

Dear Shareholders and Friends:

November 10, 2021

On behalf of the Board of Directors and our TEAM, it is with sadness and regret, that I inform you of the passing of my lifelong friend and our Charmain R. Lowell Coolidge. Lowell joined the Board in 1985 and was named Chairman in 1989, which he served as until his recent passing. Lowell was passionate about the Company and the communities it serves; however, it was the employees that he cared the most about. He was extremely proud of the Company's financial results and commitment to remaining independent. Even though he would be pleased with our recently completed third quarter and the results that will be discussed below, I can hear him saying "Randy good job, however we need to do better next quarter".

For the nine months ended September 30, 2021, net income totaled \$22,174,000 which compares to net income of \$17,876,000 for the first nine months of 2020, an increase of \$4,298,000 or 24.0%. Basic earnings per share of \$5.62 for the first nine months of 2021 compares to \$4.69 for the first nine months last year. Annualized return on equity for the nine months ended September 30, 2021 and 2020 was 14.66% and 13.85%, while annualized return on assets was 1.49% and 1.43%, respectively. For the three months ended September 30, 2021, net income totaled \$7,064,000 which compares to net income of \$8,007,000 for the third quarter of 2020. Earnings per share of \$1.79 for the third quarter of 2021 compares to \$2.02 for the comparable period last year. Annualized return on equity for the three months ended September 30, 2021 and 2020 was 13.65% and 17.36%, while return on assets was 1.40% and 1.75%, respectively.

Net interest income before the provision for loan loss has increased from \$45,646,000 for the nine months ended September 30, 2020 to \$49,243,000 for 2021, an increase of \$3,597,000 or 7.9%. For 2021, interest income increased \$2,827,000, while interest expense decreased \$770,000. 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 primarily in our Delaware market. Our net interest margin decreased from 3.96% for the nine months ended September 30, 2020 to 3.55% for same period in 2021. The decrease was driven by the decrease in the yield on interest-bearing assets from 4.49% for the nine months ended September 30, 2020 to 3.94% for the nine months ended September 30, 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 \$1,550,000 for the nine months ended September 30, 2021 compared to \$1,500,000 for the comparable period of 2020.

Non-interest income for the Company increased \$2.3 million and totaled \$9.8 million for the nine months ended September 30, 2021 with increases associated with investment gains due to improved market conditions, bank owned life insurance income because of the passing of two former employees and service charge income. Non-interest expenses increased \$641,000 due to the additional headcount and branches associated with our expansion in the Delaware market as part of the MidCoast acquisition in the second quarter of 2021.

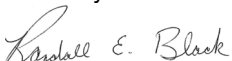
At September 30, 2021, total assets were \$2.05 billion, an increase of \$155.5 million from assets as of December 31, 2020. Available for sale securities increased \$101.9 million from December 31, 2020. Net loans increased \$36.1 million from December 31, 2020, primarily due to growth in the Delaware market. During 2021, we issued 388 loans under the Paycheck Protection Program (PPP) provided under the auspices of the Small Business Administration (SBA) as part of the CARES Act that totaled \$24.3 million. As of September 30, 2021, \$20.8 million in loans issued under this program remain outstanding. Deposits increased \$152.1 million, primarily because of government stimulus funds provided to customers in the first half of 2021.

The Bank's asset quality continues to trend positive with, non-performing assets totaling \$10.2 million as of September 30, 2021 compared to \$13.1 million at the end of December 2020. Non-performing assets to total loans was 0.71% at September 30, 2021 compared to 0.93% last December. During 2021, we have provided forbearance on 19 relationships totaling \$26.7 million as part of our COVID-19 loan modification program.

Stockholders' equity totaled \$209.0 million at September 30, 2021, which compares to \$194.3 million at December 31, 2020. The increase was attributable to net income for the nine months ended September 30, 2021 totaling \$22.2 million, offset by cash dividends in the year totaling \$5.5 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 \$2.8 million from the end of 2020 on an after-tax basis, while the change in the unrealized gain on interest rate swaps increased \$1.2 million on an after-tax basis. Net treasury shares purchases for the first half of 2021 totaled \$468,000. On September 7, 2021, the Board of Directors declared a cash dividend of \$0.47 per share, which was paid on September 30, 2021 to shareholders of record at the close of business on September 16, 2021. This quarterly cash dividend is an increase of 3.10% over the regular cash dividend of \$0.456 per share declared one year ago, as adjusted for the 1% stock dividend paid in June of 2021. 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.

In honor to my friend and our former chairman, we remain committed to being a strong independent community bank that strives to meet our customer needs, while providing our shareholders an above average return. Lowell, for you our legacy lives on!

Sincerely CZFS Strong,



Randall E. Black  
Chief Executive Officer and President

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

|  | September 30,<br>2021 | December 31<br>2020 | September 30,<br>2020 |
|--|-----------------------|---------------------|-----------------------|
| <b>ASSETS:</b>   |                       |                     |                       |
| Total cash and cash equivalents  | \$ 101,971            | \$ 68,707           | \$ 75,309             |
| Interest bearing time deposits with other banks  | 11,274                | 13,758              | 13,758                |
| Equity securities  | 2,219                 | 1,931               | 1,696                 |
| Available-for-sale securities  | 397,043               | 295,189             | 287,838               |
| Loans (net of allowance for loan losses: 2021, \$17,334;<br>December 31, 2020, \$15,815; September 30, 2020, \$15,169) | 1,425,574             | 1,389,466           | 1,350,710             |
| Other assets   | 109,122               | 122,623             | 129,033               |
| <b>TOTAL ASSETS</b>  | <b>\$ 2,047,203</b>   | <b>\$ 1,891,674</b> | <b>\$ 1,858,344</b>   |
| <b>LIABILITIES:</b>  |                       |                     |                       |
| Total deposits   | \$ 1,740,969          | \$ 1,588,858        | \$ 1,552,753          |
| Borrowed funds   | 78,200                | 88,838              | 99,602                |
| Other liabilities  | 19,067                | 19,719              | 16,938                |
| <b>TOTAL LIABILITIES</b>   | <b>1,838,236</b>      | <b>1,697,415</b>    | <b>1,669,293</b>      |
| <b>STOCKHOLDERS' EQUITY</b>  | <b>208,967</b>        | <b>194,259</b>      | <b>189,051</b>        |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <b>\$ 2,047,203</b>   | <b>\$ 1,891,674</b> | <b>\$ 1,858,344</b>   |

**Consolidated Statement of Income**  
(Unaudited - In thousands)

|   | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                  |
|---|-------------------------------------|-----------------|------------------------------------|------------------|
|   | 2021                                | 2020            | 2021                               | 2020             |
| Interest income                                     | \$ 18,342                           | \$ 18,386       | \$ 54,712                          | \$ 51,885        |
| Interest expense                                    | 1,752                               | 1,916           | 5,469                              | 6,239            |
| Net interest income                                 | 16,590                              | 16,470          | 49,243                             | 45,646           |
| Provision for loan losses                           | 400                                 | 550             | 1,550                              | 1,500            |
| Net interest income after provision for loan losses | 16,190                              | 15,920          | 47,693                             | 44,146           |
| Other non-interest income                           | 2,618                               | 3,386           | 9,293                              | 7,432            |
| Investment securities gains (losses), net           | 234                                 | 152             | 500                                | 26               |
| Non-interest expense                                | 10,400                              | 9,692           | 30,667                             | 30,026           |
| Income before provision for income taxes            | 8,642                               | 9,766           | 26,819                             | 21,578           |
| Provision for income taxes                          | 1,578                               | 1,759           | 4,645                              | 3,702            |
| <b>NET INCOME</b>                                   | <b>\$ 7,064</b>                     | <b>\$ 8,007</b> | <b>\$ 22,174</b>                   | <b>\$ 17,876</b> |

**Performance Ratios and Share Data (unaudited):**

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Return on average assets (annualized for the three and six month periods)          | 1.40%     | 1.75%     | 1.49%     | 1.43%     |
| Return on average equity (annualized for the three and six month periods)          | 13.65%    | 17.36%    | 14.66%    | 13.85%    |
| Return on average tangible equity (annualized for the three and six month periods) | 16.25%    | 21.11%    | 17.53%    | 16.72%    |
| Net interest margin (tax equivalent)   | 3.47%     | 3.88%     | 3.55%     | 3.96%     |
| Cash dividends paid per share  | \$ 0.470  | \$ 0.456  | \$ 1.391  | \$ 1.445  |
| Earnings per share - basic   | \$ 1.79   | \$ 2.02   | \$ 5.62   | \$ 4.69   |
| Earnings per share - diluted   | \$ 1.79   | \$ 2.02   | \$ 5.62   | \$ 4.69   |
| Number of shares used in computation - basic                                       | 3,949,508 | 3,956,997 | 3,945,962 | 3,808,264 |
| Number of shares used in computation - diluted                                     | 3,949,603 | 3,956,997 | 3,945,969 | 3,810,289 |
| Book value per share (at end of period)  |           |           | \$ 52.63  | \$ 47.02  |
| Common shares outstanding (at end of period)                                       |           |           | 3,952,081 | 3,921,408 |
| Nonperforming assets to total loans (at end of period)                             |           |           | 0.71%     | 1.14%     |

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