

CAMBRIDGE BANCORP

Investor Presentation

May 18, 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 resulting in the combined business not operating as effectively as expected, disruptions in the Company’s ability to access the capital markets, the businesses of the Company and Wellesley may not be combined successfully, or such combination may take longer than expected, 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, governmental approvals of the merger with Wellesley may not be obtained, or adverse regulatory conditions may be imposed in connection with governmental approvals of the merger, 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 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 March 31, 2020)

Banking subsidiary: Cambridge Trust Company (1890)

- Headquarters: Harvard Square, Cambridge, MA
- Wealth Assets: \$3.1 billion (\$3.4 billion pro forma)
- Banking Assets: \$2.9 billion (\$3.8 billion pro forma)
 - Gross Loans: \$2.3 billion (\$3.1 billion pro forma)
 - Total Deposits: \$2.4 billion (\$3.1 billion pro forma)
- Non interest income: 28% of revenue
- NASDAQ: CATC
- Market Cap: \$282 million

Impact and Response to COVID-19 Pandemic

Employee Support

- Protecting the health and safety of our employees a focus
- Temporary closure of all banking office lobbies but services are available by appointment
- Increased cleaning of all office locations
- 95% of staff working remotely with the exception of essential banking office employees
- Teleconferencing for meetings

Client Support

- Access to banking offices by appointment
- Increased support through its Client Resource Center
- Waived penalties for early CD deposit withdrawals
- Increased limits for ATM withdrawal, debit card spending, and remote deposit

Offering loan forbearance

- Instituted payment deferral programs to aid existing borrowers
- \$53.6M Commercial forbearance approved as of April 30, 2020
- \$34.8M Consumer forbearance approved as of April 30, 2020

Community Support

In addition to the 269 organizations the Bank supports through its annual charitable giving, Cambridge Trust is donating an additional \$250,000 to organizations supporting those most impacted by COVID-19, including:

- City of Boston Resiliency Fund (\$50k)
- Cambridge Community Foundation (\$25K)
- New Hampshire Charitable Foundation (\$25K)
- City of Cambridge Mayor's Relief Fund (\$25K)
- Meals on Wheels (St. Joseph Community Services) (\$25K)

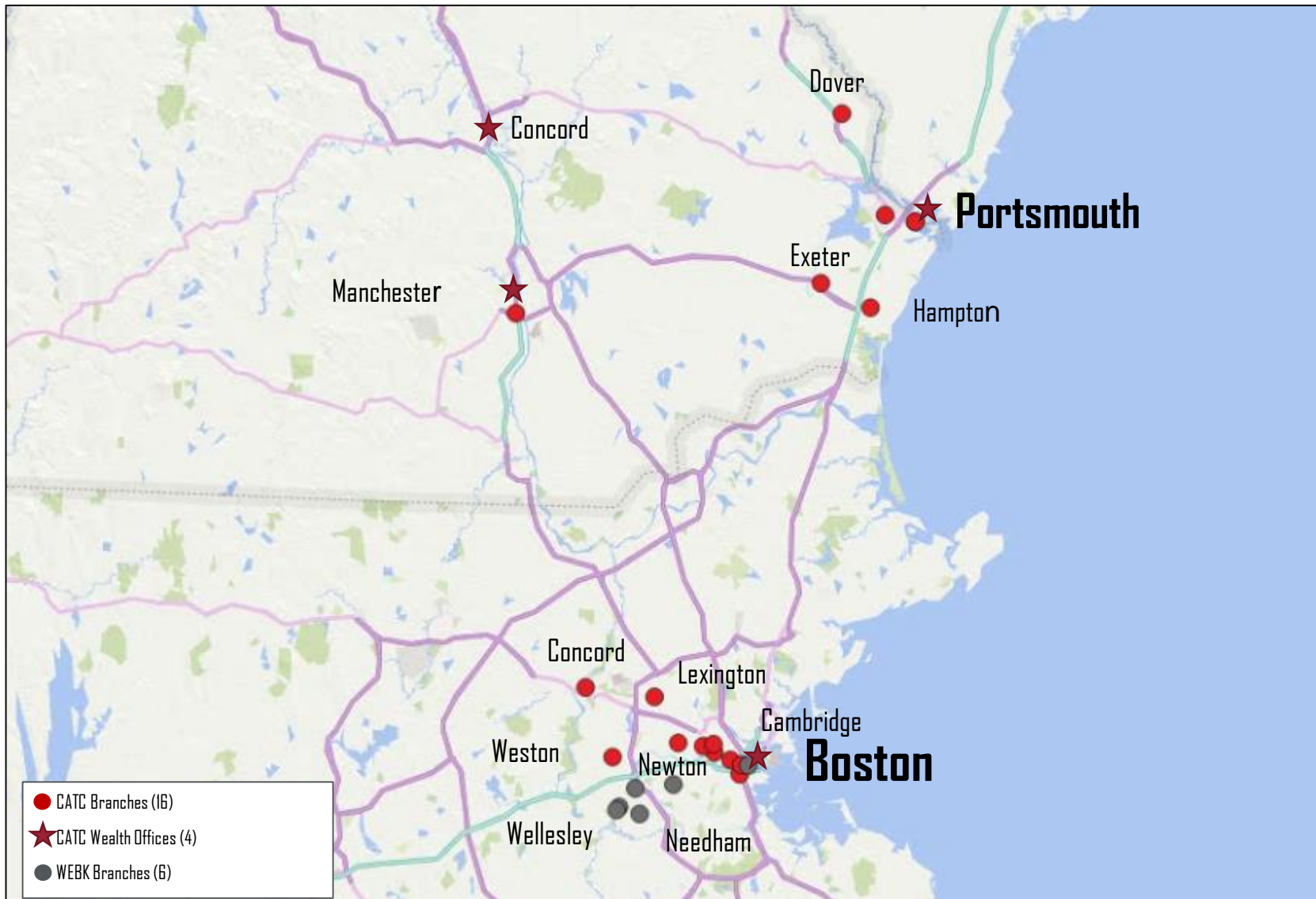
Paycheck Protection Program

- Participant in program to aid community and clientele
- Obtained SBA approval for 735 applicants totaling \$166.7M as of April 30, 2020

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 a spot cost of deposits at March 31, 2020 of 0.27%
- 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
 - \$3.1 billion assets under management and administration (\$3.4 billion pro forma)
 - Fee income contributes ~28% of revenue
- Strong asset quality metrics reflecting proactive risk management, experienced lending teams and a strong underwriting culture
- Strong tangible common equity to tangible assets ratio of 9.34%
- History of demonstrated value creation for shareholders with consistent dividend growth
- Deep and experienced management team

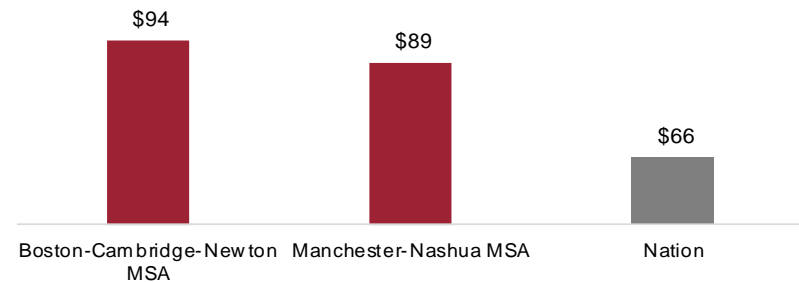
Geographic Footprint (Pro forma with Wellesley)



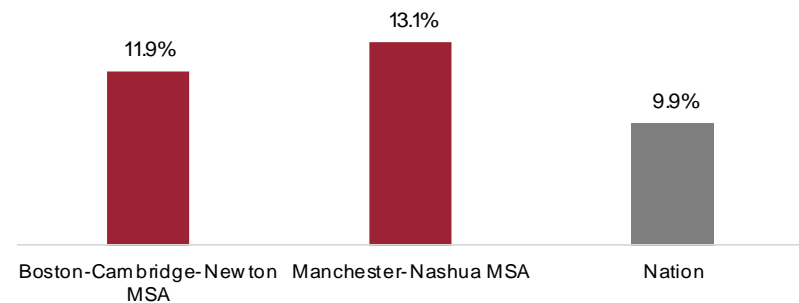
Dynamic and Affluent Markets of Operations

- 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

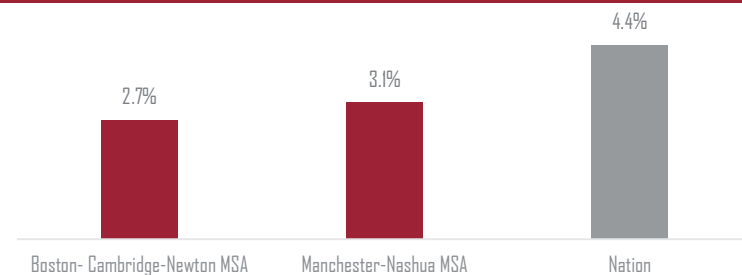
Median Household Income (\$000s)



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



Pre Pandemic Unemployment Rate



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

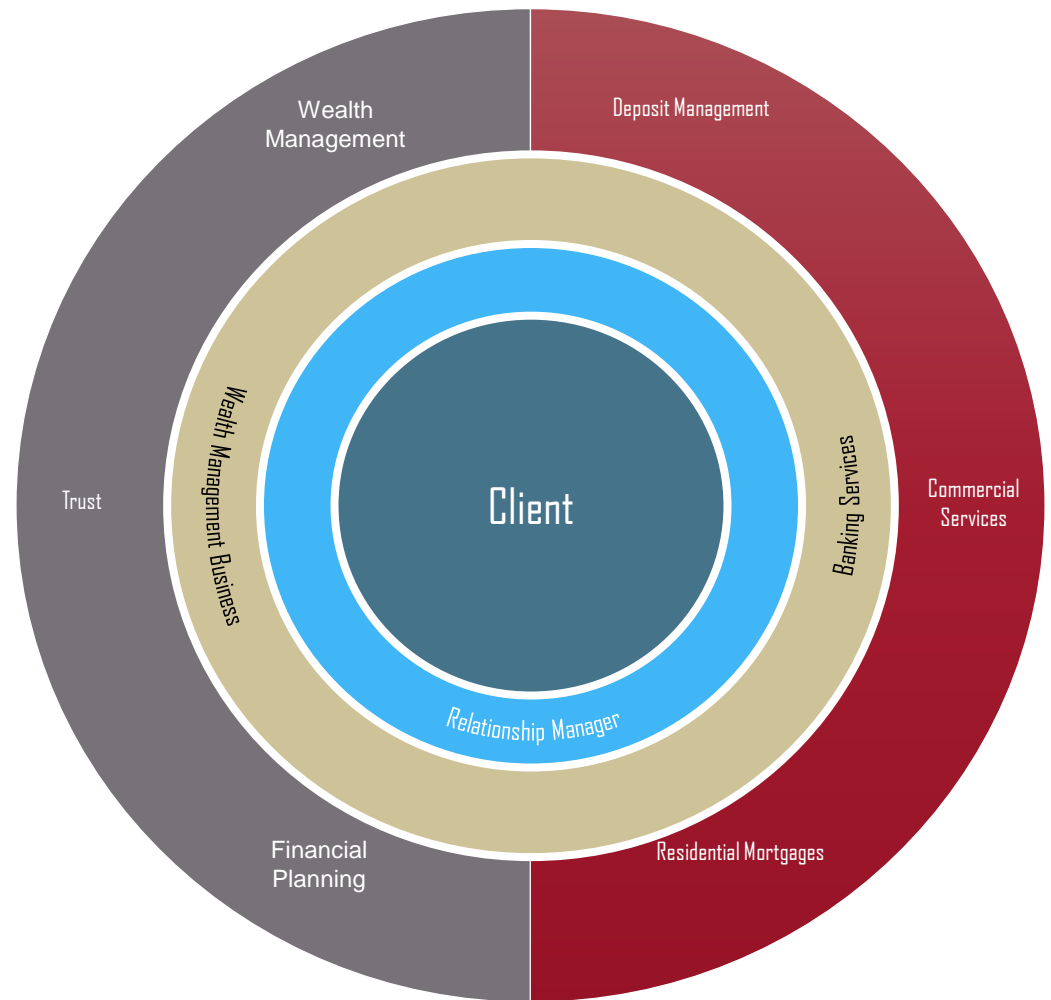
- Strong asset quality
- Sound underwriting acumen and risk management practices

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

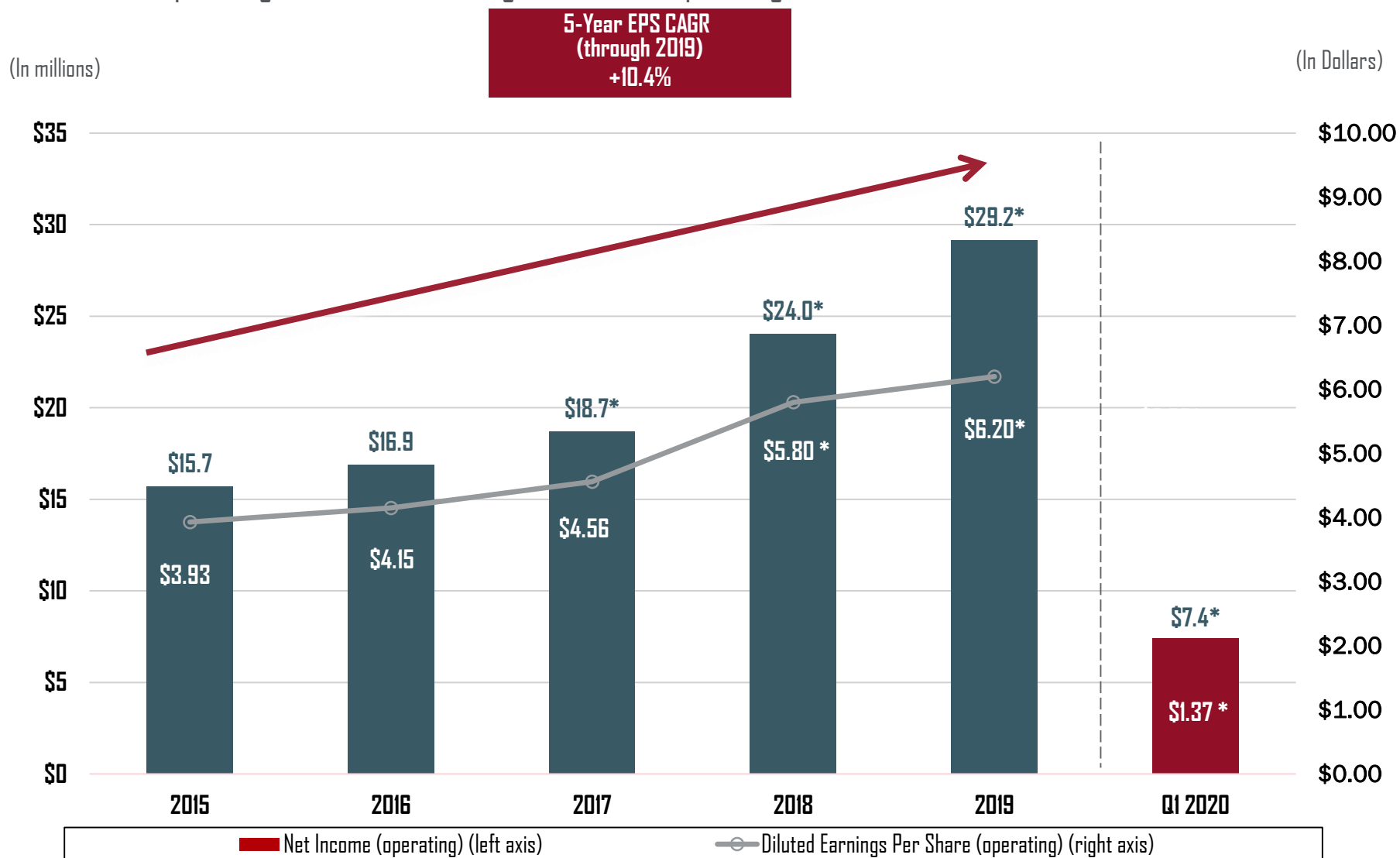
- Generated record operating earnings in 2019
- Announced merger with Wellesley Bancorp in Q4 2019
 - Strategic merger which expands the company's presence in Greater Boston with the addition of 6 banking office locations in Norfolk, Middlesex and Suffolk Counties
 - Anticipated to close during the second 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
 - Addition of 6 banking office locations in New Hampshire to complement over \$1 billion of Wealth Management assets in this important market
- 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)

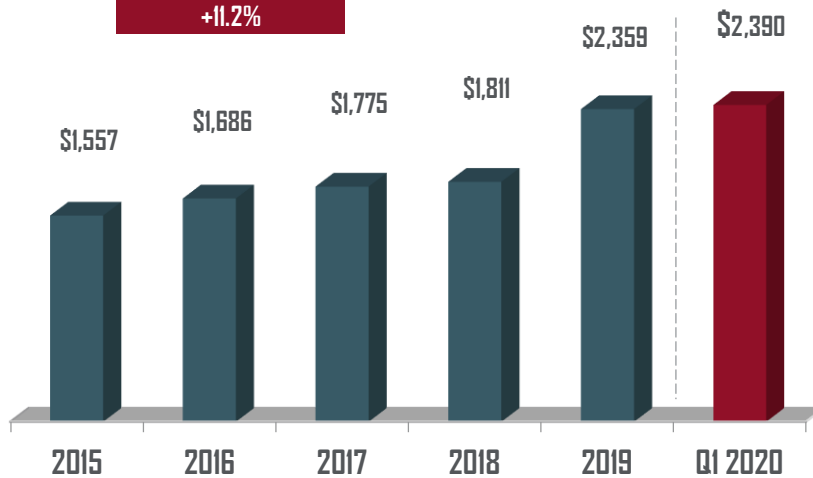


*Net Income (operating) and Diluted EPS (operating) are adjusted to exclude a tax charge in 2017, merger related, and other non operating expenses in 2018, 2019, and 2020. See Appendix on pages 41-44 for GAAP to Non-GAAP reconciliation

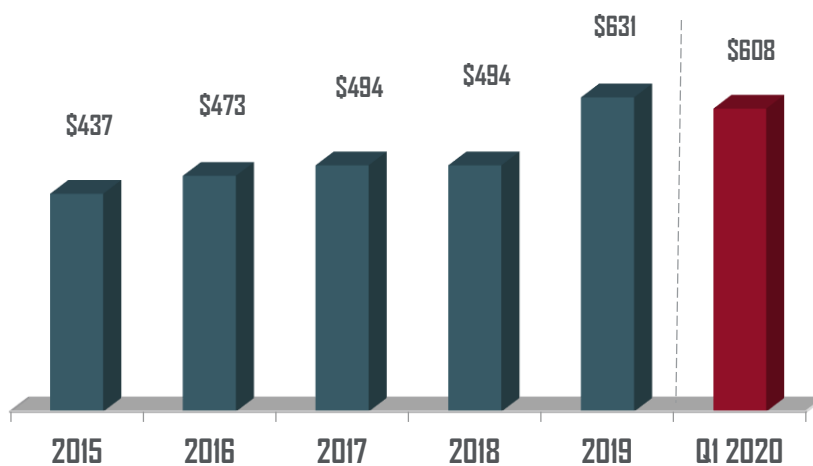
Deposit Profile

Historical Total Deposits (\$M)

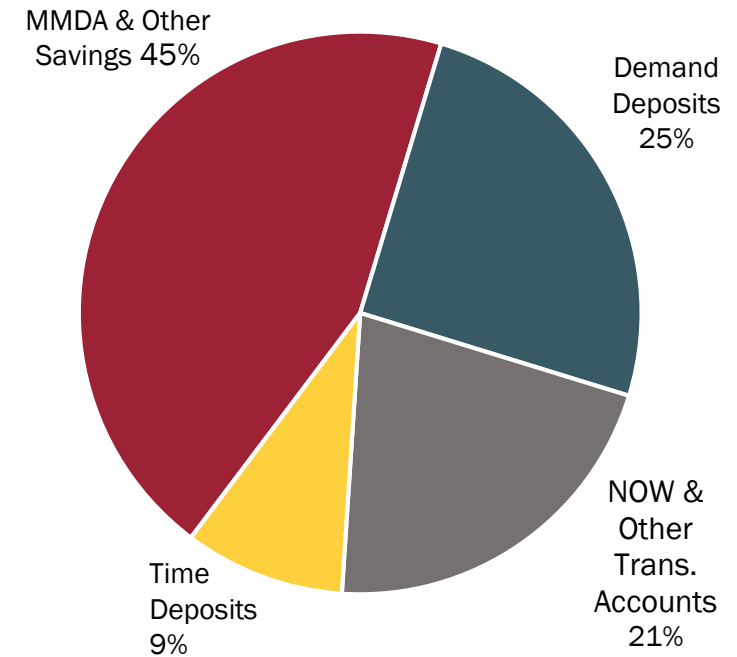
5.25-Year CAGR
(through 2020)
+11.2%



Historical Non-Interest Bearing Deposits (\$M)



Deposit Composition

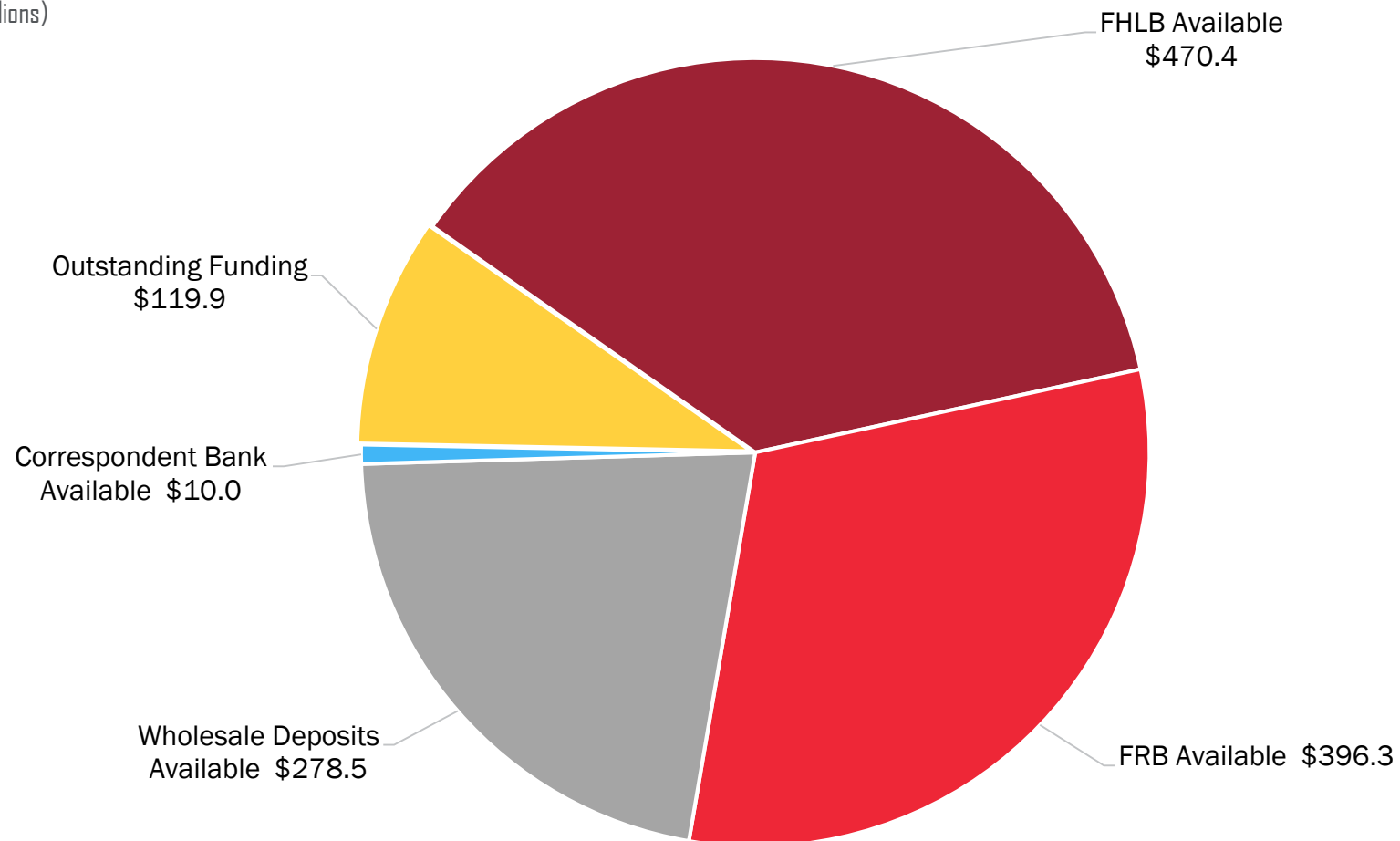


Total Deposits \$2.4 billion
 Q1 2020 Avg. Cost of Deposits 0.54%
 March 31, 2020 Spot Cost of Deposits: 0.27%

Strong Liquidity Position

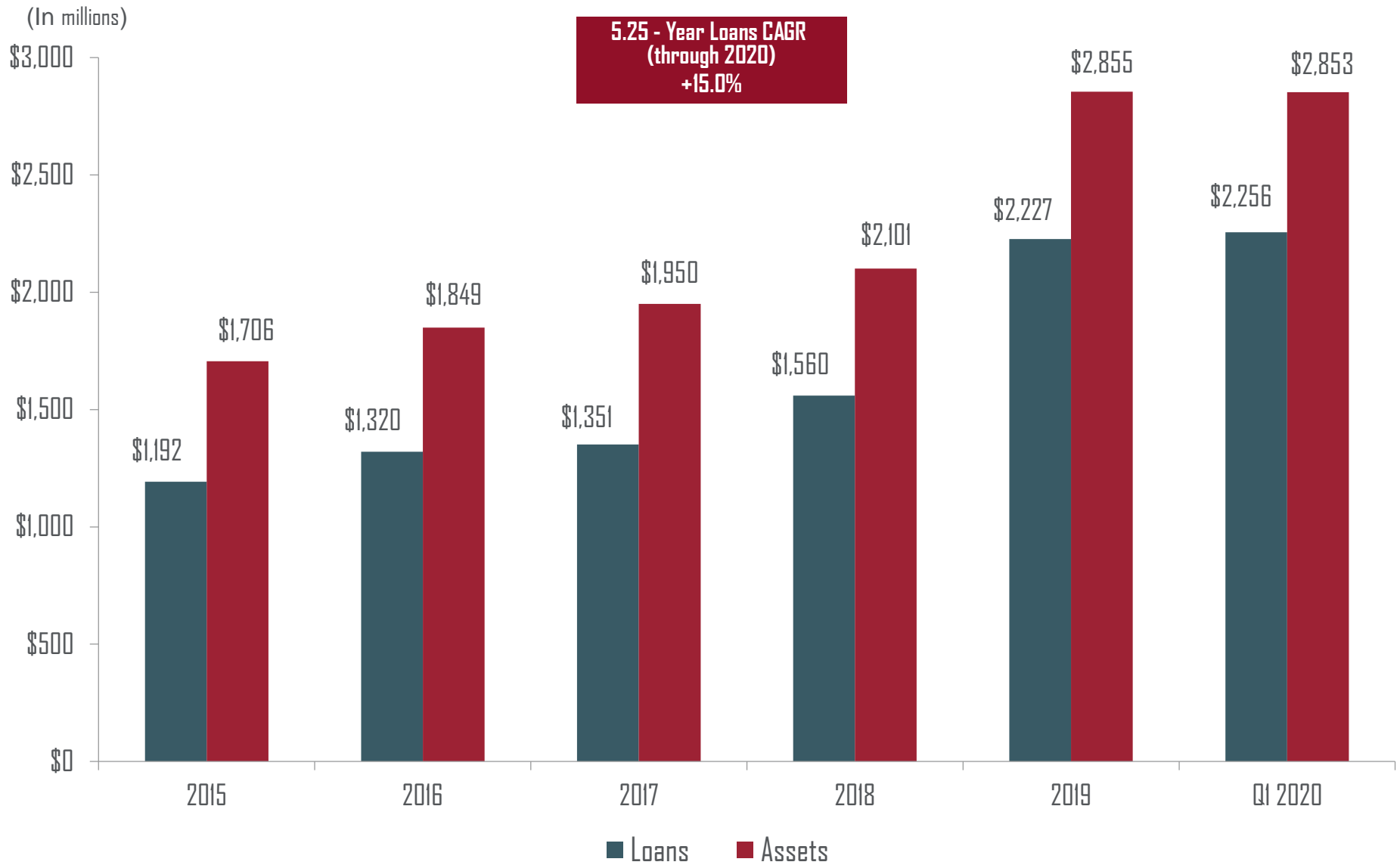
As of April 20, 2020

(in millions)

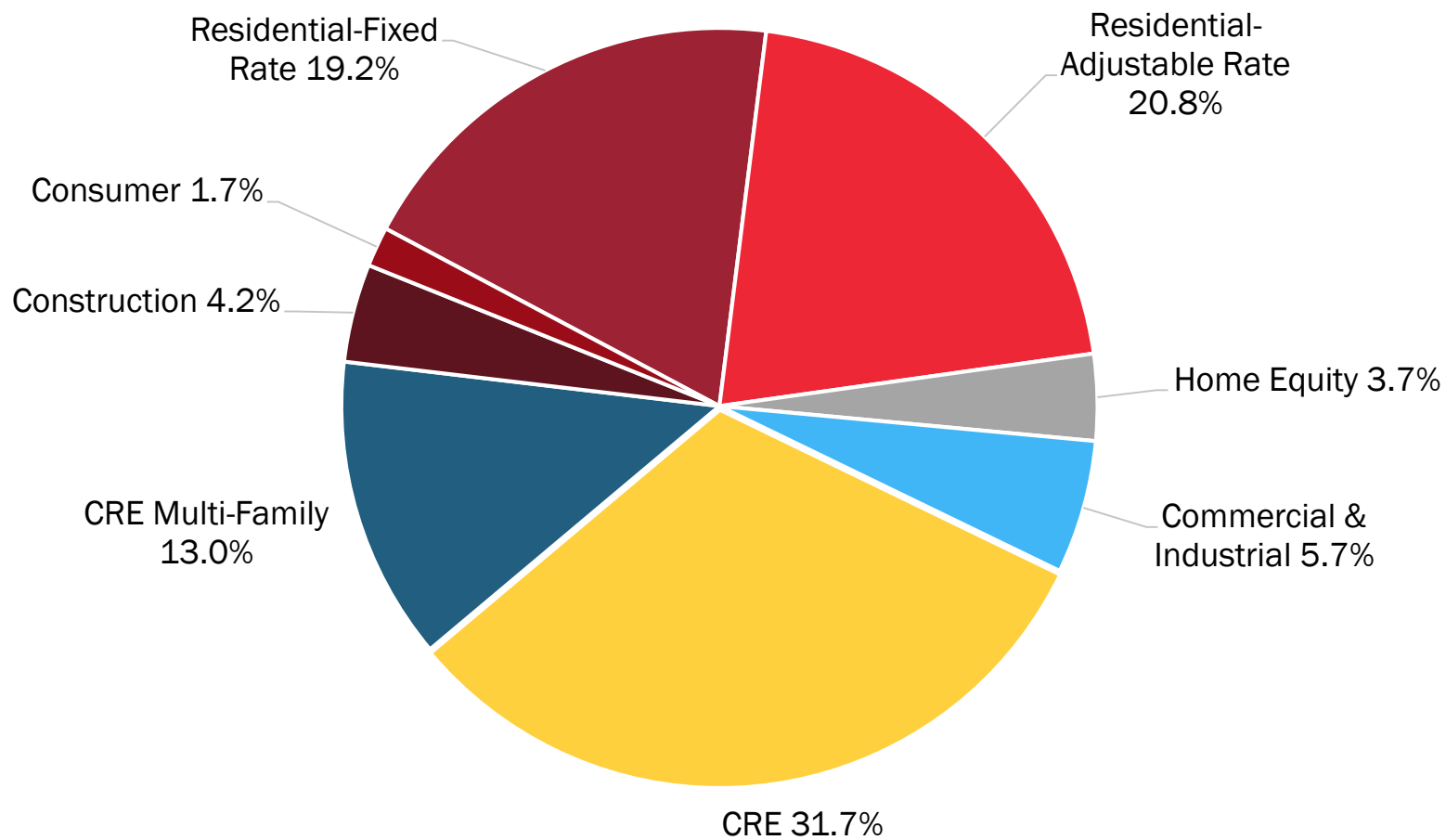


Total access to funds of \$1.3B

Total Assets and Loans



Total Loan Portfolio

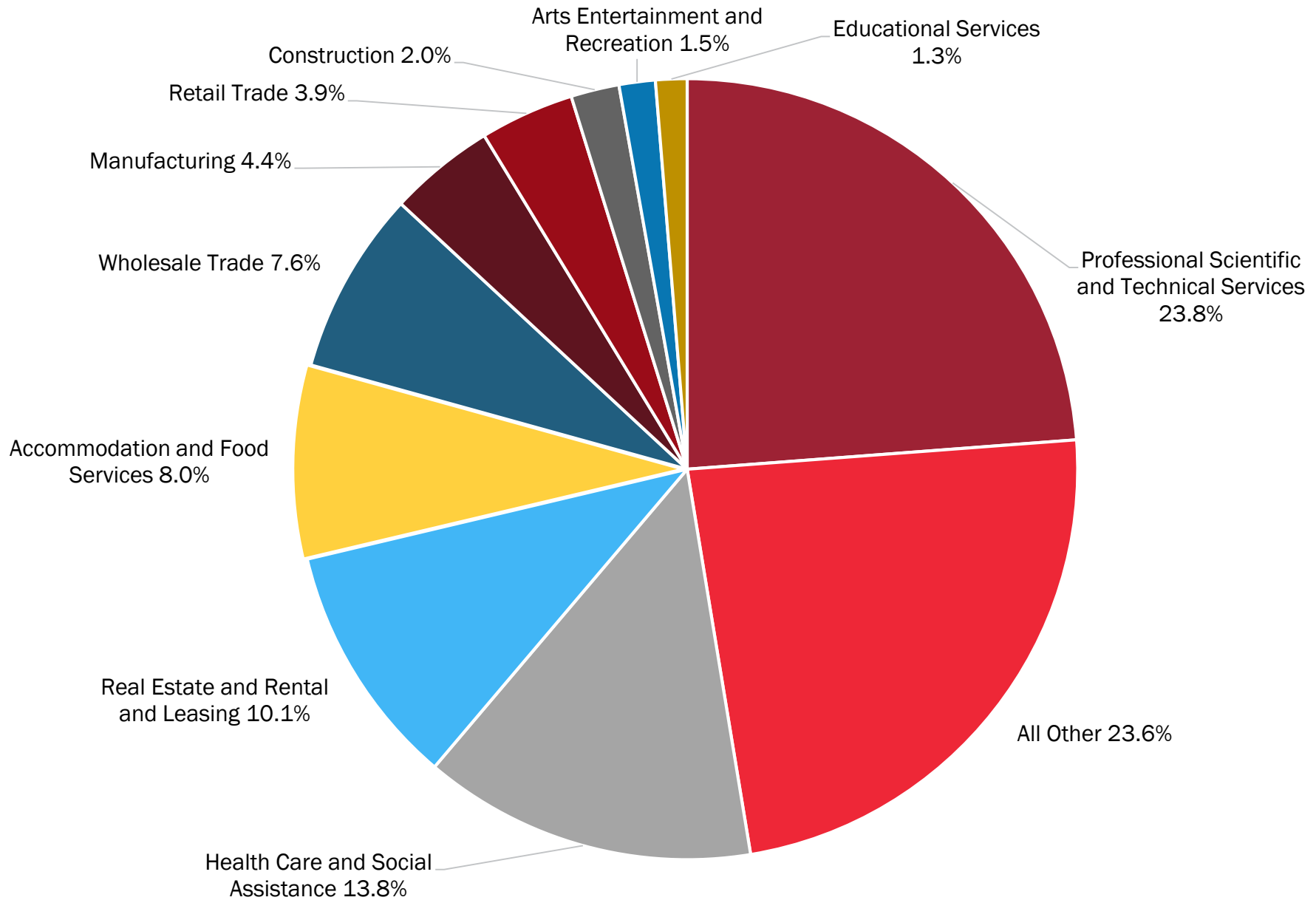


\$2.3B outstanding as of March 31, 2020

54.6% Commercial
45.4% Consumer

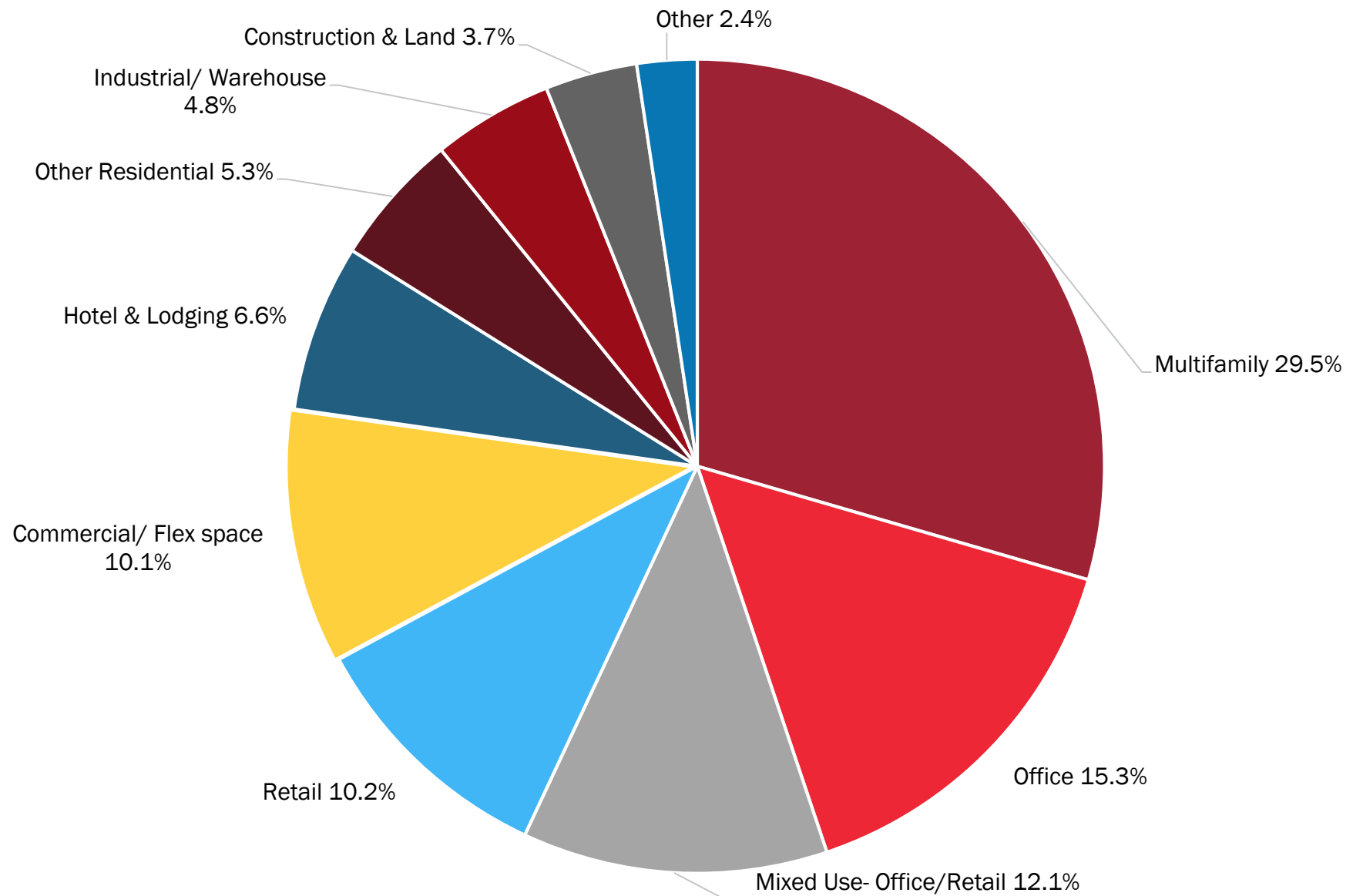
Q1 2020 Avg. Yield on Loans 4.26%

Commercial & Industrial Loan Portfolio by Industry



\$127.6M outstanding as of March 31, 2020

Commercial Real Estate Loan Portfolio by Sector

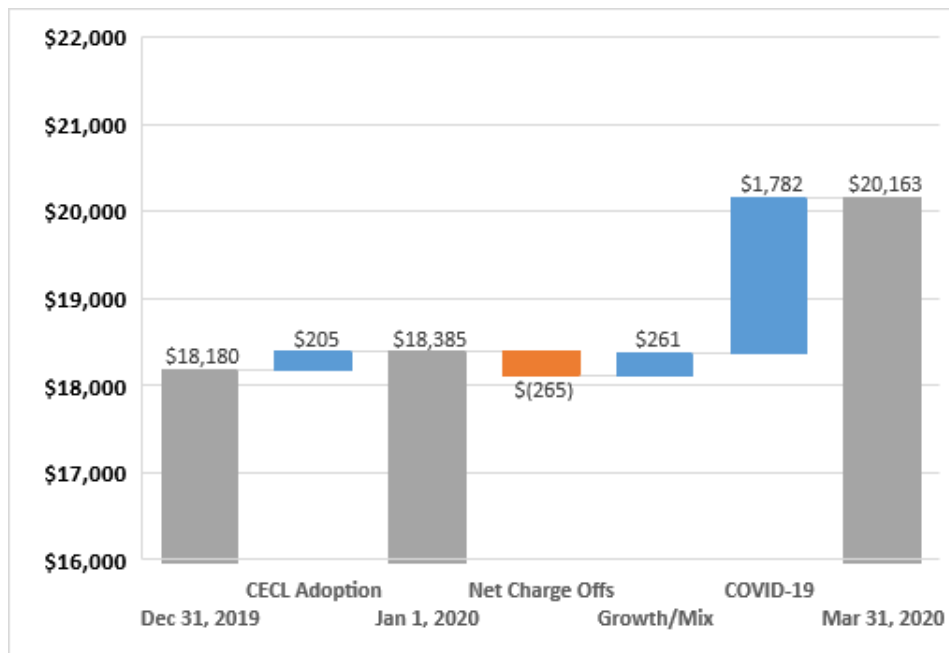


\$1.1B outstanding as of March 31, 2020

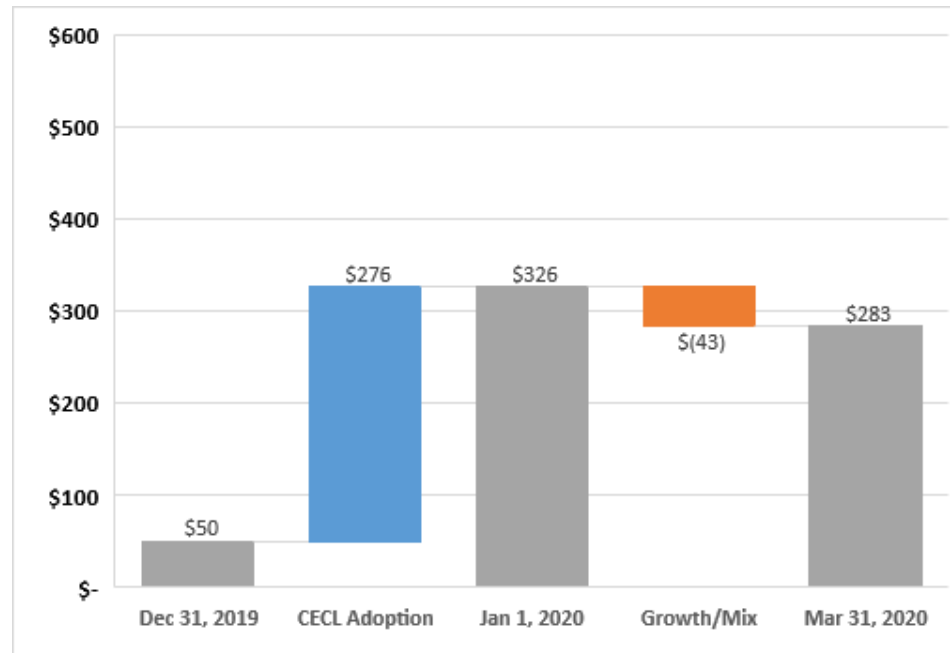
CECL and Provision for Credit Losses

(In thousands)

Allowance for Credit Losses - Q1, 2020



Reserve for Unfunded Commitments- Q1, 2020

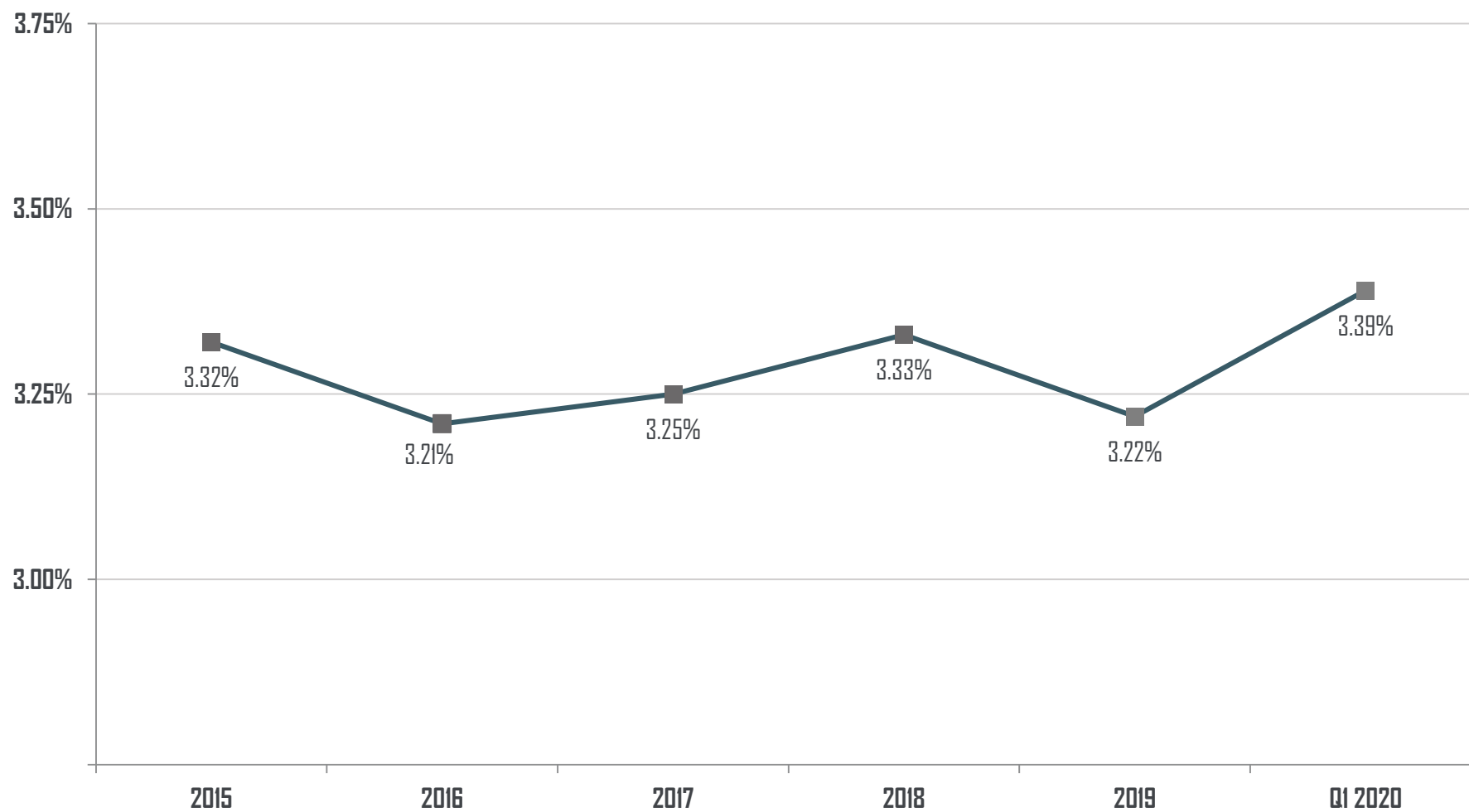


Provision for Credit Losses:

- CECL adoption in Q1 did not have a material impact on regulatory capital
- Q1 provision of \$2.0M primarily due to forecasted impact of COVID-19

Net Interest Margin

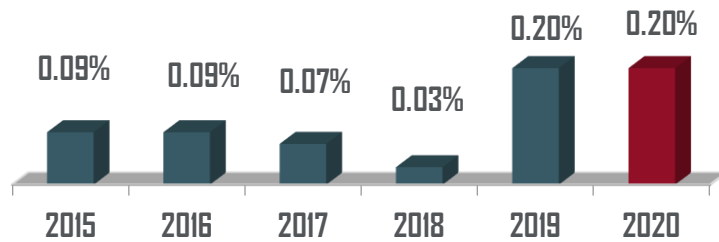
(Fully Taxable Equivalent) *



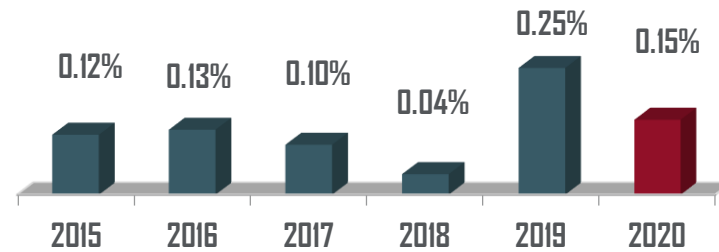
* Annualized on a fully taxable equivalent basis using a tax rate of 21% for 2018 - 2020, and 35% for 2015-2017.

Asset Quality Review

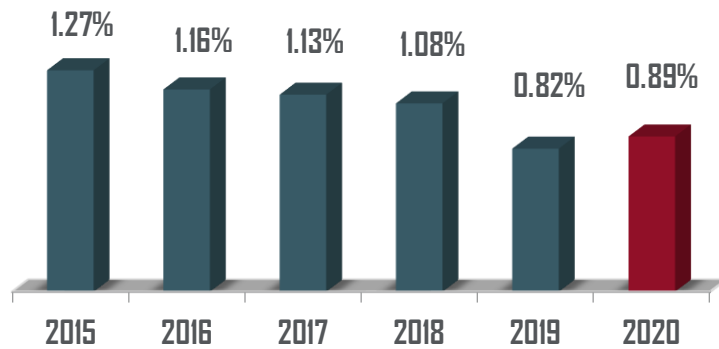
NPAs / Assets (%)



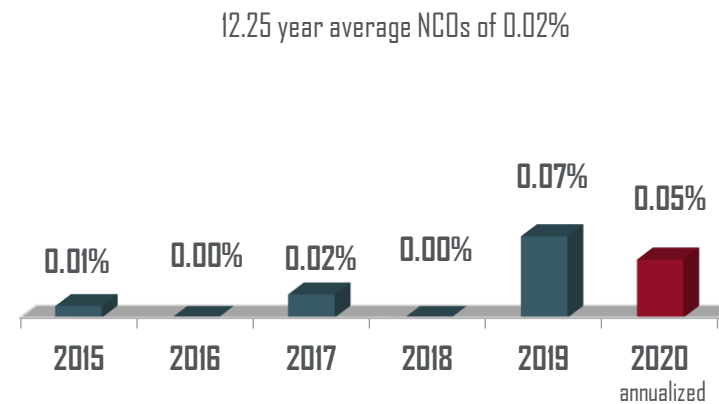
NPLs / Loans (%)



Reserves / Loans (%) (1)



NCOs / Average Loans (%)

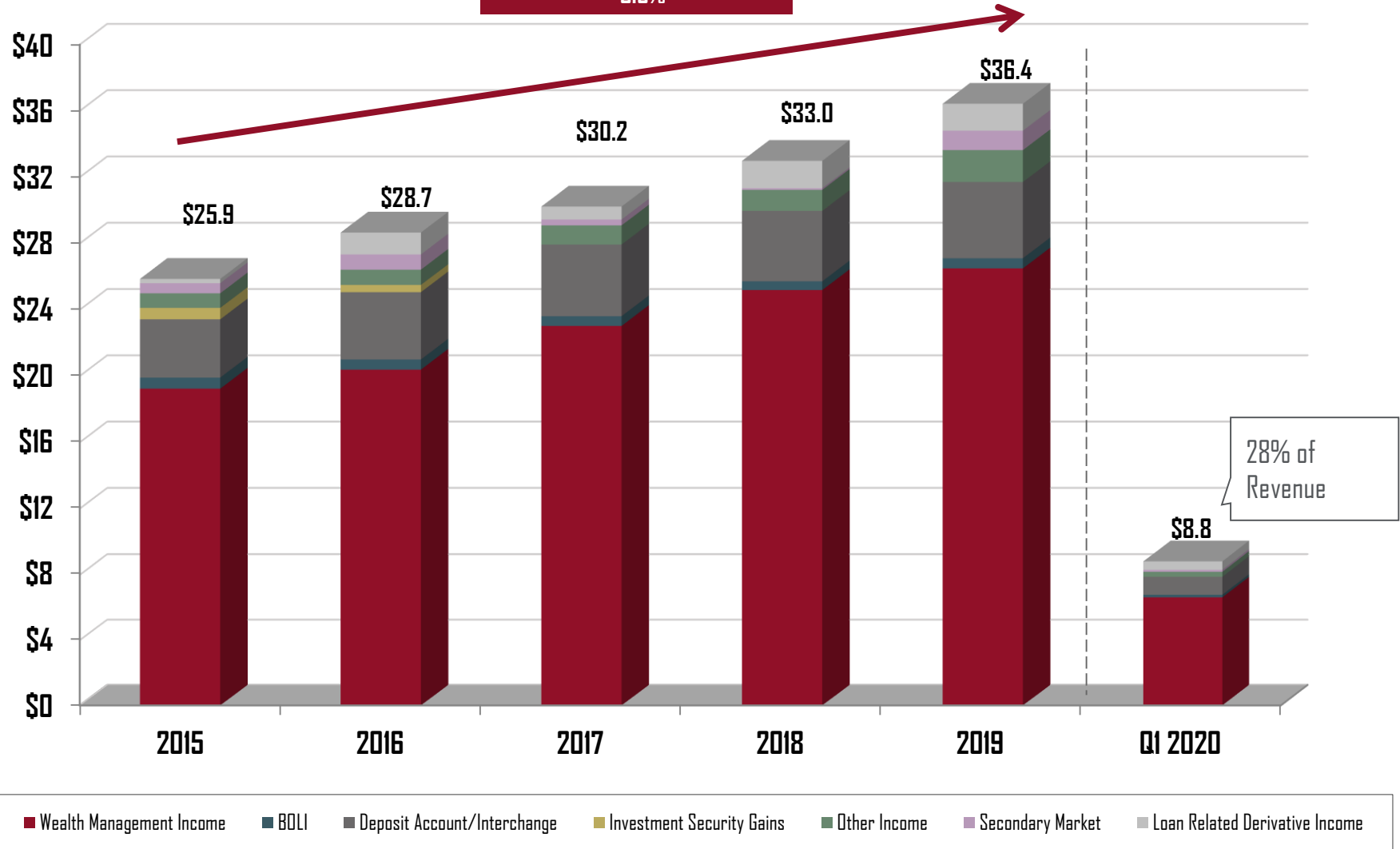


(1) The Company adopted CECL in Q1 2020. As a result of the COVID-19 pandemic, the Company prudently increased the allowance for credit losses in 2020.

Non-Interest Income – Diversified Revenue Source

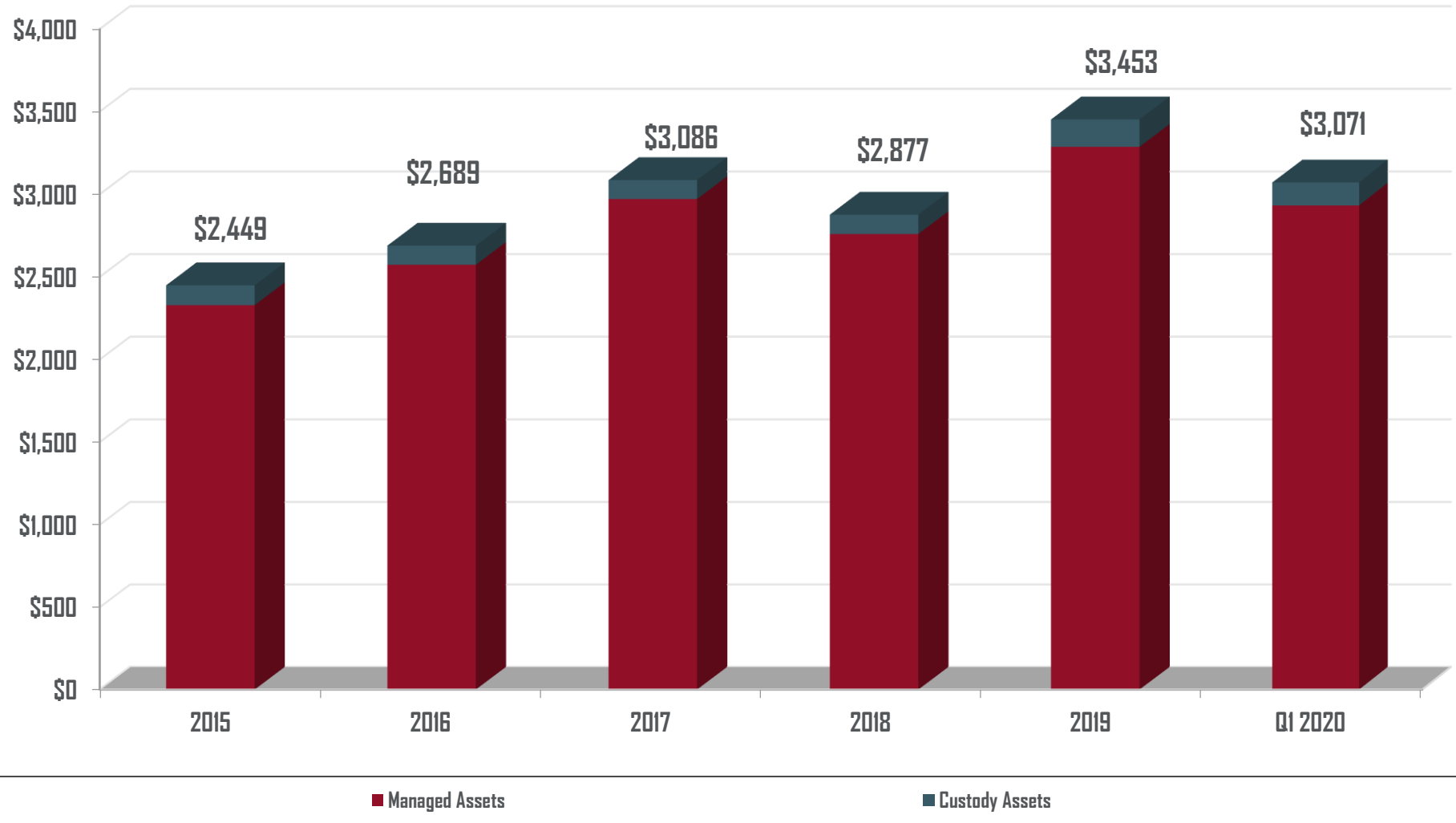
(In millions)

5-Year CAGR
(through 2019)
+8.3%



Wealth Management Assets Under Management and Administration

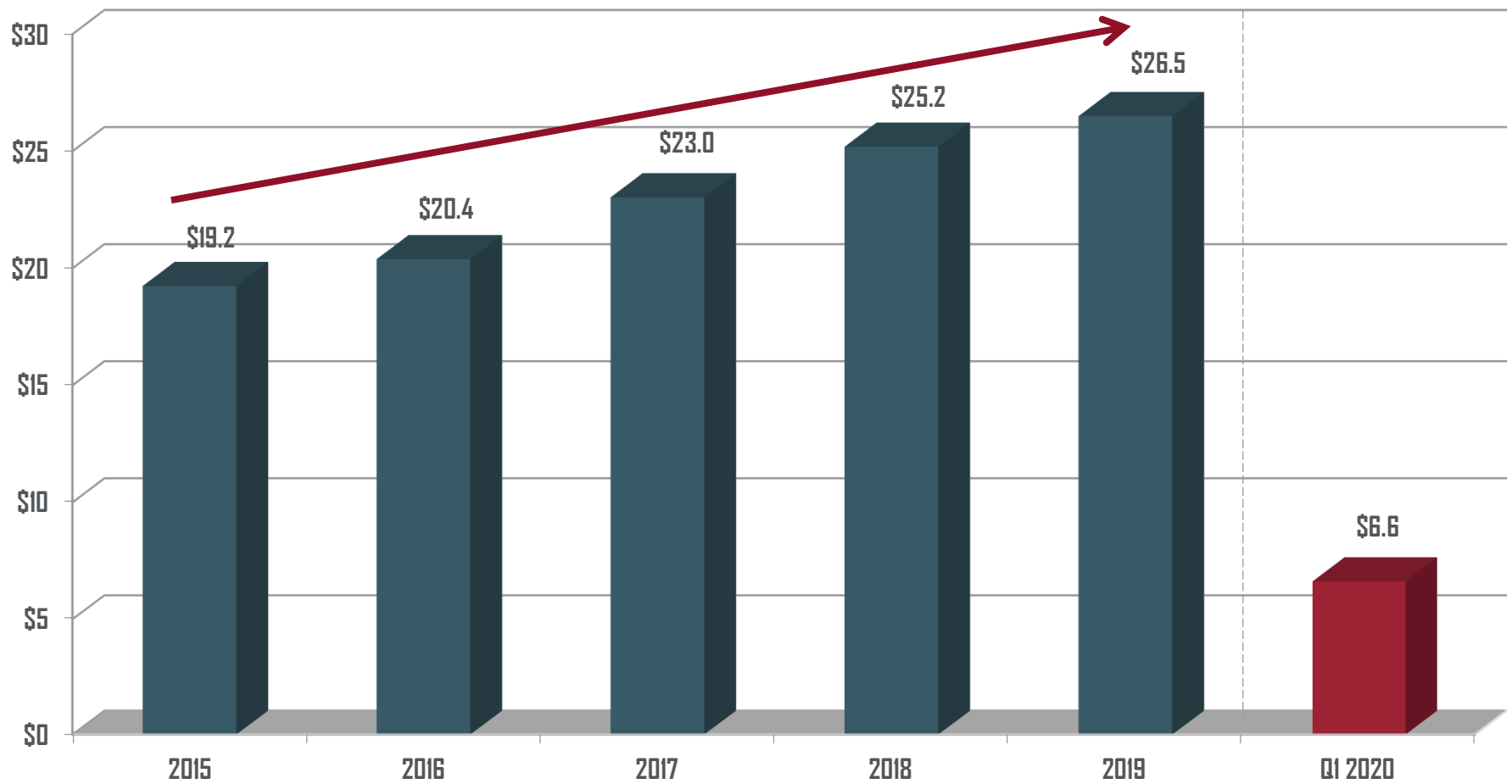
(In millions)



Wealth Management Revenue

5-Year CAGR
(through 2019)
+8.1%

(In millions)



Net Client Flows

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018 *</u>	<u>FY 2019</u>	<u>Q1 2020</u>
Starting AUM	\$2,290	\$2,329	\$2,573	\$2,971	\$2,760	\$3,287
Net Flows	7	194	74	(176)	(5)	26
Appreciation & Income Net of Fees	32	50	324	(35)	532	(381)
Ending AUM	\$2,329	\$2,573	\$2,971	\$2,760	\$3,287	\$2,932
Custody Assets	120	116	115	117	165	139
Total WM Assets	\$2,449	\$2,689	\$3,086	\$2,877	\$3,453	\$3,071

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

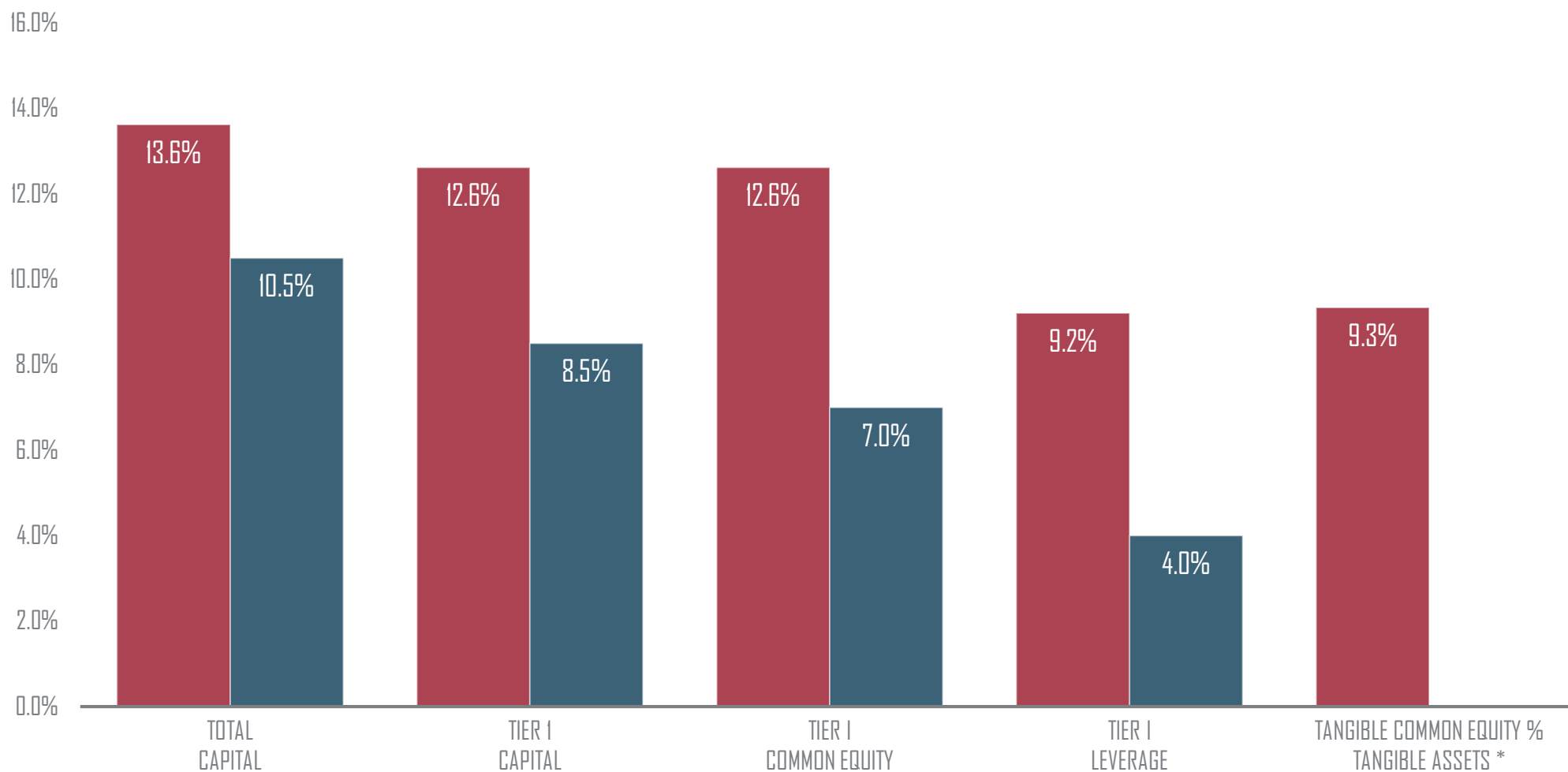
Other Key Performance Measures

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>Q1 2020</u>
Return on Average Assets (Operating)*	0.95%	1.00%	1.21%	1.12%	1.05%
Return on Average Tangible Common Equity (Operating)*	12.81%	13.24%	15.49%	14.80%	11.65%
Tangible Book Value Per Share*	\$33.06	\$36.14	\$40.57	\$46.62	\$48.60
Efficiency Ratio (Operating)*	68.93%	67.51%	66.05%	63.78%	63.01%

*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, 2019, and 2020. See Appendix on pages 41-44 for GAAP - Non-GAAP reconciliation

Capital Position

(As of March 31, 2020)



*Not a regulatory capital ratio

■ GATC ■ Minimum Capital Required For Capital Adequacy Plus Capital Conservation Buffer

Tangible Common Equity % is a non-GAAP number. See Appendix on pages 41-44 for GAAP – Non-GAAP reconciliation

2020 Performance Highlights

(Q1 2020 compared to Q4 2019)

Net Income (Operating)* (in thousands)



Total Assets (in millions)



Diluted EPS (Operating)*



Wealth Management AUM (in millions)



Total Loans (in millions)



Total Deposits (in millions)

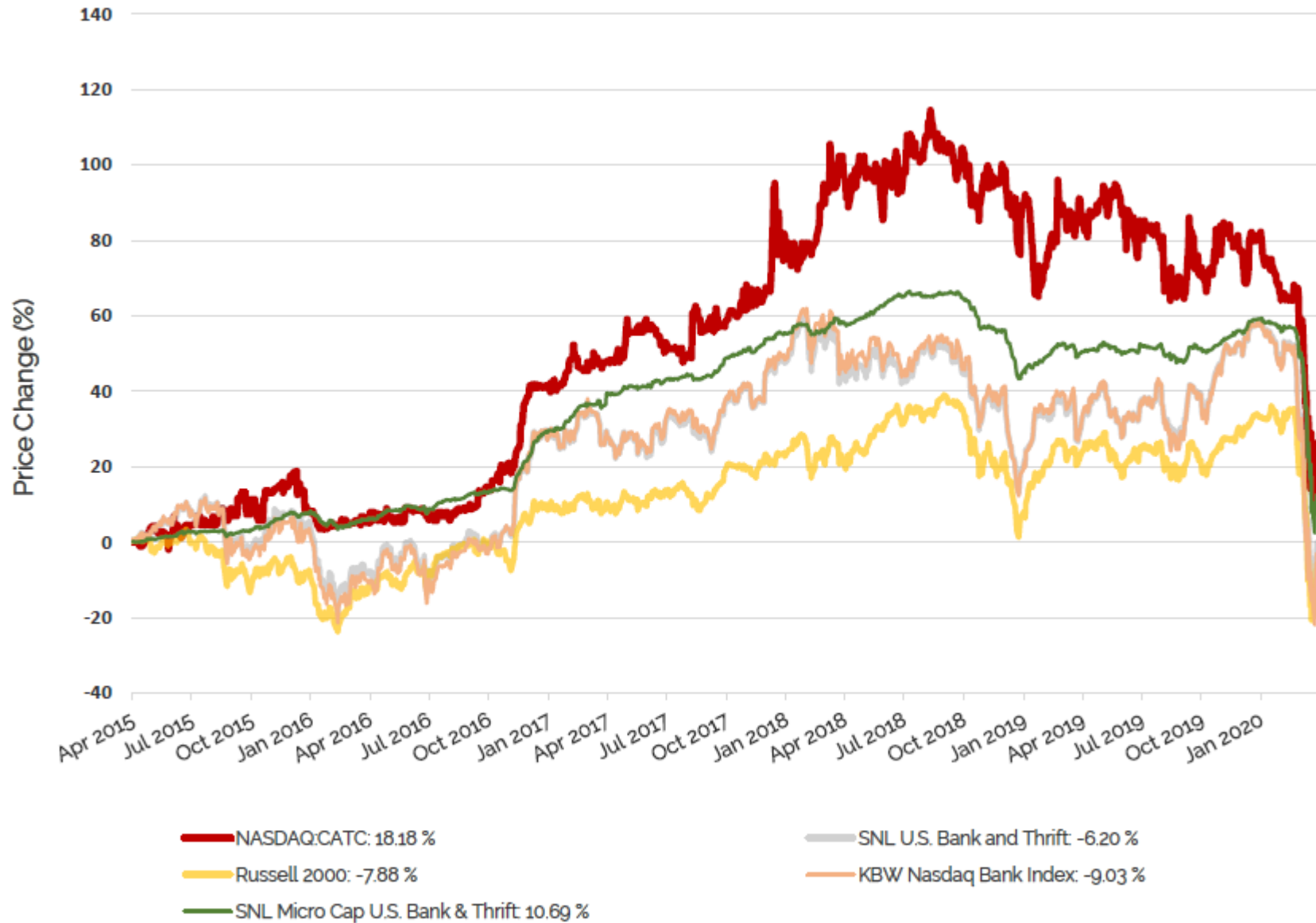


*Net Income (Operating), Diluted EPS (Operating), Return on Average Assets (Operating) and Return on Average Equity (Operating) are adjusted for merger related and other non operating expenses in 2019 and 2020. See Appendix on pages 41-44 for GAAP - Non-GAAP reconciliation



Stock Performance & Dividend

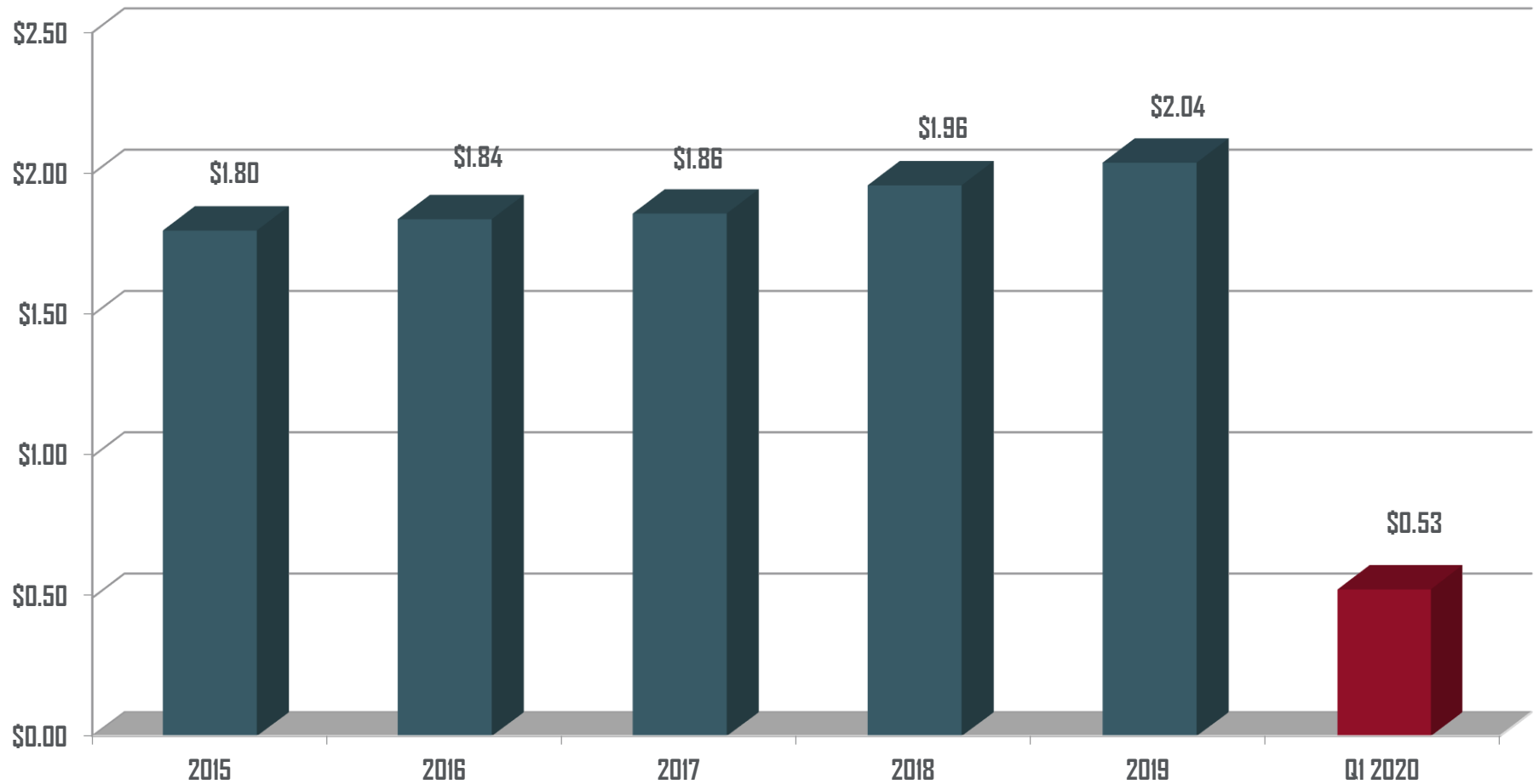
Stock Price Performance



Source: S&P Global Market Intelligence © 2020

Dividends Declared Per Share

20 years of increased dividends (1999 - 2019)

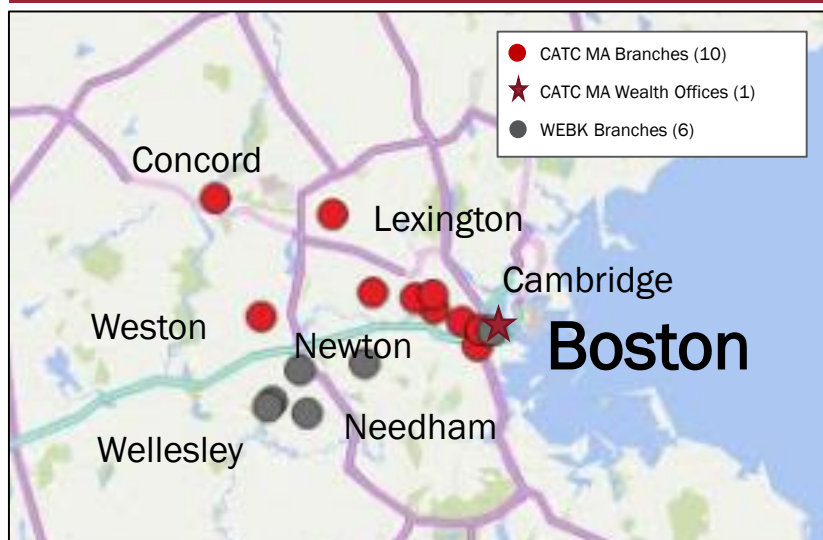




Merger with Wellesley Bank

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%

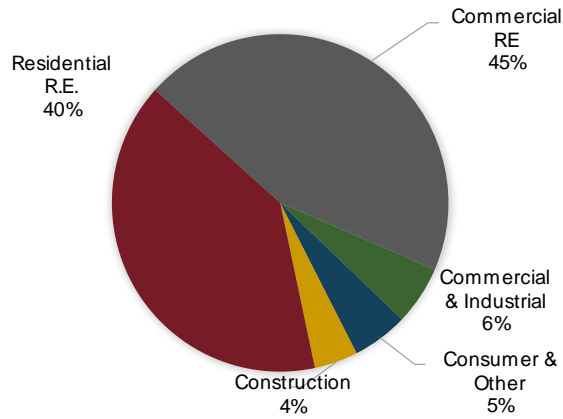
Wellesley Profile ⁽³⁾

Headquarters:	Wellesley, MA
Assets:	\$958 mm
Wealth Mgmt. Assets (ex. Bank Portfolio):	\$309 mm
Gross Loans:	\$864 mm
Deposits:	\$735 mm
Common Equity:	\$75 mm
Net Income:	\$1.5 mm

Pro Forma Loan & Deposit Composition

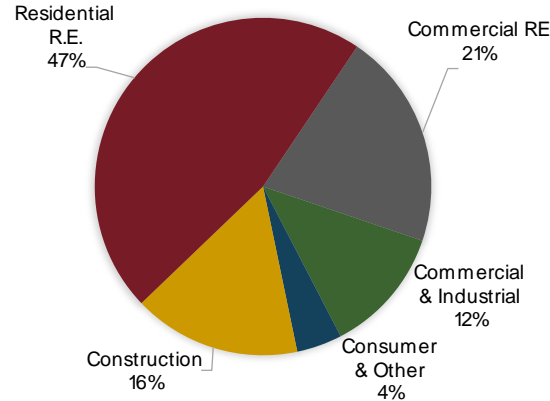
Loan Mix

Cambridge



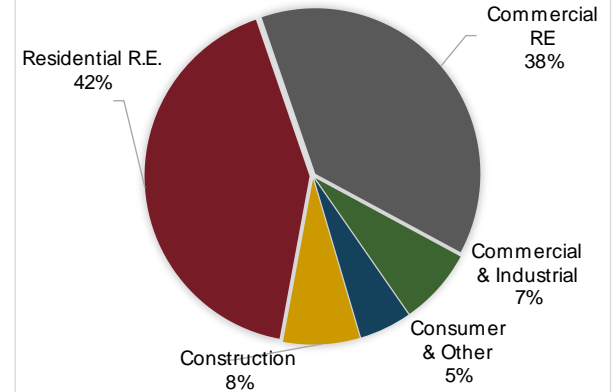
Total Loans: \$2,256mm

Wellesley



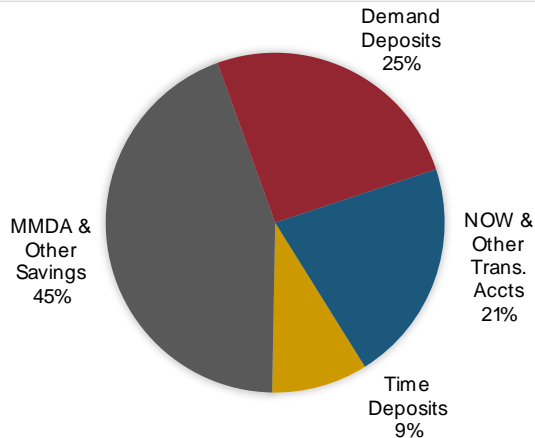
Total Loans: \$864mm

Pro Forma

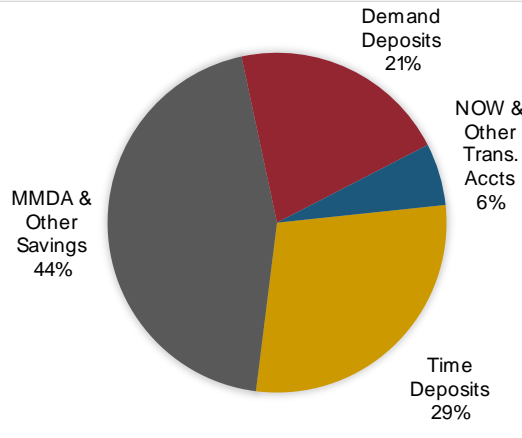


Total Loans: \$3,120mm

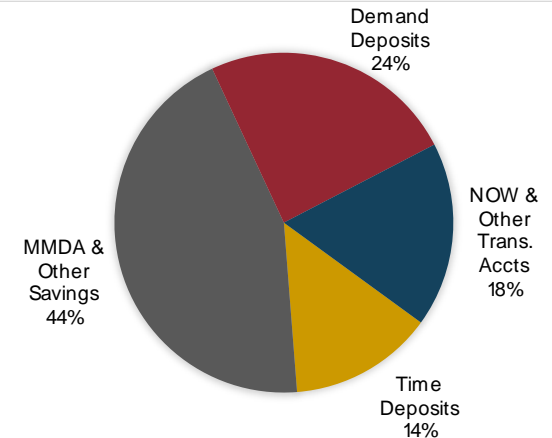
Deposit Mix



Total Deposits: \$2,390mm



Total Deposits: \$735mm



Total Deposits: \$3,125mm

Cambridge Trust – Investment Merits

Private Banking Business Model

- Diverse revenue stream (Non interest income, 28% of Revenue)
- Proven wealth management competency

Attractive Geographic Market

- Diverse innovative economy
- Affluent Markets

Solid financial performance

- Record operating earnings in 2018 and 2019

Core Deposit funded

- Demand deposits represent 25% of total deposits

Sound risk manager with excellent asset quality track record



Appendix

Appendix- CATC Financial Snapshot

<i>\$ in Millions, except per share data</i>	At or for the period ended					
	2015	2016	2017	2018	2019	Q1 2020
Balance Sheet						
Total Assets	1,706	1,849	1,950	2,101	2,856	2,853
Total Gross Loans	1,192	1,320	1,351	1,560	2,227	2,256
Deposits	1,557	1,686	1,775	1,811	2,359	2,390
Tangible Common Equity (1)	125	134	148	167	252	263
Loans/ Deposits (%)	77	78	76	86	94	94
TCE/ TA (%) (1)	7.3	7.3	7.6	7.9	8.9	9.3
Tangible BV per Share (\$) (1)	31.16	33.26	36.14	40.57	46.66	48.60
Income Statement						
Net Interest Income	51.6	53.7	57.6	63.6	78.7	22.4
Provision Expense	1.1	0.1	0.4	1.5	3.0	2.0
Non Interest Income	25.9	28.7	30.2	33.0	36.4	8.8
Non Interest Expense	53.2	56.8	59.3	64.0	78.2	19.9
Net Income	15.7	16.9	14.8	23.9	25.3	7.2
Operating Net Income (1)	15.7	16.9	18.7	24.0	29.2	7.4
Profitability Ratios						
Diluted EPS after Extraordinary (\$)	3.93	4.15	3.61	5.77	5.37	1.33
Operating EPS (\$) (1)	3.93	4.15	4.56	5.80	6.20	1.37
ROAA (%)	0.95	0.95	0.79	1.21	0.97	1.02
Operating ROAA (%) (1)	0.95	0.95	1.00	1.21	1.12	1.09
Operating ROTCE (%) (1)	12.95	12.81	13.25	15.49	14.80	11.65
Operating Efficiency Ratio (%)	68.6	68.9	67.5	66.1	63.8	63.0
Non Interest Inc / Operating Rev (%)	33.4	34.8	34.4	34.2	31.6	28.2
Net Interest Margin (%)	3.32	3.21	3.25	3.33	3.22	3.39
Asset Quality						
NPA/ Assets (%)	0.09	0.09	0.07	0.03	0.20	0.20
NCOs/ Avg Loans (%)	0.01	0.00	0.02	0.00	0.07	0.05
Reserves/ Loans (%)	1.27	1.16	1.13	1.08	0.82	0.89

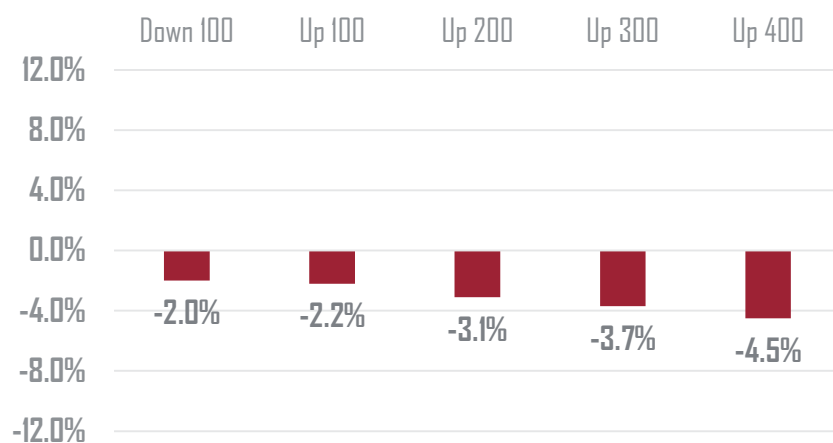
(1) See Appendix on pages 41-44 for GAAP - Non-GAAP reconciliation

Appendix: Interest Rate Risk Profile

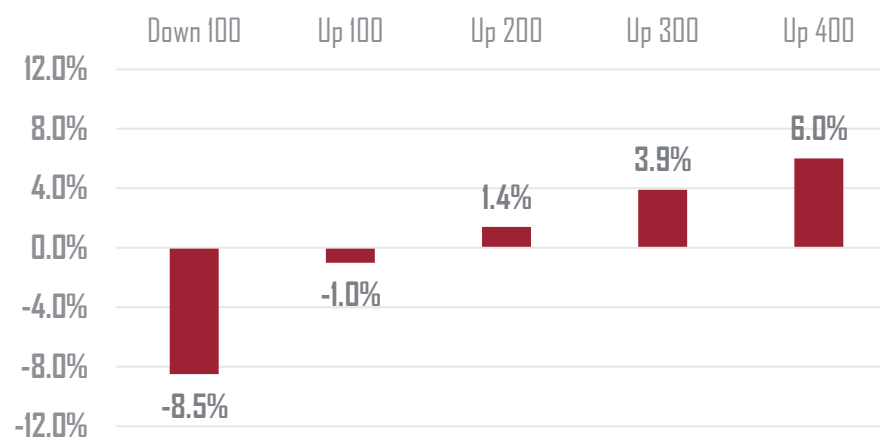
(As of March 31, 2020)

Net Interest Income (NII) Sensitivity

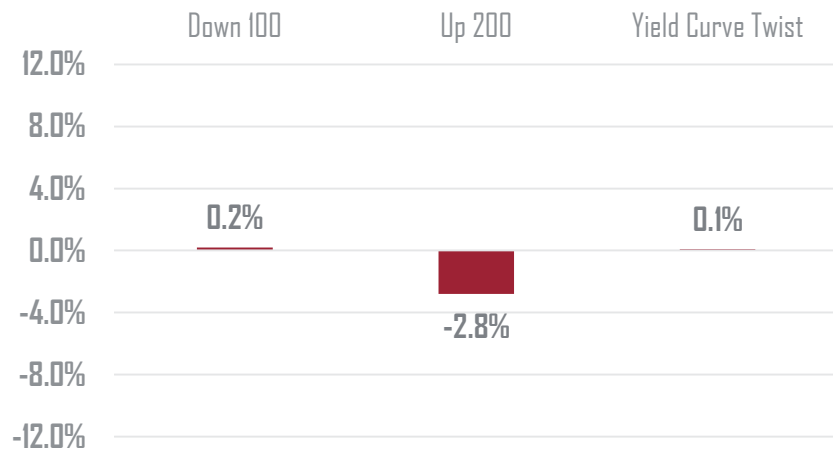
Immediate Parallel Shock – Year 1



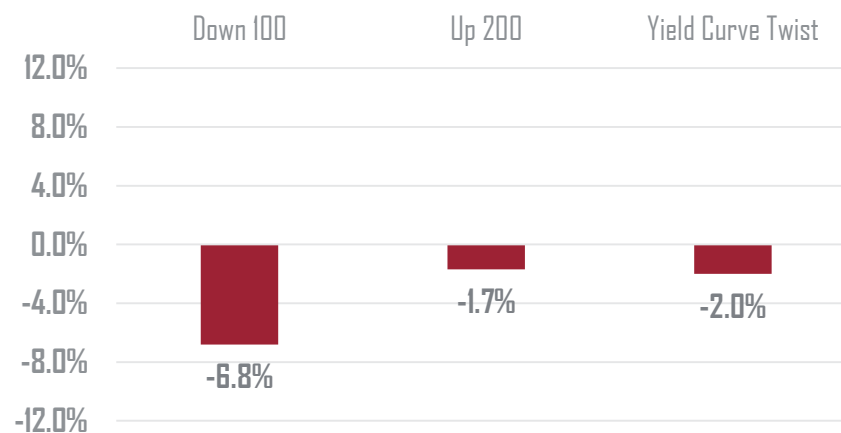
Immediate Parallel Shock – Year 2



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		
	(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)	<u>\$ 18,687</u>	<u>\$ 24,024</u>	<u>\$ 29,156</u>
Less: Dividends and Undistributed Earnings Allocated to Participating Securities (GAAP)	<u>\$ 157</u>	<u>\$ 239</u>	<u>\$ 243</u>
Operating Income Applicable to Common Shareholders (a non-GAAP measure)	<u>\$ 18,530</u>	<u>\$ 23,785</u>	<u>\$ 28,913</u>
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)	<u>87,825</u>	<u>96,579</u>	<u>115,018</u>
Noninterest Expense	59,292	63,987	78,175
Less: Merger Expenses	-	201	4,721
Operating Expense (a non-GAAP measure)	<u>\$ 59,292</u>	<u>\$ 63,786</u>	<u>\$ 73,454</u>
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.

Appendix – YTD 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.

	Non Operating Impact on Net Income	
	For the Period ending on March 31st	
	(Dollars in thousands except per share data)	
	QTD 2019	QTD 2020
Operating Diluted EPS		
Net Income (a GAAP Measure)	\$ 6,198	\$ 7,232
Add: Merger Costs (Pretax)	91	253
Add: (Gain)/ loss on disposition of investment securities	87	-
Tax effect of Merger Expenses and Gain (loss) on disposition of investment securities ⁽¹⁾	(50)	(51)
Operating Net Income (a non-GAAP Measure)	<u>\$ 6,326</u>	<u>\$ 7,434</u>
Less: Dividends and Undistributed Earnings Allocated to Participating Securities (GAAP)	<u>\$ (61)</u>	<u>\$ (16)</u>
Operating Income Applicable to Common Shareholders (a non-GAAP measure)	\$ 6,265	\$ 7,418
Weighted average diluted shares	4,106,658	5,432,099
Operating Diluted earnings per share (a non-GAAP measure)	\$ 1.53	\$ 1.37
Operating Efficiency Ratio		
Net Interest and Dividend Income	\$ 16,261	\$ 22,400
Noninterest Income	7,957	8,818
Less: (Gain)/ loss on disposition of investment securities	87	-
Operating Revenue (a non-GAAP measure)	<u>\$ 24,305</u>	<u>\$ 31,218</u>
Noninterest Expense	16,373	19,925
Less: Merger Expenses	91	253
Operating Expense (a non-GAAP measure)	<u>\$ 16,282</u>	<u>\$ 19,672</u>
Operating Efficiency Ratio (a non-GAAP measure)	66.99%	63.01%

Appendix – YTD GAAP to Non-GAAP Reconciliations

	QTD 2019	QTD 2020
Operating Return on Average Tangible Common Equity		
Operating Net income (a non-GAAP measure)	\$ 6,326	\$ 7,434
Average Shareholders' equity (GAAP)	168,676	291,203
Less: Average Goodwill and merger related intangibles (GAAP)	413	34,508
Average Tangible Common Equity (a non-GAAP measure)	\$ 168,263	\$ 256,695
Operating Return on Tangible Common Equity (a non-GAAP measure) (Annualized)	15.25%	11.65%
Return on Average Assets (Operating)		
Net income (Operating) (a non-GAAP measure)	\$ 6,326	\$ 7,434
Average assets (GAAP)	2,131,975	2,848,101
Return on avg. assets (Operating) (a non-GAAP measure)	120%	1.05%
Tangible Common Equity		
Shareholders' equity (GAAP)	\$ 172,268	\$ 297,759
Less: Goodwill and acquisition related intangibles (GAAP)	412	34,454
Tangible Common Equity (a non-GAAP measure)	\$ 171,856	\$ 263,305
Total assets (GAAP)	2,138,548	2,852,629
Less: Goodwill and acquisition related intangibles (GAAP)	412	34,454
Tangible assets (a non-GAAP measure)	\$ 2,138,136	\$ 2,818,175
Tangible Common Equity Ratio (a non-GAAP measure)	8.04%	9.34%
Tangible Book Value Per Share		
Tangible Common Equity (a non-GAAP measure)	\$ 171,856	\$ 263,305
Common shares outstanding	4,123,618	5,417,983
Tangible Book Value Per Share (a non-GAAP measure)	\$ 41.68	\$ 48.60

(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.



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