

SI Financial Group, Inc.  
Form 10-Q  
August 08, 2012

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 June 30, 2012

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 80-0643149  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

803 Main Street, Willimantic, Connecticut 06226  
(Address of principal executive offices) (Zip Code)

(860) 423-4581  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large Accelerated Filer  Accelerated Filer

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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 August 3, 2012, there were 10,159,972 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)

	June 30, 2012	December 31, 2011
<b>ASSETS:</b>		
Cash and due from banks:		
Noninterest-bearing	\$16,367	\$13,980
Interest-bearing	25,820	34,432
Total cash and cash equivalents	42,187	48,412
Available for sale securities, at fair value	206,096	230,814
Loans held for sale	2,926	5,558
Loans receivable (net of allowance for loan losses of \$5,644 at June 30, 2012 and \$4,970 at December 31, 2011)	656,523	618,626
Federal Home Loan Bank stock, at cost	8,078	8,388
Bank-owned life insurance	8,918	9,012
Premises and equipment, net	11,838	12,651
Goodwill and other intangibles	3,456	4,105
Accrued interest receivable	3,276	3,539
Deferred tax asset, net	3,961	4,614
Other real estate owned, net	598	976
Prepaid FDIC deposit insurance assessment	1,615	1,974
Other assets	7,741	6,378
Total assets	\$957,213	\$955,047
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Liabilities:		
Deposits:		
Noninterest-bearing	\$93,739	\$85,958
Interest-bearing	620,221	615,968
Total deposits	713,960	701,926
Mortgagors' and investors' escrow accounts	2,499	3,291
Federal Home Loan Bank advances	93,069	100,069
Junior subordinated debt owed to unconsolidated trust	8,248	8,248
Accrued expenses and other liabilities	11,568	10,996
Total liabilities	829,344	824,530
Shareholders' Equity:		
Preferred stock (\$.01 par value; 1,000,000 shares authorized; none issued)	—	—
Common stock (\$.01 par value; 35,000,000 shares authorized; 10,576,849 shares issued; 10,161,876 and 10,576,302 shares outstanding at June 30, 2012 and December 31, 2011, respectively)		106
Additional paid-in-capital	94,691	94,612
Unallocated common shares held by ESOP	(5,328)	(5,568)
Unearned restricted shares	(32)	(38)

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Retained earnings	42,559	42,085	
Accumulated other comprehensive income (loss)	598	(675	)
Treasury stock, at cost (414,973 and 547 shares at June 30, 2012 and December 31, 2011, respectively)	(4,725	) (5	)
Total shareholders' equity	127,869	130,517	
Total liabilities and shareholders' equity	\$957,213	\$955,047	

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		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Interest and dividend income:				
Loans, including fees	\$7,422	\$7,806	\$15,057	\$15,714
Securities:				
Taxable interest	1,434	1,738	2,991	3,299
Tax-exempt interest	—	1	1	2
Dividends	10	23	26	43
Other	12	16	24	46
Total interest and dividend income	8,878	9,584	18,099	19,104
Interest expense:				
Deposits	1,515	1,892	3,110	3,789
Federal Home Loan Bank advances	816	956	1,665	1,968
Subordinated debt	61	84	168	167
Total interest expense	2,392	2,932	4,943	5,924
Net interest income	6,486	6,652	13,156	13,180
Provision for loan losses	432	190	916	400
Net interest income after provision for loan losses	6,054	6,462	12,240	12,780
Noninterest income:				
Total other-than-temporary impairment losses on securities	—	—	(409	) —
Portion of losses recognized in other comprehensive income	—	—	373	—
Net impairment losses recognized in earnings	—	—	(36	) —
Service fees	1,221	1,211	2,431	2,391
Wealth management fees	343	1,051	1,410	2,117
Increase in cash surrender value of bank-owned life insurance	70	71	142	143
Net gain on sale of securities	257	183	574	218
Mortgage banking	398	133	677	302
Net (loss) gain in fair value on trading securities and derivatives	(152	) 181	(201	) 208
Net loss on disposal of SI Trust Servicing operations	(212	) —	(698	) —
Other	401	66	788	166
Total noninterest income	2,326	2,896	5,087	5,545
Noninterest expenses:				
Salaries and employee benefits	4,016	4,232	8,254	8,376
Occupancy and equipment	1,332	1,388	2,818	2,923
Computer and electronic banking services	896	987	1,889	1,943
Outside professional services	313	314	677	581
Marketing and advertising	220	241	372	401
Supplies	91	132	228	267

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FDIC deposit insurance and regulatory assessments	220	303	492	608
Contribution to SI Financial Group Foundation	—	—	—	500
Other	469	713	1,177	1,424
Total noninterest expenses	7,557	8,310	15,907	17,023
Income before income tax provision	823	1,048	1,420	1,302
Income tax provision	153	341	347	386
Net income	\$670	\$707	\$1,073	\$916
Earnings per share:				
Basic	\$0.07	\$0.07	\$0.11	\$0.09
Diluted	\$0.07	\$0.07	\$0.11	\$0.09

See accompanying notes to unaudited interim consolidated financial statements.



SI FINANCIAL GROUP, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(In Thousands / Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net Income	\$670	\$707	\$1,073	\$916
Other comprehensive income, net of tax:				
Net unrealized gain on available for sale securities:				
Net unrealized holding gain on available for sale securities	352	773	979	1,272
Less: reclassification adjustment for gains realized in net income	(170)	(121)	(379)	(144)
Plus: credit portion of OTTI losses recognized in net income	—	—	24	—
Plus: noncredit portion of OTTI losses (gains) on available for sale securities	307	(52)	667	28
Net unrealized holding gains on available for sale securities	489	600	1,291	1,156
Net unrealized loss on interest-rate swap derivative	(23)	(126)	(18)	(77)
Other comprehensive income	466	474	1,273	1,079
Comprehensive income	\$1,136	\$1,181	\$2,346	\$1,995

See accompanying notes to unaudited interim consolidated financial statements.

SI FINANCIAL GROUP, INC.  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2012  
(In Thousands, Except Share Data / Unaudited)

	Common Stock		Unallocated			Retained	Accumulated	Treasury	Total
	Shares	Dollars	Additional Paid-in Capital	Common Shares Held by ESOP	Unearned Restricted Shares	Earnings	Other Comprehensive Income (Loss)	Stock	Shareholders' Equity
Balance at December 31, 2011	10,576,849	\$ 106	\$94,612	\$ (5,568 )	\$ (38 )	\$42,085	\$ (675 )	\$ (5 )	\$ 130,517
Net income	—	—	—	—	—	1,073	—	—	1,073
Other comprehensive income	—	—	—	—	—	—	1,273	—	1,273
Cash dividends declared (\$0.06 per share)	—	—	—	—	—	(599 )	—	—	(599 )
Equity incentive plan compensation	—	—	50	—	6	—	—	—	56
Allocation of 24,318 ESOP shares	—	—	26	240	—	—	—	—	266
Tax benefit from share-based compensation	—	—	3	—	—	—	—	—	3
Treasury stock purchased (414,426 shares)	—	—	—	—	—	—	—	(4,720 )	(4,720 )
Balance at June 30, 2012	10,576,849	\$ 106	\$94,691	\$ (5,328 )	\$ (32 )	\$42,559	\$ 598	\$ (4,725 )	\$ 127,869

See accompanying notes to unaudited interim consolidated financial statements.

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

	Six Months Ended	
	June 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$1,073	\$916
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	916	400
Employee stock ownership plan expense	266	236
Equity incentive plan expense	56	47
Excess tax benefit from share-based compensation	(3	) (2
Amortization of investment premiums and discounts, net	591	216
Amortization of loan premiums and discounts, net	586	558
Depreciation and amortization of premises and equipment	959	939
Amortization of core deposit intangible	6	10
Net gain on sale of securities	(574	) (218
Net loss (gain) on trading securities and derivatives	201	(208
Deferred income tax benefit	(3	) (3
Loans originated for sale	(21,446	) (20,237
Proceeds from sale of loans held for sale	24,440	26,196
Net loss on disposal of SI Trust Servicing operations	698	—
Net gain on sale of loans held for sale	(553	) (211
Net loss on disposal of equipment	—	8
Net loss on sales or write-downs of other real estate owned	14	177
Increase in cash surrender value of bank-owned life insurance	(142	) (143
Gain on bank-owned life insurance proceeds	(349	) (122
Other-than-temporary impairment losses on securities	36	—
Change in operating assets and liabilities:		
Accrued interest receivable	263	(412
Other assets	34	1,868
Accrued expenses and other liabilities	260	(51
Net cash provided by operating activities	7,329	9,964
Cash flows from investing activities:		
Purchases of available for sale securities	(34,086	) (107,825
Proceeds from sales of available for sale securities	32,417	32,569
Proceeds from maturities of and principal repayments on available for sale securities	28,530	22,082
Net (increase) decrease in loans	(11,799	) 22,668
Purchases of loans	(28,197	) (41,197
Proceeds from sale of other real estate owned	912	473
Purchases of premises and equipment	(842	) (1,311
Proceeds from bank-owned life insurance	585	602
Net cash used in investing activities	(12,480	) (71,939
Cash flows from financing activities:		
Net increase in deposits	12,034	28,622
Net decrease in mortgagors' and investors' escrow accounts	(792	) (1,567

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Proceeds from Federal Home Loan Bank advances	—	14,000	
Repayments of Federal Home Loan Bank advances	(7,000	) (19,000	)
Net proceeds from common stock offering	—	2,769	
Excess tax benefit from share-based compensation	3	2	
Purchase of shares by ESOP pursuant to reorganization	—	(3,141	)
Cash dividends on common stock	(599	) (596	)
Treasury stock purchased	(4,720	) (5	)
Net cash (used in) provided by financing activities	(1,074	) 21,084	

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

	Six Months Ended	
	June 30,	
	2012	2011
Net change in cash and cash equivalents	(6,225	) (40,891
Cash and cash equivalents at beginning of period	48,412	78,321
Cash and cash equivalents at end of period	\$42,187	\$37,430
Supplemental cash flow information:		
Interest paid	\$4,944	\$5,927
Income taxes paid, net	113	50
Transfer of stock offering escrow for issuance of common shares	—	47,556
Transfer of loans to other real estate owned	597	80

See accompanying notes to unaudited interim consolidated financial statements.

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SI FINANCIAL GROUP, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011 AND DECEMBER 31, 2011

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. 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.

In January 2011, the Company completed a public stock offering and concurrent 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 in the subscription and community offerings at \$8.00 per share. 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.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, 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 June 30, 2012 and for the three and six months ended June 30, 2012 and 2011 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, 2011 contained in the Company's Form 10-K.

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 six months ended June 30, 2012 are not necessarily indicative of the operating results for the year ending December 31, 2012.

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

JUNE 30, 2012 AND 2011 AND DECEMBER 31, 2011

Reclassifications

Certain amounts in the Company's 2011 consolidated financial statements have been reclassified to conform to the 2012 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, based on current information and events, 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. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. 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, with the exception of certain consumer loans, and TDRs 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, the level of nonperforming loans, delinquencies, classified assets and loan



charge-offs and evaluations of loans and other relevant factors.

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SI FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011 AND DECEMBER 31, 2011

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

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 the 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.

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. 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, classified loans and nonaccrual loans; level of loan charge-offs; trends in volume, nature and terms of loans; existence and effect of/or changes in the level of credit concentrations; effects of changes in risk selection, underwriting standards and other changes in lending policies, procedures and practices; experience/ability and depth of lending management and staff, national and local economic trends and conditions and impact on value of underlying collateral for collateral dependent loans.

The qualitative factors are determined based on the following various risk characteristics for each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Residential – One- to Four-Family – The Bank primarily originates conventional loans with loan-to-value ratios less than 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. Loans with loan-to-value ratios in excess of 80% generally require private mortgage insurance or additional collateral. 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 – 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 underlying cash flows related to 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. To a lesser extent, the Bank finances capital improvements for condominium

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SI FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011 AND DECEMBER 31, 2011

associations which are secured by the assigned rights to levy special assessments to condominium owners.

Consumer – Loans in this segment primarily include home equity lines of credit (representing both first and second liens) and indirect automobile loans 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.

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.

The majority of the Company's loans are collateralized by real estate located in eastern Connecticut. To a lesser extent, certain commercial real estate loans are secured by collateral located outside of our primary market area. 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 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**

Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements – In May 2011, the Financial Accounting Standards Board ("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

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SI FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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 did not 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. The Company adopted this amendment as of December 31, 2011 with the presentation of separate consolidated statements of comprehensive income.

**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. The Company adopted this amendment as of January 1, 2012 and it did not have a material impact on the Company's consolidated financial statements.

**Disclosures about Offsetting Assets and Liabilities** – In December 2011, the FASB amended its standard related to disclosure requirements for offsetting assets and liabilities. Under this amendment, an entity will be required to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The amendments in this update are effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by these amendments retrospectively for all comparative periods presented. The adoption of this amendment is not expected to have a material impact on the Company's consolidated financial statements.

**NOTE 2. EARNINGS PER SHARE**

Basic earnings 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 earnings per share since the shares participate in dividends and the rights to the dividends are non-forfeitable. Diluted earnings per share is computed in a manner similar to basic earnings 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 earnings 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 131,016 and 237,412 for the three and six months

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ended June 30, 2012, respectively, and 333,424 and 375,051 for the three and six months ended June 30, 2011, respectively.

The computation of earnings per share is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
	(In Thousands, Except Share Data)			
Net income	\$670	\$707	\$1,073	\$916
Weighted average common shares outstanding:				
Basic	9,821,841	9,934,883	9,896,154	10,024,108
Effect of dilutive stock options	38,300	24,524	32,661	21,637
Diluted	9,860,141	9,959,407	9,928,815	10,045,745
Earnings per share:				
Basic	\$0.07	\$0.07	\$0.11	\$0.09
Diluted	\$0.07	\$0.07	\$0.11	\$0.09

## NOTE 3. SECURITIES

Available for sale securities:

The amortized cost, gross unrealized gains and losses and approximate fair values of available for sale securities at June 30, 2012 and December 31, 2011 are as follows:

	June 30, 2012			
	Amortized Cost <sup>(1)</sup>	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
U.S. Government and agency obligations	\$58,388	\$798	\$(26)	) \$59,160
Government-sponsored enterprises	26,026	575	—	) 26,601
Mortgage-backed securities: <sup>(2)</sup>				
Agency - residential	82,701	2,664	(134)	) 85,231
Non-agency - residential	8,771	21	(437)	) 8,355
Non-agency - HELOC	2,858	—	(426)	) 2,432
Asset-backed securities	1,943	1	—	) 1,944
Corporate debt securities	11,553	222	(199)	) 11,576
Collateralized debt obligations	6,024	—	(1,950)	) 4,074
Obligations of state and political subdivisions	6,317	285	—	) 6,602
Tax-exempt securities	70	1	—	) 71
Foreign government securities	50	—	—	) 50
Total available for sale securities	\$204,701	\$4,567	\$(3,172)	) \$206,096



(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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	December 31, 2011			
	Amortized Cost <sup>(1)</sup>	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Debt securities:				
U.S. Government and agency obligations	\$88,917	\$770	\$(100)	) \$89,587
Government-sponsored enterprises	17,204	462	—	) 17,666
Mortgage-backed securities: <sup>(2)</sup>				
Agency - residential	85,552	3,070	(178)	) 88,444
Non-agency - residential	7,766	21	(899)	) 6,888
Non-agency - HELOC	3,097	—	(559)	) 2,538
Corporate debt securities	14,094	240	(287)	) 14,047
Collateralized debt obligations	6,275	—	(3,358)	) 2,917
Obligations of state and political subdivisions	6,488	278	—	) 6,766
Tax-exempt securities	70	1	—	) 71
Foreign government securities	75	—	—	) 75
Total debt securities	229,538	4,842	(5,381)	) 228,999
Equity securities:				
Equity securities - financial services	228	1	(24)	) 205
Equity securities - other	1,609	96	(95)	) 1,610
Total equity securities	1,837	97	(119)	) 1,815
Total available for sale securities	\$231,375	\$4,939	\$(5,500)	) \$230,814

<sup>(1)</sup> Net of OTTI write-downs recognized in earnings.

<sup>(2)</sup> 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.

The amortized cost and fair value of debt securities by contractual maturities at June 30, 2012 are presented below. Actual maturities of mortgage-backed securities ("MBS") may differ from contractual maturities because the mortgages underlying the securities may be called or repaid without any penalties. Because mortgage-backed and asset-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 (In Thousands)	Fair Value
Within 1 year	\$4,282	\$4,314
After 1 but within 5 years	36,811	37,525
After 5 but within 10 years	10,054	10,125
After 10 years	57,281	56,170
	108,428	108,134

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Mortgage-backed and asset-backed securities	96,273	97,962
Total debt securities	\$204,701	\$206,096

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The following is a summary of realized gains and losses on the sale of securities for the three and six months ended June 30, 2012 and 2011:

	Three Months Ended		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
	(In Thousands)			
Gross gains on sales	\$257	\$230	\$627	\$265
Gross losses on sales	—	(47	) (53	) (47
Net gain on sale of securities	\$257	\$183	\$574	\$218

Proceeds from the sale of available for sale securities were \$23.1 million and \$32.4 million for the three and six months ended June 30, 2012, respectively and \$31.5 million and \$32.6 million for the three and six months ended June 30, 2011, respectively.

The following tables present information pertaining to securities with gross unrealized losses at June 30, 2012 and December 31, 2011, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position.

June 30, 2012:	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	\$2,913	\$3	\$1,637	\$23	\$4,550	\$26
Mortgage-backed securities:						
Agency - residential	10,256	121	307	13	10,563	134
Non-agency - residential	2,635	21	4,885	416	7,520	437
Non-agency - HELOC	—	—	2,432	426	2,432	426
Corporate debt securities	1,877	115	1,856	84	3,733	199
Collateralized debt obligations	—	—	4,074	1,950	4,074	1,950
Total	\$17,681	\$260	\$15,191	\$2,912	\$32,872	\$3,172

December 31, 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	\$32,390	\$94	\$415	\$6	\$32,805	\$100
Mortgage-backed securities:						
Agency - residential	8,241	111	1,969	67	10,210	178
Non-agency - residential	—	—	5,305	899	5,305	899
Non-agency - HELOC	—	—	2,538	559	2,538	559
Corporate debt securities	3,482	234	946	53	4,428	287
Collateralized debt obligations	—	—	2,917	3,358	2,917	3,358

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Equity securities - financial services	169	24	—	—	169	24
Equity services - other	708	95	—	—	708	95
Total	\$44,990	\$558	\$14,090	\$4,942	\$59,080	\$5,500

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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.

At June 30, 2012, twenty-four debt securities with gross unrealized losses had aggregate depreciation of 8.8% 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. The Company recognized net impairment losses on securities of \$36,000 for the six months ended June 30, 2012 and recognized no net impairment losses on securities for the three months ended June 30, 2012 or the three and six months ended June 30, 2011. 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 June 30, 2012.

**Debt Securities:**

**U.S. Government and Agency Obligations.** The unrealized losses on the Company's U.S. Government and agency obligations 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 did not consider these securities to be other-than-temporarily impaired at June 30, 2012.

**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 did not consider these investments to be other-than-temporarily impaired at June 30, 2012.

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. At June 30, 2012, management evaluated credit rating details for the tranche, as well as credit information on subordinate tranches, potential future credit losses and loss analyses. Additionally, management

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reviewed reports prepared by an independent third party for certain non-agency mortgage-backed securities.

The following table details the Company's non-agency residential mortgage-backed security holdings that are rated below investment grade as of June 30, 2012:

Security	Class <sup>(1)</sup>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Lowest Credit Rating <sup>(2)</sup>	Total Credit-Related OTTI <sup>(3)</sup>	Credit Support Coverage Ratios <sup>(4)</sup>
(Dollars in Thousands)								
MBS 1	SSNR, AS	\$1,886	\$—	\$(372)	\$1,514	D	\$110	0.00
MBS 2	PT, AS	250	—	(1)	249	C	—	2.12
MBS 3	CSTR	3,165	—	(43)	3,122	BB-	—	12.44
		\$5,301	\$—	\$(416)	\$4,885		\$110	

(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 June 30, 2012.

(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.

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 June 30, 2012, 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 June 30, 2012.

Corporate Debt Securities. Substantially all of the corporate debt securities are rated investment-grade, including those in an unrealized loss position. Various factors were considered in assessing whether the Company expects to recover the amortized cost of corporate debt securities including, but not limited to, the strength of issuer credit ratings, the financial condition of guarantors and the length of time and the extent to which a security's fair value has been less than its amortized cost. Of the \$199,000 in gross unrealized losses related to corporate debt securities, only \$84,000 related to securities that have been in an unrealized loss position for 12 months or more. Based on management's assessment, the Company expects to recover the entire amortized cost basis of all corporate debt securities that were in an unrealized loss position as of June 30, 2012.

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 has stabilized at depressed market values 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

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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. Based on the existing credit profile of the remainder of the Company's PTPS investments, 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 June 30, 2012.

The following table details the Company's collateralized debt obligations that are rated below investment grade as of June 30, 2012:

Security	Class	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Lowest Credit Rating <sup>(1)</sup>	Total Credit-Related OTTI <sup>(2)</sup>	% of Current Performing Collateral Coverage
(Dollars in Thousands)								
CDO 1	B1	\$1,000	\$—	\$(692)	) \$308	CCC-	\$—	103.9
CDO 2	B3	1,000	—	(679)	) 321	CCC-	—	103.9
CDO 3	A2	2,578	—	(298)	) 2,280	B-	62	116.8
CDO 4	A1	1,446	—	(281)	) 1,165	BB-	—	155.6
		\$6,024	\$—	\$(1,950)	) \$4,074		\$62	

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

<sup>(2)</sup> The OTTI amounts provided in the table represent cumulative credit loss amounts through June 30, 2012.

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 six months ended June 30, 2012 and 2011.

	Three Months Ended		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
	(In Thousands)			
Balance at beginning of period	\$1,243	\$1,093	\$1,207	\$1,093
Additional credit losses for which OTTI losses were previously recognized	—	—	36	—
Reduction for permanent loss in value of securities during the period	(1,071)	) —	(1,071)	) —
Reduction for securities sold during the period (realized)	—	(34)	) —	(34)
Balance at end of period	\$172	\$1,059	\$172	\$1,059



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## NOTE 4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

The composition of the Company's loan portfolio at June 30, 2012 and December 31, 2011 is as follows:

	June 30, 2012 (In Thousands)	December 31, 2011
Real estate loans:		
Residential - 1 to 4 family	\$240,210	\$247,426
Multi-family and commercial	174,210	158,384
Construction	13,254	12,290
Total real estate loans	427,674	418,100
Commercial business loans:		
SBA and USDA guaranteed	138,825	127,359
Other	51,834	40,442
Total commercial business loans	190,659	167,801
Consumer loans:		
Home equity	28,260	27,425
Indirect automobile	11,467	5,733
Other	2,384	2,824
Total consumer loans	42,111	35,982
Total loans	660,444	621,883
Deferred loan origination costs, net of fees	1,723	1,713
Allowance for loan losses	(5,644	) (4,970
Loans receivable, net	\$656,523	\$618,626

## Allowance for Loan Losses

The following table summarizes the changes in the allowance for loan losses by portfolio segment for the three and six months ended June 30, 2012 and 2011:

Three Months Ended June 30, 2012	Residential - 1 to 4 Family	Multi-family and Commercial	Construction	Commercial Business	Consumer	Total
	(In Thousands)					
Balance at beginning of period	\$735	\$2,678	\$368	\$1,127	\$470	\$5,378
Provision (credit) for loan losses	(32	) 121	(54	) 280	117	432
Loans charged-off	(29	) (102	) —	—	(103	) (234
Recoveries of loans previously charged-off	51	3	—	11	3	68

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Balance at end of period	\$725	\$2,700	\$314	\$1,418	\$487	\$5,644
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Six Months Ended June 30, 2012	Residential - 1 to 4 Family (In Thousands)	Multi-family and Commercial	Construction	Commercial Business	Consumer	Total
Balance at beginning of period	\$759	\$2,337	\$280	\$1,148	\$446	\$4,970
Provision for loan losses	5	461	34	258	158	916
Loans charged-off	(92 )	(102 )	—	—	(122 )	(316 )
Recoveries of loans previously charged-off	53	4	—	12	5	74
Balance at end of period	\$725	\$2,700	\$314	\$1,418	\$487	\$5,644
Three Months Ended June 30, 2011	Residential - 1 to 4 Family (In Thousands)	Multi-family and Commercial	Construction	Commercial Business	Consumer	Total
Balance at beginning of period	\$707	\$2,598	\$90	\$747	\$421	\$4,563
Provision (credit) for loan losses	197	(90 )	47	29	7	190
Loans charged-off	—	—	—	—	(11 )	(11 )
Recoveries of loans previously charged-off	—	—	19	—	—	19
Balance at end of period	\$904	\$2,508	\$156	\$776	\$417	\$4,761
Six Months Ended June 30, 2011	Residential - 1 to 4 Family (In Thousands)	Multi-family and Commercial	Construction	Commercial Business	Consumer	Total
Balance at beginning of period	\$915	\$2,700	\$64	\$790	\$330	\$4,799
Provision (credit) for loan losses	278	(160 )	156	14	112	400
Loans charged-off	(289 )	(32 )	(83 )	(31 )	(25 )	(460 )
Recoveries of loans previously charged-off	—	—	19	3	—	22
Balance at end of period	\$904	\$2,508	\$156	\$776	\$417	\$4,761

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Further information pertaining to the allowance for loan losses at June 30, 2012 and December 31, 2011 is as follows:

June 30, 2012	Residential - 1 to 4 Family	Multi-family and Commercial	Construction	Commercial Business	Consumer	Total
	(In Thousands)					
Allowance for loans deemed to be impaired and individually evaluated	\$21	\$232	\$—	\$75	\$—	\$328
Allowance for loans not deemed to be impaired and collectively evaluated	704	2,468	314	1,343	487	5,316
Total loan loss allowance	\$725	\$2,700	\$314	\$1,418	\$487	\$5,644
Loans deemed to be impaired and individually evaluated	\$5,478	\$9,523	\$—	\$577	\$461	\$16,039
Loans not deemed to be impaired and collectively evaluated	234,732	164,687	13,254	190,082	41,650	644,405
Total loans	\$240,210	\$174,210	\$13,254	\$190,659	\$42,111	\$660,444
December 31, 2011	Residential - 1 to 4 Family	Multi-family and Commercial	Construction	Commercial Business	Consumer	Total
	(In Thousands)					
Allowance for loans deemed to be impaired and individually evaluated	\$33	\$107	\$—	\$105	\$—	\$245
Allowance for loans not deemed to be impaired and collectively evaluated	726	2,230	280	1,043	446	4,725
Total loan loss allowance	\$759	\$2,337	\$280	\$1,148	\$446	\$4,970
Loans deemed to be impaired and individually evaluated	\$5,590	\$8,650	\$—	\$654	\$316	\$15,210
Loans not deemed to be impaired and collectively evaluated	241,836	149,734	12,290	167,147	35,666	606,673
Total loans	\$247,426	\$158,384	\$12,290	\$167,801	\$35,982	\$621,883

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## Past Due Loans

The following represents an aging of loans at June 30, 2012 and December 31, 2011:

June 30, 2012	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total 30 Days or More Past Due	Current	Total Loans
	(In Thousands)					
Real Estate:						
Residential - 1 to 4 family	\$—	\$963	\$3,652	\$4,615	\$235,595	\$240,210
Multi-family and commercial	—	—	3,789	3,789	170,421	174,210
Construction	—	—	—	—	13,254	13,254
Commercial Business:						
SBA and USDA guaranteed	788	323	—	1,111	137,714	138,825
Other	72	—	548	620	51,214	51,834
Consumer:						
Home equity	—	81	461	542	27,718	28,260
Indirect automobile	46	—	—	46	11,421	11,467
Other	20	—	—	20	2,364	2,384
Total	\$926	\$1,367	\$8,450	\$10,743	\$649,701	\$660,444
December 31, 2011	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total 30 Days or More Past Due	Current	Total Loans
	(In Thousands)					
Real Estate:						
Residential - 1 to 4 family	\$4,065	\$995	\$3,835	\$8,895	\$238,531	\$247,426
Multi-family and commercial	292	—	1,703	1,995	156,389	158,384
Construction	—	—	—	—	12,290	12,290
Commercial Business:						
SBA and USDA guaranteed	2,729	327	—	3,056	124,303	127,359
Other	—	—	623	623	39,819	40,442
Consumer:						
Home equity	—	—	269	269	27,156	27,425
Indirect automobile	—	—	—	—	5,733	5,733
Other	124	—	—	124	2,700	2,824
Total	\$7,210	\$1,322	\$6,430	\$14,962	\$606,921	\$621,883

The Company did not have any loans that were past due 90 days or more and still accruing at