

UB Bancorp

1011 Red Banks Road
Greenville, North Carolina 27858
Telephone: (252) 215-3030

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS To Be Held on May 20, 2021

NOTICE is hereby given that the 2021 Annual Meeting of Shareholders of UB Bancorp (the “Company”) will be held as follows:

Place: Hilton Greenville
207 SW Greenville Blvd.
Greenville, North Carolina 27834

Date: May 20, 2021

Time: 10:00 o’clock, a.m., local time

The purposes of the Annual Meeting are:

1. To elect eight persons to serve as directors of the Company for three year terms until the 2024 Annual Meeting of Shareholders or until their earlier death, resignation, retirement, removal or disqualification or until their successors are duly elected and qualified;
2. To ratify the appointment of Dixon Hughes Goodman LLP as the independent auditor for the Company for the fiscal year ending December 31, 2021;
3. To approve the UB Bancorp 2021 Omnibus Incentive Plan; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournments thereof. The Board of Directors is not aware of any other business to be considered at the Annual Meeting.

The Board of Directors has established March 31, 2021 as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting and at any adjournments thereof. In the event there are not sufficient shares present in person or by proxy to constitute a quorum at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies by the Company.

We intend to hold the Annual Meeting in person. However, we are monitoring the coronavirus (COVID-19) pandemic and should it not be advisable to hold our Annual Meeting in person, we will announce alternative arrangements, which may include holding the Meeting by means of remote communications. Please see the accompanying Proxy Statement for more details.

By Order of the Board of Directors



V. Robert Jones
President and Chief Executive Officer

Greenville, North Carolina
April 1, 2021

Whether or not you plan to attend the Annual Meeting, we urge you to submit your appointment of proxy as promptly as possible (1) by accessing the Internet website specified on the enclosed proxy card, (2) by using a touch-tone telephone to transmit your voting instructions through the telephone number shown on the enclosed proxy card, or (3) by completing, signing, and dating the enclosed proxy card and returning it in the postage paid envelope provided. If your shares are held in the name of a broker, bank, or other nominee, please follow the instructions on the voting instruction card provided by such nominee.

UB Bancorp

PROXY STATEMENT

**2021 Annual Meeting of Shareholders
May 20, 2021**

SOLICITATION, VOTING AND REVOCABILITY OF PROXIES

General

This Proxy Statement is being furnished to the shareholders of UB Bancorp (the “Company”) in connection with the solicitation by the Board of Directors of the Company of proxies to be used at the Annual Meeting of Shareholders (the “Meeting”) to be held on May 20, 2021 at 10:00 o’clock, a.m., local time, at the Hilton Greenville located at 207 SW Greenville Boulevard, Greenville, North Carolina 27834 and at any adjournments thereof.

Other than the matters listed on the attached Notice of Annual Meeting of Shareholders (the “Notice”), the Board of Directors knows of no matters that will be presented for consideration at the Meeting. Execution of a proxy, however, confers on the designated proxyholders discretionary authority to vote the shares represented thereby in accordance with their best judgment on such other business, if any, that may properly come before the Meeting or any adjournments thereof.

We reserve the right to refuse admittance to the Meeting to anyone without proper proof of share ownership and without proper photo identification.

We intend to hold the Meeting in person. However, we are actively monitoring the coronavirus (COVID-19) pandemic. We are sensitive to the public health and related concerns our shareholders may have and the protocols that federal, state and local governments may impose. In the event it is not possible or advisable to hold our Meeting in person, we will announce alternative arrangements as promptly as practical, which may include holding the Meeting solely by means of remote communications. Please monitor the “Investor Relations” page of our website, unionbanknc.com, for updated information. If you are planning on attending the Meeting, please check the website one week prior to the Meeting date, May 20, 2021.

Revocability of Proxy

A proxy may be revoked at any time prior to its exercise by the filing of a written notice of revocation with the Secretary of the Company, by delivering to the Company a duly executed proxy bearing a later date, by voting again over the Internet or by telephone as specified in the Notice, or by attending the Meeting and voting in person. If you choose to revoke your proxy by filing a written notice of revocation or by delivering to the Company a duly executed proxy bearing a later date, you must submit your notice of revocation or your new proxy card prior to the Meeting to Doyle M. Thigpen, Corporate Secretary, UB Bancorp, 1011 Red Banks Road, Greenville, North Carolina 27858. If your shares are held in the name of a broker, bank or other nominee (i.e., held in “street name”), you will need to obtain a proxy instruction form from the nominee holding your shares and return the form as directed by your nominee. If you are a shareholder whose shares are held in “street name,” you will need appropriate documentation from your nominee to vote personally at the Meeting.

Solicitation

The Company will pay the cost of solicitation of proxies. Directors, officers and employees of the Company or its commercial bank subsidiary, Union Bank (the “Bank”), may, without additional compensation, solicit proxies personally or by email or telephone. The Company will also request persons or entities holding shares in their names or in the names of their nominees, which are beneficially owned by others, to send proxy materials to, and obtain

proxies from, such beneficial owners and will reimburse such holders, upon request, for their reasonable out-of-pocket expenses in doing so.

Voting Securities and Vote Required for Approval

Regardless of the number of shares of the Company's common stock (the "Common Stock") owned, it is important that shareholders be represented by proxy or be present in person at the Meeting. Shareholders are requested to vote by completing the enclosed form of proxy and returning it signed and dated in the enclosed postage-paid envelope. If you are a shareholder of record, you may also vote your shares by accessing the Internet website or by utilizing the telephonic proxy procedure specified on the enclosed proxy card. If you are interested in voting via the Internet or by telephone, please read the instructions on the enclosed proxy card. Any shareholder may vote for all nominees or withhold authority to vote on a nominee (Proposal 1) by properly marking the proxy card. Any shareholder may vote for, against, or abstain from voting on the ratification of appointment of independent auditor (Proposal 2). Any shareholder may vote for, against, or abstain from voting on the approval of the 2021 Omnibus Incentive Plan (Proposal 3) or other matters properly brought before the Meeting. If the enclosed proxy is properly completed, signed, dated and returned, and not revoked, it will be voted in accordance with the instructions therein. If no instructions are given, the proxy will be voted **FOR** the nominees for election to the Board of Directors named in this Proxy Statement (Proposal 1), **FOR** the ratification of Dixon Hughes Goodman LLP as the Company's independent auditor for the fiscal year ending December 31, 2021 (Proposal 2), and **FOR** the approval of the 2021 Omnibus Incentive Plan (Proposal 3). If instructions are given with respect to one but not all of the Proposals, such instructions as are given will be followed, and the proxy will be voted **FOR** the Proposal on which no instructions are given.

The securities which may be voted at the Meeting consist of the shares of the Company's outstanding Common Stock. The Board of Directors has fixed the close of business on March 31, 2021 as the record date (the "Record Date") for the determination of shareholders of record entitled to notice of and to vote at the Meeting and any adjournments thereof. A total of 5,959,682 shares of Common Stock were outstanding on the Record Date.

The presence, in person or by proxy, of the holders of at least a majority of the total number of shares of the Common Stock entitled to vote at the Meeting is necessary to constitute a quorum. Since many of our shareholders cannot attend the Meeting in person, it is necessary that a large number be represented by proxy. Accordingly, the Board of Directors has designated proxies to represent those shareholders who cannot be present in person and who desire to be so represented. In the event there are not sufficient votes for a quorum or to approve or ratify the Proposals at the time of the Meeting, the Meeting may be adjourned in order to permit the further solicitation of proxies.

In order to be elected, a nominee need only receive a plurality of the votes cast in the election of the applicable class of directors for which such nominee has been nominated. As a result, those persons nominated for election who receive the largest number of votes will be elected as directors. Accordingly, shares on which authority is withheld and shares otherwise not voted for any reason with respect to any one or more nominees will not be counted as votes against such nominees. No shareholder has the right to cumulatively vote his, her or its shares in the election of directors.

The proposal to ratify the appointment of the Company's independent auditor for the year ending December 31, 2021 will be approved if the votes cast in favor of such action exceed the votes cast opposing the action. Abstentions and shares not voted for any reason will not be counted as votes against this Proposal.

The proposal to approve the 2021 Omnibus Incentive Plan will be approved if the votes cast in favor of such action exceed the votes cast opposing the action. Abstentions and shares not voted for any reason will not be counted as votes against this Proposal.

Proxies solicited hereby will be tabulated by one or more inspectors of election designated by the Board of Directors. Abstentions, broker non-votes and votes withheld will be counted as "shares present" at the Meeting for purposes of determining a quorum, and will not be counted in tabulating the votes cast in the election of directors, the ratification of the Company's independent auditor or the approval of the 2021 Omnibus Incentive Plan. You may cast one vote for each share of the Company's Common Stock you held of record on the Record Date on each matter brought before the Meeting.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

As of the Record Date, other than Robert Lee Burrows, Jr., there were no persons or group of persons who are known to the Company to own beneficially more than five percent (5%) of the outstanding shares Common Stock.

<u>Name of Beneficial Owner</u>	<u>Number of Shares¹</u>	<u>Percentage of Common Stock</u>
Robert Lee Burrows, Jr.	681,744	11.46%

Set forth below is certain information regarding those shares of the Common Stock owned beneficially by each of the members of the Board of Directors of the Company (including nominees for election at the Meeting), the Company's executive officers and the directors and executive officers of the Company as a group as of the Record Date:

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership^{1,2}</u>	<u>Percentage of Class¹²</u>
Dr. Raymond C. Ball, Jr. Morehead City, NC	55,380 ³	.93%
Susan W. Barrett Greenville, NC	13,039	.22%
Joseph E. Blizzard Kinston, NC	26,360	.44%
John E. Burns Oxford, NC	39,710	.67%
Robert Lee Burrows, Jr. Atlanta, GA	681,744 ⁴	11.46%
Anne Corey Washington, NC	5,559	.09%
Chandler T. Currin, Jr. Oxford, NC	27,881 ⁵	.47%
Lawrence Davenport Greenville, NC	17,451	.29%
F. Wills Hancock, IV Oxford, NC	89,952 ⁶	1.51%
James T. Hill, Jr. Kinston, NC	68,239	1.15%

¹ Includes shares of Common Stock held of record by Mr. Burrows or his spouse, held by an entity of which Mr. Burrows and his spouse are the owners, held by trusts the beneficiaries of which are Mr. Burrows, his spouse and/or their children, shares of restricted stock held by Mr. Burrows and shares acquirable within 60 days of the record date under options held by Mr. Burrows.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership^{1,2}</u>	<u>Percentage of Class¹²</u>
C. Dwight Howard Kinston, NC	229,516 ⁷	3.86%
V. Robert Jones Greenville, NC	42,760	.72%
Dr. William A. Keyes, IV McLean, VA	3,924	.07%
Crawford A. Knott Oxford, NC	30,197	.51%
Donna C. McClatchey Raleigh, NC	-0-	-0-
Scott C. McLean Greenville, NC	1,400	.02%
Cameron McRae Kinston, NC	113,570 ⁸	1.91%
David C. Morgan Wake Forest, NC	6,037	.10%
Conrad B. Sturges, III Louisburg, NC	13,487 ⁹	.23%
Amy Watts Oxford, NC	12,747 ¹⁰	.21%
T. Gray Yancey Oxford, NC	18,176 ¹¹	.31%
Stephen K. Zaytoun Raleigh, NC	5,661	.10%
All directors, nominees and officers as a group (21 persons)	1,502,790 ¹³	25.27%

¹ Unless otherwise noted, all shares are owned directly of record by the named individuals, by their spouses and minor children, or by other entities controlled by the named individuals.

² For each individual listed above, the beneficial ownership includes the following options to acquire the indicated number of shares that are exercisable within 60 days of the Record Date: Ball – 4,079; Blizzard – 4,723; Burrows – 9,237; Currin – 609; Davenport – 2,789; Hancock – 609; Hill – 11,171; Howard – 12,460; Jones – 1,590; Knott – 609; McRae – 11,816; Sturges – 609; Yancey – 609; and, Zaytoun – 609.

³ Includes 14,439 shares owned by the profit sharing plan associated with Dr. Ball's orthodontic practice and 31,688 shares owned by family members.

⁴ Includes shares of Common Stock held of record by Mr. Burrows or his spouse, held by an entity of which Mr. Burrows and his spouse are the owners, held by trusts the beneficiaries of which are Mr. Burrows, his spouse and/or their children, shares of restricted stock held by Mr. Burrows and shares acquirable within 60 days of the record date under options held by Mr. Burrows.

- ⁵ Includes 1,638 shares owned individually by Mr. Currin's spouse, 819 shares held by Mr. Currin's spouse as custodian for a family member, and 2,457 shares owned jointly with other family members.
- ⁶ Includes 16,358 shares owned individually by Mr. Hancock's spouse and 15,602 shares held in children's custodial accounts.
- ⁷ Includes shares owned by Mr. Howard and shares owned by Mr. Howard's spouse.
- ⁸ Includes 106,435 shares which Mr. McRae owns directly and 7,135 shares over which Mr. McRae shares investment and voting power.
- ⁹ Includes 3,000 shares owned individually by Mr. Sturges' spouse.
- ¹⁰ Shares are held jointly with Ms. Watt's spouse in a joint brokerage account.
- ¹¹ Includes 567 shares owned individually by Mr. Yancey's spouse.
- ¹² Based upon a total of 5,959,682 shares of Common Stock outstanding as of the Record Date, and assumes the exercise and/or vesting of only those stock options and/or shares of restricted stock included with respect to the designated recipient that are exercisable or will vest within 60 days of the Record Date.
- ¹³ Based upon a total of 5,959,682 shares of Common Stock outstanding as of the Record Date, and assumes the exercise and/or vesting of all stock options and/or shares of restricted stock held by the named persons that are exercisable or will vest within 60 days of the Record Date (61,519 shares).

PROPOSAL 1

ELECTION OF DIRECTORS

The Bylaws of the Company provide that the number of directors of the Company shall not be less than seven or more than 21. The exact number of directors is fixed by the Board of Directors prior to the annual meeting of shareholders at which directors are to be elected. The Company's Board of Directors has currently fixed the size of the Board at 16 members. The directors of the Company also serve as the directors of the Bank.

The Board of Directors is divided into three classes with staggered terms of office. Each class of directors is elected for terms of three years (except as otherwise necessary to allocate directors among the classes as equally as practicable), or until their earlier death, resignation, retirement, removal or disqualification or until their successors are elected and qualified.

Nominees

The Board of Directors has nominated Dr. Raymond C. Ball, Jr., F. Wills Hancock, IV, James T. Hill, Jr., C. Dwight Howard, V. Robert Jones, Dr. William A. Keyes, IV, Crawford A. Knott, and Donna C. McClatchey for election to three year terms until the 2024 Annual Meeting of Shareholders or until their earlier death, resignation, retirement or disqualification or until their successors are elected and qualified.

The persons named in the accompanying form of proxy intend to vote all shares of Common Stock presented by valid proxies received by them to elect the nominees described herein, unless authority to vote is withheld or such proxies are revoked. In the event that any of the nominees should become unavailable to accept nomination or election, it is intended that the proxy holders will vote to elect in the nominee's stead such other person as the present Board of Directors may recommend. The Board of Directors has no reason to believe that any of the above nominees will be unable to serve if elected to office.

Nominees and Continuing Directors

The following table sets forth as to each nominee and each director whose term is continuing, his or her name, principal occupation during the last five years, the year he or she was first elected as a director of the Company and the year in which his or her existing term of office expires.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL OF THE FOLLOWING NOMINEES FOR ELECTION AS DIRECTORS.

<u>Name</u>	<u>Principal Occupation During Last Five Years</u>	<u>Director Since</u>	<u>Expiration of Current Term</u>
<u>NOMINEES</u>			
<u>Three Year Terms</u>			
<u>Until 2024</u>			
Dr. Raymond C. Ball, Jr.	Coastal Carolina Orthodontics.	2011	2021
F. Wills Hancock, IV	Owner, Century 21 Hancock Properties, Inc.	2017	2021
James T. Hill, Jr.	President, Tull Hill Farms, Inc.	2000	2021
C. Dwight Howard	President, Carolina Greenhouses, Carolina Soil Company, Howard Development, Inc., East Coast Modular, Inc., How Corp., LLC, Eastern Warehouses, LLC.	1998	2021
V. Robert Jones	President and Chief Executive Officer of the Bank.	2002	2021
Dr. William A. Keyes, IV	President, Institute for Responsible Citizenship.	—	—
Crawford A. Knott	Partner, Holden Moss Knott Clark & Copley, P.A., Certified Public Accountants.	2017	2021
Donna C. McClatchey	Secretary and Treasurer of The Curtis Foundation.	—	—
<u>Until 2022</u>			
<u>DIRECTORS CONTINUING IN OFFICE</u>			
Joseph E. Blizzard	President and Owner, Contract Flooring and Design.	2010	2022
Robert Lee Burrows, Jr.	Vice Chairman of Investment Banking of Performance Trust Capital Partners; Director of L. Harvey & Son; Director of Carolina Finance; Director of Sid Mashburn; Director of Gleneagles Capital Management; Chairman of the Board of Directors of UB Bancorp and Union Bank.	2013	2022
Lawrence Davenport	President, J.P. Davenport & Son, Inc.	2013	2022
Conrad B. Sturges, III	Attorney/Partner, Davis, Sturges & Tomlinson, PLLC.	2017	2022
Stephen K. Zaytoun	Owner, Zaytoun & Associates, Inc. – Employee Benefit Insurance Firm.	2017	2022
<u>Until 2023</u>			
Chandler T. Currin, Jr.	Farmer.	2017	2023
Cameron McRae	President, Tands, Inc. – Bojangles Franchisee; President, McRae & Associates, Inc. – Management Company for the Franchisees.	1999	2023
T. Gray Yancey	Vice President, Yancey Properties, Inc.	2017	2023

to acquire an aggregate of 5,500 shares, having an exercise price of \$12.75 per share, were awarded to directors. In 2017, options to acquire an aggregate of 5,500 shares, having an exercise price of \$14.90 per share, were awarded to directors. In 2018, options to acquire an aggregate of 8,500 shares, having an exercise price of \$16.75 per share, were awarded to directors. In 2019, options to acquire an aggregate of 8,500 shares, having an exercise price of \$14.92 per share, were awarded to directors. In 2020, options to acquire an aggregate of 7,000 shares, having an exercise price of \$8.91 per share, were awarded to Directors.

Executive Officers

The following table sets forth certain information with respect to the persons who are executive officers of the Company or the Bank.

<u>Name and Title</u>	<u>Age on 03/31/2021</u>	<u>Positions and Occupations During Last Five Years</u>	<u>Employed By the Bank Since*</u>
V. Robert Jones, President and Chief Executive Officer	65	President and Chief Executive Officer.	2002
Susan W. Barrett, Executive Vice President and Chief Operations Officer	44	Executive Vice President and Chief Operations Officer.	2003
John E. Burns, Executive Vice President and Chief Banking Officer	52	Executive Vice President and Chief Banking Officer; previously President of Union Bancorp and Union Bank and Trust Company (“UBT Company”) from October 2016 to July 2017; previously Chief Credit Officer of UBT Company.	2017
Anne Corey, Executive Vice President, and Chief Credit Officer	54	Executive Vice President and Chief Credit Officer.	2015
Scott C. McLean, Executive Vice President and Chief Financial Officer	56	Executive Vice President and Chief Financial Officer; previously Executive Vice President and Chief Financial Officer of First South Bank.	2018
David C. Morgan, Executive Vice President and Triangle Market Executive	60	Executive Vice President and Triangle Market Executive; previously Executive Vice President and Chief Banking Officer of UBT Company.	2017
Amy Watts Executive Vice President and Senior Credit Officer	53	Executive Vice President and Senior Credit Officer; previously Executive Vice President and Chief Risk Officer of UBT Company.	2017

* The Company acquired Union Bancorp and UBT Company in 2017.

Management Compensation

The following table shows for the years ended December 31, 2020 and 2019, the cash and cash equivalent compensation paid by the Bank to V. Robert Jones, President and Chief Executive Officer.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Bonus</u> ¹	<u>Restricted Stock Awards</u> ²	<u>All Other Compensation</u> ³	<u>Total Compensation</u>
V. Robert Jones, President and Chief Executive Officer	2020	\$300,000	\$202,000	\$83,776	\$30,519	\$616,295
	2019	\$300,000	\$24,000	\$82,122	\$29,001	\$435,123

¹ The annual performance bonus earned in 2019 was paid in 2020 and the bonus earned in 2018 was paid in 2019. In addition, in 2020 Mr. Jones received an additional bonus of \$175,000 intended to raise his total compensation to a level of compensation comparable to that received by chief executive officers of banks and bank holding companies deemed by the Board of Directors to be peers of the Company and the Bank.

² Amounts listed do not reflect the cash compensation actually received by Mr. Jones. Instead, such amounts represent the amount of compensation cost recognized in accordance with the Statement of Financial Accounting Standards No. 123, as revised, "Share-Based Payment", disregarding any adjustments and reported as compensation. During 2020 and 2019, Mr. Jones received 5,000 shares and 4,000 shares, respectively, of restricted stock. These shares are recognized as income for Mr. Jones as they become vested.

³ The Bank provides its executive officers with certain group life, health, medical and other non-cash benefits generally available to all salaried employees which are not included in this column. The amounts shown in this column include the following:

- Matching contributions by the Bank under the Union Bank 401(k) Contributory Savings Plan. During 2020 and 2019, the Bank's 401(k) matching contributions were \$11,400 and \$11,200, respectively, for Mr. Jones; and
- Certain health insurance, group term life insurance, and long term personal life insurance premiums provided to Mr. Jones but not provided to all salaried employees.

Employment Agreements. The Bank has entered into employment agreements with certain of its executive officers to ensure a stable and competent management base. The agreements provide for specified benefits and cannot be terminated by the Bank's Board of Directors, except for "cause" (as defined in the agreements). In the event of a termination other than for "cause", including a termination in connection with a change of control of the Bank, these executive officers would be entitled to post-termination compensation of varying amounts and the receipt of other benefits.

The Bank entered into an employment agreement, dated August 19, 2004, with Mr. Jones, its President and Chief Executive Officer, that superseded an earlier 2002 employment agreement. The Company and the Bank entered into an amended and restated employment agreement dated December 31, 2020 (the "effective date") with Mr. Jones that supersedes the 2004 agreement. The 2020 agreement specifies a base salary of \$475,000 beginning January 1, 2021 and an extension bonus of \$175,000 payable December 31, 2020. The term of the agreement is three years and ends on the third anniversary of the effective date; provided that on the first day of each calendar month, beginning February 1, 2021, the term is extended by one month.

Salary, Bonus, and Benefits. Salaries and any increases to the salaries of executive officers must be approved by the Board of Directors. The Bank provides executive management with certain group life, health, medical, and other non-cash benefits generally available to all salaried employees. Executive officers may receive bonuses from time-to-time at the discretion of the Board.

401(k) Savings Plan. The Bank has a Contributory Savings Plan for its employees (the "Savings Plan"), which meets the requirements of Section 401(k) of the Code. During 2020, all employees who are at least 21 years of age may elect to contribute between 1% and 100% of their compensation or \$19,500, whichever was less, to the Savings Plan. Each participant age 50 or older on or before December 31, 2020 could elect to make a catch-up contribution by deferring an additional amount up to \$6,500 for 2020. Each year, the Bank determines the percentage of each participant's contribution that it will match with an employer contribution. The Bank's percentage match is

calculated as follows: 100% up to 3% of compensation, plus 50% of the next 2% of compensation. The Bank may, but has not done so to date, make additional discretionary contributions to participants.

Participants are fully vested in amounts that they contribute to the Savings Plan as well as in amounts contributed to the Savings Plan on their behalf by the Bank as employer matching contributions or as discretionary contributions. Benefits under the Savings Plan are payable in the event of the participant's retirement, death, disability or termination of employment. Normal retirement age under the Savings Plan is 65 years of age.

Supplemental Executive Retirement Benefits Agreement. In 2013, the Bank entered into a supplemental executive retirement benefits agreement with Mr. Jones, its President and Chief Executive Officer, to encourage him to remain as an employee of the Bank and to reward him for contributing materially to the success of the Company. Under the terms of this supplemental agreement, monthly payments will be made to Mr. Jones once he has attained the age of 65. The period of the benefit is 15 years or 180 monthly payments. During 2020 and 2019, the Bank accrued \$183,981 and \$165,827, respectively, in expenses related to this supplemental agreement. Neither these expenses nor any changes in the value of the benefits under the supplemental agreement are contained in the above Management Compensation table.

On December 17, 2020, the Company entered into a second supplemental executive retirement benefits agreement with Mr. Jones. Under the terms of this supplemental agreement, monthly payments to Mr. Jones will be made once he has attained the age of 70. The period of the benefit is 10 years or 120 monthly payments. During December of 2020, the Company accrued \$350,000 in expenses related to this second supplemental executive retirement benefits agreement. These accrued expenses are not included in the above Management Compensation table.

Equity Compensation Plan

The Bank's Omnibus Plan was approved by the Bank's shareholders at the 2012 annual meeting of shareholders and will expire by its terms in 2022. The 2012 Omnibus Plan allows for grants in the form of stock options, restricted stock and performance units. Employees and directors are both eligible to receive grants under the 2012 Omnibus Plan. Stock options may be issued as incentive stock options or as nonqualified stock options. The term of each option is established at the time it is granted but may not exceed ten years. Vesting is established at the time an option is granted. Restricted stock awards are subject to restrictions and the risk of forfeiture if conditions stated in the award agreement are not satisfied at the end of the restriction period. Vesting is also established on the grant date.

Certain Indebtedness and Transactions of Management

The Bank makes loans to its executive officers and directors in the ordinary course of its business. These loans are currently made on substantially the same terms, including interest rates, collateral and repayment terms, as those then prevailing for comparable transactions with nonaffiliated persons, and do not involve more than the normal risk of collectability or present any other unfavorable features. Applicable regulations prohibit the Bank from making loans to its executive officers and directors at terms more favorable than could be obtained by persons not affiliated with the Bank.

PROPOSAL 2

RATIFICATION OF SELECTION OF INDEPENDENT AUDITOR

Dixon Hughes Goodman LLP ("Dixon Hughes Goodman") has been appointed by the Audit Committee, and confirmed by the Board of Directors, as the Company's independent auditor for the year ending December 31, 2021. This appointment is being submitted to the Company's shareholders for ratification. Representatives of Dixon Hughes Goodman are expected to attend the Meeting and will be afforded an opportunity to make a statement, if they so desire, and to respond to appropriate questions from shareholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR RATIFICATION OF THE SELECTION OF DIXON HUGHES GOODMAN AS INDEPENDENT AUDITOR FOR THE BANK FOR THE FISCAL YEAR ENDING DECEMBER 31, 2021.

PROPOSAL 3

APPROVAL OF 2021 UB BANCORP OMNIBUS INCENTIVE PLAN

General

On February 18, 2021, the Board adopted the 2021 UB Bancorp Omnibus Incentive Plan (the “Plan”). After careful consideration, the Board strongly believes that the Plan is in the best long-term interests of the Company and its shareholders and has determined to submit the Plan for approval at the Meeting.

The Plan, which is an equity compensation plan, will not become effective unless approved by the Company’s shareholders. The purpose of the Plan is to further and promote the interests of the Company and its shareholders by enabling the Company, its subsidiaries and related entities, including the Bank, to attract, retain and motivate key employees and directors, and to align their interests with those of the Company’s shareholders. Additionally, the Plan’s objectives are to provide a competitive reward for achieving longer-term goals, provide balance to short-term incentive awards, and reinforce a unified perspective among participants serving the Company in differing capacities and areas of focus. To do so, the Plan offers a variety of equity-based incentive awards and opportunities to provide key employees and certain non-employees with relationships with the Company or a subsidiary (such as non-employee directors), with a proprietary interest in maximizing the growth, profitability and overall success of the Company. Grants or awards of equity-based compensation under the Plan are sometimes referred to herein as “Awards”.

The Board wants to have available the means to attract new talent and retain current personnel as the Company and the Bank continue to grow. Key employees who are officers of the Company, its subsidiaries and/or its related entities who are responsible for the management, growth and protection of the business of the Company, its subsidiaries and/or its related entities and whose performance or contribution, in the sole discretion of the Board of Directors (or a designated committee of the Board), benefits or will benefit the Company in a significant manner will be eligible for awards under the Plan (“Awards”). Non-employees (e.g., those with third party relationships such as non-employee directors of the Company and/or its subsidiaries) will also be eligible for Awards.

The Board plans to make Awards after receipt of shareholder approval; however, the value of the benefits or amounts that will be received by or allocated to the participants under the Plan are not determinable.

The Plan will be administered by the members of the Board (or a designated committee of the Board) who are considered both “non-employee directors” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and “outside directors” pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), and “independent” as that term is defined by the relevant stock exchange on which the Company’s Common Stock is then listed, or, if the Common Stock is not listed, as such term is defined by NASDAQ. Subject to the terms of the Plan and applicable law, the Board (or the designated committee) will have full power and authority to (i) designate participants; (ii) determine the type or types of Awards to be granted to each participant; (iii) determine the number of shares of the Company’s Common Stock to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent and under what circumstances Awards may be settled or exercised in cash, shares of the Company’s Common Stock owned by a participant, delivery by a participant of a personal recourse promissory note bearing interest payable not less than annually, other Awards, other property, net settlement, or any combination thereof, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine whether, to what extent and under what circumstances cash, shares of the Common Stock, other Awards, other property and other amounts payable with respect to an Award will be deferred either automatically or at the election of the holder thereof or of the Board; (vii) amend terms or conditions of any outstanding Awards, including without limitation, to accelerate the time or times at which the Award becomes vested, unrestricted or may be exercised, provided, however, that except as provided in the Plan, the Board may not accelerate the vesting of an Award to a date which is less than one year following the grant

date of such Award; (viii) correct any defect, supply any omission and reconcile any inconsistency in the Plan or any Award, in the manner and to the extent it deems desirable to carry the Plan into effect; (ix) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (x) establish, amend, suspend or waive such rules and regulations and appoint such agents, trustees, brokers, depositories and advisors and determine such terms of their engagement as it deems appropriate for the proper administration of the Plan and due compliance with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations; and (xi) make any other determination and take any other action that the Board deems necessary or desirable for the administration of the Plan and due compliance with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations.

Each grant of an Award will be evidenced by a written agreement and/or other instrument in such form and containing such terms and conditions consistent with the Plan as the Board may determine (“Award Agreement”).

The following description of the Plan is a summary of its terms and is qualified in its entirety by reference to the Plan, a copy of which is attached hereto as Appendix A.

Awards That May Be Granted

Eligible employees will be eligible for Awards of non-qualified stock options (“NSOs”), incentive stock options (“ISOs”), rights to receive shares of Common Stock at a future date or dates (“Restricted Stock Units”), restricted shares of the Common Stock (“Restricted Stock”), and/or performance units having a designated value (“Performance Units”). Non-employees (including non-employee directors of the Company) will be eligible for Awards of NSOs, Restricted Stock Units and/or Restricted Stock. If this Proposal 3 is approved by our shareholders, a total of 750,000 shares of Common Stock will be available under the Plan for making Awards. Except with respect to Awards then outstanding, unless sooner terminated, all Awards must be granted or awarded on or before the 10th anniversary of the date on which the Plan is approved by our shareholders and becomes effective by its terms.

Options. Options granted under the Plan may be either ISOs (for eligible employees) or NSOs (for eligible employees and non-employees). No ISO may be awarded under the Plan to any employee who owns more than 10% of the combined total voting power of the Company or any subsidiary, unless the requirements of Section 422(c)(6) of the Code are satisfied. The exercise price of any ISO or NSO (each, an “Option”) may not be less than 100% of the “fair market value” of a share of Common Stock on the date of grant, as determined in accordance with the Plan. For any participant who owns 10% or more of the combined total voting power of the Company or any subsidiary, the exercise price of an ISO will not be less than 110% of the “fair market value” of a share of Common Stock on the date of grant.

Until an Option is exercised, the participant will not have any right to vote, to receive dividends, or to have or exercise any other rights as a shareholder. In addition, upon exercising an Option, the participant will not be entitled to any dividends declared and paid on the underlying shares between the date of grant and the date of exercise.

The Board will determine the expiration date of each Option granted; provided, however, that the term of any ISO will not exceed ten years. For any participant who owns 10% or more of the combined total voting power of the Company or any subsidiary, the term of each ISO will not exceed five years. In the Board’s discretion, it may specify the period or periods of time within which each Option will vest and first become exercisable; provided, however, that except as provided in the Plan, an Option may not vest less than one year from its grant date.

Each Option granted under the Plan will terminate upon the expiration date established by the Board in the applicable Award Agreement. Otherwise, subject to the terms of the applicable Award Agreement:

- Upon termination of a participant’s employment, or termination of the term of a non-employee director, non-vested Options will be forfeited unless the termination is due to disability, retirement or death. In the event of disability, retirement or death, the Board may, in its discretion and in compliance with applicable law, decide to vest some or all of the non-vested Options.
- Upon a non-employee director ceasing to be a director other than by reason of disability, retirement or death, vested NSOs may continue to be exercisable for up to one year.

- Upon termination of a participant’s employment, other than by reason of disability, retirement or death, vested ISOs may continue to be exercisable for up to 30 days if the Board, in its discretion, so decides.
- Upon termination of a participant’s employment by reason of disability, vested ISOs will continue to be exercisable until the earlier of one year and the term of the Option.
- Upon termination of a participant’s employment by reason of retirement, vested ISOs will continue to be exercisable for three months.
- Upon the death of a participant, vested Options will continue to be exercisable for one year following such participant’s death (but in no event will vested ISOs be exercisable more than one year from the date of such participant’s termination of employment due to disability or three months from the date of such participant’s termination of employment due to retirement, as applicable).
- Upon a non-employee director ceasing to be a director or an employee being terminated, in each case by reason of disability or retirement, vested NSOs will continue to be exercisable for the unexpired term of the NSO.

Restricted Stock and Restricted Stock Units. The Board may award Restricted Stock and/or Restricted Stock Units (“Restricted Awards”) to eligible employees and non-employees (including non-employee directors). Restricted Awards will vest to the participant in accordance with a vesting schedule established by the Board and set forth in the relevant Award Agreement (the “Restriction Period”); provided, however, that except as provided in the Plan, a Restricted Award may not vest less than one year from its grant date. Until the expiration of the Restriction Period, and satisfaction of any other applicable restrictions, terms and conditions established by the Board, the Restricted Award will be unvested and the participant may not sell, assign, transfer, pledge, encumber or otherwise dispose of or hypothecate the Restricted Award (the “Transfer Restrictions”).

Except with respect to performance-based restrictions, the Award Agreement may provide that some or all of the shares of Common Stock subject to the Restricted Award will become free of restrictions and/or may be issued, as applicable, in the event of a participant’s disability, retirement or death during the Restriction Period. Otherwise, upon termination of employment, other than without cause for employees who do not have employment agreements, during the applicable Restriction Period, all outstanding Restricted Awards will be forfeited.

Performance Units. The Board may award Performance Units to eligible employees under the Plan. If the applicable performance goals established by the Board and set forth in the relevant Award Agreement are satisfied, a participant will be entitled to receive payment of the Performance Units in an amount equal to the designated value of each Performance Unit awarded, times the number of such Performance Units so earned. Payment in settlement of earned Performance Units will be made in cash. Upon termination of employment, all outstanding Performance Units will be forfeited unless the Award Agreement specifically provides otherwise.

Performance Based Compensation Awards

Awards (other than Options) to certain senior executives will, if the Board intends any such Award to qualify as ‘qualified performance based compensation’ under Section 162(m) of the Code, become earned and payable only if pre-established targets relating to one or more performance measures are achieved during a performance period or periods. Such targets may relate to the performance of the Company as a whole, or to one or more business units of the Company, and may be measured over such periods as the Board establishes in the applicable Award Agreement. The Board may utilize a number of performance measures as set forth in Section 8.4 of the Plan attached hereto as Appendix A. Such measures include, but are not limited to, return, revenue, income/earnings, expense, balance sheet/risk management, cash flow, share price strategic objectives, and other measures such as financial ratios, cost of capital or assets under management, and financing and other capital raising transactions.

Changes in Control/Related Entity Dispositions

Subject to certain limited exceptions, in the event of a Change in Control, all outstanding Awards will become fully vested and exercisable and be released from any restrictions on transfer (other than transfer restrictions applicable to ISOs) and repurchase or forfeiture rights, except to the extent that such acceleration of exercisability would result in an “excess parachute payment” within the meaning of Code Section 280G.

Subject to certain limited exceptions, in the event of a Related Entity Disposition, all outstanding Awards issued to participants who are engaged primarily in service to the related entity will become fully vested and exercisable and be released from any restrictions on transfer (other than transfer restrictions applicable to ISOs) and repurchase and forfeiture rights.

A “Change in Control” occurs when there has been (i) a Change of Ownership; (ii) a Change in Effective Control; or (iii) a Change of Asset Ownership, each within the meaning of Section 409A of the Code. A Change of Ownership occurs on the date one person (or group) acquires ownership of stock of the Company that, together with stock previously held, constitutes more than 50% of the total fair market value or total voting power of the outstanding stock of the Company, provided that such person (or group) did not previously own 50% or more of the value or voting power of the stock of the Company. A Change in Effective Control occurs on the date either (i) one person (or group) acquires (or has acquired during the preceding 12 months) ownership of stock of the Company possessing 30% or more of the total voting power of the Company’s outstanding stock; or (ii) a majority of the Board is replaced during any 12 month period by directors whose election is not endorsed by a majority of the members of the Board prior to such election. A Change of Asset Ownership occurs on the date one person (or group) acquires (or has acquired during the preceding 12 months) assets from the Company that have a total gross fair market value that is equal to or exceeds 40% of the total gross fair market value of all the Company’s assets immediately prior to such acquisition.

A “Related Entity Disposition” means the sale, distribution, or other disposition by the Company or a subsidiary of all or substantially all of the interests of the Company or a subsidiary in any related entity effected by a sale, merger or other transaction involving that related entity, or the sale of all or substantially all of the assets of that related entity, other than any Related Entity Disposition to the Company or a subsidiary.

Recapitalization Adjustments

Subject to any required action by the Company’s shareholders, the number of shares of Common Stock covered by each outstanding Award, the number of shares authorized for issuance under the Plan but as to which no Awards have been granted, and the exercise or purchase price of each such outstanding Award, as well as any other terms that the Board determines require adjustment, may be proportionately adjusted for (i) any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination, or reclassification of the Common Stock, or similar event affecting the Common Stock; (ii) any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; or (iii) as the Board determines in its exclusive discretion, any other transaction with respect to Common Stock to which Code Section 424(a) applies or any similar transaction.

Termination and Amendment

Unless sooner terminated, the Plan will continue in effect for a period of ten years from the date the Plan is approved by the Company’s shareholders and becomes effective by its terms. After such date no further Awards may be granted under the Plan; however the termination of the Plan will not affect any previously granted Awards. The Board may at any time suspend, terminate, amend or alter the Plan, subject to any applicable regulatory requirements and any required shareholder approval or any shareholder approval which the Board may deem advisable for any reason, such as for the purpose of obtaining or retaining any statutory or regulatory benefits under tax, securities or other laws or satisfying applicable stock exchange or quotation system listing requirements. Subject to certain limited exceptions, the Board may not make any such amendment, alteration, suspension or termination which would materially adversely affect the vested rights of any participant under any outstanding Award without the consent of such participant. The Board has broad authority to amend or modify any outstanding Award and Award Agreement; however, subject to certain limited exceptions, it may not make any such amendments or modifications that materially adversely affect the rights of any participant without the consent of such participant.

Federal Income Tax Consequences

The following discussion is a brief summary of the principal United States Federal income tax consequences under current Federal income tax laws relating to Awards under the Plan. This summary is not intended to be exhaustive and, among other things, does not describe state, local or foreign income and other tax consequences.

NSOs. An optionee will not recognize any taxable income upon the grant of an NSO and the Company will not be entitled to a tax deduction with respect to the grant of an NSO. Upon exercise of an NSO, the excess of the fair market value of the underlying shares of Common Stock on the exercise date over the option exercise price will be taxable as compensation income to the optionee and will be subject to applicable withholding taxes. The Company will generally be entitled to a tax deduction at such time in the amount of such compensation income. The optionee's tax basis for the shares received pursuant to the exercise of an NSO will equal the sum of the compensation income recognized and the exercise price.

In the event of a sale of shares of Common Stock received upon the exercise of an NSO, any appreciation or depreciation after the exercise date generally will be taxed as capital gain or loss and will be long-term capital gain or loss if the holding period for such shares is more than one year.

ISOs. An optionee will not recognize any taxable income at the time of grant or exercise of an ISO while an employee (or within three months after termination of employment, or one year if termination is by reason of death or disability), and the Company will not be entitled to a tax deduction with respect to such grant or exercise. Exercise of an ISO may, however, give rise to taxable compensation income subject to applicable withholding taxes, and a tax deduction to the Company, if the ISO is not exercised while the optionee is employed by the Company or within 90 days after termination of employment (or one year if termination is by reason of death or disability), or if the optionee subsequently engages in a 'disqualifying disposition,' as described below. Also, the excess of the fair market value of the underlying shares on the date of exercise over the exercise price will be an item of income for purposes of the optionee's alternative minimum tax.

A sale or exchange by an optionee of shares acquired upon the exercise of an ISO more than one year after the transfer of the shares to such optionee and more than two years after the date of grant of the ISO will result in any difference between the net sale proceeds and the exercise price being treated as long-term capital gain (or loss) to the optionee. If such sale or exchange takes place within two years after the date of grant of the ISO or within one year from the date of transfer of the ISO shares to the optionee, such sale or exchange will generally constitute a 'disqualifying disposition' of such shares that will have the following results: any excess of (i) the lesser of (a) the fair market value of the shares at the time of exercise of the ISO and (b) the amount realized on such disqualifying disposition of the shares over (ii) the option exercise price of such shares, will be ordinary income to the optionee, subject to applicable withholding taxes, and the Company will be entitled to a tax deduction in the amount of such income. Any further gain or loss after the date of exercise generally will qualify as capital gain or loss and will not result in any deduction by the Company.

Restricted Stock Units and Restricted Stock. The grant of an award of Restricted Stock Units or Restricted Stock will not result in income for the participant or in a tax deduction for the Company. Upon the settlement of such an Award, the participant will recognize ordinary income equal to the aggregate value of the payment received, and the Company generally will be entitled to a tax deduction in the same amount. Generally, upon a sale or other disposition of Restricted Stock with respect to which the participant has recognized ordinary income (i.e., a Section 83(b) election was previously made or the restrictions were previously removed), the participant will recognize capital gain or loss in an amount equal to the difference between the amount realized on such sale or other disposition and the participant's basis in such shares. Such gain or loss will be long-term capital gain or loss if the holding period for such shares is more than one year.

Performance Units. The grant of an award of Performance Units will not result in income for the participant or in a tax deduction for the Company. Upon the settlement of such an Award, the participant will recognize ordinary income equal to the aggregate value of the payment received, and the Company generally will be entitled to a tax deduction in the same amount.

The above and other descriptions of Federal income tax consequences are necessarily general in nature and do not purport to be complete. Moreover, statutory provisions are subject to change, as are their interpretations, and their application may vary in individual circumstances. Such descriptions may not be used to avoid any Federal tax penalty, and are provided on the basis and with the intent that such descriptions may not be used to avoid any federal tax penalty. Such descriptions are written to support this Proxy Statement. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor. Finally,

the consequences under applicable state and local income tax laws may not be the same as under the Federal income tax laws.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE UB BANCORP 2021 OMNIBUS INCENTIVE PLAN

DATE FOR RECEIPT OF SHAREHOLDERS' PROPOSALS

It is anticipated that the 2022 Annual Meeting of Shareholders will be held on a date in May of 2022. Any proposal of a shareholder which is intended to be presented at the 2022 annual meeting must be received by the Company at its office at 1011 Red Banks Road, Greenville, NC 27858 at least 60 days before the first anniversary of the date of the proxy statement for the last preceding annual meeting of shareholders (i.e. February 1, 2022) in order that any such proposal be timely received for inclusion in the proxy statement and appointment of proxy to be issued in connection with that meeting. The Company will use its discretionary authority for any proposals received thereafter.

OTHER MATTERS

Management knows of no other matters to be presented for consideration at the Meeting or any adjournments thereof. If any other matters shall properly come before the Meeting, it is intended that the proxyholders named in the enclosed form of proxy will vote the shares represented thereby in accordance with their judgment, pursuant to the discretionary authority granted therein.

WHERE YOU CAN FIND MORE INFORMATION

The Company is not subject to the informational reporting requirements of the Exchange Act. Therefore, it neither files nor is required to file periodic reports, proxy statements, and other informational statements with the Securities and Exchange Commission pursuant to the Exchange Act. The Bank, however, files periodic reports of condition and income, or call reports, with the Federal Deposit Insurance Corporation (the "FDIC"). These call reports are available electronically through the FDIC website, www.fdic.gov/bank/statistical/. Physical copies of the call reports can be requested through the Corporate Secretary of the Company at the address below.

Additional information about the Company and the Bank is also available at the Bank's web site, www.unionbanknc.com. A copy of the Company's 2020 Annual Report accompanies this Proxy Statement and contains its consolidated financial statements for the fiscal year ended December 31, 2020, which statements have been audited by Dixon Hughes Goodman LLP. Additional financial information can also be found and obtained under the Resources – Investor Relations section of the Bank's website or upon written or oral request to Scott C. McLean, Chief Financial Officer, UB Bancorp, 1011 Red Banks Road, Greenville, NC 27858 (252) 917-5735.

Information included in the website of the Bank, or any other websites, does not form any part of this Proxy Statement.

By Order of the Board of Directors,



V. Robert Jones
President and Chief Executive Officer

Greenville, North Carolina
April 1, 2021

