

Solera National Bancorp, Inc.
Form 10-Q
August 09, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 000-53181

SOLERA NATIONAL BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

02-0774841
(IRS Employer
Identification No.)

319 S. Sheridan Blvd.
Lakewood, CO 80226
303-209-8600

(Address and telephone number of principal executive offices and principal place of business)

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 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date: As of August 8, 2012, 2,553,671 shares of the registrant's common stock, \$0.01 par value, were issued and outstanding.

FORM 10-Q
SOLERA NATIONAL BANCORP, INC.

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INTRODUCTORY NOTE. CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND RISK FACTORS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 about Solera National Bancorp, Inc. (the “Company”) and our subsidiary, Solera National Bank (the “Bank,” collectively with the Company, sometimes referred to as “we,” “us” and “our”) that are subject to risks and uncertainties. Forward-looking statements include information concerning future financial performance, business strategy, projected plans and objectives. Statements preceded by, followed by or that otherwise include the words “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “may increase,” “may fluctuate” and similar expressions, and future or conditional verbs such as “will,” “should,” “would,” and “could” are generally forward-looking in nature and not historical facts. Actual results may differ materially from those projected, implied, anticipated or expected in the forward-looking statements. Readers of this quarterly report should not rely solely on the forward-looking statements and should consider all uncertainties and risks throughout this report. The statements are representative only as of the date they are made, and Solera National Bancorp, Inc. undertakes no obligation to update any forward-looking statement.

These forward-looking statements, implicitly and explicitly, include the assumptions underlying the statements and other information with respect to the Company's beliefs, plans, objectives, goals, expectations, anticipations, estimates, financial condition, results of operations, future performance and business, including management's expectations and estimates with respect to revenues, expenses, return on equity, return on assets, efficiency ratio, asset quality and other financial data and capital and performance ratios.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, these statements involve risks and uncertainties that are subject to change based on various important factors, some of which are beyond the control of the Company. The following factors, among others, could cause the Company's results or financial performance to differ materially from its goals, plans, objectives, intentions, expectations and other forward-looking statements:

management of Solera National Bank may be unable to limit credit risk associated with our loan portfolio, which would affect the Company's profitability;

general economic conditions in the U.S. and within our market area may be less favorable than expected, causing an adverse impact on our financial performance;

the Company is subject to extensive regulatory oversight, which could restrain our growth and profitability;

interest rate volatility could adversely impact our business;

the Company may not be able to raise additional capital on terms favorable to us;

the Company continues to hold other real estate owned which may be vulnerable to declines in real estate values;

the recently proposed Basel capital standards may negatively impact our capital ratios, profitability and ability to lend;

the liquidity of our common stock is affected by its limited trading market; and

the Company faces competition from a variety of competitors.

For a discussion of these and other risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, see “Risk Factors” in Item 1A of the Company’s 2011 Annual Report filed on Form 10-K with the SEC, which is available on the SEC’s website at www.sec.gov. All forward-looking statements are qualified in their entirety by this cautionary statement, and the Company undertakes no obligation to revise or update this Quarterly Report on Form 10-Q to reflect events or circumstances after the date hereof. New factors emerge from time to time, and we cannot predict which factors, if any, will arise. In addition, the Company cannot assess the impact of each factor on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (unaudited)

Solera National Bancorp, Inc.

Balance Sheets as of June 30, 2012 and December 31, 2011
(unaudited)

(\$ in thousands, except share data)

	June 30, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	\$ 849	\$ 1,800
Interest-bearing deposits with banks	357	1,357
Investment securities, available-for-sale	89,141	83,195
Gross loans	58,537	55,645
Net deferred expenses/(fees)	94	(77)
Allowance for loan and lease losses	(1,009)	(1,067)
Net loans	57,622	54,501
Federal Home Loan Bank (FHLB) and Federal Reserve		
Bank stocks	1,164	1,134
Bank-owned life insurance	2,027	-
Other real estate owned	1,776	1,776
Premises and equipment, net	550	599
Accrued interest receivable	718	584
Other assets	348	420
Total assets	\$ 154,552	\$ 145,366

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits

Noninterest-bearing demand	\$ 3,312	\$ 3,550
Interest-bearing demand	8,950	9,355
Savings and money market	56,740	58,854
Time deposits	56,199	47,225
Total deposits	125,201	118,984

Securities sold under agreements to repurchase and federal funds purchased

Securities sold under agreements to repurchase and federal funds purchased	814	253
Accrued interest payable	63	56
Accounts payable and other liabilities	336	534
FHLB advances	8,500	6,500
Total liabilities	\$ 134,914	\$ 126,327

COMMITMENTS AND CONTINGENCIES (see Notes 10 and 12)

STOCKHOLDERS' EQUITY

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Common stock, \$0.01 par value; 5,000,000 shares authorized; 2,553,671 shares issued and outstanding	\$ 26	\$ 26
Additional paid-in capital	26,172	26,146
Accumulated deficit	(7,546)	(7,640)
Accumulated other comprehensive income	986	507
Total stockholders' equity	\$ 19,638	\$ 19,039
Total liabilities and stockholders' equity	\$ 154,552	\$ 145,366

See Notes to Consolidated Financial Statements.

Solera National Bancorp, Inc.

Statements of Operations and Comprehensive Income (Loss) for
the Three and Six Months Ended June 30, 2012 and 2011
(unaudited)

(\$ in thousands, except share data)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
INTEREST INCOME:				
Interest and fees on loans	\$787	\$847	\$1,575	\$1,671
Interest on investment securities	540	646	1,043	1,319
Dividends on FHLB and FRB stocks	10	8	18	17
Other interest income	3	2	5	3
Total interest income	1,340	1,503	2,641	3,010
INTEREST EXPENSE:				
Deposits	279	354	579	723
FHLB advances	33	49	64	106
Other borrowings	2	3	3	7
Total interest expense	314	406	646	836
NET INTEREST INCOME BEFORE PROVISION	1,026	1,097	1,995	2,174
Provision for loan and lease losses	-	120	-	120
NET INTEREST INCOME AFTER PROVISION	1,026	977	1,995	2,054
NONINTEREST INCOME:				
Service charges and fees	19	18	34	35
Other income	20	1	29	2
Gain on loans sold	25	-	25	-
Gain on sale of available-for-sale securities	166	225	280	223
Total noninterest income	230	244	368	260
NONINTEREST EXPENSE:				
Salaries and employee benefits	587	612	1,154	1,317
Occupancy	120	127	247	260
Professional fees	78	99	222	225
Other general and administrative	338	283	646	595
Total noninterest expense	1,123	1,121	2,269	2,397
INCOME (LOSS) BEFORE INCOME TAXES	133	100	94	(83)
Provision for income taxes	-	-	-	-
NET INCOME (LOSS)	\$133	\$100	\$94	\$(83)
OTHER COMPREHENSIVE INCOME, NET OF TAX:				
Change in net unrealized gains on securities	209	1,023	759	1,096
Less: Reclassification adjustment for net gains included in net income (loss)	(166)	(225)	(280)	(223)
OTHER COMPREHENSIVE INCOME	\$43	\$798	\$479	\$873
COMPREHENSIVE INCOME	\$176	\$898	\$573	\$790
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	\$133	\$100	\$94	\$(83)

INCOME (LOSS) PER COMMON SHARE				
Basic	\$0.05	\$0.04	\$0.04	\$(0.03)
Weighted-average common shares outstanding - basic	2,553,671	2,553,671	2,553,671	2,553,671
Diluted	\$0.05	\$0.04	\$0.04	\$(0.03)
Weighted-average common shares outstanding - diluted	2,558,283	2,553,671	2,558,283	2,553,671

See Notes to Consolidated Financial Statements.

Solera National Bancorp, Inc.

Statements of Changes in Stockholders' Equity for
the Six Months Ended June 30, 2012 and 2011