



Seneca Savings Q3 2021 President's Message

Change continues to be the driving force for Seneca Savings as we move headstrong into the final quarter of 2021. There have been tremendous technology and marketing investments during the third quarter of 2021 as we continue to strengthen our online presence, resources and tools, market awareness and impact.

For many years we've understood that the strength of our people and customer service is what sets us apart at Seneca Savings. Resilience in uncertain times is what allows us to serve our customers with the care, time, attention, empathy, diligence, and kindness they deserve.

The commitment to financial literacy programs for our students even through the summer months, as well as the expansion of adult financial literacy tools as we round out this year, are necessary resources that enhance our relationships across the communities we serve. Educating and advocating for people to improve their own money management and mindset capabilities remains at the top of our agenda. We truly believe it makes a difference and provides a much-needed resource for our customers.

Seneca Savings has partnered with Everfi's Achieve Platform to provide free financial literacy advice to our existing or prospective customers. We are also launching an automated virtual financial coach powered by GreenPath, a non-profit organization that has been helping people improve their financial health for 60 years. This should be launched shortly and linked from our website.

The Bank will also be working on developing a library of tutorial videos available from our website. These tutorials will feature Seneca Savings employees. The tutorial videos will be short in nature covering many common questions we receive. They will cover questions fielded by our front line, our lending area, commercial area, depository services area, etc. We are very excited about developing this in 2022.

Financial Quest, a wholly owned subsidiary of Seneca Savings, is preparing to open their new location at 925 State Fair Boulevard, Syracuse. The intention is to increase our impact for those interested in improving their investment strategies for their future and for their children's futures. Also on the horizon for 2022 is our Property and Casualty insurance offerings from Seneca Savings Insurance Agency. We will be hiring two individuals to provide these services in conjunction with our Hilb Group partnership. Through expansion of offerings with Financial Quest and Seneca Savings Insurance, we can fully serve our retail and commercial customers on a whole new level.

Technology

The ability for our customers to more readily track and manage their credit score is now a service being offered through our continuously expanding partnership with FiServ, our core service provider. With Credit Sense customers can conveniently access and monitor their credit scores. Credit sense will also provide tips to improve the score or offer money-saving products and services unique to Seneca Savings.



Seneca Savings has also launched Link Live, offering online live chat support to prospective and existing customers of the organization. Seneca Savings will be upgrading our online and mobile banking platform to “Abiliti” in the first half of 2022. This will allow for upgraded features and benefits for our customer base.

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 have returned to a normal repayment schedule. At September 30, 2021, we have no loans in deferment, this represents a substantial reduction from 9 loans totaling \$1.2 million at September 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 third quarter 2021 in both our profitability and asset quality.

Net income increased by \$209,000, or 69.4%, to \$510,000 for the three months ended September 30, 2021 from \$301,000 for the three months ended September 30, 2020. Earnings per share basic increased \$0.12 for the three months ended September 30, 2021, to \$0.28, from \$0.16 for the three months ended September 30, 2020. The increase in net income was largely due to the decrease in interest expense and fee income from the Paycheck Protection Program (“PPP”) loan forgiveness. Total loans past-due over thirty days decreased to \$774,000 at September 30, 2021 from \$1.7 million at September 30, 2020. Non-performing loans decreased to \$297,000 at September 30, 2021 from \$968,000 at September 30, 2020.

Due to our participation in the PPP, total assets decreased \$13.9 million, or 6.0%, to \$217.3 million at September 30, 2021 from \$231.2 million at September 30, 2020. The decrease in assets was mostly due to loan forgiveness in the PPP. Gross loans decreased \$15.7 million, or 9.25%, to \$154.4 million at September 30, 2021, from \$170.2 million at September 30, 2020. Please note that PPP loans of approximately \$7.6 million and \$18.5 million are reported in that figure respectively. 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 \$3.2 million, or 12.7%, to \$28.5 million at September 30, 2021 from \$25.3 million at September 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.

Financial Performance continued...

We originated approximately \$11.0 million in PPP loans during the nine months ended September 30, 2021.

Interest expenses decreased by \$192,000, or 46.7%, to \$219,000 for the three months ended September 30, 2021 from \$411,000 for the three months ended September 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 \$53,000, or 18.9%, to \$333,000 for the three months ended September 30, 2021 from \$281,000 for the three months ended September 30, 2020. The increase in non-interest income was due to an increase in income from financial services and fee income. Financial services income increased \$41,000, or 61.2%, to \$108,000 for the three months ended September 30, 2021 from \$67,000 for the three months ended September 30, 2020. Fee income increased \$33,000, or 40.2%, to \$115,000 for the three months ended September 30, 2021 from \$82,000 for the three months ended September 30, 2020.

Non-interest expense increased \$151,000, or 10.5%, to \$1.6 million for the three months ended September 30, 2021 from \$1.4 million for the three months ended September 30, 2020. The increase in non-interest expense was primarily due to an increase in compensation and employee benefits, premises and equipment and advertising expense. Compensation and employee benefits increased \$97,000, or 12.2%, to \$891,000 for the three months ended September 30, 2021 from \$794,000 for the three months ended September 30, 2020. Compensation and employee benefits increased as we added a commercial lender and a mortgage originator. Premises and equipment increased \$29,000, or 20.0%, to \$174,000 for the three months ended September 30, 2021 from \$145,000 for the three months ended September 30, 2020. Premises and equipment increased as we renovated a bank property to move our financial services and insurance employees. Advertising increased \$26,000, or 41.9%, to \$88,000 for the three months ended September 30, 2021 from \$62,000 for the three months ended September 30, 2020. Advertising increased as we expanded digital channels and online content to our marketing strategy.

Sharing Our Story | Marketing

Concerted effort has been devoted to the development of our new branding platforms, brand promise and purpose statement. We've rolled out our all-important brand promise "For Life's Journeys" – a culmination of input and insight from every member on the team through a series of focused employee workshops and review of true customers' stories.

Word of mouth is the most effective means by which any community bank can share its best stories. This quarter we took great strides to implement an initiative to encourage online reviews – true



Sharing Our Story / Marketing continued...

reviews – from customers. Sharing customer experiences in a more formal way like online reviews not only allows us to shine a light on wonderful customer relationships we continue to foster, but also celebrate our employees who are committed to delivering five-star customer service every day. Better utilizing our digital storytelling through each of our branches' exterior LED Display Signage has also elevated our brands' story and awareness for all drive-by traffic at each location.

Throughout the summer we've truly enjoyed strategic partnerships with different radio and television outlets and athletic teams as well. In September, we officially hit a new record of visitors to the SenecaSavings.com website. An all-time high was achieved since we began tracking in 2018. It's a testament to the growing awareness in our markets, a focused effort on online engagement, use of new technology resources available online to the Seneca Savings customer for online banking, as well as enhanced use of our expanding financial literacy tools.

In Summary

Doing well by doing good for Seneca Savings means a devotion to worthwhile causes and initiatives that improve the lives of people in the communities we serve. Our good works also offer employees and their families alike, an opportunity to have personal impact as a team and give back to those who support us as a business and partner.

As such, we implemented our annual Backpack drive this year for back-to-school with an emphasis on backpacks and binders. Partnering with a local non-profit, Tillie's Touch, gave us the opportunity to create impact and put smiles on the faces of so many local area students as they headed back to school for the Fall 2021 semester.

We truly thank our staff of amazingly talented people that make a difference every day. We appreciate our partners who choose Seneca Savings as their trusted guide for wherever they're at in their financial journey. May we all prosper together as we finish 2021 and enjoy the holiday season to come with gratitude for the blessings bestowed upon all of us.

Sincerely,

Joseph G. Vitale
President, CEO & Director





SENECA
FINANCIAL CORP.

Quarterly Report

Q3 2021

FINANCIALS

Financials

Q3 2021

Selected Income Statement Data

(Dollars in thousands except per share data, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest Income	\$ 2,149	\$ 2,164	\$ 6,441	\$ 6,509
Interest Expense	219	411	733	1,481
Net Interest Income	1,930	1,753	5,708	5,028
Provision for Loan Losses	75	260	225	520
Net Interest Income after Provision for Loan Losses	1,855	1,493	5,483	4,508
Non-Interest Income	333	281	874	727
Non-Interest Expense	1,582	1,432	4,668	4,530
Income before Income Taxes	606	342	1,689	705
Income Taxes	96	41	251	112
Net Income	\$ 510	\$ 301	\$ 1,438	\$ 593
Income per Common Share-Basic	\$ 0.28	\$ 0.16	\$ 0.78	\$ 0.32
Income per Common Share-Dilutive	\$ 0.28	\$ 0.16	\$ 0.78	\$ 0.32
Weighted Average Share-Basic	1,845,016	1,841,786	1,844,372	1,841,436
Weighted Average Share-Dilutive	1,845,735	1,841,786	1,845,208	1,841,720

Selected Financial Statement Data

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Cash and Cash Equivalents	\$ 6,469	\$ 2,193	\$ 5,699	\$ 3,977	\$ 2,595
Securities Available-for-Sale	41,721	38,739	40,743	41,264	43,363
Gross Loans	154,419	165,738	164,989	161,528	170,154
Allowance for Loan Losses	(1,821)	(1,826)	(1,751)	(1,640)	(1,555)
Other Assets	16,485	17,622	16,999	16,396	16,620
Total Assets	\$ 217,273	\$ 222,466	\$ 226,679	\$ 221,525	\$ 231,177

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Non-Interest Bearing Deposits	\$ 28,525	\$ 28,166	\$ 29,918	\$ 24,996	\$ 25,311
Interest Bearing Deposits	133,099	134,571	135,647	130,922	133,309
Total Deposits	161,624	162,737	165,565	155,918	158,620
FHLB and PPLF Borrowings	25,650	30,517	35,542	38,096	45,202
Other Liabilities	5,931	5,690	2,623	4,633	5,104
Total Stockholders' Equity	24,068	23,522	22,949	22,878	22,251
Total Liabilities and Stockholders' Equity	\$ 217,273	\$ 222,466	\$ 226,679	\$ 221,525	\$ 231,177

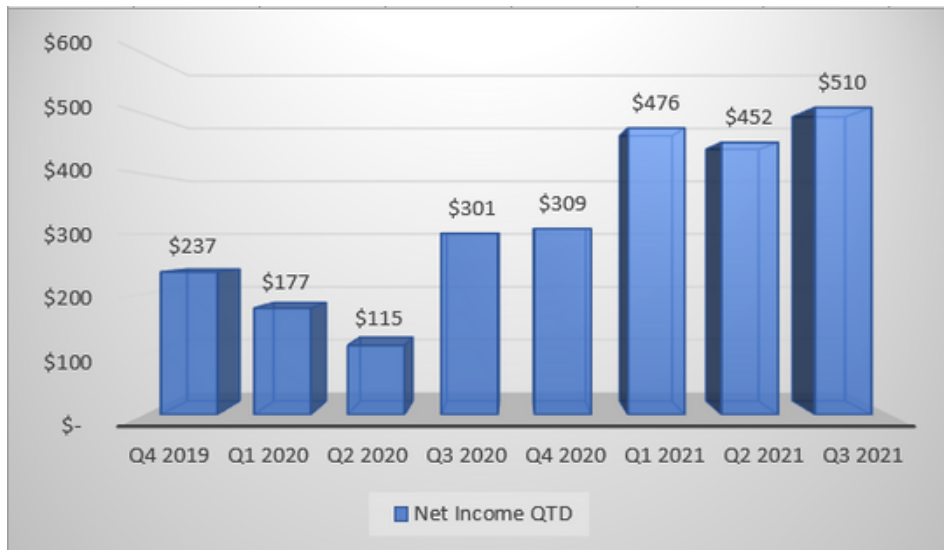
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Total Loans over 30 days Past Due	\$ 774	\$ 1,175	\$ 1,141	\$ 1,740	\$ 1,664
Total Non-Performing Loans	\$ 297	\$ 340	\$ 340	\$ 557	\$ 968
Other Real Estate Owned and Repossessed Assets	\$ 40	\$ -	\$ 381	\$ 682	\$ 874
Allowance for Loan Losses to total Loans	1.18%	1.10%	1.10%	1.02%	0.91%
Total Non-Performing Loans to total Loans	0.19%	0.21%	0.21%	0.34%	0.57%
Non-Performing Assets to total Assets	0.16%	0.15%	0.32%	0.56%	0.80%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Return on Average Assets	0.93%	0.51%	0.86%	0.35%
Return on Average Equity	8.74%	5.50%	8.24%	3.67%
Tier 1 Capital Ratio	10.86%	10.08%	10.86%	10.08%
Net Interest Margin	3.75%	3.17%	3.63%	3.15%
Efficiency Ratio	69.91%	70.40%	70.92%	78.71%

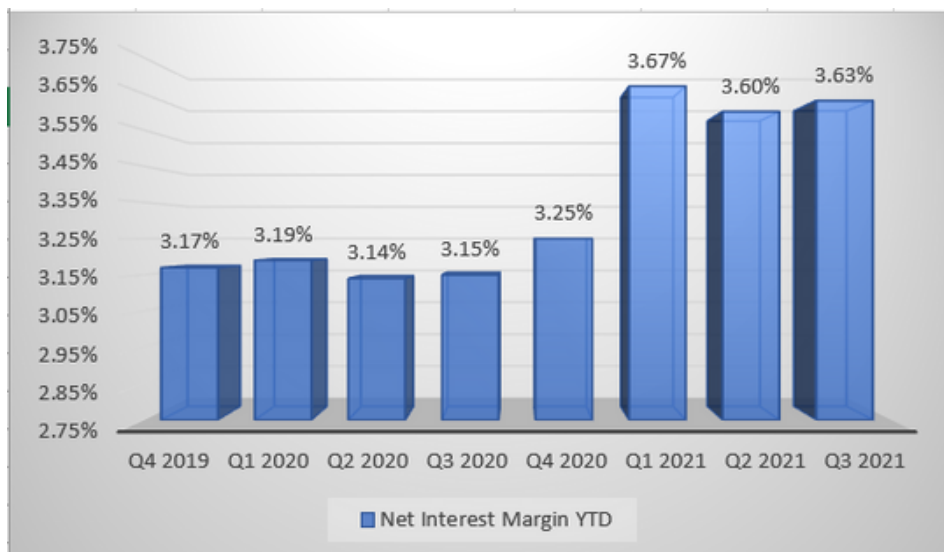


Financials | Q3 2021

NET INCOME QTD

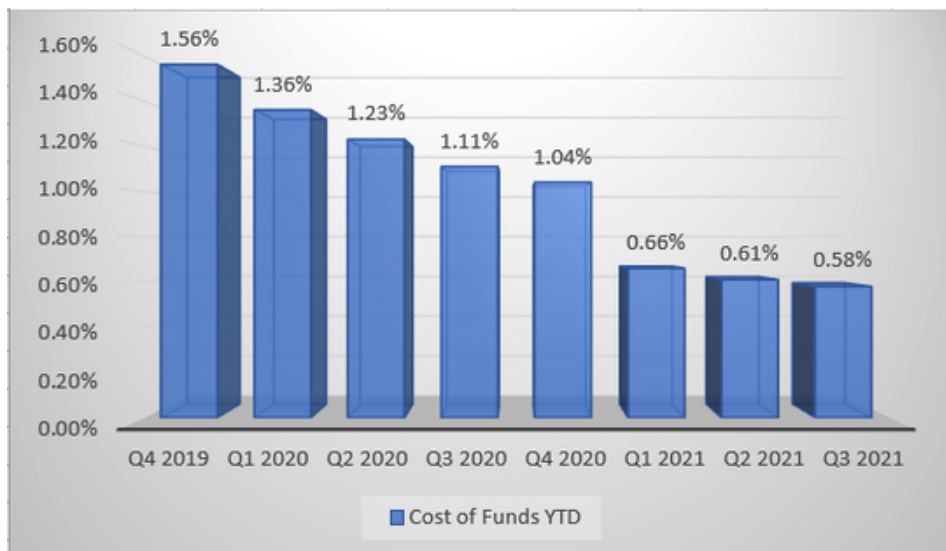


NET INTEREST MARGIN YTD

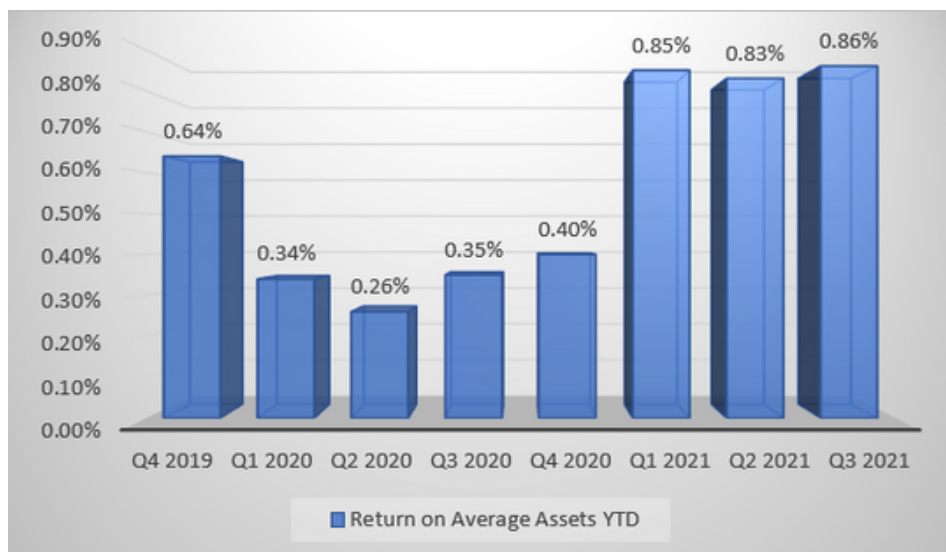


Financials | Q3 2021

COST OF FUNDS YTD

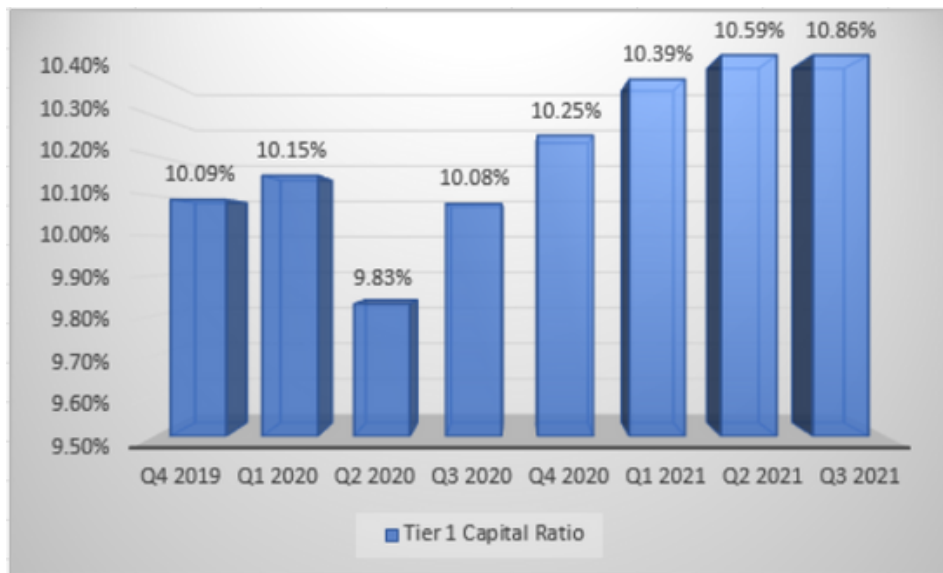


RETURN ON AVERAGE ASSETS YTD

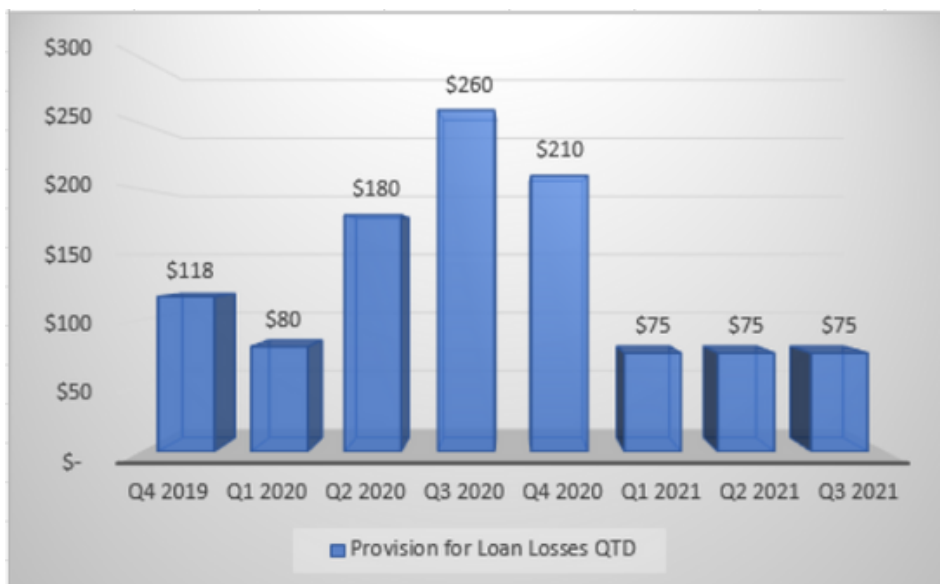


Financials | Q3 2021

TIER 1 CAPITAL RATIO

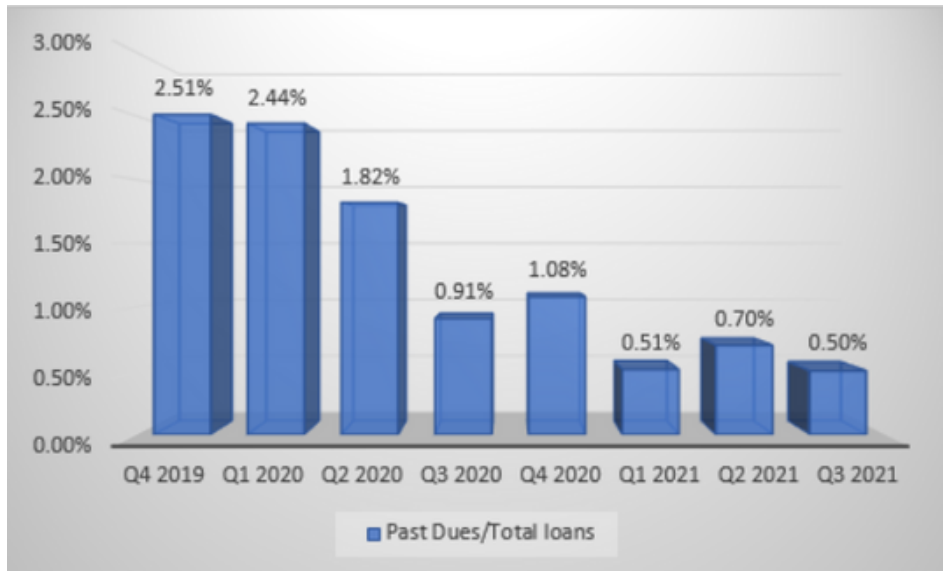


PROVISION FOR LOAN LOSSES QTD



Financials | Q3 2021

PAST DUES/TOTAL LOANS



EFFICIENCY RATIO YTD

