

July 17, 2023

United Bancorp of Princeton, Inc. Shareholders

RE: 2nd Quarter 2023 Distributions and Other Updates

Dear Shareholders:

At our June Board Meeting, the Board of Directors voted to again pay distributions of \$3.33 per share for the second quarter of 2023. Year-to-date (“YTD”), that matches what has consistently been paid through six months going back to at least 2019. This distribution is paid to all shareholders of record as of June 30, 2023, and will be paid on or around the 17th of July 2023.

Through the second quarter of 2023, bank level earnings of \$984,464 stood -\$220,206 less than the first half of 2022. Regarding the budget, however, we remain on target as the actual mid-year results exceeded our projected results by \$5,192. The factors we anticipated impacting this year have largely come to fruition, with the two main factors being the margin challenges caused by the rapid increase in short-term interest rates and an increase in non-interest expenses relating to new strategic initiatives. We do anticipate the second half of the year to be similar to the first half, with year-end projected net income to be in the \$1,950,000 range.

Some bright spots relative to the first half of 2023 were both our ability to modestly grow loans and being able to retain our deposit base in the higher rate environment. Total loans grew approximately \$2.6 million during the first 6 months of 2023 to finish the mid-year at \$123,403,411. Total deposits as of the end of June 2023 (\$180,436,365) had also grown at a similar level amount as loans, though balances the first couple of weeks of July have adjusted back closer to our year-end 2022 levels.

While part of the challenge relative to deposits is retainage, the other side of that is pricing, and just like every bank in the industry, our interest costs on our deposit funding continue to be pressured upward. Time is of some meaningful essence here though as our investment portfolio continues to provide steady cash flow that we can place either into higher yielding loans or investment securities. Even as the Federal Reserve continues to increase short-term rates, we have seen the market loss in our Comprehensive income (loss) go from -\$6.6 million at the end of June 2022, to -\$8.2 million as of the 2022 year-end, and now back to -\$7.7 million as of the end of June 2023.

As always, thank you for your support of United Bancorp of Princeton, Inc. Let me also invite you to consider utilizing any of the services we provide, as by doing so can be of double benefit

to our shareholders. Not only do we strive to provide competitive financial solutions, as a shareholder you also stand to benefit from the success of our company. If you have any questions or would like to talk to us about any of our services, please feel free to reach out to me at either 270-680-1101 or jeff.mcdaniels@farmersbk.com.

Best wishes!

Jeff R. McDaniels
President/CEO