President's Message

November 2020

Autumn is truly a season of change in Central New York... the splendor of colors across our landscape, the fresh crispness of the morning air, the excitement and clammer of apple picking and the fall harvest.

As F. Scott Fitzgerald wrote in *The Great Gatsby*, "Life starts all over again when it gets crisp in the fall."

At Seneca Savings, a wholly owned subsidiary of Seneca Financial Corp., we wish everyone a wonderful new season, and we are proud of our 93rd autumn as your community banking partner ... a commitment on our part that has never changed.

2020 began with the confusion of a Spring marred by the COVID-19 crisis and progressed through a Summer of shutdowns, quarantines, and uncertainty. Through it all, our team worked diligently to help as many of our small businesses and families navigate thru the pandemic. As we progress into autumn, Seneca Savings hopes for change, but we remain diligent with respect to serving our personal and business customer's needs as well as continuing to provide much needed help and assistance to our communities.

During the Spring and Summer seasons, Seneca Savings was proactive in processing over $18 million dollars in emergency loans to local businesses through the SBA's Paycheck Protection Program, helping to save nearly 2,000 jobs in the Greater Syracuse area. We also assisted 190 customers with loan deferments representing over $29 million dollars in debt. As we progress into autumn, only 9 deferments remain and now we begin the process of assisting our business customers with the completion of applications for the forgiveness phase of the PPP program.

Seneca Savings did not focus exclusively on businesses and emergency loans during the pandemic. We continued to improve and upgrade our customer experience by enhancing our digital banking platforms adding Zelle, a payment platform allowing our customers to transfer funds person to person. We also added Real-Time Alert, an online, user programmable system allowing our customers to protect against suspicious or fraudulent activity and monitor their accounts by setting their own parameters with respect to transactions.

For our business partners, we worked hard to begin offering an in – house Merchant Services program. Business customers that accept credit cards will now be able to process payments through Seneca Savings, depositing funds directly into their business checking accounts.

Additionally, as we approach the healthcare open enrollment season, Seneca Savings is pleased to announce that we now offer Health Savings Accounts.

Finally, our newest branch in Bridgeport continues to see strong growth nearly one year after its opening in that flourishing market. Seneca Savings remains committed to serving the members of that community as we have our other communities.

Through it all, Seneca Savings remained focused on giving back. Despite being unable to hold large gatherings, we continued to be involved in events benefitting our communities. Some of the highlights of this summer/early fall include:

- In August we partnered with Galaxy Communication to give away five authentic New York Yankee Jerseys to mark the opening of baseball season and the hope of a return to normal.
- In September, members of our Seneca Savings team participated in a virtual 5K run/walk/crawl event to benefit the CNY Diaper Bank.
- Through our partnership with EVERFI, Seneca Savings helped more than 300 students in local schools to become more financially literate by providing over 600 hours of learning with our Seneca Savings Financial Scholars Program. This program has created a solution for families by providing quality educational content on life's most critical topics, including: financial readiness, mental wellness, digital wellness, career exploration, prescription drug safety and more.

As a result of our employee engagement and focus on community, Seneca Saving was once again named one of CNY Business Journal's Top 40 Places to Work in Central New York and we are actively hiring for the Seneca Savings team!

That is what it means to be a community bank, and it is something we take great pride in!

As we reflect back on 2020, it has been a trying year for everyone. As many businesses did during the early stages of the pandemic, Seneca Savings closed our lobbies for several months and focused on drive thru and online banking to keep our customers and employees safe. While we are fortunate to have had the space to provide many of our employees with personal offices, we transitioned as many employees as possible to work remotely. As uncertainty with financial situations increased among our customers, call volume to the branches and online banking transactions increased dramatically. Simultaneously, the Payroll Protection Plan program created an enormous volume of work and we were able to bring all of our employees back full time to a new socially distanced workplace where masks, shields and hand washing stations have become commonplace.

Our management team concentrated its efforts in 2020 on asset protection. We substantially increased our allowance for loan losses and conducted an extensive review of all of our commercial and larger retail loans in response to the COVID-19 pandemic. Upon guidance of our regulators, we were proactive in allowing customers to defer payments upon the onset of the pandemic. As stated previously, the large majority of these deferments have now expired and returned to a normal repayment schedule. As of September 30, 2020, we have only 9 loans still in deferment for a total of $1.2 million.

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 2020 in both our profitability and asset quality.

Due to the participation in the Payroll Protection Program, total assets increased $20.7 million, or 9.8%, to $231.1 million at September 30, 2020 from $210.5 million at September 30, 2019. Gross loans increased $3.7 million, or 2.2%, to $170.2 million at September 30, 2020 from $166.5 million at September 30, 2019. Please note that PPP loans of approximately $18.0 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, after which, we 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 44.7% from $15.9 million at September 30, 2019 to $23.0 million at September 30, 2020. A prominent reason for this improvement was our success acquiring new customers thru our participation in the Payroll Protection 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.

Net income decreased by $34,000, or 10.2%, to $301,000, for the three months ended September 30, 2020, from $335,000 for the three months ended September 30, 2019. Earnings per share decreased for the three months ended September 30, 2020 to $0.16, from $0.18 for the three months ended September 30, 2019. The decrease in net income was largely due to the increase in the provision for loan losses of $225,000, or 642.9%, to $260,000 for the three months ended September 30, 2020, from $35,000 for the three months ended September 30, 2019. The increase in the provision for loan losses was due to the potential economic effects of the COVID-19 pandemic. Net-charge-offs increased to approximately $138,000 for the three months ended September 30, 2020 as compared to approximately $7,000 in net charge-offs for the three months ended September 30, 2019.

Net interest income increased $180,000, or 11.4%, to $1.7 million for the three months ended September 30, 2020 from $1.6 million for the three months ended September 30, 2019. We were able to accomplish this growth by taking advantage of the lower interest rate environment and reducing our cost of funds.

Noninterest income increased $53,000, or 23.5%, to $281,000 for the three months ended September 30, 2020, from $228,000 for the three months ended September 30, 2019. The increase in non-interest income was due to an increase in the net gain on sale of residential mortgage loans. Net gain on sale of residential mortgage loans increased $75,000, or 416.7%, to $93,000, for the three months ended September 30, 2020 from $18,000 for the three months ended September 30, 2019.

We appreciate and are thankful for this community, our families, and the partners that have entrusted Seneca for their banking, lending, and investment needs.

We look forward to working with each of you and wish you a safe and prosperous fall season.

Respectfully yours,

Joseph G. Vitale

President, CEO & Director

SENECA FINANCIAL CORP.

9.30.2020

Financials

SENECA FINANCIAL CORP.

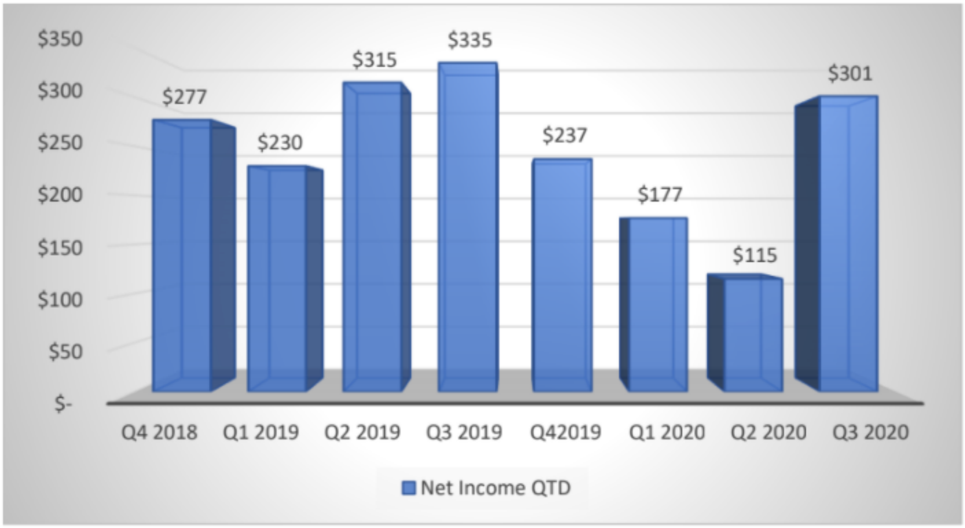
Selected Income Statement Data (Dollars in thousands except per share data, unaudited)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Interest Income	$ 2,164	$ 2,234	$ 6,509	$ 6,552
Interest Expense	411	661	1,481	1,947
Net Interest Income	1,753	1,573	5,028	4,605
Provision for Loan Losses	260	35	520	125
Net Interest Income after Provision for Loan Losses	1,493	1,538	4,508	4,480
Non Interest Income	281	228	727	630
Non Interest Expense	1,432	1,359	4,530	4,034
Income before Income Taxes	342	407	705	1,076
Income Taxes	41	72	112	196
Net Income	301	335	593	880
Income per Common Share	$ 0.16	$ 0.18	0.32	$ 0.47

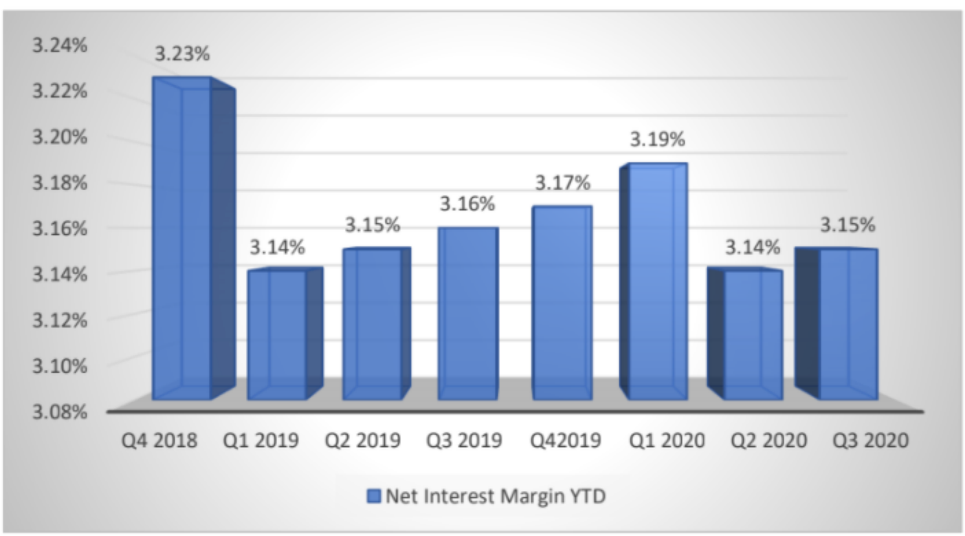
Selected Financial Statement Data	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Cash and Cash Equivalents	$ 2,595	$ 10,296	$ 4,607	$ 3,094	$ 2,943
Securities Available-for-Sale	$ 43,363	$ 37,635	$ 28,462	$ 27,959	$ 27,920
Gross Loans	170,154	175,547	164,513	165,629	166,950
Allowance for Loan Losses	(1,555)	(1,433)	(1,299)	(1,241)	(1,183)
Other Assets	16,620	15,776	15,518	14,797	13,832
Total Assets	$ 231,177	$ 237,821	$ 211,801	$ 210,238	$ 210,462

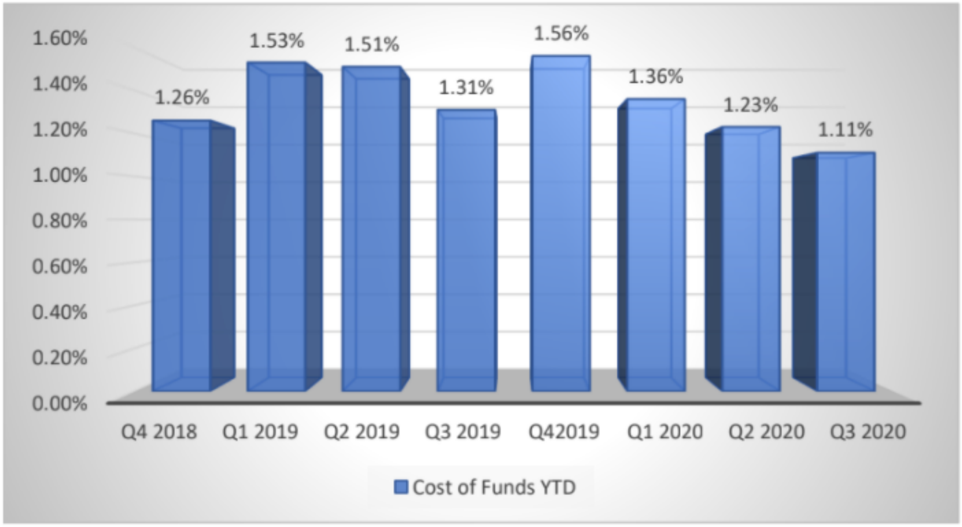
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Non-Interest Bearing Deposits	$ 25,311	$ 26,459	$ 17,826	$ 16,719	$ 16,748
Interest Bearing Deposits	133,309	132,417	133,497	135,192	127,843
Total Deposits	158,620	158,876	151,323	151,911	144,591
FHLB and PPPLF Borrowings	45,202	51,504	36,500	32,900	40,900
Other Liabilities	5,104	5,630	3,222	4,358	4,613
Total Stockholders' Equity	22,251	21,811	20,756	21,069	20,358
Total Liabilities and Stockholders' equity	231,177	237,821	211,801	210,238	210,462

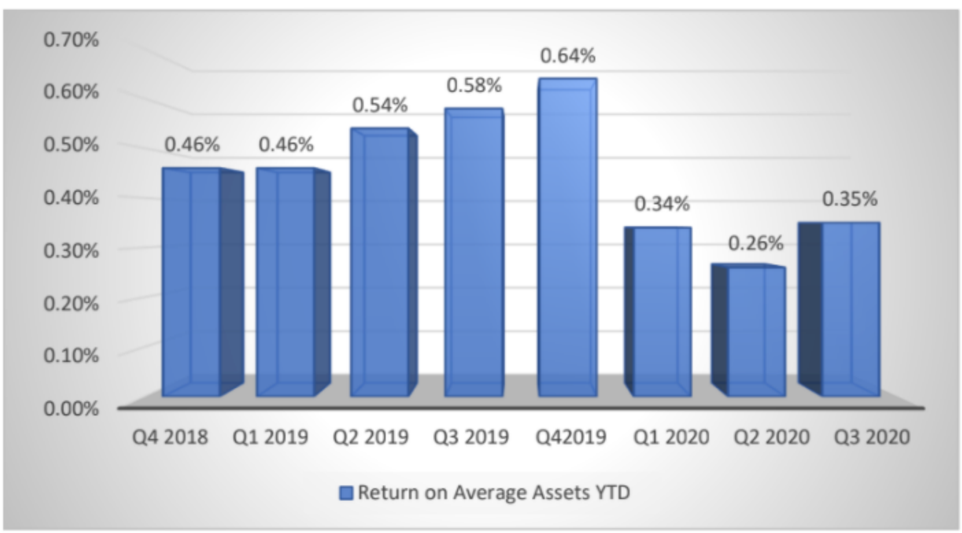
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Total Loans over 30 days Past Due	$ 1,664	$ 2,080	$ 3,124	$ 3,141	$ 2,271
Total Non Performing Loans	968	2,245	2,116	1,883	$ 654
Other Real Estate Owned and Repossessed Assets	874	-	-	-	-
Allowance for Loan Losses to total Loans	0.91%	0.82%	0.79%	0.75%	0.71%
Total Nonperforming Loans to total Loans	0.57%	1.28%	1.29%	1.14%	0.39%
Nonperforming Assets to total Assets	0.80%	0.94%	1.00%	0.90%	0.31%

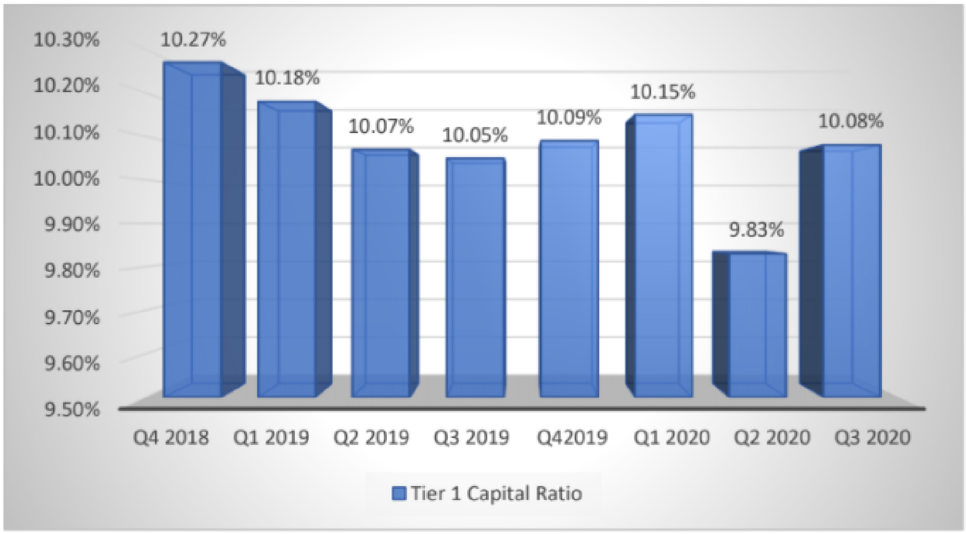
	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Return on Average Assets	0.51%	0.65%	0.35%	0.58%
Return on Average Equity	5.50%	6.84%	3.67%	6.07%
Tier 1 Capital Ratio (See Chart)	10.08%	10.15%	10.08%	10.15%
Net Interest Margin/Average Interest Earning Assets	3.17%	3.19%	3.15%	3.16%
Efficiency Ratio	70.40%	75.46%	78.71%	77.06%


$350
$300
$250
$200
$150
$100
$50
$-
$277
$230
$315
$335
$237
$177
$115
$301
Q4 2018
Q1 2019
Q2 2019
Q3 2019
Q42019
Q1 2020
Q2 2020
Q3 2020
Net Income QTD

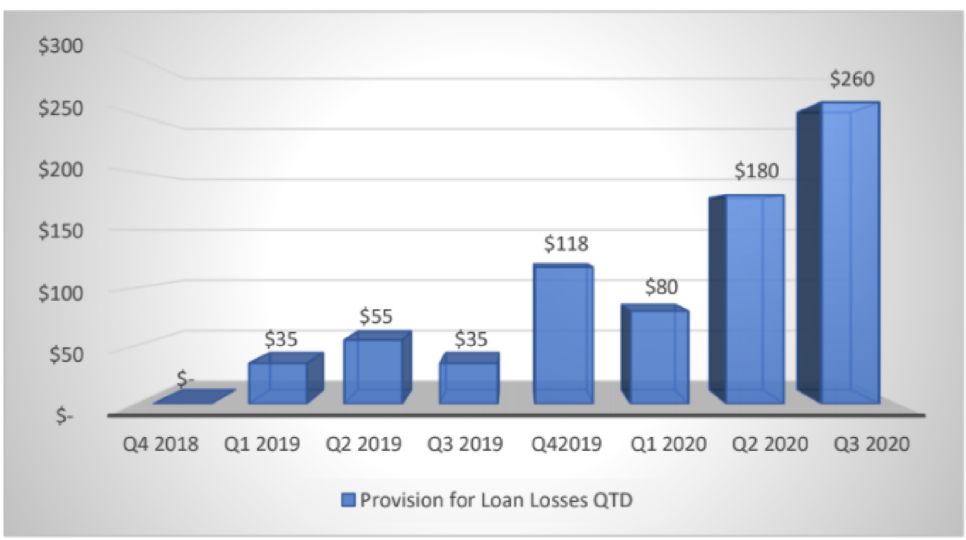

3.24%
3.22%
3.20%
3.18%
3.16%
3.14%
3.12%
3.10%
3.08%
3.23%
3.14%
3.15%
3.16%
3.17%
3.19%
3.14%
3.15%
Q4 2018
Q1 2019
Q2 2019
Q3 2019
Q42019
Q1 2020
Q2 2020
Q3 2020
Net Interest Margin YTD


1.60%
1.40%
1.20%
1.00%
0.80%
0.60%
0.40%
0.20%
0.00%
1.26%
1.53%
1.51%
1.31%
1.56%
1.36%
1.23%
1.11%
Q4 2018
Q1 2019
Q2 2019
Q3 2019
Q42019
Q1 2020
Q2 2020
Q3 2020
Cost of Funds YTD


0.70%
0.60%
0.50%
0.40%
0.30%
0.20%
0.10%
0.00%
0.46%
0.46%
0.54%
0.58%
0.64%
0.34%
0.26%
0.35%
Q4 2018
Q1 2019
Q2 2019
Q3 2019
Q42019
Q1 2020
Q2 2020
Q3 2020
Return on Average Assets YTD



10.30%
10.20%
10.10%
10.00%
9.90%
9.80%
9.70%
9.60%
9.50%
10.27%
10.18%
10.07%
10.05%
10.09%
10.15%
9.83%
10.08%
Q4 2018
Q1 2019
Q2 2019
Q3 2019
Q42019
Q1 2020
Q2 2020
Q3 2020
Tier 1 Capital Ratio



$300
$250
$200
$150
$100
$50
$-
$-
$35
$55
$35
$118
$80
$180
$260
Q4 2018
Q1 2019
Q2 2019
Q3 2019
Q42019
Q1 2020
Q2 2020
Q3 2020
Provision for Loan Losses QTD

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