



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

November 26, 2018

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ledyard National Bank

Charter Number 22210

320 Main Street, Norwich, VT 05055

Office of the Comptroller of the Currency

99 Summer Street, Suite 1400, Boston, MA 02110

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## **Overall CRA Rating: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

The major factors supporting the institution's CRA rating are:

- The Bank's level of lending, as reflected by its loan-to-deposit (LTD) ratio, is considered reasonable given its size, scope of operations, and the credit needs of the assessment area (AA).
- A substantial majority of the Bank's primary lending products were originated and/or purchased within the delineated AAs.
- Overall, the distribution of loans reflects reasonable penetration among borrowers of different incomes and to businesses of different sizes across both rating areas.
- There were no CRA-related complaints received by the Bank or the OCC during the evaluation period.
- Overall, the Bank's level of CD responsiveness is considered reasonable given the Bank's record of CD loans, investments/donations, and services.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family

households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Ledyard National Bank ("LNB", "Ledyard", or "the Bank") is an interstate bank headquartered in Norwich, Vermont (VT). The Bank opened in 1991 in Hanover, New Hampshire (NH) and is wholly owned by Ledyard Financial Group, Inc., a one-bank holding company. LNB operates seven full-service branches located in the Upper Valley region of NH and VT. In addition to the main branch located in VT, LNB operates six additional branches in the NH towns of Lebanon, Lyme, New London, West Lebanon, and Hanover. The Lebanon, NH and West Lebanon, NH branches are located in middle-income geographies, while all other branches are located in upper-income geographies. No branches were opened or closed during the evaluation period. LNB also has an asset management group, Ledyard Financial Advisors, whose activities were not considered in evaluating the Bank's overall CRA performance.

Ledyard offers a standard array of loan and deposit products for both personal and business customers. Consumer loan products include residential mortgage loans, home equity lines of credit, and consumer loans. Commercial loan products include commercial real estate loans and Small Business Administration (SBA) guaranteed loans. All branches are open weekdays 9:00AM to 5:00PM and Saturdays 9:00AM to 12:00PM. Drive-up hours vary slightly by branch, but are generally in line with branch hours. Automated teller machines (ATMs) are located at each of the seven branches. The Bank's website, [www.ledyardbank.com](http://www.ledyardbank.com), provides a full listing and description of loan products and deposit services. The Bank offers a variety of different account access alternatives including online banking with bill pay options and mobile banking.

As of September 30, 2018, LNB had total assets of \$495 million, net tier 1 capital of \$45 million and total deposits of \$416 million. The loan portfolio totaled \$312 million, or 63 percent of total assets as of the same date. The loan portfolio has grown 15 percent since the prior CRA evaluation in 2015, but the loan mix has remained consistent. The following table provides a summary of the loan mix by product type:

<b>Loan Category</b>	<b>% of Gross Loans and Leases</b>
1-4 Family Residential Mortgage	42.63
Commercial Real Estate	36.48
Commercial & Industrial	11.55
Consumer	4.31
Multifamily	3.92
Construction & Development	0.99
Other	<1.00
Total	100%

Source: FDIC Call Report

There are no legal, financial, or other factors impeding the Bank's ability to help meet the credit needs in its assessment areas. During the last CRA Performance Evaluation dated December 10, 2015, Ledyard received a Satisfactory rating.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The Bank's CRA performance was assessed using Intermediate Small Bank (ISB) CRA evaluation procedures. The ISB procedures include a Lending Test and a Community Development (CD) Test. The Lending Test evaluates the Bank's record of performance in meeting AA credit needs over the evaluation period, through its record of lending. The CD Test evaluates the Bank's performance in meeting community development needs over the period, through its record of engaging in qualified CD activities including CD lending, CD investments, and CD services.

The evaluation period for the Lending Test covers the Bank's performance from January 1, 2016 through December 31, 2017. Due to updates made to the demographic information during the evaluation period, the Bank's performance during 2016 was evaluated independently of 2017 performance metrics. The Bank's lending performance for 2016 was compared to the 2010 U.S. Census Data. The Bank's performance for 2017 was compared to the 2015 American Community Survey (ACS) data. When evaluating the Bank's overall lending performance, emphasis was placed on loans originated during the 2016 evaluation period, as the majority of the Bank's lending, or 53 percent, occurred during 2016.

The Bank's primary lending products, based on loan originations during the evaluation period, are residential home mortgage and commercial-small business loans. Residential home mortgage loans includes home purchase, improvement, and refinance lending products. Among all loans originated and/or purchased during our evaluation period, residential home mortgage and commercial-small business loans accounted for approximately 41 and 30 percent, respectively.

The evaluation period for the CD Test covers the Bank's performance from January 1, 2016 through December 31, 2017. CD loans, investments, and services submitted by the Bank were reviewed for CRA eligibility to ensure they meet the regulatory definition for community development.

### Data Integrity

The Bank is not subject to the reporting requirements of the HDMA. After identifying residential home mortgage and commercial-small business loans as primary products, we uploaded an electronic listing of these products into CRA reporting software. From this, we were able to draw conclusions regarding the Bank's lending performance according to the CRA. Prior to the generation of performance metric results, we conducted data integrity procedures to ensure data accuracy and to validate the integrity of the Bank's reporting systems. No data integrity issues were identified and we found the Bank's submission of loan data to be reliable.

The activities presented for CD consideration by the Bank were also reviewed for the purpose of determining whether the activities met the regulatory definition of community development.

## Selection of Areas for Full-Scope Review

The CRA requires an institution to define the AA in which it will be evaluated. Ledyard's delineated AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. We selected the Bank's entire AA, which includes all branches/deposit taking ATMs and the surrounding contiguous CTs, for assessment according to the CRA.

As previously indicated, Ledyard functions as an interstate institution and has banking operations in NH and VT. For each state we conducted a full-scope review, resulting in the delineation of two full-scope rating areas, NH\_AA1 and VT\_AA2, both of which are comprised entirely of nonmetropolitan statistical area (nonMSA) (#99999) geographies and collectively account for LNB's entire AA.

The full-scope AA1 is a New Hampshire-based, nonMSA (#99999) and is composed of contiguous geographies across portions of Grafton, Merrimack, and Sullivan Counties. As of June 30, 2017, this full-scope area contained six of seven LNB branches and approximately 81 percent of the Bank's total deposits according to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report. Additionally, when considering primary products that were originated/purchased during our evaluation period, the full-scope AA1 accounted for approximately 58 and 47 percent of all residential home mortgages and commercial small-business loans, respectively.

The full-scope AA2 is a Vermont-based, nonmetropolitan statistical area (#99999) and is composed of contiguous geographies across portions of Orange and Windsor Counties. As of June 30, 2017, this full-scope area contained one of seven LNB branches and approximately 19 percent of the Bank's total deposits according to the FDIC Deposit Market Share Report. Additionally, when considering primary products that were originated/purchased during our evaluation period, the full-scope AA2 accounted for approximately 33 and 31 percent of all residential home mortgage and commercial small-business loans, respectively.

Please refer to Appendix C of this evaluation for further discussion surrounding the Community Profiles of the Bank's full-scope AAs.

## Ratings

The Bank's overall rating is based primarily on the areas that received full-scope reviews. Full-scope reviews were performed on two nonMSA AAs (NH\_AA1 and VT\_AA2). For purposes of this evaluation, both of the nonMSA AAs were considered separate rating areas. The results of each rating area were aggregated to determine Ledyard's overall CRA rating.

The Bank's performance during the 2016 evaluation period was more heavily weighted when arriving at overall conclusions as 53 percent of the Bank's lending occurred during this period. Additionally, the NH\_AA1 was given more weight when drawing final conclusions as this AA accounted for 58 and 47 percent of all Bank originated/purchased residential home mortgage and commercial-small business loans and LNB maintains approximately 81 percent of their deposits within NH.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Criteria

Ledyard National Bank's overall performance under the Lending Test is considered Satisfactory. The Bank's loan-to-deposit ratio is considered reasonable given performance context and a substantial majority of Ledyard's primary lending products were originated and/or purchased within the delineated AAs. Overall, the distribution of loans reflects reasonable penetration among borrowers of different incomes and to businesses of different sizes. An assessment of Ledyard's geographic distribution of lending was not performed as there are no low- or moderate-income census tracts within the AA. There were no CRA-related complaints received by the Bank or the OCC during the evaluation period. Overall, the Bank's level of CD responsiveness is considered reasonable given the Bank's record of CD loans, investments/donations, and services.

### Loan-to-Deposit Ratio

The Bank's LTD ratio is considered reasonable given LNB's size, financial condition, and significant competition limiting opportunities for lending within the AA. The Bank's net LTD ratio averaged 72 percent for the eight quarters occurring during the evaluation period. During this period, the Bank's LTD ratio ranged from a quarterly low of 70 percent to a quarterly high of 74 percent. The Bank's LTD ratio is lower than the local peer average of 93 percent over the same period. Among local peers, the average LTD ratio ranged from a low of 62 percent to a high of 110 percent. The Bank's LTD ratio is also lower than the national peer bank quarterly average of 81 percent over the same period.

### Lending in Assessment Area

A substantial majority of the Bank's primary lending products were originated and/or purchased within the delineated AA, meeting the standard for outstanding performance. Ledyard originated and/or purchased approximately 85 percent by number and 79 percent by dollar amount of loans in the AA from 2016 to 2017.

The following table details the Bank's lending within the AA by number and dollar amount of loans:

Table 2 - Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	146	91.3	14	8.8	160	33,493	83.9	6,451	16.2	39,944
2017	106	89.8	12	10.2	118	23,070	83.5	4,543	16.5	27,613
<b>Subtotal</b>	<b>252</b>	<b>90.6</b>	<b>26</b>	<b>9.4</b>	<b>278</b>	<b>56,563</b>	<b>83.7</b>	<b>10,994</b>	<b>16.3</b>	<b>67,557</b>
Small Business										
2016	78	78.8	21	21.2	99	27,991	72.3	10,744	27.7	38,735
2017	79	76.7	24	23.3	103	23,805	78.6	6,500	21.4	30,305
<b>Subtotal</b>	<b>157</b>	<b>77.7</b>	<b>45</b>	<b>22.3</b>	<b>202</b>	<b>51,796</b>	<b>75.0</b>	<b>17,244</b>	<b>25.0</b>	<b>69,040</b>
<b>Total</b>	<b>409</b>	<b>85.2</b>	<b>71</b>	<b>14.8</b>	<b>480</b>	<b>108,359</b>	<b>79.3</b>	<b>28,238</b>	<b>20.7</b>	<b>136,597</b>

Source: Evaluation Period: 1/1/2016 - 12/31/2017 Bank Data  
Due to rounding, totals may not equal 100.0

## State Rating

### State of New Hampshire

<b>CRA rating for New Hampshire:</b>	<b>Satisfactory</b>
<b>The lending test is rated:</b>	<b>Satisfactory</b>
<b>The community development test is rated:</b>	<b>Satisfactory</b>

The major factors supporting this rating include:

- The borrower distribution of loans overall reflects reasonable penetration among both individuals of different income levels and businesses of different sizes.
- The Bank's community development performance demonstrates reasonable responsiveness to community development needs in its AA through CD loans, investments/donations, and services.

### Description of Institution's Operations in New Hampshire

The full-scope AA1 is a New Hampshire-based, nonmetropolitan statistical area (#99999) and is composed of contiguous geographies across portions of Grafton, Merrimack, and Sullivan Counties. The NH\_AA1 consists of 17 CTs, which includes seven upper-income tracts and ten middle-income tracts. As of June 30, 2017, this full-scope area contained six of seven LNB branches and approximately 81 percent of the Bank's total deposits according to the FDIC Deposit Market Share Report. Additionally, when considering primary products originated/purchased during our evaluation period of January 1, 2016 through December 31, 2017, the full-scope AA1 accounted for approximately 58 and 47 percent of all residential home mortgages and commercial small-business loans, respectively.

Please refer to Appendix C of this evaluation for further discussion surrounding the Community Profiles of the Bank's full-scope AAs.

### Scope of Evaluation in New Hampshire

We performed a full-scope review of the New Hampshire AA1. Performance within the NH\_AA1 was given the most weight overall when drawing conclusions as the majority of the Bank's operations, including deposit base, lending activity, and branch presence are located within this rating area.

In assessing the Bank's performance, we reached out to several bank contacts in an effort to obtain a better understanding of the credit needs facing the local communities in which the Bank serves. We were unable to make a contact during this evaluation; however, we did reference other community contacts of recent CRA PEs conducted within NH and VT to determine credit needs.

Recent CRA PEs performed in NH indicate that affordable housing, financial literacy, and community services, including access to credit, are significant community development needs

within the NH\_AA1, in addition to basic human needs, such as food and shelter for at risk groups.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW HAMPSHIRE

### LENDING TEST

The Bank's performance under the Lending Test in New Hampshire is rated Satisfactory. The distribution of primary lending products overall reflects reasonable penetration among borrowers of different incomes and to businesses of different sizes. A geographic analysis of primary lending products was not performed, as the NH\_AA1 does not include any low- or moderate-income CTs.

#### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Ledyard National Bank's distribution of residential home mortgage and commercial-small business loans reflects excellent penetration to borrowers of different incomes and reasonable penetration to businesses of different sizes, given competitive barriers within AA1 and the Bank's volume of lending. The level of home mortgage and small business lending was compared to aggregate peer data, our primary comparator.

#### *Residential Home Mortgage Lending 2016*

The overall distribution of home mortgage lending during the 2016 evaluation period reflects excellent penetration amongst borrowers of different income levels. The percentage of home mortgage loans made to both low- and moderate-income borrowers exceeds the aggregate lending data.

The following table illustrates the distribution of home loans to borrowers of different income levels within the NH\_AA1 during 2016:

Table 3A – Borrower Distribution of Residential Real Estate Loans in Ledyard NH_AA1 nonMSAs (99999) 2016								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate Lending Data	% of Bank Loans	% of Aggregate Lending Data	% of Bank Loans	% of Aggregate Lending Data	% of Bank Loans	% of Aggregate Lending Data	% of Bank Loans
Home Loans	2.6	14.4	15.0	21.6	19.4	7.2	49.1	56.7

*Source: Bank submitted data of home mortgage loans originated and/or purchased during 2016; 2016 Peer Mortgage Data. Due to rounding, totals may not equal 100.00. Approximately 13.8 percent of borrowers within this AA during 2016 did not have a reportable income.*

### Residential Home Mortgage Lending 2017

The overall distribution of home mortgage lending during the 2017 evaluation period reflects excellent penetration amongst borrowers of different income levels. The percentage of home mortgage loans made to both low- and moderate-income borrowers exceeds the aggregate lending data.

The following table illustrates the distribution of home loans to borrowers of different income levels within the NH\_AA1 during 2017:

Table 3B – Borrower Distribution of Residential Real Estate Loans in Ledyard NH_AA1 nonMSAs (#99999) 2017								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate Lending Data	% of Bank Loans						
Home Loans	4.5	17.5	15.0	22.2	19.7	14.3	46.7	46.0

*Source: Bank submitted data of home mortgage loans originated and/or purchased during 2017; 2017 Peer Mortgage Data. Due to rounding, totals may not equal 100.00. Approximately 14.2 percent of borrowers within this AA during 2017 did not have a reportable income.*

### Small Business Lending 2016

The Bank's distribution of commercial small business loans originated/purchased during 2016 is considered reasonable when factoring demographic characteristics of the AA and competitive market factors that limit lending opportunities.

LNB's level of lending to small businesses is significantly below the percentage of 2016 peer aggregate small business lending data, our primary comparator. According to 2016 Peer Small Business data, competition for small business loans within the NH\_AA1 is significant and limits lending opportunities. The top three lenders account for nearly 63 percent of the entire market. During this period, the Bank originated 14 small business loans. When compared to the 2016 Peer Small Business data results, this would account for 0.65 percent of the market and rank Ledyard as the 13<sup>th</sup> largest lender amongst a peer group of 78 lenders, highlighting the significant level of competition for small business lending.

The following table shows the distribution of commercial small business loans among businesses of different sizes by both count and dollar amount of loans:

<b>Table 3C - Borrower Distribution of Commercial Small Businesses Loans in Ledyard NH_AA1 nonMSAs (#99999) 2016</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/Unknown</b>	<b>Total</b>
<b>% Peer Aggregate Lending to AA Businesses</b>	47.5	--	--	100.00
<b>% of Bank Loans in AA by #</b>	28.6	71.4	0.00	100.00
<b>% of Bank Loans in AA by \$</b>	12.6	87.4	0.00	100.00

Source: Bank submitted data of commercial-small business loans originated and/or purchased during 2016; 2016 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.

**Small Business Lending 2017**

The Bank's distribution of commercial small business loans originated/purchased during 2017 is considered reasonable when factoring demographic characteristics of the AA and competitive market factors that limit lending opportunities.

Ledyard's level of lending to small businesses is within a reasonable range below the percentage of 2017 peer aggregate small businesses lending data, our primary comparator. According to 2017 Peer Small Business data, competition for small business loans within the NH\_AA1 remains high. The top three lenders within this space account for approximately 53 percent of the entire market. During this period, the Bank originated 21 small business loans. When compared to the 2017 Peer Small Business data results, this would account for less than one percent of the market and rank LNB as the 15<sup>th</sup> largest lender amongst a peer group of 83 lenders, highlighting the significant level of competition for small business lending.

The following table shows the distribution of commercial small business loans among businesses of different sizes by both count and dollar amount of loans:

<b>Table 3D - Borrower Distribution of Commercial Small Businesses Loans in Ledyard NH_AA1 nonMSAs (#99999) 2017</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/Unknown</b>	<b>Total</b>
<b>% Peer Aggregate Lending to AA Businesses</b>	50.1	--	--	100.00
<b>% of Bank Loans in AA by #</b>	46.7	53.3	0.00	100.00
<b>% of Bank Loans in AA by \$</b>	23.1	76.9	0.00	100.00

Source: Bank submitted data of commercial-small business loans originated and/or purchased during 2017; 2017 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.

**Geographic Distribution of Loans**

An analysis of the geographic distribution of loans was not performed, as there are no low- or moderate-income census tracts within the Bank's NH\_AA1.

**Responses to Complaints**

There were no CRA-related complaints received by the Bank or the OCC during the evaluation period pertaining to the full-scope NH\_AA1.

## COMMUNITY DEVELOPMENT TEST

The Bank's performance under the CD test in the NH\_AA1 is rated Satisfactory. The Bank's community development performance demonstrates reasonable responsiveness to community development needs in its AA through CD loans, investments/donations, and services.

### Number and Amount of Community Development Loans

The Bank originated a reasonable amount of CD loans during the evaluation period. The Bank originated two loans totaling \$200 thousand during the evaluation period that qualified as community development loans. The CD loans made by the Bank provide financing to a community organization located within NH that promotes CD activities such as affordable housing and community services for at risk groups.

### Number and Amount of Qualified Investments

The Bank's level of CD investments within the NH\_AA1 is considered reasonable given the Bank's size, scope of operations, and local community needs. LNB's investments/donations during the evaluation period totaled approximately \$76,460. This is comprised of 56 donations/grants to approximately 36 different community organizations that serve the NH\_AA1. The majority of the Bank's community development investments/donations were targeted towards organizations that provide affordable housing or community services for LMI groups in the area, such as homeless shelters and food banks. While the actual level of Bank donations made was higher, these donations met the definition of community development.

The highlights of the Bank's community development investments/donations are as follows:

- A \$10 thousand grant to a community organization that provides educational and support services to families within the area that are living in poverty.
- The Bank made a \$25 thousand grant to a local community development finance authority to benefit the county senior center in providing services to the elderly and ill.
- A \$1 thousand grant to a local outreach program that offers drug & alcohol counseling to LMI individuals living within the Bank's NH\_AA1.
- The Bank made a \$2 thousand grant to a community development organization that specializes in early childcare and development. Services are provided to primarily LMI families.

Additionally, the Bank made several investments during the evaluation period in the Northern New England Housing Investment Fund – Low Income Housing Tax Credit, totaling approximately \$1.34 million. This fund provides housing assistance to qualifying LMI families and serves the greater Northern New England area, including NH and VT. The services provided by this community development organization benefit Ledyard's NH\_AA1.

### **Extent to Which the Bank Provides Community Development Services**

The Bank's level of community development services in the NH\_AA1 is considered reasonable. Accessibility to the Bank's delivery systems in the AA is considered adequate. The bank has six full-service branches located within the NH\_AA1. The Bank does not have any branches in low- or moderate-income CTs as there are no such geographies within the AA.

During the evaluation period, 16 Ledyard employees performed numerous hours of community development eligible services for 11 different organizations within the NH\_AA1. Highlights of the Bank's community development services are as follows:

- A LNB employee served on the Board for a local children's hospital, assisting with the running and oversight of the hospital to ensure continued operation.
- A Bank employee assisted in the reviewing of grant applications for a local organization which provide community development services including grants for affordable housing and economic development purposes.
- An employee served on the Board for a local community group that provides housing and security for at-risk groups, specifically a shelter for battered women.

### **Responsiveness to Community Development Needs**

Considering the Bank's capacity, identified community needs, and the availability of and competition for CD opportunities, the level of the Bank's CD activities in its NH\_AA1 demonstrates adequate responsiveness to AA community needs.

## State Rating

### State of Vermont

<b>CRA rating for Vermont:</b>	<b>Satisfactory</b>
<b>The lending test is rated:</b>	<b>Satisfactory</b>
<b>The community development test is rated:</b>	<b>Satisfactory</b>

The major factors supporting this rating include:

- The borrower distribution of loans overall reflects reasonable penetration among both individuals of different income levels and businesses of different sizes.
- The Bank's community development performance demonstrates reasonable responsiveness to community development needs in its AA through CD loans, investments/donations, and services.

### Description of Institution's Operations in Vermont

The full-scope AA2 is a Vermont-based, nonmetropolitan statistical area (#99999) and is composed of contiguous geographies across portions of Orange and Windsor Counties. The VT\_AA2 consists of 11 CTs, which includes five upper-income tracts and six middle-income tracts. As of June 30, 2017, this full-scope area contained only one LNB branch and approximately 19 percent of the Bank's total deposits according to the FDIC Deposit Market Share Report. Additionally, when considering primary products originated/purchased during the evaluation period, AA2 accounted for approximately 33 and 31 percent of all residential home mortgage and commercial small-business loans, respectively.

Please refer to Appendix C of this evaluation for further discussion surrounding the Community Profiles of the Bank's full-scope AAs.

### Scope of Evaluation in Vermont

We performed a full-scope review of the Vermont AA2. Performance within the Bank's Vermont\_AA2 was not weighted as heavily when drawing conclusions as the majority of Ledyard's operational activities occurred within NH.

In assessing the Bank's performance, we reached out to several bank contacts in an effort to obtain a better understanding of the credit needs facing the local communities in which the Bank serves. We were unable to make a contact during this evaluation; however, we did reference other community contacts of recent CRA PEs conducted within NH and VT to determine credit needs.

Recent CRA PEs performed in VT indicate that affordable housing, community services, and economic development initiatives are significant community development needs within the VT\_AA2. The state of VT also faces traditional needs such as access to food and shelter for at risk groups.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN VERMONT**

### **LENDING TEST**

The Bank's performance under the Lending Test in Vermont is rated Satisfactory. The distribution of primary lending products overall reflects reasonable penetration among borrowers of different incomes and to businesses of different sizes. A geographic analysis of primary lending products was not performed, as the VT\_AA2 does not include any low- or moderate-income CTs.

#### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Ledyard National Bank's distribution of residential home mortgage and commercial-small business loans reflects reasonable penetration to both borrowers of different incomes and businesses of different sizes, given competitive barriers within the AA2 and the Bank's volume of lending. The level of home mortgage and small business lending was compared to aggregate peer data, our primary comparator.

##### *Residential Home Mortgage Lending 2016*

The overall distribution of home mortgage lending during the 2016 evaluation period reflects reasonable penetration amongst borrowers of different income levels. The percentage of home mortgage loans made to moderate-income borrowers exceeds the aggregate lending data. The percentage of home mortgage loans made to low-income borrowers falls within a reasonable range below 2016 peer mortgage data.

According to 2016 Peer Mortgage Market Share Data, there is little opportunity to lend to low-income borrowers within the VT\_AA2, and competition remains significant. In 2016, the top three lenders within this market accounted for approximately half of all originations/purchases, of which there was only a total of 14 loans reported by HMDA. Ledyard originated one residential mortgage to a low-income borrower during 2016. When compared to the aggregate peer data, this would account for 7.14 percent of the market, and rank LNB, as the 4<sup>th</sup> largest lender amongst a peer group of 10 lenders.

The following table illustrates the distribution of home loans to borrowers of different income levels within the VT\_AA2 during 2016:

Table 4A – Borrower Distribution of Residential Real Estate Loans in Ledyard VT_AA2 nonMSAs (99999) 2016								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate Lending Data	% of Bank Loans						
Home Loans	2.3	2.0	11.8	18.4	21.8	18.4	47.4	61.2

Source: Bank submitted data of home mortgage loans originated and/or purchased during 2016; 2016 Peer Mortgage Data. Due to rounding, totals may not equal 100.00. Approximately 16.8 percent of borrowers within this AA during 2016 did not have a reportable income.

### Residential Home Mortgage Lending 2017

The overall distribution of home mortgage lending during the 2017 evaluation period reflects reasonable penetration amongst borrowers of different income levels. The percentage of home mortgage loans made to moderate-income borrowers exceeds the aggregate lending data. The Bank did not make any loans to low-income borrowers within the VT\_AA2 during 2017.

Lending to low-income borrowers within the VT\_AA2 remains competitive in 2017 with limited opportunities for lending. According to 2017 Peer Mortgage Market Share Data, among HMDA-reportable institutions in this market area, there were only 21 home mortgage loans originated during 2017 for low-income borrowers. While the top lender had only three instances of lending, this accounted for 14.29 percent of the market. In addition, peer data also indicates that among the 15 lenders, only five had more than once instance of home mortgage lending.

The following table illustrates the distribution of home loans to borrowers of different income levels within the VT\_AA2 during 2017:

Table 4B – Borrower Distribution of Residential Real Estate Loans in Ledyard VT_AA2 nonMSAs (#99999) 2017								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate Lending Data	% of Bank Loans						
Home Loans	3.6	0.0	12.1	34.9	21.0	16.3	50.1	48.8

Source: Bank submitted data of home mortgage loans originated and/or purchased during 2017; 2017 Peer Mortgage Data. Due to rounding, totals may not equal 100.00. Approximately 13.2 percent of borrowers within this AA during 2017 did not have a reportable income.

### Small Business Lending 2016

The Bank's distribution of commercial small business loans originated/purchased during 2016 is considered reasonable when accounting for demographic characteristics of the AA and competitive market factors that limit lending opportunities.

LNB's level of lending to small businesses falls below the percentage of 2016 peer aggregate small business lending data, our primary comparator. According to 2016 Peer Small Business data, competition for small business loans within the VT\_AA2 is significant, as the top three lenders within this market account for nearly 61 percent of the entire market, limiting lending opportunities. During this period, the Bank originated ten small business loans. When compared to the 2016 Peer Small Business data results, this would account for approximately 1.51 percent of the market and rank Ledyard as the 14<sup>th</sup> largest lender amongst a peer group of 49 lenders, highlighting the significant level of competition for small business lending.

The following table shows the distribution of commercial small business loans among businesses of different sizes by both count and dollar amount of loans:

<b>Table 4C - Borrower Distribution of Commercial Small Businesses Loans in Ledyard VT_AA2 nonMSAs (#99999) 2016</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
<b>% Peer Aggregate Lending to AA Businesses</b>	44.0	--	--	100.00
<b>% of Bank Loans in AA by #</b>	34.5	65.5	0.00	100.00
<b>% of Bank Loans in AA by \$</b>	23.6	76.4	0.00	100.00

*Source: Bank submitted data of commercial-small business loans originated and/or purchased during 2016; 2016 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.*

### Small Business Lending 2017

The Bank's distribution of commercial small business loans originated/purchased during 2017 is considered reasonable when factoring demographic characteristics of the AA and competitive market factors that limit lending opportunities.

Ledyard's level of lending to small businesses falls below the percentage of 2017 peer aggregate small businesses lending data, our primary comparator. According to 2017 Peer Small Business data, competition for small business loans within the VT\_AA2 remains high, as the top three lenders within this space account for approximately 54 percent of the entire market. During this period, the Bank originated 14 small business loans. When compared to the 2017 Peer Small Business data results, this would account for approximately 1.6 percent of the market and rank LNB as the 14<sup>th</sup> largest lender amongst a peer group of 59 lenders, highlighting the significant level of competition for small business lending.

The following table shows the distribution of commercial small business loans among businesses of different sizes by both count and dollar amount of loans:

**Table 4D - Borrower Distribution of Commercial Small Businesses Loans  
in Ledyard VT\_AA2 nonMSAs (#99999) 2017**

<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
<b>% Peer Aggregate Lending to AA Businesses</b>	55.4	--	--	100.00
<b>% of Bank Loans in AA by #</b>	41.2	58.8	0.00	100.00
<b>% of Bank Loans in AA by \$</b>	10.6	89.4	0.00	100.00

*Source: Bank submitted data of commercial-small business loans originated and/or purchased during 2017; 2017 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.*

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans was not performed, as there are no low- or moderate-income census tracts within the Bank's VT\_AA2.

### **Responses to Complaints**

There were no CRA-related complaints received by the Bank or the OCC during the evaluation period pertaining to the full-scope VT\_AA2.

### **COMMUNITY DEVELOPMENT TEST**

The Bank's performance under the CD test in the VT\_AA2 is rated Satisfactory. The Bank's community development performance demonstrates reasonable responsiveness to community development needs in its AA through CD loans, investments/donations, and services.

### **Number and Amount of Community Development Loans**

The Bank originated a reasonable amount of CD loans during the evaluation period. The Bank originated three loans totaling \$1.19 million during the evaluation period that qualified as community development loans. All three CD loans made by the Bank provide financing to community organizations within the VT\_AA2 that provide affordable housing projects for LMI groups benefit. One of the three loans is a \$985 thousand loan to a local affordable housing developer. The Bank has a history of joint CD projects with this borrower and expects the project will continue into the next CRA cycle.

### **Number and Amount of Qualified Investments**

The level of CD investments within the VT\_AA2 is considered reasonable given the Bank's size, scope of operations, and local community needs. LNB's investments/donations during the evaluation period totaled approximately \$21,165. This is comprised of 23 donations/grants to approximately 13 different community organizations that serve the VT area. The majority of the Bank's community development investments/donations were targeted towards organizations that provide affordable housing or economic development services targeted towards LMI groups in the area. While the actual level of Bank donations made was higher, these donations met the definition of community development.

The highlights of the Bank's community development investments/donations are as follows:

- A \$2,500 grant to a Vermont-based community organization that promotes and supports programs that help meet the health care needs of low-income residents.
- A \$1,500 grant to a homeless shelter and soup kitchen which also provides housing for LMI groups in the area.
- A \$1,750 grant to an organization that specializes in early childhood educational programs and financial literacy for low-income children and their families.

Additionally, the Bank made several investments during the evaluation period in the Northern New England Housing Investment Fund – Low Income Housing Tax Credit, totaling approximately \$1.34 million. This fund provides housing assistance to qualifying LMI families, and serves the greater Northern New England area, including NH and VT. The services provided by this community development organization benefit Ledyard's VT\_AA2.

### **Extent to Which the Bank Provides Community Development Services**

The Bank's level of community development services in the VT\_AA2 is considered reasonable. Accessibility to the Bank's delivery systems in the AA is considered adequate. The Bank has one full-service branch located within the VT\_AA2. The Bank does not have any branches in low- or moderate-income CTs as there are no such geographies within the AA.

During the evaluation period, seven Ledyard employees performed numerous hours of community development eligible services for six different organizations within the VT\_AA2. Highlights of the Bank's community development services are as follows:

- A LNB employee served on the Board for a home ownership and counseling community development organization, which specifically benefits LMI families.
- An employee served on the Board for a local community group that provides visiting nurse and hospice care for the elderly, including LMI patients.

### **Responsiveness to Community Development Needs**

Considering the Bank's capacity, identified community needs, and the availability of and competition for CD opportunities, the level of the Bank's CD activities in its VT\_AA2 demonstrates adequate responsiveness to AA community needs.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): Investment and Service Tests and CD Loans:	(01/01/16 to 12/31/17) (01/01/16 to 12/31/17)
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Ledyard National Bank ("LNB", "Ledyard", or "the Bank") Norwich, VT	Residential home mortgage and commercial-small business loans, and CD-eligible loans, investments/grants/donations, and services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None reviewed.		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Ledyard NH_AA1, nonMSAs (#99999)	Full-scope	<ul style="list-style-type: none"> <li>• NH nonMSAs (#99999) <ul style="list-style-type: none"> <li>○ Grafton County (#009) <ul style="list-style-type: none"> <li>▪ Alexandria, Canaan, Dorchester, Enfield, Grafton, Groton, Hanover, Hebron, Lebanon, Lyme, Orange, Orford, Piermont, Wentworth</li> </ul> </li> <li>○ Merrimack County (#013) <ul style="list-style-type: none"> <li>▪ Andover, Bradford, Danbury, Hill, Newbury, New London, Salisbury, Sutton, Wilmot</li> </ul> </li> <li>○ Sullivan County (#019) <ul style="list-style-type: none"> <li>▪ Cornish, Croydon, Grantham, Newport, Plainfield, Springfield, Sunapee</li> </ul> </li> </ul> </li> </ul>
Ledyard VT_AA2, nonMSAs (#99999)	Full-scope	<ul style="list-style-type: none"> <li>• VT nonMSAs (#99999) <ul style="list-style-type: none"> <li>○ Orange County (#017) <ul style="list-style-type: none"> <li>▪ Bradford, Fairlee, Thetford, West Fairlee</li> </ul> </li> <li>○ Windsor County (#027) <ul style="list-style-type: none"> <li>▪ Barnard, Hartford, Hartland, Norwich, Pomfret, Sharon, Stockbridge, Windsor, Woodstock</li> </ul> </li> </ul> </li> </ul>

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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RATINGS Ledyard National Bank			
Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall State Rating
Ledyard National Bank	Satisfactory	Satisfactory	Satisfactory
State Ratings:			
New Hampshire	Satisfactory	Satisfactory	Satisfactory
Vermont	Satisfactory	Satisfactory	Satisfactory

## Appendix C: Community Profiles for Full-Scope Areas

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### Description of New Hampshire Assessment Area

LNB operates primarily in the state of New Hampshire. The AA includes Upper Valley and Lake Sunapee regions. The NH\_AA1 consists of 17 contiguous census tracts, which includes seven upper-income tracts and ten middle-income tracts. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income tracts.

As of May 2018, Moody's Analytics notes the economic indicators for NH are in a late expansion business cycle. Economic drivers include the technology and financial sectors, and NH's unemployment rate of 2.6 percent is the third lowest in the United States. Moody's Analytics indicates that NH will remain a strong performer in the Northeast, which is primarily due to the high-value-added industries, a low tax burden, and an educated workforce. Top employers in the state are Fidelity Investments, Hannaford Bros. Co., Elliot Hospital, BAE Systems Electronic Solutions, and Genesis Healthcare.

Competition remains strong in the market area, as there is a high number of financial institutions within New Hampshire. The FDIC Deposit Market Share reports that there are 21 financial institutions with the Grafton, Merrimack, and Sullivan Counties. The Bank maintains a competitive position within the market, ranked eighth with 4.2 percent of the deposit market share. The top five banks account for 61.9 percent of the total market. Top local competitors include TD Bank, National Association, Bank of America, National Association, Citizens Bank, National Association, Mascoma Savings Bank, and Bar Harbor Bank & Trust.

#### *2016 Evaluation Period*

During the 2016 evaluation period, LNB's NH\_AA1 included parts of the three counties of Grafton, Merrimack, and Sullivan, which are close to the Vermont boundary line. The AA includes 17 census tracts, which comprises seven upper-income CTs and ten middle-income CTs. There are no moderate- or low-income census tracts within the NH\_AA1. The 2010 U.S. Census Data indicates the Ledyard, NH\_AA1 has a population of 78,646. Additionally, 2010 Census Data reports that 4.6 percent of households are below poverty level. The median home value is \$272,142 and the median family income for nonMSA geographies within NH is \$66,238.

Demographic information for the Ledyard, NH\_AA1 for the 2016 evaluation period is detailed below:

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Ledyard_NH AA1 – 2016</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	17	0.0	0.0	58.8	41.2	0.0
Population by Geography	78,646	0.0	0.0	58.6	41.4	0.0
Housing Units by Geography	37,890	0.0	0.0	61.2	38.8	0.0
Owner-Occupied Units by Geography	22,531	0.0	0.0	60.6	39.4	0.0
Occupied Rental Units by Geography	7,638	0.0	0.0	66.0	34.0	0.0
Vacant Units by Geography	7,721	0.0	0.0	58.5	41.5	0.0
Businesses by Geography	5,691	0.0	0.0	61.9	38.1	0.0
Farms by Geography	261	0.0	0.0	60.5	39.5	0.0
Family Distribution by Income Level	20,051	14.2	16.0	20.8	49.0	0.0
Household Distribution by Income Level	30,169	18.1	15.2	18.4	48.3	0.0
Median Family Income Non-MSAs - NH		\$66,238	Median Housing Value			\$272,142
			Median Gross Rent			\$973
			Families Below Poverty Level			4.6%
<i>Source: 2010 U.S. Census and 2016 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

**2017 Evaluation Period**

During the 2017 evaluation period, the Bank's NH\_AA1 included parts of the three counties of Grafton, Merrimack, and Sullivan, which are in close proximity to the VT boundary line. The AA includes 17 census tracts, which comprises seven upper-income CTs and ten middle-income CTs. There are no moderate- or low-income tracts within the NH\_AA1. The 2015 ACS indicates the Ledyard NH\_AA1 has a population of 79,933 during 2017. ACS data also reports that 4.9 percent of households are below poverty level. The median home value is \$259,007 and the median family income is \$71,699.

Demographic information for the Ledyard, NH\_AA1 for the 2017 evaluation period is detailed in the following table:

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Ledyard_NH AA1 – 2017</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	17	0.0	0.0	58.8	41.2	0.0
Population by Geography	79,933	0.0	0.0	59.0	41.0	0.0
Housing Units by Geography	39,930	0.0	0.0	63.2	36.8	0.0
Owner-Occupied Units by Geography	22,724	0.0	0.0	63.7	36.3	0.0
Occupied Rental Units by Geography	8,749	0.0	0.0	61.2	38.8	0.0
Vacant Units by Geography	8,457	0.0	0.0	64.0	36.0	0.0
Businesses by Geography	5,657	0.0	0.0	55.5	44.5	0.0
Farms by Geography	269	0.0	0.0	62.5	37.5	0.0
Family Distribution by Income Level	20,411	15.4	16.2	21.3	47.1	0.0
Household Distribution by Income Level	31,473	18.4	15.4	18.2	48.0	0.0
Median Family Income Non-MSAs - NH		\$71,699	Median Housing Value			\$259,007
			Median Gross Rent			\$1,049
			Families Below Poverty Level			4.9%
<i>Source: 2010 U.S. Census &amp; 2015 ACS Census and 2017 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## Description of Vermont Assessment Area

The Bank has one branch location within Vermont. The Norwich, VT branch operates as a full-service branch and is the main office. The branch is open 9:00 AM to 5:00 PM Monday through Friday, and 9:00 AM to 12:00 PM on Saturdays. The branch is closed on Sundays. The drive through service window is open 8:00 AM to 5:00 PM Monday through Friday and 9:00 AM to 12:00 PM on Saturdays, however, the ATM located at the branch is available 24 hours a day.

The VT AA includes towns in in the contiguous Orange and Windsor counties. The VT\_AA2 includes 11 census tracts, all of which are middle- or upper-income. There are seven middle-income tracts and four upper-income tracts in 2017. The AA does not arbitrarily exclude any low- or moderate-income areas.

Market competition within the VT\_AA2 is high, with ten other banks in the AA. LNB faces heavy competition from large national banks and other local institutions, such as Mascoma Savings Bank, People's United Bank, Bar Harbor Bank & Trust, and TD Bank. The FDIC Market Share Report as of June 30, 2017 indicates that Ledyard maintained 19 percent of its deposits in the VT branch, totaling \$76.3 million. The Bank ranks eighth with deposit market share of 5.2 percent in the AA. A year prior, in June 2016, the Bank had a deposit market share of 5.3 percent within the VT\_AA2.

As of May 2018, Moody's Analytics notes Vermont's economy is growing slowly due to a tight labor market. While unemployment is low, job growth and population growth remain relatively stagnant. There are few high paying positions available, limiting in-migration and home sales. Tourism and healthcare remain two of the largest forces driving the state's economy. One in five people within the labor market are employed within the education and health services sector, which are higher paying sectors. This is largely due to the universities and colleges within the state, as well as the high percentage of insured people and aging population who require more medical visits. Government and retail jobs also take up a significant portion of employment and income. Government jobs primarily include local government positions, which have lower pay than state and federal government positions. The economy is expected to improve slightly over the next several years, but will not grow at the same pace as the US.

According to the Lebanon Area Chamber of Commerce, major employers in the Upper Valley area include the Dartmouth-Hitchcock Medical Center, Dartmouth College, Timken Aerospace, and Alice Peck Day Memorial Hospital.

For 2016, the median housing price in the VT\_AA2 is approximately \$259,165. For 2017, the median housing price in the VT\_AA2 is approximately \$255,185. We were able to determine housing prices of the towns in the assessment area by weighting the median housing prices in each town via Zillow (as of October 2018) by the population of those towns (via 2010 census information). The average median housing price in Vermont in October 2018 is \$201,400 (Zillow). The median housing prices in the AA remain relatively high in comparison to the median family income. The relatively expensive housing market limits the affordability of housing for low-and moderate-income families in the AA.

The charts below depict demographic information of the VT\_AA2 for 2016 and 2017, respectively:

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Ledyard_VT AA2 – 2016</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	11	0.0	0.0	72.7	27.3	0.0
Population by Geography	34,463	0.0	0.0	71.4	28.6	0.0
Housing Units by Geography	18,769	0.0	0.0	73.8	26.2	0.0
Owner-Occupied Units by Geography	10,563	0.0	0.0	69.0	31.0	0.0
Occupied Rental Units by Geography	4,471	0.0	0.0	79.5	20.5	0.0
Vacant Units by Geography	3,735	0.0	0.0	80.6	19.4	0.0
Businesses by Geography	2,772	0.0	0.0	66.0	34.0	0.0
Farms by Geography	160	0.0	0.0	65.0	35.0	0.0
Family Distribution by Income Level	9,478	15.1	16.6	20.4	47.9	0.0
Household Distribution by Income Level	15,034	20.6	13.2	17.9	48.3	0.0
Median Family Income Non-MSAs - VT		\$60,519	Median Housing Value			\$259,165
			Median Gross Rent			\$908
			Families Below Poverty Level			5.6%
<i>Source: 2010 U.S. Census and 2016 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Ledyard_VT AA2 – 2017</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	11	0.0	0.0	54.5	45.5	0.0
Population by Geography	34,094	0.0	0.0	56.1	43.9	0.0
Housing Units by Geography	19,064	0.0	0.0	53.3	46.7	0.0
Owner-Occupied Units by Geography	10,749	0.0	0.0	54.3	45.7	0.0
Occupied Rental Units by Geography	4,266	0.0	0.0	60.9	39.1	0.0
Vacant Units by Geography	4,049	0.0	0.0	42.6	57.4	0.0
Businesses by Geography	2,720	0.0	0.0	52.6	47.4	0.0
Farms by Geography	166	0.0	0.0	54.8	45.2	0.0
Family Distribution by Income Level	9,324	14.2	13.9	21.5	50.4	0.0
Household Distribution by Income Level	15,015	20.7	13.6	17.1	48.6	0.0
Median Family Income Non-MSAs - VT		\$64,849	Median Housing Value			\$255,185
			Median Gross Rent			\$921
			Families Below Poverty Level			5.5%
<i>Source: 2010 U.S. Census &amp; 2015 ACS Census and 2017 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						