



NEWS RELEASE

# Ledyard Financial Group Reports Q1 2023 Earnings and Declares Quarterly Dividend

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HANOVER, N.H.--(BUSINESS WIRE)-- Ledyard Financial Group, Inc. (ticker symbol LFGP), the holding company for Ledyard National Bank, today announced financial results for Q1 2023 and declared a regular quarterly dividend.

## Highlights for Q1 2023:

- Net income of \$1.49 million, up from \$784 thousand in Q4.
- Cost of interest-bearing deposits of 0.40%, with deposit betas well below industry average.
- Advisory revenue of \$3.1 million and assets under management of \$1.75 billion, up 2% and 3% over Q4, respectively.
- Less than one basis point of net charge-offs.
- Strong liquidity and capital positions with no negative effects from the March banking sector disturbance.
- Regular quarterly dividend of \$0.21.

“We are pleased to report Q1 results that confirm the strength and resiliency of the Company’s core banking and wealth management businesses,” said Kathy Underwood, CEO. “We continue to focus on building and leveraging infrastructure that supports our strategic plan and are pleased to see favorable early returns from revamped marketing efforts, new product launches, and infrastructure refinements.”

Peter Sprudz, CFO, added, “Our relationship-based business model and sound risk-management practices allowed us to avoid any adverse impact from the March banking sector disruption. With no deposit run-off attributable to the March market volatility and a well-managed risk profile, the Company ended the quarter with capital ratios well

in excess of regulatory well-capitalized minimums and liquidity reserves that continue to provide ample opportunity to grow.”

Josephine Moran, President, concluded, “Our Q1 results and balance sheet strength position us well for future growth and we look forward to achieving our vision of making life better for our clients, our employees and the communities we serve.”

### Q1 2023 Results

Net income for Q1 2023 was \$1.49 million (\$0.45 per share) compared to \$784 thousand in Q4 2022 (\$0.24 per share) and \$2.04 million (\$0.63 per share) for Q1 2022.

Q1 2023 net interest income was \$4.88 million, down \$53 thousand or 1.1% from Q4 2022, and up \$182 thousand or 3.9% from Q1 2022. In the face of over 400 basis points of rate increases since Q1 2022, overall interest-bearing deposit costs have increased only 25 basis points, revealing a deposit beta well below industry average; the cost of interest-bearing deposits averaged only 40 bps in Q1. At 2.89% for Q1, net interest margin was 28 basis points wider than in Q1 2022, and 7 basis points narrower than in Q4 2022. These margin figures do not reflect the beneficial effect of the tax advantage provided by the Company’s investments in municipal bonds which generate income that is not taxable at the federal level.

On January 1, 2023, the Company adopted the commonly referred to Current Expected Credit Loss (CECL) Accounting Standard No. 2016-13 and recorded a \$1.0 million reduction to its reserve levels along with a corresponding increase to equity. Subsequently, with credit quality remaining strong, credit loss expense (formerly known as provision for loan losses) for Q1 amounted to only \$21 thousand. In Q1 2022 the Company incurred no provision expense, while in Q4 2022 there was a release of \$2.88 million.

Non-interest revenue for Q1 2023 amounted to \$3.43 million, or \$3.31 million more than in Q4 2022 and \$560 thousand less than in Q1 2022. The presence of gains on securities sales in Q1 2022 and losses in Q4 2022 drive these variances; if the impact of these securities transactions is excluded, Q1 non-interest revenues grew \$69 thousand over Q4 2022 and fell short of Q1 2022 by \$288 thousand.

Revenue from Ledyard Financial Advisors amounted to \$3.09 million for Q1 2023, up 2.1% and down 8.9% from \$3.03 million and \$3.37 million in Q4 2022 and Q1 2022, respectively.

- Assets Under Management (AUM) ended the quarter at \$1.75 billion, up 2.6% for the quarter and down 7.9% from \$1.90 billion a year ago.
- The Company continues to attract new client relationships and assets; AUM and related revenue have

trended in concert with global market asset values.

Non-interest expense in Q1 2023 was \$6.74 million, compared to \$7.08 million in Q4 2022 and \$6.48 million in Q1 2022, representing a decrease of \$343 thousand or 5.1% from Q4 2022 and an increase of \$256 thousand or 3.8% over Q1 2022.

Total assets of the Company at March 31, 2022 were \$747.0 million, up \$3.5 million or 0.5% since the end of 2022, and down \$12.1 million or 1.6% from March 31, 2022. Loans at March 31, 2023 were \$363.5 million, compared to \$362.0 million at December 31, 2022 and \$359.0 million at the end of Q1 2022.

With significant seasonal run-off in January but no decline during the March market turmoil, core deposits (total deposits excluding brokered deposits) ended Q1 at \$524.9 million, down from \$570.3 million at the end of 2022 and \$596.6 million a year ago. These trends are consistent with overall industry trends that show deposit balances generally in decline since at least the beginning of 2022.

Prudent risk management policies and practices allowed the Company to readily weather the March banking sector disruption. The Company has a diverse deposit base (roughly 70/30 retail/commercial), a small proportion of uninsured deposits (estimated at 17%), over \$200 million in ready borrowing capacity at the Federal Reserve and the Federal Home Loan Bank of Boston, and regulatory capital ratios in excess of well-capitalized minimums. Outreach to customers by management and board members during the latter half of March allowed the Company to proactively educate customers about the Bank's resiliency and confirmed the value of its diverse, relationship-based business model.

Under the newly adopted CECL rules, the ALLL has been replaced by the Allowance for Credit Losses (ACL). Upon adoption of CECL on January 1, 2023, the Company reduced its reserve balances by \$1.0 million and increased equity by an equal amount. The ACL totaled \$2.8 million at March 31, 2023, compared to \$3.8 million (in ALLL) at the end of 2022, and \$7.5 million (in ALLL) at the end of Q1 2022. With charge-offs running at an annualized rate of one basis point of loan balances, the ACL at 3/31/2023 provides 2.2x coverage of non-performing assets.

At March 31, 2023, shareholders' equity stood at \$55.2 million, up \$2.2 million from the end of 2022 and up \$2.4 million from March 31, 2022. These amounts include the impact of changes in Accumulated Other Comprehensive Income (AOCI), which moved from an unrealized loss position of \$13.4 million at March 31, 2022 to an unrealized loss position of \$16.1 million at the end of Q4 2022 before improving to a smaller loss position of \$15.9 million at March 31, 2023. These movements track interest rate driven changes in the market value of Available-For-Sale securities and derivative contracts used for hedging purposes. From the perspective of overall balance sheet management and valuation, these unrealized losses are partially offset by an increase in the economic value of the Company's deposit liabilities, an increase that is not recognized in the financial statements.

The Bank's and Company's capital ratios are in excess of the amount required by applicable banking regulators to be considered well capitalized. At March 31, 2023, the Company's book value per share excluding AOCI stood at \$21.22 compared to \$20.63 on December 31, 2022 and \$19.74 on March 31, 2022. AOCI is excluded when calculating regulatory capital ratios.

The Company has significant liquidity resources available to support operations, including good standing as a borrower at the Federal Reserve and at the Federal Home Loan Bank of Boston, extensive portfolios pledged at these same institutions to facilitate easy access to funding, and the ability to access wholesale deposit sources previously deployed but untapped as of March 31, 2023.

#### Dividend Declaration

The Company announced a regular quarterly dividend of \$0.21 payable May 26, 2023 to shareholders of record as of May 12, 2023.

Ledyard Financial Group, Inc., headquartered in Hanover, New Hampshire, is the holding company for Ledyard National Bank, founded in 1991. Ledyard National Bank is a full-service community bank offering a broad range of banking, investment, and wealth management services. Ledyard Financial Group, Inc. shares can be bought and sold through the NASD sanctioned OTC Markets under the trading symbol LFGP. For additional information about the company, stock activity, or financial results please visit the Investor Relations section of bank's website ([www.ledyard.bank](http://www.ledyard.bank)), or contact the Company's Chief Financial Officer, Peteris J. Sprudz.

Income Statement (unaudited, \$000s)	For the Three Months Ended		
	3/31/2023	12/31/2022	3/31/2022
Net interest income before provision/credit loss expense	4,876	4,929	4,694
Provision/credit loss expense	21	(2,885)	-
Net interest income after provision/credit loss expense	4,855	7,814	4,694
Ledyard Financial Advisors revenue	3,094	3,030	3,369
Securities gains (losses)	-	(3,239)	272
Other non-interest income	337	332	349
Total non-interest income	3,431	123	3,990
Non-interest expense	6,740	7,083	6,484
Pre-tax income	1,546	854	2,200
Tax expense	54	70	155
Net income	\$1,492	\$784	\$2,045
Other Operating Metrics	For the Three Months Ended		
	3/31/2023	12/31/2022	3/31/2022

Earnings per common share, basic	\$0.45	\$0.24	\$0.64
Earnings per common share, diluted	\$0.45	\$0.24	\$0.63
Dividends per common share	\$0.21	\$0.21	\$0.21
Return on assets	0.78%	0.46%	1.05%
Return on equity	10.32%	7.42%	11.15%
Efficiency ratio	81.14%	140.18%	74.67%
Stock price - high	19.79	20.40	25.70
Stock price - low	16.10	17.80	24.15
Stock price - average	18.15	18.86	25.02

<u>Balance Sheet (unaudited, \$000s)</u>	<u>3/31/2023</u>	<u>12/31/2022</u>	<u>3/31/2022</u>
Investments & interest-bearing deposits	\$319,987	\$317,800	\$349,331
Gross loans	363,499	362,057	358,959
Allowance for loan loss	(2,848)	(3,843)	(7,474)
<u>Net loans</u>	<u>360,651</u>	<u>358,214</u>	<u>351,485</u>
Premises, equipment & other assets	66,403	67,484	58,306
<u>Total assets</u>	<u>\$747,041</u>	<u>\$743,498</u>	<u>\$759,122</u>
Core Deposits	525,013	570,332	596,561
Brokered Deposits	-	-	71,012
Borrowings	139,686	91,270	28,976
Subordinated debt	18,000	18,000	-
Other liabilities	9,178	10,897	9,836
<u>Total liabilities</u>	<u>691,877</u>	<u>690,499</u>	<u>706,385</u>
Capital	72,691	70,730	67,812
Accumulated other comprehensive income	(15,883)	(16,087)	(13,424)
Treasury stock	(1,644)	(1,644)	(1,651)
<u>Total shareholder's equity</u>	<u>55,164</u>	<u>52,999</u>	<u>52,737</u>
<u>Total liabilities and equity</u>	<u>\$747,041</u>	<u>\$743,498</u>	<u>\$759,122</u>
<u>Other Metrics (as of stated date)</u>	<u>3/31/2023</u>	<u>12/31/2022</u>	<u>3/31/2022</u>
Book value per share (excluding AOCI)	\$21.22	\$20.63	\$19.74
Book value per share (including AOCI)	\$16.48	\$15.83	\$15.74
Leverage ratio	9.63%	9.44%	8.66%
Risk based capital ratio	19.96%	19.70%	15.71%
Allowance to total loans	0.78%	1.06%	2.08%
Texas ratio	1.48%	1.73%	2.33%
Allowance for loan losses to non-performing assets	223%	260%	453%
Assets under management (billions)	\$1.512	\$1.706	\$1.901
Shares of common stock issued	3,463,692	3,464,394	3,467,307
Treasury shares	115,998	115,998	116,478

**Forward-Looking Statements:** Statements concerning future performance, developments or events, expectations for growth and income forecasts, and any other guidance on future periods constitute forward-looking statements that are subject to a number of risks and uncertainties. Actual results may differ materially from stated expectations. Specific factors include, but are not limited to, loan production, competitive pressure in the

banking industry, balance sheet management, net interest margin variations, the effect of changes in equity prices on assets under management, the ability to control costs and expenses, changes in the interest rate environment, financial policies of the United States government, and general economic conditions. The Company disclaims any obligation to update any such factors.

**Note:** Certain reclassifications have been made to the prior period information to conform to the current period presentation.

**For further information:**

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