CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED BALANCE SHEETS

	June 30, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Cash and due from banks	$ 22,854	$ 59,923
Overnight investments	—	—
Total cash and cash equivalents	22,854	59,923
Investment securities:		
Available for sale, at fair value	459,212	502,318
Held to maturity, at amortized cost	64,913	71,133
Total investment securities	524,125	573,451
Loans held for sale, at lower of cost or fair value	—	1,684
Loans:		
Residential mortgage	405,788	347,908
Commercial mortgage	305,455	276,428
Home equity	45,522	50,574
Commercial	50,025	47,570
Consumer	25,141	19,769
Total loans	831,931	742,249
Allowance for loan losses	(11,353)	(10,948)
Net loans	820,578	731,301
Stock in FHLB of Boston, at cost	5,406	5,010
Bank owned life insurance	23,245	22,903
Banking premises and equipment, net	8,342	6,214
Accrued interest receivable	4,007	3,877
Other assets	17,268	13,623
Total assets	$ 1,425,825	$ 1,417,986
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 352,997	$ 329,211
Interest bearing checking	326,990	363,575
Money market	58,328	60,850
Savings	376,606	393,541
Certificates of deposit	132,058	134,156
Total deposits	1,246,979	1,281,333
Short-term borrowings	63,000	—
Long-term borrowings	—	20,000
Other liabilities	14,283	11,762
Total liabilities	1,324,262	1,313,095
Stockholders' equity:		
Common stock, par value $1.00; Authorized 10,000,000 shares; Outstanding: 3,880,594 and 3,854,951 shares, respectively	3,881	3,855
Additional paid-in capital	25,530	24,421
Retained earnings	79,541	75,787
Accumulated other comprehensive income	(7,389)	828
Total stockholders’ equity	101,563	104,891
Total liabilities and stockholders’ equity	$ 1,425,825	$ 1,417,986

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,	
	2013	2012
	(In thousands, except per share data)	
Interest income:		
Interest on loans	$ 8,614	$ 8,359
Interest on taxable investment securities	2,466	3,528
Interest on tax exempt investment securities	504	508
Dividends on FHLB of Boston stock	5	6
Interest on overnight investments	6	8
Total interest income	11,595	12,409
Interest expense:		
Interest on deposits	481	561
Interest on borrowed funds	32	315
Total interest expense	513	876
Net interest income	11,082	11,533
Provision for loan losses	200	250
Net interest income after provision for loan losses	10,882	11,283
Noninterest income:		
Wealth management income	3,875	3,366
Deposit account fees	633	606
ATM/Debit card income	301	265
Bank owned life insurance income	166	161
Gain on disposition of investment securities	205	172
Gain on loans held for sale	137	76
Other income	213	188
Total noninterest income	5,530	4,834
Noninterest expense:		
Salaries and employee benefits	6,521	6,635
Occupancy and equipment	1,999	1,847
Data processing	917	904
Professional services	416	407
Marketing	465	437
FDIC Insurance	181	175
Other expenses	760	668
Total noninterest expense	11,259	11,073
Income before income taxes	5,153	5,044
Income tax expense	1,678	1,593
Net income	$ 3,475	$ 3,451
Per share data:		
Basic earnings per common share	$ 0.90	$ 0.90
Diluted earnings per common share	$ 0.89	$ 0.89
Average shares outstanding - basic	3,837,776	3,842,976
Average shares outstanding - diluted	3,907,458	3,879,498

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30,	
	2013	2012
	(In thousands)	
Net income	$ 3,475	$ 3,451
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	(5,938)	(51)
Less: reclassification adjustment for gains recognized in net income	(131)	(111)
Other comprehensive income/(loss)	(6,154)	(258)
Comprehensive income/(loss)	$ (2,679)	$ 3,193

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Six Months Ended June 30,	
	2013	2012
	(In thousands, except per share data)	
Interest income:		
Interest on loans	$ 16,979	$ 16,687
Interest on taxable investment securities	5,160	7,089
Interest on tax exempt investment securities	1,011	1,016
Dividends on FHLB of Boston stock	10	12
Interest on overnight investments	20	9
Total interest income	23,180	24,813
Interest expense:		
Interest on deposits	975	1,113
Interest on borrowed funds	161	630
Total interest expense	1,136	1,743
Net interest income	22,044	23,070
Provision for loan losses	400	550
Net interest income after provision for loan losses	21,644	22,520
Noninterest income:		
Wealth management income	7,620	6,709
Deposit account fees	1,281	1,198
ATM/Debit card income	557	504
Bank owned life insurance income	342	342
Gain on disposition of investment securities	805	429
Gain on loans held for sale	435	76
Other income	379	381
Total noninterest income	11,419	9,639
Noninterest expense:		
Salaries and employee benefits	13,290	13,339
Occupancy and equipment	4,063	3,791
Data processing	1,900	1,791
Professional services	928	867
Marketing	930	875
FDIC Insurance	362	347
Other expenses	1,455	1,326
Total noninterest expense	22,928	22,336
Income before income taxes	10,135	9,823
Income tax expense	3,329	3,087
Net income	$ 6,806	$ 6,736
Per share data:		
Basic earnings per common share	$ 1.76	$ 1.76
Diluted earnings per common share	$ 1.75	$ 1.74
Average shares outstanding - basic	3,826,454	3,830,199
Average shares outstanding - diluted	3,897,744	3,866,397

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30,	
	2013	**2012**
	(In thousands)	
Net income	$ 6,806	$ 6,736
Other comprehensive income/(loss), net of tax:		
Defined benefit retirement plans:		
Change in unfunded retirement liability	(170)	(191)
Unrealized gains/(losses) on Available for Sale securities:		
Unrealized holding gains/(losses) arising during the period	(7,531)	(590)
Less: reclassification adjustment for gains recognized in net income	(516)	(277)
Other comprehensive income/(loss)	(8,217)	(1,058)
Comprehensive income/(loss)	$ (1,411)	$ 5,678

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2013	**2012**
	(In thousands)	
Cash flows provided by operating activities:		
Net income	$ 6,806	$ 6,736
Adjustments to arrive at net cash provided by operating activities:		
Provision for loan losses	400	550
Amortization of deferred charges/(income), net	608	432
Depreciation and amortization	767	715
Bank owned life insurance income	(342)	(342)
Gain on disposition of investment securities	(805)	(429)
Compensation expense from stock option and restricted stock grants	229	228
Change in loans held for sale	1,684	(253)
Change in accrued interest receivable, deferred taxes, other assets and other liabilities	3,200	(1,235)
Other, net	36	90
Net cash provided by operating activities	12,583	6,492
Cash flows used by investing activities:		
Origination of loans	(151,184)	(96,734)
Purchase of:		
Investment securities - AFS	(50,544)	(105,858)
Investment securities - HTM	(498)	(823)
Maturities, calls and principal payments of:		
Loans	61,328	67,257
Investment securities - AFS	52,626	56,986
Investment securities - HTM	6,709	2,388
Proceeds from sale of investment securities - AFS	28,702	22,748
Purchase of bank owned life insurance	—	(5,000)
Decrease/(increase) in FHLB of Boston stock	(396)	(204)
Purchase of banking premises and equipment	(2,895)	(311)
Net cash provided/(used) by investing activities	(56,152)	(59,551)
Cash flows provided by financing activities:		
Net increase/(decrease) in deposits	(34,354)	77,296
Net increase/(decrease) in short-term borrowings	63,000	(2,500)
Repayment of long-term borrowings	(20,000)	—
Proceeds from issuance of common stock	913	619
Repurchase of common stock	(42)	(3)
Cash dividends paid on common stock	(3,017)	(2,836)
Net cash provided/(used) by financing activities	6,500	72,576
Net increase/(decrease) in cash and cash equivalents	(37,069)	19,517
Cash and cash equivalents at beginning of period	59,923	22,512
Cash and cash equivalents at end of period	$ 22,854	$ 42,029
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,141	$ 1,752
Cash paid for income taxes	80	2,705
Non-cash transactions:		
Change in accumulated other comprehensive income, net of taxes	(8,217)	(1,058)

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 June 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 July 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:

	June 30, 2013			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In thousands)			
Securities available for sale:				
U.S. GSE obligations	$ 110,066	$ 116	$ (1,749)	$ 108,433
Mortgage-backed securities	327,850	3,778	(4,069)	327,559
Corporate debt securities	22,012	605	(19)	22,598
Mutual funds	672	—	(50)	622
Total securities available for sale	460,600	4,499	(5,887)	459,212
Securities held to maturity:				
U.S. GSE obligations	7,500	31	—	7,531
Mortgage-backed securities	4,289	263	—	4,552
Municipal securities	53,124	2,718	(111)	55,731
Total securities held to maturity	64,913	3,012	(111)	67,814
Total investment securities	$ 525,513	$ 7,511	$ (5,998)	$ 527,026

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 June 30, 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 June 30, 2013:								
Debt securities available for sale:								
U.S. GSE obligations	$ 35,001	$ 35,116	$ 40,092	$ 39,533	$ 34,973	$ 33,784	$ —	$ —
Mortgage-backed securities	3,584	3,598	2,889	3,078	3,466	3,722	317,911	317,161
Corporate debt securities	—	—	21,012	21,607	1,000	991	—	—
Total debt securities available for sale	38,585	38,714	63,993	64,218	39,439	38,497	317,911	317,161
Debt securities held to maturity:								
U.S. GSE obligations	7,500	7,531	—	—	—	—	—	—
Mortgage-backed securities	122	130	1,491	1,569	2,540	2,696	136	157
Municipal securities	680	697	11,342	11,959	31,365	33,122	9,737	9,953
Total debt securities held to maturity	8,302	8,358	12,833	13,528	33,905	35,818	9,873	10,110
Total debt securities	$ 46,887	$ 47,072	$ 76,826	$ 77,746	$ 73,344	$ 74,315	$ 327,784	$ 327,271

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,	
	2013	2012
	(In thousands)	
Amortized cost of securities sold	$ 27,897	$ 22,319
Gain realized on securities sold	805	429
Net proceeds from securities sold	$ 28,702	$ 22,748

5. Loans and the Allowance for Loan Losses

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

	June 30, 2013					
	Residential Mortgages	Commercial Mortgages	Home Equity	Commercial	Consumer	Total
	(In thousands)					
Non-performing loans:						
Non-accrual loans	$ 692	$ 398	$ 34	$ 317	$ -	$ 1,441
Loans past due >90 days, but still accruing	-	-	-	-	-	-
Troubled debt restructurings	-	-	-	-	-	-
Total	$ 692	$ 398	$ 34	$ 317	$ -	$ 1,441

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, 2013 (In thousands)		
	Residential Mortgages	Home Equity	Consumer
Credit risk profile based on payment activity:			
Performing	$ 405,096	$ 45,488	$ 25,141
Non-performing	692	34	—
Total	$ 405,788	$ 45,522	$ 25,141

	Commercial Mortgages	Commercial
Credit risk profile by internally assigned grade:		
Pass	$ 303,245	$ 46,101
Special mention	—	2,856
Substandard	2,210	1,068
Doubtful	—	—
Total	$ 305,455	$ 50,025

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

	June 30, 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	$ 404,958	651	-	$ 179	$ 830	$ 405,788	$ -
Commercial mortgage loans	305,455	-	-	-	-	305,455	-
Home equity loans	45,258	264	-	-	264	45,522	-
Commercial loans	49,735	39	41	210	290	50,025	-
Consumer loans	24,628	12	501	-	513	25,141	-
Total	$ 830,034	$ 966	$ 542	$ 389	$ 1,897	$ 831,931	$ -

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:

	Six Months Ended June 30, 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	428	282	(58)	1	49	(302)	400
Loans charged off	-	-	(15)	(10)	(6)		(31)
Recoveries	-	3	-	22	11		36
Balance at June 30, 2013	$ 4,220	$ 5,135	$ 478	$ 837	$ 327	$ 356	$ 11,353

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

	June 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	4,220	5,135	478	837	327	356	11,353
Total	$ 4,220	$ 5,135	$ 478	$ 837	$ 327	$ 356	$ 11,353
Loans receivable:							
Individually evaluated for impairment	$ -	$ 399	$ -	$ 209	$ -		$ 608
Collectively evaluated for impairment	405,788	305,056	45,522	49,816	25,141		831,323
Total	$ 405,788	$ 305,455	$ 45,522	$ 50,025	$ 25,141		$ 831,931

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, 2013			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
Measured on a recurring basis:				
U.S. GSE obligations	$ —	$ 108,433	$ —	$ 108,433
Mortgage-backed securities	—	327,559	—	327,559
Corporate debt securities	—	22,598	—	22,598
Mutual funds	622	—	—	622
Total	$ 622	$ 458,590	$ —	$ 459,212

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 Ended June 30,	
	2013	2012
	(In thousands)	
Provision at statutory rates	$ 3,547	$ 3,438
Increase (decrease) resulting from:		
State tax, net of federal tax benefit	267	214
Tax-exempt income	(354)	(355)
ESOP dividends	(88)	(84)
Bank owned life insurance	(120)	(120)
Other	77	(6)
Total income tax expense	$ 3,329	$ 3,087

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, 2013
	(In thousands)
Standby letters of credit	$ 13,753
Commitments to extend credit:	
Unused portion of existing lines of credit	175,364
Origination of new loans	58,463
Commitments to sell loans	1,950
Liabilities associated with letters of credit	174

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, 2013			Six Months Ended June 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	$ (143)	$ 58	$ (85)	$ (287)	$ 117	$ (170)
Unrealized gains/(losses) on AFS securities:						
Unrealized holding gains/(losses) arising during the period	(9,339)	3,401	(5,938)	(11,866)	4,335	(7,531)
Reclassification adjustment for gains recognized in net income	(205)	74	(131)	(805)	289	(516)
	$ (9,687)	$ 3,533	$ (6,154)	$ (12,958)	$ 4,741	$ (8,217)

CAMBRIDGE BANCORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Quarter Ended June 30, 2013			Six Months Ended June 30, 2013		
Details about AOCI Components	**Amount Reclassified from AOCI** (In thousands)	**Affected Line Item on the Statement of Income**	**Details about AOCI Components**	**Amount Reclassified from AOCI** (In thousands)	**Affected Line Item on the Statement of Income**
Unrealized gains/(losses) on AFS securities:			Unrealized gains/(losses) on AFS securities:		
	$ 205	Gain on disposition of investment securities		$ 805	Gain on disposition of investment securities
	(74)	Income tax expense		(289)	Income tax expense
	$ 131	Net income		$ 516	Net income