

# Third Quarter 2015 Results

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BOSTON PRIVATE

# Forward Looking Statements

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*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, prospects for growth in assets, and prospects for overall results over the long term. 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 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 and other assets; 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 statement is made.*

# Consolidated Performance Metrics

(\$ in millions except per share data)

	3Q15	2Q15	3Q14
Return on Average Common Equity	7.3%	9.9%	11.1%
Return on Average Tangible Common Equity	10.9%	14.6%	14.5%
Core Fee Income Ratio	46%	46%	43%
Efficiency Ratio (FTE)	66%	67%	65%
Tier 1 Common Equity Ratio	9.7% <sup>1</sup>	9.8%	10.1%
Total AUM	\$27,406	\$29,642	\$24,786
Diluted EPS	\$0.16	\$0.20	\$0.22

Notes:

(1) Estimated.

# Consolidated Income Statement

(\$ in millions)				% Change	
	3Q15	2Q15	3Q14	LQ	Y/Y
Net Interest Income	\$46.5	\$45.1	\$44.8	3%	4%
Core Fees	39.4	40.3	33.6	(2%)	18%
Total Other Income	0.0	2.3	0.2	NMF	NMF
<b>Total Revenue</b>	<b>\$85.9</b>	<b>\$87.7</b>	<b>\$78.6</b>	<b>(2%)</b>	<b>9%</b>
<b>Operating Expenses</b>	<b>61.9</b>	<b>62.4</b>	<b>54.0</b>	<b>(1%)</b>	<b>15%</b>
<b>Pre-tax Pre-Provision Income</b>	<b>\$24.0</b>	<b>\$25.3</b>	<b>\$24.6</b>	<b>(5%)</b>	<b>(2%)</b>
Provision Expense / (Credit)	2.6	-	(2.6)	NMF	NMF
<b>Pre-tax Income from Continuing Operations</b>	<b>\$21.4</b>	<b>\$25.3</b>	<b>\$27.2</b>	<b>(16%)</b>	<b>(21%)</b>
Taxes	8.2	8.0	9.0	2%	(9%)
Discontinued Operations	1.3	1.5	1.3	(15%)	3%
NCI	1.0	1.3	1.2	(21%)	(15%)
<b>Net Income</b>	<b>\$13.5</b>	<b>\$17.6</b>	<b>\$18.3</b>	<b>(23%)</b>	<b>(26%)</b>

## Comments

- Core Fees and Income increased 18% year-over-year due to the impact of the Banyan acquisition and organic growth
- 2Q15 Other Income includes \$1.1 million related to the fair-value accounting for the contingent payment liability and \$0.6 million in gains on partnership investments

# Consolidated Expense Trends

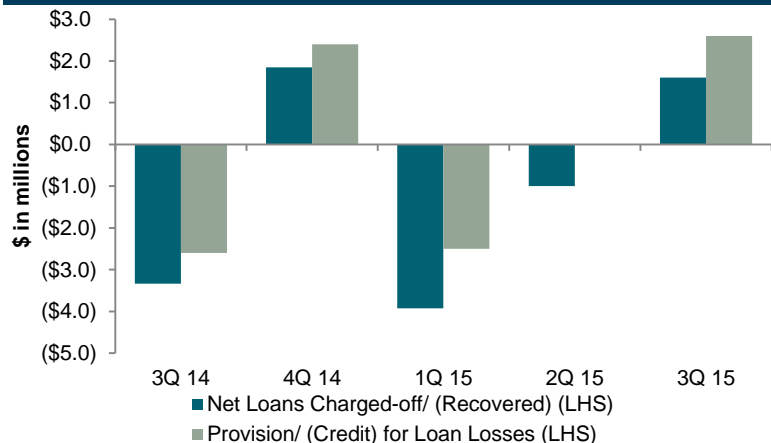
(\$ in millions)	% Change				
	3Q15	2Q15	3Q14	LQ	YY
Operating Expenses:					
Salaries and employee benefits	\$37.9	\$39.8	\$35.9	(5%)	6%
Occupancy and equipment	\$9.1	9.1	7.3	(0%)	23%
Professional services	\$2.8	3.2	2.8	(11%)	2%
Marketing and business development	\$2.0	1.7	1.4	18%	43%
Contract services and data processing	\$1.6	1.5	1.4	7%	14%
Amortization of intangibles	\$1.7	1.7	1.0	0%	61%
FDIC insurance	\$0.9	1.0	0.9	(5%)	7%
Restructuring	\$1.5	0.2	-	NMF	NMF
Other	\$4.4	4.3	3.3	3%	33%
<b>Total Operating Expenses</b>	<b>\$61.9</b>	<b>\$62.4</b>	<b>\$54.0</b>	<b>(1%)</b>	<b>15%</b>

## Comments

- 3Q15 and 2Q15 included restructuring related to employee severance of \$1.5 million and \$220 thousand, respectively
- Marketing and Business Development expense increased linked quarter due to the timing of marketing campaigns

# Asset Quality

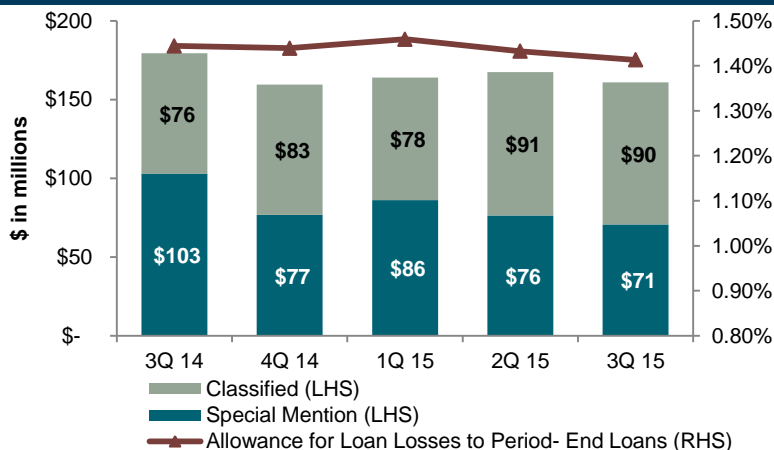
## Net-Chargeoffs & Provision for Loan Losses



## Comments

- Over the past five quarters, Provision for Loan Losses has largely tracked Net-Charge Offs / Net Recoveries
- The Company recorded a \$2.6 million provision for loan loss in 3Q15 due to strong loan growth and net-chargeoffs of \$1.6 million

## Criticized Loans & Allowance for Loan Losses



- Total Criticized Loans decreased 10% year-over-year to \$161 million
- Allowance for Loan Losses as a percent of Total Loans finished the quarter at 1.41%

# Private Bank Performance Highlights

(\$ in millions)				% Change	
	3Q15	2Q15	3Q14	LQ	Y/Y
Net Interest Income	\$47.4	\$46.0	\$45.7	3%	4%
Core Fees	3.1	2.4	2.0	31%	56%
Total Other Income	(0.4)	1.0	0.2	NMF	NMF
<b>Total Revenue</b>	<b>\$50.1</b>	<b>\$49.5</b>	<b>\$48.0</b>	<b>1%</b>	<b>5%</b>
<b>Operating Expenses</b>	<b>\$27.4</b>	<b>\$28.3</b>	<b>\$26.8</b>	<b>(3%)</b>	<b>2%</b>
<b>Pre-tax Pre-Provision Income</b>	<b>\$22.7</b>	<b>\$21.2</b>	<b>\$21.2</b>	<b>7%</b>	<b>7%</b>
Provision Expense / (Credit)	2.6	-	(2.6)	NMF	NMF
<b>Pre-tax Income from Continuing Operations</b>	<b>\$20.1</b>	<b>\$21.2</b>	<b>\$23.8</b>	<b>(5%)</b>	<b>(15%)</b>
Taxes	6.3	6.8	7.7	(8%)	(18%)
<b>Net Income</b>	<b>\$13.8</b>	<b>\$14.3</b>	<b>\$16.1</b>	<b>(3%)</b>	<b>(14%)</b>

## Comments

- 3Q15 Net Interest Income includes \$0.3 million of interest recovered on previous non-accrual loans while 2Q15 and 3Q14 includes recoveries of \$0.1 million and \$0.8 million, respectively
- Efficiency Ratio was 52% in 3Q15 compared to 54% in 2Q15 and 53% in 3Q14
- Average Loan-Deposits ratio decreased to 95% in 3Q15 from 97% in 3Q14

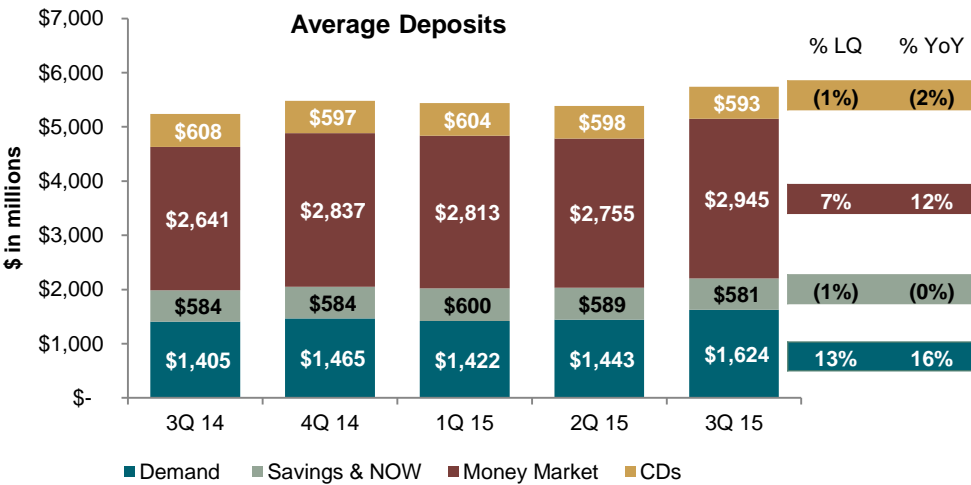
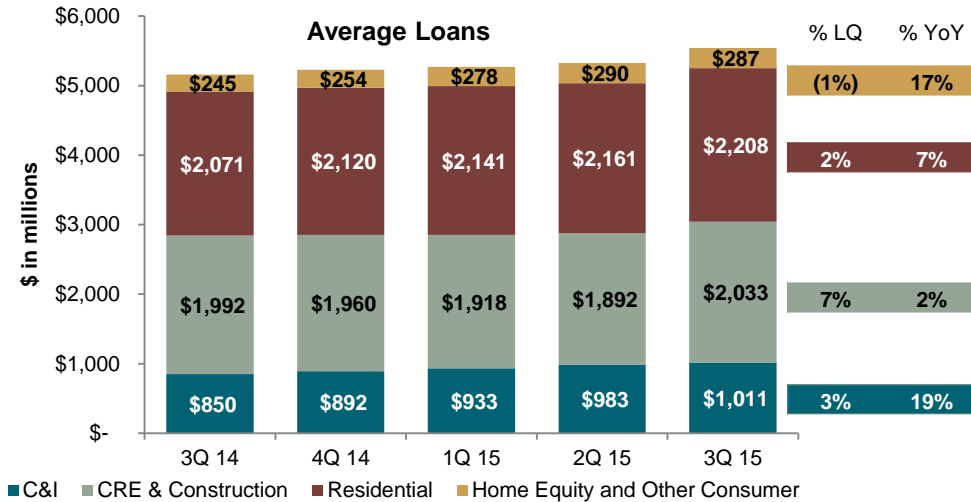
## Key Statistics

	3Q15	2Q15	3Q14
Efficiency Ratio (FTE)	52%	54%	53%
Net Interest Margin	2.91%	2.97%	3.00%
Average Loan-to-Deposits Ratio <sup>1</sup>	95%	98%	97%

Notes:

(1) Reflects bank subsidiary only.

# Balance Sheet Highlights



## Comments

- Average total loans increased 7% year-over-year, led by C&I (+19%) and Residential (+7%)
- Average Total Deposits increased 10% year-over-year to \$5.7 billion
- Demand Deposits (+16%) and Money Market (+12%) both posted strong growth year-over-year
- CDs continue to trend lower, down 1% linked quarter and 2% year-over-year



# Regional Deposits

(\$ in millions)

## New England

	3Q15	2Q15	3Q14
DDA	\$1,038	\$987	\$1,010
Savings & NOW	\$371	379	\$354
Money Mkt	\$1,997	1,883	\$1,921
CDs	\$393	389	\$367
<b>Total</b>	<b>\$3,799</b>	<b>\$3,638</b>	<b>\$3,652</b>
<b>Total Ex CDs</b>	<b>\$3,406</b>	<b>\$3,250</b>	<b>\$3,284</b>

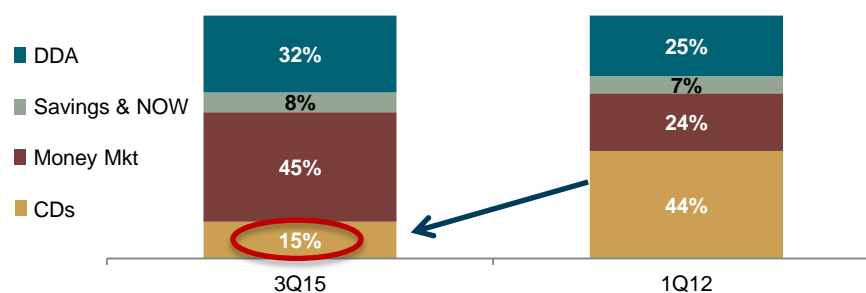
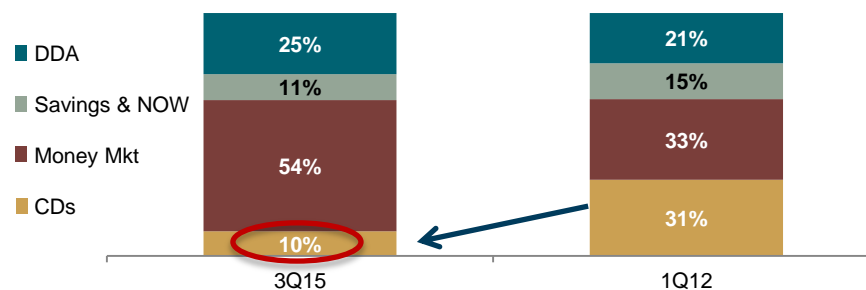
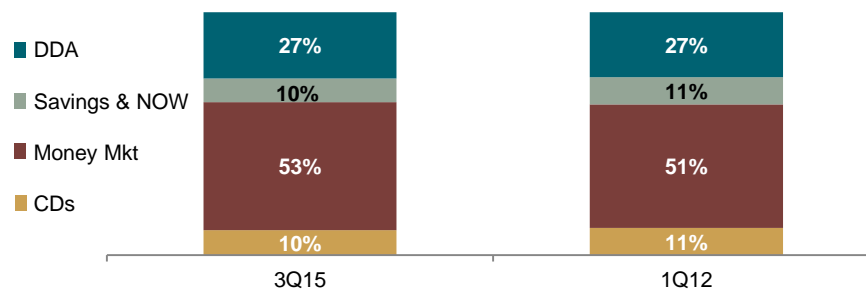
## San Francisco Bay

	3Q15	2Q15	3Q14
DDA	\$365	\$348	\$329
Savings & NOW	\$153	159	\$164
Money Mkt	\$766	707	\$634
CDs	\$143	146	\$161
<b>Total</b>	<b>\$1,427</b>	<b>\$1,360</b>	<b>\$1,288</b>
<b>Total Ex CDs</b>	<b>\$1,284</b>	<b>\$1,214</b>	<b>\$1,128</b>

## Southern California

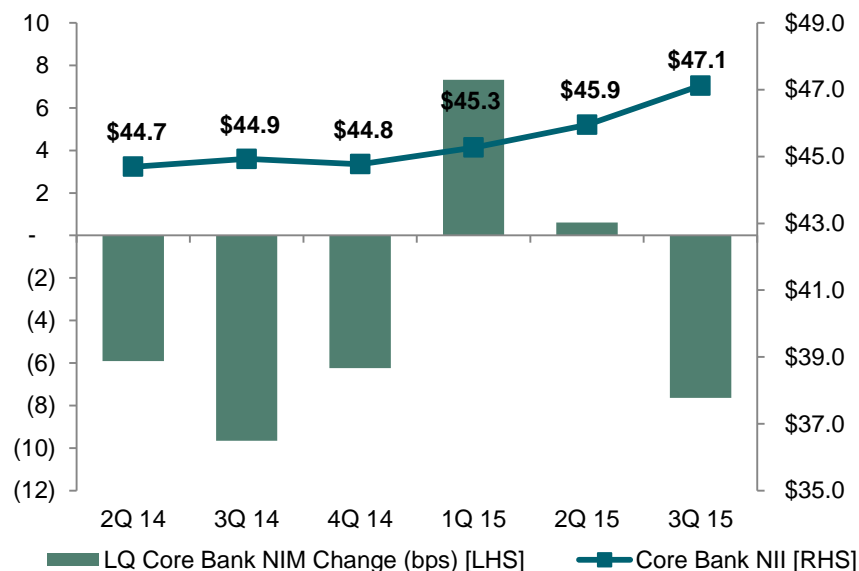
	3Q15	2Q15	3Q14
DDA	\$156	\$154	\$140
Savings & NOW	\$41	44	\$40
Money Mkt	\$222	222	\$185
CDs	\$75	76	\$91
<b>Total</b>	<b>\$494</b>	<b>\$496</b>	<b>\$456</b>
<b>Total Ex CDs</b>	<b>\$419</b>	<b>\$419</b>	<b>\$365</b>

## Deposit Mix



# Net Interest Margin

## Core Bank NIM vs. Core Bank NII (\$ in mm)



## Comments

- Excluding interest recovered on previous nonaccrual loans, the Bank Net Interest Margin was down 8 basis points linked quarter and down 6 basis points year-over-year to 2.89%
- Cash and Investments yield was down due to excess cash from temporary deposit inflows
- Yield on Loans, excluding interest recoveries, was 3.56% in 3Q15 vs. 3.63% in 2Q15 and 3.63% for 3Q14
- Cost of Funds at the bank (including DDA) of 0.38% was down 1 basis point linked quarter and down 3 basis points year-over-year

## Bank Yield/ Cost

	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15
Cash and Investments	1.47%	1.45%	1.83%	1.98%	1.89%
Loans	3.81%	3.71%	3.80%	3.63%	3.58%
Interest-Bearing Deposits	0.37%	0.38%	0.39%	0.39%	0.38%
Total Interest-Bearing Liabilities	0.54%	0.53%	0.52%	0.51%	0.51%
Cost of Funds Including DDA	0.41%	0.40%	0.40%	0.39%	0.38%
<b>Net Interest Margin (FTE)</b>	<b>3.00%</b>	<b>2.90%</b>	<b>3.07%</b>	<b>2.97%</b>	<b>2.91%</b>

# Boston Private Wealth Performance Highlights

(\$ in millions)	% Change				
	3Q15	2Q15	3Q14	LQ	YY
<b>Total Revenue</b>	<b>\$12.9</b>	<b>\$14.6</b>	<b>\$7.3</b>	(12%)	NMF
<b>Operating Expenses</b>	<b>\$14.3</b>	<b>\$12.8</b>	<b>\$5.7</b>	12%	NMF
<b>Pre-tax Income from Continuing Operations</b>	<b>(\$1.4)</b>	<b>\$1.9</b>	<b>\$1.6</b>	<b>NMF</b>	<b>NMF</b>
Taxes	(0.5)	0.8	0.7	NMF	NMF
<b>Net Income</b>	<b>(\$0.8)</b>	<b>\$1.1</b>	<b>\$0.9</b>	<b>NMF</b>	<b>NMF</b>
<b>Memo:</b>					
Pre-tax Income from Continuing Operations	(\$1.4)	\$1.9	\$1.6	NMF	NMF
Depreciation & Amortization	0.8	0.8	0.0	0%	NMF
<b>EBITDA</b>	<b>(\$0.5)</b>	<b>\$2.7</b>	<b>\$1.6</b>	<b>NMF</b>	<b>NMF</b>
<i>Unusual Items:</i>					
Add back: Operational Loss	0.2	-	-		
Add back: Restructuring	1.5	0.2	-		
Less: Earn-out Liability	(0.5)	(1.1)	-		
<b>Adjusted EBITDA</b>	<b>\$0.7</b>	<b>\$1.8</b>	<b>\$1.6</b>	<b>(64%)</b>	<b>(59%)</b>

## Comments

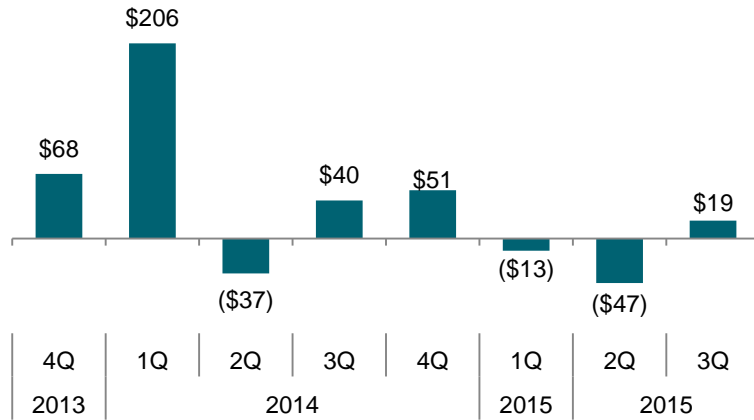
- 3Q15 and 2Q15 Total Revenue include gains of \$0.5 million and \$1.1 million respectively related to the fair-value accounting for the contingent payment liability
- Net flows were negative \$565 million as new business was offset by client drawdowns and lost clients
- Restructuring expenses related to employee severance were \$1.5 million and \$220 thousand in 3Q15 and 2Q15 respectively

## Key Statistics

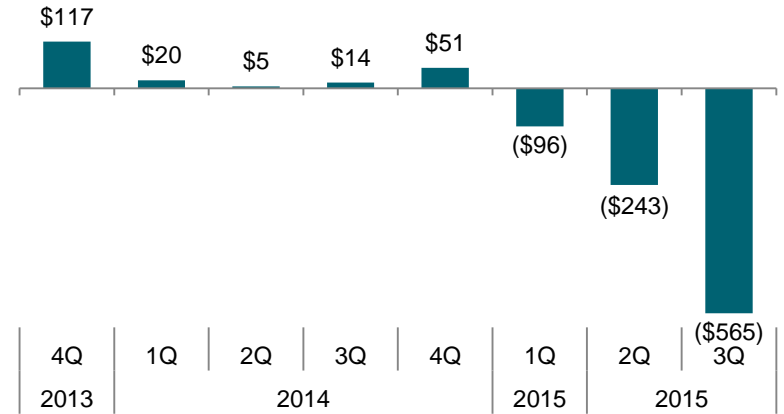
	3Q15	2Q15	3Q14
Net Flows (\$ in mm)	(\$565)	(\$243)	\$14
Total AUM (\$ in mm)	\$8,060	\$9,028	\$4,701
Reported EBITDA Margin	-4%	18%	22%
Adjusted EBITDA Margin	5%	13%	22%
Reported Pre-Tax Margin	-11%	13%	22%
Adjusted Pre-tax Margin	-1%	7%	22%

# Boston Private AUM Net Flows

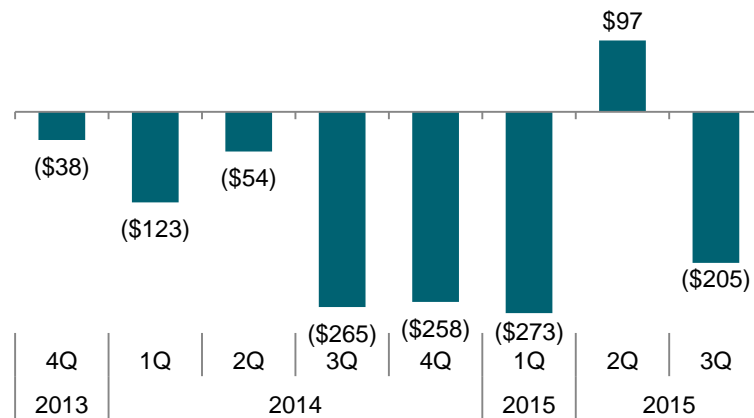
Wealth Advisory (\$ in mm)



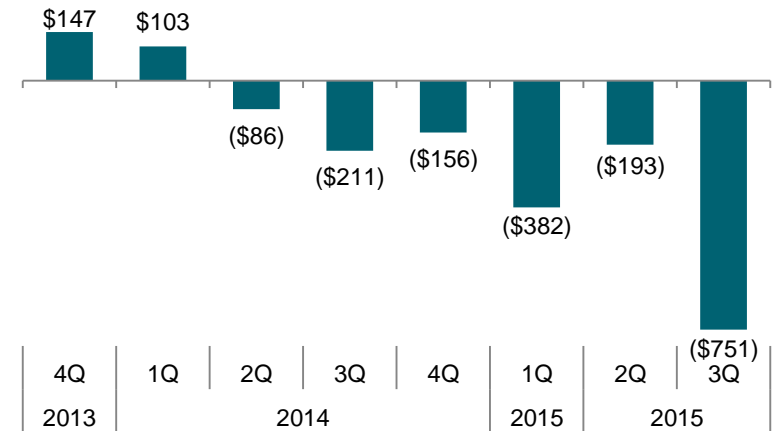
Wealth Management & Trust (\$ in mm)



Investment Management (\$ in mm)



Consolidated (\$ in mm)



# Wealth Advisory Performance Highlights

(\$ in millions)					
	3Q15	2Q15	3Q14	% Change	
				LQ	Y/Y
<b>Total Revenue</b>	<b>\$12.5</b>	<b>\$12.7</b>	<b>\$12.2</b>	(1%)	3%
<b>Operating Expenses</b>	<b>\$9.3</b>	<b>\$8.7</b>	<b>\$8.4</b>	7%	11%
<b>Pre-tax Income from Continuing Operations</b>	<b>\$3.2</b>	<b>\$4.0</b>	<b>\$3.8</b>	<b>(19%)</b>	<b>(15%)</b>
Taxes	1.3	1.5	1.5	(14%)	(12%)
NCI	0.4	0.6	0.5	(38%)	(27%)
<b>Net Income</b>	<b>\$1.6</b>	<b>\$1.9</b>	<b>\$1.8</b>	<b>(16%)</b>	<b>(15%)</b>
<b>Memo EBITDA:</b>					
Pre-tax Income from Continuing Operations	\$3.2	\$4.0	\$3.8	(19%)	(15%)
Depreciation & Amortization	0.5	0.5	0.3	0%	35%
<b>EBITDA</b>	<b>\$3.7</b>	<b>\$4.5</b>	<b>\$4.2</b>	<b>(17%)</b>	<b>(11%)</b>

## Comments

- Total Revenue was down 1% linked quarter and up 3% year-over-year
- Operating Expenses increased reflecting investment in personnel and facilities as well as the timing of marketing campaigns and client events
- 3Q15 EBITDA margin of 30% is in line with the corporate target of 30%

## Key Statistics

	3Q15	2Q15	3Q14
Net Flows (\$ in mm)	\$19	(\$47)	\$40
Total AUM (\$ in mm)	\$9,537	\$9,941	\$9,731
EBITDA Margin	30%	35%	34%
Pre-Tax Margin	26%	31%	31%

# Investment Management Performance Highlights

(\$ in millions)				% Change	
	3Q15	2Q15	3Q14	LQ	Y/Y
<b>Total Revenue</b>	<b>\$11.4</b>	<b>\$11.7</b>	<b>\$12.0</b>	(3%)	(5%)
<b>Operating Expenses</b>	<b>\$8.3</b>	<b>\$8.5</b>	<b>\$8.9</b>	(3%)	(7%)
<b>Pre-tax Income from Continuing Operations</b>	<b>\$3.1</b>	<b>\$3.2</b>	<b>\$3.1</b>	<b>(4%)</b>	<b>(2%)</b>
Taxes	1.0	1.0	1.1	(3%)	(6%)
NCI	0.6	0.6	0.6	(4%)	(4%)
<b>Net Income</b>	<b>\$1.5</b>	<b>\$1.5</b>	<b>\$1.5</b>	<b>(4%)</b>	<b>2%</b>
<b>Memo EBITDA:</b>					
Pre-tax Income from Continuing Operations	\$3.1	\$3.2	\$3.1	(4%)	(2%)
Depreciation & Amortization	0.8	0.8	0.8	0%	2%
<b>EBITDA</b>	<b>\$3.9</b>	<b>\$4.0</b>	<b>\$3.9</b>	<b>(3%)</b>	<b>(1%)</b>

## Comments

- Total revenue was down on 3% linked quarter and 5% year-over-year basis reflecting negative net flows and market volatility
- EBITDA margin remains above the 30% corporate target

## Key Statistics

	3Q15	2Q15	3Q14
Net Flows (\$ in mm)	(\$205)	\$97	(\$265)
Total AUM (\$ in mm)	\$9,830	\$10,695	\$10,376
EBITDA Margin	34%	34%	33%
Pre-Tax Margin	27%	27%	26%