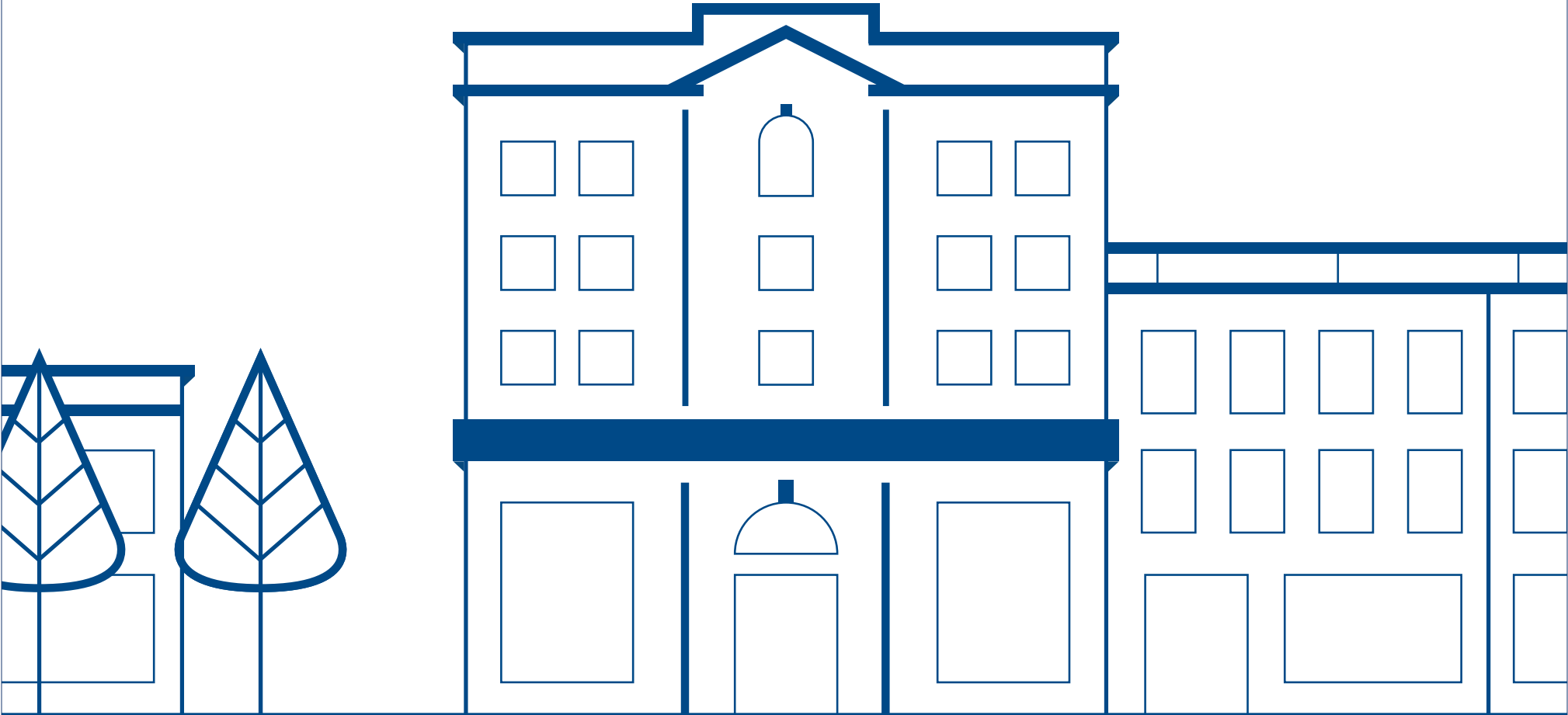


Cambridge Financial Group *2015 Annual Report*





Wayne Patenaude  
President and Chief Executive Officer

## President's Letter

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Cambridge Financial Group, the parent company of Cambridge Savings Bank, had a very successful year in 2015. We increased our growth across all of our lines of business, made advances on key strategic initiatives, and maintained our commitment to the communities we serve.

We are operating in a time of unprecedented strategic challenges — technological change, disruptive new competitors, changing customer expectations, and increasing regulatory demands. At the same time, these challenges create new opportunities for growth. Technological change is creating new products and services that we can bring to market. New customer behavior is driving new expectations for services that we can fulfill by partnering with our service providers to be more innovative in our offerings. Increasing regulatory requirements also create opportunities for those institutions that can be nimble in enhancing the customer experience while maintaining compliant environments.

Amidst all of the challenges and changing market conditions that characterize our business, maintaining strong financial performance in order to provide the resources necessary to remain true to our culture of customer service and community involvement is more important than ever.

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**We delivered strong financial results:**

- Total assets grew by 9% to \$3.1 billion\*
- Total deposits grew by 12% to \$2.4 billion\*
- Total loans grew by 13% to \$2.4 billion
- Net income increased by 13.7% to \$17.8 million

*\*Adjusted for a single \$170 million short-term deposit from one commercial customer that expectedly no longer remains on deposit as of February 2016*

**We delivered innovative solutions and process efficiencies:**

- We introduced a suite of credit card solutions that support the needs of our consumer and business customers.
- We partnered with our providers to be one of the first community banks to deliver Apple Pay®, Samsung Pay and Touch ID capabilities, allowing our customers to bank and shop “on the go” from their mobile devices.
- We launched a complete upgrade of our business online banking suite of services, including a new business mobile app that provides enhanced capabilities for our small business and corporate clients.
- We made several IT upgrades to our internal environment and operations to provide an enhanced infrastructure for future growth.
- We developed partnerships with digital innovators to launch new offerings for our customers in the year ahead.

**WE SUPPORTED OUR COMMUNITIES:**

Cambridge Savings Bank and our charitable foundation, in combination with our employees, contributed approximately \$800,000 and over 325 volunteer hours to more than 230 organizations in the areas of health and human services, housing and community development, and education.

This was also a year of making strategic decisions that best position us for growth and align with our three year strategic plan. In the coming year, we expect to finalize arrangements to end our Cambridge Appleton Trust, N.A. (CATNA) joint venture with Appleton Partners, whereby all of CATNA's current client relationships will be transferred to Appleton Partners in exchange for Appleton's forty-nine percent ownership interest in CATNA. This action will free up capital with the intention of reinvesting in the development and execution of a new wealth management and trust services strategy.

Looking ahead, we understand how our customers' behaviors and decision-making criteria are changing and we will continue to develop and refine strategies and programs to meet their evolving needs. We have reprioritized our technology investments to equip us for the future, we will provide experienced, engaged, and empowered banking professionals to our customers, and we will execute with the speed that is necessary to succeed in our highly competitive market. Our goal is to be among the most respected and innovative banks in Eastern Massachusetts, with consistently strong operating performance and outstanding customer satisfaction.

We see in today's changing and demanding environment great opportunity. We believe that we are prepared to capture the new opportunities created by these challenging times. With our people, our financial strength, and our culture, we are optimistic and confident about the future.



Wayne Patenaude  
President and CEO | Cambridge Savings Bank



Dan Mercurio  
Senior Vice President | Consumer & Small Business Banking

## Consumer and Small Business Banking

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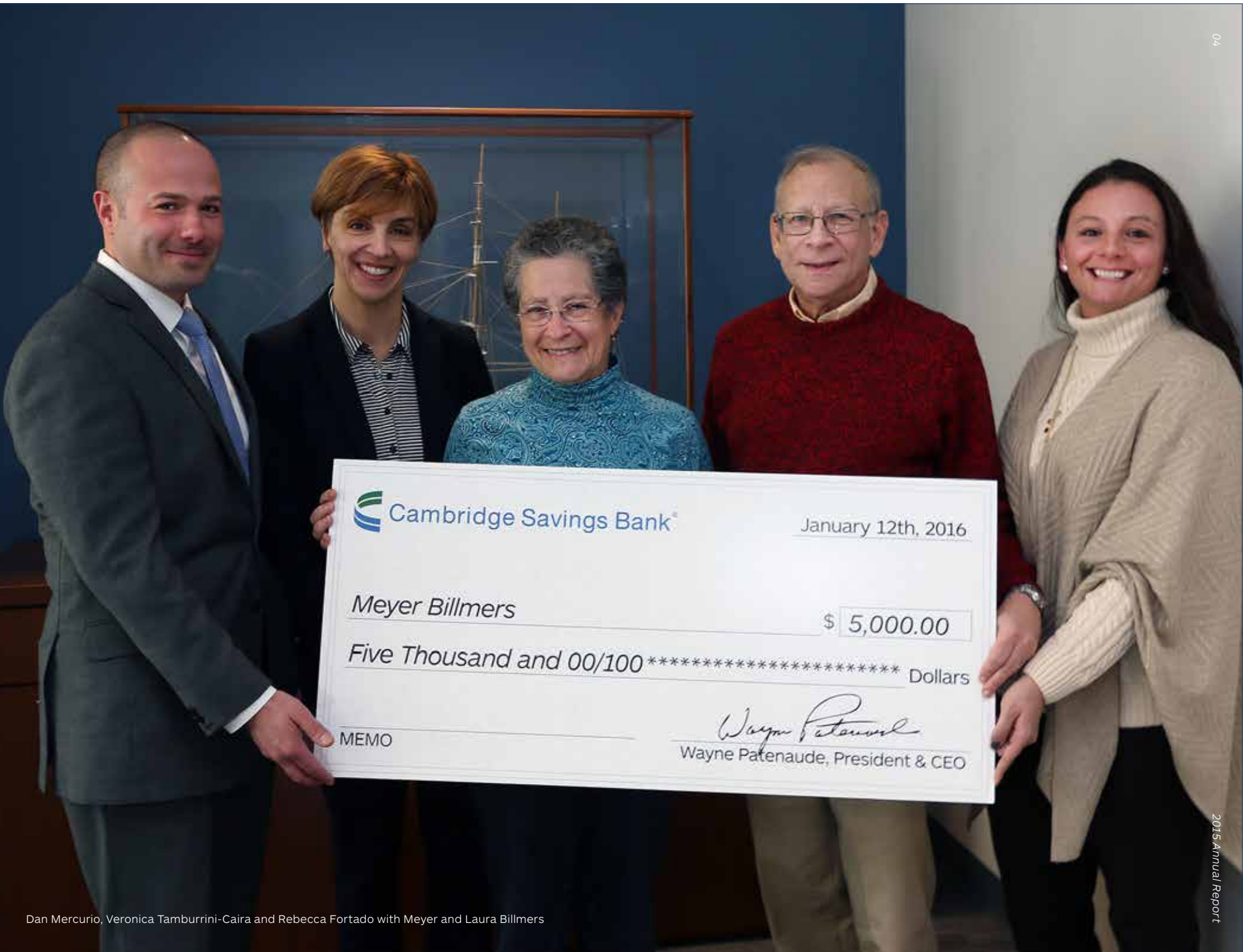
2015 was an outstanding year for the Consumer Banking group. Through the combined effort of our Retail Banking and Residential, Consumer and Small Business Lending teams, we grew total consumer and small business deposits by \$167 million, generated over \$265 million in new mortgages and consumer loans and acquired over 3,000 new CSB customers.

Our ability to acquire new customers is directly related to the strength of our products and services within the marketplace. Early in the year, we introduced an entirely new suite of CSB credit cards with rich features and benefits. Since then, over 1,800 customers have signed up for one of these new cards.

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*"You guys are more than just a savings bank to me. We plan on using the winnings for our next trip and treating our family to a night out"*

MEYER BILLMERS | **CAMBRIDGE SAVINGS BANK CUSTOMER**



 Cambridge Savings Bank®


January 12th, 2016

Meyer Billmers

\$ 5,000.00

Five Thousand and 00/100 \*\*\*\*\* Dollars

MEMO

  
Wayne Patenaude, President & CEO

Dan Mercurio, Veronica Tamburrini-Caira and Rebecca Fortado with Meyer and Laura Billmers



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In addition to providing customers with the right product options, we are extremely focused on ways to make banking easier. We continue to see customers value the use of their mobile phones and tablets to make transactions. In 2015 we were one of the first community banks to launch Touch ID verification on Apple's iPhone, along with Apple Pay® and Samsung Pay. We have more exciting solutions in the works for 2016 as we remain committed to being the most digitally innovative community bank in Eastern Massachusetts.

Lastly, we continue to see an opportunity to position ourselves as the bank of choice for small business customers within our footprint. We determined that we needed to make our small business customers' access to credit less complicated. To that end, we implemented a new small business lending program that promotes quick decisions and quick access to funds. Supporting our focus on digital convenience, an entirely new business online banking platform was introduced to all customers in 2015.

As we transition into 2016, we are listening closely to the needs of our customers and look forward to finding new and innovative ways to meet them!

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**IN 2015, WE WERE ONE OF THE FIRST COMMUNITY BANKS TO LAUNCH TOUCH ID VERIFICATION ON APPLE'S IPHONE, ALONG WITH APPLE PAY® AND SAMSUNG PAY.**

*"The financial support, and ongoing guidance, of Cambridge Savings Bank has allowed us to successfully launch our company, Life-Cycle Wellness, and grow our brand—bringing a multitude of health and wellness offerings not only to area businesses and corporations, but the local community, as well."*

ALEXA POZNIAK AND GINGER BOERMEESTER  
**LIFE-CYCLE WELLNESS**



Alexa Pozniak and Ginger Boermeester, owners of Life-Cycle Wellness



Douglas J. Faithfull  
Executive Vice President & Chief Lending Officer

## Commercial Banking

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The Commercial Lending Division enjoyed a very successful year in 2015, having achieved strong performance in both loan originations and asset/credit quality while attaining several key milestones along the way.

The Division, which includes Corporate Lending and Commercial Real Estate, closed well over \$700 million in new loan commitments during the year. As a result, the Commercial Real Estate portfolio surpassed the \$1.5 billion mark with total commercial loans and investments hitting the \$2 billion level, both new thresholds for the Bank. The solid growth in this sector continues to be based on CSB's belief in building strong collaborative relationships with our customers, listening to their needs and responding in a way that produces the best solutions in the most expedient time-frame. Our customers have discovered that our informed and involved commercial banking professionals can add tremendous value to their project or business when acting as a partner and advisor in moving their enterprise to the successful levels they envision.

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*"I have been working with CSB for over 10 years. The experience is consistent with every deal—they jump right on the project, figure out what needs to get done, and they are fast—you never have to wait for an answer. I have been highly impressed and as a client, I appreciate their respect for my time."*

WILLIAM MCQUILLAN | **BOYLSTON PROPERTIES**





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Several areas we are particularly proud of include our continuing commitment to the Renewable Energy field. Cambridge Savings was an early believer in the merits and benefits of this industry, and has since committed over \$100 million to wind and solar sustainable energy projects throughout Massachusetts and New England. Additionally, we continue to be strong proponents of our local non-profit organizations, with specific support through financing, equity investments and grants to numerous affordable housing, human services and healthcare related organizations. Our CRE team has been a leader in providing construction and term financing for numerous eldercare and housing facilities throughout the region.

Our strong customer relationship dynamic has proven a successful formula for CSB. We believe our organizational commitment to building relationships and executing with speed will continue to propel the success of Cambridge Savings Bank well into the future.

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**\$100 MILLION COMMITTED TO WIND AND SOLAR SUSTAINABLE ENERGY PROJECTS THROUGHOUT MASSACHUSETTS AND NEW ENGLAND**

*"What I love about Cambridge Savings is not only do they work for small business owners, they're truly invested in the businesses themselves. How they show this is by providing on-going financial education to small business owners like myself. They care. They make me feel as though their success directly depends upon our success. Not many banks out there operate with that mindset."*

JIMMY LIANG | FUJI



Jimmy Liang, Founder, CEO, Chef | Fujii Group



Wayne Patenaude; Paul Mahoney,  
board member of the Concord-Carlisle Community Chest

## Our Community Commitment

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The Community Relations team dedicated 2015 to improving the quality of life for the people in our communities. Through CSB's direct giving, the work of our charitable foundation, employee volunteerism and financial education, we continued to make a significant impact by supporting a variety of service organizations.

In 2015, the Bank received the "Corporate Citizen Award" given by the Lexington Chamber of Commerce recognizing our commitment to our communities. We continued to maximize our compliance with Community Reinvestment Act (CRA) requirements in an effort to maintain our "Outstanding" rating, the highest rating issued by bank regulatory agencies for CRA initiatives. Additionally, we remained a leader among Massachusetts banks in financial education, providing 162 programs to 2,495 participants .

Our charitable efforts for 2015 totaled more than \$800,000 to over 230 charitable organizations. This past year alone, our organization of socially responsible individuals donated 325 hours to a combined 30 non-profit organizations.

In 2016 we will continue to strive to make a greater impact on the lives of our neighbors.

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*"We're so grateful to Cambridge Savings Bank for allowing their employees an opportunity to help us to help others."*

MAJOR THOMAS BABBITT | **THE SALVATION ARMY**



Wayne Patenaude, Cambridge Savings Bank employees and local real estate professionals; Our Place Daycare Center.

# Cambridge Financial Group, Inc. & Subsidiaries

Condensed Consolidated Balance Sheets | December 31, 2015 and 2014 (In Thousands)

<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
Cash and due from banks	\$25,312	\$35,531
Short-term investments	113,283	47,203
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>138,595</b>	<b>82,734</b>
Investment securities available for sale, at market value	384,041	387,212
Investment securities held to maturity, at amortized cost	73,670	71,848
Loans held for sale, net	3,745	4,688
Loans:		
Commercial real estate loans	1,572,232	1,347,754
Residential real estate loans	570,478	588,883
Commercial and industrial loans	194,256	126,837
Other loans	80,697	69,047
Total Loans	2,417,663	2,132,521
Less-allowance for loan losses	(22,465)	(19,441)
<b>NET LOANS</b>	<b>2,395,198</b>	<b>2,113,080</b>
Premises and equipment, net	39,961	42,405
Deferred income tax asset, net	16,269	15,947
Cash surrender value of life insurance	62,617	61,152
Other assets	68,928	62,213
<b>TOTAL ASSETS</b>	<b>\$3,183,024</b>	<b>\$2,841,279</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>		
Liabilities:		
Deposits	\$2,550,176	\$2,165,550
Advances from Federal Home Loan Bank of Boston	269,000	335,000
Other borrowings and lease obligations	21,195	20,810
Accrued expenses and other liabilities	40,682	35,518
<b>TOTAL LIABILITIES</b>	<b>2,881,053</b>	<b>2,556,878</b>
Equity Capital:		
Undistributed earnings	298,660	280,787
Accumulated other comprehensive income	3,311	3,614
<b>TOTAL EQUITY CAPITAL</b>	<b>301,971</b>	<b>284,401</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>	<b>\$3,183,024</b>	<b>\$2,841,279</b>

# Cambridge Financial Group, Inc. & Subsidiaries

Condensed Consolidated Income Statements | For the Years Ended December 31, 2015 and 2014 (In Thousands)

	2015	2014
Interest income:		
Commercial real estate loans	\$49,064	\$43,750
Residential mortgage loans	20,751	19,926
Commercial and industrial loans	6,417	5,300
Other loans	2,720	2,292
Investment securities and short-term investments	12,353	12,416
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<b>91,305</b>	<b>83,684</b>
Interest expense:		
Deposits	8,320	7,357
Advances from Federal Home Loan Bank of Boston	3,722	3,004
Other borrowings and lease obligations	248	252
<b>TOTAL INTEREST EXPENSE</b>	<b>12,290</b>	<b>10,613</b>
<b>NET INTEREST AND DIVIDEND INCOME</b>	<b>79,015</b>	<b>73,071</b>
Provision for loan losses	3,350	2,875
<b>NET INTEREST AND DIVIDEND INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>75,665</b>	<b>70,196</b>
Noninterest income:		
Deposit account fees	5,068	4,966
Rental income	4,354	3,451
Trust fee income	3,951	3,743
Gain on sales of securities, net	249	1,429
Mortgage banking gains	1,514	774
Other	3,713	2,984
<b>TOTAL NONINTEREST INCOME</b>	<b>18,849</b>	<b>17,347</b>
Noninterest expense:		
Salaries and employee benefits	38,990	35,977
Office occupancy and equipment	11,718	11,408
FDIC deposit insurance	1,547	1,489
Other operating expenses	19,125	18,040
<b>TOTAL NONINTEREST EXPENSE</b>	<b>71,380</b>	<b>66,914</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>23,134</b>	<b>20,629</b>
Income tax expense	5,261	4,918
<b>NET INCOME</b>	<b>\$17,873</b>	<b>\$15,711</b>

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*Senior Vice President,  
Chief Technology Officer*

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# Branch Locations

**ACTON**

145 Great Road  
Acton, MA 01720  
617.575.8514

**ARLINGTON CENTER**

626 Massachusetts Avenue  
Arlington, MA 02476  
617.441.4204

**EAST ARLINGTON**

188 Massachusetts Avenue  
Arlington, MA 02474  
617.441.4203

**ARLINGTON HEIGHTS**

1300 Massachusetts Avenue  
Arlington, MA 02476  
617.441.4205

**BEDFORD**

181 Great Road  
Bedford, MA 01730  
617.441.4206

**BELMONT CENTER**

40 Leonard Street  
Belmont, MA 02478  
617.441.4327

**BURLINGTON-3rd AVE**

140 Middlesex Turnpike  
Burlington, MA 01803  
617.441.7045

**BURLINGTON-CAMBRIDGE STREET**

214 Cambridge Street  
Burlington, MA 01803  
617.441.4207

**HARVARD SQUARE**

1374 Massachusetts Avenue  
Cambridge, MA 02138  
617.441.4155

**CENTRAL SQUARE**

630 Massachusetts Avenue  
Cambridge, MA 02139  
617.441.4298

**INMAN SQUARE**

1378 Cambridge Street  
Cambridge, MA 02139  
617.441.4287

**PORTER SQUARE**

53 White Street  
Cambridge, MA 02140  
617.441.4270

**CONCORD**

202 Sudbury Road  
Concord, MA 01742  
617.441.7115

**LEXINGTON CENTER**

1781 Massachusetts Avenue  
Lexington, MA 02420  
781.861.1980

**NEWTON CENTRE**

739 Beacon Street  
Newton, MA 02459  
617.441.7065

**NEWTONVILLE**

308 Walnut Street  
Newton, MA 02460  
617.234.7262

**WATERTOWN**

54 Arsenal Street  
Watertown, MA 02472  
617.441.7088

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Cambridge Financial Group is the  
mutual holding company for:





1374 Massachusetts Avenue  
Cambridge, MA 02138

888.418.5626

[cambridgesavings.com](http://cambridgesavings.com)

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Cambridge Savings Bank

MEMBER FDIC | MEMBER DIF |  EQUAL HOUSING LENDER