



April 13, 2020

United Bancorp of Princeton, Inc. Shareholders

**RE: 1<sup>st</sup> Quarter 2020 Distributions and Other Updates**

Dear Shareholders:

It goes without saying, March of 2020 has been unlike anything we have seen during our lifetimes. The same has held true in the banking industry, in which the Federal Reserve lowered short-term rates 150 basis points (which largely mirrored what longer-term rates had already done) and the month ended with the signing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. On Thursday, March 19<sup>th</sup>, as part of our Disaster Recovery Pandemic Response Plan, we closed our lobbies and have since been effectively serving our customers through our Drive-thrus, ATMs, and our internet/mobile banking solutions.

On March 17<sup>th</sup>, our Board voted to match our per share distribution amount of \$3.33 per share from last year. You will be happy to know that will be paid on April 15<sup>th</sup> to all shareholders of record as of March 31, 2020. With all the uncertainty around us, we simply felt our overall capital level, our solid credit quality, and our projected quarter-end earnings justified remaining at that level.

Those projected quarter-end earnings have since become official, as the bank ended the first quarter with year-to-date net income of \$572,186, which compared reasonably favorable to the \$575,469 in earnings we posted during the first quarter of 2019. We were able to do that despite a reduction in loan balances from \$104.5 million to \$99.6 million. Overall, however, our balance sheet did grow slightly from \$137.0 million at year-end to \$138.9 million on 3/31/2020.

Looking ahead, we do anticipate some margin compression with our balance sheet given the quick reduction in interest rates. We saw the first hint of that in March as our net interest income was -\$11,200 lower this past March as compared to March 2019. That trend is likely to

continue as the full impact of the short-term interest rate adjustments seen in March will not be fully felt until April.

However, a new variable has entered our world in the form of the Paycheck Protection Program (PPP) that was a key small business component of the CARES Act. We expect to be able to assist our existing small business clientele with this program in amounts that have already been approved in excess of \$5 million, an amount we expect to continue to grow. In the short-run, this should help to offset some of the margin compression I have already mentioned.

For all the years from 2012 through 2019, we have been able to steadily improve our earnings each and every year. Even prior to the COVID-19 crisis, we had strategically budgeted some personnel, fixed asset and technology investments that we felt might end that trend in 2020, but would better position us for the longer-term. While some of that is now admittedly on hold, it is the new variables of this pandemic and its economic impact that have our full attention. While a lot remains to be seen relative to those pandemic/economic variables, I remain confident in our ability to move forward in a progressive and profitable manner.

In closing, I want to thank our team members for their dedicated efforts during this time. I also want to thank our Board of Directors for their support during these unusual times, as well as our customers for their patience and willingness to adapt to this new way of banking. I have been impressed on all such fronts.

Best wishes, and please be safe!!!

A handwritten signature in blue ink, appearing to read "Jeff R. McDaniels". The signature is stylized with a large, sweeping initial "J" and "M".

Jeff R. McDaniels  
President/CEO