

SI Financial Group, Inc.
Form FWP
January 04, 2011

Second Step Conversion and Offering
January 2011
Issuer Free Writing Prospectus
Filed Pursuant to Rule 433
Registration Statement No. 333-169302

Legal Disclaimers

This presentation is for informational purposes only and does not constitute an offer to sell nor a solicitation of an offer to buy shares of common stock of SI Financial Group, Inc. The offer is made only by the prospectus.

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Please refer to the prospectus dated November 10, 2010.

SI Financial Group, Inc. has filed a registration statement (including a prospectus) with the Securities and Exchange Commission (SEC) for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents

for
free
by
visiting
EDGAR
on
the
SEC

Web
site
at

www.sec.gov.

Alternatively,

the
issuer,

any underwriter or any dealer participating in the offering will
arrange to send you the prospectus if you
request it by calling toll-free at (877) 643-8198.

The shares of common stock of SI Financial Group, Inc. are not deposits or savings accounts and are not
insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Forward Looking Statements

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This presentation contains forward-looking statements, which can be identified by the use of words such as believes, expect, anticipate, intend, or similar expressions. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

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

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- changes in the interest rate environment that reduce our margins or reduce fair value of financial instruments;
- increased competitive pressures among financial services companies;
- changes in consumer spending, borrowing and savings habits;
- legislative or regulatory changes that adversely affect our business;
- adverse changes in the securities and credit markets; and
- changes in accounting policies and practices, as may be adopted by bank regulatory agencies or the Financial Accounting Standards Board.

Any of the forward-looking statements that we make in this presentation and in other public statements we make may later prove to be incorrect due to various assumptions, the factors illustrated above or other factors that we cannot foresee. Consequently, no forward-looking statement should be relied upon as a guarantee of future performance.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. Please see Risk Factors beginning on page 17 of the prospectus.

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\$52.4 million

(3)

Subscription & Community Results:

1.5%

Dividend Yield:

0.9006x

(4)

Exchange Ratio:

Stifel Nicolaus Weisel

Bookrunner:

Week of January 10, 2011

Expected Close / Pricing:

\$1.5 million individual / 5.0% group

Maximum Purchase Limitations:

(Individual / Group)

\$84.9 million

(4)

Pro Forma Market Cap:

\$44.6 million -

\$69.4 million

(2)

Gross Proceeds:

5,578,125

8,678,906

(2)

Shares Offered:

\$8.00

Price Per Share:

Nasdaq Global Market / SIFI

(1)

Listing / Ticker:

SI Financial Group, Inc.

Issuer:

Offering Summary

(1)

Shares currently trade on the Nasdaq Global Market. For the first 20 trading days after the closing, shares will trade under the s

(2)

Based on the range from the minimum to the adjusted maximum of the independent valuation appraisal. Based on offer price o

(3)

Includes shares sold to Savings Institute s ESOP and 401(k).

(4)

Based on the midpoint of the independent valuation appraisal. Based on offer price of \$8.00 per share.

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Second Step Conversion Mechanics

SI Bancorp, MHC

(owns 61.9% of
common stock)

Public Stockholders

(own 38.1% of common stock)

Current Structure

Public Stockholders

(own 100% of common stock)

Post Second Step Structure

Savings Institute Bank
and Trust Company

SI Financial Group, Inc.

Savings Institute Bank
and Trust Company

SI Financial Group, Inc.

Company Overview

Company History

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Headquartered in Willimantic, CT

Established in 1842

Total assets in 1995: \$252 million

Experienced Management Team

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Savings Institute's management team is comprised of experienced individuals that have operated through various credit cycles and have executed the Bank's growth strategy

Savings Institute expects that its management team and board of directors will purchase approximately 22,850 shares in the offering

Following the conversion management and the board of directors are expected to own 291,918 shares of common stock, which equals 2.8% of the outstanding shares*

Mr. Brouillard and Mr. Hull are the 2 largest management shareholders, expected following the conversion to own 72,067 and 47,484 shares, respectively

* Assumes conversion and offering at the midpoint of the offering range.

Name

Position

Years of

Experience

Years with

Savings Institute

Rheo A. Brouillard

Director, President and Chief Executive Officer

34

15

Brian J. Hull

Chief Financial Officer and Treasurer

24

13

David T. Weston

Senior Vice President and Senior Trust Officer

23

6

William E. Anderson

Senior Vice President and Retail Banking Officer

18

15

Laurie L. Gervais

Senior Vice President and Director of Human Resources

27

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Michael J. Moran

Senior Vice President and Senior Credit Officer

30

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Company Profile

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* At the midpoint of the offering range.

Headquartered in Willimantic, CT, SI
Financial reorganized to a two-tier
mutual holding company in 2000 and sold
a minority interest in 2004

As of September 30, 2010:

Total assets: \$890.3 million

Pro forma market cap: \$84.9 million*

Number of banking offices: 21

Number of full-time employees: 241

Number of part-time employees: 31

Market Area Overview

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Savings Institute operates 21 full-service community banking locations in Windham, New London, Tolland, Hartford and Middlesex counties in Connecticut

30 miles east of Hartford, Connecticut

Diverse economy primarily oriented to the educational, service, entertainment, manufacturing and retail industries. Largest employers include:

The Mohegan Sun and Foxwoods casinos

General Dynamics Defense Systems

Pfizer, Inc.

Several institutions of higher education (University of Connecticut, Eastern Connecticut State University, Mitchell College, Connecticut College)

Small to mid-sized businesses generally support the local economies

During the current economic downturn Savings Institute's primary market area has remained a relatively stable banking market

Since 2000 primary market's population has grown by approximately 7.1% versus 3.8% for Connecticut

In the 5 counties Savings Institute maintains branches median household income levels ranged from \$56,000 to \$75,000 versus \$68,000 for Connecticut and \$51,000 for the U.S.

Market Area Presence

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Savings Institute is among the top 10 banks by market share in 3 of the 5 counties

in which it does business

Source: FDIC. Data as of 6/30/10.

(1) Market presence for First Niagara shown pro forma for pending New Alliance acquisition.

Windham, CT

Tolland, CT

Rank

Institution

Branches

Deposits

(\$000s)

Market

Share

Rank

Institution

Branches

Deposits

(\$000s)

Market

Share

1

SI Financial Group Inc. (MHC) (CT)

7

\$286,031

20.7%

1

First Niagara Finl Group (NY) (1)

12

\$644,286

29.9%

2

PSB Holdings Inc. (MHC) (CT)

5

278,902

20.2

2

Rockville Financial Inc. (MHC) (CT)

8

556,090

25.6

3

Citizens National Bancorp (CT)

5

176,751

12.8

3

Bank of America Corp. (NC)

5

230,925

10.6

4

Bank of America Corp. (NC)

4

164,942

11.9

4

People's United Financial Inc. (CT)

4

196,932

9.1

5

First Niagara Finl Group (NY) (1)

5

154,691

11.2

5
Stafford Savings Bank (CT)
3
151,559
7.0
6
Liberty Bank (CT)
2
125,369
9.1
6
SI Financial Group Inc. (MHC) (CT)
3
122,134
5.6
7
Jewett City Savings Bank (CT)
3
92,172
6.7
7
Webster Financial Corp. (CT)
2
91,965
4.2
8
People's United Financial Inc. (CT)
3
56,357
4.1
8
Liberty Bank (CT)
1
78,527
3.6
9
Royal Bank of Scotland Group
1
33,914
2.5
9
Toronto-Dominion Bank
1
39,846
1.8
10
Eastern Federal Bank (CT)
1
13,357
1.0

10
 New England Bancshares (CT)
 1
 23,006
 1.1
 Total For Institutions In Market
 36
 \$1,382,486
 Total For Institutions In Market
 42
 \$2,171,405
 New London, CT
 Rank
 Institution
 Branches
 Deposits
 (\$000s)
 Market
 Share
 1
 Royal Bank of Scotland Group
 14
 \$858,595
 20.6%
 2
 Chelsea Groton Bank (CT)
 14
 634,610
 15.2
 3
 People's United Financial Inc. (CT)
 12
 545,719
 13.1
 4
 Liberty Bank (CT)
 9
 468,258
 11.2
 5
 Bank of America Corp. (NC)
 10
 435,322
 10.4
 6
 Dime Bank (CT)
 10
 433,400
 10.4
 7

SI Financial Group Inc. (MHC) (CT)

8

203,022

4.9

8

Eastern Federal Bank (CT)

3

109,173

2.6

9

Jewett City Savings Bank (CT)

2

101,468

2.4

10

Webster Financial Corp. (CT)

3

84,697

2.0

Total For Institutions In Market

95

\$4,168,798

Reasons for the Conversion

Why Now?

Optimizing future growth opportunities

Continue to execute proven business model

Consolidation opportunities in current and new markets

Support organic growth through community-oriented focus

Enhance existing products and services

Provide new products and services

Improve capital strength in a difficult economic and regulatory environment

Minimize regulatory uncertainty

Improve shareholder returns

Fully public structure provides increased structural flexibility

in an uncertain

regulatory environment

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Business Strategy

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Continue community oriented focus by offering a full range of financial products and services to its customers

Grow through acquisition opportunities in areas in or adjacent to existing market area

Actively manage the balance sheet and diversify the asset mix

Prudently increase percentage of assets consisting of multi-family, commercial real estate and commercial business loans

Continue conservative underwriting practices and maintain a high quality loan

portfolio

Increase core deposits by emphasizing demand, savings and money market accounts

Supplement noninterest income through expanded mortgage banking operations and existing wealth management operations

Acquisition Opportunities

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In Connecticut, Rhode Island and Massachusetts there are approximately 26 public and private banks and thrifts with assets between \$100 million and \$500 million

11 are de novo

4 have TARP outstanding

2 have Texas ratios of greater than 50%*

On a selective basis Savings Institute would consider expanding into contiguous or near-contiguous markets via:

Whole bank acquisitions

Branch acquisitions

FDIC assisted transactions

* Texas ratio defined as nonperforming assets, accruing restructured debt and accruing loans 90+ days past due divided by tang

Financial Highlights

Franchise Growth

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Savings Institute has grown organically and through acquisitions, resulting in an asset CAGR since 2005 of 5.5%

Since 2005 has acquired 2 branches, opened 4 branches and relocated or renovated 6 existing branches, expanding market presence in Tolland, New London, Hartford and Middlesex counties

Total Assets (\$000s)

\$691,868

\$757,037

\$790,198

\$853,122

\$872,354

\$890,318

\$0

\$200,000

\$400,000

\$600,000

\$800,000

\$1,000,000

2005

2006

2007

2008

2009

9/30/2010

Diversified Loan Portfolio

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Savings Institute has diversified its portfolio mix by increasing commercial real estate, multifamily and commercial business lending while maintaining prudent underwriting practices

Increased focus on SBA and USDA guaranteed commercial lending

At September 30, 2010

Total Loans: \$608.0 million

At December 31, 2005

Total Loans: \$516.4 million

Other loans consist of home equity (4%) and other consumer (1%).

1-4 Family

Residential

52%

Other

Commercial

4%

Construction

9%

SBA and USDA

Guaranteed

Commercial

11%

Other
5%
Multifamily and
CRE
19%
1-4 Family
Residential
46%
Multifamily and
CRE
27%
Other
5%
SBA and USDA
Guaranteed
Commercial
16%
Construction
2%
Other
Commercial
4%

Asset Quality Trends

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Savings Institute has maintained high asset quality with solid reserve coverage

Aggressive early recognition of nonperforming loans

NPAs and TDRs/Assets

Peer group comprised of all publicly traded banks and thrifts in

Connecticut. Operating data as of 9/30/10.

0.18%

0.24%

0.30%

0.70%

1.30%

1.78%

0.09%

0.19%

1.09%

1.10%
0.77%
1.01%
0.00%
0.25%
0.50%
0.75%
1.00%
1.25%
1.50%
1.75%
2.00%
2005Y
2006Y
2007Y
2008Y
2009Y
9/30/2010
Peer Median
Savings Institute
2005
2006
2007
2008
2009
9/30/2010
Total Nonperforming Loans
\$240
\$1,392
\$7,632
\$9,328
\$3,007
\$4,208
Other Real Estate Owned
325
0
913
0
3,680
2,256
Total Nonperforming Assets
\$565
\$1,392
\$8,545
\$9,328
\$6,687
\$6,464
Accruing Troubled Debt Restructurings
74
72

71
69
67
2,561
Total NPAs and TDRs
\$639
\$1,464
\$8,616
\$9,397
\$6,754
\$9,025
NPLs/Loans
0.05%
0.24%
1.29%
1.50%
0.49%
0.68%
NPLs/Assets
0.03
0.18
0.97
1.09
0.34
0.47
NPAs and TDRs/Assets
0.09
0.19
1.09
1.10
0.77
1.01
Reserves/Loans
0.71
0.76
0.89
0.97
0.80
0.81
Reserves/NPLs
1,529.6
313.6
68.7
64.8
162.7
118.7

Securities Portfolio

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Savings Institute maintains a diversified securities portfolio totaling \$173 million as of September 30, 2010

Savings Institute has previously taken \$1.2 million in OTTI charges on 3 pooled trust preferred securities

Savings Institute performs impairment analyses on its securities portfolio quarterly

As of September 30, 2010 investments below investment grade consisted of pooled trust preferred securities with a book value of \$7.0 million and a fair value of \$4.7 million and non-agency

MBS

with

a

book

value

of
\$3.9
million
and
a
fair
value
of
\$3.6
million
September 30, 2010
(1)

Other securities consist of Non-Agency MBS
HELOC (1.9%),
Tax Exempt Debt (0.1%), Foreign Government Debt (0.1%)
and Equity Securities (0.6%)

Other (1)
3%
USG and Agency
Obligations
14%
Corporate Debt
9%
Agency MBS -
Residential
54%
Non-Agency MBS
- Residential
7%
State and
Municipal Debt
3%
CDOs (TRuPs)
2%
GSE Debt
Obligations
8%

Improving Deposit Mix

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Savings Institute has grown deposits and emphasized the growth of core deposits through investments to its branch network, new product offerings and attracting commercial deposits from small and medium size businesses

As of 9/30/2010 time deposits included approximately \$4.4 million in brokered deposits

Since

2005

total

deposits

and

non-time

deposits

have

grown

at
CAGRs
of
6.1%
and
7.6%,
respectively
Total deposits exclude mortgagors
and investors
escrow accounts.

\$244,251

\$278,632

\$273,897

\$314,811

\$311,309

\$299,679

\$265,046

\$260,044

\$274,438

\$305,840

\$347,478

\$374,619

\$0

\$100,000

\$200,000

\$300,000

\$400,000

\$500,000

\$600,000

\$700,000

2005

2006

2007

2008

2009

9/30/2010

Time Deposits

Non-Time Deposits

Cost of

Interest

Bearing

Deposits

1.98%

2.74%

3.19%

2.85%

2.25%

1.62%

Core Profitability

21

Since 2005 Savings Institute has been profitable every year, after excluding the following events:

2009 FDIC special assessment of \$393,000

2008 write down on securities of \$7.1 million

As provision for loan losses expense returns closer to historical levels net income has improved

Dollars in Thousands

3,397

2,778

1,412

1,713

690

2,725

\$0

\$1,000

\$2,000

\$3,000

\$4,000

\$5,000

\$6,000

2005

2006

2007

2008*

2009*

9 Months Ended 9/30/2010

Annualized

Net Income

* Excludes events as noted above.

Strong Capital Profile

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* Assumes offering completed at the midpoint of the offering range.

(1) Represents bank level data.

Through internal capital generation Savings Institute has remained well capitalized throughout the current economic crisis

On a pro forma basis, Savings Institute will continue to have a strong capital base for growth and execution of its business plan

As of June 30, 2010

Regulatory

Minimum

Actual

Pro Forma

for Offering*

Tangible Common Equity

NA

8.08%

10.56%

Leverage (1)

5.00%

8.08

10.56

Tier 1 (1)

6.00

13.91

18.61

Total Risk Based Capital (1)

10.00

14.84

19.49

Stock Buybacks and Dividends

23

Since completing first step of the conversion in December 2004, SI Financial has repurchased approximately 775,000 shares

Approximately 15.4% of original offering

Between March 2005 and November 2010 SI Financial has paid stockholders a total of \$0.69 in quarterly dividends

Quarterly dividend was suspended in January 2009 in order to preserve capital

With improving earnings outlook, quarterly dividend of \$0.03 reinstated in May 2010

Following completion of 2

nd

Step Conversion SI Financial plans to pay initial quarterly dividends of \$0.03 or \$0.12 per annum, resulting in an annual dividend

yield of 1.50% based on the \$8.00 per share offering price*

* The rate of such dividends will be in the discretion of the board of directors and will depend upon a number of factors. No assurance is given that the company will pay dividends or that they will not be reduced in the future.

Use of Proceeds

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To finance the possible acquisition of financial institutions or related businesses in or adjacent to the existing market area

To pay dividends to shareholders

To repurchase shares of outstanding common stock

For general corporate purposes

To fund new loans

To invest in securities

To finance the possible expansion of its business activities

For general corporate purposes

Possible Uses of Proceeds for

SI Financial Group

Possible Uses of Proceeds for

Savings Institute

Investment Merits

Community-oriented bank with experienced management team

Managed company through different credit cycles

Executed various bank and non-bank acquisitions

Strong asset quality track record and reserve coverage levels

Strong core deposit base

Diversified loan portfolio

Internal and external growth opportunities post-transaction

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Offering Overview

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Pro forma metrics (based on the appraisal prepared by RP Financial)

As of or for the Six Months Ended June 30, 2010

(\$000s)

Midpoint

Shares Offered

6,562,500

Exchange Shares

4,044,071

Total Shares Outstanding

10,606,571

Pro Forma Market Capitalization

\$84,853
Gross Proceeds of Stock Offering
52,500
Estimated Net Proceeds, as Adjusted
43,945
Exchange Ratio
0.9006x
Implied Price
\$7.20
Pro Forma Net Income
1,179
Pro Forma Net Income Per Share
\$0.12
Pro Forma Shareholders' Equity
125,270
Pro Forma Tang. Shareholders' Equity
121,091
Pro Forma Tang. Shareholders' Equity/Tang. Assets
13.03%
Pro Forma Shareholders' Equity Per Share
\$11.81
Pro Forma Tang. Shareholders' Equity Per Share
\$11.42
Price/Pro Forma Net Income Per Share
33.3x
Price/Pro Forma Shareholders' Equity Per Share
67.7%
Price/Pro Forma Tang. Shareholders' Equity Per Share
70.1%
Based on a \$8.00 offering price

Valuation Overview

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Compared to the peer group prepared by RP Financial, SI Financial's valuation represents a discount of 32.9% at the midpoint of the offering range on a price to tangible book value basis

Midpoint

Appraisal Peer

Group Median

Price/Book Value

67.74%

102.12%

Price/Tangible Book Value

70.05%

104.45%

Price/Earnings

33.3x

14.5x

Market Capitalization (\$MM)

\$84.9

\$82.6

Appraisal peer group comprised of BFED, CEBK, ESBF, ESSA, HARL, HIFS, NHTB, THRD, UBNK and WFD. Market data median based on LTM earnings.