





President's Letter

2016 was another productive year for our company as we delivered strong financial results, continued to improve the customer experience and creatively supported our communities. To have consistent performance year after year, whatever business you are in, you need to have the right people, doing the right things, for the right reasons. Our team of experienced, motivated and empowered professionals is engaged every day in providing our customers with trusted advice, reliable service, and innovative products that are intuitive, personal and fairly priced. With this mission in mind, we refreshed our brand this past year to better showcase what we do to deliver a great customer experience. The alignment of our dedication to customers, with our core value of community service, was also evidenced in 2016 by achieving record levels of commitment to the communities we serve.

Economic conditions, both locally and nationally, have continued to improve and are showing signs of further strengthening. Interest rates have begun to rise in response, which we expect will benefit our financial performance going forward as we have built our balance sheet over the past several years with this expectation in mind. Local trends have been even stronger than national, which should bode well for our continued success in growing our various loan portfolios and meeting our existing and future customers' lending and financial service needs.

Financial Performance

Our financial results for 2016 reflect strong performance across all of our major lines of business, prudent management of capital and expenses, and continued growth in loans and deposits, all while maintaining exceptional credit quality.

- Assets totaled \$3.4 billion, an increase of 7%
- Total deposits were up by 11%¹ to \$2.6 billion
- Total loans grew to \$2.7 billion or 10%
- The percentage of non-performing loans to total loans was 0.24%
- Net income was \$22.2 million, a 24.3% improvement over last year

Strategic Initiatives

Our strategic plan is focused on delivering healthy financial growth by better serving both our consumer and business customers. While remaining attentive to our customers' changing product and service needs, we have taken advantage of the rapid advances in financial services technology to provide them with simple and intuitive ways to do business with us. Some highlights from 2016 include:

- We launched a new CSB website with enhanced customer usability, relevant content for all lines of business, and responsive access across all digital devices;
- We introduced Connect Invest², whereby we were one of the first banks in the U.S. to launch an integrated online banking and digital investment platform;
- We not only updated our ATM network to support chip enabled EMV debit cards for enhanced customer security, but also were one of just a few banks to offer the convenience of obtaining one of these cards on a same-day, immediate use basis by visiting one of our branches at the time of account opening or for a card replacement.

¹ Reflects adjustment for a \$170 million short-term deposit of one commercial customer outstanding at December 31, 2015, that was withdrawn in early 2016.

² Investment products and services are offered independently through SigFig Wealth Management, LLC. SigFig and Cambridge Savings Bank are not affiliated. Products and services made available through SigFig are not insured by the FDIC or any other agency of the United States and are not deposits or obligations of nor guaranteed or insured by any bank or bank affiliate. These products are subject to investment risk, including the possible loss of principal amount invested.

Transforming Our Brand

Our brand refresh in 2016 reflected a change in our look on the outside, without changing who we are on the inside. We are proud of our rich history and the progress we have made over the last 183 years, but we also realized that we needed to take affirmative steps to remain relevant in an evolving market and connect with all of our customer constituencies—while still remaining committed to our core values.

We took the time to perform comprehensive research of our marketplace, as well as the perspectives of our customers and community partners, as we focused in on the brand attributes that set us apart and truly represent the experience and service we provide to our customers.

The result was a refreshed logo with a more modern look that represents our forward progress while retaining our timeless commitment to our customers. The medallion featuring “csb” honors the nickname that our customers have come to use in referring to us. The tagline “*Always you.*” conveys our sincere and trusted approach in serving our customers across every line of business —*Our goal is to treat every customer like our only customer.*

Supporting Our Communities

Cambridge Savings Bank and our charitable foundation, in combination with our employees, contributed approximately \$1,000,000 and over 2,500 volunteer hours to more than 400 organizations in the areas of health and human services, housing and community development, and education. We provided financing of \$32 million to supply housing for low income families and/or create jobs within the communities we serve. We also presented to over 3,300 participants through our financial education program.

Looking Ahead

As we look ahead to 2017, we will continue to invest and deliver on strategic initiatives that create better products, service and digital innovations for our customers. We will look for market expansion opportunities to broaden our geographic footprint. To that end, we recently announced plans to expand into Charlestown with a new branch that we plan to open in the 3rd quarter of this year. We will further invest in the growth of our employees to ensure they have the necessary skills and are empowered to best serve our customers through living our brand promise of “*Always you.*” Importantly and central to our core mission as a community bank, we will continue to give back financially and with our time to the communities that we serve.



Wayne Patenaude
President and CEO | Cambridge Savings Bank

**At CSB, our goal is to
treat every customer like
our only customer.**



Consumer and Small Business Banking

With our continued commitment to our customers, Consumer and Small Business Banking had a banner year in 2016 with strong overall results.

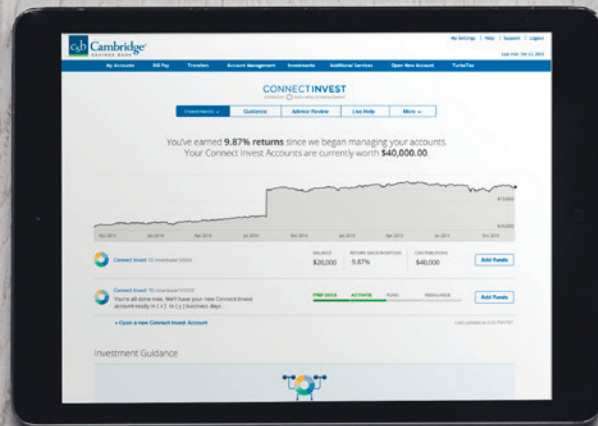
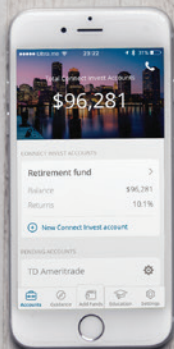
Consumer Deposits increased by just over 10% and in our competitive, local market of Middlesex County, we increased our market share to 4.55%.

In 2016, we continued to look at our business and strove to find ways to improve the customer experience. Some of our biggest accomplishments were in the investment and lending space. We introduced a digital investment platform, Connect Invest, and improved our ability to serve our customers with our new online mortgage and home equity applications.

Our Small Business Banking division had its strongest year ever, generating over \$10 million in Small Business commitments and acquiring over 800 new business customers.



We were one of the first banks in the U.S. to launch an innovative digital investment platform—Connect Invest.



GonzoBanker
2016 FinTech Partner
Best Practice Award

“A community bank being a leader and not a fast follower—that’s pretty cool!”

“My family and I are in a home we absolutely love and we have Mike Horrigan to thank for that. His dedication, expertise, and reputation helped us make a stronger offer. Together, Mike and CSB made our financing the best option for the seller. Now we have the house that will be our home and we couldn’t be happier.”

Lawrence O’Toole | **Mortgage Customer**



In 2016, we launched an online application for mortgage and home equity loans and lines of credit to supplement the high touch service that our mortgage loan officers provide in the community.

While we felt it was important to have an online application, we also know how critical the human connection is when customers have complex borrowing needs. Our mortgage loan officers manage the end-to-end process for all applicants, whether they apply online or face-to-face, ensuring our customers have the support they need to navigate in this competitive landscape.

At CSB, we understand that small businesses are the economic engine for our communities. That's why we look for ways to help small businesses get the funds they need to grow.

We were able to do this by being an SBA lender, and forming a partnership with the Federal Home Loan Bank of Boston to offer the Jobs for New England program. This program offers members like CSB the ability to grant interest-rate subsidies for loans to small businesses at below-market pricing.

Named Massachusetts Lender of the Year to New Businesses by the *SBA*

Ranked #8 on the *Boston Business Journal's* list of Largest SBA Lenders in Massachusetts

“Working with a bank is really important to a new business. Cambridge Savings Bank helped me through all the stages. They were very responsive to my questions and helped me along the way. I felt I got to know Chris, my banker, as a person and he got to know me and why I am doing this. I am really grateful for the faith that Cambridge Savings Bank put in me in order to launch my dream.”

Alex Jong | **Levend Bagelry**



**We're all about relationships.
Our approach to commercial
banking is completely personal.**



Commercial Banking

The Commercial Banking Division had a very successful year in 2016, having achieved strong performance in both loan originations and asset/credit quality, while achieving several key milestones along the way.

The Division, which includes Corporate Banking and Commercial Real Estate, closed well over \$860 million in new loan commitments during the year. As a result, the commercial real estate loan portfolio surpassed the \$1.7 billion mark and total commercial loans and industrial revenue bonds hit the \$294 million level. Our solid growth is the result of employing the best creative bankers in the industry and empowering them to find innovative solutions to meet their clients' complex financial needs. We understand that not all businesses are the same, our team is seasoned at finding the right financing package to align with their clients' goals and timing—always executing with speed and certainty.

“Over the past 5 years, our team at R.J. Kelly Co. has had the pleasure of executing numerous transactions with the team at CSB. Regardless of the type of transaction, Michael Lindgren and his team always dig right into the deal with us to ensure seamless execution. In our business, timing and execution are everything, and with a partner like CSB I can confidently say that they stand with us like true partners in every transaction. They are the best lender in this market. Period.”

Brandon Kelly | President | R.J. Kelly Company, Inc.



\$115 million committed to wind & solar sustainable energy projects throughout Massachusetts and New England.



We are particularly proud of our ongoing commitment to the Renewable Energy industry, CSB continues its leadership position in supporting wind and solar sustainable energy projects throughout Massachusetts and New England—\$115 million in 2016. We also 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. Additionally, as our portfolio has expanded and matured, we have made a commitment to servicing an increasingly diverse customer base. While having success financing larger companies across a broad spectrum of industries, we also remain committed to the Small Business borrowers who are critical to our communities.

Our strong customer relationship dynamic has proven a successful formula for CSB. We pride ourselves on being responsive and paying attention to the small details that make relationships work. From the moment you engage with us, our focus is on you. We listen to your ideas, think about situations from your point of view, and give you honest and genuine advice and guidance. It's these 1:1 relationships that define us here at CSB.

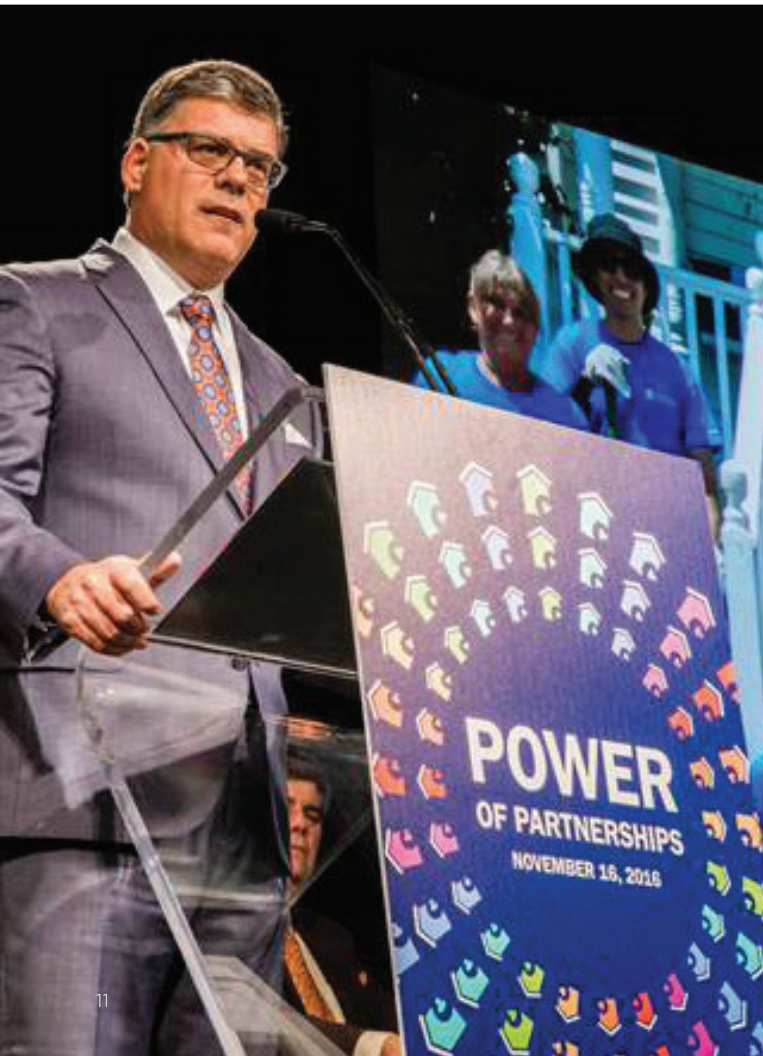
Recognized by *Banker & Tradesman's Fast 50* as one of the fastest growing commercial lenders in Massachusetts based on volume and number of loans



“What I love about Cambridge Savings Bank is that they provide a personal small bank feel while still being able to meet our needs from a cash management and lending perspective. I get to work with an individual who knows me by name and really understands my business. The experience is personal and it’s consistent. I didn’t get that with the ‘Big Banks’.”

Gerry Santos | Bloom's Bus Lines, Inc.

Cambridge Savings Bank, along with its President & CEO, Wayne Patenaude were the recipients of the P. Leo Corcoran Humanitarian Award from our long-time non-profit partner, Caritas Communities, for our continued support of this organization.



Community Relations

We believe in the importance of giving back to those in the communities we serve. It's not just a priority for CSB, it's a privilege.

In 2016, we enhanced our commitment to non-profits in our communities with a more robust employee volunteer program.

CSB was the proud recipient this year of several awards from some of our non-profit partners in the community, strengthening the community and helping its neighbors in need.

Charitable Giving

Approximately **\$1,000,000** donated

More than **400** nonprofits served

Over **2,500** volunteer hours

We are glad to be able to support our communities with employee volunteerism, our financial education program, and the work that we do with our charitable foundation. In 2017, it is our commitment to continue to keep the community at the heart of what we do and build towards a better tomorrow.

Financial Education

Number of financial education sessions in 2016 | **217**

Number of participants reached in 2016 financial education sessions | **3,355**

Number of CSB volunteers in 2016 financial education sessions | **50**



Cambridge Financial Group, Inc. & Subsidiaries

Condensed Consolidated Balance Sheets | For the Years Ended December 31, 2016 and 2015 (In Thousands)

Assets	2016	2015
Cash and due from banks	\$24,369	\$25,312
Short-term investments	83,637	113,283
Total cash and cash equivalents	108,006	138,595
Investment securities available for sale, at fair value	405,079	384,041
Investment securities held to maturity, at amortized cost	71,190	73,670
Loans held for sale, net	1,017	3,745
Loans:		
Commercial real estate loans	1,788,364	1,572,232
Residential mortgage loans	563,867	570,478
Commercial and industrial loans	222,897	194,256
Other loans	89,399	80,697
Total loans	2,664,527	2,417,663
Less-allowance for loan losses	(27,878)	(22,465)
Net loans	2,636,649	2,395,198
Premises and equipment, net	38,073	39,961
Deferred income tax asset, net	18,908	16,269
Cash surrender value of life insurance	64,035	62,617
Other assets	72,093	68,928
Total assets	\$3,415,050	\$3,183,024
Liabilities and Equity Capital		
Liabilities:		
Deposits	\$2,646,130	\$2,550,176
Advances from Federal Home Loan Bank of Boston	380,831	269,000
Other borrowings and lease obligations	22,008	21,195
Accrued interest, expenses and other liabilities	42,538	40,682
Total liabilities	3,091,507	2,881,053
Equity Capital:		
Undistributed earnings	320,869	298,660
Accumulated other comprehensive income	2,674	3,311
Total equity capital	323,543	301,971
Total liabilities and equity capital	\$3,415,050	\$3,183,024

Cambridge Financial Group, Inc. & Subsidiaries

Condensed Consolidated Income Statements | For the Years Ended December 31, 2016 and 2015 (In Thousands)

	2016	2015
Interest income:		
Commercial real estate loans	\$61,505	\$49,064
Residential mortgage loans	19,695	20,751
Commercial and industrial loans	8,913	6,417
Other loans	3,017	2,720
Investment securities and short-term investments	13,423	12,353
Total interest and dividend income	106,553	91,305
Interest expense:		
Deposits	9,503	8,320
Advances from Federal Home Loan Bank of Boston	4,338	3,722
Other borrowings and lease obligations	241	248
Total interest expense	14,082	12,290
Net interest and dividend income	92,471	79,015
Provision for loan losses	5,475	3,350
Net interest and dividend income after provision for loan losses	86,996	75,665
Noninterest income:		
Deposit account fees	5,116	5,068
Rental income	4,230	4,354
Trust fee income	2,986	3,951
Gain on sales of securities, net	2,025	249
Mortgage banking gains	2,181	1,514
Other	3,586	3,713
Total noninterest income	20,124	18,849
Noninterest expense:		
Salaries and employee benefits	41,545	38,990
Office occupancy and equipment	13,417	11,718
FDIC deposit insurance	1,792	1,547
Other operating expenses	19,671	19,125
Total noninterest expense	76,425	71,380
Income before income taxes	30,695	23,134
Income tax expense	8,486	5,261
Net income	\$22,209	\$17,873

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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
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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
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Concord

202 Sudbury Road
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Lexington Center

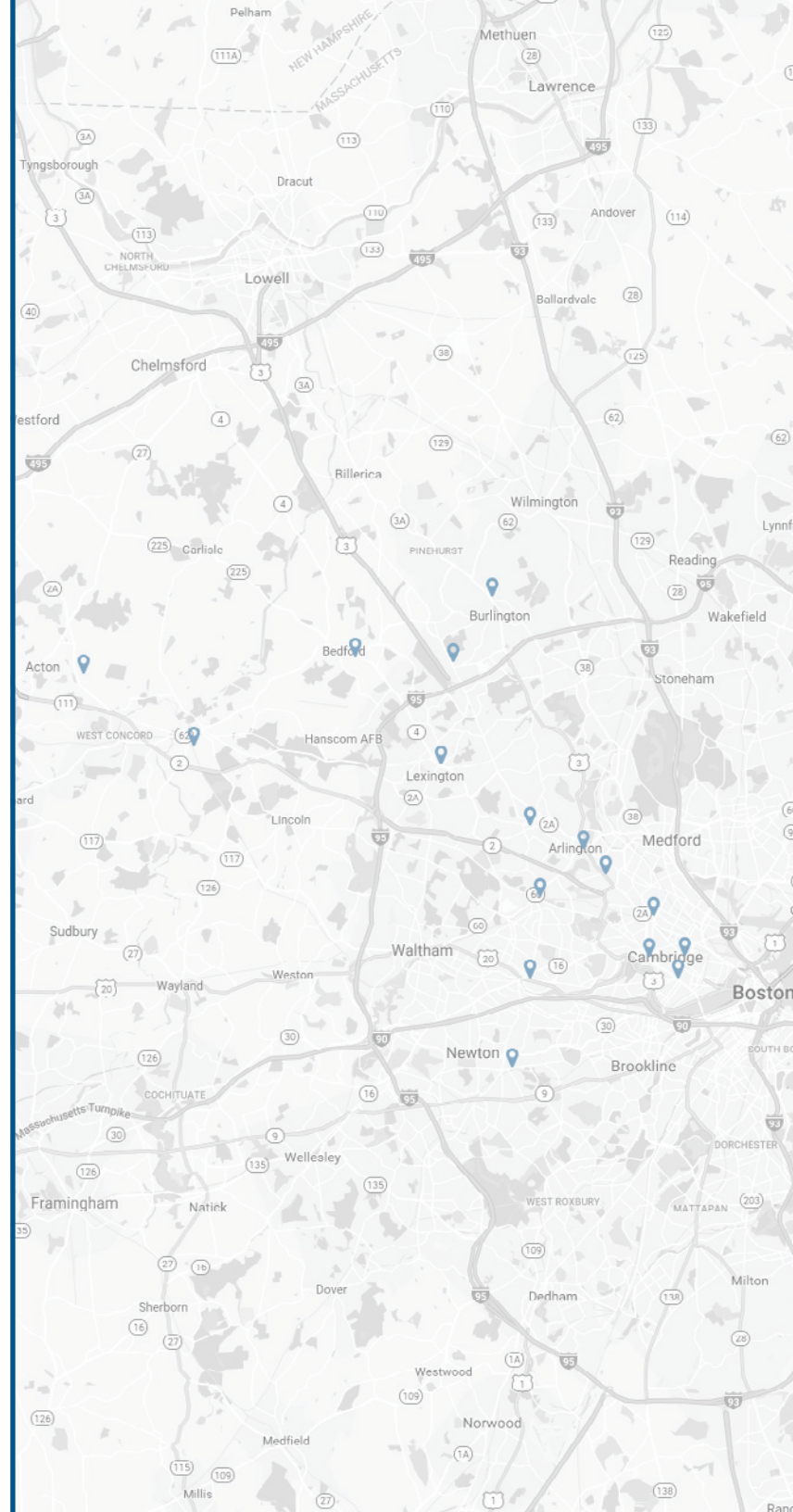
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Newton, MA 02459
617.441.7065

Watertown

54 Arsenal Street
Watertown, MA 02472
617.441.7088



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Always you.



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