CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED BALANCE SHEETS

	September 30, 2011	December 31, 2010
	(In thousands)	
ASSETS		
Cash and due from banks	$ 35,484	$ 15,756
Overnight investments	—	—
Total cash and cash equivalents	35,484	15,756
Investment securities:		
Available for sale, at fair value	409,602	434,829
Held-to-maturity, at amortized cost	73,875	81,272
Total investment securities	483,477	516,101
Loans:		
Residential mortgage	313,294	272,928
Commercial mortgage	226,078	177,943
Home equity	62,796	66,170
Commercial	36,517	38,258
Consumer	11,231	13,269
Total loans	649,916	568,568
Allowance for loan losses	(9,923)	(8,885)
Net loans	639,993	559,683
Stock in FHLB of Boston, at cost	4,806	4,806
Bank owned life insurance	17,203	11,811
Banking premises and equipment, net	6,023	6,043
Accrued interest receivable	4,086	4,478
Other assets	11,119	12,310
Total assets	$ 1,202,191	$ 1,130,988
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 269,661	$ 233,199
Interest bearing checking	278,308	280,060
Money market	65,801	55,026
Savings	310,070	287,784
Certificates of deposit	133,503	137,739
Total deposits	1,057,343	993,808
Short-term borrowings	746	1,902
Long-term borrowings	30,000	30,000
Other liabilities	16,083	16,060
Total liabilities	1,104,172	1,041,770
Stockholders' equity:		
Common stock, par value $1.00; Authorized 5,000,000 shares; Outstanding: 3,799,148 and 3,759,891 shares, respectively	3,799	3,760
Additional paid-in capital	22,715	21,456
Retained earnings	66,728	61,375
Accumulated other comprehensive income	4,777	2,627
Total stockholders’ equity	98,019	89,218
Total liabilities and stockholders’ equity	$ 1,202,191	$ 1,130,988

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

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Quarter Ended September 30,	
	2011	2010
	(In thousands, except per share data)	
Interest income:		
Interest on loans	$ 8,348	$ 7,549
Interest on taxable investment securities	3,062	3,614
Interest on tax exempt investment securities	499	461
Dividends on FHLB of Boston stock	4	—
Interest on overnight investments	10	8
Total interest income	11,923	11,632
Interest expense:		
Interest on deposits	667	853
Interest on borrowed funds	297	298
Total interest expense	964	1,151
Net interest income	10,959	10,481
Provision for loan losses	250	50
Net interest income after provision for loan losses	10,709	10,431
Noninterest income:		
Wealth management income	3,460	3,421
Deposit account fees	527	546
ATM/Debit card income	247	244
Bank owned life insurance income	141	88
Gain on disposition of investment securities	104	—
Gain on disposition of other real estate owned	—	33
Other income	180	222
Total noninterest income	4,659	4,554
Noninterest expense:		
Salaries and employee benefits	6,175	5,992
Occupancy and equipment	1,852	1,648
Data processing	925	789
Professional services	376	435
Marketing	455	514
FDIC Insurance	152	320
Other expenses	631	688
Total noninterest expense	10,566	10,386
Income before income taxes	4,802	4,599
Income tax expense	1,516	1,423
Net income	$ 3,286	$ 3,176
Per share data:		
Basic earnings per common share	$ 0.86	$ 0.84
Diluted earnings per common share	$ 0.85	$ 0.84
Average shares outstanding - basic	3,802,297	3,761,286
Average shares outstanding - diluted	3,849,605	3,791,682

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

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Nine Months Ended September 30,	
	2011	2010
	(In thousands, except per share data)	
Interest income:		
Interest on loans	$ 24,071	$ 22,459
Interest on taxable investment securities	9,881	11,171
Interest on tax exempt investment securities	1,485	1,366
Dividends on FHLB of Boston stock	11	—
Interest on overnight investments	24	31
Total interest income	35,472	35,027
Interest expense:		
Interest on deposits	2,072	2,727
Interest on borrowed funds	890	946
Total interest expense	2,962	3,673
Net interest income	32,510	31,354
Provision for loan losses	750	500
Net interest income after provision for loan losses	31,760	30,854
Noninterest income:		
Wealth management income	10,030	9,153
Deposit account fees	1,604	1,566
ATM/Debit card income	730	708
Merchant card services	—	267
Bank owned life insurance income	391	252
Gain on disposition of investment securities	465	146
Loss on disposition of other real estate owned	—	(10)
Gain on disposition of merchant services portfolio	—	2,842
Other income	609	548
Total noninterest income	13,829	15,472
Noninterest expense:		
Salaries and employee benefits	18,200	17,612
Occupancy and equipment	5,447	4,918
Data processing	2,706	2,400
Professional services	1,312	1,354
Marketing	1,330	1,264
FDIC Insurance	597	930
Other expenses	1,936	2,163
Total noninterest expense	31,528	30,641
Income before income taxes	14,061	15,685
Income tax expense	4,494	5,085
Net income	$ 9,567	$ 10,600
Per share data:		
Basic earnings per common share	$ 2.53	$ 2.83
Diluted earnings per common share	$ 2.49	$ 2.81
Average shares outstanding - basic	3,788,198	3,746,753
Average shares outstanding - diluted	3,834,685	3,770,596

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

CAMBRIDGE BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2011	2010
	(In thousands)	
Cash flows provided by operating activities:		
Net income	$ 9,567	$ 10,600
Adjustments to arrive at net cash provided by operating activities:		
Provision for loan losses	750	500
Amortization of deferred charges/(income), net	290	450
Depreciation and amortization	1,086	1,086
Bank owned life insurance income	(391)	(252)
Gain on disposition of investment securities	(465)	(146)
Loss on disposition of other real estate owned	—	10
Gain on disposition of merchant services portfolio	—	(2,842)
Compensation expense from stock option and restricted stock grants	305	257
Change in accrued interest receivable, deferred taxes, other assets and other liabilities	245	1,183
Other, net	438	(4)
Net cash provided by operating activities	11,825	10,842
Cash flows used by investing activities:		
Origination of loans	(160,098)	(97,568)
Purchase of:		
Investment securities - AFS	(139,016)	(194,770)
Investment securities - HTM	(1,243)	(5,441)
Maturities, calls and principal payments of:		
Loans	78,361	87,165
Investment securities - AFS	130,726	105,852
Investment securities - HTM	8,624	9,966
Proceeds from sale of investment securities - AFS	37,458	29,002
Proceeds from sale of other real estate owned	—	810
Proceeds from sale of merchant services portfolio	—	2,842
Purchase of bank owned life insurance	(5,001)	—
Purchase of banking premises and equipment	(1,066)	(1,309)
Net cash used by investing activities	(51,255)	(63,451)
Cash flows provided by financing activities:		
Net increase in deposits	63,535	80,842
Net increase/(decrease) in short-term borrowings	(1,156)	(11,203)
Repayment of long-term borrowings	—	(8,000)
Proceeds from issuance of common stock	1,048	788
Repurchase of common stock	(287)	(380)
Cash dividends paid on common stock	(3,982)	(3,937)
Net cash provided by financing activities	59,158	58,110
Net increase (decrease) in cash and cash equivalents	19,728	5,501
Cash and cash equivalents at beginning of period	15,756	26,174
Cash and cash equivalents at end of period	$ 35,484	$ 31,675
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,978	$ 3,706
Cash paid for income taxes	5,135	5,760
Non-cash transactions:		
Change in accumulated other comprehensive income, net of taxes	2,150	2,292

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

CAMBRIDGE BANCORP
CONDENSED NOTES TO UNAUDITED 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 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 September 30, 2011 and December 31, 2010, 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, 2010.

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 xx, 2011, 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, 2011			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In thousands)			
Securities available for sale:				
U.S. GSE obligations	$ 109,521	2,271	$ —	$ 111,792
Mortgage-backed securities	264,245	11,088	(70)	275,263
Corporate debt securities	21,998	187	(290)	21,895
Mutual funds	672	—	(20)	652
Total securities available for sale	396,436	13,546	(380)	409,602
Securities held to maturity:				
U.S. GSE obligations	12,494	849	—	13,343
Mortgage-backed securities	9,574	633	—	10,207
Municipal securities	51,807	3,786	(1)	55,592
Total securities held to maturity	73,875	5,268	(1)	79,142
Total investment securities	$ 470,311	$ 18,814	$ (381)	$ 488,744

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

CAMBRIDGE BANCORP
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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, 2011:								
Debt securities available for sale:								
U.S. GSE obligations	$ 22,066	$ 22,739	$ 87,455	$ 89,053	$ —	$ —	$ —	$ —
Mortgage-backed securities	—	—	5,836	6,097	11,285	12,200	247,124	256,966
Corporate debt securities	—	—	21,998	21,895	—	—	—	—
Total debt securities available for sale	22,066	22,739	115,289	117,045	11,285	12,200	247,124	256,966
Debt securities held to maturity:								
U.S. GSE obligations	—	—	12,494	13,343	—	—	—	—
Mortgage-backed securities	—	—	2,576	2,703	6,684	7,144	314	360
Municipal securities	—	—	9,283	10,014	32,318	34,748	10,206	10,830
Total debt securities held to maturity	—	—	24,353	26,060	39,002	41,892	10,520	11,190
Total debt securities	$ 22,066	$ 22,739	$ 139,642	$ 143,105	$ 50,287	$ 54,092	$ 257,644	$ 268,156

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, 2011	Nine Months Ended September 30, 2010
	(In thousands)	
Amortized cost of securities sold	$ 36,993	$ 28,856
Gain realized on securities sold	465	146
Net proceeds from securities sold	$ 37,458	$ 29,002

5. Loans and the Allowance for Loan Losses

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

	September 30, 2011					
	Residential Mortgages	Commercial Mortgages	Home Equity	Commercial	Consumer	Total
	(In thousands)					
Non-performing loans:						
Non-accrual loans	$ 311	$ -	$ -	$ 53	$ 13	$ 377
Loans past due >90 days, but still accruing	248	-	453	-	-	701
Troubled debt restructurings	-	-	-	-	-	-
Total	$ 559	$ -	$ 453	$ 53	$ 13	$ 1,078

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

	September 30, 2011 (In thousands)		
	Residential Mortgages	Home Equity	Consumer
Credit risk profile based on payment activity:			
Performing	$ 312,735	$ 62,343	$ 11,218
Non-performing	559	453	13
Total	$ 313,294	$ 62,796	$ 11,231

	Commercial Mortgages	Commercial
Credit risk profile by internally assigned grade:		
Pass	$ 215,492	$ 30,110
Special mention	8,660	3,757
Substandard	1,926	2,650
Doubtful	—	—
Total	$ 226,078	$ 36,517

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

	September 30, 2011						
	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	$ 312,032	559	317	$ 386	$ 1,262	$ 313,294	$ 248
Commercial mortgage loans	223,152	-	2,926	-	2,926	226,078	-
Home equity loans	62,343	-	-	453	453	62,796	453
Commercial loans	36,419	98	-	-	98	36,517	-
Consumer loans	11,231	-	-	-	-	11,231	-
Total	$ 645,177	$ 657	$ 3,243	$ 839	$ 4,739	$ 649,916	$ 701

There were no impaired loans receivable as of September 30, 2011. Refer to the Corporation's Annual Report for management's policy on nonaccrual and impaired.

As discussed in Cambridge Bancorp's 2010 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, 2011						
	Residential Mortgages	Commercial Mortgages	Home Equity	Commercial	Consumer	Unallocated	Total
				(In thousands)			
Balance at December 31, 2010	$ 3,085	$ 3,429	$ 740	$ 787	$ 195	$ 649	$ 8,885
Provision for loan losses	568	845	7	(375)	(29)	(266)	750
Loans charged-off	(20)	-	-	(110)	(20)		(150)
Recoveries	1	5	-	414	18		438
Balance at September 30, 2011	$ 3,634	$ 4,279	$ 747	$ 716	$ 164	$ 383	$ 9,923

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

	September 30, 2011						
	Residential Mortgages	Commercial Mortgages	Home Equity	Commercial	Consumer	Unallocated	Total
				(In thousands)			
Allowance for loan losses:							
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	3,634	4,279	747	716	164	383	9,923
Total	$ 3,634	$ 4,279	$ 747	$ 716	$ 164	$ 383	$ 9,923
Loans receivable:							
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -		$ -
Collectively evaluated for impairment	313,294	226,078	62,796	36,517	11,231		649,916
Total	$ 313,294	$ 226,078	$ 62,796	$ 36,517	$ 11,231		$ 649,916

6. Other Real Estate Owned ("OREO")

The following table sets forth information regarding OREO activity during the periods noted.

	Nine Months Ended September 30,	
	2011	2010
	(In thousands)	
Balance at beginning of period	$ —	$ 696
Transfer from loans	—	124
Net proceeds from properties sold	—	(810)
Net loss realized on properties sold	—	(10)
Balance at end of period	$ —	$ —

7. 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, 2011			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Measured on a recurring basis:				
U.S. GSE obligations	$ —	$ 111,792	$ —	$ 111,792
Mortgage-backed securities	—	275,263	—	275,263
Corporate debt securities	—	21,895	—	21,895
Mutual funds	652	—	—	652
Total	$ 652	$ 408,950	$ —	$ 409,602

8. 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,	
	2011	2010
	(In thousands)	
Provision at statutory rates	$ 4,921	$ 5,441
Increase (decrease) resulting from:		
State tax, net of federal tax benefit	310	420
Tax-exempt income	(520)	(474)
ESOP dividends	(116)	(134)
Bank owned life insurance	(137)	(87)
Other	36	(81)
Total income tax expense	$ 4,494	$ 5,085

9. 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.

CAMBRIDGE BANCORP
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

	September 30, 2011
	(In thousands)
Standby letters of credit	$ 6,430
Commitments to extend credit:	
Unused portion of existing lines of credit	140,655
Origination of new loans	39,618
Liabilities associated with letters of credit	34