UNAUDITED CONSOLIDATED BALANCE SHEETS

		June 30, December 3 2012 2011					
		(In th	ous				
ASSETS							
Cash and due from banks Overnight investments	\$	42,029	\$	22,512			
Total cash and cash equivalents Investment securities:		42,029		22,512			
Available for sale, at fair value		495,220		470,232			
Held-to-maturity, at amortized cost		72,683		74,256			
Total investment securities		567,903		544,488			
Loans held for sale		253		_			
Loans:		222 127		220.022			
Residential mortgage Commercial mortgage		333,127 258,340		330,933 231,595			
Home equity		56,454		61,307			
Commercial		39,126		38,260			
Consumer		15,486		11,170			
Total loans		702,533		673,265			
Allowance for loan losses		(10,790)	_	(10,159)			
Net loans		691,743		663,106			
Stock in FHLB of Boston, at cost		5,010		4,806			
Bank owned life insurance		22,673		17,331			
Banking premises and equipment, net		5,812		6,216			
Accrued interest receivable		4,364		4,423			
Other assets	_	13,557		12,978			
Total assets	\$_	1,353,344	= \$ =	1,275,860			
LIABILITIES AND STOCKHOI	LDER	S' EQUITY					
Deposits:							
Demand	\$	319,792	\$	285,724			
Interest bearing checking		307,308		316,454			
Money market		65,464		58,532			
Savings		367,028		328,771			
Certificates of deposit		143,358		136,173			
Total deposits		1,202,950		1,125,654			
Short-term borrowings				2,500			
Long-term borrowings		30,000		30,000			
Other liabilities	_	20,075		21,073			
Total liabilities	_	1,253,025		1,179,227			
Stockholders' equity:							
Common stock, par value \$1.00; Authorized 5,000,000 shares; Outstanding: 3,846,046 and							
3,805,748 shares, respectively		3,846		3,806			
Additional paid-in capital		23,808		23,001			
Retained earnings		72,129		68,232			
Accumulated other comprehensive income		536		1,594			
Total stockholders' equity		100,319		96,633			
Total liabilities and stockholders' equity	\$	1,353,344	\$	1,275,860			

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,									
	2012 2011 (In thousands, except per share dat									
	(I	n thousands, e	хсер	t per share data)						
Interest income:										
Interest on loans	\$	8,359	\$	8,114						
Interest on taxable investment securities		3,528		3,324						
Interest on tax exempt investment securities		508		495						
Dividends on FHLB of Boston stock		6		4						
Interest on overnight investments	_	8		11						
Total interest income		12,409		11,948						
Interest expense:										
Interest on deposits		561		662						
Interest on borrowed funds	_	315		298						
Total interest expense	_	876		960						
Net income before provision for loan losses		11,533		10,988						
Provision for loan losses		250		250						
Net interest income after provision for loan losses		11,283		10,738						
Noninterest income:										
Wealth management income		3,366		3,310						
Deposit account fees		606		539						
ATM/Debit card income		265		255						
Bank owned life insurance income		161		136						
Gain on disposition of investment securities		172		93						
Gain on loans held for sale		76		_						
Other income	_	188		195						
Total noninterest income	_	4,834		4,528						
Noninterest expense:										
Salaries and employee benefits		6,635		6,123						
Occupancy and equipment		1,847		1,768						
Data processing		904		886						
Professional services		407		492						
Marketing		437		437						
FDIC Insurance		175		133						
Other expenses		668		709						
Total noninterest expense	_	11,073		10,548						
Income before income taxes		5,044		4,718						
Income tax expense		1,593		1,542						
Net income	\$_	3,451	\$ =	3,176						
Per share data:										
Basic earnings per common share	\$ \$	0.90	\$	0.84						
Diluted earnings per common share	\$	0.89	\$	0.83						
Average shares outstanding - basic		3,842,976		3,797,457						
Average shares outstanding - diluted		3,879,498		3,844,931						

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Three Months Ended June 30,								
		2012		2011						
		(In thousands)								
Net income	\$	3,451	\$	3,176						
Other comprehensive income/(loss), net of tax:										
Defined benefit retirement plans:										
Change in unfunded retirement liability		(96)		(39)						
Unrealized gains/(losses) on Available for										
Sale securities:										
Unrealized holding gains/(losses) arising										
during the period		(51)		2,013						
Less: reclassification adjustment for gains										
recognized in net income		(111)		(57)						
Other comprehensive income/(loss)	_	(258)		1,917						
Comprehensive income/(loss)	\$	3,193	\$	5,093						

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Six Months Ended June 30,									
		2012		2011						
	(I	n thousands, e	хсер	t per share data)						
Interest income:										
Interest on loans	\$	16,687	\$	15,723						
Interest on taxable investment securities		7,089		6,819						
Interest on tax exempt investment securities		1,016		986						
Dividends on FHLB of Boston stock		12		1.4						
Interest on overnight investments Total interest income	_	24.912		22.540						
	_	24,813		23,549						
Interest expense:		1 112		1 405						
Interest on deposits		1,113		1,405						
Interest on borrowed funds	_	630 1,743		593 1,998						
Total interest expense	_	•								
Net income before provision for loan losses		23,070		21,551						
Provision for loan losses	_	550		500						
Net interest income after provision for loan losses	_	22,520		21,051						
Noninterest income:										
Wealth management income		6,709		6,570						
Deposit account fees		1,198		1,077						
ATM/Debit card income		504		483						
Bank owned life insurance income		342		250						
Gain on disposition of investment securities		429		361						
Gain on loans held for sale		76		_						
Other income	_	381		429						
Total noninterest income	_	9,639		9,170						
Noninterest expense:										
Salaries and employee benefits		13,339		12,025						
Occupancy and equipment		3,791		3,595						
Data processing		1,791		1,781						
Professional services		867		936						
Marketing		875		875						
FDIC Insurance		347 1 226		445 1 205						
Other expenses Total noninterest expense	_	1,326 22,336		1,305 20,962						
Income before income taxes	_									
		9,823		9,259						
Income tax expense	_	3,087		2,978						
Net income	\$ _	6,736	= \$=	6,281						
Per share data:										
Basic earnings per common share	\$ \$	1.76	\$	1.66						
Diluted earnings per common share	\$	1.74	\$	1.64						
Average shares outstanding - basic Average shares outstanding - diluted		3,830,199 3,866,397		3,781,031 3,827,097						
11, orașe orace o acomining andrea		2,000,271		2,021,071						

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30,								
	2012	2011							
	(In th	nousands)							
Net income \$	6,736	\$ 6,281							
Other comprehensive income/(loss), net of tax: Defined benefit retirement plans:									
Change in unfunded retirement liability Unrealized gains/(losses) on Available for	(191)	(55)							
Sale securities: Unrealized holding gains/(losses) arising									
during the period Less: reclassification adjustment for gains	(590)	1,014							
recognized in net income	(277)	(231)							
Other comprehensive income/(loss)	(1,058)	728							
Comprehensive income/(loss) \$	5,678	\$ 7,009							

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

		Six Months Ended June 30					
		2012		2011			
		(In th	iousa	ands)			
Cash flows provided by operating activities:	ф	6.726	ф	ć 2 01			
Net income Adjustments to arrive at net cash provided by operating activities:	\$	6,736	\$	6,281			
Provision for loan losses		550		500			
Amortization of deferred charges/(income), net		432		71			
Depreciation and amortization		715		726			
Bank owned life insurance income		(342)		(250)			
Gain on disposition of investment securities		(429)		(361)			
Compensation expense from stock option		(12))		(301)			
and restricted stock grants		228		196			
Change in loans held for sale		(253)		_			
Change in found field for state		(233)					
other assets and other liabilities		(1,235)		(506)			
Other, net	_	90		413			
Net cash provided by operating activities	_	6,492		7,070			
Cash flows used by investing activities:							
Origination of loans		(96,734)		(126,365)			
Purchase of:							
Investment securities - AFS		(105,858)		(59,448)			
Investment securities - HTM		(823)		(492)			
Maturities, calls and principal payments of:							
Loans		67,257		53,198			
Investment securities - AFS		56,986		73,767			
Investment securities - HTM		2,388		7,327			
Proceeds from sale of investment securities - AFS		22,748		35,351			
Purchase of bank owned life insurance		(5,000)		(5,001)			
Net increase in FHLB of Boston stock		(204)		(500)			
Purchase of banking premises and equipment		(311)		(500)			
Net cash used by investing activities	_	(59,551)		(22,163)			
Cash flows provided by financing activities:		77 206		10 125			
Net increase in deposits		77,296		12,135			
Net (decrease)/increase in short-term borrowings		(2,500) 619		8,823 999			
Proceeds from issuance of common stock							
Repurchase of common stock		(3)		(109)			
Cash dividends paid on common stock Net cash provided by financing activities	_	(2,836) 72,576		(2,650) 19,198			
		19,517		4,105			
Net increase in cash and cash equivalents		22,512					
Cash and cash equivalents at beginning of period	Φ-	42,029	- _¢ -	15,756 19,861			
Cash and cash equivalents at end of period	» —	42,029	- \$_	19,801			
Supplemental disclosure of cash flow information:							
Cash paid for interest	\$	1,752	\$	2,016			
Cash paid for income taxes		2,705		3,515			
Non-cash transactions:							
Change in accumulated other comprehensive income, net of taxes		(1,058)		728			

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of Cambridge Bancorp (the "Corporation") and its wholly owned subsidiary, Cambridge Trust Company (the "Bank"), and the Bank's subsidiaries, Cambridge Trust Company of New Hampshire Inc., CTC Security Corporation, CTC Security Corporation III and CTC Security Corporation III. References to the Corporation herein relate to the consolidated group of companies. All significant intercompany accounts and transactions have been eliminated in preparation of the consolidated financial statements.

The Corporation is a state chartered, federally registered bank holding company headquartered in Cambridge, Massachusetts, that was incorporated in 1986. The Corporation is closely held and has less than five hundred shareholders of record and, accordingly, is not required to file quarterly, annual or other public reports with the Securities and Exchange Commission ("SEC"). The Corporation is the sole stockholder of the Bank, a Massachusetts trust company chartered in 1890 which is a community-oriented commercial bank. The community banking business, the Corporation's only reportable operating segment, consists of commercial banking, consumer banking, and trust and investment management services and is managed as a single strategic unit.

In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) and disclosures necessary to present fairly the Corporation's financial position as of June 30, 2012 and December 31, 2011, respectively, and the results of operations and cash flows for the interim periods presented. Interim results are not necessarily reflective of the results of the entire year. The unaudited condensed consolidated financial statements of the Corporation have been prepared pursuant to the rules of the SEC and do not include all of the information and note disclosures required by U.S. generally accepted accounting principles ("GAAP"). The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation's Annual Report for the year ended December 31, 2011.

2. Use of Estimates

In preparing the unaudited condensed consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from these estimates. Material estimates that are particularly susceptible to change relate to the determination of the allowance for loan losses and review of goodwill for impairment.

3. Subsequent Events

The Corporation has evaluated subsequent events through July 23, 2012, the issuance date of these unaudited condensed consolidated financial statements.

4. Investment Securities

Investment securities have been classified in the unaudited condensed consolidated balance sheets according to management's intent. The carrying amounts of securities and their approximate fair values were as follows:

	_		June	30, 2	2012	
	_	Amortized	Unı	realiz	ed	Fair
	_	Cost	 Gains		Losses	Value
	_		(In th	nds)		
Securities available for sale:						
U.S. GSE obligations	\$	85,620	\$ 1,002	\$	\$	86,622
Mortgage-backed securities		376,104	9,907		(90)	385,921
Corporate debt securities		21,502	535		(9)	22,028
Mutual funds		672			(23)	649
Total securities available for sale	_	483,898	 11,444		(122)	495,220
Securities held to maturity:	_					
U.S. GSE obligations		12,497	479		_	12,976
Mortgage-backed securities		6,783	512		_	7,295
Municipal securities		53,403	4,675		(28)	58,050
Total securities held to maturity	_	72,683	 5,666		(28)	78,321
Total investment securities	\$_	556,581	\$ 17,110	\$	(150) \$	573,541

All of the Bank's mortgage-backed securities have been issued by, or are collateralized by securities issued by, either GNMA, FNMA or FHLMC.

CAMBRIDGE BANCORP NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

There were no securities as of June 30, 2012 that were considered other than temporally impaired.

The amortized cost and fair value of debt investments, aggregated by contractual maturity, are shown below. Maturities of mortgage-backed securities do not take into consideration scheduled amortization or prepayments. Actual maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Within One Year						e, But e Years			e, But n Years	_	After Ten Years				
	_	Amortize Cost	d 	Fair Value	 Amortize Cost	d 	Fair Value (In th	 Amortized Cost sands)	i 	Fair Value	_	Amortized Cost	l 	Fair Value		
At June 30, 2012:																
Debt securities available for sale:																
U.S. GSE obligations	\$	26,004	\$	26,326	\$ 54,523	\$	55,137	\$ 5,093	\$	5,159	\$	_	\$	_		
Mortgage-backed securities		125		132	7,631		7,902	8,270		8,955		360,078		368,932		
Corporate debt securities	_				 21,502		22,028	 			_					
Total debt securities																
available for sale	_	26,129		26,458	 83,656		85,067	 13,363		14,114	_	360,078		368,932		
Debt securities held to maturity:																
U.S. GSE obligations		4,996		5,129	7,501		7,847	_		_		_		_		
Mortgage-backed securities		161		168	1,299		1,386	5,020		5,379		303		362		
Municipal securities	_	181	_	185	8,194	_	8,872	 32,316		35,286		12,712		13,707		
Total debt securities																
held to maturity	_	5,338		5,482	 16,994	_	18,105	 37,336		40,665	_	13,015		14,069		
Total debt securities	\$	31,467	\$	31,940	\$ 100,650	\$	103,172	\$ 50,699	\$	54,779	\$	373,093	\$	383,001		

The following table sets forth information regarding sales of investment securities and the resulting gains or losses from such sales.

		Six Months Ended June 30,								
		2012		2011						
	(In thousands)									
Amortized cost of securities sold	\$	22,319	\$	34,990						
Gain realized on securities sold		429		361						
Net proceeds from securities sold	\$	22,748	\$	35,351						

5. Loans and the Allowance for Loan Losses

The following table sets forth information regarding non-performing loans disaggregated by loan category:

	June 30, 2012												
	Residential Mortgages		Residential		l Commercial		Home						
			Mortgages		Equity		Commercial	Consumer		Total			
					(In th	ousa	ands)						
\$	748	\$	-	\$	327	\$	49 \$	6	7 \$	1,131			
	-		-		-		-		-	-			
	-			_	-	_				-			
\$	748	\$	-	\$	327	\$	49 \$	3	7 \$	1,131			
	\$	Mortgages	Mortgages \$ 748 \$	Mortgages Mortgages \$ 748 \$	Mortgages Mortgages \$ 748 \$ - \$	Residential Mortgages Mortgages Home Equity (In the state of the state	Residential Commercial Home Equity (In thousand In the companies of the co	Residential Mortgages Mortgages Equity Commercial (In thousands) \$ 748 \$ - \$ 327 \$ 49 \$	Residential Commercial Home Equity Commercial (In thousands) \$ 748 \$ - \$ 327 \$ 49 \$	Residential Mortgages Mortgages Equity Commercial (In thousands) \$ 748 \$ - \$ 327 \$ 49 \$ 7 \$			

CAMBRIDGE BANCORP NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table contains period-end balances of loans receivable disaggregated by credit quality indicator:

			June 30, 2012	
			(In thousands)	
	Residential Mortgages		Home Equity	Consumer
Credit risk profile based on payment activity: Performing Non-performing Total	\$ 332,379 748 333,127	\$ - \$	56,127 327 56,454	\$ 15,479 7 15,486
Credit risk profile by internally assigned grade:			Commercial Mortgages	 Commercial
Pass Special mention Substandard Doubtful		\$	250,938 3,290 4,112	\$ 33,390 2,969 2,767
Total		\$	258,340	\$ 39,126

The following table contains period-end balances of loans receivable disaggregated by past due status:

	June 30, 2012												
	_	Current	30 - 59 Days	60 - 89 Days	01	90 Days Greater		Total Past Due		Total Loans		Greater Than 90 Days But Accruing	
Loans receivable:													
Residential mortgage loans	\$	332,567	421	-	\$	138	\$	559	\$	333,126	\$	-	
Commercial mortgage loans		257,899	441	-		-		441		258,340		-	
Home equity loans		56,424	30	-		-		30		56,454		-	
Commercial loans		38,986	140	-		-		140		39,126		-	
Consumer loans		15,475	6	6		-		12		15,487		-	
Total	\$	701,351 \$	1,038 \$	6	\$	138	\$	1,182	\$	702,533	\$	-	

There were no impaired loans receivable as of June 30, 2012.

As discussed in Cambridge Bancorp's 2011 Annual Report, the provision for loan losses is evaluated on a regular basis by management in order to determine the adequacy of the allowance for loan losses.

The following table contains changes in the allowance for loan losses disaggregated by loan category:

	Six Months Ended June 30, 2012												
	Residential		Commercial		Home								
	Mortgages		Mortgages		Equity		Commercial		Consumer	٠,	Unallocated	_	Total
							(In thousands)						
Balance at December 31, 2011 \$	3,905	\$	4,385	\$	711	\$	742	\$	163	\$	253	\$	10,159
Provision for loan losses	(80)		224		(68)		(107)		40		541		550
Loans charged-off	-		-		-		-		(9)				(9)
Recoveries	6	_	-	_	-		61	_	23				90
Balance at June 30, 2012 \$	3,831	\$	4,609	\$	643	\$	696	\$	217	\$	794	\$	10,790

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table contains period-end balances of the allowance for loan losses and related loans receivable disaggregated by impairment method:

	June 30, 2012													
	_	Residential Mortgages		Commercial Mortgages		Home Equity		Commercial (In thousands)		Consumer		Unallocated	_	Total
Allowance for loan losses:														
Individually evaluated for impairment	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Collectively evaluated for impairment		3,831	_	4,609	_	643		696		217		794		10,790
Total	\$	3,831	\$	4,609	\$	643	\$	696	\$	217	\$	794	\$	10,790
Loans receivable:														
Individually evaluated for impairment	\$	-	\$	-	\$	-	\$	-	\$	-			\$	-
Collectively evaluated for impairment		333,127		258,340		56,454		39,126		15,486				702,533
Total	\$	333,127	\$	258,340	\$	56,454	\$	39,126	\$	15,486			\$	702,533

6. Fair Value of Financial Instruments

The Corporation follows ASC 820, "Fair Value Measurements and Disclosures" for financial assets and liabilities. ASC 820 specifies a hierarchy of valuations techniques based on whether the types of valuation information ("inputs") are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Corporation's market assumptions. These two type of inputs have created the following fair value hierarchy:

- Level 1 Quoted prices for identical assets or liabilities in active markets.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 Valuations derived from techniques in which one or more significant inputs or significant value drivers are unobservable in the markets and which reflect the Corporation's market assumptions.

The Corporation uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Corporation may be required to record at fair value other assets on a nonrecurring basis, such as collateral dependent impaired loans.

The following table summarizes certain assets reported at fair value:

	_	Fair Value as of June 30, 2012									
		Level 1		Level 2		Level 3	Total				
				(In th	ousa	inds)	_				
Measured on a recurring basis:											
U.S. GSE obligations	\$	_	\$	86,622	\$	\$	86,622				
Mortgage-backed securities		_		385,921		_	385,921				
Corporate debt securities		_		22,028		_	22,028				
Mutual funds	_	649		_	_		649				
Total	\$	649	\$	494,571	\$	\$	495,220				

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Income Taxes

The following is a reconciliation of the total income tax provision, calculated at statutory federal income tax rates, to the income tax provision in the consolidated statements of income:

	 Six Months 1	Ended J	June 30,			
	 2012					
	 (In the	ousands)			
Provision at statutory rates	\$ 3,438	\$	3,241			
Increase (decrease) resulting from:						
State tax, net of federal tax benefit	214		192			
Tax-exempt income	(355)		(345)			
ESOP dividends	(84)		(77)			
Bank owned life insurance	(120)		(87)			
Other	 (6)		54			
Total income tax expense	\$ 3,087	\$	2,978			

8. Financial Instruments with Off-Balance-Sheet Risk

To meet the financing needs of its customers, the Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for loan commitments and standby letters of credit is represented by the contractual amount of those instruments assuming that the amounts are fully advanced and that collateral or other security is of no value. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Off-balance-sheet financial instruments with contractual amounts that present credit risk included the following:

		June 30, 2012
	(I:	n thousands)
Standby letters of credit	\$	7,902
Commitments to extend credit:		
Unused portion of existing lines of credit		151,403
Origination of new loans		35,291
Commitments to sell loans		3,360
Liabilities associated with letters of credit		37

9. OTHER COMPREHENSIVE INCOME

Comprehensive income is defined as all changes to equity except investments by and distributions to stockholders. Net income is a component of comprehensive income, with all other components referred to in the aggregate as 'other comprehensive income'. The Corporation's other comprehensive income consists of changes in unrealized gains or losses on securities classified as available-for-sale and the component of the unfunded retirement liability computed in accordance with the requirements of ASC 715, "Compensation – Retirement Benefits". The before-tax and after-tax amount of each of these categories, as well as the tax (expense)/benefit of each, is summarized as follows:

		Quarter Ended June 30, 2012						Six Months Ended June 30, 2012							
	_	Tax								Tax					
		Before Tax		(Expense)		Net-of-tax		Before Tax		(Expense)		Net-of-tax			
	_	Amount		or Benefit		Amount	_	Amount		or Benefit		Amount			
				(In thousands)			_			(In thousands)					
Defined benefit retirement plans:															
Change in unfunded retirement liability	\$	(162)	\$	66	\$	(96)	\$	(323)	\$	132	\$	(191)			
Unrealized gains/(losses) on AFS securities:															
Unrealized holding gains/(losses) arising															
during the period		(58)		7		(51)		(912)		322		(590)			
Reclassification adjustment for gains															
recognized in net income	_	(172)		61		(111)	_	(429)		152		(277)			
	\$	(392)	\$	134	\$	(258)	\$	(1,664)	\$	606	\$	(1,058)			