

SI Financial Group, Inc.
Form 10-Q
November 09, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2011

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: 0-54241

SI FINANCIAL GROUP, INC.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)

80-0643149
(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

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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 4, 2011, there were 10,576,302 shares of the registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SI FINANCIAL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Amounts / Unaudited)

		Sep
		2
ASSETS:		
Cash and due from banks:		
Noninterest-bearing		\$11
Interest-bearing		18
Federal funds sold		-
Total cash and cash equivalents		3
Trading securities, at fair value		-
Available for sale securities, at fair value		24
Loans held for sale		1
Loans receivable (net of allowance for loan losses of \$5,218 at September 30, 2011 and \$4,799 at December 31, 2010)		6
Federal Home Loan Bank stock, at cost		8
Bank-owned life insurance		8
Premises and equipment, net		12
Goodwill and other intangibles		4
Accrued interest receivable		3
Deferred tax asset, net		5
Other real estate owned, net		1
Prepaid FDIC deposit insurance assessment		2
Other assets		6
Total assets		\$99
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Deposits:		
Noninterest-bearing		\$7
Interest-bearing		6
Total deposits		6
Mortgagors' and investors' escrow accounts		1
Federal Home Loan Bank advances		10
Junior subordinated debt owed to unconsolidated trust		8
Stock offering escrow		-
Accrued expenses and other liabilities		1
Total liabilities		8
Shareholders' Equity:		
Preferred stock (\$.01 par value; 1,000,000 shares authorized; none issued)		-
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Common stock (\$.01 par value; 35,000,000 and 67,357,500 shares authorized; 10,576,849 and 11,283,503 shares issued; 10,576,302 and 10,577,369 shares outstanding at September 30, 2011 and December 31, 2010, respectively (1))	
Additional paid-in-capital	99
Unallocated common shares held by ESOP	(5)
Unearned restricted shares	(4)
Retained earnings	4
Accumulated other comprehensive loss	(5)
Treasury stock, at cost (547 and 706,134 shares at September 30, 2011 and December 31, 2010, respectively)	(5)
Total shareholders' equity	13
Total liabilities and shareholders' equity	\$99

(1) Common shares for December 31, 2010 have been restated to reflect the January 12, 2011 stock conversion at an exchange ratio of 0.8981.

See accompanying notes to unaudited interim consolidated financial statements.

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SI FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts / Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Interest and dividend income:				
Loans, including fees	\$7,688	\$8,309	\$23,402	\$25,165
Securities:				
Taxable interest	1,734	1,522	5,033	4,844
Tax-exempt interest	2	7	4	36
Dividends	17	6	60	17
Other	10	32	56	81
Total interest and dividend income	9,451	9,876	28,555	30,143
Interest expense:				
Deposits	1,790	2,262	5,579	7,379
Federal Home Loan Bank advances	941	1,051	2,909	3,163
Subordinated debt	84	44	251	124
Total interest expense	2,815	3,357	8,739	10,666
Net interest income	6,636	6,519	19,816	19,477
Provision for loan losses	210	270	610	692
Net interest income after provision for loan losses	6,426	6,249	19,206	18,785
Noninterest income:				
Total other-than-temporary impairment losses on securities	-	(160)	-	(492)
Portion of losses recognized in other comprehensive income	-	-	-	-
Net impairment losses recognized in earnings	-	(160)	-	(492)
Service fees	1,233	1,248	3,624	3,825
Wealth management fees	989	1,011	3,106	3,065
Increase in cash surrender value of bank-owned life insurance	72	73	215	216
Net gain on sale of securities	122	197	340	878
Mortgage banking fees	189	221	491	576
Net gain (loss) in fair value on trading securities and derivatives	71	(129)	279	(129)
Net loss on disposal of equipment	(33)	(5)	(41)	(5)
Other	54	69	228	141
Total noninterest income	2,697	2,525	8,242	8,075
Noninterest expenses:				
Salaries and employee benefits	4,057	3,684	12,433	11,895
Occupancy and equipment	1,450	1,433	4,373	4,197
Computer and electronic banking services	986	958	2,929	2,852
Outside professional services	273	210	854	746

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Marketing and advertising	205	179	606	569
Supplies	104	112	371	377
FDIC deposit insurance and regulatory assessments	110	321	718	989
Contribution to SI Financial Group Foundation	-	-	500	-
Other	862	777	2,286	2,351
Total noninterest expenses	8,047	7,674	25,070	23,976
Income before income tax provision	1,076	1,100	2,378	2,884
Income tax provision	336	262	722	840
Net income	\$740	\$838	\$1,656	\$2,044
Net income per share:				
Basic	\$0.07	\$0.08	\$0.17	\$0.20
Diluted	\$0.07	\$0.08	\$0.17	\$0.20

See accompanying notes to unaudited interim consolidated financial statements.

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SI FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011
(In Thousands, Except Share Amounts / Unaudited)

	Common Stock Shares	Dollars Paid-in Capital	Unallocated Common Shares Held by ESOP	Unearned Restricted Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity	
Balance at December 31, 2010	12,563,750	\$ 126	\$ 52,198	\$ (2,907)	\$ (25)	\$ 40,859	\$ (1,108)	\$ (8,039)	\$ 81,104
Exchange of common stock pursuant to reorganization and concurrent second-step stock offering	(1,986,901)	(20)	42,311	-	-	-	8,039	50,330	
Comprehensive income:									
Net income	-	-	-	-	-	1,656	-	1,656	
Net unrealized gain on available for sale securities, net of reclassification adjustment and tax effects	-	-	-	-	-	802	-	802	
Net unrealized loss on interest-rate swap derivative	-	-	-	-	-	(232)	-	(232)	
Total comprehensive income								2,226	
Cash dividends declared (\$.09 per share)	-	-	-	-	-	(893)	-	(893)	
Restricted shares activity	-	-	22	-	(22)	-	-	-	
Equity incentive plan shares earned	-	-	66	-	6	-	-	72	
Shares purchased for	-	-	-	(3,141)	-	-	-	(3,141)	

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ESOP pursuant to reorganization (392,670 shares)									
Allocation of 36,477 ESOP shares	-	-	(6)	360	-	-	-	-	354
Tax benefit from share-based compensation	-	-	2	-	-	-	-	-	2
Treasury stock purchased (547 shares)	-	-	-	-	-	-	-	(5)	(5)
Balance at September 30, 2011	10,576,849	\$ 106	\$ 94,593	\$ (5,688)	\$ (41)	\$ 41,622	\$ (538)	\$ (5)	\$ 130,049

See accompanying notes to unaudited interim consolidated financial statements.

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SI FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands / Unaudited)

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$1,656	\$2,044
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	610	692
Employee stock ownership plan expense	354	150
Equity incentive plan expense	72	241
Excess tax benefit from share-based compensation	(2)	-
Amortization of investment premiums and discounts, net	372	318
Amortization of loan premiums and discounts, net	1,077	513
Depreciation and amortization of premises and equipment	1,443	1,472
Amortization of core deposit intangible	16	24
Net gain on sale of securities	(340)	(878)
Net (gain) loss on trading securities and derivatives	(279)	129
Deferred income tax provision (benefit)	140	(846)
Loans originated for sale	(26,665)	(34,812)
Proceeds from sale of loans held for sale	32,485	28,270
Net gain on sale of loans	(346)	(419)
Net loss on disposal of equipment	41	5
Net loss on sales or write-downs of other real estate owned	212	330
Increase in cash surrender value of bank-owned life insurance	(215)	(216)
Gain on bank-owned life insurance proceeds	(122)	-
Other-than-temporary impairment losses on securities	-	492
Change in operating assets and liabilities:		
Accrued interest receivable	(540)	48
Other assets	1,830	1,073
Accrued expenses and other liabilities	58	1,783
Net cash provided by operating activities	11,857	413
Cash flows from investing activities:		
Purchases of available for sale securities	(133,780)	(71,538)
Proceeds from sales of available for sale securities	36,400	40,144
Proceeds from maturities of and principal repayments on available for sale securities	34,803	44,992
Net decrease in loans	29,526	29,421
Purchases of loans	(41,197)	(29,337)
Proceeds from sale of other real estate owned	473	2,888
Purchases of premises and equipment	(1,786)	(690)
Proceeds from bank-owned life insurance	602	-
Net cash (used in) provided by investing activities	(74,959)	15,880
Cash flows from financing activities:		
Net increase in deposits	33,647	15,511
Net decrease in mortgagors' and investors' escrow accounts	(1,841)	(1,895)

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Proceeds from Federal Home Loan Bank advances	19,000	23,355
Repayments of Federal Home Loan Bank advances	(33,100)	(25,286)
Net proceeds from common stock offering	2,774	-
Excess tax benefit from share-based compensation	2	-
Purchase of shares by ESOP pursuant to reorganization	(3,141)	-
Cash dividends on common stock	(893)	(250)
Treasury stock purchased	(5)	(74)
Net cash provided by financing activities	16,443	11,361

(continued on next page)

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SI FINANCIAL GROUP, INC.
 CONSOLIDATED STATEMENTS OF CASH FLOWS (Concluded)
 (In Thousands / Unaudited)

	Nine Months Ended September 30,	
	2011	2010
Net change in cash and cash equivalents	(46,659)	27,654
Cash and cash equivalents at beginning of period	78,321	24,204
Cash and cash equivalents at end of period	\$31,662	\$51,858
Supplemental cash flow information:		
Interest paid	\$8,766	\$10,672
Income taxes paid, net	510	204
Transfer of stock offering escrow for issuance of common shares	47,556	-
Transfer of loans to other real estate owned	469	1,794

See accompanying notes to consolidated financial statements.

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SI FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010 AND DECEMBER 31, 2010

NOTE 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

SI Financial Group, Inc. (the “Company”) is the holding company for Savings Institute Bank and Trust Company (the “Bank”). Established in 1842, the Bank is a community-oriented financial institution headquartered in Willimantic, Connecticut. The Bank provides a variety of financial services to individuals, businesses and municipalities through its twenty-one offices in eastern Connecticut. Its primary products include savings, checking and certificate of deposit accounts, residential and commercial mortgage loans, commercial business loans and consumer loans. In addition, wealth management services, which include trust, financial planning, life insurance and investment services, are offered to individuals and businesses through the Bank’s offices. SI Trust Servicing, a third-party provider of trust outsourcing services for community banks, expands the wealth management products offered by the Bank, and offers trust services to other community banks. The Company does not conduct any material business other than owning all of the stock of the Bank and making payments on the subordinated debentures held by the Company.

Effective January 12, 2011, the Company completed its public stock offering in connection with the conversion of the Bank from the mutual holding company form of organization to the stock form of organization (the “Conversion”). A total of 6,544,493 shares of common stock were sold at \$8.00 per share, including 392,670 shares purchased by the Bank’s Employee Stock Ownership Plan (the “ESOP”). Additional shares totaling 4,032,356 were issued in exchange for shares of the former SI Financial Group, Inc., at an exchange ratio of 0.8981. Shares outstanding after the stock offering and the exchange totaled 10,576,849. Proceeds received from the stock offering totaled \$50.3 million, net of costs of \$2.0 million. Net income per share and the weighted average shares outstanding for the three and nine months ended September 30, 2010 have been restated to reflect the stock offering and the exchange.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, the Bank, and the Bank’s wholly-owned subsidiaries, 803 Financial Corp., SI Mortgage Company and SI Realty Company, Inc. All significant intercompany accounts and transactions have been eliminated.

Basis of Financial Statement Presentation

The interim consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information, with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X of the Securities and Exchange Commission (“SEC”) and general practices within the banking industry. Accordingly, certain information and footnote disclosures required by GAAP for complete financial statements have been omitted. Information in the accompanying interim consolidated financial statements and notes to the financial statements of the Company as of September 30, 2011 and for the three and nine months ended September 30, 2011 and 2010 is unaudited. These unaudited interim consolidated financial statements and related notes should be read in conjunction with the audited financial statements of the Company and the accompanying notes for the year ended December 31, 2010 contained in the Company’s Form 10-K.

Interim financial statements are subject to possible adjustment in connection with the annual audit of the Company. In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all of the adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the financial condition, results of operations and cash flows as of and for the period covered herein. The results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of the operating results for the year

ending December 31, 2011.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, as of the date of the balance sheets and reported amounts of revenues and expenses for the periods presented. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, other-than-temporary impairment (“OTTI”) of securities, deferred income taxes and the valuation of intangible assets.

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SI FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010 AND DECEMBER 31, 2010

Reclassifications

Certain amounts in the Company's 2010 consolidated financial statements have been reclassified to conform to the 2011 presentation. Such reclassifications had no effect on net income.

Loans Receivable

Loans receivable are stated at current unpaid principal balances, net of the allowance for loan losses and deferred loan origination fees and costs. Management has the ability and intent to hold its loans receivable for the foreseeable future or until maturity or pay-off.

A loan is impaired when it is probable the Company will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impairment is measured on a loan by loan basis for residential and commercial mortgage loans and commercial business loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not typically identify individual consumer loans for impairment disclosures, unless such loans are subject to a troubled debt restructuring agreement.

The Company periodically may agree to modify the contractual terms of loans. When a loan is modified and concessions have been made to the original contractual terms, such as reductions of interest rates or deferral of interest or principal payments due to the borrower's financial condition, the modification is considered a troubled debt restructuring ("TDR"). All TDRs are initially classified as impaired.

Management considers all nonaccrual loans to be impaired. In most cases, loan payments less than 90 days past due are considered minor collection delays and the related loans are generally not considered impaired.

Allowance for Loan Losses

The allowance for loan losses, a material estimate which could change significantly in the near-term, is established through a provision for loan losses charged to earnings to account for losses that are inherent in the loan portfolio and estimated to occur, and is maintained at a level that management considers adequate to absorb losses in the loan portfolio. Loan losses are charged against the allowance for loan losses when management believes that the uncollectibility of the principal loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance for loan losses when received. In the determination of the allowance for loan losses, management may obtain independent appraisals for significant properties, if necessary.

Management's judgment in determining the adequacy of the allowance is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance for loan losses is evaluated on a monthly basis by management and is based on the evaluation of the known and inherent risk characteristics and size and composition of the loan portfolio, the assessment of current economic and real estate market conditions, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, historical loan loss experience and evaluations of loans and other relevant factors.

The allowance for loan losses consists of the following key elements:

o Specific allowance for identified impaired loans. For loans that are identified as impaired, an allowance is established when the present value of expected cash flows (or observable market price of loan or fair value of the collateral if the loan is collateral dependent) of the impaired loan is lower than the carrying value of that loan.

o General valuation allowance. The general component represents a valuation allowance on the remainder of the loan portfolio, after excluding impaired loans. For this portion of the allowance, loans are segregated by category and assigned an allowance percentage based on historical loan loss experience adjusted for qualitative factors stratified by the following loan segments: residential one- to four-family, multi-family and commercial real estate, construction, commercial business and consumer.

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SI FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010 AND DECEMBER 31, 2010

Management uses a rolling average of historical losses based on the time frame appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors: levels/trends in delinquencies; level of charge-offs and nonperforming loans; trends in terms of loans; effects of changes in risk selection and underwriting standards and other changes in lending policies, procedures and practices; experience/ability and depth of lending management and staff and national and local economic trends and conditions.

The qualitative factors are determined based on the following various risk characteristics for each loan segment:

Residential – 1 to 4 Family – The Company does not originate conventional loans with loan-to-value ratios exceeding 95% and generally originates loans with loan-to-value ratios in excess of 80% only when secured by first liens on owner-occupied one- to four-family residences. All loans in this segment are collateralized by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality of this segment.

Multi-family and Commercial Real Estate – Loans in this segment are originated for the purpose of acquiring, developing, improving or refinancing multi-family and commercial real estate where the property is the primary collateral securing the loan, and the income generated from the property is the primary repayment source. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on the credit quality in this segment. Payments on loans secured by income-producing properties often depend on the successful operation and management of the properties. Management continually monitors the cash flows of these loans.

Construction – This segment includes loans to individuals, and to a lesser extent builders, to finance the construction of residential dwellings. The Bank also originates construction loans for commercial development projects. Upon the completion of construction, the loan generally converts to a permanent mortgage loan. Credit risk is affected by cost overruns, time to sell at an adequate price and market conditions.

Commercial Business – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy and reduced viability of the industry in which the customer operates will have a negative impact on the credit quality in this segment.

Consumer – Loans in this segment primarily include home equity lines of credit (representing both first and second liens), and, to a lesser extent, loans secured by marketable securities, passbook or certificate accounts, motorcycles, automobiles and recreational vehicles, as well as unsecured loans. Consumer loan collections depend on the borrower's continuing financial stability, and therefore are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy.

- o Unallocated allowance. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

In computing the allowance for loan losses, we do not assign a general valuation allowance to the Small Business Administration (“SBA”) and United States Department of Agriculture (“USDA”) loans that we purchase as such loans are fully guaranteed. These loans are included in commercial business loans.

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SI FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010 AND DECEMBER 31, 2010

The majority of the Company's loans are collateralized by real estate located in eastern Connecticut. Accordingly, the collateral value of a substantial portion of the Company's loan portfolio and real estate acquired through foreclosure is susceptible to changes in market conditions.

Although management believes that it uses the best information available to establish the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary and the Company's results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Furthermore, while management believes it has established the allowance for loan losses in conformity with GAAP, our regulators, in reviewing the loan portfolio, may request us to increase our allowance for loan losses based on judgments different from ours. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, the existing allowance for loan losses may not be adequate or increases may be necessary should the quality of any loans deteriorate as a result of the factors discussed above. Any material increase in the allowance for loan losses would adversely affect the Company's financial condition and results of operations.

Interest and Fees on Loans

Interest on loans is accrued and included in net interest income based on contractual rates applied to principal amounts outstanding. Accrual of interest is discontinued when loan payments are 90 days or more past due, based on contractual terms, or when, in the judgment of management, collectibility of the loan or loan interest becomes uncertain. Subsequent recognition of income occurs only to the extent payment is received subject to management's assessment of the collectibility of the remaining interest and principal. A nonaccrual loan is restored to accrual status when it is no longer delinquent and collectibility of interest and principal is no longer in doubt and the borrower has made regular payments in accordance with the terms of the loan over a period of at least six months. Interest collected on nonaccrual loans and impaired loans is recognized only to the extent cash payments are received, and may be recorded as a reduction to principal if the collectibility of the principal balance of the loan is unlikely.

Loan origination fees and direct loan origination costs are deferred, and the net amount is recognized as an adjustment of the related loan's yield utilizing the interest method over the contractual life of the loan.

Recent Accounting Pronouncements

Credit Quality of Financing Receivables and the Allowance for Credit Losses – In July 2010, the FASB issued guidance requiring additional disclosures that facilitate financial statement users' evaluation of: (1) the nature of credit risk inherent in the entity's portfolio of financing receivables, (2) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (3) the changes and reasons for those changes in the allowance for credit losses. For public entities, the disclosures as of the end of a reporting period were effective for interim and annual reporting periods ending on or after December 15, 2010 and the disclosures about activity that occurs during a reporting period were effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of this amendment had a significant impact on the Company's loan disclosures. See Note 4 for additional disclosures.

A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring – In April 2011, the FASB issued additional guidance to creditors in evaluating whether a modification or restructuring of a loan is a troubled debt restructuring to limit diversity in the application of GAAP which could adversely affect comparability of financial statements. The update provides guidance on (1) how to determine whether a creditor has granted a

concession and (2) whether a borrower is experiencing financial difficulty. For public entities, the amendments were effective for the first interim or annual period beginning on or after June 15, 2011 and should be applied retrospectively to restructurings occurring on or after the beginning of the annual period of adoption. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements. See Note 4 for additional disclosures.

Reconsideration of Effective Control for Repurchase Agreements – In April 2011, the FASB issued guidance which affects all entities that enter into agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The amendment removes from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. The amendment is effective for the first interim or annual period beginning on or after December 15, 2011 and should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. This amendment will have no impact on the Company's consolidated financial statements.

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SI FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements – In May 2011, the FASB amended its standard related to fair value measurement and disclosure requirements in accordance with GAAP and International Financial Reporting Standards. The amendments (1) change the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurement, (2) clarify the intent of the application of existing fair value measurement requirements and (3) change the requirements for measuring fair value and for disclosing information about fair value. The amendments are not intended to change the application of existing requirements for fair value measurement. The amendments should be applied prospectively effective during the first interim and annual periods beginning after December 15, 2011. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Presentation of Comprehensive Income – In June 2011, the FASB amended its standard related to the presentation of comprehensive income. Under this amendment, an entity will have the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income in a single continuous statement or in two separate but consecutive statements. Regardless of which method an entity chooses, the entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and other comprehensive income are presented. The amendments in this update should be applied retrospectively effective for fiscal years and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The adoption of this amendment is not expected to have a material impact on the Company's consolidated financial statements.

Testing of Goodwill for Impairment – In September 2011, the FASB amended its standard related to how entities test goodwill for impairment. Under this amendment, an entity is now permitted to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If after assessing the totality of events and circumstances, an entity determines it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. Under this amendment, an entity is no longer permitted to carry forward its detailed calculation of a reporting unit's fair value from a prior year. The amendments in this update are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The adoption of this amendment is not expected to have a material impact on the Company's consolidated financial statements.

NOTE 2. NET INCOME PER SHARE

Basic net income per share is calculated by dividing the net income available to common shareholders by the weighted average number of common shares outstanding during the period. Unvested restricted shares are considered outstanding in the computation of basic net income per share since the shares participate in dividends and the rights to the dividends are non-forfeitable. Diluted net income per share is computed in a manner similar to basic net income per share except that the weighted average number of common shares outstanding is increased to include the incremental common shares (as computed using the treasury stock method) that would have been outstanding if all potentially dilutive common stock equivalents were issued during the period. The Company's common stock equivalents relate solely to stock options. Treasury shares and unallocated common shares held by the Bank's ESOP are not deemed outstanding for net income per share calculations.

Anti-dilutive shares are common stock equivalents with weighted average exercise prices in excess of the weighted average market value for the periods presented, and are not considered in diluted earnings per share calculations. The Company had anti-dilutive common shares outstanding of 436,434 and 395,512 for the three and nine months ended September 30, 2011, respectively, and 383,264 and 397,890 for the three and nine months ended September 30, 2010, respectively.

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The computation of net income per share is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In Thousands, Except Share Amounts)			
Net income	\$ 740	\$ 838	\$ 1,656	\$ 2,044
Weighted average common shares outstanding: ⁽¹⁾				
Basic	9,947,040	10,301,905	9,998,136	10,299,858
Effect of dilutive stock options	20,656	4,066	20,940	2,052
Diluted	9,967,696	10,305,971	10,019,076	10,301,910
Net income per share: (1)				
Basic	\$ 0.07	\$ 0.08	\$ 0.17	\$ 0.20
Diluted	\$ 0.07	\$ 0.08	\$ 0.17	\$ 0.20

⁽¹⁾The number of shares outstanding, and resulting net income per share, for the three and nine months ended September 30, 2010 has been restated to reflect that on January 12, 2011, each outstanding share was converted to 0.8981 shares of Company common stock in connection with the Conversion.

NOTE 3. SECURITIES

Trading securities:

During the third quarter of 2010, the Company elected to record two collateralized debt obligations at fair value and reclassified them to trading securities from available for sale in accordance with applicable guidance. Cumulative unrealized losses at the date of election totaling \$652,000 were reclassified from accumulated other comprehensive loss to retained earnings as a cumulative effect adjustment resulting from a change in accounting principle. These securities were sold during the quarter ended June 30, 2011. At December 31, 2010, these securities had an aggregate carrying value and fair value of \$248,000. For the nine months ended September 30, 2011, the net gain in fair value on trading securities was \$182,000, respectively, and is included in net gain in fair value on trading securities and derivatives on the statements of income. The Company does not purchase securities with the intent of selling them in the near term, thus there are no other securities in the trading portfolio.

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Available for sale securities:

The amortized cost, gross unrealized gains and losses and approximate fair values of available for sale securities at September 30, 2011 and December 31, 2010 are as follows:

	Amortized Cost (1)	September 30, 2011		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
(In Thousands)				
Debt securities:				
U.S. Government and agency obligations	\$84,912	\$499	\$(169)	\$85,242
Government-sponsored enterprises	25,154	562	-	25,716
Mortgage-backed securities:(2)				
Agency - residential	93,076	3,541	(111)	96,506
Non-agency - residential	8,553	39	(892)	7,700
Non-agency - HELOC	3,312	-	(613)	2,699
Corporate debt securities	14,114	254	(251)	14,117
Collateralized debt obligations	6,349	-	(3,317)	3,032
Obligations of state and political subdivisions	6,643	292	-	6,935
Tax-exempt securities	140	2	-	142
Foreign government securities	75	-	-	75
Total debt securities	242,328	5,189	(5,353)	242,164
Equity securities:				
Equity securities - financial services	538	67	(62)	543
Equity securities - other	1,696	39	(214)	1,521
Total equity securities	2,234	106	(276)	2,064
Total available for sale securities	\$244,562	\$5,295	\$(5,629)	\$244,228

(1) Net of OTTI write-downs recognized in earnings.

(2) Agency securities refer to debt obligations issued or guaranteed by government corporations or government-sponsored enterprises ("GSEs"). Non-agency securities, or private-label securities, are the sole obligation of their issuer and are not guaranteed by one of the GSEs or the U.S. Government.

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	Amortized Cost (1)	December 31, 2010		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
(In Thousands)				
Debt securities:				
U.S. Government and agency obligations	\$23,399	\$197	\$(13)	\$23,583
Government-sponsored enterprises	29,912	283	(202)	29,993
Mortgage-backed securities:(2)				
Agency - residential	84,408	3,132	(170)	87,370
Non-agency - residential	11,039	127	(711)	10,455
Non-agency - HELOC	3,797	-	(598)	3,199
Corporate debt securities	14,502	252	(37)	14,717
Collateralized debt obligations	6,466	-	(3,934)	2,532
Obligations of state and political subdivisions	6,800	157	(52)	6,905
Tax-exempt securities	140	4	-	144
Foreign government securities	100	-	-	100
Total debt securities	180,563	4,152	(5,717)	178,998
Equity securities:				
Equity securities - financial services	1,024	27	(13)	1,038
Total available for sale securities	\$181,587	\$4,179	\$(5,730)	\$180,036

(1) Net of OTTI write-downs recognized in earnings.

(2) Agency securities refer to debt obligations issued or guaranteed by government corporations or GSEs. Non-agency securities, or private-label securities, are the sole obligation of their issuer and are not guaranteed by one of the GSEs or the U.S. Government.

The amortized cost and fair value of debt securities by contractual maturities at September 30, 2011 are presented below. Actual maturities of mortgage-backed securities may differ from contractual maturities because the mortgages underlying the securities may be called or repaid without any penalties. Because mortgage-backed securities are not due at a single maturity date, they are not included in the maturity categories in the following maturity summary.

	Amortized Cost	Fair Value
(In Thousands)		
Within 1 year	\$ 6,593	\$ 6,661
After 1 but within 5 years	37,529	38,271
After 5 but within 10 years	12,053	12,104
After 10 years	81,212	78,223
	137,387	135,259
Mortgage-backed securities	104,941	106,905
Total debt securities	\$ 242,328	\$ 242,164

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The following is a summary of realized gains and losses on the sale of securities for the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In Thousands)		(In Thousands)	
Gross gains on sales	\$ 147	\$ 197	\$ 413	\$ 1,096
Gross losses on sales	(25)	-	(73)	(218)
Net gain on sale of securities	\$ 122	\$ 197	\$ 340	\$ 878

Proceeds from the sale of available for sale securities were \$3.8 million and \$36.4 million for the three and nine months ended September 30, 2011, respectively, and \$6.3 million and \$40.1 million for the three and nine months ended September 30, 2010, respectively.

The following tables present information pertaining to securities with gross unrealized losses at September 30, 2011 and December 31, 2010, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position.

September 30, 2011:	Less Than 12 Months		12 Months Or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
U.S. Government and agency obligations	\$43,564	\$163	\$458	\$6	\$44,022	\$169
Mortgage-backed securities:						
Agency - residential	4,464	31	2,916	80	7,380	111
Non-agency - residential	328	7	5,314	885	5,642	892
Non-agency - HELOC	-	-	2,699	613	2,699	613
Corporate debt securities	3,465	246	995	5	4,460	251
Collateralized debt obligations	-	-	3,032	3,317	3,032	3,317
Equity securities - financial services	188	62	-	-	188	62
Equity securities - other	1,005	214	-	-	1,005	214
Total	\$53,014	\$723	\$15,414	\$4,906	\$68,428	\$5,629

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December 31, 2010:	Less Than 12 Months		12 Months Or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
U.S. Government and agency obligations	\$2,053	\$4	\$858	\$9	\$2,911	\$13
Government-sponsored enterprises	16,636	202	-	-	16,636	202
Mortgage-backed securities:						
Agency - residential	15,881	170	-	-	15,881	170
Non-agency - residential	2,805	9	6,512	702	9,317	711
Non-agency - HELOC	-	-	3,198	598	3,198	598
Corporate debt securities	3,667	37	-	-	3,667	37
Collateralized debt obligations	28	60	2,504	3,874	2,532	3,934
Obligations of state and political subdivisions	1,493	52	-	-	1,493	52
Equity securities - financial services	-	-	747	13	747	13
Total	\$42,563	\$534	\$13,819	\$5,196	\$56,382	\$5,730

At September 30, 2011, twenty-eight debt securities with gross unrealized losses had aggregate depreciation of 7.37% of the Company's amortized cost basis. The majority of the unrealized losses related to the Company's collateralized debt obligations and non-agency mortgage-backed securities as discussed below. The Company did not recognize net impairment losses on securities for the three and nine months ended September 30, 2011. For the three and nine months ended September 30, 2010, the Company recognized net impairment losses of \$160,000 and \$492,000, respectively, on investments deemed other-than-temporarily impaired. The following summarizes, by security type, the basis for management's determination during the preparation of the financial statements of whether the applicable investments within the Company's securities portfolio were other-than-temporarily impaired at September 30, 2011.

Debt Securities:

U.S. Government and Agency Obligations and Government-Sponsored Enterprises. The unrealized losses on the Company's U.S. Government and agency obligations and government-sponsored enterprises related primarily to a widening of the rate spread to comparable treasury securities. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the decline in market value is attributable to changes in interest rates and not credit quality and because the Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell the securities before their anticipated recovery, which may be maturity, the Company does not consider these securities to be other-than-temporarily impaired at September 30, 2011.

Mortgage-backed Securities - Agency - Residential. The unrealized losses on the Company's agency-residential mortgage-backed securities were caused by increases in the rate spread to comparable treasury securities. The Company does not expect these securities to settle at a price less than the amortized cost basis of the investments. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before the recovery of their amortized cost basis, which may be at

maturity, the Company does not consider these investments to be other-than-temporarily impaired at September 30, 2011.

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Mortgage-backed Securities - Non-agency - Residential. Despite significant improvement in the market, these securities continue to trade well below historic levels, particularly those backed by jumbo or hybrid loan collateral. In particular, five non-agency mortgage-backed securities displayed market pricing significantly below book value or were rated below investment grade at September 30, 2011. At September 30, 2011, management evaluated credit rating details for the tranche owned, as well as credit information on subordinate tranches, potential future credit losses and loss analyses. Additionally, management reviewed reports prepared by an independent third party for certain non-agency mortgage-backed securities. The Company previously recorded OTTI losses on one of the non-agency mortgage-backed securities totaling \$1.1 million related to credit. The Company did not record any further impairment losses at September 30, 2011 because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be at maturity. See the table of non-agency mortgage-backed securities rated below investment grade as of September 30, 2011 for more details.

Mortgage-backed Securities - Non-agency - HELOC. The unrealized loss on the Company's non-agency - HELOC mortgage-backed security is related to one security whose market has been illiquid. This security is collateralized by home equity lines of credit secured by first and second liens and insured by Financial Security Assurance. At September 30, 2011, management evaluated credit rating details, collateral support and loss analyses. All of the unrealized losses on this security relate to factors other than credit. Because the Company does not intend to sell this security and it is not more likely than not that the Company will be required to sell this security before the recovery of its amortized cost basis, which may be at maturity, the Company did not record an impairment loss at September 30, 2011.

Collateralized Debt Obligations. The unrealized losses on the Company's collateralized debt obligations related to investments in pooled trust preferred securities ("PTPS"). The PTPS market continues to experience significant declines in market value as a result of market saturation. Transactions for PTPS have been limited and have occurred primarily as a result of distressed or forced liquidation sales. The securities were widely held by hedge funds and European banks and used to offset interest rate exposure tied to LIBOR. As the positions have unwound, an excess supply of these securities have saturated the market.

Management evaluated current credit ratings, credit support and stress testing for future defaults related to the Company's PTPS. Management also reviewed analytics provided by the trustee and independent OTTI reviews and associated cash flow analyses performed by an independent third party. The unrealized losses on the Company's PTPS investments were caused by a lack of liquidity, credit downgrades and decreasing credit support. The increased number of bank and insurance company failures has decreased the level of credit support for these investments. A number of lower tranche income issues have foregone payments or have received payment in kind through increased principal allocations. However, the number of deferring securities has been decreasing and a number of reinstatements have occurred recently. At September 30, 2011, based on the existing credit profile, management does not believe that these investments will suffer from any further credit-related losses. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be at maturity, the Company did not record additional impairment losses at September 30, 2011. See the table of collateralized debt obligations rated below investment grade as of September 30, 2011 for more details.

Equity Securities:

The Company's investments in marketable equity securities consist of common stock of companies in the financial services sector and various other industries. Management evaluated the near-term prospects of the issuers and the Company's ability and intent to hold the investments for a reasonable period of time sufficient for an anticipated recovery of fair value. Although certain issuers have shown declines in earnings as a result of the weakened economy, no credit issues have been identified that cause management to believe that the declines in market value are other-than-temporary at September 30, 2011.

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For debt securities with OTTI losses, the Company estimated the portion of loss attributable to credit using a discounted cash flow model in accordance with applicable guidance. Significant inputs for the non-agency mortgage-backed securities included the estimated cash flows of the underlying collateral based on key assumptions, such as default rate, loss severity and prepayment rate. Assumptions used can vary widely from loan to loan, and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics and collateral type. Significant inputs for the collateralized debt obligations included estimated cash flows and prospective deferrals, defaults and recoveries based on the underlying seniority status and subordination structure of the pooled trust preferred debt tranche at the time of measurement. Prospective deferral, default and recovery estimates affecting projected cash flows were based on an analysis of the underlying financial condition of the individual issuers, with consideration of the account's capital adequacy, credit quality, lending concentrations and other factors. All cash flow estimates were based on the securities' tranche structure and contractual rate and maturity terms. The Company utilized the services of an independent third-party valuation firm to obtain information about the structure in order to determine how the underlying collateral cash flows will be distributed to each security issued from the structure. The present value of the expected cash flows was compared to the Company's holdings to determine the credit-related impairment loss, if any.

To the extent that continued changes in interest rates, credit movements and other factors that influence fair value of investments occur, the Company may be required to record additional impairment charges for OTTI in future periods.

The following table presents in more detail the Company's non-agency mortgage-backed security holdings that are rated below investment grade as of September 30, 2011 (dollars in thousands).

Security	Class (1)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Lowest Credit Rating (2)	Total Credit-Related OTTI (3)	Credit Support Coverage Ratios (4)
MBS 1	SSNR, AS	\$2,354	\$-	\$576	\$1,778	CCC	\$-	0.49
MBS 2	SSUP, AS	56	27	-	83	CC	1,059	0.00
MBS 3	PT, AS	335	-	7	328	CC	-	0.72
MBS 4	CSTR	3,845	-	309	3,536	BB-	-	2.64
MBS 5	PT, AS	1,751	10	-	1,761	B	-	1.40
		\$8,341	\$37	\$892	\$7,486		\$1,059	

(1) Class definitions: PT – Pass Through, AS – Accelerated, SSNR – Super Senior, SSUP – Senior Support and CSTR – Collateral Strip Interest.

(2) The Company utilized credit ratings provided by Moody's, S&P and Fitch in its evaluation of issuers.

(3) The OTTI amounts provided in the table represent cumulative credit loss amounts through September 30, 2011.

(4) The credit support coverage ratio, which is the ratio that determines the multiple of credit support, is based on assumptions for the performance of loans within the delinquency pipeline. The assumptions used are: current collateral support/((60 day delinquencies x .60) + (90 day delinquencies x .70) + (foreclosures x 1.00) + (other real estate x 1.00)) x .40 for loss severity.

The following table details the Company's collateralized debt obligations that are rated below investment grade as of September 30, 2011 (dollars in thousands).

Security	Class	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Lowest Credit Rating (1)	Total Credit-Related OTTI	% of Current Performing Collateral Coverage
CDO 1	B1	\$ 1,000	\$ -	\$ 787	\$ 213	CCC-	\$ -	102.2
CDO 2	B3	1,000	-	785	215	CCC-	-	102.2
CDO 3	A2	2,640	-	1,196	1,444	CCC-	-	110.9
CDO 4	A1	1,709	-	549	1,160	CCC	-	143.9
		\$ 6,349	\$ -	\$ 3,317	\$ 3,032		\$ -	

(1)The Company utilized credit ratings provided by Moody's, S&P and Fitch in its evaluation of issuers.

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The following table presents a roll-forward of the balance of credit losses on the Company's debt securities for which a portion of OTTI was recognized in other comprehensive income for the three and nine months ended September 30, 2011.

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
	(In Thousands)	
Balance at beginning of period	\$ 1,059	\$ 1,093
Amounts related to credit for which OTTI losses were not previously recognized	-	-
Additional credit losses for which OTTI losses were previously recognized	-	-
Reduction for securities sold during the period (realized)	-	(34)
Balance at end of period	\$ 1,059	\$ 1,059

NOTE 4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

The composition of the Company's loan portfolio at September 30, 2011 and December 31, 2010 is as follows:

	September 30, 2011	December 31, 2010
	(In Thousands)	
Real estate loans:		
Residential - 1 to 4 family	\$ 255,816	\$ 270,923
Multi-family and commercial	150,969	160,015
Construction	13,353	6,952
Total real estate loans	420,138	437,890
Commercial business loans:		
SBA & USDA guaranteed	140,959	116,492
Other	27,385	26,310
Total commercial business loans	168,344	142,802
Consumer loans:		
Home equity	28,082	25,533
Other	2,730	3,167
Total consumer loans	30,812	28,700
Total loans	619,294	609,392
Deferred loan origination costs, net of fees	1,653	1,621
Allowance for loan losses	(5,218)	(4,799)
Loans receivable, net	\$ 615,729	\$ 606,214

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Allowance for Loan Losses

The following table summarizes the changes in the allowance for loan losses by portfolio segment for the three and nine months ended September 30, 2011 and 2010:

Three Months Ended September 30, 2011	Residential - 1 to 4 Family	Multi-family and Commercial	Construction	Commercial Business	Consumer	Total
(In Thousands)						
Balance at beginning of period	\$ 904	\$ 2,508	\$ 156	\$ 776	\$ 417	\$ 4,761
Provision (benefit) for loan losses	35	160	(107)	109	13	210
Loans charged-off	(22)	(26)	-	(16)	(1)	(65)
Recoveries of loans previously charged-off	-	15	265	31	1	312
Balance at end of period	\$ 917	\$ 2,657	\$ 314	\$ 900	\$ 430	\$ 5,218

Nine Months Ended September 30, 2011	Residential - 1 to 4 Family	Multi-family and Commercial	Construction	Commercial Business	Consumer	Total
(In Thousands)						
Balance at beginning of period	\$ 915	\$ 2,700	\$ 64	\$ 790	\$ 330	\$ 4,799
Provision for loan losses	313	-	49	123	125	610
Loans charged-off	(311)	(58)	(83)	(47)	(26)	(525)
Recoveries of loans previously charged-off	-	15	284	34	1	334
Balance at end of period	\$ 917	\$ 2,657	\$ 314	\$ 900	\$ 430	\$ 5,218

Multi-family Construction Commercial Consumer Total

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Three Months Ended September 30, 2010	Residential - 1 to 4 Family	and Commercial		Business		
(In Thousands)						
Balance at beginning of period	\$ 984	\$ 2,593	\$ 159	\$ 833	\$ 309	\$ 4,878
Provision (benefit) for loan losses	38	162	(13)	45	38	270
Loans charged-off	(114)	-	-	(33)	(16)	(163)
Recoveries of loans previously charged-off	-	11	-	-	-	11
Balance at end of period	\$ 908	\$ 2,766	\$ 146	\$ 845	\$ 331	\$ 4,996

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Nine Months Ended September 30, 2010	Residential - 1 to 4 Family	Multi-family and Commercial	Construction	Commercial Business	Consumer	Total
(In Thousands)						
Balance at beginning of period	\$ 1,028	\$ 2,443	\$ 221	\$ 906	\$ 293	\$ 4,891
Provision (benefit) for loan losses	137	531	(75)	19	80	692
Loans charged-off	(258)	(222)	-	(81)	(44)	(605)
Recoveries of loans previously charged-off	1	14	-	1	2	18
Balance at end of period	\$ 908	\$ 2,766	\$ 146	\$ 845	\$ 331	\$ 4,996

Further information pertaining to the allowance for loan losses at September 30, 2011 and December 31, 2010 is as follows:

September 30, 2011	Residential - 1 to 4 Family	Multi-family and Commercial	Construction	Commercial Business	Consumer	Total
(In Thousands)						
Allowance for loans individually evaluated for impairment	\$ 283	\$ 503	\$ -	\$ 118	\$ 14	\$ 918
Allowance for loans collectively evaluated for impairment	634	2,154	314	782	416	4,300
Total loan loss allowance	\$ 917	\$ 2,657	\$ 314	\$ 900	\$ 430	\$ 5,218
Loans individually evaluated for impairment	\$ 6,184	\$ 9,313	\$ -	\$ 929	\$ 332	\$ 16,758
Loans collectively evaluated for impairment	249,632	141,656	13,353	167,415	30,480	602,536
Total loans	\$ 255,816	\$ 150,969	\$ 13,353	\$ 168,344	\$ 30,812	\$ 619,294

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December 31, 2010	Residential - 1 to 4 Family	Multi-family and Commercial	Construction	Commercial Business	Consumer	Total
(In Thousands)						
Allowance for loans individually evaluated for impairment	\$ 212	\$ 290	\$ -	\$ -	\$ -	\$ 502
Allowance for loans collectively evaluated for impairment	703	2,410	64	790	330	4,297
Total loan loss allowance	\$ 915	\$ 2,700	\$ 64	\$ 790	\$ 330	\$ 4,799
Loans individually evaluated for impairment	\$ 3,768	\$ 6,169	\$ 82	\$ 116	\$ 51	\$ 10,186
Loans collectively evaluated for impairment	267,155	153,846	6,870	142,686	28,649	599,206
Total loans	\$ 270,923	\$ 160,015	\$ 6,952	\$ 142,802	\$ 28,700	\$ 609,392

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Impaired and Nonaccrual Loans

The following represents an aging of loans at September 30, 2011 and December 31, 2010:

September 30, 2011	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total 30 Days or More Past Due (In Thousands)	Current	Total Loans	Past Due 90 Days or More and Accruing
Real Estate:							
Residential - 1 to 4 family	\$ -	\$ 782	\$ 3,981	\$ 4,763	\$ 251,053	\$ 255,816	\$ -
Multi-family and commercial	1,565	1,011	2,250	4,826	146,143	150,969	-
Construction	-	-	-	-	13,353	13,353	-
Commercial Business:							
SBA & USDA guaranteed	2,516	119	-	2,635	138,324	140,959	-
Other	-	31	865	896	26,489	27,385	-
Consumer:							
Home equity	-	-	284	284	27,798	28,082	-
Other	29	-	-	29	2,701	2,730	-
Total	\$ 4,110	\$ 1,943	\$ 7,380	\$ 13,433	\$ 605,861	\$ 619,294	\$ -

December 31, 2010	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total 30 Days or More Past Due (In Thousands)	Current	Total Loans	Past Due 90 Days or More and Accruing
Real Estate:							
Residential - 1 to 4 family	\$ 2,387	\$ 1,291	\$ 2,364	\$ 6,042	\$ 264,881	\$ 270,923	\$ -
Multi-family and commercial	597	-	44	641	159,374	160,015	-
Construction	-	-	82	82	6,870	6,952	-
Commercial Business:							
	10,718	-	-	10,718	105,774	116,492	-

SBA & USDA							
guaranteed							
Other	-	-	46	46	26,264	26,310	-
Consumer:							
Home equity	25	50	-	75	25,458	25,533	-
Other	10	1	-	11	3,156	3,167	-
Total	\$ 13,737	\$ 1,342	\$ 2,536	\$ 17,615	\$ 591,777	\$ 609,392	\$ -

The Company reviews and establishes, if necessary, an allowance for certain impaired loans for the amount by which the present value of expected cash flows (or observable market price of loan or fair value of the collateral if the loan is collateral dependent) are lower than the carrying value of the loan. For the periods presented, the Company concluded that certain impaired loans required no valuation allowance as a result of management's measurement of impairment. No additional funds are committed to be advanced to those borrowers whose loans are impaired.

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The following is a summary of impaired loans and nonaccrual loans at September 30, 2011 and December 31, 2010:

	Recorded	Impaired Loans Unpaid Principal	Related	Nonaccrual
	Investment	Balance	Allowance	Loans
September 30, 2011				
		(In Thousands)		
Impaired loans without valuation allowance:				
Residential - 1 to 4 family	\$4,426	\$4,426	\$-	\$3,561
Multi-family and commercial	3,184	3,184	-	1,631
Commercial business - Other	699	784	-	699
Consumer - Home equity	232	232	-	232
Total impaired loans without valuation allowance	8,541	8,626	-	6,123
Impaired loans with valuation allowance:				
Residential - 1 to 4 family	1,758	1,758	283	1,758
Multi-family and commercial	6,129	6,129	503	1,220
Commercial business - Other	230	230	118	230
Consumer - Home equity	100	100	14	100
Total impaired loans with valuation allowance	8,217	8,217	918	3,308
Total impaired loans	\$16,758	\$16,843	\$918	\$9,431
December 31, 2010		Impaired Loans Unpaid Principal	Related	Nonaccrual
	Investment	Balance	Allowance	Loans
		(In Thousands)		
Impaired loans without valuation allowance:				
Residential - 1 to 4 family	\$3,212	\$3,212	\$-	\$2,345
Multi-family and commercial	1,513	1,513	-	853
Construction	82	990	-	82
Commercial business - Other	116	201	-	116
Consumer - Home equity	51	51	-	51
Total impaired loans without valuation allowance	4,974	5,967	-	3,447
Impaired loans with valuation allowance:				
Residential - 1 to 4 family	556	556	212	556
Multi-family and commercial	4,656	4,656	290	922
Total impaired loans with valuation allowance	5,212	5,212	502	1,478
Total impaired loans	\$10,186	\$11,179	\$502	\$4,925

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Additional information related to impaired loans is as follows:

	Three Months Ended September 30, 2011			Nine Months Ended September 30, 2011		
	Average Recorded Investment in Impaired Loans	Interest Income Recognized on Impaired Loans	Interest Income Received on Impaired Loans	Average Recorded Investment in Impaired Loans	Interest Income Recognized on Impaired Loans	Interest Income Received on Impaired Loans
	(In Thousands)					
Residential - 1 to 4 family	\$ 6,210	\$ 27	\$ 71	\$ 5,284	\$ 51	\$ 152
Multi-family and commercial	8,329	73	93	7,414	211	278
Construction	-	-	-	20	-	-
Commercial business - Other	490	-	2	287	-	2
Consumer - Home equity	234	-	2	117	-	2
Total	\$ 15,263	\$ 100	\$ 168	\$ 13,122	\$ 262	\$ 434

	Three Months Ended September 30, 2010			Nine Months Ended September 30, 2010		
	Average Recorded Investment in Impaired Loans	Interest Income Recognized on Impaired Loans	Interest Income Received on Impaired Loans	Average Recorded Investment in Impaired Loans	Interest Income Recognized on Impaired Loans	Interest Income Received on Impaired Loans
	(In Thousands)					
Residential - 1 to 4 family	\$ 2,739	\$ -	\$ 9	\$ 2,782	\$ 1	\$ 32
Multi-family and commercial	3,510	-	14	2,419	76	105
Construction	375	-	-	375	-	-
Commercial business - Other	295	2	1	177	3	5
Total	\$ 6,919	\$ 2	\$ 24	\$ 5,753	\$ 80	\$ 142

Credit Quality Information

The Company utilizes an eight grade internal loan rating system for all loans in the portfolio, with the exception of its purchased SBA and USDA commercial business loans that are fully guaranteed by the U.S. government, as follows:

- o Pass (Ratings 1-4): Loans in these categories are considered low to average risk.
- o Special Mention (Rating 5): Loans in this category are starting to show signs of potential weakness and are being closely monitored by management.
- o Substandard (Rating 6): Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Company will sustain some loss if the weakness is not corrected.
- o Doubtful (Rating 7): Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.
- o Loss (Rating 8): Loans in this category are considered uncollectible and of such little value that their continuance as loans is not warranted.

Management periodically reviews the ratings described above and the Company's internal audit function reviews components of the credit files, including the assigned risk ratings, of certain commercial loans as part of its loan review. Management incorporates these results into its audit process.

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The following table presents the Company's loans by risk rating at September 30, 2011 and December 31, 2010:

September 30, 2011	Real Estate Loans			Commercial Business		Consumer		Total Loans
	Residential - 1 to 4 Family	Multi-family and Commercial	Construction	SBA & USDA	Other	Home Equity	Other	
				(In Thousands)				
Not Rated	\$ -	\$ -	\$ -	\$ 140,959	\$ -	\$ -	\$ -	\$ 140,959
Pass	249,493	124,868	12,605	-	21,498	27,750	2,730	438,944
Special Mention	823	12,903	748	-	2,007	-	-	16,481
Substandard	5,500	13,198	-	-	3,849	332	-	22,879
Doubtful	-	-	-	-	31	-	-	31
Loss	-	-	-	-	-	-	-	-

1.44
%

171,169

1.44
%

109,787

1.70
%

Total interest-bearing liabilities

1,218,762

1.17
%

1,087,175

1.10
%

871,704

1.12

%

Noninterest-bearing deposits

22,899

25,198

22,265

Other noninterest-bearing liabilities

4,893

5,561

4,038

Total liabilities

1,246,554

1,117,934

898,007

Shareholders' equity

106,278

103,583

97,844

Total liabilities and shareholders' equity

\$
1,352,832

\$
1,221,517

\$
995,851

Interest rate spread¹

2.69
%

2.76
%

2.73
%

Net interest margin²

2.78
%

2.85
%

2.84
%

¹ Yield on total interest-earning assets minus cost of total interest-bearing liabilities

² Net interest income divided by total interest-earning assets (annualized)

Rate/Volume Analysis

The following table illustrates the impact of changes in the volume of interest-earning assets and interest-bearing liabilities and interest rates on net interest income for the periods indicated. The change in interest not due solely to volume or rate has been allocated in proportion to the absolute dollar amounts of the change in each.

(dollars in thousands)	Rate/Volume Analysis of Net Interest Income					
	Three Months Ended March 31, 2016 vs. December 31, 2015			Three Months Ended March 31, 2016 vs. March 31, 2015		
	Due to Changes in Volume		Rate	Due to Changes in Volume		Rate
	Net	Rate	Net	Rate	Net	Rate
Interest income						
Loans, including loans held-for-sale	\$ 734	\$ 165	\$ 899	\$ 2,698	\$ 101	\$ 2,799
Securities – taxable	65	37	102	325	122	447
Securities – non-taxable	26	2	28	165	—	165
Other earning assets	130	(60)	70	78	17	95
Total	955	144	1,099	3,266	240	3,506
Interest expense						
Interest-bearing deposits	302	181	483	769	166	935
Other borrowed funds	43	—	43	634	(430)	204
Total	345	181	526	1,403	(264)	1,139
Increase in net interest income	\$ 610	\$(37)	\$ 573	\$ 1,863	\$ 504	\$ 2,367

Net interest income for the first quarter 2016 was \$9.1 million, increasing \$2.4 million, or 34.9%, compared to \$6.8 million for the first quarter 2015. Net interest margin was 2.78% for the first quarter 2016 compared to 2.84% for the first quarter 2015. The increase in net interest income was primarily driven by an increase of \$356.4 million, or 36.8%, in the balance of average interest-earning assets for the first quarter 2016 compared to the first quarter 2015. The decline in net interest margin for the first quarter 2016 compared to the first quarter 2015, was driven primarily by an increase of 8 basis points (“bps”) in the cost of interest-bearing deposits.

The increase in net interest income for the first quarter 2016, as compared to the first quarter 2015, was the result of a \$3.5 million, or 38.2%, increase in total interest income to \$12.7 million for the first quarter 2016 from \$9.2 million for the first quarter 2015. The increase in total interest income was partially offset by a \$1.1 million, or 47.2%, increase in total interest expense to \$3.6 million for the first quarter 2016 from \$2.4 million for the first quarter 2015.

The increase in total interest income was due primarily to an increase in interest earned on loans resulting from an increase of \$239.9 million, or 30.7%, in the average balance of loans, including loans held-for-sale, as well as an increase in interest earned on securities resulting from an increase of \$79.8 million, or 55.0%, in the average balance of securities for the first quarter 2016 compared to the first quarter 2015. The increase in total interest income was also due to a 36 bps increase in the yield earned on the securities portfolio and a 5 bps increase in the yield earned on loans, including loans held-for-sale.

The increase in total interest expense was driven primarily by an increase in interest expense related to interest-bearing deposits as a result of a \$271.2 million, or 35.6%, increase in the average balance of interest-bearing deposits for the first quarter 2016 compared to the first quarter 2015, as well as an increase in the cost of funds relating to interest-bearing deposits of 8 bps. The increase in the cost of interest-bearing deposits was primarily due to

a 10 bps increase in the cost of certificates and brokered deposits as new certificates of deposits production in the first quarter 2016 was predominately in longer duration products with higher costs of funds. Interest expense related to other borrowed funds also contributed to the increase in total interest expense due to a \$75.8 million, or 69.1%, increase in the average balance of other borrowed funds for the first quarter 2016 compared to the first quarter 2015, partially offset by a decline of 26 bps in the cost of other borrowed funds. The increase in the average balance of other borrowed funds was primarily due to the Company's issuance of subordinated debt in 2015 as well as the increase in Federal Home Loan Bank advances since the first quarter 2015.

Noninterest Income

The following table presents noninterest income for the five most recent quarters.

(dollars in thousands)	Three Months Ended				
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Service charges and fees	\$200	\$ 193	\$ 202	\$193	\$ 176
Mortgage banking activities	2,254	1,805	2,095	2,214	2,886
(Loss) gain on asset disposals	(16)	40	(27)	(33)	(14)
Other	102	105	104	102	100
Total noninterest income	\$2,540	\$ 2,143	\$ 2,374	\$2,476	\$ 3,148

During the first quarter 2016, noninterest income totaled \$2.5 million, representing a decrease of \$0.6 million, or 19.3%, compared to \$3.1 million for the first quarter 2015. The decrease in noninterest income was driven by a decrease of \$0.6 million, or 21.9%, in mortgage banking activities resulting primarily from lower origination volumes.

Noninterest Expense

The following table presents noninterest expense for the five most recent quarters.

(dollars in thousands)	Three Months Ended				
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Salaries and employee benefits	\$3,898	\$ 3,460	\$ 3,446	\$ 3,787	\$ 3,578
Marketing, advertising and promotion	464	426	544	334	452
Consulting and professional services	638	674	544	564	592
Data processing	274	287	248	233	248
Loan expenses	184	172	97	181	181
Premises and equipment	798	759	676	691	642
Deposit insurance premium	180	170	163	160	150
Other	569	544	489	377	414
Total noninterest expense	\$7,005	\$ 6,492	\$ 6,207	\$ 6,327	\$ 6,257

Noninterest expense for the first quarter 2016 was \$7.0 million, compared to \$6.3 million for the first quarter 2015. The increase of 0.7 million, or 12.0%, compared to the first quarter 2015 was primarily due to an increase of \$0.3 million in salaries and employee benefits, an increase of \$0.2 million in premises and equipment and an increase of \$0.2 million in other expenses. The increase in salaries and employee benefits was attributable to increased staffing, including the hiring of seasoned operations, credit and lending personnel to assist in managing the Company's strong balance sheet growth. The increase in premises and equipment was due to the Company's build out of its corporate headquarters facility and further investments in software.

Financial Condition

The following table presents summary balance sheet data for the last five quarters.

(dollars in thousands)	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Balance Sheet Data:					
Total assets	\$1,527,719	\$ 1,269,870	\$ 1,166,170	\$ 1,104,645	\$ 1,035,677
Loans receivable	1,040,683	953,859	876,578	814,243	767,682
Securities available-for-sale	315,311	213,698	202,565	190,767	163,676

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Loans held-for-sale	29,491	36,518	27,773	29,872	27,584
Noninterest-bearing deposits	28,945	23,700	22,338	20,994	19,178
Interest-bearing deposits	1,214,233	932,354	877,412	835,509	801,991
Total deposits	1,243,178	956,054	899,750	856,503	821,169
Total shareholders' equity	107,830	104,330	102,912	99,908	99,362

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Total assets were \$1.5 billion at March 31, 2016, compared to \$1.3 billion at December 31, 2015, representing an increase of \$257.8 million, or 20.3%. The increase in total assets was due primarily to increases of \$101.6 million, or 47.5%, in securities available-for-sale, \$86.8 million, or 9.1%, in loans receivable and \$75.8 million, or 301.3%, in cash and cash equivalents, partially offset by a \$7.0 million, or 19.2%, decrease in loans held-for-sale.

Loan Portfolio Analysis

The following table provides a detailed listing of the Company's loan portfolio for the last five quarters.

(dollars in thousands)	March 31, 2016		December 31, 2015		September 30, 2015		June 30, 2015		March 31, 2015	
Commercial loans										
Commercial and industrial	\$106,431	10.2 %	\$102,000	10.7 %	\$89,762	10.2 %	\$89,316	11.0 %	\$83,849	11.0 %
Owner-occupied commercial real estate	47,010	4.5 %	44,462	4.7 %	42,117	4.8 %	39,405	4.8 %	38,536	5.0 %
Investor commercial real estate	14,756	1.4 %	16,184	1.7 %	17,483	2.0 %	20,163	2.5 %	18,491	2.4 %
Construction	52,591	5.1 %	45,898	4.8 %	30,196	3.4 %	20,155	2.5 %	26,847	3.5 %
Single tenant lease financing	445,534	42.8 %	374,344	39.2 %	329,149	37.6 %	279,891	34.4 %	227,229	29.6 %
Total commercial loans	666,322	64.0 %	582,888	61.1 %	508,707	58.0 %	448,930	55.2 %	394,952	51.5 %
Consumer loans										
Residential mortgage	208,636	20.1 %	214,559	22.5 %	209,507	23.9 %	207,703	25.5 %	215,910	28.1 %
Home equity	40,000	3.8 %	43,279	4.5 %	47,319	5.4 %	49,662	6.1 %	54,838	7.2 %
Other consumer	121,323	11.7 %	108,312	11.4 %	106,187	12.1 %	103,157	12.6 %	97,192	12.6 %
Total consumer loans	369,959	35.6 %	366,150	38.4 %	363,013	41.4 %	360,522	44.2 %	367,940	47.9 %
Deferred loan origination costs and premiums and discounts on purchased loans	4,402	0.4 %	4,821	0.5 %	4,858	0.6 %	4,791	0.6 %	4,790	0.6 %
Total loans receivable	1,040,683	100.0%	953,859	100.0%	876,578	100.0%	814,243	100.0%	767,682	100.0%
Allowance for loan losses	(9,220)		(8,351)		(7,671)		(7,073)		(6,378)	
Net loans receivable	\$1,031,463		\$945,508		\$868,907		\$807,170		\$761,304	

Total loans receivable as of March 31, 2016 were \$1.0 billion, increasing \$86.8 million, or 9.1%, compared to \$953.9 million as of December 31, 2015.

Total commercial loans increased \$83.4 million, or 14.3%, as of March 31, 2016, compared to December 31, 2015, due to increases of \$71.2 million, or 19.0%, in single tenant lease financing, \$6.7 million, or 14.6%, in construction, \$4.4 million, or 4.3%, in commercial and industrial and \$2.5 million, or 5.7%, in owner-occupied commercial real estate. These increases were partially offset by a decline of \$1.4 million, or 8.8%, in investor commercial real estate.

Total consumer loans increased \$3.8 million, or 1.0%, as of March 31, 2016, compared to December 31, 2015, due primarily to an increase of \$13.0 million, or 12.0%, in other consumer loans. This increase was partially offset by decreases of \$5.9 million, or 2.8%, in residential mortgages and \$3.3 million, or 7.6%, in home equity loans.

Asset Quality

Nonperforming loans are comprised of total nonaccrual loans and loans 90 days past due and accruing. Nonperforming assets include nonperforming loans, other real estate owned and other nonperforming assets, which consist of repossessed assets. The following table provides a detailed listing of the Company's nonperforming assets for the last five quarters.

(dollars in thousands)

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Nonaccrual loans					
Investor commercial real estate	\$—	\$ —	\$ —	\$—	\$ 83
Total commercial loans	—	—	—	—	83
Consumer loans:					
Residential mortgage	103	103	104	119	61
Other consumer	69	64	92	69	102
Total consumer loans	172	167	196	188	163
Total nonaccrual loans	172	167	196	188	246
Past Due 90 days and accruing loans					
Commercial loans					
Commercial and industrial	—	—	10	—	—
Total commercial loans	—	—	10	—	—
Consumer loans:					
Residential mortgage	195	—	—	—	—
Total consumer loans	195	—	—	—	—
Total past due 90 days and accruing loans	195	—	10	—	—
Total nonperforming loans	367	167	206	188	246
Other real estate owned					
Investor commercial real estate	4,488	4,488	4,488	4,488	4,488
Total other real estate owned	4,488	4,488	4,488	4,488	4,488
Other nonperforming assets	75	85	30	89	84
Total nonperforming assets	\$ 4,930	\$ 4,740	\$ 4,724	\$ 4,765	\$ 4,818
Total nonperforming loans to total loans receivable	0.04	% 0.02	% 0.02	% 0.02	% 0.03
Total nonperforming assets to total assets	0.32	% 0.37	% 0.41	% 0.43	% 0.47

Troubled Debt Restructurings

The following table provides a listing of troubled debt restructurings for the last five quarters.

(dollars in thousands)	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Troubled debt restructurings – nonaccrual	\$ —	\$ —	\$ —	\$—	\$ 5
Troubled debt restructurings – performing	1,100	1,115	1,134	1,150	1,164
Total troubled debt restructurings	\$ 1,100	\$ 1,115	\$ 1,134	\$ 1,150	\$ 1,169

The increase of \$0.2 million, or 4.0%, in total nonperforming assets as of March 31, 2016 compared to December 31, 2015 was due primarily to increases in loans 90 days past due and accruing and nonaccrual loans, slightly offset by a decrease in other nonperforming assets. Total nonperforming loans increased \$0.2 million, or 119.8%, to \$0.4 million as of March 31, 2016 compared to \$0.2 million as of December 31, 2015. Other nonperforming assets declined less than \$0.1 million, or 11.8%, as of March 31, 2016 compared to December 31, 2015. As a result, the ratio of nonperforming loans to total loans receivable increased slightly to 0.04% as of March 31, 2016 compared to 0.02% as of December 31, 2015, while the ratio of nonperforming assets to total assets improved to 0.32% as of March 31, 2016 compared to 0.37% as of December 31, 2015.

As of March 31, 2016 and December 31, 2015, the Company had one commercial property in other real estate owned with a carrying value of \$4.5 million. This property consists of two buildings which are residential units adjacent to a university campus. Improvements to the property have been made in collaboration with the university and the property continues to be occupied.

Allowance for Loan Losses

The following table provides a rollforward of the allowance for loan losses balance for the last five quarters.

(dollars in thousands)	Three Months Ended				
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Balance, beginning of period	\$8,351	\$ 7,671	\$ 7,073	\$6,378	\$ 5,800
Provision charged to expense	946	746	454	304	442
Losses charged off	(149)	(100)	(76)	(232)	(228)
Recoveries	72	34	220	623	364
Balance, end of period	\$9,220	\$ 8,351	\$ 7,671	\$7,073	\$ 6,378

The allowance for loan losses was \$9.2 million as of March 31, 2016, compared to \$8.4 million as of December 31, 2015. The increase of \$0.9 million, or 10.4%, was due primarily to the continued growth in commercial loan balances. During the first quarter 2016, the Company recorded net charge-offs of \$0.1 million, compared to net recoveries of \$0.1 million during the first quarter 2015. During the three months ended March 31, 2016, the net charge-offs were driven primarily by charge-offs of \$0.1 million in other consumer loans.

The allowance for loan losses as a percentage of total loans receivable increased to 0.89% as of March 31, 2016, compared to 0.88% as of December 31, 2015, and as a percentage of nonperforming loans decreased to 2,512.3% as of March 31, 2016, compared to 5,000.6% as of December 31, 2015. The increase in the allowance for loan losses as a percentage of total loans receivable was primarily driven by a \$0.8 million increase in the allowance related to total commercial loans at March 31, 2016 compared to December 31, 2015. Under the Company's allowance for loan losses methodology, commercial loans are assigned higher reserve factors than consumer loans. Commercial loan growth has continued to outpace consumer loan growth, and as of March 31, 2016, total commercial loans represented 64.0% of total loans receivable compared to 61.1% as of December 31, 2015. The combination of higher growth and higher reserve factors related to commercial loans resulted in the increased percentage of allowance for loan losses to total loans receivable.

Investment Securities

The following tables present the amortized cost and approximate fair value of our investment portfolio by security type for the last five quarters.

(dollars in thousands)

Amortized Cost	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Securities available-for-sale					
U.S. Government-sponsored agencies	\$ 60,511	\$ 38,093	\$ 36,006	\$ 27,993	\$ 28,238
Municipal securities	35,016	21,091	15,213	15,219	—
Mortgage-backed securities	177,337	113,948	109,645	107,055	112,401
Asset-backed securities	19,451	19,444	19,438	19,430	19,428
Corporate securities	20,000	20,000	20,000	20,000	—
Other securities	3,000	3,000	3,000	3,000	3,000
Total securities available-for-sale	\$ 315,315	\$ 215,576	\$ 203,302	\$ 192,697	\$ 163,067

Approximate Fair Value	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Securities available-for-sale					
U.S. Government-sponsored agencies	\$ 60,792	\$ 37,750	\$ 35,624	\$ 27,572	\$ 28,063
Municipal securities	35,639	21,469	15,224	14,779	—
Mortgage-backed securities	177,989	113,052	110,052	106,674	113,132
Asset-backed securities	18,892	19,361	19,423	19,452	19,457
Corporate securities	18,978	19,087	19,229	19,305	—
Other securities	3,021	2,979	3,013	2,985	3,024
Total securities available-for-sale	\$ 315,311	\$ 213,698	\$ 202,565	\$ 190,767	\$ 163,676

The approximate fair value of investment securities available-for-sale increased \$101.6 million, or 47.5%, to \$315.3 million as of March 31, 2016 compared to \$213.7 million as of December 31, 2015. The increase was due primarily to increases of \$64.9 million in mortgage-backed securities, \$23.0 million in U.S. Government-sponsored agencies and \$14.2 million in municipal securities. During the three month period ended March 31, 2016, the Company deployed funds generated through deposit growth to purchase additional securities to further diversify the securities portfolio and enhance net interest income while supporting liquidity and interest rate risk management. At March 31, 2016, the Company had \$8.1 million of municipal securities available-for-sale that were traded but had not settled. This obligation is recorded within accrued expenses and other liabilities on the condensed consolidated balance sheet.

Deposits

The following table presents the composition of the Company's deposit base for the last five quarters.

(dollars in thousands)	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015					
Noninterest-bearing deposits	\$28,945	2.3 %	\$23,700	2.5 %	\$22,338	2.5 %	\$20,994	2.5 %	\$19,178	2.3 %
Interest-bearing demand deposits	89,180	7.2 %	84,241	8.8 %	79,031	8.8 %	77,822	9.1 %	82,982	10.1 %
Regular savings accounts	27,279	2.2 %	22,808	2.4 %	26,316	2.9 %	24,405	2.8 %	23,367	2.8 %
Money market accounts	366,195	29.5 %	341,732	35.7 %	314,105	34.9 %	278,791	32.5 %	280,740	34.2 %

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Certificates of deposits	718,733	57.8 %	470,736	49.2 %	444,396	49.4 %	440,936	51.5 %	401,347	48.9 %
Brokered deposits	12,846	1.0 %	12,837	1.4 %	13,564	1.5 %	13,555	1.6 %	13,555	1.7 %
Total	\$1,243,178	100.0%	\$956,054	100.0%	\$899,750	100.0%	\$856,503	100.0%	\$821,169	100.0%

Total deposits increased \$287.1 million, or 30.0%, to \$1.2 billion as of March 31, 2016 as compared to \$956.1 million as of December 31, 2015. This increase was due primarily to increases of \$248.0 million, or 52.7%, in certificates of deposit, \$24.5 million, or 7.2%, in money market accounts, \$5.2 million, or 22.1%, in noninterest-bearing deposits, \$4.9 million, or 5.9%, in interest-bearing demand deposits and \$4.5 million, or 19.6%, in regular savings accounts. The increase in the balance of certificates of deposits during the first quarter 2016 was primarily due to the Company's concentrated efforts to capitalize on consumer demand for longer duration deposit products and to enhance liquidity and asset/liability management.

Capital

The Company and the Bank are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

The Basel III Capital Rules became effective for the Company and the Bank on January 1, 2015, subject to a phase-in period for certain provisions. Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the maintenance of minimum amounts and ratios of Common Equity Tier 1 capital, Tier 1 capital and Total capital, as defined in the regulations, to risk-weighted assets, and of Tier 1 capital to adjusted quarterly average assets ("Leverage Ratio").

When fully phased in on January 1, 2019, the Basel III Capital Rules will require the Company and the Bank to maintain: 1) a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 4.5%, plus a 2.5% "capital conservation buffer" (resulting in a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 7.0% upon full implementation); 2) a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0%, plus the capital conservation buffer (resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation); 3) a minimum ratio of Total capital to risk-weighted assets of 8.0%, plus the capital conservation buffer (resulting in a minimum Total capital ratio of 10.5% upon full implementation); and 4) a minimum Leverage Ratio of 4.0%.

The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and will be phased in over a four-year period increasing by increments of that amount on each subsequent January 1 until it reaches 2.5% on January 1, 2019. The capital conservation buffer is designed to absorb losses during periods of economic stress. Failure to maintain the minimum Common Equity Tier 1 capital ratio plus the capital conservation buffer will result in potential restrictions on a banking institution's ability to pay dividends, repurchase stock and/or pay discretionary compensation to its employees.

The following tables present actual and required capital ratios as of March 31, 2016 and December 31, 2015 for the Company and the Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels as of March 31, 2016 and December 31, 2015 based on the phase-in provisions of the Basel III Capital Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Capital Rules have been fully phased-in. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

	Actual		Minimum Capital Required - Basel III Phase-In Schedule		Minimum Capital Required - Basel III Fully Phased-In		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
(dollars in thousands)								
As of March 31, 2016:								
Common equity tier 1 capital to risk-weighted assets								
Consolidated	\$ 103,145	9.38 %	\$ 56,351	5.13 %	\$ 76,967	7.00 %	N/A	N/A
Bank	107,464	9.80 %	56,204	5.13 %	76,766	7.00 %	71,283	6.50 %
Tier 1 capital to risk-weighted assets								
Consolidated	103,145	9.38 %	72,844	6.63 %	93,460	8.50 %	N/A	N/A
Bank	107,464	9.80 %	72,654	6.63 %	93,216	8.50 %	87,733	8.00 %
Total capital to risk-weighted assets								
Consolidated	125,116	11.38 %	94,834	8.63 %	115,450	10.50 %	N/A	N/A
Bank	116,693	10.64 %	94,587	8.63 %	115,150	10.50 %	109,666	10.00 %
Leverage ratio								
Consolidated	103,145	7.65 %	53,942	4.00 %	53,942	4.00 %	N/A	N/A
Bank	107,464	7.98 %	53,847	4.00 %	53,847	4.00 %	67,309	5.00 %

	Actual		Minimum Capital Required - Basel III Phase-In Schedule		Minimum Capital Required - Basel III Fully Phased-In		Minimum Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
(dollars in thousands)								
As of December 31, 2015:								
Common equity tier 1 capital to risk-weighted assets								
Consolidated	\$ 100,839	10.11 %	\$ 44,881	4.50 %	\$ 69,815	7.00 %	N/A	N/A
Bank	104,434	10.50 %	44,768	4.50 %	69,639	7.00 %	64,664	6.50 %
Tier 1 capital to risk-weighted assets								
Consolidated	100,839	10.11 %	59,842	6.00 %	84,776	8.50 %	N/A	N/A
Bank	104,434	10.50 %	59,690	6.00 %	84,561	8.50 %	79,587	8.00 %
Total capital to risk-weighted assets								
Consolidated	122,190	12.25 %	79,789	8.00 %	104,723	10.50 %	N/A	N/A
Bank	112,785	11.34 %	79,587	8.00 %	104,458	10.50 %	99,484	10.00 %
Leverage ratio								
Consolidated	100,839	8.28 %	48,713	4.00 %	48,713	4.00 %	N/A	N/A
Bank	104,434	8.59 %	48,636	4.00 %	48,636	4.00 %	60,796	5.00 %

Shareholders' Dividends

The Company's Board of Directors declared a cash dividend for the first quarter 2016 of \$0.06 per share of common stock payable April 15, 2016 to shareholders of record as of March 31, 2016. The Company expects to continue to pay cash dividends on a quarterly basis; however, the declaration and amount of any future cash dividends will be subject to the sole discretion of the Board of Directors and will depend upon many factors, including its results of operations, financial condition, capital requirements, regulatory and contractual restrictions (including with respect to the Company's outstanding subordinated debt), business strategy and other factors deemed relevant by the Board of Directors.

During 2013, the Company issued a \$3.0 million subordinated debenture to a third party, and during 2015, the Company issued \$10.0 million in subordinated notes to a third party. The agreements under which the subordinated debenture and subordinated notes were issued prohibit the Company from paying any dividends on its common stock or making any other distributions to shareholders at any time when there shall have occurred and be continuing an event of default under the applicable agreement. If an event of default were to occur and the Company did not cure it, the Company would be prohibited from paying any dividends or making any other distributions to shareholders or from redeeming or repurchasing any common stock.

Capital Resources

While the Company believes it has sufficient liquidity and capital resources to meet its cash and capital expenditure requirements for at least the next twelve months, including any cash dividends it may pay, the Company intends to continue pursuing its growth strategy, which may require additional capital. If the Company is unable to secure such capital at favorable terms, its ability to execute its growth strategy could be adversely affected.

Liquidity

Liquidity management is the process used by the Company to manage the continuing flow of funds necessary to meet its financial commitments on a timely basis and at a reasonable cost while also maintaining safe and sound operations. Liquidity, represented by cash and investment securities, is a product of the Company's operating, investing and financing activities. The primary sources of funds are deposits, principal and interest payments on loans and investment securities, maturing loans and investment securities, access to wholesale funding sources and collateralized borrowings. While scheduled payments and maturities of loans and investment securities are relatively predictable sources of funds, deposit flows are greatly influenced by interest rates, general economic conditions and competition. Therefore, the Company supplements deposit growth and enhances interest rate risk management through borrowings, which are generally advances from the Federal Home Loan Bank.

The Company maintains cash and investment securities that qualify as liquid assets to maintain adequate liquidity to ensure safe and sound operations and meet our financial commitments. At March 31, 2016, on a consolidated basis, the Company had \$417.3 million in cash and cash equivalents, interest-bearing time deposits and investment securities available-for-sale and \$29.5 million in loans held-for-sale that were generally available for our cash needs. The Company can also generate funds from wholesale funding sources and collateralized borrowings. At March 31, 2016, the Bank had the ability to borrow an additional \$167.0 million in advances from the Federal Home Loan Bank and correspondent bank Fed Funds lines of credit.

The Company is a separate legal entity from the Bank and must provide for its own liquidity. In addition to its operating expenses, the Company is responsible for paying any dividends declared to its common stockholders and interest and principal on outstanding debt. The Company's primary sources of funds are cash maintained at the holding company level and dividends from the Bank, the payment of which is subject to regulatory limits. At March 31, 2016,

the Company, on an unconsolidated basis, had \$5.3 million in cash generally available for its cash needs, which is in excess of its current annual regular shareholder dividend and operating expenses.

The Company uses its sources of funds primarily to meet ongoing financial commitments, including withdrawals by depositors, credit commitments to borrowers, operating expenses and capital expenditures. At March 31, 2016, approved outstanding loan commitments, including unused lines of credit and standby letters of credit, amounted to \$129.3 million. Certificates of deposit scheduled to mature in one year or less at March 31, 2016 totaled \$341.7 million. Generally, the Company believes that a majority of maturing deposits will remain with the Bank.

Management is not aware of any other events or regulatory requirements that, if implemented, are likely to have a material effect on either the Company's or the Bank's liquidity.

Reconciliation of Non-GAAP Financial Measures

This Management's Discussion and Analysis contains financial information determined by methods other than in accordance with U.S. generally accepted accounting principles ("GAAP"). Non-GAAP financial measures, specifically tangible common equity, tangible assets, average tangible common equity, tangible book value per common share, return on average tangible common equity and tangible common equity to tangible assets are used by the Company's management to measure the strength of its capital and its ability to generate earnings on tangible capital invested by its shareholders. Although the Company believes these non-GAAP measures provide a greater understanding of its business, they should not be considered a substitute for financial measures determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the following table for the past five quarters.

(dollars in thousands, except share and per share data)	Three Months Ended				
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Total equity - GAAP	\$107,830	\$104,330	\$102,912	\$99,908	\$99,362
Adjustments:					
Goodwill	(4,687)	(4,687)	(4,687)	(4,687)	(4,687)
Tangible common equity	\$103,143	\$99,643	\$98,225	\$95,221	\$94,675
Total assets - GAAP	\$1,527,719	\$1,269,870	\$1,166,170	\$1,104,645	\$1,035,677
Adjustments:					
Goodwill	(4,687)	(4,687)	(4,687)	(4,687)	(4,687)
Tangible assets	\$1,523,032	\$1,265,183	\$1,161,483	\$1,099,958	\$1,030,990
Total common shares outstanding	4,497,284	4,481,347	4,484,513	4,484,513	4,484,513
Book value per common share	\$23.98	\$23.28	\$22.95	\$22.28	\$22.16
Effect of goodwill	(1.05)	(1.04)	(1.05)	(1.05)	(1.05)
Tangible book value per common share	\$22.93	\$22.24	\$21.90	\$21.23	\$21.11
Total shareholders' equity to assets ratio	7.06	% 8.22	% 8.82	% 9.04	% 9.59
Effect of goodwill	(0.29)	(0.34)	(0.36)	(0.38)	(0.41)
Tangible common equity to tangible assets ratio	6.77	% 7.88	% 8.46	% 8.66	% 9.18
Total average equity - GAAP	\$106,278	\$103,583	\$100,885	\$99,333	\$97,844
Adjustments:					
Average goodwill	(4,687)	(4,687)	(4,687)	(4,687)	(4,687)
Average tangible common equity	\$101,591	\$98,896	\$96,198	\$94,646	\$93,157
Return on average shareholders' equity	9.20	% 8.73	% 9.14	% 9.15	% 8.55
Effect of goodwill	0.43	% 0.41	% 0.44	% 0.45	% 0.43
Return on average tangible common equity	9.63	% 9.14	% 9.58	% 9.60	% 8.98

Critical Accounting Policies and Estimates

There have been no material changes in the Company's critical accounting policies or estimates from those disclosed in its Annual Report on Form 10-K for the year ended December 31, 2015.

Recent Accounting Pronouncements

Refer to Note 12 of the condensed consolidated financial statements.

Off-Balance Sheet Arrangements

In the ordinary course of business, the Company enters into financial transactions to extend credit and forms of commitments that may be considered off-balance sheet arrangements. The Company enters into forward contracts related to its mortgage banking business to hedge the exposures from commitments to extend new residential mortgage loans to customers and from our mortgage loans held-for-sale. At March 31, 2016 and December 31, 2015, the Company had commitments to sell residential real estate loans of \$83.0 million and \$42.7 million, respectively. These contracts mature in less than one year. The Company does not believe that off-balance sheet arrangements have had or are reasonably likely to have a material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, foreign exchange rates and equity prices. The primary source of market risk for the Company is interest rate risk. Interest rate risk is the risk to earnings and the value of the Company's equity resulting from changes in market interest rates and arises in the normal course of business to the extent that there are timing and volume differences between the amount of interest-earning assets and the amount of interest-bearing liabilities that are prepaid, withdrawn, re-priced or mature in specified periods. The Company seeks to achieve consistent growth in net interest income and equity while managing volatility arising from shifts in market interest rates.

The Company monitors its interest rate risk position using income simulation models and economic value of equity ("EVE") sensitivity analysis that capture both short-term and long-term interest rate risk exposure. Income simulation involves forecasting net interest income ("NII") under a variety of interest rate scenarios. The Company uses EVE sensitivity analysis to understand the impact of changes in interest rates on long-term cash flows, income and capital. EVE is calculated by discounting the cash flows for all balance sheet instruments under different interest-rate scenarios. Modeling the sensitivity of NII and EVE to changes in market interest rates is highly dependent on the assumptions incorporated into the modeling process. The Company continually reviews and refines the assumptions used in its interest rate risk modeling.

Presented below is the estimated impact on the Company's NII and EVE position as of March 31, 2016, assuming parallel shifts in interest rates:

	% Change from Base Case for Parallel Changes in Rates		
	-100 Basis Points ¹	+100 Basis Points	+200 Basis Points
NII - next twelve months	(1.40)%	3.35 %	7.18 %
EVE	(2.67)%	(3.94)%	(5.84)%

¹ Because certain current interest rates are at or below 1.00%, the 100 basis point downward shock assumes that certain corresponding interest rates approach an implied floor that, in effect, reflects a decrease of less than the full 100 basis point downward shock.

The Company's objective is to manage the balance sheet with a bias toward asset sensitivity while simultaneously balancing the potential earnings impact of this strategy. A "risk-neutral" position refers to the absence of a strong bias toward either asset or liability sensitivity. An "asset sensitive" position refers to when the characteristics of the balance sheet are expected to generate higher net interest income when interest rates, primarily short-term rates, increase as rates earned on interest-earning assets would reprice upward more quickly or in greater quantities than rates paid on interest-bearing liabilities would reprice. A "liability sensitive" position refers to when the characteristics of the balance sheet are expected to generate lower net interest income when short-term interest rates increase as rates paid on interest-bearing liabilities would reprice upward more quickly or in greater quantities than rates earned on

interest-earning assets.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information it is required to disclose in reports that it files or submits under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized, and reported within the time period specified in SEC rules and forms. These controls and procedures are also designed to ensure that such information is accumulated and communicated to management, including the principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating disclosure controls and procedures, the Company has recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Management is required to apply judgment in evaluating its controls and procedures.

The Company performed an evaluation under the supervision and with the participation of management, including the principal executive and principal financial officers, to assess the effectiveness of the design and operation of its disclosure controls and procedures under the Exchange Act. Based on that evaluation, the principal executive and principal financial officers concluded that the disclosure controls and procedures were effective as of March 31, 2016.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company’s internal control over financial reporting during the three months ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company is not party to any material legal proceedings. From time to time, the Bank is a party to legal actions arising from its normal business activities.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A, of the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Under our 2013 Equity Plan, employees may elect for the Company to withhold shares to satisfy minimum statutory federal, state, and local tax withholding obligations arising from the vesting of equity awards, including restricted stock awards. The following table provides information with respect to shares withheld by the Company to satisfy these obligations to the extent employees elected for the Company to withhold such shares. These repurchases were not part of any publicly announced stock repurchase program.

Period	Total Number of Shares Purchased	Average Price Paid Per Share
January 1 to January 31, 2016	555	\$28.69
February 1 to February 29, 2016	—	—
March 1 to March 31, 2016	1,760	23.37
Total	2,315	\$24.65

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Unless otherwise indicated, all documents incorporated into this quarterly report on Form 10-Q by reference to a document filed with the SEC pursuant to the Exchange Act are located under SEC file number 1-35750.

Exhibit No.	Description
3.1	Articles of Incorporation of First Internet Bancorp (incorporated by reference to Exhibit 3.1 to registration statement on Form 10 filed November 30, 2012)
3.2	Amended and Restated Bylaws of First Internet Bancorp, as amended March 18, 2013 (incorporated by reference to Exhibit 3.2 to annual report on Form 10-K for the year ended December 31, 2012)
10.1	2016 Senior Executive Cash Incentive Plan
10.2	Form of Director Restricted Stock Award Agreement under 2013 Equity Incentive Plan
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certifications
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST INTERNET BANCORP

Date: 5/4/2016 By /s/ David B. Becker
David B. Becker,
Chairman, President and Chief Executive Officer

Date: 5/4/2016 By /s/ Kenneth J. Lovik
Kenneth J. Lovik,
Senior Vice President and Chief Financial Officer (Principal Financial
Officer)

EXHIBIT INDEX

Exhibit No.	Description	Method of Filing
3.1	Articles of Incorporation of First Internet Bancorp	Incorporated by Reference
3.2	Amended and Restated Bylaws of First Internet Bancorp, as amended March 18, 2013	Incorporated by Reference
10.1	2016 Senior Executive Cash Incentive Plan	Filed Electronically
10.2	Form of Director Restricted Stock Award Agreement under 2013 Equity Incentive Plan	Filed Electronically
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	Filed Electronically
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed Electronically
32.1	Section 1350 Certifications	Filed Electronically
101.INS	XBRL Instance Document	Filed Electronically
101.SCH	XBRL Taxonomy Extension Schema	Filed Electronically
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed Electronically
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed Electronically
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed Electronically
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed Electronically