

October 14, 2022

United Bancorp of Princeton, Inc. Shareholders

**RE: 3rd Quarter 2022 Distributions and Other Updates**

Dear Shareholders:

The Board of Directors of United Bancorp of Princeton, Inc. has again voted to pay a quarterly distribution of \$3.33 per share for the third quarter of 2022. That action remains consistent with recent historical trends, and will be paid to all shareholders of record as of September 30<sup>th</sup>, 2022. You can expect your payment to be received on or around October 14, 2022.

One of the main news topics of 2022 has been the Federal Reserve's aggressive approach to battling inflation, having already increased its discount borrowing rate by 300 basis points between March 17<sup>th</sup> and September 21<sup>st</sup>. The general consensus out there today is another 75 basis point upward move will happen the first of November, with the last Fed Meeting of the year still on the calendar for mid-December.

Through the first three quarters of the year, loan demand at the bank has not been notably impacted by that upward movement in rates. For example, loans for the first 9 months of the year have grown almost 9%, increasing to a total balance of just under \$121 million. Based on our recent decline in loan applications, we expect that trend to not continue.

On the funding side, we have seen a similar growth in deposits, with total balances growing \$13.2 million YTD with the quarter-end balance standing at \$180.3 million. We also expect that trend to discontinue for various reasons, including the upward trend in interest rates and the allocation of some construction related funds (tornado related and otherwise). Total assets stood at \$192.64 million as of 9/30/2022.

Earnings-wise, the 3<sup>rd</sup> quarter saw us add another \$663,054 to the bottom line, bringing YTD earnings to \$1.87 million. While that quarterly figure was less than the \$728,478 seen in the 2<sup>nd</sup> quarter of 2022, it still compared quite favorably to \$476,210 in the 1<sup>st</sup> quarter earnings. While the YTD figure trails 2021 by \$220,124, it compares favorably to 2021 when the \$459,218 in PPP earnings is netted out of our 2021 figure.

As discussed in some detail last quarter, the upward movement in rates has impacted the market value of our investment portfolio, and therefore impacted our balance sheet capital due to a negative (\$8.68 million) in comprehensive income (loss) as of 9/30/2022. For regulatory

purposes however, our Tier 1 Capital stood at 10.01% of assets at quarter end, in line with peer comparisons for banks our size.

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