

UNITY BANCORP INC /NJ/
Form 10-Q
May 09, 2014

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, 2014

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, 2014
common stock, no par value: 7,605,093 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)	March 31, 2014	December 31, 2013
ASSETS		
Cash and due from banks	\$ 30,025	\$ 24,272
Federal funds sold and interest-bearing deposits	98,188	75,132
Cash and cash equivalents	128,213	99,404
Securities:		
Securities available for sale	86,154	81,133
Securities held to maturity (fair value of \$22,736 and \$25,549, respectively)	23,305	26,381
Total securities	109,459	107,514
Loans:		
SBA loans held for sale	6,517	6,673
SBA loans held for investment	47,737	48,918
SBA 504 loans	33,550	31,564
Commercial loans	368,909	363,340
Residential mortgage loans	180,129	182,067
Consumer loans	47,109	46,139
Total loans	683,951	678,701
Allowance for loan losses	(12,807)	(13,141)
Net loans	671,144	665,560
Premises and equipment, net	15,474	15,672
Bank owned life insurance ("BOLI")	12,845	12,749
Deferred tax assets	6,308	6,752
Federal Home Loan Bank stock	5,752	5,392
Accrued interest receivable	3,212	3,272
Other real estate owned ("OREO")	2,467	633
Goodwill and other intangibles	1,516	1,516
Other assets	4,778	2,654
Total assets	\$ 961,168	\$ 921,118
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing demand deposits	\$ 172,010	\$ 136,035
Interest-bearing demand deposits	134,321	130,806
Savings deposits	253,109	266,503
Time deposits, under \$100,000	112,150	108,258

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Time deposits, \$100,000 and over	96,034	97,096
Total deposits	767,624	738,698
Borrowed funds	115,000	107,000
Subordinated debentures	15,465	15,465
Accrued interest payable	455	454
Accrued expenses and other liabilities	3,814	2,328
Total liabilities	902,358	863,945
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock	52,237	52,051
Retained earnings	6,739	5,598
Accumulated other comprehensive income (loss)	(166)	(476)
Total shareholders' equity	58,810	57,173
Total liabilities and shareholders' equity	\$ 961,168	\$ 921,118
Issued and outstanding common shares	7,602	7,577

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,	
	2014	2013
INTEREST INCOME		
Federal funds sold and interest-bearing deposits	\$ 9	\$ 14
Federal Home Loan Bank stock	47	44
Securities:		
Taxable	726	647
Tax-exempt	105	120
Total securities	831	767
Loans:		
SBA loans	583	777
SBA 504 loans	399	651
Commercial loans	4,601	4,001
Residential mortgage loans	2,058	1,550
Consumer loans	495	509
Total loans	8,136	7,488
Total interest income	9,023	8,313
INTEREST EXPENSE		
Interest-bearing demand deposits	111	101
Savings deposits	182	177
Time deposits	644	546
Borrowed funds and subordinated debentures	799	800
Total interest expense	1,736	1,624
Net interest income	7,287	6,689
Provision for loan losses	600	650
Net interest income after provision for loan losses	6,687	6,039
NONINTEREST INCOME		
Branch fee income	377	347
Service and loan fee income	295	304
Gain on sale of SBA loans held for sale, net	83	241
Gain on sale of mortgage loans, net	365	477
BOLI income	96	70
Net security gains	110	226
Other income	200	160
Total noninterest income	1,526	1,825
NONINTEREST EXPENSE		
Compensation and benefits	3,217	3,176
Occupancy	659	694
Processing and communications	582	561
Furniture and equipment	357	365

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Professional services	211	190
Loan costs	170	177
OREO expenses	247	127
Deposit insurance	178	149
Advertising	151	120
Other expenses	486	567
Total noninterest expense	6,258	6,126
Income before provision for income taxes	1,955	1,738
Provision for income taxes	662	538
Net income	1,293	1,200
Preferred stock dividends and discount accretion	-	404
Income available to common shareholders	\$ 1,293	\$ 796
Net income per common share - Basic	\$ 0.17	\$ 0.11
Net income per common share - Diluted	\$ 0.17	\$ 0.10

Weighted average common shares outstanding - Basic	7,586	7,538
Weighted average common shares outstanding - Diluted	7,654	7,845

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

Unity Bancorp, Inc.

Consolidated Statements of Comprehensive Income

(Unaudited)

(In thousands)	For the three months ended March 31,	
	2014	2013
Net income	\$ 1,293	\$ 1,200
Other comprehensive income (loss), net of tax:		
Unrealized holding gains (losses) on securities arising during period	383	(230)
Less: Reclassification adjustment for gains on securities included in net income	73	150
Total other comprehensive income (loss)	310	(380)
Total comprehensive income	\$ 1,603	\$ 820

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, 2014 and 2013

(Unaudited)

(In thousands)	Preferred stock	Common stock		Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
	Shares	Amount				
Balance, December 31, 2013	\$ -	7,577	\$ 52,051	\$ 5,598	\$ (476)	\$ 57,173
Net income				1,293		1,293
Other comprehensive income, net of tax					310	310
Dividends on common stock (\$0.02 per share)			12	(152)		(140)
Common stock issued and related tax effects (1)		25	174			174
Balance, March 31, 2014	\$ -	7,602	\$ 52,237	\$ 6,739	\$ (166)	\$ 58,810

(In thousands)	Preferred stock	Common stock		Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
	Shares	Amount				
Balance, December 31, 2012	\$ 20,115	7,534	\$ 54,274	\$ 1,788	\$ 1,333	\$ 77,510
Net income				1,200		1,200
Other comprehensive loss, net of tax					(380)	(380)
Accretion of discount on preferred stock	148			(148)		-
Dividends on preferred stock (5% annually)				(256)		(256)
Common stock issued and related tax effects (1)		14	83			83
Balance, March 31, 2013	\$ 20,263	7,548	\$ 54,357	\$ 2,584	\$ 953	\$ 78,157

(1) Includes the issuance of common stock under employee benefit plans, which includes nonqualified stock options and restricted stock expense related entries, employee option exercises and the tax benefit of options exercised.

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

Unity Bancorp, Inc.

Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)	For the three months ended March 31,	
	2014	2013
OPERATING ACTIVITIES:		
Net income	\$ 1,293	\$ 1,200
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	600	650
Net amortization of purchase premiums and discounts on securities	130	208
Depreciation and amortization	397	365
Deferred income tax expense (benefit)	244	(32)
Net security gains	(110)	(226)
Stock compensation expense	100	83
Loss on sale of OREO	99	-
Valuation writedowns on OREO	-	70
Gain on sale of mortgage loans held for sale, net	(220)	(477)
Gain on sale of SBA loans held for sale, net	(83)	(241)
Origination of mortgage loans held for sale	(17,448)	(22,599)
Origination of SBA loans held for sale	(890)	(1,911)
Proceeds from sale of mortgage loans held for sale, net	17,668	23,076
Proceeds from sale of SBA loans held for sale, net	1,011	2,533
Net change in other assets and liabilities	(661)	(674)
Net cash provided by operating activities	2,130	2,025
INVESTING ACTIVITIES		
Purchases of securities held to maturity	-	(8,252)
Purchases of securities available for sale	(9,947)	(13,086)
Purchases of Federal Home Loan Bank stock, at cost	(1,800)	-
Maturities and principal payments on securities held to maturity	3,060	1,446
Maturities and principal payments on securities available for sale	2,536	5,692
Proceeds from sales of securities available for sale	2,895	5,303
Proceeds from redemption of Federal Home Loan Bank stock	1,440	-
Proceeds from sale of OREO	487	704
Net increase in loans	(8,779)	(11,051)
Purchases of premises and equipment	(61)	(96)
Net cash used in investing activities	(10,169)	(19,340)
FINANCING ACTIVITIES		
Net increase in deposits		