

SI Financial Group, Inc.  
Form 10-Q  
August 13, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the Quarterly Period Ended June 30, 2008

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-50801

**SI FINANCIAL GROUP, INC.**

(Exact name of registrant as specified in its charter)

United States

84-1655232

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(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

803 Main Street, Willimantic, Connecticut  
(Address of principal executive offices)

06226  
(Zip Code)

(860) 423-4581

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer

Non-Accelerated Filer  (Do not check if a smaller reporting company) Smaller Reporting Company

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

As of August 1, 2008, there were 11,813,445 shares of the registrant's common stock outstanding.

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

	June 30, 2008	December 31, 2007
<b>ASSETS:</b>		
Cash and due from banks:		
Noninterest-bearing	\$ 14,678	\$ 14,543
Interest-bearing	1,905	5,126
Federal funds sold	10,900	1,000
Total cash and cash equivalents	27,483	20,669
Available for sale securities, at fair value	178,303	141,914
Loans held for sale		410
Loans receivable (net of allowance for loan losses of \$5,427 at June 30, 2008 and \$5,245 at December 31, 2007)	609,550	587,538
Accrued interest receivable	3,594	3,528
Federal Home Loan Bank stock, at cost	8,299	7,802
Bank-owned life insurance	8,562	8,410
Other real estate owned		913
Premises and equipment, net	12,808	11,806
Goodwill and other intangibles	4,268	643
Deferred tax asset, net	4,451	3,270
Other assets	3,543	3,295
<b>Total assets</b>	<b>\$ 860,861</b>	<b>\$ 790,198</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>		
<b>Liabilities:</b>		
Deposits:		
Noninterest-bearing	\$ 61,297	\$ 56,762
Interest-bearing	559,976	491,573
Total deposits	621,273	548,335
Mortgagors and investors escrow accounts	3,355	3,437
Federal Home Loan Bank advances	139,636	141,619
Junior subordinated debt owed to unconsolidated trust	8,248	8,248
Accrued expenses and other liabilities	10,601	6,472
<b>Total liabilities</b>	<b>783,113</b>	<b>708,111</b>
<b>Stockholders Equity:</b>		
Preferred stock (\$.01 par value; 1,000,000 shares authorized; none issued)		
Common stock (\$.01 par value; 75,000,000 shares authorized; 12,563,750 shares issued; 11,813,445 and 12,071,100 shares outstanding at June 30, 2008 and December 31, 2007, respectively)	126	126

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Additional paid-in capital	51,992	51,852
Unallocated common shares held by ESOP	(3,714)	(3,876)
Unearned restricted shares	(933)	(1,181)
Retained earnings	39,971	39,933
Accumulated other comprehensive (loss) income	(1,902)	504
Treasury stock, at cost (750,305 shares at June 30, 2008 and 492,650 shares at December 31, 2007)	(7,792)	(5,271)
<b>Total stockholders equity</b>	<b>77,748</b>	<b>82,087</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 860,861</b>	<b>\$ 790,198</b>

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

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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Interest and dividend income:</b>				
Loans, including fees	\$ 9,318	\$ 9,136	\$ 18,534	\$ 18,050
Securities:				
Taxable interest	2,176	1,366	4,158	2,721
Tax-exempt interest	4	4	7	8
Dividends	105	131	263	257
Other	104	87	184	162
<b>Total interest and dividend income</b>	<b>11,707</b>	<b>10,724</b>	<b>23,146</b>	<b>21,198</b>
<b>Interest expense:</b>				
Deposits	4,034	3,931	8,132	7,625
Federal Home Loan Bank advances	1,596	1,240	3,188	2,468
Subordinated debt	77	180	216	480
<b>Total interest expense</b>	<b>5,707</b>	<b>5,351</b>	<b>11,536</b>	<b>10,573</b>
<b>Net interest income</b>	<b>6,000</b>	<b>5,373</b>	<b>11,610</b>	<b>10,625</b>
<b>Provision for loan losses</b>	<b>150</b>	<b>55</b>	<b>285</b>	<b>220</b>
<b>Net interest income after provision for loan losses</b>	<b>5,850</b>	<b>5,318</b>	<b>11,325</b>	<b>10,405</b>
<b>Noninterest income:</b>				
Service Fees	1,328	1,156	2,613	2,282
Wealth management fees	1,020	970	1,991	1,892
Increase in cash surrender value of bank-owned life insurance	77	72	152	144
Net gain on sale of securities	34		144	321
Net gain on sale of loans	22	34	81	65
Other	142	21	170	32
<b>Total noninterest income</b>	<b>2,623</b>	<b>2,253</b>	<b>5,151</b>	<b>4,736</b>
<b>Noninterest expenses:</b>				
Salaries and employee benefits	4,305	3,787	8,305	7,516
Occupancy and equipment	1,464	1,311	2,865	2,666
Computer and electronic banking services	761	631	1,482	1,269
Outside professional services	210	228	413	592
Marketing and advertising	194	237	391	409
Supplies and printing	145	150	320	276
Other	727	701	1,364	1,263
<b>Total noninterest expenses</b>	<b>7,806</b>	<b>7,045</b>	<b>15,140</b>	<b>13,991</b>

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<b>Income before income tax provision</b>	667	526	1,336	1,150
<b>Income tax provision</b>	204	149	418	324
<b>Net income</b>	\$ 463	\$ 377	\$ 918	\$ 826
<b>Net income per common share:</b>				
Basic	\$ 0.04	\$ 0.03	\$ 0.08	\$ 0.07
Diluted	\$ 0.04	\$ 0.03	\$ 0.08	\$ 0.07

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

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## SI FINANCIAL GROUP, INC.

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2008

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

	Common Stock		Additional Paid-in Capital	Unallocated Common Shares Held by ESOP	Unearned Restricted Shares	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Stockholders Equity
	Shares	Dollars							
	<b>Balance at December 31, 2007</b>	<b>12,563,750</b>							
Cash dividends declared (\$0.08 per share)						(333)			(333)
Equity incentive plan shares earned			150		248				398
Committed to release 8,074 ESOP shares			(4)	162					158
Vesting of restricted stock			(6)						(6)
Cumulative effect adjustment of a change in accounting principle adoption of EITF 06-4						(547)			(547)
Treasury shares purchased (257,655 shares)									