



NEWS RELEASE

Ledyard Financial Group Reports Q4 2023 and Full-Year 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 Q4 2023 and Full-Year (FY) 2023. The strategic investment made in the Company's core banking business continues to build and complement its robust wealth management platform and the Company remains focused on building and leveraging infrastructure that promotes growth and the pursuit of making life better for its clients, its employees, its shareholders, and the communities it serves.

Q4 2023 and FY 2023 Highlights

- Q4 net income was \$116 thousand, down \$723 thousand from Q3 2023, with the decline attributable to reserve growth consistent with loan production volume in the quarter.
 - Provision expense was \$1.0 million higher than in Q3 2023, accounting for more than 100% of the quarter-over-quarter change in pre-tax income.
 - The Company experienced net recoveries (rather than net charge-offs) in both Q4 and FY 2023.
- FY 2023 net income was \$3.2 million, down \$3.8 million or 54% from \$7.0 million in 2022. Consistent with the NIM compression observed industry-wide in 2023, Net Interest Income was down \$1.4 million or 7.8%, and investment in infrastructure and inflation drove non-interest expense up \$1.8 million, or 7.0%. Wealth management revenue came in at \$12.7 million, down 1% from \$12.8 million in 2022, and the net effect of provision expense and securities gains or losses amounted to \$682 thousand and \$668 thousand of expense in 2023 and 2022, respectively.

- Total assets ended 2023 at \$854.8 million, having grown \$54.5 million during Q4 and \$111.3 during the year.
 - Q4 was a particularly strong period for loan growth, with loan balances increasing \$33.8 million.
 - Client deposits increased \$21 million during Q4 and ended the year down less than 2% from a year ago.
- Capital ratios remain well in excess of regulatory well-capitalized minimums.
- Assets under management (AUM) ended the year at \$1.95 billion, up 9.7% and 14.2% from Q3 2023 and Q4 2022, respectively.
- Regular quarterly dividend of \$0.21 per share declared.

“By driving growth in both relationship-based loans and client deposits, we remained focused on the goal of long-term value creation throughout 2023. Prudent balance sheet growth in Q4, along with the addition of \$712 thousand to credit reserves, has resulted in both higher net interest income and a stronger balance sheet. With wealth management revenues growing and expenses well managed, the Company is on solid footing and our quarterly dividend is unchanged,” said Peter Sprudz, CFO.

“Despite the challenges of 2023, I am pleased to report more evidence of progress on our multi-year strategic plan - in Q4 2023 we delivered the highest loan production in company history, in concert with a 15% annualized increase in client deposits. We remain confident that as we strive to make life better for our clients, our employees and the communities we serve, we will also make life better for our shareholders.” added Josephine Moran, CEO.

Q4 2023 and FY 2023 Results

Net income for Q4 2023 was \$116 thousand (\$0.04 per share) compared to \$839 thousand in Q3 2023 (\$0.25 per share) and \$784 thousand (\$0.24 per share) for the same period in 2022. For FY 2023, net income totaled \$3.2 million (\$0.96 per share) compared to \$6.98 million (\$2.14 per share) for 2022.

Q4 2023 net interest income was \$4.2 million, up \$146 thousand or 3.6% from Q3 2023, and down \$776 thousand or 15.7% from Q4 2022. Net interest margin (NIM) in Q4 decreased to 2.16% from 2.27% in Q3 2023, and was down 79 basis points from 2.95% in Q4 2022. Reported NIM figures do not reflect the beneficial effect of the tax advantage provided by the Company's \$184.6 million in municipal bond holdings. For FY 2023, net interest income was \$17.3 million, down \$1.5 million or 7.8% from the \$18.7 million recorded in 2022.

Provision for credit losses was \$712 thousand in Q4 2023, of which \$687 thousand was related to growth in unfunded commitments. For FY 2023, provision expense amounted to \$667 thousand, compared to a release of \$3.6 million from the allowance for loan losses (ALLL) in 2022. Since the company experienced net recoveries both in Q4 and the full year of 2023, the provision expense resulted in \$716 thousand improvement in credit reserves (ACL and Liability for Unfunded Commitments) since the adoption of CECL on January 1, 2023.

Non-interest revenue for Q4 2023 amounted to \$3.6 million, up from \$3.5 million and \$123 thousand in Q3 2023 and Q4 2022, respectively. Q4 2022 non-interest revenue included a loss of \$3.2 million incurred in a securities portfolio restructuring; excluding that loss, Q4 2022 non-interest revenue would have been \$3.4 million and the year-over-year increase would be \$200 thousand.

- Revenue from Ledyard Financial Advisors (LFA) amounted to \$3.2 million for Q4 2023, essentially unchanged from Q3 2023, but up \$184 thousand from \$3.0 million in Q4 2022. For the full year, LFA revenue amounted to \$12.7 million, down \$123 thousand or 1.0% from \$12.8 million in 2022.
 - AUM ended the year at \$1.95 billion, up 9.7% for the quarter, and up 14.2% from \$1.71 billion at the prior year-end.

Non-interest expense in Q4 2023 was \$7.0 million compared to \$7.1 million in Q3 2023 and in Q4 2022, a decrease of \$60 thousand compared to both Q3 2023 and Q4 2022. Non-interest expense for FY 2023 was \$27.9 million compared to \$26.1 million in 2022, an increase of \$1.8 million or 7.0%. Approximately 15% of the year-over-year increase reflects inflationary pressures, with the remainder attributable to strategic investments in infrastructure, client-facing staff, elevated marketing spending, and non-recurring CEO transition costs.

The Company continues to benefit from its investments in Low Income Housing Tax Credits. In Q4 2023, the tax credits earned from these investments exceeded the tax liability for the quarter, resulting in a tax benefit of \$138 thousand. The total tax benefit in FY 2023 was \$377 thousand.

Total assets of the Company at December 31, 2023 were \$854.8 million, up \$54.5 million or 6.8% from the end of Q3 2023, and up \$111.3 million or 15.0% from year-end 2022, driven primarily by loan growth and new investments.

Gross loans at December 31, 2023 were \$418.8 million, compared to \$385.0 million on September 30, 2023 and \$362.1 million at 2022 year-end, or growth of 8.8% in Q4 and 15.7% for the year.

Credit reserves amounted to \$3.6 million on 12/31/2023, the sum of \$2.8 million in ACL and \$774 thousand in the Liability for Unfunded Commitments. The Allowance for Credit Losses (ACL) totaled \$2.8 million at December 31, 2023, compared to \$2.7 million at the end of Q3 2023, \$3.8 million (in ALLL) at 2022 year-end, and \$2.8 million as of January 1, 2023, the Company's date of CECL adoption. Allowance for credit losses amounted to 0.66% of loan balances at December 31, 2023, as compared to 0.71%, 1.06%, and 0.78% at September 30, 2023, December 31, 2022, and January 1, 2023, respectively. Under the new CECL rule, the Company also established a reserve for unfunded commitments, which had a balance of \$774 thousand on December 31, 2023. This reserve balance is included in other liabilities on the balance sheet.

The Company experienced net recoveries of \$49 thousand in FY 2023, and the ACL at 2023 year-end provides 1.6x coverage of non-performing assets.

Core deposits at December 31, 2023 were \$560.0 million, up \$20.9 million over Q3 2023 but down \$10.4 million from December 31, 2022. The improvement over Q3 was driven by deepening customer relationships on multiple fronts.

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 proven access to both unsecured and secured wholesale funding channels.

Quarter-over-quarter, deposits acquired through broker or listing service channels grew \$45.7 million or 83.8%, ending the year at \$100.2 million. Contributing to the stability of this funding source is the fact that these deposits have an average maturity of approximately 2.5 years.

The Company has significant liquidity resources available to support operations due to its good standing and with extensive portfolios pledged at FHLB Boston and the Federal Reserve. The Company had over \$280 million in readily accessible borrowing capacity as of December 31, 2023.

At December 31, 2023, shareholders' equity was \$56.0 million, up \$2.5 million or 4.7% from the end of Q3 2023 and up \$3.0 million or 5.7% from 2022 year-end. These changes include the impact of changes in Accumulated Other Comprehensive Income (AOCI), which moved from an unrealized loss position of \$16.1 million at Q4 2022 to an unrealized loss position of \$17.6 million and \$14.6 million at the end of Q3 and Q4 2023, respectively. These movements directly track interest rate driven changes in the market value of Available-For-Sale securities and derivative contracts used for hedging purposes.

All the Company's capital ratios are well in excess of the amount required by the Federal Reserve for a bank holding company to be considered well capitalized. At December 31, 2023, the Company's book value per share excluding AOCI stood at \$20.97 compared to \$21.11 on September 30, 2023 and \$20.63 on December 31, 2022.

Dividend Declaration

The Company is pleased to announce that a regular quarterly dividend of \$0.21 per share will be paid on March 12, 2024 to shareholders of record as of February 26, 2024.

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.

Unaudited Income Statement (\$000s)	For the Three Months Ended		
	12/31/2023	9/30/2023	12/31/2022
Net interest income	\$ 4,153	\$ 4,007	\$ 4,929
Provision for credit losses	712	(298)	(2,885)
Net interest income after provision	3,441	4,305	7,814
Ledyard Financial Advisors revenue	3,215	3,210	3,030
Securities losses	(5)	(11)	(3,239)
Other non-interest income	350	350	332
Total non-interest income	3,560	3,549	123
Non-interest expense	7,023	7,080	7,083
Pre-tax income	(22)	774	855
Tax expense (benefit)	(138)	(65)	70
Net income	\$ 116	\$ 839	\$ 784
Earnings per common share, basic	\$ 0.04	\$ 0.25	\$ 0.24
Earnings per common share, diluted	\$ 0.04	\$ 0.25	\$ 0.24

Unaudited Income Statement (\$000s)	For the Twelve Months Ended	
	12/31/2023	12/31/2022
Net interest income	\$ 17,270	\$ 18,722
Provision for credit losses	667	(3,634)
Net interest income after provision	16,603	22,356
Ledyard Financial Advisors revenue	12,656	12,779
Securities losses	(15)	(2,966)
Other non-interest income	1,451	1,398
Total non-interest income	14,092	11,211
Non-interest expense	27,907	26,070
Pre-tax income	2,788	7,497
Tax expense (benefit)	(377)	515
Net income	\$ 3,165	\$ 6,982

For the Twelve Months Ended

Other Operating Metrics		12/31/2023		12/31/2022
Earnings per common share, basic	\$	0.96	\$	2.14
Earnings per common share, diluted	\$	0.96	\$	2.13
Dividends per common share	\$	0.84	\$	0.84
Return on assets		0.41%		0.94%
Return on equity		5.51%		12.77%
Efficiency ratio		91.06%		87.10%
Stock price - high	\$	20.00	\$	25.70
Stock price - low	\$	12.95	\$	17.80
Stock price - average	\$	15.64	\$	21.12

Unaudited Balance Sheet (as of stated date, \$000s)	12/31/2023	9/30/2023	12/31/2022
Investments & interest-bearing deposits	\$ 374,516	\$ 350,301	\$ 317,800
Gross loans	418,766	384,971	362,057
Less: Allowance for credit losses	(2,780)	(2,732)	(3,843)
Net loans	415,986	382,239	358,214
Premises, equipment & other assets	64,277	67,708	67,484
Total Assets	\$ 854,779	\$ 800,248	\$ 743,498
Core deposits	\$ 559,915	\$ 538,980	\$ 570,332
Wholesale & brokered deposits	100,242	54,534	-
Borrowings	113,076	128,730	91,270
Subordinated debt	18,000	18,000	18,000
Other liabilities	7,526	6,480	10,897
Total Liabilities	798,759	746,723	690,499
Capital	72,276	72,769	70,730
Other comprehensive income	(14,612)	(17,600)	(16,087)
Treasury stock	(1,644)	(1,644)	(1,644)
Total Shareholders' Equity	56,020	53,525	52,999
Total Liabilities and Equity	\$ 854,779	\$ 800,248	\$ 743,498

Other Metrics (as of stated date)	12/31/2023	9/30/2023	12/31/2022
Book value per share (excluding OCI)	\$ 20.97	\$ 21.11	\$ 20.63
Book value per share (including OCI)	\$ 16.64	\$ 15.89	\$ 15.83
Leverage ratio	8.31%	9.13%	9.44%
Risk based capital ratio	17.61%	18.99%	19.70%
Allowance to total loans	0.66%	0.71%	1.06%
Texas ratio	2.01%	1.24%	1.73%
Allowance for credit losses to non-performing assets	161%	255%	260%
Assets under management (billions)	\$ 1.947	\$ 1.775	\$ 1.705
Shares of common stock issued	3,483,513	3,484,962	3,464,393
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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