



## Seneca Savings Q1 2021 President's Message

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As I look out from our offices here on Oswego Street in Baldwinsville, I see activity. Shops are fully opening, people are walking hand in hand laughing, friends are dining, and the flowers are blooming. It's Spring in Central New York and we're experiencing more of what our community is grounded in – celebrating life, good work, and an appreciation for renewal and being together again.

Wonderful things are springing forth in our banking world as well. Rates remain incredibly attractive which provides us an opportunity to do what we do best – build bridges to help families and businesses get from here... to there. Mortgages, refinances, home equity lines of credit and commercial lending are at the forefront of our conversations and marketing efforts. Actively pursuing construction mortgages for new home builds aligns with the needs of the markets we serve, as existing home inventory remains in high demand.

As a community bank, our employees are at the heart of all we do. Teamwork is everything. With growth comes the need for the continuous building of talent. Striving to deliver five-star service that's consistent and creates impact through referrals, online and community reputation, requires active recruitment and training for multiple positions within our branches.

April is Financial Literacy Month and Seneca Savings has been running on all cylinders to leverage our financial literacy efforts in schools and within the community. We've expanded our school partnership footprint to include more schools in the Liverpool, Cicero, North Syracuse and Syracuse school districts. Multiple press releases and news coverage including community newspapers and magazines, television and radio show appearances and commercial schedules, the utilization of our social media platforms, our very own digital signage at our branches, and email blasts to our current customers, have all raised awareness about Financial Literacy and Seneca Savings' role in educating our youth, adults, and business owners. The month of April culminated with our free Identity Theft Webinar offered virtually for current and new customers alike.

Multiple upgrades and updates to the Seneca Savings website have been underway. Both aesthetics and functionality of the site to improve as well as extend the user experience. We have centralized all of our online applications. Expanded merchant services product information among other enhancements have been implemented. Our effort to emphasize the importance of referrals, the use of home equity lines of credit, and the ease of doing your business banking with Seneca Savings are all part of our marketing and storytelling strategy, both online and in the branches. We're also more effectively utilizing our website, blog and social media platforms to share not only important stories from the bank (customer testimonials and new product innovations, PPP news, etc.) but also community news and stories of interest.



Throughout the pandemic, Seneca Savings has never wavered from our commitment to supporting and spotlighting important community initiatives and non-profit organizations. In addition to working with our partner schools, we'll again sponsor the Seneca River South Little League baseball program. We hope you're able to go and cheer them on! We're in the midst of our annual Make A Mother's Day Diaper Drive in partnership with the CNY Diaper Bank. It's an incredible need that too many families face. Our newly organized event committee is assisting our branches, who've engaged in fabulous displays to help raise both money and encourage diaper drop-offs at all our locations. The drive runs through the entire month of May and we're working towards achieving or surpassing last year by raising a minimum of \$12,000 or more again this year. To contribute please visit the [SenecaSavings.com](http://SenecaSavings.com) website. We also welcome you to visit the website to see its enhancements, as well as join us on Facebook, Instagram, LinkedIn, and see our wonderful new videos and commercials on YouTube.

#### Financial Performance:

Upon guidance of our regulators, we were proactive in allowing customers to defer payments upon the onset of the pandemic. We can report that the large majority of these deferments have now expired and returned to a normal repayment schedule. As of March 31, 2021, we have only 5 loans still in deferment for a total of \$1.2 million. This represents a substantial reduction from 190 loans for \$29.7 million at March 31, 2020. Despite the effects of the pandemic on our business and our increased focus on asset protection, we are proud to report our performance for the first quarter 2021 in both our profitability and asset quality.

Net income increased by \$299,000, or 168.9%, to \$476,000 for the three months ended March 31, 2021, from \$177,000 for the three months ended March 31, 2020. Earnings per share increased for the three months ended March 31, 2021 to \$0.26 per share, from \$0.10 per share for the three months ended March 31, 2020. The increase in net income was largely due to the decrease in interest expense and increase in fee income from the Paycheck Protection Program (PPP), accelerated by loan forgiveness. PPP loan forgiveness is difficult to project as it is up to the customers when they would like to submit a forgiveness application.

Due to our participation in the PPP program, total assets increased \$14.9 million, or 7.0%, to \$226.7 million at March 31, 2021 from \$211.8 million at March 31, 2020. Gross loans increased \$476,000, or 0.29%, to \$165.0 million at March 31, 2021, from \$164.5 million at March 31, 2020. Please note that PPP loans of approximately \$16.0 million are reported in that figure. The reduction in our loans (excluding the PPP loans) was mainly due to prepayments in our residential mortgage portfolio due to the decrease in market interest rates which lead to a significant increase in refinancing of home mortgages. A large portion of these refinances were completed by Seneca Savings, and after they were refinanced, we have successfully sold many of these lower yielding fixed rate residential mortgages into the secondary market to mitigate interest rate risk while retaining the servicing fees.



Total noninterest-bearing deposits increased 67.8%, to \$29.9 million at March 31, 2021, from \$17.8 million at March 31, 2020. A large reason for this increase was our success in providing PPP loans to local businesses and new customers derived from the program. It is estimated that we generated approximately 75 new commercial clients through our PPP participation. We anticipate that over 65% of these participants will become permanent customers of the organization. We originated approximately \$11.0 million in PPP loans during the 1st quarter of 2021.

Interest expense decreased by \$293,000, or 51.3%, to \$278,000, for the three months ended March 31, 2021, from \$571,000 for the three months ended March 31, 2020. Interest expense decreased as maturing certificates of deposit and our one-year MMDA specials repriced at lower rates in the current low interest rate environment. We offered a 2.0% MMDA special for one year and the majority of the MMDA accounts repriced downward in the 4th quarter of 2020 and the 1st quarter of 2021.

Noninterest income increased \$84,000, or 42.6%, to \$281,000 for the three months ended March 31, 2021, from \$197,000 for the three months ended March 31, 2020. The increase in noninterest income was primarily due to an increase in the net gain on sales of residential mortgage loans. Net gain on sales of residential mortgage loans increased \$48,000, or 960.0%, to \$53,000, for the three months ended March 31, 2021, from \$5,000 for the three months ended March 31, 2020.

Noninterest expense increased for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020. Noninterest expense increased \$89,000, or 6.0%, to \$1.6 million for the three months ended March 31, 2021 from \$1.5 million for the three months ended March 31, 2020. The increase in noninterest expense was primarily due to the hiring of employees for our new digital banking and merchant services departments. As we added products and services, we increased the number of full-time equivalent employees. These new services will increase our noninterest income and attract new customers to the Bank in future periods.

We appreciate and our thankful for this community, our families, our shareholders, and the partners that have entrusted Seneca Savings for their banking, lending, and investment needs. There's a saying "*Some old-fashioned things like sunshine and fresh air are hard to beat.*" There's also a saying "*No matter how long the winter, spring is sure to follow.*" And so, lift your heads to the sun friends and neighbors. Take a walk in the fresh air. Laugh. Raise a glass. There are so many things to be grateful for and better things are yet to come.

Sincerely,

Joseph G. Vitale  
President, CEO & Director





**SENECA**  
FINANCIAL CORP.

# Quarterly Report

Q1 2021

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FINANCIALS

# Financials

## Q1 2021

### Selected Income Statement Data

(Dollars in thousands except per share data, unaudited)

### Three Months Ended

March 31,

	2021	2020
Interest Income	\$ 2,199	\$ 2,148
Interest Expense	278	571
Net Interest Income	1,921	1,577
Provision for Loan Losses	75	80
Net Interest Income after Provision for Loan Losses	1,846	1,497
Noninterest Income	281	197
Noninterest Expense	1,571	1,482
Income before Income Taxes	556	212
Income Taxes	80	35
Net Income	476	177
Income per Common Share	\$ 0.26	\$ 0.10
Weighted Average Share-Basic and Dilutive	1,853,821	1,841,140

### Selected Financial Statement Data

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Cash and Cash Equivalents	\$ 5,699	\$ 3,977	\$ 2,595	\$ 10,296	\$ 4,607
Securities Available-for-Sale	40,743	41,264	43,363	37,635	28,462
Gross Loans	164,989	161,528	170,154	175,547	164,513
Allowance for Loan Losses	(1,751)	(1,640)	(1,555)	(1,433)	(1,299)
Other Assets	16,999	16,396	16,620	15,776	15,518
Total Assets	\$ 226,679	\$ 221,525	\$ 231,177	\$ 237,821	\$ 211,801

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Noninterest-Bearing Deposits	\$ 29,918	\$ 24,996	\$ 25,311	\$ 26,459	\$ 17,826
Interest-Bearing Deposits	135,647	130,922	133,309	132,417	133,497
Total Deposits	165,565	155,918	158,620	158,876	151,323
FHLB and PPLF Borrowings	35,542	38,096	45,202	51,504	36,500
Other Liabilities	2,623	4,633	5,104	5,630	3,222
Total Stockholders' Equity	22,949	22,878	22,251	21,811	20,756
Total Liabilities and Stockholders' Equity	\$ 226,679	\$ 221,525	\$ 231,177	\$ 237,821	\$ 211,801

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Total Loans over 30 days Past Due	\$ 1,141	\$ 1,740	\$ 1,664	\$ 2,080	\$ 3,124
Total Non-Performing Loans	\$ 340	\$ 557	\$ 968	\$ 2,245	\$ 2,116
Other Real Estate Owned and Repossessed Assets	\$ 381	\$ 682	\$ 874	\$ -	\$ -
Allowance for Loan Losses to total Loans	1.06%	1.02%	0.91%	0.82%	0.79%
Total Non-Performing Loans to total Loans	0.21%	0.34%	0.57%	1.28%	1.29%
Non-Performing Assets to total Assets	0.32%	0.56%	0.80%	0.94%	1.00%

### Three Months Ended

March 31,

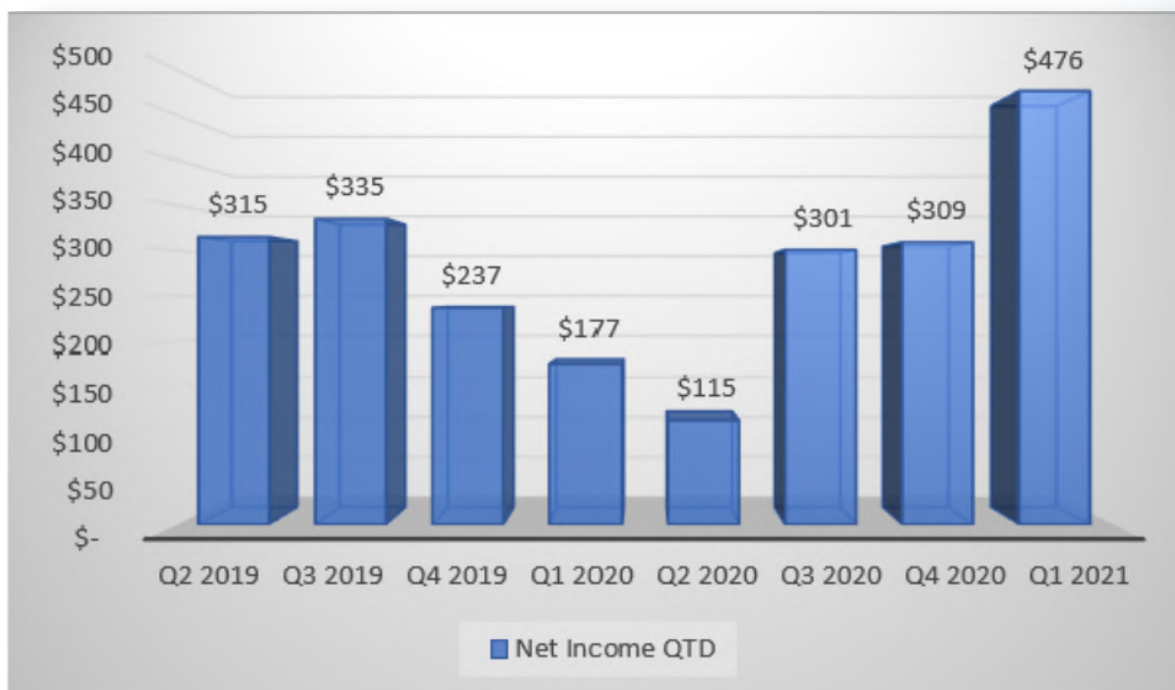
	2021	2020
Return on Average Assets	0.85%	0.34%
Return on Average Equity	8.37%	3.37%
Tier 1 Capital Ratio	10.39%	10.15%
Net Interest Margin/Average Interest Earning Assets	3.67%	3.19%
Efficiency Ratio	71.34%	83.54%

Average Assets	\$ 224,736	\$ 210,607
Average Equity	\$ 22,741	\$ 21,023



# Financials | Q1 2021

## NET INCOME YTD



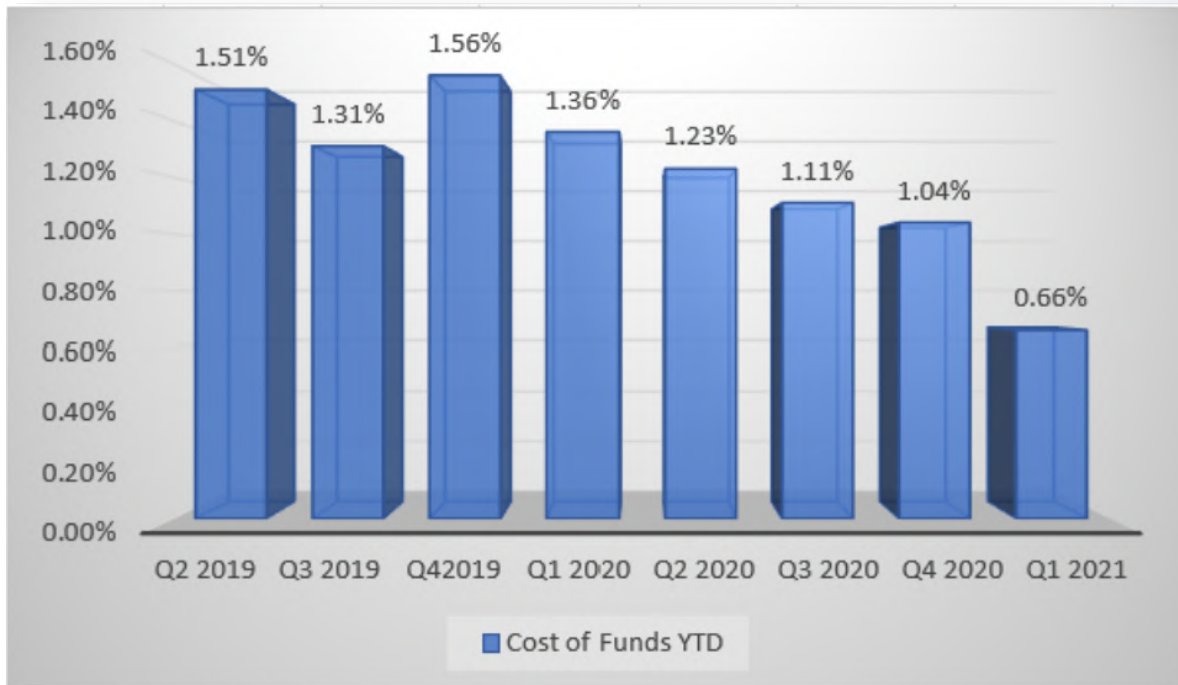
## NET INTEREST MARGIN YTD



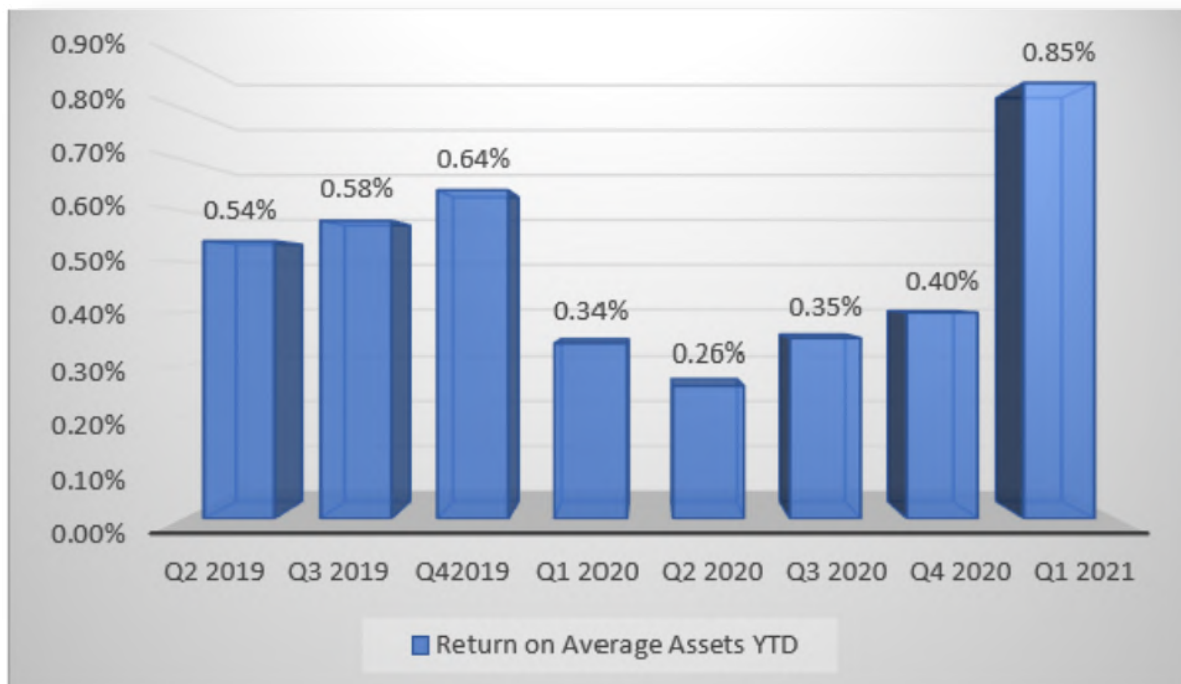
# Financials

## Q1 2021

### COST OF FUNDS YTD



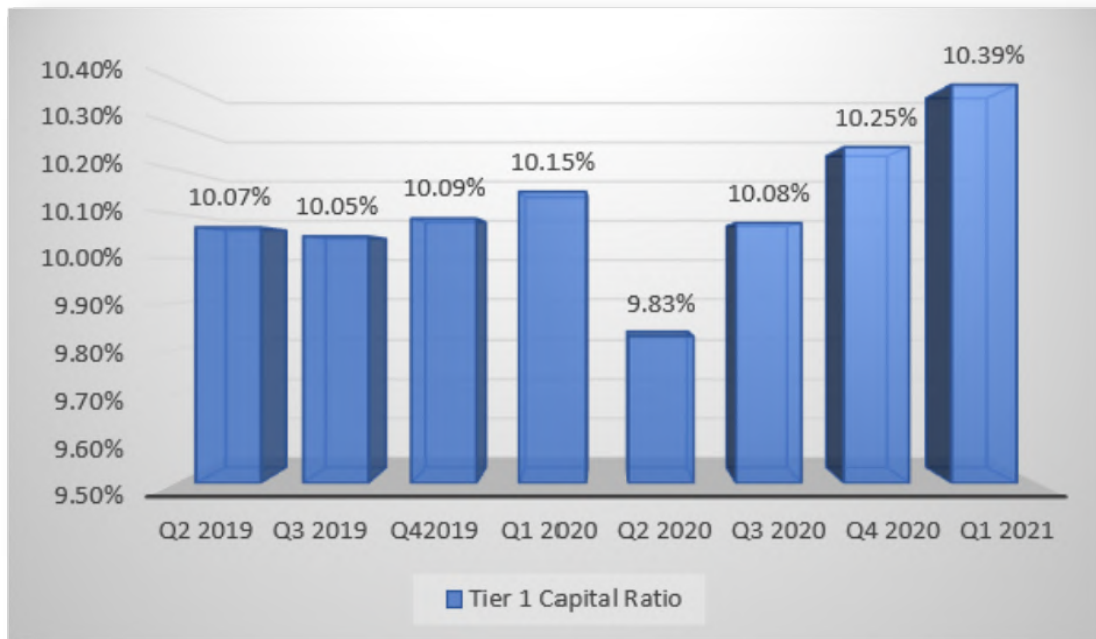
### RETURN ON AVERAGE ASSETS YTD



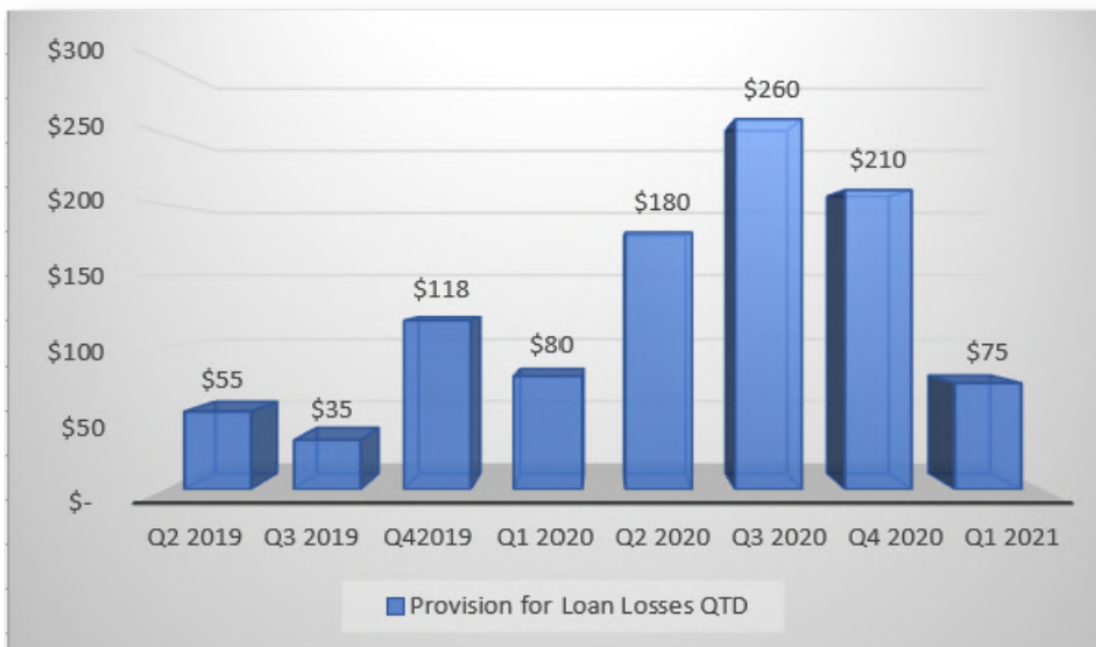
# Financials

## Q1 2021

### TIER 1 CAPITAL RATIO



### PROVISION FOR LOAN LOSSES QTD

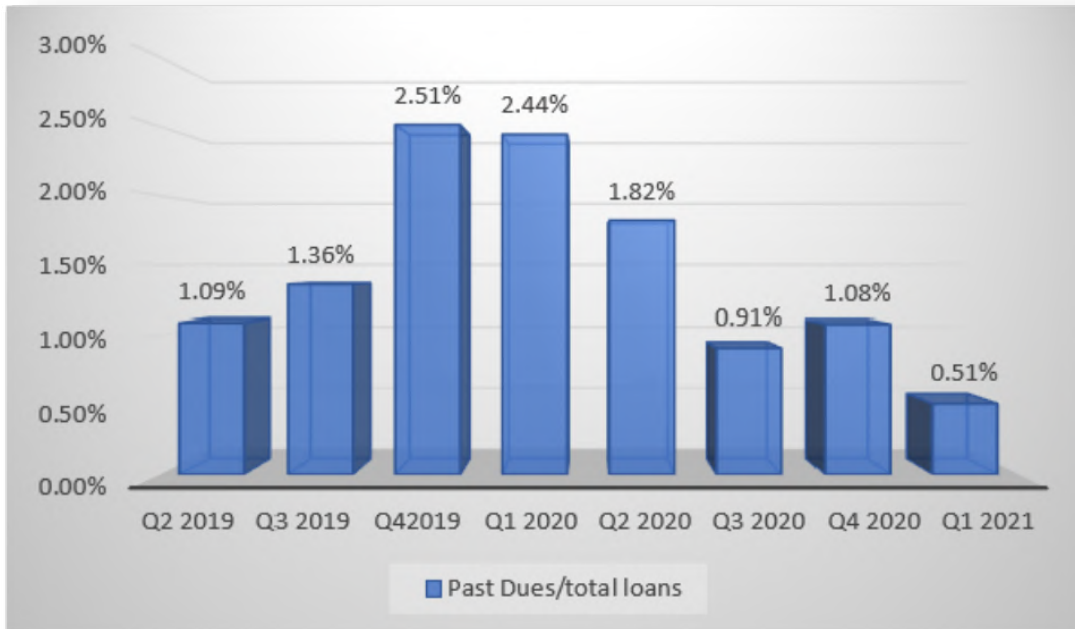




# Financials

## Q1 2021

### PAST DUES/TOTAL LOANS



### EFFICIENCY RATIO YTD

