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2019 ANNUAL REPORT



## TO OUR MANY CONSTITUENTS

*including shareholders, valued clients and community members*



Kathryn G. Underwood  
*President & CEO*  
*Ledyard Financial Group*  
*Ledyard National Bank*

Margaret M. Rightmire  
*Chair, Ledyard Financial Group*  
*Ledyard National Bank*

We have a great deal to celebrate as we look back on 2019, and we are pleased to report it was another year full of significant accomplishments marked by strong performance and sustained engagement with our clients, prospects and community. Since Ledyard's founding in 1991, we have stayed true to the bank's founding principles of delivering unparalleled personal service, developing and maintaining strong relationships with clients, increasing value for our shareholders and empowering employees to fulfill their potential. At the core of Ledyard's guiding principles is the notion we truly understand the critical role we play in the lives of our clients. We seek to make a difference in their lives by comprehensively supporting their financial needs. Those needs range from buying a new home to sending kids to college, and from starting a new business to planning for retirement. In a nutshell, our mission remains constant, helping our clients achieve what matters to them most!

To that end, we worked diligently in 2019 to execute a major component of our strategic plan — a complete overhaul of our organization's core banking system — ushering in the cutting-edge technology required to deliver a banking experience defined by each client's unique preferences. A key aspect of this immense upgrade allows us to introduce many new banking products and services that have become increasingly relevant to our clients, and to ensure Ledyard is well-positioned to continue delivering the most sophisticated, technology-based products available. A few examples include the following:

- **Ledyard CardValet**, a mobile phone app that helps clients protect the cards in their wallets. With this security technology, clients can receive mobile alerts whenever their card is used, set customized purchase controls to help manage spending or even disable lost or stolen cards to prevent fraudulent activity.

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- **uChoose Rewards®**, a new debit card rewards program that offers clients the flexibility to redeem points for travel, gas, groceries, gift cards and more.
  - **eWallet** capabilities such as Apple Pay, Google Pay and Samsung Pay that allow clients to pay for purchases via their mobile devices.
  - **A Health Savings Account (HSA)** that enables account owners to contribute funds on a pre-tax basis for many out-of-pocket medical expenses.
  - **Ledyard's Platinum Checking Account**, a redesigned flagship checking account product with access to all the best Ledyard has to offer, including special deposit rates and ATM fee refunds.

Our work has continued to garner industry and community recognition. For example, for the fifth year in a row, we were recognized by *American Banker Magazine* as being among the top 200 publicly traded banks with under \$2 billion in assets. The rankings, based upon a three-year return on average equity, demonstrated the bank's ability to use its equity efficiently. As the only New Hampshire community bank on the list, we see it as a true testament to our employees and their unwavering enthusiasm for our core values. Further, we were also recognized as one of the top providers of financial services in the *Valley News'* annual Reader's Choice Awards. Finally, we were named one of *Business NH Magazine's* 2019 Best Companies to Work For, and were recognized for creating a workplace that attracts and retains talent by proactively striving to engage employees through meaningful work, seeking opportunities to better its communities and pursuing ways to better ourselves collectively and individually.

Ledyard's commitment to delivering the highest levels of banking expertise, as well as our dedication to clients and community, contributed to record performance and strong momentum entering the new year. Ledyard Financial Group's 2019 financial highlights include the following:

- Increased net income to \$5.8 million, an increase of 13% over 2018 and an all-time high
- Grew revenue to \$28.7 million, an increase of 3.9% over the prior year and a record high
- Increased earnings per share by \$0.19 to \$1.85 per share
- Raised our dividend to shareholders by \$0.04 to \$0.74 per share; we've maintained or increased the quarterly dividend since first declaring one in 1995
- Ledyard Financial Advisors' revenue grew by 3.6% to \$10.9 million, an all-time high
- Ledyard Financial Advisors' Assets Under Management & Custody totaled \$1.7 billion, an increase of \$264 million over 2018 and a record high
- Our regulatory capital ratios remained well in excess of the amounts required to be considered well-capitalized, the highest designation possible

Looking ahead to 2020, we are incredibly optimistic about Ledyard's future. This is an exciting time for us as we work diligently to continue our leadership role in the financial services industry. As we build upon our unique value proposition, strong culture and technology-driven banking platform, Ledyard continues to offer the best in relationship banking and wealth management services. We feel more certain than ever our strategic plan is coming to fruition as our initiatives build upon each other and deliver the revenue and profitability we forecasted. For instance, we are currently targeting mid-2020 for the opening of our first full-service branch in Concord, New Hampshire. This addition to the Concord, New Hampshire community will complement the existing Ledyard Financial Advisors office we opened in 2017. This new full-service branch will be located only a short distance from Ledyard's wealth management office and will feature an innovative design that removes the traditional barriers between clients and branch personnel. Cutting-edge technologies and an Interactive Teller Machine will combine with expanded hours and the highest level of personalized service to enhance the banking experience.

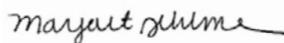
In summary, we are better positioned than ever to address the ever-increasing needs of our personal, business and wealth management clients through education, advice, guidance, technology and product set. The following is a sampling of key goals that remain consistent with years past:

- Continue to improve key financial metrics and increase profitability
- Remain focused on growing core revenue and improving efficiency
- Grow our dividend steadily and share Ledyard's success with our shareholders
- Serve the core financial needs of our clients
- Maintain strong capital and liquidity
- Manage risk with appropriate controls, continue to improve credit quality and ensure risk management capabilities are in line with regulatory expectations
- Invest in our brand
- Invest in technology and cybersecurity
- Invest in our people

Thank you to our shareholders, clients, employees and board members for your trust, support and confidence in our company. You have been, and will continue to be, the key to Ledyard's success.



**KATHRYN G. UNDERWOOD**  
President & CEO  
Ledyard Financial Group/Ledyard National Bank



**MARGARET M. RIGHTMIRE**  
Chair  
Ledyard Financial Group/Ledyard National Bank

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2019 FINANCIAL HIGHLIGHTS (dollars in thousands, except "Other Data")

YEARS-ENDED DECEMBER 31,	2019	2018	2017	2016	2015
<b>FINANCIAL CONDITION DATA</b>					
Assets	\$ 500,391	\$ 488,062	\$ 476,630	\$ 476,306	\$ 446,070
Investments	137,621	143,306	142,798	147,337	141,598
Gross loans, including loans held-for-sale	325,268	310,776	300,608	294,866	276,673
Allowance for loan loss	(5,213)	(5,215)	(5,510)	(5,700)	(5,706)
Net loans, including loans held-for-sale	320,055	305,561	295,098	289,166	270,967
Deposits	393,011	409,066	401,498	401,984	372,937
Federal Home Loan Bank advances	29,783	16,433	13,966	20,000	14,000
Other borrowings and liabilities	21,463	14,071	14,523	11,433	15,085
Shareholders' equity	56,134	48,493	46,643	42,889	44,048
<b>OPERATING DATA</b>					
Net interest income	\$ 16,076	\$ 15,484	\$ 14,481	\$ 13,257	\$ 12,827
Ledyard Financial Advisors income	10,887	10,512	9,437	8,315	8,437
Other non-interest income	1,803	1,682	1,427	2,038	1,722
Total revenue	28,766	27,678	25,345	23,610	22,986
Provision for loan loss	0	0	0	0	0
Non-interest expense	22,102	21,752	20,137	18,474	17,811
Pre-tax income	6,664	5,927	5,208	5,136	5,174
Income taxes	848	775	1,363	1,008	1,113
Net income	5,816	5,152	3,845	4,128	4,061
<b>OTHER DATA</b>					
Earnings per share, basic*	\$ 1.85	\$ 1.66	\$ 1.25	\$ 1.34	\$ 1.32
Dividends per share*	\$ 0.74	\$ 0.70	\$ 0.65	\$ 0.64	\$ 0.64
Dividend payout ratio	40%	42%	52%	48%	48%
Tangible book value per share*	\$ 17.19	\$ 15.02	\$ 14.63	\$ 14.03	\$ 14.27
Shares outstanding, net of treasury*	3,265,475	3,328,532	3,188,075	3,057,978	3,086,430
Return on average assets	1.15%	1.06%	0.78%	0.89%	0.93%
Return on average equity	10.99%	10.82%	8.38%	9.10%	9.26%
Efficiency ratio	76.81%	78.51%	79.45%	78.25%	77.49%
Stock price - high*	\$ 25.00	\$ 24.00	\$ 22.99	\$ 18.33	\$ 20.00
- low*	\$ 19.10	\$ 21.05	\$ 17.78	\$ 15.33	\$ 15.42
- average*	\$ 21.05	\$ 22.17	\$ 20.16	\$ 16.13	\$ 16.63
Assets under management and custody (millions)	\$ 1,723	\$ 1,459	\$ 1,513	\$ 1,157	\$ 1,071
Equity-to-asset ratio	10.74%	10.11%	9.47%	9.30%	9.55%
Allowance for loan losses to total loans	1.60%	1.68%	1.83%	1.93%	2.06%
Allowance for loan losses to non-performing assets	446%	153%	266%	213%	228%
Texas Ratio	2.18%	6.76%	4.31%	5.76%	5.59%

\* Adjusted for 3-for-1 stock split. Complete Ledyard Financial Group 2019 audited financial statements can be found under "Investor Relations" at [ledyardbank.com](http://ledyardbank.com). Certain reclassifications have been made to the prior period information to conform to the current period presentation.

## OPENING 2020



Ledyard National Bank, Concord Branch, 74-76 South Main Street

We're excited to announce the opening of our newest branch in Concord, New Hampshire this summer. This addition to the Concord community will complement Ledyard's existing regional office that opened in 2017 at One Pillsbury Street.

Located at 74-76 South Main Street, the new full-service branch will feature an innovative design that removes the traditional barriers between clients and branch personnel. Cutting-edge technologies and an Interactive Teller Machine will combine with expanded hours and the highest level of personalized service to enhance the banking experience.

We're thrilled to be expanding further into Concord, New Hampshire. As a community bank, we look forward to offering even more services in Concord and meeting the personal and business banking needs of the community, helping to support local businesses and contributing to the economic growth of the area.

## SENIOR MANAGEMENT TEAM\*

Kathryn G. Underwood  
*President & Chief Executive Officer*

Gregory D. Stevenson  
*Executive Vice President, Chief Operating Officer  
& Chief Financial Officer*

Dennis B. Mitchell, CFP®  
*President & Managing Director,  
Ledyard Financial Advisors*

Susan A. Fernald  
*Senior Vice President &  
Senior Banking Operations Officer*

Barbara S. Graf  
*Senior Vice President &  
Human Resources Director*

William E. Kidder Jr.  
*Senior Vice President & Senior Lending Officer*

William R. Logan, CWS®  
*Senior Vice President & Private Banking Manager*

Jeffrey H. Marks  
*Senior Vice President & Chief Marketing Officer*

Michael M. Parisi  
*Senior Vice President &  
Senior Retail Banking Officer*

Darcy D. Rogers  
*Senior Vice President, Chief Information Officer  
& Director of Operations*

Paul W. St. Martin  
*Senior Vice President & Chief Technology Officer*

Michael T. Urnezis  
*Senior Vice President, Senior Consumer &  
Mortgage Lending Officer*

*\*As of December 31, 2019*

## BOARD OF DIRECTORS\*

Margaret M. Rightmire  
*Chair, Ledyard Financial Group*

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*President & Chief Executive Officer, New London  
Hospital; Co-Vice Chair, Ledyard Financial Group*

Andrew A. Samwick  
*Professor of Economics at Dartmouth College;  
Co-Vice Chair, Ledyard Financial Group*

Kathryn G. Underwood  
*President and Chief Executive Officer,  
Ledyard Financial Group*

Mark Beliveau  
*Partner, Gallagher, Flynn & Company, LLP*

Jay Benson  
*CEO, Simon Pearce US*

Douglas G. Britton  
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Robert O. Wetzel  
*Retired, Senior Partner, Accenture plc*



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*Personal and business banking relationships within the retail bank are subject to FDIC insurance coverage limits. Investment, tax and wealth management services offered by Ledyard Financial Advisors are not insured by the FDIC, are not deposits or other obligations of, or guaranteed by the Bank or any affiliate, and are subject to investment risk including the possible loss of principal amount invested.*

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