



**UNITY BANCORP**  
INC



2019 ANNUAL REPORT

# OUR BRAND PROMISE

UNITY BANCORP, INC. (Nasdaq: UNTY) is the holding company for Unity Bank, a commercial bank insured by the FDIC, headquartered in Clinton, New Jersey. The Bank offers complete deposit and lending solutions to businesses and consumers.

*Small Business is BIG here* is a mantra the Bank lives and breathes. Unity delivers a holistic approach to business clients leveraging seasoned Commercial and SBA lending expertise with deposit products and services with the latest technology advantages. The Bank's brand promise of ***Growing with You*** is applied to all Unity stakeholders. The Bank is dedicated to the growth of our communities, customers, employees and shareholders.

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THE BANK'S BRAND PROMISE OF  
*growing with you!*

IS APPLIED TO ALL UNITY STAKEHOLDERS.

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# FINANCIAL HIGHLIGHTS



Amounts in thousands, except per share data and performance ratios

Year ended December 31,

	2019	2018	2017
<b>Selected Results of Operations</b>			
Interest income	\$ 75,648	\$ 67,263	\$ 55,310
Interest expense	18,055	13,516	9,453
Net interest income	57,593	53,747	45,857
Provision for loan losses	2,100	2,050	1,650
Noninterest income	9,539	9,031	8,270
Noninterest expense	34,717	33,421	30,044
Provision for income taxes	6,662	5,388	9,540
Net income	\$ 23,653	\$ 21,919	\$ 12,893

## Per Share Data

Net income per common share - Basic	\$ 2.18	\$ 2.04	\$ 1.22
Net income per common share - Diluted	2.14	2.01	1.20
Book value per common share	14.77	12.85	11.13
Market value per common share	22.57	20.76	19.75
Cash dividends declared on common shares	0.31	0.27	0.23

## Selected Balance Sheet Data

Assets	\$ 1,718,942	\$ 1,579,157	\$ 1,455,496
Loans	1,425,558	1,304,566	1,170,674
Allowance for loan losses	(16,395)	(15,488)	(13,556)
Securities	66,564	63,732	69,800
Deposits	1,250,114	1,207,687	1,043,137
Borrowed funds and subordinated debentures	293,310	220,310	285,310
Shareholders' equity	160,709	138,488	118,105
Common shares outstanding	10,881	10,780	10,615

## Performance Ratios

Return on average assets	1.54 %	1.53 %	1.02 %
Return on average equity	15.86	17.10	11.47
Efficiency ratio	52.00	53.07	55.57
Net interest margin	3.95	3.97	3.83

# TO OUR SHAREHOLDERS

*On behalf of the entire Unity Bancorp (“Unity”) team, I am pleased to report another year of record growth and profitability.* Net Income grew to \$24 million, an increase of 7.9% from last year. Our return on average assets and average equity were 1.54% and 15.86% respectively, and our net interest margin remained stable at 3.95%. Unity’s loan portfolio grew 9.3% to \$1.4 billion and our deposit base ended the year at \$1.3 billion. The bank’s capital base continued to grow as our strong earnings performance outpaced the growth in our balance sheet.

Not only was 2019 a year of great accomplishment, Unity also received accolades from leading industry publications. Unity was recognized by

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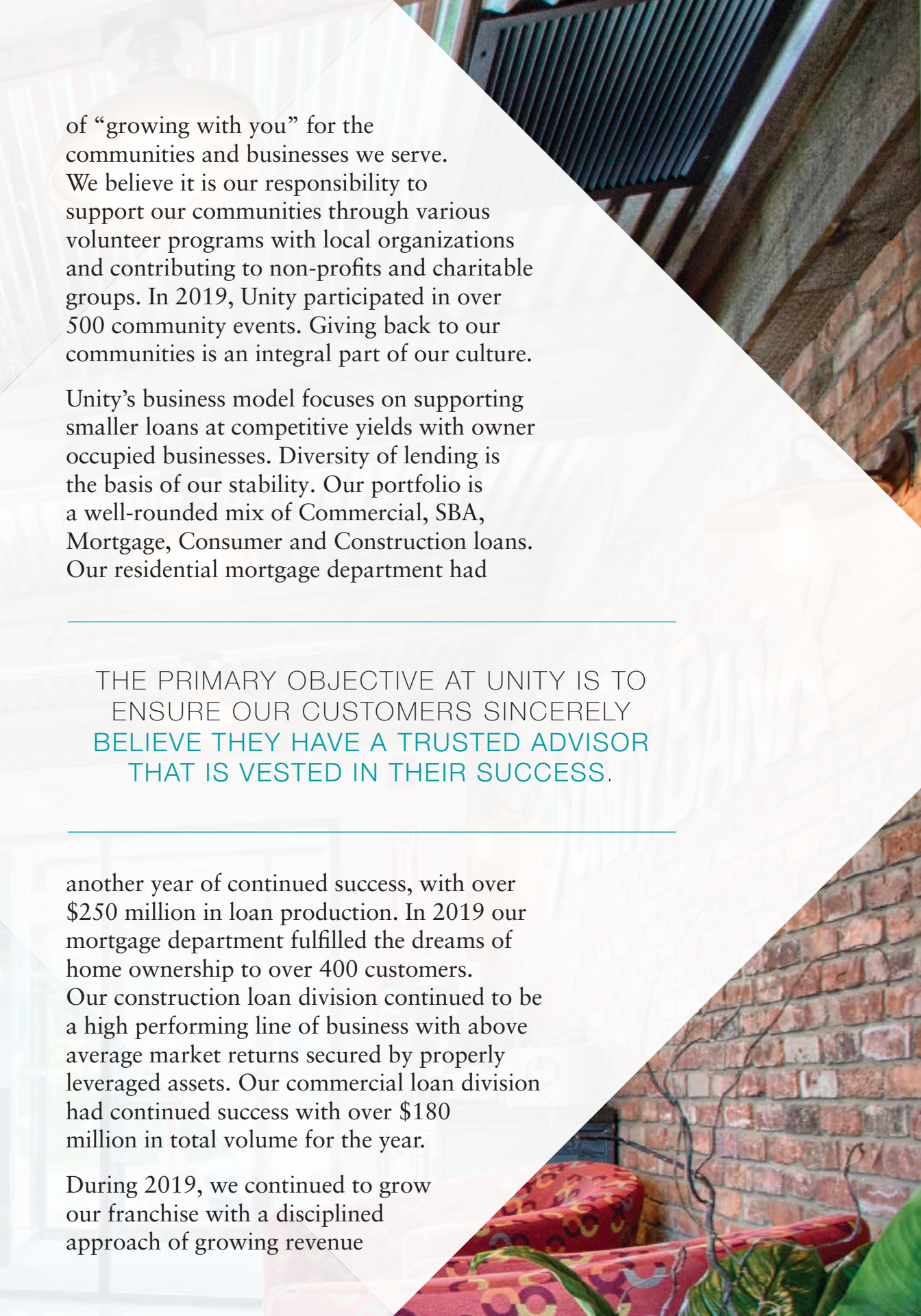
WE ARE COMMITTED TO PROVIDING  
COMPETITIVE SERVICES THAT MEET  
THE **NEW WAYS CUSTOMERS NEED  
AND WANT TO BANK.**

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American Banker magazine as the 13th highest performing publicly traded community bank in the nation for banks and thrifts less than \$2 billion in assets. In addition, Unity Bank was named one of the best places to work in NJ for the third consecutive year by NJBiz.

The primary objective at Unity is to ensure our customers sincerely believe they have a trusted advisor that is vested in their success. We take a comprehensive approach to understanding and knowing our customers to deliver the best service for their unique needs.

Along with supporting our customer base, Unity remains committed to our brand promise



of “growing with you” for the communities and businesses we serve. We believe it is our responsibility to support our communities through various volunteer programs with local organizations and contributing to non-profits and charitable groups. In 2019, Unity participated in over 500 community events. Giving back to our communities is an integral part of our culture.

Unity’s business model focuses on supporting smaller loans at competitive yields with owner occupied businesses. Diversity of lending is the basis of our stability. Our portfolio is a well-rounded mix of Commercial, SBA, Mortgage, Consumer and Construction loans. Our residential mortgage department had

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THE PRIMARY OBJECTIVE AT UNITY IS TO ENSURE OUR CUSTOMERS SINCERELY BELIEVE THEY HAVE A TRUSTED ADVISOR THAT IS VESTED IN THEIR SUCCESS.

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another year of continued success, with over \$250 million in loan production. In 2019 our mortgage department fulfilled the dreams of home ownership to over 400 customers. Our construction loan division continued to be a high performing line of business with above average market returns secured by properly leveraged assets. Our commercial loan division had continued success with over \$180 million in total volume for the year.

During 2019, we continued to grow our franchise with a disciplined approach of growing revenue

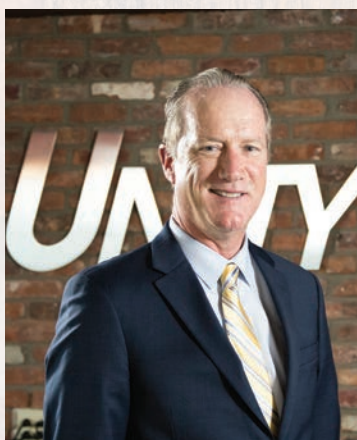
and managing expenses which resulted in increased profitability. There will be continued challenges in the coming year with the flat yield curve, volatile stock market, trade wars and the current political environment. Our balance sheet is well positioned, and we expect to continue to outperform our peers. As always, we will continue to invest in our culture and attract and retain top talent to meet the challenges ahead.

Unity remains anchored in our commitment to exceptional customer service, personal attention, local decision-making and concern for the financial well-being of our customers and shareholders. We are moving forward in 2020 with a strong hold on our expenses, a commitment to improve our efficiency and the expectation that we will build on the positive momentum of 2019. The Board of Directors, management and staff thank our loyal customers and shareholders for their continued support.



A black ink signature of David D. Dallas, consisting of several loops and a long horizontal stroke.

David D. Dallas  
Chairman of the Board

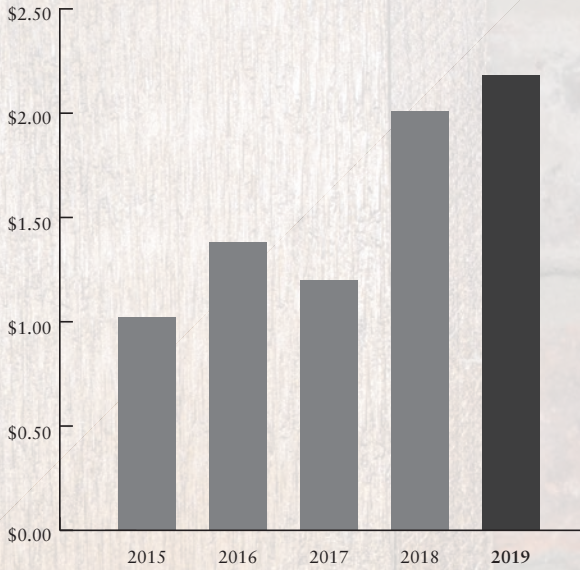


A black ink signature of James A. Hughes, written in a cursive style.

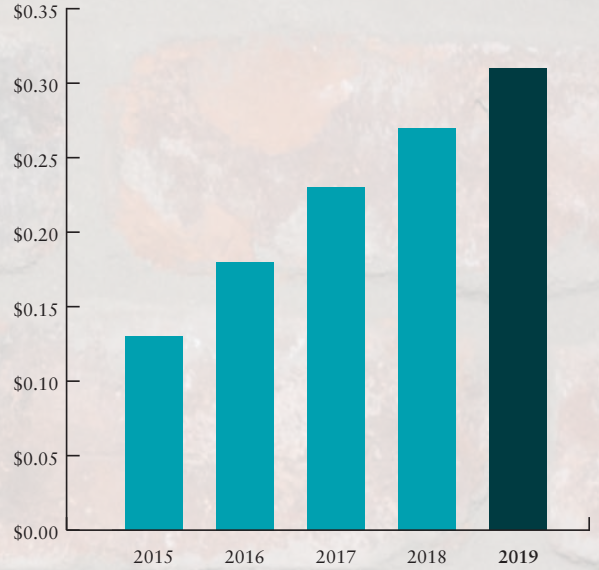
James A. Hughes  
President & CEO



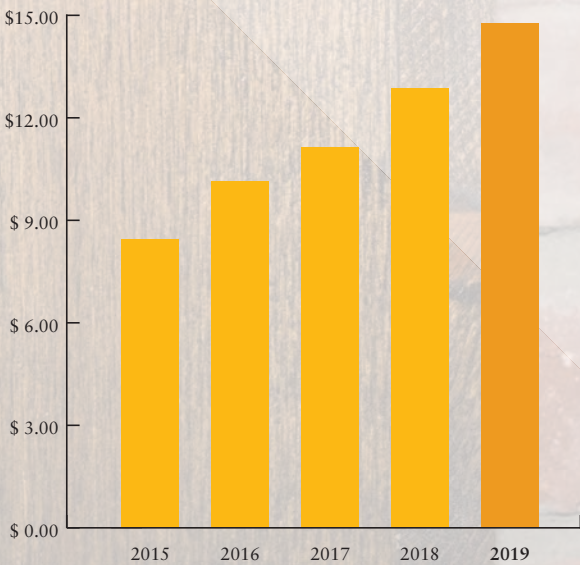
### DILUTED EARNINGS PER SHARE



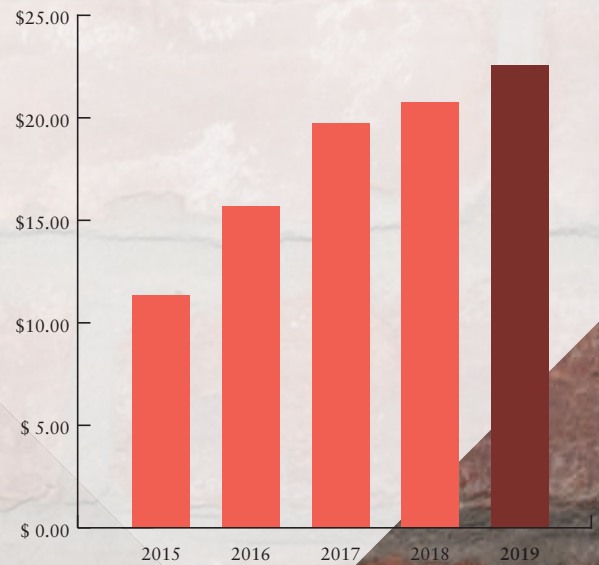
### DIVIDENDS PER SHARE



### BOOK VALUE



### MARKET PRICE



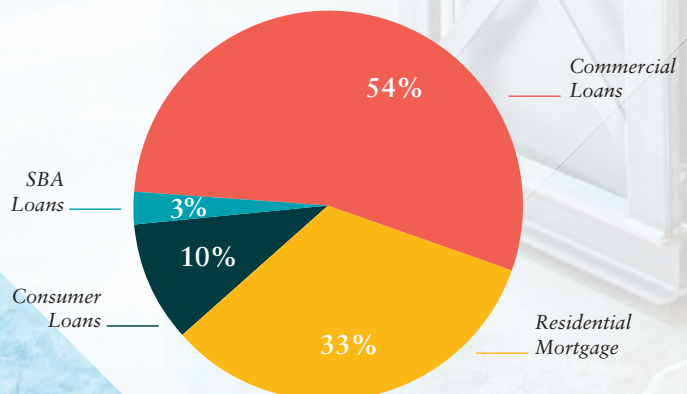
# LENDING SUCCESS

*We continue to support local neighborhoods with community bank service.* Our portfolio performance remains strong, guided by people and policies which emphasize geographic and loan diversification.

The commercial loan portfolio increased in 2019 at a measurable pace. We continue to focus on our customers, core products and existing territories. Our residential mortgage program growth is infused by deep relationships with strategic referral partners.

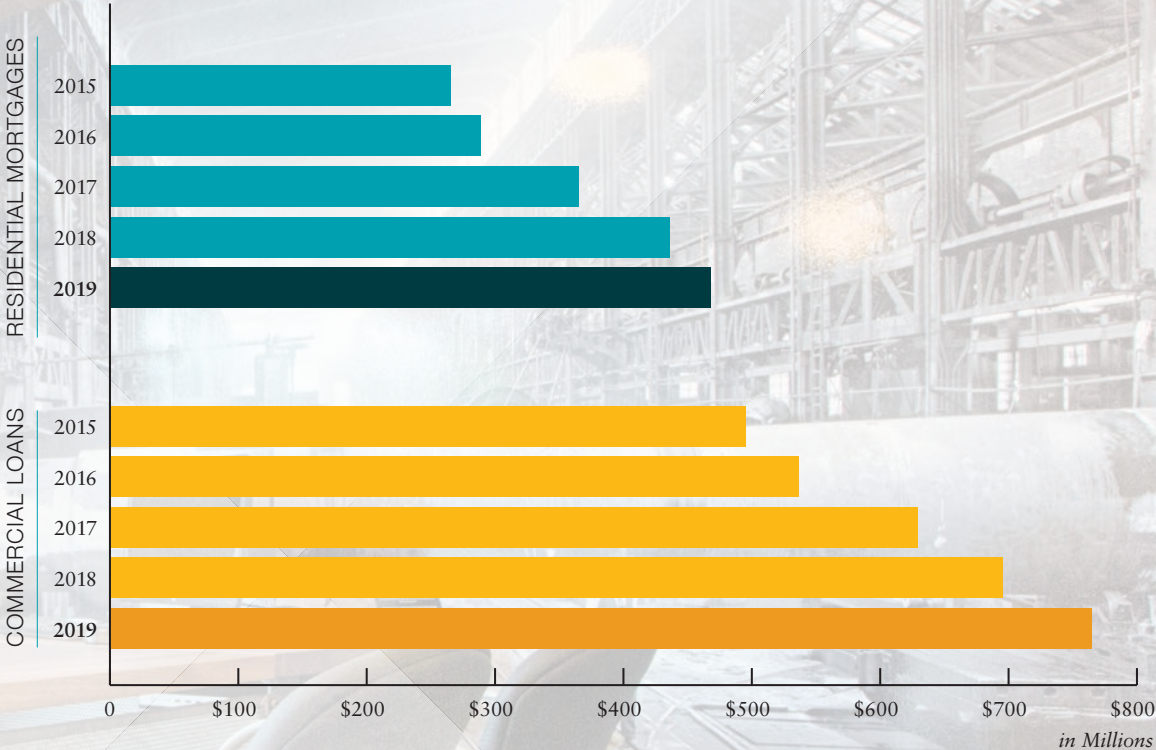
OUR PORTFOLIO PERFORMANCE REMAINS STRONG, GUIDED BY PEOPLE AND POLICIES WHICH EMPHASIZE GEOGRAPHIC AND LOAN TYPE DIVERSIFICATION.

## LENDING PORTFOLIO

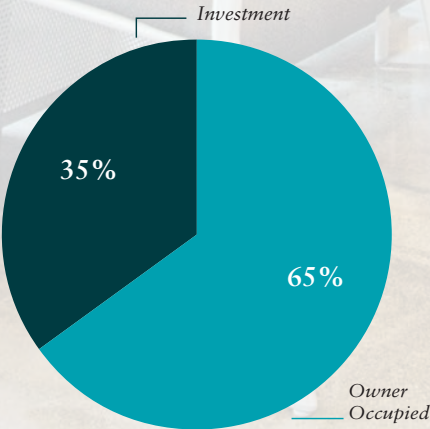




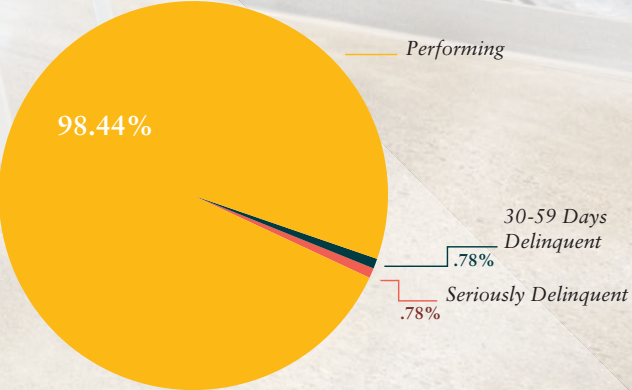
# 5 YEAR LOAN GROWTH



## RESIDENTIAL MORTGAGE DISTRIBUTION



## RESIDENTIAL MORTGAGE PERFORMANCE



# OUR BANKING EXPERIENCE

*Secure convenient technology delivered with caring personal service.*


The digital banking needs of customers are always evolving. Our mobile banking app continues to have a strong adoption rate and more customers are taking advantage of digital offerings than ever before. To help protect our customers, we introduced Card Control in 2019. This service offers fraud protection through real-time alerts and geographic controls. Customers have the convenience of turning debit cards on and off. Business customers can monitor spending and set limits for cards issued to their employees. We continue to survey our customers and enhance digital offerings based on the challenges our customers face.

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WE CONTINUE TO SURVEY OUR CUSTOMERS AND ENHANCE DIGITAL OFFERINGS **BASED ON THE CHALLENGES OUR CUSTOMERS FACE.**

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Small Business is big at Unity. In 2019, we saw the completion of a multi-year project to provide our top tier small business owners who have complex cash management detailed analysis of their activity. Customers were personally introduced and trained on a new statement system which provides better insight to their activity. The new system helps them understand their cash flow better and minimizes charges by taking advantage of earnings credits.

A hand holding a smartphone is the central focus, with a warm, golden light filter overlaying the image. In the background, several oranges are visible, some in sharp focus and others blurred, creating a sense of depth. The overall aesthetic is clean and professional, emphasizing technology and customer service.

In addition to customer digital offerings, we continue to invest in technology for operations. The Unity culture is customer-centric, and Senior Management is committed to providing tools for employees that ensure our customers have the best banking experience. In 2019, we replaced desktop computers and phones with equipment containing the latest capabilities. We enhanced our network infrastructure to streamline our internal IT support and provide faster, easier assistance to employees.

In 2019, we launched a new loan origination system. The new system ensures loans flow through the process as efficiently as possible. It allows for any missing information to be detected early avoiding delays and providing all operational areas a single, stream-lined platform. Customers have a digital portal to send and receive information with the latest security protection. The system compliments our ability to be a nimble, local lender and grow our local business communities.

We are committed to investing in technology and information security while always improving our customer's experience.

# UNITY IN THE COMMUNITY

*Unity Bank is committed to bettering the communities it serves.* Unity participated in over 500 community events, sponsorships and volunteer opportunities in 2019. In addition to traditional donations, Unity Bank supports community programs that keep the Bank and its employees personally connected to the people in our markets.

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THE BANK ENCOURAGES AND SUPPORTS ALL LEVELS OF STAFF TO **MAKE A DIFFERENCE IN THEIR COMMUNITY.**

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Non-profits are given assistance to help make their mission successful. Events and programs are promoted by the Bank; organizations also receive marketing and volunteer support. The Bank encourages and supports all levels of staff to make a difference in their community. Internal administrative support is provided for organized programs with America's Grow-A-Row, NORWESCAP and Center for Hope Hospice to ensure these efforts are well executed. America's Grow-A-Row is an award-winning local farm whose mission is to provide fresh, healthy produce to those in need. In addition to sponsoring events, the Bank sends a team

of employees every month to work on the farm. Unity has been recognized by this organization as an outstanding partner supplying consistent support year to year.

For over a decade, the Bank has coordinated a special holiday service project. Employees have the option to donate any amount through payroll deduction and the Bank matches the amount. At the end of the year these funds are donated to a local food pantry in the immediate community of each branch. 2019 was a record fundraising year for the Bank. The program donated a record \$28,500 to nineteen food pantries in our footprint. Representatives from the branches deliver the donations and employees see the impact in their own neighborhood.

Unity's Start Smart Financial Education Program is a comprehensive financial literacy program designed for grades Pre-K through 12. The Bank has provided this program to schools and the community over the past nine years. The initiative is even more important today because New Jersey recently expanded the financial literacy educational requirements for middle school students. The program is offered to schools and community groups at no cost. In 2019, Unity partnered with Union Township and South Plainfield school districts to offer long-term programming.

Unity Bank was honored at the Hunterdon Healthcare Foundation's annual Crystal Ball with the 2019 Corporate Spirit of Hunterdon Award. This award highlights an organization that has driven economic growth in the region and significantly impacted the success of Hunterdon Healthcare's efforts in our local community.

## UNITY PARTICIPATED IN 500+

community events, sponsorships  
& volunteer opportunities in 2019



1 hand = 20 events

## 19 FOOD PANTRIES



received funds through employee deductions  
matched by Unity Bank



## CORPORATE SPIRIT OF HUNTERDON AWARD RECIPIENT

presented by the Hunterdon Healthcare  
Foundation

# CORPORATE INFORMATION

## Executive & Senior Management

**James Hughes**  
President  
Chief Executive Officer

**Michael Novak**  
Senior Vice President  
Commercial Loan Officer

**Janice Bolomey**  
Executive Vice President  
Chief Administrative Officer/  
Director of Sales

**Christopher Bono**  
First Vice President  
Retail Regional Sales Manager

**John Kauchak**  
Executive Vice President  
Chief Operating Officer

**Christopher Burke**  
First Vice President  
Senior Credit Officer

**Vincent Geraci**  
First Senior Vice President  
Mortgage Sales Manager

**Christopher Fenimore**  
First Vice President  
Chief Compliance Officer

**Stephen Rooney**  
First Senior Vice President  
Chief Lending Officer

**Michelle Kirmser**  
First Vice President  
General Counsel

**David Bove**  
Senior Vice President  
Chief Technology Officer

**Rebecca Kugelman**  
First Vice President  
Deposit Operations Manager

**Lauren Cook**  
Senior Vice President  
Controller

**Kenneth Plinio**  
First Vice President  
Mortgage & Consumer  
Operations Manager

**Rosemary Fellner**  
Senior Vice President  
Chief Marketing Officer

**Bridget Walsh**  
First Vice President  
Human Resources Director

**David Hensley**  
Senior Vice President  
Commercial Loan Officer

## Board of Directors

**David Dallas**  
Chairman of the Board  
CEO, Dallas Group of America, Inc.

**Allen Tucker**  
Vice Chairman of the Board  
Chairman, Tucker Enterprises

**Dr. Mark Brody**  
Director  
Managing Member, Financial Planning  
Analysts, LLC

**Wayne Courtright**  
Director  
Retired, Former Banker

**Robert Dallas, II**  
Director  
President, Dallas Group of America, Inc.

**Dr. Mary Gross**  
Director  
Founder, Human Edge Resources, LLC

**James Hughes**  
Director  
President/CEO, Unity Bank

**Peter Maricondo**  
Director  
Retired Financial Consultant

**Raj Patel**  
Director  
President/CEO, Raja Group

**Donald Souders, Jr.**  
Director  
Attorney/Partner, Florio, Perrucci, Steinhardt &  
Fader, LLC

**Aaron Tucker**  
Director  
President, Tucker Enterprises

## Shareholder Information

### Annual Meeting

Shareholders of Unity Bancorp, Inc. are cordially invited to the Annual Meeting of Shareholders. The meeting will be held at 9:00 am, April 23, 2020 at The Coach House of The Ryland Inn, Whitehouse Station, NJ.

### Stock Listing

NASDAQ  
Symbol: UNTY

### Transfer Agent and Registrar

Computershare, Inc.  
PO Box 30170  
College Station, Texas 77842-3170  
800.368.5948  
Computershare.com

### Investor Inquiries

James Hughes  
908.713.4306 | James.Hughes@unitybank.com

### Independent Registered Public Accounting Firm

RSM US LLP  
Blue Bell, Pennsylvania

### Legal Counsel

Windels Marx Lane & Mittendorf, LLP  
New Brunswick, New Jersey

# LOCATIONS

## *New Jersey*

### **Bergen County:**

4 Emerson Plaza West ♦ Emerson, NJ 07630

475 Franklin Turnpike ♦ Ramsey, NJ 07446

### **Hunterdon County:**

64 Old Highway 22 ♦ Clinton, NJ 08809

157 Main St. ♦ Flemington, NJ 08822

370 Route 22 W. ♦ Whitehouse Station, NJ 08889

### **Middlesex County:**

1746 Oak Tree Rd. ♦ Edison, NJ 08820

104 Raritan Ave. ♦ Highland Park, NJ 08904

1230 Bound Brook Rd. ♦ Middlesex, NJ 08846

2426 Plainfield Ave. ♦ South Plainfield, NJ 07080

### **Somerset County:**

450 Somerset St. ♦ North Plainfield, NJ 07060

*(pictured on back cover)*

120 Cedar Grove Ln. ♦ Somerset, NJ 08873

12 Mountain Ave. ♦ Somerville, NJ 08876

### **Union County:**

628 North Wood Ave. ♦ Linden, NJ 07036

2222 South Ave. ♦ Scotch Plains, NJ 07076

952 Stuyvesant Ave. ♦ Union, NJ 07083

### **Warren County:**

1225 Route 22 W. ♦ Phillipsburg, NJ 08865

5 E. Asbury Anderson Rd. ♦ Washington, NJ 07882

## *Pennsylvania*

### **Northampton County:**

2850 Easton Ave. ♦ Bethlehem, PA 18017

*(pictured on front cover)*

1700 Sullivan Trail ♦ Forks, PA 18040

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## UNITY BANCORP, INC

64 Old Highway 22 ♦ Clinton, NJ 08809

[unitybank.com](http://unitybank.com) ♦ 800.618.2265