

Section 1: 10-Q (10-Q)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-38184

CAMBRIDGE BANCORP

(Exact Name of Registrant as Specified in its Charter)

Massachusetts
(State or other jurisdiction of
incorporation or organization)

1336 Massachusetts Avenue
Cambridge, MA
(Address of principal executive offices)

04-2777442
(I.R.S. Employer
Identification No.)

02138
(Zip Code)

Registrant's telephone number, including area code: (617) 876-5500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Small reporting company	<input type="checkbox"/>
		Emerging growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Common Stock
(Title of each class)

CATC
(Trading symbol)

NASDAQ
(Name of each exchange on which registered)

As of April 30, 2019, the registrant had 4,846,250 shares of common stock, \$1.00 par value per share, outstanding.

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CAMBRIDGE BANCORP AND SUBSIDIARIES

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CAMBRIDGE BANCORP AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	(dollars in thousands, except par value)	
Assets		
Cash and cash equivalents	\$ 37,006	\$ 18,473
Investment securities		
Available for sale, at fair value (amortized cost \$147,377 and \$172,290, respectively)	144,762	168,163
Held to maturity, at amortized cost (fair value \$300,607 and \$281,310, respectively)	298,830	282,869
Total investment securities	443,592	451,032
Loans held for sale, at lower of cost or fair value	—	—
Loans		
Residential mortgage	613,254	604,331
Commercial mortgage	749,835	757,957
Home equity	68,849	69,336
Commercial & Industrial	90,172	93,712
Consumer	33,044	34,436
Total loans	1,555,154	1,559,772
Less: allowance for loan losses	(16,652)	(16,768)
Net loans	1,538,502	1,543,004
Federal Home Loan Bank of Boston Stock, at cost	2,672	6,844
Bank owned life insurance	31,060	30,933
Banking premises and equipment, net	8,719	8,578
Deferred income taxes, net	7,167	8,717
Accrued interest receivable	6,012	5,762
Other assets	63,818	28,041
Total assets	<u>\$ 2,138,548</u>	<u>\$ 2,101,384</u>
Liabilities		
Deposits		
Demand	\$ 490,649	\$ 494,492
Interest bearing checking	385,605	431,702
Money market	146,925	135,585
Savings	709,940	628,212
Certificates of deposit	169,264	121,419
Total deposits	1,902,383	1,811,410
Short-term borrowings	—	90,000
Long-term borrowings	3,366	3,409
Other liabilities	60,531	29,539
Total liabilities	<u>1,966,280</u>	<u>1,934,358</u>
Shareholders' Equity		
Common stock, par value \$1.00; Authorized 10,000,000 shares; Outstanding: 4,123,618 shares and 4,107,051 shares, respectively	4,124	4,107
Additional paid-in capital	38,239	38,271
Retained earnings	135,235	131,135
Accumulated other comprehensive loss	(5,330)	(6,487)
Total shareholders' equity	<u>172,268</u>	<u>167,026</u>
Total liabilities and shareholders' equity	<u>\$ 2,138,548</u>	<u>\$ 2,101,384</u>

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

CAMBRIDGE BANCORP AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	2019	2018
	(dollars in thousands, except share data)	
Interest and dividend income		
Interest on taxable loans	\$ 16,284	\$ 13,378
Interest on tax-exempt loans	89	96
Interest on taxable investment securities	1,980	1,714
Interest on tax-exempt investment securities	571	622
Dividends on FHLB of Boston stock	76	51
Interest on overnight investments	118	271
Total interest and dividend income	<u>19,118</u>	<u>16,132</u>
Interest expense		
Interest on deposits	2,501	962
Interest on borrowed funds	356	17
Total interest expense	<u>2,857</u>	<u>979</u>
Net interest and dividend income	16,261	15,153
Provision for Loan Losses	(93)	409
Net interest and dividend income after provision for loan losses	<u>16,354</u>	<u>14,744</u>
Noninterest income		
Wealth management revenue	6,124	6,126
Deposit account fees	738	750
ATM/Debit card income	276	271
Bank owned life insurance income	127	128
Gain (loss) on disposition of investment securities	(87)	—
Gain on loans held for sale	16	27
Loan related derivative income	436	472
Other income	327	404
Total noninterest income	<u>7,957</u>	<u>8,178</u>
Noninterest expense		
Salaries and employee benefits	10,827	10,073
Occupancy and equipment	2,330	2,227
Data processing	1,346	1,230
Professional services	807	887
Marketing	404	438
FDIC insurance	—	151
Merger expenses	91	—
Other expenses	568	495
Total noninterest expense	<u>16,373</u>	<u>15,501</u>
Income before income taxes	7,938	7,421
Income tax expense	1,740	1,616
Net income	<u>\$ 6,198</u>	<u>\$ 5,805</u>
Share data:		
Weighted average number of shares outstanding, basic	4,072,805	4,053,355
Weighted average number of shares outstanding, diluted	4,106,658	4,071,975
Basic earnings per share	\$ 1.51	\$ 1.42
Diluted earnings per share	\$ 1.49	\$ 1.41

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

CAMBRIDGE BANCORP AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
	(dollars in thousands)	
Net income	\$ 6,198	\$ 5,805
Other comprehensive income/(loss), net of tax:		
Unrealized gains/(losses) on available for sale securities		
Unrealized holding gains/(losses) arising during period	1,095	(1,352)
Less: reclassification adjustment for losses/(gains) included in net income	66	—
Total unrealized gains/(losses) on securities	1,161	(1,352)
Derivatives		
Change in interest rate contracts	(30)	—
Defined benefit retirement plans		
Change in retirement liabilities	26	10
Other comprehensive income/(loss)	1,157	(1,342)
Comprehensive income	\$ 7,355	\$ 4,463

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

CAMBRIDGE BANCORP AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive (Loss) / Income</u>	<u>Total Shareholders' Equity</u>
	(dollars in thousands, except per share data)				
Balance at December 31, 2017	\$ 4,082	\$ 35,663	\$ 114,093	\$ (5,881)	\$ 147,957
Cumulative effect of accounting changes	—	—	1,266	(1,266)	—
Net income	—	—	5,805	—	5,805
Other comprehensive income (loss)	—	—	—	(1,342)	(1,342)
Share based compensation	19	402	—	—	421
Dividends declared (\$0.48 per share)	—	—	(1,968)	—	(1,968)
Balance at March 31, 2018	<u>\$ 4,101</u>	<u>\$ 36,065</u>	<u>\$ 119,196</u>	<u>\$ (8,489)</u>	<u>\$ 150,873</u>
Balance at December 31, 2018	\$ 4,107	\$ 38,271	\$ 131,135	\$ (6,487)	\$ 167,026
Net income	—	—	6,198	—	6,198
Other comprehensive income (loss)	—	—	—	1,157	1,157
Share based compensation	17	(32)	—	—	(15)
Dividends declared (\$0.51 per share)	—	—	(2,098)	—	(2,098)
Balance at March 31, 2019	<u>\$ 4,124</u>	<u>\$ 38,239</u>	<u>\$ 135,235</u>	<u>\$ (5,330)</u>	<u>\$ 172,268</u>

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

CAMBRIDGE BANCORP AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

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	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
	(dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 6,198	\$ 5,805
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	(93)	409
Amortization of deferred charges and fees, net	199	163
Depreciation and amortization	393	464
Bank owned life insurance income	(127)	(128)