Margin	27%	28%	1 pt	
Pre-tax Margin	18%	19%	1 pt	
AUM (\$B)	\$7.6	\$8.0	6%	Loss of one large client
Net Flows (\$M)	(\$163)	(\$101)	38%	

Wealth Advisory

Performance Highlights – Linked Quarter

<i>(\$millions)</i>	Q4 2011	Q1 2012	% Change	Results Driven By:
Wealth Adv Fees	\$8.9	\$9.2	4%	Steady, positive flows and strong client growth Strong client retention Stable pricing
Total Revenue	\$8.9	\$9.2	4%	
<u>Operating Expenses</u>	<u>\$6.3</u>	<u>\$6.7</u>	<u>7%</u>	
Pre-Tax Income	\$2.6	\$2.5	(4%)	At our threshold of 30%
EBITDA Margin	32%	30%	(2 pts)	
Pre-tax Margin	29%	27%	(2 pts)	AUM build and client acquisition the primary focus
AUM (\$B)	\$7.0	\$7.6	8%	
Net Flows (\$M)	\$13	\$191	NM	

Progress Toward \$25M Cost Reduction Target



*Assumes current revenue run-rate

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