

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Unity Bancorp. Inc

Point of Contact:	Alan Bedner	RSSD: (For Bank Holding Companies)	2181426
UST Sequence Number:	154	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	20,649,000	FDIC Certificate Number: (For Depository Institutions)	33503
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 05, 2008	City:	Clinton
Date Repaid ¹ :	N/A	State:	New Jersey

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

Loan volume for all lending was approx. \$94 million for 2010. Had the Bank not received CPP Capital this loan volume would have been significantly reduced. The reduction in volume was a result of the lack of qualified loan applicants in addition to the bank focusing on stabilizing credit quality.

To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

Unity Bank is committed to lending funds for residential, commercial and small business loans.

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Increase securities purchased (ABS, MBS, etc.).

In 2009, Unity increased its purchases of MBS securities. In 2010, Unity's portfolio declined due to the principal paydown on MBS securities. Unity Bank did not reinvest the funds in 2010 due to the lack of investment opportunities.

Make other investments.

Increase reserves for non-performing assets.

Unity Bancorp has utilized the CPP funds to significantly increase its reserves for non performing assets. Total ALLR was \$14.4 million, or 2.33% of total loans at December 31, 2010 compared to \$13.8 million, or 2.11% of total loans at December 31, 2009.

Reduce borrowings.

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Increase charge-offs.

Unity Bank had increased charge-offs in 2010 due to collateral shortfalls due to the declining real estate market. Net charge-offs for 2010, were \$6.7 million, compared to \$4.5 million and \$2.6 million in 2009 and 2008 respectively.

Purchase another financial institution or purchase assets from another financial institution.

Held as non-leveraged increase to total capital.

Unity Bank's CPP funds have generally been held as a non leveraged increase in capital.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The primary use of the CPP Funds was to bolster Unity Bancorp's Capital levels. At September 30, 2008, the Company was marginally well capitalized. The leverage ratio was 7.42%, Tier 1 Capital was 9.07% and Total Capital was 10.33%. Due to the extent of the downturn in the economy the option of raising capital was not available in the market. Had the Company not received the CPP funds we would have started to shrink the balance sheet to improve capital levels. We would have significantly reduced lending, demanded loans and decreased the securities portfolio. The CPP funds allowed us to stabilize our capital levels and resume lending. Unity Bancorp's loan portfolio was \$615 million at December 31, 2010, down \$41.1 million, or 6.2% from the prior year. The reduction in lending was a result of the lack of qualified loan applicants, in addition to the bank focusing on stabilizing credit quality. Significant marketing regarding lending occurred during 2010.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed answer to the question above.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed description of actions undertaken with the capital infusion of CPP/CDCI funds.