

Solera National Bancorp, Inc.  
Form 10-Q  
May 13, 2010  
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**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 March 31, 2010

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

Commission file number 000-53181

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**SOLERA NATIONAL BANCORP, INC.**

(Exact name of registrant as specified in its charter)

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**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

Accelerated filer

Non-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 May 11, 2010, 2,553,671 shares of the registrant's common stock, \$0.01 par value, were issued and outstanding.

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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 of future or 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:

- the Company's business may be adversely affected by conditions in the financial markets and economic conditions generally;
- continuation of the economic downturn could reduce our customer base, our level of deposits and demand for financial products such as loans;
- emergency measures designed to stabilize the U.S. financial system are beginning to wind down and the effect of that wind down is unpredictable;
- management of Solera National Bank may be unable to adequately measure and limit credit risk associated with the Bank's loan portfolio, which would affect our profitability;
- we are exposed to higher credit risk by commercial real estate, commercial business, and construction lending;

INTRODUCTORY NOTE. CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND

- our allowance for probable loan losses may be insufficient;
- interest rate volatility could significantly harm our business;
- funding to provide liquidity may not be available to us on favorable terms or at all;
- we may not be able to raise additional capital on terms favorable to us;
- the liquidity of our common stock is affected by its limited trading market;
- the departures of key personnel or directors may impair our operations;
- the Bank's legal lending limits may impair its ability to attract borrowers;

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- the Company is subject to extensive government regulation which may have an adverse effect on the Company's profitability and growth;
- managing reputational risk is important to attracting and maintaining customers, investors and employees;
- monetary policy and other economic factors could adversely affect the Company's profitability;
- the Company's certificate of incorporation and bylaws, and the employment agreements of our Executive Officers, contain provisions that could make a takeover more difficult;
- our directors and executive officers could have the ability to influence stockholder actions in a manner that may be adverse to your personal investment objectives;
- the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds, and other financial institutions operating in our market area and elsewhere, including institutions operating regionally, nationally, and internationally, together with such competitors offering banking products and services by mail, telephone, computer, and the Internet; and
- management's ability to manage these and other risks.

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 2009 Annual Report filed on Form 10-K with the SEC, which is available on the SEC's website at [www.sec.gov](http://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 it is not possible for us to 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.

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS (Unaudited)****Solera National Bancorp, Inc.****Balance Sheets as of March 31, 2010 and December 31, 2009****(Unaudited)**

(\$ in thousands, except share data)	March 31, 2010	December 31, 2009
<b>ASSETS</b>		
Cash and due from banks	\$ 1,114	\$ 1,696
Federal funds sold	4,605	820
Total cash and cash equivalents	5,719	2,516
Interest-bearing deposits with banks	1,848	3,784
Investment securities, available-for-sale	71,302	73,441
Gross loans	56,331	50,504
Net deferred (fees)/expenses	(123)	(114)
Allowance for loan losses	(945)	(830)
Net loans	55,263	49,560
Federal Home Loan Bank (FHLB) and Federal Reserve Bank stocks	1,113	1,131
Premises and equipment, net	841	875
Accrued interest receivable	675	814
Prepaid FDIC Insurance	419	471
Other assets	353	248
<b>Total assets</b>	<b>\$ 137,533</b>	<b>\$ 132,840</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Deposits		
Noninterest-bearing demand	\$ 2,640	\$ 2,624
Interest-bearing demand	5,864	6,830
Savings and money market	59,366	55,318
Time deposits	42,248	39,629
Total deposits	110,118	104,401
Federal funds purchased and securities sold under agreements to repurchase	110	326
Accrued interest payable	83	82
Accounts payable and other liabilities	220	344
Federal Home Loan Bank advances	7,750	8,750
Deferred rent liability	90	85
Capital lease liability	107	118



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<b>Total liabilities</b>	\$	118,478	\$	114,106
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COMMITMENTS AND CONTINGENCIES (see Note 10)

STOCKHOLDERS EQUITY

Common stock, \$0.01 par value; 5,000,000 shares authorized; 2,553,671 shares issued and outstanding at March 31, 2010 and December 31, 2009	\$	26	\$	26
Additional paid-in capital		25,814		25,768