

April 12, 2021

United Bancorp of Princeton, Inc. Shareholders

RE: 1st Quarter 2021 Distributions and Other Updates

Dear Shareholders:

We are pleased to report first quarter earnings for Farmers Bank and Trust Company of \$636,373, which compares favorably to the \$572,122 reported for the first quarter of 2020. One of the biggest factors behind that improvement is a change in our tax structure as it pertains to being a bank headquartered in the Commonwealth of Kentucky.

For many years prior to 2021, Kentucky banks paid its state taxes through what was called the KY Bank Franchise Tax, which was paid at the bank level and was based on a bank's capital level. Thanks largely to efforts by our state banking association, starting in 2021, we will now pay state taxes just like any other corporation in Kentucky at a rate of 5% of our taxable income. Overall, that will serve as solid net savings (approximately \$10,000 per month), but the larger pre-tax impact of approximately \$20,000 per month will be evident at the bank level.

If you are a shareholder with your permanent residence in Kentucky, this will not impact you until the time your 2021 taxes are due. At that time, through your K-1 earnings from the bank, you will pay 5% more on that taxable portion of your pro rata share of our earnings to the Commonwealth of Kentucky. *However, for those of you who **reside outside Kentucky**, we are required to withhold 5% of your pro rata taxable quarterly earnings from any distributions, so your distribution check for the 1Q of 2021 will be modestly less than what you received for the 1Q of 2020.*

Remaining otherwise consistent with our quarterly distributions from the first 3 quarters of 2020, the Board has voted to pay distributions of \$3.33 per share to all shareholders of record as of March 31, 2021. This will be paid on the 15th of April, 2021.

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

Best wishes, and stay safe!!!

Jeff R. McDaniels
President/CEO