

**BOSTON PRIVATE**

WEALTH ▫ TRUST ▫ PRIVATE BANKING

# First Quarter 2017 Results

April 27, 2017

Clayton Deutsch  
Chief Executive Officer

David Kaye  
Chief Financial Officer  
Chief Administrative Officer

Corey Griffin  
Chief Executive Officer  
Boston Private Wealth

# 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

Quarterly Performance Metrics	(\$ in millions except per share data)		
	1Q17	4Q16	1Q16
Return on Average Common Equity	8.3%	9.1%	9.8%
Return on Average Tangible Common Equity	11.4%	12.8%	14.1%
Core Fee Income Ratio	40%	40%	43%
Efficiency Ratio (FTE)	72%	62%	71%
Tier 1 Common Equity Ratio	10.0% <sup>1</sup>	10.0%	9.9%
Total AUM	\$28,735	\$27,557	\$26,811
Diluted EPS	\$0.17	\$0.19	\$0.21

(1) *Estimated*

# Consolidated Revenue Trends

(\$ in millions)	% Change				
	1Q17	4Q16	1Q16	LQ	YY
<b>Net Interest Income</b>	<b>\$53.6</b>	<b>\$51.5</b>	<b>\$49.9</b>	<b>4%</b>	<b>8%</b>
<b>Non-Interest Income</b>					
Investment Management Fees	\$10.8	\$12.4	\$10.7	(13%)	2%
Wealth Advisory Fees	12.8	12.6	12.7	2%	1%
Wealth Management and Trust Fees	10.8	11.0	10.9	(2%)	(1%)
Private Banking Fees <sup>(1)</sup>	1.8	2.5	3.4	(26%)	(47%)
<b>Total Core Fees and Income</b>	<b>\$36.3</b>	<b>\$38.5</b>	<b>\$37.7</b>	<b>(6%)</b>	<b>(4%)</b>
Gain on sale of offices	-	2.9	-	NMF	NMF
Miscellaneous <sup>(2)</sup>	0.2	2.6	0.3	(93%)	(37%)
<b>Total Other Income</b>	<b>\$0.2</b>	<b>\$5.5</b>	<b>\$0.3</b>	<b>(97%)</b>	<b>(37%)</b>
<b>Total Revenue</b>	<b>\$90.1</b>	<b>\$95.5</b>	<b>\$87.9</b>	<b>(6%)</b>	<b>3%</b>

## Comments

- » Total Revenue increased 3% year-over-year
- » Linked quarter, Net Interest Income growth offset a decline in Core Fees & Income
- » 4Q16 Core Fees and Income included:
  - » \$1.4 million of performance fees in Investment Management
- » Total Core Fees and Income decline primarily driven by decline in Other Banking Fee Income, which is attributable to a 70% decrease in swap fee income
- » 4Q16 Total Other Income was positively impacted by:
  - » \$2.9 million gain on the sale of two offices
  - » \$2.2 million of other items, including market value adjustment of derivatives

<sup>(1)</sup> Includes *Other Banking Fee Income* and *Gain on Sale of loans, net*

<sup>(2)</sup> Includes *Gain/(loss) on sale of investments, net*, *Gain/(loss) on OREO*, and *Other Income*

# Consolidated Expense Trends

(\$ in millions)	% Change				
	1Q17	4Q16	1Q16	LQ	YY
Operating Expenses:					
Salaries and employee benefits	\$45.8	\$39.7	\$42.6	16%	8%
Occupancy and equipment	10.6	10.0	9.6	6%	11%
Professional services	3.3	2.8	3.5	20%	(6%)
Marketing and business development	1.7	2.0	2.2	(18%)	(24%)
Contract services and data processing	1.6	1.7	1.7	(9%)	(6%)
Amortization of intangibles	1.4	1.5	1.6	(8%)	(10%)
FDIC insurance	0.8	0.7	1.0	5%	(25%)
Restructuring	-	-	1.1	NMF	NMF
Goodwill Impairment	-	9.5	-	NMF	NMF
Other	3.6	3.8	3.5	(7%)	2%
<b>Total Operating Expenses</b>	<b>\$68.8</b>	<b>\$71.8</b>	<b>\$66.7</b>	<b>(4%)</b>	<b>3%</b>

## Memo:

Less: Restructuring	-	-	1.1	NMF	NMF
Less: Goodwill Impairment	-	9.5	-	NMF	NMF
<b>Adjusted Operating Expenses (non-GAAP)</b>	<b>\$68.8</b>	<b>\$62.3</b>	<b>\$65.6</b>	<b>10%</b>	<b>5%</b>

## Comments

- » Adjusted Operating Expenses increased 10% linked quarter and 5% year-over-year
- » Compensation expense increased 16% linked quarter due to seasonal factors, a change in vacation policy, and staff additions due to strategic hires
- » Both Occupancy and Professional services expense increased due to increased technology investments

# Consolidated Income Statement

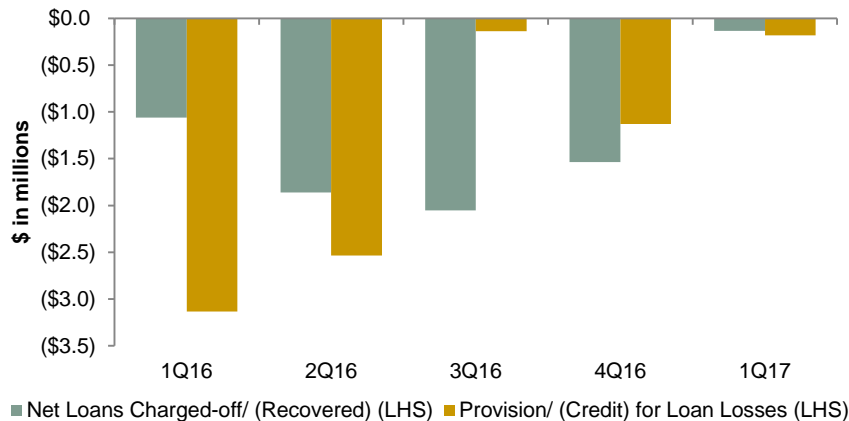
(\$ in millions)	% Change				
	1Q17	4Q16	1Q16	LQ	Y/Y
Net Interest Income	\$53.6	\$51.5	\$49.9	4%	8%
Core Fees and Income	36.3	38.5	37.7	(6%)	(4%)
Total Other Income	0.2	5.5	0.3	(97%)	(37%)
<b>Total Revenue</b>	<b>\$90.1</b>	<b>\$95.5</b>	<b>\$87.9</b>	<b>(6%)</b>	<b>3%</b>
<b>Operating Expenses</b>	<b>\$68.8</b>	<b>\$71.8</b>	<b>\$66.7</b>	<b>(4%)</b>	<b>3%</b>
<b>Pre-tax Pre-Provision Income</b>	<b>\$21.4</b>	<b>\$23.6</b>	<b>\$21.2</b>	<b>(10%)</b>	<b>1%</b>
Provision Expense / (Credit)	(0.2)	(1.1)	(3.1)	(84%)	(94%)
<b>Pre-tax Income from Continuing Operations</b>	<b>\$21.5</b>	<b>\$24.8</b>	<b>\$24.3</b>	<b>(13%)</b>	<b>(11%)</b>
Taxes	6.6	7.2	7.4	(10%)	(12%)
Discontinued Operations	1.6	1.2	2.1	38%	(21%)
NCI	1.0	1.1	0.9	(16%)	6%
<b>Net Income</b>	<b>\$15.7</b>	<b>\$17.6</b>	<b>\$18.0</b>	<b>(11%)</b>	<b>(13%)</b>

## Comments

- » Total Revenue decreased 6% linked quarter, primarily due to reduced Total Other Income
- » Effective tax rate on Continuing Operations in 1Q17 was 30% compared to 29% in 4Q16 and 31% in 1Q16

# Asset Quality

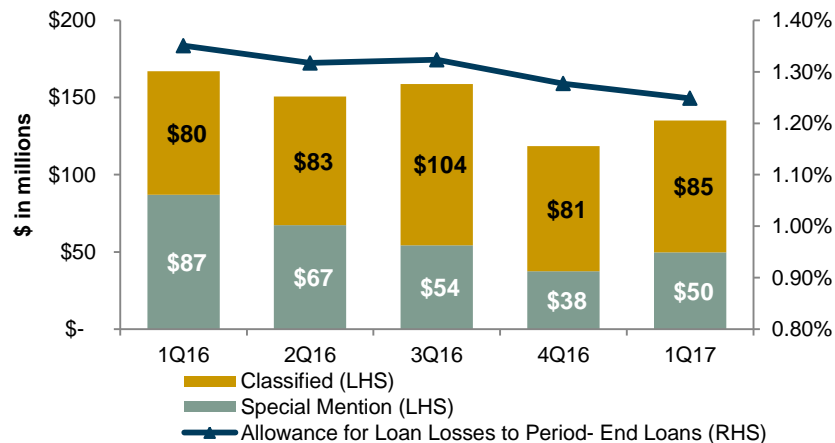
## Net Charge-offs & Provision for Loan Losses



## Comments

- » Our provision for loan loss continues to closely track our quarterly Net-Charge Offs / Net-Recoveries
- » The Company recorded a provision credit of \$0.2 million compared to \$0.1 million of Net Recoveries

## Criticized Loans & Allowance for Loan Losses



- » Criticized Loans increased 14% linked quarter but decreased 19% year-over-year
- » Allowance for Loan Loss as a percent of Total Loans finished the quarter at 1.25%

# Private Bank Performance Highlights

(\$ in millions)	% Change				
	1Q17	4Q16	1Q16	LQ	Y/Y
Net Interest Income	\$54.3	\$52.1	\$50.4	4%	8%
Core Fees	1.8	2.5	3.4	(26%)	(47%)
Total Other Income	0.0	5.3	(0.1)	NMF	NMF
<b>Total Revenue</b>	<b>\$56.1</b>	<b>\$60.0</b>	<b>\$53.8</b>	<b>(6%)</b>	<b>4%</b>
<b>Operating Expenses</b>	<b>\$35.1</b>	<b>\$31.3</b>	<b>\$31.3</b>	<b>12%</b>	<b>12%</b>
<b>Pre-tax Pre-Provision Income</b>	<b>\$21.0</b>	<b>\$28.7</b>	<b>\$22.5</b>	<b>(27%)</b>	<b>(7%)</b>
Provision Expense / (Credit)	(0.2)	(1.1)	(3.1)	(84%)	(94%)
<b>Pre-tax Income</b>	<b>\$21.2</b>	<b>\$29.8</b>	<b>\$25.7</b>	<b>(29%)</b>	<b>(17%)</b>
Taxes	6.3	9.5	8.4	(34%)	(25%)
<b>Net Income</b>	<b>\$14.9</b>	<b>\$20.3</b>	<b>\$17.3</b>	<b>(26%)</b>	<b>(14%)</b>

## Comments

- » Net Interest Income increased 4% linked quarter and 8% year-over-year
- » Core Fees declined linked quarter due to lower swap fee income
- » Total Other Income during the previous quarter was positively impacted by:
  - » \$2.9 million gain on the sale of two office locations
  - » \$2.2 million of other items including market value adjustment of derivatives
- » Operating Expenses increased 12% year-over-year driven primarily by compensation expenses and an adjustment to vacation compensation intended to reduce future expense
- » Net Interest Margin increased 7bps linked quarter to 2.98%

## Key Statistics

	1Q17	4Q16	1Q16
Efficiency Ratio (FTE)	60%	50%	56%
Net Interest Margin	2.98%	2.91%	3.01%
Average Loan-to-Deposits Ratio <sup>1</sup>	97%	98%	94%

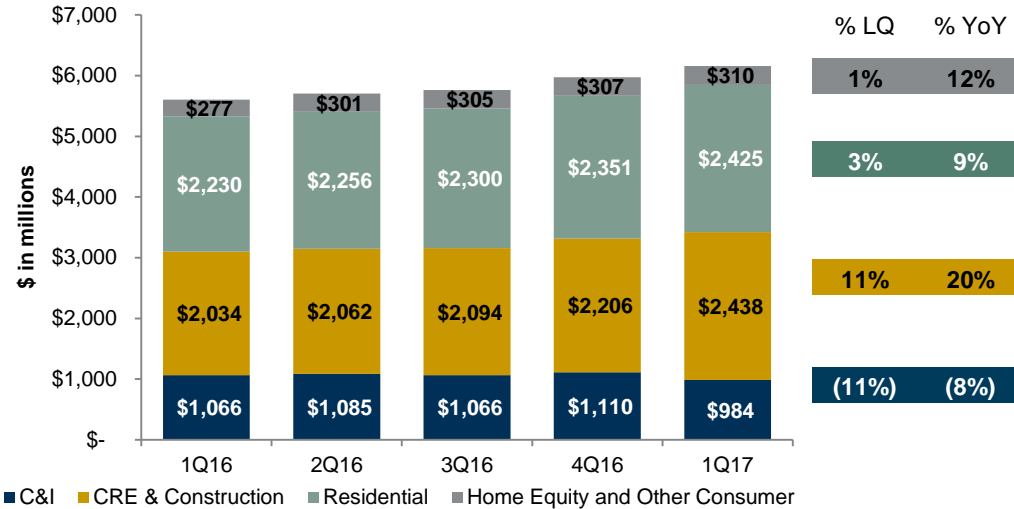
Notes:

(1) Reflects bank subsidiary only.



# Balance Sheet Highlights

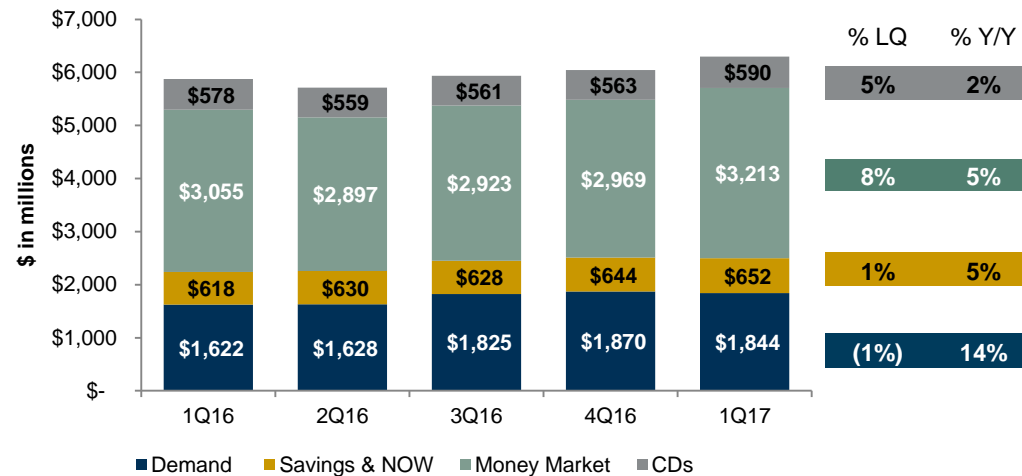
## Average Loans



## Comments

- » Total Average Loans increased 10% year-over-year to \$6.2 billion
- » Reclassification of tax-exempt loans on 12/31/16 impacts CRE and C&I growth
- » If we could apply this reclassification to prior periods:
  - » CRE & Construction growth would have been approximately 3% linked quarter and 12% year-over-year
  - » C&I growth would have been approximately 4% linked quarter and 7% year-over-year

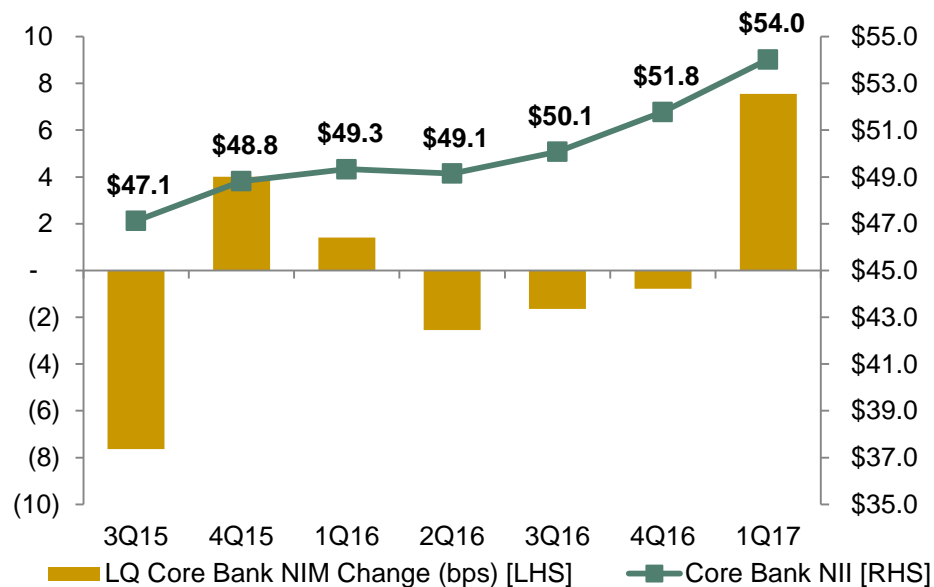
## Average Deposits



- » Total Average Deposits increased 7% year-over-year to \$6.3 billion
- » The divestiture of \$104 million of deposits impacted fourth quarter of 2016 Average Total Deposits
- » Demand (+14%) and Money Market (+5%) both posted strong year-over-year growth

# Private Banking Net Interest Margin

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



## Comments

- » Core Bank NII continued its growth trend, increasing to \$54.0 million
- » Excluding interest recovered on previous nonaccrual loans, Core Net Interest Margin increased eight basis points to 2.97%
- » Cost of Funds Including DDA increased to 0.38% as a result of a slight mix shift towards Money Market accounts

## Core Bank Yield/ Cost

	1Q16	2Q16	3Q16	4Q16	1Q17
Cash and Investments	2.12%	2.13%	2.09%	2.14%	2.20%
Loans	3.66%	3.58%	3.55%	3.51%	3.61%
Interest-Bearing Deposits	0.39%	0.40%	0.40%	0.39%	0.41%
Total Interest-Bearing Liabilities	0.51%	0.52%	0.51%	0.50%	0.52%
Cost of Funds Including DDA	0.38%	0.39%	0.37%	0.36%	0.38%
<b>Net Interest Margin (FTE)</b>	<b>3.01%</b>	<b>2.95%</b>	<b>2.92%</b>	<b>2.91%</b>	<b>2.98%</b>
<b>Core Net Interest Margin (FTE)</b>	<b>2.94%</b>	<b>2.92%</b>	<b>2.90%</b>	<b>2.89%</b>	<b>2.97%</b>

# Wealth Management & Trust Performance Highlights

(\$ in millions)	% Change				
	1Q17	4Q16	1Q16	LQ	YY
<b>Total Revenue</b>	<b>\$10.9</b>	<b>\$11.1</b>	<b>\$11.1</b>	<b>(2%)</b>	<b>(1%)</b>
<b>Total Expenses</b>	<b>\$13.9</b>	<b>\$22.9<sup>(1)</sup></b>	<b>\$15.9<sup>(2)</sup></b>	<b>(40%)</b>	<b>(12%)</b>
<b>Pre-tax Income/ (Loss)</b>	<b>(\$3.0)</b>	<b>(\$11.8)</b>	<b>(\$4.8)</b>	<b>75%</b>	<b>38%</b>
Taxes	(1.2)	(4.8)	(1.9)	76%	40%
<b>Net Income/ (Loss)</b>	<b>(\$1.8)</b>	<b>(\$7.0)</b>	<b>(\$2.9)</b>	<b>74%</b>	<b>37%</b>
<b>Memo:</b>					
Pre-tax Income/ (Loss)	(\$3.0)	(\$11.8)	(\$4.8)	75%	38%
Depreciation & Amortization	1.1	1.1	1.0	1%	9%
<b>EBITDA</b>	<b>(\$1.9)</b>	<b>(\$10.8)</b>	<b>(\$3.8)</b>	<b>82%</b>	<b>51%</b>
<i>Adjustments:</i>					
Add back: Restructuring	-	-	1.1	NMF	NMF
Add back: Impairment of Goodwill	-	9.5	-	NMF	NMF
<b>Total Expenses excluding Adjustments</b>	<b>\$13.9</b>	<b>\$13.4</b>	<b>\$14.8</b>	<b>3%</b>	<b>(6%)</b>
<b>EBITDA excluding Adjustments</b>	<b>(\$1.9)</b>	<b>(\$1.2)</b>	<b>(\$2.7)</b>	<b>(52%)</b>	<b>30%</b>

## Key Statistics

	1Q17	4Q16	1Q16
Net Flows (\$ in mm)	\$34	(\$82)	(\$422)
Total AUM (\$ in mm)	\$7,260	\$7,008	\$7,137
EBITDA Margin (Excluding Adjustments)	(17%)	(11%)	(24%)

## Comments

- » Revenue decreased 2% linked quarter to \$10.9 million
- » Total Expenses excluding Impairment of Goodwill increased 3% or \$0.5 million linked quarter

- » **Note:** Wealth Management & Trust segment operates under the Boston Private brand as Boston Private Wealth

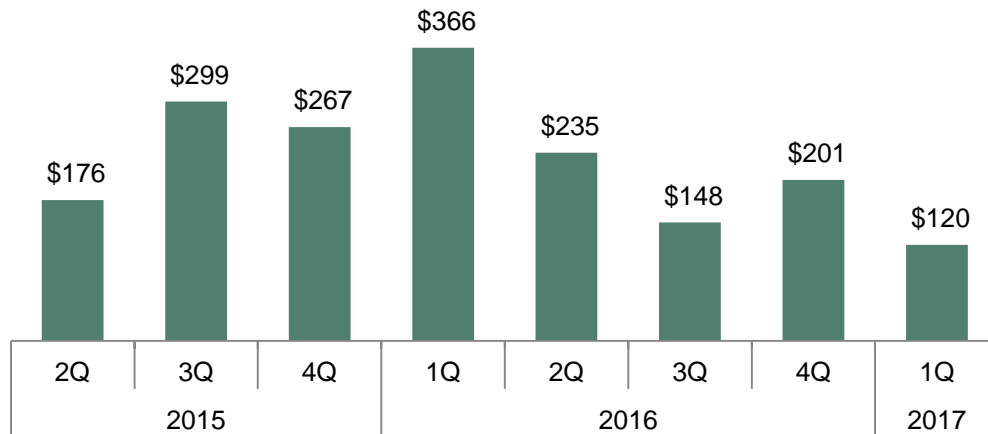
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<sup>(1)</sup> Includes \$9.5 million for *Impairment of Goodwill*

<sup>(2)</sup> Includes \$1.1 million for *Restructuring*

# Wealth Management & Trust Performance Highlights

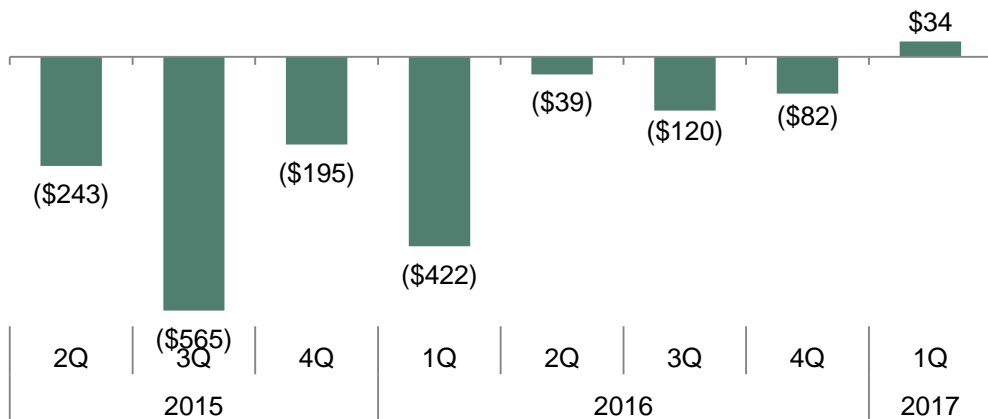
## Wealth Management & Trust - New Business Flows (\$ in millions)



## Comments

- » First quarter New Business Flows moderated to \$120 million

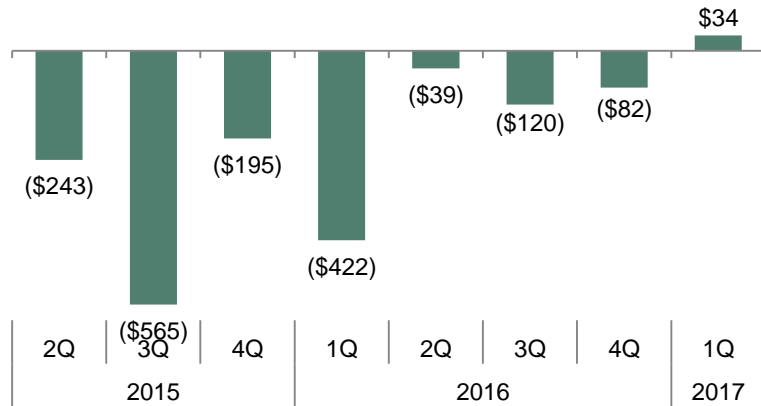
## Wealth Management & Trust - Net Flows (\$ in millions)



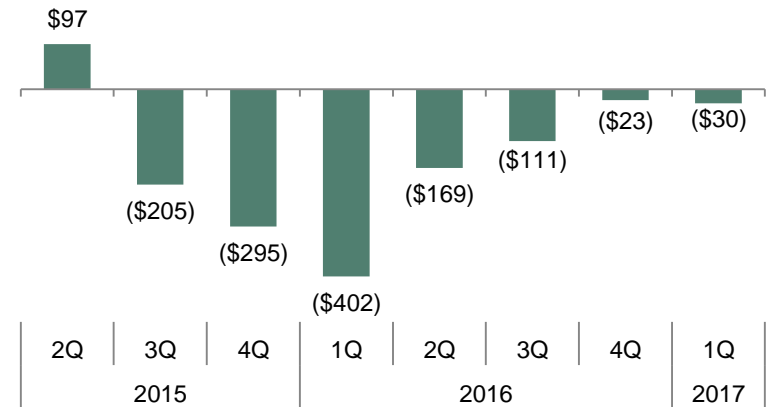
- » First quarter Net Flows of \$34 million reflect lower levels of client attrition

# Segment AUM Net Flows

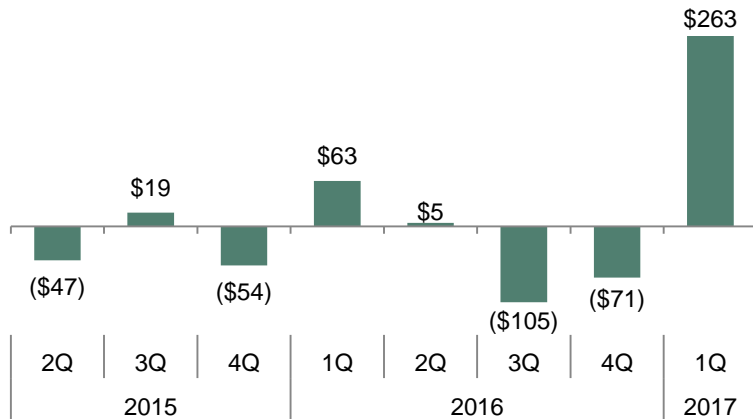
## Wealth Management & Trust (\$ in mm)



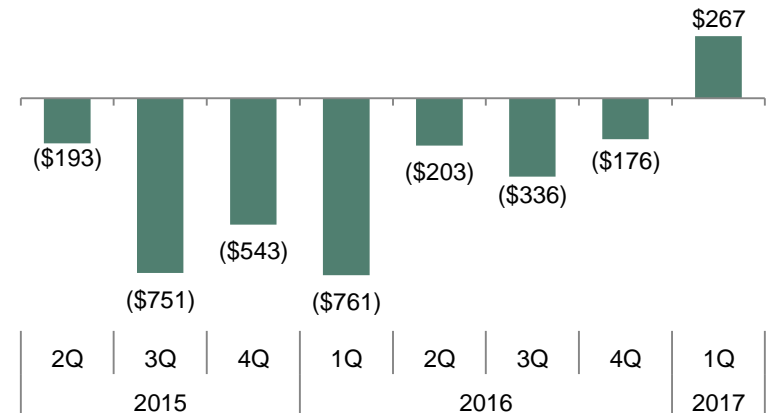
## Investment Management (\$ in mm)



## Wealth Advisory (\$ in mm)



## Consolidated (\$ in mm)



# Investment Management Performance Highlights

(\$ in millions)	% Change				
	1Q17	4Q16	1Q16	LQ	Y/Y
<b>Total Revenue</b>	<b>\$10.9</b>	<b>\$12.4</b>	<b>\$10.7</b>	<b>(13%)</b>	<b>2%</b>
<b>Operating Expenses</b>	<b>\$8.4</b>	<b>\$9.0</b>	<b>\$8.0</b>	<b>(7%)</b>	<b>4%</b>
<b>Pre-tax Income</b>	<b>\$2.5</b>	<b>\$3.5</b>	<b>\$2.6</b>	<b>(28%)</b>	<b>(5%)</b>
Taxes	0.8	1.1	0.9	(24%)	(4%)
NCI	0.5	0.6	0.5	(26%)	(3%)
<b>Net Income</b>	<b>\$1.2</b>	<b>\$1.7</b>	<b>\$1.3</b>	<b>(30%)</b>	<b>(6%)</b>
<b>Memo EBITDA:</b>					
Pre-tax Income	2.5	3.5	2.6	(28%)	(5%)
Depreciation & Amortization	0.7	0.7	0.7	(1%)	(1%)
<b>EBITDA</b>	<b>\$3.2</b>	<b>\$4.2</b>	<b>\$3.4</b>	<b>(23%)</b>	<b>(4%)</b>

## Comments

- » Total Revenue increased by 2% year-over-year and decreased 13% linked quarter due to \$1.4 million of performance fees in 4Q16
- » Operating Expenses increased by 4% year-over-year driven by higher compensation expense
- » Segment EBITDA margin remains in line with the 30% target

## Key Statistics

	1Q17	4Q16	1Q16
Net Flows (\$ in mm)	(\$30)	(\$23)	(\$402)
Total AUM (\$ in mm)	\$10,907	\$10,571	\$9,838
EBITDA Margin	30%	34%	32%

# Wealth Advisory Performance Highlights

(\$ in millions)	% Change				
	1Q17	4Q16	1Q16	LQ	YY
<b>Total Revenue</b>	\$12.9	\$12.6	\$12.7	2%	1%
<b>Operating Expenses</b>	\$9.4	\$7.0	\$9.7	36%	(3%)
<b>Pre-tax Income</b>	\$3.4	\$5.6	\$3.1	(39%)	12%
Taxes	1.3	2.3	1.1	(43%)	12%
NCI	0.5	0.5	0.4	(4%)	16%
<b>Net Income</b>	\$1.6	\$2.8	\$1.5	(43%)	11%
<b>Memo EBITDA:</b>					
Pre-tax Income	\$3.4	\$5.6	\$3.1	(39%)	12%
Depreciation & Amortization	0.3	0.4	0.4	(29%)	(32%)
<b>EBITDA</b>	\$3.7	\$6.0	\$3.5	(39%)	7%

## Comments

- » Total Revenue increased 2% linked quarter and 1% year-over-year
- » Operating Expenses increased 36% linked quarter due to retirement liability adjustment to compensation expense of \$1.4 million in the fourth quarter of 2016

## Key Statistics

	1Q17	4Q16	1Q16
Net Flows (\$ in mm)	\$263	(\$71)	\$63
Total AUM (\$ in mm)	\$10,579	\$9,989	\$9,857
EBITDA Margin	29%	48%	27%