July 14, 2022

United Bancorp of Princeton, Inc. Shareholders

RE: 2nd Quarter 2022 Distributions and Other Updates

Dear Shareholders:

At our June Board Meeting, we voted to again pay distributions of $3.33 per share for the second quarter of 2022. Year-to-date ("YTD") matches what we have consistently done going back to at least 2019 through the first six months of each year. This distribution will be paid to all shareholders of record as of June 30, 2022, and will be paid on or around the 15th of July 2022.

Through the first quarter of 2022, bank level earnings stood approximately $160,000 less than the first quarter of 2021. Now at the midpoint of the year, that gap has been narrowed to just under $117,000. This despite 2021 results having benefitted from $267,000 in pandemic related PPP income over the first six months of 2021. If 2021 PPP income, which has not been a factor in 2022, is netted out, our mid-year 2022 earnings of $1,204,670 would exceed 2021 by nearly $150,000.

Second quarter specific earnings totaled $728,478 as compared to $476,210 during the first quarter of 2022. If you will recall from my most recent letter, the impact of a prepayment penalty related to the early pay-down of some borrowed funds had a negative impact of approximately $78,000 through the first three months of this year. Regardless, our strong second quarter still stands as a notable improvement over the first three months of 2022.

Helping to drive this positive impact has been a year-over-year increase in total assets from $183.9 million to $200.6 million, in part resulting from a growth in our total loans from $112.1 million to $118.6 million. The growth in loans, coupled with the increase in market interest rates, has thus far benefitted the bank from a core interest rate margin standpoint. For instance, our net interest income through the first six months of 2022 stands at $2,763,463 as compared to the 2021 figure of $2,544,407 (net of the impact of PPP).

A number on our Balance Sheet that gives the best illustration of the impact on the upward movement in interest rates is Comprehensive Income/Loss, which adjusts the value of our investment portfolio relative to current interest rates. Since the end of 2021, that figure has moved from a relatively small gain of $155,687 to a loss position of ($6,595,571) as of June 30, 2022.

From a regulatory standpoint however, Comprehensive income/loss is not used when computing our regulatory capital percentages. Net of that book loss, our Capital stood at $19,427,659 as of June 30, 2022 as compared to $18,800,988 on December 31, 2021. At the end of 2021, that Capital figure equaled 9.64% of our total assets at that time. The June 2022 Capital figure equals a similar 9.68% of our current total assets.

That $626,671 increase in Capital net of Comprehensive income/loss between the end of 2021 and June 30, 2022 represents the amount of our YTD earnings that has not otherwise been distributed to shareholders. In other words, we have retained approximately 52% of our YTD earnings and distributed approximately 48%. By doing that, relative to the growth in our Balance Sheet, we have essentially been able to maintain our Capital/Assets ratio in that 9.60% to 9.70% range. Given where we stand today relative to that ratio, further growth in our Balance Sheet would likely impact the percentage of our earnings that is either retained or distributed to shareholders.

As always, thank you for your support of Farmers Bank and Trust Company, and we look forward to serving any of your banking needs.

Best wishes!!!

Jeff R. McDaniels
President/CEO