

BOSTON PRIVATE BANK
& TRUST COMPANY

MARK D. THOMPSON
CEO & PRESIDENT

Dear Friend,

The U.S. government and Federal Reserve's massive monetary and fiscal stimulus commitment designed to help bolster the economy is estimated to be in excess of \$12.8 trillion. These measures should help loosen the credit markets and restore confidence in the economy and the banking industry. In addition, the government recently completed stress tests for the nation's 19 largest banks. Results showed that many of the banks are adequately capitalized while some will be required to raise capital in the event of a deepening recession. Major banks have recently raised \$56 billion of capital showing signs of emerging investor confidence. Boston Private Bank & Trust Company continues to be a well-capitalized organization with capital ratios comfortably exceeding regulatory minimums. Our holding company, Boston Private Financial Holdings, Inc. (BPFH), is also well-capitalized and has increased its loan loss reserves as added protection should the recession deepen.

Boston Private Bank & Trust Company posted another solid first quarter, and I am pleased to share the results with you—results that underscore our continuing strength and stability in the current market. Our asset quality, capital ratios, and liquidity levels remained strong, and we achieved pretax earnings growth of 12%, with net interest income up 11%. Business growth was solid, with net loans up 7% and deposits up 9%. Fee income was down, primarily as a result of the market impact on assets under management. We continue to reinforce our commitment to the Bank's growth and stability by capitalizing on strategic growth opportunities, assiduously managing risk, and maintaining a tight rein on expenses.

Boston Private Bank & Trust offers private banking and investment management and trust services to individuals and businesses. Our unique position as a Boston-based private bank has a special appeal for those who value access to local decision-makers and appreciate our longstanding commitment to the greater Boston area. "Outstanding" Community Reinvestment Act ratings every year since 2000 further demonstrate the breadth and depth of our commitment to our entire community, including low- and moderate-income people and neighborhoods. We recognize that the Bank's success is tied directly to the growth and stability of the communities we serve, as well as to the quality of the services we render.

We take pride in being a resource that our clients can count on for exceptional service and advice they can trust, whenever they need it. We are also always exploring new and better ways to serve our clients in a confidential manner, and our latest improvement is the introduction of Secure Mail, a new service that enables clients to correspond with the Bank using encrypted electronic email. Through Secure Mail, clients can communicate private information without worrying about confidentiality or security, which eliminates the need to courier, fax, or mail confidential information to us.

Thank you for your business and your trust. Know that we are always ready to listen to your needs and understand your goals—and we're nimble enough to make adjustments that make sense for you in these uncertain times. Please don't hesitate to contact us with questions or suggestions.

Sincerely,



Mark D. Thompson

