

UNITY BANCORP INC /NJ/
Form 10-Q
November 06, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____.

Commission File Number 1-12431

Unity Bancorp, Inc.

(Exact name of registrant as specified in its charter)

New Jersey 22-3282551
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

64 Old Highway 22, Clinton, NJ 08809
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (908) 730-7630

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934, as amended, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act):

Large accelerated filer Accelerated filer Nonaccelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act:

Yes No

The number of shares outstanding of each of the registrant's classes of common equity stock, as of October 31, 2015
common stock, no par value: 8,428,865 shares outstanding.

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PART I CONSOLIDATED FINANCIAL INFORMATION

ITEM 1 Consolidated Financial Statements (Unaudited)

Unity Bancorp, Inc.

Consolidated Balance Sheets

(Unaudited)

(In thousands)	September 30, 2015	December 31, 2014
ASSETS		
Cash and due from banks	\$ 21,863	\$ 29,351
Federal funds sold and interest-bearing deposits	66,994	100,470
Cash and cash equivalents	88,857	129,821
Securities:		
Securities available for sale	53,470	60,073
Securities held to maturity (fair value of \$18,147 and \$20,281, respectively)	18,022	20,009
Total securities	71,492	80,082
Loans:		
SBA loans held for sale	13,937	5,179
SBA loans held for investment	39,728	40,401
SBA 504 loans	29,221	34,322
Commercial loans	442,970	401,949
Residential mortgage loans	255,447	220,878
Consumer loans	74,257	59,096
Total loans	855,560	761,825
Allowance for loan losses	(12,421)	(12,551)
Net loans	843,139	749,274
Premises and equipment, net	15,297	15,231
Bank owned life insurance ("BOLI")	13,285	13,001
Deferred tax assets	6,107	5,860
Federal Home Loan Bank ("FHLB") stock	4,510	6,032
Accrued interest receivable	3,704	3,518
Other real estate owned ("OREO")	1,759	1,162
Goodwill and other intangibles	1,516	1,516
Other assets	3,045	3,291

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Total assets	\$ 1,052,711	\$ 1,008,788
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing demand	\$ 175,298	\$ 152,785
Interest-bearing demand	123,984	128,875
Savings	299,017	300,348
Time, under \$100,000	124,348	113,119
Time, \$100,000 and over, under \$250,000	115,912	81,532
Time, \$250,000 and over	27,688	17,682
Total deposits	866,247	794,341
Borrowed funds	90,000	125,000
Subordinated debentures	15,465	15,465
Accrued interest payable	460	474
Accrued expenses and other liabilities	4,474	3,385
Total liabilities	976,646	938,665
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock	59,205	58,785
Retained earnings	17,270	11,195
Accumulated other comprehensive (loss) income	(410)	143
Total shareholders' equity	76,065	70,123
Total liabilities and shareholders' equity	\$ 1,052,711	\$ 1,008,788
Issued and outstanding common shares	8,429	8,388

The accompanying notes to the Consolidated Financial Statements are an integral part of these statements.

Unity Bancorp, Inc.

Consolidated Statements of Income

(Unaudited)

(In thousands, except per share amounts)	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
INTEREST INCOME				
Federal funds sold and interest-bearing deposits	\$ 11	\$ 12	\$ 26	\$ 31
FHLB stock	36	40	117	127
Securities:				
Taxable	349	461	1,100	1,740
Tax-exempt	71	81	213	275
Total securities	420	542	1,313	2,015
Loans:				
SBA loans	696	636	1,980	1,863
SBA 504 loans	353	419	1,068	1,251
Commercial loans	5,378	4,926	15,720	14,264
Residential mortgage loans	2,811	2,327	8,108	6,438
Consumer loans	849	589	2,322	1,628
Total loans	10,087	8,897	29,198	25,444
Total interest income	10,554	9,491	30,654	27,617
INTEREST EXPENSE				
Interest-bearing demand deposits	108	98	317	318
Savings deposits	255	216	789	586
Time deposits	839	725	2,250	2,062
Borrowed funds and subordinated debentures	730	820	2,289	2,426
Total interest expense	1,932	1,859	5,645	5,392
Net interest income	8,622	7,632	25,009	22,225
Provision for loan losses	200	550	400	1,700
Net interest income after provision for loan losses	8,422	7,082	24,609	20,525
NONINTEREST INCOME				
Branch fee income	399	388	1,118	1,106
Service and loan fee income	306	292	1,068	872
Gain on sale of SBA loans held for sale, net	308	295	671	633

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Gain on sale of mortgage loans, net	926	263	1,957	816
BOLI income	95	400	284	593
Net security gains	-	-	28	378
Other income	241	215	683	621
Total noninterest income	2,275	1,853	5,809	5,019
NONINTEREST EXPENSE				
Compensation and benefits	3,814	3,214	10,767	9,553
Occupancy	598	604	1,871	1,882
Processing and communications	631	667	1,841	1,847
Furniture and equipment	393	377	1,189	1,112
Professional services	251	159	729	617
Loan costs	265	225	647	569
OREO expenses	15	71	117	414
Deposit insurance	163	166	496	515
Advertising	203	291	728	729
Other expenses	519	467	1,619	1,406
Total noninterest expense	6,852	6,241	20,004	18,644
Income before provision for income taxes	3,845	2,694	10,414	6,900
Provision for income taxes	1,294	808	3,496	2,193
Net income	\$ 2,551	\$ 1,886	\$ 6,918	\$ 4,707
Net income per common share - Basic	\$ 0.30	\$ 0.24	\$ 0.82	\$ 0.61
Net income per common share - Diluted	\$ 0.30	\$ 0.24	\$ 0.81	\$ 0.61
Weighted average common shares outstanding - Basic	8,427	7,847	8,423	7,680
Weighted average common shares outstanding - Diluted	8,536	7,946	8,524	7,765

The accompanying notes to the Consolidated Financial Statements are an integral part of these statements.

Unity Bancorp, Inc.

Consolidated Statements of Comprehensive Income

(Unaudited)

	For the three months ended			September 30, 2014		
	September 30, 2015			September 30, 2014		
	Income		Net of	Income		Net of
	Before	tax	tax	Before	tax	Net of
	tax	expense	amount	tax	expense	tax
(In thousands)	amount	(benefit)	amount	amount	(benefit)	amount
Net income	\$ 3,845	\$ 1,294	\$ 2,551	\$ 2,694	\$ 808	\$ 1,886
Other comprehensive income (loss)						