



2020 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.

THE BANK'S BRAND PROMISE OF
growing with you!

IS APPLIED TO ALL UNITY STAKEHOLDERS.

FINANCIAL HIGHLIGHTS

Amounts in thousands, except per share data and performance ratios

Year ended December 31,

2020

2019

2018

Selected Results of Operations

Interest income	\$ 78,915	\$ 75,648	\$ 67,263
Interest expense	14,480	18,055	13,516
Net interest income	64,435	57,593	53,747
Provision for loan losses	7,000	2,100	2,050
Noninterest income	12,946	9,539	9,031
Noninterest expense	39,262	34,717	33,421
Provision for income taxes	7,475	6,662	5,388
Net income	\$ 23,644	\$ 23,653	\$ 21,919

Per Share Data

Net income per common share - Basic	\$ 2.21	\$ 2.18	\$ 2.04
Net income per common share - Diluted	2.19	2.14	2.01
Book value per common share	16.63	14.77	12.85
Market value per common share	17.55	22.57	20.76
Cash dividends declared on common shares	0.32	0.31	0.27

Selected Balance Sheet Data

Assets	\$ 1,958,914	\$ 1,718,942	\$ 1,579,157
Loans	1,627,817	1,425,558	1,304,566
Allowance for loan losses	(23,105)	(16,395)	(15,488)
Securities	47,571	66,564	63,732
Deposits	1,557,959	1,250,114	1,207,687
Borrowed funds and subordinated debentures	210,310	293,310	220,310
Shareholders' equity	173,911	160,709	138,488
Common shares outstanding	10,456	10,881	10,780

Performance Ratios

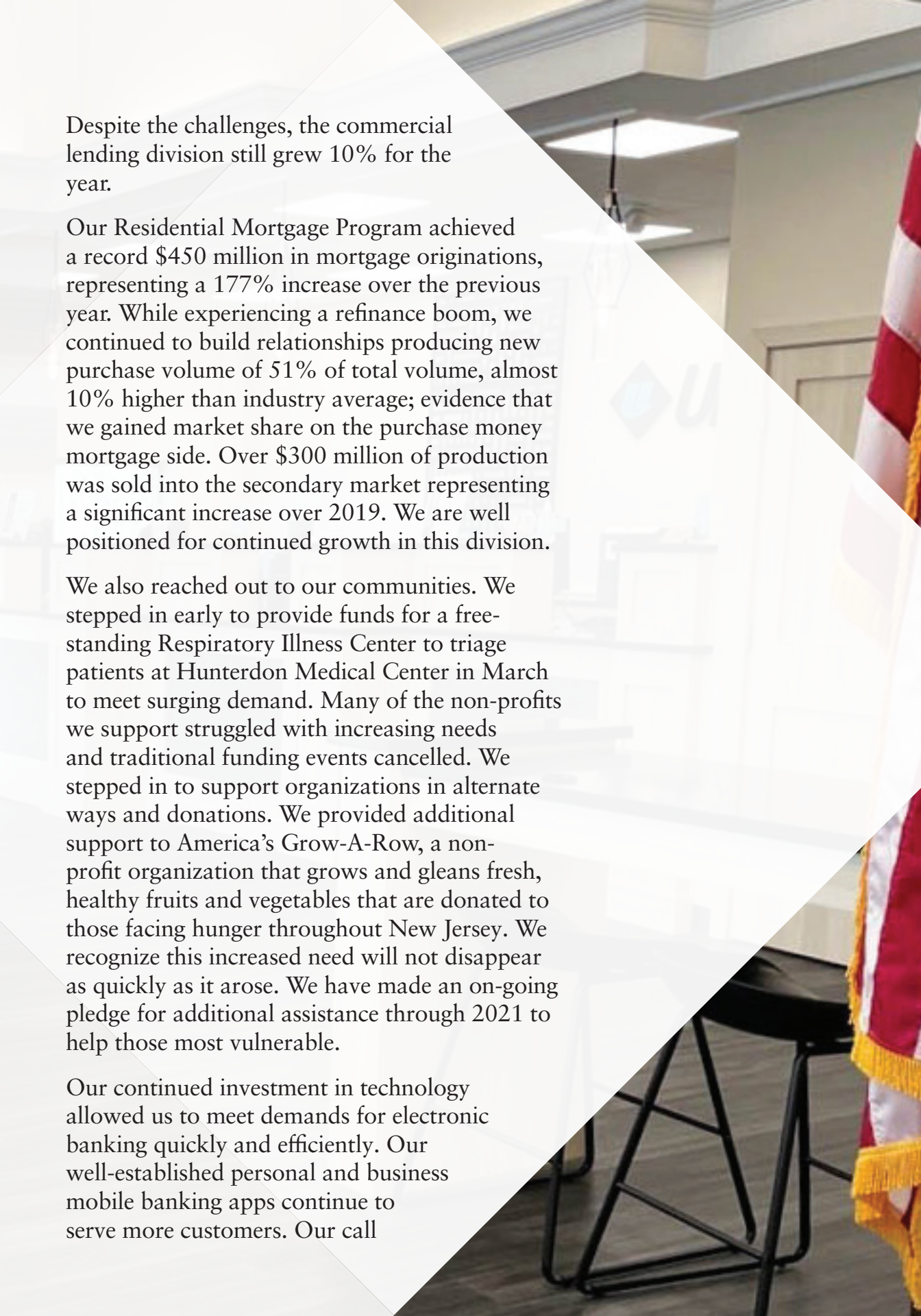
Return on average assets	1.35 %	1.54 %	1.53 %
Return on average equity	14.20	15.86	17.10
Efficiency ratio	50.80	52.00	53.07
Net interest margin	3.85	3.95	3.97

TO OUR SHAREHOLDERS

Compounding crisis began a new decade that will not fade quickly from our memories. During such unprecedented times it is easy to be pessimistic and feel helpless. It is during these times that our commitment to small business and our community guides us. In 2020 we saw our duty to mobilize and help our customers tested. Although we had to pivot how we work, we continued to serve our customers and keep employees safe. Covid-19 protocols were put in place. Customers received timely communications. In addition, training and support was provided on all the options at their disposal to ensure service was not disrupted.

ALTHOUGH WE HAD TO PIVOT HOW
WE WORK, WE CONTINUED TO
**SERVE OUR CUSTOMERS AND KEEP
EMPLOYEES SAFE.**

We embraced the federal Paycheck Protection Program (PPP) and actively communicated with our customers to help them navigate the application process and provide needed support during this highly stressful time. We helped customers secure over 1,200 PPP loans totaling in excess of \$140 million to provide their businesses with desperately needed funds. Staff members responded to the call and worked long hours from home to meet the program's fast-paced deadlines. In addition, the bank has prudently worked with borrowers that were impacted hardest by Covid-19 and having difficulty meeting their contractual obligations. We are happy to report that the number of loans on payment deferrals have significantly declined during the fourth quarter.



Despite the challenges, the commercial lending division still grew 10% for the year.

Our Residential Mortgage Program achieved a record \$450 million in mortgage originations, representing a 177% increase over the previous year. While experiencing a refinance boom, we continued to build relationships producing new purchase volume of 51% of total volume, almost 10% higher than industry average; evidence that we gained market share on the purchase money mortgage side. Over \$300 million of production was sold into the secondary market representing a significant increase over 2019. We are well positioned for continued growth in this division.

We also reached out to our communities. We stepped in early to provide funds for a free-standing Respiratory Illness Center to triage patients at Hunterdon Medical Center in March to meet surging demand. Many of the non-profits we support struggled with increasing needs and traditional funding events cancelled. We stepped in to support organizations in alternate ways and donations. We provided additional support to America's Grow-A-Row, a non-profit organization that grows and gleans fresh, healthy fruits and vegetables that are donated to those facing hunger throughout New Jersey. We recognize this increased need will not disappear as quickly as it arose. We have made an on-going pledge for additional assistance through 2021 to help those most vulnerable.

Our continued investment in technology allowed us to meet demands for electronic banking quickly and efficiently. Our well-established personal and business mobile banking apps continue to serve more customers. Our call

center supported fast learning curves and an influx of help requests from customers utilizing these services more than ever before. We pivoted quickly to support employees working from home and implemented Teams for enhanced virtual collaboration.

Amid the volatile environment we delivered strong results. Our net interest margin stood up, one of the strongest in the state, at 3.85%. Record mortgage performance and expense control contributed significantly to a year-end ROA of 1.35%. Despite the challenges, we were able to keep non-performing assets to under 1%.

In 2020 Unity ranked 15th nationally on the American Banker magazine list of the Top 200 Publicly Traded Community Banks with less than \$2 billion in assets. Unity was the top ranked New Jersey community bank on this respected industry list. Nationally 511 institutions fit the category for the list. Unity Bank has been on the list for five consecutive years. In addition, Unity Bank was named one of the best places to work in NJ for the fourth consecutive year by NJBiz.

The unity of our employees provided tremendous strength and we are deeply thankful for their dedication. We appreciate the continued support of our customers, Board of Directors and shareholders. We share great hope for 2021 and are committed to supporting all our communities as we heal and grow.



A handwritten signature in black ink, appearing to read "David D. Dallas".

David D. Dallas
Chairman of the Board

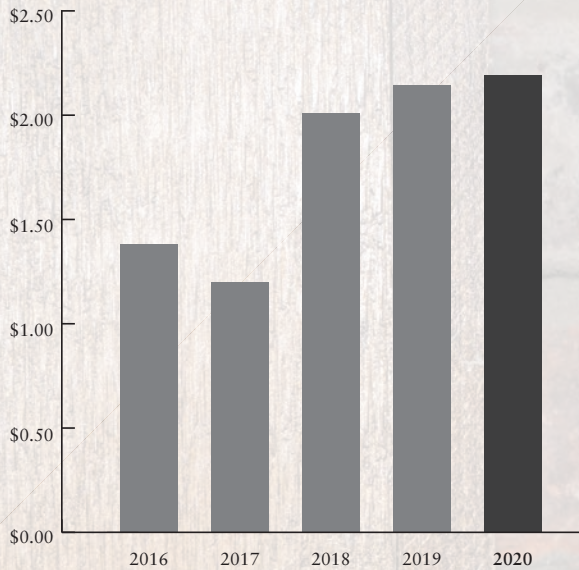


A handwritten signature in black ink, appearing to read "James A. Hughes".

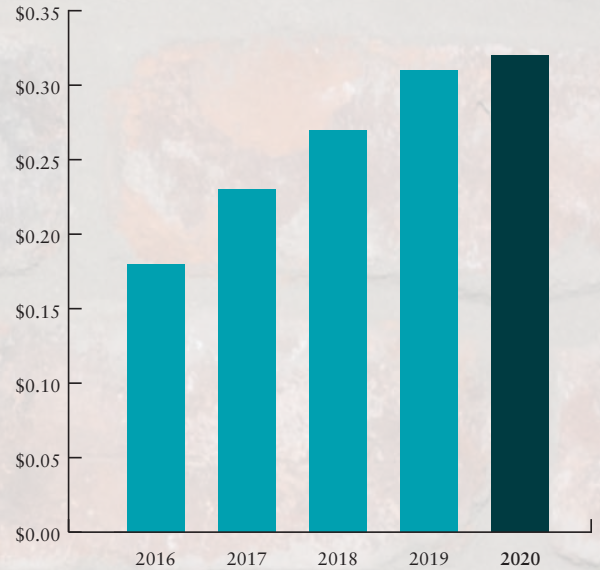
James A. Hughes
President & CEO



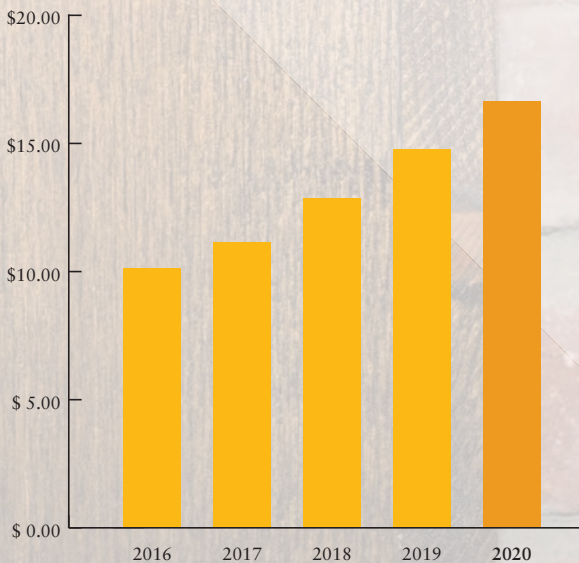
DILUTED EARNINGS PER SHARE



DIVIDENDS PER SHARE



BOOK VALUE



MARKET PRICE



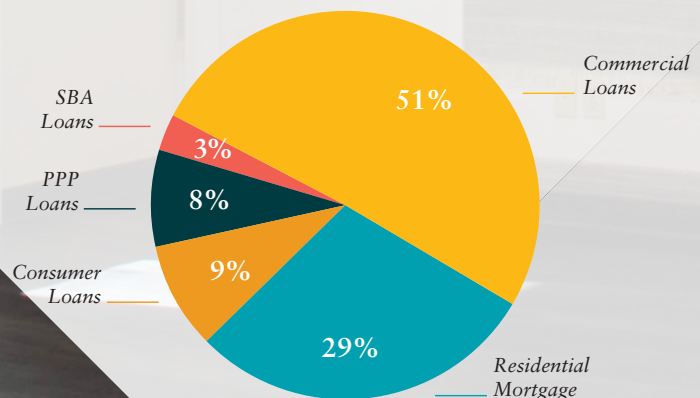
LENDING SUCCESS

Supporting local people, their businesses and neighborhoods is what a community bank does...it is what Unity Bank does. We continued to strengthen and position our residential and commercial lending teams and processes in 2020 to enable us to better serve our customers in 2021 and beyond.

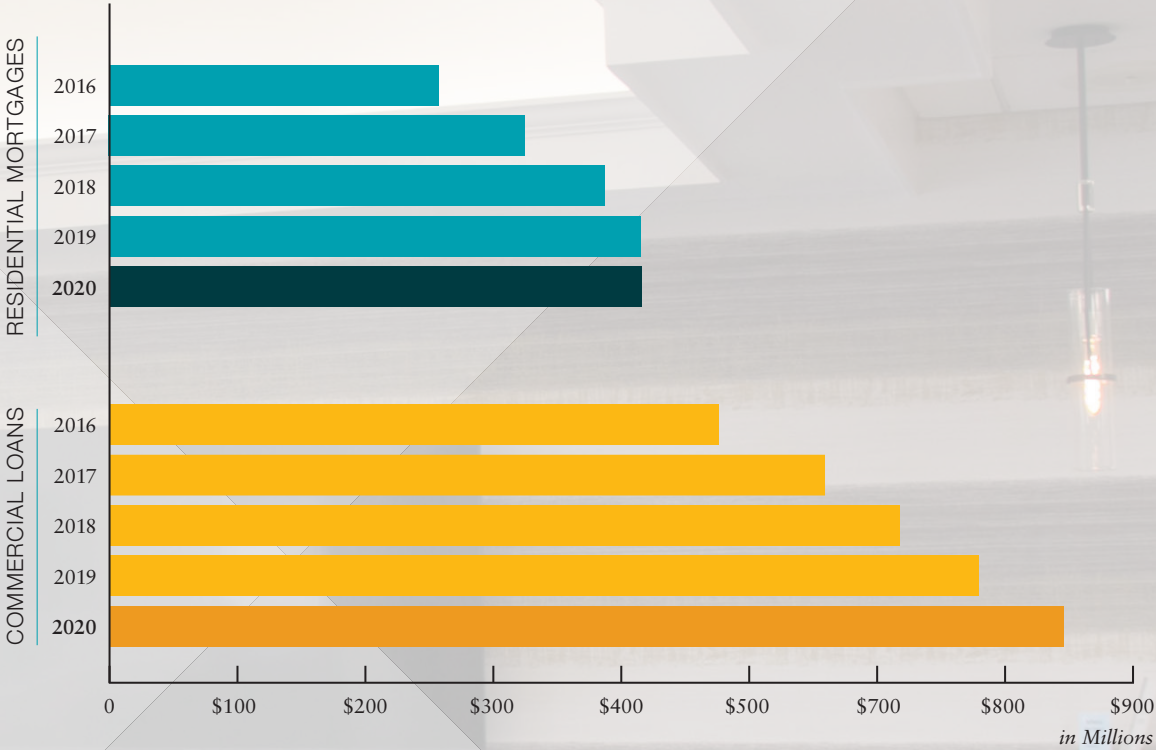
Under challenging market conditions, to say the least, our residential lending team excelled. We achieved core commercial loan and deposit growth, where others contracted, and maintained solid credit quality backed by a top tier industry capital position to be able to weather additional or continued market turbulence should the need arise.

As always, we continue to focus on our customers, core products, existing territories, and to build and maintain deep relationships with strategic referral partners.

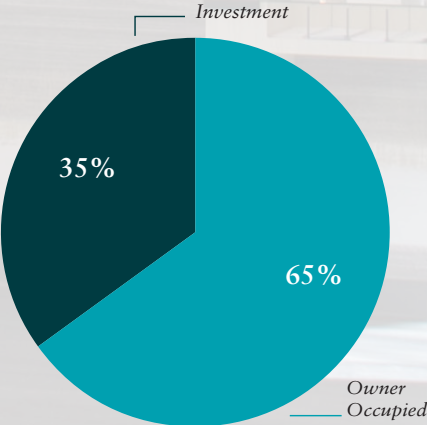
LENDING PORTFOLIO



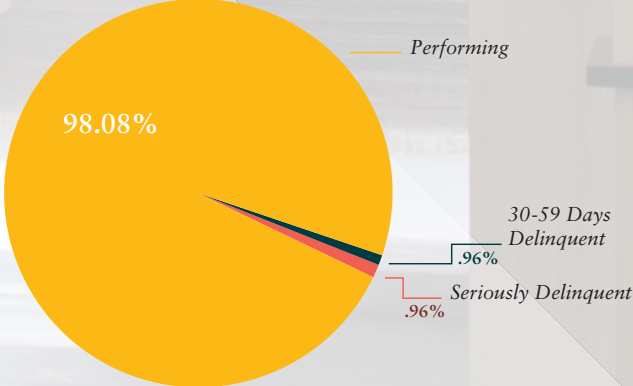
5 YEAR LOAN GROWTH



RESIDENTIAL MORTGAGE DISTRIBUTION



RESIDENTIAL MORTGAGE PERFORMANCE



OUR BANKING EXPERIENCE

We continue to invest in technology that makes banking easier and safer for our customers.

We introduced Zelle®, providing our customers with a fast, safe and easy way to send and receive personal payments in October 2020. In the first three months, new users are outpacing previous person-to-person payment system enrollments significantly. This solution puts our offering on par with leading large commercial banks.

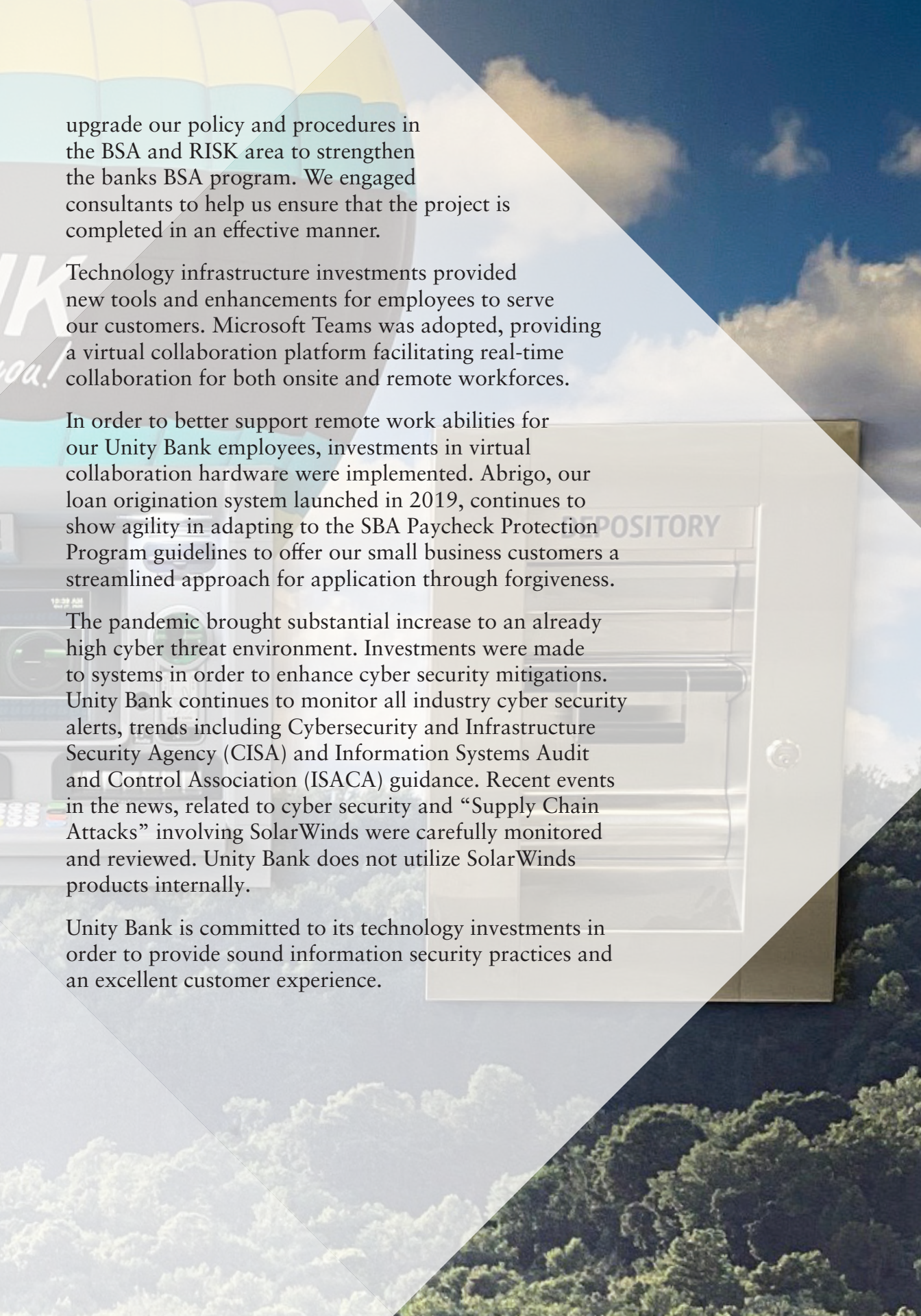
Over 3,500 new customers signed up for Mobile Banking; Unity customers now have over 20,000 enabled devices using personal and business mobile banking. Adoption of eco-friendly eStatements continued in 2020.

TECHNOLOGY INFRASTRUCTURE INVESTMENTS PROVIDED NEW TOOLS AND ENHANCEMENTS FOR EMPLOYEES TO SERVE OUR CUSTOMERS.

Our business online banking application was upgraded with an improved user interface. Strong adoption continues for Card Control, which offers fraud protection and real-time alerts. This product has seen over 3,000 new enrollments in the first year, validating our customers approval of added security offerings. Mobile Deposit usage has doubled in the past 24 months and temporary replacement debit cards were made available at all branches.

Empowering employees with the secure technology needed to succeed.

We have taken extensive actions to enhance our BSA (Bank Secrecy Act) department. We added additional human resources, automation and risk mitigations by upgrading our current software. We continue to



upgrade our policy and procedures in the BSA and RISK area to strengthen the banks BSA program. We engaged consultants to help us ensure that the project is completed in an effective manner.

Technology infrastructure investments provided new tools and enhancements for employees to serve our customers. Microsoft Teams was adopted, providing a virtual collaboration platform facilitating real-time collaboration for both onsite and remote workforces.

In order to better support remote work abilities for our Unity Bank employees, investments in virtual collaboration hardware were implemented. Abrigo, our loan origination system launched in 2019, continues to show agility in adapting to the SBA Paycheck Protection Program guidelines to offer our small business customers a streamlined approach for application through forgiveness.

The pandemic brought substantial increase to an already high cyber threat environment. Investments were made to systems in order to enhance cyber security mitigations. Unity Bank continues to monitor all industry cyber security alerts, trends including Cybersecurity and Infrastructure Security Agency (CISA) and Information Systems Audit and Control Association (ISACA) guidance. Recent events in the news, related to cyber security and “Supply Chain Attacks” involving SolarWinds were carefully monitored and reviewed. Unity Bank does not utilize SolarWinds products internally.

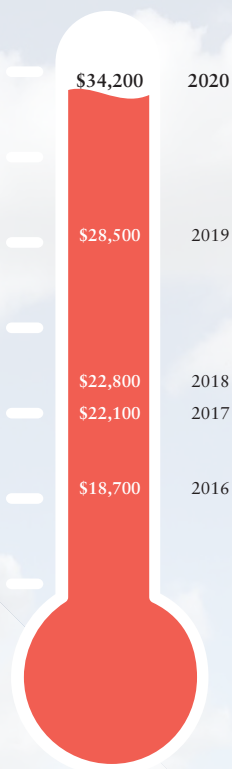
Unity Bank is committed to its technology investments in order to provide sound information security practices and an excellent customer experience.

UNITY IN THE COMMUNITY

2020 challenged the bank to support the community in new, innovative ways. The pandemic stifled community fundraising events and created a greater need for necessities, like financial stability, food and shelter, throughout our footprint.

THIS YEAR'S ANNUAL SERVICE PROJECT
REACHED MORE LIVES THAN EVER

As the pandemic gained momentum, a donation was made to the Hunterdon Healthcare Foundation to create a free-standing Respiratory Illness Center to triage patients with Coronavirus. Unity continued its commitment throughout the year donating over \$165,000 to local non-profits and community events. Efforts included donating meals to frontline healthcare workers and supporting Hunterdon Strong, a telethon designed to raise funding for local non-profits serving our community. Unity Bank switched gears to host its Annual Charity Car Show virtually. The car show raised funds for the Family Promise of Hunterdon and Warren Counties, organizations that help homeless community members find sustainable independence.



In 2020, the Bank strengthened their relationship with America's Grow-A-Row, a nonprofit organization that fights food insecurity in New Jersey and Eastern Pennsylvania. Through the season, Unity sent volunteers to plant and harvest produce in the fields and increased its financial contribution to the organization as the need for food grew across the community. The Bank also pledged \$25,000 of support and monthly volunteers during the 2021 season.

This year's annual service project reached more lives than ever before. Every year, Unity employees donate to the local Food Banks through voluntary payroll deductions and Unity matches the total donation at the end of the year. Over the past 5 years, the donations have almost doubled. In 2020, \$34,200 was disbursed between 19 local food banks.

The bank will continue in its commitment to uplift the community it serves in the years to come.

Small Business is BIG here is our mantra. In 2020, the bank recognized an increased need to support local businesses. Our marketing efforts shifted to help our business customers and we embraced the federal Paycheck Protection Program (PPP). We processed over 1,200 PPP loans in the first round and are working on another 900 in round 2.

Our fall billboard campaign featured messaging of "Supporting Small Businesses Makes a BIG Difference" and "Small Businesses need BIG Support." We partnered with NJ Advanced Media to offer free advertisement for our customers in the business industries hit hardest by the pandemic. Ads appeared in local newspapers and digital properties. This program was designed to help draw customers back into businesses and to connect personally with our business customers to let them know we are there to support them and see them through these uncertain times. We are dedicated to the economic recovery of small businesses within our footprint and will continue our efforts in 2021 and beyond.

CORPORATE INFORMATION

Executive & Senior Management

James Hughes
President
Chief Executive Officer

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

John Kauchak
Executive Vice President
Chief Operating Officer

David Bove
Senior Vice President
Chief Technology Officer

Christopher Burke
First Vice President
Senior Portfolio Manager

Laureen Cook
Senior Vice President
Chief Accounting Officer

Rosemary Fellner
Senior Vice President
Chief Marketing Officer

Christopher Fenimore
First Vice President
Chief Compliance Officer

Luisa Franco
First Vice President
BSA/AML/OFAC Officer

Vincent Geraci
First Senior Vice President
Director of Mortgage Lending

Michelle Kirmser
First Vice President
General Counsel

Rebecca Kugelman
First Vice President
Deposit Operations Manager

Adam Kuras
First Senior Vice President
Chief Lending Officer

Kenneth Plinio
First Vice President
Mortgage Loan Operations
Manager

Stephen Rooney
Senior Vice President
Chief Credit Officer

Bridget Walsh
First Vice President
Human Resources Director

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
Cappelli Tipton & Taylor

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 virtually and available at a meeting link. Please see 2021 Unity Bancorp Proxy for date and time.

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
New York, New York

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

(pictured on cover)

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

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

1700 Sullivan Trail ♦ Forks, PA 18040

UNITY BANCORP, INC

64 Old Highway 22 ♦ Clinton, NJ 08809

unitybank.com ♦ 800.618.2265