

UNITY BANCORP INC /NJ/
Form 10-Q
May 15, 2006

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, 2006

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
(State or other jurisdiction
of incorporation or organization)

22-3282551
(I.R.S. employer
identification no.)

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

08809
(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, or a non-accelerated filer (as defined in Exchange Act Rule 12b-2) Large accelerated filer Accelerated filer Non-accelerated filer

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 May 12, 2006: common stock, no par value: 6,574,604 shares outstanding

PART I CONSOLIDATED FINANCIAL INFORMATION

- ITEM 1 Consolidated Financial Statements (unaudited)
Consolidated Balance Sheets at March 31, 2006, and December 31, 2005

Consolidated Statements of Income for the three months ended March 31, 2006 and 2005

Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2006 and 2005

Consolidated Statements of Cash Flows for the three months ended March 31, 2006 and 2005

Notes to the Consolidated Financial Statements

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

ITEM 3 Quantitative and Qualitative Disclosures about Market Risk

ITEM 4 Controls and Procedures

PART II OTHER INFORMATION

- ITEM 1 Legal Proceedings
ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds
ITEM 3 Defaults upon Senior Securities
ITEM 4 Submission of Matters to a Vote of Security Holders
ITEM 5 Other Information
ITEM 6 Exhibits

SIGNATURES

Exhibit Index

Part 1.-Consolidated Financial Information

Item 1.-Consolidated Financial Statements

Unity Bancorp, Inc

Consolidated Balance Sheets

<i>(In thousands)</i>	<i>(unaudited)</i> 03/31/06	12/31/05	<i>(unaudited)</i> 03/31/05
Assets			
Cash and due from banks	\$ 12,171	\$ 11,945	\$ 11,286
Federal funds sold and interest bearing deposits	25,726	26,814	17,603
Securities:			
Available for sale	63,411	65,583	74,571
Held to maturity (market value of \$37,601, \$40,212 and \$23,616, respectively)	38,230	40,748	23,593
Total securities	101,641	106,331	98,164
Loans:			
SBA held for sale	16,826	14,001	8,172
SBA held to maturity	65,305	64,660	54,567
Commercial	279,369	260,581	214,730
Residential mortgage	60,194	62,039	59,769
Consumer	46,269	47,286	43,934
Total loans	467,963	448,567	381,172
Less: Allowance for loan losses	7,120	6,892	5,942
Net loans	460,843	441,675	375,230
Premises and equipment, net	10,723	10,593	9,191
Bank owned life insurance	5,232	5,185	5,047
Accrued interest receivable	3,350	3,167	2,600
Loan servicing asset	2,476	2,438	2,065
Goodwill and other intangibles	1,614	1,618	
Other assets	4,279	4,406	4,656
Total assets	\$ 628,055	\$ 614,172	\$ 525,842
Liabilities and Shareholders Equity			
Liabilities:			
Deposits			
Non-interest bearing demand deposits	\$ 81,210	\$ 79,547	\$ 77,800
Interest bearing checking	113,441	139,076	154,074
Savings deposits	178,848	141,935	112,847
Time deposits, under \$100,000	108,211	108,353	72,435
Time deposits, \$100,000 and over	52,727	52,949	30,634
Total deposits	534,437	521,860	447,790
Borrowed funds	40,000	40,000	30,000
Subordinated debentures	9,279	9,279	9,279
Accrued interest payable	298	274	165
Accrued expense and other liabilities	1,564	1,830	2,202
Total liabilities	\$ 585,578	\$ 573,243	\$ 489,436
Commitments and contingencies			
Shareholders equity			
Common stock, no par value, 12,500 shares authorized	38,697	38,423	34,101
Treasury stock (23 shares)	(242)	(242))
Retained earnings	5,241	3,897	3,403
Accumulated other comprehensive loss	(1,219)	(1,149)	(1,098)
Total Shareholders Equity	\$ 42,477	\$ 40,929	\$ 36,406
Total Liabilities and Shareholders Equity	\$ 628,055	\$ 614,172	\$ 525,842
Issued common shares			
	6,589	6,559	6,413

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Outstanding common shares	6,566	6,536	6,413
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See Accompanying Notes to the Consolidated Financial Statements

2

Unity Bancorp

Consolidated Statements of Income
(unaudited)

<i>(In thousands, except per share amounts)</i>	For the three months ended March 31,	
	2006	2005
Interest income:		
Federal funds sold and interest on deposits	\$ 207	\$ 62
Securities:		
Available for sale	708	796
Held to maturity	476	274
Total securities	1,184	1,070
Loans:		
SBA loans	2,153	1,359
Commercial loans	4,892	3,638
Residential mortgage loans	820	802
Consumer loans	744	592
Total loan interest income	8,609	6,391
Total interest income	10,000	7,523
Interest expense:		
Interest bearing demand deposits	694	611
Savings deposits	1,192	460
Time deposits	1,499	763
Borrowed funds and subordinated debentures	562	424
Total interest expense	3,947	2,258
Net interest income	6,053	5,265
Provision for loan losses	300	300
Net interest income after provision for loan losses	5,753	4,965
Non-interest income:		
Service charges on deposit accounts	433	430
Service and loan fee income	395	536
Gain on sales of SBA loans, net	700	460
Gain on sales of other loans	82	
Gain on sales of mortgage loans	62	92
Net security gains		53
Bank owned life insurance	47	47
Other income	283	173
Total non-interest income	2,002	1,791
Non-interest expense:		
Compensation and benefits	2,725	2,397
Occupancy	648	593
Processing and communications	527	466
Furniture and equipment	393	329
Professional services	132	109
Loan servicing costs	101	177
Advertising	170	185
Deposit insurance	17	15
Other expenses	543	377
Total non-interest expense	5,256	4,648
Net income before provision for income taxes	2,499	2,108
Provision for income taxes	842	798
Net income	\$ 1,657	\$ 1,310
Net income per common share - Basic	\$ 0.25	\$ 0.21
Net income per common share - Diluted	0.24	0.19
Weighted average shares outstanding Basic	6,556	6,382
Weighted average shares outstanding Diluted	6,896	6,743

See Accompanying Notes to the Consolidated Financial Statements

3

Unity Bancorp, Inc

Consolidated Statements of Changes in Shareholders Equity
For the three months ended March 31, 2006 and 2005
(unaudited)

(In thousands)	Outstanding Shares	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders Equity
Balance, December 31, 2004	6,370	\$ 34,025	\$	\$ 2,327	\$ (484))\$ 35,868
Comprehensive income:						
Net Income				1,310		1,310
Unrealized holding loss on securities arising during the period, net of tax benefit of \$356					(582))
Less: reclassification adjustment for gains included in net income, net of tax of \$21					32	
Net unrealized holding loss on securities arising during the period, net of tax benefit of \$377					(614)) (614)
Total comprehensive income						696
Cash dividends declared on common stock of \$.04 per share				(234))	(234)
Stock options exercised	43	76				76
Balance, March 31, 2005	6,413	\$ 34,101	\$	\$ 3,403	\$ (1,098))\$ 36,406

(In thousands)	Outstanding Shares	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders Equity
Balance, December 31, 2005	6,536	\$ 38,423	\$ (242)	\$ 3,897	\$ (1,149))\$ 40,929
Comprehensive income:						
Net Income				1,657		1,657
Unrealized holding loss on securities arising during the period, net of tax benefit of \$43					(70))
Net unrealized holding loss on securities arising during the period, net of tax benefit of \$43					(70)) (70)
Total comprehensive income						1,587
Cash dividends declared on common stock of \$.05 per share				(313))	(313)
Stock options exercised	30	274				274
Balance, March 31, 2006	6,566	\$ 38,697	\$ (242)	\$ 5,241	\$ (1,219))\$ 42,477

See Accompanying Notes to the Consolidated Financial Statements.

Unity Bancorp, Inc

Consolidated Statements of Cash Flows
(unaudited)

(In thousands)	For the three months ended	
	March 31, 2006	2005
Operating activities:		
Net income	\$1,657	\$1,310
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Provision for loan losses	300	300
Depreciation and amortization	325	354
Net gain on sale of securities	-	(53)
Gain on sale of SBA loans held for sale	(700)	(460)
Gains on sale of mortgage loans	(62)	(92)
Gains on sale of other loans	(82)	-
Origination of SBA loans held for sale	(12,411)	(6,104)
Proceeds from the sale of SBA loans	10,286	5,966
Net change in other assets and liabilities	(289)	890
Net cash (used in) provided by operating activities	(976)	2,111
Investing activities:		
Purchases of securities held to maturity		(2,195)
Purchases of securities available for sale		(298)
Maturities and principal payments on securities held to maturity	2,492	2,167
Maturities and principal payments on securities available for sale	2,041	2,627
Proceeds from sale of securities available for sale		148
Proceeds from the sale of other real estate owned	63	345
Proceeds from the sale of commercial loans	4,978	