For Immediate Release
Unity Bancorp, Inc. (NSDQ: UNTY)
January 23, 2019

News Media & Financial Analyst Contact:
Alan J. Bedner, EVP and CFO
(908)713-4308

Unity Bancorp Reports Quarterly Earnings of $5.8 Million

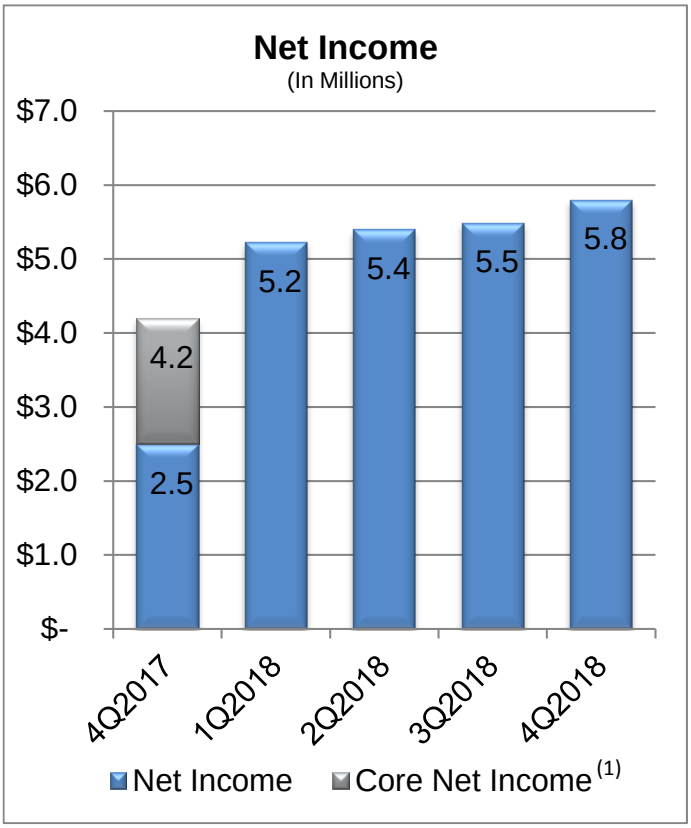
Net Income per Diluted Share = $0.53	ROA = 1.56%	ROE = 17.00%	Net Interest Margin = 4.01%

CEO COMMENTARY:

James A. Hughes, President and CEO, commented on the financial results:

On behalf of the entire Unity Bancorp team, I am pleased to report another quarter of record profitability. During the quarter we gained considerable traction in growing our premiere franchise.

Our fourth quarter performance is a reflection of our commitment to our clients, communities, employees and shareholders. I am very optimistic about our future and look forward to providing superior returns in 2019.



(1) Core Net Income is a Non-GAAP financial measure consisting of net income and excluding the impact of the Tax Cuts and Jobs Act. See the reconcilement of GAAP and Non-GAAP financials.

Clinton, NJ, January 23, 2019 - Unity Bancorp, Inc. (NASDAQ: UNTY), parent company of Unity Bank, reported record net income of $5.8 million, or $0.53 per diluted share, for the quarter ended December 31, 2018, compared to $2.5 million, or $0.23 per diluted share, for the prior year's quarter. Approximately $912 thousand, or $0.08 per diluted share, of this increase is attributed to the lower effective tax rate due to the Tax Cuts and Jobs Act (the "Tax Act.")

For the year ended December 31, 2018, Unity reported net income of $21.9 million, or $2.01 per diluted share, compared to $12.9 million, or $1.20 per diluted share for the prior year's period. Approximately $3.2 million, or $0.29 per diluted share, of this increase is attributed to the lower effective tax rate due to the Tax Act.

Net income for the fourth quarter and year-ended December 31, 2017, includes an additional $1.7 million in income tax expense as a result of the Company adjusting its deferred income tax balances in response to the Tax Act which was signed into law on December 22, 2017.

Fourth Quarter Earnings Highlights

- Net interest income, our primary driver of earnings, increased $1.7 million to $14.2 million for the quarter ended December 31, 2018, compared to the prior year's quarter, due to strong loan growth and an increased net interest margin.
- Net interest margin expanded 10 basis points to 4.01%, compared to 3.91% for the prior year's quarter and increased 9 basis points from 3.92% in the prior sequential quarter ended September 30, 2018. The net interest margin is expected to remain stable.
- The provision for loan losses was $500 thousand for the quarters ended December 31, 2018 and 2017. Asset quality remains favorable.
- Noninterest income decreased $83 thousand to $2.0 million compared to the prior year's quarter and $525 thousand compared to the prior sequential quarter. The quarter included $193 thousand in write-downs on equity securities.
- Noninterest expense increased $639 thousand to $8.3 million compared to the prior year's quarter and decreased $533 thousand compared to the prior sequential quarter. The year-over-year increase was the result of expansion costs from two additional branches and increased headcount which resulted in higher compensation, benefits, occupancy and equipment expenses. The decline over the quarter ended September 30, 2018 was due to the two nonrecurring transactions last quarter: an $850 thousand supplemental executive retirement ("SERP") benefit expense, partially offset by a $317 thousand recovery related to an OREO property.
- The effective tax rate declined to 21.0% for the quarter compared to 61.0% in the prior year's quarter, as a result of the Tax Act, which was enacted December 22, 2017, and lowered the federal corporate tax rate. In addition, the prior year's quarter included a $1.7 million adjustment to our deferred tax asset as a result of the Tax Act.

Balance Sheet Highlights

- Total loans increased $133.9 million, or 11.4%, from year-end 2017 to $1.3 billion at December 31, 2018. Residential mortgage, commercial and consumer loan portfolios increased $70.9 million, $65.2 million, and $14.0 million, respectively, partially offset by a decline of $16.3 million in SBA loans. Our pipeline remains strong. Mortgage originations for the year totaled $225.0 million and reached a record level.
- Total deposits increased $164.6 million, or 15.8%, from year-end 2017 to $1.2 billion at December 31, 2018. Growth in noninterest-bearing demand deposits was 5.5% from year-end 2017.
- Borrowed funds decreased $65.0 million to $210.0 million at December 31, 2018, due to decreased overnight borrowings, the maturity of a repo and FHLB advances being called.
- Shareholders' equity was $138.5 million at December 31, 2018, an increase of $20.4 million from year-end 2017, due to retained net income offset in part by declines in other comprehensive income resulting from unrealized losses on securities and the payment of dividends.
- Book value per common share was $12.85 as of December 31, 2018.

- At December 31, 2018, the leverage, common equity Tier I, Tier I and Total Risk Based Capital ratios were 9.90%, 11.40%, 12.24% and 13.49% respectively, all in excess of the ratios required to be deemed "well-capitalized."
- Credit quality remains strong with nonperforming assets to total assets of 0.44% at December 31, 2018.

Unity Bancorp, Inc. is a financial service organization headquartered in Clinton, New Jersey, with approximately $1.6 billion in assets and $1.2 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 , 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 IA-Risk Factors" 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, and results of regulatory exams, among other factors.

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

UNITY BANCORP, INC.
SUMMARY FINANCIAL HIGHLIGHTS
December 31, 2018

(In thousands, except percentages and per share amounts)	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018 vs. September 30, 2018 %	December 31, 2018 vs. December 31, 2017 %
BALANCE SHEET DATA:					
Total assets	**$ 1,579,157**	$ 1,553,152	$ 1,455,496	1.7 %	8.5 %
Total deposits	**1,207,687**	1,219,473	1,043,137	(1.0)	15.8
Total loans	**1,304,566**	1,283,304	1,170,674	1.7	11.4
Total securities	**63,732**	63,399	69,800	0.5	(8.7)
Total shareholders' equity	**138,488**	133,067	118,105	4.1	17.3
Allowance for loan losses	**(15,488)**	(14,988)	(13,556)	3.3	14.3
FINANCIAL DATA - QUARTER TO DATE:					
Income before provision for income taxes	**$ 7,350**	$ 6,745	$ 6,408	9.0	14.7
Provision for income taxes	**1,547**	1,255	2,175	23.3	(28.9)
Impact of Tax Reform Bill	**-**	-	1,733	0.0	(100.0)
Net income	**$ 5,803**	$ 5,490	$ 2,500	5.7	132.1
Net income per common share - Basic	**$ 0.54**	$ 0.51	$ 0.24	5.9	125.0
Net income per common share - Diluted	**$ 0.53**	$ 0.50	$ 0.23	6.0	130.4
Performance ratios:					
Return on average assets	**1.56 %**	1.50 %	0.74 %	4.0	110.8
Return on average equity	**17.00 %**	16.64 %	8.54 %	2.2	99.1
Efficiency ratio	**50.69 %**	54.86 %	52.45 %	(7.6)	(3.4)
Net interest margin	**4.01 %**	3.92 %	3.91 %	2.3	2.6
Noninterest expense to average assets	**2.22 %**	2.41 %	2.25 %	(7.9)	(1.3)
FINANCIAL DATA - YEAR TO DATE:					
Income before provision for income taxes	**$ 27,307**		$ 22,433		21.7
Provision for income taxes	**5,388**		7,807		(31.0)
Impact of Tax Reform Bill	**-**		1,733		(100.0)
Net income	**$ 21,919**		$ 12,893		70.0
Net income per common share - Basic	**$ 2.04**		$ 1.22		67.2
Net income per common share - Diluted	**$ 2.01**		$ 1.20		67.5
Performance ratios:					
Return on average assets	**1.53 %**		1.02 %		50.0
Return on average equity	**17.10 %**		11.47 %		49.1
Efficiency ratio	**53.07 %**		55.57 %		(4.5)
Net interest margin	**3.97 %**		3.83 %		3.7
Noninterest expense to average assets	**2.34 %**		2.37 %		(1.3)
SHARE INFORMATION:					
Market price per share	**$ 20.76**	$ 22.90	$ 19.75	(9.3)	5.1
Dividends paid	**$ 0.07**	$ 0.07	$ 0.06	-	16.7
Book value per common share	**$ 12.85**	$ 12.37	$ 11.13	3.9	15.5
Average diluted shares outstanding (QTD)	**10,935**	10,936	10,794	-	1.3
CAPITAL RATIOS:					
Total equity to total assets	**8.77 %**	8.57 %	8.11 %	2.3	8.1
Leverage ratio	**9.90 %**	9.74 %	9.37 %	1.6	5.7
Common equity tier 1 risk-based capital ratio	**11.40 %**	11.15 %	10.81 %	2.2	5.5
Tier 1 risk-based capital ratio	**12.24 %**	12.00 %	11.75 %	2.0	4.2
Total risk-based capital ratio	**13.49 %**	13.25 %	12.87 %	1.8	4.8
CREDIT QUALITY AND RATIOS:					
Nonperforming assets	**$ 6,929**	$ 6,251	$ 3,420	10.8	102.6
QTD net chargeoffs (annualized) to QTD average loans	**- %**	0.05 %	0.02 %	(100.0)	(100.0)
Allowance for loan losses to total loans	**1.19 %**	1.17 %	1.16 %	1.7	2.6
Nonperforming assets to total loans and OREO	**0.53 %**	0.49 %	0.29 %	8.2	82.8
Nonperforming assets to total assets	**0.44 %**	0.40 %	0.23 %	10.0 %	91.3 %

UNITY BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2018

(In thousands, except percentages)	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018 vs. September 30, 2018 %	December 31, 2018 vs. December 31, 2017 %
ASSETS					
Cash and due from banks	**$ 20,028**	$ 23,217	$ 23,701	(13.7) %	(15.5) %
Fed funds, interest-bearing deposits and repos	**125,487**	121,339	126,553	3.4	(0.8)
Cash and cash equivalents	**145,515**	144,556	150,254	0.7	(3.2)
Securities:					
Securities available for sale	**46,713**	46,874	52,287	(0.3)	(10.7)
Securities held to maturity	**14,875**	15,325	16,307	(2.9)	(8.8)
Equity securities	**2,144**	1,200	1,206	78.7	77.8
Total securities	**63,732**	63,399	69,800	0.5	(8.7)
Loans:					
SBA loans held for sale	**11,171**	13,029	22,810	(14.3)	(51.0)
SBA loans held for investment	**39,333**	41,051	43,999	(4.2)	(10.6)
Commercial loans	**694,102**	697,075	628,865	(0.4)	10.4
Residential mortgage loans	**436,056**	413,652	365,145	5.4	19.4
Consumer loans	**123,904**	118,497	109,855	4.6	12.8
Total loans	**1,304,566**	1,283,304	1,170,674	1.7	11.4
Allowance for loan losses	**(15,488)**	(14,988)	(13,556)	3.3	14.3
Net loans	**1,289,078**	1,268,316	1,157,118	1.6	11.4
Premises and equipment, net	**23,371**	23,416	23,470	(0.2)	(0.4)
Bank owned life insurance ("BOLI")	**24,710**	24,544	24,227	0.7	2.0
Deferred tax assets	**5,350**	5,310	4,017	0.8	33.2
Federal Home Loan Bank ("FHLB") stock	**10,795**	9,445	12,863	14.3	(16.1)
Accrued interest receivable	**6,399**	6,412	5,447	(0.2)	17.5
Other real estate owned ("OREO")	**56**	56	426	-	(86.9)
Goodwill	**1,516**	1,516	1,516	-	-
Other assets	**8,635**	6,182	6,358	39.7	35.8
Total assets	**$ 1,579,157**	$ 1,553,152	$ 1,455,496	1.7 %	8.5 %
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities:					
Deposits:					
Noninterest-bearing demand	**$ 270,152**	$ 271,321	$ 256,119	(0.4) %	5.5 %
Interest-bearing demand	**185,792**	180,189	164,997	3.1	12.6
Savings	**394,727**	408,927	396,557	(3.5)	(0.5)
Time deposits	**357,016**	359,036	225,464	(0.6)	58.3
Total deposits	**1,207,687**	1,219,473	1,043,137	(1.0)	15.8
Borrowed funds	**210,000**	180,000	275,000	16.7	(23.6)
Subordinated debentures	**10,310**	10,310	10,310	-	-
Accrued interest payable	**406**	506	436	(19.8)	(6.9)
Accrued expenses and other liabilities	**12,266**	9,796	8,508	25.2	44.2
Total liabilities	**1,440,669**	1,420,085	1,337,391	1.4	7.7
Shareholders' equity:					
Common stock	**88,484**	88,149	86,782	0.4	2.0
Retained earnings	**50,161**	45,121	31,117	11.2	61.2
Accumulated other comprehensive (loss) income	**(157)**	(203)	206	NM	NM
Total shareholders' equity	**138,488**	133,067	118,105	4.1	17.3
Total liabilities and shareholders' equity	**$ 1,579,157**	$ 1,553,152	$ 1,455,496	1.7 %	8.5 %
Issued and outstanding common shares	**10,780**	10,756	10,615		

NM=Not meaningful

UNITY BANCORP, INC.
QTD CONSOLIDATED STATEMENTS OF INCOME
December 31, 2018

	For the three months ended			December 31, 2018 vs. September 30, 2018		December 31, 2018 vs. December 31, 2017	
(In thousands, except percentages and per share amounts)	**December 31, 2018**	**September 30, 2018**	**December 31, 2017**	**$**	**%**	**$**	**%**
INTEREST INCOME							
Fed funds, interest-bearing deposits and repos	**$ 210**	$ 187	$ 257	$ 23	12.3 %	$ (47)	(18.3) %
FHLB stock	**104**	101	119	3	3.0	(15)	(12.6)
Securities:							
Taxable	**466**	465	488	1	0.2	(22)	(4.5)
Tax-exempt	**28**	28	31	-	-	(3)	(9.7)
Total securities	**494**	493	519	1	0.2	(25)	(4.8)
Loans:							
SBA loans	**974**	1,050	1,023	(76)	(7.2)	(49)	(4.8)
Commercial loans	**9,167**	8,784	7,590	383	4.4	1,577	20.8
Residential mortgage loans	**5,172**	4,803	4,046	369	7.7	1,126	27.8
Consumer loans	**1,939**	1,776	1,490	163	9.2	449	30.1
Total loans	**17,252**	16,413	14,149	839	5.1	3,103	21.9
Total interest income	**18,060**	17,194	15,044	866	5.0	3,016	20.0
INTEREST EXPENSE							
Interest-bearing demand deposits	**389**	330	183	59	17.9	206	112.6
Savings deposits	**1,103**	1,049	744	54	5.1	359	48.3
Time deposits	**1,861**	1,739	837	122	7.0	1,024	122.3
Borrowed funds and subordinated debentures	**543**	509	780	34	6.7	(237)	(30.4)
Total interest expense	**3,896**	3,627	2,544	269	7.4	1,352	53.1
Net interest income	**14,164**	13,567	12,500	597	4.4	1,664	13.3
Provision for loan losses	**500**	500	500	-	-	-	-
Net interest income after provision for loan losses	**13,664**	13,067	12,000	597	4.6	1,664	13.9
NONINTEREST INCOME							
Branch fee income	**413**	357	354	56	15.7	59	16.7
Service and loan fee income	**690**	465	628	225	48.4	62	9.9
Gain on sale of SBA loans held for sale, net	**298**	253	268	45	17.8	30	11.2
Gain on sale of mortgage loans, net	**277**	597	343	(320)	(53.6)	(66)	(19.2)
BOLI income	**165**	464	181	(299)	(64.4)	(16)	(8.8)
Net security gains (losses)	**(193)**	2	(7)	(195)	(9,750.0)	(186)	(2,657.1)
Other income	**304**	341	270	(37)	(10.9)	34	12.6
Total noninterest income	**1,954**	2,479	2,037	(525)	(21.2)	(83)	(4.1)
NONINTEREST EXPENSE							
Compensation and benefits	**4,845**	5,704	4,455	(859)	(15.1)	390	8.8
Occupancy	**681**	675	591	6	0.9	90	15.2
Processing and communications	**716**	709	659	7	1.0	57	8.6
Furniture and equipment	**616**	586	542	30	5.1	74	13.7
Professional services	**252**	270	298	(18)	(6.7)	(46)	(15.4)
Loan collection & OREO expenses	**31**	(331)	(30)	362	109.4	61	203.3
Other loan expenses	**(2)**	51	38	(53)	(103.9)	(40)	(105.3)
Deposit insurance	**189**	191	170	(2)	(1.0)	19	11.2
Advertising	**360**	370	321	(10)	(2.7)	39	12.1
Director fees	**169**	175	141	(6)	(3.4)	28	19.9
Other expenses	**411**	401	444	10	2.5	(33)	(7.4)
Total noninterest expense	**8,268**	8,801	7,629	(533)	(6.1)	639	8.4
Income before provision for income taxes	**7,350**	6,745	6,408	605	9.0	942	14.7
Provision for income taxes	**1,547**	1,255	2,175	292	23.3	(628)	(28.9)
Impact of Tax Reform Bill	-	-	1,733	-	-	(1,733)	(100.0)
Net income	**$ 5,803**	$ 5,490	$ 2,500	$ 313	5.7 %	$ 3,303	132.1 %
Effective tax rate	**21.0 %**	18.6 %	61.0 %				
Net income per common share - Basic	**$ 0.54**	$ 0.51	$ 0.24				
Net income per common share - Diluted	**$ 0.53**	$ 0.50	$ 0.23				
Weighted average common shares outstanding - Basic	**10,765**	10,743	10,604				
Weighted average common shares outstanding - Diluted	**10,935**	10,936	10,794				

UNITY BANCORP, INC.
YTD CONSOLIDATED STATEMENTS OF INCOME
December 31, 2018

(In thousands, except percentages and per share amounts)	For the twelve months ended December 31, 2018	2017	Current YTD vs. Prior YTD $	%
INTEREST INCOME				
Fed funds, interest-bearing deposits and repos	**$ 773**	$ 851	$ (78)	(9.2) %
FHLB stock	**462**	370	92	24.9
Securities:				
Taxable	**1,907**	2,029	(122)	(6.0)
Tax-exempt	**117**	159	(42)	(26.4)
Total securities	**2,024**	2,188	(164)	(7.5)
Loans:				
SBA loans	**4,338**	3,805	533	14.0
Commercial loans	**33,886**	28,150	5,736	20.4
Residential mortgage loans	**18,837**	14,650	4,187	28.6
Consumer loans	**6,943**	5,296	1,647	31.1
Total loans	**64,004**	51,901	12,103	23.3
Total interest income	**67,263**	55,310	11,953	21.6
INTEREST EXPENSE				
Interest-bearing demand deposits	**1,202**	665	537	80.8
Savings deposits	**3,871**	2,738	1,133	41.4
Time deposits	**5,903**	3,278	2,625	80.1
Borrowed funds and subordinated debentures	**2,540**	2,772	(232)	(8.4)
Total interest expense	**13,516**	9,453	4,063	43.0
Net interest income	**53,747**	45,857	7,890	17.2
Provision for loan losses	**2,050**	1,650	400	24.2
Net interest income after provision for loan losses	**51,697**	44,207	7,490	16.9
NONINTEREST INCOME				
Branch fee income	**1,519**	1,384	135	9.8
Service and loan fee income	**2,130**	2,100	30	1.4
Gain on sale of SBA loans held for sale, net	**1,680**	1,617	63	3.9
Gain on sale of mortgage loans, net	**1,719**	1,530	189	12.4
BOLI income	**975**	469	506	107.9
Net security gains (losses)	**(199)**	62	(261)	(421.0)
Other income	**1,207**	1,108	99	8.9
Total noninterest income	**9,031**	8,270	761	9.2
NONINTEREST EXPENSE				
Compensation and benefits	**20,119**	17,117	3,002	17.5
Occupancy	**2,739**	2,381	358	15.0
Processing and communications	**2,788**	2,551	237	9.3
Furniture and equipment	**2,348**	2,079	269	12.9
Professional services	**934**	1,022	(88)	(8.6)
Loan collection & OREO expenses	**(288)**	463	(751)	(162.2)
Other loan expenses	**135**	186	(51)	(27.4)
Deposit insurance	**782**	546	236	43.2
Advertising	**1,411**	1,179	232	19.7
Director fees	**671**	637	34	5.3
Other expenses	**1,782**	1,883	(101)	(5.4)
Total noninterest expense	**33,421**	30,044	3,377	11.2
Income before provision for income taxes	**27,307**	22,433	4,874	21.7
Provision for income taxes	**5,388**	7,807	(2,419)	(31.0)
Impact of Tax Reform Bill	**-**	1,733	(1,733)	(100.0)
Net income	**$ 21,919**	$ 12,893	$ 9,026	70.0 %
Effective tax rate	**19.7 %**	42.5 %		
Net income per common share - Basic	**$ 2.04**	$ 1.22		
Net income per common share - Diluted	**$ 2.01**	$ 1.20		
Weighted average common shares outstanding - Basic	**10,726**	10,558		
Weighted average common shares outstanding - Diluted	**10,916**	10,749		

UNITY BANCORP, INC.
QUARTER TO DATE NET INTEREST MARGIN
December 31, 2018

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

	For the three months ended					
	December 31, 2018			December 31, 2017		
	Average Balance	Interest	Rate/Yield	Average Balance	Interest	Rate/Yield
ASSETS						
Interest-earning assets:						
Fed funds, interest-bearing deposits and repos	**$ 34,551**	**$ 210**	**2.41 %**	$ 61,621	$ 257	1.65 %
FHLB stock	**5,762**	**104**	**7.16**	7,523	119	6.28
Securities:						
Taxable	**58,350**	**466**	**3.17**	65,967	488	2.93
Tax-exempt	**4,776**	**35**	**2.91**	5,469	47	3.41
Total securities (A)	**63,126**	**501**	**3.15**	71,436	535	2.97
Loans:						
SBA loans	**53,803**	**974**	**7.18**	63,275	1,023	6.41
Commercial loans	**698,609**	**9,167**	**5.21**	611,863	7,590	4.92
Residential mortgage loans	**423,674**	**5,172**	**4.84**	344,636	4,046	4.66
Consumer loans	**121,214**	**1,939**	**6.35**	109,300	1,490	5.41
Total loans (B)	**1,297,300**	**17,252**	**5.28**	1,129,074	14,149	4.97
Total interest-earning assets	**$ 1,400,739**	**$ 18,067**	**5.12 %**	$ 1,269,654	$ 15,060	4.71 %
Noninterest-earning assets:						
Cash and due from banks	**25,410**			23,248		
Allowance for loan losses	**(15,266)**			(13,373)		
Other assets	**66,925**			65,785		
Total noninterest-earning assets	**77,069**			75,660		
Total assets	**$ 1,477,808**			$ 1,345,314		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities:						
Total interest-bearing demand deposits	**$ 187,827**	**$ 389**	**0.82 %**	$ 167,918	$ 183	0.43 %
Total savings deposits	**406,681**	**1,103**	**1.08**	406,281	744	0.73
Total time deposits	**356,520**	**1,861**	**2.07**	220,062	837	1.51
Total interest-bearing deposits	**951,028**	**3,353**	**1.40**	794,261	1,764	0.88
Borrowed funds and subordinated debentures	**108,465**	**543**	**1.99**	166,669	780	1.86
Total interest-bearing liabilities	**$ 1,059,493**	**$ 3,896**	**1.46 %**	$ 960,930	$ 2,544	1.05 %
Noninterest-bearing liabilities:						
Noninterest-bearing demand deposits	**271,440**			258,616		
Other liabilities	**11,454**			9,615		
Total noninterest-bearing liabilities	**282,894**			268,231		
Total shareholders' equity	**135,421**			116,153		
Total liabilities and shareholders' equity	**$ 1,477,808**			$ 1,345,314		
Net interest spread		**$ 14,171**	**3.66 %**		$ 12,516	3.66 %
Tax-equivalent basis adjustment		**(7)**			(16)	
Net interest income		**$ 14,164**			$ 12,500	
Net interest margin			**4.01 %**			3.91 %

(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 in 2018 and 35 percent in 2017 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
December 31, 2018

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

	For the three months ended					
	December 31, 2018			September 30, 2018		
	Average Balance	Interest	Rate/Yield	Average Balance	Interest	Rate/Yield
ASSETS						
Interest-earning assets:						
Fed funds, interest-bearing deposits and repos	**$ 34,551**	**$ 210**	**2.41 %**	$ 40,060	$ 187	1.85 %
FHLB stock	**5,762**	**104**	**7.16**	5,805	101	6.90
Securities:						
Taxable	**58,350**	**466**	**3.17**	59,916	465	3.08
Tax-exempt	**4,776**	**35**	**2.91**	5,095	35	2.73
Total securities (A)	**63,126**	**501**	**3.15**	65,011	500	3.05
Loans:						
SBA loans	**53,803**	**974**	**7.18**	56,837	1,050	7.33
Commercial loans	**698,609**	**9,167**	**5.21**	683,632	8,784	5.10
Residential mortgage loans	**423,674**	**5,172**	**4.84**	404,439	4,803	4.71
Consumer loans	**121,214**	**1,939**	**6.35**	116,421	1,776	6.05
Total loans (B)	**1,297,300**	**17,252**	**5.28**	1,261,329	16,413	5.16
Total interest-earning assets	**$ 1,400,739**	**$ 18,067**	**5.12 %**	$ 1,372,205	$ 17,201	4.97 %
Noninterest-earning assets:						
Cash and due from banks	**25,410**			25,560		
Allowance for loan losses	**(15,266)**			(14,909)		
Other assets	**66,925**			65,645		
Total noninterest-earning assets	**77,069**			76,296		
Total assets	**$ 1,477,808**			$ 1,448,501		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities:						
Total interest-bearing demand deposits	**$ 187,827**	**$ 389**	**0.82 %**	$ 173,515	$ 330	0.75 %
Total savings deposits	**406,681**	**1,103**	**1.08**	407,287	1,049	1.02
Total time deposits	**356,520**	**1,861**	**2.07**	350,747	1,739	1.97
Total interest-bearing deposits	**951,028**	**3,353**	**1.40**	931,549	3,118	1.33
Borrowed funds and subordinated debentures	**108,465**	**543**	**1.99**	109,408	509	1.85
Total interest-bearing liabilities	**$ 1,059,493**	**$ 3,896**	**1.46 %**	$ 1,040,957	$ 3,627	1.38 %
Noninterest-bearing liabilities:						
Noninterest-bearing demand deposits	**271,440**			266,833		
Other liabilities	**11,454**			9,805		
Total noninterest-bearing liabilities	**282,894**			276,638		
Total shareholders' equity	**135,421**			130,906		
Total liabilities and shareholders' equity	**$ 1,477,808**			$ 1,448,501		
Net interest spread		**$ 14,171**	**3.66 %**		$ 13,574	3.59 %
Tax-equivalent basis adjustment		**(7)**			(7)	
Net interest income		**$ 14,164**			$ 13,567	
Net interest margin			**4.01 %**			3.92 %

(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 in 2018 and 35 percent in 2017 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
December 31, 2018

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

	For the twelve months ended					
	December 31, 2018			December 31, 2017		
	Average Balance	Interest	Rate/Yield	Average Balance	Interest	Rate/Yield
ASSETS						
Interest-earning assets:						
Fed funds, interest-bearing deposits and repos	**$ 40,700**	**$ 773**	**1.90 %**	$ 70,139	$ 851	1.21 %
FHLB stock	**6,786**	**462**	**6.81**	6,230	370	5.94
Securities:						
Taxable	**60,734**	**1,907**	**3.14**	66,107	2,029	3.07
Tax-exempt	**5,104**	**145**	**2.84**	6,225	240	3.86
Total securities (A)	**65,838**	**2,052**	**3.12**	72,332	2,269	3.14
Loans:						
SBA loans	**60,321**	**4,338**	**7.19**	59,293	3,805	6.42
Commercial loans	**668,144**	**33,886**	**5.07**	571,001	28,150	4.93
Residential mortgage loans	**396,731**	**18,837**	**4.75**	319,074	14,650	4.59
Consumer loans	**116,311**	**6,943**	**5.97**	102,898	5,296	5.15
Total loans (B)	**1,241,507**	**64,004**	**5.16**	1,052,266	51,901	4.93
Total interest-earning assets	**$ 1,354,831**	**$ 67,291**	**4.97 %**	$ 1,200,967	$ 55,391	4.61 %
Noninterest-earning assets:						
Cash and due from banks	**24,598**			23,321		
Allowance for loan losses	**(14,640)**			(13,033)		
Other assets	**65,770**			58,481		
Total noninterest-earning assets	**75,728**			68,769		
Total assets	**$ 1,430,559**			$ 1,269,736		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities:						
Total interest-bearing demand deposits	**$ 177,022**	**$ 1,202**	**0.68 %**	$ 159,642	$ 665	0.42 %
Total savings deposits	**404,613**	**3,871**	**0.96**	397,250	2,738	0.69
Total time deposits	**314,224**	**5,903**	**1.88**	219,847	3,278	1.49
Total interest-bearing deposits	**895,859**	**10,976**	**1.23**	776,739	6,681	0.86
Borrowed funds and subordinated debentures	**134,664**	**2,540**	**1.89**	135,730	2,772	2.04
Total interest-bearing liabilities	**$ 1,030,523**	**$ 13,516**	**1.32 %**	$ 912,469	$ 9,453	1.04 %
Noninterest-bearing liabilities:						
Noninterest-bearing demand deposits	**261,976**			237,207		
Other liabilities	**9,903**			7,090		
Total noninterest-bearing liabilities	**271,879**			244,297		
Total shareholders' equity	**128,157**			112,970		
Total liabilities and shareholders' equity	**$ 1,430,559**			$ 1,269,736		
Net interest spread		**$ 53,775**	**3.65 %**		$ 45,938	3.57 %
Tax-equivalent basis adjustment		**(28)**			(81)	
Net interest income		**$ 53,747**			$ 45,857	
Net interest margin			**3.97 %**			3.83 %

(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 in 2018 and 35 percent in 2017 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
December 31, 2018

Amounts in thousands, except percentages	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017
ALLOWANCE FOR LOAN LOSSES:					
Balance, beginning of period	**$ 14,988**	$ 14,634	$ 14,196	$ 13,556	$ 13,113
Provision for loan losses charged to expense	**500**	500	550	500	500
	15,488	15,134	14,746	14,056	13,613
Less: Chargeoffs					
SBA loans	**-**	169	104	81	-
Commercial loans	**10**	-	-	-	-
Residential mortgage loans	**-**	-	-	-	50
Consumer loans	**-**	-	16	6	83
Total chargeoffs	**10**	169	120	87	133
Add: Recoveries					
SBA loans	**3**	1	3	64	45
Commercial loans	**5**	5	4	16	31
Residential mortgage loans	**-**	-	-	13	-
Consumer loans	**2**	17	1	134	-
Total recoveries	**10**	23	8	227	76
Net chargeoffs (recoveries)	**-**	146	112	(140)	57
Balance, end of period	**$ 15,488**	$ 14,988	$ 14,634	$ 14,196	$ 13,556
LOAN QUALITY INFORMATION:					
Nonperforming loans (1)	**$ 6,873**	$ 6,195	$ 5,209	$ 4,277	$ 2,994
Other real estate owned ("OREO")	**56**	56	56	56	426
Nonperforming assets	**6,929**	6,251	5,265	4,333	3,420
Less: Amount guaranteed by SBA	**89**	104	129	27	27
Net nonperforming assets	**$ 6,840**	$ 6,147	$ 5,136	$ 4,306	$ 3,393
Loans 90 days past due & still accruing	**$ 98**	$ 546	$ 286	$ -	$ 60
Performing Troubled Debt Restructurings (TDRs)	**$ 745**	$ 755	$ 767	$ 774	$ 786
(1) Nonperforming TDRs included in nonperforming loans	**-**	-	-	-	-
Total TDRs	**$ 745**	$ 755	$ 767	$ 774	$ 786
Allowance for loan losses to:					
Total loans at quarter end	**1.19 %**	1.17 %	1.17 %	1.19 %	1.16 %
Nonperforming loans (1)	**225.35**	241.94	280.94	331.91	452.77
Nonperforming assets	**223.52**	239.77	277.95	327.63	396.37
Net nonperforming assets	**226.43**	243.83	284.93	329.68	399.53
QTD net chargeoffs (annualized) to QTD average loans:					
SBA loans	**(0.02) %**	1.17 %	0.65 %	0.10 %	(0.28) %
Commercial loans	**-**	-	-	(0.01)	(0.02)
Residential mortgage loans	**-**	-	-	(0.01)	0.06
Consumer loans	**(0.01)**	(0.06)	0.05	(0.47)	0.30
Total loans	**- %**	0.05 %	0.04 %	(0.05) %	0.02 %
Nonperforming loans to total loans	**0.53 %**	0.48 %	0.42 %	0.36 %	0.26 %
Nonperforming loans and TDRs to total loans	**0.58**	0.54	0.48	0.42	0.32
Nonperforming assets to total loans and OREO	**0.53**	0.49	0.42	0.36	0.29
Nonperforming assets to total assets	**0.44**	0.40	0.35	0.30	0.23

UNITY BANCORP, INC.
QUARTERLY FINANCIAL DATA
December 31, 2018

(In thousands, except percentages and per share amounts)	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017
SUMMARY OF INCOME:					
Total interest income	**$ 18,060**	$ 17,194	$ 16,369	$ 15,640	$ 15,044
Total interest expense	**3,896**	3,627	3,225	2,768	2,544
Net interest income	**14,164**	13,567	13,144	12,872	12,500
Provision for loan losses	**500**	500	550	500	500
Net interest income after provision for loan losses	**13,664**	13,067	12,594	12,372	12,000
Total noninterest income	**1,954**	2,479	2,312	2,286	2,037
Total noninterest expense	**8,268**	8,801	8,158	8,194	7,629
Income before provision for income taxes	**7,350**	6,745	6,748	6,464	6,408
Provision for income taxes	**1,547**	1,255	1,351	1,235	2,175
Impact of Tax Reform Bill	**-**	-	-	-	1,733
Net income	**$ 5,803**	$ 5,490	$ 5,397	$ 5,229	$ 2,500
Net income per common share - Basic	**$ 0.54**	$ 0.51	$ 0.50	$ 0.49	$ 0.24
Net income per common share - Diluted	**$ 0.53**	$ 0.50	$ 0.49	$ 0.48	$ 0.23
COMMON SHARE DATA:					
Market price per share	**$ 20.76**	$ 22.90	$ 22.75	$ 22.00	$ 19.75
Dividends paid	**$ 0.07**	$ 0.07	$ 0.07	$ 0.06	$ 0.06
Book value per common share	**$ 12.85**	$ 12.37	$ 11.94	$ 11.50	$ 11.13
Weighted average common shares outstanding - Basic	**10,765**	10,743	10,717	10,678	10,604
Weighted average common shares outstanding - Diluted	**10,935**	10,936	10,915	10,853	10,794
Issued and outstanding common shares	**10,780**	10,756	10,731	10,709	10,615
PERFORMANCE RATIOS (Annualized):					
Return on average assets	**1.56 %**	1.50 %	1.53 %	1.53 %	0.74 %
Return on average equity	**17.00**	16.64	17.32	17.69	8.54
Efficiency ratio	**50.69**	54.86	52.80	54.00	52.45
Noninterest expense to average assets	**2.22**	2.41	2.32	2.40	2.25
BALANCE SHEET DATA:					
Total assets	**$ 1,579,157**	$ 1,553,152	$ 1,514,120	$ 1,439,902	$ 1,455,496
Total deposits	**1,207,687**	1,219,473	1,146,399	1,117,514	1,043,137
Total loans	**1,304,566**	1,283,304	1,246,511	1,195,110	1,170,674
Total securities	**63,732**	63,399	65,682	67,521	69,800
Total shareholders' equity	**138,488**	133,067	128,141	123,104	118,105
Allowance for loan losses	**(15,488)**	(14,988)	(14,634)	(14,196)	(13,556)
TAX EQUIVALENT YIELDS AND RATES:					
Interest-earning assets	**5.12 %**	4.97 %	4.91 %	4.85 %	4.71 %
Interest-bearing liabilities	**1.46**	1.38	1.27	1.12	1.05
Net interest spread	**3.66**	3.59	3.64	3.73	3.66
Net interest margin	**4.01**	3.92	3.95	3.99	3.91
CREDIT QUALITY:					
Nonperforming assets	**$ 6,929**	$ 6,251	$ 5,265	$ 4,333	$ 3,420
QTD net chargeoffs (annualized) to QTD average loans	**- %**	0.05 %	0.04 %	(0.05) %	0.02 %
Allowance for loan losses to total loans	**1.19**	1.17	1.17	1.19	1.16
Nonperforming assets to total loans and OREO	**0.53**	0.49	0.42	0.36	0.29
Nonperforming assets to total assets	**0.44**	0.40	0.35	0.30	0.23
CAPITAL RATIOS AND OTHER:					
Total equity to total assets	**8.77 %**	8.57 %	8.46 %	8.55 %	8.11 %
Leverage ratio	**9.90**	9.74	9.63	9.46	9.37
Common equity tier 1 risk-based capital ratio	**11.40**	11.15	11.05	11.14	10.81
Tier 1 risk-based capital ratio	**12.24**	12.00	11.92	12.07	11.75
Total risk-based capital ratio	**13.49**	13.25	13.14	13.24	12.87
Number of banking offices	**19**	19	19	18	18
Number of ATMs	**20**	20	20	19	19
Number of employees	**198**	195	197	199	199

UNITY BANCORP, INC.
Reconciliation of GAAP vs. Non-GAAP Financials
December 31, 2018

(In thousands, except percentages and per share amounts)	QTD Dec. 31, 2018	YTD Dec. 31, 2018	QTD Dec. 31, 2017	YTD Dec. 31, 2017	Current QTD vs. Prior Yr. QTD $	Current QTD vs. Prior Yr. QTD %	Current YTD vs. Prior YTD $	Current YTD vs. Prior YTD %
GAAP								
Income before provision for income taxes	$ 7,350	$ 27,307	$ 6,408	$ 22,433	942	14.7	4,874	21.7
Provision for income taxes	1,547	5,388	3,908	9,540	(2,361)	(60.4)	(4,152)	(43.5)
Net income	$ 5,803	$ 21,919	$ 2,500	$ 12,893	3,303	132.1	9,026	70.0
Effective tax rate	21.0 %	19.7 %	61.0 %	42.5 %				
Net income per:								
Common share - basic	$ 0.54	$ 2.04	$ 0.24	$ 1.22	0.30	125.0	0.82	67.2
Common share - diluted	$ 0.53	$ 2.01	$ 0.23	$ 1.20	0.30	130.4	0.81	67.5
Performance ratios:								
Return on average assets	1.56 %	1.53 %	0.74 %	1.02 %		110.8		50.0
Return on average equity	17.00 %	17.10 %	8.54 %	11.47 %		99.1		49.1
NON-GAAP								
Income before provision for income taxes	$ 7,350	$ 27,307	$ 6,408	$ 22,433	942	14.7	4,874	21.7
Provision for income taxes	1,547	5,388	3,908	9,540	(2,361)	(60.4)	(4,152)	(43.5)
Net income before nonrecurring adjustments	5,803	21,919	2,500	12,893	3,303	132.1	9,026	70.0
Nonrecurring adjustments:								-
Impact of tax reform bill	-	-	1,733	1,733	(1,733)	(100.0)	(1,733)	(100.0)
Adjusted net income	$ 5,803	$ 21,919	$ 4,233	$ 14,626	1,570	37.1	7,293	49.9
Effective tax rate	21.0 %	19.7 %	33.9 %	34.8 %				
Net income before nonrecurring adjustments per:								
Common share - basic	$ 0.54	$ 2.04	$ 0.40	$ 1.38	0.14	35.0	0.66	47.8
Common share - diluted	$ 0.53	$ 2.01	$ 0.39	$ 1.36	0.14	35.9	0.65	47.8
Performance ratios before nonrecurring adjustments:								
Return on average assets	1.56 %	1.53 %	1.25 %	1.15 %		24.8		33.0
Return on average equity	17.00 %	17.10 %	14.46 %	13.02 %		17.6		31.3