

GREENE COUNTY BANCORP INC
Form 10QSB
November 08, 2004

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

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2004

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) (I.R.S. Employer Identification Number)

302 Main Street, Catskill, New York 12414
(Address of principal executive office) (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: No:

As of November 1, 2004, the registrant had 2,152,835 shares of common stock issued at \$.10 par value, and 2,055,703 shares were outstanding.

Transitional Small Business Disclosure
Format: Yes: No:

GREENE COUNTY BANCORP, INC.

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Greene County Bancorp, Inc.
Consolidated Statements of Financial Condition
As of September 30, 2004 (unaudited) and June 30, 2004

| <i>ASSETS</i> | September 30, 2004 | June 30, 2004 |
|--|-----------------------|------------------|
| Cash and due from banks | \$ 12,762,288 | \$ 12,928,596 |
| Federal funds sold | 5,340,206 | 8,489,142 |
| Total cash and cash equivalents | 18,102,494 | 21,417,738 |
| Investment securities, at fair value | 103,656,519 | 104,833,862 |
| Federal Home Loan Bank stock, at cost | 1,729,300 | 1,729,300 |
| Loans | 155,098,803 | 150,463,812 |
| Less: Allowance for loan losses | (1,269,294) | (1,241,091) |
| Unearned origination fees and costs, net | (257,129) | (285,295) |
| Net loans receivable | 153,572,380 | 148,937,426 |
| Premises and equipment | 5,605,805 | 5,335,287 |
| Accrued interest receivable | 1,591,657 | 1,553,272 |
| Prepaid expenses and other assets | 318,685 | 674,600 |
| Other real estate owned | 97,689 | 97,689 |
| Total assets | \$ 284,674,529 | \$ 284,579,174 |
| <i>LIABILITIES AND SHAREHOLDERS EQUITY</i> | | |
| Noninterest bearing deposits | \$ 37,304,277 | \$ 35,644,563 |
| Interest bearing deposits | 207,482,031 | 208,073,613 |
| Total deposits | 244,786,308 | 243,718,176 |
| Borrowings from FHLB | 7,500,000 | 10,000,000 |
| Accrued expenses and other liabilities | 1,219,578 | 942,927 |
| Accrued income taxes | 202,324 | 92,259 |
| Total liabilities | 253,708,210 | 254,753,362 |
| Shareholders equity | | |
| Preferred stock, | | |
| Authorized 1,000,000 shares at September 30, 2004 and June 30, 2004; | --- | --- |
| Common stock, par value \$.10 per share; | | |
| Authorized:12,000,000 shares at September 30, 2004 and June 30, 2004; | | |
| Issued: 2,152,835 shares at September 30, 2004 and June 30, 2004; | | |
| Outstanding: 2,055,703 shares at September 30, 2004 | | |
| and 2,054,203 shares at June 30, 2004; | 215,284 | 215,284 |
| Additional paid-in capital | 10,205,674 | 10,151,621 |
| Retained earnings | 21,425,461 | 21,002,589 |
| Accumulated other comprehensive income | 433,485 | (183,422) |
| Less: Treasury stock (shares at cost) 97,132 shares at September 30, 2004, | | |
| and 98,632 shares at June 30, 2004 | (1,040,841) | (1,056,906) |

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| | | |
|---|----------------|----------------|
| Unearned stock-based compensation | (26,212) | (39,319) |
| Unearned ESOP shares (at cost) 33,038 at September 30, 2004, and 33,038 at June 30, 2004 | (246,532) | (264,035) |
| Total shareholders' equity | 30,966,319 | 29,825,812 |
| Total liabilities and shareholders' equity | \$ 284,674,529 | \$ 284,579,174 |

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Three Months Ended September 30, 2004 and 2003
(Unaudited)

| | 2004 | 2003 |
|--|-------------------|-------------------|
| Interest income: | | |
| Loans | \$ 2,461,108 | \$ 2,350,207 |
| Investment securities | 267,720 | 335,019 |
| Mortgage-backed securities | 518,264 | 383,731 |
| Tax free securities | 213,650 | 138,452 |
| Interest bearing deposits and federal funds sold | 46,675 | 30,920 |
| Total interest income | 3,507,417 | 3,238,329 |
| Interest expense: | | |
| Interest on deposits | 693,029 | 771,207 |
| Interest on borrowings | 118,592 | 97,545 |
| Total interest expense | 811,621 | 868,752 |
| Net interest income | 2,695,796 | 2,369,577 |
| Less: Provision for loan losses | 43,829 | 45,000 |
| Net interest income after provision for loan losses | 2,651,967 | 2,324,577 |
| Noninterest income: | | |
| Service charges on deposit accounts | 436,811 | 405,163 |
| Other operating income | 247,241 | 271,261 |
| Total noninterest income | 684,052 | 676,424 |
| Noninterest expense: | | |
| Salaries and employee benefits | 1,204,225 | 1,042,943 |
| Occupancy expense | 115,694 | 107,283 |
| Equipment and furniture expense | 156,372 | 140,118 |
| Service and data processing fees | 279,252 | 230,637 |
| Office supplies | 29,461 | 20,539 |
| Other | 424,495 | 441,169 |
| Total noninterest expense | 2,209,499 | 1,982,689 |
| Income before provision for income taxes | 1,126,520 | 1,018,312 |
| Provision for income taxes | 322,000 | 331,000 |
| Net income | \$ 804,520 | \$ 687,312 |
| Basic EPS | \$ 0.39 | \$ 0.34 |
| Basic shares outstanding | 2,054,927 | 2,000,450 |

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| | | | | |
|------------------------------------|----|-----------|----|-----------|
| Diluted EPS | \$ | 0.38 | \$ | 0.33 |
| Diluted average shares outstanding | | 2,104,590 | | 2,058,837 |

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Three Months Ended September 30, 2004 and 2003
(Unaudited)

| | 2004 | 2003 |
|---|--------------|------------|
| Net income | \$ 804,520 | \$ 687,312 |
| Other comprehensive income: | | |
| Unrealized holding gains (losses) arising during the three months ended September 30, 2004 and 2003, net of tax (expense)/benefit of \$(393,586) and \$483,938, respectively. | 616,907 | (665,906) |
| Total other comprehensive income | 616,907 | (665,906) |
| Comprehensive income | \$ 1,421,427 | \$ 21,406 |

Greene County Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Three Months Ended September 30, 2004 and 2003
(Unaudited)

| | Capital Stock | Additional Paid - In Capital | Retained Earnings | Accumulated Other Comprehensive Income | Unearned Stock-based Compensation | Treasury Stock | Unearned ESOP Shares | Total Shareholders' Equity |
|---------------------------------|---------------|------------------------------|-------------------|--|-----------------------------------|----------------|----------------------|----------------------------|
| Balance at | | | | | | | | |
| June 30, 2003 | \$215,284 | \$10,092,353 | \$18,777,623 | \$1,664,585 | (\$96,941) | (\$1,192,535) | (\$335,504) | \$29,124,865 |
| ESOP shares earned | | 27,342 | | | | | 18,139 | 45,481 |
| Stock-based compensation earned | | | | | 14,254 | | | 14,254 |
| Dividends paid | | | (325,478) | | | | | (325,478) |
| Net income | | | 687,312 | | | | | 687,312 |
| Change in unrealized gain, net | | | | (665,906) | | | | (665,906) |
| Balance at | | | | | | | | |
| September 30, 2003 | \$215,284 | \$10,119,695 | \$19,139,457 | \$998,679 | (\$82,687) | (\$1,192,535) | (\$317,365) | \$28,880,528 |
| Balance at | | | | | | | | |
| June 30, 2004 | \$215,284 | \$10,151,621 | \$21,002,589 | \$(183,422) | (\$39,319) | (\$1,056,906) | (\$264,035) | \$29,825,812 |
| ESOP shares earned | | 42,518 | | | | | 17,503 | 60,021 |
| Options exercised | | 11,535 | | | | 16,065 | | 27,600 |
| Stock-based compensation earned | | | | | 13,107 | | | 13,107 |
| Dividends paid | | | (381,648) | | | | | (381,648) |
| Net income | | | 804,520 | | | | | 804,520 |

| | | | | | | | | |
|--------------------------------------|-----------|--------------|--------------|-----------|------------|---------------|-------------|--------------|
| Change in unrealized gain, net | | | | 616,907 | | | | 616,907 |
| <hr/> | | | | | | | | |
| Balance at | | | | | | | | |
| September 30, 2004 | \$215,284 | \$10,205,674 | \$21,425,461 | \$433,485 | (\$26,212) | (\$1,040,841) | (\$246,532) | \$30,966,319 |

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Cash Flows
For the Three Months Ended September 30, 2004 and 2003
(Unaudited)

| | 2004 | 2003 |
|---|---------------|---------------|
| Cash flows from operating activities: | | |
| Net Income | \$ 804,520 | \$ 687,312 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation | 151,000 | 127,800 |
| Net amortization of premium | 315,673 | 381,727 |
| Provision for loan losses | 43,829 | 45,000 |
| ESOP and other stock-based compensation earned | 73,128 | 59,735 |
| Gain on sale of other real estate | --- | (1,535) |
| Net increase in accrued income taxes | 110,066 | 77,718 |
| Net (increase) decrease in accrued interest receivable | (38,385) | 56,141 |
| Net decrease in prepaid and other assets | 79,351 | 74,988 |
| Net increase in other liabilities | 159,627 | 110,345 |
| Net cash provided by operating activities | 1,698,809 | 1,619,231 |
| Cash flows from investing activities: | | |
| Proceeds from maturities and calls of securities | 4,622,341 | 3,214,528 |
| Purchases of securities and other investments | (4,441,762) | (1,541,199) |
| Principal payments on securities | 410,868 | 1,600,117 |
| Principal payments on mortgage-backed securities | 2,324,343 | 4,267,395 |
| Purchases of mortgage-backed securities | (1,043,626) | (7,039,240) |
| Net increase in loans receivable | (4,678,783) | (2,020,406) |
| Proceeds from the sale of other real estate | --- | 56,660 |
| Purchases of premises and equipment | (421,518) | (26,149) |
| Net cash used in investing activities | (3,228,137) | (1,488,294) |
| Cash flows from financing activities: | | |
| Net borrowings from / (payments to) FHLB | (2,500,000) | --- |
| Dividends paid | (381,648) | (325,478) |
| Proceeds from issuance of stock options | 27,600 | --- |
| Net increase in deposits | 1,068,132 | 3,065,336 |
| Net cash (used in)/provided by financing activities | (1,785,916) | 2,739,858 |
| Net (decrease) increase in cash and cash equivalents | (3,315,244) | 2,870,795 |
| Cash and cash equivalents at beginning of period | 21,417,738 | 16,918,266 |
| Cash and cash equivalents at end of period | \$ 18,102,494 | \$ 19,789,061 |

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Notes to Consolidated Financial Statements
As of and for the Three Months Ended September 30, 2004 and 2003

(1) Basis of Presentation

The accompanying consolidated balance sheet information as of June 30, 2004 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 its subsidiary, Greene County Commercial Bank at June 30, 2004. The consolidated financial statements at and for the three months ended September 30, 2004 and 2003 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-QSB and Article 10 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, 2004, 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 months ended September 30, 2004 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2005.

CRITICAL ACCOUNTING POLICY

Greene County Bancorp, Inc.'s critical accounting policy relates to the allowance for loan losses (the Allowance). It is based on management's opinion 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 for 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.

While management uses available information to recognize losses on loans and OREO, future additions to the allowance, or OREO write-downs, 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 The Bank of Greene County's allowance and the carrying value of OREO and other assets. Such authorities may require The Bank of Greene County to recognize additions to the allowance and/or write down the carrying value of OREO or other assets based on their judgments of information available to them at the time of their examination.

(2) Nature of Operations**(2) Nature of Operation**

The Bank of Greene County has six full-service offices and an operations center located in its market area consisting of Greene 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. During the quarter ended June 30, 2004, The Bank of Greene County opened a limited purpose commercial bank subsidiary the purpose of which is to serve local municipalities.

(3) Use of Estimates**(3) Use of Estimates(2) Nature of Operations**

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 valuation of other real estate owned (OREO).

(4) Earnings Per Share**(4) Earnings Per Share****(3) Use of Estimates(2) Nature of Operations**

Basic earnings per share (EPS) on common stock are computed by dividing net income by the weighted average number of shares of common stock outstanding for the period. Shares of restricted stock are not considered outstanding for the calculation of basic earnings per share until they become fully vested. Diluted earnings per share are 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 instruments (such as stock options and unvested restricted stock) became vested and (in the case of stock options) exercised 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 |
|---------------------------|------------|---|-----------------------|
| Three Months Ended | | | |
| September 30, 2004: | \$ 804,520 | | |
| Basic EPS | | 2,054,927 | \$ 0.39 |
| Diluted EPS | | 2,104,590 | \$ 0.38 |
| September 30, 2003: | \$ 687,312 | | |
| Basic EPS | | 2,000,450 | \$ 0.34 |
| Diluted EPS | | 2,058,837 | \$ 0.33 |

(5) Dividends**(5) Dividends**

The Board of Directors declared a semi-annual \$0.42 per share cash dividend on July 21, 2004, for shareholders of record August 15, 2004, payable September 1, 2004. The dividend reflected an annual cash dividend rate of \$0.84 per

share, which represented an increase from the previous annual cash dividend rate of \$0.80 per share. The increase in the dividend paid out was a result of improved earnings as well as the waiver of such dividends by Greene County Bancorp, MHC, the Company's mutual holding company.

(6) 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 U.S. generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time 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.

(7) Impact of Recent Accounting Pronouncements

There were no new accounting pronouncements issued that would have a potential impact on the Company's financial statements for the quarter ended September 30, 2004.

(8) Stock-Based Compensation

At September 30, 2004, Greene County Bancorp, Inc. had two stock-based compensation plans, which are described more fully in Note 9 of the financial statements and notes thereto for the year ended June 30, 2004. SFAS No. 123, *Accounting for Stock-Based Compensation*, requires the measurement of the fair value of stock options or warrants granted to employees to be included in the statement of operations or, alternatively, disclosed in the notes to consolidated financial statements. The Company accounts for stock-based compensation of employees under the intrinsic value method of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations and has elected the disclosure-only alternative under SFAS No. 123. No stock-based compensation cost is reflected in net income, as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation.

| | Three Months Ended | |
|--|--------------------|------------|
| | September 30, | |
| | 2004 | 2003 |
| Net income, as reported | \$ 804,520 | \$ 687,312 |
| Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects | 6,919 | 8,452 |
| Pro forma net income | \$ 797,601 | \$ 678,860 |
| Earnings per share: | | |
| Basic - as reported | \$ 0.39 | \$ 0.34 |

| | | | | |
|-----------------------|----|------|----|------|
| Basic - pro forma | \$ | 0.39 | \$ | 0.34 |
| Diluted - as reported | \$ | 0.38 | \$ | 0.33 |
| Diluted - pro forma | \$ | 0.38 | \$ | 0.33 |

The fair value of each option grant has been estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in all periods presented: dividend yield of 3.0%, expected volatility of 29.54%, risk free interest rate of 4.78%, and expected term of 5 years.

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 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, income and expense pertaining to other real estate owned, 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 rate. 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 stockholder's equity that results from customers, to whom loans have been made 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 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 September 30, 2004 and June 30, 2004**ASSETS**

Total assets of the Company increased to \$284.7 million at September 30, 2004 up from \$284.6 million at June 30, 2004. The asset composition shifted toward loans which amounted to \$155.1 million, or 54.5% of total assets at September 30, 2004, as compared to \$150.5 million, or 52.9% of total assets at June 30, 2004. The asset composition shifted away from cash and cash equivalents which represented \$18.1 million or 6.4% of total assets at September 30, 2004 as compared to \$21.4 million or 7.5 % of total assets at June 30, 2004.

CASH AND CASH EQUIVALENTS

Total cash and cash equivalents decreased to \$18.1 million at September 30, 2004 as compared to \$21.4 million at June 30, 2004, a decrease of \$3.3 million or 15.4%. Cash, such as vault cash and balances with correspondent banks, remained consistent at approximately \$12.8 million at September 30, 2004 and June 30, 2004. Federal funds sold decreased to \$5.3 million at September 30, 2004 as compared to \$8.5 million at June 30, 2004, a decrease of \$3.2 million or 37.6%. The decrease was the result of paying down borrowings by \$2.5 million and funding tax escrow payments which amounted to approximately \$3.0 million paid out the last several days of September 2004.

INVESTMENT SECURITIES

Investment securities decreased to \$103.7 million at September 30, 2004 as compared to \$104.8 million at June 30, 2004, a decrease of \$1.1 million, or 1.0%. The decrease was the result of \$4.6 million in matured or called securities for the quarter ended September 30, 2004. Principal payments on investment securities amounted to \$2.7 million during the quarter ended September 30, 2004, including \$2.3 million in principal payments on mortgage-backed securities. Maturities and principal pay-downs were offset by purchases of \$5.5 million in investment securities, including \$1.0 million in mortgage-backed securities. The market value of the portfolio shifted to a net unrealized gain position of \$0.7 million at September 30, 2004 from an unrealized loss position of \$0.3 million at June 30, 2004. The new purchases along with the slightly lower long-term interest rate environment have helped enhanced the market value of the portfolio. The majority of the maturities during the quarter were U.S. government agencies shifting the portfolio composition away from U.S. government agencies and more significantly toward mortgage-backed securities. The Company continued to invest in locally generated municipal securities contributing to the increase of \$2.5 million in state and political subdivision securities during the quarter ended September 30, 2004.

| <i>(Dollars rounded to nearest thousand)</i> | Market value at Sept. 30, 2004 | Percentage of portfolio | Market value at June 30, 2004 | Percentage of portfolio |
|--|---|----------------------------|--|----------------------------|
| U.S. government agencies | \$ 6,092 | 5.9% | \$ 9,108 | 8.7% |
| State and political subdivisions | 25,083 | 24.2 | 22,584 | 21.5 |
| Mortgage-backed securities | 62,131 | 59.9 | 61,175 | 58.4 |
| Asset-backed securities | 177 | 0.2 | 195 | 0.2 |
| Corporate debt securities | 8,791 | 8.5 | 10,379 | 9.9 |
| Total debt securities | 102,274 | 98.7 | 103,441 | 98.7 |
| Equity securities and other | 1,383 | 1.3 | 1,393 | 1.3 |

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| | | | | | | |
|-------------------------------------|----|---------|--------|----|---------|--------|
| Total available-for-sale securities | \$ | 103,657 | 100.0% | \$ | 104,834 | 100.0% |
|-------------------------------------|----|---------|--------|----|---------|--------|

LOANS

Net loans receivable increased to \$153.6 million at September 30, 2004 from \$148.9 million at June 30, 2004, an increase of \$4.7 million, or 3.2%. The continued low interest rate environment and strong customer satisfaction from personal service continued to enhance loan growth. Merger activity of local competition also appears to have helped with loan growth and demand. Loan modifications and refinancing have slowed significantly during the quarter ended September 30, 2004. As a result of these changes, the residential mortgage portfolio increased by \$4.9 million and the home equity portfolio increased by \$0.6 million during the quarter. 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 low financing options from auto makers continued to cut into the Bank's automobile loan generation.

| <i>(Dollars rounded to nearest thousand)</i> | At Sept. 30, 2004 | Percentage of portfolio | At June 30, 2004 | Percentage of portfolio |
|--|-------------------------|----------------------------|------------------------|----------------------------|
| Real estate mortgages | | | | |
| Residential | \$ 117,852 | 76.0% | \$ 112,949 | 75.1% |
| Commercial | 14,908 | 9.6 | 14,815 | 9.8 |
| Home equity loans | 10,946 | 7.1 | 10,333 | 6.9 |
| Commercial loans | 7,035 | 4.5 | 7,822 | 5.2 |
| Installment loans | 3,803 | 2.4 | 3,988 | 2.6 |
| Passbook loans | 555 | 0.4 | 557 | 0.4 |
| Total loans | \$ 155,099 | 100.0% | \$ 150,464 | 100.0% |
| Less: Allowance for loan losses | (1,269) | | (1,241) | |
| Unearned origination fees and costs, net | (257) | | (285) | |
| Net loans receivable | \$ 153,573 | | \$ 148,938 | |

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 losses. 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 OREO. 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 is reduced by net charge-offs. The level of the provision for the quarter ended September 30, 2004, was driven by the continued strong asset quality and the level of charge-offs associated with the overdraft protection program. Various regulatory agencies issued guidance recommending banks include the charged off account balances associated with such program in the evaluation of the allowance for loan loss. The Company has implemented this guidance previously these charge-offs were included with other operating expenses as other losses associated with customer accounts. The charged off amount does not include associated fees which would have been collected. 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.

| | Quarter ended | Quarter ended |
|---|-----------------------|-----------------------|
| | September 30, 2004 | September 30, 2003 |
| Allowance for loan losses | | |
| Balance at the beginning of the period | \$ 1,241,091 | \$ 1,163,825 |
| Charge-offs: | | |
| Installment loans to individuals | 5,582 | 11,263 |
| Overdraft protection | 13,829 | --- |
| Total loans charged off | 19,411 | 11,263 |
| Recoveries: | | |
| Home equity | --- | 2,791 |
| Installment loans to individuals | 3,785 | 21,006 |
| Total recoveries | 3,785 | 23,797 |
| Net charge-offs | 15,626 | (12,534) |
| Provisions charged to operations | 43,829 | 45,000 |
| Balance at the end of the period | \$ 1,269,294 | \$ 1,221,359 |
| Ratio of net charge-offs to average loans outstanding | 0.01% | (0.01)% |
| Ratio of net charge-offs to nonperforming assets | 3.88% | (5.61)% |
| Allowance for loan loss to nonperforming loans | 416.61% | 546.20% |
| Allowance for loan loss to net loans receivable | 0.82% | 0.91% |

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 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 over 90 days 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. Other real estate owned is considered a nonperforming asset. The Bank of Greene County had no accruing loans delinquent more than 90 days at September 30, 2004 or June 30, 2004.

Analysis of Nonaccrual Loans and Nonperforming Assets

| | At September 30, 2004 | At June 30, 2004 |
|---|-----------------------------|---------------------|
| Nonaccruing loans: | | |
| Real estate mortgage loans: | | |
| Residential mortgages loans (one- to four-family) | \$ 267,602 | \$ 268,138 |
| Commercial mortgage loans | --- | --- |
| Home equity | 26,993 | 67,795 |
| Commercial loans | --- | --- |
| Installment loans to individuals | 10,074 | 4,782 |
| Total nonaccruing loans | 304,669 | 340,715 |
| Real Estate Owned: | | |
| Residential mortgages loans (one- to four-family) | 97,689 | 97,689 |
| Total real estate owned | 97,689 | 97,689 |
| Total nonperforming assets | \$ 402,358 | \$ 438,404 |
| Total nonperforming assets as a percentage of total assets | 0.14% | 0.15% |
| Total nonperforming loans to total loans | 0.20% | 0.23% |

At September 30, 2004, gross interest income of \$12,800 would have been recorded on nonaccrual loans under their original terms if the loans had been current throughout the period. No interest income was recorded on nonaccrual loans or on accruing loans more than 90 days delinquent at September 30, 2004.

DEPOSITS

Total deposits increased to \$244.8 million at September 30, 2004 from \$243.7 million at June 30, 2004, an increase of \$1.1 million, or 0.5%. The composition of the deposit portfolio shifted toward noninterest bearing deposits which increased \$1.7 million or 4.6% between June 30, 2004 and September 30, 2004 contributing to the improvement in net interest spread and margin. Marketing efforts to attract noninterest bearing deposits including free gift offers and emphasis on attracting commercial checking accounts continued to be successful. Savings deposits declined by \$2.2 million due to the payment of property tax escrow accounts. Greene County Commercial Bank's deposits grew by approximately \$1.0 million in short-term certificates of deposit between June 30, 2004 and September 30, 2004.

| <i>(Dollars rounded to nearest thousand)</i> | At Sept. 30, 2004 | Percentage Of portfolio | At June 30, 2004 | Percentage of portfolio |
|--|-------------------------|----------------------------|------------------------|----------------------------|
| Noninterest bearing deposits | \$ 37,304 | 15.2% | \$ 35,645 | 14.6% |
| Certificates of deposit | 56,749 | 23.2 | 57,022 | 23.4 |
| Savings deposits | 94,738 | 38.7 | 96,950 | 39.8 |
| Money market deposits | 34,221 | 14.0 | 33,867 | 13.9 |
| NOW deposits | 21,774 | 8.9 | 20,234 | 8.3 |
| Total deposits | \$ 244,786 | 100.0% | \$ 243,718 | 100.0% |

BORROWINGS

At September 30, 2004, The Bank of Greene County had the following borrowings:

| Amount | Rate | Maturity Date |
|-------------|---|---------------|
| \$5,000,000 | 3.64% -Fixed two years, convertible thereafter | 10/24/2013 |
| 2,500,000 | 6.80% -Fixed | 10/04/2005 |
| \$7,500,000 | | |

The \$5.0 million borrowing is convertible given certain criteria including three-month LIBOR of at least 7.5%.

EQUITY

The primary changes in equity included changes in retained earnings and accumulated comprehensive income. Retained earnings was affected by net income of \$805,000 and partially offset by dividends paid of \$382,000. Accumulated comprehensive income was affected by a shift in the available-for-sale portfolio from a net unrealized loss position of \$183,000 to an unrealized gain position of \$433,000, net of tax. Treasury stock decreased by \$16,000 due to the exercise of 1,500 options under the 2000 Stock Option Plan reducing the number of shares held in treasury to 97,132 shares.

Comparison of Operating Results for the Three Months Ended September 30, 2004 and 2003**Average Balance Sheet**

The following table sets forth certain information relating to Greene County Bancorp, Inc. for the quarter ended September 30, 2004 and 2003. 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. For the quarter ended September 30, 2004 and 2003, average balances were based on daily averages, except for deposit accounts which were based on weekly averages. Interest and balances of nonaccrual loans and certain deferred origination fees and costs have been excluded from the average loan balances and yield calculations in these tables.

| <i>(Dollars in thousands)</i> | 2004 | 2004 | 2004 | 2003 | 2003 | 2003 |
|---|-------------|----------|---------|-------------|----------|---------|
| | 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 | \$ 151,189 | \$ 2,461 | 6.51% | \$ 133,941 | \$ 2,350 | 7.02% |
| Investment securities ² | 104,759 | 989 | 3.78 | 100,524 | 857 | 3.41 |
| Federal funds | 10,559 | 39 | 1.48 | 9,887 | 26 | 1.05 |
| Interest bearing bank balances | 2,387 | 7 | 1.17 | 1,114 | 5 | 1.80 |
| FHLB stock | 1,729 | 11 | 2.54 | 1,361 | --- | 0.00 |
| Total interest earning assets | 270,623 | 3,507 | 5.18 | 246,827 | 3,238 | 5.25 |
| Interest bearing liabilities: | | | | | | |
| Savings and money market deposits | 126,634 | 372 | 1.18 | 116,562 | 342 | 1.17 |
| Demand and NOW deposits | 52,492 | 25 | 0.19 | 44,798 | 23 | 0.21 |
| Certificates of deposit | 57,685 | 295 | 2.05 | 61,571 | 407 | 2.64 |
| Borrowings | 10,286 | 119 | 4.63 | 8,000 | 97 | 4.85 |
| Total interest bearing liabilities | \$ 247,097 | \$ 811 | 1.31% | \$ 230,931 | \$ 869 | 1.51% |
| Net interest income | | \$ 2,696 | | | \$ 2,369 | |
| Net interest rate spread | | | 3.87% | | | 3.74% |
| Net interest margin | | | 3.98% | | | 3.84% |
| Average interest earning assets to average interest bearing liabilities | | | 109.52% | | | 106.88% |

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

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

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.

| | Three Months Ended September 30, 2004 versus 2003 | | | |
|------------------------------------|---|----------|----|-------------------------|
| | Increase/(Decrease) | | | Total |
| | | Due to | | Increase/ (Decrease) |
| | Volume | Rate | | |
| <i>(Dollars in thousands)</i> | | | | |
| Interest-earning assets: | | | | |
| Loans receivable, net ¹ | \$ 255 | \$ (144) | \$ | 111 |
| Investment securities ² | 37 | 95 | | 132 |
| Federal funds | 2 | 11 | | 13 |
| Interest-bearing bank balances | 3 | (1) | | 2 |
| FHLB stock | 0 | 11 | | 11 |
| Total interest-earning assets | 297 | (28) | | 269 |
| Interest-bearing liabilities: | | | | |
| Savings deposits | 27 | 3 | | 30 |
| Demand and NOW deposits | 4 | (2) | | 2 |
| Certificates of deposit | (25) | (87) | | (112) |
| Borrowings | 26 | (4) | | 22 |
| Total interest-bearing liabilities | 32 | (90) | | (58) |
| Net interest income | \$ 265 | \$ 62 | \$ | 327 |

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

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

GENERAL

Return on average assets and return on average equity are common methods of measuring operating results. Return on average assets increased to 1.12% for the quarter ended September 30, 2004 as compared to 1.06% for the quarter ended September 30, 2003. Return on average equity increased to 10.58% for the quarter ended September 30, 2004 as compared to 9.61% for the quarter ended September 30, 2003. The improvement in return on average assets and return on average equity was primarily the result of improved net interest income. Net income amounted to \$805,000 for the quarter ended September 30, 2004 as compared to \$687,000, an increase of \$118,000 or 17.2%. Average assets increased \$27.0 million, or 10.4% to \$286.9 million for the quarter ended September 30, 2004 as compared to \$259.9 million for the quarter ended September 30, 2003. Average equity increased \$1.4 million, or 4.8% to \$30.4 million for the quarter ended September 30, 2004 as compared to \$29.0 million for the quarter ended September 30, 2003. As

illustrated, net income increased more significantly than average assets and average equity causing improvement in return on average assets and return on average equity.

INTEREST INCOME

Interest income amounted to \$3.5 million for the quarter ended September 30, 2004 as compared to \$3.2 million for the quarter ended September 30, 2003, an increase of \$0.3 million or 9.4%. The growth in average interest earning assets had the greatest impact on net interest income as illustrated in the rate/volume table above. Average interest earning assets amounted to \$270.6 million for the quarter ended September 30, 2004 as compared to \$246.8 million for the quarter ended September 30, 2003, an increase of \$23.8 million or 9.6%. However, the yield on such assets decreased by 7 basis points to 5.18% for the quarter ended September 30, 2004 as compared to 5.25% for the quarter ended September 30, 2003. Interest earned on investment securities impacted overall interest income the most and was driven by an increase in the average yield of such assets. The average balance of investment securities increased \$4.2 million when comparing the quarters ended September 30, 2004 and 2003, and the yield on such investments increased 37 basis points, primarily due to the higher short term interest rate environment during the third calendar quarter of 2004. The interest earned on loans also significantly impacted overall interest earned. Average loans increased \$17.3 million to \$151.2 million for the quarter ended September 30, 2004 as compared to \$133.9 million for the quarter ended September 30, 2003. The average yield on such loans decreased 51 basis points to 6.51% for the quarter ended September 30, 2004 compared to 7.02% for the quarter ended September 30, 2003. It should be noted that during the quarter ended September 30, 2003, the FHLB of New York did not pay a dividend on its stock due to a loss it incurred on some investments. The dividend was restored during the quarter ended December 31, 2003 although at a significantly lower rate than the historical rate paid by the FHLB. Membership in FHLB of New York is an important source of liquidity for The Bank of Greene County and the investment in stock is based on the asset size of the Bank and it is not marketable.

INTEREST EXPENSE

Interest expense amounted to \$812,000 for the quarter ended September 30, 2004 as compared to \$869,000 for the quarter ended September 30, 2003, a decrease of \$57,000. The average balance of interest bearing liabilities amounted to \$247.1 million and the average rate decreased to 1.31% for the quarter ended September 30, 2004 as compared to an average balance of \$230.9 million with an average rate of 1.51% for the quarter ended September 30, 2003, an increase in average interest bearing liabilities of \$16.2 million and a decrease in average rate of 20 basis points. The average rate paid on certificates of deposits had the most significant impact on the overall rate of interest bearing liabilities. The average rate on certificates of deposits decreased 59 basis points to 2.05% for the quarter ended September 30, 2004 as compared to 2.64% for the quarter ended September 30, 2003. The average balances of such certificates of deposit decreased by \$3.9 million due primarily to the continued low interest rate environment. The shift in the deposit portfolio to more noninterest bearing deposits also contributed to lower interest expense. Noninterest bearing deposits represented \$37.3 million or 15.2% of deposits at September 30, 2004 as compared to \$27.1 million or 12.3% of deposits at September 30, 2003.

Interest expense on borrowings amounted to \$119,000 for the quarter ended September 30, 2004 on an average balance of \$10.3 million resulting in an average rate of 4.63% as compared to \$98,000 for the quarter ended September 30, 2003 on an average balance of \$8.0 million resulting in an average rate of 4.85%. The decrease in average rate of 22 basis points was offset by an increase in average balance of \$2.3 million when comparing the quarters ended September 30, 2004 and 2003. The pay off of \$2.5 million in borrowings at the beginning of September 2004 which carried a rate of 6.82% helped to reduce the overall average rate paid on such borrowings and should continue to reduce the interest expense on borrowings in the next quarter.

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.

NET INTEREST INCOME

Net interest income increased to \$2.7 million for the quarter ended September 30, 2004 as compared to \$2.4 million for the quarter ended September 30, 2003, an improvement of \$0.3 million, or 12.5%. Net interest spread increased to 3.87% as compared to 3.74%, an increase of 13 basis points, when comparing the quarters ended September 30, 2004 and September 30, 2003. Net interest margin increased 14 basis points to 3.98% for the quarter ended September 30, 2004 as compared to 3.84% for the quarter ended September 30, 2003. The growth in interest earning assets of \$23.8 million out paced the growth in interest bearing liabilities of \$16.2 million when comparing the quarters ended September 30, 2004 and 2003. As previously stated, the growth in noninterest bearing liabilities contributed to these positive results and the lower rate paid on certificates of deposit also assisted in improved net interest spread and margin. The declining yield on loans partially offset these savings.

Due to the large level of long term fixed rate loans, The Bank of Greene County may experience compression of net interest margin and spread in a rising rate environment.

PROVISION FOR LOAN LOSSES

The provision for loan losses amounted to \$44,000 for the quarter ended September 30, 2004 and \$45,000 for the quarter ended September 30, 2003. The level of provision for loan losses was largely impacted by the asset quality of the overall loan portfolio, which continued to remain strong. Nonperforming assets to total assets amounted to 0.14% and nonperforming loans to total loans amounted to 0.20% at September 30, 2004. The collateral associated with the residential mortgages and home equities classified as nonaccrual was deemed sufficient and the amount of individual loans classified as nonaccrual was insignificant at \$10,000. During the quarter ended September 30, 2004, The Bank of Greene County began including charge-offs associated with the Overdraft Protection Program in the analysis of the allowance for loan loss, which contributed about \$14,000 to the level of the provision.

NONINTEREST INCOME

Noninterest income increased to \$684,000 for the quarter ended September 30, 2004 as compared to \$676,000 for the quarter ended September 30, 2003, an increase of \$8,000 or 1.2%. Noninterest income associated with service charges increased as a result of an increase in the number of accounts. The Company has had success in its new investment services business offered through Investors Marketplace which has helped offset a decline in the recognition of fees associated with refinancing activities.

NONINTEREST EXPENSE

Noninterest expense increased to \$2.2 million from \$2.0 million, an increase of \$0.2 million or 10.0% when comparing the quarters ended September 30, 2004 and 2003. Increases in salaries and benefits amounted to \$161,000 and resulted from the addition of several new positions including additional marketing and computer technology staff, as well as annual salary, medical benefit and retirement expense increases. Occupancy expense increased \$8,400 as a result of higher real estate taxes and routine maintenance expenses. Furniture and equipment expense increased \$16,000 primarily due to depreciation expense associated with new computer equipment for contingency purposes, system upgrades and furniture improvements in the Catskill Office. The expense for service and data processing of

accounts was driven by the increased number of accounts as well as expenses for ATM upgrades which resulted in an increase of \$49,000 comparing with the same quarter of the prior year. Office supply expense increased approximately \$9,000 when comparing the quarters ended September 30, 2004 and 2003 due to some inventory replacement and routine expenditures.

INCOME TAXES

The provision for income taxes directly reflects the expected tax associated with the revenue generated for the given year and certain regulatory requirements. The effective tax rate decreased to 28.6% for the quarter ended September 30, 2004 as compared to 32.5% for the quarter ended September 30, 2003, primarily due to the portion of income derived from state and municipal securities. There were no significant changes in activity that would affect the overall tax rate between periods.

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 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.

The low market interest rate environment had helped to improve the net interest spread and margin in recent quarters; however, an increasing or flat market interest rate environment is expected to have the reverse effect, especially in the case of a rapidly increasing interest rate environment.

Mortgage loan commitments totaled \$2.7 million at September 30, 2004. The unused portion of overdraft lines of credit amounted to \$0.6 million, the unused portion of home equity lines of credit amounted to \$3.8 million, and the unused portion of commercial lines of credit amounted to \$3.3 million at September 30, 2004. 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 from FHLB NY.

During the current fiscal year, The Bank of Greene County is anticipating relocating the Cairo and Coxsackie branches in order to better service our customers. Due to the tremendous retail and commercial deposit growth experienced by the Company in the last several years, which is expected to continue, these branch facilities have been outgrown. It is expected that the Company will have sufficient cash or other means of liquidity to fund these projects.

The Bank of Greene County met all regulatory capital requirements at September 30, 2004 and June 30, 2004. Consolidated shareholders' equity represented 10.88 % of total assets at September 30, 2004 and 10.48% of total assets of June 30, 2004.

Item 3. 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. is not engaged in any material legal proceedings at the present time.

Item 2. Changes in Securities and Use of Proceeds

During the quarter ended September 30, 2004, no purchases of registrant's equity securities were completed by the registrant or any affiliate.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) 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

(b) Reports on Form 8-K

-A current report on Form 8-K was filed with the SEC on July 22, 2004 announcing the declaration of the semi-annual dividend to be paid on September 1, 2004.

-A current report on Form 8-K was filed with the SEC on July 22, 2004 announcing the addition of Arthur Place, CPA to the Board of Directors.

-A current report on Form 8-K was filed on August 2, 2004 to report fiscal year end earnings.

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: November 5, 2004

By: /s/ J. Bruce Whittaker

J. Bruce Whittaker
President and Chief Executive Officer

Date: November 5, 2004

By: /s/ Michelle Plummer

Michelle Plummer
Chief Financial Officer and Treasurer

EXHIBIT 31.1

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

I, J. Bruce Whittaker, President and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB 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 financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer'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)) for the small business issuer 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 small business issuer, 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) evaluated the effectiveness of the small business issuer'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
 - c) disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: November 5, 2004

/s/ J. Bruce Whittaker

J. Bruce Whittaker, President and

Chief Executive Officer

EXHIBIT 31.2
Certification of Chief Financial Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Michelle M. Plummer, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB 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 financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer'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)) for the small business issuer 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 small business issuer, 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) evaluated the effectiveness of the small business issuer'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
 - c) disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: November 5, 2004

/s/ Michelle Plummer

Michelle M. Plummer,

Chief Financial Officer

EXHIBIT 32.1
Statement of Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

J. Bruce Whittaker, 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-QSB for the quarter ended September 30, 2004 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 financial condition and 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: November 5, 2004

J. Bruce Whittaker, President and
Chief Executive Officer

/s/ J. Bruce Whittaker

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-QSB for the quarter ended September 30, 2004 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 financial condition and 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: November 5, 2004
Michelle M. Plummer,
Chief Financial Officer

/s/ Michelle Plummer