

**BOSTON PRIVATE**  
FINANCIAL HOLDINGS, INC.

**Investor Presentation**

Clayton G. Deutsch, CEO and President

David J. Kaye, CFO

Mark Thompson, CEO, Boston Private Bank

Q3 2013

# 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 continued weakness 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 in our investment portfolio, adequacy of loan loss reserves, or deposit levels necessitating increased borrowing to fund loans and investments; changes in government regulation; 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.*

# Agenda

1. Boston Private: An appealing business and economic model
  - Wealth Management
  - Private Banking
2. Our return targets
3. Appendix

# 1. BPFH: A Premier Wealth Management And Private Banking Company

## WEALTH MANAGEMENT

### Fee-Based Wealth Advisory

**KLS:** New York, Los Angeles

**BOS:** San Francisco, Palo Alto

- Boutique-based comprehensive financial planning, portfolio construction and asset allocation
- Nationwide reach, referral-driven, growing clientele

### Proprietary Investment Management

**Anchor Capital:** Boston

**DGHM:** New York

- Proprietary, active asset management
- Value-driven investors
- Individual and institutional clientele

### Private Clients Wealth Advisory, Investment Management and Trust

**Boston Private Bank IM&T:** All Bank markets

- Proprietary fixed income and equities, plus Global Diversified Portfolio
- Individual and institutional clientele; Bank-driven referrals

## PRIVATE BANKING

### Residential Mortgage

**Boston Private Residential Mortgage:** All Bank markets

- High service jumbo mortgage
- Superior economics

### Commercial Lending

**Boston Private Commercial Banking:** All Bank markets

- Commercial lending and related services for private companies, partnerships and non-profit institutions
- Strong cross-sell to Deposit Services, IM&T

### Deposit Services

**Boston Private Deposit Services and Cash Management:** All Bank markets

- Highly client-centered cash and liquidity management
- Strong referral links all Boston Private business lines; deep client loyalty

# Two Distinct Business Models Drive Value

Metric	Non-Banks	Bank & HoldCo	BPFH
YTD annualized earnings*	\$10.4	\$51.8	\$62.2
Annualized EPS contribution	\$0.13	\$0.65	\$0.78
Tangible common equity*	(\$11.3)	\$463.0	\$451.7
TBV/share	(\$0.14)	\$5.80	\$5.66
<b>Capital requirements:</b>	<b>Minimal</b>	<b>Intensive</b>	

\*Dollars in millions; excludes gain on sale of Pacific Northwest offices

# Our Strategy for Increasing Value

## Revenue Mix Management

Drive fee revenue growth, with a particular focus on Wealth Management expansion and generation of Banking fees in excess of NII growth

## Disciplined Expense Management

Tightly manage expenses, and create positive operating leverage in excess of margin compression

## Efficient Capital Management

Continue to de-risk; achieve a top quartile risk profile, and fine tune leverage with efficient capital management

Deliver greater cash return to shareholders while adequately reinvesting in our Company's businesses

# Wealth Management

- Steady fee-based revenue stream
  - Wealth management fees\* account for 38% of revenue
- \$22.7B in AUM
- Q3 EBITDA margin of 31%\*\*
- Positive operating leverage
- Wealth Management encompasses:

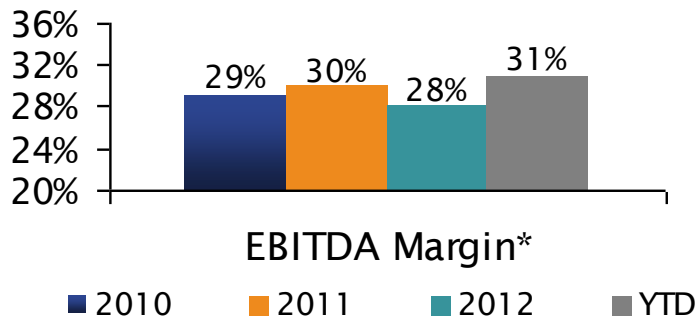
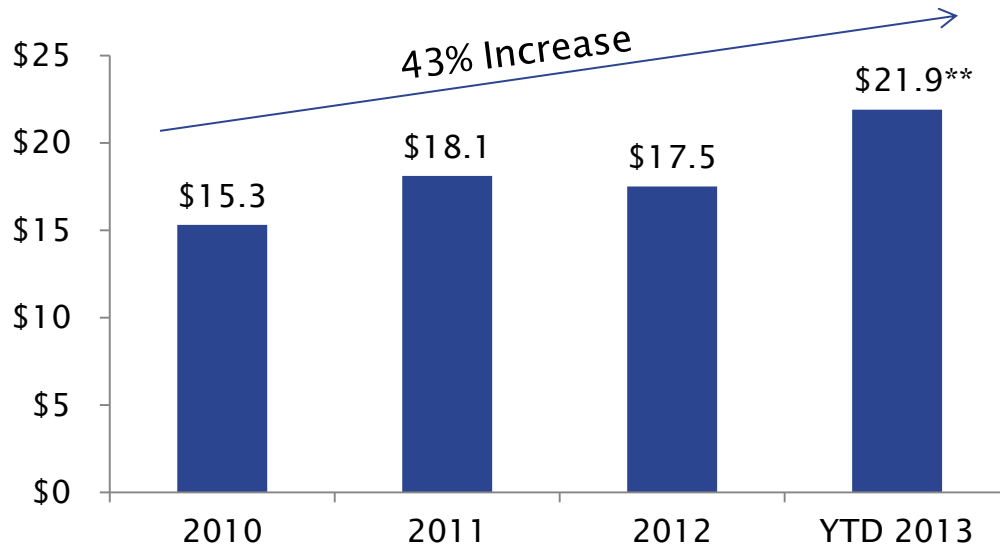
Wealth Advisory	Investment Managers	Bank IM&T
KLS Professional Advisors Bingham, Osborn & Scarborough	Anchor Capital Dalton, Greiner, Hartman & Maher	Boston Private Wealth Advisory, Investment Management & Trust

\*Includes Investment Management Fees, Private Bank Investment Management & Trust Fees and Wealth Advisory Fees

\*\*Wealth Advisors and Investment Managers only

# Attractiveness of Fee-Based Revenue Stream

## Investment Management and Wealth Advisory Pre-Tax Income



- 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
- Strong profit margins
  - Expand well in growth cycle
  - Demonstrated operating leverage/margin expansion

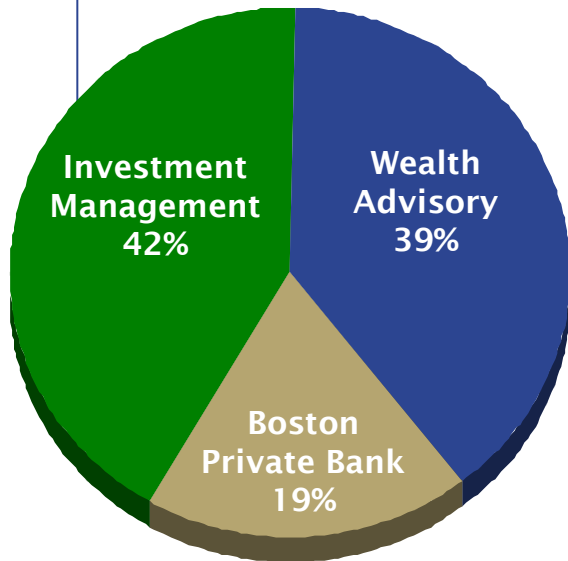
\*Wealth Advisors and Investment Managers only  
 \*\*Annualized



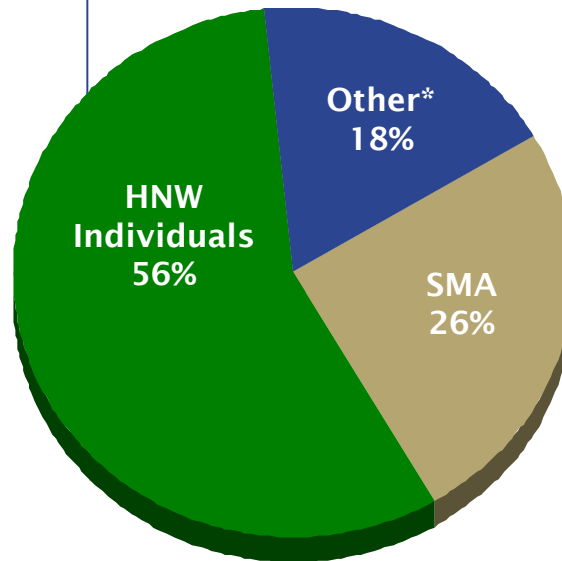
# Our Wealth Management Group Platform: A Diverse Portfolio

\$22.7 Billion of AUM

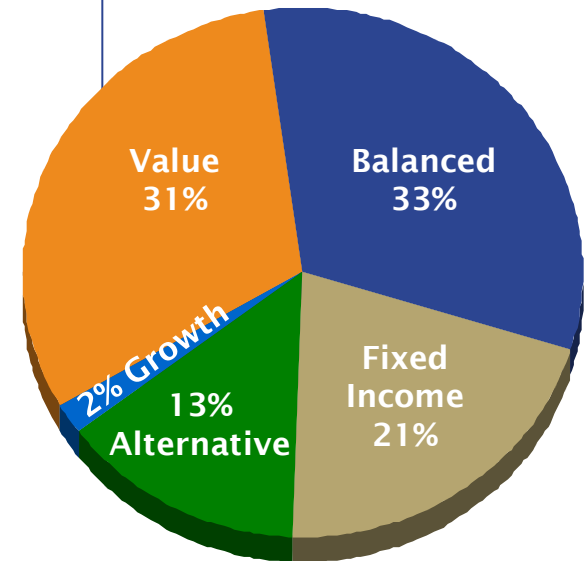
## By Source



## By Client Type



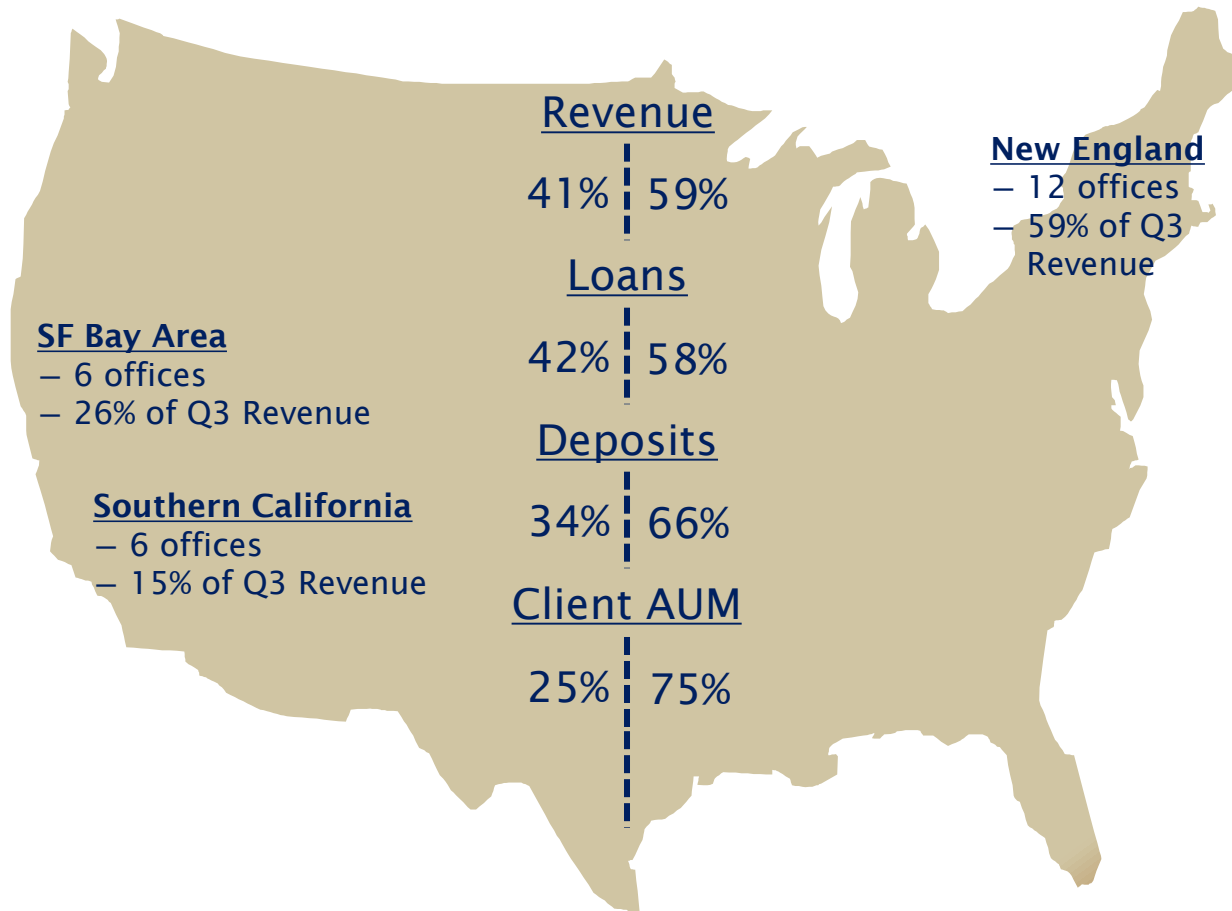
## By Asset Class



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

# Private Banking

## Boston Private Bank: Fully Integrated and Branded as of September 2012



- Now branded **Boston Private** in all markets
- All Boston Private business lines staffed and building clients in all markets
- Beverly Hills office to open in 1H 14
- Opened San Jose and Pasadena offices and expanded San Francisco office in 2013
- New Boston Private Investment Management platform (GDP) in roll-out with strong client receptivity

# Private Banking

- Represents 62%\* of Company revenue
- \$6.1B private banking balance sheet
- \$4.9B in loans; \$4.9B in deposits
- Attractive risk profile with:
  - Steady and steep reduction in problem assets
  - High level of reserves and low charge-offs relative to industry and peer group
- Capital build:
  - Bank-only TCE/TA of 9.2%, Tier 1 Risk-Based Ratio of 12.7%
- Consolidated Q3 NIM of 2.99%
- Low loan loss provision reflecting disciplined growth with continued de-risking
- Tight management of expense profile

\*Excludes Private Bank IM&T Fees

# Boston Private Bank Target 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

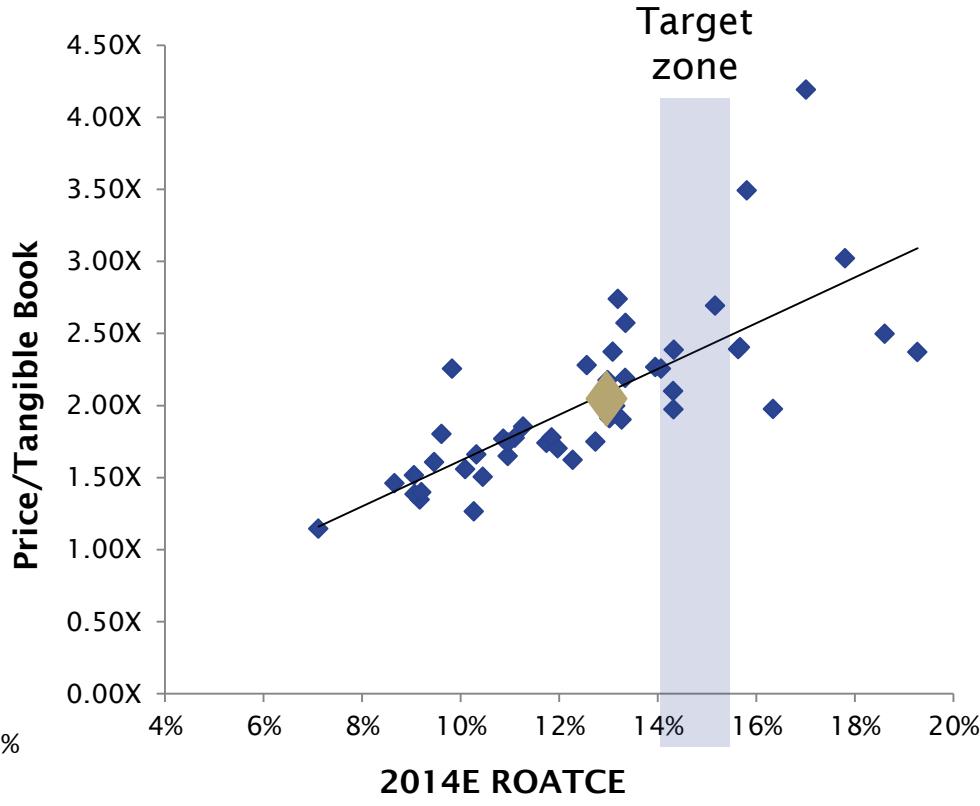
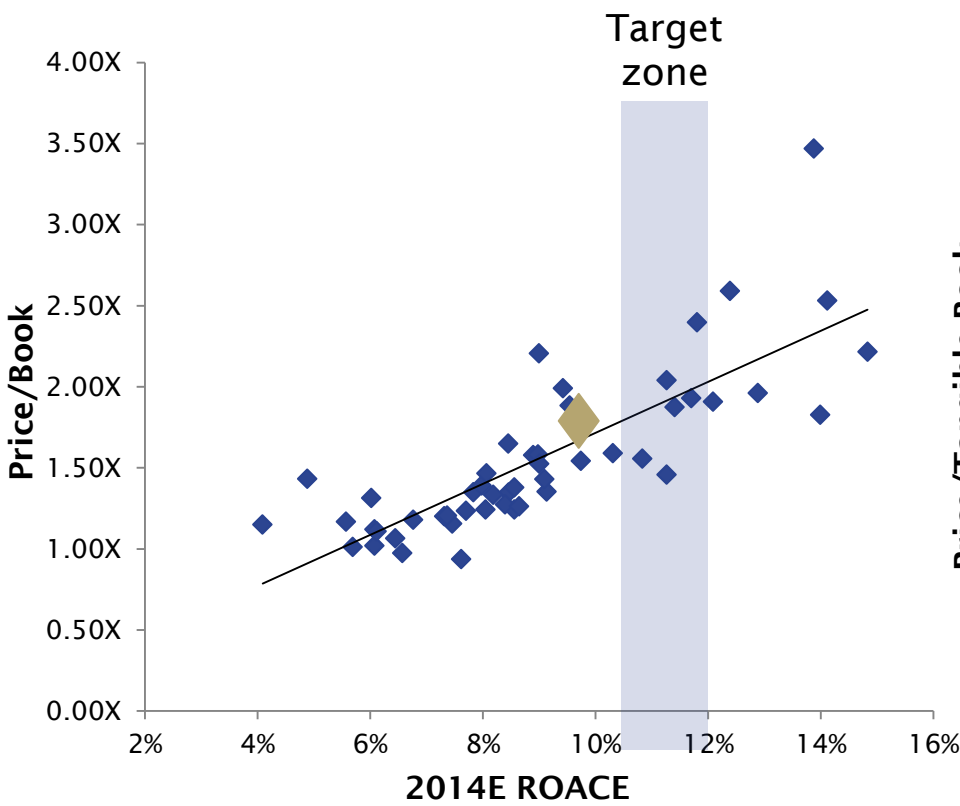
## Appeal of targeted segments includes:

- 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

# 2. Our Primary Focus is to Increase ROACE

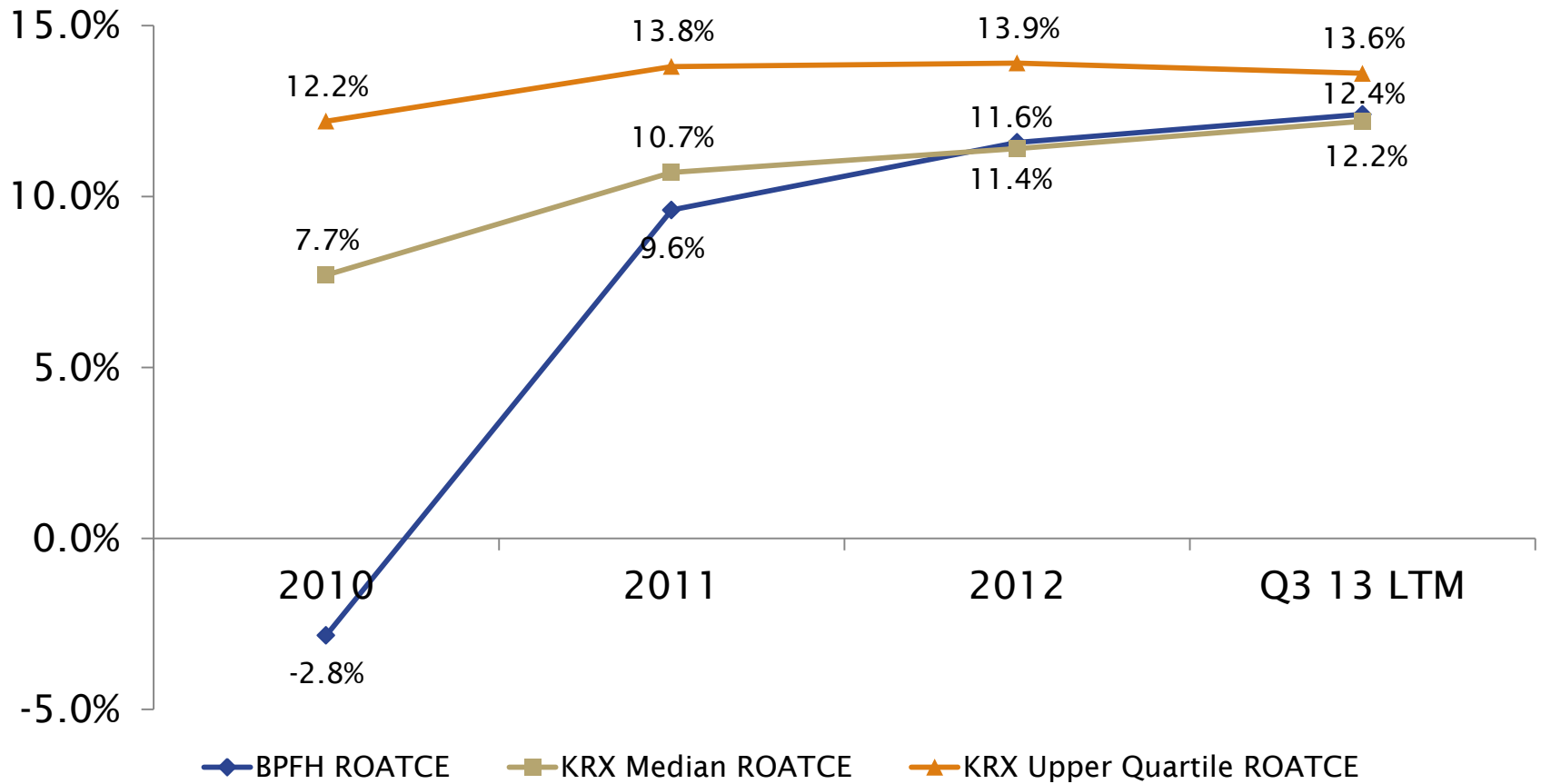


◆ LTM BPFH

Approximately 50% of executive variable compensation is tied to ROACE performance

Data based on KBW Regional Bank Index consensus estimates; Source: SNL  
Excludes gain on sale of Pacific Northwest offices

# Steady Progress Towards Our ROATCE Goals

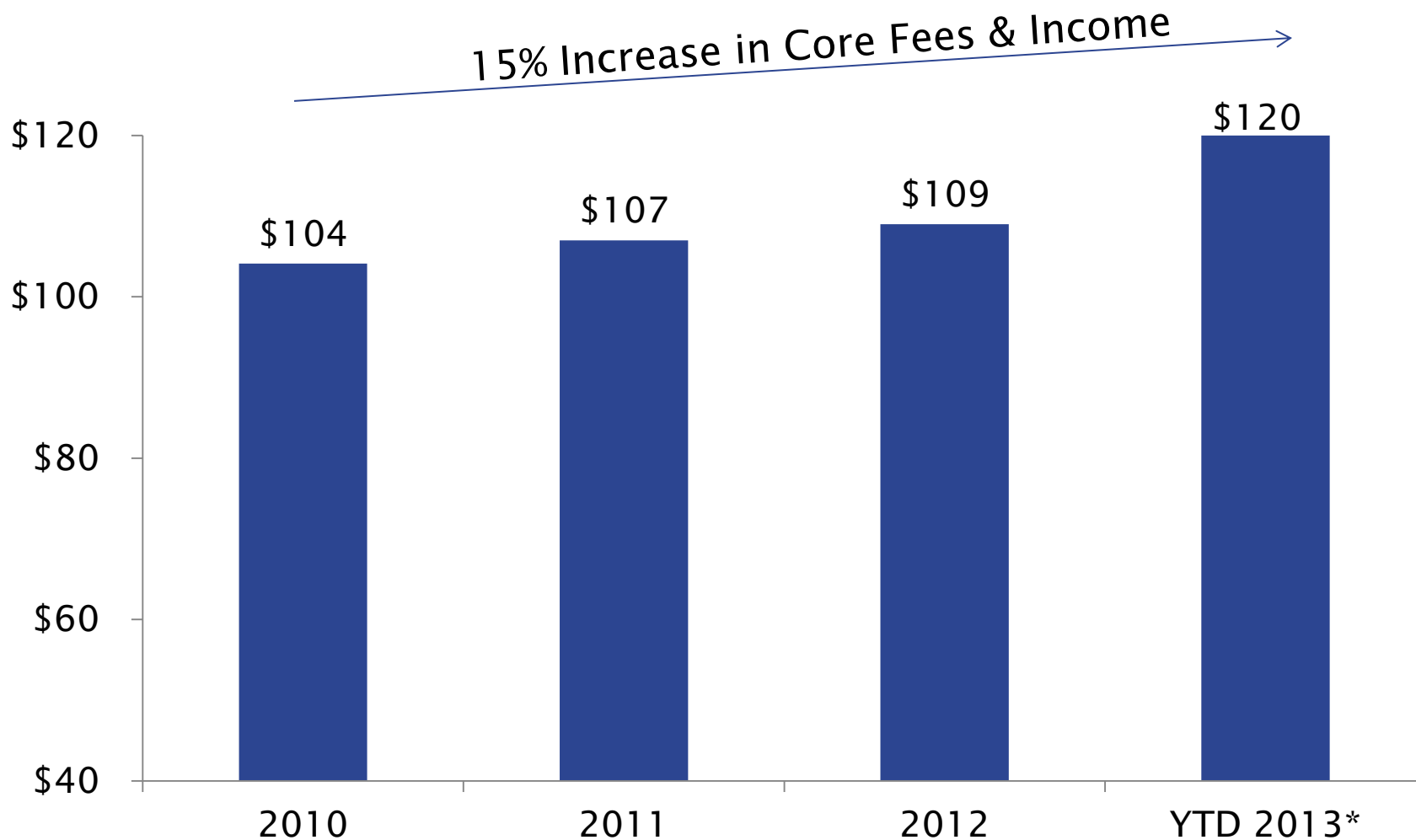


Excludes gain on sale of Pacific Northwest offices

# Steps to Attain Target Return Levels

1. Expand Wealth Management activity
2. Drive West Coast client expansion
3. Tightly manage expenses
4. Manage risk and efficiently manage capital

# Expand Wealth Management Activity

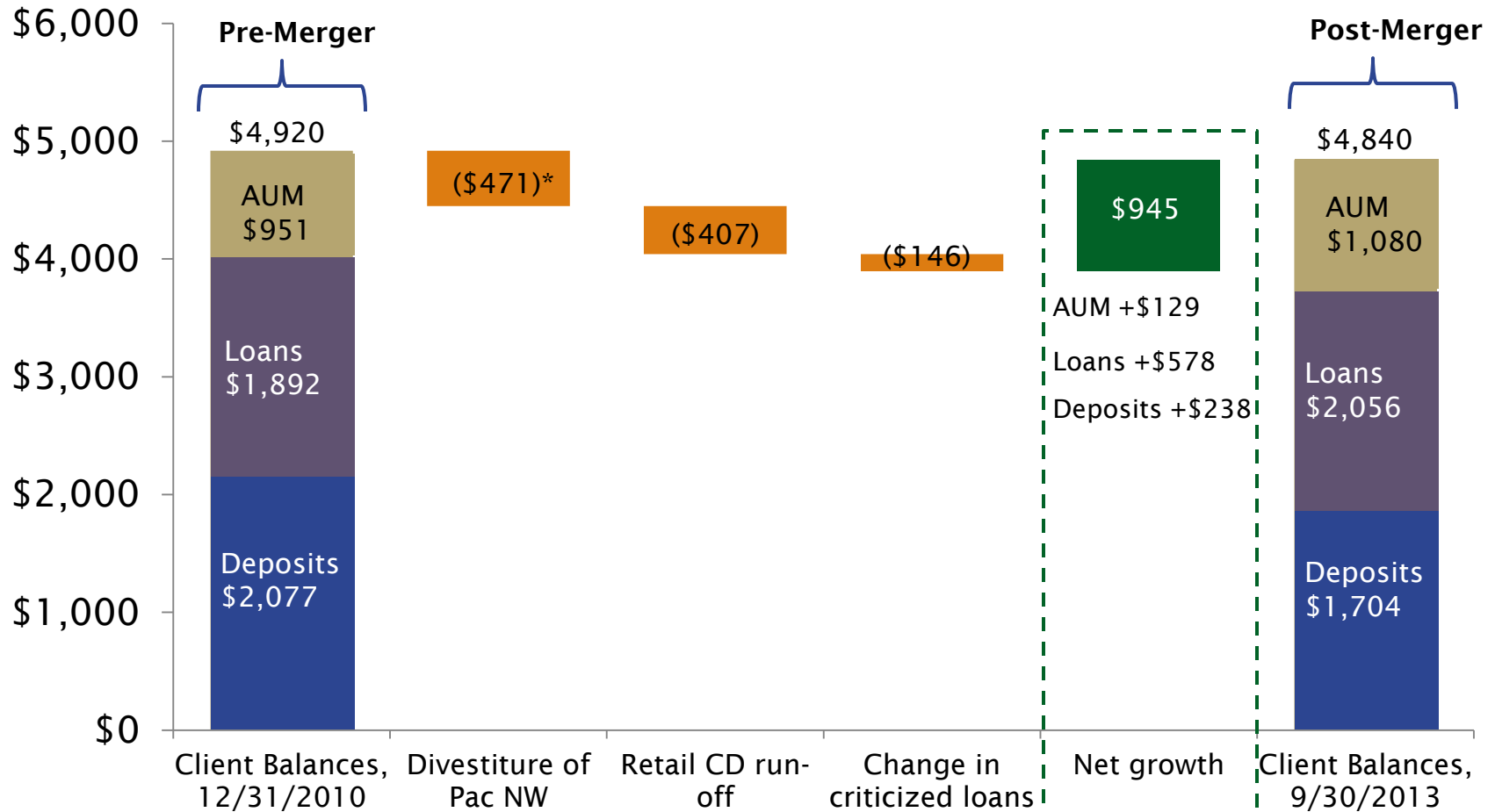


Dollars in millions  
\*Annualized



# Drive West Coast Client Expansion

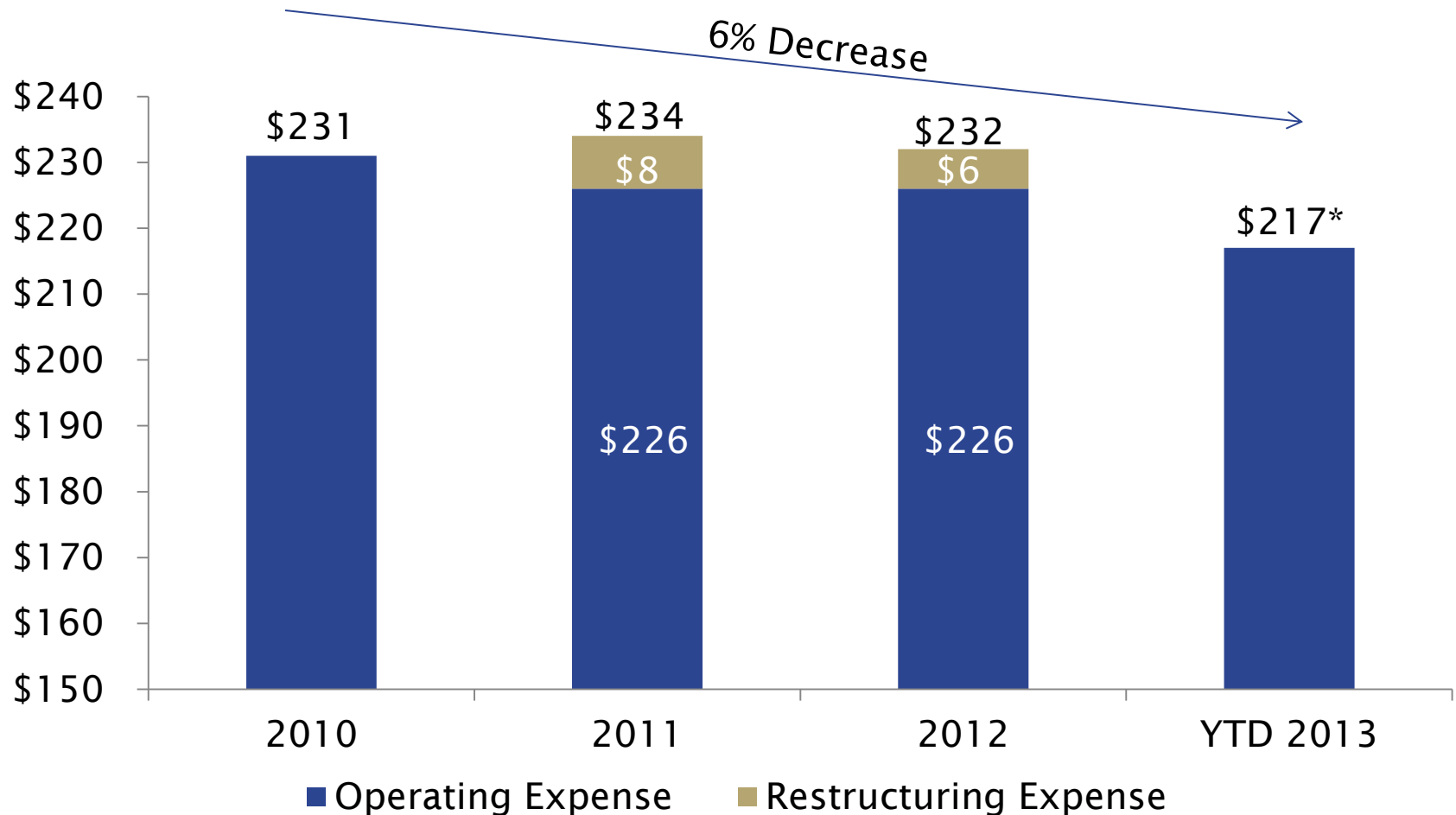
Excluding Purposeful Reduction Initiatives,  
West Coast Client Balances Growing at 8% CAGR



\*Includes \$203M in loans and \$268M in deposits as of 12/31/10

# Tightly Manage Expenses

Fully Captured \$10M in Annual Cost Saves Announced in 3Q 12

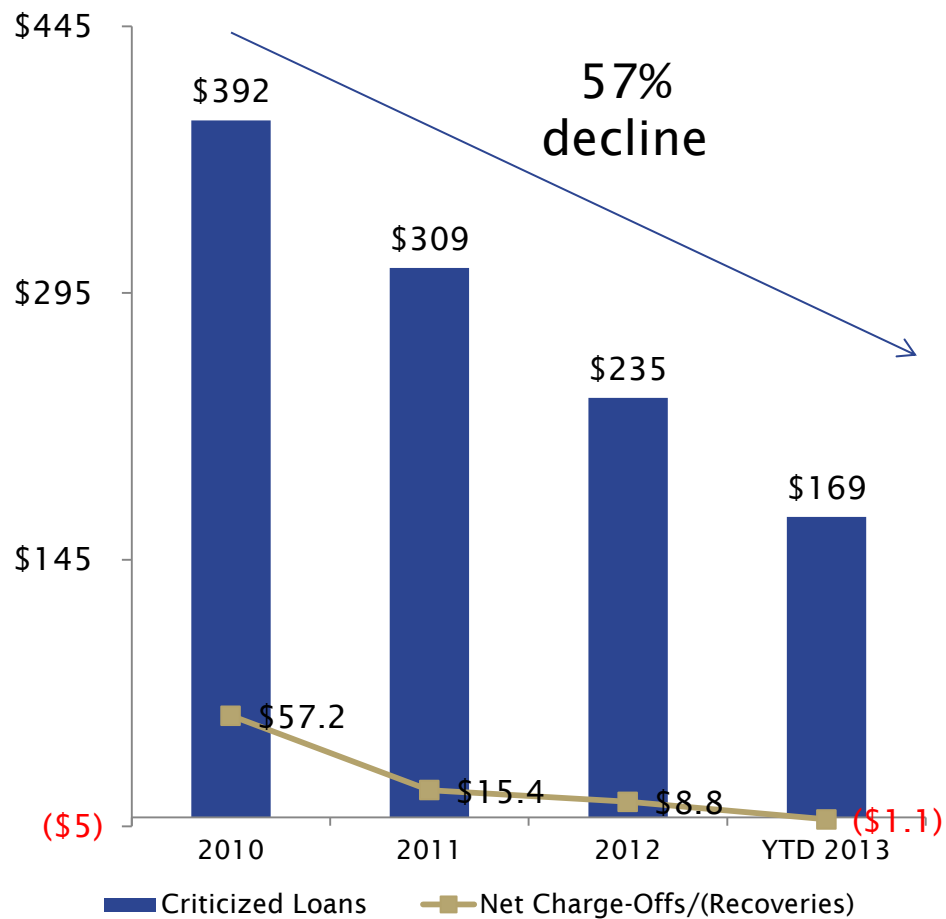


Dollars in millions

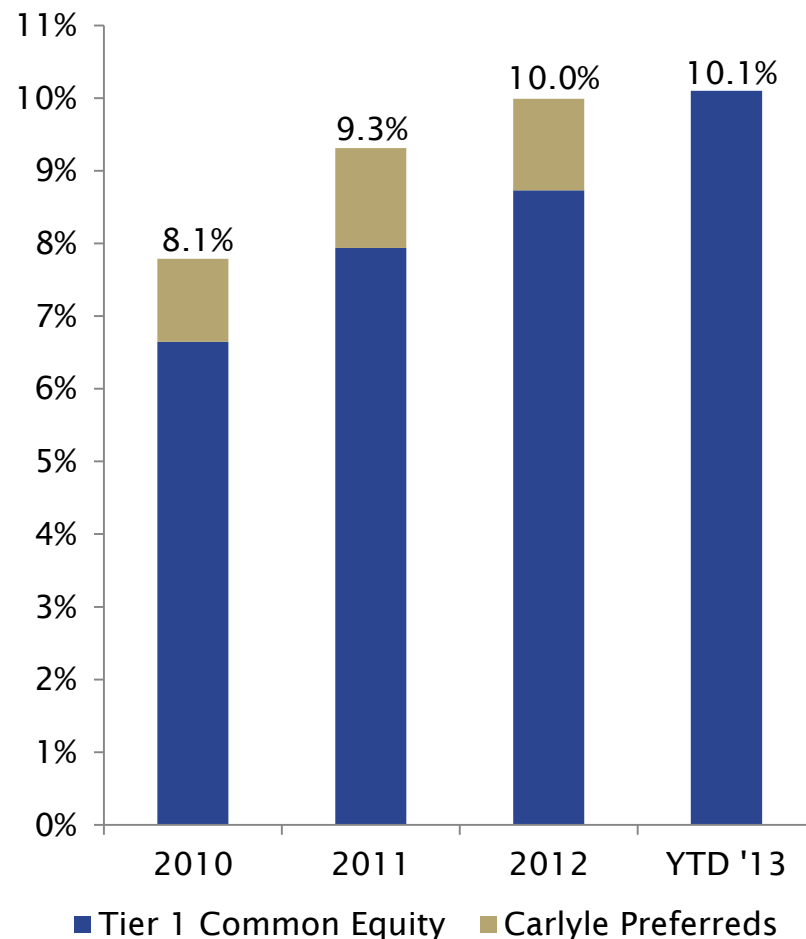
\*YTD Q3 and Q3 as a proxy for Q4

# Manage Risk

## Total Criticized Loans



## Tier 1 Common/ Risk-Weighted Assets



Dollars in millions

# Efficiently Manage Capital

- Increased the dividend to \$0.05/share from \$0.01/share in Q1 13, and to \$0.07/share in Q3 13
- Repurchased all preferred shares and warrants held by The Carlyle Group
- Sold Pacific Northwest offices in Q2 13, which freed up approximately \$30M of capital
- Long-term debt reduced by \$130M since 2009
  - Repurchased \$26.8M in legacy Trust Preferreds in Q3, Q4 13 at par
  - Repurchased \$105M of Trust Preferreds since 2009 at a cumulative pre-tax gain of \$27M\*

\*Includes purchases through 3/31/13

# Summary: Our Beliefs

- Our focus on private clients affords us attractive growth and return opportunities
- Our business mix is attractive and provides an important element of revenue diversification
- Our balance sheet, capital base and risk profile are strong and will continue to improve
- Our network and brand are important assets upon which to build, and represent opportunities to expand our client base
- Our non-bank wealth management businesses are important contributors

# 3. Appendix

# Consolidated P&L Highlights – Linked Quarter

<i>(\$millions)</i>	Q2 2013	Q3 2013	% Change	Results Driven By:
NII	\$43.9	\$42.3	(4%)	Fees from Wealth Management businesses flat LQ, up 9% YOY
Core Fees*	\$30.1	\$29.8	(1%)	
<u>Other Income**</u>	<u>\$10.7</u>	<u>\$0.3</u>	<u>NM</u>	Q2 includes gain on sale of PNW offices of \$10.6M
<b>Total Revenue</b>	<b>\$84.8</b>	<b>\$72.4</b>	<b>(15%)</b>	
<b><u>Total Expenses</u></b>	<b><u>\$56.7</u></b>	<b><u>\$52.0</u></b>	<b><u>(8%)</u></b>	Fully captures \$10M in savings from 2012 cost reduction program
<b>PTPP***</b>	<b>\$28.1</b>	<b>\$20.4</b>	<b>(27%)</b>	
<u>Provision/(Credit)</u>	<u>(\$2.0)</u>	<u>(\$6.0)</u>	<u>NM</u>	Excluding PNW gain in Q2, Q3 up 36% due to expense management and provision credit
<b>Pre-Tax Income from Continuing Operations</b>	<b>\$30.1</b>	<b>\$26.4</b>	<b>(12%)</b>	
Efficiency Ratio****	64%	68%	4 pts	

\*Includes IM&T Fees, Wealth Advisory Fees, Private Banking Fees and Gain on Sale of Loans

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

\*\*\*Pre-tax, pre-provision income from Continuing Operations

\*\*\*\*Excludes restructuring and amortization of intangibles; FTE basis

# Private Bank Performance Highlights – Linked Quarter

<i>(\$millions)</i>	Q2 2013	Q3 2013	% Change	
NII	\$45.0	\$43.4	(4%)	<b>Results Driven By:</b> \$1M of decline in Interest Income related to PNW office sale in mid Q2
Core Fees*	\$8.9	\$8.6	(4%)	
<u>Other Income**</u>	<u>\$10.5</u>	<u>\$0.2</u>	<u>(98%)</u>	
<b>Total Revenue</b>	<b>\$64.5</b>	<b>\$52.2</b>	<b>(19%)</b>	Drop in mortgage gain on sale explains \$0.3M quarter-to-quarter change
<b><u>Total Expenses</u></b>	<b><u>\$36.5</u></b>	<b><u>\$32.7</u></b>	<b><u>(10%)</u></b>	
<b>PTPP***</b>	<b>\$28.0</b>	<b>\$19.5</b>	<b>(30%)</b>	Bank accounted for 80% of quarter-to-quarter consolidated expense reduction
<u>Provision/(Credit)</u>	<u>(\$2.0)</u>	<u>(\$6.0)</u>	<u>NM</u>	
<b>Pre-Tax Income</b>	<b>\$30.0</b>	<b>\$25.5</b>	<b>(15%)</b>	
Efficiency Ratio****	55%	60%	5 pts	

\*Includes Bank IM&T Fees, Other Private Banking Fees and Gain on Sale of Loans

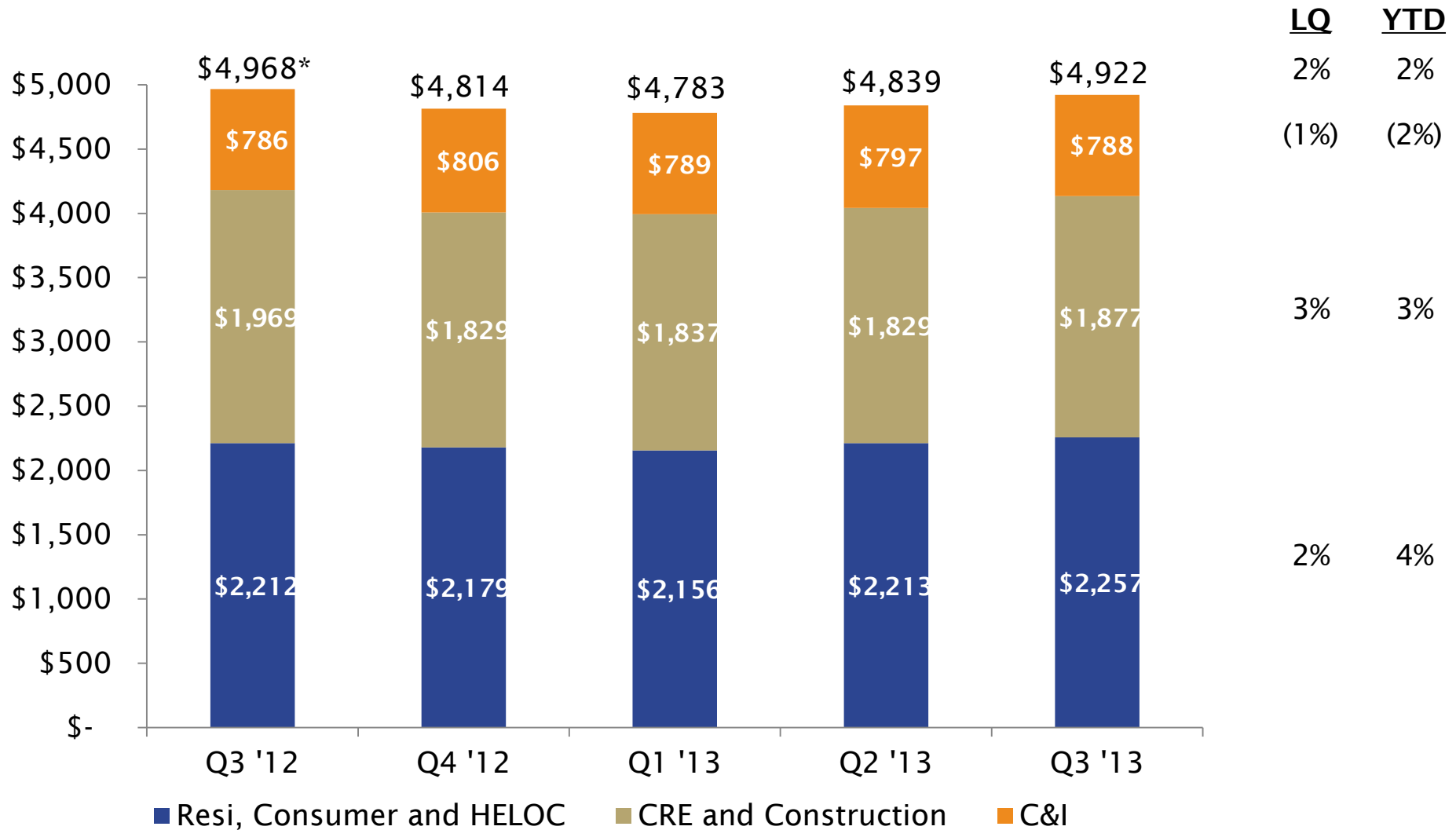
\*\*Includes gain on sale of investments, OREO and other

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

\*\*\*\*Excludes restructuring and amortization of intangibles; FTE basis



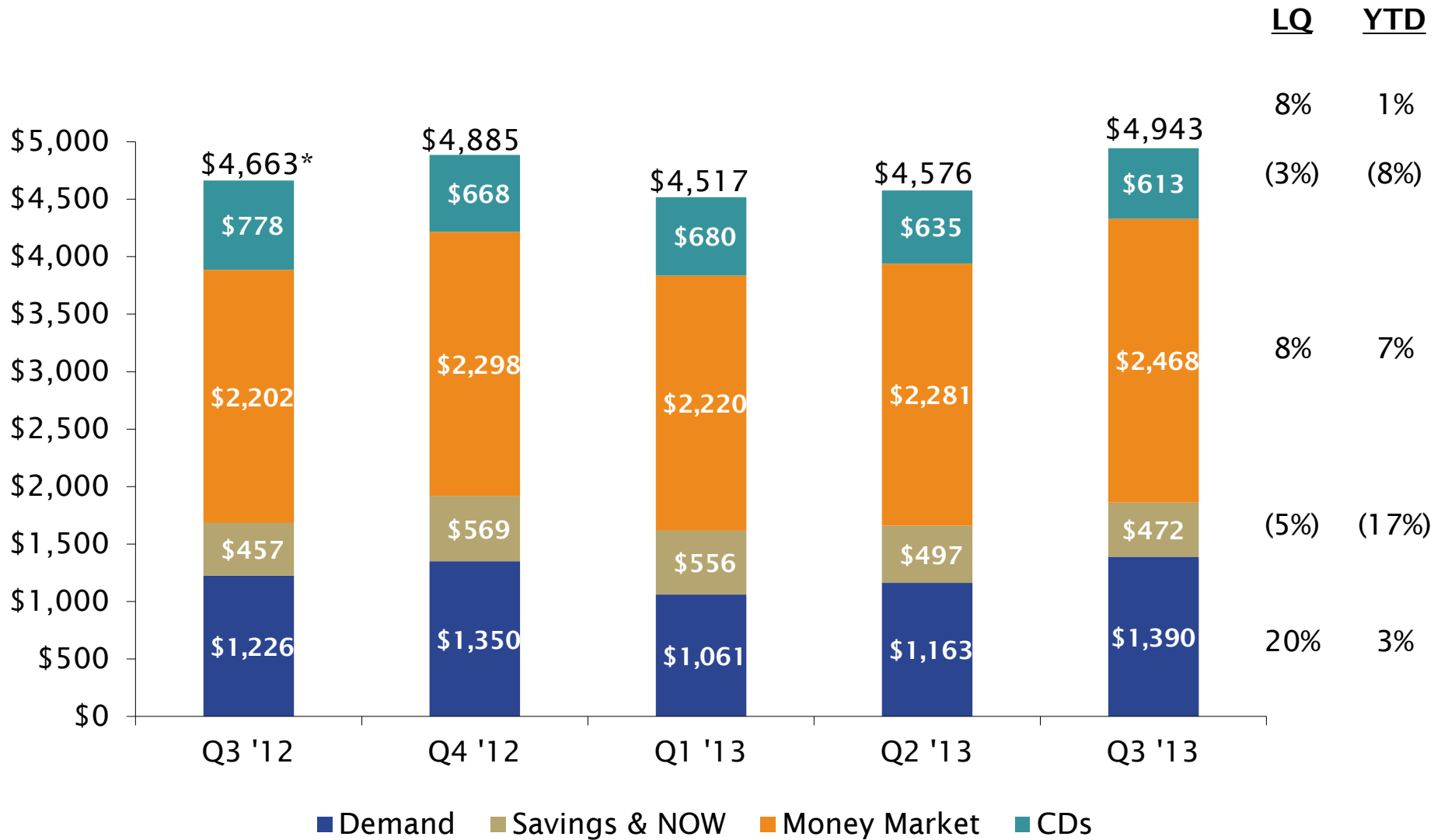
# Loans By Type: Quarterly Trend



Dollars in millions

\*Includes \$272M of loans from the Pacific Northwest offices

# Favorable Mix Of Deposits



Dollars in millions

\*Includes \$189M of deposits from the Pacific Northwest offices

# Investment Management Performance Highlights – Linked Quarter

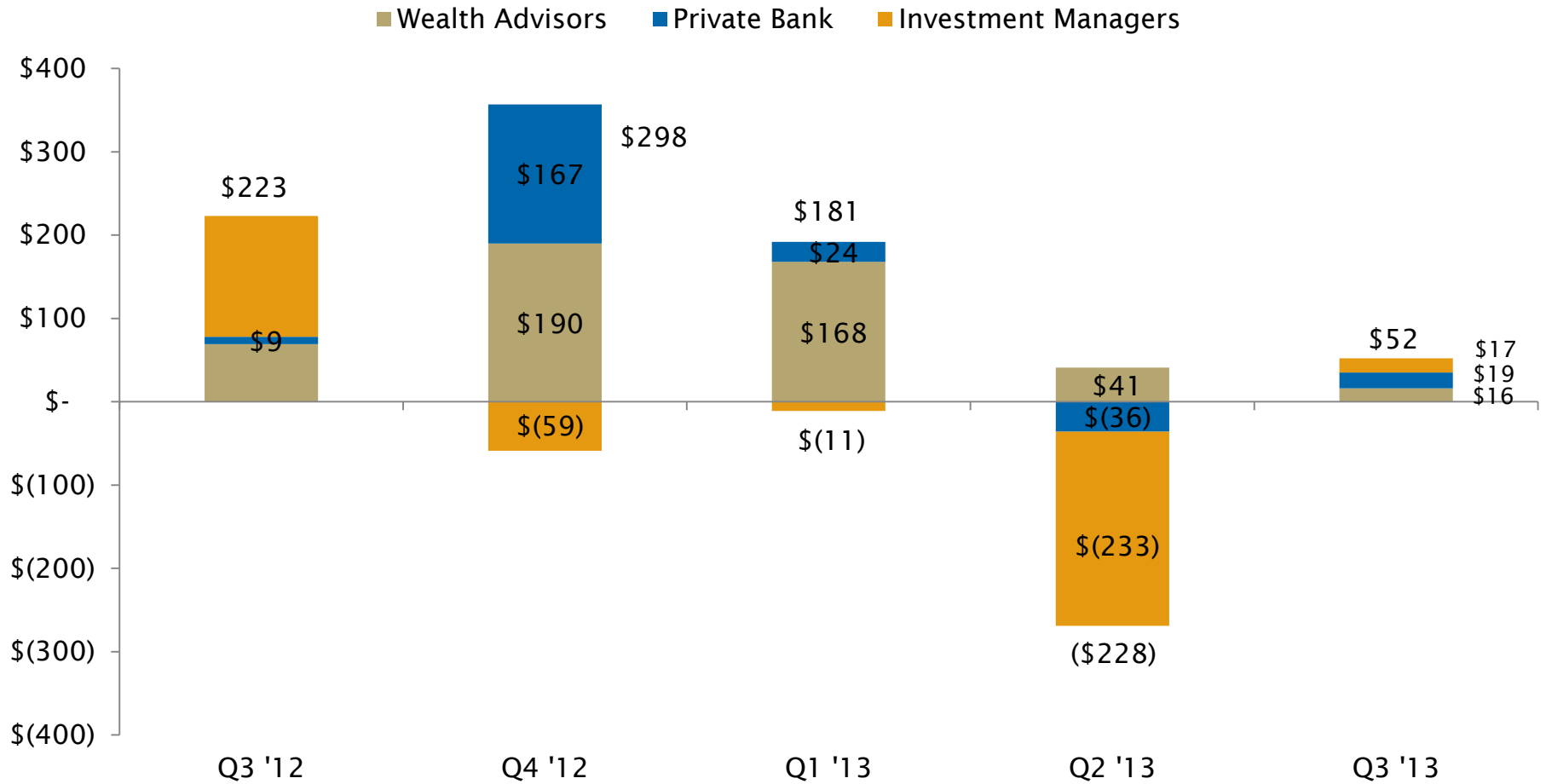
<i>(\$millions)</i>	Q2 2013	Q3 2013	% Change	Results Driven By:
Inv Mgt Fees	\$10.9	\$10.5	(3%)	Reflects lower AUM balances as of Q2 versus Q1 (revenue on one quarter lag)
<b>Total Revenue</b>	<b>\$10.9</b>	<b>\$10.5</b>	<b>(3%)</b>	
<u>Operating Expenses</u>	<u>\$8.3</u>	<u>\$8.4</u>	<u>1%</u>	
<b>Pre-Tax Income from Continuing Operations</b>	<b>\$2.6</b>	<b>\$2.1</b>	<b>(17%)</b>	
EBITDA Margin	31%	27%	(4 pts)	
Pre-tax Margin	24%	20%	(4 pts)	Strong AUM build will impact Q4 results
AUM (\$B)	\$9.1	\$9.7	6%	
Net Flows (\$M)	(\$233)	\$17	NM	

# Wealth Advisory

## Performance Highlights – Linked Quarter

<i>(\$millions)</i>	Q2 2013	Q3 2013	% Change	Results Driven By:
Wealth Adv Fees	\$10.3	\$10.7	4%	Steady growth and stable pricing
<b>Total Revenue</b>	<b>\$10.3</b>	<b>\$10.7</b>	<b>4%</b>	
<u>Operating Expenses</u>	<u>\$6.9</u>	<u>\$7.3</u>	<u>7%</u>	Formulaic bonus pool true-up
<b>Pre-Tax Income from Continuing Operations</b>	<b>\$3.4</b>	<b>\$3.4</b>	--	
EBITDA Margin	36%	34%	(2 pts)	Above our 30% target
Pre-tax Margin	33%	31%	(2 pts)	
AUM (\$B)	\$8.5	\$8.8	3%	
Net Flows (\$M)	\$41	\$16	(61%)	

# AUM Net Flows



Dollars in millions  
Excluding market changes

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