



**BOSTON PRIVATE**

WEALTH ▫ TRUST ▫ PRIVATE BANKING



# Third Quarter 2019 Results

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October 25, 2019



Anthony DeChellis  
Chief Executive Officer

Steven Gaven  
Chief Financial Officer

Paul Simons  
President  
Private Banking, Wealth & Trust



## FORWARD LOOKING STATEMENTS

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 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, adverse conditions in the capital and debt markets and the impact of such conditions on the Company’s business 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 loan defaults and charge-off rates; changes in the value of securities and other assets, adequacy of loan loss reserves, or decreases in deposit levels necessitating increased borrowing to fund loans and investments; operational risks including, but not limited to, cybersecurity, fraud and natural disasters; 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; changes in assumptions used in making such forward-looking statements; and the other risks and uncertainties detailed in the Company’s Annual Report on Form 10-K and 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.

# 3Q19 CONSOLIDATED FINANCIAL HIGHLIGHTS

(\$ in millions, except per share data)

OPERATING PERFORMANCE	Net Income	\$20.0
	Diluted EPS	\$0.24
	ROACE	9.8%
	ROATCE	11.0%
BALANCE SHEET & ASSETS UNDER MANAGEMENT / ADVISORY ("AUM")	Average Deposits	\$6,658
	Average Loans	\$7,049
	Total AUM	\$16,228
	Total net flows	(\$137)
CAPITAL	Tier 1 Common Equity Ratio <sup>1</sup>	11.2%
	Tangible Book Value Per Share	\$8.90

(1) Estimated  
 ROACE = Return on Average Common Equity  
 ROATCE = Return on Average Tangible Common Equity

# CONSOLIDATED INCOME STATEMENT

Reported (GAAP)

(\$ in millions)				% Change	
	3Q19	2Q19	3Q18	LQ	YY
Net interest income	\$56.2	\$57.5	\$59.6	(2)%	(6)%
Core fees and income	25.2	24.3	31.6	4%	(20)%
Total other income	—	0.1	0.7	nm	nm
<b>Total revenue</b>	<b>\$81.3</b>	<b>\$81.8</b>	<b>\$92.0</b>	<b>(1)%</b>	<b>(12)%</b>
<b>Total noninterest expense</b>	<b>\$55.5</b>	<b>\$55.7</b>	<b>\$68.6</b>	<b>—%</b>	<b>(19)%</b>
<b>Pre-tax, pre-provision income</b>	<b>\$25.7</b>	<b>\$26.2</b>	<b>\$23.4</b>	<b>(2)%</b>	<b>10%</b>
Provision expense/ (credit)	0.2	1.4	(0.9)	(88)%	nm
<b>Pre-tax income</b>	<b>\$25.6</b>	<b>\$24.8</b>	<b>\$24.3</b>	<b>3%</b>	<b>5%</b>
Income tax expense	5.5	5.4	5.5	3%	1%
Noncontrolling interests	0.1	0.1	1.0	39%	(90)%
<b>GAAP net income</b>	<b>\$20.0</b>	<b>\$19.4</b>	<b>\$18.0</b>	<b>3%</b>	<b>11%</b>

## Comments

- On December 3, 2018, the company completed the sale of its ownership interest in BOS. BOS's results remain consolidated in 3Q18 results
- Total revenue and Total noninterest expense declined on a year-over-year basis primarily driven by the divestiture of BOS

# CONSOLIDATED INCOME STATEMENT

Operating basis, excludes Notable Items and BOS (non-GAAP)

(\$ in millions)				% Change	
	3Q19	2Q19	3Q18	LQ	Y/Y
Net interest income	\$56.2	\$57.5	\$59.6	(2)%	(6)%
Core fees and income (non-GAAP) <sup>2</sup>	25.2	24.3	25.7	4%	(2)%
Total other income (non-GAAP) <sup>2</sup>	(0.0)	0.1	0.7	nm	nm
<b>Total revenue (non-GAAP)<sup>2</sup></b>	<b>\$81.3</b>	<b>\$81.8</b>	<b>\$86.1</b>	<b>(1)%</b>	<b>(6)%</b>
<b>Total noninterest expense (non-GAAP)<sup>2,3</sup></b>	<b>\$55.5</b>	<b>\$55.7</b>	<b>\$58.8</b>	<b>–%</b>	<b>(6)%</b>
<b>Pre-tax, pre-provision inc. (non-GAAP)<sup>2,3</sup></b>	<b>\$25.7</b>	<b>\$26.2</b>	<b>\$27.3</b>	<b>(2)%</b>	<b>(6)%</b>
Provision expense/ (credit)	0.2	1.4	(0.9)	(88)%	nm
<b>Pre-tax income (non-GAAP)<sup>2,3</sup></b>	<b>\$25.6</b>	<b>\$24.8</b>	<b>\$28.2</b>	<b>3%</b>	<b>(9)%</b>
Income tax expense (non-GAAP) <sup>2,3</sup>	5.5	5.4	6.3	3%	(13)%
Noncontrolling interests (non-GAAP) <sup>2</sup>	0.1	0.1	0.2	39%	(49)%
<b>Net income (non-GAAP)<sup>2,3</sup></b>	<b>\$20.0</b>	<b>\$19.4</b>	<b>\$21.7</b>	<b>3%</b>	<b>(8)%</b>
Memo:					
Net income (non-GAAP) <sup>2,3</sup>	\$20.0	\$19.4	\$21.7	3%	(8)%
Impact of Notable Items	-	-	(4.6)	nm	nm
BOS results	-	-	0.8	nm	nm
<b>GAAP net income</b>	<b>\$20.0</b>	<b>\$19.4</b>	<b>\$18.0</b>	<b>3%</b>	<b>11%</b>

## Comments

- This slide contains non-GAAP financial information that excludes Notable Items (see page 15 for details) and financial results of BOS
- 3Q18 Notable Items include:
  - \$5.8 million restructuring expense and related \$1.2 million tax benefit
- Year-over-year pre-tax pre-provision income declined 6% driven by lower net interest income
- Linked quarter increase in Pre-tax income and Net income primarily driven by lower provision expense

(2) Metrics exclude financial results from BOS

(3) Operating metrics have been adjusted to exclude Notable Items and are non-GAAP measures. See page 15 for more information

# CONSOLIDATED REVENUE TRENDS

Reported (GAAP), unless otherwise noted

(\$ in millions)				% Change	
	3Q19	2Q19	3Q18	LQ	Y/Y
<b>Net interest income</b>	<b>\$56.2</b>	<b>\$57.5</b>	<b>\$59.6</b>	<b>(2)%</b>	<b>(6)%</b>
<b>Noninterest income</b>					
Wealth management and trust fees	19.1	18.9	25.5	1%	(25)%
Investment management fees	2.5	2.5	3.2	2%	(23)%
Private banking fees <sup>4</sup>	3.6	2.9	2.8	23%	26%
<b>Total core fees and income</b>	<b>\$25.2</b>	<b>\$24.3</b>	<b>\$31.6</b>	<b>4%</b>	<b>(20)%</b>
Miscellaneous <sup>5</sup>	—	0.1	0.7	(100)%	(100)%
<b>Total other income</b>	<b>\$—</b>	<b>\$0.1</b>	<b>\$0.7</b>	<b>(100)%</b>	<b>(100)%</b>
<b>Total revenue</b>	<b>\$81.3</b>	<b>\$81.8</b>	<b>\$92.0</b>	<b>(1)%</b>	<b>(12)%</b>

## Memo: Noninterest income excluding BOS (non-GAAP)

Wealth mgmt and trust fees (non-GAAP) <sup>2</sup>	\$19.1	\$18.9	\$19.6	1%	(3)%
Investment management fees	\$2.5	\$2.5	\$3.2	2%	(23)%
Private banking fees <sup>4</sup>	3.6	2.9	2.8	23%	26%
<b>Total core fees and income (non-GAAP)<sup>2</sup></b>	<b>25.2</b>	<b>24.3</b>	<b>25.7</b>	<b>4%</b>	<b>(2)%</b>
Total other income	—	0.1	0.7	(100)%	(100)%
<b>Total operating revenue (non-GAAP)<sup>2</sup></b>	<b>\$81.3</b>	<b>\$81.8</b>	<b>\$86.1</b>	<b>(1)%</b>	<b>(6)%</b>

## Comments

- This slide contains non-GAAP financial information that excludes Notable Items (see page 15 for details) and financial results of BOS
- Year-over-year Total operating revenue decreased 1% linked quarter, primarily driven by lower net interest income

(2) Metrics exclude financial results from BOS

(4) Includes *Other banking fee income* and *Gain on sale of loans, net*

(5) Includes *Gain/(loss) on sale of investments, net*; *Gain/(loss) on OREO*; *Gain/(loss) on sale of affiliates*; and *Other income*

# CONSOLIDATED EXPENSE TRENDS

Reported (GAAP)

(\$ in millions)	% Change				
	3Q19	2Q19	3Q18	LQ	Y/Y
Salaries and employee benefits	\$31.7	\$32.7	\$38.9	(3)%	(19)%
Occupancy and Equipment	8.3	7.9	8.2	5%	1%
Professional services	4.4	3.3	2.9	34%	54%
Marketing and business development	1.4	1.9	1.7	(27)%	(18)%
Information systems	5.2	5.1	6.2	1%	(17)%
Amortization of intangibles	0.7	0.7	0.7	—%	(10)%
FDIC Insurance	0.1	0.6	0.7	(90)%	(91)%
Restructuring	-	-	5.8	nm	nm
Other	3.9	3.5	3.4	11%	12%
<b>Total noninterest expense</b>	<b>\$55.5</b>	<b>\$55.7</b>	<b>\$68.6</b>	<b>—%</b>	<b>(19)%</b>

## Comments

- Total operating expense declined 19% year-over-year primarily as a result of divestiture of BOS and a \$5.8 million restructuring expense in 3Q18

# CONSOLIDATED EXPENSE TRENDS

Operating basis, excludes Notable Items and BOS (non-GAAP)

(\$ in millions)				% Change	
	3Q19	2Q19	3Q18	LQ	Y/Y
Salaries and employee benefits <sup>2</sup>	\$31.7	\$32.7	\$35.8	(3)%	(12)%
Occupancy and equipment <sup>2</sup>	8.3	7.9	7.9	5%	4%
Professional services <sup>2</sup>	4.4	3.3	2.8	34%	58%
Marketing and business development <sup>2</sup>	1.4	1.9	1.6	(27)%	(11)%
Information systems <sup>2</sup>	5.2	5.1	6.0	1%	(14)%
Amortization of intangibles <sup>2</sup>	0.7	0.7	0.7	—%	(4)%
FDIC insurance <sup>2</sup>	0.1	0.6	0.7	(90)%	(91)%
Other <sup>2</sup>	3.9	3.5	3.3	11%	18%
<b>Total noninterest expense (non-GAAP)<sup>2,3</sup></b>	<b>\$55.5</b>	<b>\$55.7</b>	<b>\$58.8</b>	<b>—%</b>	<b>(6)%</b>

## Comments

- This slide contains non-GAAP financial information that excludes Notable Items (see page 15 for details) and financial results of BOS
- Salaries and employee benefits declined year-over-year primarily as a result of efficiency initiatives.
- Occupancy and equipment expense increased linked quarter primarily as a result of the opening of our San Francisco office

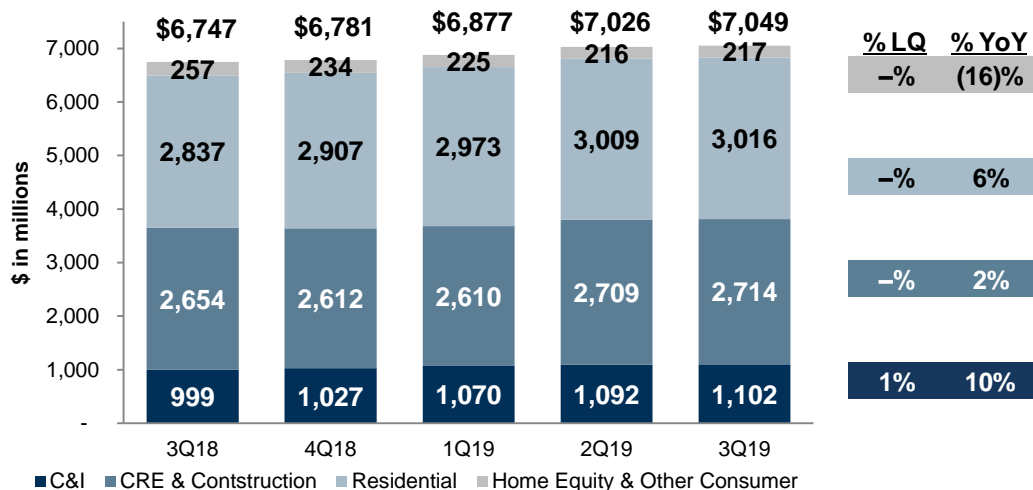
(2) Metrics exclude financial results from BOS

(3) Operating metrics have been adjusted to exclude Notable Items and are non-GAAP measures. See page 15 for more information.



# BALANCE SHEET HIGHLIGHTS

## Average Loans



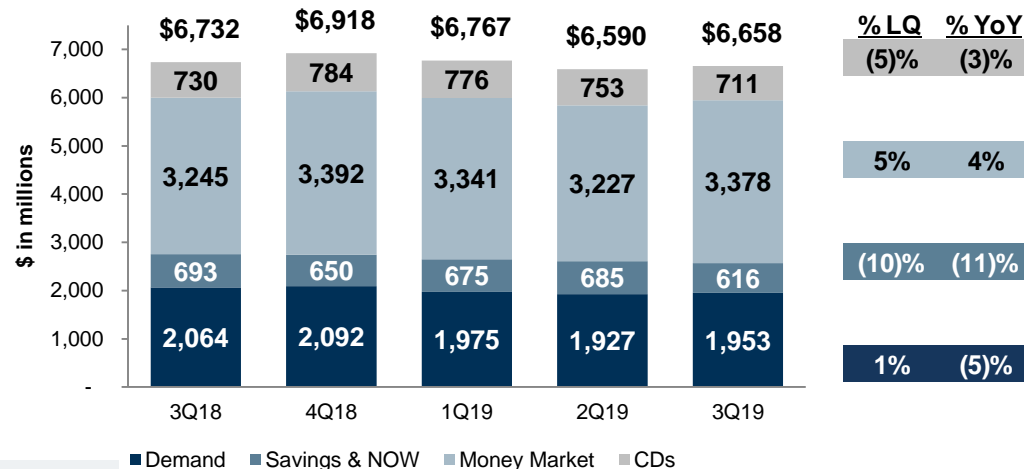
## Comments

- 106% average loan to deposit ratio for 3Q19

### Total Average Loans

- + 4% year-over-year to \$7.0 billion
- Flat linked quarter

## Average Deposits



### Total Average Deposits

- 1% decline year-over-year to \$6.7 billion
- +1% linked quarter

# CONSOLIDATED NET INTEREST INCOME AND MARGIN

## Net interest income (\$ in millions)

	3Q18	4Q18	1Q19	2Q19	3Q19
<b>Net interest income</b>	<b>\$59.6</b>	<b>\$60.0</b>	<b>\$58.3</b>	<b>\$57.5</b>	<b>\$56.2</b>
Less: Interest recoveries	1.0	1.0	0.3	—	0.2
<b>Core net interest income, non-GAAP</b>	<b>\$58.7</b>	<b>\$59.0</b>	<b>\$58.1</b>	<b>\$57.5</b>	<b>\$56.0</b>

## Yield/ Cost

	3Q18	4Q18	1Q19	2Q19	3Q19
Cash and investments	2.27%	2.35%	2.39%	2.32%	2.39%
Loans	3.99%	4.03%	4.07%	4.07%	3.98%
Total interest-earning assets	3.70%	3.76%	3.83%	3.82%	3.76%
Cost of total deposits	0.68%	0.77%	0.84%	0.88%	0.92%
Interest-bearing deposits	0.98%	1.11%	1.19%	1.25%	1.31%
Total interest-bearing liabilities	1.17%	1.23%	1.36%	1.48%	1.50%
Total cost of funds	0.86%	0.89%	1.00%	1.11%	1.12%
<b>Net interest margin</b>	<b>2.90%</b>	<b>2.94%</b>	<b>2.90%</b>	<b>2.78%</b>	<b>2.72%</b>
<b>Core net interest margin (non-GAAP)</b>	<b>2.90%</b>	<b>2.90%</b>	<b>2.89%</b>	<b>2.78%</b>	<b>2.71%</b>

## Comments

### Core net interest income (non-GAAP)

- 5% decline year-over-year
- 3% decline linked quarter

### Core net interest margin

- 19 bp decline year-over-year
- 7 bp decline linked quarter

### Loan yields

- 1 bp decline year-over-year
- 9 bp decline linked quarter

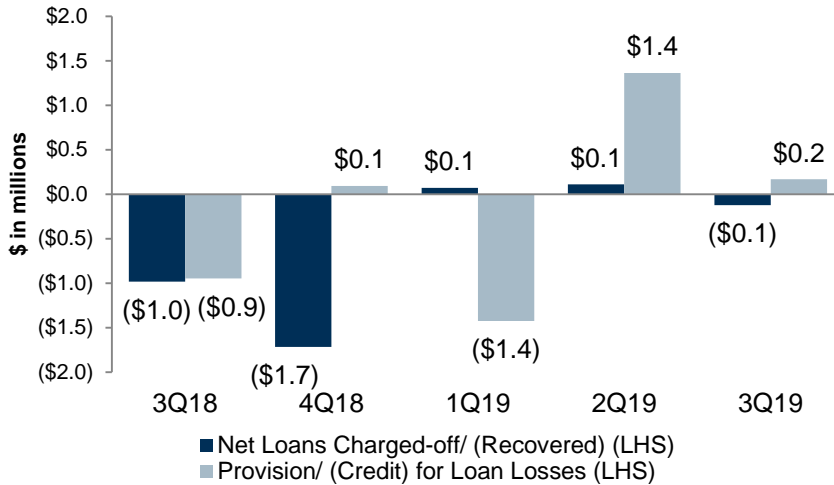
### Cost of total deposits

- +24 bp year-over-year
- +4 bp linked quarter

Interest recoveries = Interest recovered on previous nonaccrual loans  
Core net interest margin excludes the impact of interest recoveries

# ASSET QUALITY

## Net Charge-offs & Provision for Loan Losses

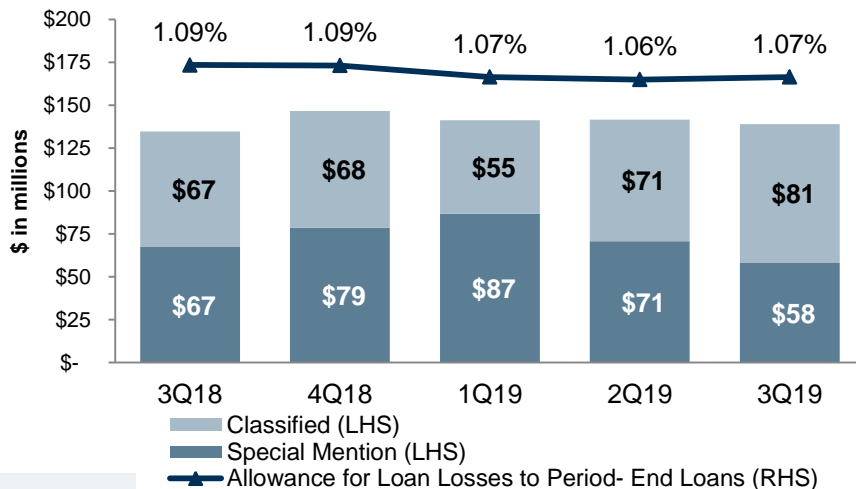


## Comments

### 3Q19 Provision expense of \$0.2 million

- Driven by required reserves for criticized and classified loans, partially offset by lower reserves for pass-rated loans

## Criticized Loans & Allowance for Loan Losses



### Total criticized loans as of 9/30/19 of \$139.0 million

- +3% year-over-year
- 2% decline linked quarter
- Allowance for Loan Loss as a percent of Total Loans as of 9/30/19 was 1.07%

# PRIVATE BANK PERFORMANCE HIGHLIGHTS

Operating basis, excludes Notable Items and BOS (non-GAAP)

(\$ in millions)				% Change	
	3Q19	2Q19	3Q18	LQ	Y/Y
Net interest income	\$57.1	\$58.4	\$60.6	(2)%	(6)%
Core fees and income	3.6	2.9	2.8	23%	26%
Total other income	(0.2)	(0.1)	0.5	56%	nm
<b>Total revenue</b>	<b>\$60.5</b>	<b>\$61.2</b>	<b>\$63.9</b>	<b>(1)%</b>	<b>(5)%</b>
<b>Total noninterest expense (non-GAAP)<sup>3</sup></b>	<b>\$38.1</b>	<b>\$37.8</b>	<b>\$39.5</b>	<b>1%</b>	<b>(3)%</b>
<b>Pre-tax, pre-provision income (non-GAAP)<sup>3</sup></b>	<b>\$22.3</b>	<b>\$23.4</b>	<b>\$24.4</b>	<b>(5)%</b>	<b>(8)%</b>
Provision expense/ (credit)	0.2	1.4	(0.9)	(88)%	nm
<b>Pre-tax income (non-GAAP)<sup>3</sup></b>	<b>\$22.2</b>	<b>\$22.1</b>	<b>\$25.3</b>	<b>0%</b>	<b>(13)%</b>
Income tax expense (non-GAAP) <sup>3</sup>	4.2	4.9	5.6	(14)%	(24)%
<b>Operating net income (non-GAAP)<sup>3</sup></b>	<b>\$17.9</b>	<b>\$17.2</b>	<b>\$19.8</b>	<b>4%</b>	<b>(9)%</b>
<i>Efficiency Ratio (non-GAAP)</i>	63%	62%	61%		
Memo:					
Adjustments <sup>6</sup>	—	—	(4.1)	nm	nm
<b>GAAP net income</b>	<b>\$17.9</b>	<b>\$17.2</b>	<b>\$15.7</b>	<b>4%</b>	<b>15%</b>

## Comments

- This slide contains non-GAAP financial information that excludes Notable Items (see page 15 for details)
- Efficiency ratio increased to 63% year-over-year, driven by higher professional services expense and lower net interest income

(3) Operating metrics have been adjusted to exclude Notable Items and are non-GAAP measures. See page 15 for more information

(6) Adjustments are shown net of tax. 3Q18 adjusts for restructuring expense

(7) Private Banking segment only

# WEALTH MANAGEMENT & TRUST PERFORMANCE HIGHLIGHTS

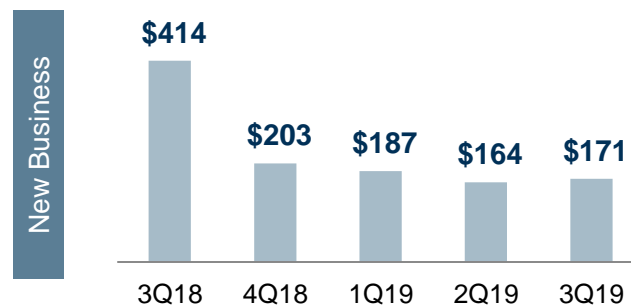
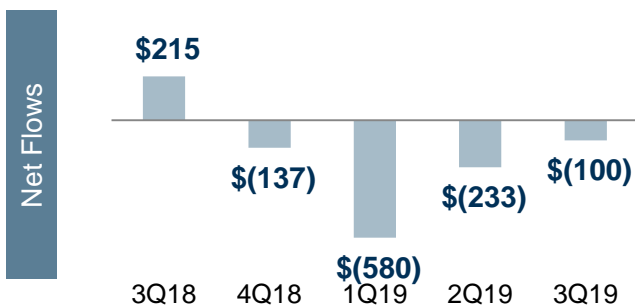
Operating basis, excludes Notable Items and BOS (non-GAAP)

(\$ in millions)				% Change	
	3Q19	2Q19	3Q18	LQ	Y/Y
<b>Total revenue</b>	<b>\$19.2</b>	<b>\$19.1</b>	<b>\$19.9</b>	<b>1%</b>	<b>(3)%</b>
<b>Total noninterest expense (non-GAAP)<sup>3</sup></b>	<b>\$13.9</b>	<b>\$14.4</b>	<b>\$15.9</b>	<b>(4)%</b>	<b>(13)%</b>
<b>Pre-tax income (non-GAAP)<sup>3</sup></b>	<b>\$5.3</b>	<b>\$4.7</b>	<b>\$4.0</b>	<b>14%</b>	<b>33%</b>
Income tax expense (non-GAAP)	1.8	1.5	1.2	15%	40%
<b>Net income (non-GAAP)<sup>3</sup></b>	<b>\$3.6</b>	<b>\$3.1</b>	<b>\$2.7</b>	<b>14%</b>	<b>30%</b>
Memo:					
Adjustments <sup>8</sup>	–	–	0.4	nm	(100)%
<b>GAAP net income</b>	<b>\$3.6</b>	<b>\$3.1</b>	<b>\$2.3</b>	<b>14%</b>	<b>55%</b>
Pre-tax income (non-GAAP) <sup>3</sup>	\$5.3	\$4.7	\$4.0	14%	33%
Depreciation & amortization	1.0	1.0	1.1	(4)%	(13)%
<b>EBITDA (non-GAAP)<sup>3</sup></b>	<b>\$6.3</b>	<b>\$5.7</b>	<b>\$5.1</b>	<b>11%</b>	<b>23%</b>
<i>EBITDA margin (non-GAAP)</i>	<i>33%</i>	<i>30%</i>	<i>26%</i>		

## Comments

- This slide contains non-GAAP financial information that excludes Notable Items (see page 15 for details)
- Segment includes results from previously announced integration of wholly-owned subsidiaries Boston Private Wealth LLC and KLS Professional Advisors Group, LLC and the trust operations of Boston Private Bank & Trust Company.
- Operating basis EBITDA margin was 33%
- Operating basis EBITDA of \$6.3 million, up 23% year-over-year and 11% linked quarter

## Assets Under Management / Advisory Trends (\$ in millions)



(3) Operating metrics have been adjusted to exclude Notable Items and are non-GAAP measures. See page 15 for more information

(8) Adjustments are shown net of tax. 3Q18 adjusts for restructuring expense



# APPENDIX

# NON-GAAP RECONCILIATION

In addition to presenting the Company's results in conformity with GAAP, the Company uses certain non-GAAP financial measures to provide information for investors to effectively analyze financial trends of ongoing business activities, and to enhance comparability with peers across the financial sector. For additional information on non-GAAP financial measures, see page 6 of the 3Q19 BPFH earnings press release. A full reconciliation of GAAP to non-GAAP results can be found in the footnotes of the 3Q19 BPFH earnings press release beginning on page 17.

	2018				2019				2018	2019
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY	YTD
<b>GAAP Net Income</b>	<b>\$22.7</b>	<b>\$6.4</b>	<b>\$18.0</b>	<b>\$33.3</b>	<b>\$19.4</b>	<b>\$19.4</b>	<b>\$20.0</b>	<b>\$ -</b>	<b>\$80.4</b>	<b>\$58.8</b>
Adjustments	-	13.1	4.6	(13.4)	1.3	-	-	-	4.2	1.3
Operating Net income	\$22.7	\$19.5	\$22.5	\$19.9	\$20.7	\$19.4	20.0	\$ -	\$84.6	\$60.1

## Summary of Adjustments "Notable Items"

	2018			2019		
	Cause	Description	Amount	Cause	Description	Amount
1Q	No adjustments			Restructuring	Restructuring expense	1.6
	<b>Total</b>				Normalizing factor	Income tax expense
2Q	No adjustments			<b>Total</b>		
	Divestiture of Anchor	Income tax expense	12.7	<b>Total</b>		
3Q	Restructuring	Restructuring	0.4	<b>Total</b>		
	Normalizing Factor	Income tax expense	(0.1)	<b>Total</b>		
4Q	<b>Total</b>			<b>Total</b>		
	Restructuring	Restructuring expense	5.8	<b>Total</b>		
2018 Total	Normalizing Factor	Income tax expense	(1.2)	<b>Total</b>		
	<b>Total</b>			<b>Total</b>		
2019 YTD	Divestiture of BOS	Gain on Sale of Affiliate	(18.1)	<b>Total</b>		
	Divestiture of BOS	Income tax expense	3.5	<b>Total</b>		
2019 YTD	Restructuring	Restructuring expense	1.6	<b>Total</b>		
	Normalizing Factor	Income tax expense	(0.3)	<b>Total</b>		
<b>Total</b>			<b>Total</b>			
<b>2018 Total</b>			<b>2019 YTD</b>			
<b>\$4.2</b>			<b>\$1.3</b>			