CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED BALANCE SHEETS

	March 31, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Cash and due from banks	$ 16,531	$ 59,923
Overnight investments	—	—
Total cash and cash equivalents	16,531	59,923
Investment securities:		
Available for sale, at fair value	466,194	502,318
Held to maturity, at amortized cost	66,116	71,133
Total investment securities	532,310	573,451
Loans held for sale, at lower of cost or fair value	1,199	1,684
Loans:		
Residential mortgage	370,071	347,908
Commercial mortgage	291,608	276,428
Home equity	46,503	50,574
Commercial	46,369	47,570
Consumer	19,172	19,769
Total loans	773,723	742,249
Allowance for loan losses	(11,146)	(10,948)
Net loans	762,577	731,301
Stock in FHLB of Boston, at cost	4,827	5,010
Bank owned life insurance	23,079	22,903
Banking premises and equipment, net	6,484	6,214
Accrued interest receivable	3,714	3,877
Other assets	14,937	13,623
Total assets	$ 1,365,658	$ 1,417,986
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 316,811	$ 329,211
Interest bearing checking	329,907	363,575
Money market	56,181	60,850
Savings	392,557	393,541
Certificates of deposit	134,848	134,156
Total deposits	1,230,304	1,281,333
Short-term borrowings	18,000	—
Long-term borrowings	—	20,000
Other liabilities	12,558	11,762
Total liabilities	1,260,862	1,313,095
Stockholders' equity:		
Common stock, par value $1.00; Authorized 5,000,000 shares; Outstanding: 3,855,804 and 3,854,951 shares, respectively	3,856	3,855
Additional paid-in capital	24,561	24,421
Retained earnings	77,614	75,787
Accumulated other comprehensive income	(1,235)	828
Total stockholders’ equity	104,796	104,891
Total liabilities and stockholders’ equity	$ 1,365,658	$ 1,417,986

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	2013	2012
	(In thousands, except per share data)	
Interest income:		
Interest on loans	$ 8,365	$ 8,328
Interest on taxable investment securities	2,694	3,561
Interest on tax exempt investment securities	507	508
Dividends on FHLB of Boston stock	5	6
Interest on overnight investments	14	1
Total interest income	11,585	12,404
Interest expense:		
Interest on deposits	494	552
Interest on borrowed funds	129	315
Total interest expense	623	867
Net interest income	10,962	11,537
Provision for loan losses	200	300
Net interest income after provision for loan losses	10,762	11,237
Noninterest income:		
Wealth management income	3,745	3,343
Deposit account fees	648	592
ATM/Debit card income	256	239
Bank owned life insurance income	176	181
Gain on disposition of investment securities	600	257
Gain on loans held for sale	298	—
Other income	166	193
Total noninterest income	5,889	4,805
Noninterest expense:		
Salaries and employee benefits	6,769	6,704
Occupancy and equipment	2,064	1,944
Data processing	983	887
Professional services	512	460
Marketing	465	438
FDIC Insurance	181	172
Other expenses	695	658
Total noninterest expense	11,669	11,263
Income before income taxes	4,982	4,779
Income tax expense	1,651	1,494
Net income	$ 3,331	$ 3,285
Per share data:		
Basic earnings per common share	$ 0.86	$ 0.86
Diluted earnings per common share	$ 0.85	$ 0.85
Average shares outstanding - basic	3,855,467	3,817,405
Average shares outstanding - diluted	3,918,832	3,853,306

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Net income	$ 3,331	$ 3,285
Other comprehensive income/(loss), net of tax:		
Defined benefit retirement plans:		
Change in unfunded retirement liability	(85)	(95)
Unrealized gains/(losses) on Available for Sale securities:		
Unrealized holding gains/(losses) arising during the period	(1,593)	(539)
Less: reclassification adjustment for gains recognized in net income	(385)	(166)
Other comprehensive income/(loss)	(2,063)	(800)
Comprehensive income/(loss)	$ 1,268	$ 2,485

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Cash flows provided by operating activities:		
Net income	$ 3,331	$ 3,285
Adjustments to arrive at net cash provided by operating activities:		
Provision for loan losses	200	300
Amortization of deferred charges/(income), net	343	197
Depreciation and amortization	386	353
Bank owned life insurance income	(176)	(181)
Gain on disposition of investment securities	(600)	(257)
Compensation expense from stock option and restricted stock grants	114	109
Change in loans held for sale	485	—
Change in accrued interest receivable, deferred taxes, other assets and other liabilities	709	(194)
Other, net	20	24
Net cash provided by operating activities	4,812	3,636
Cash flows used by investing activities:		
Origination of loans	(65,027)	(47,256)
Purchase of:		
Investment securities - AFS	(21,456)	(75,656)
Investment securities - HTM	(497)	(573)
Maturities, calls and principal payments of:		
Loans	33,467	29,011
Investment securities - AFS	30,659	33,054
Investment securities - HTM	5,510	1,481
Proceeds from sale of investment securities - AFS	24,119	11,601
Purchase of bank owned life insurance	—	(5,000)
Decrease/(increase) in FHLB of Boston stock	183	(150)
Purchase of banking premises and equipment	(656)	(112)
Net cash provided/(used) by investing activities	6,302	(53,600)
Cash flows provided by financing activities:		
Net increase/(decrease) in deposits	(51,029)	31,168
Net increase in short-term borrowings	18,000	37,500
Repayment of long-term borrowings	(20,000)	—
Proceeds from issuance of common stock	27	105
Repurchase of common stock	—	(3)
Cash dividends paid on common stock	(1,504)	(1,414)
Net cash provided/(used) by financing activities	(54,506)	67,356
Net increase/(decrease) in cash and cash equivalents	(43,392)	17,392
Cash and cash equivalents at beginning of period	59,923	22,512
Cash and cash equivalents at end of period	$ 16,531	$ 39,904
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 623	$ 868
Cash paid for income taxes	20	50
Non-cash transactions:		
Change in accumulated other comprehensive income, net of taxes	(2,063)	(800)

CAMBRIDGE BANCORP
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 II 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 1983. 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 March 31, 2013 and December 31, 2012, 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, 2012.

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 April 22, 2013, 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:

	March 31, 2013			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In thousands)			
Securities available for sale:				
U.S. GSE obligations	$ 95,071	$ 577	$ (41)	$ 95,607
Mortgage-backed securities	342,295	7,347	(530)	349,112
Corporate debt securities	20,000	833	—	20,833
Mutual funds	672	—	(30)	642
Total securities available for sale	458,038	8,757	(601)	466,194
Securities held to maturity:				
U.S. GSE obligations	7,500	115	—	7,615
Mortgage-backed securities	4,812	361	—	5,173
Municipal securities	53,804	4,144	(19)	57,929
Total securities held to maturity	66,116	4,620	(19)	70,717
Total investment securities	$ 524,154	$ 13,377	$ (620)	$ 536,911

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

There were no securities as of March 31, 2013 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		After One, But Within Five Years		After Five, But Within Ten Years		After Ten Years	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)							
At March 31, 2013:								
Debt securities available for sale:								
U.S. GSE obligations	$ 35,001	$ 35,230	$ 30,098	$ 30,382	$ 29,972	$ 29,995	$ —	$ —
Mortgage-backed securities	186	192	5,188	5,356	5,732	6,201	331,189	337,363
Corporate debt securities	—	—	19,000	19,830	1,000	1,003	—	—
Total debt securities available for sale	35,187	35,422	54,286	55,568	36,704	37,199	331,189	337,363
Debt securities held to maturity:								
U.S. GSE obligations	7,500	7,615	—	—	—	—	—	—
Mortgage-backed securities	14	15	1,894	2,019	2,766	2,976	138	163
Municipal securities	461	466	10,321	11,042	32,121	34,782	10,901	11,639
Total debt securities held to maturity	7,975	8,096	12,215	13,061	34,887	37,758	11,039	11,802
Total debt securities	$ 43,162	$ 43,518	$ 66,501	$ 68,629	$ 71,591	$ 74,957	$ 342,228	$ 349,165

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

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Amortized cost of securities sold	$ 23,519	$ 11,344
Gain realized on securities sold	600	257
Net proceeds from securities sold	$ 24,119	$ 11,601

5. Loans and the Allowance for Loan Losses

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

	March 31, 2013					
	Residential Mortgages	Commercial Mortgages	Home Equity	Commercial	Consumer	Total
	(In thousands)					
Non-performing loans:						
Non-accrual loans	$ 693	$ 441	$ -	$ 271	$ 2	$ 1,407
Loans past due >90 days, but still accruing	13	-	40	-	-	53
Troubled debt restructurings	-	-	-	-	-	-
Total	$ 706	$ 441	$ 40	$ 271	$ 2	$ 1,460

CAMBRIDGE BANCORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	March 31, 2013 (In thousands)		
	Residential Mortgages	Home Equity	Consumer
Credit risk profile based on payment activity:			
Performing	$ 369,365	$ 46,463	$ 19,170
Non-performing	706	40	2
Total	$ 370,071	$ 46,503	$ 19,172

	Commercial Mortgages	Commercial
Credit risk profile by internally assigned grade:		
Pass	$ 289,298	$ 41,963
Special mention	—	3,254
Substandard	2,310	1,152
Doubtful	—	—
Total	$ 291,608	$ 46,369

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

	March 31, 2013						
	Current	30 - 59 Days	60 - 89 Days	90 Days or Greater	Total Past Due	Total Loans	Greater Than 90 Days But Accruing
				(In thousands)			
Loans receivable:							
Residential mortgage loans	$ 369,672	256	-	$ 143	$ 399	$ 370,071	$ 13
Commercial mortgage loans	290,684	483	-	441	924	291,608	-
Home equity loans	46,463	-	-	40	40	46,503	40
Commercial loans	46,074	286	9	-	295	46,369	-
Consumer loans	18,670	502	-	-	502	19,172	-
Total	$ 771,563	$ 1,527	$ 9	$ 624	$ 2,160	$ 773,723	$ 53

As discussed in Cambridge Bancorp's 2012 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:

	Three Months Ended March 31, 2013						
	Residential Mortgages	Commercial Mortgages	Home Equity	Commercial	Consumer	Unallocated	Total
				(In thousands)			
Balance at December 31, 2012	$ 3,792	$ 4,850	$ 551	$ 824	$ 273	$ 658	$ 10,948
Provision for loan losses	168	165	(39)	(39)	(18)	(37)	200
Loans charged off	-	-	(15)	(5)	(2)		(22)
Recoveries	-	2	-	14	4		20
Balance at March 31, 2013	$ 3,960	$ 5,017	$ 497	$ 794	$ 257	$ 621	$ 11,146

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

	March 31, 2013						
	Residential Mortgages	Commercial Mortgages	Home Equity	Commercial	Consumer	Unallocated	Total
				(In thousands)			
Allowance for loan losses:							
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	3,960	5,017	497	794	257	621	11,146
Total	$ 3,960	$ 5,017	$ 497	$ 794	$ 257	$ 621	$ 11,146
Loans receivable:							
Individually evaluated for impairment	$ -	$ 441	$ -	$ 220	$ -		$ 661
Collectively evaluated for impairment	370,071	291,167	46,503	46,149	19,172		773,062
Total	$ 370,071	$ 291,608	$ 46,503	$ 46,369	$ 19,172		$ 773,723

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 March 31, 2013			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
Measured on a recurring basis:				
U.S. GSE obligations	$ —	$ 95,607	$ —	$ 95,607
Mortgage-backed securities	—	349,112	—	349,112
Corporate debt securities	—	20,833	—	20,833
Mutual funds	642	—	—	642
Total	$ 642	$ 465,552	$ —	$ 466,194

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:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Provision at statutory rates	$ 1,744	$ 1,673
Increase (decrease) resulting from:		
State tax, net of federal tax benefit	116	97
Tax-exempt income	(177)	(178)
ESOP dividends	(44)	(42)
Bank owned life insurance	(62)	(63)
Other	74	7
Total income tax expense	$ 1,651	$ 1,494

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:

	March 31, 2013
	(In thousands)
Standby letters of credit	$ 8,883
Commitments to extend credit:	
Unused portion of existing lines of credit	167,720
Origination of new loans	40,086
Commitments to sell loans	3,870
Liabilities associated with letters of credit	86

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 March 31, 2013		
	Before Tax Amount	Tax (Expense) or Benefit	Net-of-tax Amount
		(In thousands)	
Defined benefit retirement plans:			
Change in unfunded retirement liability	$ (144)	$ 59	$ (85)
Unrealized gains/(losses) on AFS securities:			
Unrealized holding gains/(losses) arising during the period	(2,527)	934	(1,593)
Reclassification adjustment for gains recognized in net income	(600)	215	(385)
	$ (3,271)	$ 1,208	$ (2,063)

Reclassifications out of Accumulated Other Comprehensive Income ("AOCI") are presented below:

Quarter Ended March 31, 2013		
Details about AOCI Components	**Amount Reclassified from AOCI**	**Affected Line Item on the Statement of Income**
	(In thousands)	
Unrealized gains/(losses) on AFS securities:		
	$ 600	Gain on disposition of investment securities
	(215)	Income tax expense
	$ 385	Net income

10. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update No. 2013-02, *"Comprehensive Income (Topic 220), Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02")*. ASU 2013-02 requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income or as a separate disclosure in the notes to the financial statements. The new standard is effective for annual periods beginning January 1, 2013, and interim periods within those annual periods. As ASU 2013-02 provides only guidance on the disclosure of amounts reclassified out of accumulated other comprehensive income, its adoption on January 1, 2013 did not have any impact on the Corporation's consolidated financial statements.