

BOSTON PRIVATE

FINANCIAL HOLDINGS, INC.

BPFH Investor Presentation

Clayton G. Deutsch, CEO and President

David J. Kaye, CFO

Mark D. Thompson, CEO, Boston Private Bank & Trust Company

Q4 2011

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.

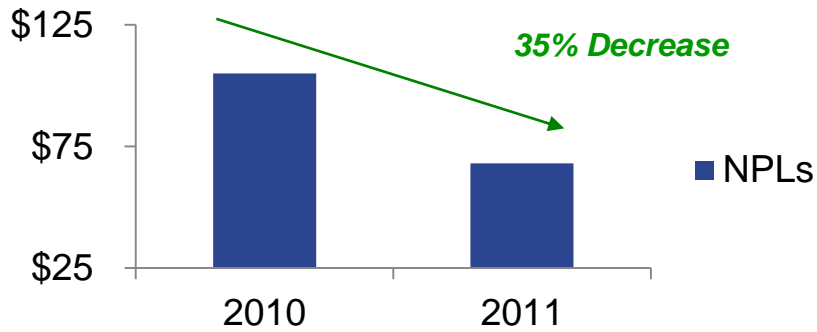
Statements in this presentation that are not historical facts may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor provisions 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 continuing deterioration 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 and other assets, adequacy of loan loss reserves, or deposit levels necessitating increased borrowing to fund loans and investments; increasing government regulation, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; 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

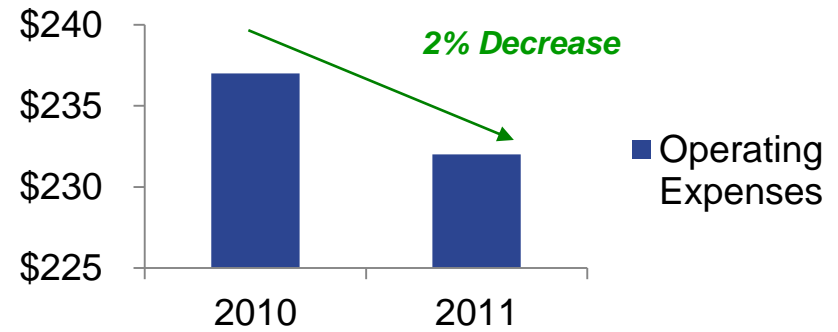
- I. Progress with our restructuring program
- II. Review of our business model
- III. Appendix

I. Restructuring Program Progress

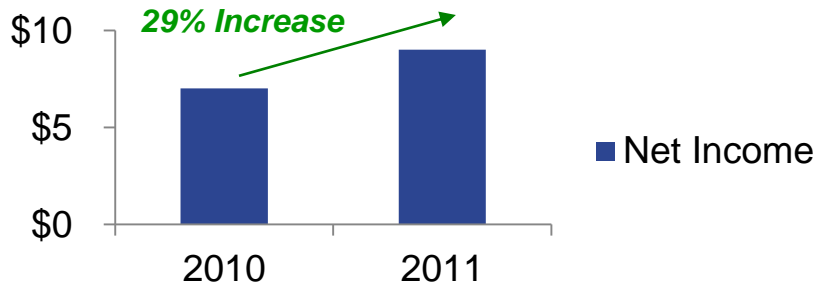
Improved Credit



Reduced Cost



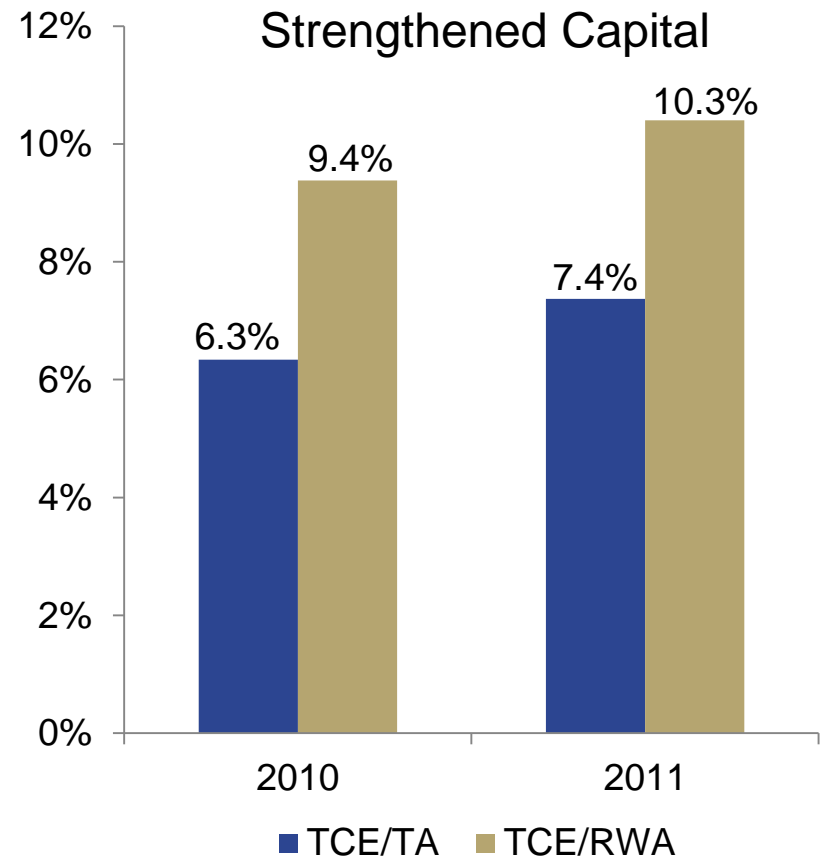
Greater Wealth Management Performance



Merged Banks



Restructuring Program Results



Performance Goals

Long-Term Goals:

- 12% ROE
- Reduced risk profile
- Maintain balanced revenue growth
 - 60% spread-driven
 - 40% IM/WA fee-driven
- Expand our private client/private banking base
- More fully lever our Wealth Management capabilities

Specific 2012 Initiatives:

- Continue to improve our risk profile
- Flawlessly complete the final post-merger conversions
- Drive growth – all markets, all business lines

II. Our Business Model

The business model we have chosen to pursue our private client strategy includes:

1. A **unified and focused Private Bank**, delivering four essential private client services across our markets under the Boston Private banner
2. High integrity, highly competent, independent **wealth advice**, delivered to our private clients
3. High performance **investment management** delivered on a proprietary basis to a defined set of clients

Targeted Private 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:

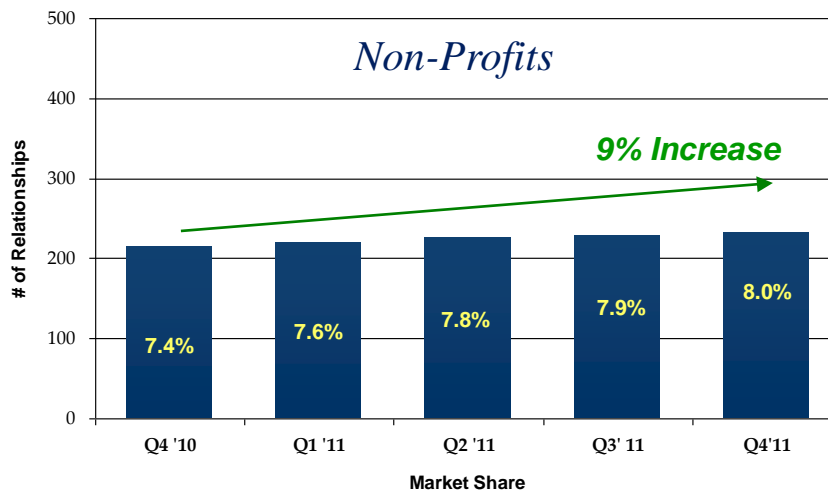
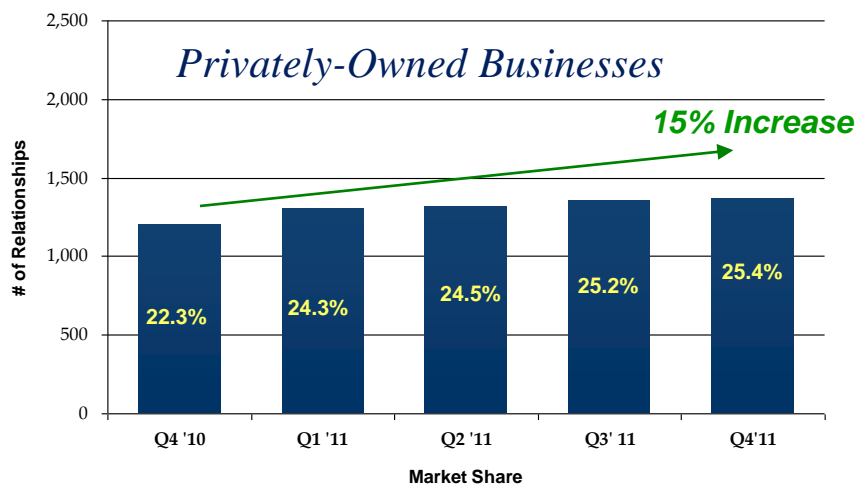
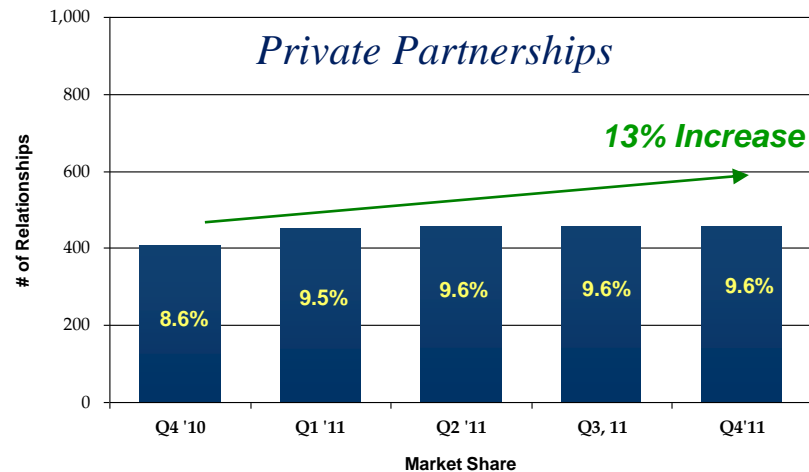
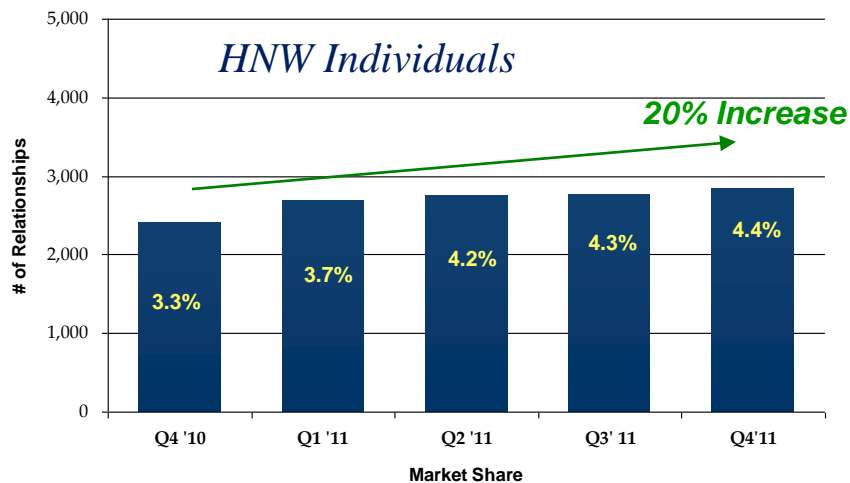
- Stable growth
 - Historically 1.5x – 3x GDP
- Lower risk
 - Better loan loss rates, capital-light advisory activities
- Superior profitability
 - Relationship size and longevity, pricing flexibility

Basis of differentiation:

- Distinctive client service
- Banker stability; and single point of contact
- Superb execution
- Cross-silo client development and delivery of expertise

Our Private Banking Model: Proven Ability to Drive Client Growth

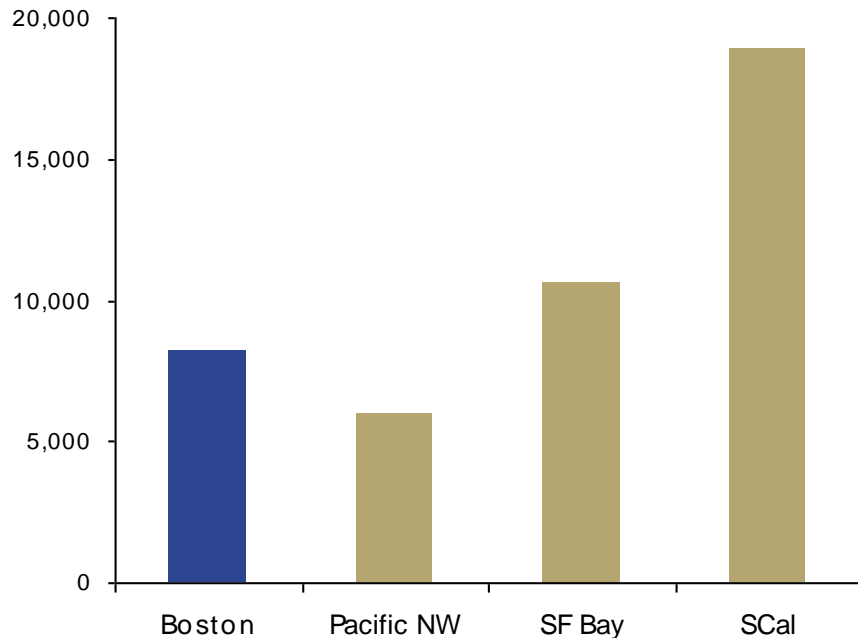
New England Example



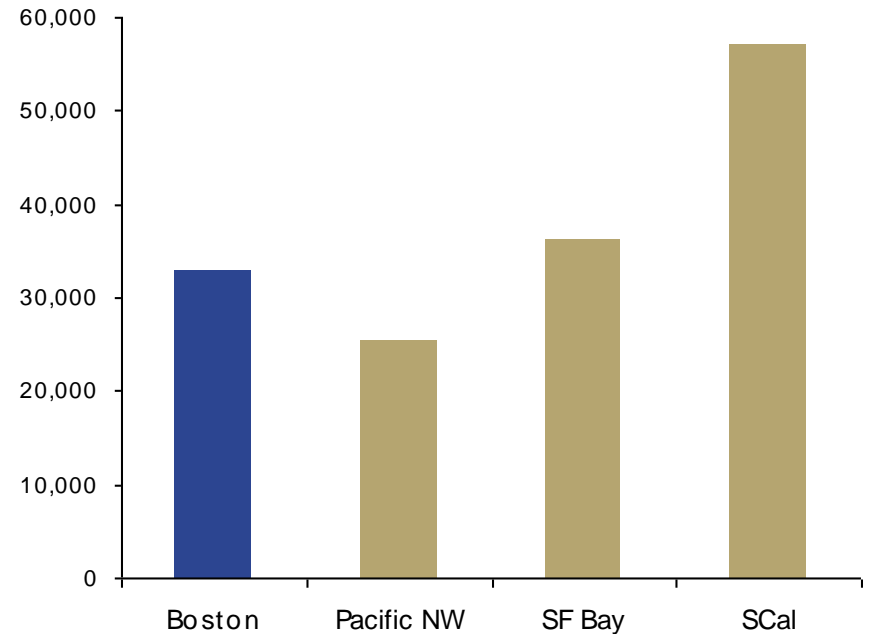
Compelling Market Demographics

- All targeted markets* have significant concentrations of HNW Households and Small Businesses
- Our “available” market on the West Coast is 4x - 5x New England

of HH with \$250k+ Income



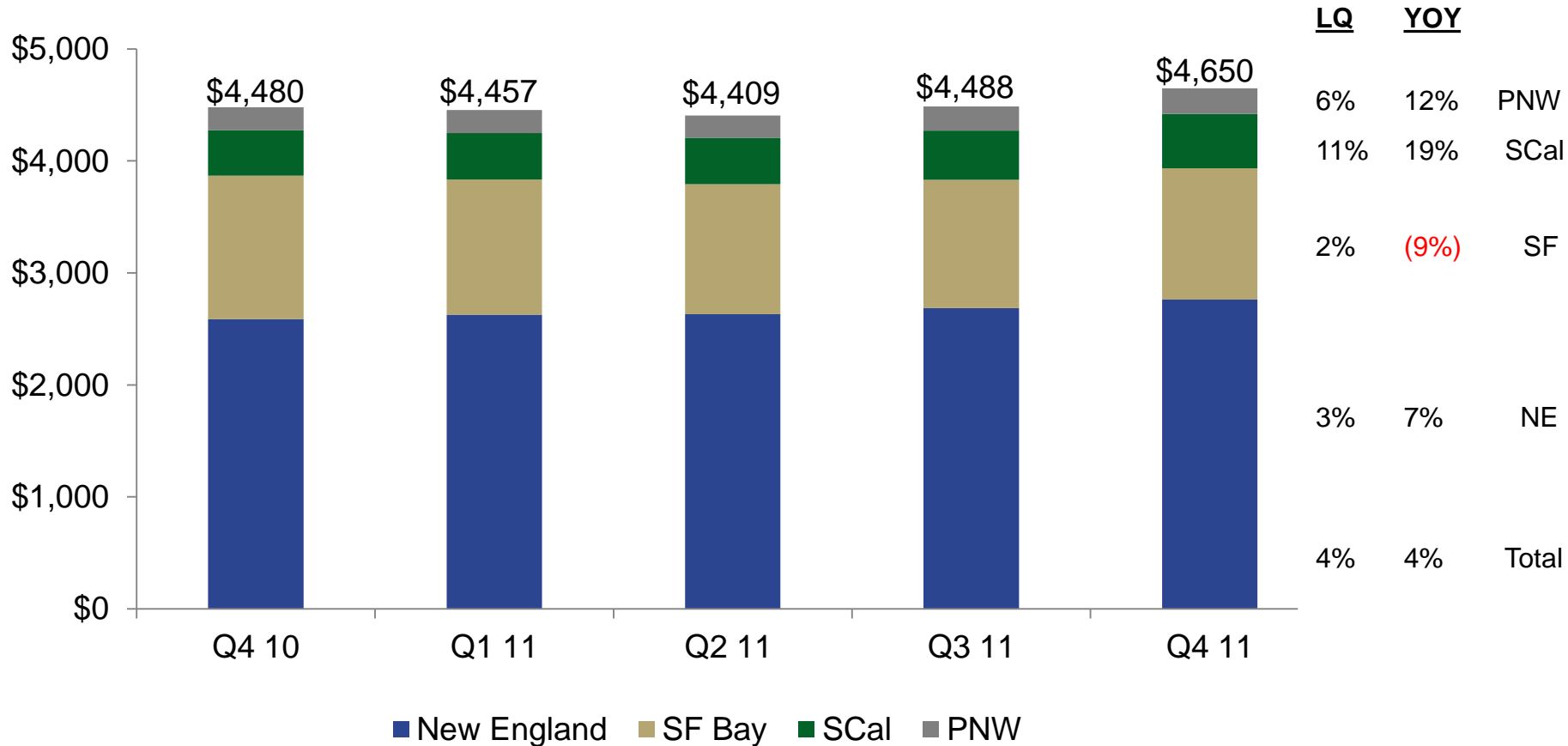
of Small Businesses



**Targeted zip codes within each market, source Experian (HH) and Dun & Bradstreet (Small Businesses)*

Loan Growth By Market

Loan Book Building Since Q2 11 Merger



Our Program to Fully Develop Our Private Clients Across Markets

1. Transform our Investment Management and Trust platform to serve as a private client beacon and lead offering
2. Upgrade and enhance our office model across all markets
3. Fully and seamlessly deliver our four product platforms across all private client segments

1. Transform the IM&T Platform

- Deliver an expanded, open architecture set of investment alternatives with:
 - Highly professional manager selection via external consultants
 - Governed “top down” across all markets
- Deliver proprietary excellence in our chosen investment management disciplines, with a focus on core fixed income and equity styles
- Apply “institutional quality” asset allocation tools and performance analytics, sourced via licensed software/external partnerships
- Build a West Coast platform with highly professional client-facing experts supporting our Private Bankers and developing clients
- Begin roll out in Q1 2012

2. Upgrade and Enhance Our Office Model in all Four Markets

New England Proves the Power of Our Office Model



- Median office size of over \$100 million of client deposit base
- Near term focus on organic growth and client acquisition
- Opened 3 new offices in 2011
- Targeting 3+ new office openings/year within footprint
- Office break-even is \$25M of deposits; typically achieved in 18-24 months
- Full client and deposit ramp typically achieved in 4-5 years

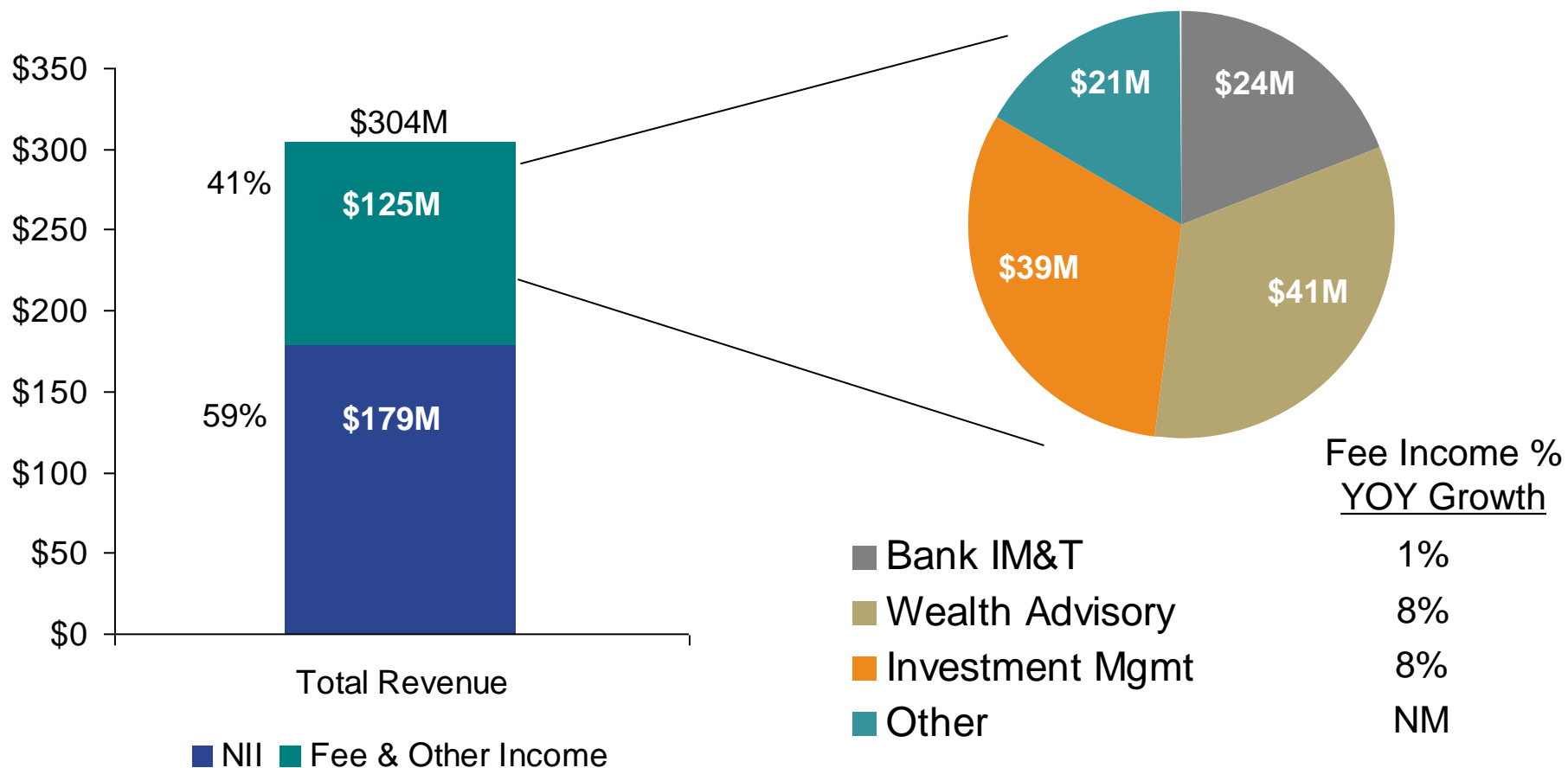
3. Fully and Seamlessly Deliver Our Product Platforms Across All Target Clients

- Install the Boston Private office-based service and sales model in all markets, all offices (2012 roll out)
- Position Residential Mortgage as a key client introduction and expansion vehicle in all three West Coast markets
- Build a stronger Commercial Lending skill base on the West Coast
- Cover all markets with an expanded IM&T platform and network of client-facing Wealth Advisors

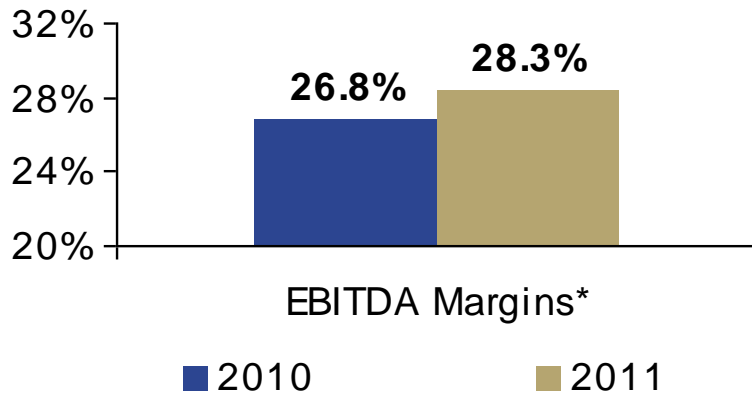
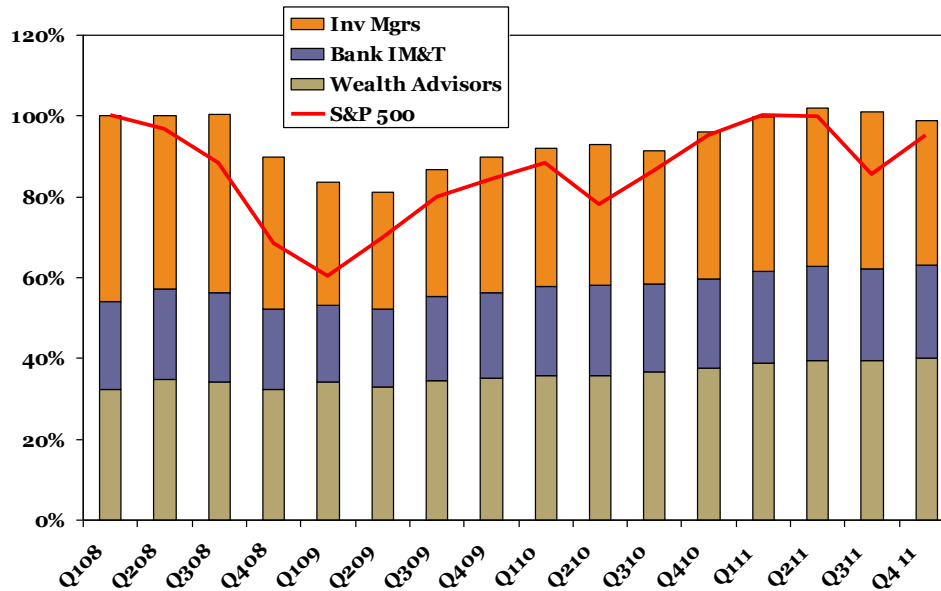
Our Wealth Management Firms Are Strategically Important to Our Overall Success

- Vital earnings contributions to our overall Company
- Meaningful part of our private client positioning
- Enhances our revenue mix
 - BPFH revenue per employee = \$335K
 - All banks \$2-20 billion top quartile of \$270K, median of \$220K
- ROE additive, and higher multiple on equivalent dollar earnings due to ROE advantage

Core Business Strength: A Diverse Revenue Stream



Attractiveness of Fee-Based Revenue Stream



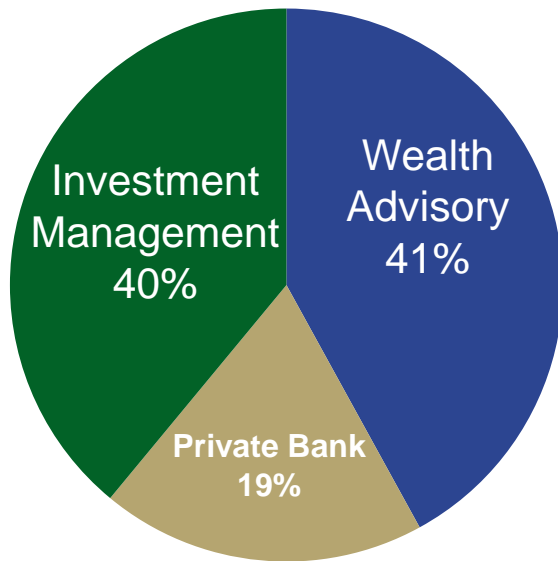
*Wealth Advisors and Investment Managers only

- 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
 - Steady growth of Wealth Advisors
- Strong profit margins
 - Expand well in growth cycle
 - Demonstrated operating leverage

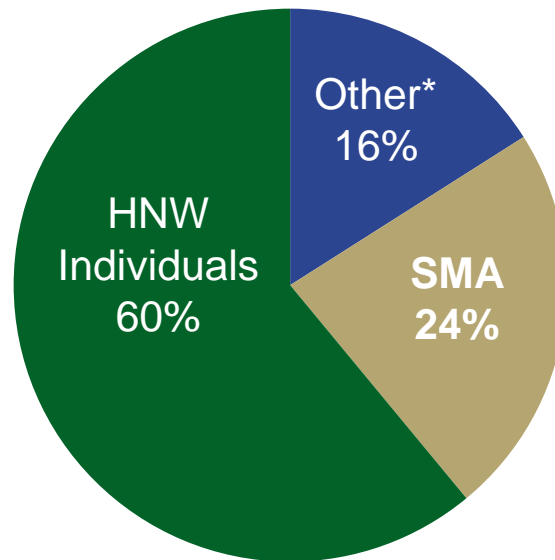
Our Wealth Management Group Platform: A Diverse Portfolio

\$19.1 Billion of AUM

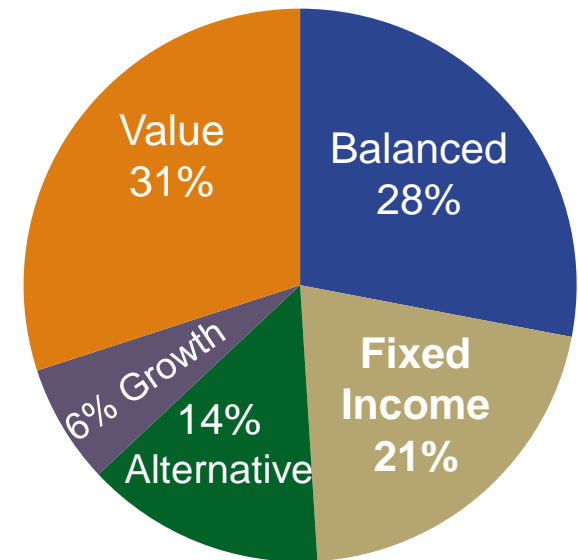
By Source



By Client Type



By Asset Class



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

Way Forward With Our Wealth Management Firms

Wealth Advisory (KLS, BOS, DTC)

- Segment produces steady AUM and client growth
 - Positive net flows in all of last 16 quarters (\$800+ million cumulative)
 - Solid revenue growth of 8% YOY
 - Expanding EBITDA margins (27% in FY11 versus 25% in FY10)
 - Pre-Tax Income increased 20% YOY

Investment Management (Anchor, DGHM)

- Overall negative net flows (-\$591 million) but uneven by firm
 - DGHM consistent inflows (+\$75mm), Anchor experiencing outflows (-\$666M)
 - Anchor outflows driven by SMA platform contraction at large wire houses
 - Investment performance strong over multiple timeframes
- Despite negative flows, strong P&L contribution with favorable mix development
 - Revenue up 8% YOY
 - EBITDA margins expanded to 30% in FY11 versus 29% in FY10
 - Pre-Tax income increased 18% YOY

Summary: Our Beliefs

- Our Wealth Management and Private Banking model has the intrinsic capability to outperform core financial services
- Our target segments are highly attractive and we operate in four deep, opportunity-rich geographic markets
- Our fee mix is attractive and provides an important element of revenue diversification
- We have continued opportunities to improve our expense profile and our operating leverage
- We are investing in Private Banking franchise building, and client acquisition across all of our Banking and Wealth Management businesses
 - Expanded IM&T platform
 - New/upgraded offices
 - High quality client-facing professionals in all markets and all businesses
 - Client building initiatives in all of our Wealth Management firms

III. Appendix

Consolidated P&L Highlights – Linked Quarter

(\$millions)	Q3 2011	Q4 2011	% Change	Results Driven By:
NII	\$45.1	\$44.1	(2%)	8 bps of NIM compression
Fees*	\$27.7	\$26.4	(5%)	
<u>Other Revenue**</u>	<u>\$3.6</u>	<u>\$4.8</u>	<u>33%</u>	\$2.4M gain from debt repurchase \$1.3M gain on OREO
Total Revenue	\$76.4	\$75.3	(1%)	
Operating Expenses	\$55.4	\$58.8	6%	\$4M in year-end non-recurring charges
Restructuring	\$1.1	\$0.7	(36%)	
<u>Total Expenses</u>	<u>\$56.5</u>	<u>\$59.5</u>	<u>5%</u>	
PTPP***	\$19.9	\$15.8	(21%)	
<u>Provision/(Credit)</u>	<u>\$4.5</u>	<u>(\$2.5)</u>	<u>NM</u>	
Pre-Tax Income	\$15.4	\$18.4	19%	
Efficiency Ratio	72%	77%	5 pts	

*Includes IM&T fees, wealth advisory fees and other private banking fees

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

***Pre-tax, pre-provision income

Private Bank Performance Highlights – Linked Quarter

(\$millions)	Q3 2011	Q4 2011	% Change	Results Driven By:
NII	\$46.8	\$45.8	(2%)	Fewer one-time gains in 2011
Fees*	\$7.2	\$6.9	(4%)	
<u>Other Revenue**</u>	<u>\$3.8</u>	<u>\$2.4</u>	<u>(37%)</u>	
Total Revenue	\$57.8	\$55.1	(5%)	\$2.5M in year-end non-recurring charges
Operating Expenses	\$35.1	\$36.7	5%	
Restructuring	\$0.6	\$0.4	(33%)	
<u>Total Expenses</u>	<u>\$35.7</u>	<u>\$37.1</u>	<u>4%</u>	
PTPP***	\$22.1	\$18.0	(18%)	
<u>Provision/(Credit)</u>	<u>\$4.5</u>	<u>(\$2.5)</u>	<u>NM</u>	
Pre-Tax Income	\$17.6	\$20.5	16%	
Efficiency Ratio	60%	65%	5 pts	

*Includes IM&T fees and other private banking fees

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

***Pre-tax, pre-provision income

Investment Management Performance Highlights – Linked Quarter

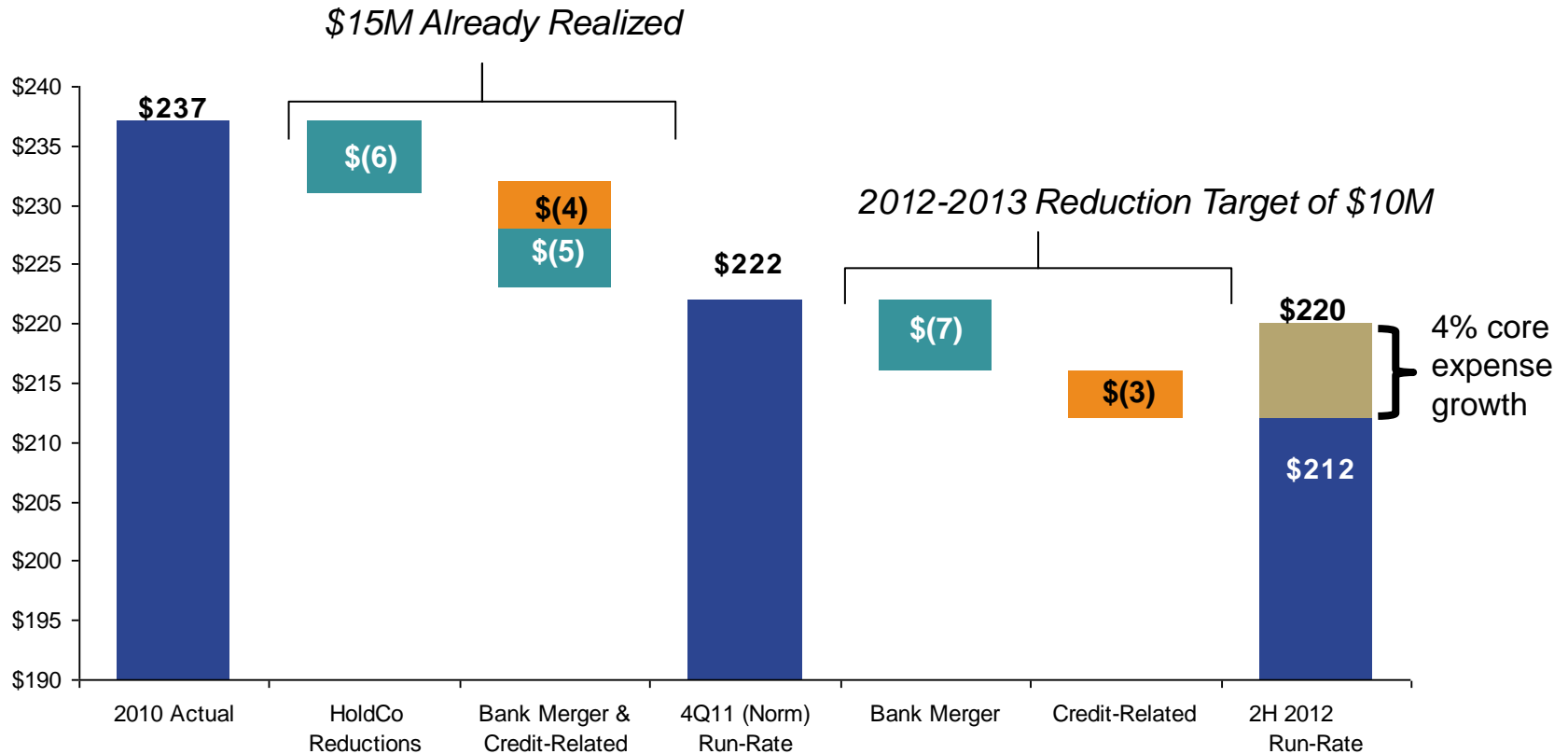
<i>(\$millions)</i>	Q3 2011	Q4 2011	% Change	Results Driven By:
Inv Mgt Fees	\$10.3	\$9.1	(12%)	Billing off of prior quarter AUM balances
Total Revenue	\$10.3	\$9.1	(12%)	
<u>Operating Expenses</u>	<u>\$7.8</u>	<u>\$7.5</u>	<u>(4%)</u>	Despite compression, still close to our 30% EBITDA margin target
Pre-Tax Income	\$2.5	\$1.6	(36%)	
EBITDA Margin	32%	27%	(5 pts)	
Pre-tax Margin	24%	18%	(6 pts)	Q4 “snap back” in AUM, not yet reflected in billings
AUM (\$B)	\$7.1	\$7.6	7%	
Net Flows (\$M)	(\$234)	(\$163)	(30%)	

Wealth Advisory

Performance Highlights – Linked Quarter

<i>(\$millions)</i>	Q3 2011	Q4 2011	% Change	Results Driven By:
Wealth Adv Fees	\$10.2	\$10.5	3%	Consistent, steady growth
Total Revenue	\$10.3	\$10.5	2%	
<u>Operating Expenses</u>	<u>\$7.7</u>	<u>\$7.8</u>	<u>1%</u>	Positive operating leverage
Pre-Tax Income	\$2.6	\$2.7	4%	
EBITDA Margin	28%	29%	1 pt	Approaching our 30% target
Pre-tax Margin	25%	26%	1 pt	
AUM (\$B)	\$7.7	\$8.0	4%	
Net Flows (\$M)	\$109	\$15	(86%)	

Progress Toward \$25M Cost Takeout Program



*Assumes current revenue run-rate

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