

CAMBRIDGE BANCORP

Investor Presentation

May 14th, 2019

NASDAQ: CATC

Parent of Cambridge Trust Company



Forward Looking Statements

This presentation contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements about Cambridge Bancorp (together with its bank subsidiary unless the context otherwise requires, the “Company”) and its industry involve substantial risks and uncertainties. Statements other than statements of current or historical fact, including statements regarding the Company’s future financial condition, results of operations, business plans, liquidity, cash flows, projected costs, and the impact of any laws or regulations applicable to the Company, are forward-looking statements. Words such as “anticipates,” “believes,” “estimates,” “expects,” “forecasts,” “intends,” “plans,” “projects,” “may,” “will,” “should,” and other similar expressions are intended to identify these forward-looking statements. Such statements are subject to factors that could cause actual results to differ materially from anticipated results. Such factors are described within the Company’s filings with the Securities & Exchange Commission.

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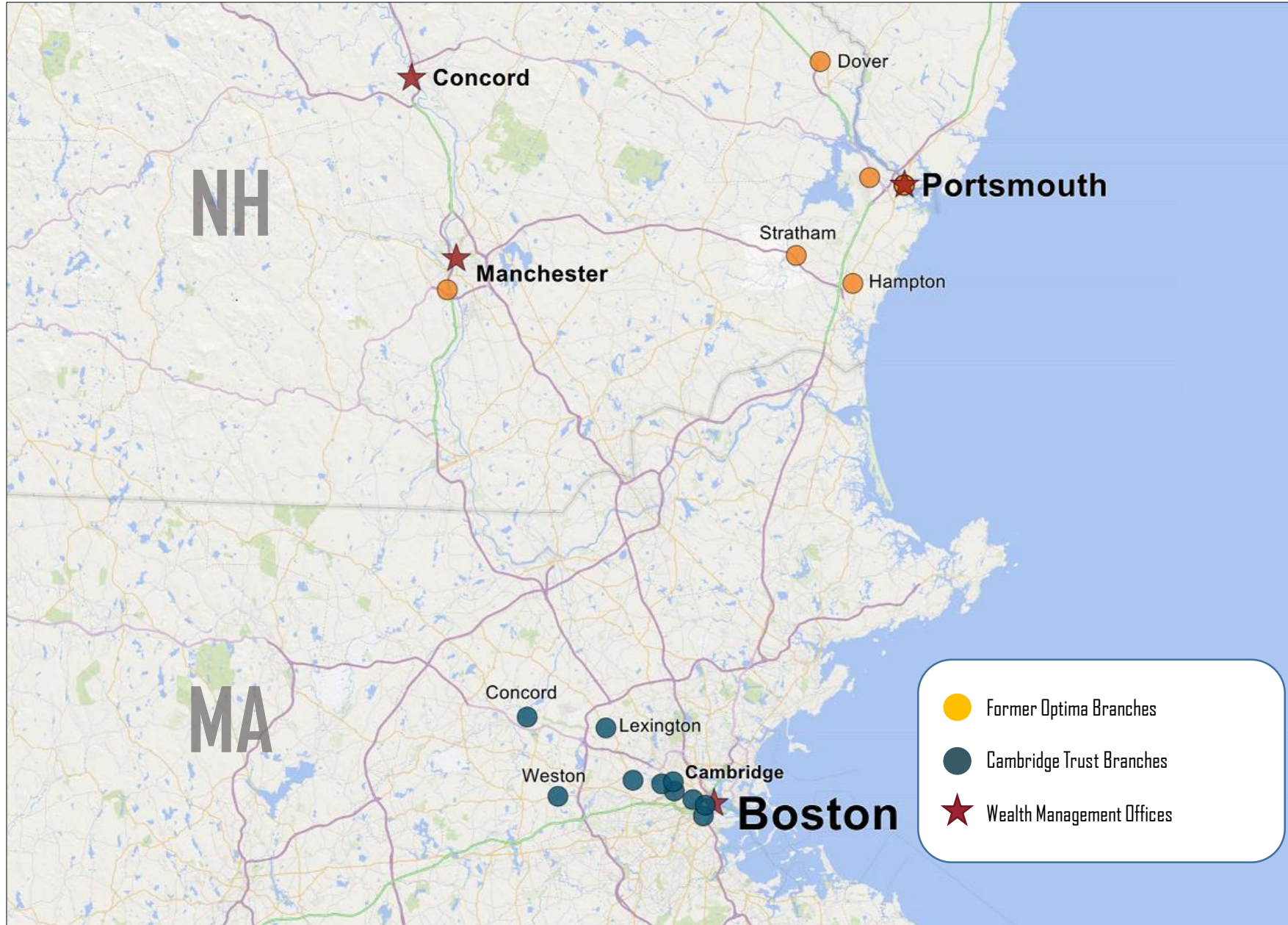
Company Profile

(as of March 31, 2019)

Banking subsidiary: Cambridge Trust Company (1890)

- Headquarters: Harvard Square, Cambridge, MA
- Assets: \$2.1 billion (\$2.6 billion pro forma with Optima)
- Wealth Management Assets \$3.1 billion
- Loans: \$1.6 billion (\$2.0 billion pro forma with Optima)
- Deposits: \$1.9 billion (\$2.3 billion pro forma with Optima)
- Non-interest income: 33% of revenue
- NASDAQ: CATC

Geographic Footprint



Why Cambridge Bancorp?

Continued focus on client service while investing for growth

Business Model

- Focused private banking business model
- Attractive geographic markets
- Affluent client base
- Investing for future growth

Performance

- Consistently profitable
- Strong returns
- Core deposit funded
- Well-capitalized

Credit

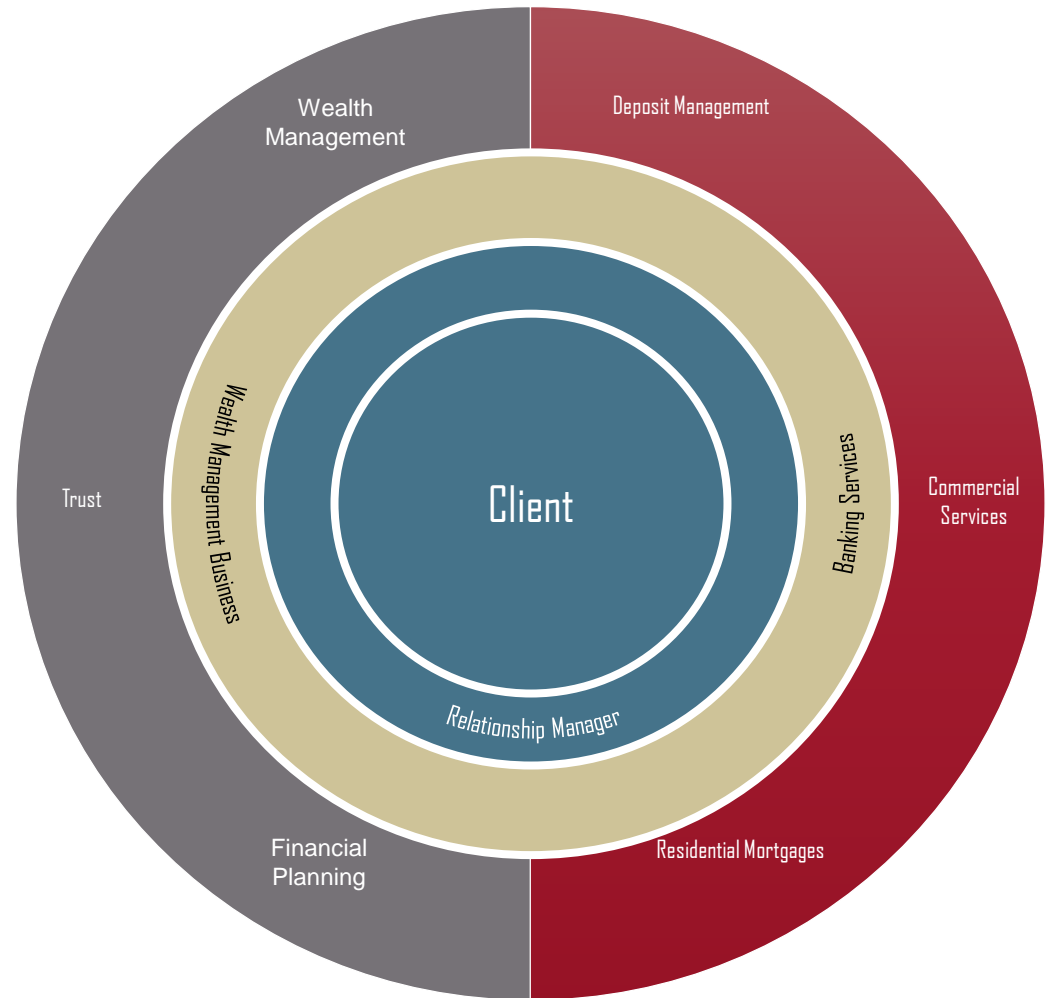
- Strong asset quality
- Sound underwriting acumen and risk management practices

Culture

- Client-centric service culture
- Loyal client base
- Experienced, conservative leadership
- Commitment to our community

Targeted Operating Model

- A premier local bank offering a broad range of integrated banking and Wealth Management capabilities
- Technology enabled client centric operating model
- Relationship management with “One Bank” team approach



Local Market Economy and Client Base

- **Full employment (3.0% MA, 2.4% NH) ¹**
 - 95% of New England employment growth since pre-recession peak to October 2018 in MA and NH
- **Supported by a diverse economy:**
 - Healthcare
 - Education
 - Talented workforce drives business location
 - Innovation
 - Life Sciences
 - Technology
 - Industry cluster effect, vital to business expansion and attraction
- **Client base skews affluent due to Wealth management focus**

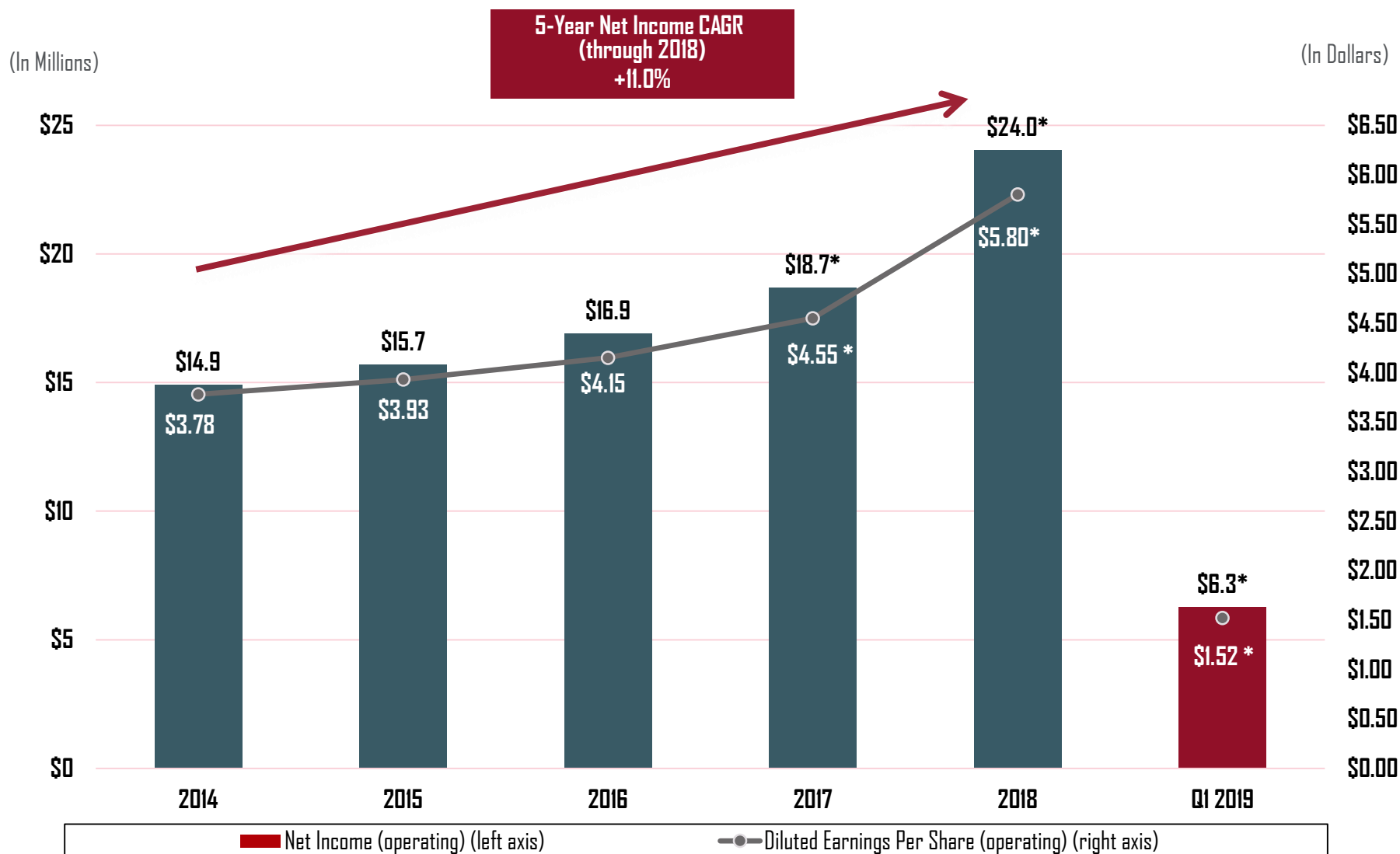
¹ Source: Bureau of Labor Statistics as of March 2019 (Preliminary)

Recent Strategic Process

- Announced completion of merger with Optima Bank & Trust effective April 17th, 2019
 - Addition of 6 banking office locations in New Hampshire to complement over \$1 Billion of Wealth Management assets in this important market.
- Generated record operating earnings in 2018
- Launched new brand identity, bank website and brand awareness campaign
- Named in the Top 25 Independent Investment Advisors in Massachusetts (*according to Boston Business Journal*)
- Increased resources to support expansion of business development and Innovation Banking initiatives

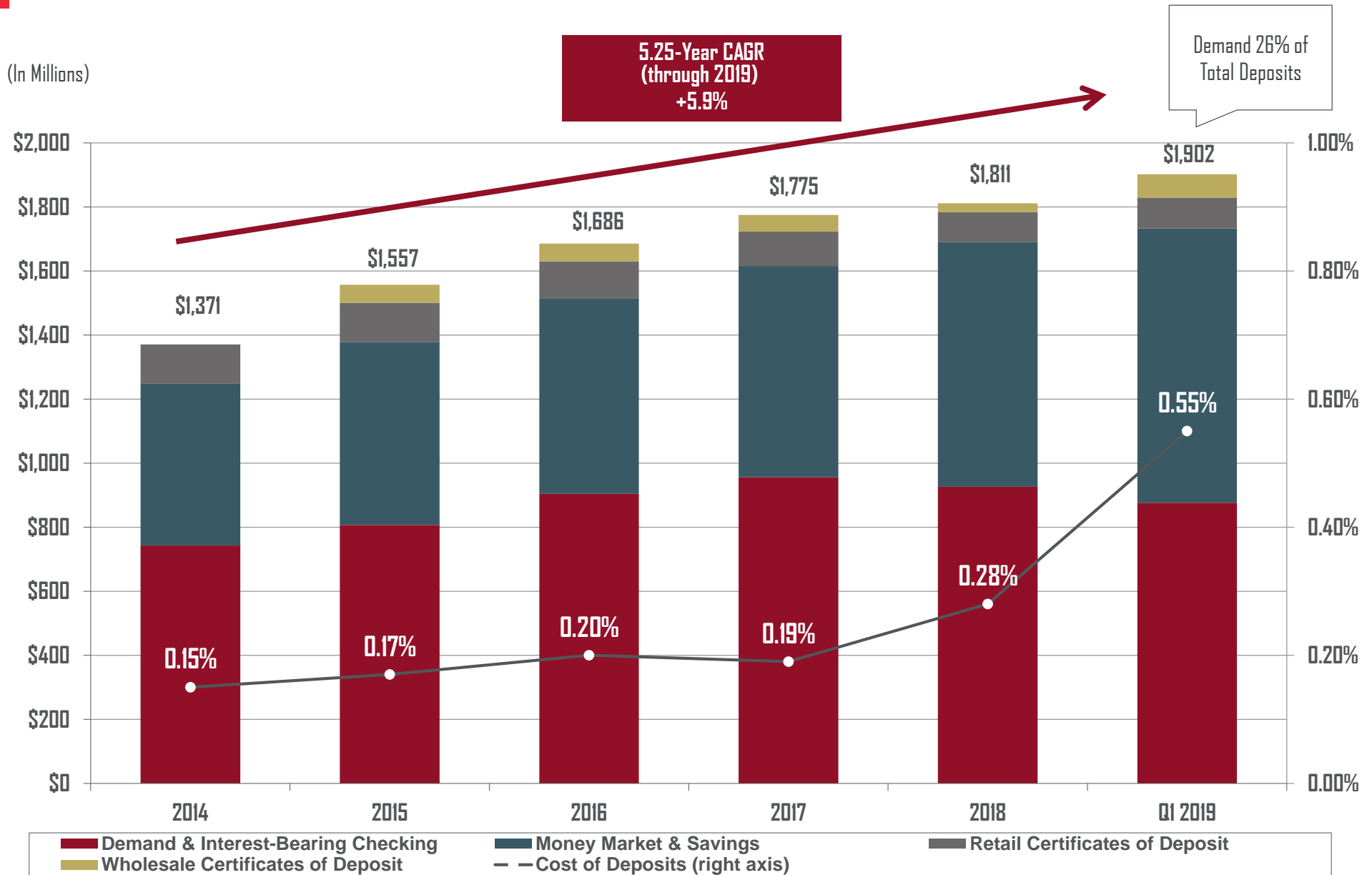
Strong Financial Performance

Net Income (operating) and Diluted Earnings Per Share (operating)

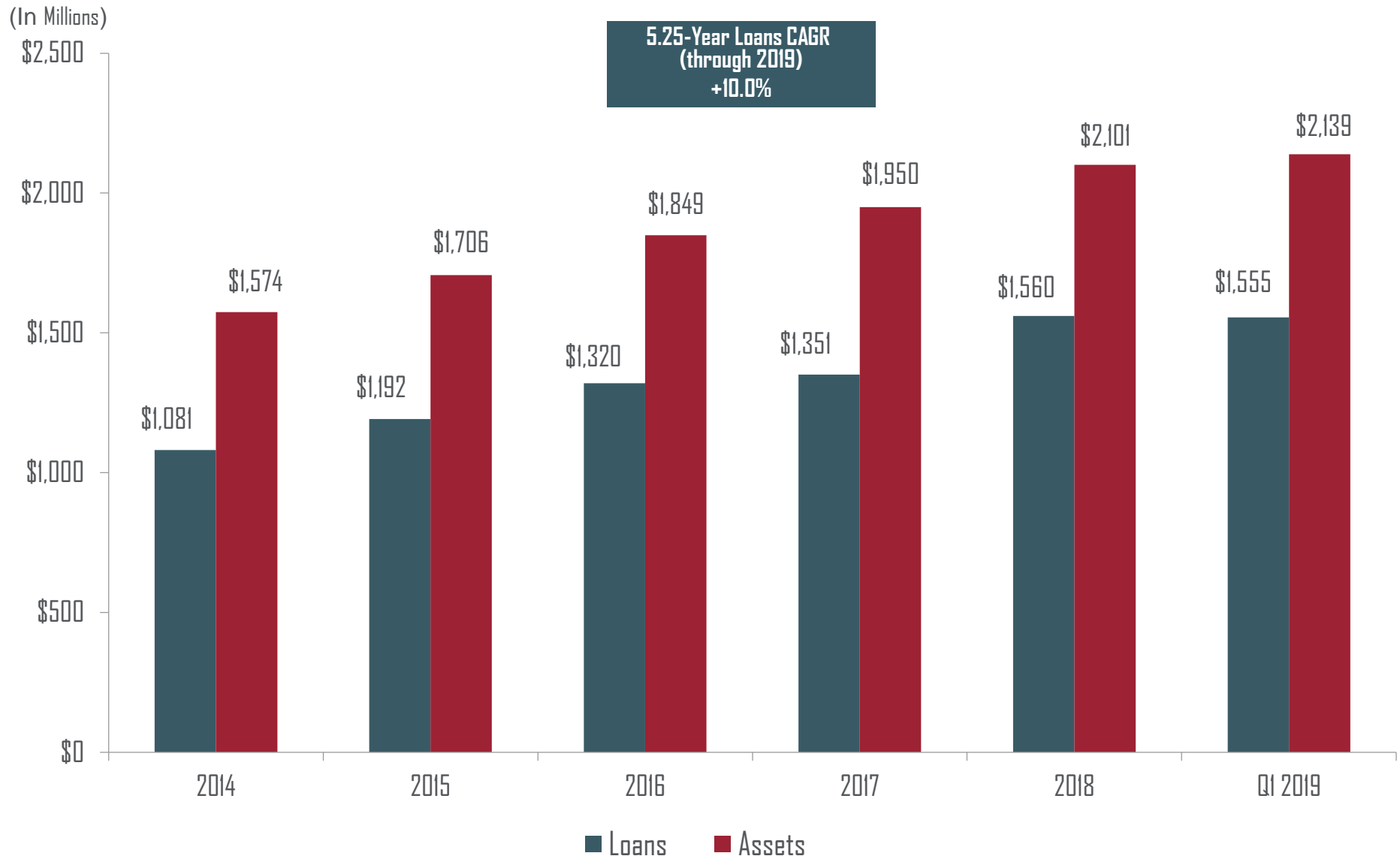


*Net Income (operating) and Diluted EPS (operating) are adjusted to exclude a tax charge in 2017 and merger related expenses in 2018 and 2019. See Appendix on pages 38-39 for GAAP – Non-GAAP reconciliation

Total Deposits & Cost of Total Deposits

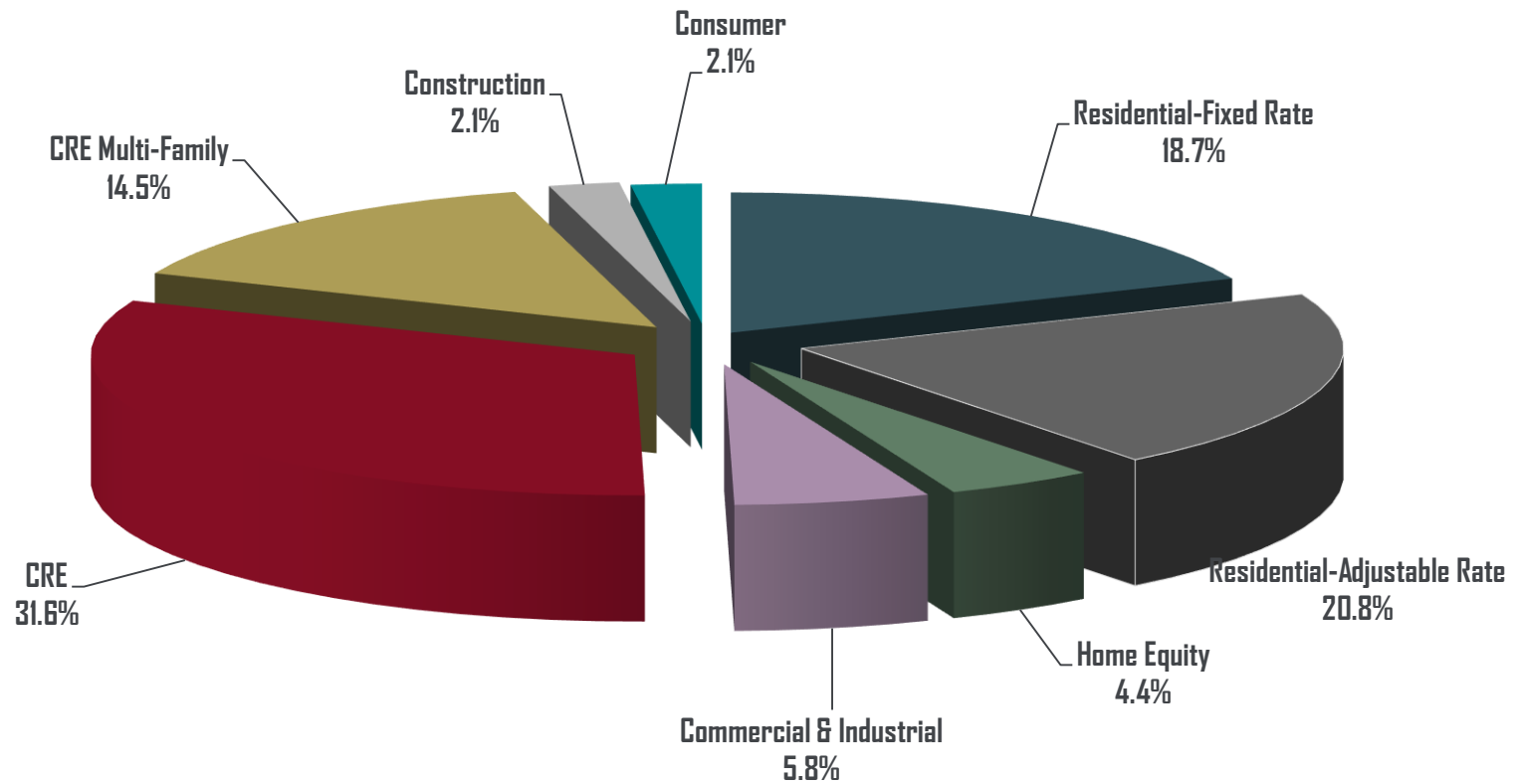


Total Loans and Assets



Diversified Loan Portfolio

As of March 31, 2019)



54.0% Commercial
46.0% Consumer

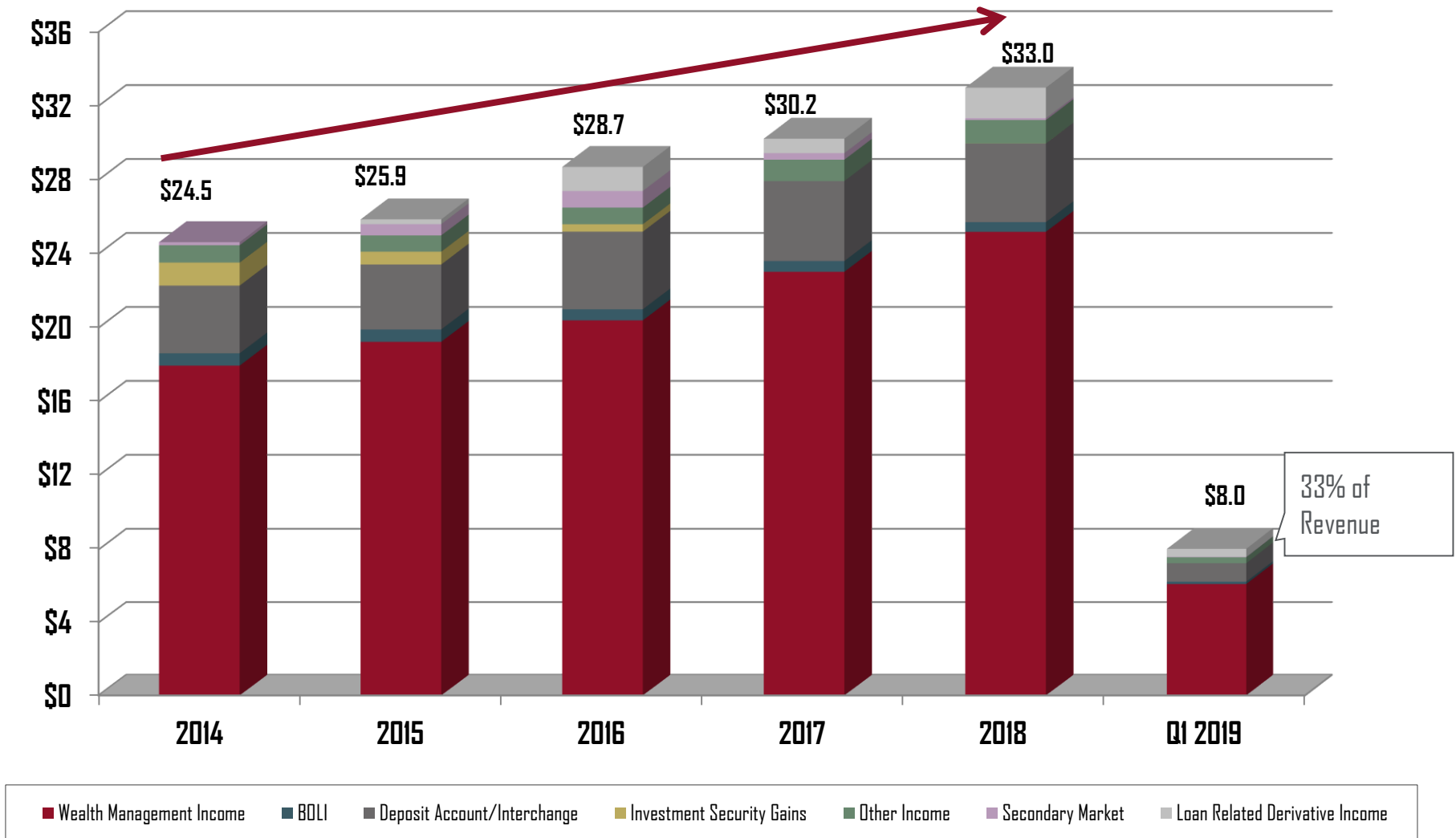
Strong Asset Quality

11.25 year average net charge-off rate of 0.01% (as of March 31, 2019)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Q1 2019</u>
Non Performing Loans (NPLs)	\$1,629	\$1,481	\$1,676	\$1,298	\$642	\$626
NPLs / Total Loans	0.15%	0.12%	0.13%	0.10%	0.04%	0.04%
Net (Charge-Offs) Recoveries / Average Loans	\$11 0 bps	(\$153) (1 bps)	(\$62) (0 bps)	(\$303) (2 bps)	(\$54) (0 bps)	(\$23) (0 bps)
Allowance / Total Loans	1.32%	1.27%	1.16%	1.13%	1.08%	1.07%

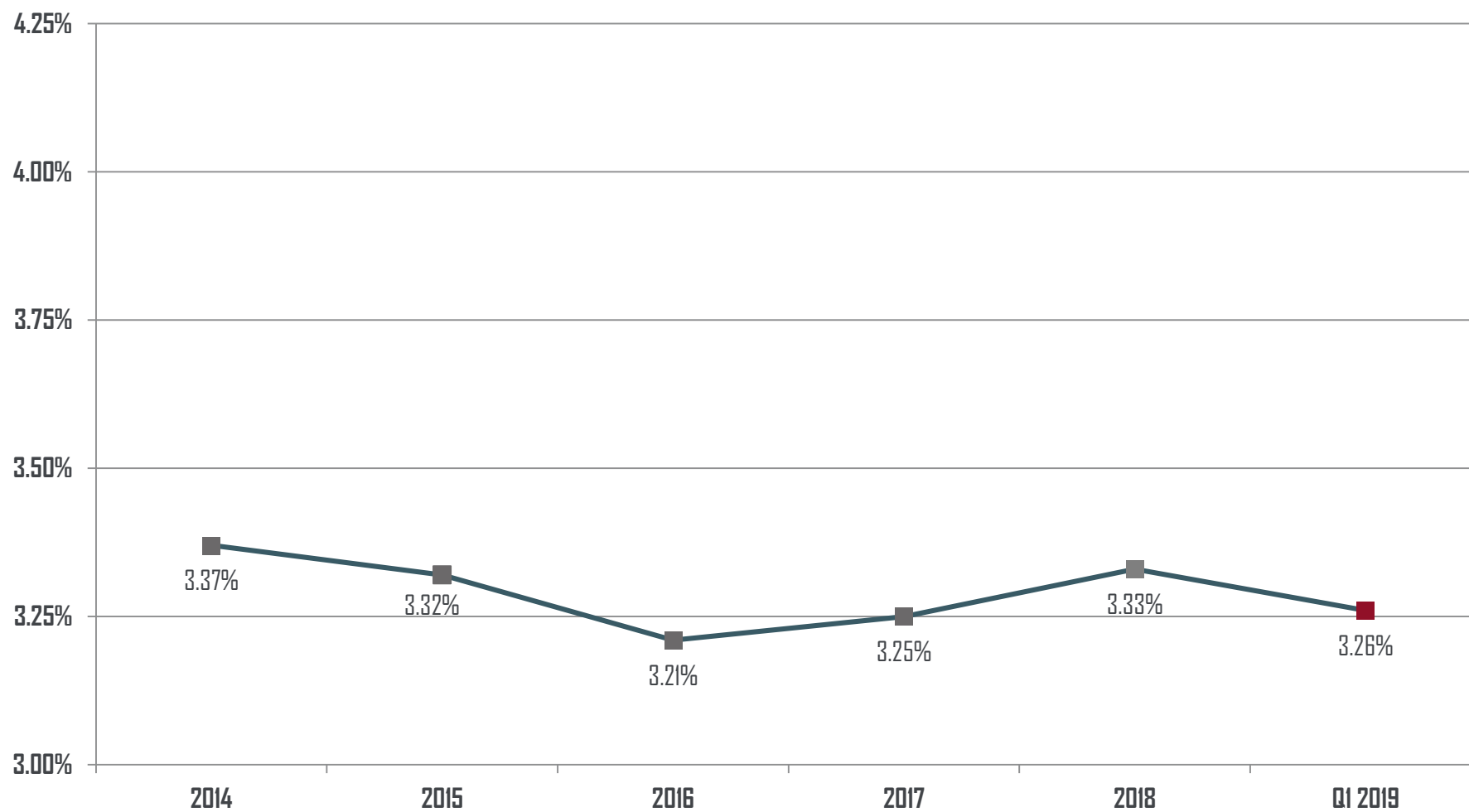
Non-Interest Income – Stable Source of Revenue

(In Millions)



Net Interest Margin

(Fully Taxable Equivalent) *



* Using tax rate of 35% prior to 2018, 21% effective 2018

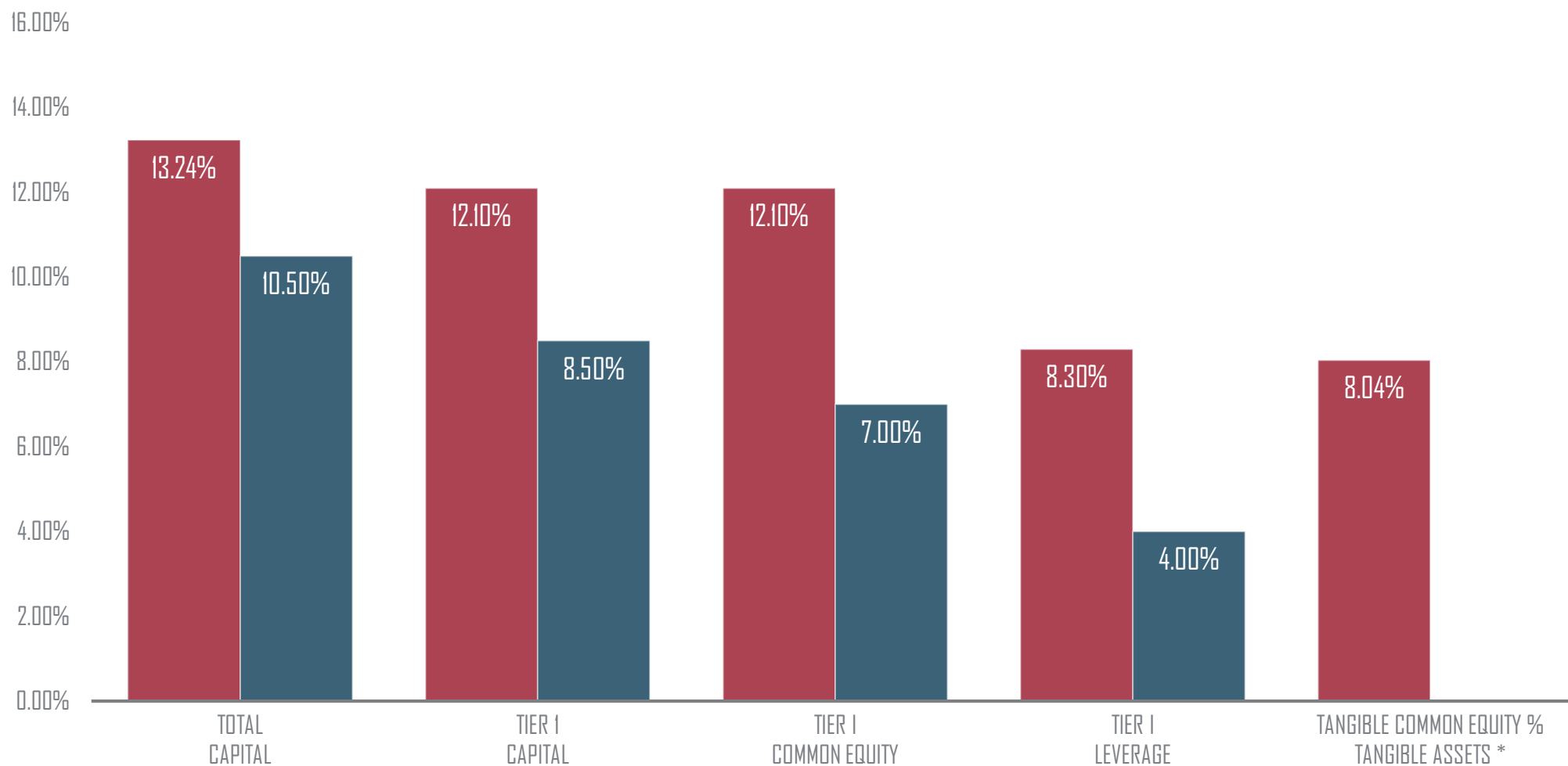
Other Key Performance Measures

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Q1 2019</u>
Return on Average Assets (Operating)*	0.95%	1.00%	1.21%	1.20%
Return on Average Equity (Operating)*	12.77%	13.21%	15.45%	15.11%
Book Value Per Share	\$33.36	\$36.24	\$40.67	\$41.78
Revenue Growth	6%	7%	10%	4%

*Return on Average Assets (Operating) and Return on Average Equity (Operating) are adjusted to exclude a tax charge in 2017 and merger related expenses in 2018 and 2019. See Appendix on pages 38-39 for GAAP – Non-GAAP reconciliation

Strong Capital Position

(As of March 31, 2019)



*Not a regulatory capital ratio

■ CATC ■ Fully phased in Basel III requirement (including capital conservation buffer)



Business Line Updates

Commercial Banking

2018 Results:

- Total commercial loan growth of \$153 million or 22%
- Commercial & industrial loan growth of \$28 million or 44%
- Business deposits, representing 41% of total deposits, had growth of \$71 million or 11%
- Commercial Loan asset quality remains pristine
 - Non-Performing Commercial Loans to Commercial Loans at 0.00%

Investments & Growth Opportunities:

- Further investment in Innovation Banking in 2019
 - Cambridge and Greater Boston are one of the most innovative and entrepreneurial ecosystems in the world
- Expand business development team

Wealth Management

2018 Results:

- New Hampshire AUM approximately \$1 billion or 36% of total managed assets
- Strong equity performance versus market benchmarks in 2018, which was capped with a period of declining equity prices

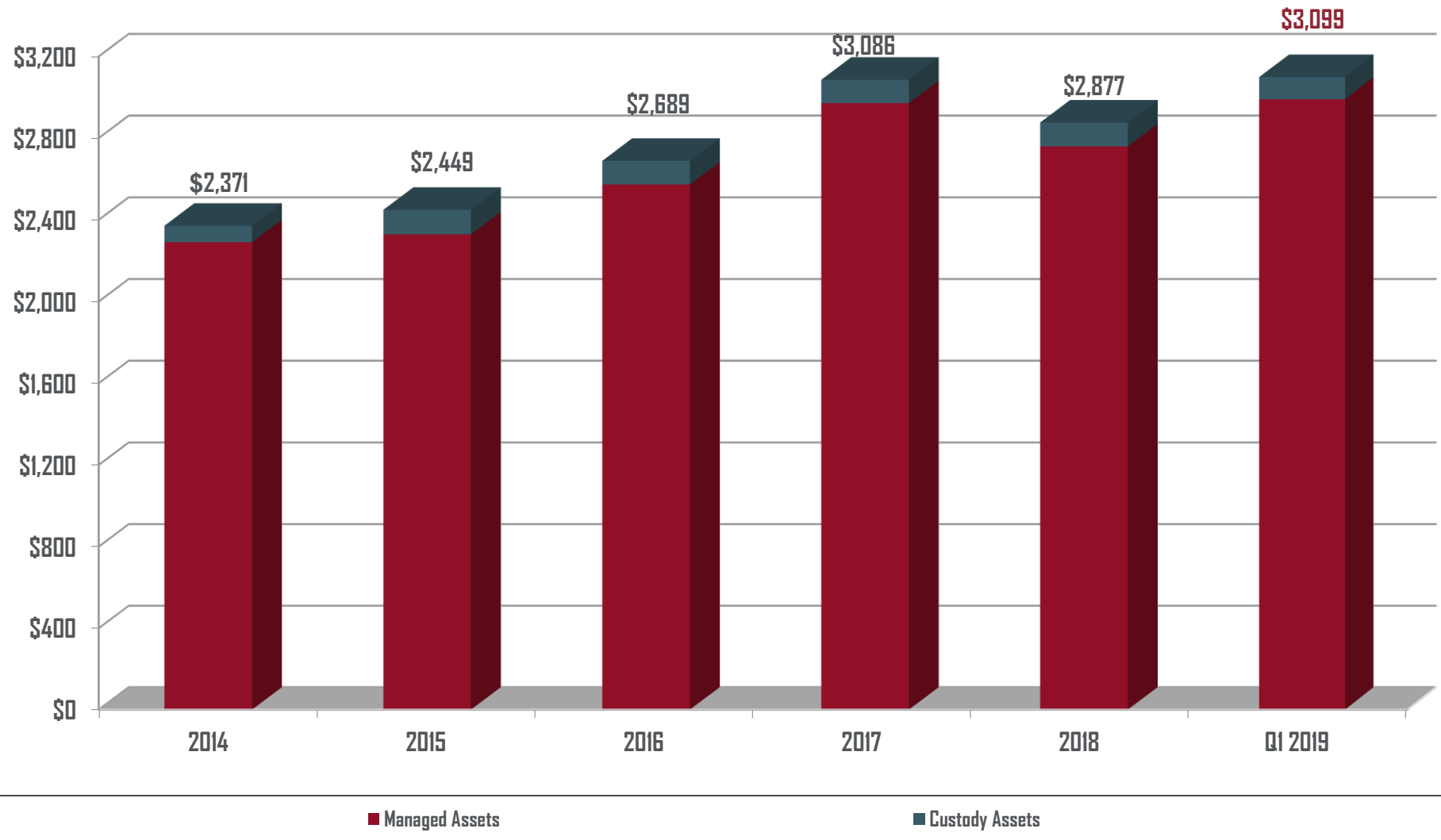
Investments and Growth Opportunities:

- Increase the AUM in NH as part of the merger with Optima, adding to the suite of products available to existing clients
- Invest in Business Development
- Complement current global investment strategy with a more structured and analytical asset allocation process
- Deepen existing manager selection process
- Increase the opportunity set for clients by adding access to a broader range of asset classes
- Improve technology platform

Wealth Management Assets Under Management and Administration

(In Millions)

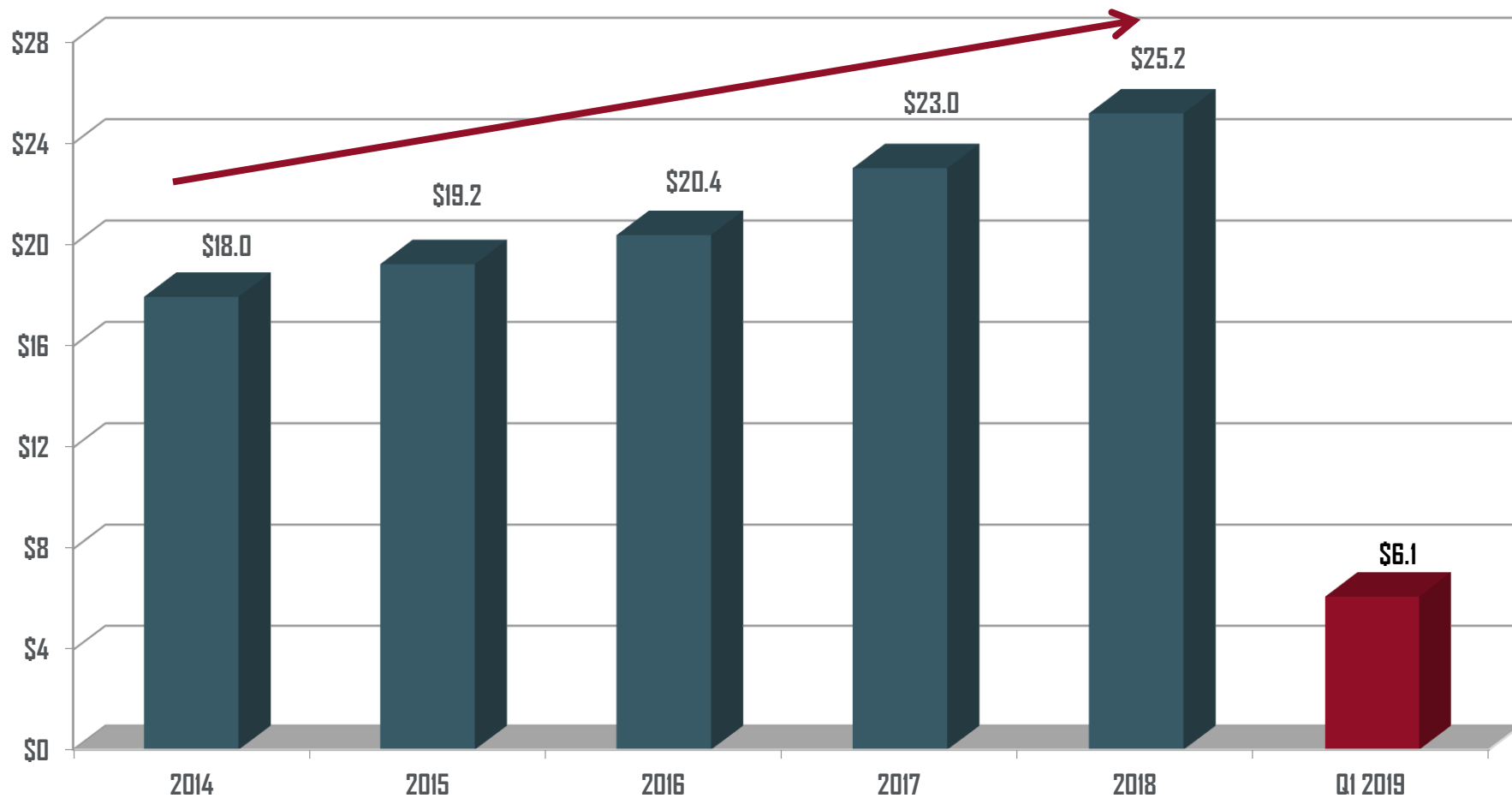
5.25-Year CAGR
(through 2019)
+6.7%



Wealth Management Revenue

(In Millions)

5-Year CAGR
(through 2018)
+9.1%



Net Client Flows

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018 *</u>	<u>Q1 2019</u>
Starting AUM	\$2,290	\$2,329	\$2,573	\$2,971	\$2,760
Net Flows	7	194	74	(176)	(13)
Appreciation & Income Net of Fees	32	50	324	(35)	243
Ending AUM	\$2,329	\$2,573	\$2,971	\$2,760	\$2,990
Custody Assets	120	116	115	117	109
Total WM Assets	\$2,449	\$2,689	\$3,086	\$2,877	\$3,099

* Two clients make up approximately 93% of the net outflows in 2018

Personal Banking

2018 Results:

- Core Deposits grew 4.6% or \$74.4 million in 2018
- Strong core deposit base as evidenced by a 19% interest bearing deposit beta since beginning of the current economic cycle
- Adjustable rate residential loan growth of \$71 million or 29.5%
- Total residential loan originations of \$145M, an increase of 23.9% over prior year
- Addition of experienced bankers:
 - John Sullivan as SVP, Director of Personal Lending
 - Kerri Mooney as SVP, Director of Private Banking Offices

Investments & Growth Opportunities:

- With the completion of the merger, additional base of clients to deepen banking relationships

Strategic Focus

- Be recognized as the premier private bank in the Greater Boston & New Hampshire region
- Increase brand awareness
- Expand Wealth Management assets under management
- Grow and diversify Commercial Banking relationships
- Deepen client relationships to grow deposit base



Merger with Optima Bank & Trust

Overview of Optima Bank & Trust Company

A Leading Commercial Bank in Southeastern New Hampshire

- **Founded in 2008 by local businesspeople and bankers with extensive ties to southeastern New Hampshire**

- **Six branches throughout attractive southeastern New Hampshire**
 - *Rockingham, Strafford, and Hillsborough Counties represent >\$20 billion in FDIC deposits*
 - *Diverse economy including manufacturing, higher education, technology, biotech, and healthcare*
 - *Median New Hampshire household income of ~\$78k*

- **Headquartered in Portsmouth, New Hampshire, with leading market share**
 - *Portsmouth is the commercial center of affluent Seacoast Region*
 - *50 miles from each of Boston (MA), Portland (ME), and Manchester (NH)*
 - *Median household income of ~\$80k*

- **Commercial and Residential lending expertise**
 - *In-market focus with loans originated in southern New Hampshire*
 - *Exceptional asset quality track record*

Financial Highlights ⁽¹⁾

Balance Sheet (\$mm)

Total Assets	\$534
Total Net Loans	\$471
Deposits	\$472
Total Equity	\$36

Profitability (LTM*)

Net Income (\$mm)	\$2.4
ROAA (%)	0.47
Net Interest Margin (%)	2.89
Efficiency Ratio (%)	77.61

Asset Quality

NPAs/ Assets (%)	0.44
Reserves / Gross Loans (%)	0.70

Source: S&P Global Market Intelligence

(1) Regulatory Bank-Level Data as of 03/31/2019

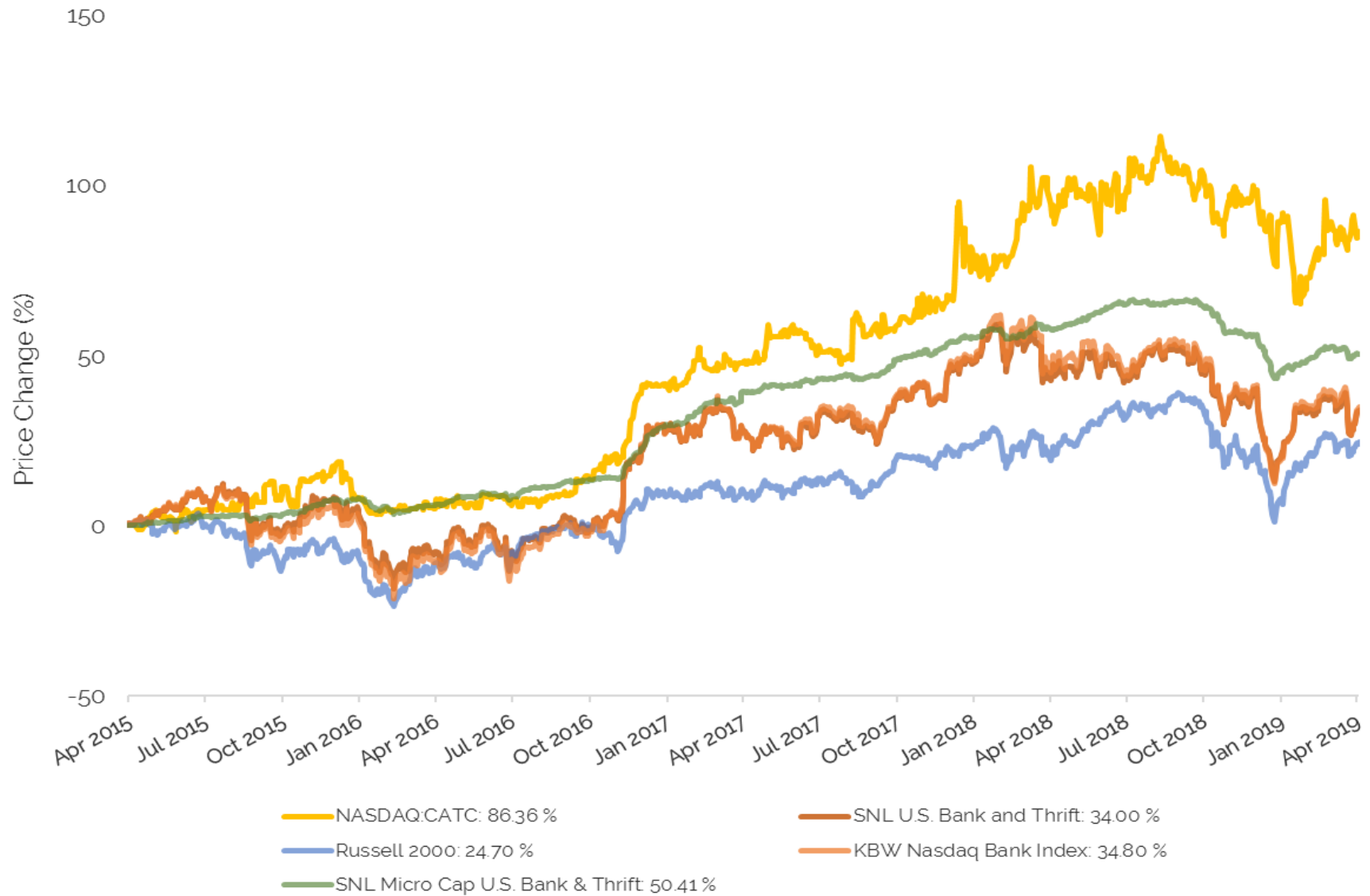
* LTM - Last Twelve Months



Stock Performance & Dividend

Focus on Shareholder Value

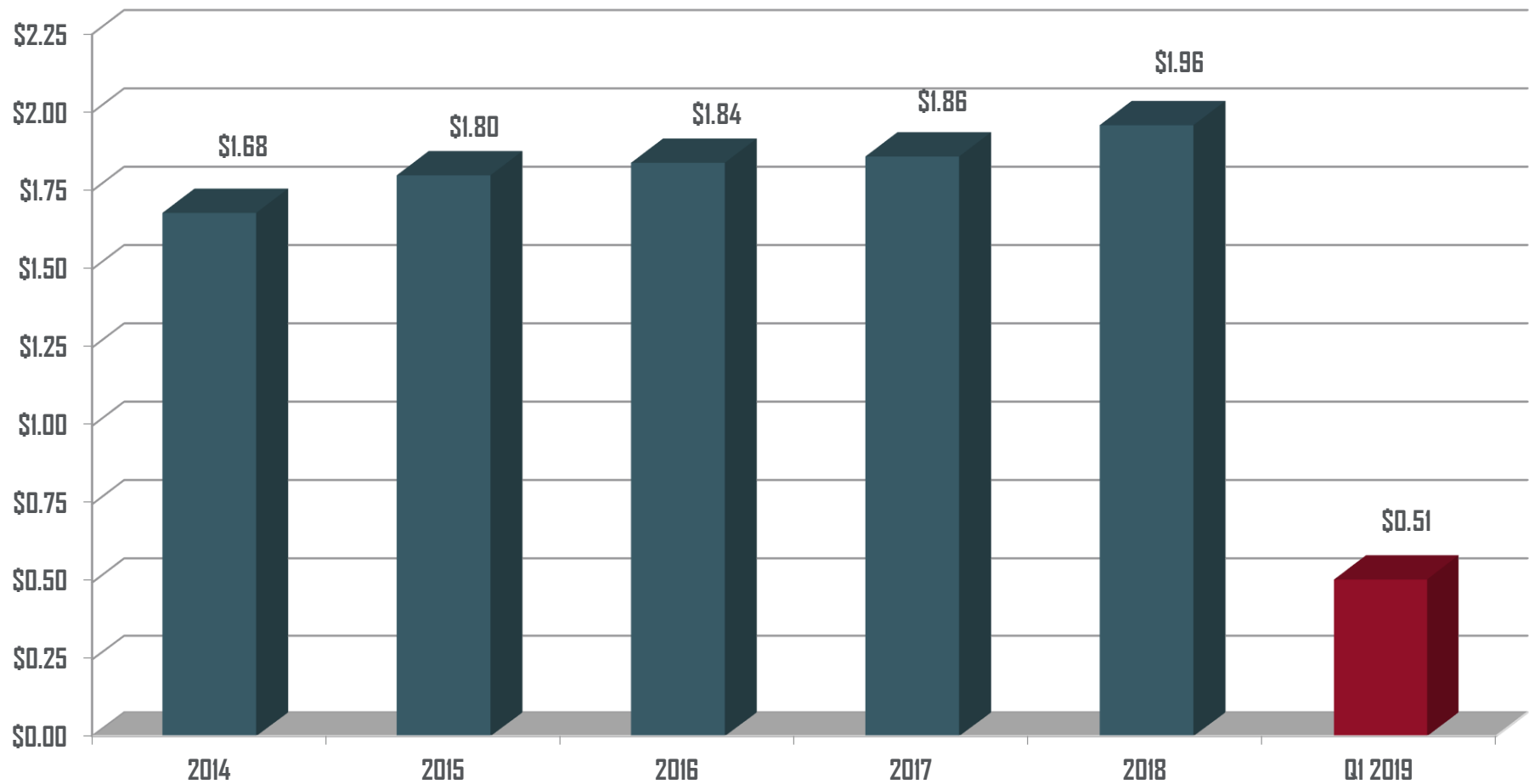
Stock Price Performance



Source: S&P Global Market Intelligence © 2019

Dividends Paid Per Share

20 years of increased dividends (1999 - 2018)



Q1 2019 Performance Highlights

Net Income (Operating)* (in thousands)



Y/Y growth
8.27%

Total Assets (in millions)



Diluted EPS (Operating)*



Y/Y growth
7.80%

Wealth Management AUM (in millions)



Return on Average Assets (Operating)* (Annualized)



Return on Average Equity (Operating)* (Annualized)



*Net Income (Operating), Diluted EPS (Operating), Return on Average Assets (Operating) and Return on Average Equity (Operating) are adjusted for merger related expenses in 2018 and 2019. See Appendix on pages 38 and 39 for GAAP - Non-GAAP reconciliation

Summary

Private Banking Business Model

- Diverse revenue stream (Non-interest income, 33% of Revenue)

Attractive Geographic Market

- Boston-Cambridge-Quincy, MA-NH unemployment rate of 2.8%**
- Diverse innovative economy
- Affluent Markets

Solid financial performance

- Top quartile return on average equity as compared to peer*

Core Deposit funded

- Demand deposits represent 26% of total deposits (March 2019)

Sound risk manager with excellent asset quality track record

* As compared to the most recent BHCPR Report for Peer 3 (\$1B - \$3B) (data as of December 2018)

** Bureau of Labor Statistics February 2019 (Preliminary)



Appendix: Local Market Potential and Interest Rate Risk

Appendix - Compelling Local Markets

	Median HH Income ¹
United States	\$63,174
Massachusetts	\$82,084
New Hampshire	\$77,568
Rockingham County, NH	\$91,891
Middlesex County	\$103,121

	Median HH Income ¹	CTC Households in Top 10 Affluent Segments ²
CTC Locations in Middlesex County:		
Cambridge	\$97,929	53.60%
Belmont	\$128,763	58.30%
Concord	\$160,312	81.90%
Lexington	\$171,974	79.20%
Weston	\$212,544	86.60%

- Middlesex County is the most attractive county in Massachusetts. Cambridge Trust Company ranks #12 in deposit market share within the County as of June 30, 2018. Overall, the median household income for all of Middlesex County is 26% higher than that of Massachusetts. New Hampshire ranks 7th in the U.S. in millionaires per capita and 8th in household income (~\$78k)

¹ Source: SNL Financial 2019 median HH Income

² Based on Nielsen P\$YCLE Segmentation as of August 2018

Appendix - Local Market Potential

■ Innovation Economy

■ Venture Capital (VC) funding

- Massachusetts' average share of annual U.S. VC investment from 2007 to 2017 was 9.2%, ranging from around 8% to 11% annually. The Commonwealth's VC investment was at 9.4% of the U.S. total in 2017¹
 - Healthcare and Internet were by far the largest target industries for VC funding in Massachusetts in 2017, representing 53.7% and 21.0% respectively, of total VC funding for the state¹
- Funding to New England-based VC-backed companies hit \$11B in 2018, as deals increased to 536 transactions²
 - 2018 was the biggest year of investments for New England since 2000
- New England based companies raised \$2.7B in Q1 '19, an 8% jump compared to Q4 '18³
- Funding in FY 2017 was \$2.12 billion in Cambridge, \$1.49 billion in Boston, and \$894.1 million in the 128 Belt⁴

¹ The ANNUAL INDEX of the MASSACHUSETTS INNOVATION ECONOMY - 2018 EDITION

² PwC / CB Insights MoneyTree Report, Q4 2018

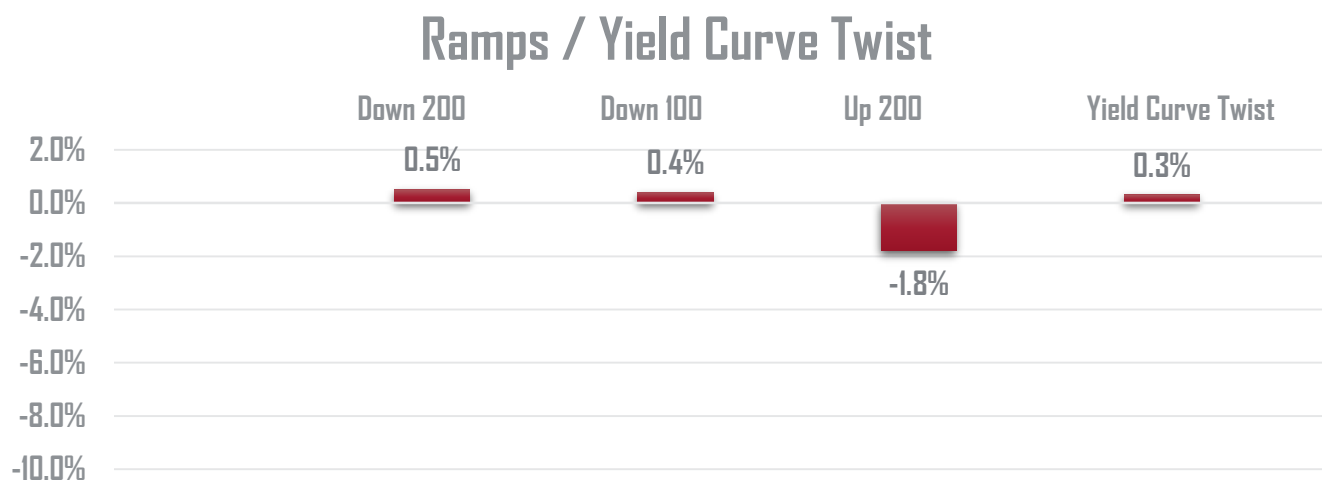
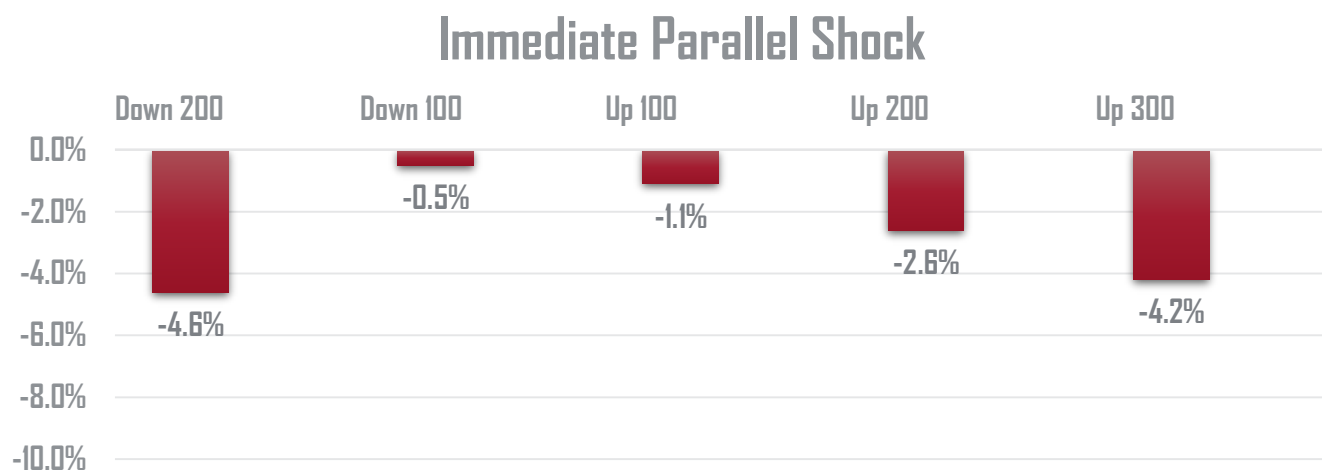
³ PwC / CB Insights MoneyTree Report, Q1 2019

⁴ Cushman & Wakefield 2018 BIOWATCH REPORT

Interest Rate Risk Profile

(As of March 31, 2019)

Net Interest Income (NII) Sensitivity





Appendix: GAAP to Non-GAAP Reconciliations

Appendix - GAAP to Non-GAAP Reconciliations

GAAP to Non-GAAP Reconciliation (Dollars in thousands, except per share data)

*Statement on Non-GAAP Measures: The Company believes the presentation of the following non-GAAP financial measures provides useful supplemental information that is essential to an investor's proper understanding of the results of operations and financial condition of the Company. Management uses non-GAAP financial measures in its analysis of the Company's performance. These non-GAAP measures should not be viewed as substitutes for the financial measures determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Please see the following tables for a reconciliation of such non-GAAP financial measures to the most directly comparable GAAP measure.

Merger Cost and Tax Reform Impact on Net Income			
For the Full Year Period ending on December 31st			
	2017		2018
(Dollars in thousands except per share data)			
Net Income (a GAAP Measure)	\$ 14,816	\$	23,881
Merger Costs	-		201
Tax Effect of Merger related Costs ⁽¹⁾	-		(56)
Impact of the tax cuts and jobs act of 2017 ⁽²⁾	3,869		-
Operating Net Income (a non-GAAP Measure)	\$ 18,685	\$	24,026
Less Dividends and Undistributed Earnings	\$ (198)	\$	(240)
Operating Income to Common Shareholders	\$ 18,487	\$	23,786
Weighted average diluted shares	4,065,754		4,098,633
Operating Diluted earnings per share	4.55		5.80
Return on Average Assets (Operating)			
	2017		2018
Net income (Operating) (a non-GAAP measure)	\$ 18,685	\$	24,026
Average assets	\$ 1,875,136	\$	1,980,580
Return on avg. assets (Operating) (a non-GAAP measure)	1.00%		1.21%
Return on Average Equity (Operating)			
	2017		2018
Net income (Operating) (a non-GAAP measure)	\$ 18,685	\$	24,026
Average equity	\$ 141,488	\$	155,546
Return on avg. equity (Operating) (a non-GAAP measure)	13.21%		15.45%

(1) The net tax benefit associated with noncore items is determined by assessing whether each noncore item is included or excluded from net taxable income and applying the Company's combined marginal tax rate to only those items included in net taxable income.

(2) Income tax adjustment related to the re-measurement of net deferred tax assets due to the Tax Cuts and Jobs Act.

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Merger Cost and Tax Reform Impact on Net Income

	For the Period ending on March 31st	
	Q1 2018	Q1 2019
	(Dollars in thousands except per share data)	
Net Income (a GAAP Measure)	\$ 5,805	\$ 6,198
Merger Costs	-	91
Tax Effect of Merger related Costs ⁽¹⁾	-	(4)
Operating Net Income (a non-GAAP Measure)	\$ 5,805	\$ 6,285
Less Dividends and Undistributed Earnings	\$ (64)	\$ (62)
Operating Income to Common Shareholders	\$ 5,741	\$ 6,223
Weighted average diluted shares	4,071,975	4,106,658
Operating Diluted earnings per share	1.41	1.52
	Q1 2018	Q1 2019
Return on Average Assets (Operating)		
Net income (Operating) (a non-GAAP measure)	\$ 5,805	\$ 6,285
Average assets	\$ 1,946,341	\$ 2,131,975
Return on avg. assets (Operating) (a non-GAAP measure)	121%	120%
	Q1 2018	Q1 2019
Return on Average Equity (Operating)		
Net income (Operating) (a non-GAAP measure)	\$ 5,805	\$ 6,285
Average equity	\$ 148,981	\$ 168,676
Return on avg. equity (Operating) (a non-GAAP measure)	15.80%	15.11%

(1) The net tax benefit associated with noncore items is determined by assessing whether each noncore item is included or excluded from net taxable income and applying the Company's combined marginal tax rate to only those items included in net taxable income.



Cambridge Bancorp

Parent of Cambridge Trust Company

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