United Community Bancorp
Form S-1/A
June 03, 2011
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As filed with the Securities and Exchange Commission on June 3, 2011

Registration No. 333-172827

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

PRE-EFFECTIVE AMENDMENT NO. 2 TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

United Community Bancorp

United Community Bank 401(k) Profit Sharing Plan

(Exact name of registrant as specified in its charter)

6035 **80-0694246**

Indiana		
State or other jurisdiction of incorporation or organization	(Primary Standard Industrial Classification Code Number)	(IRS Employer Identification Number)

92 Walnut Street

Lawrenceburg, Indiana 47025

(812) 537-4822

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

William F. Ritzmann

President and Chief Executive Officer

United Community Bancorp

92 Walnut Street 47025

Lawrenceburg, Indiana

(812) 537-4822

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

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

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

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

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

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

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Calculation of Registration Fee

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum Aggregate offering price (1)	Amount of registration fee
Common Stock, $0.01 par value	8,430,938 shares	$8.00	$67,447,504	(2)
Participation Interests	(3)		(3)	(4)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Regulation 457(o) under the Securities Act.
(2) A filing fee of $7,831.00 was paid with the initial filing of the Registration Statement on Form S-1 on March 15, 2011.
(3) In addition, pursuant to Rule 416(c) under the Securities Act, this registration statement also covers an indeterminate amount of interests to be offered or sold pursuant to the employee benefit plan described herein.
(4) The securities of United Community Bancorp to be purchased by the United Community Bank 401(k) Profit Sharing Plan are included in the common stock. Accordingly, no separate fee is required for the participation interests pursuant to Rule 457(h)(2) of the Securities Act.

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

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Prospectus Supplement

INTERESTS IN

UNITED COMMUNITY BANK

401(K) PROFIT SHARING PLAN

AND

OFFERING OF 406,875 SHARES OF

UNITED COMMUNITY BANCORP

COMMON STOCK ($.01 PAR VALUE)

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

In connection with the stock offering, 401(k) Plan participants may direct MG Trust Company (the United Community Bancorp Stock Fund trustee) to use their account balances (excluding funds already invested in United Community Bancorp common stock) to subscribe for and purchase shares of United Community Bancorp common stock in the stock offering. Based upon the value of the 401(k) Plan assets as of March 3, 2011, 401(k) Plan participants may purchase up to 406,875 shares of United Community Bancorp common stock, assuming a purchase price of $8.00 per share. This prospectus supplement relates to the election of 401(k) Plan participants to invest all or a portion of their 401(k) Plan accounts in United Community Bancorp, Inc. common stock.

The prospectus dated __________, 2011 of United Community Bancorp, which accompanies this prospectus supplement, includes detailed information regarding the offering of United Community Bancorp common stock and the financial condition, results of operations and business of United Community Bank. This prospectus supplement provides information regarding the 401(k) Plan. You should read this prospectus supplement, together with the prospectus, and keep both for future reference.

Please refer to Risk Factors beginning on page 17 of the prospectus.

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

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

This prospectus supplement may be used only in connection with offers and sales by United Community Bancorp of interests or shares of common stock under the 401(k) Plan to employees of United Community Bank. No one may use this prospectus supplement to reoffer or resell interests or shares of common stock acquired through the 401(k) Plan.

You should rely only on the information contained in this prospectus supplement and the attached prospectus. United Community Bancorp, United Community Bank and the 401(k) Plan have not authorized anyone to provide you with information that is different.

This prospectus supplement does not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make an offer or solicitation in that jurisdiction. Neither the delivery of this prospectus supplement and the prospectus nor any sale of common stock shall under any circumstances imply that there has been no change in the affairs of United Community Bank or the 401(k) Plan since the date of this prospectus supplement, or that the information contained in this prospectus supplement or incorporated by reference is correct as of any time after the date of this prospectus supplement.

The date of this Prospectus Supplement is __________, 2011.

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THE OFFERING

Securities Offered

The securities offered in connection with this prospectus supplement are participation interests in the 401(k) Plan. Assuming a purchase price of $8.00 per share, participants may acquire up to 406,875 shares of United Community Bancorp common stock for the new United Community Bancorp Stock Fund. The participation interests offered under this prospectus supplement are conditioned on the completion of the stock offering. Your investment in United Community Bancorp s Stock Fund in connection with the stock offering is also governed by the purchase priorities contained in the United Community Bank plan of conversion and reorganization. *See* sections of the prospectus attached to this prospectus supplement for a discussion of the purchase priorities in the stock offering.

This prospectus supplement contains information regarding the 401(k) Plan. The attached prospectus contains information regarding the United Community Bank second step conversion, the United Community Bancorp stock offering and the financial condition, results of operations and business of United Community Bank. The address of the principal executive office of United Community Bank is 92 Walnut Street, Lawrenceburg, Indiana 47025. The telephone number of United Community Bank is (812) 537-4822.

Election to Purchase New Shares of United Community Bancorp Common Stock in the Stock Offering

In connection with the stock offering, you may direct the 401(k) Plan trustee to liquidate up to 100% of your account balance (excluding your current investment in the United Community Bancorp Stock Fund) and use the funds to purchase shares of United Community Bancorp common stock in the stock offering.

All plan participants are eligible to direct MG Trust Company to use their 401(k) Plan assets to invest in the stock offering. However, participant investment directions are subject to subscription rights, purchase priorities and purchase limitations. If you are eligible to order shares in the stock offering, your order will be filled in the following order of priority:

1. Persons with (i) $50 or more on deposit at United Community Bank as of the close of business on December 31, 2009, or (ii) $50 or more on deposit at Integra Bank, National Association, as of the close of business on June 4, 2010 and which deposits United Community Bank assumed on that date;

2. Persons with $50 or more on deposit at United Community Bank as of the close of business on March 31, 2011 who are not in category 1 above; and

4. Except for persons eligible to subscribe for shares under categories 1 and 2, depositors as of the close of business on __________, 2011, who were not eligible to subscribe for shares of United Community Bancorp common stock under categories 1 and 2.

To the extent shares remain available after filling orders in the subscription offering, shares will be available in a community offering to natural persons and trusts of natural persons residing in Dearborn and Ripley Counties in Indiana to our existing public shareholders and to the general public.

The limitations on the total amount of United Community Bancorp common stock that you may purchase in the stock offering, as described in the prospectus (see *The Conversion and Offering Limitations on Purchases of Shares*) will be calculated based on the aggregate amount that you subscribed for: (1) through your 401(k) Plan accounts; and (2) through your sources of funds outside of the 401(k) Plan by placing an order in the stock offering using a Stock Order Form. Whether you place an order through the 401(k) Plan, outside the plan or both, the number of shares of United Community Bancorp common stock, if any, that you receive will be determined based on the total number of subscriptions, your purchase priority and the allocation priorities set forth in the prospectus. If, as a result of the calculation, you are allocated insufficient shares to fill all of your orders, available shares will be allocated as described in *The Conversion and Offering Subscription Offering and Subscription Rights* in the prospectus. Available shares will be allocated between your 401(k) Plan order and your order outside of the 401(k) Plan. If you so elect, the shares of United Community Bancorp common stock you were unable to subscribe for through the 401(k) Plan will be purchased by the 401(k) Plan trustee on the open market immediately following the completion of the stock offering. If you elect to direct MG Trust Company to purchase shares in the open market, you will not be able to direct the 401(k) Plan trustee as to the timing or price to be paid for the Company common stock.

Value of Participation Interests

As of March 3, 2011, the market value of the assets of the 401(k) Plan (excluding assets invested in United Community Bancorp common stock) equaled approximately $3,255,000. United Community Bank has informed each participant of the value of his or her beneficial interest in the 401(k) Plan as of December 31, 2010. The value of 401(k) Plan assets represents past contributions to the 401(k) Plan on your behalf, plus or minus earnings or losses on the contributions, less previous withdrawals and loans.

Method of Directing Your Investment Election

Included with this prospectus supplement is a **blue** investment form for you to use to direct MG Trust Company to purchase shares of United Community Bancorp common stock through the United Community Bancorp Stock Fund in the stock offering (the Investment Form). If you wish to invest all, or part, in multiples of not less than 1%, of your beneficial interest in the assets of the 401(k) Plan to the United Community Bancorp Stock Fund, you should complete the Investment Form. If you do not wish to make such an election at this time, you do not need to take any action. **The minimum investment during the stock offering is $200, which equals 25 shares.**

Time for Directing Your Investment Election

If you wish to participate in the stock offering using funds from your 401(k) Plan account, you must submit your Investment Form to Barbara McCormack in the Human Resources Department by __:__ p.m. on __________ , 2011,

Irrevocability of Your Investment Election

Once you have submitted your Investment Form, you cannot change your election to subscribe for shares in the stock offering with your 401(k) Plan funds.

Purchase Price of New Shares of United Community Bancorp Common Stock

MG Trust Company will use the funds transferred to the United Community Bancorp Stock Fund Trust to purchase shares of United Community Bancorp common stock in the stock offering. The United Community Bancorp Stock Fund will be comprised of stock units and a cash buffer. The trustee will pay the same price for shares of United Community Bancorp common stock in the stock offering, $8.00 per share, as all other persons who purchase shares of United Community Bancorp common stock in the stock offering.

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Nature of a Participant s Interest in United Community Bancorp Common Stock

MG Trust Company will hold United Community Bancorp common stock in the name of the 401(k) Plan. Units of the United Community Bancorp Stock Fund acquired at your investment direction will be credited to your account under the 401(k) Plan.

Voting and Tender Rights of United Community Bancorp Common Stock

The 401(k) Plan trustee (based on instructions received) generally will exercise voting and tender rights attributable to all United Community Bancorp common stock held by the United Community Bancorp Stock Fund as directed by participants with interests in the United Community Bancorp Stock Fund. With respect to each matter as to which holders of United Community Bancorp common stock have a right to vote, you will be given voting instruction rights reflecting your proportionate interest in the United Community Bancorp Stock Fund. The number of shares of United Community Bancorp common stock held in the United Community Bancorp Stock Fund that are voted for and against each matter will be proportionate to the number of voting instruction rights exercised by participants. If there is a tender offer for United Community Bancorp common stock, the 401(k) Plan provides that each participant will be allotted a number of tender instruction rights reflecting the participant s proportionate interest in the United Community Bancorp Stock Fund. The percentage of shares of United Community Bancorp common stock held in the United Community Bancorp Stock Fund that will be tendered will be the same as the percentage of the total number of tender instruction rights that are exercised in favor of the tender offer. The remaining shares of United Community Bancorp common stock held in the United Community Bancorp Stock Fund will not be tendered. The 401(k) Plan makes provisions for participants to exercise their voting instruction rights and tender instruction rights on a confidential basis.

Future Direction to Purchase Common Stock

You will be able to invest in the United Community Bancorp Stock Fund after the stock offering by accessing your account via the internet and directing the trustee to invest your future contributions or your account balance in the 401(k) Plan into the United Community Bancorp Stock Fund. After the stock offering, to the extent that shares of common stock are available, MG Trust Company will acquire United Community Bancorp common stock at your election in open market transactions at the prevailing market price. Special restrictions may apply to transfers directed to and from the United Community Bancorp Stock Fund by the participants who are subject to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, relating to the purchase and sale of securities by officers, directors and principal shareholders of United Community Bancorp. In addition, if you are an officer of United Community Bancorp that is restricted by the Office of Thrift Supervision from selling shares acquired in the stock offering for one year, the shares you purchased in the stock offering will not be tradable for one year. However, any stock units that you held in the United Community Bancorp Stock Fund before the stock offering are not subject to this one-year trading restriction and therefore may be sold.

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DESCRIPTION OF THE 401(k) PLAN

Introduction

Effective __________, 20__, United Community Bank amended and restated the United Community Bank 401(k) Profit Sharing Plan, originally effective as of April 1, 1997, in its entirety. United Community Bank intends for the 401(k) Plan to comply, in form and in operation, with all applicable provisions of the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended, or ERISA. United Community Bank may change the 401(k) Plan from time to time in the future to ensure continued compliance with these laws. United Community Bank may also amend the 401(k) Plan from time to time in the future to add, modify, or eliminate certain features of the 401(k) Plan, as it sees fit. As a 401(k) Plan governed by ERISA, federal law provides you with various rights and protections as a 401(k) Plan participant. Although the 401(k) Plan is governed by many of the provisions of ERISA, the Pension Benefit Guaranty Corporation does not guarantee your retirement benefits under the 401(k) Plan.

Reference to Full Text of the 401(k) Plan. The following portions of this prospectus supplement provide an overview of the material provisions of the 401(k) Plan. United Community Bank qualifies this overview in its entirety, however, by reference to the full text of the 401(k) Plan. You may obtain copies of the full 401(k) Plan document by contacting Barbara McCormack at United Community Bank. You should carefully read the full text of the 401(k) Plan document to understand your rights and obligations under the 401(k) Plan.

Eligibility and Participation

Eligible employees of United Community Bank may participate in the 401(k) Plan as of the first day of the month coinciding with or next following their satisfaction of the eligibility requirements. Generally, employees who are at least 18 years of age may participate in the 401(k) Plan upon the completion of one month of service with United Community Bank.

As of March 3, 2011, 93 of the 112 employees of United Community Bank eligible to participate in the 401(k) Plan elected to participate in the 401(k) Plan.

Contributions Under the 401(k) Plan

401(k) Plan Participant Contributions. Subject to certain Internal Revenue Code limitations, the 401(k) Plan permits each participant to contribute up to 100% of their annual compensation to the 401(k) Plan (See Limitations on Contributions below.). Participants may change their rate of contribution with respect to pre-tax deferrals upon providing thirty (30) days notice to United Community Bank.

United Community Bank Contributions. The 401(k) Plan provides that United Community Bank may make matching contributions. United Community Bank currently matches 50% of each participant s salary deferrals, up to a maximum of 10% of annual compensation. United Community Bank may also make discretionary contributions on behalf of 401(k) Plan participants. Employer contributions (matching and discretionary) are allocated to each participant who has completed 500 hours of service during the Plan Year (*i.e.,* the calendar year) or who terminated employment during the Plan Year due to disability, retirement or death. Employer contributions vest 100% upon three (3) Years of Service with the Employer.

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Limitations on Contributions

Limitations on Employee Salary Deferrals. Although the 401(k) Plan permits you to defer up to 100% of your compensation, by law your total deferrals under the 401(k) Plan, together with similar plans, may not exceed $16,500 for 2011. Employees who are age 50 and over may make additional catch-up contributions to the 401(k) Plan, in amounts up to $5,500 for 2011. (The Internal Revenue Service will periodically increase these annual limitations.) Contributions in excess of these limitations, or excess deferrals, will be included in an affected participant s gross income for federal income tax purposes in the year the contributions are made, provided they are distributed to the participant no later than the first April 15th following the close of the taxable year in which the excess deferrals were made. Excess deferrals distributed after that date will be treated, for federal income tax purposes, as earned and received by the participant in the taxable year of the distribution.

Limitations on Annual Additions and Benefits. Under the requirements of the Internal Revenue Code, the 401(k) Plan provides that the total amount of contributions and forfeitures (i.e., annual additions) credited to a participant during any year under all defined contribution plans of United Community Bank (including the 401(k) Plan and the proposed United Community Bank Employee Stock Ownership Plan) may not exceed the lesser of 100% of the participant s compensation or $49,000 for 2011.

Top-Heavy Plan Requirements. If the 401(k) Plan is a Top-Heavy Plan for any calendar year, the Bank may be required to make certain minimum contributions to the 401(k) Plan on behalf of non-key employees. In general, the 401(k) Plan will be treated as a Top-Heavy Plan for any calendar year if, as of the last day of the preceding calendar year, the aggregate balance of the accounts of Key Employees exceeds 60% of the aggregate balance of the accounts of all employees under the plan. A Key Employee is generally any employee who, at any time during the calendar year or any of the four preceding years, is:

(1) an officer of the Bank whose annual compensation exceeds $160,000;

(2) a 5% owner of the employer, meaning an employee who owns more than 5% of the outstanding stock of United Community Bancorp, or who owns stock that possesses more than 5% of the total combined voting power of all stock of United Community Bancorp; or

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

The foregoing dollar amounts are for 2011.

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401(k) Plan Investments

Funds	2010	2009	2008
American Funds EuroPacific Growth Fund	9.07%	38.71%	(40.71)%
American Funds Growth Fund of America	11.95	34.12	(39.24)
American Funds Investment Company of America	10.45	26.77	(34.94)
American Funds New Perspective Fund	12.35	37.08	(38.06)
American Funds SmallCap World Fund	24.52	53.10	(49.58)
Delaware Foundation Conservative Allocation Fund	9.42	25.15	(14.64)
Delaware High-Yield Opportunities Fund	16.06	49.30	(25.90)
Delaware Foundation Moderate Allocation Fund	10.08	27.14	(22.42)
Delaware Foundation Growth Allocation Fund	11.65	30.56	(31.47)
Delaware U.S. Growth Fund	13.71	43.63	(43.80)
Delaware Select Growth Fund	25.94	56.54	(44.46)
Federated Kaufmann Fund	18.75	29.68	(42.22)
Franklin Total Return Fund	8.99	15.12	(5.71)
Morley Capital Stable Value Fund	2.14	2.16	3.94
MFS Utilities Fund	13.24	32.60	(37.68)
Pioneer Growth Opportunities Fund	19.30	42.95	(35.39)
Victory Diversified Stock Fund	12.58	26.32	(36.86)
Victory Fund for Income	6.52	6.05	5.35
Victory Special Value Fund	19.96	32.02	(43.97)

American Funds EuroPacific Growth Fund. This investment fund seeks long-term growth of capital. The fund normally invests at least 80% of assets in equity securities of issuers domiciled in Europe and the Pacific Basin. It may also hold cash or money market instruments.

American Funds Growth Fund of America. This investment fund seeks capital growth. The fund invests primarily in common stocks. Management selects securities that it believes are reasonably priced and represent solid long-term investment opportunities. The fund may invest a portion of its assets in securities of issuers domiciled outside the United States of America.

American Funds Investment Company of America. The fund seeks both capital appreciation and income. The fund invests primarily in common stocks that offer growth and dividend potential.

American Funds New Perspective Fund. The American Funds New Perspective fund seeks long-term growth of capital; income is a secondary consideration. The fund primarily invests in common stocks of foreign and U.S. companies.

American Funds SmallCap World Fund. This fund seeks long-term growth of capital. Normally, the fund invests at least 80% of its assets in equity securities of companies located around the world with small market capitalizations. It may also invest in convertible securities, government obligations, preferred stocks, repurchase agreements, and corporate debt securities.

Delaware Foundation Conservative Allocation Fund. This fund seeks current income and capital appreciation. The fund primarily invests in various Delaware Investments mutual funds based on four asset classes. It normally invests in fixed-income funds, U.S. equity funds, international equity funds and money market funds. This fund is non-diversified.

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Delaware High-Yield Opportunities Fund. This fund seeks total return and, as a secondary objective, high current income. The fund invests primarily in corporate bonds rated BBB- or lower by S&P, Baa3 or lower by Moody s, or similarly rated by another nationally recognized statistical ratings organization. The fund will also invest in unrated bonds judged to be of comparable quality. The fund may invest in U.S. and foreign government securities and corporate bonds of foreign issuers.

Delaware Foundation Moderate Allocation Fund. The fund seeks capital appreciation; current income is secondary. The fund primarily invests in various Delaware Investments mutual funds based on four asset classes. It normally invests assets in U.S. equity funds, fixed income funds, international equity funds and money market funds. This fund is non-diversified.

Delaware Foundation Growth Allocation Fund. The fund seeks long-term capital growth. The fund typically invests about 80% of net assets in equities and 20% of net assets in fixed income securities. The fund may invest 15%-70% of its assets in foreign securities and up to 20% in emerging markets.

Delaware U.S. Growth Fund. The fund seeks long-term capital appreciation. The fund invests primarily in common stocks of companies that are expected to grow faster than the United States economy.

Delaware Select Growth Fund. The fund seeks long-term capital appreciation. The fund invests primarily in common stocks of companies of any size believed to have long-term capital appreciation.

Federated Kaufman Fund. The fund seeks long-term capital appreciation. It invests primarily in common stocks of small and medium-sized companies. The fund may invest a portion of its assets in foreign securities.

Franklin Total Return Fund. The fund seeks to provide high current income, consistent with preservation of capital. Its secondary goal is capital appreciation over the long term. The fund normally invests primarily in investment grade debt securities and financial futures contracts, or options on such contracts, or U.S. Treasury securities.

Morley Capital Stable Value Fund. This fund seeks a high level of income with relative safety of principal by investing in high qualify guaranteed investment contracts issued by major insurance companies.

MFS Utilities Fund. The MFS Utilities fund seeks capital growth and current income. The fund normally invests at least 80% of its assets in equity and debt securities of domestic and foreign companies in the utilities industry. It may invest in common stocks and related securities, such as preferred stock, convertible securities and depositary receipts. The fund may also invest in junk bonds, mortgage-backed and asset-backed securities, collateralized mortgage obligations, securities issued by foreign markets and emerging markets and may also engage in active and frequent trading. It is a non-diversified fund.

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Pioneer Growth Opportunities Fund. This fund seeks capital growth by investing primarily in equity securities of companies believed to be reasonably priced or undervalued with above average growth potential.

Victory Diversified Stock Fund. This fund seeks to provide long-term capital growth. The fund principally invests in equity securities and securities convertible into common stocks traded on U.S. Exchanges and issued by large, established companies.

Victory Fund for Income. The fund seeks a high level of current income consistent with the preservation of capital. The fund primarily invests in securities issued by the U.S. government and its agencies. It may invest the remaining assets in securities issued by the U.S. government or its agencies or instrumentalities, with nominal maturities ranging from two to 30 years.

Victory Special Value Fund. This fund seeks to provide long-term capital growth and dividend income. The fund normally invests in the equity securities of companies with market capitalizations within the range of companies comprising the Russell Mid-Cap Index. The fund advisor seeks equity securities that have low valuations relative to the market.

United Community Bancorp Stock Fund. This fund invests primarily in the common stock of United Community Bancorp. Each participant s proportionate undivided beneficial interest in the United Community Bancorp Stock Fund is measured by units. The daily unit value is calculated by determining the market value of the common stock held and adding to that any cash held by the fund.

Upon payment of a cash dividend, the unit value is determined prior to distributing the dividend. The dividend is used, to the extent practicable, to purchase shares of United Community Bancorp common stock. Pending investment in the common stock, assets held in the United Community Bancorp Stock Fund are placed in bank deposits and other short-term investments.

Benefits Under the 401(k) Plan

Vesting. 401(k) Plan participants are 100% vested in their elective salary deferrals. Employer contributions to the 401(k) Plan vest 100% upon the completion of three years of service; participants are 0% vested prior to their completion of three years of service.

Withdrawals and Distributions From the 401(k) Plan

Withdrawals Before Termination of Employment. You may receive in-service distributions from the 401(k) Plan under limited circumstances in the form of hardship distributions and loans. In order to qualify for a hardship withdrawal, you must have an immediate and substantial need to meet certain expenses and have no other reasonably available resources to meet the financial need. If you qualify for a hardship distribution, the 401(k) Plan trustee will make the distribution proportionately from the investment funds in which you have invested your account balances. Participants and beneficiaries are also eligible for 401(k) Plan loans, subject to the procedures and requirements established by the Plan Administrator. You may obtain additional information from Barbara McCormack in the Human Resources Department at United Community Bank.

Distribution Upon Retirement or Disability. Upon retirement or disability, you may receive a full lump sum payment or installment payments from the 401(k) Plan equal to the value of your account.

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Distribution Upon Death. If you die before your benefits are paid from the 401(k) Plan, your benefits will be paid to your surviving spouse or beneficiary under one or more of the forms available under the 401(k) Plan.

Distribution Upon Termination for Any Other Reason. If you terminate employment for any reason other than retirement, disability or death and your account balance exceeds $1,000, the 401(k) Plan trustee will make your distribution on your normal retirement date, unless you request otherwise. If your account balance does not exceed $1,000, the trustee will generally distribute your benefits to you as soon as administratively practicable following termination of employment.

Distributions: Rollovers and Direct Transfers to Another Qualified Plan or to an IRA. You may roll over virtually all distributions from the 401(k) Plan to another qualified retirement plan or to an individual retirement account.

Nonalienation of Benefits. Except with respect to federal income tax withholding and as provided for under a qualified domestic relations order, benefits payable under the 401(k) Plan will not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any rights to benefits payable under the 401(k) Plan will be void.

Applicable federal tax law requires the 401(k) Plan to impose substantial restrictions on your right to withdraw amounts held under the 401(k) Plan before your termination of employment with United Community Bank. Federal law may also impose an excise tax on withdrawals from the 401(k) Plan before you attain 59 1/2 years of age, regardless of whether the withdrawal occurs during your employment with United Community Bank or after your termination of employment.

ADMINISTRATION OF THE 401(k) PLAN

401(k) Plan Trustees

The trustee of the 401(k) Plan is the named fiduciary of the 401(k) Plan for purposes of ERISA. The board of directors of United Community Bank has appointed Frontier Trust Company as the directed trustee for all of the assets in the 401(k) Plan, except the United Community Bancorp Stock Fund, MG Trust Company serves as the stock fund trustee. The trustees receive, hold and invest the assets of the 401(k) Plan and provide for their distribution to participants and beneficiaries in accordance with the terms of the 401(k) Plan.

401(k) Plan Administrator

The Plan Administrator is United Community Bank. The Plan Administrator is responsible for the administration of the 401(k) Plan, selection of investment funds under the 401(k) Plan, interpretation of the provisions of the 401(k) Plan, prescribing procedures for filing applications for benefits, preparation and distribution of information explaining the 401(k) Plan, maintenance of records, books of account and all other data necessary for the proper administration of the 401(k) Plan, preparation and filing of all returns and reports required to be filed with the U.S. Department of Labor and the Internal Revenue Service, and for all disclosures to participants, beneficiaries and others required under ERISA.

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Reports to 401(k) Plan Participants

United Community Bank, as Plan Administrator, will furnish you a statement at least quarterly showing the balance in your account as of the end of that period, the amount of contributions allocated to your account for that period, and any adjustments to your account to reflect earnings or losses.

Amendment and Termination

United Community Bank expects to continue the 401(k) Plan indefinitely. Nevertheless, United Community Bank may terminate the 401(k) Plan at any time. If United Community Bank terminates the 401(k) Plan in whole or in part, regardless of any contrary provisions of the 401(k) Plan, all affected participants will become fully vested in their accounts. United Community Bank reserves the right to make, from time to time, changes which do not cause any part of the trust to be used for, or diverted to, any purpose other than the exclusive benefit of participants or their beneficiaries; provided, however, that United Community Bank may also amend the 401(k) Plan as it determines necessary or desirable, with or without retroactive effect, to comply with ERISA or the Internal Revenue Code.

Merger, Consolidation or Transfer

If the 401(k) Plan merges or consolidates with another plan or transfers the 401(k) Plan assets to another plan, and if either the 401(k) Plan or the other plan is then terminated, you would receive a benefit immediately after the merger, consolidation or transfer that would be equal to or greater than the benefit you would have been entitled to receive immediately before the merger, consolidation or transfer.

Federal Income Tax Consequences

The following summarizes only briefly the material federal income tax aspects of the 401(k) Plan. You should not rely on this summary as a complete or definitive description of the material federal income tax consequences relating to the 401(k) Plan. Statutory provisions change, as do their interpretations, and their application may vary in individual circumstances. Finally, the consequences under applicable state and local income tax laws may not be the same as under the federal income tax laws. **You should consult with your tax advisor with respect to any transaction involving the 401(k) Plan and any distribution from the 401(k) Plan.**

As a qualified retirement plan, the Internal Revenue Code affords the 401(k) Plan tax advantages, including the following:

(1) The sponsoring employer is allowed an immediate tax deduction for the amount contributed to the 401(k) Plan each year;

(2) Participants pay no current income tax on amounts contributed by the employer on their behalf; and

(3) Earnings of the 401(k) Plan are tax-deferred, thereby permitting the tax-free accumulation of income and gains on investments.

United Community Bank administers the 401(k) Plan to comply with the operational requirements of the Internal Revenue Code as of the applicable effective date of any change in the law. If United Community Bank should receive an adverse determination letter regarding the 401(k) Plan s tax exempt status from the Internal Revenue Service, all participants would generally recognize income equal to their

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vested interest in the 401(k) Plan, the participants would not be permitted to transfer amounts distributed from the 401(k) Plan to an Individual Retirement Account or to another tax-qualified retirement plan, and United Community Bank would be denied certain tax deductions with respect to the 401(k) Plan.

Lump Sum Distribution. A distribution from the 401(k) Plan to a participant or the beneficiary of a participant will qualify as a lump sum distribution if it is made within one taxable year, on account of the participant s death, disability or separation from service, or after the participant attains age 59 1/2, and consists of the balance credited to the participant under the 401(k) Plan and all other profit sharing plans, if any, maintained by United Community Bank. The portion of any lump sum distribution included in taxable income for federal income tax purposes consists of the entire amount of the lump sum distribution, less the amount of after-tax contributions, if any, you have made to any other profit sharing plans maintained by United Community Bank, if the distribution includes those amounts.

United Community Bancorp Common Stock Included in Lump Sum Distribution. If a lump sum distribution includes United Community Bancorp common stock, the distribution generally is taxed in the manner described above. The total taxable amount is reduced, however, by the amount of any net unrealized appreciation with respect to United Community Bancorp common stock; that is, the excess of the value of United Community Bancorp common stock at the time of the distribution over the cost or other basis of the securities to the 401(k) Plan. The tax basis of United Community Bancorp common stock, for purposes of computing gain or loss on its subsequent sale, equals the value of United Community Bancorp common stock at the time of distribution, less the amount of net unrealized appreciation. Any gain on a subsequent sale or other taxable disposition of United Community Bancorp common stock, to the extent of the amount of net unrealized appreciation at the time of distribution, is long-term capital gain, regardless of how long you hold the United Community Bancorp common stock, or the holding period. Any gain on a subsequent sale or other taxable disposition of United Community Bancorp common stock that exceeds the amount of net unrealized appreciation at the time of distribution is considered long-term capital gain, regardless of the holding period. The recipient of a distribution may elect to include the amount of any net unrealized appreciation in the total taxable amount of the distribution, to the extent allowed under Internal Revenue Service regulations.

We have provided you with a brief description of the material federal income tax aspects of the 401(k) Plan that are generally applicable under the Internal Revenue Code. We do not intend this to be a complete or definitive description of the federal income tax consequences of participating in or receiving distributions from the 401(k) Plan. Accordingly, you should consult a tax advisor concerning the federal, state and local tax consequences of participating in and receiving distributions from the 401(k) Plan.

Restrictions on Resale

Any affiliate of United Community Bancorp under Rules 144 and 405 of the Securities Act of 1933, as amended, who receives a distribution of common stock under the 401(k) Plan, may re-offer or resell such shares only under a registration statement filed under the Securities Act of 1933, as amended, assuming the availability of a registration statement, or under Rule 144 or some other exemption from the registration requirements. An affiliate of United Community Bank is someone who, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, United Community Bank. Generally, a director, principal officer or major shareholder of a corporation is deemed to be an affiliate of that corporation.

Any person who may be an affiliate of United Community Bank may wish to consult with counsel before transferring any common stock they own. In addition, participants should consult with counsel regarding the applicability to them of Section 16 of the Securities Exchange Act of 1934, as amended, which may restrict the sale of United Community Bancorp common stock acquired under the 401(k) Plan or other sales of United Community Bancorp common stock.

Persons who are ***not*** deemed to be affiliates of United Community Bank at the time of resale may resell freely any shares of United Community Bancorp common stock distributed to them under the 401(k) Plan, either publicly or privately, without regard to the registration and prospectus delivery requirements of the Securities Act of 1933, as amended, or compliance with the restrictions and conditions contained in the exemptions available under federal law. A person deemed an affiliate of United Community Bank at the time of a proposed resale may publicly resell common stock only under a re-offer prospectus or in accordance with the restrictions and conditions contained in Rule 144 of the Securities Act of 1933, as amended, or some other exemption from registration, and may not use this prospectus supplement in connection with any such resale. In general, Rule 144 restricts the amount of common stock which an affiliate may publicly resell in any three-month period to the greater of one percent of United Community Bancorp common stock then outstanding or the average weekly trading volume reported on the Nasdaq Stock Market during the four calendar weeks before the sale. Affiliates may sell only through brokers without solicitation and only at a time when United Community Bancorp is current in filing all required reports under the Securities Exchange Act of 1934, as amended.

SEC Reporting and Short-Swing Profit Liability

Section 16 of the Securities Exchange Act of 1934, as amended, imposes reporting and liability requirements on officers, directors and persons who beneficially own more than ten percent of public companies such as United Community Bancorp. Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the filing of reports of beneficial ownership. Within ten days of becoming a person required to file reports under Section 16(a), a Form 3 reporting initial beneficial ownership must be filed with the Securities and Exchange Commission. Reporting persons must also report certain changes in beneficial ownership involving allocation or reallocation of assets held in their 401(k) Plan accounts, either on a Form 4 within two business days after a transaction, or annually on a Form 5 within 45 days after the close of a company s fiscal year.

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

The SEC has adopted rules that exempt many transactions involving the 401(k) Plan from the short-swing profit recovery provisions of Section 16(b). The exemptions generally involve restrictions upon the timing of elections to buy or sell employer securities for the accounts of any officer, director or other person who beneficially owns more than ten percent of the common stock.

Except for distributions of the common stock due to death, disability, retirement, termination of employment or under a qualified domestic relations order, persons who are governed by Section 16(b) may be required, under limited circumstances involving the purchase of common stock within six months of a distribution, to hold shares of the common stock distributed from the 401(k) Plan for six months after the distribution date.

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Financial Information Regarding Plan Assets

Financial information representing the net assets available for 401(k) Plan benefits at December 31, 2010, is available upon written request to Barb McCormack in the Human Resources Department at United Community Bank.

LEGAL OPINION

The validity of the issuance of the common stock of United Community Bancorp will be passed upon by Kilpatrick Townsend & Stockton LLP, Washington, D.C. Kilpatrick Townsend & Stockton LLP acted as special counsel for United Community Bancorp in connection with the stock offering.

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******SPECIAL ONE-TIME FORM FOR USE IN STOCK OFFERING******

UNITED COMMUNITY BANK

401(k) PROFIT SHARING PLAN

INVESTMENT FORM

Name of 401(k) Plan Participant: ____________________________

(Please Print)

Social Security Number:______________

1. *Instructions*. In connection with the offering to the public of the common stock of United Community Bancorp (the Common Stock), the United Community Bank 401(k) Profit Sharing Plan (the 401(k) Plan) now permits participants to direct their current 401(k) Plan account balances into a new fund: the United Community Bancorp Stock Fund (the Stock Fund). The percentages of your accounts that you direct to be transferred into the Stock Fund will be used to purchase shares of Common Stock in the offering. Please note that approximately five percent (5%) of the total amount that you transfer into the Stock Fund will not be used to purchase shares of Common Stock in the offering, but will instead be held as cash, as discussed on Page 1 of the attached Prospectus Supplement. Approximately ninety-five percent (95%) of the total amount that you transfer will be used to purchase Common Stock in the offering, rounded down to the nearest $8.00 increment, with any remainder also held in cash within the Stock Fund.

To transfer all or part of your 401(k) Plan funds to the Stock Fund, ***you should complete and return this form to Ms. Barbara McCormack at United Community Bank. This form must be received no later than 4:00 p.m. on __________, 2011***. If you need any assistance in completing this form, please contact Ms. McCormack at (812)537-4822. If you do not complete and return this form by __:__ p.m. on __________, 2011, your 401(k) Plan funds will continue to be invested in accordance with your prior investment directions, or in accordance with the terms of the 401(k) Plan if you have not provided investment directions**.** ***You need not submit this form if you do not wish to purchase Common Stock in the offering with your 401(k) Plan funds. PLEASE KEEP A COPY OF THE COMPLETED FORM FOR YOUR RECORDS.***

2. *Purchaser Information*. Your ability to purchase Common Stock in the offering and to direct your 401(k) Plan funds into the Stock Fund may be based upon your subscription rights. Please indicate only the earliest date that applies to you:

______ Persons with (i) $50 or more on deposit at United Community Bank as of the close of business on December 31, 2009, or (ii) $50 or more on deposit at Integra Bank, National Association, as of the close of business on June 4, 2010 and which deposits United Community Bank assumed on that date;

______ Persons with $50 or more on deposit at United Community Bank as of the close of business on March 31, 2011 who are not in category 1 above; and

______ Except for persons eligible to subscribe for shares under categories 1 and 2, depositors as of the close of business on __________, 2011, who were not eligible to subscribe for shares of United Community Bancorp common stock under categories 1 and 2.

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3. *Investment Directions*. I hereby authorize the Plan Administrator to direct the trustee to transfer the following percentages (in whole percentages only) of each of my 401(k) Plan account balances into the Stock Fund:

Investment Funds	***Percentage***
American Funds EuroPacific Growth Fund	____%
American Funds Growth Fund of America	____%
American Funds Investment Company of America	____%
American Funds New Perspective Fund	____%
American Funds SmallCap World Fund	____%
Delaware Foundation Aggressive Allocation Fund	____%
Delaware Foundation Conservative Allocation Fund	____%
Delaware High-Yield Opportunities Fund	____%
Delaware Foundation Moderate Allocation Fund	____%
Delaware Foundation Growth Fund	____%
Delaware U.S. Growth Fund	____%
Delaware Select Growth Fund	____%
Federated Kaufmann Fund	____%
Franklin Total Return Fund	____%
Morley Capital Stable Value Fund	____%
MFS Utilities Fund	____%
Pioneer Growth Opportunities Fund	____%
Victory Diversified Stock Fund	____%
Victory Fund for Income	____%
Victory Special Value Fund	____%

I understand that, if there is not enough Common Stock available in the stock offering to fill my subscription in whole or in part pursuant to the investment directions above, any funds not used to purchase Common Stock will remain in the Delaware Select Growth Fund until I provide directions to reinvest the funds in accordance with the terms of the 401(k) Plan.

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

Signature of Participant Date

***Acknowledgment of Receipt by Plan Administrator*.** This Investment Form was received by United Community Bank on the date noted below.

By:

Date

THE PARTICIPATION INTERESTS REPRESENTED BY THE COMMON STOCK OFFERED HEREBY ARE NOT DEPOSIT ACCOUNTS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY, AND ARE NOT GUARANTEED BY UNITED COMMUNITY BANCORP OR UNITED COMMUNITY BANK. THE COMMON STOCK IS SUBJECT TO AN INVESTMENT RISK, INCLUDING THE POSSIBLE LOSS OF THE PRINCIPAL INVESTED.

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SUBSCRIPTION AND COMMUNITY

OFFERING PROSPECTUS

(Proposed holding company for United Community Bank)

Up to 4,350,364 Shares of Common Stock

(Subject to increase to 5,002,918 shares)

United Community Bancorp, a newly formed Indiana corporation, is offering up to 4,350,364 shares of common stock for sale at $8.00 per share on a best efforts basis in connection with the conversion of United Community MHC from the mutual holding company to the stock holding company form of organization. The shares we are offering represent the ownership interest in United Community Bancorp, a federal corporation, currently owned by United Community MHC. In this prospectus, we refer to United Community Bancorp, the Indiana corporation, as new United Community Bancorp, and to United Community Bancorp, the federal corporation, as United Community Bancorp. United Community Bancorp s common stock is currently traded on the NASDAQ Global Market under the trading symbol UCBA. For a period of 20 trading days after the completion of the conversion and offering, the shares of new United Community Bancorp common stock will trade on the NASDAQ Global Market under the symbol UCBAD. Thereafter, our trading symbol will revert to UCBA.

The shares of common stock are first being offered in a subscription offering to eligible depositors and the tax-qualified employee stock ownership plan of United Community Bank as described in this prospectus. Eligible depositors and the employee stock ownership plan have priority rights to buy all of the shares offered. Shares not purchased in the subscription offering will simultaneously be offered for sale to the general public in a community offering, with a preference given to residents of the communities served by United Community Bank and existing stockholders of United Community Bancorp. We also may offer for sale shares of common stock not purchased in the subscription or community offerings in a syndicated community offering through a syndicate of selected dealers.

We may sell up to 5,002,918 shares of common stock because of demand for the shares of common stock or changes in market conditions, without resoliciting purchasers. We must sell a minimum of 3,215,486 shares in the offering in order to complete the offering and the conversion.

In addition to the shares we are selling in the offering, the remaining interest in United Community Bancorp currently held by the public will be exchanged for shares of common stock of new United Community Bancorp based on an exchange ratio that will result in existing public stockholders of United Community Bancorp owning approximately the same percentage of new United Community Bancorp common stock as they owned in United Community Bancorp immediately before the completion of the conversion. We will issue between 0.6906 and 0.9343 shares of common stock in the exchange, which may be increased to 1.0745 shares if we sell 5,002,918 shares of common stock in the offering.

The minimum order is 25 shares. The offering is expected to expire at 4:00 p.m., Eastern Time, on **[DATE1]**. We may extend this expiration date until **[DATE2]** without notice to you or longer if the Office of Thrift Supervision approves a later date. No single extension may exceed 90 days and the offering must be completed by **[DATE 3]**, 2013. Once submitted, orders are irrevocable unless the offering is terminated or is extended, with Office of Thrift Supervision approval, beyond **[DATE2]**, or the number of shares of common stock to be sold is increased to more than 5,002,918 shares or decreased to less than 3,215,486 shares. If the offering is extended past **[DATE2]**, or if the number of shares to be sold is increased to more than 5,002,918 shares or decreased to less than 3,215,486 shares, we will resolicit subscribers, and all funds delivered to us to purchase shares of common stock will be returned promptly with interest. Funds received in the subscription and the community offerings will be held in a segregated account at United Community Bank and will earn interest at 0.10% per annum until completion or termination of the offering.

Sandler O Neill & Partners, L.P. will assist us in selling the shares on a best efforts basis in the subscription and community offerings, and will serve as sole book-running manager for any syndicated community offering. Sandler O Neill & Partners, L.P. is not required to purchase any shares of common stock that are being offered for sale.

OFFERING SUMMARY

Price per Share: $8.00

	Minimum	**Midpoint**	**Maximum**	**Maximum, as Adjusted**
Number of shares	3,215,486	3,782,925	4,350,364	5,002,918
Gross offering proceeds	$ 25,723,888	$ 30,263,400	$ 34,802,912	$ 40,023,344
Estimated offering expenses, excluding selling agent fees and expenses	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
Estimated selling agent fees and expenses (1) (2)	$ 1,055,404	$ 1,231,851	$ 1,408,231	$ 1,611,116

Estimated net proceeds	$ 23,668,484	$ 28,031,549	$ 32,394,681	$ 37,412,228
Estimated net proceeds per share	$ 7.36	$ 7.41	$ 7.45	$ 7.48

(1) Includes: (i) selling commissions payable by us to Sandler O Neill & Partners, L.P. in connection with the subscription and community offerings equal to 1% of the aggregate amount of common stock in the subscription and community offerings (net of insider purchases and shares purchased by our employee stock ownership) or approximately $90,956 at the maximum, as adjusted, of the offering, assuming that 30.0% of the offering is sold in the subscription and community offerings; (ii) fees and selling commissions payable by us to Sandler O Neill & Partners, L.P. and any other broker-dealer participating in the syndicated offering equal to 5.5% of the aggregate amount of common stock sold in the syndicated community offering, or approximately $1.3 million at the maximum, as adjusted, of the offering, assuming that 70.0% of the offering is sold by a syndicate of broker-dealers in a syndicated community offering; and (iii) other expenses of the offering payable to Sandler O Neill & Partners, L.P. as selling agent estimated to be $100,000 subject to increase to $120,000 in the event of a resolicitation. For information regarding compensation to be received by Sandler O Neill & Partners, L.P. and other broker-dealers that may participate in the syndicated community offering, including the assumptions regarding the number of shares that may be sold in the subscription and community offerings and the syndicated community offering to determine the estimated offering expenses, see *Pro Forma Data* and *The Conversion and Offering Marketing Arrangements.* In addition, see *The Conversion and Offering Marketing Arrangements* for information regarding fees to be received by Sandler O Neill & Partners, L.P. for records management services.

(2) If all shares of common stock offered hereby are sold in the syndicated community offering, the maximum selling agent fees and expenses would be $1.5 million at the minimum, $1.8 million at the midpoint, $2.0 million at the maximum, and $2.3 million at the maximum, as adjusted, which reflect the aggregate offering price multiplied by 5.5% plus $100,000 in expenses.

This investment involves a degree of risk, including the possible loss of principal.

Please read Risk Factors beginning on page 17.

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

SANDLER O NEILL + PARTNERS, L.P.

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

The date of this prospectus is [ ], 2011

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SYNDICATED COMMUNITY

OFFERING PROSPECTUS

(Proposed Holding Company for United Community Bank)

Up to 4,350,364 Shares of Common Stock

(Subject to increase to 5,002,918 shares)

United Community Bancorp, a newly formed Indiana corporation, is offering up to 4,350,364 shares of common stock for sale at $8.00 per share on a best efforts basis in connection with the conversion of United Community MHC from the mutual holding company to the stock holding company form of organization. The shares we are offering represent the ownership interest in United Community Bancorp, a federal corporation, currently owned by United Community MHC. In this prospectus, we refer to United Community Bancorp, the Indiana corporation, as new United Community Bancorp, and to United Community Bancorp, the federal corporation, as United Community Bancorp. United Community Bancorp s common stock is currently traded on the NASDAQ Global Market under the trading symbol UCBA. For a period of 20 trading days after the completion of the conversion and offering, the shares of new United Community Bancorp common stock will trade on the NASDAQ Global Market under the symbol UCBAD. Thereafter, our trading symbol will revert to UCBA.

We are offering the common stock for sale on a best efforts basis. We may sell up to 5,002,918 shares of common stock because of demand for the shares of common stock or changes in market conditions, without resoliciting purchasers. We must sell a minimum of 3,215,486 shares in the offering in order to complete the offering and the conversion.

The shares of common stock are first being offered in a subscription offering to eligible depositors and the tax-qualified employee stock ownership plan of United Community Bank as described in this prospectus. Eligible depositors and the employee stock ownership plan have priority rights to buy all of the shares offered. Shares not purchased in the subscription offering will simultaneously be offered for sale to the general public in a community offering, with a preference given to residents of the communities served by United Community Bank and existing stockholders of United Community Bancorp.

Shares of common stock not subscribed for in the subscription and community offerings are being offered in the syndicated community offering through a syndicate of broker dealers. Sandler O Neill & Partners, L.P. is serving as sole book-running manager for the syndicated community offering. Neither Sandler O Neill & Partners, L.P., nor any member of the syndicate group is required to purchase any shares of common stock in the offering.

Completion of the conversion and the offering is subject to several conditions, including the approval of the plan of conversion and reorganization by a vote of at least a majority of the members of United Community MHC and a majority of the votes eligible to be cast by stockholders of United Community Bancorp. See *Summary Conditions to Completing the Conversion and Offering.*

OFFERING SUMMARY

[same as cover page of the prospectus]

This investment involves a degree of risk, including the possible loss of principal.

Please read Risk Factors beginning on page 17.

These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. None of the Securities and Exchange Commission, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation or any state securities commission has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

SANDLER O NEILL + PARTNERS, L.P.

The date of this prospectus is __________, 2011

[The remainder of this prospectus is the same as the subscription and community offering prospectus filed as part of this Registration Statement.]

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SUMMARY

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

United Community Bancorp. United Community Bancorp was organized on March 30, 2006 under the laws of the United States to be the holding company for United Community Bank, a stock savings bank also organized under the laws of the United States in connection with United Community Bank s conversion from the mutual to the mutual holding company form of organization. On March 30, 2006, United Community Bancorp completed its initial public offering in which it sold 3,647,984 shares, or 43.1%, of its common stock to the public, including 331,788 shares to the United Community Bank Employee Stock Ownership Plan. An additional 4,655,200 shares, or 55.0% of United Community Bancorp s then outstanding stock, were issued to United Community MHC, United Community Bancorp s federally chartered mutual holding company. Additionally, United Community Bancorp contributed 160,816 shares, or 1.9% of its then outstanding common stock, to the United Community Bank Charitable Foundation. See *Our Business United Community Bank Charitable Foundation*. At March 31, 2011, United Community Bancorp had approximately $476.0 million in assets, $416.9 million in deposits and $53.4 million in stockholders equity. This entity will cease to exist following the completion of the conversion and the offering.

New United Community Bancorp. New United Community Bancorp following the completion of the conversion and offering will be the unitary savings and loan holding company for United Community Bank, a federally chartered savings bank. New United Community Bancorp is an Indiana chartered corporation.

United Community MHC. United Community MHC is our federally chartered mutual holding company parent. United Community Bancorp is a majority-owned subsidiary of United Community MHC. As a mutual holding company, United Community MHC is a non-stock company that has as its members depositors of United Community Bank. United Community MHC does not engage in any business activity other than owning a majority of the common stock of United Community Bancorp. Currently, United Community MHC owns 4,655,200 shares of United Community Bancorp s common stock. This entity will cease to exist following the completion of the conversion and the offering.

United Community Bank. United Community Bank is a federally chartered savings bank and was created on April 12, 1999 through the merger of Perpetual Federal Savings and Loan Association and Progressive Federal Savings Bank, both located in Lawrenceburg, Indiana. On June 4, 2010, United Community Bank acquired three branches from Integra Bank, National Association, all of which are located in Ripley County, Indiana, by acquiring $45.9 million in loans and assuming $53.0 million in deposits.

Our principal executive offices are located at 92 Walnut Street, Lawrenceburg, Indiana 47025 and our telephone number is (812) 537-4822. Our web site address is www.bankucb.com. Information on our web site should not be considered part of this prospectus.

Our Market Area

We are headquartered in Lawrenceburg, Indiana, which is in the eastern part of Dearborn County, Indiana, along the Ohio River. We currently have six branches located in Dearborn County and three branches located in adjacent Ripley County. Dearborn and Ripley Counties represent our primary deposit markets. The primary source of loan originations are existing customers, walk-in traffic, advertising and referrals from customers. We advertise on television and on radio and in newspapers that are widely circulated in Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. Accordingly, when our loan rates are competitive, we attract loans from throughout Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. The economy of the region in which our current offices are located has historically been a mixture of light industrial enterprises and services. Since the mid-1990s, the economy in Lawrenceburg has been strengthened by the riverboat casino in Lawrenceburg whose presence has supported the development of retail centers and job growth as well as an increase in housing development. Located 20 miles from Cincinnati, Dearborn and Ripley Counties have also benefited from the growth in and around Cincinnati and northern Kentucky, as many residents commute to these areas for employment. Dearborn and Ripley Counties road system includes eight state highways and three U.S. highways. The counties have two rail lines and port facilities due to the proximity of the Ohio River.

Our Business

We operate as a community-oriented financial institution offering a full menu of banking services and products to consumers and businesses in our market areas. Recent years have seen the expansion of services we offer from a traditional savings and loan product mix to one of a full-service financial institution servicing the needs of retail and commercial customers. Our primary business lines involve generating funds from deposits from the general public and municipalities or borrowings and investing such funds in loans and investment securities. We offer non-deposit investment products through a third-party network arrangement with a registered broker dealer. We currently operate nine retail banking locations in Dearborn and Ripley Counties, Indiana.

Our primary lines of business are:

Retail Lending. We offer a variety of one- to four-family mortgage loans, residential construction loans to individuals to finance the construction of residential dwellings for personal use, home equity loans and consumer loans through our branch network. Retail loans constituted 58.2% of our total loan portfolio at March 31, 2011.

Commercial and Nonresidential Real Estate Lending. We offer multi-family real estate, nonresidential real estate, land and commercial business loans for property owners and businesses in our market area. We also offer commercial construction loans for commercial development projects, including apartment buildings, restaurants, shopping centers and owner-occupied properties used for businesses. Commercial and nonresidential real estate loans constituted $70.6 million, or 24.0%, of our total loan portfolio at March 31, 2011. At such date, multi-family real estate loans constituted $46.4 million, or 15.8% of our total loan portfolio. We have implemented a strategy to control the growth of these portfolios, particularly outside of Ripley and Dearborn Counties in Indiana.

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

Operating Strategy

Our mission is to operate and grow a profitable, independent community-oriented financial institution serving primarily retail customers and small businesses in our market areas. The following are key elements of our business strategy:

Continuing our community-oriented focus

As a community-oriented financial institution, we emphasize providing exceptional customer service as a means to attract and retain customers. We believe that our community orientation is attractive to our customers and distinguishes us from the large banks that operate in our market area. Our ability to succeed in our communities is enhanced by the stability of our senior management. We intend to continue to leverage these strengths in our markets for the purpose of originating new deposits and loans, particularly through our new Ripley County branch offices, while continuing to focus on profitability.

Implementing a controlled growth strategy to prudently increase profitability and enhance stockholder value

Our primary lending activity is the origination of one-to four family mortgage loans secured by homes in our local market area, particularly in Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. Between 2006 and 2010, we expanded and diversified our lending activities by originating multi-family and nonresidential real estate secured by properties in the metropolitan Cincinnati market area and, to a lesser extent, in northern Kentucky and the Indiana counties outside of our local market area. These multi-family and nonresidential real estate loans comprise the substantial majority of our nonperforming assets.

From June 30, 2006 until June 30, 2010, our multi-family real estate loans grew to $46.8 million, or 14.8% of our total loans outstanding from $20.3 million, or 8.2% of the total loan portfolio. In the Cincinnati and northern Kentucky markets, our multi-family loans grew from $15.5

million to $32.8 million, and increased as a percentage of total nonperforming loans from 0.0% at June 30, 2006 to 49.6% at June 30, 2010. During the same period, our non-residential real estate loans grew to $77.6 million, representing 24.6%, of total loans outstanding from $65.6 million, or 26.5%, of total loans outstanding. In the Cincinnati and northern Kentucky markets, our non-residential real estate loans increased to $35.8 million from $21.7 million, and increased as a percentage of total nonperforming loans from 22.3% at June 30, 2006 to 25.9% at June 30, 2010.

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As a result of the issues arising in our multi-family and nonresidential real estate loan portfolios, in June, 2010, we implemented a strategy to control the growth of our nonresidential real estate and multi-family real estate loan portfolios, particularly outside of Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. As part of this strategy, we also amended our loan policy to reduce our concentration limits for nonresidential and multi-family real estate loans to 175% and 125%, respectively, of the sum of core capital plus our allowance for loan losses. As of March 31, 2011, these loans represented 130.7% and 91.7%, respectively, of the sum of core capital plus our allowance for loan losses. On a pro forma basis giving effect to the sale of 3,215,486 shares of common stock in the offering and the contribution of 60% of the net proceeds to United Community Bank as of March 31, 2011, these ratios would have been 100.9% and 70.7%, respectively, at such date.

We intend to continue this controlled growth strategy for the foreseeable future until the local economy materially improves and the level of our nonperforming loans in these loan portfolios materially declines. As a result, we will likely experience growth in our one-to-four family residential mortgage loan portfolio and in our investment securities portfolio. Accordingly, we expect that our weighted average yield on interest-earning assets will decrease in future periods because one-to-four family mortgage loans and investment securities generally yield less than nonresidential and multi-family real estate loans. We believe our existing infrastructure and our recent expansion into Ripley County, along with the capital we expect to raise in this offering, will enable us to originate new loans, subject to the foregoing strategy, both to replace existing loans as they are repaid and prudently grow our loan portfolio.

Improving our asset quality

Beginning in the year ended June 30, 2008, we began to experience the adverse effects of the significant national decline in real estate values and some of our borrowers ability to pay loans. Our nonperforming assets increased from $7.9 million, or 2.0% of total assets at June 30, 2009 to $10.9 million, or 2.2% of total assets as of June 30, 2010, to $20.8 million, or 4.4% of total assets at March 31, 2011. The consequences of this decline were generally evident in all portfolio types, but were more pronounced in the multi-family and nonresidential real estate loans. Our initial approach to resolving nonperforming loans focused on foreclosure and liquidations in the year ended June 30, 2008 and the greater part of the year ended June 30, 2009. This manner of troubled asset resolution proved costly as a result of associated legal and other operating costs. As a result, beginning in the latter part of the year ended June 30, 2009, we placed more attention and resources on loan workouts and initiated a restructuring process initiative with respect to nonperforming loans that provided for either restructuring the loan to the existing borrower in recognition of the lower available cash flows from the collateral properties (troubled debt restructuring) or identification of stronger borrowers to purchase the property and refinance the loan with concessions granted for the loan to cash flow and be reported as a troubled debt restructuring. Under troubled debt restructurings, borrowers are granted limited rate concessions generally ranging from 100 to 300 basis points below the then current market rate for periods of up to three years, with a balloon payment due at maturity. If the loan performs in accordance with its restructured terms, then, at the end of the concession period, the borrower will have the opportunity to refinance the loan at the then current market interest rate. Under either resolution alternative, we believe we have provided the necessary valuation allowances or charge-offs to reflect the loans carrying amounts at fair value at the time of restructuring. The general concept underlying fair value would indicate that the collateral properties could be sold to other third parties without material loss if the restructuring efforts fail. At March 31, 2011, approximately $18.2 million, or 88.3%, of our nonperforming loans were troubled debt restructurings. For additional information regarding our troubled debt restructurings, see *Management s Discussion and Analysis of Financial Condition and Results of Operations Risk Management Analysis of Nonperforming and Classified Assets.*

We also have implemented more stringent underwriting standards for our residential lending programs. Residential real estate mortgage applicants are required to have a higher credit score than previously required. As discussed above, we have also implemented a strategy to control the growth of our nonresidential real estate and multi-family real estate loan portfolios.

Improving our funding mix by attracting lower cost core deposits

Core deposits include all deposit account types except certificates of deposit and municipal deposits. Core deposits represent our best opportunity to develop customer relationships that enable us to cross sell our full compliment of products and services. Core deposits are also our least costly source of funds which improves our interest rate spread and also contributes non-interest income from account related services. At March 31, 2011, core deposits represented 33.8% of our total deposits as compared to 31.8% at June 30, 2010. Municipal deposits represent tax and other revenues from the local gaming industry. In recent years, we have steadily decreased our reliance on municipal deposits as a percentage of total deposits. At March 31, 2011, municipal deposits represented 25.6% of total deposits, compared to 47.9% of total deposits at June 30, 2006. While we expect municipal deposits to continue to remain an important source of funding, we expect to continue to improve our funding mix by marketing lower cost core deposits.

Continuing to increase non-interest income

Our earnings rely heavily on the spread between the interest earned on loans and securities and interest paid on deposits and other borrowings. In order to decrease our reliance on interest rate spread income, we have pursued initiatives to increase non-interest income. Our primary recurring source of non-interest income has been service charges on deposit products and other services. We have also implemented, and realize fee income from, an overdraft protection program and from customer use of debit cards. We also have a significant secondary mortgage operation, including loan servicing, and we continue to invest in personnel and systems to increase our ability to sell one-to four-family mortgages in the secondary market to increase fee income and reduce interest rate risk through the sale of conforming long-term fixed-rate one-to four-family residential mortgage loans. To date, all loans are sold without recourse but with servicing retained. The volume of loans sold totaled $19.2 million for the nine months ended March 31, 2011 and $25.1 million for the year ended June 30, 2010. For the nine months ended March 31, 2011 and the year ended June 30, 2010, we earned $460,000 and $278,000, respectively, on the sale of loans. We intend to continue to originate loans for sale in the secondary market to grow our servicing portfolio and generate additional non-interest income.

Upgrading our existing branches, particularly the branch offices we acquired in June, 2010

In an effort to retain customers and attract new customers, we have, in recent years, significantly remodeled four of our offices to improve the décor and traffic flow of the public spaces. Of these four, our Stateline Road branch office was almost doubled in size and significant office space was added to our Aurora branch office, in each case to accommodate the growth we have experienced at those offices. We have also remodeled those offices to improve the presentation of the products and services we are offering to our customers. We intend to continue to upgrade our branch facilities, particularly the branch offices we recently acquired in Ripley County. Total remodeling expenses for fiscal 2011 are expected to be approximately $250,000, all of which will be capitalized.

Expanding our geographic footprint

We consider our primary deposit and lending market area to be Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. In recent years, we have expanded our lending efforts in the Greater Cincinnati metropolitan area and northern Kentucky, and the counties in Indiana outside of our local markets. Since 2005, we have grown our community banking franchise organically through the addition of de novo branches in St. Leon and Aurora, Indiana, and through the strategic acquisition of three branch offices in Ripley County. As a result, we have increased our branch network from four to nine offices. We plan to continue to seek opportunities to grow our business through a combination of de novo branching and complementary acquisitions in our existing market and contiguous markets. We will consider acquisition opportunities that expand our geographic reach in banking, insurance or other complementary financial service businesses, although we do not currently have any agreements or understandings regarding any specific acquisition.

Description of the Conversion and Offering (page)

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* The United Community Bank Charitable Foundation owns approximately 2.0% of the current outstanding shares of United Community Bancorp common stock, and will own approximately 2.0% of the new United Community Bancorp common stock.

The second-step conversion process that we are now undertaking involves a series of transactions by which we will convert our organization from the partially public mutual holding company form to the fully public stock holding company structure. In the stock holding company structure, all of United Community Bank s common stock will be owned by new United Community Bancorp, and all of new United Community Bancorp s common stock will be owned by the public. We are conducting the conversion and offering under the terms of our plan of conversion. Upon completion of the conversion and offering, United Community Bancorp and United Community MHC will cease to exist.

As part of the conversion, we are offering for sale common stock representing the 59.3% ownership interest of United Community Bancorp that is currently held by United Community MHC. At the conclusion of the conversion and offering, existing public stockholders of United Community Bancorp will receive shares of common stock in new United Community Bancorp in exchange for their existing shares of common stock of United Community Bancorp, based upon an exchange ratio of 0.6906 shares to 0.9343 shares, subject to upward adjustment to 1.0745 shares. The actual exchange ratio will be determined at the conclusion of the conversion and the offering based on the total number of shares sold in the offering, and is intended to result in United Community Bancorp s existing public stockholders owning the same 40.7% interest of new United Community Bancorp common stock as they currently own of United Community Bancorp common stock, without giving effect to cash paid in lieu of issuing fractional shares or shares that existing stockholders may purchase in the offering.

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

* Upon completion of the offering, the United Community Bank Charitable Foundation will continue to own approximately 1.9% of the outstanding shares of new United Community Bancorp common stock. No stock or cash contribution will be made to the charitable foundation in connection with the conversion and offering. All new United Community Bancorp common stock owned by the charitable foundation will continue to be voted in the same ratio as all other new United Community Bancorp shares voted on each proposal considered by new United Community Bancorp stockholders.

We may cancel the conversion and offering with the concurrence of the Office of Thrift Supervision. If canceled, orders for common stock submitted will be canceled, subscribers funds will be promptly returned with interest calculated at United Community Bank s passbook savings rate, currently 0.10%, and all deposit account withdrawal authorizations will be cancelled.

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

Reasons for the Conversion and Offering (page)

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

While United Community Bank currently exceeds all regulatory capital requirements, given the changing regulatory environment, the proceeds from the sale of common stock will strengthen our capital position, which will support our continuing operations and future lending and operational growth. Our board of directors considered current market conditions, the amount of capital needed for continued operations and growth, that the offering will not raise excessive capital, and the interests of existing stockholders in deciding to conduct the conversion and offering at this time.

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

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

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

Terms of the Offering

We are offering between 3,215,486 and 4,350,364 shares of common stock in a subscription offering to eligible depositors of United Community Bank (including depositors of the three branches of Integra Bank, National Association, we acquired in June, 2010) and to our employee stock ownership plan. To the extent shares remain available, we will offer shares in a community offering to natural persons (and trusts of natural persons) residing in Dearborn and Ripley Counties, Indiana, to our existing public stockholders as of , 2011 and to the general public. With regulatory approval, we may increase the number of shares to be sold up to 5,002,918 shares without giving you further notice or the opportunity to change or cancel your order. In considering whether to increase the offering size, the Office of Thrift Supervision will consider the level of subscriptions, the views of our independent appraiser, our financial condition and results of operations, and changes in financial market conditions. Once submitted, orders are irrevocable unless the offering is terminated or is extended beyond **[DATE2]**, 2011, or the number of shares of common stock to be sold is increased to more than 5,002,918 shares or decreased to less than 3,215,486 shares. If we extend the offering beyond **[DATE2]**, 2011, all subscribers will be notified and given the opportunity to confirm, change or cancel their orders. If you do not respond to this notice, we will promptly return your funds with interest calculated at United Community Bank s passbook savings rate or cancel your deposit account withdrawal authorization. If we intend to sell fewer than 3,215,486 shares or more than 5,002,918 shares, we will promptly return all funds and set a new offering range. All subscribers will be notified and given the opportunity to place a new order.

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

The purchase price is $8.00 per share. All investors will pay the same purchase price per share. Investors will not be charged a commission to purchase shares of common stock in the offering. Sandler O Neill & Partners, L.P., our marketing agent in the offering, will use its best efforts to assist us in selling shares of our common stock.

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

Federal regulations require that the aggregate purchase price of the securities sold in the offering be based upon our estimated pro forma market value after the conversion (i.e., taking into account the expected receipt of proceeds from the sale of securities in the offering) as determined by an independent appraisal. We have retained Keller & Co., Inc., which is experienced in the evaluation and appraisal of financial institutions, to prepare the appraisal. Keller & Co. has indicated that in its valuation as of February 18, 2011, our common stock s estimated full market value ranged from $43.4 million to $58.7 million, with a midpoint of $51.0 million. The pro forma market value of new United Community Bancorp includes:

- the total number of shares that will be sold in the offering (representing the 59.3% ownership interest in United Community Bancorp currently owned by United Community MHC); and

- the total number of shares to be issued to current United Community Bancorp stockholders in exchange for their shares of United Community Bancorp common stock (representing the remaining 40.7% ownership interest in United Community Bancorp currently owned by current United Community Bancorp stockholders).

This valuation and United Community MHC s ownership interest in United Community Bancorp, results in an offering range of $25.7 million to $34.8 million, with a midpoint of $30.3 million. Keller & Co. will receive fees totaling $42,000 for its appraisal report, plus $3,000 for any appraisal updates (of which there will be at least one) and reimbursement of out-of-pocket expenses.

The appraisal is based in part upon United Community Bancorp s financial condition and results of operations, the effect of the additional capital we will raise from the sale of common stock in this offering, and an analysis of a peer group of ten publicly traded savings and loan holding companies that Keller & Co. considered comparable to United Community Bancorp. The appraisal peer group consists of the companies listed below. Total assets are as of March 31, 2011. All members of the peer group are listed on The NASDAQ Stock Market.

Company Name	Ticker Symbol	Headquarters	Total Assets (In millions)
FFD Financial Corp.	FFDF	Dover, OH	$ 210.6
First Federal of Northern Michigan Bancorp, Inc.	FFNM	Alpena, MI	215.4
River Valley Bancorp	RIVR	Madison, IN	387.0
Wayne Savings Bancshares, Inc.	WAYN	Wooster, OH	407.8
First Capital, Inc.	FCAP	Corydon, IN	449.2
First Clover Leaf Financial Corp.	FCLF	Edwardsville, IL	575.8
TF Financial Corp.	THRD	Newtown, PA	684.2
CFS Bancorp, Inc.	CITZ	Munster, IN	1,444.0
MutualFirst Financial, Inc.	MFSF	Muncie, IN	1,447.2
Pulaski Financial Corp.	PULB	St. Louis, MO	1,338.1
Average			686.0
Median			512.5

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

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

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

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

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

the trading market for United Community Bancorp common stock and securities of comparable institutions and general conditions in the market for such securities.

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

The following table presents a summary of selected pricing ratios for the peer group companies utilized by Keller & Co. in its appraisal and the pro forma pricing ratios for us as calculated by Keller & Co. in its appraisal report, based on United Community Bancorp s financial data as of and for the 12 months ended March 31, 2011. The pro forma pricing ratios for new United Community Bancorp are based on United Community Bancorp s financial data as of or for the 12 months ended March 31, 2011.

	Price to Book Value Ratio	Price to Tangible Book Value Ratio	Price to Earnings Multiple	Price to Core Earnings Multiple
New United Community Bancorp (pro forma):				
Minimum	58.02%	60.95%	NM	28.50
Midpoint	64.85	67.96	NM	33.13
Maximum	71.03	74.26	NM	37.65
Maximum, as adjusted	77.44	80.78	NM	42.71
Pricing ratios of peer group companies as of February 18, 2011:				
Average	71.39	76.64	16.21	3.39
Median	74.00	78.88	13.18	11.74

Compared to the average pricing ratios of the peer group, at the maximum of the offering range our common stock would be priced at a discount of 0.51% to the peer group on a price-to-book basis, a discount of 3.11% on a price-to-tangible book basis and a premium of 1,009.38% on a price to core earnings basis. This means that, at the maximum of the offering range, a share of our common stock would be less expensive than the peer group on a book value and tangible book value basis and more expensive on a core earnings basis.

Compared to the average pricing ratios of the peer group, at the minimum of the offering range our common stock would be priced at discount of 18.73% to the peer group on a price-to-book basis, a discount of 20.47% on a price-to-tangible book basis and a premium of 739.89% on a price to core earnings basis. This means that, at the minimum of the offering range, a share of our common stock would be less expensive than the peer group on a book value and tangible book value basis and more expensive on an earnings and core earnings basis.

Our board of directors reviewed Keller & Co. s appraisal report, including the methodology and the assumptions used by Keller & Co., and determined that the offering range was reasonable and adequate. Our board of directors has determined to offer the shares for a price of $8.00 per share by taking into account, among other factors, the market price of our stock before adoption of the plan of conversion, the requirement under Office of Thrift Supervision regulations that the common stock be offered in a manner that will achieve the widest distribution of the stock, and desired liquidity in the common stock after the offering. Our board of directors also established the formula for determining the exchange ratio. Based upon such formula and the offering range, the exchange ratio ranged from a minimum of 0.6906 to a maximum of 0.9343 shares of new United Community Bancorp common stock for each current share of United Community Bancorp common stock, with a midpoint of 0.8125. Based upon this exchange ratio, we expect to issue between 2,203,264 and 2,980,886 shares of new United Community Bancorp common stock to the holders of United Community Bancorp common stock outstanding immediately before the completion of the conversion and offering.

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

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

Possible Change in Offering Range

Keller & Co. will update its appraisal before we complete the conversion and offering. If, as a result of regulatory considerations, demand for the shares or changes in financial market conditions, Keller & Co. determines that our estimated pro forma market value has increased, we may sell up to 5,002,918 shares without further notice to you. If our pro forma market value at that time is either below $43.4 million or above $67.5 million, then, after consulting with the Office of Thrift Supervision, we may: terminate the offering and promptly return all funds; promptly return all funds, set a new offering range and give all subscribers the opportunity to place a new order; or take such other actions as may be permitted by the Office of Thrift Supervision and the Securities and Exchange Commission.

The Exchange of Existing Shares of United Community Bancorp Common Stock (page)

If you are a stockholder of United Community Bancorp on the date we complete the conversion and offering, your existing shares will be cancelled and exchanged for shares of new United Community Bancorp. The number of shares you will receive will be based on an exchange ratio determined as of the completion of the conversion and offering that is intended to result in United Community Bancorp s existing public stockholders owning approximately 40.7% of new United Community Bancorp s common stock, which is the same percentage of United Community Bancorp common stock currently owned by existing public stockholders. The following table shows how the exchange ratio will adjust, based on the number of shares sold in our offering. The table also shows how many shares a hypothetical owner of 100 shares of United Community Bancorp common stock would receive in the exchange, based on the number of shares sold in the offering, and the pro forma tangible book value per exchanged share.

	Exchange Ratio	Shares to be Received for 100 Existing Shares (1)
Minimum	0.6906	69
Midpoint	0.8125	81
Maximum	0.9343	93
Maximum, as adjusted	1.0745	107

(1) No fractional shares of new United Community Bancorp common stock will be issued in the conversion and offering. For each fractional share that would otherwise be issued, we will pay cash in an amount equal to the product obtained by multiplying the fractional share interest to which the holder would otherwise be entitled by the $8.00 per share offering price.

We also will convert options previously awarded under the 2006 Equity Incentive Plan into options to purchase new United Community Bancorp common stock. At March 31, 2011, there were outstanding options to purchase 346,304 shares of United Community Bancorp common stock. The number of outstanding options and related per share exercise prices will be adjusted based on the exchange ratio. The aggregate exercise price, term and vesting period of the outstanding options will remain unchanged. If any options are exercised before we complete the offering, the number of shares of United Community Bancorp common stock outstanding will increase and the exchange ratio could be adjusted.

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Ownership of New United Community Bancorp after Completion of the Conversion and Offering

The following table shows the number of shares to be issued, and approximate percentage of the total stock issuance, for each of the shares to be sold in the offering and shares to be received in exchange for existing shares of United Community Bancorp.

	Shares to be Sold in the Offering		Shares to be Received in Exchange for Existing Shares of United Community Bancorp		Total Shares of Common Stock to be Outstanding
	Amount	Percent	Amount	Percent	
Minimum	3,215,486	59.3%	2,203,264	40.7%	5,418,750
Midpoint	3,782,925	59.3	2,592,075	40.7	6,375,000
Maximum	4,350,364	59.3	2,980,886	40.7	7,331,250
Maximum, as adjusted	5,002,918	59.3	3,428,019	40.7	8,430,938

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

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

(In thousands)	Minimum of Offering Range 3,215,486 Shares at $8.00 per Share	Maximum of Offering Range 4,350,364 Shares at $8.00 per Share
	(In thousands)	
Offering proceeds	$ 25,724	$ 34,803
Less: Offering expenses	(2,056)	(2,409)
Net offering proceeds	23,668	28,031
Plus: Consolidation of MHC	100	100
Less:		
Proceeds contributed to United Community Bank	(14,201)	(19,436)
Proceeds used for loan to employee stock ownership plan	(1,635)	(2,212)
Proceeds remaining for new United Community Bancorp	$ 7,932	$ 10,846

Initially, we intend to invest the proceeds of the offering in short-term investments. In the future, new United Community Bancorp may use the funds it retains to invest in securities, pay cash dividends, repurchase shares of its common stock, subject to regulatory restrictions, or for general corporate purposes. Over time, United Community Bank intends to use the portion of the proceeds that it receives to fund new loans, but the amount of time that it will take to deploy the proceeds of the offering into loans will depend primarily on the level of loan demand. We may also use the proceeds of the offering to diversify our business or acquire other companies or expand our branch network, although we have no specific plans to do so at this time.

Purchases by Directors and Executive Officers (page)

We expect that our directors and executive officers, together with their associates, will subscribe for approximately 39,300 shares. Our directors and executive officers will pay the same $8.00 per share price as everyone else who purchases shares in the offering. Like all of our depositors, our directors and executive officers have subscription rights based on their deposits and, in the event of an oversubscription, their orders will be subject to the allocation provisions set forth in our plan of conversion. Purchases by our directors and executive officers will count towards the minimum number of shares we must sell to close the offering.

All directors and executive officers, together with their associates, are expected to own, upon completion of the offering and the exchange, approximately 6.9% of our outstanding shares at the minimum of the offering range, not including any shares that may be acquired by exercising currently exercisable stock options.

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Benefits of the Conversion to Management (page)

We will recognize additional compensation expense related to the expanded employee stock ownership plan and the new equity incentive plan that we intend to adopt subsequent to the completion of the offering and the conversion. The actual expense will depend on the market value of our common stock and will increase as the value of our common stock increases. As reflected under *Pro Forma Data,* based upon assumptions set forth therein, the annual after-tax expense related to the employee stock ownership plan and the new equity incentive plan would have been $433,000 for the year ended June 30, 2010, assuming shares are sold at the maximum of the offering range. If awards under the new equity incentive plan are funded from authorized but unissued stock, your ownership interest would be diluted by up to approximately 6.9%. See *Pro Forma Data* for an illustration of the effects of each of these plans.

Employee Stock Ownership Plan. Our employee stock ownership plan intends to purchase an amount of shares equal to 6.4% of the shares sold in the offering by using the proceeds from a 20-year loan from new United Community Bancorp. Alternatively, we reserve the right to purchase shares of common stock in the open market following the offering to fund all or a portion of the employee stock ownership plan. As the loan is repaid and shares are released from collateral, the shares will be allocated to the accounts of employee participants. Allocations will be based on a participant s individual compensation as a percentage of total plan compensation. Non-employee directors are not eligible to participate in the employee stock ownership plan. The purchase of common stock by the employee stock ownership plan in the offering will comply with all applicable Office of Thrift Supervision regulations except to the extent waived by the Office of Thrift Supervision. We will incur additional compensation expense as a result of this plan. See *Pro Forma Data* for an illustration of the effects of this plan.

New Equity Incentive Plan. We intend to implement a new equity incentive plan no earlier than six months after completion of the conversion and offering. We will submit this plan to our stockholders for their approval. Under this plan, if implemented within 12 months following the completion of the conversion, we intend to grant stock options in an amount up to 9.0% of the number of shares sold in the offering and restricted stock awards in an amount equal to 3.2% of the shares sold in the offering. Stock options will be granted at an exercise price equal to 100% of the fair market value of our common stock on the option grant date. Shares of restricted stock will be awarded at no cost to the recipient. We will incur additional compensation expense as a result of this plan. See *Pro Forma Data* for an illustration of the effects of this plan. If the new equity incentive plan is adopted more than 12 months after the completion of the conversion, restricted stock awards and stock option grants under the plan may exceed the percentage limitations set forth above. The new equity incentive plan will supplement our existing 2006 Equity Incentive Plan, which will continue as a plan of new United Community Bancorp. The equity incentive plan will comply with all applicable Office of Thrift Supervision regulations except to the extent waived by the Office of Thrift Supervision.

The following table summarizes, at the maximum of the offering range, the total number and value of the shares of common stock that the employee stock ownership plan expects to acquire and the total value of all restricted stock awards and stock options that are expected to be available under the new equity incentive plan. The number of shares reflected for the benefit plans in the table below assumes that the new equity incentive plan is implemented within 12 months following completion of the conversion.

	Number of Shares to be Granted or Purchased			Dilution Resulting from Issuance of Additional Shares	Total Estimated Value
	At Maximum of Offering Range	As a % of Common Stock Sold in the Offering	As a % of Common Stock Outstanding After Offering (3)		
			(Dollars in thousands)		
Employee stock ownership plan (1)	276,510	6.4%	8.0%	0.0%	$ 2,212,080
Restricted stock awards (1)	138,255	3.2	4.0	1.6	1,106,040
Stock options (2)	392,294	9.0	10.0	5.1	1,157,267
Total	807,059	18.6%	22.0%	6.9%	4,475,387

(1) Assumes the value of new United Community Bancorp common stock is $8.00 per share for determining the total estimated value.
(2) Assumes the value of a stock option is $2.95. See *Pro Forma Data*.
(3) Reflects the percentage of outstanding shares the employee stock ownership plan and the equity incentive plan will have after the offering, shares held by our existing employee stock ownership plan, and stock options and restricted stock previously awarded or available for future awards under our existing 2006 Equity Incentive Plan.

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We may fund our plans through open market purchases, as opposed to new issuances of common stock; however, if any options previously granted under our 2006 Equity Incentive Plan are exercised during the first year following completion of the offering, they will be funded with newly-issued shares as Office of Thrift Supervision regulations do not permit us to repurchase our shares during the first year following the completion of this offering except to fund the grants of restricted stock under the equity incentive plan or, with prior regulatory approval, under extraordinary circumstances. The Office of Thrift Supervision has previously advised that the exercise of outstanding options and cancellation of treasury shares in the conversion will not constitute an extraordinary circumstance or a compelling business purpose for satisfying this test.

The following table presents information regarding our existing employee stock ownership plan, options and restricted stock previously awarded or available for future awards under our 2006 Equity Incentive Plan, additional shares to be purchased by our employee stock ownership plan, and our proposed new equity incentive plan. The table below assumes that 7,331,250 shares are outstanding after the offering, which includes the sale of 4,350,364 shares in the offering at the maximum of the offering range and the issuance of 3,371,579 shares in exchange for shares of United Community Bancorp using an exchange ratio of 0.9343. It is also assumed that the value of the stock is $8.00 per share. The number of shares reflected for the benefit plans in the table below assumes that the new equity incentive plan is implemented within 12 months following completion of the conversion.

Existing and New Stock Benefit Plans	Eligible Participants	Number of Shares at Maximum of Offering Range	Estimated Value of Shares (Dollars in thousands)	Percentage of Shares Outstanding After the Offering
Employee Stock Ownership Plan:	Employees			
Shares purchased in 2006 offering (1)		306,420(2)	$ 2,480	4.2%
Shares to be purchased in this offering		276,510	2,212	3.8
Total employee stock ownership plan		586,500	$ 4,692	8.0
Restricted Stock Awards:	Directors and employees			
2006 Equity Incentive Plan (1)		154,995(3)	$ 1,240	2.1
New shares of restricted stock		138,255	1,106(4)	1.9
Total shares of restricted stock		293,250	$ 2,346	4.0
Stock Options:	Directors and employees			
2006 Equity Incentive Plan (1)		387,488(5)	$ 1,005(6)	4.7
New stock options		392,294	1,157(7)	5.4
Total stock options		733,125	2,163	10.0
Total stock benefit plans		1,612,875	$ 9,201	22.0%

(1) Number of shares has been adjusted for the 0.9343 exchange ratio at the maximum of the offering range.

(2) As of March 31, 2011, of these shares, 132,754 (142,089 before adjustment) have been allocated to the accounts of participants.

(3) As of March 31, 2011, of these shares, 139,488 (149,297 before adjustment) have been awarded and 15,507 (16,597 before adjustment) remain available for future awards. As of March 31, 2011, awards covering 112,968 shares have vested and the shares have been distributed.

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

(5) As of March 31, 2011, of these shares, options for 348,738 shares (373,261 shares before adjustment) have been awarded and options for 38,750 shares (41,475 shares before adjustment) remain available for future grants. As of March 31, 2011, no options had been exercised.

(6) The fair value of stock options granted and outstanding under the 2006 Equity Incentive Plan has been estimated using the Black-Scholes option pricing model. Before the adjustment for the exchange ratio, there were 346,304 outstanding options with a weighted average fair

value of $2.37 per option. Using this value and adjusting for the exchange ratio at the maximum of the offering range, the fair value of stock options granted or available for grant under the 2006 Equity Incentive Plan has been estimated at $2.95 per option.

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(7) For purposes of this table, the fair value of stock options to be granted under the new equity incentive plan has been estimated at $2.95 per option using the Black-Scholes option pricing model with the following assumptions: exercise price, $8.00; trading price on date of grant, $8.00; dividend yield, 4.0%; expected life, 10 years; expected volatility, 18.60%; and risk-free interest rate, 3.29%.

Persons Who Can Order Stock in the Subscription, Community and Syndicated Community Offerings (page)

We are offering shares of new United Community Bancorp common stock in a subscription offering to the following persons in the following order of priority:

1. Persons with (i) $50 or more on deposit at United Community Bank as of the close of business on December 31, 2009, or (ii) $50 or more on deposit at Integra Bank, National Association, as of the close of business on June 4, 2010 and whose deposits United Community Bank assumed on that date.

2. Our employee stock ownership plan.

3. Persons with $50 or more on deposit at United Community Bank as of the close of business on , 2011 who are not eligible in category 1 above.

4. United Community Bank s depositors as of the close of business on , 2011, who are not eligible in categories 1 or 3 above.

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

Shares of common stock not purchased in the subscription offering may be offered for sale to the general public in a community offering, with a preference given to residents of Dearborn and Ripley Counties, Indiana and the stockholders of United Community Bancorp as of , 2011. We also may offer for sale shares of common stock not purchased in the subscription offering or community offering through a syndicated community offering managed by Sandler O Neill & Partners, L.P. We retain the right to accept or reject, in part or in whole, any order received in the community offering or the syndicated community offering. Sandler O Neill & Partners, L.P. is not required to purchase any shares of common stock that are being offered for sale.

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

Subscription Rights are Not Transferable

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

Purchase Limitations (page)

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

The minimum purchase is 25 shares.

No individual may purchase more than $500,000 (which equals 62,500 shares).

No individual, together with any associates and no group of persons acting in concert, may purchase more than $800,000 of common stock (which equals 100,000 shares) in all the categories of the offering combined. For purposes of applying this limitation, your associates include:

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

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

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

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

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

Subject to the Office of Thrift Supervision s approval, we may increase the maximum purchase limitation to up to 9.99%, provided that orders for common stock exceeding 5% of the shares of common stock sold in the offering may not exceed in the aggregate 10% of the total shares of common stock sold in the offering. Even under these increased purchase limits, purchases remain subject to the 5% Total Limit described above. Our employee stock ownership plan is authorized to purchase up to 10.0% of the shares sold in the offering, without regard to these purchase limitations, but intends to purchase 6.4% of the shares sold in the offering.

Conditions to Completing the Conversion and Offering

We cannot complete the conversion and offering unless:

the plan of conversion is approved by at least *a majority of votes eligible to be cast* by voting members of United Community MHC (depositors of United Community Bank);

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

the plan of conversion is approved by at least *a majority of the votes eligible to be cast* by stockholders of United Community Bancorp, excluding shares held by United Community MHC;

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

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

United Community MHC, which owns 59.3% of the outstanding shares of United Community Bancorp, intends to vote these shares in favor of the plan of conversion. In addition, as of , 2011, directors and executive officers of United Community Bancorp and their associates beneficially owned 480,522 shares of United Community Bancorp or 6.1% of the outstanding shares, not including any shares that may be acquiring by the exercise of currently exercisable stock options. They intend to vote those shares in favor of the plan of conversion.

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

We must sell a minimum of 3,215,486 shares to complete the conversion and offering. Purchases by our directors and executive officers and our employee stock ownership plan will count towards the minimum number of shares we must sell to complete the offering. If we do not receive orders for at least 3,215,486 shares of common stock in the subscription, community and/or syndicated community offerings, we may increase the purchase limitations and/or seek regulatory approval to extend the offering beyond **[DATE2]**, 2011 (provided that any such extension will require us to resolicit subscribers). Alternatively, we may terminate the offering, in which case we will promptly return your funds with interest calculated at United Community Bank s passbook savings rate, which is currently 0.10% per annum, and cancel all deposit account withdrawal authorizations.

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How to Purchase Common Stock (page)

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

1. personal check, bank check or money order made payable directly to United Community Bancorp (United Community Bank lines of credit checks and third-party checks of any type will not be accepted); or

2. authorizing us to withdraw money from the types of United Community Bank deposit accounts identified on the stock order form. United Community Bank is not permitted to lend funds (including funds drawn on a United Community Bank line of credit) to anyone to purchase shares of common stock in the offering. Please do not send cash or pay by wire transfer.

You may not designate on your stock order form a direct withdrawal from a retirement account held at United Community Bank. See the following section for guidance regarding use of retirement account funds. Additionally, you may not designate on your stock order form a direct withdrawal from United Community Bank accounts with check-writing privileges. Instead, a check must be provided. If you request a direct withdrawal, we reserve the right to interpret that as your authorization to treat those funds as if we had received a check for the designated amount and we will immediately withdraw the amount from your checking account.

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

You may deliver your stock order form in one of three ways: by mail, using the stock order reply envelope provided, by overnight delivery to the Stock Information Center at the address indicated on the stock order form or by hand-delivery to United Community Bank s main office, located at 92 Walnut Street, Lawrenceburg, Indiana. Stock order forms will not be accepted at our other United Community Bank offices. Please do not mail stock order forms to United Community Bank. Once submitted, your order is irrevocable. We are not required to accept copies or facsimiles of order forms.

Using IRA Funds to Purchase Shares in the Offering (page)

You may be able to subscribe for shares of common stock using funds in your individual retirement account(s), or IRA. If you wish to use some or all of the funds in your United Community Bank IRA or other retirement account, the applicable funds must first be transferred to a self-directed retirement account maintained by an unaffiliated institutional trustee or custodian, such as a brokerage firm. An annual fee may be payable to the new trustee. If you do not have such an account, you will need to establish one and transfer your funds before placing your stock order. Our Stock Information Center can give you guidance if you wish to place an order for stock using funds held in a retirement account at United Community Bank or elsewhere. Because processing retirement account transactions takes additional time, we recommend that you contact our Stock Information Center for guidance promptly, preferably at least two weeks before the **[DATE1]**, 2011 offering deadline. Whether you may use retirement funds for the purchase of shares in the offering will depend on timing constraints and, possibly, limitations imposed by the institution where the funds are held.

Deadline for Ordering Stock in the Subscription and Community Offerings

The subscription offering will end at 4:00 p.m., Eastern Time, on **[DATE1]**, 2011. If you wish to purchase shares, a properly completed and signed original stock order form, together with full payment for the shares of common stock, must be *received* (not postmarked) no later than this time. We expect that the community offering, if held, will terminate at the same time, although it may continue until **[DATE2]**, 2011, or longer if the Office of Thrift Supervision approves a later date. No single extension may be for more than 90 days. We are not required to provide notice to you of an extension unless we extend the offering beyond **[DATE2]**, 2011, in which case all subscribers in the subscription and community offerings will be notified and given the opportunity to confirm, change or cancel their orders. If you do not respond to this notice, we will

promptly return your funds with interest calculated at United Community Bank s passbook savings rate or cancel your deposit account withdrawal authorization. If we intend to sell fewer than 3,215,486 shares or more than 5,002,918 shares, we will promptly return all funds and set a new offering range. All subscribers will be notified and given the opportunity to place a new order.

Market for New United Community Bancorp s Common Stock (page)

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

New United Community Bancorp s Dividend Policy (page)

United Community Bancorp has paid quarterly cash dividends since the fourth quarter of 2006. For the quarter ended March 31, 2011, the quarterly cash dividend was $0.11 per share, which equals $0.44 per share on an annualized basis. After the conversion and offering, we expect to pay a quarterly cash dividend of $0.08 per share, or $0.32 per share on an annualized basis, at all levels of the offering range. This represents an annual dividend yield of 4.0% at all levels of the offering range based on a stock price of $8.00 per share. However, the dividend rate and the continued payment of dividends will depend on a number of factors, including our capital requirements and alternative uses for capital, our financial condition and results of operations, tax considerations, statutory and regulatory limitations and general economic conditions. No assurance can be given that we will continue to pay dividends or that they will not be reduced or eliminated in the future.

Tax Consequences (page)

As a general matter, the conversion will not be a taxable transaction for purposes of federal or state income taxes to us or persons who receive or exercise subscription rights. Existing stockholders of United Community Bancorp who receive cash in lieu of fractional share interests in shares of new United Community Bancorp will recognize gain or loss equal to the difference between the cash received and the tax basis of the fractional share. Kilpatrick Townsend & Stockton LLP and Clark, Schaefer, Hackett & Co. have issued us opinions to this effect.

Delivery of Prospectus

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

We will make reasonable attempts to provide a prospectus and offering materials to holders of subscription rights. The subscription offering and all subscription rights will expire at 4:00 p.m., Eastern Time, on **[DATE1]**, 2011 whether or not we have been able to locate each person entitled to subscription rights.

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

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

Stock Information Center

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

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RISK FACTORS

You should consider carefully the following risk factors before purchasing shares of new United Community Bancorp common stock.

Risks Related to Our Business

Our nonperforming assets have increased significantly and expose us to increased risk of loss.

Our nonperforming assets have increased as a result of the recent economic recession. At March 31, 2011, we had total nonperforming assets of $20.8 million, or 4.4% of total assets, a $9.9 million increase from $10.9 million at June 30, 2010 and a $12.9 million increase from $7.9 million at June 30, 2009. The increases in nonperforming assets over these periods were primarily the result of increases in troubled debt restructurings on nonaccrual status from $2.5 million at June 30, 2009 and $5.3 million at June 30, 2010 to $18.2 million at March 31, 2011. Troubled debt restructurings are considered to be impaired, except for those that have an established payment history under the terms of the restructured loan. The overall increases in troubled debt restructurings from June 30, 2010 to March 31, 2011, and from June 30, 2009 to June 30, 2010, related to continued weakness in the local economy, particularly outside of Dearborn and Ripley Counties in Indiana. Our nonperforming assets adversely affect our net income in various ways, including the charge-off of $4.4 million in nonresidential and multi-family real estate loans during the quarter ended March 31, 2011. We do not record interest income on nonaccrual loans. We must reserve for probable losses, which are established through a current period charge to income in the provision for loan losses, and from time to time, write down the value of properties in our other real estate owned portfolio to reflect changing market values. Additionally, there are legal fees associated with the resolution of problem assets as well as carrying costs such as taxes, insurance and maintenance related to our other real estate owned. Further, the resolution of nonperforming assets requires the active involvement of management, which can distract us from the overall supervision of operations and other income-producing activities of the Bank. Finally, if our estimate of the allowance for loan losses is inadequate, we will have to increase the allowance accordingly. At March 31, 2011, our allowance for loan losses amounted to $4.9 million, or 1.65% of total loans and 23.5% of nonperforming loans, compared to $5.7 million, or 1.80% of total loans and 53.7% of nonperforming loans at June 30, 2010.

As a result of our controlled growth strategy, we expect our weighted average yield on interest-earning assets will decrease in future periods.

We have implemented a strategy to control the growth of our nonresidential real estate and multi-family real estate loan portfolios, particularly outside of Dearborn and Ripley Counties in Indiana. We intend to continue this strategy until the local economy materially improves. As a result, in the future we will likely experience growth in our one-to four-family residential mortgage loan portfolio and in our investment securities portfolio. At March 31, 2011, residential real estate mortgage loans totaled $133.4 million, or 28.0%, of our total assets and our investment securities portfolio totaled $127.6 million, or 26.8%, of our total assets.

As a result of the implementation of the foregoing strategy, we expect that our weighted average yield on interest-earning assets will decrease in future periods because one-to four-family mortgage loans and investment securities generally yield less than nonresidential mortgage loans and multi-family real estate loans. We expect this strategy will make us more reliant on our non-interest income in order to generate net income. While we have identified various strategies that we are pursuing to improve earnings, including growing and diversifying our sources of non-interest income, these strategies may not succeed in generating and increasing income. If we are unable to generate or increase income, our stock price may be adversely affected.

Our multi-family, nonresidential real estate and land loans expose us to increased lending risks.

At March 31, 2011, our nonresidential real estate and multi-family real estate loan portfolios represented 22.5% and 15.8%, respectively, of our total loans outstanding, compared to 24.6% and 14.8%, respectively at June 30, 2010 and nonresidential real estate and multi-family real estate loans represented 19.8% and 59.3%, respectively, of our total nonperforming assets at March 31, 2011, compared to 48.2% and 25.2%, respectively, at June 30, 2010. During the quarter ended March 31, 2011 we charged off $2.6 million and $2.0 million in loans in our nonresidential real estate and multi-family real estate loan portfolios, respectively. Such charge-offs necessitated establishing during the quarter ended March 31, 2011, provisions of $2.9 million and $622,000 related to our nonresidential real estate and multi-family real estate loan portfolios, respectively. We have grown our loan portfolio in recent years, particularly with respect to multi-family residential and nonresidential real estate loans, but our current strategy is to control the growth of these types of loans,

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particularly those involving properties outside of our local market area until the local economy materially improves and the level of our nonperforming assets in these loan portfolios materially declines. These types of loans generally expose us to greater risk of non-payment and loss than one- to four-family mortgage loans because repayment of the loans often depends on the successful operation of the property and the income stream of the borrowers. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family mortgage loans. Also, many of our multifamily and nonresidential real estate and land borrowers have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to four-family mortgage loan.

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

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

Higher loan losses could require us to increase our allowance for loan losses through a charge to earnings.

When we loan money we incur the risk that our borrowers will not repay their loans. We reserve for loan losses by establishing an allowance through a charge to earnings. The amount of this allowance is based on our assessment of loan losses inherent in our loan portfolio. The process for determining the amount of the allowance is critical to our financial results and condition. It requires subjective and complex judgments about the future, including forecasts of economic or market conditions that might impair the ability of our borrowers to repay their loans. We might underestimate the loan losses inherent in our loan portfolio and have loan losses in excess of the amount reserved. We might increase the allowance because of changing economic conditions. For example, in a rising interest rate environment, borrowers with adjustable-rate loans could see their payments increase. There may be a significant increase in the number of borrowers who are unable or unwilling to repay their loans, resulting in our charging off more loans and increasing our allowance. In addition, when real estate values decline, the potential severity of loss on a real estate-secured loan can increase significantly, especially in the case of loans with high combined loan-to-value ratios. The recent decline in the national economy and the local economies of the areas in which our loans are concentrated could result in an increase in loan delinquencies, foreclosures or repossessions resulting in increased charge-off amounts and the need for additional loan loss provisions in future periods. In addition, our determination as to the amount of our allowance for loan losses is subject to review by our primary regulator, the Office of Thrift Supervision, as part of its examination process, which may result in the establishment of an additional allowance based upon the judgment of the Office of Thrift Supervision after a review of the information available at the time of its examination. Our allowance for loan losses amounted to 1.65% of loans receivable and 23.5% of nonperforming loans at March 31, 2011. Our allowance for loan losses at March 31, 2011 may not be sufficient to cover future loan losses. A large loss could deplete the allowance and require increased provisions to replenish the allowance, which would negatively affect earnings.

Our emphasis on one-to four-family mortgage loans exposes us to lending risks.

At March 31, 2011, $133.4 million, or 45.3%, of our loan portfolio consisted of one-to four-family mortgage loans, and $30.0 million, or 10.2%, of our loan portfolio consisted of home equity loans and second mortgage loans. Because of our controlled growth strategy, we will likely experience growth in one-to four-family mortgage loans. Recent declines in the housing market have resulted in declines in real estate values in our market areas. These declines in real estate values could cause some of our mortgage and home equity loans to be inadequately collateralized, which would expose us to a greater risk of loss if we seek to recover on defaulted loans by selling the real estate collateral.

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Increases in the unemployment rate may result in more borrowers being unable to repay their loans. As of March 31, 2011, U.S. Department of Labor statistics reflected that Dearborn County and Ripley County had an unemployment rate of 9.7% and 9.9%, respectively, compared to Indiana and national unemployment rates of 8.8%.

Our primary market area depends substantially on the gaming industry, and a decline in that industry could hurt our business and our prospects.

Our business is concentrated in the Lawrenceburg, Indiana area. Since the mid-1990s, the economy in Lawrenceburg has been strengthened by the riverboat casino in Lawrenceburg whose presence has supported the development of retail centers and job growth as well as an increase in housing development. Any event that negatively and materially impacts the gaming and tourism industry will adversely impact the Lawrenceburg economy.

Gaming revenue is vulnerable to fluctuations in the national economy. There has been a prolonged decline in the national economy; however, its impact on Lawrenceburg and its gaming industry has not been as significant as in other parts of the country. Tax revenue from the gaming industry has decreased over the last year, but not to the extent that it has affected civil services or other areas.

A continued deterioration in economic conditions generally, and a slowdown in gaming and tourism activities in particular, could result in the following consequences, any of which could adversely affect our business, financial condition, results of operations and prospects and expose us to a greater risk of loss:

- Loan delinquencies may increase;
- Problem assets and foreclosures may increase;
- Demand for our products and services may decline; and
- Collateral for loans made by us may decline in value, reducing the amount of money that our customers may borrow against the collateral, and reducing the value of assets and collateral associated with our loans.

The expansion of permissible gaming activities in other states, particularly in Ohio and/or Kentucky, may lead to a decline in gaming revenue in Lawrenceburg, Indiana, which could hurt our business and our prospects.

Lawrenceburg, Indiana competes with other areas of the country for gaming revenue, and it is possible that the expansion of gaming operations in other states, as a result of changes in laws or otherwise, could significantly reduce gaming revenue in the Lawrenceburg area. In 2009, a vote in the State of Ohio approved casino gaming in several cities in the state, and the casinos are expected to open in 2012, including one in downtown Cincinnati, Ohio. The establishment of casino gaming in Ohio could have a substantial adverse effect on gaming revenue in Lawrenceburg which would adversely affect the Lawrenceburg economy and our business.

Changes in interest rates could adversely affect our results of operations and financial condition.

Our primary source of income is net interest income, which is the difference between the interest income generated by our interest-earning assets (consisting primarily of loans and, to a lesser extent, securities) and the interest expense generated by our interest-bearing liabilities (consisting primarily of deposits and, to a lesser extent, wholesale borrowings).

The level of net interest income is a function of the average balance of our interest-earning assets, the average balance of our interest-bearing liabilities, and the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of our interest-earning assets and our interest-bearing liabilities which, in turn, are affected by such external factors as the local economy, competition for loans and deposits, the monetary policy of the Federal Open Market Committee of the Federal Reserve Board of Governors (the FOMC) and market interest rates.

The cost of our deposits and short-term wholesale borrowings is largely based on short-term interest rates, the level of which is driven by the FOMC. However, the yields on our loans and securities are typically based on intermediate-term or long-term interest rates, which are set by the market and generally vary daily. The level of net interest income is therefore influenced by movements in such interest rates, and the pace at which such movements occur. If the interest rates on our interest-bearing liabilities increase at a faster pace than the interest rates on our interest-earning assets, the result could be a reduction in net interest income and with it, a reduction in our earnings. Our net interest income and earnings would be similarly impacted were the interest rates on its interest-earning assets to decline more quickly than the interest rates on our interest-bearing liabilities.

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In addition, such changes in interest rates could affect our ability to originate loans and attract and retain deposits, the fair value of our financial assets and liabilities, and the average life of our loan and securities portfolios.

Changes in interest rates could also have an effect on the slope of the yield curve. A flat to inverted yield curve could cause our net interest income and net interest margin to contract, which could have a material adverse effect on our net income and cash flows and the value of our assets.

Changes in interest rates particularly affect the value of our securities portfolio. Generally, the value of fixed-rate securities fluctuates inversely with changes in interest rates. Unrealized gains and losses on securities available for sale are reported as a separate component of equity, net of tax. Decreases in the fair value of securities available for sale resulting from increases in interest rates could have an adverse effect on stockholders equity. In addition, we invest in callable securities that expose us to reinvestment risk, particularly during periods of falling market interest rates when issuers of callable securities tend to call or redeem their securities. Reinvestment risk is the risk that we may have to reinvest the proceeds from called securities at lower rates of return than the rates earned on the called securities.

A majority of our real estate loans held for investment are adjustable-rate loans. Any rise in market interest rates may result in increased payments for borrowers who have adjustable-rate mortgage loans, increasing the possibility of default. In addition, although adjustable-rate mortgage loans help make our loan portfolio more responsive to changes in interest rates, the extent of this interest sensitivity is limited by the annual and lifetime interest rate adjustment limits. At March 31, 2011, approximately 74.1% of our total loans had adjustable rates of interest.

Municipal deposits are an important source of funds and a reduced level of those deposits may hurt our profits. Securities we pledge as collateral for our municipal deposits may be subject to risk of loss.

Historically, municipal deposits, consisting primarily of tax revenues from the local river boat casino operations, have been a significant source of funds for our lending and investment activities. At March 31, 2011, $106.8 million, or 25.6% of our total deposits, consisted of municipal deposits. If our municipal deposits decrease to a level where we would need to resort to other sources of funds for our lending and investment activities, such as borrowings from the Federal Home Loan Bank of Indianapolis, the interest expense associated with these other funding sources may be higher than the rates we pay on the municipal deposits, which would hurt our profits. Since February, 2011, we are required to pledge collateral (typically investment securities) to the Indiana Board of Depositories equal to 50% of the municipal deposits maintained at United Community Bank as of December 31, 2010. This collateral is used to insure the municipal deposits of all institutions who receive deposits from Indiana municipalities, and, therefore, is subject to risk of loss if other such institutions fail and there are insufficient Federal Deposit Insurance funds available to cover the liabilities of such institutions.

We are dependent upon the services of key executives.

We rely heavily on our President and Chief Executive Officer, William F. Ritzmann and on our Executive Vice President and Chief Operating Officer, Elmer G. McLaughlin. The loss of Mr. Ritzmann or Mr. McLaughlin could have a material adverse impact on our operations because, as a small company, we have fewer management- level personnel that have the experience and expertise to readily replace these individuals. Changes in key personnel and their responsibilities may be disruptive to our business and could have a material adverse effect on our business, financial condition, and results of operations. We have employment agreements with Messrs. Ritzmann and McLaughlin.

Strong competition within our market areas could hurt our profits and slow growth.

We face intense competition both in making loans and attracting deposits. This competition has made it more difficult for us to make new loans and at times has forced us to offer higher deposit rates. Price competition for loans and deposits might result in us earning less on our loans and paying more on our deposits, which would reduce net interest income. Competition also makes it more difficult to grow loans and deposits. As of June 30, 2010, the most recent date for which information is available, we held 41.3% of the deposits in Dearborn County and 9.5% of the deposits in Ripley County. Competition also makes it more difficult to hire and retain experienced employees. Some of the institutions with which we compete have substantially greater resources and lending limits than we have and may offer services that we do not provide. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Our profitability depends upon our continued ability to compete successfully in our market areas.

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

On July 21, 2010, the President signed into law The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The Dodd-Frank Act restructures the regulation of depository institutions. Under the Dodd-Frank Act, the Office of Thrift Supervision (the OTS), which currently regulates United Community Bank, will be merged into the Office of the Comptroller of the Currency, which regulates national banks, effective July 21, 2011. Savings and loan holding companies, including United Community Bancorp, will be regulated by the Board of Governors of the Federal Reserve System. Also included is the creation of a new federal agency to administer consumer protection and fair lending laws, a function that is now performed by the depository institution regulators. The federal preemption of state laws currently accorded federally chartered depository institutions will be reduced as well and State Attorneys General will have greater authority to bring a suit against a federally chartered institution, such as United Community Bank, for violations of certain state and federal consumer protection laws. The Dodd-Frank Act also will impose consolidated capital requirements on savings and loan holding companies effective in five years, which will limit our ability to borrow at the holding company and invest the proceeds from such borrowings as capital in United Community Bank that could be leveraged to support additional growth. The Dodd-Frank Act contains various other provisions designed to enhance the regulation of depository institutions and prevent the recurrence of a financial crisis such as occurred in 2008-2009. The full impact of the Dodd-Frank Act on our business and operations will not be known for years until regulations implementing the statute are written and adopted. The Dodd-Frank Act may have a material impact on our operations, particularly through increased regulatory burden and compliance costs.

In addition to the enactment of the Dodd-Frank Act, the federal regulatory agencies recently have begun to take stronger supervisory actions against financial institutions that have experienced increased loan losses and other weaknesses as a result of the current economic crisis. These actions include the entering into of written agreements and cease and desist orders that place certain limitations on their operations. Federal bank regulators recently have also been using with more frequency their ability to impose individual minimal capital requirements on banks, which requirements may be higher than those imposed under the Dodd-Frank Act or which would otherwise qualify the bank as being well capitalized under the Federal Deposit Insurance Corporation s prompt corrective action regulations. If United Community Bancorp or United Community Bank were to become subject to a supervisory agreement or higher individual capital requirements, such action may have a negative impact on their ability to execute their business plans, as well as their ability to grow, pay dividends or engage in mergers and acquisitions and may result in restrictions in their operations. See *Regulation and Supervision Federal Savings Institution Regulation Capital Requirements* for a discussion of regulatory capital requirements.

Our asset valuation may include methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to asset valuations that may materially adversely affect our results of operations or financial condition.

We must use estimates, assumptions, and judgments when financial assets and liabilities are measured and reported at fair value. Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. Fair values and the information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices and/or other observable inputs provided by independent third-party sources, when available. When such third-party information is not available, we estimate fair value primarily by using cash flows and other financial modeling techniques utilizing assumptions such as credit quality, liquidity, interest rates and other relevant inputs. Changes in underlying factors, assumptions, or estimates in any of these areas could materially impact our future financial condition and results of operations.

During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain of our assets if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the current financial environment. In such cases, certain asset valuations may require more subjectivity and management judgment. As such, valuations may include inputs and assumptions that are less observable or require greater estimation. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of assets as reported within our consolidated financial statements, and the period-to-period changes in value could vary significantly. Decreases in value may have a material adverse effect on our results of operations or financial condition.

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We rely on other companies to provide key components of our business infrastructure.

Third party vendors provide key components of United Community Bancorp s business infrastructure such as internet connections, network access and fund distribution. While United Community Bancorp has selected these third party vendors carefully, its does not control their actions. Any problems caused by these third parties, including those which result from their failure to provide services for any reason or their poor performance of services, could adversely affect United Community Bancorp s ability to deliver products and services to its customers and otherwise to conduct its business. Replacing these third party vendors could also entail significant delay and expense.

Risks Related to the Offering

Our share price will fluctuate.

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

- operating results that vary from the expectations of our management or of securities analysts and investors;
- developments in our business or in the financial services sector generally;
- regulatory or legislative changes affecting our industry generally or our business and operations;
- operating and securities price performance of companies that investors consider to be comparable to us;
- changes in estimates or recommendations by securities analysts;
- announcements of strategic developments, acquisitions, dispositions, financings and other material events by us or our competitors; and
- changes in financial markets and national and local economies and general market conditions, such as interest rates and stock, commodity, credit or asset valuations or volatility.

Beginning in 2007 and through the present, the business environment for financial services firms has been extremely challenging. During this period, many publicly traded financial services companies have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance or prospects of such companies. We may experience market fluctuations that are not directly related to our operating performance but are influenced by the market s perception of the state of the financial services industry in general and, in particular, the market s assessment of general credit quality conditions, including default and foreclosure rates in the industry.

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

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

Following the offering, we will recognize additional annual employee compensation expenses stemming from options and shares granted to employees, directors and executives under new benefit plans. Stock options and restricted stock may be granted under a new equity incentive plan adopted following the offering, if approved by stockholders. These additional expenses will adversely affect our profitability. We cannot determine the actual amounts of these new stock-related compensation expenses at this time because applicable accounting practices generally require that these expenses be based on the fair market value of the options or shares of common stock at the date of the grant; however, they may be material. We recognize expenses for our employee stock ownership plan when shares are committed to be released to participants accounts and will recognize expenses for restricted stock awards and stock options over the vesting period of awards made to recipients. Pro forma after-tax expenses for the year ended June 30, 2010 were $433,000 at the maximum of the offering range, based on the assumptions as set forth in the pro forma financial information under *Pro Forma Data* assuming the $8.00 per share purchase price as fair market value. Actual expenses, however, may be higher or lower, depending on the price of our common stock, the number of shares awarded under the plans and the timing of the implementation of the plans. For further discussion of these plans, see *Our Management Future Equity Incentive Plan.*

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Our stock price may decline when trading commences.

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

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

Net income divided by average equity, known as return on equity, is a ratio used by many investors to compare the performance of a financial institution with its peers. For the nine months ended March 31, 2011 and the year ended June 30, 2010, our return on average equity was (2.10)% (annualized) and 1.83%, respectively. Although we expect that our net income will increase following the offering, we expect that our return on equity will remain low as a result of the additional capital that we will raise in the offering. For example, our pro forma return on equity for the year ended June 30, 2010 is 1.50%, assuming the sale of shares at the maximum of the offering range. In comparison, the peer group used by Keller & Co. in its appraisal had an average return on equity of 5.29% for the 12 months ended March 31, 2011. Over time, we intend to use the net proceeds from the offering to increase earnings per share and book value per share, without assuming undue risk, with the goal of achieving a return on equity that is competitive with other similarly situated publicly held companies. This goal could take a number of years to achieve, and we might not attain it. Consequently, you should not expect a competitive return on equity in the near future. Failure to achieve a competitive return on equity might make an investment in our common stock unattractive to some investors and might cause our common stock to trade at lower prices than comparable companies with higher returns on equity. See *Pro Forma Data* for an illustration of the financial impact of the offering.

We have broad discretion in allocating the proceeds of the offering. Our failure to effectively utilize such proceeds would reduce our profitability.

We intend to contribute approximately 60% of the net proceeds of the offering to United Community Bank and to use approximately 6.9% of the net proceeds, at the midpoint of the offering, to fund the loan to the employee stock ownership plan. We may use the proceeds retained by the holding company to, among other things, invest in securities, pay cash dividends or repurchase shares of common stock, subject to regulatory restrictions. United Community Bank may use the portion of the proceeds that it receives to fund new loans, repay outstanding borrowings, invest in securities and expand its business activities. We may also use the proceeds of the offering to open new branches, diversify our business and acquire other companies, although we have no specific plans to do so at this time. Other than as described in *Use of Proceeds,* we have not allocated specific amounts of proceeds for any of these purposes, and we will have significant flexibility in determining how much of the net proceeds we apply to different uses and the timing of such applications. Our failure to utilize these funds effectively would reduce our profitability.

I**ssuance of shares for benefit programs may dilute your ownership interest.**

We intend to adopt a new equity incentive plan following the offering, subject to stockholder approval. We may fund the equity incentive plan through the purchase of common stock in the open market (subject to regulatory restrictions) or by issuing new shares of common stock. If we fund restricted stock awards under the equity incentive plan with new shares of common stock, your ownership interest would be diluted by approximately 1.85%, assuming we award all of the shares and options available under the plan. We currently have outstanding options and shares available for future stock options under our 2006 Equity Incentive Plan. If we fund the awards under our existing plan with new shares of stock, your ownership interest would be diluted by approximately 5.08%, assuming we award all of the shares and options available under the plan. See *Pro Forma Data* and *Our Management 2006 Equity Incentive Plan.*

The articles of incorporation and bylaws of new United Community Bancorp and certain laws and regulations may prevent or make more difficult certain transactions, including a sale or merger of new United Community Bancorp.

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

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

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

A classified board. Our board of directors is divided into three classes as nearly as equal in number as possible. The stockholders elect one class of directors each year for a term of three years. The classified board provision is designed to afford anti-takeover protection by making it more difficult and time consuming for a stockholder group to fully use its voting power to gain control of the board of directors at a single annual meeting of stockholders without the consent of the incumbent board of directors of new United Community Bancorp.

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

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

Limitations on calling special meetings of stockholders. Our stockholders must act only through an annual or special meeting. Special meetings of stockholders may only be called by the Chairman, the President or a majority of the board of directors. The limitations on the calling of special meetings of stockholders may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Elimination of cumulative voting. Our articles of incorporation provide that no shares will be entitled to cumulative voting. The elimination of cumulative voting may afford anti-takeover protection by preventing a stockholder from electing nominees opposed by the board of directors of new United Community Bancorp.

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

Supermajority voting requirement for the amendment of our articles of incorporation. Our articles of incorporation provide that certain amendments to our articles of incorporation relating to a change in control of us must be approved by at least two-thirds (2/3) of the outstanding shares entitled to vote.

Amendment of our bylaws. Our articles of incorporation provide that our bylaws may be adopted, amended or repealed by a resolution adopted by a two-thirds (2/3) majority of the directors then in office.

Authorized but unissued shares of capital stock. Following the offering, we will have authorized but unissued shares of common and preferred stock. Our articles of incorporation authorize the board of directors to establish one or more

series of preferred stock and, for any series of preferred stock, to determine the terms and rights of the series, including voting rights, dividend rights, conversion and redemption rates, and liquidation preferences. Such shares of common and preferred stock could be issued by the board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

***Indiana anti-takeover statute*.** Under Indiana law, any person who acquires more than 10% of an Indiana corporation without prior approval of its board of directors is prohibited from engaging in any type of business combination with the corporation for a five-year period. If such advance approval is not received, then the business combination must meet all requirements of the articles of incorporation and either must be approved by a majority vote of the voting stock not owned by the interested stockholder and its associates at a meeting called for that purpose no earlier than five (5) years after the interested stockholder s share acquisition date or the proposed consideration to be paid in the business combination must satisfy certain fair price criteria. Under Indiana law, United Community Bancorp is permitted and has decided to specifically opt out of the application of the Business Combinations Chapter of the Indiana Business Corporations Law.

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

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A WARNING ABOUT FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which can be identified by the use of words such as believes, expects, anticipates, estimates or similar expressions. Forward-looking statements include, but are not limited to:

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

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

- general economic conditions, either nationally or in our market area, that are worse than expected;
- changes in the interest rate environment that reduce our interest margins or reduce the fair value of financial instruments;
- changes in real estate values, which could impact the value of the assets securing the loans in our portfolio;
- increased competitive pressures among financial services companies;
- changes in consumer spending, borrowing and savings habits;
- legislative or regulatory changes that adversely affect our business;
- adverse changes in the securities markets; and
- changes in accounting policies and practices, as may be adopted by United Community Bank, regulatory agencies or the Public Company Accounting Oversight Board.

Any of the forward-looking statements that we make in this prospectus and in other public statements we make may later prove incorrect because of inaccurate assumptions, the factors illustrated above or other factors that we cannot foresee. Consequently, no forward-looking statement can be guaranteed.

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

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The summary financial information presented below is derived in part from our consolidated financial statements. The following is only a summary and you should read it in conjunction with the consolidated financial statements and notes beginning on page F-1. The information at June 30, 2010 and 2009 and for the years ended June 30, 2010, 2009, and 2008 is derived in part from the audited consolidated financial statements that appear in this prospectus. The information presented below does not include the financial condition, results of operations or other data of United Community MHC. The information at March 31, 2011 and for the nine months ended March 31, 2011 and 2010 was not audited, but in the opinion of management, reflects all adjustments necessary for a fair presentation. All of these adjustments are normal and recurring. The results of operations for the nine months ended March 31, 2011 are not necessarily indicative of the results of operations that may be expected for the entire year.

	At March 31, 2011	At June 30, 2010	2009	2008	2007	2006
			(In thousands)			
Financial Condition Data:						
Total assets	$ 475,968	$ 492,104	$ 401,579	$ 382,726	$ 381,061	$ 354,707
Cash and cash equivalents	28,182	32,023	27,004	35,710	43,025	15,010
Securities held-to-maturity	564	631	175	200	223	245
Securities available-for-sale	42,987	62,089	46,769	13,816	17,231	42,083
Mortgage-backed securities available-for-sale	84,051	57,238	29,713	24,211	26,701	34,263
Loans receivable, net	289,644	309,575	272,270	284,352	273,605	244,537
Deposits	416,909	430,180	339,616	320,774	316,051	289,807
Advances from Federal Home Loan Bank	2,083	2,833	3,833	4,833		
Stockholders equity	53,396	55,480	55,079	54,489	62,461	62,485

	For the Nine Months Ended March 31, 2011	2010	For the Years Ended June 30, 2010	2009	2008	2007	2006
			(In thousands, except per share data)				
Operating Data:							
Interest income	$ 14,939	$ 14,248	$ 18,936	$ 19,912	$ 21,615	$ 21,687	$ 17,878
Interest expense	4,354	4,835	6,429	7,906	11,353	10,576	7,762
Net interest income	10,585	9,413	12,507	12,006	10,262	11,111	10,116
Provision for loan losses	5,427	1,397	2,509	2,447	4,718	730	120
Net interest income after provision for loan losses	5,158	8,016	9,998	9,559	5,544	10,381	9,996
Other income	2,763	2,377	3,557	2,787	2,197	2,848	1,189
Other expense	9,404	8,852	12,198	11,450	9,850	9,250	9,572
Income (loss) before income taxes	(1,483)	1,541	1,357	896	(2,109)	3,979	1,613
Provision (benefit) for income taxes	(612)	493	343	177	(653)	1,485	575
Net income (loss)	$ (871)	$ 1,048	$ 1,014	$ 719	$ (1,456)	$ 2,494	$ 1,038
Per Share Data:							
Earnings (loss) per share, basic and diluted	$ (0.11)	$ 0.14	$ 0.13	$ 0.09	$ (0.19)	$ 0.31	$ 0.09

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	At or for the Nine Months Ended March 31,		At or For the Years Ended June 30,				
	2011 (1)	2010 (1)	2010	2009	2008	2007	2006
Performance Ratios:							
Return on average assets	(0.24)	0.34	0.24%	0.18%	(0.38)%	0.67%	0.31%
Return on average equity	(2.10)	2.52	1.83	1.31	(2.48)	3.96	2.53
Interest rate spread (2)	2.96	3.05	2.96	3.04	2.43	2.68	2.94
Net interest margin (3)	3.05	3.22	3.12	3.25	2.85	3.15	3.15
Noninterest expense to average assets	2.55	2.85	2.87	2.92	2.58	2.48	2.82
Efficiency ratio (4)	70.45	75.08	75.93	77.40	79.06	66.27	84.67
Average interest-earning assets to average interest-bearing liabilities	106.77	109.93	109.51	110.34	112.97	115.40	108.42
Average equity to average assets	11.21	13.40	13.06	14.02	15.41	16.92	12.07
Dividend payout ratio (5)(6)	NA	80.15	115.38	152.43	NM	41.46	38.09
United Community Bank Capital Ratios:							
Tangible capital	9.58	11.30	9.17	12.08	13.00	13.42	13.23
Core capital	9.58	11.30	9.26	12.08	13.00	13.42	13.23
Total risk-based capital	17.26	17.61	14.27	18.40	20.51	21.24	19.66
Asset Quality Ratios:							
Nonperforming loans as a percent of total loans	7.01	3.34	3.35	2.15	2.57	1.14	0.33
Nonperforming assets as a percentage of total assets	4.37	2.18	2.21	1.97	2.70	0.86	0.27
Allowance for loan losses as a percent of total loans	1.65	1.68	1.80	1.52	1.59	0.97	0.85
Allowance for loan losses as a percent of nonperforming loans	23.53	50.11	53.73	70.51	61.98	84.55	256.39
Net charge-offs to average outstanding loans during the period	2.04	0.35	0.38	1.00	1.06	0.06	0.12
Other Data:							
Number of offices	9	6	9	6	6	6	5

NM = Not meaningful.

(1) Annualized where appropriate.

(2) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost on average interest-bearing liabilities.

(3) Represents net interest income as a percent of average interest-earning assets.

(4) Represents other expense divided by the sum of net interest income and other income.

(5) Due to the timing of United Community Bank s reorganization into the mutual holding company structure and the completion of United Community Bancorp s minority stock offering on March 30, 2006, the 2006 calculation is based solely on earnings after that date.

(6) Represents dividends declared (excluding waived dividends) divided by net income. A summary of the dividends declared and waived (and thus not paid) dividends is set forth below:

	For the Nine Months Ended March 31,		For the Year Ended June 30,				
	2011	2010	2010	2009	2008	2007	2006
			(In thousands)				
Dividends:							
Paid to minority stockholders	$ 985	$ 840	$ 1,170	$ 1,096	$ 1,059	$ 1,034	$ 267
Waived by United Community MHC	1,536	1,397	1,909	1,722	1,536	1,350	326
Total dividend	$ 2,521	$ 2,237	$ 3,079	$ 2,818	$ 2,595	$ 2,384	$ 593

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USE OF PROCEEDS

The following table shows how we intend to use the net proceeds of the offering. The actual net proceeds will depend on the number of shares of common stock sold in the offering and the expenses incurred in connection with the offering. Payments for shares made through withdrawals from deposit accounts at United Community Bank will reduce United Community Bank s deposits and will not result in the receipt of new funds for investment. See *Pro Forma Data* for the assumptions used to arrive at these amounts.

	Minimum of Offering Range		Midpoint of Offering Range		Maximum of Offering Range		15% Above Maximum of Offering Range	
	3,215,486 Shares at $8.00 per Share	Percent of Net Proceeds	3,782,925 Shares at $8.00 per Share	Percent of Net Proceeds	4,350,364 Shares at $8.00 per Share	Percent of Net Proceeds	5,002,918 Shares at $8.00 per Share	Percent of Net Proceeds
	(Dollars in thousands)							
Gross offering proceeds	$ 25,724		$ 30,263		$ 34,803		$ 40,023	
Less: offering expenses	(2,056)		(2,232)		(2,409)		(2,612)	
Net offering proceeds	23,668	100.00%	28,031	100.00%	32,394	100.00%	37,411	100.00%
Plus:								
Consolidation of MHC	100	0.42%	100	0.36%	100	0.31%	100	0.27%
Less:								
Proceeds contributed to United Community Bank	(14,201)	(60.00)%	(16,819)	(60.00)%	(19,436)	(60.00)%	(22,447)	(60.00)%
Proceeds used for loan to employee stock ownership plan	(1,635)	(6.91)%	(1,923)	(6.87)%	(2,212)	(6.83)%	(2,544)	(6.80)%
Proceeds remaining for United Community Bancorp	$ 7,932	33.51%	$ 9,389	33.49%	$ 10,846	33.48%	$ 12,520	33.46%

We initially intend to invest the proceeds retained from the offering at new United Community Bancorp in short-term investments, such as U.S. treasury and government agency securities, mortgage-backed securities and cash and cash equivalents. The actual amounts to be invested in different instruments will depend on the interest rate environment and new United Community Bancorp s liquidity requirements. In the future, new United Community Bancorp may liquidate its investments and use those funds:

- to pay dividends to stockholders;
- to repurchase shares of its common stock, subject to regulatory restrictions;
- to finance the possible acquisition of financial institutions or other businesses that are related to banking; and
- for general corporate purposes, including contributing additional capital to United Community Bank.

Under current Office of Thrift Supervision (sometimes referred to as the OTS) regulations, we may not repurchase shares of our common stock during the first year following completion of the conversion and offering, except to fund equity benefit plans other than stock options or, with prior regulatory approval, when extraordinary circumstances exist. For a discussion of our dividend policy and regulatory matters relating to the payment of dividends, see *Our Dividend Policy*.

United Community Bank initially intends to invest the proceeds it receives from the offering, which is shown in the table above as the amount contributed to United Community Bank, in short-term investments. Over time, United Community Bank intends to use the proceeds that it receives from the offering:

- to fund new loans;
- to invest in securities;
- to finance the possible expansion of its business activities; and
- for general corporate purposes.

We may need regulatory approvals to engage in some of the activities listed above.

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We currently anticipate that 60% of the net proceeds of the offering will be contributed to United Community Bank and, after initially being invested in short-term investments, will primarily be used to fund new loans. As further discussed in *Management s Discussion and Analysis of Financial Condition and Results of Operations Operating Strategy Implementing a controlled growth strategy to prudently increase profitability and enhance stockholder value,* as a result of our controlled growth strategy, we will likely experience growth in our one-to four-family residential mortgage loan portfolio and in our investment portfolio, primarily short-term investments. We believe our existing infrastructure and our recent expansion into Ripley County, along with the proceeds of this offering, will enable us to originate new loans, particularly one-to four-family residential loans, consistent with our controlled growth strategy. The amount of time that it will take to deploy the proceeds of the offering into loans will depend primarily on the level of loan demand.

We currently do not have any specific plans for any expansion or diversification activities that would require funds from this offering. Except as described above, we have no specific plans for the investment of the proceeds of the offering and have not allocated a specific portion of the proceeds to any particular use. For a discussion of our business reasons for undertaking the offering, see *The Conversion and Offering Reasons for the Conversion and Offering.*

OUR DIVIDEND POLICY

United Community Bancorp has paid quarterly cash dividends since the fourth quarter of 2006. For the quarter ended March 31, 2011, the quarterly cash dividend was $0.11 per share, which equals $0.44 per share on an annualized basis. After the conversion and offering, we currently expect to pay a quarterly cash dividend of $0.08 per share, or $0.32 per share on an annualized basis, at all levels of the offering range. This represents an annual dividend yield of 4.0% at all levels of the offering range based on a stock price of $8.00 per share. However, the dividend rate and the continued payment of dividends will depend on a number of factors, including our capital requirements and alternative uses for capital, our financial condition and results of operations, tax considerations, statutory and regulatory limitations and general economic conditions. No assurance can be given that we will continue to pay dividends or that they will not be reduced or eliminated in the future.

New United Community Bancorp is subject to Indiana law, which generally permits a corporation to pay dividends on its common stock unless, after giving effect to the dividend, the corporation would be unable to pay its debts as they become due in the usual course of its business or the total assets of the corporation would be less than the sum of its liabilities and the amount that would be needed, if United Community Bancorp were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of any holders of capital stock who have a preference upon dissolution. Pursuant to Office of Thrift Supervision regulations, new United Community Bancorp may not make a distribution that would constitute a return of capital during the three years following the completion of the conversion and offering. Following the merger of the Office of Thrift Supervision into the Office of the Comptroller of the Currency and the assumption of regulatory authority by the Federal Reserve Board over savings and loan holding companies, new United Community Bancorp will not be required to obtain prior Federal Reserve approval to pay a dividend unless the declaration and payment of a dividend could raise supervisory concerns about the safe and sound operation of new United Community Bancorp and United Community Bank, such as where the dividend declared for a period is not supported by earnings for that period, or where new United Community Bancorp plans to declare a material increase in its common stock dividend.

New United Community Bancorp s ability to pay dividends may depend, in part, upon its receipt of dividends from United Community Bank. For a discussion of restrictions on the payment of dividends by United Community Bank, see *Regulation and Supervision Federal Savings Institution Regulation Limitation on Capital Distributions.* In addition, any payment of dividends by United Community Bank to new United Community Bancorp that would be deemed to be drawn out of United Community Bank s bad debt reserves would require the payment of federal income taxes by United Community Bank at the then current income tax rate on the amount deemed distributed. See *Federal and State Taxation Federal Income Taxation* and Note 18 of the notes to consolidated financial statements included elsewhere in this prospectus. New United Community Bancorp does not contemplate any distribution by United Community Bank that would result in this type of tax liability.

In addition, pursuant to the plan of conversion, neither new United Community Bancorp nor United Community Bank may declare or pay a cash dividend on, or repurchase any of, its capital stock if the effect of such action would cause its equity to be reduced below (i) the amount required for the liquidation account established in connection with the conversion or (ii) the regulatory capital requirements of United Community Bancorp (to the extent applicable) or United Community Bank.

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MARKET FOR THE COMMON STOCK

The common stock of United Community Bancorp is currently listed on the Nasdaq Global Market under the symbol UCBA. Upon completion of the conversion and offering, the shares of common stock of new United Community Bancorp will replace United Community Bancorp s common stock. We expect that new United Community Bancorp s shares of common stock will trade on the Nasdaq Global Market under the trading symbol UCBAD for a period of 20 trading days after completion of the offering. Thereafter, our trading symbol will revert to UCBA. To list our common stock on the Nasdaq Global Market we are required to have at least three broker-dealers who will make a market in our common stock. United Community Bancorp currently has approximately 18 registered market makers.

The development of a public market having the desirable characteristics of depth, liquidity and orderliness depends on the existence of willing buyers and sellers, the presence of which is not within our control or that of any market maker. The number of active buyers and sellers of our common stock at any particular time may be limited, which may have an adverse effect on the price at which our common stock can be sold. There can be no assurance that persons purchasing the common stock will be able to sell their shares at or above the $8.00 price per share in the offering. Purchasers of our common stock should recognize that there are risks involved in their investment and that there may be a limited trading market in the common stock.

The following table sets forth high and low sales prices for United Community Bancorp s common stock and the cash dividends per share declared for the periods indicated.

	High	Low	Dividends
Year Ending June 30, 2011:			
Fourth Quarter (through June , 2011)	$	$	$
Third Quarter	8.13	6.91	0.11
Second Quarter	7.75	6.04	0.11
First Quarter	8.00	6.88	0.11
Year Ended June 30, 2010:			
Fourth Quarter	$ 7.75	$ 6.06	$ 0.11
Third Quarter	6.95	6.15	0.10
Second Quarter	7.03	6.15	0.10
First Quarter	7.55	5.01	0.10
Year Ended June 30, 2009:			
Fourth Quarter	$ 7.20	$ 5.40	$ 0.10
Third Quarter	6.96	3.70	0.09
Second Quarter	9.95	4.64	0.09
First Quarter	9.99	5.01	0.09

At , 2011, United Community Bancorp had approximately stockholders of record, not including those who hold shares in street name. On the effective date of the conversion, all publicly held shares of United Community Bancorp common stock, including shares held by our officers and directors, will be converted automatically into and become the right to receive a number of shares of new United Community Bancorp common stock determined pursuant to the exchange ratio. See *The Conversion and Offering Share Exchange Ratio for Current Stockholders.* The above table reflects actual prices and has not been adjusted to reflect the exchange ratio. Options to purchase shares of United Community Bancorp common stock will be converted into options to purchase a number of shares of new United Community Bancorp common stock adjusted pursuant to the exchange ratio, for the same aggregate exercise price.

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CAPITALIZATION

The following table presents the historical capitalization of United Community Bancorp at March 31, 2011 and the capitalization of new United Community Bancorp reflecting the offering (referred to as pro forma information). The pro forma capitalization gives effect to the assumptions listed under *Pro Forma Data*, based on the sale of the number of shares of common stock indicated in the table. This table does not reflect the issuance of additional shares as a result of the exercise of options granted under the 2006 Equity Incentive Plan or the proposed new equity incentive plan. **A change in the number of shares to be issued in the offering may materially affect pro forma capitalization.** We must sell a minimum of 3,215,486 shares to complete the offering.

		Pro Forma Capitalization at March 31, 2011 Based Upon Sale at $8.00 per Share			
	United Community Bancorp Historical	Minimum of Offering Range 3,215,486 Shares at $8.00 per Share	Midpoint of Offering Range 3,782,925 Shares at $8.00 per Share	Maximum of Offering Range 4,350,364 Shares at $8.00 per Share	15% Above Maximum of Offering Range 5,002,918 Shares at $8.00 per Share
	(Dollars in thousands)				
Deposits (1)	$ 416,909	$ 416,909	$ 416,909	$ 416,909	$ 416,909
Borrowings	2,083	2,083	2,083	2,083	2,083
Total deposits and borrowings	$ 418,992	$ 418,992	$ 418,992	$ 418,992	$ 418,992
Stockholders equity:					
Preferred stock:					
1,000,000 shares, $0.01 par share per share, authorized; none issued and outstanding	$	$	$	$	$
Common stock:					
25,000,000 shares, $0.01 par value per share, authorized; specified number of shares assumed to be issued and outstanding (2)	36	54	64	73	84
Additional paid-in capital	36,860	60,510	64,863	69,217	74,223
Retained earnings (3)	26,192	26,192	26,192	26,192	26,192
Mutual holding company capital consolidation		100	100	100	100
Accumulated other comprehensive gain (loss)	234	234	234	234	234
Less:					
Treasury stock	(7,091)	(7,091)	(7,091)	(7,091)	(7,091)
Shares purchased for existing equity incentive plan	(2,835)	(2,835)	(2,835)	(2,835)	(2,835)
Common stock acquired by employee stock ownership plan (4)		(1,635)	(1,923)	(2,212)	(2,544)
Common stock acquired by equity incentive plan (5)		(817)	(962)	(1,106)	(1,272)
Total stockholders equity	$ 53,396	$ 74,712	$ 78,642	$ 82,572	$ 87,091
Total stockholders equity as a percentage of total assets	11.22%	15.02%	15.69%	16.35%	17.09%

(1) Does not reflect withdrawals from deposit accounts for the purchase of common stock in the offering. Withdrawals to purchase common stock will reduce pro forma deposits by the amounts of the withdrawals.

(2) Reflects total issued and outstanding shares of 5,418,750, 6,375,000, 7,331,250 and 8,430,938 at the minimum, midpoint, maximum, and 15% above the maximum of the offering range, respectively.

(3) Retained earnings are restricted by applicable regulatory capital requirements.

(4) Assumes that 6.4% of the common stock sold in the offering will be acquired by the employee stock ownership plan with funds borrowed from new United Community Bancorp. Under U.S. generally accepted accounting principles, the amount of common stock to be purchased by the employee stock ownership plan represents unearned compensation and, accordingly, is reflected as a reduction of capital. As shares are released to plan participants accounts, a compensation expense will be charged, along with related tax benefit, and a reduction in the charge against capital will occur. Since

(footnotes continued on following page)

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the funds are borrowed from new United Community Bancorp, the borrowing will be eliminated in consolidation and no liability or interest expense will be reflected in the financial statements of new United Community Bancorp. See *Our Management Employee Stock Ownership Plan*, and *Pro Forma Data*.

(5) Assumes the purchase in the open market at $8.00 per share, for restricted stock awards under the proposed equity incentive plan, of a number of shares equal to 3.18% of the shares of common stock sold in the offering. The shares are reflected as a reduction of stockholders equity. The equity incentive plan will be submitted to stockholders for approval at a meeting following the offering. See *Risk Factors Risks Related to the Offering Issuance of shares for benefit programs may dilute your ownership interest*, *Pro Forma Data* and *Our Management Future Equity Incentive Plan*.

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REGULATORY CAPITAL COMPLIANCE

At March 31, 2011, United Community Bank exceeded all regulatory capital requirements. The following table presents United Community Bank s capital position relative to its regulatory capital requirements at March 31, 2011, on a historical and a pro forma basis. The table reflects receipt by United Community Bank of 60% of the net proceeds of the offering. For purposes of the table, the amount expected to be borrowed by the employee stock ownership plan has been deducted from pro forma regulatory capital. For a discussion of the assumptions underlying the pro forma capital calculations presented below, see *Use of Proceeds*, *Capitalization* and *Pro Forma Data*. The definitions of the terms used in the table are those provided in the capital regulations issued by the Office of Thrift Supervision. For a discussion of the capital standards applicable to United Community Bank, see *Regulation and Supervision Federal Savings Institution Regulation Capital Requirements*.

	United Community Bank Historical at March 31, 2011 (1)		Pro Forma at March 31, 2011 (1) Minimum of Offering Range 3,215,486 Shares at $8.00 per share		Midpoint of Offering Range 3,782,925 Shares at $8.00 per share		Maximum of Offering Range 4,350,364 Shares at $8.00 per share		15% Above Maximum of Offering Range 5,002,918 Shares at $8.00 per share	
	Amount	Percent of Assets (2)	Amount	Percent of Assets (2)	Amount	Percent of Assets (2)	Amount	Percent of Assets (2)	Amount	Percent of Assets (2)
					(Dollars in thousands)					
Total equity under generally accepted accounting principles	$ 53,396	11.2%	$ 65,145	13.3%	$ 67,330	13.7%	$ 69,514	14.0%	$ 72,027	14.5%
Tangible capital:										
Actual (3)	$ 45,033	9.5%	$ 56,782	11.7%	$ 58,967	12.1%	$ 61,151	12.4%	$ 63,664	12.9%
Requirement	7,086	1.5	7,299	1.5	7,338	1.5	7,377	1.5	7,422	1.5
Excess	$ 37,947	8.0%	$ 49,483	10.2%	$ 51,629	10.6%	$ 53,774	10.9%	$ 56,242	11.4%
Tier 1 leverage capital:										
Actual (3)	$ 45,033	9.5%	$ 56,782	11.7%	$ 58,967	12.1%	$ 61,151	12.4%	$ 63,664	12.9%
Requirement	18,895	4.0	19,463	4.0	19,568	4.0	19,672	4.0	19,793	4.0
Excess	$ 26,138	5.5%	$ 37,319	7.7%	$ 39,399	8.1%	$ 41,479	8.4%	$ 43,871	8.9%
Tier 1 risk-based capital (2):										
Actual (3)	$ 45,033	16.0%	$ 56,782	20.0%	$ 58,967	20.7%	$ 61,151	21.4%	$ 63,664	22.3%
Requirement	11,253	4.0	11,366	4.0	11,387	4.0	11,408	4.0	11,432	4.0
Excess	$ 33,780	12.0%	$ 45,416	16.0%	$ 47,580	16.7%	$ 49,743	17.4%	$ 52,232	18.3%
Total risk-based capital (2):										
Actual (3)(4)	$ 48,549	17.3%	$ 60,298	21.2%	$ 62,483	21.9%	$ 64,667	22.7%	$ 67,180	23.5%
Requirement	22,505	8.0	22,732	8.0	22,774	8.0	22,816	8.0	22,864	8.0
Excess	$ 26,044	9.3%	$ 37,566	13.2%	$ 39,709	13.9%	$ 41,851	14.7%	$ 44,316	15.5%
Reconciliation of capital contributions to United Community Bank:										
Net Proceeds contributed to United Community Bank			$ 23,768		$ 28,131		$ 32,494		$ 37,511	
Proceeds to Bank			14,201		16,819		19,436		22,447	
Less common stock acquired by ESOP			1,635		1,923		2,212		2,544	

Less common stock acquired by equity incentive plan	817	962	1,106	1,272
Pro forma increase in GAAP and regulatory capital	$ 11,749	$ 13,934	$ 16,118	$ 18,631

(1) Based on adjusted total assets of $472,374,000 for the purposes of the tangible and core capital requirements, and risk-weighted assets of $281,314 for the purposes of the Tier 1 risk-based and total risk-based capital requirements.
(2) Pro forma amounts and percentages assume net proceeds are invested in assets that carry a 20% risk-weight.
(3) Pro forma capital levels assume receipt by United Community Bank of 60% of the net proceeds from the sale of common stock in the Subscription Offering at all the offering ranges.
(4) Historical risk-based capital is comprised of tangible capital of $45,033,000 plus a portion of United Community Bank s general valuation allowance of $3,926,000.

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PRO FORMA DATA

The following table illustrates the pro forma impact of the conversion and offering on our net income and stockholders equity based on the sale of common stock at the minimum, the midpoint, the maximum and 15% above the maximum of the offering range. The actual net proceeds from the sale of the common stock cannot be determined until the offering is completed. Net proceeds indicated in the following tables are based upon the following assumptions:

30% of the shares of common stock will be sold in the subscription and community offerings and 70% of the shares will be sold in a syndicated community offering;

Our employee stock ownership plan will purchase a number of shares equal to 6.4% of the shares sold in the offering using the proceeds of a loan from new United Community Bancorp that will be repaid in equal installments over 20 years;

Sandler O Neill & Partners, L.P. will receive an aggregate management fee equal to 1.0% of the aggregate purchase price of the shares sold in the subscription and community offerings, except that no fee will be paid with respect to shares purchased by officers, directors and employees or their immediate families and shares purchased by our employee stock ownership plan, and no sales fee will be payable with respect to the exchange shares;

Sandler O Neill & Partners, L.P. will receive (i) a management fee of 1.0% of the aggregate dollar amount of the common stock sold in the syndicated community offering to Sandler O Neill & Partners, L.P. and (ii) a selling concession not to exceed 4.5% of the actual purchase price of each share of common stock sold in the syndicated community offering to these selected dealers who sell shares in the syndicated community offering; and

Total expenses of the offering, excluding sales commissions and management fees referenced above, will be approximately $1.0 million.

Actual expenses may vary from this estimate, and the amount of fees paid will depend upon the number of shares sold in the subscription and community offerings, as opposed to the syndicated community offering.

Pro forma net income for the nine months ended March 31, 2011 and for the year ended June 30, 2010 have been calculated as if the offering were completed at the beginning of the respective period, and the net proceeds had been invested at 2.85%, the arithmetic average of the weighted average yield earned on our interest-earning assets and the weighted average rate paid on our deposits, which is the reinvestment rate required by Office of Thrift Supervision regulations.

A pro forma after-tax return of 1.88% is used for the nine months ended March 31, 2011 and for the year ended June 30, 2010, after giving effect to a combined federal and state income tax rate of 34.0%. The actual rate of return and/or tax rate experienced by new United Community Bancorp may vary. Historical and pro forma per share amounts have been calculated by dividing historical and pro forma amounts by the number of shares of common stock indicated in the tables.

When reviewing the following tables you should consider the following:

Since funds on deposit at United Community Bank may be withdrawn to purchase shares of common stock, those funds will not result in the receipt of new funds for investment. The pro forma tables do not reflect withdrawals from deposit accounts.

Historical per share amounts have been computed as if the shares of common stock expected to be issued in the offering had been outstanding at the beginning of the period covered by the table. However, neither historical nor pro forma stockholders equity has been adjusted to reflect the investment of the estimated net proceeds from the sale of the shares in the offering, the additional employee stock ownership plan expense or the proposed equity incentive plan.

Pro forma stockholders equity (book value) represents the difference between the stated amounts of our assets and liabilities. Book value amounts do not represent fair market values or amounts available for distribution to stockholders in the unlikely event of liquidation. The amounts shown do not reflect the federal income tax consequences of the restoration to income of United Community Bank s special bad debt reserves for income tax purposes or liquidation accounts, which would be required in the unlikely event of liquidation. See *Federal and State Taxation.*

The amounts shown as pro forma stockholders equity per share do not represent possible future price appreciation of our common stock.

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The following pro forma data, which are based on United Community Bancorp s stockholders equity at March 31, 2011 and June 30, 2010, and net income for the nine months ended March 31, 2011 and for the year ended June 30, 2010, may not represent the actual financial effects of the offering or our operating results after the offering. The pro forma data rely exclusively on the assumptions outlined above and in the notes to the pro forma tables. **The pro forma data does not represent the fair market value of our common stock, the current fair market value of our assets or liabilities, or the amount of money that would be available for distribution to stockholders if we were to be liquidated after the conversion.**

	At or for the Nine Months Ended March 31, 2011			
	3,215,486 Shares Sold at $8.00 per Share (Minimum of Range)	**3,782,925 Shares Sold at $8.00 per Share (Midpoint of Range)**	**4,350,364 Shares Sold at $8.00 per Share (Maximum of Range)**	**5,002,918 Shares Sold at $8.00 per Share (15% Above Maximum)**
	(Dollars in thousands, except per share amounts)			
Pro forma market capitalization	$ 43,350	$ 51,000	$ 58,650	$ 67,448
Less exchange shares	17,626	20,737	23,847	27,425
Gross proceeds of public offering	25,724	30,263	34,803	40,023
Less offering expenses	(2,056)	(2,232)	(2,409)	(2,612)
Estimated net conversion proceeds	23,668	28,031	32,394	37,411
Plus MHC assets reinvested	100	100	100	100
Less: Employee stock ownership plan (1)	(1,635)	(1,923)	(2,212)	(2,544)
Less: Equity incentive plan shares (2)	(817)	(962)	(1,106)	(1,272)
Estimated proceeds available for investment	$ 21,316	$ 25,246	$ 29,176	$ 33,695
Consolidated net income:				
Historical	$ (871)	$ (871)	$ (871)	$ (871)
Pro forma adjustments:				
Net income from proceeds	200	237	274	317
Employee stock ownership plan (1)	(45)	(54)	(62)	(71)
Restricted stock awards (2)	(114)	(135)	(155)	(178)
Stock options (3)	(157)	(184)	(212)	(244)
Pro forma net income	$ (987)	$ (1,007)	$ (1,026)	$ (1,047)
Net income per share:				
Historical	$ (0.17)	$ (0.14)	$ (0.12)	$ (0.11)
Pro forma adjustments:				
Net income from proceeds	0.04	0.04	0.04	0.04
Employee stock ownership plan (1)	(0.01)	(0.01)	(0.01)	(0.01)
Restricted stock awards (2)	(0.02)	(0.02)	(0.02)	(0.02)
Stock options (3)	(0.03)	(0.03)	(0.03)	(0.03)
Pro forma net income	$ (0.19)	$ (0.16)	$ (0.14)	$ (0.13)
Pro forma price to earnings per share	(42.31)x	(48.78)x	(55.06)x	62.05x
Number of shares for earnings (4)	5,219,492	6,140,590	7,061,653	8,120,919
Stockholders equity:				
Historical (retained earnings)	$ 53,396	$ 53,396	$ 53,396	$ 53,396
Estimated net conversion proceeds	23,668	28,031	32,394	37,411
MHC capital consolidation	100	100	100	100
Less common stock acquired by:				

Employee stock ownership plan (1)	(1,635)	(1,923)	(2,212)	(2,544)
Restricted stock awards (2)	(817)	(962)	(1,106)	(1,272)
Pro forma equity	74,712	78,642	82,572	87,091
Less intangible assets	3,594	3,594	3,594	3,594
Pro forma tangible equity	$ 71,118	$ 75,048	$ 78,978	$ 83,497
Stockholders equity per share:				
Historical	$ 9.85	$ 8.38	$ 7.28	$ 6.33
Estimated net conversion proceeds	4.37	4.40	4.42	4.44
MHC capital consolidation	0.02	0.02	0.01	0.01
Less common stock acquired by:				
Employee stock ownership plan (1)	(0.30)	(0.30)	(0.30)	(0.30)
Restricted stock awards (2)	(0.15)	(0.15)	(0.15)	(0.15)
Pro forma equity per share	$ 13.79	$ 12.35	$ 11.26	$ 10.33
Less intangible assets	0.68	0.58	0.49	0.43
Pro forma tangible equity per share	13.13	11.79	10.77	9.90
Pro forma price to book value	58.01%	64.78%	71.05%	74.44%
Pro forma price to tangible book value	60.93%	67.85%	74.28%	80.81%
Number of shares for total and tangible book value	5,418,750	6,375,000	7,331,250	8,430,938

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(1) Assumes that the employee stock ownership plan will acquire a number of shares of stock equal to 6.4% of the shares sold in the offering 204,367, 240,421, 276,510 and 317,968 shares at the minimum, midpoint, maximum and 15% above the maximum of the offering range, respectively). The employee stock ownership plan will borrow the funds to acquire these shares from the proceeds retained by new United Community Bancorp. The amount of this borrowing has been reflected as a reduction from gross proceeds to determine estimated net proceeds. This borrowing will have an interest rate equal to the prime rate as published in *The Wall Street Journal*, which is currently 3.25%, which will be fixed at the time of the offering and be for a term of 20 years. United Community Bank intends to make contributions to the employee stock ownership plan in amounts at least equal to the principal and interest requirement of the debt. As the debt is paid down, shares will be released for allocation to participants accounts and stockholders equity will be increased.

The adjustment to pro forma net income for the employee stock ownership plan reflects the after-tax compensation expense associated with the plan. Applicable accounting principles require that compensation expense for the employee stock ownership plan be based upon shares committed to be released and that unallocated shares be excluded from earnings per share computations. An equal number of shares (1/20 of the total, based on a 20-year loan) will be released each year over the term of the loan. The valuation of shares committed to be released would be based upon the average market value of the shares during the year, which, for purposes of the pro forma tables, was assumed to be equal to the $8.00 per share purchase price. If the average market value per share is greater than $8.00 per share, total employee stock ownership plan expense would be greater.

(2) Assumes that new United Community Bancorp will purchase in the open market a number of shares of common stock equal to 3.18% of the shares sold in the offering 102,184, 120,211, 138,255 and 158,985 shares at the minimum, midpoint, maximum and 15% above the maximum of the offering range, respectively), that will be reissued as restricted stock awards under a new equity incentive plan to be adopted following the offering. Purchases will be funded with cash on hand at new United Community Bancorp or with dividends paid to new United Community Bancorp by United Community Bank. The cost of these shares has been reflected as a reduction from gross proceeds to determine estimated net proceeds. In calculating the pro forma effect of the restricted stock awards, it is assumed that the required stockholder approval has been received, that the shares used to fund the awards were acquired at the beginning of the respective period and that the shares were acquired at the $8.00 per share purchase price. The issuance of authorized but unissued shares of the common stock instead of shares repurchased in the open market would dilute the ownership interests of existing stockholders by approximately 1.85%.

The adjustment to pro forma net income for the restricted stock awards reflects the after-tax compensation expense associated with the awards. It is assumed that the fair market value of a share of new United Community Bancorp common stock was $8.00 at the time the awards were made, that shares of restricted stock issued under the equity incentive plan vest 20% per year, that compensation expense is recognized on a straight-line basis over each vesting period so that 20% of the value of the shares awarded was an amortized expense during each year, and that the combined federal and state income tax rate was 34.0%. If the fair market value per share is greater than $8.00 per share on the date shares are awarded under the equity incentive plan, total equity incentive plan expense would be greater.

(3) The adjustment to pro forma net income for stock options reflects the after-tax compensation expense associated with the stock options that may be granted under the new equity incentive plan to be adopted following the offering. If the new equity incentive plan is approved by stockholders, a number of shares equal to 9.02% of the number of shares sold in the offering 289,946, 341,102, 392,294 and 451,119 shares at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively), will be reserved for future issuance upon the exercise of stock options that may be granted under the plan. Compensation cost relating to share-based payment transactions will be recognized in the financial statements over the period the employee is required to provide services for the award. The cost will be measured based on the fair value of the equity instruments issued. Applicable accounting standards do not prescribe a specific valuation technique to be used to estimate the fair value of employee stock options. For purposes of this table, the fair value of stock options to be granted under the new equity incentive plan has been estimated at $2.95 per option using the Black-Scholes option pricing model with the following assumptions: exercise price, $8.00; trading price on date of grant, $8.00; dividend yield, 4.0%; expected life, 10 years; expected volatility, 18.60%; and risk-free interest rate, 3.29%. It is assumed that stock options granted under the equity incentive plan vest 20% per year, that compensation expense is recognized on a straight-line basis over the vesting period so that 20% of the value of the options awarded was an amortized expense during each year, that all of the options awarded are non-qualified options and that the combined federal and state income tax rate was 34.0%. We plan to use the Black-Scholes option-pricing formula; however, if the fair market value per share is different than $8.00 per share on the date options are awarded under the equity incentive plan, or if the assumptions used in the option-pricing formula are different from those used in preparing this pro forma data, the value of the stock options and the related expense would be different. The issuance of authorized but unissued shares of common stock to satisfy option exercises instead of shares repurchased in the open market would dilute the ownership interests of existing stockholders by approximately 5.08%.

(4) The number of shares used to calculate pro forma net income per share is equal to the total number of shares to be outstanding upon completion of the offering, less the number of shares purchased by the employee stock ownership plan not committed to be released within the one year period following the offering as adjusted to effect a weighted average over the period. See footnote 1 above. The number of shares used to calculate pro forma stockholders equity per share is equal to the total number of shares to be outstanding upon completion of the offering.

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	At or For the Year Ended June 30, 2010			
	3,215,486 Shares Sold at $8.00 per Share (Minimum of Range)	3,782,925 Shares Sold at $8.00 per Share (Midpoint of Range)	4,350,364 Shares Sold at $8.00 per Share (Maximum of Range)	5,002,918 Shares Sold at $8.00 per Share (15% Above Maximum)
	(Dollars in thousands, except per share amounts)			
Pro forma market capitalization	$ 43,350	$ 51,000	$ 58,650	$ 67,448
Less exchange shares	17,626	20,737	23,847	27,425
Gross proceeds of public offering	25,724	30,263	34,803	40,023
Less offering expenses	(2,056)	(2,232)	(2,409)	(2,612)
Estimated net conversion proceeds	23,668	28,031	32,394	37,411
Plus MHC assets reinvested	100	100	100	100
Less: Employee stock ownership plan (1)	(1,635)	(1,923)	(2,212)	(2,544)
Less: Restricted stock awards (2)	(817)	(962)	(1,106)	(1,272)
Estimated proceeds available for investment	$ 21,316	$ 25,246	$ 29,176	$ 33,695
Consolidated net income:				
Historical	$ 1,014	$ 1,014	$ 1,014	$ 1,014
Pro forma adjustments:				
Net income from proceeds	401	475	549	634
Employee stock ownership plan (1)	(91)	(107)	(123)	(142)
Restricted stock awards (2)	(229)	(269)	(310)	(356)
Stock options (3)	(157)	(184)	(212)	(244)
Pro forma net income	$ 938	$ 929	$ 918	$ 906
Net income per share:				
Historical	$ 0.19	$ 0.16	$ 0.14	$ 0.12
Pro forma adjustments:				
Net income from proceeds	0.08	0.08	0.08	0.08
Employee stock ownership plan (1)	(0.02)	(0.02)	(0.02)	(0.02)
Restricted stock awards (2)	(0.04)	(0.04)	(0.04)	(0.04)
Stock options (3)	(0.03)	(0.03)	(0.03)	(0.03)
Pro forma net income	$ 0.18	$ 0.15	$ 0.13	$ 0.11
Pro forma price to earnings per share	44.56x	52.93x	61.60x	71.78x
Number of shares for earnings (4)	5,224,601	6,146,600	7,068,566	8,128,868
Stockholders equity:				
Historical (retained earnings)	$ 55,480	$ 55,480	$ 55,480	$ 55,480
Estimated net conversion proceeds	23,668	28,031	32,394	37,411
MHC capital consolidation	100	100	100	100
Less common stock acquired by:				
Employee stock ownership plan (1)	(1,635)	(1,923)	(2,212)	(2,544)
Restricted stock awards (2)	(817)	(962)	(1,106)	(1,272)
Pro forma equity	76,796	80,726	84,656	89,175
Less intangible assets	3,706	3,706	3,706	3,706
Pro forma tangible equity	$ 73,090	$ 77,020	$ 80,950	$ 85,469

Stockholders equity per share:				
Historical	$ 10.24	$ 8.70	$ 7.57	6.58
Estimated net conversion proceeds	4.37	4.40	4.42	4.44
MHC capital consolidation	0.02	0.02	0.01	0.01
Less common stock acquired by:				
Employee stock ownership plan (1)	(0.30)	(0.30)	(0.30)	(0.30)
Restricted stock awards (2)	(0.15)	(0.15)	(0.15)	(0.15)
Pro forma equity per share	$ 14.18	$ 12.67	$ 11.55	$ 10.58
Less intangible assets	0.68	0.58	0.51	0.44
Pro forma tangible equity per share	13.50	12.09	11.04	10.14
Pro forma price to book value	56.42%	63.14%	69.26%	75.61%
Pro forma price to tangible book value	59.26%	66.17%	72.46%	78.90%
Number of shares for total and tangible book value	5,418,750	6,375,000	7,331,250	8,430,938

(1) Assumes that the employee stock ownership plan will acquire a number of shares of stock equal to 6.4% of the shares sold in the offering 204,367, 240,421, 276,510 and 317,968 shares at the minimum, midpoint, maximum and 15% above the maximum of the offering range, respectively). The employee stock ownership plan will borrow the funds to acquire these shares from the proceeds retained by new United Community Bancorp. The amount of this borrowing has been reflected as a reduction from gross proceeds to determine estimated net proceeds. This borrowing will have an interest rate equal to the prime rate as published in *The Wall Street Journal*, which is currently 3.25%, which will be fixed at the time of the offering and be for a term of 20 years. United Community Bank intends to make contributions to the employee stock ownership plan in amounts at least equal to the principal and interest requirement of the debt. As the debt is paid down, shares will be released for allocation to participants accounts and stockholders equity will be increased.

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The adjustment to pro forma net income for the restricted stock awards reflects the after-tax compensation expense associated with the awards. It is assumed that the fair market value of a share of new United Community Bancorp common stock was $8.00 at the time the awards were made, that shares of restricted stock issued under the equity incentive plan vest 20% per year, that compensation expense is recognized on a straight-line basis over each vesting period so that 20% of the value of the shares awarded was an amortized expense during each year, and that the combined federal and state income tax rate was 34.0%. If the fair market value per share is greater than $8.00 per share on the date shares are awarded under the equity incentive plan, total equity incentive plan expense would be greater.

(3) The adjustment to pro forma net income for stock options reflects the after-tax compensation expense associated with the stock options that may be granted under the new equity incentive plan to be adopted following the offering. If the new equity incentive plan is approved by stockholders, a number of shares equal to 9.02% of the number of shares sold in the offering 289,946, 341,102, 392,294 and 451,119 shares at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively), will be reserved for future issuance upon the exercise of stock options that may be granted under the plan. Compensation cost relating to share-based payment transactions will be recognized in the financial statements over the period the employee is required to provide services for the award. The cost will be measured based on the fair value of the equity instruments issued. Applicable accounting standards do not prescribe a specific valuation technique to be used to estimate the fair value of employee stock options. For purposes of this table, the fair value of stock options to be granted under the new equity incentive plan has been estimated at $2.95 per option using the Black-Scholes option pricing model with the following assumptions: exercise price, $8.00; trading price on date of grant, $8.00; dividend yield, 4.0%; expected life, 10 years; expected volatility, 18.60%; and risk-free interest rate, 3.29%. It is assumed that stock options granted under the equity incentive plan vest 20% per year, that compensation expense is recognized on a straight-line basis over the vesting period so that 20% of the value of the options awarded was an amortized expense during each year, that all of the options awarded are non-qualified options and that the combined federal and state income tax rate was 34.0%. We plan to use the Black-Scholes option-pricing formula; however, if the fair market value per share is different than $8.00 per share on the date options are awarded under the equity incentive plan, or if the assumptions used in the option-pricing formula are different from those used in preparing this pro forma data, the value of the stock options and the related expense would be different. The issuance of authorized but unissued shares of common stock to satisfy option exercises instead of shares repurchased in the open market would dilute the ownership interests of existing stockholders by approximately 5.08%.

(4) The number of shares used to calculate pro forma net income per share is equal to the total number of shares to be outstanding upon completion of the offering, less the number of shares purchased by the employee stock ownership plan not committed to be released within the one year period following the offering as adjusted to effect a weighted average over the period. See footnote 1 above. The number of shares used to calculate pro forma stockholders equity per share is equal to the total number of shares to be outstanding upon completion of the offering.

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OUR BUSINESS

General

United Community Bancorp. United Community Bancorp s business activities consist of the ownership of United Community Bank s capital stock and management of the offering proceeds it retained. United Community Bancorp does not own or lease any property. Instead, it uses the premises, equipment and other property of United Community Bank with the payment of appropriate rental fees, as required by applicable law and regulations. Accordingly, the information set forth in this prospectus, including the consolidated financial statements and related financial data, relates primarily to United Community Bank. As a registered savings and loan holding company, United Community Bancorp is subject to the regulation of the Office of Thrift Supervision. At March 31, 2011, we had approximately $476.0 million in assets, $416.9 million in deposits and $53.4 million in stockholders equity. United Community Bancorp will cease to exist following the completion of the conversion and the offering.

United Community Bank. United Community Bank is a federally chartered savings bank and was created on April 12, 1999 through the merger of Perpetual Federal Savings and Loan Association and Progressive Federal Savings Bank, both located in Lawrenceburg, Indiana. On June 4, 2010, United Community Bank acquired three branches from Integra Bank, National Association all of which are located in Ripley County, Indiana. In connection with the acquisition, the Bank acquired $45.9 million in loans and assumed $53.3 million in deposits.

United Community Bank operates as a community-oriented financial institution offering a full menu of banking services and products to consumers and businesses in our market areas. Recent years have seen the expansion of services we offer from a traditional savings and loan product mix to one of a full-service financial institution servicing the needs of retail and commercial customers. United Community Bank attracts deposits from the general public and local municipalities and uses those funds to originate one- to four-family real estate, multi-family real estate and nonresidential real estate, construction, commercial and consumer loans. Generally, fixed-rate one-to four-family residential conforming loans with terms of 15 or more years that we originate are sold in the secondary market with the servicing retained. Such sales generate mortgage banking fees. The remainder of our loan portfolio is originated for investment. United Community Bank also maintains an investment portfolio. United Community Bank is regulated by the Office of Thrift Supervision and its deposits are insured up to applicable legal limits by the Federal Deposit Insurance Corporation. United Community Bank is also a member of the Federal Home Loan Bank of Indianapolis.

United Community Bank s website address is www.bankucb.com. Information on our website should not be considered a part of this prospectus.

New United Community Bancorp. New United Community Bancorp, a Indiana corporation, was incorporated in March 2011 to become the holding company for United Community Bank upon completion of the conversion and reorganization. Before the completion of the conversion and reorganization, new United Community Bancorp has not engaged in any significant activities other than organizational activities. Following completion of the conversion and reorganization, new United Community Bancorp s business activity will be the ownership of the outstanding capital stock of United Community Bank. New United Community Bancorp will not own or lease any property but will instead use the premises, equipment and other property of United Community Bank with the payment of appropriate rental fees, as required by applicable law and regulations, under the terms of an expense allocation agreement that new United Community Bancorp and United Community Bank will enter into upon completion of the conversion and reorganization. The expense allocation agreement generally provides that new United Community Bancorp will pay to United Community Bank fees for its use of United Community Bank s premises, furniture, equipment and employees in an amount to be determined by the board of directors of new United Community Bancorp and United Community Bank. Such fees shall not be less than the fair market value received for such goods or services. In addition, new United Community Bancorp and United Community Bank will also enter into a tax allocation agreement upon completion of the conversion and reorganization as a result of their status as members of an affiliated group under the Internal Revenue Code. The tax allocation agreement generally provides that new United Community Bancorp will file consolidated federal tax income returns with United Community Bank and its subsidiaries. The tax allocation agreement also formalizes procedures for allocating the consolidated tax liability of the group among its members and establishes procedures for the future payments by United Community Bank to new United Community Bancorp for tax liabilities attributable to United Community Bank and its subsidiaries. In the future, new United Community Bancorp may acquire or organize other operating subsidiaries; however, there are no current plans, arrangements, agreements or understandings, written or oral, to do so.

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United Community Bank Charitable Foundation. The United Community Bank Charitable Foundation was organized in connection with United Community Bank s mutual holding company reorganization and was funded with 160,816 shares of United Community Bancorp common stock on March 30, 2006. As of March 31, 2011, the charitable foundation had assets of $1.1 million, no liabilities and a net worth of $1.1 million. As of March 31, 2011, the charitable foundation owned 154,588 shares, or 2.0%, of United Community Bancorp s outstanding common stock. The officers and directors of the charitable foundation are William F. Ritzmann (President and Director), Vicki A. March (Treasurer), Elmer G. McLaughlin (Secretary), Robert J. Ewbank (Director), Jerry W. Hacker (Director) and Eugene B. Seitz, II (Director). The officers and directors of the charitable foundation do not receive any compensation for their services.

The conversion and offering will not have a material effect on the charitable foundation. At the midpoint of the offering range, the charitable foundation will own approximately 2.0% of the outstanding shares of new United Community Bancorp common stock. No stock or cash contribution will be made to the charitable foundation in connection with the conversion and offering. All new United Community Bancorp common stock owned by the charitable foundation will continue to be voted in the same ratio as all other new United Community Bancorp shares voted on each proposal considered by new United Community Bancorp stockholders.

Market Area

We are headquartered in Lawrenceburg, Indiana, which is in the eastern part of Dearborn County, Indiana, along the Ohio River. We currently have six branches located in Dearborn County and three branches located in adjacent Ripley County. Dearborn and Ripley Counties represent our primary deposit markets. The primary source of loan originations are existing customers, walk-in traffic, advertising and referrals from customers. We advertise on television and on radio and in newspapers that are widely circulated in Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. Accordingly, when our loan rates are competitive, we attract loans from throughout Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. Based on 2010 U.S. Census data, these counties had an aggregate population of 118,693. We occasionally purchase loans and participation interests in loans to supplement our origination efforts. The economy of the region in which our current offices are located has historically been a mixture of light industrial enterprises and services. Since the mid-1990s, the economy in Lawrenceburg has been strengthened by the riverboat casino in Lawrenceburg whose presence has supported the development of retail centers and job growth as well as an increase in housing development. Located 20 miles from Cincinnati, Dearborn and Ripley Counties have also benefited from the growth in and around Cincinnati and northern Kentucky, as many residents commute to these areas for employment. Dearborn and Ripley Counties road system includes eight state highways and three U.S. highways. The counties have two rail lines and port facilities due to the proximity of the Ohio River. As of March 31, 2011, U.S. Department of Labor statistics reflected that Dearborn County and Ripley County had an unemployment rate of 9.7% and 9.9%, respectively, compared to Indiana and national unemployment rates of 8.8%.

Competition

We face significant competition for the attraction of deposits and origination of loans. Our most direct competition for deposits has historically come from the several financial institutions operating in our market areas and, to a lesser extent, from other financial service companies such as brokerage firms, credit unions and insurance companies. We also face competition for investors funds from money market funds, mutual funds and other corporate and government securities. At June 30, 2010, which is the most recent date for which data is available from the Federal Deposit Insurance Corporation, we held approximately 41.26% of the deposits held by FDIC insured institutions in Dearborn County, which was the largest market share out of the nine financial institutions with offices in Dearborn County, and 9.47% of the deposits in Ripley County, which was the sixth largest market share out of eight financial institutions with offices in Ripley County. In addition, banks owned by large out-of-state bank holding companies such as Fifth Third Bancorp and U.S. Bancorp also operate in our market areas. These institutions are significantly larger than us and, therefore, have significantly greater resources.

Our competition for loans comes primarily from financial institutions in our market areas, and, to a lesser extent, from other financial service providers such as mortgage companies and mortgage brokers. Competition for loans also comes from the increasing number of non-depository financial service companies entering the mortgage market such as insurance companies, securities companies and specialty finance companies.

We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Technological advances, for example, have lowered the barriers to market entry, allowed banks and other lenders to expand their geographic reach by providing services over the Internet and made it possible for non-depository institutions to offer products and services that traditionally have been provided by banks. Changes in federal law permit affiliation among banks, securities firms and insurance companies, which promotes a competitive environment in the financial services industry. Competition for deposits and the origination of loans could limit our future growth.

Lending Activities

General. We originate loans primarily for investment purposes. Historically, our primary lending activity has been the origination of one-to four-family mortgage loans secured by homes in our local market area, particularly in Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. A significant portion of our lending activity has been the origination for retention in our portfolio of adjustable-rate mortgage (ARM) loans collateralized by one-to four- family residential real estate located within our primary market area. In order to complement our traditional emphasis of one-to four-family residential real estate lending, significant segments of our loan portfolio are currently nonresidential real estate and land loans, multi-family real estate loans and consumer loans. Between 2006 and 2009, we increased and diversified our lending efforts in the metropolitan Cincinnati market area and, to a lesser extent, in northern Kentucky and the Indiana counties outside of our local market area, particularly with respect to multi-family real estate lending. In June, 2010, we implemented a strategy to control the growth of our nonresidential real estate and multi-family real estate loan portfolios, particularly outside of Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. We intend to continue this strategy for the foreseeable future until the local economy materially improves and the level of our nonperforming assets in these loan portfolios materially declines. For additional information regarding our controlled growth strategy, see *Management s Discussion and Analysis of Financial Condition and Results of Operations Our Operating Strategy Improving our asset quality, Implementing a controlled growth strategy to prudently increase profitability and enhance stockholder value* and *Risk Management Analysis of Nonperforming and Classified Assets.* We occasionally purchase loans and participation interests in loans to supplement our origination efforts.

One- to Four-Family Residential Real Estate Loans. We offer mortgage loans to enable borrowers to purchase or refinance existing homes, most of which serve as the primary residence of the owner. We offer fixed-rate and adjustable-rate loans with terms up to 30 years. Borrower demand for adjustable-rate loans versus fixed-rate loans is a function of the level of interest rates, the expectations of changes in the level of interest rates, and the difference between the interest rates and loan fees offered for fixed-rate mortgage loans and the initial period interest rates and loan fees for adjustable-rate loans. The relative amount of fixed-rate mortgage loans and adjustable-rate mortgage loans that can be originated at any time is largely determined by the demand for each in a competitive environment. The loan fees, interest rates and other provisions of mortgage loans are determined by us on the basis of our own pricing criteria and competitive market conditions. Most of our loan originations result from relationships with existing or past customers, members of our local community and referrals from realtors, attorneys and builders.

While one- to four-family residential real estate loans are normally originated with up to 30-year terms, such loans typically remain outstanding for substantially shorter periods because borrowers often prepay their loans in full upon sale of the property pledged as security or upon refinancing the original loan. Therefore, average loan maturity is a function of, among other factors, the level of purchase and sale activity in the real estate market, prevailing interest rates and the interest rates payable on outstanding loans. As a result of the continued low interest rate environment during the past year, a greater percentage of our one-to four-family loan originations consisted of fixed-rate one-to four- family mortgage loans. Our practice in recent years has generally been to (i) sell in the secondary market newly originated conforming fixed-rate 15-, 20- and 30-year one- to four-family residential real estate loans on a servicing retained basis, without recourse to United Community Bank, and (ii) to hold in our portfolio fixed-rate loans with 10-year terms or less and adjustable-rate loans. Currently, we have no intention of changing our practice of selling our fixed-rate loan originations, although we may determine to change this practice in the future. In a rising interest rate environment, we expect that a greater percentage of our loan originations will consist of adjustable-rate loans, which we generally retain in our portfolio. Occasionally, we have purchased loans and purchased participation interests in loans originated by other institutions to supplement our origination efforts. At March 31, 2011, loans serviced by United Community Bank for others totaled $60.8 million, resulting in $460,000 in income during the nine months ended March 31, 2011. During the nine months ended March 31, 2011, and the years ended June 30, 2010 and June 30, 2009, we sold $19.2 million, $25.1 million and $28.4 million, respectively, of fixed-rate one-to four- family loans. As of March 31, 2011, we had $382,000 million of mortgage loan commitments, recorded at fair value.

Interest rates and payments on our adjustable-rate mortgage loans generally adjust annually after an initial fixed period that ranges from one to 10 years. Interest rates and payments on these adjustable-rate loans generally are based on the one-year constant maturity U.S. Treasury index (three-year constant maturity U.S. Treasury index in the case of three-year adjustable-rate loans) as published by the Federal Reserve Board in Statistical Release H.15. The maximum amount by which the interest rate may be increased is generally two percentage points per adjustment period and the lifetime interest rate cap ranges from five to six percentage points over the initial interest rate of the loan. Our adjustable-rate one-to four-family mortgage loans generally do not provide for a decrease in the rate paid below the initial contract rate. The inability of our residential real estate loans to adjust downward below the initial contract rate can contribute to increased income in periods of declining interest rates, and also assists us in our efforts to limit the risks to earnings and equity value resulting from changes in interest rates, subject to the risk that borrowers may refinance these loans during periods of declining interest rates.

ARM loans decrease the risk associated with changes in market interest rates by periodically repricing, but involve other risks. As interest rates increase, the required periodic payments by the borrower increase, thus increasing the potential for default by the borrower. At the same time, the marketability of the underlying collateral may be adversely affected by higher interest rates. Upward adjustment of the contractual interest rate is also limited by the maximum periodic and lifetime interest rate adjustment permitted by the terms of the ARM loans, and therefore, is potentially limited in effectiveness during periods of rapidly rising interest rates. Decreasing interest rates could result in a downward adjustment of the contractual interest rates resulting in lower interest income. At March 31, 2011, 31.5% of our loan portfolio consisted of one-to four-family residential loans with adjustable interest rates.

We generally do not make conventional loans with loan-to-value ratios exceeding 95% at the time the loan is originated. Private mortgage insurance is generally required for all fixed-rate loans with loan-to-value ratios in excess of 80%, and all adjustable-rate loans with loan-to-value ratios exceeding 85%. We require all properties securing mortgage loans to be appraised by a board-approved independent appraiser. We generally require title insurance on all first mortgage loans. Borrowers must obtain hazard insurance, and flood insurance for loans on properties located in a flood zone, before closing the loan.

We do not offer, and have not previously offered, subprime, Alt-A, low-doc, no-doc loans or loans with negative amortization and generally do not offer interest-only loans.

Multi-Family Real Estate Loans. We offer adjustable-rate mortgage loans secured by multi-family real estate. Our multi-family real estate loans are generally secured by apartment buildings within and without our primary market area. At March 31, 2011, approximately 69.7% of our multi-family real estate loans were secured by properties located outside of Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana, 64.6% of which were in the Cincinnati and northern Kentucky markets. In June, 2010, we implemented a strategy to control the growth of our nonresidential real estate and multi-family real estate loan portfolios, particularly outside of Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. We intend to continue this strategy for the foreseeable future until the local economy materially improves and the level of our nonperforming assets in these loan portfolios materially declines. At March 31, 2011, $12.3 million or 59.3% of nonperforming assets were multi-family residential real estate loans, including 11 troubled debt restructurings with aggregate outstanding balances of $12.3 million. For additional information regarding our troubled debt restructurings and our multi-family residential lending, see *Management s Discussion and Analysis of Financial Condition and Results of Operations Our Operating Strategy Improving our asset quality, Implementing a controlled growth strategy to prudently increase profitability and enhance stockholder value* and *Risk Management Analysis of Nonperforming and Classified Assets.*

These loans are typically repaid or the term is extended before maturity, in which case a new rate is negotiated to meet market conditions and an extension of the loan is executed for a new term with a new amortization schedule. We originate adjustable-rate multi-family real estate loans with terms up to 30 years. Interest rates and payments on most of these loans typically adjust annually after an initial fixed term of one to seven years, with the adjustable-rate generally being based on the prime interest rate as published in *The Wall Street Journal*, plus a spread. The maximum amount by which the interest rate may be increased is generally two percentage points per adjustment period and the lifetime interest rate cap is six percentage points over the initial interest rate of the loan. Our adjustable-rate multi-family loans generally do not provide for a decrease in the rate paid below the initial contract rate. Loans are secured by first mortgages that generally do not exceed 80% of the lesser of the property s appraised value or the purchase price. When the borrower is a corporation, partnership or other entity, we generally require that significant equity holders serve as co-borrowers on the loan, or, to a lesser extent, serve as a personal guarantor of the loan. Environmental surveys and/or inspections are generally required for loans over $500,000.

Loans secured by multi-family real estate generally have larger balances and involve a greater degree of risk than one- to four-family mortgage loans. A primary concern in multi-family real estate lending is the borrower s creditworthiness and the feasibility and cash flow potential of the project. Payments on loans secured by income properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject to a greater extent than one- to four-family residential real estate loans to adverse conditions in the real estate market or the economy. To monitor cash flows on income properties, we require borrowers and loan guarantors of loan relationships totaling more than $1.0 million, in the aggregate, to provide annual financial statements and/or tax returns. In reaching a decision on whether to make a multi-family real estate loan, we consider the net operating income of the property, the borrower s character and expertise, credit history and profitability and the value of the underlying property. In addition, with respect to rental properties, we will also consider the term of the lease and the credit quality of the tenants. We have generally required that the properties securing these real estate loans have debt service coverage ratios (the ratio of earnings before debt service to debt service) of at least 1.20x.

At March 31, 2011, we had $46.4 million in multi-family real estate loans outstanding, or 15.8% of total loans.

At March 31, 2011, the largest outstanding multi-family real estate loan had an outstanding balance of $5.7 million and is secured by apartment buildings in Cincinnati, Ohio. At March 31, 2011, this loan was performing in accordance with its original terms.

Nonresidential Real Estate and Land Loans. We offer adjustable-rate mortgage loans secured by nonresidential real estate. Our nonresidential real estate loans are generally secured by commercial buildings. These loans are typically repaid or the term is extended before maturity, in which case a new rate is negotiated to meet market conditions and an extension of the loan is executed for a new term with a new amortization schedule. We originate adjustable-rate nonresidential real estate loans with terms up to 30 years. Interest rates and payments on most of these loans typically adjust annually after an initial fixed term of one to seven years, with the adjustable-rate generally being based on the prime interest rate as published in *The Wall Street Journal*, plus a spread. The maximum amount by which the interest rate may be increased is generally two percentage points per adjustment period and the lifetime interest rate cap is six percentage points over the initial interest rate of the loan. Loans are secured by first mortgages that generally do not exceed 80% of the lesser of the property s appraised value or the purchase price (75% for improved land only loans and 65% for unimproved land only loans), the maximum amount of which is limited by our in-house loans to one borrower limit. When the borrower is a corporation, partnership or other entity, we generally require that significant equity holders serve as co-borrowers or as personal guarantors of the loan. At March 31, 2011, approximately $4.1 million, or 20.0%, of our nonperforming loans were nonresidential real estate loans, including six nonresidential real estate loans with aggregate outstanding balances of $4.1 million. In June, 2010, we implemented a strategy to control the growth of our nonresidential real estate and multi-family real estate loan portfolios, particularly outside of Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. We intend to continue this strategy for the foreseeable future until the local economy materially improves and the level of our nonperforming assets in these loan categories materially declines. For additional information regarding our troubled debt restructurings, controlled growth strategy and our nonresidential real estate and land loans, see *Management s Discussion and Analysis of Financial Condition and Results of Operations Our Operating Strategy Improving our asset quality, Implementing a controlled growth strategy to prudently increase profitability and enhance stockholder value* and *Risk Management Analysis of Nonperforming Assets.*

Loans secured by nonresidential real estate generally have larger balances and involve a greater degree of risk than one- to four-family mortgage loans. Our primary concern in nonresidential real estate lending is the borrower s creditworthiness and the feasibility and cash flow potential of the project. Payments on loans secured by income properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject to a greater extent than one- to four-family residential real estate loans to adverse conditions in the real estate market or the economy. To monitor cash flows on income properties, we require borrowers and loan guarantors of loan relationships totaling more than $1.0 million, in the aggregate, to provide annual financial statements and/or tax returns. In reaching a decision on whether to make a nonresidential real estate loan, we consider the net operating income of the property, the borrower s expertise and character, credit history and profitability and the value of the underlying property. In addition, with respect to rental properties, we will also consider the term of the leases and the credit quality of the tenants. We have generally required that the properties securing these real estate loans have debt service coverage ratios (the ratio of earnings before debt service to debt service) of at least 1.20x. Environmental surveys and/or inspections are generally required for loans over $500,000.

We also originate loans secured by unimproved property, including lots for single-family homes and for mobile homes, raw land, commercial property and agricultural property. The terms and rates of our land loans are higher than our nonresidential and multi-family real estate loans. Loans secured by undeveloped land or improved lots generally involve greater risks than one-to four-family residential mortgage lending because land loans are more difficult to evaluate. If the estimate of value proves to be inaccurate, in the event of default and foreclosure, we may be confronted with a property the value of which is insufficient to assure full repayment. Loan amounts generally do not exceed 75% and 65% of the lesser of the appraised value or the purchase price for improved and unimproved land loans, respectively.

At March 31, 2011, we had $66.2 million in nonresidential real estate loans outstanding, or 22.5% of total loans, and $3.9 million in land loans outstanding, or 1.3% of total loans.

At March 31, 2011, the largest outstanding nonresidential real estate loan had an outstanding balance of $3.0 million. At March 31, 2011, our largest land loan, which was performing in accordance with its original terms at that date, had an outstanding balance of $893,000 and was secured by land held for nonresidential real estate development.

Construction Loans. We originate fixed-rate and adjustable-rate loans to individuals and, to a lesser extent, builders to finance the construction of residential dwellings. We also make construction loans for commercial development projects, including apartment buildings, restaurants, shopping centers and owner-occupied properties used for businesses. Our construction loans generally provide for the payment of interest only during the construction phase, which is usually nine months for residential properties and 12 months for commercial properties. At the end of the construction phase, the loan generally converts to a permanent mortgage loan. Loans generally can be made with a maximum loan to value ratio of 95% on residential construction and 80% on commercial construction at the time the loan is originated. Before making a commitment to fund a construction loan, we require an appraisal of the property by an independent licensed appraiser. We also will require an inspection of the property before disbursement of funds during the term of the construction loan.

At March 31, 2011, our largest outstanding residential construction loan was for $435,000, all of which was outstanding. At March 31, 2011, our largest outstanding commercial construction loan was for $500,000, of which $480,000 was outstanding, and is secured by a commercial office building. These loans were performing in accordance with their original terms at March 31, 2011.

At March 31, 2011, we had $1.1 million in construction loans outstanding, or 0.4% of total loans.

Commercial Loans. We occasionally make commercial business loans to professionals, sole proprietorships and small businesses in our market area. We extend commercial business loans on an unsecured basis and secured basis, the maximum amount of which is limited by our in-house loans to one borrower limit.

We originate secured and unsecured commercial lines of credit to finance the working capital needs of businesses to be repaid by seasonal cash flows. Commercial lines of credit secured by nonresidential real estate are adjustable-rate loans whose rates are based on the prime interest rate as published in *The Wall Street Journal*, plus a spread, and adjust monthly. Commercial lines of credit secured by nonresidential real estate have a maximum term of five years and a maximum loan-to-value ratio of 80% of the pledged collateral when the collateral is nonresidential real estate. We also originate commercial lines of credit secured by marketable securities and unsecured lines of credit. These lines of credit, as well as certain commercial lines of credit secured by nonresidential real estate, require that only interest be paid on a monthly or quarterly basis and have a maximum term of five years.

We also originate secured and unsecured commercial loans. Secured commercial loans are generally collateralized by nonresidential real estate, marketable securities, accounts receivable, inventory, industrial/commercial machinery and equipment and furniture and fixtures. We originate both fixed-rate and adjustable-rate commercial loans with terms up to 20 years for secured loans and up to five years for unsecured loans. Adjustable-rate loans are based on prime interest rate as published in *The Wall Street Journal*, plus a spread, and adjust either monthly or annually. Where the borrower is a corporation, partnership or other entity, we generally require significant equity holders to be co-borrowers, and in cases where they are not co-borrowers, we generally require personal guarantees from significant equity holders.

When making commercial business loans, we consider the financial statements and/or tax returns of the borrower, the borrower s payment history of both corporate and personal debt, the debt service capabilities of the borrower, the projected cash flows of the business, the viability of the industry in which the customer operates and the value of the collateral.

At March 31, 2011, our largest commercial loan was a $594,000 loan secured by the assets of a building supply company. This loan was performing in accordance with its original terms at March 31, 2011.

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At March 31, 2011, we had $4.4 million in commercial loans outstanding, or 1.5% of total loans.

Consumer Loans. We offer a variety of consumer loans, primarily home equity loans and lines of credit, and, to a much lesser extent, loans secured by savings accounts or certificates of deposit (share loans), new farm and garden equipment, new and used automobiles, recreational vehicle loans and secured and unsecured personal loans.

The procedures for underwriting consumer loans include an assessment of the applicant s payment history on other debts and ability to meet existing obligations and payments on the proposed loan. Although the applicant s creditworthiness is a primary consideration, the underwriting process also includes a comparison of the value of the collateral, if any, to the proposed loan amount.

We generally offer home equity loans and lines of credit with a maximum combined loan to value ratio of 90%. Our lowest interest rates are generally offered to customers with a maximum combined loan to value ratio of 80% or less. Home equity lines of credit have adjustable-rates of interest that are based on the prime interest rate. Home equity lines of credit generally require that only interest be paid on a monthly basis and have terms up to 20 years. Interest rates on these loans typically adjust monthly. We offer fixed-rate and adjustable-rate home equity loans. Home equity loans with fixed-rates have terms that range from one to 15 years. Home equity loans with adjustable-rates have terms that range from one to 30 years. Interest rates on these loans are based on the prime interest rate as published in *The Wall Street Journal*, plus a spread. We hold a first mortgage position on most of the homes that secure our home equity loans and home equity lines of credit.

We offer loans secured by new and used vehicles. These loans have fixed interest rates and generally have terms up to five years.

We offer loans secured by new and used boats, motor homes, campers and motorcycles. We offer fixed and adjustable-rate loans for new motor homes and boats with terms up to 20 years for adjustable-rate loans and up to 10 years for fixed-rate loans. We offer fixed-rate loans for all other new and used recreational vehicles with terms up to 10 years for campers and five years for motorcycles.

We offer secured consumer loans with fixed interest rates and terms up to 10 years and secured lines of credit with adjustable-rates based on the prime interest rate as published in *The Wall Street Journal* with terms up to five years. We also offer fixed-rate unsecured consumer loans and lines of credit with terms up to five years. For more information on our loan commitments, see *Management s Discussion and Analysis of Financial Condition and Results of Operations Risk Management Liquidity Management.*

Agricultural Loans. Our agricultural loans were acquired in connection with our acquisition of the Ripley County branch offices in 2010. Our agricultural loans generally consist of short and medium-term loans and lines of credit that are primarily used for crops, livestock, equipment and general operations. Agricultural loans are ordinarily secured by assets such as livestock or equipment and are repaid from the operations of the farm. Agricultural loans generally have maturities of five years or less, with operating lines for one production season. We have a loan officer who specializes in agricultural lending. At March 31, 2011, we had $1.9 million in agricultural loans outstanding. At March 31, 2011, our largest outstanding agricultural loan was for $268,000, and is secured by farm equipment. This loan was performing in accordance with its original terms at March 31, 2011.

Loan Underwriting Risks.

Adjustable-Rate Loans. While we anticipate that adjustable-rate loans will better offset the adverse effects of an increase in interest rates as compared to fixed-rate mortgages, the increased mortgage payments required of adjustable-rate loan borrowers in a rising interest rate environment could cause an increase in delinquencies and defaults. The marketability of the underlying property also may be adversely affected in a high interest rate environment. In addition, although adjustable-rate mortgage loans help make our loan portfolio more responsive to changes in interest rates, the extent of this interest sensitivity is limited by the annual and lifetime interest rate adjustment limits.

Multi-Family and Nonresidential Real Estate and Land Loans. Loans secured by multi-family and nonresidential real estate generally have larger balances and involve a greater degree of risk than one- to four-family mortgage loans. Of primary concern in multi-family and nonresidential real estate lending is the borrower s creditworthiness and the feasibility and cash flow potential of the project. Payments on loans secured by income properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject to a greater extent than residential real estate loans to adverse conditions in the real estate market or the economy. To monitor cash flows on income properties, we require borrowers and loan guarantors of loan relationships totaling more than $1.0 million, in the aggregate, to provide annual financial statements and/or tax returns. In reaching a decision on whether to make a multi-family and nonresidential real estate loan, we consider the net operating income of the property, the borrower s expertise, credit history and profitability and the value of the underlying property. We have generally required that the properties securing these real estate loans have debt service coverage ratios (the ratio of earnings before debt service to debt service) of at least 1.20x. Environmental surveys and inspections are obtained when circumstances suggest the possibility of the presence of hazardous materials.

We underwrite all loan participations to our own underwriting standards and will not participate in a loan unless each participant has at least a 10% interest in the loan. In addition, we also consider the financial strength and reputation of the lead lender. To monitor cash flows on loan participations, we require the lead lender to provide us with annual financial statements from the borrower. Generally, we also conduct an annual internal loan review for loan participations.

Construction Loans. Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the property s value at completion of construction and the estimated cost (including interest) of construction. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, we may be required to advance funds beyond the amount originally committed to permit completion of the building. If the estimate of value proves to be inaccurate, we may be confronted, at or before the maturity of the loan, with a building having a value which is insufficient to assure full repayment. If we are forced to foreclose on a building before or at completion due to a default, there can be no assurance that we will be able to recover all of the unpaid balance of, and accrued interest on, the loan as well as related foreclosure and holding costs.

Commercial Loans. Unlike one-to four-family mortgage loans, which generally are made on the basis of the borrower s ability to make repayment from his or her employment or other income, and which are secured by real property the value of which tends to be more easily ascertainable, commercial loans are of higher risk and typically are made on the basis of the borrower s ability to make repayment from the cash flow of the borrower s business. As a result, the availability of funds for the repayment of commercial loans may depend substantially on the success of the business itself. Further, any collateral securing such loans may depreciate over time, may be difficult to appraise and may fluctuate in value.

Consumer Loans. Consumer loans may entail greater risk than do one-to four-family mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly. In such cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. In addition, consumer loan collections depend on the borrower s continuing financial stability, and therefore are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

Agricultural Loans. Payments on agricultural loans are typically dependent on the profitable operation or management of the related farm property. The success of the farm may be affected by many factors outside the control of the borrower, including adverse weather conditions that prevent the planting of a crop or limit crop yields, declines in market prices for agricultural products and the impact of government regulations. In addition, many farms are dependent on a limited number of key individuals whose injury or death may significantly affect the successful operation of the farm. If the cash flow from a farming operation is diminished, the borrower s ability to repay the loan may be impaired.

Loan Originations, Purchases and Sales. Loan originations come from a number of sources. The primary source of loan originations are existing customers, walk-in traffic, advertising and referrals from customers. We advertise on television and on radio and in newspapers that are widely circulated in Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. Accordingly, when our rates are competitive, we attract loans from throughout Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. We occasionally purchase loans and participation interests in loans to supplement our origination efforts.

We generally originate loans for our portfolio, but our current practice is to sell to the secondary market almost all newly originated conforming fixed-rate, 15-, 20- and 30-year one- to four-family mortgage loans and to hold in our portfolio fixed-rate loans with 10-year terms or less and adjustable-rate loans. Our decision to sell loans is based on prevailing market interest rate conditions and interest rate risk management. Loans are sold to Freddie Mac with servicing retained.

Loan Approval Procedures and Authority**.** Our lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by our board of directors and management. The board has granted the Management Mortgage Loan Committee (comprised of the President, Executive Vice President and the Senior Vice President, Lending) with loan approval authority for mortgage loans up to $200,000 and to the Board Loan Committee, consisting of the President, the Executive Vice President and three to four other members of the board, up to $1.0 million.

The board has granted authority to approve consumer loans to certain employees up to prescribed limits, depending on the officer s experience and tenure. The board also granted loan approval authority to the Management Consumer Loan Committee, consisting of the President and the Executive Vice President, the Senior Vice President, Lending and two other experienced lenders. Any two members of the Committee may approve consumer loans secured by real estate up to $250,000, and consumer loans secured by assets other than real estate up to $100,000 and unsecured loans up to $15,000. The board of directors has also granted loan approval authority to the Management Commercial Loan Committee, consisting of the President, the Executive Vice President, the Senior Vice President, Lending. Any two members of the Committee may approve commercial loans secured by real estate up to $250,000, commercial loans secured by assets other than real estate up to $50,000 and unsecured commercial loans up to $25,000. The Management Commercial Loan Committee may approve commercial loans secured by real estate up to $500,000, commercial loans secured by assets other than real estate up to $100,000 and unsecured commercial loans up to $50,000 with unanimous approval by the Committee.

The Board Loan Committee may approve consumer and commercial loans secured by real estate up to $1.0 million, consumer and commercial loans secured by assets other than real estate up to $300,000 and unsecured commercial loans up to $100,000.

All loans in excess of these limits must be approved by the full board of directors.

Loans to One Borrower. The maximum amount that we may lend to one borrower and the borrower s related entities generally is limited, by regulation, to 15% of our unimpaired capital and surplus. At March 31, 2011, our general regulatory limit on loans to one borrower was $7.3 million. On March 31, 2011, our largest lending relationship was a $7.3 million multi-family real estate loan relationship. The loans that comprise this relationship were performing according to their original terms at March 31, 2011. This loan relationship was within our maximum regulatory lending limit to one borrower at March 31, 2011. In 2007, to reduce the risk of loss to any one borrower, the Board established a loans to one borrower limit of 7.5% of unimpaired capital and surplus. At March 31, 2011, this limit was $3.6 million. Any relationship in excess of 7.5% at the time of implementation was grandfathered in and allowed to continue.

Loan Commitments. We issue commitments for fixed- and adjustable-rate mortgage loans conditioned upon the occurrence of certain events. Commitments to originate mortgage loans are legally binding agreements to lend to our customers. Generally, our mortgage loan commitments expire after 30 days.

Investment Activities

We have legal authority to invest in various types of liquid assets, including U.S. Treasury obligations, securities of various federal agencies and municipal governments, deposits at the Federal Home Loan Bank of Indianapolis and certificates of deposit of federally insured institutions. Within certain regulatory limits, we also may invest a portion of our assets in mutual funds. We also are required to maintain an investment in Federal Home Loan Bank of Indianapolis stock. While we have the authority under applicable law to invest in derivative securities, our investment policy does not permit this investment. We had no investments in derivative securities at March 31, 2011.

At March 31, 2011, our investment portfolio totaled $127.6 million and consisted primarily of U.S. Government-sponsored entity securities, municipal bonds and mortgage-backed securities issued primarily by Fannie Mae and Freddie Mac, and securities of municipal governments.

At March 31, 2011, $25.8 million of our investment portfolio consisted of callable securities. These securities were included in U.S. Government agency bonds and municipal bonds. These securities contain either a one-time call option or may be called anytime after the first call date. We face reinvestment risk with callable securities, particularly during periods of falling market interest rates when issuers of callable securities tend to call or redeem their securities. Reinvestment risk is the risk that we may have to reinvest the proceeds from called securities at lower rates of return than the rates paid on the called securities.

Our investment objectives are to provide and maintain liquidity, to establish an acceptable level of interest rate and credit risk, to provide an alternate source of income when demand for loans is weak and to generate a favorable return. The Investment Committee is responsible for the implementation of the investment policy. The Management Investment Committee, consisting of the Chief Executive Officer, the Chief Operating Officer, and the Chief Financial Officer, is responsible for monitoring our investment performance. Individual investment transactions, portfolio composition and performance are reviewed by our board of directors monthly.

Deposit Activities and Other Sources of Funds

General. Deposits, borrowings and loan repayments are the major sources of our funds for lending and other investment purposes. Loan repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general interest rates market conditions.

Deposit Accounts. Substantially all of our depositors are residents of the State of Indiana. We attract deposits in our market area through advertising and through our website. We offer a broad selection of deposit instruments, including non-interest-bearing demand accounts (such as checking accounts), interest-bearing accounts (such as NOW and money market accounts), regular savings accounts and certificates of deposit. Municipal deposits comprise a substantial portion of our total deposits. At March 31, 2011, $106.8 million, or 25.6% of our total deposits, were municipal deposits, compared to 47.9% at June 30, 2006. While we expect municipal deposits to continue to remain an important source of funding, we expect to continue to improve our funding mix by marketing lower cost core deposits. For additional information regarding municipal deposits, see *Operating Strategy Improving our funding mix by attracting lower cost core deposits.* At March 31, 2011, we did not utilize brokered deposits. Deposit account terms vary according to the minimum balance required, the time periods the funds must remain on deposit and the interest rate, among other factors. In determining the terms of our deposit accounts, we consider the rates offered by our competition, our liquidity needs, profitability to us, matching deposit and loan products and customer preferences and concerns. We generally review our deposit mix and pricing weekly. Our current strategy is to offer competitive rates and to be in the middle of the market for rates on all types of deposit products.

Borrowings. We may utilize advances from the Federal Home Loan Bank of Indianapolis to supplement our supply of investable funds. The Federal Home Loan Bank functions as a central reserve bank providing credit for its member financial institutions. As a member, we are required to own capital stock in the Federal Home Loan Bank of Indianapolis and are authorized to apply for advances on the security of such stock and certain of our whole first mortgage loans and other assets (principally securities which are obligations of, or guaranteed by, the United States), provided certain standards related to creditworthiness have been met. Advances are made under several different programs, each having its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution s net worth or on the Federal Home Loan Bank s assessment of the institution s creditworthiness. At March 31, 2011, $2.1 million was advanced from the Federal Home Loan Bank at an interest rate of 3.2%, and we had the ability to draw up to an additional $49.0 million from the Federal Home Loan Bank.

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Properties

The following table sets forth the location of the Company s office facilities and other properties at March 31, 2011, and certain other information relating to these properties at that date.

Location	Year Opened	Net Book Value as of March 31, 2011	Approximate Square Footage	Owned/ Leased	Date of Lease Expiration
Full-Service Branch and Main Office:					
92 Walnut Street Lawrenceburg, Indiana 47025	2004	1,294,184	9,300	Owned	
Full-Service Branches:					
215 W. Eads Parkway Lawrenceburg, Indiana 47025	1914	535,506	13,000	Owned	
19710 Stateline Road Lawrenceburg, Indiana 47025	2000	774,701	2,700	Owned	
447 Bielby Road Lawrenceburg, Indiana 47025	1999	N/A	1,200	Leased	2/2012
500 Green Boulevard Aurora, Indiana 47001	2006	1,230,275	2,500	Owned	
7600 Frey Road St. Leon, Indiana 47012	2006	1,218,498	3,100	Owned	
106 Mill Street Milan, Indiana 47031	1990 (1)	396,056	1,953	Owned	
420 South Buckeye Osgood, Indiana 47037	1977 (1)	388,759	9,894	Owned	
111 East U.S. 50 Versailles, Indiana 47042	1983 (1)	380,719	2,587	Owned	
Other Properties:					
Corner of State Route 350 & State Route 101 Milan, Indiana 47031	Lot	135,466	24,157	Owned (2)	
Corner of 4th and Main Street Lawrenceburg, Indiana 47025	Lot	77,179	7,878	Owned (2)	

(1) Acquired from Integra Bank, National Association on June 4, 2010. Year Opened for these branches the reflects the date the branch office was originally opened (prior to being acquired by United Community Bank).

(2) Land only.

Legal Proceedings

Periodically, there have been various claims and lawsuits against us, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. We are not a party to any pending legal proceedings that we believe would have a material adverse effect on our financial condition, results of operations or cash flows.

Subsidiaries

United Community Bancorp s sole subsidiary is United Community Bank.

United Community Bank has two subsidiaries, Real Estate Management Holdings, LLC and United Community Bank Financial Services, Inc. Real Estate Management Holdings, LLC was established in 2008 under Indiana law for the purpose of holding real estate assets that are acquired by the Bank through, or in lieu of, foreclosure. United Community Bank Financial Services, Inc. receives commissions from the sale of non-deposit investment and insurance products.

Personnel

As of March 31, 2011, we had 94 full-time employees and 27 part-time employees, none of which are represented by a collective bargaining unit. We believe our relationship with our employees is good.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Income. Our primary source of pre-tax income is net interest income. Net interest income is the difference between interest income, which is the income that we earn on our loans and securities, and interest expense, which is the interest that we pay on our deposits and Federal Home Loan Bank borrowings. Other significant sources of pre-tax income are service charges on deposit accounts and other loan fees. We also recognize income or losses from the sale of investments in years that we have such sales.

Allowance for Loan Losses. The allowance for loan losses is a valuation allowance for probable credit losses inherent in the loan portfolio. The allowance is established through the provision for loan losses, which is charged to income. Management estimates the allowance balance required using past loan loss experience, the nature and value of the portfolio, information about specific borrower situations, and estimated collateral values, economic conditions, and other factors. The allowance is available for any loan that, in management s judgment, should be charged-off, and allocation of the allowance may be made for specific loans.

Expenses. The noninterest expenses we incur in operating our business consist of salaries and employee benefits expenses, occupancy and equipment expenses, advertising and public relations expenses, regulatory fees and deposit insurance premiums and various other miscellaneous expenses.

Salaries and employee benefits consist primarily of salaries and wages paid to our employees, payroll taxes and expenses for health insurance and other employee benefits, and stock-based compensation.

Occupancy and equipment expenses, which are the fixed and variable costs of buildings and equipment, consist primarily of depreciation charges, furniture and equipment expenses, maintenance, real estate taxes, insurance and costs of utilities. Depreciation of premises and equipment is computed using the straight-line method based on the useful lives of the related assets, which range from three to 40 years.

Advertising and public relations expenses include expenses for print, radio and television advertisements, promotions, third-party marketing services and premium items.

Regulatory fees and deposit insurance premiums are primarily payments we make to the FDIC for insurance of our deposit accounts.

Other expenses include expenses for supplies, telephone and postage, data processing, expenses related to other real estate owned by the Bank, director and committee fees, professional fees, insurance and surety bond premiums and other fees and expenses.

Noninterest expenses have also increased as a result of our strategy to expand our branch network. These additional expenses consist of salaries and employee benefits and occupancy and equipment expenses. Over time, we anticipate that we will generate sufficient income to offset the expenses related to our new facilities and new employees, but we cannot assure you that our branch expansion will increase our earnings or that it will increase our earnings within a reasonable period of time.

Critical Accounting Policies

We consider accounting policies involving significant judgments and assumptions by management that have, or could have, a material impact on the carrying value of certain assets or on income to be critical accounting policies. We consider the following to be our critical accounting policies: allowance for loan losses, deferred income taxes and fair value measurements.

Allowance for Loan Losses. The allowance for loan losses is the amount estimated by management as necessary to cover probable credit losses in the loan portfolio at the statement of financial condition date. The allowance is established through the provision for loan losses, which is charged to income. Determining the amount of the allowance for loan losses necessarily involves a high degree of judgment. Among the material estimates required to establish an allowance for individual loans are: loss exposure at default; the amount and timing of future cash flows on impacted loans; and value of collateral. Inherent loss factors are then applied to the remaining loan portfolio. All of these estimates are susceptible to significant change. Management reviews the level of the allowance on a quarterly basis and establishes the provision for loan losses based upon an evaluation of the portfolio, past loss experience, current economic conditions and other factors related to the collectibility of the loan portfolio. Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluation. In addition, the Office of Thrift Supervision, as an integral part of its examination process, periodically reviews our allowance for loan losses. Such agency may require us to recognize adjustments to the allowance based on its judgments about information available to it at the time of its examination. In addition, a large loss could deplete the allowance and require increased provisions to replenish the allowance, which would negatively affect earnings. For additional discussion, see Notes 1 and 5 of the notes to the consolidated financial statements included elsewhere in this prospectus.

Deferred Income Taxes. We use the asset and liability method of accounting for income taxes as prescribed in Accounting Standards Codification (ASC) 740-10-50. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments require us to make projections of future taxable income. The judgments and estimates we make in determining our deferred tax assets, which are inherently subjective, are reviewed on a continual basis as regulatory and business factors change. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets. A valuation allowance would result in additional income tax expense in the period, which would negatively affect earnings. United Community Bancorp adopted the provisions of ASC 275-10-50-8 to account for uncertainty in income taxes effective July 1, 2007. Implementation resulted in no cumulative effect adjustment to retained earnings as of the date of adoption. The Company had no unrecognized tax benefits as of March 31, 2011 and June 30, 2010. The Company recognized no interest and penalties on the underpayment of income taxes during the nine months ended March 31, 2011 and the fiscal years ended June 30, 2010 and 2009, and had no accrued interest and penalties on the balance sheet as of March 31, 2011, June 30, 2010 and 2009. The Company has no tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase with the next twelve months. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for tax years before 2006.

Fair Value Measurements. ASC 820, *Fair Value Measurements and Disclosures*, requires disclosure of the fair value of financial instruments, both assets and liabilities, whether or not recognized in the consolidated balance sheet, for which it is practicable to estimate the value. For financial instruments where quoted market prices are not available, fair values are estimated using present value or other valuation methods.

The following methods and assumptions are used in estimating the fair values of financial instruments:

Cash and Cash Equivalents. The carrying values presented in the consolidated statements of position approximate fair value.

Investments and Mortgage-Backed Securities. For investment securities (debt instruments) and mortgage-backed securities, fair values are based on quoted market prices, where available. If a quoted market price is not available, fair value is estimated using quoted market prices of comparable instruments.

Loans receivable. The fair value of the loan portfolio is estimated by evaluating homogeneous categories of loans with similar financial characteristics. Loans are segregated by types, such as residential mortgage, nonresidential real estate, and consumer. Each loan category is further segmented into fixed and adjustable-rate interest, terms, and by performing and non-performing categories. The fair value of performing loans, except residential mortgage loans, is calculated by discounting contractual cash flows using estimated market discount rates which reflect the credit and interest rate risk inherent in the loan. For performing residential mortgage loans, fair value is estimated by discounting contractual cash flows adjusted for prepayment estimates using discount rates based on secondary market sources. The fair value for significant non-performing loans is based on recent internal or external appraisals. Assumptions regarding credit risk, cash flow, and discount rates are judgmentally determined by using available market information.

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Federal Home Loan Bank stock. The Bank is a member of the Federal Home Loan Bank system and is required to maintain an investment based upon a pre-determined formula. The carrying values presented in the consolidated statements of position approximate fair value.

Deposits. The fair values of passbook accounts, NOW accounts, and money market savings and demand deposits approximate their carrying values. The fair values of fixed maturity certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently offered for deposits of similar maturities.

Advance from Federal Home Loan Bank. The fair value is calculated using rates available to the Company on advances with similar terms and remaining maturities.

Off-Balance Sheet Items. Carrying value is a reasonable estimate of fair value. These instruments are generally variable rate or short-term in nature, with minimal fees charged.

Operating Strategy

Our mission is to operate and grow a profitable, independent community-oriented financial institution serving primarily retail customers and small businesses in our market areas. The following are key elements of our business strategy:

Continuing our community-oriented focus

As a community-oriented financial institution, we emphasize providing exceptional customer service as a means to attract and retain customers. We deliver personalized service and respond with flexibility to customer needs. We believe that our community orientation is attractive to our customers and distinguishes us from the large banks that operate in our market area. Our ability to succeed in our communities is enhanced by the stability of our senior management. Senior management has an average tenure with United Community Bank of over 33 years. Our community focus is further supported by the community service activities of our employees and the charitable activities of the United Community Bank Charitable Foundation. Established in 2006, the foundation provides funds to eligible nonprofit organizations with the goal of enhancing the quality of life in the communities served by United Community Bank. We intend to continue to leverage these strengths in our markets for the purpose of originating new deposits and loans, particularly through our new Ripley County branch offices, while continuing to focus on profitability.

Implementing a controlled growth strategy to prudently increase profitability and enhance stockholder value

Our primary lending activity is the origination of one-to four family mortgage loans secured by homes in our local market area, particularly in Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. Between 2006 and 2010, we expanded and diversified our lending activities by originating multi-family and nonresidential real estate secured by properties in the metropolitan Cincinnati market area and, to a lesser extent, in northern Kentucky and the Indiana counties outside of our local market area. These multi-family and nonresidential real estate loans comprise the substantial majority of our nonperforming assets.

From June 30, 2006 until June 30, 2010, our multi-family real estate loans grew to $46.8 million, or 14.8% of our total loans outstanding from $20.3 million, or 8.2% of the total loan portfolio. In the Cincinnati and northern Kentucky markets, our multi-family loans grew from $15.5 million to $32.8 million, and increased as a percentage of total nonperforming loans from 0.0% at June 30, 2006 to 49.6% at June 30, 2010.

During the same period, our non-residential real estate loans grew to $77.6 million, representing 24.6%, of total loans outstanding from $65.6 million, or 26.5%, of total loans outstanding. In the Cincinnati and northern Kentucky markets, our non-residential real estate loans increased to $35.8 million from $21.7 million, and increased as a percentage of total nonperforming loans from 22.3% at June 30, 2006 to 25.9% at June 30, 2010.

As a result of the issues arising in our multi-family and nonresidential real estate loan portfolios, in June, 2010, we implemented a strategy to control the growth of our nonresidential real estate and multi-family real estate loan portfolios, particularly outside of Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. As part of this strategy, we also amended our loan policy to reduce our concentration limits for nonresidential real estate, multi-family real estate, construction and land loans to 175%, 125%, 10% and 10%, respectively, of the sum of core capital plus our allowance for

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loan losses. As of March 31, 2011, these loans represented 130.73%, 91.67%, 2.22% and 7.73%, respectively, of the sum of core capital plus our allowance for loan losses. On a pro forma basis giving effect to the sale of 3,215,486 shares of common stock in the offering and the contribution of 60% of the net proceeds to United Community Bank as of March 31, 2011, these ratios would have been 100.86%, 70.72%, 1.71% and 5.97%, respectively, at such date.

We intend to continue this controlled growth strategy for the foreseeable future until the local economy materially improves and the level of our nonperforming loans in these loan portfolios materially declines. As a result, we will likely experience growth in our one-to-four family residential mortgage loan portfolio and in our investment securities portfolio. Accordingly, we expect that our weighted average yield on interest-earning assets will decrease in future periods because one-to-four family mortgage loans and investment securities generally yield less than nonresidential and multi-family real estate loans. We believe our existing infrastructure and our recent expansion into Ripley County, along with the capital we expect to raise in this offering, will enable us to originate new loans, subject to the foregoing strategy, both to replace existing loans as they are repaid and prudently grow our loan portfolio.

Improving our asset quality

We recognize that high asset quality is a key to long-term financial success. We have sought to grow and diversify the loan portfolio, while maintaining a high level of asset quality and moderate credit risk, using underwriting standards that we believe are conservative. We also believe that we have implemented and diligent monitoring and collection efforts. Historically, we had not incurred significant losses in our lending operations. Beginning in the year ended June 30, 2008, we began to experience the adverse effects of the significant national decline in real estate values and some of our borrowers ability to pay loans. Our nonperforming assets increased from $7.9 million, or 2.0% of total assets at June 30, 2009 to $10.9 million, or 2.2% of total assets as of June 30, 2010, to $20.8 million, or 4.4% of total assets at March 31, 2011. The consequences of this decline were generally evident in all portfolio types, but were more pronounced in the multi-family and nonresidential real estate loans.

Our initial approach to resolving nonperforming loans focused on foreclosure and liquidations in the year ended June 30, 2008 and the greater part of the year ended June 30, 2009. This manner of troubled asset resolution proved costly as a result of legal and other operating costs in the process. As a result, beginning in the latter part of the year ended June 30, 2009, we placed more attention and resources on loan workouts and initiated a troubled debt restructuring process initiative with respect to nonperforming loans that provided for either restructuring the loan to the existing borrower in recognition of the lower available cash flows from the collateral properties or identification of stronger borrowers to purchase the property and refinance the loan. Under troubled debt restructurings, borrowers are granted limited rate concessions generally ranging from 100 to 300 basis below the then current market rate, for periods of up to three years. If the loan performs in accordance with its restructured terms, then, at the end of the concession period, the loan is refinanced to the then current market interest rate. Under either resolution alternative, we believe we have provided the necessary valuation allowances or charge-offs to reflect the loans carrying amounts at fair value at the time of restructuring. The general concept underlying fair value would indicate that the collateral properties could be sold to other third parties without material loss if the restructuring efforts fail. Management works closely with the Internal Asset Review Committee of the board of directors to resolve nonperforming assets in a manner most advantageous to United Community Bank.

Loan workouts and modifications are handled by the President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, and the Senior Vice President, Lending, and are subject to approval by the Board of Directors. Delinquent or otherwise nonperforming mortgage loan and home equity loan customers are asked to provide updated financial information and the reasons for their inability to pay or comply with the contractual terms of the loans. Management ascertains the value of the underlying collateral, depending on the type of property, through an independent appraisal or an in-house cash flow analysis of the property. Once the value of collateral is established, management will treat as impaired the amount of any shortfall between the collateral value and the outstanding principal loan balance. Management will then develop and pursue a workout plan with the borrower. Once a workout plan is established and implemented, management monitors monthly performance of the loan at least until it is removed from nonaccrual status. On an annual basis, management will conduct property inspections and review financial information of the borrowers and any guarantors.

In situations where a collateral value shortfall (i.e. the value of the underlying collateral of the loan is less than the outstanding principal balance of the loan) is discovered on a previously existing loan, typically through an updated appraisal or collateral inspection, management will seek to obtain additional collateral and/or a personal guaranty at that time. If no additional collateral or personal guaranty is available, management will work with the borrower on a suitable workout arrangement that may include a troubled debt restructuring, or foreclose on the collateral property. In determining the best suited workout arrangement, management reviews the financial condition of the borrower, the cash flow of the collateral property and the value of the loan s collateral.

If we obtain a personal guaranty, we assess the strength and value of the guaranty at the time the loan is closed and the guaranty granted and re-evaluate it at least annually. The strength of each guaranty is determined by evaluating the guarantor s net worth, liquid net worth, debt-to-income ratio and credit score. In certain circumstances, we may deem it appropriate not to enforce a guaranty, such as when it determines enforcing a guaranty could be detrimental to a larger banking relationship.

At March 31, 2011, approximately $18.2 million, or 88.3%, of our nonperforming loans were troubled debt restructurings. During the quarter ended March 31, 2011, we began restructuring loans into a Note A/Note B format. Upon performing a global analysis of the total lending relationship with the involved borrower, the terms of Note A are calculated using current financial information to determine the amount of the payment at which the borrower would have a debt service coverage ratio of 1.5 times or better, which is more stringent than our current underwriting standards, which typically require a debt service coverage ratio of 1.2 times. That payment is calculated based upon a 30 year amortization period, then fixed for two years, with the loan maturing at the end of the two year period. The amount for Note B is the difference between the amount of Note A and the original payoff amount to be refinanced, plus all other expenses necessary to restructure the loans. Note B is given the same interest rate and balloon term as Note A, but no principal or interest payments are due until maturity. While no amount of the original indebtedness of the borrower is forgiven through this process, the full amount of Note B is charged-off at the time of issuance of Note B. Note A is treated as any other TDR and, generally, may return to accrual status after a history of performance in accordance with the restructured terms of at least six consecutive months is established.

The intended positive effect of employing the Note A / Note B strategy is twofold. First, this restructuring and subsequent charge-offs to an as is fair value determination enables the Company to expeditiously liquidate delinquent loan balances if the restructured loans experience further delinquency. Second, the Company believes that, because of its implementation of this strategy in the March 31, 2011 quarterly period and because the loans which needed to be restructured in this manner represented a distinct identifiable pool of loans, the 30 to 89 day delinquent migration of nonresidential and multi-family loans has slowed significantly. Specifically, as of March 31, 2011, these loan delinquencies declined to $1.3 million from $6.0 million at December 31, 2010. While we note the higher charge-offs encountered in one- to four-family and consumer loans thus far in fiscal 2011, we do not view any further significant adverse trends continuing with respect to these loan types that would require a material adjustment to our allowance for loan losses. For additional information regarding our troubled debt restructurings, see *Risk Management Analysis of Nonperforming and Classified Assets.*

We have implemented more stringent underwriting standards for our residential lending programs. We have enhanced our document requirements and document review process. Residential real estate mortgage applicants are required to have a higher credit score than previously required. We have reduced the maximum loan-to-value ratio for consumer loans from 100% to 90%. Commercial and nonresidential real estate loan customers are required to provide us with rent rolls, and financial statements for evaluation on a more frequent basis, and members of our loan department are in more regular contact with these customers. Annually, every loan with an outstanding balance of at least $1.0 million is reviewed by an independent third party loan reviewer. We have hired a credit analyst to perform an annual review of all commercial loans having an outstanding balance of at least $1.0 million. As discussed above, we have also implemented a strategy to control the growth of our nonresidential real estate and multi-family real estate loan portfolios. For additional information on this strategy, see *Implementing a controlled growth strategy to prudently increase profitability and enhance stockholder value.*

Improving our funding mix by attracting lower cost core deposits

Core deposits include all deposit account types except certificates of deposit and municipal deposits. Core deposits represent our best opportunity to develop customer relationships that enable us to cross sell our full compliment of products and services. Core deposits are our least costly source of funds which improves our interest rate spread and also contributes non-interest income from account related services, and are generally less sensitive to withdrawal when interest rates fluctuate. At March 31, 2011, core deposits represented 33.8% of our total deposits compared to 31.8% at June 30, 2010 (municipal deposits generally increase at year end). Municipal deposits represent tax and other revenues from the local gaming industry. Beginning in February, 2011, we are required to pledge collateral (typically investment securities) to the Indiana Board of Depositories equal to 50% of the municipal deposits maintained at United Community Bank. In recent years, we have steadily decreased our reliance on municipal deposits as a percentage of total deposits. At March 31, 2011, municipal deposits represented 25.6% of total deposits, compared to 47.9% of total deposits at June 30, 2006. While we expect municipal deposits to continue to remain an important source of funding, we expect to continue to improve our funding mix by marketing lower cost core deposits.

We aggressively market core deposits through concentrated advertising and public relations. In recent years, we have significantly expanded and improved the products and services we offer our retail and business deposit customers who maintain core deposit accounts and have improved our infrastructure for critical electronic banking services, including online banking, bill pay, eStatements, merchant capture, and business online cash management tools that include ACH origination, direct deposit, payroll, federal tax payment, wire transfer capabilities. The deposit infrastructure we have established can accommodate significant increases in retail and business deposit accounts without additional capital expenditure.

Continuing to increase noninterest income

Our earnings rely heavily on the spread between the interest earned on loans and securities and interest paid on deposits and other borrowings. In order to decrease our reliance on interest rate spread income, we have pursued initiatives to increase noninterest income. Our primary recurring source of non-interest income has been service charges on deposit products and other services. However, recent regulatory changes have restricted our ability to charge for other services and will increase the difficulty of expanding our service fee income. We have also implemented, and realize fee income from, an overdraft protection program and from customer use of debit cards. We also have a significant secondary mortgage operation, including loan servicing, and we continue to invest in personnel and systems to increase our ability to sell one-to four-family mortgages in the secondary market to increase fee income and reduce interest rate risk through the sale of conforming long-term fixed-rate one-to four-family residential mortgage loans. To date, all loans are sold without recourse but with servicing retained. The volume of loans sold totaled $19.2 million for the nine months ended March 31, 2011 and $25.1 million for the year ended June 30, 2010. For the nine months ended March 31, 2011 and the year ended June 30, 2010, we earned $460,000 and $278,000, respectively, on the sale of loans. We intend to continue to originate loans for sale in the secondary market to grow our servicing portfolio and generate additional non-interest income. We continue to review programs to further enhance our service fee structure within the new regulatory environment. We have also enhanced our ability to increase our non-interest income from the sale of non-deposit investment and insurance products through Lincoln Financial Advisors, a third party registered broker-dealer, by adding two new investment advisors to serve our branch offices.

Upgrading our existing branches, particularly the branch offices we acquired in June, 2010

In an effort to retain customers and attract new customers, we have, in recent years, significantly remodeled four of our offices to improve the décor and traffic flow of the public spaces. Of these four, our Stateline Road branch office was almost doubled in size and significant office space was added to our Aurora branch office, in each case to accommodate the growth we have experienced at those offices. We have also remodeled those offices to improve the presentation of the products and services we are offering to our customers. We intend to continue to upgrade our branch facilities, particularly the branch offices we recently acquired in Ripley County, Indiana. Total remodeling expenses for fiscal 2011 are expected to be approximately $250,000, all of which will be capitalized.

Expanding our geographic footprint

We consider our primary deposit and lending market area to be Dearborn, Ripley, Franklin, Ohio and Switzerland Counties, Indiana. In recent years, we have expanded our lending efforts in the Greater Cincinnati metropolitan area and northern Kentucky. Since 2005, we have grown our community banking franchise organically through the addition of de novo branches in St. Leon and Aurora, Indiana, and through the strategic acquisition of three branch offices in Ripley County, Indiana. As a result, we have increased our branch network from four to nine offices. We plan to continue to seek opportunities to grow our business through a combination of de novo branching and complementary acquisitions in our existing market and contiguous markets. We will consider acquisition opportunities that expand our geographic reach in banking, insurance or other complementary financial service businesses, although we do not currently have any agreements or understandings regarding any specific acquisition.

Balance Sheet Analysis

Total assets were $476.0 million at March 31, 2011, compared to $492.1 million at June 30, 2010. The decrease was primarily due to a $19.9 million decrease in loans, reflecting the combined effect of the refinancing of $19.2 million of residential mortgage loans into lower fixed-rate loans sold to Freddie Mac, and the prepayment of several commercial loans aggregating $6.7 million in the current fiscal year.

Total assets increased to $492.1 million at June 30, 2010 from $401.6 million at June 30, 2009 primarily due to the previously discussed branch acquisition and an increase in cash as a result of growth in core deposits at our existing branches due to increased marketing and advertising efforts.

Total liabilities were $422.6 million at March 31, 2011, compared to $436.6 million at June 30, 2010 and $346.5 million at June 30, 2009. Total liabilities increased from June 30, 2009 to June 30, 2010 primarily as a result of the previously discussed branch acquisition and growth in our core deposits.

Total deposits were $416.9 million at March 31, 2011, compared to $430.2 million at June 30, 2010. The decrease was primarily the result of a decrease in municipal deposits consistent with management s decision to improve the Bank s funding mix by focusing on increasing the amount of lower cost core deposits while concurrently decreasing its reliance on municipal deposits.

Total stockholders equity was $53.4 million at March 31, 2011, compared to $55.5 million at June 30, 2010. The decrease was primarily the result of the loss of $871,000 incurred in the nine months ended March 31, 2011 combined with dividends paid of $985,000 in the same period.

The increase from June 30, 2009 to June 30, 2010 was primarily due to net income of $1.0 million, an increase in additional paid-in capital of $204,000, an increase in unrealized gains on securities available for sale of $221,000, and a decrease in shares purchased for stock plans of $212,000, partially offset by dividends paid of $1.2 million, and an increase in treasury stock of $80,000. All treasury stock will be cancelled upon the completion of the conversion. The increase in additional paid-in capital and the decrease in shares purchased for stock plans is due to the continued amortization of stock compensation plans. The increase in unrealized gains on securities available for sale is a result of changes in market rates relative to the investments currently held in the Bank s portfolio.

Loans. Our primary lending activity is the origination of loans secured by real estate. We originate one- to four-family residential loans, multi-family and nonresidential real estate loans and construction loans. To a lesser extent, we originate commercial business and consumer loans. From time to time, as part of our loss mitigation process, loans may be renegotiated in a troubled debt restructuring when we determine that greater economic value will ultimately be recovered under the new terms than through foreclosure, liquidation, or bankruptcy. We may consider the borrower s payment status and history, the borrower s ability to pay upon a rate reset on an adjustable-rate mortgage, size of the payment increase upon a rate reset, period of time remaining before the rate reset, and other relevant factors in determining whether a borrower is experiencing financial difficulty. We do not offer, and have not previously offered, subprime, Alt-A, low-doc, no-doc loans or loans with negative amortization and generally do not offer interest-only loans.

The largest segment of our loan portfolio is one- to four-family residential loans. At March 31, 2011 these loans totaled $133.4 million, or 45.3% of total gross loans, compared to $137.5 million, or 43.6% of total gross loans at June 30, 2010 and $124.4 million, or 44.9% of total loans, at June 30, 2009. During the past two years, decreases in one-to four-family mortgages due to customers refinancing into fixed-rate loans that are being sold to Freddie Mac have been generally offset by the loans we acquired with the three Integra branch offices in 2010 and by increased loan production in the two de novo branches we have opened since 2005.

Multi-family and nonresidential real estate and land loans totaled $116.5 million and represented 39.6% of total loans at March 31, 2011, compared to $129.7 million, or 41.1% of total loans at June 30, 2010 and $119.1 million, or 42.9% of total loans, at June 30, 2009. While charge-offs have recently reduced these portfolios, they remain a substantial segment of our loan portfolio. However, we have recently implemented a controlled growth strategy that is expected to reduce these portfolios as a percentage of total loans.

Construction loans totaled $1.1 million, or 0.4% of total loans, at March 31, 2011, compared to $1.6 million, or 0.5% of total loans, at June 30, 2010 and $1.6 million, or 0.6% of total loans, at June 30, 2009.

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Commercial business loans totaled $4.4 million, or 1.5% of total loans, at March 31, 2011, compared to $5.5 million, or 1.8% of total loans, at June 30, 2010 and $4.4 million, or 1.6% of total loans, at June 30, 2009.

Consumer loans totaled $36.8 million, or 12.5% of total loans, at March 31, 2011, compared to $39.1 million, or 12.4% of total loans, at June 30, 2010 and $27.8 million, or 10.0% of total loans, at June 30, 2009. The decrease in the consumer loan portfolio for the nine months ended March 31, 2011 is attributable to more customers refinancing their homes into lower fixed rate mortgages and using some of those proceeds to pay off higher rate consumer loans. The increase from June 30, 2009 to June 30, 2010 was primarily due to the previously discussed acquisition of three branches from Integra Bank including $45.9 million in loans of which $12.7 million were consumer loans.

Agricultural loans totaled $1.9 million, or 0.7% of total loans, at March 31, 2011, compared to $1.8 million, or 0.6% of total loans, at June 30, 2010. We did not have any agricultural loans prior to our acquisition of the three branches from Integra Bank.

The following table sets forth the composition of our loan portfolio at the dates indicated.

	At March 31, 2011		At June 30, 2010		2009		2008		2007		2006	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)											
One- to four-family	$ 133,351	45.3%	$ 137,473	43.6%	$ 124,391	44.9%	$ 134,813	46.5%	$ 126,398	45.4%	$ 117,060	47.2%
Multi-family residential	46,423	15.8	46,777	14.8	47,060	17.0	43,671	15.1	37,500	13.5	20,250	8.2
Construction	1,122	0.4	1,566	0.5	1,609	0.6	2,493	0.9	9,507	3.4	11,228	4.5
Nonresidential real estate	66,204	22.5	77,568	24.6	66,970	24.2	66,940	23.1	67,864	24.5	65,613	26.5
Land	3,916	1.3	5,401	1.7	5,059	1.7	6,298	2.1	8,469	3.0	7,806	3.3
Commercial business	4,417	1.5	5,513	1.8	4,439	1.6	6,062	2.1	5,937	2.1	5,005	2.0
Agricultural	1,871	0.7	1,831	0.6								
Consumer:												
Home equity	30,021	10.2	29,301	9.3	21,591	7.8	19,608	6.7	16,580	6.0	15,872	6.4
Auto	2,467	0.8	1,617	0.5	1,761	0.6	1,960	0.7	2,049	0.7	2,587	1.0
Share loans	1,498	0.5	1,369	0.4	1,272	0.5	1,382	0.5	1,250	0.4	1,258	0.5
Unsecured	763	0.3	860	0.3	998	0.3	1,094	0.4	1,302	0.5	1,021	0.4
Other	2,003	0.7	5,978	1.9	2,152	0.8	5,453	1.9	1,414	0.5	106	
Total consumer loans	36,752	12.5	39,125	12.4	27,774	10.0	29,497	10.2	22,595	8.1	20,844	8.3
Total loans	294,056	100.0%	315,254	100.0%	277,302	100.0%	289,774	100.0%	278,270	100.0%	247,806	100.0%
Less (plus):												
Deferred loan costs, net	(442)		(496)		(412)		(381)		(300)		(279)	
Undisbursed portion of loans in process			494		1,231		1,184		2,294		1,443	
Allowance for loan losses	4,854		5,681		4,213		4,619		2,671		2,105	
Loans, net	$ 289,644		$ 309,575		$ 272,270		$ 284,352		$ 273,605		$ 244,537	

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Loan Maturity

The following table sets forth certain information at March 31, 2011 and June 30, 2010 regarding the dollar amount of loan principal repayments becoming due during the periods indicated. The table does not include any estimate of prepayments, which significantly shorten the average life of all loans and may cause our actual repayment experience to differ from that shown below. Demand loans having no stated schedule of repayments and no stated maturity are reported as due in one year or less.

	Less Than One Year	More Than One Year to Five Years (In thousands)	More Than Five Years	Total
At March 31, 2011				
One- to four-family residential real estate	$ 47,283	$ 63,621	$ 22,447	$ 133,351
Multi-family real estate	14,068	25,789	6,566	46,423
Construction	480		642	1,122
Nonresidential real estate	17,801	43,699	4,704	66,204
Land	1,942	1,569	405	3,916
Consumer	32,348	2,374	2,030	36,752
Agricultural	1,556	315		1,871
Commercial	2,027	2,209	181	4,417
Total	$ 117,505	$ 139,576	$ 36,975	$ 294,056
At June 30, 2010				
One- to four-family residential real estate	$ 68,657	$ 42,332	$ 26,484	$ 137,473
Multifamily residential real estate	18,926	21,570	6,281	46,777
Construction	905	529	132	1,566
Nonresidential real estate	32,674	39,249	5,645	77,568
Land	3,515	1,471	415	5,401
Consumer	24,779	13,069	1,277	39,125
Agricultural	1,826	5		1,831
Commercial	4,494	682	337	5,513
Total	$ 155,776	$ 118,907	$ 40,571	$ 315,254

The following table sets forth the dollar amount of all loans at March 31, 2011 and June 30, 2010 that have either fixed interest rates or adjustable interest rates. The amounts shown below exclude unearned interest on consumer loans and deferred loan fees.

	Fixed Rates	Floating or Adjustable Rates (In thousands)	Total
At March 31, 2011			
One- to four-family residential real estate	$ 40,847	$ 92,504	$ 133,351
Multi-family real estate	6,117	40,306	46,423
Construction	1,122		1,122
Nonresidential real estate	18,680	47,524	66,204
Land	1,407	2,509	3,916
Consumer	6,064	30,688	36,752

Agricultural		1,871	1,871
Commercial	1,955	2,462	4,417
Total	$ 76,192	$ 217,864	$ 294,056
At June 30, 2010			
One- to four-family residential real estate	$ 29,467	$ 108,006	$ 137,473
Multi-family real estate	3,788	42,989	46,777
Construction	1,022	544	1,566
Nonresidential real estate	17,840	59,728	77,568
Land	1,620	3,781	5,401
Consumer	5,471	33,654	39,125
Agricultural		1,831	1,831
Commercial	1,985	3,528	5,513
Total	$ 61,193	$ 254,061	$ 315,254

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Loans Originated

The following table shows loan origination, participation, purchase and sale activity during the periods indicated.

	Nine Months Ended March 31,		Year Ended June 30,		
	2011	2010	2010	2009	2008
			(In thousands)		
Total loans at beginning of period	$ 315,254	$ 277,302	$ 277,302	$ 289,774	$ 278,270
Loans originated:					
One- to four-family residential real estate	$ 32,555	$ 19,806	$ 39,085	$ 28,023	$ 32,982
Land	557	3,750	3,975	589	2,377
Multi-family residential real estate	10,723	7,411	8,409	11,682	5,140
Nonresidential real estate	11,334	2,713	4,153	2,897	11,871
Construction	1,450	1,055	1,446	2,616	15,706
Commercial business	699	201	923	837	2,487
Consumer	1,630	2,379	4,170	2,631	4,701
Total loans originated	58,948	37,315	62,161	49,275	75,264
Loans purchased, at fair value			43,913		
Deduct:					
Loan principal repayments	60,957	15,970	42,991	33,372	61,818
Loans disbursed for sale	19,189	20,183	25,131	28,375	1, 942
Other repayments					
Net loan activity	(21,198)	1,162	37,952	(12,472)	11,504
Total loans at end of period	$ 294,056	$ 278,464	$ 315,254	$ 277,302	$ 289,774

Securities. Our securities portfolio consists primarily of callable U.S. government agency bonds, U.S. government agency mortgage-backed securities, and municipal bonds. Securities totaled $127.6 million at March 31, 2011 compared to $110.4 million at March 31, 2010. The increase is funded by the proceeds from the sale of $21.9 million in loans from March 31, 2010 through March 31, 2011 and an increase in deposits from $378.7 million to $416.9 million for that same period. As of June 30, 2010, our securities totaled $120.0 million, an increase of $43.3 million from $76.7 at June 30, 2009, and an increase of $81.8 million from $38.2 million at June 30, 2008. The increases in 2009 and 2010 were primarily the result of redeploying the proceeds from the sales of loans into investment securities.

The following table sets forth the amortized cost and fair values of our securities portfolio at the dates indicated.

	At March 31, 2011		At June 30,					
			2010		2009		2008	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
				(In thousands)				
Securities available-for-sale:								
U.S. League intermediate term portfolio	$	$	$	$	$ 60	$ 47	$ 1,785	$ 1,718
Callable agency bonds	25,795	25,841	49,157	49,369	39,515	39,641	8,943	8,864
Freddie Mac common stock							9	155
Municipal bonds	16,996	17,022	12,538	12,591	7,091	6,952	3,040	2,929
Other equity securities	211	124	211	129	211	129	211	150
Mortgage-backed securities	83,648	84,051	56,669	57,238	29,144	29,713	24,683	24,211

Total	$ 126,650	$ 127,038	$ 118,575	$ 119,327	$ 76,021	$ 76,482	$ 38,671	$ 38,027
Securities held-to-maturity:								
Municipal bonds	$ 564	$ 564	$ 631	$ 631	$ 175	$ 175	$ 200	$ 200

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At March 31, 2011 and June 30, 2010, we had no investments in a single company or entity (other than U.S. Government-sponsored entity securities) that had an aggregate book value in excess of 10% of our stockholders equity.

The following table sets forth the stated maturities and weighted average yields of investment securities at March 31, 2011. Weighted average yields on tax-exempt securities are not presented on a tax-equivalent basis as the amount would be immaterial. Certain mortgage-backed securities have adjustable interest rates and will reprice annually within the various maturity ranges. These repricing schedules are not reflected in the table below.

	One Year or Less		More than One Year to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
	Carrying Value	Weighted Average	Carrying Value	Weighted Average	Carrying Value	Weighted Average	Carrying Value	Weighted Average	Carrying Value	Weighted Average
					(Dollars in thousands)					
Securities available-for-sale:										
Callable agency bonds	$ 20,155	1.15%	$ 5,686	0.53%	$	%	$	%	$ 25,841	0.88%
Municipal bonds			179	4.94	1,819	4.74	15,024	5.80	17,022	5.68
Mortgage-backed securities			84,051	2.59					84,051	2.59
Total	$ 20,155		$ 89,916		$ 1,819		$ 15,024		$ 126,914	2.66
Securities held-to-maturity:										
Municipal bonds	$ 43	3.78%	$ 327	6.35%	$ 194	6.06%	$	%	$ 564	6.08%

Mortgage-backed securities represent a participation interest in a pool of one- to four-family or multi-family real estate mortgages. The mortgage originators use intermediaries (generally U.S. Government agencies and government-sponsored enterprises) to pool and repackage the participation interests in the form of securities, with investors receiving the principal and interest payments on the mortgages. Such U.S. Government agencies and government-sponsored enterprises guarantee the payment of principal and interest to investors.

Mortgage-backed securities are typically issued with stated principal amounts, and the securities are backed by pools of mortgages that have loans with interest rates that are within a range and have varying maturities. The underlying pool of mortgages, *i.e.*, fixed-rate or adjustable-rate, as well as prepayment risk, are passed on to the certificate holder. The life of a mortgage-backed pass-through security approximates the life of the underlying mortgages.

Our mortgage-backed securities consist of Ginnie Mae securities, Freddie Mac securities and Fannie Mae securities. Ginnie Mae is a government agency within the Department of Housing and Urban Development which is intended to help finance government-assisted housing programs. Ginnie Mae securities are backed by loans insured by the Federal Housing Administration, or guaranteed by the Veterans Administration. The timely payment of principal and interest on Ginnie Mae securities is guaranteed by Ginnie Mae and backed by the full faith and credit of the U.S. Government. Freddie Mac is a private corporation chartered by the U.S. Government. Freddie Mac issues participation certificates backed principally by conventional mortgage loans. Freddie Mac guarantees the timely payment of interest and the ultimate return of principal on participation certificates. Fannie Mae is a private corporation chartered by the U.S. Congress with a mandate to establish a secondary market for mortgage loans. Fannie Mae guarantees the timely payment of principal and interest on Fannie Mae securities. Freddie Mac and Fannie Mae securities are not backed by the full faith and credit of the U.S. Government. In September 2008, the Federal Housing Finance Agency was appointed as conservator of Fannie Mae and Freddie Mac. The U.S. Department of the Treasury agreed to provide capital as needed to ensure that Fannie Mae and Freddie Mac continue to provide liquidity to the housing and mortgage markets.

Mortgage-backed securities generally yield less than the loans which underlie such securities because of their payment guarantees or credit enhancements which offer nominal credit risk. In addition, mortgage-backed securities are more liquid than individual mortgage loans and may be used to collateralize our borrowings or other obligations.

Mortgage-backed securities generally increase the quality of United Community Bancorp s assets by virtue of the insurance or guarantees that back them, are more liquid than individual mortgage loans and may be used to collateralize borrowings or other obligations of United Community Bancorp. At March 31, 2011, approximately $15.0 million of our mortgage-backed and investment securities were pledged to secure various obligations of United Community Bancorp. United Community Bancorp has not knowingly invested in subprime mortgage-backed securities.

The actual maturity of a mortgage-backed security is typically less than its stated maturity due to prepayments of the underlying mortgages. Prepayments that are faster than anticipated may shorten the life of the security and increase or decrease its yield to maturity if the security was purchased at a discount or premium, respectively. The yield is based upon the interest income and the amortization of any premium or discount related to the mortgage-backed security. In accordance with accounting principles generally accepted in the United States of America, premiums and discounts are amortized over the estimated lives of the loans, which decrease and increase interest income, respectively. The prepayment assumptions used to determine the amortization period for premiums and discounts can significantly affect the yield of the mortgage-backed security, when premiums or discounts are involved, and these assumptions are reviewed periodically to reflect actual prepayments. Although prepayments of underlying mortgages depend on many factors, including the type of mortgages, the coupon rate, the age of mortgages, the geographical location of the underlying real estate collateralizing the mortgages and general levels of market interest rates, the difference between the interest rates on the underlying mortgages and the prevailing mortgage interest rates generally is the most significant determinant of the rate of prepayments. During periods of falling mortgage interest rates, if the coupon rate of the underlying mortgages exceeds the prevailing market interest rates offered for mortgage loans, refinancing generally increases and accelerates the prepayment of the underlying mortgages and the related security. Under such circumstances, United Community Bancorp may be subject to reinvestment risk because to the extent that the mortgage-backed securities amortize or prepay faster than anticipated, United Community Bancorp may not be able to reinvest the proceeds of such repayments and prepayments at a comparable rate. During periods of rising interest rates, prepayment rates of the underlying mortgages generally slow down when the coupon rate of such mortgages is less than the prevailing market rate. We may be subject to extension risk when this occurs.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis and more frequently when economic or market conditions warrant such an evaluation. The evaluation is based upon factors such as the creditworthiness of the issuers/guarantors, the underlying collateral, if applicable, and the continuing performance of the securities. Management also evaluates other facts and circumstances that may be indicative of an other-than-temporary impairment condition. This includes, but is not limited to, an evaluation of the type of security, length of time and extent to which the fair value has been less than cost and near-term prospects of the issuers.

Marketable equity securities are evaluated for other-than-temporary impairments based on the severity and duration of the impairment and, if deemed to be other-than-temporary, the declines in fair value are reflected in earnings as realized losses. For debt securities, other-than-temporary impairment is required to be recognized (1) if we intend to sell the security; (2) if it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of expected cash flows is not sufficient to recover the entire amortized cost basis.

Deposits. Our primary source of funds is our deposit accounts, which are comprised of noninterest-bearing accounts, interest-bearing NOW accounts, money market accounts, passbook accounts and certificates of deposit. These deposits are provided primarily by individuals within our market areas. During the year ended June 30, 2010, our deposits increased $90.6 million, or 26.7%, as a result of increases in NOW accounts and the previously discussed acquisition of three branches from Integra Bank, National Association. During fiscal 2009, the increase of $18.8 million in certificates of deposit was a result of increased marketing and advertising efforts in our local market.

The following table sets forth the balances of our deposit products at the dates indicated.

	At March 31, 2011	At June 30, 2010	2009	2008
		(In thousands)		
NOW accounts	$ 111,276	$ 103,216	$ 71,854	$ 64,206
Passbook accounts	70,286	53,989	40,980	41,787
Money market deposit accounts	35,699	55,062	61,933	68,621
Certificates of deposit	199,648	217,913	164,849	146,160
Total	$ 416,909[(1)]	$ 430,180[(2)]	$ 339,616[(3)]	$ 320,774[(4)]

(1) Includes $106.8 million in municipal deposits.
(2) Includes $121.6 million in municipal deposits.
(3) Includes $124.3 million in municipal deposits.

(4) Includes $127.5 million in municipal deposits.

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The following table indicates the amount of jumbo certificates of deposit by time remaining until maturity as of March 31, 2011 and June 30, 2010. Jumbo certificates of deposit require minimum deposits of $100,000. We did not have any brokered deposits as of March 31, 2011 or June 30, 2010.

Maturity Period	Certificates of Deposit (In thousands)
At March 31, 2011	
Three months or less	$ 45,398
Over three through six months	33,932
Over six through twelve months	52,721
Over twelve months	67,597
Total	$ 199,648
At June 30, 2010	
Three months or less	$ 28,781
Over three through six months	13,559
Over six through twelve months	47,927
Over twelve months	23,104
Total	$ 113,371

The following table sets forth the time deposits classified by rates at the dates indicated.

		At March 31, 2011	At June 30, 2010	2009	2008
			(In thousands)		
0.00	1.00%	$ 29,167	$ 7,171	$ 3,636	$ 2,379
1.01	2.00	84,056	75,517	5,502	362
2.01	3.00	60,072	91,166	51,885	18,193
3.01	4.00	16,325	26,436	62,733	27,195
4.01	5.00	6,522	12,036	26,483	58,694
5.01	6.00	3,506	5,452	14,478	39,198
6.01	7.00		135	132	139
Total		$ 199,648	$ 217,913	$ 164,849	$ 146,160

The following table sets forth the amount and maturities of time deposits classified by rates at March 31, 2011.

	Amount Due						Percent of Total Certificate of Deposit Accounts
	Less Than One Year	More Than One Year to Two Years	More Than Two Years to Three Years	More Than Three Years to Four Years	More Than Four Years	Total	

	(Dollars in thousands)						
0.00 1.00%	$ 26,411	$ 2,694	$ 31	$ 31	$	$ 29,167	14.6
1.01 2.00%	57,998	25,737	211	110		84,056	42.1
2.01 3.00%	34,505	8,460	11,609	4,213	1,285	60,072	30.0
3.01 4.00%	6,101	4,013	815	4,700	696	16,325	8.2
4.01 5.00%	3,935	2,175	364		48	6,522	3.3
5.01 6.00%	3,101	405				3,506	1.8
6.01 7.00%							
Total	$ 132,051	$ 43,484	$ 13,030	$ 9,054	$ 2,029	$ 199,648	100.0%

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The following table sets forth deposit activity for the periods indicated.

	Nine Months Ended March 31, 2011	2010	Year Ended June 30, 2010	2009	2008
			(In thousands)		
Beginning balance	$ 430,180	$ 339,616	$ 339,616	$ 320,774	$ 316,051
(Decrease) increase before interest credited	(17,639)	34,362	30,966	11,014	(6,593)
Interest credited	(4,368)	4,756	6,321	7,828	11,316
Net (Decrease) increase in deposits	(13,271)	39,118	37,287	18,842	4,723
Deposits assumed			53,277		
Ending balance	$ 416,909	$ 378,734	$ 430,180	$ 339,616	$ 320,774

Borrowings. We utilize borrowings from the Federal Home Loan Bank of Indianapolis to supplement our supply of funds for loans and investments. Advances from the Federal Home Loan Bank decreased $700,000 to $2.1 million at March 31, 2011, resulting from net repayments of Federal Home Loan Bank advances. Advances decreased $1.0 million for the year ended June 30, 2010 to $2.8 million and from $4.8 million at June 30, 2008 to $3.8 million at June 30, 2009 as we repaid borrowings with cash from the increase of deposits.

	Nine Months Ended March 31, 2011	2010	Year Ended June 30, 2010	2009	2008
			(Dollars in thousands)		
Maximum amount of advances outstanding at any month end during the period:					
FHLB advances	$ 2,833	$ 3,833	$ 3,833	$ 4,833	$ 5,000
Average advances outstanding during the period:					
FHLB advances	$ 2,458	$ 3,458	$ 3,333	$ 4,333	$ 4,916
Weighted average interest rate during the period:					
FHLB advances	2.98%	3.24%	3.24%	3.23%	4.01%
Balance outstanding at end of period:					
FHLB advances	$ 2,083	$ 3,083	$ 2,833	$ 3,833	$ 4,833
Weighted average interest rate at end of period:					
FHLB advances	2.98%	3.24%	3.24%	3.23%	4.01%

Comparison of Operating for the Nine Months Ended March 31, 2011 and 2010

Overview.

	2011	2010	% Change 2011/2010
	(Dollars in thousands)		
Net income (loss)	$ (871)	$ 1,048	(183.1)%
Return on average assets	(0.24)%	0.34%	(170.6)%

Return on average equity	(2.10)%	2.52%	(183.3)%
Average equity to average assets	11.21%	13.40%	(16.3)%

There was a net loss of $871,000 for the nine months ended March 31, 2011, compared to net income of $1.0 million for the nine months ended March 31, 2010.

Net Interest Income. Net interest income increased $1.2 million, or 12.5%, in the nine months ended March 31, 2011, as compared to the same period in the prior year. The increase in net interest income is also primarily attributable to the previously discussed acquisition of three branches and increased marketing and advertising efforts in our local market area.

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***Average Balances and Yields*.** The following table presents information regarding average balances of assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amounts of interest expense on average interest-bearing liabilities, and the resulting annualized average yields and costs. The yields and costs for the periods indicated are derived by dividing income or expense by the average balances of assets or liabilities, respectively, for the periods presented. For purposes of this table, average balances have been calculated using month-end balances, and nonaccrual loans are included in average balances only. Management does not believe that the use of month-end balances instead of daily average balances has caused any material differences in the information presented. Loan fees are included in interest income on loans and are insignificant. Yields are not presented on a tax-equivalent basis. Any adjustments necessary to present yields on a tax-equivalent basis are insignificant.

	At March 31, 2011	Nine Months Ended March 31,					
		2011			2010		
	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
	(Dollars in thousands)						
Assets:							
Interest-earning assets:							
Loans	5.34%	$ 301,581	12,821	5.67%	272,239	$ 12,226	5.99%
Investment and mortgage-backed securities	2.29	126,734	2,102	2.21	84,370	2,013	3.18
Other interest-earning assets	0.05	34,592	16	0.06	33,733	9	0.04
Total interest-earning assets	4.24	462,907	14,939	4.30	390,342	14,248	4.87
Noninterest-earning assets		29,753			23,518		
Total assets		$ 492,660			$ 413,860		
Liabilities and stockholders equity:							
Interest-bearing liabilities:							
NOW and money market deposit accounts (1)	0.53	$ 154,282	$ 631	0.55	$ 130,904	$ 638	0.65
Passbook accounts (1)	0.43	63,083	205	0.43	41,267	96	0.31
Certificates of deposit (1)	2.50	213,716	3,463	2.16	179,439	4,017	2.98
Total interest-bearing deposits	1.67	431,081	4,299	1.33	351,610	4,751	1.80
FHLB advances	3.20	2,458	55	2.98	3,458	84	3.24
Total interest-bearing liabilities	1.68	433,539	4,354	1.34	355,068	4,835	1.82
Noninterest bearing liabilities		3,915			3,353		
Total liabilities		437,454			358,421		
Stockholders equity		55,206			55,439		
Total liabilities and stockholders equity		$ 492,660			$ 413,860		
Net interest income			$ 10,585			$ 9,413	
Interest rate spread (annualized)	2.56%			2.96%			3.05%
Net interest margin				3.05%			3.22%
				106.77%			109.93%

Average interest-earning assets to average interest-bearing liabilities	

(1) Includes municipal deposits

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

	Nine Months Ended March 31, 2011 Compared to Nine Months Ended March 31, 2010 Increase (Decrease) Due to		
	Volume	Rate	Net
	(In thousands)		
Interest and dividend income:			
Loans	$ 1,318	$ (723)	$ 595
Investment securities	1,011	(922)	89
Other interest-earning assets		7	7
Total interest-earning assets	2,329	(1,638)	691
Interest expense:			
Deposits	1,074	(1,526)	(452)
FHLB advances	(24)	(5)	(29)
Total interest-bearing liabilities	1,050	(1,531)	(481)
Net change in net interest income	$ 1,279	$ (107)	$ 1,172

The decrease in the interest earned on interest-earning assets was due to a decrease in market interest rates.

Interest expense decreased $481,000 for the nine months ended March 31, 2011 as compared to the same period in 2010, resulting from decreases in the rates paid on deposits and borrowings and a $1.0 million decrease in the average balance of Federal Home Loan Bank advances, offset by an increase in average interest-bearing deposits of $79.5 million. Rates paid on average deposits decreased 50 basis points from 1.80% to 1.33%. The rates paid on Federal Home Loan Bank advances remained unchanged. Contributing to higher average deposits were increases in NOW and money market deposit accounts, passbook accounts and certificates of deposit of $23.4 million, $21.8 million and $34.3 million, respectively, primarily due to the previously discussed acquisition of three branch offices in June, 2010.

***Provision for Loan Losses*.** The provision for loan loss was $5.4 million for the nine months ended March 31, 2011, compared to $1.4 million for the same period in the prior year. The increase in the loan loss provision was primarily the result of the charge-off of $4.4 million in multi-family and nonresidential real estate loans, of which $692,000 relates to the restructuring of seven loans during the quarter having an aggregate outstanding principal balance of approximately $3.6 million. The remaining $3.7 million being charged-off relates to the restructuring of six loans having an aggregate balance of approximately $9.9 million that had been restructured during the 2010 calendar year. The entire amount of the $4.4 million in multi-family and nonresidential real estate loans that were charged off is a result of utilizing a split note strategy and a change to using a cash flow analysis utilizing current cash flows rather than our as stabilized values for determining the fair value of the loans. Specifically, we began restructuring loans into a Note A/Note B format upon a determination to adopt a new strategy to address performance issues exhibited by a portion of our multifamily and nonresidential loan portfolios. Upon performing a global analysis of the relationship with the borrower, the terms of Note A are calculated using current financial information to determine the amount of the payment at which the borrower would have a debt service coverage ratio of 1.5 times or better and further reduced the loan value to a level the cash flows could support. This is more stringent than the Company s normal underwriting ratio for such loans, which typically is 1.2 times or better. Other than the higher debt service coverage ratio, Note A loans are underwritten to the Company s customary standards. The Note A payment is calculated based upon a 30-year amortization period, then fixed for two years, with the loan maturing at the end of the two years. The amount for Note B is the difference between the amount of Note A and the original principal amount to be refinanced, plus reasonable closing costs. It is given the same interest rate and balloon term as Note A, but no principal or interest payments are due until maturity. While no amount of the original indebtedness of the borrower is forgiven through this process, the full amount of Note B is charged-off at the time of the issuance of Note B. If Note B is satisfied upon maturity, the proceeds received will be reflected as a recovery at that time. Note A is treated as any other troubled debt restructuring and, generally, may return to accrual status after a history of performance in accordance with the restructured terms of at least six consecutive months is established. At March 31, 2011, none of the Note A loans were on accrual status. Prior to being restructured and the charge off of the Note B loan during the quarter ended March 31, 2011, these loans had specific valuation allowances aggregating $1.4 million at December 31, 2010. At that time, it was the Company s policy to carry the loan at the lesser of the amount owed or its appraised value, less reasonable selling expenses. Management undertook the split note strategy primarily to achieve debt coverage ratios for the restructured loans that supported the borrowers cash flow status during the quarter ended March 31, 2011 without forgiving any of the borrowers original indebtedness. The substantial majority of the restructured loans subject to this strategy are multi-family and nonresidential real estate loans whose values are cash flow dependent, specifically from rental income. Each of the loans restructured in the third quarter of fiscal 2011 had experienced recent cash-flow shortfalls that called the long-term collectability of the loans into question. Specific cash flow issues identified in the quarter ended March 31, 2011 with a few of our large loan relationships included borrowers missing real estate tax payments, association dues not being paid, the required monthly loan payment not being paid or being paid late, decreases in rental revenue from rental properties, and further declines in the value of the underlying collateral. See the discussion regarding our most significant nonaccrual loans below for additional information. Management does not believe that the weaknesses exhibited in the restructured loans extend to the remainder of the multi-family and nonresidential portfolios. At March 31, 2011, management had no knowledge of any additional loans that will require restructuring. The restructuring and subsequent charge-offs to an as is fair value determination enables the Company to expeditiously liquidate delinquent loan balances if the restructured loans experience further delinquency. Upon conclusion of the restructuring, the additional $3.0 million was charged off to reflect the revised cash flow-based valuation.

Noninterest Income. The following table summarizes the components of other income for the nine months ended March 31, 2011 and 2010.

	Nine Months Ended March 31,		%
	2011	**2010**	**Change**
Service charges	$ 1,765	$ 1,442	22.4%
Gain on sale of loans	460	246	87.0
Gain on sale of investments	132	153	(13.7)
Gain (loss) on sale of other real estate owned	(25)	25	(200.0)
Income from bank-owned life insurance	207	209	(1.0)
Other	224	302	(25.8)
Total	$ 2,763	$ 2,377	16.2%

The increase in non-interest income was primarily the result of an increase in service charges resulting from the previously discussed acquisition of three branches and an increase in loans sold to Freddie Mac partially offset by a decrease in other income. The increase in sale of loans to Freddie Mac is the result of continued favorable rates offered for the purchase of fixed-rate loans. The decrease in other income is the result of a reduction of annual fees for lines of credit and loan servicing fees in the year ended June 30, 2010 period.

We carry bank-owned life insurance to recover the cost of employee benefits provided to key executives and directors and to mitigate the effect of the loss of such key executives and directors. The amount of bank-owned life insurance that we can hold, as recommended by our regulators, is limited to 25% of one s Tier 1 capital. At March 31, 2011, we complied with the recommended limit.

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Noninterest Expense. The following table summarizes the components of other expense for the nine months ended March 31, 2011 and 2010.

	Nine Months Ended March 31, 2011	2010	% Change
Compensation and employee benefits	$ 4,951	$ 4,323	14.5%
Premises and occupancy expense	991	822	20.6
Deposit insurance premium	607	627	(3.2)
Advertising expense	274	243	12.8
Data processing expense	839	666	26.0
Provision for loss on sale of other real estate owned		397	N/A
Acquisition related expenses	38	226	(83.2)
Other operating expenses	1,704	1,548	10.1
Total	$ 9,404	$ 8,852	6.2%

The increase in noninterest expenses was primarily the result of the previously discussed acquisition of three branches.

Income Taxes. Income tax expense decreased to a benefit of $612,000 for the nine months ended March 31, 2011, compared to an income tax expense of $493,000 for the same period in 2010. The decrease in expense for the nine month period in 2011 was primarily due to the receipt of a prior period state tax refund during the current period.

Comparison of Operating Results for the Years Ended June 30, 2010 and 2009

Overview.

	2010	2009	% Change 2010/2009
	(Dollars in thousands)		
Net income	$ 1,014	$ 719	41.0%
Return on average assets	0.24%	0.18%	33.3%
Return on average equity	1.83%	1.31%	39.7%
Average equity to average assets	13.06%	14.02%	(6.8)%

Net income for the year ended June 30, 2010 was $1.0 million, compared to $719,000 for the year ended June 30, 2009. The increase was primarily the result of an increase in net interest income of $501,000, or 4.2%, an increase in noninterest income of $770,000, or 27.6%, partially offset by an increase in noninterest expense of $748,000, or 6.5%, and an increase in the provision for income taxes of $166,000, or 93.7%.

Net Interest Income. The increase in net interest income was the result of an increase in the average balance of interest-earning assets, primarily the result of the previously discussed acquisition of the three branch offices in June, 2010. A decrease in the average interest rate paid on interest-bearing liabilities, from 2.36% for the prior year end to 1.76% for the year ended June 30, 2010, was offset by a decrease in the average rate earned on interest-earning assets from 5.40% for the prior year end to 4.72% for the year ended June 30, 2010. The decrease in rates was driven by decreases in market interest rates in the year ended June 30, 2010.

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Average Balances and Yields. The following table presents information regarding average balances of assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amounts of interest expense on average interest-bearing liabilities, and the resulting annualized average yields and costs. The yields and costs for the periods indicated are derived by dividing income or expense by the average balances of assets or liabilities, respectively, for the periods presented. For purposes of this table, average balances have been calculated using month-end balances, and nonaccrual loans are included in average balances only. Management does not believe that the use of month-end balances instead of daily average balances has caused any material differences in the information presented. Loan fees are included in interest income on loans and are insignificant. Yields are not presented on a tax-equivalent basis. Any adjustments necessary to present yields on a tax-equivalent basis are insignificant.

	Year Ended June 30, (Dollars in thousands)								
	2010			2009			2008		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
Assets:									
Interest-earning assets:									
Loans	$ 274,628	$ 16,334	5.95%	$ 282,978	$ 17,784	6.28%	$ 286,520	$ 18,663	6.51%
Investment securities	91,122	2,587	2.84	50,462	1,971	3.91	38,803	1,862	4.80
Other interest-earning assets	35,191	15	0.04	35,439	157	0.44	35,376	1,090	3.08
Total interest-earning assets	400,941	18,936	4.72	368,879	19,912	5.40	360,699	21,615	5.99
Non-interest-earning assets	24,067			23,607			20,544		
Total assets	$ 425,008			$ 392,486			$ 381,243		
Liabilities and equity:									
Interest-bearing liabilities:									
NOW and money market deposit	$ 135,614	871	0.64	$ 136,417	1,609	1.18	$ 135,766	3,731	2.75
Passbook accounts	42,480	136	0.32	40,358	285	0.71	37,101	570	1.54
Certificates of deposit	184,680	5,314	2.88	153,208	5,872	3.83	145,486	7,015	4.82
Total interest-bearing deposits	362,774	6,321	1.74	329,983	7,766	2.35	318,353	11,316	3.55
FHLB advances	3,333	108	3.24	4,333	140	3.23	922	37	4.01
Total interest-bearing liabilities	366,107	6,429	1.76	334,316	7,906	2.36	319,275	11,353	3.56
Noninterest-bearing liabilities	3,413			3,132			3,200		
Total liabilities	369,520			337,448			322,475		
Total stockholders equity	$ 55,488			$ 55,038			$ 58,768		
Total liabilities and stockholders equity	$ 425,008			$ 392,486			$ 381,243		
Net interest income		$ 12,507			$ 12,006			$ 10,262	
Interest rate spread			2.96%			3.04%			2.43%
Net interest margin			3.12%			3.25%			2.85%

Average interest-earning assets to average interest-bearing liabilities	109.51%	110.34%	112.97%

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

	Year Ended June 30, 2010 Compared to 2009		
	Increase (Decrease) Due to		
	Volume	Rate	Net
	(In thousands)		
Interest and dividend income:			
Loans	$ (525)	$ (925)	$ (1,450)
Investment securities	1,588	(972)	616
Other interest-earning assets	(1)	(141)	(142)
Total interest-earning assets	1,062	(2,038)	(976)
Interest expense:			
Deposits	772	(2,216)	(1,444)
FHLB advances	(33)	(0)	(33)
Total interest-bearing liabilities	739	(2,216)	(1,477)
Net change in net interest income	$ 323	$ 178	$ 501

The decrease in the interest earned on interest-earning assets was the combined effect of a decrease in market interest rates and reduced loan demand due market conditions.

Interest Expense. Interest expense decreased $1.5 million for the year ended June 30, 2010 as compared to the year ended June 30, 2009, resulting from decreases in the rates paid on deposits and borrowings and a $1.0 million decrease in the average balance of Federal Home Loan Bank advances, offset by an increase in average interest-bearing deposits of $32.8 million. Rates paid on average deposits decreased 61 basis points from 2.35% to 1.74%. The rates paid on Federal Home Loan Bank advances remained the same. Contributing to higher average deposits were increases in NOW and money market deposit accounts, passbook accounts and certificates of deposit of $31.4 million, $13.0 million, and $53.1 million, primarily due to the previously discussed acquisition of three branch offices in June, 2010.

Provision for Loan Losses. The provision for loan losses was $2.5 million for the year ended June 30, 2010, compared to $2.4 million for the prior year. The increase in the provision for loan losses for was primarily the result of the increase in nonperforming assets, particularly in troubled debt restructurings, due to the ongoing impact of the weak economy on the loan portfolio. Nonperforming loans increased at June 30, 2010, compared to 2009, from $6.0 million at June 30, 2009 to $10.6 million at June 30, 2010. Troubled debt restructurings increased to $10.3 million at June 30, 2010 from $5.1 million at June 30, 2009. An analysis of the changes in the allowance for loan losses is presented under *Risk Management Analysis and Determination of the Allowance for Loan Losses*.

Noninterest Income. The following table shows the components of other income for the years ended June 30, 2010, 2009 and 2008.

	2010	2009	2008	% Change 2010/2009	% Change 2009/2008
	(Dollars in thousands)				
Service charges	$ 1,988	$ 1,776	$ 1,374	11.9%	29.3%

Gain on sale loans	278	526	25	(47.1)	2,004.0
Gain (loss) on sale of investments	311	(183)	(35)	269.9	(422.9)
Gain on sale of other real estate owned	34		275	100.0	(100.0)
Income from Bank-Owned Life Insurance	282	256	208	10.2	23.1
Other	664	412	350	61.2	17.7
Total	$ 3,557	$ 2,787	$ 2,197	27.6%	26.9%

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The increase in service charges is due to an increased customer base. The growth in the customer base is attributable to additional marketing and advertising efforts as well as the acquisition of three branches from Integra Bank in June, 2010. The increase in gain on sale of investments is the result of the Bank purchasing additional securities in an effort to better diversify its investment portfolio in both type and duration of investments. The increase in other income is attributable to the settlement of a state tax refund in the year ended June 30, 2010. The decrease in sale of loans is due to rates remaining relatively flat in the year ended June 30, 2010, while they decreased significantly in the prior year causing a significant increase of refinancing into longer term fixed-rate loans that were sold to Freddie Mac.

Noninterest Expense. The following table shows the components of other expense and the percentage changes for the years ended June 30, 2010, 2009 and 2008.

	2010	2009	2008	% Change 2010/2009	% Change 2009/2008
	(Dollars in thousands)				
Compensation and employee benefits	$ 6,040	$ 5,659	$ 5,703	6.7%	(0.8)%
Premises and occupancy expense	1,101	1,074	952	2.5	12.8
Deposit insurance premium	740	457	71	61.9	543.7
Advertising expense	378	296	300	27.7	(1.3)
Data processing expense	296	241	251	22.8	(4.0)
ATM service fees	423	430	356	(1.6)	20.8
Provision for loss on sale of other real estate owned	510	770	125	(33.8)	516.0
Acquisition related expenses	439			100.0	
Loss on other than temporary impairment on investments			101		(100.0)
Other operating expenses	2,271	2,523	1,991	10.0	26.7
Total	$ 12,198	$ 11,450	$ 9,850	6.5%	16.2%

The increase in noninterest expense is attributable to increases in acquisition expenses, deposit insurance premiums, and employee compensation, partially offset by a decrease in the provision for loss on the sale of real estate owned. The acquisition related expenses in the year ended June 30, 2010 relate to the expenses incurred in connection with the acquisition of three branches from Integra. The increase in deposit insurance premiums is a result of increased deposit balances during the year, along with increased assessment rates due to the impact of the current economic environment on the deposit insurance fund. The increase in employee compensation is the result of adding staff as our customer base has grown over the last year including the branch acquisition at the end of the year. The decrease in provision for loss on the sale of other real estate owned is a result of the Bank holding less real estate owned (REO) for sale in the year ended June 30, 2010 than in the prior year. During the year ended June 30, 2010 the REO balance decreased from $1.9 million to $297,000.

Income Taxes. Income tax expense increased $166,000 to a provision of $343,000 for the year ended June 30, 2010, compared to the year ended June 30, 2009. The increase in expense was primarily due to an increase of $461,000 in income before taxes. The effective tax rate for 2010 was 25.0% compared to 19.8% in 2009. The increase in the effective rate was attributable to tax exempt municipal bond income being a smaller portion of income before taxes in the fiscal year ended June 30, 2010.

Risk Management

Overview. Managing risk is an essential part of successfully managing a financial institution. Our most prominent risk exposures are credit risk, interest rate risk and market risk. Credit risk is the risk of not collecting the interest and/or the principal balance of a loan or investment when it is due. Interest rate risk is the potential reduction of net interest income as a result of changes in interest rates. Market risk arises from fluctuations in interest rates that may result in changes in the values of financial instruments, such as available-for-sale securities, that are accounted for on a mark-to-market basis. Other risks that we face are operational risks, liquidity risks and reputation risk. Operational risks include risks related to fraud, regulatory compliance, processing errors, technology and disaster recovery. Liquidity risk is the possible inability to fund obligations to depositors, lenders or borrowers. Reputation risk is the risk that negative publicity or press, whether true or not, could cause a decline in our customer base or revenue.

Credit Risk Management. Our strategy for credit risk management focuses on having well-defined credit policies and uniform underwriting criteria and providing prompt attention to potential problem loans. We have also implemented a controlled growth strategy. This strategy also emphasizes the origination of one- to four-family mortgage loans, which typically have lower default rates than other types of loans and are secured by collateral that generally tends to appreciate in value. For more information regarding our credit risk management and controlled growth strategy, see *Operating Strategy Implementing a controlled growth strategy to prudently increase profitability and enhance stockholder value* and *Improving our asset quality.* In June, 2010, we amended our loan policies to reduce our concentration limits for multi-family and nonresidential real estate loans to 125% and 175%, respectively, and for construction and land loans to 10%, of the sum of core capital plus our allowance for loan losses. As of March 31, 2011, these loans represented 91.67%, 130.73%, 2.22% and 7.73%, respectively, of the sum or core capital plus our allowance for loan losses.

When a borrower fails to make a required loan payment, we take a number of steps to attempt to have the borrower cure the delinquency and restore the loan to current status. When the loan becomes 15 days past due, a late charge notice is generated and sent to the borrower and phone calls are made. If payment is not then received by the 30th day of delinquency, a further notification is sent to the borrower. If no successful workout can be achieved, after a loan becomes 90 days delinquent, we may commence foreclosure or other legal proceedings. We may consider loan workout arrangements with certain borrowers under certain circumstances in the form of a troubled debt restructuring.

If a foreclosure action is instituted and the loan is not brought current, paid in full, or refinanced before the foreclosure sale, the real property securing the loan generally is sold at foreclosure.

Management reports to the board of directors monthly regarding the amount of loans delinquent more than 30 days and all foreclosed and repossessed property that we own.

Analysis of Nonperforming and Classified Assets. We consider foreclosed real estate, repossessed assets, nonaccrual loans, and troubled debt restructurings that are delinquent or have not been performing to terms for a reasonable amount of time to be nonperforming assets. Loans are generally placed on nonaccrual status when the collection of principal or interest is in doubt, or at the latest when a loan becomes 90 days delinquent. When a loan is placed on nonaccrual status, the accrual of interest ceases and the allowance for any uncollectible accrued interest is established and charged against operations. All commercial loans that are placed on nonaccrual status are evaluated for impairment at the time the loans are placed on nonaccrual status. Typically, payments received on a nonaccrual loan are applied to the outstanding principal and interest as determined at the time of collection of the loan.

Real estate that we acquire as a result of foreclosure or by deed-in-lieu of foreclosure is classified as a nonperforming asset until it is sold. When property is acquired, it is initially recorded at the lower of its cost, or market, less estimate selling expenses. Holding costs and declines in fair value after acquisition of the property result in charges against income.

Historically, we had not incurred significant losses in our lending operations. Beginning in the year ended June 30, 2008, we began to experience the adverse effects of a significant national decline in real estate values. The consequences of this decline were generally evident in all portfolio types, but were more pronounced in multi-family and nonresidential real estate loans, particularly in markets outside of Dearborn and Ripley Counties. Our approach to resolving nonperforming loans focused on foreclosure and liquidations in the year ended June 30, 2008 and the greater part of the year ended June 30, 2009. This manner of troubled asset resolution proved costly as a result of legal and other operating costs in the process.

As a result, beginning in the latter part of the year ended June 30, 2009, management initiated a restructuring process with respect to nonperforming loans that provided for either restructuring the loan to the borrower in recognition of the lower available cash flows from the collateral properties or identification of stronger borrowers to refinance the loan. In evaluating whether to restructure a loan, we consider the borrower s payment status and history, the borrower s ability to pay upon a rate reset on an adjustable-rate mortgage, size of the payment increase upon a rate reset, period of time remaining before the rate reset, and other relevant factors in determining whether a borrower is experiencing financial difficulty. Under troubled debt restructurings, management believes they have provided the necessary valuation allowances or charge-offs to reflect the loans carrying amounts at fair value. The general concept underlying fair value would indicate that the collateral properties could be sold to other third parties without material loss if the restructuring efforts fail.

Loan workouts and modifications are handled by the President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, and the Senior Vice President, Lending, and are subject to approval by the Board of Directors. Delinquent or otherwise nonperforming mortgage loan and home equity loan customers are required to provide updated financial information and the reasons for their inability to pay or comply with the contractual terms of their loans.

Management ascertains the value of the underlying collateral, depending on the type of property, through an independent appraisal or an in-house cash flow analysis of the property. Once the value of collateral is established, management will impair the amount of any shortfall from the collateral value to the outstanding principal loan balance. Management will then develop and pursue a workout plan. Once a workout plan is established and implemented, management will monitor monthly performance of the loan at a minimum until it is removed from nonaccrual status. On an annual basis, management will conduct property inspections and review financial information of the borrowers and any guarantors.

In situations where a collateral shortfall (i.e. the value of the underlying collateral of the loan is less than the outstanding principal balance of the loan), is discovered on a previously existing loan, typically through an updated appraisal or collateral inspection, management will seek to obtain additional collateral and/or a personal guaranty at that time. If no additional collateral is available, management will work with the borrower on a suitable workout arrangement that may include a troubled debt restructuring, or foreclose on the property. To determine the best outcome for the Bank, management reviews the financial condition of the borrower, the cash flow of the property and the value of the loan s collateral.

If the Bank obtains a guaranty, the strength and value of the guaranty is measured by the Bank at the time the loan is closed and is re-evaluated at least annually. The strength of each guaranty is determined by evaluating the guarantor s net worth, liquid net worth, debt-to-income ratio and credit score. In certain circumstances, the Bank may deem it appropriate not to enforce a guaranty, such as when it determines enforcing a guaranty could be detrimental to a larger banking relationship. Since December, 2008, the Bank has successfully collected $165,000 from five personal guarantors and has forbearance agreements to collect an additional $1.2 million. Of the forbearance agreements two, totaling $1.1 million, are in the form of liens on excess collateral on existing loans. The remaining agreements are for smaller individual balances, and the Bank is receiving regular payments on these amounts. The entire balance of each forbearance is considered impaired and payments are treated as recoveries when received.

After the restructuring is completed, if the borrower continues to experience payment difficulties, or there is an additional decline in the collateral value identified in the annual property inspection or updated appraisal, management may impair the loan further, restructure the loan again, or foreclose on the collateral property. At this point, management considers all of the same factors it did when the initial restructuring occurred, and attempts to resolve the situation so as to achieve the best outcome for the Bank.

Troubled debt restructurings are considered to be nonperforming, except for those that have established a sufficient performance history (generally at a minimum of six consecutive months of performance under the restructured terms) under the terms for the restructured loan. At March 31, 2011, 29 loans (with aggregate balances of $21.3 million) of which 25 loans (with aggregate balances of $18.2 million) were included in nonperforming assets. At June 30, 2010, 12 (with aggregate balances of $5.3 million) of our 17 loans (with aggregate balances of $10.3 million) troubled debt restructurings were included in nonperforming assets. At June 30, 2009, three loans (with aggregate balances of $2.5 million) of our five loans (with aggregate balances of $5.1 million) troubled debt restructurings were included in nonperforming assets. Additional information on all of our troubled debt restructurings appears in the troubled debt restructurings table below.

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The following table provides information with respect to our nonperforming assets at the dates indicated.

	At March 31, 2011	At June 30, 2010	2009	2008	2007	2006
			(Dollars in thousands)			
Nonaccrual loans:						
One- to four-family residential real estate	$ 2,031	$ 1,533	$ 1,943	$ 853	$ 810	$ 602
Multifamily real estate		2,137	1,065	3,072		
Nonresidential real estate and land	111	1,455	386	2,885	2,264	183
Commercial	245					
Consumer	25	155	84	642	85	36
Total nonaccrual loans	2,412	5,280	3,478	7,452	3,159	1,148
Nonaccrual restructured loans:						
One- to four-family residential real estate	1,877	903				
Multifamily real estate	12,331	3,108	1,427			
Nonresidential real estate and land	4,006	1,283	1,069			
Total nonaccrual restructured loans	18,214	5,294	2,496			
Total nonperforming loans	$ 20,626	$ 10,574	$ 5,974	$ 7,452	$ 3,159	$ 821
Real estate owned	179	297	1,940	2,895	111	151
Total nonperforming assets	$ 20,805	$ 10,871	$ 7,914	$ 10,347	$ 3,270	$ 972
Accruing restructured loans	3,085	5,003	2,646			
Accruing restructured loans and nonperforming assets	$ 23,890	$ 15,874	$ 10,560	$ 10,347	$ 3,270	$ 972
Total nonperforming loans to total loans	7.01%	3.35%	2.15%	2.57%	1.14%	0.33%
Total nonperforming loans to total assets	4.33%	2.15%	1.49%	1.95%	0.83%	0.23%
Total nonperforming assets to total assets	4.37%	2.21%	1.97%	2.70%	0.86%	0.27%

Interest income that would have been recorded for the nine months ended March 31, 2011 and 2010 and the years ended June 30, 2010, 2009 and 2008 had nonaccruing loans and accruing restructured loans been current according to their original terms was $1.1 million, $353,000, $774,000, $365,000, and $139,000, respectively. No interest related to nonaccrual loans was included in interest income for the nine months ended March 31, 2011 and 2010, and the years ended June 30, 2010, 2009 and 2008.

During the nine months ended March 31, 2011, nonperforming loans increased from $10.6 million to $20.6 million. The increase in nonperforming loans was primarily the result of the increase in troubled debt restructurings on nonaccrual status from $5.3 million at June 30, 2010 to $18.2 million at March 31, 2011. This increase relates to seven loans covering three loan relationships. The Company continued to experience performance issues in multifamily and nonresidential real estate loan portfolio secured by properties primarily outside of Dearborn and Ripley Counties, as reflected in the level of classified assets at June 30, 2010 and March 31, 2011. As a result, in the quarter ended March 31, 2011, management reviewed all classified assets and ultimately restructured $13.7 million of loans during the period. All of these restructured assets were included in nonperforming loans at March 31, 2011, and will remain in nonperforming loans until they establish a history of performance in accordance with their restructured terms for at least six consecutive months.

A discussion of the most significant nonaccrual loans, which includes the five largest nonaccrual loans at March 31, 2011, and the five largest charge-offs recognized during the quarter ended March 31, 2011 follows. These loans comprise $12.3 million, or 59.7%, of the $20.6 million in total nonaccrual loans at March 31, 2011. Management monitors the performance of these loans and reviews all options available to keep the loans current, including further restructuring of the loans. If restructuring efforts ultimately are not successful, management will initiate foreclosure proceedings.

Loan Relationship A. Three loans, all included in one loan relationship, with a carrying value of $6.4 million prior to its restructuring in the quarter ended March 31, 2011. One loan is secured by a first mortgage on an apartment complex near a college campus, another is secured by a first mortgage on two mobile home parks, and the last is secured by the first mortgage on another apartment complex. The loans comprising Loan Relationship A were originally restructured in October and November, 2010. At the time of the first restructuring in 2010, one of the loans, with a carrying value of $3.0 million, was 180 days delinquent, and the other two loans were performing.

Management performed a global analysis of the borrowers and restructured each of the three loans by reducing the original loan rates by 125 to 225 basis points to a rate that was 25 basis points below market rate. Foregone interest income amounted to $51,000 on the two performing loans that were restructured. Had the performing loans not been restructured, only $3.0 million in loans from this relationship would have been restructured, and the remaining $3.4 million would be considered performing following management s global analysis of the overall lending relationship. The borrowers paid a loan modification fee of $3,000 for this restructuring. At the time of the restructuring, management established a specific reserve through a charge-off to the general allowance for loan losses of $132,000. As a result of an evaluation of the collateral, the property value was primarily based on the collateral s cash flow and comparisons to comparable sales. This analysis supported the $3.0 million carrying value of the loan. According to our Loan Modification Policy, performing an evaluation for the other two loans was not required at the time of the restructuring as these loans were performing in accordance with their original terms and therefore perceived to have less risk than the nonperforming loan. However, in accordance with the Loan Modification Policy, a property inspection report was completed for the other two loans. One of the borrowers is a corporate entity. Each of the principals of the corporate borrower individually signed as co-borrowers. At the time of the restructuring, we analyzed the personal net worth, liquid net worth, debt to income ratios and credit scores of the co-borrowers. While the co-borrowers were not expected to cover a total loss on the loans, management believed the co-borrowers would mitigate the amount of the potential future losses. In March 2011, one of these loans was again restructured through a troubled debt restructuring as a result of the borrower experiencing cash flow problems during the quarter ended March 31, 2011. The cash flow problems experienced were the combined effect of decreased rental income and the failure to pay real estate property taxes. Based upon a cash flow analysis of the properties performed by management, $651,000 of the $6.4 million in loans was charged-off during the restructuring into the split loan structure. This split was done for one loan that had a balance of $1.6 million before the split. After the split, Note A had a balance of $994,000 and Note B had a balance of $651,000. Prior to the loan being restructured in March, 2011, the restructured loan carried a $19,000 specific reserve that was included in Note B and charged-off. The split note loans have an interest rate that is 275 points below their original restructured rate for a period of two years, and 475 points below their original rates. At the end of the two year period, balloon payments are due, unless the borrower refinances into a market rate loan at that time.

Loan Relationship B. The loans comprising Loan Relationship B were originally restructured in June, 2010, with an aggregate carrying value of $4.1 million prior to their restructuring in the quarter ended March 31, 2011. These loans are secured by a first mortgage on two separate retail strip shopping centers and a single purpose commercial use property. At the time of the original restructuring, management established a specific reserve through a charge-off to the general allowance for loan losses of $83,000. The property value was primarily based on the collateral s cash flow and recent sales of comparable properties. Management believed that the lower debt service would improve the borrowers cash flow, and in turn, the performance of the loans. One of the borrowers is a corporate entity. The principals of the corporate borrower are also co-borrowers of the note. At the time of the restructuring, we analyzed the personal net worth, liquid net worth, debt to income ratios and credit scores of the co-borrowers. While the co-borrowers were not expected to cover a total loss on the loans, management believed the co-borrowers would mitigate the amount of potential future losses. At December 31, 2010, the loan was subject to a $64,000 specific reserve. In March, 2011, the loans comprising Loan Relationship B again were experiencing cash flow problems and were refinanced through a troubled debt restructuring, utilizing the split note strategy. The cash flow problems experienced were the combined effect of the level of the required monthly loan payments, decreases in rental revenue from the properties, and failure to pay real estate property taxes. Based upon a cash flow analysis of the properties performed by management, after the restructuring, the two loans categorized as Note A s had a combined balance of $2.6 million and the two loans categorized as Note B s had a balance of $1.5 million. A restructuring fee of $15,000 was charged and included in Note B at March 31, 2011. The restructured loans have an interest rate that is an additional 275 points lower than the 2010 restructured rate for a period of two years, and 500 points below their original rates. At the end of the two year period, balloon payments are due, unless the borrower refinances the loans into a market rate loan at that time.

Loan Relationship C. Two loans, included in one relationship, with an aggregate value of $2.1 million prior to being restructured in the quarter ended March 31, 2011. One loan is secured by a first mortgage on a single-family home. One loan is secured by a 24-unit apartment complex, one- to four-family residential properties and several residential building lots. The loans comprising Loan Relationship C were originally restructured in August, 2009. At the time of the first restructuring, management established a specific reserve through a charge-off to the general allowance for loan losses of $29,000. In August, 2009, the loans were originally restructured by reducing the interest rates on the loans by a range of 400 to 600 basis points to a rate that was 300 basis points below market rate. These loans were performing at the time of the restructuring, but the borrowers were beginning to experience cash flow difficulties. Management believed that the lower debt service would improve the borrowers cash flow, and in turn, the performance of the loans. At the time the loans were first restructured, independent appraisals were performed on each piece of underlying collateral. These appraisals supported the aggregate $2.1 million carrying value of the loans. One of the borrowers is a corporate entity, with one principal who has personally signed on the loan. At the time of the restructuring, we analyzed the personal net worth, liquid net worth, debt to income ratios and credit scores of the co-borrower and determined that the co-borrower was not expected to cover a total loss, but would mitigate the amount of potential future losses. At December 31, 2010, the loan was subject to a $179,000 specific reserve. During the quarter ended March 2011, the borrower again began to experience cash flow difficulties and these loans were refinanced through a troubled debt restructuring. The cash flow problems experienced were the combined effect of the failure to pay required monthly loan payments, the failure to pay association dues, and the failure to pay real estate property taxes. Based upon a cash flow analysis of the properties performed by management, the loans were restructured during the quarter ended March 31, 2011 utilizing the split note strategy. After the restructuring, the previous balance of $2.1 million was split into two notes with Note A having a balance of $1.5 million and Note B having a balance of $626,000 inclusive of the previous specific reserve of $179,000. A restructuring fee of $14,000 was charged and included in Note B at March 31, 2011. The restructured loans have an interest rate that is an additional 275 basis points lower than the 2010 restructured rate for a period of two years, and 675 to 875 points below the original rates. At the end of the two year period, balloon payments are due, unless the borrower refinances into a market rate loan at that time.

Loan Relationship D. The loan comprising Loan Relationship D was originally restructured in December 2008. The loan is secured by a first mortgage on a 62-unit apartment complex near a college campus. The loan was made in 2008 to a seasoned property manager who made major improvements to the property. The property was purchased in December 2008 from a Bank borrower who was delinquent at the time of acquisition. At the time the loan was acquired from the delinquent borrower in 2008, it was restructured with a new borrower, in lieu of foreclosure, pursuant to which the Bank loaned the borrower funds to purchase and renovate the property. At the time of the restructuring, management established a specific reserve through a charge-off to the general allowance for loan losses of $113,000. We have no personal guarantee or co-borrower on this loan. At this time, the loan requires interest only payments through December 2011. In January, 2012, the interest rate on the loan will be at the prime interest rate as published by *The Wall Street Journal* , plus a spread. At the time of the acquisition, management believed that the new borrower would be able to renovate the property with a view toward improving the property s cash flow, and in turn, the performance of the loan. Since the closing of the loan, the borrower has completed renovations to the property and the cash flow of the property has improved. At the time the loan was made, an independent appraisal was performed on the collateral underlying the loan. This appraisal supported the $1.6 million carrying value of the loan. In the quarter ended March 31, 2011, after the renovations were completed, management obtained an updated appraisal that supported a carrying value of $1.4 million. At March 31, 2011, the carrying value of this loan was $1.4 million, and the loan was performing in accordance with its restructured terms at that date.

Loan Relationship E. Two loans with an aggregate carrying value of $569,000 at March 31, 2011, secured by nonresidential real estate. The loan was originally restructured in April, 2010. At the time of the restructuring we established a specific valuation allowance of $260,000 through a charge-off to the general allowance for loan losses, based upon an appraisal obtained in March 2010. The originally restructured loan had payments deferred for one year, while accruing interest at market rates. This loan was scheduled to undergo an interest rate and payment reset in February, 2011, pursuant to the terms of the note. We have no personal guarantee or co-borrower on this loan. At the time of the loan adjustment period, it became apparent the borrower was going to struggle to make the required monthly payments beginning in February, 2011. As a result, management completed a detailed analysis of this loan and determined to again restructure the loan utilizing the Note A / Note B format in March, 2011. The terms of Note A were calculated using current financial information to determine the amount of the payment at which the borrower would have a debt service coverage ratio of approximately 1.5 times, which is more stringent than our normal underwriting standards. A restructuring fee of $9,000 was charged and included in Note B at March 31, 2011. After the restructuring in March, 2011, Note A was $569,000 and Note B of $508,000 was charged-off in the quarter ended March 31, 2011 inclusive of the previous specific reserve of $260,000. At the end of the two year period, balloon payments are due, unless the borrower refinances into a market rate loan at that time.

Loan Relationship F. Two loans with an aggregate carrying value of $475,000 at March 31, 2011. These loans, originally one loan, are secured by multifamily residential real estate. The original loan was originally restructured in a Note A / Note B format in June, 2010 based on an 80% LTV derived from an April, 2010 appraisal. At December 31, 2010, the loans have a specific reserve of $217,000 (this reserve is for the entire amount of original Note B). The amount of reserve for loss on this loan remained unchanged up to the time of the second restructuring, as noted below, because management determined the value of the underlying collateral was not impaired based upon regular property inspections as evidenced by the most recent appraisal in February, 2011, when management noted a $17,000 decrease in the value of the collateral. At December 31, 2010, the loan was 160 days delinquent. The delinquency was a result of personal problems between the borrowers affecting their ability to manage the multi-family residential real estate. In the latter part of 2010 and into 2011, one of the borrowers effectively took control of the multi-family residential real estate and has brought the business current with respect to property taxes, refunds to former tenants, and made required monthly loan payments in January and February, 2011. Other than the January and February loan payments, the borrowers have been unable to bring the loan current under their current cash flow. Based upon these recent developments, management completed a detailed analysis of the total lending relationship with the borrowers. As a result of this analysis, these loans were again restructured, utilizing the Note A / Note B format in March, 2011. The terms of the Note A were calculated using current financial information to determine the amount of the payment at which the borrowers would have a debt service coverage ratio of approximately 1.5 times, which is more stringent than our current underwriting standards. A restructuring fee of $7,000 was charged and included in Note B at March 31, 2011. There are no personal guarantees on these loans. One of the borrowers is a corporate entity, with two principals, who are also individually signed on the loan. After the restructuring in March, 2011, Note A was $475,000 and Note B in the amount of $405,000 was charged-off in the quarter ended March 31, 2011, including $188,000 that was charged-off against the general allowance for loan losses. At the end of the two year period, balloon payments are due, unless the borrower refinances into a market rate loan at that time.

The following table summarizes all split loans at March 31, 2011:

	Loan Balances			Number of loans	
(Dollars in thousands)	**Note A**	**Note B**	**Total**	**Note A**	**Note B**
Nonresidential real estate	$ 4,006	$ 2,382	$ 6,388	4	4
Multi-family residential real estate	3,457	2,008	5,465	4	4
One- to four-family residential real estate	137	60	197	1	1
Total (1)	$ 7,600	$ 4,450	$ 12,050	9	9

(1) Included in this total are $5.2 million in Note As and $2.8 million in Note Bs that are included in the discussion of Loan Relationships A, B and C.

As evidenced by our loans receivable greater than 30 days past due in the multi-family residential real estate and nonresidential real estate portfolios only amounting to $1.2 million, management does not believe there are any other large concentrations of credit risk that are not performing under the original terms or modified terms, as applicable. Management has no knowledge of any additional loans that will require restructuring.

The following table provides information with respect to all of our loans that are classified as troubled debt restructurings. Troubled debt restructurings are considered to be impaired, except for those that have established a sufficient performance history under the terms for the restructured loan. For additional information regarding troubled debt restructurings on nonaccrual status, see the table of nonperforming assets above.

	At March 31, 2011				
	Loan Status		Total unpaid principal	Related	Recorded
(In thousands)	**Accrual**	**Nonaccrual**	**balance**	**allowance**	**investment**
One- to four-family residential real estate	$ 486	$ 1,877	$ 2,363	$	$ 2,363
Multi-family residential real estate		12,331	12,331	801	11,530
Nonresidential real estate	2,599	4,006	6,605		6,605

Total	$ 3,085	$ 18,214	$ 21,299	$ 801	$ 20,498
Number of loans	4	25			

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	Loan Status		At June 30, 2010		
	Accrual	Nonaccrual	Total Unpaid Principal Balance (In thousands)	Related Allowance	Recorded Investment
One- to four-family residential real estate - owner occupied	$ 422	$ 903	$ 1,325	$ 159	$ 1,166
Multi-family residential real estate - nonowner occupied	1,981	3,108	5,089	1,012	4,077
Nonresidential real estate - commercial and office buildings	2,600	1,283	3,883	676	3,207
	$ 5,003	$ 5,294	$ 10,297	$ 1,847	$ 8,450
Number of loans	5	12			

	Loan Status		At June 30, 2009		
	Accrual	Nonaccrual	Total Unpaid Principal Balance (In thousands)	Related Allowance	Recorded Investment
One- to four-family residential real estate - owner occupied	$ 350	$	$ 350	$ 24	$ 326
Multi-family residential real estate - nonowner occupied	1,296	1,427	2,723	230	2,493
Nonresidential real estate - commercial and office buildings	1,000	1,069	2,069	334	1,735
	$ 2,646	$ 2,496	$ 5,142	$ 588	$ 4,554
Number of loans	3	2			

Loans that were included in troubled debt restructuring at June 30, 2010 were generally given concessions of interest rate reductions of between 25 and 300 basis points, and/or structured as interest only payment loans for periods of one to three years. Many of these loans also have balloon payments due at the end of their lowered rate period, requiring the borrower to refinance at market rates at that time. At March 31, 2011, there were 21 loans with required payments of principal and interest, and eight loans with required interest only payments. At June 30, 2010, there were seven loans with required principal and interest payments, eight loans with required interest only payments, and two loans with no payments due until 2011. At June 30, 2009, there were three loans with required interest only payments, and two loans with no payments due until 2011. Although the economic trends during the nine months ended March 31, 2011 have been generally stable in our primary market area, i.e., Dearborn and Ripley Counties in Indiana, the overall increases in troubled debt restructurings from June 30, 2010 to March 31, 2011, and from June 30, 2009 to June 30, 2010, related to continued weakness in the local economy resulting from the economic down turn that started in 2008, particularly in outside of Dearborn and Ripley Counties in Indiana.

Federal regulations require us to review and classify our assets on a regular basis. In addition, the OTS has the authority to identify problem assets and, if appropriate, require them to be classified. There are three classifications for problem assets: substandard, doubtful and loss. Substandard assets must have one or more defined weaknesses and are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a high possibility of loss. An asset classified loss is considered uncollectible and of such little value that continuance as an asset of the institution is not warranted. The regulations also provide for a special mention category, described as assets which do not currently expose us to a sufficient degree of risk to warrant classification but do possess credit deficiencies or potential weaknesses deserving our close attention. When we classify an asset as special mention, we account for those classifications when establishing a general allowance for loan losses. If we classify an asset as substandard, doubtful or loss, we establish a specific allowance for the asset at that time.

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The following table shows the aggregate amounts of our classified assets at the dates indicated.

	At March 31, 2011	At June 30, 2010	At June 30, 2009
		(In thousands)	
Special mention assets	$ 12,240	$ 20,061	$ 16,942
Substandard assets	25,889	17,356	12,624
Total classified assets	$ 38,129	$ 37,417	$ 29,566

At March 31, 2011:

Credit Risk Profile by Internally Assigned Grade

(In thousands)	One- to Four-Family Owner-Occupied Mortgage	Consumer	One- to Four-family Non-owner Occupied Mortgage	Multi-family Non-owner Occupied Mortgage	Non-Residential Real estate	Construction	Land	Commercial and Agricultural	Total
Grade:									
Pass	$ 106,872	$ 35,587	$ 9,019	$ 16,735	$ 38,145	$ 1,122	$ 2,577	$ 3,790	$ 213,847
Watch	6,869	143	3,067	15,839	13,091		1,300	1,771	42,080
Special mention	670	162	1,035	1,586	8,266		39	482	12,240
Substandard	4,585	860	1,234	12,263	6,702			245	25,889
Total:	$ 118,996	$ 36,752	$ 14,355	$ 46,423	$ 66,204	$ 1,122	$ 3,916	$ 6,288	$ 294,056

At June 30, 2010

Credit Risk Profile by Internally Assigned Grade

(In thousands)	One- to Four-Family Owner Occupied Mortgage	Consumer	One- to Four-Family Mortgage Nonowner Occupied	Multi-Family Mortgage Nonowner Occupied	Non-residential real estate	Construction	Land	Commercial	Total
Grade:									
Pass	$ 115,917	$ 37,450	$ 9,037	$ 18,940	$ 45,712	$ 1,566	$ 3,836	$ 3,046	$ 235,504
Watch	3,816	460	3,481	14,031	16,583		684	3,278	42,333
Special mention	766	313	704	6,575	9,802		881	1,020	20,061
Substandard (1)	2,936	902	816	7,231	5,471				17,356
Total:	$ 123,435	$ 39,125	$ 14,038	$ 46,777	$ 77,568	$ 1,566	$ 5,401	$ 7,344	$ 315,254

(1) Includes $10.3 million in troubled debt restructurings.

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Delinquencies. The following table provides information about delinquencies in our loan portfolio at the dates indicated.

	At March 31, 2011		At June 30, 2010		2009		2008	
	30-59 Days Past Due	60-89 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	30-59 Days Past Due	60-89 Days Past Due
	(Dollars in thousands)							
Residential real estate:								
One- to four-family	$ 1,721	$ 820	$ 1,083	$ 515	$ 1,539	$ 1,754	$ 1,561	$ 742
Multi-family	328							1,208
Nonresidential real estate and land	890		648	3,598	383	1,080	324	535
Consumer and other loans	127	325	728	337	104	62	73	22
Total	$ 3,066	$ 1,145	$ 2,459	$ 4,450	$ 2,026	$ 2,896	$ 1,958	$ 2,507

Analysis and Determination of the Allowance for Loan Losses. The allowance for loan losses is a valuation allowance for probable credit losses in the loan portfolio. We evaluate the need to establish allowances against losses on loans on a quarterly basis. When additional allowances are necessary, a provision for loan losses is charged to earnings. The recommendations for increases or decreases to the allowance are presented by management to the board of directors. Our methodology for assessing the appropriateness of the allowance for loan losses consists of: (1) a specific allowance on identified impaired loans; and (2) a general valuation allowance on the remainder of the loan portfolio.

Allowance Required for Identified Impaired Loans. We establish an allowance on certain identified impaired loans based on such factors as: (1) the strength of the customer s personal or business cash flows; (2) the availability of other sources of repayment; (3) the amount due or past due; (4) the type and value of collateral; (5) the strength of our collateral position; (6) the estimated cost to sell the collateral; and (7) the borrower s effort to cure the delinquency.

General Valuation Allowance on the Remainder of the Loan Portfolio. We establish a general allowance for loans that are not delinquent to recognize the inherent losses associated with lending activities. This general valuation allowance is determined by segregating the loans by loan category and assigning historical loss percentages to each category. The percentages are adjusted for significant factors that, in management s judgment, affect the collectibility of the portfolio as of the evaluation date. These significant factors may include changes in existing general economic and business conditions affecting our primary lending areas and the national economy, staff lending experience, recent loss experience in particular segments of the portfolio, specific reserve and classified asset trends, delinquency trends and risk rating trends. These loss factors are subject to quarterly evaluation to ensure their relevance in the current economic environment.

As a result of our systematic analysis of the adequacy of the allowance for loan losses, the loss factors we presently use to determine the reserve level are based on various risk factors such as trends in underperforming loans, trends and concentrations in loans and loan volume, economic trends in our market area, particularly the impact of the gaming and tourism industry on the economy of our market area, the effect of which has become significant in recent periods.

We also identify loans that may need to be charged-off as a loss by reviewing all delinquent loans, classified loans and other loans that management may have concerns about collectability. On a monthly basis, management reviews all substandard commercial loans and all loans that are more than 30 days delinquent. On a quarterly basis, management reviews all classified assets and on an annual basis, management reviews all major lending relationships (relationships greater than $1.0 million). The review of major loan relationships includes completing an updated property inspection report, and obtaining current tax returns and financial information about the borrower and the property. When impaired loans are identified, management will reduce the loan to fair value and charge-off the difference between the outstanding balance and fair value to the allowance for loan losses. On a quarterly basis, management will review the allowance for loan losses based upon the criteria discussed above and make adjustments to the allowance accordingly.

Any commercial loan that is included in delinquent loans, classified loans, or other loans about which management may have concerns is individually reviewed for impairment on a monthly basis. For individually reviewed loans, the borrowers inability to make payments under the terms of these loans, or the existence of a shortfall in the collateral value relating to these loans, would result in our allocating a portion of the allowance to the loans that were impaired.

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At March 31, 2011, our allowance for loan losses represented 1.65% of total loans and 23.5% of nonperforming loans and amounted to $4.9 million at such date compared to $5.7 million at June 30, 2010. At June 30, 2010, our allowance for loan losses represented 1.80% of total loans and 53.7% of nonperforming loans. At June 30, 2009, our allowance for loan losses represented 1.52% of total loans and 70.5% of nonperforming loans. The allowance for loan losses increased to $5.7 million at June 30, 2010 from $4.2 million at June 30, 2009.

From June 30, 2009 to June 30, 2010 the loan portfolio experienced increases of $4.6 million in nonperforming loans, $3.0 million in nonperforming assets, $7.9 million in classified assets, and $5.2 million in troubled debt restructurings. As a result of the deteriorating credit quality, the loan loss provision increased to $2.5 million for the year ended June 30, 2010. From June 30, 2010 to March 31, 2011, the loan portfolio experienced further increases of $10.1 million in nonperforming loans, $9.9 million in nonperforming assets, $712,000 million in classified assets, and $11.0 million in troubled debt restructurings. This resulted in the determination to establish a loan loss provision of $5.4 million for the nine months ended March 31, 2011. These increases in troubled assets were primarily the result of the addition of 13 troubled debt restructurings totaling $5.2 million during the year ended June 30, 2010 and the addition of 11 troubled debt restructurings totaling $10.2 million, net of chargeoffs, during the nine months ended March 31, 2011. When a loan first becomes a troubled debt restructuring, it is included in nonaccrual loans until a history of at least six consecutive monthly payments can be established. Troubled debt restructurings are also classified as substandard assets for the life of the restructured terms. Because nonaccrual loans are included in nonperforming loans and nonperforming assets and are also considered classified assets, the increase in troubled debt restructurings was the primary reason for the increase in nonperforming loans, nonperforming assets, and classified assets.

Additionally, from June 30, 2009 to June 30, 2010 the loan portfolio experienced an aggregate increase of $2.0 million in loans 30-89 days delinquent. From June 30, 2010 to March 31, 2011 the loan portfolio experienced an aggregate decrease of $2.7 million in loans 30-89 days delinquent. This change is attributable to the utilization of the Note A/Note B strategy and the related charge-offs of $4.4 million upon performing a detailed review of the Company s significant troubled lending relationships during the quarter ended March 31, 2011. The restructuring of these loans has had a significantly positive impact on our past due loans receivable as the majority of our past due amounts centered around a specific segment of our loan portfolio.

The provision for loan losses was $5.4 million for the nine months ended March 31, 2011 and $2.5 million for the year ended June 30, 2010. The amount of the provision in the nine months ended March 31, 2011 was the result of the increase in troubled debt restructurings. As previously discussed, the increase in troubled debt restructurings adversely impacted nonaccrual loans, nonperforming loans, nonperforming assets, and classified assets. The increased provision was necessary to replenish the allowance for loan loss following the recognition of charge-offs related to several loans restructured.

As noted earlier, the ratio of the allowance for loan losses to nonperforming loans (coverage ratio) decreased from 70.3% to 53.7% and to 23.5% at June 30, 2009, June 30, 2010 and March 31, 2011, respectively. This decrease was a result of the significant change in composition of nonperforming loans during this time. At June 30, 2009, June 30, 2010, and March 31, 2011, troubled debt restructurings were 41.8%, 50.1%, and 88.3% of nonperforming loans, respectively. Troubled debt restructurings have generally been charged off or written down to their fair value at the time of the restructuring. The fair value at the time of restructuring is determined by a recent independent appraisal or cash flow analysis of the underlying collateral. As a result of the recent fair value determinations of a majority of the loans that are included in nonperforming loans, the allowance for loan losses as a percentage of nonperforming loans decreased from June 30, 2010 to March 31, 2011.

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The following table illustrates the changes to the allowance for loan losses for the nine months ended March 31, 2011:

Allowance for Credit Losses and Recorded Investment in Loans Receivable

	One- to Four-Family Owner-Occupied Mortgage	Consumer	One- to Four-family Non-owner Occupied Mortgage	Multi-family Non-owner Occupied Mortgage	Non-Residential Real estate	Construction	Land	Commercial and Agricultural	Total
Allowance for Credit Losses:									
Beginning Balance:	$ 439	$ 908	$ (20)	$ 2,863	$ 1,256	$ 4	$ 10	$ 221	$ 5,681
Charge offs	(659)	(825)		(2,008)	(2,765)			(38)	$ (6,295)
Recoveries	21	14			6				$ 41
Provision	978	320	178	881	3,223		3	(156)	5,427
Ending Balance:	$ 779	$ 417	$ 158	$ 1,736	$ 1,720	$ 4	$ 13	$ 27	$ 4,854
Balance, Individually Evaluated	$ 23	$ 19	$ 85	$ 801	$	$	$	$	$ 928
Balance, Collectively Evaluated	$ 756	$ 398	$ 73	$ 935	$ 1,720	$ 4	$ 13	$ 27	$ 3,926
Financing receivables:									
Ending Balance	$ 118,996	$ 36,752	$ 14,355	$ 46,423	$ 66,204	$ 1,122	$ 3,916	$ 6,288	$ 294,056
Ending Balance: individually evaluated for impairment	$ 121	$ 61	$ 1,253	$ 12,331	$ 6,605	$	$	$	$ 20,371
Ending Balance: collectively evaluated for impairment	$ 104,565	$ 26,834	$ 12,379	$ 33,565	$ 51,876	$ 1,122	$ 3,916	$ 4,349	$ 238,606
Ending Balance: loans acquired with deteriorated credit quality	$ 14,310	$ 9,857	$ 723	$ 527	$ 7,723	$	$	$ 1,939	$ 35,079

The most significant increases in classified assets from June 30, 2010 to March 31, 2011 occurred in one- to four-family, multi-family, and non-residential real estate loans resulting in corresponding increases to provisions for loan losses relating to these loan portfolios. Overall increases in the allowance allocated to these portfolios was warranted as other risk factors stemming from increases in classified assets and delinquencies have increased as well.

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The following table sets forth the breakdown of the allowance for loan losses by loan category at the dates indicated.

	At March 31, 2011			At June 30, 2010			2009		
	Amount	% of Allowance to Total Allowance	% of Loans in Category to Total Loans	Amount	% of Allowance to Total Allowance	% of Loans in Category to Total Loans	Amount	% of Allowance to Total Allowance	% of Loans in Category to Total Loans
	(Dollars in thousands)								
One- to four-family residential real estate	$ 937	19.3%	45.3%	$ 319	5.6%	43.6%	$ 215	5.1%	44.9%
Multi-family real estate	1,736	35.7	15.8	1,210	21.3	14.8	322	7.6	17.0
Nonresidential real estate	1,720	35.4	22.5	3,087	54.3	24.6	3,207	76.1	24.2
Land	13	0.3	1.3	100	1.8	1.7	90	2.1	1.7
Agricultural	8	0.2	0.7	18	0.3	0.6			
Commercial	19	0.4	1.5	40	0.7	1.8	54	1.3	1.6
Consumer	417	8.6	12.5	907	16.0	12.4	325	7.8	10.0
Construction	4	0.1	0.4			0.5			0.6
Total allowance for loan losses	$ 4,854	100.0%	100.0%	$ 5,681	100.0%	100.0%	$ 4,213	100.0%	100.0%
Total loans	$ 294,056			$ 315,254			$ 277,302		

	At June 30, 2008			2007			2006		
	Amount	% of Allowance to Total Allowance	% of Loans in Category to Total Loans	Amount	% of Allowance to Total Allowance	% of Loans in Category to Total Loans	Amount	% of Allowance to Total Allowance	% of Loans in Category to Total Loans
	(Dollars in thousands)								
One- to four-family residential real estate	$ 209	4.5%	46.5%	$ 331	12.4%	45.4%	$ 484	23.0%	47.2%
Multi-family real estate	315	6.8	15.1			13.5			8.2
Nonresidential real estate and land	3,753	81.3	23.1	1,949	73.0	24.5	1,361	64.6	26.5
Land	70	1.5	2.1			3.0			3.3
Agricultural									
Commercial	7	0.2	2.1	10	0.4	2.1	14	0.7	2.0
Consumer	265	5.7	10.2	381	14.2	8.1	246	11.7	8.3
Construction			0.9			3.4			4.5
Total allowance for loan losses	$ 4,619	100.0%	100.0%	$ 2,671	100.0%	100.0%	$ 2,105	100.0%	100.0%
Total loans	$ 289,774			$ 278,270			$ 247,806		

Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary and our results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Furthermore, while we believe we have established our allowance for loan losses in conformity with U.S. generally accepted accounting principles, there can be no assurance that the OTS, in reviewing our loan portfolio, will not request us to increase our allowance for loan losses. The OTS may require us to increase our allowance for loan losses based on judgments different from ours. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that increases will not be necessary should the quality of any loans deteriorate as a result of the factors discussed above. Any material increase in the allowance for loan losses may adversely affect our financial condition and results of operations.

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Analysis of Loan Loss Experience. The following table sets forth an analysis of the allowance for loan losses for the periods indicated.

	Nine Months Ended March 31,		Year Ended June 30,				
	2011	2010	2010	2009	2008	2007	2006
	(Dollars in thousands)						
Allowance at beginning of period	$ 5,681	$ 4,213	$ 4,213	$ 4,619	$ 2,671	$ 2,105	$ 2,266
Provision for loan losses	5,427	1,397	2,509	2,447	4,718	730	120
Charge-offs:							
One- to four-family residential real estate	659	73	124	101	343	82	18
Land				2,537			
Nonresidential real estate	2,765	37	33		2,440		
Multi-family real estate	2,008	831	834	51			
Consumer and other loans	863	42	96	182		129	271
Total charge-offs	6,295	983	1,087	2,871	2,783	211	289
Recoveries:							
One- to four-family residential real estate	21	2	2	5			
Nonresidential real estate and land	6	19	19				
Multi-family real estate		5	5				
Consumer and other loans	14	14	20	13	13	47	8
Total recoveries	41	40	46	18	13	47	8
Net charge-offs	(6,254)	(943)	(1,041)	(2,853)	(2,770)	(164)	(281)
Allowance at end of period	$ 4,854	$ 4,667	$ 5,681	$ 4,213	$ 4,619	$ 2,671	$ 2,105
Allowance to nonperforming loans	23.53%	50.11%	53.73%	70.51%	62.00%	84.55%	256.39%
Allowance to total loans outstanding at the end of the period	1.65%	1.68%	1.80%	1.52%	1.59%	0.97%	0.85%
Net charge-offs to average loans outstanding during the period (1)	8.61%	0.35%	0.38%	1.00%	1.06%	0.06%	0.12%

(1) Charge-offs have been annualized for the periods ended March 31 for purposes of this presentation.

Charge-offs in the year ended June 30, 2010 were the result of one loan secured by a mobile home park. The loan was charged-off in September, 2009 and taken into other real estate owned at that time. The property was sold in February, 2010 and we restructured the loan as a troubled debt restructuring. The loan is included in nonaccrual troubled debt restructurings and was performing in accordance with its restructured terms at March 31, 2011.

Charge-offs in the year ended June 30, 2009 were the result of four loans in two lending relationships. Three of the loans, included in one relationship for a landscape nursery, were charged-off in August, 2008, the inventory and assets from the business were liquidated, and the real estate was taken into other real estate owned. The real property was sold in June, 2009 and we financed the sale as a troubled debt restructuring. Due to its performance history, it is classified as an accruing troubled debt restructuring and was performing according to its restructured terms at March 31, 2011. The fourth loan was related to Loan Relationship D included in *Analysis of Nonperforming and Classified Assets.* This loan was classified as a nonaccrual troubled debt restructuring and was performing according to its restructured terms at March 31, 2011.

The increase in charge-offs in the year ended June 30, 2008 is the result of the two loans that were foreclosed and taken into other real estate owned in May, 2008. One property, a golf course, was sold in December, 2009. We provided the sales financing and restructured the loan as a troubled debt restructuring due to additional collateral that was provided by the borrower at the time of restructuring. This loan was performing according to terms and was considered an accruing troubled debt restructuring at March 31, 2011. The other property is land held for future residential development that is adjacent to the aforementioned golf course. This property is included in other real estate owned at March 31, 2011.

Interest Rate Risk Management. We manage the interest rate sensitivity of our interest-bearing liabilities and interest-earning assets in an effort to minimize the adverse effects of changes in the interest rate environment. Deposit accounts

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typically react more quickly to changes in market interest rates than mortgage loans because of the shorter maturities of deposits. As a result, sharp increases in interest rates may adversely affect our earnings while decreases in interest rates may beneficially affect our earnings. To reduce the potential volatility of our earnings, we have sought to improve the match between asset and liability maturities and rates, while maintaining an acceptable interest rate spread. Our strategy for managing interest rate risk emphasizes: adjusting the maturities of borrowings; adjusting the investment portfolio mix and duration; and generally selling in the secondary market newly originated conforming fixed-rate 15-, 20- and 30-year one- to four-family residential real estate loans and available-for-sale securities. We currently do not participate in hedging programs, interest rate swaps or other activities involving the use of derivative financial instruments.

We have an Asset/Liability Committee, which includes members of management and Board members, to communicate, coordinate and control all aspects involving asset/liability management. The committee establishes and monitors the volume, maturities, pricing and mix of assets and funding sources with the objective of managing assets and funding sources to provide results that are consistent with liquidity, growth, risk limits and profitability goals.

Our goal is to manage asset and liability positions to moderate the effects of interest rate fluctuations on net interest income and net income.

Net Portfolio Value Analysis. We use a net portfolio value analysis prepared by the OTS to review our level of interest rate risk. This analysis measures interest rate risk by computing changes in net portfolio value of our cash flows from assets, liabilities and off-balance sheet items in the event of a range of assumed changes in market interest rates. Net portfolio value represents the market value of portfolio equity and is equal to the market value of assets minus the market value of liabilities, with adjustments made for off-balance sheet items. These analyses assess the risk of loss in market risk-sensitive instruments in the event of a sudden and sustained 50 to 300 basis point increase or 50 and 100 basis point decrease in market interest rates with no effect given to any steps that we might take to counter the effect of that interest rate movement. Because of the low level of market interest rates, these analyses are not performed for decreases of more than 100 basis points.

The following table, which is based on information that we provide to the OTS, presents the change in our net portfolio value at March 31, 2011 that would occur in the event of an immediate change in interest rates based on OTS assumptions, with no effect given to any steps that we might take to counteract that change.

Basis Point (bp)	Net Portfolio Value (Dollars in Thousands)			Net Portfolio Value as % of Portfolio Value of Assets	
Change in Rates	Amount	Change	% Change (Dollars in thousands)	NPV Ratio	Change (bp)
300	$ 47,697	$ (9,444)	(17)%	10.10	(165)
200	52,149	(4,992)	(9)	10.91	(84)
100	55,614	(1,526)	(3)	11.51	(23)
50	56,438	(703)	(1)	11.64	(10)
0	57,141			11.75	
(50)	57,369	229	0	11.76	2
(100)	59,573	2,432	4	12.15	40

The OTS uses various assumptions in assessing interest rate risk. These assumptions relate to interest rates, loan prepayment rates, deposit decay rates and the market values of certain assets under differing interest rate scenarios, among others. As with any method of measuring interest rate risk, certain shortcomings are inherent in the methods of analyses presented in the foregoing tables. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate mortgage loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, expected rates of prepayments on loans and early withdrawals from certificates could deviate significantly from those assumed in calculating the table. Prepayment rates can have a significant impact on interest income. Because of the large percentage of loans and mortgage-backed securities we hold, rising or falling interest rates have a significant impact on the prepayment speeds of our earning assets that in turn affect the rate sensitivity position. When interest rates rise, prepayments tend to slow. When interest rates fall, prepayments tend to rise. Our asset sensitivity would be reduced if prepayments slow and vice versa. While we believe these assumptions to be reasonable, there can be no assurance that assumed prepayment rates will approximate actual future mortgage-backed security and loan repayment activity.

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Liquidity Management. Liquidity is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds consist of deposit inflows, loan repayments, maturities and sales of securities and borrowings from the Federal Home Loan Bank of Indianapolis. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition.

We regularly adjust our investments in liquid assets based upon our assessment of: (1) expected loan demands; (2) expected deposit flows, in particular municipal deposit flows; (3) yields available on interest-earning deposits and securities; and (4) the objectives of our asset/liability management policy.

Our most liquid assets are cash and cash equivalents. The levels of these assets depend on our operating, financing, lending and investing activities during any given period. Cash and cash equivalents totaled $28.2 million at March 31, 2011 and $32.0 million at June 30, 2010. Securities classified as available-for-sale whose market value exceeds our cost, which provide additional sources of liquidity, totaled $83.3 million at March 31, 2011 and $104.1 million at June 30, 2010. Total securities classified as available-for-sale were $127.0 million at March 31, 2011 and $119.3 million at June 30, 2010. In addition, at March 31, 2011 and June 30, 2010, we had the ability to borrow a total of approximately $49.0 million and $83.0 million, respectively, from the Federal Home Loan Bank of Indianapolis.

At March 31, 2011, we had $28.8 million in loan commitments outstanding, consisting of $1.4 million in mortgage loan commitments, $240,000 in commercial loan commitments, $20.9 million in unused home equity lines of credit, $5.6 million in commercial lines of credit, $46,000 in undisbursed balances on construction loans, and $640,000 in letters of credit outstanding. At June 30, 2010, we had $38.7 million in loan commitments outstanding, consisting of $1.1 million in mortgage loan commitments, $4.3 million in commercial loan commitments, $26.6 million in unused home equity lines of credit, $5.8 million in commercial lines of credit, and $856,000 in letters of credit outstanding. Certificates of deposit due within one year of March 31, 2011 totaled $131.9 million. This represented 66.1% of certificates of deposit at March 31, 2011. We believe the large percentage of certificates of deposit that mature within one year reflects customers hesitancy to invest their funds for long periods in the current low interest rate environment. If these maturing deposits do not remain with us, we will be required to seek other sources of funds, including other certificates of deposit and borrowings. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the certificates of deposit due on or before March 31, 2011. We believe, however, based on past experience that a significant portion of our certificates of deposit will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

The following table presents certain of our contractual obligations as of March 31, 2011 and June 30, 2010.

	Payments Due by Period				
Contractual Obligations	Less than One Year	One to Three Years	Three to Five Years (In Thousands)	More Than 5 Years	Total
At March 31, 2011					
Long-term debt obligations	$ 1,000	$ 1,083	$	$	$ 2,083
Operating lease obligations	13	61	3		74
Total	$ 1,013	$ 1,144	$ 3	$	$ 2,157
At June 30, 2010					
Long-term debt obligations	$ 1,000	$ 1,833	$	$	$ 2,833
Operating lease obligations	31	32	11		74
Total	$ 1,031	$ 1,865	$ 11	$	$ 2,907

Our primary investing activities are the origination and purchase of loans and the purchase of securities. Our primary financing activities consist of activity in deposit accounts and Federal Home Loan Bank advances. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by us and our local competitors and other factors. We generally manage the pricing of our deposits to be competitive and to increase core deposit relationships. Occasionally, we offer promotional rates on certain deposit products to attract deposits.

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The following table presents our primary investing and financing activities during the periods indicated.

	Nine Months Ended March 31, 2011	Year Ended June 30, 2010	2009
	(Dollars in thousands)		
Investing activities:			
Loans disbursed or closed, net of acquisition	$ (58,948)	$ (62,161)	$ (49,275)
Loan principal repayments	60,957	42,991	33,524
Proceeds from maturities and principal repayments of securities	38,949	28,334	12,138
Proceeds from sales of securities available-for-sale	29,665	20,557	1,550
Purchases of securities	(77,676)	(91,931)	(51,349)
Capital expenditures, net of acquisition	(408)	(796)	(163)
Financing activities:			
(Decrease) increase in deposits, net of acquisition	(13,185)	37,258	18,842
Repayments of Federal Home Loan Bank advances	(750)	(1,000)	(1,000)
Dividends paid to stockholders	(985)	(1,170)	(1,096)
Repurchases of common stock	(37)	(80)	(325)

Capital Management. United Community Bank is subject to various regulatory capital requirements administered by the Office of Thrift Supervision, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. At March 31, 2011, the Bank exceeded all of its regulatory capital requirements to be considered well capitalized under the FDIC s regulatory framework for prompt corrective action at that date, as follows:

	Actual Amount	Actual Ratio	For Capital Adequacy Purposes Amount	For Capital Adequacy Purposes Ratio	To be Well Capitalized Under Prompt Corrective Action Provisions Amount	To be Well Capitalized Under Prompt Corrective Action Provisions Ratio
	(Dollars in thousands)					
Total Risk-Based Capital Ratio	$ 48,549	17.26%	$ 22,505	8%	28,131	10%
Tier I Risk-Based Capital Ratio	45,033	16.01	11,252	4	16,879	6
Tier I Capital Ratio	45,033	9.58	18,801	4	23,502	5

Off-Balance Sheet Arrangements. In the normal course of operations, we engage in a variety of financial transactions that, in accordance with U.S. generally accepted accounting principles, are not recorded in our financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers requests for funding and take the form of loan commitments, letters of credit and lines of credit. For information about our loan commitments and unused lines of credit, see Note 15 of the notes to the consolidated financial statements. We currently have no plans to engage in hedging activities in the future.

For the nine months ended March 31, 2011 and years ended June 30, 2010 and June 30, 2009, we engaged in no off-balance sheet transactions reasonably likely to have a material effect on our financial condition, results of operations or cash flows.

Impact of Recent Accounting Pronouncements

The information required by this item is included in Note 1 to the consolidated financial statements included in this prospectus.

Effect of Inflation and Changing Prices

The financial statements and related financial data presented in this report have been prepared in accordance with U.S. generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution s performance than do general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

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OUR MANAGEMENT

Board of Directors

The Company s board of directors currently consists of nine members. Directors Jerry W. Hacker, James D. Humphrey, Eugene B. Seitz, II, Ralph B. Sprecher and Richard C. Strzynski are all considered independent under the listing standards of The NASDAQ Stock Market. In determining the independence of its directors, the Board considered transactions, relationships or arrangements between United Community, United Community Bank and its directors, including loans or lines of credit that the Bank has directly or indirectly made to directors. Unless otherwise stated, each person has held his or her current occupation for the last five years. Ages presented are as of March 31, 2011. Based on their respective experiences, qualifications, attributes and skills set forth below, the board of directors determined that each current director should serve as a director.

Directors with Terms Ending in 2011:

William F. Ritzmann has served as President and Chief Executive Officer of the Bank since the merger of Perpetual Federal and Progressive Federal to form United Community Bank on April 12, 1999. Before the merger, Mr. Ritzmann served for 23 years as director, President and Managing Officer of Progressive Federal Savings Bank. Age 63. Director since 1975 (including term as a director of Progressive Federal Savings Bank).

Mr. Ritzmann s extensive experience in the local banking industry and involvement in business and civic organizations in the communities in which the Bank serves affords the board valuable insight regarding the business and operation of the Bank. Mr. Ritzmann s knowledge of all aspects of the Company s and the Bank s business and history, combined with his success and continued drive for responsible growth and excellence, over the past thirty-six years, position him well to continue to serve as our President and Chief Executive Officer.

Robert J. Ewbank has been a partner in the Lawrenceburg, Indiana, law firm of Ewbank & Kramer LLP since 1978. Age 61. Director since 1984 (including term as a director of Progressive Federal Savings Bank).

Mr. Ewbank s legal experience as a partner of the firm Ewbank & Kramer LLP, affords the board in-depth knowledge and understanding of the issues facing the Bank and the Company and the unique skills needed to guide the Company and its management effectively. Through Mr. Ewbank s experience as owner of Ewbank Land Title Company, Mr. Ewbank also offers the board management experience in the small firm setting and critical experience in real estate matters. In addition, with over twenty-five years of service on the Board, Mr. Ewbank brings significant knowledge of the Company s and the Bank s business and history to the board.

Richard C. Strzynski has been a self-employed certified public accountant in Aurora, Indiana since 1979. Age 63. Director since 1993 (including term as a director of Progressive Federal Savings Bank).

Mr. Strzynski s experience as a self-employed certified public accountant provides the board with critical experience in accounting matters and understanding of business financial statements. In addition, Mr. Strzynski s familiarity with and participation in our local community through various community organizations has allowed him to develop strong ties to the community, providing the board with valuable insight regarding the local business and consumer environment.

James D. Humphrey has served as the Judge of the Circuit Court of Dearborn and Ohio Counties, Indiana since January 1, 1999. Age 52. Director since 2011.

Mr. Humphrey s legal experience, including his service as the Judge of the Circuit Court, provides the board with the legal knowledge necessary to assess issues facing the board effectively. In addition, Mr. Humphrey s involvement in community organizations and local political matters is a vital component of a well-rounded board.

Directors with Terms Ending in 2012:

Jerry W. Hacker served as the owner and President of Dee s Delights, Inc., a miniatures wholesaling company from 1983 until 2006. He is now retired. Age 67. Director since 1987 (including term as a director of Perpetual Federal Savings and Loan Association).

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As the former owner and President of Dee s Delights, Inc., Mr. Hacker provides the board with essential business and management experience, as well as, valuable leadership capability. Mr. Hacker s twenty-three years of service on the board also provides the board with substantial knowledge of the Company s and the Bank s business and history. In addition, Mr. Hacker s continued involvement in community organizations and local matters is a vital component of a well-rounded board.

Ralph B. Sprecher is Chairman of the Board. He previously was the Vice President of Midwest Operations for Joseph E. Seagram & Sons, Inc., a beverage distribution company, and is now retired. Age 69. Director since 1993 (including term as a director of Perpetual Federal Savings and Loan Association).

Mr. Sprecher has considerable management and operational experience through thirty-five years of business experience with Joseph E. Seagram & Sons, Inc., including his role as Vice President of Midwest Operations. In addition, Mr. Sprecher provides valuable local community insight through his familiarity and participation in our community through various local organizations.

Directors with Terms Ending in 2013:

Eugene B. Seitz, II is an officer and co-owner of Seitz Agency, Inc., an insurance agency. Mr. Seitz also serves as Assistant Secretary of the board of directors. Mr. Seitz s brother, G. Michael Seitz, II, also serves on the board of directors and Mr. Seitz s cousin, James W. Kittle, is a Senior Vice President of Lending with the Bank. Age 54. Director since 1995 (including term as a director of Perpetual Federal Savings and Loan Association).

Mr. Seitz provides the Board with extensive marketing and operational knowledge through his experience as an officer and co-owner of Seitz Agency, Inc., a long-standing insurance agency in our local market. Mr. Seitz also has considerable management experience within the insurance industry and knowledge of the corporate governance practices necessary to guide management. Mr. Seitz s experience in dealing with the insurance needs of the agency s clients, his lifelong residency and community involvement provide the Board with significant knowledge regarding the communities in which the Bank operates.

G. Michael Seitz is an officer and co-owner of Seitz Agency, Inc., an insurance agency. Mr. Seitz also serves as Secretary of the board of directors. Mr. Seitz s brother, Eugene B. Seitz, II also serves on the board of directors and Mr. Seitz s cousin, James W. Kittle, is a Senior Vice President of Lending with the Bank. Age 63. Director since 1971 (including term as a director of Progressive Federal Savings Bank).

As an officer and co-owner of Seitz Agency, Inc., a long-standing insurance agency in our local market, Mr. Seitz provides the board with significant management, strategic and operational expertise. Through his role as an officer and co-owner Seitz Agency, Inc., Mr. Seitz provides the board with essential knowledge and understanding of the local business environment. In addition, Mr. Seitz s thirty-nine years of dedicated service on the Bank s board of directors provides the board with invaluable expertise and knowledge of the Bank s business and its history.

Elmer G. McLaughlin has served as Executive Vice President and Chief Operating Officer of the Bank since the merger of Perpetual Federal and Progressive Federal to form United Community Bank on April 12, 1999. Before the merger, Mr. McLaughlin served for nine years as President, and 19 years as a director, of Perpetual Federal Savings and Loan Association, and was Executive Vice President and head of Operations and senior loan officer of Perpetual Federal from 1978 until 1990. Mr. McLaughlin is the brother of W. Michael McLaughlin, a Senior Vice President of Operations at the Bank. Age 59. Director since 1980 (including term as a director of Perpetual Federal Savings and Loan Association).

As Executive Vice President and Chief Operating Officer Mr. McLaughlin successfully assisted the Bank in its mutual-to-stock conversion and navigated the various issues facing financial institutions and public companies during one of the most challenging economic periods in recent history. Mr. McLaughlin s thirty-four years of experience as an employee and officer of United Community Bank, provides the board with valuable expertise and knowledge of all aspects of the business and its history. In addition, Mr. McLaughlin s lifelong residency and community involvement in our area make him a vital part of our board.

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Executive Officers

Our executive officers are elected by the board of directors and serve at the board s discretion. The following individuals currently serve as executive officers of United Community Bancorp and United Community Bank and will serve in the same positions with new United Community Bancorp following the conversion and the offering.

Name	Position
William F. Ritzmann	President and Chief Executive Officer of United Community Bancorp, United Community MHC and United Community Bank
Elmer G. McLaughlin	Executive Vice President, Chief Operating Officer and Corporate Secretary of United Community Bancorp, United Community MHC and United Community Bank
James W. Kittle	Senior Vice President, Lending of United Community Bank
Vicki A. March, CPA	Senior Vice President, Chief Financial Officer and Treasurer of United Community Bancorp, United Community MHC and United Community Bank
W. Michael McLaughlin	Senior Vice President, Operations of United Community Bank
Michael B. Shannon, CPA	Vice President and Controller of United Community Bancorp and United Community Bank

Below is information regarding the executive officers who are not also directors. Unless otherwise stated, each executive officer has held his current position for at least the last five years. Ages presented are as of March 31, 2011.

James W. Kittle has served as Senior Vice President, Lending of the Bank since 1980. Age 53.

Vicki A. March has served as Chief Financial Officer, Treasurer and Senior Vice President, Finance, of the Bank since 1999 and for United Community Bancorp since its inception in March 2006. Ms. March previously served as Treasurer of the Bank from 1980 to 1999. Age 55.

W. Michael McLaughlin has served as Senior Vice President, Operations of the Bank since 1983. Age 52.

Michael B. Shannon has served as Vice President and Controller of United Community Bancorp since March, 2011, and for United Community Bank since 2007. Prior to that time, Mr. Shannon worked in public accounting for over five years for two major international firms and for a year as internal auditor with a regional bank. Age 33.

Board Leadership Structure

The board of directors has determined that the separation of the offices of Chairman of the board and President and Chief Executive Officer enhances board independence and oversight. Moreover, the separation of the Chairman of the board and President and Chief Executive Officer allows the President and Chief Executive Officer to better focus on his growing responsibilities of running the Company, enhancing stockholder value and expanding and strengthening the Company s franchise while allowing the Chairman of the board to lead the board in its fundamental role of providing advice to and independent oversight of management. Consistent with this determination, Ralph B. Sprecher serves as Chairman of the board of directors. Mr. Sprecher is independent under the listing requirements of The NASDAQ Stock Market.

The Board s Role in Risk Oversight

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. The Company faces a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the day-to-day management of risks the Company faces, while the board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To do this, the Chairman of the board meets regularly with management to discuss strategy and the risks facing the Company. Senior management attends the board meetings and is available to address any questions or concerns raised by the board on risk management and any other matters. The Chairman of the board and independent members of the board work together to provide strong, independent oversight of the Company s management and affairs through its standing committees and, when necessary, special meetings of independent directors.

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Director Compensation For the 2010 Fiscal Year

The following table provides the compensation received by individuals who served as non-employee directors of United Community Bancorp during the 2010 fiscal year. The table excludes perquisites which did not exceed $10,000 in the aggregate for each director.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)(2)	All Other Compensation ($)(3)	Total ($)
Robert J. Ewbank	25,000	7,076	3,637	1,048	36,761
Jerry W. Hacker	25,000	7,076	3,637	1,048	36,761
Anthony C. Meyer (4)	25,000	7,076	3,637	1,048	36,761
Eugene B. Seitz, II	27,250	7,076	3,637	1,048	39,011
G. Michael Seitz	28,500	7,076	3,637	1,048	40,261
Richard C. Strzynski	25,000	7,076	3,637	1,048	36,761
Ralph B. Sprecher	29,900	7,076	3,637	1,048	41,661

(1) Reflects the compensation expense recognized in accordance with FASB ASC Topic 718 on outstanding restricted stock awards for each director based upon the Company s stock price of $11.53 as of the date of grant. When shares become vested and are distributed from the trust in which they are held, the recipient will also receive an amount equal to accumulated cash and stock dividends (if any) paid with respect thereto, plus earnings thereon. At June 30, 2010, the Equity Incentive Plan Trust held 1,991 shares of unvested restricted stock for each of the non-employee directors.

(2) Reflects the compensation expense recorded in accordance with FASB ASC Topic 718 on outstanding stock option awards for each of the non-employee directors, based upon a fair value of each option of $2.37 using the Black-Scholes option pricing model. The stock options vest ratably over a five-year period which began on January 2, 2008. At June 30, 2010, each director held an unvested stock option for 4,976 shares of Company common stock.

(3) Represents dividends paid on stock awards that vested in fiscal 2010 and life insurance premiums.

(4) Anthony C. Meyer retired as director from the Boards of Directors of the Company and the Bank on June 30, 2010.

Cash Retainer and Meeting Fees for Non-Employee Directors. The following table sets forth the applicable retainers and fees that will be paid to our non-employee directors for their service on the Boards of Directors of United Community Bancorp and United Community Bank during fiscal 2011. Mr. Sprecher will also receive $4,900 annually for his service as Chairman of the Board, Mr. G. Michael Seitz will also receive $3,500 annually for his service as Secretary of the Board and Mr. Eugene Seitz will also receive $2,250 annually for his service as Assistant Secretary of the Board. Directors do not receive any fees for their service on the board of directors of United Community MHC. Employee-directors do not receive any retainers or fees for their services on the boards of directors.

Annual retainer for United Community Bancorp.	$ 5,000
Annual retainer for United Community Bank	$ 14,800
Annual fee for service on committees of United Community Bank	$ 5,200

Directors Retirement Plan. The Bank sponsors a directors retirement plan for the purpose of providing eligible directors with a cash benefit upon retirement. Under the plan, a non-employee director who has completed at least three years of service with the Bank and has attained the designated benefit age (ranging from age 72 years to age 80 years and 9 months) set forth in an individual agreement under the plan will receive a retirement benefit of $20,000 per year for ten years, payable in monthly installments. A participating director may also receive an early retirement benefit upon termination of service following completion of at least three years of participation in the plan and attainment of age 65. The early retirement benefit equals $10,000 per year for ten years upon retirement after age 65 but before age 68, or $15,000 per year for ten years upon retirement after age 68 but before the designated benefit age. Upon the death of a director who has begun receiving benefits under the plan, the Bank will pay any remaining benefits to the director s designated beneficiary. If the director dies while still in service as a director of the Bank, the Bank will pay the director s beneficiary the survivor benefit set forth in the director s individual joinder agreement under the plan. Upon termination of service in connection with a change in control, a participating director becomes entitled to the same retirement benefit the director would have received if he remained in service until reaching his designated benefit age, payable over a ten-year period. The plan also provides that the Board may approve a disability benefit equal to the actuarially-determined annuitized value of a director s benefit under the plan upon a termination of service due to disability. In addition to the above benefits, the plan provides the director s beneficiary with a separate lump sum benefit of $10,000 for the payment of funeral expenses. In consideration for the benefits provided under

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the plan and outlined above, participating directors agree not to engage in certain competitive business activities while serving on the board or following termination of service for reasons other than a change in control. No benefits are payable under the plan upon a termination of service for cause. Directors G. Michael Seitz, Sprecher, Hacker, Strzynski, Ewbank and Eugene B. Seitz currently participate in the plan.

Executive Compensation

Summary Compensation Table. The following table provides information concerning total compensation earned or paid to United Community Bancorp s principal executive officer and the two other most-highly compensated executives for the fiscal years indicated. These three officers are referred to as the named executive officers in this document.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Nonqualified Deferred Compensation ($)	All Other Compensation (4)	Total ($)
William F. Ritzmann	2010	$ 144,948	$ 11,453	$ 37,745	$ 19,396	$ 6,000	$ 155,334	$ 374,876
President and	2009	142,106		63,248	32,502		163,463	401,319
Chief Executive Officer								
Elmer G. McLaughlin	2010	124,364	10,536	28,308	14,547		105,345	285,140
Executive Vice President,	2009	121,925		47,436	24,376		107,093	300,830
Chief Operating Officer								
and Corporate Secretary								
James W. Kittle	2010	97,218	9,328	20,052	10,304		57,333	194,235
Senior Vice President,	2009	95,312		33,601	17,267		58,233	204,413
Lending								

(1) Reflects amounts earned under the cash profit-sharing plan and the cash bonus program.

(2) This amount reflects the aggregate grant date fair value for outstanding restricted stock awards granted during the year, computed in accordance with FASB ASC Topic 718. The amounts were calculated based on the Company s stock price as of the date of grant, which was $11.53. When shares become vested and are distributed from the trust in which they are held, the recipient will also receive an amount equal to accumulated cash and stock dividends (if any) paid with respect thereto, plus earnings thereon.

(3) This amount reflects the aggregate grant date fair value for outstanding stock option awards granted during the year, computed in accordance with FASB ASC Topic 718. For information on the assumptions used to compute the fair value, see Note 8 to the Notes to the Financial Statements contained elsewhere in this prospectus. The actual value, if any, realized by an executive officer from any option will depend on the extent to which the market value of the common stock exceeds the exercise price of the option on the date the option is exercised. Accordingly, there is no assurance that the value realized by an executive officer will be at or near the value estimated above.

(4) Details of the amounts reported in the All Other Compensation column are provided in the table below. The table excludes perquisites, which did not exceed $10,000 in the aggregate for each named executive officer:

Item	William F. Ritzmann	Elmer G. McLaughlin	James W. Kittle
Employer matching contribution to 401(k) plan	$ 8,321	$ 8,740	$ 6,215
Market value of allocations under the employee stock ownership plan	21,546	20,009	13,538
Value of insurance premiums under endorsement method split-dollar life insurance arrangement	663	783	765
Dividends paid on restricted stock awards	5,415	4,061	2,877
Value of shares of Company Stock credited to supplemental executive retirement plan (SERP)			
Contributions to Supplemental Retirement Income Agreement Trust (SRIAT)	75,633	46,455	21,500
Tax indemnification payment for income recognized on contributions to SRIAT	43,756	25,297	12,438
Total	$ 155,334	$ 105,345	$ 57,333

Employment Agreements. United Community and the Bank are both parties to substantially similar employment agreements with Messrs. Ritzmann and McLaughlin and the Bank is a party to an employment agreement with Mr. Kittle.

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The employment agreements with Messrs. Ritzmann and McLaughlin each provide for a three-year term, and the employment agreement with Mr. Kittle has a two-year term. Each year, we may extend the term of the employment agreements for an additional one-year period. The agreements provide for base salaries, which for 2010 were $144,948, $124,364 and $97,218 for Messrs. Ritzmann, McLaughlin and Kittle, respectively. In addition to base salary, the employment agreements provide for, among other things, participation in stock-based benefit plans, retirement plans and fringe benefits. Following the conversion and offering, new United Community Bancorp will enter into new employment agreements with Messrs. Ritzmann and McLaughlin to reflect the change in our corporate structure.

United Community or the Bank will pay or reimburse the executive for reasonable costs and legal fees resulting from any dispute or question of interpretation relating to his employment agreement, provided the executive is successful on the merits in a legal judgment, arbitration or settlement. The employment agreements also provide that United Community or the Bank will indemnify the executives to the fullest extent legally allowable. For Messrs. Ritzmann and McLaughlin, amounts due under the employment agreements may be paid by either United Community or the Bank, as appropriate, but they will not receive duplicative payments under both agreements.

The employment agreements provide Messrs. Ritzmann, McLaughlin and Kittle with certain severance payments and benefits continuation upon termination of employment. The employment agreements provide that United Community or the Bank may terminate an executive s employment for cause, as described in the employment agreements, at any time, with no further benefits payable following such termination. If United Community or the Bank terminates an executive s employment for reasons other than for death, cause or in connection with a change in control, the executive or, upon his death, his beneficiary, will receive a payment equivalent to his base salary for the remaining term of the agreement, plus the value of the cash bonus paid to the executive during the 12-month period preceding termination of employment. The executive will also receive continued health, life, disability and other benefits through the earlier of the agreement expiration date or coverage by another employer. Upon the executive s death during the agreement term, the agreement will automatically expire and the executive s estate will receive the salary the executive would have received through the last day of the third month following the month in which he died.

The employment agreements provide that if the executive voluntarily terminates employment without written consent of United Community or the Bank, other than with good reason in connection with a change in control, as defined in the agreement, the executive shall not engage in competition with United Community or the Bank within Dearborn County or within 30 miles of the principal business of United Community or the Bank.

Upon the executive s involuntary termination or constructive termination (*i.e.*, a voluntary termination with good reason, under circumstances described in the agreement) within one year following a change in control, the executive will receive an amount equal to the product of 2.99 and the executive s base amount, as defined under Internal Revenue Code Section 280G. Under Internal Revenue Code Section 280G, the base amount equals the executive s average annual taxable compensation over the five taxable years preceding the change in control. The executive will also receive continued coverage under all health, life, disability and other benefit plans until the earlier of the expiration of the agreement term or the date the executive becomes covered under another employer s benefit plans.

Internal Revenue Code Section 280G provides that severance payments that equal or exceed three times an individual s base amount are deemed to be excess parachute payments if they are contingent upon a change in control. Individuals receiving excess parachute payments are subject to a 20% excise tax on the amount of the payment in excess of the base amount, and the employer may not deduct the payments in excess of the base amount. The employment agreements limit payments made to the executives in connection with a change in control to amounts that will not exceed the limits imposed by Section 280G.

Supplemental Executive Retirement Plan. The Bank maintains a supplemental executive retirement plan which provides participants with retirement benefits that cannot be provided under the 401(k) Plan and/or the ESOP as a result of limitations imposed by the Internal Revenue Code, but that would have been provided under the plans, but for the Code limitations. In addition to providing benefits that would otherwise be lost as a result of the Internal Revenue Code limitations on tax-qualified plans, the supplemental executive retirement plan also provides supplemental benefits upon a change in control before the scheduled repayment of the ESOP loans. Messrs. Ritzmann and McLaughlin currently participate in the supplemental executive retirement plan.

Executive Supplemental Retirement Income Agreements. The Bank has entered into Executive Supplemental Retirement Income Agreements with each of the named executive officers for the purpose of providing each executive with

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additional income following the executive s retirement or other termination of service based on the value of the contributions made to the trust and the earnings on those contributions. The Bank established an irrevocable trust in connection with each arrangement. The trusts are funded with contributions from the Bank for the purpose of meeting the Bank s obligations under the Executive Supplemental Retirement Income Agreements. The respective trust assets are beneficially owned by each individual with an Executive Supplemental Retirement Income Agreement and, thus, each individual recognizes taxable income with respect to contributions made to the trust. The Bank reimburses the executives each year for income taxes paid by the executives with respect to trust contributions. Earnings on the trust s assets are taxable to those individuals who maintain an executive supplemental retirement agreement with the Bank.

The Executive Supplemental Retirement Income Agreements require each executive to adhere to a non-competition agreement following termination of employment. In the event our executive breaches the non-competition agreement all payments under the Executive Supplemental Retirement Income Agreement will cease.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information concerning unexercised options and stock awards that have not vested as of June 30, 2010 for each named executive officer.

	Option Awards				Stock Awards	
Name	**Number of Securities Underlying Unexercised Options Exercisable(#)**	**Number of Securities Underlying Unexercised Options Unexercisable(#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($) (1)**
William F. Ritzmann	39,813	26,544	$ 11.53	12/14/16		
Elmer G. McLaughlin	29,862	19,906	11.53	12/14/16		
James W. Kittle	21,153	14,100	11.53	12/14/16		

(1) The market value of unvested restricted stock is based upon the closing price of the Company s common stock on March 31, 2011, of $7.25 per share. Restricted stock awards and stock options vest equally over a five-year period commencing on the first anniversary of the date of grant.

2006 Equity Incentive Plan

The United Community Bancorp 2006 Equity Incentive Plan was adopted by our board of directors and approved by our stockholders in November 2006. Pursuant to the 2006 Equity Incentive Plan the aggregate number of shares of common stock reserved and available for issuance pursuant to awards granted under the Equity Incentive Plan is 580,630. Of the total shares available, 414,736 may be issued in connection with the exercise of stock options and 165,894 may be issued as restricted stock. The maximum number of shares of common stock that may be covered by options granted under the Equity Incentive Plan to any one person during any one calendar year is 103,684. The purpose of the 2006 Equity Incentive Plan is to promote United Community Bancorp s success by linking the personal interests of its employees, officers and directors to those of United Community Bancorp s stockholders, and by providing participants with an incentive for outstanding performance. The 2006 Equity Incentive Plan is further intended to provide flexibility to United Community Bancorp in its ability to motivate, attract, and retain the services of employees, officers and directors upon whose judgment, interest, and special effort the successful conduct of United Community Bancorp s operation is largely dependent. The 2006 Equity Incentive Plan is administered by the Compensation Committee of United Community Bancorp s board of directors, which has the authority to determine the eligible directors or employees to whom awards are to be granted, the number of awards to be granted, the vesting of the awards and the conditions and limitations of the awards.

As of March 31, 2011, options for 346,304 shares were outstanding and options for 41,475 shares remained available for future option grants under the plan. None of the options granted under the plan have been exercised. As of March 31, 2011, 149,297 shares of restricted stock had been granted and 16,597 shares remained available for future restricted stock awards under the plan.

The 2006 Equity Incentive Plan provides that in the event any merger, consolidation, share exchange or other similar corporate transaction affects the shares of United Community Bancorp in such a manner that an adjustment is required to preserve the benefits available under the plan, the committee administering the plan has the authority to adjust the number of shares which may be granted, the number of shares subject to restricted stock awards or outstanding stock options, and the exercise price of any stock option grant. As a result, upon completion of the conversion and offering, outstanding shares of restricted stock and options to purchase shares of United Community Bancorp common stock will be converted into and become shares of restricted stock and options to purchase shares of new United Community Bancorp common stock. The number of shares which will be available for future restricted stock and option awards under the 2006 Equity Incentive Plan, the number of shares of restricted stock and the number of shares of common stock to be received upon exercise of these options and the related exercise price all will be adjusted for the exchange ratio in the conversion. The aggregate exercise price, duration and vesting schedule of these awards will not be affected. Upon completion of the conversion and offering, new United Community Bancorp will file a Registration Statement on Form S-8 with the Securities and Exchange Commission to register the shares that may be issued upon the exercise of options to purchase shares of new United Community Bancorp common stock and shares which will be distributed upon the vesting of restricted stock awards that have been granted or will be granted under the 2006 Equity Incentive Plan.

Future Equity Incentive Plan

Following the offering, new United Community Bancorp plans to adopt an equity incentive plan that will provide for grants of stock options and restricted stock. Under this plan, if implemented within 12 months following the completion of the conversion, we intend to reserve for the grant of stock options an amount up to 5.4% of the number of shares sold in the offering and for grants of restricted stock awards an amount equal to 1.9% of the shares sold in the offering. Therefore, the number of shares reserved under the plan will range from 392,130 shares, assuming 3,215,486 shares are issued in the offering, to 530,549 shares, assuming 4,350,364 shares are issued in the offering. If the new equity incentive plan is adopted more than 12 months after the completion of the conversion, restricted stock awards and stock option grants under the plan may exceed the percentage limitations set forth above.

New United Community Bancorp may fund the equity incentive plan through the purchase of common stock in the open market by a trust established in connection with the plan or from authorized, but unissued, shares of common stock. The issuance of additional shares after the offering would dilute the interests of existing stockholders. See *Pro Forma Data.*

New United Community Bancorp will grant all stock options at an exercise price no less than 100% of the fair market value of the stock on the date of grant. New United Community Bancorp will typically grant restricted stock awards at no cost to recipients. We adopt the plan within the first anniversary of the offering, restricted stock awards and stock options will generally vest ratably over a five-year period (or as otherwise permitted by the Office of Thrift Supervision), but new United Community Bancorp may also make vesting contingent upon the satisfaction of performance goals established by the board of directors or the committee charged with administering the plan. All outstanding awards will accelerate and become fully vested upon a change in control of new United Community Bancorp.

The equity incentive plan will comply with all applicable Office of Thrift Supervision regulations except to the extent waived by the Office of Thrift Supervision. We will submit the equity incentive plan to stockholders for their approval not less than six months after completion of the conversion and offering, at which time we will provide stockholders with detailed information about the plan.

Policies and Procedures for Approval of Related Persons Transactions

We maintain a Policy and Procedures Governing Related Person Transactions, which is a written policy and set of procedures for the review and approval or ratification of transactions involving related persons. Under the policy, related persons consist of directors, director nominees, executive officers, persons or entities known to us to be the beneficial owner of more than five percent of any outstanding class of voting securities of the Company or the immediate family members or certain affiliated entities of any of the foregoing persons.

Transactions covered by the policy consist of any financial transaction, arrangement or relationship or series of similar transactions, arrangements or relationships, in which:

- the aggregate amount involved will or may be expected to exceed $25,000 in any calendar year;
- the Company is, will, or may be expected to be a participant; and

any related person has or will have a direct or indirect material interest.

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The policy excludes certain transactions, including:

- any compensation paid to an executive officer of the Company if the Compensation Committee of the board approved (or recommended that the Board approve) such compensation;
- any compensation paid to a director of the Company if the Board or an authorized committee of the board approved such compensation; and
- any transaction with a related person involving consumer and investor financial products and services provided in the ordinary course of the Company s business and on substantially the same terms as those prevailing at the time for comparable services provided to unrelated third parties or to the Company s employees on a broad basis (and, in the case of loans, in compliance with the Sarbanes-Oxley Act of 2002).

Related person transactions will be approved or ratified by the Audit Committee. In determining whether to approve or ratify a related person transaction, the Audit Committee will consider all relevant factors, including:

- whether the terms of the proposed transaction are at least as favorable to the Company as those that might be achieved with an unaffiliated third party;
- the size of the transaction and the amount of consideration payable to the related person;
- the nature of the interest of the related person;
- whether the transaction may involve a conflict of interest; and
- whether the transaction involves the provision of goods and services to the Company that are available from unaffiliated third parties.

A member of the Audit Committee who has an interest in the transaction will abstain from voting on approval of the transaction, but may, if so requested by the chair of the Audit Committee, participate in some or all of the discussion.

Transactions with Related Persons

Loans and Extensions of Credit. The Sarbanes-Oxley Act of 2002 generally prohibits loans by United Community to its executive officers and directors. However, the Sarbanes-Oxley Act contains a specific exemption from such prohibition for loans by the Bank to its executive officers and directors in compliance with federal banking regulations. Federal regulations require that all loans or extensions of credit to executive officers and directors of insured institutions must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and must not involve more than the normal risk of repayment or present other unfavorable features. The Bank is therefore prohibited from making any new loans or extensions of credit to executive officers and directors at different rates or terms than those offered to the general public, except for loans made pursuant to programs generally available to all employees. Notwithstanding this rule, federal regulations permit the Bank to make loans to executive officers and directors at reduced interest rates if the loan is made under a benefit program generally available to all other employees and does not give preference to any executive officer or director over any other employee.

Pursuant to the Audit Committee Charter, the Audit Committee periodically reviews for approval all of the Company s and the Bank s transactions with directors and executive officers of the Company and with firms that employ directors, as well as any other related person transactions, for the purpose of recommending to the disinterested members of the board of directors that the transactions are fair, reasonable and within Company policy and should be ratified and approved. In accordance with banking regulations and its policy, the board of directors also reviews all loans made to a director or executive officer in an amount that, when aggregated with the amount of all other loans to such person and his or her related interests, exceed the greater of $25,000 or 5% of the Bank s capital and surplus (up to a maximum of $500,000) and such loan must be approved in advance by a majority of the disinterested members of the board of directors. Additionally, pursuant to the Bank s Code of Ethics and Business Conduct, all executive officers and directors of the Bank must disclose any existing or potential conflicts of interest to the Chief Executive Officer of the Bank. Such potential conflicts of interest include, but are not limited to, the following: (i) the Bank conducting business with or competing against an organization in which a family member of an executive officer or director has an ownership or employment interest, and (ii) the ownership of more than 5% of the outstanding securities or 5% of total assets of any business entity that does business with or is in competition with the Bank.

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Nine Months Ended March 31, 2011

The aggregate amount of loans granted by the Bank to its executive officers and directors was $4.0 million at March 31, 2011, or approximately 7.41% of stockholders equity. These loans were performing according to their original terms at March 31, 2011.

The Bank has an employee loan program whereby employees, including executive officers, and directors, may obtain loans with preferential interest rates compared to those prevailing at the time for comparable loans with persons not related to the Bank. The following information is furnished for outstanding loans made by the Bank to related persons (directors, executive officers and their immediate family members) under the United Community Bank employee loan program as of March 31, 2011:

Name	Largest Aggregate Principal Outstanding at March 31, 2011 ($)	Principal Outstanding at March 31, 2011 ($)	Principal Paid During Fiscal 2011 ($)	Interest Paid During Fiscal 2011 ($)	Interest Rate Payable (%)
William F. Ritzmann	22,750	22,733	13	557	2.145
President and Chief Executive Officer	2,498		2,498	21	1.100
	100,000	87,392	12,608	982	1.168
	121,396	117,521	3,875	1,312	1.629
Total		227,646			
Matthew P. Ritzmann	316,529	310,775	5,754	8,654	3.442
Son of William F. Ritzmann and employee of	272,518	270,408	6,215	3,456	1.280
United Community Bank	13,318	11,619	1,699	902	10.500
	29,951	29,948	3	686	3.168
Total		622,750			
Ralph B. Sprecher	372,758	365,264	7,494	5,904	1.708
Chairman of the Board					
Total		365,264			
Robert J. Ewbank	75,691	75,691		2,668	5.250
Director	215,327	209,174	6,153	3,457	1.708
	238,620	230,486	8,134	10,597	6.000
	8,221		8,221	78	1.755
Total		515,351			
Elmer G. McLaughlin	108,482	105,267	3,215	1,331	1.522
Executive Vice President and Chief Operating Officer	99,000	99,000		1,036	1.168
	135,112	134,091	1,117	1,175	1.897
Total		338,358			
Eugene B. Seitz, II	172,619	168,376	4,243	2,706	1.958
Director	53,440	53,169	(33)	683	1.668

Total		221,545			
James W. Kittle	94,585	91,195	3,390	1,170	1.442
Senior Vice President	37,168	31,095	6,073	669	2.208
	92,171	88,841	3,330	982	1.168
Total		211,131			
W. Michael McLaughlin	116,112	104,364	11,748	1,302	1.458
Senior Vice President	13,996		13,996	13	1.575
	57,155	56,657	498	591	1.168
	17,903	17,903	(17,903)	122	1.168
Total		178,924			
Brenda Wheat	151,416	144,789	6,627	2,937	1.280
Stepdaughter of Elmer G. McLaughlin	83,685	83,969	(701)	901	1.168
Total		228,758			

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Name	Largest Aggregate Principal Outstanding at March 31, 2011 ($)	Principal Outstanding at March 31, 2011 ($)	Principal Paid During Fiscal 2011 ($)	Interest Paid During Fiscal 2011 ($)	Interest Rate Payable (%)
Jerry W. Hacker	567,355	544,542	22,813	27,587	6.500
Director					
Total		544,542			
Richard C. Strzynski	21,696	15,312	6,384	283	1.904
Director	21,272	17,614	(1,342)	278	1.668
Total		32,926			
G. Michael Seitz	5,809		5,809	36	1.755
Director					
Total					
Anthony C. Meyer	27,310		27,310	437	1.958
Former Director	15,797	102,000	15,797	229	1.668
Total	102,000	102,000			1.708
James D. Humphrey	105,425	94,914	10,511	4,677	5.500
Director	68,312	67,353	1,000	40	2.668
Total		162,267			
Michael B. Shannon	207,602	203,489	4,113	2,578	1.208
Vice President and Controller					
Total		203,489			
Total for all executive officers, directors and related persons		$ 3,954,951			

Other Transactions Nine Months Ended March 31, 2011. Ewbank & Kramer LLP of Lawrenceburg, Indiana, of which Robert J. Ewbank is a partner, performs legal services for the Bank. Mr. Ewbank is also President and owner of Ewbank Land Title, Inc., which performs title searches and provides title insurance for loans that the Bank originates. Mr. Ewbank s wife is the owner of Working Environments, Inc., which provides the Bank with interior design and decorating services for its offices. As of March 31, 2011, the Bank paid a total of $46,000 in legal fees to Ewbank & Kramer LLP, $420,000 to Ewbank Land Title, Inc. for title searches and title insurance and $274,000 to Working Environments, Inc. for interior design and decorating services including furnishings for the Bank s offices. We believe that the fees paid to Ewbank & Kramer LLP, Ewbank Land Title, Inc. and Working Environments, Inc. were based on normal terms and conditions as would apply to unaffiliated clients of those firms. There are no other transactions or series of similar transactions between the Bank and any director or executive officer in which the amount involved exceeds $120,000 since the beginning of the Bank s last fiscal year, or which are currently proposed.

Fiscal Year Ended June 30, 2010

The aggregate amount of loans granted by the Bank to its executive officers and directors was $2.9 million at June 30, 2010, or approximately 5.2% of stockholders equity. These loans were performing according to their original terms at June 30, 2010.

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The Bank has an employee loan program whereby employees, including executive officers, and directors, may obtain loans with preferential interest rates compared to those prevailing at the time for comparable loans with persons not related to the Bank. The following information is furnished for outstanding loans made by the Bank to related persons (directors, executive officers and their immediate family members) under the United Community Bank employee loan program as of June 30, 2010:

Name	Largest Aggregate Principal Outstanding for 2010 ($)	Principal Outstanding at June 30, 2010 ($)	Principal Paid During 2010 ($)	Interest Paid During 2010 ($)	Interest Rate Payable (%)
William F. Ritzmann	$ 126,194	$ 121,396	$ 4,798	$ 2,688	1.629%
President and Chief Executive Officer	100,000	100,000		1,818	1.522
	22,750	22,746		558	2.145
	2,498	2,498		13	1.150
Total		246,640			
Matthew P. Ritzmann	323,379	316,529	6,850	13,458	3.858
Son of William F. Ritzmann and employee of	284,150	276,623	7,527	6,266	1.732
United Community Bank	21,193		21,193	544	2.841
	16,648		16,648	163	3.574
	15,097	13,318	1,779	1,159	10.500
	29,955	29,951	22,776	1,049	3.522
Total		636,421			
Ralph B. Sprecher	235,332		235,332	6,152	2.277
Chairman of the Board	373,500	372,758	742	751	2.129
	65,950		67,950	1,356	2.129
Total		372,758			
Robert J. Ewbank	222,707	215,005	7,380	6,373	2.168
Director	10,229	8,221	2,008	218	2.022
	250,023	238,620	11,403	15,656	6.000
	75,691	73,733	42	4,666	5.250
Total		535,579			
Elmer G. McLaughlin	112,472	108,482	3,989	2,381	1.927
Executive Vice President and Chief Operating Officer	99,000	99,000		1,764	1.522
	135,816	135,208	608	4,223	2.740
Total		342,690			
Eugene B. Seitz, II	177,831	172,619	5,211	4,614	2.420
Director	39,710		41,489	931	3.424
Total		172,619			
James W. Kittle	99,022	94,585	4,437	2,148	1.858

Senior Vice President	96,252	92,171	10,042	1,708	1.522