

GREENE COUNTY BANCORP INC

Form 10-Q

May 14, 2010

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OF 15(d) OF THE SECURITIES AND EXCHANGE ACT OF
1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2010

OR

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

GREENE COUNTY BANCORP, INC.

(Exact name of small business issuer as specified in its charter)

Commission file number 0-25165

United States

14-1809721

(State or other jurisdiction of incorporation or organization)
Employer Identification Number)

(I.R.S.

302 Main Street, Catskill, New York
(Address of principal executive office)

12414
(Zip code)

Registrant's telephone number, including area code: (518) 943-2600

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes: No:

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

Large accelerated filer _____

Accelerated filer _____

Edgar Filing: GREENE COUNTY BANCORP INC - Form 10-Q

Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes: No:

As of May 12, 2010, the registrant had 4,118,912 shares of common stock outstanding at \$.10 par value.

GREENE COUNTY BANCORP, INC.

INDEX

PART I. FINANCIAL INFORMATION

| | Page |
|--|--------------|
| Item 1. Financial Statements (unaudited) | |
| * Consolidated Statements of Financial Condition | <u>3</u> |
| * Consolidated Statements of Income | <u>4</u> |
| * Consolidated Statements of Comprehensive Income | <u>6</u> |
| * Consolidated Statements of Changes in Shareholders' Equity | <u>7</u> |
| * Consolidated Statements of Cash Flows | <u>8-9</u> |
| * Notes to Consolidated Financial Statements | <u>10-23</u> |

| | |
|--|--------------|
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation | <u>24-38</u> |
|--|--------------|

| | |
|--|-----------|
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | <u>38</u> |
|--|-----------|

| | |
|---------------------------------|-----------|
| Item 4. Controls and Procedures | <u>38</u> |
|---------------------------------|-----------|

PART II. OTHER INFORMATION

| | |
|---------------------------|-----------|
| Item 1. Legal Proceedings | <u>39</u> |
|---------------------------|-----------|

| | |
|-----------------------|-----------|
| Item 1A. Risk Factors | <u>39</u> |
|-----------------------|-----------|

| | |
|---|-----------|
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | <u>39</u> |
|---|-----------|

| | |
|---|-----------|
| Item 3. Defaults Upon Senior Securities | <u>39</u> |
|---|-----------|

| | |
|---------------------------|-----------|
| Item 4. Other Information | <u>39</u> |
|---------------------------|-----------|

| | |
|------------------|-----------|
| Item 5. Exhibits | <u>39</u> |
|------------------|-----------|

| | |
|---|-----------|
| Signatures | <u>40</u> |
| Exhibit 31.1 302 Certification of Chief Executive Officer | <u>41</u> |
| Exhibit 31.2 302 Certification of Chief Financial Officer | <u>42</u> |
| Exhibit 32.1 906 Statement of Chief Executive Officer | <u>43</u> |
| Exhibit 32.2 906 Statement of Chief Financial Officer | <u>44</u> |

Greene County Bancorp, Inc.
Consolidated Statements of Financial Condition
As of March 31, 2010 and June 30, 2009
(Unaudited)
(In thousands, except share and per share amounts)

| ASSETS | March 31, 2010 | June 30, 2009 |
|--|-------------------|------------------|
| Cash and due from banks | \$19,738 | \$8,639 |
| Federal funds sold | 4,630 | 804 |
| Total cash and cash equivalents | 24,368 | 9,443 |
| Long term certificate of deposit | 1,000 | 1,000 |
| Securities available for sale, at fair value | 83,406 | 98,271 |
| Securities held to maturity, at amortized cost | 60,643 | 63,336 |
| Federal Home Loan Bank stock, at cost | 1,405 | 1,495 |
| Loans | 291,397 | 271,001 |
| Allowance for loan losses | (3,865) | (3,420) |
| Unearned origination fees and costs, net | 439 | 321 |
| Net loans receivable | 287,971 | 267,902 |
| Premises and equipment | 14,932 | 15,274 |
| Accrued interest receivable | 2,733 | 2,448 |
| Prepaid expenses and other assets | 2,421 | 1,152 |
| Foreclosed real estate | 65 | 215 |
| Total assets | \$478,944 | \$460,536 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Noninterest bearing deposits | \$40,488 | \$39,772 |
| Interest bearing deposits | 375,439 | 358,957 |
| Total deposits | 415,927 | 398,729 |
| Borrowings from FHLB, long-term | 17,000 | 19,000 |
| Accrued expenses and other liabilities | 2,516 | 2,543 |
| Total liabilities | 435,443 | 420,272 |
| Shareholders' equity: | | |
| Preferred stock, | | |
| Authorized - 1,000,000 shares; Issued - none | --- | --- |
| Common stock, par value \$.10 per share; | | |
| Authorized - 12,000,000 shares | | |
| Issued - 4,305,670 shares | | |

Edgar Filing: GREENE COUNTY BANCORP INC - Form 10-Q

| | | |
|--|-----------|-----------|
| Outstanding - 4,118,912 shares at March 31, 2010 and 4,105,312 shares at June 30, 2009; | 431 | 431 |
| Additional paid-in capital | 10,610 | 10,508 |
| Retained earnings | 32,750 | 30,045 |
| Accumulated other comprehensive income | 1,119 | 792 |
| Treasury stock, at cost, 186,758 shares at March 31, 2010 and 200,358 shares at June 30, 2009 | (1,409) | (1,512) |
| Total shareholders' equity | 43,501 | 40,264 |
| Total liabilities and shareholders' equity | \$478,944 | \$460,536 |

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Nine Months Ended March 31, 2010 and 2009 (Unaudited)
(In thousands, except share and per share amounts)

| | 2010 | 2009 |
|--|----------------|----------------|
| Interest income: | | |
| Loans | \$12,830 | \$12,101 |
| Investment securities - taxable | 852 | 1,170 |
| Mortgage-backed securities | 2,805 | 2,843 |
| Investment securities - tax exempt | 783 | 669 |
| Interest bearing deposits and federal funds sold | 13 | 41 |
| Total interest income | 17,283 | 16,824 |
| Interest expense: | | |
| Interest on deposits | 3,596 | 4,681 |
| Interest on borrowings | 486 | 503 |
| Total interest expense | 4,082 | 5,184 |
| Net interest income | 13,201 | 11,640 |
| Provision for loan losses | 984 | 1,764 |
| Net interest income after provision for loan losses | 12,217 | 9,876 |
| Non-interest income: | | |
| Service charges on deposit accounts | 2,105 | 2,194 |
| Debit card fees | 784 | 660 |
| Investment services | 207 | 180 |
| E-commerce fees | 78 | 181 |
| Net loss on sale of available-for-sale securities | (5) | (15) |
| Write-down of impairment of available-for-sale security | --- | (221) |
| Sale of merchant bank card processing | --- | 1,650 |
| Other operating income | 357 | 306 |
| Total non-interest income | 3,526 | 4,935 |
| Non-interest expense: | | |
| Salaries and employee benefits | 5,353 | 5,527 |
| Occupancy expense | 945 | 858 |
| Equipment and furniture expense | 487 | 499 |
| Service and data processing fees | 999 | 1,000 |
| Computer software, supplies and support | 258 | 222 |
| Advertising and promotion | 192 | 271 |
| FDIC insurance premiums | 422 | 131 |
| Legal and professional fees | 315 | 350 |
| Other | 1,247 | 1,142 |
| Total non-interest expense | 10,218 | 10,000 |
| Income before provision for income taxes | 5,525 | 4,811 |
| Provision for income taxes | 1,899 | 1,814 |
| Net income | \$3,626 | \$2,997 |
| Basic EPS | \$0.88 | \$0.73 |

Edgar Filing: GREENE COUNTY BANCORP INC - Form 10-Q

| | | |
|------------------------------------|-----------|-----------|
| Basic average shares outstanding | 4,110,014 | 4,100,072 |
| Diluted EPS | \$0.88 | \$0.73 |
| Diluted average shares outstanding | 4,135,000 | 4,119,973 |
| Dividends per share | \$0.51 | \$0.51 |

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Three Months Ended March 31, 2010 and 2009 (Unaudited)
(In thousands, except share and per share amounts)

| | | |
|---|---------|---------|
| Interest income: | 2010 | 2009 |
| Loans | \$4,374 | \$4,112 |
| Investment securities - taxable | 260 | 371 |
| Mortgage-backed securities | 993 | 978 |
| Investment securities - tax exempt | 267 | 214 |
| Interest bearing deposits and federal funds sold | 3 | 11 |
| Total interest income | 5,897 | 5,686 |
| Interest expense: | | |
| Interest on deposits | 1,130 | 1,581 |
| Interest on borrowings | 153 | 161 |
| Total interest expense | 1,283 | 1,742 |
| Net interest income | 4,614 | 3,944 |
| Provision for loan losses | 307 | 1,151 |
| Net interest income after provision for loan losses | 4,307 | 2,793 |
| Non-interest income: | | |
| Service charges on deposit accounts | 599 | 632 |
| Debit card fees | 257 | 208 |
| Investment services | 73 | 46 |
| E-commerce fees | 25 | 51 |
| Net loss on sale of available-for-sale securities | --- | (3) |
| Sale of merchant bank card processing | --- | 1,650 |
| Other operating income | 132 | 122 |
| Total non-interest income | 1,086 | 2,706 |
| Non-interest expense: | | |
| Salaries and employee benefits | 1,792 | 1,792 |
| Occupancy expense | 333 | 307 |
| Equipment and furniture expense | 189 | 157 |
| Service and data processing fees | 343 | 368 |
| Computer software, supplies and support | 79 | 67 |
| Advertising and promotion | 77 | 127 |
| FDIC insurance premiums | 151 | 62 |
| Legal and professional fees | 130 | 222 |
| Other | 437 | 385 |
| Total non-interest expense | 3,531 | 3,487 |
| Income before provision for income taxes | 1,862 | 2,012 |
| Provision for income taxes | 636 | 856 |

Edgar Filing: GREENE COUNTY BANCORP INC - Form 10-Q

| | | |
|------------------------------------|-----------|-----------|
| Net income | \$1,226 | \$1,156 |
| Basic EPS | \$0.30 | \$0.28 |
| Basic average shares outstanding | 4,116,779 | 4,104,119 |
| Diluted EPS | \$0.30 | \$0.28 |
| Diluted average shares outstanding | 4,137,447 | 4,121,186 |
| Dividends per share | \$0.17 | \$0.17 |

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Nine Months Ended March 31, 2010 and 2009
(Unaudited)
(In thousands)

| | 2010 | 2009 |
|--|---------|---------|
| Net income | \$3,626 | \$2,997 |
| Other comprehensive income: | | |
| Securities: | | |
| Unrealized holding gains on available for sale securities, arising during the nine months ended March 31, 2010 and 2009, net of income taxes of \$173 and \$195, respectively. | 274 | 310 |
| Accretion of unrealized loss on securities transferred to held-to-maturity, net of income taxes of \$31 and \$9, respectively. | 50 | 14 |
| Reclassification adjustment for loss on sale of available-for-sale securities realized in net income, net of income taxes of \$2, and \$6, respectively. | 3 | 9 |
| Reclassification adjustment for impairment write-down on available-for-sale securities realized in net income, net of income taxes of \$0, and \$86, respectively. | --- | 135 |
| Other comprehensive income | 327 | 468 |
| Comprehensive income | \$3,953 | \$3,465 |

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2010 and 2009
(Unaudited)
(In thousands)

| | 2010 | 2009 |
|--|---------|---------|
| Net income | \$1,226 | \$1,156 |
| Other comprehensive (loss) income: | | |
| Securities: | | |
| Unrealized holding (losses) gains on available-for-sale securities, arising during the three months ended March 31, 2010 and 2009, net of income taxes of (\$75) and \$53, respectively. | (119) | 84 |

Edgar Filing: GREENE COUNTY BANCORP INC - Form 10-Q

| | | |
|---|---------|---------|
| Accretion of unrealized loss on securities transferred to held-to-maturity, net of income taxes of \$13 and \$7, respectively. | 21 | 11 |
| Reclassification adjustment for loss on sale of available-for-sale securities realized in net income, net of income taxes of \$0, and \$1, respectively, | --- | 2 |
| Other comprehensive (loss) income | (98 |) 97 |
| Comprehensive income | \$1,128 | \$1,253 |
| See notes to consolidated financial statements. | | |

Greene County Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Nine Months Ended March 31, 2010 and 2009
(Unaudited)
(In thousands)

| | Common Stock | Additional Paid – In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Unearned ESOP Shares | Total Shareholders' Equity |
|---|-----------------|------------------------------------|----------------------|---|-------------------|----------------------------|----------------------------------|
| Balance at June 30, 2008 | \$431 | \$10,267 | \$27,183 | \$ (9) | \$(1,586) | \$(19) | \$ 36,267 |
| ESOP shares earned | | 44 | | | | 19 | 63 |
| Options exercised | | (35) | | | 74 | | 39 |
| Tax effect of stock options | | 28 | | | | | 28 |
| Stock options compensation | | 149 | | | | | 149 |
| Dividends declared | | | (917) | | | | (917) |
| Net income | | | 2,997 | | | | 2,997 |
| Total other comprehensive income, net of taxes | | | | 468 | | | 468 |
| Balance at March 31, 2009 | \$431 | \$10,453 | \$29,263 | \$ 459 | \$(1,512) | \$--- | \$ 39,094 |
| Balance at June 30, 2009 | \$431 | \$10,508 | \$30,045 | \$792 | \$(1,512) | \$--- | \$40,264 |
| Options exercised | | (66) | | | 103 | | 37 |
| Stock options compensation | | 168 | | | | | 168 |
| Dividends declared | | | (921) | | | | (921) |

Edgar Filing: GREENE COUNTY BANCORP INC - Form 10-Q

| | | | | | | | |
|--|-------|----------|----------|---------|-----------|---------|----------|
| Net income | | | 3,626 | | | | 3,626 |
| Total other comprehensive income, net of taxes | | | 327 | | | | 327 |
| Balance at | | | | | | | |
| March 31, 2010 | \$431 | \$10,610 | \$32,750 | \$1,119 | \$(1,409) |) \$--- | \$43,501 |

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Cash Flows
For the Nine Months Ended March 31, 2010 and 2009
(Unaudited)
(In thousands)

| | 2010 | 2009 |
|---|-----------|-----------|
| Cash flows from operating activities: | | |
| Net Income | \$3,626 | \$2,997 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 700 | 652 |
| Net amortization of premiums and discounts | 616 | 187 |
| Net amortization of deferred loan costs and fees | 135 | 116 |
| Provision for loan losses | 984 | 1,764 |
| ESOP compensation earned | --- | 63 |
| Stock option compensation | 168 | 149 |
| Write-down of impairment of available-for-sale security | --- | 221 |
| Net loss on sale of available-for-sale securities | 5 | 15 |
| Net loss on sale of foreclosed real estate | 8 | --- |
| Gain on sale of merchant bank card processing | --- | (1,650) |
| Excess tax benefit from share-based payment arrangements | --- | (28) |
| Net increase (decrease) in accrued income taxes | 1,007 | (41) |
| Net increase in accrued interest receivable | (285) | (471) |
| Net increase in prepaid and other assets | (1,863) | (97) |
| Net (decrease) increase in other liabilities | (646) | 421 |
| Net cash provided by operating activities | 4,455 | 4,298 |
| Cash flows from investing activities: | | |
| Securities available-for-sale: | | |
| Proceeds from maturities | 7,000 | 14,440 |
| Proceeds from sale of securities | 1,820 | 5,522 |
| Purchases of securities | (1,069) | (54,978) |
| Principal payments on securities | 7,272 | 6,812 |
| Securities held-to-maturity: | | |
| Proceeds from maturities | 7,327 | 2,118 |
| Purchases of securities | (9,403) | (15,435) |
| Principal payments on securities | 4,523 | 2,583 |
| Net redemption of Federal Home Loan Bank Stock | 90 | 45 |
| Net increase in loans receivable | (21,253) | (27,978) |
| Proceeds from sale of merchant bank card processing | --- | 1,650 |
| Proceeds from sale of foreclosed real estate | 207 | --- |
| Purchases of premises and equipment | (358) | (1,148) |
| Net cash used in investing activities | (3,844) | (66,369) |
| Cash flows from financing activities: | | |
| Net decrease in short-term borrowings | (2,000) | (1,000) |
| Payment of cash dividends | (921) | (917) |
| Proceeds from stock options exercised | 37 | 39 |
| Excess tax benefit from stock based compensation | --- | 28 |
| Net increase in deposits | 17,198 | 76,699 |

Edgar Filing: GREENE COUNTY BANCORP INC - Form 10-Q

| | | |
|---|----------|----------|
| Net cash provided by financing activities | 14,314 | 74,849 |
| Net increase in cash and cash equivalents | 14,925 | 12,778 |
| Cash and cash equivalents at beginning of period | 9,443 | 8,662 |
| Cash and cash equivalents at end of period | \$24,368 | \$21,440 |
| Non-cash investing activities: | | |
| Foreclosed loans transferred to foreclosed real estate | \$65 | \$100 |
| Reclassification of available-for-sale securities to held to maturity | --- | 23,754 |
| See notes to consolidated financial statements. | | |

Greene County Bancorp, Inc.

Notes to Consolidated Financial Statements

As of and for the Nine Months and Quarter Ended March 31, 2010 and 2009

(1) Basis of Presentation

The accompanying consolidated statement of financial condition as of June 30, 2009 was derived from the audited consolidated financial statements of Greene County Bancorp, Inc. (the "Company") and its wholly owned subsidiary, The Bank of Greene County (the "Bank") and the Bank's wholly owned subsidiary, Greene County Commercial Bank. The consolidated financial statements at and for the nine and three months ended March 31, 2010 and 2009 are unaudited.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. To the extent that information and footnotes required by GAAP for complete consolidated financial statements are contained in or are consistent with the audited financial statements incorporated by reference to Greene County Bancorp, Inc.'s Annual Report on Form 10-K for the year ended June 30, 2009, such information and footnotes have not been duplicated herein. In the opinion of management, all adjustments (consisting of only normal recurring items) necessary for a fair presentation of the financial position and results of operations and cash flows at and for the periods presented have been included. Amounts in the prior year's consolidated financial statements have been reclassified whenever necessary to conform to the current year's presentation. These reclassifications had no effect on net income or retained earnings as previously reported. All material inter-company accounts and transactions have been eliminated in the consolidation. The results of operations and other data for the nine and three months ended March 31, 2010 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2010. These consolidated financial statements consider events that occurred through the date the consolidated financial statements were issued.

REFERENCING GAAP

Beginning with periods ending after September 15, 2009, the Financial Accounting Standards Board ("FASB") has implemented the FASB Accounting Standards Codification™ ("Codification" or "ASC") as the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative.

Following the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates, which will serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification.

GAAP is not intended to be changed as a result of the FASB's Codification project, but it will change the way the guidance is organized and presented. As a result, these changes will have a significant impact on how companies reference GAAP in their consolidated financial statements and in their accounting policies for consolidated financial statements issued for interim and annual periods ending after September 15, 2009. The Company has updated references to GAAP in its consolidated financial statements issued beginning with the period ended September 30,

2009.

CRITICAL ACCOUNTING POLICIES

Greene County Bancorp, Inc.'s critical accounting policies relate to the allowance for loan losses and the evaluation of securities for other-than-temporary impairment.

The allowance for loan losses is based on management's estimation of an amount that is intended to absorb losses in the existing portfolio. The allowance for loan losses is established through a provision for losses based on management's evaluation of the risk inherent in the loan portfolio, the composition of the portfolio, specific impaired loans and current economic conditions. Such evaluation, which includes a review of all loans for which full collectibility may not be reasonably assured, considers among other matters, the estimated net realizable value or the fair value of the underlying collateral, economic conditions, historical loan loss experience, management's estimate of probable credit losses and other factors that warrant recognition in providing for the allowance of loan losses. However, this evaluation involves a high degree of complexity and requires management to make subjective judgments that often require assumptions or estimates about highly uncertain matters. This critical accounting policy and its application are periodically reviewed with the Audit Committee and the Board of Directors.

Securities are evaluated for other-than-temporary impairment by performing periodic reviews of individual securities in the investment portfolio. Greene County Bancorp, Inc. makes an assessment to determine whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis. The Company considers many factors, including the severity and duration of the impairment; the intent and ability of the Company to hold the equity security for a period of time sufficient for a recovery in value; recent events specific to the issuer or industry; and for debt securities, intent to sell the security, the likelihood to be required to sell the security before it recovers the entire amortized cost, external credit ratings and recent downgrades. The Company is required to record other-than-temporary impairment charges through earnings, if it has the intent to sell, or will more likely than not be required to sell an impaired debt security before a recovery of its amortized cost basis. In addition, the Company is required to record other-than-temporary impairment charges through earnings for the amount of credit losses, regardless of the intent or requirement to sell. Credit loss is measured as the difference between the present value of an impaired debt security's cash flows and its amortized cost basis. Non-credit related write-downs to fair value must be recorded as decreases to accumulated other comprehensive income as long as the Company has no intent or requirement to sell an impaired security before a recovery of amortized cost basis.

(2) Nature of Operations

Greene County Bancorp, Inc.'s primary business is the ownership and operation of its subsidiaries. The Bank of Greene County has eleven full-service offices and an operations center located in its market area consisting of Greene County, Columbia County and southern Albany County, New York. The Bank of Greene County is primarily engaged in the business of attracting deposits from the general public in The Bank of Greene County's market area, and investing such deposits, together with other sources of funds, in loans and investment securities. Greene County Commercial Bank's primary business is to attract deposits from and provide banking services to local municipalities.

(3) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported

amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the assessment of other-than-temporary security impairment.

While management uses available information to recognize losses on loans, future additions to the allowance for loan losses (the "Allowance") may be necessary, based on changes in economic conditions, asset quality or other factors. In addition, various regulatory authorities, as an integral part of their examination process, periodically review our Allowance. Such authorities may require us to recognize additions to the Allowance based on their judgments of information available to them at the time of their examination.

Greene County Bancorp, Inc. makes an assessment to determine whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis. The Company considers numerous factors when determining whether a potential other-than-temporary impairment ("OTTI") exists and the period over which the debt security is expected to recover. The principal factors considered are (1) the length of time and the extent to which the fair value has been less than the amortized cost basis, (2) the financial condition of the issuer (and guarantor, if any) and adverse conditions specifically related to the security, industry or geographic area, (3) failure of the issuer of the security to make scheduled interest or principal payments, (4) any changes to the rating of the security by a rating agency, and (5) the presence of credit enhancements, if any, including the guarantee of the federal government or any of its agencies. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value.

(4) Securities

Securities at March 31, 2010 consisted of the following:

| | Amortized | Gross | Gross | Estimated |
|---|------------|------------|------------|------------|
| | Cost | Unrealized | Unrealized | Fair |
| | | Gains | Losses | Value |
| (In thousands) | | | | |
| Securities available-for-sale: | | | | |
| U.S. government sponsored enterprises | \$ 12,904 | \$ 65 | \$ --- | \$ 12,969 |
| State and political subdivisions | 9,292 | 345 | --- | 9,637 |
| Mortgage-backed securities-residential | 26,780 | 928 | --- | 27,708 |
| Mortgage-backed securities-multi-family | 24,878 | 1,151 | --- | 26,029 |
| Asset-backed securities | 33 | --- | 1 | 32 |
| Corporate debt securities | 6,913 | 81 | 74 | 6,920 |
| Total debt securities | 80,800 | 2,570 | 75 | 83,295 |
| Equity securities and other | 67 | 44 | --- | 111 |
| Total securities available-for-sale | 80,867 | 2,614 | 75 | 83,406 |
| Securities held-to-maturity: | | | | |
| U.S. government sponsored enterprises | 5,015 | 20 | --- | 5,035 |
| State and political subdivisions | 26,427 | 16 | --- | 26,443 |
| Mortgage-backed securities-residential | 28,738 | 801 | --- | 29,539 |
| Mortgage-backed securities-multi-family | 91 | 4 | --- | 95 |
| Other securities | 372 | --- | --- | 372 |
| Total securities held-to-maturity | 60,643 | 841 | --- | 61,484 |
| Total securities | \$ 141,510 | \$ 3,455 | \$ 75 | \$ 144,890 |

Securities at June 30, 2009 consisted of the following:

| | Amortized | Gross | Gross | Estimated |
|---|-----------|------------|------------|-----------|
| | Cost | Unrealized | Unrealized | Fair |
| | | Gains | Losses | Value |
| (In thousands) | | | | |
| Securities available-for-sale: | | | | |
| U.S. government sponsored enterprises | \$19,985 | \$164 | \$22 | \$20,127 |
| State and political subdivisions | 9,303 | 284 | 1 | 9,586 |
| Mortgage-backed securities-residential | 32,468 | 952 | --- | 33,420 |
| Mortgage-backed securities-multi-family | 25,556 | 1,153 | --- | 26,709 |
| Asset-backed securities | 46 | --- | 2 | 44 |
| Corporate debt securities | 8,759 | 13 | 480 | 8,292 |
| Total debt securities | 96,117 | 2,566 | 505 | 98,178 |
| Equity securities and other | 68 | 25 | --- | 93 |
| Total securities available-for-sale | 96,185 | 2,591 | 505 | 98,271 |
| Securities held-to-maturity: | | | | |
| U.S. government sponsored enterprises | 7,049 | 1 | 9 | 7,041 |
| State and political subdivisions | 23,303 | 3 | 6 | 23,300 |
| Mortgage-backed securities-residential | 30,034 | 553 | 8 | 30,579 |
| Mortgage-backed securities-multi-family | 2,285 | 68 | --- | 2,353 |
| Other securities | 665 | --- | --- | 665 |

Edgar Filing: GREENE COUNTY BANCORP INC - Form 10-Q

| | | | | |
|-----------------------------------|-----------|---------|-------|-----------|
| Total securities held-to-maturity | 63,336 | 625 | 23 | 63,938 |
| Total securities | \$159,521 | \$3,216 | \$528 | \$162,209 |

The following table shows fair value and gross unrealized losses, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2010. There were no unrealized losses on securities held-to-maturity at March 31, 2010.

| | Less Than 12 Months | | More Than 12 Months | | Total | |
|--------------------------------|---------------------|-------------------|---------------------|-------------------|------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| (in thousands) | | | | | | |
| Securities available-for-sale: | | | | | | |
| Asset-backed securities | \$--- | \$--- | \$32 | \$1 | \$32 | \$1 |
| Corporate debt securities | --- | --- | 2,481 | 74 | 2,481 | 74 |
| Total securities | \$--- | \$--- | \$2,513 | \$75 | \$2,513 | \$75 |

The following table shows fair value and gross unrealized losses, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2009.

| | Less Than 12 Months | | More Than 12 Months | | Total | |
|--|---------------------|-------------------|---------------------|-------------------|------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| (in thousands) | | | | | | |
| Securities available-for-sale: | | | | | | |
| U.S. government sponsored enterprises | \$6,038 | \$22 | \$--- | \$--- | \$6,038 | \$22 |
| State and political subdivisions | 202 | 1 | --- | --- | 202 | 1 |
| Asset-backed securities | --- | --- | 44 | 2 | 44 | 2 |
| Corporate debt securities | --- | --- | 7,220 | 480 | 7,220 | 480 |
| Total securities available-for-sale | 6,240 | 23 | 7,264 | 482 | 13,504 | 505 |
| Securities held-to-maturity: | | | | | | |
| U.S. government sponsored enterprises | 6,010 | 9 | --- | --- | 6,010 | 9 |
| State and political subdivisions | 668 | 6 | --- | --- | 668 | 6 |
| Mortgage-backed securities-residential | 2,581 | 8 | --- | --- | 2,581 | 8 |
| Total securities held-to-maturity | 9,259 | 23 | --- | --- | 9,259 | 23 |
| Total securities | \$15,499 | \$46 | \$7,264 | \$482 | \$22,763 | \$528 |

At March 31, 2010, there were no securities which had been in a continuous unrealized loss position for less than 12 months and 7 securities with a continuous unrealized loss position of more than 12 months. At March 31, 2010, the Company had \$6.9 million in corporate debt securities of which \$2.5 million had an unrealized loss of \$74,000 for more than 12 months. When the fair value of a held-to-maturity or available-for-sale security is less than its amortized cost basis, an assessment is made as to whether OTTI is present. The Company considers numerous factors when determining whether a potential OTTI exists and the period over which the debt security is expected to recover. The principal factors considered are (1) the length of time and the extent to which the fair value has been less than the amortized cost basis, (2) the financial condition of the issuer (and guarantor, if any) and adverse conditions specifically related to the security, industry or geographic area, (3) failure of the issuer of the security to make scheduled interest or principal payments, (4) any changes to the rating of the security by a rating agency, and (5) the

presence of credit enhancements, if any, including the guarantee of the federal government or any of its agencies.

For debt securities, OTTI is considered to have occurred if (1) the Company intends to sell the security, (2) it is more likely than not the Company will be required to sell the security before recovery of its amortized cost basis, or (3) if the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. In determining the present value of expected cash flows, the Company discounts the expected cash flows at the effective interest rate implicit in the security at the date of acquisition. In estimating cash flows expected to be collected, the Company uses available information with respect to security prepayments, default rates and severity. In determining whether OTTI has occurred for equity securities, the Company considers the applicable factors described above and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

For debt securities, credit-related OTTI is recognized in income while noncredit related OTTI on securities not expected to be sold is recognized in other comprehensive income ("OCI"). Credit-related OTTI is measured as the difference between the present value of an impaired security's expected cash flows and its amortized cost basis. Noncredit-related OTTI is measured as the difference between the fair value of the security and its amortized cost less any credit-related losses recognized. For securities classified as held-to-maturity, the amount of OTTI recognized in OCI is accreted to the credit-adjusted expected cash flow amounts of the securities over future periods. For equity securities, the entire amount of OTTI is recognized in income. Management evaluated securities considering the factors as outlined above, and based on this evaluation the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2010. Management believes that the reasons for the decline in fair value are due to interest rates, widening credit spreads and market illiquidity at the end of the quarter.

Gross realized gains and losses on sales of securities or other-than-temporary impairment of securities recognized in income during the nine months ended March 31, 2010 and 2009 are as follows:

| (in thousands) | Nine months ended March 31, | |
|--|-----------------------------|---------|
| | 2010 | 2009 |
| Gross realized gains | \$32 | \$13 |
| Gross realized losses | (37) | (28) |
| Other-than-temporary impairment losses | --- | (221) |
| Net losses recognized | \$(5) | \$(236) |

During the nine months ended March 31, 2010, the Company sold \$1.8 million of corporate debt securities which resulted in the recognition of a net loss of \$5,000. During the nine months ended March 31, 2009, the Company sold \$4.6 million of mortgage-backed securities and \$900,000 of state and political subdivision securities which resulted in the recognition of a net loss of \$15,000. Also during the nine months ended March 31, 2009, a loss of \$221,000 (\$135,000 net of tax) related to the other-than-temporary impairment of a Lehman Brothers Holdings, Inc. debt security held by the Company was recognized. The loss on this debt security was determined by obtaining a market quote as of the date of impairment. The decline in the value of this security was solely due to credit losses, and therefore the entire loss was recognized in income. There was no other-than-temporary impairment loss recognized during the quarter and nine months ended March 31, 2010.

During the nine months ended March 31, 2009, \$23.8 million of securities available-for-sale were transferred to held-to-maturity and included primarily mortgage-backed securities. These securities were transferred at fair value which reflected a net unrealized loss of \$338,000. This unrealized loss is being accreted to other comprehensive income over the remaining average lives of these securities.

The estimated fair value of debt securities at March 31, 2010, by contractual maturity are shown below. Expected maturities may differ from contractual maturities, because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

| | In | After | After | | |
|---|----------|------------|------------|-----------|-----------|
| | One Year | One Year | Five Years | After | |
| | Or Less | Through | Through | Ten Years | Total |
| | | Five Years | Ten Years | Ten Years | |
| (Dollars in thousands) | | | | | |
| Securities available-for-sale: | | | | | |
| U.S. Government sponsored enterprises | \$1,903 | \$9,063 | \$2,003 | \$--- | \$12,969 |
| State and political subdivisions | 2,490 | 6,590 | 557 | --- | 9,637 |
| Mortgage-backed securities-residential | 1,707 | 2,650 | 9,080 | 14,271 | 27,708 |
| Mortgage-backed securities-multi-family | 284 | 22,837 | 2,908 | --- | 26,029 |
| Asset-backed securities | --- | --- | --- | 32 | 32 |
| Corporate debt securities | --- | 2,886 | 4,034 | --- | 6,920 |
| Total debt securities | 6,384 | 44,026 | 18,582 | 14,303 | 83,295 |
| Equity securities | --- | --- | --- | 111 | 111 |
| Total securities available-for-sale | 6,384 | 44,026 | 18,582 | 14,414 | 83,406 |
| Securities held-to-maturity: | | | | | |
| U.S. government sponsored enterprises | 1,005 | 4,030 | --- | --- | 5,035 |
| State and political subdivisions | 12,890 | 7,303 | 3,524 | 2,726 | 26,443 |
| Mortgage-backed securities-residential | --- | 2,641 | 14,497 | 12,401 | 29,539 |
| Mortgage-backed securities-multi-family | --- | 95 | --- | --- | 95 |
| Other securities | 5 | 3 | --- | 364 | 372 |
| Total securities held-to-maturity | 13,900 | 14,072 | 18,021 | 15,491 | 61,484 |
| Total securities | \$20,284 | \$58,098 | \$36,603 | \$29,905 | \$144,890 |

As of March 31, 2010 and June 30, 2009, securities with an aggregate fair value of \$97.0 million and \$106.9 million, respectively, were pledged as collateral for deposits in excess of FDIC insurance limits for various municipalities placing deposits with Greene County Commercial Bank. Greene County Bancorp, Inc. did not participate in any securities lending programs during the quarters ended March 31, 2010 or 2009.

Federal Home Loan Bank Stock

Federal law requires a member institution of the Federal Home Loan Bank ("FHLB") system to hold stock of its district FHLB according to a predetermined formula. This stock is restricted in that it can only be sold to the FHLB or to another member institution, and all sales of FHLB stock must be at par. As a result of these restrictions, FHLB stock is carried at cost. FHLB stock is held as a long-term investment and its value is determined based on the ultimate recoverability of the par value. Impairment of this investment is evaluated quarterly and is a matter of judgment that reflects management's view of the FHLB's long-term performance, which includes factors such as the following: its operating performance; the severity and duration of declines in the fair value of its net assets related to its capital stock amount; its commitment to make payments required by law or regulation and the level of such payments in relation to its operating performance; the impact of legislative and regulatory changes on the FHLB, and accordingly, on the members of the FHLB; and its liquidity and funding position. After evaluating these considerations, Greene County Bancorp, Inc. concluded that the par value of its investment in FHLB stock will be recovered and, therefore, no other-than-temporary impairment charge was recorded during the nine months ended March 31, 2010 and 2009.

(5) Fair Value Measurements and Fair Value of Financial Instruments

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sale transaction on the dates indicated. The estimated fair value amounts have been measured as of March 31, 2010 and June 30, 2009 and have not been re-evaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end.

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful.

The FASB ASC Topic on "Fair Value Measurement" established a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows:

| | | Fair Value Measurements Using | | |
|----------------------------------|----------------|--|---|--|
| | | Quoted Prices In Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| (In thousands) | March 31, 2010 | | | |
| Assets: | | | | |
| Securities available-for-sale | \$83,406 | \$47,568 | \$35,838 | \$--- |

| | | Fair Value Measurements Using | | |
|-------------------------------|---------------|-------------------------------|-------------|--------------|
| | | Quoted | Significant | Significant |
| | | Prices | Other | Other |
| | | In Active | Observable | Unobservable |
| | | Markets | | |
| | | For Identical | | |
| | | Assets | Inputs | Inputs |
| (In thousands) | June 30, 2009 | (Level 1) | (Level 2) | (Level 3) |
| Assets: | | | | |
| Securities available-for-sale | \$98,271 | \$56,320 | \$41,951 | \$--- |

Certain investments that are actively traded and have quoted market prices have been classified as Level 1 valuations. Other available-for-sale investment securities have been valued by reference to prices for similar securities or through model-based techniques in which all significant inputs are observable and, therefore, such valuations have been classified as Level 2. There were no transfers between Level 1 and Level 2 during the quarter ended March 31, 2010.

In addition to disclosures of the fair value of assets on a recurring basis, FASB ASC Topic on “Fair Value Measurement” requires disclosures for assets and liabilities measured at fair value on a nonrecurring basis, such as impaired assets, in the period in which a re-measurement at fair value is performed. Loans are generally not recorded at fair value on a recurring basis. Periodically, the Company records nonrecurring adjustments to the carrying value of loans based on fair value measurements for partial charge-offs of the uncollectible portions of those loans. Nonrecurring adjustments also include certain impairment amounts for collateral-dependent loans calculated as required by the “Receivables –Loan Impairment” subtopic of the FASB ASC when establishing the allowance for credit losses. Impaired loans are those loans for which the Company has re-measured impairment generally based on the fair value of the underlying collateral supporting the loan and, as a result, the carrying value of the loan less the calculated valuation amount does not necessarily represent the fair value of the loan. Real estate collateral is typically valued using independent appraisals or other indications of value based on recent comparable sales of similar properties or assumptions generally observable in the marketplace and the related nonrecurring fair value measurement adjustments have generally been classified as Level 3. Estimates of fair value used for other collateral supporting commercial loans generally are based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3. At March 31, 2010, there were no loans subject to nonrecurring fair value measurement and no associated valuation allowance. At June 30, 2009, loans subject to nonrecurring fair value measurement had a gross carrying amount of \$98,000 and a fair value of \$88,000 with an associated valuation allowance of \$10,000. These loans were classified as a Level 3 valuation. No other financial assets or liabilities (such as Foreclosed Real Estate) were re-measured during the quarter on a nonrecurring basis.

The carrying amounts reported in the consolidated statements of financial condition for cash and cash equivalents, long term certificate of deposits, accrued interest receivable and accrued interest payable approximate their fair values. Fair values of securities are based on quoted market prices (Level 1), where available, or matrix pricing (Level 2), which is a mathematical technique, used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities’ relationship to other benchmark quoted prices. The carrying amount of Federal Home Loan Bank stock approximates fair value. Fair values for variable rate loans that reprice frequently, with no significant credit risk, are based on carrying value. Fair value for fixed rate loans are estimated using discounted cash flows and interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values disclosed for demand and savings deposits are equal to carrying amounts at the reporting date. The carrying amounts for variable rate money market deposits approximate fair values at the reporting date. Fair values for fixed rate certificates of deposit are estimated using discounted cash flows and interest rates currently being offered in the market on similar

certificates. Fair value for Federal Home Loan Bank borrowings are estimated using discounted cash flows and interest rates currently being offered on similar advances.

The fair value of commitments to extend credit is estimated based on an analysis of the interest rates and fees currently charged to enter into similar transactions, considering the remaining terms of the commitments and the credit-worthiness of the potential borrowers. At March 31, 2010 and June 30, 2009, the estimated fair values of these off-balance sheet financial instruments were immaterial, and are therefore excluded from the table below.

The carrying amounts and estimated fair value of financial instruments are as follows:

| (in thousands) | March 31, 2010 | | June 30, 2009 | |
|----------------------------------|-----------------|------------|-----------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Cash and cash equivalents | \$24,368 | \$24,368 | \$9,443 | \$9,443 |
| Long term certificate of deposit | 1,000 | 1,000 | 1,000 | 1,000 |
| Securities available-for-sale | 83,406 | 83,406 | 98,271 | 98,271 |
| Securities held-to-maturity | 60,643 | 61,484 | 63,336 | 63,938 |
| Federal Home Loan Bank stock | 1,405 | 1,405 | 1,495 | 1,495 |
| Net loans receivable | 287,971 | 295,134 | 267,902 | 275,369 |
| Accrued interest receivable | 2,733 | 2,733 | 2,448 | 2,448 |
| Deposits | 415,927 | 417,008 | 398,729 | 399,796 |
| Borrowings | 17,000 | 17,490 | 19,000 | 19,632 |
| Accrued interest payable | 114 | 114 | 114 | 114 |

(6) Earnings Per Share (“EPS”)

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares that would have been outstanding under the treasury stock method if all potentially dilutive common shares (such as stock options) issued became vested during the period. The 164,500 options granted during the nine months ended March 31, 2009 (see note 11) were anti-dilutive in the three and nine months ended March 31, 2009. There were no anti-dilutive securities or contracts outstanding during the quarter and nine months ended March 31, 2010.

| | Net Income | Weighted Average Number Of Shares Outstanding | Earnings per Share |
|----------------------------------|-------------|---|--------------------|
| Nine months ended | | | |
| March 31, 2010 | \$3,626,000 | | |
| Basic | | 4,110,014 | \$0.88 |
| Effect of dilutive stock options | | 24,986 | (0.00) |
| Diluted | | 4,135,000 | \$0.88 |
| Nine months ended | | | |
| March 31, 2009 | \$2,997,000 | | |
| Basic | | 4,100,072 | \$0.73 |
| Effect of dilutive stock options | | 19,901 | (0.00) |
| Diluted | | 4,119,973 | \$0.73 |

| | Net Income | Weighted Average Number Of Shares Outstanding | Earnings per Share |
|----------------------------------|-------------|---|-----------------------|
| Three months ended | | | |
| March 31, 2010 | \$1,226,000 | | |
| Basic | | 4,116,779 | \$0.30 |
| Effect of dilutive stock options | | 20,668 | (0.00) |
| Diluted | | 4,137,447 | \$0.30 |
| Three months ended | | | |
| March 31, 2009 | \$1,156,000 | | |
| Basic | | 4,104,119 | \$0.28 |
| Effect of dilutive stock options | | 17,067 | (0.00) |
| Diluted | | 4,121,186 | \$0.28 |

(7) Dividends

On January 19, 2010, the Board of Directors declared a quarterly dividend of \$0.17 per share of Greene County Bancorp, Inc.'s common stock. The dividend reflected an annual cash dividend rate of \$0.68 cents per share and was unchanged from the dividend declared during the previous quarter. The dividend was payable to stockholders of record as of February 12, 2010, and was paid on March 2, 2010. It should be noted that Greene County Bancorp, Inc.'s mutual holding company continued to waive receipt of dividends for the current period.

(8) Impact of Inflation and Changing Prices

The consolidated financial statements of Greene County Bancorp, Inc. and notes thereto, presented elsewhere herein, have been prepared in accordance with generally accepted accounting principles in the United States of America, 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 and due to inflation. The impact of inflation is reflected in the increased cost of Greene County Bancorp, Inc.'s operations. Unlike most industrial companies, nearly all the assets and liabilities of Greene County Bancorp, Inc. are monetary. As a result, interest rates have a greater impact on Greene County Bancorp, Inc.'s performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

(9) Impact of Recent Accounting Pronouncements

In June 2009, the FASB issued its first Accounting Standards Update, "Generally Accepted Accounting Principles," which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of the new Codification, the Company has updated references to GAAP in its consolidated financial statements issued beginning with the period ended September 30, 2009. The adoption of the new Codification did not impact the Company's consolidated financial position or consolidated results of operations.

In December 2008, the FASB issued an amendment to its guidance on "Compensation – Retirement Benefits". This amendment requires that information about plan assets of a postretirement benefit plan be disclosed, on an annual basis, based on the fair value disclosure requirements of "Fair Value Measurement". The disclosures about plan assets required by this amendment shall be provided for fiscal years ending after December 15, 2009. The adoption of the

new Codification will not impact the Company's consolidated financial position or consolidated results of operations.

In June 2009, the FASB issued an amendment to its guidance on "Transfers and Servicing". This guidance prescribes the information that a reporting entity must provide in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement in transferred financial assets. Specifically, among other aspects, the guidance removes the concept of a qualifying special-purpose entity. It also modifies the financial-components approach used in this standard. The new guidance is effective for fiscal years beginning after November 15, 2009. We have not determined the effect that the adoption of this guidance will have on our consolidated results of operations or financial position.

In June 2009, the FASB issued an amendment to its guidance on "Consolidation of Variable Interest Entities", to require an enterprise to determine whether it's variable interest or interests give it a controlling financial interest in a variable interest entity. The primary beneficiary of a variable interest entity is the enterprise that has both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. This amendment also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This new guidance is effective for fiscal years beginning after November 15, 2009. We have not determined the effect that the adoption of this guidance will have on our consolidated financial position or results of operations.

In November 2008, the SEC released a proposed roadmap regarding the potential use by U.S. issuers of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS is a comprehensive series of accounting standards published by the International Accounting Standards Board ("IASB"). Under the proposed roadmap, the Company may be required to prepare financial statements in accordance with IFRS as early as 2014. The SEC will make a determination in 2011 regarding the mandatory adoption of IFRS. The Company is currently assessing the impact that this potential change would have on its consolidated financial statements, and it will continue to monitor the development of the potential implementation of IFRS.

In January, 2010, the FASB issued updated guidance on "Equity, Accounting for Distributions to Shareholders with Components of Stock and Cash". The amendments in this update clarify that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in earnings per share prospectively and is not a stock dividend. This update codifies the consensus reached in EITF Issue No. 09-E, Accounting for Stock Dividends, Including Distributions to Shareholders with Components of Stock and Cash. This update is effective for interim and annual periods ending on or after December 15, 2009, and should be applied on a retrospective basis. The adoption of this guidance did not have a material effect on our consolidated results of operations or financial position.

In January 2010, the FASB issued updated guidance on "Consolidation, Accounting and Reporting for Decreases in Ownership of a Subsidiary – A Scope Clarification". This update clarifies that the scope of the decrease in ownership provisions of Subtopic 810-10 and related guidance applies to a subsidiary or group of assets that is a business or nonprofit activity; a subsidiary that is a business or nonprofit activity that is transferred to an equity method investee or joint venture; and an exchange of a group of assets that constitutes a business or nonprofit activity for a noncontrolling interest in an entity (including an equity method investee or joint venture. This update also clarifies that the decrease in ownership guidance in Subtopic 810-10 does not apply to: (a) sales of insubstance real estate; and (b) conveyances of oil and gas mineral rights, even if these transfers involve businesses. The amendments in this update expand the disclosure requirements about deconsolidation of a subsidiary or derecognition of a group of assets to include the valuation techniques used to measure the fair value of any retained investment; the nature of any continuing involvement with the subsidiary or entity acquiring the group of assets; and whether the transaction that resulted in the deconsolidation or derecognition was with a related party or whether the former subsidiary or entity

acquiring the assets will become a related party after the transaction. This update is effective beginning in the period that the entity adopts the amendments to guidance on “Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB 51”. If an entity has previously adopted this guidance, the amendments are effective beginning in the first interim or annual reporting period ending on or after December 15, 2009. The amendments in this update should be applied retrospectively to the first period that an entity adopts the guidance on “Noncontrolling Interests in Consolidated Financial Statements”. The Company does not believe that the adoption of this guidance will have a material effect on our consolidated results of operations or financial position.

In January 2010, the FASB issued amendments to its guidance on “Fair Value Measurements and Disclosures – Overall Subtopic”. The amendment requires new disclosures as follows: (1) For transfers in and out of Level 1 and 2 fair value measurements, a reporting entity should disclose separately the amounts of significant transfers and describe the reasons for the transfers, and (2) for the reconciliation for value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). The amendment also clarifies existing disclosure requirements relating to the level of disaggregation of each class of assets or liabilities within a line item in the statement of financial position and the inputs and valuation techniques utilized to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of these amendments did not and will not have a material effect on our consolidated results of operations or financial position.

In February 2010, the FASB issued amendments to certain recognition and disclosure requirements for “Subsequent Events”. The amendments remove the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. The amends in this update are effective upon issuance of the final update. Adoption of this guidance did not have a material impact on our consolidated results of operations or financial position.

In March 2010, the FASB issued amendments to its guidance on “Derivatives and Hedging – Embedded Derivatives”. The amendments provides clarifications and related additional examples to improve financial reporting by resolving potential ambiguity about the breadth of the embedded credit derivative scope exception in paragraphs 815-15-15-8 through 15-9 of the guidance on “Derivatives and Hedging – Embedded Derivatives”. The amendments in this update are effective for each reporting entity at the beginning of its first fiscal quarter beginning after June 15, 2010. Early adoption is permitted at the beginning of each entity’s first fiscal quarter beginning after the issuance of this update. The Company is currently assessing the impact that these amendments would have on its consolidated financial statements.

(10) Retirement Benefits

The components of net periodic pension costs related to the defined benefit pension plan for the three and nine months ended March 31, 2010 and 2009 were as follows:

| (in thousands) | Three months ended | | Nine months ended | |
|--------------------------------|--------------------|-------|-------------------|-------|
| | March 31, | | March 31, | |
| | 2010 | 2009 | 2010 | 2009 |
| Interest cost | \$50 | \$--- | \$152 | \$--- |
| Expected return on plan assets | (53 |) --- | (161 |) --- |
| Amortization of net loss | 2 | --- | 6 | --- |

| | | | | |
|---------------------------|------|---------|------|---------|
| Net periodic pension cost | \$(1 |) \$--- | \$(3 |) \$--- |
|---------------------------|------|---------|------|---------|

The Company does not expect to make any contributions to the defined benefit pension plan during fiscal 2010.

(11) Stock-Based Compensation

At March 31, 2010, Greene County Bancorp, Inc. had three stock-based compensation plans, which are described more fully in Note 9 of the consolidated financial statements and notes thereto for the year ended June 30, 2009.

The Company recognized \$168,000 and \$56,000 in compensation costs and related income tax benefit of \$51,000 and \$17,000 related to the 2008 Option Plan for the nine months and quarter ended March 31, 2010, respectively. The Company recognized \$149,000 and \$56,000 in compensation costs and related income tax benefit of \$22,000 and \$12,000 related to the 2008 Option Plan for the nine months and quarter ended March 31, 2009, respectively. At March 31, 2010, there was \$296,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted. That cost is expected to be recognized over a weighted-average period of 1.25 years.

A summary of the Company's stock option activity and related information for its option plans for the nine months ended March 31, 2010 and 2009 is as follows:

| | 2010 | | 2009 | |
|----------------------------------|-----------|---------------------------------|----------|---------------------------------|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Outstanding at beginning of year | 196,660 | \$11.33 | 41,944 | \$5.00 |
| Options granted | --- | --- | 164,500 | \$12.50 |
| Exercised | (15,730) | \$4.36 | (9,784) | \$3.94 |
| Forfeited | (9,180) | \$3.94 | --- | --- |
| Outstanding at period end | 171,750 | \$12.36 | 196,660 | \$11.33 |
| Exercisable at period end | 62,085 | \$12.11 | 32,160 | \$5.33 |

The following table presents stock options outstanding and exercisable at March 31, 2010:

| Options Outstanding and Exercisable | | | |
|-------------------------------------|--------------------|---|---------------------------------|
| Range of Exercise Prices | Number Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price |
| \$9.20 | 7,250 | 2.00 | \$9.20 |
| \$12.50 | 54,835 | 8.50 | \$12.50 |
| \$9.20-\$12.50 | 62,085 | | \$12.11 |

The total intrinsic value of the options exercised during the nine months and quarter ended March 31, 2010 was approximately \$164,000, and \$52,000, respectively, and for the nine months and quarter ended March 31, 2009 was approximately \$75,000 and \$15,000, respectively. There were no stock options granted during the nine months ended March 31, 2010. The Company had 109,665 non-vested options outstanding at March 31, 2010 and 164,500 non-vested options outstanding at March 31, 2009.

(12) Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income as of March 31, 2010 and 2009 are presented in the following table:

| | 2010 | 2009 |
|--|---------|--------|
| Accumulated other comprehensive income, at March 31, | | |
| Unrealized gains on available-for-sale securities, net of tax | \$1,556 | \$653 |
| Unrealized loss on securities transferred to held-to-maturity, net of tax | (128) | (194) |
| Net losses and past service liability for defined benefit plan, net of tax | (309) | --- |
| Accumulated other comprehensive income | \$1,119 | \$459 |

(13) Subsequent events

On April 20, 2010, the Board of Directors declared a quarterly dividend of \$0.175 per share on Greene County Bancorp, Inc.'s common stock. The dividend reflects an annual cash dividend rate of \$0.70 per share, which was an increase of 2.9% from \$0.68 for the previous quarter. The dividend will be payable to stockholders of record as of May 14, 2010, and will be paid on June 2, 2010. It should be noted that Greene County Bancorp, Inc.'s mutual holding company continues to waive receipt of dividends on the shares it owns.

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

Overview of the Company's Activities and Risks

Greene County Bancorp, Inc.'s consolidated results of operations depend primarily on its net interest income, which is the difference between the income earned on Greene County Bancorp, Inc.'s loan and securities portfolios and its cost of funds, consisting of the interest paid on deposits and borrowings. Consolidated results of operations are also affected by Greene County Bancorp, Inc.'s provision for loan losses, gains and losses from sales of securities, noninterest income and noninterest expense. Noninterest income consists primarily of fees and service charges. Greene County Bancorp, Inc.'s noninterest expense consists principally of compensation and employee benefits, occupancy, equipment and data processing, and other operating expenses. Consolidated results of operations are also significantly affected by general economic and competitive conditions, changes in interest rates, as well as government policies and actions of regulatory authorities. Additionally, future changes in applicable law, regulations or government policies may materially affect Greene County Bancorp, Inc.

To operate successfully, the Company must manage various types of risk, including but not limited to, market or interest rate risk, credit risk, transaction risk, liquidity risk, security risk, strategic risk, reputation risk and compliance risk. While all of these risks are important, the risks of greatest significance to the Company relate to market or interest rate risk and credit risk.

Market risk is the risk of loss from adverse changes in market prices and/or interest rates. Since net interest income (the difference between interest earned on loans and investments and interest paid on deposits and borrowings) is the Company's primary source of revenue, interest rate risk is the most significant non-credit related market risk to which the Company is exposed. Net interest income is affected by changes in interest rates as well as fluctuations in the level and duration of the Company's assets and liabilities.

Interest rate risk is the exposure of the Company's net interest income to adverse movements in interest rates. In addition to directly impacting net interest income, changes in interest rates can also affect the amount of new loan originations, the ability of borrowers and debt issuers to repay loans and debt securities, the volume of loan repayments and refinancings, and the flow and mix of deposits.

Credit risk is the risk to the Company's earnings and shareholders' equity that results from customers, to whom loans have been made and to the issuers of debt securities in which the Company has invested, failing to repay their obligations. The magnitude of risk depends on the capacity and willingness of borrowers and debt issuers to repay and the sufficiency of the value of collateral obtained to secure the loans made or investments purchased.

Critical Accounting Policies

For a discussion of critical accounting policies please refer to Note (1) Basis of Presentation.

Special Note Regarding Forward Looking Statements

This quarterly report contains forward-looking statements. Greene County Bancorp, Inc. desires to take advantage of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing itself of the protections of the safe harbor with respect to all such forward-looking statements. These forward-looking statements, which are included in this Management’s Discussion and Analysis and elsewhere in this quarterly report, describe future plans or strategies and include Greene County Bancorp, Inc.’s expectations of future financial results. The words “believe,” “expect,” “anticipate,” “project,” and similar expressions identify forward-looking statements. Greene County Bancorp, Inc.’s ability to predict results or the effect of future plans or strategies or qualitative or quantitative changes based on market risk exposure is inherently uncertain. Factors that could affect actual results include but are not limited to:

- (a) changes in general market interest rates,
- (b) general economic conditions, including unemployment rates and real estate values,
- (c) legislative and regulatory changes,
- (d) monetary and fiscal policies of the U.S. Treasury and the Federal Reserve,
- (e) changes in the quality or composition of The Bank of Greene County’s loan portfolio or the consolidated investment portfolios of The Bank of Greene County and Greene County Bancorp, Inc.,
- (f) deposit flows,
- (g) competition, and
- (h) demand for financial services in Greene County Bancorp, Inc.’s market area.

These factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements, since results in future periods may differ materially from those currently expected because of various risks and uncertainties.

Comparison of Financial Condition as of March 31, 2010 and June 30, 2009

ASSETS

Total assets of the Company were \$478.9 million at March 31, 2010 as compared to \$460.5 million at June 30, 2009, an increase of \$18.4 million, or 4.0%. Securities available for sale and held to maturity amounted to \$144.0 million, or 30.1% of assets, at March 31, 2010 as compared to \$161.6 million, or 35.1% of assets, at June 30, 2009, a decrease of \$17.6 million or 10.9%. Net loans grew by \$20.1 million or 7.5% to \$288.0 million at March 31, 2010 as compared to \$267.9 million at June 30, 2009.

CASH AND CASH EQUIVALENTS

Total cash and cash equivalents increased to \$24.4 million at March 31, 2010 as compared to \$9.4 million at June 30, 2009, an increase of \$15.0 million or 159.6%. The level of cash and cash equivalents is a function of the daily account clearing needs and deposit levels as well as activities associated with securities transactions and loan funding. All of these items can cause cash levels to fluctuate significantly on a daily basis.

SECURITIES

Securities, including both available-for-sale and held-to-maturity issues, decreased \$17.6 million or 10.9% to \$144.0 million at March 31, 2010 as compared to \$161.6 million at June 30, 2009. Securities purchases totaled \$10.5 million during the nine months ended March 31, 2010 and consisted of \$9.4 million in state and political subdivision securities and \$1.1 million in mortgage-backed securities. Sales of securities totaled \$1.8 million during the nine months ended March 31, 2010 and consisted of corporate debt securities. Principal pay-downs and maturities amounted to \$26.1 million, of which \$10.5 million were mortgage-backed securities, \$6.6 million were state and political subdivision securities and \$9.0 million were U.S. government agency securities. Additionally, during the nine months ended March 31, 2010, unrealized net gains on securities increased \$533,000. Greene County Bancorp, Inc. held 25.0% of the securities portfolio at March 31, 2010 in state and political subdivision securities to take advantage of tax savings and to promote Greene County Bancorp, Inc.'s participation in the communities in which it operates. Mortgage-backed securities and asset-backed securities held within the portfolio do not contain sub-prime loans and are not exposed to the credit risk associated with such lending.

| (Dollars in thousands) | Carrying Value at | | | |
|--|-------------------|-------------------------|---------------|-------------------------|
| | March 31, 2010 | | June 30, 2009 | |
| | Balance | Percentage of Portfolio | Balance | Percentage of Portfolio |
| Securities available-for-sale: | | | | |
| U.S. government sponsored enterprises | \$12,969 | 9.0 % | \$20,127 | 12.4 % |
| State and political subdivisions | 9,637 | 6.7 | 9,586 | 5.9 |
| Mortgage-backed securities-residential | 27,708 | 19.2 | 33,420 | 20.7 |
| Mortgage-backed securities-multifamily | 26,209 | 18.1 | 26,709 | 16.5 |
| Asset-backed securities | 32 | 0.0 | 44 | 0.1 |
| Corporate debt securities | 6,920 | 4.8 | 8,292 | 5.1 |
| Total debt securities | 83,295 | 57.8 | 98,178 | 60.7 |
| Equity securities and other | 111 | 0.1 | 93 | 0.1 |
| Total securities available-for-sale | 83,406 | 57.9 | 98,271 | 60.8 |
| Securities held-to-maturity: | | | | |
| U.S. government sponsored enterprises | 5,015 | 3.5 | 7,049 | 4.4 |
| State and political subdivisions | 26,427 | 18.3 | 23,303 | 14.4 |
| Mortgage-backed securities-residential | 28,738 | 19.9 | 30,034 | 18.6 |

Edgar Filing: GREENE COUNTY BANCORP INC - Form 10-Q

| | | | | |
|--|-----------|-------|-------------|---------|
| Mortgage-backed securities-multifamily | 91 | 0.1 | 2,285 | 1.4 |
| Other securities | 372 | 0.3 | 665 | 0.4 |
| Total securities held-to-maturity | 60,643 | 42.1 | 63,336 | 39.2 |
| Total securities | \$144,049 | 100.0 | % \$161,607 | 100.0 % |

LOANS

Net loans receivable increased to \$288.0 million at March 31, 2010 from \$267.9 million at June 30, 2009, an increase of \$20.1 million, or 7.5%. The loan growth experienced during the nine months primarily consisted of \$7.2 million in residential mortgages, \$9.6 million in commercial real estate loans, and \$3.1 million in non-mortgage loans. The continued low interest rate environment and strong customer satisfaction from personal service continued to enhance loan growth. If long term rates begin to rise, the Company anticipates some slow down in new loan demand as well as refinancing activities. The Bank of Greene County continues to use a conservative underwriting policy in regard to all loan originations, and does not engage in sub-prime lending or the origination of other exotic loan products. It should be noted however that the Company is subject to the effects of any downturn, and especially, a significant decline in home values in the Company's markets could have a negative effect on the consolidated results of operations. A significant decline in home values would likely lead to a decrease in residential real estate loan and new home equity loan originations and increased delinquencies and defaults in both the consumer home equity loan and the residential real estate loan portfolios and result in increased losses in these portfolios. As of March 31, 2010, declines in home values have been modest in the Company's market area. However, updated appraisals are obtained on loans when there is a reason to believe that there has been a change in the borrower's ability to repay the loan principal and interest, generally, when a loan is in a delinquent status. Additionally, if an existing loan is to be modified or refinanced, generally, an appraisal is ordered to ensure continued collateral adequacy.

| (Dollars in thousands) | March 31, 2010 | | June 30, 2009 | |
|--|----------------|-------------------------|---------------|-------------------------|
| | Balance | Percentage of Portfolio | Balance | Percentage of Portfolio |
| Real estate mortgages: | | | | |
| Residential | \$179,261 | 61.5 % | \$172,038 | 63.5 % |
| Commercial | 56,604 | 19.4 | 47,029 | 17.3 |
| Construction and land | 8,245 | 2.9 | 7,806 | 2.9 |
| Multifamily | 1,165 | 0.4 | 1,140 | 0.4 |
| Total real estate mortgages | 245,275 | 84.2 | 228,013 | 84.1 |
| Home equity loans | 26,256 | 9.0 | 26,183 | 9.7 |
| Commercial loans | 15,615 | 5.4 | 12,631 | 4.7 |
| Installment loans | 3,859 | 1.3 | 3,827 | 1.4 |
| Passbook loans | 392 | 0.1 | 347 | 0.1 |
| Total gross loans | 291,397 | 100.0 % | 271,001 | 100.0 % |
| Unearned origination fees and costs, net | 439 | | 321 | |
| Allowance for loan losses | (3,865) | | (3,420) | |
| Total net loans | \$287,971 | | \$267,902 | |

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is established through a provision for loan losses based on management's evaluation of the risk inherent in the loan portfolio, the composition of the loan portfolio, specific impaired loans and current economic conditions. Such evaluation, which includes a review of all loans on which full collectibility may not be reasonably assured, considers among other matters, the estimated net realizable value or the fair value of the underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an allowance for loan loss. In addition, various regulatory agencies, as an integral part of their examination process, periodically review The Bank of Greene County's allowance for loan losses and valuation of foreclosed real estate ("FRE"). Such agencies may require The Bank of Greene County to recognize additions to the allowance based on their judgment about information available to them at the time of their examination. The Bank of Greene County considers residential mortgages, home equity loans and installment loans to customers as small, homogeneous loans, which are evaluated for impairment collectively based on historical loss experience. Commercial mortgage and business loans are viewed individually and considered impaired if it is probable that The Bank of Greene County will not be able to collect scheduled payments of principal and interest when due, according to the contractual terms of the loan agreements. The measurement of impaired loans is generally based on the fair value of the underlying collateral. The allowance for loan losses is increased by a provision for loan losses (which results in a charge to expense) and recoveries of loans previously charged off and is reduced by net charge-offs.

Analysis of allowance for loan losses activity

| (Dollars in thousands) | Nine months ended | |
|--|-------------------|-------------------|
| | March 31, 2010 | March 31, 2009 |
| Balance at the beginning of the period | \$3,420 | \$1,888 |
| Charge-offs: | | |
| Real estate mortgages: | | |
| Residential | 84 | 65 |
| Commercial | 230 | --- |
| Multifamily | 57 | --- |
| Commercial loans | 65 | 110 |
| Installment loans | 42 | 57 |
| Overdraft protection accounts | 165 | 209 |
| Total loans charged off | 643 | 441 |
| Recoveries: | | |
| Real estate mortgages: | | |
| Residential | --- | 1 |
| Home equity loans | --- | 1 |
| Commercial loans | 18 | --- |
| Installment loans | 25 | 22 |
| Overdraft protection accounts | 61 | 45 |
| Total recoveries | 104 | 69 |
| Net charge-offs | 539 | 372 |
| Provisions charged to operations | 984 | 1,764 |
| Balance at the end of the period | \$3,865 | \$3,280 |

| | | | | |
|--|--------|---|--------|---|
| Ratio of annualized net charge-offs to average loans outstanding | 0.26 | % | 0.19 | % |
| Ratio of annualized net charge-offs to nonperforming assets | 24.44 | % | 27.07 | % |
| Allowance for loan losses to nonperforming loans | 123.21 | % | 189.38 | % |
| Allowance for loan losses to total loans receivable | 1.33 | % | 1.23 | % |

Nonaccrual Loans and Nonperforming Assets

Loans are reviewed on a regular basis. Management determines that a loan is impaired or nonperforming when it is probable that the borrower will be unable to repay the loan according to the original contractual terms of the loan agreement or the loan is restructured in a troubled debt restructuring. When a loan is determined to be impaired, the measurement of the loan impairment is based on the present value of estimated future cash flows, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral. Management places loans on nonaccrual status once the loans have become 90 days or more delinquent. Nonaccrual is defined as a loan in which collectibility is questionable and therefore interest on the loan will no longer be recognized on an accrual basis. A loan does not have to be 90 days delinquent in order to be classified as nonperforming. Foreclosed real estate is considered nonperforming. The Bank of Greene County had no accruing loans delinquent more than 90 days at March 31, 2010 or June 30, 2009.

Analysis of Nonaccrual Loans and Nonperforming Assets

| | At | | | |
|--|-----------|----------|------|---|
| (Dollars in thousands) | March 31, | June 30, | | |
| | 2010 | 2009 | | |
| Nonaccrual loans: | | | | |
| Real estate mortgages: | | | | |
| Residential | \$1,871 | \$1,573 | | |
| Commercial | 825 | 749 | | |
| Construction and land | 13 | 13 | | |
| Multifamily | 128 | --- | | |
| Home equity loans | 199 | 227 | | |
| Commercial loans | 43 | 132 | | |
| Installment loans | 58 | 19 | | |
| Total nonaccrual loans | 3,137 | 2,713 | | |
| Accruing loans delinquent 90 days or more | --- | --- | | |
| Foreclosed real estate: | | | | |
| Residential | 65 | 100 | | |
| Multifamily | --- | 115 | | |
| Foreclosed real estate | 65 | 215 | | |
| Total nonperforming assets | \$3,202 | \$2,928 | | |
| Total nonperforming assets as a percentage of total assets | 0.67 | % | 0.64 | % |
| Total nonperforming loans to total loans | 1.09 | % | 1.01 | % |

The Company identifies impaired loans and measures the impairment in accordance with FASB ASC subtopic "Receivables – Loan Impairment". A loan is considered impaired when it is probable that the borrower will be unable to repay the loan according to the original contractual terms of the loan agreement or the loan is restructured in a troubled debt restructuring. There were no impaired loans as of March 31, 2010 and \$125,000 in impaired loans as of March 31, 2009. The impaired loan at March 31, 2009, was restructured in a troubled debt restructuring and is performing in accordance with its restructured terms. The Company had allocated \$50,000 of the allowance for loan losses for this loan as of March 31, 2009.

Interest income of \$72,000 and \$47,000 was recorded on nonaccrual loans based on cash payments received during the nine months ended March 31, 2010 and 2009, respectively.

DEPOSITS

Total deposits increased to \$415.9 million at March 31, 2010 from \$398.7 million at June 30, 2009, an increase of \$17.2 million, or 4.3%. Due to the low interest rate environment deposit balances have shifted from certificates of deposit to interest bearing checking accounts (NOW accounts), savings accounts, money market accounts and noninterest bearing deposits.. NOW accounts increased \$10.7 million or 9.2% to \$125.4 million at March 31, 2010 as compared to \$114.8 million at June 30, 2009. Savings deposits increased \$6.9 million to \$89.5 million at March 31, 2010. Money market deposits increased \$2.8 million, or 4.5% to \$65.2 million at March 31, 2010. Noninterest bearing deposits increased \$716,000 to \$40.5 million at March 31, 2010. Certificates of deposit balances decreased \$3.9 million between June 30, 2009 and March 31, 2010.

(Dollars in thousands)

| | At March 31, 2010 | Percentage of Portfolio | At June 30, 2009 | Percentage of Portfolio |
|------------------------------|-------------------------|----------------------------|------------------------|----------------------------|
| Noninterest bearing deposits | \$40,488 | 9.7 | % \$39,772 | 10.0 |
| Certificates of deposit | 95,334 | 22.9 | 99,208 | 24.9 |
| Savings deposits | 89,513 | 21.6 | 82,620 | 20.7 |
| Money market deposits | 65,187 | 15.7 | 62,371 | 15.6 |
| NOW deposits | 125,405 | 30.1 | 114,758 | 28.8 |
| Total deposits | \$415,927 | 100.0 | % \$398,729 | 100.0 |

BORROWINGS

At March 31, 2010, The Bank of Greene County had available an Overnight Line of Credit and a One-Month Overnight Repricing Line of Credit, each in the amount of \$45.7 million with the Federal Home Loan Bank ("FHLB"). At March 31, 2010, there were no balances outstanding under these facilities. Interest rates on these lines are determined at the time of borrowing. In addition to the overnight line of credit program, The Bank of Greene County also has access to the FHLB's Term Advance Program under which it can borrow at various terms and interest rates. The Bank of Greene County pledges residential mortgages as collateral for these lines of credit and term borrowings. At March 31, 2010, approximately \$109.5 million of collateral was available to be pledged against potential borrowings at the FHLB. The Bank also pledges securities as collateral at the Federal Reserve Bank discount window for overnight borrowings. At March 31, 2010, approximately \$6.9 million of collateral was available to be pledged against potential borrowings at the Federal Reserve Bank discount window. There were no balances outstanding with the Federal Reserve Bank at March 31, 2010.

At March 31, 2010, The Bank of Greene County had term borrowings totaling \$17.0 million from the FHLB, of which \$12.0 million consisted of several fixed rate, fixed term advances with a weighted average rate of 3.42% and a weighted average maturity of 26 months. The remaining \$5.0 million borrowing, which carried a 3.64% interest rate at March 31, 2010, is unilaterally convertible by the FHLB under certain market interest rate scenarios, including three-month LIBOR at or above 7.50%, into replacement advances for the same or lesser principal amount based on the then current market rates. If the Bank chooses not to accept the replacement funding, the Bank must repay this convertible advance, including any accrued interest, on the interest payment date.

At March 31, 2010, Greene County Bancorp, Inc. had available a revolving line of credit of \$5.0 million with Atlantic Central Bankers Bank ("ACBB"). The line of credit is secured by all of the outstanding shares of common stock of The

Bank of Greene County. At March 31, 2010, there were no balances outstanding under this line of credit. This line of credit will mature on April 28, 2012 and carries a floating interest rate equal to the prime rate as reported in the Wall Street Journal.

Scheduled maturities of long-term borrowings at March 31, 2010 were as follows:

(In thousands)

Fiscal year end, June 30

| | | |
|------|----|--------|
| 2011 | \$ | 5,000 |
| 2012 | | 3,000 |
| 2013 | | 1,000 |
| 2014 | | 6,000 |
| 2015 | | 2,000 |
| | \$ | 17,000 |

EQUITY

Shareholders' equity increased to \$43.5 million at March 31, 2010 from \$40.3 million at June 30, 2009, as net income of \$3.6 million was partially offset by dividends declared and paid of \$921,000. Additionally, shareholders' equity increased \$327,000 as a result of an increase in unrealized gains, net of tax in the available-for-sale investment portfolio, accretion of unrealized loss on securities transferred to held-to-maturity and the reclassification adjustment for loss on sale of available-for-sale securities. Other changes in equity, totaling a \$205,000 increase, were the result of activities associated with the various stock-based compensation plans of the Company, including the 2000 and 2008 Stock Option Plans.

Comparison of Operating Results for the Nine Months and Quarter Ended March 31, 2010 and 2009

Average Balance Sheet

The following table sets forth certain information relating to Greene County Bancorp, Inc. for the nine months and quarters ended March 31, 2010 and 2009. For the periods indicated, the total dollar amount of interest income from average interest earning assets and the resultant yields, as well as the interest expense on average interest bearing liabilities, are expressed both in dollars and rates. No tax equivalent adjustments were made. Average balances were based on daily averages. Average loan balances include non-performing loans. The loan yields include net amortization of certain deferred fees and costs that are considered adjustments to yields.

Nine Months Ended March 31, 2010 and 2009

| (Dollars in thousands) | 2010 Average Outstanding Balance | 2010 Interest Earned/ Paid | 2010 Average Yield/ Rate | 2009 Average Outstanding Balance | 2009 Interest Earned/ Paid | 2009 Average Yield/ Rate | |
|---|---|-------------------------------------|-----------------------------------|---|-------------------------------------|-----------------------------------|---|
| Interest earning assets: | | | | | | | |
| Loans receivable, net ¹ | \$ 282,579 | \$ 12,830 | 6.05 | % \$ 257,609 | \$ 12,101 | 6.26 | % |
| Securities ² | 157,430 | 4,377 | 3.70 | 139,180 | 4,636 | 4.44 | |
| Federal funds | 2,744 | 2 | 0.10 | 3,446 | 16 | 0.62 | |
| Interest-bearing bank balances | 4,725 | 11 | 0.31 | 2,963 | 25 | 1.13 | |
| FHLB stock | 1,483 | 63 | 5.66 | 1,413 | 46 | 4.34 | |
| Total interest earning assets | 448,961 | 17,283 | 5.13 | % 404,611 | 16,824 | 5.54 | % |
| Cash and due from banks | 6,521 | | | 6,079 | | | |
| Allowance for loan losses | (3,625) | | | (2,083) | | | |
| Other non-interest earning assets | 18,315 | | | 18,096 | | | |
| Total assets | \$ 470,172 | | | \$ 426,703 | | | |
| Interest bearing liabilities: | | | | | | | |
| Savings and money market deposits | \$ 145,612 | \$ 867 | 0.79 | % \$ 118,634 | \$ 1,043 | 1.17 | % |
| NOW deposits | 123,888 | 1,140 | 1.22 | 115,403 | 1,579 | 1.82 | |
| Certificates of deposit | 96,703 | 1,589 | 2.19 | 93,638 | 2,059 | 2.93 | |
| Borrowings | 20,307 | 486 | 3.19 | 20,629 | 503 | 3.25 | |
| Total interest bearing liabilities | 386,510 | 4,082 | 1.41 | % 348,304 | 5,184 | 1.98 | % |
| Non-interest bearing deposits | 39,446 | | | 38,433 | | | |
| Other non-interest bearing liabilities | 2,269 | | | 2,586 | | | |
| Shareholders' equity | 41,947 | | | 37,380 | | | |
| Total liabilities and equity | \$ 470,172 | | | \$ 426,703 | | | |
| Net interest income | | \$ 13,201 | | | \$ 11,640 | | |
| Net interest rate spread | | | 3.72 | % | | 3.56 | % |

Edgar Filing: GREENE COUNTY BANCORP INC - Form 10-Q

| | | | | | |
|---|-----------|--------|---|--------|---|
| Net Earning Assets | \$ 62,451 | | | | |
| Net interest margin | | 3.92 | % | 3.84 | % |
| Average interest earning assets to average interest bearing liabilities | | 116.16 | % | 116.17 | % |

1 Calculated net of deferred loan fees and costs, loan discounts, and loans in process.

2 Includes tax-free securities, mortgage-backed securities, asset-backed securities and long term certificates of deposit.

Quarter Ended March 31, 2010 and 2009

| (Dollars in thousands) | 2010 | 2010 | 2010 | 2009 | 2009 | 2009 | |
|--|-------------|----------|---------|--------------|----------|---------|---|
| | Average | Interest | Average | Average | Interest | Average | |
| | Outstanding | Earned/ | Yield/ | Outstanding | Earned/ | Yield/ | |
| | Balance | Paid | Rate | Balance | Paid | Rate | |
| Interest earning assets: | | | | | | | |
| Loans receivable, net ¹ | \$ 289,112 | \$4,374 | 6.05 | % \$ 266,361 | \$4,112 | 6.17 | % |
| Securities ² | 152,897 | 1,499 | 3.92 | 143,486 | 1,552 | 4.33 | |
| Federal funds | 1,788 | 1 | 0.22 | 7,270 | 4 | 0.22 | |
| Interest-bearing bank balances | 6,233 | 2 | 0.13 | 5,057 | 7 | 0.55 | |
| FHLB stock | 1,445 | 21 | 5.81 | 1,341 | 11 | 3.28 | |
| Total interest earning assets | 451,475 | 5,897 | 5.22 | % 423,515 | 5,686 | 5.37 | % |
| Cash and due from banks | 6,616 | | | 6,123 | | | |
| Allowance for loan losses | (3,738) | | | (2,385) | | | |
| Other non-interest earning assets | 19,517 | | | 18,365 | | | |
| Total assets | \$473,870 | | | \$445,618 | | | |
| Interest bearing liabilities: | | | | | | | |
| Savings and money market deposits | \$ 148,298 | \$279 | 0.75 | % \$ 129,713 | \$360 | 1.11 | % |
| NOW deposits | 125,052 | 360 | 1.15 | 120,562 | 517 | 1.72 | |
| Certificates of deposit | 95,630 | 491 | 2.05 | 98,296 | 704 | 2.87 | |
| Borrowings | 19,399 | 153 | 3.15 | 19,000 | 161 | 3.39 | |
| Total interest bearing liabilities | 388,379 | 1,283 | 1.32 | % 367,571 | 1,742 | 1.90 | % |
| Non-interest bearing deposits | 39,951 | | | 36,178 | | | |
| Other non-interest bearing liabilities | 2,524 | | | 3,272 | | | |
| Shareholders' equity | 43,016 | | | 38,597 | | | |
| Total liabilities and equity | \$473,870 | | | \$445,618 | | | |
| Net interest income | | \$4,614 | | | \$3,944 | | |

Edgar Filing: GREENE COUNTY BANCORP INC - Form 10-Q

| | | | | |
|--|-----------|---|--------|---|
| Net interest rate spread | 3.90 | % | 3.47 | % |
| Net Earning Assets | \$ 63,096 | | | |
| Net interest margin | 4.09 | % | 3.73 | % |
| Average interest earning assets to average interest bearing liabilities | 116.25 | % | 115.22 | % |

1Calculated net of deferred loan fees and costs, loan discounts, and loans in process.

2Includes tax-free securities, mortgage-backed securities, asset-backed securities and long term certificates of deposit.

Rate / Volume Analysis

The following table presents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected Greene County Bancorp, Inc.'s interest income and interest expense during the periods indicated. Information is provided in each category with respect to:

- (i) Change attributable to changes in volume (changes in volume multiplied by prior rate);
- (ii) Change attributable to changes in rate (changes in rate multiplied by prior volume); and
- (iii) The net change.

The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

| (Dollars in thousands) | Nine Months Ended March 31, 2010 versus 2009 | | | Three Months Ended March 31, 2010 versus 2009 | | |
|---|--|----------------|-------------------------|---|--------------|-------------------------|
| | Increase/(Decrease) | | Total | Increase/(Decrease) | | Total |
| | Due to | | Increase/ (Decrease) | Due to | | Increase/ (Decrease) |
| | Volume | Rate | (Decrease) | Volume | Rate | (Decrease) |
| Interest-earning assets: | | | | | | |
| Loans receivable, net ¹ | \$1,144 | \$(415) |) \$729 | \$344 | \$(82) |) \$262 |
| Securities ² | 566 | (825) |) (259) | 99 | (152) |) (53) |
| Federal funds | (3) | (11) |) (14) | (3) | --- |) (3) |
| Interest-bearing bank balances | 10 | (24) |) (14) | 1 | (6) |) (5) |
| FHLB stock | 2 | 15 |) 17 | 1 | 9 |) 10 |
| Total interest-earning assets | 1,719 | (1,260) |) 459 | 442 | (231) |) 211 |
| Interest-bearing liabilities: | | | | | | |
| Savings and money market deposits | 206 | (382) |) (176) | 47 | (128) |) (81) |
| NOW deposits | 109 | (548) |) (439) | 19 | (176) |) (157) |
| Certificates of deposit | 65 | (535) |) (470) | (18) | (195) |) (213) |
| Borrowings | (8) | (9) |) (17) | 3 | (11) |) (8) |
| Total interest-bearing liabilities | 372 | (1,474) |) (1,102) | 51 | (510) |) (459) |
| Net interest income | \$1,347 | \$214 | \$1,561 | \$391 | \$279 | \$670 |

¹ Calculated net of deferred loan fees, loan discounts, and loans in process.

² Includes tax-free securities, mortgage-backed securities, asset-backed securities and long term certificates of deposit.

GENERAL

Return on average assets and return on average equity are common methods of measuring operating results. Annualized return on average assets was 1.03% for the nine months and quarter ended March 31, 2010 as compared to 0.94% for the nine months and 1.04% for the quarter ended March 31, 2009. Annualized return on average equity increased to 11.53% for the nine months ended March 31, 2010 as compared to 10.69% for the nine months ended March 31, 2009. Annualized return on average equity decreased to 11.40% for the quarter months ended March 31, 2010 as compared to 11.98% for the quarter ended March 31, 2009. The increase in return on average assets and return on average equity for the nine months ended March 31, 2010 was primarily the result of higher net interest income and lower provision for loan losses, partially offset by higher noninterest expense and lower noninterest income. Net income amounted to \$3.6 million and \$3.0 million for the nine months ended March 31, 2010 and 2009, respectively, an increase of \$629,000 or 21.0% and amounted to \$1.2 million for the quarters ended March 31, 2010 and 2009. Average assets increased \$43.5 million, or 10.2% to \$470.2 million for the nine months ended March 31, 2010 as compared to \$426.7 million for the nine months ended March 31, 2009. Average equity increased \$4.5 million, or 12.0%, to \$41.9 million for the nine months ended March 31, 2010 as compared to \$37.4 million for the nine months ended March 31, 2009. Average assets increased \$28.3 million, or 6.4% to \$473.9 million for the quarter ended March 31, 2010 as compared to \$445.6 million for the quarter ended March 31, 2009. Average equity increased \$4.4 million, or 11.4% to \$43.0 million for the quarter ended March 31, 2010 as compared to \$38.6 million for the quarter ended March 31, 2009.

INTEREST INCOME

Interest income amounted to \$17.3 million for the nine months ended March 31, 2010 as compared to \$16.8 million for the nine months ended March 31, 2009, an increase of \$459,000 or 2.7%. Interest income amounted to \$5.9 million for the quarter ended March 31, 2010 as compared to \$5.7 million for the quarter ended March 31, 2009, an increase of \$211,000 or 3.7%. The increase in loan volume had the greatest impact on interest income when comparing the nine months and quarters ended March 31, 2010 and 2009. Average loan balances increased \$25.0 million for the nine months ended March 31, 2010 as compared to March 31, 2009 while the yield decreased by 21 basis points when comparing the same periods. Average loan balances increased \$22.7 million for the quarter ended March 31, 2010 as compared to the quarter ended March 31, 2009 and the yield decreased by 12 basis points when comparing the same periods. The overall impact on interest income from securities was negative with a 74 basis point decrease in yield when comparing the nine months ended March 31, 2010 and 2009, partially offset by a \$18.2 million increase in average balances, and an 41 basis point decrease in yield when comparing the quarters ended March 31, 2010 and 2009, partially offset by a \$9.4 million increase in average balances. Average balances on short term investments such as interest bearing bank balances and federal funds sold increased \$1.1 million when comparing the nine months ended March 31, 2010 and 2009, and decreased \$4.3 million when comparing the quarters ended March 31, 2010 and 2009. The yield on interest bearing bank balances decreased 82 basis points when comparing the nine months ended March 31, 2010 and 2009, and decreased 42 basis points when comparing the quarters ended March 31, 2010 and 2009. The yield on federal funds sold decreased 52 basis points when comparing the nine months ended March 31, 2010 and 2009.

INTEREST EXPENSE

Interest expense amounted to \$4.1 million for the nine months ended March 31, 2010, as compared to \$5.2 million for the nine months ended March 31, 2009, a decrease of \$1.1 million. Interest expense amounted to \$1.3 million for the quarter ended March 31, 2010, as compared to \$1.7 million for the quarter ended March 31, 2009, a decrease of \$459,000. Decreases in rates on interest-bearing liabilities had the greatest impact on overall interest expense. Interest expense was reduced \$1.5 million and \$510,000 when comparing the nine months and quarters ended March 31, 2010 and 2009, respectively, due to decreases of 57 basis points and 58 basis points, respectively, in

the average rate on interest-bearing liabilities in those same periods. This decrease was partially offset by a \$372,000 and \$51,000 increase in interest expense due to a \$38.2 million and \$20.8 million increase in average balances when comparing the nine months and quarters ended March 31, 2010 and 2009, respectively. The average rate paid on NOW deposits decreased 60 basis points and 57 basis points, respectively, when comparing the nine months and quarters ended March 31, 2010 and 2009. The average balance of such accounts grew by \$8.5 million and \$4.5 million for the nine months and quarter ended March 31, 2010, respectively. The average balance of certificates of deposit grew by \$3.1 million and the average rate paid decreased by 74 basis points when comparing the nine months ended March 31, 2010 and 2009. The average balance of certificates of deposit decreased by \$2.7 million and the average rate paid decreased by 82 basis points when comparing the quarters ended March 31, 2010 and 2009. The average balance of savings and money market deposits increased by \$27.0 million when comparing the nine months ended March 31, 2010 and 2009 and increased by \$18.6 million when comparing the quarters ended March 31, 2010 and 2009. The average rate paid on savings and money markets decreased 38 basis points and 36 basis points when comparing the nine months and quarters ended March 31, 2010 and 2009, respectively. The average balance of borrowings decreased \$322,000 and increased \$399,000 when comparing the nine months and quarters ended March 31, 2010 and 2009. The rate paid on these borrowings decreased 6 basis points and 24 basis points when comparing the same periods.

NET INTEREST INCOME

Net interest income increased \$1.6 million to \$13.2 million for the nine months ended March 31, 2010 compared to the nine months ended March 31, 2009 and increased \$670,000 to \$4.6 million for the quarter ended March 31, 2010 compared to the quarter ended March 31, 2009. Net interest spread increased 16 basis points to 3.72% for the nine months ended March 31, 2010 from 3.56% for the nine months ended March 31, 2009, and 43 basis points to 3.90% for the quarter ended March 31, 2010 as compared to 3.47% for the quarter ended March 31, 2009. Net interest margin increased 8 basis points to 3.92% for the nine months ended March 31, 2010 from 3.84% for the nine months ended March 31, 2009, and increased 36 basis points to 4.09% for the quarter ended March 31, 2010 as compared to 3.73% for the quarter ended March 31, 2009. The increase in average balances, along with the widening of the net interest spread and margin led to an increase in net interest income when comparing the nine months and quarters ended March 31, 2010 and 2009.

Due to the large portion of fixed rate residential mortgages in the Company's asset portfolio, interest rate risk is a concern and the Company will continue to monitor the situation and attempt to adjust the asset and liability mix as much as possible to take advantage of the benefits and reduce the risks or potential negative effects of a rising rate environment. Management attempts to mitigate the interest rate risk through balance sheet composition. Several strategies are used to help manage interest rate risk such as maintaining a high level of liquid assets such as short-term federal funds sold and various investment securities and maintaining a high concentration of less interest-rate sensitive and lower-costing core deposits.

PROVISION FOR LOAN LOSSES

Management continues to closely monitor asset quality and adjust the level of the allowance for loan losses when necessary. The amount recognized for the provision for loan losses is determined by management based on its ongoing analysis of the adequacy of the allowance for loan losses. During the nine months and quarters ended March 31, 2010 and 2009, the Company increased the level of allowance for loan losses due to an increase in the amount of nonperforming assets and loan charge-offs resulting from a decline in the overall economy, and an increase in local unemployment. As a result, the provision for loan losses amounted to \$984,000 and \$1.8 million for the nine months ended March 31, 2010 and 2009, respectively, a decrease of \$780,000 or 44.2%. The provision for loan losses amounted to \$307,000 and \$1.2 million for the quarters ended March 31, 2010 and 2009, respectively, a decrease of \$844,000. Continued increases in non-performing assets and loan charge-offs have resulted in an increase in the level of allowance for loan losses to total loans receivable to 1.33% as of March 31, 2010 as compared to 1.23% as of

March 31, 2009. Nonperforming loans amounted to \$3.1 million and \$1.7 million at March 31, 2010 and 2009, respectively, an increase of \$1.4 million or 82.3%. Net charge-offs amounted to \$540,000 and \$372,000 for the nine months ended March 31, 2010 and 2009, respectively, an increase of \$168,000. At March 31, 2010, nonperforming assets were 0.67% of total assets and nonperforming loans were 1.09% of total loans. The Company has not been an originator of “no documentation” mortgage loans and the loan portfolio does not include any mortgage loans that the Company classifies as sub-prime.

NONINTEREST INCOME

Noninterest income decreased \$1.4 million and \$1.6 million when comparing the nine months and quarters ended March 31, 2010 and 2009, respectively. Noninterest income amounted to \$3.5 million and \$1.1 million for the nine months and quarter ended March 31, 2010. Noninterest income for the nine months and quarter ended March 31, 2009 reflected a one time cash payment of \$1.7 million received from TransFirst LLC. This payment was the result of The Bank of Greene County transferring its merchant bank card processing business to TransFirst LLC. Also reflected in noninterest income for the nine months ended March 31, 2009 was an impairment charge of \$221,000 (\$135,000 net of tax) related to the other-than-temporary impairment of a Lehman Brothers Holdings, Inc. debt security held by the Company. Excluding these items, noninterest income increased \$20,000 when comparing the nine months ended March 31, 2010 and 2009, and increased \$30,000 when comparing the quarters ended March 31, 2010 and 2009. Debit card fees increased \$124,000 and \$49,000 when comparing the nine months and quarters ended March 31, 2010 and 2009 as a result of a higher volume of transactions due to growth in the number of checking accounts with debit cards. E-commerce fee income decreased \$103,000 and \$26,000 when comparing the nine months and quarters ended March 31, 2010 and 2009, respectively, as a result of the transfer of the Company’s merchant bank card processing business to TransFirst LLC during fiscal 2009.

NONINTEREST EXPENSE

Noninterest expense increased \$218,000 or 2.2% to \$10.2 million for the nine months ended March 31, 2010 as compared to \$10.0 million for the nine months ended March 31, 2009. Noninterest expense was flat at \$3.5 million for the quarters ended March 31, 2010 and 2009. The increase for the nine months ended March 31, 2010 was primarily the result of an increase in FDIC insurance premium expense due to both higher deposit balances and an increase in the rates assessed against the deposits as well as higher compensation and depreciation due to the opening of the new Ravena branch in January 2009. The Company also has increased staffing as a result of the creation of a new customer service call center and expansion of the marketing department. Partially offsetting the increase for the nine months ended March 31, 2010, was a decrease in pension expense. During the nine months ended March 31, 2009, the Company accrued \$351,000 toward the expected future termination of its currently frozen defined benefit plan. The defined benefit pension plan was transferred to a single-employer plan from the previously existing multi-employer plan during the fourth quarter of the fiscal year ended June 30, 2009. As a result, pension expense decreased by \$345,000 for the nine months ended March 31, 2010 when compared to the nine months ended March 31, 2009.

INCOME TAXES

The provision for income taxes reflected the expected tax associated with the revenue generated for the given period and certain regulatory requirements. The effective tax rate was 34.4% for the nine months ended March 31, 2010, compared to 37.7% for the nine months ended March 31, 2009. The effective tax rate was 34.2% for the quarter ended March 31, 2010, compared to 42.5% for the quarter ended March 31, 2009. The decreased effective tax rate in the nine months and quarter ended March 31, 2010 was due to a greater portion of pre-tax income from tax-exempt income.

LIQUIDITY AND CAPITAL RESOURCES

Market risk is the risk of loss in a financial instrument arising from adverse changes in market rates or prices such as interest rates, foreign currency exchange rates, commodity prices, and equity prices. Greene County Bancorp, Inc.'s most significant form of market risk is interest rate risk since the majority of Greene County Bancorp, Inc.'s assets and liabilities are sensitive to changes in interest rates. Greene County Bancorp, Inc.'s primary sources of funds are deposits and proceeds from principal and interest payments on loans, mortgage-backed securities and debt securities, with lines of credit available through the Federal Home Loan Bank, Federal Reserve Bank and Atlantic Central Bankers Bank as needed. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit outflows, mortgage prepayments, and lending activities are greatly influenced by general interest rates, economic conditions and competition.

Mortgage loan commitments, including construction and land loan commitments, totaled \$5.1 million at March 31, 2010. The unused portion of overdraft lines of credit amounted to \$702,000, the unused portion of home equity lines of credit amounted to \$8.2 million, and the unused portion of commercial lines of credit amounted to \$6.1 million at March 31, 2010. Greene County Bancorp, Inc. anticipates that it will have sufficient funds available to meet current loan commitments based on the level of cash and cash equivalents as well as the available for sale investment portfolio and borrowing capacity.

The Bank of Greene County and Greene County Commercial Bank met all applicable regulatory capital requirements at March 31, 2010 and June 30, 2009. Consolidated shareholders' equity represented 9.1% of total assets at March 31, 2010 and 8.7% of total assets of June 30, 2009.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

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

There has been no change in the Company's internal control over financial reporting in connection with the quarterly evaluation that occurred during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

Greene County Bancorp, Inc. and its subsidiaries are not engaged in any material legal proceedings at the present time.

Item 1A. Risk Factors

Not applicable to smaller reporting companies.

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

a) Not applicable

b) Not applicable

c) No shares were repurchased during the quarter ended March 31, 2010.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Other Information

a) Not applicable

b) There were no material changes to the procedures by which security holders may recommend nominees to the Company's Board of Directors during the period covered by this Form 10-Q.

Item 5. Exhibits

Exhibits

31.1 Certification of Chief Executive Officer, adopted pursuant to Rule 13a-14(a)/15d-14(a)

31.2 Certification of Chief Financial Officer, adopted pursuant to Rule 13a-14(a)/15d-14(a)

32.1 Statement of Chief Executive Officer, furnished pursuant to U.S.C. Section 1350

32.2 Statement of Chief Financial Officer, furnished pursuant to U.S.C. Section 1350

SIGNATURES

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

Greene County Bancorp, Inc.

Date: May 14, 2010

By: /s/ Donald E. Gibson
Donald E. Gibson
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 14, 2010

By: /s/ Michelle M. Plummer
Michelle M. Plummer
Executive Vice President,
Chief Financial Officer, and Chief Operating Officer
(Principal Financial and Accounting Officer)

EXHIBIT 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Donald E. Gibson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Greene County Bancorp, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this quarterly report, fairly present in all material respects the consolidated financial condition, consolidated results of operations and consolidated cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2010
Donald E. Gibson
President and Chief Executive Officer

/s/ Donald E. Gibson

EXHIBIT 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michelle M. Plummer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Greene County Bancorp, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this quarterly report, fairly present in all material respects the consolidated financial condition, consolidated results of operations and consolidated cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2010
Michelle M. Plummer

/s/ Michelle M. Plummer

Executive Vice President,
Chief Financial Officer, and Chief Operating Officer

EXHIBIT 32.1

Statement of Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Donald E. Gibson, President and Chief Executive Officer, of Greene County Bancorp, Inc. (the "Company") certifies in his capacity as an officer of the Company that he has reviewed the Quarterly Report of the Company on Form 10-Q for the quarter ended March 31, 2010 and that to the best of his knowledge:

1. the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the report fairly presents, in all material respects, the consolidated financial condition and consolidated results of operations of the Company as of the dates and for the periods covered by the report.

This statement is authorized to be attached as an exhibit to the report so that this statement will accompany the report at such time as the report is filed with the Securities and Exchange Commission pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 USC 1350. It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934, as amended.

Date: May 14, 2010
Donald E. Gibson
President and Chief Executive Officer

/s/ Donald E. Gibson

EXHIBIT 32.2

Statement of Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Michelle M. Plummer, Chief Financial Officer, of Greene County Bancorp, Inc. (the "Company") certifies in her capacity as an officer of the Company that he or she has reviewed the Quarterly Report of the Company on Form 10-Q for the quarter ended March 31, 2010 and that to the best of her knowledge:

1. the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the report fairly presents, in all material respects, the consolidated financial condition and consolidated results of operations of the Company as of the dates and for the periods covered by the report.

This statement is authorized to be attached as an exhibit to the report so that this statement will accompany the report at such time as the report is filed with the Securities and Exchange Commission pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 USC 1350. It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934, as amended.

Date: May 14, 2010
Michelle M. Plummer
Executive Vice President,
Chief Financial Officer, and Chief Operating Officer

/s/ Michelle M. Plummer

