



BOSTON PRIVATE

WEALTH ▫ TRUST ▫ PRIVATE BANKING



First Quarter 2020 Results


April 30, 2020



Anthony DeChellis
Chief Executive Officer

Steven Gaven
Chief Financial Officer

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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 contained 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 interest rate trends and future liquidity; expectations as to changes in assets, deposits and results of operations; the impact of the COVID-19 pandemic; future operations, market position and financial position; and prospects, plans and objectives of management. 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, the negative impacts and disruptions of the COVID-19 pandemic and measures taken to contain its spread on our employees, customers, business operations, credit quality, financial position, liquidity and results of operations; the length and extent of the economic contraction as a result of the COVID-19 pandemic; continued deterioration in general business and economic conditions on a national basis and in the local markets in which the Company operates; changes in customer behavior due to changing business and economic conditions or legislative or regulatory initiatives; continued turbulence in the capital and debt markets; changes in interest rates; increases in loan defaults and charge-off rates; decreases in the value of securities and other assets; changes in loan loss reserves; decreases in deposit levels necessitating increased borrowing to fund loans and investments; competitive pressures from other financial institutions; operational risks including, but not limited to, cybersecurity incidents, fraud, natural disasters and future pandemics; changes in regulation; reputational risk relating to the Company’s participation in the Paycheck Protection Program and other pandemic-related legislative and regulatory initiatives and programs; risks 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 in 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.

BOSTON PRIVATE'S RESPONSE TO COVID-19 PANDEMIC

COMPANY OPERATIONS

- Operating primarily in a remote environment
- Business continuity plan operating as designed, with little interruption
- Temporarily closed select offices, while reducing office hours

EMPLOYEES

- Focused on providing our employees with the flexibility and tools to work remotely
- Appreciation and safety program established for employees working in our locations
- Relaxing paid time off and other policies
- Making various virtual health and wellness resources available to employees

CLIENTS

- Granting extensions, deferrals, forbearance options and additional relief programs, including fee waivers
- Secured \$425 million of SBA PPP funding authorizations for 1,100 organizations, including 163 loans for non-profit organizations

COMMUNITY

- Continue to support local nonprofit organizations, expediting funding to 28 community development organizations
- Committed to investments in three community development nonprofit organizations that have established COVID-19 response funds

1Q20 CONSOLIDATED FINANCIAL HIGHLIGHTS

(\$ in millions, except per share data)

OPERATING PERFORMANCE	Net Income	\$0.8
	Diluted EPS	\$0.01
	ROACE	0.4%
	ROATCE	0.7%
BALANCE SHEET & ASSETS UNDER MANAGEMENT / ADVISORY ("AUM")	Average Deposits	\$7,107
	Average Loans	\$7,034
	Total AUM	\$14,513
	Total net flows	\$150
CAPITAL	Tier 1 Common Equity Ratio ¹	11.2%
	Tangible Book Value Per Share	\$9.31

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

CONSOLIDATED INCOME STATEMENT

(\$ in millions)				% Change	
	1Q20	4Q19	1Q19	LQ	Y/Y
Net interest income	\$57.3	\$56.1	\$58.3	2%	(2)%
Core fees and income	22.9	24.8	24.3	(8)%	(6)%
Total other income	(1.4)	2.0	1.0	nm	nm
Total revenue	78.8	82.9	83.6	(5)%	(6)%
Total noninterest expense	60.9	58.5	60.6	4%	1%
Pre-tax, pre-provision income	17.9	24.5	23.0	(27)%	(22)%
Provision expense/ (credit)	17.0	(3.7)	(1.4)	nm	nm
Pre-tax income	0.9	28.1	24.5	(97)%	(96)%
Income tax expense	0.1	6.8	4.9	(98)%	(98)%
Noncontrolling interests	-	0.1	0.1	(94)%	(94)%
Net income	\$0.8	\$21.2	\$19.4	(96)%	(96)%
Memo: Excluding Notable Items					
Net income (GAAP)	\$0.8	\$21.2	\$19.4	(96)%	(96)%
Impact of Notable Items	-	(0.8)	1.3	(100)%	(100)%
Operating net income (non-GAAP)²	\$0.8	\$20.5	\$20.7	(96)%	(96)%

Comments

Drivers of pre-tax, pre-provision decline:

Total other income

- \$1.4 million of negative marks on derivatives and securities related to the Company's deferred compensation plan in 1Q20
- \$1.1 million of gains related to the revaluation of a receivable of a divested affiliate in 4Q19

Total noninterest expense

- \$1.8 million provision expense related to unfunded commitments in 1Q20
- Effective tax rate of 11.2% driven by lower levels of taxable income
- Net income declined linked quarter and year-over-year, primarily as a result of loan reserve build

(2) Operating metrics have been adjusted to exclude Notable Items and are non-GAAP measures. See page 18 for more information

CONSOLIDATED REVENUE TRENDS

(\$ in millions)				% Change	
	1Q20	4Q19	1Q19	LQ	Y/Y
Net interest income	\$57.3	\$56.1	\$58.3	2%	(2)%
Noninterest income					
Wealth management and trust fees	18.4	18.7	19.1	(2)%	(4)%
Investment management fees	1.9	2.6	2.7	(25)%	(27)%
Private banking fees ³	2.6	3.5	2.6	(26)%	1%
Total core fees and income	22.9	24.8	24.3	(8)%	(6)%
Miscellaneous ⁴	(1.4)	2.0	1.0	nm	nm
Total other income	(1.4)	2.0	1.0	nm	nm
Total revenue	\$78.8	\$82.9	\$83.6	(5)%	(6)%

Memo: Excluding Notable Items

Total revenue	\$78.8	\$82.9	\$83.6	(5)%	(6)%
Impact of Notable Items	-	(1.1)	-	(100)%	nm
Total operating revenue (non-GAAP) ²	\$78.8	\$81.8	\$83.6	(4)%	(6)%

Comments

- Combined, Net interest income and Total core fees and income declined 1% linked quarter as lower investment management fees and lower revenue associated with residential loan sales offset net interest income growth in the first quarter
- Linked quarter change in Miscellaneous income driven by:
 - \$1.1 million of gains in 4Q19 related to the revaluation of a receivable for a divested affiliate
 - \$1.4 million in 1Q20 related to negative marks on derivatives and securities related to the Company's deferred compensation plan

(2) Operating metrics have been adjusted to exclude Notable Items and are non-GAAP measures. See page 18 for more information

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

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

CONSOLIDATED EXPENSE TRENDS

(\$ in millions)	% Change				
	1Q20	4Q19	1Q19	LQ	Y/Y
Salaries and employee benefits	\$35.1	\$34.2	\$35.7	3%	(2)%
Occupancy and Equipment	7.6	7.6	8.3	1%	(8)%
Information systems	6.7	6.5	5.9	4%	15%
Professional services	3.6	3.9	3.6	(8)%	1%
Marketing and business development	1.9	2.0	1.1	(6)%	74%
Amortization of intangibles	0.7	0.7	0.7	6%	6%
FDIC Insurance	-	-	0.7	(100)%	(100)%
Restructuring	-	-	1.6	nm	(100)%
Other	5.2	3.6	3.0	44%	75%
Total noninterest expense	\$60.9	\$58.5	\$60.6	4%	1%
Memo:					
Total noninterest expense	\$60.9	\$58.5	\$60.6	4%	1%
Impact of Notable Items	0.0	0.0	(1.6)	nm	(100)%
Total noninterest expense (non-GAAP) ²	\$60.9	\$58.5	\$58.9	4%	3%

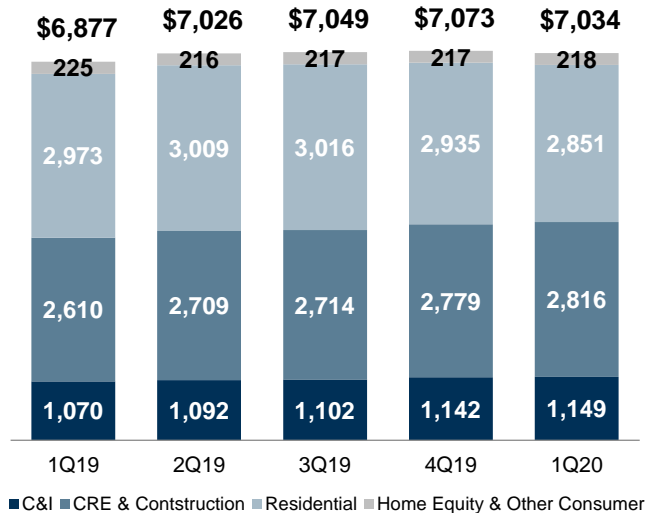
Comments

- Salaries and employee benefits increased linked quarter primarily driven by seasonal compensation expense
- 1Q20 Other expense includes \$1.8 million of provision expense related to unfunded loan commitments

(2) Operating metrics have been adjusted to exclude Notable Items and are non-GAAP measures. See page 18 for more information

BALANCE SHEET HIGHLIGHTS

Average Loans



Comments

- On balance sheet liquidity build driven by linked quarter decline in loans (-1% sequentially), with linked quarter growth (+2% sequentially) in deposits

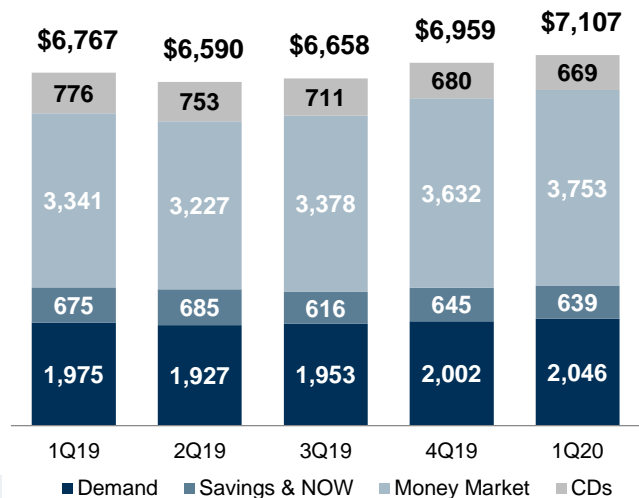
Average loans +2% year-over-year

- Residential decline driven by loan sales in 3Q19 and 4Q19

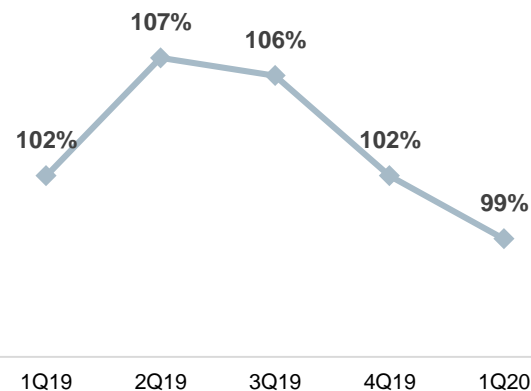
Average deposits +5% year-over-year

- Demand deposit accounts stable at 29% of total deposits
- Certificate of deposit decline driven by brokered CD run-off

Average Deposits



Loan to Deposit Ratio (averages)



CONSOLIDATED NET INTEREST INCOME AND MARGIN

Net interest income (\$ in millions)

	1Q19	2Q19	3Q19	4Q19	1Q20
Net interest income	\$58.3	\$57.5	\$56.2	\$56.1	\$57.3
Less: Interest recoveries	0.3	-	0.2	0.0	-
Core net interest income, non-GAAP	\$58.1	\$57.5	\$56.0	\$56.1	\$57.3

Yield/ Cost

	1Q19	2Q19	3Q19	4Q19	1Q20
Cash and investments	2.39%	2.32%	2.39%	2.33%	2.27%
Loans	4.07%	4.07%	3.98%	3.83%	3.75%
Total interest-earning assets	3.83%	3.82%	3.76%	3.62%	3.54%
Cost of total deposits	0.84%	0.88%	0.92%	0.86%	0.72%
Interest-bearing deposits	1.19%	1.25%	1.31%	1.20%	1.02%
Total interest-bearing liabilities	1.36%	1.48%	1.50%	1.34%	1.13%
Total cost of funds	1.00%	1.11%	1.12%	0.99%	0.83%
Net interest margin	2.90%	2.78%	2.72%	2.70%	2.76%
Core net interest margin (non-GAAP)	2.89%	2.78%	2.71%	2.70%	2.76%

Comments

Core net interest income (non-GAAP)

- 1% decline year-over-year
- +2% linked quarter

- Linked quarter net interest margin expansion primarily driven by funding cost decline (-16 bp) that outpaced decline in earning asset yields (-8 bp)

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

LOAN PORTFOLIO

\$ in millions

Loan Type	Balance	% of Total	Comments
Residential	\$2,842	40%	Weighted average LTV of 66% and average FICO of 760 Cumulative losses of \$5 million since 2007 (0.02% annualized)
Commercial Real Estate	\$2,626	37%	Weighted average LTV below 50% on stabilized properties Diverse mix of collateral types
Commercial & Industrial	\$670	10%	High quality client segments, including Private Equity, Venture Capital, Professional Services Firms, and Privately Held Businesses
Commercial Tax Exempt	\$445	6%	Loans to not-for-profit private schools, colleges, and public charter schools
Construction & Land	\$238	3%	Approximately 60% related to community development and nonprofit
Consumer	\$131	2%	96% are collateralized by cash and marketable securities
Home Equity	\$89	1%	
Total	\$7,043	100%	

COMMERCIAL REAL ESTATE

Collateral Type	Balance and Growth Rate			Regional Breakdown		
	3/31/20 Balance	12/31/16 Balance	CAGR	New England	Northern California	Southern California
Multifamily	\$903	\$674	9%	39%	31%	30%
Retail	\$632	\$661	(1)%	43%	27%	30%
Office and medical	\$506	\$467	3%	39%	28%	33%
Mfg and Industrial	\$253	\$196	8%	28%	32%	40%
Hospitality	\$144	\$116	7%	52%	48%	0%
Other	\$187	\$189	0%	41%	47%	12%
Total	\$2,626	\$2,302	4%			

EXPOSURE TO HIGH RISK LOAN CATEGORIES

RETAIL

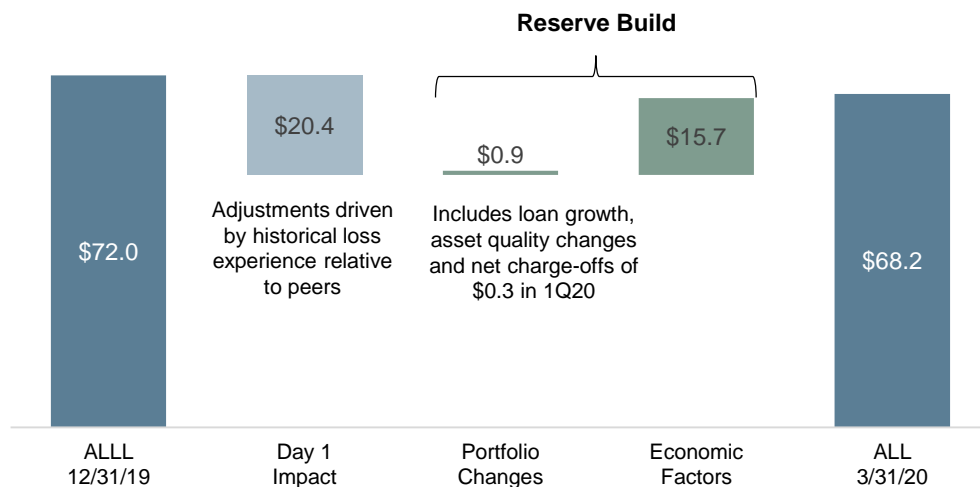
HOSPITALITY

RESTAURANTS

	RETAIL	HOSPITALITY	RESTAURANTS
Type	CRE	CRE	C&I
Exposure	\$632 million	\$144 million	\$16 million
Average Loan Size	~\$3.8 million	~\$6.6 million	\$1.1 million
Comments	<ul style="list-style-type: none"> ▪ Weighted avg LTV: 48% ▪ Secured by real estate 	<ul style="list-style-type: none"> ▪ Weighted avg LTV: 51% ▪ Located in New England and Northern California ▪ No exposure in Southern California 	<ul style="list-style-type: none"> ▪ 27 total loans

CECL ADOPTION

Loan Loss Reserve Build



Comments

- CECL adopted 1/1/20
- Economic factors, representing changes to future economic assumptions, drove majority of 1Q20 reserve build
- Reserve release driven by low loss history impacting quantitative nature of the CECL model

Economic Factor assumptions underlying Reserve Build

- Macroeconomic forecast is a composite scenario from late March comprised of:
 - Moody's COVID-19 Baseline
 - Moody's COVID-19 S3
- Net change to loan loss reserve from 12/31/19 to 3/31/20 driven by lower loss rates on Commercial Real Estate and Commercial Tax Exempt loans, partially offset by higher loss rates on Residential loans.

Allowance for loan losses as a percentage of loans by loan type

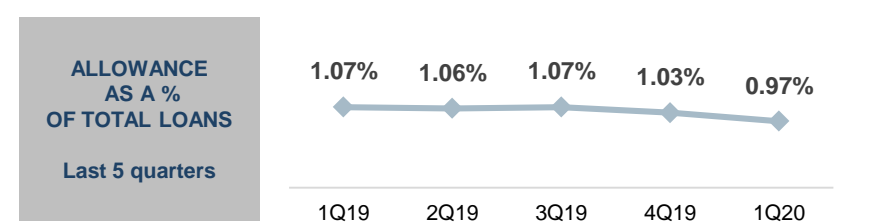
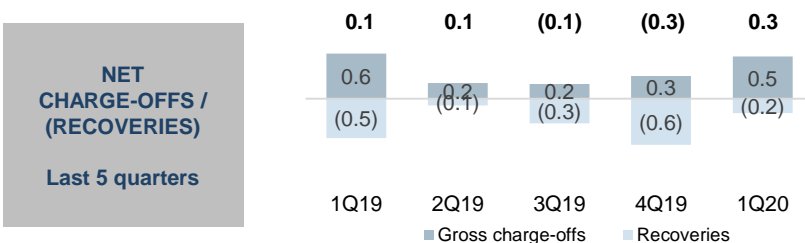
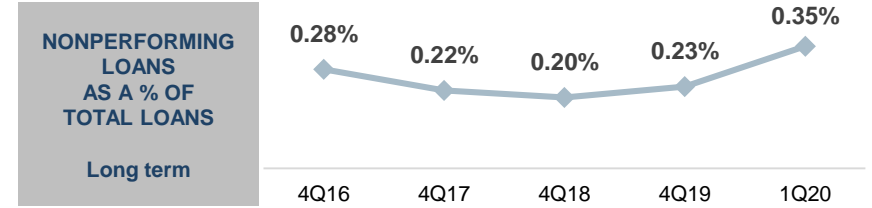
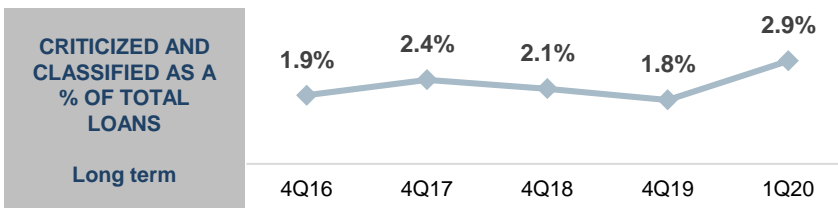
	ILM 12/31/19	CECL 1/1/20	CECL 3/31/20
Commercial Real Estate	1.48%	1.03%	1.39%
Commercial & Industrial	1.24%	1.35%	1.51%
Commercial Tax Exempt	1.24%	0.36%	0.43%
Construction & Land	2.25%	1.31%	2.39%
Residential	0.31%	0.34%	0.42%
Home Equity	0.87%	0.27%	0.33%
Other Consumer	0.42%	1.08%	1.26%
Total	1.03%	0.74%	0.97%

ILM = Incurred Loss Model
CECL = Current Expected Credit Losses

ASSET QUALITY: ADVERSELY GRADED AND NONPERFORMING LOANS

\$ in millions, as of 3/31/20

	Balance \$	% of Total	Criticized and Classified (\$)			
			Special Mention	Accruing Classified	Nonaccrual	Total
Commercial and industrial	671	10%	9	50	1	61
Commercial tax exempt	445	6%	3	9	0	11
Commercial real estate	2,626	37%	80	24	5	109
Construction and land	238	3%	0	0	0	0
Residential	2,842	40%	0	4	16	20
Home Equity	89	1%	0	1	1	3
Consumer	132	2%	0	0	0	0
Total Loans	7,043	100%	93	88	24	205



PRIVATE BANK PERFORMANCE HIGHLIGHTS

(\$ in millions)	% Change				
	1Q20	4Q19	1Q19	LQ	Y/Y
Net interest income	\$58.1	\$57.0	\$59.3	2%	(2)%
Core fees and income	2.6	3.5	2.6	(26)%	1%
Total other income	(1.5)	0.9	0.7	nm	nm
Total revenue	\$59.2	\$61.4	\$62.6	(4)%	(5)%
Total noninterest expense	\$42.6	\$40.6	\$41.3	5%	3%
Pre-tax, pre-provision income	\$16.6	\$20.8	\$22.5	(20)%	(26)%
Provision expense/ (credit)	17.0	(3.7)	(1.4)	nm	nm
Pre-tax income	(\$0.4)	\$24.4	\$22.7	nm	nm
Income tax expense	(0.9)	5.6	4.4	nm	nm
Net income	\$0.6	\$18.8	\$18.3	(97)%	(97)%
<i>Efficiency Ratio</i>	72%	66%	64%		
Memo:					
Impact of Notable Items	-	-	1.0	(100)%	(100)%
Operating net income (non-GAAP) ²	\$0.6	\$18.8	\$19.3	(97)%	(97)%

Comments

- Efficiency ratio increased to 72% year-over-year
- Net interest income and core fees and income flat linked quarter, while \$1.8 million of provision expense primary driver of noninterest expense increase
- Reserve build of \$18.8 million negatively impacted Net income

(3) Operating metrics have been adjusted to exclude Notable Items and are non-GAAP measures. See page 18 for more information

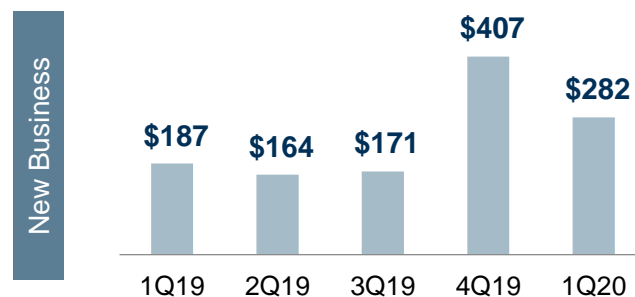
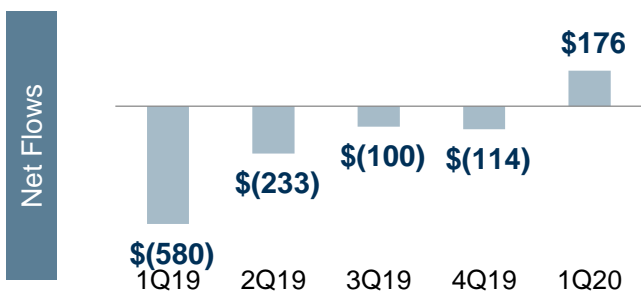
WEALTH MANAGEMENT & TRUST PERFORMANCE HIGHLIGHTS

(\$ in millions)	% Change				
	1Q20	4Q19	1Q19	LQ	Y/Y
Total revenue	\$18.6	\$18.9	\$19.2	(2)%	(4)%
Total noninterest expense	\$15.4	\$14.5	\$15.6	6%	(1)%
Pre-tax income	\$3.1	\$4.3	\$3.7	(29)%	15%
Income tax expense	1.1	1.3	1.2	(18)%	(10)%
Net income	\$2.0	\$3.0	\$2.5	(33)%	(18)%
Memo:					
Impact of Notable Items	-	-	(0.3)	nm	(100)%
Net Income (operating)	\$2.0	\$3.0	\$2.8	(33)%	(27)%
Pre-tax income	\$3.1	\$4.3	\$3.7	(29)%	15%
Depreciation & amortization	1.0	0.9	1.0	10%	(1)%
EBITDA (non-GAAP) ²	\$4.0	\$5.3	\$5.1	(24)%	(21)%
<i>EBITDA margin (non-GAAP)</i>	<i>22%</i>	<i>28%</i>	<i>27%</i>		

Comments

- Operating basis EBITDA margin was 22%
- Net flows of \$176 million driven by strong new business from new clients and existing clients.

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



(2) Operating metrics have been adjusted to exclude Notable Items and are non-GAAP measures. See page 18 for more information



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 7 of the 1Q20 BPFH earnings press release. A full reconciliation of GAAP to non-GAAP results can be found in the footnotes of the 1Q20 BPFH earnings press release beginning on page 17.

	2019				2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
GAAP Net Income	\$19.4	\$19.4	\$20.0	\$21.2	\$0.8	\$ -	\$ -	\$ -
Adjustments	1.3	-	-	(0.8)	0.0	-	-	-
Operating Net income	\$20.7	\$19.4	\$20.0	\$20.5	\$0.8	\$ -	\$ -	\$ -

Summary of Adjustments "Notable Items"

	2019			2020			
	Cause	Description	Amount	Cause	Description	Amount	
1Q	Restructuring	Restructuring expense	1.6	No adjustments			
	Normalizing factor	Income tax expense	(0.3)				
	Total		\$1.3		Total		\$ -
2Q	No adjustments			No adjustments			
	Total		\$ -	Total		\$ -	
3Q	No adjustments			No adjustments			
	Total		\$ -	Total		\$ -	
4Q	Divestiture of BOS	Revaluation of receivable	(1.1)	No adjustments			
	Normalizing Factor	Income tax expense	0.3				
	Total		(\$0.8)		Total		\$ -
2019 Total			\$0.5	2020 Total			\$0.0