

CAMBRIDGE BANCORP

Investor Presentation

February 24, 2020

NASDAQ: CATC

Parent of Cambridge Trust Company

Forward Looking Statements and Non-GAAP Measures

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, including the Company’s Annual Report on Form 10-K for the year end December 31, 2018, which the Company filed on March 18, 2019.

Except required by the law, 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 Diluted EPS, Operating Efficiency Ratio, Operating Return on Average Tangible Common Equity, Return on Average Assets (Operating), Tangible Common Equity and Tangible Book Value Per Share. 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 Diluted EPS, Operating Efficiency Ratio, Operating Return on Average Tangible Common Equity, Return on Average Assets (Operating), Tangible Common Equity and Tangible Book Value Per Share 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 in the Appendix under “GAAP to Non-GAAP Reconciliations.”

Company Profile

(as of December 31, 2019)

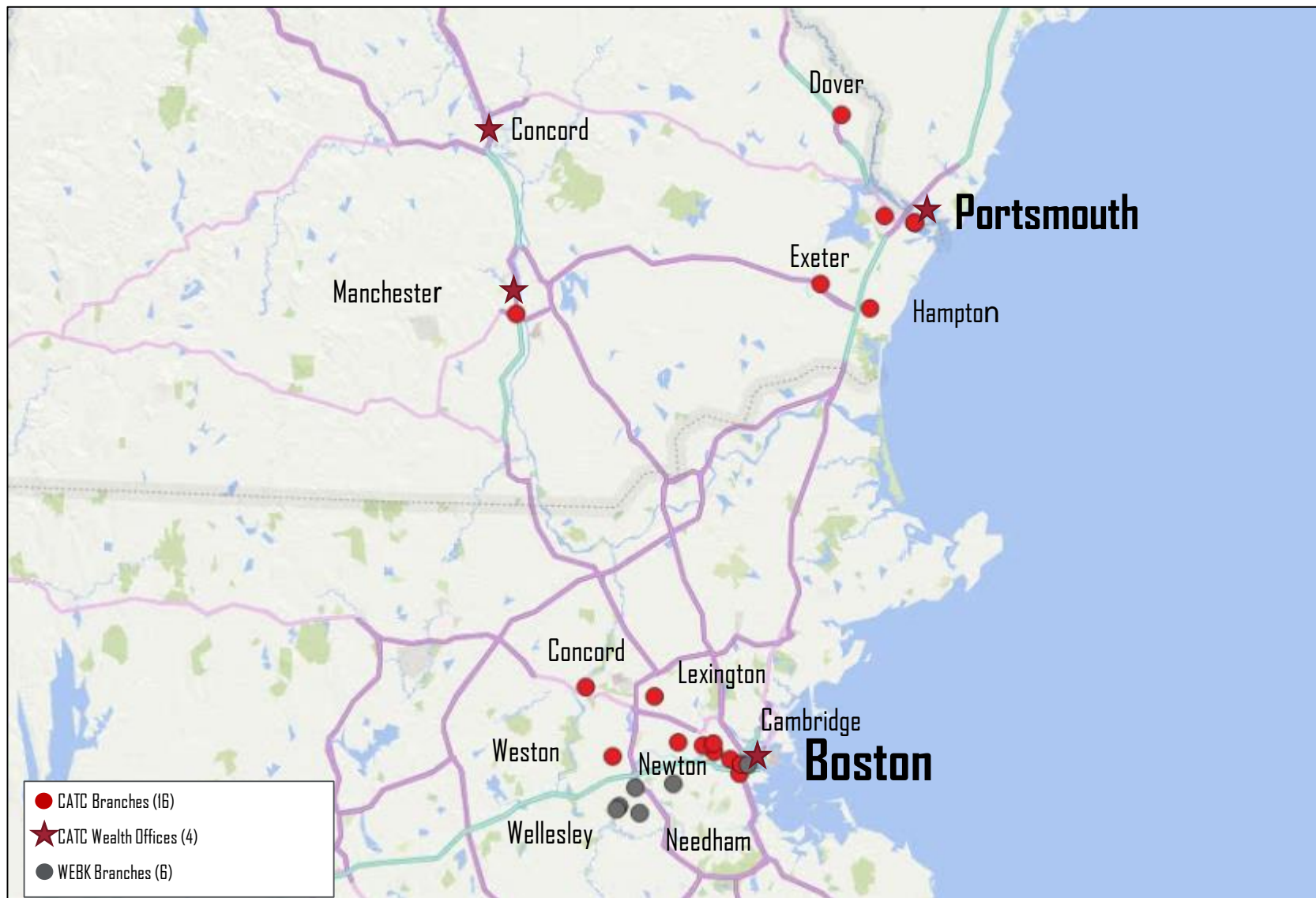
Banking subsidiary: Cambridge Trust Company (1890)

- Headquarters: Harvard Square, Cambridge, MA
- Wealth Assets: \$3.5 billion
- Banking Assets: \$2.9 billion
 - Gross Loans: \$2.2 billion
 - Total Deposits: \$2.4 billion
- Non interest income: 32% of revenue in 2019
- NASDAQ: CATC
- Market Cap: \$433 million

Cambridge Bancorp Investment Highlights

- High-performing, commercially-oriented private bank operating throughout attractive and affluent markets in Greater Boston and southern New Hampshire
- Greater Boston and southern New Hampshire offer significant growth prospects
- Low-cost core deposit base with 27% of balances in non-interest accounts
- Financially compelling acquisition of Wellesley Bancorp, Inc. will strategically enhance scale and support future growth opportunities
 - The combined company would have 10th largest deposit market share in Boston MSA as of 6/30/2019, among Massachusetts-based institutions
 - Pro forma assets of \$3.8 billion
- Diversified revenue and growth opportunities driven by wealth management focus
 - \$3.5 billion assets under management and administration (\$3.8 billion pro forma)
 - Fee income contributes ~32% of revenue
- Strong asset quality metrics reflecting proactive risk management, experienced lending teams and a strong underwriting culture
- History of demonstrated value creation for shareholders reflecting strong price performance and consistent dividend growth
- Deep and experienced management team

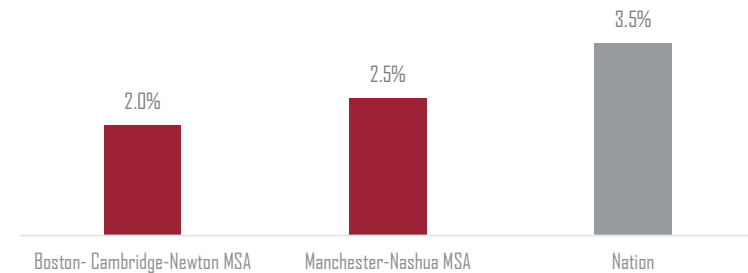
Geographic Footprint (Pro forma with Wellesley)



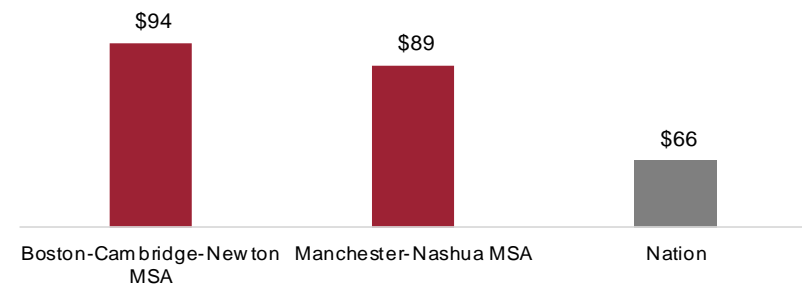
Dynamic and Affluent Markets of Operations

- Cambridge Trust's focused private banking model caters to entrepreneurial local communities
- Wealth Management capability is well-suited to the highly affluent Boston and southern New Hampshire markets
- Healthcare, education, professional service firms and innovation companies support the diverse local economies of Boston and southern New Hampshire

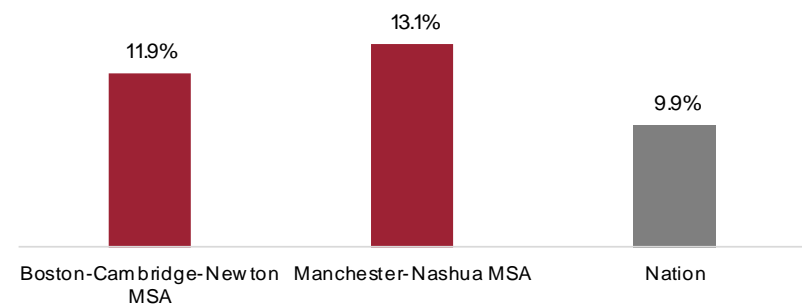
Unemployment Rate



Median Household Income (\$000s)



Proj. Household Income Change ('20 - '25)



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
- Expanding commercial services
- Investing for future growth

Performance

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

Credit

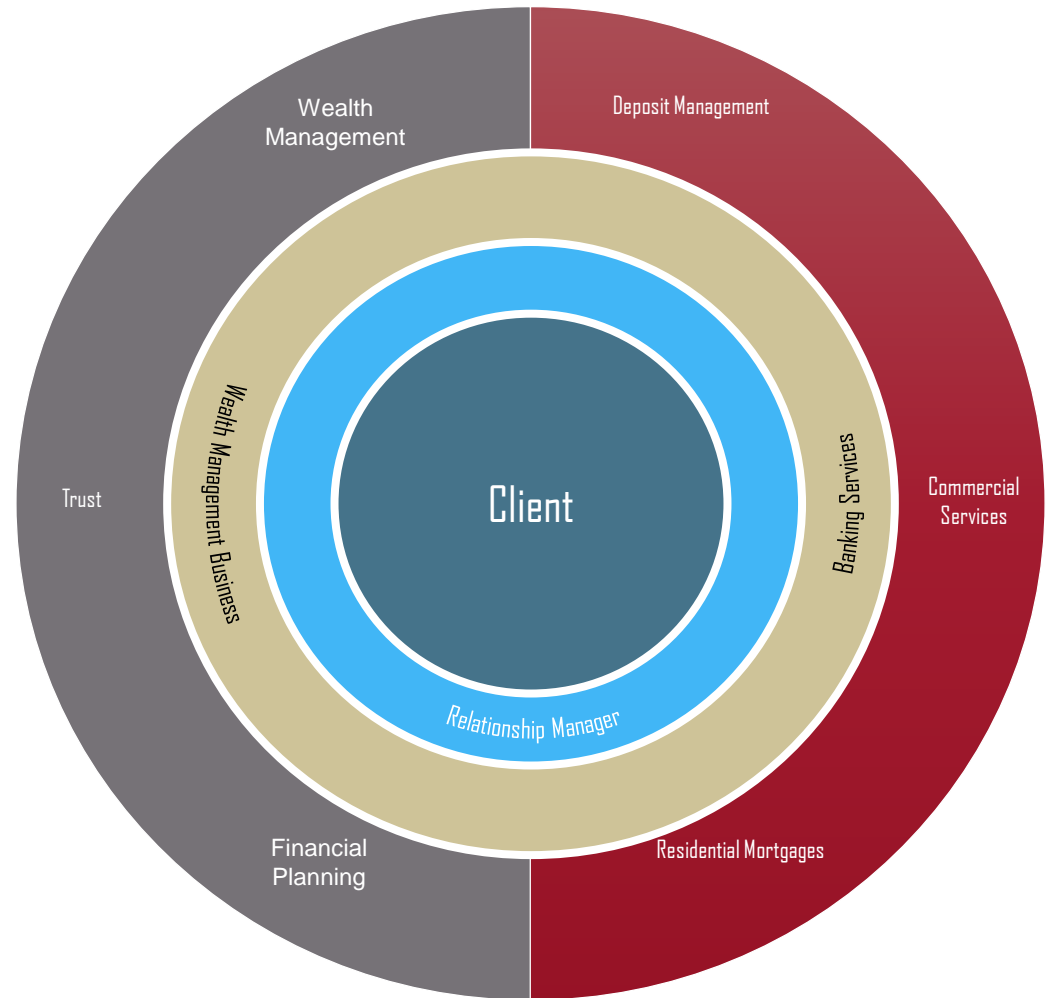
- Strong asset quality
- Sound underwriting acumen and risk management practices

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



Strategic Focus

- Be recognized as the premier private bank in Greater Boston & Southern New Hampshire
- Leverage private banking model in highly attractive markets
- Increase brand awareness
- Expand Wealth Management assets under management
- Grow and diversify Commercial Banking opportunities & relationships
- Expand client base & deepen existing relationships to grow deposit base

Recent Strategic Progress

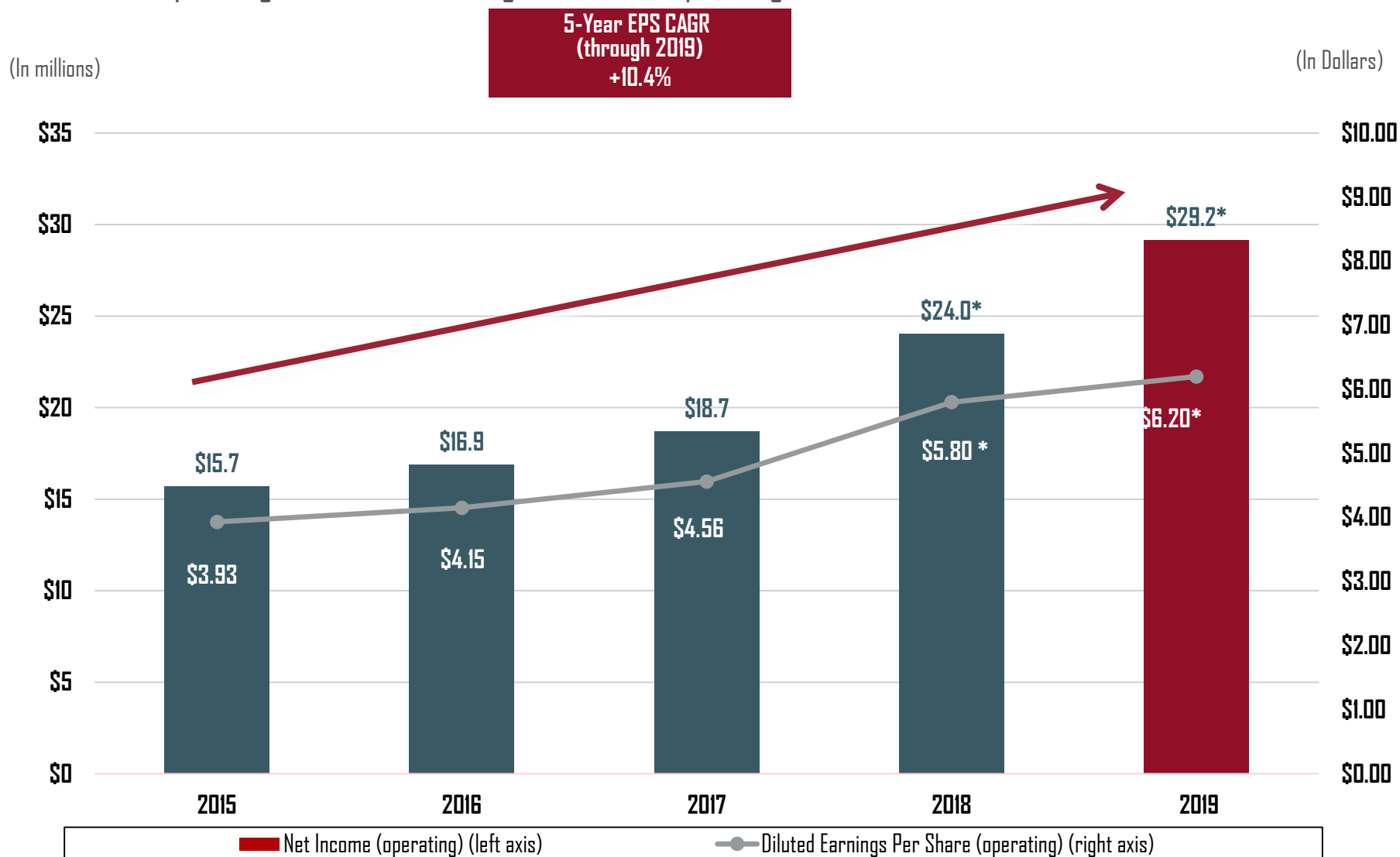
- Generated record operating earnings in 2019
- Announced merger with Wellesley Bancorp in Q4 2019
 - Strategic merger which expands the company's presence in Greater Boston with the addition of 6 banking office locations in Norfolk, Middlesex and Suffolk Counties
 - Anticipated to close during the second quarter of 2020
 - Systems conversion anticipated during fourth quarter of 2020
- Completed a common equity raise in fourth quarter of 2019 of \$38.2 million, net of underwriter discount
- Completed merger with Optima Bank & Trust effective April 17, 2019, with successful systems conversion in July
 - Addition of 6 banking office locations in New Hampshire to complement over \$1 billion of Wealth Management assets in this important market
- Launched new brand identity, bank website and brand awareness campaign
- Named in the Top 25 Independent Investment Advisors in Massachusetts for second consecutive year (*according to Boston Business Journal*)
- Increased resources to support expansion of business development initiatives



Strong Financial Performance

Strong Financial Performance

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

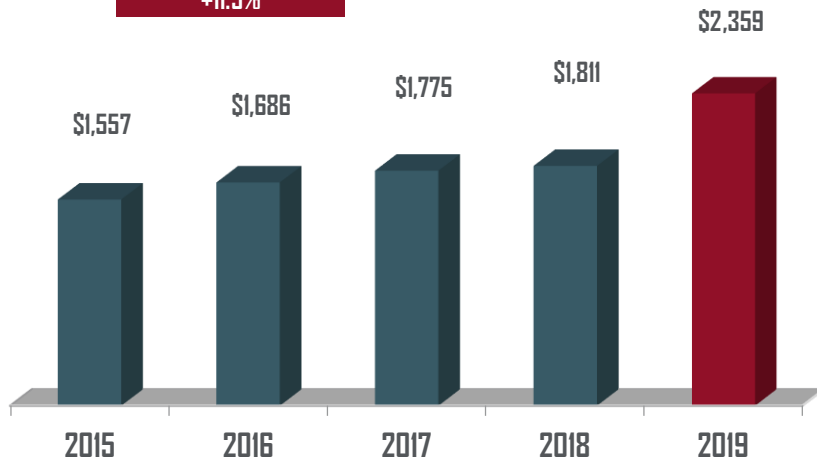


*Net Income (operating) and Diluted EPS (operating) are adjusted to exclude a tax charge in 2017, merger related, and other non operating expenses in 2018 and 2019. See Appendix on pages 37-38 for GAAP to Non-GAAP reconciliation

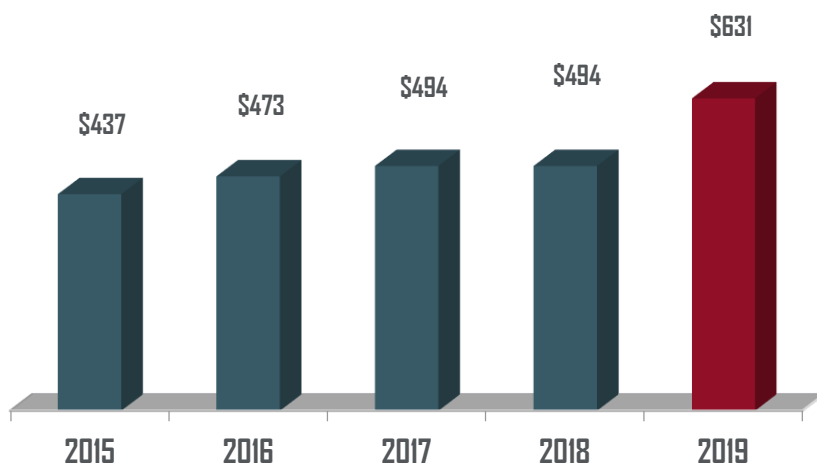
Deposit Profile

Historical Total Deposits (\$M)

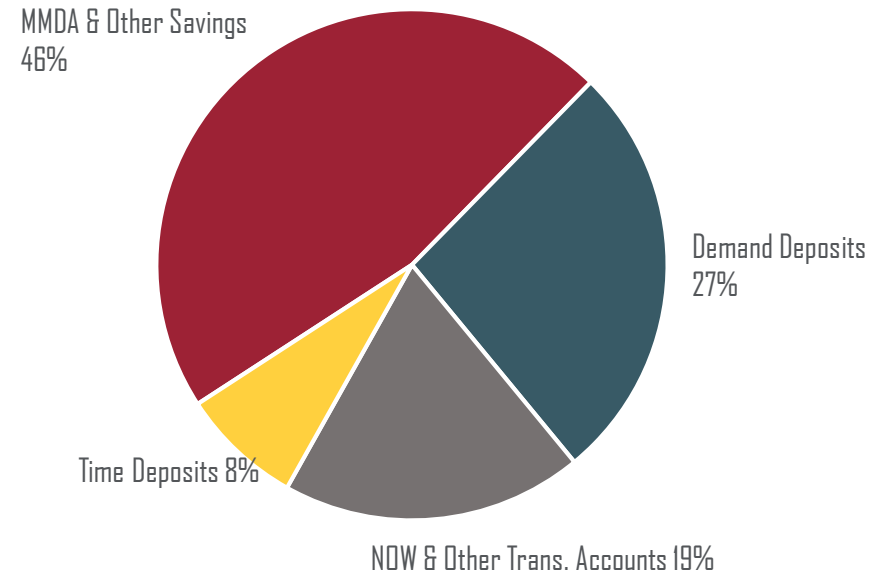
5-Year CAGR
(through 2019)
+11.5%



Historical Non-Interest Bearing Deposits

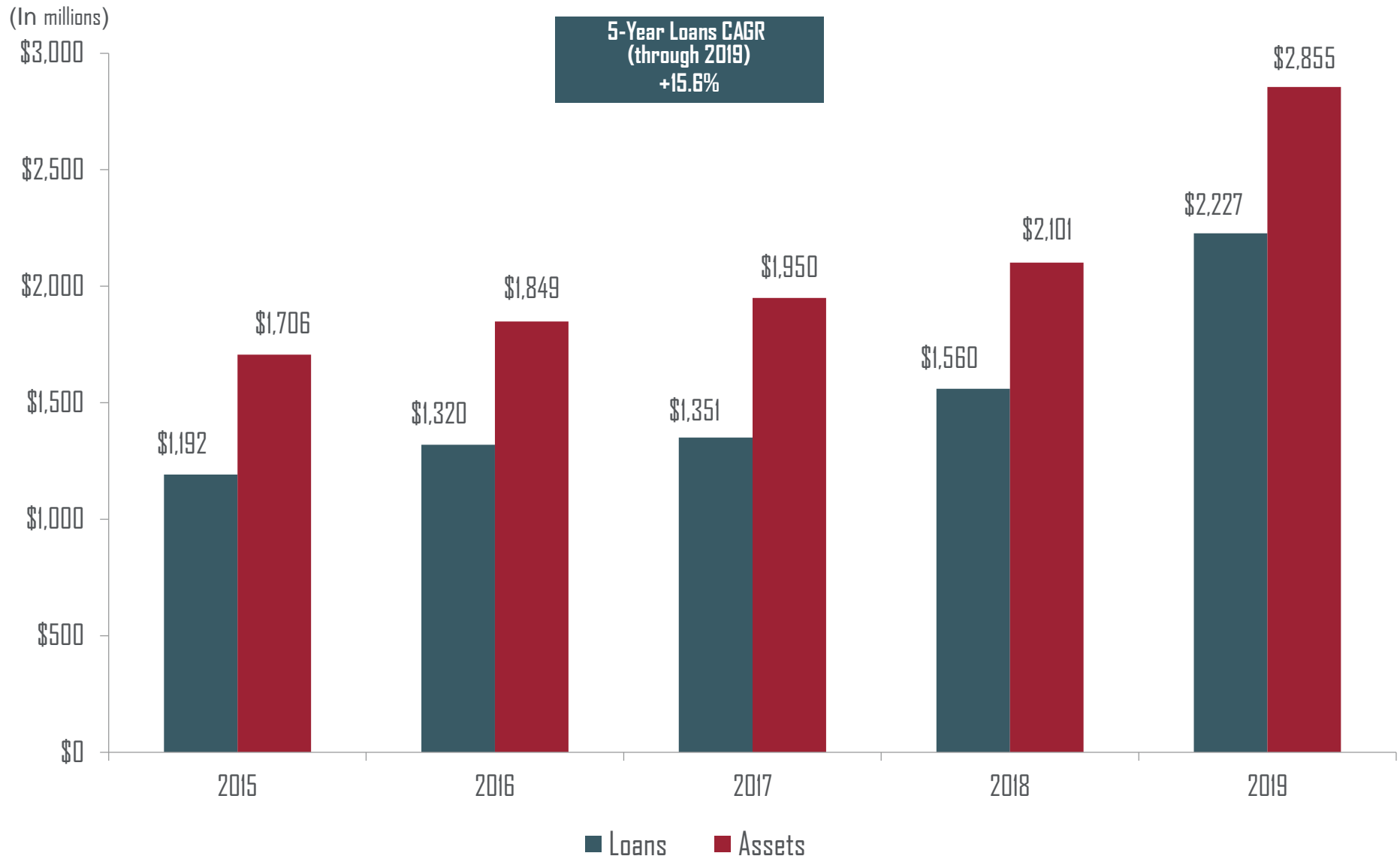


Deposit Composition



Total Deposits \$2.4 billion
Q4 2019 Cost of Deposits 0.68%

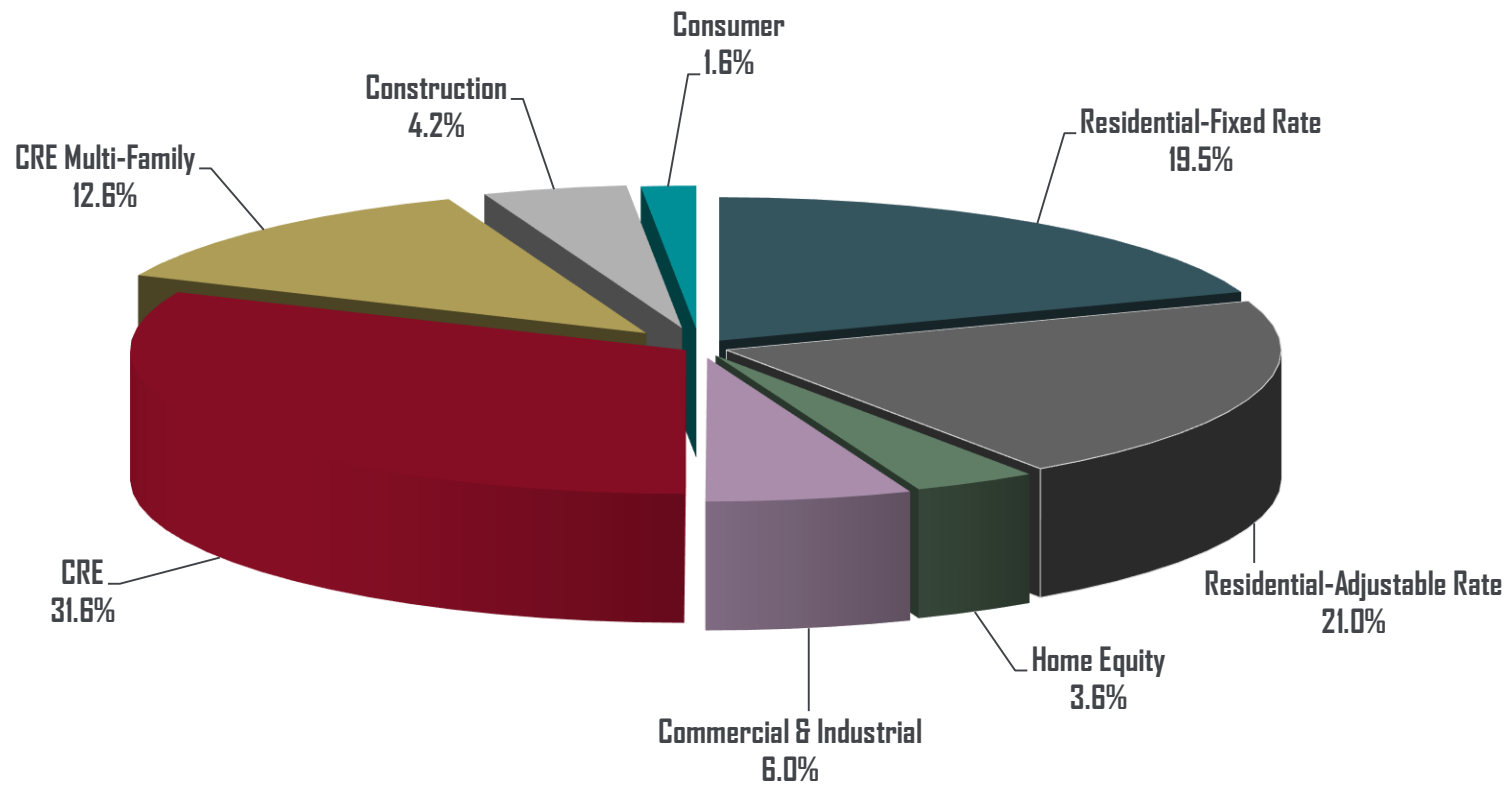
Total Loans and Assets



Diversified Loan Portfolio

(As of December 31, 2019)

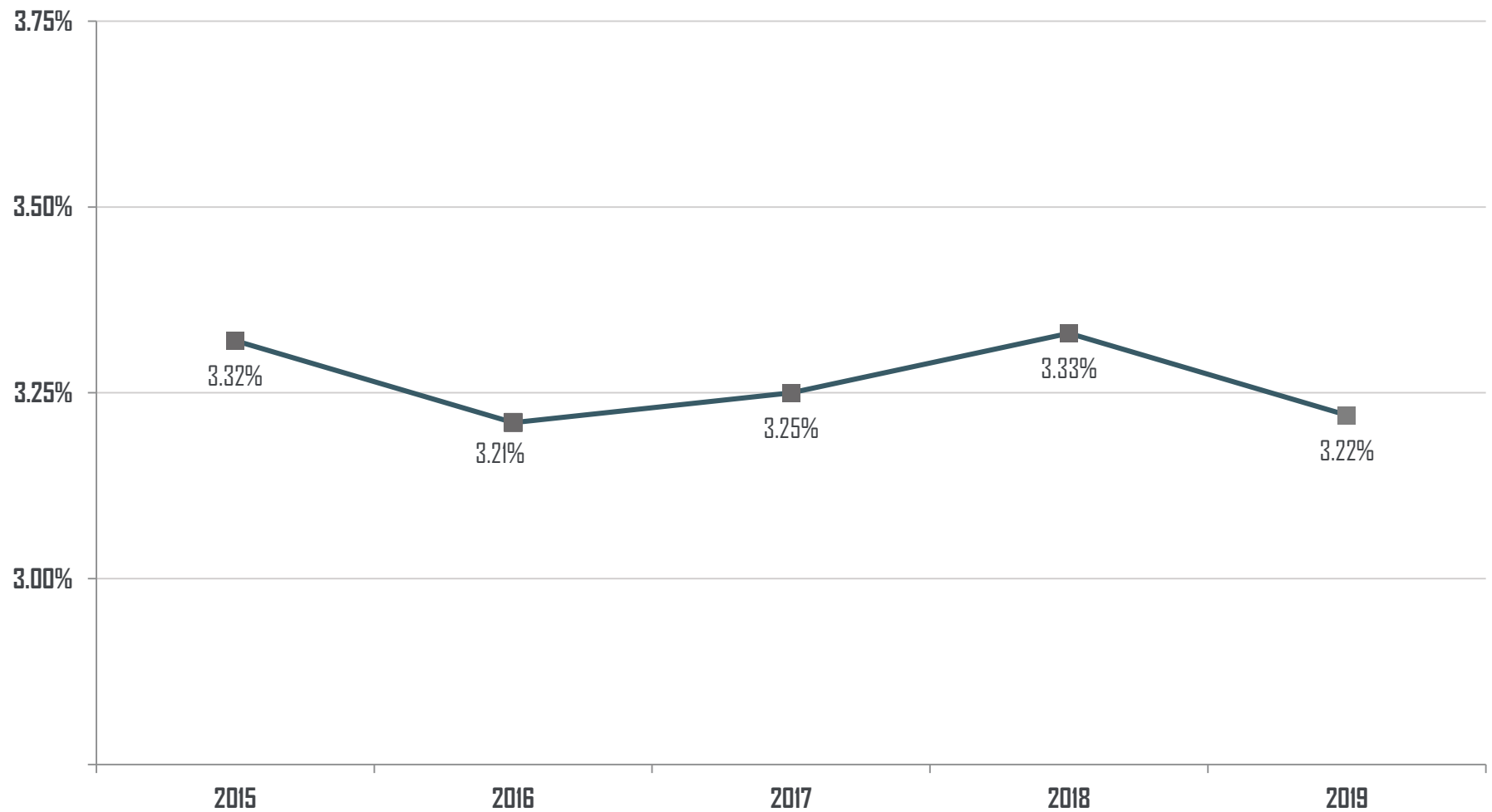
Total Loans \$2.2 billion



54.4% Commercial
45.6% Consumer
Q4 2019 Yield on Loans 4.23%

Net Interest Margin

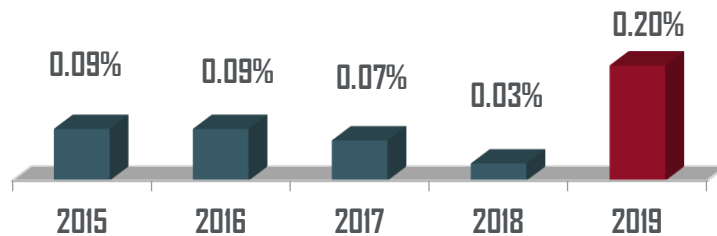
(Fully Taxable Equivalent) *



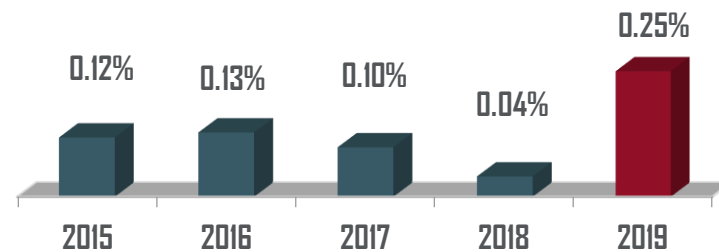
* Tax rate was 35% prior to 2018, tax rate decreased to 21% as of 2018

Asset Quality Review

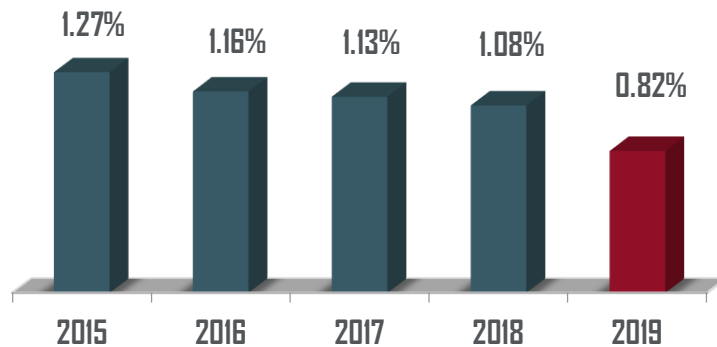
NPAs / Assets (%)



NPLs / Loans (%)

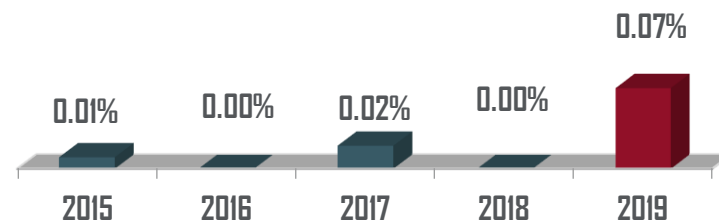


Reserves / Loans (%) (1)



NCOs / Average Loans (%)

12 year average NCOs / average loans of 0.01%

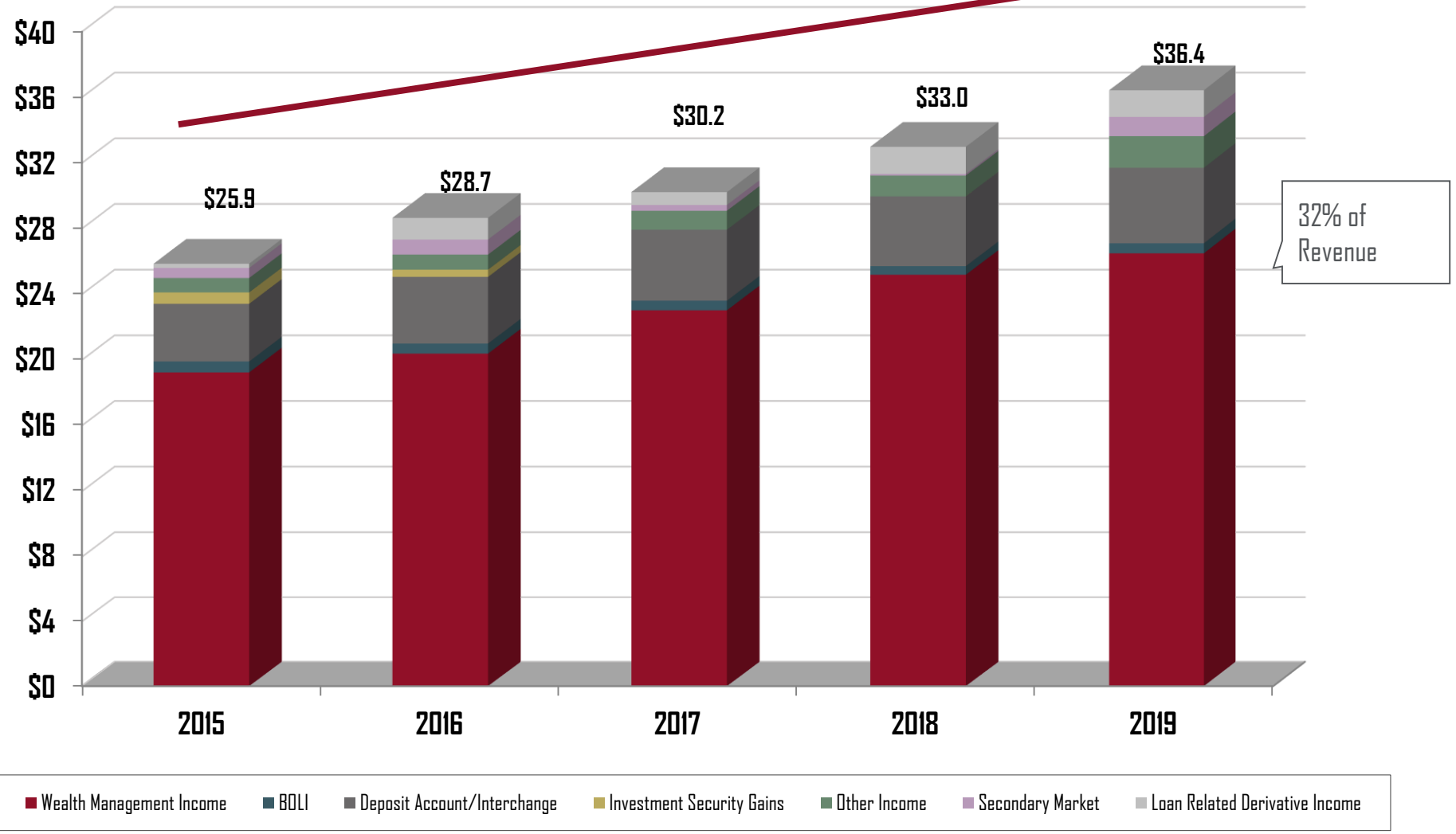


(1) 2019 reflects the impact of loans acquired in connection with the acquisition of Optima Bank & Trust Company; These acquired loans are recorded at fair value, including an adjustment for estimated credit losses, and without carryover of the respective portfolio's historical allowance for loan losses

Non-Interest Income – Stable Source of Revenue

(In millions)

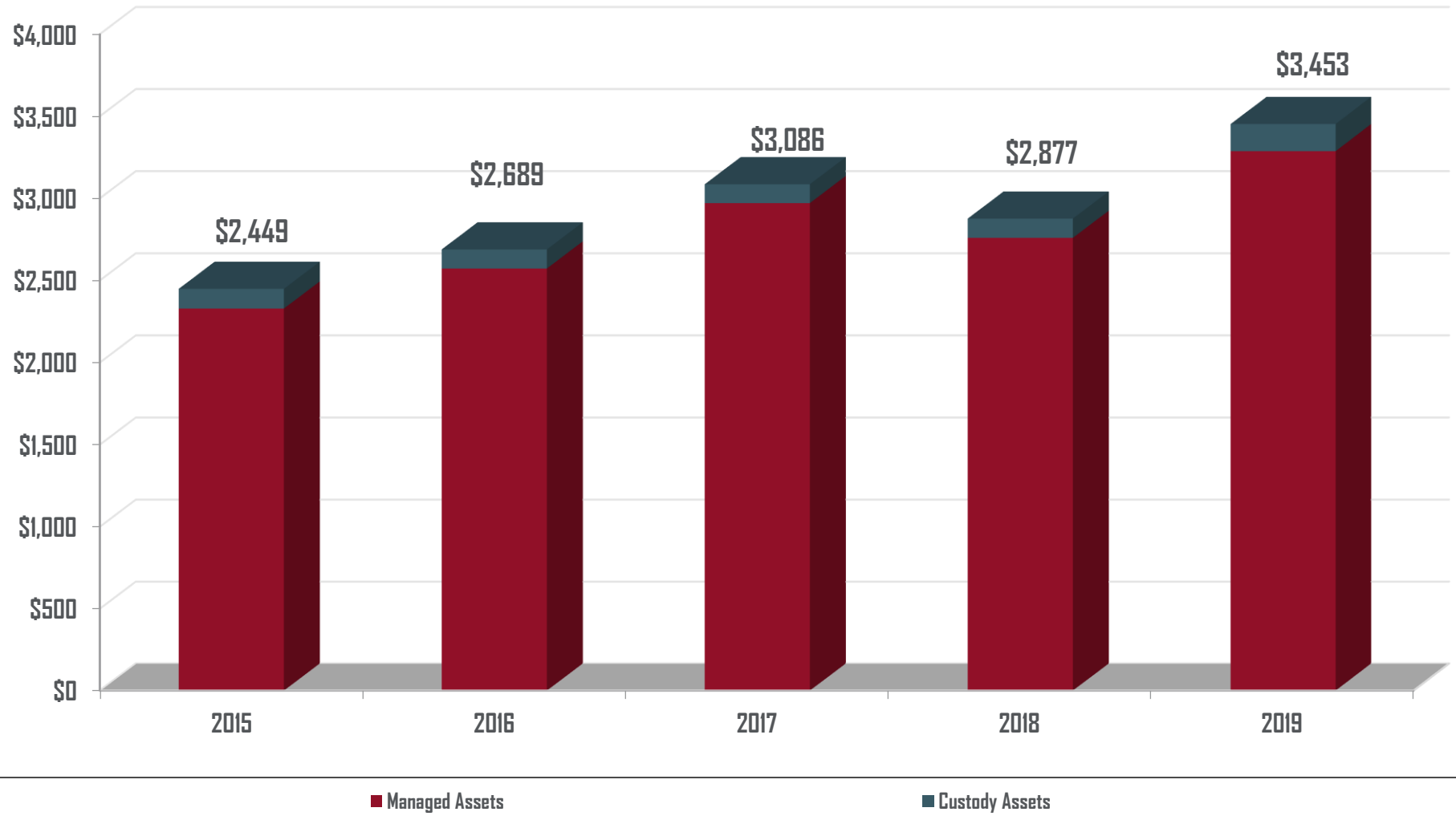
5-Year CAGR
(through 2019)
+8.3%



Wealth Management Assets Under Management and Administration

(In millions)

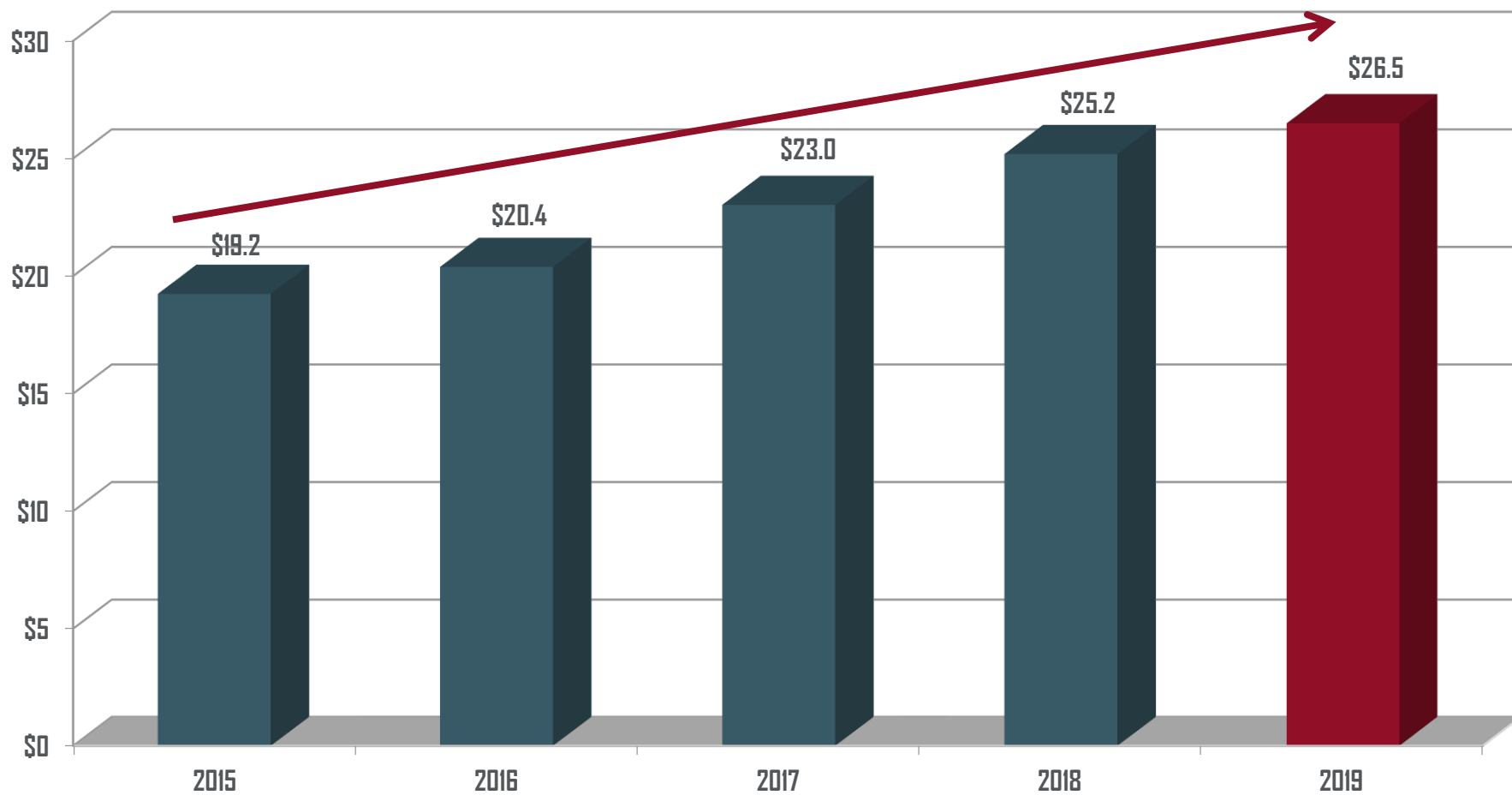
5-Year CAGR
(through 2019)
+7.8%



Wealth Management Revenue

(In millions)

5-Year CAGR
(through 2019)
+8.1%



Net Client Flows

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

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

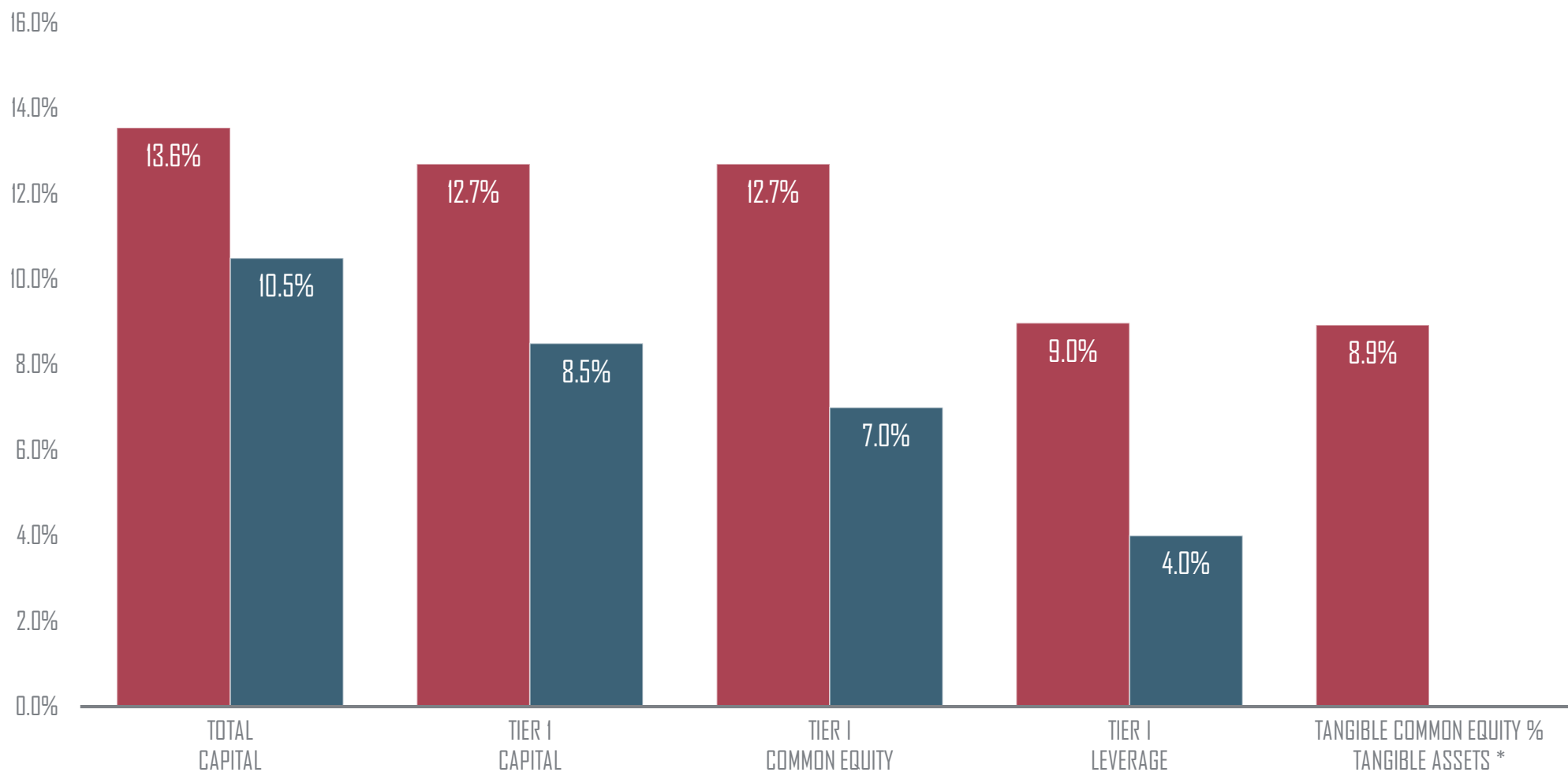
Other Key Performance Measures

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Return on Average Assets (Operating)*	0.95%	1.00%	1.21%	1.12%
Return on Average Tangible Common Equity (Operating)*	12.81%	13.24%	15.49%	14.80%
Tangible Book Value Per Share*	\$33.06	\$36.14	\$40.57	\$46.62
Revenue Growth	6%	7%	10%	19%
Efficiency Ratio (Operating)*	68.93%	67.51%	66.05%	63.78%

*Return on Average Assets (Operating) and Return on Average TC Equity (Operating) are adjusted to exclude a tax charge in 2017 and merger related/other non operating expenses in 2018 and 2019. See Appendix on pages 37-38 for GAAP - Non-GAAP reconciliation

Capital Position

(As of December 31, 2019)



*Not a regulatory capital ratio

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

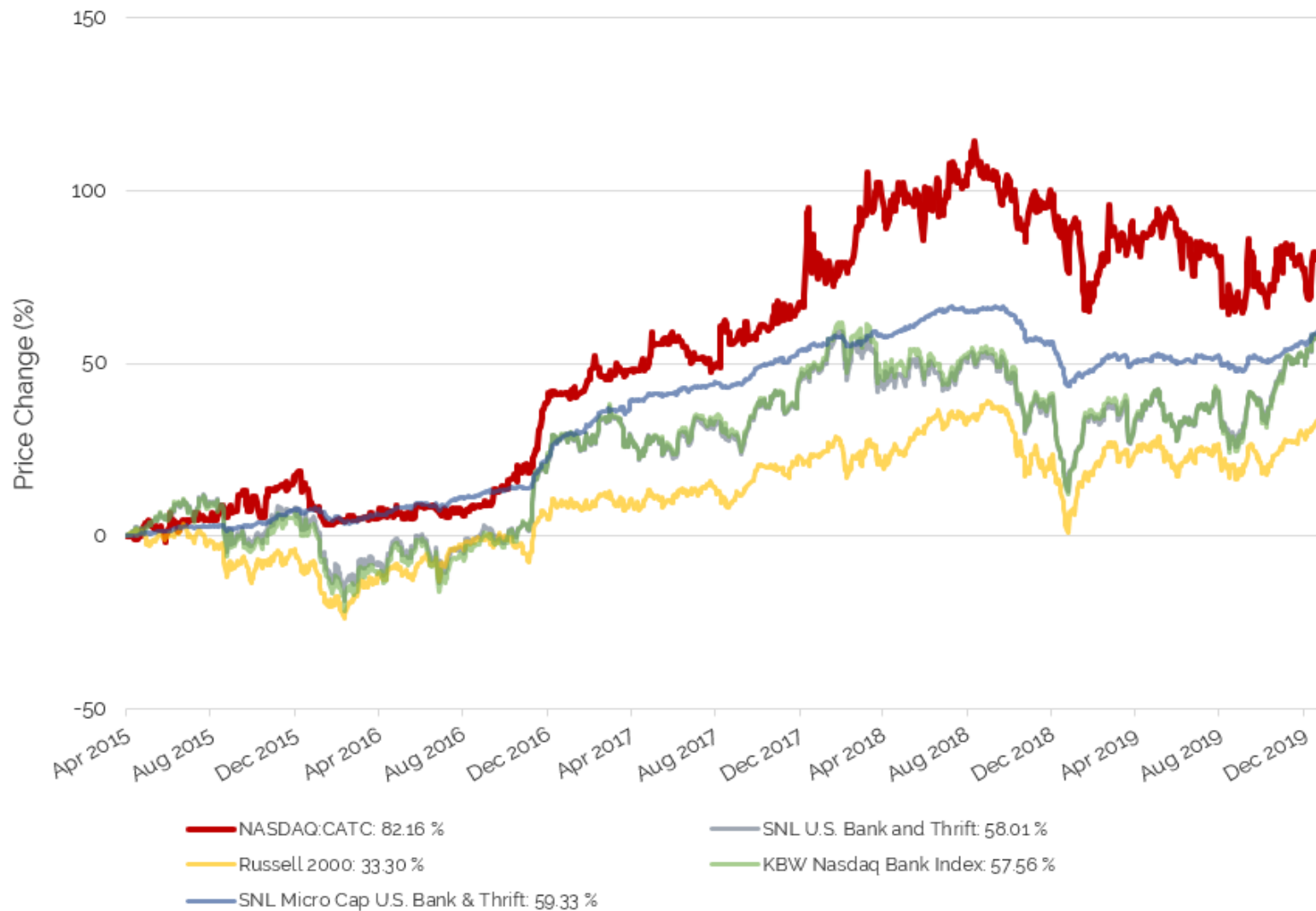
Tangible Common Equity % is a non-GAAP number. See Appendix on pages 37-38 for GAAP – Non-GAAP reconciliation



Stock Performance & Dividend

Focus on Shareholder Value

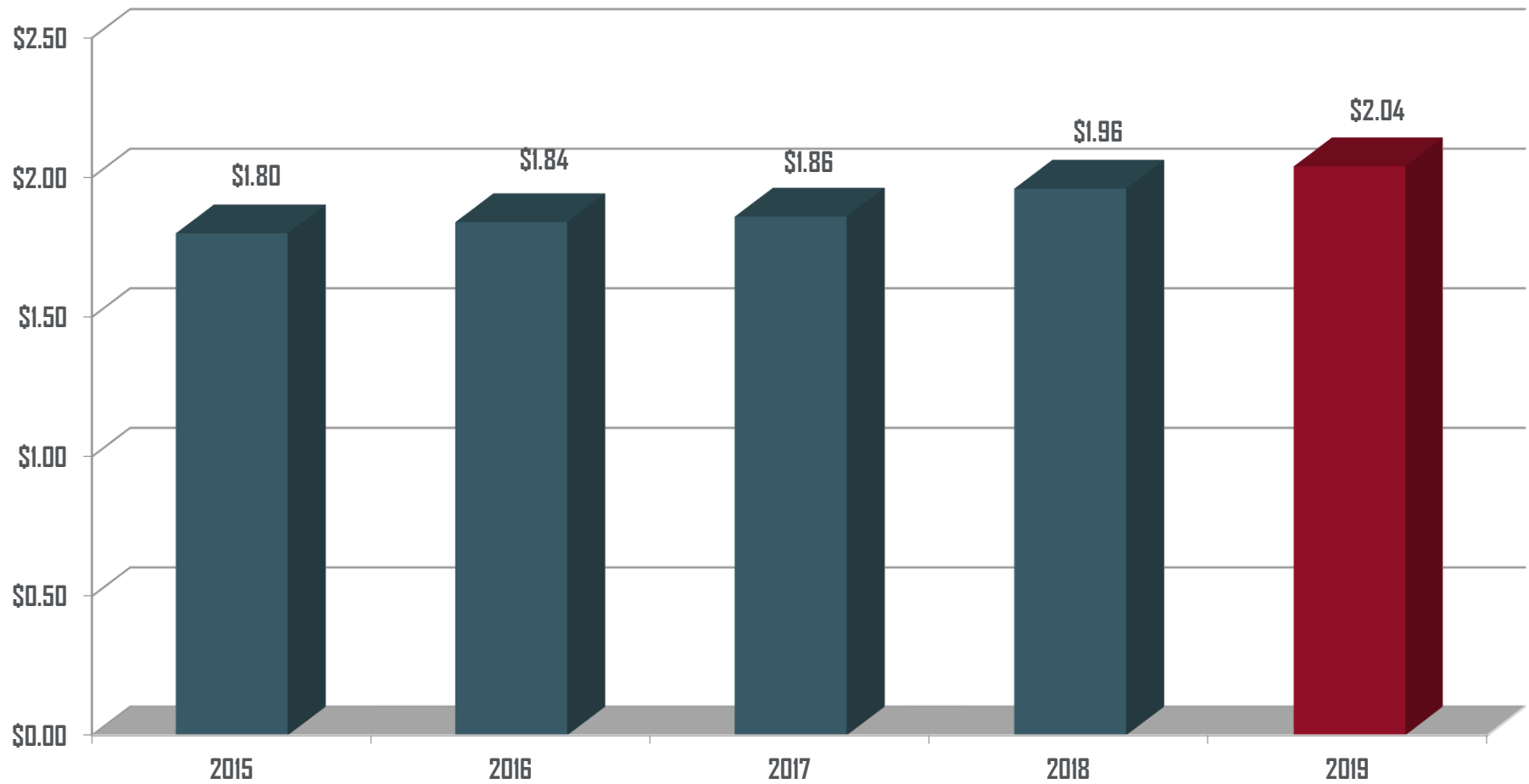
Stock Price Performance



Source: S&P Global Market Intelligence © 2020

Dividends Declared Per Share

20 years of increased dividends (1999 - 2019)

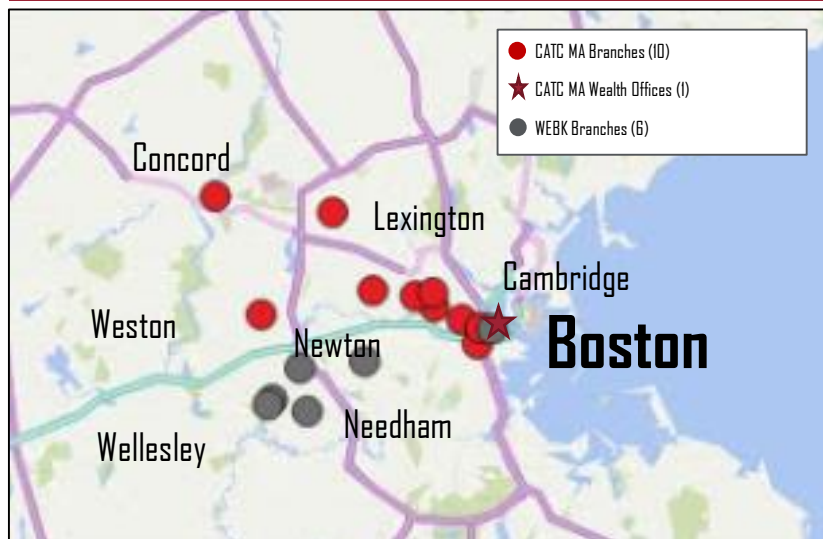




Merger with Wellesley Bank

Overview of Merger with Wellesley Bancorp, Inc.

Boston MSA Branch Footprint



Transaction Rationale

- Strategic combination with a familiar institution sharing a similar business model will provide additional scale in the dynamic and affluent greater Boston market
- Compelling in-market merger limits integration risk
- Expanded client base, enhanced scale, and simultaneous capital raise will position the combined company for strong post-transaction growth
- Cultural compatibility highlighted by a conservative banking approach and strategy limits execution risk

Announced Transaction Overview ⁽¹⁾

Announcement Date:	12/5/2019
Transaction Value ⁽²⁾ :	\$122 mm
Price / Tang. Book Value ⁽²⁾ :	163%
Price / LTM Core Earnings per Share ⁽²⁾ :	18.3x
2021 EPS Impact:	3.6% Accr.
Tang. Book Value Impact:	1.0% Dil.
Tang. Book Value Earnback (Crossover):	1.7 Years
Pro Forma TCE / TA:	8.3%

Wellesley Profile ⁽³⁾

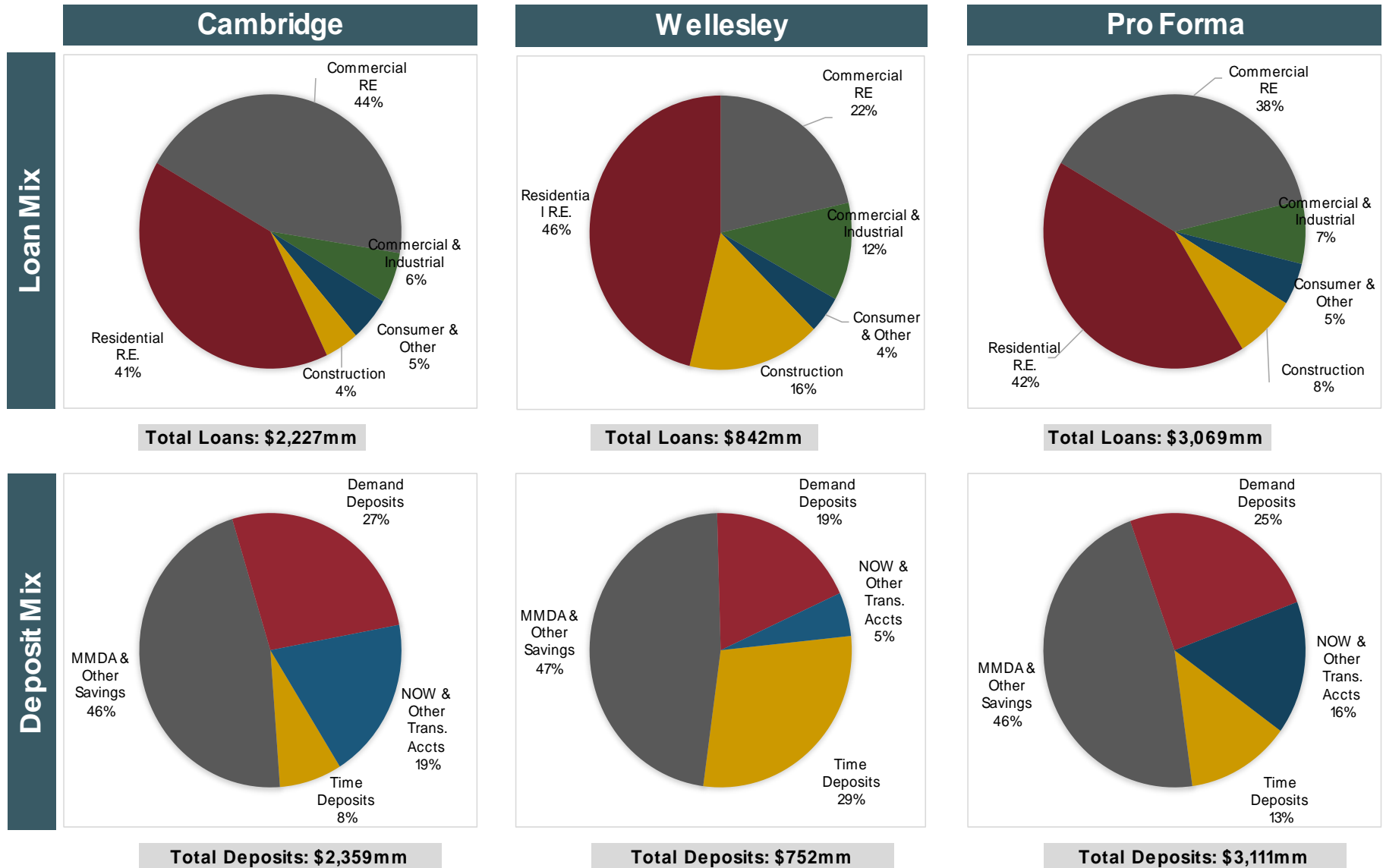
Headquarters:	Wellesley, MA
Assets:	\$945 mm
Wealth Mgmt. Assets (ex. Bank Portfolio):	\$390 mm
Gross Loans:	\$842 mm
Deposits:	\$752 mm
Common Equity:	\$73 mm
Net Income:	\$6.0 mm

Estimated Pro Forma Financial Metrics

Transaction Impacts:	Inclusive of CECL and \$40mm Common	Inclusive of CECL and No Common	Current Accounting and No Common
2021 EPS Impact:	3.6% Accr.	10.3% Accr.	7.5% Accr.
Tangible Book Value per Share Impact:	10% Dil.	5.6% Dil.	4.0% Dil.
Tangible Book Value Earnback (Crossover):	1.7 years	3.3 years	3.1 years
TCE / TA:	8.3%	7.3%	7.4%

Capital Impacts:	9/ 30/ 2019 Standalone Cambridge	Pro Forma Hold Co. at Close	
		Base Deal \$35mm Common	Base + Shoe \$40mm Common
TCE / TA	7.4%	8.1%	8.3%
Leverage Ratio	7.7%	8.4%	8.5%
Tier 1 Ratio	10.6%	11.2%	11.4%
Total Risk-Based Capital Ratio	11.6%	12.5%	12.7%

Pro Forma Loan & Deposit Composition (as of 12/31/2019)



Cambridge Trust – Investment Merits

Private Banking Business Model

- Diverse revenue stream (Non interest income, 32% of Revenue)
- Proven wealth management competency

Attractive Geographic Market

- Boston-Cambridge-Nashua, MA-NH unemployment rate of 2.1%*
- Diverse innovative economy
- Affluent Markets

Solid financial performance

- Record operating earnings in 2018 and 2019

Core Deposit funded

- Demand deposits represent 27% of total deposits

Sound risk manager with excellent asset quality track record

* Bureau of Labor Statistics November 2019 (Preliminary)



Appendix

Appendix – Organic Growth Table

Organic Loan and Deposit Growth

(dollars in thousands)

	Dec 2019	Dec 2018	Balance Acquired	Dec 2018 vs Dec 2019	
				Organic Growth/ (Loss) \$	Organic Growth/ (Loss) %
Loans					
Residential mortgage	917,566	604,331	314,552	(1,317)	-0.2%
Commercial mortgage	1,060,574	757,957	114,338	188,279	24.8%
Home equity	80,675	69,336	15,452	(4,113)	-5.9%
Commercial & Industrial	133,236	93,712	30,215	9,309	9.9%
Consumer	34,677	34,436	849	(608)	-1.8%
Total loans	<u>\$ 2,226,728</u>	<u>\$ 1,559,772</u>	<u>\$ 475,406</u>	<u>\$ 191,550</u>	<u>12.3%</u>
Deposits					
Demand	630,593	494,492	58,722	77,379	15.6%
Interest bearing checking	450,098	431,702	49,454	(31,058)	-7.2%
Money market	181,406	135,585	68,183	(22,362)	-16.5%
Savings	914,499	628,212	138,285	148,002	23.6%
Core deposits	2,176,596	1,689,991	314,644	171,961	10.2%
Certificates of deposit	182,282	121,419	162,545	(101,682)	-83.7%
Total deposits	<u>\$ 2,358,878</u>	<u>\$ 1,811,410</u>	<u>\$ 477,189</u>	<u>\$ 70,279</u>	<u>3.9%</u>

Appendix- CATC Financial Snapshot

\$ in Millions, except per share data	At or for the year ended					
	2014	2015	2016	2017	2018	2019
Balance Sheet						
Total Assets	1,574	1,706	1,849	1,950	2,101	2,856
Total Gross Loans	1,081	1,192	1,320	1,351	1,560	2,227
Deposits	1,371	1,557	1,686	1,775	1,811	2,359
Tangible Common Equity (1)	116	125	134	148	167	252
Loans/ Deposits (%)	79	77	78	76	86	94
TCE/ TA (%) (1)	7.4	7.3	7.3	7.6	7.9	8.9
Tangible BV per Share (\$) (1)	29.40	31.16	33.26	36.14	40.57	46.66
Income Statement						
Net Interest Income	48.3	51.6	53.7	57.6	63.6	78.7
Provision Expense	1.6	1.1	0.1	0.4	1.5	3.0
Non Interest Income	24.5	25.9	28.7	30.2	33.0	36.4
Non Interest Expense	49.0	53.2	56.8	59.3	64.0	78.2
Net Income	14.9	15.7	16.9	14.8	23.9	25.3
Operating Net Income (1)	14.9	15.7	16.9	18.7	24.0	29.2
Profitability Ratios						
Diluted EPS after Extraordinary (\$)	3.78	3.93	4.15	3.61	5.77	5.37
Operating EPS (\$) (1)	3.78	3.93	4.15	4.56	5.80	6.20
ROAA (%)	0.98	0.95	0.95	0.79	1.21	0.97
Operating ROAA (%) (1)	0.98	0.95	0.95	1.00	1.21	1.12
ROAE (%)	12.9	12.9	12.8	10.5	15.4	11.4
Efficiency Ratio (%)	67.4	68.6	68.9	67.5	66.3	67.9
Non Interest Inc / Operating Rev (%)	33.6	33.4	34.8	34.4	34.2	31.6
Net Interest Margin (%)	3.37	3.32	3.21	3.25	3.33	3.22
Asset Quality						
NPA/ Assets (%)	0.10	0.09	0.09	0.07	0.03	0.20
NCOs/ Avg Loans (%)	(0.00)	0.01	0.00	0.02	0.00	0.07
Reserves/ Loans (%)	1.32	1.27	1.16	1.13	1.08	0.82

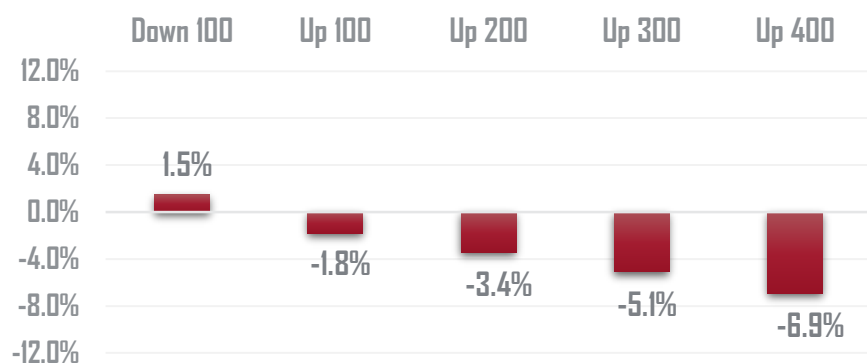
(1) See Appendix on pages 37-38 for GAAP – Non-GAAP reconciliation

Appendix: Interest Rate Risk Profile

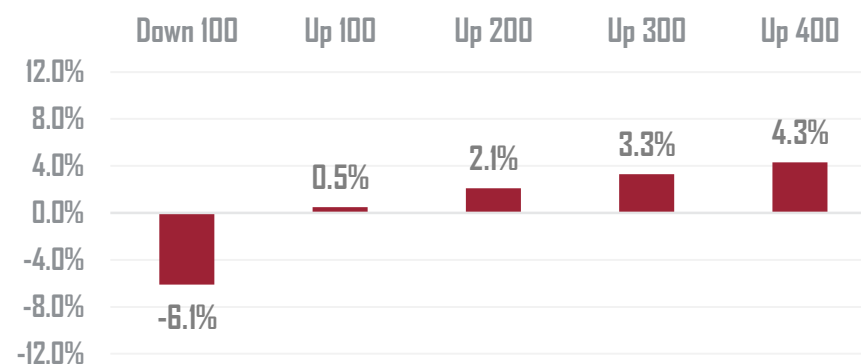
(As of December 31, 2019)

Net Interest Income (NII) Sensitivity

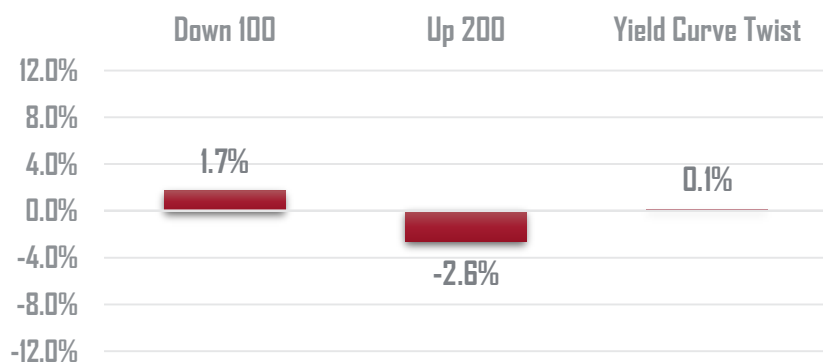
Immediate Parallel Shock -Year 1



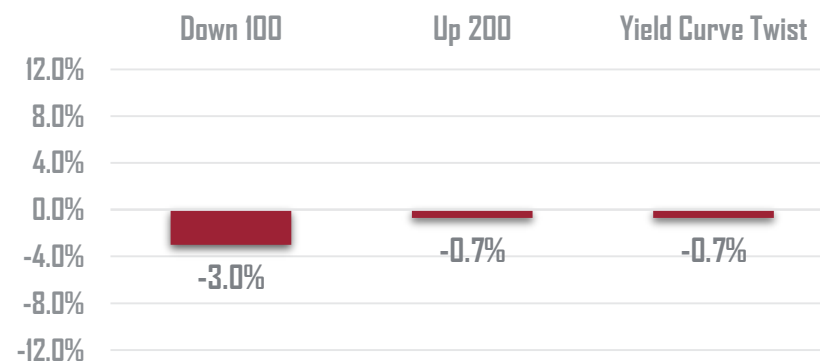
Immediate Parallel Shock -Year 2



Ramps / Yield Curve Twist-Year 1



Ramps / Yield Curve Twist-Year 2





Appendix: GAAP to Non-GAAP Reconciliations

Appendix – FY 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.

	For the Full Year Period ending on December 31st		
	2017	2018	2019
	(Dollars in thousands except per share data)		
Operating Diluted EPS	2017	2018	2019
Net Income (a GAAP Measure)	\$ 14,816	\$ 23,881	\$ 25,257
Add: Merger Costs (Pretax)	-	201	4,721
Add: (Gain)/ loss on disposition of investment securities	3	(2)	79
Tax effect of Merger Expenses and Gain (loss) on disposition of investment securities ⁽¹⁾	(1)	(56)	(901)
Add: Impact of the tax cuts and jobs act of 2017 ⁽²⁾	3,870	-	-
Operating Net Income (a non-GAAP Measure)	\$ 18,687	\$ 24,024	\$ 29,156
Less: Dividends and Undistributed Earnings Allocated to Participating Securities (GAAP)	\$ 157	\$ 239	\$ 243
Operating Income Applicable to Common Shareholders (a non-GAAP measure)	\$ 18,530	\$ 23,785	\$ 28,913
Weighted average diluted shares	4,065,754	4,098,633	4,661,720
Operating Diluted earnings per share (a non-GAAP measure)	\$ 4.56	\$ 5.80	\$ 6.20
Operating Efficiency Ratio	2017	2018	2019
Net Interest and Dividend Income	\$ 57,604	\$ 63,588	\$ 78,696
Noninterest Income	30,224	32,989	36,401
Less: Gain/ (loss) on disposition of investment securities	3	(2)	79
Operating Revenue (a non-GAAP measure)	87,825	96,579	115,018
Noninterest Expense	59,292	63,987	78,175
Less: Merger Expenses	-	201	4,721
Operating Expense (a non-GAAP measure)	\$ 59,292	\$ 63,786	\$ 73,454
Operating Efficiency Ratio (a non-GAAP measure)	67.51%	66.05%	63.78%

Appendix – FY GAAP to Non-GAAP Reconciliations

Operating Return on Average Tangible Common Equity	2017	2018	2019
Operating Net income (a non-GAAP measure)	\$ 18,687	\$ 24,024	\$ 29,156
Average Shareholders' equity (GAAP)	141,488	155,546	221,617
Less: Average Goodwill and merger related intangibles (GAAP)	412	412	24,578
Tangible Common Equity (a non-GAAP measure)	\$ 141,076	\$ 155,134	\$ 197,039
Operating Return on Tangible Common Equity (a non-GAAP measure)	13.25%	15.49%	14.80%
Return on Average Assets (Operating)	2017	2018	2019
Net income (Operating) (a non-GAAP measure)	\$ 18,687	\$ 24,024	\$ 29,156
Average assets (GAAP)	1,875,136	1,980,580	2,600,316
Return on avg. assets (Operating) (a non-GAAP measure)	1.00%	1.21%	1.12%
Tangible Common Equity	2017	2018	2019
Shareholders' equity (GAAP)	\$ 147,957	\$ 167,026	\$ 286,561
Less: Goodwill and acquisition related intangibles (GAAP)	412	412	34,544
Tangible Common Equity (a non-GAAP measure)	\$ 147,545	\$ 166,614	\$ 252,017
Total assets (GAAP)	1,949,934	2,101,384	2,855,563
Less: Goodwill and acquisition related intangibles (GAAP)	412	412	34,544
Tangible assets (a non-GAAP measure)	\$ 1,949,522	\$ 2,100,972	\$ 2,821,019
Tangible Common Equity Ratio (a non-GAAP measure)	7.57%	7.93%	8.93%
Tangible Book Value Per Share	2017	2018	2019
Tangible Common Equity (a non-GAAP measure)	\$ 147,545	\$ 166,614	\$ 252,017
Common shares outstanding	4,082,188	4,107,051	5,400,868
Tangible Book Value Per Share (a non-GAAP measure)	\$ 36.14	\$ 40.57	\$ 46.66

(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.



Cambridge Bancorp

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