



Seneca Savings Q2 2021 President's Message

Progress through embracing change and new technologies and resources continues to be a vital part of our journey here at Seneca Savings. We remain focused on cultivating talent and tools that drive engagement with customers in new and innovative ways. This continuous improvement mindset aligned with effective actions, are enabling Seneca Savings to meet the expanding needs of both our commercial and retail customer base. Fueling accessibility and digital connectivity, as well as financial literacy for children and adults positions Seneca Savings to further enhance a customer's experience and deepen our impact in the communities we serve.

Technology

Developing our technology platforms to keep pace with the ever-evolving banking space remains at the forefront every day. Implementation of new products such as additional mobile wallet pay features including Apple pay, Samsung pay, Google Pay, and LinkLive (which offers customers the ability to chat directly through our website and online banking; soon offering additional capabilities beyond that to offer interactive text, schedule an appointment online, and video chat). TransferNow is a way for retail customers to transfer money between banks and other financial institutions. In early 2022 we'll be launching an entirely new Mobile Banking App and Web Banking site. This will include a single sign-on feature for business and consumer clients. It's truly a progressive and exciting momentum we're continuing to evolve with further technological innovations on the way!

Financial Literacy Efforts

Advocacy through education is a continuous effort that we'll see take center stage in an even more pronounced way this Fall as we work to expand our impact beyond K-12 Students with financial literacy offerings for adults as well. Through our partnership with EverFi, we've enlarged our school footprint recently by adding three new school districts to the fold. Banking basics, income and employment understanding, budgeting, consumer skills, managing credit and debt, financing higher education, and understanding insurance are the core skills introduced to each student. The students who've benefited from financial literacy education in our program have seen their assessment scores increase by 38% (from 61 to 84 out of 100).

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 all deferments have now expired and returned to a normal repayment schedule. As of June 30, 2021, we have no loans in deferment, this represents a substantial reduction from 192 loans for \$30.2 million at June 30, 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 second quarter 2021 in both our profitability and asset quality. Total loans pass due over thirty days decreased to \$1.1 million at June 30, 2021 from 2.1 million at June 30, 2020. Non-performing loans decreased to \$340,000 at June 30, 2021 from \$2.2 million at June 30, 2020.



Financial Performance continued...

Net income increased by \$337,000, or 293%, to \$452,000 for the three months ended June 30, 2021 from \$115,000 for the three months ended June 30, 2020. Earnings per share basic increased for the three months ended June 30, 2021, to \$0.25, from \$0.06 for the three months ended June 30, 2020. The increase in net income was largely due to the decrease in interest expense and increase in interest income due to the PPP loans forgiveness.

Due to our participation in the Paycheck Protection Program (“PPP”), total assets decreased \$15.3 million, or 6.5%, to \$222.5 million at June 30, 2021 from \$237.8 million at June 30, 2020. The decrease in assets was mostly due to loan forgiveness in the PPP. Gross loans decreased \$9.8 million, or 5.6%, to \$165.7 million at June 30, 2021, from \$175.5 million at June 30, 2020. Please note that PPP loans of approximately \$15.0 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 while retaining the servicing fees.

Total non-interest-bearing deposits increased \$1.7 million, or 6.5%, to \$28.2 million at June 30, 2021 from \$26.5 million at June 30, 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 six months ended June 30, 2021.

Interest expenses decreased by \$263,000, or 52.7%, to \$236,000 for the three months ended June 30, 2021 from \$499,000 for the three months ended June 30, 2020. Interest expense decreased as maturing certificates of deposit repriced at lower rates in the current low interest rate environment.

Non-interest income increased \$17,000, or 6.8%, to \$266,000 for the three months ended June 30, 2021 from \$249,000 for the three months ended June 30, 2020. The increase in non-interest income was due to an increase in fee income. Fee income increased \$60,000, or 115.4%, to \$112,000 for the three months ended June 30, 2021 from \$52,000 for the three months ended June 30, 2020.

Non-interest expense decreased \$95,000, or 5.9%, to \$1.5 million for the three months ended June 30, 2021 from \$1.6 million for the three months ended June 30, 2020. Professional fees decreased \$105,000, or 77.2%, to \$31,000, for the three months ended June 30, 2021 from \$136,000 for the three months ended June 30, 2020. The decrease in professional fees was due to the Company deregistering from the securities and exchange commission. We also incurred a pre-payment penalty on a FHLB advance for \$108,000 for the three months ended June 30, 2020. The advance of \$1.1 million had a maturity date of September 26, 2023, and a rate of 3.37%. The pre-payment of the advance will have a positive effect on net interest margin in future periods.



Sharing Our Story | Marketing

Digital marketing is aligning well with all of the new and improved resources we continue to embrace. At the heart of this is always a strong eye on the online customer experience through both our website and mobile app. Storytelling is proving to be effective and engaging. Processes and systems continue to evolve in order to drive our positive online reviews, compelling customer testimonials, social media, use of videos, broadcast media in television and radio, educational webinars, and our direct mail outreach efforts. As we launch new story distribution channels this Fall including a potential podcast, we know we're prepared to leverage our marketing resources efficiently and effectively. Connecting with customers and sharing our true stories that differentiate the Seneca Savings experience, propels all-important word of mouth and customer referrals to deliver us a strong return on our marketing investments.

In Summary

As a community bank it's vital that Seneca Savings continues to play a role in supporting local groups that serve our communities. There are so many that do amazing work including the CNY Diaper Bank which we support annually every Mother's Day with our diaper drive. Outdoing last year's number, we used our voice and our energy to collect well over 14,000 diapers this past May. Underway this month in fact is our Annual Backpacks 'n Binder's drive assisting hundreds of local students to start the schoolyear off a little easier, with help from Seneca Savings.

As we head strongly into one of the most beautiful seasons of the year in Central New York, we're grateful to all who help us do great work that makes a difference. We appreciate and are thankful for this community, our families, and the partners who choose Seneca Savings as their trusted guide on their banking, lending, and investment journey.

Sincerely,

Joseph G. Vitale
President, CEO & Director





SENECA
FINANCIAL CORP.

Quarterly Report

Q2 2021

FINANCIALS

Financials

Q2 2021

Selected Income Statement Data (Dollars in thousands except per share data, unaudited)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Interest Income	\$ 2,093	\$ 2,197	\$ 4,292	\$ 4,345
Interest Expense	236	499	514	1,070
Net Interest Income	1,857	1,698	3,778	3,275
Provision for Loan Losses	75	180	150	260
Net Interest Income after Provision for Loan Losses	1,782	1,518	3,628	3,015
Non-Interest Income	266	249	541	446
Non-Interest Expense	1,521	1,616	3,086	3,098
Income before Income Taxes	527	151	1,083	363
Income Taxes	75	36	155	71
Net Income	\$ 452	\$ 115	\$ 928	\$ 292
Income per Common Share-Basic	\$ 0.25	\$ 0.06	\$ 0.50	\$ 0.16
Income per Common Share-Dilutive	\$ 0.24	\$ 0.06	\$ 0.50	\$ 0.16
Weighted Average Share-Basic	1,844,370	1,841,786	1,844,049	1,841,436
Weighted Average Share-Dilutive	1,845,483	1,841,786	1,844,902	1,841,720

Selected Financial Statement Data	June 30,	March 31,	December 31,	September 30,	June 30,
	2021	2021	2020	2020	2020
Cash and Cash Equivalents	\$ 2,193	\$ 5,699	\$ 3,977	\$ 2,595	\$ 10,296
Securities Available-for-Sale	38,739	40,743	41,264	43,363	37,635
Gross Loans	165,738	164,989	161,528	170,154	175,547
Allowance for Loan Losses	(1,826)	(1,751)	(1,640)	(1,555)	(1,433)
Other Assets	17,622	16,999	16,396	16,620	15,776
Total Assets	\$ 222,466	\$ 226,679	\$ 221,525	\$ 231,177	\$ 237,821

	June 30,	March 31,	December 31,	September 30,	June 30,
	2021	2021	2020	2020	2020
Non-Interest Bearing Deposits	\$ 28,166	\$ 29,918	\$ 24,996	\$ 25,311	\$ 26,459
Interest Bearing Deposits	134,571	135,647	130,922	133,309	132,417
Total Deposits	162,737	165,565	155,918	158,620	158,876
FHLB and PPLF Borrowings	30,517	35,542	38,096	45,202	51,504
Other Liabilities	5,690	2,623	4,633	5,104	5,630
Total Stockholders' Equity	23,522	22,949	22,878	22,251	21,811
Total Liabilities and Stockholders' Equity	\$ 222,466	\$ 226,679	\$ 221,525	\$ 231,177	\$ 237,821

	June 30,	March 31,	December 31,	September 30,	June 30,
	2021	2021	2020	2020	2020
Total Loans over 30 days Past Due	\$ 1,175	\$ 1,141	\$ 1,740	\$ 1,664	\$ 2,080
Total Non-Performing Loans	\$ 340	\$ 340	\$ 557	\$ 968	\$ 2,245
Other Real Estate Owned and Repossessed Assets	\$ -	\$ 381	\$ 682	\$ 874	\$ -
Allowance for Loan Losses to total Loans	1.10%	1.06%	1.02%	0.91%	0.82%
Total Non-Performing Loans to total Loans	0.21%	0.21%	0.34%	0.57%	1.28%
Non-Performing Assets to total Assets	0.15%	0.32%	0.56%	0.80%	0.94%

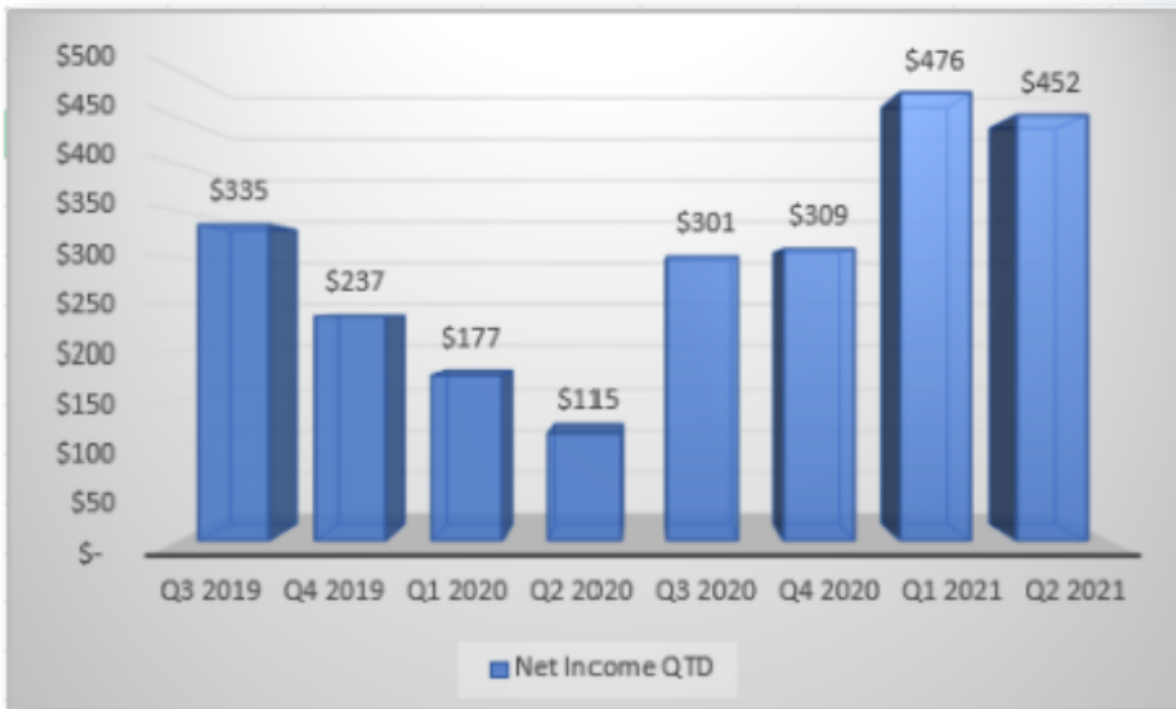
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Return on Average Assets	0.81%	0.20%	0.83%	0.26%
Return on Average Equity	7.81%	2.15%	7.98%	2.75%
Tier 1 Capital Ratio	10.59%	9.83%	10.59%	9.83%
Net Interest Margin/Average Interest Earning Assets	3.55%	3.09%	3.60%	3.14%
Efficiency Ratio	71.64%	83.00%	71.45%	83.26%



Financials

Q2 2021

NET INCOME YTD



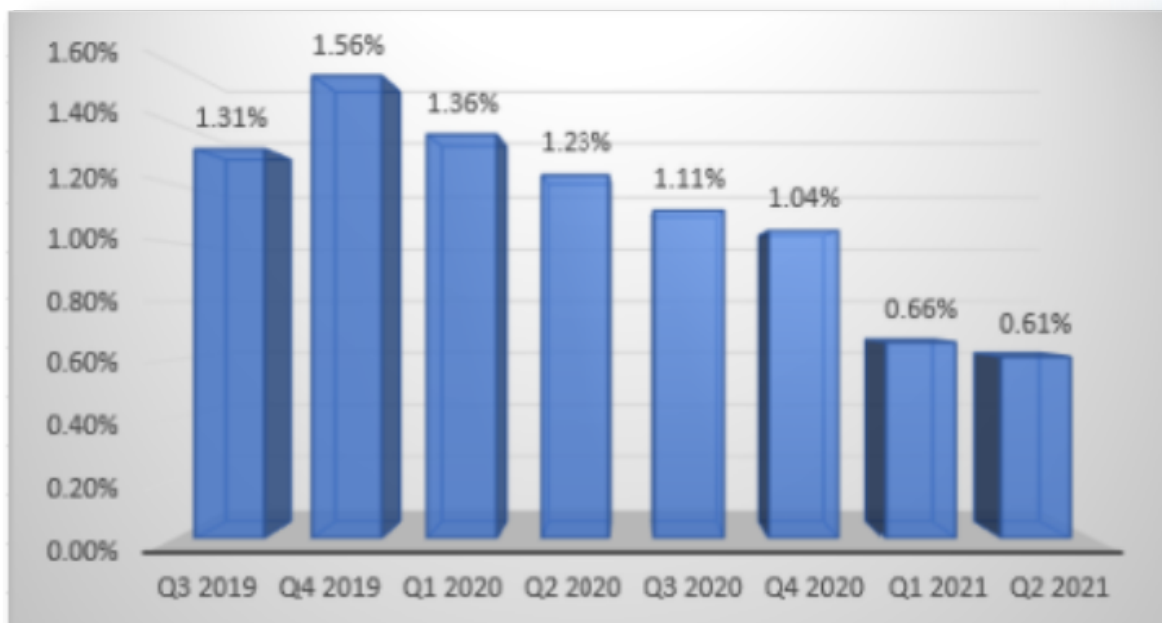
NET INTEREST MARGIN YTD



Financials

Q2 2021

COST OF FUNDS YTD



RETURN ON AVERAGE ASSETS YTD



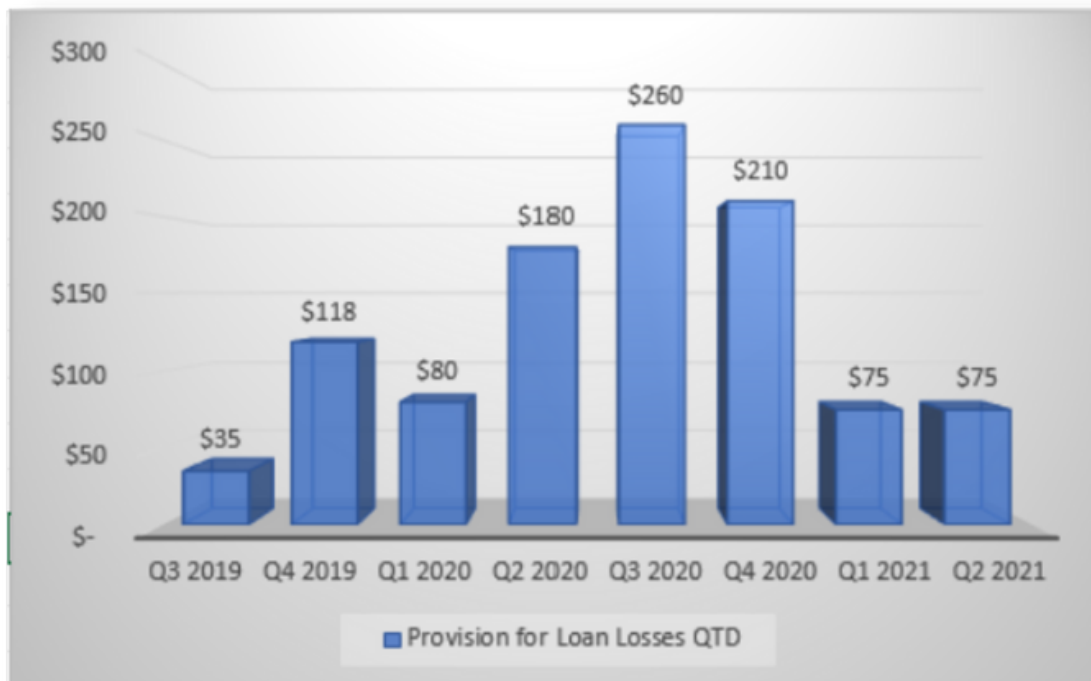
Financials

Q2 2021

TIER 1 CAPITAL RATIO



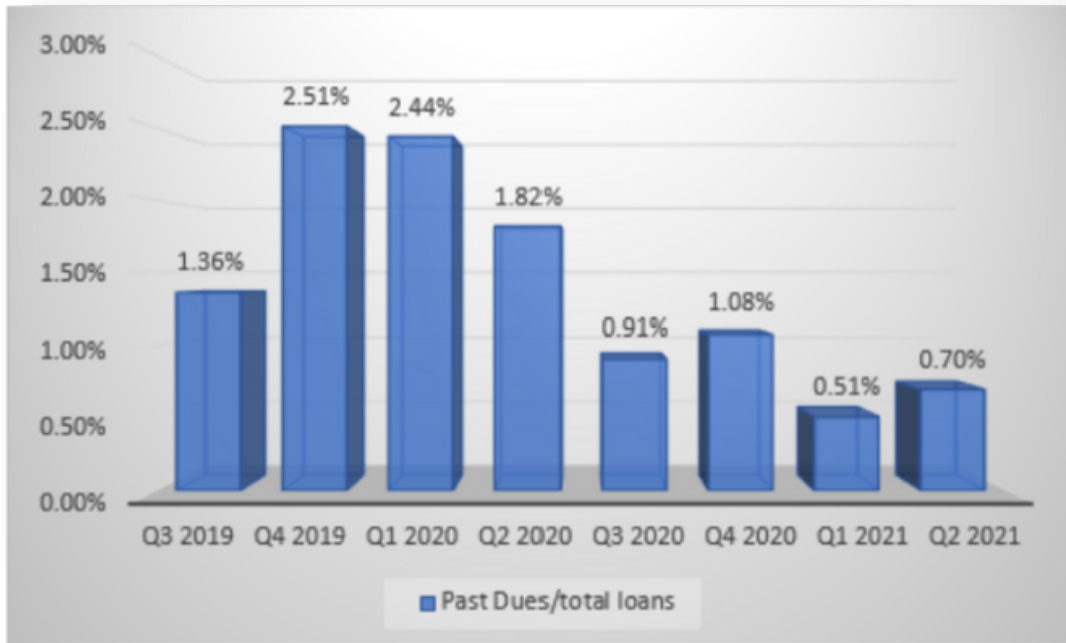
PROVISION FOR LOAN LOSSES QTD



Financials

Q2 2021

PAST DUES/TOTAL LOANS



EFFICIENCY RATIO YTD

