# CAMBRIDGE BANCORP

## INTERIM REPORT
## September 30, 2011

# CAMBRIDGE BANCORP

**1336 MASSACHUSETTS AVENUE, CAMBRIDGE, MASSACHUSETTS 02138**
**617-876-5500**

October 18, 2011

To the Stockholders of Cambridge Bancorp:

Net income for the quarter ending September 30, 2011 was $3,286,000 compared to $3,176,000 for the quarter ending September 30, 2010. Contributing to the 3.5% increase in earnings were continued growth in net interest income, gains on the sale of investment securities, and a modest (1.7%) increase in non-interest expenses. Year-to-date income of $9,567,000 trailed the same period in 2010 by $1,033,000. Earnings in 2010 included the gain on the sale of Bank's Merchant Services portfolio, which on an after tax basis was $1,591,000.

Earnings in the third quarter benefited from ongoing growth in both commercial and consumer loans. Commercial loan growth was driven primarily by new commercial real estate loans. Since the beginning of 2011, commercial mortgage loans to new and existing customers have grown $48.1 million. In the consumer sector, lower rates and attentive customer service continue to drive residential mortgage loan business, with loans increasing $40.4 million during the first nine months of 2011.

Most of the $81.3 million in net loan growth this year was funded by an increase in deposits, mostly lower cost core deposits. Despite these favorable dynamics, the Bank and the financial services sector continue to face margin pressure due to historically low interest rates. For the most recent quarter, the Bank's net interest margin was 3.94% compared to 4.12% during the third quarter of 2010.

Asset quality remains solid. Non-performing loans of $1,078,000 are slightly higher than a year ago and lower than year-end 2010. The Allowance for Loan Losses of $9.9 million is 1.53% of total loans outstanding compared to 1.67% one year ago.

Non-interest income, which accounts for approximately 30% of total Bank revenues, increased slightly in the third quarter of 2011 compared to the same quarter in 2010. The increase was attributed to the gain on the disposition of investment securities. Wealth Management revenue, representing more than 70% of non-interest income, was flat in this most recent quarter compared to a year ago. Equity markets were very volatile and declined considerably from earlier in the summer.

As we enter the fourth quarter and look ahead to 2012, it is clear that the banking industry will continue to face the challenges of modest economic growth, relatively high unemployment, low interest rates, and an increasingly burdensome regulatory environment. Cambridge Trust is prepared to compete in this environment, to adjust to changing circumstances, and to remain focused on its customers.

Very truly yours,

Joseph V. Roller II
President and CEO

# CAMBRIDGE BANCORP

## UNAUDITED QUARTERLY RESULTS

**September 30, 2011**

Dollar amounts in thousands (except share data)

| | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Interest Income | **$ 11,923** | $ 11,632 | **$ 35,472** | $ 35,027 |
| Interest Expense | **964** | 1,151 | **2,962** | 3,673 |
| Net Interest Income | **10,959** | 10,481 | **32,510** | 31,354 |
| Provision for Loan Losses | **250** | 50 | **750** | 500 |
| Non-Interest Income | **4,659** | 4,554 | **13,829** | 15,472 |
| Non-Interest Expense | **10,566** | 10,386 | **31,528** | 30,641 |
| Income Before Taxes | **4,802** | 4,599 | **14,061** | 15,685 |
| Income Taxes | **1,516** | 1,423 | **4,494** | 5,085 |
| Net Income | **$ 3,286** | $ 3,176 | **$ 9,567** | $ 10,600 |
| Data Per Common Share: | | | | |
| Basic Earnings Per Share | **$ 0.86** | $ 0.84 | **$ 2.53** | $ 2.83 |
| Diluted Earnings Per Share | **$ 0.85** | $ 0.84 | **$ 2.49** | $ 2.81 |
| Dividends Declared Per Share | **$ 0.35** | $ 0.35 | **$ 1.05** | $ 1.05 |
| Avg. Common Shares Outstanding: | | | | |
| Basic | **3,802,297** | 3,761,286 | **3,788,198** | 3,746,753 |
| Diluted | **3,849,605** | 3,791,682 | **3,834,685** | 3,770,596 |
| Selected Operating Ratios: | | | | |
| Net Interest Margin | **4.02%** | 4.30% | **3.95%** | 4.31% |
| Net Interest Margin | **3.94%** | 4.12% | **3.95%** | 4.24% |
| Return on Average Assets, after taxes | **1.11%** | 1.19% | **1.10%** | 1.36% |
| Return on Average Equity, after taxes | **13.63%** | 13.93% | **13.76%** | 16.18% |

| | **September 30, 2011** | December 31, 2010 | September 30, 2010 |
|---|---|---|---|
| Total Assets | **$1,202,191** | $1,130,988 | $1,090,610 |
| Total Loans | **649,916** | 568,568 | 547,938 |
| Non-Performing Loans | **1,078** | 1,147 | 975 |
| Allowance for Loan Losses | **9,923** | 8,885 | 9,175 |
| Allowance to Non-Performing Loans | **920.48%** | 774.31% | 940.57% |
| Allowance to Total Loans | **1.53%** | 1.56% | 1.67% |
| Total Deposits | **1,057,343** | 993,808 | 953,609 |
| Total Stockholders' Equity | **98,019** | 89,218 | 91,328 |
| Book Value Per Share | **$ 25.80** | $ 23.73 | $ 24.29 |
| Tangible Book Value Per Share | **$ 25.68** | $ 23.58 | $ 24.11 |

The accompanying unaudited interim financial information should be read in conjunction with the supplemental financial and operating information for the third quarter of 2011 and the audited consolidated financial statements and notes thereto included in the Cambridge Bancorp 2010 Annual Report, which are posted in the investor relations section of our website at www.cambridgetrust.com. Interim results are not necessarily reflective of the results for the entire year.

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