

# BOSTON PRIVATE BANK & TRUST COMPANY

November 2009

Dear Friend:

While many banks in the industry continue to rebuild their capital base, liquidity, earnings, and asset quality, Boston Private Bank & Trust Company has persevered through an economic environment that has challenged not only the banking industry, but also our community. As our solid third-quarter results reflect, the Bank remains strong and stable during uncertain times.

Year to date, our pre-tax earnings are up 5 percent compared to the same period last year, excluding the FDIC's \$1.4 million special insurance assessment. Liquidity remains strong with deposits up 27 percent and net loans up 8 percent. Shareholder equity has increased 12 percent, while the Bank's return on equity, in excess of 10 percent, represents top decile performance among our Massachusetts peer banks with \$1 billion to \$10 billion in assets.

The Bank's commercial lending portfolio has doubled over the last five years – and we continue to lend – while our percentage of criticized and classified loans remains well below industry averages. Although the equity markets have had a tough couple of years, our high client retention rate underscores the importance of providing clients direct access to sound advice and expertise – a hallmark of Boston Private Bank's client service. Looking ahead, we continue to seek strategic growth opportunities for the Bank, while maintaining our disciplined approach to expenses.

Our parent company, Boston Private Financial Holdings Inc. (BPFH), recently announced the sale of two subsidiaries and a plan of disposition for a third subsidiary as part of ongoing balance sheet strengthening efforts. These transactions will improve BPFH's capital position, reduce risk across its organization, and create additional liquidity and financial flexibility. The sales will better position BPFH to expand its presence in current markets and invest its resources in its remaining subsidiaries, including Boston Private Bank & Trust Company.

Recognizing that we can do good things in the community while also doing good business, the Bank has integrated its community investment efforts into its overall business philosophy. Over the last 10 years, our Community Investment Program has invested more than \$500 million in the community, primarily in the form of loans, and our commitment is ongoing. We're proud to have earned an "outstanding" Community Reinvestment Act rating from federal and state CRA regulators since 2000.

We are equally proud of our financial achievements to date, which your business and confidence in the Bank have helped make possible, and we thank you for choosing Boston Private Bank & Trust Company. We are a local financial services firm that aspires to be the Greater Boston area's premier private bank – and we hope to achieve that status by continually anticipating your changing banking, investment and wealth-management needs, aligning our team of professionals to address those requirements, and forging a long-term partnership with you.

If there is anything we can do to ensure that we continue to earn your trust and confidence, please do not hesitate to contact me directly.

Sincerely,

Mark D. Thompson  
CEO & President

