

Dear Shareholders and Friends:

August 6, 2020

On behalf of the Board of Directors and our management team, first and foremost, I hope everyone has remained safe and healthy in these uncertain times. As we continue to navigate through these unprecedented times, we continue to remain focused on our core objectives, which included closing on the acquisition of MidCoast Community Bancorp. Inc and its wholly owned subsidiary MidCoast Community Bank, (MidCoast), and entered the Wilmington and Dover, Delaware markets, in April. The acquisition included loans with a fair value of \$223.3 million and deposits with a fair value of \$208.8 million. To say we accomplished the impossible is an understatement during the recent events, I could not be prouder of all our employees who have worked tirelessly to complete this acquisition, while continuing to be committed to both our historical customers and our new Delaware customers, all the while dealing with new operating standards as a result of the pandemic. With that, I am pleased to share our financial performance for the second quarter of 2020.

Throughout the second quarter, our employees worked hard to meet customer needs during these volatile and challenging times. We waived late fees on loans, ATM fees, Reg D excess fees and early withdrawal fees on certificates of deposit through the end of May. We also provided customers with loan modifications to waive principal payments and in some cases interest payments as well for terms of up to 120 days that totaled \$196.2 million. We are participating in the Paycheck Protection Program for loans provided under the auspices of the Small Business Administration (SBA) as part of the CARES Act. As of June 30, 2020, we issued 570 loans under this program with a balance of \$53.7 million, a portion of which may be forgivable by SBA depending on the customers usage of the funds.

For the six months ended June 30, 2020, net income totaled \$9,869,000 which compares to net income of \$9,251,000 for the first six months of 2019, an increase of \$618,000 or 6.7%. Basic earnings per share of \$2.67 for the first six months of 2020 compares to \$2.60 for the first six months last year. Annualized return on equity for the six months ended June 30, 2020 and 2019 was 12.28% and 12.61%, while annualized return on assets was 1.24% and 1.28%, respectively. Our financial performance for the second quarter continued to be impacted by merger related expenses for the MidCoast acquisition, which were expected. These costs include professional fees, legal fees, system conversion costs and employee severance expenses. Acquisition expenses totaled \$2,179,000 for the first six months of 2020. Excluding merger expenses, return on equity and return on assets for the period ended June 30, 2020 would have been 14.03% and 1.47%, respectively.

For the three months ended June 30, 2020, net income totaled \$5,338,000 which compares to net income of \$4,846,000 for the comparable quarter of 2019. Earnings per share of \$1.39 for the second quarter of 2020 compares to \$1.36 for the same period last year. Annualized return on equity for the three months ended June 30, 2020 and 2019 was 12.28% and 13.09%, while return on assets was 1.25% and 1.34%, respectively. Acquisition expenses totaled \$1,803,000 in the second quarter of 2020. Excluding merger expenses, return on equity and return on assets for the period ended June 30, 2020 would have been 15.56% and 1.58%, respectively.

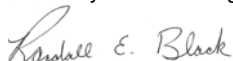
Net interest income before the provision for loan loss has increased from \$24,251,000 for the six months ended June 30, 2019 to \$29,176,000 for 2020, an increase of \$4,925,000 or 20.3%. For 2020, interest income increased \$2,980,000, while interest expense decreased \$1,945,000. Our net interest margin increased from 3.66% for the six months ended June 30, 2019 to 4.01% for same period in 2020. The increase in interest income was due to the assets added as a result of the MidCoast acquisition. Additionally, in the second quarter, a purchased credit impaired loan acquired in 2015 paid off resulting in additional interest income of approximately \$600,000. The decrease in interest expense was driven by the decrease in the costs of interest-bearing liabilities from 1.14% for the six months ended June 30, 2019 to 0.74% for the six months ended June 30, 2020. This decrease was driven by moves made by the Federal Reserve in 2019 and 2020, with the moves in 2020 being in response to the Covid-19 pandemic. For 2020, average loans have increased by \$113.7 million, while interest-bearing liabilities increased \$66.0 million. The provision for loan losses was \$950,000 for the six months ended June 30, 2020 and 2019, increasing \$200,000 from the comparable 2019 period. The provision was higher in 2020 than 2019 primarily due to the economic environment as a result of the COVID-19 pandemic and the higher levels of unemployment, which offsets the fact that loans, excluding the acquisition and PPP loans guaranteed by the SBA, decreased during the first half of 2020.

At June 30, 2020, total assets were \$1.80 billion, an increase of \$333.8 million from assets as of December 31, 2019 and was driven by the acquisition and PPP program. Available for sale securities increased \$31.7 million from December 31, 2019 as turbulence in the bond market provided buying opportunities. Net loans increased \$247.1 million compared to the end of last year, which is attributable to the acquisition and PPP program. Deposits increased \$302.2 million, as a result of the acquisition and customers holding more cash due to the pandemic. The Bank continually monitors asset quality. Non-performing assets totaled \$14.2 million as of June 30, 2020 compared to \$15.4 million at the end of December 2019. Non-performing assets to total loans was 1.04% at June 30, 2020 compared to 1.38% last December.

Stockholders' equity totaled \$183.1 million at June 30, 2020, which compares to \$154.8 million at December 31, 2019. The increase was attributable to \$19.2 million of capital being issued as part of the acquisition, net income for the six months ended June 30, 2020 totaling \$9.9 million, offset by cash dividends totaling \$3.8 million. As a result of changes in interest rates impacting the fair value of investment securities, the unrealized gain on available for sale investment securities increased \$3.7 million from the end of 2019 on an after-tax basis. Net treasury share purchases for 2020 totaled \$600,000. On June 2, 2020, the Board of Directors declared a cash dividend of \$0.455 per share, which was paid on June 26, 2020 to shareholders of record at the close of business on June 12, 2020. The quarterly cash dividend is an increase of 3.3% over the regular cash dividend of \$0.436 per share declared one year ago, as adjusted for the 1% stock dividend declared in June 2020. The Board also declared a 1% stock dividend, payable on June 26, 2020 to shareholders of record at the close of business on June 12, 2020.

I want to officially welcome our new Delaware family to FCCB. For the remainder of 2020, we remain committed to integrating the employees and customers acquired as part of the MidCoast acquisition, which will allow us to provide outstanding shareholder return. I would like to personally express my sincere thanks to our employees, local board members, management team and the Board of Directors for their continued efforts during these turbulent times. I hope that everyone remains safe and healthy during these times and want to thank you for continuing to put your trust in us Be Strong, Be Safe and Hold your love ones tight!

Sincerely CZFS Strong,

Randall E. Black
Chief Executive Officer and President

Consolidated Balance Sheet
(Unaudited - In thousands, except share data)

	June 30, 2020	December 31 2019	June 30, 2019
ASSETS:			
Total cash and cash equivalents	\$ 39,030	\$ 18,520	\$ 16,469
Interest bearing time deposits with other banks	14,256	14,256	15,498
Equity securities	703	701	557
Available-for-sale securities	272,360	240,706	236,740
Loans (net of allowance for loan losses: 2020, \$14,827; December 31, 2019, \$13,845; June 30, 2019, \$13,304)	1,348,806	1,101,724	1,086,318
Other assets	124,961	90,432	91,588
TOTAL ASSETS	\$ 1,800,116	\$ 1,466,339	\$ 1,447,170
LIABILITIES:			
Total deposits	\$ 1,513,284	\$ 1,211,118	\$ 1,183,658
Borrowed funds	85,135	85,117	100,984
Other liabilities	18,602	15,330	14,507
TOTAL LIABILITIES	1,617,021	1,311,565	1,299,149
STOCKHOLDERS' EQUITY	183,095	154,774	148,021
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,800,116	\$ 1,466,339	\$ 1,447,170

Consolidated Statement of Income
(Unaudited - In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest income	\$ 18,160	\$ 15,502	\$ 33,499	\$ 30,519
Interest expense	1,874	3,166	4,323	6,268
Net interest income	16,286	12,336	29,176	24,251
Provision for loan losses	550	350	950	750
Net interest income after provision for loan losses	15,736	11,986	28,226	23,501
Other non-interest income	1,941	1,997	4,046	4,019
Investment securities gains (losses), net	128	30	(126)	41
Non-interest expense	11,413	8,237	20,334	16,559
Income before provision for income taxes	6,392	5,776	11,812	11,002
Provision for income taxes	1,054	930	1,943	1,751
NET INCOME	\$ 5,338	\$ 4,846	\$ 9,869	\$ 9,251

Performance Ratios and Share Data (unaudited):

Return on average assets (annualized for the three month periods)	1.25%	1.34%	1.24%	1.28%
Return on average equity (annualized for the three month periods)	12.28%	13.09%	11.90%	12.61%
Return on average tangible equity (annualized for the three month periods)	14.98%	15.72%	14.31%	15.17%
Net interest margin (tax equivalent)	4.15%	3.74%	4.01%	3.66%
Cash dividends paid per share	\$ 0.451	\$ 0.436	\$ 1.000	\$ 0.872
Earnings per share - basic	\$ 1.39	\$ 1.36	\$ 2.67	\$ 2.60
Earnings per share - diluted	\$ 1.39	\$ 1.36	\$ 2.67	\$ 2.60
Number of shares used in computation - basic	3,845,175	3,561,453	3,699,200	3,564,106
Number of shares used in computation - diluted	3,846,204	3,562,835	3,699,714	3,564,801
Book value per share (at end of period)			\$ 46.35	\$ 41.63
Common shares outstanding (at end of period)			3,925,745	3,525,320
Nonperforming assets to total loans (at end of period)			1.04%	1.51%

Per share calculations give retroactive effect to stock dividends declared by the Company