

BOSTON PRIVATE
FINANCIAL HOLDINGS, INC.

Investor Presentation

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Q2 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 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; increasing 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
YTD 14 annualized earnings*	\$12.7	\$60.6	\$73.3
YTD 14 annualized EPS contribution	\$0.16	\$0.75	\$0.91
Tangible common equity*	(\$7.8)	\$494.0	\$486.2
TBV/share	(\$0.10)	\$6.15	\$6.05
Capital requirements:	Minimal	Intensive	

*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 Q2 14 revenue
- \$25.4B in AUM
- Q2 14 EBITDA margin of 33%**
- Wealth Management encompasses:

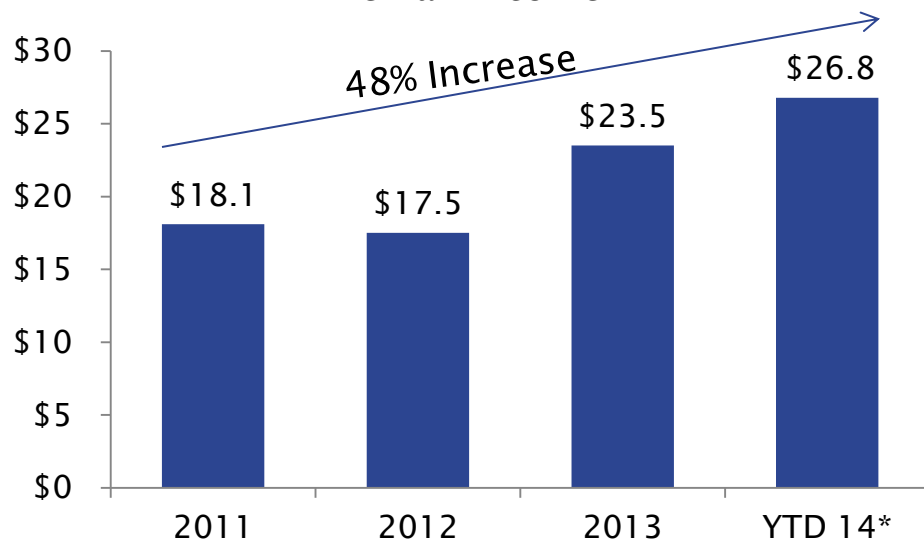
Wealth Advisory	Investment Managers	Bank WM&T
KLS Professional Advisors Bingham, Osborn & Scarborough	Anchor Capital Dalton, Greiner, Hartman & Maher	Boston Private Bank Wealth Management & Trust

*Includes Investment Management Fees, Wealth Management & Trust Fees and Wealth Advisory Fees

**Wealth Advisors and Investment Managers only

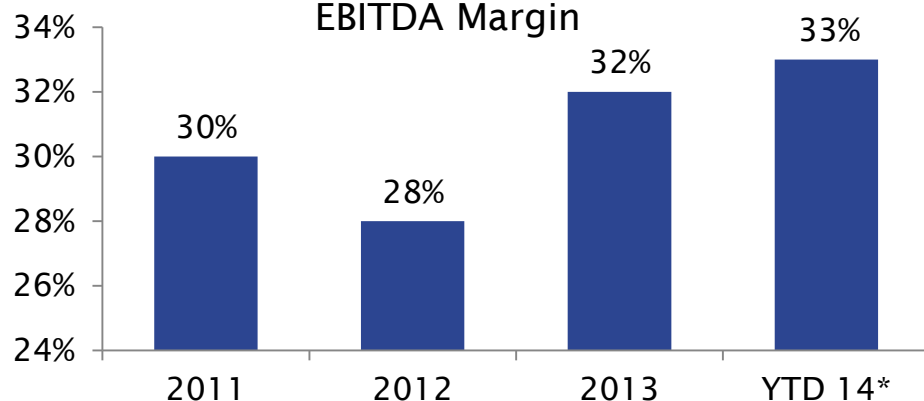
Attractiveness of Fee-Based Revenue Stream

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

Investment Management and Wealth Advisory
EBITDA Margin



- Strong profit margins
 - Expand well in growth cycle
 - Demonstrated operating leverage/margin expansion

Dollars in millions

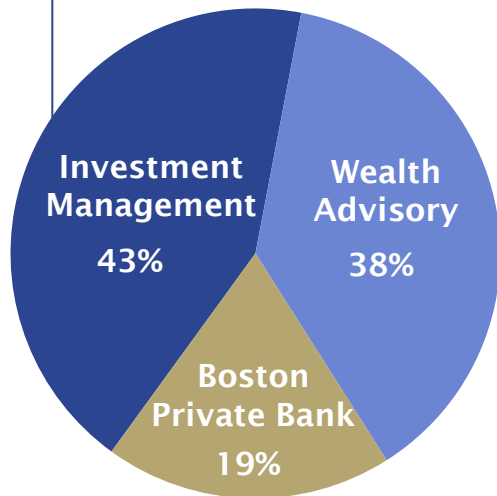
*YTD 14 annualized

**Wealth Advisors and Investment Managers only

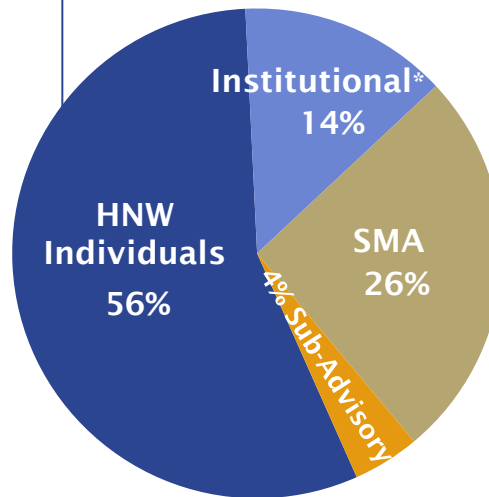
Our Wealth Management Group Platform: A Diverse Portfolio

\$25.4 Billion of AUM

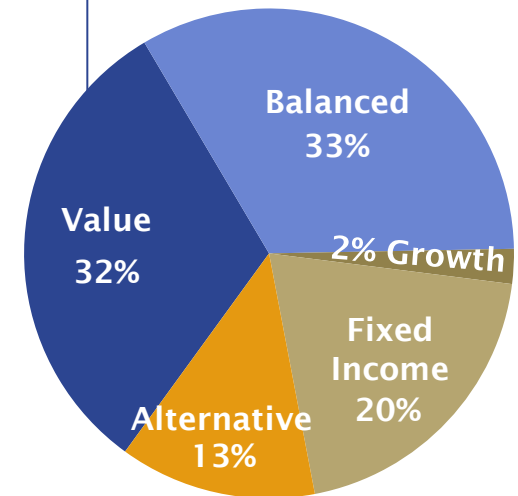
By Source



By Client Type



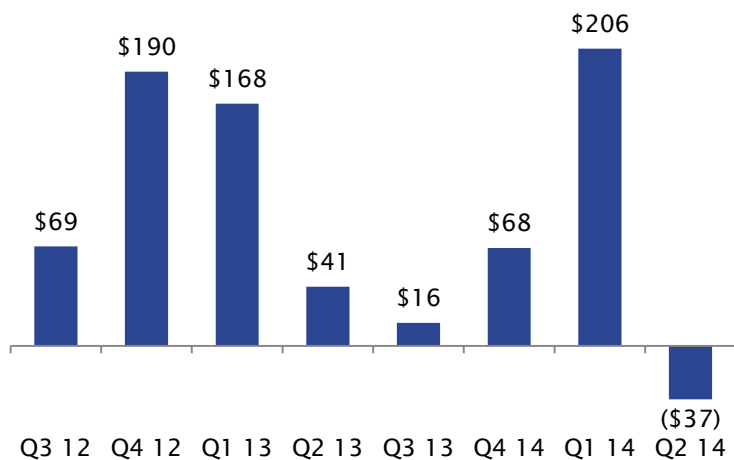
By Asset Class



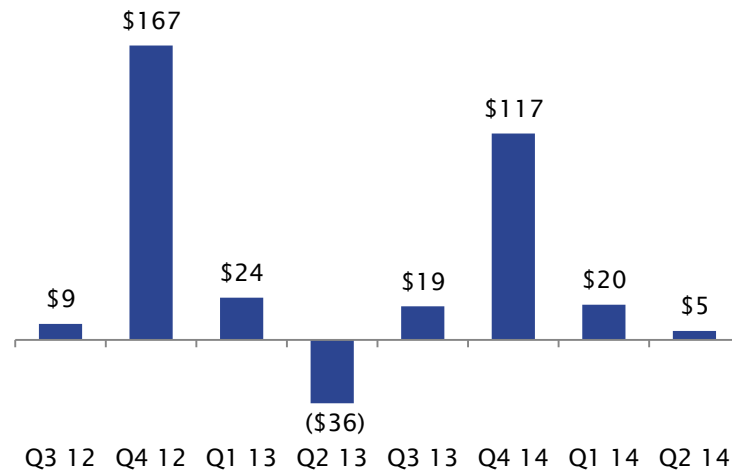
*Corporate, ERISA, Foundations/Endowments, Public

AUM Net Flows By Source

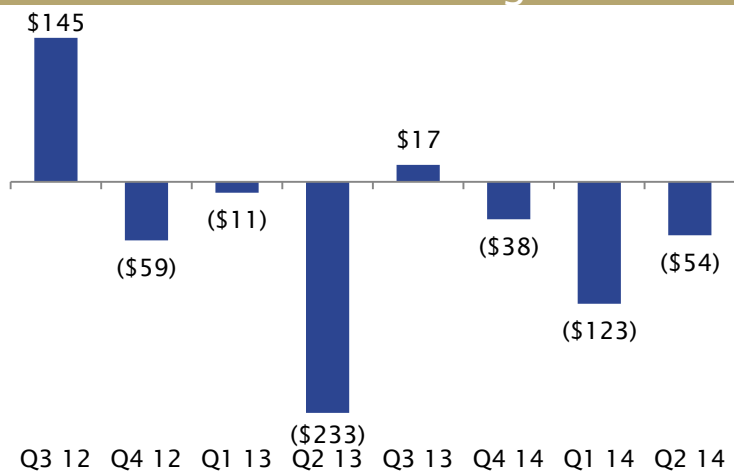
Wealth Advisors



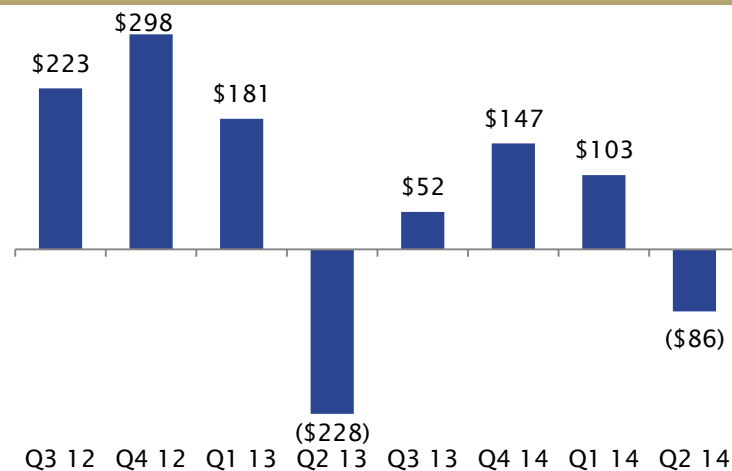
Private Bank



Investment Managers



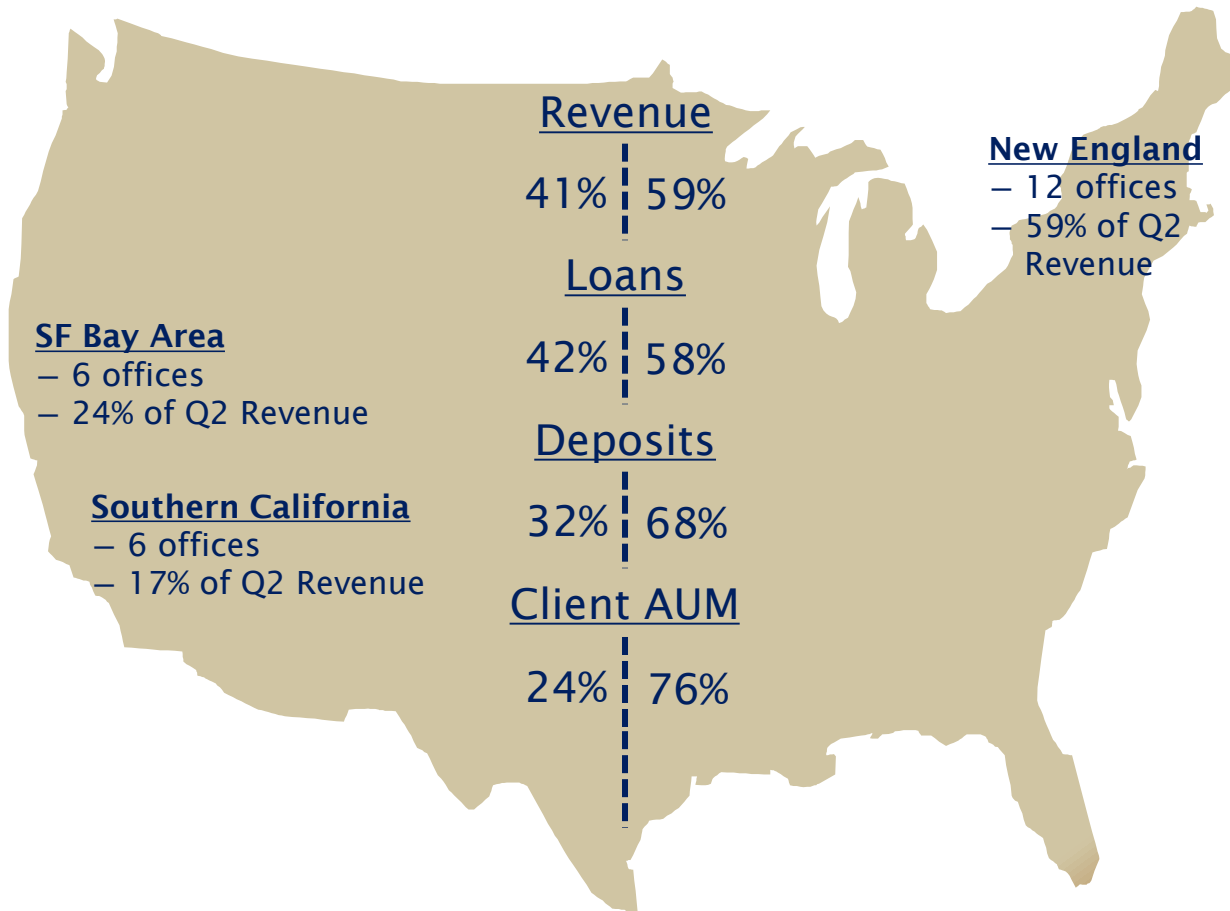
Consolidated



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 opened in Q2 14, full service offering to open in 2015

Private Banking

- Represents 63%* of Company revenue
- \$6.2B Private Banking balance sheet
- \$5.1B in loans; \$5.0B in deposits
- \$4.7B in AUM
- 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 12.9%
- Consolidated Q2 14 NIM** of 3.01%
- Q2 14 provision credit of \$5.0M due to \$2.9M in net recoveries
- Tight management of expense profile

*Excludes Private Bank WM&T Fees

**Excludes Interest Recovered on Previous Nonaccrual Loans

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

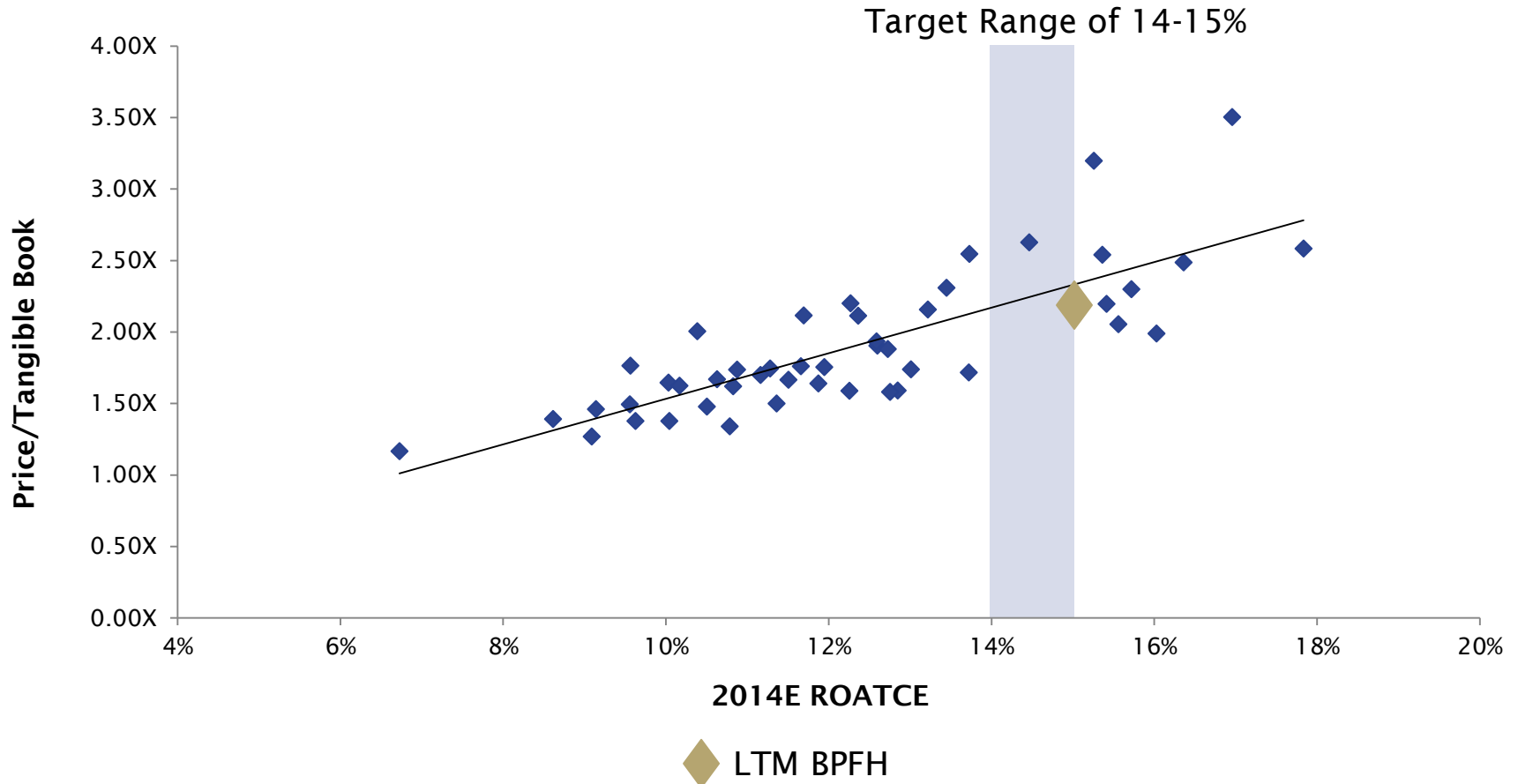
Appeal of targeted segments includes:

- 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

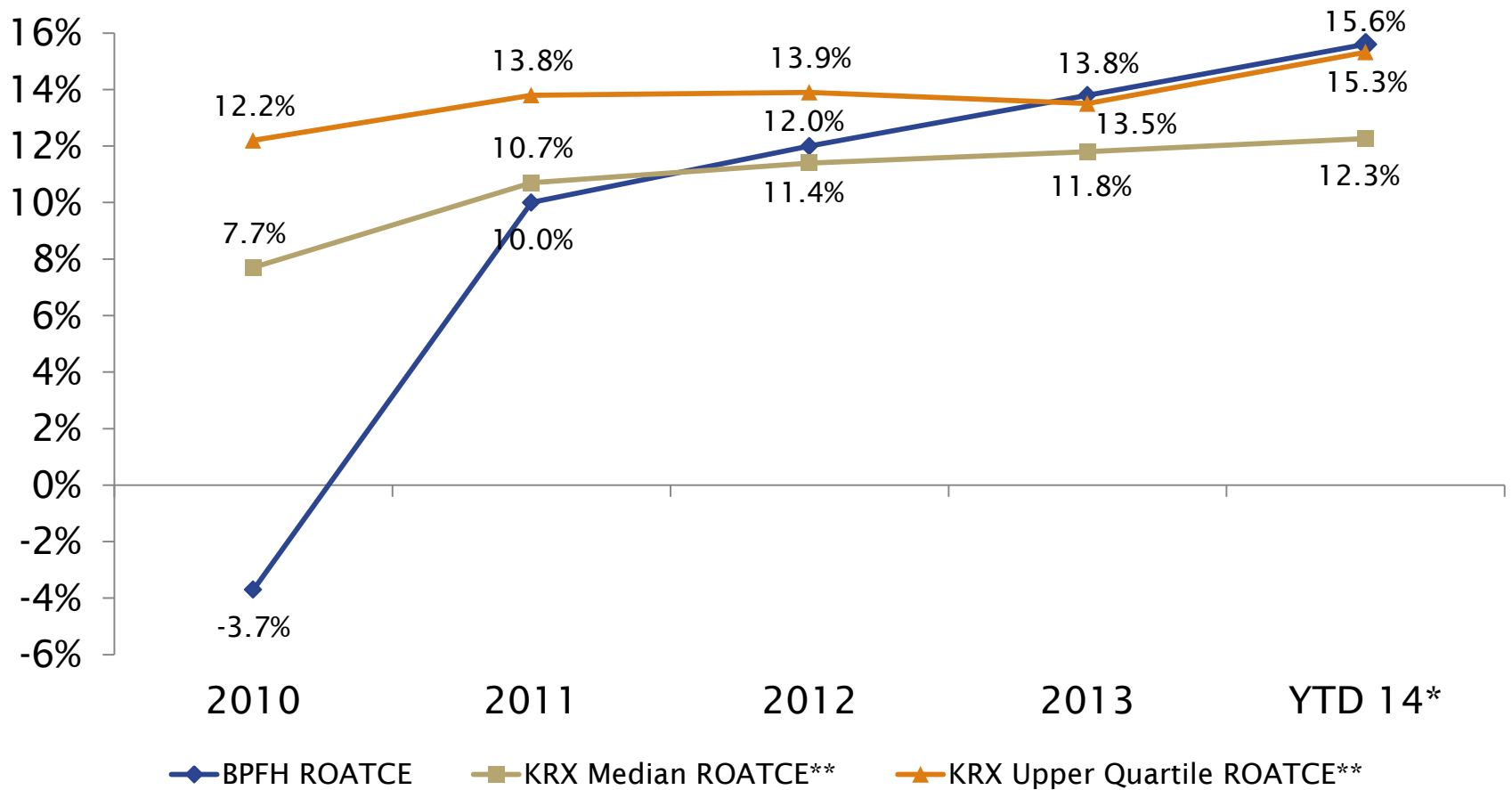
2. Our Primary Focus is to Increase ROATCE



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



*YTD 14 annualized

**KRX based on Q1 14 data

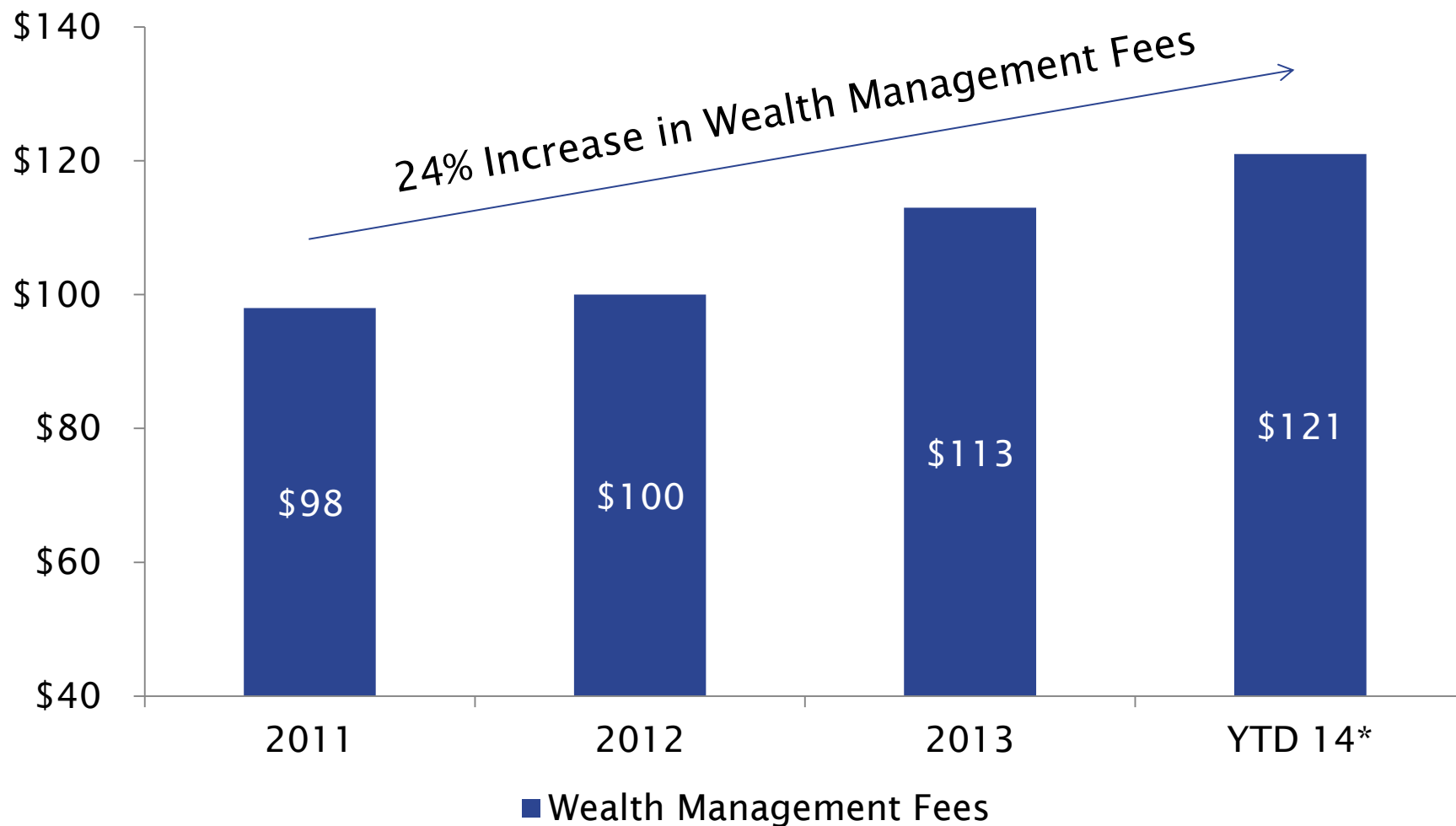
2013 excludes gain on sale of Pacific Northwest offices

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
*YTD 14 annualized

Banyan Strategic Rationale

Boston Private Criteria	Banyan Attributes
<p>Strong Leadership Team: Must be capable of managing transition of legacy Boston Private Bank Wealth Management platform to new investment platform and driving future growth</p>	<ul style="list-style-type: none"> ▪ Deep bench with proven experience founding and growing high performing wealth management companies
<p>Focus on High Net Worth Market: Clientele that closely matches distinct private client profile of Boston Private Bank & Trust</p>	<ul style="list-style-type: none"> ▪ High net worth clients account for 85% of relationships
<p>Robust Investment Capability: Well-developed, multi-faceted open architecture/hybrid model with sophisticated capabilities</p>	<ul style="list-style-type: none"> ▪ Leverages proprietary and 3rd party strategies to build customized portfolios for clients ▪ Alternatives offered through the manager of managers platform ▪ Streamlined investment process that emphasizes consistency across portfolios
<p>Strong Organic Growth Profile: Demonstrated ability to grow organically through diversified distribution channels</p>	<ul style="list-style-type: none"> ▪ 2013 and YTD 2014 organic growth of AUM in excess of 15% ▪ Strong positioning in 3rd party referral channels (Fidelity and TD Ameritrade)
<p>Scalable Platform: Must be able to fully integrate Boston Private Bank Wealth Management into newly formed company</p>	<ul style="list-style-type: none"> ▪ Robust technology platform and management reporting capabilities ▪ Proven capability in integrating mid-sized wealth management companies across the front office and back office
<p>Geographic Overlap: Located in current or contiguous markets</p>	<ul style="list-style-type: none"> ▪ ~50% of AUM is Boston-based ▪ 30% of employees, including the Chief Investment Officer and Chief Strategy Officer are based in Boston
<p>Accretive to EPS and ROATCE</p>	<ul style="list-style-type: none"> ▪ 4% accretive to diluted EPS and 230 bps accretive to ROATCE in year one

Banyan Estimated Financial Impact

Key Assumptions

Purchase Price	~\$60 million
Earn-Out Payment	~\$15-\$20 million

Projected Impact

Pro-Forma Client Assets at Close (expected)	~\$9 billion
Pro-Forma Revenue at Close (expected)	~\$50 million
Year 1 Diluted EPS Accretion	~4%
Year 1 Return on Average Tangible Equity Accretion	~230 bps
Internal Rate of Return	~25%
Tier I Common Equity Capital Ratio at Close	~9.5-9.7%

Banyan Key Transaction Terms

Transaction

- Boston Private Bank & Trust Company is acquiring the assets of Banyan Partners
- Banyan will be combined with the existing Boston Private Bank's Wealth Management business
 - Combined entity will be a new subsidiary ("NewCo") of Boston Private Bank & Trust Company
- No financing contingencies

Purchase Price

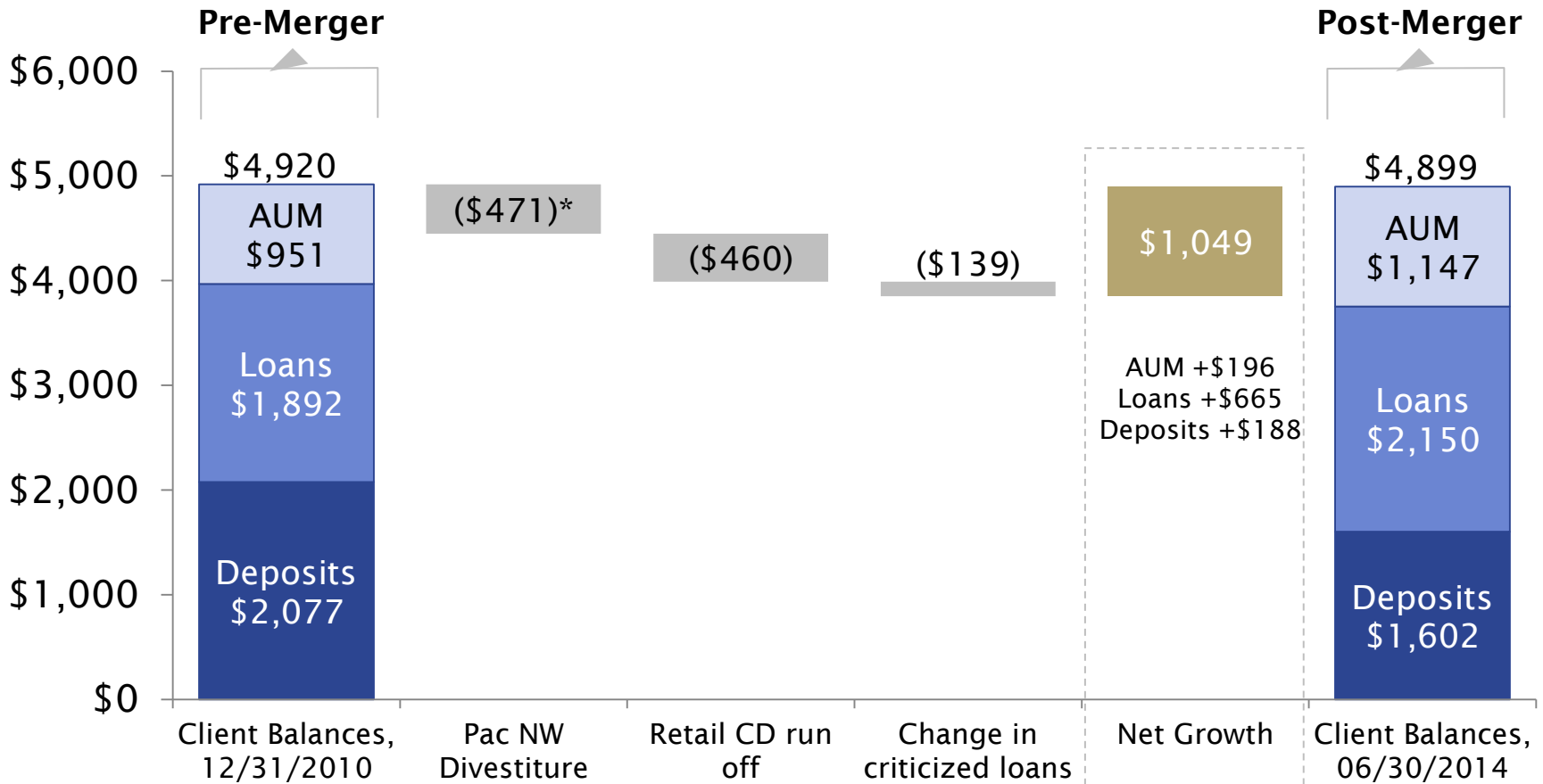
- Consideration at closing:
 - 9.0X baseline EBITDA at close
 - Estimated to be ~\$60 million
 - Consideration mix of 65% cash / 35% BPFH stock
- Additional performance based contingent consideration
 - Earn-out eligibility requires incremental EBITDA of \$3 million above and beyond combined baseline at close
 - Payable in two installments: year-end 2015 and year-end 2016
 - Total estimated payments of \$15-\$20 million
 - Consideration mix of 55% cash / 45% BPFH stock

Closing Conditions

- Regulatory and client consents
- Closing anticipated Q4-2014

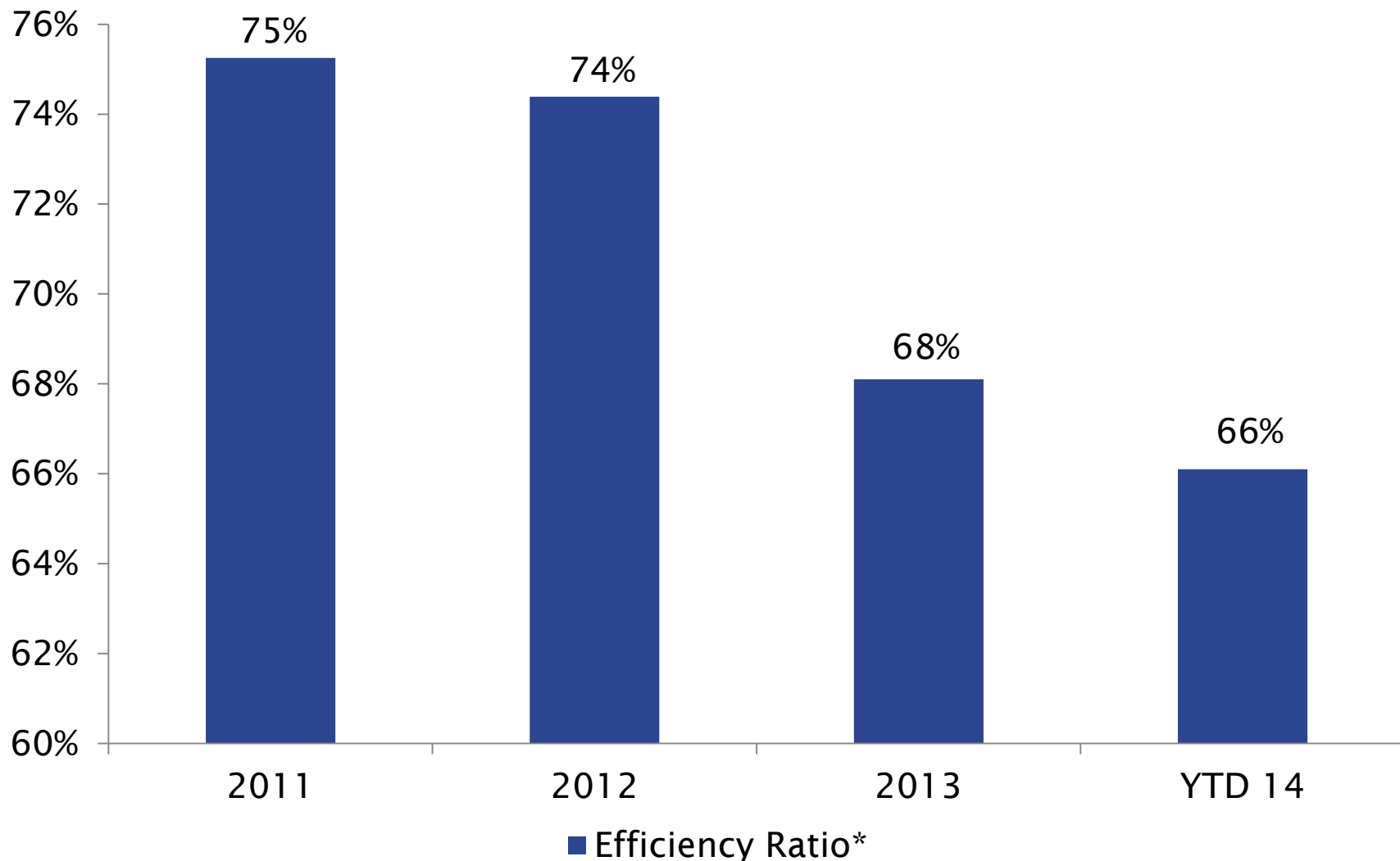
Drive West Coast Client Expansion

Excluding Purposeful Reduction Initiatives,
Private Bank West Coast Client Balances Growing at 7% CAGR



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

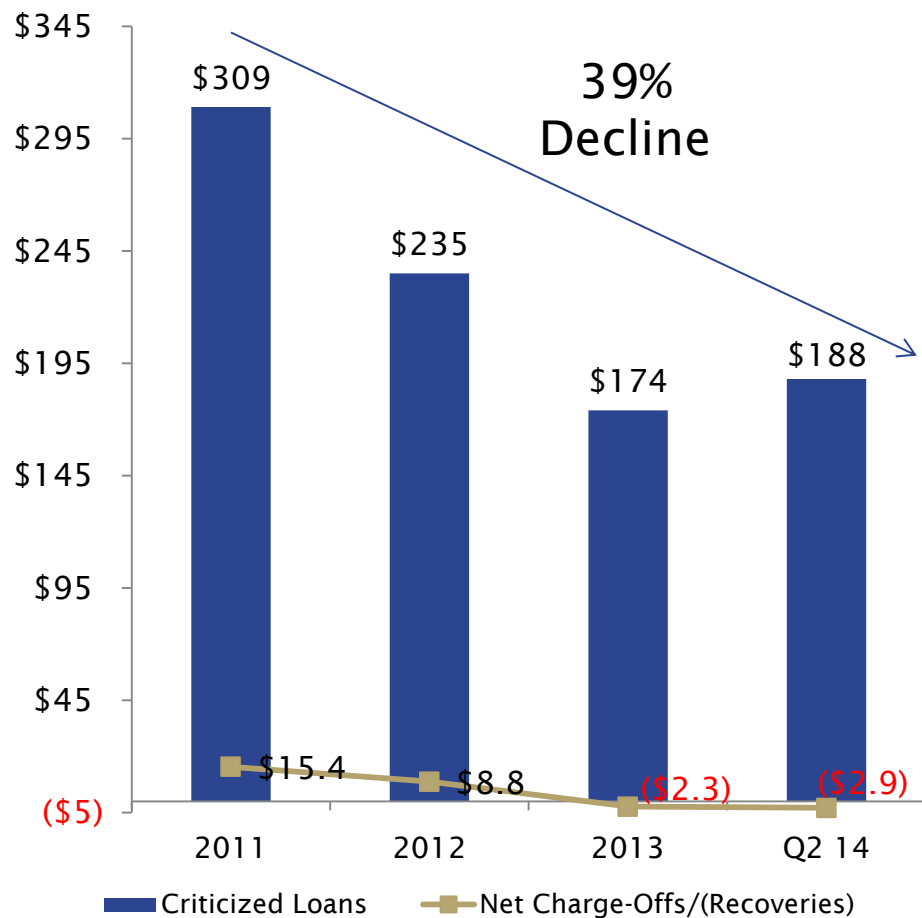
Expenses Continue to be Tightly Managed Following 2011-2012 Restructuring Savings



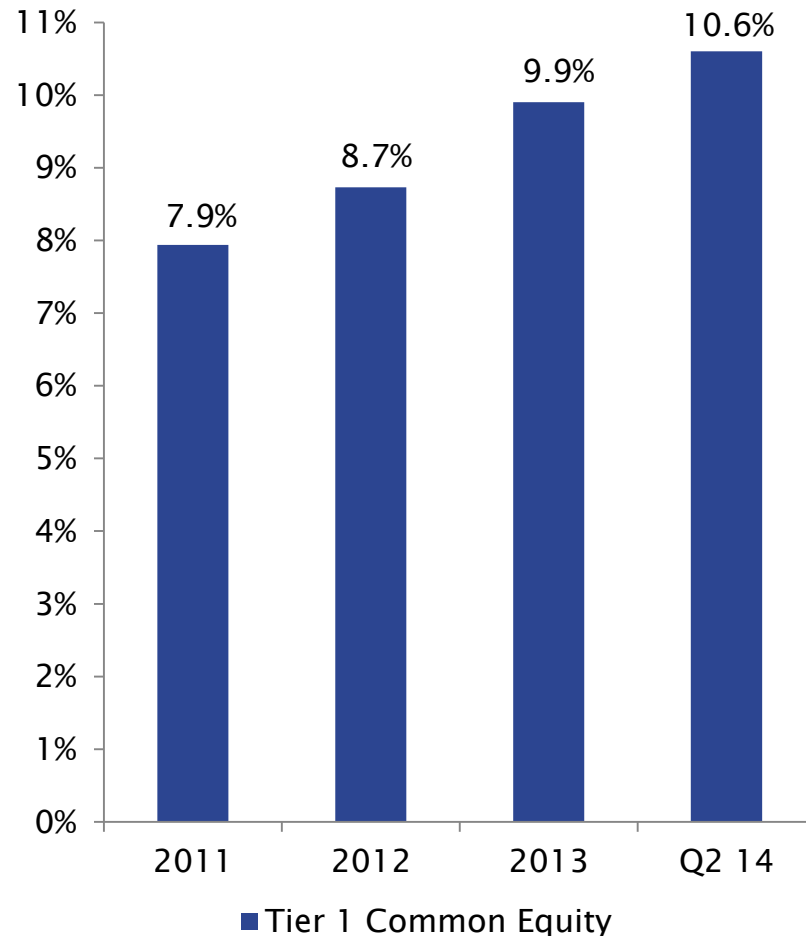
*FTE basis

Manage Risk

Total Criticized Loans

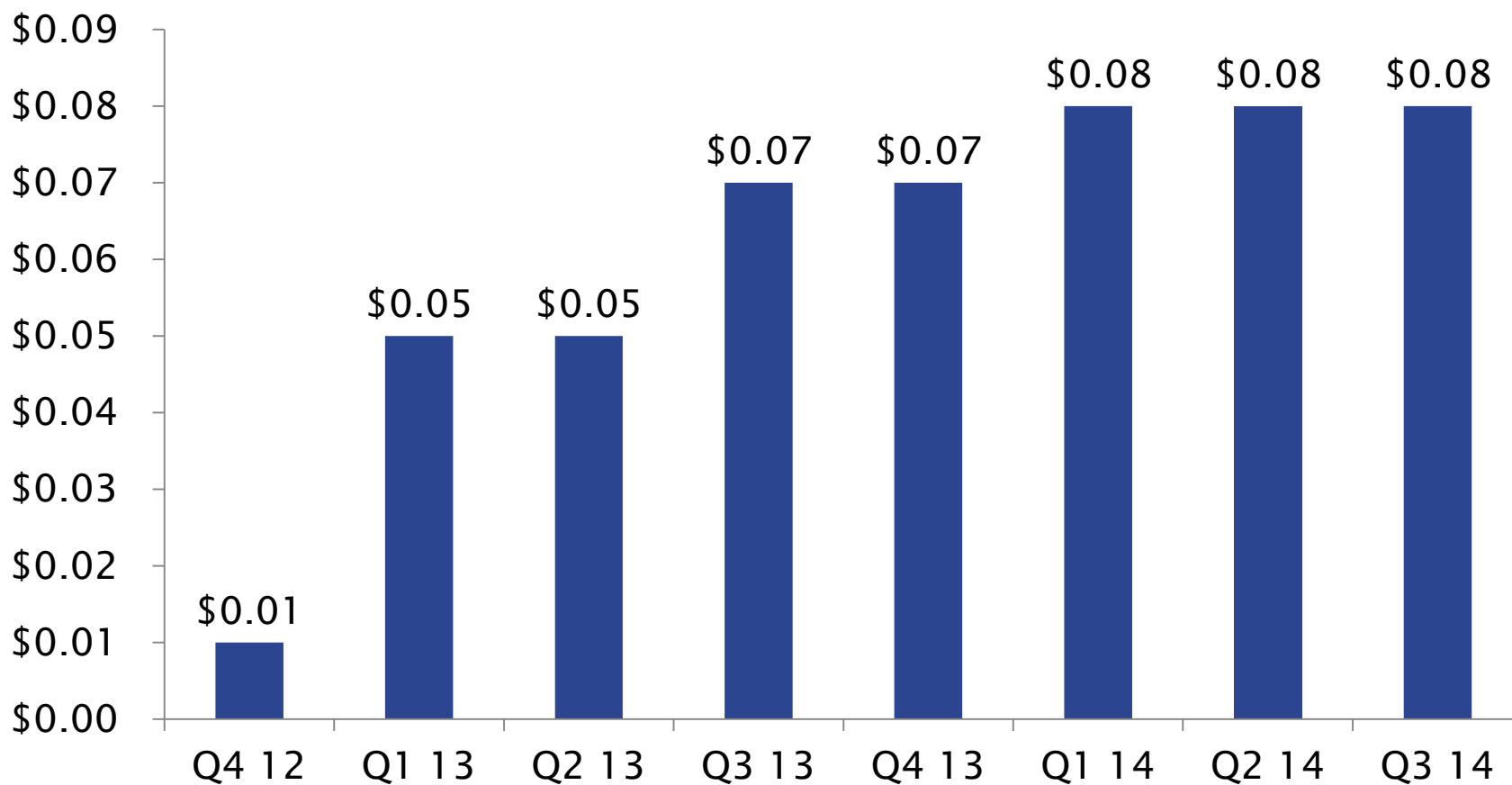


Tier 1 Common/ Risk-Weighted Assets



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

(\$millions)	Q1 2014	Q2 2014	% Change	Results Driven By:
NII	\$44.5	\$46.3	4%	Includes \$1.9 million of interest recovered from previous nonaccrual loans
Core Fees*	\$31.7	\$34.1	8%	
<u>Other Income**</u>	<u>\$1.0</u>	<u>\$0.2</u>	<u>(79%)</u>	
Total Revenue	\$77.3	\$80.6	4%	
<u>Total Expenses</u>	<u>\$55.0</u>	<u>\$54.4</u>	<u>(1%)</u>	Compensation and benefits decreased \$2.2 million due to seasonally high Q1
PTPP***	\$22.3	\$26.2	18%	
<u>Provision/(Credit)</u>	<u>(\$1.2)</u>	<u>(\$5.0)</u>	NM	
Pre-Tax Income from Continuing Operations	\$23.5	\$31.2	33%	
Efficiency Ratio****	68%	64%	(4 pts)	

*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)	Q1 2014	Q2 2014	% Change	
NII	\$45.4	\$47.2	4%	
Core Fees*	\$8.7	\$10.4	20%	Q2 Gain on sale of portfolio loans contributed \$1.6 million
<u>Other Income**</u>	<u>\$0.9</u>	<u>\$0.1</u>	<u>(89%)</u>	
Total Revenue	\$55.0	\$57.8	5%	
<u>Total Expenses</u>	<u>\$33.6</u>	<u>\$33.2</u>	<u>(1%)</u>	Drop in other income due to gain on OREO in Q1
PTPP***	\$21.4	\$24.6	15%	
<u>Provision/(Credit)</u>	<u>(\$1.2)</u>	<u>(\$5.0)</u>	NM	
Pre-Tax Income	\$22.6	\$29.6	31%	
Efficiency Ratio****	59%	55%	(4 pts)	Impacted by \$2.9 million of net recoveries and \$1.2 million from portfolio loan sale in Q2

Results Driven By:

Q2 Gain on sale of portfolio loans contributed \$1.6 million

Drop in other income due to gain on OREO in Q1

Impacted by \$2.9 million of net recoveries and \$1.2 million from portfolio loan sale in Q2

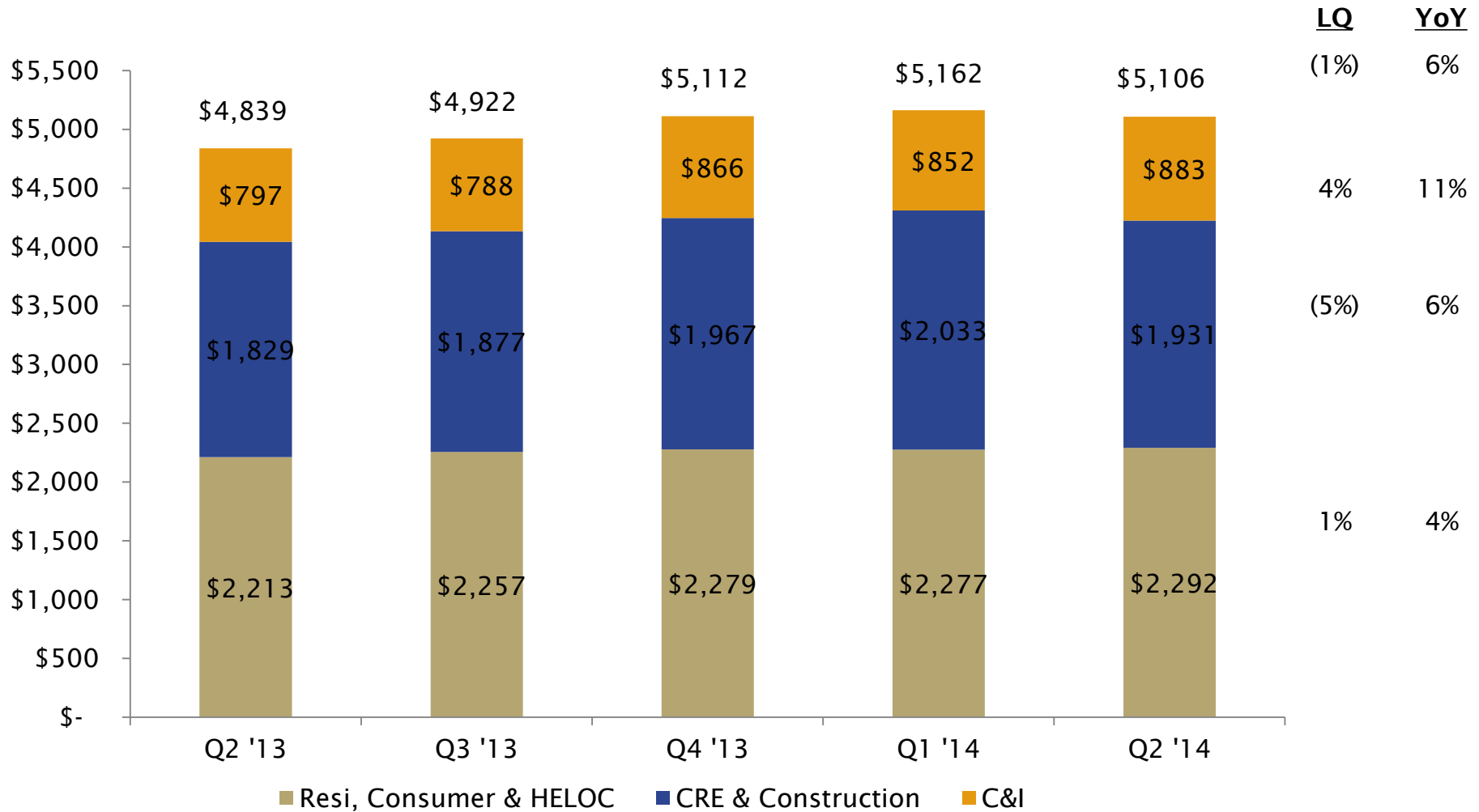
*Includes Bank WM&T fees, other private banking fees and gain on sale of loans

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

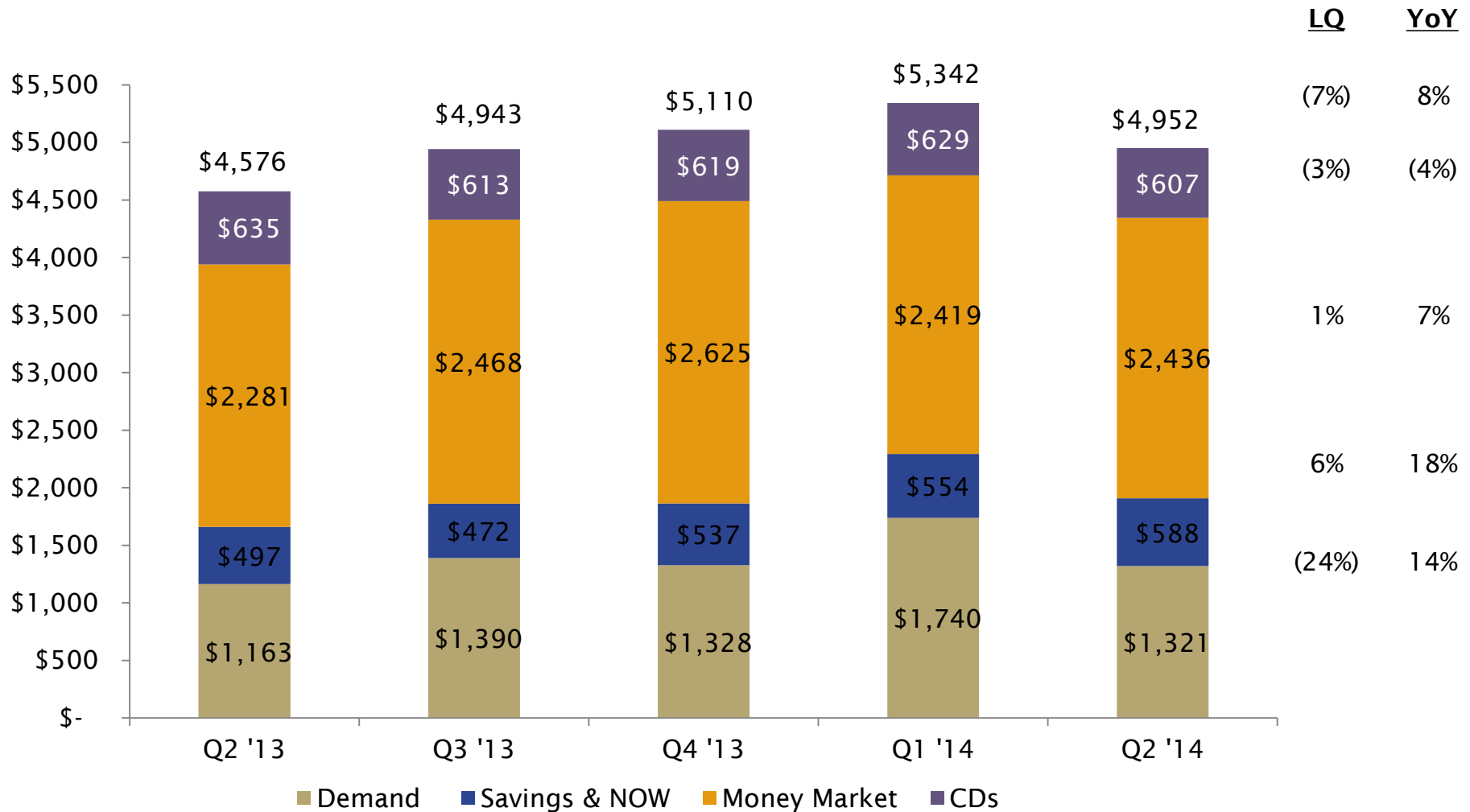
***Pre-tax, pre-provision income

****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>	Q1 2014	Q2 2014	% Change
Inv Mgt Fees	\$11.5	\$11.8	3%
Total Revenue	\$11.5	\$11.8	3%
<u>Operating Expenses</u>	<u>\$8.3</u>	<u>\$9.1</u>	9%
Pre-Tax Income from Continuing Operations	\$3.1	\$2.7	(15%)
EBITDA Margin	34%	29%	(5 pts)
Pre-tax Margin	27%	23%	(4 pts)
AUM (\$B)	\$10.5	\$10.9	4%
Net Flows (\$M)	(\$123)	(\$54)	NM

Results Driven By:

Q2 includes \$0.9 million one-time charge to eliminate a recurring fee trail

Wealth Advisory

Performance Highlights – Linked Quarter

<i>(\$millions)</i>	Q1 2014	Q2 2014	% Change	Results Driven By:
Wealth Adv Fees	\$11.5	\$12.0	5%	Steady growth and stable pricing
Total Revenue	\$11.5	\$12.0	5%	
<u>Operating Expenses</u>	<u>\$7.8</u>	<u>\$8.1</u>	4%	
Pre-Tax Income from Continuing Operations	\$3.7	\$3.9	4%	
EBITDA Margin	34%	35%	1 pt	Continued margin stability
Pre-tax Margin	32%	32%	---	
AUM (\$B)	\$9.6	\$9.8	1%	
Net Flows (\$M)	\$206	(\$37)	NM	

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