

January 13, 2023

United Bancorp of Princeton, Inc. Shareholders

**RE: 4<sup>th</sup> Quarter Distributions and 2022 Financial Results (Bank-Level)**

Dear Shareholders:

Net Income for 2023 for Farmers Bank and Trust Company finished at \$2,400,281, which was slightly less than the \$2,466,527 from 2021. Despite that small decline, we feel good about those results as 2022 was without the benefit of the \$514,237 in PPP income the bank recognized during 2021. You might also recall the bank elected to make a \$100,000 donation to area tornado relief efforts in December of 2021, so our 2022 results were without the net benefit of \$414,237 of those one-time items from the year before.

Last month we indicated a change in strategy relative to our annual distribution policy as compared to the several prior years leading up to 2022. During the first 3 quarters, shareholders received \$3.33 per share each quarter in distributions, for a three-quarter's total of \$9.99 per share. This last quarter's distribution equates to the remainder of 70% of our year income. With 86,631 in current shares outstanding, your 4<sup>th</sup> Quarter 2022 distribution will thereby equal \$9.38 per share, bringing the annual distribution total to \$19.37 per share.

Our final 2022 United Bancorp of Princeton, Inc. audit will be completed within the next few weeks, and we will provide those results once completed, along with your 2022 K-1s. In the meantime, a quick look at our bank level results will show that we made up most of the absent revenue from 2021 PPP due to a \$9.82 million (8.8%) growth in total loans. Total deposits also grew \$10.94 million (6.5%) year-over-year, funding that growth in loans. Our Tier 1 Capital, which is used for regulatory purposes, grew \$720,280 to \$19,521,269 largely as a result of the 30% in earnings we elected to retain, leaving our capital ratio at just over 10% at year-end.

As anyone listening to the news likely already knows, the Federal Reserve Board raised short-term interest rates a robust 425 basis points during 2022. As I will discuss in more detail once our 2022 Audit is completed, this has impacted all financial institutions' balance sheets (as well as their respective interest rate margins). The most notable impact is seen in the balance sheet capital category of "other comprehensive income/(loss)". To give you a preliminary idea of that impact to our bank, our adjusted to market capital finished the year at \$11,326,809, as compared to our book value Tier 1 Capital of \$19,521,269 noted earlier. Put another way, the swift change in interest rates impacted our mark to market capital position by nearly 42% as of 12/31/2022.

If you have any questions, please do not hesitate to reach me at either 270-365-5526 or by email at [jeff.mcdaniels@farmersbk.com](mailto:jeff.mcdaniels@farmersbk.com). Most importantly, thank you for your continued support of our company!

Sincerely,

Jeff R. McDaniels  
President/CEO