

Solera National Bancorp, Inc.
Form 10-Q
May 12, 2009
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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, 2009

**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

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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, 2009, 2,553,671 shares of the registrant's common stock, \$0.01 par value, were issued and outstanding.

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INTRODUCTORY NOTE

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 has a very limited operating history upon which to base an estimate of its future financial performance;
- the Company expects to incur losses during its initial years of operations;
- Solera National Bank's failure to implement its business strategies may adversely affect the Company's financial performance;
- the departures of key personnel or directors may impair Solera National Bank's operations;
- Solera National Bank's legal lending limits may impair its ability to attract borrowers;

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- an economic downturn, especially one affecting Solera National Bank's primary service areas, may have an adverse effect on its financial performance;
- the Company could be negatively affected by changes in interest rates;
- the Company is subject to extensive regulatory oversight, which could restrain our growth and profitability;
- the Company may not be able to raise additional capital on terms favorable to it;
- the liquidity of the Company common stock will be affected by its limited trading market;
- 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;
- management of Solera National Bank may be unable to adequately measure and limit credit risk associated with Solera National Bank's loan portfolio, which would affect the Company's profitability;

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- government regulation may have an adverse effect on the Company's profitability and growth;
- the Federal Deposit Insurance Corporation, (FDIC), has increased deposit insurance premiums to rebuild and maintain the federal deposit insurance fund, which could have a material affect on earnings;
- the Company cannot predict the effect of the recently enacted federal rescue plan;
- 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 2008 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 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****Solera National Bancorp, Inc.****Balance Sheets as of March 31, 2009 and December 31, 2008****(Unaudited)**

	March 31, 2009	December 31, 2008
ASSETS		
Cash and due from banks	\$ 1,576,637	\$ 1,436,241
Federal funds sold		965,000
Total cash and cash equivalents	1,576,637	2,401,241
Investment securities, available-for-sale	52,484,096	41,557,461
Gross loans	31,065,581	21,412,957
Net deferred (fees)/expenses	(118,276)	(56,747)
Allowance for loan losses	(385,500)	(268,000)
Net loans	30,561,805	21,088,210
Federal Home Loan Bank (FHLB) and Federal Reserve Bank stocks	1,069,350	1,079,550
Premises and equipment, net	977,510	1,011,579
Interest receivable	467,687	382,761
Other assets	244,496	222,038
Total assets	\$ 87,381,581	\$ 67,742,840
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits		
Noninterest-bearing demand	\$ 5,170,823	\$ 3,910,236
Interest-bearing demand	4,372,237	2,603,923
Savings and money market	8,675,520	6,873,260
Time deposits	37,269,529	24,274,807
Total deposits	55,488,109	37,662,226
Federal funds purchased and securities sold under agreements to repurchase	1,181,634	398,162
Accrued interest payable	109,130	80,274
Accounts payable and other liabilities	1,798,803	393,498
Federal Home Loan Bank advances	10,000,000	10,000,000
Deferred rent liability	67,819	60,505
Capital lease liability	147,082	156,388
Total liabilities	\$ 68,792,577	\$ 48,751,053