

**BOSTON PRIVATE**  
FINANCIAL HOLDINGS, INC.

**Investor Presentation**

Clayton G. Deutsch, CEO and President

David J. Kaye, CFO

Mark Thompson, CEO, Boston Private Bank

Q1 2014

# 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 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.*

*Certain 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 include, among others, statements regarding our strategy, evaluations of future interest rate trends and liquidity, expectations as to growth in assets, deposits and results of operations, receipt of regulatory approval for pending acquisitions, success of acquisitions, future operations, market position, financial position, and prospects, plans and objectives of management. You should not place undue reliance on the Company's 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, 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; changes in the value of securities in the Company's investment portfolio; changes in loan default and charge-off rates, the adequacy of loan loss reserves, or decreases in 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; the risk that the Company's deferred tax asset may not be realized; risks related to the identification and implementation of acquisitions, dispositions and restructurings; and 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

### Wealth Management & Trust

- Boston Private Bank WM&T:** All Bank markets
- Robust wealth management offering including proprietary fixed income, actively managed equities, asset allocation and trust capabilities
  - HNW and select 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, WM&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
Q1 14 annualized earnings*	\$12.9	\$51.8	\$64.7
Q1 14 annualized EPS contribution	\$0.16	\$0.65	\$0.81
Tangible common equity*	(\$9.5)	\$478.0	\$468.5
TBV/share	(\$0.12)	\$5.98	\$5.86
<b>Capital requirements:</b>	<b>Minimal</b>	<b>Intensive</b>	

\*Dollars in millions; Net Income after Series D Preferred Dividends

# 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 Q1 14 revenue
- \$24.7B in AUM
- Q1 14 EBITDA margin of 34%\*\*
- Positive operating leverage
- Wealth Management encompasses:

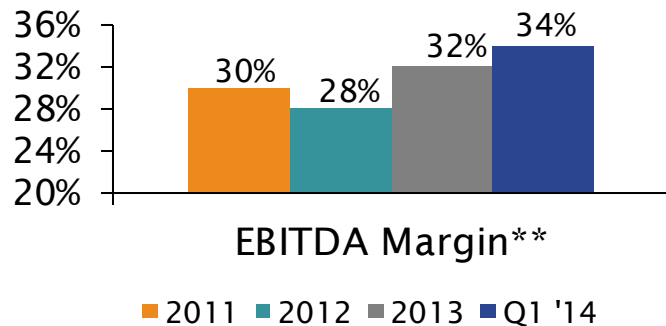
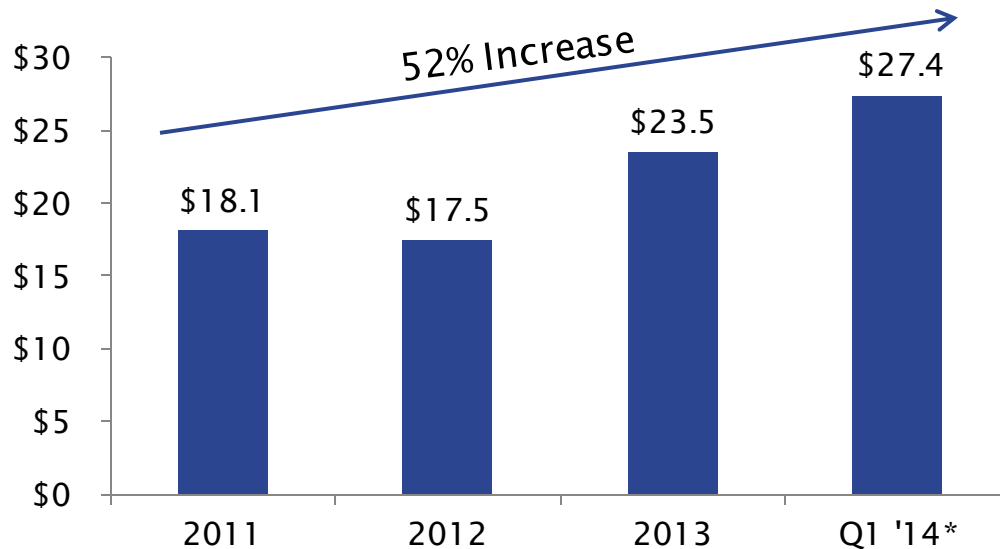
Wealth Advisory	Investment Managers	Bank WM&T
KLS Professional Advisors Bingham, Osborn & Scarborough	Anchor Capital Dalton, Greiner, Hartman & Maher	Boston Private Bank Wealth Management & Trust

\*Includes Investment Management Fees, Wealth 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

\*Q1 '14 annualized

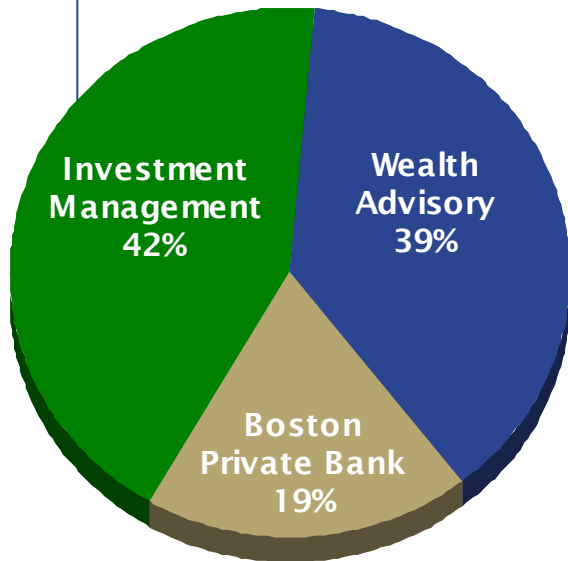
\*\*Wealth Advisors and Investment Managers only



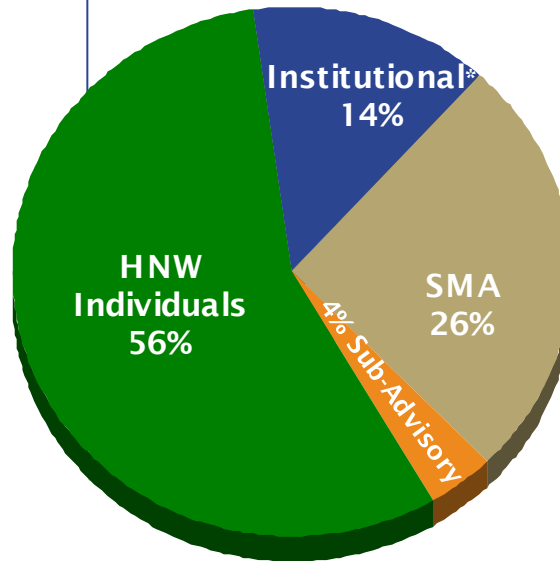
# Our Wealth Management Group Platform: A Diverse Portfolio

\$24.7 Billion of AUM

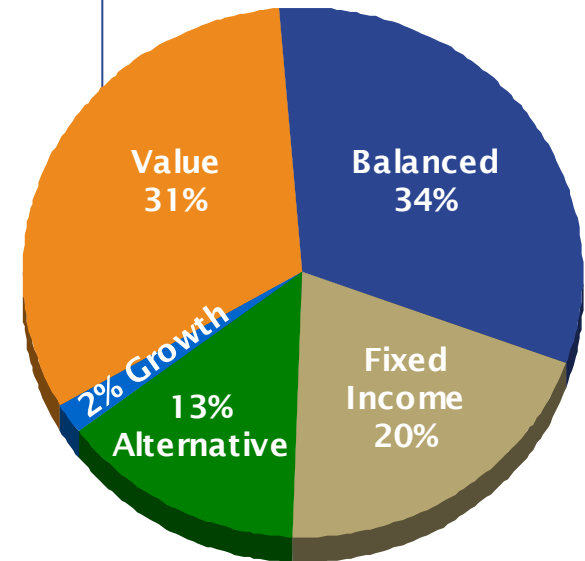
## By Source



## By Client Type

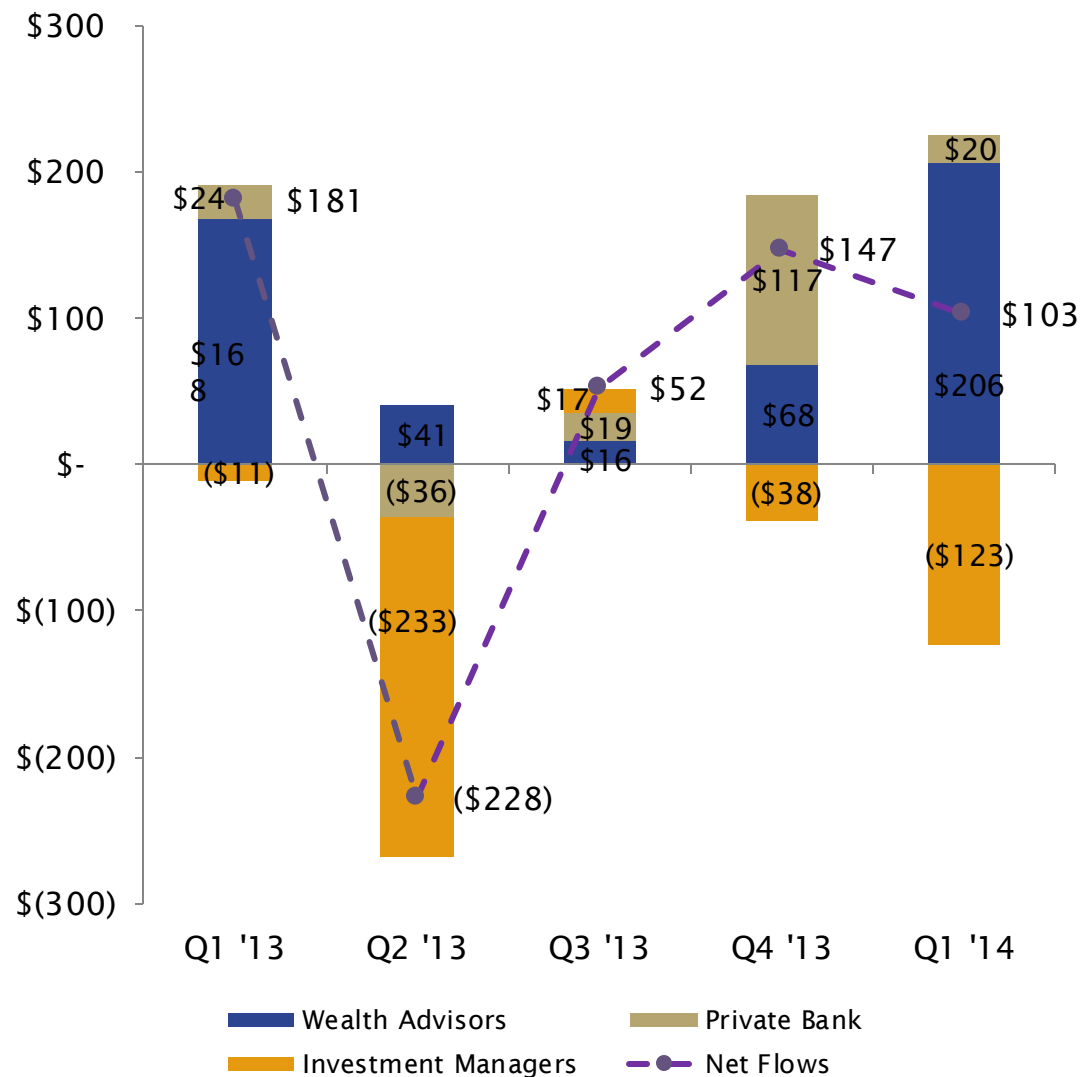


## By Asset Class



\*Corporate, ERISA, Foundations/Endowments, Public

# AUM Net Flows By Source

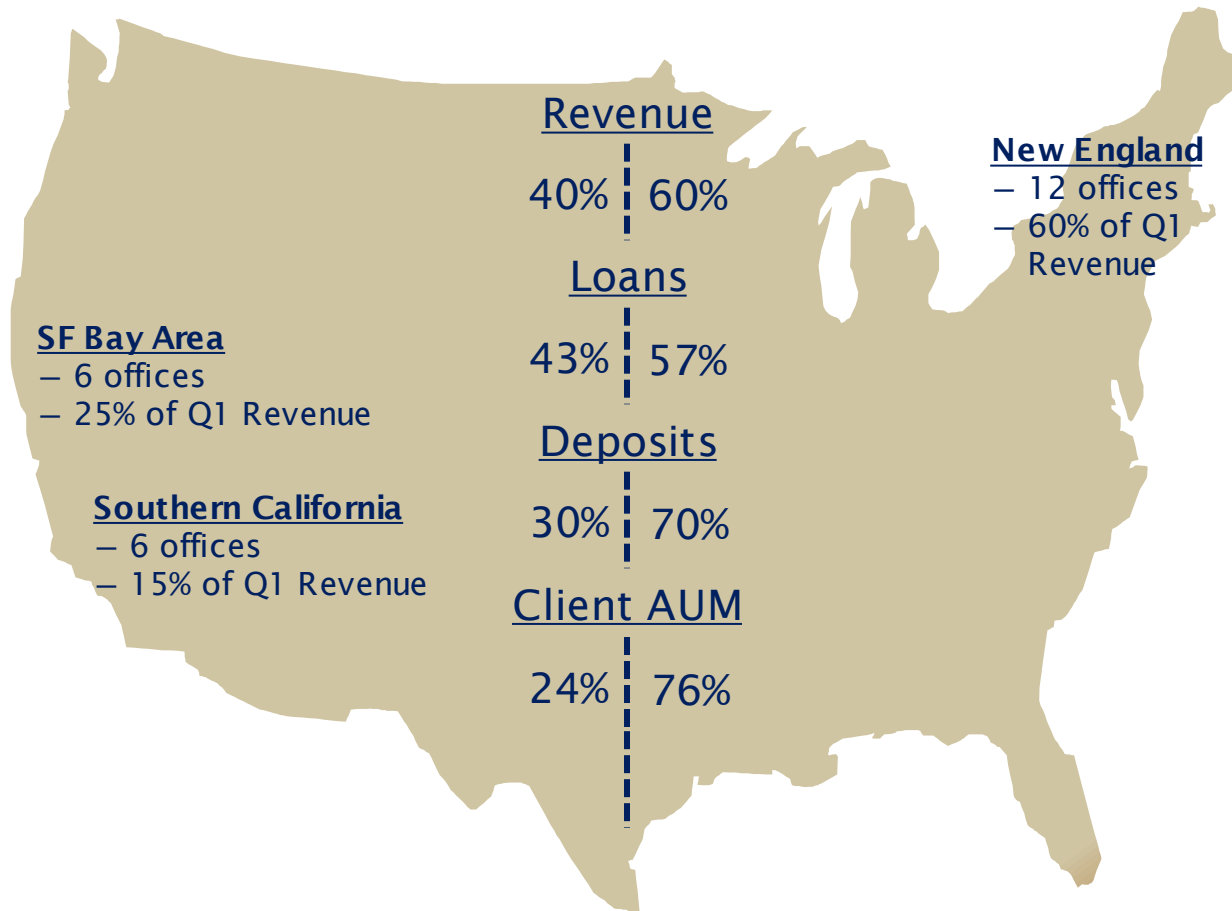


- Wealth Advisors had positive flows 5 of 5 previous quarters
- Bank Wealth Management had positive flows 4 of 5 previous quarters
- Investment Managers had positive flows 1 of 5 previous quarters

\*Assets Under Management/Advisory  
Dollars in millions

# Private Banking

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



- Vision is to be the premier provider of Wealth Management & Trust and Private Banking services
- Emphasis on core deposit and fee-based revenue growth, supported by growth in commercial and residential lending
- Expanded leadership team to include West Coast representation
- Implemented new incentives and cross-sell initiative
- Beverly Hills Private Banking and Wealth Management sales office to open in Q2 14, full service offering to open in 2015

# Private Banking

- Represents 62%\* of Company revenue
- \$6.5B Private Banking balance sheet
- \$5.2B in loans; \$5.3B in deposits
- \$4.6B in AUM; Q1 net inflows of \$20M
- 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 Tier 1 ratio of 12.5%
- Consolidated Q1 14 NIM of 3.04%
- Q1 14 provision credit of \$1.2M due to \$1.4M in net recoveries
- Tight management of expense profile

\*Excludes Private Bank WM&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 - \$30 million of financial assets

- “Sweet spot” is \$3 - \$15 million
- Selection factors favor us

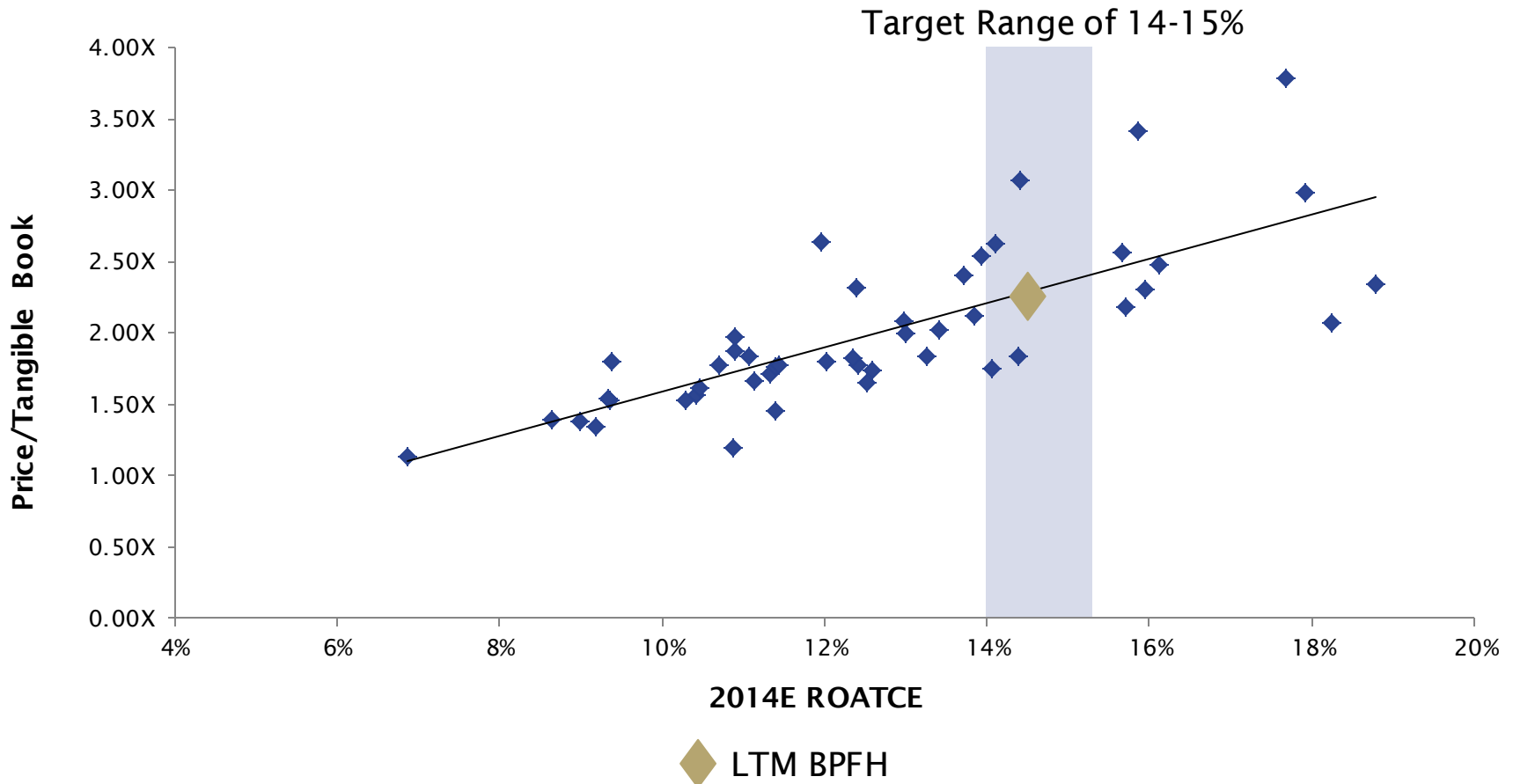
## Appeal of targeted segments includes:

- 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

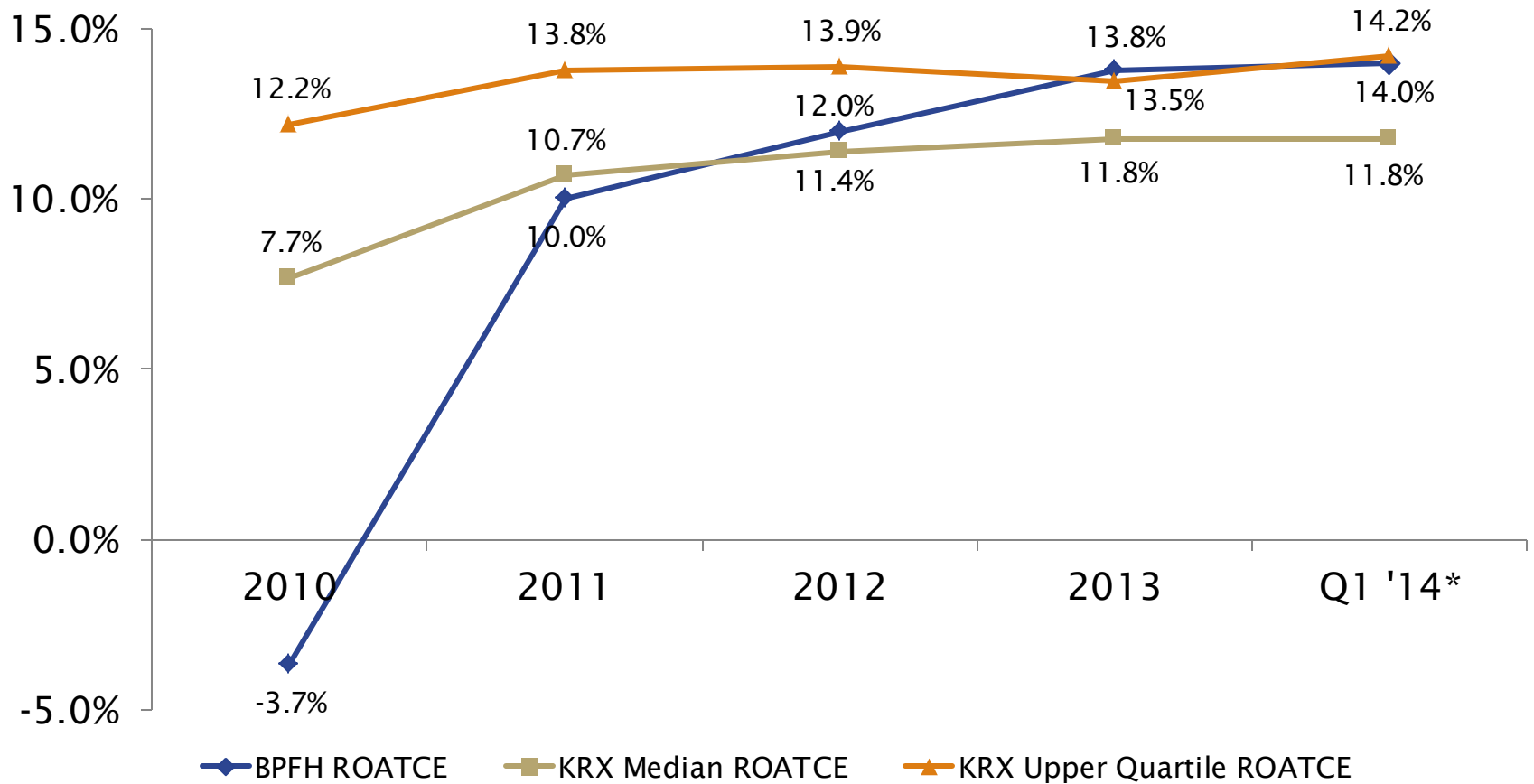
## 2. Our Primary Focus is to Increase ROATCE



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



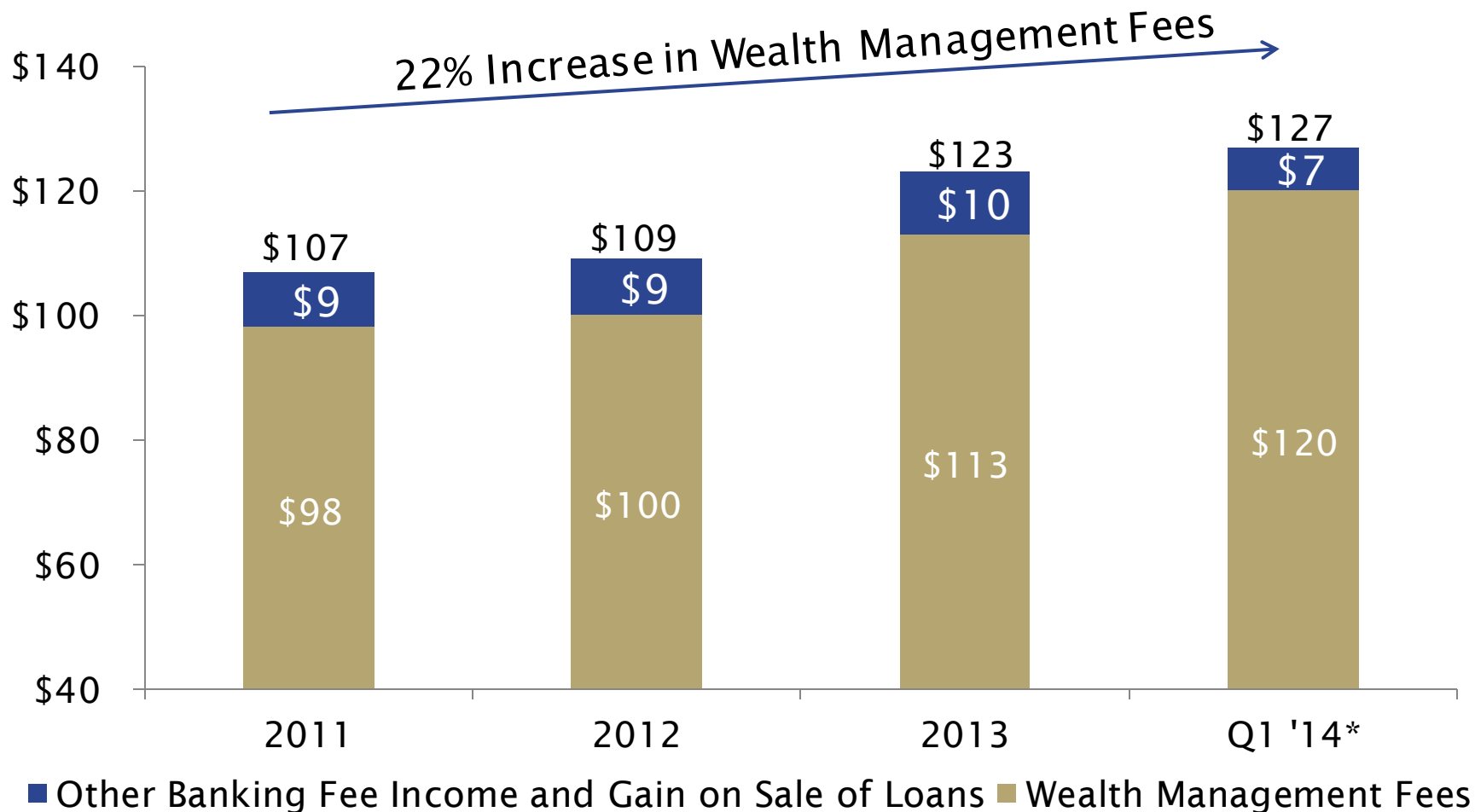
\*Q1 '14 annualized  
 2013 excludes gain on sale of Pacific Northwest offices  
 Source: SNL

# 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



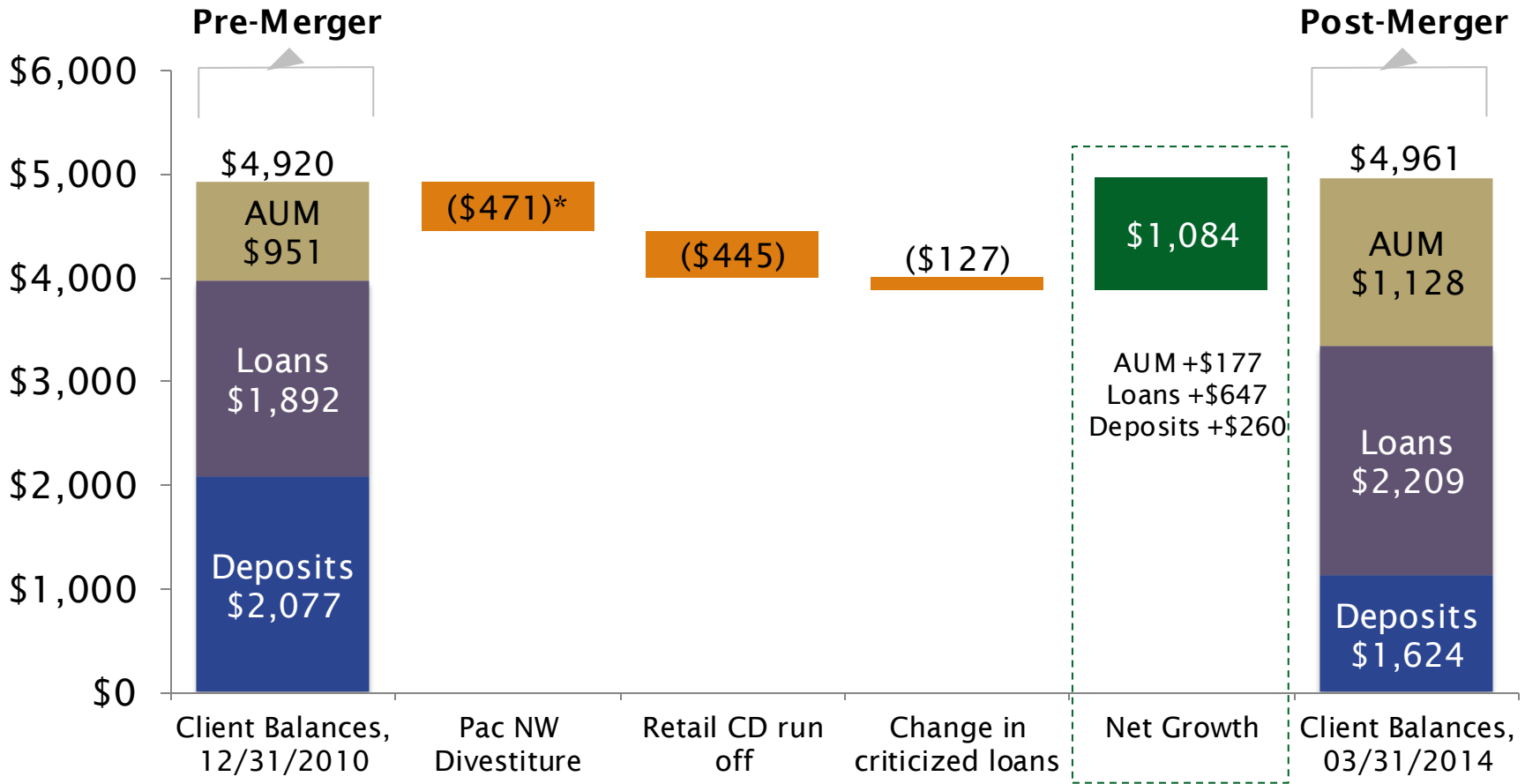
# Expand Wealth Management Activity



Dollars in millions  
\*Q1 '14 annualized

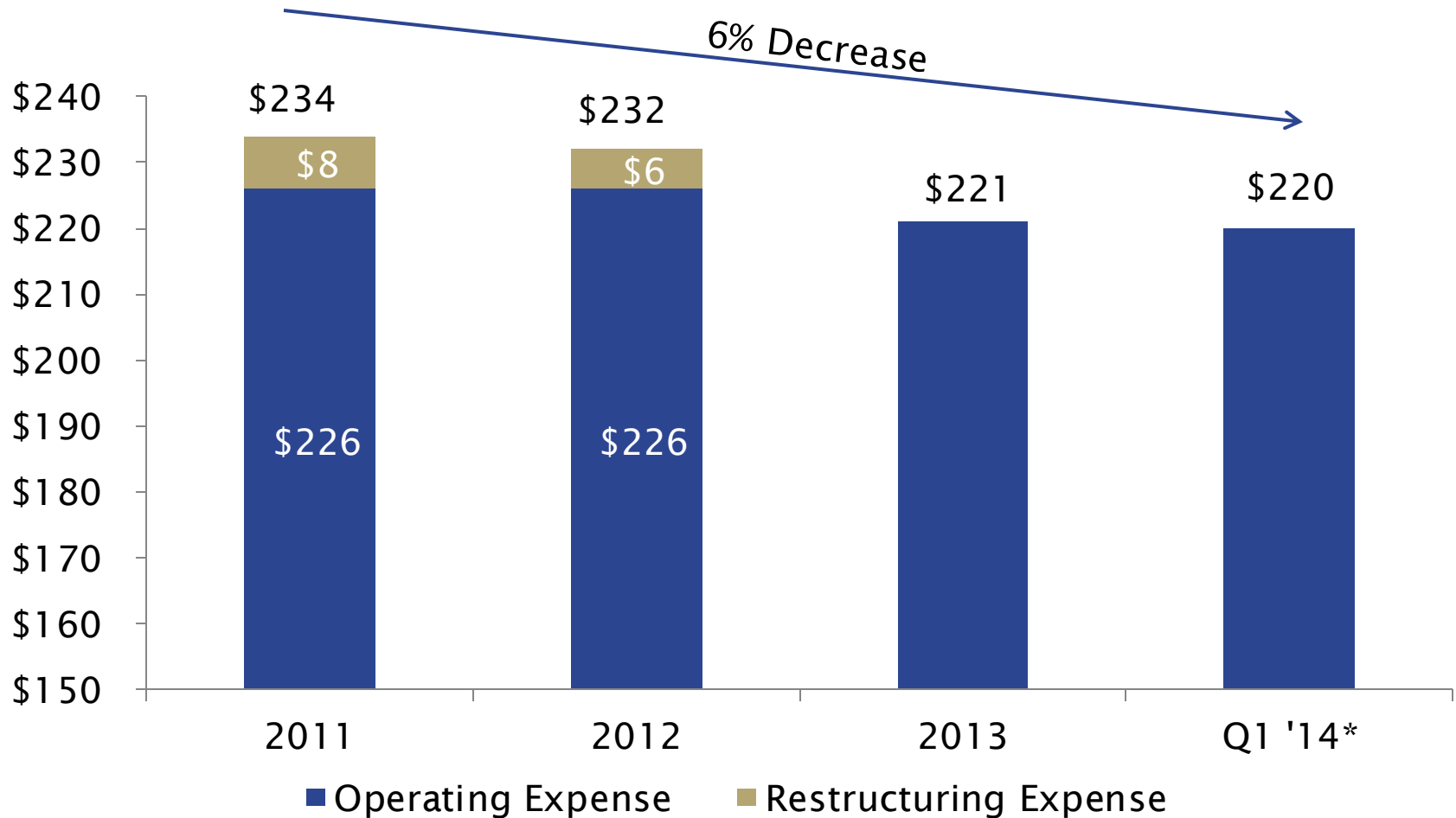
# Drive West Coast Client Expansion

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



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

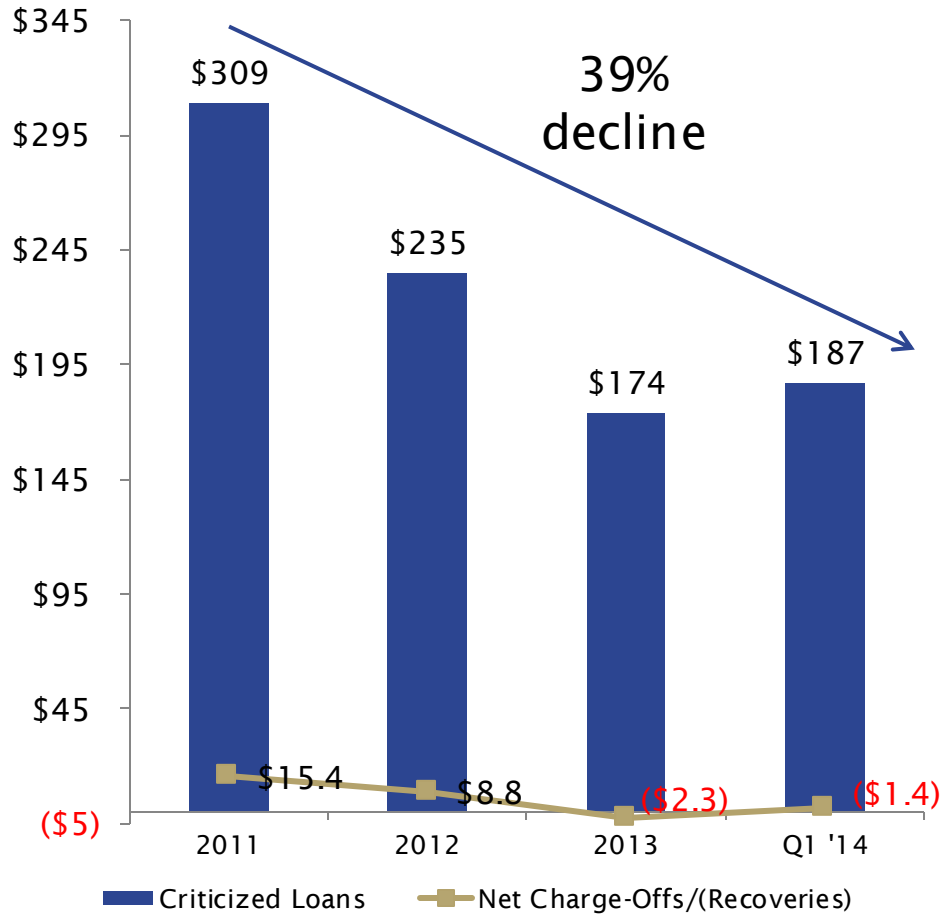
# Expenses Continue to be Tightly Managed Following 2011-2012 Restructuring Savings



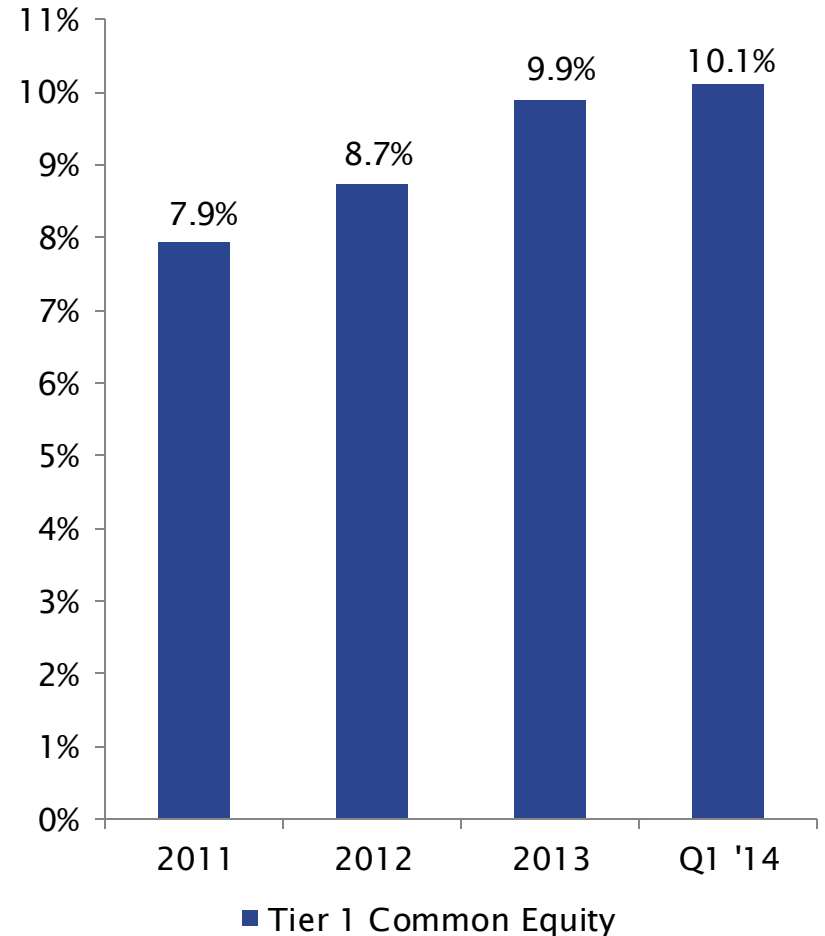
Dollars in millions  
\*Q1 '14 annualized

# Manage Risk

## Total Criticized Loans

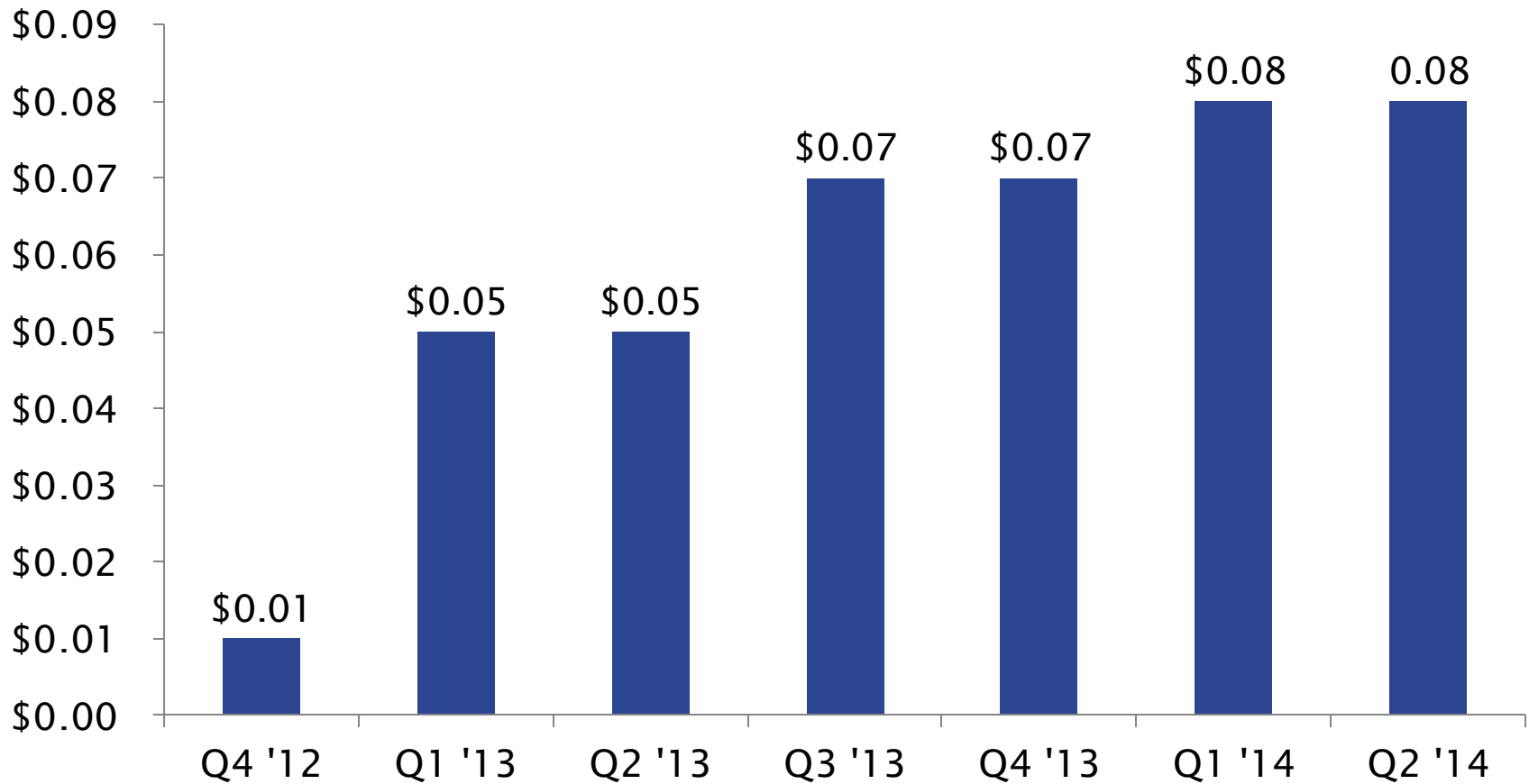


## Tier 1 Common/ Risk-Weighted Assets



Dollars in millions

# Preferred Method of Returning Capital to Shareholders is Through an Increasing Dividend



## 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>	Q4 2013	Q1 2014	% Change	Results Driven By:
NII	\$43.5	\$44.5	2%	6 bps of NIM expansion
Core Fees*	\$32.8	\$31.7	(4%)	
<u>Other Income**</u>	<u>\$1.5</u>	<u>\$1.0</u>	<u>(29%)</u>	Q4 13 Core Fees included \$1.2M of seasonal performance fees
<b>Total Revenue</b>	<b>\$77.9</b>	<b>\$77.3</b>	<b>(1%)</b>	
<b><u>Total Expenses</u></b>	<b><u>\$55.5</u></b>	<b><u>\$55.0</u></b>	<b><u>(1%)</u></b>	Remains elevated due to seasonal compensation charges
<b>PTPP***</b>	<b>\$22.4</b>	<b>\$22.3</b>	---	
<u>Provision/(Credit)</u>	<u>(\$2.0)</u>	<u>(\$1.2)</u>	<u>(40%)</u>	
<b>Pre-Tax Income from Continuing Operations</b>	<b>\$24.4</b>	<b>\$23.5</b>	<b>(4%)</b>	
Efficiency Ratio****	68%	68%	---	

\*Includes WM&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

(\$millions)	Q4 2013	Q1 2014	% Change	
NII	\$44.5	\$45.4	2%	6 bps of NIM expansion
Core Fees*	\$9.2	\$8.7	(5%)	
<u>Other Income**</u>	<u>\$1.3</u>	<u>\$0.9</u>	<u>(26%)</u>	Wealth Management & Trust fees up 3% Lower swap fees
<b>Total Revenue</b>	<b>\$54.9</b>	<b>\$55.0</b>	---	
<b><u>Total Expenses</u></b>	<b><u>\$35.4</u></b>	<b><u>\$33.6</u></b>	<b><u>(5%)</u></b>	Decreases in compensation and benefits, professional fees and marketing
<b>PTPP***</b>	<b>\$19.6</b>	<b>\$21.4</b>	<b>10%</b>	
<u>Provision/(Credit)</u>	<u>(\$2.0)</u>	<u>(\$1.2)</u>	<u>(40%)</u>	
<b>Pre-Tax Income</b>	<b>\$21.6</b>	<b>\$22.6</b>	<b>5%</b>	
Efficiency Ratio****	62%	59%	(3 pts)	

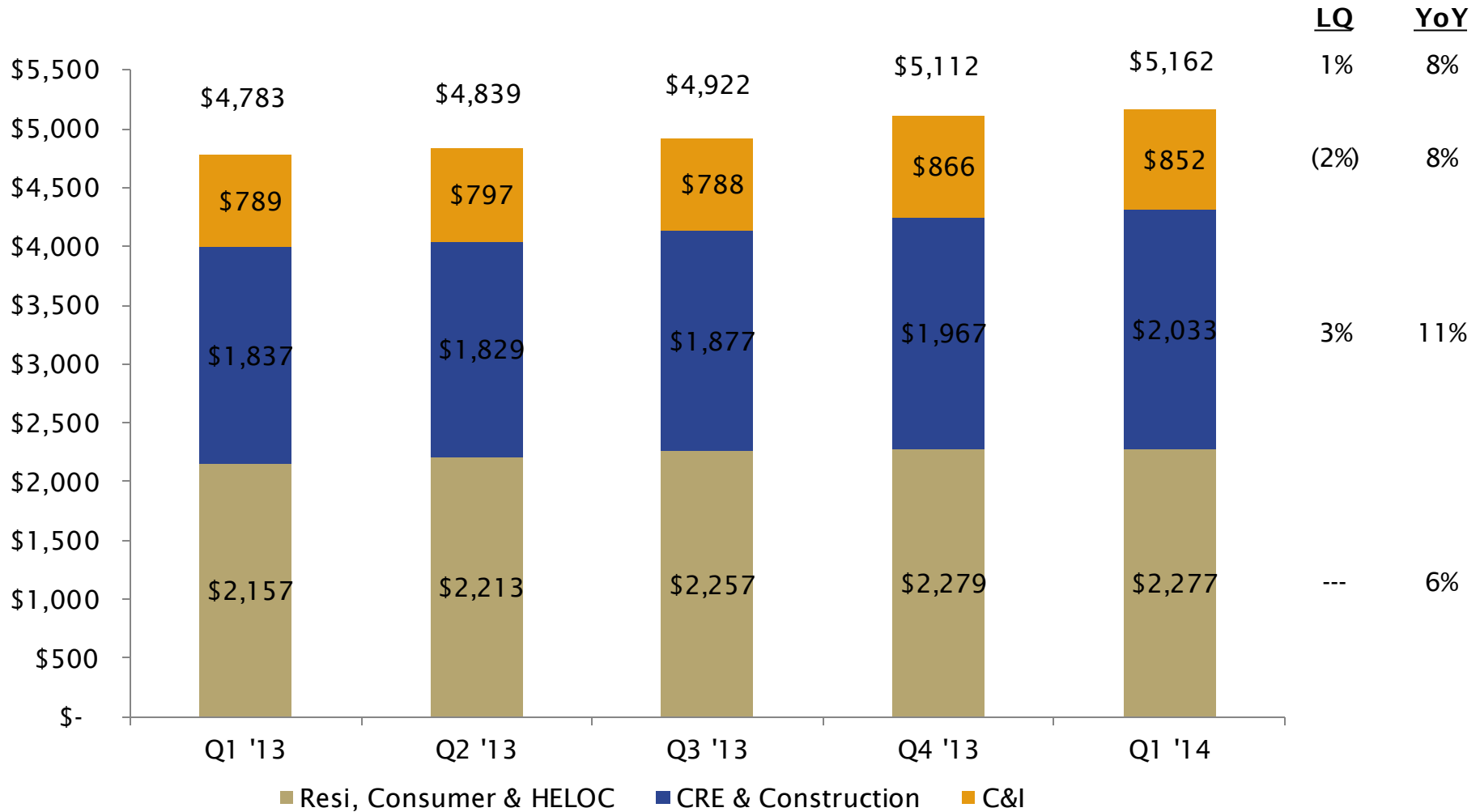
\*Includes Bank WM&T fees, other private banking fees and gain on sale of loans

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

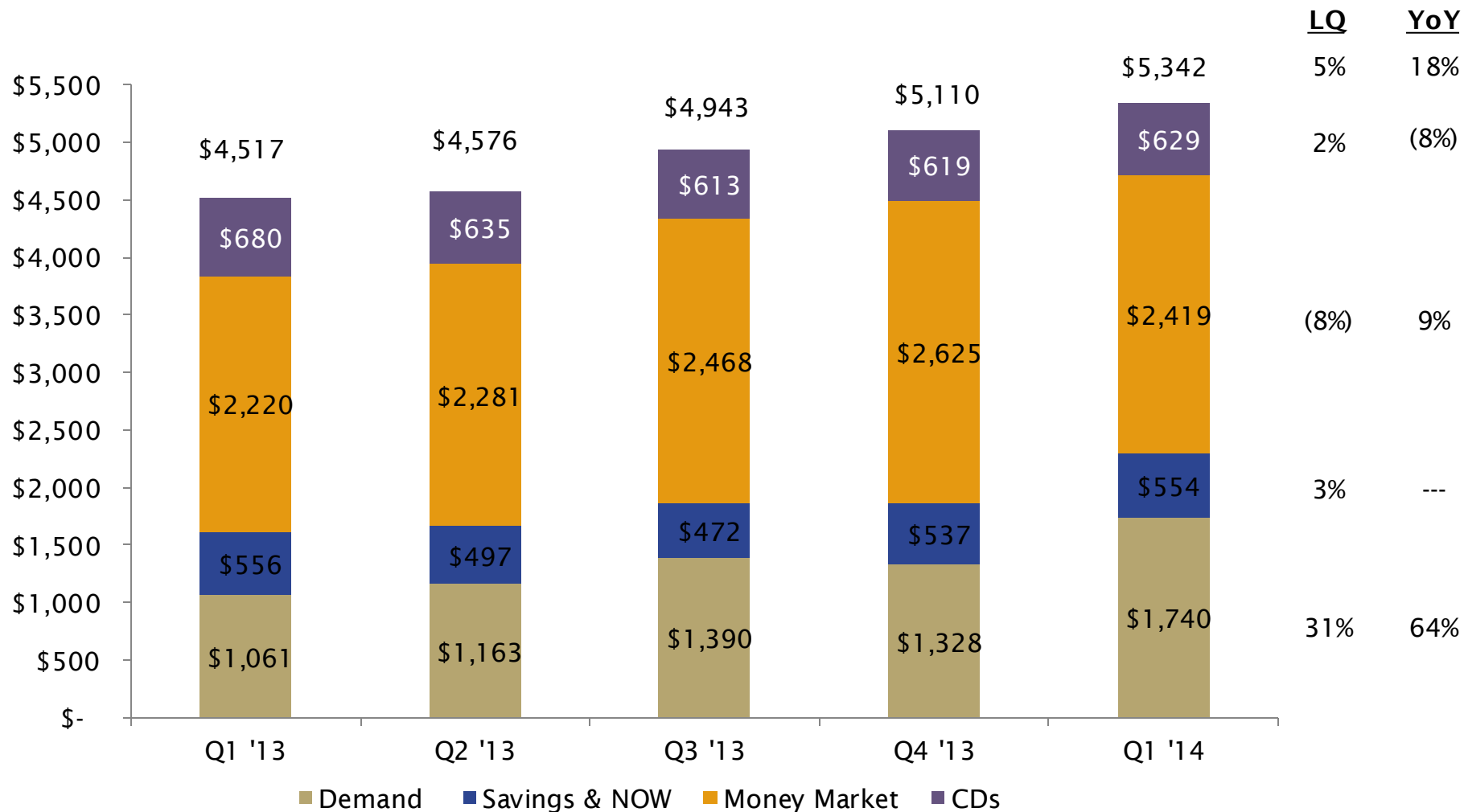
\*\*\*Pre-tax, pre-provision income

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

# Loans By Type: Quarterly Trend



# Deposits: Quarterly Trend



# Investment Management Performance Highlights – Linked Quarter

<i>(\$millions)</i>	Q4 2013	Q1 2014	% Change	Results Driven By:
Inv Mgt Fees	\$12.4	\$11.5	(7%)	Q4 13 Core Fees included \$1.2M of seasonal performance fees
<b>Total Revenue</b>	<b>\$12.4</b>	<b>\$11.5</b>	<b>(7%)</b>	
<u>Operating Expenses</u>	<u>\$8.8</u>	<u>\$8.3</u>	(5%)	
<b>Pre-Tax Income from Continuing Operations</b>	<b>\$3.6</b>	<b>\$3.1</b>	<b>(14%)</b>	
EBITDA Margin	35%	34%	(1 pt)	Above our 30% target
Pre-tax Margin	29%	27%	(2 pts)	
AUM (\$B)	\$10.4	\$10.5	1%	
Net Flows (\$M)	(\$38)	(\$123)	NM	

# Wealth Advisory

## Performance Highlights – Linked Quarter

<i>(\$millions)</i>	Q4 2013	Q1 2014	% Change	Results Driven By:
Wealth Adv Fees	\$11.3	\$11.5	2%	Steady growth and stable pricing
<b>Total Revenue</b>	<b>\$11.3</b>	<b>\$11.5</b>	<b>2%</b>	
<u>Operating Expenses</u>	<u>\$7.8</u>	<u>\$7.8</u>	---	
<b>Pre-Tax Income from Continuing Operations</b>	<b>\$3.5</b>	<b>\$3.7</b>	<b>6%</b>	
EBITDA Margin	33%	34%	1 pt	Above our 30% target
Pre-tax Margin	31%	32%	1 pt	
AUM (\$B)	\$9.3	\$9.6	3%	
Net Flows (\$M)	\$68	\$206	NM	Strong new business development

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