



2017

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# ANNUAL REPORT

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**LEDYARD**  
FINANCIAL GROUP



*Ledyard is committed to being the financial services institution of choice by combining innovation with unparalleled personalized client service. We offer our employees a challenging and rewarding work experience. As a result of our efforts, Ledyard clients receive exceptional financial services and our shareholders experience consistent returns.*

PHOTOGRAPHY CREDITS

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## TO OUR MANY CONSTITUENTS

*including shareholders, valued clients and community members*



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

Dennis E. Logue  
Chair, Ledyard Financial Group  
Ledyard National Bank

Every year we set an ambitious plan for ourselves and work tirelessly to exceed expectations. 2017 was no exception and we're proud to report that it was yet another transformational year for Ledyard. We achieved outstanding results across many dimensions, leading us into 2018 with the momentum needed to continue driving results for our shareholders, clients and community.

Ledyard was ranked among the Top 200 publicly traded U.S. banks with under \$2 billion of assets by American Banker Magazine for the third straight year. Moving up twenty-one spots from our 2016 position, Ledyard ranked 138 in 2017 with a three-year return on average equity of 9.74%. This accomplishment demonstrates the Bank's sustained ability to use its equity efficiently. Our focus on helping our clients plan for their financial futures while enhancing shareholder value continues to help us grow and strengthen as we expand into new markets in our state. To be recognized as the only New Hampshire community bank on this list is a true testament to Ledyard's exceptional team members who are dedicated to our core mission and values.

## LEDYARD FINANCIAL GROUP'S 2017 FINANCIAL HIGHLIGHTS:

- For the first time in the Bank's history, Ledyard's stock was split on a 3-for-1 share basis
- During the fourth quarter of 2017, the dividend on common stock was increased
- Ledyard's average stock price per share has increased approximately 25%
- Ledyard implemented the "Tax Cuts and Jobs Act of 2017"
- Grew revenue to an all-time high, an increase of \$1.74 million or 7.4% over the prior year
- Assets Under Management at Financial Advisors ended the year at approximately \$1.5 billion, an increase from the prior year's total of \$1.15 billion
- Gross new Financial Advisors revenue reached \$1.67 million, an all-time high

This remarkable success enables us to continue making strategic investments in our future. For example, we are now turning our attention toward investing in our infrastructure. Ledyard continues to put in place the building blocks to deepen client relationships and help drive earnings growth. Ledyard, like many of our peer institutions, is faced with a rapidly changing financial landscape, a new frontier of challenges and opportunities that require significant organizational and technological capabilities. We seek to provide banking solutions that differentiate us from our competitors, while being recognized as the high-quality provider

of financial services in the marketplace. Information technology systems must adequately address the issues that we face, particularly in regard to the client experience. Therefore, we are focused on increasing process efficiency and seamlessly integrating our systems in a manner that will maximize each client's banking experience. In order to accomplish these types of company goals economically and profitably, all systems must be state of the art, secure, flexible and scalable. Additionally, it is critically important that these systems be utilized to their maximum operational cost effectiveness. In view of these requirements, Ledyard has assessed its core processing and related ancillary systems, and launched an evaluation and replacement process in 2017, which is expected to conclude in early 2019.

To help guide us through this extensive process, Paul St. Martin joined Ledyard as Vice President, Information Technology Officer in 2017. With an eye on improving systems and productivity, Paul will use his vast experience in all areas of information technology to be a great resource and leader for the continued development of an innovative, robust and secure information technology environment throughout Ledyard. Our clients' information security is a paramount focus for us year over year, with 2017 being no exception. We participate in a number of forums and venues in which to share cybersecurity threat and response information on a regional and national scale. We educate our employees and community regarding breaches that occur outside of the bank, such as 2017's Equifax breach, with direct mail, social media posts and articles on our website. Informing and educating our clients and community about how to protect their confidential information is an ever-changing and expanding issue, and we work diligently to stay one step ahead.

The end of 2016 brought about Ledyard's largest expansion in recent years with the addition of our Financial Advisors location in Concord. We celebrated that expansion on Tuesday, May 16, with a ribbon-cutting ceremony and open house at our Pillsbury Street location. The ceremony was attended by Concord Mayor Jim Bouley, Concord Chamber of Commerce President Timothy Sink, New Hampshire's Banking Commissioner Jerry Little who read aloud from a letter written to Ledyard from Governor Chris Sununu, as well as over 100 visitors and distinguished guests.



*Concord Ribbon Cutting Ceremony (l-r) Timothy Sink, Concord Chamber of Commerce President; Jerry Little, New Hampshire Banking Commissioner; Dennis Logue, Chairman of the Board, Ledyard Financial Group; Jim Bouley, Concord Mayor; Kathy Underwood, President & CEO of Ledyard National Bank; Greg Steverson, Executive Vice President, COO & CFO of Ledyard National Bank; Dennis Mitchell, President & Managing Director of Ledyard Financial Advisors*

The success we have achieved in the Concord market in just over a year has been remarkable; with 60 new client relationships and \$200 million in assets under management. Along with this growth comes increased strength in our team. In February, we welcomed Kathy Croatti to our Concord office as the Account Administrator and Office Manager. In April, Monique Brown joined us as a Senior Financial Advisor. Monique came to Ledyard with twenty-five years of experience in trust administration, IRAs, charitable trusts, compliance and wealth management. In the year to come, our Concord location will expand yet again to include an onsite workforce in Private Banking, Mortgage and Consumer Lending, and Commercial Lending.

Much like Concord at the end of 2016, the end of 2017 brought about another expansion. In November, our 8,500 square foot Operations facility opened and marked the integration of six departments under one roof - Operations, Compliance, Mortgage Processing, Human Resources, Information Technology and Finance. The purpose of joining these employees into one location centered around maximizing efficiency, communication, collaboration and teamwork amongst groups that work together on a daily basis. The new location boasts three conference rooms, individual work spaces with convertible desks, which incorporate into our wellness initiative, a nicely appointed eat-in kitchen and a private employee entrance.



*Ledyard Financial Advisors, Concord. (back row l-r) Kathy Croatti, Diane DeStefano, Diane Mullin; (front row l-r) Monique Brown, Jeffrey Trombly, Karen Crump*



*Benning Street Location*



Ledyard's charitable giving and sponsorship efforts were, once again, focused on helping our neighbors and community members most in need, with over 70 local nonprofit organizations receiving donations from us.

Ledyard's support for Twin Pines Housing is a great example of our support for organizations that truly make a difference in peoples' lives and the vibrancy of the area in which we live and work. Twin Pines Housing's mission is to provide affordable housing for low-to-moderate income

families in the Upper Valley and is the only nonprofit organization providing multi-family affordable housing in the region. Partnering with them on many of their initiatives and providing financing for their projects has been a natural fit to both of our missions and to our core values.



*(above) Team Ledyard at Concord Hospital's Rock n' Race*

*(right) Ledyard's Concord Team volunteering and donating to the Capital Region Food Program*



*(above) Team Ledyard at New Hampshire Food Bank's Mac Off Competition*

*(right) Team Ledyard's 19 Days of Norwich Grilled Cheese & Tomato Soup Luncheon to benefit The Upper Valley Haven*





*Andrew Winter, Director of Twin Pines Housing Trust*

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*“Funding through Ledyard has been instrumental in helping Twin Pines Housing create affordable homes for low-to-moderate income families throughout the Upper Valley. Project partnerships have included the recently completed Hartford Scattered Sites, the renovation of existing apartments and creation of nine new affordable apartments in Hartford. Ledyard has also helped us to obtain initial funding for the redevelopment of Summer Park Senior Housing in Hanover through the Federal Home Loan Bank of Boston. We’re so appreciative of the many ways that Ledyard supports Twin Pines Housing and the whole Upper Valley community.”*

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Although our focus is local, we occasionally reach out beyond our community borders to assist individuals and families facing tremendous hardships. One such effort entailed support for The Hurricane Harvey Relief Fund. Joining forces with the Independent Community Bankers Association, and together with company matched donations from our employees and our Board of Directors, we proudly donated over \$4,000 to disaster relief.

Fulfilling our commitment to clients, shareholders and the community depends on a core strategic component – our employees. We understand that success starts with exceptional people. We work to attract and retain the best talent possible – those with an unwavering commitment to extraordinary service – providing our employees with education and clear direction to ensure alignment across company goals and the means with which to build strong connections across divisions. For example, our internal referral program is designed to incentivize employees to recognize referral opportunities from one division to another, both in their personal and professional lives. This program was a great success in 2017 with 11 employees making

financial advisor referrals totaling over \$14 million in assets under management.

In 2017, we expanded the expertise of our senior leadership team with the addition of Mike Urnezis and Alison Bruce. Finding the right fit for our Mortgage Department required an extensive search for a unique individual who embodied our philosophies and believed in our core values; we found that in Mike Urnezis. Mike came to Ledyard from Rockford, Illinois, with over two decades of financial services experience and an extensive business development background within the mortgage industry. In February of 2017, we were pleased to announce the internal promotion of Alison Bruce to Senior Operations Officer. A long-term employee of Ledyard, Alison celebrated her 17th anniversary with the Bank this past year. She began her career with Ledyard in 1999 as a Customer Service Representative; working her way up to Branch Manager at Ledyard's Lyme location in 2001 and moving into the areas of Compliance and Information Security over the past thirteen years. In her new role, Alison is responsible for centralizing operational functions, improving efficiencies, streamlining processes and improving client service. Drawing upon her

experience as Ledyard's former Compliance and BSA Officer, Information Security Officer, CRA Officer, Privacy Officer and Security Officer, she has proven to be a strong asset on the Senior Management Team. These two new members have brought great depth and diversity of ideas, allowing us to make better, more thoughtful decisions.

We believe that Ledyard attracts great people because of its great leaders. In November, our CEO, Kathy Underwood, was recognized by the Independent Community Bankers of America (ICBA) and awarded the 2017 Community Banker of the Year award for the Eastern Region of the United States. This prestigious award is presented annually to recognize exceptional work, the commitment of individual community bank employees, their dedication to the local communities they serve and the banking industry at large.



*(l-r) Patrick Dix, Vice President of Public Relations for SHAZAM Network, Kathy Underwood accepting the ICBA Community Banker of the Year Award for the Eastern Region, and Loughlin Cleary, Vice President, Member Relations for ICBA*

It is often said that communication is the key to success and to teamwork. At Ledyard, we consistently foster communication and expression between all employees on many levels. It is common to see Senior Managers attending other Senior Manager's meetings to share new information and help to answer questions. Employees that are new to Ledyard attend an all-day onboarding seminar given by all of the Senior Managers presenting an overview of each of their departments. The overarching feeling that the Senior Management Team is one cohesive unit, with a responsibility to all departments is felt throughout the company. This year we emphasized internal communication via our enhanced intranet system, which became widely used by our entire workforce as the primary means of communication; thus, facilitating ease of cross-departmental connections and a network to allow for real-time updates and shared information. We actively support each and every colleague to reach his or her full potential and contribute to the success of our bank with every employee writing and completing yearly Individual Development Plans. These plans identify skills, knowledge and improvements that they each highlight as areas of professional growth with a plan on how to achieve their goals. We have also invested heavily in internal training programs for our employees offering monthly class schedules on a variety of topics.

Our all-employee meeting in the spring incorporated the hashtag #LedyardThankYou as our employees spent the evening recognizing one another through a social media feed that was broadcast upon a large screen for all to see. Many "thank you" messages poured in as our company came together to celebrate and appreciate each other for one another's hard work and dedication throughout the year. This type of event provides an



opportunity for all to look around and recognize that we are all pieces of this larger puzzle that is never complete without each and every one of us.

Recognizing that we all have something to learn from, and to teach one another, our Human Resources department implemented a program called, "Everyone has a Story." This program gave new meaning to the term "lunch and learn" as it gave us an opportunity to grasp a deeper understanding of one another through sharing stories about ourselves that our coworkers may not learn about in our day-to-day work life. Through this program we experienced a little of what it was like to grow up in other countries, we sampled cuisine, we got a look into what living off-the-grid is like, and how our life experiences have shaped us into who we are today. It is these unique and diverse qualities that, when combined, make Ledyard a single entity greater than its individual parts.

We recognize that deepening client relationships is one of the most meaningful ways we can deliver value. Our client-focused culture is built upon individual empowerment and accountability. In other words, we trust our employees to make the decisions that best care for our customers. Remaining a true, steadfast, local bank is one of the best ways to provide that care. For example, we often hear from our clients applying for loans that they appreciate the fact that Ledyard's lending decisions are being made in one office, by people that they know and who know them. The peace of mind that we offer our clients isn't just lost within the big banks of today; it was never engrained in their foundations from the beginning. It is a vast part of what makes Ledyard special, different and why we were founded; after years we haven't lost sight of that. In fact, it is what makes us stronger with each passing year.

We have always prided ourselves on our partnerships with our clients, our colleagues and our community. One of those community connections strengthened significantly in 2017 as Ledyard became the official bank of Dartmouth Athletics. We rolled out a line of Dartmouth Athletics debit cards that features eleven different collegiate sports as well as a twelfth card for the super fan who likes to cheer for them all. To support the campaign, we created our new Big Green Checking Account, which offers Dartmouth branded checks, choice of debit card, great perks and the ability to bank from anywhere in the world. We participated in on-campus events to promote our products at Dartmouth Move-In Day, International Students Day, the



*Hanover Branch Manager, Jennifer Hall and Marketing Manager, Alanna Mayer at Dartmouth Student Move-In Day Dartmouth Athletics Debit Cards*



Ledyard Classic Hockey Tournament as well as setting up displays on Hanover's Main Street during Dartmouth Homecoming and Graduation weekends. In 2018, we plan to further enhance our brand as Dartmouth's Bank by extending our current debit card line-up and by continuing to create opportunities that keep us top-of-mind with students, faculty, administration and alumni.

Committed to the health and well-being of our employees and community with a focus on heart health, our wellness program had a strong year in 2017. Ledyard's wellness committee managed many new, fresh programs to motivate our workforce while engaging the community at large with our third Annual Ledyard Live Well Walking Challenge. This year's four-week walking challenge included 424 participants from 8 local businesses. Internally, we engaged Ledyard's employees in both fitness and nutrition with the addition of an Agri-Bucks program which allowed employees to purchase vouchers to use at the local farm stands at a 20% subsidy. Also new this year was the Retail Relay, which

challenged the retail branches to a little healthy competition where each branch had to share a pedometer for a week to see who collectively could get the most steps. The Norwich branch celebrated their win with a round of mini golf and dinner together.

The Centers for Disease Control and Prevention states that a "workplace wellness program should be embedded in everything an organization does. It is as important as sales and marketing, research and development, and customer service." Here at Ledyard we are fortunate to have leaders who firmly believe that to have wellness top of mind improves the overall health of the organization. On February 10, Kathy Underwood was honored as the recipient of the 2017 Crystal Heart Award at the American Heart Association's fourth annual Upper Valley Go Red for Women Luncheon. The Crystal Heart Award is presented annually by American Heart Association affiliates across the country to a local resident who is an advocate, volunteer and role model for improving the health of the community.



*Ledyard President & CEO, Kathy Underwood, accepting the Crystal Heart Award presented by the American Heart Association*

As we've grown through the years, Ledyard has continued to seize new opportunities and navigate unprecedented industry-wide challenges. Our approach has always been the same – to do the right things for our clients, shareholders and community. To reflect that philosophy, we introduced the "Plan well. *Live well.*" concept in 2010 and we continue to practice it today. We truly believe that helping our clients plan for their financial futures will help ensure that they will ultimately reap the benefits of that planning. To live well!

### OTHER 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
- Introduce new, simple and easy-to-understand products that, together with our current offering, will serve the full spectrum of client needs
- Manage risk with appropriate controls, continue to improve credit quality and ensure that risk management capabilities are in line with regulatory expectations
- Maintain strong capital and liquidity
- Further develop cybersecurity protocols
- Invest in our people so they can reach their full potential, while attracting prospective employees who want to excel and grow

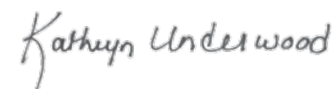
Ledyard's twenty-seven-year history is a testament to its past success, demonstrating the insight, work ethic and leadership required to achieve future success. We place a premium on the qualities and skills that are integral to banking success – integrity, entrepreneurship and prudent risk management. We promote transparency and the highest levels of professional ethics. We believe that the banking industry has the power to make our community a better place. We participate in the milestone of opening a first checking account. We make the dream of home ownership possible. We help businesses grow. We offer expert advice and guidance to help clients manage their wealth and prepare for retirement. We assist our community through sponsorships, charitable giving programs and volunteerism.

To that end, we are more focused than ever on implementing a strategic plan that helps us to responsibly deploy shareholder capital in a manner that maximizes returns, delivers the best possible banking experience for our clients and guides us as we build a better financial services institution. Achieving the goals set forth in our strategic plan will not be easy, but they are necessary. We expect to be confronted with

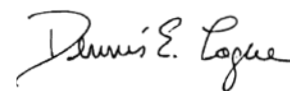
political or economic factors that we cannot yet predict. Some of those factors range from stock market performance and tax laws to banking laws and regulations. As always, we must be adaptive, nimble and thoughtful in how we respond to these issues.

Although this has been a year of immense growth, we recognize that the strength and earning power of the Ledyard brand is yet to be fully realized; we are deeply committed to the journey and not just the result.


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



**KATHRYN G. UNDERWOOD**  
PRESIDENT & CEO  
LEDYARD FINANCIAL GROUP/  
LEDYARD NATIONAL BANK



**DENNIS E. LOGUE**  
CHAIR  
LEDYARD FINANCIAL GROUP/  
LEDYARD NATIONAL BANK

A photograph of two men in business suits sitting at a wooden table in an office. The man on the left is older, with glasses, and is smiling. The man on the right is younger, also smiling. They are both looking towards the camera. The background shows a wooden bookshelf and a window with blinds.

*“My wife, three boys and I relocated to New Hampshire in August 2017 to follow an opportunity at Ledyard that aligned with both our personal and professional core values. The amazing support I felt from my peers at Ledyard and the community positively reinforced our decision to move cross-country. It feels great to live in a community in which I regularly witness, and take part in, efforts to give back and to live with balance and care. I take great pride in sharing my experience and knowledge with our core team of consumer lenders, as well as across the organization. I look forward to developing deeper relationships with our realtor partners and demonstrating our client-centric focus and capabilities. Ledyard truly is committed to its tagline and guiding principle, “Plan well. Live well.”*

Mike Urnezis, Senior Vice President, Senior Consumer and Mortgage Lending Officer, Ledyard National Bank

*“After having spent ten years at a large financial services institution, I was eager to join a smaller, community-focused bank. I felt a positive difference in terms of culture, mission and focus. From my first day on the job, I was impressed with the ‘Ledyard way’ of caring for clients, offering solutions that fit their needs, while also providing the knowledge to help them make more informed decisions. It’s refreshing to come to work every day knowing that your team is prepared to make clients’ financial lives better. I’ve enjoyed the process of instilling in my team the skills necessary to ask the right questions at the right time, offer solutions when available or refer to our other in-house experts when appropriate. My goal is to ensure that our clients feel like they’re part of the Ledyard family – knowing that we are the right partners to help make their financial dreams come true.”*

Mike Parisi, Senior Vice President and Retail Banking Officer, Ledyard National Bank



## M E E T   T H E   M I K E S

Our people have always been the foundation of Ledyard. So, when we searched for the new heads of our Retail Department and Mortgage and Consumer Lending Department, we knew it would take time to find the right fit. Our patience paid off and we found them.

Mike Parisi came to us in 2016 to lead our Retail Division after spending the last ten years at Citizens Bank. At Ledyard, he is responsible for the overall management of Branch Banking, including providing superior client service, hiring, training and staff development. Mike earned his Bachelor of Science Degree in Accounting from the University of Massachusetts and his MBA from Fitchburg State University. We recently asked his managers about the retail landscape under his leadership. Here is what they had to say:

- Mike has been an advocate for change and growth by streamlining processes that allow more time to accomplish what really matters: to enrich client lives by securing financial wellness.
- He is a partner and a mentor who leads by example and challenges us for excellence by providing the tools and guidance to be successful in our professional development.
- He listens carefully to all team members and incorporates valuable insights from group discussions.
- His experience and fresh outlook has impacted Retail in such a positive manner that he quickly earned our trust, respect and loyalty. We are lucky to have him as our leader.

Michael Urnezis joined Ledyard in August of 2017, relocating with his family from the Midwest. Prior to joining Ledyard as head of the Mortgage and Consumer Lending Department, Mike co-founded Vision Mortgage & Insurance Group in 1999, which he managed until 2012 when Northwest Bank acquired the Group and retained Mike as Vice President of Mortgage Banking and Business Development. Mike moved to Alpine Bank and Trust Company in 2014 as Vice President, Regional Mortgage Lending and developed a wholesale mortgage banking channel specifically for community banks. Mike earned his Bachelor of Science Degree in Finance from Illinois State University. Despite his few short months with Ledyard, Mike's impact was quickly felt as he proactively identified and met the needs of his department. Here is what his team had to say:

- Mike comes to Ledyard with a lot of experience in the mortgage industry, knows when it's right to work outside of the box and when we should be more cautious.
- Mike has an infectious positive attitude. He is easy to talk to and has a fun, upbeat personality. He is exactly what our team needs.
- He is very knowledgeable of the mortgage industry and its quirks and niches.
- Mike brings great leadership and direction and has a great vision for the future of the mortgage department.

*“Ledyard is a professional and caring environment in which both employees and clients thrive. Ledyard employees are, and have always been, our most important asset. In the investment area, our team has the flexibility to work creatively to meet client goals in a personal way.”*

JT Underwood, Chief Investment Strategist,  
Ledyard Financial Advisors






## W E A L T H M A N A G E M E N T

Ledyard Financial Advisors is the premier wealth management firm providing integrated investment, tax and wealth management services to affluent individuals and families around the globe, with a focus on the Upper Valley, Lake Sunapee and Concord regions. We offer a unique combination of global investment opportunities, asset management strategies, expert financial advice and personal service and support. These services are provided by the area's largest and most experienced staff of financial advisors and portfolio managers utilizing a framework of potential wealth management issues.

Ledyard Financial Advisors as a whole had a phenomenal year of growth and business development with the addition of over 100 new client relationships and a total revenue increase of 13% over 2016. This resulted in a record of \$327 million in new assets, closing the year at \$1.5 billion in total assets under management.

We can attribute our growth to many factors, our people, our leadership, our service and expertise. One of the most important factors is how we educate our clients and potential clients in small group settings allowing them to understand, to ask questions and to be a part of the conversation. We listen to where they are and where they want to go. We look for opportunities in those conversations to expand on our relationships so that we meet the complete financial needs of the client across all of our lines of business. We look to our Private Banking division to be a foundation for wealth management relationships. We work collaboratively with our clients to identify their financial needs and goals in their unique journey. Looking to the future, we are extremely optimistic because of our solid foundation and because of the leaps by which we have successfully expanded in recent years. We know that as business changes and younger generations are inheriting wealth that we must adapt our business model and technology services to meet their changing needs. We are ready for what is to come, are flexible and able to face the challenges, and above all else, we look forward to remaining true to who we are and to how we honor our clients and our community.



*“As a recent customer to Ledyard Bank, I can honestly say, I wish I had switched banks years ago! The set-up process was friendly and easily done for my three bank accounts. Everything was explained to me in perfect detail, including a new frontier for me: mobile banking. This feature has been a wonderful convenience and I find myself using it frequently. Whenever I come into the New London Branch, I am always greeted by name when I enter the lobby. Recently, I completed a wire transfer in which the recipient of the transfer had given me incomplete information, holding up the transaction. Branch Manager, Katie Blake called me twice and sent an email within 15 minutes of discovering the error. When I returned to Ledyard to resolve the mistake, I learned that the Ledyard team had researched the missing account numbers and made calls to the other bank ensuring the information was complete this time. The corrected paperwork was ready and waiting for me to sign. We also recently refinanced our home with Ledyard Bank. This process was equally smooth and the rate we received was extremely competitive. I am so pleased to be banking with Ledyard. They really know how to take care of their customers; every day and with every service they provide. I can’t say enough about the customer service at Ledyard Bank. It is beyond compare and I am so happy to be a client of theirs.”*

Lynn Solomon



# RETAIL BANKING

Moving into a new sales and service model, driving improved results and enhancing our training processes were among the 2017 goals Mike Parisi had set out for Ledyard's Retail Department. The changes implemented have ensured that the voice of our client is directly embedded into everything we do and how we do it. Just as we have gathered data from our mortgage customers for years, we have now taken that model into retail to survey our clients about their banking experiences from new account opening to making a deposit. This data better helps us to understand the clients' needs and prioritize investments that will create a better banking experience. We also want to ensure that we are offering consistent and thorough communications with every client in each location and that we are interacting with them in a way that best serves their financial needs.

A focus for the retail team going forward will be to dramatically improve efficiencies within our business. Working closely with the operations department to identify opportunities that exist, the branches will work to create new procedures in day-to-day operations that can both affect and deepen overall client relationships.

At the branch level, implementation of our new core system will impact our ability to enhance existing client relationships, reach and track activities related to new prospects, and better understand the opportunities within our business.

Many relationships within Ledyard begin at account opening. It is what we do, how we interact with our client, how we listen and learn that will have a lasting impact on their financial future.

## RETAIL 2017 HIGHLIGHTS:

- 2017 marked the second consecutive year of positive growth in retail deposits, increasing by \$24.2 million year over year (6.1%).
- Retail-sourced commercial lending production doubled year over year, from \$4.9 million in 2016 to \$9.9 million in 2017.
- Retail sourced mortgage lending increased by \$2.1 million year over year, a 25% increase in production.
- Retail referrals led to the onboarding of 20 new Private Banking clients in 2017, compared to 6 in 2016, an increase of 233% year over year.
- Retail referrals led to the onboarding of 5 new Ledyard Financial Advisor clients in 2017, growing assets under management by \$7.7 million in 2017 and adding \$65,690 in recurring revenue to the Ledyard Financial Advisors bottom line.



*“When Annie and I made the decision to combine our home equity loan and our mortgage into one note, it quickly became clear to us that Ledyard was the local bank that would best suit our needs. Ledyard’s mortgage team worked extremely hard to move through the process with us quickly and seamlessly. I always sensed that the team enjoyed matching clients with their particular needs. After the closing, our loan officer reached out to us with amortization schedules suggesting the values of accelerated payments; she continues to look out for our well-being. As a consequence of our refinance, I have developed a relationship with the retail staff at the New London branch; I appreciate the level of professionalism exhibited there as well.”*

Larry and Annie Ballin

# MORTGAGE & CONSUMER LENDING

Ledyard's Mortgage and Consumer Lending focus continues to be concentrated on providing clients with the best possible advice and solutions that meet their financing needs. Backed by Ledyard's local decision-making process, this produces an experience for our clients that is both effortless and efficient.

New leadership under Mike Urnezis provided the mortgage and consumer lending team with skilled and experienced direction, which rallied them together to enhance workflow dynamics for the betterment and ease of process. With this renewed vision for the department, Ledyard was able to add new products to our offerings to both better serve our clients' needs as well as increase our competitive advantage in a dynamic and fast-paced industry. Looking ahead to 2018, we are poised to implement even more new programs such as an expanded jumbo loan offering and a list of government loan programs including Federal Housing Administration, Veterans Affairs and Rural Housing Loans.

Concurrent with the leadership change in 2017, the mortgage and consumer loan department stayed steadfast in their commitment to putting their clients first by being truly dedicated to finding solutions that fit their individual needs. In order to deliver on that commitment, we recognize that the most important element is to listen. We listen to their short and long-term goals, we listen to their fears and put them at ease, we listen to their feedback. We understand that this is their unique process and we are there to support and guide them through it. We are in this together, as partners, to match each client with the right products to ensure that their goals become their reality.

## MORTGAGE AND CONSUMER LENDING 2017 HIGHLIGHTS:

- 121 mortgages originated totaling \$28.3 million
- 42 of the 121 originated mortgages were for low-to-moderate income families in New Hampshire and Vermont totaling \$2.9 million
- Originated 47 home equities totaling \$6.1 million

*"I first approached Ledyard National Bank seven years ago on behalf of the Norwich Women's Club to ask for major support as we introduced a new spring fundraiser. I had enjoyed a long and personal relationship with the bank before then and was delighted when they agreed to co-sponsor the Spring Gala. It was the first and only time the NWC has co-sponsored any significant activity with another organization. Since then, the bank's participation and commitment to our cause has helped ensure the continuing success of this annual event. Their community spirit, warm personal relationships and dedication to their neighbors has led to a valuable and ongoing partnership, which benefits the Norwich community at large. I'm proud to call Ledyard my bank and grateful for all that they do for the Upper Valley. Their presence and support is felt all year long. We are especially fortunate to have a locally owned bank committed to the well-being of its customers and community."*

Arline Rotman



# CHARITABLE GIVING / SPONSORSHIPS

Ledyard plays an active role in meeting the financial and economic developments needs of our markets and our community. As an integral part of our charitable giving program, we engage our employees and encourage them to give back to the communities we serve.

A strong focus of our charitable giving program has always been to serve those in our communities that fall into the low-to-moderate income segments of our population. A few times a year, we conduct donation food drives in our branches and we have a volunteer team of employees that help at the New Hampshire Food Bank and the Capital Region Food Program to pack meals for those in need. We also sponsor grilled cheese and soup lunches in Lyme and Norwich as part of the 19 Days initiatives to give back to the Upper Valley Haven. We recognize that we are only as strong as the communities that surround us and we are proud to sponsor the hard work of nonprofit organizations and lend a helping hand in the many ways that we are able.

## 2017 COMMUNITY CONTRIBUTIONS:

Alice Peck Day Memorial Hospital ■ American Heart Association  
■ Ausbon Sargent Land Preservation Trust ■ Capital Region Food Program ■ Capitol Center for the Arts ■ Child and Family Services ■ Concord Community Concert Association ■ Concord Female Charitable Society ■ Concord Hospital ■ Connecticut River Conservancy ■ COVER Home Repair ■ Dartmouth Athletics ■ David's House ■ Enfield Shaker Museum ■ Friends of Norris Cotton Cancer Center ■ Global Campus Shiremont ■ Good Beginnings ■ Good Life Programs and Activities ■ Good Neighbor Health Clinics ■ Grafton County Senior Citizens Council ■ Greater Concord Chamber of Commerce ■ Green Mountain Children's Center ■ Hampshire Cooperative Nursery School ■ Hanover Area Chamber of Commerce ■ Hanover Rotary Club ■ Hartford Area Chamber of Commerce ■ Hartford Parks & Recreation ■ Headrest Inc. ■ High Horses ■ Howe Library ■ Lake Sunapee Center for the Arts ■ Lake Sunapee Region Chamber of Commerce ■ Lake Sunapee Region VNA & Hospice ■ Listen ■ Manchester City Library ■ Montshire Museum of Science ■ Neighbors Unite ■ New London Barn Playhouse ■ New London Hospital ■ New London Rotary Club ■ NH Food Bank ■ NH Humanities ■ 19 Days of Norwich ■ Norwich Historical Society ■ Norwich Women's Club ■ Opera North ■ Ottauquechee Health Foundation ■ Positive Tracks ■ Red River Theatre ■ Rotary Club of White River Junction ■ SCORE ■ Second Growth ■ Spark! ■ Special Needs Support Center ■ Sullivan County Humane Society ■ The Family Place ■ The Fells Historic Estate & Gardens ■ The Mayhew Program ■ The New Hampshire Women's Foundation ■ The Prouty ■ The Upper Valley Haven ■ TLC Family Resource Center ■ Twin Pines Housing Trust ■ United Way ■ Upper Valley Hostel ■ Upper Valley Housing Coalition ■ Upper Valley Humane Society ■ Visions for Creative Housing Solutions ■ Vital Communities ■ West Central Behavioral Health ■ Willing Hands ■ WISE



*“We have had the pleasure of working with Ledyard Bank over the years on many occasions for special events and fundraisers. We always enjoyed the people we worked with, but never really knew what their company culture and business philosophies were until recently when we started banking with them. They knew our business well and understood our challenges as a seasonal service business; they welcomed us and opened our eyes to how great a bank can be. Partnering with Ledyard has been a truly great experience and we have recommended them to many friends and colleagues. We really wouldn’t be where we are today if not for the help of Ledyard National Bank.”*

Sara and Brendon Blood



## COMMERCIAL BANKING

Each of our business lines delivered strong results, searching for opportunities to connect clients with all of our capabilities. In 2017, Ledyard's Commercial Lending department excelled at this. With big-picture focus, we were able to offer potential clients a unique and complete understanding of their business and their goals with comprehensive, innovative lending options. Our expertise consistently leads the way for us to serve our clients better and smarter giving them ideas on how to use their assets in ways that perhaps they hadn't thought of before. Not only do we have the expertise in business, but also in finance which, along with our unparalleled service, sets us apart from our competitors. Many new relationships were formed over the year and within those relationships came the opportunity to explore solutions within our other departments to better serve the needs of our clients. Additionally, we received a number of 'business to business' referrals, which we believe to be the ultimate compliment of the services we provide to our clients. Most of our new business in 2017 came from local operating business (commercial and industrial companies) that also work to sustain and improve the lives of our neighbors and create jobs within our community. Our team was further strengthened with the addition of two new employees to the department as well as Jason Achmoody receiving his Business Succession Planning Certification. His expertise in this area only helps us to greater serve our clients from acquisition through transition and rounds out Ledyard's

commercial department as the complete local choice. The vast majority of our acquisitions and transition stories are right here in our own backyard.

When it comes to local family businesses, Blood's Catering and Party Rentals is the quintessential story. Denny and Gladys Blood opened Blood's Market in 1947, which quickly grew, and as any good family business story goes, their son Mike started working with them in his teens. Mike purchased the business from his parents in 1976 and, together with his wife Donna and his vision for the future, he expanded the business in the early 80's to include rental items to go along with their homemade catering. Just as Mike did years before, their son Brendon joined the family business, and together with his wife Sara, took over ownership in recent years with Ledyard National Bank by their side.

This is the type of tale that everyone loves to hear and it is the type of legacy that Ledyard is so proud to be a part of. Small business banking decisions are made every day in our local offices affecting our neighbors and their families. In this day and age, when banking is literally at our fingertips and a loan is just a click away, we are able to offer our clients more. Our clients, just like the Blood family, don't have to turn to a faceless screen when they are hoping to get a loan for another expansion; they can meet with their commercial banker who is invested in them, knows their history, and trusts in the vision that Denny and Gladys had over 70 years ago.

2017 FINANCIAL HIGHLIGHTS (dollars in thousands, except "Other data")

YEARS-ENDED DECEMBER 31,	2017	2016	2015	2014	2013
<b>FINANCIAL CONDITION DATA</b>					
Assets	\$ 476,630	\$ 476,306	\$ 446,070	\$ 434,289	\$ 409,516
Investments	142,798	147,337	141,598	129,070	137,826
Gross loans, including loans held-for-sale	300,608	294,866	276,673	274,324	245,097
Allowance for loan loss	(5,510)	(5,700)	(5,706)	(5,744)	(5,564)
Net loans, including loans held-for-sale	295,098	289,166	270,967	268,580	239,534
Deposits	401,498	401,984	372,937	365,682	342,245
Federal Home Loan Bank advances	13,966	20,000	14,000	14,000	15,029
Other borrowings and liabilities	14,523	11,433	15,085	12,595	14,072
Shareholders' equity	46,643	42,889	44,048	42,012	38,170
<b>OPERATING DATA</b>					
Net interest income	\$ 14,481	\$ 13,257	\$ 12,827	\$ 12,725	\$ 11,490
Ledyard Financial Advisors income	9,437	8,315	8,437	8,170	7,579
Other non-interest income	1,427	2,038	1,722	1,789	1,479
Total revenue	25,345	23,610	22,986	22,684	20,548
Provision for loan loss	0	0	0	0	0
Non-interest expense	20,137	18,474	17,811	17,619	16,626
Pre-tax income	5,208	5,136	5,174	5,065	3,922
Income taxes	1,363	1,008	1,113	1,096	913
Net income	3,845	4,128	4,061	3,969	3,009
<b>OTHER DATA</b>					
Earnings per share, basic*	\$ 1.25	\$ 1.34	\$ 1.32	\$ 1.30	\$ 0.99
Dividends per share*	\$ 0.65	\$ 0.64	\$ 0.64	\$ 0.57	\$ 0.48
Dividend payout ratio	52%	48%	48%	44%	49%
Tangible book value per share*	\$ 14.05	\$ 13.07	\$ 13.88	\$ 13.39	\$ 12.29
Shares outstanding, net of treasury*	3,318,922	3,281,883	3,174,345	3,137,622	3,104,595
Return on average assets	0.80%	0.89%	0.93%	0.94%	0.74%
Return on average equity	8.48%	9.10%	9.26%	9.90%	7.90%
Efficiency ratio	79.45%	78.25%	77.49%	77.67%	80.91%
Stock price - high*	\$ 22.99	\$ 18.33	\$ 20.00	\$ 16.83	\$ 14.00
- low*	\$ 17.78	\$ 15.33	\$ 15.42	\$ 13.20	\$ 11.45
- average*	\$ 20.16	\$ 16.13	\$ 16.63	\$ 14.72	\$ 12.77
Assets under management and custody (millions)	\$ 1,513	\$ 1,157	\$ 1,071	\$ 1,093	\$ 1,064
Equity-to-asset ratio	9.47%	9.30%	9.55%	9.30%	8.99%
Allowance for loan losses to total loans	1.83%	1.93%	2.06%	2.09%	2.27%
Net charge-offs (Recoveries)	\$ 190,137	\$ 6,588	\$ 37,335	(\$ 179,903)	\$ 92,030
Non-performing assets	\$ 2,071,679	\$ 2,670,897	\$ 2,497,494	\$ 2,254,786	\$ 2,510,089
Allowance for loan losses to non-performing assets	266%	213%	228%	255%	222%
Texas Ratio	4.31%	5.76%	5.59%	4.90%	5.84%



*Front Row (l-r):*

Alison A. Bruce  
*Senior Vice President & Senior Operations Officer*

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

Kathryn G. Underwood  
*President & Chief Executive Officer*

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

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

*Back Row (l-r):*

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

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

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

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

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



*Front Row (l-r):*

**Bruce P. King**

*President & Chief Executive Officer, New London Hospital*

**Dennis E. Logue**

*Steven Roth Professor of Management Emeritus, Tuck School of Business, Dartmouth College; Chair, Ledyard Financial Group*

**Kathryn G. Underwood**

*President & Chief Executive Officer, Ledyard Financial Group*

**Douglas G. Britton**

*Retired President, Britton Lumber Company, Inc.; Secretary, Ledyard Financial Group*

**Andrew A. Samwick**

*Professor of Economics & Director, Nelson A. Rockefeller Center at Dartmouth College*

*Back Row (l-r):*

**Bayne Stevenson**

*Retired, former President, Bayson Company*

**Cotton M. Cleveland**

*President, Mather Associates*

**Adam M. Keller**

*Chief of Strategy and Operations, The Dartmouth Institute; Co-Vice Chair, Ledyard Financial Group*

**Robert O. Wetzel**

*Retired, Senior Partner, Accenture plc*

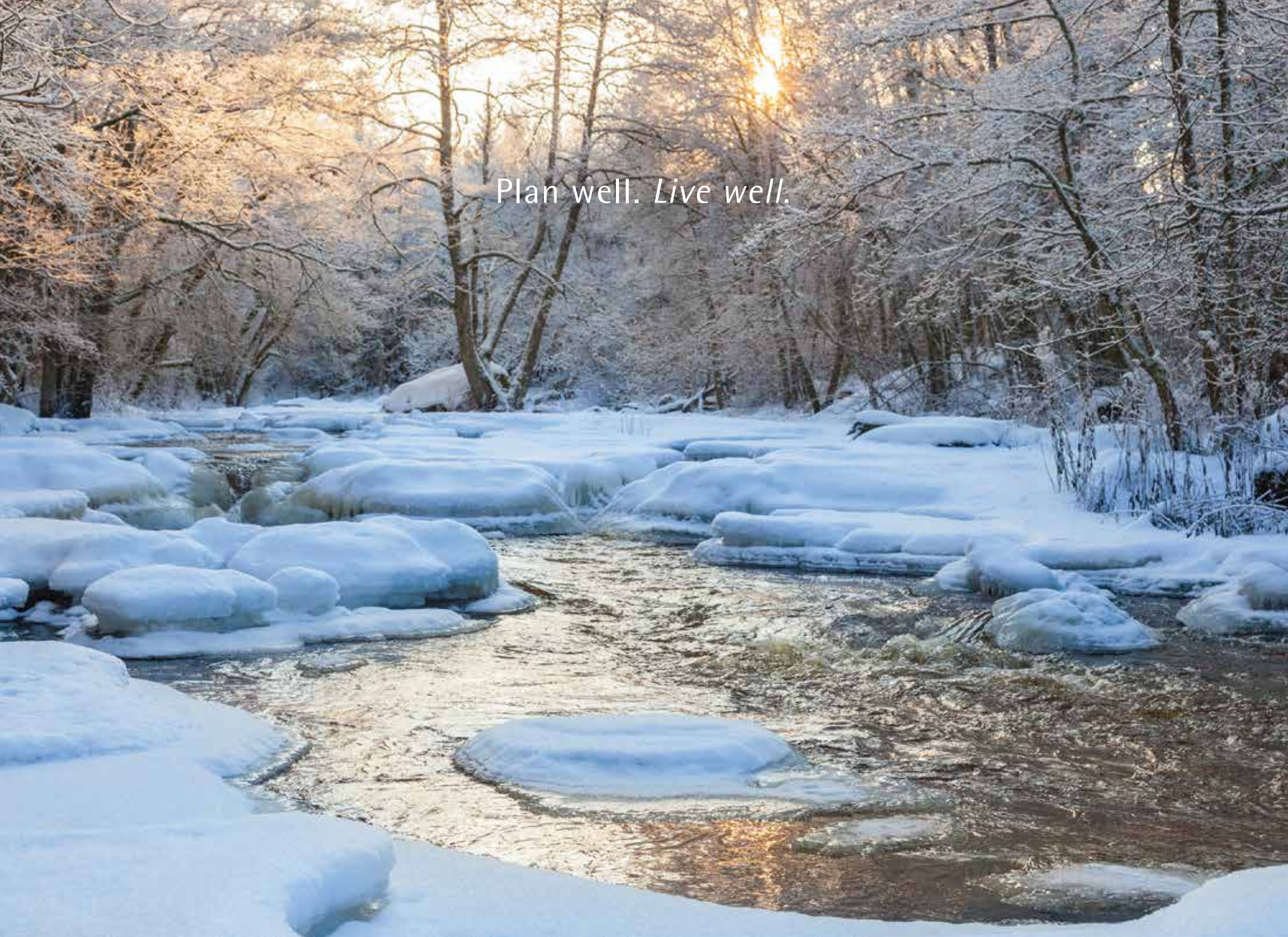
**Margaret M. Rightmire**

*Co-Vice Chair, Ledyard Financial Group*


**Richard W. Couch, Jr.** *(absent from photo)*

*Chairman of the Board, Hypertherm, Inc.*



A serene winter landscape featuring a river that flows through a dense forest. The scene is heavily covered in snow, with large, rounded boulders partially submerged and completely encased in a thick layer of white. The water in the river is dark and reflects the golden light of the sun, which is positioned high in the background, creating a bright, hazy glow. The trees are bare and their branches are heavily laden with snow, creating a complex, white web against the sky. The overall atmosphere is peaceful and quiet, with a soft, warm light filtering through the winter woods.

Plan well. *Live well.*



# LEDYARD

FINANCIAL GROUP

## LEDYARD NATIONAL BANK

### CONCORD

1 PILLSBURY STREET 603.513.4100

### HANOVER

38 S. MAIN STREET 603.643.2244  
LEBANON STREET AT PARK STREET 603.643.7457

### LEBANON

ROUTE 120 AT OLD ETNA ROAD 603.448.2220

### LYME

ON THE GREEN 603.795.2288

### NEW LONDON

178 COUNTY ROAD 603.526.7725

### NORWICH, VERMONT

320 MAIN STREET 802.649.2050

### WEST LEBANON


67 MAIN STREET 603.298.9444

## KWIKNET INTERNET BANKING

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## KWIKTEL PHONE BANKING

1.888.KWIKTEL (1.888.594.5835)

 EQUAL HOUSING LENDER    MEMBER FDIC

## LEDYARD FINANCIAL ADVISORS

### CONCORD

1 PILLSBURY STREET 603.513.4100

### HANOVER

2 MAPLE STREET 603.643.0044

### NEW LONDON

178 COUNTY ROAD 603.526.9251

Plan well. Live well.

*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.*