



NEWS RELEASE

Ledyard Financial Group Reports Q3 2023 Earnings and Declares Quarterly Dividend

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HANOVER, N.H.--(BUSINESS WIRE)-- Ledyard Financial Group, Inc. ("The Company", ticker symbol LFGP), the holding company for Ledyard National Bank, today announced financial results for Q3 2023 and declared a regular quarterly dividend.

Q3 2023 Highlights

- Net income of \$839 thousand, up 17% from Q2 2023, and down 60% from Q3 2022.
- Regular quarterly dividend of \$0.21 declared.
- Client deposit growth of \$9.8 million, or 1.8% over June 30, 2023.
- Net loan growth of \$13.5 million, or 3.7% over June 30, 2023.
- Continued balance sheet strength, with Tier One Leverage Ratio of 9.25% and Total Risk-Based Capital Ratio of 15.02%.
- Net interest margin of 2.27% (excluding the tax advantage of municipal investments); average cost of interest-bearing deposits up 59 basis points from Q2 2023, to 2.74%.
- Advisory revenue of \$3.2 million and assets under management of \$1.78 billion, up 2.3% and down 2.5% from Q2 2023.

"The improvement in net income over Q2 was rooted in strong credit performance, with negative provision expense resulting from a more favorable economic outlook and net recoveries resulting from diligent credit management practices. Net interest margin narrowed, though at a slower pace than in previous quarters. With both loans and deposits growing the balance sheet remains solid and our quarterly dividend is unchanged," said Peter Sprudz,

CFO.

“We are delighted to report growth in all key areas of our business – an increase in client deposits and loans, and an increase in revenue from our wealth management activities,” added Josephine Moran, CEO. “The investments we are making as we pursue our multi-year strategic plan are beginning to pay dividends. Our vision of making life better for our clients, our employees and the communities we serve is taking root.”

Q3 2023 Results

Net income for Q3 2023 was \$839 thousand (\$0.25 per share) compared to \$719 thousand (\$0.22 per share) in Q2 2023 and \$2.08 million (\$0.64 per share) for Q3 2022.

Q3 2023 net interest income was \$4.0 million, down \$227 thousand or 5.4% from Q2 2023, and down \$494 thousand or 11.0% from Q3 2022. Net interest margin narrowed in Q3, declining to 2.27% from 2.48% in Q2 2023 and 2.68% in the year-ago quarter. Worth noting is that the reported margin figures do not reflect the beneficial effect of the tax advantage provided by the bank’s \$188.4 million in municipal bond holdings.

Quarter over quarter, the cost of interest-bearing liabilities increased 59 basis points from 2.15% to 2.74%, while earning asset yields increased 13 basis points from 3.56% to 3.69% and the net contribution to net interest margin from free funds and hedging activities rose 26 basis points.

The increase in liability costs resulted primarily from a continued mix shift to time deposits from non-maturity deposits, as banks, businesses, and consumers all adjust to and absorb the 525 basis points of rate hikes experienced since March 2022. Industry survey data tracked by the Bank continue to suggest that the Bank’s deposit costs remain well below industry averages.

During Q3 2023, the credit outlook improved, resulting in a provision credit of \$298 thousand, compared to a provision expense of \$232 thousand in Q2 2023 and a release of \$750 thousand from the allowance for loan losses in Q3 2022.

Non-interest revenue for Q3 2023 amounted to \$3.55 million, or \$3 thousand less than in Q2 2023 and \$115 thousand more than in Q3 2022. Revenue from Ledyard Financial Advisors amounted to \$3.21 million for Q3 2023, up 2.3% from \$3.14 million in Q2 2023 and up 3.1% from \$3.11 million in Q3 2022.

- Assets Under Management (AUM) ended the quarter at \$1.78 billion, down 2.5% from the previous quarter-end and up 11.1% from \$1.60 billion a year ago.
- The Company continues to attract new client relationships and assets; AUM and related revenue has

generally trended in concert with global market asset values.

Non-interest expense in Q3 2023 was \$7.08 million, compared to \$7.06 million in Q2 2023 and \$6.49 million in Q3 2022, representing an increase of \$17 thousand or 0.2% from Q2 2023 and an increase of \$590 thousand or 9.1% over Q3 2022. Approximately 40% of the increase over year-ago levels arises from inflationary pressures, with the remainder attributable primarily to strategic investments in client-facing staff, marketing spend, and infrastructure.

The Company continues to benefit from its investments in Low Income Housing Tax Credits. In Q3 2023, the tax credits earned from these investments exceeded the tax liability for the quarter, resulting in a GAAP tax benefit of \$65 thousand.

Total assets of the Company at September 30, 2023 were \$800.2 million, growing \$51 million or 6.8% during Q3 and \$71 million or 9.7% over September 30, 2022.

Gross loans at September 30, 2023 were \$385.0 million, up \$13 million or 3.5% over June 30, 2023, and up \$31 million or 8.9% when compared to September 30, 2022. Loan growth in the quarter was broad-based and included \$1.9 million of purchased residential ARMs.

Established under the new CECL rule adopted by the Company on January 1, 2023, the Allowance for Credit Losses (ACL) totaled \$2.7 million at September 30, 2023, compared to \$3.1 million at the end of Q2 2023, and \$6.7 million (in ALLL) at the end of Q3 2022. Reserves for loan losses amounted to 71 basis points of loan balances at September 30, 2023, as compared to 84 and 190 basis points at June 30, 2023 and September 30, 2022, respectively. The Bank experienced net recoveries in Q3 2023, and the ACL at the end of Q3 2023 provides 2.6x coverage of non-performing assets.

Client deposit balances grew \$9.8 million (1.8%) in Q3 2023, while deposits acquired through broker or listing service channels grew \$22.1 million. \$13.8 million of the wholesale deposit growth was in non-brokered, uncollateralized institutional deposits with maturities averaging ~2.5 years.

The Company continues to focus on maintaining a robust liquidity profile, with a diverse deposit base (roughly 70/30 retail/commercial), a small proportion of uninsured deposits (estimated at 15%), and good borrower standing at the Federal Reserve and at the Federal Home Loan Bank of Boston. With extensive portfolios pledged at these institutions, the Bank had over \$252 million in readily accessible borrowing capacity as of September 30, 2023.

At September 30, 2023, shareholders' equity stood at \$53.5 million, down \$2.4 million from June 30, 2023 and up \$6.1 million from September 30, 2022. These amounts include the impact of changes in Accumulated Other Comprehensive Income (AOCI), which moved from an unrealized loss position of \$21.5 million at September 30,

2022 to an unrealized loss position of \$15.1 million and \$17.6 million at the end of Q2 and Q3 2023, respectively. These movements track interest rate driven changes in the market value of Available-For-Sale securities and derivative contracts used for hedging purposes.

The Company's capital ratios are in excess of the amount required by applicable banking regulators to be considered well capitalized. Depending on the specific ratio considered, the Company has approximately \$25 million more than required for the well-capitalized designation. AOCI is excluded when calculating regulatory capital ratios.

At September 30, 2023, the Company's book value per share excluding AOCI stood at \$21.11 compared to \$21.04 at June 30, 2023 and \$20.55 at September 30, 2022.

Dividend Declaration

The Company is pleased to announce that a regular quarterly dividend of \$0.21 per share will be paid on December 8, 2023 to shareholders of record as of November 17, 2023.

About the Company.

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 OTCQX Best 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), or contact the Company's Chief Financial Officer, Peteris J. Sprudz.

Income Statement (unaudited, \$000s)	For the Three Months Ended		
	9/30/2023	6/30/2023	9/30/2022
Net interest income before provision	4,007	4,234	4,500
Provision for credit losses	(298)	232	(750)
<u>Net interest income after provision</u>	<u>4,305</u>	<u>4,002</u>	<u>5,250</u>
Ledyard Financial Advisors revenue	3,210	3,137	3,112
Securities losses	(11)	-	-
Other non-interest income	350	415	322
<u>Total non-interest income</u>	<u>3,549</u>	<u>3,552</u>	<u>3,434</u>
Total revenue	7,854	7,554	8,684

Non-interest expense	7,080	7,063	6,489
Pre-tax income	774	491	2,195
Tax expense (benefit)	(65)	(228)	115
Net income	\$839	\$719	\$2,080

Other Operating Metrics	For the Three Months Ended		
	9/30/2023	6/30/2023	9/30/2022
Earnings per common share, basic	\$0.25	\$0.22	\$0.64
Earnings per common share, diluted	\$0.25	\$0.22	\$0.63
Dividends per common share	\$0.21	\$0.21	\$0.21
Return on assets	0.44%	0.37%	1.12%
Return on equity	6.02%	4.97%	16.95%
Efficiency ratio	93.71%	90.71%	81.80%
Stock price - high	\$15.53	\$17.00	\$22.00
Stock price - low	\$13.31	\$13.75	\$19.76
Stock price - average	\$14.51	\$14.98	\$20.44

Balance Sheet (unaudited, \$000s)	9/30/2023	6/30/2023	9/30/2022
Investments & interest-bearing deposits	\$350,301	\$314,569	\$317,304
Gross loans	384,971	371,805	353,551
Allowance for credit losses	(2,732)	(3,111)	(6,720)
Net loans	382,239	368,694	346,831
Premises, equipment & other assets	67,708	66,088	65,344
Total assets	\$800,248	\$749,351	\$729,479
Client deposits	538,980	529,222	567,746
Brokered & institutional deposits	54,533	32,368	-
Borrowings	128,730	108,815	87,434
Subordinated debt	18,000	18,000	18,000
Other liabilities	6,480	5,044	8,901
Total liabilities	746,723	693,449	682,081
Capital	72,769	72,656	70,561
Accumulated other comprehensive loss	(17,600)	(15,110)	(21,519)
Treasury stock	(1,644)	(1,644)	(1,644)
Total shareholder's equity	53,525	55,902	47,398
Total liabilities and equity	\$800,248	\$749,351	\$729,479

Other Metrics (as of stated date)	9/30/2023	6/30/2023	9/30/2022
Book value per share (excluding AOCI)	\$21.11	\$21.04	\$20.55
Book value per share (including AOCI)	\$15.89	\$16.56	\$14.13
Leverage ratio	9.25%	9.51%	9.46%
Risk based capital ratio	18.99%	19.79%	19.99%
Allowance to total loans	0.71%	0.84%	1.90%

Texas ratio	1.24%	1.28%	3.61%
Allowance for loan losses to non-performing assets	255%	280%	212%
Assets under management (billions)	\$1.775	\$1.820	\$1.598
Shares of common stock issued	3,484,962	3,491,100	3,470,127
Treasury shares	115,998	115,998	115,998

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.

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Source: Ledyard Financial Group, Inc.