United Financial Bancorp Inc
Form 10-K/A
June 20, 2007

SECURITIES AND EXCHANGE COMMISSION
450 Fifth Street, N.W.
Washington, D.C. 20549

FORM 10-K/A
Amendment No. 1

ý Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Fiscal Year Ended December 31, 2006

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 No. 000-51369

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

Federal	**83-0395247**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
95 Elm Street, West Springfield, Massachusetts	**01089**
(Address of Principal Executive Offices)	Zip Code

(413) 787-1700
(Registrant's telephone number)

Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, par value $0.01 per share	**NASDAQ Global Select Market**
(Title of Class)	Name of exchange on which registered

Securities Registered Pursuant to Section 12(g) of the Act: **None**

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 twelve months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such requirements for the past 90 days. YES ý NO o.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. ý.

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

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO ý

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. YES o NO ý

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES o NO ý

As of March 8, 2007, 17,129,379 shares of the Registrant's Common Stock were outstanding.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the last sale price on June 30, 2006, as reported by the NASDAQ Global Select Market, was approximately $96.5 million.

DOCUMENTS INCORPORATED BY REFERENCE

1. Proxy Statement for the Annual Meeting of Stockholders dated March 19, 2007 (Part III)

EXPLANATORY NOTE: REASON FOR AMENDMENT

United Financial Bancorp, Inc. (the "Company") is filing this amendment to its Annual Report on Form 10-K for the year ended December 31, 2006 in order to (i) properly evidence that the Company's independent accountant has signed the reports of independent registered public accounting firm, and (ii) revise the presentation of earnings per common share. There have been no changes to previously reported total net income or stockholders' equity for any period presented.

The Company is revising its earnings per share presentation in this amendment as follows: (1) as to the 2005 periods, in calculating earnings per share, the Company has included the shares issued to United Mutual Holding Company in the initial public offering, which was completed on July 12, 2005, as having been issued and outstanding for the entire period and the shares issued to the public as having been outstanding from the date of issuance; and (2) for 2004 and prior periods presented, in calculating earnings per share, the Company has included the shares issued to United Mutual Holding Company in the initial public offering as having been issued and outstanding for 2004 and for each of the prior periods presented.

ITEM 6. **SELECTED FINANCIAL DATA**

The summary information presented below at or for each of the fiscal years presented is derived in part from the consolidated financial statements of United Financial Bancorp, Inc. The following information is only a summary, and should be read in conjunction with our consolidated financial statements and notes included elsewhere in this Annual Report.

	At December 31,				
	2006	2005	2004	2003	2002
	(In thousands)				
Selected Financial Condition Data:					
Total assets	$ 1,009,433	$ 906,513	$ 772,008	$ 737,424	$ 623,563
Cash and cash equivalents	25,419	15,843	23,233	16,144	38,779
Investment securities available-for-sale	80,963	111,763	50,650	73,191	36,617
Investment securities held-to-maturity	3,241	3,325	2,498	2,175	737
Mortgage-backed securities available-for-sale	109,274	114,702	101,679	123,774	60,889
Loans, net (1)	756,180	630,558	569,243	497,078	463,383
Deposits	685,686	653,611	613,672	594,748	533,704
FHLB advances	169,806	101,880	86,694	76,820	29,889
Repurchase agreements	10,425	8,434	4,317	4,218	1,146
Stockholders' equity	137,711	137,005	62,255	57,050	52,612
Non-performing assets (2)	1,850	3,319	3,784	1,865	1,036

	Years Ended December 31,				
	2006	2005	2004	2003	2002
	(In thousands)				
Selected Operating Data:					
Interest and dividend income	$ 52,202	$ 43,233	$ 36,532	$ 33,776	$ 36,009
Interest expense	24,647	16,206	12,148	11,583	14,703
Net interest income before provision for loan losses	27,555	27,027	24,384	22,193	21,306
Provision for loan losses	969	917	983	294	398
Net interest income after provision for loan losses	26,586	26,110	23,401	21,899	20,908
Non-interest income	5,392	5,020	5,134	5,703	4,522
Non-interest expense	24,036	24,112	19,179	17,785	16,971
Income before taxes	7,942	7,018	9,356	9,817	8,459
Income tax expense	3,018	2,649	3,828	3,917	3,270
Net income	$ 4,924	$ 4,369 ^	$ 5,528	$ 5,900	$ 5,189
Basic earnings per share (8)	$ 0.30	$ 0.34 ^	$ 0.60	$ 0.64	$ 0.56
Diluted earnings per share (8)	$ 0.30	$ 0.34 ^	$ 0.60	$ 0.64	$ 0.56

Number of shares outstanding (8)	16,467,874	12,676,032	9,189,722	9,189,722	9,189,722
Basic	16,476,933	12,676,032	9,189,722	9,189,722	9,189,722
Diluted					

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	At or For the Years Ended December 31,				
	2006	2005	2004	2003	2002
Selected Financial Ratios and Other Data:					
Performance Ratios (3):					
Return on average assets	0.51%	0.51%*	0.73%	0.86%	0.84%
Return on average equity	3.59%	4.45%*	9.25%	10.72%	10.47%
Average equity to average assets	14.35%	11.42%	7.87%	8.07%	8.03%
Equity to total assets at end of period (3)	13.64%	15.11%	8.06%	7.74%	8.44%
Interest rate spread (4)	2.23%	2.77%	3.03%	3.12%	3.23%
Net interest margin (5)	2.97%	3.27%	3.33%	3.41%	3.65%
Average interest-earning assets to average interest-bearing liabilitites	128.10%	125.61%	118.30%	116.42%	116.77%
Total non-interest expense to average total assets	2.51%	2.81%*	2.53%	2.61%	2.75%
Efficiency ratio (6)	72.95%	75.25%*	64.98%	63.75%	65.71%
Dividend payout ratio	5.74%	NA	NA	NA	NA
United Bank Regulatory Capital Ratios (3, 7):					
Tier I (core) capital	14.83%	17.21%	11.67%	12.33%	12.23%
Tier I (leverage) capital	10.82%	11.71%	8.11%	7.76%	8.25%
Total capital	15.86%	18.28%	12.76%	13.43%	13.40%
Asset Quality Ratios (3):					
Non-performing assets as a percent of total assets (2)	0.18%	0.37%	0.49%	0.25%	0.17%
Non-performing loans as a percent of total loans (2)	0.17%	0.27%	0.66%	0.36%	0.21%
Allowance for loan losses as a percent of total loans	0.95%	1.00%	1.00%	1.02%	1.05%
Allowance for loan losses as a percent of non-performing loans	560.40%	371.69%	151.96%	278.97%	507.53%
Number of full service customer facilities	13	11	11	11	11

(1) The allowance for loan losses at December 31, 2006, 2005, 2004, 2003 and 2002 was $7.2 million, $6.4 million, $5.8 million, $5.1 million and $4.9 million, respectively.

(2) Non-performing assets consist of non-performing loans and foreclosed real estate owned (“REO”). Non-performing loans consist of non-accrual and accruing loans 90 days or more overdue, while REO consists of real estate acquired through foreclosure and real estate acquired by acceptance of a deed-in-lieu of foreclosure.

(3) Asset Quality Ratios and Regulatory Capital Ratios and the “equity to total assets” ratio are end of period ratios. With the exception of end of period ratios, all ratios are based on average monthly balances during the indicated periods and are annualized where appropriate.

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

(5) The net interest margin represents net interest income as a percent of average interest-earning assets.

(6) The efficiency ratio represents non-interest expense divided by the sum of net interest income and non-interest income.

(7) Regulatory Capital Ratios are reported for the Bank only and do not include the consolidating effect of United Financial Bancorp, Inc.

(8) The Company has previously presented earnings per share data and share information for the year during which its shares were outstanding for the complete period. Earnings per share data and share information for the each of the years 2002 through 2005 are being presented herein for the first time. See Note I of the Notes to Consolidated Financial Statements presented elsewhere in this Form 10-K/A for additional information concerning this revised presentation.

^Excluding the effect of a $3,591 charitable contribution ($2,199 after taxes) to fund the newly-formed United Charitable Foundation, net income in 2005 would have amounted to $6,568, or $0.52 per share.

*Exclusive of the contribution to the United Charitable Foundation in 2005, return on average assets, return on average equity, total non- interest expense to average total assets, and efficiency ratio would have been 0.76%, 6.70%, 2.43% and 64.41%, respectively.

ITEM 8. **FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Board of Directors
United Financial Bancorp, Inc.

We have audited the accompanying consolidated balance sheets of United Financial Bancorp, Inc. and subsidiary (the “Company”) as of December 31, 2006 and 2005, and the related statements of earnings, stockholders’ equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Financial Bancorp, Inc. and subsidiary as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company’s internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 13, 2007 expressed an unqualified opinion on management’s assessment of the effectiveness of the Company’s internal control over financial reporting and an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ Grant Thornton LLP

Boston, Massachusetts
March 13, 2007
(except for Notes I and Q
as to which the date is
June 14, 2007)

UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
Consolidated Balance Sheets
December 31, 2006 and 2005
(Dollars in thousands, except per share amounts)

	December 31, 2006	December 31, 2005
ASSETS		
Cash and due from banks	$ 15,459	$ 15,841
Interest-bearing deposits	9,960	2
Total cash and cash equivalents	25,419	15,843
Securities available for sale, at fair value	190,237	226,465
Securities held to maturity, at amortized cost (fair value of $3,227 at December 31, 2006 and $3,298 at December 31, 2005)	3,241	3,325
Loans, net of allowance for loan losses of $7,218 at December 31, 2006 and $6,382 at December 31, 2005	756,180	630,558
Other real estate owned	562	1,602
Accrued interest receivable	4,320	3,928
Deferred tax asset, net	2,851	1,245
Stock in the Federal Home Loan Bank of Boston	9,274	6,588
Banking premises and equipment, net	8,821	8,236
Bank-owned life insurance	6,304	6,031
Other assets	2,224	2,692
TOTAL ASSETS	$ 1,009,433	$ 906,513
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Interest-bearing	$ 588,496	$ 560,310
Non-interest-bearing	97,190	93,301
Total deposits	685,686	653,611
Federal Home Loan Bank of Boston advances	169,806	101,880
Repurchase agreements	10,425	8,434
Escrow funds held for borrowers	1,121	1,129
Accrued expenses and other liabilities	4,684	4,454
Total liabilities	871,722	769,508
Commitments and contingencies (Note L)	-	-
Stockholders' equity:		
Preferred stock, par value $0.01 per share, authorized 5,000,000 shares; none issued	-	-
Common stock, par value $0.01 per share, authorized 60,000,000 shares; 17,205,995 shares issued at December 31, 2006 and 2005	172	172

Paid-in capital		75,520		78,446
Retained earnings		70,406		66,944
Unearned compensation		(5,772)		(6,092)
Treasury stock, at cost (51,445 shares at December 31, 2006)		(664)		-
Accumulated other comprehensive loss, net of taxes		(1,951)		(2,465)
Total stockholders' equity		137,711		137,005
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	1,009,433	$	906,513

The accompanying notes are an integral part of the consolidated financial statements.

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UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Earnings
For the years ended December 31, 2006, 2005 and 2004
(Dollars in thousands, except per share amounts)

	2006	2005	2004
Interest and dividend income:			
Loans	$ 42,338	$ 34,540	$ 29,682
Investments	8,843	7,970	6,582
Other interest-earning assets	1,021	723	268
Total interest and dividend income	52,202	43,233	36,532
Interest expense:			
Deposits	18,695	12,300	8,995
Short-term borrowings	3,198	1,675	373
Long-term debt	2,754	2,231	2,780
Total interest expense	24,647	16,206	12,148
Net interest income before provision for loan losses	27,555	27,027	24,384
Provision for loan losses	969	917	983
Net interest income after provision for loan losses	26,586	26,110	23,401
Non-interest income:			
Fee income on depositors' accounts	4,190	3,744	3,683
(Loss) gain on sale of securities	(222)	3	122
Income from bank-owned life insurance	273	326	332
Other income	1,151	947	997
Total non-interest income	5,392	5,020	5,134
Non-interest expense:			
Salaries and benefits	12,888	11,167	9,564
Occupancy expenses	1,792	1,494	1,453
Marketing expenses	1,436	1,386	1,244
Data processing expenses	2,474	2,371	2,681
Contributions and sponsorships	174	3,792	192
Professional fees	1,148	732	336
Other expenses	4,124	3,170	3,709
Total non-interest expense	24,036	24,112	19,179
Income before income taxes	7,942	7,018	9,356
Income tax expense	3,018	2,649	3,828
NET INCOME	$ 4,924	$ 4,369	$ 5,528
Earnings per share:			
Basic	$ 0.30	$ 0.34	$ 0.60

Diluted	$ 0.30	$ 0.34	$ 0.60
Weighted average shares outstanding:			
Basic	16,467,874	12,676,032	9,189,722
Diluted	16,476,933	12,676,032	9,189,722

The accompanying notes are an integral part of the consolidated financial statements.

UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Stockholders' Equity and Comprehensive Income
December 31, 2006, 2005 and 2004
(Dollars in thousands)

	Common Shares Outstanding	Common Stock	Paid-In Capital	Retained Earnings	Unearned Compensation	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balances at December 31, 2003	-	$ -	$ -	$ 57,289	$ -	$ -	$ (239)	$ 57,050
Impact of reorganization				(150)				(150)
Net income				5,528				5,528
Net unrealized loss on securities available for sale, net of reclassification adjustments and taxes							(173)	(173)
Total comprehensive income								5,355
Balances at December 31, 2004	-	-	-	62,667	-	-	(412)	62,255
Net income	-	-	-	4,369	-	-	-	4,369
Net unrealized loss on securities available for sale, net of reclassification adjustments and taxes	-	-	-	-	-	-	(2,053)	(2,053)
Total comprehensive income								2,316
Issuance of common stock, net of offering costs of $1,900	7,671,973	77	74,745	-	-	-	-	74,822
Issuance of common stock to MHC	9,189,922	92	-	(92)	-	-	-	-
Issuance of common stock to United Charitable Foundation.	344,100	3	3,646	-	-	-	-	3,649
Shares purchased for ESOP	-	-	-	-	(6,413)	-	-	(6,413)

ESOP shares committed to be released	-	-	55	-	321	-	-	376
Balances at December 31, 2005	17,205,995	172	78,446	66,944	(6,092)	-	(2,465)	137,005
Net income	-	-	-	4,924	-	-	-	4,924
Net unrealized gain on securities available for sale, net of reclassification adjustments and taxes	-	-	-	-	-	-	514	514
Total comprehensive income								5,438
Cash dividends declared ($0.20 per share)	-	-	-	(1,462)	-	-	-	(1,462)
Treasury stock purchases	(341,945)	-	-	-	-	(4,405)	-	(4,405)
Reissuance of treasury shares in connection with restricted stock grants	290,500	-	(3,741)	-	-	3,741	-	-
Stock-based compensation	-	-	728	-	-	-	-	728
ESOP shares committed to be released	-	-	87	-	320	-	-	407
Balances at December 31, 2006	17,154,550	$ 172	$ 75,520	$ 70,406	$ (5,772)	$ (664)	$ (1,951)	$ 137,711

The accompanying notes are an integral part of the consolidated financial statements.

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UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the years ended December 31, 2006, 2005 and 2004
(Dollars in thousands)

	2006	2005	2004
Cash flows from operating activities:			
Net income	$ 4,924	$ 4,369	$ 5,528
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	969	917	983
ESOP expense	407	376	-
Stock-based compensation	728	-	-
Contribution to United Charitable Foundation	-	3,649	-
Amortization of premiums and discounts	308	670	1,062
Depreciation and amortization	838	667	647
Amortization of intangible assets	25	-	-
Provision for other real estate owned	-	-	(21)
Gain on sales of loans	(3)	(2)	(13)
Net loss (gain) on sale of property and equipment	21	(4)	(2)
Net loss (gain) on sale of available for sale securities	222	(3)	(122)
Income tax provision (benefit)	(1,679)	978	(1)
Increase in cash surrender value of bank-owned life insurance	(273)	(326)	(332)
(Increase) decrease in accrued interest receivable	(392)	(1,065)	282
Decrease (increase) in other assets	475	(2,005)	678
(Decrease) increase in accrued expenses and other liabilities	(42)	337	469
Net cash provided by operating activities	6,528	8,558	9,158
Cash flows from investing activities:			
Purchases of securities available for sale	(47,764)	(124,036)	(58,142)
Proceeds from sales of securities available for sale	28,896	2,597	32,985
Proceeds from maturities and principal repayments of securities available for sale	55,430	44,127	68,646
Purchases of securities held to maturity	-	(909)	(404)
Proceeds from maturities and principal repayments of securities held to maturity	75	75	77
Purchases of Federal Home Loan Bank of Boston stock	(2,686)	(567)	(2,072)
Refund of Cooperative Central Bank deposit	-	-	1,522
Proceeds from sales of other real estate owned	1,852	-	39
Net loan originations and principal repayments	(127,570)	(64,046)	(78,428)
Proceeds from sales of loans	170	215	5,314
Purchases of property and equipment	(1,372)	(1,245)	(382)
Cash paid to acquire Levine Financial Group	(100)	-	-
Proceeds from sale of property and equipment	-	16	14

Net cash used in investing activities	(93,069)	(143,773)	(30,831)
Cash flows from financing activities:			
Net increase in deposits	32,075	39,938	18,924
Proceeds of Federal Home Loan Bank of Boston advances	133,000	148,365	185,714
Repayments of Federal Home Loan Bank of Boston advances	(65,074)	(133,179)	(175,839)
Net increase in repurchase agreements	1,991	4,118	98
Net increase (decrease) in escrow funds held for borrowers	(8)	174	14
Treasury stock purchases	(4,405)	-	-
Cash dividends paid	(1,462)	-	-
Proceeds from stock offering subscriptions	-	74,822	-
Acquistion of common stock by ESOP	-	(6,413)	-
Impact of reorganization	-	-	(150)
Net cash provided by financing activities	96,117	127,825	28,761
Increase (decrease) in cash and cash equivalents	9,576	(7,390)	7,088
Cash and cash equivalents at beginning of year	15,843	23,233	16,145
Cash and cash equivalents at end of period	$ 25,419	$ 15,843	$ 23,233
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the period:			
Interest on deposits and other borrowings	$ 24,353	$ 16,080	$ 12,102
Income taxes - net	3,882	2,786	2,635
Transfer of loans to other real estate owned	562	1,602	-

The accompanying notes are an integral part of the consolidated financial statements.

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UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2005, 2004 and 2003
(Dollars in thousands, except per share amounts)

NOTE A - REORGANIZATION AND CHANGE IN CORPORATE FORM

During 2004, United Bank received both regulatory and depositor approval to reorganize from a state-chartered cooperative bank to a multi-tier federally-chartered holding company. As a result, United Financial Bancorp, Inc., a stock holding company, was formed to be the parent company of United Bank (the Bank) and United Mutual Holding Company (MHC), a mutual holding company, was formed to be the parent company of United Financial Bancorp, Inc. Included in non-interest expenses in the accompanying statement of earnings for the year ended December 31, 2004 are related reorganization expenses of $693.

In December 2004, the Board of Directors of United Mutual Holding Company adopted a plan pursuant to which United Financial Bancorp, Inc.(the Company) intended to sell up to 49% of its common stock to eligible Bank depositors and, if necessary, to the general public. The Company's initial public offering concluded on July 12, 2005 after the receipt of regulatory approval. The Company raised $74,822 in the offering, selling 7.7 million shares of common stock at $10 per share. This represented 44.6% of the stock issued. In addition, 344,100 shares or 2.0% of the shares outstanding were contributed to the newly formed United Charitable Foundation ("the Foundation") to further support its the Bank's ongoing commitment to the community. United Mutual Holding Company holds the remaining 53.4% of the outstanding shares**.**

The Company established the United Charitable Foundation in connection with the reorganization and funded it with 344,100 shares of the Company's common stock. This contribution resulted in the recognition of expense equal to $3,441 based on the offering price of $10 per share. The Company realized an additional tax benefit of $208 that was recorded as an increase to stockholders' equity because the basis for the contribution for tax purposes was based on the trading price of Company stock on its first day of trading.

In addition, the Bank's Board of Directors adopted an Employee Stock Ownership Plan (the "ESOP") which purchased 8%, or 641,300 shares, in the initial public offering financed by a loan from the Company. (See Note K)

The reorganization to a mutual holding company structure has been accounted for as a change in corporate form with the historic basis of the Bank's assets, liabilities and equity unchanged as a result. Subsequent to the stock offering, the existing liquidation rights of the Bank's depositors were transferred with records to be maintained to ensure such rights receive statutory priority in the event of a complete mutual-to-stock conversion or in the more unlikely event of the Bank's liquidation.

UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2006, 2005 and 2004
(Dollars in thousands, except per share amounts)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”) and general practices within the banking industry.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, 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 and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change are the determination of the allowance for loan losses and the valuation allowance for the deferred tax asset.

The following is a description of the Company’s more significant accounting policies:

Cash and Cash Equivalents

The Company classifies cash and due from banks, interest bearing deposits in other banks and overnight funds sold as cash and cash equivalents as these liquid assets have original maturities of 90 days or less.

UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2005, 2004 and 2003
(Dollars in thousands, except per share amounts)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investment Securities

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held to maturity and reported at amortized cost; debt and equity securities that are bought and held principally for the purpose of selling in the near term are classified as trading and reported at fair value, with unrealized gains and losses included in earnings; and debt and equity securities not classified as either held to maturity or trading are classified as available for sale and reported at fair value, with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive income (loss), net of taxes, as a separate component of stockholders' equity. The Company had no securities classified as trading at December 31, 2006 and 2005.

Premiums and discounts on investment securities are amortized or accreted into income on the level yield method over the life of the investments. If a decline in the fair value of an investment security below its cost is judged to be other-than-temporary the cost basis of the investment security is written down to fair value as a new cost basis and the amount of the write-down is included in the results of operations. Gains and losses on the sale of investment securities are recognized at the time of sale on a specific identification basis.

Loans

Real estate mortgage loans and other loans are stated at their unpaid principal balance net of unearned loan fees and costs and the allowance for loan losses. The Company does not originate loans for the purpose of resale.

Interest on most loans is included in income as earned based upon interest rates applied to unpaid principal using the simple interest method. Accrual of interest on loans is discontinued when in the judgment of management the collectibility of principal or interest becomes doubtful or when a loan becomes contractually past due 90 days with respect to principal or interest. The accrual of interest on some loans, however, may continue even though they are 90 days past due if management deems it appropriate, provided that the loans are well secured and in the process of collection. When a loan is placed on nonaccrual status, all interest previously accrued is reversed against current period interest income. Interest subsequently received on nonaccrual loans is either applied against principal or recorded as income according to management's judgment as to the collectibility of principal. Interest accruals are resumed on such loans only when they are brought fully current as to principal and interest and when, in the judgment of management, the loans are estimated to be fully collectible.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Loan origination and commitment fees and certain direct loan origination costs are deferred and the net amount is amortized over the contractual term of the loan as an adjustment of yield.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level determined by management to be adequate to absorb probable losses based on an evaluation of known and inherent losses in the portfolio. The adequacy of the allowance for loan losses is evaluated on a quarterly basis by management. Factors considered in evaluating the adequacy of the allowance include prior loss experience, current economic conditions and their effect on borrowers, the character and size of the loan portfolio, trends in nonperforming loans and delinquency rates and the performance of individual loans in relation to contractual terms. Loan losses are charged against the allowance when management believes that the collectibility of the principal is unlikely and recoveries are credited to the allowance when received.

Determining 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 may be necessary. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on judgments different from those of management.

A substantial portion of the Company's loans are secured by real estate in Western Massachusetts. Accordingly, the ultimate collectibility of the Company's loan portfolio is susceptible to changing conditions in this market area.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Other intangible assets

Statement of Financial Accounting Standards (SFAS) No. 142, “Goodwill and Other Intangible Assets”, prescribes that other identifiable intangible assets are recorded at their estimated fair value and are amortized on a straight-line basis over their estimated useful lives. These assets are evaluated for impairment if circumstances suggest that their value may be impaired.

Business segments

An operating segment is a component of a business for which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and evaluate performance. The Company's operations are limited to financial services provided within the framework of a community bank, and decisions are based generally on specific market areas and or product offerings. Accordingly, based on the financial information which is presently evaluated by the Company's chief operating decision-maker, the Company operates in a single business segment.

Off-balance sheet financial instruments

In the ordinary course of business, the Company enters into off-balance sheet financial instruments, consisting primarily of credit related financial instruments. These financial instruments are recorded in the consolidated financial statements when they are funded or related fees are incurred or received.

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 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.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Other Real Estate Owned

Other real estate owned ("OREO") is comprised of properties acquired through foreclosure proceedings or acceptance of a deed in lieu of foreclosure. Losses arising from the acquisition of such properties are charged against the allowance for loan losses. Operating expenses are charged to current period operations as incurred. Gains and losses upon disposition are reflected in income as realized.

Foreclosed assets held for sale are recorded at the lower of fair value less estimated costs to sell or cost. Subsequent changes in the fair value of the foreclosed assets are reflected as a valuation allowance.

Banking Premises and Equipment

Banking premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed for financial reporting purposes on the straight-line method over the estimated useful life of each type of asset. Leasehold improvements are amortized on the straight-line method over the shorter of the lease term, including consideration of renewal options, or estimated useful life of the asset. The cost of maintenance and repairs is charged against income as incurred. The Company reviews for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Asset retirement obligations are recognized at fair value when incurred. The Company recognizes a liability when the obligation is incurred - generally upon acquisition, construction, or development and (or) through the normal operation of the asset. In periods subsequent to initial measurement, the Company recognizes changes in the liability for an asset retirement obligation resulting from (a) the passage of time and (b) revisions to either the timing or the amount of the original estimate of undiscounted cash flows.

An asset retirement obligation is recognized as a liability and measured at fair value. Because the liability is recorded at its fair value and not it's ultimate settlement amount, increases in the liability's carrying amount for accretion are recognized each period. The accretion expense is classified as an operating expense in the income statement. The Company also capitalizes the cost associated with its asset retirement obligations as part of the carrying amount of the associated long-lived assets. As part of the depreciable cost of the related long-lived assets, capitalized asset retirement costs are depreciated over their useful life.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pension Plan

The Company provides pension benefits for eligible employees through a multi-employer defined benefit plan sponsored by the Co-operative Banks Employees' Retirement Association (CBERA). The Company's policy is to expense related pension costs based on assessments by CBERA. The Bank has also established a defined contribution plan for eligible employees. The Company matches employee contributions up to 5% of an employee's qualified compensation.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Income Taxes

The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are established for the tax consequences attributable to the temporary differences between the financial statement carrying amount and the tax basis of the Bank's assets and liabilities and certain tax carryforwards at enacted tax rates.

Deferred tax expense (benefit) is the result of changes in deferred tax assets and liabilities. A valuation allowance is recorded against deferred tax assets when management deems a portion of the asset to be more likely than not unrealizable. The Company's valuation allowance is reviewed and adjustments are made to the valuation allowance based on management's judgments relating to the realizability of the deferred tax asset. It is management's belief, that it is more likely than not, that the reversal of deferred tax liabilities and results of future operations will generate sufficient taxable income to realize the deferred tax assets. In addition, the Company's net deferred tax asset is supported by recoverable income taxes. Therefore, no valuation allowance was necessary at December 31, 2006 or 2005 for deferred tax assets. It should be noted, however, that factors beyond management's control, such as the general state of the economy and real estate values, can affect future levels of taxable income and that no assurance can be given that sufficient taxable income will be generated to fully absorb gross deductible temporary differences.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Stock Compensation Plan

The Company adopted SFAS No. 123R, "Share-Based Payment", on January 1, 2006. SFAS 123R requires that the compensation cost associated with share-based payment transactions, such as stock options and restricted stock awards, be recognized in the financial statements over the requisite service (vesting) period. During the year ended December 31, 2006, the Company's shareholders approved a stock based incentive plan, which is described in Note J.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of stockholders' equity such items, along with net income, are components of comprehensive income. The Company uses the specific identification method to determine the cost of a security sold and the amount reclassified out of accumulated other comprehensive income into earnings.

The components of other comprehensive income and related tax effects are as follows for the years ended December 31:

	2006	2005	2004
Change in unrealized holding gains (losses) on available for sale securities	$ 633	$ (3,371)	$ (180)
Reclassification adjustment for losses (gains) realized in income	222	(3)	(122)
Net change in unrealized gains (losses)	855	(3,374)	(302)
Tax effect	341	1,321	129
Other comprehensive income (loss)	$ 514	$ (2,053)	$ (173)

Reclassifications

Amounts reported for prior periods are reclassified as necessary to be consistent with the current-period presentation.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Advertising and public relations expense

Advertising, promotional and other business development costs are generally expensed as incurred. External costs incurred in producing media advertising are expensed the first time the advertising takes place. External costs relating to direct mailing costs are expensed in the period in which the direct mailings are sent.

Recent Accounting Developments

In July 2006, the Financial Accounting Standards Board ("FASB") released FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting and reporting for income taxes where interpretation of the tax law may be uncertain. FIN 48 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions taken or expected to be taken in income tax returns. This standard is effective for the Company on January 1, 2007. The cumulative effect, if any, of applying FIN 48 will be recorded as an adjustment to the beginning balance of retained earnings. Management is in the process of completing its evaluation of the impact that adoption of FIN 48 may have but does not expect the adoption will have a material effect on the Company's results of operations or financial position.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". This SAB addresses quantifying the financial statement effect of misstatements, specifically, how the effects of prior year uncorrected errors must be considered in quantifying misstatements in the current year financial statements. This SAB is effective for fiscal years ending after November 15, 2006. The adoption of this SAB had no effect on the Company's financial position, results of operations or cash flows.

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. SFAS No.157 is effective for the Company on January 1, 2008 and is not expected to have a significant impact on its financial statements.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded

In June 2006, the EITF released Issue 06-05, “Accounting for Purchases of Life Insurance-Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, “Accounting for Purchases of Life Insurance”. On September 7, 2006, the EITF concluded that a policyholder should consider any additional amounts included in the contractual terms of the policy in determining the amount that could be realized under the insurance contract. Amounts that are recoverable by the policyholder at the discretion of the insurance company should be excluded from the amount that could be realized. Amounts that are recoverable by the policyholder in periods beyond one year from the surrender of the policy should be discounted utilizing an appropriate rate of interest. The effective date of EITF 06-05 is for fiscal years beginning after December 15, 2006. Management does not expect the implementation of the Interpretation will have a material effect on the Company’s results of operations or financial position.

In February 2007, the FASB issued Statement of Financial Accounting Standards 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. This Statement is effective as of the beginning of an entity’s first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of Statement 157. Adoption of SFAS 159 is not expected to have a material impact on the Company’s results of operations or financial position.

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NOTE C - INVESTMENT SECURITIES

The amortized cost and fair values of securities classified as available for sale and held to maturity are as follows:

Securities Available for Sale	Amortized Cost	Unrealized Gain	Unrealized Losses	Fair Value
December 31, 2006:				
Government-sponsored enterprises	$ 78,248	$ 4	$ (883)	$ 77,369
Mortgage-backed securities	111,481	107	(2,314)	109,274
Corporate bonds	3,415	14	(120)	3,309
Subtotal	193,144	125	(3,317)	189,952
Marketable equity securities	294	-	(9)	285
Total	$ 193,438	$ 125	$ (3,326)	$ 190,237
December 31, 2005:				
Government-sponsored enterprises	$ 99,957	$ 1	$ (1,397)	$ 98,561
Mortgage-backed securities	117,259	102	(2,659)	114,702
Corporate bonds	13,011	54	(135)	12,930
Subtotal	230,227	157	(4,191)	226,193
Marketable equity securities	294	-	(22)	272
Total	$ 230,521	$ 157	$ (4,213)	$ 226,465

Securities Held to Maturity	Amortized Cost	Unrealized Gain	Unrealized Losses	Fair Value
December 31, 2006:				
IRB	$ 1,271	$ -	$ -	$ 1,271
Municipal bonds	1,970	4	(18)	1,956
Total	$ 3,241	$ 4	$ (18)	$ 3,227
December 31, 2005:				
IRB	$ 1,346	$ -	$ -	$ 1,346
Municipal bonds	1,979	-	(27)	1,952
Total	$ 3,325	$ -	$ (27)	$ 3,298

The Company's portfolio of mortgage-backed securities, which represent interests in pools ofresidential mortgage loans, consists solely of securities issued by the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Association (Fannie Mae), and the Government National Mortgage Association (Ginnie Mae), all of which are federal government owned or sponsored agencies.

As of December 31, 2006, the Bank has pledged securities with an amortized cost of $16,000 and a fair value of $15,807 to secure treasury, tax and loan deposits at the Federal Reserve Bank of Boston and to secure customers' repurchase agreements. Additionally, there is a blanket lien on certain securities to collateralize borrowings from the Federal Home Loan Bank of Boston, as discussed further in Note G.

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NOTE C - INVESTMENT SECURITIES -Continued

Gross unrealized losses and fair values at December 31, 2006 and 2005 aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position follow:

	Less than 12 months		12 months or longer			Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
2006:							
Securities Available for Sale							
Government-sponsored enterprises	$ 1,239	$ (19)	$ 62,182	$ (864)	28	$ 63,421	$ (883)
Mortgage-backed securities	13,609	(117)	78,972	(2,197)	86	92,581	(2,314)
Corporate bonds	-	-	1,841	(120)	4	1,841	(120)
Marketable equity securities	-	-	285	(9)	2	285	(9)
Total	$ 14,848	$ (136)	$ 143,280	$ (3,190)	120	$ 158,128	$ (3,326)
Securities Held to Maturity							
Municipal bonds	$ 212	$ (1)	$ 1,207	$ (17)	7	$ 1,419	$ (18)
Total	$ 212	$ (1)	$ 1,207	$ (17)	7	$ 1,419	$ (18)
2005:							
Securities Available for Sale							
Government-sponsored enterprises	$ 69,298	$ (765)	$ 28,519	$ (632)	50	$ 97,817	$ (1,397)
Mortgage-backed securities	53,636	(976)	54,052	(1,683)	88	107,688	(2,659)
Corporate bonds	2,078	(74)	3,803	(61)	13	5,881	(135)
Marketable equity securities	100	(1)	172	(21)	2	272	(22)
Total	$ 125,112	$ (1,816)	$ 86,546	$ (2,397)	153	$ 211,658	$ (4,213)
Securities Held to Maturity							
Municipal bonds	$ 1,365	$ (12)	$ 587	$ (15)	9	$ 1,952	$ (27)
Total	$ 1,365	$ (12)	$ 587	$ (15)	9	$ 1,952	$ (27)

Management has evaluated the securities in the preceding tables and concluded that none of these securities have experienced impairments that are other-than temporary. In its evaluation, management considered the types of securities, including if the securities were U.S. Government issued, and the credit rating on the securities. Management believes that the current unrealized loss position is related to the current interest rate environment. The Company has the ability to hold these securities until the earlier of maturity or a market price recovery and currently has no plans to dispose of any of these securities.

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NOTE C - INVESTMENT SECURITIES - Concluded

Realized gains and losses and the proceeds from sales of securities available for sale are as follows for the years ended December 31:

	2006	2005	2004
Proceeds from sales	$ 28,896	$ 2,597	$ 32,985
Gross gains	56	16	122
Gross losses	(278)	(13)	-

The scheduled maturities of debt securities held to maturity and available for sale at December 31, 2006, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	At December 31, 2006			
	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 31,698	$ 31,575	$ 201	$ 198
Due from one year to five years	57,709	56,174	1,312	1,299
Due from five years to ten years	34,957	34,081	878	880
Due after ten years	68,780	68,122	850	850
	$ 193,144	$ 189,952	$ 3,241	$ 3,227

Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur. Such securities have been classified within the category that represents the final maturity date.

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NOTE D - LOANS, NET

The components of loans are as follows at December 31:

	December 31, 2006	December 31, 2005
One-to-four family residential real estate	$ 319,108	$ 285,236
Commercial real estate	175,564	150,099
Construction	54,759	28,872
Home equity loans	112,739	86,045
Commercial and industrial	69,762	59,591
Consumer	30,181	25,949
Total loans	762,113	635,792
Net deferred loan costs and fees	1,285	1,148
Allowance for loan losses	(7,218)	(6,382)
Loans, net	$ 756,180	$ 630,558

The Company's lending activities are conducted principally in Western Massachusetts. The Bank grants single family and multi-family residential loans, commercial real estate loans, commercial loans, and a variety of consumer loans. In addition, the Company grants loans for the construction of residential homes, multi-family properties and commercial real estate properties. Most loans granted by the Company are collateralized by real estate. The ability and willingness of the single family residential, commercial and consumer borrowers to honor their repayment commitments is generally dependent on the level of overall economic activity within the borrowers' geographic areas and real estate values. The ability and willingness of commercial real estate and construction loan borrowers to honor their repayment commitments is generally dependent on the health of the real estate economic sector in the borrowers' geographic areas and the general economy.

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NOTE D - LOANS, NET - Continued

Nonaccrual loans amounted to approximately $1,288 and $1,717 at December 31, 2006 and 2005, respectively. Additional interest income of approximately $71, $158 and $110 would have been recorded during the years ended December 31, 2006, 2005 and 2004, respectively, if the loans had performed in accordance with their original terms.

At December 31, 2006 and 2005, the recorded investment in impaired loans was $1,288 and $700, respectively, all of which were accounted for on a non-accrual basis. An allowance for loan losses was established on $1,288 and $700 of the impaired loans at December 31, 2006 and 2005, respectively, which allowances amounted to $295 and $80 at the respective year-ends. The average balance of impaired loans was $2,076, $2,145 and $1,395 for the years ended December 31, 2006, 2005 and 2004, respectively. Interest income recognized on impaired loans during 2006, 2005 and 2004 was not significant.

Certain officers and directors of the Company and certain corporations and individuals related to such persons, incurred indebtedness, in the form of loans, as customers. These loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time or comparable transactions with other customers and did not involve more than the normal risk of collectibility.

The following table summarizes the Company’s lending activity with its directors and executive officers all of which was conducted with terms consistent with those offered to unrelated parties:

	2006	2005
Beginning balance	$ 1,373	$ 1,359
New loans	10	335
Repayments	(409)	(321)
Ending balance	$ 974	$ 1,373

The Company does not presently originate loans for the purpose of reselling them in the secondary market but has sold residential mortgage loans from its portfolio. Loans serviced by the Company for others totaled $36,900 and $42,400 at December 31, 2006 and 2005, respectively. The balances of mortgage servicing rights related to such loans were insignificant at December 31, 2006 and 2005.

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NOTE D - LOANS, NET - Concluded

A summary of changes in the allowance for loan losses for the years ended December 31 follows:

	2006	2005	2004
Balance at beginning of period	$ 6,382	$ 5,750	$ 5,094
Provision for loan losses	969	917	983
Charge-offs	(186)	(455)	(558)
Recoveries	53	170	231
Balance at end of period	$ 7,218	$ 6,382	$ 5,750

NOTE E - BANKING PREMISES AND EQUIPMENT

The composition of banking premises and equipment is as follows at December 31:

	2006	2005	Estimated Useful Lives
Land and improvements	$ 2,146	$ 2,135	
Buildings and improvements	7,475	7,309	25 - 40 Years
Leasehold improvements	1,976	1,708	
Furniture and equipment	2,271	1,573	5 Years
	13,868	12,725	
Less accumulated depreciation and amortization	(5,047)	(4,489)	
	$ 8,821	$ 8,236	

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NOTE E - BANKING PREMISES AND EQUIPMENT- Concluded

The Company leases six of its branches, two ATM facilities and a financial services office. Rent expense for the years ended December 31, 2006, 2005 and 2004 amounted to approximately $363, $259 and $231, respectively. The leases, which are noncancelable, expire at various dates through 2031. Future minimum rental commitments under the terms of leases are as follows:

Years ending December 31,

2007	$	498
2008		434
2009		405
2010		350
2011		239
Thereafter		3,224
Total minimum lease payments	$	5,150

NOTE F - DEPOSITS

Deposit accounts by type are summarized as follows at December 31:

		2006		2005
Demand	$	97,190	$	93,301
NOW		37,523		39,922
Regular savings		65,475		87,253
Money market		164,463		154,177
Retirement		55,368		52,694
Certificates of deposit		265,667		226,264
	$	685,686	$	653,611

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NOTE F - DEPOSITS- Concluded

Certificates of deposit with balances greater than or equal to $100 totaled $103,321 and $90,597 at December 31, 2006 and 2005, respectively. The FDIC generally insures deposit amounts up to $100, as defined in the applicable regulations. The maturity of those certificates as of December 31, 2006 is as follows:

	At December 31, 2006
Three months or less	$ 34,924
Over three months through six months	38,264
Over six months through one year	20,554
Over one year to three years	6,196
Over three years	3,383
Total	$ 103,321

The scheduled maturities of time deposits at December 31, 2006, are as follows:

2007	$ 282,025
2008	17,089
2009	10,899
2010	8,738
2011	763
Total time deposits	$ 319,514

Interest expense on deposits, classified by type, is as follows:

	2006	2005	2004
NOW	$ 103	$ 148	$ 90
Regular savings	638	647	698
Money market	5,125	3,098	1,710
Retirement	2,087	1,900	1,354
Certificates of deposit	10,742	6,507	5,143
Total	$ 18,695	$ 12,300	$ 8,995

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NOTE G - BORROWINGS

Federal Home Loan Bank Advances

The Bank is a member of the Federal Home Loan Bank of Boston ("FHLBB") and as such, it was required to invest in stock of the FHLBB, until April 2004, in an amount which was the greater of .3% of its total assets, 1% of its outstanding home loans or 5% of its outstanding advances from the FHLBB. In April 2004, the FHLBB amended its capital structure at which time the Bank's FHLBB stock was converted to Class B stock. Such stock is redeemable at par value five years after filing for a redemption or upon termination of membership. The FHLBB may, but is not obligated to, repurchase Class B stock prior to expiration of the five year redemption notice. Under the amended capital structure, the Bank's stock investment requirement is an amount equal to the sum of .35% of certain specified assets plus 4.5% of the Bank's advances and certain other specified items.

The FHLBB is authorized to make advances to its members subject to such regulations and limitations as its Board of Directors may prescribe. The Bank's advances are secured by its FHLBB stock and a blanket lien on certain qualified collateral, primarily one-to four-family first mortgage loans and certain debt securities. The Bank's unused borrowing capacity with the FHLBB, excluding its $12.4 million line of credit, was approximately $136,538 at December 31, 2006. At December 31, 2006, the Bank had no borrowing against the line of credit.

Advances outstanding at December 31, 2006, 2005 and 2004 consisted of the following:

	2006		2005		2004	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Within 1 year	$ 65,000	5.16%	$ 13,799	3.40%	$ 16,000	2.35%
Over 1 year to 2 years	16,411	5.06%	10,000	4.37%	12,000	3.23%
Over 2 years to 3 years	13,000	5.13%	19,393	4.95%	-	%
Over 3 years to 4 years	16,111	3.20%	-	%	-	%
Over 4 years to 5 years	39,184	4.60%	20,318	3.19%	22,247	4.87%
Over 5 years	20,100	4.32%	38,370	4.02%	36,447	3.32%
	$ 169,806	4.73%	$ 101,880	3.98%	$ 86,694	3.53%

At December 31, 2006, advances in the amounts of $30,000 and $5,000 are callable at the option of the FHLBB during 2007 and 2009, respectively.

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Repurchase Agreements

Securities sold under agreements to repurchase are funds borrowed from customers on an overnight basis that are secured by U.S. Government agency obligations. The following table summarizes repurchase agreement activity for the years indicated:

	December 31, 2006	December 31, 2005	December 31, 2004
Balance at year-end	$ 10,425	$ 8,434	$ 4,317
Average amount outstanding during year	5,546	5,572	4,064
Interest expense incurred during year	167	90	39
Maximum amount outstanding at any month-end	10,425	8,675	6,015
Average interest rate during the year	3.01%	1.62%	0.96%
Weighted average interest rate at year-end balances	3.38%	2.12%	1.19%

NOTE H - INCOME TAXES

Allocation of federal and state income taxes between current and deferred provisions is as follows:

	Years Ended December 31, 2006	2005	2004
Current tax provision:			
Federal	$ 3,618	$ 1,417	$ 2,970
State	1,079	254	859
	4,697	1,671	3,829
Deferred tax provision (benefit):			
Federal	(1,289)	704	(1)
State	(390)	274	0
	(1,679)	978	(1)
	$ 3,018	$ 2,649	$ 3,828

The reasons for the differences between the statutory federal income tax rate and the effective rates are summarized as follows:

	Years Ended December 31, 2006	2005	2004
Statutory tax rate	34.0%	34.0%	34.0%

Increase (decrease) resulting from:			
State taxes, net of federal tax benefit	5.7%	5.0%	6.1%
Other, net	(1.7%)	(1.2%)	0.8%
Effective tax rates	38.0%	39.0%	40.9%

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NOTE H - INCOME TAXES - Continued

The components of the net deferred tax asset are as follows:

	December 31, 2006	December 31, 2005
Deferred tax asset:		
Federal	$ 4,744	$ 4,769
State	1,548	1,583
	6,292	6,352
Deferred tax liability:		
Federal	(2,558)	(3,839)
State	(883)	(1,268)
	(3,441)	(5,107)
Net deferred tax asset	$ 2,851	$ 1,245

The tax effects of each type of income and expense item that give rise to deferred taxes are as follows:

	2006	2005
Cash basis of accounting	$ 29	$ 64
Net unrealized loss on securities available for sale	426	500
Depreciation	492	376
Deferred expense	(1,044)	(858)
Allowance for loan loss	2,955	2,598
Employee benefit plans	1,337	1,304
Market value adjustment - loans	(2,391)	(3,912)
Contribution carryover	1,048	1,510
Other	(1)	(337)
Net deferred tax asset	$ 2,851	$ 1,245

A summary of the change in the net deferred tax asset is as follows:

	2006	2005
Balance at beginning of year	$ 1,245	$ 1,551
Deferred tax provision (benefit)	1,679	(978)
Change in unrealized (loss) gain on securities available for sale	(73)	672
Balance at end of year	$ 2,851	$ 1,245

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NOTE H - INCOME TAXES - Concluded

The charitable contribution carryforward may be carried forward until 2009 and is limited to 10% of taxable income each year. Based on an assessment of the likely ranges of taxable income during the carryforward period, management believes that it is more likely than not it will fully utilize tax deductions for this item.

The Bank's base year reserve (as of December 31, 1995) will not be recaptured unless the reserve is used for purposes other than for loan losses, such as in a distribution in liquidation or otherwise. Accordingly, the Bank has not recorded a deferred tax liability of approximately $2,600 relating to approximately $6,200 of cumulative tax deductions generated prior to December 31, 1995.

NOTE I - EARNINGS PER SHARE

Since the Company's initial public offering (IPO) in July 2005, the Company has presented earnings per share data for quarterly and annual reporting periods during which its shares were outstanding for the complete period. This presentation was consistent with the method used in practice by banking entities which reorganized using the mutual holding company structure. Pursuant to guidance provided to the Company by the staff of the Securities and Exchange Commission, the Company is revising its presentation of earnings per share data for periods prior to its IPO to reflect shares issued to United Mutual Holding Company in the IPO as outstanding for all periods presented. Shares issued to the public in the IPO, which was completed on July 12, 2005, are presented as outstanding from the time of issuance. The additional disclosure of earnings per share for those periods prior to the IPO has no effect on previously reported earnings per share for periods subsequent to the IPO. Accordingly, earnings per share for the years ended December 31, 2005 and 2004 is being presented for the first time herein, whereas earnings per share for the year ended December 31, 2006 is unchanged from the amount previously presented.

The calculation of earnings per common share and diluted earnings per common share for the periods ended December 31, 2006, 2005 and 2004 is presented below.

	Years Ended December 31,		
	2006	**2005 (1)**	**2004 (2)**
Net income	$ 4,924	$ 4,369	$ 5,528
Weighted average common shares applicable to basic EPS	16,467,874	12,676,032	9,189,722
Effect of dilutive potential common shares (3, 4)	9,059	-	-
Weighted average common shares applicable to diluted EPS	16,476,933	12,676,032	9,189,722
Earnings per share:			
Basic	$ 0.30	$ 0.34	$ 0.60
Diluted	$ 0.30	$ 0.34	$ 0.60

(1) The Company issued 17,205,995 shares of common stock in its July, 2005 initial public offering, including 9,189,722 shares held by United Mutual Holding Company.
Earnings per share for the period include the impact of 9,189,722 shares outstanding from January 1 through July 11 and 17,205,995 shares from July 12
through December 31.
(2) Earnings per share for the period reflects 9,189,722 shares held by United Mutual Holding Company in connection with the Company's initial public offering.
(3) Options to purchase 756,500 shares were outstanding but not included in the computation of diluted earnings per share for the year ended December 31, 2006 because
they were antidulutive.
(4) Includes incremental shares related to stock options and restricted stock.

NOTE J - STOCK-BASED INCENTIVE PLAN

The Company’s 2006 Stock-Based Incentive Plan (the “Incentive Plan”) was approved by shareholders at the Company’s Annual Meeting held on July 20, 2006. The Incentive Plan will remain in effect for a period of ten years and provides for the issuance of up to 1,180,330 shares of Company common stock pursuant to grants of incentive and non-statutory stock options,

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NOTE J - STOCK-BASED INCENTIVE PLAN - Continued

stock appreciation rights and restricted stock awards, provided that no more than 337,237 shares may be issued as restricted stock awards, and no more than 843,093 shares may be issued pursuant to the exercise of stock options. 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. Certain employees and directors are eligible for accelerated vesting based upon early retirement provisions in the plan. 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 Company intends to use treasury shares to satisfy stock option exercises.

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. Certain employees and directors are eligible for accelerated vesting based upon early retirement provisions in the plan. During the vesting period, participants are entitled to dividends for all awards. Dividends on unvested stock awards are also recognized as compensation cost.

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NOTE J - STOCK-BASED INCENTIVE PLAN - Continued

A combined summary of activity in the Company's Incentive Plan activity for the period ended December 31, 2006 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, 2005	-	-	-	-	-
New Incentive Plan	1,180,330	-	-	-	-
Granted	(1,047,000)	290,500	12.86	756,500	12.88
Stock options exercised	-	-	-	-	-
Shares vested	-	-	-	-	-
Forfeited	-	-	-	-	-
Cancelled	-	-	-	-	-
Balance at December 31, 2006	133,330	290,500	$ 12.86	756,500	$ 12.88

In 2006, the Company granted 756,500 stock options and 290,500 restricted shares to certain directors and employees. The stock options had a weighted average value of $3.63 per share, with a total grant date fair value of $2,742. The restricted shares had a weighted average value of $12.86 per share, with a total grant date fair value of $3,735.

The Company's total compensation cost for shared-based payment arrangements was $729, including $15 of dividends on unvested stock. The Company also recorded a tax benefit of $219 in 2006 related to the recognition of the shared-based compensation expense. As of December 31, 2006, compensation costs related to nonvested awards totaling $5,763 million has not been recognized. These costs will be recognized over an estimated weighted average period of 4.2 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 during 2006.

Expected term	6.50 years
Volatility	25.00%
Expected dividend yield	2.00%
Weighted average risk-free interest rate	4.81%

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NOTE J - STOCK-BASED INCENTIVE PLAN - Concluded

A summary of stock options outstanding and exercisable at December 31, 2006 is as follows:

	Stock Options	
	Outstanding	Exercisable
Total number of shares	756,500	-
Weighted average exercise price	$ 12.88	-
Aggregate intrinsic value	$ 699	-
Weighted average remaining contractual term	9.6 years	-

NOTE K - EMPLOYEE BENEFIT PLANS

Retirement Plans

The Bank provides pension benefits for all of its eligible employees through membership in a multi-employer defined benefit plan of the CBERA. The Bank's contribution to the plan was $397, $394 and $397 for the years ended December 31, 2006, 2005 and 2004, respectively. Under the plan, retirement benefits are based on years of service and the highest average compensation. In addition, employees make voluntary contributions to a defined contribution plan. These contributions are matched by the Bank up to a maximum of 5% of the employee's qualified salary and provide retirement benefits to the employee in addition to those available under the Bank's participation in the multi-employer defined benefit plan. The contributions matched by the Bank were $307, $292 and $279 for the years ended December 31, 2006, 2005 and 2004, respectively.

In November 2006, the Company's Board of Directors approved a plan to freeze benefits under this plan effective in April 2007.

Supplemental Executive Retirement Plan

The Bank has entered into Supplemental Executive Retirement Plan ("SERP") contracts with certain of its current and former officers. The estimated amount to be paid under each contract is accrued over the executive's active employment from the time the contract is signed to the date of full eligibility. The liability associated with these SERP contracts was $1,626 and $1,471 at December 31, 2006 and 2005, respectively, and is included in accrued expenses and other liabilities in the consolidated balance sheets. The expense for SERP contracts, excluding interest, was $162, $156 and $64 for the years ended December 31, 2006, 2005 and 2004, respectively.

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NOTE K - EMPLOYEE BENEFIT PLANS- Continued

Incentive Plan

The Company maintains an incentive plan in which employees are eligible to participate. The incentive plan provides for awards based on the achievement of both individual and Company performance goals, subject to approval by the Board of Directors. Related expense amounted to $547, $832 and $544 for the years ended December 31, 2006, 2005 and 2004 respectively.

Directors Fee Continuation Plan

The Company sponsors a Directors Fee Continuation Plan under which a Director will annually receive $15 ($24 for former chairpersons) for ten years beginning upon attaining the normal retirement date. The benefit is reduced for directors serving fewer than 15 years. In the event of the participant’s death prior to receiving the full benefits of the plan, any unpaid benefits will be paid to the beneficiary. The Company recognizes expense under this plan on a ratable basis such that the present value of the liability is fully accrued at each director’s normal retirement date. At December 31, 2006 and 2005, the Company’s recorded liability for this plan amounted to $868 and $834, respectively, and is included in accrued expenses and other liabilities in the consolidated balance sheets. The expense associated with this plan was $59, $207, and $56 for the years ended December 31, 2006, 2005 and 2004, respectively.

Employee Stock Ownership Plan

In connection with the Company’s 2005 stock offering, the Company established an Employee Stock Ownership Plan (“ESOP”) for the benefit of each employee that has reached the age of 21 and has completed at least 1,000 hours of service in the previous twelve-month period. The Company issued 641,301 shares of common stock to the ESOP in exchange for a twenty-year note. The loan amount was approximately $6,413 and was recorded as "Unearned Compensation" within stockholders' equity. The loan bears interest equal to the prime rate in effect at January 1st of each year and provides for annual payments of principal and interest. In November 2006, the Board of Directors voted to accelerate its Employee Stock Ownership Plan benefit from a twenty (20) year payout to a fifteen (15) year payout beginning in 2007.

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NOTE K - EMPLOYEE BENEFIT PLANS- Concluded

The Bank has committed to make contributions to the ESOP sufficient to support the debt service of the loan. The loan is secured by the shares held by First Bankers Trust Company ("Trustee") in a suspense account for allocation among the participants as the loan is paid. In connection with the release of shares from the suspense account, the Company reports compensation expense equal to the average market price of the shares. Total compensation expense applicable to the ESOP amounted to $406 and $376 for the years ended December 31, 2006 and 2005, respectively.

Shares held by the ESOP include the following:

	December 31,	
	2006	**2005**
Allocated	32,065	-
Committed to be released	32,065	32,065
Unallocated	577,171	609,236
	641,301	641,301

Cash dividends received on allocated shares are allocated to participants and cash dividends received on shares held in suspense are used to fund the scheduled annual debt payment. The fair value of unallocated shares at December 31, 2006 and December 31, 2005 was $7,965 and $7,024, respectively.

NOTE L - COMMITMENTS AND CONTINGENCIES

Financial Instruments With Off-Balance Sheet Risk

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to originate loans and standby letters of credit. The Company does not record a liability for the fair value of the obligation undertaken in issuing standby letters of credit unless it becomes probable that the Company would have to perform under the guarantee. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for loan commitments and standby letters of credit is represented by the contractual or notional amounts of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

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NOTE L - COMMITMENTS AND CONTINGENCIES - Continued

Financial instruments with off-balance sheet risk at December 31, 2006 and 2005, are as follows:

	2006	2005
Unused lines of credit	$ 135,374	$ 114,016
Amounts due mortgagors	34,742	16,833
Standby letters of credit	879	1,383
Commitments to originate loans	42,551	15,831

Included in commitments to originate loans at December 31, 2006 and 2005 are fixed rate commitments in the amount of $15,316 and $9,465 at interest ranges of 5.25% to 9.00% and 5.38% to 7.25%, respectively.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis.

The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds residential or commercial real estate, accounts receivable, inventory and equipment as collateral supporting those commitments for which collateral is deemed necessary. The extent of collateral held for those commitments at December 31, 2006 and 2005 exceeds 100%.

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NOTE L - COMMITMENTS AND CONTINGENCIES - Concluded

Employment and change in control agreements

The Company has entered into a three-year employment agreement with its President and Chief Executive Officer expiring in 2010. This agreement generally provides for a base salary and the continuation of certain benefits currently received. Annually the Bank may extend the agreement for an additional year. Under certain specified circumstances, the employment agreement requires certain payments to be made for certain reasons other than cause, including a "change in control" as defined in the agreement. However, such employment may be terminated for cause, as defined, without incurring any continuing obligations.

The Company also entered into three-year change in control agreements with certain executive officers, none of whom are covered by an employment agreement. The change in control agreements are renewable on an annual basis and generally provide a severance payment and the continuation of certain benefits currently received following a "change in control" as defined in the agreements.

Litigation

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. At December 31, 2006, the Company was not involved in any material legal proceedings.

NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company is required to provide supplemental financial statement disclosures of the estimated fair value of its financial instruments. Financial instruments including cash and cash equivalents, investment and mortgage-backed securities, loan, deposits, borrowings and certain off-balance sheet items such as loan commitments. Other assets significant to the Company, including bank premises and equipment, deferred tax assets, as well as core deposit and other intangible assets are not considered financial instruments and are excluded from the fair value disclosures. In addition, the tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been Considered in the estimates.

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NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Bank's entire holdings of a particular financial instrument. Because a market may not readily exist for a significant portion of the Bank's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following methods and assumptions were used by the Company in estimating fair values of its financial instruments:

Cash and Cash Equivalents

For cash and short term investments having maturities of 90 days or less, the carrying amounts reported in the balance sheets approximate fair values.

Investment Securities and FHLBB Stock

The fair value of securities to be held to maturity and securities available for sale is estimated based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Ownership of Federal Home Loan Bank of Boston stock is restricted to member banks; therefore, the stock is not traded. The estimated fair value of Federal Home Loan Bank of Boston stock is equal to its carrying value, which represents the price at which the FHLBB is obligated to redeem its stock.

Loans

For variable-rate residential and commercial loans that reprice frequently and which have no significant change in credit risk, fair values are based on carrying values. The fair values for certain mortgage loans (e.g. one-to-four family residential) and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics.

Accrued Interest Receivable and Payable

The carrying value of accrued interest receivable on investments and loans and accrued interest payable on deposits and borrowings, included in other liabilities, approximates their fair values.

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NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Deposits

The fair value of deposits with no stated maturity, such as demand deposits, NOW, regular savings, and money market deposit accounts, is equal to the amount payable on demand. The fair value estimates do not include the benefit that results from the generally lower cost of funding provided by the deposit liabilities compared to the cost of borrowing funds in the market. The fair value estimate of time deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Federal Home Loan Bank of Boston Advances

The fair value estimate of the borrowings from the Federal Home Loan Bank of Boston is determined by discounting the anticipated future cash payments by using the rates currently available to the Bank for debt with similar terms and remaining maturities.

Repurchase Agreements

Securities sold under agreements to repurchase generally mature within one to four days from transaction date and, accordingly, the fair value of these agreements approximates their recorded balance.

Off-Balance Sheet Instruments

Fair value of off-balance-sheet mortgage lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. In the case of the commitments discussed in Note K, the fair value equals the carrying amounts which are not significant.

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NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS - Concluded

The fair value of the Company's financial instruments is as follows at December 31:

	2006		2005	
	Carrying Value	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Financial Assets:				
Cash and cash equivalents	$ 25,419	$ 25,419	$ 15,843	$ 15,843
Securities available for sale	190,237	190,237	226,465	226,465
Securities held to maturity	3,241	3,227	3,325	3,298
Stock in Federal Home Loan Bank of Boston	9,274	9,274	6,588	6,588
Net loans	756,180	733,196	630,558	630,288
Accrued interest receivable	4,320	4,320	3,928	3,928
Financial Liabilities:				
Deposits (with no stated maturity)	366,172	366,172	375,967	375,967
Time deposits	319,514	318,916	277,644	279,309
Federal Home Loan Bank of Boston advances	169,806	167,051	101,880	98,946
Accrued interest payable	695	695	400	400
Repurchase agreements	10,425	10,425	8,434	8,434

NOTE N - STOCKHOLDERS' EQUITY

Regulatory Capital

The Bank is subject to various minimum regulatory capital standards promulgated by The Office of Thrift Supervision ("OTS"). Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. United Financial Bancorp, Inc is not subject to capital guidelines.

The minimum capital standards of the OTS generally require the maintenance of regulatory capital sufficient to meet each of three tests, hereinafter described as the total risk-based capital requirement, the Tier I risk-based capital requirement and the Tier I or leverage capital requirement. The Tier I risk-based and Tier I leverage capital requirements provide for minimum core capital (tangible capital plus certain forms of supervisory goodwill and other qualifying intangible assets) generally equal to 4.0% of risk-weighted assets and to 4.0% of adjusted total assets, respectively, except for those banks with the highest examination rating and acceptable levels of risk. The risk-based capital requirement provides for the maintenance of core capital plus general loss allowances equal to 8.0% of risk-weighted assets. In computing risk-weighted assets, the Bank multiplies the value of each asset on its balance sheet by a defined risk-weighting factor, e.g., one- to four-family residential loans carry a risk-weighted factor of 50%.

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NOTE N - STOCKHOLDERS' EQUITY - Concluded

As of December 31, 2006, the most recent notification from the OTS categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as adequately capitalized the Bank must maintain minimum ratios as set forth in the accompanying table. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual capital amounts and ratios, as well as minimum amounts and ratios required for capital adequacy are presented below:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Regulatory Framework	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2006:						
Total Capital (to Risk Weighted Assets)	$ 111,045	15.9%	≥ $ 56,000	≥ 8.0%	≥ $ 70,000	≥ 10.0%
Tier I (Core) Capital (to Risk Weighted Assets)	103,827	14.8%	≥ 28,000	≥ 4.0%	≥ 42,000	≥ 6.0%
Tier I Leverage Capital (to Average Total Assets)	103,827	10.8%	≥ 38,380	≥ 4.0%	≥ 47,975	≥ 5.0%
As of December 31, 2005:						
Total Capital (to Risk Weighted Assets)	$ 108,500	18.3%	≥ $ 47,475	≥ 8.0%	≥ $ 59,343	≥ 10.0%
Tier I (Core) Capital (to Risk Weighted Assets)	102,117	17.2%	≥ 23,737	≥ 4.0%	≥ 35,606	≥ 6.0%
Tier I Leverage Capital (to Average Total Assets)	102,117	11.7%	≥ 34,873	≥ 4.0%	≥ 43,591	≥ 5.0%

Common Stock Repurchase Program

In November 2006, the Board of Directors approved a plan to repurchase up to 5%, or approximately 858,000 shares, of the Company's common stock through open market purchases or privately negotiated transactions. Stock repurchases under the program are accounted for as treasury stock, carried at cost, and reflected as a reduction in stockholders' equity. As of December 31, 2006, the Company repurchased 1,945 shares at a cost of approximately $27 under this plan.

UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2006, 2005 and 2004
(Dollars in thousands, except per share amounts)

NOTE O - CONDENSED FINANCIAL STATEMENTS OF UNITED FINANCIAL BANCORP, INC.

The following are the condensed financial statements for United Financial Bancorp, Inc. (parent company only).

BALANCE SHEETS

	December 31, 2006	December 31, 2005
ASSETS		
Cash and due from banks	$ 336	$ 14
Interest-bearing deposits	7,344	-
Total cash and cash equivalents	7,680	14
Investment in Bank	102,278	99,816
Securities available for sale, at fair value	21,441	31,186
ESOP loan receivable	5,891	6,049
Other assets	827	113
TOTAL ASSETS	$ 138,117	$ 137,178
LIABILITIES AND STOCKHOLDERS' EQUITY		
Other liabilities	$ 406	$ 173
Stockholders' equity	137,711	137,005
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 138,117	$ 137,178

STATEMENTS OF INCOME

	Years Ended December 31, 2006	2005	2004
Income:			
Investment interest	$ 1,258	$ 617	$ -
ESOP loan interest	439	189	-
Loss on sale of securities	(9)	-	-
Total income	1,688	806	-
Expense:			
Charitable contribution to Foundation	-	3,591	-
Professional services	958	266	-
Other expenses	31	63	64
Total expense	989	3,920	64
Income (loss) before income taxes and equity in undistributed earnings in the Bank	699	(3,114)	(64)
Income tax expense (benefit)	235	(894)	(26)
Income (loss) before equity in undistributed earnings of the Bank	464	(2,220)	(38)

Equity in undistributed earnings of the Bank		4,460		6,589		5,566
NET INCOME	$	4,924	$	4,369	$	5,528

UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2006, 2005 and 2004
(Dollars in thousands, except per share amounts)

NOTE P - CONDENSED FINANCIAL STATEMENTS OF UNITED FINANCIAL BANCORP, INC. - Concluded

STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2006	**2005**	**2004**
Cash flows from operating activities:			
Net income	$ 4,924	$ 4,369	$ 5,528
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of the bank	(4,460)	(6,589)	(5,566)
Net amortization of discounts and premiums	(83)	(46)	-
Net loss on sale of available for sale securities	9	-	-
Increase in deferred income taxes	3	255	-
Charitable contribution to Foundation	-	3,649	-
Decrease (increase) in accrued interest receivable	57	(322)	-
(Increase) in other assets	(717)	(182)	(26)
Intercompany payables and other liabilities	233	107	19
Net cash (used in) provided by operating activities	(34)	1,241	(45)
Cash flows from investing activities:			
Purchases of securities available for sale	(2,094)	(32,963)	-
Proceeds from sales of securities available for sale	4,990	-	-
Proceeds from maturities and principal repayments of securities available for sale	6,934	1,676	-
Loan to fund ESOP	-	(6,413)	-
Principal payments on ESOP loan	158	364	-
Net cash provided by (used in) investing activities	9,988	(37,336)	-
Cash flows from financing activities:			
Initial funding by Bank	-	-	150
Investment in United Bank	3,579	(38,818)	-
Treasury stock purchases	(4,405)	-	-
Cash dividends paid	(1,462)	-	-
Net proceeds from stock issuance	-	74,822	150
Net cash (used in) provided by financing activities	(2,288)	36,004	-
Increase (decrease) in cash and cash equivalents	7,666	(91)	105
Cash and cash equivalents at beginning of year	14	105	-
Cash and cash equivalents at end of year	$ 7,680	$ 14	$ 105

UNITED FINANCIAL BANCORP, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements - Continued
December 31, 2006, 2005 and 2004
(Dollars in thousands, except per share amounts)

NOTE Q - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table summarizes the operating results on a quarterly basis for the years ended December 31, 2006 and 2005. As discussed in Note I, the Company has revised its presentation of earnings per share data to include periods prior to the IPO. Accordingly, earnings per share data is included herein for each of the quarterly periods in 2005.

	Three Months Ended			
	March 31	**June 30**	**September 30**	**December 31**
2006:				
Interest income	$ 12,147	$ 12,625	$ 13,494	$ 13,936
Interest expense	5,239	5,860	6,550	6,998
Net interest income	6,908	6,765	6,944	6,938
Provision for loan losses	162	300	165	342
Non-interest income	1,258	1,441	1,294	1,399
Non-interest expense	5,776	5,836	5,579	6,845
Income before income taxes	2,228	2,070	2,494	1,150
Income tax expense	873	780	981	384
Net income	$ 1,355	$ 1,290	$ 1,513	$ 766
Basic earnings per share	$ 0.08	$ 0.08	$ 0.09	$ 0.05
Diluted earnings per share	$ 0.08	$ 0.08	$ 0.09	$ 0.05
2005:				
Interest income	$ 9,716	$ 10,327	$ 11,456	$ 11,734
Interest expense	3,369	3,819	4,249	4,769
Net interest income	6,347	6,508	7,207	6,965
Provision for loan losses	275	275	275	92
Non-interest income	1,135	1,255	1,324	1,306
Non-interest expense	4,937	4,826	8,623	5,726
Income (loss) before income taxes	2,270	2,662	(367)	2,453
Income tax expense (benefit)	904	1,063	(195)	877
Net income (loss)	$ 1,366	$ 1,599	$ (172)	$ 1,576
Basic earnings (loss) per share	$ 0.15	$ 0.17	$ (0.01)	$ 0.10
Diluted earnings (loss) per share	$ 0.15	$ 0.17	$ (0.01)	$ 0.10

During the quarter ended December 31, 2006, non-interest expense increased $1.3 million in comparison to the prior quarter mainly due to costs related to compliance with Sarbanes-Oxley Section 404 and a full quarter impact of awards granted in August in connection with the Company's 2006 Incentive Plan. The fourth quarter 2006 results were also impacted by a reduction in the Company's effective tax rate to 33% from 39% in the prior quarter. The lower tax rate was largely due to the reversal of tax reserves which management concluded were no longer needed based on an assessment of known requirements.

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ITEM 9A. **CONTROLS AND PROCEDURES**

(a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our 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 fiscal year (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective in timely alerting them to the material information relating to us (or our consolidated subsidiaries) required to be included in our periodic SEC filings.

(b) Management's annual report on internal control over financial reporting.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting.

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework*. Based on that assessment, management concluded that, as of December 31, 2006, the Company's internal control over financial reporting is effective based on the criteria established in *Internal Control—Integrated Framework.*

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report appearing in item (c) below.

(c) Attestation report

Report of Independent Registered Public Accounting Firm

Board of Directors
United Financial Bancorp, Inc.

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that United Financial Bancorp, Inc. and subsidiary (the "Company") maintained effective internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control- Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in COSO. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of United Financial Bancorp, Inc. and subsidiary as of December 31, 2006 and 2005, and the related consolidated statements of earnings, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2006, and our report dated March 13, 2007, except for Notes I and Q, as to which the date is June 14, 2007, expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton LLP

Boston, Massachusetts
March 13, 2007

(d) Changes to internal controls

There were no significant changes made in our internal controls during the period covered by this report or, to our knowledge, in other factors that could significantly affect these controls subsequent to the date of their evaluation.

ITEM 15. <u>EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</u>

(a)(1) <u>Financial Statements</u>

The following documents are filed as item 8 of this amended Annual Report on Form 10-K/A.

(A) Report of Independent Registered Public Accounting Firm

(B) Consolidated Balance Sheets - at December 31, 2006 and 2005

(C) Consolidated Statements of Earnings - Years ended December 31, 2006, 2005 and 2004

(D) Consolidated Statements of Stockholders' Equity and Comprehensive Income - at December 31, 2006, 2005 and 2004

(E) Consolidated Statements of Cash Flows - Years ended December 31, 2006, 2005 and 2004

(F) Notes to Consolidated Financial Statements.

(a)(2) <u>Financial Statement Schedules</u>

None.

(b) Not applicable

(c) Not applicable

(a)(3) <u>Exhibits</u>

3.1	Charter of United Financial Bancorp, Inc. (1)
3.2	Resolution and Consent of Sole Stockholder Amending the Charter of United Financial Bancorp, Inc. (1)
3.3	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 (1)
10.2	Executive Supplemental Compensation Agreement by and between United Bank and Richard B. Collins (1)
10.3	Executive Supplemental Compensation Agreement by and between United Bank and Keith E. Harvey (1)
10.4	Executive Supplemental Compensation Agreement by and between United Bank and John J. Patterson (1)
10.5	United Bank 2004 and 2005 Incentive Plans (1)
10.6	Deferred Income Agreement by and between United Bank and Donald G. Helliwell (1)
10.7	Deferred Income Agreement by and between United Bank and Robert W. Bozenhard, Jr. (1)
10.8	Deferred Income Agreement by and between United Bank and George W. Jones (1)
10.9	Directors Fee Continuation Plan (1)
10.10	Form of Employment Agreement by and between United Bank and Richard B. Collins (1)
10.11	Form of Change in Control Agreement by and between United Bank and certain executive officers (1)
10.12	United Bank 2006 Stock-Based Incentive Plan (3)

21 Subsidiaries of Registrant (1)

23 Consent of Independent Registered Public Accounting Firm.

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 Statement of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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(1) 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.

(2) Incorporated by reference to the Form 10-Q of United Financial Bancorp, Inc. filed with the Securities and Exchange Commission on August 9, 2006.

(3) Incorporated by reference to Appendix B of the Registrant's definitive Proxy Statement for the Company's 2006 Annual Meeting filed with the Securities and Exchange Commission on June 12, 2006.

SIGNATURES

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

UNITED FINANCIAL BANCORP, INC.

Date:	June 14, 2007	By:	/s/ Richard B. Collins Richard B. Collins Chief Executive Officer, President and Director (Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Richard B. Collins Richard B. Collins	Chief Executive Officer, President and Director, Chairman of the Board (Principal Executive Officer)	June 14, 2007
/s/ Mark A. Roberts Mark A. Roberts	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	June 14, 2007
/s/ Michael F. Crowley Michael F. Crowley	Director	June 14, 2007
/s/ Carol Moore Cutting Carol Moore Cutting	Director	June 14, 2007
/s/ Carol A. Leary Carol A. Leary	Director	June 14, 2007
G. Todd Marchant	Director	
	Director	

Kevin E. Ross		
/s/ Robert A. Stewart, Jr.	Director	June 14, 2007
Robert A. Stewart, Jr.		
/s/ Thomas H. Themistos	Director	June 14, 2007
Thomas H. Themistos		
	Director	
Michael F. Werenski		