NUVEEN MASSACHUSETTS QUALITY MUNICIPAL INCOME FUND
Form N-CSR
August 07, 2018

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-07484

Nuveen Massachusetts Quality Municipal Income Fund
(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606
(Address of principal executive offices) (Zip code)

Gifford R. Zimmerman
Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606
(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 917-7700

Date of fiscal year end: May 31

Date of reporting period: May 31, 2018

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

Table of Contents

Chairman's Letter to Shareholders

Dear Shareholders,

I am honored to serve as the new independent chairman of the Nuveen Fund Board, effective July 1, 2018. I'd like to gratefully acknowledge the stewardship of my predecessor William J. Schneider and, on behalf of my fellow Board members, reinforce our commitment to the legacy of strong, independent oversight of your Funds.

The increase in market volatility this year reflects greater uncertainty among investors. The global economic outlook is less clear cut than it was in 2017. U.S. growth is again decoupling from that of the rest of the world, and the U.S. dollar and interest rates have risen in response. Trade war rhetoric and the imposition of tariffs between the U.S. and its major trading partners has recently dampened business sentiment and could pose a risk to growth expectations going forward. A host of other geopolitical concerns, including the ongoing Brexit and North American Free Trade Agreement negotiations, North Korea relations and Italy's populist government, remain on the horizon.

Despite these risks, global growth remains intact, albeit at a slower pace, providing support to corporate earnings. The U.S. economy is expected to regain momentum, boosted by fiscal stimulus, an easing regulatory environment and above-average consumer confidence. Subdued inflation pressures have kept central bank policy accommodative, even as Europe moves closer to winding down its monetary stimulus and the Federal Reserve remains on a moderate tightening course.

Headlines and political noise will continue to obscure underlying fundamentals at times and cause temporary bouts of volatility. We encourage you to work with your financial advisor to evaluate your goals, timeline and risk tolerance if short-term market fluctuations are a concern. On behalf of the other members of the Nuveen Fund Board, we look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

Terence J. Toth
Chairman of the Board
July 23, 2018

Portfolio Manager's Comments

Nuveen Connecticut Premium Income Municipal Fund (NTC)
Nuveen Massachusetts Premium Income Municipal Fund (NMT)

These Funds feature portfolio management by Nuveen Asset Management, LLC (NAM), an affiliate of Nuveen, LLC. Portfolio manager Michael S. Hamilton discusses U.S. economic and municipal market conditions, key investment strategies and the twelve-month performance of the Nuveen Connecticut and Massachusetts Funds. Michael assumed portfolio management responsibility for these Funds in 2011.

What factors affected the U.S. economy and the national municipal market during the twelve-month reporting period ended May 31, 2018?

After hovering near an annual pace of 3% for most of the reporting period, U.S. gross domestic product (GDP) growth cooled to 2.2% in the first quarter of 2018, according to the Bureau of Economic Analysis "second" estimate. GDP is the value of goods and services produced by the nation's economy less the value of the goods and services used up in production, adjusted for price changes. A beginning-of-the-year slowdown was expected given the seasonal trend of slower first quarter growth seen over the past few years and the delayed impact of tax cuts on workers' paychecks.

Nevertheless, consumer spending, boosted by employment and wage gains, continued to drive the economy. The Atlantic coast hurricanes in September and October temporarily weakened shopping and dining out activity, but rebuilding efforts had a positive impact on the economy. Although business investment slowed in early 2018 from the gains seen in the second half of 2017, business sentiment remained strong and hiring continued to boost employment. As reported by the Bureau of Labor Statistics, the unemployment rate fell to 3.8% in May 2018 from 4.3% in May 2017 and job gains averaged around 196,000 per month for the past twelve months. While the jobs market has continued to tighten, wage growth has remained lackluster during this economic recovery. Although the January jobs report revealed an unexpected pick-up in wages, the trend moderated in subsequent months. The

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy or sell securities, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her advisors.

Certain statements in this report are forward-looking statements. Discussions of specific investments are for illustration only and are not intended as recommendations of individual investments. The forward-looking statements and other views expressed herein are those of the portfolio manager as of the date of this report. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements, and the views expressed herein are subject to change at any time, due to numerous market and other factors. The Funds disclaim any obligation to update publicly or revise any forward-looking statements or views expressed herein.

For financial reporting purposes, the ratings disclosed are the highest rating given by one of the following national rating agencies: Standard & Poor's Group (S&P), Moody's Investors Service, Inc. (Moody's) or Fitch, Inc. (Fitch). This treatment of split-rated securities may differ from that used for other purposes, such as for Fund investment policies. Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings, while BB, B, CCC, CC, C and D are below investment grade ratings. Holdings designated N/R are not rated by these national rating agencies.

Bond insurance guarantees only the payment of principal and interest on the bond when due, and not the value of the bonds themselves, which will fluctuate with the bond market and the financial success of the issuer and the insurer. Insurance relates specifically to the bonds in the portfolio and not to the share prices of a Fund. No representation is made as to the insurers' ability to meet their commitments.

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this section.

Consumer Price Index (CPI) increased 2.8% over the twelve-month reporting period ended May 31, 2018 on a seasonally adjusted basis, as reported by the Bureau of Labor Statistics. The core CPI (which excludes food and energy) increased 2.2% during the same period, slightly above the Federal Reserve's (Fed) unofficial longer term inflation objective of 2.0%.

The housing market also continued to improve with low mortgage rates and low inventory driving home prices higher. The S&P CoreLogic Case-Shiller U.S. National Home Price Index, which covers all nine U.S. census divisions, recorded a 6.4% annual gain in April 2018 (most recent data available at the time this report was prepared). The 10-City and 20-City Composites reported year-over-year increases of 6.2% and 6.6%, respectively.

With the U.S. economy delivering a sustainable growth rate and employment strengthening, the Fed's policy making committee continued to incrementally raise its main benchmark interest rate. The most recent increase, in June 2018 (after the close of the reporting period), was the seventh rate hike since December 2015. In addition, in October 2017, the Fed began reducing its balance sheet by allowing a small amount of maturing Treasury and mortgage securities to roll off without reinvestment. The market expects the pace to remain moderate and predictable, with minimal market disruption.

Fed Chair Janet Yellen's term expired in February 2018, and incoming Chairman Jerome Powell indicated he would likely maintain the Fed's gradual pace of interest rate hikes. At the June meeting, the Fed increased its projection to four interest rate increases in 2018, from three increases projected at the March meeting. The markets also continued to react to geopolitical news. Protectionist rhetoric had been garnering attention across Europe, as anti-European Union (EU) sentiment featured prominently (although did not win a majority) in the Dutch, French and German elections in 2017. Italy's 2018 elections resulted in a hung parliament, and several months of negotiations resulted in a populist, euro-skeptic coalition government. The U.S. moved forward with tariffs on imported goods from China, as well as on steel and aluminum from Canada, Mexico and Europe. These countries announced retaliatory measures in kind, intensifying concerns about a trade war. Meanwhile, in March the U.K. and EU agreed in principle to the Brexit transition terms, opening the door to the next round of negotiation dealing with trade and security issues. The U.S. Treasury issued additional sanctions on Russia in April, and re-imposed sanctions on Iran after President Trump decided to withdraw from the 2015 nuclear agreement. The threat of a nuclear North Korea eased somewhat as the leaders of South Korea and North Korea met during April, while the U.S. and North Korea broadcast mixed messages about a summit scheduled for June but ultimately met as planned (after the close of the reporting period).

Municipal bonds recorded a small gain in the reporting period. Optimism about the economy was favorable for credit conditions but also drove interest rates higher, which weighed on bond prices. But, with inflation moving only incrementally higher, the increase in long-term interest rates was less dramatic than feared.

Along with the overall economic outlook, tax reform was a significant market driver for municipal bonds in this reporting period. Early drafts of the tax bill fostered significant uncertainty about the impact on the municipal bond market, leading municipal bonds to underperform taxable bonds in December and provoking issuers to rush bond offerings ahead of the pending tax law. Issuance in December reached an all-time high of $62.5 billion, exacerbating the market's price decline during the month. However, all of the supply was absorbed and municipal bond valuations subsequently returned to more typical levels.

The final tax reform legislation signed on December 27, 2017 largely spared municipal bonds and was considered neutral to positive for the municipal market overall. Notably, a provision that would have eliminated the tax-preferred status of 20 to 30% of the municipal bond market was not included in the final bill. Moreover, investors were relieved that the adopted changes apply only to newly issued municipal bonds and also could be beneficial from a technical standpoint. Because new issue advance refunding bonds are no longer tax exempt, the total supply of municipal bonds will decrease going forward, boosting the scarcity value of existing municipal bonds. The new tax law also caps the state and local tax (SALT) deduction for individuals, which will likely increase demand for tax-exempt municipal bonds, especially in states with high income and/or property taxes.

Following the issuance surge in late 2017, issuance remained sharply lower in early 2018. However, the overall balance of municipal bond supply and demand remained advantageous for prices. Municipal bond issuance nationwide totaled $400.3 billion in this reporting period, an 8.0% drop from the issuance for the twelve-month reporting period ended May 31, 2017. The robust pace of issuance seen since the low volume depths of 2011 began to moderate in 2017 as interest rates moved higher. Despite the increase, the overall level of interest rates still remained low, encouraging issuers to continue to actively refund their outstanding debt. In these transactions, the issuers are issuing new bonds and taking the bond proceeds and redeeming (calling) old bonds. These refunding transactions have ranged from 40%-60% of total issuance over the past few years. Thus, the net issuance (all bonds issued less bonds redeemed) is actually much lower than the gross issuance. So, while gross issuance volume has been strong, the net has not, and this was an overall positive technical factor on municipal bond investment performance in recent years. Although the pace of refundings is slowing, net negative issuance is expected to continue.

Despite the volatility surrounding the potential tax law changes, demand remained robust and continued to outstrip supply. Low global interest rates have continued to drive investors toward higher after-tax yielding assets, including U.S. municipal bonds. As a result, municipal bond fund inflows steadily during the reporting period.

What were the economic and market conditions in Connecticut and Massachusetts during the twelve-month reporting period ended May 31, 2018?

The Connecticut economy continues to lag the national recovery. Weakness in the financial services and government sectors are undermining growth. As of May 2018, Connecticut’s unemployment rate was 4.5%, above the national rate of 3.8%. Connecticut has a high number of defense-related industries that make it more sensitive to changes in federal defense spending. The loss of the headquarters of General Electric Company, which announced its relocation to Boston on January 14, 2016, is clearly not a positive sign for employment. On October 31, 2017, the Governor signed the $41.3 billion 2018-2019 biennium budget, 123 days late. It is 2.5% larger than the adopted 2016-2017 biennium budget and contains no increases in broad-based taxes but does rely on a complex maneuver designed to increase federal Medicaid reimbursement to the State. Connecticut’s pensions remain among the worst funded in the nation, which are likely to be a source of future financial strain at the state level. According to Moody’s, Connecticut’s per-capita debt burden was the highest in the nation at $6,544 in 2017, in contrast to the national median of $987. Connecticut enjoys the highest per-capita income of the 50 states, at 139% of the national average in 2017. As of the end of the reporting period, Moody’s rated Connecticut “A1” with a stable outlook. S&P rates Connecticut “A” with a stable outlook. S&P downgraded its rating to A from A+ on April 13, 2018, citing the State’s heavy debt burden. Approximately $6.2 billion in

Connecticut municipal bonds were issued during the twelve months ending May 31, 2018, a gross issuance decrease of 16.8% year-over-year.

Massachusetts continues to benefit from a highly diverse economy. Biotechnology, pharmaceuticals, finance and software development are increasingly driving the Massachusetts economy, aided by the Commonwealth's extensive education and health care sectors. Among the 50 states, Massachusetts has the highest percentage of population over 25 with a bachelor's degree (43%). This compares with the national average of 31%. Job growth in Massachusetts is strong and exceeds the national average. Unemployment in the Commonwealth was 3.5% in May 2018, below the national average of 3.8% for the same period. According to the S&P CoreLogic Case-Shiller Index, housing prices in Boston rose 6.9% over the twelve months ended April 2018 (most recent data available at the time this report was prepared), compared with a 6.4% price nationally. According to the U.S. Department of Commerce, Bureau of Economic Analysis, Massachusetts' per capita income is second highest among the 50 states. At $65,890 for calendar year 2017, it is 131% of the national average. The Commonwealth's proposed $40.9 billion Fiscal Year 2019 budget represents a 2.3% increase over the adopted Fiscal Year 2018 budget. The proposed budget does not hike sales or income taxes, but does assume $60 million in new tax revenue from recently legalized recreational marijuana. It also calls for a $96 million deposit into the Commonwealth's rainy day fund and a reduction in one-time revenue solutions. According to Moody's, Massachusetts' debt burden is second highest in the nation (after Connecticut) on a per capita basis ($6,085 versus the median of $987) and third highest as a percentage of the state GDP (8.3% versus the median of 2.1%). As of June 2018 (after the close of the reporting period), Moody's rated Massachusetts Aa1 with a stable outlook, and S&P rated the Commonwealth AA with a stable outlook. S&P downgraded its rating from AA+ to AA on June 9, 2017, citing a reduction in the Commonwealth's reserve levels. For the twelve months ended May 31, 2018, Massachusetts' tax-exempt bond supply totaled $11.2 billion, a 20.1% gross issuance decrease over the prior twelve months.

What key strategies were used to manage these Funds during the twelve-month reporting period ended May 31, 2018?

Interest rates rose during the reporting period as the economy maintained steady growth. Yields on the short end of the yield curve experienced a larger move, as the Fed continued to gradually raise its benchmark interest rate. Yields on the longer end of the curve increased by a smaller amount, restrained by relatively tame inflation readings. As a result, the yield curve flattened over the reporting period.

In this environment, our trading activity continued to focus on pursuing the Funds' investment objectives. We continued to seek bonds in areas of the market that we expected to perform well as the economy continued to improve. The Funds' positioning emphasized longer maturities, lower-rated credits and/or sectors offering higher yields. To fund these purchases, we generally reinvested the proceeds from called and maturing bonds. In some cases, we sold bonds that we believed had deteriorating fundamentals or could be traded for a better relative value, as well as selling short-dated, higher quality issues that we tend to hold over short timeframes as a source of liquidity.

The Connecticut Fund added bonds from several sectors, including private higher education, utilities, hospitals, and state and local general obligation (GO) bonds. These purchases were largely funded from the proceeds of called and maturing bonds and the sale of short-dated (one year and shorter) paper. The Massachusetts Fund bought water and sewer, higher education, transportation and hospital bonds. We made these purchases using the proceeds from called bonds and selling short maturities. NTC and, to a lesser extent, NMT also sold some bonds at a loss to harvest a tax loss that can be used to offset future capital gains, and bought similarly structured, higher yielding bonds to increase the Funds' income distribution capabilities.

As of May 31, 2018, the Funds continued to use inverse floating rate securities. We employ inverse floaters for a variety of reasons, including duration management, income enhancement and total return enhancement.

How did the Funds perform during the twelve-month reporting period ended May 31, 2018?

The tables in each Fund's Performance Overview and Holding Summaries section of this report provide the Funds' total returns for the one-year, five-year and ten-year periods ended May 31, 2018. Each Fund's total returns at common share net asset value (NAV) are compared with the performance of a corresponding market index.

For the twelve months ended May 31, 2018, the total returns at common share NAV for NTC underperformed the returns for national S&P Municipal Bond Index and the S&P Municipal Bond Connecticut Index, and NMT outperformed the national S&P Municipal Bond Index and the S&P Municipal Bond Massachusetts Index.

The Funds' performance was affected by duration and yield curve positioning, credit ratings allocations and sector allocations. In addition, the use of regulatory leverage was a factor affecting performance of the Funds. Leverage is discussed in more detail later in the Fund Leverage section of this report.

The Funds' duration and yield curve positioning was the strongest contributor to relative performance in the reporting period. As longer duration bonds outperformed shorter duration bonds, NTC's overweight to bonds with durations above six years and underweight to six years and shorter durations were beneficial. For NMT, an underweight to the eight years and shorter duration buckets and an overweight to long duration bonds (especially 10 years and higher) added to relative gains.

On a credit ratings basis, NTC's positioning had a neutral impact while NMT's positioning was beneficial. The Massachusetts Fund's underweight allocations to the high grade (AAA to AA rated) categories and overweight positions in the single A and lower ratings categories were favorable to performance.

Sector allocation detracted from the Funds' performance. Both NTC and NMT held overweight allocations to pre-refunded bonds (as a result of call activity), which dampened relative performance because these bonds' higher quality, shorter maturity profiles were out of favor during the reporting period. The Connecticut Fund was also hurt on a relative basis by its exposure to state GOs. Relative to the national benchmark, NTC holds an overweight to state-issued paper. But compared to the state-specific index (where state GOs comprise about one-third of the index), the Fund is meaningfully underweight in state GOs. The state's budget deficit and pension liabilities continued to make headlines during the period, causing credit spreads on Connecticut's debt to widen and state GOs to underperform. Although we did take advantage of an attractive buying opportunity in a state GO during this reporting period, we have maintained the Fund's longstanding tilt toward revenue sectors over GOs partly because of our concerns about the state's credit condition. NTC's overweight allocations to the health care, especially hospitals, and utilities sectors were positive contributors to performance, somewhat offsetting the negative impact from pre-refunded bonds and state GOs.

Fund Leverage

IMPACT OF THE FUNDS' LEVERAGE STRATEGIES ON PERFORMANCE

One important factor impacting the returns of the Funds' common shares relative to their comparative benchmarks was the Funds' use of leverage through their issuance of preferred shares and/or investments in inverse floating rate securities, which represent leveraged investments in underlying bonds. The Funds use leverage because our research has shown that, over time, leveraging provides opportunities for additional income, particularly in the recent market environment where short-term market rates are at or near historical lows, meaning that the short-term rates the Fund has been paying on its leveraging instruments in recent years have been much lower than the interest the Fund has been earning on its portfolio of long-term bonds that it has bought with the proceeds of that leverage.

However, use of leverage can expose Fund common shares to additional price volatility. When a Fund uses leverage, the Fund common shares will experience a greater increase in their net asset value if the municipal bonds acquired through the use of leverage increase in value, but will also experience a correspondingly larger decline in their net asset value if the bonds acquired through leverage decline in value, which will make the shares' net asset value more volatile, and total return performance more variable, over time.

In addition, common share income in levered funds will typically decrease in comparison to unlevered funds when short-term interest rates increase and increase when short-term interest rates decrease. Over the last few quarters, short-term interest rates have indeed increased from their extended lows after the 2007-09 financial crisis. This increase has reduced common share net income, and also reduced potential for long-term total returns. Nevertheless, the ability to effectively borrow at current short-term rates is still resulting in enhanced common share income, and management believes that the advantages of continuation of leverage outweigh the associated increase in risk and volatility described above.

Leverage from issuance of preferred shares had a positive impact on the performance of the Funds over the reporting period. The use of leverage through inverse floating rate securities had a negligible impact on the performance of the Funds over the reporting period.

As of May 31, 2018, the Funds' percentages of leverage are as shown in the accompanying table.

	NTC	**NMT**
Effective Leverage*	38.53%	37.86%
Regulatory Leverage*	36.25%	35.67%

* Effective Leverage is a Fund's effective economic leverage, and includes both regulatory leverage and the leverage effects of certain derivative and other investments in a Fund's portfolio that increase the Fund's investment exposure. Currently, the leverage effects of Tender Option Bond (TOB) inverse floater holdings are included in effective leverage values, in addition to any regulatory leverage. Regulatory leverage consists of preferred shares issued or borrowings of a Fund. Both of these are part of a Fund's capital structure. A Fund, however, may from time to time borrow on a typically transient basis in connection with its day-to-day operations, primarily in connection with the need to settle portfolio trades. Such incidental borrowings are excluded from the calculation of a Fund's effective leverage ratio. Regulatory leverage is subject to asset coverage limits set forth in the Investment Company Act of 1940.

THE FUNDS' REGULATORY LEVERAGE

As of May 31, 2018, the Funds have issued and outstanding preferred shares as shown in the accompanying table.

	Variable Rate Preferred* Shares Issued at Liquidation Preference	**Variable Rate Remarketed Preferred** Shares Issued at Liquidation Preference**
NTC	$112,000,000	$—
NMT	$74,000,000	$—

* Preferred shares of the Fund featuring a floating rate dividend based on a predetermined formula or spread to an index rate. Includes the following preferred shares AMTP, iMTP, VMTP, MFP-VRM and VRDP in Special Rate Mode, where applicable. See Notes to Financial Statements, Note 4 – Fund Shares, Preferred Shares for further details.

** Preferred shares of the Fund featuring floating rate dividends set by a remarketing agent via a regular remarketing. Includes the following preferred shares VRDP not in Special Rate Mode, MFP-VRRM and MFP-VRDM, where applicable. See Notes to Financial Statements, Note 4 – Fund Shares, Preferred Shares for further details.

Refer to Notes to Financial Statements, Note 4 — Fund Shares, Preferred Shares for further details on preferred shares and each Fund's respective transactions.

11

Common Share Information

COMMON SHARE DISTRIBUTION INFORMATION

The following information regarding the Funds' distributions is current as of May 31, 2018. Each Fund's distribution levels may vary over time based on each Fund's investment activity and portfolio investments value changes.

During the current reporting period, each Fund's distributions to common shareholders were as shown in the accompanying table.

	Per Common Share Amounts	
Monthly Distributions (Ex-Dividend Date)	**NTC**	**NMT**
June 2017	$0.0485	$0.0545
July	0.0485	0.0545
August	0.0485	0.0545
September	0.0450	0.0545
October	0.0450	0.0545
November	0.0450	0.0545
December	0.0410	0.0500
January	0.0410	0.0500
February	0.0410	0.0500
March	0.0410	0.0500
April	0.0410	0.0500
May 2018	0.0410	0.0500
Total Monthly Per Share Distributions	0.5265	0.6270
Ordinary Income Distribution*	0.0013	—
Total Distributions from Net Investment Income	$0.5278	$0.6270
Yields		
Market Yield**	4.19 %	4.75 %
Taxable-Equivalent Yield**	5.99 %	6.70 %

* Distribution paid in December 2017.

** Market Yield is based on the Fund's current annualized monthly dividend divided by the Fund's current market price as of the end of the reporting period. Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 30.0% and 29.1% for Connecticut and Massachusetts, respectively. When comparing a Fund to investments that generate qualified dividend income, the Taxable- Equivalent Yield would be lower.

Each Fund in this report seeks to pay regular monthly dividends out of its net investment income at a rate that reflects its past and projected net income performance. To permit each Fund to maintain a more stable monthly dividend, the Fund may pay dividends at a rate that may be more or less than the amount of net income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in dividends, it will hold the excess in reserve as undistributed net investment income (UNII) as part of the Fund's net asset value. Conversely, if a Fund has cumulatively paid in dividends more than it has earned, the excess will constitute a negative UNII that will likewise be reflected in the Fund's net asset value. Each Fund will, over time, pay all its net investment income as dividends to shareholders.

12

As of May 31, 2018, the Funds had positive UNII balances for tax purposes and negative UNII balances for financial reporting purposes.

All monthly dividends paid by each Fund during the current reporting period were paid from net investment income. If a portion of the Fund's monthly distributions was sourced from or comprised of elements other than net investment income, including capital gains and/or a return of capital, shareholders would have received a notice to that effect. For financial reporting purposes the composition and per share amounts of each Fund's dividends for the reporting period are presented in this report's Statement of Changes in Net Assets and Financial Highlights, respectively. For income tax purposes, distribution information for each Fund as of its most recent tax year end is presented in Note 6 — Income Tax Information within the Notes to Financial Statements of this report.

COMMON SHARE REPURCHASES

During August 2017, the Funds' Board of Trustees reauthorized an open-market share repurchase program, allowing each Fund to repurchase an aggregate of up to approximately 10% of its outstanding shares.

As of May 31, 2018, and since the inception of the Funds' repurchase programs, the Funds have cumulatively repurchased and retired their outstanding common shares as shown in the accompanying table.

	NTC	**NMT**
Common shares cumulatively repurchased and retired	260,800	—
Common shares authorized for repurchase	1,455,000	935,000

During the current reporting period, the following Fund repurchased and retired its common shares at a weighted average price per share and a weighted average discount per share as shown in the accompanying table.

	NTC
Common shares repurchased and retired	105,800
Weighted average price per common share repurchased and retired	$11.73
Weighted average discount per common share repurchased and retired	14.96 %

OTHER COMMON SHARE INFORMATION

As of May 31, 2018, and during the current reporting period, the Funds' common share prices were trading at a premium/(discount) to their common share NAVs as shown in the accompanying table.

	NTC	**NMT**
Common share NAV	$13.65	$14.28
Common share price	$11.75	$12.64
Premium/(Discount) to NAV	(13.92)%	(11.48)%
12-month average premium/(discount) to NAV	(13.48)%	(4.92)%

Risk Considerations

Fund shares are not guaranteed or endorsed by any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation.

Nuveen Connecticut Quality Municipal Income Fund (NTC)

Investing in closed-end funds involves risk; principal loss is possible. There is no guarantee the Fund's investment objectives will be achieved. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. **Debt or fixed income securities** such as those held by the Fund, are subject to market risk, credit risk, interest rate risk, derivatives risk, liquidity risk, and income risk. As interest rates rise, bond prices fall. **Leverage** increases return volatility and magnifies the Fund's potential return and its risks; there is no guarantee a fund's leverage strategy will be successful. **State concentration** makes the Fund more susceptible to local adverse economic, political, or regulatory changes affecting municipal bond issuers. These and other risk considerations such as **inverse floater risk** and **tax risk** are described in more detail on the Fund's web page at www.nuveen.com/NTC.

Nuveen Massachusetts Quality Municipal Income Fund (NMT)

Investing in closed-end funds involves risk; principal loss is possible. There is no guarantee the Fund's investment objectives will be achieved. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. **Debt or fixed income securities** such as those held by the Fund, are subject to market risk, credit risk, interest rate risk, derivatives risk, liquidity risk, and income risk. As interest rates rise, bond prices fall. **Leverage** increases return volatility and magnifies the Fund's potential return and its risks; there is no guarantee a fund's leverage strategy will be successful. **State concentration** makes the Fund more susceptible to local adverse economic, political, or regulatory changes affecting municipal bond issuers. These and other risk considerations such as **inverse floater risk** and **tax risk** are described in more detail on the Fund's web page at www.nuveen.com/NMT.

NTC Nuveen Connecticut Quality Municipal Income Fund
Performance Overview and Holding Summaries as of May 31, 2018

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this section.

Average Annual Total Returns as of May 31, 2018

	Average Annual		
	1-Year	**5-Year**	**10-Year**
NTC at Common Share NAV	0.28%	2.64%	4.37%
NTC at Common Share Price	(1.55)%	2.12%	3.40%
S&P Municipal Bond Connecticut Index	0.59%	1.99%	3.40%
S&P Municipal Bond Index	1.26%	2.94%	4.32%

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares. Returns at NAV are net of Fund expenses, and assume reinvestment of distributions. Comparative index return information is provided for the Fund's shares at NAV only. Indexes are not available for direct investment.

This data relates to the securities held in the Fund's portfolio of investments as of the end of the reporting period. It should not be construed as a measure of performance for the Fund itself. Holdings are subject to change.

For financial reporting purposes, the ratings disclosed are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. This treatment of split-rated securities may differ from that used for other purposes, such as for Fund investment policies. Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below investment grade ratings. Holdings designated N/R are not rated by these national rating agencies.

Fund Allocation
(% of net assets)

Long-Term Municipal Bonds	158.2%
Other Assets Less Liabilities	1.9%
Net Assets Plus Floating Rate Obligations and VMTP Shares, net of deferred offering costs	**160.1%**
Floating Rate Obligations	(3.2)%
VMTP Shares, net of deferred offering costs	(56.9)%
Net Assets	**100%**

Portfolio Composition
(% of total investments)

Tax Obligation/General	24.5%
Health Care	22.4%

Tax Obligation/Limited	14.4%
Water and Sewer	13.4%
U.S. Guaranteed	11.5%
Education and Civic Organizations	10.2%
Other	3.6%
Total	**100%**

Portfolio Credit Quality
(% of total investment exposure)

U.S. Guaranteed	11.0%
AAA	1.5%
AA	42.3%
A	38.6%
BBB	5.6%
N/R (not rated)	1.0%
Total	**100%**

15

NMT Nuveen Massachusetts Quality Municipal Income Fund
Performance Overview and Holding Summaries as of May 31, 2018

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this section.

Average Annual Total Returns as of May 31, 2018

	Average Annual		
	1-Year	**5-Year**	**10-Year**
NMT at Common Share NAV	1.29%	3.51%	5.17%
NMT at Common Share Price	(4.84)%	3.47%	4.63%
S&P Municipal Bond Massachusetts Index	0.80%	2.72%	4.10%
S&P Municipal Bond Index	1.26%	2.94%	4.32%

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares. Returns at NAV are net of Fund expenses, and assume reinvestment of distributions. Comparative index return information is provided for the Fund's shares at NAV only. Indexes are not available for direct investment.

This data relates to the securities held in the Fund's portfolio of investments as of the end of the reporting period. It should not be construed as a measure of performance for the Fund itself. Holdings are subject to change.

For financial reporting purposes, the ratings disclosed are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. This treatment of split-rated securities may differ from that used for other purposes, such as for Fund investment policies. Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below investment grade ratings. Holdings designated N/R are not rated by these national rating agencies.

Fund Allocation
(% of net assets)

Long-Term Municipal Bonds	153.2%
Other Assets Less Liabilities	2.0%
Net Assets Plus VRDP Shares, net of deferred offering costs	**155.2%**
VRDP Shares, net of deferred offering costs	(55.2)%
Net Assets	**100%**

Portfolio Composition
(% of total investments)

Education and Civic Organizations	25.6%
Health Care	19.8%
U.S. Guaranteed	13.7%
Tax Obligation/Limited	13.1%
Tax Obligation/General	10.0%

Transportation	6.6%
Water and Sewer	5.8%
Other	5.4%
Total	**100%**

Portfolio Credit Quality
(% of total investment exposure)

U.S. Guaranteed	12.5%
AAA	6.2%
AA	46.4%
A	22.2%
BBB	9.5%
BB or Lower	0.9%
N/R (not rated)	2.3%
Total	**100%**

Shareholder Meeting Report

The annual meeting of shareholders was held in the offices of Nuveen on April 11, 2018 for NTC; at this meeting the shareholders were asked to elect Board Members.

	NTC Common and Preferred shares voting together as a class	Preferred Shares
Approval of the Board Members was reached as follows:		
Margo L. Cook		
For	12,183,507	—
Withhold	390,823	—
Total	12,574,330	—
Jack B. Evans		
For	12,168,419	—
Withhold	405,911	—
Total	12,574,330	—
Albin F. Moschner		
For	12,179,439	—
Withhold	394,891	—
Total	12,574,330	—
William C. Hunter		
For	—	1,120
Withhold	—	—
Total	—	1,120
William J. Schneider		
For	—	1,120
Withhold	—	—
Total	—	1,120

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of
Nuveen Connecticut Quality Municipal Income Fund
Nuveen Massachusetts Quality Municipal Income Fund:

Opinion on the Financial Statements

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of Nuveen Connecticut Quality Municipal Income Fund and Nuveen Massachusetts Quality Municipal Income Fund (the “Funds”) as of May 31, 2018, the related statements of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, the statements of cash flows for the year then ended, and the related notes (collectively, the “financial statements”) and the financial highlights for each of the years in the four-year period then ended. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Funds as of May 31, 2018, the results of their operations and their cash flows for the year then ended, the changes in their net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the four-year period then ended, in conformity with U.S. generally accepted accounting principles. The financial highlights for the year ended May 31, 2014 were audited by other independent registered public accountants whose report, dated July 28, 2014, expressed an unqualified opinion on those financial highlights.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Funds’ management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Funds in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Such procedures also included confirmation of securities owned as of May 31, 2018, by correspondence with the custodian and brokers or other appropriate auditing procedures. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the auditor of one or more Nuveen investment companies since 2014.

Chicago, Illinois
July 26, 2018

NTC **Nuveen Connecticut Quality Municipal Income Fund**
Portfolio of Investments
May 31, 2018

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	LONG-TERM INVESTMENTS – 158.2% (100.0% of Total Investments)			
	MUNICIPAL BONDS – 158.2% (100.0% of Total Investments)			
	Education and Civic Organizations – 16.1% (10.2% of Total Investments)			
$4,250	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Connecticut College, Refunding Series 2016L-1, 4.000%, 7/01/46	7/26 at 100.00	A2	$4,311,497
1,150	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Connecticut College, Series 2011H, 5.000%, 7/01/41	7/21 at 100.00	A2	1,226,475
5,565	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Fairfield University, Series 2016Q-1, 5.000%, 7/01/46	7/26 at 100.00	A–	6,226,512
	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Loomis Chaffee School, Series 2005F:			
440	5.250%, 7/01/18 – AMBAC Insured	No Opt. Call	A2	441,192
1,510	5.250%, 7/01/19 – AMBAC Insured	No Opt. Call	A2	1,564,541
1,125	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Norwich Free Academy, Series 2013B, 4.000%, 7/01/34	7/23 at 100.00	A1	1,146,206
7,030	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Quinnipiac University, Refunding Series 2015L, 5.000%, 7/01/45	7/25 at 100.00	A–	7,745,795
	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Quinnipiac University, Series 2016M:			
500	5.000%, 7/01/34	7/26 at 100.00	A–	562,450
1,500	5.000%, 7/01/36	7/26 at 100.00	A–	1,674,930
2,645	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Sacred Heart University, Series 2017I-1, 5.000%, 7/01/42	7/27 at 100.00	A	2,992,870
	Connecticut Health and Educational Facilities Authority, Revenue Bonds, The Loomis Chaffee School Issue, Series 2011-I:			
560	5.000%, 7/01/23 – AGM Insured	7/21 at 100.00	A2	603,422
225	5.000%, 7/01/24 – AGM Insured	7/21 at 100.00	A2	242,793
	Connecticut Health and Educational Facilities Authority, Revenue Bonds, University of New Haven, Series 2018K-1.:			
1,000	5.000%, 7/01/37	7/28 at 100.00	BBB	1,112,040

1,250	5.000%, 7/01/38	7/28 at 100.00	BBB	1,387,825
515	University of Connecticut, Student Fee Revenue Bonds, Refunding Series 2010A, 5.000%, 11/15/27	11/19 at 100.00	AA–	537,377
29,265	Total Education and Civic Organizations			31,775,925
	Health Care – 35.5% (22.4% of Total Investments)			
5,500	Connecticut Health and Educational Facilities Authority Revenue Bonds, Hartford HealthCare, Series 2015F, 5.000%, 7/01/45	7/25 at 100.00	A	6,005,725
4,540	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Ascension Health Series 2010A, 5.000%, 11/15/40	11/19 at 100.00	AA+	4,729,954
	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Bristol Hospital, Series 2002B:			
350	5.500%, 7/01/21 – RAAI Insured	8/18 at 100.00	AA	351,068
3,000	5.500%, 7/01/32 – RAAI Insured	8/18 at 100.00	AA	3,005,580
7,025	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Hartford HealthCare, Series 2011A, 5.000%, 7/01/41	7/21 at 100.00	A	7,430,343
500	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Hartford HealthCare, Series 2014E, 5.000%, 7/01/42	7/24 at 100.00	A	544,135
2,000	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Lawrence and Memorial Hospitals, Series 2011F, 5.000%, 7/01/36	7/21 at 100.00	A+	2,114,800
1,915	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Middlesex Hospital, Series 2015O, 5.000%, 7/01/36	7/25 at 100.00	A3	2,081,088

19

Nuveen Connecticut Quality Municipal Income Fund
NTC Portfolio of Investments (continued)
May 31, 2018

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	Health Care (continued)			
$1,275	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Stamford Hospital, Series 2010-I, 5.000%, 7/01/30	7/20 at 100.00	BBB+	$1,340,892
	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Stamford Hospital, Series 2012J:			
1,000	5.000%, 7/01/37	7/22 at 100.00	BBB+	1,071,000
7,155	5.000%, 7/01/42	7/22 at 100.00	BBB+	7,626,300
4,000	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Stamford Hospital, Series 2016K, 4.000%, 7/01/46	7/26 at 100.00	BBB+	3,933,560
	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Trinity Health Credit Group, Series 2016CT:			
2,650	5.000%, 12/01/41	6/26 at 100.00	AA–	3,006,001
770	5.000%, 12/01/45	6/26 at 100.00	AA–	868,791
5,915	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Western Connecticut Health, Series 2011M, 5.375%, 7/01/41	7/21 at 100.00	A	6,338,987
4,000	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Western Connecticut Health, Series 2011N, 5.000%, 7/01/29	7/21 at 100.00	A	4,267,200
	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Yale-New Haven Health Issue, Series 2014E:			
2,610	5.000%, 7/01/32	7/24 at 100.00	AA–	2,933,327
2,740	5.000%, 7/01/33	7/24 at 100.00	AA–	3,072,910
900	5.000%, 7/01/34	7/24 at 100.00	AA–	1,007,217
7,475	Monroe County Industrial Development Corporation, New York, FHA Insured Mortgage Revenue Bonds, Unity Hospital of Rochester Project, Series 2010, 5.500%, 8/15/40	2/21 at 100.00	AA	8,127,568
65,320	Total Health Care			69,856,446
	Long-Term Care – 1.6% (1.0% of Total Investments)			
1,100	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Duncaster, Inc., Series 2014A, 5.000%, 8/01/44	8/24 at 100.00	BBB–	1,155,781
630	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Healthcare Facility Expansion Church Home of Hartford	9/26 at 100.00	N/R	658,066

	Inc. Project, Series 2016A, 5.000%, 9/01/46, 144A			
1,260	Connecticut Housing Finance Authority, State Supported Special Obligation Bonds, Refunding Series 2010-16, 5.000%, 6/15/30	6/20 at 100.00	A1	1,330,447
2,990	Total Long-Term Care			3,144,294
	Tax Obligation/General – 38.7% (24.5% of Total Investments)			
	Bridgeport, Connecticut, General Obligation Bonds, Series 2014A:			
2,345	5.000%, 7/01/32 – AGM Insured	7/24 at 100.00	AA	2,605,014
1,600	5.000%, 7/01/34 – AGM Insured	7/24 at 100.00	AA	1,772,720
2,800	Bridgeport, Connecticut, General Obligation Bonds, Series 2016D, 5.000%, 8/15/41 – AGM Insured	8/26 at 100.00	AA	3,088,512
	City of Bridgeport, Connecticut, General Obligation Bonds, Series 2017A:			
1,470	5.000%, 11/01/36	11/27 at 100.00	A	1,601,109
750	5.000%, 11/01/37	11/27 at 100.00	A	816,277
	City of New Haven, Connecticut, General Obligation Bonds, Series 2017A:			
1,000	5.000%, 8/01/35	8/27 at 100.00	A–	1,092,840
1,425	5.000%, 8/01/36	8/27 at 100.00	A–	1,552,694
5,580	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Connecticut State University System, Series 2013N, 5.000%, 11/01/31	11/23 at 100.00	A1	6,060,605
3,075	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Connecticut State University System, Series 2016P-1, 5.000%, 11/01/29	11/26 at 100.00	A1	3,538,833
2,290	Connecticut State, General Obligation Bonds, Refunding Series 2012E, 5.000%, 9/15/32	9/22 at 100.00	A1	2,442,216
1,000	Connecticut State, General Obligation Bonds, Series 2011D, 5.000%, 11/01/31	11/21 at 100.00	A1	1,057,990
2,600	Connecticut State, General Obligation Bonds, Series 2014A, 5.000%, 3/01/31	3/24 at 100.00	A1	2,835,014
3,500	Connecticut State, General Obligation Bonds, Series 2014F, 5.000%, 11/15/34	11/24 at 100.00	A1	3,809,015

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	Tax Obligation/General (continued)			
$4,580	Connecticut State, General Obligation Bonds, Series 2015A, 4.500%, 3/15/33	3/25 at 100.00	A1	$4,837,121
2,630	Connecticut State, General Obligation Bonds, Series 2015F, 5.000%, 11/15/34	11/25 at 100.00	A1	2,886,609
	Connecticut State, General Obligation Bonds, Series 2017A:			
4,000	5.000%, 4/15/34	4/27 at 100.00	A1	4,460,160
3,730	5.000%, 4/15/35	4/27 at 100.00	A1	4,147,051
1,225	Hamden, Connecticut, General Obligation Bonds, Series 2016, 5.000%, 8/15/32 – BAM Insured	8/24 at 100.00	AA	1,370,640
870	Hartford, Connecticut, General Obligation Bonds, Series 2009A, 5.000%, 8/15/28 – AGC Insured	8/19 at 100.00	AA	901,120
	New Haven, Connecticut, General Obligation Bonds, Refunding Series 2016A:			
1,000	5.000%, 8/15/32 – AGM Insured	8/26 at 100.00	AA	1,117,370
1,550	5.000%, 8/15/35 – AGM Insured	8/26 at 100.00	AA	1,715,525
985	New Haven, Connecticut, General Obligation Bonds, Series 2014A, 5.000%, 8/01/33 – AGM Insured	8/24 at 100.00	AA	1,079,314
	New Haven, Connecticut, General Obligation Bonds, Series 2015:			
790	5.000%, 9/01/32 – AGM Insured	9/25 at 100.00	AA	865,714
1,620	5.000%, 9/01/33 – AGM Insured	9/25 at 100.00	AA	1,769,834
500	5.000%, 9/01/35 – AGM Insured	9/25 at 100.00	AA	543,915
900	North Haven, Connecticut, General Obligation Bonds, Series 2006, 5.000%, 7/15/24	No Opt. Call	Aa1	1,043,397
1,670	Oregon State, General Obligation Bonds, Oregon University System Projects, Series 2011G, 5.000%, 8/01/36	8/21 at 100.00	AA+	1,814,004
	State of Connecticut General Obligation Bonds, Series 2018A:			
3,500	5.000%, 4/15/35 (UB) (4)	4/28 at 100.00	A+	3,925,285
5,000	5.000%, 4/15/38 (UB) (4)	4/28 at 100.00	A+	5,563,500
600	Stratford, Connecticut, General Obligation Bonds, Series 2014, 5.000%, 12/15/32	12/22 at 100.00	AA	659,550
	Suffield, Connecticut, General Obligation Bonds, Refunding Series 2005:			
820	5.000%, 6/15/19	No Opt. Call	AA+	848,036
1,400	5.000%, 6/15/21	No Opt. Call	AA+	1,527,218

250	Trumbull, Connecticut, General Obligation Bonds, Refunding Series 2017B, 4.000%, 9/01/30	9/26 at 100.00	AA+	273,862
	Waterbury, Connecticut, General Obligation Bonds, Lot A Series 2015:			
445	5.000%, 8/01/30 – BAM Insured	8/25 at 100.00	AA	508,088
390	5.000%, 8/01/31 – BAM Insured	8/25 at 100.00	AA	444,748
610	5.000%, 8/01/32 – BAM Insured	8/25 at 100.00	AA	693,515
445	5.000%, 8/01/33 – BAM Insured	8/25 at 100.00	AA	504,692
445	5.000%, 8/01/34 – BAM Insured	8/25 at 100.00	AA	503,464
69,390	Total Tax Obligation/General			76,276,571
	Tax Obligation/Limited – 22.8% (14.4% of Total Investments)			
2,500	Connecticut State, Special Tax Obligation Bonds, Transportation Infrastructure Purposes Series 2012A, 5.000%, 1/01/33	1/23 at 100.00	AA	2,692,250
3,855	Connecticut State, Special Tax Obligation Bonds, Transportation Infrastructure Purposes Series 2013A, 5.000%, 10/01/33	10/23 at 100.00	AA	4,198,018
1,380	Connecticut State, Special Tax Obligation Bonds, Transportation Infrastructure Purposes Series 2015A, 5.000%, 8/01/33	8/25 at 100.00	AA	1,522,871
	Connecticut State, Special Tax Obligation Bonds, Transportation Infrastructure Purposes Series 2016A:			
5,300	5.000%, 9/01/33	9/26 at 100.00	AA	5,924,976
1,700	5.000%, 9/01/34	9/26 at 100.00	AA	1,893,987
	Connecticut State, Special Tax Obligation Bonds, Transportation Infrastructure Purposes, Series 2014A:			
3,835	5.000%, 9/01/33	9/24 at 100.00	AA	4,195,337
1,000	5.000%, 9/01/34	9/24 at 100.00	AA	1,089,250
1,500	Government of Guam, Business Privilege Tax Bonds, Refunding Series 2015D, 5.000%, 11/15/39	11/25 at 100.00	A	1,581,915
	Government of Guam, Business Privilege Tax Bonds, Series 2011A:			
840	5.250%, 1/01/36	1/22 at 100.00	A	882,050
3,200	5.125%, 1/01/42	1/22 at 100.00	A	3,321,952

Nuveen Connecticut Quality Municipal Income Fund
NTC Portfolio of Investments (continued)
May 31, 2018

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	Tax Obligation/Limited (continued)			
$2,315	Harbor Point Infrastructure Improvement District, Connecticut, Special Obligation Revenue Bonds, Harbor Point Project, Refunding Series 2017, 5.000%, 4/01/39, 144A	4/27 at 100.00	N/R	$2,481,958
1,500	Puerto Rico Municipal Finance Agency, Series 2002A, 5.250%, 8/01/21 – AGM Insured	8/18 at 100.00	AA	1,533,120
2,600	University of Connecticut, General Obligation Bonds, Series 2010A, 5.000%, 2/15/28	2/20 at 100.00	AA–	2,717,884
2,500	University of Connecticut, General Obligation Bonds, Series 2013A, 5.000%, 8/15/32	8/23 at 100.00	AA–	2,775,700
760	University of Connecticut, General Obligation Bonds, Series 2014A, 5.000%, 2/15/31	2/24 at 100.00	AA–	846,184
	University of Connecticut, General Obligation Bonds, Series 2015A:			
900	5.000%, 2/15/29	2/25 at 100.00	AA–	999,783
1,415	5.000%, 2/15/34	2/25 at 100.00	AA–	1,546,850
2,500	University of Connecticut, General Obligation Bonds, Series 2016A, 5.000%, 3/15/32	3/26 at 100.00	AA–	2,773,125
1,790	Virgin Islands Public Finance Authority, Gross Receipts Taxes Loan Note, Refunding Series 2012A, 5.000%, 10/01/32 – AGM Insured	10/22 at 100.00	AA	1,936,350
41,390	Total Tax Obligation/Limited			44,913,560
	U.S. Guaranteed – 18.3% (11.5% of Total Investments) (5)			
1,010	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Catholic Health East Series 2010, 4.750%, 11/15/29 (Pre-refunded 11/15/20)	11/20 at 100.00	AA–	1,077,256
4,000	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Fairfield University, Series 2010-O, 5.000%, 7/01/40 (Pre-refunded 7/01/20)	7/20 at 100.00	A–	4,251,080
	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Middlesex Hospital, Series 2011N:			
1,105	5.000%, 7/01/25 (Pre-refunded 7/01/21)	7/21 at 100.00	A3	1,203,367
400	5.000%, 7/01/26 (Pre-refunded 7/01/21)	7/21 at 100.00	A3	435,608
500	5.000%, 7/01/27 (Pre-refunded 7/01/21)	7/21 at 100.00	A3	544,510

	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Sacred Heart University, Series 2011G:			
250	5.125%, 7/01/26 (Pre-refunded 7/01/21)	7/21 at 100.00	A	273,182
3,260	5.625%, 7/01/41 (Pre-refunded 7/01/21)	7/21 at 100.00	A	3,610,678
	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Sacred Heart University, Series 2012H:			
1,500	5.000%, 7/01/26 (Pre-refunded 7/01/22) – AGM Insured	7/22 at 100.00	AA	1,674,615
1,000	5.000%, 7/01/28 (Pre-refunded 7/01/22) – AGM Insured	7/22 at 100.00	AA	1,116,410
3,000	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Wesleyan University, Series 2010G, 5.000%, 7/01/35 (Pre-refunded 7/01/20)	7/20 at 100.00	AA	3,194,610
1,240	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Yale-New Haven Hospital, Series 2010M, 5.500%, 7/01/40 (Pre-refunded 7/01/20)	7/20 at 100.00	Aa3	1,330,384
2,050	Guam Government Waterworks Authority, Water and Wastewater System Revenue Bonds, Series 2010, 5.625%, 7/01/40 (Pre-refunded 7/01/20)	7/20 at 100.00	A–	2,205,923
3,000	Harbor Point Infrastructure Improvement District, Connecticut, Special Obligation Revenue Bonds, Harbor Point Project, Series 2010A, 7.875%, 4/01/39 (Pre-refunded 4/01/20)	4/20 at 100.00	N/R	3,311,910
870	Hartford, Connecticut, General Obligation Bonds, Series 2009A, 5.000%, 8/15/28 (Pre-refunded 8/15/19) – AGC Insured	8/19 at 100.00	AA	903,434
2,220	Oregon State, General Obligation Bonds, Oregon University System Projects, Series 2011G, 5.000%, 8/01/36 (Pre-refunded 8/02/21)	8/21 at 100.00	N/R	2,422,264
1,010	Puerto Rico Public Finance Corporation, Commonwealth Appropriation Bonds, Series 1998A, 5.125%, 6/01/24 – AMBAC Insured (ETM)	No Opt. Call	Aaa	1,111,040
4,870	South Central Connecticut Regional Water Authority, Water System Revenue Bonds, Twentieth-Sixth Series, 2011, 5.000%, 8/01/41 (Pre-refunded 8/01/21)	8/21 at 100.00	AA–	5,328,998
1,725	Stamford, Connecticut, Special Obligation Revenue Bonds, Mill River Corridor Project, Series 2011aA, 7.000%, 4/01/41 (Pre-refunded 4/01/21)	4/21 at 100.00	N/R	1,958,651
33,010	Total U.S. Guaranteed			35,953,920

22

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	Utilities – 4.0% (2.6% of Total Investments)			
	Connecticut Municipal Electric Energy Cooperative, Power Supply System Revenue Bonds, Tender Option Bond Trust 2016-XG0059:			
$1,295	13.871%, 1/01/32, 144A (IF) (4)	1/23 at 100.00	Aa3	$1,823,995
410	13.754%, 1/01/38, 144A (IF) (4)	1/23 at 100.00	Aa3	567,071
	Connecticut Transmission Municipal Electric Energy Cooperative, Transmission System Revenue Bonds, Series 2012A:			
655	5.000%, 1/01/31	1/22 at 100.00	Aa3	715,116
500	5.000%, 1/01/32	1/22 at 100.00	Aa3	544,990
2,830	5.000%, 1/01/42	1/22 at 100.00	Aa3	3,062,400
960	Eastern Connecticut Resource Recovery Authority, Solid Waste Revenue Bonds, Wheelabrator Lisbon Project, Series 1993A, 5.500%, 1/01/20 (Alternative Minimum Tax)	7/18 at 100.00	A–	974,266
250	Guam Power Authority, Revenue Bonds, Series 2012A, 5.000%, 10/01/34 – AGM Insured	10/22 at 100.00	AA	272,672
6,900	Total Utilities			7,960,510
	Water and Sewer – 21.2% (13.4% of Total Investments)			
	Connecticut, State Revolving Fund General Revenue Bonds, Green Bonds, Series 2017A:			
1,500	5.000%, 5/01/36	5/27 at 100.00	AAA	1,750,830
1,500	5.000%, 5/01/37	5/27 at 100.00	AAA	1,748,265
	Greater New Haven Water Pollution Control Authority, Connecticut, Regional Wastewater System Revenue Bonds, Refunding Series 2014B:			
500	5.000%, 8/15/30	8/24 at 100.00	AA	563,075
1,000	5.000%, 8/15/31	8/24 at 100.00	AA	1,124,330
500	5.000%, 8/15/32	8/24 at 100.00	AA	564,895
55	Greater New Haven Water Pollution Control Authority, Connecticut, Regional Wastewater System Revenue Bonds, Series 2005A, 5.000%, 8/15/35 – NPFG Insured	11/18 at 100.00	AA	55,147
1,335	Guam Government Waterworks Authority, Water and Wastewater System Revenue Bonds, Refunding Series 2017, 5.000%, 7/01/36	7/27 at 100.00	A–	1,435,299
3,045	Guam Government Waterworks Authority, Water and Wastewater System Revenue Bonds, Series 2013, 5.500%, 7/01/43	7/23 at 100.00	A–	3,314,026
1,125			A–	1,193,175

	Guam Government Waterworks Authority, Water and Wastewater System Revenue Bonds, Series 2016, 5.000%, 1/01/46	7/26 at 100.00		
8,015	Hartford County Metropolitan District, Connecticut, Clean Water Project Revenue Bonds, Refunding Green Bond Series 2014A, 5.000%, 11/01/42	11/24 at 100.00	Aa2	8,849,602
	Hartford County Metropolitan District, Connecticut, Clean Water Project Revenue Bonds, Series 2013A:			
4,100	5.000%, 4/01/36	4/22 at 100.00	Aa2	4,446,573
2,500	5.000%, 4/01/39	4/22 at 100.00	Aa2	2,709,425
795	South Central Connecticut Regional Water Authority Water System Revenue Bonds, Thirtieth Series 2014A, 5.000%, 8/01/44	8/24 at 100.00	AA–	891,362
	South Central Connecticut Regional Water Authority, Water System Revenue Bonds, Refunding Thirty-Second Series 2016B:			
1,470	4.000%, 8/01/36	8/26 at 100.00	AA–	1,563,580
3,330	5.000%, 8/01/37	8/26 at 100.00	AA–	3,871,458
	South Central Connecticut Regional Water Authority, Water System Revenue Bonds, Thirty-third Series 2018A:			
1,270	5.000%, 8/01/42	8/28 at 100.00	AA–	1,497,038
1,000	5.000%, 8/01/47	8/28 at 100.00	AA–	1,173,970

23

Nuveen Connecticut Quality Municipal Income Fund
NTC **Portfolio of Investments (continued)**
May 31, 2018

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	Water and Sewer (continued)			
$4,000	South Central Connecticut Regional Water Authority, Water System Revenue Bonds, Twenty-Seventh Series 2012, 5.000%, 8/01/33	8/22 at 100.00	AA–	$4,415,800
500	Stamford, Connecticut, Water Pollution Control System and Facility Revenue Bonds, Series 2013A, 5.250%, 8/15/43	8/23 at 100.00	AA+	568,960
37,540	Total Water and Sewer			41,736,810
$285,805	**Total Long-Term Investments (cost $304,396,897)**			**311,618,036**
	Floating Rate Obligations – (3.2)%			**(6,375,000)**
	Variable Rate MuniFund Term Preferred Shares, net of deferred offering costs – (56.9)% (6)			**(111,990,432)**
	Other Assets Less Liabilities – 1.9%			**3,744,760**
	Net Assets Applicable to Common Shares – 100%			**$196,997,364**

(1) All percentages shown in the Portfolio of Investments are based on net assets applicable to common shares unless otherwise noted.

(2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns. Optional Call Provisions are not covered by the report of independent registered public accounting firm.

(3) For financial reporting purposes, the ratings disclosed are the highest of Standard & Poor's Group ("Standard & Poor's"), Moody's Investors Service, Inc. ("Moody's") or Fitch, Inc. ("Fitch") rating. This treatment of split-rated securities may differ from that used for other purposes, such as for Fund investment policies. Ratings below BBB by Standard & Poor's, Baa by Moody's or BBB by Fitch are considered to be below investment grade. Holdings designated N/R are not rated by any of these national rating agencies. Ratings are not covered by the report of independent registered public accounting firm.

(4) Investment, or portion of investment, has been pledged to collateralize the net payment obligations for investments in inverse floating rate transactions.

(5) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities, which ensure the timely payment of principal and interest.

(6) Variable Rate MuniFund Term Preferred Shares, net of deferred offering costs as a percentage of Total Investments is 35.9%.

144A	Investment is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt from registration, which are normally those transactions with qualified institutional buyers.
ETM	Escrowed to maturity.
IF	Inverse floating rate security issued by a tender option bond ("TOB") trust, the interest rate on which varies inversely with the Securities Industry Financial Markets Association (SIFMA) short-term rate, which resets weekly, or a similar short-term rate, and is reduced by the expenses related to the TOB trust.
UB	Underlying bond of an inverse floating rate trust reflected as a financing transaction. See Notes to Financial Statements, Note 3 – Portfolio Securities and Investments in Derivatives, Inverse Floating Rate Securities for more information.

See accompanying notes to financial statements.

NMT **Nuveen Massachusetts Quality Municipal Income Fund**
Portfolio of Investments
May 31, 2018

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	LONG-TERM INVESTMENTS – 153.2% (100.0% of Total Investments)			
	MUNICIPAL BONDS – 153.2% (100.0% of Total Investments)			
	Education and Civic Organizations – 39.2% (25.6% of Total Investments)			
$3,515	Massachusetts Development Finance Agency, Revenue Bonds, Berklee College of Music, Series 2016, 5.000%, 10/01/39	10/26 at 100.00	A	$4,037,716
2,200	Massachusetts Development Finance Agency, Revenue Bonds, Boston College, Series 2013S, 5.000%, 7/01/38	7/23 at 100.00	AA–	2,455,024
730	Massachusetts Development Finance Agency, Revenue Bonds, Boston College, Series 2017T, 5.000%, 7/01/42	7/27 at 100.00	AA–	847,107
	Massachusetts Development Finance Agency, Revenue Bonds, Boston University, Tender Option Bond Trust 2016-XG0070:			
1,880	13.670%, 10/01/48, 144A (IF) (4)	10/23 at 100.00	Aa3	2,706,862
575	13.599%, 10/01/48, 144A (IF) (4)	10/23 at 100.00	Aa3	827,586
2,000	Massachusetts Development Finance Agency, Revenue Bonds, Emerson College, Series 2017A, 5.000%, 1/01/34	1/28 at 100.00	BBB+	2,247,440
2,435	Massachusetts Development Finance Agency, Revenue Bonds, Emerson College, Series 2017A, 5.000%, 1/01/40	1/28 at 100.00	BBB+	2,700,634
2,150	Massachusetts Development Finance Agency, Revenue Bonds, Lesley University, Series 2011B-1, 5.250%, 7/01/33 – AGM Insured	7/21 at 100.00	AA	2,344,575
1,955	Massachusetts Development Finance Agency, Revenue Bonds, Lesley University, Series 2016, 5.000%, 7/01/35	7/26 at 100.00	A–	2,211,046
	Massachusetts Development Finance Agency, Revenue Bonds, MCPHS University Issue, Series 2015H:			
450	3.500%, 7/01/35	7/25 at 100.00	AA	448,272
190	5.000%, 7/01/37	7/25 at 100.00	AA	215,091
1,200	Massachusetts Development Finance Agency, Revenue Bonds, Merrimack College, Series 2017, 5.000%, 7/01/47	7/26 at 100.00	BBB–	1,301,904
550	Massachusetts Development Finance Agency, Revenue Bonds, Northeastern University, Series 2012, 5.000%, 10/01/31	10/22 at 100.00	A1	607,679
	Massachusetts Development Finance Agency, Revenue Bonds, Northeastern University, Series 2014A:			
875	5.000%, 3/01/39		A1	968,581

		3/24 at 100.00		
1,400	5.000%, 3/01/44	3/24 at 100.00	A1	1,545,838
500	Massachusetts Development Finance Agency, Revenue Bonds, Simmons College, Series 2013J, 5.250%, 10/01/39	10/23 at 100.00	BBB+	548,000
1,230	Massachusetts Development Finance Agency, Revenue Bonds, Sterling and Francine Clark Art Institute, Series 2015, 5.000%, 7/01/33	7/25 at 100.00	AA	1,417,046
1,000	Massachusetts Development Finance Agency, Revenue Bonds, The Broad Institute, Series 2017, 5.000%, 4/01/37	10/27 at 100.00	AA–	1,170,470
875	Massachusetts Development Finance Agency, Revenue Bonds, Tufts University, Series 2015Q, 5.000%, 8/15/38	8/25 at 100.00	Aa2	1,002,724
1,000	Massachusetts Development Finance Agency, Revenue Bonds, Wheaton College, Series 2017H., 5.000%, 1/01/37	1/28 at 100.00	A3	1,151,870
1,510	Massachusetts Development Finance Agency, Revenue Bonds, Woods Hole Oceanographic Institution, Series 2018, 5.000%, 6/01/43	6/28 at 100.00	AA–	1,750,679
1,365	Massachusetts Development Finance Agency, Revenue Bonds, Worcester Polytechnic Institute, Series 2012, 5.000%, 9/01/50	9/22 at 100.00	A1	1,478,568
1,500	Massachusetts Development Finance Agency, Revenue Bonds, Worcester Polytechnic Institute, Series 2017B., 5.000%, 9/01/45	9/27 at 100.00	A1	1,710,600
700	Massachusetts Development Finance Agency, Revenue Bonds, Worcester Polytechnic Institute, Series 2017, 5.000%, 9/01/47	9/27 at 100.00	A1	798,882

25

Nuveen Massachusetts Quality Municipal Income Fund
NMT Portfolio of Investments (continued)
May 31, 2018

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	Education and Civic Organizations (continued)			
$500	Massachusetts Development Finance Authority, Revenue Bonds, Suffolk University, Refunding Series 2017, 5.000%, 7/01/35	7/27 at 100.00	Baa2	$559,520
3,000	Massachusetts Development Finance Authority, Revenue Bonds, WGBH Educational Foundation, Series 2002A, 5.750%, 1/01/42 – AMBAC Insured	No Opt. Call	AA–	4,054,860
875	Massachusetts Development Finance Authority, Revenue Bonds, WGBH Educational Foundation, Series 2016, 4.000%, 1/01/38	7/26 at 100.00	AA–	914,296
	Massachusetts Development Finance Authority, Revenue Refunding Bonds, Boston University, Series 1999P:			
1,090	6.000%, 5/15/29	No Opt. Call	Aa3	1,337,125
1,000	6.000%, 5/15/59	5/29 at 105.00	Aa3	1,259,910
460	Massachusetts Educational Financing Authority, Educational Loan Revenue, Series 2011J, 5.625%, 7/01/33 (Alternative Minimum Tax)	7/21 at 100.00	AA	486,597
255	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Northeastern University, Series 2010A, 4.875%, 10/01/35	10/20 at 100.00	A1	269,300
165	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Suffolk University, Refunding Series 2009A, 5.750%, 7/01/39	7/19 at 100.00	Baa2	170,506
2,000	University of Massachusetts Building Authority, Project Revenue Bonds, Senior Series 2014-1, 5.000%, 11/01/44	11/24 at 100.00	Aa2	2,263,960
4,000	University of Massachusetts Building Authority, Project Revenue Bonds, Senior Series 2015-1, 5.000%, 11/01/40	11/25 at 100.00	Aa2	4,579,240
45,130	Total Education and Civic Organizations			52,389,508
	Health Care – 30.4% (19.8% of Total Investments)			
1,000	Massachusetts Development Finance Agency Revenue Bonds, Children's Hospital Issue, Series 2014P, 5.000%, 10/01/46	10/24 at 100.00	AA	1,117,460
1,340	Massachusetts Development Finance Agency Revenue Bonds, South Shore Hospital, Series 2016I, 5.000%, 7/01/41	7/26 at 100.00	A–	1,477,323
1,410	Massachusetts Development Finance Agency, Hospital Revenue Bonds, Cape Cod Healthcare Obligated Group, Series 2013, 5.250%, 11/15/41	11/23 at 100.00	A+	1,559,361
1,000	Massachusetts Development Finance Agency, Revenue Bonds, Baystate Medical Center Issue, Series 2014N, 5.000%, 7/01/44	7/24 at 100.00	A+	1,092,290
	Massachusetts Development Finance Agency, Revenue Bonds, Berkshire Health Systems, Series 2012G:			
895	5.000%, 10/01/29		AA–	975,496

		10/21 at 100.00		
700	5.000%, 10/01/31	10/21 at 100.00	AA–	762,020
500	Massachusetts Development Finance Agency, Revenue Bonds, Boston Medical Center Issue, Series 2016E, 5.000%, 7/01/32	7/26 at 100.00	BBB	562,075
1,200	Massachusetts Development Finance Agency, Revenue Bonds, CareGroup Issue, Refunding Series 2016-I, 5.000%, 7/01/29	7/26 at 100.00	A–	1,372,800
	Massachusetts Development Finance Agency, Revenue Bonds, CareGroup Issue, Series 2015H-1:			
900	5.000%, 7/01/30	7/25 at 100.00	A–	1,020,708
1,000	5.000%, 7/01/32	7/25 at 100.00	A–	1,121,200
500	5.000%, 7/01/33	7/25 at 100.00	A–	555,565
1,000	Massachusetts Development Finance Agency, Revenue Bonds, Covenant Health System Obligated Group, Series 2012, 5.000%, 7/01/31	7/22 at 100.00	BBB+	1,071,000
2,800	Massachusetts Development Finance Agency, Revenue Bonds, Dana-Farber Cancer Institute Issue, Series 2016N, 5.000%, 12/01/46	12/26 at 100.00	A1	3,165,512
	Massachusetts Development Finance Agency, Revenue Bonds, Lahey Health System Obligated Group Issue, Series 2015F:			
1,345	5.000%, 8/15/35	8/25 at 100.00	A	1,502,217
3,500	5.000%, 8/15/45	8/25 at 100.00	A	3,866,450
1,080	Massachusetts Development Finance Agency, Revenue Bonds, Milford Regional Medical Center Issue, Series 2014F, 5.750%, 7/15/43	7/23 at 100.00	BBB–	1,175,429

26

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	Health Care (continued)			
$3,450	Massachusetts Development Finance Agency, Revenue Bonds, Partners HealthCare System Issue, Series 2016Q, 5.000%, 7/01/47	7/26 at 100.00	AA–	$3,888,737
	Massachusetts Development Finance Agency, Revenue Bonds, Partners HealthCare System Issue, Series 2017S.:			
820	5.000%, 7/01/37	1/28 at 100.00	AA–	946,001
2,100	4.000%, 7/01/41	1/28 at 100.00	AA–	2,165,751
5	Massachusetts Development Finance Agency, Revenue Bonds, Partners HealthCare System, Series 2012L., 5.000%, 7/01/36	7/21 at 100.00	AA–	5,380
820	Massachusetts Development Finance Agency, Revenue Bonds, Southcoast Health System Obligated Group Issue, Series 2013F, 5.000%, 7/01/37	7/23 at 100.00	BBB+	889,815
	Massachusetts Development Finance Agency, Revenue Bonds, The Lowell General Hospital, Series 2013G:			
1,000	5.000%, 7/01/37	7/23 at 100.00	BBB+	1,069,170
2,200	5.000%, 7/01/44	7/23 at 100.00	BBB+	2,340,580
610	Massachusetts Development Finance Agency, Revenue Bonds, UMass Memorial Health Care Obligated Group Issue, Series 2017K, 5.000%, 7/01/38	1/27 at 100.00	BBB+	673,458
	Massachusetts Development Finance Agency, Revenue Bonds, UMass Memorial Health Care Obligated Group Issue, Series 2017L.:			
400	3.625%, 7/01/37	7/27 at 100.00	BBB+	391,084
1,095	5.000%, 7/01/44	7/27 at 100.00	BBB+	1,213,654
445	Massachusetts Development Finance Agency, Revenue Bonds, UMass Memorial Health Care, Series 2016I, 5.000%, 7/01/36	7/26 at 100.00	BBB+	493,572
25	Massachusetts Development Finance Agency, Revenue Bonds, UMass Memorial Health, Series 2011H., 5.500%, 7/01/31	7/21 at 100.00	BBB+	27,105
2,500	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Dana-Farber Cancer Institute, Series 2008K, 5.000%, 12/01/37	12/18 at 100.00	A1	2,544,925
1,495	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Milford Regional Medical Center, Series 2007E, 5.000%, 7/15/32	8/18 at 100.00	BBB–	1,507,767
37,135	Total Health Care			40,553,905
	Housing/Multifamily – 1.3% (0.9% of Total Investments)			
500	Boston Housing Authority, Massachusetts, Capital Program Revenue Bonds, Series 2008, 5.000%, 4/01/20 – AGM Insured	8/18 at 100.00	AA	501,275
1,295			AA	1,296,450

	Massachusetts Housing Finance Agency, Housing Bonds, Series 2003H, 5.125%, 6/01/43	7/18 at 100.00		
1,795	Total Housing/Multifamily			1,797,725
	Long-Term Care – 4.2% (2.8% of Total Investments)			
	Massachusetts Development Finance Agency Revenue Refunding Bonds, NewBridge on the Charles, Inc. Issue, Series 2017.:			
1,040	4.125%, 10/01/42, 144A	10/22 at 105.00	N/R	1,031,264
250	5.000%, 10/01/47, 144A	10/22 at 105.00	N/R	267,477
460	Massachusetts Development Finance Agency, Revenue Bonds, Berkshire Retirement Community Lennox, Series 2015, 5.000%, 7/01/31	7/25 at 100.00	A	518,245
285	Massachusetts Development Finance Agency, Revenue Bonds, Carleton-Willard Village, Series 2010, 5.625%, 12/01/30	12/19 at 100.00	A–	298,347
1,000	Massachusetts Development Finance Agency, Revenue Bonds, Loomis Communities, Series 2013A, 5.250%, 1/01/26	1/23 at 100.00	BBB	1,104,500
2,410	Massachusetts Development Finance Agency, Revenue Bonds, Orchard Cove, Series 2007, 5.250%, 10/01/26	10/18 at 100.00	N/R	2,414,772
5,445	Total Long-Term Care			5,634,605

27

Nuveen Massachusetts Quality Municipal Income Fund
NMT Portfolio of Investments (continued)
May 31, 2018

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	Tax Obligation/General – 15.3% (10.0% of Total Investments)			
$1,250	Hudson, Massachusetts, General Obligation Bonds, Municipal Purpose Loan Series 2011, 5.000%, 2/15/32	2/20 at 100.00	AA	$1,312,663
930	Massachusetts Bay Transportation Authority, General Obligation Transportation System Bonds, Series 1991A, 7.000%, 3/01/21	No Opt. Call	Aa1	1,009,729
1,500	Massachusetts State, General Obligation Bonds, Consolidated Loan, Series 2004B, 5.250%, 8/01/21 – AGM Insured	No Opt. Call	Aa1	1,653,285
2,000	Massachusetts State, General Obligation Bonds, Consolidated Loan, Series 2015C, 5.000%, 7/01/45	7/25 at 100.00	Aa1	2,276,460
3,895	Massachusetts State, General Obligation Bonds, Consolidated Loan, Series 2017F., 5.000%, 11/01/46	11/27 at 100.00	Aa1	4,518,940
1,000	Newburyport, Massachusetts, General Obligation Bonds, Municipal Purpose Loan, Refunding Series 2013, 4.000%, 1/15/30	1/23 at 100.00	AAA	1,058,240
1,775	North Reading, Massachusetts, General Obligation Bonds, Municipal Purpose Loan Series 2012, 5.000%, 5/15/35 – AMBAC Insured	5/22 at 100.00	Aa2	1,961,890
1,760	Norwell, Massachusetts, General Obligation Bonds, Series 2003, 5.000%, 11/15/20 – FGIC Insured	No Opt. Call	AAA	1,866,234
	Quincy, Massachusetts, General Obligation Bonds, State Qualified Municipal Purpose Loan Series 2011:			
1,280	5.125%, 12/01/33	12/20 at 100.00	Aa2	1,374,490
2,000	5.250%, 12/01/38	12/20 at 100.00	Aa2	2,157,220
1,220	Worcester, Massachusetts, General Obligation Bonds, Series 2005A, 5.000%, 7/01/19 – FGIC Insured	8/18 at 100.00	AA	1,223,184
18,610	Total Tax Obligation/General			20,412,335
	Tax Obligation/Limited – 20.1% (13.1% of Total Investments)			
	Government of Guam, Business Privilege Tax Bonds, Series 2011A:			
2,000	5.250%, 1/01/36	1/22 at 100.00	A	2,100,120
1,310	5.125%, 1/01/42	1/22 at 100.00	A	1,359,924
	Government of Guam, Business Privilege Tax Bonds, Series 2012B-1:			
400	5.000%, 1/01/37	1/22 at 100.00	A	412,920
1,115	5.000%, 1/01/42		A	1,149,141

		1/22 at 100.00		
855	Martha's Vineyard Land Bank, Massachusetts, Revenue Bonds, Refunding Green Series 2014, 5.000%, 5/01/33 – BAM Insured	11/24 at 100.00	AA	980,822
500	Martha's Vineyard Land Bank, Massachusetts, Revenue Refunding Bonds, Green Bonds, Series 2017, 5.000%, 5/01/35 – BAM Insured	5/27 at 100.00	AA	580,195
1,000	Massachusetts Bay Transportation Authority, Assessment Bonds, Series 2012A, 5.000%, 7/01/41	7/22 at 100.00	AAA	1,097,900
770	Massachusetts Bay Transportation Authority, Sales Tax Revenue Bonds, Refunding Senior Lien Series 2004C, 5.250%, 7/01/21	No Opt. Call	AA	846,923
1,610	Massachusetts College Building Authority, Project Revenue Bonds, Green Series 2014B, 5.000%, 5/01/44	5/24 at 100.00	Aa2	1,804,408
1,000	Massachusetts College Building Authority, Project Revenue Refunding Bonds, Series 2003B, 5.375%, 5/01/23 – SYNCORA GTY Insured	No Opt. Call	Aa2	1,154,990
855	Massachusetts College Building Authority, Revenue Bonds, Refunding Series 2012B, 5.000%, 5/01/37	5/22 at 100.00	Aa2	932,437
1,350	Massachusetts School Building Authority, Dedicated Sales Tax Revenue Bonds, Senior Refunding Series 2015C, 5.000%, 8/15/37	8/25 at 100.00	AA+	1,542,321
1,875	Massachusetts School Building Authority, Dedicated Sales Tax Revenue Bonds, Senior Series 2013A, 5.000%, 5/15/38	5/23 at 100.00	AA+	2,080,781
1,000	Massachusetts School Building Authority, Dedicated Sales Tax Revenue Bonds, Series 2011B, 5.000%, 10/15/41	10/21 at 100.00	AA+	1,078,470
2,000	Massachusetts School Building Authority, Dedicated Sales Tax Revenue Bonds, Subordinated Series 2018A, 5.250%, 2/15/48	2/28 at 100.00	AA+	2,387,260

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	Tax Obligation/Limited (continued)			
$2,415	Massachusetts State, Federal Highway Grant Anticipation Notes, Accelerated Bridge Program, Series 2017A, 5.000%, 6/01/47	6/27 at 100.00	AAA	$2,795,242
1,070	Massachusetts State, Special Obligation Dedicated Tax Revenue Bonds, Series 2005, 5.000%, 1/01/20 – FGIC Insured	No Opt. Call	A1	1,121,895
1,500	Massachusetts, Transportation Fund Revenue Bonds, Rail Enhancement Program, Series 2015A, 5.000%, 6/01/45	6/25 at 100.00	AAA	1,702,110
520	Virgin Islands Public Finance Authority, Gross Receipts Taxes Loan Note, Refunding Series 2012A, 5.000%, 10/01/32 – AGM Insured	10/22 at 100.00	AA	562,515
1,000	Virgin Islands Public Finance Authority, Matching Fund Loan Notes Revenue Bonds, Series 2012A, 5.000%, 10/01/32 – AGM Insured	10/22 at 100.00	AA	1,081,760
24,145	Total Tax Obligation/Limited			26,772,134
	Transportation – 10.2% (6.6% of Total Investments)			
400	Massachusetts Department of Transportation, Metropolitan Highway System Revenue Bonds, Commonwealth Contract Assistance Secured, Refunding Series 2010B, 5.000%, 1/01/35	1/20 at 100.00	AA+	417,300
1,000	Massachusetts Port Authority, Airport System Revenue Bonds, Series 2010A, 5.000%, 7/01/30	7/20 at 100.00	AA	1,062,770
1,500	Massachusetts Port Authority, Revenue Bonds, Refunding Series 2017A, 5.000%, 7/01/42 (Alternative Minimum Tax)	7/27 at 100.00	AA	1,704,840
1,000	Massachusetts Port Authority, Revenue Bonds, Series 2012B, 5.000%, 7/01/33	7/22 at 100.00	AA	1,101,160
	Massachusetts Port Authority, Revenue Bonds, Series 2014A:			
1,000	5.000%, 7/01/39	7/24 at 100.00	AA	1,130,440
2,500	5.000%, 7/01/44	7/24 at 100.00	AA	2,818,650
	Massachusetts Port Authority, Revenue Bonds, Series 2015A:			
715	5.000%, 7/01/40	7/25 at 100.00	AA	813,834
1,000	5.000%, 7/01/45	7/25 at 100.00	AA	1,134,800
1,400	Massachusetts Port Authority, Special Facilities Revenue Bonds, BOSFUEL Corporation, Series 2007, 5.000%, 7/01/32 – FGIC Insured (Alternative Minimum Tax)	8/18 at 100.00	A2	1,402,968
1,225	Massachusetts Port Authority, Special Facilities Revenue Bonds, Delta Air Lines Inc., Series 2001A, 5.000%, 1/01/27 – AMBAC Insured (Alternative Minimum Tax)	7/18 at 100.00	N/R	1,239,394
730	Metropolitan Boston Transit Parking Corporation, Massachusetts, Systemwide Senior Lien Parking Revenue Bonds, Series 2011, 5.000%, 7/01/41	7/21 at 100.00	A+	781,662
12,470	Total Transportation			13,607,818
	U.S. Guaranteed – 21.0% (13.7% of Total Investments) (5)			
500			AA+	522,285

	Boston Water and Sewer Commission, Massachusetts, General Revenue Bonds, Refunding Senior Lien Series 2010A, 5.000%, 11/01/30 (Pre-refunded 11/01/19)	11/19 at 100.00		
2,580	Guam Power Authority, Revenue Bonds, Series 2010A, 5.000%, 10/01/37 (Pre-refunded 10/01/20) – AGM Insured	10/20 at 100.00	AA	2,763,438
2,000	Hampden-Wilbraham Regional School District, Hampden County, Massachusetts, General Obligation Bonds, Series 2011, 5.000%, 2/15/41 (Pre-refunded 2/15/21)	2/21 at 100.00	Aa3	2,162,760
25	Massachusetts Bay Transportation Authority, Sales Tax Revenue Bonds, Senior Lien Series 2006C, 5.000%, 7/01/26 (Pre-refunded 7/01/18)	7/18 at 100.00	AA	25,066
750	Massachusetts Development Finance Agency, Revenue Bonds, Boston University, Series 2009V-1, 5.000%, 10/01/29 (Pre-refunded 10/01/19)	10/19 at 100.00	Aa3	782,070
	Massachusetts Development Finance Agency, Revenue Bonds, Emerson College, Series 2010A:			
1,275	5.000%, 1/01/40 (Pre-refunded 1/01/20)	1/20 at 100.00	N/R	1,338,674
125	5.000%, 1/01/40 (Pre-refunded 1/01/20)	1/20 at 100.00	BBB+	131,243
500	Massachusetts Development Finance Agency, Revenue Bonds, North Hill Communities Issue, Series 2013A, 6.250%, 11/15/28, 144A (Pre-refunded 11/15/23)	11/23 at 100.00	N/R	581,415
2,200	Massachusetts Development Finance Agency, Revenue Bonds, Partners HealthCare System, Series 2011K-6, 5.375%, 7/01/41 (Pre-refunded 7/01/20)	7/20 at 100.00	AA–	2,359,456
995	Massachusetts Development Finance Agency, Revenue Bonds, Partners HealthCare System, Series 2012L., 5.000%, 7/01/36 (Pre-refunded 7/01/21)	7/21 at 100.00	N/R	1,083,575

29

Nuveen Massachusetts Quality Municipal Income Fund
NMT Portfolio of Investments (continued)
May 31, 2018

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	U.S. Guaranteed (continued)			
$ 1,000	Massachusetts Development Finance Agency, Revenue Bonds, Sterling and Francine Clark Art Institute, Series 2011A, 5.000%, 7/01/41 (Pre-refunded 7/01/21)	7/21 at 100.00	AA	$ 1,092,150
3,000	Massachusetts Development Finance Agency, Revenue Bonds, The Broad Institute, Series 2011A, 5.250%, 4/01/37 (Pre-refunded 4/01/21)	4/21 at 100.00	AA–	3,271,620
475	Massachusetts Development Finance Agency, Revenue Bonds, UMass Memorial Health, Series 2011H., 5.500%, 7/01/31 (Pre-refunded 7/01/21)	7/21 at 100.00	N/R	524,334
215	Massachusetts Educational Financing Authority, Education Loan Revenue Bonds, Series 2008H, 6.350%, 1/01/30 – AGC Insured (Alternative Minimum Tax) (Pre-refunded 6/28/18)	6/18 at 100.00	AA	216,748
160	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Baystate Medical Center, Series 2009I, 5.750%, 7/01/36 (Pre-refunded 7/01/19)	7/19 at 100.00	A+	166,906
500	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Cape Cod Healthcare Obligated Group, Series 2004D, 5.125%, 11/15/35 (Pre-refunded 11/15/19) – AGC Insured	11/19 at 100.00	AA	523,420
410	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, CareGroup Inc., Series 1998A, 5.000%, 7/01/25 (Pre-refunded 7/01/21) – NPFG Insured	7/21 at 100.00	N/R	438,265
2,000	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Children’s Hospital, Series 2009M, 5.500%, 12/01/39 (Pre-refunded 12/01/19)	12/19 at 100.00	Aa2	2,106,920
1,500	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Springfield College, Series 2010, 5.500%, 10/15/31 (Pre-refunded 10/15/19)	10/19 at 100.00	N/R	1,573,995
335	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Suffolk University, Refunding Series 2009A, 5.750%, 7/01/39 (Pre-refunded 7/01/19)	7/19 at 100.00	N/R	349,459
350	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Tufts University, Series 2008O, 5.375%, 8/15/38 (Pre-refunded 8/15/18)	8/18 at 100.00	Aa2	352,684
2,030	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Wheaton College Issues, Series 2010F, 5.000%, 1/01/41 (Pre-refunded 1/01/20)	1/20 at 100.00	A3	2,128,130
1,500	Massachusetts, Transportation Fund Revenue Bonds, Accelerated Bridge Program, Series 2013A, 5.000%, 6/01/38 (Pre-refunded	6/21 at 100.00	AAA	1,635,060

	6/01/21)			
1,065	Puerto Rico, Highway Revenue Bonds, Highway and Transportation Authority, Series 2003AA, 5.500%, 7/01/19 – NPFG Insured (ETM)	No Opt. Call	Baa2	1,107,334
720	Springfield Water and Sewer Commission, Massachusetts, General Revenue Bonds, Refunding Series 2010B, 5.000%, 11/15/30 (Pre-refunded 11/15/20) – AGC Insured	11/20 at 100.00	AA	774,014
26,210	Total U.S. Guaranteed			28,011,021
	Utilities – 2.6% (1.7% of Total Investments)			
1,265	Massachusetts Clean Energy Cooperative Corporation, Revenue Bonds, Massachusetts Municipal Lighting Plant Cooperative, Series 2013, 5.000%, 7/01/32	7/23 at 100.00	A1	1,419,963
2,010	Massachusetts Development Finance Agency, Resource Recovery Revenue Refunding Bonds, Covanta Energy Project, Series 2012B, 4.875%, 11/01/42, 144A	8/18 at 100.00	BB+	2,010,663
3,275	Total Utilities			3,430,626
	Water and Sewer – 8.9% (5.8% of Total Investments)			
565	Guam Government Waterworks Authority, Water and Wastewater System Revenue Bonds, Refunding Series 2014A, 5.000%, 7/01/29	7/24 at 100.00	A–	611,646
845	Guam Government Waterworks Authority, Water and Wastewater System Revenue Bonds, Refunding Series 2017, 5.000%, 7/01/40	7/27 at 100.00	A–	905,426
420	Guam Government Waterworks Authority, Water and Wastewater System Revenue Bonds, Series 2016, 5.000%, 1/01/46	7/26 at 100.00	A–	445,452
415	Lynn Water and Sewer Commission, Massachusetts, General Revenue Bonds, Series 2003A, 5.000%, 12/01/32 – NPFG Insured	8/18 at 100.00	A1	416,108
2,300	Massachusetts Clean Water Trust, State Revolving Fund Bonds, Green 18 Series 2015, 5.000%, 2/01/45	2/24 at 100.00	AAA	2,573,217
60	Massachusetts Water Pollution Abatement Trust, Pooled Loan Program Bonds, Series 2003-9, 5.000%, 8/01/22	8/18 at 100.00	AAA	60,165

30

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	Water and Sewer (continued)			
$300	Massachusetts Water Pollution Abatement Trust, Revenue Bonds, MWRA Loan Program, Series 2002A, 5.250%, 8/01/20	8/18 at 100.00	AAA	$300,870
	Massachusetts Water Resources Authority, General Revenue Bonds, Refunding Series 2016B:			
455	5.000%, 8/01/40	8/26 at 100.00	AA+	525,029
1,000	4.000%, 8/01/40	8/26 at 100.00	AA+	1,050,410
1,000	Massachusetts Water Resources Authority, General Revenue Bonds, Series 2002J, 5.250%, 8/01/19 – AGM Insured	No Opt. Call	AA+	1,041,350
1,230	Massachusetts Water Resources Authority, General Revenue Bonds, Series 2017B, 5.000%, 8/01/42	8/27 at 100.00	AA+	1,435,324
	Springfield Water and Sewer Commission, Massachusetts General Revenue Bonds, 2017 Series C:			
1,010	5.000%, 4/15/33	4/27 at 100.00	AA	1,188,517
805	5.000%, 4/15/34	4/27 at 100.00	AA	943,830
	Springfield Water and Sewer Commission, Massachusetts, General Revenue Bonds, Series 2014A:			
185	5.000%, 7/15/22	No Opt. Call	AA	207,043
150	5.000%, 7/15/23	No Opt. Call	AA	171,768
10,740	Total Water and Sewer			11,876,155
$184,955	**Total Long-Term Investments (cost $195,961,851)**			204,485,832
	Variable Rate Demand Preferred Shares, net of deferred offering costs – (55.2)% (6)			**(73,719,481)**
	Other Assets Less Liabilities – 2.0%			**2,701,593**
	Net Assets Applicable to Common Shares – 100%			**$133,467,944**

(1) All percentages shown in the Portfolio of Investments are based on net assets applicable to common shares unless otherwise noted.

(2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns. Optional Call Provisions are not covered by the report of independent registered public accounting firm.

(3) For financial reporting purposes, the ratings disclosed are the highest of Standard & Poor's Group ("Standard & Poor's"), Moody's Investors Service, Inc. ("Moody's") or Fitch, Inc. ("Fitch") rating. This treatment of split-rated securities may differ from that used for other purposes, such as for Fund investment policies. Ratings below BBB by Standard & Poor's, Baa by Moody's or BBB by Fitch are considered to be below investment grade. Holdings designated N/R are not rated by any of these national rating agencies. Ratings are not covered by the report of independent registered public accounting firm.

(4)

Investment, or portion of investment, has been pledged to collateralize the net payment obligations for investments in inverse floating rate transactions.

(5) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities, which ensure the timely payment of principal and interest.

(6) Variable Rate Demand Preferred Shares, net of deferred offering costs as a percentage of Total Investments is 36.1%.

144A Investment is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt from registration, which are normally those transactions with qualified institutional buyers.

ETM Escrowed to maturity.

IF Inverse floating rate security issued by a tender option bond ("TOB") trust, the interest rate on which varies inversely with the Securities Industry Financial Markets Association (SIFMA) short-term rate, which resets weekly, or a similar short-term rate, and is reduced by the expenses related to the TOB trust.

See accompanying notes to financial statements.

Statement of Assets and Liabilities

May 31, 2018

	NTC	NMT
Assets		
Long-term investments, at value (cost $304,396,897 and $195,961,851, respectively)	$ 311,618,036	$ 204,485,832
Cash	213,653	390,933
Receivable for:		
Interest	4,440,378	2,971,101
Investments sold	135,000	—
Other assets	20,060	9,391
Total assets	316,427,127	207,857,257
Liabilities		
Floating rate obligations	6,375,000	—
Payable for:		
Dividends	574,950	452,461
Interest	224,890	—
Variable Rate MuniFund Term Preferred ("VMTP") Shares, net of deferred offering costs (liquidation preference $112,000,000 and $—, respectively)	111,990,432	—
Variable Rate Demand Preferred ("VRDP") Shares, net of deferred offering costs (liquidation preference $— and $74,000,000, respectively)	—	73,719,481
Accrued expenses:		
Management fees	162,193	109,623
Trustees fees	18,416	2,317
Other	83,882	105,431
Total liabilities	119,429,763	74,389,313
Net assets applicable to common shares	$ 196,997,364	$ 133,467,944

Average advances outstanding during the period:			
FHLB advances	$ 4,292	$ 922	$ 2,050
Weighted average interest rate during the period:			
FHLB advances	3.20%	4.01%	4.73%
Balance outstanding at end of period:			
FHLB advances	$ 3,833	$ 4,833	$
Weighted average interest rate at end of period:			
FHLB advances	3.20%	3.20%	N/A

Results of Operations for the Years Ended June 30, 2009 and 2008

Overview.

	2009	2008	% Change

			2009/2008
	(Dollars in thousands)		
Net income (loss)	$ 719	$ (1,456)	149.4%
Return (loss) on average assets	0.18%	(0.38)%	147.4
Return (loss) on average equity	1.31%	(2.48)%	152.8
Average equity to average assets	14.02%	15.41%	(9.0)

Net income for the year ended June 30, 2009 was $719,000, compared to a net loss of $1.5 million for the year ended June 30, 2008. The increase in net income resulted from a $3.4 million decrease in interest expense and a $2.3 million decrease in the provision for loan loss, offset by a $1.6 million increase in other expenses and an $830,000 increase in the provision for income taxes.

Net Interest Income.

Net interest income increased $1.7 million, or 17.0%, in the year ended June 30, 2009, as compared to the prior year. The increase is the result of a decrease in the average interest rate paid on interest-bearing liabilities from 3.56% to 2.36%, partially offset by a decrease in the average rate earned on interest-earning assets from 5.99% to 5.40%. The decrease in rates was attributable to decreases in market interest rates in the year ended June 30, 2009.

The changes in the average yields on loans and investments and in the average rates paid on interest-bearing deposits and borrowed funds are primarily the result of changes in market interest rates.

Table of Contents

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, 2009 (Dollars in Thousands)			2008		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
Assets:						
Interest-earning assets:						
Loans	$ 282,978	$ 17,784	6.28%	$ 286,520	$ 18,663	6.51%
Investment securities	50,462	1,971	3.91	38,803	1,862	4.80
Other interest-earning assets	35,439	157	0.44	35,376	1,090	3.08
Total interest-earning assets	368,879	19,912	5.40	360,699	21,615	5.99
Noninterest-earning assets	23,607			20,544		
Total assets	$ 392,486			$ 381,243		
Liabilities and equity:						
Interest-bearing liabilities:						
NOW and money market deposit accounts	$ 136,417	1,609	1.18	$ 135,766	3,731	2.75
Passbook accounts	40,358	285	0.71	37,101	570	1.54
Certificates of deposit	153,208	5,872	3.83	145,486	7,015	4.82
Total interest-bearing deposits	329,983	7,766	2.35	318,353	11,316	3.55
FHLB advances	4,333	140	3.23	922	37	4.01
Total interest-bearing liabilities	334,316	7,906	2.36	319,275	11,353	3.56
Noninterest-bearing liabilities	3,132			3,200		
Total liabilities	337,448			322,475		
Total stockholders equity	55,038			58,768		
Total liabilities and stockholders equity	$ 392,486			$ 381,243		
Net interest income		$ 12,006			$ 10,262	
Interest rate spread			3.04%			2.43%
Net interest margin			3.25%			2.85%
Average interest-earning assets to average interest-bearing liabilities			110.34%			112.97%

Table of Contents

***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, 2009 Compared to 2008 Increase (Decrease) Due to		
	Volume	Rate	Net
		(In thousands)	
Interest and dividend income:			
Loans	$ (231)	$ (648)	$ (879)
Investment securities	559	(450)	109
Other interest-earning assets	2	(935)	(933)
Total interest-earning assets	330	(2,033)	(1,703)
Interest expense:			
Deposits	413	(3,963)	(3,550)
FHLB advances	137	(34)	103
Total interest-bearing liabilities	550	(3,997)	(3,447)
Net change in net interest income	$ (220)	$ 1,964	$ 1,744

Provision for Loan Losses.

The provision for loan losses was $2.4 million for the year ended June 30, 2009, compared to $4.7 million for the prior year. The decrease in the provision is due to the amount of charge-offs, which have remained relatively unchanged and the decrease in nonperforming assets in 2009. From the prior year to the current, charge-offs increased $37,000. At June 30, 2009, the majority of nonperforming loans was comprised of seven commercial loans in four loan relationships, totaling $5.6 million. The nonperforming loans included: 1) a $1.6 million loan secured by a mobile home park, which has seen decreased occupancy while addressing environmental concerns during the last year. All environmental concerns have been addressed by management and the park is looking to increase occupancy; 2) a $1.4 million loan secured by an apartment complex. This loan is also included in troubled debt restructuring at June 30, 2009. Management has been renovating the property and has begun to rent out several units and is expected to return the property to profitability within the next year; 3) a 1.1 million loan secured by commercial buildings. The buildings are owned by the manufacturer of high-end fixtures and cabinetry that have suffered business losses during the economic recession. Management is working on ways to improve cash flow and improve the business during this difficult time; 4) five loans, totaling $1.5 million, secured by a residential real estate development. The economic recession has impacted the sale of homes and buyers ability to obtain credit.

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*.

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

Table of Contents

	2009	2008	% Change 2009/2008
	(Dollars in thousands)		
Service charges	$ 1,776	$ 1,374	29.3%
Gain on sale loans	526	25	2,004.0
Gain (loss) on sale of investments	(183)	(35)	(422.9)
Gain on sale of land		275	(100.0)
Income from Bank Owned Life Insurance	256	208	23.1
Other	412	350	17.7
Total	$ 2,787	$ 2,197	26.9%

Noninterest income increased $590,000, or 26.9%, for the year ended June 30, 2009, compared to the prior year. The increase was primarily due to an increase in gain on sale of loans of $501,000 and an increase in service charge income of $402,000, partially offset by a decrease in gain on sale of land of $275,000 and an increase in the loss on sale of investments of $148,000. The increase in gain on sale of loans is attributable to the previously discussed refinancing of residential mortgage loans into lower fixed rate mortgage loans that were sold to Freddie Mac for a gain. The increase in service charge income is the result of the previously mentioned increased fees from customer account and transaction programs that were implemented in 2008. The increase in loss on sale of investments is attributable to the previously mentioned sale of mutual funds that were invested in private label and government agency mortgage-backed securities.

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

	2009	2008	% Change 2009/2008
	(Dollars in thousands)		
Compensation and employee benefits	$ 5,659	$ 5,703	(0.8)%
Premises and occupancy expense	1,074	952	12.8
Deposit insurance premium	457	71	543.7
Advertising expense	296	300	(1.3)
Data processing expense	241	251	(4.0)
ATM service fees	430	356	20.8
Loss on other than temporary impairment of investments		101	(100.0)
Provision for loss on sale of other real estate owned	770	125	516.0
Other operating expenses	2,523	1,991	26.7
Total	$ 11,450	$ 9,850	16.2%

Noninterest expense increased $1.6 million, or 16.2%, for the year ended June 30, 2009, compared to the prior year. The increase in noninterest expense is due to an increase of $532,000 in other operating expenses, an increase of $645,000 in the provision for the loss on sale of other real estate owned, and an increase of $386,000 in the FDIC insurance premium. The increase in other operating expenses is attributable to operating losses incurred on repossessed properties. The increase in the provision for the loss on sale of other real estate owned is attributable to the continued deterioration of the local and national economies impacting the market value of other real estate owned by the Bank. The increase in the deposit insurance premium is the result of the previously mentioned FDIC special assessment and the use of credits that were available and utilized in the prior year, but were no longer available in the current year.

Table of Contents

Income Taxes.

Income tax expense increased $830,000 to a provision of $177,000 for the year ended June 30, 2009, compared to a benefit of $653,000 for 2008. The increase in expense was primarily due to an increase of $3.0 million in income before taxes and an increase of $90,000 in the valuation allowance for a deferred tax asset for charitable contribution credits that will expire in 2011. The effective tax rate for 2009 was 19.8% compared to 31.0% in 2008. The decrease in the effective rate was attributable to tax overpayment for the year ended June 30, 2008 that was used to offset federal tax payments in the current year and an increase in investment in tax exempt municipal bonds.

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. 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.

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. 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. We may consider loan workout arrangements with certain borrowers under certain circumstances.

Management reports to the Board of Directors monthly regarding the amount of loans delinquent more than 30 days, all loans in foreclosure, all foreclosed and repossessed property that we own.

Analysis of Nonperforming and Classified Assets. We consider repossessed assets and loans that are 90 days or more past due to be nonperforming assets. Loans are generally placed on nonaccrual status when they become 90 days delinquent at which time the accrual of interest ceases and the allowance for any uncollectible accrued interest is established and charged against operations. 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 foreclosed assets 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.

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

Table of Contents

	At June 30,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Nonaccrual loans:					
Residential real estate:					
One- to four-family	$ 1,943	$ 853	$ 810	$ 602	$ 597
Multi-family	2,492	3,072			
Nonresidential real estate and land	1,455	2,885	2,264	183	532
Consumer and other loans	84	642	85	36	350
Total	$ 5,974	$ 7,452	$ 3,159	$ 821	$ 1,479
Accruing loans past due 90 days or more:					
Residential real estate:					
One- to four-family					
Nonresidential real estate and land					
Total					
Total of nonaccrual loans and accruing loans 90 days or more past due	5,974	7,452	3,159	821	1,479
Real estate owned	1,940	2,895	111	151	80
Other nonperforming assets					
Total nonperforming assets	$ 7,914	$ 10,347	$ 3,270	$ 972	$ 1,559
Total nonperforming loans to total loans	2.18%	2.56%	1.14%	0.33%	0.72%
Total nonperforming loans to total assets	1.49	1.95	0.83	0.23	0.45
Total nonperforming assets to total assets	1.97	2.70	0.86	0.27	0.47

Interest income that would have been recorded for the year ended June 30, 2009 had nonaccruing loans been current according to their original terms was, in each case, not material. No interest related to nonaccrual loans was included in interest income for the year ended June 30, 2009.

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 or substandard, we account for those classifications when establishing a general allowance for loan losses. If we classify an asset as doubtful or loss, we establish a specific allowance for the asset at that time.

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

Table of Contents

	At June 30, 2009	At June 30, 2008
	(In thousands)	
Special mention assets	$ 16,942	$ 4,874
Substandard assets	12,624	7,621
Doubtful assets		
Loss assets		2,618
Total classified assets	$ 29,566	$ 15,113

Other than disclosed in the above tables, there are no other loans at June 30, 2009 that management has serious doubts about the ability of the borrowers to comply with the present loan repayment terms. The increase in classified assets is due to the continued economic recession. Management believes there are adequate allowances and collateral securing these loans to cover losses that may result from these nonperforming loans. All of the loans were more than 90 days delinquent at June 30, 2009.

Troubled Debt Restructurings. At June 30, 2009, the Bank had five loans categorized as troubled debt restructurings, totaling $4.5 million. The Bank had no loans categorized as troubled debt restructuring at June 30, 2008. At June 30, 2009, the Bank had one loan for $1.1 million that was categorized as both a nonperforming loan and a troubled debt restructuring. The borrower on this loan had an additional $252,000 available for withdrawal as a construction loan at June 30, 2009. There are no other commitments to lend additional amounts to these borrowers. Management has reduced the carrying value of all troubled debt restructurings to their fair market values, based upon differences between their agreed upon rates of interest and available market rates at the time of the loan.

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

	At June 30, 2009		At June 30, 2008		At June 30, 2007	
	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
	(In thousands)					
Residential real estate:						
One- to four-family	$ 1,539	$ 1,754	$ 1,561	$ 742	$ 1,878	$ 131
Multi-family				1,208	3,315	178
Nonresidential real estate and land	383	1,080	324	535	2	968
Consumer and other loans	104	62	73	22	66	13
Total	$ 2,026	$ 2,896	$ 1,958	$ 2,507	$ 5,261	$ 1,290

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 problem loans; and (2) a general valuation allowance on the remainder of the loan portfolio. Although we determine the amount of each element of the allowance separately, the entire allowance for loan losses is available for the entire portfolio.

Specific Allowance Required for Identified Problem Loans. We establish an allowance on certain identified problem 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 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 ongoing 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 were updated in 2008 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. In order to reflect trends in the composition of our loan portfolio and in our recent historical loan loss experience, we increased the allowance percentage on certain loan categories which demonstrated a higher risk of loss and decreased the allowance percentage on certain loan categories which demonstrated a lower risk of loss. The update to the allowance percentages resulted in a decrease in the amount of the allowance allocated to loans secured by one- to four-family residential properties and an increase in the amount of the allowance allocated to loans secured by multi-family real estate, nonresidential real estate and loans, commercial business loans and consumer loans.

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 collectibility. For individually reviewed loans, the borrower s inability to make payments under the terms of the loan or a shortfall in collateral value would result in our allocating a portion of the allowance to the loan that was impaired.

At June 30, 2009, our allowance for loan losses represented 1.6% of total gross loans and 70.5% of nonperforming loans. The allowance for loan losses decreased $400,000 to $4.2 million at June 30, 2009 from $4.6 million at June 30, 2008. The decrease was due to net charge-offs of $2.8 million offset by provision for loan losses of $2.4 million.

Table of Contents

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

	At June 30, 2009			2008			2007		
	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)								
Residential real estate	$ 537	12.7%	67.1%	$ 524	11.3%	61.6%	$ 331	12.4%	58.9%
Nonresidential real estate and land	3,297	78.3	20.7	3,823	82.8	25.2	1,949	73.0	27.5
Commercial	54	1.3	1.6	7	0.2	2.1	10	0.4	2.1
Consumer	325	7.7	10.0	265	5.7	10.2	381	14.2	8.1
Construction			0.6			0.9			3.4
Total allowance for loan losses	$ 4,213	100.0%	100.0%	$ 4,619	100.0%	100.0%	$ 2,671	100.0%	100.0%
Total loans	$ 272,270			$ 284,352			$ 278,270		

	At June 30, 2006			2005		
	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)					
Residential real estate	$ 484	23.0%	55.4%	$ 841	37.1%	59.6%
Nonresidential real estate and land	1,361	64.6	29.6	1,102	48.6	28.8
Commercial	14	0.7	2.0	52	2.3	2.4
Consumer	246	11.7	8.5	271	12.0	6.3
Construction			4.5			2.9
Total allowance for loan losses	$ 2,105	100.0%	100.0%	$ 2,266	100.0%	100.0%
Total loans	$ 247,806			$ 205,514		

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.

Table of Contents

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

	Year Ended June 30,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Allowance at beginning of period	$ 4,619	$ 2,671	$ 2,105	$ 2,266	$ 1,550
Provision for loan losses	2,447	4,718	730	120	857
Charge-offs:					
Real estate	101	343	82	18	47
Nonresidential real estate and land	2,537	2,440			1
Consumer and other loans	182		129	271	128
Total charge-offs	2,820	2,783	211	289	176
Recoveries:					
Real estate	5				
Consumer and other loans	13	13	47	8	35
Total recoveries	18	13	47	8	35
Net charge-offs	(2,802)	(2,770)	(164)	(281)	(141)
Loss on restructuring of loan	51				
Allowance at end of period	$ 4,213	$ 4,619	$ 2,671	$ 2,105	$ 2,266
Allowance to nonperforming loans	70.51%	62.00%	84.55%	256.39%	153.21%
Allowance to total loans outstanding at the end of the period	1.53%	1.59%	0.97%	0.85%	1.10%
Net charge-offs to average loans outstanding during the period	1.00%	1.06%	0.06%	0.12%	0.07%

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 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

Table of Contents

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 June 30, 2009 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**	**NPV Ratio**	**Change (bp)**
300	$ 52,066	$ (10,553)	(17)%	12.85%	(211)bp
200	56,515	(6,104)	(10)	13.77	(119)
100	60,111	(2,507)	(4)	14.49	(47)
50	61,520	(1,098)	(2)	14.76	(20)
0	62,618			14.96	
(50)	63,605	987	2	15.14	18
(100)	62,902	284		14.98	2

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.

***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 $27.0 million at June 30, 2009. Securities classified as available-for-sale whose market value exceeds our cost, which provide additional sources of liquidity, totaled $28.3 million at June 30, 2009. Total securities classified as available-for-sale were $76.5 million at June 30, 2009. In addition, at June 30, 2009, we had the ability to borrow a total of approximately $83.0 million from the Federal Home Loan Bank of Indianapolis.

Table of Contents

At June 30, 2009, we had $32.3 million in loan commitments outstanding, consisting of $2.6 million in mortgage loan commitments, $21.9 million in unused home equity lines of credit and $4.4 million in commercial lines of credit. At June 30, 2009, we also had $1.2 million of letters of credit outstanding. Certificates of deposit due within one year of June 30, 2009 totaled $95.1 million. This represented 57.7% of certificates of deposit at June 30, 2009. 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 June 30, 2009. We believe, however, based on past experience, that a significant portion of our certificates of deposit will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

The following table presents certain of our contractual obligations as of June 30, 2009.

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than One Year**	**One to Three Years (In Thousands)**	**Three to Five Years**	**More Than 5 Years**
At June 30, 2009					
Long-term debt obligations	$ 3,833	$ 1,000	$ 2,000	$ 833	$
Operating lease obligations	117	42	48	27	
Other long-term liabilities reflected on the balance sheet					
Total	$ 3,950	$ 1,042	$ 2,048	$ 860	$

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.

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

	Year Ended June 30,		
	2009	**2008 (In thousands)**	**2007**
Investing activities:			
Loans disbursed or closed	$ (46,378)	$ (75,264)	$ (79,849)
Loan principal repayments	31,153	61,818	51,118
Proceeds from maturities and principal repayments of securities	12,138	18,432	32,311
Proceeds from sales of securities available-for-sale	1,550	5,708	1,239
Purchases of securities	(51,349)	(18,399)	(177)
Capital expenditures	(163)	(551)	(1,764)
Financing activities:			
Increase in deposits	18,842	4,723	26,244
Proceeds from Federal Home Loan Bank advances		5,000	30,600
Repayments of Federal Home Loan Bank advances	(1,000)	(167)	(30,600)
Dividends paid to stockholders	(1,096)	(1,059)	(1,034)
Repurchases of common stock	(325)	(6,528)	(2,239)

Table of Contents

Capital Management. United Community Bank is subject to various regulatory capital requirements administered by the OTS, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. At June 30, 2009, we exceeded all of our regulatory capital requirements. We are considered well capitalized under regulatory guidelines. See *Regulation and Supervision Regulation of Federal Savings Associations Capital Requirements,* and Note 15 to the consolidated financial statements included in Item 8 to this Annual Report on Form 10-K.

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 13 of the notes to the consolidated financial statements. We currently have no plans to engage in hedging activities in the future.

For the year ended 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.

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.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The information required by this item is incorporated herein by reference to the section captioned *Risk Management* in Item 7 of this Annual Report on Form 10-K.

Item 8. Financial Statements and Supplementary Data

Management s Report on Internal Control over Financial Reporting

Company s management is responsible for establishing and maintaining adequate internal control over financial reporting. The internal control process has been designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company s financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Management conducted an assessment of the effectiveness of the Company s internal control over financial reporting as of June 30, 2009, utilizing the framework established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company s internal control over financial reporting as of June 30, 2009 is effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, transactions and dispositions of assets; and provide reasonable assurances that: (1) transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America; (2) receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and (3) unauthorized acquisitions, use, or disposition of the Company s assets that could have a material effect on the Company s financial statements are prevented or timely detected.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparations and presentations. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This annual report does not include an attestation report of the Company s independent registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management s report in this annual report.

September 28, 2009

[LETTERHEAD OF CLARK, SCHAEFER, HACKETT & CO.]

Report of Independent Registered

Public Accounting Firm

To the Board of Directors of

United Community Bancorp and Subsidiaries:

We have audited the consolidated statements of financial condition of United Community Bancorp and Subsidiaries as of June 30, 2009 and 2008 and the related consolidated statements of operations, comprehensive income (loss), stockholders equity and cash flows for each of the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Community Bancorp and Subsidiaries as of June 30, 2009 and 2008 and the results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Clark, Schaefer, Hackett & Co.
Cincinnati, Ohio

September 28, 2009

Table of Contents

UNITED COMMUNITY BANCORP AND SUBSIDIARIES

Consolidated Statements of Financial Condition

(In thousands, except shares)	June 30, 2009	June 30, 2008
Assets		
Cash and due from banks	$ 27,004	$ 35,710
Investment securities:		
Securities available for sale - at estimated market value	46,769	13,816
Securities held to maturity - at amortized cost (market approximates cost)	175	200
Mortgage-backed securities available for sale - at estimated market value	29,713	24,211
Loans receivable, net	272,270	284,352
Loans available for sale	2,193	152
Property and equipment, net	6,011	6,320
Federal Home Loan Bank stock, at cost	2,016	1,926
Accrued interest receivable:		
Loans	1,259	1,090
Investments and mortgage-backed securities	486	261
Other real estate owned, net	1,940	2,895
Cash surrender value of life insurance policies	6,826	6,570
Deferred income taxes	2,700	3,092
Prepaid expenses and other assets	2,217	2,131
Total assets	$ 401,579	$ 382,726
Liabilities and Stockholders Equity		
Deposits	$ 339,616	$ 320,774
Advance from FHLB	3,833	4,833
Accrued interest on deposits	15	77
Accrued interest on FHLB advance	8	10
Advances from borrowers for payment of insurance and taxes	179	287
Accrued expenses and other liabilities	2,849	2,256
Total liabilities	346,500	328,237
Commitments and contingencies		
Stockholders equity		
Preferred stock, $0.01 par value; 1,000,000 shares authorized, none issued		
Common stock, $0.01 par value; 19,000,000 shares authorized, 8,464,000 shares issued and 7,857,974 shares outstanding at June 30, 2009 and 8,464,000 shares issued and 7,902,635 shares outstanding at June 30, 2008	36	36
Additional paid-in capital	36,791	37,965
Retained earnings	28,204	28,581
Less shares purchased for stock plans	(3,254)	(5,057)
Treasury Stock, at cost - 606,026 and 561,365 shares at June 30, 2009 and June 30, 2008, respectively	(6,974)	(6,649)
Accumulated other comprehensive income:		
Unrealized gain (loss) on securities available for sale, net of income taxes	276	(387)
Total stockholders equity	55,079	54,489
Total liabilities and stockholders equity	$ 401,579	$ 382,726

See accompanying notes to the consolidated financial statements.

Table of Contents

UNITED COMMUNITY BANCORP AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30,

(In thousands, except per share data)	**2009**	**2008**
Interest income:		
Loans	$ 17,784	$ 18,663
Investments and mortgage - backed securities	2,128	2,952
Total interest income	19,912	21,615
Interest expense:		
Deposits	7,766	11,316
Borrowed funds	140	37
Total interest expense	7,906	11,353
Net interest income	12,006	10,262
Provision for loan losses	2,447	4,718
Net interest income after provision for loan losses	9,559	5,544
Other income:		
Service charges	1,776	1,374
Gain on sale of loans	526	25
Gain (loss) on sale of investments	(183)	(35)
Gain on sale of land		275
Income from Bank Owned Life Insurance	256	208
Other	412	350
Total other income	2,787	2,197
Other expense:		
Compensation and employee benefits	5,659	5,703
Premises and occupancy expense	1,074	952
Deposit insurance premium	457	71
Advertising expense	296	300
Data processing expense	241	251
ATM service fees	430	356
Loss on other than temporary impairment of investments		101
Provision for loss on sale of other real estate owned	770	125
Other operating expenses	2,523	1,991
Total other expense	11,450	9,850
Income (loss) before income taxes	896	(2,109)

Provision (benefit) for income taxes	177	(653)
Net income (loss)	$ 719	$ (1,456)
Basic and diluted earnings (loss) per share	$ 0.10	$ (0.19)

See accompanying notes to the consolidated financial statements.

Table of Contents

UNITED COMMUNITY BANCORP AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the years ended June 30,

(In thousands)	**2009**	**2008**
Net income (loss)	$ 719	$ (1,456)
Other comprehensive income, net of tax		
Unrealized gain on available for sale securities	551	105
Plus (less) reclassification adjustment for losses (gains) on available for sale securities included in income	112	(90)
Total comprehensive income (loss)	$ 1,382	$ (1,441)

See accompanying notes to the consolidated financial statements.

56

Table of Contents

UNITED COMMUNITY BANCORP AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity

(In thousands, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Shares Purchased for Stock plans	Treasury Stock	Unrealized Gain (Loss) on Securities Available for Sale	Total
Balance at June 30, 2007	$ 36	$ 37,041	$ 31,096	$ (3,071)	$ (2,239)	$ (402)	$ 62,461
Net loss			(1,456)				(1,456)
Cash dividends of $0.33 per share*			(1,059)				(1,059)
Stock-based compensation expense		866					866
Amortization of ESOP shares		58		132			190
Shares repurchased					(6,528)		(6,528)
Reclassification of shares purchased for stock plans				(2,118)	2,118		
Unrealized loss on investments:							
Net change during the period, net of deferred taxes of $11						15	15
Balance at June 30, 2008	$ 36	$ 37,965	$ 28,581	$ (5,057)	$ (6,649)	$ (387)	$ 54,489
Net income			719				719
Cash dividends of $0.37 per share*			(1,096)				(1,096)
Stock-based compensation expense		500					500
Amortization of ESOP shares		(94)		223			129
Reclassification of shares already earned		(1,580)		1,580			
Shares repurchased					(325)		(325)
Unrealized loss on investments:							
Net change during the period, net of deferred taxes of $442						663	663
Balance at June 30, 2009	$ 36	$ 36,791	$ 28,204	$ (3,254)	$ (6,974)	$ 276	$ 55,079

* paid on all shares other than MHC

See accompanying notes to consolidated financial statements.

Table of Contents

UNITED COMMUNITY BANCORP AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)	For the year ended June 30, 2009	2008
Operating activities:		
Net income (loss)	$ 719	$ (1,456)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	472	490
Provision for loan losses	2,447	4,718
Provision for losses on real estate acquired through foreclosure	770	125
Deferred loan origination costs	(31)	(81)
Amortization of premium on investments	153	110
Proceeds from sale of loans	28,901	1,802
Loans disbursed for sale in the secondary market	(30,416)	(1,942)
Gain on sale of loans	(526)	(25)
Loss (gain) on the sale of investments	183	34
Gain on sale of property and equipment		(275)
Other than temporary impairment on investment securities		101
ESOP shares committed to be released	129	132
Stock-based compensation expense	500	924
Deferred income taxes	(50)	(753)
Loss (gain) on sale of other real estate owned	(50)	30
Effects of change in operating assets and liabilities:		
Accrued interest receivable	(394)	533
Prepaid expenses and other assets	(87)	(1,025)
Accrued interest on deposits	(62)	3
Accrued expenses and other	591	(17)
Net cash provided by operating activities	3,249	3,428
Investing activities:		
Proceeds from maturity of available for sale investment securities	6,250	13,081
Proceeds from the sale of available for sale investment securities	1,550	588
Proceeds from the maturity of held to maturity investment securities	25	23
Proceeds from repayment of mortgage-backed securities available for sale	5,863	5,328
Proceeds from sale of mortgage-backed securities		5,120
Proceeds from sale of other real estate owned	1,088	527
Proceeds from the sale of property and equipment		750
Proceeds from sale of Federal Home Loan Bank stock		
Purchases of available for sale investment securities	(41,003)	(10,671)
Purchases of mortgage-backed securities	(10,346)	(7,728)
Purchases of Federal Home Loan Bank stock	(90)	(196)
Net decrease (increase) in loans	8,814	(18,870)
Increase in cash surrender value of life insurance	(256)	(208)
Capital expenditures	(163)	(551)
Net cash used in investing activities	(28,268)	(12,807)
Financing activities:		

Net increase in deposits	18,842	4,723
Dividends paid to stockholders	(1,096)	(1,059)
Repurchases of common stock	(325)	(6,528)
Proceeds from Federal Home Loan Bank advances		5,000
Repayments of Federal Home Loan Bank advances	(1,000)	(167)
Net increase (decrease) in advances from borrowers for payment of insurance and taxes	(108)	95
Net cash provided by financing activities	16,313	2,064
Net decrease in cash and cash equivalents	(8,706)	(7,315)
Cash and cash equivalents at beginning of period	35,710	43,025
Cash and cash equivalents at end of period	$ 27,004	$ 35,710

See accompanying notes to the consolidated financial statements.

Table of Contents

UNITED COMMUNITY BANCORP

Notes to Consolidated Financial Statements

NOTE 1 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

United Community Bancorp (the Company) is a Federally-chartered corporation, which was organized to be the mid-tier holding company for United Community Bank (the Bank), which is a Federally-chartered, FDIC-insured savings bank. The Company was organized in conjunction with the Bank s reorganization from a mutual savings bank to the mutual holding company structure on March 30, 2006. United Community MHC, a Federally-chartered corporation, is the mutual holding company parent of the Company. At June 30, 2009, United Community MHC owned 59% of the Company s outstanding common stock and must always own at least a majority of the voting stock of the Company. In addition to the shares of the Company, United Community MHC was capitalized with $100,000 in cash from the Company. 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 Holdings, LLC, a wholly-owned subsidiary of United Community Bank, was formed for the purpose of holding and operating real estate assets that are acquired by the Bank through, or in lieu of, foreclosure. UCB Financial Services, Inc, a wholly-owned subsidiary of United Community Bank, was formed for the purpose of collecting commissions on investments referred to Lincoln Financial Group. The Company has evaluated subsequent events through September 28, 2009, which is the date financial statements were available to be issued.

PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany balances and transactions have been eliminated.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). In preparing consolidated financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates and assumptions in the Company s financial statements are recorded in the allowances for loan and other real estate losses and deferred income taxes. Actual results could differ significantly from those estimates. Management has evaluated subsequent events for potential disclosure or recognition through September 28, 2009, the date of the filing of the filing of the consolidated financial statements with the Securities and Exchange Commission.

CASH AND CASH EQUIVALENTS For purposes of reporting cash flows, cash and cash equivalents include cash and interest-bearing deposits in other financial institutions with original maturities of less than ninety days.

Table of Contents

INVESTMENT SECURITIES Investment and mortgage-backed securities are classified upon acquisition into one of three categories: held to maturity, trading, and available for sale, in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held to maturity securities and reported at amortized cost. Debt and equity securities that are bought and held principally for the purpose of selling in the near-term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings. The Bank had no trading securities at June 30, 2009 and 2008. Debt and equity securities not classified as either held to maturity securities or trading securities are classified as available for sale securities and reported at fair value, with unrealized gains or losses excluded from earnings and reported as a separate component of stockholders equity, net of deferred taxes.

Securities are recorded net of applicable premium or discount with the premium or discount being amortized on the interest method over the estimated average life of the investment.

The Bank designates its investments in U. S. League Intermediate-Term Portfolio, certain municipal bonds, and mortgage-backed securities as available for sale.

Gains and losses realized on the sale of investment securities are accounted for on the trade date using the specific identification method.

LOANS RECEIVABLE Loans receivable that management has the intent and ability to hold until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. Loans held for sale are recorded at lower of cost or market determined in the aggregate. Loans are designated for sale as a part of the Bank s asset/liability management strategy. Market value is determined based on expected volatility in interest rates and the anticipated holding period before the loan is sold. Due to the holding period being short term, the market value and cost of the loan are approximately the same. The Bank had $2,193,000 and $152,000 in loans held for sale at June 30, 2009 and 2008, respectively.

The Bank defers all loan origination fees, net of certain direct loan origination costs, and amortizes them over the contractual life of the loan as an adjustment of yield in accordance with SFAS No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases.

The Bank retains the servicing on loans sold and agrees to remit to the investor loan principal and interest at agreed-upon rates. These rates can differ from the loan s contractual interest rate resulting in a yield differential. In addition to previously deferred loan origination fees and cash gains, gains on sale of loans can represent the present value of the future yield differential less normal servicing fees, capitalized over the estimated life of the loans sold. Normal servicing fees are determined by reference to the stipulated minimum servicing fee set forth by the government agencies to which the loans are sold. Such servicing fees are amortized to operations over the life of the loans using the interest method. If prepayments are higher than expected, an immediate charge to operations is made. If prepayments are lower than original estimates, then the related adjustments are made prospectively.

Table of Contents

The mortgage servicing rights recorded by the Bank are segregated into pools for valuation purposes using as pooling criteria the loan term and coupon rate in accordance with SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities-a replacement of FASB Statement No. 125.* Once pooled, each grouping of loans is evaluated on a discounted earnings basis to determine the present value of the future earnings that a purchaser could expect to realize from each portfolio. Earnings are projected from a variety of sources including loan-servicing fees, interest earned on float, net interest earned on escrows, miscellaneous income and costs to service the loans. The present value of future earnings is the economic value for the pool. The Company has selected the amortized cost method for valuation under guidance of SFAS No. 156, *Accounting for Servicing of Financial Assets An amendment of FASB Statement No. 140.*

The allowance for loan and real estate losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management s periodic evaluation of the adequacy of the allowance is based on the Bank s past loan loss experience, known and inherent risks such as amount of loan, type of loan, concentrations, adverse situations that may affect the borrower s ability to repay, the estimated value of any underlying collateral, and current economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank s allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on judgments different from those of Management.

Although Management uses the best information available to make these estimates, future adjustments to the allowance may be necessary due to economic, operating, regulatory and other conditions that may be beyond the Bank s control.

The Bank s internal asset review committee reviews each loan with three or more delinquent payments, and each loan ninety days or more past due, and decides on whether the circumstances involved give reason to place the loan on non-accrual status. The Board of Directors reviews this information as determined by the internal asset review committee each month. Loans may be returned to accrual status when all principal and interest amounts contractually due (including arrearages) are reasonably assured of repayment within an acceptable period of time, and there is a sustained period of repayment performance by the borrower, in accordance with the contractual terms of interest and principal. While a loan is classified as non-accrual, interest income is generally recognized on a cash basis.

A loan is defined as impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Bank considers its investment in one-to-four family residential loans and consumer installment loans to be homogeneous and therefore excluded from separate identification for evaluation of impairment. With respect to the Bank s investment in multi-family and nonresidential loans, such loans are collateral-dependent and, as a practical expedient, are carried at the lower of cost or fair value based upon the most recent real estate appraisals. Collateral-dependent loans which are more than ninety days delinquent and are considered to constitute more than a minimum delay in repayment are evaluated for impairment at that time.

Table of Contents

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 prior to the rate reset, and other relevant factors in determining whether a borrower is experiencing financial difficulty. The restructured loan is measured for impairment under the new terms.

CONCENTRATION OF CREDIT RISK The Bank grants residential and commercial loans to customers in local counties in Southeastern Indiana, Northern Kentucky, and Southwestern Ohio. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors ability to honor their contracts is dependent upon the local economy.

Management maintains deposit accounts with financial institutions in excess of federal deposit insurance limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

OTHER REAL ESTATE OWNED Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at fair value at the date of foreclosure, and are transferred to the Bank s wholly-owned subsidiary, UCB Real Estate Management Holdings, LLC. Holding costs, including losses from operations, are expensed when incurred. Valuations are periodically performed, and an allowance for losses is established by a charge to operations if the carrying value of a property exceeds its estimated net realizable value.

PROPERTY AND EQUIPMENT Property and equipment is carried at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Land improvements	7	15 years
Buildings	15	39 years
Furniture and equipment	3	10 years

Significant renewals and betterments are charged to the property and equipment account. Maintenance and repairs are charged to operations in the period incurred.

INCOME TAXES The Company accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. Pursuant to the provisions of SFAS No. 109, a deferred tax liability or deferred tax asset is computed by applying the current statutory tax rates to net taxable or deductible differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements that will result in taxable or deductible amounts in future periods. Deferred tax assets are recorded only to the extent that the amount of net deductible or taxable temporary differences or carry forward attributes may be utilized against current period earnings, carried back against prior years earnings, offset against taxable

Table of Contents

temporary differences reversing in future periods, or utilized to the extent of management s estimate of future taxable income. A valuation allowance is provided for deferred tax assets to the extent that the value of net deductible temporary differences and carry forward attributes exceeds management s estimates of taxes payable on future taxable income. Deferred tax liabilities are provided on the total amount of net temporary differences taxable in the future. The Company applies a more likely than not recognition threshold for all tax uncertainties in accordance with FIN 48, *Accounting for Uncertainty in Income Taxes an Interpretation of SFAS No. 109.* The Company reviews it tax positions quarterly.

The Company s principal temporary differences between pretax financial income and taxable income result primarily from timing differences for certain components of compensation and post-retirement expense and book and tax bad debt deductions. Additional temporary differences result from depreciation expense computed utilizing accelerated methods for tax purposes, and for limitations on annual deductions related to charitable contributions to the UCB Charitable Foundation.

The determination of current and deferred income taxes is an accounting estimate which is based on the analyses of many factors including interpretation of federal and state income tax laws, the evaluation of uncertain tax positions, differences between the tax and financial reporting basis of assets and liabilities (temporary differences), estimates of amounts due or owed such as the timing of reversal of temporary differences and current financial accounting standards. Actual results could differ from the estimates and tax law interpretations used in determining the current and deferred income tax liabilities.

EMPLOYEE STOCK OWNERSHIP PLAN The Company accounts for the United Community Bank Employee Stock Ownership Plan (ESOP) in accordance with AICPA Statement of Position (SOP) 93-6, *Employers Accounting for Employee Stock Ownership Plans*. In accordance with SOP 93-6, ESOP shares pledged as collateral are reported as unearned ESOP shares in stockholders equity. As shares are committed to be released from collateral, the Bank will record compensation expense equal to the current market price of the shares. To the extent that the fair value of the ESOP shares differs from the cost of such charges, the difference is recorded to stockholders equity as additional paid-in capital. Additionally, the shares become outstanding for basic net income per share computations.

STOCK-BASED COMPENSATION The Company applies the provisions of SFAS No. 123(R), *Share-Based Payment to stock-based 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 an accelerated basis pursuant to SFAS No. 123(R). 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.

EARNINGS PER SHARE Basic earnings per share (EPS) is based on the weighted average number of common shares actually outstanding, adjusted for ESOP shares not

Table of Contents

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 unvested restricted stock awards and 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.

The following is a reconciliation of the basic and diluted weighted average number of common shares outstanding. The number of stock options available to be exercised at June 30, 2009 and 2008 were 438,892 and 219,449, respectively.

	June 30,	
	2009	**2008**
Basic weighted average outstanding shares	7,508,916	7,691,130
Effect of dilutive stock options and restricted stock	24,314	
Diluted weighted average outstanding shares	7,533,230	7,691,130

COMPREHENSIVE INCOME (LOSS) The Company presents in the consolidated statement of comprehensive income (loss) those amounts from transactions and other events which currently are excluded from the consolidated statement of operations and are recorded directly to stockholders equity.

FAIR VALUE OF FINANCIAL INSTRUMENTS SFAS No. 107, Disclosures about Fair Value of Financial Instruments, 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.

64

Table of Contents

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 carrying values presented in the consolidated statements of position approximate fair value.

Deposits

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

ADVERTISING The Bank expenses advertising costs as incurred. Advertising costs consist primarily of television, radio, newspaper and billboard advertising.

EFFECT OF RECENT ACCOUNTING PRONOUNCEMENTS

Effective July 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. This FSP provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, Fair Value Measurements (FAS 157), when the volume and level of

65

Table of Contents

activity for the asset or liability have significantly decreased and also includes guidance on identifying circumstances that indicate a transaction is not orderly. This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. This FSP is effective for the Company on July 1, 2009, and is not expected to have a material impact on the Company s consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*. This FSP amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. This FSP is effective for the Company on July 1, 2009, and is not expected to have a material impact on the Company s consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*. SFAS No. 141(R) establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. SFAS No. 141(R) significantly changes the accounting for business combinations in a number of areas, including the treatment of contingent consideration, preacquisition contingencies, transaction costs and restructuring costs. In addition, under SFAS No. 141(R), changes in an acquired entity s deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. SFAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008. This standard requires the immediate expensing of acquisition related costs. This standard is effective for acquisitions completed by the Company after June 30, 2009.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. SFAS No. 161 will require enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133), and its related interpretations and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company adopted SFAS No. 161 on January 1, 2009 with no significant impact to the Company s results of operations and financial position.

In June 2008, the FASB issued FSP No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. This FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, *Earnings per Share*. FSP No. EITF 03-6-1 is effective for fiscal years beginning on or after December 15, 2008. All prior period EPS data presented after adoption is to be adjusted retrospectively to conform with the provisions of FSP No. EITF 03-6-1. Adoption of this standard on July 1, 2009 is not expected to have a significant impact on the Company s financial statements.

In April 2009, the FASB issued Staff Position FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, which enhances consistency in financial reporting by increasing the frequency of fair value disclosures. This FSP is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for interim and annual periods ending after March 15, 2009 subject to certain restrictions. The Company did not elect early adoption in the quarter ended March 31, 2009 and, therefore, will apply the provisions of this FSP for the quarter ending September 30, 2009.

In May 2009, the Financial Accounting Standards Board (FASB) issued SFAS No. 165, *Subsequent Events*. SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 is effective for interim or annual reporting periods ending after June 15, 2009. The Company adopted the provisions of SFAS No. 165 for the year ended June 30, 2009, see Basis of Presentation above.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. SFAS 168 will become the single source of authoritative nongovernmental U.S. generally accepted accounting principles, superseding existing accounting literature. While not intended to change U.S. GAAP, the Codification significantly changes the way in which accounting literature is organized. SFAS 168 is effective for interim or annual reporting periods ending after September 15, 2009. The adoption of SFAS 168 will not have an impact on the Company s financial position, results of operations or cash flows. However, because the Codification completely replaces existing standards, it will affect the way U.S. GAAP are disclosed in the Company s financial statements.

Table of Contents

NOTE 2 INVESTMENT SECURITIES

Investment securities available for sale at June 30, 2009 consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
		(Dollars in thousands)		
U.S. League Intermediate - Term Portfolio	$ 60	$	$ 13	$ 47
U.S. Government corporations and agencies	39,515	218	92	39,641
Municipal bonds	7,091		139	6,952
Other equity securities	211		82	129
	$ 46,877	$ 218	$ 326	$ 46,769

Investment securities held to maturity at June 30, 2009 consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
		(Dollars in thousands)		
Municipal bonds	$ 175			$ 175

Investment securities available for sale at June 30, 2008, consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
		(Dollars in thousands)		
U.S. League Intermediate - Term Portfolio	$ 1,785	$	$ 67	$ 1,718
U.S. Government corporations and agencies	8,943	6	85	8,864
Federal Home Loan Mortgage Corporation Common Stock	9	146		155
Municipal bonds	3,040	4	115	2,929
Other equity securities	211		61	150
	$ 13,988	$ 156	$ 328	$ 13,816

Table of Contents

Investment securities held to maturity at June 30, 2008, consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
	(Dollars in thousands)			
Municipal bonds	$ 200	$	$	$ 200

The callable bonds and municipal bonds available for sale have the following maturities at June 30, 2009:

	Amortized Cost	Estimated market value
	(Dollars in thousands)	
Due or callable in one year or less	$ 12,410	$ 12,432
Due or callable in 1 - 5 years	26,441	26,519
Due or callable in 5 - 10 years	1,325	1,348
Due or callable in greater than 10 years	6,430	6,294
Total debt securities	$ 46,606	$ 46,593

All of the other securities available for sale at June 30, 2009 are saleable within one year. The investment securities held to maturity at June 30, 2009 are due on April 15, 2014.

Gross proceeds on sale of investment and mortgage-backed securities were $1,550,000 and $5,708,000 for the years ended June 30, 2009 and 2008, respectively. Realized gains for the years ended June 30, 2009 and 2008 were $93,000 and $0, respectively. Gross realized losses for the years ended June 30, 2009 and 2008 were $183,000 and $35,000, respectively.

Table of Contents

The table below indicates the length of time individual investment securities and mortgage-backed securities have been in a continuous loss position at June 30, 2009 and 2008:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(Dollars in thousands)			
June 30, 2009						
U.S. League Intermediate - Term Portfolio & Callable Government agencies	$ 9,624	$ 92	$ 60	$ 13	$ 9,684	$ 105
Municipal bonds	2,533	63	2,568	76	5,101	139
Mortgage-backed securities			1,427	50	1,427	50
Other equity securities			129	82	129	82
	$ 12,157	$ 155	$ 4,184	$ 221	$ 16,341	$ 376
Number of investments	12		18		30	
June 30, 2008						
U.S. League Intermediate - Term Portfolio & Callable Government agencies	$ 5,549	$ 70	$ 3,678	$ 82	$ 9,227	$ 152
Municipal bonds	2,535	115			2,535	115
Mortgage-backed securities	7,332	223	13,322	268	20,654	491
Other equity securities	153	61			153	61
	$ 15,569	$ 469	$ 17,000	$ 350	$ 32,569	$ 819
Number of investments	21		26		47	

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 recognized $0 and $101,000 of other-than-temporary impairment charges on a mutual fund that invests primarily in private label and government mortgage-backed securities during the years ended June 30, 2009 and 2008, respectively.

Table of Contents

The detail of interest and dividends on investment securities is as follows for June 30:

	2009	2008
	(Dollars in thousands)	
Taxable interest income	$ 1,924	$ 2,879
Nontaxable interest income	196	61
Dividends	8	12
	$ 2,128	$ 2,952

NOTE 3 MORTGAGE-BACKED SECURITIES

Mortgage-backed securities available for sale at June 30, 2009 consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
		(Dollars in thousands)		
FNMA	$ 13,154	$ 254	$ 25	$ 13,383
FHLMC	15,705	353	25	16,033
GNMA	285	12		297
	$ 29,144	$ 619	$ 50	$ 29,713

Mortgage-backed securities available for sale at June 30, 2008 consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
		(Dollars in thousands)		
FNMA	$ 13,123	$ 18	$ 258	$ 12,883
FHLMC	11,205	1	229	10,977
GNMA	355		4	351
	$ 24,683	$ 19	$ 491	$ 24,211

The maturity of the mortgage-backed securities is based on the repayment of the underlying mortgages and is as follows at June 30, 2009:

	Amortized cost	Estimated market value
	(Dollars in thousands)	
Due in 2 5 years	$ 307	$ 318
Due in 5 10 years	10,835	11,133

Due in greater than 10 years	18,002	18,262
	$ 29,144	$ 29,713

Table of Contents

NOTE 4 LOANS RECEIVABLE

Loans receivable at June 30, 2009 and 2008 consist of the following:

	June 30, 2009	June 30, 2008
	(Dollars in thousands)	
Residential real estate		
One-to-four family	$ 124,391	$ 134,813
Multi-family	61,791	43,671
Construction	1,609	2,493
Nonresidential real estate and land	57,298	73,238
Consumer and other loans	32,213	35,559
	277,302	289,774
Less:		
Allowance for losses	4,213	4,619
Undisbursed portion of loans in process	1,231	1,184
Deferred loan fees costs	(412)	(381)
	$ 272,270	$ 284,352

As of June 30, 2009 and 2008, the Bank was servicing loans for the benefit of others in the amount of $45,108,000 and $30,154,000, respectively. The Bank recognized $526,000 and $25,000, of pre-tax gains on sale of loans during the years ended June 30, 2009 and 2008, respectively. The carrying value of mortgage servicing rights approximated $405,000 and $219,000 as of June 30, 2009 and 2008, respectively. No impairment has been recognized on the mortgage service assets and correspondingly, no valuation allowance has been recognized as of June 30, 2009 and 2008.

The Company sells loans in the secondary market. Mortgage loan sales totaled $28,375,000 and $1,802,000 during the years ended June 30, 2009 and 2008, respectively. The Bank had $2,193,000 and $152,000 in 1-4 family fixed rate loans designated as held for sale at June 30, 2009 and 2008, respectively. It is generally management s intention to hold all other loans originated to maturity or earlier repayment.

Changes in the allowance for losses on loans for the year ended June 30 are as follows:

	2009	2008
	(Dollars in thousands)	
Balance at beginning of year	$ 4,619	$ 2,671
Provisions charged to income	2,447	4,718
Charge-offs	(2,820)	(2,783)
Recoveries	18	13
Loss on loan restructuring	(51)	
Balance at end of year	$ 4,213	$ 4,619

72

The amount of loans classified as nonaccrual totaled approximately $5,975,000 and $7,452,000 June 30, 2009 and 2008, respectively. Interest income from these nonaccrual loans during the years ended June 30, 2009 and 2008 was immaterial. All loans classified as nonaccrual had allowances determined in accordance with SFAS No. 114, *Accounting by Creditors for Impairment of a Loan,* and SFAS No. 118, *Accounting by Creditors for Impairment of a Loan Income Recognition and Disclosures*. At June 30, 2009 and 2008, the recorded investment in loans for which impairment has been recognized was approximately $4,637,000 and $7,042,000, respectively, with related reserves of $1,337,000 and $2,595,000, respectively. The amount of loans over 90 days past due totaled $5,975,000 and $7,452,000 at June 30, 2009 and 2008, respectively. No loans over 90 past due were still accruing at June 30, 2009 and 2008.

At June 30, 2009, the Bank had five loans categorized as troubled debt restructurings, totaling $4.5 million. The Bank had no loans categorized as troubled debt restructuring at June 30, 2008. At June 30, 2009, the Bank had one loan for $1.1 million that was categorized as both a nonperforming loan and a troubled debt restructuring. The borrower on this loan had an additional $252,000 available for withdrawal as a construction loan at June 30, 2009. There are no other commitments to lend additional amounts to these borrowers. Management has reduced the carrying value of all troubled debt restructurings to their fair market values, based upon differences between their agreed upon rates of interest and available market rates at the time of the loan.

NOTE 5 OTHER REAL ESTATE OWNED

Other real estate owned consists of the following at June 30:

	2009	2008
	(Dollars in thousands)	
One to four family	$	$ 567
Land	340	340
Commercial real estate	2,304	2,099
Provision for losses on real estate owned	(704)	(111)
	$ 1,940	$ 2,895

Activity in the allowance for losses on real estate owned is as follows for years ended June 30,

	2009	2008
	(Dollars in thousands)	
Balance, beginning of period	$ 111	$
Allowance for losses on real estate owned	770	125
Charged off upon sale of property	(177)	(14)
Balance, end of period	$ 704	$ 111

Table of Contents

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2009 and 2008 is summarized as follows:

	June 30, 2009	June 30, 2008
	(Dollars in thousands)	
Land and land improvements	$ 1,830	$ 1,830
Buildings and building improvements	4,538	4,538
Furniture and equipment	2,884	2,721
	9,252	9,089
Less: accumulated depreciation	3,241	2,769
	$ 6,011	$ 6,320

At June 30, 2008, the Company sold part of a parcel of land on which a branch was previously built for $750,000, and recorded a gain on the sale of land of $275,000.

NOTE 7 DEPOSITS

Deposits at June 30, 2009 and 2008 consist of the following:

	2009		2008	
	(Dollars in thousands)			
	Weighted Average Rate	Balance	Weighted Average Rate	Balance
Demand deposit accounts	0.50%	$ 71,854	1.68%	$ 64,206
Passbook	0.31%	40,980	1.15%	41,787
Money market deposit accounts	0.61%	61,933	2.15%	68,621
Total demand and passbook deposits		174,767		174,614
Certificate of deposits:				
Less than 12 months	2.32%	95,081	4.45%	82,696
12 months to 24 months	3.63%	38,241	3.88%	32,189
24 months to 36 months	3.59%	2,484	3.68%	6,960
More than 36 months	3.65%	2,228	3.27%	364
Individual retirement accounts	4.38%	26,815	4.62%	23,951
Total certificate of deposits		164,849		146,160
Total deposit accounts		$ 339,616		$ 320,774

74

Table of Contents

Interest paid and accrued on deposits is as follows:

	For the years ended June 30 2009	2008
	(Dollars in thousands)	
NOW and money market accounts	$ 1,609	$ 3,731
Savings	285	570
Certificate of deposits	5,872	7,015
	$ 7,766	$ 11,316

The aggregate amount of time deposits with a minimum denomination of $100,000 was approximately $89,805,000 and $75,840,000 at June 30, 2009 and 2008, respectively. Individual deposits with denominations of more than $250,000 are not federally insured.

Total non-interest bearing deposits were $16,531,000 and $13,643,000 at June 30, 2009 and 2008, respectively. Municipal deposits totaled $124,282,000 and $127,545,000 at June 30, 2009 and 2008, respectively.

Maturities of certificate accounts at June 30, 2009 and 2008 are approximately as follows:

	2009	2008
	(Dollars in thousands)	
One year or less	$ 108,551	$ 93,061
1 - 2 years	44,132	39,915
2 - 3 years	9,244	12,531
3 - 4 years	2,035	308
4 - 5 years	747	293
Over 5 years	140	52
	$ 164,849	$ 146,160

75

Table of Contents

NOTE 8 FAIR VALUES OF ASSETS AND LIABILITIES

The estimated fair values of the Company s financial instruments at June 30, 2009 and 2008 are as follows:

	2009		2008	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
	(In thousands)			
Financial assets:				
Cash and interest bearing deposits	$ 27,004	$ 27,004	$ 35,710	$ 35,710
Investment securities available for sale	46,769	46,769	13,816	13,816
Investment securities held to maturity	175	175	200	200
Mortgage-backed securities	29,713	29,713	24,211	24,211
Loans receivable	274,463	270,760	284,504	284,491
Accrued interest receivable	1,745	1,745	1,351	1,351
Investment in FHLB stock	2,016	2,016	1,926	1,926
Financial liabilities:				
Deposits	$ 339,616	$ 341,322	$ 320,774	$ 322,281
Accrued interest payable	23	23	77	77
FHLB Advances	3,833	3,856	4,833	4,733
Off-balance sheet items				

As discussed in Note 1, *Basis of Presentation and Summary of Significant Accounting Pronouncements*, FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 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.

Table of Contents

Fair value methods and assumptions are set forth below for each type of financial instrument.

		Fair Value Measurements at June 30, 2009		
	June 30, 2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Securities available for sale	$ 76,482	$ 176	$ 76,306	$

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, and municipal securities. 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. At June 30, 2009, the Company had $29,713,000 in mortgage-backed securities, $39,641,000 in U.S. Government agency bonds, and $6,952,000 in municipal bonds, the valuations for which were obtained by the third party vendor without adjustment by the Bank. Management obtains and reviews the third party vendor s Statement of Auditing Standard No. 70 (SAS 70) examination report to evaluate the valuation methodologies and ensure that reported fair values are consistent with the requirements of FAS 157, including proper classification within the fair value hierarchy.

In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Securities classified within Level 3 include asset-backed securities and private label CMOs. At June 30, 2009, the Company did not have any securities classified as Level 3.

The Company is predominately an asset-based lender with real estate serving as collateral on a substantial majority of loans. Loans which are deemed to be impaired are primarily valued on a nonrecurring basis at the fair values of the underlying real estate collateral. Such fair values are obtained using independent appraisals, which the Company considers to be Level 2 inputs. The aggregate carrying amount of impaired loans at June 30, 2009 was approximately $5.8 million. In accordance with the FASB Staff Position 157-2, *Effective Date of SFAS No. 157*, the Company has not applied the provisions of this statement to non-financial assets and liabilities, which will be effective July 1, 2009 and is not expected to have a material impact on the Company s consolidated financial condition, results of operations or cash flow.

Table of Contents

NOTE 9 BORROWED FUNDS

Pursuant to collateral agreements with the FHLB, advances are secured by all stock in the FHLB and a blanket pledge agreement for qualifying first mortgage loans. The Bank had $3,833,000 and $4,833,000 in outstanding FHLB advances at June 30, 2009 and 2008, respectively. At June 30, 2009 and 2008, the Bank had only one advance from the FHLB. The original amount of the advance was $5,000,000 at a fixed interest rate of 3.2%. Principal payments of $83,000 are due on a monthly basis until the loan is paid in full in April 2013. Interest payments are also due at the time that the principal payment is made.

NOTE 10 EMPLOYEE BENEFIT PLANS

401(k) Profit Sharing Plan

The Bank has a standard 401(k) profit sharing plan. Eligible participants must be at least 18 years of age and have one year of service. The Bank makes matching contributions based on each employee s deferral contribution. Total expense under the plan for the years ended June 30, 2009 and 2008 totaled $118,000 and $122,000, respectively.

ESOP

As of June 30, 2009 and 2008, the ESOP owned 245,262 and 275,538 shares, respectively, of the Company s common stock, which were held in a suspense account until released for allocation to the participants. Additionally, as of June 30, 2009, the Company has committed to release 15,650 shares. The Company recognized compensation expense of $130,000 and $193,000 during the years ended June 30, 2009 and 2008, respectively, which equals the fair value of the ESOP shares during the periods in which they became committed to be released. The fair value of the unearned ESOP shares approximated $1,705,000 at June 30, 2009.

Contributions to the ESOP and shares released from the suspense account will be allocated to each eligible participant based on the ratio of each such participant s compensation, as defined in the ESOP, to the total compensation of all eligible plan participants. Participants become 100% vested in their accounts upon three years of service. Participants with less than three years of service are 0% vested in their accounts.

The term loan, which bears interest at 7.75%, is payable in fifteen annual installments of $370,000 through December 31, 2020. Shares purchased with the loan proceeds are initially pledged as collateral for the term loan and are held in a suspense account for future allocation to the ESOP participants. Each plan year, in addition to any discretionary contributions, the Company shall contribute cash to the ESOP to enable the ESOP to make its principal and interest payments under the term loan. Company contributions may be increased by any investment earnings attributable to such contributions and any cash dividends paid with respect to Company stock held by the ESOP.

Deferred Compensation

In March 2002, the Bank adopted a supplemental retirement income program with selected officers and board members. To fund this plan, the Bank purchased single-premium life insurance policies on each officer and director, at a cumulative total cost of $5,100,000. The cash surrender value of these policies was $6,826,000 and $6,570,000 at June 30, 2009 and 2008,

Table of Contents

respectively. The directors liability is accrued based on life expectancies, return on investment and a discount rate. For the officers, an annual contribution based on actuarial assumptions is made to a secular trust with the employee as the beneficiary. Deferred compensation payments are funded by available assets in the secular trust. No further funding is required by the Bank, with the exception that upon a change in control of the Bank, the plan provides for full supplemental benefits which would have occurred at age 65.

Future expected contributions for the funding of officers deferred compensation are as follows:

2010	$ 197,000
2011	197,000
2012	197,000
2013	197,000
2014	197,000
2015 and thereafter	571,000
	$ 1,556,000

At June 30, 2009 and 2008, the Bank had accrued directors supplemental retirement expense of $1,270,000 and $1,221,000, respectively. Officers and directors supplemental retirement expense totaled $402,000 and $414,000 for the years ended June 30, 2009 and 2008, respectively.

Supplemental Executive Retirement Plan

A Supplemental Executive Retirement Plan (SERP) was established to provide participating executives (as determined by the Company s Board of Directors) with benefits that cannot be provided under the 401(k) Profit Sharing Plan or ESOP as a result of limitations imposed by the Internal Revenue Code. The SERP will also provide benefits to eligible employees if they retire or are terminated following a change in control before the complete allocation of shares under the ESOP. SERP expense totaled $7,000 and $7,000 for the years ended June 30, 2009 and 2008, respectively.

Employee Severance Compensation Plan

An Employee Severance Compensation Plan (Severance Plan) was established to provide eligible employees with severance benefits if a change in control of the Bank occurs causing involuntary termination of employment in a comparable position. Employees are eligible upon the completion of one year of service. Under the Severance Plan, eligible employees will be entitled to severance benefits ranging from one month of compensation, as defined in the plan, up to 199% of compensation. Such benefits are payable within five business days from termination of employment.

NOTE 11 STOCK-BASED COMPENSATION

In November 2006, the Company adopted the United Community Bancorp 2006 Equity Incentive Plan (Equity Incentive Plan) for the issuance of restricted stock, incentive stock options and non-statutory stock options to employees, officers and directors of the Company. 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,

Table of Contents

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.

In December 2006, the Board of Directors of the Company authorized the funding of a trust that purchased 165,894 shares of the Company s outstanding common stock to be used to fund restricted stock awards under the Equity Incentive Plan.

In December 2006, the Company granted restricted stock awards for a total of 149,297 shares of common stock, incentive stock option awards for a total of 219,446 shares of common stock and non-statutory stock option awards for a total of 153,815 shares of common stock. These awards vest at 20% annually from January 2008 through January 2012. The restricted stock awards were valued at the stock price on the date of grant, or $11.53 per share. The stock options were valued using the following assumptions: expected volatility of 11.49%, risk-free interest rate of 4.6%, expected term of ten years and expected dividend yield of 2.3%.

During the year ended June 30, 2009, 27,703 restricted share awards and 69,261 stock options became fully vested. During the year ended June 30, 2008, 29,859 restricted share awards and 74,652 stock options became fully vested. Additionally, during the year ended June 30, 2008, 8,627 unvested restricted share awards and 21,566 unvested stock options were forfeited. Total recognized compensation expense for the years ended June 30, 2009 and 2008 was $500,000 and $858,000, respectively. Additionally, during the year ended June 30, 2008, 8,627 unvested restricted share awards and 21,566 unvested stock options were forfeited. These forfeitures exceeded the Company s estimated forfeiture rate and, therefore, approximately $70,000 in previously-recognized stock-based compensation expense was reversed during the year ended June 30, 2008. The remaining unvested expense as of June 30, 2009 that will be recorded as expense in future periods is $504,000. The weighted average time over which this expense will be recorded is 30 months.

Table of Contents

Information related to stock options for the years ended June 30, 2009 and 2008 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at June 30, 2007	373,261	$ 11.53	
Granted			
Forfeited	(26,957)	11.53	
Exercised			
Outstanding at June 30, 2008	346,304	11.53	
Granted			
Forfeited			
Exercised			
Outstanding at June 30, 2009	346,304	$ 11.53	7.5 years
Exercisable at June 30, 2009	138,522	$ 11.53	7.5 years
Fair value of options		$ 2.37	

A summary of the status of unvested stock options for the year ended June 30, 2009 is as follows:

	Shares	Weighted Average Exercise Price
Outstanding at June 30, 2008	277,043	$ 11.53
Granted		
Vested	(69,261)	11.53
Forfeited		11.53
Outstanding at June 30, 2009	207,782	$ 11.53

81

Table of Contents

Information related to restricted stock grants for the years ended June 30, 2009 and 2008 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at June 30, 2007	149,297	$ 11.53
Granted		
Vested	(29,859)	(11.53)
Forfeited	(8,627)	(11.53)
Outstanding at June 30, 2008	110,811	11.53
Granted		
Vested	(27,703)	(11.53)
Forfeited		
Outstanding at June 30, 2009	83,108	$ 11.53

NOTE 12 SUPPLEMENTAL CASH FLOW INFORMATION

	For the years ended June 30	
	2009	2008
	(Dollars in Thousands)	
Supplemental disclosure of cash flow information is as follows:		
Cash paid during the year for:		
Income taxes	$ 10	$ 1,000
Interest	$ 7,970	$ 11,350
Supplemental disclosure of non-cash investing and financing activities is as follows:		
Unrealized gains (losses) on securities designated as available for sale, net of taxes	$ 663	$ 15
Transfers of loans to other real estate owned	$ 787	$ 2,733

82

Table of Contents

NOTE 13 COMMITMENTS

Leases

The Bank is party to various operating leases for property and equipment. Lease expense for the years ended June 30, 2009 and 2008 was $41,000 and $41,000, respectively.

Future minimum lease payments under these lease agreements are as follows as of June 30, 2009:

2010	$ 42,000
2011	32,000
2012	16,000
2013	16,000
2014 and thereafter	11,000
	$ 117,000

The Bank entered into lease agreements with various tenants who lease space from the Bank in certain locations where the Bank has a branch office. Revenue from these leases for the years ended June 30, 2009 and 2008 was $42,000 and $142,000, respectively.

Future minimum lease payments under these lease agreements are as follows as of June 30, 2009:

2010	$ 65,000
2011	38,000
	$ 103,000

Loans

In the ordinary course of business, the Bank has various outstanding commitments to extend credit that are not reflected in the accompanying consolidated financial statements. These commitments involve elements of credit risk in excess of the amounts recognized in the balance sheet.

The Bank uses the same credit policies in making commitments for loans as it does for loans that have been disbursed and recorded in the consolidated balance sheet. The Bank generally requires collateral when it makes loan commitments, which generally consists of the right to receive first mortgages on improved or unimproved real estate when performance under the contract occurs.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some portions of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Certain of these commitments are for fixed rate loans, and, therefore, their values are subject to market risk as well as credit risk. Generally, these commitments do not extend beyond 90 days.

Table of Contents

At June 30, 2009, the Bank s total commitment to extend credit at variable rates was $32,286,000. The amount of fixed rate commitments was approximately $1,125,000 at June 30, 2009. The fixed rate loan commitments at June 30, 2009 have interest rates ranging from 4.50% to 5.13%. In addition, the Bank had $1,169,000 of letters of credit outstanding at June 30, 2009.

NOTE 14 RELATED PARTY TRANSACTIONS

Loans to executive officers, directors and their affiliated companies, totaled $3,063,000 and $3,393,000 at June 30, 2009 and 2008, respectively. All loans were current at June 30, 2009 and 2008, respectively. Loans to employees totaled $8,159,000 and $7,371,000 at June 30, 2009 and 2008, respectively.

The activity in loans to related parties for the years ended June 30, 2009 and 2008 is as follows:

		June 30,
	2009	2008
	(Dollars in thousands)	
Beginning balance	$ 10,764	$ 10,614
New loans	1,386	986
Payments on loans	(928)	(836)
Ending balance	$ 11,222	$ 10,764

Deposits from officers and directors totaled $2,078,000 and $2,127,000 at June 30, 2009 and 2008, respectively. Employee deposits totaled $2,598,000 and $2,032,000 at June 30, 2009 and 2008, respectively.

NOTE 15 REGULATORY CAPITAL

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulation involve quantitative measures of assets, liabilities, and certain off balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action that, if undertaken, could have a direct material effect on the consolidated financial statements.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept broker deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At November 17, 2008, the most recent regulatory notifications categorized the Bank as well capitalized. There are no conditions or events since that notification that management

Table of Contents

believes have changed the institution s category. Management believes that, under current regulatory capital regulations, the Bank will continue to meet its minimum capital requirements in the foreseeable future. Actual and required capital amounts and ratios are presented below:

The following tables summarize the Bank s capital amounts and the ratios required:

	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
June 30, 2009						
Tier 1 capital to risk-weighted assets	$ 48,216	17.50%	$ 11,022	4.0%	$ 16,533	6.0%
Total capital to risk-weighted assets	50,689	18.40%	22,044	8.0%	27,555	10.0%
Tier 1 capital to adjusted total assets	48,216	12.08%	15,972	4.0%	19,965	5.0%
Tangible capital to adjusted total assets	48,216	12.08%	5,989	1.5%		
June 30, 2008						
Tier 1 capital to risk-weighted assets	$ 49,655	19.70%	$ 10,081	4.0%	$ 15,122	6.0%
Total capital to risk-weighted assets	51,680	20.51%	20,163	8.0%	25,204	10.0%
Tier 1 capital to adjusted total assets	49,655	13.00%	15,281	4.0%	19,101	5.0%
Tangible capital to adjusted total assets	49,655	13.00%	5,730	1.5%		

Dividends from the Bank are one of the major sources of funds for the Bancorp. These funds aid the parent company in payment of dividends to shareholders, expenses, and other obligations. Payment of dividends to the parent company is subject to various legal and regulatory limitations. Regulatory approval is required prior to the declaration of any dividends in excess of available retained earnings. The amount of dividends that may be declared without regulatory approval is further limited to the sum of net income for the current year and retained net income for the preceding two years, less any required transfers to surplus or common stock. As of June 30, 2009, the Bank has never paid dividends income to the Bancorp in excess of regulatory limits.

Table of Contents

NOTE 16 INCOME TAXES

The components of the provision for income taxes are summarized as follows:

	2009	2008
	(Dollars in thousands)	
Current tax expense (benefit):		
Federal	$ 174	$ 114
State	53	(14)
	227	100
Deferred tax benefit:		
Federal	(32)	(633)
State	(18)	(120)
	(50)	(753)
	$ 177	$ (653)

86

Table of Contents

The tax effect of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at June 30, 2009 and 2008 are as follows:

	June 30, 2009	June 30, 2008
	(Dollars in thousands)	
Deferred tax assets arising from:		
Loan loss reserve	$ 1,667	$ 1,829
Reserve for loss on real estate owned	278	51
Vacation and bonus accrual	223	137
Supplemental retirement	416	401
Stock-based compensation	361	328
Contribution to UCB Charitable Foundation	347	356
Unrealized loss on securities available for sale		257
State depreciation	95	67
Other-than-temporary impairment	1	40
Post-retirement health care benefits	50	51
Total deferred tax assets	3,438	3,517
Deferred tax liabilities arising from:		
Mortgage servicing rights	(161)	(87)
Depreciation	(223)	(150)
Deferred loan fees		(28)
Other	(164)	
Total deferred tax liabilities	(548)	(265)
Valuation allowance	(190)	(160)
Net deferred tax asset	$ 2,700	$ 3,092

During the year ended June 30, 2006, the Company contributed $1,858,000 to fund the UCB Charitable Foundation. The deduction for federal income tax purposes is limited to ten percent of federal taxable income. The non-deductible portion, which approximates $1,025,000 at June 30, 2009, is available for future deductions through the year ended June 30, 2011. At June 30, 2009, the Company has recorded a valuation allowance against $560,000 of this amount, based on the level of anticipated future taxable income. Net deferred tax liabilities and federal income tax expense in future years can be significantly affected by changes in enacted tax rates.

Table of Contents

The rate reconciliation for years ended June 30, 2009 and 2008 is as follows:

	2009	2008
	(Dollars in thousands)	
Federal income taxes at statutory rate	$ 305	$ (718)
State taxes, net of federal benefit	35	(88)
Increase (decrease) in taxes resulting primarily from:		
Non-taxable income on Bank-owned life insurance	(87)	(71)
Non-deductible stock-based compensation	106	76
Increase in valuation allowance		160
Tax exempt income	(67)	
Other	(115)	(12)
	$ 177	$ (653)

Retained earnings at June 30, 2009, and 2008, include approximately $749,000 related to the pre-1987 allowance for loan losses for which no deferred federal income tax liability has been recognized. These amounts represent an allocation of income to bad debt deductions for tax purposes only. If the Bank no longer qualifies as a bank, or in the event of a liquidation of the Bank, income would be created for tax purposes only, which would be subject to the then current corporate income tax rate. The unrecorded deferred income tax liability on the above amount for financial statement purposes was approximately $255,000.

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) 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 June 30, 2009 and 2008. The Company recognized no interest and penalties on the underpayment of income taxes during fiscal years June 30, 2009 and 2008, and had no accrued interest and penalties on the balance sheet as of June 30, 2009 and 2008. 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 2005.

Table of Contents

NOTE 17 PARENT ONLY FINANCIAL STATEMENTS

The following condensed financial statements summarize the financial position of United Community Bancorp (parent company only) as of June 30, 2009 and 2008, and the results of its operations and cash flows for the fiscal years ended June 30, 2009 and 2008 (all amounts in thousands):

UNITED COMMUNITY BANCORP

STATEMENTS OF FINANCIAL CONDITION

June 30, 2009 and 2008

	2009	2008
ASSETS		
Cash and cash equivalents	$ 1,292	$ 2,613
Securities available for sale at estimated market value	128	150
Accrued interest receivable	100	118
Deferred income taxes	327	219
Prepaid expenses and other assets	4,600	3,280
Investment in United Community Bank	48,636	49,295
	55,083	55,675
LIABILITIES AND STOCKHOLDERS EQUITY		
Other liabilities	4	1,186
Stockholders equity	55,079	54,489
	$ 55,083	$ 55,675

UNITED COMMUNITY BANCORP

STATEMENTS OF OPERATIONS

June 30, 2009 and 2008

	2009	2008
Interest income:		
ESOP loan	$ 205	$ 232
Securities	22	137
Other income:		
Equity in earnings (loss) of United Community Bank	1,025	(1,322)
Net revenue	1,252	(953)
Operating expenses:		
Other operating expenses	306	336
Net operating expenses	306	336

Income (loss) before income taxes	946	(1,289)
Income tax expense (benefit)	227	167
Net income (loss)	$ 719	$ (1,456)

89

Table of Contents

UNITED COMMUNITY BANCORP

STATEMENTS OF CASH FLOWS

June 30, 2009 and 2008

	2009	2008
Operating activities:		
Net earnings (loss)	$ 719	$ (1,456)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of discounts on investments		
Equity in earnings (loss) of United Community Bank	23	1,322
Amortization and expense of stock-based compensation plans	(629)	1,056
Deferred income taxes (benefits)	(108)	171
Effects of change in assets and liabilities	96	(1,201)
	$ 101	$ (108)
Investing activities:		
Proceeds from investment securities		
Purchases of securities		(132)
		(132)
Financing activities:		
Purchase of treasury stock	(325)	(6,528)
Dividends paid to stockholders	(1,097)	(1,059)
	(1,422)	(7,587)
Net increase (decrease) in cash and cash equivalents	(1,321)	(7,827)
Cash and cash equivalents at beginning of year	$ 2,613	$ 10,440
Cash and cash equivalents at end of year	$ 1,292	$ 2,613

90

Table of Contents

NOTE 18 QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables present quarterly financial information for the Company for 2009 and 2008:

	For the year ended June 30, 2009 (Dollars in thousands)			
	Fourth quarter	**Third quarter**	**Second quarter**	**First quarter**
Interest income	$ 4,689	5,049	5,030	5,144
Interest expense	1,733	1,774	2,091	2,308
Net interest income	2,956	3,275	2,939	2,836
Provision for loan losses	1,052	664	396	335
Net interest income after provision for loan losses	1,904	2,611	2,543	2,501
Other income	854	735	502	696
Other expense	3,480	2,738	2,639	2,593
Income (loss) before income taxes	(722)	608	406	604
Provision (benefit) for income taxes	(443)	259	144	217
Net income (loss)	$ (279)	349	262	387

	For the year ended June 30, 2008 (Dollars in thousands)			
	Fourth quarter	**Third quarter**	**Second quarter**	**First quarter**
Interest income	$ 5,191	5,272	5,569	5,583
Interest expense	2,419	2,871	3,054	3,009
Net interest income	2,772	2,401	2,515	2,574
Provision for loan losses	1,018	2,030	690	980
Net interest income after provision for loan losses	1,754	371	1,825	1,594
Other income	820	497	487	393
Other expense	2,398	2,481	2,559	2,412
Income (loss) before income taxes	176	(1,613)	(247)	(425)
Provision (benefit) for income taxes	250	(631)	(93)	(179)
Net loss	$ (74)	(982)	(154)	(246)

Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A(T). Controls and Procedures

The Company s management, including the Company s principal executive officer and principal financial officer, have evaluated the effectiveness of the Company s disclosure controls and procedures, as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the Exchange Act). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company s disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the SEC): (1) is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and (2) is accumulated and communicated to the Company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management s annual report on internal control over financial reporting is incorporated herein by reference to Item 8 in this Annual Report on Form 10-K. This annual report does not include an attestation report of the Company s independent registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only Management s report in this report.

There was no change in the Company s internal control over financial reporting that occurred during the Company s fiscal quarter ended June 30, 2009 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors

The information contained under the section captioned *Proposal I Election of Directors* in the Company s definitive proxy statement for the Company s 2009 Annual Meeting of Stockholders (the Proxy Statement) is incorporated herein by reference.

Executive Officers

The information required regarding executive officers is incorporated herein by reference to the section captioned, *Executive Officers of United Community Bancorp and United Community Bank*, in Item 1 of this Annual Report on Form 10-K.

Compliance with Section 16(a) of the Exchange Act

The information contained under the section captioned *Section 16(a) Beneficial Ownership Reporting Compliance* in the Proxy Statement is incorporated herein by reference.

Table of Contents

Code of Ethics

The Company has adopted a Code of Ethics that applies to the Company s officers, directors and employees. For information concerning the Company s code of ethics, the information contained under the section captioned *Code of Ethics and Business Conduct* in the Proxy Statement is incorporated by reference. A copy of the code of ethics is available, without charge, upon written request to c/o Corporate Secretary, 92 Walnut Street, Lawrenceburg, Indiana 47025.

Corporate Governance

For information regarding the audit committee and its composition and the audit committee financial expert, the section captioned *Corporate Governance and Board Matters Audit Committee* in the Proxy Statement are incorporated herein by reference.

Item 11. Executive Compensation

Executive Compensation

The information required by this item is incorporated herein by reference to the sections titled *Executive Compensation* and *Directors Compensation* in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

(a) Security Ownership of Certain Beneficial Owners

The information required by this item is incorporated herein by reference to the section captioned *Stock Ownership* in the Proxy Statement.

(b) Security Ownership of Management

The information required by this item is incorporated herein by reference to the section captioned *Stock Ownership* in the Proxy Statement.

(c) Changes in Control

Management of the Company knows of no arrangements, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

(d) Equity Compensation Plans

The Company has adopted the 2006 Equity Incentive Plan, pursuant to which equity may be awarded to participants. The plan was approved by stockholders.

Table of Contents

The following table sets forth certain information with respect to the Company s equity compensation plan as of June 30, 2009.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a))
Equity compensation plan approved by security holders	522,558	$ 8.24(1)	58,072
Equity compensation plans not approved by security holders			
Total (2)	522,558	$ 8.24(1)	58,072

(1) The weighted-average exercise price of outstanding stock options is $11.53. Restricted stock grants do not have an exercise price and are subject to vesting provisions only.
(2) The 2006 Equity Incentive Plan provides for a proportionate adjustment to the number of shares reserved thereunder in the event of a stock split, stock dividend, reclassification or similar event.

Item 13. Certain Relationships and Related Transactions, and Director Independence
Certain Relationships and Related Transactions

The information required by this item is incorporated herein by reference to the sections titled *Policies and Procedures for Approval of Related Persons Transactions, and, Transactions with Related Persons* in the Proxy Statement.

Director Independence

The information related to director independence required by this item is incorporated herein by reference to the section titled *Corporate Governance and Board Matters Director Independence* in the Proxy Statement.

Item 14. Principal Accounting Fees and Services
The information required by this item is incorporated herein by reference to the sections captioned *Proposal 2 Ratification of Independent Registered Public Accountants,* and, *Audit Related Matters*, in the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules
List of Documents Filed as Part of This Report

(1) *Financial Statements*. The following consolidated financial statements are filed under Item 8 hereof:

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Financial Condition as of June 30, 2009 and 2008

Table of Contents

Consolidated Statements of Cash Flows for the Years Ended June 30, 2009 and 2008 Notes to Consolidated Financial Statements

(2) *Financial Statement Schedules.* All schedules for which provision is made in the applicable accounting regulations are either not required under the related instructions or are inapplicable, and therefore have been omitted.

(3) *Exhibits.* The following is a list of exhibits as part of this Annual Report on Form 10-K and is also the Exhibit Index.

No.	Description
3.1	Charter of United Community Bancorp (1)
3.2	Amended and Restated Bylaws of United Community Bancorp (2)
4.1	Specimen Stock Certificate of United Community Bancorp (1)
10.1	United Community Bank Employee Stock Ownership Plan and Trust Agreement*(1)
10.2	Form of ESOP Loan Documents*(1)
10.3	United Community Bank 401(k) Profit Sharing Plan and Trust and Adoption Agreement*(1)
10.4	Amended and Restated United Community Bank Employee Severance Compensation Plan*(3)
10.5	Amended and Restated United Community Bank Supplemental Executive Retirement Plan*(3)
10.6	Amended and Restated Employment Agreement between United Community Bancorp and certain executive officers*(3)
10.7	Employment Agreement between United Community Bank and certain executive officers*(3)
10.8	United Community Bank Directors Retirement Plan*(1)
10.9	First Amendment to the United Community Bank Directors Retirement Plan (3)
10.10	Executive Supplemental Retirement Income Agreements between United Community Bank and William F. Ritzmann, Elmer G. McLaughlin and James W. Kittle and Grantor Trust Agreements thereto*(1)
10.11	First Amendment to the United Community Bank Executive Supplemental Retirement Income Agreement (3)
10.12	Rabbi Trust related to Directors Retirement Plan and Executive Supplemental Retirement Income Agreements*(1)
10.13	United Community Bancorp 2006 Equity Incentive Plan (4)
21	Subsidiaries
23	Consent of Clark, Schaefer, Hackett & Co.
31.1	Rule 13(a)-14(a) Certification of Chief Executive Officer
31.2	Rule 13(a)-14(a) Certification of Chief Financial Officer
32	Certifications Pursuant to 18 U.S.C. Section 1350

* Management contract or compensation plan or arrangement.
(1) Incorporated herein by reference to the Company s Registration Statement on Form S-1, as amended, as initially filed with the SEC on December 14, 2005 (File No. 333-130302).
(2) Incorporated herein by reference to the Company s Current Report on Form 8-K filed with the SEC on October 3, 2007 (File No. 0-51800).
(3) Incorporated herein by reference to the Company s Current Report on Form 8-K filed with the SEC on February 2, 2009 (File No. 0-51800).
(4) Incorporated herein by reference to Appendix C to the Company s Proxy Statement filed with the SEC on October 5, 2006.

Table of Contents

SIGNATURES

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

UNITED COMMUNITY BANCORP

Date: September 28, 2009

By: /s/ William F. Ritzmann
William F. Ritzmann
President and Chief Executive Officer
(Duly Authorized Representative)

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

By: /s/ William F. Ritzmann William F. Ritzmann President, Chief Executive Officer and Director (Principal Executive Officer)	September 28, 2009
By: /s/ Vicki A. March Vicki A. March Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	September 28, 2009
By: /s/ Ralph B. Sprecher Ralph B. Sprecher Chairman of the Board	September 28, 2009
By: /s/ Robert J. Ewbank Robert J. Ewbank Director	September 28, 2009
By: /s/ Jerry W. Hacker Jerry W. Hacker Director	September 28, 2009
By: /s/ Elmer G. McLaughlin Elmer G. McLaughlin Chief Operating Officer and Director	September 28, 2009
By: /s/ Anthony C. Meyer Anthony C. Meyer Director	September 28, 2009
By: /s/ George M. Seitz George M. Seitz Director	September 28, 2009
By: /s/ Eugene B. Seitz Eugene B. Seitz	September 28, 2009

Director

By: /s/ Richard C. Strzynski September 28, 2009
Richard C. Strzynski
Director

96