

# CAMBRIDGE BANCORP

## Earnings Release Supplement

October 20, 2020

NASDAQ: CATC  
Parent of Cambridge Trust Company

# Forward Looking Statements and Non-GAAP Measures

Certain statements herein may constitute "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements about 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, the impact of any laws or regulations applicable to the Company, and measures being taken in response to the COVID-19 pandemic and the impact of the COVID-19 pandemic on the Company's business 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 include, but are not limited to, the following: the current global economic uncertainty and economic conditions being less favorable than expected, disruptions to the credit and financial markets, changes in the Company's accounting policies or in accounting standards, weakness in the real estate market, legislative, regulatory or accounting changes that adversely affect the Company's business and/or competitive position, the Dodd-Frank Act's consumer protection regulations, the duration and scope of the COVID-19 pandemic and its impact on levels of consumer confidence, actions governments, businesses and individuals take in response to the COVID-19 pandemic, the impact of the COVID-19 pandemic and actions taken in response to the pandemic on global and regional economies and economic activity, the pace of recovery when the COVID-19 pandemic subsides, challenges from the integration of the Company and Optima and Wellesley resulting in the combined business not operating as effectively as expected, disruptions in the Company's ability to access the capital markets, the cost savings of the merger with Wellesley may not be fully realized or may take longer to realize than expected, operating costs, customer loss and business disruption following the Wellesley merger, including adverse effects on relationships with employees, may be greater than expected, and other factors that are described in the Company's filings with the Securities and Exchange Commission, including the Annual Report on Form 10-K for the year end December 31, 2019, which the Company filed on March 16, 2020. The Company does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements. You are cautioned not to place undue reliance on these forward-looking statements.

This presentation contains financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). This information includes operating net income and operating diluted earnings per share, tangible book value per share and the tangible common equity ratio, and return on average assets, return on tangible common equity, and efficiency ratio on an operating basis.

Operating net income and operating diluted earnings per share exclude items that management believes are unrelated to its core banking business such as merger, acquisition, and capital raise expenses, gain (loss) on disposition of investment securities, and other items. The Company's management uses operating net income and operating diluted earnings per share to measure the strength of the Company's core banking business and to identify trends that may to some extent be obscured by such excluded gains or losses.

Management also supplements its evaluation of financial performance with analysis of tangible book value per share (which is computed by dividing shareholders' equity less goodwill and acquisition related intangible assets, or "tangible common equity," by common shares outstanding), the tangible common equity ratio (which is computed by dividing tangible common equity by tangible assets, defined as total assets less goodwill and acquisition related intangibles), analysis of return on average assets and return on tangible common equity on an operating basis and the operating efficiency ratio (which is computed by dividing noninterest expense adjusted for nonoperating expenses and total revenue adjusted for gain/loss on disposition of investment securities). The Company has included information on tangible book value per share, the tangible common equity ratio, and return on average assets and return on tangible common equity on an operating basis because management believes that investors may find it useful to have access to the same analytical tool used by management. As a result of merger and acquisition activity, the Company has recognized goodwill and other intangible assets in conjunction with business combination accounting principles. Excluding the impact of goodwill and other intangibles in measuring asset and capital values for the ratios provided, along with other bank standard capital ratios, provides a framework to compare the capital adequacy of the Company to other companies in the financial services industry.

These non-GAAP measures should not be viewed as a substitute for operating results and other financial measures determined in accordance with GAAP. An item which management deems to be non-core and excludes when computing these non-GAAP measures can be of substantial importance to the Company's results for any particular quarter or year. The Company's non-GAAP performance measures, including operating net income, operating diluted earnings per share, tangible book value per share, the tangible common equity ratio, and return on average assets, return on average equity, and efficiency ratio on an operating basis are not necessarily comparable to non-GAAP performance measures which may be presented by other companies.

Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are presented under "GAAP to Non-GAAP Reconciliations."

# Q3 2020 Performance Highlights

Q1-2020      Q2-2020      Q3-2020

Dollars in thousands, except per share data

## Earnings & Profitability<sup>1</sup>

Net Income (Loss)	\$7,232	(\$1,716)	\$13,429
Operating Net Income	7,434	7,788	14,319
Operating PTPP Income	11,546	16,471	21,618
Operating EPS	1.37	1.32	2.06
Net Interest Margin	3.39%	3.77%	3.73%
Operating Efficiency Ratio	63.01%	56.30%	52.90%
Operating ROAA	1.05%	0.95%	1.43%
Operating PTPP ROAA	1.63%	2.01%	2.16%
Operating ROTCE	11.65%	10.92%	17.12%

## Q3 Operating EPS

\$2.06

## Q3 Operating ROAA

1.43%

## Q3 Operating PTPP ROAA

2.16%

## Balance Sheet & Capital

Total Loans	\$2,255,802	\$3,332,884	\$3,284,286
Total Deposits	2,390,359	3,275,843	3,331,942
Wealth Management Assets	3,071,266	3,731,226	3,948,478
Tangible Book Value per Share	48.60	47.34	48.80
TCE Ratio	9.34%	8.27%	8.60%

TBVPS

\$48.80

## Asset Quality

Net Charge offs/ Total Loans (Annualized)	0.05%	0.02%	0.03%
NPAs to Total Assets	0.20%	0.30%	0.28%
Delinquent Loans 30-89 Days/ Total Loans	0.76%	0.22%	0.40%
ACL Ratio (excluding PPP loans)	0.89%	1.08%	1.16%

NPAs to Assets

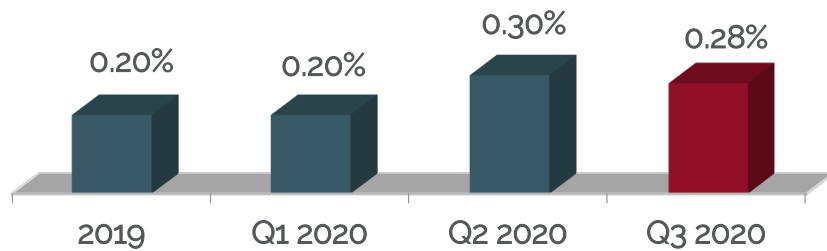
0.28%



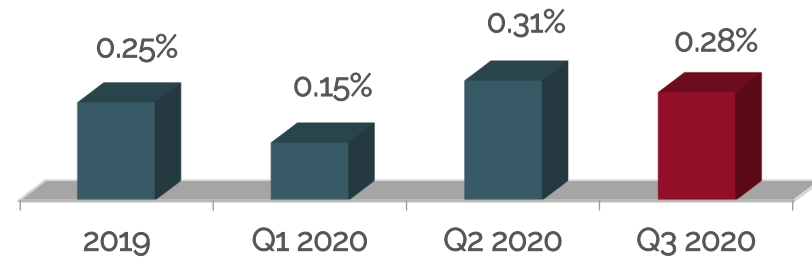
## Asset Quality & Allowance for Credit Losses

# Asset Quality Highlights

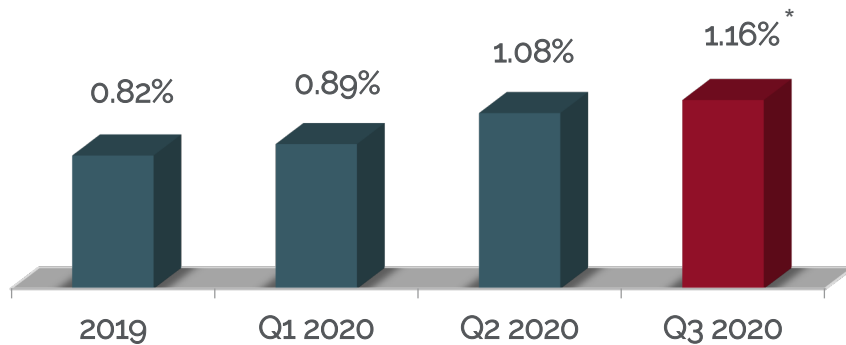
NPAs / Assets (%)



NPLs / Loans (%)

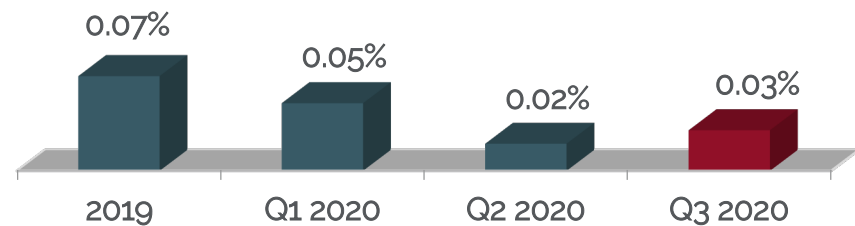


Reserves / Loans (%) (1)



Annualized NCOs / Average Loans (%)

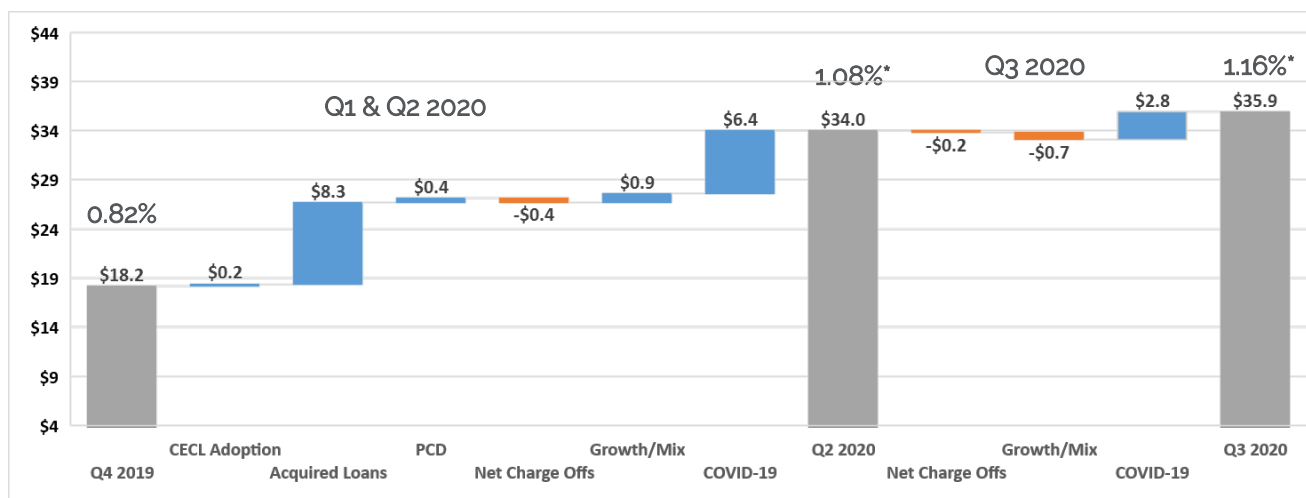
12.75 year average NCOs of 0.02%



# Allowance for Credit Losses (ACL)

Dollars in millions

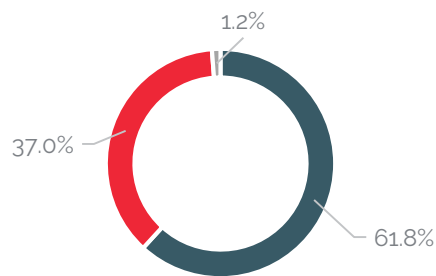
## Allowance for Credit Losses:



Commercial Loans ACL Ratio Q3: 1.35%\*

Consumer Loans ACL Ratio Q3: 0.95%

## ACL Key Attributes:



■ Quantitative ■ Qualitative ■ PCD

- Starting Unemployment Rate: 8.4%
- Forecast Period: 2 Quarters
- Reversion Period 2 Quarters
- Ending Unemployment Rate 6.7%

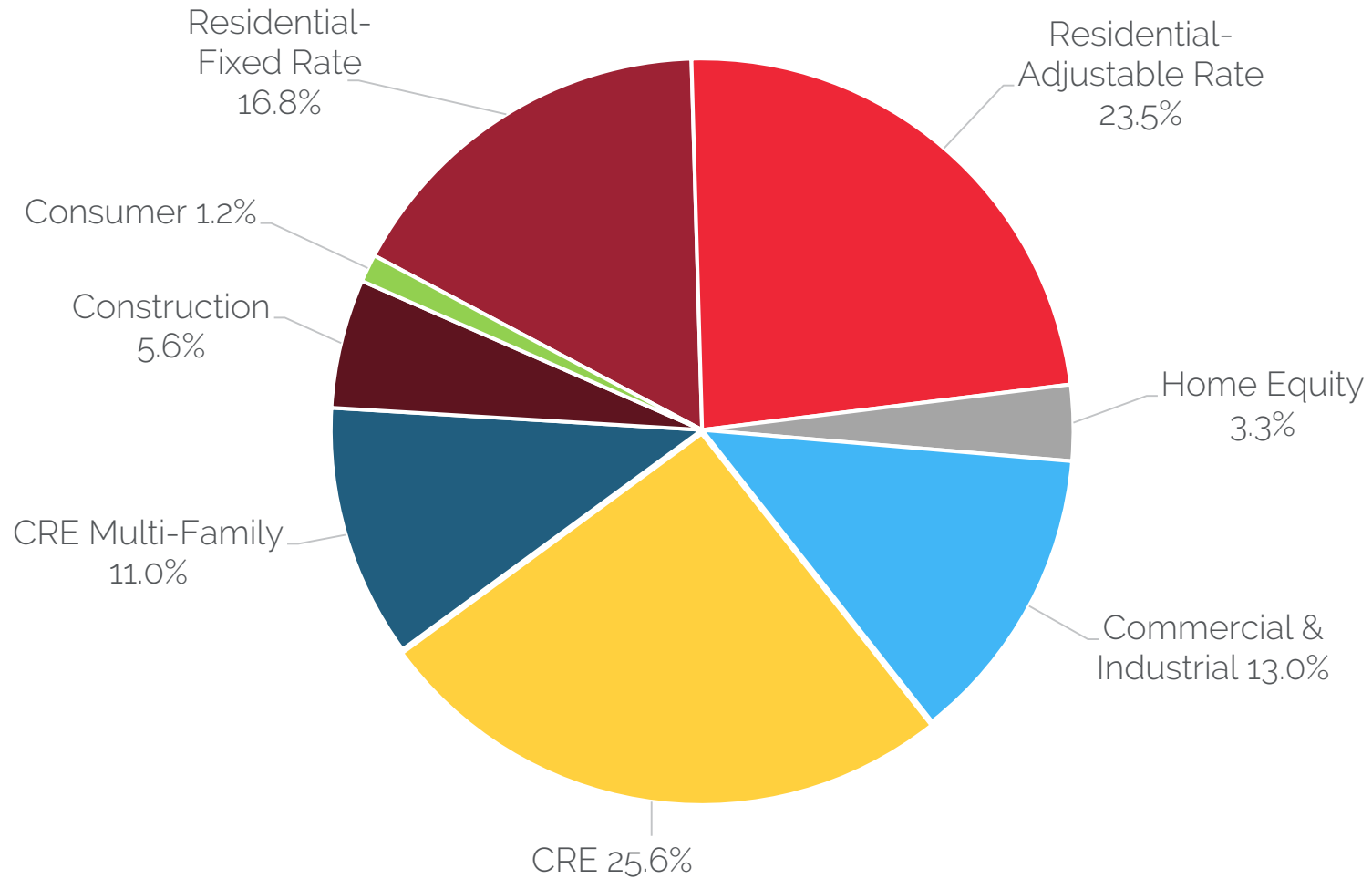
## Key Methodology Attributes:

- Sophisticated model uses loan level probability of default loss given default discounted cash-flows as the primary basis for the quantitative loss estimation.
- Methodology includes the impact of the merger with Wellesley Bancorp, Inc. which required the company to de-recognize the ALLL from the acquired entity and re-recognize an ACL for the acquired portfolio based on second quarter CECL assumptions.
- Unemployment assumptions used within the quantitative model reflect forward looking estimates from multiple sources including the Federal Reserve, Bloomberg and Moody's, among others.
- The pace of the recovery and unemployment forecasts remain "extraordinarily uncertain" and we expect to reevaluate our estimates and period of forecast/reversion quarterly.



## Loan Portfolio Details

# Total Loan Portfolio



\$3.3B outstanding as of September 30, 2020

54.6% Commercial  
45.4% Consumer

3.76% Q3 2020 average yield  
excluding fair value accretion



# COVID-19 Loan Deferrals

Dollars in thousands

## Deferrals by Loan Category as of September 30, 2020

Loan Category	Portfolio Total	# of Loans *	P&I *	Interest Only *	Total *	% of Total
Residential Mortgage	\$1,343,815	86	\$38,083	-	\$38,083	2.8%
Commercial Mortgage	1,364,387	27	28,751	27,676	56,427	4.1%
Home Equity	108,343	5	827	-	827	0.8%
Commercial & Industrial	428,024	22	5,673	3,114	8,787	2.1%
Consumer	39,717	-	-	-	-	-
<b>Total</b>	<b>\$3,284,286</b>	<b>140</b>	<b>\$73,334</b>	<b>\$30,790</b>	<b>\$104,124</b>	<b>3.2%</b>

## Deferrals by Loan Type

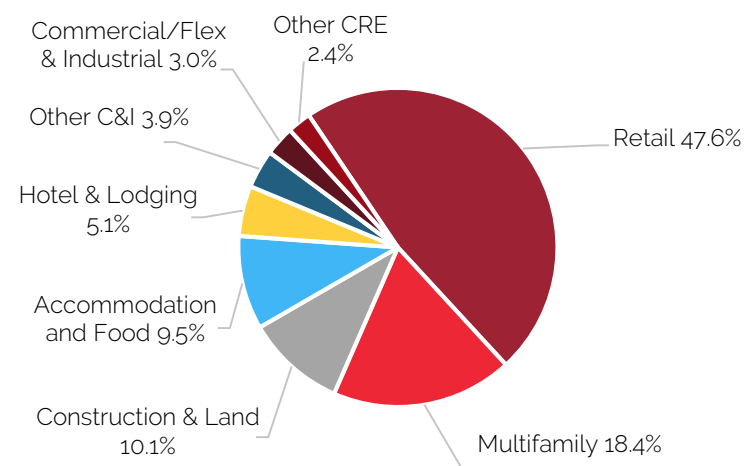
As of September 30, 2020

Type of Loan	# of Loans	Total	% of Total
Commercial	49	\$65,214	3.6%
Consumer	91	38,910	2.6%
<b>Total</b>	<b>140</b>	<b>\$104,124</b>	<b>3.2%</b>

As of June 30, 2020

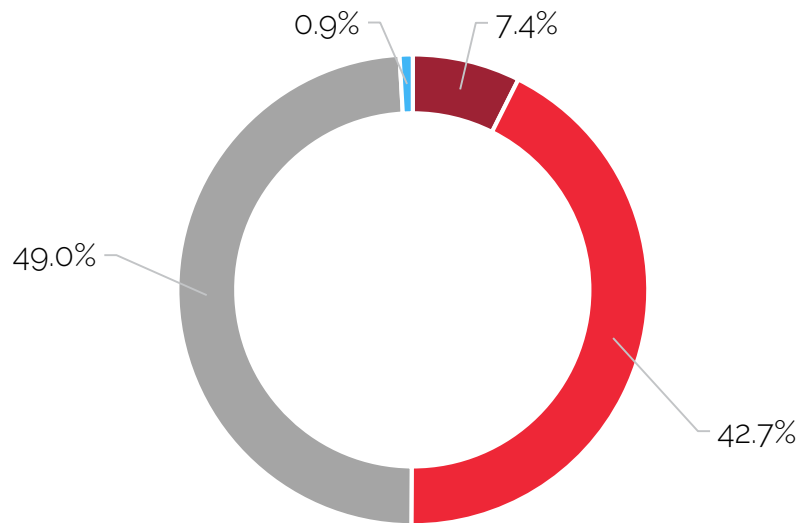
Type of Loan	# of Loans	Total	% of Total
Commercial	143	\$120,111	6.6%
Consumer	132	54,534	3.6%
<b>Total</b>	<b>275</b>	<b>\$174,645</b>	<b>5.2%</b>

## Commercial Deferrals by Sector/Industry \*



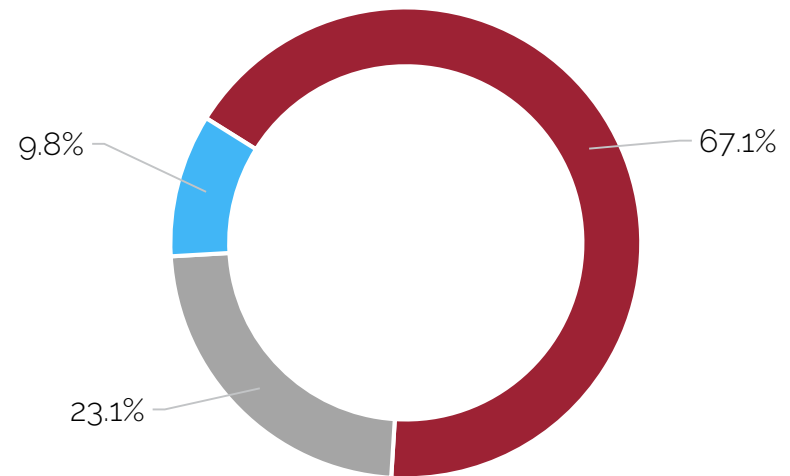
# COVID-19 Loan Deferrals Continued

## Commercial Deferrals



Total Commercial Deferrals \$128.6M

## Consumer Deferrals



Total Consumer Deferrals \$58.0M

■ First Round Deferrals ■ Second Round Deferrals ■ Returned to Payment ■ Paid Off

Note: Consumer Loans were generally granted 6 month deferral periods in connection with state requirements and as such most are still within the initial deferral period as of September 30, 2020.

# Paycheck Protection Program (PPP)

We have processed almost 900 PPP loans for clients

Dollars in thousands

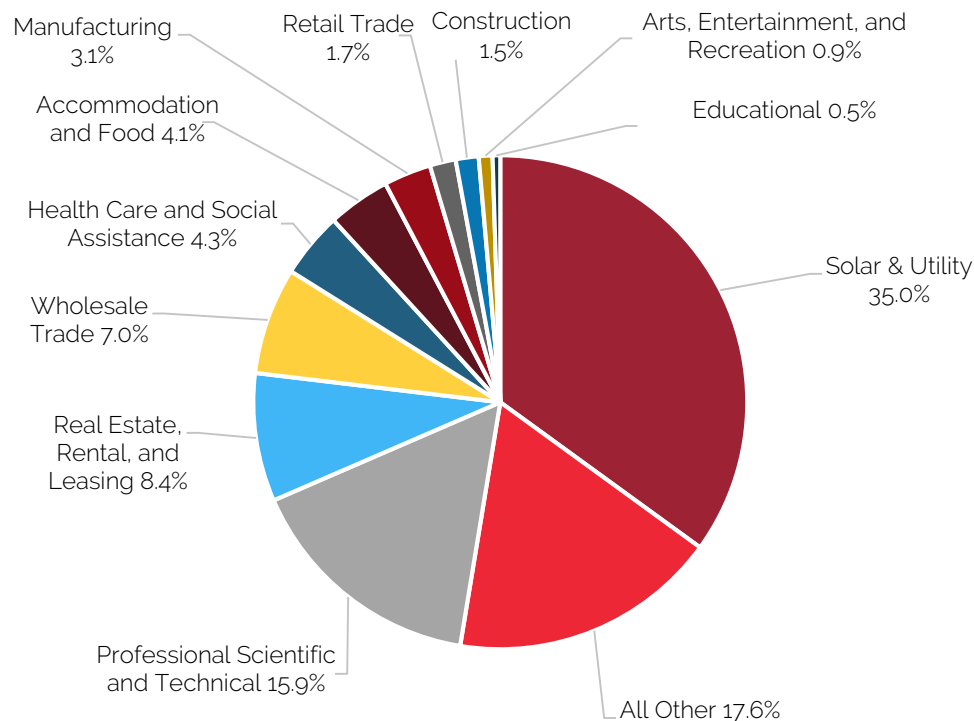
## PPP Loan Detail as of September 30, 2020

	Total	# of Loans	% of count	% of amount
below \$100K	\$19,613	476	53%	10%
\$100K to \$500k	67,040	318	36%	35%
\$500K to \$1 million	38,717	58	7%	20%
above \$1 million	68,396	40	4%	35%
<b>Total</b>	<b>\$193,766</b>	<b>892</b>		
Deferred costs net of unearned fees	(3,851)			
<b>Total net of unearned fees</b>	<b>\$189,915</b>			

As of October 8, 2020, we have submitted 157 applications totaling \$32M to the SBA for forgiveness.

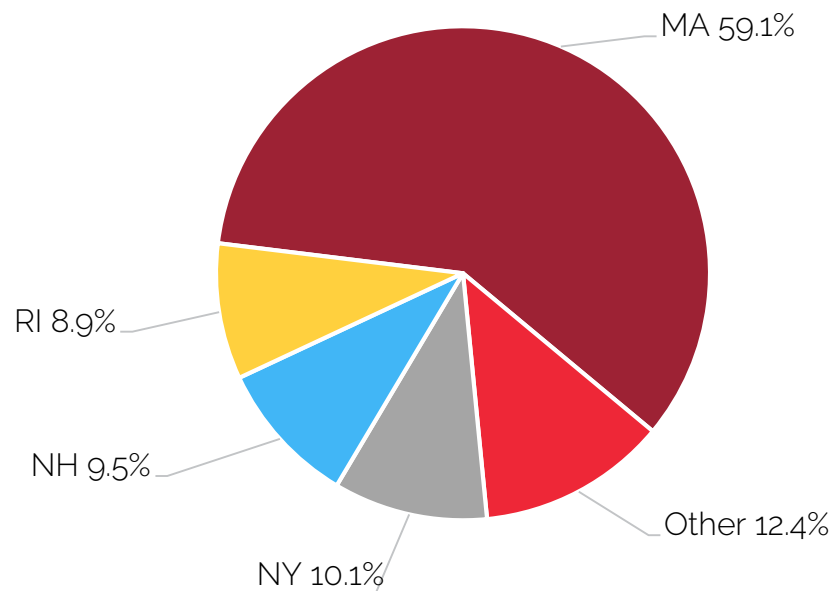
# Commercial & Industrial Loan Portfolio

## By Industry



*Industry breakout excludes PPP loans*

## By Geography



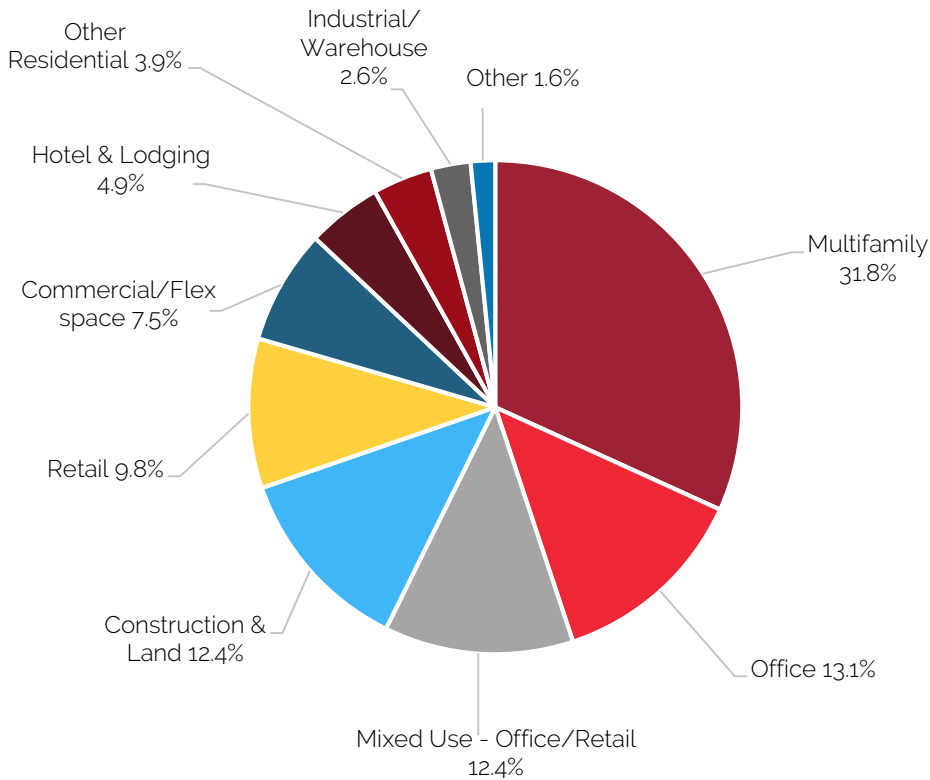
*Geography breakout excludes PPP loans*

## Portfolio Details:

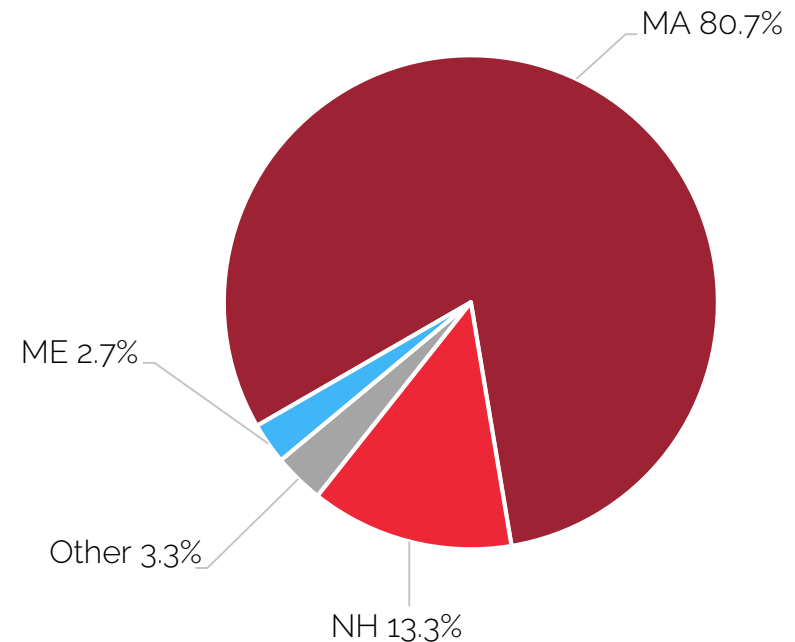
- \$428M outstanding as of September 30, 2020; \$239M outstanding excluding PPP loans
- 1,453 total loans including PPP loans; 561 total loans excluding PPP loans
- \$298k average loan including PPP loans; \$425k average loan excluding PPP loans

# Commercial Real Estate Loan Portfolio

## By Sector



## By Geography

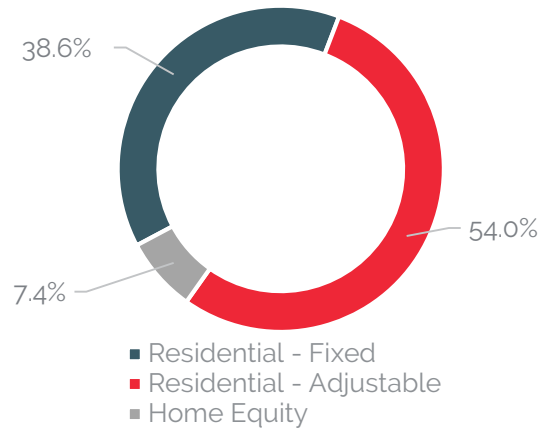


## Portfolio Details:

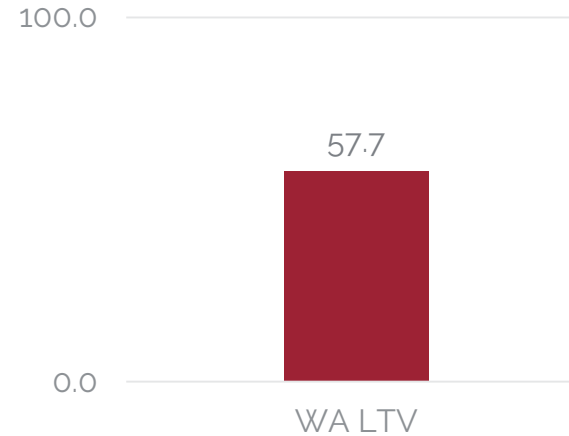
- \$1.4B outstanding as of September 30, 2020
- 917 total loans
- \$1.5M average loan size

# Consumer Loan Portfolio

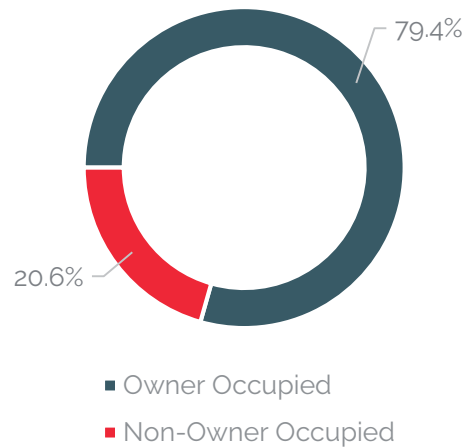
Balance



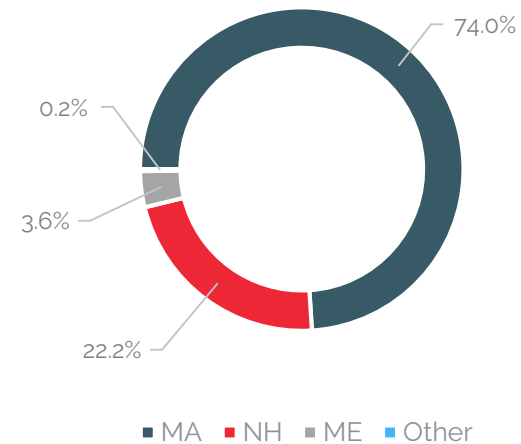
Weighted Avg. LTV



Usage



Geography



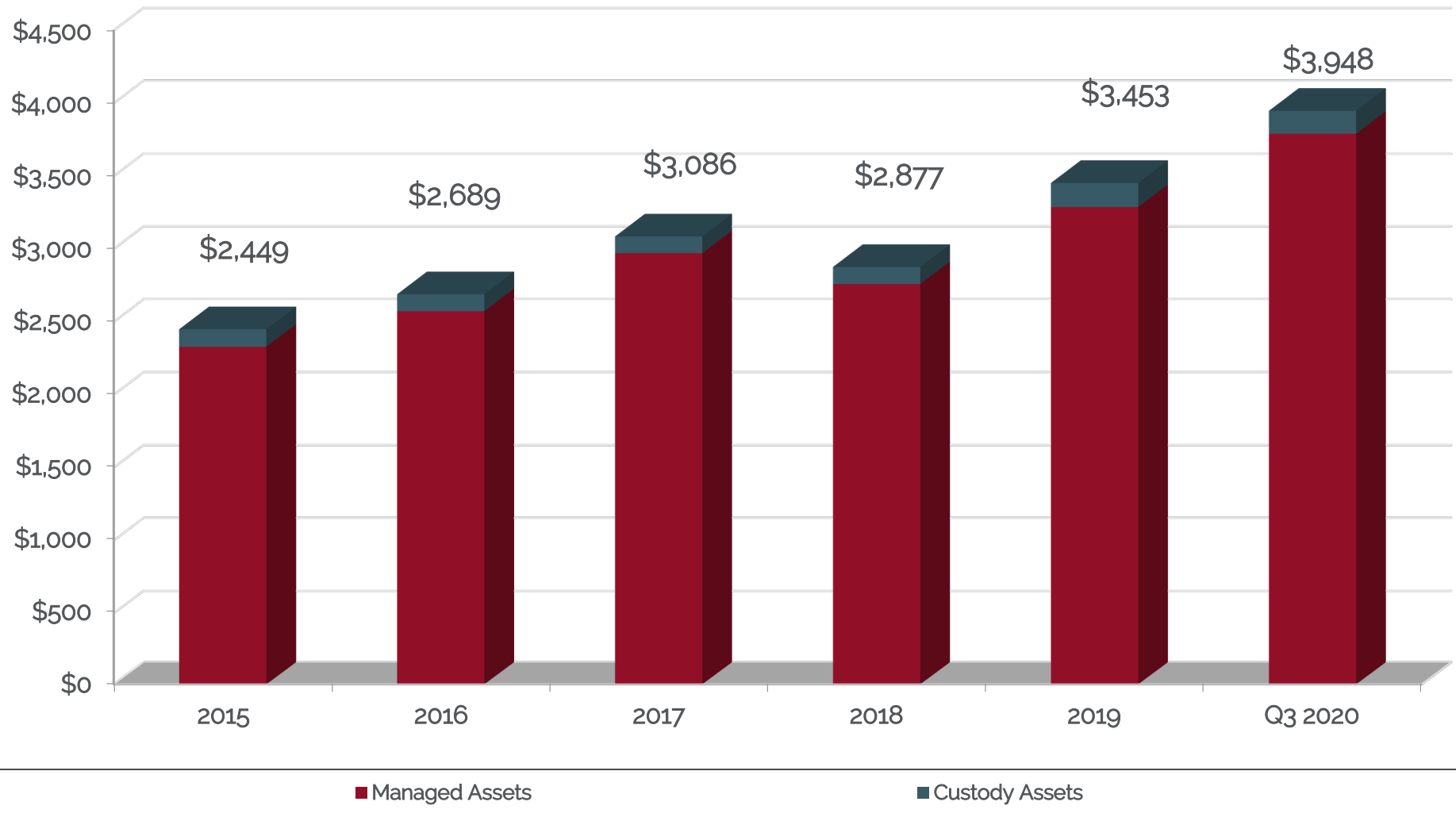
\$1.5B outstanding as of September 30, 2020



## Other Financial Information

# Client Wealth Management Assets

Dollars in millions



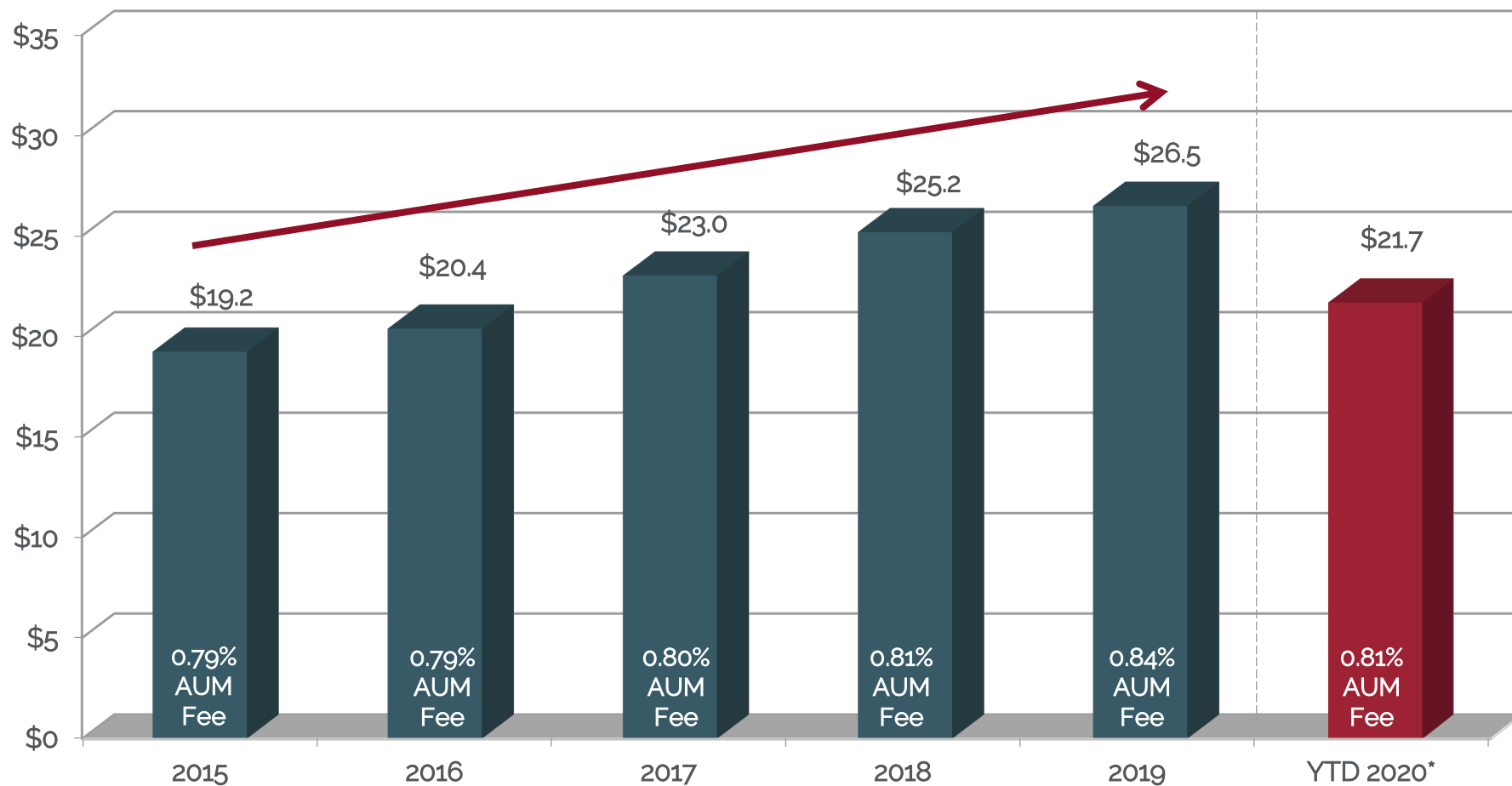
Listed as the 19<sup>th</sup> largest Independent Investment Advisor in Massachusetts by the Boston Business Journal in 2020.



# Wealth Management Revenue

Dollars in millions

5-Year CAGR  
(through 2019)  
+8.1%



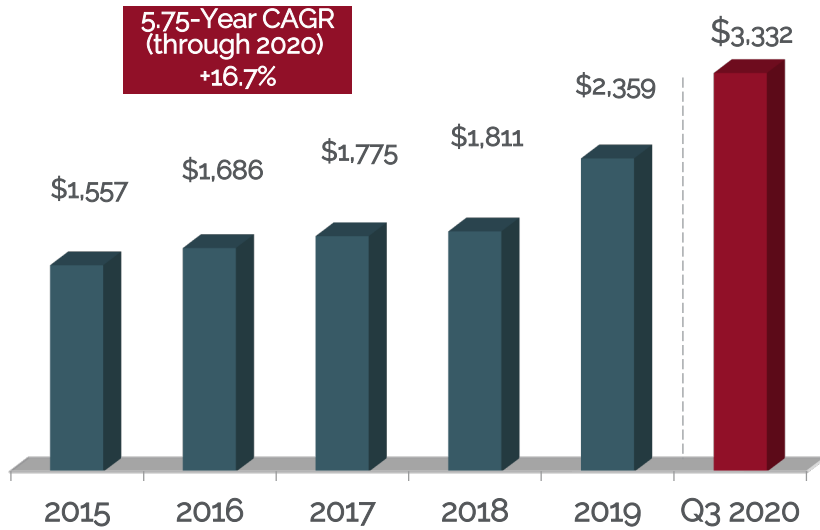
# Net Client Flows

Dollars In millions

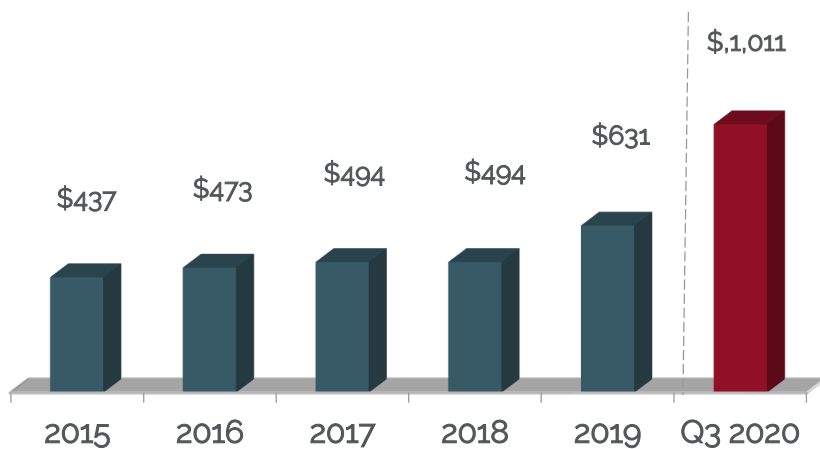
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018 *</u>	<u>FY 2019</u>	<u>YTD</u> <u>Sep 2020</u>
Starting AUM	\$2,290	\$2,329	\$2,573	\$2,971	\$2,760	\$3,287
Acquired AUM**						339
Net Flows	7	194	74	(176)	(5)	(17)
Appreciation & Income Net of Fees	32	50	324	(35)	532	182
Ending AUM	\$2,329	\$2,573	\$2,971	\$2,760	\$3,287	\$3,791
Custody Assets	120	116	115	117	165	157
Total WM Assets	\$2,449	\$2,689	\$3,086	\$2,877	\$3,453	\$3,948

# Deposit Profile

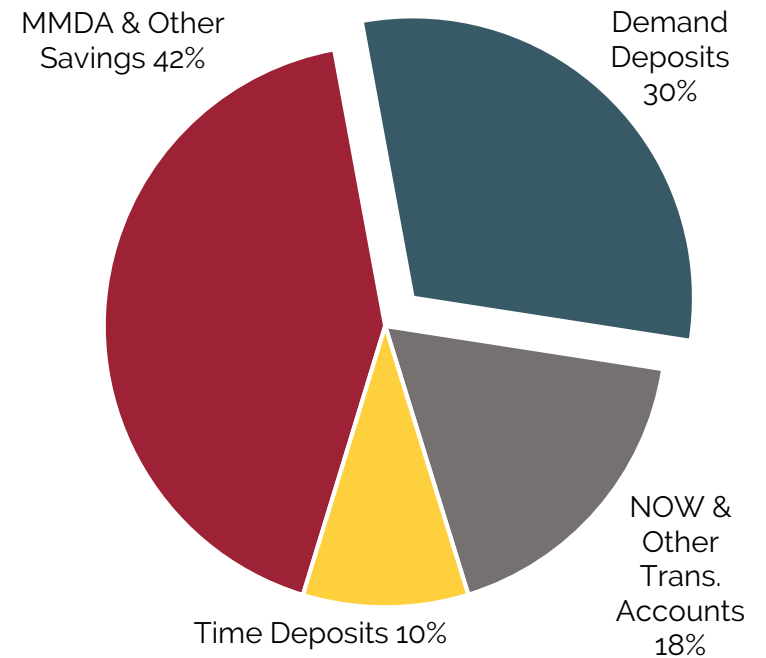
## Historical Total Deposits (\$M)



## Historical Non-Interest Bearing Deposits (\$M)



## Deposit Composition

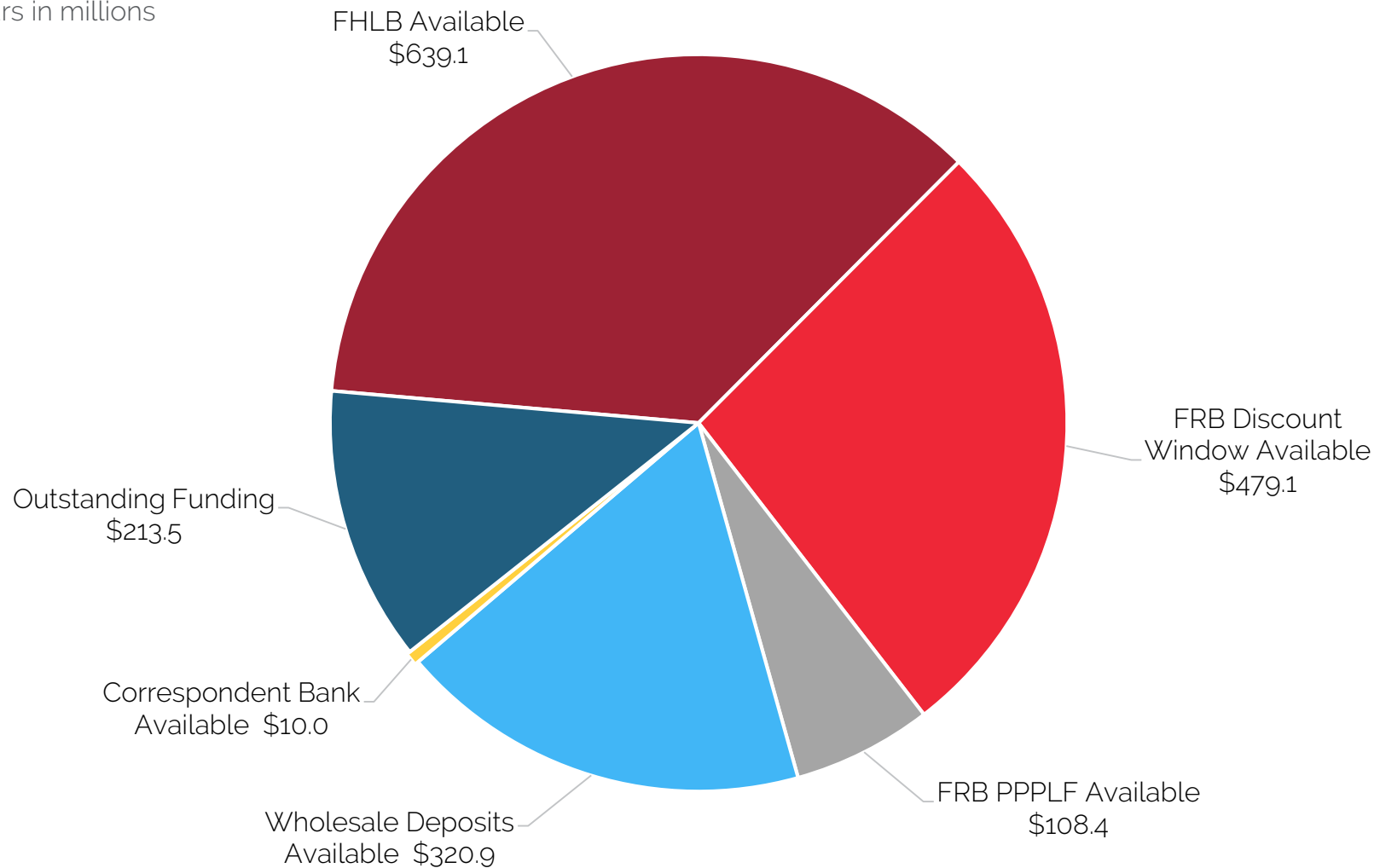


Total Deposits \$3.3 billion  
 Q3 2020 Avg. Cost of Deposits 0.16%  
 September 30, 2020 Spot Cost of Deposits: 0.17%

# Strong Liquidity Position

As of September 30, 2020

Dollars in millions





# Appendix

# Appendix- Organic Loan and Deposit Growth Table

Dollars In thousands

	September 30, 2020	June 30, 2020	December 31, 2019	Balance Acquired	September 2020 vs December 2019	
					Organic Growth/(Decline) \$	Organic Growth/(Decline) %
<b>Loans</b>						
Residential mortgage	\$ 1,343,815	1,351,308	\$ 917,566	\$ 403,855	\$ 22,394	2.4%
Commercial mortgage	1,364,387	1,413,427	1,060,574	290,909	12,904	1.2%
Home equity	108,343	116,067	80,675	36,213	(8,545)	(10.6%)
Commercial & Industrial	428,024	414,243	133,236	138,953	155,835	117.0%
Consumer	39,717	37,839	34,677	103	4,937	14.2%
Total loans	<u>\$ 3,284,286</u>	<u>\$ 3,332,884</u>	<u>\$ 2,226,728</u>	<u>\$ 870,033</u>	<u>\$ 187,525</u>	<u>8.4%</u>
PPP Loans (1)	(189,916)	(189,306)	—	(32,289)	(157,627)	—
Total Loans excluding PPP	<u>\$ 3,094,370</u>	<u>\$ 3,143,578</u>	<u>\$ 2,226,728</u>	<u>\$ 837,744</u>	<u>\$ 29,898</u>	<u>1.3%</u>
<b>Deposits</b>						
Demand	\$ 1,011,382	\$ 929,846	\$ 630,593	175,912	\$ 204,877	32.5%
Interest bearing checking	592,113	606,999	450,098	49,944	92,071	20.5%
Money market	436,120	419,537	181,406	250,226	4,488	2.5%
Savings	975,811	960,847	914,499	72,700	(11,388)	(1.2%)
Core deposits	3,015,426	2,917,229	2,176,596	548,782	290,048	13.3%
Certificates of deposit	316,516	358,614	182,282	212,096	(77,862)	(42.7%)
Total deposits	<u>\$ 3,331,942</u>	<u>\$ 3,275,843</u>	<u>\$ 2,358,878</u>	<u>\$ 760,878</u>	<u>\$ 212,186</u>	<u>9.0%</u>



## Appendix: GAAP to Non-GAAP Reconciliations

# Appendix – GAAP to Non-GAAP Reconciliations

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.

	Three Months Ended			Nine Months Ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
(in thousands, except share data)					
<b><u>Operating Net Income / Operating Diluted Earnings Per Share</u></b>					
Net (Loss) Income (a GAAP measure)	\$ 13,429	\$ (1,716)	\$ 7,676	\$ 18,944	\$ 18,146
Add: Merger and Capital issuance expenses	1,168	4,366	339	5,787	3,880
Add: (Gain) Loss on disposition of investment securities	—	(69)	(2)	(69)	79
Add: Provision established for acquired Wellesley loans	—	8,638	—	8,638	—
Tax effect of non-operating adjustments <sup>(1)</sup>	(278)	(3,431)	(74)	(3,772)	(873)
<b>Operating Net Income (a non-GAAP measure)</b>	<b>\$ 14,319</b>	<b>\$ 7,788</b>	<b>\$ 7,939</b>	<b>\$ 29,528</b>	<b>\$ 21,232</b>
Less: Dividends and Undistributed Earnings Allocated to Participating Securities (GAAP)	(13)	(4)	(59)	(22)	(183)
Operating Income Applicable to Common Shareholders (a non-GAAP measure)	\$ 14,306	\$ 7,784	\$ 7,880	\$ 29,506	\$ 21,049
Weighted Average Diluted Shares	6,954,324	5,912,889	4,842,965	6,113,828	4,552,092
<b>Operating Diluted Earnings Per Share (a non-GAAP measure)</b>	<b>\$ 2.06</b>	<b>\$ 1.32</b>	<b>\$ 1.63</b>	<b>\$ 4.83</b>	<b>\$ 4.62</b>



# Appendix – GAAP to Non-GAAP Reconciliations

	<u>September 30, 2020</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
	(in thousands, except share data)			
<b><u>Tangible Common Equity:</u></b>				
Shareholders' equity (GAAP)	\$ 393,073	\$ 383,060	\$ 286,561	\$ 243,345
Less: Goodwill and acquisition related intangibles (GAAP)	(54,980)	(55,070)	(34,544)	(34,635)
Tangible Common Equity (a non-GAAP measure)	338,093	327,990	252,017	208,710
Total assets (GAAP)	3,987,109	4,022,750	2,855,563	2,841,868
Less: Goodwill and acquisition related intangibles (GAAP)	(54,980)	(55,070)	(34,544)	(34,635)
Tangible assets (a non-GAAP measure)	<u>\$ 3,932,129</u>	<u>\$ 3,967,680</u>	<u>\$ 2,821,019</u>	<u>\$ 2,807,233</u>
<b>Tangible Common Equity Ratio (a non-GAAP measure)</b>	<b>8.60%</b>	<b>8.27%</b>	<b>8.93%</b>	<b>7.43%</b>
<b><u>Tangible Book Value Per Share:</u></b>				
Tangible Common Equity (a non-GAAP measure)	\$ 338,093	\$ 327,990	\$ 252,017	\$ 208,710
Common shares outstanding	6,928,288	6,927,699	5,400,868	4,849,988
<b>Tangible Book Value Per Share (a non-GAAP measure)</b>	<b>\$ 48.80</b>	<b>\$ 47.34</b>	<b>\$ 46.66</b>	<b>\$ 43.03</b>
<b>Three Months Ended</b>				
	<u>September 30, 2020</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
	(in thousands)			
<b><u>Operating Pre Tax Pre Provision (PTPP) Income</u></b>				
Income (Loss) before income taxes (GAAP)	\$ 18,450	\$ (2,256)	\$ 9,782	\$ 10,384
Add: Provision for Credit Losses (GAAP)	2,000	14,430	331	2,170
Add: Merger and Capital issuance expenses (GAAP)	1,168	4,366	841	339
Add: (Gain) Loss on disposition of investment securities (GAAP)	—	(69)	—	(2)
<b>Operating PTPP Income (a non-GAAP measure)</b>	<b>\$ 21,618</b>	<b>\$ 16,471</b>	<b>\$ 10,954</b>	<b>\$ 12,891</b>
Average assets	3,990,764	3,296,082	2,868,156	2,775,599
<b>Operating PTPP Return on Average Assets (a non-GAAP measure)</b>	<b>2.16%</b>	<b>2.01%</b>	<b>1.52%</b>	<b>1.84%</b>

# Appendix – GAAP to Non-GAAP Reconciliations

	Three Months Ended			Nine Months Ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(in thousands, except share data)				
<b>Efficiency Ratio: (1)</b>					
Noninterest expense	\$ 25,445	\$ 25,587	\$ 18,863	\$ 70,958	\$ 56,749
Net interest and dividend income	34,962	28,789	21,051	86,151	57,088
Total noninterest income	10,933	8,972	10,366	28,723	26,468
Total revenue	\$ 45,895	\$ 37,761	\$ 31,417	\$ 114,874	\$ 83,556
<b>Efficiency Ratio</b>	<b>55.44%</b>	<b>67.76%</b>	<b>60.04%</b>	<b>61.77%</b>	<b>67.92%</b>
<b>Operating Efficiency Ratio: (2)</b>					
Noninterest expense	\$ 25,445	\$ 25,587	\$ 18,863	\$ 70,958	\$ 56,749
Merger and capital issuance expenses (Pretax)	(1,168)	(4,366)	(339)	(5,787)	(3,880)
Operating expense (a non-GAAP measure)	24,277	21,221	18,524	65,171	52,869
Total revenue	\$ 45,895	\$ 37,761	\$ 31,417	\$ 114,874	\$ 83,556
Add: (Gain) Loss on disposition of investment securities	—	(69)	(2)	(69)	79
Operating revenue (a non-GAAP measure)	\$ 45,895	\$ 37,692	\$ 31,415	\$ 114,805	\$ 83,635
<b>Operating Efficiency Ratio (a non-GAAP measure)</b>	<b>52.90%</b>	<b>56.30%</b>	<b>58.97%</b>	<b>56.77%</b>	<b>63.21%</b>
<b>Operating Return on Tangible Common Equity: (3)</b>					
Operating Net Income (a non-GAAP measure)	\$ 14,319	\$ 7,788	\$ 7,939	\$ 29,528	\$ 21,232
Average common equity	\$ 387,723	\$ 328,065	\$ 239,789	\$ 336,256	\$ 210,521
Average Goodwill and merger related intangibles	(55,030)	(41,240)	(34,692)	(43,634)	(21,201)
Average tangible common equity	\$ 332,693	\$ 286,825	\$ 205,097	\$ 292,622	\$ 189,320
<b>Operating Return on Tangible Common Equity (a non-GAAP measure)</b>	<b>17.12%</b>	<b>10.92%</b>	<b>15.36%</b>	<b>13.48%</b>	<b>14.99%</b>
<b>Operating Return on Average Assets: (4)</b>					
Operating Net Income (a non-GAAP measure)	\$ 14,319	\$ 7,788	\$ 7,939	\$ 29,528	\$ 21,232
Average assets	\$ 3,990,764	\$ 3,296,082	\$ 2,775,599	\$ 3,380,951	\$ 2,510,055
<b>Operating Return on Average Assets (a non-GAAP measure)</b>	<b>1.43%</b>	<b>0.95%</b>	<b>1.13%</b>	<b>1.17%</b>	<b>1.13%</b>

(1) The efficiency ratio represents noninterest expense as a percentage of the sum of net interest income and noninterest income. (2) Operating efficiency ratio represents operating expense as a percentage of operating income. (3) Operating return on tangible common equity represents operating net income as a percentage of average tangible common equity. (4) Operating return on average assets represents operating net income as a percentage of average assets.



# Cambridge Bancorp

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