CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED BALANCE SHEETS

	September 30, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Cash and due from banks	$ 25,969	$ 59,923
Overnight investments	—	—
Total cash and cash equivalents	25,969	59,923
Investment securities:		
Available for sale, at fair value	421,502	502,318
Held to maturity, at amortized cost	57,645	71,133
Total investment securities	479,147	573,451
Loans:		
Residential mortgage	443,228	347,908
Commercial mortgage	336,770	276,428
Home equity	45,808	50,574
Commercial	47,720	47,570
Consumer	22,872	19,769
Total loans	896,398	742,249
Allowance for loan losses	(11,947)	(10,948)
Net loans	884,451	731,301
Stock in FHLB of Boston, at cost	6,161	5,010
Bank owned life insurance	23,401	22,903
Banking premises and equipment, net	9,045	6,214
Accrued interest receivable	3,562	3,877
Other assets	18,091	13,623
Total assets	$ 1,449,827	$ 1,417,986
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 359,248	$ 329,211
Interest bearing checking	310,458	363,575
Money market	59,756	60,850
Savings	401,758	393,541
Certificates of deposit	126,205	134,156
Total deposits	1,257,425	1,281,333
Short-term borrowings	72,000	—
Long-term borrowings	—	20,000
Other liabilities	16,672	11,762
Total liabilities	1,346,097	1,313,095
Stockholders' equity:		
Common stock, par value $1.00; Authorized 10,000,000 shares; Outstanding: 3,882,094 and 3,854,951 shares, respectively	3,882	3,855
Additional paid-in capital	25,668	24,421
Retained earnings	81,722	75,787
Accumulated other comprehensive income	(7,542)	828
Total stockholders’ equity	103,730	104,891
Total liabilities and stockholders’ equity	$ 1,449,827	$ 1,417,986

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

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30,	
	2013	2012
	(In thousands, except per share data)	
Interest income:		
Interest on loans	$ 9,027	$ 8,378
Interest on taxable investment securities	2,484	3,028
Interest on tax exempt investment securities	507	507
Dividends on FHLB of Boston stock	5	6
Interest on overnight investments	5	7
Total interest income	12,028	11,926
Interest expense:		
Interest on deposits	486	564
Interest on borrowed funds	39	173
Total interest expense	525	737
Net interest income	11,503	11,189
Provision for loan losses	600	150
Net interest income after provision for loan losses	10,903	11,039
Noninterest income:		
Wealth management income	4,344	3,848
Deposit account fees	645	580
ATM/Debit card income	308	264
Bank owned life insurance income	156	202
Gain on disposition of investment securities	185	324
Gain on loans held for sale	33	200
Other income	255	216
Total noninterest income	5,926	5,634
Noninterest expense:		
Salaries and employee benefits	6,581	6,809
Occupancy and equipment	2,022	1,902
Data processing	1,049	881
Professional services	385	396
Marketing	465	480
FDIC Insurance	186	178
Other expenses	658	648
Total noninterest expense	11,346	11,294
Income before income taxes	5,483	5,379
Income tax expense	1,788	1,715
Net income	$ 3,695	$ 3,664
Per share data:		
Basic earnings per common share	$ 0.95	$ 0.95
Diluted earnings per common share	$ 0.94	$ 0.94
Average shares outstanding - basic	3,848,720	3,846,680
Average shares outstanding - diluted	3,911,886	3,883,673

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

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30,	
	2013	2012
	(In thousands)	
Net income	$ 3,695	$ 3,664
Other comprehensive income/(loss), net of tax:		
Defined benefit retirement plans:		
Change in unfunded retirement liability	(85)	(96)
Unrealized gains/(losses) on Available for Sale securities:		
Unrealized holding gains/(losses) arising during the period	51	1,397
Less: reclassification adjustment for gains recognized in net income	(119)	(202)
Other comprehensive income/(loss)	(153)	1,099
Comprehensive income	$ 3,542	$ 4,763

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

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Nine Months Ended September 30,	
	2013	2012
	(In thousands, except per share data)	
Interest income:		
Interest on loans	$ 26,006	$ 25,065
Interest on taxable investment securities	7,644	10,117
Interest on tax exempt investment securities	1,518	1,523
Dividends on FHLB of Boston stock	15	18
Interest on overnight investments	25	16
Total interest income	35,208	36,739
Interest expense:		
Interest on deposits	1,461	1,677
Interest on borrowed funds	200	803
Total interest expense	1,661	2,480
Net interest income	33,547	34,259
Provision for loan losses	1,000	700
Net interest income after provision for loan losses	32,547	33,559
Noninterest income:		
Wealth management income	11,964	10,557
Deposit account fees	1,926	1,778
ATM/Debit card income	865	768
Bank owned life insurance income	498	544
Gain on disposition of investment securities	990	753
Gain on loans held for sale	468	276
Other income	634	597
Total noninterest income	17,345	15,273
Noninterest expense:		
Salaries and employee benefits	19,871	20,148
Occupancy and equipment	6,085	5,693
Data processing	2,949	2,672
Professional services	1,313	1,263
Marketing	1,395	1,355
FDIC Insurance	548	525
Other expenses	2,113	1,974
Total noninterest expense	34,274	33,630
Income before income taxes	15,618	15,202
Income tax expense	5,117	4,802
Net income	$ 10,501	$ 10,400
Per share data:		
Basic earnings per common share	$ 2.71	$ 2.71
Diluted earnings per common share	$ 2.69	$ 2.69
Average shares outstanding - basic	3,833,758	3,835,733
Average shares outstanding - diluted	3,902,447	3,872,186

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

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended September 30,	
	2013	2012
	(In thousands)	
Net income	$ 10,501	$ 10,400
Other comprehensive income/(loss), net of tax:		
Defined benefit retirement plans:		
Change in unfunded retirement liability	(255)	(287)
Unrealized gains/(losses) on Available for Sale securities:		
Unrealized holding gains/(losses) arising during the period	(7,480)	807
Less: reclassification adjustment for gains recognized in net income	(635)	(479)
Other comprehensive income/(loss)	(8,370)	41
Comprehensive income	$ 2,131	$ 10,441

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

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2013	2012
	(In thousands)	
Cash flows provided by operating activities:		
Net income	$ 10,501	$ 10,400
Adjustments to arrive at net cash provided by operating activities:		
Provision for loan losses	1,000	700
Amortization of deferred charges/(income), net	678	951
Depreciation and amortization	1,163	1,061
Bank owned life insurance income	(498)	(544)
Gain on disposition of investment securities	(990)	(753)
Compensation expense from stock option and restricted stock grants	299	344
Change in loans held for sale	1,684	(1,437)
Change in accrued interest receivable, deferred taxes, other assets and other liabilities	5,154	1,408
Other, net	54	109
Net cash provided by operating activities	19,045	12,239
Cash flows used by investing activities:		
Origination of loans	(249,747)	(172,479)
Purchase of:		
Investment securities - AFS	(50,544)	(166,202)
Investment securities - HTM	(1,527)	(823)
Maturities, calls and principal payments of:		
Loans	95,316	121,231
Investment securities - AFS	88,040	98,169
Investment securities - HTM	15,000	3,181
Proceeds from sale of investment securities - AFS	31,107	30,745
Purchase of bank owned life insurance	—	(5,000)
Decrease/(increase) in FHLB of Boston stock	(1,151)	(204)
Purchase of banking premises and equipment	(3,994)	(786)
Net cash provided/(used) by investing activities	(77,500)	(92,168)
Cash flows provided by financing activities:		
Net increase/(decrease) in deposits	(23,908)	93,561
Net increase/(decrease) in short-term borrowings	72,000	(2,500)
Repayment of long-term borrowings	(20,000)	(10,000)
Proceeds from issuance of common stock	982	734
Repurchase of common stock	(42)	(3)
Cash dividends paid on common stock	(4,531)	(4,261)
Net cash provided/(used) by financing activities	24,501	77,531
Net increase/(decrease) in cash and cash equivalents	(33,954)	(2,398)
Cash and cash equivalents at beginning of period	59,923	22,512
Cash and cash equivalents at end of period	$ 25,969	$ 20,114
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,668	$ 2,495
Cash paid for income taxes	1,440	4,070
Non-cash transactions:		
Change in accumulated other comprehensive income, net of taxes	(8,370)	41

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 September 30, 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 October 21, 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:

	September 30, 2013			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In thousands)			
Securities available for sale:				
U.S. GSE obligations	$ 92,562	$ 75	$ (1,466)	$ 91,171
Mortgage-backed securities	307,741	3,404	(4,078)	307,067
Corporate debt securities	22,010	653	(19)	22,644
Mutual funds	672	—	(52)	620
Total securities available for sale	422,985	4,132	(5,615)	421,502
Securities held to maturity:				
U.S. GSE obligations	—	—	—	—
Mortgage-backed securities	3,827	239	—	4,066
Municipal securities	53,818	2,528	(106)	56,240
Total securities held to maturity	57,645	2,767	(106)	60,306
Total investment securities	$ 480,630	$ 6,899	$ (5,721)	$ 481,808

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 September 30, 2013 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 September 30, 2013:								
Debt securities available for sale:								
U.S. GSE obligations	$ 17,501	$ 17,520	$ 40,087	$ 39,733	$ 34,974	$ 33,918	$ —	$ —
Mortgage-backed securities	3,342	3,363	3,562	3,796	2,001	2,165	298,836	297,743
Corporate debt securities	—	—	21,010	21,654	1,000	990	—	—
Total debt securities available for sale	20,843	20,883	64,659	65,183	37,975	37,073	298,836	297,743
Debt securities held to maturity:								
U.S. GSE obligations	—	—	—	—	—	—	—	—
Mortgage-backed securities	75	79	1,303	1,378	2,316	2,462	133	147
Municipal securities	600	611	12,120	12,734	31,265	32,884	9,833	10,011
Total debt securities held to maturity	675	690	13,423	14,112	33,581	35,346	9,966	10,158
Total debt securities	$ 21,518	$ 21,573	$ 78,082	$ 79,295	$ 71,556	$ 72,419	$ 308,802	$ 307,901

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

	Nine Months Ended September 30,	
	2013	2012
	(In thousands)	
Amortized cost of securities sold	$ 30,117	$ 29,992
Gain realized on securities sold	990	753
Net proceeds from securities sold	$ 31,107	$ 30,745

5. Loans and the Allowance for Loan Losses

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

	September 30, 2013					
	Residential Mortgages	Commercial Mortgages	Home Equity	Commercial	Consumer	Total
	(In thousands)					
Non-performing loans:						
Non-accrual loans	$ 669	$ 389	$ 28	$ 230	$ -	$ 1,316
Loans past due >90 days, but still accruing	-	-	-	-	-	-
Troubled debt restructurings	-	-	-	-	-	-
Total	$ 669	$ 389	$ 28	$ 230	$ -	$ 1,316

CAMBRIDGE BANCORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	September 30, 2013 (In thousands)		
	Residential Mortgages	Home Equity	Consumer
Credit risk profile based on payment activity:			
Performing	$ 442,559	$ 45,780	$ 22,872
Non-performing	669	28	—
Total	$ 443,228	$ 45,808	$ 22,872

	Commercial Mortgages	Commercial
Credit risk profile by internally assigned grade:		
Pass	$ 334,579	$ 43,838
Special mention	—	660
Substandard	2,191	3,222
Doubtful	—	—
Total	$ 336,770	$ 47,720

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

	September 30, 2013 (In thousands)						
	Current	30 - 59 Days	60 - 89 Days	90 Days or Greater	Total Past Due	Total Loans	Greater Than 90 Days But Accruing
Loans receivable:							
Residential mortgage loans	$ 442,566	433	-	$ 229	$ 662	$ 443,228	$ -
Commercial mortgage loans	336,770	-	-	-	-	336,770	-
Home equity loans	45,232	257	319	-	576	45,808	-
Commercial loans	47,340	99	281	-	380	47,720	-
Consumer loans	22,870	2	-	-	2	22,872	-
Total	$ 894,778	$ 791	$ 600	$ 229	$ 1,620	$ 896,398	$ -

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:

	Nine Months Ended September 30, 2013 (In thousands)						
	Residential Mortgages	Commercial Mortgages	Home Equity	Commercial	Consumer	Unallocated	Total
Balance at December 31, 2012	$ 3,792	$ 4,850	$ 551	$ 824	$ 273	$ 658	$ 10,948
Provision for loan losses	684	722	(64)	(38)	20	(324)	1,000
Loans charged off	-	-	(15)	(25)	(15)		(55)
Recoveries	-	5	-	34	15		54
Balance at September 30, 2013	$ 4,476	$ 5,577	$ 472	$ 795	$ 293	$ 334	$ 11,947

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

	September 30, 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	4,476	5,577	472	795	293	334	11,947
Total	$ 4,476	$ 5,577	$ 472	$ 795	$ 293	$ 334	$ 11,947
Loans receivable:							
Individually evaluated for impairment	$ -	$ 389	$ -	$ 135	$ -		$ 524
Collectively evaluated for impairment	443,228	336,381	45,808	47,585	22,872		895,874
Total	$ 443,228	$ 336,770	$ 45,808	$ 47,720	$ 22,872		$ 896,398

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	$ —	$ 91,171	$ —	$ 91,171
Mortgage-backed securities	—	307,067	—	307,067
Corporate debt securities	—	22,644	—	22,644
Mutual funds	620	—	—	620
Total	$ 620	$ 420,882	$ —	$ 421,502

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:

	Nine Months Ended September 30,	
	2013	2012
	(In thousands)	
Provision at statutory rates	$ 5,466	$ 5,321
Increase (decrease) resulting from:		
State tax, net of federal tax benefit	445	362
Tax-exempt income	(531)	(533)
ESOP dividends	(131)	(126)
Bank owned life insurance	(174)	(190)
Other	42	(32)
Total income tax expense	$ 5,117	$ 4,802

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:

	September 30, 2013
	(In thousands)
Standby letters of credit	$ 18,801
Commitments to extend credit:	
Unused portion of existing lines of credit	178,429
Origination of new loans	61,805
Commitments to sell loans	880
Liabilities associated with letters of credit	196

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:

	Quarter Ended September 30, 2013			Nine Months Ended September 30, 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	$ (144)	$ 59	$ (85)	$ (431)	$ 176	$ (255)
Unrealized gains/(losses) on AFS securities:						
Unrealized holding gains/(losses) arising during the period	90	(39)	51	(11,776)	4,296	(7,480)
Reclassification adjustment for gains recognized in net income	(185)	66	(119)	(990)	355	(635)
	$ (239)	$ 86	$ (153)	$ (13,197)	$ 4,827	$ (8,370)

CAMBRIDGE BANCORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Quarter Ended September 30, 2013			Nine Months Ended September 30, 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:		
	$ 185	Gain on disposition of investment securities		$ 990	Gain on disposition of investment securities
	(66)	Income tax expense		(355)	Income tax expense
	$ 119	Net income		$ 635	Net income