United Community Bancorp
Form 10-Q
May 15, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to _____________

Commission file number: 0-54876

United Community Bancorp
(Exact name of registrant as specified in its charter)

Indiana	**36-4587081**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

92 Walnut Street, Lawrenceburg, Indiana 47025
(Address of principal executive offices) (Zip Code)

(812) 537-4822

(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 ¨ Smaller Reporting Company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

As of May 12, 2015, there were 4,631,439 shares of the registrant's common stock outstanding.

UNITED COMMUNITY BANCORP

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNITED COMMUNITY BANCORP AND SUBSIDIARIES

Consolidated Statements of Financial Condition

(In thousands, except share amounts)	March 31, 2015	June 30, 2014
Assets		
Cash and due from banks	$ 1,709	$ 5,265
Interest-earning deposits in other financial institutions	21,849	19,705
Cash and cash equivalents	23,558	24,970
Investment securities:		
Securities available for sale - at estimated market value	48,786	39,965
Securities held to maturity - at amortized cost	30,175	337
Mortgage-backed securities available for sale - at estimated market value	127,016	179,017
Investment securities	205,977	219,319
Loans receivable, net	253,885	244,384
Loans available for sale	-	138
Property and equipment, net	7,021	7,115
Federal Home Loan Bank stock, at cost	5,339	6,588
Accrued interest receivable:		
Loans	887	806
Investments and mortgage-backed securities	970	828
Other real estate owned, net	328	598
Cash surrender value of life insurance policies	17,328	16,927
Deferred income taxes	2,771	3,510
Prepaid expenses and other assets	1,435	2,213
Goodwill	2,522	2,522
Intangible asset	457	547
Total assets	522,478	$ 530,465
Liabilities and Stockholders' Equity		
Deposits	$ 431,682	$ 439,636
Advances from FHLB	13,000	15,000

Accrued interest on deposits	11	14
Accrued interest on FHLB advance	11	11
Advances from borrowers for payment of insurance and taxes	487	228
Accrued expenses and other liabilities	5,456	2,646
Total liabilities	450,647	457,535
Commitments and contingencies	-	-
Stockholders' equity		
Preferred stock, $0.01 par value; 1,000,000 shares authorized, none issued	-	-
Common stock, $0.01 par value; 25,000,000 shares authorized, 5,149,564 shares issued at March 31, 2015 and June 30, 2014; 4,634,608 and 4,959,842 shares outstanding at March 31, 2015 and June 30, 2014, respectively	51	51
Additional paid-in capital	51,306	51,044
Retained earnings	29,564	28,581
Less shares purchased for stock plans	(3,204)	(3,504)
Treasury Stock, at cost - 514,956 and 189,722 shares at March 31, 2015 and June 30, 2014, respectively	(6,011)	(2,151)
Accumulated other comprehensive income (loss):		
Unrealized loss on securities available for sale, net of income taxes	125	(1,091)
Total stockholders' equity	71,831	72,930
Total liabilities and stockholders' equity	$ 522,478	$ 530,465

See accompanying notes to the consolidated financial statements.

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UNITED COMMUNITY BANCORP AND SUBSIDIARIES

Consolidated Statements of Income

(In thousands, except share amounts)

(In thousands, except per share data)	For the Three Months Ended March 31, 2015	2014	For the Nine Months Ended March 31, 2015	2014
Interest income:				
Loans	$ 2,789	$ 2,847	$ 8,495	$ 8,916
Investments and mortgage-backed securities	993	905	2,855	2,363
Total interest income	3,782	3,752	11,350	11,279
Interest expense:				
Deposits	497	560	1,631	1,846
Borrowed funds	60	62	186	162
Total interest expense	557	622	1,817	2,008
Net interest income	3,225	3,130	9,533	9,271
Provision for (recovery of) loan losses	(289)	75	(244)	(292)
Net interest income after provision for (recovery of) loan losses	3,514	3,055	9,777	9,563
Other income:				
Service charges	643	594	2,024	1,889
Gain on sale of loans	41	15	101	141
Loss on sale of investments	(257)	-	(310)	-
Gain on sale of other real estate owned	76	(1)	147	6
Gain on sale of fixed assets	-	-	-	136
Income from bank owned life insurance	131	150	400	362
Subsidiary earnings	-	-	-	-
Other	49	129	178	416
Total other income	683	887	2,540	2,950
Other expense:				
Compensation and employee benefits	2,042	1,804	5,772	5,424
Premises and occupancy expense	299	322	922	919
Deposit insurance premium	89	93	277	269

Advertising expense	76	61	289	239
Data processing expense	293	324	1,049	1,069
Provision for loss on real estate owned	-	-	-	1
Intangible amortization	30	35	90	110
Professional fees	136	151	609	667
Other operating expenses	390	416	1,165	1,250
Total other expense	3,355	3,206	10,173	9,948
Income before income taxes	842	736	2,144	2,565
Income tax provision	148	153	303	638
Net income	$ 694	$ 583	$ 1,841	$ 1,927
Basic and diluted earnings per share	$ 0.16	$ 0.12	$ 0.41	$ 0.40

See accompanying notes to the consolidated financial statements.

UNITED COMMUNITY BANCORP AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In thousands)

	For the Three Months Ended March 31, 2015	2014	For the Nine Months Ended March 31, 2015	2014
Net income	$ 694	583	$ 1,841	$ 1,927
Other comprehensive income (loss), net of tax				
Unrealized gain (loss) on securities available for sale	305	432	1,025	(9)
Reclassification adjustment for losses on securities available for sale included in income	158	-	191	-
Total comprehensive income	$ 1,157	$ 1,015	$ 3,057	$ 1,918

See accompanying notes to consolidated financial statements.

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UNITED COMMUNITY BANCORP AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)	For the Nine Months Ended March 31, 2015	2014
Operating activities:		
Net income	$ 1,841	$ 1,927
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	321	307
Recovery of loan losses	(244)	(292)
Deferred loan origination costs	(62)	(45)
Amortization of premium on investments	1,995	2,807
Proceeds from sale of loans	3,207	9,952
Loans disbursed for sale in the secondary market	(2,968)	(9,394)
Gain on sale of loans	(101)	(141)
Amortization of intangible asset	90	110
Amortization of acquisition-related loan yield adjustment	(168)	(4)
Amortization of acquisition-related credit risk adjustment	-	(257)
Loss on sale of investment securities	310	-
Gain on sale of fixed assets	-	(136)
Provision for loss on real estate owned	-	1
Gain on sale of other real estate owned	(147)	(6)
Increase in cash surrender value of life insurance	(400)	(362)
Stock-based compensation	201	-
ESOP shares committed to be released	361	308
Deferred income taxes	(39)	180
Effects of change in operating assets and liabilities:		
Accrued interest receivable	(223)	(50)
Prepaid expenses and other assets	778	288
Accrued interest	(3)	(2)
Accrued expenses and other	2,806	(74)
Net cash provided by operating activities	7,555	5,117
Investing activities:		
Proceeds from maturity of available for sale investment securities	90	-
Proceeds from sale of available for sale investment securities	1,065	90
Proceeds from maturity of held to maturity securities	86	80
Proceeds from repayment of mortgage-backed securities and collateralized mortgage obligations available for sale	22,602	29,284
Proceeds from sale of mortgage-backed securities available for sale	44,225	-

Proceeds from sale of fixed assets	-	425
Proceeds from sale of other real estate owned	619	322
Purchases of available for sale investment securities	(9,155)	(4,498)
Purchases of held to maturity investment securities	(29,961)	-
Purchases of mortgage-backed securities available for sale	(15,917)	(35,425)
Proceeds from sale of Federal Home Loan Bank stock	1,249	-
Net (increase) decrease in loans	(9,229)	8,737
Purchase of bank owned life insurance	-	(3,205)
Capital expenditures	(227)	(870)
Net cash provided by (used in) investing activities	5,447	(5,060)
Financing activities:		
Net increase (decrease) in deposits	(7,954)	12,906
Borrowings from Federal Home Loan Bank	5,000	5,000
Repayments of Federal Home Loan Bank advances	(7,000)	(5,000)
Dividends paid to stockholders	(859)	(812)
Repurchases of common stock	(3,860)	(1,217)
Net increase in advances from borrowers for payment of insurance and taxes	259	115
Net cash provided by (used in) financing activities	(14,414)	10,992
Net increase (decrease) in cash and cash equivalents	(1,412)	11,049
Cash and cash equivalents at beginning of period	24,970	16,787
Cash and cash equivalents at end of period	$ 23,558	$ 27,836

See accompanying notes to consolidated financial statements.

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UNITED COMMUNITY BANCORP AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION - United Community Bancorp, a federal corporation (“old United Community Bancorp”) completed its previously announced conversion from the mutual holding company form of organization to the stock holding company form on January 9, 2013. As a result of the conversion, United Community Bancorp, an Indiana corporation (“United Community Bancorp” or “Company”), became the holding company for United Community Bank (“Bank”), and United Community MHC and old United Community Bancorp, ceased to exist. As part of the conversion, all outstanding shares of old United Community Bancorp common stock (other than those owned by United Community MHC) were converted into the right to receive 0.6573 of a share of United Community Bancorp common stock.

The Company, through the Bank, operates in a single business segment providing traditional banking services through its office and branches in southeastern Indiana. UCB Real Estate Management Holding, LLC is a wholly-owned subsidiary of the Bank. The entity was formed for the purpose of holding assets that are acquired by the Bank through, or in lieu of, foreclosure. UCB Financial Services, Inc., a wholly-owned subsidiary of the Bank, was formed for the purpose of collecting commissions on investments referred to Lincoln Financial Group.

The accompanying unaudited consolidated financial statements were prepared in accordance with the rules and regulations of the Securities and Exchange Commission, and therefore do not include all information or footnotes necessary for complete financial statements in conformity with accounting principles generally accepted in the United States of America. However, all normal recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the financial statements have been included. No other adjustments have been included. The results for the three and nine months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2015. These financial statements should be read in conjunction the Company’s audited consolidated financial statements and the accompanying notes thereto for the year ended June 30, 2014, which are included in the Company’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission on September 26, 2014.

The Company evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements.

2. EMPLOYEE STOCK OWNERSHIP PLAN (“ESOP”) – As of March 31, 2015 and June 30, 2014, the ESOP owned 205,747 and 237,893 shares of the Company’s common stock, respectively. The shares owned by the ESOP are held in a suspense account until released for allocation to participants.

3. EARNINGS PER SHARE (“EPS”) – Non-vested shares with non-forfeitable dividend rights are considered participating securities and, thus, subject to the two-class method pursuant to ASC 260, *Earnings per Share,* when computing basic and diluted earnings per share. The Company’s restricted share awards contain non-forfeitable dividend rights but do not contractually obligate the holders to share in the losses of the Company. Accordingly, during periods of net income, unvested restricted shares are included in the determination of both basic and diluted EPS. During periods of net loss, these shares are excluded from both basic and diluted EPS.

Basic EPS is based on the weighted average number of common shares and unvested restricted shares outstanding, adjusted for ESOP shares not yet committed to be released. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as outstanding stock options, were exercised or converted into common stock or resulted in the issuance of common stock. Diluted EPS is calculated by adjusting the weighted average number of shares of common stock outstanding to include the effects of contracts or securities exercisable or which could be converted into common stock, if dilutive, using the treasury stock method. For each of the three and nine months ended March 31, 2015 and 2014 outstanding options to purchase 227,626 shares were excluded from the computations of diluted earnings per share as their effect would have been anti-dilutive. The following is a reconciliation of the basic and diluted weighted average number of common shares outstanding:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Basic weighted average outstanding shares	4,428,861	4,814,774	4,478,328	4,855,390
Effect of dilutive stock options	—	—	—	—
Diluted weighted average outstanding shares	4,428,861	4,814,774	4,478,328	4,855,390

4. STOCK-BASED COMPENSATION – The Company applies the provisions of ASC 718, *Compensation – Stock Compensation*, which requires the Company to measure the cost of employee services received in exchange for awards of equity instruments and to recognize this cost in the financial statements over the period during which the employee is required to provide such services. The Company has elected to recognize compensation cost associated with its outstanding stock-based compensation awards with graded vesting on a straight-line basis pursuant to ASC 718. The expense is calculated for stock options at the date of grant using the Black-Scholes option pricing model. The expense associated with restricted stock awards is calculated based upon the value of the common stock on the date of grant. Stock-based compensation expense was $65,000 and $-0- for the three months ended March 31, 2015 and 2014, respectively and $201,000 and $-0- for the nine months ended March 31, 2015 and 2014, respectively. No stock-based compensation awards were granted during the three and nine months ended March 31, 2014.

5. DIVIDENDS – On July 24, 2014, November 14, 2014 and February 12, 2015 the Board of Directors of the Company declared cash dividends on the Company's outstanding shares of stock of $0.06 per share for each period. The dividends, totaling $859,000, were paid during the nine months ended March 31, 2015.

6. STOCK REPURCHASE PLAN – On February 3, 2014 the Company's board of directors approved the repurchase of up to 514,956 shares of the Company's outstanding common stock, which represented approximately 10% of the Company's outstanding shares at that date. Purchases were conducted solely through and based upon the parameters of a Rule 10b5-1 repurchase plan. As of December 31, 2014, all 514,956 shares were repurchased at a total cost of $6.0 million.

7. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine Months Ended March 31,	
	2015	2014
	(Dollars in thousands)	
Supplemental disclosure of cash flow information is as follows:		
Cash paid during the period for:		
Income taxes	$ 32	$ 522

Interest	$ 1,264	$ 2,010
Supplemental disclosure of non-cash investing and financing activities is as follows:		
Unrealized gain (loss) on securities designated as available for sale, net of tax	$ 1,216	$ (9)
Transfers of loans to other real estate owned	$ 202	$ 277
Beginning of period adjustment from transfer of mortgage servicing rights from amortized cost method to fair value method, net of tax	$ -	$ 45

8. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES - 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, commercial 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.

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.

Advances 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.

The estimated fair values of the Company's financial instruments at March 31, 2015 and June 30, 2014 are as follows:

	March 31, 2015		June 30, 2014	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
	(In thousands)			
Financial assets:				
Cash and due from banks	$23,558	$23,558	$24,970	$24,970
Investment securities available for sale	48,786	48,786	39,965	39,965
Investment securities held to maturity	30,175	30,318	337	337
Mortgage-backed securities	127,016	127,016	179,017	179,017
Loans receivable and loans receivable held for sale	253,885	254,795	244,522	245,150
Accrued interest receivable	1,857	1,857	1,634	1,634
Investment in FHLB stock	5,339	5,339	6,588	6,588
Financial liabilities:				
Deposits	431,682	432,644	439,636	440,849
Accrued interest payable	22	22	25	25
FHLB advances	13,000	13,071	15,000	15,041
Off-balance sheet items	$—	$—	$—	$—

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ASC 820-10-50-2 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value methods and assumptions are set forth below for each type of financial instrument. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 2 securities include U.S. Government and agency mortgage-backed securities, U.S. Government agency bonds, municipal securities, and other real estate owned. If quoted market prices are not available, the Bank utilizes a third party vendor to calculate the fair value of its available for sale securities. The third party vendor uses quoted prices of securities with similar characteristics when available. If such quotes are not available, the third party vendor uses pricing models or discounted cash flow models with observable inputs to determine the fair value of these securities.

Fair value measurements for certain assets and liabilities measured at fair value on a recurring basis:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
	(In thousands)			
March 31, 2015:				
Mortgage-backed securities	$127,016	$ —	$ 127,016	$ —
Municipal Bonds	38,234	—	38,234	—
U.S. Government Agency Bonds	2,006	—	2,006	—
Small Business Admin	8,365	—	8,365	

Other equity securities	181	181	—	—
Mortgage servicing rights	576	—	576	—
June 30, 2014:				
Mortgage-backed securities	$ 179,017	$ —	$ 179,017	$ —
Municipal Bonds	37,815	—	37,815	—
U.S. Government Agency Bonds	1,992	—	1,992	—
Other equity securities	158	158	—	—
Mortgage servicing rights	722	—	722	—

Fair value measurements for certain assets and liabilities measured at fair value on a nonrecurring basis:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
	(In thousands)			
March 31, 2015:				
Other real estate owned	$328	$ —	$ 328	$ —
Impaired loans	12,533	—	12,533	—
June 30, 2014:				
Other real estate owned	$598	$ —	$ 598	$ —
Loans held for sale	138	—	138	—
Impaired loans	15,445	—	15,445	—

The adjustments to other real estate owned and impaired loans are based primarily on appraisals of the real estate, cash flow analysis or other observable market prices. The Bank's policy is that fair values for these assets are based on current appraisals or cash flow analysis.

The following table presents fair value measurements for the Company's financial instruments which are not recognized at fair value in the accompanying statements of financial position on a recurring or nonrecurring basis.

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
March 31, 2015:				
Financial assets:				
Cash and interest bearing deposits	$23,558	$ 23,558	$ —	$ —
Investment securities held to maturity	30,318	—	30,318	—
Loans receivable and loans held for sale	254,795	—	254,795	—
Accrued interest receivable	1,857	—	1,857	—
Investment in FHLB stock	5,339	—	5,339	—
Financial liabilities:				
Deposits	432,644	—	432,644	—
Accrued interest payable	22	—	22	—
FHLB advances	13,071	—	13,071	—

June 30, 2014:				
Financial assets:				
Cash and interest bearing deposits	$24,970	$ 24,970	$ —	$ —
Investment securities held to maturity	337	—	337	—
Loans receivable and loans held for sale	245,150	—	245,150	—
Accrued interest receivable	1,634	—	1,634	—
Investment in FHLB stock	6,588	—	6,588	—
Financial liabilities:				
Deposits	440,849	—	440,849	—
Accrued interest payable	25	—	25	—
FHLB advances	15,041	—	15,041	—

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9. INVESTMENT SECURITIES

Investment securities available for sale at March 31, 2015 consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Mortgage-backed securities	$ 127,355	$ 370	$ 708	$ 127,017
Municipal Bonds	37,667	720	153	38,234
U.S. Government Agency Bonds	2,000	6	—	2,006
Small Business Admin	8,364	—	—	8,364
Other equity securities	210	—	29	181
	$ 175,596	$ 1,096	$ 890	$ 175,802

Investment securities held to maturity at March 31, 2015 consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Municipal Bonds	$ 30,175	$ 251	$ 108	$ 30,318

Investment securities available for sale at June 30, 2014 consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Mortgage-backed securities	$ 180,563	$ 501	$ 2,047	$ 179,017
Municipal Bonds	38,000	479	664	37,815
U.S. Government Agency Bonds	2,000	—	8	1,992
Other equity securities	210	—	52	158
	$ 220,773	$ 980	$ 2,771	$ 218,982

Investment securities held to maturity at June 30, 2014 consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Municipal Bonds	$ 337	$ —	$ —	$ 337

The mortgage-backed securities, callable bonds and municipal bonds have the following maturities at March 31, 2015:

	Available for Sale		Held to Maturity	
	Amortized cost	Estimated market value	Amortized cost	Estimated market value
Due or callable in one year or less	$175	$175	$57	$ 57
Due or callable in 1 - 5 years	114,748	114,454	194	205
Due or callable in 5 - 10 years	51,304	51,678	5,073	5,104
Due or callable in greater than 10 years	9,158	9,314	24,851	24,952
Total debt securities	$175,385	$175,621	$30,175	$ 30,318

All other securities available for sale at March 31, 2015 are saleable within one year.

Gross proceeds on the sale of investment and mortgage-backed securities were $14.1 million and $45,000 for the three months ended March 31, 2015 and 2014, respectively. Gross proceeds on the sale of investment and mortgage-backed securities were $45.3 million and $90,000 for the nine months ended March 31, 2015 and 2014, respectively. Gross realized gains for the three and nine months ended March 31, 2015 were $136,000 and $396,000, respectively. Gross realized losses for the three and nine months ended March 31, 2015 were $393,000 and $706,000, respectively. There were no gross realized losses for the three and nine months ended March 31, 2014.

The table below indicates the length of time individual investment securities and mortgage-backed securities have been in a continuous loss position at March 31, 2015:

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Mortgage-backed securities	$22,371	$ 45	$ 52,739	$ 664	$75,110	$ 709
Municipal Bonds	17,608	183	2,946	77	20,554	260
U.S. Government agency bonds	-	-	-	-	-	-
Small Business Admin	8,364	-	-	-	8,364	-
Other equity securities	-	-	181	29	181	29
	$48,343	$ 228	$ 55,866	$ 770	$104,209	$ 998
Number of investments	47		25		72	

Securities available for sale are reviewed for possible other-than-temporary impairment on a quarterly basis. During this review, management considers the severity and duration of the unrealized losses as well as its intent and ability to hold the securities until recovery, taking into account balance sheet management strategies and its market view and outlook. Management also assesses the nature of the unrealized losses taking into consideration factors such as changes in risk-free interest rates, general credit spread widening, market supply and demand, creditworthiness of the issuer or any credit enhancement providers, and the quality of the underlying collateral. Management does not intend to sell these securities in the foreseeable future, and does not believe that it is more likely than not that the Bank will be required to sell a security in an unrealized loss position prior to a recovery in its value. The decline in market value is due to changes in market interest rates. The fair values are expected to recover as the securities approach maturity dates.

10. GOODWILL AND INTANGIBLE ASSET

In June 2010, old United Community Bancorp acquired three branches from Integra Bank National Association (“Integra”), which was accounted for under the purchase method of accounting. Under the purchase method, the Company is required to allocate the cost of an acquired company to the assets acquired, including identified intangible assets, and liabilities assumed based on their estimated fair values at the date of acquisition. The excess cost over the value of net assets acquired represents goodwill, which is not subject to amortization.

Goodwill arising from business combinations represents the value attributable to unidentifiable intangible elements in the business acquired. Goodwill recorded by the Company in connection with its acquisition relates to the inherent value in the business acquired and this value is dependent upon the Company's ability to provide quality, cost-effective services in a competitive market place. As such, goodwill value is supported ultimately by revenue that is driven by the volume of business transacted. A decline in earnings as a result of a lack of growth or the inability to deliver cost-effective services over sustained periods can lead to impairment of goodwill that could adversely impact earnings in future periods.

As permitted by current accounting rules, the Company completed its qualitative assessment to determine whether current events or changes in circumstances lead to a determination that it is more likely than not, as defined, that the fair value of the reporting unit is less than its carrying amount. Based upon the Company's assessment, there was no such determination that the fair value of the reporting unit is less than its carrying amount. Accordingly, the Company did not apply the traditional two-step goodwill impairment test.

The following table indicates changes to the core deposit intangible asset and goodwill balances for the nine months ended March 31, 2015:

	Core Deposit Intangible	Goodwill
	(In thousands)	
Balance at June 30, 2014	$547	$ 2,522
Amortization	(90)	-
Balance at March 31, 2015	$457	$ 2,522

The core deposit intangible is being amortized using the double declining balance method over its estimated useful life of 8.75 years. Remaining amortization of the core deposit intangible is as follows (dollars in thousands) as of March 31, 2015:

April 1, 2015 through June 30, 2015	$28
2016	117
2017	117
2018	117
2019	78
	$457

11. DISCLOSURES ABOUT THE CREDIT QUALITY OF LOANS RECEIVABLE AND THE ALLOWANCE FOR LOAN LOSSES (IN THOUSANDS)

The following tables illustrate certain disclosures required by ASC 310-10-50-11B(c), (g) and (h), the changes to the allowance for loan losses, for the three and nine months ended March 31, 2015 (in thousands):

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:									
Balance, January 1, 2015	$1,335	$588	$152	$596	$2,338	$13	$17	$41	$5,080
Charge offs	(13)	(27)	-	-	-	-	-	(2)	(42)
Recoveries	4	32	1	-	303	-	-	1	341
Provision (credit)	30	15	(18)	(74)	(253)	(2)	(1)	14	(289)
Ending Balance:	$1,356	$608	$135	$522	$2,388	$11	$16	$54	$5,090
Allowance for Credit Losses:									
Balance, July 1, 2014:	$1,196	$564	$201	$929	$2,508	$5	$19	$37	$5,459
Charge offs	(40)	(126)	(3)	-	(466)	-	-	(2)	(637)
Recoveries	65	79	61	-	304	-	-	3	512
Provision (credit)	135	91	(124)	(407)	42	6	(3)	16	(244)
Ending Balance:	$1,356	$608	$135	$522	$2,388	$11	$16	$54	$5,090
Balance, Individually Evaluated	$-	$-	$-	$-	$120	$-	$-	$-	$120
Balance, Collectively Evaluated	$1,356	$608	$135	$522	$2,268	$11	$16	$54	$4,970
Financing receivables:									
Ending balance	$124,807	$34,645	$14,534	$19,424	$51,250	$2,799	$3,040	$8,455	$258,954
Ending Balance: individually evaluated for impairment	$3,404	$464	$662	$727	$7,211	$-	$185	$-	$12,653

Ending Balance: collectively evaluated for impairment	$114,814	$30,986	$13,531	$18,697	$43,882	$2,799	$2,831	$8,084	$235,624
Ending Balance: loans acquired with deteriorated credit quality	$6,589	$3,195	$341	$-	$157	$-	$24	$371	$10,677

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For the year ended June 30, 2014 (in thousands):

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:	$ 942	$ 553	$ 215	$ 1,286	$ 2,386	$ 10	$ 17	$ 34	$ 5,443
Charge offs	(554)	(159)	(52)	(430)	(30)	-	(15)	(4)	(1,244)
Recoveries	436	133	3	644	29	-	24	3	1,272
Other adjustment	8	4	-	-	108	-	-	-	120
Provision (credit)	364	33	35	(571)	15	(5)	(7)	4	(132)
Ending Balance:	$ 1,196	$ 564	$ 201	$ 929	$ 2,508	$ 5	$ 19	$ 37	$ 5,459
Balance, Individually Evaluated	$ -	$ -	$ -	$ -	$ 120	$ -	$ -	$ -	$ 120
Balance, Collectively Evaluated	$ 1,196	$ 564	$ 201	$ 929	$ 2,388	$ 5	$ 19	$ 37	$ 5,339
Financing receivables:									
Ending balance	$ 114,486	$ 34,669	$ 14,998	$ 23,645	$ 48,769	$ 2,880	$ 3,391	$ 7,970	$ 250,808
Ending Balance: individually evaluated for impairment	$ 3,425	$ 544	$ 503	$ 2,863	$ 7,763	$ -	$ 20	$ -	$ 15,118
Ending Balance: collectively evaluated for impairment	$ 103,417	$ 30,358	$ 13,932	$ 20,782	$ 40,747	$ 2,880	$ 3,346	$ 7,453	$ 222,915

Ending Balance: loans acquired with deteriorated credit quality	$ 7,644	$ 3,767	$ 563	$ -	$ 259	$ -	$ 25	$ 517	$ 12,775

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Federal regulations require us to review and classify our assets on a regular basis. In addition, the OCC 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. If we classify an asset as substandard, doubtful or loss, we analyze that asset and may establish a specific allocation for the asset at that time.

The following tables illustrate certain disclosures required by ASC 310-10-50-29(b).

Credit Risk Profile by Internally Assigned Grade

At March 31, 2015

(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	$ 116,023	$ 32,961	$ 7,810	$ 16,275	$ 33,872	$ 2,799	$ 1,886	$ 6,668	$ 218,294
Watch	4,893	1,017	5,153	2,422	7,584	—	79	1,787	22,935
Special mention	487	203	570	—	2,487	—	890	—	4,637
Substandard	3,404	464	1,001	727	7,307	—	185	—	13,089
Total:	$ 124,807	$ 34,645	$ 14,534	$ 19,424	$ 51,250	$ 2,799	$ 3,040	$ 8,455	$ 258,954

Credit Risk Profile by Internally Assigned Grade

At June 30, 2014

(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	$ 104,266	$ 32,898	$ 9,210	$ 16,573	$ 29,539	$ 2,880	$ 1,591	$ 5,951	$ 202,908
Watch	6,067	913	4,531	3,867	9,001	—	723	2,019	27,121
Special mention	370	120	753	342	2,368	—	1,057	—	5,010
Substandard	3,783	738	504	2,863	7,861	—	20	—	15,769
Total:	$ 114,486	$ 34,669	$ 14,998	$ 23,645	$ 48,769	$ 2,880	$ 3,391	$ 7,970	$ 250,808

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The following tables illustrate certain disclosures required by ASC 310-10-50-7A for gross loans.

Age Analysis of Past Due Loans Receivable

At March 31, 2015

(in thousands)

	30-59 days past due	60-89 days past due	Greater than 90 days	Total past due	Total current	Total loans receivable
Mortgage One- to Four- Family - Owner-Occupied	$ 1,269	$ 199	$ 263	$1,731	$123,076	$124,807
Consumer	179	61	72	312	34,333	34,645
One- to Four- Family Non-Owner Occupied Mortgage	438	425	483	1,346	13,188	14,534
Multi-family Residential Real Estate Mortgage	-	-	-	-	19,424	19,424
Non-Residential Real Estate	96	-	2,533	2,629	48,621	51,250
Construction	-	-	-	-	2,799	2,799
Land	-	-	168	168	2,872	3,040
Commercial and Agricultural	3	-	-	3	8,452	8,455
Total	$ 1,985	$ 685	$ 3,519	$6,189	$252,765	$258,954

Age Analysis of Past Due Loans Receivable

At June 30, 2014

(in thousands)

	30-59 days past due	60-89 days past due	Greater than 90 days	Total past due	Total current	Total loans receivable
Mortgage One- to Four- Family - Owner-Occupied	$ 1,590	$ 165	$ 440	$2,195	$112,291	$114,486
Consumer	175	119	7	301	34,368	34,669
One- to Four- Family Non-Owner-Occupied Mortgage	304	809	60	1,173	13,825	14,998
Multi-family Residential Real Estate Mortgage	342	—	1,200	1,542	22,103	23,645
Nonresidential Real Estate	161	75	829	1,065	47,704	48,769
Construction	—	—	—	—	2,880	2,880
Land	—	168	—	168	3,223	3,391

Commercial and Agricultural	12	—	—	12	7,958	7,970
Total	$ 2,584	$ 1,336	$ 2,536	$6,456	$244.352	$250,808

The following table illustrates certain disclosures required by ASC 310-10-50-15.

Impaired Loans

				For the three months ended March 31, 2015		For the nine months ended March 31, 2015	
	Recorded investment	Unpaid principal balance	Specific allowance	Interest income recognized	Average Recorded investment	Interest income recognized	Average Recorded investment
With a related allowance recorded:							
Mortgage One- to Four- Family - Owner-Occupied	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer	-	-	-	-	-	-	-
One- to Four- Family Non-Owner Occupied Mortgage	-	-	-	-	-	-	-
Multifamily Residential Real Estate Mortgage	-	-	-	-	-	-	-
Non-Residential Real Estate	1,863	1,983	(120)	-	1,863	35	1,863
Construction	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-
Commercial and Agricultural	-	-	-	-	-	-	-
Total	$ 1,863	$ 1,983	$ (120)	$ -	$ 1,863	$ 35	$ 1,863

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Impaired Loans

	Recorded investment	Unpaid principal balance	Specific allowance	For the three months ended March 31, 2015		For the nine months ended March 31, 2015	
				Interest income recognized	Average Recorded investment	Interest income recognized	Average Recorded investment
With no related allowance recorded:							
Mortgage One- to Four- Family - Owner-Occupied	$ 3,404	$ 3,908	$ -	$ 11	$ 3,457	$ 34	$ 3,600
Consumer	464	1,001	-	1	471	5	521
One- to Four- Family Non-Owner Occupied Mortgage	662	662	-	-	664	-	508
Multifamily Residential Real Estate Mortgage	727	2,061	-	10	1,187	61	1,343
Non-Residential Real Estate	5,229	8,788	-	22	4,794	43	4,930
Construction	-	-	-	-	-	-	-
Land	185	192	-	-	185	-	130
Commercial and Agricultural	-	5	-	-	-	-	-
Total	$ 10,671	$ 16,617	$ -	$ 44	$ 10,758	$ 143	$ 11,032

Impaired Loans

	Recorded investment	Unpaid principal balance	Specific allowance	For the three months ended March 31, 2015		For the nine months ended March 31, 2015	
				Interest income recognized	Average Recorded investment	Interest income recognized	Average Recorded investment
Total:							
Mortgage One- to Four- Family - Owner-Occupied	$ 3,404	$ 3,908	$ -	$ 11	$ 3,698	$ 34	$ 3,600
Consumer	464	1,001	-	1	550	5	521
One- to Four- Family Non-Owner Occupied Mortgage	662	662	-	-	431	-	508
Multifamily Residential Real Estate Mortgage	727	2,061	-	10	1,651	61	1,343
Non-Residential Real Estate	7,092	10,771	(120)	22	6,646	78	6,794
Construction	-	-	-	-	-	-	-
Land	185	192	-	-	102	-	130

Commercial and Agricultural	-	5	-	-	-	-	-
Total	$ 12,534	$ 18,600	$ (120)	$ 44	$ 13,078	$ 178	$ 12,896

Impaired Loans

	Recorded investment	Unpaid principal balance	Specific allowance	For the year ended June 30, 2014 Interest income recognized	Average recorded investment
	(in thousands)				
With an allowance recorded:					
One- to Four- Family - Owner-Occupied	$—	$ —	$ —	$ —	$ —
Consumer	—	—	—	—	—
One- to Four- Family Non-Owner Occupied Mortgage	—	—	—	5	164
Multi-family Residential Real Estate Mortgage	—	—	—	56	2,535
Nonresidential Real Estate	1,867	1,987	(120)	52	2,115
Construction	—	—	—	—	—
Land	—	—	—	—	—
Commercial and Agricultural	—	—	—	—	—
Total	$1,867	$ 1,987	$ (120)	$ 113	$ 4,814

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Impaired Loans

	Recorded investment	Unpaid principal balance	Specific allowance	For the year ended June 30, 2014 Interest income recognized	Average recorded investment
	(in thousands)				
Without an allowance recorded:					
One- to Four- Family - Owner-Occupied	$3,783	$4,380	$ —	$65	$4,244
Consumer	634	1,163	—	25	591
One- to Four- Family Non-Owner Occupied Mortgage	504	617	—	25	874
Multi-family Residential Real Estate Mortgage	2,863	4,602	—	202	4,365
Nonresidential Real Estate	5,775	9,566	—	81	5,084
Construction	—	—	—	—	—
Land	19	28	—	—	24
Commercial and Agricultural	—	8	—	—	1
Total	$13,578	$20,364	$ —	$398	$15,183

Impaired Loans

	Recorded investment	Unpaid principal balance	Specific allowance	For the year ended June 30, 2014 Interest income recognized	Average recorded investment
	(in thousands)				
Total:					
One- to Four- Family - Owner-Occupied	$3,783	$4,380	$ —	$65	$4,244
Consumer	634	1,163	—	25	591
One- to Four- Family Non-Owner Occupied Mortgage	504	617	—	30	1,038
Multi-family Residential Real Estate Mortgage	2,863	4,602	—	258	6,900
Nonresidential Real Estate	7,642	11,553	(120)	133	7,199
Construction	—	—	—	—	—
Land	19	28	—	—	24
Commercial and Agricultural	—	8	—	—	1
Total	$15,445	$22,351	$ (120)	$511	$19,997

The Bank did not have any investments in subprime loans at March 31, 2015. Impaired loans at March 31, 2015 included troubled debt restructurings ("TDR") with an aggregate principal balance of $7.5 million and a recorded investment of $7.4 million. See Note 12 for a discussion on TDRs.

12. TROUBLED DEBT RESTRUCTURINGS - From time to time, as part of our loss mitigation process, loans may be renegotiated in a TDR when we determine that greater economic value will ultimately be recovered under the new restructured 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 prior to the rate reset, and other relevant factors in determining whether a borrower is experiencing financial difficulty. TDRs are accounted for as set forth in ASC 310-40 *Troubled Debt Restructurings by Creditors* ("ASC 310-40"). A TDR may be on nonaccrual or it may accrue interest. A TDR is typically on nonaccrual until the borrower successfully performs under the new terms for at least six consecutive months. However, a TDR may be placed on accrual immediately following the restructuring in those instances where a borrower's payments are current prior to the modification, the loan is restructured at a market rate and management determines that principal and interest under the new terms are fully collectible. All TDRs are considered to be impaired loans. A TDR will be removed from TDR classification if it is restructured at a market rate, is not impaired under those restructured terms and has been performing under those terms for at least twelve consecutive months.

Existing performing loan customers who request a loan (non-TDR) modification and who meet the Bank's underwriting standards may, usually for a fee, modify their original loan terms to terms currently offered. The modified terms of these loans are similar to the terms offered to new customers with similar credit risk. The fee assessed for modifying the loan is deferred and amortized over the life of the modified loan using the level-yield method and is reflected as an adjustment to interest income. Each modification is examined on a loan-by-loan basis and if the modification of terms represents more than a minor change to the loan, then the unamortized balance of the pre-modification deferred fees or costs associated with the mortgage loan are recognized in interest income at the time of the modification. If the modification of terms does not represent more than a minor change to the loan, then the unamortized balance of the pre-modification deferred fees or costs continue to be deferred.

The following tables summarize TDRs by loan type and accrual status.

	At March 31, 2015						
	Loan Status		**Total Unpaid Principal**	**Related**	**Recorded**	**Number of**	**Average Recorded**
(In thousands)	Accrual	Nonaccrual	Balance	Allowance	Investment	Loans	Investment
One- to Four-Family residential real estate	$883	$ 1,238	$ 2,121	$ -	$ 2,121	20	$ 2,181
Multi-family residential real estate	727	-	727	-	727	4	1,343
Nonresidential real estate	3,630	1,048	4,678	120	4,558	9	4,093
Total	$5,240	$ 2,286	$ 7,526	$ 120	$ 7,406	33	$ 7,617

At June 30, 2014						
Loan Status		**Total Unpaid Principal**	**Related**	**Recorded**	**Number of**	**Average Recorded**

(In thousands)	Accrual	Nonaccrual	Balance	Allowance	Investment	Loans	Investment
One- to Four-Family residential real estate	$947	$ 1,552	$ 2,499	$ —	$ 2,499	21	$ 3,382
Multi-family residential real estate	1,663	1,200	2,863	—	2,863	7	5,607
Nonresidential real estate	3,008	1,639	4,647	120	4,527	11	5,404
Total	$5,618	$ 4,391	$ 10,009	$ 120	$ 9,889	39	$ 14,393

Interest income recognized on TDRs is as follows:

	For the three months ended March 31,		For the nine months ended March 31,	
	2015	2014	2015	2014
One-to-Four Family residential real estate	$ 8	$ 14	$ 20	$ 48
Multi-family residential real estate	10	59	61	233
Nonresidential real estate	22	20	78	87
Construction	-	-	-	-
Commercial	-	-	-	-
Consumer	-	-	-	-
Total	$ 40	$ 93	$ 159	$ 368

At March 31, 2015, the Bank had 33 loans totaling $7.4 million that were reported as TDRs, and had established an allowance for losses on these loans of $120,000. With respect to the $7.4 million in TDRs, the Bank charged-off $4.6 million with respect to those loans at the time the loans were restructured into the Note A/B split note format. At June 30, 2014, the Bank had 39 loans totaling $10.0 million that were reported as TDRs, and had an allowance for losses on these loans of $120,000. With respect to the $10.0 million in TDRs, the Bank charged-off $4.9 million with respect to those loans at the time the loans were restructured into the Note A/B split note format. At March 31, 2015, the Bank had no other commitments to lend on its TDRs. Management continues to monitor the performance of loans reported as TDRs on a monthly basis.

Loans that were included in TDRs at March 31, 2015 and June 30, 2014 were generally given concessions of interest rate reductions of between 25 and 300 basis points. Six of these loans, having an aggregate carrying value of $5.1 million at March 31, 2015, also have balloon payments due at the end of their lowered interest rate period. At March 31, 2015, there were 23 loans with an aggregate carrying value of $5.3 million with required principal and interest payments and three loans with an aggregate carrying value of $2.3 million with required interest only payments. At June 30, 2014, there were 27 loans with an aggregate carrying value of $7.7 million with required principal and interest payments and three loans with an aggregate carryimg value of $2.3 million with required interest only payments.

The following table is a roll forward of activity in our TDRs:

(Dollar amounts in thousands)	Three Months Ended March 31, 2015 Recorded Investment	Three Months Ended March 31, 2015 Number of Loans	Nine Months Ended March 31, 2015 Recorded Investment	Nine Months Ended March 31, 2015 Number of Loans
Beginning balance	$ 7,471	34	$ 9,889	39
Additions to TDR	-	-	8	1
Charge-offs	-	-	(8)	-
Removal of TDRs[1]	-	(1)	(1,844)	(7)
Payments	(65)	-	(639)	-
Ending balance	$ 7,406	33	$ 7,406	33

[1] The removal of these loans from TDR was due to payoffs of loans and loans eligible for TDR removal during the nine months ended March 31, 2015.

13. EFFECT OF RECENT ACCOUNTING PRONOUNCEMENTS

In January 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-01, *Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement*

Presentation by Eliminating the Concept of Extraordinary Items. This ASU simplifies the income statement presentation requirements by eliminating the concept of extraordinary items. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 with early adoption permitted. We do not expect the adoption of this guidance to have any impact on the Company's consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-14, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure – a consensus of the FASB Emerging Issues Task Force*. This ASU reduces diversity in practice with regards to the classification of foreclosed mortgage loans that are fully or partially guaranteed under government programs. For public companies, this ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014 with earlier adoption permitted for companies which have already adopted ASU 2014-04. We do not expect the adoption of this guidance to have a significant impact on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, *Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved After the Requisite Service Period – a consensus of the FASB Emerging Issues Task Force*. This ASU requires that a performance target that could be achieved after the requisite service period be treated as a performance condition. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015 with earlier adoption permitted. We do not expect the adoption of this guidance to have a significant impact on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-11, *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*, which modifies the accounting for and disclosures related to such transactions. For public companies, the accounting changes in the ASU are effective for the first interim or annual period beginning after December 15, 2014. Early application is prohibited. We do not expect the adoption of this guidance to have a significant impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU affects companies that enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards. For public companies, this ASU is effective for annual reporting periods, including interim periods, beginning after December 15, 2016. Early application is not permitted. We do not expect the adoption of this guidance to have a significant impact on the Company's consolidated financial statements.

In January 2014, the FASB issued ASU No. 2014-04, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40)*, which clarifies when an in substance repossession or foreclosure has occurred and the creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. A creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan either when legal title to the residential real estate property is obtained upon completion of a foreclosure or when the borrower has conveyed all interest in the residential real property to the creditor to satisfy the loan through completion of a deed in lieu of foreclosure or similar arrangement. The ASU also require disclosure of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. We do not expect the adoption of these provisions to have a significant impact on the Company's consolidated financial statements.

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

Forward-Looking Statements

This report contains forward-looking statements that are based on assumptions and may describe future plans, strategies and expectations of the Company. These forward-looking statements are generally identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. The Company's ability to predic results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations of the Company and its subsidiaries include, but are not limited to, general economic conditions, changes in the interest rate environment, legislative or regulatory changes that may adversely affect our business, changes in accounting policies and practices, changes in competition and demand for financial services, adverse changes in the securities markets, changes in deposit flows, and changes in the quality or composition of the Company's loan or investment portfolios. Additionally, other risks and uncertainties may be described in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission on September 26, 2014, which is available through the SEC's website at www.sec.gov and in other reports filed by the Company. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Except as required by applicable law or regulation, the Company does not undertake the responsibility, and specifically disclaims any obligation, to release publicly the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of the statements or to reflect the occurrence of anticipated or unanticipated events.

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: the allowance for loan losses and the valuation of deferred income taxes.

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 the allowance are: loss exposure at default; the amount and timing of future cash flows on affected loans; and the value of collateral. Inherent loss factors based upon environmental and other economic 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 at least quarterly 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 OCC, 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. 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 3 of the Notes to the Consolidated Financial Statements included in Item 8 of the Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 26, 2014.

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 referred to as the Company, accounts for income taxes under the provisions of ASC 275-10-50-8 to account for uncertainty in income taxes. The Company had no unrecognized tax benefits as of March 31, 2015 and June 30, 2014. The Company recognized no interest and penalties on the underpayment of income taxes during the three and nine month periods ended March 31, 2015 and 2014, and had no accrued interest and penalties on the balance sheet as of March 31, 2015 and June 30, 2014. The Company has no tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase within the next fiscal year. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for tax years ended on or before June 30, 2011.

Comparison of Financial Condition at March 31, 2015 and June 30, 2014

Balance Sheet Analysis

Total assets were $522.5 million at March 31, 2015, compared to $530.5 million at June 30, 2014. The decrease is primarily due to a $13.3 million decrease in investment securities resulting from sales of mortgage-backed securities with proceeds partially redeployed for the purchase of held to maturity investment securities and funding loan activity.

Total liabilities decreased $6.9 million from $457.5 million at June 30, 2014 to $450.6 million at March 31, 2015 due to an $8.0 million decrease in deposits during the current year period, primarily as a result of a decrease in municipal deposits.

Total stockholders' equity decreased $1.1 million from $72.9 million at June 30, 2014 to $71.8 million at March 31, 2015. The decrease is primarily due to stock repurchases totaling $3.9 million and dividends paid totaling $859,500 during the nine months ended March 31, 2015, partially offset by net income of $1.8 million, amortization of ESOP shares totaling $300,000 and an increase in unrealized gains on available for sale securities totaling $1.2 million during the current year period.

Loans. At March 31, 2015, one- to four- family residential loans totaled $139.3 million, or 53.7% of total gross loans, compared to $129.5 million, or 51.6% of total gross loans, at June 30, 2014.

Multi-family and nonresidential real estate loans totaled $70.7 million and represented 27.3% of total loans at March 31, 2015, compared to $72.4 million, or 28.9% of total loans, at June 30, 2014.

Consumer loans totaled $34.6 million and represented 13.4% of total loans at March 31, 2015, compated to $34.7 million or 13.8% of total loans at June 30, 2014.

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

	At March 31, 2015		At June 30, 2014	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Residential real estate:				
One- to four-family	$139,341	53.7 %	$129,484	51.6 %
Multi-family	19,424	7.5	23,645	9.4
Construction	2,799	1.1	2,880	1.1
Nonresidential real estate	51,250	19.8	48,769	19.5
Land	3,040	1.2	3,391	1.4
Commercial business	4,792	1.9	4,514	1.8
Agricultural	3,664	1.4	3,456	1.4
Consumer:				
Home equity	30,555	11.8	30,804	12.3
Auto	1,836	0.7	1,516	0.6
Share loans	911	0.4	1,088	0.4
Other	1,342	0.5	1,261	0.5
Total consumer loans	34,644	13.4	34,669	13.8
Total loans	$258,954	100.0 %	$250,808	100.0 %
Less (plus):				
Deferred loan costs, net	(1,180)		(1,118)	
Undisbursed portion of loans in process	1,159		2,083	
Allowance for loan losses	5,090		5,459	
Loans, net	$253,885		$244,384	

Loan Maturity

The following table sets forth certain information at March 31, 2015 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 the contractual requirements 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	More Than Five Years	Total Loans
	(in thousands)			
One- to four-family residential real estate	$8,564	$ 32,688	$ 98,089	$139,341

Multi-family real estate	1,654	3,087	14,683	19,424
Construction	404	-	2,395	2,799
Nonresidential real estate	9,402	13,108	28,740	51,250
Land	709	1,760	571	3,040
Commercial	979	2,988	825	4,792
Agricultural	408	2,475	781	3,664
Consumer	1,642	3,530	29,472	34,644
Total	$23,762	$ 59,636	$ 175,556	$258,954

The following table sets forth the dollar amount of all loans at March 31, 2015 due after March 31, 2016 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**	**Total**
	(in thousands)		
One- to four-family residential real estate	$43,266	$ 87,512	$130,778
Multi-family real estate	8,893	8,877	17,770
Construction	1,867	528	2,395
Nonresidential real estate	5,491	36,357	41,848
Land	1,584	746	2,330
Commercial	1,820	1,994	3,814
Agricultural	1,334	1,921	3,255
Consumer	2,257	30,745	33,002
Total	$66,512	$ 168,680	$235,192

Loan Activity

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

	Three Months Ended March 31,		**Nine Months Ended March 31,**	
	2015	**2014**	**2015**	**2014**
	(in thousands)		*(in thousands)*	
Total loans at beginning of period	$254,989	$253,535	$250,808	$260,716
Loans originated (1):				
One- to four-family residential real estate	6,994	6,515	26,717	18,123
Multi-family residential real estate	370	525	2,098	525
Construction	544	276	2,743	1,315
Nonresidential real estate	3,072	1,873	4,525	3,200
Land	-	53	453	243
Commercial and agricultural	361	778	2,081	1,352
Consumer	765	754	2,052	1,893
Total loans originated	12,106	10,774	40,669	26,651
Deduct:				
Loan principal repayments	6,844	12,193	29,555	26,232
Loans originated for sale	1,297	375	2,968	9,394
Net loan activity	3,965	(1,794)	8,146	(8,975)
Total loans at end of period	$258,954	$251,741	$258,954	$251,741

(1) Includes loan renewals, loan refinancings and restructured loans.

Results of Operations for the Three and Nine Months Ended March 31, 2015 and 2014

Overview. Net income increased $111,000 to $694,000 for the quarter ended March 31, 2015 from $583,000 for the quarter ended March 31, 2014. Net income decreased $86,000 to $1.8 million for the nine months ended March 31, 2015 from $1.9 million for the nine months ended March 31, 2014.

Net Interest Income. The following table summarizes changes in interest income and interest expense for the three and nine months ended March 31, 2015 and 2014.

	Three Months Ended			Nine Months Ended		
	March 31,		**%**	**March 31,**		**%**
	2015	2014	Change	2015	2014	Change
	(Dollars in thousands)					
Interest income:						
Loans	$2,789	$2,847	(2.0)%	$8,495	$8,916	(4.7)%
Investment and mortgage backed securities	989	902	9.6	2,844	2,350	21.0
Other interest-earning assets	4	3	33.3	11	13	(15.4)
Total interest income	3,782	3,752	0.8	11,350	11,279	0.6
Interest expense:						
NOW and money market deposit accounts	47	42	11.9	204	232	(12.1)
Passbook accounts	58	50	16.0	170	155	9.7
Certificates of deposit	392	468	(16.2)	1,257	1,459	(13.8)
Total interest-bearing deposits	497	560	(11.3)	1,631	1,846	(11.6)
FHLB advances	60	62	(3.2)	186	162	14.8
Total interest expense	557	622	(10.5)	1,817	2,008	(9.5)
Net interest income	$3,225	$3,130	3.0	$9,533	9,271	2.8

Net interest income increased to $3.2 million for the quarter ended March 31, 2015 compared to $3.1 million for the quarter ended March 31, 2014. Interest income increased $30,000 and interest expense decreased $65,000 from the prior year period. The increase in interest income was a result of a $3.6 million increase in the average balance of loans, partially offset by a decrease in the average rate earned on loans from 4.59% for the quarter ended March 31, 2014 to 4.43% for the quarter ended March 31, 2015, and an increase in the average rate earned on investments from 1.73% for the quarter ended March 31, 2014 to 2.05% for the current year period. The increase in interest income was also partially offset by a $15.4 million decrease in the average balance of investments. Net interest income increased $262,000, or 2.8%, to $9.5 million for the nine months ended March 31, 2015 as compared to $9.3 million for the nine months ended March 31, 2014. The increase was attributable to an increase in interest income of $71,000 and a decrease of $191,000 in interest expense. The increase in interest income was primarily the result of an increase in the average rate earned on investments from 1.51% for the nine months ended March 31, 2014 to 1.91% for the nine months ended March 31, 2015, partially offset by an $8.6 million decrease in the average balance of investments. The decrease in interest expense was primarily the result of a decrease in the average interest rate paid on deposits from 0.58% for the nine months ended March 31, 2014 to 0.51%, for the nine months ended March 31, 2015. Net interest margin increased from 2.60%, for the nine months ended March 31, 2014 to 2.73% for the nine months ended March 31, 2015.

The following table summarizes average balances and average yields and costs of interest-earning assets and interest-bearing liabilities for the three and nine months ended March 31, 2015 and 2014. For the purposes of this table, average balances have been calculated using month-end balances, and nonaccrual loans are included in average balances only. Yields are not presented on a tax equivalent basis.

	Three Months Ended March 31,						**Nine Months Ended March 31,**				
	2015			**2014**			**2015**			**2014**	
	Average Balance	**Interest and Dividends**	**Yield/ Cost**	**Average Balance**	**Interest and Dividends**	**Yield/ Cost**	**Average Balance**	**Interest and Dividends**	**Yield/ Cost**	**Average Balance**	**Intere and Divid**
	(Dollars in thousands)										
Assets:											
Interest-earning assets:											
Loans	$251,620	$2,789	4.43%	$247,972	$2,847	4.59%	$248,432	$8,495	4.56%	$248,465	$8,91
Investment and mortgage backed securities	196,772	989	2.01	208,559	902	1.73	200,398	2,844	1.89	207,511	2,35
Other interest-earning assets	29,496	4	0.05	25,874	3	0.05	30,169	11	0.05	23,525	13
	477,888	3,782	3.17	482,405	3,752	3.11	478,999	11,350	3.16	479,501	11,2
Noninterest-earning assets	39,489			39,177			40,724			38,753	
Total assets	$517,377			$521,582			$519,723			$518,254	
Liabilities and stockholders' equity:											
Interest-bearing liabilities:											
NOW and money market deposit accounts (1)	171,469	47	0.11	161,538	42	0.10	166,962	204	0.16	160,781	232
Passbook accounts (1)	99,935	58	0.23	93,967	50	0.21	98,904	170	0.23	94,359	155
Certificates of deposit (1)	157,460	392	1.00	174,304	468	1.07	164,743	1,257	1.02	172,804	1,45
Total interest-bearing deposits	428,864	497	0.46	429,809	560	0.52	430,609	1,631	0.51	427,944	1,84
FHLB advances	13,500	60	1.78	15,000	62	1.65	14,400	186	1.72	13,500	162
	442,364	557	0.50	444,809	622	0.56	445,009	1,817	0.54	441,444	2,00

Total interest-bearing liabilities								
Noninterest bearing liabilities, commitments and contingencies	3,484		2,453		3,305		2,944	
Total liabilities, commitments and contingencies	445,848		447,262		448,314		444,388	
Stockholders' equity	71,529		74,320		71,409		73,866	
Total liabilities and stockholders' equity	$517,377		$521,582		$519,723		$518,254	
Net interest income		$3,225		$3,130		$9,533		$9,27
Interest rate spread		2.67%		2.55%				