UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 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	**02-0774841**
(State or other jurisdiction of incorporation or organization)	(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 x 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 x

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

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 10, 2009, 2,553,671 shares of the registrant s common stock, $0.01 par value, were issued and outstanding.

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FORM 10-Q

SOLERA NATIONAL BANCORP, INC.

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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 c verbs such as will, should, would, and could are generally forward-looking in nature and not historical facts. Actual results may differ material 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;

- 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 Securities and Exchange Commission (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.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Unaudited)

Solera National Bancorp, Inc.

Balance Sheets as of June 30, 2009 and December 31, 2008

(Unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
Cash and due from banks	$ 718,401	$ 1,436,241
Federal funds sold	385,000	965,000
Total cash and cash equivalents	1,103,401	2,401,241
Investment securities, available-for-sale	53,718,003	41,557,461
Gross loans	39,307,887	21,412,957
Net deferred (fees)/expenses	(102,977)	(56,747)
Allowance for loan losses	(520,000)	(268,000)
Net loans	38,684,910	21,088,210
Federal Home Loan Bank (FHLB) and Federal Reserve Bank stocks	1,063,900	1,079,550
Premises and equipment, net	947,975	1,011,579
Interest receivable	657,487	382,761
Other assets	213,664	222,038
Total assets	$ 96,389,340	$ 67,742,840
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits		
Noninterest-bearing demand	$ 5,637,098	$ 3,910,236
Interest-bearing demand	2,772,715	2,603,923
Savings and money market	13,218,889	6,873,260
Time deposits	44,630,205	24,274,807
Total deposits	66,258,907	37,662,226
Federal funds purchased and securities sold under agreements to repurchase	1,541,431	398,162
Accrued interest payable	113,535	80,274
Accounts payable and other liabilities	419,735	393,498
Federal Home Loan Bank advances	9,500,000	10,000,000
Deferred rent liability	74,097	60,505
Capital lease liability	137,557	156,388
Total liabilities	$ 78,045,262	$ 48,751,053

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 June 30, 2009 and December 31, 2008	$	25,536	$	25,536
Additional paid-in capital		25,660,367		25,558,098
Accumulated deficit		(7,745,555)		(6,739,883)
Accumulated other comprehensive income		403,730		148,036
Total stockholders equity	$	18,344,078	$	18,991,787
Total liabilities and stockholders equity	$	96,389,340	$	67,742,840

See Notes to Financial Statements.

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Solera National Bancorp, Inc.

Statements of Operations for the Three and Six Months Ended June 30, 2009 and 2008

(Unaudited)

	For the Three Months Ended June 30, 2009	2008	For the Six Months Ended June 30, 2009	2008
Interest income:				
Interest and fees on loans	$ 468,664	$ 141,440	$ 782,414	$ 228,602
Interest on federal funds sold	109	15,891	1,096	53,066
Interest on investment securities	650,134	322,009	1,248,353	552,811
Other interest income	12	7,545	13	13,457
Dividends on FHLB and Federal Reserve Bank stocks	9,702	10,402	19,795	18,277
Total interest income	1,128,621	497,287	2,051,671	866,213
Interest expense:				
Deposits	368,342	98,854	662,417	186,804
Federal Home Loan Bank advances	86,221	42,346	178,376	42,346
Federal funds purchased and securities sold under agreements to repurchase	4,332	82	7,522	82
Other borrowings	3,353	4,197	6,924	8,593
Total interest expense	462,248	145,479	855,239	237,825
Net interest income	666,373	351,808	1,196,432	628,388
Provision for loan losses	134,500	50,038	252,000	87,104
Net interest income after provision for loan losses	531,873	301,770	944,432	541,284
Noninterest income:				
Service charges and fees	71,039	11,644	139,942	17,254
Sublease income	217	4,950	4,324	8,700
Gain on sale of securities	30,089	5,644	107,024	45,264
Total noninterest income	101,345	22,238	251,290	71,218
Noninterest expense:				
Salaries and employee benefits	685,848	481,050	1,297,451	985,120
Occupancy	139,151	113,114	275,171	230,881
Professional fees	67,600	73,510	184,027	145,545
Other general and administrative	264,011	189,276	444,745	356,488
Total noninterest expense	1,156,610	856,950	2,201,394	1,718,034
Income taxes				
Net (loss)	$ (523,392)	$ (532,942)	$ (1,005,672)	$ (1,105,532)
Basic earnings (loss) per share	(0.20)	(0.21)	(0.39)	(0.43)
Diluted earnings (loss) per share	(0.20)	(0.21)	(0.39)	(0.43)

Weighted-average common shares				
Basic	2,553,671	2,553,671	2,553,671	2,553,671
Diluted	2,553,671	2,553,671	2,553,671	2,553,671

See Notes to Financial Statements.

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Solera National Bancorp, Inc.

Statements of Changes in Stockholders Equity for the Six Months Ended June 30, 2009 and 2008

(Unaudited)

	Shares Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2007	**2,553,671**	**$ 25,536**	**$ 25,347,342**	**$ (4,525,955)**	**$ 2,412**	**$ 20,849,335**
Stock-based compensation			124,812			124,812
Comprehensive income (loss):						
Net (loss)				(1,105,532)		(1,105,532)
Net change in unrealized gains on investment securities available-for-sale					(243,462)	(243,462)
Less: reclassification adjustment for net gains included in income					(45,264)	(45,264)
Total comprehensive income (loss)						(1,394,258)
Balance at June 30, 2008	**2,553,671**	**$ 25,536**	**$ 25,472,154**	**$ (5,631,487)**	**$ (286,314)**	**$ 19,579,889**
Balance at December 31, 2008	**2,553,671**	**$ 25,536**	**$ 25,558,098**	**$ (6,739,883)**	**$ 148,036**	**$ 18,991,787**
Stock-based compensation			102,269			102,269
Comprehensive income (loss):						
Net (loss)				(1,005,672)		(1,005,672)
Net change in unrealized gains on investment securities available-for-sale					362,718	362,718
Less: reclassification adjustment for net gains included in income					(107,024)	(107,024)
Total comprehensive income (loss)						(749,978)
Balance at June 30, 2009	**2,553,671**	**$ 25,536**	**$ 25,660,367**	**$ (7,745,555)**	**$ 403,730**	**$ 18,344,078**

See Notes to Financial Statements.

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Solera National Bancorp, Inc.

Statements of Cash Flows for the Six Months Ended June 30, 2009 and 2008

(Unaudited)

	For the Six Months Ended June 30, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	$ (1,005,672)	$ (1,105,532)
Adjustments to reconcile net (loss) to net cash used in operating activities:		
Depreciation and amortization	83,084	54,109
Provision for loan losses	252,000	87,104
Net amortization of deferred loan fees/expenses	(36,123)	(653)
Discount accretion on interest-bearing deposits with banks		(11,796)
Net amortization of premiums on investment securities	33,667	26,983
Gain on sale of investment securities	(107,024)	(45,264)
Federal Home Loan Bank stock dividend	(6,400)	(2,500)
Recognition of stock-based compensation on stock options	102,269	124,812
Changes in operating assets and liabilities:		
Interest receivable	(274,726)	(155,050)
Other assets	(478)	152,600
Accrued interest payable	33,261	12,724
Accounts payable and other liabilities	26,237	27,050
Deferred loan fees/expenses, net	82,353	22,153
Deferred rent liability	13,592	18,208
Net cash used in operating activities	$ (803,960)	$ (795,052)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities, available-for-sale	$ (29,684,814)	$ (25,889,302)
Proceeds from sales of investment securities, available-for-sale	10,072,517	4,849,038
Proceeds from maturities/calls/pay downs of investment securities, available-for-sale	7,780,806	4,076,959
Originated loans, net of pay downs	(17,894,930)	(7,726,095)
Purchase of premises and equipment	(10,628)	(17,864)
Purchase of Federal Home Loan Bank stock		(500,000)
Proceeds from redemption of Federal Reserve Bank stock	22,050	32,350
Proceeds from maturity of interest-bearing deposits with banks		100,000
Purchase of interest-bearing deposits with banks		(686,626)
Net cash used in investing activities	$ (29,714,999)	$ (25,761,540)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	$ 28,596,681	$ 13,437,039
Net increase in federal funds purchased and securities sold under agreements to repurchase	1,143,269	
Principal payments on capital lease	(18,831)	(17,162)
Proceeds from FHLB advances	1,750,000	
Repayment of FHLB advances	(2,250,000)	10,000,000
Proceeds from subscriptions receivable		1,600,000
Net cash provided by financing activities	$ 29,221,119	$ 25,019,877

Net decrease in cash and cash equivalents	$	(1,297,840)	$	(1,536,715)
CASH AND CASH EQUIVALENTS				
Beginning of period		2,401,241		5,306,126
End of period	$	1,103,401	$	3,769,411

See Notes to Financial Statements.

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Solera National Bancorp, Inc.

Statements of Cash Flows for the Six Months Ended June 30, 2009 and 2008, (continued)

(Unaudited)

	For the Six Months Ended June 30, 2009	2008
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$ 821,978	$ 225,101
Non-cash investing transactions:		
Unrealized gain (loss) on investment securities available-for-sale	$ 255,694	$ (288,726)

See Notes to Financial Statements.

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SOLERA NATIONAL BANCORP, INC.

UNAUDITED CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF ORGANIZATION

Solera National Bancorp, Inc. (the Company), is a Delaware corporation that was incorporated in 2006 to organize and serve as the holding company for Solera National Bank (the Bank), a national bank that opened for business on September 10, 2007. Solera National Bank is a full-service community, commercial bank headquartered in Lakewood, Colorado serving the Denver metropolitan area.

NOTE 2 BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the financial position of the Company as of June 30, 2009, and the results of its operations for the three and six months ended June 30, 2009 and 2008. Cash flows are presented for the six months ended June 30, 2009 and 2008. Certain reclassifications have been made to the consolidated financial statements and related notes of prior periods to conform to the current presentation. These reclassifications had no impact on stockholders equity or net loss for the periods. Additionally, certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to rules and regulations of the U.S. Securities and Exchange Commission. The Company believes that the disclosures in the unaudited condensed consolidated financial statements are adequate to make the information presented not misleading. However, these unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K as of and for the year ended December 31, 2008.

The Company received approval as a bank in organization in the first quarter of 2007, conducted an initial closing of its common stock offering and commenced banking operations during the third quarter of 2007. Successful completion of the Company s development program and, ultimately, the attainment of profitable operations are dependent on future events, including the successful execution of the Company s business plan and achieving a level of revenue adequate to support the Company s cost structure.

Critical Accounting Policies

Income taxes: Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment.

Securities available-for-sale: Securities available-for-sale are reported at fair value utilizing Level 2 inputs (see Note 11). For these securities, the Company obtains fair value measurements from independent pricing services. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bonds terms and conditions, among other things. Unrealized gains and losses are reported as a separate component of accumulated other comprehensive income.

Securities are also evaluated for impairment utilizing criteria such as the magnitude and duration of the decline, current market conditions, payment history, the credit worthiness of the obligator, the intent of the Company to retain the security or whether it is more-likely-than-not that the Company will be required to sell the security before recovery of the value, as well as other qualitative factors. If a decline in value below amortized cost is determined to be other-than-temporary, which does not necessarily indicate that the decline is permanent, but indicates that the prospects for a near-term recovery of value is not favorable, the security is reviewed in more detail in order to determine the portion of the impairment that relates to credit (resulting in a charge to earnings) versus the portion of

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the impairment that is noncredit related (resulting in a charge to accumulated other comprehensive income). A credit loss is determined by comparing the present value of cash flows expected to be collected, computed using the original yield as the discount rate, to the amortized cost basis.

Stock-based compensation: The Company accounts for stock-based compensation to employees as outlined in FASB Statement No. 123(R), *Share-Based Payment*, (FAS 123R). The cost of employee services received in exchange for an award of equity instruments is based on the grant-date fair value of the award.

Provision for loan losses: The allowance for loan losses represents the Company s recognition of the risks of extending credit and its evaluation of the loan portfolio. The allowance for loan losses is maintained at a level considered adequate to provide for probable loan losses based on management s assessment of various factors affecting the loan portfolio, including a review of problem loans, business conditions, historical loss experience, evaluation of the quality of the underlying collateral, and holding and disposal costs. The allowance for loan losses is increased by provisions charged to expense and reduced by loans charged off, net of recoveries. Loan losses are charged against the allowance for loan losses when management believes the loan balance is uncollectible.

The Company has established a formal process for determining an adequate allowance for loan losses. The allowance for loan losses calculation process has two components. The first component represents the allowance for loan losses for impaired loans computed in accordance with FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan* (FAS 114 Component), as amended by FASB Statement No. 118, *Accounting by Creditors for Impairment of a Loan Income Recognition and Disclosures - an amendment of FASB Statement No. 114*. To determine the FAS 114 Component, collateral dependent impaired loans are evaluated using internal analyses as well as third-party information, such as appraisals. If an impaired loan is unsecured, it is evaluated using a discounted cash flow of the payments expected over the life of the loan using the loan s effective interest rate and giving consideration to currently existing factors that would impact the amount or timing of the cash flows. The second component is the allowance for loan losses calculated under FASB Statement No. 5, *Accounting for Contingencies* (FAS 5 Component), and represents the estimated probable losses inherent within the portfolio due to uncertainties in economic conditions, delays in obtaining information about a borrower s financial condition, delinquent loans that have not been determined to be impaired, results of internal and external loan reviews, and other factors. This component of the allowance for loan losses is calculated by assigning a probable loss range, to each identified risk factor. The recorded allowance for loan losses is the aggregate of the FAS 114 Component and FAS 5 Component.

Recently Issued Accounting Pronouncements

During the second quarter 2009, the Company adopted Financial Accounting Standards No. 165, *Subsequent Events* (FAS 165). FAS 165 establishes the accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. See Note 12 Subsequent Events for the related disclosure. The adoption of FAS 165 did not have a material impact on our consolidated financial statements.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP FAS 115-2/124-2). FSP FAS 115-2/124-2 requires entities to separate an other-than-temporary impairment of a debt security into two components when there are credit related losses associated with the impaired debt security for which management asserts that it does not have the intent to sell the security, and it is more likely than not that it will not be required to sell the security before recovery of its cost basis. The amount of the other-than-temporary impairment related to a credit loss is recognized in earnings, and the amount of the other-than-temporary impairment related to other factors is recorded in other comprehensive loss. FSP FAS 115-2/124-2 is effective for periods ending after June 15,

2009. The Company adopted FSP FAS 115-2/124-2 during the quarter ended June 30, 2009. Adoption of this Statement did not have a significant impact on the Company s financial position and results of operations.

In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions that are Not Orderly* (FSP FAS 157-4). Under FSP FAS 157-4, if an entity determines that there has been a significant decrease in the volume and

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level of activity for the asset or the liability in relation to the normal market activity for the asset or liability (or similar assets or liabilities), then transactions or quoted prices may not accurately reflect fair value. In addition, if there is evidence that the transaction for the asset or liability is not orderly, the entity shall place little, if any, weight on that transaction price as an indicator of fair value. FSP FAS 157-4 is effective for periods ending after June 15, 2009. The Company adopted FSP FAS 157-4 during the quarter ended June 30, 2009. Adoption of this Statement did not have a significant impact on the Company s financial position and results of operations.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP FAS 107-1 and APB 28-1). FSP FAS 107-1 and APB 28-1 require disclosures about fair value of financial instruments in interim and annual financial statements. FSP FAS 107-1 and APB 28-1 are effective for periods ending after June 15, 2009. The Company adopted FSP FAS 107-1 and APB 28-1 during the quarter ended June 30, 2009. Adoption did not have an impact on the Company s financial position and results of operations.

In June 2009, the FASB issued Financial Accounting Standard No. 168, *The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162* (FAS 168). Under this Statement, *The FASB Accounting Standards Codification* (Codification) will become the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of FAS 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered, non-SEC accounting literature not included in the Codification will become nonauthoritative. After the effective date, the FASB will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates. FAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Codification does not change GAAP, and, therefore, the Company does not expect that the adoption of FAS 168 will have a material impact on the Company s financial position or results of operations.

NOTE 3 INVESTMENTS

The amortized costs and estimated fair values of investment securities as of June 30, 2009 and December 31, 2008 are as follows:

	June 30, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available-for-sale:				
U.S. government agencies	$ 2,696,148	$ 56,718	$ (4,952)	$ 2,747,914
Corporate	4,500,083	81,945	(9,109)	4,572,919
State and municipal	20,806,516	146,976	(322,548)	20,630,944
Residential mortgage-backed securities	25,311,526	472,530	(17,830)	25,766,226
Total securities available-for-sale	$ 53,314,273	$ 758,169	$ (354,439)	$ 53,718,003

	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available-for-sale:				
U.S. government agencies	$ 5,700,100	$ 46,500	$ (866)	$ 5,745,734
Corporate	1,516,323	3,475	(16,236)	1,503,562
State and municipal	3,043,274	2,109	(115,545)	2,929,838
Residential mortgage-backed securities	31,149,728	345,360	(116,761)	31,378,327
Total securities available-for-sale	$ 41,409,425	$ 397,444	$ (249,408)	$ 41,557,461

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The amortized cost and estimated fair value of debt securities by contractual maturity at June 30, 2009 and December 31, 2008 are shown below. Mortgage-backed securities are classified in accordance with their contractual lives. Expected maturities may differ from contractual maturities because borrowers may have the right to prepay obligations with or without call or prepay penalties. Additionally, accelerated principal payments are commonly received on mortgage-backed securities making it common for them to mature prior to the contractual maturity date.

	Amortized Cost		Estimated Fair Value	
	June 30, 2009	December 31, 2008	June 30, 2009	December 31, 2008
Securities available-for-sale				
Due within one year	$ 1,527,158	$ 1,516,323	$ 1,549,402	$ 1,503,562
Due after one year through five years	3,910,169	497,361	3,976,092	499,470
Due after five years through ten years	12,077,430	6,167,986	12,033,820	6,160,151
Due after ten years	35,799,516	33,227,755	36,158,689	33,394,278
Total securities available-for-sale	$ 53,314,273	$ 41,409,425	$ 53,718,003	$ 41,557,461

The following tables shows the estimated fair value and gross unrealized losses, aggregated by investment category and length of time the individual securities have been in a continuous loss position as of June 30, 2009 and December 31, 2008.

	June 30, 2009					
	Less than 12 months		12 months or more		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Description of securities:						
U.S. government agencies	$ 242,118	$ (4,952)	$	$	$ 242,118	$ (4,952)
Corporate	519,360	(9,109)			519,360	(9,109)
State and municipal	10,375,989	(239,755)	548,385	(82,793)	10,924,374	(322,548)
Mortgage-backed securities	1,389,758	(14,300)	608,999	(3,530)	1,998,757	(17,830)
Total temporarily impaired	$ 12,527,225	$ (268,116)	$ 1,157,384	$ (86,323)	$ 13,684,609	$ (354,439)

	December 31, 2008					
	Less than 12 months		12 months or more		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Description of securities:						
U.S. government agencies	$ 453,254	$ (866)	$	$	$ 453,254	$ (866)
Corporate	1,010,852	(16,236)			1,010,852	(16,236)
State and municipal	2,430,368	(115,545)			2,430,368	(115,545)
Mortgage-backed securities	9,370,807	(102,508)	373,988	(14,253)	9,744,795	(116,761)
Total temporarily impaired	$ 13,265,281	$ (235,155)	$ 373,988	$ (14,253)	$ 13,639,269	$ (249,408)

Management evaluates investment securities for other-than-temporary impairment taking into consideration the extent and length of time the fair value has been less than cost, the financial condition of the issuer, whether the Company has the intent to retain the security and whether it is more-likely-than-not that the Company will be required to sell the security before recovery of the value, as well as other qualitative factors. The five individual securities that have been in a continuous unrealized loss position for 12 months or longer at June 30, 2009, have fluctuated in value since their purchase dates as a result of changes in market interest rates and not as a result of the underlying issuer s ability to repay. Management has reviewed the credit rating for all securities in a continuous unrealized loss position for 12 months or longer and determined that all securities are highly rated. Additionally, the Company has the intent to hold these securities and the Company does not anticipate that these securities will be required to be sold before recovery of value, which may be upon maturity. Accordingly, as of June 30, 2009, no declines in value are deemed to be other than temporary. Only one security was in a continuous unrealized loss

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position at December 31, 2008, and management s evaluation of that security determined it was not other than temporarily impaired.

The Company recorded a net unrealized gain in the investment portfolio of $404,000 at June 30, 2009. This was an improvement over the $148,000 unrealized gain at December 31, 2008.

The Company sold nineteen securities for gross realized gains of $112,000 and one security for a loss of $5,000 during the first six months of 2009. The Company sold eleven securities for gross realized gains of $46,000 and one security for a loss of $1,000 during the first six months of 2008. Realized gains and losses on sales are computed on a specific identification basis based on amortized cost on the date of sale.

Securities with carrying values of $12.8 million at June 30, 2009 and $15.4 million at December 31, 2008, were pledged as collateral to secure public deposits, borrowings from the FHLB, repurchase agreements and for other purposes as required or permitted by law.

NOTE 4 LOANS

Loans consisted of the following:

		June 30, 2009		December 31, 2008
Real estate commercial	$	19,335,581	$	7,478,806
Real estate residential		5,975,755		5,043,352
Construction and land development		6,444,183		3,848,555
Commercial and industrial		6,479,888		4,083,633
Consumer		1,072,480		958,611
Gross loans		39,307,887		21,412,957
Less: Allowance for loan losses		(520,000)		(268,000)
Deferred loan (fees) / expenses, net		(102,977)		(56,747)
Loans, net	$	38,684,910	$	21,088,210

During the first six months of 2009 and all of 2008, no loans were impaired, transferred to foreclosed properties or past due more than 90 days.

In the ordinary course of business, and only if consistent with permissible exceptions to Section 402 of the Sarbanes- Oxley Act of 2002, the Bank may make loans to directors, executive officers, principal stockholders (holders of more than five percent of the outstanding common shares) and the businesses with which they are associated. In the Company s opinion, all loans and loan commitments to such parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons.

There were approximately $2.6 million in loans receivable from related parties at June 30, 2009 and December 31, 2008.

NOTE 5 ALLOWANCE FOR LOAN LOSSES

Activity in the allowance for loan losses for the first six months of 2009 and 2008 is summarized as follows:

	Six-Month Period Ended June 30, 2009	Six-Month Period Ended June 30, 2008
Balance, beginning of period	$ 268,000	$ 47,396
Loans charged off		
Recoveries on loans previously charged off		
Provision for loan losses	252,000	87,104
Balance, end of period	$ 520,000	$ 134,500

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NOTE 6 DEPOSITS

Deposits are summarized as follows:

	June 30, 2009		December 31, 2008	
	Amount	% of Total	Amount	% of Total
Noninterest-bearing demand	$ 5,637,098	9%	$ 3,910,236	10%
Interest-bearing demand	2,772,715	4	2,603,923	7
Money market accounts	3,651,495	6	6,488,427	17
Savings accounts	9,567,394	14	384,833	1
Certificates of deposit, less than $100,000	17,361,920	26	6,521,937	18
Certificates of deposit, greater than $100,000	27,268,285	41	17,752,870	47
Total deposits	$ 66,258,907	100%	$ 37,662,226	100%

In the ordinary course of business, certain officers, directors, stockholders, and employees of the Bank have deposits with the Bank. In the Bank s opinion, all deposit relationships with such parties are made on substantially the same terms including interest rates and maturities, as those prevailing at the time for comparable transactions with other persons. The balance of related party deposits at June 30, 2009 and December 31, 2008 was approximately $1.5 million and $2.7 million, respectively.

NOTE 7 STOCK-BASED COMPENSATION

The Company s 2007 Stock Incentive Plan (the Plan) was approved by the Company s Board of Directors (the Board) with an effective date of September 10, 2007 and was approved by the Company s stockholders at the annual meeting held on June 17, 2008. Under the terms of the Plan, officers and key employees may be granted both nonqualified and incentive stock options and directors and other consultants, who are not also officers or employees, may only be granted nonqualified stock options. The Board reserved 510,734 shares of common stock for issuance under the Plan. The Plan provides for options to purchase shares of common stock at a price not less than 100% of the fair market value of the stock on the date of grant. Stock options expire no later than ten years from the date of the grant and generally vest over four years. The Plan provides for accelerated vesting if there is a change of control, as defined in the Plan. The Company recognized stock-based compensation cost of approximately $102,000 and $125,000 during the six months ended June 30, 2009 and 2008, respectively. No tax benefit related to stock-based compensation will be recognized until the Company is profitable.

The Company accounts for its stock-based compensation under the provisions of FAS 123R. The fair value of each option grant is estimated on the date of grant using the Black-Scholes-Merton option pricing model. The Company granted 7,250 options during the second quarter 2009 as incentive compensation to new Bank employees. Similarly, the Company granted 1,250 options to new employees during the second quarter of 2008.

During the six months ended June 30, 2009, 54,279 options were forfeited and 16,499 vested options expired unexercised. No options were exercised during the three or six months ended June 30, 2009. The Company recognized expense for approximately 23,000 options, representing a pro-rata amount of the options earned during the second quarter 2009 that are expected to vest. As of June 30, 2009, there was approximately $329,000 of total unrecognized compensation cost related to the outstanding stock options that will be recognized over a weighted-average period of 2.4 years.

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The following is a summary of the Company s outstanding stock options at June 30, 2009:

	Options		Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2009	360,255	$	2.71
Granted	20,250		1.42
Exercised			
Forfeited	(54,279)		2.73
Expired	(16,499)		2.75
Outstanding at June 30, 2009	309,727	$	2.62

NOTE 8 NONINTEREST EXPENSE

The following table details the items comprising other general and administrative expenses:

	Three Months Ended June 30,				Six Months Ended June 30,			
		2009		2008		2009		2008
Data processing	$	63,862	$	51,742	$	130,151	$	98,652
FDIC Assessment		63,922		4,055		79,955		5,955
Marketing and promotions		35,012		58,739		55,581		125,897
Printing, stationery and supplies		24,669		23,462		31,535		32,898
Regulatory and reporting fees		23,668		11,493		41,959		23,349
Travel and entertainment		10,020		8,040		16,695		12,682
Telephone/communication		9,371		6,104		20,220		13,287
Dues and memberships		5,945		2,961		16,207		8,011
Insurance		4,778		4,373		9,581		9,118
Postage and shipping		5,072		2,465		11,225		4,416
Training and education		5,149		2,758		7,410		5,243
Miscellaneous		12,543		13,084		24,226		16,980
Total	$	264,011	$	189,276	$	444,745	$	356,488

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NOTE 9 INCOME TAXES

Deferred taxes are a result of differences between income tax accounting and generally accepted accounting principles with respect to income and expense recognition. The following is a summary of the components of the net deferred tax asset account recognized in the accompanying consolidated statements of financial condition:

	June 30, 2009	December 31, 2008
Deferred tax assets:		
Start-up and organizational expenses	$ 1,163,616	$ 1,207,526
Net operating loss carryforward	1,385,008	1,096,123
Allowance for loan losses	169,462	76,082
Non-qualified stock options	22,190	16,045
Other	53,284	40,651
Total deferred tax assets	2,793,560	2,436,427
Deferred tax liabilities:		
Net unrealized gain on securities available-for-sale	(149,605)	(54,856)
Federal Home Loan Bank stock dividend	(6,633)	(4,261)
Tax over book depreciation	(25,150)	(23,814)
Total deferred tax liabilities	(181,388)	(82,931)
Net deferred tax assets	2,612,172	2,353,496
Valuation allowance	(2,612,172)	(2,353,496)
Net deferred taxes	$	$

The Company has provided a 100% valuation allowance for its net deferred tax asset due to uncertainty of realization during the carryforward period. As of June 30, 2009, the Company has net operating loss carryforwards of approximately $3.7 million for federal income tax purposes. Federal net operating loss carryforwards, to the extent not used, will expire beginning in 2027.

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate of 35% to pretax income from continuing operations for the three and six months ended June 30, 2009 and 2008 due to the following:

	June 30, 2009		June 30, 2008	
	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended
Computed expected tax benefit	$ (183,187)	$ (351,985)	$ (186,530)	$ (386,937)
Change in income taxes resulting from:				
Change in valuation allowance	100,674	258,676	177,200	368,824
Other	82,513	93,310	9,330	18,113
Income tax provision	$	$	$	$

NOTE 10 COMMITMENTS AND CONTINGENCIES

The Company is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The Company s exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

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At June 30, 2009 and December 31, 2008, the following financial instruments were outstanding whose contract amounts represent credit risk:

	June 30, 2009		December 31, 2008	
Financial instruments whose contractual amounts represent credit risk:				
Commitments to extend credit	$	5,387,415	$	6,715,658
Letters of credit				
Total commitments	$	5,387,415	$	6,715,658

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the commitments do not necessarily represent future cash requirements. The Company evaluates each customer s creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management s credit evaluation. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment and income producing commercial properties.

Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

NOTE 11 FAIR VALUE

The Company determines the fair market values of its financial instruments based on the fair value hierarchy established in FAS No. 157, *Fair Value Measurements* (FAS 157), which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs, as follows, that may be used to measure fair value.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The Company carries its available-for-sale securities at fair value. Fair value measurement is obtained from independent pricing services which utilize observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bonds terms and conditions, among other things.As of June 30, 2009 and December 31, 2008, all of the Company s available-for-sale securities were valued using Level 2 inputs.

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Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total
Assets at June 30, 2009							
Investment securities, available-for-sale	$	$	53,718,003	$		$	53,718,003
Assets at December 31, 2008							
Investment securities, available-for-sale	$	$	41,557,461	$		$	41,557,461

There were no assets or liabilities measured at fair value on a non-recurring basis as of June 30, 2009 or December 31, 2008.

Fair Value of Financial Instruments

The fair value of a financial instrument is determined under the framework established by FAS 157. Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. Because no market value exists for a significant portion of the financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature, involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

FAS 107 excludes certain financial instruments and all nonfinancial instruments for its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company. Fair value estimates are based on financial instruments both on and off the balance sheet without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Additionally, tax consequences related to the realization of the unrealized gains and losses can have a potential effect on fair value estimates and have not been considered in many of the estimates.

The following methods and assumptions were used to estimate the fair value of significant financial instruments:

Cash and cash equivalents: The carrying amounts of cash and due from banks and federal funds sold approximate their fair values.

Investment securities: Fair value measurement is obtained from independent pricing services which utilize observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bonds terms and conditions, among other things, in accordance with the framework provided by FAS 157.

Loans, net: The fair value of fixed rate loans is estimated by discounting the future cash flows using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are estimated to be equivalent to carrying values.

Investment in FHLB and Federal Reserve Bank stocks: It is not practical to determine the fair value of bank stocks due to the restrictions placed on the transferability of Federal Home Loan Bank stock and Federal Reserve Bank stock, which are the two types of stock that comprise the balance of investment in bank stocks.

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Interest receivable: The carrying value of interest receivable approximates fair value due to the short period of time between accrual and receipt of payment.

Deposits: The fair value of noninterest-bearing deposits, interest-bearing demand deposits and savings accounts is determined to be the amount payable on demand at the reporting date. The fair value of fixed rate time deposits is estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits of similar remaining maturities. Carrying value is assumed to approximate fair value for all variable rate time deposits.

Federal funds purchased and securities sold under agreements to repurchase: The carrying amount of federal funds purchased and securities sold under agreements to repurchase approximates fair value due to the short-term nature of these agreements, which generally mature within one to four days from the transaction date.

Capital lease liability: Management did not fair value the capital lease liability as it is specifically excluded from the provisions of FAS 107.

Federal Home Loan Bank advances: Fair value of the Federal Home Loan Bank advances is estimated using a discounted cash flow model based on current market rates for similar types of borrowing arrangements including similar remaining maturities.

Interest payable: The carrying value of interest payable approximates fair value due to the short period of time between accrual and payment.

Loan commitments and letters of credit: The fair values of commitments are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. The difference between the carrying value of commitments to fund loans or stand by letters of credit and their fair values are not significant and, therefore, are not included in the following table.

The carrying amounts and estimated fair values of financial instruments are summarized as follows:

	June 30, 2009		December 31, 2008	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets:				
Cash and cash equivalents	$ 1,103,401	$ 1,103,401	$ 2,401,241	$ 2,401,241
Investment securities	53,718,003	53,718,003	41,557,461	41,557,461
Loans, net	38,684,910	39,100,605	21,088,210	21,126,635
FHLB and FRB stocks	1,063,900	1,063,900	1,079,550	1,079,550
Interest receivable	657,487	657,487	382,761	382,761

Financial Liabilities:				
Deposits, demand and savings	$ 21,628,702	$ 21,628,702	$ 13,387,419	$ 13,387,419
Time deposits	44,630,205	43,850,891	24,274,807	23,656,602
Federal funds purchased and securities sold under agreements to repurchase	1,541,431	1,541,431	398,162	398,162
Federal Home Loan Bank advances	9,500,000	9,108,609	10,000,000	9,468,902
Interest payable	113,535	113,535	80,274	80,274

NOTE 12 SUBSEQUENT EVENTS

The Company has considered subsequent events through August 12, 2009, the date of issuance of this Report on Form 10-Q, and has determined that no additional disclosure is necessary.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis presents the Company s consolidated financial condition as of June 30, 2009 and results of operations for the three and six months ended June 30, 2009 and 2008. The discussion should be read in conjunction with the financial statements and the notes related thereto which appear elsewhere in this Quarterly Report on Form 10-Q.

EXECUTIVE OVERVIEW

We are a Delaware corporation that was incorporated on January 12, 2006 to organize and serve as the holding company for Solera National Bank, a national bank that opened for business on September 10, 2007. Solera National Bank is a full-service community, commercial bank headquartered in Lakewood, Colorado serving the Denver metropolitan area. Our main banking office is located at 319 S. Sheridan Blvd., Lakewood, Colorado 80226. Our telephone number is (303) 209-8600.

We offer a broad range of commercial and consumer banking services to small and medium-sized businesses, licensed professionals and individuals who are particularly responsive to the personalized service that Solera National Bank provides to its customers. We believe that local ownership and control allows the Bank to serve customers more efficiently and effectively. Solera National Bank competes on the basis of providing a unique and personalized banking experience combined with a full range of services, customized and tailored to fit the individual needs of its clients. Solera National Bank serves the entire market area and, in addition, has a special niche focus on the local Hispanic population due to the significant growth of this demographic.

Comparative Results of Operations for the Three Months Ended June 30, 2009 and 2008

The following discussion focuses on the Company s financial condition and results of operations for the three months ended June 30, 2009 compared to the financial condition and results of operations for the three months ended June 30, 2008. The Company s principal operations for each of these periods consisted of the operations of Solera National Bank, which opened for business September 10, 2007.

Net loss for the quarter ended June 30, 2009 was $523,000, or ($.20) per share, compared with a $533,000 loss, or ($.21) per share for the second quarter of 2008. Net loss for the second quarter 2009 was impacted by higher deposit insurance premiums. The FDIC adopted a revised risk-based deposit insurance assessment schedule on February 27, 2009, which raised deposit insurance premiums. On May 22, 2009, the FDIC also implemented a five basis point special assessment of each insured depository institution s assets minus Tier 1 capital as of June 30, 2009, but no more than 10 basis points times the institution s assessment base for the second quarter of 2009, to be collected on September 30, 2009. This special assessment resulted in a second quarter charge of approximately $41,000. Additional special assessments may be imposed by the FDIC in future periods.

As of June 30, 2009, the Company had total assets of $96.4 million, an increase of $28.6 million, or 42%, from December 31, 2008. Net loans increased $17.6 million, or 83%, from $21.1 million at December 31, 2008 to $38.7 million at June 30, 2009. Similarly, the Company s total deposits grew $28.6 million, or 76%, from $37.7 million at December 31, 2008 to $66.3 million as of June 30, 2009. This growth was achieved as a result of our successful business development program.

The following table presents, for the periods indicated, average assets, liabilities and stockholders equity, as well as the net interest income from average interest-earning assets and the resultant annualized yields expressed in percentages.

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Table 1

	Three Months Ended June 30, 2009			Three Months Ended June 30, 2008		
	Average Balance	**Interest**	**Yield / Cost**	**Average Balance**	**Interest**	**Yield / Cost**
Assets:						
Interest-earning assets:						
Gross loans, net of unearned fees	$ 33,992,931	$ 468,664	5.53%	$ 9,190,140	$ 141,440	6.19%
Investment securities**	51,391,542	650,134	5.07	26,087,326	322,009	4.96
FHLB and Federal Reserve Bank stocks	1,065,488	9,702	3.65	769,303	10,402	5.44
Federal funds sold	252,802	109	0.17	3,022,582	15,891	2.11
Interest-bearing deposits in banks	16,181	12	0.30	700,035	7,545	4.33
Total interest-earning assets	86,718,944	$ 1,128,621	5.22%	39,769,386	$ 497,287	5.03%
Noninterest-earning assets	2,505,147			1,736,313		
Total assets	$ 89,224,091			$ 41,505,699		
Liabilities and Stockholders Equity:						
Interest-bearing liabilities:						
Money market and savings deposits	$ 9,385,793	$ 59,795	2.56%	$ 7,478,147	$ 39,945	2.15%
Interest-bearing checking	4,114,307	20,379	1.99	2,160,553	1,392	0.26
Time deposits	40,409,308	288,168	2.86	5,603,688	57,517	4.13
Federal funds purchased and securities sold under agreements to repurchase	2,023,019	4,332	0.86	19,277	82	1.71
Federal Home Loan Bank advances	10,302,198	86,221	3.36	4,983,516	42,346	3.42
Other borrowings	142,982	3,353	9.41	179,532	4,197	9.40
Total interest-bearing liabilities	66,377,607	$ 462,248	2.79%	20,424,713	$ 145,479	2.86%
Noninterest-bearing checking	3,500,404			488,658		
Noninterest-bearing liabilities	653,285			358,122		
Stockholders equity	18,692,795			20,234,206		
Total liabilities and stockholders equity	$ 89,224,091			$ 41,505,699		
Net interest income		$ 666,373			$ 351,808	
Net interest spread		2.43%			2.16%	
Net interest margin		3.08%			3.56%	

*** Yields on investment securities have not been adjusted to a tax-equivalent basis.*

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The following table presents the dollar amount of changes in interest income and interest expense for the major categories of interest-earning assets and interest-bearing liabilities. The information details the changes attributable to a change in volume (i.e. change in average balance multiplied by the prior-period average rate) and changes attributable to a change in rate (i.e. change in average rate multiplied by the current-period average balance).

Table 2

	Three Months Ended June 30, 2009 Compared to Three Months Ended June 30, 2008		
	Net Change	Rate	Volume
Interest income:			
Gross loans, net of unearned fees	$ 327,224	$ (55,782)	$ 383,006
Investment securities	328,125	14,006	314,119
FHLB and Federal Reserve Bank stocks	(700)	(4,732)	4,032
Federal funds sold	(15,782)	(1,220)	(14,562)
Interest-bearing deposits in banks	(7,533)	(162)	(7,371)
Total interest income	$		