



**BOSTON PRIVATE**

WEALTH ▫ TRUST ▫ PRIVATE BANKING

# Second Quarter 2020 Results

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July 29, 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.

# BOSTON PRIVATE'S RESPONSE TO COVID-19

## COMPANY OPERATIONS

- Continuing to operate primarily in a remote environment
- Business continuity plan operating as designed, with little interruption
- Processes and technology have continue to operate effectively

## EMPLOYEES

- Focused on providing our employees with the flexibility and tools to work remotely
- Feedback from employees on working environment has been very positive
- Continue to make a variety of resources available to employees to assist with the current remote working environment

## CLIENTS

- Continue to focus on providing the best client experience, including:
  - **PPP:** funded \$380 million loans across 1,050 clients
  - **Residential deferrals:** \$217 million of loans across 350 clients deferred for initial 90 day period (\$80 million requested additional 90 days)
  - **Commercial deferrals:** principal payment deferrals on \$126 million of C&I loans
  - **CRE debt service reserve program:** \$80 million of loans to qualified CRE clients to cover principal and interest payments

## COMMUNITY

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

# 2Q20 CONSOLIDATED FINANCIAL HIGHLIGHTS

(\$ in millions, except per share data)

OPERATING PERFORMANCE	Net loss	\$(3.3)
	Diluted EPS	\$(0.04)
	ROACE	(1.6)%
	ROATCE	(1.4)%
BALANCE SHEET & ASSETS UNDER MANAGEMENT / ADVISORY ("AUM")	Average Deposits	\$7,250
	Average Loans	\$7,289
	Total AUM	\$15,956
	Total net flows	\$(40)
CAPITAL	Tier 1 Common Equity Ratio <sup>1</sup>	11.1%
	Tangible Book Value Per Share	\$9.25

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

# CONSOLIDATED INCOME STATEMENT

(\$ in millions)				% Change	
	2Q20	1Q20	2Q19	LQ	Y/Y
Net interest income	\$58.9	\$57.3	\$57.5	3%	3%
Core fees and income	21.6	22.9	24.3	(5)%	(11)%
Total other income	1.0	(1.4)	0.1	nm	nm
<b>Total revenue</b>	<b>81.6</b>	<b>78.8</b>	<b>81.8</b>	<b>4%</b>	<b>-%</b>
<b>Total noninterest expense</b>	<b>61.5</b>	<b>60.9</b>	<b>55.7</b>	<b>1%</b>	<b>10%</b>
<b>Pre-tax, pre-provision income</b>	<b>20.1</b>	<b>17.9</b>	<b>26.2</b>	<b>13%</b>	<b>(23)%</b>
Provision expense/ (credit)	22.6	17.0	1.4	33%	nm
<b>Pre-tax income</b>	<b>(2.5)</b>	<b>0.9</b>	<b>24.8</b>	<b>nm</b>	<b>nm</b>
Income tax expense	0.8	0.1	5.4	nm	(84)%
Noncontrolling interests	-	-	0.1	(100)%	(100)%
<b>Net income</b>	<b>\$(3.3)</b>	<b>\$0.8</b>	<b>\$19.4</b>	<b>nm</b>	<b>nm</b>
Memo: Excluding Provision					
Pre-tax, pre-provision income	\$20.1	\$17.9	\$26.2	13%	(23)%
Provision for unfunded loan commitments	2.8	1.8	-	(55)%	nm
<b>Pre-tax, pre-provision inc. (non-GAAP)</b>	<b>\$22.9</b>	<b>\$19.7</b>	<b>\$26.2</b>	<b>16%</b>	<b>(13)%</b>

## Comments

- Pre-tax, pre-provision income increased 13% linked quarter
- Excluding Provision for unfunded loan commitments, Adjusted pre-tax, pre-provision income increased 16% linked quarter, primarily driven by higher revenue, and lower noninterest expense

# CONSOLIDATED REVENUE TRENDS

(\$ in millions)				% Change	
	2Q20	1Q20	2Q19	LQ	Y/Y
<b>Net interest income</b>	<b>\$58.9</b>	<b>\$57.3</b>	<b>\$57.5</b>	<b>3%</b>	<b>3%</b>
<b>Noninterest income</b>					
Wealth management and trust fees	17.3	18.4	18.9	(6)%	(8)%
Investment management fees	1.8	1.9	2.5	(8)%	(28)%
Private banking fees <sup>2</sup>	2.6	2.6	2.9	-%	(11)%
<b>Total core fees and income</b>	<b>21.6</b>	<b>22.9</b>	<b>24.3</b>	<b>(5)%</b>	<b>(11)%</b>
Miscellaneous <sup>3</sup>	1.0	(1.4)	0.1	nm	nm
<b>Total other income</b>	<b>1.0</b>	<b>(1.4)</b>	<b>0.1</b>	<b>nm</b>	<b>nm</b>
<b>Total revenue</b>	<b>\$81.6</b>	<b>\$78.8</b>	<b>\$81.8</b>	<b>4%</b>	<b>- %</b>

## Comments

- Total revenue increased 4% linked quarter, primarily driven by higher net interest income and higher miscellaneous income, partially offset by lower total core fees and income

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

(3) 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				
	2Q20	1Q20	2Q19	LQ	Y/Y
Salaries and employee benefits	\$33.9	\$35.1	\$32.7	(3)%	4%
Occupancy and Equipment	7.6	7.6	7.9	(1)%	(4)%
Information systems	7.1	6.7	5.1	6%	38%
Professional services	3.4	3.6	3.3	(4)%	4%
Marketing and business development	2.3	1.9	1.9	22%	20%
Amortization of intangibles	0.7	0.7	0.7	(2)%	4%
FDIC Insurance	0.8	-	0.6	nm	31%
Other	5.6	5.2	3.5	7%	62%
<b>Total noninterest expense</b>	<b>\$61.5</b>	<b>\$60.9</b>	<b>\$55.7</b>	<b>1%</b>	<b>10%</b>
<b>Memo:</b>					
Total noninterest expense	\$61.5	\$60.9	\$55.7	4%	1%
Provision for unfunded loan commitments	2.8	1.8	-	55%	nm
<b>Total noninterest expense (non-GAAP)</b>	<b>\$58.7</b>	<b>\$59.1</b>	<b>\$55.7</b>	<b>(1)%</b>	<b>5%</b>

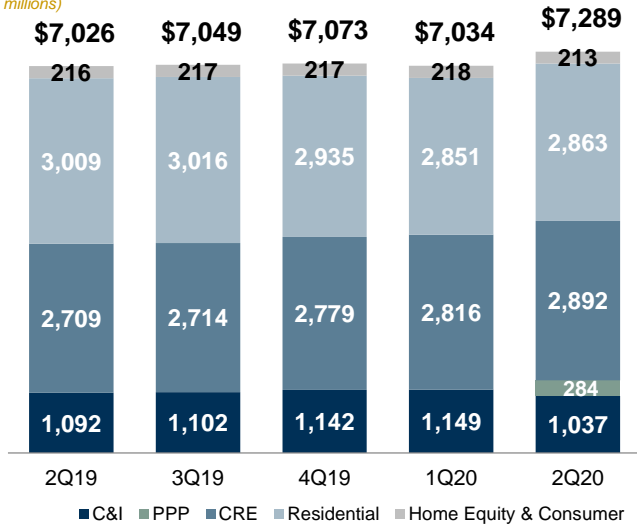
## Comments

- Salaries and employee benefits decreased linked quarter primarily driven by seasonal expenses in the first quarter
- Other expense increased primarily driven by Provision expense for unfunded loan commitments

# BALANCE SHEET HIGHLIGHTS

## Average Loans

(\$ in millions)



## Comments

### Average loans +4% year-over-year

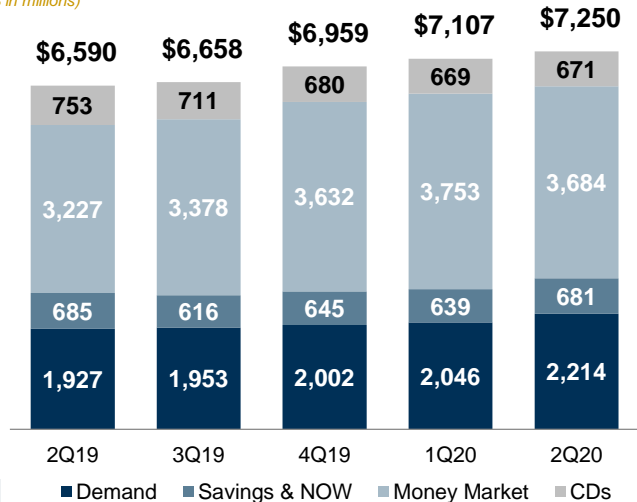
- Excluding PPP loans, average loans flat year-over-year
- C&I loans declined 10% linked quarter
- CRE growth driven by debt service reserve program loans

### Average deposits +10% year-over-year

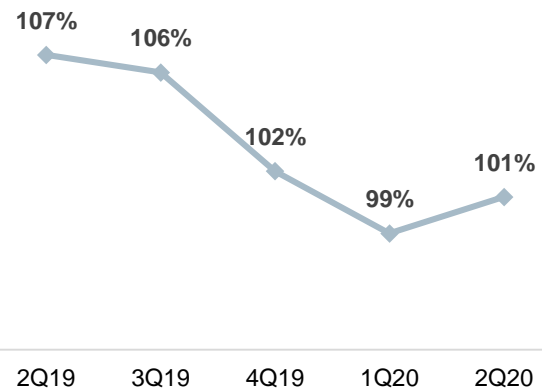
- Demand deposit growth driven by commercial clients
- Money market growth driven by commercial clients and wealth sweep deposits
- Certificate of deposit decline driven by brokered CD run-off

## Average Deposits

(\$ in millions)



## Loan to Deposit Ratio (averages)

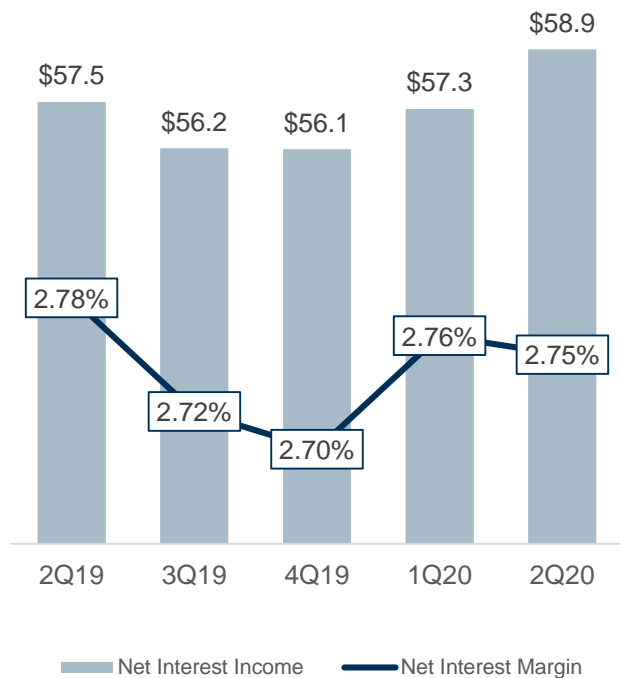




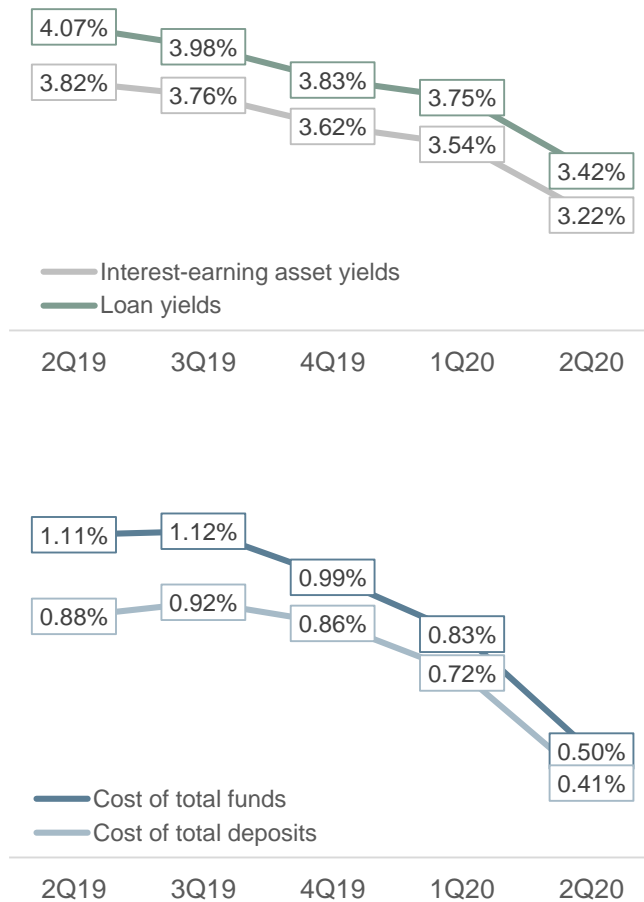
# NET INTEREST INCOME AND MARGIN

## Net Interest Income and Margin

(\$ in millions)



## Net Interest Margin drivers



# ASSET QUALITY: ADVERSELY GRADED AND NONPERFORMING LOANS

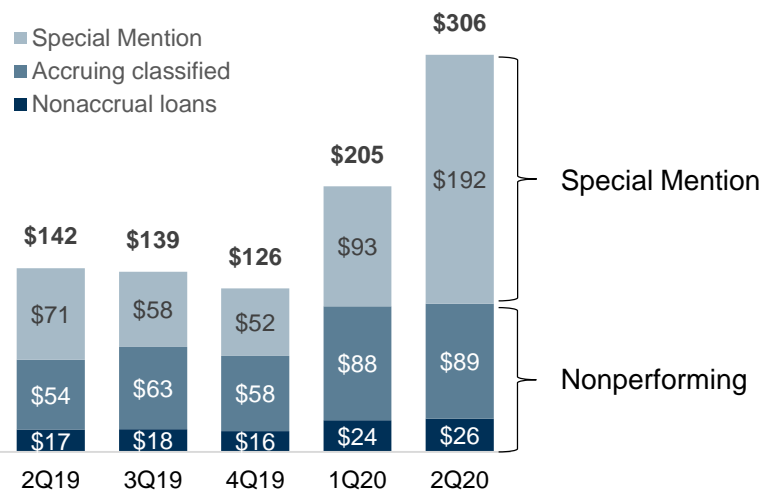
As of 6/30/20

(\$ in millions)

	Balance \$	% of Total	Criticized and Classified (\$)			
			Special Mention	Accruing Classified	Nonaccrual	Total
Commercial and industrial	936	13%	9	40	4	52
Commercial tax exempt	419	6%	2	8	-	11
Commercial real estate	2,677	36%	176	35	5	216
Construction and land	240	3%	5	-	-	5
Residential	2,860	39%	-	4	16	21
Home Equity	85	1%	-	1	-	1
Consumer	117	2%	-	-	-	-
<b>Total Loans</b>	<b>7,333</b>	<b>100%</b>	<b>192</b>	<b>89</b>	<b>26</b>	<b>306</b>

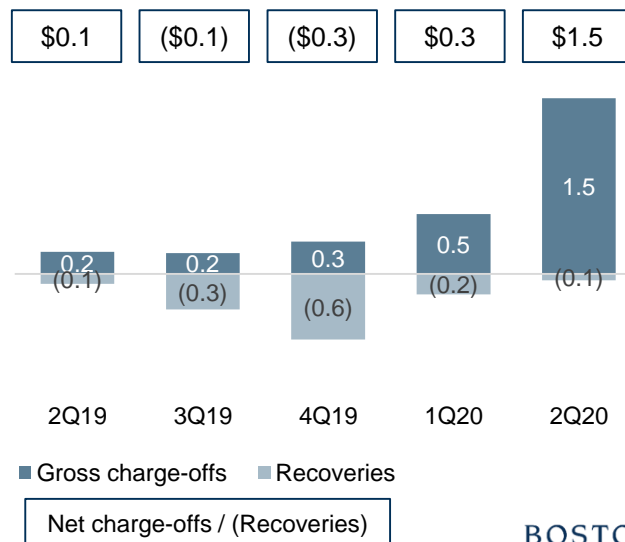
## Criticized and Classified - Five Quarter Trend

(\$ in millions)



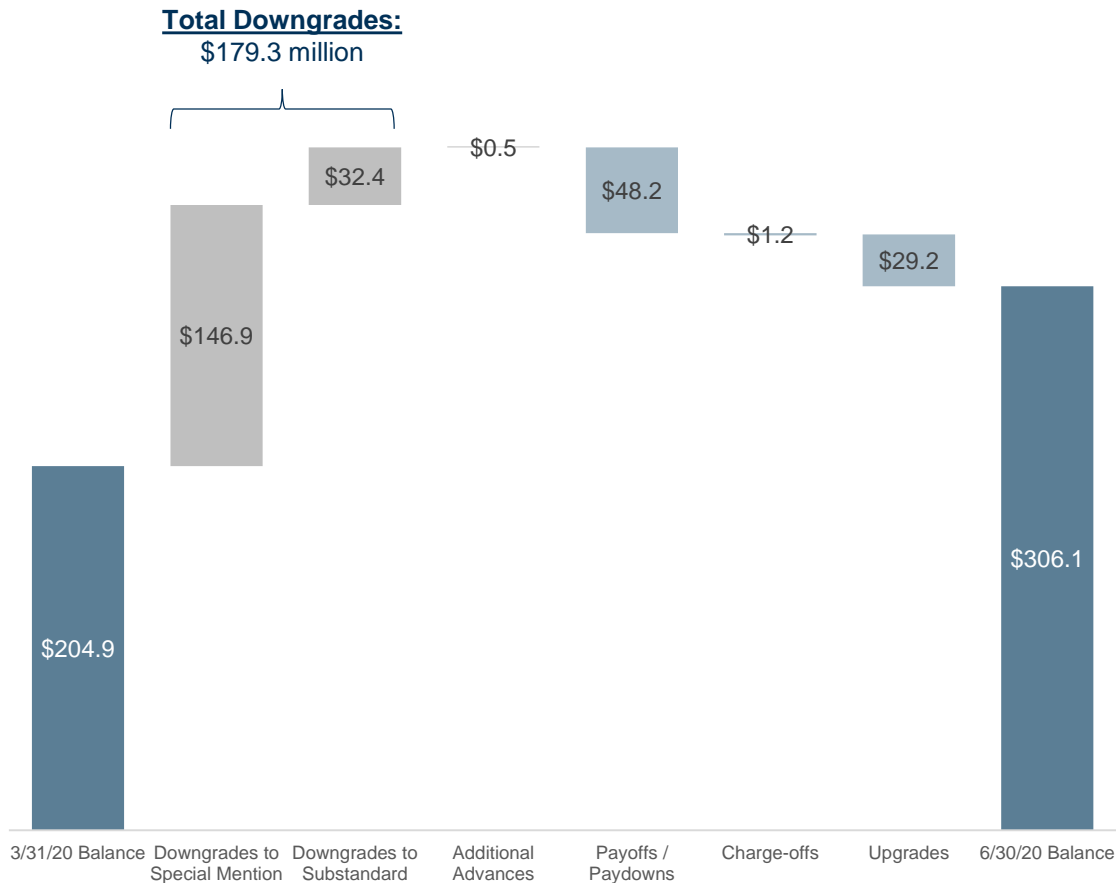
## Net Charge-Offs / (Recoveries)

(\$ in millions)



# CRITICIZED AND CLASSIFIED ROLLFORWARD

\$ in millions



## Summary of Downgrades

### Downgrades: Loan Type

	Count	\$	% of total
Commercial Real Estate	14	\$153.2	85%
Commerical & Industrial	17	\$19.1	11%
Construction	2	\$4.4	2%
Residential	11	\$2.5	1%
Other	2	\$0.1	0%
<b>Total</b>	<b>46</b>	<b>\$179.3</b>	<b>100%</b>

### Downgrades: CRE Collateral Type

	Count	\$	% of total
Retail	6	\$74.5	49%
Hospitality	5	\$43.0	28%
Office/Medical	2	\$29.2	19%
Other	1	\$6.6	4%
<b>Total</b>	<b>14</b>	<b>\$153.2</b>	<b>100%</b>

# EXPOSURE TO HIGH RISK LOAN CATEGORIES

	RETAIL	HOSPITALITY	RESTAURANTS
<b>Type</b>	CRE	CRE	C&I
<b>Exposure</b>	~\$621 million	~\$161 million	~\$16 million
<b>Criticized &amp; Classified</b>	~\$84 million	~\$65 million	\$0
<b>Pre COVID-19 LTV</b>	~48%	~51%	N/A
<b>Comments</b>	<ul style="list-style-type: none"> <li>Rent collections have increased from April to June</li> </ul>	<ul style="list-style-type: none"> <li>Occupancy rates bottomed in April, showing signs of recovery in May and June, though sector remains under pressure</li> </ul>	<ul style="list-style-type: none"> <li>Primarily related to national QSR franchises that are open and doing business, following a brief shutdown</li> </ul>

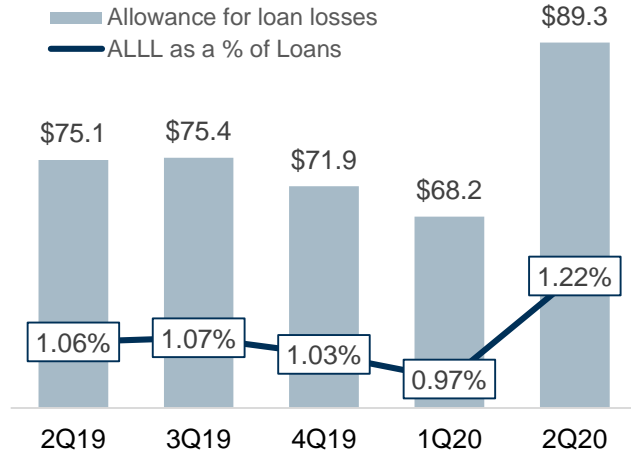
# DEFERRALS

Loan Type	Type	Clients	Amount	Comments
COMMERCIAL AND INDUSTRIAL	6 month deferral of principal	~70	\$126 million (13% of total C&I and CTE)	<ul style="list-style-type: none"> <li>Flat from the prior quarter</li> </ul>
RESIDENTIAL MORTGAGE	90 day deferral of principal and interest	~350	\$217 million (7% of total Residential and HELOC)	<ul style="list-style-type: none"> <li>Slowed down by mid-May</li> <li>\$80 million have requested second 90 day extension</li> </ul>
COMMERCIAL REAL ESTATE	Program covering 12 months of P&I for qualified borrowers	~240	~\$1.3 billion (Covers 50% of CRE loan balance)	<ul style="list-style-type: none"> <li>For qualified borrowers only</li> <li>~\$80 million of loans funded</li> </ul>

# ASSET QUALITY: ALLOWANCE FOR LOAN LOSS AND PROVISION

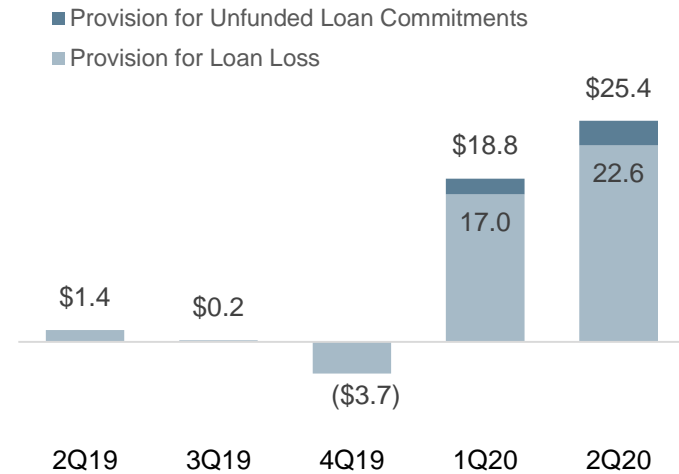
## Allowance for Loan Loss

(\$ in millions)



## Total Provision for Credit Losses

(\$ in millions)



	3/31/20	6/30/20	
Commercial Real Estate	1.39%	1.78%	1.69% Excluding PPP
Commercial & Industrial	1.51%	1.04%	
Commercial Tax Exempt	0.43%	0.59%	
Construction & Land	2.39%	3.99%	
<hr/>			
Residential	0.42%	0.62%	1.28% Excluding PPP
Home Equity	0.33%	0.52%	
Other Consumer	1.26%	1.44%	
<b>Total</b>	<b>0.97%</b>	<b>1.22%</b>	

# PRIVATE BANK PERFORMANCE HIGHLIGHTS

(\$ in millions)				% Change	
	2Q20	1Q20	2Q19	LQ	Y/Y
Net interest income	\$59.7	\$58.1	\$58.4	3%	(2)%
Core fees and income	2.6	2.6	2.9	-%	(11)%
Total other income	1.0	(1.5)	(0.1)	nm	nm
<b>Total revenue</b>	<b>\$63.3</b>	<b>\$59.2</b>	<b>\$61.2</b>	<b>7%</b>	<b>3%</b>
<b>Total noninterest expense</b>	<b>\$42.9</b>	<b>\$42.6</b>	<b>\$37.8</b>	<b>1%</b>	<b>14%</b>
<b>Pre-tax, pre-provision income</b>	<b>\$20.4</b>	<b>\$16.6</b>	<b>\$23.4</b>	<b>23%</b>	<b>(13)%</b>
Provision expense/ (credit)	22.6	17.0	1.4	33%	nm
<b>Pre-tax income</b>	<b>\$(2.2)</b>	<b>\$(0.4)</b>	<b>\$22.1</b>	<b>nm</b>	<b>nm</b>
Income tax expense	(1.3)	(0.9)	4.9	35%	nm
<b>Net income</b>	<b>\$(1.0)</b>	<b>\$0.6</b>	<b>\$17.2</b>	<b>nm</b>	<b>nm</b>
<i>Efficiency Ratio</i>	<i>68%</i>	<i>72%</i>	<i>62%</i>		

## Comments

- Efficiency ratio decreased to 68%
- Net interest income increased 3% linked quarter, while \$2.8 million of provision expense was the primary driver of noninterest expense increase
- Total reserve build of \$25.4 million negatively impacted Net income

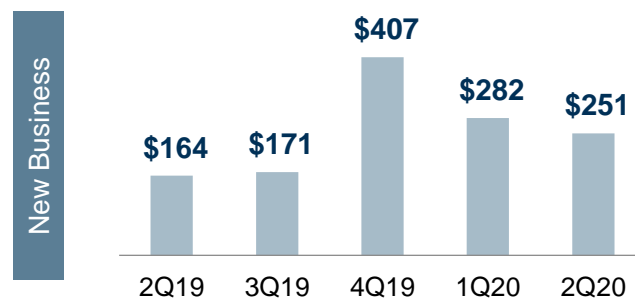
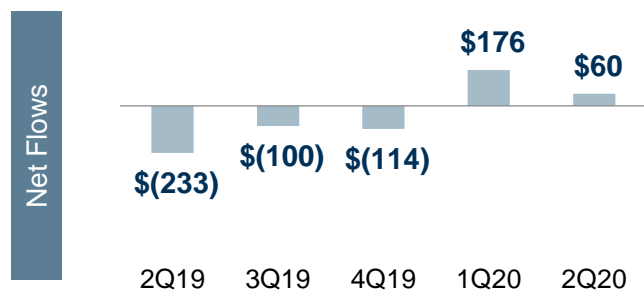
# WEALTH MANAGEMENT & TRUST PERFORMANCE HIGHLIGHTS

(\$ in millions)	% Change				
	2Q20	1Q20	2Q19	LQ	Y/Y
<b>Total revenue</b>	<b>\$17.3</b>	<b>\$18.6</b>	<b>\$19.1</b>	<b>(7)%</b>	<b>(9)%</b>
<b>Total noninterest expense</b>	<b>\$14.7</b>	<b>\$15.4</b>	<b>\$14.4</b>	<b>(5)%</b>	<b>2%</b>
<b>Pre-tax income</b>	<b>\$2.6</b>	<b>\$3.1</b>	<b>\$4.7</b>	<b>(15)%</b>	<b>(43)%</b>
Income tax expense	0.9	1.1	1.5	(16)%	(41)%
<b>Net income</b>	<b>\$1.8</b>	<b>\$2.0</b>	<b>\$3.1</b>	<b>(14)%</b>	<b>(44)%</b>
Pre-tax income	\$2.6	\$3.1	\$4.7	(15)%	(43)%
Depreciation & amortization	0.9	0.9	1.0	(1)%	(8)%
<b>EBITDA (non-GAAP)</b>	<b>\$3.6</b>	<b>\$4.0</b>	<b>\$5.7</b>	<b>(12)%</b>	<b>(37)%</b>
<i>EBITDA margin (non-GAAP)</i>	<i>21%</i>	<i>22%</i>	<i>30%</i>		

## Comments

- Operating basis EBITDA margin was 21%
- Net flows of \$60 million driven 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 2Q20 BPFH earnings press release. A full reconciliation of GAAP to non-GAAP results can be found in the footnotes of the 2Q20 BPFH earnings press release beginning on page 16.

	2019				2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<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>\$ -</b>	<b>\$ -</b>
Adjustments	1.3	-	-	(0.8)	-	-	-	-
Operating Net income	\$20.7	\$19.4	\$20.0	\$20.5	\$0.8	(\$3.3)	\$ -	\$ -

### 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			No adjustments			
	<b>Total</b>		<b>\$ -</b>	<b>Total</b>		<b>\$ -</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>\$0.0</b>