

SI Financial Group, Inc.
Form 424B3
November 19, 2010
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Filed Pursuant to Rule 424(b)(3)
Registration Statement No. 333-169302

Dear Shareholder:

SI Financial Group, Inc. is soliciting shareholder votes regarding the conversion of Savings Institute Bank and Trust Company from the partially public mutual holding company form of organization to the fully-public stock holding company structure. The conversion involves the formation of a new holding company for Savings Institute, which is also to be called SI Financial Group, Inc., the exchange of shares of new SI Financial Group for your shares of the existing SI Financial Group, and the sale by new SI Financial Group of up to 7,546,875 shares of common stock. We also intend to contribute up to \$500,000 in cash to SI Financial Group Foundation, Inc. in connection with the conversion. Other than shares issued in the exchange, we will not issue any shares of new SI Financial Group common stock to SI Financial Group Foundation in connection with the conversion and offering. Upon completion of the transactions, the existing SI Financial Group will cease to exist.

The Proxy Vote Your Vote Is Very Important

We have received conditional regulatory approval to implement the conversion, however we must also receive the approval of our shareholders. Enclosed is a proxy statement/prospectus describing the proposal before our shareholders. **Please promptly vote the enclosed proxy card. Our Board of Directors urges you to vote FOR the plan of conversion and FOR the contribution to the charitable foundation.**

The Exchange

At the conclusion of the conversion, your shares of SI Financial Group common stock will be exchanged for shares of common stock of new SI Financial Group. The number of new shares of SI Financial Group common stock that you receive will be based on an exchange ratio that is described in the attached proxy statement/prospectus. Shortly after the completion of the conversion, our exchange agent will send a transmittal form to each shareholder of SI Financial Group who holds stock certificates. The transmittal form will explain the procedure to follow to exchange your shares. Please do not deliver your certificate(s) before you receive the transmittal form. Shares of SI Financial Group that are held in street name (e.g. in a brokerage account) will be converted automatically at the conclusion of the conversion; no action or documentation is required of you.

The Stock Offering

We are offering the shares of common stock of new SI Financial Group for sale at \$8.00 per share. The shares are being offered in a subscription offering to eligible depositors of Savings Institute. If all shares are not subscribed for in the subscription offering, shares are expected to be available in a community offering to SI Financial Group public shareholders and others not eligible to place orders in the subscription offering. **If you are interested in purchasing shares of our common stock, you may request a stock order form and prospectus by calling our Stock Information Center at the phone number in the Questions and Answers section herein. The stock offering period is expected to expire on December 20, 2010.**

If you have any questions please refer to the Questions and Answers section herein. We thank you for your support as a shareholder of SI Financial Group.

Sincerely,

Rheo A. Brouillard

President and Chief Executive Officer

This letter is neither an offer to sell nor a solicitation of an offer to buy shares of common stock. The offer is made only by the proxy statement/prospectus. These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

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SI FINANCIAL GROUP, INC.

(Proposed Holding Company for Savings Institute Bank and Trust Company)

PROSPECTUS OF SI FINANCIAL GROUP, INC. (NEW)

PROXY STATEMENT OF SI FINANCIAL GROUP, INC.

Savings Institute Bank and Trust Company is converting from a mutual holding company structure to a fully-public ownership structure. Currently, Savings Institute is a wholly-owned subsidiary of SI Financial Group, Inc. and SI Bancorp, MHC owns 61.9% of SI Financial Group's common stock. The remaining 38.1% of SI Financial Group's common stock is owned by public shareholders. As a result of the conversion, our newly formed company, also called SI Financial Group, will become the parent of Savings Institute. Each share of SI Financial Group common stock owned by the public will be exchanged for between 0.7655 and 1.0357 shares of common stock of new SI Financial Group so that SI Financial Group's existing public shareholders will own approximately the same percentage of new SI Financial Group common stock as they owned of SI Financial Group's common stock immediately before the conversion. The actual number of shares that you will receive will depend on the percentage of SI Financial Group common stock held by the public at the completion of the conversion, the final independent appraisal of new SI Financial Group and the number of shares of new SI Financial Group common stock sold in the offering described in the following paragraph. The exchange ratio will not depend on the market price of SI Financial Group common stock. See *Proposal 1 Approval of the Plan of Conversion Share Exchange Ratio for Current Shareholders* for a discussion of the exchange ratio.

Concurrently with the exchange offer, we are offering up to 7,546,875 shares of common stock (subject to increase to 8,678,906 shares) for sale on a best efforts basis, subject to certain conditions. We must sell a minimum of 5,578,125 shares to complete the offering. All shares are offered at a price of \$8.00 per share. The shares we are offering represent the 61.9% ownership interest in SI Financial Group, a federal corporation, now owned by SI Bancorp, MHC. We are offering the shares of common stock in a subscription offering to eligible depositors of Savings Institute. Shares of common stock not purchased in the subscription offering may be offered for sale to the general public in a community offering, with a preference given to our local communities and the shareholders of SI Financial Group. We also may offer for sale shares of common stock not purchased in the subscription offering or community offering in a syndicated community offering through a syndicate of selected dealers.

The conversion of SI Bancorp, MHC and the offering and exchange of common stock by new SI Financial Group is referred to herein as the conversion and offering. After the conversion and offering are completed, Savings Institute will be a wholly-owned subsidiary of new SI Financial Group, and 100% of the common stock of new SI Financial Group will be owned by public shareholders. As a result of the conversion and offering, the present SI Financial Group and SI Bancorp, MHC will cease to exist.

In connection with the conversion, we also intend to contribute up to \$500,000 in cash to our existing charitable foundation, SI Financial Group Foundation, Inc. Other than shares issued in the exchange, we will not issue any shares of new SI Financial Group common stock to SI Financial Group Foundation in connection with the conversion and offering. See *Proposal 3 Contribution to the Charitable Foundation*.

SI Financial Group's common stock is currently listed on the Nasdaq Global Market under the symbol SIFI. We expect that new SI Financial Group's common stock will trade on the Nasdaq Global Market under the trading symbol SIFID for a period of 20 trading days after the completion of the offering. Thereafter, the trading symbol will be SIFI.

The conversion and offering will be conducted pursuant to the plan of conversion and reorganization (the plan of conversion) of Savings Institute, SI Financial Group and SI Bancorp, MHC. The conversion and offering cannot be completed unless the shareholders of SI Financial Group approve the plan of conversion. Shareholders of SI Financial Group

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will consider and vote upon the plan of conversion at SI Financial Group's special meeting of shareholders at the Savings Institute Bank and Trust Company Training Center, 579 North Windham Road, Willimantic, Connecticut, on December 23, 2010 at 1:00 p.m., Eastern time. **SI Financial Group's board of directors recommends that shareholders vote FOR the plan of conversion.**

The contribution to the charitable foundation must also be approved by the shareholders of SI Financial Group at the special meeting of shareholders. However, the completion of the conversion and offering is not dependent upon the approval of the contribution to the charitable foundation. **SI Financial Group's board of directors unanimously recommends that shareholders vote FOR the contribution to the charitable foundation.**

This document serves as the proxy statement for the special meeting of shareholders of SI Financial Group and the prospectus for the shares of new SI Financial Group common stock to be issued in exchange for shares of SI Financial Group common stock. We urge you to read this entire document carefully. You can also obtain information about our companies from documents that we have filed with the Securities and Exchange Commission and the Office of Thrift Supervision. This document does not serve as the prospectus relating to the offering by new SI Financial Group of its shares of common stock in the offering, which will be made pursuant to a separate prospectus.

This proxy statement/prospectus contains information that you should consider in evaluating the plan conversion. **In particular, you should carefully read the section captioned Risk Factors beginning on page 14 for a discussion of certain risk factors relating to the conversion and offering.**

These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

None of the Securities and Exchange Commission, the Office of Thrift Supervision or any state securities regulator has approved or disapproved of these securities or determined if this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

**The date of this proxy statement/prospectus is November 10, 2010, and is first being mailed to shareholders
of SI Financial Group on or about November 20, 2010.**

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SI Financial Group, Inc.

803 Main Street

Willimantic, Connecticut 06226

(860) 423-4581

Notice of Special Meeting of Shareholders

On December 23, 2010, SI Financial Group, Inc. will hold its special meeting of shareholders at the Savings Institute Bank and Trust Company Training Center, 579 North Windham Road, Willimantic, Connecticut. The meeting will begin at 1:00 p.m., Eastern time. At the meeting, shareholders will consider and act on the following:

1. The approval of a plan of conversion and reorganization pursuant to which: (A) SI Bancorp, MHC, which currently owns 61.9% of the common stock of SI Financial Group, will merge with and into SI Financial Group, with SI Financial Group being the surviving entity; (B) SI Financial Group will merge with and into new SI Financial Group, a Maryland corporation recently formed to be the holding company for Savings Institute, with new SI Financial Group being the surviving entity; (C) the outstanding shares of SI Financial Group, other than those held by SI Bancorp, MHC, will be converted into shares of common stock of new SI Financial Group; and (D) new SI Financial Group will offer shares of its common stock for sale in a subscription offering and, if necessary, in a community offering and/or syndicated community offering.
2. The following informational proposals:
 - 2a Approval of a provision in new SI Financial Group's articles of incorporation requiring a super-majority vote to approve certain amendments to new SI Financial Group's articles of incorporation; and
 - 2b Approval of a provision in new SI Financial Group's articles of incorporation to limit the voting rights of shares beneficially owned in excess of 10% of new SI Financial Group's outstanding voting stock.
3. The approval of the contribution of up to \$500,000 in cash to SI Financial Group Foundation, Inc., a nonstock Delaware corporation that is dedicated to charitable purposes within the communities in which Savings Institute Bank and Trust Company conducts its business.
4. The approval of the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the plan of conversion and/or the contribution to the charitable foundation.
5. Such other business that may properly come before the meeting.

NOTE: The board of directors is not aware of any other business to come before the meeting.

The provisions of new SI Financial Group's articles of incorporation, which are summarized as informational proposals 2a and 2b were approved as part of the process in which the board of directors of SI Financial Group approved the plan of conversion. These proposals are informational in nature only, because the Office of Thrift Supervision's regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if shareholders approve the plan of conversion, regardless of

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whether shareholders vote to approve any or all of the informational proposals.

Only shareholders as of November 1, 2010 are entitled to receive notice of the meeting and to vote at the meeting and any adjournments or postponements of the meeting.

Please vote the enclosed proxy card , which is solicited by the board of directors. The proxy will not be used if you attend the meeting and vote in person.

BY ORDER OF THE BOARD OF DIRECTORS

Sandra M. Mitchell

Corporate Secretary

Willimantic, Connecticut

November 20, 2010

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Questions and Answers

You should read this document for more information about the conversion and offering. The plan of conversion and the contribution to the charitable foundation described in this document have been conditionally approved by the Office of Thrift Supervision.

The Proxy Vote

Q. What am I being asked to approve?

- A.** SI Financial Group shareholders as of November 1, 2010 are asked to vote on the plan of conversion. Under the plan of conversion, Savings Institute will convert from the mutual holding company form of organization to the stock holding company form, and as part of such conversion, our newly formed stock holding company, also named SI Financial Group will offer for sale, in the form of shares of its common stock, SI Bancorp, MHC's 61.9% ownership interest in SI Financial Group. In addition to the shares of common stock to be issued to those who purchase shares in the offering, public shareholders of SI Financial Group as of the completion of the conversion and offering will receive shares of new SI Financial Group common stock in exchange for their existing shares of SI Financial Group common stock. The exchange will be based on an exchange ratio that will result in SI Financial Group's existing public shareholders owning approximately the same percentage of new SI Financial Group common stock as they owned of SI Financial Group immediately prior to the conversion and offering.

Shareholders also are asked to vote on the following informational proposals with respect to the articles of incorporation of new SI Financial Group:

Approval of a provision in new SI Financial Group's articles of incorporation requiring a super-majority vote to approve certain amendments to new SI Financial Group's articles of incorporation; and

Approval of a provision in new SI Financial Group's articles of incorporation to limit the voting rights of shares beneficially owned in excess of 10% of new SI Financial Group's outstanding voting stock.

The provisions of new SI Financial Group's articles of incorporation, which are summarized as informational proposals were approved as part of the process in which the board of directors of SI Financial Group approved the plan of conversion. These proposals are informational in nature only, because the Office of Thrift Supervision's regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if shareholders approve the plan of conversion, regardless of whether shareholders vote to approve any or all of the informational proposals. The provisions of new SI Financial Group's articles of incorporation which are summarized as informational proposals may have the effect of deterring or rendering more difficult attempts by third parties to obtain control of new SI Financial Group, if such attempts are not approved by the board of directors, or may make the removal of the board of directors or management, or the appointment of new directors, more difficult.

In addition, shareholders will vote on a proposal to contribute to the SI Financial Group Foundation up to \$500,000 in cash and a proposal to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the plan of conversion and/or the contribution to the charitable foundation.

YOUR VOTE IS IMPORTANT. WE CANNOT COMPLETE THE CONVERSION AND OFFERING AND CONTRIBUTE TO THE CHARITABLE FOUNDATION UNLESS THOSE PROPOSALS RECEIVE THE AFFIRMATIVE VOTE OF A MAJORITY OF SHARES HELD BY OUR PUBLIC SHAREHOLDERS.

Q. What is the conversion and related stock offering?

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- A.** Savings Institute is converting from a partially-public mutual holding company structure to a fully-public stock holding company ownership structure. Currently, SI Bancorp, MHC owns 61.9% of SI Financial Group's common stock. The remaining 38.1% of SI Financial Group's common stock is owned by public shareholders. As a result of the conversion, our newly formed stock holding company, also named SI Financial Group, will become the parent of Savings Institute.

Shares of common stock of new SI Financial Group, representing the 61.9% ownership interest of SI Bancorp, MHC in SI Financial Group, are being offered for sale to eligible depositors of Savings Institute and, possibly, to the public. At

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the completion of the conversion and offering, public shareholders of SI Financial Group will exchange their shares of SI Financial Group common stock for shares of common stock of new SI Financial Group.

After the conversion and offering are completed, Savings Institute will be a wholly-owned subsidiary of new SI Financial Group, and 100% of the common stock of new SI Financial Group will be owned by public shareholders. Our organization will have completed the transition from partial to fully-public ownership. As a result of the conversion and offering, SI Financial Group and SI Bancorp, MHC will cease to exist.

See *Proposal 1 Approval of the Plan of Conversion* beginning on page 33 of this proxy statement/prospectus, for more information about the conversion and offering.

Q. What are reasons for the conversion and offering?

- A. The primary reasons for the conversion and offering are to increase capital to support the growth of our interest-earning assets, create a more liquid and active market than currently exists for SI Financial Group common stock, structure our business in a form that will provide improved access to capital markets, and facilitate acquisitions of other financial institutions.

Q. What are the reasons for the contribution to the charitable foundation?

- A. Savings Institute has a long-standing commitment to making charitable contributions within the communities in which we conduct our business. The foundation has enhanced our ability to support community development and charitable causes and the additional funding will provide the charitable foundation with additional liquidity to fulfill its commitment to our communities.

Q. How will the contribution to the charitable foundation affect the new stock holding company and its shareholders?

- A. The contribution of cash to the charitable foundation will result in an expense, and a related reduction in earnings, for the new holding company for the quarter in which the conversion is completed.

Q. Why should I vote?

- A. You are not required to vote, but your vote is very important. For us to implement the plan of conversion and the contribution to the charitable foundation, we must receive the affirmative vote of (1) the holders of at least two-thirds of the outstanding shares of SI Financial Group common stock, including shares held by SI Bancorp, MHC and (2) the holders of a majority of the outstanding shares of SI Financial Group common stock entitled to vote at the special meeting, excluding shares held by SI Bancorp, MHC. **Your board of directors recommends that you vote FOR the plan of conversion and the contribution to the charitable foundation.**

Q. What happens if I don't vote?

- A. **Your prompt vote is very important. Not voting will have the same effect as voting *Against* the plan of conversion and the contribution to the charitable foundation.** Without sufficient favorable votes **FOR** the plan of conversion, we cannot complete the conversion and offering. Without sufficient favorable votes **FOR** the contribution of the charitable foundation, we cannot fund the charitable foundation.

Q. How do I vote?

- A.** You should mark your vote, sign your proxy card and return it in the enclosed proxy reply envelope. Alternatively, you may vote by telephone or via the Internet, by following instructions on your proxy card. **PLEASE VOTE PROMPTLY. NOT VOTING HAS THE SAME EFFECT AS VOTING AGAINST THE PLAN OF CONVERSION AND THE CONTRIBUTION TO THE CHARITABLE FOUNDATION.**

Q. If my shares are held in street name, will my broker automatically vote on my behalf?

- A.** No. Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares, using the directions that your broker provides to you.

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Q. What if I do not give voting instructions to my broker?

- A. Your vote is important. If you do not instruct your broker to vote your shares, the unvoted proxy will have the same effect as a vote against the proposals.

Q. What if the plan of conversion is approved, but the contribution to the charitable foundation is not approved?

- A. The contribution to the charitable foundation will only be made if both proposals are approved. If the contribution to the charitable foundation is not approved, but the plan of conversion is approved, our board of directors will complete the conversion and offering without the contribution to the charitable foundation.

Q. If the offering range is changed and all subscribers are given the opportunity to place a new order, will we have an opportunity to vote on the new pro forma market value?

- A. No. We do not intend to seek any additional approvals from shareholders in connection with setting a new offering range.

The Exchange

Q. I currently own shares of SI Financial Group common stock. What will happen to my shares as a result of the conversion?

- A. At the completion of the conversion, your shares of SI Financial Group common stock will be canceled and exchanged for shares of common stock of new SI Financial Group, a newly formed Maryland corporation. The number of shares you will receive will be based on an exchange ratio, determined as of the completion of the conversion and offering, that is intended to result in SI Financial Group's existing public shareholders owning approximately 38.1% of new SI Financial Group's common stock, which is the same percentage of SI Financial Group common stock currently owned by existing public shareholders.

Q. Does the exchange ratio depend on the market price of SI Financial Group common stock?

- A. No, the exchange ratio will not be based on the market price of SI Financial Group common stock. Therefore, changes in the price of SI Financial Group common stock between now and the completion of the conversion and offering will not effect the calculation of the exchange ratio.

Q. How will the actual exchange ratio be determined?

- A. Because the purpose of the exchange ratio is to maintain the ownership percentage of the existing public shareholders of SI Financial Group, the actual exchange ratio will depend on the number of shares of new SI Financial Group's common stock sold in the offering and, therefore, cannot be determined until the completion of the conversion and offering.

Q. How many shares will I receive in the exchange?

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- A.** You will receive between 0.7655 and 1.0357 (subject to increase to 1.1910) shares of new SI Financial Group common stock for each share of SI Financial Group common stock you own on the date of the completion of the conversion and offering. For example, if you own 100 shares of SI Financial Group common stock, and the exchange ratio is 0.9006 (at the midpoint of the offering range), you will receive 90 shares of new SI Financial Group common stock and \$0.04 in cash, the value of the fractional share, based on the \$8.00 per share purchase price in the offering. Shareholders who hold shares in street name at a brokerage firm or whose shares are held in book-entry form by our transfer agent will receive these funds in their accounts. Shareholders who hold stock certificates will receive a check in the mail.

Q. Why did the board of directors base the exchange ratio on an \$8.00 per share stock price?

- A.** In adopting the plan of conversion, the board of directors focused on the value of the shares to be received in the exchange in comparison to the market price of SI Financial Group common stock. Because SI Financial Group common stock has been trading below \$10.00 per share since 2008, the board of directors concluded that an offering price of \$8.00 is consistent with the historical trading range of our stock.

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Q. Why does the board of directors support the conversion if the value of the shares to be received in the exchange might be less than the current market value of SI Financial Group common stock?

- A.** Over the 30 trading days before September 9, 2010, which is the date on which the board of directors adopted the plan of conversion, the price of SI Financial Group common stock traded between \$6.00 and \$6.90. Based on the offering price of \$8.00 per share and the exchange ratio, the value of the shares to be received in exchange for each share of SI Financial Group common stock would range from \$6.12 to \$9.53. In adopting the plan of conversion, the board of directors focused on our prospects for generating shareholder value and on the price of our stock relative to our peers. For the reasons described above, the board of directors concluded that converting to the stock holding company form would give us the best opportunity to generate shareholder value. The board of directors also considered that compared to the peer group used in RP Financial's appraisal of our common stock, our common stock would be priced at a discount of 13.5% to the peer group on a price-to-book basis and at a discount of 18.3% to the peer group on a price-to-tangible book basis, which could make our stock an attractive investment.

Q. Why doesn't SI Financial Group wait to conduct the conversion until the stock market improves so that current shareholders can receive a higher exchange ratio?

- A.** The board of directors believes that because the stock holding company form of organization offers important advantages, it is in the best interests of our shareholders to complete the conversion and offering sooner rather than later. There is no way to know when market conditions will change or how they might change, or how changes in market conditions might affect stock prices for financial institutions. The board of directors concluded that it would be better to complete the conversion and offering now, under a valuation that offers a fair exchange ratio to existing shareholders and an attractive price to new investors, rather than wait an indefinite amount of time for market conditions that may result in a higher exchange ratio but a less attractive valuation for new investors.

Q. Should I submit by stock certificates now?

- A.** No. If you hold a stock certificate for SI Financial Group common stock, instructions for exchanging your certificate will be sent to you after completion of the conversion and offering. Until you submit the transmittal form and certificate, you will not receive your new certificate and check for cash in lieu of fractional shares, if any. If your shares are held in street name at a brokerage firm, the share exchange and payment of cash in lieu of fractional shares will occur automatically within your brokerage account upon completion of the conversion and offering, without any action on your part. **Please do not send in your stock certificate until you receive a transmittal form and instructions.**

Stock Offering

Q. May I place an order to purchase shares in the offering, in addition to the shares that I will receive in the exchange?

- A.** Eligible depositors of Savings Institute have priority subscription rights allowing them to purchase common stock in the subscription offering. Shares not purchased in the subscription offering may be made available for sale to the public in a community offering. SI Financial Group shareholders as of November 1, 2010 have a preference in the community offering after orders submitted by residents of our communities.

If you would like to receive a prospectus and stock order form, please call our Stock Information Center toll-free at (877) 643-8198 from 10:00 a.m. to 4:00 p.m., Eastern time, Monday through Friday. The Stock Information Center will be closed weekends and bank holidays.

Stock order forms, along with full payment, must be received (not postmarked) no later than 2:00 p.m., Eastern time on December 20, 2010.

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Other Questions?

For answers to questions about the conversion or voting, please read this proxy statement/prospectus. Questions about voting may be directed to our proxy information agent, Phoenix Advisory Partners, by calling toll-free (800) 576-4314, Monday through Friday, from 9:00 a.m. to 5:00 p.m., Eastern time. For answers to questions about the stock offering, you may call our Stock Information Center, toll-free, at (877) 643-8198 from 10:00 a.m. to 4:00 p.m. Eastern time, Monday through Friday. A copy of the plan of conversion is available from Savings Institute upon written request to the Corporate Secretary and is available for inspection at the offices of Savings Institute and at the Office of Thrift Supervision.

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Summary

This summary highlights material information from this document and may not contain all the information that is important to you. To understand the conversion and offering fully, you should read this entire document carefully.

Special Meeting of Shareholders

Date, Time and Place; Record Date

The special meeting of SI Financial Group shareholders is scheduled to be held at the Savings Institute Bank and Trust Company Training Center, 579 North Windham Road, Willimantic, Connecticut at 1:00 p.m., Eastern time, on December 23, 2010. Only SI Financial Group shareholders of record as of the close of business on November 1, 2010 are entitled to notice of, and to vote at, the special meeting of shareholders and any adjournments or postponements of the meeting.

Purpose of the Meeting

Shareholders will be voting on the following proposals at the special meeting:

1. Approval of the plan of conversion;
2. The following informational proposals:
 - 2a Approval of a provision in new SI Financial Group's articles of incorporation requiring a super-majority vote to approve certain amendments to new SI Financial Group's articles of incorporation; and
 - 2b Approval of a provision in new SI Financial Group's articles of incorporation to limit the voting rights of shares beneficially owned in excess of 10% of new SI Financial Group's outstanding voting stock;
3. Approval of the contribution to the charitable foundation; and
4. Approval of the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the plan of conversion and the contribution to the charitable foundation.

The provisions of new SI Financial Group's articles of incorporation, which are summarized as informational proposals 2a and 2b were approved as part of the process in which the board of directors of SI Financial Group approved the plan of conversion. These proposals are informational in nature only, because the Office of Thrift Supervision's regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if shareholders approve the plan of conversion, regardless of whether shareholders vote to approve any or all of the informational proposals. The provisions of new SI Financial Group's articles of incorporation, which are summarized as informational proposals may have the effect of deterring or rendering more difficult attempts by third parties to obtain control of new SI Financial Group, if such attempts are not approved by the board of directors, or may make the removal of the board of directors or management, or the appointment of new directors, more difficult.

Vote Required

Proposal 1: Approval of the Plan of Conversion. Approval of the plan of conversion requires the affirmative vote of holders of at least *two-thirds of the outstanding shares* of SI Financial Group, including shares held by SI Bancorp, MHC and a majority of the votes eligible to be cast by shareholders of SI Financial Group, excluding shares held by SI Bancorp, MHC.

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Informational Proposals 2a and 2b. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if shareholders approve the plan of conversion, regardless of whether shareholders vote to approve any or all of the informational proposals.

Proposal 3: Approval of the Contribution to the Charitable Foundation. The contribution of up to \$500,000 in cash to the SI Financial Group Foundation must be approved by at least a majority of the total number of votes entitled to be cast at the special meeting by SI Financial Group shareholders, and by at least a majority of the total number of votes entitled to be cast at the special meeting by SI Financial Group shareholders other than SI Bancorp, MHC.

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Proposal 4: Approval of the Adjournment of the Special Meeting. We must obtain the affirmative vote of the majority of the shares represented at the special meeting and entitled to vote to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the proposals to approve the plan of conversion and/or to approve the contribution to the charitable foundation.

As of the record date, there were 11,777,496 shares of SI Financial Group common stock outstanding, of which SI Bancorp, MHC owned 7,286,975. The directors and executive officers of SI Financial Group (and their affiliates), as a group, beneficially owned 298,783 shares of SI Financial Group common stock, representing 2.5% of the outstanding shares of SI Financial Group common stock and 6.7% of the shares held by persons other than SI Bancorp, MHC as of such date. SI Bancorp, MHC and our directors and executive officers intend to vote their shares in favor of the plan of conversion.

Our Company

SI Financial Group is, and new SI Financial Group following the completion of the conversion and offering will be, the unitary savings and loan holding company for Savings Institute, a federally chartered savings bank. SI Financial Group is a federally chartered corporation and new SI Financial Group is a Maryland chartered corporation. Savings Institute is headquartered in Willimantic, Connecticut and has provided community banking services to its customers since 1842. We currently operate 21 full-service locations in Hartford, Middlesex, New London, Tolland and Windham Counties in Connecticut and one trust servicing office on Rutland, Vermont. Our common stock is traded on the Nasdaq Global Select Market under the symbol SIFI.

At June 30, 2010, SI Financial Group had consolidated total assets of \$889.4 million, net loans of \$606.5 million, total deposits of \$676.8 million and total shareholders' equity of \$81.2 million. At June 30, 2010, Savings Institute exceeded all regulatory capital requirements and was not a participant in any of the U.S. Treasury's capital raising programs for financial institutions. Our principal executive offices are located at 803 Main Street, Willimantic, Connecticut 06226 and our telephone number is (860) 423-4581. Our web site address is www.savingsinstitute.com. Information on our website should not be considered a part of this proxy statement/prospectus.

The Conversion

Description of the Conversion (page 33)

In 2000, we reorganized Savings Institute into a stock savings bank with a mutual holding company structure. In 2004, we formed SI Financial Group as the mid-tier holding company for Savings Institute and sold a minority interest in SI Financial Group common stock to our depositors and our employee stock ownership plan in a subscription offering and contributed shares to our charitable foundation. The majority of SI Financial Group's shares were issued to SI Bancorp, MHC, a mutual holding company organized under federal law. As a mutual holding company, SI Bancorp, MHC does not have any shareholders, does not hold any significant assets other than the common stock of SI Financial Group, and does not engage in any significant business activity. Our current ownership structure is as follows:

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The second-step conversion process that we are now undertaking involves a series of transactions by which we will convert our organization from the partially public mutual holding company form to the fully public stock holding company structure. In the stock holding company structure, all of Savings Institute's common stock will be owned by new SI Financial Group, and all of new SI Financial Group's common stock will be owned by the public. We are conducting the conversion and offering under the terms of our plan of conversion and reorganization (which is referred to as the plan of conversion). Upon completion of the conversion and offering, the present SI Financial Group and SI Bancorp, MHC will cease to exist.

As part of the conversion, we are offering for sale common stock representing the 61.9% ownership interest of SI Financial Group that is currently held by SI Bancorp, MHC. At the conclusion of the conversion and offering, existing public shareholders of SI Financial Group will receive shares of common stock in new SI Financial Group in exchange for their existing shares of common stock of SI Financial Group, based upon an exchange ratio of 0.7655 to 1.0357. The actual exchange ratio will be determined at the conclusion of the conversion and the offering based on the total number of shares sold in the offering, and is intended to result in SI Financial Group's existing public shareholders owning the same percentage interest, 38.1%, of new SI Financial Group common stock as they currently own of SI Financial Group common stock, before giving effect to cash paid in lieu of issuing fractional shares and shares that existing shareholders may purchase in the offering. In addition, we intend to make a cash contribution to our existing charitable foundation to provide the foundation with additional liquidity. Other than shares issued in the exchange, we will not issue any shares of new SI Financial Group common stock to the foundation in connection with the conversion and offering.

After the conversion and offering, our ownership structure will be as follows:

We may cancel the conversion and offering with the concurrence of the Office of Thrift Supervision. If cancelled, orders for common stock already submitted will be cancelled, subscribers' funds will be promptly returned with interest calculated at Savings Institute's passbook savings rate and all deposit account withdrawal authorizations will be cancelled.

The normal business operations of Savings Institute will continue without interruption during the conversion and offering, and the same officers and directors who currently serve Savings Institute in the mutual holding company structure will serve the new holding company and Savings Institute in the fully converted stock form.

Reasons for the Conversion and Offering (page 33)

Our primary reasons for the conversion and offering are the following:

While Savings Institute currently exceeds all regulatory capital requirements to be considered a well capitalized institution, the proceeds from the sale of common stock will increase our capital, which will support continued lending and operational growth. In deciding to conduct the conversion and offering at this time, our board of directors considered current market conditions, the amount of capital needed for continued growth, that the offering will not raise an excessive amount of capital and the interests of existing shareholders and customers.

The larger number of shares that will be in the hands of public investors after completion of the conversion and offering is expected to result in a more liquid and active trading market than currently exists for SI Financial Group common stock. A more liquid and active trading market would make it easier for our shareholders to buy and sell our common stock. See *Market for the Common Stock*.

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The stock holding company structure is a more familiar form of organization, which we believe will make our common stock more appealing to investors, and will give us greater flexibility to access the capital markets through possible future equity and debt offerings and to acquire other financial institutions or financial service companies. Our current mutual holding structure limits our ability to raise capital or issue stock in an acquisition transaction because SI Bancorp, MHC must own at least 50.1% of the shares of SI Financial Group. Currently, however, we have no plans, agreements or understandings regarding any additional securities offerings or acquisitions.

We are currently regulated by the Office of Thrift Supervision. The financial regulatory reform legislation will result in changes to our primary bank regulator and holding company regulator, as well as changes in regulations applicable to us, which may include changes in regulations affecting capital requirements, payment of dividends and conversion to stock form. Specifically, under the Dodd-Frank Act, the Federal Reserve Board will become the sole federal regulator of all holding companies, including mutual holding companies, and the Federal Reserve Board historically has not allowed mutual holding companies to waive the receipt of dividends from their mid-tier holding company subsidiaries. Although SI Bancorp, MHC is considered a grandfathered mutual holding company under the Dodd-Frank Act, it is not clear how the Federal Reserve Board will evaluate dividend waivers by grandfathered mutual holding companies and whether the Federal Reserve Board would require any future waived dividends to be taken into account in determining an appropriate exchange ratio, which would result in dilution to the ownership interests of minority stockholders in the event of a second-step conversion to stock form. The reorganization will eliminate our mutual holding company structure and any regulatory uncertainty associated with dividend waivers by our mutual holding company, as well as the treatment of waived dividends in a conversion of our mutual holding company to stock form and better position us to meet all future regulatory capital requirements. See *Regulation and Supervision*.

Conditions to Completing the Conversion and Offering

We cannot complete the conversion and offering unless:

the plan of conversion is approved by at least *a majority of votes eligible to be cast* by depositors of Savings Institute;

the plan of conversion is approved by at least *two-thirds of the outstanding shares* of SI Financial Group, including shares held by SI Bancorp, MHC;

the plan of conversion is approved by at least *a majority of the outstanding shares* of SI Financial Group, excluding the shares held by SI Bancorp, MHC;

we sell at least the minimum number of shares offered; and

we receive the final approval of the Office of Thrift Supervision to complete the conversion and offering.

Subject to member, shareholder and regulatory approvals, we also intend to contribute cash to our existing charitable foundation, SI Financial Group Foundation, in connection with the conversion. However, member and shareholder approval of the contribution to the charitable foundation is not a condition to the completion of the conversion and offering.

SI Bancorp, MHC, which owns 61.9% of the outstanding shares of SI Financial Group, intends to vote these shares in favor of the plan of conversion and the contribution to the charitable foundation. In addition, as of November 1, 2010, directors and executive officers of SI Financial Group and their associates beneficially owned 298,783 shares of SI Financial Group or 2.5% of the outstanding shares. They intend to vote those shares in favor of the plan of conversion and the contribution to the charitable foundation.

Table of Contents**The Exchange of Existing Shares of SI Financial Group Common Stock (page 35)**

If you are a shareholder of SI Financial Group on the date we complete the conversion and offering, your existing shares will be cancelled and exchanged for shares of new SI Financial Group. The number of shares you will receive will be based on an exchange ratio determined as of the completion of the conversion and offering that is intended to result in SI Financial Group's existing public shareholders owning approximately 38.1% of new SI Financial Group's common stock, which is the same percentage of SI Financial Group common stock currently owned by existing public shareholders. The exchange ratio will not be based on the market price of SI Financial Group common stock. The following table shows how the exchange ratio will adjust, based on the number of shares sold in our offering. The table also shows how many shares a hypothetical owner of 100 shares of SI Financial Group common stock would receive in the exchange, based on the number of shares sold in the offering.

	Shares to be Sold In the Offering		Shares to be Exchanged for Existing Shares of SI Financial Group		Total Shares of Common Stock to be Outstanding	Exchange Ratio	Equivalent Per Share Value (1)	Equivalent Pro Forma Book Value Per Exchanged Share (2)	Shares to be Received for 100 Existing Shares (3)
	Amount	Percent	Amount	Percent					
Minimum	5,578,125	61.9%	3,437,460	38.1%	9,015,585	0.7655	\$ 6.12	\$ 9.70	76
Midpoint	6,562,500	61.9%	4,044,071	38.1%	10,606,571	0.9006	7.20	10.28	90
Maximum	7,546,875	61.9%	4,650,682	38.1%	12,197,557	1.0357	8.29	10.86	103
Maximum, as adjusted	8,678,906	61.9%	5,348,284	38.1%	14,027,190	1.1910	9.53	11.53	119

- (1) Represents the value of shares of new SI Financial Group common stock received in the conversion by a holder of one share of SI Financial Group common stock at the exchange ratio, assuming an offering price of \$8.00 per share.
- (2) Represents the pro forma tangible stockholders' equity per share at each level of the offering range multiplied by the respective exchange ratio.
- (3) Cash will be paid instead of issuing any fractional shares.

No fractional shares of new SI Financial Group common stock will be issued in the conversion and offering. For each fractional share that would otherwise be issued, we will pay cash in an amount equal to the product obtained by multiplying the fractional share interest to which the holder would otherwise be entitled by the \$8.00 per share offering price.

We also will convert options previously awarded under the 2005 Equity Incentive Plan into options to purchase new SI Financial Group common stock. At June 30, 2010, there were outstanding options to purchase 496,750 shares of SI Financial Group common stock. The number of outstanding options and related per share exercise prices will be adjusted based on the exchange ratio. The aggregate exercise price, term and vesting period of the outstanding options will remain unchanged. If any options are exercised before we complete the offering, the number of shares of SI Financial Group common stock outstanding will increase and the exchange ratio could be adjusted.

Table of Contents**Effect of the Conversion on Shareholders of SI Financial Group**

The following table compares historical information for SI Financial Group with similar information on a pro forma and per equivalent SI Financial Group share basis. The information listed as per equivalent SI Financial Group share was obtained by multiplying the pro forma amounts by the exchange ratio indicated in the table.

	SI Financial Group Historical	Pro Forma	Exchange Ratio	Per Equivalent SI Financial Group Share
Book value per share at June 30, 2010:				
Sale of 5,578,125 shares	\$ 6.89	\$ 13.13	0.7655	\$ 10.05
Sale of 6,562,500 shares	6.89	11.81	0.9006	10.63
Sale of 7,546,875 shares	6.89	10.83	1.0357	11.22
Sale of 8,678,906 shares	6.89	9.98	1.1910	11.89
Earnings per share for the six months ended June 30, 2010:				
Sale of 5,578,125 shares	\$ 0.11	\$ 0.14	0.7655	0.11
Sale of 6,562,500 shares	0.11	0.12	0.9006	0.11
Sale of 7,546,875 shares	0.11	0.10	1.0357	0.10
Sale of 8,678,906 shares	0.11	0.09	1.1910	0.11
Price per share (1):				
Sale of 5,578,125 shares	\$ 6.22	\$ 8.00	0.7655	\$ 6.12
Sale of 6,562,500 shares	6.22	8.00	0.9006	7.20
Sale of 7,546,875 shares	6.22	8.00	1.0357	8.29
Sale of 8,678,906 shares	6.22	8.00	1.1910	9.53

(1) At September 9, 2010, which was the day of the adoption of the plan of conversion.

How We Determined the Offering Range and Exchange Ratio (page 36)

Federal regulations require that the aggregate purchase price of the securities sold in the offering be based upon our estimated pro forma market value after the conversion (*i.e.*, taking into account the expected receipt of net proceeds from the sale of securities in the offering), as determined by an independent appraisal. We have retained RP Financial, LC., which is experienced in the evaluation and appraisal of financial institutions, to prepare the appraisal. RP Financial has indicated that in its valuation as of August 26, 2010, our common stock's estimated market value ranged from \$72.1 million to \$97.6 million, with a midpoint of \$84.9 million. Based on this valuation, we are selling the number of shares representing the 61.9% of SI Financial Group currently owned by SI Bancorp, MHC. This results in an offering range of \$44.6 million to \$60.4 million, with a midpoint of \$52.5 million. RP Financial will receive fees totaling \$90,000 for its appraisal report, plus \$10,000 for any appraisal updates (of which there will be at least one) and reimbursement of out-of-pocket expenses.

The appraisal was based in part upon SI Financial Group's financial condition and results of operations, the effect of the net proceeds we will receive from the sale of common stock in this offering, the cash to be contributed to the charitable foundation and an analysis of a peer group of ten publicly traded savings and loan holding companies that RP Financial considered comparable to SI Financial Group. The appraisal peer group consists of the companies listed below. Total assets are as of June 30, 2010.

Company Name and Ticker Symbol	Exchange	Headquarters	Total Assets (In millions)
Beacon Federal Bancorp, Inc. (BFED)	NASDAQ	East Syracuse, NY	\$ 1,072
Central Bancorp, Inc. (CEBK)	NASDAQ	Somerville, MA	527
ESB Financial Corporation (ESBF)	NASDAQ	Ellwood City, PA	1,948

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ESSA Bancorp, Inc. (ESSA)	NASDAQ	Stroudsburg, PA	1,067
Harleysville Savings Financial Corporation (HARL)	NASDAQ	Harleysville, PA	867
Hingham Institution for Savings (HIFS)	NASDAQ	Hingham, MA	972
New Hampshire Thrift Bancshares, Inc. (NHTB)	NASDAQ	Newport, NH	993
TF Financial Corporation (THRD)	NASDAQ	Newton, PA	721
United Financial Bancorp, Inc. (UBNK)	NASDAQ	West Springfield, MA	1,545
Westfield Financial, Inc. (WFD)	NASDAQ	Westfield, MA	1,235

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In preparing its appraisal, RP Financial considered the information in this proxy statement/prospectus, including our financial statements. RP Financial also considered the following factors, among others:

our historical and projected operating results and financial condition, including, but not limited to, net interest income, the amount and volatility of interest income and interest expense relative to changes in market conditions and interest rates, asset quality, levels of loan loss provisions, the amount and sources of noninterest income, and the amount of noninterest expense;

the economic, demographic and competitive characteristics of our market area, including, but not limited to, employment by industry type, unemployment trends, size and growth of the population, trends in household and per capita income and deposit market share;

a comparative evaluation of our operating and financial statistics with those of other similarly-situated, publicly traded savings associations and savings association holding companies, which included a comparative analysis of balance sheet composition, income statement and balance sheet ratios, credit and interest rate risk exposure;

the effect of the capital raised in this offering on our net worth and earnings potential, including, but not limited to, the increase in consolidated equity resulting from the offering, the estimated increase in earnings resulting from the investment of the net proceeds of the offering, and the estimated impact on consolidated equity and earnings resulting from adoption of the proposed employee stock benefit plans; and

the trading market for SI Financial Group common stock and securities of comparable institutions and general conditions in the market for such securities.

The independent appraisal also reflects the cash contribution to SI Financial Group Foundation. The cash contribution to the charitable foundation will not have a material effect on our estimated pro forma market value.

Two measures that some investors use to analyze whether a stock might be a good investment are the ratio of the offering price to the issuer's book value and tangible book value and the ratio of the offering price to the issuer's core earnings. RP Financial considered these ratios in preparing its appraisal, among other factors. Book value is the same as total equity and represents the difference between the issuer's assets and liabilities. Tangible book value is equal to total equity minus intangible assets. Core earnings, for purposes of the appraisal, was defined as net earnings after taxes, excluding the after-tax portion of income from nonrecurring items. In applying each of the valuation methods, RP Financial considered adjustments to our pro forma market value based on a comparison of SI Financial Group with the peer group. RP Financial made slight downward adjustments for profitability, growth and viability of earnings and for the marketing of the issue and made a slight upward adjustment for financial condition.

The following table presents a summary of selected pricing ratios for the peer group companies utilized by RP Financial in its appraisal and the pro forma pricing ratios for us as calculated by RP Financial in its appraisal report, based on financial data as of and for the twelve months ended June 30, 2010. The pricing ratios for SI Financial Group are based on financial data as of or for the twelve months ended June 30, 2010.

	Price to Earnings Multiple	Price to Core Earnings Multiple	Price to Book Value Ratio	Price to Tangible Book Value Ratio
New SI Financial Group (pro forma):				
Minimum	32.80x	36.07x	60.93%	63.14%
Midpoint	38.54	42.37	67.74	70.05
Maximum	44.26	48.65	73.87	76.26
Maximum, as adjusted	50.81	55.85	80.16	82.64

Pricing ratios of peer group companies as of
August 26, 2010:

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Average	15.21x	15.83x	85.14%	93.10%
Median	12.02	11.48	86.74	97.68

Compared to the average pricing ratios of the peer group, at the maximum of the offering range our common stock would be priced at a premium of 191.0% to the peer group on a price-to-earnings basis, a premium of 207.3% on a price-to-core earnings basis, a discount of 13.2% on a price-to-book basis and a discount of 18.1% on a price-to-tangible book basis. This means that, at the maximum of the offering range, a share of our common stock would be less expensive than the peer group on a book value and tangible book value basis.

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Compared to the average pricing ratios of the peer group, at the minimum of the offering range our common stock would be priced at a premium of 115.6% to the peer group on a price-to-earnings basis, a premium of 129.7% on a price-to-core earnings basis, a discount of 28.4% on a price-to-book basis and a discount of 32.2% on a price-to-tangible book basis. This means that, at the minimum of the offering range, a share of our common stock would be less expensive than the peer group on a book value and tangible book value basis.

Our board of directors reviewed RP Financial's appraisal report, including the methodology and the assumptions used by RP Financial, and determined that the offering range was reasonable and adequate. Our board of directors has decided to offer the shares for a price of \$8.00 per share. The purchase price of \$8.00 per share was determined by us, taking into account, among other factors, the market price of our stock before adoption of the plan of conversion, the requirement under Office of Thrift Supervision regulations that the common stock be offered in a manner that will achieve the widest distribution of the stock, and desired liquidity in the common stock after the offering. Our board of directors also established the formula for determining the exchange ratio. Based upon such formula and the offering range, the exchange ratio ranged from a minimum of 0.7655 to a maximum of 1.0357 shares of new SI Financial Group common stock for each current share of SI Financial Group common stock, with a midpoint of 0.9006. Based upon this exchange ratio, we expect to issue between 3,437,460 and 4,650,682 shares of new SI Financial Group common stock to the holders of SI Financial Group common stock outstanding immediately before the completion of the conversion and offering.

Because of differences in important factors such as operating characteristics, location, financial performance, asset size, capital structure and business prospects between us and other fully converted institutions, you should not rely on these comparative valuation ratios as an indication as to whether or not our common stock is an appropriate investment for you. **The appraisal is not intended, and must not be construed, as a recommendation of any kind as to the advisability of purchasing our common stock. The appraisal does not indicate market value. You should not assume or expect that the appraisal described above means that our common stock will trade at or above the \$8.00 purchase price after the offering.**

Our board of directors makes no recommendation of any kind as to the advisability of purchasing shares of common stock in the offering.

Possible Change in Offering Range

RP Financial will update its appraisal before we complete the conversion and offering. If, as a result of regulatory considerations, demand for the shares or changes in financial market conditions, RP Financial determines that our estimated pro forma market value has increased, we may sell up to 8,678,906 shares without further notice to you. If our pro forma market value at that time is either below \$72.1 million or above \$112.2 million, then, after consulting with the Office of Thrift Supervision, we may: terminate the offering and promptly return all funds; promptly return all funds, set a new offering range and give all subscribers the opportunity to place a new order; or take such other actions as may be permitted by the Office of Thrift Supervision and the Securities and Exchange Commission. We do not intend to seek any additional approvals from shareholders in connection with setting a new offering range and giving all subscribers the opportunity to place a new order.

How We Intend to Use the Proceeds of the Offering (page 52)

The following table summarizes how we intend to use the proceeds of the offering, based on the sale of shares at the minimum and maximum of the offering range.

	5,578,125 Shares	Percent	7,546,875 Shares	Percent
(Dollars in thousands)	At \$8.00	of Net	At \$8.00	of Net
	Per Share	Proceeds	Per Share	Proceeds
Offering proceeds	\$ 44,625		\$ 60,375	
Less: offering expenses	(2,998)		(3,572)	
Net offering proceeds	41,627	100.0%	56,803	100.0%
Less:				
Proceeds contributed to Savings Institute	24,976	60.0	34,082	60.0
Proceeds used for loan to employee stock ownership plan	2,678	6.4	3,623	6.4
Proceeds contributed to SI Financial Group Foundation	500	1.2	500	0.9
Proceeds remaining for new SI Financial Group	\$ 13,473	32.4%	\$ 18,598	32.7%

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Initially, we intend to invest the proceeds of the offering in short-term investments. In the future, new SI Financial Group may use the funds it retains to invest in securities, pay cash dividends, repurchase shares of its common stock, subject to regulatory restrictions, or for general corporate purposes. Savings Institute intends to use the portion of the proceeds that it receives to fund new loans and expand its mortgage banking activities. We expect that much of the loan growth will occur in our commercial real estate and commercial business portfolios, which we have emphasized in recent years, but we have not allocated specific dollar amounts to any particular area of our loan portfolio. The amount of time that it will take to deploy the proceeds of the offering into loans will depend primarily on the level of loan demand. Savings Institute may also use the proceeds to finance the possible expansion of its business activities, including developing new branch locations, although there are no specific plans for these activities. We may also use the proceeds of the offering to diversify our business or acquire other companies as opportunities arise, primarily in or adjacent to our existing market areas, although we have no specific plans to do so at this time.

Benefits of the Conversion to Management (page 122)

We intend to adopt the stock benefit plans described below. We will recognize additional compensation expense related to the expanded employee stock ownership plan and the new equity incentive plan. The actual expense will depend on the market value of our common stock and will increase as the value of our common stock increases. As reflected under *Pro Forma Data*, based upon assumptions set forth therein, the annual expense related to the employee stock ownership plan and the new equity incentive plan would have been \$668,000 for the year ended December 31, 2009, assuming shares are sold at the maximum of the offering range. If awards under the new equity incentive plan are funded from authorized but unissued stock, your ownership interest would be diluted by up to approximately 1.9%. See *Pro Forma Data* for an illustration of the effects of each of these plans.

Employee Stock Ownership Plan. Our employee stock ownership plan intends to purchase an amount of shares equal to 6.0% of the shares sold in the offering. The plan will use the proceeds from a 20-year loan from new SI Financial Group to purchase these shares. We reserve the right to purchase shares of common stock in the open market following the offering to fund all or a portion of the employee stock ownership plan. We also reserve the right to have the employee stock ownership plan purchase up to 10% of the shares of common stock sold in the offering if necessary to complete the offering at the minimum of the offering range. As the loan is repaid and shares are released from collateral, the shares will be allocated to the accounts of employee participants. Allocations will be based on a participant's individual compensation as a percentage of total plan compensation. Non-employee directors are not eligible to participate in the employee stock ownership plan. We will incur additional compensation expense as a result of this plan. See *Pro Forma Data* for an illustration of the effects of this plan.

New Equity Incentive Plan. We intend to implement a new equity incentive plan no earlier than six months after completion of the conversion and offering. We will submit this plan to our shareholders for their approval. Under this plan, we may grant stock options in an amount up to 7.7% of the number of shares sold in the offering and restricted stock awards in an amount equal to 3.1% of the shares sold in the offering. Stock options will be granted at an exercise price equal to 100% of the fair market value of our common stock on the option grant date. Shares of restricted stock will be awarded at no cost to the recipient. We will incur additional compensation expense as a result of this plan. See *Pro Forma Data* for an illustration of the effects of this plan. The new equity incentive plan will comply with all applicable Office of Thrift Supervision regulations. The new equity incentive plan will supplement our existing 2005 Equity Incentive Plan, which will continue as a plan of new SI Financial Group.

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The following table summarizes, at the maximum of the offering range, the total number and value of the shares of common stock that the employee stock ownership plan expects to acquire and the total value of all restricted stock awards and stock options that are expected to be available under the new equity incentive plan. At the maximum of the offering range, we will sell 7,546,875 shares and have 12,197,557 shares outstanding. The number of shares reflected for the benefit plans in the table below assumes that Savings Institute's tangible capital will be 10% or more following the completion of the offering and the application of the net proceeds as described under *Use of Proceeds*.

(Dollars in thousands)	Number of Shares to be Granted or Purchased			Dilution Resulting from Issuance of Additional Shares	Total Estimated Value
	At Maximum of Offering Range	As a % of Common Stock Sold	As a % of Common Stock Outstanding		
Employee stock ownership plan (1)	452,813	6.0%	3.7%	%	\$ 3,623
Restricted stock awards (1)	232,870	3.1	1.9	1.9	1,863
Stock options (2)	582,176	7.7	4.8	4.6	1,618
Total	1,267,859	16.8%	10.4%	6.3%	\$ 7,104

(1) Assumes the value of new SI Financial Group common stock is \$8.00 per share for determining the total estimated value.

(2) Assumes the value of a stock option is \$2.78. See *Pro Forma Data*.

We may fund our plans through open market purchases, as opposed to new issuances of common stock; however, if any options previously granted under our 2005 Equity Incentive Plan are exercised during the first year following completion of the offering, they will be funded with newly-issued shares as Office of Thrift Supervision regulations do not permit us to repurchase our shares during the first year following the completion of this offering except to fund the grants of restricted stock under the stock-based incentive plan or, with prior regulatory approval, under extraordinary circumstances. The Office of Thrift Supervision has previously advised that the exercise of outstanding options and cancellation of treasury shares in the conversion will not constitute an extraordinary circumstance or a compelling business purpose for satisfying this test.

The following table presents information regarding our existing employee stock ownership plan, options and restricted stock previously awarded or available for future awards under our 2005 Equity Incentive Plan, additional shares purchased by our employee stock ownership plan, and our proposed new equity incentive plan. The table below assumes that 12,197,577 shares are outstanding after the offering, which includes the sale of 7,546,875 shares in the offering at the maximum of the offering range and the issuance of 4,650,682 shares in exchange for shares of SI Financial Group using an exchange ratio of 1.0357. It is also assumed that the value of the stock is \$8.00 per share.

Existing and New Stock Benefit Plans (Dollars in thousands)	Eligible Participants	Number of Shares at Maximum of Offering Range	Estimated Value of Shares	Percentage of Shares Outstanding After the Conversion and Offering
Employee Stock Ownership Plan:	Employees			
Shares purchased in 2004 offering (1)		498,549(2)	\$ 3,988	4.1%
Shares to be purchased in this offering		452,813	3,623	3.7
Total employee stock ownership plan		951,362	\$ 7,611	7.8
Restricted Stock Awards:	Directors and employees			
2005 Equity Incentive Plan (1)		255,040(3)	\$ 2,040(4)	2.1

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New shares of restricted stock	232,870	1,863(4)	1.9
Total shares of restricted stock	487,910	\$ 3,903	4.0
Stock Options:			
Directors and employees			
2005 Equity Incentive Plan (1)	637,601(5)	\$ 1,766(6)	5.2
New stock options	582,176	1,618(7)	4.8
Total stock options	1,219,777	\$ 3,384	10.0
Total stock benefit plans	2,659,049	\$ 14,898	21.8%

(1) Number of shares has been adjusted for the 1.0357 exchange ratio at the maximum of the offering range.

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- (2) As of June 30, 2010, of these shares, 164,065 (158,410 before adjustment) have been allocated to the accounts of participants and 334,484 (322,955 before adjustment) remain unallocated.
- (3) As of June 30, 2010, of these shares, 252,347 (243,649 before adjustment) have been awarded and 2,692 (2,600 before adjustment) remain available for future awards. As of June 30, 2010, awards covering 236,149 shares have vested and the shares have been distributed.
- (4) The actual value of restricted stock grants will be determined based on their fair value as of the date grants are made. For purposes of this table, fair value is assumed to be the same as the offering price of \$8.00 per share.
- (5) As of June 30, 2010, of these shares, options for 514,483 shares (496,750 shares before adjustment) have been awarded and options for 123,116 shares (118,873 shares before adjustment) remain available for future grants. As of June 30, 2010, no options had been exercised.
- (6) The fair value of stock options granted and outstanding under the 2005 Equity Incentive Plan has been estimated using the Black-Scholes option pricing model. Before the adjustment for the exchange ratio, there were 496,750 outstanding options with a weighted-average fair value of \$2.87 per option. Using this value and adjusting for the exchange ratio at the maximum of the offering range, the fair value of stock options granted or available for grant under the 2005 Equity Incentive Plan has been estimated at \$2.77 per option.
- (7) For purposes of this table, the fair value of stock options to be granted under the new equity incentive plan has been estimated at \$2.78 per option using the Black-Scholes option pricing model with the following assumptions: exercise price, \$8.00; trading price on date of grant, \$8.00; dividend yield, 1.0%; expected life, 10 years; expected volatility, 18.21%; and risk-free interest rate, 2.97%.

Our Contribution of Cash to the SI Financial Group Foundation

SI Financial Group Foundation was organized in connection with Savings Institute's mutual holding company reorganization and was funded with 251,275 shares of SI Financial Group common stock on September 30, 2004. As of June 30, 2010, SI Financial Group Foundation had assets of \$1.4 million, no liabilities and net worth of \$1.4 million.

To further our commitment to the communities we serve and may serve in the future, subject to our members' and stockholders' approval, we intend to contribute up to \$500,000 in cash to the charitable foundation to provide the foundation with additional liquidity. Other than shares issued in the exchange, we will not issue any shares of new SI Financial Group common stock to SI Financial Group Foundation in connection with the conversion and offering. As a result of the cash contribution, we expect to record an after-tax expense of approximately \$335,000 during the quarter in which the conversion is completed. SI Financial Group Foundation currently owns 214,653 shares of SI Financial Group common stock. Following completion of the offering and assuming closing at the midpoint of the valuation range and the exchange ratio of 0.9006, the charitable foundation will own 193,316 shares, or 1.8%, of the outstanding shares of SI Financial Group. Pursuant to Office of Thrift Supervision regulations, all shares of SI Financial Group common stock owned by the charitable foundation must be voted in the same ratio as all other shares of SI Financial Group are voted.

SI Financial Group Foundation will continue to support charitable causes and community development activities in the communities in which we operate or may operate. During the six months ended June 30, 2010 and the year ended December 31, 2009, SI Financial Group Foundation made charitable contributions of \$5,440, and \$53,000, respectively.

Under the Internal Revenue Code, a corporate entity is generally permitted to deduct up to 10% of its taxable income (taxable income before the charitable contributions deduction) in any one year for charitable contributions. Any contribution in excess of the 10% limit may generally be deducted for federal income tax purposes over the five years following the year in which the charitable contribution was made. Accordingly, a charitable contribution by a corporate entity to a charitable foundation could, if necessary, be deducted for federal income tax purposes over a six-year period. Our overall charitable contribution deduction could be limited if our future taxable income is insufficient to allow for the full deduction within the 10% of taxable income limitation, which would result in an increase to income tax expense.

SI Financial Group Foundation is governed by a board of directors, which currently consists of five employees of Savings Institute, two of our directors, one of our former directors and one individual who is not affiliated with us. The officers and directors of the foundation are as follows:

Rheo A. Brouillard Chairman of the Board of Directors and President

Brian J. Hull Treasurer and Director

Sandra M. Mitchell Secretary and Director

William E. Anderson, Jr. Director

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Robert C. Cushman Director

Roger Engle Director

Donna M. Evan Director

Laurie L. Gervais Director

Edward Wosniak Director

None of these individuals receive compensation for their service as a director of the charitable foundation. In addition, some of our employees serve as executive officers of the charitable foundation. None of these individuals receive compensation for their service as an executive officer of the charitable foundation.

The contribution of cash to the charitable foundation has been approved by the Board of Directors of SI Bancorp, MHC, and must be approved by the members of SI Bancorp, MHC (depositors of Savings Institute) and the stockholders of SI Financial Group at their special meetings being held to consider and vote upon the plan of conversion. If members or shareholders do not approve the contribution to the charitable foundation, we will proceed with the conversion without contributing to the foundation and subscribers for common stock will not be resolicited (unless required by the Office of Thrift Supervision). The contribution to the charitable foundation will not have any material effect on our estimated pro forma valuation.

RP Financial will update its appraisal of our estimated pro forma market value at the conclusion of the offering. The pro forma market value reflected in that updated appraisal will be based on the facts and circumstances existing at that time, including, among other things, market and economic conditions.

See *Risk Factors The contribution to the charitable foundation will adversely affect net income* and *Proposal 3 Contribution to the Charitable Foundation*.

Purchases by Directors and Executive Officers (page 127)

We expect that our directors and executive officers, together with their associates, will subscribe for approximately 18,057 shares, which is 0.3% of the midpoint at the offering. Our directors and executive officers will pay the same \$8.00 per share price as everyone else who purchases shares in the offering. Like all of our depositors, our directors and executive officers have subscription rights based on their deposits and, in the event of an oversubscription, their orders will be subject to the allocation provisions set forth in our plan of conversion. Purchases by our directors and executive officers will count towards the minimum number of shares we must sell to close the offering. Following the conversion and offering, and including shares received in exchange for shares of SI Financial Group, our directors and executive officers, together with their associates, are expected to own 287,115 shares of new SI Financial Group common stock, which would equal 2.7% of our outstanding shares if shares are sold at the midpoint of the offering range.

Market for New SI Financial Group's Common Stock (page 55)

SI Financial Group common stock is listed on the Nasdaq Global Market under the symbol SIFI. We expect that new SI Financial Group's common stock will trade on the Nasdaq Global Market under the trading symbol SIFID for a period of 20 trading days after the completion of the conversion and offering. Thereafter, the trading symbol will be SIFI. After shares of the common stock begin trading, you may contact a brokerage firm to buy or sell shares. There can be no assurance that persons purchasing the common stock in the offering will be able to sell their shares at or above the \$8.00 offering price, and brokerage firms typically charge commissions related to the purchase or sale of securities.

SI Financial Group's Dividend Policy (page 54)

SI Financial Group currently pays a cash dividend of \$0.03 per share per quarter, which equals \$0.12 on an annualized basis. After the conversion and offering, we intend to continue to pay a cash dividend of \$0.03 per share per quarter, which represents an annual yield of 1.5% based on a price of \$8.00 per share. However, the dividend rate and continued payment of dividends will depend on a number of factors, including our capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations and general economic conditions. No assurance can be given that we will continue to pay dividends or that they will not be reduced in the future.

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Dissenters' Rights

Shareholders of SI Financial Group do not have dissenters' rights in connection with the conversion and offering.

Differences in Shareholder Rights (page 137)

As a result of the conversion, existing shareholders of SI Financial Group will become shareholders of new SI Financial Group. The rights of shareholders of new SI Financial Group will be less than the rights shareholders currently have. The decrease in shareholder rights results from differences between the articles of incorporation and bylaws of new SI Financial Group and the charter and bylaws of SI Financial Group and from distinctions between Maryland and federal law. The differences in shareholder rights under the articles of incorporation and bylaws of new SI Financial Group are not mandated by Maryland law but have been chosen by management as being in the best interests of the corporation and all of its shareholders. However, the provisions in new SI Financial Group's articles of incorporation and bylaws may make it more difficult to pursue a takeover attempt that management opposes. These provisions will also make the removal of the board of directors or management, or the appointment of new directors, more difficult.

The differences in shareholder rights include the following:

supermajority voting requirements for certain business combinations and changes to some provisions of the articles of incorporation and bylaws;

limitation on the right to vote shares;

a majority of shareholders required to call special meetings of shareholders; and

greater lead time required for shareholders to submit business proposals or director nominations.

Tax Consequences (page 44)

As a general matter, the conversion will not be a taxable transaction for purposes of federal or state income taxes to shareholders of SI Financial Group, except that shareholders of SI Financial Group who receive cash in lieu of fractional share interests in shares of new SI Financial Group will recognize gain or loss equal to the difference between the cash received and the tax basis of the fractional share. Kilpatrick Stockton LLP and Wolf & Company, P.C. have issued us opinions to this effect.

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Risk Factors

You should consider carefully the following risk factors when deciding how to vote on the conversion and before purchasing shares of new SI Financial Group common stock.

Risks Related to Our Business

The economic recession could result in increases in our level of nonperforming loans and/or reduce demand for our products and services, which would lead to lower revenue, higher loan losses and lower earnings.

Our business activities and earnings are affected by general business conditions in the United States and in our local market area. These conditions include short-term and long-term interest rates, inflation, unemployment levels, real estate values, monetary supply, consumer confidence and spending, fluctuations in both debt and equity capital markets, and the strength of the economy in the United States generally and in our market area in particular. The national economy has recently experienced a recession, with rising unemployment levels, declines in real estate values and an erosion in consumer confidence. Dramatic declines in the U.S. housing market over the past few years, with falling home prices and increasing foreclosures, have negatively affected the credit performance of mortgage loans and resulted in significant write-downs of asset values by many financial institutions. Our local economy has mirrored the overall economy. A prolonged or more severe economic downturn, continued elevated levels of unemployment, further declines in the values of real estate, or other events that affect household and/or corporate incomes could impair the ability of our borrowers to repay their loans in accordance with their terms. Nearly all of our loans are secured by real estate or made to businesses in the counties in which we have offices in Connecticut. As a result of this concentration, a prolonged or more severe downturn in the local economy could result in significant increases in nonperforming loans, which would negatively impact our interest income and result in higher provisions for loan losses, which would hurt our earnings. The economic downturn could also result in reduced demand for credit, which would hurt our revenues.

Our level of nonperforming loans and classified assets expose us to increased risk of loss. Further, our allowance for loan losses may prove to be insufficient to absorb losses in our loan portfolio.

At September 30, 2010, loans that were classified as either special mention, substandard, doubtful or loss totaled \$46.0 million, representing 7.6% of total loans, including nonperforming loans of \$4.2 million, representing 0.68% of total loans. If these loans do not perform according to their terms and the value of the collateral is insufficient to pay the remaining loan balance or if the economy and/or the real estate market continues to weaken, we could experience loan losses or be required to add further reserves to our allowance for loan losses, either of which could have a material adverse effect on our operating results. Like all financial institutions, we maintain an allowance for loan losses at a level representing management's best estimate of known losses in the portfolio based upon management's evaluation of the portfolio's collectibility as of the corresponding balance sheet date. However, our allowance for loan losses may be insufficient to cover actual loan losses, and future provisions for loan losses could materially adversely affect our operating results.

At September 30, 2010, our allowance for loan losses totaled \$5.0 million, which represented 0.81% of total loans and 118.73% of nonperforming loans. Our regulators, as an integral part of their examination process, periodically review the allowance for loan losses and may require us to increase the allowance for loan losses by recognizing additional provisions for loan losses charged to income, or to charge-off loans, which, net of any recoveries, would decrease the allowance for loan losses. Any such additional provisions for loan losses or charge-offs, as required by these regulatory agencies, could have a material adverse effect on our operating results.

Our commercial lending exposes us to lending risks.

At June 30, 2010, \$280.7 million, or 46.0%, of our loan portfolio consisted of commercial real estate and commercial business loans. We intend to continue to emphasize these types of lending. Commercial loans generally expose a lender to greater risk of non-payment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation of the business and the income stream of the borrowers. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. Also, many of our commercial borrowers have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan.

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Our emphasis on residential mortgage loans and home equity loans exposes us to lending risks.

At June 30, 2010, \$292.4 million, or 48.0%, of our loan portfolio consisted of one- to four-family residential mortgage loans and \$24.0 million, or 3.9%, of our loan portfolio consisted of home equity lines of credit. Recent declines in the housing market have resulted in declines in real estate values in our market areas. These declines in real estate values could cause some of our mortgage and home equity loans to be inadequately collateralized, which would expose us to a greater risk of loss if we seek to recover on defaulted loans by selling the real estate collateral.

Our investment portfolio may suffer reduced returns, material losses or other-than-temporary impairment losses.

During an economic downturn, our investment portfolio could be subject to higher risk. The value of our investment portfolio is subject to the risk that certain investments may default or become impaired due to a deterioration in the financial condition of one or more issuers of the securities held in our portfolio, or due to a deterioration in the financial condition of an issuer that guarantees an issuer's payments of such investments. Such defaults and impairments could reduce our net investment income and result in realized investment losses.

Our investment portfolio is also subject to increased risk as the valuation of investments is more subjective when markets are illiquid, thereby increasing the risk that the estimated fair value (i.e. the carrying amount) of the portion of the investment portfolio that is carried at fair value as reflected in our financial statements is not reflective of prices at which actual transactions would occur.

Because of the risks set forth above, the value of our investment portfolio could decrease, we could experience reduced net investment income, and we could incur realized investment losses, which could materially and adversely affect our results of operations, financial position and liquidity.

Additionally, we review our securities portfolio at each quarter-end reporting period to determine whether the fair value is below the current carrying value. When the fair value of any of our equity securities has declined below its carrying value, we are required to assess whether the decline is other-than-temporary. We are required to write-down the value of that security through a charge to earnings if we conclude that the decline is other-than-temporary. In the case of debt securities, we are required to charge to earnings any decreases in value that are credit-related. As of June 30, 2010, the amortized cost and the fair value of our securities portfolio each totaled \$182.2 million. Changes in the expected cash flows of these securities and/or prolonged price declines in future periods may result in a charge to earnings to write-down these securities. Any charges for other-than-temporary impairment would not impact cash flow, tangible capital or liquidity. For the six months ended June 30, 2010 and for the year ended December 31, 2009, we recognized other-than-temporary impairment losses for credit-related factors of \$332,000 and \$228,000, respectively, on certain debt securities.

Recently enacted regulatory reform may have a material impact on our operations.

On July 21, 2010, the President signed into law The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The Dodd-Frank Act restructures the regulation of depository institutions. Under the Dodd-Frank Act, the Office of Thrift Supervision, which currently regulates Savings Institute, will be merged into the Office of the Comptroller of the Currency, which regulates national banks. Savings and loan holding companies, including SI Financial Group, will be regulated by the Board of Governors of the Federal Reserve System. Also included is the creation of a new federal agency to administer consumer protection and fair lending laws, a function that is now performed by the depository institution regulators. The federal preemption of state laws currently accorded federally chartered depository institutions will be reduced as well and State Attorneys General will have greater authority to bring a suit against a federally chartered institution, such as Savings Institute, for violations of certain state and federal consumer protection laws. The Dodd-Frank Act also will impose consolidated capital requirements on savings and loan holding companies effective in five years, which will limit our ability to borrow at the holding company and invest the proceeds from such borrowings as capital in Savings Institute that could be leveraged to support additional growth. The Dodd-Frank Act contains various other provisions designed to enhance the regulation of depository institutions and prevent the recurrence of a financial crisis such as occurred in 2008-2009. The full impact of the Dodd-Frank Act on our business and operations will not be known for years until regulations implementing the statute are written and adopted. The Dodd-Frank Act may have a material impact on our operations, particularly through increased regulatory burden and compliance costs.

In addition to the enactment of the Dodd-Frank Act, the federal regulatory agencies recently have begun to take stronger supervisory actions against financial institutions that have experienced increased loan losses and other weaknesses as a result of the current economic crisis. These actions include the entering into of written agreements and cease and desist orders that place certain limitations on their operations. Federal bank regulators recently have also been using with more frequency

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their ability to impose individual minimal capital requirements on banks, which requirements may be higher than those imposed under the Dodd-Frank Act or which would otherwise qualify the bank as being well capitalized under the Federal Deposit Insurance Corporation's prompt corrective action regulations. If SI Financial Group or Savings Institute were to become subject to a supervisory agreement or higher individual capital requirements, such action may have a negative impact on their ability to execute their business plans, as well as their ability to grow, pay dividends or engage in mergers and acquisitions and may result in restrictions in their operations. See *Regulation and Supervision* *Federal Banking Regulation* *Capital Requirements* for a discussion of regulatory capital requirements.

Our inability to achieve profitability on new branches may negatively impact our earnings.

We consider our primary market area to consist of Hartford, Middlesex, New London, Tolland and Windham counties in Connecticut. However, the majority of our facilities are located in and a substantial portion of our business is derived from Windham county, which has the lowest median household income and the highest unemployment rate among the counties in Connecticut. To address this, in recent years, we have expanded our presence throughout our market area and may pursue further expansion through the establishment of additional branches in Hartford, Middlesex, New London and Tolland counties, each of which has more favorable economic conditions than Windham county. The profitability of our expansion policy will depend on whether the income that we generate from the additional branches we establish or purchase will offset the increased expenses resulting from operating new branches. We expect that it may take a period of time before new branches can become profitable, especially in areas in which we do not have an established presence. During this period, operating new branches may negatively impact our operating results.

Fluctuations in interest rates could reduce our profitability and affect the value of our assets.

Like other financial institutions, we are subject to interest rate risk. Our primary source of income is net interest income, which is the difference between interest earned on loans and investments and the interest paid on deposits and borrowings. Changes in the general level of interest rates can affect our net interest income by affecting the difference between the weighted-average yield earned on our interest-earning assets and the weighted-average rate paid on our interest-bearing liabilities, or interest rate spread and the average life of our interest-earning assets and interest-bearing liabilities. Changes in interest rates also can affect: (1) the ability to originate loans; (2) the value of our interest-earning assets and our ability to realize gains from the sale of such assets; (3) the ability to obtain and retain deposits in competition with other available investment alternatives; and (4) the ability of our borrowers to repay adjustable or variable rate loans. Interest rates are highly sensitive to many factors, including government monetary policies, domestic and international economic and political conditions and other factors beyond our control. Although we believe that the estimated maturities of our interest-earning assets currently are well balanced in relation to the estimated maturities of our interest-bearing liabilities, our profitability could be adversely affected during any period of changes in interest rates.

Our cost of operations is high relative to our assets. Our failure to maintain or reduce our operating expenses could hurt our profits.

Our noninterest expenses totaled \$16.3 million and \$31.4 million for the six months ended June 30, 2010 and the year ended December 31, 2009, respectively. We continue to analyze our expenses and achieve efficiencies where available, but we have experienced increased costs, a substantial portion of which are associated with the new full-service branches that we have opened or acquired since 2000. Although we have generated increases in both net interest income and noninterest income, our efficiency ratio remains high as a result of the higher operating expenses. Our efficiency ratio totaled 89.77% and 90.64% for the six months ended June 30, 2010 and the year ended December 31, 2009. Failure to control or maintain our expenses could hurt future profits.

Strong competition within our market area could hurt our profits and slow growth.

We face intense competition both in making loans and attracting deposits. This competition has made it more difficult for us to make new loans and at times has forced us to offer higher deposit rates. Price competition for loans and deposits might result in our earning less on our loans and paying more on our deposits, which reduces net interest income. As of June 30, 2010, we held approximately 1.60% of the deposits in Hartford, Middlesex, New London, Tolland and Windham counties in Connecticut, which represented the 13th market share of deposits out of 36 financial institutions in these counties. Some of the institutions with which we compete have substantially greater resources and lending limits than we have and may offer services that we do not provide. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Our profitability depends upon our continued ability to compete successfully in our market area.

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We are subject to liquidity risks.

Market conditions could negatively affect the level or cost of liquidity available to us, which would affect our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations and fund asset growth and new business transactions at a reasonable cost, in a timely manner, and without adverse consequences. Core deposits and Federal Home Loan Bank advances are our primary source of funding. A significant decrease in our core deposits, an inability to renew Federal Home Loan Bank advances, an inability to obtain alternative funding to core deposits or Federal Home Loan Bank advances, or a substantial, unexpected, or prolonged change in the level or cost of liquidity could have a negative effect on our business and financial condition.

Increased and/or special Federal Deposit Insurance Corporation assessments will hurt our earnings.

The recent economic recession has caused a high level of bank failures, which has dramatically increased Federal Deposit Insurance Corporation resolution costs and led to a significant reduction in the balance of the Deposit Insurance Fund. As a result, the Federal Deposit Insurance Corporation has significantly increased the initial base assessment rates paid by financial institutions for deposit insurance. Increases in the base assessment rate have increased our deposit insurance costs and negatively impacted our earnings. In addition, in May 2009, the Federal Deposit Insurance Corporation imposed a special assessment on all insured institutions. Our special assessment, which was reflected in earnings for the quarter ended June 30, 2009, was \$393,000. In lieu of imposing an additional special assessment, the Federal Deposit Insurance Corporation required all institutions to prepay their assessments for all of 2010, 2011 and 2012, which for us totaled \$3.5 million. Additional increases in the base assessment rate or additional special assessments would negatively impact our earnings.

If the goodwill recorded in connection with our acquisitions becomes impaired, it could have a negative impact on our profitability.

Applicable accounting standards require that the acquisition method of accounting be used for all business combinations. Under this method, if the purchase price of an acquired entity exceeds the fair value of its net assets, the excess is carried on the acquirer's balance sheet as goodwill. At June 30, 2010, we had \$4.1 million of goodwill on our balance sheet. Companies evaluate goodwill for impairment at least annually or more frequently if events or changes in circumstances warrant such evaluation. Our annual review of our goodwill occurs in November. Write-downs of the amount of impairment, if necessary, are to be charged to the results of operations in the period in which the impairment occurs. For the six months ended June 30, 2010, we recorded no goodwill impairment. For the year ended December 31, 2009, we recorded goodwill impairment of \$57,000 related to our New London branch acquisition. Future evaluations of goodwill may result in findings of impairment and related write-downs, which could have a material adverse effect on our financial condition and results of operations.

Turmoil in the financial markets could have an adverse effect on our financial position or results of operations.

Beginning in 2008, United States and global financial markets experienced severe disruption and volatility, and general economic conditions have declined significantly. Adverse developments in credit quality, asset values and revenue opportunities throughout the financial services industry, as well as general uncertainty regarding the economic, industry and regulatory environment, have had a negative impact on the industry. The United States and the governments of other countries have taken steps to try to stabilize the financial system, including investing in financial institutions, and have implemented programs intended to improve general economic conditions. The U.S. Department of the Treasury created the Capital Purchase Program under the Troubled Asset Relief Program, pursuant to which the Treasury Department provided additional capital to participating financial institutions through the purchase of preferred stock or other securities. Other measures include homeowner relief that encourages loan restructuring and modification; the establishment of significant liquidity and credit facilities for financial institutions and investment banks; the lowering of the federal funds rate; regulatory action against short selling practices; a temporary guaranty program for money market funds; the establishment of a commercial paper funding facility to provide back-stop liquidity to commercial paper issuers; and coordinated international efforts to address illiquidity and other weaknesses in the banking sector. Notwithstanding the actions of the United States and other governments, there can be no assurances that these efforts will be successful in restoring industry, economic or market conditions to their previous levels and that they will not result in adverse unintended consequences. Factors that could continue to pressure financial services companies, including SI Financial Group, are numerous and include (1) worsening credit quality, leading among other things to increases in loan losses, (2) continued or worsening disruption and volatility in financial markets, leading among other things to continuing reductions in asset values, (3) capital and liquidity concerns

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regarding financial institutions generally, (4) limitations resulting from or imposed in connection with governmental actions intended to stabilize or provide additional regulation of the financial system, or (5) recessionary conditions that are deeper or last longer than currently anticipated.

We own stock in the Federal Home Loan Bank of Boston, which, as a result of its financial difficulties, has suspended its dividend and will negatively affect our net interest income.

As a member bank, Savings Institute is required to purchase capital stock in the Federal Home Loan Bank in an amount commensurate with the amount of Savings Institute's advances and unused borrowing capacity. This stock is carried at cost and was \$8.4 million at June 30, 2010. In response to unprecedented market conditions and potential future losses, the Federal Home Loan Bank has implemented an initiative to preserve capital by the adoption of a revised retained earnings target, declaration of a moratorium on excess stock repurchases and the suspension of cash dividend payments. If the Federal Home Loan Bank is unable to meet minimum regulatory capital requirements or is required to aid the remaining Federal Home Loan Banks, our holding of Federal Home Loan Bank stock may be determined to be other-than-temporarily impaired and may require a charge to earnings. Additionally, for the six months ended June 30, 2010 and the year ended December 31, 2009, SI Financial Group did not recognize any dividend income from its investment in Federal Home Loan Bank stock. The failure to recognize dividend income from the Federal Home Loan Bank will negatively impact our net interest income.

We are subject to security and operational risks relating to use of our technology that could damage our reputation and business.

Security breaches in our internet banking activities could expose us to possible liability and damage our reputation. Any compromise of our security also could deter customers from using our internet banking services that involve the transmission of confidential information. We rely on standard internet security systems to provide the security and authentication necessary to effect secure transmission of data. These precautions may not protect our systems from compromises or breaches of our security measures that could result in damage to our reputation and business. Additionally, we outsource our data processing to a third party. If our third party provider encounters difficulties or if we have difficulty in communicating with such third party, it will significantly affect our ability to adequately process and account for customer transactions, which would significantly affect our business operations.

Risks Related to the Offering and Share Exchange

The market value of new SI Financial Group common stock received in the share exchange may be less than the market value of SI Financial Group common stock exchanged.

The number of shares of new SI Financial Group common stock you receive will be based on an exchange ratio that will be determined as of the date of completion of the conversion and offering. The exchange ratio will be based on the percentage of SI Financial Group common stock held by the public before the completion of the conversion and offering, the final independent appraisal of new SI Financial Group common stock prepared by RP Financial and the number of shares of common stock sold in the offering. The exchange ratio will ensure that existing public shareholders of SI Financial Group common stock will own approximately the same percentage of new SI Financial Group common stock after the conversion and offering as they owned of SI Financial Group common stock immediately before the completion of the conversion and offering, exclusive of the effect of their purchase of additional shares in the offering and the receipt of cash in lieu of fractional shares. The exchange ratio will not depend on the market price of SI Financial Group common stock.

The exchange ratio ranges from a minimum of 0.7655 to a maximum of 1.0357 shares of new SI Financial Group common stock per share of SI Financial Group common stock (subject to increase to 1.1910 shares). Shares of new SI Financial Group common stock issued in the share exchange will have an initial value of \$8.00 per share. Depending on the exchange ratio and the market value of SI Financial Group common stock at the time of the exchange, the initial market value of the new SI Financial Group common stock that you receive in the share exchange could be less than the market value of the SI Financial Group common stock that you currently own. See *Proposal 1 Approval of the Plan of Conversion Share Exchange Ratio for Current Shareholders*.

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Our share price may fluctuate, which may make it difficult for you to sell your common stock when you want or at prices you find attractive.

The market price of our common stock could be subject to significant fluctuations due to changes in sentiment in the market regarding our operations or business prospects. Factors that may affect market sentiment include:

operating results that vary from the expectations of our management or of securities analysts and investors;

developments in our business or in the financial services sector generally;

regulatory or legislative changes affecting our industry generally or our business and operations;

operating and securities price performance of companies that investors consider to be comparable to us;

changes in estimates or recommendations by securities analysts;

announcements of strategic developments, acquisitions, dispositions, financings and other material events by us or our competitors; and

changes in financial markets and national and local economies and general market conditions, such as interest rates and stock, commodity, credit or asset valuations or volatility.

Beginning in 2008 and through the present, the business environment for financial services firms has been extremely challenging. During this period, many publicly traded financial services companies have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance or prospects of such companies. We may experience market fluctuations that are not directly related to our operating performance but are influenced by the market's perception of the state of the financial services industry in general and, in particular, the market's assessment of general credit quality conditions, including default and foreclosure rates in the industry.

While the U.S. and other governments continue efforts to restore confidence in financial markets and promote economic growth, we cannot assure you that further market and economic turmoil will not occur in the near- or long-term, negatively affecting our business, financial condition and results of operations, as well as the price, trading volume and volatility of our common stock.

Additional expenses following the offering from new equity benefit plans will adversely affect our profitability.

Following the offering, we will recognize additional annual employee compensation expenses stemming from options and shares granted to employees, directors and executives under new benefit plans. Stock options and restricted stock may be granted under a new equity incentive plan adopted following the offering, if approved by shareholders. These additional expenses will adversely affect our profitability. We cannot determine the actual amount of these new stock-related compensation expenses at this time because applicable accounting practices generally require that these expenses be based on the fair market value of the options or shares of common stock at the date of the grant; however, they may be material. We recognize expenses for our employee stock ownership plan when shares are committed to be released to participants accounts and will recognize expenses for restricted stock awards and stock options over the vesting period of awards made to recipients. Pro forma after-tax expenses related to these plans for the six months ended June 30, 2010 and for the year ended December 31, 2009 were \$335,000 and \$668,000, respectively, at the maximum of the offering range, as set forth in the pro forma financial information under *Pro Forma Data* assuming the \$8.00 per share purchase price as fair market value. Actual expenses, however, may be higher or lower, depending on the price of our common stock, the number of shares awarded under the plans and the timing of the implementation of the plans. For further discussion of these plans, see *Our Management Future Equity Incentive Plan*.

Our stock price may decline when trading commences.

If you purchase shares in the offering, you might not be able to sell them later at or above the \$8.00 purchase price. After the shares of our common stock begin trading, the trading price of the common stock will be determined by the marketplace, and will be influenced by many factors outside of our control, including prevailing interest rates, investor perceptions, securities analyst research reports and general industry, geopolitical and economic conditions.

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There may be a limited market for our common stock, which may adversely affect our stock price.

Although our common stock is listed on the Nasdaq Global Market and will continue to be listed following the conversion and offering, the shares might not be actively traded. If an active trading market for our common stock does not develop, you may not be able to sell all of your shares of common stock on short notice, and the sale of a large number of shares at one time could temporarily depress the market price. There also may be a wide spread between the bid and ask price for our common stock. When there is a wide spread between the bid and ask price, the price at which you may be able to sell our common stock may be significantly lower than the price at which you could buy it at that time.

Our return on equity will initially be low compared to other publicly traded financial institutions. A low return on equity may negatively impact the trading price of our common stock.

Net income divided by average equity, known as return on equity, is a ratio used by many investors to compare the performance of a financial institution with its peers. For the year ended December 31, 2009, our return on equity was 0.58%. Although we expect that our net income will increase following the offering, we expect that our return on equity will remain low as a result of the additional capital that we will raise in the offering. For example, our pro forma return on equity for the year ended December 31, 2009 is 0.54%, assuming the sale of shares at the maximum of the offering range. In comparison, the peer group used by RP Financial in its appraisal had an average return on equity of 6.19% for the twelve months ended June 30, 2010. Over time, we intend to use the net proceeds from the offering to increase earnings per share and book value per share, without assuming undue risk, with the goal of achieving a return on equity that is competitive with other similarly situated publicly held companies. This goal could take a number of years to achieve, and we might not attain it. Consequently, you should not expect a competitive return on equity in the near future. Failure to achieve a competitive return on equity might make an investment in our common stock unattractive to some investors and might cause our common stock to trade at lower prices than comparable companies with higher returns on equity. See *Pro Forma Data* for an illustration of the financial impact of the offering.

We have broad discretion in the manner in which we utilize the proceeds of the offering. Our failure to effectively utilize such proceeds would reduce our profitability.

We intend to contribute approximately 60% of the net proceeds of the offering to Savings Institute and to use approximately 6.4% of the net proceeds to fund the loan to the employee stock ownership plan. We may use the proceeds retained by the holding company to, among other things, invest in securities, pay cash dividends or repurchase shares of common stock, subject to regulatory restrictions. Savings Institute may use the portion of the proceeds that it receives to fund new loans, repay outstanding borrowings, invest in securities and expand its business activities. We may also use the proceeds of the offering to open new branches, diversify our business and acquire other companies, although we have no specific plans to do so at this time. We have not allocated specific amounts of proceeds for any of these purposes, and we will have significant flexibility in determining how much of the net proceeds we apply to different uses and the timing of such applications. Our failure to utilize these funds effectively would reduce our profitability.

Issuance of shares for benefit programs may dilute your ownership interest.

We intend to adopt a new equity incentive plan following the offering, subject to shareholder approval. We may fund the equity incentive plan through the purchase of common stock in the open market (subject to regulatory restrictions) or by issuing new shares of common stock. If we fund the awards under the equity incentive plan with new shares of common stock, your ownership interest would be diluted by approximately 1.9%, assuming we award all of the shares and options available under the plan. We currently have outstanding options and shares available for future stock options under our 2005 Equity Incentive Plan. If we fund the awards under our existing plan with new shares of stock, your ownership interest would be diluted by approximately 4.6%, assuming we award all of the shares and options available under the plan. See *Pro Forma Data* and *Our Management Future Equity Incentive Plan*.

The contribution to the charitable foundation will adversely affect net income.

Subject to member, shareholder and regulatory approvals, we intend to contribute \$500,000 in cash to SI Financial Group Foundation in connection with the conversion. The contribution will have an adverse effect on our net income for the quarter and year in which we make the contribution to the charitable foundation. The after-tax expense of the contribution will reduce net income by approximately \$335,000. We had net income of \$1.2 million for the six months ended June 30, 2010 and \$435,000 for the year ended December 31, 2009.

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The articles of incorporation and bylaws of new SI Financial Group and certain laws and regulations may prevent or make more difficult certain transactions, including a sale or merger of new SI Financial Group.

Provisions of the articles of incorporation and bylaws of new SI Financial Group, state corporate law and federal banking regulations may make it more difficult for companies or persons to acquire control of new SI Financial Group. As a result, our shareholders may not have the opportunity to participate in such a transaction and the trading price of our common stock may not rise to the level of other institutions that are more vulnerable to hostile takeovers. The factors that may discourage takeover attempts or make them more difficult include:

Articles of incorporation and bylaws. Provisions of the articles of incorporation and bylaws of new SI Financial Group may make it more difficult and expensive to pursue a takeover attempt that the Board of Directors opposes. Some of these provisions currently exist in the charter and bylaws of SI Financial Group. These provisions also make more difficult the removal of current directors or management, or the election of new directors. These provisions include:

A limitation on voting rights. Our articles of incorporation provide that in no event will any record owner of any outstanding common stock which is beneficially owned, directly or indirectly, by a person who beneficially owns in excess of 10% of the outstanding shares of common stock, be entitled, or permitted to any vote in respect of the shares held in excess of the limit.

A classified board. Our board of directors is divided into three classes as nearly as equal in number as possible. The shareholders elect one class of directors each year for a term of three years. The classified board provision is designed to afford anti-takeover protection by making it more difficult and time consuming for a shareholder group to fully use its voting power to gain control of the board of directors at a single annual meeting of shareholders without the consent of the incumbent board of directors of new SI Financial Group.

Advance notice provisions for shareholder nominations and proposals. Our bylaws establish an advance notice procedure for shareholders to nominate directors or bring other business before an annual meeting of shareholders. A person may not be nominated for election as a director unless that person is nominated by or at the direction of our board of directors or by a shareholder who has given appropriate notice to us before the meeting. Similarly, a shareholder may not bring business before an annual meeting unless the shareholder has given us appropriate notice of the shareholder's intention to bring that business before the meeting. Advance notice of nominations or proposed business by shareholders gives our board of directors time to consider the qualifications of the proposed nominees, the merits of the proposals and, to the extent deemed necessary or desirable by our board of directors, to inform shareholders and make recommendations about those matters.

Director qualifications. Our bylaws provide for director qualifications, including age and integrity requirements, which may prevent shareholders from nominating themselves or persons of their choosing for election to the board of directors.

Limitations on calling special meetings of shareholders. Our shareholders must act only through an annual or special meeting. Special meetings of shareholders may only be called by the Chairman, the President, by two-thirds of the total number of directors or by the Secretary upon the written request of the holders of a majority of all the shares entitled to vote at a meeting. The limitations on the calling of special meetings of shareholders may have the effect of delaying consideration of a shareholder proposal until the next annual meeting.

Elimination of cumulative voting. Our articles of incorporation provide that no shares will be entitled to cumulative voting. The elimination of cumulative voting may afford anti-takeover protection by preventing a shareholder from electing nominees opposed by the board of directors of new SI Financial Group.

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Limitations on filling of board vacancies and removal of directors. Our bylaws provide that any vacancy occurring in the board of directors, including a vacancy created by an increase in the number of directors, may be filled only by a vote of a majority of the directors then in office. A person elected to fill a vacancy on the board of directors will serve for the remainder of the full term of the class of directors in which the vacancy occurred and until his or her successor shall have been elected and qualified. Our bylaws provide that a director may be removed from the board of directors before the expiration of his or her term only for cause and only upon the vote of a majority of the shares entitled to vote in the election of directors. These provisions make it more difficult for shareholders to remove directors and replace them with their own nominees.

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Supermajority voting requirement for the amendment of our articles of incorporation. Our articles of incorporation provide that certain amendments to our articles of incorporation relating to a change in control of us must be approved by at least 75% of the outstanding shares entitled to vote.

Supermajority voting requirement for the amendment of our bylaws. Our articles of incorporation provide that our bylaws may not be adopted, repealed, altered, amended or rescinded by shareholders except by the affirmative vote of the holders of at least 75% of the voting stock.

Authorized but unissued shares of capital stock. Following the offering, we will have authorized but unissued shares of common and preferred stock. Our articles of incorporation authorize the board of directors to establish one or more series of preferred stock and, for any series of preferred stock, to determine the terms and rights of the series, including voting rights, dividend rights, conversion and redemption rates, and liquidation preferences. Such shares of common and preferred stock could be issued by the board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

Maryland anti-takeover statute. Under Maryland law, any person who acquires more than 10% of a Maryland corporation without prior approval of its Board of Directors is prohibited from engaging in any type of business combination with the corporation for a five-year period. Any business combination after the five-year period would be subject to supermajority shareholder approval or minimum price requirements.

Office of Thrift Supervision regulations. Office of Thrift Supervision regulations prohibit, for three years following the completion of a mutual-to-stock conversion, including a second-step conversion, the offer to acquire or the acquisition of more than 10% of any class of equity security of a converted institution without the prior approval of the Office of Thrift Supervision. See *Restrictions on Acquisition of New SI Financial Group*.

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A Warning About Forward-Looking Statements

This proxy statement/prospectus contains forward-looking statements, which can be identified by the use of words such as believes, expects, anticipates, estimates or similar expressions. Forward-looking statements include, but are not limited to:

statements of our goals, intentions and expectations;

statements regarding our business plans, prospects, growth and operating strategies;

statements regarding the quality of our loan and investment portfolios; and

estimates of our risks and future costs and benefits.

These forward-looking statements are subject to significant risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

general economic conditions, either nationally or in our market area, that are worse than expected;

changes in the interest rate environment that reduce our interest margins or reduce the fair value of financial instruments;

increased competitive pressures among financial services companies;

changes in consumer spending, borrowing and savings habits;

legislative or regulatory changes that adversely affect our business;

adverse changes in the securities markets; and

changes in accounting policies and practices, as may be adopted by the bank regulatory agencies or the Financial Accounting Standards Board.

Any of the forward-looking statements that we make in this proxy statement/prospectus and in other public statements we make may later prove incorrect because of inaccurate assumptions, the factors illustrated above or other factors that we cannot foresee. Consequently, no forward-looking statement can be guaranteed.

Further information on other factors that could affect us are included in the section captioned *Risk Factors*.

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The summary financial information presented below is derived in part from our consolidated financial statements. The following is only a summary and you should read it in conjunction with the consolidated financial statements and notes beginning on page F-1. The information at December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 is derived in part from the audited consolidated financial statements that appear in this proxy statement/prospectus. The information presented below does not include the financial condition, results of operations or other data of SI Bancorp, MHC. The information at June 30, 2010 and 2009 and for the six months ended June 30, 2010 and 2009 was not audited, but in the opinion of management, reflects all adjustments necessary for a fair presentation. All of these adjustments are normal and recurring. The results of operations for the six months ended June 30, 2010 are not necessarily indicative of results of operations that may be expected for the year ended December 31, 2010.

	At or For the Six Months Ended June 30,		At or For the Years Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
	(Dollars in thousands, except per share data)						
Selected Financial Condition Data:							
Total assets	\$ 889,435	\$ 872,705	\$ 872,354	\$ 853,122	\$ 790,198	\$ 757,037	\$ 691,868
Cash and cash equivalents	46,093	27,969	24,204	23,203	20,669	26,108	25,946
Securities available for sale	182,210	165,814	183,562	162,699	141,914	119,508	120,019
Loans receivable, net	606,514	627,315	607,692	617,263	587,538	574,111	513,775
Deposits (1)	676,781	652,752	662,378	624,276	551,772	541,922	512,282
Federal Home Loan Bank advances	114,169	128,600	116,100	139,600	141,619	111,956	87,929
Junior subordinated debt owed to unconsolidated trust	8,248	8,248	8,248	8,248	8,248	15,465	7,217
Total shareholders' equity	81,160	75,473	77,462	72,927	82,087	82,386	80,043
Selected Operating Data:							
Interest and dividend income	\$ 20,267	\$ 22,204	\$ 43,385	\$ 46,499	\$ 43,347	\$ 40,777	