

GREENE COUNTY BANCORP INC
Form 10-Q
May 14, 2009

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, 2009

OR

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

GREENE COUNTY BANCORP, INC.

(Exact Name of Registrant as Specified in its Charter)

Commission file number 0-25165

United States

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

_____14-1809721

(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

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

Yes: X No:

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

Yes: X No:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small 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 _____

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, 2009, the registrant had 4,305,670 shares of common stock issued at \$ 0.10 par value, and 4,105,312 shares were outstanding.

GREENE COUNTY BANCORP, INC.

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Greene County Bancorp, Inc.
Consolidated Statements of Financial Condition
As of March 31, 2009 and June 30, 2008
(Unaudited)
(In thousands, except share and per share amounts)

	March 31, 2009	June 30, 2008
ASSETS		
Cash and due from banks	\$ 11,281	\$ 7,297
Federal funds sold	10,159	1,365
Total cash and cash equivalents	21,440	8,662
Long term certificate of deposit	1,000	1,000
Securities available for sale, at fair value	101,822	96,692
Securities held to maturity, at amortized cost	49,605	15,457
Federal Home Loan Bank stock, at cost	1,341	1,386
Loans	267,388	240,146
Allowance for loan losses	(3,280)	(1,888)
Unearned origination fees and costs, net	330	182
Net loans receivable	264,438	238,440
Premises and equipment	15,604	15,108
Accrued interest receivable	2,610	2,139
Prepaid expenses and other assets	627	724
Foreclosed real estate	100	---
Total assets	\$ 458,587	\$ 379,608
LIABILITIES AND SHAREHOLDERS' EQUITY		
Noninterest bearing deposits	\$ 36,704	\$ 41,798
Interest bearing deposits	361,426	279,633
Total deposits	398,130	321,431
Borrowings from FHLB, short term	---	1,000
Borrowings from FHLB, long term	19,000	19,000
Accrued expenses and other liabilities	2,363	1,910
Total liabilities	419,493	343,341
SHAREHOLDERS' EQUITY		
Preferred stock,		
Authorized 1,000,000 shares; none issued	---	---
Common stock, par value \$.10 per share;		
Authorized: 12,000,000 shares		
Issued: 4,305,670 shares		
Outstanding: 4,105,312 shares at March 31, 2009		
and 4,095,528 shares at June 30, 2008;	431	431
Additional paid-in capital	10,453	10,267
Retained earnings	29,263	27,183
Accumulated other comprehensive income (loss)	459	(9)

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Treasury stock, at cost 200,358 shares at March 31, 2009, and 210,142 shares at June 30, 2008	(1,512)	(1,586)
Unearned ESOP shares, at cost	---	(19)
Total shareholders' equity	39,094	36,267
Total liabilities and shareholders' equity	\$ 458,587	\$ 379,608

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Nine Months Ended March 31, 2009 and 2008
(Unaudited)

(In thousands, except share and per share amounts)

	2009	2008
Interest income:		
Loans	\$ 12,101	\$ 10,922
Investment securities – taxable	1,170	916
Mortgage-backed securities	2,843	1,416
Tax exempt securities	669	804
Interest bearing deposits and federal funds sold	41	341
Total interest income	16,824	14,399
Interest expense:		
Interest on deposits	4,681	5,420
Interest on borrowings	503	237
Total interest expense	5,184	5,657
Net interest income	11,640	8,742
Provision for loan losses	1,764	449
Net interest income after provision for loan losses	9,876	8,293
Noninterest income:		
Service charges on deposit accounts	2,194	2,006
Debit card fees	660	581
Investment services	180	255
E-commerce fees	181	207
Net loss on sale of available-for-sale	(15)	---

securities		
Write down for impairment of available-for-sale security	(221)	---
Sale of merchant bank card processing	1,650	---
Other operating income	306	354
Total noninterest income	4,935	3,403
Noninterest expense:		
Salaries and employee benefits	5,527	4,776
Occupancy expense	858	725
Equipment and furniture expense	499	631
Service and data processing fees	1,000	821
Computer supplies and support	222	237
Advertising and promotion	271	241
Other	1,623	1,605
Total noninterest expense	10,000	9,036
Income before provision for income taxes	4,811	2,660
Provision for income taxes	1,814	781
Net income	\$ 2,997	\$ 1,879
Basic EPS	\$ 0.73	\$ 0.45
Basic shares outstanding	4,100,072	4,131,089
Diluted EPS	\$ 0.73	\$ 0.45
Diluted average shares outstanding	4,119,973	4,171,626
Dividends per share	\$ 0.51	\$ 0.54
See notes to consolidated financial		

statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

(Dollars in thousands, except share and per share amounts)

	2009	2008
Interest income:		
Loans	\$ 4,112	\$ 3,708
Investment securities – taxable	371	412
Mortgage-backed securities	978	548
Tax exempt securities	214	265
Interest bearing deposits and federal funds sold	11	85
Total interest income	5,686	5,018
Interest expense:		
Interest on deposits	1,581	1,694
Interest on borrowings	161	144
Total interest expense	1,742	1,838
Net interest income	3,944	3,180
Provision for loan losses	1,151	171
Net interest income after provision for loan losses	2,793	3,009
Noninterest income:		
Service charges on deposit accounts	632	679
Debit card fees	208	194
Investment services	46	68
E-commerce fees	51	78
Net loss on sale of available-for-sale	(3)	---

securities

Sale of merchant bank card processing	1,650	---
Other operating income	122	128
Total noninterest income	2,706	1,147

Noninterest expense:

Salaries and employee benefits	1,792	1,668
Occupancy expense	307	267
Equipment and furniture expense	157	207
Service and data processing fees	368	296
Computer supplies and support	67	79
Advertising and promotion	127	103
Other	669	562
Total noninterest expense	3,487	3,182

Income before

provision for income taxes	2,012	974
Provision for income taxes	856	290
Net income	\$ 1,156	\$ 684

Basic EPS \$ 0.28 \$ 0.17

Basic shares outstanding 4,104,119 4,118,958

Diluted EPS \$ 0.28 \$ 0.16

Diluted average shares

outstanding 4,121,186 4,149,745

Dividends per share \$ 0.17 \$ 0.15

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
 Consolidated Statements of Comprehensive Income
 For the Nine Months Ended March 31, 2009 and 2008
 (Unaudited)
 (In thousands)

	2009	2008
Net income	\$ 2,997	\$ 1,879
O t h e r comprehensive income:		
Unrealized holding gain arising during the nine months ended March 31, 2009 and 2008, net of income tax expense of \$195 and \$841, respectively.	310	1,328
Accretion of unrealized loss on securities transferred to held-to-maturity net of income tax of \$9, and \$0	14	---
Reclassification adjustment for loss on sale of available-for-sale securities realized in net income net of income taxes of \$6, and \$0, respectively	9	---
Reclassification adjustment for impairment write-down on available-for-sale		

securities realized in net income net of income taxes of \$86, and \$0, respectively.	135	---
---	-----	-----

Total other comprehensive income	468	1,328
--	-----	-------

Comprehensive income	\$ 3,465	\$ 3,207
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Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)
(In thousands)

	2009	2008
Net income	\$ 1,156	\$ 684

Other
comprehensive
income:

Unrealized holding gain arising during the three months ended March 31, 2009 and 2008, net of income tax expense of \$53 and \$281, respectively	84	451
---	----	-----

Accretion of unrealized loss on securities transferred to held-to-maturity net of income tax of \$7, and \$0	11	---
--	----	-----

Reclassification adjustment for loss on sale of available-for-sale securities	2	---
---	---	-----

realized in net
income net of
income taxes of
\$ 1, and \$ 0,
respectively

Total other comprehensive income	97	451
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Comprehensive income	\$ 1,253	\$ 1,135
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See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Nine Months Ended March 31, 2009 and 2008
(Unaudited)
(Dollars in thousands)

	Accumulated						
	Capital	Additional Paid – In Capital	Retained Earnings	Other Comprehensive Income (loss)	Treasury Stock	Unearned ESOP Shares	Total Shareholders' Equity
Balance at June 30, 2007	\$431	\$10,319	\$25,962	(\$400)	(\$828)	(\$69)	\$35,415
ESOP shares earned		72				40	112
Options exercised		(9)			31		22
Options surrendered		(215)					(215)
Tax effect, Options		86					86
Shares repurchased					(583)		(583)
Dividends declared			(995)				(995)
Net income			1,879				1,879
Adoption of FIN 48			(218)				(218)
Unrealized gain on securities, net				1,328			1,328
Balance at March 31, 2008	\$431	\$10,253	\$26,628	\$928	(\$1,380)	(\$29)	\$36,831
Balance at June 30, 2008	\$431	\$10,267	\$27,183	(\$9)	(\$1,586)	(\$19)	\$36,267

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ESOP shares earned		44				19		63
Options exercised		(35)				74		39
Tax effect, Options		28						28
Stock based compensation		149						149
Dividends declared				(917)				(917)
Net income				2,997				2,997
Unrealized gain on securities, net						468		468
Balance at March 31, 2009	\$431	\$10,453	\$29,263	\$459	(\$1,512)	--		\$39,094

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Cash Flows
For the Nine Months Ended March 31, 2009 and 2008
(Unaudited)

(In thousands)	2009	2008
Cash flows from operating activities:		
Net Income	\$ 2,997	\$ 1,879
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	652	766
Net amortization of premiums and discounts	187	41
Net amortization of deferred loan costs and fees	116	56
Provision for loan losses	1,764	449
ESOP compensation earned	63	112
Stock option compensation	149	---
Write-down of impairment of available-for-sale securities	221	---
Net loss on sale of available-for-sale securities	15	---
Gain on sale of merchant bank card processing	(1,650)	---
Excess tax benefit from share-based payment arrangements	(28)	(86)
Net decrease in accrued income taxes	(41)	(118)
Net increase in accrued interest receivable	(471)	(190)
Net increase in prepaid and other assets	(97)	(15)
Net increase (decrease) in other liabilities	421	(2)
Net cash provided by operating activities	4,298	2,892
Cash flows from investing activities:		
Available for sale securities:		
Proceeds from maturities and calls of securities	14,440	13,282
Proceeds from sale of securities	5,522	---
Purchases of securities	(54,978)	(37,869)
Principal payments on securities	6,812	7,015
Held to maturity securities:		
Proceeds from maturities and calls of securities	2,118	211
Purchases of securities and other investments	(15,435)	(710)
Principal payments on securities	2,583	281
Net redemption (purchase) of Federal Home Loan Bank Stock	45	(630)
Net increase in loans receivable	(27,978)	(22,060)
Proceeds from sale of merchant bank card processing	1,650	---
Purchases of premises and equipment	(1,148)	(2,258)
Net cash used in investing activities	(66,369)	(42,738)
Cash flows from financing activities:		
Net decrease in short-term FHLB advances	(1,000)	---
Proceeds of long-term FHLB borrowings	---	14,000
Dividends paid	(917)	(995)
Proceeds from exercise of stock options	39	22
Payment for stock options surrendered	---	(215)
Excess tax benefit from stock based compensation	28	86
Purchase of treasury stock	---	(583)
Net increase in deposits	76,699	37,891

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Net cash provided by financing activities	74,849	50,206
Net increase in cash and cash equivalents	12,778	10,360
Cash and cash equivalents at beginning of period	8,662	14,026
Cash and cash equivalents at end of period	\$ 21,440	\$ 24,386

Non-cash investing activities:

Loans transferred to foreclosed real estate	\$ 100	\$ ---
Reclassification of available-for-sale securities to held-to-maturity securities	23,754	16,535
See notes to consolidated financial statements.		

Greene County Bancorp, Inc.

Notes to Consolidated Financial Statements

As of and for the Nine Months and Three Months Ended March 31, 2009 and 2008

(1) Basis of Presentation

The accompanying consolidated balance sheet information as of June 30, 2008 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 three and nine months ended March 31, 2009 and 2008 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 financial statements. To the extent that information and footnotes required by GAAP for complete 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-KSB for the year ended June 30, 2008, 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 three and nine month periods ended March 31, 2009 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2009.

CRITICAL ACCOUNTING POLICIES

Greene County Bancorp, Inc.'s most critical accounting policies relate to the allowance for loan losses and review of the investment portfolio 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.

Statement of Financial Accounting Standards (“SFAS”) No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” and Staff Accounting Bulletin 59, “Noncurrent Marketable Equity Securities,” require companies to perform periodic reviews of individual securities in their investment portfolios to determine whether decline in the value of a security is other than temporary. 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 security for a period of time sufficient for a recovery in value; recent events specific to the issuer or industry; and for debt securities, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value with the write-down recorded as a realized loss.

(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 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 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 many factors including the severity and duration of the impairment; the intent and ability of the Company to hold the security for a period of time sufficient for a recovery in value; recent events specific to the issuer or industry; and for debt securities, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value with the write-down recorded as a realized loss.

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

SFAS 157, “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 under SFAS 157 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, 2009			
Assets:				
Securities available-for-sale	\$101,822	\$57,079	\$44,743	\$---

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.

In addition to disclosures of the fair value of assets on a recurring basis, SFAS 157 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 in accordance with SFAS No. 114, “Accounting by Creditors for Impairment of a Loan,” when establishing the allowance for credit losses. Such amounts are 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 2. 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, 2009, loans subject to nonrecurring fair value measurement had a gross carrying amount of \$125,000 and a fair value of \$75,000 with an associated valuation allowance of \$50,000. These loans were classified as a Level 3 valuation. Changes in fair value for the quarter and nine months ended March 31, 2009 was a decrease of \$1,000 and \$2,000, respectively, primarily the result of principal repayments.

(5) Earnings Per Share

Basic earnings per share ("EPS") 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 and unvested restricted stock) issued became vested during the period. Unallocated common shares held by the ESOP are not included in the weighted-average number of common shares outstanding for either the basic or diluted earnings per share calculations.

	Net Income	Weighted Average Number of Shares Outstanding	Earnings Per Share
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
March 31, 2008:	\$1,879,000		
Basic		4,131,089	\$0.45
Effect of dilutive stock options		40,537	(0.00)
Diluted		4,171,626	\$0.45

	Net Income	Weighted Average Number of Shares Outstanding	Earnings Per Share
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
March 31, 2008:	\$684,000		
Basic		4,118,958	\$0.17
Effect of dilutive stock options		30,787	(0.01)
Diluted		4,149,745	\$0.16

(6) Dividends

On January 20, 2009, the Board of Directors declared a quarterly dividend of \$0.17 per share on Greene County Bancorp, Inc.'s common stock. The dividend reflects an annual cash dividend rate of \$0.68 per share, and was the same as the dividend declared during the previous quarter. The dividend was payable to stockholders of record as of February 13, 2009, and was paid on March 2, 2009. It should be noted that Greene County Bancorp, Inc.'s mutual holding company continues to waive receipt of dividends on the 2,304,632 shares of Company stock it owns.

(7) 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.

(8) Impact of Recent Accounting Pronouncements

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1 and APB 28-1). FSP FAS 107-1 and APB 28-1 amends FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods.

This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting FSP FAS 107-1 and APB 28-1 must also early adopt FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly and FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments. The Company is currently reviewing the effect this new pronouncement will have on its consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP FAS 115-2 and FAS 124-2). FSP FAS 115-2 and FAS 124-2 clarifies the interaction of the factors that should be considered when determining whether a debt security is other-than-temporarily impaired. For debt securities, management must assess whether (a) it has the intent to sell the security and (b) it is more likely than not that it will be required to sell the security prior to its anticipated recovery. These steps are done before assessing whether the entity will recover the cost basis of the investment. Previously, this assessment required management to assert it has both the intent and the ability to hold a security for a period of time sufficient to allow for an anticipated recovery in fair value to avoid recognizing an other-than-temporary impairment. This change does not affect the need to forecast recovery of the value of the security through either cash flows or market price.

In instances when a determination is made that an other-than-temporary impairment exists but the investor does not intend to sell the debt security and it is not more likely than not that it will be required to sell the debt security prior to its anticipated recovery, FSP FAS 115-2 and FAS 124-2 changes the presentation and amount of the other-than-temporary impairment recognized in the income statement. The other-than-temporary impairment is separated into (a) the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of the total other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive income.

This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting FSP FAS 115-2 and FAS 124-2 must also early adopt FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. The Company is

currently reviewing the effect this new pronouncement will have on its consolidated financial statements.

In December 2007, the FASB issued statement No. 141 (R) "Business Combinations". This Statement establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The Statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective as of the beginning of a company's fiscal year beginning after December 15, 2008. The new guidance will impact the Company's accounting for business combinations completed beginning July 1, 2009.

In February 2008, the FASB issued FASB Staff Position (FSP) 157-2, "Effective Date of FASB Statement No. 157," that permits a one-year deferral in applying the measurement provisions of Statement No. 157 to non-financial assets and non-financial liabilities (non-financial items) that are not recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually). Therefore, if the change in fair value of a non-financial item is not required to be recognized or disclosed in the financial statements on an annual basis or more frequently, the effective date of application of Statement 157 to that item is deferred until fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. The Company is currently evaluating the impact, if any, that the adoption of FSP 157-2 will have on the Company's consolidated financial statements.

In October 2008, the FASB issued FSP SFAS No. 157-3, "Determining the Fair Value of a Financial Asset When The Market for That Asset Is Not Active" (FSP 157-3), to clarify the application of the provisions of SFAS 157 in an inactive market and how an entity would determine fair value in an inactive market. The application of the provisions of FSP 157-3 did not have an impact on our results of operations or financial condition.

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP FAS 157-4). FASB Statement 157, Fair Value Measurements, defines fair value as the price that would be received to sell the asset or transfer the liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. FSP FAS 157-4 provides additional guidance on determining when the volume and level of activity for the asset or liability has significantly decreased. The FSP also includes guidance on identifying circumstances when a transaction may not be considered orderly.

FSP FAS 157-4 provides a list of factors that a reporting entity should evaluate to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. When the reporting entity concludes there has been a significant decrease in the volume and level of activity for the asset or liability, further analysis of the information from that market is needed and significant adjustments to the related prices may be necessary to estimate fair value in accordance with Statement 157.

This FSP clarifies that when there has been a significant decrease in the volume and level of activity for the asset or liability, some transactions may not be orderly. In those situations, the entity must evaluate the weight of the evidence to determine whether the transaction is orderly. The FSP provides a list of circumstances that may indicate that a transaction is not orderly. A transaction price that is not associated with an orderly transaction is given little, if any, weight when estimating fair value.

This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting FSP FAS 157-4 must also early adopt FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments. The Company is currently reviewing the effect this new pronouncement will have on its consolidated financial statements.

In December 2007, the FASB issued statement No. 160 “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51”. This Statement establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance will become effective as of the beginning of a company’s fiscal year beginning after December 15, 2008. The Company believes that this new pronouncement will not have a material impact on the Company’s consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles.” This Statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. This Statement is effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles.” The Company believes that this new pronouncement will not have a material impact on the Company’s consolidated financial statements.

In January 2009, the FASB issued FSP EITF 99-20-1, “Amendments to the Impairment of Guidance of EITF Issue No. 99-20” (FSP EITF 99-20-1). FSP EITF 99-20-1 amends the impairment guidance in EITF Issue No. 99-20, “Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets”, to achieve more consistent determination of whether an other-than-temporary impairment has occurred. FSP EITF 99-20-1 also retains and emphasizes the objective of an other-than-temporary impairment assessment and the related disclosure requirements in SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities”, and other related guidance. FSP EITF 99-20-1 is effective for interim and annual reporting periods ending after December 15, 2008. This new pronouncement did not impact consolidated financial statements.

In June 2008, the FASB issued FASB Staff Position (FSP) EITF 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.” This FSP clarifies that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted earnings per share must be applied. This FSP is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the potential impact the new pronouncement will have on its consolidated financial statements.

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.

(9) Stock-Based Compensation

At March 31, 2009, Greene County Bancorp, Inc. had three stock-based compensation plans, two of which are described more fully in Note 9 of the consolidated financial statements and notes thereto for the year ended June 30, 2008. A new stock-based compensation plan (the “Option Plan”) was approved by shareholders on July 29, 2008 which allows the Company to issue up to 180,000 options and stock appreciation rights. On August 19, 2008, the Board of Directors granted 164,500 options and stock appreciation rights (in tandem) to buy stock under the Option Plan at an exercise price of \$12.50, the fair value of the stock on that date. These options have a 10-year term and vest over a minimum of a three year period which is contingent upon meeting specific earnings performance goals. The fair value of each share option grant under the Option Plan was estimated on the date of grant to be \$4.06 using the Black-Scholes option pricing model and assumes that performance goals will be achieved. If such goals are not met,

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no compensation cost will be recognized and any recognized compensation cost will be reversed. The assumptions used in the Black-Scholes option pricing model as of the grant date were as follows:

Weighted average risk-free interest rate	3.23%
Weighted average expected term	6.5 years
Weighted average expected volatility	59.57%
Weighted average expected dividend yield	6.72%

The Company recognized \$56,000 and \$149,000 in compensation costs and related income tax benefit of \$12,000 and \$22,000 related to the Option Plan for the quarter and nine months ended March 31, 2009, respectively. There was no stock-based compensation expense recorded during the quarter or nine months ended March 31, 2008. At March 31, 2009, there was \$519,800 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 2.25 years.

A summary of the Company's stock option activity and related information for its option plans for the nine months ended March 31, 2009 and 2008 is as follows:

	2009		2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	41,944	\$5.00	72,664	\$4.55
Options granted	164,500	\$12.50	---	---
Exercised	(9,784)	\$3.94	(5,580)	\$3.94
Surrendered	---	---	(23,780)	\$3.94
Forfeited	---	---	---	---
Outstanding at period end	196,660	\$11.33	43,304	\$4.97
Exercisable at period end	32,160	\$5.33	43,304	\$4.97

The following table presents stock options outstanding and exercisable at March 31, 2009:

Options Outstanding and Exercisable			
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$3.94	23,660	1.00	\$3.94
\$9.20	8,500	3.00	\$9.20
\$3.94-\$9.20	32,160	1.50	\$5.33

The total intrinsic value of the options exercised during the three and nine months ended March 31, 2009 was approximately \$15,000 and \$75,000, respectively. There were no stock options granted during the nine months ended March 31, 2008. The Company had 164,500 non-vested options outstanding at March 31, 2009 and no non-vested options outstanding at or during the quarter ended March 31, 2008.

(10) Stock Repurchase Program

On August 22, 2007, the Board of Directors authorized a stock repurchase program pursuant to which the Company intends to repurchase up to 5% of its outstanding shares (excluding shares held by Greene County Bancorp, MHC, the Company's mutual holding company), or up to 92,346 shares. As of March 31, 2009, the Company had repurchased 62,478 shares pursuant to this program at an average cost of \$12.79 per share.

(11) Subsequent Event

On April 21, 2009, the Board of Directors declared a quarterly cash dividend of \$0.17 per share of Greene County Bancorp, Inc. common stock. The dividend reflected an annual cash dividend rate of \$0.68 cents per share, was unchanged from the dividend declared during the previous quarter. The dividend will be payable to stockholders of record as of May 15, 2009, and will be paid on June 1, 2009. It should be noted that Greene County Bancorp, Inc.'s mutual holding company continued to waive receipt of dividends on the 2,304,632 shares of Company common stock it owns for the current period.

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

Overview of the Company's Activities and Risks

Greene County Bancorp, Inc.'s 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. 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. 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.

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,

- (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, Greene County Commercial Bank 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, 2009 and June 30, 2008

ASSETS

Total assets of the Company were \$458.6 million at March 31, 2009 as compared to \$379.6 million at June 30, 2008, an increase of \$79.0 million, or 20.8%. Securities classified as both available-for-sale and held-to-maturity amounted to \$151.4 million, or 33.0% of assets, at March 31, 2009 as compared to \$112.1 million, or 29.5% of assets, at June 30, 2008, an increase of \$39.3 million or 35.1%. Securities purchases, including both available-for-sale and held-to-maturity, totaled \$70.4 million between June 30, 2008 and March 31, 2009. These activities were partially offset by principal pay-downs and maturities of \$25.9 million and sales of \$5.5 million over the same time frame. Gross loans grew by \$27.3 million or 11.4% to \$267.4 million at March 31, 2009 as compared to \$240.1 million at June 30, 2008.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents increased \$12.8 million or 146.0% to \$21.4 million at March 31, 2009 as compared to \$8.7 million at June 30, 2009. Federal funds sold comprised \$10.1 million of the balance at March 31, 2009 and \$6.5 million was held in interest-bearing deposits at that date. The balances grew during the period due to an increase in deposits. The company utilizes cash and cash equivalents for short-term liquidity and for asset/liability management purposes.

SECURITIES

Securities, including both available-for-sale and held-to-maturity issues, increased \$39.3 million or 35.1% to \$151.4 million at March 31, 2009 as compared to \$112.1 million at June 30, 2008. Securities purchases totaled \$70.4 million during the nine months ended March 31, 2009. Purchases consisted of \$23.6 million of U.S. government sponsored enterprises bonds, \$39.5 million of mortgage-backed securities, and \$7.3 million of state and political subdivision securities. These purchases were funded through deposit growth, primarily from local municipalities. The deposits with municipalities require the Company to pledge securities as collateral for any uninsured balances. This increase was partially offset by principal pay-downs and maturities that amounted to \$25.9 million, of which \$6.7 million were mortgage-backed securities, \$5.3 million were state and political subdivision securities and \$13.9 million were U.S. government sponsored enterprises securities, and sales of mortgage-backed securities of \$4.6 million, and sales of state and political subdivision securities of \$900,000.

During the quarter ended December 31, 2008, \$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 at the time of transfer. This unrealized loss is being accreted to other comprehensive income over the remaining average lives of these securities. Additionally, during the nine

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months ended March 31, 2009, unrealized net gains on securities increased \$764,000. Greene County Bancorp, Inc. holds 18.2% of the securities portfolio at March 31, 2009 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, 2009		June 30, 2008	
	Balance of portfolio	Percentage	Balance of portfolio	Percentage
Securities available-for-sale:				
U.S. government sponsored enterprises	\$22,001	14.5%	\$16,146	14.4%
State and political subdivisions	10,303	6.8	10,850	9.7
Mortgage-backed securities	61,540	40.7	60,782	54.2
Asset-backed securities	48	0.0	49	0.1
Corporate debt securities	7,901	5.2	8,486	7.5
Total debt securities	101,793	67.2	96,313	85.9
Equity securities and other	29	0.0	379	0.3
Total available-for-sale securities	101,822	67.2	96,692	86.2
Securities held-to-maturity:				
U.S. government sponsored enterprises	4,021	2.7	---	---
State and political subdivisions	17,290	11.4	15,457	13.8
Mortgage-backed securities	27,934	18.5	---	---
Other	360	0.2	---	---
Total held-to-maturity securities	49,605	32.8	15,457	13.8
Total securities	\$151,427	100.0%	\$112,149	100.0%

LOANS

Net loans receivable increased to \$264.4 million at March 31, 2009 from \$238.4 million at June 30, 2008, an increase of \$26.0 million, or 10.9%. The loan growth experienced during the nine months primarily consisted of \$12.7 million in residential mortgages, \$10.2 million in commercial real estate loans, \$2.0 million in home equity loans, and \$2.2 million in commercial 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. It appears consumers continue to use the equity in their homes to fund financing needs for some activities, where in the past an installment loan may have been the choice. 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. 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 results of operations. A significant decline in home values would likely lead to a decrease in residential real estate loans 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, 2009, declines in home values have been modest in the Company's market area.

(Dollars in thousands)	At	Percentage	At	Percentage
	March 31, 2009	of portfolio	June 30, 2008	of portfolio
Real estate mortgages				
Residential	\$170,848	63.9%	\$158,193	65.9%
Construction and land	12,702	4.8	12,295	5.1
Commercial	40,614	15.2	30,365	12.6

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Multifamily	1,178	0.4	1,094	0.5
Home equity loans	25,988	9.7	23,957	10.0
Commercial loans	11,857	4.4	9,669	4.0
Installment loans	3,803	1.4	4,172	1.7
Passbook loans	398	0.2	401	0.2
Total loans	267,388	100.0%	\$240,146	100.0%
Deferred fees and costs	330		182	
Less: Allowance for loan losses	(3,280)		(1,888)	
Net loans receivable	\$264,438		\$238,440	

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. 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 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. The level of the provision for the nine months ended March 31, 2009, was driven by the continued growth of the loan portfolio and recent increases in loan delinquencies and charge-offs. Any future increase in the allowance for loan losses or loan charge-offs could have a material adverse effect on Greene County Bancorp, Inc.'s results of operations and financial condition.

Analysis of allowance for loan losses activity

(Dollars in thousands)	Nine months ended	
	March 31, 2009	March 31, 2008
Balance at the beginning of the period	\$ 1,888	\$ 1,486
Charge-offs:		
Residential mortgage	65	---
Commercial loan	110	46
Installment loans to individuals	57	28
Overdraft protection	209	182
Total loans charged off	441	256
Recoveries:		
Residential mortgage	1	---
Home equity loans	1	27
Installment loans to individuals	22	44
Overdraft protection	45	53
Total recoveries	69	124
Net charge-offs	372	132
Provisions charged to operations	1,764	449

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Balance at the end of the period	\$ 3,280	\$ 1,803
Ratio of net charge-offs to average loans outstanding, annualized	0.19%	0.08%
Ratio of net charge-offs to nonperforming assets, annualized	27.07%	11.50%
Allowance for loan loss to nonperforming loans	189.38%	117.84%
Allowance for loan loss to total loans receivable	1.23%	0.78%

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 at least a portion of the loan will not be collected in accordance with its contractual terms due to an irreversible deterioration in the financial condition of the borrower or the value of the underlying collateral. 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 90 days or more at March 31, 2009 or June 30, 2008.

Analysis of Nonaccrual Loans and Nonperforming Assets

(Dollars in thousands)	At March 31, 2009	At June 30, 2008
Nonaccruing loans:		
Real estate mortgage loans:		
Residential mortgages loans (one- to-four family)	\$ 1,002	\$ 1,123
Construction and land loans	13	38
Commercial mortgage loans	192	91
Multifamily mortgage loans	26	26
Home equity	327	493
Commercial loans	146	142
Installment loans to individuals	26	26
Total nonaccruing loans	1,732	1,939
Foreclosed real estate	100	---
Total nonperforming assets	\$ 1,832	\$ 1,939
Total nonperforming assets as a percentage of total assets	0.40%	0.51%
Total nonperforming loans to total loans	0.65%	0.81%

The Company identifies impaired loans and measures the impairment in accordance with Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" (Statement 114), as amended. 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. Impaired loans totaled \$247,000 as of March 31, 2009 of which \$122,000 were nonaccrual. The Company has allocated approximately \$80,000 of the allowance for loan losses for impaired loans as of March 31, 2009. Interest income of \$47,000 and \$51,000 was recorded on nonaccrual loans based on cash payments received during the nine months ended March 31, 2009 and 2008, respectively.

DEPOSITS

Total deposits increased to \$398.1 million at March 31, 2009 from \$321.4 million at June 30, 2008, an increase of \$76.7 million, or 23.9%. The Company has recently attracted new local municipalities including school districts to use the services of Greene County Commercial Bank, which is a limited purpose entity for such activities. The level of deposits held by such public entities can be cyclical and fluctuate significantly from quarter to quarter and are significantly dependent and affected by tax collection periods or special projects such as new buildings or renovations. These types of local municipal entities are also required to have certain forms of collateral pledged for amounts deposited over the FDIC insurance limits. Deposits at Greene County Commercial Bank increased \$54.6 million to \$101.4 million at March 31, 2009 compared to \$46.8 million at June 30, 2008. This increase was primarily in NOW deposits. Interest bearing checking accounts (NOW accounts) increased \$40.5 million or 50.9% to \$120.0 million at March 31, 2009 as compared to \$79.5 million at June 30, 2008. Money market deposits increased \$27.8 million or 73.2% to \$65.8 million at March 31, 2009. Certificate of deposit balances increased \$12.2 million or 13.6% between June 30, 2008 and March 31, 2009. Savings deposits increased \$1.3 million or 1.8% to \$74.0 million at March 31, 2009 as compared to \$72.7 million at June 30, 2008. Noninterest bearing deposits decreased \$5.1 million to \$36.7 million at March 31, 2009.

(Dollars in thousands)

	At March 31, 2009	Percentage of portfolio	At June 30, 2008	Percentage of portfolio
Noninterest bearing deposits	\$ 36,704	9.2%	\$ 41,798	13.0%
Certificates of deposit	101,666	25.5	89,470	27.9
Savings deposits	73,998	18.6	72,706	22.6
Money market deposits	65,776	16.5	37,970	11.8
NOW deposits	119,986	30.2	79,487	24.7
Total deposits	\$ 398,130	100.0%	\$ 321,431	100.0%

BORROWINGS

At March 31, 2009, 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 \$37.7 million with the Federal Home Loan Bank ("FHLB"). At March 31, 2009, there were no balances outstanding under these facilities. Interest rates on these lines are determined at the time of borrowing.

At March 31, 2009, The Bank of Greene County had term borrowings totaling \$19.0 million from the FHLB, of which \$14.0 million consisted of several fixed rate, fixed term advances with a weighted average rate of 3.34% and a weighted average maturity of 28 months. The remaining \$5.0 million borrowing, which carried a 3.64% interest rate at March 31, 2009, 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, 2009, Greene County Bancorp, Inc. had available a revolving line of credit of \$5.0 million with Atlantic Central Bankers Bank ("ACBB"). At March 31, 2009, 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 borrowings at March 31, 2009 were as follows:

(In thousands)	
Fiscal year end	
2010	\$4,000
2011	5,000
2012	3,000
2013	1,000
2014	6,000
	\$19,000

EQUITY

Shareholders' equity increased to \$39.1 million at March 31, 2009 from \$36.3 million at June 30, 2008, as net income of \$3.0 million was partially offset by dividends declared and paid of \$917,000. Additionally, shareholders' equity increased \$468,000 as a result of unrealized securities gains, net of tax. Other changes in equity, totaling an \$279,000 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 and ESOP Plan.

Comparison of Operating Results for the Nine Months and Quarter Ended March 31, 2009 and 2008

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, 2009 and 2008. 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 for the quarters and nine months ended March 31, 2009 and 2008. 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.

(Dollars in thousands)	Nine months Ended March 31, 2009 and 2008					
	2009	2009	2009	2008	2008	2008
	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
Interest earning assets:						
Loans receivable, net ¹	\$257,609	\$12,101	6.26%	\$220,744	\$10,922	6.60%
Securities ²	139,180	4,636	4.44	92,502	3,096	4.46
Federal funds	3,446	16	0.62	7,803	237	4.05
Interest bearing bank balances	2,963	25	1.13	3,650	104	3.80
FHLB stock	1,413	46	4.34	830	40	6.42
Total interest earning assets	404,611	16,824	5.54%	325,529	14,399	5.90%
Cash and due from banks	6,079			5,602		
Allowance for loan losses	(2,083)			(1,616)		
Other non-interest earning assets	18,096			17,324		
Total assets	\$426,703			\$346,839		

Interest bearing liabilities:						
Savings and money market deposits	\$118,634	\$1,043	1.17%	\$106,607	\$1,447	1.81%
NOW deposits	115,403	1,579	1.82	70,828	1,360	2.56
Certificates of deposit	93,638	2,059	2.93	81,545	2,613	4.27
Borrowings	20,629	503	3.25	8,838	237	3.57
Total interest bearing liabilities	348,304	5,184	1.98%	267,818	5,657	2.82%
Non-interest bearing deposits	38,433			40,366		
Other non-interest bearing liabilities	2,586			2,525		
Shareholders' equity	37,380			36,130		
Total liabilities and equity	\$426,703			\$346,839		
Net interest income		\$11,640			\$8,742	
Net interest rate spread			3.56%			3.08%
Net interest margin			3.84%			3.58%
Average interest earning assets to average interest bearing liabilities			116.17%			121.55%

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

2 Includes tax-free securities, mortgage-backed securities and asset-backed securities.

Quarter Ended March 31, 2009 and 2008

(Dollars in thousands)	2009	2009	2009
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