CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED BALANCE SHEETS

	March 31, 2014	December 31, 2013
	(In thousands)	
ASSETS		
Cash and cash equivalents	$ 25,056	$ 88,107
Investment securities:		
Available for sale, at fair value	380,361	388,793
Held to maturity, at amortized cost	74,916	59,181
Total investment securities	455,277	447,974
Loans held for sale, at lower of cost or fair value	416	403
Loans:		
Residential mortgage	464,429	458,176
Commercial mortgage	365,115	363,294
Home equity	43,710	46,635
Commercial	51,328	50,758
Consumer	22,665	23,588
Total loans	947,247	942,451
Allowance for loan losses	(13,086)	(12,708)
Net loans	934,161	929,743
Stock in FHLB of Boston, at cost	6,231	6,231
Bank owned life insurance	23,719	23,555
Banking premises and equipment, net	9,482	9,951
Accrued interest receivable	3,610	3,626
Other assets	24,862	24,120
Total assets	$ 1,482,814	$ 1,533,710
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 354,747	$ 382,255
Interest bearing checking	318,412	335,010
Money market	84,407	78,410
Savings	423,770	489,160
Certificates of deposit	123,635	124,212
Total deposits	1,304,971	1,409,047
Short-term borrowings	50,000	—
Long-term borrowings	—	—
Other liabilities	15,279	15,380
Total liabilities	1,370,250	1,424,427
Stockholders' equity:		
Common stock, par value $1.00; Authorized 10,000,000 shares; Outstanding: 3,910,240 and 3,884,851 shares, respectively	3,910	3,885
Additional paid-in capital	26,847	26,027
Retained earnings	84,926	83,479
Accumulated other comprehensive income/(loss)	(3,119)	(4,108)
Total stockholders’ equity	112,564	109,283
Total liabilities and stockholders’ equity	$ 1,482,814	$ 1,533,710

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Quarter Ended March 31,	
	2014	2013
	(In thousands, except per share data)	
Interest income:		
Interest on loans	$ 9,666	$ 8,365
Interest on taxable investment securities	2,033	2,694
Interest on tax exempt investment securities	602	507
Dividends on FHLB of Boston stock	23	5
Interest on overnight investments	13	14
Total interest income	12,337	11,585
Interest expense:		
Interest on deposits	495	494
Interest on borrowed funds	21	129
Total interest expense	516	623
Net interest income	11,821	10,962
Provision for loan losses	375	200
Net interest income after provision for loan losses	11,446	10,762
Noninterest income:		
Wealth management income	4,185	3,745
Deposit account fees	633	648
ATM/Debit card income	277	256
Bank owned life insurance income	164	176
Gain on disposition of investment securities	522	600
Gain on loans held for sale	25	298
Other income	239	166
Total noninterest income	6,045	5,889
Noninterest expense:		
Salaries and employee benefits	7,093	6,769
Occupancy and equipment	2,097	2,064
Data processing	1,131	983
Professional services	554	512
Marketing	529	465
FDIC Insurance	194	181
Other expenses	669	695
Total noninterest expense	12,267	11,669
Income before income taxes	5,224	4,982
Income tax expense	1,713	1,651
Net income	$ 3,511	$ 3,331
Per share data:		
Basic earnings per common share	$ 0.90	$ 0.86
Diluted earnings per common share	$ 0.89	$ 0.85
Average shares outstanding - basic	3,859,424	3,855,467
Average shares outstanding - diluted	3,939,980	3,918,832

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Quarter Ended March 31,	
	2014	**2013**
	(In thousands)	
Net income	$ 3,511	$ 3,331
Other comprehensive income/(loss), net of tax:		
Defined benefit retirement plans:		
Change in unfunded retirement liability	(2)	(85)
Unrealized gains/(losses) on Available for Sale securities:		
Unrealized holding gains/(losses) arising during the period	1,326	(1,593)
Less: reclassification adjustment for gains recognized in net income	(335)	(385)
Other comprehensive income/(loss)	989	(2,063)
Comprehensive income	$ 4,500	$ 1,268

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarter Ended March 31,	
	2014	**2013**
	(In thousands)	
Cash flows provided by operating activities:		
Net income	$ 3,511	$ 3,331
Adjustments to arrive at net cash provided by operating activities:		
Provision for loan losses	375	200
Amortization of deferred charges/(income), net	153	343
Depreciation and amortization	461	386
Bank owned life insurance income	(164)	(176)
Gain on disposition of investment securities	(522)	(600)
Compensation expense from stock option and restricted stock grants	139	114
Change in loans held for sale	(13)	485
Change in accrued interest receivable, deferred taxes, other assets and other liabilities	(1,360)	709
Other, net	11	20
Net cash provided by operating activities	2,591	4,812
Cash flows used by investing activities:		
Origination of loans	(41,988)	(65,027)
Purchase of:		
Investment securities - AFS	(16,747)	(21,456)
Investment securities - HTM	(17,336)	(497)
Maturities, calls and principal payments of:		
Loans	37,101	33,467
Investment securities - AFS	11,137	30,659
Investment securities - HTM	1,589	5,510
Proceeds from sale of investment securities - AFS	16,028	24,119
Decrease in FHLB of Boston stock	—	183
Purchase of banking premises and equipment	8	(656)
Net cash provided/(used) by investing activities	(10,208)	6,302
Cash flows provided by financing activities:		
Net decrease in deposits	(104,076)	(51,029)
Net increase in short-term borrowings	50,000	18,000
Repayment of long-term borrowings	—	(20,000)
Proceeds from issuance of common stock	784	27
Repurchase of common stock	(503)	—
Cash dividends paid on common stock	(1,639)	(1,504)
Net cash used by financing activities	(55,434)	(54,506)
Net decrease in cash and cash equivalents	(63,051)	(43,392)
Cash and cash equivalents at beginning of period	88,107	59,923
Cash and cash equivalents at end of period	$ 25,056	$ 16,531
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 517	$ 623
Cash paid for income taxes	955	20
Non-cash transactions:		
Change in accumulated other comprehensive income, net of taxes	989	(2,063)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

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, 2014 and December 31, 2013, 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, 2013.

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 28, 2014, 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, 2014			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In thousands)			
Securities available for sale:				
U.S. GSE obligations	$ 87,052	$ 78	$ (1,434)	$ 85,696
Mortgage-backed securities	289,893	2,685	(5,133)	287,445
Corporate debt securities	6,501	113	(9)	6,605
Mutual funds	672	—	(57)	615
Total securities available for sale	384,118	2,876	(6,633)	380,361
Securities held to maturity:				
U.S. GSE obligations	—	—	—	—
Mortgage-backed securities	2,968	175	—	3,143
Municipal securities	71,948	2,675	(117)	74,506
Total securities held to maturity	74,916	2,850	(117)	77,649
Total investment securities	$ 459,034	$ 5,726	$ (6,750)	$ 458,010

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, 2014 that were considered other than temporarily 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, 2014:								
Debt securities available for sale:								
U.S. GSE obligations	$ —	$ —	$ 62,072	$ 61,461	$ 24,980	$ 24,235	$ —	$ —
Mortgage-backed securities	157	166	2,539	2,701	1,679	1,829	285,518	282,749
Corporate debt securities	—	—	5,501	5,608	1,000	997	—	—
Total debt securities available for sale	157	166	70,112	69,770	27,659	27,061	285,518	282,749
Debt securities held to maturity:								
U.S. GSE obligations	—	—	—	—	—	—	—	—
Mortgage-backed securities	99	105	915	967	1,873	1,986	81	85
Municipal securities	1,150	1,159	12,544	13,126	33,545	35,189	24,709	25,032
Total debt securities held to maturity	1,249	1,264	13,459	14,093	35,418	37,175	24,790	25,117
Total debt securities	$ 1,406	$ 1,430	$ 83,571	$ 83,863	$ 63,077	$ 64,236	$ 310,308	$ 307,866

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,	
	2014	2013
	(In thousands)	
Amortized cost of securities sold	$ 15,506	$ 23,519
Gain realized on securities sold	522	600
Net proceeds from securities sold	$ 16,028	$ 24,119

5. Loans and the Allowance for Loan Losses

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

	March 31, 2014					
	Residential Mortgages	Commercial Mortgages	Home Equity	Commercial	Consumer	Total
	(In thousands)					
Non-performing loans:						
Non-accrual loans	$ 628	$ 366	$ 336	$ 199	$ -	$ 1,529
Loans past due >90 days, but still accruing	173	-	-	-	-	173
Troubled debt restructurings	-	-	-	-	-	-
Total	$ 801	$ 366	$ 336	$ 199	$ -	$ 1,702

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, 2014 (In thousands)		
	Residential Mortgages	Home Equity	Consumer
Credit risk profile based on payment activity:			
Performing	$ 463,628	$ 43,374	$ 22,665
Non-performing	801	336	—
Total	$ 464,429	$ 43,710	$ 22,665

	Commercial Mortgages	Commercial
Credit risk profile by internally assigned grade:		
Pass	$ 364,037	$ 44,046
Special mention	464	5,157
Substandard	614	2,125
Doubtful	—	—
Total	$ 365,115	$ 51,328

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

	March 31, 2014						
	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	$ 464,159	83	-	$ 187	$ 270	$ 464,429	$ 173
Commercial mortgage loans	363,571	1,544	-	-	1,544	365,115	-
Home equity loans	43,235	156	-	319	475	43,710	-
Commercial loans	51,168	160	-	-	160	51,328	-
Consumer loans	22,658	7	-	-	7	22,665	-
Total	$ 944,791	$ 1,950	$ -	$ 506	$ 2,456	$ 947,247	$ 173

As discussed in Cambridge Bancorp's 2013 Annual Report, the allowance for loan losses is evaluated on a regular basis by management in order to determine its adequacy.

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

	Three Months Ended March 31, 2014						
	Residential Mortgages	Commercial Mortgages	Home Equity	Commercial	Consumer	Unallocated	Total
				(In thousands)			
Balance at December 31, 2013	$ 4,490	$ 5,954	$ 476	$ 845	$ 302	$ 641	$ 12,708
Provision for loan losses	108	44	(17)	(41)	(15)	296	375
Loans charged off	-	-	-	-	(5)		(5)
Recoveries	-	2	-	-	6		8
Balance at March 31, 2014	$ 4,598	$ 6,000	$ 459	$ 804	$ 288	$ 937	$ 13,086

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

	March 31, 2014						
	Residential Mortgages	Commercial Mortgages	Home Equity	Commercial	Consumer	Unallocated	Total
				(In thousands)			
Allowance for loan losses:							
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	4,598	6,000	459	804	288	937	13,086
Total	$ 4,598	$ 6,000	$ 459	$ 804	$ 288	$ 937	$ 13,086
Loans receivable:							
Individually evaluated for impairment	$ -	$ 366	$ -	$ 119	$ -		$ 485
Collectively evaluated for impairment	464,429	364,749	43,710	51,209	22,665		946,762
Total	$ 464,429	$ 365,115	$ 43,710	$ 51,328	$ 22,665		$ 947,247

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 September 30, 2013			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
Measured on a recurring basis:				
U.S. GSE obligations	$ —	$ 85,696	$ —	$ 85,696
Mortgage-backed securities	—	287,445	—	287,445
Corporate debt securities	—	6,605	—	6,605
Mutual funds	615	—	—	615
Total	$ 615	$ 379,746	$ —	$ 380,361

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,	
	2014	2013
	(In thousands)	
Provision at statutory rates	$ 1,828	$ 1,744
Increase (decrease) resulting from:		
State tax, net of federal tax benefit	140	116
Tax-exempt income	(211)	(177)
ESOP dividends	(46)	(44)
Bank owned life insurance	(57)	(62)
Other	59	74
Total income tax expense	$ 1,713	$ 1,651

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, 2014
	(In thousands)
Standby letters of credit	$ 19,475
Commitments to extend credit:	
Unused portion of existing lines of credit	179,178
Origination of new loans	49,680
Commitments to sell loans	815
Liabilities associated with letters of credit	144

9. Other Comprehensive Income (Loss)

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:

CAMBRIDGE BANCORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Quarter Ended March 31, 2014			Quarter Ended March 31, 2013		
	Before Tax Amount	Tax (Expense) or Benefit	Net-of-tax Amount	Before Tax Amount	Tax (Expense) or Benefit	Net-of-tax Amount
		(In thousands)			(In thousands)	
Defined benefit retirement plans:						
Change in unfunded retirement liability	$ (4)	$ 2	$ (2)	$ (144)	$ 59	$ (85)
Unrealized gains/(losses) on AFS securities:						
Unrealized holding gains/(losses) arising during the period	2,044	(718)	1,326	(2,527)	934	(1,593)
Reclassification adjustment for gains recognized in net income	(522)	187	(335)	(600)	215	(385)
	$ 1,518	$ (529)	$ 989	$ (3,271)	$ 1,208	$ (2,063)

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

Quarter Ended March 31, 2014			Quarter Ended March 31, 2013		
Details about AOCI Components	Amount Reclassified from AOCI	Affected Line Item on the Statement of Income	Details about AOCI Components	Amount Reclassified from AOCI	Affected Line Item on the Statement of Income
	(In thousands)			(In thousands)	
Unrealized gains/(losses) on AFS securities:			Unrealized gains/(losses) on AFS securities:		
	$ 522	Gain on disposition of investment securities		$ 600	Gain on disposition of investment securities
	(187)	Income tax expense		(215)	Income tax expense
	$ 335	Net income		$ 385	Net income