

# Investor Presentation

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Q1 2016



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.*



# Agenda

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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 Wealth:** Boston, Los Angeles, San Francisco, Florida, Wisconsin Texas, and the Washington D.C. area

- 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 and Boston Private Wealth

### Deposit Services

**Boston Private Deposit Services and Cash Management:** All Bank markets

- Highly client-centered cash and liquidity management
- Strong referral links to all Boston Private business lines; deep client loyalty

# Two Distinct Business Models Drive Value

Metric	Wealth Management	Private Bank & HoldCo	BPFH
Q1 2016 annualized earnings <sup>(1,2)</sup>	(\$0.4)	\$70.1	\$69.7
Q1 2016 annualized EPS contribution	(\$0.00)	\$0.84	\$0.84
Tangible common equity <sup>(2)</sup>	\$9.1	\$521.8	\$530.9
TBV/share	\$0.11	\$6.28	\$6.39
<b>Capital requirements:</b>	<b>Minimal</b>	<b>Intensive</b>	

Notes:

(1) Net Income after Series D Preferred Dividends.

(2) Dollars in millions.

# Our Strategy for Increasing Value

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## 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

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- Steady fee-based revenue stream
  - Wealth management fees<sup>(1)</sup> account for 39% of Q1 16 revenue
- \$26.8 bn in AUM
- Q1 16 adjusted<sup>(2)</sup> EBITDA margin of 12%
- Wealth Management encompasses:

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

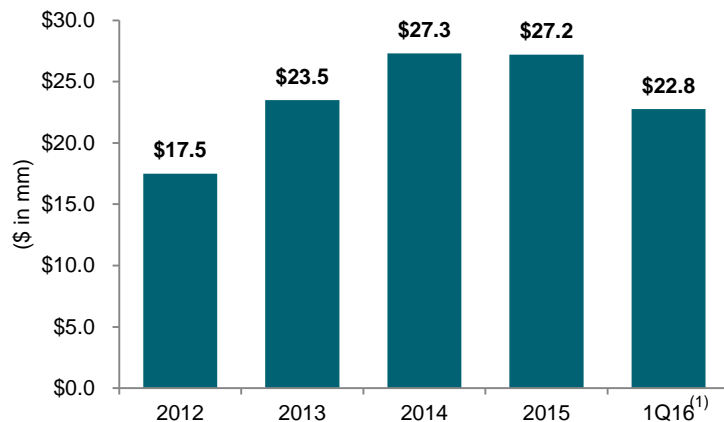
*Notes:*

*(1) Includes Investment Management Fees, Wealth Management and Trust Fees, & Wealth Advisory Fees.*

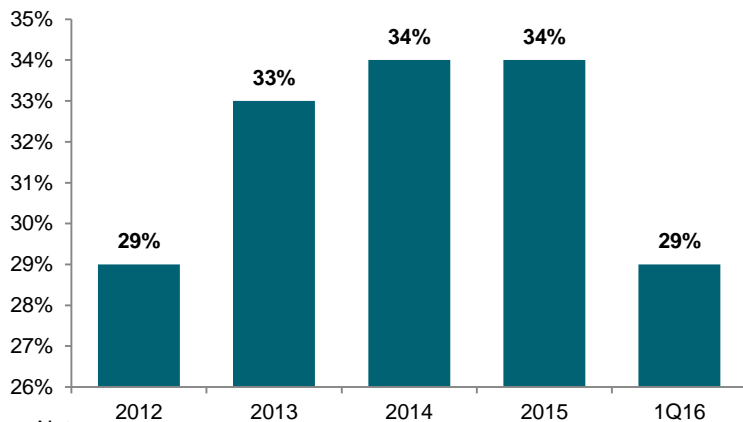
*(2) Adjusted EBITDA excludes restructuring at Boston Private Wealth*

# Attractiveness of Fee-Based Revenue Stream

## Investment Management and Wealth Advisory Pre-Tax Income



## Investment Management and Wealth Advisory EBITDA Margin



Notes:  
(1) Annualized

## Comments

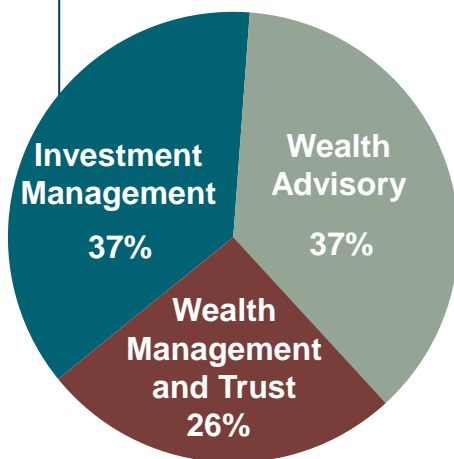
- Capital-light businesses
  - No additional capital needed for growth
  - Stable, significant stream of unrestricted cash flow
- Stable source of revenue
  - Diversifies NII exposure
  - Less volatile than overall equity market
- Strong profit margins
  - Expand well in growth cycle
  - Demonstrated operating leverage/margin expansion



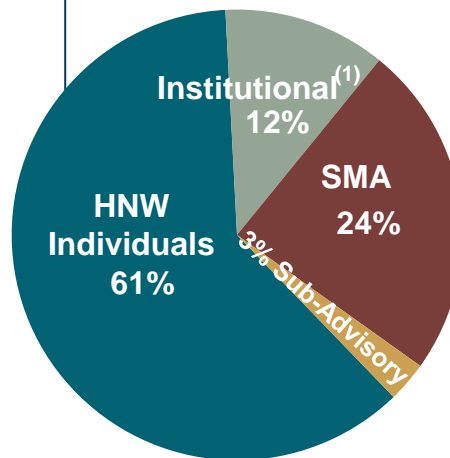
# Our Wealth Management Group Platform: A Diverse Portfolio

**\$26.8 Billion of AUM**

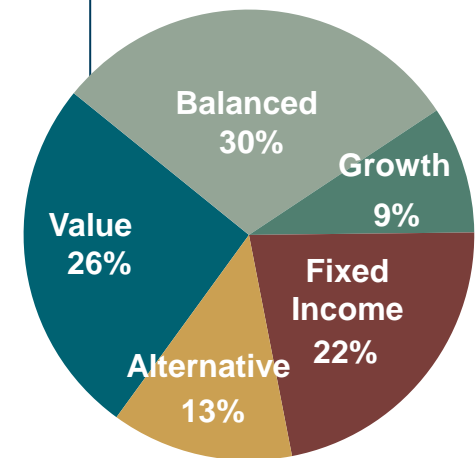
## By Source



## By Client Type



## By Asset Class



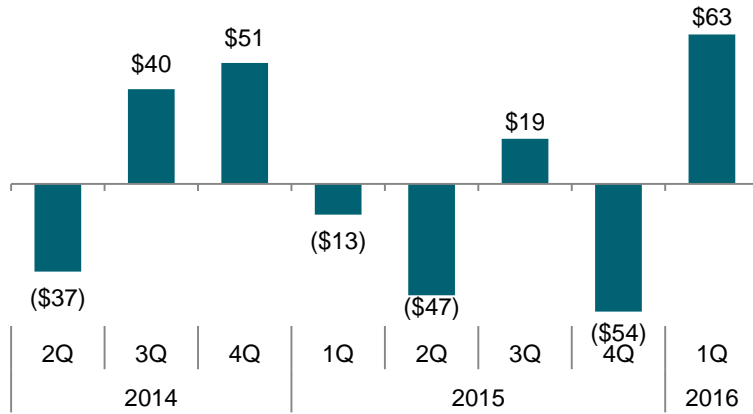
Notes:

(1) Corporate, ERISA, Foundations/ Endowments, & Public.

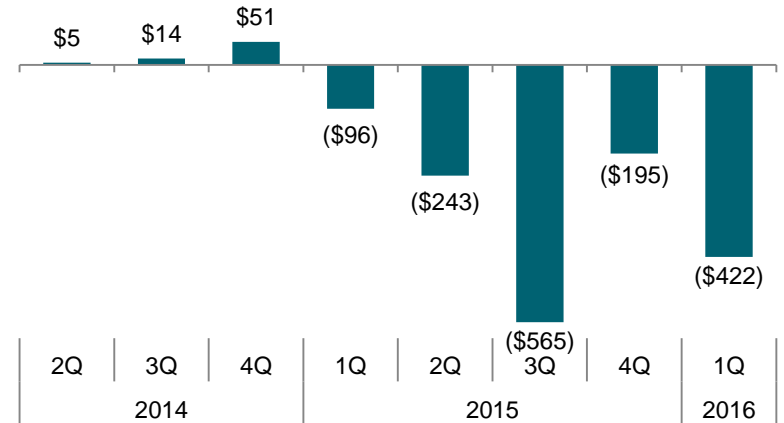


# Boston Private AUM Net Flows

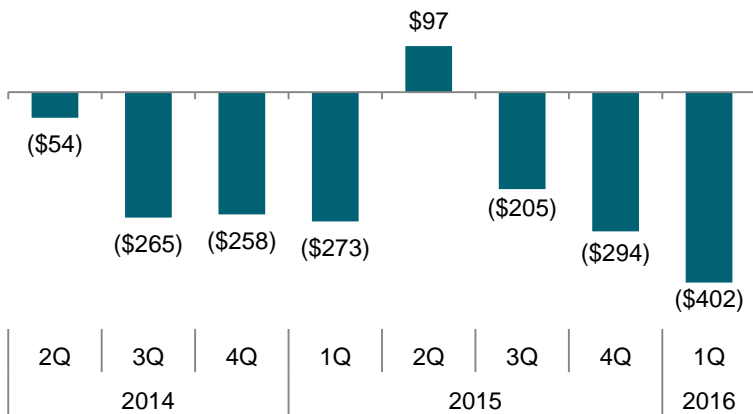
Wealth Advisory (\$ in mm)



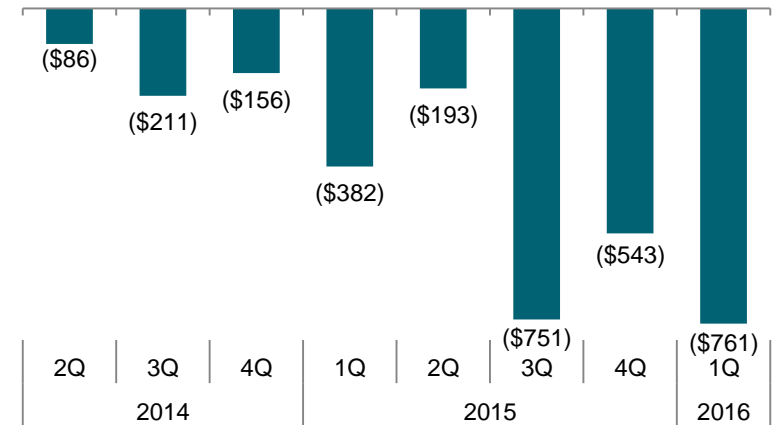
Wealth Management & Trust (\$ in mm)



Investment Management (\$ in mm)

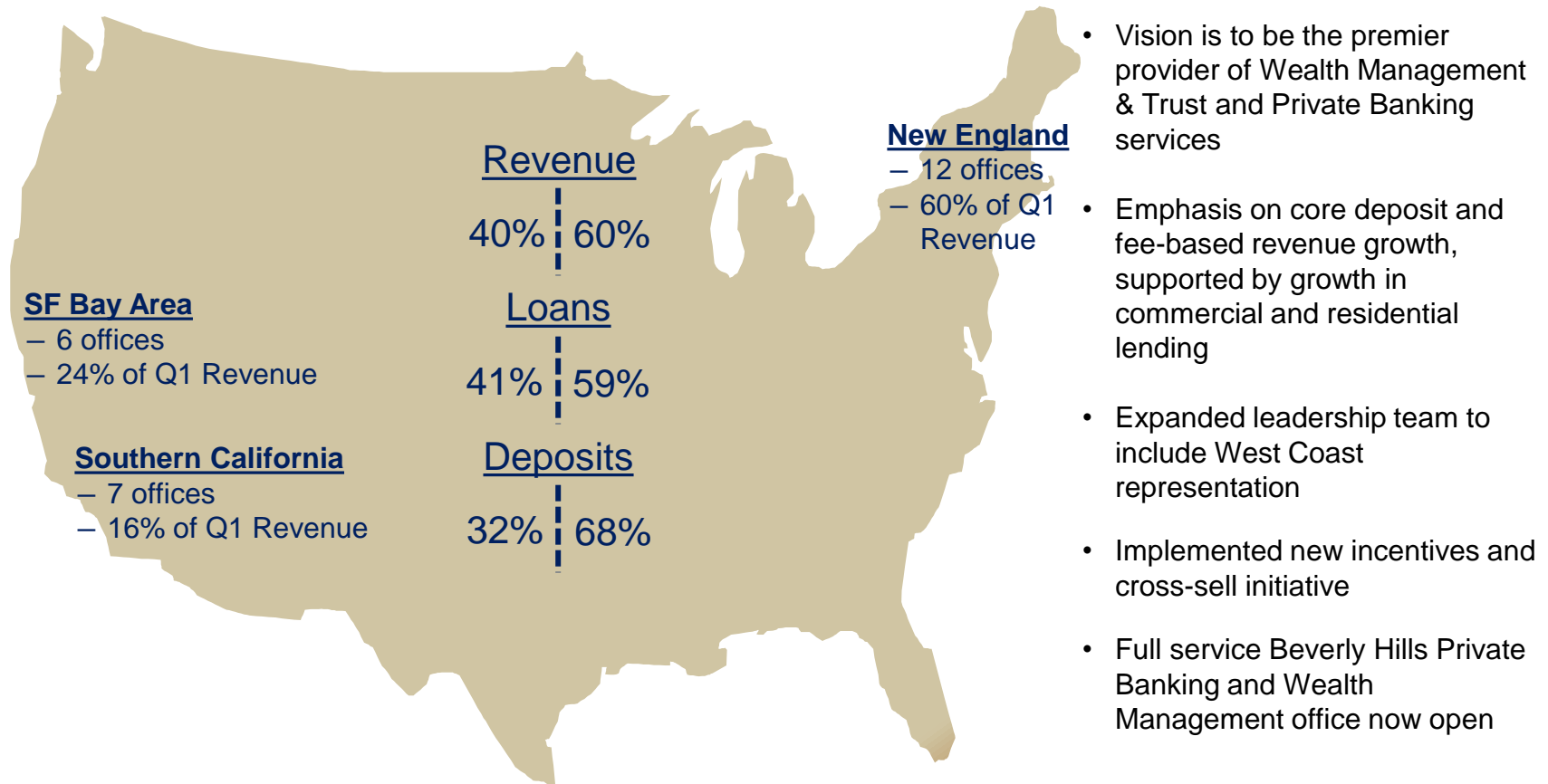


Consolidated (\$ in mm)



# Private Banking

## Boston Private Bank: Fully Integrated and Branded as of September 2012



# Private Banking

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- Represents 61%<sup>(1)</sup> of Company revenue
- \$7.3 bn Private Banking balance sheet
- \$5.6 bn in loans; \$5.9 bn in deposits
- 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 11.7%
- Bank-only NIM in Q1 16 NIM of 3.01%

Notes:

(1) Excludes Private Bank Wealth Management & Trust Fees.

# Boston Private 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

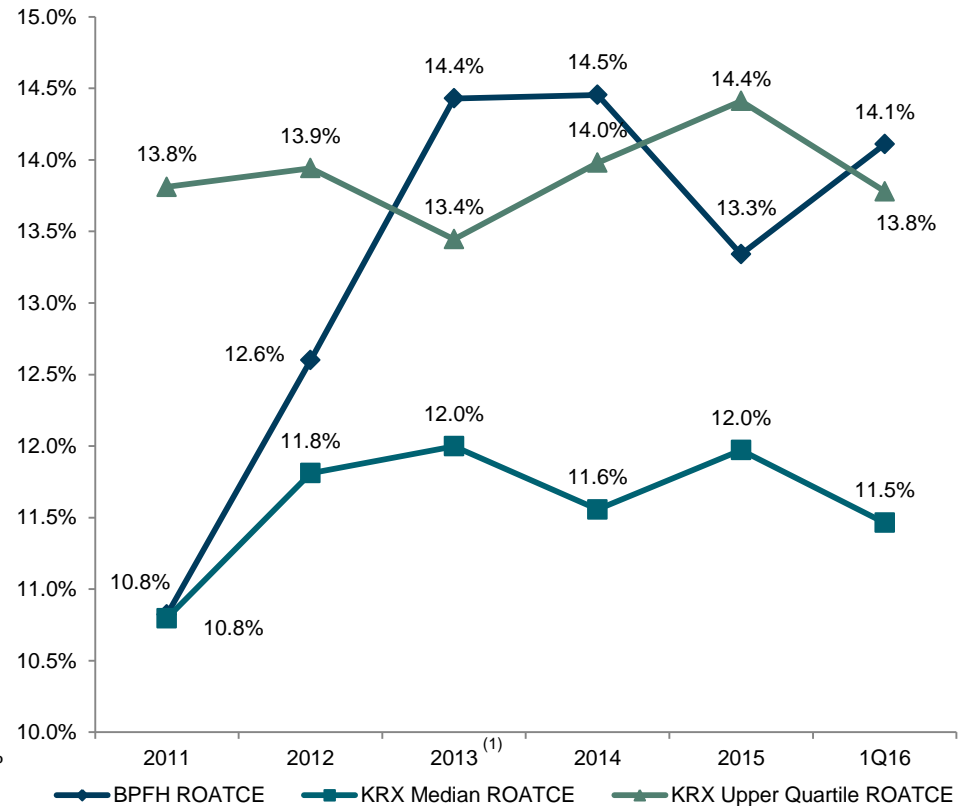
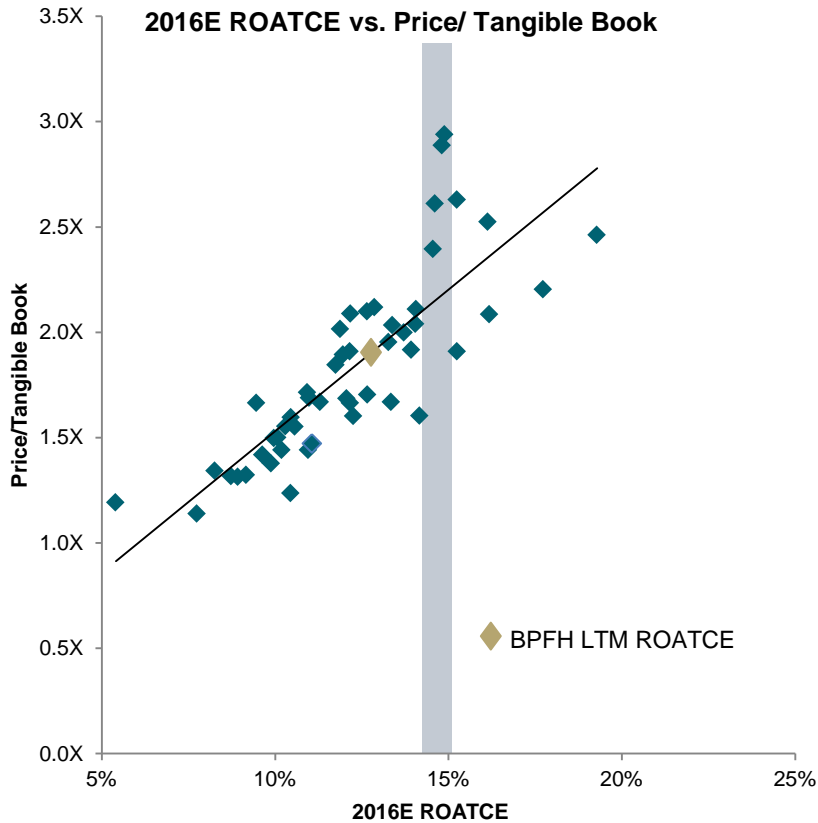
## Appeal of targeted segments includes:

- 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

Notes:

(1) Excludes gain on sale of Pacific Northwest offices.

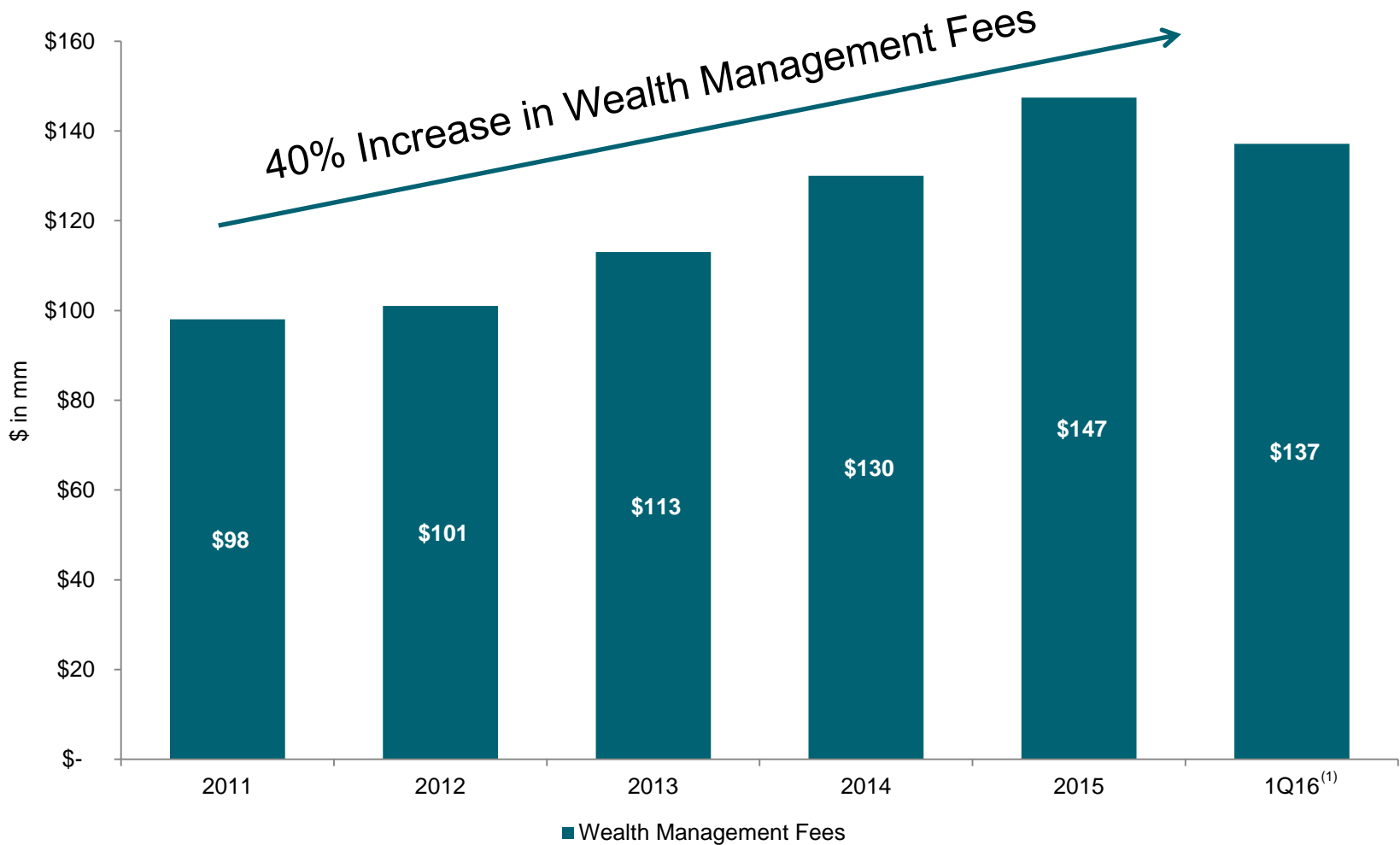
Data based on KBW Regional Bank Index consensus estimates as of 5/10/16.

# Steps to Attain Target Return Levels

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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

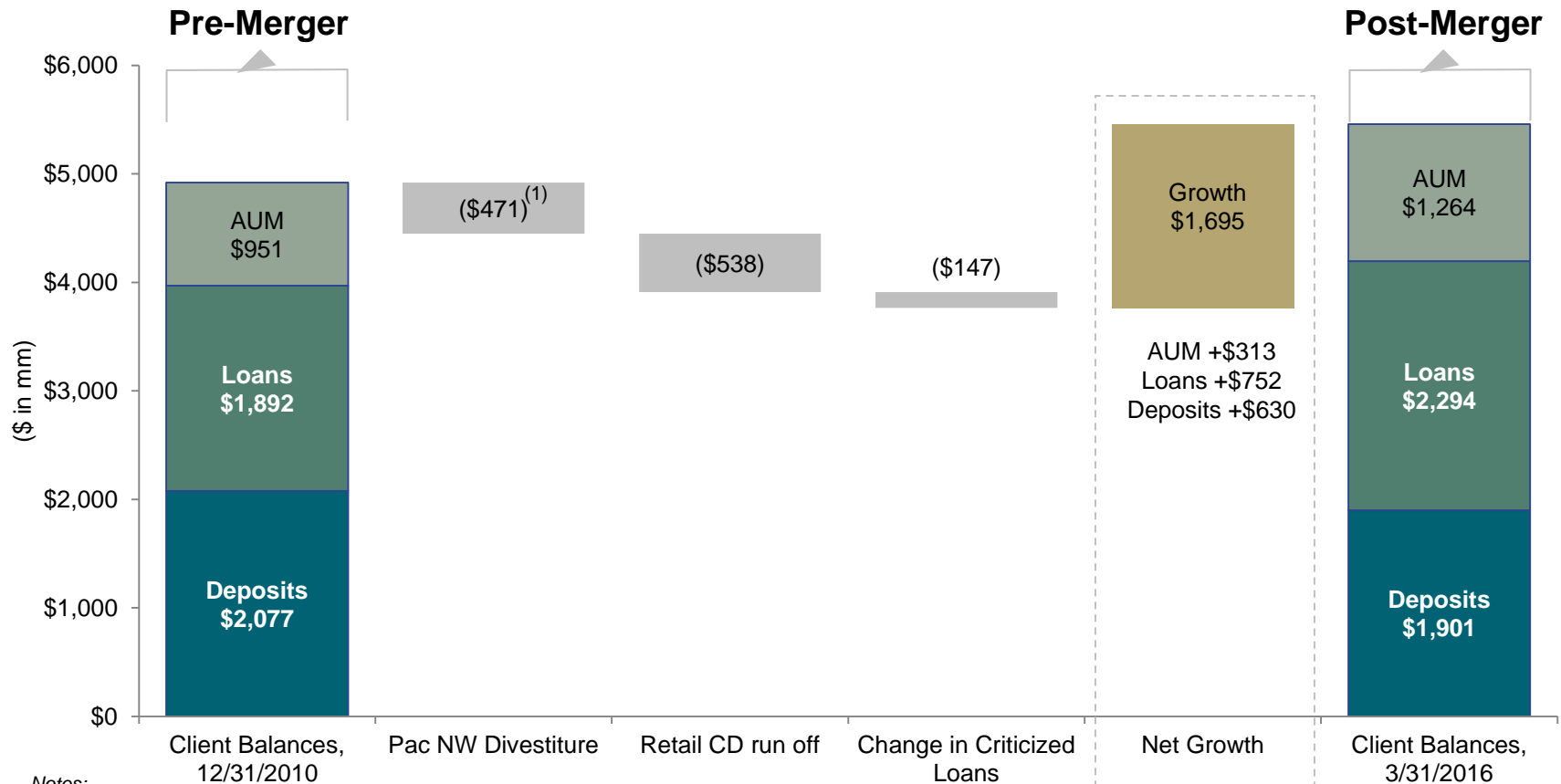


Notes:  
(1) Annualized



# Drive West Coast Client Expansion

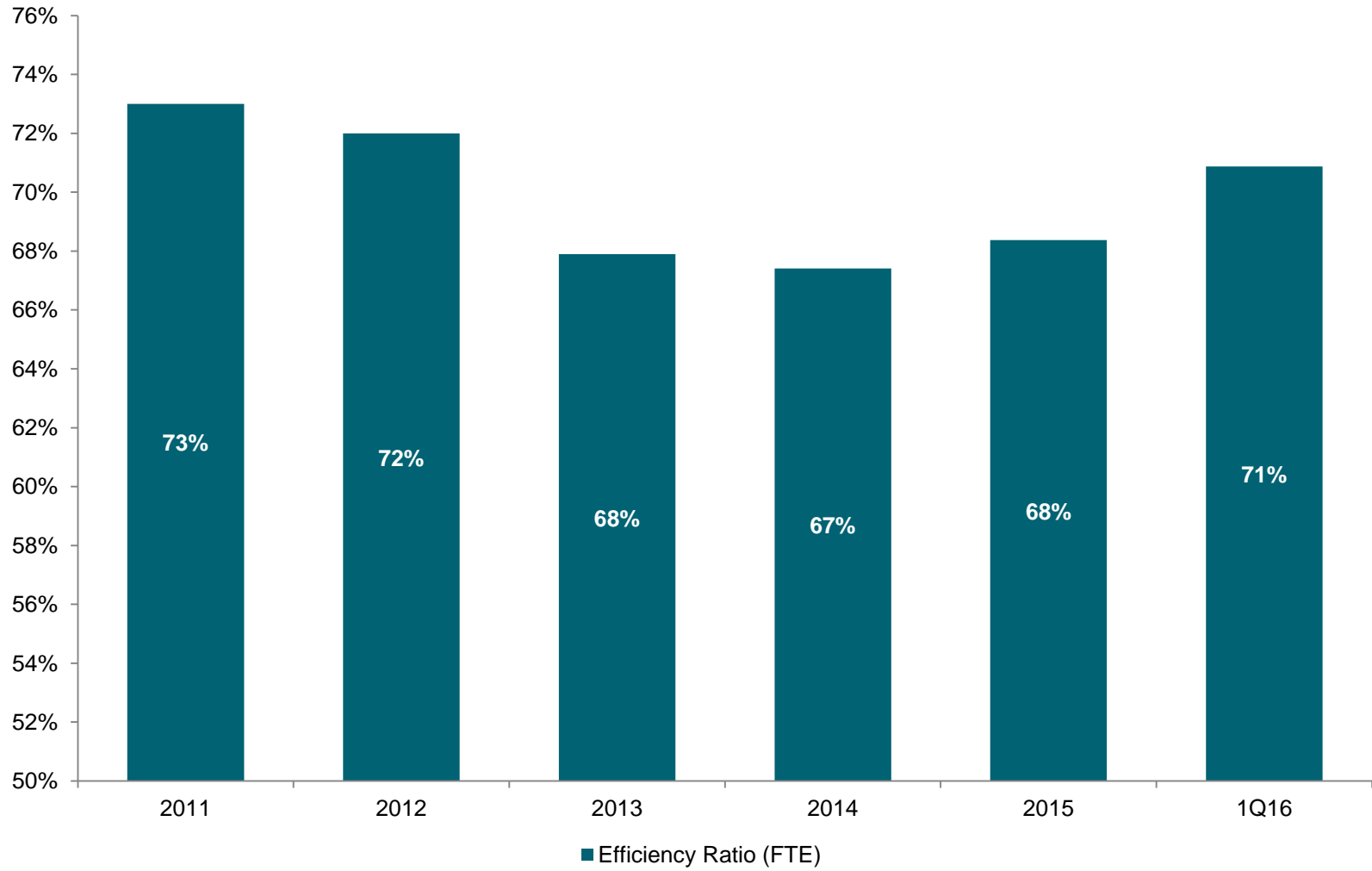
Excluding Purposeful Reduction Initiatives,  
Private Bank West Coast Client Balances Growing at 6% CAGR



Notes:

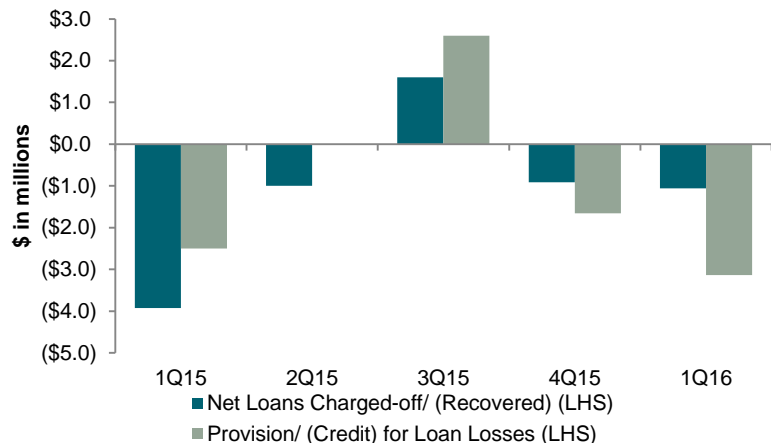
(1) Includes \$203 mm in loans and \$268 mm in deposits as of 12/31/10.

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



# Asset Quality

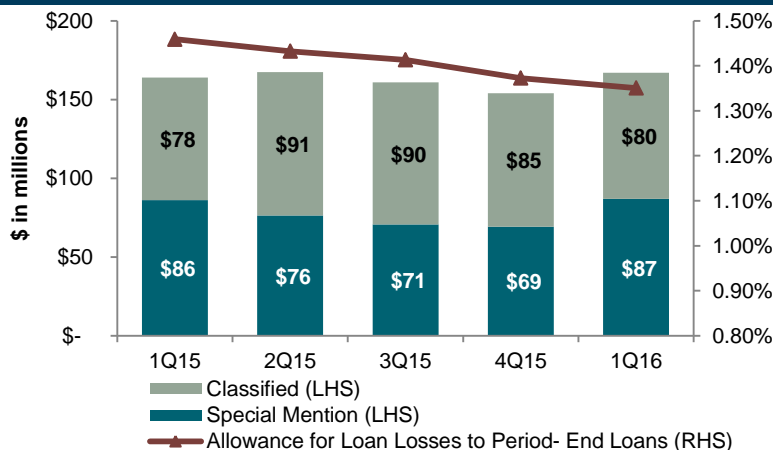
## Net Charge-offs & Provision for Loan Losses



## Comments

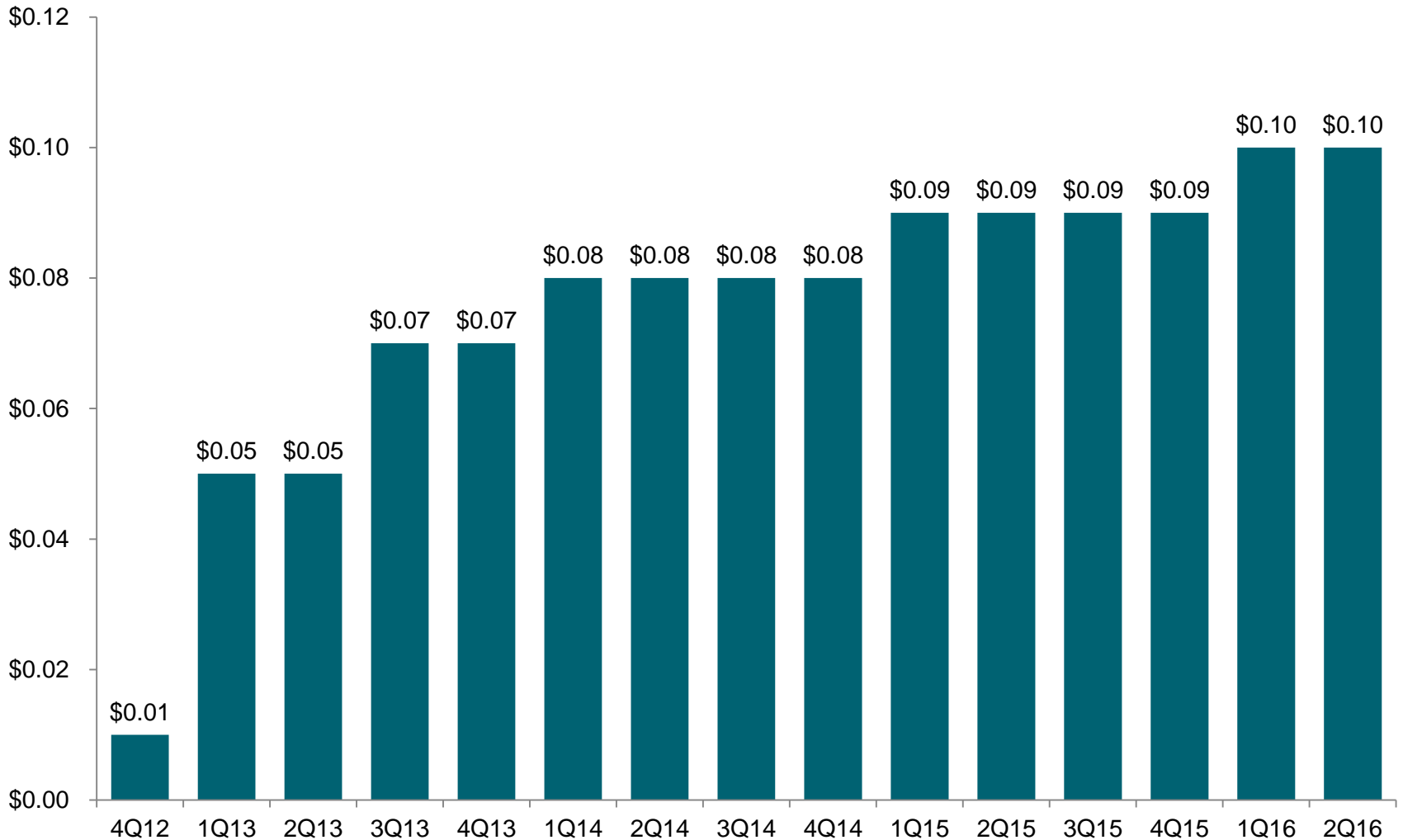
- Our provision for loan loss continues to closely track our quarterly Net-Charge-offs / Net-Recoveries
- The Company recorded a provision credit of \$3.1 million in 1Q16 due to net recoveries of \$1.1 million and a decline in commercial loans

## Criticized Loans & Allowance for Loan Losses



- Allowance for Loan Loss as a percent of Total Loans finished the quarter at 1.35%

# Capital Return Strategy: Dividends



# Summary: Our Beliefs

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- 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

# Appendix

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# Consolidated Performance Metrics

(\$ in millions except per share data)

	1Q16	4Q15	1Q15
Return on Average Common Equity	9.8%	8.0%	10.9%
Return on Average Tangible Common Equity	14.1%	11.9%	16.3%
Core Fee Income Ratio	43%	43%	46%
Efficiency Ratio (FTE) <sup>1</sup>	71%	72%	69%
Tier 1 Common Equity Ratio	9.9%	9.8%	9.8%
Total AUM	\$26,811	\$27,595	\$30,025
Diluted EPS	\$0.21	\$0.17	\$0.21

Notes:

(1) Excludes restructuring

# Consolidated Income Statement

(\$ in millions)				% Change	
	1Q16	4Q15	1Q15	LQ	Y/Y
Net Interest Income	\$49.9	\$48.1	\$46.1	4%	8%
Core Fees	37.7	37.1	40.2	2%	(6%)
Total Other Income	0.3	0.6	1.2	(49%)	(75%)
<b>Total Revenue</b>	<b>\$87.9</b>	<b>\$85.9</b>	<b>\$87.4</b>	<b>2%</b>	<b>1%</b>
<b>Operating Expenses</b>	<b>\$66.7</b>	<b>\$67.4</b>	<b>\$63.4</b>	<b>(1%)</b>	<b>5%</b>
<b>Pre-tax Pre-Provision Income</b>	<b>\$21.2</b>	<b>\$18.5</b>	<b>\$24.0</b>	<b>15%</b>	<b>(12%)</b>
Provision Expense / (Credit)	(3.1)	(1.7)	(2.5)	NMF	NMF
<b>Pre-tax Income from Continuing Operations</b>	<b>\$24.3</b>	<b>\$20.1</b>	<b>\$26.5</b>	<b>21%</b>	<b>(8%)</b>
Taxes	7.4	5.6	8.6	32%	(13%)
Discontinued Operations	2.1	1.5	2.1	42%	(1%)
NCI	0.9	0.9	1.2	(1%)	(26%)
<b>Net Income</b>	<b>\$18.0</b>	<b>\$15.0</b>	<b>\$18.8</b>	<b>20%</b>	<b>(4%)</b>

## Comments

- Overall revenue increased 1% year-over-year and 2% linked quarter driven primarily by Net Interest Income
- Effective tax rate in 1Q16 was 31% compared to 28% in 4Q15 and 38% in 1Q15



# Consolidated Expense Trends

(\$ in millions)	% Change				
	1Q16	4Q15	1Q15	LQ	Y/Y
Operating Expenses:					
Salaries and employee benefits	\$42.6	\$39.5	\$42.1	8%	1%
Occupancy and equipment	9.6	10.0	9.0	(4%)	6%
Professional services	3.5	3.8	3.0	(7%)	16%
Marketing and business development	2.2	4.0	1.3	(46%)	61%
Contract services and data processing	1.7	1.5	1.4	12%	17%
Amortization of intangibles	1.6	1.8	1.6	(12%)	(1%)
FDIC insurance	1.0	1.1	1.0	(6%)	1%
Restructuring	1.1	2.0	-	(44%)	NMF
Other	3.5	3.7	3.8	(7%)	(10%)
<b>Total Operating Expenses</b>	<b>\$66.7</b>	<b>\$67.4</b>	<b>\$63.4</b>	<b>(1%)</b>	<b>5%</b>

## Comments

- Compensation and benefits increased 8% linked quarter primarily due to seasonal compensation expenses
- Marketing expense decreased 46% linked quarter due to marketing campaigns at Boston Private in 4Q15
- The Company recorded a restructuring charge of \$1.1 million in 1Q16 and \$2.0 million in 4Q15 related to actions at Boston Private Wealth

# Private Bank Performance Highlights

(\$ in millions)				% Change	
	1Q16	4Q15	1Q15	LQ	Y/Y
Net Interest Income	\$50.4	\$49.1	\$47.0	3%	7%
Core Fees	3.4	1.9	2.2	81%	56%
Total Other Income	(0.1)	0.5	0.6	NMF	NMF
<b>Total Revenue</b>	<b>\$53.8</b>	<b>\$51.5</b>	<b>\$49.8</b>	<b>5%</b>	<b>8%</b>
<b>Operating Expenses</b>	<b>\$31.3</b>	<b>\$32.1</b>	<b>\$28.8</b>	<b>(2%)</b>	<b>9%</b>
<b>Pre-tax Pre-Provision Income</b>	<b>\$22.5</b>	<b>\$19.4</b>	<b>\$21.0</b>	<b>16%</b>	<b>7%</b>
Provision Expense / (Credit)	(3.1)	(1.7)	(2.5)	NMF	NMF
<b>Pre-tax Income</b>	<b>\$25.7</b>	<b>\$21.1</b>	<b>\$23.5</b>	<b>22%</b>	<b>9%</b>
Taxes	8.4	6.9	7.8	21%	8%
<b>Net Income</b>	<b>\$17.3</b>	<b>\$14.1</b>	<b>\$15.7</b>	<b>22%</b>	<b>10%</b>

## Comments

- Net Interest Income increased 3% linked quarter and 7% year-over-year
- Core Fees increased 81% linked quarter and 56% year-over-year due to higher swap fees
- Operating Expenses increased 9% year-over-year partially reflecting a reallocation of personnel expense from the holding company

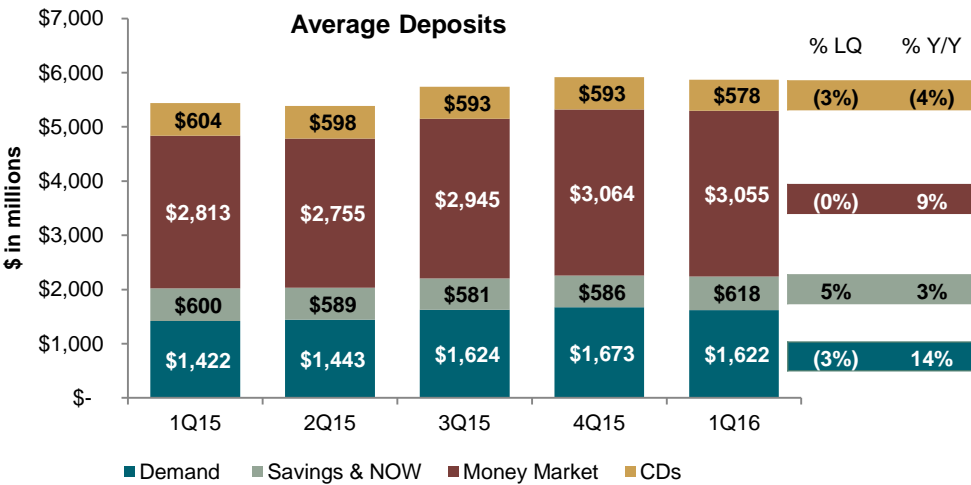
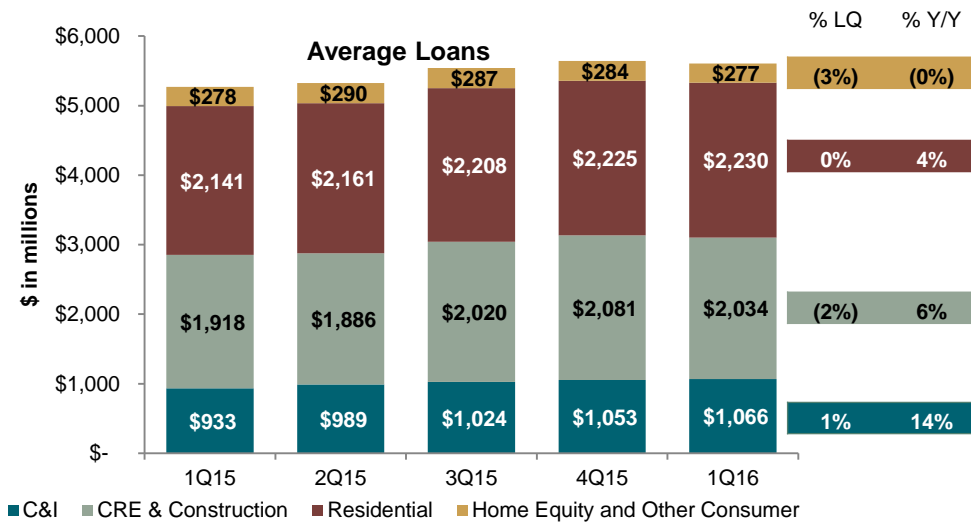
## Key Statistics

	1Q16	4Q15	1Q15
Efficiency Ratio (FTE)	56%	58%	55%
Net Interest Margin	3.01%	2.94%	3.07%
Average Loan-to-Deposits Ratio <sup>1</sup>	94%	94%	96%

Notes:

(1) Reflects bank subsidiary only.

# Balance Sheet Highlights

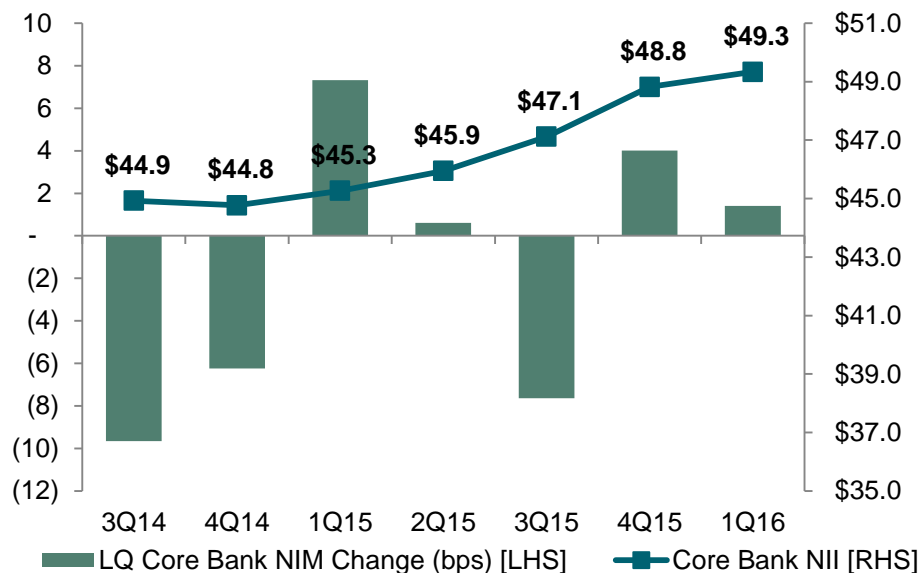


## Comments

- Total Average Loans increased 6% year-over-year, led by C&I (+14%) CRE & Construction (+6%) and Residential (+4%)
- Total Average Deposits increased 8% year-over-year to \$5.9 billion
- Demand (+14%) and Money Market (+9%) both posted strong year-over-year growth
- CDs continue to trend lower, down 4% year-over-year
- Deposit growth has been strong across East Coast and West Coast markets

# Net Interest Margin

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



## Comments

- Excluding interest recovered on previous non-accrual loans, Bank Net Interest Income has increased sequentially five straight quarters
- Cost of Funds, including DDA, was flat linked quarter and down two basis points year-over-year

## Bank Yield/ Cost

	1Q15	2Q15	3Q15	4Q15	1Q16
Cash and Investments	1.83%	1.98%	1.89%	1.97%	2.12%
Loans	3.80%	3.63%	3.58%	3.62%	3.66%
Interest-Bearing Deposits	0.39%	0.39%	0.38%	0.40%	0.39%
Total Interest-Bearing Liabilities	0.52%	0.51%	0.51%	0.52%	0.51%
Cost of Funds Including DDA	0.40%	0.39%	0.38%	0.38%	0.38%
<b>Net Interest Margin (FTE)</b>	<b>3.07%</b>	<b>2.97%</b>	<b>2.91%</b>	<b>2.94%</b>	<b>3.01%</b>
<b>Core Net Interest Margin (FTE)</b>	<b>2.96%</b>	<b>2.97%</b>	<b>2.89%</b>	<b>2.93%</b>	<b>2.94%</b>

# Boston Private Wealth Performance Highlights

(\$ in millions)				% Change	
	1Q16	4Q15	1Q15	LQ	Y/Y
<b>Total Revenue</b>	<b>\$11.1</b>	<b>\$11.8</b>	<b>\$14.0</b>	<b>(6%)</b>	<b>(21%)</b>
<b>Operating Expenses</b>	<b>\$15.9</b>	<b>\$15.1</b>	<b>\$12.3</b>	<b>5%</b>	<b>29%</b>
<b>Pre-tax Income/ (Loss)</b>	<b>(\$4.8)</b>	<b>(\$3.3)</b>	<b>\$1.6</b>	<b>NMF</b>	<b>NMF</b>
Taxes	(1.9)	(1.3)	0.7	NMF	NMF
<b>Net Income/ (Loss)</b>	<b>(\$2.9)</b>	<b>(\$2.0)</b>	<b>\$0.9</b>	<b>NMF</b>	<b>NMF</b>
<b>Memo:</b>					
Pre-tax Income/ (Loss)	(\$4.8)	(\$3.3)	\$1.6	NMF	NMF
Depreciation & Amortization	1.0	0.8	0.8	22%	29%
<b>EBITDA</b>	<b>(\$3.8)</b>	<b>(\$2.5)</b>	<b>\$2.4</b>	<b>NMF</b>	<b>NMF</b>
<i>Unusual Items:</i>					
Add back: Restructuring	1.1	2.0	-		
Less: Earn-out Liability	-	-	(0.4)		
<b>Adjusted EBITDA</b>	<b>(\$2.7)</b>	<b>(\$0.5)</b>	<b>\$2.0</b>	<b>NMF</b>	<b>NMF</b>

## Comments

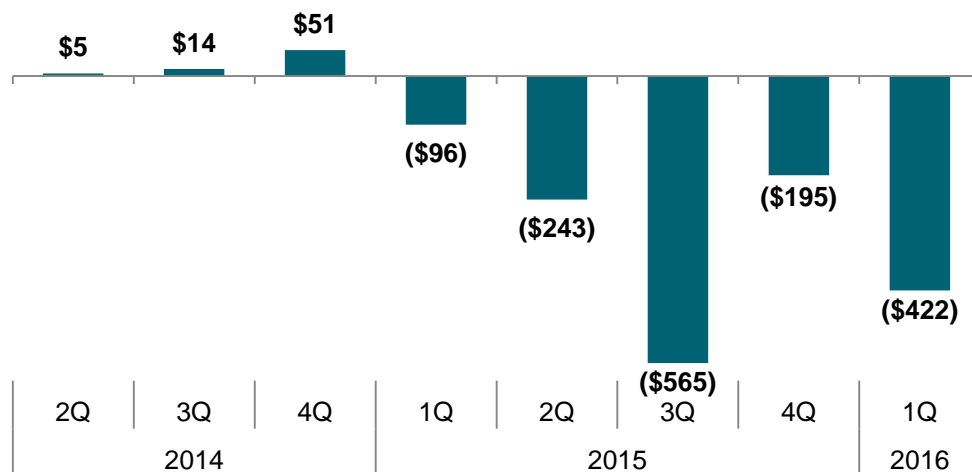
- Operating Expenses were elevated this quarter by seasonal compensation expenses and legal fees
- Benefits of 4Q15 restructuring to be fully realized in 2Q16

## Key Statistics

	1Q16	4Q15	1Q15
Net Flows (\$ in mm)	(\$422)	(\$195)	(\$96)
Total AUM (\$ in mm)	\$7,137	\$7,976	\$9,305
Reported EBITDA Margin	(35%)	(21%)	17%
Adjusted EBITDA Margin	(24%)	(4%)	14%

# Boston Private Wealth Flows

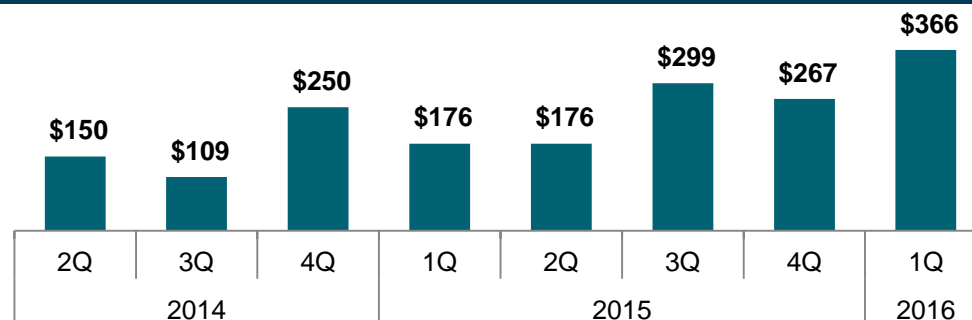
## BPW Net Flows (\$ in millions)



## Comments

- Net Outflows in 1Q16 of \$422 million were driven by a record of \$366 million in new business generation, offset by elevated client attrition

## BPW New Business Flows (\$ in millions)



- 1Q16 was the third straight quarter of new business generation over \$250 million
- Pipeline is strong and equally weighted across both coasts

# Investment Management Performance Highlights

(\$ in millions)	% Change				
	1Q16	4Q15	1Q15	LQ	Y/Y
<b>Total Revenue</b>	<b>\$10.7</b>	<b>\$10.9</b>	<b>\$11.7</b>	(2%)	(9%)
<b>Operating Expenses</b>	<b>\$8.0</b>	<b>\$8.2</b>	<b>\$8.7</b>	(2%)	(8%)
<b>Pre-tax Income</b>	<b>\$2.6</b>	<b>\$2.7</b>	<b>\$3.0</b>	<b>(2%)</b>	<b>(13%)</b>
Taxes	0.9	0.9	1.0	(3%)	(12%)
NCI	0.5	0.4	0.6	16%	(25%)
<b>Net Income</b>	<b>\$1.3</b>	<b>\$1.4</b>	<b>\$1.4</b>	<b>(7%)</b>	<b>(8%)</b>
<b>Memo EBITDA:</b>					
Pre-tax Income	\$2.6	\$2.7	\$3.0	(2%)	(13%)
Depreciation & Amortization	0.7	0.8	0.8	(11%)	(11%)
<b>EBITDA</b>	<b>\$3.4</b>	<b>\$3.5</b>	<b>\$3.9</b>	<b>(4%)</b>	<b>(13%)</b>

## Comments

- Total Revenue decreased 9% year-over year and 2% linked quarter due to net outflows
- Operating Expenses were lower 8% year-over-year representing lower incentive compensation
- Segment EBITDA margin remains above the 30% target

## Key Statistics

	1Q16	4Q15	1Q15
Net Flows (\$ in mm)	(\$402)	(\$294)	(\$273)
Total AUM (\$ in mm)	\$9,838	\$9,952	\$10,730
EBITDA Margin	32%	32%	33%
Pre-Tax Margin	25%	25%	26%

# Wealth Advisory Performance Highlights

(\$ in millions)				% Change	
	1Q16	4Q15	1Q15	LQ	Y/Y
<b>Total Revenue</b>	<b>\$12.7</b>	<b>\$12.6</b>	<b>\$12.7</b>	1%	0%
<b>Operating Expenses</b>	<b>\$9.7</b>	<b>\$8.2</b>	<b>\$9.1</b>	18%	6%
<b>Pre-tax Income</b>	<b>\$3.1</b>	<b>\$4.4</b>	<b>\$3.6</b>	<b>(30%)</b>	<b>(15%)</b>
Taxes	1.1	1.7	1.3	(34%)	(13%)
NCI	0.4	0.5	0.6	(15%)	(26%)
<b>Net Income</b>	<b>\$1.5</b>	<b>\$2.1</b>	<b>\$1.7</b>	<b>(31%)</b>	<b>(12%)</b>
<b>Memo EBITDA:</b>					
Pre-tax Income	\$3.1	\$4.4	\$3.6	(30%)	(15%)
Depreciation & Amortization	0.4	0.5	0.5	(13%)	(12%)
<b>EBITDA</b>	<b>\$3.5</b>	<b>\$4.8</b>	<b>\$4.0</b>	<b>(29%)</b>	<b>(14%)</b>

## Comments

- Total Revenue increased 1% linked quarter
- Operating Expenses increased 6% year-over-year reflecting senior client facing hires at both KLS and BOS

## Key Statistics

	1Q16	4Q15	1Q15
Net Flows (\$ in mm)	\$63	(\$54)	(\$13)
Total AUM (\$ in mm)	\$9,857	\$9,688	\$10,012
EBITDA Margin	27%	38%	32%
Pre-Tax Margin	24%	35%	28%