

UNITY BANCORP INC /NJ/
Form 10-Q
August 07, 2018

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 June 30, 2018

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 July 31, 2018
common stock, no par value: 10,736,071 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)	June 30, 2018	December 31, 2017
ASSETS		
Cash and due from banks	\$26,784	\$ 23,701
Federal funds sold, interest-bearing deposits and repos	112,491	126,553
Cash and cash equivalents	139,275	150,254
Securities:		
Securities available for sale (amortized cost of \$50,133 and \$52,763 in 2018 and 2017, respectively)	48,707	52,287
Securities held to maturity (fair value of \$15,614 and \$16,346 in 2018 and 2017, respectively)	15,777	16,307
Equity securities (amortized cost of \$1,262 in 2018 and 2017)	1,198	1,206
Total securities	65,682	69,800
Loans:		
SBA loans held for sale	14,889	22,810
SBA loans held for investment	41,351	43,999
Commercial loans	673,480	628,865
Residential mortgage loans	398,383	365,145
Consumer loans	118,408	109,855
Total loans	1,246,511	1,170,674
Allowance for loan losses	(14,634)	(13,556)
Net loans	1,231,877	1,157,118
Premises and equipment, net	23,493	23,470
Bank owned life insurance ("BOLI")	24,573	24,227
Deferred tax assets	4,438	4,017
Federal Home Loan Bank ("FHLB") stock	11,245	12,863
Accrued interest receivable	6,027	5,447
Other real estate owned ("OREO")	56	426
Goodwill	1,516	1,516
Prepaid expenses and other assets	5,938	6,358
Total assets	\$1,514,120	\$ 1,455,496
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing demand	\$250,500	\$ 256,119
Interest-bearing demand	160,327	164,997
Savings	398,694	396,557
Time, under \$100,000	190,282	133,881
Time, \$100,000 to \$250,000	108,854	71,480
Time, \$250,000 and over	37,742	20,103
Total deposits	1,146,399	1,043,137
Borrowed funds	220,000	275,000
Subordinated debentures	10,310	10,310
Accrued interest payable	509	436

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Accrued expenses and other liabilities	8,761	8,508
Total liabilities	1,385,979	1,337,391
Shareholders' equity:		
Common stock	87,755	86,782
Retained earnings	40,386	31,117
Accumulated other comprehensive income	—	206
Total shareholders' equity	128,141	118,105
Total liabilities and shareholders' equity	\$1,514,120	\$1,455,496
Issued and outstanding common shares	10,731	10,615

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

Unity Bancorp, Inc.
Consolidated Statements of Income
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
(In thousands, except per share amounts)	2018	2017	2018	2017
INTEREST INCOME				
Federal funds sold, interest-bearing deposits and repos	\$ 171	\$ 203	\$ 376	\$ 332
FHLB stock	123	73	257	166
Securities:				
Taxable	484	538	976	1,030
Tax-exempt	30	44	61	88
Total securities	514	582	1,037	1,118
Loans:				
SBA loans	1,131	886	2,314	1,739
Commercial loans	8,209	6,882	15,934	13,350
Residential mortgage loans	4,522	3,584	8,863	6,967
Consumer loans	1,699	1,267	3,228	2,400
Total loans	15,561	12,619	30,339	24,456
Total interest income	16,369	13,477	32,009	26,072
INTEREST EXPENSE				
Interest-bearing demand deposits	259	161	483	314
Savings deposits	943	678	1,719	1,261
Time deposits	1,303	814	2,302	1,618
Borrowed funds and subordinated debentures	720	674	1,489	1,338
Total interest expense	3,225	2,327	5,993	4,531
Net interest income	13,144	11,150	26,016	21,541
Provision for loan losses	550	400	1,050	650
Net interest income after provision for loan losses	12,594	10,750	24,966	20,891
NONINTEREST INCOME				
Branch fee income	419	344	750	675
Service and loan fee income	411	512	976	1,024
Gain on sale of SBA loans held for sale, net	582	479	1,130	963
Gain on sale of mortgage loans, net	421	264	845	796
BOLI income	175	89	346	178
Net security gains (losses)	7	16	(9)	16
Other income	297	317	560	573
Total noninterest income	2,312	2,021	4,598	4,225
NONINTEREST EXPENSE				
Compensation and benefits	4,736	4,299	9,570	8,394
Occupancy	693	590	1,383	1,190
Processing and communications	674	632	1,363	1,236
Furniture and equipment	610	513	1,146	1,024
Professional services	161	251	412	477
Loan collection and OREO expenses	6	38	11	379
Other loan expenses	53	18	86	102
Deposit insurance	216	144	402	220

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