

SI Financial Group, Inc.
Form 10-Q
May 14, 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 March 31, 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)

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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 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 ☐

Smaller Reporting Company Filer ☒

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 May 9, 2008, there were 11,844,100 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)*

	March 31, 2008	December 31, 2007
ASSETS:		
Cash and due from banks:		
Noninterest-bearing	\$ 14,806	\$ 14,543
Interest-bearing	2,631	5,126
Federal funds sold	12,000	1,000
Total cash and cash equivalents	29,437	20,669
Available for sale securities, at fair value	170,941	141,914
Loans held for sale	180	410
Loans receivable (net of allowance for loan losses of \$5,298 at March 31, 2008 and \$5,245 at December 31, 2007)	599,503	587,538
Accrued interest receivable	3,369	3,528
Federal Home Loan Bank stock, at cost	8,125	7,802
Bank-owned life insurance	8,485	8,410
Other real estate owned		913
Premises and equipment, net	12,837	11,806
Goodwill and other intangibles	4,207	643
Deferred tax asset, net	3,961	3,270
Other assets	3,537	3,295
Total assets	\$ 844,582	\$ 790,198
LIABILITIES AND STOCKHOLDERS EQUITY:		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 59,434	\$ 56,762
Interest-bearing	543,731	491,573
Total deposits	603,165	548,335
Mortgagors and investors escrow accounts	1,859	3,437
Federal Home Loan Bank advances	144,678	141,619
Junior subordinated debt owed to unconsolidated trust	8,248	8,248
Accrued expenses and other liabilities	7,743	6,472
Total liabilities	765,693	708,111
Stockholders Equity:		
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; 11,869,100 and 12,071,100 shares outstanding at March 31, 2008 and December 31, 2007, respectively)	126	126

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Additional paid-in capital	51,925	51,852
Unallocated common shares held by ESOP	(3,795)	(3,876)
Unearned restricted shares	(1,057)	(1,181)
Retained earnings	39,673	39,933
Accumulated other comprehensive (loss) income	(740)	504
Treasury stock, at cost (694,650 shares at March 31, 2008 and 492,650 shares at December 31, 2007)	(7,243)	(5,271)
Total stockholders' equity	78,889	82,087
Total liabilities and stockholders' equity	\$ 844,582	\$ 790,198

See accompanying notes to unaudited interim consolidated financial statements.

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

	Three Months Ended March 31,	
	2008	2007
Interest and dividend income:		
Loans, including fees	\$ 9,216	\$ 8,914
Securities:		
Taxable interest	1,982	1,355
Tax-exempt interest	3	4
Dividends	158	126
Other	80	75
Total interest and dividend income	11,439	10,474
Interest expense:		
Deposits	4,098	3,694
Federal Home Loan Bank advances	1,592	1,228
Subordinated debt	139	300
Total interest expense	5,829	5,222
Net interest income	5,610	5,252
Provision for loan losses	135	165
Net interest income after provision for loan losses	5,475	5,087
Noninterest income:		
Service fees	1,285	1,126
Wealth management fees	971	922
Increase in cash surrender value of bank-owned life insurance	75	72
Net gain on sale of securities	110	321
Net gain on sale of loans	59	31
Other	28	11
Total noninterest income	2,528	2,483
Noninterest expenses:		
Salaries and employee benefits	4,000	3,729
Occupancy and equipment	1,401	1,355
Computer and electronic banking services	721	638
Outside professional services	203	364
Marketing and advertising	197	172
Supplies and printing	175	126
Other	637	562
Total noninterest expenses	7,334	6,946
Income before income tax provision	669	624

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Income tax provision	214	175
Net income	\$ 455	\$ 449
Net income per common share:		
Basic	\$ 0.04	\$ 0.04
Diluted	\$ 0.04	\$ 0.04

See accompanying notes to unaudited interim consolidated financial statements.

Table of Contents**SI FINANCIAL GROUP, INC.****CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY****FOR THE THREE MONTHS ENDED MARCH 31, 2008***(Dollars in Thousands, Except Share Amounts / Unaudited)*

	Common Stock		Additional	Unallocated	Unearned	Retained	Accumulated	Treasury	Total
	Shares	Dollars	Paid-in	Common	Restricted	Earnings	Other	Stock	Stockholders
			Capital	Shares Held	Shares		(Loss)		Equity
				by ESOP			Income		
Balance at December 31, 2007	12,563,750	\$ 126	\$ 51,852	\$ (3,876)	\$ (1,181)	\$ 39,933	\$ 504	\$ (5,271)	\$ 82,087
Cash dividends declared (\$0.04 per share)						(168)			(168)
Equity incentive plan shares earned			75		124				199
Committed to release 8,074 ESOP shares			(2)	81					79
Cumulative effect adjustment of a change in accounting principle - adoption of EITF 06-4						(547)			(547)
Treasury shares purchased (202,000 shares)								(1,972)	(1,972)
Comprehensive loss:									
Net income						455			455
Change in net unrealized losses on available for sale securities, net of reclassification adjustment and tax effects							(1,244)		(1,244)
Total comprehensive loss									(789)
Balance at March 31, 2008	12,563,750	\$ 126	\$ 51,925	\$ (3,795)	\$ (1,057)	\$ 39,673	\$ (740)	\$ (7,243)	\$ 78,889

See accompanying notes to unaudited interim consolidated financial statements.

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SI FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands / Unaudited)

	Three Months Ended March 31,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 455	\$ 449
Adjustments to recon		