

GREENE COUNTY BANCORP INC
Form 10-Q
February 12, 2016

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 DECEMBER 31, 2015

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 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:

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a 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 February 12, 2016, the registrant had 4,228,957 shares of common stock outstanding at \$ 0.10 par value per share.

GREENE COUNTY BANCORP, INC.

INDEX

PART I.	FINANCIAL INFORMATION	Page
Item 1.	Financial Statements (unaudited)	
	<u>* Consolidated Statements of Financial Condition</u>	3
	<u>* Consolidated Statements of Income</u>	4
	<u>* Consolidated Statements of Comprehensive Income</u>	6
	<u>* Consolidated Statements of Changes in Shareholders' Equity</u>	7
	<u>* Consolidated Statements of Cash Flows</u>	8
	<u>* Notes to Consolidated Financial Statements</u>	9-28
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	29-43
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	43
Item 4.	<u>Controls and Procedures</u>	43
PART II.		
OTHER INFORMATION		
Item 1.	<u>Legal Proceedings</u>	44
Item 1A.	<u>Risk Factors</u>	44
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	44
Item 3.	<u>Defaults Upon Senior Securities</u>	44
Item 4.	<u>Mine Safety Disclosures</u>	44
Item 5.	<u>Other Information</u>	44
Item 6.	<u>Exhibits</u>	44
	<u>Signatures</u>	45
	Exhibit 31.1 302 Certification of Chief Executive Officer	
	Exhibit 31.2 302 Certification of Chief Financial Officer	

Exhibit 32.1 906 Statement of Chief
Executive Officer
Exhibit 32.2 906 Statement of Chief
Financial Officer
Exhibit 101 Extensible Business
Reporting Language (XBRL)

Index

Greene County Bancorp, Inc.
 Consolidated Statements of Financial Condition
 As of December 31, 2015 and June 30, 2015
 (Unaudited)
 (In thousands, except share and per share amounts)

	December 31, 2015	June 30, 2015
ASSETS		
Total cash and cash equivalents	\$ 22,088	\$ 15,538
Long term certificate of deposit	1,230	1,230
Securities available-for-sale, at fair value	93,582	86,034
Securities held-to-maturity, at amortized cost (fair value \$182,063 at December 31, 2015; \$171,976 at June 30, 2015)	177,554	169,000
Federal Home Loan Bank stock, at cost	2,782	2,494
Loans	485,928	450,755
Allowance for loan losses	(8,611)	(8,142)
Unearned origination fees and costs, net	887	883
Net loans receivable	478,204	443,496
Premises and equipment	14,340	14,515
Accrued interest receivable	3,258	3,026
Foreclosed real estate	304	847
Prepaid expenses and other assets	3,464	2,467
Total assets	\$ 796,806	\$ 738,647
LIABILITIES AND SHAREHOLDERS' EQUITY		
Noninterest-bearing deposits	\$ 77,784	\$ 73,359
Interest-bearing deposits	591,405	549,358
Total deposits	669,189	622,717
Borrowings from Federal Home Loan Bank, short-term	27,800	22,900
Borrowings from Federal Home Loan Bank, long-term	20,300	18,800
Accrued expenses and other liabilities	8,767	7,310
Total liabilities	726,056	671,727
SHAREHOLDERS' EQUITY		
Preferred stock, Authorized - 1,000,000 shares; Issued - None	-	-
Common stock, par value \$.10 per share; Authorized - 12,000,000 shares; Issued - 4,305,670 shares Outstanding 4,228,957 shares at December 31, 2015, and 4,222,357 shares at June 30, 2015	431	431
Additional paid-in capital	11,259	11,220
Retained earnings	60,451	56,696
Accumulated other comprehensive loss	(812)	(798)
Treasury stock, at cost 76,713 shares at December 31, 2015, and 83,313 shares at June 30, 2015	(579)	(629)
Total shareholders' equity	70,750	66,920
Total liabilities and shareholders' equity	\$ 796,806	\$ 738,647

See notes to consolidated financial statements

3

Index

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Six Months Ended December 31, 2015 and 2014
(Unaudited)
(In thousands, except share and per share amounts)

	2015	2014
Interest income:		
Loans	\$10,772	\$9,783
Investment securities - taxable	273	277
Mortgage-backed securities	1,553	1,446
Investment securities - tax exempt	1,397	1,132
Interest-bearing deposits and federal funds sold	4	10
Total interest income	13,999	12,648
Interest expense:		
Interest on deposits	1,071	1,001
Interest on borrowings	169	124
Total interest expense	1,240	1,125
Net interest income	12,759	11,523
Provision for loan losses	717	716
Net interest income after provision for loan losses	12,042	10,807
Noninterest income:		
Service charges on deposit accounts	1,483	1,446
Debit card fees	905	844
Investment services	171	189
E-commerce fees	41	53
Other operating income	424	377
Total noninterest income	3,024	2,909
Noninterest expense:		
Salaries and employee benefits	4,938	4,757
Occupancy expense	696	668
Equipment and furniture expense	238	253
Service and data processing fees	918	842
Computer software, supplies and support	229	339
Advertising and promotion	195	132
FDIC insurance premiums	204	192
Legal and professional fees	537	592
Other	1,292	998
Total noninterest expense	9,247	8,773
Income before provision for income taxes	5,819	4,943
Provision for income taxes	1,349	1,357
Net income	\$4,470	\$3,586
Basic earnings per share	\$1.06	\$0.85

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

Basic average shares outstanding	4,224,540	4,215,738
Diluted earnings per share	\$1.05	\$0.84
Diluted average shares outstanding	4,250,456	4,246,793
Dividends per share	\$0.37	\$0.36

See notes to consolidated financial statements

4

Index

Greene County Bancorp, Inc.

Consolidated Statements of Income

For the Three Months Ended December 31, 2015 and 2014

(Unaudited)

(In thousands, except share and per share amounts)

	2015	2014
Interest income:		
Loans	\$5,479	\$4,944
Investment securities - taxable	139	134
Mortgage-backed securities	786	741
Investment securities - tax exempt	730	580
Interest-bearing deposits and federal funds sold	2	8
Total interest income	7,136	6,407
Interest expense:		
Interest on deposits	540	500
Interest on borrowings	86	63
Total interest expense	626	563
Net interest income	6,510	5,844
Provision for loan losses	343	305
Net interest income after provision for loan losses	6,167	5,539
Noninterest income:		
Service charges on deposit accounts	766	730
Debit card fees	453	429
Investment services	78	87
E-commerce fees	17	25
Other operating income	264	169
Total noninterest income	1,578	1,440
Noninterest expense:		
Salaries and employee benefits	2,514	2,390
Occupancy expense	333	344
Equipment and furniture expense	118	177
Service and data processing fees	508	388
Computer software, supplies and support	96	106
Advertising and promotion	94	51
FDIC insurance premiums	104	101
Legal and professional fees	277	379
Other	683	560
Total noninterest expense	4,727	4,496
Income before provision for income taxes	3,018	2,483
Provision for income taxes	698	672
Net income	\$2,320	\$1,811
Basic earnings per share	\$0.55	\$0.43

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

Basic average shares outstanding	4,225,924	4,217,118
Diluted earnings per share	\$0.55	\$0.43
Diluted average shares outstanding	4,251,483	4,248,175
Dividends per share	\$0.185	\$0.180

See notes to consolidated financial statements

5

Index

Greene County Bancorp, Inc.
 Consolidated Statements of Comprehensive Income
 For the Six Months Ended December 31, 2015 and 2014
 (Unaudited)
 (In thousands)

	2015	2014
Net Income	\$4,470	\$3,586
Other comprehensive (loss) income:		
Unrealized holding (losses) gains on available-for-sale securities, net of income taxes of (\$14) and \$89, respectively	(21)	142
Accretion of unrealized loss on securities transferred to held-to-maturity, net of income taxes of \$4 and \$100, respectively	7	159
Total other comprehensive (loss) income, net of taxes	(14)	301
Comprehensive income	\$4,456	\$3,887

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
 Consolidated Statements of Comprehensive Income
 For the Three Months Ended December 31, 2015 and 2014
 (Unaudited)
 (In thousands)

	2015	2014
Net Income	\$2,320	\$1,811
Other comprehensive (loss) income:		
Unrealized holding (losses) gains on available-for-sale securities, net of income taxes of (\$35) and \$77, respectively	(55)	124
Accretion of unrealized loss on securities transferred to held-to-maturity, net of income taxes of \$0 and \$34, respectively	1	54
Total other comprehensive (loss) income, net of taxes	(54)	178
Comprehensive income	\$2,266	\$1,989

See notes to consolidated financial statements.

Index

Greene County Bancorp, Inc.
 Consolidated Statements of Changes in Shareholders' Equity
 For the Six Months Ended December 31, 2015 and 2014
 (Unaudited)
 (In thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
Balance at June 30, 2014	\$ 431	\$ 11,208	\$ 51,305	\$ (1,050)	\$ (694)	\$ 61,200
Options exercised		25			39	64
Tax benefit of stock based compensation		6				6
Dividends declared ¹			(693)			(693)
Net income			3,586			3,586
Other comprehensive income, net of taxes				301		301
Balance at December 31, 2014	\$ 431	\$ 11,239	\$ 54,198	\$ (749)	\$ (655)	\$ 64,464
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
Balance at June 30, 2015	\$ 431	\$ 11,220	\$ 56,696	\$ (798)	\$ (629)	\$ 66,920
Options exercised		33			50	83
Tax benefit of stock based compensation		6				6
Dividends declared ¹			(715)			(715)
Net income			4,470			4,470
Other comprehensive loss, net of taxes				(14)		(14)
Balance at December 31, 2015	\$ 431	\$ 11,259	\$ 60,451	\$ (812)	\$ (579)	\$ 70,750

¹ Dividends declared were \$0.37 per share and \$0.36 per share for the six months ended December 31, 2015 and 2014. This is based on total number of shares outstanding. However, Greene County Bancorp, MHC, the owner of 54.5% of the Company's shares outstanding at December 31, 2015, waived its right to receive dividends during the six months ended December 31, 2015 and 2014. The MHC's ability to waive the receipt of dividends is dependent upon annual approval of its members as well as receiving the non-objection of the Federal Reserve Board.

See notes to consolidated financial statements.

Index

Greene County Bancorp, Inc.
 Consolidated Statements of Cash Flows
 For the Six Months Ended December 31, 2015 and 2014
 (Unaudited)
 (In thousands)

	2015	2014
Cash flows from operating activities:		
Net Income	\$4,470	\$3,586
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	316	260
Deferred income tax	(2,451)	(1,542)
Net amortization of premiums and discounts	341	627
Net amortization of deferred loan costs and fees	190	182
Provision for loan losses	717	716
Losses on sale and write-downs of foreclosed real estate	177	92
Excess tax benefit from share based compensation	(6)	(6)
Net increase in accrued income taxes	3,104	2,837
Net increase in accrued interest receivable	(232)	(227)
Net increase in prepaid and other assets	(342)	(1,264)
Net decrease in other liabilities	165	122
Net cash provided by operating activities	6,449	5,383
Cash flows from investing activities:		
Securities available-for-sale:		
Proceeds from maturities	23,524	2,250
Purchases of securities	(34,067)	(18,941)
Principal payments on securities	2,846	3,805
Securities held-to-maturity:		
Proceeds from maturities	5,558	9,822
Purchases of securities	(18,679)	(12,266)
Principal payments on securities	4,351	3,155
Net redemption of Federal Home Loan Bank Stock	(288)	(1,669)
Net increase in loans receivable	(35,933)	(24,807)
Proceeds from sale of foreclosed real estate	684	302
Purchases of premises and equipment	(141)	(308)
Net cash used by investing activities	(52,145)	(38,657)
Cash flows from financing activities		
Net increase in short-term FHLB advances	4,900	40,350
Proceeds from long-term FHLB advances	1,500	1,000
Payment of cash dividends	(715)	(693)
Proceeds from issuance of stock options	83	64
Excess tax benefit from share based compensation	6	6
Net increase (decrease) in deposits	46,472	(6,393)
Net cash provided by financing activities	52,246	34,334
Net increase in cash and cash equivalents	6,550	1,060
Cash and cash equivalents at beginning of period	15,538	13,809
Cash and cash equivalents at end of period	\$22,088	\$14,869

Non-cash investing activities:

Foreclosed loans transferred to foreclosed real estate	\$318	\$502
Cash paid during period for:		
Interest	\$1,230	\$1,131
Income taxes	\$696	\$62

See notes to consolidated financial statements

8

Index

Greene County Bancorp, Inc.

Notes to Consolidated Financial Statements

As of and for the Six and Three Months Ended December 31, 2015 and 2014

(1) Basis of Presentation

The accompanying unaudited consolidated statement of financial condition as of June 30, 2015 was derived from the audited consolidated financial statements of Greene County Bancorp, Inc. (the “Company”) and its wholly owned subsidiaries, The Bank of Greene County (the “Bank”) and Greene Risk Management, Inc., and the Bank’s wholly owned subsidiaries, Greene County Commercial Bank and Greene Property Holdings, Ltd. The consolidated financial statements at and for the six and three months ended December 31, 2015 and 2014 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 notes required by GAAP for complete financial statements. To the extent that information and notes 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-K for the year ended June 30, 2015, such information and notes 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, if any, 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 six and three months ended December 31, 2015, are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2016. These consolidated financial statements consider events that occurred through the date the consolidated financial statements were issued.

CRITICAL ACCOUNTING POLICIES

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

Securities are evaluated for other-than-temporary impairment by performing periodic reviews of individual securities in the investment portfolio. Greene County Bancorp, Inc. makes an assessment to determine whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis. The Company considers many factors, including the severity and duration of the impairment; the intent and ability of the Company to hold the security for a period of time sufficient for a recovery in value; recent events specific to the issuer or industry; and for debt securities, intent to sell the security, the likelihood to be required to sell the security before it recovers the entire amortized cost, external credit ratings and recent

downgrades. The Company is required to record other-than-temporary impairment charges through earnings, if it has the intent to sell, or will more likely than not be required to sell an impaired debt security before a recovery of its amortized cost basis. In addition, the Company is required to record other-than-temporary impairment charges through earnings for the amount of credit losses, regardless of the intent or requirement to sell. Credit loss is measured as the difference between the present value of an impaired debt security's cash flows and its amortized cost basis. Non-credit related impairment must be recorded as decreases to accumulated other comprehensive income as long as the Company has no intent or requirement to sell an impaired security before a recovery of amortized cost basis.

(2) Nature of Operations

Greene County Bancorp, Inc.'s primary business is the ownership and operation of its subsidiaries, The Bank of Greene County and Greene Risk Management, Inc. The Bank of Greene County has 13 full-service offices, an operations center and lending center located in its market area within the Hudson Valley Region of New York State. 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 Risk Management, Inc. is a pooled captive insurance company, which provides additional insurance coverage for the Company and its subsidiaries related to the operations of the Company for which insurance may not be economically feasible. The Bank of Greene County also owns and operates two subsidiaries, Greene County Commercial Bank and Greene Property Holdings, Ltd. Greene County Commercial Bank's primary business is to attract deposits from and provide banking services to local municipalities. Greene Property Holdings, Ltd. is a real estate investment trust, which holds mortgages and notes which were originated through and serviced by The Bank of Greene County.

Index

(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 materially 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 the Allowance. Such authorities may require the Company 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, intent to sell the security, whether it is more likely than not we will be required to sell the security before recovery, whether loss of the entire amortized cost is expected, 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.

(4) Securities

Securities at December 31, 2015 consisted of the following:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available-for-sale:				
U.S. government sponsored enterprises	\$4,597	\$ 190	\$ -	\$4,787
State and political subdivisions	53,113	7	-	53,120
Mortgage-backed securities-residential	7,046	114	25	7,135
Mortgage-backed securities-multi-family	23,108	589	11	23,686
Asset-backed securities	6	-	1	5
Corporate debt securities	4,537	175	9	4,703
Total debt securities	92,407	1,075	46	93,436
Equity securities	62	84	-	146
Total securities available-for-sale	92,469	1,159	46	93,582
Securities held-to-maturity:				
U.S. government sponsored enterprises	2,000	-	45	1,955
State and political subdivisions	90,038	3,371	29	93,380
Mortgage-backed securities-residential	14,582	598	-	15,180
Mortgage-backed securities-multi-family	68,216	1,083	450	68,849
Corporate debt securities	1,000	-	-	1,000
Other securities	1,718	-	19	1,699
Total securities held-to-maturity	177,554	5,052	543	182,063
Total securities	\$270,023	\$ 6,211	\$ 589	\$275,645

Index

Securities at June 30, 2015 consisted of the following:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available-for-sale:				
U.S. government sponsored enterprises	\$ 7,608	\$ 247	\$ -	\$ 7,855
State and political subdivisions	39,574	9	1	39,582
Mortgage-backed securities-residential	7,797	155	10	7,942
Mortgage-backed securities-multi-family	25,291	486	42	25,735
Asset-backed securities	10	-	1	9
Corporate debt securities	4,544	242	12	4,774
Total debt securities	84,824	1,139	66	85,897
Equity securities	62	75	-	137
Total securities available-for-sale	84,886	1,214	66	86,034
Securities held-to-maturity:				
U.S. government sponsored enterprises	2,000	-	49	1,951
State and political subdivisions	81,501	2,137	187	83,451
Mortgage-backed securities-residential	17,468	768	-	18,236
Mortgage-backed securities-multi-family	67,239	990	665	67,564
Other securities	792	-	18	774
Total securities held-to-maturity	169,000	3,895	919	171,976
Total securities	\$ 253,886	\$ 5,109	\$ 985	\$ 258,010

Greene County Bancorp, Inc.'s current policies generally limit securities investments to U.S. Government and securities of government sponsored enterprises, federal funds sold, municipal bonds, corporate debt obligations and certain mutual funds. In addition, the Company's policies permit investments in mortgage-backed securities, including securities issued and guaranteed by Fannie Mae, Freddie Mac, and GNMA, and collateralized mortgage obligations issued by these entities. As of December 31, 2015, all mortgage-backed securities including collateralized mortgage obligations were securities of government sponsored enterprises, no private-label mortgage-backed securities or collateralized mortgage obligations were held in the securities portfolio. The Company's investments in state and political subdivisions securities generally are municipal obligations that are general obligations supported by the general taxing authority of the issuer, and in some cases are insured. The obligations issued by school districts are supported by state aid. Primarily, these investments are issued by municipalities within New York State.

The following table shows fair value and gross unrealized losses, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2015.

(In thousands, except number of securities)	Less Than 12 Months			More Than 12 Months			Total		
	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities
Securities available-for-sale:									
Mortgage-backed securities-residential	\$-	\$ -	-	\$ 1,492	\$ 25	1	\$ 1,492	\$ 25	1
Mortgage-backed securities-multi-family	-	-	-	2,613	11	2	2,613	11	2
Asset-backed securities	-	-	-	5	1	1	5	1	1
Corporate debt securities	-	-	-	764	9	2	764	9	2
Total securities available-for-sale	-	-	-	4,874	46	6	4,874	46	6

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

Securities held-to-maturity:

U.S. government sponsored enterprises	-	-	-	1,955	45	1	1,955	45	1
State and political subdivisions	647	3	7	2,514	26	13	3,161	29	20
Mortgage-backed securities-multi-family	7,117	66	2	30,773	384	7	37,890	450	9
Other securities	581	3	2	537	16	2	1,118	19	4
Total securities held-to-maturity	8,345	72	11	35,779	471	23	44,124	543	34
Total securities	\$8,345	\$ 72	11	\$40,653	\$ 517	29	\$48,998	\$ 589	40

11

Index

The following table shows fair value and gross unrealized losses, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2015.

(In thousands, except number of securities)	Less Than 12 Months			More Than 12 Months			Total		
	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities
Securities available-for-sale:									
State and political subdivisions	\$ 799	\$ 1	1	\$-	\$ -		\$ 799	\$ 1	1
Mortgage-backed securities-residential	-	-	-	1,630	10	1	1,630	10	1
Mortgage-backed securities-multi-family	2,023	26	1	753	16	1	2,776	42	2
Asset-backed securities	-	-	-	9	1	1	9	1	1
Corporate debt securities	273	2	1	491	10	2	764	12	3
Total securities available-for-sale	3,095	29	3	2,883	37	5	5,978	66	8
Securities held-to-maturity:									
U.S. government sponsored enterprises	-	-	-	1,951	49	1	1,951	49	1
State and political subdivisions	11,171	143	49	1,221	44	9	12,392	187	58
Mortgage-backed securities-multi-family	14,464	100	4	28,187	565	6	42,651	665	10
Other securities	334	11	1	202	7	1	536	18	2
Total securities held-to-maturity	25,969	254	54	31,561	665	17	57,530	919	71
Total securities	\$29,064	\$ 283	57	\$34,444	\$ 702	22	\$63,508	\$ 985	79

When the fair value of a held-to-maturity or available-for-sale security is less than its amortized cost basis, an assessment is made as to whether other-than-temporary impairment (“OTTI”) is present. The Company considers numerous factors when determining whether a potential OTTI exists and the period over which the debt security is expected to recover. The principal factors considered are (1) the length of time and the extent to which the fair value has been less than the amortized cost basis, (2) the financial condition of the issuer (and guarantor, if any) and adverse conditions specifically related to the security, industry or geographic area, (3) failure of the issuer of the security to make scheduled interest or principal payments, (4) any changes to the rating of the security by a rating agency, and (5) the presence of credit enhancements, if any, including the guarantee of the federal government or any of its agencies.

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

For debt securities, credit-related OTTI is recognized in income while noncredit related OTTI on securities not expected to be sold is recognized in other comprehensive income (“OCI”). Credit-related OTTI is measured as the difference between the present value of an impaired security’s expected cash flows and its amortized cost basis. Noncredit-related OTTI is measured as the difference between the fair value of the security and its amortized cost less

any credit-related losses recognized. For securities classified as held-to-maturity, the amount of OTTI recognized in OCI is accreted to the credit-adjusted expected cash flow amounts of the securities over future periods. For equity securities, the entire amount of OTTI is recognized in income. Management evaluated securities considering the factors as outlined above, and based on this evaluation the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2015. Management believes that the reasons for the decline in fair value are due to interest rates and widening credit spreads at the end of the quarter.

During the six and three months ended December 31, 2015 and 2014, there were no sales of securities and no gains or losses were recognized. There was no other-than-temporary impairment loss recognized during the six and three months ended December 31, 2015 and 2014.

Index

The estimated fair values of debt securities at December 31, 2015, by contractual maturity are shown below. Expected maturities may differ from contractual maturities, because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In thousands)

	Amortized Cost	Fair Value
Available-for-sale debt securities		
Within one year	\$ 54,068	\$ 54,113
After one year through five years	8,179	8,497
After five years through ten years	-	-
After ten years	-	-
Total available-for-sale debt securities	62,247	62,610
Mortgage-backed and asset-backed securities	30,160	30,826
Equity securities	62	146
Total available-for-sale securities	92,469	93,582
Held-to-maturity debt securities		
Within one year	12,908	13,128
After one year through five years	51,013	52,355
After five years through ten years	22,290	23,308
After ten years	8,545	9,243
Total held-to-maturity debt securities	94,756	98,034
Mortgage-backed	82,798	84,029
Total held-to-maturity securities	177,554	182,063
Total securities	\$ 270,023	\$ 275,645

As of December 31, 2015 and June 30, 2015, respectively, securities with an aggregate fair value of \$245.9 million and \$223.1 million were pledged as collateral for deposits in excess of FDIC insurance limits for various municipalities placing deposits with Greene County Commercial Bank. As of December 31, 2015 and June 30, 2015, securities with an aggregate fair value of \$4.7 million and \$4.8 million, respectively, were pledged as collateral for potential borrowings at the Federal Reserve Bank discount window. Greene County Bancorp, Inc. did not participate in any securities lending programs during the quarters ended December 31, 2015 or 2014.

Federal Home Loan Bank Stock

Federal law requires a member institution of the Federal Home Loan Bank (“FHLB”) system to hold stock of its district FHLB according to a predetermined formula. This stock is restricted in that it can only be sold to the FHLB or to another member institution, and all sales of FHLB stock must be at par. As a result of these restrictions, FHLB stock is carried at cost. FHLB stock is held as a long-term investment and its value is determined based on the ultimate recoverability of the par value. Impairment of this investment is evaluated quarterly and is a matter of judgment that reflects management’s view of the FHLB’s long-term performance, which includes factors such as the following: its operating performance; the severity and duration of declines in the fair value of its net assets related to its capital stock amount; its commitment to make payments required by law or regulation and the level of such payments in relation to its operating performance; the impact of legislative and regulatory changes on the FHLB, and accordingly, on the members of the FHLB; and its liquidity and funding position. After evaluating these considerations, Greene County Bancorp, Inc. concluded that the par value of its investment in FHLB stock will be recovered and, therefore, no other-than-temporary impairment charge was recorded during the six and three months ended December 31, 2015 or 2014.

Index

(5) Loans and Allowance for Loan Losses

Loan segments and classes at December 31, 2015 and June 30, 2015 are summarized as follows:

(In thousands)	December 31, 2015	June 30, 2015
Residential real estate:		
Residential real estate	\$ 229,698	\$ 226,648
Residential construction and land	5,212	3,621
Multi-family	4,443	4,287
Commercial real estate:		
Commercial real estate	163,110	142,323
Commercial construction	12,761	8,936
Consumer loan:		
Home equity	21,165	21,019
Consumer installment	4,097	4,123
Commercial loans	45,442	39,798
Total gross loans	485,928	450,755
Allowance for loan losses	(8,611)	(8,142)
Deferred fees and costs	887	883
Loans receivable, net	\$ 478,204	\$ 443,496

Management closely monitors the quality of the loan portfolio and has established a loan review process designed to help grade the quality and profitability of the Company's loan portfolio. The credit quality grade helps management make a consistent assessment of each loan relationship's credit risk. Consistent with regulatory guidelines, The Bank of Greene County provides for the classification of loans considered being of lesser quality. Such ratings coincide with the "Substandard," "Doubtful" and "Loss" classifications used by federal regulators in their examination of financial institutions. Generally, an asset is considered Substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. Substandard assets include those characterized by the distinct possibility that the insured financial institution will sustain some loss if the deficiencies are not corrected. Assets classified as Doubtful have all the weaknesses inherent in assets classified Substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable. Assets classified as Loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a full loss reserve and/or charge-off is not warranted. Assets that do not currently expose the Company to sufficient risk to warrant classification in one of the aforementioned categories but otherwise possess weaknesses are designated "Special Mention." Management also maintains a listing of loans designated "Watch." These loans represent borrowers with declining earnings, strained cash flow, increasing leverage and/or weakening market fundamentals that indicate above average risk.

When The Bank of Greene County classifies problem assets as either Substandard or Doubtful, it generally establishes a specific valuation allowance or "loss reserve" in an amount deemed prudent by management. General allowances represent loss allowances that have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular loans. When The Bank of Greene County identifies problem loans as being impaired, it is required to evaluate whether the Bank will be able to collect all amounts due either through repayments or the liquidation of the underlying collateral. If it is determined that impairment exists, the Bank is required either to establish a specific allowance for losses equal to the amount of impairment of the assets, or to charge-off such amount. The Bank of Greene County's determination as to the classification of its loans and the amount of its valuation allowance is subject to review by its regulatory agencies, which can order the establishment of additional general or specific loss allowances. The Bank of Greene County reviews its portfolio monthly to determine whether any assets require classification in accordance with applicable

regulations.

The Bank primarily has four segments within its loan portfolio that it considers when measuring credit quality: residential real estate loans, commercial real estate loans, consumer loans and commercial loans. The residential real estate portfolio consists of residential, construction, and multifamily loan classes. Commercial real estate loans consist of commercial real estate and commercial construction loan classes. Consumer loans consist of home equity loan and consumer installment loan classes. Commercial loans consist of installment loans and lines of credit issued to business. The inherent risk within the loan portfolio varies depending upon each of these loan types.

The Bank of Greene County's primary lending activity is the origination of residential mortgage loans, including home equity loans, which are collateralized by residences. Generally, residential mortgage loans are made in amounts up to 89.9% of the appraised value of the property. However, The Bank of Greene County will originate residential mortgage loans with loan-to-value ratios of up to 95.0%, with private mortgage insurance. In the event of default by the borrower, The Bank of Greene County will acquire and liquidate the underlying collateral. By originating the loan at a loan-to-value ratio of 89.9% or less or obtaining private mortgage insurance, The Bank of Greene County limits its risk of loss in the event of default. However, the market values of the collateral may be adversely impacted by declines in the economy. Home equity loans may have an additional inherent risk if The Bank of Greene County does not hold the first mortgage. The Bank of Greene County may stand in a secondary position in the event of collateral liquidation resulting in a greater chance of insufficiency to meet all obligations.

Index

Construction lending generally involves a greater degree of risk than other residential mortgage lending. The repayment of the construction loan is, to a great degree, dependent upon the successful and timely completion of the construction of the subject property within specified cost limits. The Bank of Greene County completes inspections during the construction phase prior to any disbursements. The Bank of Greene County limits its risk during the construction as disbursements are not made until the required work for each advance has been completed. Construction delays may further impair the borrower's ability to repay the loan.

Loans collateralized by commercial real estate, and multi-family dwellings, such as apartment buildings generally are larger than residential loans and involve a greater degree of risk. Commercial real estate loans often involve large loan balances to single borrowers or groups of related borrowers. Payments on these loans depend to a large degree on the results of operations and management of the properties or underlying businesses, and may be affected to a greater extent by adverse conditions in the real estate market or the economy in general. Accordingly, the nature of commercial real estate loans makes them more difficult for management to monitor and evaluate.

Consumer loans generally have shorter terms and higher interest rates than residential mortgage loans. In addition, consumer loans expand the products and services offered by The Bank of Greene County to better meet the financial services needs of its customers. Consumer loans generally involve greater credit risk than residential mortgage loans because of the difference in the nature of the underlying collateral. Repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance because of the greater likelihood of damage, loss or depreciation in the underlying collateral. The remaining deficiency often does not warrant further substantial collection efforts against the borrower beyond obtaining a deficiency judgment. In addition, consumer loan collections depend on the borrower's personal financial stability. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

Commercial lending generally involves greater risk than residential mortgage lending and involves risks that are different from those associated with residential and commercial real estate mortgage lending. Real estate lending is generally considered to be collateral-based, with loan amounts based on fixed loan-to-collateral values, and liquidation of the underlying real estate collateral is viewed as the primary source of repayment in the event of borrower default. Although commercial loans may be collateralized by equipment or other business assets, the liquidation of collateral in the event of a borrower default is often an insufficient source of repayment because equipment and other business assets may be obsolete or of limited use, among other things. Accordingly, the repayment of a commercial loan depends primarily on the creditworthiness of the borrower (and any guarantors), while liquidation of collateral is a secondary and often insufficient source of repayment.

Loan balances by internal credit quality indicator as of December 31, 2015 are shown below.

(In thousands)	Performing	Watch	Special Mention	Substandard	Total
Residential real estate	\$ 227,712	\$ 307	\$ 95	\$ 1,584	\$ 229,698
Residential construction and land	5,212	-	-	-	5,212
Multi-family	4,342	-	-	101	4,443
Commercial real estate	160,310	429	540	1,831	163,110
Commercial construction	12,761	-	-	-	12,761
Home equity	21,146	-	14	5	21,165
Consumer installment	4,089	4	-	4	4,097
Commercial loans	44,109	-	821	512	45,442
Total gross loans	\$ 479,681	\$ 740	\$ 1,470	\$ 4,037	\$ 485,928

Index

Loan balances by internal credit quality indicator as of June 30, 2015 are shown below.

(In thousands)	Performing	Watch	Special Mention	Substandard	Total
Residential real estate	\$ 224,195	\$ 638	\$ 97	\$ 1,718	\$ 226,648
Residential construction and land	3,621	-	-	-	3,621
Multi-family	4,182	-	-	105	4,287
Commercial real estate	138,468	-	986	2,869	142,323
Commercial construction	8,936	-	-	-	8,936
Home equity	20,731	-	15	273	21,019
Consumer installment	4,117	6	-	-	4,123
Commercial loans	38,334	-	844	620	39,798
Total gross loans	\$ 442,584	\$ 644	\$ 1,942	\$ 5,585	\$ 450,755

The Company had no loans classified Doubtful or Loss at December 31, 2015 or June 30, 2015.

Nonaccrual Loans

Management places loans on nonaccrual status once the loans have become 90 days or more delinquent. A nonaccrual loan is defined as a loan in which collectability is questionable and therefore interest on the loan will no longer be recognized on an accrual basis. A loan is not placed back on accrual status until the borrower has demonstrated the ability and willingness to make timely payments on the loan. A loan does not have to be 90 days delinquent in order to be classified as nonaccrual. Nonaccrual loans consisted primarily of loans secured by real estate at December 31, 2015 and June 30, 2015. Loans on nonaccrual status totaled \$3.6 million at December 31, 2015, of which \$1.3 million were in the process of foreclosure. Included in nonaccrual loans were \$1.7 million of loans which were less than 90 days past due at December 31, 2015, but have a recent history of delinquency greater than 90 days past due. These loans will be returned to accrual status once they have demonstrated a history of timely payments. Included in total loans past due were \$671,000 of loans which were making payments pursuant to forbearance agreements. Under the forbearance agreements, the customers have made arrangements with the Bank to bring the loans current over a specified period of time (resulting in an insignificant delay in repayment). During this term of the forbearance agreement, the Bank has agreed not to continue foreclosure proceedings. Loans on nonaccrual status totaled \$4.6 million at June 30, 2015 of which \$1.2 million were in the process of foreclosure. Included in nonaccrual loans were \$2.6 million of loans which were less than 90 days past due at June 30, 2015, but have a recent history of delinquency greater than 90 days past due.

The following table sets forth information regarding delinquent and/or nonaccrual loans as of December 31, 2015:

(In thousands)	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total Loans	Loans on Non- accrual
Residential real estate	\$ 1,279	\$ -	\$ 946	\$ 2,225	\$ 227,473	\$ 229,698	\$ 961
Residential construction and land	-	-	-	-	5,212	5,212	-
Multi-family	96	-	-	96	4,347	4,443	-
Commercial real estate	604	-	1,004	1,608	161,502	163,110	2,353
Commercial construction	-	-	-	-	12,761	12,761	-
Home equity	256	-	5	261	20,904	21,165	19
Consumer installment	83	4	-	87	4,010	4,097	4

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

Commercial loans	125	-	75	200	45,242	45,442	282
Total gross loans	\$2,443	\$ 4	\$2,030	\$4,477	\$481,451	\$485,928	\$3,619

16

Index

The following table sets forth information regarding delinquent and/or nonaccrual loans as of June 30, 2015:

	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total Loans	Loans on Non- accrual
(In thousands)							
Residential real estate	\$1,233	\$329	\$785	\$2,347	\$224,301	\$226,648	\$1,087
Residential construction and land	28	-	-	28	3,593	3,621	-
Multi-family	-	-	-	-	4,287	4,287	-
Commercial real estate	339	1	1,132	1,472	140,851	142,323	2,964
Commercial construction	-	-	-	-	8,936	8,936	-
Home equity	244	-	33	277	20,742	21,019	169
Consumer installment	25	6	-	31	4,092	4,123	-
Commercial loans	-	-	175	175	39,623	39,798	388
Total gross loans	\$1,869	\$336	\$2,125	\$4,330	\$446,425	\$450,755	\$4,608

The Bank of Greene County had accruing loans delinquent more than 90 days totaling \$81,000 and \$84,000 as of December 31, 2015 and June 30, 2015, respectively. The loans delinquent more than 90 days and accruing consist of loans that are well collateralized and the borrowers have demonstrated the ability and willingness to pay. The borrower has made arrangements with the Bank to bring the loan current within a specified time period and has made a series of payments as agreed.

The table below details additional information related to nonaccrual loans for the six and three months ended December 31:

	For the six months ended December 31,		For the three months ended December 31	
(In thousands)	2015	2014	2015	2014
Interest income that would have been recorded if loans had been performing in accordance with original terms	\$159	\$199	\$58	\$71
Interest income that was recorded on nonaccrual loans	99	85	50	39

Impaired Loan Analysis

The Company identifies impaired loans and measures the impairment in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") subtopic "Receivables – Loan Impairment." Management may consider a loan impaired once it is classified as nonaccrual and 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. It should be noted that management does not evaluate all loans individually for impairment. The Bank of Greene County considers residential mortgages, home equity loans, smaller commercial loans and installment loans as small, homogeneous loans, which are evaluated for impairment collectively based on historical loan experience and other factors. In contrast, large commercial mortgage, construction, multi-family and commercial loans are viewed individually and considered impaired if it is probable that The Bank of Greene County will not be able to collect scheduled payments of principal and interest when due, according to the

contractual terms of the loan agreement. The measurement of impaired loans is generally based on the fair value of the underlying collateral. The majority of The Bank of Greene County loans, including most nonaccrual loans, are small homogenous loan types adequately supported by collateral. Management considers the payment status of loans in the process of evaluating the adequacy of the allowance for loan losses among other factors. Loans that are either delinquent a minimum of 60 days or are on nonaccrual status, and are not individually evaluated for impairment, are either designated as Special Mention or Substandard, and the allocation of the allowance for loan loss is based upon the risk associated with such designation. Loans that have been modified as a troubled debt restructuring are included in impaired loans. The measurement of impairment is generally based on the discounted cash flows based on the original rate of the loan before the restructuring, unless it is determined that the restructured loan is collateral dependent. If the restructured loan is deemed to be collateral dependent, impairment is based on the fair value of the underlying collateral.

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

Index

The tables below detail additional information on impaired loans at the date or periods indicated:

<u>(In thousands)</u>	As of December 31, 2015			For the six months ended December 31, 2015		For the three months ended December 31, 2015	
	Recorded Investment	Unpaid Principal	Related Allowance	Average Interest Recorded	Average Interest Recognized	Average Interest Recorded	Average Interest Recognized
With no related allowance recorded:							
Residential real estate	\$ 124	\$ 124	\$ -	\$ 267	\$ 2	\$ 185	\$ -
Commercial real estate	1,030	1,236	-	1,143	17	1,086	11
Home equity	5	5	-	90	1	46	-
Impaired loans with no allowance	1,159	1,365	-	1,500	20	1,317	11
With an allowance recorded:							
Residential real estate	1,376	1,376	260	1,393	28	1,382	14
Commercial real estate	413	413	60	566	12	461	6
Commercial loans	89	89	2	91	3	89	2
Impaired loans with allowance	1,878	1,878	322	2,050	43	1,932	22
Total impaired:							
Residential real estate	1,500	1,500	260	1,660	30	1,567	14
Commercial real estate	1,443	1,649	60	1,709	29	1,547	17
Home equity	5	5	-	90	1	46	-
Commercial loans	89	89	2	91	3	89	2
Total impaired loans	\$ 3,037	\$ 3,243	\$ 322	\$ 3,550	\$ 63	\$ 3,249	\$ 33

<u>(In thousands)</u>	As of June 30, 2015			For the six months ended December 31, 2014		For the three months ended December 31, 2014	
	Recorded Investment	Unpaid Principal	Related Allowance	Average Interest Recorded	Average Interest Recognized	Average Interest Recorded	Average Interest Recognized
With no related allowance recorded:							
Residential real estate	\$ 432	\$ 432	\$ -	\$ 672	\$ 13	\$ 672	\$ 10
Commercial real estate	1,206	1,412	-	457	13	455	6
Home equity	154	154	-	80	-	64	-
Impaired loans with no allowance	1,792	1,998	-	1,209	26	1,191	16
With an allowance recorded:							
Residential real estate	1,411	1,411	263	2,669	47	2,450	16
Commercial real estate	895	895	187	2,476	42	2,429	-
Home equity	-	-	-	200	-	200	-
Commercial loans	93	93	1	600	20	599	10
Impaired loans with allowance	2,399	2,399	451	5,945	109	5,678	26
Total impaired:							
Residential mortgage	1,843	1,843	263	3,341	60	3,122	26
Nonresidential mortgage	2,101	2,307	187	2,933	55	2,884	6
Home equity	154	154	-	280	-	264	-

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

Commercial loans	93	93	1	600	20	599	10
Total impaired loans	\$4,191	\$ 4,397	\$ 451	\$7,154	\$ 135	\$6,869	\$ 42

18

Index

The table below details loans that have been modified as a troubled debt restructuring during the six and three month periods ended December 31, 2015 and 2014.

(Dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Current Outstanding Recorded Investment
Six months ended December 31, 2015				
Residential real estate	-	\$ -	\$ -	\$ -
Six months ended December 31, 2014				
Residential real estate	1	\$ 164	\$ 184	\$ 184
Three months ended December 31, 2015				
Residential real estate	-	\$ -	\$ -	\$ -
Three months ended December 31, 2014				
Residential real estate	1	\$ 164	\$ 184	\$ 184

There were no loans that had been modified as a troubled debt restructuring during the twelve months prior to June 30, 2015 or 2014 which have subsequently defaulted during the six and three months ended December 31, 2015 or 2014, respectively.

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 certain identified loans on which full collectability may not be reasonably assured, considers among other matters, the estimated net realizable value or the fair value of the underlying collateral, economic conditions, payment status of the loan, historical loan loss experience and other factors that warrant recognition in providing for the loan loss allowance. 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 Bank of Greene County considers smaller balance residential mortgages, home equity loans, commercial loans and installment loans to customers as small, homogeneous loans, which are evaluated for impairment collectively based on historical loss experience. Larger balance residential, commercial mortgage and business loans are viewed individually and considered impaired if it is probable that The Bank of Greene County will not be able to collect scheduled payments of principal and interest when due, according to the contractual terms of the loan agreements. The measurement of impaired loans is generally based on the fair value of the underlying collateral. The Bank of Greene County charges loans off against the allowance for credit losses when it becomes evident that a loan cannot be collected within a reasonable amount of time or that it will cost the Bank more than it will receive, and all possible avenues of repayment have been analyzed, including the potential of future cash flow, the value of the underlying collateral, and strength of any guarantors or co-borrowers. Generally, consumer loans and smaller business loans (not secured by real estate) in excess of 90 days are charged-off against the allowance for loan losses, unless equitable arrangements are made. For loans secured by real estate, a charge-off is recorded when it is determined that the collection of all or a portion of a loan may not be collected and the amount of that loss can be reasonably estimated.

Index

The following tables set forth the activity and allocation of the allowance for loan losses by loan category during and at the periods indicated. The allowance is allocated to each loan category based on historical loss experience and economic conditions.

	Activity for the three months ended December 31, 2015				
	Balance at September 30, 2015	Charge-offs	Recoveries	Provision	Balance at December 31, 2015
(In thousands)					
Residential real estate	\$2,386	\$ -	\$ -	\$ 6	\$ 2,392
Residential construction and land	62	-	-	8	70
Multi-family	25	-	-	-	25
Commercial real estate	3,814	148	-	354	4,020
Commercial construction	162	-	-	169	331
Home equity	319	-	-	(14)	305
Consumer installment	240	65	15	(2)	188
Commercial loans	1,252	-	-	20	1,272
Unallocated	206	-	-	(198)	8
Total	\$8,466	\$ 213	\$ 15	\$ 343	\$ 8,611

	Activity for the six months ended December 31, 2015				
	Balance at June 30, 2015	Charge-offs	Recoveries	Provision	Balance at December 31, 2015
(In thousands)					
Residential real estate	\$2,454	\$ -	\$ -	\$ (62)	\$ 2,392
Residential construction and land	50	-	-	20	70
Multi-family	40	-	-	(15)	25
Commercial real estate	3,699	162	17	466	4,020
Commercial construction	233	-	-	98	331
Home equity	314	-	-	(9)	305
Consumer installment	223	143	40	68	188
Commercial loans	1,129	-	-	143	1,272
Unallocated	-	-	-	8	8
Total	\$8,142	\$ 305	\$ 57	\$ 717	\$ 8,611

	Allowance for Loan Losses		Loans Receivable	
	Ending Balance	December 31, 2015	Ending Balance	December 31, 2015
(In thousands)				
Residential real estate	Impairment Analysis	December 31, 2015	Impairment Analysis	December 31, 2015
Residential construction and land	Individually Evaluated	December 31, 2015	Individually Evaluated	December 31, 2015
	Collectively Evaluated	December 31, 2015	Collectively Evaluated	December 31, 2015
Residential real estate	\$260	\$ 2,132	\$1,500	\$ 228,198
Residential construction and land	-	70	-	5,212

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

Multi-family	-	25	-	4,443
Commercial real estate	60	3,960	1,443	161,667
Commercial construction	-	331	-	12,761
Home equity	-	305	5	21,160
Consumer installment	-	188	-	4,097
Commercial loans	2	1,270	89	45,353
Unallocated	-	8	-	-
Total	\$322	\$ 8,289	\$3,037	\$ 482,891

20

Index

	Activity for the three months ended December 31, 2014				Balance at December 31, 2014
	Balance at September 30, 2014	Charge-offs	Recoveries	Provision	
(In thousands)					
Residential real estate	\$2,647	\$ 168	\$ -	\$ 110	\$ 2,589
Residential construction and land	41	-	-	10	51
Multi-family	45	-	-	(1)	44
Commercial real estate	3,164	-	-	303	3,467
Commercial construction	109	-	-	39	148
Home equity	376	-	-	(4)	372
Consumer installment	243	66	5	62	244
Commercial loans	831	6	6	50	881
Unallocated	264	-	-	(264)	-
Total	\$7,720	\$ 240	\$ 11	\$ 305	\$ 7,796

	Activity for the six months ended December 31, 2014				Balance at December 31, 2014
	Balance at June 30, 2014	Charge-offs	Recoveries	Provision	
(In thousands)					
Residential real estate	\$2,731	\$ 242	\$ -	\$ 100	\$ 2,589
Residential construction and land	42	-	-	9	51
Multi-family	59	-	-	(15)	44
Commercial real estate	2,936	-	-	531	3,467
Commercial construction	38	-	-	110	148
Home equity	361	-	-	11	372
Consumer installment	240	121	24	101	244
Commercial loans	811	6	6	70	881
Unallocated	201	-	-	(201)	-
Total	\$7,419	\$ 369	\$ 30	\$ 716	\$ 7,796

	Allowance for Loan Losses		Loans Receivable	
	Ending Balance June 30, 2015	Impairment Analysis	Ending Balance June 30, 2015	Impairment Analysis
(In thousands)	Individually Evaluated	Collectively Evaluated	Individually Evaluated	Collectively Evaluated
Residential real estate	\$263	\$ 2,191	\$1,843	\$ 224,805
Residential construction and land	-	50	-	3,621
Multi-family	-	40	-	4,287
Commercial real estate	187	3,512	2,101	140,222
Commercial construction	-	233	-	8,936
Home equity	-	314	154	20,865
Consumer installment	-	223	-	4,123
Commercial loans	1	1,128	93	39,705

Unallocated	-	-	-	-
Total	\$451	\$ 7,691	\$4,191	\$ 446,564

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

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sale transaction on the dates indicated. The estimated fair value amounts have been measured as of December 31, 2015 and June 30, 2015 and have not been re-evaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end.

Index

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

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

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

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

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

An asset's 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	Significant	Significant
		Prices	Other	Unobservable
		In	Observable	Inputs
	December	Active	Inputs	(Level 3)
	31, 2015	Markets	(Level 2)	
		For		
		Identical		
		Assets		
		(Level		
		1)		
(In thousands)				
Assets:				
U.S. Government sponsored enterprises	\$ 4,787	\$-	\$ 4,787	\$ -
State and political subdivisions	53,120	-	53,120	-
Mortgage-backed securities-residential	7,135	-	7,135	-
Mortgage-backed securities-multi-family	23,686	-	23,686	-
Asset-backed securities	5	5	-	-
Corporate debt securities	4,703	4,703	-	-
Equity securities	146	146	-	-
Securities available-for-sale	\$ 93,582	\$ 4,854	\$ 88,728	\$ -

		Fair Value Measurements Using		
		Quoted	Significant	Significant
		Prices	Other	Unobservable
			Observable	Inputs
(In thousands)	June 30,			
	2015			

		In	Inputs	(Level 3)	
		Active	(Level 2)		
		Markets			
		For			
		Identical			
		Assets			
		(Level			
		1)			
Assets:					
U.S. Government sponsored enterprises	\$7,855	\$-	\$ 7,855	\$	-
State and political subdivisions	39,582	-	39,582		-
Mortgage-backed securities-residential	7,942	-	7,942		-
Mortgage-backed securities-multi-family	25,735	-	25,735		-
Asset-backed securities	9	9	-		-
Corporate debt securities	4,774	4,774	-		-
Equity securities	137	137	-		-
Securities available-for-sale	\$86,034	\$4,920	\$ 81,114	\$	-

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.

Index

In addition to disclosures of the fair value of assets on a recurring basis, FASB ASC Topic on “Fair Value Measurement” requires disclosures for assets and liabilities measured at fair value on a nonrecurring basis, such as impaired assets, in the period in which a re-measurement at fair value is performed. Loans are generally not recorded at fair value on a recurring basis. Periodically, the Company records nonrecurring adjustments to the carrying value of loans based on fair value measurements for partial charge-offs of the uncollectible portions of those loans. Nonrecurring adjustments also include certain impairment amounts for collateral-dependent loans calculated as required by the “Receivables –Loan Impairment” subtopic of the FASB ASC when establishing the allowance for credit losses. Impaired loans are those loans for which the Company has re-measured impairment generally based on the fair value of the underlying collateral supporting the loan and, as a result, the carrying value of the loan less the calculated valuation amount may not necessarily represent the actual fair value of the loan. Real estate collateral is typically valued using independent appraisals or other indications of value based on recent comparable sales of similar properties or assumptions generally observable in the marketplace and the related nonrecurring fair value measurement adjustments have generally been classified as Level 3. Estimates of fair value used for other collateral supporting commercial loans generally are based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3. The Company has also re-measured impairment based on the discounted cash flows for those loans that have been modified as a troubled-debt restructuring. The cash flows of the restructured debt have been discounted by the original interest rate prior to the restructuring of the loan to establish the fair value and is therefore classified as Level 3.

(In thousands)	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
December 31, 2015				
Impaired loans	\$ 248	\$ -	\$ -	\$ 248
Foreclosed real estate	304	-	-	304
June 30, 2015				
Impaired loans	\$ 922	\$ -	\$ -	\$ 922
Foreclosed real estate	490	-	-	490

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis and for which Level 3 inputs were utilized to determine fair value:

(Dollars in thousands)	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average	
December 31, 2015						
Impaired Loans	\$ 248	Appraisal of collateral ⁽¹⁾	Appraisal adjustments ⁽²⁾	16.50%-38.85 %	27.37	%
			Liquidation expenses ⁽³⁾	4.09%-8.35 %	6.25	%
Foreclosed real estate	304	Appraisal of collateral ⁽¹⁾	Appraisal adjustments ⁽²⁾	0.00%-54.17 %	10.73	%
			Liquidation expenses ⁽³⁾	0.42%-11.64 %	9.49	%
June 30, 2015						
Impaired loans	\$ 922	Appraisal of collateral ⁽¹⁾	Appraisal adjustments ⁽²⁾	0.00%-38.85 %	22.81	%

			Liquidation expenses ⁽³⁾	0.00%-7.50	%	3.91	%
Foreclosed real estate	490	Appraisal of collateral ⁽¹⁾	Appraisal adjustments ⁽²⁾	7.41%-54.17	%	24.65	%
			Liquidation expenses ⁽³⁾	0.42%-10.86	%	6.40	%

⁽¹⁾ Fair value is generally determined through independent third-party appraisals of the underlying collateral, which generally includes various Level 3 inputs which are not observable.

Appraisals may be adjusted downwards by management for qualitative factors such as economic conditions. Higher ⁽²⁾downward adjustments are caused by negative changes to the collateral or conditions in the real estate market, actual offers or sales contracts received or age of the appraisal.

⁽³⁾ Appraisals may be adjusted downwards by management for qualitative factors such as the estimated costs to liquidate the collateral.

At December 31, 2015, loans subject to nonrecurring fair value measurement had a recorded investment of \$402,000 with related allowances of \$154,000. At June 30, 2015, loans subject to nonrecurring fair value measurement had a recorded investment of \$1.2 million with related allowances of \$277,000. No other financial assets or liabilities were re-measured during the year on a nonrecurring basis.

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

Index

The fair value of commitments to extend credit is estimated based on an analysis of the interest rates and fees currently charged to enter into similar transactions, considering the remaining terms of the commitments and the credit-worthiness of the potential borrowers. At December 31, 2015 and June 30, 2015, the estimated fair values of these off-balance sheet financial instruments were immaterial, and are therefore excluded from the table below.

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

(In thousands)	December 31, 2015		Fair Value Measurements Using		
	Carrying Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)
Cash and cash equivalents	\$22,088	\$22,088	\$22,088	\$-	\$-
Long term certificate of deposit	1,230	1,230	1,230	-	-
Securities available-for-sale	93,582	93,582	4,854	88,728	-
Securities held-to-maturity	177,554	182,063	-	182,063	-
Federal Home Loan Bank stock	2,782	2,782	-	2,782	-
Net loans	478,204	485,271	-	-	485,271
Accrued interest receivable	3,258	3,258	-	3,258	-
Deposits	669,189	669,381	-	669,381	-
Federal Home Loan Bank borrowings	48,100	47,904	-	47,904	-
Accrued interest payable	74	74	-	74	-

(In thousands)	June 30, 2015		Fair Value Measurements Using		
	Carrying Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)
Cash and cash equivalents	\$15,538	\$15,538	\$15,538	\$-	\$-
Long term certificate of deposit	1,230	1,230	1,230	-	-
Securities available-for-sale	86,034	86,034	4,920	81,114	-
Securities held-to-maturity	169,000	171,976	-	171,976	-
Federal Home Loan Bank stock	2,494	2,494	-	2,494	-
Net loans	443,496	450,437	-	-	450,437
Accrued interest receivable	3,026	3,026	-	3,026	-
Deposits	622,717	622,900	-	622,900	-
Federal Home Loan Bank borrowings	41,700	41,598	-	41,598	-
Accrued interest payable	64	64	-	64	-

Index

(7) Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares that would have been outstanding under the treasury stock method if all potentially dilutive common shares (such as stock options) issued became vested during the period. There were no anti-dilutive securities or contracts outstanding during the six and three months ended December 31, 2015 and 2014.

	Net Income	Weighted Average Number Of Shares Outstanding	Earnings per Share
Six months ended December 31, 2015	\$4,470,000		
Basic		4,224,540	\$ 1.06
Effect of dilutive stock options		25,916	(0.01)
Diluted		4,250,456	\$ 1.05
Six months ended December 31, 2014	\$3,586,000		
Basic		4,215,738	\$ 0.85
Effect of dilutive stock options		31,055	(0.01)
Diluted		4,246,793	\$ 0.84
Three months ended December 31, 2015	\$2,320,000		
Basic		4,225,924	\$ \$ 0.55
Effect of dilutive stock options		25,559	-
Diluted		4,251,483	\$ \$ 0.55
Three months ended December 31, 2014	\$1,811,000		
Basic		4,217,118	\$ \$ 0.43
Effect of dilutive stock options		31,057	-
Diluted		4,248,175	\$ \$ 0.43

(8) Dividends

On October 20, 2015, the Board of Directors declared a cash dividend for the quarter ended September 30, 2015 of \$0.185 per share on Greene County Bancorp, Inc.'s common stock. The dividend reflects an annual cash dividend rate of \$0.74 per share, which was the same rate as the dividend declared during the previous quarter. The dividend was payable to stockholders of record as of November 13, 2015, and was paid on November 30, 2015. The MHC waived its receipt of this dividend.

(9) Impact of Recent Accounting Pronouncements

In January 2014, the Financial Accounting Standards Board ("FASB") issued an amendment (ASU 2014-04) to its guidance on "Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure". This Update has been issued to clarify when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the

loan receivable should be derecognized and the real estate property recognized. An entity can elect to adopt the amendments in this Update using either a modified retrospective transition method or a prospective transition method. The amendments in this Update are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. Early adoption is permitted. The adoption of these amendments did not have an effect on our consolidated results of operations or financial position.

In May 2014, the FASB issued an amendment (ASU 2014-09) to its guidance on “Revenue from Contracts with Customers (Topic 606). The objective of the ASU is to align the recognition of revenue with the transfer of promised goods or services provided to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance under GAAP when it becomes effective. In August, 2015, the FASB issued an amendment (ASU 2015-14) which defers the effective date of this new guidance by one year. The amendments in this ASU are effective for public business entities for annual periods, beginning after December 15, 2017. The Company has not yet determined the effect of the standard on its ongoing financial reporting.

25

Index

In August 2014, the FASB issued an amendment (ASU 2014-14) to its guidance on “Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40)”. The objective of the ASU is to reduce the diversity in how creditors classify government-guaranteed mortgage loans, including FHA or VA guaranteed loans, upon foreclosure, to provide more decision-useful information about a creditor’s foreclosed mortgage loans that are expected to be recovered, at least in part, through government guarantees. The amendments in this Update are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Public entities would be permitted to elect to early adopt for annual reporting periods beginning after December 15, 2016. The adoption of this guidance is not expected to have a material impact on our consolidated results of operations or financial position.

In January 2015, the FASB issued an Update (ASU 2015-01) to its guidance on “Income Statement-Extraordinary and Unusual Items (Subtopic 225-20)”. The objective of the ASU is to simplify the income statement presentation by eliminating the concept of extraordinary items, and will align GAAP more closely with International Accounting Standards which prohibits the presentation and disclosure of extraordinary items. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The adoption of this guidance is not expected to have a material impact on our consolidated results of operations or financial position.

In January 2016, the FASB issued an Update (ASU 2016-01) to its guidance on “Financial Instruments (Subtopic 825-10)”. This amendment addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. These amendments require equity securities to be measured at fair value with changes in the fair value to be recognized through net income. The amendments also simplify the impairment assessment of equity investments without readily determinable fair values by requiring assessment for impairment qualitatively at each reporting period. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption of the amendments in this Update is not permitted. The adoption of this guidance is not expected to have a material impact on our consolidated results of operations or financial position.

(10) Employee Benefit Plans

Defined Benefit Plan

The components of net periodic pension cost related to the defined benefit pension plan for the six and three months ended December 31, 2015 and 2014 were as follows:

	Six months ended December 31,		Three months ended December 31,	
(In thousands)	2015	2014	2015	2014
Interest cost	\$116	\$110	\$58	\$55
Expected return on plan assets	(154)	(162)	(77)	(81)
Amortization of net loss	68	52	34	26
Net periodic pension cost	\$30	\$-	\$15	\$-

The Company does not anticipate that it will make any additional contributions to the defined benefit pension plan during fiscal 2016.

SERP

The Board of Directors of The Bank of Greene County adopted The Bank of Greene County Supplemental Executive Retirement Plan (the "SERP Plan"), effective as of July 1, 2010. The SERP Plan benefits certain key senior executives of the Bank who have been selected by the Board to participate.

The SERP Plan is intended to provide a benefit from the Bank upon retirement, death or disability or voluntary or involuntary termination of service (other than "for cause"). Accordingly, the SERP Plan obligates the Bank to make an allocation to each executive's account on the first business day of each July and permits each executive to defer up to 50% of his or her base salary and 100% of his or her annual bonus to the SERP Plan, subject to the requirements of Section 409A of the Internal Revenue Code ("Code"). In addition, the Bank may, but is not required to, make additional discretionary contributions to the executives' accounts from time to time. An executive becomes vested in the Bank's contributions after 10 calendar years of service following the effective date of the SERP Plan, and is fully vested immediately for all deferral of salary and bonus. However, the Executive will vest in the present value of his or her account in the event of death, disability or a change in control of the Bank or the Company. In the event the executive is terminated involuntarily or resigns for good reason following a change in control, the present value of all remaining Bank contributions is accelerated and paid to the executive's account, subject to potential reduction to avoid an excess parachute payment under Code Section 280G. In the event of the executive's death, disability or termination within two years after a change in control, executive's account will be paid in a lump sum to the executive or his beneficiary, as applicable. In the event the executive is entitled to a benefit from the SERP Plan due to retirement or other termination of employment, the benefit will be paid in 10 annual installments.

Index

The net periodic pension costs related to the SERP Plan for the six and three months ended December 31, 2015 were \$120,000 and \$62,000, respectively, and for the six and three months ended December 31, 2014 were \$99,000 and \$51,000, respectively, consisting primarily of service costs and interest costs. The total liability for the SERP Plan was \$1.7 million and \$1.4 million as of December 31, 2015 and June 30, 2015, respectively.

(11) Stock-Based Compensation

At December 31, 2015, Greene County Bancorp, Inc. had two stock-based compensation plans, which are described more fully in Note 10 of the consolidated financial statements and notes thereto for the year ended June 30, 2015.

Stock Option Plan

At December 31, 2015 and 2014, all granted shares related to the 2008 Option Plan were fully vested, with no remaining compensation cost to be recognized.

A summary of the Company's stock option activity and related information for its option plan for the six months ended December 31, 2015 and 2014 is as follows:

	2015		2014	
	Shares	Weighted Average Exercise Price Per Share	Shares	Weighted Average Exercise Price Per Share
Outstanding at beginning of year	47,835	\$ 12.50	59,435	\$ 12.50
Exercised	(6,600)	\$ 12.50	(5,100)	\$ 12.50
Outstanding at period end	41,235	\$ 12.50	54,335	\$ 12.50
Exercisable at period end	41,235	\$ 12.50	54,335	\$ 12.50

The following table presents stock options outstanding and exercisable at December 31, 2015:

Options Outstanding and Exercisable

Range of Exercise Prices	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$ 12.50	41,235	2.75
		\$ 12.50

The total intrinsic value of the options exercised during the six and three months ended December 31, 2015 was approximately \$115,000 and \$82,000, respectively. The total intrinsic value of the options exercised during the six and three months ended December 31, 2014 was approximately \$77,000 and \$33,000, respectively. There were no stock options granted during the six months ended December 31, 2015 or 2014. All outstanding options were fully vested at December 31, 2015 and 2014.

Phantom Stock Option Plan and Long-term Incentive Plan

The Greene County Bancorp, Inc. 2011 Phantom Stock Option and Long-term Incentive Plan (the "Plan") was adopted effective July 1, 2011, to promote the long-term financial success of the Company and its subsidiaries by providing a

means to attract, retain and reward individuals who contribute to such success and to further align their interests with those of the Company's shareholders. Effective July 1, 2014, the Plan was amended to increase the number of phantom stock options available for awards from 900,000 to 1,800,000. The Plan is intended to provide benefits to employees and directors of the Company or any subsidiary as designated by the Compensation Committee of the Board of Directors of the Company ("Committee"). A phantom stock option represents the right to receive a cash payment on the date the award vests. The participant receives an amount equal to the positive difference between the strike price on the grant date and the book value of a share of the Company stock on the determination date, which is the last day of the plan year that is the end of the third plan year after the grant date of the award, unless otherwise specified by the Committee. The strike price will be the price established by the Committee, which will not be less than 100% of the book value of a share on a specified date, as determined under generally accepted accounting principles (GAAP) as of the last day of the quarter ending on or immediately preceding the valuation date with adjustments made, in the sole discretion of the Committee, to exclude accumulated other comprehensive income (loss).

Index

A summary of the Company's phantom stock option activity and related information for its option plan for the six months ended December 31, 2015 and 2014 is as follows:

	2015	2014
Number of options outstanding at beginning of year	628,754	665,426
Options granted	246,880	241,090
Options paid in cash upon vesting	(198,357)	(227,484)
Number of options outstanding at period end	677,277	679,032

The Company paid out \$710,500 and \$757,700 in cash during the six months ended December 31, 2015 and 2014, respectively, on options vested. There were no option payments made during the three months ended December 31, 2015 and 2014 on options vested. The Company recognized \$420,000 and \$240,000 in compensation costs related to the phantom stock option plan during the six and three months ended December 31, 2015, respectively. The Company recognized \$380,000 and \$210,000 in compensation costs related to the phantom stock option plan during the six and three months ended December 31, 2014, respectively. The total liability for the long-term incentive plan was \$850,000 and \$1.1 million as of December 31, 2015 and June 30, 2015, respectively.

(12) Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss as of December 31, 2015 and June 30, 2015 are presented in the following table:

(In thousands)

	December 31, 2015	June 30, 2015
Accumulated other comprehensive (loss) income:		
Unrealized gain on available-for-sale securities, net of tax	\$ 683	\$704
Unrealized loss on securities transferred to held-to-maturity, net of tax	(4)	(11)
Net losses and past service liability for defined benefit plan, net of tax	(1,491)	(1,491)
Accumulated other comprehensive loss	\$ (812)	\$(798)

(13) Subsequent events

On January 19, 2016, the Board of Directors declared a cash dividend for the quarter ended December 31, 2015 of \$0.185 per share on Greene County Bancorp, Inc.'s common stock. The dividend reflects an annual cash dividend rate of \$0.74 per share, which was the same rate as the dividend declared during the previous quarter. The dividend will be payable to stockholders of record as of February 12, 2016, and will be paid on March 1, 2016. The MHC intends to waive its receipt of this dividend.

Index

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, 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, including unemployment rates and real estate values,

- (c) legislative and regulatory changes,
- (d) monetary and fiscal policies of the U.S. Treasury and the Federal Reserve,
- (e) changes in the quality or composition of The Bank of Greene County's loan portfolio or the consolidated investment portfolios of The Bank of Greene County and Greene County Bancorp, Inc.,
- (f) deposit flows,
- (g) competition, and
- (h) demand for financial services in Greene County Bancorp, Inc.'s market area.

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

Index

Non-GAAP Financial Measures

Regulation G, a rule adopted by the Securities and Exchange Commission (SEC), applies to certain SEC filings, including earnings releases, made by registered companies that contain “non-GAAP financial measures.” GAAP is generally accepted accounting principles in the United States of America. Under Regulation G, companies making public disclosures containing non-GAAP financial measures must also disclose, along with each non-GAAP financial measure, certain additional information, including a reconciliation of the non-GAAP financial measure to the closest comparable GAAP financial measure (if a comparable GAAP measure exists) and a statement of the Company’s reasons for utilizing the non-GAAP financial measure as part of its financial disclosures. The SEC has exempted from the definition of “non-GAAP financial measures” certain commonly used financial measures that are not based on GAAP. When these exempted measures are included in public disclosures, supplemental information is not required. Financial institutions like the Company and its subsidiary banks are subject to an array of bank regulatory capital measures that are financial in nature but are not based on GAAP and are not easily reconcilable to the closest comparable GAAP financial measures, even in those cases where a comparable measure exists. The Company follows industry practice in disclosing its financial condition under these various regulatory capital measures, including period-end regulatory capital ratios for itself and its subsidiary banks, in its periodic reports filed with the SEC, and does so without compliance with Regulation G, on the widely-shared assumption that the SEC regards such non-GAAP measures to be exempt from Regulation G. The Company uses in this Report additional non-GAAP financial measures that are commonly utilized by financial institutions and have not been specifically exempted by the SEC from Regulation G. The Company provides, as supplemental information, such non-GAAP measures included in this Report as described below.

Tax-Equivalent Net Interest Income and Net Interest Margin: Net interest income, as a component of the tabular presentation by financial institutions of Selected Financial Information regarding their recently completed operations, as well as disclosures based on that tabular presentation, is commonly presented on a tax-equivalent basis. That is, to the extent that some component of the institution's net interest income, which is presented on a before-tax basis, is exempt from taxation (e.g., is received by the institution as a result of its holdings of state or municipal obligations), an amount equal to the tax benefit derived from that component is added to the actual before-tax net interest income total. This adjustment is considered helpful in comparing one financial institution's net interest income to that of another institution or in analyzing any institution’s net interest income trend line over time, to correct any analytical distortion that might otherwise arise from the fact that financial institutions vary widely in the proportions of their portfolios that are invested in tax-exempt securities, and that even a single institution may significantly alter over time the proportion of its own portfolio that is invested in tax-exempt obligations. Moreover, net interest income is itself a component of a second financial measure commonly used by financial institutions, net interest margin, which is the ratio of net interest income to average earning assets. For purposes of this measure as well, tax-equivalent net interest income is generally used by financial institutions, again to provide a better basis of comparison from institution to institution and to better demonstrate a single institution’s performance over time. While we present net interest income and net interest margin utilizing GAAP measures (no tax-equivalent adjustments) as a component of the tabular presentation within our disclosures, we do provide as supplemental information net interest income and net interest margin on a tax-equivalent basis.

Index

Comparison of Financial Condition as of December 31, 2015 and June 30, 2015

ASSETS

Total assets of the Company were \$796.8 million at December 31, 2015 as compared to \$738.6 million at June 30, 2015, an increase of \$58.2 million, or 7.9%. Securities available-for-sale and held-to-maturity amounted to \$271.1 million, or 34.0% of assets, at December 31, 2015 as compared to \$255.0 million, or 34.5% of assets, at June 30, 2015, an increase of \$16.1 million, or 6.3%. Net loans grew by \$34.7 million, or 7.8%, to \$478.2 million at December 31, 2015 as compared to \$443.5 million at June 30, 2015.

CASH AND CASH EQUIVALENTS

Total cash and cash equivalents increased \$6.6 million to \$22.1 million at December 31, 2015 from \$15.5 million at June 30, 2015. The level of cash and cash equivalents is a function of the daily account clearing needs and deposit levels as well as activities associated with securities transactions and loan funding. All of these items can cause cash levels to fluctuate significantly on a daily basis.

SECURITIES

Securities available-for-sale and held-to-maturity increased \$16.1 million, or 6.3%, to \$271.1 million at December 31, 2015 as compared to \$255.0 million at June 30, 2015. Securities purchases totaled \$52.7 million during the six months ended December 31, 2015 and consisted of \$48.1 million of state and political subdivision securities, \$1.0 million of corporate debt securities, \$2.5 million of mortgage-backed securities and \$1.0 million of other securities. Principal pay-downs and maturities during the six months amounted to \$36.3 million, of which \$7.2 million were mortgage-backed securities, \$26.1 million were state and political subdivision securities, and \$3.0 million were U.S. government sponsored enterprises securities. At December 31, 2015, 52.8% of our securities portfolio consisted of 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.

	December 31, 2015		June 30, 2015	
	Balance	Percentage of portfolio	Balance	Percentage of portfolio
(Dollars in thousands)				
Securities available-for-sale:				
U.S. government sponsored enterprises	\$4,787	1.8	% \$7,855	3.1
State and political subdivisions	53,120	19.6	39,582	15.5
Mortgage-backed securities-residential	7,135	2.6	7,942	3.1
Mortgage-backed securities-multifamily	23,686	8.7	25,735	10.1
Asset-backed securities	5	0.0	9	0.0
Corporate debt securities	4,703	1.7	4,774	1.9
Total debt securities	93,436	34.4	85,897	33.7
Equity securities	146	0.1	137	0.1
Total securities available-for-sale	93,582	34.5	86,034	33.8
Securities held-to-maturity:				
U.S. government sponsored enterprises	2,000	0.7	2,000	0.8
State and political subdivisions	90,038	33.2	81,501	31.9
Mortgage-backed securities-residential	14,582	5.4	17,468	6.8
Mortgage-backed securities-multifamily	68,216	25.2	67,239	26.4

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

Corporate debt securities	1,000	0.4	-	-
Other securities	1,718	0.6	792	0.3
Total securities held-to-maturity	177,554	65.5	169,000	66.2
Total securities	\$271,136	100.0	% \$255,034	100.0 %

31

Index

LOANS

Net loans receivable increased \$34.7 million, or 7.8%, to \$478.2 million at December 31, 2015 from \$443.5 million at June 30, 2015. The loan growth experienced during the six months consisted primarily of \$20.8 million in commercial real estate loans, \$3.1 million in residential real estate loans, \$5.4 million in construction loans, and \$5.6 million in commercial loans. We believe that 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 slowdown in new loan demand as well as refinancing activities. The Bank of Greene County continues to use a conservative underwriting policy in regard to all loan originations, and does not engage in sub-prime lending or other exotic loan products. A significant decline in home values, however, in the Company's markets could have a negative effect on the consolidated results of operations, as any such 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. Updated appraisals are obtained on loans when there is a reason to believe that there has been a change in the borrower's ability to repay the loan principal and interest, generally, when a loan is in a delinquent status. Additionally, if an existing loan is to be modified or refinanced, generally, an appraisal is ordered to ensure continued collateral adequacy.

(Dollars in thousands)	December 31, 2015		June 30, 2015		
	Balance	Percentage of Portfolio	Balance	Percentage of Portfolio	
Residential real estate	\$229,698	47.3	% \$226,648	50.3	%
Residential construction and land	5,212	1.1	3,621	0.8	
Multi-family	4,443	0.9	4,287	0.9	
Commercial real estate	163,110	33.6	142,323	31.6	
Commercial construction	12,761	2.6	8,936	2.0	
Home equity	21,165	4.4	21,019	4.7	
Consumer installment	4,097	0.8	4,123	0.9	
Commercial loans	45,442	9.3	39,798	8.8	
Total gross loans	485,928	100.0	% 450,755	100.0	%
Allowance for loan losses	(8,611)		(8,142)		
Deferred fees and costs	887		883		
Total net loans	\$478,204		\$443,496		

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 certain identified loans on which full collectability may not be reasonably assured, considers among other matters, the estimated net realizable value or the fair value of the underlying collateral, economic conditions, payment status of the loan, 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 Bank of Greene County considers smaller balance residential mortgages, home equity loans and installment loans to customers as small, homogeneous loans, which are evaluated for impairment collectively based on historical loss experience. Larger balance residential and commercial mortgage and business loans are viewed individually and considered impaired if it is probable that The Bank of Greene County will not be able to collect scheduled payments of principal and interest when due,

according to the contractual terms of the loan agreements. The measurement of impaired loans is generally based on the fair value of the underlying collateral. The Bank of Greene County charges loans off against the allowance for loan losses when it becomes evident that a loan cannot be collected within a reasonable amount of time or that it will cost the Bank more than it will receive, and all possible avenues of repayment have been analyzed, including the potential of future cash flow, the value of the underlying collateral, and strength of any guarantors or co-borrowers. Generally, consumer loans and smaller business loans (not secured by real estate) in excess of 90 days are charged-off against the allowance for loan losses, unless equitable arrangements are made. For loans secured by real estate, a charge-off is recorded when it is determined that the collection of all or a portion of a loan may not be collected and the amount of that loss can be reasonably estimated. 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 charge-offs.

IndexAnalysis of allowance for loan losses activity

(Dollars in thousands)	At or for the Six Months Ended December 31,	
	2015	2014
Balance at the beginning of the period	\$8,142	\$7,419
Charge-offs:		
Residential real estate	-	242
Commercial real estate	162	-
Consumer installment	143	121
Commercial loans	-	6
Total loans charged off	305	369
Recoveries:		
Commercial real estate	17	-
Consumer installment	40	24
Commercial loans	-	6
Total recoveries	57	30
Net charge-offs	248	339
Provisions charged to operations	717	716
Balance at the end of the period	\$8,611	\$7,796
Net charge-offs to average loans outstanding	0.11 %	0.17 %
Net charge-offs to nonperforming assets	12.39 %	9.87 %
Allowance for loan losses to nonperforming loans	232.73 %	123.98 %
Allowance for loan losses to total loans receivable	1.77 %	1.81 %

Nonaccrual Loans and Nonperforming Assets

Loans are reviewed on a regular basis to assess collectability of all principal and interest payments due. Management determines that a loan is impaired or nonperforming when it is probable at least a portion of the principal or interest will not be collected in accordance with contractual terms of the note. When a loan is determined to be impaired, the measurement of the loan is based on 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.

Generally, management places loans on nonaccrual status once the loans have become 90 days or more delinquent or sooner if there is a significant reason for management to believe the collectability is questionable and, therefore, interest on the loan will no longer be recognized on an accrual basis. The Company identifies impaired loans and measures the impairment in accordance with FASB ASC subtopic "Receivables – Loan Impairment." Management may consider a loan impaired once it is classified as nonaccrual and 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. It should be noted that management does not evaluate all loans individually for impairment. Generally, The Bank of Greene County considers smaller balance residential mortgages, home equity loans, commercial and installment loans as small, homogeneous loans, which are evaluated for impairment collectively based on historical loan experience and other factors. In contrast, large commercial mortgage, construction, multi-family, business loans and select larger balance residential mortgage loans are viewed individually and considered impaired if it is probable that The Bank of Greene County will not be able to collect scheduled

payments of principal and interest when due, according to the contractual terms of the loan agreement. The measurement of impaired loans is generally based on the fair value of the underlying collateral. The majority of The Bank of Greene County loans, including most nonaccrual loans, are small homogenous loan types adequately supported by collateral. Management considers the payment status of loans in the process of evaluating the adequacy of the allowance for loan losses among other factors. Loans that are either delinquent a minimum of 60 days or are on nonaccrual status, and are not individually considered impaired, are either designated as Special Mention or Substandard, and the allocation of the Allowance for Loan Loss is based upon the risk associated with such designation. A loan does not have to be 90 days delinquent in order to be classified as nonperforming. Foreclosed real estate is considered to be a nonperforming asset.

IndexAnalysis of Nonaccrual Loans and Nonperforming Assets

	At December 31, 2015	At June 30, 2015
(Dollars in thousands)		
Nonaccruing loans:		
Residential real estate	\$ 961	\$1,087
Commercial real estate	2,353	2,964
Home equity	19	169
Consumer	4	-
Commercial	282	388
Total nonaccruing loans	3,619	4,608
90 days & accruing		
Residential real estate	81	84
Total 90 days & accruing	81	84
Total nonperforming loans	3,700	4,692
Foreclosed real estate:		
Residential real estate	61	847
Commercial real estate	243	-
Total foreclosed real estate	304	847
Total nonperforming assets	\$ 4,004	\$5,539
Troubled debt restructuring:		
Nonperforming (included above)	\$ 1,668	\$2,002
Performing (accruing and excluded above)	955	965
Total nonperforming assets as a percentage of total assets	0.50	% 0.75 %
Total nonperforming loans to net loans	0.77	% 1.06 %

The table below details additional information related to nonaccrual loans for the six and three months ended December 31:

	For the six months ended December 31,		For the three months ended December 31,	
(In thousands)	2015	2014	2015	2014
Interest income that would have been recorded if loans had been performing in accordance with original terms	\$159	\$199	\$58	\$71
Interest income that was recorded on nonaccrual loans	99	85	50	39

The Company identifies impaired loans and measures the impairment in accordance with FASB ASC subtopic "Receivables – Loan Impairment". A loan is considered impaired when it is probable that the borrower will be unable to repay the loan according to the original contractual terms of the loan agreement or the loan is restructured in a troubled debt restructuring.

The table below details additional information on impaired loans as of the dates indicated:

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

(In thousands)	December 31, 2015	June 30, 2015
Balance of impaired loans, with a valuation allowance	\$ 1,878	\$2,399
Allowances relating to impaired loans included in allowance for loan losses	322	451
Balance of impaired loans, without a valuation allowance	1,159	1,792

(In thousands)	For the six months ended December 31, 2015		For the three months ended December 31, 2014	
	2015	2014	2015	2014
Average balance of impaired loans for the periods ended	\$3,550	\$7,154	\$3,249	\$6,869
Interest income recorded on impaired loans during the periods ended	63	135	33	42

34

Index

Nonperforming assets amounted to \$4.0 million at December 31, 2015 and \$5.5 million as of June 30, 2015, a decrease of \$1.5 million, or 27.3%, and total impaired loans amounted to \$3.0 million at December 31, 2015 compared to \$4.2 million at June 30, 2015, a decrease of \$1.2 million, or 28.6%. Nonaccrual loans consisted primarily of loans secured by real estate at December 31, 2015 and June 30, 2015. Loans on nonaccrual status totaled \$3.6 million at December 31, 2015, of which \$1.3 million were in the process of foreclosure. Included in nonaccrual loans were \$1.7 million of loans which were less than 90 days past due at December 31, 2015, but have a recent history of delinquency greater than 90 days past due. These loans will be returned to accrual status once they have demonstrated a history of timely payments. Included in total loans past due were \$671,000 of loans which were making payments pursuant to forbearance agreements. Under the forbearance agreements, the customers have made arrangements with the Bank to bring the loans current over a specified period of time (resulting in an insignificant delay in repayment). During this term of the forbearance agreement, the Bank has agreed not to continue foreclosure proceedings. While the Bank makes every reasonable effort to work with the borrowers to collect amounts due, the number of loans in process of foreclosure has grown substantially over the past several years. The growth in nonperforming assets is also due in part to the extended length of time required to meet all of the legal requirements mandated by New York State law prior to a foreclosure sale, which may be in excess of two years.

DEPOSITS

Total deposits increased \$46.5 million, or 7.5%, to \$669.2 million at December 31, 2015 from \$622.7 million at June 30, 2015. Noninterest-bearing checking accounts increased \$4.4 million, or 6.0%, to \$77.8 million at December 31, 2015 as compared to \$73.4 million at June 30, 2015. Interest-bearing checking accounts (NOW accounts) increased \$17.9 million, or 7.5%, to \$256.5 million at December 31, 2015 as compared to \$238.6 million at June 30, 2015. Money market deposits increased \$5.6 million between June 30, 2015 and December 31, 2015. Savings deposits increased \$2.5 million from \$163.9 million at June 30, 2015 to \$166.4 million at December 31, 2015, and certificates of deposit increased \$16.1 million from \$43.1 million at June 30, 2015 to \$59.2 million at December 31, 2015. The increase in certificates of deposit was primarily the result of the purchase of \$18.0 million in brokered certificates of deposit.

	At December 31, 2015	Percentage of Portfolio	At June 30, 2015	Percentage of Portfolio	
(In thousands)					
Noninterest-bearing deposits	\$77,784	11.6	% \$73,359	11.8	%
Certificates of deposit	59,243	8.9	43,121	6.9	
Savings deposits	166,384	24.9	163,927	26.3	
Money market deposits	109,323	16.3	103,724	16.7	
NOW deposits	256,455	38.3	238,586	38.3	
Total deposits	\$669,189	100.0	% \$622,717	100.0	%

BORROWINGS

At December 31, 2015, The Bank of Greene County had pledged approximately \$210.5 million of its residential mortgage portfolio as collateral for borrowing and stand-by letters of credit at the Federal Home Loan Bank of New York ("FHLB"). The maximum amount of funding available from the FHLB was \$174.1 million at December 31, 2015, of which \$48.1 million in borrowings were outstanding at December 31, 2015. There were \$27.8 million in short term borrowings outstanding at December 31, 2015. Interest rates on short term borrowings are determined at the time of borrowing. The remaining \$20.3 million consisted of long-term fixed rate, fixed term advances with a weighted average rate of 1.48% and a weighted average maturity of 36 months. The Bank has recently increased its level of long-term borrowing to strengthen its overall interest rate risk position, to help mitigate the potential negative impact of rising interest rates. The Bank of Greene County has established an Irrevocable Letter of Credit Reimbursement Agreement with the FHLB, whereby upon The Bank of Greene County's request, on behalf of Greene County

Commercial Bank, an irrevocable stand-by letter of credit is issued to secure municipal transactional deposit accounts. At December 31, 2015, there were no outstanding letters of credit.

The Bank of Greene County also pledges securities as collateral at the Federal Reserve Bank discount window for overnight borrowings. At December 31, 2015, approximately \$4.7 million of collateral was available to be pledged against potential borrowings at the Federal Reserve Bank discount window. There were no balances outstanding with the Federal Reserve Bank at December 31, 2015 or 2014.

The Bank of Greene County has established unsecured lines of credit with Atlantic Central Bankers Bank and another financial institution for \$6.0 million and \$5.0 million, respectively. Greene County Bancorp, Inc. has also established an unsecured line of credit with Atlantic Central Bankers Bank for \$5.0 million. The lines of credit provide for overnight borrowing and the interest rate is determined at the time of the borrowing. At December 31, 2015 and 2014, there were no balances outstanding on either of these lines of credit, and there was no activity during the six months ended December 31, 2015 and 2014.

Index

Scheduled maturities of long-term borrowings at December 31, 2015 were as follows:

(In thousands)

Within the twelve months ended December 31,

2016	\$500
2017	3,000
2018	6,500
2019	3,500
2020	6,500
Due after 2020	300
	\$20,300

EQUITY

Shareholders' equity increased to \$70.8 million at December 31, 2015 from \$66.9 million at June 30, 2015, as net income of \$4.5 million was partially offset by dividends declared and paid of \$715,000, and an increase in the accumulated other comprehensive loss of \$14,000. Other changes in equity, reflecting an increase of \$89,000, were the result of options exercised with the Company's 2008 Stock Option Plan.

Selected Equity Data:

	At December 31, 2015		At June 30, 2015	
Shareholders' equity to total assets, at end of period	8.88	%	9.06	%
Average shareholders' equity to average assets	9.08	%	9.13	%
Book value per share	\$16.73		\$ 15.85	
Closing market price of common stock	\$31.95		\$ 28.49	
	For the six months ended			
	December 31, 2015		December 31, 2014	
Dividend payout ratio ¹	34.91	%	42.35	%
Actual dividends paid to net income ²	16.00	%	19.33	%

¹ The dividend payout ratio has been calculated based on the dividends declared per share divided by basic earnings per share. No adjustments have been made for dividends waived by Greene County Bancorp, MHC ("MHC"), the owner of 54.5% of the Company's shares outstanding.

² Dividends declared divided by net income. The MHC waived its right to receive dividends declared during the six months ended December 31, 2015 and 2014.

Index

Comparison of Operating Results for the Six and Three Months Ended December 31, 2015 and 2014

Average Balance Sheet

The following table sets forth certain information relating to Greene County Bancorp, Inc. for the six and three months ended December 31, 2015 and 2014. For the periods indicated, the total dollar amount of interest income from average interest-earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities, are expressed both in dollars and rates. No tax equivalent adjustments were made. Average balances were based on daily averages. Average loan balances include nonperforming loans. The loan yields include net amortization of certain deferred fees and costs that are considered adjustments to yields.

	Six Months Ended December 31, 2015 and 2014					
	2015			2014		
(Dollars in thousands)	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	\$467,803	\$10,772	4.61 %	\$415,279	\$9,783	4.71 %
Securities ²	268,593	3,186	2.37	247,465	2,824	2.28
Interest-bearing bank balances and federal funds	1,566	4	0.51	5,031	10	0.40
FHLB stock	1,907	37	3.88	1,606	31	3.86
Total interest-earning assets	739,869	13,999	3.79 %	669,381	12,648	3.78 %
Cash and due from banks	7,609			7,133		
Allowance for loan losses	(8,380)			(7,607)		
Other noninterest-earning assets	17,790			17,297		
Total assets	\$756,888			\$686,204		
Interest-Bearing Liabilities:						
Savings and money market deposits	\$272,267	\$429	0.32 %	\$258,196	\$410	0.32 %
NOW deposits	263,723	489	0.37	225,668	430	0.38
Certificates of deposit	44,191	153	0.69	47,349	161	0.68
Borrowings	28,668	169	1.18	22,195	124	1.12
Total interest-bearing liabilities	608,849	1,240	0.41 %	553,408	1,125	0.41 %
Noninterest-bearing deposits	75,720			67,302		
Other noninterest-bearing liabilities	3,625			2,737		
Shareholders' equity	68,694			62,757		
Total liabilities and equity	\$756,888			\$686,204		
Net interest income		\$12,759			\$11,523	
Net interest rate spread			3.38 %			3.37 %
Net earnings assets	\$131,020			\$115,973		
Net interest margin			3.45 %			3.44 %
Average interest-earning assets to average interest-bearing liabilities	121.52 %			120.96 %		

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.

Taxable-equivalent net interest income and net interest margin

(Dollars in thousands)	For the six months ended	
	12/31/2015	12/31/2014
Net interest income (GAAP)	\$12,759	\$ 11,523
Tax-equivalent adjustment ⁽¹⁾	904	732
Net interest income (fully taxable-equivalent)	\$13,663	\$ 12,255
Average interest-earning assets	\$739,869	\$ 669,381
Net interest margin (fully taxable-equivalent)	3.69 %	3.66 %

¹ Net interest income on a taxable-equivalent basis includes the additional amount of interest income that would have been earned if the Company's investment in tax-exempt securities and loans had been subject to federal and New York State income taxes yielding the same after-tax income. The rate used for this adjustment was approximately 34% for federal income taxes and 3.63% for New York State income taxes.

Index

	Three Months Ended December 31, 2015 and 2014							
	2015				2014			
	Average Outstanding Balance	Interest Earned / Paid	Average Yield / Rate		Average Outstanding Balance	Interest Earned / Paid	Average Yield / Rate	
(Dollars in thousands)								
Interest-earning Assets:								
Loans receivable, net ¹	\$476,759	\$5,479	4.60 %		\$421,550	\$4,944	4.69 %	
Securities ²	274,053	1,635	2.39		249,687	1,438	2.30	
Interest-bearing bank balances and federal funds	2,091	2	0.38		8,902	8	0.36	
FHLB stock	1,867	20	4.28		1,557	17	4.37	
Total interest-earning assets	754,770	7,136	3.78 %		681,696	6,407	3.76 %	
Cash and due from banks	7,355				6,977			
Allowance for loan losses	(8,493)				(7,747)			
Other noninterest-earning assets	17,182				17,241			
Total assets	\$770,814				\$698,167			
Interest-Bearing Liabilities:								
Savings and money market deposits	\$273,728	\$214	0.31 %		\$263,478	\$206	0.31 %	
NOW deposits	275,735	249	0.36		233,257	218	0.37	
Certificates of deposit	45,537	77	0.68		46,697	76	0.65	
Borrowings	27,763	86	1.24		21,820	63	1.15	
Total interest-bearing liabilities	622,763	626	0.40 %		565,252	563	0.40 %	
Noninterest-bearing deposits	77,207				66,893			
Other noninterest-bearing liabilities	1,165				2,443			
Shareholders' equity	69,679				63,579			
Total liabilities and equity	\$770,814				\$698,167			
Net interest income		\$6,510				\$5,844		
Net interest rate spread			3.38 %				3.36 %	
Net earnings assets	\$132,007				\$116,444			
Net interest margin			3.45 %				3.43 %	
Average interest-earning assets to average interest-bearing liabilities	121.20 %				120.60 %			

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.

Taxable-equivalent net interest income and net interest margin

(Dollars in thousands)	For the three months ended			
	12/31/2015		12/31/2014	
Net interest income (GAAP)	\$6,510		\$5,844	
Tax-equivalent adjustment ⁽¹⁾	471		375	
Net interest income (fully taxable-equivalent)	\$6,981		\$6,219	
Average interest-earning assets	\$754,770		\$681,696	
Net interest margin (fully taxable-equivalent)	3.70 %		3.65 %	

¹ Net interest income on a taxable-equivalent basis includes the additional amount of interest income that would have been earned if the Company's investment in tax-exempt securities and loans had been subject to federal and New York State income taxes yielding the same after-tax income. The rate used for this adjustment was approximately 34% for federal income taxes and 3.63% for New York State income taxes.

38

Index

Rate / Volume Analysis

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

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

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

(Dollars in thousands)	Six Months Ended December 31, 2015 versus 2014			Three Months Ended December 31, 2015 versus 2014		
	Increase/(Decrease) Due To			Increase/(Decrease) Due To		
	Volume	Rate	Total (Decrease)	Volume	Rate	Total (Decrease)
Interest Earning Assets:						
Loans receivable, net ¹	\$1,202	\$(213)	\$ 989	\$632	\$(97)	\$ 535
Securities ²	248	114	362	141	56	197
Interest-bearing bank balances and federal funds	(8)	2	(6)	(6)	-	(6)
FHLB stock	6	-	6	3	-	3
Total interest-earning assets	1,448	(97)	1,351	770	(41)	729
Interest-Bearing Liabilities:						
Savings and money market deposits	19	-	19	8	-	8
NOW deposits	71	(12)	59	37	(6)	31
Certificates of deposit	(10)	2	(8)	(2)	3	1
Borrowings	38	7	45	18	5	23
Total interest-bearing liabilities	118	(3)	115	61	2	63
Net change in net interest income	\$1,330	\$(94)	\$ 1,236	\$709	\$(43)	\$ 666

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

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. Annualized return on average assets increased to 1.18% for the six months ended December 31, 2015 as compared to 1.05% for the six months ended December 31, 2014, and was 1.20% and 1.04% for the three months ended December 31, 2015 and 2014, respectively. Annualized return on average equity increased to 13.01% for the six months and 13.32% for the three months ended December 31, 2015 as compared to 11.43% for the six months and 11.39% for the three months ended December 31, 2014. The increase in return on average assets and return on average equity was primarily the result of growth in both average assets and average equity complimented by growth in net income. Net income amounted to \$4.5 million and \$3.6 million for the six months ended December 31, 2015 and 2014, respectively, an increase of \$884,000 or 24.7% and amounted to \$2.3 million and \$1.8 million for the three months ended December 31, 2015 and 2014, respectively, an increase of \$509,000 or 28.1%. Average assets increased \$70.7

million, or 10.3% to \$756.9 million for the six months ended December 31, 2015 as compared to \$686.2 million for the six months ended December 31, 2014. Average equity increased \$5.9 million, or 9.4%, to \$68.7 million for the six months ended December 31, 2015 as compared to \$62.8 million for the six months ended December 31, 2014.

Average assets increased \$72.6 million, or 10.4% to \$770.8 million for the three months ended December 31, 2015 as compared to \$698.2 million for the three months ended December 31, 2014. Average equity increased \$6.1 million, or 9.6% to \$69.7 million for the three months ended December 31, 2015 as compared to \$63.6 million for the three months ended December 31, 2014.

Index

INTEREST INCOME

Interest income amounted to \$14.0 million for the six months ended December 31, 2015 as compared to \$12.6 million for the six months ended December 31, 2014, an increase of \$1.4 million, or 11.1%. Interest income amounted to \$7.1 million for the three months ended December 31, 2015 as compared to \$6.4 million for the three months ended December 31, 2014, an increase of \$729,000, or 11.4%. The increase in average loan and securities balances and the increase in securities yields had the greatest impact on interest income when comparing the six and three months ended December 31, 2015 and 2014, which was offset by a decrease in the yield on loans. Average loan balances increased \$52.5 million and \$55.2 million while the yield on loans decreased 10 basis points and 9 basis points when comparing the six and three months ended December 31, 2015 and 2014, respectively. Average securities increased \$21.1 million and \$24.4 million and the yield on such securities increased 9 basis points when comparing the six and three months ended December 31, 2015 and 2014, respectively.

INTEREST EXPENSE

Interest expense amounted to \$1.2 million for the six months ended December 31, 2015 as compared to \$1.1 million for the six months ended December 31, 2014, a decrease of \$115,000, or 10.2%. Interest expense amounted to \$626,000 for the three months ended December 31, 2015 as compared to \$563,000 for the three months ended December 31, 2014, a decrease of \$63,000, or 11.2%. Increases in average balances on interest-bearing liabilities contributed to the increase in overall interest expense. As illustrated in the rate/volume table, interest expense increased \$118,000 and \$61,000 when comparing the six and three months ended December 31, 2015 and 2014, respectively, due to a \$55.4 million and \$57.5 million increase in the average balances on interest-bearing liabilities when comparing these same periods. The average rate paid on interest-bearing liabilities remained unchanged at 0.41% and 0.40% when comparing the six and three months ended December 31, 2015 and 2014, respectively.

The average rate paid on NOW deposits decreased one basis point when comparing the six and three months ended December 31, 2015 and 2014, and the average balance of such accounts grew by \$38.0 million and \$42.4 million when comparing these same periods, respectively. The average balance of savings and money market deposits increased by \$14.1 million and \$10.2 million and the rate paid remained unchanged at 0.32% and 0.31% when comparing the six and three months ended December 31, 2015 and 2014, respectively. The average balance of certificates of deposit decreased \$3.1 million and \$1.2 million when comparing the six and three months ended December 31, 2015 and 2014, respectively. The average rate paid on certificate of deposits increased 1 basis points when comparing the six months ended December 31, 2015 and 2014, and increased 3 basis point when comparing the three months ended December 31, 2015 and 2014. This increase in rate paid on certificates of deposit for the six months is the result of the promotion of a five year certificate product.

The average balance on borrowings increased \$6.5 million and the rate increased 6 basis points when comparing the six months ended December 31, 2015 and 2014. The average balance on borrowings increased \$6.0 million and the rate increased 9 basis points when comparing the three months ended December 31, 2015 and 2014. This was the result of locking in long-term borrowings during the fiscal years ended June 30, 2015 and 2014 as well as funding loan growth during the fiscal year ended June 30, 2015 and the six months ended December 31, 2015.

NET INTEREST INCOME

Net interest income increased \$1.3 million to \$12.8 million for the six months ended December 31, 2015 from \$11.5 million for the six months ended December 31, 2014. Net interest income increased \$666,000 to \$6.5 million for the three months ended December 31, 2015 from \$5.8 million for the three months ended December 31, 2014. These increases in net interest income were primarily the result of the growth in the average interest-earning asset balances. Net interest spread and margin increased one basis point to 3.38% and 3.45%, respectively, for the six months ended December 31, 2015 compared to 3.37% and 3.44%, respectively, for the six months ended December 31, 2014. Net

interest spread and margin increased two basis points to 3.38% and 3.45%, respectively, for the three months ended December 31, 2015 compared to 3.36% and 3.43%, respectively, for the three months ended December 31, 2014.

Net interest income on a taxable-equivalent basis includes the additional amount of interest income that would have been earned if the Company's investment in tax-exempt securities and loans had been subject to federal and New York State income taxes yielding the same after-tax income. Tax equivalent net interest margin was 3.69% and 3.70% for the six and three months ended December 31, 2015 compared to 3.66% and 3.65% for the six and three months ended December 31, 2014.

Due to the large portion of fixed-rate residential mortgages in the Company's portfolio, interest rate risk is a concern and the Company will continue to monitor and 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.

Index

PROVISION FOR LOAN LOSSES

Management continues to closely monitor asset quality and adjust the level of the allowance for loan losses when necessary. The amount recognized for the provision for loan losses is determined by management based on its ongoing analysis of the adequacy of the allowance for loan losses. The provision for loan losses amounted to \$717,000 and \$716,000 for the six months ended December 31, 2015 and 2014, respectively. The provision for loan losses amounted to \$343,000 and \$305,000 for the three months ended December 31, 2015 and 2014, respectively. Allowance for loan losses to total loans receivable decreased to 1.77% as of December 31, 2015 as compared to 1.81% as of June 30, 2015. Nonperforming loans amounted to \$3.7 million and \$4.7 million at December 31, 2015 and June 30, 2015, respectively. Net charge-offs amounted to \$248,000 and \$339,000 for the six months ended December 31, 2015 and 2014, respectively, and amounted to \$198,000 and \$229,000 for the three months ended December 31, 2015 and 2014, respectively. At December 31, 2015, nonperforming assets were 0.50% of total assets and nonperforming loans were 0.77% of net loans. The Company has not been an originator of “no documentation” mortgage loans, and the loan portfolio does not include any mortgage loans that the Company classifies as sub-prime.

NONINTEREST INCOME

	For the six months ended December 31,		Change from Prior Year		
	2015	2014	Amount	Percent	
Noninterest income:					
Service charges on deposit accounts	\$1,483	\$1,446	\$37	2.6	%
Debit card fees	905	844	61	7.2	
Investment services	171	189	(18)	(9.5))
E-commerce fees	41	53	(12)	(22.6))
Other operating income	424	377	47	12.5	
Total noninterest income	\$3,024	\$2,909	\$115	4.0	%

Noninterest income increased \$115,000, or 4.0%, to \$3.0 million for the six months ended December 31, 2015 as compared to \$2.9 million for the six months ended December 31, 2014, primarily due to an increase in debit card fees and service charges on deposit accounts resulting from continued growth in the number of checking accounts with debit cards.

	For the three months ended December 31,		Change from Prior Year		
	2015	2014	Amount	Percent	
Noninterest income:					
Service charges on deposit accounts	\$766	\$730	\$36	4.9	%
Debit card fees	453	429	24	5.6	
Investment services	78	87	(9)	(10.3))
E-commerce fees	17	25	(8)	(32.0))
Other operating income	264	169	95	56.2	
Total noninterest income	\$1,578	\$1,440	\$138	9.6	%

Noninterest income increased \$138,000, or 9.6%, to \$1.6 million for the three months ended December 31, 2015 as compared to \$1.4 million for the three months ended December 31, 2014, primarily due to an increase in debit card fees and service charges on deposit accounts resulting from continued growth in the number of checking accounts with debit cards. The increase in other operating income was primarily the result of income generated by Greene Risk

Management, Inc., a captive insurance subsidiary established on December 28, 2014.

NONINTEREST EXPENSE

	For the six months ended		Change from Prior Year		
	December 31, 2015	2014	Amount	Percent	
Noninterest expense:					
Salaries and employee benefits	\$4,938	\$4,757	\$181	3.8	%
Occupancy expense	696	668	28	4.2	
Equipment and furniture expense	238	253	(15)	(5.9)	
Service and data processing fees	918	842	76	9.0	
Computer software, supplies and support	229	339	(110)	(32.5)	
Advertising and promotion	195	132	63	47.7	
FDIC insurance premiums	204	192	12	6.3	
Legal and professional fees	537	592	(55)	(9.3)	
Other	1,292	998	294	29.5	
Total noninterest expense	\$9,247	\$8,773	\$474	5.4	%

Index

Noninterest expense increased \$474,000, or 5.4%, to \$9.2 million for the six months ended December 31, 2015 as compared to \$8.8 million for the six months ended December 31, 2014. The increase in noninterest expense is primarily the result of an increase in other expenses which included costs related to foreclosed real estate (primarily real estate taxes) as well as write-downs of several of the properties within foreclosed real estate based on pending sales or a decrease in the list price. Salaries and employee benefits expenses and occupancy expenses also increased and were primarily due to the opening of a new branch in Kingston during the third quarter of fiscal 2015. Partially offsetting the aforementioned increases were decreases in computer software, supplies and support. During the six months ended December 31, 2014, a one-time fee was paid to one of the Company's vendors related to the renegotiation of the contract for support services. Legal and professional fees also decreased when comparing the six months ended December 31, 2015 and 2014. During the six months ended December 31, 2014, the Company incurred one-time legal and professional fees associated with the creation of its newly formed captive insurance subsidiary, Greene Risk Management, Inc.

	For the three months ended		Change from		
	December 31, 2015	December 31, 2014	Prior Year Amount	Percent	
Noninterest expense:					
Salaries and employee benefits	\$2,514	\$2,390	\$124	5.2	%
Occupancy expense	333	344	(11)	(3.2))
Equipment and furniture expense	118	177	(59)	(33.3))
Service and data processing fees	508	388	120	30.9	
Computer software, supplies and support	96	106	(10)	(9.4))
Advertising and promotion	94	51	43	84.3	
FDIC insurance premiums	104	101	3	3.0	
Legal and professional fees	277	379	(102)	(26.9))
Other	683	560	123	22.0	
Total noninterest expense	\$4,727	\$4,496	\$231	5.1	%

Noninterest expense increased \$231,000, or 5.1%, to \$4.7 million for the three months ended December 31, 2015 as compared to \$4.5 million for the three months ended December 31, 2014. The increase in noninterest expense is primarily the result of an increase in other expenses which included costs related to foreclosed real estate (primarily real estate taxes) as well as write-downs of several of the properties within foreclosed real estate based on pending sales or a decrease in the list price. Salaries and employee benefits expenses also increased and were primarily due to the opening of a new branch in Kingston during the third quarter of fiscal 2015. Service and data processing fees increased when comparing the three months ended December 31, 2015 and 2014 which was the result of an upgrade to a new online banking platform during the three months ended December 31, 2015. Partially offsetting these increases was a decrease in legal and professional fees. During the three months ended December 31, 2014, the Company incurred one-time legal and professional fees associated with the creation of its newly formed captive insurance subsidiary, Greene Risk Management, Inc.

INCOME TAXES

The provision for income taxes directly reflects the expected tax associated with the pre-tax income generated for the given period and certain regulatory requirements. The effective tax rate was 23.2% and 23.1% for the six and three months ended December 31, 2015, compared to 27.5% and 27.1% for the six and three months ended December 31, 2014. The effective tax rate has continued to decline as a result of increased income derived from tax exempt bonds and loans as well as continued loan growth within the Company's real estate investment trust subsidiary. Also contributing to the lower effective income tax rate is the tax benefits derived from the Company's pooled captive insurance company, as premium income received by the pooled captive insurance company is exempt from income

taxes. The premiums paid to the pooled captive insurance company by the Company and its banking subsidiaries are tax deductible.

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 and Atlantic Central Bankers Bank as needed. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit outflows, mortgage prepayments, and lending activities are greatly influenced by general interest rates, economic conditions and competition.

Index

The Bank of Greene County's unfunded loan commitments are as follows at December 31, 2015:

(In thousands)	2015
Residential real estate loan commitments	\$3,187
Construction and land loan commitments	14,567
Commercial real estate loan commitments	17,786
Home equity available lines of credit	8,307
Consumer overdraft available lines of credit	696
Commercial loan available lines of credit	22,874
Commercial loan commitments	590
Total commitments	\$68,007

Greene County Bancorp, Inc. anticipates that it will have sufficient funds available to meet current loan commitments based on the level of cash and cash equivalents as well as the available-for-sale investment portfolio and borrowing capacity.

The Bank of Greene County and Greene County Commercial Bank met all applicable regulatory capital requirements at December 31, 2015 and June 30, 2015. Consolidated shareholders' equity represented 8.9% of total assets at December 31, 2015 and 9.1% of total assets of June 30, 2015.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

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

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

Index

Part II. Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Not applicable to smaller reporting companies.

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

a) Not applicable

b) Not applicable

c) Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

a) Not applicable

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

Item 6. Exhibits

Exhibits

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

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

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

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

¹⁰¹ The following materials from Greene County Bancorp, Inc. Form 10-Q for the quarter ended December 31, 2015, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Financial Condition, (iii) Consolidated Statements of Cash Flows and (iv) related notes, tagged as blocks of text.

Index

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: February 12, 2016

By: /s/ Donald E. Gibson

Donald E. Gibson
President and Chief Executive Officer

Date: February 12, 2016

By: /s/ Michelle M. Plummer

Michelle M. Plummer, CPA
Executive Vice President, Chief Financial Officer, and Chief Operating Officer