

SI Financial Group, Inc.
Form 10-Q
November 13, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2009

OR

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

For the Transition Period from _____ to _____

Commission File Number: 0-50801

SI FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

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United States
(State or other jurisdiction of
incorporation or organization)

84-1655232
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer Smaller Reporting Company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 6, 2009, there were 11,789,202 shares of the registrant's common stock outstanding.

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

	September 30, 2009	December 31, 2008
ASSETS:		
Cash and due from banks:		
Noninterest-bearing	\$ 13,368	\$ 14,008
Interest-bearing	4,990	465
Federal funds sold	20,505	8,730
 Total cash and cash equivalents	 38,863	 23,203
Available for sale securities, at fair value	174,212	162,699
Loans held for sale	1,389	
Loans receivable (net of allowance for loan losses of \$5,429 at September 30, 2009 and \$6,047 at December 31, 2008)	609,393	617,263
Federal Home Loan Bank stock, at cost	8,388	8,388
Bank-owned life insurance	8,661	8,714
Premises and equipment, net	13,309	12,225
Goodwill and other intangibles	4,262	4,294
Accrued interest receivable	3,471	3,721
Deferred tax asset, net	5,967	7,938
Other real estate owned	1,098	
Other assets	4,430	4,677
 Total assets	 \$ 873,443	 \$ 853,122
LIABILITIES AND STOCKHOLDERS EQUITY:		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 62,872	\$ 57,647
Interest-bearing	592,663	563,004
 Total deposits	 655,535	 620,651
Mortgagors and investors escrow accounts	1,768	3,625
Federal Home Loan Bank advances	123,100	139,600
Junior subordinated debt owed to unconsolidated trust	8,248	8,248
Accrued expenses and other liabilities	7,350	8,071
 Total liabilities	 796,001	 780,195
 Stockholders Equity:		
Preferred stock (\$.01 par value; 1,000,000 shares authorized; none issued)		

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Common stock (\$.01 par value; 75,000,000 shares authorized; 12,563,750 shares issued; 11,789,202 and 11,800,445 shares outstanding at September 30, 2009 and December 31, 2008, respectively)	126	126
Additional paid-in capital	52,191	52,103
Unallocated common shares held by ESOP	(3,311)	(3,553)
Unearned restricted shares	(295)	(714)
Retained earnings	38,263	35,848
Accumulated other comprehensive loss	(1,567)	(2,986)
Treasury stock, at cost (774,548 and 763,305 shares at September 30, 2009 and December 31, 2008, respectively)	(7,965)	(7,897)
Total stockholders equity	77,442	72,927
Total liabilities and stockholders equity	\$ 873,443	\$ 853,122

See accompanying notes to unaudited interim consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Interest and dividend income:				
Loans, including fees	\$ 9,228	\$ 9,414	\$ 27,819	\$ 27,948
Securities:				
Taxable interest	1,864	2,166	5,912	6,324
Tax-exempt interest	17	3	30	10
Dividends	10	85	37	348
Other	14	81	91	265
Total interest and dividend income	11,133	11,749	33,889	34,895
Interest expense:				
Deposits	3,297	3,837	10,128	11,969
Federal Home Loan Bank advances	1,337	1,576	4,258	4,764
Subordinated debt	47	92	177	308
Total interest expense	4,681	5,505	14,563	17,041
Net interest income	6,452	6,244	19,326	17,854
Provision for loan losses	700	233	2,630	518
Net interest income after provision for loan losses	5,752	6,011	16,696	17,336
Noninterest income (loss):				
Service fees	1,291	1,353	3,739	3,966
Wealth management fees	983	968	2,910	2,959
Increase in cash surrender value of bank-owned life insurance	74	78	220	230
Net (loss) gain on sale of securities	(127)	2	127	146
Total other-than-temporary impairment losses on securities		(7,058)	(1,862)	(7,058)
Portion of loss recognized in accumulated other comprehensive loss			1,712	
Net impairment losses recognized in net loss		(7,058)	(150)	(7,058)
Net (loss) gain on disposal of equipment	(5)		99	
Net gain on sale of loans	205	27	587	108
Other	270	20	(17)	127
Total noninterest income (loss)	2,691	(4,610)	7,515	478
Noninterest expenses:				
Salaries and employee benefits	4,194	4,077	12,957	12,382
Occupancy and equipment	1,376	1,453	4,182	4,318
Computer and electronic banking services	941	788	2,564	2,270

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Outside professional services	235	173	704	586
Marketing and advertising	215	205	624	596
Supplies	119	124	401	444
FDIC deposit insurance and regulatory assessment	333	167	1,205	390
Other	611	592	1,987	1,670