

SI Financial Group, Inc.  
Form 10-Q  
August 12, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

For the Quarterly Period Ended June 30, 2009

OR

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-50801

**SI FINANCIAL GROUP, INC.**

(Exact name of registrant as specified in its charter)

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<b>United States</b> (State or other jurisdiction of incorporation or organization)	<b>84-1655232</b> (I.R.S. Employer Identification No.)
<b>803 Main Street, Willimantic, Connecticut</b> (Address of principal executive offices)	<b>06226</b> (Zip Code)
<b>(860) 423-4581</b> (Registrant's telephone number, including area code)	
<b>Not Applicable</b> (Former name, former address and former fiscal year, if changed since last report)	

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 (Section 232.405 of this chapter) 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. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>
Non-Accelerated Filer <input type="checkbox"/>	Smaller Reporting Company Filer <input checked="" type="checkbox"/>

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

As of August 7, 2009, there were 11,789,202 shares of the registrant's common stock outstanding.

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****SI FINANCIAL GROUP, INC.****CONSOLIDATED BALANCE SHEETS***(Dollars in Thousands, Except Share Amounts / Unaudited)*

	June 30, 2009	December 31, 2008
<b>ASSETS:</b>		
Cash and due from banks:		
Noninterest-bearing	\$ 14,586	\$ 14,008
Interest-bearing	4,583	465
Federal funds sold	8,800	8,730
Total cash and cash equivalents	27,969	23,203
Available for sale securities, at fair value	165,814	162,699
Loans held for sale	2,009	
Loans receivable (net of allowance for loan losses of \$5,001 at June 30, 2009 and \$6,047 at December 31, 2008)	627,315	617,263
Federal Home Loan Bank stock, at cost	8,388	8,388
Bank-owned life insurance	8,860	8,714
Premises and equipment, net	13,564	12,225
Goodwill and other intangibles	4,273	4,294
Accrued interest receivable	3,509	3,721
Deferred tax asset, net	6,630	7,938
Other assets	4,374	4,677
<b>Total assets</b>	<b>\$ 872,705</b>	<b>\$ 853,122</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>		
<b>Liabilities:</b>		
Deposits:		
Noninterest-bearing	\$ 61,220	\$ 57,647
Interest-bearing	587,783	563,004
Total deposits	649,003	620,651
Mortgagors and investors escrow accounts	3,749	3,625
Federal Home Loan Bank advances	128,600	139,600
Junior subordinated debt owed to unconsolidated trust	8,248	8,248
Accrued expenses and other liabilities	7,632	8,071
<b>Total liabilities</b>	<b>797,232</b>	<b>780,195</b>
<b>Stockholders Equity:</b>		
Preferred stock (\$.01 par value; 1,000,000 shares authorized; none issued)	126	126

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Common stock (\$.01 par value; 75,000,000 shares authorized; 12,563,750 shares issued; 11,789,202 and 11,800,445 shares outstanding at June 30, 2009 and December 31, 2008, respectively)		
Additional paid-in capital	52,160	52,103
Unallocated common shares held by ESOP	(3,391)	(3,553)
Unearned restricted shares	(422)	(714)
Retained earnings	37,905	35,848
Accumulated other comprehensive loss	(2,940)	(2,986)
Treasury stock, at cost (774,548 and 763,305 shares at June 30, 2009 and December 31, 2008, respectively)	(7,965)	(7,897)
<b>Total stockholders equity</b>	<b>75,473</b>	<b>72,927</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 872,705</b>	<b>\$ 853,122</b>

*See accompanying notes to unaudited interim consolidated financial statements.*

**Table of Contents****SI FINANCIAL GROUP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS***(Dollars in Thousands, Except Per Share Amounts / Unaudited)*

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Interest and dividend income:</b>				
Loans, including fees	\$ 9,369	\$ 9,318	\$ 18,591	\$ 18,534
Securities:				
Taxable interest	2,023	2,176	4,048	4,158
Tax-exempt interest	10	4	13	7
Dividends	13	105	27	263
Other	25	104	77	184
<b>Total interest and dividend income</b>	<b>11,440</b>	<b>11,707</b>	<b>22,756</b>	<b>23,146</b>
<b>Interest expense:</b>				
Deposits	3,377	4,034	6,831	8,132
Federal Home Loan Bank advances	1,440	1,596	2,921	3,188
Subordinated debt	59	77	130	216
<b>Total interest expense</b>	<b>4,876</b>	<b>5,707</b>	<b>9,882</b>	<b>11,536</b>
<b>Net interest income</b>	<b>6,564</b>	<b>6,000</b>	<b>12,874</b>	<b>11,610</b>
<b>Provision for loan losses</b>	<b>1,440</b>	<b>150</b>	<b>1,930</b>	<b>285</b>
<b>Net interest income after provision for loan losses</b>	<b>5,124</b>	<b>5,850</b>	<b>10,944</b>	<b>11,325</b>
<b>Noninterest income:</b>				
Service fees	1,257	1,328	2,448	2,613
Wealth management fees	969	1,020	1,927	1,991
Increase in cash surrender value of bank-owned life insurance	73	77	146	152
Net gain on sale of securities	117	34	254	144
Other-than-temporary impairment loss on securities (total losses of \$1,862, net of \$1,712 recognized in accumulated other comprehensive loss, pretax)			(150)	
Net gain on sale of equipment			104	
Net gain on sale of loans	191	22	382	81
Other	36	142	(287)	107
<b>Total noninterest income</b>	<b>2,643</b>	<b>2,623</b>	<b>4,824</b>	<b>5,088</b>
<b>Noninterest expenses:</b>				
Salaries and employee benefits	4,484	4,305	8,763	8,305
Occupancy and equipment	1,351	1,464	2,806	2,865
Computer and electronic banking services	832	761	1,623	1,482
Outside professional services	249	210	469	413
Marketing and advertising	201	194	409	391

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Supplies	131	145	282	320
FDIC deposit insurance and regulatory assessment	690	158	872	223
Other	743	569	1,376	1,078
<b>Total noninterest expenses</b>	<b>8,681</b>	<b>7,806</b>	<b>16,600</b>	<b>15,077</b>
<b>(Loss) income before income tax (benefit) provision</b>	<b>(914)</b>	<b>667</b>	<b>(832)</b>	<b>1,336</b>
<b>Income tax (benefit) provision</b>	<b>(295)</b>	<b>204</b>	<b>(269)</b>	<b>418</b>
<b>Net (loss) income</b>	<b>\$ (619)</b>	<b>\$ 463</b>	<b>\$ (563)</b>	<b>\$ 918</b>
<b>Net (loss) income per share:</b>				
Basic	\$ (0.05)	\$ 0.04	\$ (0.05)	\$ 0.08
Diluted	\$ (0.05)	\$ 0.04	\$ (0.05)	\$ 0.08

*See accompanying notes to unaudited interim consolidated financial statements.*

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**SI FINANCIAL GROUP, INC.**

**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY**

**FOR THE SIX MONTHS ENDED JUNE 30, 2009**

*(Dollars in Thousands, Except Share Amounts / Unaudited)*

	Common Stock		Additional Paid-in Capital	Unallocated Common Shares Held by ESOP	Unearned Restricted Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders Equity
	Shares	Dollars							
<b>Balance at December 31, 2008</b>	<b>12,563,750</b>	<b>\$ 126</b>	<b>\$ 52,103</b>	<b>\$ (3,553)</b>	<b>\$ (714)</b>	<b>\$ 35,848</b>	<b>\$ (2,986)</b>	<b>\$ (7,897)</b>	<b>\$ 72,927</b>

Comprehensive income: