United Financial Bancorp, Inc.
Form 10-Q
August 08, 2008

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

FORM 10-Q

(Mark One)

ý Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2008

OR

o Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______________ to _____________

Commission File Number 000-1405049

United Financial Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	74-3242562 (I.R.S. Employer Identification Number)

95 Elm Street, West Springfield, Massachusetts 01089
(Address of principal executive offices)

Registrant's telephone number, including area code: (413) 787-1700

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “accelerated filer”, “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common stock, $0.01 par value
17,763,747 shares outstanding as of August 8, 2008

United Financial Bancorp, Inc.

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PART I. FINANCIAL INFORMATION
ITEM 1. Consolidated Financial Statements

UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CONDITION
(Dollars in thousands, except per share amounts)

	June 30, 2008 (unaudited)	December 31, 2007
ASSETS		
Cash and due from banks	$ 16,499	$ 14,219
Interest-bearing deposits	619	35
Total cash and cash equivalents	17,118	14,254
Short-term investments	1,055	1,030
Securities available for sale, at fair value	292,684	201,257
Securities to be held to maturity, at amortized cost (fair value $3,583 at June 30, 2008 and $3,631 at December 31, 2007)	3,603	3,632
Loans, net of allowance for loan losses of $8,162 at June 30, 2008 and $7,714 at December 31, 2007	852,157	819,117
Other real estate owned	630	880
Accrued interest receivable	4,624	4,477
Deferred tax asset, net	8,765	4,953
Stock in the Federal Home Loan Bank of Boston	10,257	10,257
Banking premises and equipment, net	12,087	10,600
Bank-owned life insurance	6,945	6,652
Other assets	4,281	2,172
TOTAL ASSETS	$ 1,214,206	$ 1,079,281
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Interest-bearing	$ 662,892	$ 616,672
Non-interest-bearing	111,815	102,010
Total deposits	774,707	718,682
Federal Home Loan Bank of Boston advances	190,389	107,997
Repurchase agreements	8,963	13,864
Escrow funds held for borrowers	1,324	1,356
Capitalized lease obligations	3,169	1,890
Due to broker	2,829	-
Accrued expenses and other liabilities	6,199	9,372
Total liabilities	987,580	853,161
Stockholders' equity:		

Preferred stock, par value $0.01 per share, authorized 50,000,000 shares;		
none issued	-	-
Common stock, par value $0.01 per share, authorized 100,000,000 shares;		
17,763,747 shares issued at June 30, 2008 and December 31, 2007	178	178
Paid-in capital	166,171	165,920
Retained earnings	74,858	73,026
Unearned compensation	(12,486)	(12,835)
Accumulated other comprehensive loss, net of taxes	(2,095)	(169)
Total stockholders’ equity	226,626	226,120
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$ 1,214,206	$ 1,079,281

See notes to unaudited consolidated financial statements

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UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Interest and dividend income:				
Loans	$ 12,295	$ 12,350	$ 24,842	$ 24,305
Investments	3,560	1,850	6,178	3,832
Other interest-earning assets	118	313	359	688
Total interest and dividend income	15,973	14,513	31,379	28,825
Interest expense:				
Deposits	4,359	5,477	9,332	10,658
Borrowings	1,706	1,901	3,108	4,076
Total interest expense	6,065	7,378	12,440	14,734
Net interest income before provision for loan losses	9,908	7,135	18,939	14,091
Provision for loan losses	651	320	835	604
Net interest income after provision for loan losses	9,257	6,815	18,104	13,487
Non-interest income:				
Fee income on depositors' accounts	1,156	1,097	2,233	2,135
Net (loss) gain on sale of securities	-	(43)	8	(29)
Wealth management income	136	170	286	291
Other income	282	211	566	436
Total non-interest income	1,574	1,435	3,093	2,833
Non-interest expense:				
Salaries and benefits	4,199	3,735	8,240	7,573
Occupancy expenses	578	481	1,087	972
Marketing expenses	441	449	799	771
Data processing expenses	815	653	1,534	1,295
Professional fees	372	263	815	652
Other expenses	1,145	994	2,251	1,959
Total non-interest expense	7,550	6,575	14,726	13,222
Income before income taxes	3,281	1,675	6,471	3,098
Income tax expense	1,272	697	2,496	1,286
Net income	$ 2,009	$ 978	$ 3,975	$ 1,812

Earnings per share:				
Basic	$ 0.12	$ 0.06	$ 0.24	$ 0.11
Diluted	$ 0.12	$ 0.06	$ 0.24	$ 0.11
Weighted average shares outstanding:				
Basic	16,248,424	16,888,326	16,239,635	16,912,764
Diluted	16,336,409	16,975,157	16,303,907	16,987,144

See notes to unaudited consolidated financial statements.

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UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)
FOR THE SIX MONTHS ENDED JUNE 30, 2008 and 2007
(Dollars in thousands, except per share amounts)

	Common Shares Outstanding	Common Stock	Paid-In Capital	Retained Earnings	Unearned Compensation	Treasury Stock	Accumulated Other Comprehensive Loss	To
Balances at December 31, 2006	17,154,550	$ 172	$ 75,520	$ 70,406	$ (5,772)	$ (664)	$ (1,951)	$ 137
Net income	-	-	-	1,812	-	-	-	1
Other comprehensive loss	-	-	-	-	-	-	(239)	
Total comprehensive income								1
Cash dividends paid ($0.12 per share)	-	-	-	(881)	-	-	-	
Treasury stock purchases	(82,697)	-	-	-	-	(1,209)	-	(1
Stock-based compensation	-	-	1,077	-	-	-	-	1
ESOP shares committed to be released	-	-	103	-	222	-	-	
Balances at June 30, 2007	17,071,853	$ 172	$ 76,700	$ 71,337	$ (5,550)	$ (1,873)	$ (2,190)	$ 138
Balances at December 31, 2007	17,763,747	$ 178	$ 165,920	$ 73,026	$ (12,835)	$ -	$ (169)	$ 226
Net income	-	-	-	3,975	-	-	-	3
Other comprehensive loss	-	-	-	-	-	-	(1,926)	(1
Total comprehensive income								2
Net costs from issuance of common stock pursuant to second-step conversion	-	-	(26)	-	-	-	-	
Repurchase of stock to fund the 2008 Equity Incentive Plan	-	-	(537)	-	-	-	-	
Cash dividends paid ($0.13 per share)	-	-	-	(2,143)	-	-	-	(2
Stock-based compensation	-	-	761	-	-	-	-	
ESOP shares committed to be released	-	-	53	-	349	-	-	
Balances at June 30, 2008	17,763,747	$ 178	$ 166,171	$ 74,858	$ (12,486)	$ -	$ (2,095)	$ 226

The components of comprehensive loss and related tax effects are as follows:

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Change in unrealized holding losses on available-for-sale securities	$ (3,194)	$ (385)
Reclassification adjustment for (gains) losses realized in income	(8)	29

Net change in unrealized losses		(3,202)		(356)
Tax effect		(1,276)		(117)
Other comprehensive loss	$	(1,926)	$	(239)

See notes to unaudited consolidated financial statements.

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UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
FOR THE SIX MONTHS ENDED JUNE 30, 2008 and 2007
(Dollars in thousands)

	2008	2007
Cash flows from operating activities:		
Net income	$ 3,975	$ 1,812
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	835	604
ESOP expense	402	325
Stock-based compensation	761	1,077
Amortization of premiums and discounts	73	64
Depreciation and amortization	406	442
Amortization of intangible assets	15	15
Net loss (gain) on sale of other real estate owned	9	(14)
Net (gain) loss on sale of securities	(8)	29
Net loss on sale of loans	-	5
Increase in cash surrender value of bank-owned life insurance	(293)	(211)
(Increase) decrease in accrued interest receivable	(147)	25
Increase in other assets	(4,660)	(490)
Decrease in accrued expenses and other liabilities	(2,670)	(1,820)
Net cash (used in) provided by operating activities	(1,302)	1,863
Cash flows from investing activities:		
Purchases of securities available for sale	(167,496)	(21,947)
Proceeds from sales of securities available for sale	28,407	5,424
Proceeds from maturities, calls and principal repayments of securities available for sale	46,871	45,146
Purchases of securities held to maturity	-	(675)
Proceeds from maturities, calls and principal repayments of securities held to maturity	25	225
Investment in short term time deposits	(25)	(1,004)
Purchases of Federal Home Loan Bank of Boston stock	-	(611)
Proceeds from sales of other real estate owned	391	576
Net loan originations and principal repayments	(34,025)	(43,545)
Proceeds from sales of loans	-	1,881
Purchases of property and equipment	(579)	(298)
Cash paid to acquire Levine Financial Group	(82)	(55)
Net cash used in investing activities	(126,513)	(14,883)
Cash flows from financing activities:		
Net increase in deposits	56,025	40,067
Increase (decrease) in short term borrowings	53,145	(17,000)
Proceeds of Federal Home Loan Bank of Boston long term advances	45,000	15,000
Repayments of Federal Home Loan Bank of Boston long term advances	(15,753)	(25,287)
Net decrease in repurchase agreements	(4,901)	(2,435)
Net decrease in escrow funds held for borrowers	(32)	(8)
Repurchases of common stock to fund the 2008 Equity Incentive Plan	(537)	-
Treasury stock purchases	-	(1,209)

Cash dividends paid	(2,143)	(881)
Costs from issuance of common stock pursuant to second-step conversion	(26)	-
Payments on capitalized lease obligations	(99)	(85)
Net cash provided by financing activities	130,679	8,162
Increase (decrease) in cash and cash equivalents	2,864	(4,858)
Cash and cash equivalents at beginning of period	14,254	25,419
Cash and cash equivalents at end of period	$ 17,118	$ 20,561
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period:		
Interest on deposits, borrowings and other interest bearing liabilities	$ 12,400	$ 14,854
Income taxes – net	8,330	2,463
Non-cash items:		
Capitalized lease asset and obligations	$ 1,308	$ 1,932
Transfer of loans to other real estate owned	150	-
Trade date accounting for securities purchased	2,471	-

See notes to unaudited consolidated financial statements.

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UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008
Dollars in Thousands (except per share amounts)

NOTE A – BASIS OF PRESENTATION

The consolidated financial statements include the accounts of United Financial Bancorp, Inc. and its wholly owned subsidiary, United Bank. The consolidated financial statements also include the accounts of United Bank's wholly owned subsidiary, UCB Securities, Inc., which is engaged in buying, selling and holding investment securities. These entities are collectively referred to herein as "the Company." All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and with general practices within the banking industry. In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, which are necessary for the fair presentation of the Company's financial condition as of June 30, 2008 and the results of operations for the three and six months ended June 30, 2008 and 2007. The interim results of operations presented herein are not necessarily indicative of the results to be expected for the entire year. These financial statements should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2007 included in the Company's Annual Report on Form 10-K, which was filed by the Company with the Securities and Exchange Commission on March 17, 2008 and amended on April 29, 2008.

Amounts reported for prior periods are reclassified as necessary to conform to the current period presentation.

NOTE B – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2006, the EITF released Issue 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements". EITF 06-4 addresses accounting for split-dollar life insurance arrangements whereby the employer purchases a policy to insure the life of an employee, and separately enters into an agreement to split the policy benefits between the employer and the employee. This EITF states that an obligation arises as a result of a substantive agreement with an employee to provide future postretirement benefits. Under EITF 06-4, the obligation is not settled upon entering into an insurance arrangement. Since the obligation is not settled, a liability should be recognized in accordance with applicable authoritative guidance. EITF 06-4 is effective for fiscal years beginning after December 15, 2007. The adoption of this Interpretation as of January 1, 2008, had no material impact on the Company's financial condition or results of operations.

In March 2007, the FASB ratified EITF Issue No. 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements," which provides guidance for determining a liability for the postretirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. The adoption of this Interpretation as of January 1, 2008, had no material effect on the Company's results of operations or financial condition.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". SFAS 157 defines fair value, establishes a U.S. GAAP framework for measuring fair value, and expands financial statement disclosures about fair value measurements. The Company adopted SFAS No.157 on January 1, 2008 (see Note L). The adoption of this

Standard had no material effect on the Company’s results of operations or financial condition.

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In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” ("SFAS 159"), which provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company’s choice to use fair value on its earnings. SFAS 159 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. SFAS 159 does not eliminate disclosure requirements of other accounting standards, including fair value measurement disclosures in SFAS 157. The Company did not elect fair value treatment for any financial assets or liabilities upon the adoption of this Standard at January 1, 2008.

In December 2007, the FASB issued proposed FASB Staff Position (“FSP”) 157-b, “Effective Date of FASB Statement No. 157,” which would permit a one-year deferral in applying the measurement provisions of SFAS No. 157 to non-financial assets and non-financial liabilities (non-financial items) that are not recognized or disclosed at fair value in an entity’s financial statements on a recurring basis (at least annually). Therefore, if the change in fair value of a non-financial item is not required to be recognized or disclosed in the financial statements on an annual basis or more frequently, the effective date of application of SFAS No. 157 to that item is deferred until fiscal years beginning after November 15, 2008. This deferral would not apply, however, to an entity that applies SFAS No. 157 in interim or annual financial statements before proposed FSP 157-b is finalized. In February 2008, the FASB finalized the provisions of proposed FSP 157-b, issuing FSP 157-2 as authoritative guidance. The Company is currently evaluating the impact, if any, that the adoption of FSP 157-2 will have on its Consolidated Financial Statements.

NOTE C – CRITICAL ACCOUNTING POLICIES

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the balance sheet as well as revenues and expenses for the reporting period. Actual results could differ from these estimates.

The allowance for loan losses is a critical accounting estimate because it is highly susceptible to change from period to period. Arriving at an appropriate level for the allowance for loan losses necessarily involves a high degree of judgment. While management uses available information to recognize losses on loans, future additions to the allowance for loans may be necessary based on changes in the factors considered in evaluating the adequacy of the allowance, including prior loss experience, current economic conditions and their effect on borrowers, the character and size of the portfolio, trends in nonperforming loans and delinquency rates and the performance of individual loans in relation to contractual terms.

The assessment of whether a valuation allowance for the Company’s deferred tax assets is required is also a critical accounting estimate. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of such assets will not be realized. This assessment is made each reporting period based upon an estimate of future taxable income during the periods in which existing temporary differences become deductible.

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NOTE D – EARNINGS PER SHARE

Earnings per share have been computed in accordance with SFAS No. 128, "Earnings Per Share." Basic earnings per share have been calculated by dividing net income by weighted average shares outstanding before any dilution and are adjusted to exclude the weighted average number of unallocated shares held by the ESOP and unvested restricted stock awards. Diluted earnings per share have been calculated by dividing net income by weighted average shares outstanding after giving effect to the potential dilution that could occur if potential common shares were converted into common stock using the treasury stock method.

The calculation of basic and diluted earnings per common share for the periods indicated is presented below.

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Net income	$ 2,009	$ 978	$ 3,975	$ 1,812
Weighted average common shares applicable to basic EPS (1, 4)	16,248,424	16,888,326	16,239,635	16,912,764
Effect of dilutive potential common shares (2, 3)	87,985	86,831	64,272	74,380
Weighted average common shares applicable to diluted EPS	16,336,409	16,975,157	16,303,907	16,987,144
Earnings per share:				
Basic	$ 0.12	$ 0.06	$ 0.24	$ 0.11
Diluted	$ 0.12	$ 0.06	$ 0.24	$ 0.11

(1) In December 2007, the Company completed a second step conversion and offering in which each outstanding minority share
was exchanged for 1.04079 shares and 9,564,570 shares were sold in a subscription and syndicate offering. All share data in
prior periods have been adjusted by the exhange ratio.
(2) For the six months ended June 30, 2008 and June 30, 2007, options to purchase 1,557,698 and 778,510 shares, respectively,
were outstanding but not included in the computation of earnings per share because they were antidilutive.
(3) Includes incremental shares related to stock options and restricted stock.
(4) Includes shares repurchased in June 2008 to fund the 2008 Equity Incentive Plan.

NOTE E – STOCK-BASED INCENTIVE PLAN

The Company's 2008 Equity Incentive Plan (the "Incentive Plan") was approved by the shareholders at its Annual Meeting held on June 10, 2008. The Incentive Plan will remain in effect for a period of ten years and authorizes the issuance of up to 1,258,534 shares of Company common stock pursuant to grants of restricted stock awards, restricted stock unit awards, incentive stock options, non-statutory stock options and stock appreciation rights; provided, however, that no more than 898,953 shares may be issued or delivered in the aggregate pursuant to the exercise of stock options or stock appreciation rights, and no more than 359,581 shares may be issued or delivered pursuant to restricted stock awards or restricted stock unit awards. Employees and outside directors of the Company are eligible to receive awards under the Incentive Plan. The holders of restricted stock awards also have full voting rights beginning on the grant date. Upon the occurrence of an event constituting a change in control of the Company, as defined in the Incentive Plan, all stock options will become fully vested, and all stock awards then outstanding will vest free of restrictions.

Under the Incentive Plan, stock options are granted at an exercise price equal to the fair value of the underlying shares at the date of grant and have a contractual life of ten years. Stock options vest based on continued service with the Company over the five year period following the grant date. The compensation cost related to stock options is based upon the fair value for each option as of the date of the grant determined using the Black-Scholes option pricing model. The Black-Scholes model requires the Company to provide estimates of the expected term, volatility of the underlying stock, the stock’s dividend yield and the discount rate.

The compensation cost related to restricted stock awards is based upon the Company's stock price at the grant date. Restricted stock awards vest based upon continuous service with the Company over the five-year period following the grant date. During the vesting period, participants are entitled to dividends for all awards.

The Company's 2008 Incentive Plan is described more fully in the Company's Proxy Statement for its 2008 Annual Meeting filed with the Securities and Exchange Commission on April 29, 2008.

A combined summary of activity in the Company's incentive plans for the six months ended June 30, 2008 is presented in the following table:

		Stock Awards Outstanding		Stock Options Outstanding	
	Shares Available for Grant	Number of Shares	Weighted-Average Grant Price	Number of Shares	Weighted-Average Exercise Price
Balance at December 31, 2007	140,850	233,970	$ 12.35	785,275	$ 12.36
New Incentive Plan	1,258,534	-	-	-	-
Granted	(1,068,500)	313,500	11.66	779,500	11.55
Stock options exercised	-	-	-	-	-
Shares vested	-	-	-	-	-
Forfeited	-	-	-	(7,077)	11.66
Cancelled	-	-	-	-	-
Balance at June 30, 2008	330,884	547,470	$ 11.95	1,557,698	$ 11.96

On June 19, 2008, the Company granted 755,000 stock options and 313,500 restricted shares to certain directors and employees under the 2008 equity incentive plan. The stock options had a weighted average fair value of $2.57 per share, with a total grant date fair value of $1.9 million. The restricted shares had a weighted average value of $11.66 per share, with a total grant date fair value of $3.7 million. In 2008, the Company also granted 24,500 stock options to certain employees. The stock options had a weighted average fair value of $2.39 and a grant date fair value of $59,000. In 2007, the Company granted 6,765 stock options with a weighted average value of $3.21 and a total grant date fair value of $21. No new restricted shares were granted in 2007. At June 30, 2008 the Company has 94,725 restricted shares and 236,159 stock options available for grant under the incentive plans.

Stock-based compensation expense totaled $761,000 during the six months ended June 30, 2008. Stock-based compensation expense is recognized ratably over the requisite service period for all awards. Unrecognized stock-based compensation expense related to stock options totaled $3.3 million at June 30, 2008. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 3.7 years. Unrecognized stock-based compensation expense related to non-vested stock awards was $5.5 million at June 30, 2008. At such date, the weighted-average period over which this unrecognized expense was expected to be recognized was 3.7 years.

The following table presents the assumptions used to compute the fair value of options using the Black-Scholes option pricing model for stock options granted on June 19, 2008.

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Weighted average fair value	$ 2.57
Expected term	6.50 years
Volatility	19.30%
Expected dividend yield	1.88%
Risk-free interest rate	3.89%

A summary of stock options outstanding and exercisable at June 30, 2008 is as follows:

	Stock Options	
	Outstanding	Exercisable
Total number of shares	1,557,698	181,962
Weighted average exercise price	$ 11.96	$ 12.36
Aggregate intrinsic value	$ -	$ -
Weighted average remaining contractual term	9.0 years	8.1 years

NOTE F – LOANS

The components of loans were as follows at June 30, 2008 and December 31, 2007:

	June 30, 2008	December 31, 2007
One-to-four family residential real estate	$ 357,103	$ 339,470
Commercial real estate	232,669	214,776
Construction	37,312	42,059
Home equity	117,422	116,241
Commercial and industrial	83,918	81,562
Automobile	20,093	22,461
Consumer	9,517	8,126
Total loans	858,034	824,695
Net deferred loan costs and fees	2,285	2,136
Allowance for loan losses	(8,162)	(7,714)
Loans, net	$ 852,157	$ 819,117

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NOTE G – NON-PERFORMING ASSETS

The table below sets forth the amounts and categories of non-performing assets at the dates indicated.

	June 30, 2008	December 31, 2007
Non-accrual loans:		
Residential mortgages	$ 1,500	$ 328
Commercial mortgages	1,404	553
Construction	800	577
Home equity	75	52
Commercial and industrial	307	275
Automobile	-	-
Other consumer	49	-
Total non-accrual loans	4,135	1,785
Accruing loans 90 days or more past due	-	-
Total non-performing loans	4,135	1,785
Other real estate owned	630	880
Total non-performing assets	$ 4,765	$ 2,665
Ratios:		
Total non-performing loans to total loans	0.48%	0.22%
Total non-performing assets to total assets	0.39%	0.25%

NOTE H – ALLOWANCE FOR LOAN LOSSES

A summary of the activity in the allowance for loan losses is as follows:

	For the Six Months Ended June 30, 2008	2007
Balance at beginning of period	$ 7,714	$ 7,218
Provision for loan losses	835	604
Charge-offs	(397)	(107)
Recoveries	10	6
Balance at end of period	$ 8,162	$ 7,721
Ratios:		

Net charge-offs to average loans outstanding (annualized)	0.09%	0.03%
Allowance for loan losses to non-performing loans at end of period	197.39%	259.79%
Allowance for loan losses to total loans at end of period	0.95%	0.96%

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NOTE I – COMMITMENTS

Financial instruments with off-balance sheet risk at June 30, 2008 and December 31, 2007 were as follows:

	June 30, 2008	December 31, 2007
Unused lines of credit	$ 150,387	$ 146,579
Amounts due mortgagors	24,098	31,168
Standby letters of credit	863	1,627
Commitments to originate loans	10,677	15,890

NOTE J – DEPOSITS

Deposit accounts, by type, are summarized as follows at June 30, 2008 and December 31, 2007:

	June 30, 2008	December 31, 2007
Demand	$ 111,815	$ 102,010
NOW	38,783	35,207
Regular savings	88,230	65,711
Money market	167,115	168,107
Certificates of deposit	368,764	347,647
	$ 774,707	$ 718,682

NOTE K – CONTINGENCIES

The Company is a defendant in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

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NOTE L - FAIR VALUES OF ASSETS AND LIABILITIES

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157 ("SFAS 157"), "Fair Value Measurements", which provides a framework for measuring fair value under generally accepted accounting principles.

The Company also adopted SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115". SFAS 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. The Company did not elect fair value treatment for any financial assets or liabilities upon adoption.

In accordance with SFAS 157, the Company groups its financial assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value, as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

Assets and liabilities measured at fair value on a recurring basis, are summarized below:

	At June 30, 2008			
	Level 1	Level 2	Level 3	Assets/Liabilities at Fair Value
Assets:				
Securities available for sale	$ 282,284	$ 10,400	$ -	$ 292,684
Mortgage servicing rights	-	-	129	129
Total assets	$ 282,284	$ 10,400	$ 129	$ 292,813

The table below presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

Balance as of January 1, 2008	$ 136
Total realized/unrealized gains (losses) included in net income	(7)
Purchases, sales, issuances and settlements	-
Transfers in and out of Level 3	-
Balance as of June 30, 2008	$ 129

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value to be disclosed for that instrument is the product of the number of trading units of the instrument times that market price.

Also, the Company may be required, from time to time, to measure certain other financial assets on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower-of-cost-or-fair value accounting or write-downs of individual assets.

NOTE M - INCOME TAXES

The Internal Revenue Service ("IRS") commenced an examination of the Company's 2005 and 2006 federal income tax returns in the second quarter of 2007. During the quarter ended March 31, 2008, the IRS proposed certain adjustments challenging the methodology used by the Company to estimate the fair market value of its residential mortgage portfolio under Internal Revenue Code ("IRC") Sec. 475.

The change in fair value calculated under IRC Sec. 475 is considered a temporary difference in the Company's FAS109 deferred income tax calculations. In accordance with FASB Interpretation (FIN) No. 48 "Accounting for Uncertainty in Income Taxes", the Company determined in the first quarter of 2008 that a portion of the deferred tax liability related to the mark-to-market temporary difference for residential mortgage loans should be reclassified as an uncertain tax position. This reclassification from the Company's previously recorded deferred tax liability account amounted to $2.2 million and was required as, in management's judgment, it was no longer more likely than not that the related tax deduction would be treated as currently deductible by the IRS upon resolution of the examination. This reclassification had no impact on the reported results of operations for the quarter ended March 31, 2008. At December 31, 2007 the Company determined that it had no uncertain tax positions.

In connection with the IRS examination, the Company remitted a $1.6 million tax payment in the first quarter of 2008 to suspend the potential accrual of additional interest that may result upon ultimate resolution of the fair market value measurement issue under examination. The Company also recorded an interest accrual of $168,000 associated with the proposed adjustments. The Company reports interest and penalties associated with tax obligations in other non-interest expense.

In June 2008, the Company agreed to a settlement of the proposed adjustments with the IRS. As a result, for tax years 2005 and 2006 the Company has a tax deficiency of $994,000 and related interest due of $76,000. Since the Company remitted $1.6 million to the IRS in the first quarter of 2008, the Company recorded a $551,000 income tax receivable at June 30, 2008. During the second quarter of 2008, the Company reversed $92,000 of the interest accrual amount established in the first quarter of 2008. In conjunction with the settlement, the Company has amended its calculation of the fair market value of its residential mortgage portfolio beginning with the 2007 tax year.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

From time to time, the Company may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements provided that the Company notes that a variety of factors could cause the Company's actual results to differ materially from the anticipated results expressed in the Company's forward-looking statements. Factors that may cause actual results to differ materially from those projected in the forward-looking statements include, but are not limited to, general economic conditions that are less favorable than expected, changes in market interest rates that result in reduced interest margins, risks in the loan portfolio, including prepayments that are greater than expected, the enactment of legislation or regulatory changes that have a less than favorable impact on the business of the Company, and significant increases in competitive pressures. Forward-looking statements speak only as of the date they are made and the Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date of the forward-looking statements or to reflect the occurrence of unanticipated events. Accordingly, past results and trends should not be used by investors to anticipate future results or trends.

Comparison of Financial Condition at June 30, 2008 and December 31, 2007

Total assets increased $134.9 million, or 12.5%, to $1.2 billion at June 30, 2008 from $1.1 billion at December 31, 2007 reflecting growth in securities available for sale and loans, funded by increases in both deposits ($56.0 million) and Federal Home Loan Bank advances ($82.4 million). Securities available for sale increased $91.4 million, or 45.4%, to $292.7 million at June 30, 2008 from $201.3 million at December 31, 2007, due to purchases of debt securities available for sale totaling $167.5 million, partially offset by sales, calls and maturities of certain debt securities and repayments of mortgage-backed securities. The significant increase in securities available for sale was due to the implementation of a strategy to deploy excess capital. During the first half of 2008, management purchased agency mortgage-backed securities with predictable cash flows and attractive spreads to U.S. treasury securities. Total loans increased $33.3 million, or 4.0%, to $858.0 million at June 30, 2008 from $824.7 million at December 31, 2007 reflecting growth in the residential (5.2%) and commercial real estate (8.3%) portfolios as a result of business development efforts and competitive products and pricing. Construction loan balances declined $4.8 million, or 11.3%, to $37.3 million at June 30, 2008 as a result of pay-downs and conservative underwriting standards. All other categories of loans were essentially flat during the period reflecting sluggish loan origination activity offset by prepayments and scheduled amortization.

Total deposits increased $56.0 million, or 7.8%, to $774.7 million at June 30, 2008 compared to $718.7 million at December 31, 2007 mainly due to competitive products and pricing, superior customer service, targeted promotional activities and the opening of two new branches in 2008. Core deposit balances grew $34.9 million, or 9.4%, to $405.9 million at June 30, 2008 from $371.0 million at December 31, 2007.

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Total stockholders' equity increased $506,000, or 0.2%, to $226.6 million at June 30, 2008 from $226.1 million at December 31, 2007 as a result of net income of $4.0 million for the six months ended June 30, 2008, stock-based compensation totaling $761,000 and ESOP compensation expense of $349,000. These increases were partially offset by payments of cash dividends amounting to $2.1 million, an increase of $1.9 million in net unrealized losses on securities available for sale and repurchases of our common stock totaling $537,000 to fund the 2008 Equity Incentive Plan.

Credit Quality

The Company actively manages credit quality through its underwriting practices and collection operations and it does not offer nor has it historically offered, residential mortgage loans to subprime or Alt-A borrowers. Non-performing assets totaled $4.8 million, or 0.39% of total assets, at June 30, 2008 compared to $2.7 million, or 0.25% of total assets, at December 31, 2007. Net loan charge-offs for the six months ended June 30, 2008 totaled $387,000 compared to $101,000 in the same period of 2007. Commercial and industrial loan charge-offs represented $241,000 or 62%, of the total charge-offs, and the majority of such charge-offs related to one commercial relationship.

Delinquent Loans. The following table sets forth our loan delinquencies for sixty days and over by type and by amount at the dates indicated.

	Loans Delinquent For					
	60 - 89 Days		90 Days and Over		Total	
	Number	Amount	Number	Amount	Number	Amount
			(Dollars in thousands)			
At June 30, 2008						
Residential mortgages	4	$ 393	6	$ 1,500	10	$ 1,893
Commercial mortgage	6	1,106	11	1,404	17	2,510
Construction	-	-	7	800	7	800
Home equity	6	377	1	75	7	452
Commercial and industrial	16	290	7	307	23	597
Automobile	7	45	-	-	7	45
Other consumer	1	4	1	49	2	53
Total	40	$ 2,215	33	$ 4,135	73	$ 6,350
At December 31, 2007						
Residential mortgages	2	$ 595	4	$ 328	6	$ 923
Commercial mortgage	11	1,546	5	555	16	2,101
Construction	-	-	3	578	3	578
Home equity	11	489	3	52	14	541
Commercial and industrial	20	948	10	272	30	1,220
Automobile	5	46	-	-	5	46
Other consumer	4	58	-	-	4	58
Total	53	$ 3,682	25	$ 1,785	78	$ 5,467

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Classified Assets. The following table shows the aggregate amount of our classified assets at the date indicated for both loans and foreclosed assets. The amount of residential real estate loans classified as "substandard" in the table includes three owner occupied mortgage loans classified due to the commercial lending relationships, one of which is not making payments in accordance with contractual loan terms.

	At June 30, 2008	At December 31, 2007
	(In thousands)	
Residential Real Estate (1):		
Substandard	$ 1,846 (2)	$ 1,278
All Other Loans:		
Special mention	18,960	13,800
Substandard	20,505	19,377
Doubtful	606	244
Loss	-	-
Foreclosed Assets:		
Other real estate owned	630	880
Total classified assets	$ 42,547	$ 35,579

(1) Includes one-to-four family loans and home equity loans and lines of credit.
(2) Includes nine residential loans, five of which are in foreclosure or liquidation proceedings.

Comparison of Operating Results for the Three Months Ended June 30, 2008 and 2007

Overview

Our results of operations depend primarily on our net interest income. Net interest income is the difference between the interest income earned on interest-earning assets, consisting primarily of loans, investment securities and other interest-earning assets, and the interest paid on interest-bearing liabilities, consisting primarily of deposits and Federal Home Loan Bank advances.

Our results of operations also are affected by provisions for loan losses, non-interest income and non-interest expense. Non-interest income consists primarily of deposit account fees, wealth management fees, increases in the cash surrender value of bank-owned life insurance and miscellaneous other income. Non-interest expense consists primarily of compensation and employee benefits, data processing, occupancy, marketing and public relations, professional services, postage, printing, office supplies, and other operating expenses. Our results of operations also may be affected significantly by general and local economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory authorities.

Net Income. The Company’s net income was $2.0 million, or $0.12 per diluted share, for the second quarter of 2008 compared to net income of $978,000, or $0.06 per diluted share, for the same period in 2007. The Company’s improved results were largely due to a significant increase in net interest income, driven by an increase in net interest margin of 56 basis points and growth in average earning assets largely funded by net cash proceeds of $82.7 million from the Company’s December 2007 second-step stock offering. The quarterly operating performance was also favorably affected by an increase in fee income from deposit accounts, partially offset by higher provision for loan losses and an increase in non-interest expenses.

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Average balances and yields. The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments were made, as the effect thereof was not material. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield.

	Three Months Ended June 30,					
	2008			2007		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
	(Dollars in thousands)					
Interest-earning assets:						
Loans:						
Residential real estate	$ 356,721	$ 4,926	5.52%	$ 340,716	$ 4,809	5.65%
Commercial real estate	257,831	4,010	6.22%	236,840	3,898	6.58%
Home equity	117,106	1,643	5.61%	118,140	1,938	6.56%
Commercial and industrial	83,228	1,302	6.26%	71,990	1,323	7.35%
Consumer and other	30,418	414	5.44%	30,065	382	5.08%
Total loans	845,304	12,295	5.82%	797,751	12,350	6.19%
Investment securities	288,502	3,560	4.94%	166,163	1,850	4.45%
Other interest-earning assets	12,591	118	3.75%	21,605	313	5.79%
Total interest-earning assets	1,146,397	15,973	5.57%	985,519	14,513	5.89%
Noninterest-earning assets	37,230			32,990		
Total assets	$ 1,183,627			$ 1,018,509		
Interest-bearing liabilities:						
Savings accounts	$ 82,335	235	1.14%	$ 65,304	149	0.91%
Money market accounts	173,958	784	1.80%	180,940	1,442	3.19%
NOW accounts	33,332	45	0.54%	34,959	47	0.54%
Certificates of deposit	364,017	3,295	3.62%	335,626	3,839	4.58%
Total interest-bearing deposits	653,642	4,359	2.67%	616,829	5,477	3.55%
FHLB advances	170,052	1,603	3.77%	149,853	1,779	4.75%
Other interest-bearing liabilities	12,579	103	3.28%	10,997	122	4.44%
Total interest-bearing liabilities	836,273	6,065	2.90%	777,679	7,378	3.79%
Demand deposits	108,348			98,343		
Other noninterest-bearing liabilities	10,765			3,591		
Total liabilities	955,386			879,613		
Stockholders' equity	228,241			138,896		
Total liabilities and stockholders' equity	$ 1,183,627			$ 1,018,509		
Net interest income		$ 9,908			$ 7,135	
Interest rate spread(1)			2.67%			2.10%

Net interest-earning assets(2)	$ 310,124		$ 207,840	
Net interest margin(3)		3.46%		2.90%
Average interest-earning assets to average interest-bearing liabilities		137.08%		126.73%

(1) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(2) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

(3) Net interest margin represents annualized net interest income divided by average total interest-earning assets.

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Rate/Volume Analysis. The following table presents the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately, based on the changes due to rate and the changes due to volume.

	Three Months Ended June 30, 2008 vs. 2007 Increase (Decrease) Due to		
	Volume	Rate	Net
	(In thousands)		
Interest-earning assets:			
Loans:			
Residential real estate	$ 223	$ (106)	$ 117
Commercial real estate	333	(221)	112
Home equity	(17)	(278)	(295)
Commercial and industrial	191	(212)	(21)
Consumer and other	4	28	32
Total loans	734	(789)	(55)
Investment securities	1,491	219	1,710
Other interest-earning assets	(106)	(89)	(195)
Total interest-earning assets	2,119	(659)	1,460
Interest-bearing liabilities:			
Savings accounts	44	42	86
Money market accounts	(54)	(604)	(658)
NOW accounts	(2)	-	(2)
Certificates of deposit	305	(849)	(544)
Total interest-bearing deposits	293	(1,411)	(1,118)
FHLB advances	221	(397)	(176)
Other interest-bearing liabilities	16	(35)	(19)
Total interest-bearing liabilities	530	(1,843)	(1,313)
Change in net interest income	$ 1,589	$ 1,184	$ 2,773

Net Interest Income Before Provision for Loan Losses. Net interest income before provision for loan losses increased $2.8 million, or 38.9%, to $9.9 million for the three months ended June 30, 2008 from the same period in 2007 as a result of net interest margin expansion and growth in average earning assets. Net interest margin increased 56 basis points to 3.46% for the three-month period ended June 30, 2008 compared to 2.90% for the same period in 2007 due to the use of net proceeds from the Company’s second-step offering completed in December 2007 to fund asset growth as well as a significant decrease in the cost of deposits as a result of the 3.25% reduction in the federal funds rate from 5.25% at September 1, 2007 to 2.00% at June 30, 2008.

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Interest Income. Interest income increased $1.5 million, or 10.1%, to $16.0 million for the three months ended June 30, 2008 from $14.5 million for the prior year period, reflecting an increase in total average interest-earning asset balances, partially offset by a lower yield on average interest-earning assets. Total average interest-earning asset balances increased $160.9 million, or 16.3%, to $1.1 billion for the three months ended June 30, 2008 mainly due to loan growth and purchases of mortgage-backed securities. Total average loans increased $47.6 million, or 6.0%, to $845.3 million for the second quarter of 2008 as a result of origination activity in the residential real estate, commercial real estate and commercial and industrial portfolios, partially offset by scheduled amortization and prepayments of existing loans. Total average investment securities increased by $122.3 million, or 73.6%, to $288.5 million due to the purchases of bonds, partially offset by maturities, calls, sales and principal repayments of existing securities. The yield on average interest-earning assets decreased by 32 basis points to 5.57% for the second quarter of 2008 in connection with the lower interest rate environment. The decrease in market rates contributed to the downward repricing of a portion of the Company's existing assets and to lower rates for new assets. Since a significant amount of the Company's average interest-earning assets are fixed rate and the impact of Federal Reserve Board actions was less pronounced on the long end of the yield curve, the effect of the decrease in market rates was limited. The impact of the decrease in market rates was partially offset by the purchases of higher yielding mortgage backed securities.

Interest Expense. Interest expense decreased $1.3 million, or 17.8%, to $6.1 million for the three months ended June 30, 2008 from $7.4 million for the prior year period reflecting a decrease in the average rate paid on interest-bearing liabilities, partially offset by an increase in average interest-bearing liabilities. The average rate paid on interest-bearing liabilities declined 89 basis points to 2.90% for the three months ended June 30, 2008 reflecting the impact of lower market rates related to the interest rate decreases initiated by the Federal Reserve Board beginning in December 2007. Since a large portion of the Company's interest-bearing liabilities are short-term, the impact of the decrease in market rates was significant. Average interest-bearing liabilities increased $58.6 million, or 7.5%, to $836.3 million for the three months ended June 30, 2008 from $777.7 million for the prior year period reflecting growth in interest-bearing deposits and FHLB advances. Total average interest-bearing deposits increased $36.8 million, or 6.0%, to $653.6 million for the second quarter of 2008 as compared to $616.8 million for the three months ended June 30, 2007, mainly attributable to an increase in savings account and certificate of deposit balances. Total average FHLB advances increased $20.2 million, or 13.5%, to $170.1 million to fund asset growth and to take advantage of the lower interest rates.

Provision for Loan Losses. The provision for loan losses increased $331,000 to $651,000 for the three months ended June 30, 2008 as compared to $320,000 for the same period in 2007 resulting primarily from a $9.6 million increase in classified assets in the second quarter of 2008 compared to a $2.7 million increase in the 2007 period as well as an increase in net charge-offs of $109,000. The allowance for loan losses is based on management's estimate of the probable losses inherent in the portfolio, considering the impact of certain factors. Among the factors management may consider are prior loss experience, current economic conditions and their effect on borrowers, the character and size of the portfolio, trends in nonperforming loans and delinquency rates and the performance of individual loans in relation to contractual terms. The provision for loan losses reflects adjustments to the allowance based on management's review of the loan portfolio in light of those conditions. The allowance for loan losses was $8.2 million, or 0.95%, of loans outstanding at June 30, 2008.

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Non-interest Income. Non-interest income increased $139,000, or 9.7%, to $1.6 million for the three months ended June 30, 2008 due in large part to growth of $59,000, or 5.4%, in deposit account fees and a $43,000 loss on the sale of securities in the second quarter of 2007.

Non-interest Expense. Non-interest expense increased $975,000, or 14.8%, to $7.6 million for the three months ended June 30, 2008 from $6.6 million for the prior year period. Total salaries and benefits increased $464,000, or 12.4%, mainly due to staffing costs for two new branches opened in 2008, new employees hired to support and facilitate the growth of the Company, a higher cash incentive accrual associated with improved financial performance and annual wage increases. Occupancy costs expanded $97,000, or 20.2%, mainly due to the two branches opened in 2008. Data processing expenses increased $162,000, or 24.8%, as a result of growth in the total number of loan and deposit accounts serviced, new branches opened in 2008 and costs for the branch imaging process introduced in all branches beginning in 2008. Professional services increased $109,000, or 41.4%, related to the annual stockholders meeting at which the 2008 incentive plan was approved. Other expenses rose $151,000, or 15.2%, in connection with a higher quarterly Federal Deposit Insurance Corporation insurance assessment as a result of the expiration of the credit used to reduce the premium each quarter.

Income Tax Expense. Income tax expense increased $575,000 to $1.3 million for three months ended June 30, 2008 from $697,000 for the comparable 2007 period as a result of an increase in taxable income, offset to some extent by a lower effective tax rate. The effective tax rate decreased from 41.6% in the second quarter of 2007 to 38.8% for the same period in 2008 primarily due to the increased portion of income earned in the securities corporation at the lower state tax rate and a decrease in the relative impact (due to the projected increase in pre-tax income in 2008) of stock-based compensation.

Comparison of Operating Results for the Six Months Ended June 30, 2008 and 2007

Net Income. The Company’s net income for the six months ended June 30, 2008 amounted to $4.0 million, or $0.24 per diluted share, compared to $1.8 million, or $0.11 per diluted share, for the same period in 2007. The Company’s higher net income and earnings per share were due in large part to net interest margin expansion and growth in average earning assets, partially offset by increases in provision for loan losses and non-interest expenses.

Average balances and yields. The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments were made, as the effect thereof was not material. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield.

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	Six Months Ended June 30,					
	2008			2007		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
	(Dollars in thousands)					
Interest-earning assets:						
Loans:						
Residential real estate	$ 352,739	$ 9,849	5.58%	$ 338,814	$ 9,555	5.64%
Commercial real estate	253,397	8,032	6.34%	231,046	7,601	6.58%
Home equity loans	117,181	3,437	5.87%	116,934	3,812	6.52%
Commercial and industrial	82,803	2,690	6.50%	70,363	2,581	7.34%
Consumer and other	30,684	834	5.44%	29,929	756	5.05%
Total loans	836,804	24,842	5.94%	787,086	24,305	6.18%
Investment securities	250,191	6,178	4.94%	173,287	3,832	4.42%
Other interest-earning assets	17,193	359	4.18%	24,944	688	5.52%
Total interest-earning assets	1,104,188	31,379	5.68%	985,317	28,825	5.85%
Noninterest-earning assets	35,558			32,128		
Total assets	$ 1,139,746			$ 1,017,445		
Interest-bearing liabilities:						
Savings accounts	$ 74,943	400	1.07%	$ 65,114	289	0.89%
Money market accounts	174,380	1,793	2.06%	177,586	2,799	3.15%
NOW accounts	32,629	85	0.52%	34,547	91	0.53%
Certificates of deposit	359,024	7,054	3.93%	329,837	7,479	4.53%
Total interest-bearing deposits	640,976	9,332	2.91%	607,084	10,658	3.51%
FHLB advances	143,285	2,904	4.05%	160,232	3,802	4.75%
Other interest-bearing liabilities	12,085	204	3.38%	11,812	274	4.64%
Total interest-bearing liabilities	796,346	12,440	3.12%	779,128	14,734	3.78%
Demand deposits	105,066			96,333		
Other noninterest-bearing liabilities	10,507			3,386		
Total liabilities	911,919			878,847		
Stockholders' equity	227,827			138,598		
Total liabilities and stockholders' equity	$ 1,139,746			$ 1,017,445		
Net interest income		$ 18,939			$ 14,091	
Interest rate spread(1)			2.56%			2.07%
Net interest-earning assets(2)	$ 307,842			$ 206,189		
Net interest margin(3)			3.43%			2.86%
Average interest-bearing assets to						

average interest-bearing liabilities	138.66%	126.46%

(1) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(2) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.
(3) Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis. The following table presents the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately, based on the changes due to rate and the changes due to volume.

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	Six Months Ended June 30, 2008 vs. 2007 Increase (Decrease) Due to		
	Volume	Rate	Net
	(In thousands)		
Interest-earning assets:			
Loans:			
Residential real estate	$ 390	$ (96)	$ 294
Commercial real estate	715	(284)	431
Home equity loans	8	(383)	(375)
Commercial and industrial	424	(315)	109
Consumer and other	19	59	78
Total loans	1,556	(1,019)	537
Investment securities	1,858	488	2,346
Other interest-earning assets	(185)	(144)	(329)
Total interest-earning assets	3,229	(675)	2,554
Interest-bearing liabilities:			
Savings accounts	48	63	111
Money market accounts	(50)	(956)	(1,006)
NOW accounts	(5)	(1)	(6)
Certificates of deposit	627	(1,052)	(425)
Total interest-bearing deposits	620	(1,946)	(1,326)
FHLB advances	(377)	(521)	(898)
Other interest-bearing liabilities	6	(76)	(70)
Total interest-bearing liabilities	249	(2,543)	(2,294)
Change in net interest income	$ 2,980	$ 1,868	$ 4,848

Net Interest Income Before Provision for Loan Losses. Net interest income before provision for loan losses increased $4.8 million, or 34.4%, to $18.9 million for the six months ended June 30, 2008 from $14.1 million for the comparable 2007 period reflecting growth in average earning assets and net interest margin expansion. Net interest margin increased 57 basis points to 3.43% for the six months ended June 30, 2008 due to the use of net proceeds from the Company's second-step stock offering completed in December 2007 to fund asset growth as well as a significant decrease in the cost of deposits as a result of the 3.25% reduction in the federal funds rate from 5.25% at September 1, 2007 to 2.00% at June 30, 2008.

Interest Income. Interest income increased $2.6 million, or 8.9%, to $31.4 million for the six months ended June 30, 2008 from $28.8 million for the prior year period reflecting expansion in total average interest-earning asset balances, partially offset by a slight decrease in the yield on average interest-earning assets. Total average interest-earning asset balances increased $118.9 million, or 12.1%, to $1.1 billion for the six months ended June 30, 2008 due in large part to purchases of investment securities and strong loan growth, funded largely by deposit growth and the proceeds of the December 2007 second-step stock offering. Total average loans increased $49.7 million, or 6.3%, to $836.8 million for the first six months of 2008 as a result of origination activity, partially offset by prepayments and normal amortization. Total average investment securities increased by $76.9 million, or 44.4%, to $250.2 million for the first six months of 2008 primarily due to the implementation of a strategy to deploy excess capital and liquidity resulting from the Company's 2007 second-step stock offering. The yield on average interest-earning assets decreased 17 basis points to 5.68% for the six months ended June 30, 2008 in connection with the lower interest rate environment. Since a significant amount of the Company's average interest-earning assets are fixed rate and the impact of Federal Reserve Board actions was less pronounced on the long end of the yield curve, the effect of the deflation in market rates was limited. The impact of the decrease in market rates was partially offset by the purchases of higher yielding mortgage backed securities.

Interest Expense. Interest expense decreased $2.3 million, or 15.6%, to $12.4 million for the six months ended June 30, 2008 from $14.7 million for the prior year period due to a decrease in the average rate paid on interest-bearing liabilities, partially offset by growth in average interest-bearing liabilities. The average rate paid on interest-bearing liabilities declined 66 basis points to 3.12% for the six months ended June 30, 2008 reflecting interest rate cuts initiated by the Federal Reserve Board. Since a large portion of the Company's interest-bearing liabilities are short-term, the impact of the expansion in market rates was significant. Average interest-bearing liabilities increased $17.2 million, or 2.2%, to $796.3 million for the six months ended June 30, 2008 reflecting growth in interest-bearing deposits, somewhat offset by lower FHLB advances. Total average interest-bearing deposits increased $36.9 million, or 6.1%, to $641.0 million for the first six months of 2008 mainly attributable to an increase in savings accounts and certificate of deposit balances. Total average FHLB advances decreased $16.9 million, or 10.6%, to $143.3 million reflecting the use of proceeds from the second step offering to pay-down certain outstanding borrowings.

Provision for Loan Losses. The provision for loan losses was $835,000 for the six months ended June 30, 2008 as compared to $604,000 for the same period in 2007 reflecting an increase in reserves for classified loans and higher net charge-offs. The allowance for loan losses was $8.2 million, or 0.95%, of loans outstanding at June 30, 2008.

Non-interest Income. Non-interest income increased $260,000, or 9.2%, to $3.1 million for the six months ended June 30, 2008 reflecting growth in fee income on deposit and loan accounts, a $49,000 gain in the first quarter of 2008 from VISA Inc.'s redemption of its Class B stock as part of its initial public offering and an increase in bank-owned life insurance income.

Non-interest Expense. Non-interest expense increased $1.5 million, or 11.4%, to $14.7 million for the six months ended June 30, 2008 from $13.2 million for the prior year period. Total salaries and benefits increased $667,000, or 8.8%, mainly due to staffing costs for the two new branches opened in 2008, new employees hired to support and facilitate the growth of the Company, a higher cash incentive accrual associated with improved financial performance and annual wage increases, partially offset by lower stock related compensation expense. Occupancy costs grew $115,000, or 11.8%, principally attributable to the two new branches opened in 2008. Data processing costs expanded $239,000, or 18.5%, reflecting a larger loan and deposit base, new branches opened in 2008 and costs for the new branch imaging process. Professional services increased $163,000, or 25.0%, as a result of costs incurred in connection with the Company's annual stockholders meeting at which the 2008 incentive plan was approved. Other expenses expanded $292,000, or 14.9% as a result of an increase of $144,000 in Federal Deposit Insurance Corporation insurance assessments and a $100,000 interest accrual related to the IRS exam and related adjustments.

Income Tax Expense. Income tax expense increased $1.2 million to $2.5 million for six months ended June 30, 2008 from $1.3 million for the comparable 2007 period. This increase was due to higher income before income taxes partially offset by a deduction in the effective tax rate from 41.5% in 2007 to 38.6% in 2008. This deduction was due to the increased portion of income earned in the securities corporation at the lower state tax rate and a decrease in the relative impact (due to the projected increase in pre-tax income in 2008) of stock-based compensation.

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Market Risk, Liquidity and Capital Resources

Market Risk

The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk (“IRR”). Our assets, consisting primarily of mortgage loans, have longer maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage IRR and reduce the exposure of our net interest income (“NII”) to changes in market interest rates. Accordingly, our Board of Directors has established an Asset/Liability Management Committee which is responsible for evaluating the IRR inherent in our assets and liabilities, for determining the level of risk that is appropriate given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the Board of Directors. With the assistance of an IRR management consultant, the committee monitors the level of IRR on a regular basis and meets at least on a quarterly basis to review our asset/liability policies and IRR position.

We have sought to manage our IRR in order to minimize the exposure of our earnings and capital to changes in interest rates. As part of our ongoing asset-liability management, we currently use the following strategies to manage our IRR: (i) using alternative funding sources, such as advances from the Federal Home Loan Bank of Boston, to “match fund” certain longer-term one- to four-family residential mortgage loans; (ii) continued emphasis on increasing core deposits; (iii) offering adjustable rate and shorter-term home equity loans, commercial real estate loans, construction loans and commercial and industrial loans; (iv) offering a variety of consumer loans, which typically have shorter-terms and (v) investing in mortgage-backed securities with variable rates or fixed rates with shorter durations. Reducing the average maturity of our interest-earning assets by increasing our investments in shorter-term loans and securities, as well as loans and securities with variable rates of interest, helps to better match the maturities and interest rates of our assets and liabilities, thereby reducing the exposure of our NII to changes in market interest rates.

Net interest income at-risk measures the risk of a decline in earnings due to potential short-term and long term changes in interest rates. The table below represents an analysis of our IRR as measured by the estimated changes in NII, resulting from an instantaneous and sustained parallel shift in the yield curve (+200 and -200 basis points) at June 30, 2008 and December 31, 2007.

Net Interest Income At-Risk

Change in Interest Rates (Basis Points)	Estimated Increase (Decrease) in NII (June 30, 2008)	Estimated Increase (Decrease) in NII (December 31, 2007)
-100	1.6%	1.7%
Stable	0.0%	0.0%
+200	(3.1)%	(4.2)%

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The preceding income simulation analysis does not represent a forecast of NII and should not be relied upon as being indicative of expected operating results. These hypothetical estimates are based upon numerous assumptions, which are subject to change, including: the nature and timing of interest rate levels including the yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment/replacement of asset and liability cash flows, and others. Also, as market conditions vary prepayment/refinancing levels likely deviating from those assumed, the varying impact of interest rate changes on caps and floors embedded in adjustable rate loans, early withdrawal of deposits, changes in product preferences, and other internal/external variables.

Net Portfolio Value Simulation Analysis. The Office of Thrift Supervision requires the computation of amounts by which the net present value of an institution's cash flow from assets, liabilities and off balance sheet items (the institution's net portfolio value or "NPV") would change in the event of a range of assumed changes in market interest rates. The Office of Thrift Supervision provides all institutions that file a Consolidated Maturity/Rate Schedule as a part of their quarterly Thrift Financial Report an interest rate sensitivity report of net portfolio value. The Office of Thrift Supervision simulation model uses a discounted cash flow analysis and an option-based pricing approach to measuring the interest rate sensitivity of net portfolio value. Historically, the Office of Thrift Supervision model estimated the economic value of each type of asset, liability and off-balance sheet contract under the assumption that the United States Treasury yield curve increases or decreases instantaneously by 100 to 300 basis points in 100 basis point increments. However, given the current low level of market interest rates, we did not prepare a net portfolio value calculation for an interest rate decrease of greater than 100 basis points. A basis point equals one-hundredth of one percent, and 200 basis points equals two percent. An increase in interest rates from 3% to 5% would mean, for example, a 200 basis point increase in the "Change in Interest Rates" column below. The Office of Thrift Supervision provides us the results of the interest rate sensitivity model, which is based on information we provide to the Office of Thrift Supervision to estimate the sensitivity of our net portfolio value.

The tables below set forth, at the dates indicated, the estimated changes in our net portfolio value that would result from the designated instantaneous changes in the United States Treasury yield curve. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results. This data is for United Bank and its subsidiary only and does not include any yield curve changes in the assets of United Financial Bancorp, Inc.

		June 30, 2008			
		Estimated Increase (Decrease) in NPV		NPV as a Percentage of Present Value of Assets (3)	
Change in Interest Rates (basis points) (1)	Estimated NPV (2)	Amount	Percent	NPV Ratio (4)	Increase (Decrease) (basis points)
(Dollars in thousands)					
+300	$ 95,461	$ (74,021)	(44)%	8.81%	(534)
+200	119,966	(49,516)	(29)	10.72	(343)
+100	145,251	(24,231)	(14)	12.54	(160)
0	169,482			14.15	
-100	186,745	17,263	10	15.15	101

(1) Assumes an instantaneous uniform change in interest rates at all maturities.
(2) NPV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.
(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.
(4) NPV ratio represents NPV divided by the present value of assets.

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Change in Interest Rates (basis points) (1)	Estimated NPV (2)	Estimated Increase (Decrease) in NPV Amount	Estimated Increase (Decrease) in NPV Percent	NPV as a Percentage of Present Value of Assets (3) NPV Ratio (4)	NPV as a Percentage of Present Value of Assets (3) Increase (Decrease) (basis points)
		December 31, 2007			
(Dollars in thousands)					
+300	$ 108,167	$ (64,752)	(37)%	11.24%	(504)
+200	130,569	(42,351)	(24)	13.13	(316)
+100	153,090	(19,829)	(11)	14.88	(140)
0	172,919			16.29	
-100	186,881	13,962	8	17.14	86

(1) Assumes an instantaneous uniform change in interest rates at all maturities.
(2) NPV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.
(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.
(4) NPV ratio represents NPV divided by the present value of assets.

The tables above indicate that at June 30, 2008 and December 31, 2007, in the event of a 100 basis point decrease in interest rates, we would experience a 10% and 8%, respectively, increase in net portfolio value. In the event of a 300 basis point increase in interest rates, we would experience a 44% and 37%, respectively, decrease in net portfolio value.

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in net portfolio value require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net portfolio value table presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net portfolio value table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

Liquidity

Liquidity is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds consist of deposit inflows, advances from the Federal Home Loan Bank of Boston, loan and mortgage-backed securities repayments and maturities and sales of loans and other investment securities. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by market interest rates, economic conditions and competition. Our Asset/Liability Management Committee is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs of our customers as well as unanticipated contingencies. We seek to maintain a liquidity ratio of 10% or greater. At June 30, 2008 our liquidity ratio was 34.27%, compared to 26.13% at December 31, 2007.

We regularly adjust our investments in liquid assets based upon our assessment of (1) expected loan demand, (2) expected deposit flows, (3) yields available on interest-earning deposits and securities, and (4) the objectives of our asset/liability management program. Excess liquid assets are generally invested in interest-earning deposits and short- and intermediate-term securities.

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Our most liquid assets are cash and cash equivalents. The levels of these assets are dependent on our operating, financing, lending and investing activities during any given period. At June 30, 2008, cash and cash equivalents totaled $17.1 million. Securities classified as available-for-sale, which provide additional sources of liquidity, totaled $274.0 million, excluding those pledged as collateral for various purposes, at June 30, 2008. In addition, at June 30, 2008, we had the ability to borrow a total of approximately $496.1 million from the Federal Home Loan Bank of Boston. On that date, we had $190.4 million in advances outstanding.

Our cash flows are derived from operating activities, investing activities and financing activities as reported in our Consolidated Statements of Cash Flows included in our Consolidated Financial Statements.

At June 30, 2008, we had $10.7 million in loan commitments outstanding. In addition to commitments to originate loans, we had $150.4 million in unused lines of credit to borrowers and $24.1 million to be disbursed under existing construction loan commitments. Certificates of deposit due within one year of June 30, 2008 totaled $294.0 million, or 38.0% of total deposits. If these deposits do not remain with us, we will be required to seek other sources of funds, including other certificates of deposit and Federal Home Loan Bank advances. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the certificates of deposit due on or before June 30, 2009. We believe however, based on past experience, that a significant portion of our certificates of deposit will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

Our primary investing activities are the origination of loans and the purchase of securities. For the six months ended June 30, 2008, we originated $165.2 million of loans and purchased $170.0 million of securities. In the comparable 2007 period, we originated $156.5 million of loans and purchased $21.9 million of securities.

Financing activities consist primarily of activity in deposit accounts and Federal Home Loan Bank advances. We experienced a net increase in total deposits of $56.0 million and $40.1 million for the six months ended June 30, 2008 and 2007, respectively. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by us and our local competitors and other factors.

Liquidity management is both a daily and long-term function of business management. If we require funds beyond our ability to generate them internally, borrowing agreements exist with the Federal Home Loan Bank, which provides an additional source of funds. Federal Home Loan Bank advances increased by $82.4 million during the six months ended June 30, 2008 and decreased $27.3 million during the comparable 2007 period. Federal Home Loan Bank advances have primarily been used to fund loan demand and to purchase securities. We have also used Federal Home Loan Bank advances to “match-fund” certain longer-term one- to four-family residential mortgage loans and commercial real estate loans. The Bank’s unused borrowing capacity with the FHLBB, excluding its $12.4 million line of credit, was approximately $293.3 at June 30, 2008 and $293.2 at December 31, 2007. At June 30, 2008 and December 31, 2007, the Bank had no borrowing against the line of credit.

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Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments

As a financial services provider, we routinely are a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit, standby letters of credit and unused lines of credit. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans made by us. We consider commitments to extend credit in determining our allowance for loan losses.

Contractual Obligations

In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include operating leases for premises and equipment. The following table summarizes our significant fixed and determinable contractual obligations and other funding needs by payment date at June 30, 2008. The payment amounts represent those amounts due to the recipient and do not include any unamortized premiums or discounts or other similar carrying amount adjustments.

	Payments Due by Period (in thousands)				
	Less Than One Year	One to Three Years	Three to Five Years	More than Five Years	Total
Contractual Obligations:					
Certificates of deposit	$ 294,006	$ 69,330	$ 5,428	$ -	$ 368,764
Federal Home Loan Bank advances	58,687	55,339	46,362	30,001	190,389
Repurchase agreements	8,963	-	-	-	8,963
Standby letters of credit	863	-	-	-	863
Operating leases	544	1,002	726	2,935	5,207
Capitalized leases	252	504	503	4,137	5,396
Future benefits to be paid under retirement plans	196	-	3,257	610	4,063
Total	$ 363,511	$ 126,175	$ 56,276	$ 37,683	$ 583,645
Commitments to extend credit	$ 186,026	$ -	$ -	$ -	$ 186,026

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Capital Resources

United Bank is subject to various regulatory capital requirements, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. At June 30, 2008, the Bank exceeded all regulatory capital requirements. United Bank is considered "well capitalized" under regulatory requirements.

As of June 30, 2008:	
Total risk-based capital	19.49%
Tier 1 risk-based capital	18.51%
Tier 1 (core) capital	12.70%
Tangible equity	12.70%
As of December 31, 2007:	
Total risk-based capital	20.25%
Tier 1 risk-based capital	19.25%
Tier 1 (core) capital	14.00%
Tangible equity	14.00%

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ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is included above in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, under the caption "Market Risk, Liquidity and Capital Resources."

ITEM 4. Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and in a timely manner alerting them to material information relating to the Company (or its consolidated subsidiary) required to be filed in its periodic SEC filings.

No change in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. In the ordinary course of business, we routinely enhance our internal controls and procedures for financial reporting by either upgrading our current systems or implementing new systems. Changes have been made and will be made to our internal controls and procedures for financial reporting as a result of these efforts.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

At June 30, 2008, the Company was not involved in any legal proceedings, the outcome of which would be material to the Company's financial condition or results of operations.

ITEM 1A. Risk Factors

As of June 30, 2008, there have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2007.

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ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) No unregistered securities were sold by the Company during the quarter ended June 30, 2008.

(b) Not applicable

(c) On June 20, 2008, the Company announced that its Board of Directors has approved a stock repurchase plan to fund awards of restricted stock contemplated under the Company's 2008 Equity Incentive Plan, which was approved by stockholders at the Company's 2008 Annual Meeting held on June 10, 2008. Under the plan, the Company intends to repurchase up to 359,581 shares from time to time, depending on market conditions, at prevailing market prices in open-market or privately negotiated transactions. The Company anticipates conducting such repurchases in accordance with a Rule 10b5-1 trading plan.

The following table provides certain information with regard to shares repurchased by the Company in the second quarter of 2008.

Period:	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1 - 30, 2008	-	$ -	-	-
May 1 - 31, 2008	-	-	-	-
June 1 - 30, 2008	47,934	11.19	47,934	311,647
Total	47,934	$ 11.19	47,934	

ITEM 3. Defaults Upon Senior Securities

Not applicable.

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ITEM 4. Submission of Matters to a Vote of Security Holders

The annual meeting of the stockholders of the Company was held on June 10, 2008.

1. The following individuals were elected as directors, each for a three-year term by the following vote:

	FOR	WITHHELD
Richard B. Collins	14,491,491	788,279
G. Todd Marchant	14,547,372	732,398
Michael F. Werenski	14,549,182	730,588

The terms of office of the following directors continued after the annual meeting of stockholders:

	TERM EXPIRING
Kevin E. Ross	2009
Robert A. Stewart, Jr.	2009
Thomas H. Themistos	2009
Michael F. Crowley	2010
Carol Moore Cutting	2010
Carol A. Leary	2010

2. The approval of the United Financial Bancorp, Inc. 2008 Equity Incentive Plan by the following vote:

FOR	AGAINST	ABSTENTIONS	BROKER NON-VOTE
10,619,507	1,031,874	923,989	2,704,400

ITEM 5. Other Information

Not applicable.

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ITEM 6. Exhibits.

3.1	Articles of Incorporation of United Financial Bancorp, Inc. (1)
3.2	Bylaws of United Financial Bancorp, Inc. (2)
4	Form of Common Stock Certificate of United Financial Bancorp, Inc. (1)
10.1	Form of Employee Stock Ownership Plan (3)
10.2	Employment Agreement by and between United Bank and Richard B. Collins (4)
10.3	Change in Control Agreement by and between United Bank and Keith E. Harvey (4)
10.4	Change in Control Agreement by and between United Bank and J. Jeffrey Sullivan (4)
10.5	Change in Control Agreement by and between United Bank and Mark A. Roberts (4)
10.6	United Bank 2007 Supplemental Retirement Plan for Senior Executives (4)
10.7	Split Dollar Life Insurance Agreement by and between United Bank and Richard B. Collins (5)
10.8	Split Dollar Life Insurance Agreement by and between United Bank and Keith E. Harvey (5)
10.9	Split Dollar Life Insurance Agreement by and between United Bank and John J. Patterson (5)
10.10	United Bank 2006 Stock-Based Incentive Plan (6)
10.11	United Bank 2008 Annual Incentive Plan (7)
10.12	United Bank 2007 Director Retirement Plan (8)
10.13	Directors Fee Continuation Plan (3)
10.14	Deferred Income Agreement by and between United Bank and Donald G. Helliwell (3)
10.15	Deferred Income Agreement by and between United Bank and Robert W. Bozenhard, Jr. (3)
10.16	Deferred Income Agreement by and between United Bank and George W. Jones (3)
10.17	United Financial Bancorp, Inc. 2008 Equity Incentive Plan (9)
11	Statement Regarding Computation of Per Share Earnings (refer to Note D of Part I, Item 1- Consolidated Financial Statements
21	Subsidiaries of Registrant (1)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Incorporated by reference to the Registration Statement on Form S-1 of United Financial Bancorp, Inc. (File No. 333-144245), originally filed with the Securities and Exchange Commission on June 29, 2007.

(2) Incorporated by reference to the Form 8-K of United Financial Bancorp, Inc. filed with the Securities and Exchange Commission on April 22, 2008.

(3) Incorporated by reference to the Registration Statement on Form S-1 of United Financial Bancorp, Inc. (File No. 333-123371), originally filed with the Securities and Exchange Commission on March 16, 2005.

(4) Incorporated by reference to the Form 8-K of United Financial Bancorp, Inc. filed with the Securities and Exchange Commission on November 29, 2007.

(5) Incorporated by reference to the Form 8-K of United Financial Bancorp, Inc. filed with the Securities and Exchange Commission on January 2, 2008.

(6) Incorporated by reference to Appendix B to the proxy statement for the 2006 Annual Meeting of Stockholders of United Financial Bancorp, Inc. (File No. 000-51369), filed by United Financial Bancorp, Inc. under the Securities Exchange Act of 1934, on June 12, 2006.

(7) Incorporated by reference to the Form 10-K of United Financial Bancorp, Inc. filed with the Securities and Exchange Commission on March 17, 2008.

(8) Incorporated by reference to the Form 8-K of United Financial Bancorp, Inc. filed with the Securities and Exchange Commission on November 21, 2007.

(9) Incorporated by reference to Appendix A of the Company's Definitive Proxy Statement for the Annual Meeting of Stockholders (File No. 000-52947), as filed with the SEC on April 29, 2008).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed by the undersigned thereunto duly authorized.

United Financial Bancorp, Inc.

Date: August 8, 2008

By: /s/ Richard B. Collins
Richard B. Collins
Chairman, President and Chief Executive Officer

Date: August 8, 2008

By: /s/ Mark A. Roberts
Mark A. Roberts
Executive Vice President and Chief Financial Officer