What matters to you, matters to us.

SENECA-CAYUGA BANCORP, INC.
QUARTERLY REPORT // Q1 2015

To our shareholders,

Our consolidated assets at March 31, 2015 are $282.3 million as compared to $275.7 million at March 31, 2014. Gross loans outstanding at March 31, 2015 were $202.1 million, a decrease of $424,000 as compared to balances at March 31, 2014. The decrease is a result of a few large commercial relationships repaid their loans during the first quarter of 2015, and we also reduced our automobile loan volume significantly. We anticipate moderate loan growth during 2015, primarily from residential real estate mortgages. To meet the lending needs of the communities we serve, we have introduced MyGenMortgage, which is a residential mortgage product designed specifically for low to moderate income families that have a difficult time saving a down payment or that cannot afford, or most likely are not qualified for, primary mortgage insurance premiums.

Net income for the three months ended March 31, 2015 was $726,000, or $0.31 per common share, as compared to net income for the three months ended March 31, 2014 of $542,000, or $0.23 per common share. Included in the first quarter results are $627,000 in net security gains realized as we began re-aligning our investment portfolio to adapt to the long anticipated change in the rate environment (i.e., we expect rates to begin increasing). Absent the net security gains in 2015, the earnings per common share were $0.12. Our first quarter was transitional in nature as we absorb the costs incurred from our entrance into the Farmington and Victor market, introduction of our enhanced mobile banking application and changes made to our data processing model. As a result of absorbing the additional costs, we anticipated lower core earnings for a period of time. As we increase our assets, which we expect to be driven by a combination of loan and security investment growth fueled by increased deposits, the effects of the additional costs should be reduced.

We provided an "op-ed" for one of the local newspapers this month which noted that community banks recognized April as "Community Banking Month," which is championed by our national banking association, ICBA. The term "community bank" is overused, and I can assure you that the large national banks have very little to do with communities. One simply needs to look at the respective financial statements. I cannot help but chuckle at some of the information included in the largest bank financial statements. The information is almost incomprehensible – consider one footnote labeled "Financial Instruments Sold, But Not Yet Purchased, At Fair Value." What? Granted, due to the various regulations and accounting disclosure rules, even our audited statements include some difficult verbiage; however, our business is primarily limited to investing local deposits in the local economy. Our statement headings are straight-forward – for example, "Loans Receivable" and "Deposits." No swaptions, currency trading hedges and the like.

I mention this because there's a clear distinction between the business models employed by national and super-regional banks and ours. We don't have borders that expand across multiple regions – benefiting from an economic diversity – where there's really no true common bond among the customer base. Rather, we serve exclusively in the Finger Lakes Region, where the values we have as individuals are consistent with our customers' values and are reflected in our products and services. We believe that one-on-one relationships are critical to our success and that a strong office network is needed to maintain those relationships. We share in our Region's economic booms and busts and have to pace our growth to maintain adequate capital, to maintain the appropriate technology and to adequately address new regulations. We aren't for every investor, as there are likely to be no quick returns or shortcuts to creating additional value, and the risks are many. However, we remain confident that our type of institution – offering deposits, loans, insurance and brokerage and that is locally controlled – is a model that remains relevant and can, over time, provide acceptable returns. Our confidence is supported by a majority of businesses and individuals in towns and markets like the communities we serve that continue to rely on true community banks like Generations Bank!

Our Annual Report is mailed this time of year as well. We believe it provides a very good overview of the things that we believe matter. It is those values that keep me, our Board of Directors, officers and employees occupied continually and ever ready to take on new challenges.

Thank you for your continued investment in our Company.

Sincerely,

Menzo D. Case
President & CEO

SELECTED INCOME STATEMENT DATA

(Dollars in thousands except per share data, unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Interest income	$ 2,924	$ 3,013
Interest expense	623	575
Net interest income	2,301	2,438
Provision for loan losses	75	135
Net interest income after provision for loan losses	2,226	2,303
Noninterest income	1,367	754
Noninterest expense	2,589	2,253
Income before income taxes	1,004	804
Income taxes	278	262
Net income	$ 726	$ 542
Income per common share	$ 0.31	$ 0.23

SELECTED BALANCE SHEET DATA

(Dollars in thousands, unaudited)	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Total assets	$ 282,302	$ 281,022	$ 279,558	$ 274,572
Gross loans	202,127	208,100	207,774	203,511
Total deposits	203,100	198,941	198,882	202,823
Total equity	30,750	30,010	30,549	29,830

SELECTED ASSET QUALITY DATA

(Dollars in thousands, unaudited)	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Nonperforming loans	$ 1,701	$ 1,797	$ 1,561	$ 1,327
REO and repossessed assets	289	201	204	19
Residential mortgage-backed securities	258	263	299	313
Total nonperforming assets	$ 2,248	$ 2,261	$ 2,064	$ 1,659
Allowance for loan losses	$ 2,443	$ 2,507	$ 2,534	$ 2,347
Allowance for loan losses to total loans	1.21%	1.20%	1.22%	1.15%
Nonperforming loans to total loans	0.84%	0.86%	0.75%	0.65%
Nonperforming assets to total assets	0.80%	0.80%	0.74%	0.60%

OTHER DATA

(Unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Return on Average Assets	1.03%	0.79%
Return on Average Equity	9.44%	7.56%
Core Capital (Bank only)	10.13%	9.93%
Net Interest Margin	3.77%	4.08%
Efficiency	70.58%	70.58%