

**BOSTON PRIVATE**

WEALTH ▫ TRUST ▫ PRIVATE BANKING

# Fourth Quarter & Full Year 2016 Results

January 19, 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)		
	4Q16	3Q16	4Q15
Return on Average Common Equity	9.1%	10.2%	8.1%
Return on Average Tangible Common Equity	12.8%	14.3%	11.9%
Core Fee Income Ratio	40%	42%	43%
Efficiency Ratio (FTE) <sup>1</sup>	62%	65%	72%
Tier 1 Common Equity Ratio	10.0% <sup>2</sup>	10.0%	9.8%
Total AUM	\$27,557	\$27,527	\$27,595
Diluted EPS	\$0.19	\$0.22	\$0.17

Full Year Performance Metrics	(\$ in millions except per share data)	
	FY 2016	FY 2015
Return on Average Common Equity	9.44%	9.01%
Return on Average Tangible Common Equity	13.38%	13.34%
Diluted EPS	\$0.81	\$0.74

(1) Efficiency Ratio (FTE) excludes amortization of intangibles, impairment of goodwill, and restructuring

(2) Estimated

# Consolidated Income Statement

(\$ in millions)				% Change	
	4Q16	3Q16	4Q15	LQ	Y/Y
Net Interest Income	\$51.5	\$49.9	\$48.1	3%	7%
Core Fees and Income	38.5	37.9	37.1	2%	4%
Total Other Income	5.5	2.1	0.6	NMF	NMF
<b>Total Revenue</b>	<b>\$95.5</b>	<b>\$89.9</b>	<b>\$85.9</b>	<b>6%</b>	<b>11%</b>
<b>Operating Expenses</b>	<b>\$62.3</b>	<b>\$61.7</b>	<b>67.4</b>	<b>1%</b>	<b>(8%)</b>
Impairment of Goodwill	\$9.5	-	-	NMF	NMF
<b>Total Expenses</b>	<b>\$71.8</b>	<b>\$61.7</b>	<b>\$67.4</b>	<b>16%</b>	<b>7%</b>
<b>Pre-tax Pre-Provision Income</b>	<b>\$23.6</b>	<b>\$28.2</b>	<b>\$18.5</b>	<b>(16%)</b>	<b>28%</b>
Provision Expense / (Credit)	(1.1)	(0.1)	(1.7)	NMF	NMF
<b>Pre-tax Income from Continuing Operations</b>	<b>\$24.8</b>	<b>\$28.4</b>	<b>\$20.1</b>	<b>(13%)</b>	<b>23%</b>
Taxes	7.2	8.7	5.6	(16%)	29%
Discontinued Operations	1.2	1.0	1.5	13%	(19%)
NCI	1.1	1.1	0.9	3%	25%
<b>Net Income</b>	<b>\$17.6</b>	<b>\$19.6</b>	<b>\$15.0</b>	<b>(11%)</b>	<b>17%</b>

*Memo: Notable Items*

Less: Gain on sale of offices	\$2.9
Add back: Goodwill impairment	\$9.5
Tax effect at 35% statutory rate	(\$2.3)
<b>Adjusted Net Income (non-GAAP)</b>	<b>\$21.9</b>

## Comments

- » Total Revenue increased 6% linked quarter driven by increases in Net Interest Income and Total Other Income
- » Total Other Income was positively impacted by a \$2.9 million gain on the sale of two offices and \$2.2 million of other items including a market value adjustment of derivatives
- » Effective tax rate in 4Q16 was 29% compared to 31% in 3Q16 and 28% in 4Q15

# Consolidated Expense Trends

(\$ in millions)				% Change	
	4Q16	3Q16	4Q15	LQ	Y/Y
<b>Expenses:</b>					
Salaries and employee benefits	\$39.7	\$40.9	\$39.5	(3%)	0%
Occupancy and equipment	10.0	9.5	10.0	5%	1%
Professional services	2.8	2.3	3.8	20%	(27%)
Marketing and business development	2.0	1.6	4.0	25%	(49%)
Contract services and data processing	1.7	1.9	1.5	(7%)	16%
Amortization of intangibles	1.5	1.6	1.8	(2%)	(14%)
FDIC insurance	0.7	0.7	1.1	1%	(33%)
Restructuring	-	-	2.0	NMF	NMF
Goodwill Impairment	9.5	-	-	NMF	NMF
Other	3.8	3.2	3.7	21%	2%
<b>Total Expenses</b>	<b>\$71.8</b>	<b>\$61.7</b>	<b>\$67.4</b>	<b>16%</b>	<b>7%</b>
<b>Memo:</b>					
<i>Notable Items</i>					
Add back: Restructuring	-	-	2.0	NMF	NMF
Add back: Goodwill Impairment	9.5	-	-	NMF	NMF
<b>Adjusted Operating Expenses (non-GAAP)</b>	<b>\$62.3</b>	<b>\$61.7</b>	<b>\$65.4</b>	<b>1%</b>	<b>(5%)</b>

## Comments

- » Total Expenses increased 16% linked quarter primarily due to \$9.5 million goodwill impairment
- » \$9.5 million pre-tax non-cash impairment charge related to Wealth Management & Trust segment in connection with annual goodwill impairment testing
- » Excluding Notable Items, Total Operating Expenses increased 1% linked quarter, while decreasing 5% year-over-year

# Consolidated Income Statement – Full Year

(\$ in millions)	% Change		
	FY 2016	FY 2015	Y/Y
Net Interest Income	\$200.4	\$185.8	8%
Core Fees	151.7	157.1	(3%)
Total Other Income	7.1	4.1	74%
<b>Total Revenue</b>	<b>\$359.2</b>	<b>\$346.9</b>	<b>4%</b>
<b>Total Expenses</b>	<b>\$265.0</b>	<b>\$255.2</b>	<b>4%</b>
<b>Pre-tax Pre-Provision Income</b>	<b>\$94.3</b>	<b>\$91.8</b>	<b>3%</b>
Provision Expense / (Credit)	(6.9)	(1.6)	NMF
<b>Pre-tax Income from Continuing Operations</b>	<b>\$101.2</b>	<b>\$93.3</b>	<b>8%</b>
Taxes	31.0	30.4	2%
Discontinued Operations	5.5	6.4	(14%)
NCI	4.2	4.4	(6%)
<b>Net Income</b>	<b>\$71.6</b>	<b>\$64.9</b>	<b>10%</b>
<b>Diluted EPS</b>	<b>\$0.81</b>	<b>\$0.74</b>	<b>9%</b>

## Comments

### Total Revenue increased 4%

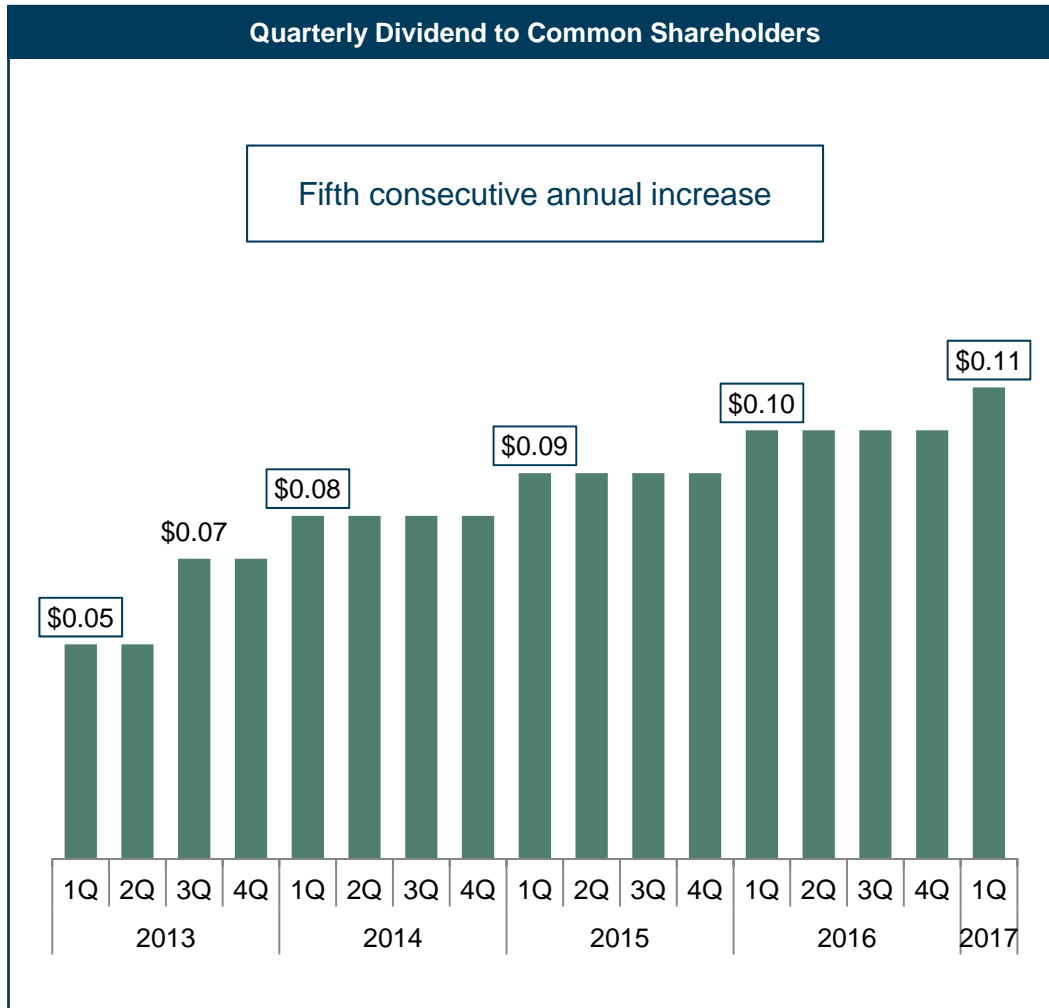
- » Net Interest Income increased 8% primarily due to balance sheet growth and lower cost of borrowing
- » Core Fees decreased 3% to \$152 million in 2016 driven by lower AUM offset by higher Other Banking fee Income

### Total Expenses increased 4% to \$265 million

### Provision Credits increased

### Net Income increased 10%

# Capital Return – 2016 Highlights



## Comments

### Increased Common Dividend

- » Board of Directors approved a 10% increase in the Common Dividend from \$0.10 per common share to \$0.11 payable in the first quarter of 2017
- » Distributed \$0.40 per share in 2016

### Initiated common share repurchase

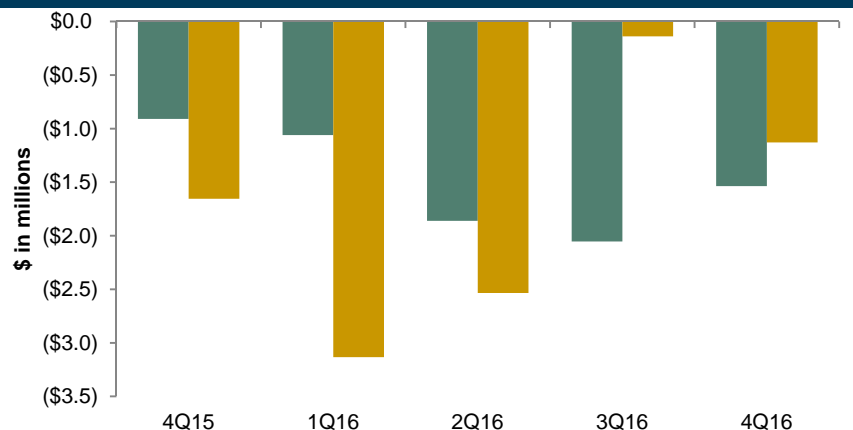
- » Completed \$9 million of share repurchases in 2016

### Total Return to Shareholders

- » 59% of earnings in 2016 returned to common shareholders in the form of dividends and share repurchases

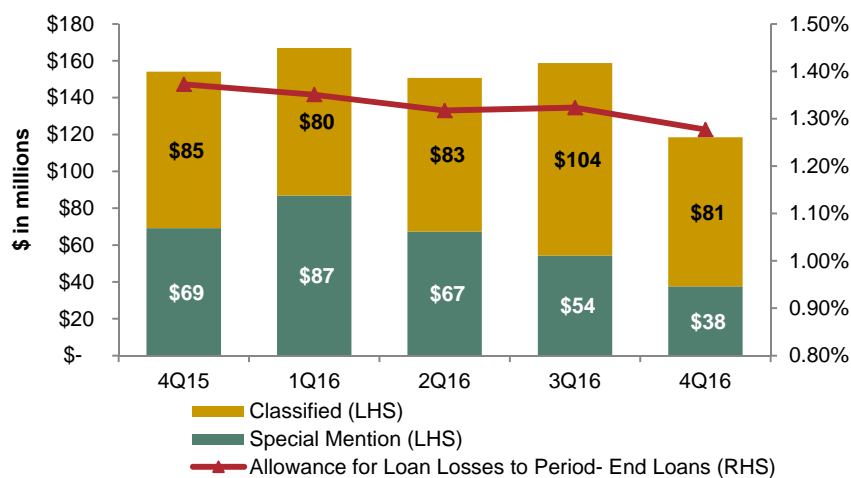
# Asset Quality

## Net Charge-offs & Provision for Loan Losses



■ Net Loans Charged-off/ (Recovered) (LHS) ■ Provision/ (Credit) for Loan Losses (LHS)

## Criticized Loans & Allowance for Loan Losses



■ Classified (LHS)

■ Special Mention (LHS)

—▲— Allowance for Loan Losses to Period- End Loans (RHS)

## Comments

- » Our provision for loan loss continues to closely track our quarterly Net-Charge Offs / Net-Recoveries
- » The Company recorded a provision credit of \$1.1 million compared to \$1.5 million of Net-Charge Offs / Net Recoveries

- » Criticized Loans decreased 25% linked quarter and 23% year-over-year.
- » Allowance for Loan Loss as a percent of Total Loans finished the quarter at 1.28%.



# Private Bank Performance Highlights

(\$ in millions)	% Change				
	4Q16	3Q16	4Q15	LQ	Y/Y
Net Interest Income	\$52.1	\$50.4	\$49.1	3%	6%
Core Fees	2.5	3.6	1.9	(31%)	31%
Total Other Income	5.3	1.9	0.5	NMF	NMF
<b>Total Revenue</b>	<b>\$60.0</b>	<b>\$55.9</b>	<b>\$51.5</b>	<b>7%</b>	<b>16%</b>
<b>Operating Expenses</b>	<b>\$31.3</b>	<b>\$30.4</b>	<b>\$32.1</b>	<b>3%</b>	<b>(2%)</b>
<b>Pre-tax Pre-Provision Income</b>	<b>\$28.7</b>	<b>\$25.5</b>	<b>\$19.4</b>	<b>12%</b>	<b>48%</b>
Provision Expense / (Credit)	(1.1)	(0.1)	(1.7)	NMF	NMF
<b>Pre-tax Income</b>	<b>\$29.8</b>	<b>\$25.6</b>	<b>\$21.1</b>	<b>16%</b>	<b>41%</b>
Taxes	9.5	8.2	6.9	15%	37%
<b>Net Income</b>	<b>\$20.3</b>	<b>\$17.4</b>	<b>\$14.1</b>	<b>17%</b>	<b>44%</b>

## Comments

- » Net Interest Income increased 3% linked quarter and 6% year-over-year
- » Core Fees declined linked quarter due to lower swap fee income
- » Total Other Income for the 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 decreased 2% year-over-year driven by lower Occupancy and Marketing expenses and offset by higher Salaries
- » Net Income increased 17% linked quarter and 44% year-over-year

## Key Statistics

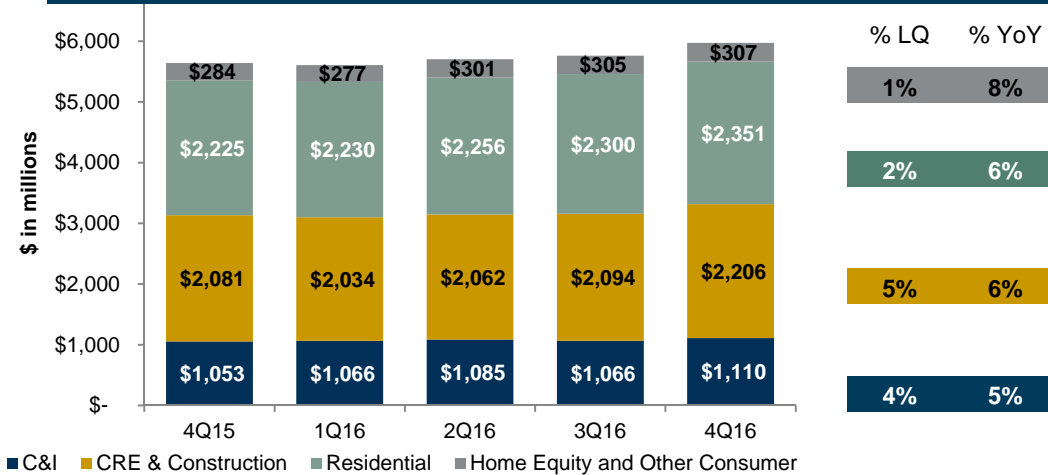
	4Q16	3Q16	4Q15
Efficiency Ratio (FTE)	50%	52%	58%
Net Interest Margin	2.91%	2.92%	2.94%
Average Loan-to-Deposits Ratio <sup>1</sup>	98%	96%	94%

Notes:

(1) Reflects bank subsidiary only.

# Balance Sheet Highlights

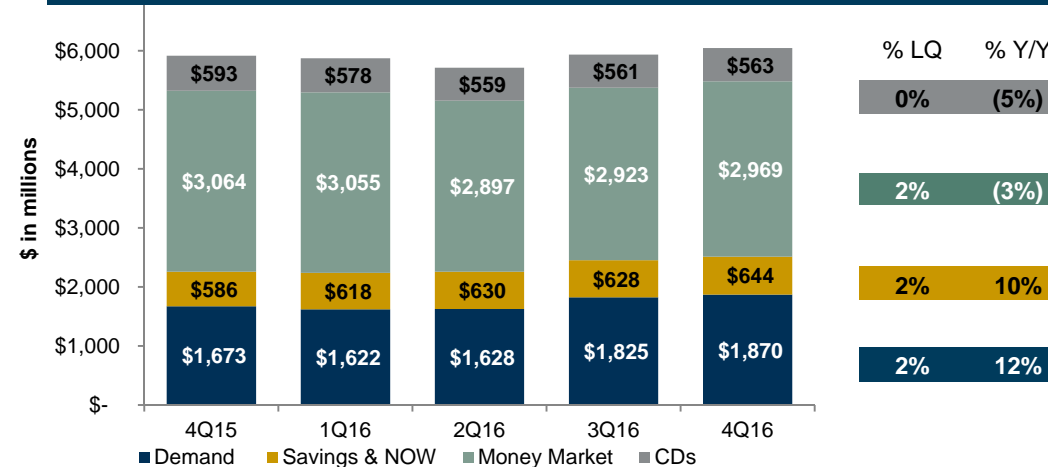
## Average Loans



## Comments

- » Total Average Loans increased 6% year-over-year to \$6.0 billion
- » Growth driven by Residential (+6%), CRE & Construction (+6%), and C&I (+5%)

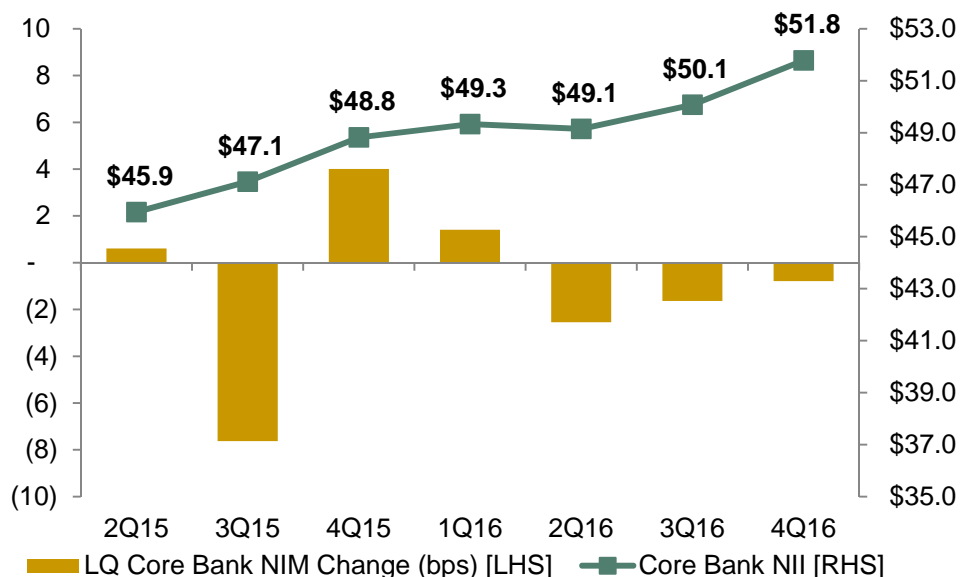
## Average Deposits



- » Total Average Deposits increased 2% year-over-year to \$6.0 billion
- » The divestiture of \$104 million of deposits impacted fourth quarter of 2016 Average Total Deposits
- » Demand (+12%) and Savings (+10%) 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 \$51.8 million
- » Excluding interest recovered on previous nonaccrual loans, Core Net Interest Margin decreased one basis point to 2.89%
- » Cost of Funds Including DDA decreased to 0.36% as a result of the continued mix shift to Demand Deposit accounts

## Core Bank Yield/ Cost

	4Q15	1Q16	2Q16	3Q16	4Q16
Cash and Investments	1.97%	2.12%	2.13%	2.09%	2.14%
Loans	3.62%	3.66%	3.58%	3.55%	3.51%
Interest-Bearing Deposits	0.40%	0.39%	0.40%	0.40%	0.39%
Total Interest-Bearing Liabilities	0.52%	0.51%	0.52%	0.51%	0.50%
Cost of Funds Including DDA	0.38%	0.38%	0.39%	0.37%	0.36%
<b>Net Interest Margin (FTE)</b>	<b>2.94%</b>	<b>3.01%</b>	<b>2.95%</b>	<b>2.92%</b>	<b>2.91%</b>
<b>Core Net Interest Margin (FTE)</b>	<b>2.93%</b>	<b>2.94%</b>	<b>2.92%</b>	<b>2.90%</b>	<b>2.89%</b>

# Wealth Management & Trust Performance Highlights

(\$ in millions)	% Change				
	4Q16	3Q16	4Q15	LQ	YY
<b>Total Revenue</b>	<b>\$11.1</b>	<b>\$10.9</b>	<b>\$11.8</b>	<b>2%</b>	<b>(6%)</b>
<b>Operating Expenses*</b>	<b>13.4</b>	<b>12.3</b>	<b>13.1</b>	<b>9%</b>	<b>3%</b>
Restructuring	-	-	2.0	NMF	NMF
Impairment of Goodwill	9.5	-	-	NMF	NMF
<b>Total Expenses</b>	<b>\$22.9</b>	<b>\$12.3</b>	<b>\$15.1</b>	<b>86%</b>	<b>52%</b>
<b>Pre-tax Income/ (Loss)</b>	<b>(\$11.8)</b>	<b>(\$1.4)</b>	<b>(\$3.3)</b>	<b>NMF</b>	<b>NMF</b>
Taxes	(4.8)	(0.5)	(1.3)	NMF	NMF
<b>Net Income/ (Loss)</b>	<b>(\$7.0)</b>	<b>(\$0.8)</b>	<b>(\$2.0)</b>	<b>NMF</b>	<b>NMF</b>
<b>Memo:</b>					
Pre-tax Income/ (Loss)	(11.8)	(1.4)	(3.3)	NMF	NMF
Depreciation & Amortization	1.1	1.1	0.8	(1%)	31%
<b>EBITDA</b>	<b>(\$10.8)</b>	<b>(\$0.3)</b>	<b>(\$2.5)</b>	<b>NMF</b>	<b>NMF</b>
<i>Notable Items:</i>					
Add back: Restructuring	-	-	2.0	NMF	NMF
Add back: Impairment of Goodwill	9.5	-	-	NMF	NMF
<b>Adjusted EBITDA</b>	<b>(\$1.2)</b>	<b>(\$0.3)</b>	<b>(\$0.5)</b>	<b>NMF</b>	<b>NMF</b>
Tax Impact of Add Backs	(3.3)	-	(0.7)	NMF	NMF
<b>Adjusted Net Income/ (Loss)</b>	<b>(\$0.8)</b>	<b>(\$0.8)</b>	<b>(\$0.7)</b>	<b>0%</b>	<b>(14%)</b>

## Comments

- » Revenue increased 2% linked quarter to \$11.1 million due to higher asset based fees and new Family Office business mandates
- » Excluding the Goodwill Impairment, Operating Expenses increased 9% linked quarter primarily due to higher salary expenses
- » **Note:** Wealth Management & Trust segment operates under the Boston Private brand as Boston Private Wealth

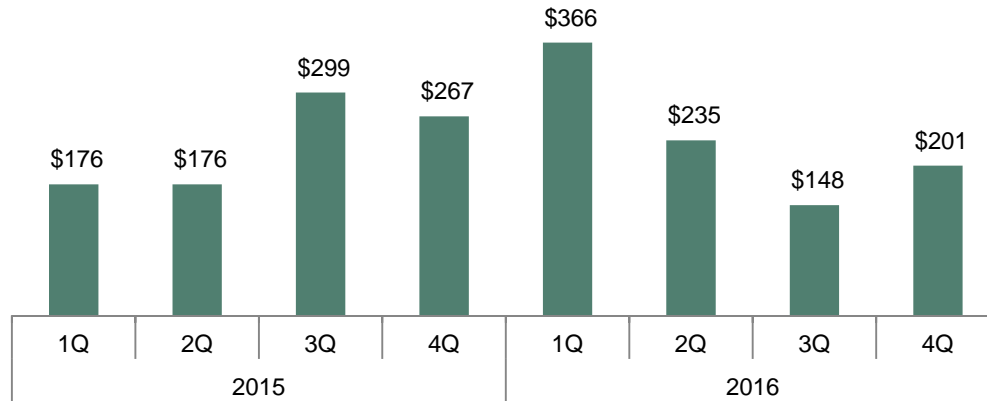
**BOSTON PRIVATE**  
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## Key Statistics

	4Q16	3Q16	4Q15
Net Flows (\$ in mm)	(\$82)	(\$120)	(\$195)
Total AUM (\$ in mm)	\$7,008	\$7,334	\$7,976
Reported EBITDA Margin	(97%)	(3%)	(21%)
Adjusted EBITDA Margin	(11%)	(3%)	(4%)

# Wealth Management & Trust Performance Highlights

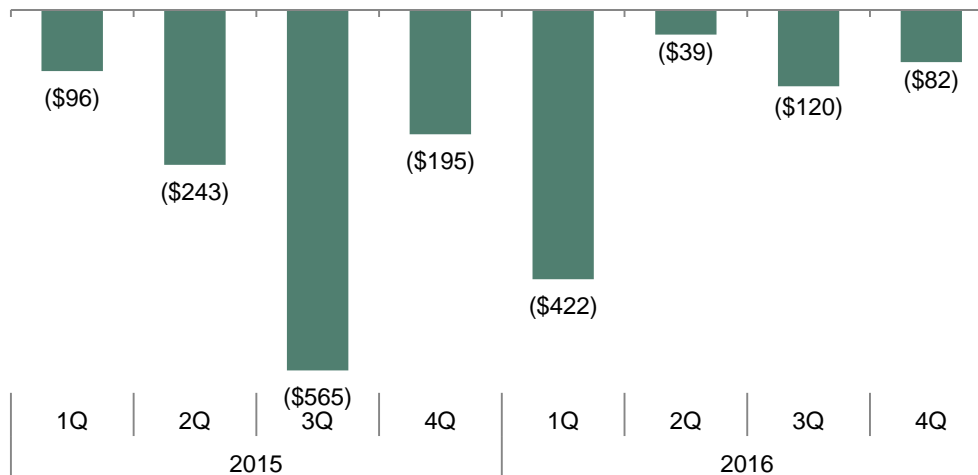
## Wealth Management & Trust - New Business Flows (\$ in millions)



## Comments

- » Fourth quarter New Business Flows rebounded to \$201 million
- » Full year 2016 New Business Flows were \$954 million, a record year for the segment

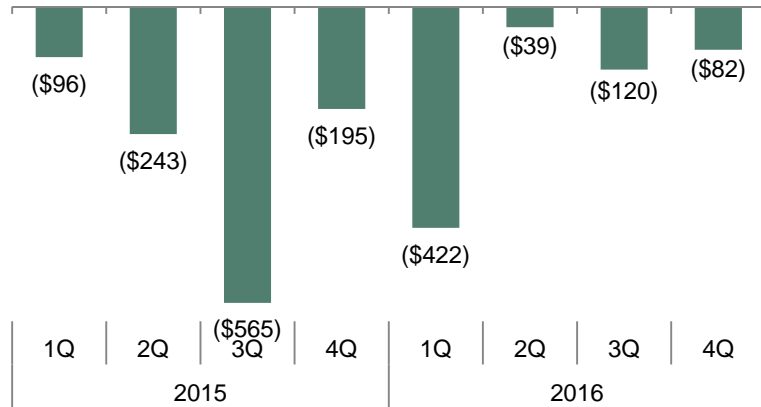
## Wealth Management & Trust - Net Flows (\$ in millions)



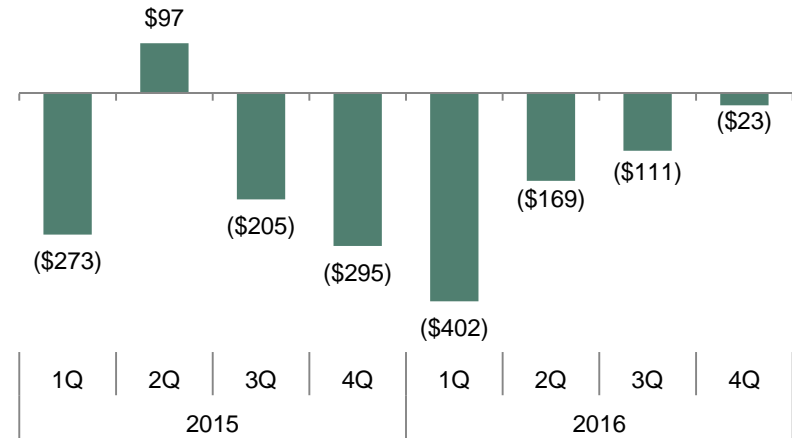
- » Fourth quarter Net Flows improved sequentially due to lower levels of client attrition and increased New Business
- » Net Flows have averaged negative \$80 million in the past three quarters compared to an average of \$394 million from 3Q15 to 1Q16

# Segment AUM Net Flows

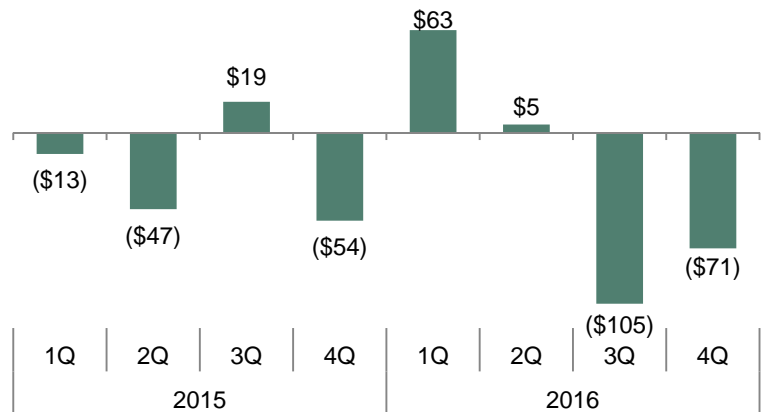
Wealth Management & Trust (\$ in mm)



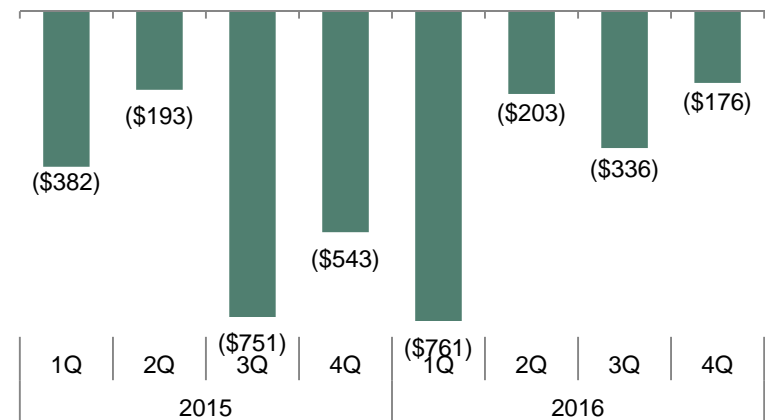
Investment Management (\$ in mm)



Wealth Advisory (\$ in mm)



Consolidated (\$ in mm)



# Investment Management Performance Highlights

(\$ in millions)	% Change				
	4Q16	3Q16	4Q15	LQ	YY
<b>Total Revenue</b>	<b>\$12.4</b>	<b>\$10.7</b>	<b>\$10.9</b>	16%	14%
<b>Operating Expenses</b>	<b>\$9.0</b>	<b>\$8.0</b>	<b>\$8.2</b>	12%	10%
<b>Pre-tax Income</b>	<b>\$3.5</b>	<b>\$2.7</b>	<b>\$2.7</b>	<b>27%</b>	<b>29%</b>
Taxes	1.1	0.9	0.9	24%	23%
NCI	0.6	0.5	0.4	23%	51%
<b>Net Income</b>	<b>\$1.7</b>	<b>\$1.3</b>	<b>\$1.4</b>	<b>30%</b>	<b>26%</b>
<b>Memo EBITDA:</b>					
Pre-tax Income	\$3.5	\$2.7	\$2.7	27%	29%
Depreciation & Amortization	0.7	0.7	0.8	0%	(12%)
<b>EBITDA</b>	<b>\$4.2</b>	<b>\$3.5</b>	<b>\$3.5</b>	<b>21%</b>	<b>19%</b>

## Comments

- » Total Revenue increased by 14% year-over-year and 16% linked quarter due to \$1.4 million of performance fees
- » Operating Expenses were higher 10% year-over-year driven by higher Salary Expense
- » Segment EBITDA margin of 34% remains above the 30% target

## Key Statistics

	4Q16	3Q16	4Q15
Net Flows (\$ in mm)	(\$23)	(\$111)	(\$295)
Total AUM (\$ in mm)	\$10,571	\$10,176	\$9,952
EBITDA Margin	34%	32%	32%
Pre-Tax Margin	28%	26%	25%

# Wealth Advisory Performance Highlights

(\$ in millions)	% Change				
	4Q16	3Q16	4Q15	LQ	YY
<b>Total Revenue</b>	<b>\$12.6</b>	<b>\$12.8</b>	<b>\$12.6</b>	(1%)	(0%)
<b>Operating Expenses</b>	<b>\$7.0</b>	<b>\$9.0</b>	<b>\$8.2</b>	(23%)	(15%)
<b>Pre-tax Income</b>	<b>\$5.6</b>	<b>\$3.8</b>	<b>\$4.4</b>	<b>48%</b>	<b>29%</b>
Taxes	2.3	1.4	1.7	63%	31%
NCI	0.5	0.6	0.5	(13%)	3%
<b>Net Income</b>	<b>\$2.8</b>	<b>\$1.8</b>	<b>\$2.1</b>	<b>58%</b>	<b>34%</b>
<b>Memo EBITDA:</b>					
Pre-tax Income	\$5.6	\$3.8	\$4.4	48%	29%
Depreciation & Amortization	0.4	0.4	0.5	(1%)	(16%)
<b>EBITDA</b>	<b>\$6.0</b>	<b>\$4.2</b>	<b>\$4.8</b>	<b>44%</b>	<b>25%</b>

## Comments

- » Total Revenue decreased 1% linked quarter and was flat year-over-year
- » Operating Expenses decreased linked quarter due to lower compensation expense

## Key Statistics

	4Q16	3Q16	4Q15
Net Flows (\$ in mm)	(\$71)	(\$105)	(\$54)
Total AUM (\$ in mm)	\$9,989	\$10,028	\$9,688
EBITDA Margin	48%	33%	38%
Pre-Tax Margin	45%	30%	35%