

UNITY BANCORP INC /NJ/
Form 10-Q
May 10, 2016

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 March 31, 2016

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 April 30, 2016
common stock, no par value: 8,468,464 shares outstanding.

Table of Contents

PART I	<u>CONSOLIDATED FINANCIAL INFORMATION</u>	Page #
ITEM 1	<u>Consolidated Financial Statements (Unaudited)</u>	3
	<u>Consolidated Balance Sheets at March 31, 2016 and December 31, 2015</u>	3
	<u>Consolidated Statements of Income For the three months ended March 31, 2016 and 2015</u>	4
	<u>Consolidated Statements of Comprehensive Income For the three months ended March 31, 2016 and 2015</u>	5
	<u>Consolidated Statements of Changes in Shareholders' Equity For the three months ended March 31, 2016 and 2015</u>	6
	<u>Consolidated Statements of Cash Flows For the three months ended March 31, 2016 and 2015</u>	7
	<u>Notes to the Consolidated Financial Statements</u>	9
ITEM 2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35
ITEM 3	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	50
ITEM 4	<u>Controls and Procedures</u>	51
PART II	<u>OTHER INFORMATION</u>	51
ITEM 1	<u>Legal Proceedings</u>	51
ITEM 1A	<u>Risk Factors</u>	51
ITEM 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	51
ITEM 3	<u>Defaults upon Senior Securities</u>	51
ITEM 4	<u>Mine Safety Disclosures</u>	51
ITEM 5	<u>Other Information</u>	51
ITEM 6	<u>Exhibits</u>	51
	<u>SIGNATURES</u>	52
	<u>EXHIBIT INDEX</u>	53

Exhibit 31.1

Exhibit 31.2

Exhibit 32.1

2

PART I CONSOLIDATED FINANCIAL INFORMATION

ITEM 1 Consolidated Financial Statements (Unaudited)

Unity Bancorp, Inc.

Consolidated Balance Sheets

(Unaudited)

(In thousands)	March 31, 2016	Dec. 31, 2015
ASSETS		
Cash and due from banks	\$ 26,919	\$ 22,681
Federal funds sold and interest-bearing deposits	99,554	65,476
Cash and cash equivalents	126,473	88,157
Securities:		
Securities available for sale	48,566	52,865
Securities held to maturity (fair value of \$18,556 and \$18,607, respectively)	18,163	18,471
Total securities	66,729	71,336
Loans:		
SBA loans held for sale	13,224	13,114
SBA loans held for investment	38,863	39,393
SBA 504 loans	27,482	29,353
Commercial loans	467,266	465,518
Residential mortgage loans	260,957	264,523
Consumer loans	79,198	77,057
Total loans	886,990	888,958
Allowance for loan losses	(12,634)	(12,759)
Net loans	874,356	876,199
Premises and equipment, net	19,211	15,171
Bank owned life insurance ("BOLI")	13,475	13,381
Deferred tax assets	6,029	5,968
Federal Home Loan Bank ("FHLB") stock	4,735	4,600
Accrued interest receivable	3,839	3,884
Other real estate owned ("OREO")	1,417	1,591

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Goodwill and other intangibles	1,516	1,516
Other assets	3,175	3,063
Total assets	\$ 1,120,955	\$ 1,084,866
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing demand	\$ 188,026	\$ 185,267
Interest-bearing demand	128,774	130,605
Savings	320,982	301,447
Time, under \$100,000	145,784	134,468
Time, \$100,000 and over, under \$250,000	106,419	104,106
Time, \$250,000 and over	36,834	38,600
Total deposits	926,819	894,493
Borrowed funds	95,000	92,000
Subordinated debentures	10,310	15,465
Accrued interest payable	390	461
Accrued expenses and other liabilities	6,160	3,977
Total liabilities	1,038,679	1,006,396
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock	59,546	59,371
Retained earnings	23,431	19,566
Accumulated other comprehensive (loss)	(701)	(467)
Total shareholders' equity	82,276	78,470
Total liabilities and shareholders' equity	\$ 1,120,955	\$ 1,084,866
Issued and outstanding common shares	8,468	8,436

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 March 31,	
	2016	2015
INTEREST INCOME		
Federal funds sold and interest-bearing deposits	\$ 44	\$ 9
FHLB stock	52	44
Securities:		
Taxable	363	387
Tax-exempt	62	72
Total securities	425	459
Loans:		
SBA loans	721	679
SBA 504 loans	385	346
Commercial loans	5,676	5,066
Residential mortgage loans	2,942	2,582
Consumer loans	931	699
Total loans	10,655	9,372
Total interest income	11,176	9,884
INTEREST EXPENSE		
Interest-bearing demand deposits	137	106
Savings deposits	366	264
Time deposits	951	686
Borrowed funds and subordinated debentures	735	808
Total interest expense	2,189	1,864
Net interest income	8,987	8,020
Provision for loan losses	200	200
Net interest income after provision for loan losses	8,787	7,820
NONINTEREST INCOME		
Branch fee income	333	346
Service and loan fee income	255	296
Gain on sale of SBA loans held for sale, net	308	363
Gain on sale of mortgage loans, net	715	344
BOLI income	94	94
Net security gains	94	-
Gain on repurchase of subordinated debt	2,264	-
Other income	217	198
Total noninterest income	4,280	1,641
NONINTEREST EXPENSE		
Compensation and benefits	3,549	3,472
Occupancy	618	672
Processing and communications	598	596
Furniture and equipment	420	373
Professional services	255	236

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Loan costs	198	221
OREO expenses	24	35
Deposit insurance	160	183
Advertising	241	182
Other expenses	544	532
Total noninterest expense	6,607	6,502
Income before provision for income taxes	6,460	2,959
Provision for income taxes	2,255	1,020
Net income	\$ 4,205	\$ 1,939

Net income per common share - Basic	\$ 0.50	\$ 0.23
Net income per common share - Diluted	\$ 0.48	\$ 0.23

Weighted average common shares outstanding - Basic	8,459	8,417
Weighted average common shares outstanding - Diluted	8,682	8,514

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			For the three months ended		
	March 31, 2016			March 31, 2015		
	Before	Income	Net of	Before	Income	Net of
(In thousands)	tax	tax	tax	tax	tax	tax
	amount	expense	amount	amount	expense	amount
		(benefit)			(benefit)	
Net income	\$ 6,460	\$ 2,255	\$ 4,205	\$ 2,959	\$ 1,020	\$ 1,939
Other comprehensive income (loss)						
Investment securities available for sale:						
Unrealized holding gains on securities arising during the period	152	55	97	62	25	37
Less: reclassification adjustment for gains on securities included in net income	94	33	61	-	-	-
Total unrealized gains on securities available for sale	58	22	36	62	25	37
Adjustments related to defined benefit plan:						
Amortization of prior service cost	20	-	20	-	-	-
Total adjustments related to defined benefit plan	20	-	20	-	-	-
Net unrealized gains(losses) from cash flow hedges:						
Unrealized holding loss on cash flow hedges arising during the period	(492)	(202)	(290)	-	-	-
Total unrealized loss on cash flow hedges	(492)	(202)	(290)	-	-	-
Total other comprehensive income	(414)	\$ (180)	\$ (234)	62	\$ 25	\$ 37
Total comprehensive income	\$ 6,046	\$ 2,075	\$ 3,971	\$ 3,021	\$ 1,045	\$ 1,976

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

Unity Bancorp, Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the three months ended March 31, 2016 and 2015

(Unaudited)

	Common stock	Accumulated other	Total
(In thousands)			