

**For Immediate Release**

**Unity Bancorp, Inc. (NASDAQ: UNTY)  
July 23, 2020**

**News Media & Financial Analyst Contact:**

**Anthony Cossetti, EVP and CFO  
(908)713-4565**



## Unity Bancorp Reports Quarterly Earnings of \$5.2 Million



Net Income per  
Diluted Share =  
\$0.47

ROA = 1.19%

ROE = 12.59%

Net Interest  
Margin = 3.73%

### CEO COMMENTARY:

James A. Hughes, President and CEO, stated:

We are living in unprecedented times and throughout this challenging environment, our team has worked diligently to keep our employees and customers safe.

During the quarter, we devoted significant resources to ensure every eligible Unity Bank small business customer who applied received a Paycheck Protection Program (PPP) loan. In addition, we were successful in working with new customers to obtain PPP loans. I am extremely proud of our efforts to assist our local small businesses in obtaining critical funds when they need it most.

Many of our customers were negatively impacted by mandatory business closures and restrictions. In trying to do what is best for our customers, we proactively assisted them with loan deferrals which have terms of 3 or 6 months.

Despite the many challenges from the pandemic, our results for the quarter were still strong. Our mortgage division had record loan volume and our fundamentals remain sound. I am optimistic that the vast majority of our small businesses will survive and the economy will begin to recover in the second half of the year. Our team of community bankers are here for our customers and we look forward to reporting our progress.



Clinton, NJ, July 23, 2020 - Unity Bancorp, Inc. (NASDAQ: UNTY), parent company of Unity Bank, reported net income of \$5.2 million, or \$0.47 per diluted share, for the quarter ended June 30, 2020, an 11.4 percent decrease compared to \$5.8 million, or \$0.53 per diluted share for the prior year's second quarter. For the six months ended June 30, 2020, Unity reported net income of \$10.5 million, or \$0.96 per diluted share, an 8.9 percent decrease compared to \$11.6 million or \$1.05 per diluted share for the prior year's period. The decreases in earnings were primarily due to an increased provision for loan losses, necessitated by the COVID-19 pandemic and governmental responses.

### *Second Quarter Earnings Highlights*

- Net interest income, our primary driver of earnings, increased \$1.3 million to \$15.5 million for the quarter ended June 30, 2020, compared to the prior year's quarter, due to SBA PPP loans, commercial loan growth and a reduction in the cost of funds.
- Net interest margin (NIM) decreased to 3.73% for the quarter ended June 30, 2020, compared to 3.96% for the prior year's quarter and decreased 19 basis points from 3.92% in the prior sequential quarter ended March 31, 2020. These decreases were a direct result of interest rate cuts by the Board of Governors of the Federal Reserve in response to COVID-19.
- The provision for loan losses was \$2.5 million for the quarter ended June 30, 2020, an increase of \$2.2 million from the prior year's quarter due to the increased risk of loan defaults as a result of COVID-19. Some of our customer's businesses have been required to close pursuant to governmental restrictions on non-essential businesses. Due to the uncertainty of COVID-19, the Company may incur elevated provisions until restrictions on businesses have been loosened and they can fully reopen.
- Noninterest income increased \$400 thousand to \$2.8 million compared to the prior year's quarter and increased \$266 thousand compared to the prior sequential quarter. The increases were primarily due to increased gains on mortgage loan sales. Mortgage banking has been strong and market conditions continue to be favorable. For the quarter ended June 30, 2020, quarterly residential mortgage loan sales totaled \$67.3 million, compared to \$23.6 million at June 30, 2019.
- Noninterest expense increased \$386 thousand to \$9.2 million compared to the prior year's quarter, primarily due to increased consulting expenses incurred in connection with compliance with our Consent Order with the FDIC and NJDOBI and increased compensation due to increased mortgage commissions. Noninterest expense decreased \$146 thousand compared to the prior sequential quarter.
- The effective tax rate was 22.3% compared to 22.0% in the prior year's quarter.

### *Balance Sheet Highlights*

- Total loans increased \$166.9 million, or 11.7%, from year-end 2019 to \$1.6 billion at June 30, 2020. The increase was primarily due to \$136.0 million in SBA PPP loan originations.
- Total deposits increased \$233.3 million, or 18.7%, from year-end 2019 to \$1.5 billion at June 30, 2020 primarily due to increased noninterest-bearing demand deposits, resulting from the distribution of PPP funds and a strategic increase in brokered time deposits in the prior sequential quarter.
- Borrowed funds decreased \$60.0 million to \$223.0 million at June 30, 2020.
- Shareholders' equity was \$166.6 million at June 30, 2020, an increase of \$5.9 million from year-end 2019, due primarily to retained net income. During the second quarter, the Company repurchased 200,809 shares of common stock for a total cost of \$2.8 million. Under its existing

buyback program, the Company can repurchase up to an additional 313,651 shares. The timing and amount of additional purchases, if any, will depend upon a number of factors including the Company's capital needs, the performance of its loan portfolio, the need for additional provisions for loan losses, whether related to the COVID-19 pandemic or otherwise, the market price of the Company's stock and the general impact of the COVID-19 pandemic on the economy.

- Book value per common share was \$15.53 as of June 30, 2020.
- At June 30, 2020, the Community Bank Leverage Ratio was 10.01%.
- Nonperforming assets were \$10.2 million, which consisted of \$6.2 million of residential mortgage loans. The allowance to total loans ratio was 1.27% at June 30, 2020. Net recoveries were \$358 thousand for the quarter.

### *Paycheck Protection Program Loans*

As of June 30, 2020, the Company funded 1,217 Small Business Administration ("SBA") Paycheck Protection Program loans. Executed by the SBA, under the Paycheck Protection Program, established by the U.S. Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Company was able to assist numerous small businesses in continuing to pay expenses, including payroll to retain their staff. PPP loans booked have an annual interest rate of 1% and are 100% guaranteed by the SBA. Most of these loans have a two-year term.

### *Loan Deferrals*

During the first and second quarters of 2020, the Bank prudently worked with borrowers that may be unable to meet their contractual obligations because of the effects of COVID-19. The loan deferrals have terms of 3 or 6 months. The table below summarizes loan deferrals as of June 30, 2020.

	<b>Loan Deferrals to Total Loan Portfolio</b>		
	<b>Total Loan Portfolio Balance</b>	<b>Loan Deferrals - Unpaid Principal Balance</b>	<b>% of Deferrals to Total Loans</b>
<i>(In thousands, except percentages)</i>			
SBA loans held for sale	\$ 10,602	\$ -	0%
SBA loans held for investment	36,966	-	0%
SBA PPP loans	136,039	-	0%
Commercial loans	792,752	277,323	35%
Net residential mortgage loans*	469,987	68,142	14%
Consumer loans	146,161	9,144	6%
<b>Total loans</b>	<b>\$ 1,592,507</b>	<b>\$ 354,609</b>	<b>22%</b>

\*A total of \$88.5 million in mortgage loan forbearances were requested. \$21.8 million of these mortgage loan forbearances were in current payment status as of June 30, 2020, thus a net \$66.7 million is reported above.

Commercial loan customer deferrals included a concentration in those industries more impacted by the pandemic including commercial strip malls, restaurants, transport services, hotels, gyms and beauty shops.

### *Consent Order*

- In July 2020, Unity Bank agreed to the issuance of a Consent Order by the Federal Deposit Insurance Corporation (“FDIC”) and agreed to an Acknowledgement and Consent of the FDIC Consent Order with the Commissioner of Banking and Insurance for the State of New Jersey. The Consent Order requires the Bank to strengthen its Bank Secrecy Act (“BSA”)/anti-money laundering (“AML”) program, and to address related matters. The Bank hired a consulting firm who it has been working with to effectively address all matters pertaining to the order.

### *Other Highlights*

- American Banker magazine released its list of the top publicly traded community banks. There were 511 banks with total assets of less than \$2 billion as of December 31, 2019, of which Unity Bank was ranked 15<sup>th</sup> nationally. Unity Bank has been on the list for five consecutive years.

Unity Bancorp, Inc. is a financial service organization headquartered in Clinton, New Jersey, with approximately \$1.9 billion in assets and \$1.5 billion in deposits. Unity Bank provides financial services to retail, corporate and small business customers through its 19 retail service centers located in Bergen, Hunterdon, Middlesex, Somerset, Union and Warren Counties in New Jersey and Northampton County in Pennsylvania. For additional information about Unity, visit our website at [www.unitybank.com](http://www.unitybank.com), or call 800- 618-BANK.

*This news release contains certain forward-looking statements, either expressed or implied, which are provided to assist the reader in understanding anticipated future financial performance. These statements may be identified by use of the words “believe”, “expect”, “intend”, “anticipate”, “estimate”, “project” or similar expressions. These statements involve certain risks, uncertainties, estimates and assumptions made by management, which are subject to factors beyond the company’s control and could impede its ability to achieve these goals. These factors include those items included in our Annual Report on Form 10-K under the heading “Item 1A-Risk Factors” as amended or supplemented by our subsequent filings with the SEC, as well as general economic conditions, trends in interest rates, the ability of our borrowers to repay their loans, our ability to manage and reduce the level of our nonperforming assets, results of regulatory exams, and the impact of COVID-19 on the Bank, its employees and customers, among other factors.*



**UNITY BANCORP, INC.**  
**SUMMARY FINANCIAL HIGHLIGHTS**  
**June 30, 2020**

*(In thousands, except percentages and per share amounts)*

				June 30, 2020 vs.	
	June 30, 2020	March 31, 2020	June 30, 2019	March 31, 2020	June 30, 2019
				%	%
<b>BALANCE SHEET DATA:</b>					
Total assets	\$ 1,900,774	\$ 1,740,076	\$ 1,626,737	9.2 %	16.8 %
Total deposits	1,483,457	1,378,618	1,264,353	7.6	17.3
Total loans	1,592,507	1,439,645	1,344,757	10.6	18.4
Total securities	54,888	58,002	62,122	(5.4)	(11.6)
Total shareholders' equity	166,607	164,305	149,383	1.4	11.5
Allowance for loan losses	(20,234)	(17,376)	(15,965)	16.4	26.7
<b>FINANCIAL DATA - QUARTER TO DATE:</b>					
Income before provision for income taxes	\$ 6,659	\$ 6,966	\$ 7,480	(4.4)	(11.0)
Provision for income taxes	1,488	1,598	1,646	(6.9)	(9.6)
Net income	\$ 5,171	\$ 5,368	\$ 5,834	(3.7)	(11.4)
Net income per common share - Basic	\$ 0.48	\$ 0.49	\$ 0.54	(2.0)	(11.1)
Net income per common share - Diluted	\$ 0.47	\$ 0.49	\$ 0.53	(4.1)	(11.3)
Performance ratios:					
Return on average assets	1.19 %	1.32 %	1.54 %		
Return on average equity	12.59 %	13.23 %	16.01 %		
Efficiency ratio (1)	50.27 %	51.92 %	53.20 %		
Net interest margin	3.73 %	3.92 %	3.96 %		
Noninterest expense to average assets	2.10 %	2.29 %	2.32 %		
<b>FINANCIAL DATA - YEAR TO DATE:</b>					
Income before provision for income taxes	\$ 13,625		\$ 14,740		(7.6)
Provision for income taxes	3,086		3,166		(2.5)
Net income	\$ 10,539		\$ 11,574		(8.9)
Net income per common share - Basic	\$ 0.97		\$ 1.07		(9.3)
Net income per common share - Diluted	\$ 0.96		\$ 1.05		(8.6)
Performance ratios:					
Return on average assets	1.25 %		1.55 %		(19.4)
Return on average equity	12.91 %		16.26 %		(20.6)
Efficiency ratio (1)	51.08 %		52.87 %		(3.4)
Net interest margin	3.82 %		4.01 %		(4.7)
Noninterest expense to average assets	2.19 %		2.31 %		(5.2)
<b>SHARE INFORMATION:</b>					
Market price per share	\$ 14.30	\$ 11.70	\$ 22.70	22.2	(37.0)
Dividends paid	\$ 0.08	\$ 0.08	\$ 0.08	-	-
Book value per common share	\$ 15.53	\$ 15.10	\$ 13.76	2.8	12.9
Average diluted shares outstanding (QTD)	10,888	11,037	11,026	(1.4)	(1.3)
<b>CAPITAL RATIOS:</b>					
Total equity to total assets	8.77 %	9.44 %	9.18 %		
Leverage ratio (2)	10.01 %	10.56 %	10.36 %		
<b>CREDIT QUALITY AND RATIOS:</b>					
Nonperforming assets	\$ 10,184	\$ 11,178	\$ 5,336	(8.9)	90.9
QTD net (recoveries) chargeoffs (annualized) to QTD average loans	(0.09) %	0.15 %	0.02 %		
Allowance for loan losses to total loans	1.27 %	1.21 %	1.19 %		
Nonperforming loans to total loans	0.59 %	0.67 %	0.33 %		
Nonperforming assets to total assets	0.54 %	0.64 %	0.33 %		

(1) The efficiency ratio is a non-GAAP measure that represents the ratio of non-interest expenses divided by the net-interest income and non-interest income.  
(2) The Bank adopted the CBLR in the first quarter of 2020, and will therefore not be required to comply with the Basel III capital requirements.



UNITY BANCORP, INC.  
CONSOLIDATED BALANCE SHEETS  
June 30, 2020

(In thousands, except percentages)

	June 30, 2020	December 31, 2019	June 30, 2019	June 30, 2020 vs.	
				December 31, 2019	June 30, 2019
				%	%
<b>ASSETS</b>					
Cash and due from banks	\$ 24,066	\$ 21,106	\$ 21,606	14.0 %	11.4 %
Fed funds, interest-bearing deposits and repos	162,617	136,910	133,234	18.8	22.1
Cash and cash equivalents	186,683	158,016	154,840	18.1	20.6
Securities:					
Securities available for sale	53,102	64,275	45,326	(17.4)	17.2
Securities held to maturity	-	-	14,450	-	(100.0)
Equity securities	1,786	2,289	2,346	(22.0)	(23.9)
Total securities	54,888	66,564	62,122	(17.5)	(11.6)
Loans:					
SBA loans held for sale	10,602	13,529	9,118	(21.6)	16.3
SBA loans held for investment	36,966	35,767	37,608	3.4	(1.7)
SBA PPP loans	136,039	-	-	100.0	100.0
Commercial loans	792,752	765,032	713,878	3.6	11.0
Residential mortgage loans	469,987	467,706	449,604	0.5	4.5
Consumer loans	146,161	143,524	134,549	1.8	8.6
Total loans	1,592,507	1,425,558	1,344,757	11.7	18.4
Allowance for loan losses	(20,234)	(16,395)	(15,965)	23.4	26.7
Net loans	1,572,273	1,409,163	1,328,792	11.6	18.3
Premises and equipment, net	20,751	21,315	22,813	(2.6)	(9.0)
Bank owned life insurance ("BOLI")	26,435	26,323	25,008	0.4	5.7
Deferred tax assets	7,274	5,559	5,605	30.9	29.8
Federal Home Loan Bank ("FHLB") stock	11,629	14,184	9,999	(18.0)	16.3
Accrued interest receivable	11,039	6,984	7,109	58.1	55.3
Other real estate owned ("OREO")	711	1,723	921	(58.7)	(22.8)
Goodwill	1,516	1,516	1,516	-	-
Other assets	7,575	7,595	8,012	(0.3)	(5.5)
<b>Total assets</b>	<b>\$ 1,900,774</b>	<b>\$ 1,718,942</b>	<b>\$ 1,626,737</b>	<b>10.6 %</b>	<b>16.8 %</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Liabilities:</b>					
Deposits:					
Noninterest-bearing demand	\$ 429,899	\$ 279,793	\$ 275,356	53.6 %	56.1 %
Interest-bearing demand	172,950	176,335	157,850	(1.9)	9.6
Savings	408,416	389,795	389,999	4.8	4.7
Time deposits	472,192	404,191	441,148	16.8	7.0
Total deposits	1,483,457	1,250,114	1,264,353	18.7	17.3
Borrowed funds	223,000	283,000	190,000	(21.2)	17.4
Subordinated debentures	10,310	10,310	10,310	-	-
Accrued interest payable	228	455	414	(49.9)	(44.9)
Accrued expenses and other liabilities	17,172	14,354	12,277	19.6	39.9
Total liabilities	1,734,167	1,558,233	1,477,354	11.3	17.4
<b>Shareholders' equity:</b>					
Common stock	91,103	90,113	89,327	1.1	2.0
Retained earnings	79,253	70,442	60,109	12.5	31.8
Treasury stock, at cost	(2,991)	-	-	(100.0)	(100.0)
Accumulated other comprehensive (loss) income	(758)	154	(53)	NM*	NM*
Total shareholders' equity	166,607	160,709	149,383	3.7	11.5
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,900,774</b>	<b>\$ 1,718,942</b>	<b>\$ 1,626,737</b>	<b>10.6 %</b>	<b>16.8 %</b>
<b>COMMON SHARES AT PERIOD END:</b>					
Shares issued	10,939	10,881	10,856		
Shares outstanding	10,728	10,881	10,856		
Treasury shares	211	-	-		

\*NM=Not meaningful



**UNITY BANCORP, INC.**  
**QTD CONSOLIDATED STATEMENTS OF INCOME**  
**June 30, 2020**

<i>(In thousands, except percentages and per share amounts)</i>	For the three months ended			June 30, 2020 vs.			
	June 30, 2020	March 31, 2020	June 30, 2019	March 31, 2020		June 30, 2019	
	\$	\$	\$	%	%	\$	%
<b>INTEREST INCOME</b>							
Fed funds and interest-bearing deposits	\$ 23	\$ 188	\$ 232	\$ (165)	(87.8) %	\$ (209)	(90.1) %
FHLB stock	79	109	77	(30)	(27.5)	2	2.6
Securities:							
Taxable	437	511	461	(74)	(14.5)	(24)	(5.2)
Tax-exempt	17	22	27	(5)	(22.7)	(10)	(37.0)
Total securities	454	533	488	(79)	(14.8)	(34)	(7.0)
Loans:							
SBA loans	709	985	942	(276)	(28.0)	(233)	(24.7)
SBA PPP loans	723	-	-	723	100.0	723	100.0
Commercial loans	9,815	9,933	9,357	(118)	(1.2)	458	4.9
Residential mortgage loans	5,554	5,770	5,535	(216)	(3.7)	19	0.3
Consumer loans	1,921	2,067	2,150	(146)	(7.1)	(229)	(10.7)
Total loans	18,722	18,755	17,984	(33)	(0.2)	738	4.1
Total interest income	19,278	19,585	18,781	(307)	(1.6)	497	2.6
<b>INTEREST EXPENSE</b>							
Interest-bearing demand deposits	364	478	442	(114)	(23.8)	(78)	(17.6)
Savings deposits	512	851	1,188	(339)	(39.8)	(676)	(56.9)
Time deposits	2,454	2,447	2,437	7	0.3	17	0.7
Borrowed funds and subordinated debentures	423	565	504	(142)	(25.1)	(81)	(16.1)
Total interest expense	3,753	4,341	4,571	(588)	(13.5)	(818)	(17.9)
Net interest income	15,525	15,244	14,210	281	1.8	1,315	9.3
Provision for loan losses	2,500	1,500	350	1,000	66.7	2,150	614.3
Net interest income after provision for loan losses	13,025	13,744	13,860	(719)	(5.2)	(835)	(6.0)
<b>NONINTEREST INCOME</b>							
Branch fee income	207	317	378	(110)	(34.7)	(171)	(45.2)
Service and loan fee income	390	376	569	14	3.7	(179)	(31.5)
Gain on sale of SBA loans held for sale, net	92	473	238	(381)	(80.5)	(146)	(61.3)
Gain on sale of mortgage loans, net	1,553	1,051	630	502	47.8	923	146.5
BOLI income	154	173	147	(19)	(11.0)	7	4.8
Net security (losses) gains	79	(170)	98	249	146.5	(19)	(19.4)
Other income	336	325	351	11	3.4	(15)	(4.3)
Total noninterest income	2,811	2,545	2,411	266	10.5	400	16.6
<b>NONINTEREST EXPENSE</b>							
Compensation and benefits	5,553	5,439	5,186	114	2.1	367	7.1
Processing and communications	769	708	748	61	8.6	21	2.8
Furniture and equipment	641	655	718	(14)	(2.1)	(77)	(10.7)
Occupancy	630	624	653	6	1.0	(23)	(3.5)
BSA expenses	488	63	-	425	674.6	488	100.0
Professional services	261	269	277	(8)	(3.0)	(16)	(5.8)
Advertising	207	290	374	(83)	(28.6)	(167)	(44.7)
Other loan expenses	168	89	67	79	88.8	101	150.7
Deposit insurance	159	88	134	71	80.7	25	18.7
Director fees	181	200	164	(19)	(9.5)	17	10.4
Loan collection & OREO expenses	1	186	(10)	(185)	(99.5)	11	110.0
Other expenses	119	712	480	(593)	(83.3)	(361)	(75.2)
Total noninterest expense	9,177	9,323	8,791	(146)	(1.6)	386	4.4
Income before provision for income taxes	6,659	6,966	7,480	(307)	(4.4)	(821)	(11.0)
Provision for income taxes	1,488	1,598	1,646	(110)	(6.9)	(158)	(9.6)
<b>Net income</b>	<b>\$ 5,171</b>	<b>\$ 5,368</b>	<b>\$ 5,834</b>	<b>\$ (197)</b>	<b>(3.7) %</b>	<b>\$ (663)</b>	<b>(11.4) %</b>
Effective tax rate	22.3 %	22.9 %	22.0 %				
Net income per common share - Basic	\$ 0.48	\$ 0.49	\$ 0.54				
Net income per common share - Diluted	\$ 0.47	\$ 0.49	\$ 0.53				
Weighted average common shares outstanding - Basic	10,792	10,883	10,843				
Weighted average common shares outstanding - Diluted	10,888	11,037	11,026				

\*NM=Not meaningful



UNITY BANCORP, INC.  
YTD CONSOLIDATED STATEMENTS OF INCOME  
June 30, 2020

<i>(In thousands, except percentages and per share amounts)</i>	For the six months ended June 30,		Current YTD vs. Prior YTD	
	2020	2019	\$	%
<b>INTEREST INCOME</b>				
Fed funds and interest-bearing deposits	\$ 212	\$ 453	\$ (241)	(53.2) %
FHLB stock	188	193	(5)	(2.6)
Securities:				
Taxable	948	937	11	1.2
Tax-exempt	39	55	(16)	(29.1)
Total securities	987	992	(5)	(0.5)
Loans:				
SBA loans	1,694	1,937	(243)	(12.5)
SBA PPP loans	723	-	723	100.0
Commercial loans	19,748	18,426	1,322	7.2
Residential mortgage loans	11,324	11,095	229	2.1
Consumer loans	3,988	4,185	(197)	(4.7)
Total loans	37,477	35,643	1,834	5.1
Total interest income	38,864	37,281	1,583	4.2
<b>INTEREST EXPENSE</b>				
Interest-bearing demand deposits	842	851	(9)	(1.1)
Savings deposits	1,363	2,306	(943)	(40.9)
Time deposits	4,900	4,445	455	10.2
Borrowed funds and subordinated debentures	989	1,253	(264)	(21.1)
Total interest expense	8,094	8,855	(761)	(8.6)
Net interest income	30,770	28,426	2,344	8.2
Provision for loan losses	4,000	850	3,150	370.6
Net interest income after provision for loan losses	26,770	27,576	(806)	(2.9)
<b>NONINTEREST INCOME</b>				
Branch fee income	523	746	(223)	(29.9)
Service and loan fee income	766	1,011	(245)	(24.2)
Gain on sale of SBA loans held for sale, net	565	554	11	2.0
Gain on sale of mortgage loans, net	2,604	980	1,624	165.7
BOLI income	327	297	30	10.1
Net security (losses) gains	(91)	198	(289)	(146.0)
Other income	662	647	15	2.3
Total noninterest income	5,356	4,433	923	20.8
<b>NONINTEREST EXPENSE</b>				
Compensation and benefits	10,992	10,030	962	9.6
Processing and communications	1,477	1,464	13	0.9
Furniture and equipment	1,296	1,377	(81)	(5.9)
Occupancy	1,253	1,346	(93)	(6.9)
BSA expenses	550	-	550	100.0
Professional services	531	565	(34)	(6.0)
Advertising	497	722	(225)	(31.2)
Director fees	381	328	53	16.2
Other loan expenses	257	113	144	127.4
Deposit insurance	247	301	(54)	(17.9)
Loan collection & OREO expenses	187	57	130	228.1
Other expenses	833	966	(133)	(13.8)
Total noninterest expense	18,501	17,269	1,232	7.1
Income before provision for income taxes	13,625	14,740	(1,115)	(7.6)
Provision for income taxes	3,086	3,166	(80)	(2.5)
<b>Net income</b>	<b>\$ 10,539</b>	<b>\$ 11,574</b>	<b>\$ (1,035)</b>	<b>(8.9) %</b>
Effective tax rate	22.6 %	21.5 %		
Net income per common share - Basic	\$ 0.97	\$ 1.07		
Net income per common share - Diluted	\$ 0.96	\$ 1.05		
Weighted average common shares outstanding - Basic	10,838	10,822		
Weighted average common shares outstanding - Diluted	10,962	11,011		





UNITY BANCORP, INC.  
 QUARTER TO DATE NET INTEREST MARGIN  
 June 30, 2020

(Dollar amounts in thousands, interest amounts and interest rates/yields on a fully tax-equivalent basis)

	For the three months ended					
	June 30, 2020			June 30, 2019		
	Average Balance	Interest	Rate/Yield	Average Balance	Interest	Rate/Yield
<b>ASSETS</b>						
<i>Interest-earning assets:</i>						
Fed funds and interest-bearing deposits	\$ 73,899	\$ 23	0.13 %	\$ 39,103	\$ 232	2.38 %
FHLB stock	5,976	79	5.32	5,236	77	5.90
<i>Securities:</i>						
Taxable	53,592	437	3.28	57,939	461	3.19
Tax-exempt	3,534	21	2.39	4,470	33	2.96
Total securities (A)	57,126	458	3.22	62,409	494	3.17
<i>Loans:</i>						
SBA loans	47,964	709	5.95	47,542	942	7.95
SBA PPP loans	100,586	723	2.89	-	-	-
Commercial loans	783,962	9,815	5.04	707,022	9,357	5.31
Residential mortgage loans	461,156	5,554	4.84	445,315	5,535	4.99
Consumer loans	145,970	1,921	5.29	132,804	2,150	6.49
Total loans (B)	1,539,638	18,722	4.89	1,332,683	17,984	5.41
Total interest-earning assets	\$ 1,676,639	\$ 19,282	4.63 %	\$ 1,439,431	\$ 18,787	5.24 %
<i>Noninterest-earning assets:</i>						
Cash and due from banks	20,698			24,625		
Allowance for loan losses	(17,909)			(15,955)		
Other assets	74,076			69,663		
Total noninterest-earning assets	76,865			78,333		
Total assets	\$ 1,753,504			\$ 1,517,764		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<i>Interest-bearing liabilities:</i>						
Total interest-bearing demand deposits	\$ 181,943	\$ 364	0.80 %	\$ 174,391	\$ 442	1.02 %
Total savings deposits	403,389	512	0.51	395,185	1,188	1.21
Total time deposits	482,734	2,454	2.04	422,458	2,437	2.31
Total interest-bearing deposits	1,068,066	3,330	1.25	992,034	4,067	1.64
Borrowed funds and subordinated debentures	107,761	423	1.58	94,568	504	2.14
Total interest-bearing liabilities	\$ 1,175,827	\$ 3,753	1.28 %	\$ 1,086,602	\$ 4,571	1.69 %
<i>Noninterest-bearing liabilities:</i>						
Noninterest-bearing demand deposits	394,723			271,359		
Other liabilities	17,682			13,697		
Total noninterest-bearing liabilities	412,405			285,056		
Total shareholders' equity	165,272			146,106		
Total liabilities and shareholders' equity	\$ 1,753,504			\$ 1,517,764		
Net interest spread		\$ 15,529	3.35 %		\$ 14,216	3.55 %
Tax-equivalent basis adjustment		(4)			(6)	
Net interest income		\$ 15,525			\$ 14,210	
Net interest margin			3.73 %			3.96 %

(A) Yields related to securities exempt from federal and state income taxes are stated on a fully tax-equivalent basis. They are reduced by the nondeductible portion of interest expense, assuming a federal tax rate of 21 percent and applicable state rates.

(B) The loan averages are stated net of unearned income, and the averages include loans on which the accrual of interest has been discontinued.



**UNITY BANCORP, INC.**  
**QUARTER TO DATE NET INTEREST MARGIN**  
**June 30, 2020**

(Dollar amounts in thousands, interest amounts and interest rates/yields on a fully tax-equivalent basis)

	For the three months ended					
	June 30, 2020			March 31, 2020		
	Average Balance	Interest	Rate/Yield	Average Balance	Interest	Rate/Yield
<b>ASSETS</b>						
<i>Interest-earning assets:</i>						
Fed funds and interest-bearing deposits	\$ 73,899	\$ 23	0.13 %	\$ 69,076	\$ 188	1.09 %
FHLB stock	5,976	79	5.32	6,883	109	6.37
<i>Securities:</i>						
Taxable	53,592	437	3.28	60,363	511	3.40
Tax-exempt	3,534	21	2.39	3,783	27	2.87
Total securities (A)	<u>57,126</u>	<u>458</u>	<u>3.22</u>	<u>64,146</u>	<u>538</u>	<u>3.38</u>
<i>Loans:</i>						
SBA loans	47,964	709	5.95	50,528	985	7.84
SBA PPP loans	100,586	723	2.89	-	-	-
Commercial loans	783,962	9,815	5.04	769,497	9,933	5.19
Residential mortgage loans	461,156	5,554	4.84	462,748	5,770	5.02
Consumer loans	145,970	1,921	5.29	142,284	2,067	5.84
Total loans (B)	<u>1,539,638</u>	<u>18,722</u>	<u>4.89</u>	<u>1,425,057</u>	<u>18,755</u>	<u>5.29</u>
Total interest-earning assets	<u>\$ 1,676,639</u>	<u>\$ 19,282</u>	<u>4.63 %</u>	<u>\$ 1,565,162</u>	<u>\$ 19,590</u>	<u>5.03 %</u>
<i>Noninterest-earning assets:</i>						
Cash and due from banks	20,698			21,942		
Allowance for loan losses	(17,909)			(16,698)		
Other assets	74,076			70,381		
Total noninterest-earning assets	<u>76,865</u>			<u>75,625</u>		
Total assets	<u>\$ 1,753,504</u>			<u>\$ 1,640,787</u>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<i>Interest-bearing liabilities:</i>						
Total interest-bearing demand deposits	\$ 181,943	\$ 364	0.80 %	\$ 193,016	\$ 478	1.00 %
Total savings deposits	403,389	512	0.51	394,082	851	0.87
Total time deposits	482,734	2,454	2.04	435,705	2,447	2.26
Total interest-bearing deposits	<u>1,068,066</u>	<u>3,330</u>	<u>1.25</u>	<u>1,022,803</u>	<u>3,776</u>	<u>1.48</u>
Borrowed funds and subordinated debentures	107,761	423	1.58	131,057	565	1.73
Total interest-bearing liabilities	<u>\$ 1,175,827</u>	<u>\$ 3,753</u>	<u>1.28 %</u>	<u>\$ 1,153,860</u>	<u>\$ 4,341</u>	<u>1.51 %</u>
<i>Noninterest-bearing liabilities:</i>						
Noninterest-bearing demand deposits	394,723			307,683		
Other liabilities	17,682			16,101		
Total noninterest-bearing liabilities	<u>412,405</u>			<u>323,784</u>		
Total shareholders' equity	165,272			163,143		
Total liabilities and shareholders' equity	<u>\$ 1,753,504</u>			<u>\$ 1,640,787</u>		
Net interest spread		\$ 15,529	3.35 %		\$ 15,249	3.52 %
Tax-equivalent basis adjustment		(4)			(5)	
Net interest income		<u>\$ 15,525</u>			<u>\$ 15,244</u>	
Net interest margin			<u>3.73 %</u>			<u>3.92 %</u>

(A) Yields related to securities exempt from federal and state income taxes are stated on a fully tax-equivalent basis. They are reduced by the nondeductible portion of interest expense, assuming a federal tax rate of 21 percent and applicable state rates.

(B) The loan averages are stated net of unearned income, and the averages include loans on which the accrual of interest has been discontinued.



UNITY BANCORP, INC.  
YEAR TO DATE NET INTEREST MARGIN  
June 30, 2020

(Dollar amounts in thousands, interest amounts and interest rates/yields on a fully tax-equivalent basis)

	For the six months ended					
	June 30, 2020			June 30, 2019		
	Average Balance	Interest	Rate/Yield	Average Balance	Interest	Rate/Yield
<b>ASSETS</b>						
<i>Interest-earning assets:</i>						
Fed funds and interest-bearing deposits	\$ 71,548	\$ 212	0.60 %	\$ 38,588	\$ 453	2.37 %
FHLB stock	6,429	188	5.88	6,089	193	6.39
Securities:						
Taxable	56,917	948	3.35	58,334	937	3.24
Tax-exempt	3,659	49	2.69	4,529	68	3.03
Total securities (A)	60,576	997	3.31	62,863	1,005	3.22
Loans:						
SBA loans	49,127	1,694	6.93	48,772	1,937	8.01
SBA PPP loans	50,412	723	2.88	-	-	-
Commercial loans	776,729	19,748	5.11	702,465	18,426	5.29
Residential mortgage loans	461,952	11,324	4.93	442,628	11,095	5.05
Consumer loans	144,127	3,988	5.56	129,414	4,185	6.52
Total loans (B)	1,482,347	37,477	5.08	1,323,279	35,643	5.43
Total interest-earning assets	\$ 1,620,900	\$ 38,874	4.82 %	\$ 1,430,819	\$ 37,294	5.26 %
<i>Noninterest-earning assets:</i>						
Cash and due from banks	21,320			25,361		
Allowance for loan losses	(17,303)			(15,855)		
Other assets	72,228			70,118		
Total noninterest-earning assets	76,245			79,624		
Total assets	\$ 1,697,145			\$ 1,510,443		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<i>Interest-bearing liabilities:</i>						
Total interest-bearing demand deposits	\$ 187,480	\$ 842	0.90 %	\$ 178,214	\$ 851	0.96 %
Total savings deposits	398,736	1,363	0.69	396,191	2,306	1.17
Total time deposits	459,218	4,900	2.15	396,868	4,445	2.26
Total interest-bearing deposits	1,045,434	7,105	1.37	971,273	7,602	1.58
Borrowed funds and subordinated debentures	119,409	989	1.67	114,611	1,253	2.20
Total interest-bearing liabilities	\$ 1,164,843	\$ 8,094	1.40 %	\$ 1,085,884	\$ 8,855	1.65 %
<i>Noninterest-bearing liabilities:</i>						
Noninterest-bearing demand deposits	351,203			267,035		
Other liabilities	16,891			14,010		
Total noninterest-bearing liabilities	368,094			281,045		
Total shareholders' equity	164,208			143,514		
Total liabilities and shareholders' equity	\$ 1,697,145			\$ 1,510,443		
Net interest spread	\$ 30,780		3.42 %	\$ 28,439		3.61 %
Tax-equivalent basis adjustment	(10)			(13)		
Net interest income	\$ 30,770			\$ 28,426		
Net interest margin			3.82 %			4.01 %

(A) Yields related to securities exempt from federal and state income taxes are stated on a fully tax-equivalent basis. They are reduced by the nondeductible portion of interest expense, assuming a federal tax rate of 21 percent and applicable state rates.

(B) The loan averages are stated net of unearned income, and the averages include loans on which the accrual of interest has been discontinued.



UNITY BANCORP, INC.  
**QUARTERLY ALLOWANCE FOR LOAN LOSSES AND LOAN QUALITY SCHEDULES**  
 June 30, 2020

<i>Amounts in thousands, except percentages</i>	<b>Jun. 30, 2020</b>	<b>Mar. 31, 2020</b>	<b>Dec. 31, 2019</b>	<b>Sept. 30, 2019</b>	<b>Jun. 30, 2019</b>
<b>ALLOWANCE FOR LOAN LOSSES:</b>					
Balance, beginning of period	\$ 17,376	\$ 16,395	\$ 16,002	\$ 15,965	\$ 15,684
Provision for loan losses charged to expense	2,500	1,500	500	750	350
	<b>19,876</b>	<b>17,895</b>	<b>16,502</b>	<b>16,715</b>	<b>16,034</b>
Less: Chargeoffs					
SBA loans	-	25	43	99	84
Commercial loans	219	300	-	500	-
Residential mortgage loans	-	200	75	130	-
Consumer loans	-	-	-	-	-
Total chargeoffs	<b>219</b>	<b>525</b>	<b>118</b>	<b>729</b>	<b>84</b>
Add: Recoveries					
SBA loans	75	5	7	13	1
Commercial loans	502	1	4	3	4
Residential mortgage loans	-	-	-	-	-
Consumer loans	-	-	-	-	10
Total recoveries	<b>577</b>	<b>6</b>	<b>11</b>	<b>16</b>	<b>15</b>
Net (recoveries) chargeoffs	<b>(358)</b>	<b>519</b>	<b>107</b>	<b>713</b>	<b>69</b>
Balance, end of period	<b>\$ 20,234</b>	<b>\$ 17,376</b>	<b>\$ 16,395</b>	<b>\$ 16,002</b>	<b>\$ 15,965</b>
<b>LOAN QUALITY INFORMATION:</b>					
Nonperforming loans:					
SBA	\$ 2,363	\$ 1,627	\$ 1,164	\$ 503	\$ 437
Commercial	413	613	529	629	54
Residential mortgage loans	6,192	6,910	3,936	4,427	3,924
Consumer loans	505	505	20	23	-
Total nonperforming loans	<b>9,473</b>	<b>9,655</b>	<b>5,649</b>	<b>5,582</b>	<b>4,415</b>
Other real estate owned ("OREO")	<b>711</b>	<b>1,523</b>	<b>1,723</b>	<b>1,723</b>	<b>921</b>
Nonperforming assets	<b>10,184</b>	<b>11,178</b>	<b>7,372</b>	<b>7,305</b>	<b>5,336</b>
Less: Amount guaranteed by SBA	<b>307</b>	<b>427</b>	<b>59</b>	<b>63</b>	<b>68</b>
Net nonperforming assets	<b>\$ 9,877</b>	<b>\$ 10,751</b>	<b>\$ 7,313</b>	<b>\$ 7,242</b>	<b>\$ 5,268</b>
Loans 90 days past due & still accruing	\$ -	\$ -	\$ 930	\$ 140	\$ -
Performing Troubled Debt Restructurings (TDRs)	\$ 684	\$ 694	\$ 705	\$ 718	\$ 728
Allowance for loan losses to:					
Total loans at quarter end	1.27 %	1.21 %	1.15 %	1.17 %	1.19 %
Total nonperforming loans	213.60	179.97	290.23	286.67	361.61
Nonperforming assets	198.68	155.45	222.40	219.06	299.19
Net nonperforming assets	204.86	161.62	224.19	220.96	303.06
QTD net chargeoffs (recoveries) (annualized) to QTD average loans:					
SBA loans	(0.20) %	0.16 %	0.29 %	0.72 %	0.70 %
Commercial loans	(0.15)	0.16	-	0.28	-
Residential mortgage loans	-	0.17	0.06	0.11	-
Consumer loans	-	-	-	-	(0.03)
Total loans	(0.09) %	0.15 %	0.03 %	0.21 %	0.02 %
Nonperforming loans to total loans	0.59 %	0.67 %	0.40 %	0.41 %	0.33 %
Nonperforming assets to total assets	0.54	0.64	0.43	0.44	0.33



**UNITY BANCORP, INC.**  
**QUARTERLY FINANCIAL DATA**  
**June 30, 2020**

<i>(In thousands, except percentages and per share amounts)</i>	<u>Jun. 30, 2020</u>	<u>Mar. 31, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sept. 30, 2019</u>	<u>Jun. 30, 2019</u>
<b>SUMMARY OF INCOME:</b>					
Total interest income	\$ 19,278	\$ 19,585	\$ 19,312	\$ 19,055	\$ 18,781
Total interest expense	3,753	4,341	4,549	4,651	4,571
Net interest income	15,525	15,244	14,763	14,404	14,210
Provision for loan losses	2,500	1,500	500	750	350
Net interest income after provision for loan losses	13,025	13,744	14,263	13,654	13,860
Total noninterest income	2,811	2,545	2,396	2,710	2,411
Total noninterest expense	9,177	9,323	8,719	8,729	8,791
Income before provision for income taxes	6,659	6,966	7,940	7,635	7,480
Provision for income taxes	1,488	1,598	1,820	1,676	1,646
<b>Net income</b>	<b>\$ 5,171</b>	<b>\$ 5,368</b>	<b>\$ 6,120</b>	<b>\$ 5,959</b>	<b>\$ 5,834</b>
Net income per common share - Basic	\$ 0.48	\$ 0.49	\$ 0.56	\$ 0.55	\$ 0.54
Net income per common share - Diluted	\$ 0.47	\$ 0.49	\$ 0.55	\$ 0.54	\$ 0.53
<b>COMMON SHARE DATA:</b>					
Market price per share	\$ 14.30	\$ 11.70	\$ 22.57	\$ 22.15	\$ 22.70
Dividends paid	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08
Book value per common share	\$ 15.53	\$ 15.10	\$ 14.77	\$ 14.25	\$ 13.76
Weighted average common shares outstanding - Basic	10,792	10,883	10,872	10,863	10,843
Weighted average common shares outstanding - Diluted	10,888	11,037	11,057	11,036	11,026
Issued common shares	10,939	10,894	10,881	10,869	10,856
Outstanding common shares	10,728	10,883	10,881	10,869	10,856
Treasury shares	211	11	-	-	-
<b>PERFORMANCE RATIOS (Annualized):</b>					
Return on average assets	1.19 %	1.32 %	1.53 %	1.53 %	1.54 %
Return on average equity	12.59	13.23	15.41	15.57	16.01
Efficiency ratio (1)	50.27	51.92	51.29	51.06	53.20
Noninterest expense to average assets	2.10	2.29	2.17	2.24	2.32
<b>BALANCE SHEET DATA:</b>					
Total assets	\$ 1,900,774	\$ 1,740,076	\$ 1,718,942	\$ 1,664,308	\$ 1,626,737
Total deposits	1,483,457	1,378,618	1,250,114	1,273,362	1,264,353
Total loans	1,592,507	1,439,645	1,425,558	1,368,474	1,344,757
Total securities	54,888	58,002	66,564	63,991	62,122
Total shareholders' equity	166,607	164,305	160,709	154,884	149,383
Allowance for loan losses	(20,234)	(17,376)	(16,395)	(16,002)	(15,965)
<b>TAX EQUIVALENT YIELDS AND RATES:</b>					
Interest-earning assets	4.63 %	5.03 %	5.07 %	5.16 %	5.24 %
Interest-bearing liabilities	1.28	1.51	1.59	1.68	1.69
Net interest spread	3.35	3.52	3.48	3.48	3.55
Net interest margin	3.73	3.92	3.88	3.90	3.96
<b>CREDIT QUALITY:</b>					
Nonperforming assets	\$ 10,184	\$ 11,178	\$ 7,372	\$ 7,305	\$ 5,336
QTD net chargeoffs (annualized) to QTD average loans	(0.09) %	0.15 %	0.03 %	0.21 %	0.02 %
Allowance for loan losses to total loans	1.27	1.21	1.15	1.17	1.19
Nonperforming loans to total loans	0.59	0.67	0.40	0.41	0.33
Nonperforming assets to total assets	0.54	0.64	0.43	0.44	0.33
<b>CAPITAL RATIOS AND OTHER:</b>					
Total equity to total assets	8.77 %	9.44 %	9.35 %	9.31 %	9.18 %
Leverage ratio (2)	10.01	10.56	10.59	10.54	10.36
Number of banking offices	19	19	19	19	19
Number of ATMs	20	20	20	20	20
Number of employees	191	205	203	194	185

(1) The efficiency ratio is a non-GAAP measure that represents the ratio of non-interest expenses divided by the net-interest income and non-interest income.

(2) The Bank adopted the CBLR in the first quarter of 2020, and will therefore not be required to comply with the Basel III capital requirements.