

CAMBRIDGE BANCORP

Investor Presentation

July 30th, 2019

NASDAQ: CATC
Parent of Cambridge Trust Company

Forward Looking Statements

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

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.

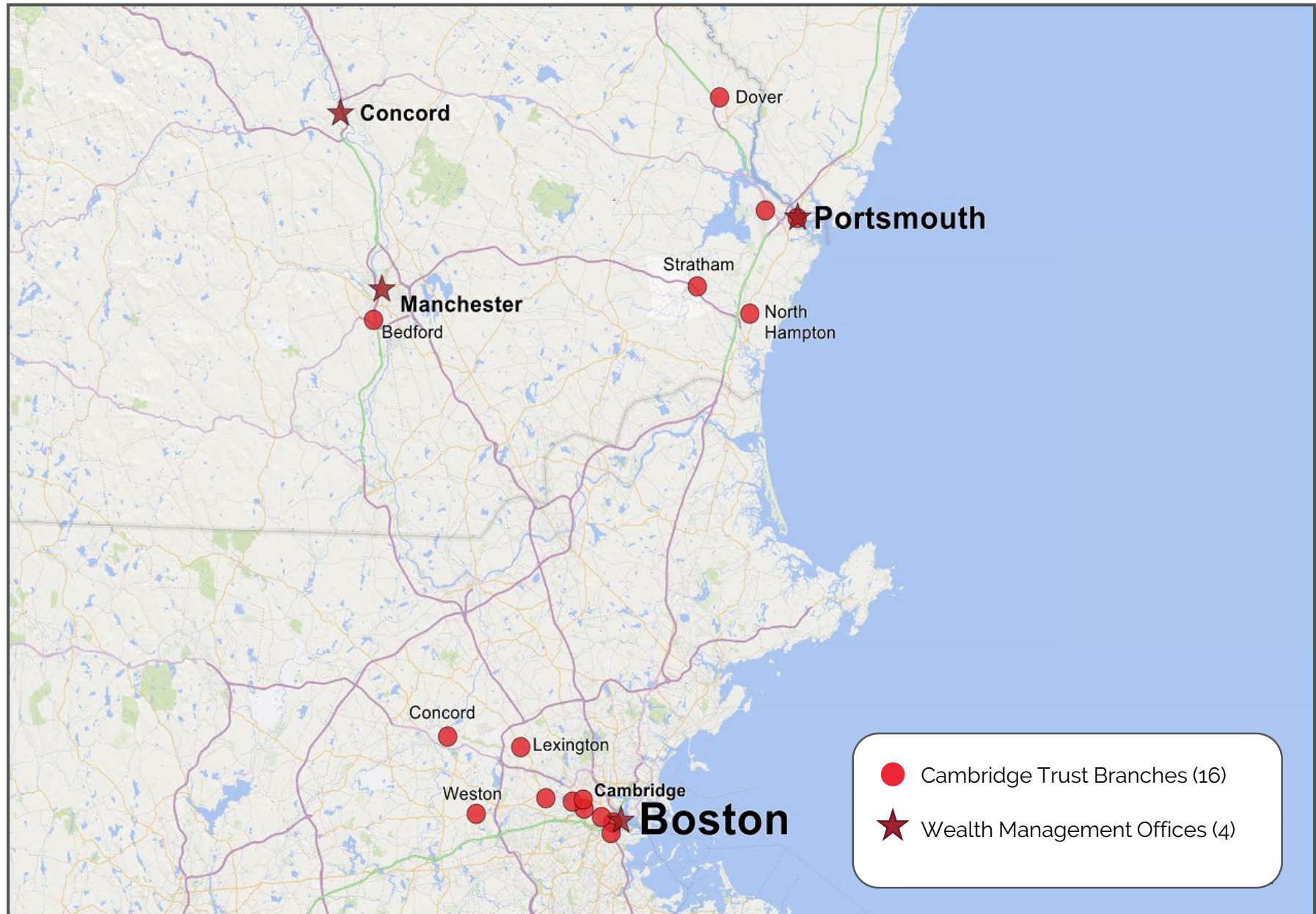
Company Profile

(as of June 30, 2019)

Banking subsidiary: Cambridge Trust Company (1890)

- Headquarters: Harvard Square, Cambridge, MA
- Assets: \$2.7 billion
- Wealth Assets \$3.2 billion
- Loans: \$2.1 billion
- Deposits: \$2.3 billion
- Non-interest income: 31% of revenue
- NASDAQ: CATC
- Market Cap: \$395 million

Geographic Footprint



Local Market Economy and Client Base

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

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

Why Cambridge Bancorp?

Continued focus on client service while investing for growth

Business Model	Performance	Credit	Culture
<ul style="list-style-type: none">• Focused private banking business model• Attractive geographic markets• Affluent client base• Investing for future growth	<ul style="list-style-type: none">• Consistently profitable• Strong returns• Core deposit funded• Well-capitalized	<ul style="list-style-type: none">• Strong asset quality• Sound underwriting acumen and risk management practices	<ul style="list-style-type: none">• 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 the Greater Boston & New Hampshire region
- Increase brand awareness
- Expand Wealth Management assets under management
- Grow and diversify Commercial Banking relationships
- Deepen client relationships to grow deposit base

Recent Strategic Progress

- Announced completion of merger with Optima Bank & Trust effective April 17th, 2019, with successful systems conversion on July 22nd.
 - Addition of 6 banking office locations in New Hampshire to complement over \$1 Billion of Wealth Management assets in this important market.
- Generated record operating earnings in 2018
- Launched new brand identity, bank website and brand awareness campaign
- Named in the Top 25 Independent Investment Advisors in Massachusetts for second consecutive year (*according to Boston Business Journal*)
- Increased resources to support expansion of business development and Innovation Banking initiatives



Merger with Optima Bank & Trust

Overview of Optima Bank & Trust Company

A Leading Commercial Bank in Southeastern New Hampshire

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

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

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

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

Financial Highlights ⁽¹⁾

Historical Balance Sheet (\$mm)

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

Historical Profitability (LTM*)

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

Historical Asset Quality

NPAs/ Assets (%)	0.44
Loss Rate (LTM*) (%)	0.03
Reserves / Gross Loans (%)	0.70

Source: S&P Global Market Intelligence

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

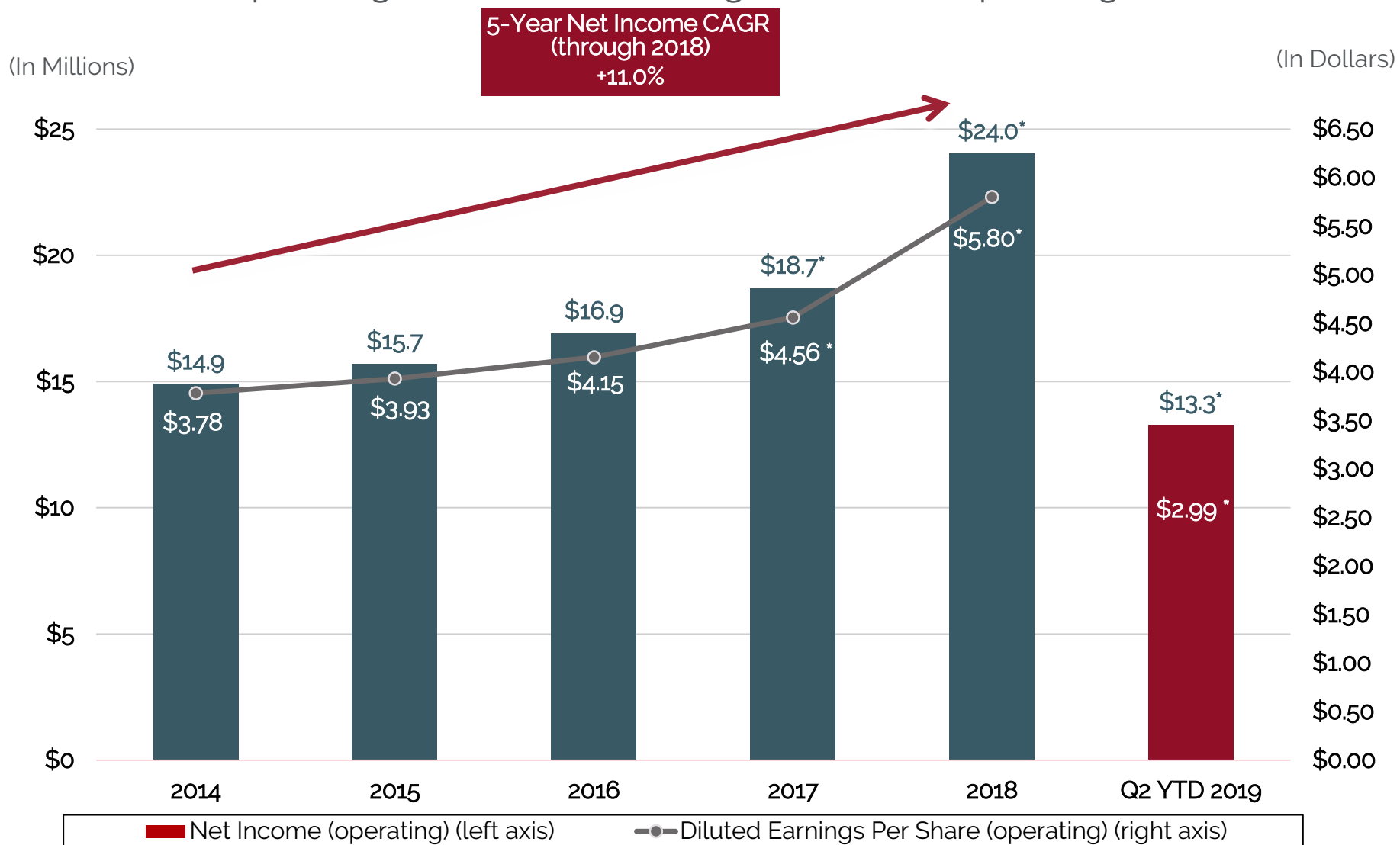
* LTM - Last Twelve Months



Strong Financial Performance

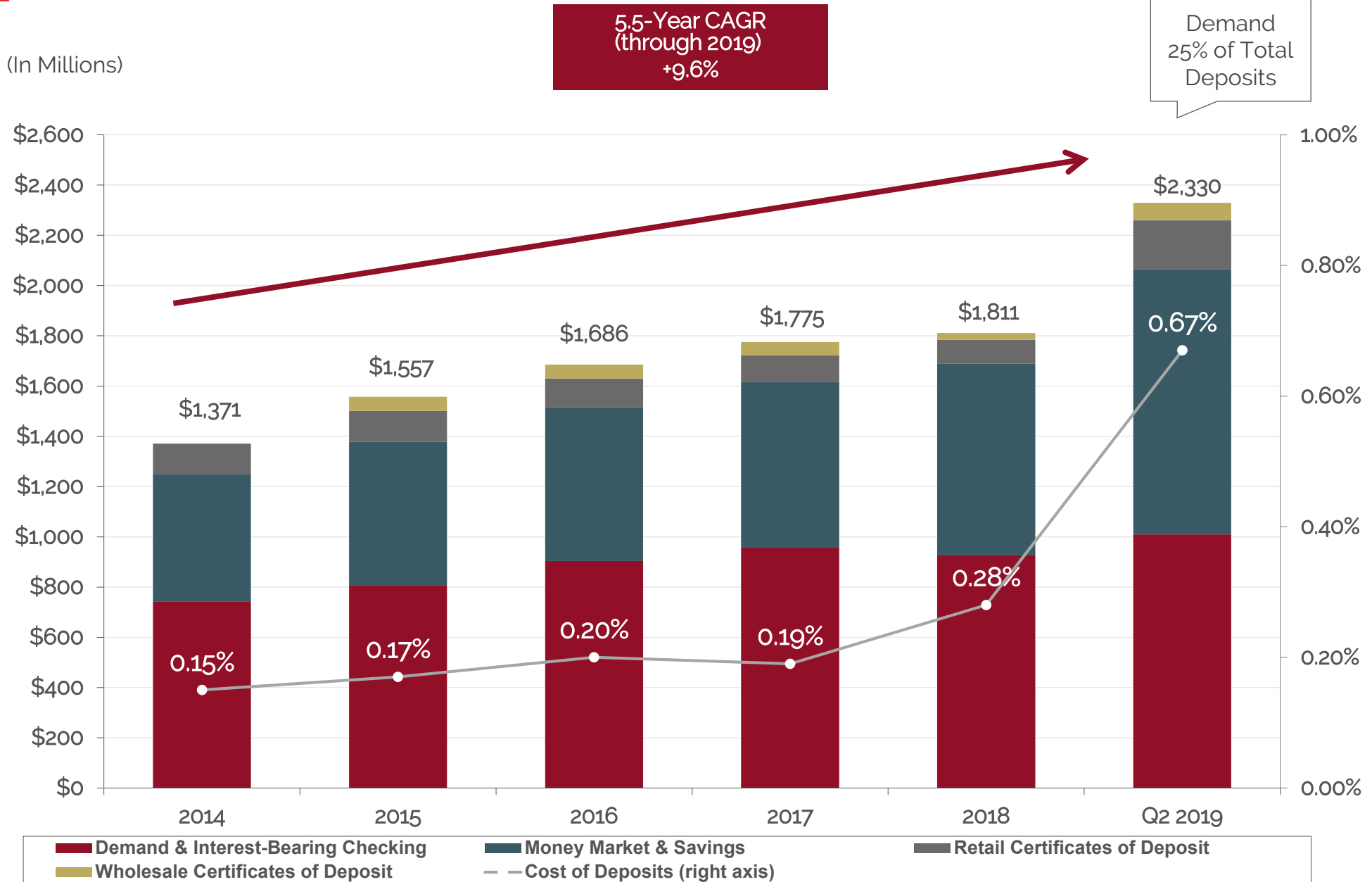
Strong Financial Performance

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

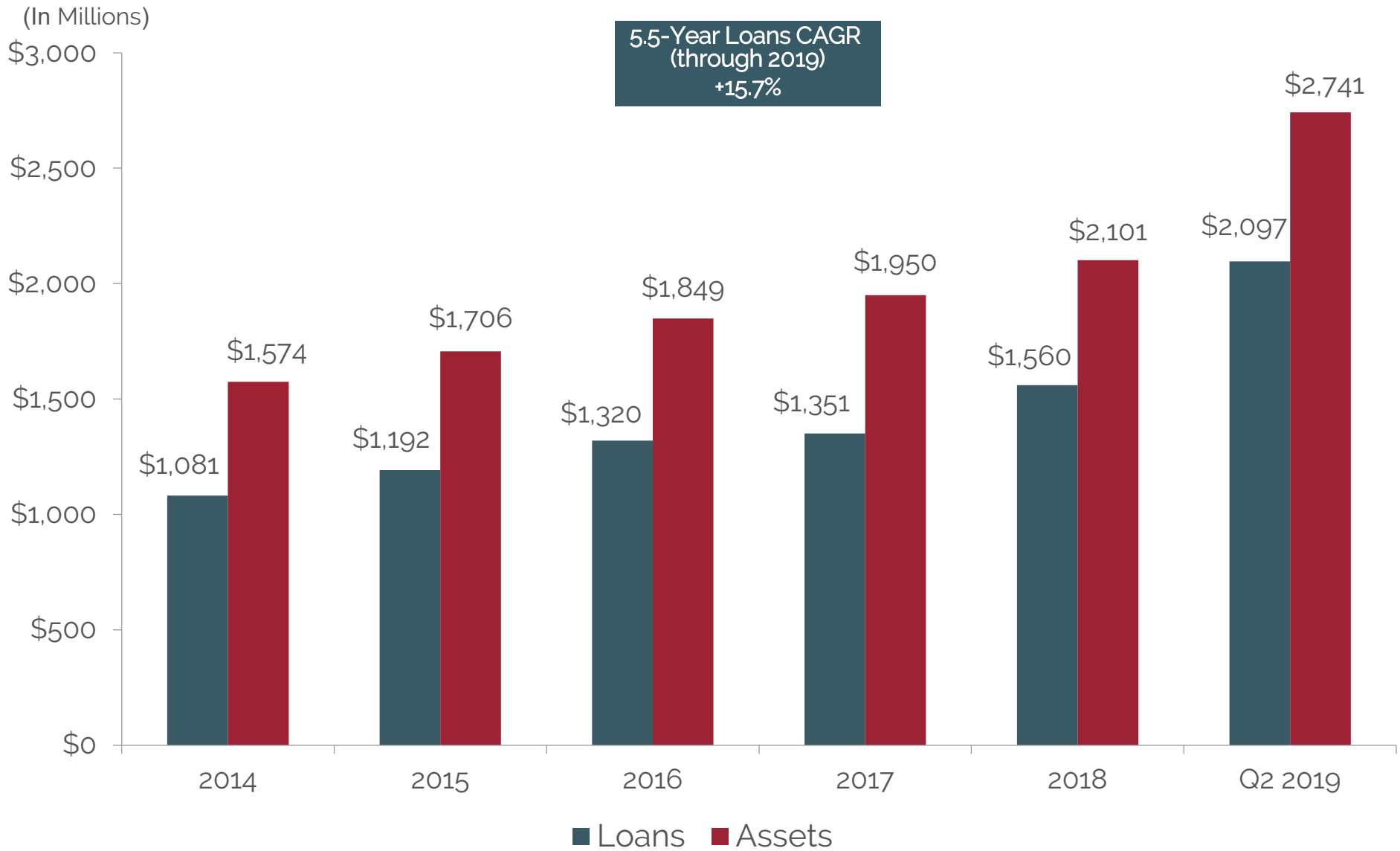


*Net Income (operating) and Diluted EPS (operating) are adjusted to exclude a tax charge in 2017, merger related, and other non operating expenses in 2018 and 2019. See Appendix on pages 39-42 for GAAP – Non-GAAP reconciliation

Total Deposits & Cost of Total Deposits

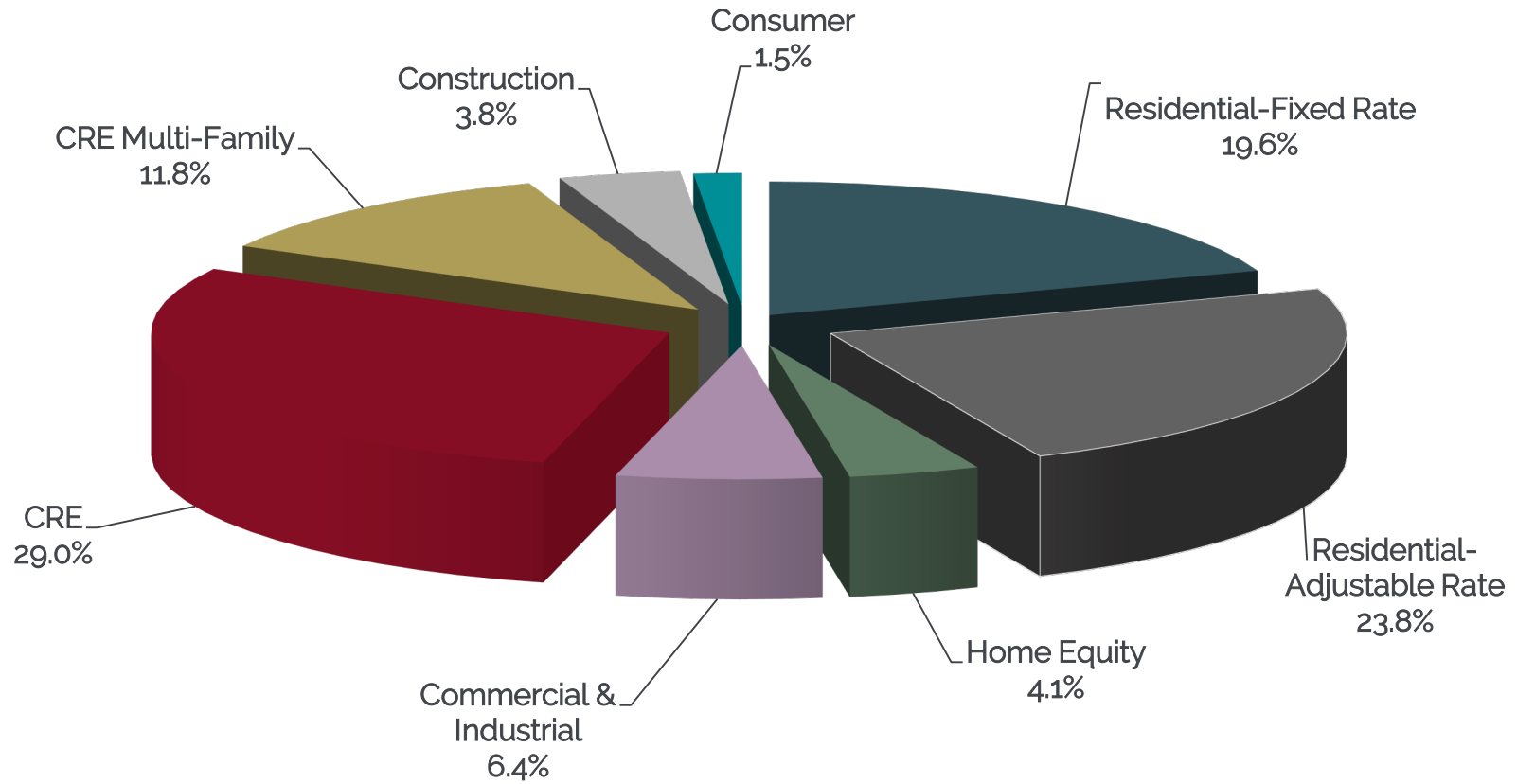


Total Loans and Assets



Diversified Loan Portfolio

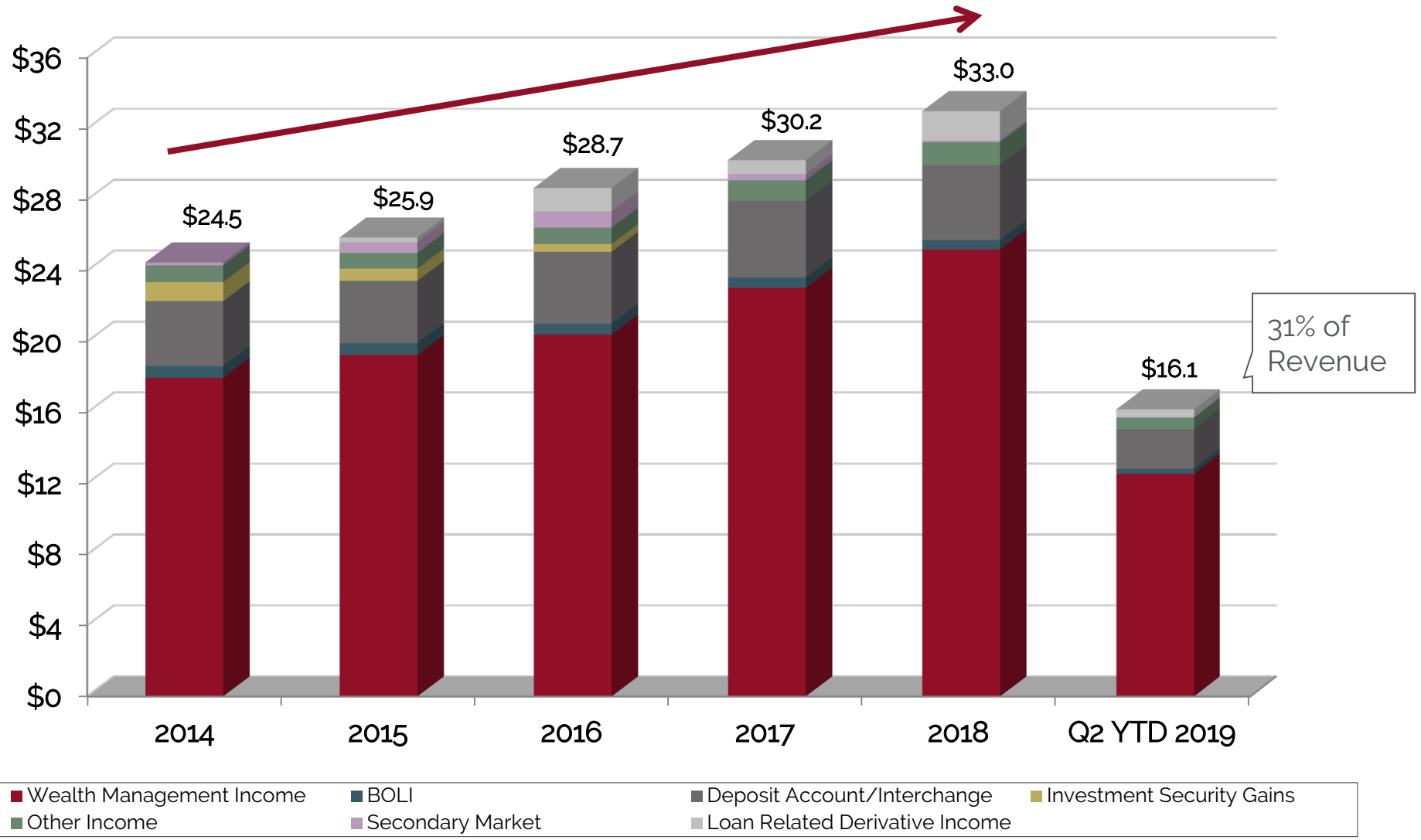
(As of June 30, 2019)



49.0% Commercial
51.0% Consumer

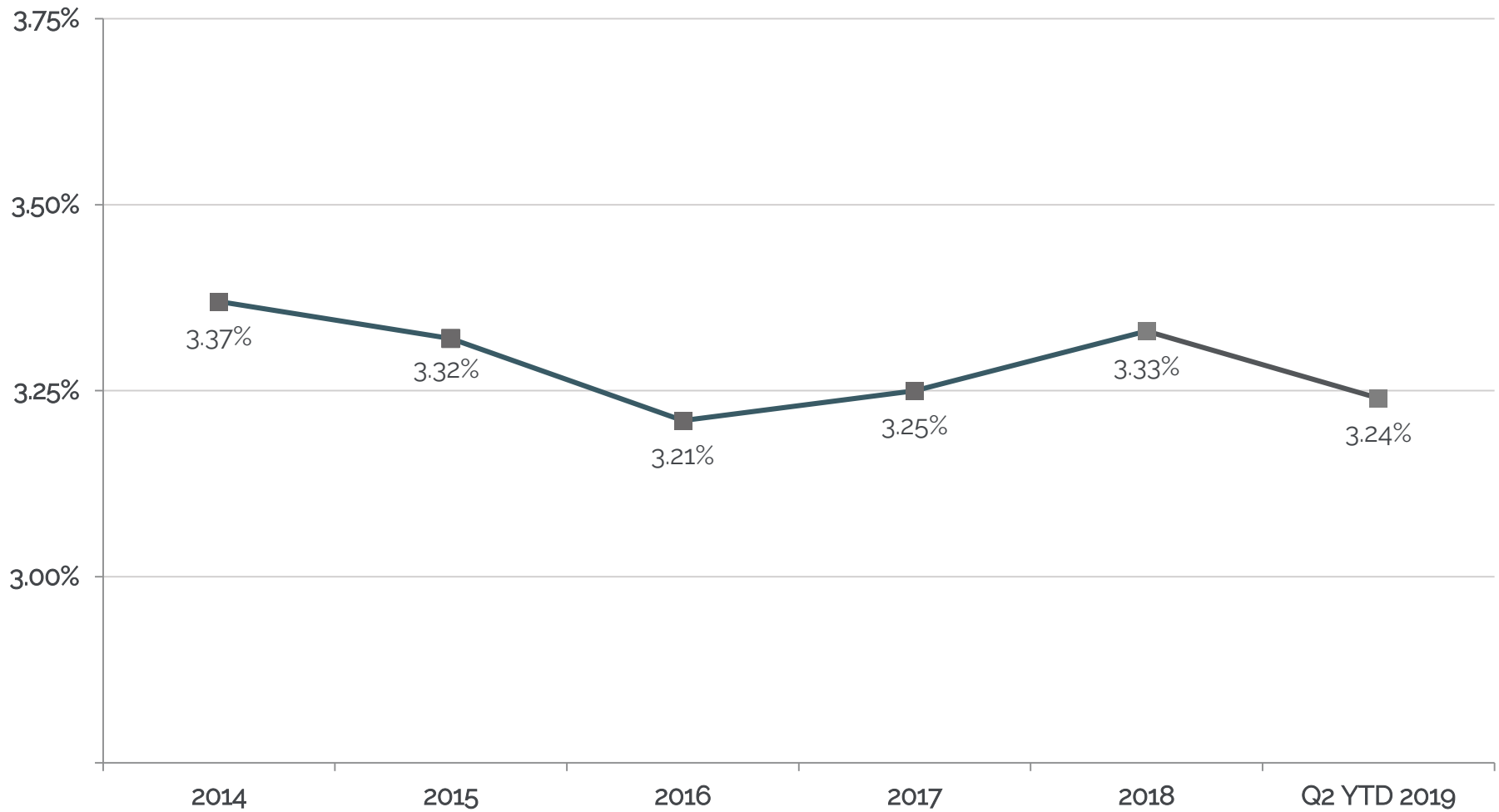
Non-Interest Income – Stable Source of Revenue

(In Millions)



Net Interest Margin

(Fully Taxable Equivalent) *



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

Strong Asset Quality

11.50 year average net charge-off rate of 0.01% (as of June 30, 2019)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Q2 YTD</u> <u>2019</u>
Non Performing Loans (NPLs)	\$1,629	\$1,481	\$1,676	\$1,298	\$642	\$1,009
NPLs / Total Loans	0.15%	0.12%	0.13%	0.10%	0.04%	0.05%
Net (Charge-Offs) Recoveries / Average Loans	\$11 0 bps	(\$153) (1 bps)	(\$62) (0 bps)	(\$303) (2 bps)	(\$54) (0 bps)	(\$172) (1 bps)
Allowance / Total Loans	1.32%	1.27%	1.16%	1.13%	1.08%	0.82%

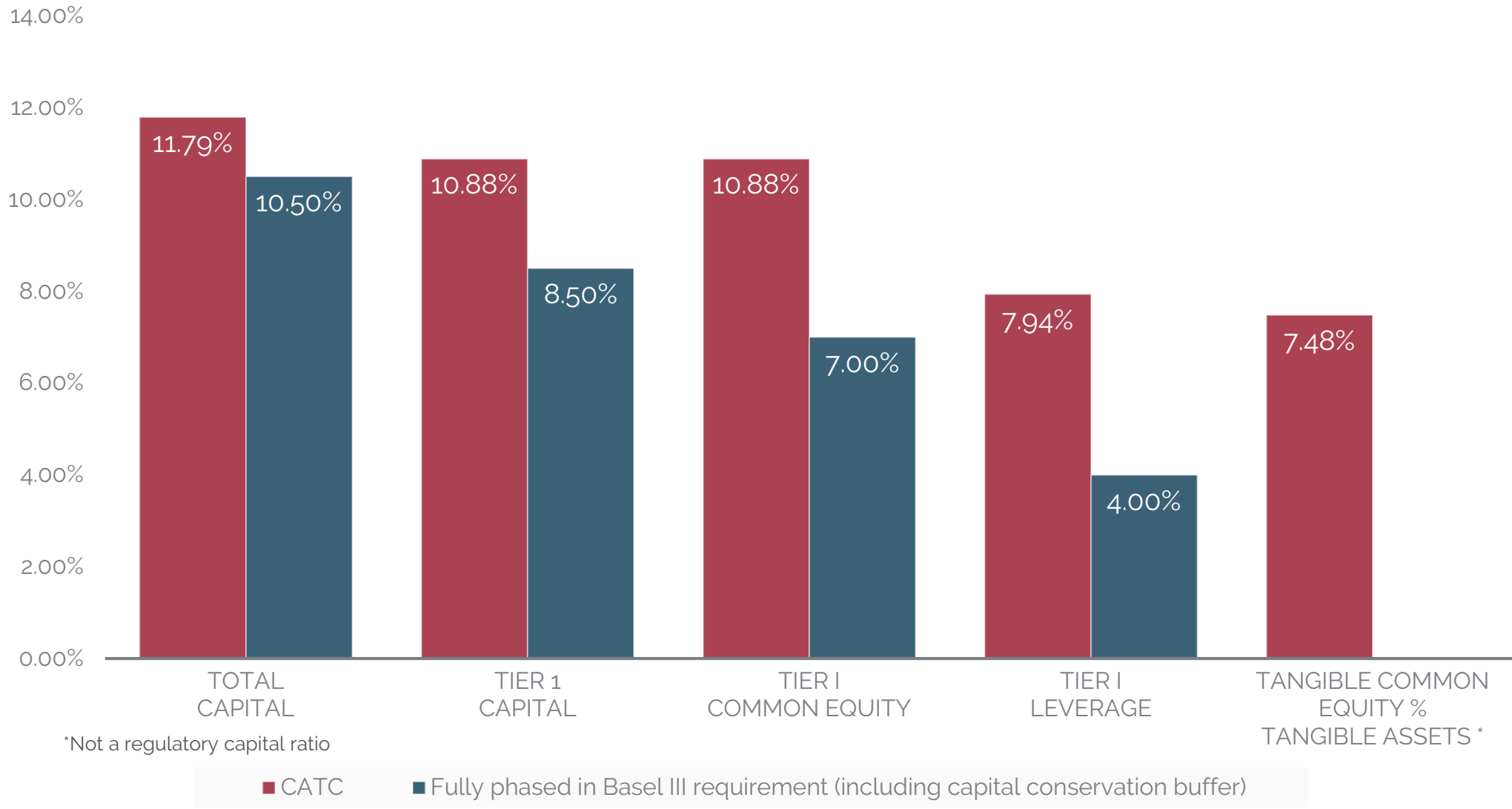
Other Key Performance Measures

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Q2 YTD</u> <u>2019</u>
Return on Average Assets (Operating)*	0.95%	1.00%	1.21%	1.13%
Return on Average Tangible Common Equity (Operating)*	12.81%	13.24%	15.49%	14.78%
Tangible Book Value Per Share	\$33.26	\$36.14	\$40.57	\$41.72
Revenue Growth	6%	7%	10%	11%
Net Interest Margin, FTE	3.21%	3.25%	3.33%	3.24%
Efficiency Ratio (Operating)*	68.93%	67.51%	66.05%	65.77%

*Return on Average Assets (Operating) and Return on Average 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 39-42 for GAAP – Non-GAAP reconciliation

Strong Capital Position

(As of June 30, 2019)



Q2 YTD 2019 Performance Highlights

YTD Net Income (Operating)*
(in thousands)



Total Assets
(in millions)



YTD Diluted EPS (Operating)*



Wealth Management AUM
(in millions)



YTD Return on Average Assets
(Operating)* (Annualized)



YTD Return on Average Tangible
Common Equity (Operating)* (Annualized)



*Net Income (Operating), Diluted EPS (Operating), Return on Average Assets (Operating) and Return on Average Equity (Operating) are adjusted for merger related and other non operating expenses in 2018 and 2019. See Appendix on pages 39-42 for GAAP - Non-GAAP reconciliation



Business Line Updates

Wealth Management

2019 Results:

- New Hampshire AUM approximately \$1.1 billion or 36% of total managed assets
- Strong equity performance versus market benchmarks in 2019.

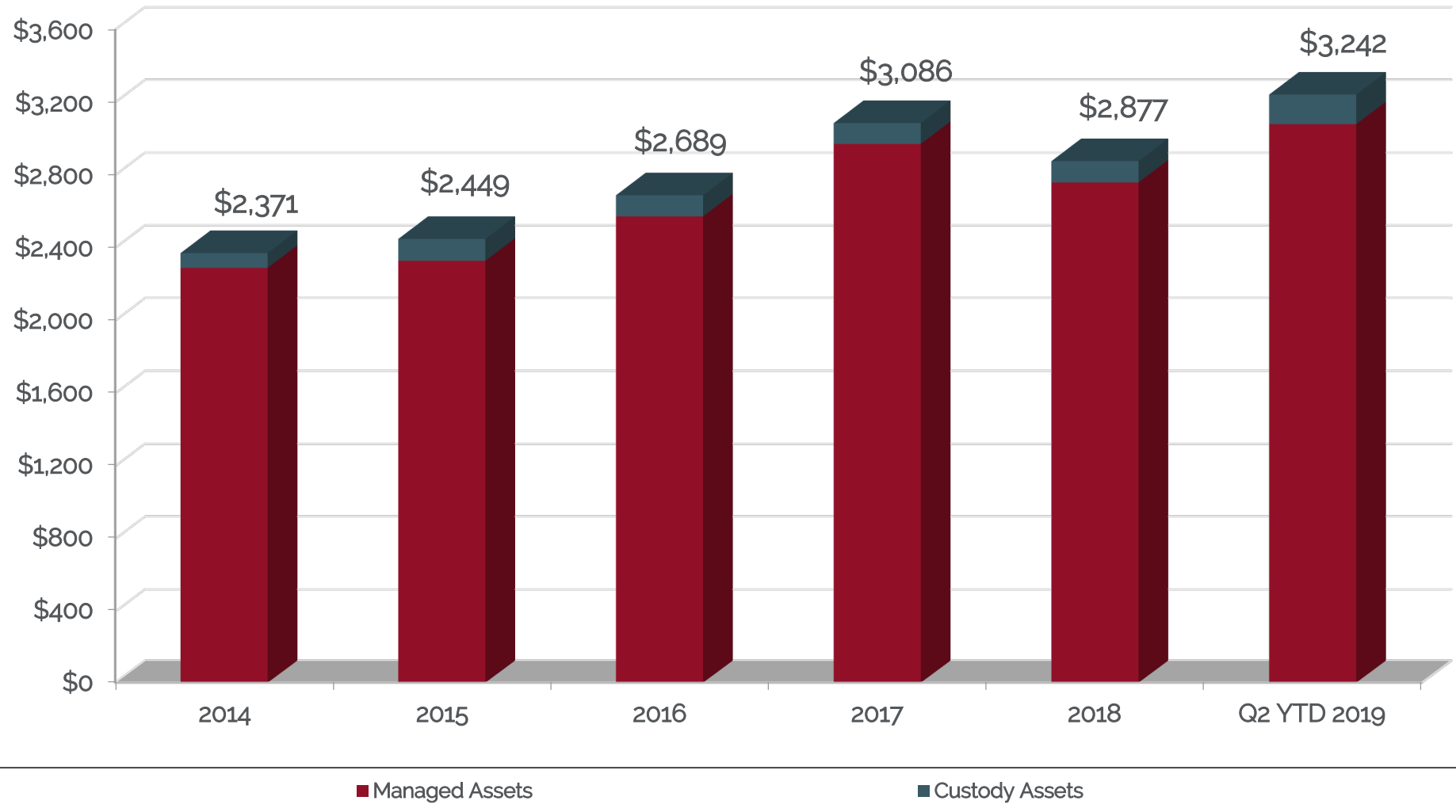
Investments and Growth Opportunities:

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

Wealth Management Assets Under Management and Administration

(In Millions)

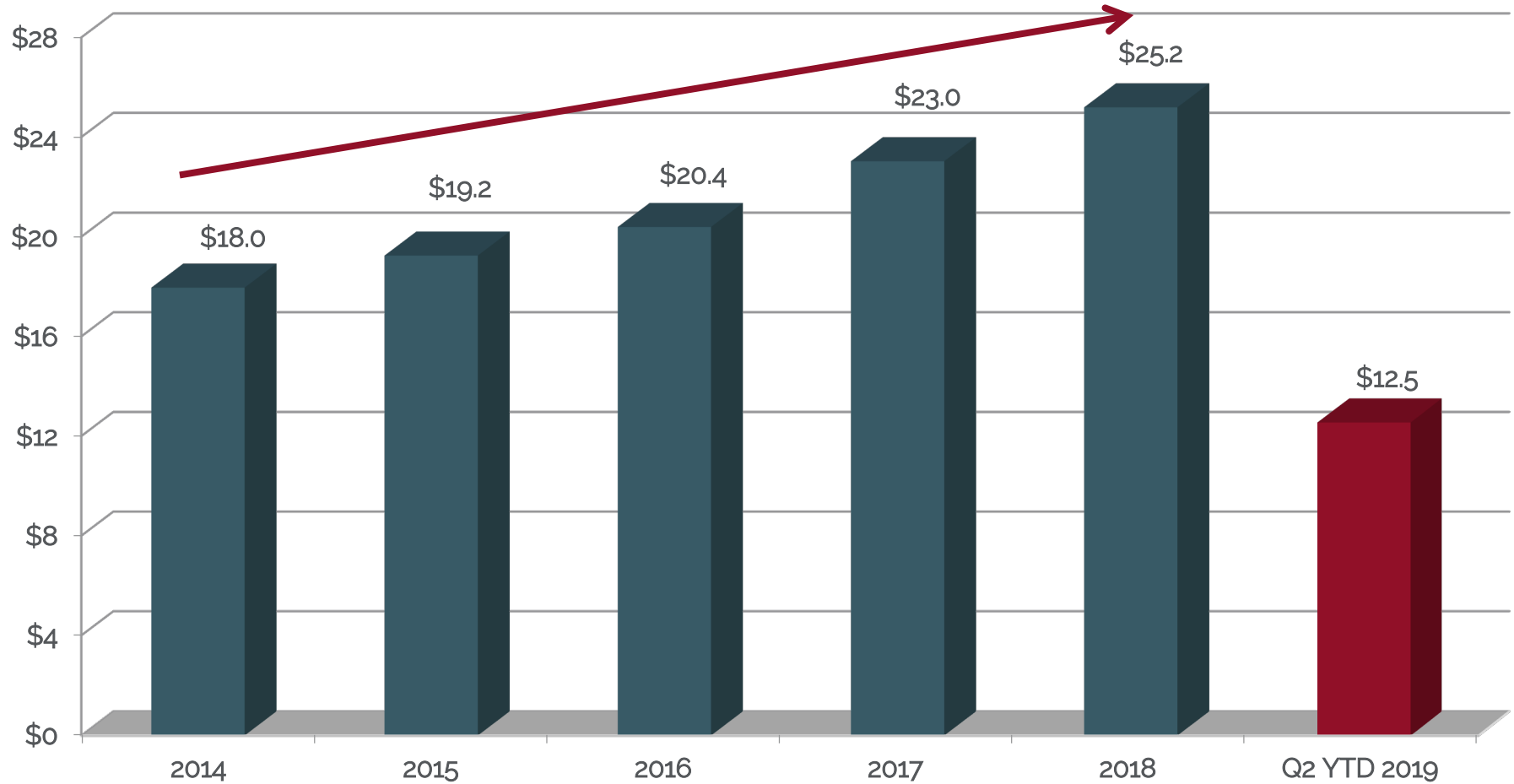
5.5-Year CAGR
(through 2019)
+7.3%



Wealth Management Revenue

(In Millions)

5-Year CAGR
(through 2018)
+9.1%



Net Client Flows

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018 *</u>	<u>Q2 YTD</u>
Starting AUM	\$2,290	\$2,329	\$2,573	\$2,971	\$2,760
Net Flows	7	194	74	(176)	(21)
Appreciation & Income Net of Fees	32	50	324	(35)	340
Ending AUM	\$2,329	\$2,573	\$2,971	\$2,760	\$3,079
Custody Assets	120	116	115	117	163
Total WM Assets	\$2,449	\$2,689	\$3,086	\$2,877	\$3,242

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

Commercial Banking

2019 YTD Results:

- Organic Commercial Mortgage growth of \$33 million or 4.4%
- Organic Commercial & Industrial loan growth of \$10.4 million or 11.1%
- Organic core commercial deposits growth of \$79 million or 10.6%
- Core Business Deposits represent \$941m or 45.6% of total core deposits
- Commercial Loan asset quality remains pristine
 - Non-Performing Commercial Loans to Commercial Loans at 0.04%

Investments & Growth Opportunities:

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

Personal Banking

2019 YTD Results:

- Organic core deposit growth of \$59 million or 3.5%
- Organic Adjustable Rate Mortgages growth of \$12 million or 2.6%
- Organic total residential loans growth of \$20M, an increase of 3.3%

Investments & Growth Opportunities:

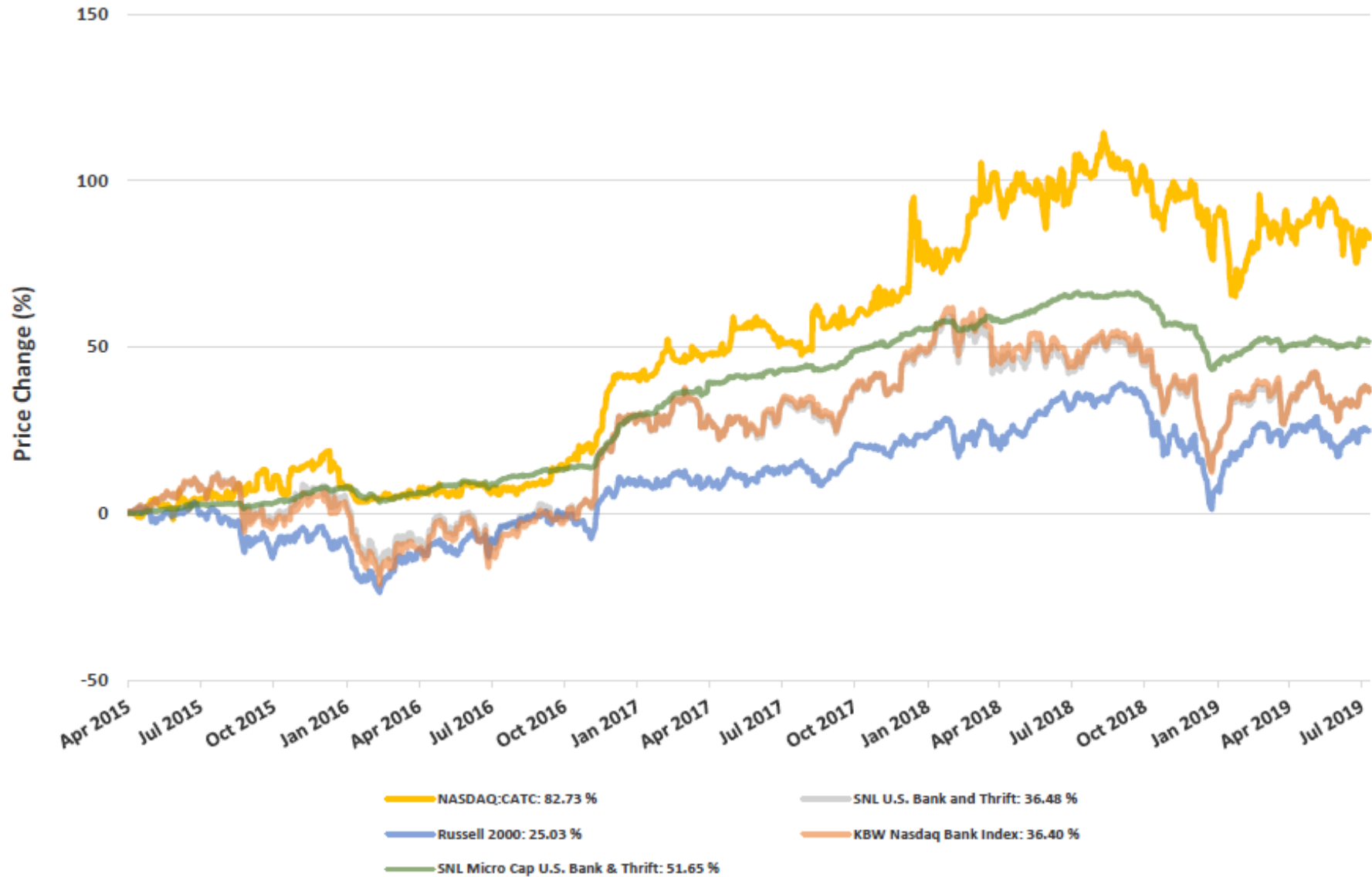
- With the completion of the merger, additional base of clients to deepen banking relationships



Stock Performance & Dividend

Focus on Shareholder Value

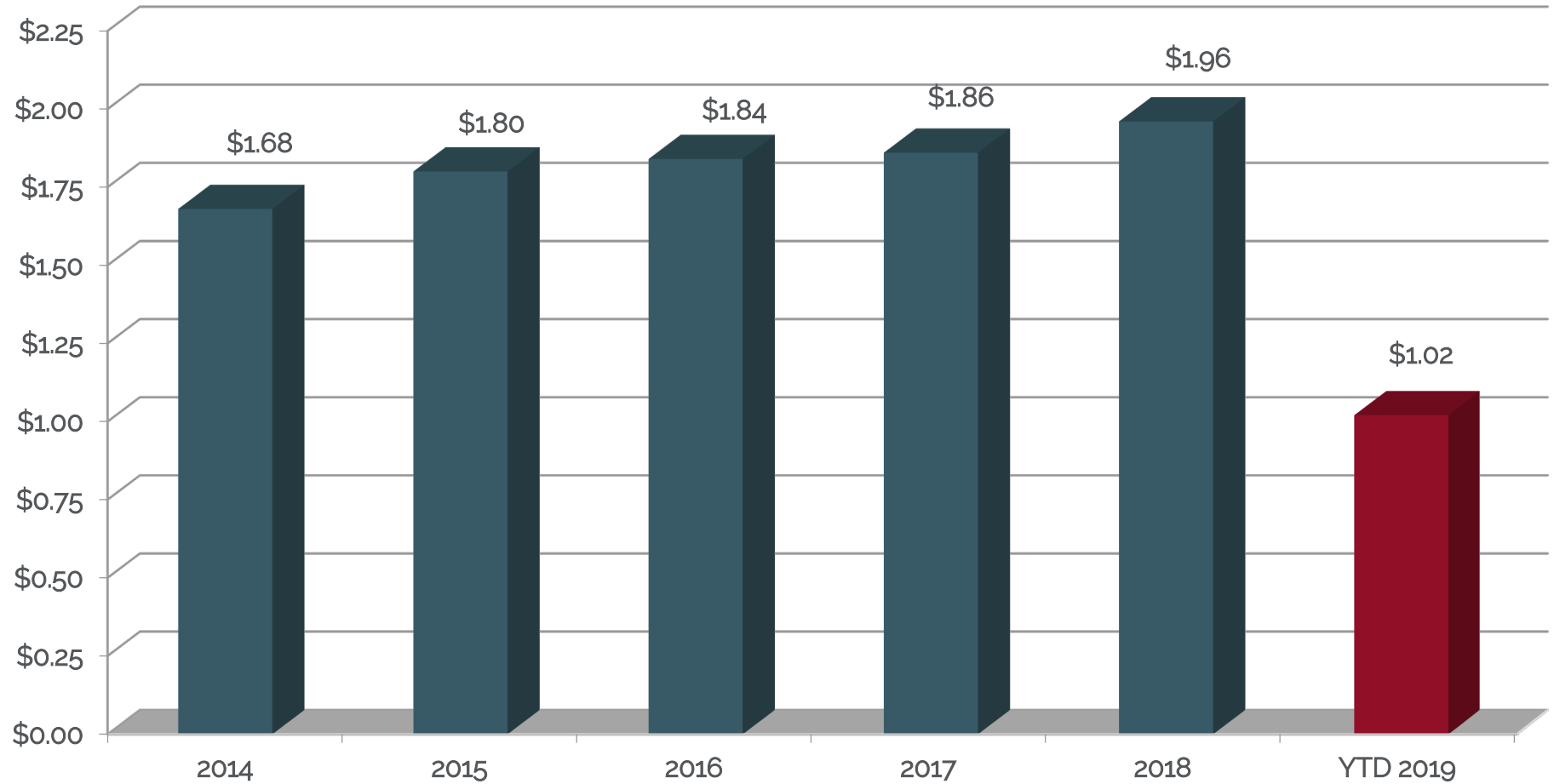
Stock Price Performance



Source: S&P Global Market Intelligence © 2019

Dividends Paid Per Share

20 years of increased dividends (1999 – 2018)



Cambridge Trust – Investment Metrics

Private Banking Business Model

- Diverse revenue stream (Non-interest income, 31% of Revenue)
- Proven wealth management competency

Attractive Geographic Market

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

Solid financial performance

- Top quartile return on average equity as compared to peer*
- Record operating earnings in 2018


Core Deposit funded

- Demand deposits represent 25% of total deposits

Sound risk manager with excellent asset quality track record

* As compared to the most recent BHCPR Report for Peer 3 (\$1B - \$3B) (data as of March 2019)

** Bureau of Labor Statistics May 2019 (Preliminary)



Appendix: Local Market Potential and Interest Rate Risk

Appendix - Compelling Local Markets

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

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

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

¹ Source: SNL Financial 2019 median HH Income

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

Appendix - Local Market Potential

■ Innovation Economy

■ Venture Capital (VC) funding

- Massachusetts' average share of annual U.S. VC investment from 2007 to 2017 was 9.2%, ranging from around 8% to 11% annually. The Commonwealth's VC investment was at 9.4% of the U.S. total in 2017 ¹
 - Healthcare and Internet were by far the largest target industries for VC funding in Massachusetts in 2017, representing 53.7% and 21.0% respectively, of total VC funding for the state ¹
- Funding to New England-based VC-backed companies hit \$11B in 2018, as deals increased to 536 transactions ²
 - 2018 was the biggest year of investments for New England since 2000
- New England based companies raised \$2.7B in Q1 '19, an 8% jump compared to Q4 '18 ³
- Funding in FY 2017 was \$2.12 billion in Cambridge, \$1.49 billion in Boston, and \$894.1 million in the 128 Belt ⁴

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

² PwC / CB Insights MoneyTree Report, Q4 2018

³ PwC / CB Insights MoneyTree Report, Q2 2019

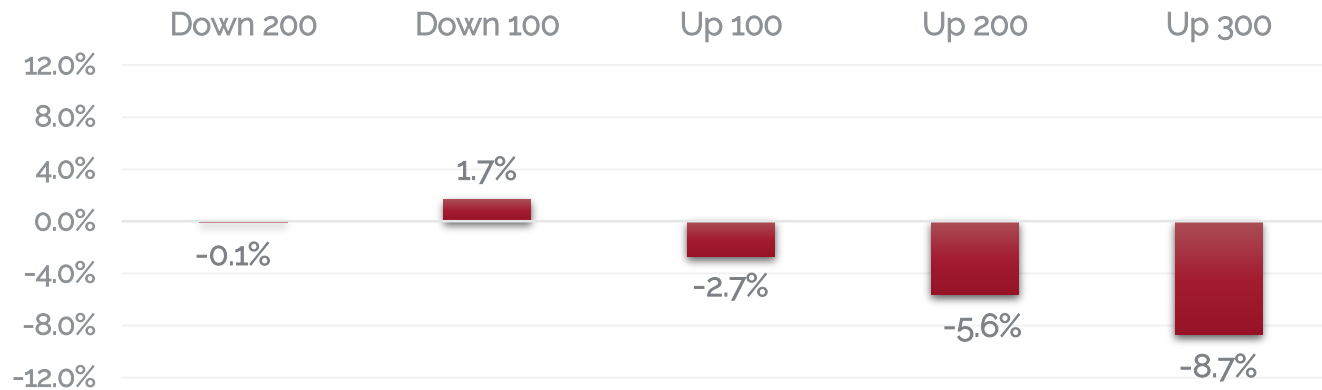
⁴ Cushman & Wakefield 2018 BLOWATCH REPORT

Interest Rate Risk Profile

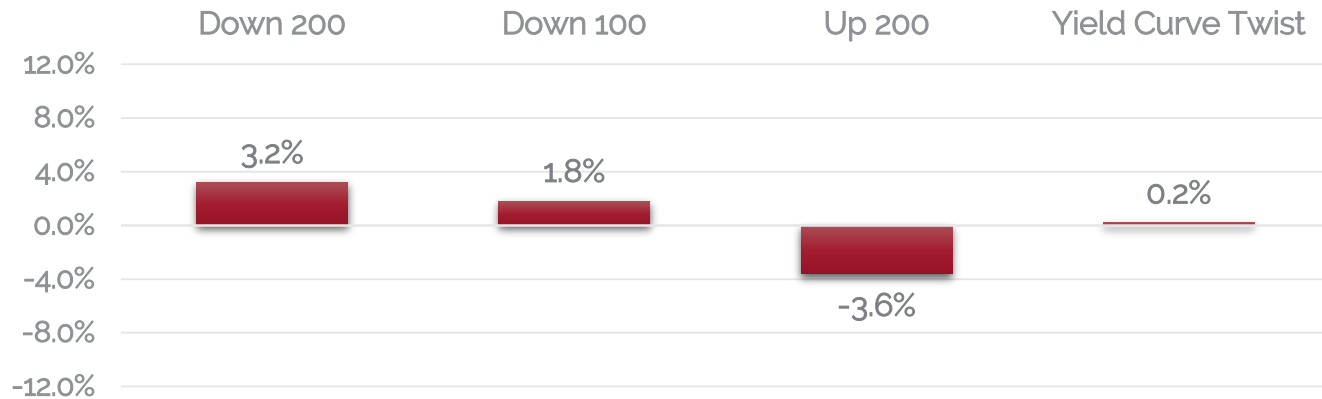
(As of June 30, 2019)

Net Interest Income (NII) Sensitivity

Immediate Parallel Shock



Ramps / Yield Curve Twist





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.

Merger Cost and Tax Reform Impact on Net Income				
For the Full Year Period ending on December 31st				
	2017		2018	
	(Dollars in thousands except per share data)			
Operating Diluted EPS	2017		2018	
Net Income (a GAAP Measure)	\$	14,816	\$	23,881
Add: Merger Costs (Pretax)		-		201
Add: (Gain)/loss on disposition of investment securities		3		(2)
Tax effect of Merger Expenses and Gain (loss) on disposition of investment securities ⁽¹⁾		(1)		(56)
Add: Impact of the tax cuts and jobs act of 2017 ⁽²⁾		3,869		-
Operating Net Income (a non-GAAP Measure)	\$	18,687	\$	24,024
Less: Dividends and Undistributed Earnings Allocated to Participating Securities (GAAP)	\$	157	\$	239
Operating Income Applicable to Common Shareholders (a non-GAAP measure)	\$	18,530	\$	23,785
Weighted average diluted shares		4,065,754		4,098,633
Operating Diluted earnings per share (a non-GAAP measure)	\$	4.56	\$	5.80
Operating Efficiency Ratio	2017		2018	
Net Interest and Dividend Income	\$	57,604	\$	63,588
Noninterest Income		30,224		32,989
Less: Gain/(loss) on disposition of investment securities		3		(2)
Operating Revenue (a non-GAAP measure)	\$	87,825		96,579
Noninterest Expense		59,292		63,987
Less: Merger Expenses		-		201
Operating Expense (a non-GAAP measure)	\$	59,292	\$	63,786
Operating Efficiency Ratio (a non-GAAP measure)		67.51%		66.05%

Appendix – FY GAAP to Non-GAAP Reconciliations

Operating Return on Average Tangible Common Equity	2017		2018	
Operating Net income (a non-GAAP measure)	\$	18,687	\$	24,024
Average Shareholders' equity (GAAP)		141,488		155,546
Less: Average Goodwill and merger related intangibles (GAAP)		412		412
Tangible Common Equity (a non-GAAP measure)	\$	141,076	\$	155,134
Operating Return on Tangible Common Equity (a non-GAAP measure)		13.25%		15.49%
Return on Average Assets (Operating)	2017		2018	
Net income (Operating) (a non-GAAP measure)	\$	18,687	\$	24,024
Average assets (GAAP)		1,875,136		1,980,580
Return on avg. assets (Operating) (a non-GAAP measure)		1.00%		1.21%
Tangible Common Equity	2017		2018	
Shareholders' equity (GAAP)	\$	147,957	\$	167,026
Less: Goodwill and acquisition related intangibles (GAAP)		412		412
Tangible Common Equity (a non-GAAP measure)	\$	147,545	\$	166,614
Total assets (GAAP)		1,949,934		2,101,384
Less: Goodwill and acquisition related intangibles (GAAP)		412		412
Tangible assets (a non-GAAP measure)	\$	1,949,522	\$	2,100,972
Tangible Common Equity Ratio (a non-GAAP measure)		7.57%		7.93%
Tangible Book Value Per Share	2017		2018	
Tangible Common Equity (a non-GAAP measure)	\$	147,545	\$	166,614
Common shares outstanding		4,082,188		4,107,051
Tangible Book Value Per Share (a non-GAAP measure)	\$	36.14	\$	40.57

(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.

	Merger Cost and Tax Reform Impact on Net Income	
	For the Period ending on June 30th	
	YTD 2018	YTD 2019
	(Dollars in thousands except per share data)	
Operating Diluted EPS	YTD 2018	YTD 2019
Net Income (a GAAP Measure)	\$ 11,916	\$ 10,470
Add: Merger Costs (Pretax)	-	3,541
Add: (Gain)/loss on disposition of investment securities	(2)	81
Tax effect of Merger Expenses and Gain (loss) on disposition of investment securities ⁽¹⁾	1	(805)
Operating Net Income (a non-GAAP Measure)	\$ 11,915	\$ 13,287
Less: Dividends and Undistributed Earnings Allocated to Participating Securities (GAAP)	\$ (122)	\$ (94)
Operating Income Applicable to Common Shareholders (a non-GAAP measure)	\$ 11,793	\$ 13,193
Weighted average diluted shares	4,087,790	4,412,239
Operating Diluted earnings per share (a non-GAAP measure)	\$ 2.88	\$ 2.99
Operating Efficiency Ratio	YTD 2018	YTD 2019
Net Interest and Dividend Income	\$ 31,007	\$ 36,037
Noninterest Income	16,022	16,102
Less: Gain/(loss) on disposition of investment securities	2	(81)
Operating Revenue (a non-GAAP measure)	\$ 47,027	\$ 52,220
Noninterest Expense	31,266	37,886
Less: Merger Expenses	-	3,541
Operating Expense (a non-GAAP measure)	\$ 31,266	\$ 34,345
Operating Efficiency Ratio (a non-GAAP measure)	66.49%	65.77%

Appendix – YTD GAAP to Non-GAAP Reconciliations

Operating Return on Average Tangible Common Equity	YTD 2018	YTD 2019
Operating Net income (a non-GAAP measure)	\$ 11,915	\$ 13,287
Average Shareholders' equity (GAAP)	150,682	195,644
Less: Average Goodwill and merger related intangibles (GAAP)	412	14,343
Tangible Common Equity (a non-GAAP measure)	\$ 150,270	\$ 181,301
Operating Return on Tangible Common Equity (a non-GAAP measure)	15.99%	14.78%
Return on Average Assets (Operating)	YTD 2018	YTD 2019
Net income (Operating) (a non-GAAP measure)	\$ 11,915	\$ 13,287
Average assets (GAAP)	1,953,000	2,375,081
Return on avg. assets (Operating) (a non-GAAP measure)	1.23%	1.13%
Tangible Common Equity	YTD 2018	YTD 2019
Shareholders' equity (GAAP)	\$ 155,692	\$ 237,094
Less: Goodwill and acquisition related intangibles (GAAP)	412	34,725
Tangible Common Equity (a non-GAAP measure)	\$ 155,280	\$ 202,369
Total assets (GAAP)	1,971,214	2,741,308
Less: Goodwill and acquisition related intangibles (GAAP)	412	34,725
Tangible assets (a non-GAAP measure)	\$ 1,970,802	\$ 2,706,583
Tangible Common Equity Ratio (a non-GAAP measure)	7.88%	7.48%
Tangible Book Value Per Share	YTD 2018	YTD 2019
Tangible Common Equity (a non-GAAP measure)	\$ 155,280	\$ 202,369
Common shares outstanding	4,104,317	4,850,230
Tangible Book Value Per Share (a non-GAAP measure)	\$ 37.83	\$ 41.72

(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.

Appendix – Organic Growth Table

Organic Loan and Deposit Growth

(Unaudited, dollars in thousands)

	June 30, 2019	March 31, 2019	December 31, 2018	Balance Acquired	December 2018 vs June 2019	
					Organic Growth/(Loss) \$	Organic Growth/(Loss) %
Loans						
Residential mortgage	\$ 938,560	\$ 613,254	\$ 604,331	\$ 314,552	\$ 19,677	3.3%
Commercial mortgage	905,441	749,835	757,957	114,338	33,146	4.4%
Home equity	85,814	68,849	69,336	15,452	1,026	1.5%
Commercial & Industrial	134,307	90,172	93,712	30,215	10,380	11.1%
Consumer	32,428	33,044	34,436	849	(2,857)	-8.3%
Total loans	<u>\$ 2,096,550</u>	<u>\$ 1,555,154</u>	<u>\$ 1,559,772</u>	<u>\$ 475,406</u>	<u>\$ 61,372</u>	<u>3.9%</u>
Deposits						
Demand	\$ 587,030	\$ 490,649	\$ 494,492	\$ 58,722	\$ 33,816	6.8%
Interest bearing checking	422,426	385,605	431,702	49,454	(58,730)	-13.6%
Money market	200,935	146,925	135,585	68,183	(2,833)	-2.1%
Savings	853,356	709,940	628,212	138,285	86,859	13.8%
Core deposits	2,063,747	1,733,119	1,689,991	314,644	59,112	3.5%
Certificates of deposit	265,918	169,264	121,419	162,545	(18,046)	-14.9%
Total deposits	<u>\$ 2,329,665</u>	<u>\$ 1,902,383</u>	<u>\$ 1,811,410</u>	<u>\$ 477,189</u>	<u>\$ 41,066</u>	<u>2.3%</u>



Cambridge Bancorp

Parent of Cambridge Trust Company

Denis K. Sheahan

*Chairman and
Chief Executive Officer*

617-441-1533

Michael F. Carotenuto
*Senior Vice President and
Chief Financial Officer*

617-520-5520

Mark D. Thompson
President

617-441-1505