

SI Financial Group, Inc.  
Form S-1/A  
October 25, 2010  
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As filed with the Securities and Exchange Commission on October 25, 2010

Registration No. 333-169302

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**PRE-EFFECTIVE AMENDMENT NO. 1**

**TO THE**

**FORM S-1**

**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

**SI Financial Group, Inc.**

**and**

**Savings Institute Profit Sharing and 401(k) Savings Plan**

(Exact name of registrant as specified in its charter)

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**Maryland**  
State or other jurisdiction of  
incorporation or organization

**6035**  
(Primary Standard Industrial  
Classification Code Number)  
**803 Main Street**

**80-0643149**  
(IRS Employer Identification No.)

**Willimantic, Connecticut 06226**

**(860) 423-4581**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Rheo A. Brouillard**  
**President and Chief Executive Officer**  
**SI Financial Group, Inc.**

**803 Main Street**

**Willimantic, Connecticut 06226**

**(860) 423-4581**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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 the 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 " (Do not check if a smaller reporting company) Smaller reporting company x

### Calculation of Registration Fee

#### Proposed maximum

Title of each class of securities to be registered	Aggregate offering price (1)	Amount of Registration fee (2)
Common Stock \$0.01 par value	\$112,217,520	
Participation Interests (3)		

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Regulation 457(o) under the Securities Act.

(2) A filing fee of \$8,002 was paid with the initial filing of the Registration Statement on Form S-1 on September 10, 2010.

(3) The securities of SI Financial Group, Inc. to be purchased by the Savings Institute Profit Sharing and 401(k) Savings Plan are included in the common stock being registered. Pursuant to Rule 457(h)(2) of the Securities Act of 1933, as amended, no separate fee is required for the participation interests.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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**INTERESTS IN THE  
SAVINGS INSTITUTE BANK AND TRUST COMPANY  
PROFIT SHARING  
AND  
401(k) SAVINGS PLAN  
AND  
OFFERING OF 860,950 SHARES OF  
SI FINANCIAL GROUP, INC.  
COMMON STOCK (\$.01 PAR VALUE)**

This prospectus supplement relates to the offer and sale to participants in the Savings Institute Bank and Trust Company Profit Sharing and 401(k) Savings Plan of participation interests and shares of common stock of SI Financial Group, Inc., a newly formed Maryland corporation. SI Financial Group is offering common stock for sale in connection with the conversion of the Savings Institute Bank and Trust Company from the partially public mutual holding company form of organization to the fully public stock holding company structure.

In connection with the stock offering, Savings Plan participants may direct First Bankers Trust Services, Inc., the trustee for the SI Financial Group Stock Fund ( SI Financial Group Stock Fund Trustee ), to use their account balances as of July 31, 2010 (excluding funds already invested in SI Financial common stock) to subscribe for and purchase shares of SI Financial Group common stock through the SI Financial Group Stock Fund. Based upon the value of the Savings Plan assets as of July 31, 2010 the SI Financial Group Stock Fund Trustee may purchase up to 860,950 shares of SI Financial Group common stock at \$8.00 per share.

This prospectus supplement relates to the election of Savings Plan participants to direct the SI Financial Group Stock Fund Trustee to invest all or a portion of their existing Savings Plan accounts (less those amounts currently invested through the SI Financial Group Stock Fund) in SI Financial Group common stock. The SI Financial Group prospectus dated , 2010, which we have attached to this prospectus supplement, includes detailed information regarding the offering of shares of SI Financial Group common stock and the financial condition, results of operations and business of Savings Institute. This prospectus supplement provides information regarding the Savings Plan. You should read this prospectus supplement together with the prospectus and keep both for future reference.

**Please refer to Risk Factors beginning on page of the prospectus.**

**Neither the Securities and Exchange Commission, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, nor any other state or federal agency or any state securities commission, has approved or disapproved these securities. Any representation to the contrary is a criminal offense.**

**These securities are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

This prospectus supplement may be used only in connection with offers and sales by SI Financial Group of participation interests or shares of common stock under the Savings Plan to participants in the Savings Plan. No one may use this prospectus supplement to re-offer or resell interests or shares of common stock acquired through the Savings Plan.

You should rely only on the information contained in this prospectus supplement and the attached prospectus. Neither SI Financial Group, SI Bancorp, MHC, Savings Institute nor the Savings Plan have authorized anyone to provide you with information that is different.

This prospectus supplement does not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in that jurisdiction. Neither the delivery of this prospectus supplement and the prospectus nor any sale of common stock shall under any circumstances imply that there has been no change in the affairs of Savings Institute or

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the Savings Plan since the date of this prospectus supplement, or that the information contained in this prospectus supplement or incorporated by reference is correct as of any time after the date of this prospectus supplement.

**The date of this Prospectus Supplement is                      , 2010.**

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**THE OFFERING**

**Securities Offered**

The securities offered in connection with this prospectus supplement are participation interests in the Savings Plan. Given the offering price of \$8.00 per share and the value of the Savings Plan assets, the SI Financial Group Stock Fund Trustee may acquire up to 860,950 shares of SI Financial Group, Inc. common stock. Certain subscription rights and purchase limitations govern your investment in the SI Financial Group, Inc. Stock Fund in connection with the Stock offering. See *The Conversion and Offering Subscription Offering and Subscription Rights and Limitations on Purchases of Shares* in the prospectus attached to this prospectus supplement for further discussion of these subscription rights and purchase limitations.

The shares of common stock currently held in the Savings Plan will automatically be exchanged for shares of new SI Financial Group, Inc., a newly formed Maryland corporation, pursuant to an exchange ratio as more fully described in the prospectus attached to this prospectus supplement. See *The Conversion and Offering Share Exchange Ratio for Current Shareholders*. Any new shares you purchase in the stock offering will be added to the shares of new SI Financial Group common stock that you receive in the exchange described above. All of these shares will be held in the SI Financial Group, Inc. Stock Fund.

This prospectus supplement contains information regarding the Savings Plan. The attached prospectus contains information regarding the stock offering and the financial condition, results of operations and business of Savings Institute. The address of the principal executive office of Savings Institute is 803 Main Street, Willimantic, Connecticut 06226. The telephone number of Savings Institute is 860-423-4581.

**Election to Purchase Shares of New SI Financial Group Common Stock in the Stock Offering**

In connection with the stock offering, you may direct the SI Financial Group Stock Fund Trustee to transfer all or part of the funds that represent your current beneficial interest in the assets of the Savings Plan (excluding your current investment in the SI Financial Group Stock Fund) to the SI Financial Group Stock Fund. The trustee will subscribe for the new SI Financial Group common stock in accordance with each participant's direction. **If there is not enough common stock in the stock offering to fill all subscriptions, the common stock will be apportioned and the SI Financial Group Stock Fund trustee may not be able to purchase all of the common stock you requested. In such a case, if you elect, the Trustee will purchase shares in the open market on your behalf, after the close of the stock offering, to fulfill your initial request. The Trustee may make such purchases at prices higher or lower than the \$8.00 offering price.**

**Persons Who May Purchase Shares of New SI Financial Group Common Stock in the Stock Offering**

All plan participants are eligible to direct a transfer of Savings Plan funds that are not currently invested in SI Financial Group common stock to the SI Financial Group Stock Fund. However, transfer directions are subject to subscription rights, purchase priorities and purchase limitations. If you are eligible to order shares in the subscription offering, your order will be filled in the following order of priority:

1. Persons with \$50 or more on deposit at Savings Institute as of June 30, 2009;
2. The Savings Institute Bank and Trust Company Employee Stock Ownership Plan;
3. Persons with \$50 or more on deposit at Savings Institute as of September 30, 2010 who are not in category 1 above; and
4. Except for persons eligible to subscribe for shares under categories 1 and 3, Savings Institute depositors as of the close of business on \_\_\_\_\_, 2010, who were not able to subscribe for shares of new SI Financial Group common stock under categories 1 and 3.

To the extent shares remain available after filling orders in the subscription offering, shares will be available in a community offering to natural persons residing in Hartford, Middlesex, New London, Tolland and Windham Counties in Connecticut, to our existing public shareholders and to the general public.

The limitation of the total amount of new SI Financial Group common stock that you may purchase in the Stock offering, as described in the prospectus (see *The Conversion and Offering Limitations on Purchases of Shares*), will be calculated based on the aggregate amount that you subscribed for: (1) through your Savings Plan account; and (2) through





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your sources of funds outside of the Savings Plan by placing an order in the stock offering using a Stock Order Form. Whether you place an order through the Savings Plan, outside the plan or both, the number of shares of new SI Financial Group common stock, if any, that you receive will be determined based on the total number of subscriptions, your purchase priority and the allocation priorities set forth in the attached prospectus. If, as a result of the calculation, you are allocated insufficient shares to fill all of your orders, available shares will be allocated as described in *The Conversion and Offering Subscription Offering and Subscription Rights* in the prospectus. Available shares will be allocated between your Savings Plan order and your order outside of the Savings Plan. If you so elect, the shares of new SI Financial Group common stock you were unable to subscribe for through the Savings Plan will be purchased by the trustee on the open market immediately following the completion of the stock offering. If you elect to direct the trustee to purchase shares of new SI Financial Group common stock in the open market, you will not be able to direct the trustee as to the timing or price to be paid for the common stock. The trustee has sole discretion regarding the manner in which it will fill open market purchases.

### **Value of Participation Interests**

As of July 31, 2010, the market value of the Savings Plan assets equaled approximately \$6,887,600 (excluding those assets already invested in SI Financial Group common stock). The plan administrator has informed each participant of the value of his or her beneficial interest in the Savings Plan. The value of Savings Plan assets represents past contributions made to the Savings Plan on your behalf, plus or minus earnings or losses on the contributions, less previous withdrawals and loans.

### **Method of Directing Transfer**

Included with this prospectus supplement is an investment form for you to use to direct a transfer of funds to the SI Financial Group Stock Fund (the *Investment Form*). If you wish to transfer all, or part, in multiples of not less than 5%, of your beneficial interest in the assets of the Savings Plan to the SI Financial Group Stock Fund, you should complete the *Investment Form*. If you do not wish to make such an election at this time, you do not need to take any action. The minimum investment in the SI Financial Group Stock Fund during the stock offering is \$200.00.

### **Time for Directing Transfer**

**You must submit your direction to transfer amounts to the SI Financial Group Stock Fund in connection with the stock offering by the deadline of 5:00 p.m. on \_\_\_\_\_, 2010.** You should return the *Investment Form* to **Laurie Gervais** in the Human Resources Department. Former Savings Institute employees who are participants in the Savings Plan should return their forms using the business reply envelope that has been provided with this prospectus supplement.

*If you have any questions regarding the SI Financial Group Stock Fund or completing the Investment Form, please contact Laurie Gervais at ( ) - .*

*Questions about the stock offering or about the prospectus should be directed to the Stock Information Center, toll-free at ( ) - .*

### **Irrevocability of Transfer Direction**

Once you submit your *Investment Form*, you cannot change your direction to transfer amounts credited to your account in the Savings Plan to the SI Financial Group Stock Fund before the completion of the stock offering. Following the closing of the stock offering and the initial purchase of shares of SI Financial Group common stock through the SI Financial Group Stock Fund, you may change your investment directions, in accordance with the terms of the Savings Plan.

### **Purchase Price of New Shares of SI Financial Group Common Stock**

The SI Financial Group Stock Fund Trustee will pay the same price for shares of new SI Financial Group common stock as all other persons who purchase shares of new SI Financial Group common stock in the stock offering. If there is not enough common stock in the Stock offering to fill all subscriptions, the common stock will be apportioned and the trustee may not be able to purchase all of the common stock you requested. **If you elect, the SI Financial Group Stock Fund Trustee will purchase shares on your behalf after the close of the stock offering in the open market, to fulfill your initial request. The trustee may make such purchases at prices higher or lower than the \$8.00 offering price.**



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### **Nature of a Participant's Interest in New Shares of SI Financial Group Common Stock**

The trustee will hold SI Financial Group common stock in the name of the Savings Plan. The trustee will credit shares of common stock acquired at your direction to your account under the Savings Plan. Therefore, the investment designations of other Savings Plan participants should not affect earnings on your Savings Plan account.

### **Voting and Tender Rights of New Shares of SI Financial Group Common Stock**

The SI Financial Group Stock Fund Trustee generally will exercise voting and tender rights attributable to all SI Financial Group common stock held by the SI Financial Group Stock Fund, as directed by participants with interests in the SI Financial Group Stock Fund. With respect to each matter as to which holders of SI Financial Group common stock have a right to vote, you will have voting instruction rights that reflect your proportionate interest in the SI Financial Group Stock Fund. The number of shares of SI Financial Group common stock held in the SI Financial Group Stock Fund voted for and against each matter will be proportionate to the number of voting instruction rights exercised. If there is a tender offer for SI Financial Group common stock, the Savings Plan allots each participant a number of tender instruction rights reflecting the participant's proportionate interest in the SI Financial Group Stock Fund. The percentage of shares of SI Financial Group common stock held in the SI Financial Group Stock Fund that will be tendered will be the same as the percentage of the total number of tender instruction rights exercised in favor of the tender offer. The remaining shares of SI Financial Group common stock held in the SI Financial Group Stock Fund will not be tendered. The Savings Plan provides that participants will exercise their voting instruction rights and tender instruction rights on a confidential basis.

## **DESCRIPTION OF THE SAVINGS PLAN**

### **Introduction**

Savings Institute adopted the Savings Plan effective January 1, 1990. The Savings Plan was subsequently amended and restated in its entirety effective \_\_\_\_\_, 2010. Savings Institute intends for the Savings Plan to comply, in form and in operation, with all applicable provisions of the Internal Revenue Code and the Employee Retirement Income Security Act of 1974, as amended, or ERISA. Savings Institute may change the Savings Plan from time to time to ensure continued compliance with these laws. Savings Institute may also amend the Savings Plan from time to time to add, modify, or eliminate certain features of the plan, as it sees fit. Federal law provides you with various rights and protections as a participant in the Savings Plan, which is governed by ERISA. However, the Pension Benefit Guaranty Corporation does not guarantee your benefits under the Savings Plan.

**Reference to Full Text of the Plan.** The following portions of this prospectus supplement summarize the material provisions of the Savings Plan. Savings Institute qualifies this summary in its entirety by reference to the full text of the Savings Plan. You may obtain copies of the full Savings Plan document including any amendments to the plan and a summary plan description for the Savings Plan, by contacting Laurie Gervais in the Human Resources Department. You should carefully read the Savings Plan documents to understand your rights and obligations under the plan.

### **Eligibility and Participation**

Eligible employees of Savings Institute who have attained age 21 and completed 90 days of employment with Savings Institute may begin to make pre-tax salary deferrals into the Savings Plan as of the first day of the month after they have satisfied the eligibility requirements.

As of July 31, 2010, 205 of the 252 eligible employees of Savings Institute participated in the Savings Plan.

### **Contributions Under the Savings Plan**

**Employee Pre-Tax Salary Deferrals.** Subject to certain Internal Revenue Service limitations, the Savings Plan permits each participant to make pre-tax salary deferrals to the Savings Plan each payroll period of up to 100% of the participant's pay. For purposes of the Savings Plan, a participant's pay is defined as a participant's base salary, commissions, overtime and bonuses. Participants may change their rate of pre-tax deferrals on a quarterly basis by completing a form and submitting it to the Human Resources Department.

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***Savings Institute Matching Contributions.*** The Savings Plan provides that Savings Institute will make matching contributions on behalf of each participant equal to 50% of the participant's deferral, up to a maximum of 6% of pay. Savings Institute makes matching contributions only for those participants who make pre-tax salary deferrals to the Savings Plan. If a participant stops making pre-tax salary deferrals to the Savings Plan, Savings Institute will cease its matching contributions on the participant's behalf.

***Savings Institute Discretionary Contributions.*** Savings Institute, in its sole discretion, may also make additional discretionary contributions, in amounts specified by the Board of Directors of Savings Institute. These discretionary contributions are allocated to each participant in the Savings Plan who is actively employed by Savings Institute on the last business day of the Plan Year and has completed 1,000 hours of service for Savings Institute during the Plan Year.

***Rollover Contributions.*** Savings Institute allows employees who receive a distribution from a previous employer's tax-qualified employee benefit plan to deposit that distribution into a Rollover Contribution account under the Savings Plan, provided the rollover contribution satisfies IRS requirements.

### **Limitations on Contributions**

***Limitation on Employee Salary Deferrals.*** Although the Savings Plan permits you to defer up to 100% of your pay, by law your total deferrals under the Savings Plan, together with similar plans, may not exceed \$16,500 for 2010. Employees who are age 50 and over may also make additional, "catch-up" contributions to the plan, up to a maximum of \$5,500 for 2010. The Internal Revenue Service periodically increases these limitations. A participant who exceeds these limitations must include any excess deferrals in gross income for federal income tax purposes in the year of deferral. In addition, the participant must pay federal income taxes on any excess deferrals when distributed by the Savings Plan to the participant, unless the plan distributes the excess deferrals and any related income no later than the first April 15th following the close of the taxable year in which the participant made the excess deferrals. Any income on excess deferrals distributed before such date is treated, for federal income tax purposes, as earned and received by the participant in the taxable year of the distribution.

***Limitation on Annual Additions and Benefits.*** As required by the Internal Revenue Code, the Savings Plan provides that the total amount of contributions and forfeitures (annual additions) credited to a participant during any year under all defined contribution plans of Savings Institute (including the Savings Plan and the proposed Savings Institute Bank and Trust Company Employee Stock Ownership Plan) may not exceed the lesser of 100% of the participant's annual compensation or \$49,000 for 2010.

***Limitation on Plan Contributions for Highly Compensated Employees.*** Special provisions of the Internal Revenue Code limit the amount of pre-tax and matching contributions that may be made to the Savings Plan in any year on behalf of highly compensated employees, in relation to the amount of pre-tax and matching contributions made by or on behalf of all other employees eligible to participate in the Savings Plan. If pre-tax and matching contributions exceed these limitations, the plan must adjust the contribution levels for highly compensated employees.

In general, a highly compensated employee includes any employee who (1) was a 5% owner of the sponsoring employer at any time during the year or the preceding year, or (2) had compensation for the preceding year in excess of \$110,000 and, if the sponsoring employer so elects, was in the top 20% of employees by compensation for such year. The preceding dollar amount applies for 2010, and may be adjusted periodically by the Internal Revenue Service.

***Top-Heavy Plan Requirements.*** If the Savings Plan is a Top-Heavy Plan for any calendar year, Savings Institute may be required to make certain contributions to the Savings Plan on behalf of non-key employees. In general, the Savings Plan will be treated as a "Top-Heavy Plan" for any calendar year if, as of the last day of the preceding calendar year, the aggregate balance of the accounts of Key Employees exceeds 60% of the aggregate balance of the accounts of all employees under the plan. A Key Employee is generally any employee who, at any time during the calendar year or any of the four preceding years, is:

- (1) an officer of Savings Institute whose annual compensation exceeds \$160,000;
- (2) a 5% owner of the employer, meaning an employee who owns more than 5% of the outstanding stock of SI Financial Group, or who owns stock that possesses more than 5% of the total combined voting power of all stock of SI Financial Group; or



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- (3) a 1% owner of the employer, meaning an employee who owns more than 1% of the outstanding stock of SI Financial Group, or who owns stock that possesses more than 1% of the total combined voting power of all stock of SI Financial Group, and whose annual compensation exceeds \$150,000.

*The foregoing dollar amounts are for 2010.*

**Savings Plan Investments**

Assets in the Savings Plan Trust are currently invested in the funds specified below. The annual percentage return on these funds (net of fees) for the prior three years was:

<b>Funds</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Columbia Acorn Select Z Fund	66.17%	-49.18%	9.20%
Harbor Bond Institutional Fund	13.84	3.34	8.69
Vanguard Total Bond Market Index Fund	5.93	5.05	6.92
Vanguard Inflation-Protected Securities Fund	10.80	-2.85	11.59
Harbor International Institutional Fund	38.57	-42.66	21.82
Davis New York Venture Y Fund	32.43	-39.85	5.24
Fidelity Capital Appreciation Fund	36.38	-40.50	6.86
Perkins Mid Cap Value T Fund	30.37	-27.33	7.43
Vanguard Small Cap Value Index Fund	30.34	-32.05	-7.07
Vanguard Target Retirement Income Fund	14.28	-10.93	8.17
Vanguard Target Retirement 2010 Fund	19.32	-20.67	7.70
Vanguard Target Retirement 2015 Fund	21.30	-24.06	7.55
Vanguard Target Retirement 2020 Fund	23.10	-27.04	7.52
Vanguard Target Retirement 2025 Fund	24.81	-30.05	7.59
Vanguard Target Retirement 2030 Fund	26.72	-32.91	7.49
Vanguard Target Retirement 2035 Fund	28.17	-34.66	7.49
Vanguard Target Retirement 2040 Fund	28.32	-34.53	7.48
Vanguard Target Retirement 2045 Fund	28.15	-34.56	7.47
Vanguard Target Retirement 2050 Fund	28.31	-34.62	7.49
Federal US Treasury Cash Reinvestment Fund	-0.02	-1.48	-4.46
Northern Trust Government Money Market Fund	-0.07	-2.00	-4.87
SI Financial Group Stock Fund	-12.50	-37.40	-18.50

**Columbia Acorn Select Z Fund.** This fund seeks long-term capital growth. The fund normally invests in companies with market capitalizations under \$20 billion at the time of initial purchase. It may invest up to 33% of total assets in companies in developed markets (i.e., Japan, Canada and the U. K.) and emerging markets (i.e., China, Brazil and India).

**Harbor Bond Institutional Fund.** This fund seeks total return. The fund invests at least 80% of total assets in a diversified portfolio of bonds, which include all types of fixed-income securities. It primarily invests intermediate bonds with overall portfolio rated high quality. The fund may invest up to 30% of total assets in non-U.S. dollar-denominated securities. It also may invest up to 15% of total assets in securities of issuers based in countries with developing (or emerging markets) economies.

**Vanguard Total Bond Market Index Fund.** This fund seeks to track the performance of a broad, market-weighted bond index. The fund employs a passive management, or indexing investment approach designed to track the performance of the Barclays Capital U.S. Aggregate Float Adjusted Index. It invests by sampling the index. It invests at least 80% of assets in bonds held in the index. The fund maintains a dollar-weighted average maturity consistent with that of the index, ranging between 5 and 10 years.

**Vanguard Inflation-Protected Securities Fund.** This fund seeks to provide inflation protection and income consistent with investment in inflation-indexed securities. The fund invests at least 80% of assets in inflation-indexed bonds issued by the U.S. government. It may invest in bonds of any maturity, though the fund typically maintains a dollar-weighted average maturity of 7 to 20 years.

**Harbor International Institutional Fund** This fund seeks long-term total return, principally from growth of capital. The fund invests primarily (no less than 65% of total assets) in common and preferred stocks of foreign companies that have



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market capitalizations in excess of \$1 billion, including those located in emerging market countries. It invests in a minimum of 10 countries throughout the world. The fund focuses on companies located in Europe, the Pacific Basin and emerging industrialized countries whose economies and political regimes appear more stable.

***Davis New York Venture Y Fund.*** This fund seeks long-term growth of capital. The fund invests the majority of the assets in equity securities issued by large companies with market capitalizations of at least \$10 billion. It has the flexibility to invest a limited portion of assets in companies of any size, to invest in companies whose shares may be subject to controversy, to invest in foreign securities, and to invest in non-equity securities.

***Fidelity Capital Appreciation Fund.*** This fund seeks capital appreciation. The fund invests primarily in common stocks of domestic and foreign issuers. It may invest in either growth stocks or value stocks or both. The fund uses fundamental analysis of each issuer's financial condition and industry position and market and economic conditions to select instruments.

***Perkins Mid Cap Value T Fund.*** This fund seeks capital appreciation. The fund primarily invests in the common stocks of mid-sized companies whose stock prices the portfolio managers believe to be undervalued. It normally invests at least 80% of assets in equity securities of companies whose market capitalization falls, at the time of purchase, within the 12-month average of the capitalization range of the Russell Midcap Value index. The fund may invest in foreign equity and debt securities, which may include investments in emerging markets. It can also invest assets in derivatives.

***Vanguard Small Cap Value Index Fund.*** This fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization value stocks. The fund employs a passive management investment approach designed to track the performance of the MSCI US Small Cap Value index, a broadly diversified index of value stocks of smaller U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

***Vanguard Target Retirement Income Fund.*** The investment seeks current income and some capital appreciation. The fund invests in other Vanguard mutual funds according to an asset allocation designed for investors currently in retirement. It allocates approximately 70% of assets to bonds and money market instruments, and 30% of assets to stocks.

***Vanguard Target Retirement 2010 Fund.*** This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2010. The fund invests approximately 51% of assets in stocks and 49% in bonds.

***Vanguard Target Retirement 2015 Fund.*** This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation designed for investors planning to retire within a few years of 2015. It typically allocates approximately 61% of assets to stocks, and 39% to bonds.

***Vanguard Target Retirement 2020 Fund.*** This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2020. It allocates approximately 69% of assets to stocks and 31% to bonds.

***Vanguard Target Retirement 2025 Fund.*** This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire within a few years of 2025. It allocates approximately 76% of assets to stocks and 24% to bonds.

***Vanguard Target Retirement 2030 Fund.*** This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2030. It allocates approximately 84% of assets to stocks and 16% to bonds.

***Vanguard Target Retirement 2035 Fund.*** This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire within a few years of 2035. It allocates approximately 90% of assets to stocks and 10% to bonds.

***Vanguard Target Retirement 2040 Fund.*** This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2040. It allocates approximately 90% of assets to stocks and 10% to bonds.





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***Vanguard Target Retirement 2045 Fund.*** This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire within a few years of 2045. It allocates approximately 90% of assets to stocks and 10% to bonds.

***Vanguard Target Retirement 2050 Fund.*** This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2050. It allocates approximately 90% of assets to stocks and 10% to bonds.

***Federal US Treasury Cash Reinvestment Fund.*** This money market fund seeks current income consistent with stability of principal and liquidity by investing only in short-term U.S. Treasury securities.

***Northern Trust Government Money Market Fund.*** The fund seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high quality money market instruments. This fund seeks to maintain a stable net asset value of \$1.00 per share.

***The SI Financial Group Stock Fund.*** This fund consists of investments in the common stock of SI Financial Group and a small amount of cash. Each participant's proportionate undivided beneficial interest in the SI Financial Group Stock Fund is measured by units. The daily unit value is calculated by determining the market value of the common stock held and adding to that any cash held by the trustee. This total will be divided by the number of units outstanding to determine the unit value of the SI Financial Group Stock Fund.

If cash dividends are paid on SI Financial Group common stock, the Savings Plan trustee will, to the extent practicable, use the dividends held in the SI Financial Group Stock Fund to purchase shares of the common stock. Pending investment in the common stock, assets held in the SI Financial Group Stock Fund will be placed in short-term investments. ***The SI Financial Group Stock Fund is a single stock mutual fund and carries more investment risk than a typical mutual fund, which invests in more than one security.***

### **Benefits Under the Savings Plan**

***Vesting.*** All participants are 100% vested in their pre-tax salary deferral and matching contribution account balances in the Savings Plan. This means that participants have a non-forfeitable right to these funds and any earnings on the funds at all times. Plan participants vest in their discretionary (profit sharing) contributions (if any) at a rate of 25% after the first two years of employment and 25% each additional year thereafter.

### **Withdrawals and Distributions From the Savings Plan**

***Withdrawals Before Termination of Employment.*** You may receive in-service distributions from the Savings Plan under limited circumstances in the form of hardship withdrawals and participant loans.

To qualify for a hardship withdrawal, you must have an immediate and substantial need to meet certain expenses and have no other reasonably available resources to meet the financial need. If you qualify for a hardship distribution, the trustee will make the distribution proportionately from the investment funds in which you have invested your account balances.

Participant loans are approved by the Savings Plan Administrator. If you qualify for a participant loan, the trustee will make a distribution proportionately from the investment funds in which you have invested your account balances. You may obtain information on the participant loan program from the Human Resources Department at Savings Institute.

***Distribution Upon Retirement or Disability.*** The standard form of benefit upon retirement or disability is a lump sum payment. However, if the value of a participant's accounts under the Savings Plan exceeds \$1,000, the participant may elect to defer the lump sum payment until after retirement. However, the Internal Revenue Service requires that participants receive at least a portion of their plan accounts by the April 1<sup>st</sup> of the calendar year following the calendar year in which they retire (or terminate service due to a disability) or the calendar year in which they reach age 70 1/2. Participants may also choose to roll over all or a portion of their plan accounts to an Individual Retirement Account (IRA), or to another employer's qualified plan, if the other employer's plan permits rollover contributions.

***Distribution Upon Death.*** A participant's designated beneficiary will receive the full value of a participant's accounts under the Savings Plan upon the participant's death. If the participant did not make a valid election regarding the form of payment prior to death, the beneficiary will receive a lump sum payment as soon as administratively possible. If the



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participant made a valid payment election, or was otherwise scheduled to receive a deferred lump sum payment, the beneficiary will generally receive a lump sum payment on the date elected by the participant. Under certain circumstances, however, payment may be made on an earlier date.

***Distribution Upon Termination for Any Other Reason.*** If your Savings Plan accounts total \$1,000 or less, you will receive a lump sum payment as soon as administratively possible after your termination of employment. If the value of your Savings Plan accounts exceed \$1,000, you will receive a lump sum payment on your normal retirement date. However, you may elect to receive the value of your vested Savings Plan accounts in a lump sum payment prior to your normal retirement date. You may also request that the trustee transfer the value of your accounts to an Individual Retirement Account (IRA) or to another employer's qualified plan, if the other employer's plan permits rollover contributions.

***Nonalienation of Benefits.*** Except with respect to federal income tax withholding, and as provided for under a qualified domestic relations order, benefits payable under the Savings Plan will not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any rights to benefits payable under the Savings Plan will be void.

**Applicable federal tax law requires the Savings Plan to impose substantial restrictions on your right to withdraw amounts held under the plan before your termination of employment with Savings Institute. Federal law may also impose an excise tax on withdrawals from the Savings Plan before you attain 59 1/2 years of age, regardless of whether the withdrawal occurs during your employment with Savings Institute or after termination of employment.**

## **ADMINISTRATION OF THE SAVINGS PLAN**

### **Trustee**

The trustee of the Savings Plan is the named fiduciary of the Savings Plan for ERISA. The board of directors of Savings Institute appoints the trustee to serve at its pleasure. The board of directors has appointed First Bankers Trust Services, Inc. as the trustee for the SI Financial Group Stock Fund. The Trust Department at Savings Institute is the trustee for all other assets in the Savings Plan.

The trustee receives, holds and invests the contributions to the Savings Plan in trust and distributes them to participants and beneficiaries in accordance with the terms of the Savings Plan and the directions of the plan administrator. The trustee is responsible for the investment of the trust assets, as directed by the participants.

### **Reports to Savings Plan Participants**

The Plan trustee furnishes participants quarterly statements that show the balance in their accounts as of the statement date, contributions made to their accounts during that period and any additional adjustments required to reflect earnings or losses.

### **Plan Administrator**

Savings Institute currently acts as plan administrator for the Savings Plan. The plan administrator handles the following administrative functions: interpreting the provisions of the plan, prescribing procedures for filing applications for benefits, preparing and distributing information explaining the plan, maintaining plan records, books of account and all other data necessary for the proper administration of the plan, preparing and filing all returns and reports required by the U.S. Department of Labor and the Internal Revenue Service and making all required disclosures to participants, beneficiaries and others under ERISA.

### **Amendment and Termination**

Savings Institute expects to continue the Savings Plan indefinitely. Nevertheless, Savings Institute may terminate the Savings Plan at any time. If Savings Institute terminates the Savings Plan in whole or in part, all affected participants become fully vested in their accounts, regardless of other provisions of the Savings Plan. Savings Institute reserves the right to make, from time to time, changes which do not cause any part of the trust to be used for, or diverted to, any purpose other than the exclusive benefit of participants or their beneficiaries. Savings Institute may amend the plan, however, as necessary or desirable, in order to comply with ERISA or the Internal Revenue Code.



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### **Merger, Consolidation or Transfer**

If the Savings Plan merges or consolidates with another plan or transfers the trust assets to another plan, and either the Savings Plan or the other plan is subsequently terminated, the Savings Plan requires that you receive a benefit immediately after the merger, consolidation or transfer that would equal or exceed the benefit you would have been entitled to receive immediately before the merger, consolidation or transfer, if the Savings Plan had terminated at that time.

### **Federal Income Tax Consequences**

The following summarizes only briefly the material federal income tax aspects of the Savings Plan. You should not rely on this summary as a complete or definitive description of the material federal income tax consequences of the Savings Plan. Statutory provisions change, as do their interpretations, and their application may vary in individual circumstances. Finally, applicable state and local income tax laws may have different tax consequences than the federal income tax laws. **Savings Plan Participants should consult a tax advisor with respect to any transaction involving the Savings Plan, including any distribution from the Savings Plan.**

As a tax-qualified retirement plan, the Internal Revenue Code affords the Savings Plan certain tax advantages, including the following:

- (1) The sponsoring employer may take an immediate tax deduction for the amount contributed to the plan each year;
- (2) participants pay no current income tax on amounts contributed by the employer on their behalf; and
- (3) earnings of the plan are tax-deferred, thereby permitting the tax-free accumulation of income and gains on investments.

Savings Institute administers the Savings Plan to comply in operation with the requirements of the Internal Revenue Code as of the applicable effective date of any change in the law. If Savings Institute should receive an adverse determination letter from the IRS regarding the Savings Plan's tax exempt status, all participants would generally recognize income equal to their vested interests in the Savings Plan, the participants would not be permitted to transfer amounts distributed from the Savings Plan to an Individual Retirement Account or to another qualified retirement plan, and Savings Institute would be denied certain tax deductions taken in connection with the Savings Plan.

**Lump Sum Distribution.** A distribution from the Savings Plan to a participant or the beneficiary of a participant qualifies as a lump sum distribution if it is made within one taxable year, on account of the participant's death, disability or separation from service, or after the participant attains age 59 1/2; and consists of the balance credited to the participant under this plan and all other profit sharing plans, if any, maintained by Savings Institute. The portion of any lump sum distribution included in taxable income for federal income tax purposes consists of the entire amount of the lump sum distribution, less the amount of after-tax contributions, if any, made to any other profit-sharing plans maintained by Savings Institute, if the distribution includes those amounts.

**SI Financial Group Common Stock Included in Lump Sum Distribution.** If a lump sum distribution includes SI Financial Group common stock, the distribution generally is taxed in the manner described above. The total taxable amount is reduced, however, by the amount of any net unrealized appreciation on SI Financial Group common stock; that is, the excess of the value of SI Financial Group common stock at the time of the distribution over the cost or other basis of the securities to the trust. The tax basis of SI Financial Group common stock, for computing gain or loss on a subsequent sale, equals the value of SI Financial Group common stock at the time of distribution, less the amount of net unrealized appreciation. Any gain on a subsequent sale or other taxable disposition of SI Financial Group common stock, to the extent of the net unrealized appreciation at the time of distribution, is long-term capital gain, regardless of how long you hold the SI Financial Group common stock, or the holding period. Any gain on a subsequent sale or other taxable disposition of SI Financial Group common stock that exceeds the amount of net unrealized appreciation upon distribution is considered long-term capital gain, regardless of the holding period. The recipient of a distribution may elect to include the amount of any net unrealized appreciation in the total taxable amount of the distribution, to the extent allowed under IRS regulations.

**We have provided you with a brief description of the material federal income tax aspects of the Savings Plan that are generally applicable under the Internal Revenue Code. We do not intend this description to be a complete or definitive description of the federal income tax consequences of participating in or receiving distributions from the Savings Plan. Accordingly, you should consult a tax advisor concerning the federal, state and local tax consequences of participating in and receiving distributions from the Savings Plan.**



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### **Restrictions on Resale**

Any affiliate of SI Financial Group under Rules 144 and 405 of the Securities Act of 1933, as amended, who receives a distribution of common stock under the Savings Plan, may re-offer or resell such shares only under a registration statement filed under the Securities Act of 1933, as amended, assuming the availability of a registration statement, or under Rule 144 or some other exemption from these registration requirements. An affiliate of Savings Institute is someone who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, Savings Institute. Generally, a director, principal officer or major shareholder of a corporation is deemed to be an affiliate of that corporation.

Any person who may be an affiliate of Savings Institute may wish to consult with counsel before transferring any common stock they own. In addition, participants should consult with counsel regarding the applicability to them of Section 16 of the Securities Exchange Act of 1934, as amended, which may restrict the sale of SI Financial Group common stock acquired under the Savings Plan or other sales of SI Financial Group common stock.

Persons who are *not* deemed to be affiliates of Savings Institute at the time of resale may resell freely any shares of SI Financial Group common stock distributed to them under the Savings Plan, either publicly or privately, without regard to the registration and prospectus delivery requirements of the Securities Act of 1933, as amended, or compliance with the restrictions and conditions contained in the exemptions available under federal law. A person deemed an affiliate of Savings Institute at the time of a proposed resale may publicly resell common stock only under a re-offer prospectus or in accordance with the restrictions and conditions contained in Rule 144 of the Securities Act of 1933, as amended, or some other exemption from registration, and may not use this prospectus in connection with any such resale. In general, Rule 144 restricts the amount of common stock which an affiliate may publicly resell in any three-month period to the greater of one percent of SI Financial Group common stock then outstanding or the average weekly trading volume reported on the Nasdaq Stock Market during the four calendar weeks before the sale. Affiliates may sell only through brokers without solicitation and only at a time when SI Financial Group is current in filing all required reports under the Securities Exchange Act of 1934, as amended.

### **SEC Reporting and Short-Swing Profit Liability**

Section 16 of the Securities Exchange Act of 1934, as amended, imposes reporting and liability requirements on officers, directors and persons who beneficially own more than ten percent of public companies such as SI Financial Group. Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the filing of reports of beneficial ownership. Within ten days of becoming a person required to file reports under Section 16(a), such person must file a Form 3 reporting initial beneficial ownership with the Securities and Exchange Commission. Such persons must also report periodically certain changes in beneficial ownership involving the allocation or reallocation of assets held in their Savings Plan accounts, either on a Form 4 within two days after a transaction, or annually on a Form 5 within 45 days after the close of a company's fiscal year.

In addition to the reporting requirements described above, Section 16(b) of the Securities Exchange Act of 1934, as amended, provides for the recovery by SI Financial Group of profits realized from the purchase and sale or sale and purchase of its common stock within any six-month period by any officer, director or person who beneficially owns more than ten percent of the common stock.

The SEC has adopted rules that exempt many transactions involving the Savings Plan from the short-swing profit recovery provisions of Section 16(b). The exemptions generally involve restrictions upon the timing of elections to buy or sell employer securities for the accounts of any officer, director or person who beneficially owns more than ten percent of the common stock.

Except for distributions of the common stock due to death, disability, retirement, termination of employment or under a qualified domestic relations order, persons who are subject to Section 16(b) may be required, under limited circumstances involving the purchase of common stock within six months of the distribution, to hold the shares of common stock distributed from the Savings Plan for six months after the distribution date.



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**LEGAL OPINION**

The validity of the issuance of the common stock of SI Financial Group will be passed upon by Kilpatrick Stockton LLP, Washington, D.C. Kilpatrick Stockton LLP acted as special counsel for SI Financial Group in connection with the stock offering.

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**SAVINGS INSTITUTE BANK AND TRUST COMPANY**

**PROFIT SHARING AND 401(K) SAVINGS PLAN**

**INVESTMENT FORM**

Name of Plan Participant: \_\_\_\_\_  
 \_\_\_\_\_

Social Security Number: \_\_\_\_\_

**1. Instructions.** In connection with the stock offering, you may direct up to 100% of your current 401(k) Plan account balance, excluding your current investment in SI Financial Group, Inc. common stock ( Common Stock ), into the new SI Financial Group, Inc. Stock Fund ( Employer Stock Fund ). The percentage of your account (up to 100%) transferred into the Employer Stock Fund will be used to purchase shares of Common Stock in the stock offering.

To direct a transfer of the funds credited to your 401(k) Plan account to the Employer Stock Fund, you must complete and submit this form to Laurie Gervais in the Human Resources Department by \_\_\_\_\_. Current Savings Institute Bank and Trust Company employees should return their forms through inter-office mail. Former Savings Institute employees should return their forms using the business reply envelope that has been provided. A representative for the Plan Administrator will retain a copy of this form and return a copy to you. If you need any assistance in completing this form, please contact Laurie Gervais at (860) 456-6569 . If you do not complete and return this form to Laurie Gervais by \_\_\_\_\_, the funds credited to your account under the Plan will continue to be invested in accordance with your prior investment directions, or in accordance with the terms of the Plan if no investment directions have been provided.

**2. Investment Directions.** I hereby authorize the Plan Administrator to direct the Trustee to invest the following percentages (in multiples of not less than 1%) of my 401(k) Plan account balance in the Employer Stock Fund:

**Employer Stock Fund**

Columbia Acorn Select Z Fund	_____%
Harbor Bond Institutional Fund	_____%
Vanguard Total Bond Market Index Fund	_____%
Vanguard Inflation-Protected Securities Fund	_____%
Harbor International Institutional Fund	_____%
Davis New York Venture Y Fund	_____%
Fidelity Capital Appreciation Fund	_____%
Perkins Mid Cap Value T Fund	_____%
Vanguard Small Cap Value Index Fund	_____%
Vanguard Target Retirement Income Fund	_____%
Vanguard Target Retirement 2010 Fund	_____%
Vanguard Target Retirement 2015 Fund	_____%
Vanguard Target Retirement 2020 Fund	_____%
Vanguard Target Retirement 2025 Fund	_____%
Vanguard Target Retirement 2030 Fund	_____%
Vanguard Target Retirement 2035 Fund	_____%
Vanguard Target Retirement 2040 Fund	_____%
Vanguard Target Retirement 2045 Fund	_____%
Vanguard Target Retirement 2050 Fund	_____%
Federal US Treasury Cash Reinvestment Fund	_____%
Northern Trust Government Money Market Fund	_____%
SI Financial Group Stock Fund	_____%

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If there is not enough Common Stock in the stock offering to fill my subscription pursuant to the investment directions above, I hereby instruct the Trustee to purchase shares of Common Stock in the open market after the close of the stock offering to the extent necessary to fulfill my investment directions indicated on this form. I understand that if I do not direct the Trustee by checking the box below, the excess funds will be invested in the same manner as new deposits have been directed.

Yes, I direct the Trustee to purchase stock in the open market, if necessary.

**3. Purchaser Information.** The ability of participants in the 401(k) Plan to purchase Common Stock and to direct their current account balances into the Employer Stock Fund is based upon the participant's subscription rights. Please indicate your status.

Check here if you had \$50.00 or more on deposit with Savings Institute as of June 30, 2009.

Check here if you had \$50.00 or more on deposit with Savings Institute as of September 30, 2010.

Check here if you are not eligible for either category noted above.

**4. Acknowledgment of Participant.** I understand that this Investment Form shall be subject to all of the terms and conditions of the 401(k) Plan. I acknowledge that I have received a copy of the Prospectus and the Prospectus Supplement.

Signature of Participant

Date

**Acknowledgment of Receipt by Administrator.** This Investment Form was received by the Plan Administrator and will become effective on the date noted below.

By: \_\_\_\_\_  
\_\_\_\_\_

Date

**THE PARTICIPATION INTERESTS REPRESENTED BY THE COMMON STOCK OFFERED HEREBY ARE NOT DEPOSIT ACCOUNTS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY AND ARE NOT GUARANTEED BY SI FINANCIAL GROUP, INC. OR SAVINGS INSTITUTE. THE COMMON STOCK IS SUBJECT TO AN INVESTMENT RISK, INCLUDING THE POSSIBLE LOSS OF THE PRINCIPAL INVESTED.**

**PLEASE COMPLETE AND RETURN TO LAURIE GERVAIS IN**

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**THE HUMAN RESOURCES DEPARTMENT**

**AT SAVINGS INSTITUTE BANK AND TRUST COMPANY**

**BY                      ON                      , 2010**

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**PROSPECTUS**

**(Proposed holding company for Savings Institute Bank and Trust Company)**

**Up to 7,546,875 Shares of Common Stock**

**(Subject to increase to 8,678,906 shares)**

SI Financial Group, Inc., a newly formed Maryland corporation, is offering common stock for sale in connection with the conversion of SI Bancorp, MHC from the mutual to the stock form of organization.

**We are offering up to 7,546,875 shares of common stock for sale on a best efforts basis, subject to certain conditions. We must sell a minimum of 5,578,125 shares to complete the offering. All shares are offered at a price of \$8.00 per share.** Purchasers will not pay a commission to purchase shares of common stock in the offering. The amount of capital being raised is based on an independent appraisal of new SI Financial Group. Most of the terms of this offering are required by regulations of the Office of Thrift Supervision. If, as a result of regulatory considerations, demand for the shares or changes in financial market conditions, the independent appraiser determines that our market value has increased, we may sell up to 8,678,906 shares without giving you further notice or the opportunity to change or cancel your order. SI Financial Group, Inc.'s common stock is currently listed on the Nasdaq Global Market under the symbol SIFI. We expect that new SI Financial Group's common stock will trade on the Nasdaq Global Market under the trading symbol SIFID for a period of 20 trading days after the completion of the offering. Thereafter, the trading symbol will be SIFI.

The shares we are offering represent the 61.9% ownership interest in SI Financial Group, a federal corporation, currently owned by SI Bancorp, MHC. The remaining 38.1% interest in SI Financial Group currently owned by public shareholders will be exchanged for shares of common stock of new SI Financial Group. Each share of SI Financial Group owned by public shareholders will be exchanged for between 0.7655 and 1.0357 shares of common stock of new SI Financial Group (subject to increase to 1.1910 if we sell 8,678,906 shares in the offering) so that SI Financial Group's existing public shareholders will own approximately the same percentage of new SI Financial Group common stock as they owned of SI Financial Group's common stock immediately before the conversion. We also intend to make a contribution to SI Financial Group Foundation, Inc., our charitable foundation, of up to \$500,000 in cash in connection with the conversion. Other than shares issued in the exchange, we will not issue any shares of new SI Financial Group common stock to SI Financial Group Foundation in connection with the conversion and offering. The present SI Financial Group and SI Bancorp, MHC will cease to exist upon completion of the conversion and offering.

We are offering the shares of common stock in a subscription offering to eligible depositors of Savings Institute Bank and Trust Company. Shares of common stock not purchased in the subscription offering may be offered for sale to the general public in a community offering, with a preference given to our communities and existing shareholders of SI Financial Group. We also may offer for sale shares of common stock not purchased in the subscription offering or community offering through a syndicated community offering managed by Stifel, Nicolaus & Company, Incorporated. We retain the right to accept or reject, in part or in whole, any order received in the community offering or the syndicated community offering. Stifel, Nicolaus & Company, Incorporated is not required to purchase any shares of common stock that are being offered for sale.

The minimum order is 25 shares. The subscription offering will end at 2:00 p.m., Eastern time, on [Date 1], 2010. We expect that the community offering, if held, will terminate at the same time, although it may continue without notice to you until [Date 2], 2010 or longer if the Office of Thrift Supervision approves a later date. No single extension may exceed 90 days and the offering must be completed by [Date 3], 2012. Once submitted, orders are irrevocable unless the offering is terminated or is extended beyond [Date 2], 2010, or the number of shares of common stock to be sold is increased to more than 8,678,906 shares or decreased to less than 5,578,125 shares. If we extend the offering beyond [Date 2], 2010, all subscribers will be notified and given the opportunity to confirm, change or cancel their orders. If you do not respond to this notice, we will promptly return your funds, with interest calculated at Savings Institute's passbook savings rate or cancel your deposit account withdrawal authorization. If we intend to sell fewer than 5,578,125 shares or more than 8,678,906 shares, we will promptly return all funds and set a new offering range. All subscribers will be notified and given the opportunity to place a new order. Funds received before the completion of the subscription and community offerings will be held in a segregated account at Savings Institute and will earn interest at Savings Institute's passbook savings rate, which is currently 0.20% per annum.

**This investment involves a degree of risk, including the possible loss of principal. Please read Risk Factors beginning on page 17.**

## OFFERING SUMMARY

Price Per Share: \$8.00

	Minimum	Midpoint	Maximum	Maximum, as adjusted
Number of shares	5,578,125	6,562,500	7,546,875	8,678,906
Gross offering proceeds	\$ 44,625,000	\$ 52,500,000	\$ 60,375,000	\$ 69,431,248
Estimated offering expenses, excluding selling agent fees	\$ 1,135,000	\$ 1,135,000	\$ 1,135,000	\$ 1,135,000
Estimated selling agent fees and expenses (1)(2)	\$ 1,863,470	\$ 2,150,120	\$ 2,436,770	\$ 2,766,417
Estimated net proceeds	\$ 41,626,530	\$ 49,214,880	\$ 56,803,230	\$ 65,529,831
Estimated net proceeds per share	\$ 7.46	\$ 7.50	\$ 7.53	\$ 7.55

- (1) Includes: (i) selling commissions payable by us to Stifel, Nicolaus & Company, Incorporated in connection with the subscription and community offerings equal to 1% of the aggregate amount of common stock in the subscription and community offerings (net of insider purchases and shares purchased by our ESOP) or approximately \$235,000 at the adjusted maximum of the offering range, assuming that 40% of the offering is sold in the subscription and community offerings and the remaining 60% of the offering will be sold by a syndicate of broker-dealers in a syndicated community offering; (ii) fees and selling commissions payable by us to Stifel, Nicolaus & Company, Incorporated and any other broker-dealers participating in the syndicated community offering equal to 5.5% of the aggregate amount of common stock sold in the syndicated community offering, or approximately \$2.3 million at the adjusted maximum of the offering range; and (iii) other expenses of the offering payable to Stifel, Nicolaus & Company, Incorporated as selling agent estimated to be \$240,000. For information regarding compensation to be received by Stifel, Nicolaus & Company, Incorporated and the other broker-dealers that may participate in the syndicated community offering, including the assumptions regarding the number of shares that may be sold in the subscription and community offerings and the syndicated community offering to determine the estimated offering expenses, see *Pro Forma Data* on page and *The Conversion and Offering Marketing Arrangements* on page .
- (2) If all shares of common stock are sold in the syndicated community offering, the maximum commissions and expenses payable to Stifel, Nicolaus & Company, Incorporated would be \$2.5 million at the minimum, \$2.9 million at the midpoint, \$3.3 million at the maximum, and \$3.8 million at the adjusted maximum of the offering range.

**These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Neither the Securities and Exchange Commission, the Office of Thrift Supervision nor any state securities regulator has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

## Stifel Nicolaus Weisel

For assistance, please contact the Stock Information Center, toll-free, at ( ) - .

The date of this prospectus is , 2010

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## **Summary**

*This summary highlights material information from this document and may not contain all the information that is important to you. To understand the conversion and offering fully, you should read this entire document carefully.*

### **Our Company**

**SI Financial Group, Inc.** SI Financial Group, Inc. is, and new SI Financial Group, Inc. following the completion of the conversion and offering will be, the unitary savings and loan holding company for Savings Institute Bank and Trust Company, a federally chartered savings bank. SI Financial Group is a federally chartered corporation and new SI Financial Group is a Maryland chartered corporation. Our common stock is traded on the NASDAQ Global Market under the symbol SIFI. At June 30, 2010, SI Financial Group had consolidated total assets of \$889.4 million, net loans of \$606.5 million, total deposits of \$676.8 million and total shareholders' equity of \$81.2 million. As of the date of this prospectus, SI Financial Group had 11,777,496 shares of common stock outstanding, of which 4,490,521 shares of common stock were owned by public shareholders.

For a description of important provisions in new SI Financial Group's articles of incorporation and bylaws, see *Restrictions on Acquisition of New SI Financial Group*.

**SI Bancorp, MHC.** SI Bancorp, MHC is the federally chartered mutual holding company of SI Financial Group. SI Bancorp, MHC's sole business activity is the ownership of 7,286,975 shares of common stock of SI Financial Group or 61.9% of the common stock outstanding as of the date of this prospectus. After completion of the conversion, SI Bancorp, MHC will cease to exist.

**Savings Institute Bank and Trust Company.** Savings Institute Bank and Trust Company is headquartered in Willimantic, Connecticut and has provided community banking services to customers since 1842. We currently operate 21 full-service locations in Hartford, Middlesex, New London, Tolland and Windham Counties in Connecticut and one trust servicing office in Rutland, Vermont. At June 30, 2010, Savings Institute exceeded all regulatory capital requirements to be considered a well-capitalized institution and was not a participant in any of the U.S. Treasury's capital raising programs for financial institutions.

Our principal executive offices are located at 803 Main Street, Willimantic, Connecticut 06226 and our telephone number is (860) 423-4581. Our web site address is [www.savingsinstitute.com](http://www.savingsinstitute.com). Information on our website should not be considered a part of this prospectus.

### **Market Area**

SI Financial Group is headquartered in Willimantic, Connecticut, which is located in eastern Connecticut approximately 30 miles east of Hartford, Connecticut. Savings Institute operates offices in Windham, New London, Tolland, Hartford and Middlesex Counties, which Savings Institute considers its primary market area. The economy in its market area is primarily oriented to the educational, service, entertainment, manufacturing and retail industries.

The major employers in the area include several institutions of higher education, the Mohegan Sun and Foxwoods casinos, General Dynamics Defense Systems and Pfizer, Inc. According to published statistics, Windham County's population in 2009 was 117,328 and consisted of 43,216 households. The population increased 7.6% from 2000. Median household income in Windham County is \$56,000, compared to \$68,000 for Connecticut as a whole and \$51,000 nationally. The surrounding counties of Hartford, Middlesex, New London and Tolland Counties have median household incomes of \$64,000, \$63,000, \$75,000 and \$75,000, respectively.

### **Our Business**

We are a full-service retail banking institution. Our primary business lines involve generating funds from deposits or borrowings and investing such funds in loans and investment securities. We currently operate 21 full-service banking locations throughout eastern Connecticut.

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Our operations are managed as a single business segment. Within that segment, our primary business products and services are:

**Commercial Lending.** We continue to place an emphasis on commercial lending, which includes multi-family and commercial real estate loans, construction loans for commercial development projects, and commercial business loans. To supplement originated growth, we also purchase loans from other financial institutions that are guaranteed by the Small Business Administration and the United States Department of Agriculture. Commercial loans constituted 46.8% of our total loan portfolio at June 30, 2010.

**Retail Lending.** We originate one- to four-family residential mortgage loans, loans to individuals for the construction of residential dwellings, home equity loans and consumer loans through our community banking office network. Retail loans constituted 53.2% of our total loan portfolio at June 30, 2010.

**Deposit Products and Services.** We offer a full range of traditional deposit products such as checking accounts, savings accounts, money market accounts, retirement accounts and certificates of deposit. These products can have additional features such as direct deposit, ATM and check card services, overdraft protection, telephone banking and Internet banking, thereby providing our customers multiple channels to access their accounts.

**Wealth Management Services.** In addition to our traditional community banking products and services, we differentiate ourselves from the other community banks in our market area by offering a full array of insurance, investment and trust products and services.

### **Our Business Strategy**

Our mission is to operate and grow a profitable community-oriented financial institution. SI Financial Group plans to achieve this by continuing its strategies of:

**Offering a full range of financial products and services.** We have a long tradition of focusing on the needs of consumers and small and medium-sized businesses in the community and being an active corporate citizen. We believe that our community orientation, quicker decision-making process and customized products are attractive and distinguish us from the larger regional banks that operate in our market area. In this context, we strive to become a financial services company offering one-stop shopping for all of our customers financial needs through banking, investments, insurance and trust products and services. We believe that our broad array of product offerings deepen our relationships with our current customers and entice new customers to begin banking with us, ultimately increasing fee income and profitability.

**Actively managing our balance sheet and diversifying our asset mix.** The current economic recession has underscored the importance of a strong balance sheet. We manage our balance sheet by: (1) prudently increasing the percentage of our assets consisting of multi-family and commercial real estate and commercial business loans, which offer higher yields, shorter maturities and more sensitivity to interest rate fluctuations; (2) managing our interest rate risk by diversifying the type and maturity of our assets in our loan and investment portfolios and monitoring the maturities in our deposit portfolio; and (3) maintaining strong capital levels and liquidity. Multi-family and commercial real estate and commercial business loans increased \$13.3 million for the six months ended June 30, 2010 and \$28.0 million and \$36.7 million for the years ended December 31, 2009 and 2008, respectively, and comprised 46.0% of total loans at June 30, 2010. We intend to continue to pursue the opportunities from the many multi-family and commercial properties and businesses located in our market area.

**Continuing conservative underwriting practices and maintaining a high quality loan portfolio.** We believe that strong asset quality is a key to long-term financial success. We have sought to maintain a high level of asset quality and moderate credit risk by using conservative underwriting standards and by diligent monitoring and collection efforts. Nonperforming loans decreased from \$9.3 million at December 31, 2008 to \$4.3 million at June 30, 2010. At June 30, 2010, nonperforming loans were 0.70% of the total

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loan portfolio and 0.48% of total assets. Although we intend to increase our multi-family and commercial real estate and commercial business lending, we intend to continue our philosophy of managing large loan exposures through conservative loan underwriting and credit administration standards.

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**Increasing core deposits.** Our primary source of funds is retail deposit accounts. At June 30, 2010, 55.2% of our deposits were core deposits, consisting of demand, savings and money market accounts. We value core deposits because they represent longer-term customer relationships and a lower cost of funding compared to certificates of deposit. Core deposits have continued to increase primarily due to the investments we have made in our branch network, new product offerings, competitive interest rates and the movement of customer funds out of riskier investments, including the stock market. We intend to continue to increase our core deposits and to focus on gaining market share in counties outside of Windham County by continuing to offer exceptional customer service, cross-selling our loan and deposit products and trust, insurance and investment services and increasing our commercial deposits from small and medium-sized businesses through additional business banking and cash management products.

**Supplementing fee income through expanded mortgage banking operations.** We view the changing regulatory landscape and historically low interest rate environment as an opportunity to gain noninterest income by leveraging our expertise in originating residential mortgages and selling such increased originations in the secondary market. This strategy enables us to have a much larger lending capacity, provide a more comprehensive product offering and reduce the interest rate, prepayment and credit risks associated with originating residential loans for retention in our loan portfolio. Further, this strategy allows us to be more flexible with the single-family residential loans we maintain for investment. To accelerate this initiative, we hired two additional mortgage originators in 2010 and intend to hire at least one more originator in 2011. The increased capital we raise from this offering may allow us to maintain a greater amount of loans held for sale, which will allow us to increase our mortgage banking operations.

**Grow through acquisitions.** We intend to pursue expansion opportunities in areas in or adjacent to our existing market area in strategic locations that maximize growth opportunities or with companies that add complementary products to our existing business. We believe that the current economic recession will increase the rate of consolidation in the banking industry. We will look to be opportunistic to expand through the acquisition of banks or other financial service companies and believe additional capital will better position us to take advantage of those opportunities. While we periodically conduct informal discussion with other parties, we currently do not have any specific plans for any such acquisitions.

**Description of the Conversion (page )**

In 2000, we reorganized Savings Institute into a stock savings bank with a mutual holding company structure. In 2004, we formed SI Financial Group as the mid-tier holding company for Savings Institute and sold a minority interest in SI Financial Group common stock to our depositors and our employee stock ownership plan in a subscription offering and contributed shares to our charitable foundation. The majority of SI Financial Group's shares were issued to SI Bancorp, MHC, a mutual holding company organized under federal law. As a mutual holding company, SI Bancorp, MHC does not have any shareholders, does not hold any significant assets other than the common stock of SI Financial Group, and does not engage in any significant business activity. Our current ownership structure is as follows:

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The second-step conversion process that we are now undertaking involves a series of transactions by which we will convert our organization from the partially public mutual holding company form to the fully public stock holding company structure. In the stock holding company structure, all of Savings Institute's common stock will be owned by new SI Financial Group, and all of new SI Financial Group's common stock will be owned by the public. We are conducting the conversion and offering under the terms of our plan of conversion and reorganization (which is referred to as the plan of conversion). Upon completion of the conversion and offering, the present SI Financial Group and SI Bancorp, MHC will cease to exist.

As part of the conversion, we are offering for sale common stock representing the 61.9% ownership interest of SI Financial Group that is currently held by SI Bancorp, MHC. At the conclusion of the conversion and offering, existing public shareholders of SI Financial Group will receive shares of common stock in new SI Financial Group in exchange for their existing shares of common stock of SI Financial Group, based upon an exchange ratio of 0.7655 to 1.0357. The actual exchange ratio will be determined at the conclusion of the conversion and the offering based on the total number of shares sold in the offering, and is intended to result in SI Financial Group's existing public shareholders owning the same percentage interest, 38.1%, of new SI Financial Group common stock as they currently own of SI Financial Group common stock, before giving effect to cash paid in lieu of issuing fractional shares and shares that existing shareholders may purchase in the offering. In addition, we intend to make a cash contribution to our existing charitable foundation to provide the foundation with additional liquidity. Other than shares issued in the exchange, we will not issue any shares of new SI Financial Group common stock to the foundation in connection with the conversion and offering.

After the conversion and offering, our ownership structure will be as follows:

We may cancel the conversion and offering with the concurrence of the Office of Thrift Supervision. If cancelled, orders for common stock already submitted will be cancelled, subscribers' funds will be promptly returned with interest calculated at Savings Institute's passbook savings rate and all deposit account withdrawal authorizations will be cancelled.

The normal business operations of Savings Institute will continue without interruption during the conversion and offering, and the same officers and directors who currently serve Savings Institute in the mutual holding company structure will serve the new holding company and Savings Institute in the fully converted stock form.

### **Reasons for the Conversion and Offering (page )**

Our primary reasons for the conversion and offering are the following:

While Savings Institute currently exceeds all regulatory capital requirements to be considered a well capitalized institution, the proceeds from the sale of common stock will increase our capital, which will support continued lending and operational growth. In deciding to conduct the conversion and offering at this time, our Board of Directors considered current market conditions, the amount of capital needed for continued growth, that the offering will not raise an excessive amount of capital and the interests of existing shareholders and customers.

The larger number of shares that will be in the hands of public investors after completion of the conversion and offering is expected to result in a more liquid and active trading market than currently exists for SI Financial Group common stock. A more liquid and active trading market would make it easier for our shareholders to buy and sell our common stock. See *Market for the Common Stock*.

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The stock holding company structure is a more familiar form of organization, which we believe will make our common stock more appealing to investors, and will give us greater flexibility to access the capital markets through possible future equity and debt offerings and to acquire other financial institutions or financial service companies. Our current mutual holding structure limits our ability to raise capital or issue stock in an acquisition transaction because SI Bancorp, MHC must own at least 50.1% of the shares of SI Financial Group. Currently, however, we have no plans, agreements or understandings regarding any additional securities offerings or acquisitions.

We are currently regulated by the Office of Thrift Supervision. The financial regulatory reform legislation will result in changes to our primary bank regulator and holding company regulator, as well as changes in regulations applicable to us, which may include changes in regulations affecting capital requirements, payment of dividends and conversion to stock form. Specifically, under the Dodd-Frank Act, the Federal Reserve Board will become the sole federal regulator of all holding companies, including mutual holding companies, and the Federal Reserve Board historically has not allowed mutual holding companies to waive the receipt of dividends from their mid-tier holding company subsidiaries. Although SI Bancorp, MHC is considered a grandfathered mutual holding company under the Dodd-Frank Act, it is not clear how the Federal Reserve Board will evaluate dividend waivers by grandfathered mutual holding companies and whether the Federal Reserve Board would require any future waived dividends to be taken into account in determining an appropriate exchange ratio, which would result in dilution to the ownership interests of minority stockholders in the event of a second-step conversion to stock form. The reorganization will eliminate our mutual holding company structure and any regulatory uncertainty associated with dividend waivers by our mutual holding company, as well as the treatment of waived dividends in a conversion of our mutual holding company to stock form and better position us to meet all future regulatory capital requirements. See *Regulation and Supervision*.

### **Terms of the Offering**

We are offering between 5,578,125 and 7,546,875 shares of common stock in a subscription offering to eligible depositors of Savings Institute and to our tax-qualified employee benefit plans, including our employee stock ownership plan. To the extent shares remain available, we may offer shares in a community offering to natural persons and trusts of natural persons residing in Hartford, Middlesex, New London, Tolland and Windham Counties in Connecticut, to our existing public shareholders and to the general public. With regulatory approval, we may increase the number of shares to be sold up to 8,678,906 shares without giving you further notice or the opportunity to change or cancel your order. In considering whether to increase the offering size, the Office of Thrift Supervision will consider the level of subscriptions, the views of our independent appraiser, our financial condition and results of operations and changes in financial market conditions. Once submitted, orders are irrevocable unless the offering is terminated or is extended beyond [Date 2], 2010, or the number of shares of common stock to be sold is increased to more than 8,678,906 shares or decreased to less than 5,578,125 shares. If we extend the offering beyond [Date 2], 2010, all subscribers will be notified and given the opportunity to confirm, change or cancel their orders. If you do not respond to this notice, we will promptly return your funds with interest calculated at Savings Institute's passbook savings rate or cancel your deposit account withdrawal authorization. If we intend to sell fewer than 5,578,125 shares or more than 8,678,906 shares, we will promptly return all funds and set a new offering range. All subscribers will be notified and given the opportunity to place a new order.

Shares of our common stock not purchased in the subscription offering or the community offering may be offered for sale to the general public in a syndicated community offering through a syndicate of selected dealers on a best efforts basis. We may begin the syndicated community offering at any time following the commencement of the subscription offering. Stifel, Nicolaus & Company, Incorporated will act as sole book-running manager, which is also being conducted on a best efforts basis. Neither Stifel, Nicolaus & Company, Incorporated nor any other member of the syndicate is required to purchase any shares in the syndicated community offering.

The purchase price is \$8.00 per share. All investors will pay the same purchase price per share. Investors will not be charged a commission to purchase shares of common stock in the offering. Stifel, Nicolaus & Company, Incorporated, our conversion advisor and marketing agent in the offering, will use its best efforts to assist us in selling shares of our common stock. Stifel, Nicolaus & Company, Incorporated is not obligated to purchase any shares of common stock in the offering.

### **How We Determined the Offering Range and Exchange Ratio (page )**

Federal regulations require that the aggregate purchase price of the securities sold in the offering be based upon our estimated pro forma market value after the conversion (*i.e.*, taking into account the expected receipt of net proceeds from the sale of securities in the offering), as determined by an independent appraisal. We have retained RP Financial, LC., which is



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experienced in the evaluation and appraisal of financial institutions, to prepare the appraisal. RP Financial has indicated that in its valuation as of August 26, 2010, our common stock's estimated market value ranged from \$72.1 million to \$97.6 million, with a midpoint of \$84.9 million. Based on this valuation, we are selling the number of shares representing the 61.9% of SI Financial Group currently owned by SI Bancorp, MHC. This results in an offering range of \$44.6 million to \$60.4 million, with a midpoint of \$52.5 million. RP Financial will receive fees totaling \$90,000 for its appraisal report, plus \$10,000 for any appraisal updates (of which there will be at least one) and reimbursement of out-of-pocket expenses.

The appraisal was based in part upon SI Financial Group's financial condition and results of operations, the effect of the net proceeds we will receive from the sale of common stock in this offering, the cash to be contributed to the charitable foundation and an analysis of a peer group of ten publicly traded savings and loan holding companies that RP Financial considered comparable to SI Financial Group. The appraisal peer group consists of the companies listed below. Total assets are as of June 30, 2010.

Company Name and Ticker Symbol	Exchange	Headquarters	Total Assets (In millions)
Beacon Federal Bancorp, Inc. (BFED)	NASDAQ	East Syracuse, NY	\$ 1,072
Central Bancorp, Inc. (CEBK)	NASDAQ	Somerville, MA	527
ESB Financial Corporation (ESBF)	NASDAQ	Ellwood City, PA	1,948
ESSA Bancorp, Inc. (ESSA)	NASDAQ	Stroudsburg, PA	1,067
Harleysville Savings Financial Corporation (HARL)	NASDAQ	Harleysville, PA	867
Hingham Institution for Savings (HIFS)	NASDAQ	Hingham, MA	972
New Hampshire Thrift Bancshares, Inc. (NHTB)	NASDAQ	Newport, NH	993
TF Financial Corporation (THRD)	NASDAQ	Newton, PA	721
United Financial Bancorp, Inc. (UBNK)	NASDAQ	West Springfield, MA	1,545
Westfield Financial, Inc. (WFD)	NASDAQ	Westfield, MA	1,235

In preparing its appraisal, RP Financial considered the information in this prospectus, including our financial statements. RP Financial also considered the following factors, among others:

our historical and projected operating results and financial condition, including, but not limited to, net interest income, the amount and volatility of interest income and interest expense relative to changes in market conditions and interest rates, asset quality, levels of loan loss provisions, the amount and sources of noninterest income, and the amount of noninterest expense;

the economic, demographic and competitive characteristics of our market area, including, but not limited to, employment by industry type, unemployment trends, size and growth of the population, trends in household and per capita income and deposit market share;

a comparative evaluation of our operating and financial statistics with those of other similarly-situated, publicly traded savings associations and savings association holding companies, which included a comparative analysis of balance sheet composition, income statement and balance sheet ratios, credit and interest rate risk exposure;

the effect of the capital raised in this offering on our net worth and earnings potential, including, but not limited to, the increase in consolidated equity resulting from the offering, the estimated increase in earnings resulting from the investment of the net proceeds of the offering, and the estimated impact on consolidated equity and earnings resulting from adoption of the proposed employee stock benefit plans; and

the trading market for SI Financial Group common stock and securities of comparable institutions and general conditions in the market for such securities.

The independent appraisal also reflects the cash contribution to SI Financial Group Foundation. The cash contribution to the charitable foundation will not have a material effect on our estimated pro forma market value.



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Two measures that some investors use to analyze whether a stock might be a good investment are the ratio of the offering price to the issuer's book value and tangible book value and the ratio of the offering price to the issuer's core earnings. RP Financial considered these ratios in preparing its appraisal, among other factors. Book value is the same as total equity and represents the difference between the issuer's assets and liabilities. Tangible book value is equal to total equity minus intangible assets. Core earnings, for purposes of the appraisal, was defined as net earnings after taxes, excluding the after-tax portion of income from nonrecurring items. In applying each of the valuation methods, RP Financial considered adjustments to our pro forma market value based on a comparison of SI Financial Group with the peer group. RP Financial

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made slight downward adjustments for profitability, growth and viability of earnings and for marketing of the issue and made a slight upward adjustment for financial condition.

The following table presents a summary of selected pricing ratios for the peer group companies utilized by RP Financial in its appraisal and the pro forma pricing ratios for us as calculated by RP Financial in its appraisal report, based on financial data as of and for the twelve months ended June 30, 2010. The pricing ratios for SI Financial Group are based on financial data as of or for the twelve months ended June 30, 2010.

	Price to Earnings Multiple	Price to Core Earnings Multiple	Price to Book Value Ratio	Price to Tangible Book Value Ratio
New SI Financial Group (pro forma):				
Minimum	32.80x	36.07x	60.93%	63.14%
Midpoint	38.54	42.37	67.74	70.05
Maximum	44.26	48.65	73.87	76.26
Maximum, as adjusted	50.81	55.85	80.16	82.64
Pricing ratios of peer group companies as of August 26, 2010:				
Average	15.21x	15.83x	85.14%	93.10%
Median	12.02	11.48	86.74	97.68

Compared to the average pricing ratios of the peer group, at the maximum of the offering range our common stock would be priced at a premium of 191.0% to the peer group on a price-to-earnings basis, a premium of 207.3% on a price-to-core earnings basis, a discount of 13.2% on a price-to-book basis and a discount of 18.1% on a price-to-tangible book basis. This means that, at the maximum of the offering range, a share of our common stock would be less expensive than the peer group on a book value and tangible book value basis.

Compared to the average pricing ratios of the peer group, at the minimum of the offering range our common stock would be priced at a premium of 115.6% to the peer group on a price-to-earnings basis, a premium of 129.7% on a price-to-core earnings basis, a discount of 28.4% on a price-to-book basis and a discount of 32.2% on a price-to-tangible book basis. This means that, at the minimum of the offering range, a share of our common stock would be less expensive than the peer group on a book value and tangible book value basis.

Our Board of Directors reviewed RP Financial's appraisal report, including the methodology and the assumptions used by RP Financial, and determined that the offering range was reasonable and adequate. Our Board of Directors has decided to offer the shares for a price of \$8.00 per share. The purchase price of \$8.00 per share was determined by us, taking into account, among other factors, the market price of our stock before adoption of the plan of conversion, the requirement under Office of Thrift Supervision regulations that the common stock be offered in a manner that will achieve the widest distribution of the stock, and desired liquidity in the common stock after the offering. Our Board of Directors also established the formula for determining the exchange ratio. Based upon such formula and the offering range, the exchange ratio ranged from a minimum of 0.7655 to a maximum of 1.0357 shares of new SI Financial Group common stock for each current share of SI Financial Group common stock, with a midpoint of 0.9006. Based upon this exchange ratio, we expect to issue between 3,437,460 and 4,650,682 shares of new SI Financial Group common stock to the holders of SI Financial Group common stock outstanding immediately before the completion of the conversion and offering.

Because of differences in important factors such as operating characteristics, location, financial performance, asset size, capital structure and business prospects between us and other fully converted institutions, you should not rely on these comparative valuation ratios as an indication as to whether or not our common stock is an appropriate investment for you. **The appraisal is not intended, and must not be construed, as a recommendation of any kind as to the advisability of purchasing our common stock. The appraisal does not indicate market value. You should not assume or expect that the appraisal described above means that our common stock will trade at or above the \$8.00 purchase price after the offering.**

Our Board of Directors makes no recommendation of any kind as to the advisability of purchasing shares of common stock in the offering.

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**Possible Change in Offering Range**

RP Financial will update its appraisal before we complete the conversion and offering. If, as a result of regulatory considerations, demand for the shares or changes in financial market conditions, RP Financial determines that our estimated pro forma market value has increased, we may sell up to 8,678,906 shares without further notice to you. If our pro forma market value at that time is either below \$72.1 million or above \$112.2 million, then, after consulting with the Office of Thrift Supervision, we may: terminate the offering and promptly return all funds; promptly return all funds, set a new offering range and give all subscribers the opportunity to place a new order; or take such other actions as may be permitted by the Office of Thrift Supervision and the Securities and Exchange Commission.

**The Exchange of Existing Shares of SI Financial Group Common Stock (page )**

If you are a shareholder of SI Financial Group on the date we complete the conversion and offering, your existing shares will be cancelled and exchanged for shares of new SI Financial Group. The number of shares you will receive will be based on an exchange ratio determined as of the completion of the conversion and offering that is intended to result in SI Financial Group's existing public shareholders owning approximately 38.1% of new SI Financial Group's common stock, which is the same percentage of SI Financial Group common stock currently owned by existing public shareholders. The exchange ratio will not be based on the market price of SI Financial Group common stock. The following table shows how the exchange ratio will adjust, based on the number of shares sold in our offering. The table also shows how many shares a hypothetical owner of 100 shares of SI Financial Group common stock would receive in the exchange, based on the number of shares sold in the offering.

	Shares to be Sold In the Offering		Shares to be Exchanged for Existing Shares of SI Financial Group		Total Shares of Common Stock to be Outstanding	Exchange Ratio	Equivalent	Equivalent	Shares to be Received for 100 Existing Shares (3)
	Amount	Percent	Amount	Percent			Share Value (1)	Pro Forma Book Value Per Share (2)	
Minimum	5,578,125	61.9%	3,437,460	38.1%	9,015,585	0.7655	\$ 6.12	\$ 9.41	76
Midpoint	6,562,500	61.9%	4,044,071	38.1%	10,606,571	0.9006	7.20	9.99	90
Maximum	7,546,875	61.9%	4,650,682	38.1%	12,197,557	1.0357	8.29	10.58	103
Maximum, as adjusted	8,678,906	61.9%	5,348,284	38.1%	14,027,190	1.1910	9.53	11.24	119

- (1) Represents the value of shares of new SI Financial Group common stock received in the conversion by a holder of one share of SI Financial Group common stock at the exchange ratio, assuming an offering price of \$8.00 per share.
  - (2) Represents the pro forma tangible shareholders' equity per share at each level of the offering range multiplied by the respective exchange ratio.
  - (3) Cash will be paid instead of issuing any fractional shares.
- No fractional shares of new SI Financial Group common stock will be issued in the conversion and offering. For each fractional share that would otherwise be issued, we will pay cash in an amount equal to the product obtained by multiplying the fractional share interest to which the holder would otherwise be entitled by the \$8.00 per share offering price.

We also will convert options previously awarded under the 2005 Equity Incentive Plan into options to purchase new SI Financial Group common stock. At June 30, 2010, there were outstanding options to purchase 496,750 shares of SI Financial Group common stock. The number of outstanding options and related per share exercise prices will be adjusted based on the exchange ratio. The aggregate exercise price, term and vesting period of the outstanding options will remain unchanged. If any options are exercised before we complete the offering, the number of shares of SI Financial Group common stock outstanding will increase and the exchange ratio could be adjusted.

**Table of Contents****How We Intend to Use the Proceeds of this Offering (page )**

The following table summarizes how we intend to use the proceeds of the offering, based on the sale of shares at the minimum and maximum of the offering range.

(Dollars in thousands)	5,578,125 Shares		7,546,875 Shares	
	At \$8.00 Per Share	Percent of Net Proceeds	At \$8.00 Per Share	Percent of Net Proceeds
Offering proceeds	\$ 44,625		\$ 60,375	
Less: offering expenses	(2,998)		(3,572)	
Net offering proceeds	41,627	100.0%	56,803	100.0%
Less:				
Proceeds contributed to Savings Institute	24,976	60.0	34,082	60.0
Proceeds used for loan to employee stock ownership plan	2,678	6.4	3,623	6.4
Proceeds contributed to SI Financial Group Foundation by SI Financial Group	500	1.2	500	0.9
Proceeds remaining for new SI Financial Group	\$ 13,473	32.4%	\$ 18,598	32.7%

Initially, we intend to invest the proceeds of the offering in short-term investments. In the future, new SI Financial Group may use the funds it retains to invest in securities, pay cash dividends, repurchase shares of its common stock, subject to regulatory restrictions, or for general corporate purposes. Savings Institute intends to use the portion of the proceeds that it receives to fund new loans and expand its mortgage banking activities. We expect that much of the loan growth will occur in our commercial real estate and commercial business portfolios, which we have emphasized in recent years, but we have not allocated specific dollar amounts to any particular area of our loan portfolio. The amount of time that it will take to deploy the proceeds of the offering into loans will depend primarily on the level of loan demand. Savings Institute may also use the proceeds to finance the possible expansion of its business activities, including developing new branch locations, although there are no specific plans for these activities. We may also use the proceeds of the offering to diversify our business or acquire other companies as opportunities arise, primarily in or adjacent to our existing market areas, although we have no specific plans to do so at this time.

**Purchases by Directors and Executive Officers (page )**

We expect that our directors and executive officers, together with their associates, will subscribe for approximately 18,037 shares, which is 0.3% of the midpoint of the offering. Our directors and executive officers will pay the same \$8.00 per share price as everyone else who purchases shares in the offering. Like all of our depositors, our directors and executive officers have subscription rights based on their deposits and, in the event of an oversubscription, their orders will be subject to the allocation provisions set forth in our plan of conversion. Purchases by our directors and executive officers will count towards the minimum number of shares we must sell to close the offering. Following the conversion and offering, and including shares received in exchange for shares of SI Financial Group, our directors and executive officers, together with their associates, are expected to own 287,115 shares of new SI Financial Group common stock, which would equal 2.7% of our outstanding shares if shares are sold at the midpoint of the offering range.

**Benefits of the Conversion to Management (page )**

We intend to adopt the stock benefit plans described below. We will recognize additional compensation expense related to the expanded employee stock ownership plan and the new equity incentive plan. The actual expense will depend on the market value of our common stock and will increase as the value of our common stock increases. As reflected under *Pro Forma Data*, based upon assumptions set forth therein, the annual expense related to the employee stock ownership plan and the new equity incentive plan would have been \$554,000 for the year ended

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December 31, 2009, assuming shares are sold at the maximum of the offering range. If awards under the new equity incentive plan are funded from authorized but

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unissued stock, your ownership interest would be diluted by up to approximately 1.9%. See *Pro Forma Data* for an illustration of the effects of each of these plans.

**Employee Stock Ownership Plan.** Our employee stock ownership plan intends to purchase an amount of shares equal to 6.0% of the shares sold in the offering. The plan will use the proceeds from a 20-year loan from new SI Financial Group to purchase these shares. We reserve the right to purchase shares of common stock in the open market following the offering to fund all or a portion of the employee stock ownership plan. We also reserve the right to have the employee stock ownership plan purchase up to 10% of the shares of common stock sold in the offering if necessary to complete the offering at the minimum of the offering range. As the loan is repaid and shares are released from collateral, the shares will be allocated to the accounts of employee participants. Allocations will be based on a participant's individual compensation as a percentage of total plan compensation. Non-employee directors are not eligible to participate in the employee stock ownership plan. We will incur additional compensation expense as a result of this plan. See *Pro Forma Data* for an illustration of the effects of this plan.

**New Equity Incentive Plan.** We intend to implement a new equity incentive plan no earlier than six months after completion of the conversion and offering. We will submit this plan to our shareholders for their approval. Under this plan, we may grant stock options in an amount up to 7.7% of the number of shares sold in the offering and restricted stock awards in an amount equal to 3.1% of the shares sold in the offering. Stock options will be granted at an exercise price equal to 100% of the fair market value of our common stock on the option grant date. Shares of restricted stock will be awarded at no cost to the recipient. We will incur additional compensation expense as a result of this plan. See *Pro Forma Data* for an illustration of the effects of this plan. The new equity incentive plan will comply with all applicable Office of Thrift Supervision regulations. The new equity incentive plan will supplement our existing 2005 Equity Incentive Plan, which will continue as a plan of new SI Financial Group.

The following table summarizes, at the maximum of the offering range, the total number and value of the shares of common stock that the employee stock ownership plan expects to acquire and the total value of all restricted stock awards and stock options that are expected to be available under the new equity incentive plan. At the maximum of the offering range, we will sell 7,546,875 shares and have 12,197,557 shares outstanding. The number of shares reflected for the benefit plans in the table below assumes that Savings Institute's tangible capital will be 10% or more following the completion of the offering and the application of the net proceeds as described under *Use of Proceeds*.

	Number of Shares to be Granted or Purchased			Dilution Resulting from Issuance of Additional Shares	Total Estimated Value
	At	As a %	As a % of		
	Maximum of Offering Range	of Common Stock Sold	Common Stock Outstanding		
(Dollars in thousands)					
Employee stock ownership plan (1)	452,813	6.0%	3.7%	%	\$ 3,623
Restricted stock awards (1)	232,870	3.1	1.9	1.9	1,863
Stock options (2)	582,176	7.7	4.8	4.6	1,618
Total	1,267,859	16.8%	10.4%	6.3%	\$ 7,104

(1) Assumes the value of new SI Financial Group common stock is \$8.00 per share for determining the total estimated value.

(2) Assumes the value of a stock option is \$2.78. See *Pro Forma Data*.

We may fund our plans through open market purchases, as opposed to new issuances of common stock; however, if any options previously granted under our 2005 Equity Incentive Plan are exercised during the first year following completion of the offering, they will be funded with newly-issued shares as Office of Thrift Supervision regulations do not permit us to repurchase our shares during the first year following the completion of this offering except to fund the grants of restricted stock under the stock-based incentive plan or, with prior regulatory approval, under extraordinary circumstances. The Office of Thrift Supervision has previously advised that the exercise of outstanding options and cancellation of treasury shares in the conversion will not constitute an extraordinary circumstance or a compelling business purpose for satisfying this test.



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The following table presents information regarding our existing employee stock ownership plan, options and restricted stock previously awarded or available for future awards under our 2005 Equity Incentive Plan, additional shares purchased by our employee stock ownership plan, and our proposed new equity incentive plan. The table below assumes that 12,197,557 shares are outstanding after the offering, which includes the sale of 7,546,875 shares in the offering at the maximum of the offering range and the issuance of 4,650,682 shares in exchange for shares of SI Financial Group using an exchange ratio of 1.0357. It is also assumed that the value of the stock is \$8.00 per share.

Existing and New Stock Benefit Plans (Dollars in thousands)	Eligible Participants	Number of Shares at Maximum of Offering Range	Estimated Value of Shares	Percentage of Shares Outstanding After the Conversion and Offering
<b>Employee Stock Ownership Plan:</b>	Employees			
Shares purchased in 2004 offering (1)		498,549(2)	\$ 3,988	4.1%
Shares to be purchased in this offering		452,813	3,623	3.7
Total employee stock ownership plan		951,362	\$ 7,611	7.8
<b>Restricted Stock Awards:</b>	Directors and employees			
2005 Equity Incentive Plan (1)		255,040(3)	\$ 2,040(4)	2.1
New shares of restricted stock		232,870	1,863(4)	1.9
Total shares of restricted stock		487,910	\$ 3,903	4.0
<b>Stock Options:</b>	Directors and employees			
2005 Equity Incentive Plan (1)		637,601(5)	\$ 1,766(6)	5.2
New stock options		582,176	1,618(7)	4.8
Total stock options		1,219,777	\$ 3,384	10.0
Total stock benefit plans		2,659,049	\$ 14,898	21.8%

(1) Number of shares has been adjusted for the 1.0357 exchange ratio at the maximum of the offering range.

(2) As of June 30, 2010, of these shares, 164,065 (158,410 before adjustment) have been allocated to the accounts of participants and 334,484 (322,955 before adjustment) remain unallocated.

(3) As of June 30, 2010, of these shares, 252,347 (243,649 before adjustment) have been awarded and 2,692 (2,600 before adjustment) remain available for future awards. As of June 30, 2010, awards covering 236,149 shares have vested and the shares have been distributed.

(4) The actual value of restricted stock grants will be determined based on their fair value as of the date grants are made. For purposes of this table, fair value is assumed to be the same as the offering price of \$8.00 per share.

(5) As of June 30, 2010, of these shares, options for 514,483 shares (496,750 shares before adjustment) have been awarded and options for 123,116 shares (118,873 shares before adjustment) remain available for future grants. As of June 30, 2010, no options had been exercised.

(6) The fair value of stock options granted and outstanding under the 2005 Equity Incentive Plan has been estimated using the Black-Scholes option pricing model. Before the adjustment for the exchange ratio, there were 496,750 outstanding options with a weighted-average fair value of \$2.87 per option. Using this value and adjusting for the exchange ratio at the maximum of the offering range, the fair value of stock options granted or available for grant under the 2005 Equity Incentive Plan has been estimated at \$2.77 per option.

(7)



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For purposes of this table, the fair value of stock options to be granted under the new equity incentive plan has been estimated at \$2.78 per option using the Black-Scholes option pricing model with the following assumptions: exercise price, \$8.00; trading price on date of grant, \$8.00; dividend yield, 1.0%; expected life, 10 years; expected volatility, 18.21%; and risk-free interest rate, 2.97%.

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**Our Contribution of Cash to the SI Financial Group Foundation**

SI Financial Group Foundation was organized in connection with Savings Institute's mutual holding company reorganization and was funded with 251,275 shares of SI Financial Group common stock on September 30, 2004. As of June 30, 2010, SI Financial Group Foundation had assets of \$1.4 million, no liabilities and net worth of \$1.4 million.

To further our commitment to the communities we serve and may serve in the future, subject to our members' and shareholders' approval, we intend to contribute up to \$500,000 in cash to the charitable foundation to provide the foundation with additional liquidity. Other than shares issued in the exchange, we will not issue any shares of new SI Financial Group common stock to SI Financial Group Foundation in connection with the conversion and offering. As a result of the cash contribution, we expect to record an after-tax expense of approximately \$335,000 during the quarter in which the conversion is completed. SI Financial Group Foundation currently owns 214,653 shares of SI Financial Group common stock. Following completion of the offering and assuming closing at the midpoint of the valuation range and the exchange ratio of 0.9006, the charitable foundation will own 193,316 shares, or 1.8%, of the outstanding shares of SI Financial Group. Pursuant to Office of Thrift Supervision regulations, all shares of SI Financial Group common stock owned by the charitable foundation must be voted in the same ratio as all other shares of SI Financial Group are voted.

SI Financial Group Foundation will continue to support charitable causes and community development activities in the communities in which we operate or may operate. During the six months ended June 30, 2010 and the year ended December 31, 2009, SI Financial Group Foundation made charitable contributions of \$5,440, and \$53,000, respectively.

Under the Internal Revenue Code, a corporate entity is generally permitted to deduct up to 10% of its taxable income (taxable income before the charitable contributions deduction) in any one year for charitable contributions. Any contribution in excess of the 10% limit may generally be deducted for federal income tax purposes over the five years following the year in which the charitable contribution was made. Accordingly, a charitable contribution by a corporate entity to a charitable foundation could, if necessary, be deducted for federal income tax purposes over a six-year period. Our overall charitable contribution deduction could be limited if our future taxable income is insufficient to allow for the full deduction within the 10% of taxable income limitation, which would result in an increase to income tax expense.

SI Financial Group Foundation is governed by a Board of Directors, which currently consists of five employees of Savings Institute, two of our directors, one of our former directors and one individual who is not affiliated with us. The officers and directors of the foundation are as follows:

Rheo A. Brouillard Chairman of the Board of Directors and President

Brian J. Hull Treasurer and Director

Sandra M. Mitchell Secretary and Director

William E. Anderson, Jr. Director

Robert C. Cushman Director

Roger Engle Director

Donna M. Evan Director

Laurie L. Gervais Director

Edward Wosniak Director

None of these individuals receive compensation for their service as a director of the charitable foundation. In addition, some of our employees serve as executive officers of the charitable foundation. None of these individuals receive compensation for their service as an executive officer of the charitable foundation.

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The contribution of cash to the charitable foundation has been approved by the Board of Directors of SI Bancorp, MHC, and must be approved by the members of SI Bancorp, MHC (depositors of Savings Institute) and the shareholders of SI Financial Group at their special meetings being held to consider and vote upon the plan of conversion. If members or shareholders do not approve the contribution to the charitable foundation, we will proceed with the conversion without contributing to the foundation and subscribers for common stock will not be resolicited (unless required by the Office of Thrift Supervision). The contribution to the charitable foundation will not have any material effect on our estimated pro forma valuation.

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RP Financial will update its appraisal of our estimated pro forma market value at the conclusion of the offering. The pro forma market value reflected in that updated appraisal will be based on the facts and circumstances existing at that time, including, among other things, market and economic conditions.

See *Risk Factors* *The contribution to the charitable foundation will adversely affect net income* and *SI Financial Group Foundation*.

### **Persons Who Can Order Stock in the Subscription Offering (page            )**

We are offering shares of new SI Financial Group common stock in a subscription offering to the following persons in the following order of priority:

1. Persons with \$50 or more on deposit at Savings Institute as of the close of business on June 30, 2009.
2. Our employee stock ownership plan.
3. Persons with \$50 or more on deposit at Savings Institute as of the close of business on September 30, 2010 who are not eligible in category 1 above.
4. Savings Institute's depositors as of the close of business on [RECORD DATE], 2010, who are not in categories 1 or 3 above.

Unlike our employee stock ownership plan, the Savings Institute 401(k) Plan has not been granted priority subscription rights. Accordingly, a 401(k) plan participant who elects to purchase shares in the offering through self-directed purchases within the 401(k) plan will receive the same subscription priority, and be subject to the same purchase limitations, as if the participant had elected to purchase shares using funds outside the 401(k) plan.

If we receive subscriptions for more shares than are to be sold in this offering, we may be unable to fill or may only partially fill your order. Shares will be allocated in order of the priorities described above under a formula outlined in the plan of conversion. See *The Conversion and Offering Subscription Offering and Subscription Rights* for a description of the allocation procedure.

### **Subscription Rights are Not Transferable (page            )**

You are not allowed to transfer your subscription rights and we will act to ensure that you do not do so. You will be required to acknowledge that you are purchasing shares solely for your own account and that you have no agreement or understanding with another person to sell or transfer subscription rights or the shares that you purchase. We will not accept any stock orders that we believe involve the transfer of subscription rights. **Eligible depositors who enter into agreements to allow ineligible investors to participate in the subscription offering may be violating federal and state law and may be subject to civil enforcement actions or criminal prosecution.**

### **Purchase Limitations (page            )**

Pursuant to our plan of conversion, our Board of Directors has established limitations on the purchase of common stock in the offering. These limitations include the following:

The minimum purchase is 25 shares.

No individual (or individuals exercising subscription rights through a single qualifying account held jointly) may purchase more than \$500,000 of common stock (which equals 62,500 shares) in the offering.

No individual, together with any associates, and no group of persons acting in concert, may purchase more than \$1,000,000 of common stock (which equals 125,000 shares) in all the categories of the offering combined. For purposes of applying this limitation, your associates include:

Any person who is related by blood or marriage to you and who either lives in your home or who is a director or officer of Savings Institute;

Companies or other entities in which you are an officer or partner or have a 10% or greater beneficial ownership interest; and

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Trusts or other estates in which you have a substantial beneficial interest or as to which you serve as a trustee or in another fiduciary capacity.

Unless we determine otherwise, persons having the same address and persons exercising subscription rights through qualifying accounts registered to the same address will be subject to this overall purchase limitation. We have the right to determine, in our sole discretion, whether prospective purchasers are associates or acting in concert.

No individual, together with any associates, and no group of persons acting in concert, may purchase shares of common stock so that, when combined with shares of new SI Financial Group common stock received by them in exchange for shares of SI Financial Group common stock, such person or persons would hold more than 5% of the number of shares of new SI Financial Group common stock outstanding upon completion of the conversion and offering. No person will be required to divest any shares of SI Financial Group common stock or be limited in the number of shares of new SI Financial Group to be received in exchange for shares of SI Financial Group common stock as a result of this purchase limitation.

Subject to the Office of Thrift Supervision's approval, we may increase or decrease the purchase limitations at any time. If we increase the maximum purchase limitations to 5% of the shares of common stock sold in the offering, we may further increase the maximum purchase limitation to 9.99%, provided that orders for common stock exceeding 5% of the shares of common stock sold in the offering may not exceed in the aggregate 10% of the total shares of common stock sold in the offering. Our tax-qualified employee benefit plans, including our employee stock ownership plan, are authorized to purchase up to 10.0% of the shares sold in the offering, without regard to these purchase limitations.

### **Conditions to Completing the Conversion and Offering**

We cannot complete the conversion and offering unless:

the plan of conversion is approved by at least *a majority of votes eligible to be cast* by depositors of Savings Institute;

the plan of conversion is approved by at least *two-thirds of the outstanding shares* of SI Financial Group, including shares held by SI Bancorp, MHC;

the plan of conversion is approved by at least *a majority of the outstanding shares* of SI Financial Group, excluding the shares held by SI Bancorp, MHC;

we sell at least the minimum number of shares offered; and

we receive the final approval of the Office of Thrift Supervision to complete the conversion and offering.

Subject to member, shareholder and regulatory approvals, we also intend to contribute cash to our existing charitable foundation, SI Financial Group Foundation, in connection with the conversion. However, member and shareholder approval of the contribution to the charitable foundation is not a condition to the completion of the conversion and offering.

SI Bancorp, MHC, which owns 61.9% of the outstanding shares of SI Financial Group, intends to vote these shares in favor of the plan of conversion and the contribution to the charitable foundation. In addition, as of \_\_\_\_\_, 2010, directors and executive officers of SI Financial Group and their associates beneficially owned 298,783 shares of SI Financial Group or 2.5% of the outstanding shares. They intend to vote those shares in favor of the plan of conversion and the contribution to the charitable foundation.

### **Steps We May Take if We Do Not Receive Orders for the Minimum Number of Shares**

We must sell a minimum of 5,578,125 shares to complete the conversion and offering. Purchases by our directors and executive officers and our employee stock ownership plan will count towards the minimum number of shares we must sell to complete the offering. If we do not receive

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orders for at least 5,578,125 shares of common stock in the subscription, community and/or syndicated community offerings, we may increase the purchase limitations and/or seek regulatory approval to extend the offering beyond [Date 2], 2010 (provided that any such extension will require us to resolicit subscribers). Alternatively, we may terminate the offering, in which case we will promptly return your funds, with interest calculated at Savings Institute's passbook savings rate, which is currently 0.20% per annum, and cancel all deposit account withdrawal authorizations.

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**How to Purchase Common Stock in the Subscription and Community Offerings (page            ) )**

In the subscription offering and the community offering, you may pay for your shares by:

1. personal check, bank check or money order made payable directly to SI Financial Group, Inc. (Savings Institute lines of credit checks and third-party checks of any type will not be accepted. Please do not submit cash.); or
2. authorizing us to withdraw money from the types of Savings Institute deposit accounts identified on the stock order form. Savings Institute is not permitted to lend funds (including funds drawn on a Savings Institute line of credit) to anyone to purchase shares of common stock in the offering.

You may not designate on your stock order form a direct withdrawal from a retirement account at Savings Institute. If you wish to use funds in these accounts, see *Using IRA Funds to Purchase Shares in the Offering*. Additionally, you may not designate on your stock order form a direct withdrawal from Savings Institute accounts with check-writing privileges. Instead, a check must be provided. If you request a direct withdrawal, we reserve the right to interpret that as your authorization to treat those funds as if we had received a check for the designated amount and we will immediately withdraw the amount from your checking account.

Personal checks will be immediately cashed, so the funds must be available within the account when your stock order form is received by us. Subscription funds submitted by check or money order will be held in a segregated account at Savings Institute. We will pay interest calculated at Savings Institute's passbook savings rate from the date those funds are processed until completion or termination of the offering, at which time, subscribers will receive interest checks. Withdrawals from certificate of deposit accounts at Savings Institute to purchase common stock in the offering may be made without incurring an early withdrawal penalty. All funds authorized for withdrawal from deposit accounts with Savings Institute must be available within the deposit accounts at the time the stock order form is received. A hold will be placed on the amount of funds designated on your stock order form. Those funds will be unavailable to you during the offering; however, the funds will not be withdrawn from the accounts until the offering is completed and will continue to earn interest at the applicable contractual deposit account rate until the completion of the offering.

You may deliver your stock order form in one of three ways: by mail, using the stock order reply envelope provided, by overnight delivery to the Stock Information Center at the address indicated on the stock order form or by hand-delivery to Savings Institute's main office, located at 803 Main Street, Willimantic, Connecticut. Stock order forms will not be accepted at our other Savings Institute offices and should not be mailed to Savings Institute. Once submitted, your order is irrevocable. We are not required to accept copies or facsimiles of order forms.

**Using Retirement Account Funds to Purchase Shares in the Subscription and Community Offerings (page            ) )**

You may be able to subscribe for shares of common stock using funds in your individual retirement account, or IRA. If you wish to use some or all of the funds in your Savings Institute IRA or other retirement account, the applicable funds must first be transferred to a self-directed retirement account maintained by an unaffiliated institutional trustee or custodian, such as a brokerage firm. An annual fee may be payable to the new trustee. If you do not have such an account, you will need to establish one and transfer your funds from Savings Institute before placing your stock order. Our Stock Information Center can give you guidance if you wish to place an order for stock using funds held in a retirement account at Savings Institute *or elsewhere*. Because processing retirement account transactions takes additional time, we recommend that you contact our Stock Information Center promptly, preferably at least two weeks before the [Date 1], 2010 offering deadline. Whether you may use retirement funds for the purchase of shares in the offering will depend on timing constraints and, possibly, limitations imposed by the institution where the funds are held.

**Deadline for Ordering Stock in the Subscription and Community Offerings**

The subscription offering will end at 2:00 p.m., Eastern time, on [Date 1], 2010. If you wish to purchase shares, a properly completed and signed original stock order form, together with full payment for the shares of common stock, must be *received* by us (not postmarked) no later than this time. We expect that the community offering, if held, will terminate at the same time, although it may continue until [Date 2], 2010, or longer if the Office of Thrift Supervision approves a later date. No single extension may be for more than 90 days. We are not required to provide notice



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to you of an extension unless we extend the offering beyond [Date 2], 2010, in which case all subscribers in the subscription and community offerings will be notified and given the opportunity to confirm, change or cancel their orders. If you do not respond to this notice, we will

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promptly return your funds with interest calculated at Savings Institute's passbook savings rate or cancel your deposit account withdrawal authorization. If we intend to sell fewer than 5,578,125 shares or more than 8,678,906 shares, we will promptly return all funds and set a new offering range. All subscribers will be notified and given the opportunity to place a new order.

### **Market for New SI Financial Group's Common Stock (page )**

SI Financial Group common stock is listed on the Nasdaq Global Market under the symbol SIFI. We expect that new SI Financial Group's common stock will trade on the Nasdaq Global Market under the trading symbol SIFID for a period of 20 trading days after the completion of the conversion and offering. Thereafter, the trading symbol will be SIFI. After shares of the common stock begin trading, you may contact a stock broker to buy or sell shares. There can be no assurance that persons purchasing the common stock in the offering will be able to sell their shares at or above the \$8.00 offering price, and brokerage firms typically charge commissions related to the purchase or sale of securities.

### **SI Financial Group's Dividend Policy (page )**

SI Financial Group currently pays a cash dividend of \$0.03 per share per quarter, which equals \$0.12 on an annualized basis. After the conversion and offering, we intend to continue to pay a cash dividend of \$0.03 per share per quarter, which represents an annual yield of 1.5% based on a price of \$8.00 per share. However, the dividend rate and continued payment of dividends will depend on a number of factors, including our capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations and general economic conditions. No assurance can be given that we will continue to pay dividends or that they will not be reduced in the future.

### **Tax Consequences (page )**

As a general matter, the conversion will not be a taxable transaction for purposes of federal or state income taxes to us or persons who receive or exercise subscription rights. Existing shareholders of SI Financial Group who receive cash in lieu of fractional share interests in shares of new SI Financial Group will recognize gain or loss equal to the difference between the cash received and the tax basis of the fractional share. Kilpatrick Stockton LLP and Wolf & Company, P.C. have issued us opinions to this effect, which are summarized on pages through of this prospectus.

### **Delivery of Prospectus**

**To ensure that each purchaser in the subscription and community offerings receives a prospectus at least 48 hours before the offering deadline, we may not mail prospectuses any later than five days before such date or hand-deliver prospectuses later than two days before that date. Stock order forms may only be delivered if accompanied or preceded by a prospectus. We are not obligated to deliver a prospectus or order form by means other than U.S. mail.**

We will make reasonable attempts to provide a prospectus and offering materials to holders of subscription rights. The subscription offering and all subscription rights will expire at 2:00 p.m., Eastern time, on [Date 1], 2010 whether or not we have been able to locate each person entitled to subscription rights.

### **Delivery of Stock Certificates in the Subscription and Community Offerings (page )**

Certificates representing shares of common stock issued in the subscription and community offerings will be mailed by first-class mail by our transfer agent as soon as practicable following completion of the conversion and offering. Certificates will be mailed to purchasers at the registration address provided by them on the order form. **Until certificates for common stock are available and delivered to purchasers, purchasers may not be able to sell their shares, even though trading of the common stock will have commenced.** Your ability to sell the shares of common stock before your receipt of the stock certificate will depend on arrangements you may make with your brokerage firm.

### **How You Can Obtain More Information Stock Information Center**

Our banking office personnel may not, by law, assist with investment-related questions about the conversion and the offering. If you have any questions regarding the conversion or the offering, please call our Stock Information Center. The toll-free telephone number is ( ) - . The Stock Information Center is open Monday through Friday, from 10:00 a.m. to 4:00 p.m., Eastern time. The Stock Information Center will be closed weekends and bank holidays.



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## **Risk Factors**

*You should consider carefully the following risk factors before purchasing shares of new SI Financial Group common stock.*

### **Risks Related to Our Business**

**The economic recession could result in increases in our level of nonperforming loans and/or reduce demand for our products and services, which would lead to lower revenue, higher loan losses and lower earnings.**

Our business activities and earnings are affected by general business conditions in the United States and in our local market area. These conditions include short-term and long-term interest rates, inflation, unemployment levels, real estate values, monetary supply, consumer confidence and spending, fluctuations in both debt and equity capital markets, and the strength of the economy in the United States generally and in our market area in particular. The national economy has recently experienced a recession, with rising unemployment levels, declines in real estate values and an erosion in consumer confidence. Dramatic declines in the U.S. housing market over the past few years, with falling home prices and increasing foreclosures, have negatively affected the credit performance of mortgage loans and resulted in significant write-downs of asset values by many financial institutions. Our local economy has mirrored the overall economy. A prolonged or more severe economic downturn, continued elevated levels of unemployment, further declines in the values of real estate, or other events that affect household and/or corporate incomes could impair the ability of our borrowers to repay their loans in accordance with their terms. Nearly all of our loans are secured by real estate or made to businesses in the counties in which we have offices in Connecticut. As a result of this concentration, a prolonged or more severe downturn in the local economy could result in significant increases in nonperforming loans, which would negatively impact our interest income and result in higher provisions for loan losses, which would hurt our earnings. The economic downturn could also result in reduced demand for credit, which would hurt our revenues.

**Our level of nonperforming loans and classified assets expose us to increased risk of loss. Further, our allowance for loan losses may prove to be insufficient to absorb losses in our loan portfolio.**

At June 30, 2010, loans that were classified as either special mention, substandard, doubtful or loss totaled \$46.8 million, representing 7.7% of total loans, including nonperforming loans of \$4.3 million, representing 0.70% of total loans. If these loans do not perform according to their terms and the value of the collateral is insufficient to pay the remaining loan balance or if the economy and/or the real estate market continues to weaken, we could experience loan losses or be required to add further reserves to our allowance for loan losses, either of which could have a material adverse effect on our operating results. Like all financial institutions, we maintain an allowance for loan losses at a level representing management's best estimate of known losses in the portfolio based upon management's evaluation of the portfolio's collectibility as of the corresponding balance sheet date. However, our allowance for loan losses may be insufficient to cover actual loan losses, and future provisions for loan losses could materially adversely affect our operating results.

At June 30, 2010, our allowance for loan losses totaled \$4.9 million, which represented 0.80% of total loans and 114.32% of nonperforming loans. Our regulators, as an integral part of their examination process, periodically review the allowance for loan losses and may require us to increase the allowance for loan losses by recognizing additional provisions for loan losses charged to income, or to charge-off loans, which, net of any recoveries, would decrease the allowance for loan losses. Any such additional provisions for loan losses or charge-offs, as required by these regulatory agencies, could have a material adverse effect on our operating results.

**Our commercial lending exposes us to lending risks.**

At June 30, 2010, \$280.7 million, or 46.0%, of our loan portfolio consisted of commercial real estate and commercial business loans. We intend to continue to emphasize these types of lending. Commercial loans generally expose a lender to greater risk of non-payment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation of the business and the income stream of the borrowers. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. Also, many of our commercial borrowers have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan.

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### **Our emphasis on residential mortgage loans and home equity loans exposes us to lending risks.**

At June 30, 2010, \$292.4 million, or 48.0%, of our loan portfolio consisted of one- to four-family residential mortgage loans and \$24.0 million, or 3.9%, of our loan portfolio consisted of home equity lines of credit. Recent declines in the housing market have resulted in declines in real estate values in our market areas. These declines in real estate values could cause some of our mortgage and home equity loans to be inadequately collateralized, which would expose us to a greater risk of loss if we seek to recover on defaulted loans by selling the real estate collateral.

### **Our investment portfolio may suffer reduced returns, material losses or other-than-temporary impairment losses.**

During an economic downturn, our investment portfolio could be subject to higher risk. The value of our investment portfolio is subject to the risk that certain investments may default or become impaired due to a deterioration in the financial condition of one or more issuers of the securities held in our portfolio, or due to a deterioration in the financial condition of an issuer that guarantees an issuer's payments of such investments. Such defaults and impairments could reduce our net investment income and result in realized investment losses.

Our investment portfolio is also subject to increased risk as the valuation of investments is more subjective when markets are illiquid, thereby increasing the risk that the estimated fair value (i.e. the carrying amount) of the portion of the investment portfolio that is carried at fair value as reflected in our financial statements is not reflective of prices at which actual transactions would occur.

Because of the risks set forth above, the value of our investment portfolio could decrease, we could experience reduced net investment income, and we could incur realized investment losses, which could materially and adversely affect our results of operations, financial position and liquidity.

Additionally, we review our securities portfolio at each quarter-end reporting period to determine whether the fair value is below the current carrying value. When the fair value of any of our equity securities has declined below its carrying value, we are required to assess whether the decline is other-than-temporary. We are required to write-down the value of that security through a charge to earnings if we conclude that the decline is other-than-temporary. In the case of debt securities, we are required to charge to earnings any decreases in value that are credit-related. As of June 30, 2010, the amortized cost and the fair value of our securities portfolio each totaled \$182.2 million. Changes in the expected cash flows of these securities and/or prolonged price declines in future periods may result in a charge to earnings to write-down these securities. Any charges for other-than-temporary impairment would not impact cash flow, tangible capital or liquidity. For the six months ended June 30, 2010 and for the year ended December 31, 2009, we recognized other-than-temporary impairment losses for credit-related factors of \$332,000 and \$228,000, respectively, on certain debt securities.

### **Recently enacted regulatory reform may have a material impact on our operations.**

On July 21, 2010, the President signed into law The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The Dodd-Frank Act restructures the regulation of depository institutions. Under the Dodd-Frank Act, the Office of Thrift Supervision, which currently regulates Savings Institute, will be merged into the Office of the Comptroller of the Currency, which regulates national banks. Savings and loan holding companies, including SI Financial Group, will be regulated by the Board of Governors of the Federal Reserve System. Also included is the creation of a new federal agency to administer consumer protection and fair lending laws, a function that is now performed by the depository institution regulators. The federal preemption of state laws currently accorded federally chartered depository institutions will be reduced as well and State Attorneys General will have greater authority to bring a suit against a federally chartered institution, such as Savings Institute, for violations of certain state and federal consumer protection laws. The Dodd-Frank Act also will impose consolidated capital requirements on savings and loan holding companies effective in five years, which will limit our ability to borrow at the holding company and invest the proceeds from such borrowings as capital in Savings Institute that could be leveraged to support additional growth. The Dodd-Frank Act contains various other provisions designed to enhance the regulation of depository institutions and prevent the recurrence of a financial crisis such as occurred in 2008-2009. The full impact of the Dodd-Frank Act on our business and operations will not be known for years until regulations implementing the statute are written and adopted. The Dodd-Frank Act may have a material impact on our operations, particularly through increased regulatory burden and compliance costs.

In addition to the enactment of the Dodd-Frank Act, the federal regulatory agencies recently have begun to take stronger supervisory actions against financial institutions that have experienced increased loan losses and other weaknesses as a result of the current economic crisis. These actions include the entering into of written agreements and cease and desist orders that place certain limitations on their operations. Federal bank regulators recently have also been using with more frequency



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their ability to impose individual minimal capital requirements on banks, which requirements may be higher than those imposed under the Dodd-Frank Act or which would otherwise qualify the bank as being well capitalized under the Federal Deposit Insurance Corporation's prompt corrective action regulations. If SI Financial Group or Savings Institute were to become subject to a supervisory agreement or higher individual capital requirements, such action may have a negative impact on their ability to execute their business plans, as well as their ability to grow, pay dividends or engage in mergers and acquisitions and may result in restrictions in their operations. See *Regulation and Supervision - Federal Banking Regulation - Capital Requirements* for a discussion of regulatory capital requirements.

### **Our inability to achieve profitability on new branches may negatively impact our earnings.**

We consider our primary market area to consist of Hartford, Middlesex, New London, Tolland and Windham counties in Connecticut. However, the majority of our facilities are located in and a substantial portion of our business is derived from Windham county, which has the lowest median household income and the highest unemployment rate among the counties in Connecticut. To address this, in recent years, we have expanded our presence throughout our market area and may pursue further expansion through the establishment of additional branches in Hartford, Middlesex, New London and Tolland counties, each of which has more favorable economic conditions than Windham county. The profitability of our expansion policy will depend on whether the income that we generate from the additional branches we establish or purchase will offset the increased expenses resulting from operating new branches. We expect that it may take a period of time before new branches can become profitable, especially in areas in which we do not have an established presence. During this period, operating new branches may negatively impact our operating results.

### **Fluctuations in interest rates could reduce our profitability and affect the value of our assets.**

Like other financial institutions, we are subject to interest rate risk. Our primary source of income is net interest income, which is the difference between interest earned on loans and investments and the interest paid on deposits and borrowings. Changes in the general level of interest rates can affect our net interest income by affecting the difference between the weighted-average yield earned on our interest-earning assets and the weighted-average rate paid on our interest-bearing liabilities, or interest rate spread and the average life of our interest-earning assets and interest-bearing liabilities. Changes in interest rates also can affect: (1) the ability to originate loans; (2) the value of our interest-earning assets and our ability to realize gains from the sale of such assets; (3) the ability to obtain and retain deposits in competition with other available investment alternatives; and (4) the ability of our borrowers to repay adjustable or variable rate loans. Interest rates are highly sensitive to many factors, including government monetary policies, domestic and international economic and political conditions and other factors beyond our control. Although we believe that the estimated maturities of our interest-earning assets currently are well balanced in relation to the estimated maturities of our interest-bearing liabilities, our profitability could be adversely affected during any period of changes in interest rates.

### **Our cost of operations is high relative to our assets. Our failure to maintain or reduce our operating expenses could hurt our profits.**

Our noninterest expenses totaled \$16.3 million and \$31.4 million for the six months ended June 30, 2010 and the year ended December 31, 2009, respectively. We continue to analyze our expenses and achieve efficiencies where available, but we have experienced increased costs, a substantial portion of which are associated with the new full-service branches that we have opened or acquired since 2000. Although we have generated increases in both net interest income and noninterest income, our efficiency ratio remains high as a result of the higher operating expenses. Our efficiency ratio totaled 89.77% and 90.64% for the six months ended June 30, 2010 and the year ended December 31, 2009. Failure to control or maintain our expenses could hurt future profits.

### **Strong competition within our market area could hurt our profits and slow growth.**

We face intense competition both in making loans and attracting deposits. This competition has made it more difficult for us to make new loans and at times has forced us to offer higher deposit rates. Price competition for loans and deposits might result in our earning less on our loans and paying more on our deposits, which reduces net interest income. As of June 30, 2009, we held approximately 1.64% of the deposits in Hartford, Middlesex, New London, Tolland and Windham counties in Connecticut, which represented the 13<sup>th</sup> market share of deposits out of 36 financial institutions in these counties. Some of the institutions with which we compete have substantially greater resources and lending limits than we have and may offer services that we do not provide. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Our profitability depends upon our continued ability to compete successfully in our market area.

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**We are subject to liquidity risks.**

Market conditions could negatively affect the level or cost of liquidity available to us, which would affect our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations and fund asset growth and new business transactions at a reasonable cost, in a timely manner, and without adverse consequences. Core deposits and Federal Home Loan Bank advances are our primary source of funding. A significant decrease in our core deposits, an inability to renew Federal Home Loan Bank advances, an inability to obtain alternative funding to core deposits or Federal Home Loan Bank advances, or a substantial, unexpected, or prolonged change in the level or cost of liquidity could have a negative effect on our business and financial condition.

**Increased and/or special Federal Deposit Insurance Corporation assessments will hurt our earnings.**

The recent economic recession has caused a high level of bank failures, which has dramatically increased Federal Deposit Insurance Corporation resolution costs and led to a significant reduction in the balance of the Deposit Insurance Fund. As a result, the Federal Deposit Insurance Corporation has significantly increased the initial base assessment rates paid by financial institutions for deposit insurance. Increases in the base assessment rate have increased our deposit insurance costs and negatively impacted our earnings. In addition, in May 2009, the Federal Deposit Insurance Corporation imposed a special assessment on all insured institutions. Our special assessment, which was reflected in earnings for the quarter ended June 30, 2009, was \$393,000. In lieu of imposing an additional special assessment, the Federal Deposit Insurance Corporation required all institutions to prepay their assessments for all of 2010, 2011 and 2012, which for us totaled \$3.5 million. Additional increases in the base assessment rate or additional special assessments would negatively impact our earnings.

**If the goodwill recorded in connection with our acquisitions becomes impaired, it could have a negative impact on our profitability.**

Applicable accounting standards require that the acquisition method of accounting be used for all business combinations. Under this method, if the purchase price of an acquired entity exceeds the fair value of its net assets, the excess is carried on the acquirer's balance sheet as goodwill. At June 30, 2010, we had \$4.1 million of goodwill on our balance sheet. Companies evaluate goodwill for impairment at least annually or more frequently if events or changes in circumstances warrant such evaluation. Our annual review of our goodwill occurs in November. Write-downs of the amount of impairment, if necessary, are to be charged to the results of operations in the period in which the impairment occurs. For the six months ended June 30, 2010, we recorded no goodwill impairment. For the year ended December 31, 2009, we recorded goodwill impairment of \$57,000 related to our New London branch acquisition. Future evaluations of goodwill may result in findings of impairment and related write-downs, which could have a material adverse effect on our financial condition and results of operations.

**Turmoil in the financial markets could have an adverse effect on our financial position or results of operations.**

Beginning in 2008, United States and global financial markets experienced severe disruption and volatility, and general economic conditions have declined significantly. Adverse developments in credit quality, asset values and revenue opportunities throughout the financial services industry, as well as general uncertainty regarding the economic, industry and regulatory environment, have had a negative impact on the industry. The United States and the governments of other countries have taken steps to try to stabilize the financial system, including investing in financial institutions, and have implemented programs intended to improve general economic conditions. The U.S. Department of the Treasury created the Capital Purchase Program under the Troubled Asset Relief Program, pursuant to which the Treasury Department provided additional capital to participating financial institutions through the purchase of preferred stock or other securities. Other measures include homeowner relief that encourages loan restructuring and modification; the establishment of significant liquidity and credit facilities for financial institutions and investment banks; the lowering of the federal funds rate; regulatory action against short selling practices; a temporary guaranty program for money market funds; the establishment of a commercial paper funding facility to provide back-stop liquidity to commercial paper issuers; and coordinated international efforts to address illiquidity and other weaknesses in the banking sector. Notwithstanding the actions of the United States and other governments, there can be no assurances that these efforts will be successful in restoring industry, economic or market conditions to their previous levels and that they will not result in adverse unintended consequences. Factors that could continue to pressure financial services companies, including SI Financial Group, are numerous and include (1) worsening credit quality, leading among other things to increases in loan losses, (2) continued or worsening disruption and volatility in financial markets, leading among other things to continuing reductions in asset values, (3) capital and liquidity concerns



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regarding financial institutions generally, (4) limitations resulting from or imposed in connection with governmental actions intended to stabilize or provide additional regulation of the financial system, or (5) recessionary conditions that are deeper or last longer than currently anticipated.

**We own stock in the Federal Home Loan Bank of Boston, which, as a result of its financial difficulties, has suspended its dividend and will negatively affect our net interest income.**

As a member bank, Savings Institute is required to purchase capital stock in the Federal Home Loan Bank in an amount commensurate with the amount of Savings Institute's advances and unused borrowing capacity. This stock is carried at cost and was \$8.4 million at June 30, 2010. In response to unprecedented market conditions and potential future losses, the Federal Home Loan Bank has implemented an initiative to preserve capital by the adoption of a revised retained earnings target, declaration of a moratorium on excess stock repurchases and the suspension of cash dividend payments. If the Federal Home Loan Bank is unable to meet minimum regulatory capital requirements or is required to aid the remaining Federal Home Loan Banks, our holding of Federal Home Loan Bank stock may be determined to be other-than-temporarily impaired and may require a charge to earnings. Additionally, for the six months ended June 30, 2010 and the year ended December 31, 2009, SI Financial Group did not recognize any dividend income from its investment in Federal Home Loan Bank stock. The failure to recognize dividend income from the Federal Home Loan Bank will negatively impact our net interest income.

**We are subject to security and operational risks relating to use of our technology that could damage our reputation and business.**

Security breaches in our internet banking activities could expose us to possible liability and damage our reputation. Any compromise of our security also could deter customers from using our internet banking services that involve the transmission of confidential information. We rely on standard internet security systems to provide the security and authentication necessary to effect secure transmission of data. These precautions may not protect our systems from compromises or breaches of our security measures that could result in damage to our reputation and business. Additionally, we outsource our data processing to a third party. If our third party provider encounters difficulties or if we have difficulty in communicating with such third party, it will significantly affect our ability to adequately process and account for customer transactions, which would significantly affect our business operations.

### **Risks Related to the Offering**

**Our share price may fluctuate, which may make it difficult for you to sell your common stock when you want or at prices you find attractive.**

The market price of our common stock could be subject to significant fluctuations due to changes in sentiment in the market regarding our operations or business prospects. Factors that may affect market sentiment include:

operating results that vary from the expectations of our management or of securities analysts and investors;

developments in our business or in the financial services sector generally;

regulatory or legislative changes affecting our industry generally or our business and operations;

operating and securities price performance of companies that investors consider to be comparable to us;

changes in estimates or recommendations by securities analysts;

announcements of strategic developments, acquisitions, dispositions, financings and other material events by us or our competitors;  
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changes in financial markets and national and local economies and general market conditions, such as interest rates and stock, commodity, credit or asset valuations or volatility.

Beginning in 2008 and through the present, the business environment for financial services firms has been extremely challenging. During this period, many publicly traded financial services companies have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance or prospects of such companies. We may experience market fluctuations that are not directly related to our operating performance but are influenced by the market's perception of the state of the financial services industry in general and, in particular, the market's assessment of general credit quality conditions, including default and foreclosure rates in the industry.

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While the U.S. and other governments continue efforts to restore confidence in financial markets and promote economic growth, we cannot assure you that further market and economic turmoil will not occur in the near- or long-term, negatively affecting our business, financial condition and results of operations, as well as the price, trading volume and volatility of our common stock.

### **Additional expenses following the offering from new equity benefit plans will adversely affect our profitability.**

Following the offering, we will recognize additional annual employee compensation expenses stemming from options and shares granted to employees, directors and executives under new benefit plans. Stock options and restricted stock may be granted under a new equity incentive plan adopted following the offering, if approved by shareholders. These additional expenses will adversely affect our profitability. We cannot determine the actual amount of these new stock-related compensation expenses at this time because applicable accounting practices generally require that these expenses be based on the fair market value of the options or shares of common stock at the date of the grant; however, they may be material. We recognize expenses for our employee stock ownership plan when shares are committed to be released to participants accounts and will recognize expenses for restricted stock awards and stock options over the vesting period of awards made to recipients. Pro forma after-tax expenses related to these plans for the six months ended June 30, 2010 and for the year ended December 31, 2009 were \$335,000 and \$668,000, respectively, at the maximum of the offering range, as set forth in the pro forma financial information under *Pro Forma Data* assuming the \$8.00 per share purchase price as fair market value. Actual expenses, however, may be higher or lower, depending on the price of our common stock, the number of shares awarded under the plans and the timing of the implementation of the plans. For further discussion of these plans, see *Our Management Benefit Plans*.

### **Our stock price may decline when trading commences.**

If you purchase shares in the offering, you might not be able to sell them later at or above the \$8.00 purchase price. After the shares of our common stock begin trading, the trading price of the common stock will be determined by the marketplace, and will be influenced by many factors outside of our control, including prevailing interest rates, investor perceptions, securities analyst research reports and general industry, geopolitical and economic conditions.

### **There may be a limited market for our common stock, which may adversely affect our stock price.**

Although our common stock is listed on the Nasdaq Global Market and will continue to be listed following the conversion and offering, the shares might not be actively traded. If an active trading market for our common stock does not develop, you may not be able to sell all of your shares of common stock on short notice, and the sale of a large number of shares at one time could temporarily depress the market price. There also may be a wide spread between the bid and ask price for our common stock. When there is a wide spread between the bid and ask price, the price at which you may be able to sell our common stock may be significantly lower than the price at which you could buy it at that time.

### **Our return on equity will initially be low compared to other publicly traded financial institutions. A low return on equity may negatively impact the trading price of our common stock.**

Net income divided by average equity, known as return on equity, is a ratio used by many investors to compare the performance of a financial institution with its peers. For the year ended December 31, 2009, our return on equity was 0.58%. Although we expect that our net income will increase following the offering, we expect that our return on equity will remain low as a result of the additional capital that we will raise in the offering. For example, our pro forma return on equity for the year ended December 31, 2009 is 0.54%, assuming the sale of shares at the maximum of the offering range. In comparison, the peer group used by RP Financial in its appraisal had an average return on equity of 6.19% for the twelve months ended June 30, 2010. Over time, we intend to use the net proceeds from the offering to increase earnings per share and book value per share, without assuming undue risk, with the goal of achieving a return on equity that is competitive with other similarly situated publicly held companies. This goal could take a number of years to achieve, and we might not attain it. Consequently, you should not expect a competitive return on equity in the near future. Failure to achieve a competitive return on equity might make an investment in our common stock unattractive to some investors and might cause our common stock to trade at lower prices than comparable companies with higher returns on equity. See *Pro Forma Data* for an illustration of the financial impact of the offering.

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### **We have broad discretion in the manner in which we utilize the proceeds of the offering. Our failure to effectively utilize such proceeds would reduce our profitability.**

We intend to contribute approximately 60% of the net proceeds of the offering to Savings Institute and to use approximately 6.4% of the net proceeds to fund the loan to the employee stock ownership plan. We may use the proceeds retained by the holding company to, among other things, invest in securities, pay cash dividends or repurchase shares of common stock, subject to regulatory restrictions. Savings Institute may use the portion of the proceeds that it receives to fund new loans, repay outstanding borrowings, invest in securities and expand its business activities. We may also use the proceeds of the offering to open new branches, diversify our business and acquire other companies, although we have no specific plans to do so at this time. We have not allocated specific amounts of proceeds for any of these purposes, and we will have significant flexibility in determining how much of the net proceeds we apply to different uses and the timing of such applications. Our failure to utilize these funds effectively would reduce our profitability.

### **Issuance of shares for benefit programs may dilute your ownership interest.**

We intend to adopt a new equity incentive plan following the offering, subject to shareholder approval. We may fund the equity incentive plan through the purchase of common stock in the open market (subject to regulatory restrictions) or by issuing new shares of common stock. If we fund the awards under the equity incentive plan with new shares of common stock, your ownership interest would be diluted by approximately 1.9%, assuming we award all of the shares and options available under the plan. We currently have outstanding options and shares available for future stock options under our 2005 Equity Incentive Plan. If we fund the awards under our existing plan with new shares of stock, your ownership interest would be diluted by approximately 4.6%, assuming we award all of the shares and options available under the plan. See *Pro Forma Data* and *Our Management Benefit Plans*.

### **The contribution to the charitable foundation will adversely affect net income.**

Subject to member, shareholder and regulatory approvals, we intend to contribute \$500,000 in cash to SI Financial Group Foundation in connection with the conversion. The contribution will have an adverse effect on our net income for the quarter and year in which we make the contribution to the charitable foundation. The after-tax expense of the contribution will reduce net income by approximately \$335,000. We had net income of \$1.2 million for the six months ended June 30, 2010 and \$435,000 for the year ended December 31, 2009.

### **The articles of incorporation and bylaws of new SI Financial Group and certain laws and regulations may prevent or make more difficult certain transactions, including a sale or merger of new SI Financial Group.**

Provisions of the articles of incorporation and bylaws of new SI Financial Group, state corporate law and federal banking regulations may make it more difficult for companies or persons to acquire control of new SI Financial Group. As a result, our shareholders may not have the opportunity to participate in such a transaction and the trading price of our common stock may not rise to the level of other institutions that are more vulnerable to hostile takeovers. The factors that may discourage takeover attempts or make them more difficult include:

*Articles of incorporation and bylaws.* Provisions of the articles of incorporation and bylaws of new SI Financial Group may make it more difficult and expensive to pursue a takeover attempt that the Board of Directors opposes. Some of these provisions currently exist in the charter and bylaws of SI Financial Group. These provisions also make more difficult the removal of current directors or management, or the election of new directors. These provisions include:

*A limitation on voting rights.* Our articles of incorporation provide that in no event will any record owner of any outstanding common stock which is beneficially owned, directly or indirectly, by a person who beneficially owns in excess of 10% of the outstanding shares of common stock, be entitled, or permitted to any vote in respect of the shares held in excess of the limit.

*A classified board.* Our board of directors is divided into three classes as nearly as equal in number as possible. The shareholders elect one class of directors each year for a term of three years. The classified board provision is designed to afford anti-takeover protection by making it more difficult and time consuming for a shareholder group to fully use its voting

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power to gain control of the board of directors at a single annual meeting of shareholders without the consent of the incumbent board of directors of new SI Financial Group.

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*Advance notice provisions for shareholder nominations and proposals.* Our bylaws establish an advance notice procedure for shareholders to nominate directors or bring other business before an annual meeting of shareholders. A person may not be nominated for election as a director unless that person is nominated by or at the direction of our board of directors or by a shareholder who has given appropriate notice to us before the meeting. Similarly, a shareholder may not bring business before an annual meeting unless the shareholder has given us appropriate notice of the shareholder's intention to bring that business before the meeting. Advance notice of nominations or proposed business by shareholders gives our board of directors time to consider the qualifications of the proposed nominees, the merits of the proposals and, to the extent deemed necessary or desirable by our board of directors, to inform shareholders and make recommendations about those matters.

*Director qualifications.* Our bylaws provide for director qualifications, including age and integrity requirements, which may prevent shareholders from nominating themselves or persons of their choosing for election to the board of directors.

*Limitations on calling special meetings of shareholders.* Our shareholders must act only through an annual or special meeting. Special meetings of shareholders may only be called by the Chairman, the President, by two-thirds of the total number of directors or by the Secretary upon the written request of the holders of a majority of all the shares entitled to vote at a meeting. The limitations on the calling of special meetings of shareholders may have the effect of delaying consideration of a shareholder proposal until the next annual meeting.

*Elimination of cumulative voting.* Our articles of incorporation provide that no shares will be entitled to cumulative voting. The elimination of cumulative voting may afford anti-takeover protection by preventing a shareholder from electing nominees opposed by the board of directors of new SI Financial Group.

*Limitations on filling of board vacancies and removal of directors.* Our bylaws provide that any vacancy occurring in the board of directors, including a vacancy created by an increase in the number of directors, may be filled only by a vote of a majority of the directors then in office. A person elected to fill a vacancy on the board of directors will serve for the remainder of the full term of the class of directors in which the vacancy occurred and until his or her successor shall have been elected and qualified. Our bylaws provide that a director may be removed from the board of directors before the expiration of his or her term only for cause and only upon the vote of a majority of the shares entitled to vote in the election of directors. These provisions make it more difficult for shareholders to remove directors and replace them with their own nominees.

*Supermajority voting requirement for the amendment of our articles of incorporation.* Our articles of incorporation provide that certain amendments to our articles of incorporation relating to a change in control of us must be approved by at least 75% of the outstanding shares entitled to vote.

*Supermajority voting requirement for the amendment of our bylaws.* Our articles of incorporation provide that our bylaws may not be adopted, repealed, altered, amended or rescinded by shareholders except by the affirmative vote of the holders of at least 75% of the voting stock.

*Authorized but unissued shares of capital stock.* Following the offering, we will have authorized but unissued shares of common and preferred stock. Our articles of incorporation authorize the board of directors to establish one or more series of preferred stock and, for any series of preferred stock, to determine the terms and rights of the series, including voting rights, dividend rights, conversion and redemption rates, and liquidation preferences. Such shares of common and preferred stock could be issued by the board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

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*Maryland anti-takeover statute.* Under Maryland law, any person who acquires more than 10% of a Maryland corporation without prior approval of its Board of Directors is prohibited from engaging in any type of business combination with the corporation for a five-year period. Any business combination after the five-year period would be subject to supermajority shareholder approval or minimum price requirements.

*Office of Thrift Supervision regulations.* Office of Thrift Supervision regulations prohibit, for three years following the completion of a mutual-to-stock conversion, including a second-step conversion, the offer to acquire or the acquisition of more than 10% of any class of equity security of a converted institution without the prior approval of the Office of Thrift Supervision. See *Restrictions on Acquisition of New SI Financial Group*.

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**A Warning About Forward-Looking Statements**

This prospectus contains forward-looking statements, which can be identified by the use of words such as believes, expects, anticipates, estimates or similar expressions. 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 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 those contemplated by the forward-looking statements due to, among others, the following factors:

general economic conditions, either nationally or in our market area, that are worse than expected;

changes in the interest rate environment that reduce our interest margins or reduce the 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 prospectus and in other public statements we make may later prove incorrect because of inaccurate assumptions, the factors illustrated above or other factors that we cannot foresee. Consequently, no forward-looking statement can be guaranteed.

Further information on other factors that could affect us are included in the section captioned *Risk Factors*.



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The summary financial information presented below is derived in part from our consolidated financial statements. The following is only a summary and you should read it in conjunction with the consolidated financial statements and notes beginning on page F-1. The information at December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 is derived in part from the audited consolidated financial statements that appear in this prospectus. The information presented below does not include the financial condition, results of operations or other data of SI Bancorp, MHC. The information at June 30, 2010 and 2009 and for the six months ended June 30, 2010 and 2009 was not audited, but in the opinion of management, reflects all adjustments necessary for a fair presentation. All of these adjustments are normal and recurring. The results of operations for the six months ended June 30, 2010 are not necessarily indicative of results of operations that may be expected for the year ended December 31, 2010.

	At or For the Six Months Ended June 30,		At or For the Years Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
<b>(Dollars in thousands, except per share data)</b>							
<b>Selected Financial Condition Data:</b>							
Total assets	\$ 889,435	\$ 872,705	\$ 872,354	\$ 853,122	\$ 790,198	\$ 757,037	\$ 691,868
Cash and cash equivalents	46,093	27,969	24,204	23,203	20,669	26,108	25,946
Securities available for sale	182,210	165,814	183,562	162,699	141,914	119,508	120,019
Loans receivable, net	606,514	627,315	607,692	617,263	587,538	574,111	513,775
Deposits (1)	676,781	652,752	662,378	624,276	551,772	541,922	512,282
Federal Home Loan Bank advances	114,169	128,600	116,100	139,600	141,619	111,956	87,929
Junior subordinated debt owed to unconsolidated trust	8,248	8,248	8,248	8,248	8,248	15,465	7,217
Total shareholders equity	81,160	75,473	77,462	72,927	82,087	82,386	80,043
<b>Selected Operating Data:</b>							
Interest and dividend income	\$ 20,267	\$ 22,204	\$ 43,385	\$ 46,499	\$ 43,347	\$ 40,777	\$ 33,905
Interest expense	7,309	9,882	18,861	22,459	21,783	18,261	12,131
Net interest income	12,958	12,322	24,524	24,040	21,564	22,516	21,774
Provision for loan losses	422	1,930	2,830	1,369	1,062	881	410
Net interest income after provision for loan losses	12,536	10,392					