CAMBRIDGE BANCORP

ANNUAL REPORT
2015

This past year marked the 125th anniversary of the Cambridge Trust Company. This anniversary provides us with a welcome opportunity to reflect upon the company's past, and, just as importantly, to think about its future.

Back in 1890, it was announced to the public that the then newly-formed Cambridge Safety Vaults Company "offers safes to rent from ten to one hundred dollars per year." Patrons were invited to deposit papers, jewelry, works of art, and other valuables in safes notable for "all of the recent ingenious and expensive inventions and improvements in locks," as well as for the excellence of the metals out of which the vaults were made. Given its investment in the best resources available at the time, the Company was in a position to assure its prospective customers that it could "offer as perfect security as any like institution in the state." This being Cambridge, the vaults were made use of from the outset by artists, intellectuals, and, of course, students, among other diverse members of the community.

From its beginning, then, even before the company changed its name to the Cambridge Safe Deposit and Trust Company in 1892, its focus upon serving the needs of its customers, its commitment to drawing upon the most modern resources available towards that end, and its capacity to merit trust were already in place.

Over the past one hundred and twenty-five years, that focus, commitment, and capacity have remained consistent. But what is required to merit trust—and to offer security—in today's financial environment differs greatly from what was required back in 1890. True, it was not that much of a change for customers to go from trusting the company to protect their material goods to trusting it with their financial resources. Indeed, as amateur historian and one-time bank president George Macomber has noted, “It was a logical step, after people had intrusted the vault company with their securities… plate, wills, and other valuable papers, to suggest that their money also be intrusted to the same group.” Now, however, the company does not just keep customers’ money secure, although it certainly does do that.

The Cambridge Trust Company of today serves as a base for financial growth, as well as a trusted source of advice. The Bank does not just shield customers from risk; it also manages risk in order to secure gains. Moreover, it creates opportunities, and develops the means by which those opportunities might yield the most benefit to our customers and shareholders. The Bank listens to its various constituencies in order that it might generate knowledge and, through the execution of strategy, translate that knowledge into responsive and decisive action.

Financial Performance

In 2015, I am pleased to report that the Bank successfully secured a number of gains. Our overall performance was robust across the board. Net income in 2015 was $15.7 million, which represents an increase of 5.0% over 2014. Loans grew by 10.3%; at the end of 2015, they stood at $1.2 billion. Deposits, excluding brokered certificates, grew by 9.5% to $1.5 billion at year-end. Non-interest income, led by our Wealth Management business, grew to 33% of revenue in 2015. Relative to prior years, the Company’s performance metrics remained strong, with return on average assets and return on average equity amounting to 0.95% and 12.91%, respectively.

Year End/Ended	2011	2012	2013	2014	2015
	(Dollars in thousands, except per share data)				
Total Assets	$1,275,860	$1,417,986	$1,533,710	$1,573,692	$1,706,201
Total Deposits	$1,125,654	$1,281,333	$1,409,047	$1,370,536	$1,557,224
Total Loans	$ 673,265	$ 742,249	$ 942,451	$1,080,766	$1,192,214
Noninterest Income	$ 18,147	$ 20,489	$ 23,181	$ 24,464	$ 25,865
Net Income	$ 12,477	$ 13,403	$ 14,140	$ 14,944	$ 15,694
Basic Earnings Per Share	$ 3.29	$ 3.49	$ 3.65	$ 3.81	$ 3.94
Dividends Declared Per Share	$ 1.42	$ 1.50	$ 1.59	$ 1.68	$ 1.80
Book Value Per Share	$ 25.39	$ 27.21	$ 28.13	$ 29.50	$ 31.26
Net Interest Margin	3.90%	3.58%	3.35%	3.33%	3.27%
Return/Average Assets	1.06%	1.00%	0.99%	0.98%	0.95%
Return/Average Equity	13.26%	13.39%	13.63%	12.87%	12.91%

Our loan portfolio and balance sheet reflect our overall commitment to quality. Non-performing loans totaled 0.12% of loans at the end of 2015 and capital represented 7.33% of assets.

In 2015, we modified our loan strategy to better prepare the Bank for the inevitability of rising rates. In Commercial Banking, many of our customers prefer long-term fixed-rate loans. This preference poses a challenge to the Bank, due to the interest rate risk associated with the long duration of those fixed rates. In the latter part of the year, we introduced a new interest rate derivative product that will continue to provide our customers with longer term financing, while providing the Bank with the opportunity to achieve a variable rate of interest on these loans.

In Consumer Banking, we are in the process of implementing a strategy to sell the majority of our long-term residential mortgage production, including jumbo loans, to the secondary market. When possible, we will look to service these loans, as we know it is important to our clients. This approach takes into account the priorities of our customers, while positioning the Bank better from the perspective of interest rates. It also represents a more efficient use of capital. In this, as in other matters, we begin with what we know, seek out new information, and make the best possible use of our knowledge in light of changing developments, in a manner that is consistent with our principles.

Taken together, the strategic adaptations that I have just described, combined with the strength of our core deposit base, will improve upon the Bank's ability to weather the challenges of a rising rate environment. The strength of that base represents our anchor. Our aim in this challenging environment is not merely to weather the storm, but to better our own performance, and to increase our momentum relative to that of our competitors.

Over the past year, we again benefitted from strong growth in revenue from our Wealth Management division. Revenue grew to $19.2 million over the course of the year, representing an increase of 7.2%.

Consumer Banking

In 2015, total deposits, excluding brokered certificates, grew by $130.4 million, or 9.5%. I have suggested that our deposit portfolio serves as an anchor for the Bank, which is especially important given the potentially rough seas of a higher interest rate climate. The strength of that anchor is a function of the trust that has been placed in us by our customers. We are deeply sensible of what it means to guard and to grow people's hard-earned resources. We know that those resources support the necessities and goods (including education, housing, and philanthropy) that are central to our customers' lives, as well as that of their families. Our confidence in our capacity to protect and foster growth in this respect does not follow exclusively from the strength of the metal or locks entailed in our vaults but also from the commitments that we have made, and kept, and will keep over time.

The Bank's customers know as well that we too value deep relationships with them—relationships marked by a willingness to listen, to learn, and to give trusted advice. In 2015, our capacity to generate trust in this respect was evidenced by a record year for the establishment of new deposit Relationship Accounts. We also experienced strong growth in business deposits as a result of highly effective collaboration between our branch, business banking, cash management, and commercial lending teams.

While many customers continue to visit our branches, the increasing use of digital banking is here to stay. We continue to experience significant growth in internet banking, mobile banking, and mobile deposit. In this, as in other areas, we have shown our capacity for responsive adaptation to change, and for an active commitment to keeping abreast of and making the most of new technologies. Our choices reflect our emphasis on the convenience of our customers. Toward that end, we added a new mobile payment feature with Apple Pay™ and Touch ID™ that allows for instant access to accounts.

Consumer lending experienced robust home equity loan originations with over $60 million in new commitments. We also generated a record $609,000 of gains from the sale of residential loans.

Much has been accomplished in consumer lending in 2015. Yet there is still much to do as we continue to modify our strategy in response to changing needs and opportunities. Our task is not so much to reach a target that is standing still, but rather to spot new targets as they appear on the horizon, and develop means to reach that target while in motion ourselves. Becoming more agile means that we can more effectively deliver benefits to customers. And indeed, the consumer lending origination process has been strengthened through the addition of new technology. Virtually all paper will be eliminated in the loan application process, leading to an improved customer experience. We have also strengthened our operations and lending team with the addition of experienced professionals in both areas.

Commercial Banking

In 2015, commercial real estate lending again proved to be the primary contributor of loan growth, with an increase of $69.2 million, or 15.7%. Our originations remained solid, although net growth was somewhat less than the two prior years, due to strong property sales within our market as well as a competitive environment. The Bank's sound asset quality reflects our team's focus on quality over quantity. Given the range of options available to our customer, we may best set ourselves apart by striving for our own distinctive brand of excellence. In doing so, we are as mindful of the need for innovation and measured expansion as we are of the meaning of the Bank's traditions.

Year End	2011	2012	2013	2014	2015
			(Dollars in thousands)		
Non-Performing Loans	$1,204	$1,570	$1,703	$1,629	$1,481
Non-Performing Loans/Total Loans	0.18%	0.21%	0.18%	0.15%	0.12%
Net Charge-Offs/(Recoveries) ..	$ (274)	$ 11	$ (260)	$ (11)	$ 153
Allowance/Total Loans	1.51%	1.47%	1.35%	1.32%	1.27%

I expect that 2016 will continue to be marked by growth within our commercial real estate lending segment. We also plan to renew and strengthen our historical focus in commercial and industrial lending to build greater diversification in the commercial lending portfolio. Our 2016 plans include additional investments in both commercial and industrial lending and our Innovation Banking Group. While these asset classes generally represent higher risk, we plan to execute these initiatives in the Cambridge Trust way, meaning that our approach will be conservative and focused on quality. Because our relationships are enhanced by the constant give-and-take of communication, we know that our customers and shareholders expect this. And we share that expectation as well.

The past year was marked by robust growth in business deposits, at $52.8 million, or 11.5%. Total business deposits are a very strong $514.0 million. Our capabilities in this sector are a key component of the Bank's funding strategy. We will continue to focus on growth in this area, as we see ample opportunity in the market.

Wealth Management

Cambridge Trust's Wealth Management division had another successful year. Now, more than ever, our strategy of quality investing continues to yield consistent rewards. Recent market volatility places a premium on in-depth, sector specific knowledge of the economy, and on careful security selection that reflects seasoned judgment. Led by our largest strategy, Total Return, our investment team had a terrific track record in 2015 with respect to relative performance. Revenue grew to $19.2 million, amounting to an increase of 7.2%. At the end of the year, assets under management of $2.3 billion were largely flat relative to the prior year-end, reflecting the volatility experienced in the latter part of 2015. That volatility has continued at the beginning of 2016, and while it may hamper revenue growth in the short-term, we are confident in our long-term prospects.

Year	Gross Revenues (in thousands)	Managed Assets (in millions)
2011	$13,152	$1,468
2012	$14,110	$1,795
2013	$16,265	$2,140
2014	$17,954	$2,290
2015	$19,242	$2,329

Our grounds for that confidence lie first, in the solidity of our team, and the strength of its commitments to excellence and to measured expansion. To be sure, that confidence is underpinned by a basic sense of optimism concerning our prospects, but that optimism is tethered to evidence and experience. Our New Hampshire team has now grown footings to almost $700 million in assets under management. In May, we opened a third office in Manchester. We look forward to continued excellent growth in New Hampshire.

Our strategy for continual betterment pertains to matters of principle as well as those of practice. The Sustainable and Responsible Investment strategy, which began in 2014, is off to a solid start. We have an excellent team in place, and are engaged in the process of building a respectable track record. This is an area we have highlighted as a strong contributor to our overall growth in the future. As sophisticated investors ask why Cambridge Trust Company stands out among our competitors, we look to our developing strategy of Sustainable and Responsible Investment to help them answer that question.

Community

Over the past one hundred and twenty-five years, the success of Cambridge Trust Company is rooted in our communities. We are bound together through deep history, a shared commitment to flourishing, a recognition of our interdependence, and our pursuit of excellence. We aim not only to help our communities secure and enhance their existing resources, but to foster new growth as well. In 2015, Cambridge Trust Company was recognized by the Cambridge Chamber of Commerce as its Corporate Citizen of the Year. This award recognizes our contribution to many non-profits and community organizations in the City of Cambridge.

Our community partnership has many aspects. We provide support in the form of volunteer activities, financial contributions, and in targeted lending that supports our communities. In 2015, our community development lending team originated more than $15 million in loans, including an affordable housing project in the Port Landing section of Area 4/Kendall Square in Cambridge. Housing affordability represents a perpetual challenge in our marketplace. We are proud to be involved in this and other initiatives that hold promise as innovative ways of making our communities better.

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In 2015, we were saddened to hear of the passing of our former director, friend and colleague, Jasper M. Evarts. Jasper was highly regarded by his fellow directors and employees of Cambridge Trust Company for his many contributions, including wise counsel, active participation in board meetings, and his deep commitment to strengthening and improving the Bank.

At the end of April, we bid farewell to Joseph V. Roller II on his retirement as Chairman, President, and Chief Executive Officer of Cambridge Bancorp and Cambridge Trust Company. Joe demonstrated outstanding stewardship over his fourteen-year career of dedicated service to the Bank and its communities. I would like to thank Joe for his support and mentoring during my transition, and congratulate him on his well-deserved retirement.

While banking has become increasingly complex, the capabilities of our team have evolved to meet the challenges posed by that complexity. What has made us successful over the past 125 years is our sustained commitment to our customers, our communities, our principles, and our consistent betterment. That commitment has not changed.

In closing, I thank the entire Cambridge Trust team, employees, and directors, for your warm welcome, as well as for your performance, guidance, and support. To our customers, thank you for your faith and confidence. We are eager to be of assistance. To our shareholders, thank you for your continued interest and support. I am optimistic about the future of Cambridge Trust Company. Our foundation is strong and our prospects bright.

Respectfully submitted,

Denis K. Sheahan
President and CEO
February 26, 2016

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of Cambridge Bancorp:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Cambridge Bancorp and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cambridge Bancorp and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

We also have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants, Cambridge Trust Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated February 26, 2016 expressed an unqualified opinion on the effectiveness of Cambridge Trust Company's internal control over financial reporting.

KPMG LLP

Boston, Massachusetts
February 26, 2016

CAMBRIDGE BANCORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2015	2014
	(In thousands)	
ASSETS		
Cash and cash equivalents	$ 24,645	$ 17,440
Investment securities:		
Available for sale, at fair value	347,173	339,791
Held to maturity, at amortized cost	83,063	79,646
Total investment securities	430,236	419,437
Loans held for sale, at lower of cost or fair value	—	284
Loans:		
Residential mortgage	546,245	507,216
Commercial mortgage	511,071	441,842
Home equity	63,522	56,579
Commercial	42,384	49,492
Consumer	28,992	25,637
Total loans	1,192,214	1,080,766
Allowance for loan losses	(15,191)	(14,269)
Net loans	1,177,023	1,066,497
Federal Home Loan Bank of Boston stock, at cost	6,465	7,955
Bank owned life insurance	29,887	29,220
Banking premises and equipment, net	11,371	8,367
Accrued interest receivable	4,222	3,925
Other assets	22,352	20,567
Total assets	$1,706,201	$1,573,692
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 436,998	$ 390,286
Interest bearing checking	370,400	352,661
Money market	73,911	74,654
Savings	497,525	430,040
Certificates of deposit	178,390	122,895
Total deposits	1,557,224	1,370,536
Short-term borrowings	—	69,000
Long-term borrowings	3,910	—
Other liabilities	20,004	17,898
Total liabilities	1,581,138	1,457,434
Stockholders' equity:		
Common stock, par value $1.00; Authorized 10,000,000 shares; Outstanding: 4,000,181 and 3,940,536 shares, respectively	4,000	3,941
Additional paid-in capital	30,427	28,264
Retained earnings	99,064	91,098
Accumulated other comprehensive income (loss)	(8,428)	(7,045)
Total stockholders' equity	125,063	116,258
Total liabilities and stockholders' equity	$1,706,201	$1,573,692

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

CAMBRIDGE BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2015	2014
	(In thousands, except per share data)	
Interest income:		
Interest on loans	$ 45,358	$ 40,481
Interest on taxable investment securities	5,921	7,085
Interest on tax exempt investment securities	2,766	2,664
Dividends on FHLB of Boston stock	259	101
Interest on overnight investments	37	40
Total interest income	54,341	50,371
Interest expense:		
Interest on deposits	2,459	1,950
Interest on borrowed funds	235	148
Total interest expense	2,694	2,098
Net interest income	51,647	48,273
Provision for loan losses	1,075	1,550
Net interest income after provision for loan losses	50,572	46,723
Noninterest income:		
Wealth management income	19,242	17,954
Deposit account fees	2,324	2,416
ATM/Debit card income	1,192	1,247
Bank owned life insurance income	667	665
Gain on disposition of investment securities	690	1,073
Gain on loans held for sale	609	170
Loan related derivative income	260	—
Other income	881	939
Total noninterest income	25,865	24,464
Noninterest expense:		
Salaries and employee benefits	30,838	27,799
Occupancy and equipment	9,024	8,510
Data processing	4,807	4,567
Professional services	2,260	2,008
Marketing	2,380	2,117
FDIC Insurance	854	793
Other expenses	3,029	3,213
Total noninterest expense	53,192	49,007
Income before income taxes	23,245	22,180
Income tax expense	7,551	7,236
Net income	$ 15,694	$ 14,944
Per share data:		
Basic earnings per common share	$ 3.94	$ 3.81
Diluted earnings per common share	$ 3.93	$ 3.78
Average shares outstanding - basic	3,938,117	3,886,692
Average shares outstanding - diluted	3,993,599	3,957,416

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

CAMBRIDGE BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,	
	2015	**2014**
	(In thousands)	
Net income	$ 15,694	$ 14,944
Other comprehensive income/(loss), net of tax:		
Defined benefit retirement plans:		
Change in unfunded retirement liability	40	(6,222)
Unrealized gains/(losses) on Available for Sale securities:		
Unrealized holding gains/(losses) arising during the period	(980)	3,973
Less: reclassification adjustment for gains recognized in net income	(443)	(688)
Other comprehensive loss	(1,383)	(2,937)
Comprehensive income	$ 14,311	$ 12,007

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

CAMBRIDGE BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' Equity
	(In thousands, except per share data)				
Balance at December 31, 2013	$ 3,885	$ 26,027	$ 83,479	$ (4,108)	$ 109,283
Comprehensive income	—	—	14,944	(2,937)	12,007
Stock based compensation	18	491	—	—	509
Exercise of stock options	42	1,254	—	—	1,296
Stock issued to ESOP and DSP	15	614	—	—	629
Dividends declared ($1.68 per share)	—	—	(6,602)	—	(6,602)
Stock repurchased	(19)	(122)	(723)	—	(864)
Balance at December 31, 2014	3,941	28,264	91,098	(7,045)	116,258
Comprehensive income	—	—	15,694	(1,383)	14,311
Stock based compensation	22	476	—	—	498
Exercise of stock options	36	1,080	—	—	1,116
Stock issued to ESOP and DSP	15	710	—	—	725
Dividends declared ($1.80 per share)	—	—	(7,178)	—	(7,178)
Stock repurchased	(14)	(103)	(550)	—	(667)
Balance at December 31, 2015	$ 4,000	$ 30,427	$ 99,064	$ (8,428)	$ 125,063

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

CAMBRIDGE BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2015	Year Ended December 31, 2014
	(In thousands)	
Cash flows provided by operating activities:		
Net income	$ 15,694	$ 14,944
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,075	1,550
Amortization of deferred charges and fees, net	1,027	1,060
Depreciation and amortization	1,935	1,817
Bank owned life insurance income	(667)	(665)
Gain on disposition of investment securities	(690)	(1,073)
Compensation expense from stock option and restricted stock grants	498	509
Change in loans held for sale	284	119
Change in accrued interest receivable, deferred taxes, other assets and other liabilities	835	(2,216)
Other, net	25	56
Net cash provided by operating activities	20,016	16,101
Cash flows used by investing activities:		
Origination of loans	(260,020)	(301,863)
Purchase of:		
Investment securities - AFS	(225,912)	(43,741)
Investment securities - HTM	(9,691)	(24,295)
Maturities, calls and principal payments of:		
Loans	148,049	163,161
Investment securities - AFS	168,787	68,190
Investment securities - HTM	6,206	3,776
Proceeds from sale of investment securities - AFS	47,625	30,013
Purchase of bank owned life insurance	—	(5,000)
Change in FHLB of Boston stock	1,490	(1,724)
Purchase of banking premises and equipment	(4,939)	(233)
Net cash used by investing activities	(128,405)	(111,716)
Cash flows provided by financing activities:		
Net change in deposits	186,688	(38,511)
Net change in short-term borrowings	(69,000)	69,000
Proceeds from long-term borrowings	3,950	—
Repayment of long-term borrowings	(40)	—
Proceeds from issuance of common stock	1,841	1,925
Repurchase of common stock	(667)	(864)
Cash dividends paid on common stock	(7,178)	(6,602)
Net cash provided by financing activities	115,594	24,948
Net increase/(decrease) in cash and cash equivalents	7,205	(70,667)
Cash and cash equivalents at beginning of year	17,440	88,107
Cash and cash equivalents at end of year	$ 24,645	$ 17,440
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,644	$ 2,094
Cash paid for income taxes	8,220	8,490
Non-cash transactions:		
Change in AOCI, net of taxes	(1,383)	(2,937)

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

CAMBRIDGE BANCORP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. THE BUSINESS

The accompanying consolidated financial statements include the accounts of Cambridge Bancorp (the "Corporation") and its wholly owned subsidiary, Cambridge Trust Company (the "Bank"), and the Bank's subsidiaries, Cambridge Trust Company of New Hampshire, Inc., CTC Security Corporation, CTC Security Corporation II and CTC Security Corporation III. References to the Corporation herein relate to the consolidated group of companies. All significant intercompany accounts and transactions have been eliminated in preparation of the consolidated financial statements.

The Corporation is a state chartered, federally registered bank holding company headquartered in Cambridge, Massachusetts, that was incorporated in 1983. The Corporation is closely held and has less than two thousand shareholders of record and, accordingly, is not required to file quarterly, annual or other public reports with the Securities and Exchange Commission ("SEC"). The Corporation is the sole stockholder of the Bank, a Massachusetts trust company chartered in 1890 which is a community-oriented commercial bank. The community banking business, the Corporation's only reportable operating segment, consists of commercial banking, consumer banking, and trust and investment management services and is managed as a single strategic unit.

The Bank offers a full range of commercial and consumer banking services through its network of 12 full-service banking offices in Massachusetts. The Bank is engaged principally in the business of attracting deposits from the public and investing those deposits. The Bank invests those funds in various types of loans, including residential and commercial real estate, and a variety of commercial and consumer loans. The Bank also invests its deposits and borrowed funds in investment securities and has three wholly-owned Massachusetts Security Corporations, CTC Security Corporation, CTC Security Corporation II and CTC Security Corporation III, for this purpose. Deposits at the Bank are insured by the Federal Deposit Insurance Corporation ("FDIC") for the maximum amount permitted by FDIC Regulations.

Trust and investment management services are offered through the Bank's full-service branches in Massachusetts, a wealth management office located in Boston, and three wealth management offices located in New Hampshire. The Bank also utilizes its non-depository trust company, Cambridge Trust Company of New Hampshire, Inc., in providing wealth management services in New Hampshire. The assets held for wealth management customers are not assets of the Bank and, accordingly, are not reflected in the accompanying consolidated balance sheets. Total assets managed on behalf of wealth management clients were approximately $2,329,000,000 and $2,290,000,000 at December 31, 2015 and 2014, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and general practices within the banking industry.

Use of Estimates
In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from these estimates. Material estimates that are particularly susceptible to change relate to the determination of the allowance for loan losses and review of goodwill for impairment.

Reclassifications
Certain amounts in the prior year's financial statements may have been reclassified to conform with the current year's presentation.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand, amounts due from banks and overnight investments.

Investment Securities
Investment securities are classified as either 'held to maturity' or 'available for sale' in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 320, "*Investments – Debt and Equity Securities*." Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and are carried at cost, adjusted for the amortization of premiums and the accretion of discounts, using the effective-yield method. U.S. Government Sponsored Enterprise ("GSE") obligations represent debt securities issued by the Federal Farm Credit Bank ("FFCB"), the Federal Home Loan Banks ("FHLB"), the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"). Mortgage-backed securities represent Pass-Through Certificates and Collateralized Mortgage Obligations ("CMOs") either issued by, or collateralized by securities issued by, GNMA, FNMA or FHLMC. Mortgage-backed securities are adjusted for amortization of premiums and accretion of discounts, using the effective-yield method over the estimated average lives of the investments.

Debt and equity securities not classified as held to maturity are classified as available for sale and carried at fair value with unrealized after-tax gains and losses reported net as a separate component of stockholders' equity. Stockholders' equity included net unrealized losses of $1,571,000 and $148,000 at December 31, 2015 and 2014, respectively. These amounts are net of deferred taxes receivable of $851,000 and $80,000, in each of the respective years. The Corporation classifies its securities based on its intention at the time of purchase.

Declines in the fair value of investment securities below their amortized cost that are deemed to be other-than-temporary are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost; (2) the financial condition and near-term prospects of the issuer; and (3) the Corporation's intent to sell the security or whether it is more likely than not that the Corporation will be required to sell the debt security before its anticipated recovery.

Loans and the Allowance for Loan Losses
Loans are reported at the amount of their outstanding principal, including deferred loan origination fees and costs, reduced by unearned discounts and the allowance for loan losses. Loan origination fees, net of related direct incremental loan origination costs, are deferred and recognized as income over the contractual lives of the related loans as an adjustment to the loan yield, using a method which approximates the interest method. Unearned discount is recognized as an adjustment to the loan yield, using the interest method over the contractual life of the related loan. When a loan is paid off, the unamortized portion of net fees or unearned discount is recognized as interest income.

Loans are considered delinquent when a payment of principal and/or interest becomes past due 30 days following its scheduled payment due date.

Loans on which the accrual of interest has been discontinued are designated non-accrual loans. Accrual of interest income is discontinued when concern exists as to the collectability of principal or interest, or typically when a loan becomes over 90 days delinquent. Additionally, when a loan is placed on non-accrual status, all interest previously accrued but not collected is reversed against current period income. Loans are removed from non-accrual when they become less than 90 days past due and when concern no longer exists as to the collectability of principal or interest. Interest collected on non-accruing loans is either applied against principal or reported as income according to management's judgment as to the collectability of principal.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Under certain circumstances, the Corporation may restructure the terms of a loan as a concession to a borrower. These restructured loans are generally also considered impaired loans. Impairment is measured on a loan-by-loan basis for commercial mortgage and commercial loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual residential mortgage, home equity or consumer loans for impairment disclosures unless they have been modified in a troubled debt restructuring.

The provision for loan losses and the level of the allowance for loan losses reflects management's estimate of probable loan losses inherent in the loan portfolio at the balance sheet date. Management uses a systematic process and methodology to establish the allowance for loan losses each quarter. To determine the total allowance for loan losses, an estimate is made by management of the allowance needed for each of the following segments of the loan portfolio: (a) residential mortgage loans, (b) commercial mortgage loans, (c) home equity loans, (d) commercial & industrial loans, and (e) consumer loans. Portfolio segments are further disaggregated into classes of loans. The establishment of the allowance for each portfolio segment is based on a process consistently applied that evaluates the risk characteristics relevant to each portfolio segment and takes into consideration multiple internal and external factors. Internal factors include (a) historic levels and trends in charge-offs, delinquencies, risk ratings, and foreclosures, (b) level and changes in industry, geographic and credit concentrations, (c) underwriting policies and adherence to such policies, and (d) the experience of, and any changes in, lending and credit personnel. External factors include (a) conditions and trends in the local and national economy and (b) levels and trends in national delinquent and non-performing loans. An additional unallocated component is maintained based on a judgmental process whereby management considers qualitative and quantitative assessments of other environmental factors not included above.

The Bank evaluates certain loans within the commercial & industrial, commercial mortgage and commercial construction loan portfolios individually for specific impairment. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Loans are selected for evaluation based upon internal risk rating, delinquency status, or non-accrual status. A specific allowance amount is allocated to an individual loan when such loan has been deemed impaired and when the amount of the probable loss is able to be estimated. Estimates of loss may be determined by the present value of anticipated future cash flows, the loan's observable fair market value, or the fair value of the collateral, if the loan is collateral dependent.

Risk characteristics relevant to each portfolio segment are as follows:

Residential mortgage and home equity loans – The Bank generally does not originate loans in these segments with a loan-to-value ratio greater than 80 percent, unless covered by private mortgage insurance, and in all cases not greater than a loan-to-value ratio of 95 percent. The Bank does not grant subprime loans. Loans in these segments are secured by one-to-four family residential real estate and repayment is primarily dependent on the credit quality of the individual borrower.

Commercial mortgage loans – The Bank generally does not originate loans in this segment with a loan-to-value ratio greater than 75 percent. Loans in this segment are secured by owner-occupied and nonowner-occupied commercial real estate and repayment is primarily dependent on the cash flows of the property (if nonowner-occupied) or of the business (if owner-occupied).

Commercial loans – Loans in this segment are made to businesses and are generally secured by equipment, accounts receivable or inventory, as well as the personal guarantees of the principal owners of the business and repayment is primarily dependent on the cash flows generated by the business.

Consumer loans – Loans in this segment are made to individuals and can be secured or unsecured. Repayment is primarily dependent on the credit quality of the individual borrower.

The majority of the Bank's loans are concentrated in Eastern Massachusetts and therefore the overall health of the local economy, including unemployment rates, vacancy rates, and consumer spending levels, can have a material effect on the credit quality of all of these portfolio segments.

The process to determine the allowance for loan losses requires management to exercise considerable judgment regarding the risk characteristics of the loan portfolio segments and the effect of relevant internal and external factors.

The provision for loan losses charged to operations is based on management's judgment of the amount necessary to maintain the allowance at a level adequate to provide for inherent loan losses. When management believes that the collectability of a loan's principal balance, or portions thereof, is unlikely, the principal amount is charged against the allowance for loan losses. Recoveries on loans that have been previously charged off are credited to the allowance for loan losses as received. The allowance is an estimate, and ultimate losses may vary from current estimates. As adjustments become necessary, they are reported in the results of operations through the provision for loan losses in the period in which they become known.

Residential mortgage loans originated and intended for sale in the secondary market are classified as held for sale at the time of their origination and are carried at the lower of cost or fair value. Changes in fair value relating to loans held for sale below the loans cost basis are charged against earnings. Gains and losses on the actual sale of the residential loans are recorded in earnings as net gains (losses) on loans held for sale.

Bank Owned Life Insurance
Bank owned life insurance ("BOLI") represents life insurance on the lives of certain employees who have provided positive consent allowing the Bank to be the beneficiary of such policies. Since the Bank is the primary beneficiary of the insurance policies, increases in the cash value of the policies, as well as insurance proceeds received, are recorded in other noninterest income, and are not subject to income taxes. The cash value of the policies is included in other assets. The Bank reviews the financial strength of the insurance carriers prior to the purchase of BOLI and at least annually thereafter.

Banking Premises and Equipment
Land is stated at cost. Buildings, leasehold improvements and equipment are stated at cost, less accumulated depreciation and amortization, which is computed using the straight-line method over the estimated useful lives of the assets or the terms of the leases, if shorter. The cost of ordinary maintenance and repairs is charged to expense when incurred.

Other Real Estate Owned
Other real estate owned ("OREO") consists of properties formerly pledged as collateral to loans, which have been acquired by the Bank through foreclosure proceedings or acceptance of a deed in lieu of foreclosure. Upon transfer of a loan to foreclosure status, an appraisal is obtained and any excess of the loan balance over the fair value, less estimated costs to sell, is charged against the allowance for loan losses. Expenses and subsequent adjustments to the fair value are treated as other operating expense.

Goodwill and Other Intangible Assets
Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. Goodwill and intangible assets that are not amortized are tested for impairment, based on their fair values, at least annually. Identifiable intangible assets that are subject to amortization are also reviewed for impairment based on their fair value. Any impairment is recognized as a charge to earnings and the adjusted carrying amount of the intangible asset becomes its new accounting basis. The remaining useful life of an intangible asset that is being amortized is also evaluated each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization.

Rights to service mortgage loans for others are recognized as an asset. The total cost of originated loans that are sold with servicing rights retained is allocated between the loan servicing rights and the loans without servicing rights based on their relative fair values. Capitalized loan servicing rights are included in other assets and are amortized as an offset to other income over the period of estimated net servicing income. They are evaluated for impairment at each reporting date based on their fair value. Impairment is measured on an aggregated basis according to interest rate band and period of origination. The fair value is estimated based on the present value of expected cash flows, incorporating assumptions for discount rate, prepayment speed and servicing cost. Any impairment is recognized as a charge to earnings.

Income Taxes

The Corporation and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and in the state of Massachusetts and other states as required.

The Corporation uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Deferred tax assets are reviewed quarterly and reduced by a valuation allowance if, based upon the information available, it is more likely than not that some or all of the deferred tax assets will not be realized.

Interest and penalties related to unrecognized tax benefits, if incurred, are recognized as a component of income tax expense.

Wealth Management Income

Income from investment management and fiduciary activities is recognized on the accrual basis of accounting.

Pension and Retirement Plans

The Corporation sponsors a defined benefit pension plan and a postretirement health care plan covering substantially all employees hired before May 2, 2011. Benefits for the pension plan are based primarily on years of service and the employee's average monthly pay during the five highest consecutive plan years of the employee's final ten years. Benefits for the postretirement health care plan are based on years of service. Expense for both of these plans is recognized over the employee's service life utilizing the projected unit credit actuarial cost method. Contributions are periodically made to the pension plan so as to comply with the Employee Retirement Income Security Act ("ERISA") funding standards and the Internal Revenue Code of 1986, as amended.

The Corporation also has a non-qualified retirement plan to provide supplemental retirement benefits to certain executives. Expense for this plan is recognized over the executive's service life utilizing the projected unit credit actuarial cost method.

Stock-Based Compensation

The cost of stock-based awards (stock options, restricted stock and/or restricted stock units of the Corporation) is determined at the grant date as measured by the fair value of the award. Stock-based awards requiring future service are recognized as compensation expense over the relevant service period. Stock-based awards that do not require future service are expensed immediately. The Corporation estimates expected forfeitures in determining compensation expense.

Derivative Instruments and Hedging Activities
Derivatives are recognized as either assets or liabilities on the balance sheet and are measured at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and resulting designation.

For derivatives designated as fair value hedges, changes in the fair value of the derivative are recognized in earnings together with the changes in the fair value of the related hedged item. The net amount, if any, represents hedge ineffectiveness and is reflected in earnings.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative are recorded in other comprehensive income (loss) and recognized in earnings when the hedged transaction affects earnings. The ineffective portion of changes in the fair value of cash flow hedges is recognized directly in earnings.

For derivatives not designated as hedges, changes in fair value of the derivative instruments are recognized in earnings, in noninterest income.

The accrued net settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense based on the item being hedged. Changes in fair value of derivatives including accrued net settlements that do not qualify for hedge accounting are reported in noninterest income.

Fair Value Measurements
ASC 820, "*Fair Value Measurements and Disclosures*" establishes a fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data and requires fair value measurements to be disclosed by level within the hierarchy. The three broad levels defined by the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reported date. The type of financial instruments included in Level 1 are highly liquid cash instruments with quoted prices such as government or agency securities, listed equities and money market securities, as well as listed derivative instruments.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these financial instruments includes cash instruments for which quoted prices are available but traded less frequently, derivative instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed. Instruments which are generally included in this category are corporate bonds and loans, mortgage whole loans, municipal bonds and over-the-counter derivatives.

Level 3 – Instruments that have little to no pricing observability as of the reported date. These financial instruments do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment to estimation. Instruments that are included in this category generally include certain commercial mortgage loans, certain private equity investments, distressed debt, non-investment grade residual interests in securitizations, as well as certain highly structured over-the-counter derivative contracts.

Earnings per Share
Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding for each period presented. Diluted earnings per share are computed by dividing net income by the weighted average number of common shares outstanding plus the dilutive effect of stock options outstanding.

Subsequent Events
Management has reviewed events occurring through February 26, 2016, the date the consolidated financial statements were issued and determined that no subsequent events occurred requiring accrual or disclosure.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*" ("ASU 2014-09"). This issuance was part of the joint project between the FASB and the International Accounting Standards Board to clarify the principles of recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The impact of ASU 2014-09 on the Corporation's consolidated financial statements is not yet known. Additionally, in August 2015, the FASB issued Accounting Standards Update No. 2015-14, "*Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*" ("ASU 2015-14") which defers adoption of ASU 2014-09 to annual reporting periods beginning after December 15, 2017.

4. CASH AND DUE FROM BANKS

At December 31, 2015 and 2014, cash and due from banks totaled $24,645,000 and $17,440,000, respectively. Of this amount, $10,106,000 and $9,830,000, respectively, were maintained to satisfy the reserve requirements of the Federal Reserve Bank of Boston ("FRB Boston"). Additionally, at both December 31, 2015 and 2014, $1,000,000 was pledged to the New Hampshire Banking Department relating to Cambridge Trust Company of New Hampshire, Inc.'s operations in that State.

5. INVESTMENT SECURITIES

Investment securities have been classified in the accompanying consolidated balance sheets according to management's intent. The carrying amounts of securities and their approximate fair values were as follows:

	December 31, 2015			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In thousands)			
Securities available for sale:				
U.S. GSE obligations	$ 140,242	$ 58	$ (530)	$ 139,770
Mortgage-backed securities	207,681	1,061	(2,936)	205,806
Corporate debt securities	1,000	—	(15)	985
Mutual funds	672	—	(60)	612
Total securities available for sale	349,595	1,119	(3,541)	347,173
Securities held to maturity:				
Mortgage-backed securities	1,306	50	—	1,356
Municipal securities	81,757	3,464	(36)	85,185
Total securities held to maturity	83,063	3,514	(36)	86,541
Total investment securities	$ 432,658	$ 4,633	$ (3,577)	$ 433,714

	December 31, 2014			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In thousands)			
Securities available for sale:				
U.S. GSE obligations	$ 91,033	$ 93	$ (655)	$ 90,471
Mortgage-backed securities	245,309	2,571	(2,200)	245,680
Corporate debt securities	3,005	14	(3)	3,016
Mutual funds	672	—	(48)	624
Total securities available for sale	340,019	2,678	(2,906)	339,791
Securities held to maturity:				
Mortgage-backed securities	2,176	117	—	2,293
Municipal securities	77,470	3,681	(13)	81,138
Total securities held to maturity	79,646	3,798	(13)	83,431
Total investment securities	$ 419,665	$ 6,476	$ (2,919)	$ 423,222

All of the Corporation's mortgage-backed securities have been issued by, or are collateralized by securities issued by, either GNMA, FNMA or FHLMC.

The amortized cost and fair value of debt investments, aggregated by contractual maturity, are shown below. Maturities of mortgage-backed securities do not take into consideration scheduled amortization or prepayments. Actual maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Within One Year		After One, But Within Five Years		After Five, But Within Ten Years		After Ten Years	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)							
At December 31, 2015:								
Debt securities available for sale:								
U.S. GSE obligations	$ —	$ —	$140,242	$139,770	$ —	$ —	$ —	$ —
Mortgage-backed securities	6	6	1,169	1,218	21,931	21,793	184,575	182,789
Corporate debt securities	—	—	—	—	1,000	985	—	—
Total debt securities available for sale	6	6	141,411	140,988	22,931	22,778	184,575	182,789
Debt securities held to maturity:								
Mortgage-backed securities	2	2	1,234	1,281	4	4	66	69
Municipal securities	1,136	1,150	18,176	18,615	33,500	35,223	28,945	30,197
Total debt securities held to maturity	1,138	1,152	19,410	19,896	33,504	35,227	29,011	30,266
Total debt securities	$ 1,144	$ 1,158	$160,821	$160,884	$ 56,435	$ 58,005	$ 213,586	$ 213,055

The following table shows the Corporation's securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position:

	Less than One Year		One Year or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
At December 31, 2015:						
U.S. GSE obligations	$ 84,726	$ (485)	$ 4,953	$ (45)	$ 89,679	$ (530)
Mortgage-backed securities	99,190	(1,154)	71,554	(1,782)	170,744	(2,936)
Corporate debt securities	985	(15)	—	—	985	(15)
Municipal securities	3,517	(36)	—	—	3,517	(36)
Subtotal, debt securities	188,418	(1,690)	76,507	(1,827)	264,925	(3,517)
Mutual funds	—	—	612	(60)	612	(60)
Total temporarily impaired securities	$188,418	$ (1,690)	$ 77,119	$ (1,887)	$265,537	$ (3,577)
At December 31, 2014:						
U.S. GSE obligations	$ 15,018	$ (26)	$ 44,351	$ (629)	$ 59,369	$ (655)
Mortgage-backed securities	24,005	(103)	121,933	(2,097)	145,938	(2,200)
Corporate debt securities	—	—	2,002	(3)	2,002	(3)
Municipal securities	1,336	(3)	836	(10)	2,172	(13)
Subtotal, debt securities	40,359	(132)	169,122	(2,739)	209,481	(2,871)
Mutual funds	—	—	624	(48)	624	(48)
Total temporarily impaired securities	$ 40,359	$ (132)	$169,746	$ (2,787)	$210,105	$ (2,919)

Securities are evaluated by management for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost; (2) the financial condition and near-term prospects of the issuer; and (3) the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As of December 31, 2015, eighty-four debt securities and one equity security had gross unrealized losses, with an aggregate depreciation of 1.33% from the Corporation's amortized cost basis. The largest unrealized loss percentage of any single security was 8.91% (or $60,000) of its amortized cost. The largest unrealized dollar loss of any single security was $132,000 (or 3.18%) of its amortized cost. The Corporation believes that the nature and duration of impairment on its debt security positions are primarily a function of interest rate movements and changes in investment spreads, and does not consider full repayment of principal on the reported debt obligations to be at risk. Since nearly all of these securities are rated "investment grade" and a) the Corporation does not intend to sell these securities before recovery, and b) that it is more likely than not that the Corporation will not be required to sell these securities before recovery, the Corporation does not consider these securities to be other-than-temporarily impaired as of December 31, 2015.

The following table sets forth information regarding sales of investment securities and the resulting gains or losses from such sales.

	Year Ended December 31,	
	2015	2014
	(In thousands)	
Amortized cost of securities sold	$ 46,935	$ 28,940
Gain realized on securities sold	690	1,073
Proceeds from securities sold	$ 47,625	$ 30,013

6. LOANS AND ALLOWANCE FOR LOAN LOSSES

The Bank originates loans to businesses and individuals on both a collateralized and an uncollateralized basis. The Bank's customer base is concentrated in Eastern Massachusetts. The Bank has diversified the risk in its commercial loan portfolio by lending to businesses in a wide range of industries while maintaining no significant individual industry concentration. The majority of loans to individuals are collateralized by residential real estate, marketable securities or other assets.

Loans outstanding are detailed by category as follows:

	December 31, 2015	December 31, 2014
	(In thousands)	
Residential real estate:		
Mortgages - fixed rate (20 & 30 year)	$ 179,245	$ 151,973
Mortgages - fixed rate (15 year)	112,925	117,753
Mortgages - fixed rate (10 year)	46,406	53,054
Mortgages - adjustable rate	206,835	183,796
Deferred costs net of unearned fees	834	640
Total residential real estate	546,245	507,216
Commercial real estate:		
Mortgages - nonowner occupied	422,923	370,871
Mortgages - owner occupied	43,265	46,954
Construction	44,624	23,879
Deferred costs net of unearned fees	259	138
Total commercial real estate	511,071	441,842
Home equity:		
Home equity - lines of credit	59,676	53,492
Home equity - term loans	3,630	2,934
Deferred costs net of unearned fees	216	153
Total home equity	63,522	56,579
Commercial:		
Commercial and industrial	42,209	49,263
Deferred costs net of unearned fees	175	229
Total commercial	42,384	49,492
Consumer:		
Secured	27,390	23,749
Unsecured	1,585	1,873
Deferred costs net of unearned fees	17	15
Total consumer	28,992	25,637
Total loans	$1,192,214	$1,080,766

Certain directors and officers of the Corporation are customers of the Bank. Loans to these parties are made in the ordinary course of business at the Bank's normal credit terms, including interest rate and collateral requirements, and do not represent more than a normal risk of collection. At December 31, 2015 and 2014, total loans outstanding to these related parties were $884,000 and $842,000, respectively. During 2015, $210,000 of additions and $167,000 of repayments were made to these loans, compared to $280,000 of additions and $167,000 of repayments made during 2014.

The following table sets forth information regarding non-performing loans.

	December 31, 2015	December 31, 2014
	(In thousands)	
Non-accrual loans	$ 1,481	$ 1,620
Loans past due >90 days, but still accruing	—	9
Troubled debt restructurings	—	—
Total non-performing loans	$ 1,481	$ 1,629

A breakdown of non-accrual loans receivable is as follows:

	December 31, 2015	December 31, 2014
	(In thousands)	
Non-accrual loans:		
Residential mortgage loans	$ 754	$ 846
Commercial mortgage loans	306	337
Home equity loans	—	326
Commercial loans	420	106
Consumer loans	1	5
Total	$ 1,481	$ 1,620

The following table contains period-end balances of loans receivable disaggregated by credit quality indicator:

	December 31, 2015 (In thousands)		
	Residential Mortgages	Home Equity	Consumer
Credit risk profile based on payment activity:			
Performing	$ 545,491	$ 63,522	$ 28,991
Non-performing	754	—	1
Total	$ 546,245	$ 63,522	$ 28,992

	Commercial Mortgages	Commercial
Credit risk profile by internally assigned grade:		
Pass	$ 506,520	$ 39,490
Special mention	4,007	2,570
Substandard	544	324
Doubtful	—	—
Total	$ 511,071	$ 42,384

With respect to residential real estate, home equity and consumer loans, the Bank utilizes the following categories as indicators of credit quality:

- Performing – These loans are accruing and are considered having low to moderate risk.
- Non-performing – These loans either have been placed on non-accrual, or are past due more than 90 days but are still accruing, and may contain greater than average risk.

With respect to commercial real estate and commercial loans, the Bank utilizes a ten grade internal loan rating system as an indicator of credit quality. The grades are as follows:

- Loans rated 1-6 (Pass) – These loans are considered “pass” rated with low to average risk.
- Loans rated 7 (Special Mention) – These loans have potential weaknesses warranting close attention which if left uncorrected may result in deterioration of the credit at some future date.
- Loans rated 8 (Substandard) – These loans have well-defined weaknesses that jeopardize the orderly liquidation of the debt under the original loan terms. Loss potential exists but is not identifiable in any one customer.
- Loans rated 9 (Doubtful) – These loans have pronounced weaknesses that make full collection highly questionable and improbable.
- Loans rated 10 (Loss) – These loans are considered uncollectible and continuance as a bankable asset is not warranted.

The following table contains period-end balances of loans receivable disaggregated by past due status:

	December 31, 2015						
	Current	30 - 59 Days	60 - 89 Days	90 Days or Greater	Total Past Due	Total Loans	Greater Than 90 Days But Accruing
	(In thousands)						
Loans receivable:							
Residential mortgage loans	$ 545,743	$ 502	$ —	$ —	$ 502	$ 546,245	$ —
Commercial mortgage loans	509,950	—	815	306	1,121	511,071	—
Home equity loans	63,454	68	—	—	68	63,522	—
Commercial loans	41,221	409	364	390	1,163	42,384	—
Consumer loans	28,106	886	—	—	886	28,992	—
Total	$1,188,474	$1,865	$1,179	$ 696	$3,740	$1,192,214	$ —

The following table contains period-end balances of the allowance for loan losses and related loans receivable disaggregated by impairment method:

	December 31, 2015						
	Residential Mortgages	Commercial Mortgages	Home Equity	Commercial	Consumer	Unallocated	Total
	(In thousands)						
Allowance for loan losses:							
Individually evaluated for impairment	$ —	$ —	$ —	$ 174	$ —	$ —	$ 174
Collectively evaluated for impairment	5,244	8,094	699	615	354	11	15,017
Total	$ 5,244	$ 8,094	$ 699	$ 789	$ 354	$ 11	$ 15,191
Loans receivable:							
Individually evaluated for impairment	$ —	$ 544	$ —	$ 515	$ —		$ 1,059
Collectively evaluated for impairment	546,245	510,527	63,522	41,869	28,992		1,191,155
Total	$ 546,245	$ 511,071	$ 63,522	$ 42,384	$ 28,992		$1,192,214

	December 31, 2014						
	Residential Mortgages	Commercial Mortgages	Home Equity	Commercial	Consumer	Unallocated	Total
				(In thousands)			
Allowance for loan losses:							
Individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated for impairment	5,174	7,285	679	750	328	53	14,269
Total	$ 5,174	$ 7,285	$ 679	$ 750	$ 328	$ 53	$ 14,269
Loans receivable:							
Individually evaluated for impairment	$ —	$ 337	$ —	$ 157	$ —		$ 494
Collectively evaluated for impairment	507,216	441,505	56,579	49,335	25,637		1,080,272
Total	$ 507,216	$ 441,842	$ 56,579	$ 49,492	$ 25,637		$1,080,766

As discussed in Note 2, Summary of Significant Accounting Policies, the provision for loan losses is evaluated on a regular basis by management in order to determine the adequacy of the allowance for loan losses.

7. FEDERAL HOME LOAN BANK OF BOSTON STOCK

As a voluntary member of the FHLB of Boston ("FHLB Boston"), the Bank is required to invest in stock of the FHLB Boston (which is considered a restricted equity security) in an amount based upon its outstanding advances from the FHLB Boston. At December 31, 2015, the Bank's investment in FHLB Boston stock exceeded its required investment by $2,790,000. No market exists for shares of this stock. The Bank's cost for FHLB Boston stock is equal to its par value. Upon redemption of the stock, which is at the discretion of the FHLB Boston, the Bank would receive an amount equal to the par value of the stock. At its discretion, the FHLB Boston may also declare dividends on its stock.

The Bank's investment in FHLB Boston stock is reviewed for impairment at each reporting date based on the ultimate recoverability of the cost basis of the stock. As of December 31, 2015, no impairment has been recognized.

8. BANKING PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation and amortization of property, leasehold improvements and equipment is presented below:

	December 31, 2015	December 31, 2014	Estimated Useful Lives
	(In thousands)		
Land	$ 1,116	$ 1,116	
Building and leasehold improvements	12,437	12,506	3-30 years
Equipment, including vaults	7,920	9,215	3-20 years
Construction in process	3,107	290	
Subtotal	24,580	23,127	
Accumulated depreciation and amortization	(13,209)	(14,760)	
Total	$ 11,371	$ 8,367	

Total depreciation expense for the years ended December 31, 2015 and 2014 amounted to approximately $1,935,000 and $1,817,000, respectively, and is included in occupancy and equipment expenses in the accompanying consolidated statements of income.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

At December 31, 2015 and 2014, the carrying value of goodwill, which is included in other assets, totaled $412,000. Goodwill is tested for impairment, based on its fair value, at least annually. As of December 31, 2015, no goodwill impairment has been recognized.

An analysis of mortgage servicing rights, which are included in other assets, follows:

	Mortgage Servicing Rights	Valuation Allowance	Total
		(In thousands)	
Balance at December 31, 2013	$ 396	$ (12)	$ 384
Mortgage servicing rights capitalized	63	—	63
Amortization charged against servicing income	(127)	—	(127)
Change in impairment reserve	—	12	12
Balance at December 31, 2014	332	—	332
Mortgage servicing rights capitalized	305	—	305
Amortization charged against servicing income	(138)	—	(138)
Change in impairment reserve	—	(8)	(8)
Balance at December 31, 2015	$ 499	$ (8)	$ 491

10. DEPOSITS

Deposits are summarized as follows:

	December 31, 2015	December 31, 2014
	(In thousands)	
Demand deposits (non-interest bearing)	$ 436,998	$ 390,286
Interest bearing checking	370,400	352,661
Money market	73,911	74,654
Savings	497,525	430,040
Retail certificates of deposit under $100,000	46,277	49,768
Retail certificates of deposit $100,000 or greater	75,858	73,127
Wholesale certificates of deposit	56,255	—
Total deposits	$1,557,224	$1,370,536

Certificates of deposit had the following schedule of maturities:

	December 31, 2015	December 31, 2014
	(In thousands)	
Less than 3 months remaining	$ 39,001	$ 41,987
3 to 5 months remaining	17,329	21,661
6 to 11 months remaining	21,973	24,607
12 to 23 months remaining	33,054	16,533
24 to 47 months remaining	56,601	12,515
48 months or more remaining	10,432	5,592
Total certificates of deposit	$ 178,390	$ 122,895

Interest expense on retail certificates of deposit $100,000 or greater was $482,000 and $472,000 for the years ended December 31, 2015 and 2014, respectively.

11. BORROWINGS

Information relating to short-term borrowings is presented below:

	Year Ended December 31, 2015	2014
	(Dollars in thousands)	
FHLB Boston short-term borrowings:		
Ending balance	$ —	$ 69,000
Average daily balance	$ 81,167	$ 69,915
Ending interest rate	NA	0.30%
Average interest rate	0.26%	0.21%
Highest month-end balance	$ 142,000	$ 117,000

Information relating to long-term borrowings is presented below:

	December 31, 2015 Amount	Rate	December 31, 2014 Amount	Rate
	(Dollars in thousands)			
FHLB Boston long-term advances:				
Due 09/01/2020; amortizing	$ 3,910	1.94%	$ —	NA

All short- and long-term borrowings with the FHLB Boston are secured by the Bank's stock in the FHLB Boston and a blanket lien on "qualified collateral" defined principally as 90% of the market value of certain U.S. Government and GSE obligations and 75% of the carrying value of certain residential mortgage loans. Based upon collateral pledged, the Bank's unused borrowing capacity with the FHLB Boston at December 31, 2015 was approximately $322,024,000.

The Bank also has a line of credit with the FRB Boston. At December 31, 2015, the Bank had pledged commercial real estate and commercial & industrial loans with aggregate principal balances of approximately $316,293,000 as collateral for this line of credit. Based upon the collateral pledged, the Bank's unused borrowing capacity with the FRB Boston at December 31, 2015 was approximately $129,979,000.

12. INCOME TAXES

The components of income tax expense were as follows:

	Year Ended December 31, 2015	Year Ended December 31, 2014
	(In thousands)	
Current:		
Federal	$ 6,855	$ 6,639
State	1,458	1,356
Total current expense	8,313	7,995
Deferred:		
Federal	(594)	(592)
State	(168)	(167)
Total deferred benefit	(762)	(759)
Total income tax expense	$ 7,551	$ 7,236

The following is a reconciliation of the total income tax provision, calculated at statutory federal income tax rates, to the income tax provision in the consolidated statements of income:

	Year Ended December 31, 2015	Year Ended December 31, 2014
	(In thousands)	
Provision at statutory rates	$ 8,136	$ 7,763
Increase/(decrease) resulting from:		
State tax, net of federal tax benefit	839	773
Tax-exempt income	(1,041)	(938)
ESOP dividends	(207)	(189)
Bank owned life insurance	(233)	(233)
Other	57	60
Total income tax expense	$ 7,551	$ 7,236

As of December 31, 2015 and 2014, the Corporation had no unrecognized tax assets or liabilities.

The Corporation's net deferred tax asset consisted of the following components:

	December 31,	
	2015	2014
	(In thousands)	
Gross deferred tax assets:		
Allowance for loan losses	$ 6,206	$ 5,829
Accrued retirement benefits	4,646	3,923
Unrealized losses on AFS securities	851	80
Incentive compensation	886	624
Equity based compensation	268	273
Rent	186	253
ESOP dividends	241	221
Goodwill	—	4
Other	177	174
Total gross deferred tax assets	13,461	11,381
Gross deferred tax liabilities:		
Deferred loan origination costs	(617)	(492)
Depreciation of premises and equipment	(601)	(340)
Mortgage servicing rights	(201)	(135)
Goodwill	(122)	—
Total gross deferred tax liabilities	(1,541)	(967)
Net deferred tax asset	$ 11,920	$ 10,414

It is management's belief, that it is more likely than not, that the reversal of deferred tax liabilities and results of future operations will generate sufficient taxable income to realize the deferred tax assets. In addition, the Corporation's net deferred tax asset is supported by recoverable income taxes. Therefore, no valuation allowance was required at either December 31, 2015 or 2014 for the deferred tax assets. It should be noted, however, that factors beyond management's control, such as the general state of the economy and real estate values, can affect future levels of taxable income and that no assurance can be given that sufficient taxable income will be generated in future periods to fully absorb deductible temporary differences.

At December 31, 2015 and 2014, the Corporation had no unrecognized tax benefits or any uncertain tax positions. The Corporation does not expect the total amount of unrecognized tax benefits to significantly increase in the next twelve months.

The Corporation's federal income tax returns are open and subject to examination from the 2012 tax return year and forward. The Corporation's state income tax returns are generally open from the 2012 and later tax return years based on individual state statute of limitations.

13. PENSION AND RETIREMENT PLANS

The Corporation has a noncontributory, defined benefit pension plan ("Pension Plan") covering substantially all employees hired before May 2, 2011. Employees in positions requiring at least 1,000 hours of service per year were eligible to participate upon the attainment of age 21 and the completion of one year of service. Benefits are based primarily on years of service and the employee's average monthly pay during the five highest consecutive plan years of the employee's final ten years. The Corporation also provides supplemental retirement benefits to certain executive officers of the Corporation under the terms of Supplemental Executive Retirement Agreements ("Supplemental Retirement Plan"). The Supplemental Retirement Plan became effective on October 1, 1989. Benefits to be paid under the plan are contractually agreed upon and detailed in individual agreements with the executives. The Corporation uses a December 31 measurement date each year to determine the benefit obligations for these plans.

Projected benefit obligations and funded status were as follows:

	Pension Plan		Supplemental Retirement Plan	
	2015	**2014**	**2015**	**2014**
	(In thousands)			
Change in projected benefit obligation:				
Obligation at beginning of year	$ 40,964	$ 30,209	$ 8,211	$ 6,216
Service cost	1,711	1,291	732	527
Interest cost	1,632	1,480	328	311
Actuarial loss/(gain)	(2,671)	8,718	(483)	1,279
Benefits paid	(983)	(734)	(369)	(122)
Obligation at end of year	40,653	40,964	8,419	8,211
Change in plan assets:				
Fair value at beginning of year	40,400	38,639	—	—
Actual return on plan assets	(935)	2,495	—	—
Employer contribution	—	—	369	122
Benefits paid	(983)	(734)	(369)	(122)
Fair value at end of year	38,482	40,400	—	—
Underfunded status at end of year	$ (2,171)	$ (564)	$ (8,419)	$ (8,211)

Amounts recognized in the consolidated balance sheets consisted of:

	Pension Plan		Supplemental Retirement Plan	
	2015	**2014**	**2015**	**2014**
	(In thousands)			
Other liabilities	$ (2,171)	$ (564)	$ (8,419)	$ (8,211)

Amounts recognized in accumulated other comprehensive income (loss) consisted of:

	Pension Plan		Supplemental Retirement Plan	
	2015	**2014**	**2015**	**2014**
	(In thousands)			
Net actuarial loss/(gain)	$ 11,261	$ 10,790	$ 428	$ 935
Prior service (benefit)	(25)	(29)	—	—
Total	$ 11,236	$ 10,761	$ 428	$ 935

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	Pension Plan		Supplemental Retirement Plan	
	2015	2014	2015	2014
	(In thousands)			
Projected benefit obligation	$ 40,653	$ 40,964	$ 8,419	$ 8,211
Accumulated benefit obligation	34,705	34,572	8,419	8,211
Fair value of plan assets	38,482	40,400	—	—

The components of net periodic benefit cost and amounts recognized in other comprehensive income were as follows:

	Pension Plan		Supplemental Retirement Plan	
	2015	2014	2015	2014
	(In thousands)			
Net periodic benefit cost:				
Service cost	$ 1,711	$ 1,291	$ 732	$ 527
Interest cost	1,632	1,481	329	311
Expected return on assets	(2,986)	(2,859)	—	—
Amortization of prior service credit	(4)	(4)	—	—
Amortization of net actuarial loss	778	—	24	—
Net periodic benefit cost	1,131	(91)	1,085	838
Amounts recognized in other comprehensive income:				
Net actuarial loss/(gain)	1,249	9,082	(483)	1,279
Amortization of prior service credit	4	4	—	—
Amortization of net acturarial loss	(778)	—	—	—
Total recognized in other comprehensive income	475	9,086	(483)	1,279
Total recognized in net periodic benefit cost and other comprehensive income	$ 1,606	$ 8,995	$ 602	$ 2,117

Weighted-average assumptions used to determine projected benefit obligations are as follows:

	Pension Plan		Supplemental Retirement Plan	
	2015	2014	2015	2014
Discount rate	4.35%	4.00%	4.35%	4.00%
Rate of compensation increase	4.00%	4.00%	NA	NA

Weighted-average assumptions used to determine net periodic benefit cost are as follows:

	Pension Plan		Supplemental Retirement Plan	
	2015	**2014**	**2015**	**2014**
Discount rate	4.00%	5.00%	4.00%	5.00%
Expected long-term return on plan assets	7.50%	7.50%	NA	NA
Rate of compensation increase	4.00%	4.00%	NA	NA

The expected long-term rate of return has been established based on the ongoing investment of pension plan assets in a diversified portfolio of equities and fixed income securities. The components of the expected long-term rate of return include annual expectations for a risk-free rate of return of approximately 3.00% per year, plus long-term annual inflation at approximately 3.00% per year, plus a risk premium rate of return of approximately 1.50% per year.

The Corporation maintains an Investment Policy for its defined benefit pension plan. The objective of this policy is to seek a balance between capital appreciation, current income, and preservation of capital, with a longer term tilt towards equities because of the extended time horizon of the pension plan. The Investment Policy guidelines suggest that the target asset allocation percentages are from 60% to 85% in equities, from 10% to 55% in fixed income debt securities and cash, and from 0% to 10% in real assets. The Corporation does not expect to make a contribution to its defined benefit pension plan in 2016.

The Corporation's defined pension plan weighted-average asset allocations by asset category were as follows:

	December 31,	
	2015	**2014**
Equity securities	70%	74%
Debt securities	23	20
Cash and equivalents	7	6
Total	100%	100%

The three broad levels of fair values used to measure the pension plan assets are as follows:

- Level 1 – Quoted prices for identical assets in active markets.
- Level 2 – Quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – Valuations derived from techniques in which one or more significant inputs or significant value drivers are unobservable in the markets and which reflect the Corporation's market assumptions.

The following table summarizes the various categories of the pension plan's assets:

	Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Asset category:				
Cash and cash equivalents	$ 2,547	$ —	$ —	$ 2,547
Equity securities:				
Common stocks:				
Large cap core	13,727	—	—	13,727
Mid cap core	2,791	—	—	2,791
Small cap core	121	—	—	121
International	2,750	—	—	2,750
Mutual funds:				
Fixed income	8,834	—	—	8,834
Mid cap blend	2,529	—	—	2,529
International	5,183	—	—	5,183
Total	$ 38,482	$ —	$ —	$ 38,482

There were no transfers between fair value levels during the years ended December 31, 2015 and 2014.

The Corporation offers postretirement health care benefits for current and future retirees of the Bank. Employees receive a fixed monthly benefit at age 65 toward the purchase of postretirement medical coverage. The benefit received is based on the employee's years of active service. The Corporation uses a December 31 measurement date each year to determine the benefit obligation for this plan.

Projected benefit obligations and funded status were as follows:

	Postretirement Healthcare Plan	
	2015	2014
	(In thousands)	
Change in projected benefit obligation:		
Obligation at beginning of year	$ 646	$ 508
Service cost	18	12
Interest cost	25	23
Actuarial loss/(gain)	(44)	129
Benefits paid	(24)	(26)
Obligation at end of year	621	646
Change in plan assets:		
Fair value at beginning of year	—	—
Actual return on plan assets	—	—
Employer contribution	24	26
Benefits paid	(24)	(26)
Fair value at end of year	—	—
Underfunded status at end of year	$ (621)	$ (646)

Amounts recognized in the consolidated balance sheets consisted of:

	Postretirement Healthcare Plan	
	2015	2014
	(In thousands)	
Other liabilities	$ (621)	$ (646)

Amounts recognized in accumulated other comprehensive loss consisted of:

	Postretirement Healthcare Plan	
	2015	2014
	(In thousands)	
Net actuarial loss	$ (69)	$ (25)
Prior service cost	(4)	(12)
Total	$ (73)	$ (37)

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	Postretirement Healthcare Plan	
	2015	2014
	(In thousands)	
Projected benefit obligation	$ 621	$ 646
Accumulated benefit obligation	621	646
Fair value of plan assets	—	—

The components of net periodic benefit cost and amounts recognized in other comprehensive income were as follows:

	Postretirement Healthcare Plan	
	2015	2014
	(In thousands)	
Net periodic benefit cost:		
Service cost	$ 18	$ 12
Interest cost	25	23
Expected return on assets	—	—
Amortization of prior service credit	(8)	(8)
Amortization of net actuarial gain	—	(16)
Net periodic benefit cost	35	11
Amounts recognized in other comprehensive income:		
Net actuarial (gain)/loss	(44)	129
Amortization of prior service credit	8	8
Amortization of net actuarial gain	—	16
Total recognized in other comprehensive income	(36)	153
Total recognized in net periodic benefit cost and other comprehensive income	$ (1)	$ 164

Weighted-average assumptions used to determine projected benefit obligations are as follows:

	Postretirement Healthcare Plan	
	2015	2014
Discount rate	4.35%	4.00%
Rate of compensation increase	NA	NA

Weighted-average assumptions used to determine net periodic benefit cost are as follows:

	Postretirement Healthcare Plan	
	2015	2014
Discount rate	4.00%	5.00%
Expected long-term return on plan assets	NA	NA
Rate of compensation increase	NA	NA

Assumed health care cost trend rates are as follows:

	December 31,	
	2015	2014
Health care cost trend rate assumed for next year	4.00%	4.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.00%	4.00%
Year that the rate reaches the ultimate trend rate	2016	2015

Assumed health care trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One Percentage Point	
	Increase	Decrease
	(In thousands)	
Effect on total service and interest cost	$ —	$ —
Effect on postretirement benefit obligation	6	(6)

Benefits expected to be paid in the next ten years are as follows:

Year ended December 31,	Pension Plan	Supplemental Retirement Plan	Post-retirement Healthcare Plan	Total
		(In thousands)		
2016	$ 1,222	$ 492	$ 30	$ 1,744
2017	1,277	501	30	1,808
2018	1,397	599	29	2,025
2019	1,428	599	29	2,056
2020	1,584	599	33	2,216
2021-2025 inclusive	9,304	3,154	183	12,641
Ten year total	$ 16,212	$ 5,944	$ 334	$ 22,490

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2015 are as follows:

	Pension Plan	Supplemental Retirement Plan	Post-retirement Healthcare Plan	Total
	(In thousands)			
Prior service cost	$ 4	$ —	$ (4)	$ —
Net loss	790	—	—	790
Total	$ 794	$ —	$ (4)	$ 790

The Corporation maintains a Profit Sharing Plan ("PSP") that provides for deferral of federal and state income taxes on employee contributions allowed under Section 401(k) of federal law. The Corporation matches employee contributions up to 100% of the first 3% of each participant's salary. Each year, the Corporation may also make a discretionary contribution to the PSP. Employees are eligible to participate in the 401(k) feature of the PSP on the first business day of the quarter following their initial date of service and attainment of age 21. Employees are eligible to participate in discretionary contribution feature of the PSP on January 1 and July 1 of each year provided they have attained the age of 21 and the completion of 12 months of service consisting of at least 1,000 hours.

The Corporation has an Employee Stock Ownership Plan ("ESOP") for its eligible employees. Employees are eligible to participate upon the attainment of age 21 and the completion of 12 months of service consisting of at least 1,000 hours. It is anticipated that the ESOP will purchase from the Corporation shares presently authorized but unissued at a price determined by an independent appraiser and certified by a committee of the trustees of the ESOP. Purchases of the Corporation's stock by the ESOP will be funded solely by employer contributions. At December 31, 2015 and 2014, the ESOP owned 327,569 shares and 320,534 shares, respectively, of the Corporation's common stock.

Total expenses related to the Profit Sharing and ESOP Plans for the years ended December 31, 2015 and 2014, amounted to approximately $900,000 and $900,000, respectively.

14. STOCK OPTION AND DIRECTOR STOCK PLANS

In 1993, the Corporation adopted a Stock Option Plan for key employees as an incentive for them to assist the Corporation in achieving long-range performance goals. During 2005, the Corporation's shareholders amended the plan to permit the issuance of restricted stock, restricted stock units ("RSUs") and stock appreciation rights ("SARs").

Stock options time-vest over a five-year period. All options expire 10 years from the date granted and have been issued at fair value at the date of grant which, in some instances, may be less than publicly traded values. A summary of stock options outstanding as of December 31, 2015 and 2014, and changes during the years ended on those dates is presented below:

	2015		2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Stock options:				
Outstanding at beginning of year	176,997	$ 29.61	248,777	$ 29.71
Granted	—	—	—	—
Forfeited	—	—	—	—
Expired	(31,828)	29.88	(29,624)	30.79
Exercised	(36,217)	29.06	(42,156)	29.38
Outstanding at end of year	108,952	29.72	176,997	29.61
Exercisable at end of year	108,952	$ 29.72	176,997	$ 29.61

The following table summarizes information about stock options outstanding at December 31, 2015:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding at 12/31/15	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 12/31/15	Weighted Average Exercise Price
$25.00 - $29.99	79,794	1.4 years	$ 28.57	79,794	$ 28.57
$30.00 - $34.99	29,158	1.1 years	32.87	29,158	32.87
	108,952	1.3 years	29.72	108,952	29.72

Restricted stock awards time-vest over a five-year period and have been fair valued as of the date of grant. The holders of restricted stock awards participate fully in the rewards of stock ownership of the Corporation, including voting and dividend rights. A summary of non-vested restricted shares outstanding as of December 31, 2015 and 2014, and changes during the years ended on those dates is presented below:

	2015		2014	
	Number of Shares	Weighted Average Grant Value	Number of Shares	Weighted Average Grant Value
Restricted stock:				
Non-vested at beginning of year	39,086	$ 37.84	31,752	$ 33.85
Granted	26,376	44.82	19,368	41.88
Vested	(13,212)	35.85	(10,742)	33.85
Forfeited	(4,442)	39.60	(1,292)	33.62
Non-vested at end of year	47,808	42.08	39,086	37.84

Restricted stock unit awards vest based upon the Corporation'sperformance over a three-year period and have been fair valued as of the date of grant. The holders of performance-based RSU awards do not participate in the rewards of stock ownership of the Corporation until vested. A summary of non-vested restricted stock units outstanding as of December 31, 2015 and 2014, and changes during the years ended on those dates is presented below:

	2015		2014	
	Number of Shares	Weighted Average Grant Value	Number of Shares	Weighted Average Grant Value
Restricted stock units:				
Non-vested at beginning of year	26,588	$ 39.85	27,215	$ 36.73
Granted	6,976	44.46	9,118	44.02
Vested (Performance achieved)	—	—	—	—
Forfeited	(5,045)	42.51	(1,420)	37.86
Expired (Performance not achieved)	(8,370)	34.39	(8,325)	34.44
Non-vested at end of year	20,149	43.05	26,588	39.85

Total expense related to the Stock Option Plan for the years ended December 31, 2015 and 2014, amounted to approximately $520,000 and $525,000, respectively.

In 1993, the Corporation initiated a Director Stock Plan ("DSP"). The DSP provides that Directors of the Corporation receive their annual retainer fee in the form of stock in the Corporation. Total shares issued under the DSP in the years ending December 31, 2015 and 2014 were 5,837 and 4,392, respectively.

15. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

To meet the financing needs of its customers, the Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business. These financial instruments are primarily comprised of commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for loan commitments and standby letters of credit is represented by the contractual amount of those instruments assuming that the amounts are fully advanced and that collateral or other security is of no value. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Off-balance-sheet financial instruments with contractual amounts that present credit risk included the following:

	December 31, 2015	December 31, 2014
	(In thousands)	
Standby letters of credit	$ 10,033	$ 14,989
Commitments to extend credit:		
Unused portion of existing lines of credit	245,446	206,074
Origination of new loans	47,598	58,418
Commitments to sell loans	—	—
Liabilities associated with letters of credit	36	105

Standby letters of credit are conditional commitments issued by the Bank to guarantee performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. Most guarantees extend for one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The collateral supporting those commitments varies and may include real property, accounts receivable or inventory. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of the credit is based on management's credit evaluation of the customer. Collateral held varies, but may include primary residences, accounts receivable, inventory, property, plant and equipment, and income-producing commercial real estate.

16. COMMITMENTS AND CONTINGENCIES

The Corporation is obligated under various lease agreements covering its main office, branch offices and other locations. These agreements are accounted for as operating leases and their terms expire between 2016 and 2030 and, in some instances, contain options to renew for periods up to twenty-five years. The total minimum rentals due in future periods under these agreements in effect at December 31, 2015 were as follows:

Year Ended December 31,	Future Minimum Lease Payments
	(In thousands)
2016	$ 4,193
2017	4,156
2018	4,006
2019	3,557
2020	3,067
Thereafter	18,242
Total minimum lease payments	$ 37,221

Several lease agreements contain clauses calling for escalation of minimum lease payments contingent on increases in real estate taxes, gross income adjustments, percentage increases in the consumer price index and certain ancillary maintenance costs. Total rental expense amounted to approximately $4,229,000 and $3,998,000 for the years ended December 31, 2015 and 2014, respectively.

Under the terms of a sublease agreement, the Corporation will receive minimum annual rental payments of approximately $29,000 through July 31, 2019. Total rental income amounted to approximately $33,000 and $33,000 for the years ended December 31, 2015 and 2014, respectively.

The Bank is involved in various legal actions arising in the normal course of business. Although the ultimate outcome of these actions cannot be ascertained at this time, it is the opinion of management, after consultation with counsel, that the resolution of such actions will not have a material adverse effect on the consolidated financial condition of the Corporation.

The Corporation has entered into agreements with its President and with certain other senior officers, whereby, following the occurrence of a change in control of the Corporation, if employment is terminated (except because of death, retirement, disability or for “cause” as defined in the agreements) or is voluntarily terminated for “good reason,” as defined in the agreements, said officers will be entitled to receive additional compensation, as defined in the agreements.

17. STOCKHOLDERS’ EQUITY

Capital guidelines issued by the Federal Reserve Board (“FRB”) and by the FDIC require that the Corporation and the Bank maintain minimum capital levels for capital adequacy purposes. These regulations also require banks and their holding companies to maintain higher capital levels to be considered “well-capitalized”. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, there are specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The risk-based capital rules are designed to make regulatory capital more sensitive to differences in risk profiles among bank and bank holding companies, to account for off-balance-sheet exposure and to minimize disincentives for holding liquid assets. Management believes that as of December 31, 2015 and 2014, the Corporation and the Bank met all applicable minimum capital requirements and were considered “well-capitalized” by both the FRB and the FDIC. There have been no events or conditions since the end of the year that management believes would have changed the Corporation’s or the Bank’s category.

The Corporation's and the Bank's actual and required capital measures were as follows:

	Actual		Minimum For Capital Adequacy Purposes		Minimum To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
At December 31, 2015:						
Cambridge Bancorp:						
Total capital (to risk-weighted assets)	$ 143,044	12.7%	$ 90,159	8.0%	$ 112,699	10.0%
Tier I capital (to risk-weighted assets)	128,943	11.4%	67,620	6.0%	90,159	8.0%
Common equity tier I capital (to risk-weighted assets)	128,943	11.4%	50,715	4.5%	73,255	6.5%
Tier I capital (to average assets)	128,943	7.5%	68,619	4.0%	85,774	5.0%
Cambridge Trust Company:						
Total capital (to risk-weighted assets)	$ 141,341	12.5%	$ 90,159	8.0%	$ 112,700	10.0%
Tier I capital (to risk-weighted assets)	127,240	11.3%	67,620	6.0%	90,159	8.0%
Common equity tier I capital (to risk-weighted assets)	127,240	11.3%	50,715	4.5%	73,255	6.5%
Tier I capital (to average assets)	127,240	7.5%	67,783	4.0%	84,729	5.0%
At December 31, 2014:						
Cambridge Bancorp:						
Total capital (to risk-weighted assets)	$ 135,696	13.2%	$ 82,374	8.0%	$ 102,967	10.0%
Tier I capital (to risk-weighted assets)	122,808	11.9%	41,187	4.0%	61,780	6.0%
Tier I capital (to average assets)	122,808	7.8%	63,358	4.0%	79,198	5.0%
Cambridge Trust Company:						
Total capital (to risk-weighted assets)	$ 131,704	12.8%	$ 82,374	8.0%	$ 102,967	10.0%
Tier I capital (to risk-weighted assets)	118,816	11.5%	41,187	4.0%	61,780	6.0%
Tier I capital (to average assets)	118,816	7.6%	62,686	4.0%	78,358	5.0%

18. OTHER INCOME

The components of other income were as follows:

	Year Ended December 31,	
	2015	2014
	(In thousands)	
Safe deposit box income	$ 342	$ 337
Loan fee income	248	312
Miscellaneous income	291	290
Total other income	$ 881	$ 939

19. OTHER OPERATING EXPENSES

The components of other operating expenses were as follows:

	Year Ended December 31, 2015	2014
	(In thousands)	
Director fees	$ 561	$ 529
Contributions / Public relations	517	547
Printing and supplies	341	286
Travel and entertainment	302	294
Dues and memberships	286	294
Security	282	266
Postage	264	282
Other losses	205	455
Miscellaneous expense	271	260
Total other operating expenses	$ 3,029	$ 3,213

20. OTHER COMPREHENSIVE INCOME

Comprehensive income is defined as all changes to equity except investments by and distributions to stockholders. Net income is a component of comprehensive income, with all other components referred to in the aggregate as "other comprehensive income". The Corporation's other comprehensive income consists of unrealized gains or losses on securities held at year-end classified as available-for-sale and the component of the unfunded retirement liability computed in accordance with the requirements of ASC 715, "Compensation – Retirement Benefits". The before-tax and after-tax amount of each of these categories, as well as the tax (expense)/benefit of each, is summarized as follows:

	Year Ended December 31, 2015		
	Before Tax Amount	Tax (Expense) or Benefit	Net-of-tax Amount
		(In thousands)	
Defined benefit retirement plans:			
Change in unfunded retirement liability	$ 67	$ (27)	$ 40
Unrealized gains/(losses) on AFS securities:			
Unrealized holding gains/(losses) arising during the period	(1,504)	524	(980)
Reclassification adjustment for gains recognized in net income	(690)	247	(443)
	$ (2,127)	$ 744	$ (1,383)

	Year Ended December 31, 2015		
	Before Tax Amount	Tax (Expense) or Benefit	Net-of-tax Amount
		(In thousands)	
Defined benefit retirement plans:			
Change in unfunded retirement liability	$ (10,517)	$ 4,295	$ (6,222)
Unrealized (losses)/gains on AFS securities:			
Unrealized holding (losses)/gains arising during the period	6,124	(2,151)	3,973
Reclassification adjustment for gains recognized in net income	(1,073)	385	(688)
	$ (5,466)	$ 2,529	$ (2,937)

Reclassifications out of Accumulated Other Comprehensive Income ("AOCI") are presented below:

Year Ended December 31, 2015		
Details about AOCI Components	Amount Reclassified from AOCI	Affected Line Item on the Statement of Income
	(In thousands)	
Unrealized gains/(losses) on AFS securities:		
	$ 690	Gain on disposition of investment securities
	(247)	Income tax expense
	$ 443	Net income

21. EARNINGS PER SHARE

The following represents a reconciliation between basic and diluted earnings per share:

	Year Ended December 31, 2015	
	Basic EPS	Diluted EPS
Numerator:		
Net income	$ 15,512,000	$ 15,694,000
Denominator:		
Weighted average common shares outstanding	3,938,117	3,938,117
Dilutive effect of stock options	—	55,482
Total shares	3,938,117	3,993,599
Earnings per share	$ 3.94	$ 3.93

	Year Ended December 31, 2014	
	Basic EPS	Diluted EPS
Numerator:		
Net income	$ 14,793,000	$ 14,944,000
Denominator:		
Weighted average common shares outstanding	3,886,692	3,886,692
Dilutive effect of stock options	—	70,724
Total shares	3,886,692	3,957,416
Earnings per share	$ 3.81	$ 3.78

22. CUSTOMER RELATED DERIVATIVE CONTRACTS

The Bank has entered into interest rate swap contracts to help commercial loan borrowers manage their interest rate risk. The interest rate swap contracts with commercial loan borrowers allow them to convert floating-rate loan payments to fixed-rate loan payments. When the Bank enters into an interest rate swap contract with a commercial loan borrower, it simultaneously enters into a "mirror" swap contract with a third party. The third party exchanges the client's fixed rate loan payments for floating-rate loan payments. As of December 31, 2015 and 2014, the Bank had interest rate swap contracts with commercial loan borrowers with notional amounts of $11.6 million and $0.0 million, respectively, and equal amounts of "mirror" swap contracts with third-party financial institutions. These derivatives are not designated as hedges and therefore, changes in fair value are recognized in earnings. Because these derivatives have mirror-image contractual terms, the changes in fair value substantially offset each other through earnings. Fees earned in connection with the execution of derivatives related to this program are recognized in earnings through other income.

The credit risk associated with swap transactions is the risk of default by the counterparty. To minimize this risk, the Corporation enters into interest rate agreements only with highly rated counterparties that management believes to be creditworthy. The notional amounts of these agreements do not represent amounts exchanged by the parties and, thus, are not a measure of the potential loss exposure.

23. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following is a summary of the carrying values and estimated fair values of the Corporation's significant financial instruments as of the dates indicated.

	December 31, 2015		December 31, 2014	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In thousands)			
Financial assets:				
Cash and cash equivalents	$ 24,645	$ 24,645	$ 17,440	$ 17,440
Securities - available for sale	347,173	347,173	339,791	339,791
Securities - held to maturity	83,063	86,541	79,646	83,431
Loans held for sale	—	—	284	284
Loans, net	1,177,023	1,176,648	1,066,497	1,073,244
FHLB Boston stock	6,465	6,465	7,955	7,955
Accrued interest receivable	4,222	4,222	3,925	3,925
Mortgage servicing rights	491	647	332	453
Loan level interest rate swaps	315	315	—	—
Financial liabilities:				
Deposits	1,557,224	1,555,542	1,370,536	1,369,307
Short-term borrowings	—	—	69,000	69,000
Long-term borrowings	3,910	3,905	—	—
Loan level interest rate swaps	315	315	—	—

The Corporation follows ASC 820, "*Fair Value Measurements and Disclosures*" for financial assets and liabilities. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820, among other things, emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on the assumptions the market participants would use in pricing the asset or liability. In addition, ASC 820 specifies a hierarchy of valuations techniques based on whether the types of valuation information ("inputs") are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Corporation's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices for identical assets or liabilities in active markets.
- Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – Valuations derived from techniques in which one or more significant inputs or significant value drivers are unobservable in the markets and which reflect the Corporation's market assumptions.

Under ASC 820, fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the Corporation uses quoted market prices to determine fair value. If quoted prices are not available, fair value is based upon valuation techniques such as matrix pricing or other models that use, where possible, current market-based or independently sourced market parameters, such as interest rates. If observable market-based inputs are not available, the Corporation uses unobservable inputs to determine appropriate valuation adjustments using methodologies applied consistently over time.

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes. The fair values disclosed do not reflect any premium or discount that could result from offering significant holdings of financial instruments at bulk sale, nor do they reflect the possible tax ramifications or estimated transaction costs. Changes in economic conditions may also dramatically affect the estimated fair values.

The Corporation uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Securities available for sale, and derivative instruments and hedges are recorded at fair value on a recurring basis. Additionally, from time to time, the Corporation may be required to record at fair value other assets on a nonrecurring basis, such as collateral dependent impaired loans.

The following table summarizes certain assets reported at fair value:

	Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Measured on a recurring basis:				
Securities available for sale:				
U.S. GSE obligations	$ —	$ 139,770	$ —	$ 139,770
Mortgage-backed securities	—	205,806	—	205,806
Corporate debt securities	—	985	—	985
Mutual funds	612	—	—	612
Other assets:				
Interest rate swaps with customers	—	315	—	315
Other liabilities:				
Mirror swaps with counterparties	—	315	—	315

	Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Measured on a recurring basis:				
Securities available for sale:				
U.S. GSE obligations	$ —	$ 90,471	$ —	$ 90,471
Mortgage-backed securities	—	245,680	—	245,680
Corporate debt securities	—	3,016	—	3,016
Mutual funds	624	—	—	624

The following is a description of the principal valuation methodologies used by the Corporation to estimate the fair values of its financial instruments.

Investment Securities
For investment securities, fair values are primarily based upon valuations obtained from a national pricing service which uses matrix pricing with inputs that are observable in the market or can be derived from, or corroborated by, observable market data. When available, quoted prices in active markets for identical securities are utilized.

Loans Held for Sale
For loans held for sale, fair values are estimated using projected future cash flows, discounted at rates based upon either trades of similar loans or mortgage-backed securities, or at current rates at which similar loans would be made to borrowers with similar credit ratings and for similar remaining maturities.

Loans
For most categories of loans, fair values are estimated using projected future cash flows, discounted at rates based upon either trades of similar loans or mortgage-backed securities, or at current rates at which similar loans would be made to borrowers with similar credit ratings and for similar remaining maturities. Loans that are deemed to be impaired in accordance with ASC 310, “Receivables”, are valued based upon the lower of cost or fair value of the underlying collateral.

FHLB Boston Stock
The fair value of FHLB Boston stock equals its carrying value since such stock is only redeemable at its par value.

Mortgage Servicing Rights
The fair value of mortgage servicing rights is estimated based on the present value of expected cash flows, incorporating assumptions for discount rate, prepayment speed and servicing cost.

Deposits
The fair value of non-maturity deposit accounts is the amount payable on demand at the reporting date. This amount does not take into account the value of the Bank's long-term relationships with core depositors. The fair value of fixed-maturity certificates of deposit is estimated using a replacement cost of funds approach and is based upon rates currently offered for deposits of similar remaining maturities.

Long-Term Borrowings
For long-term borrowings, fair values are estimated using future cash flows, discounted at rates based upon current costs for debt securities with similar terms and remaining maturities.

Other Financial Assets and Liabilities
Cash and cash equivalents, accrued interest receivable and short-term borrowings have fair values which approximate their respective carrying values because these instruments are payable on demand or have short-term maturities and present relatively low credit risk and interest rate risk.

Derivative Instruments and Hedges
The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The Bank incorporates credit valuation adjustments to appropriately reflect nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Bank has considered the impact of netting and any applicable credit enhancements, such as collateral postings.

Off-Balance-Sheet Financial Instruments
In the course of originating loans and extending credit, the Bank will charge fees in exchange for its commitment. While these commitment fees have value, the Bank has not estimated their value due to the short-term nature of the underlying commitments and their immateriality.

Values Not Determined
In accordance with ASC 820, the Corporation has not estimated fair values for non-financial assets such as banking premises and equipment, goodwill, the intangible value of the Bank's portfolio of loans serviced for itself and the intangible value inherent in the Bank's deposit relationships (i.e., core deposits), among others. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Corporation.

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Michael A. Duca . . . . Executive Vice President & Head of Wealth Management
Thomas A. Johnson . . . . Executive Vice President, Consumer Banking Director & Secretary
Martin B. Millane, Jr. . . . . Executive Vice President & Chief Lending Officer
Albert R. Rietheimer . . . . Executive Vice President, Chief Financial Officer & Treasurer
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Alan M. Collopy . . . . Operations Officer
Renée L. Daniell . . . . Assistant Operations Officer
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Medard H. Kadima . . . . Information Security Officer
Kenny Khong . . . . .Senior Credit Analyst Officer
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Linda G. Sullivan . . . . Human Resources Officer
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Christopher M. Yemma . . . . Compliance Officer

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Maureen Kelliher . . . . Senior Vice President & Investment Officer
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