

4Q

ANNUAL REPORT OF FINANCIAL CONDITION
As of December 31, 2010

BOREL PRIVATE BANK & TRUST COMPANY

Member of Boston Private Wealth Management Group



Greetings,

The year 2010 was definitely one filled with both good and bad news. The great news from my perspective is that in early December I was fortunate enough to become the new President and CEO of Borel Private Bank & Trust Company, an honor which I truly consider the pinnacle of my 30-year career in banking. The bad news is that the economy, both nationally and locally, continued to suffer throughout 2010. The good news is that 2010 is now behind us and we are encouraged with signs that the economy is showing signs of recovery. Unemployment appears to have begun to stabilize, the stock market has rebounded, and housing values in the Bay Area are marginally higher than the previous year.



We celebrated our 30th anniversary in 2010 and are very appreciative of the many recognitions that we received throughout the year from our community partners. We were honored to have retired CEO and President John Conover receive the Frances Bohannon Nelson Legacy Award from the San Mateo Area Chamber of Commerce and the David Bohannon Memorial Award for community commitment and service from the San Mateo County Economic and Development Association. Borel received recognition as one of the 100 Best Places to Work in the Bay Area for the seventh year in a row and the 2010 Outstanding Corporate Grantmaker was awarded to the Bank on National Philanthropy Day.

The economic environment that we have faced as a nation and in the Bay Area contributed to the continued deterioration of our local commercial real estate market and, as with the majority of banks, Borel has not been immune to its ill effects. We have taken a conservative look at our commercial real estate loan portfolio and made appropriate additions to our loan loss reserves which negatively impacted our earnings. Looking forward, we expect to continue to diversify the Bank's loan portfolio, adding a greater percentage of both home mortgages and commercial and industrial loans to our balance sheet. We continue to be in a growth mode, and are actively lending in our community. We have been adding many new business and personal relationships and will be expanding our Palo Alto office to a new, larger location in 2011 having outgrown our current one.

Borel's 2010 year-end results were impacted by our additions to loan loss reserves. After almost 29 years of strong earnings we finished the year with a net loss of \$28.8 million. Notwithstanding this loss, the Bank remains well capitalized and poised for continued growth. The Bank's total assets ended the year at \$1.6 billion, relatively even compared to December 31, 2009. Our Investment and Trust Department's performance continued to excel throughout 2010, ending the year at \$922 million in assets under management. We continue to achieve the "well capitalized" status, as measured by the FDIC, as our risk-based capital ratio was reported at 11.89% at year-end 2010, up from 11.73% in 2009.

Recently, our parent company of nine years - Boston Private Financial Holdings - announced plans to consolidate the charters of its four affiliated private banks into one integrated bank charter. While this structural change will be almost entirely seamless to you (it is largely a legal, regulatory and back-office reorganization) in substance, it will mean the best of both worlds for our clients.

You will continue to receive the distinctive, personal service that you have come to expect from us, and you will also gain access to a broader set of product offerings to ensure we continue to meet your long-term private banking and wealth management needs. In particular, we will extend our capabilities in areas including residential lending, commercial banking, investment management and cash management. You will be seeing and hearing more about these new opportunities in the coming months.

We view the charter consolidation and Borel's closer integration with the Boston Private banking group as a natural extension of a partnership that will result in a stronger balance sheet. Like everything we do, we will continue to focus on enduring excellence and our commitment to client responsiveness and quality service. Most importantly, your day-to-day experience with us will remain the same – and hopefully get even better.

I am looking forward to personally meeting many of you in 2011 and to becoming active in our community. I appreciate your loyalty and willingness to refer Borel Private Bank & Trust Company to your friends and associates.

Sincerely,

A handwritten signature in black ink, appearing to read "James C. Garvey".

James C. Garvey
President and CEO

Experience the Borel Difference:

Continuity of Personnel

The average tenure of our officers is eleven years, so you will enjoy long-term relationships with the people who know you and understand your long-term and short-term financial goals and objectives.

Access to Top-Level Decision-Makers

You'll have access to our most senior professionals, who are capable of providing the advice and decisions you need to manage your finances and serve all your banking needs.

Customized Solutions

Unlike some institutions that offer only "cookie-cutter" products, we provide flexible accounts and services tailored to meet your individual needs:

- deposit and cash management
- residential mortgages
- commercial lending
- investment management
- trust services

Convenience

We provide easy, anytime, anywhere access to your personal and business accounts online, by telephone, or via ATMs.

Our Commitment:



Borel Private Bank & Trust Company

CONDENSED BALANCE SHEET

(unaudited)

(\$ in Thousands)

As of December 31

	2010	2009	\$ Change	% Change
Assets				
Cash & Short Term Investments	\$220,066	\$163,286	\$56,780	35%
Investment Securities	97,419	37,951	59,468	157%
Loans Held for Sale	4,700	2,662	2,038	77%
Total Loans	1,281,151	1,383,017	(101,866)	-7%
Less: Allowance for Loan Losses	46,117	19,949	26,168	131%
Net Loans	1,235,034	1,363,068	(128,034)	-9%
Other Assets	79,389	58,462	20,927	36%
Total Assets	\$1,636,608	\$1,625,429	\$11,179	1%
Liabilities & Shareholders' Equity				
Demand Deposits	\$223,909	\$186,992	\$36,917	20%
Interest Bearing Accounts	1,173,859	1,259,950	(86,091)	-7%
Total Deposits	1,397,768	1,446,942	(49,174)	-3%
Borrowings	100,000	25,000	75,000	300%
Other Liabilities	9,677	10,996	(1,319)	-12%
Total Liabilities	1,507,445	1,482,938	24,507	2%
Shareholders' Equity	129,163	142,491	(13,328)	-9%
Total Liabilities & Shareholders' Equity	\$1,636,608	\$1,625,429	\$11,179	1%

Borel Private Bank & Trust Company

CONDENSED STATEMENT OF INCOME

(unaudited)

(\$ in Thousands)

For the twelve months ending December 31

	2010	2009	\$ Change	% Change
Interest Income	\$80,226	\$84,935	\$(4,709)	-6%
Interest Expense	11,626	20,548	(8,922)	-43%
Net Interest Income	68,600	64,387	4,213	7%
Provision for Loan Losses	81,025	13,761	67,264	489%
Net Interest Income After Provision	(12,425)	50,626	(63,051)	-125%
Investment Management Fees	7,076	6,182	894	14%
Banking Fees	596	527	69	13%
Other (Losses)/Gains including OREO (Losses)/Gains	(3,417)	584	(4,001)	-685%
Operating Expenses	41,490	36,465	5,025	14%
(Loss)/Income Before Income Tax/(Benefit)	(49,660)	21,454	(71,114)	-331%
Income Tax/(Benefit)	(20,875)	9,042	(29,917)	-331%
Net (Loss)/Income	\$(28,785)	\$12,412	\$(41,197)	-332%

BOARD OF DIRECTORS

Elizabeth Bechtel
Richard M. DeLuna
Clayton G. Deutsch
Sherie S. Dodsworth
Harold A. Fick
James C. Garvey
Lynn Thompson Hoffman
V. Charles Jackson
Roy E. Lave
Oscar E. Lopez-Guerra
Lawrence Nibbi
Mark Thompson
Thomas H. Vocker

EXECUTIVE OFFICERS

James C. Garvey
President & CEO
Barbara L. Evers
*Executive Vice President
Marketing Director*
Bruce K. Farrell
*Executive Vice President
Chief Lending Officer*
Nancy E. Johnson
*Executive Vice President
Senior Trust Officer*
Constance I. Katsaros
*Executive Vice President
HR Strategic Development*
Mark K. McDonald
*Executive Vice President
Chief Credit Officer*
Carol J. Olson
*Executive Vice President
Senior Operations Officer*
Stephen A. Rossi
*Executive Vice President
Chief Financial Officer
Corporate Secretary*

OFFICE LOCATIONS

San Mateo Office
Corporate Headquarters
160 Bovee Road
San Mateo, CA 94402

Palo Alto Office
Manager: Deborah Pappas, SVP
245 Lytton Avenue, Suite 175
Palo Alto, CA 94301

San Francisco Office
Manager: Wanda Alfaro, SVP
433 California Street
San Francisco, CA 94104

Los Altos Office
Manager: Steve Fick, SVP
345 S. San Antonio Road
Los Altos, CA 94022

Burlingame Office
Manager: John Delaney, SVP
1440 Chapin Avenue, Suite 101
Burlingame, CA 94010



Member FDIC



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