

Dear Shareholders and Friends:

May 5, 2021

First and foremost, I hope as of this writing, you and your families are safe and healthy. On behalf of the Board of Directors and our management team, I am pleased to report on our financial performance for the first quarter to 2021. We continue to see the benefits of our expansion into Delaware through the acquisition of MidCoast Community Bancorp. Inc and its wholly owned subsidiary MidCoast Community Bank, (MidCoast) in the second quarter of 2020. We believe this market will provide significant growth opportunities, as our other markets, in 2021 and beyond.

For the three months ended March 31, 2021, net income totaled \$8,463,000 which compares to net income of \$4,531,000 for the first quarter of 2020. Earnings per share of \$2.16 for the first quarter of 2021 compares to \$1.27 for the first quarter last year. Annualized return on equity for the three months ended March 31, 2021 and 2020 was 17.25% and 11.48%, while return on assets was 1.77% and 1.24%, respectively.

Net interest income before the provision for loan loss has increased from \$12,890,000 for the three months ended March 31, 2020 to \$16,441,000 for 2021, an increase of \$3,551,000 or 27.6%. For 2021, interest income increased \$2,956,000, while interest expense decreased \$595,000. The increase in interest income was due to the assets added because of the MidCoast acquisition completed in the second quarter of 2020 and organic loan growth in the second half of 2020. Our net interest margin decreased from 3.84% for the three months ended March 31, 2020 to 3.73% for same period in 2021. The decrease was driven by the decrease in the yield on interest-bearing assets from 4.56% for the three months ended March 31, 2020 to 4.15% for the three months ended March 31, 2021. This decrease was the result of earnings on the Company's cash and investment holdings due to interest rate cuts made by the Federal Reserve in 2020 in response to the Covid-19 pandemic. The provision for loan losses was \$650,000 for the three months ended March 31, 2021 compared to \$400,000 for the comparable period of 2020.

At March 31, 2021, total assets were \$2.0 billion, an increase of \$103.9 million from assets as of December 31, 2020. Available for sale securities increased \$26.8 million from December 31, 2020. During 2021, we issued 227 loans under the Paycheck Protection Program (PPP) provided under the auspices of the Small Business Administration (SBA) as part of the CARES Act. We also processed forgiveness on \$27.4 million of PPP loans issued in 2020, which contributed to the decrease in net loans of \$1.6 million compared to the end of last year. Deposits increased \$98.6 million, as a result of government stimulus funds provided to customers in the first quarter of 2021.

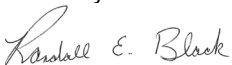
The Bank continually monitors asset quality. Non-performing assets totaled \$12.9 million as of March 31, 2021 compared to \$13.1 million at the end of December 2020. Non-performing assets to total loans was 0.92% at March 31, 2021 compared to 0.93% last December and 1.33% last March. During 2021, we have provided forbearance on 19 relationships totaling \$26.7 million as part of our COVID-19 loan modification program.

Non-interest income for the Company increased \$2.4 million and totaled \$4.2 million for the three months ended March 31, 2021 with increases associated with investment gains due to improved market conditions, gains on loans sold as a result of the low interest rate environment and bank owned life insurance income as a result of the passing of a former Company executive. Non-interest expenses increased \$1.0 million due to salary and benefit costs and occupancy costs for the employees and facilities in the Delaware market acquired as part of the MidCoast acquisition.

Stockholders' equity totaled \$198.8 million at March 31, 2021, which compares to \$194.3 million at December 31, 2020. The increase was attributable to net income for the three months ended March 31, 2021 totaling \$8.5 million, offset by cash dividends in the quarter totaling \$1.8 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 decreased \$3.2 million from the end of 2020 on an after-tax basis, while the change in the unrealized gain on interest rate swaps increased \$1.6 million on an after-tax basis. Net treasury share purchases for the first quarter totaled \$510,000. On March 2, 2021, the Board of Directors declared a cash dividend of \$0.465 per share, which was paid on March 26, 2021 to shareholders of record at the close of business on March 12, 2021. This quarterly cash dividend is an increase of 3.31% over the regular cash dividend of \$0.450 per share declared one year ago, as adjusted for the 1% stock dividend declared in June 2020. The Company paid an additional \$0.10 special dividend in the first quarter of 2020. The Board recognizes the importance of providing and maintaining a solid return to our shareholders, and our financial performance allows us to continually pay an attractive cash dividend.

I would like to personally express my sincere thanks to our employees, local board members, management team and the Board of Directors especially during these times, for their efforts and dedication. We have remained committed throughout the COVID-19 pandemic to meet our customer needs through our branch network and electronic channels. As things re-open in 2021, know that we are here to meet your needs. As you return to your work places and normal activities, I hope that you remain safe and thank you for continuing to put your trust in us as we go down this journey together.

Sincerely CZFS Strong,



Randall E. Black
Chief Executive Officer and President

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

	March 31, 2021	December 31 2020	March 31, 2020
ASSETS:			
Total cash and cash equivalents	\$ 150,828	\$ 68,707	\$ 21,521
Interest bearing time deposits with other banks	13,509	13,758	14,506
Equity securities	2,118	1,931	649
Available-for-sale securities	321,967	295,189	257,788
Loans (net of allowance for loan losses: 2020, \$16,560; December 31, 2020, \$15,815; March 31, 2020, \$14,247)	1,387,841	1,389,466	1,079,473
Other assets	119,347	122,623	90,792
TOTAL ASSETS	\$ 1,995,610	\$ 1,891,674	\$ 1,464,729
LIABILITIES:			
Total deposits	\$ 1,687,470	\$ 1,588,858	\$ 1,205,150
Borrowed funds	86,171	88,838	83,563
Other liabilities	23,162	19,719	16,093
TOTAL LIABILITIES	1,796,803	1,697,415	1,304,806
STOCKHOLDERS' EQUITY	198,807	194,259	159,923
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,995,610	\$ 1,891,674	\$ 1,464,729

Consolidated Statement of Income
(Unaudited - In thousands)

	Three Months Ended March 31,	
	2021	2020
Interest income	\$ 18,295	\$ 15,339
Interest expense	1,854	2,449
Net interest income	16,441	12,890
Provision for loan losses	650	400
Net interest income after provision for loan losses	15,791	12,490
Other non-interest income	3,998	2,105
Investment securities gains (losses), net	237	(254)
Non-interest expense	9,947	8,921
Income before provision for income taxes	10,079	5,420
Provision for income taxes	1,616	889
NET INCOME	\$ 8,463	\$ 4,531

Performance Ratios and Share Data (unaudited):

Return on average assets (annualized for the three month periods)	1.77%	1.24%
Return on average equity (annualized for the three month periods)	17.25%	11.48%
Return on average tangible equity (annualized for the three month periods)	20.74%	13.59%
Net interest margin (tax equivalent)	3.73%	3.84%
Cash dividends paid per share	\$ 0.465	\$ 0.549
Earnings per share - basic	\$ 2.16	\$ 1.27
Earnings per share - diluted	\$ 2.16	\$ 1.27
Number of shares used in computation - basic	3,909,887	3,553,818
Number of shares used in computation - diluted	3,909,887	3,553,818
Book value per share (at end of period)	\$ 50.55	\$ 44.30
Common shares outstanding (at end of period)	3,912,679	3,506,009
Nonperforming assets to total loans (at end of period)	0.92%	1.33%

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