



**BOSTON PRIVATE**

WEALTH ▫ TRUST ▫ PRIVATE BANKING

# Third Quarter 2020 Results

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October 22, 2020



# 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 employment levels, general business and economic conditions on a national basis and in the local markets in which the Company operates; changes in customer behavior; the possibility that future credit losses are higher than currently expected due to changes in economic assumptions, customer behavior or adverse economic developments; 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.

# 3Q20 CONSOLIDATED FINANCIAL HIGHLIGHTS

(\$ in millions, except per share data)

		Reported	Notable Items <sup>1</sup>	Operating <sup>1</sup>
OPERATING PERFORMANCE	Net Income	\$22.7	\$(0.7)	\$22.0
	Diluted EPS	\$0.28	\$(0.01)	\$0.27
	ROACE	10.7%		10.4%
	ROATCE	11.9%		11.6%
BALANCE SHEET & ASSETS UNDER MANAGEMENT / ADVISORY ("AUM")	Average Deposits	\$7,700		
	Average Loans	\$7,283		
	Total AUM	\$16,253		
	Total net flows	(\$407)		
CAPITAL	Tier 1 Common Equity Ratio <sup>2</sup>	11.3%		
	Tangible Book Value Per Share	\$9.48		
NOTABLE ITEMS	\$0.9 million gain related to the revaluation of a receivable from the divestiture of Bingham, Osborn & Scarborough, LLC			

(1) Operating metrics have been adjusted to exclude the after-tax impact of notable items and are non-GAAP measures. Tax effect calculated using applicable statutory rates.

(2) Estimated

ROACE = Return on Average Common Equity

ROATCE = Return on Average Tangible Common Equity

# CONSOLIDATED INCOME STATEMENT

(\$ in millions)				% Change	
	3Q20	2Q20	3Q19	LQ	Y/Y
Net interest income	\$57.8	\$58.9	\$56.2	(2)%	3%
Core fees and income	22.0	21.6	25.2	2%	(13)%
Total other income	1.1	1.0	-	5%	nm
<b>Total revenue</b>	<b>80.9</b>	<b>81.6</b>	<b>81.3</b>	<b>(1)%</b>	<b>(1)%</b>
<b>Total noninterest expense</b>	<b>60.9</b>	<b>61.5</b>	<b>55.5</b>	<b>(1)%</b>	<b>10%</b>
<b>Pre-tax, pre-provision income</b>	<b>19.9</b>	<b>20.1</b>	<b>25.7</b>	<b>(1)%</b>	<b>(23)%</b>
Provision expense/ (credit)	(4.6)	22.6	0.2	nm	nm
<b>Pre-tax income/(loss)</b>	<b>24.5</b>	<b>(2.5)</b>	<b>25.6</b>	<b>nm</b>	<b>(4)%</b>
Income tax expense	1.8	0.8	5.5	nm	(67)%
Noncontrolling interests	-	-	0.1	nm	(100)%
<b>Net income/(loss)</b>	<b>\$22.7</b>	<b>\$(3.3)</b>	<b>\$20.0</b>	<b>nm</b>	<b>14%</b>
Memo: Excluding Provision					
Pre-tax, pre-provision income	\$19.9	\$20.1	\$25.7	(1)%	(23)%
Reserve for unfunded loan commitments	1.8	2.8	-	(38)%	nm
<b>Pre-tax, pre-provision inc. (non-GAAP)</b>	<b>\$21.7</b>	<b>\$23.0</b>	<b>\$25.7</b>	<b>(6)%</b>	<b>(16)%</b>

## Comments

- Pre-tax, pre-provision income decreased 1% linked quarter

# CONSOLIDATED REVENUE TRENDS

(\$ in millions)				% Change	
	3Q20	2Q20	3Q19	LQ	Y/Y
<b>Net interest income</b>	<b>\$57.8</b>	<b>\$58.9</b>	<b>\$56.2</b>	<b>(2)%</b>	<b>3%</b>
<b>Noninterest income</b>					
Wealth management and trust fees	18.2	17.3	19.1	6%	(4)%
Investment management fees	1.4	1.8	2.5	(21)%	(44)%
Private banking fees <sup>3</sup>	2.3	2.6	3.6	(11)%	(35)%
<b>Total core fees and income</b>	<b>22.0</b>	<b>21.6</b>	<b>25.2</b>	<b>2%</b>	<b>(13)%</b>
Miscellaneous <sup>4</sup>	1.1	1.0	-	5%	nm
<b>Total other income</b>	<b>1.1</b>	<b>1.0</b>	<b>-</b>	<b>5%</b>	<b>nm</b>
<b>Total revenue</b>	<b>\$80.9</b>	<b>\$81.6</b>	<b>\$81.3</b>	<b>(1)%</b>	<b>(1)%</b>

## Comments

- Total revenue decreased 1% linked quarter, primarily driven by lower Net interest income, partially offset by higher Wealth management and trust fees

(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*; and *Other income, if any*

# CONSOLIDATED EXPENSE TRENDS

(\$ in millions)	% Change				
	3Q20	2Q20	3Q19	LQ	Y/Y
Salaries and employee benefits	\$34.7	\$33.9	\$31.7	2%	9%
Occupancy and equipment	8.2	7.6	8.3	8%	(1)%
Information systems	7.1	7.1	5.2	-%	37%
Professional services	4.0	3.4	4.4	17%	(9)%
Marketing and business development	0.9	2.3	1.4	(60)%	(33)%
Amortization of intangibles	0.7	0.7	0.7	2%	6%
FDIC Insurance	1.0	0.8	0.1	25%	nm
Other	4.4	5.6	3.9	(22)%	14%
<b>Total noninterest expense</b>	<b>\$60.9</b>	<b>\$61.5</b>	<b>\$55.5</b>	<b>(1)%</b>	<b>10%</b>
<b>Memo:</b>					
Total noninterest expense	\$60.9	\$61.5	\$55.5	(1)%	10%
Reserve for unfunded loan commitments	1.8	2.8	-	(38)%	nm
<b>Total noninterest expense (non-GAAP)</b>	<b>\$59.2</b>	<b>\$58.6</b>	<b>\$55.5</b>	<b>1%</b>	<b>7%</b>

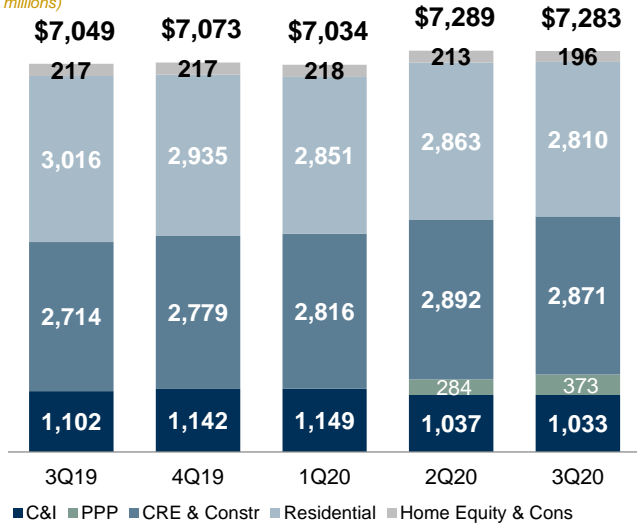
## Comments

- Information systems expense growth of 37% year-over-year driven by technology initiatives put in service

# BALANCE SHEET HIGHLIGHTS

## Average Loans

(\$ in millions)



## Comments

### Average loans +3% year-over-year

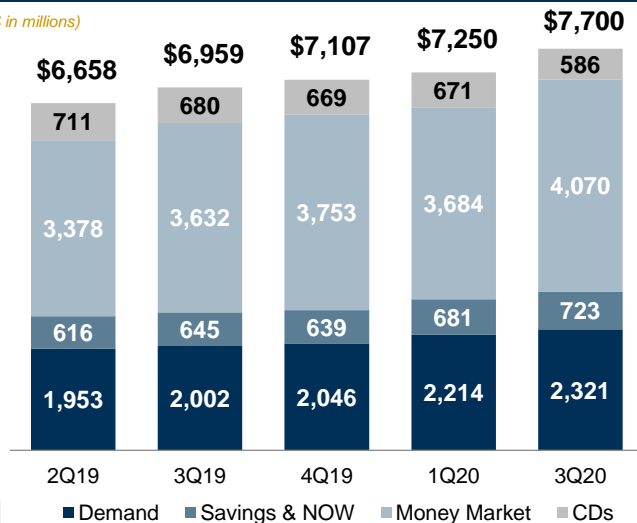
- Excluding PPP loans, average loans declined 2% year-over-year
- Commercial tax-exempt loan growth of 3% offset lower revolving line of credit usage
- Residential mortgage decline driven by \$72 million loan sale

### Average deposits +16% year-over-year

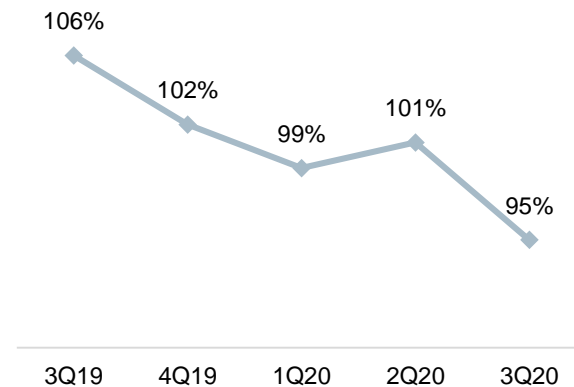
- Linked quarter growth of 6% driven by a combination of existing and new client balances, client asset flows from the Wealth management & trust segment into deposit products, and an increase in wealth sweep deposits

## Average Deposits

(\$ in millions)



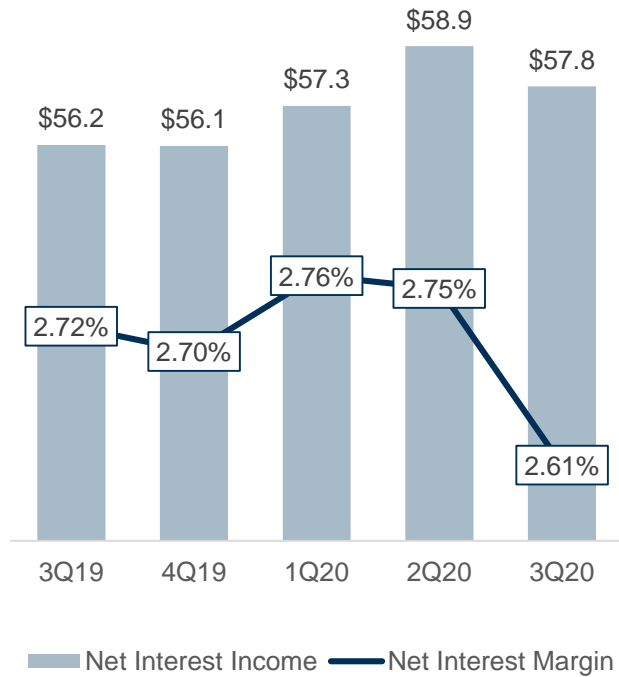
## Loan to Deposit Ratio (averages)



# NET INTEREST INCOME AND MARGIN

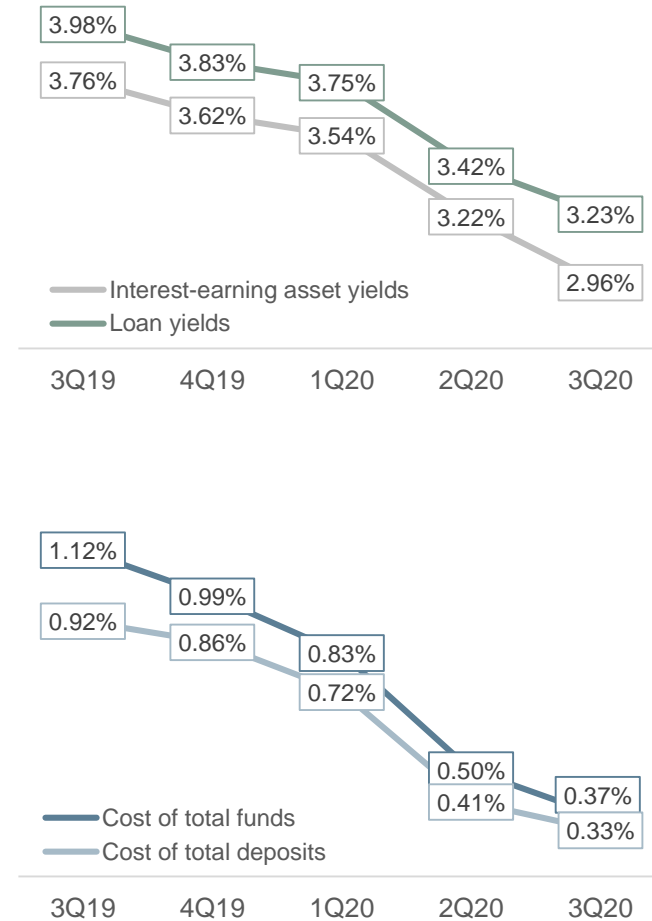
## Net Interest Income and Margin

(\$ in millions)



- Excess cash had 8 basis point impact on NIM during 3Q20

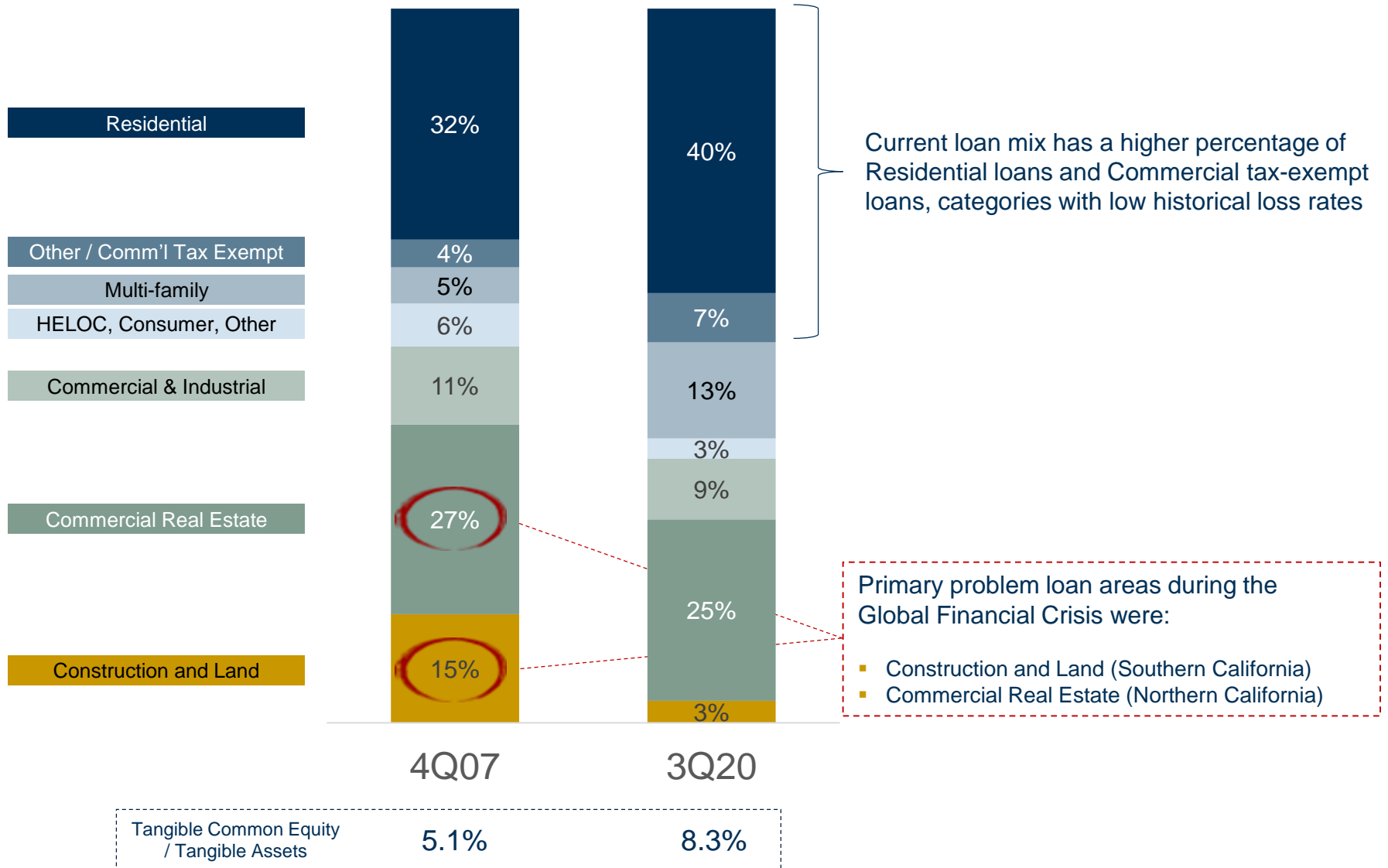
## Net Interest Margin drivers





# EVOLUTION OF BPFH LOAN PORTFOLIO

Current loan portfolio composition more favorable when compared to Global Financial Crisis



3Q20 loan balances exclude Paycheck Protection Program loans

# ASSET QUALITY: ADVERSELY GRADED AND NONPERFORMING LOANS

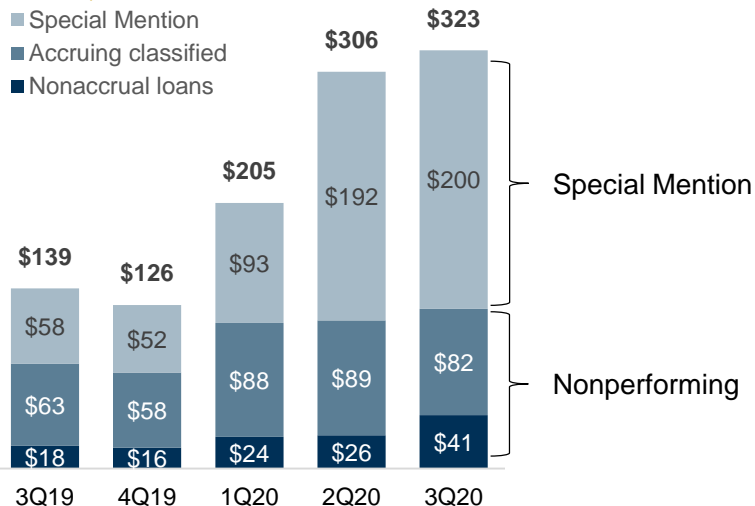
As of 9/30/20

(\$ in millions)

	Balance \$	% of Total	Criticized and Classified (\$)			
			Special Mention	Accruing Classified	Nonaccrual	Total
Commercial and industrial	955	13%	9	27	15	51
Commercial tax exempt	472	7%	5	5	4	14
Commercial real estate	2,660	36%	183	45	5	233
Construction and land	212	3%	2	-	-	2
Residential	2,729	38%	-	4	16	20
Home Equity	82	1%	-	1	-	1
Consumer	113	2%	-	-	-	0
<b>Total Loans</b>	<b>7,223</b>	<b>100%</b>	<b>200</b>	<b>82</b>	<b>41</b>	<b>323</b>

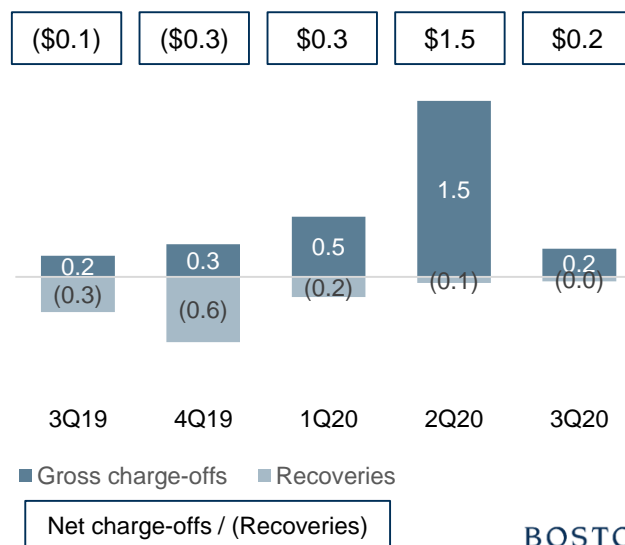
## Criticized and Classified - Five Quarter Trend

(\$ in millions)



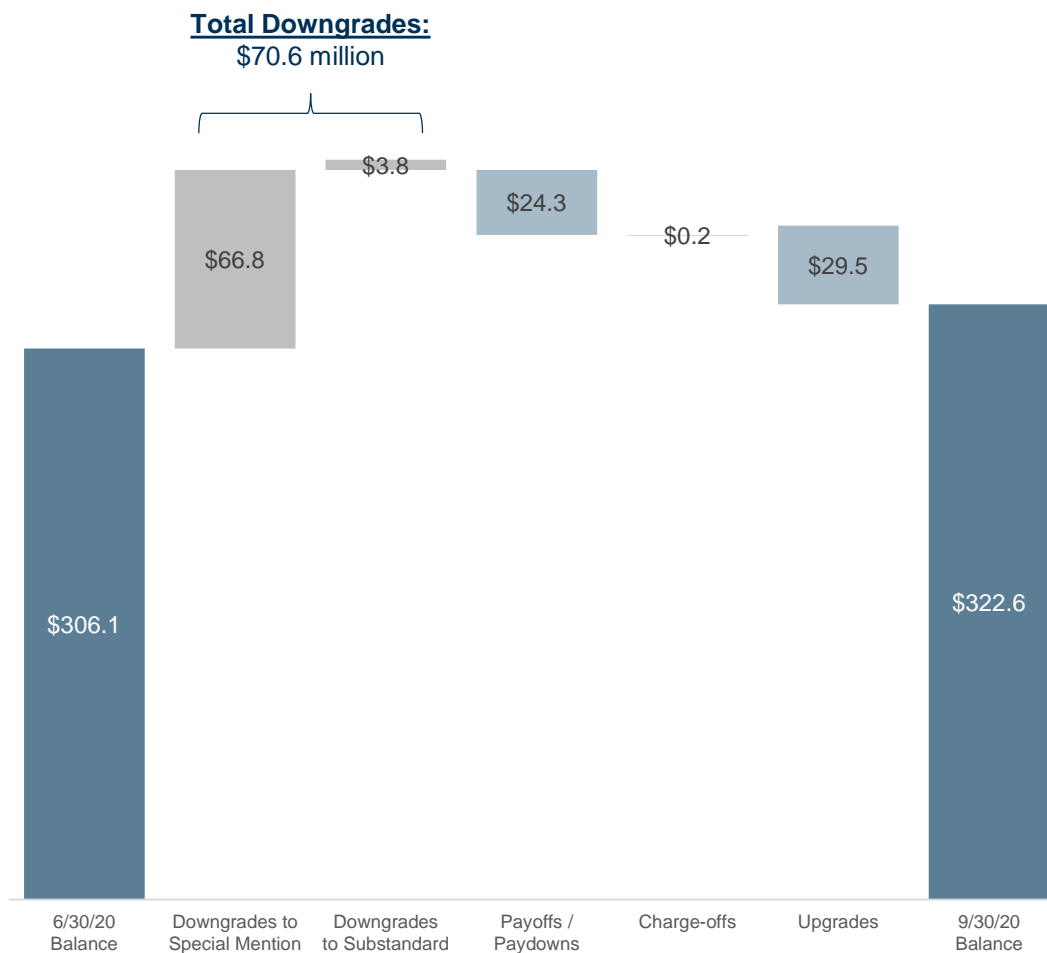
## Net Charge-Offs / (Recoveries)

(\$ in millions)



# CRITICIZED AND CLASSIFIED ROLLFORWARD

\$ in millions



## Summary of Risk Rating Changes

### DOWNGRADES

#### Loan Type

	Count	\$	% of total
Commercial Real Estate	16	\$61.8	88%
Commerical & Industrial	11	\$4.6	7%
Residential	4	\$1.1	2%
Other	2	\$3.1	4%
<b>Total</b>	<b>33</b>	<b>\$70.6</b>	<b>100%</b>

#### CRE Collateral Type

	Count	\$	% of total
Hospitality	7	\$40.0	65%
Retail	7	\$20.8	34%
Other	2	\$1.0	2%
<b>Total</b>	<b>16</b>	<b>\$61.8</b>	<b>100%</b>

### UPGRADES & PAYOFFS

#### Loan Type

	Count	\$	% of total
Commercial Real Estate	9	\$36.1	51%
Commerical & Industrial	7	\$2.4	3%
Residential	2	\$1.0	1%
Other	2	\$2.7	4%
<b>Total</b>	<b>20</b>	<b>\$42.1</b>	<b>60%</b>

#### CRE Collateral Type

	Count	\$	% of total
Office/Medical	5	\$23.2	37%
Retail	1	\$9.1	15%
Other	3	\$3.9	6%
<b>Total</b>	<b>9</b>	<b>\$36.1</b>	<b>58%</b>

# EXPOSURE TO HIGH RISK LOAN CATEGORIES

## RETAIL

## HOSPITALITY

### Type

### CRE

### CRE

### Exposure

~\$600 million

~\$170 million

Special Mention

\$81 million 13%

\$72 million 42%

Classified

\$7 million 1%

\$33 million 19%

### Criticized & Classified

**\$88 million 14%**

**\$105 million 62%**

Pass or Better

\$512 million 86%

\$65 million 38%

### Total

**~\$600 million 100%**

**~\$170 million 100%**

### Pre COVID-19 LTV

48%

51%

### Comments

- Rent collections have increased from high 70% range in June to approximately 80% in September

- Occupancy rates in the low 40% range;
- Sector remains under pressure

# DEFERRALS

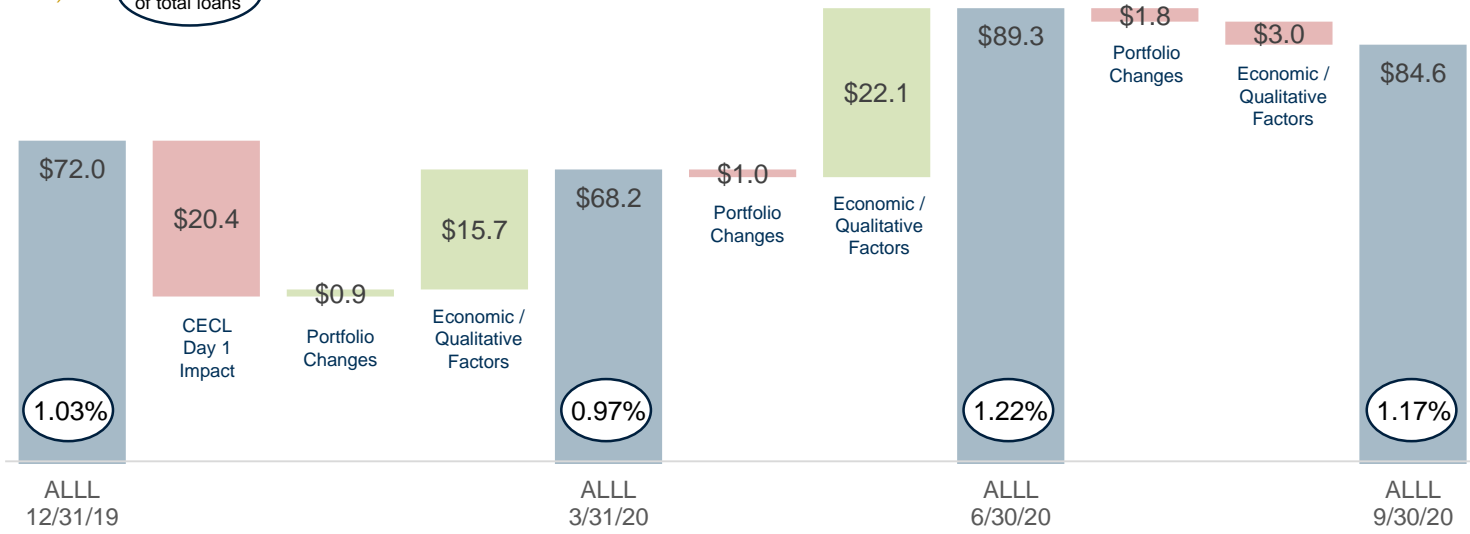
Loan Type	Type	2Q20	3Q20
COMMERCIAL AND INDUSTRIAL	6 month deferral of principal	<p>\$125 million</p> <p>13% of total C&amp;I and CTE</p>	<p>\$50 million</p> <p>4.7% of total C&amp;I and CTE</p>
RESIDENTIAL MORTGAGE	90 day deferral of principal and interest	<p>\$220 million</p> <p>7% of total Residential and HELOC</p>	<p>\$100 million</p> <p>3.6% of total Residential and HELOC</p>
COMMERCIAL REAL ESTATE	Program covering 12 months of P&I for qualified borrowers	<p>~\$1.3 billion of loans qualified and accepted</p> <p>Program added ~\$78 million of loans</p>	

# ASSET QUALITY: ALLOWANCE FOR LOAN LOSS AND PROVISION

## Allowance for Loan Loss

(\$ in millions)

ALLL as a % of total loans



## Allowance for Loan Loss by Loan Type

	6/30/20	9/30/20	
Commercial Real Estate	1.78%	1.78%	1.61% Excluding PPP
Commercial & Industrial	1.04%	1.01%	
Commercial Tax Exempt	0.59%	0.61%	
Construction & Land	3.99%	3.95%	
Residential	0.62%	0.54%	1.23% Excluding PPP
Home Equity	0.52%	0.55%	
Other Consumer	1.44%	1.08%	
<b>Total</b>	<b>1.22%</b>	<b>1.17%</b>	

**Portfolio Changes:** Considers loan originations, payoffs, and paydowns, changes in loan portfolio mix, charge-offs, recoveries, and specific reserves

**Economic / Qualitative Factors:** Considers changes to macroeconomic scenarios, changes to weightings assigned to the scenarios, and qualitative factor adjustments

# PRIVATE BANK PERFORMANCE HIGHLIGHTS

(\$ in millions)	% Change				
	3Q20	2Q20	3Q19	LQ	Y/Y
Net interest income	\$58.3	\$59.7	\$57.1	(2)%	2%
Core fees and income	2.3	2.6	3.6	(11)%	(35)%
Total other income	0.2	1.0	(0.2)	(84)%	nm
<b>Total revenue</b>	<b>\$60.8</b>	<b>\$63.3</b>	<b>\$60.5</b>	<b>(4)%</b>	<b>1%</b>
<b>Total noninterest expense</b>	<b>\$43.1</b>	<b>\$42.9</b>	<b>\$38.1</b>	<b>-%</b>	<b>13%</b>
<b>Pre-tax, pre-provision income</b>	<b>\$17.7</b>	<b>\$20.4</b>	<b>\$22.3</b>	<b>(13)%</b>	<b>(21)%</b>
Provision expense/ (credit)	(4.6)	22.6	0.2	nm	nm
<b>Pre-tax income / (loss)</b>	<b>\$22.3</b>	<b>\$(2.2)</b>	<b>\$22.2</b>	<b>nm</b>	<b>-%</b>
Income tax expense / (benefit)	2.9	(1.3)	4.2	nm	(30)%
<b>Net income / (loss)</b>	<b>\$19.3</b>	<b>\$(1.0)</b>	<b>\$17.9</b>	<b>nm</b>	<b>8%</b>
<i>Efficiency ratio</i>	71%	68%	63%		

## Comments

- Efficiency ratio of 71%
- Changes in pre-tax income primarily driven by lower loan loss provisioning

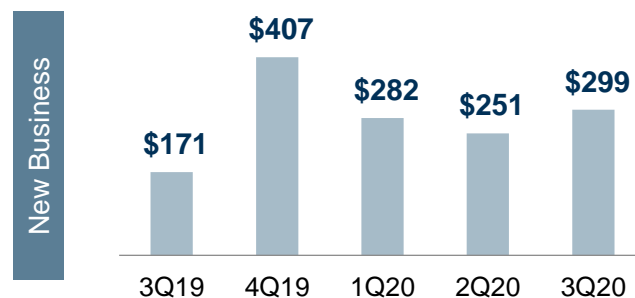
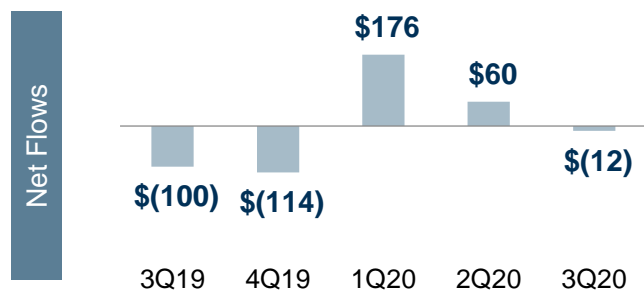
# WEALTH MANAGEMENT & TRUST PERFORMANCE HIGHLIGHTS

(\$ in millions)				% Change	
	3Q20	2Q20	3Q19	LQ	Y/Y
<b>Total revenue</b>	<b>\$18.3</b>	<b>\$17.3</b>	<b>\$19.2</b>	<b>6%</b>	<b>(5)%</b>
<b>Total noninterest expense</b>	<b>\$15.5</b>	<b>\$14.7</b>	<b>\$13.9</b>	<b>6%</b>	<b>12%</b>
<b>Pre-tax income</b>	<b>\$2.7</b>	<b>\$2.6</b>	<b>\$5.3</b>	<b>3%</b>	<b>(49)%</b>
Income tax expense	0.8	0.9	1.8	(10)%	(54)%
<b>Net income</b>	<b>\$1.9</b>	<b>\$1.8</b>	<b>\$3.6</b>	<b>10%</b>	<b>(46)%</b>
Pre-tax income	\$2.7	\$2.6	\$5.3	3%	(49)%
Depreciation & amortization	0.9	0.9	1.0	-%	(4)%
<b>EBITDA (non-GAAP)</b>	<b>\$3.7</b>	<b>\$3.6</b>	<b>\$6.3</b>	<b>2%</b>	<b>(42)%</b>
<i>EBITDA margin (non-GAAP)</i>	<i>20%</i>	<i>21%</i>	<i>33%</i>		

## Comments

- Operating basis EBITDA margin was 20%. Year-over-year decline driven by talent acquisition
- Net flows of negative \$12 million driven by client outflows into bank deposit products, offset by continued strength in new business coupled with low client attrition

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







# 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 5 of the 3Q20 BPFH earnings press release. A full reconciliation of GAAP to non-GAAP results can be found in the footnotes of the 3Q20 BPFH earnings press release beginning on page 16.

	2019				2020				2019	2020
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY	YTD
<b>GAAP Net Income</b>	<b>\$19.4</b>	<b>\$19.4</b>	<b>\$20.0</b>	<b>\$21.2</b>	<b>\$0.8</b>	<b>(\$3.3)</b>	<b>\$22.7</b>	<b>\$ -</b>	<b>\$80.0</b>	<b>\$20.2</b>
Adjustments	1.3	-	-	(0.8)	-	-	(0.7)	-	0.5	(0.7)
Operating Net income	\$20.7	\$19.4	\$20.0	\$20.5	\$0.8	(\$3.3)	\$22.0	\$ -	\$80.5	\$19.5

## 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)			
	<b>Total</b>		<b>\$1.3</b>		<b>Total</b>	
2Q	No adjustments			No adjustments		
	<b>Total</b>		<b>\$ -</b>	<b>Total</b>		<b>\$ -</b>
3Q	No adjustments			Divestiture of BOS	Revaluation of receivable	(0.9)
				Normalizing Factor	Income tax expense	0.2
	<b>Total</b>		<b>\$ -</b>	<b>Total</b>		<b>(\$0.7)</b>
4Q	Divestiture of BOS	Revaluation of receivable	(1.1)	No adjustments		
	Normalizing Factor	Income tax expense	0.3			
	<b>Total</b>		<b>(\$0.8)</b>		<b>Total</b>	
<b>2019 Total</b>		<b>\$0.5</b>	<b>2020 Total</b>		<b>(\$0.7)</b>	