GREENE COUNTY BANCORP INC
Form 10QSB
November 14, 2001

U.S. Securities and Exchange Commission
Washington, D.C. 20549

Form 10-QSb

[X] Quarterly Report Under Section 13 of 15(D) of the Securities and Exchange Act of 1934

for the Quarter Ended September 30, 2001

or

[ ] Transition Report Pursuant to Section 13 of 15(D) of the Securities Exchange Act

Greene County Bancorp, Inc.

(Exact Name of Small Business Issuer as Specified in Its Charter)

Commission File Number 0-25165

United States	14-1809721
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
302 Main Street, Catskill, New York	12414
(Address of Principal Executive Office)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (518) 943-2600

Check Whether the Registrant: (1) has Filed All Reports Required to be Filed by Section 13 or 15(D) of the Securities Exchange Act of 1934 During the Preceding 12 Months (Or for Such Shorter Period That the Registrant was Required to File Such Reports) and (2) has Been Subject to Such Filing Requirements for the Past 90 Days.

Yes X No

As of November 12, 2001, the Registrant Had 2,152,835 shares of common stock issued At $ .10 par value, and 2,002,855 were outstanding.

GREENE COUNTY BANCORP, INC.

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Greene County Bancorp, Inc.
Consolidated Statements of Financial Condition
As of September 30, 2001 and June 30, 2001

	September 30, 2001 (Unaudited)	June 30, 2001
ASSETS		
Cash and due from banks	$4,044,731	$5,336,195
Federal funds sold	15,289,168	13,468,163
Total cash and cash equivalents	19,333,899	18,804,358
Investment securities, at fair value	48,621,850	48,875,229
Federal Home Loan Bank stock, at cost	939,600	939,600
Loans	116,909,867	110,920,369
Less: Allowance for loan losses	(903,479)	(886,081)
Unearned origination fees and costs, net	(271,916)	(277,277)

Net loans receivable	115,734,472	109,757,011
Premises and equipment	4,972,325	5,052,208
Accrued interest receivable	1,333,246	1,357,239
Prepaid expenses and other assets	331,207	288,914
Other real estate owned	30,229	30,229
Total assets	$191,296,828	$185,104,788
LIABILITIES AND SHAREHOLDERS' EQUITY		
Non-interest bearing deposits	$18,006,475	$18,418,308
Interest bearing deposits	141,647,483	135,774,206
Total deposits	159,653,958	154,192,514
Borrowings from FHLB	5,000,000	5,000,000
Accrued expenses and other liabilities	987,680	623,038
Accrued income taxes	324,839	195,646
Total liabilities	165,966,477	160,011,198
Shareholders' equity		
Preferred stock, Authorized 1,000,000 at September 30, and June 30, 2001;	----	---
Common stock, par value $.10 per share; Authorized: 12,000,000 at September 30, and June 30, 2001; Issued: 2,152,835 at September 30, and June 30, 2001; Outstanding: 2,014,055 at September 30, 2001; 2,040,355 at June 30, 2001	215,284	215,284
Additional paid-in capital	10,193,008	10,188,573
Retained earnings	16,106,172	15,993,025
Accumulated other comprehensive income	955,041	499,022
Less: Treasury stock, 138,780 at September 30, 2001; 112,480 at June 30, 2001, shares at cost	(1,449,438)	(1,075,923)
Unearned stock-based compensation	(214,436)	(229,753)
Unearned ESOP shares 56,395 at September 30, 2001; 58,516 at June 30, 2001,shares at cost	(475,280)	(496,638)
Total shareholders' equity	25,330,351	25,093,590
Total liabilities and shareholders' equity	$191,296,828	$185,104,788

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Three Months Ended September 30, 2001 and 2000
(Unaudited)

	2001	2000

	----	----
Interest income:		
Loans	$2,187,944	$1,872,727
Investment securities	565,665	523,453
Mortgage-backed securities	104,126	110,742
Tax free securities	107,573	114,550
Interest bearing deposits and federal funds sold	143,278	176,487
Total interest income	3,108,586	2,797,959
Interest expense:		
Interest on deposits	1,255,590	1,202,099
Interest on borrowings	85,825	167,475
Total interest expense	1,341,415	1,369,574
Net interest income	1,767,171	1,428,385
Less: Provision for loan losses	30,000	15,000
Net interest income after provision for loan losses	1,737,171	1,413,385
Noninterest income:		
Service charges on deposit accounts	186,525	122,791
Other operating income	165,772	128,066
Total noninterest income	352,297	250,857
Noninterest expense:		
Salaries and employee benefits	791,901	703,930
Occupancy expense	82,967	91,543
Equipment and furniture expense	110,212	77,714
Service and data processing fees	152,654	126,530
Office supplies	40,069	23,786
Other	438,711	380,417
Total noninterest expense	1,616,514	1,403,920
Income before provision for income taxes	472,954	260,322
Provision for income taxes	129,000	48,658
Net income	$343,954	$211,664
Weighted average EPS	$0.17	$0.11
Weighted average shares outstanding	1,973,879	1,976,727
Diluted EPS	$0.17	$0.11
Diluted average shares outstanding	2,018,551	1,984,976

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Three Months Ended September 30, 2001 and 2000
(Unaudited)

	2001	2000
Net income	$343,954	$211,6
Other comprehensive income (loss):		
Reclassification adjustment, net of income tax expense ($6,325)	---	8,3
Unrealized holding gain arising during the three months ended September 30, 2001 and 2000, net of tax expense of ($304,012) and ($185,380), respectively.	456,019	237,3
Total other comprehensive income	456,019	245,7
Comprehensive income	$799,973	$457,4

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Three Months Ended September 30, 2001 and 2000

	Capital Stock	Additional Paid - In Capital	Retained Earnings	Accumulated Other Comprehensive Income
Balance at June 30, 2000	$215,284	$10,319,859	$15,526,092	($524,546)
ESOP shares earned		(768)		
Stock-based compensation earned				

Dividends paid			(247,876)	
Net income			211,664	
Change in unrealized gain (loss) net			----	245,736
Balance at September 30, 2000	$215,284	$10,319,091	$15,489,880	($278,810)
Balance at June 30, 2001	$215,284	$10,188,573	$15,993,025	$499,022
ESOP shares earned		4,435		
Stock-based compensation earned				
Treasury stock repurchased				
Net income			343,954	
Dividends paid			(230,807)	
Change in unrealized gain, net				456,019
Balance at September 30, 2001	$215,284	$10,193,008	$16,106,172	$955,041

	Unearned Stock-based Compensation	Treasury Stock	Unearned ESOP Shares	Total Shareholders' Equity
Balance at June 30, 2000	($333,690)	($1,019,976)	($589,074)	$23,593,949
ESOP shares earned			22,368	21,600
Stock-based compensation earned	17,876			17,876
Dividends paid				(247,876)
Net income				211,664

Change in unrealized gain (loss) net				245,736
Balance at September 30, 2000	($315,814)	($1,019,976)	($566,706)	$23,842,949
Balance at June 30, 2001	($229,753)	($1,075,923)	($496,638)	$25,093,590
ESOP shares earned			21,358	25,793
Stock-based compensation earned	15,317			15,317
Treasury stock repurchased		(373,515)		(373,515)
Net income				343,954
Dividends paid				(230,807)
Change in unrealized gain, net				456,019
Balance at September 30, 2001	($214,436)	($1,449,438)	($475,280)	$25,330,351

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Cash Flows
For the Three Months Ended September 30, 2001 and 2000

	2001
Cash flows from operating activities:	
Net Income	$343,954
Adjustments to reconcile net income to cash provided by operating activities:	

Depreciation	108,675
Net amortization (accretion) of premiums (discounts)	33,881
Provision for loan losses	30,000
ESOP and other stock-based compensation earned	36,675
Loss on sale of investments	---
Net increase in accrued income taxes	129,193
Net decrease (increase) in accrued interest receivable	23,993
Net decrease (increase) in prepaid and other assets	(42,293)
Net increase (decrease) in other liabilities	102,231
Net cash provided by operating activities	766,309
Cash flows from investing activities:	
Proceeds from maturities of securities	2,420,123
Proceeds from sale of securities and other investments	---
Purchases of securities and other investments	(269,304)
Principal payments on securities	819,459
Principal payments on mortgage-backed securities	1,135,427
Purchases of mortgage-backed securities	(3,141,191)
Net (increase) in loans receivable	(6,007,461)
Purchases of premises and equipment	(50,943)
Net cash used in investing activities	(5,093,890)
Cash flows from financing activities:	
Dividends paid	(230,807)
Purchase of treasury stock	(373,515)
Net increase (decrease) in deposits	5,461,444
Net cash provided by (used in) financing activities	4,857,122
Net increase (decrease) in cash and cash equivalents	529,541
Cash and cash equivalents at beginning of period	18,804,358
Cash and cash equivalents at end of period	$19,333,899

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Notes to Financial Statements
As of and for the Three Months Ended September 30, 2001 and 2000

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Greene County Bancorp, Inc. (the "Company") and its wholly owned subsidiary, The Bank of Greene County (the "Bank"). The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) for interim financial information and with the instructions to Form

10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. To the extent that information and footnotes required by generally accepted accounting principles for complete financial statements are contained in or are consistent with the audited financial statements incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended June 30, 2001, such information and footnotes have not been duplicated herein. In the opinion of management, all adjustments (consisting of only normal recurring items) necessary for a fair presentation of the financial position and results of operations and cash flows for the periods presented have been included. All material inter-company accounts and transactions have been eliminated in the consolidation. The results of operations and other data for the three months ended September 30, 2001 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2002.

(2) Nature of Operations

The Bank has six full service offices and an operations center located in its market area consisting of Greene County and southern Albany County, New York. The Bank is primarily engaged in the business of attracting deposits from the general public in the Bank's market area, and investing such deposits, together with other sources of funds in loans and investment securities.

(3) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term related to the determination of the allowance for loan losses and valuation of other real estate owned ("OREO").

While management uses available information to recognize losses on loans and OREO future additions to the allowance for loan losses (the "Allowance"), or OREO write-downs, may be necessary based on changes in economic conditions, asset quality or other factors. In addition, various regulatory authorities, as an integral part of their examination process, periodically review the Company's Allowance and the carrying value of OREO and other assets. Such authorities may require the Company to recognize additions to the Allowance and/or write down the carrying value of OREO or other assets based on their judgments of information available to them at the time of their examination.

(4) Charter Conversion

On August 15, 2000, the Board of Directors of the Company unanimously approved a plan to convert the Company's charter from a Delaware corporation regulated by the New York Superintendent of Banks and the Board of Governors of the Federal Reserve System to a Federal corporation regulated by the Office of Thrift Supervision (the "OTS"). On April 2, 2001, the OTS approved the charter conversion, which was approved by the stockholders of the Company on November 27, 2000. The mutual holding company (the "MHC") of the Company also received OTS approval of its conversion from a state to federal charter on that date.

Among other things, the charter conversions will permit the MHC to waive the receipt of dividends paid by the Company without causing dilution to the ownership interest of the Company's minority stockholders in the event of a conversion of the MHC to stock form. The waiving of dividends will increase Company resources available for stock repurchases, payment of dividends to minority stockholders, and investments.

As a financial institution subsidiary of the Company following the charter conversion, the Bank must maintain at least 65% of its "portfolio assets" (total assets minus goodwill and other intangible assets, office property and specified liquid investments up to 20% of total assets) in certain "qualified thrift investments" (primarily loans to purchase, refinance, construct, improve or repair domestic residential housing, home equity loans, securities backed by or representing an interest in mortgages on domestic residential housing, and Federal Home Loan Bank stock) in at least 9 months out of every 12 month period. A savings institution that fails the qualified thrift lender test is subject to certain operating restrictions and may be required to convert to a bank charter. At September 30, 2001, the Bank maintained 75.4% of its portfolio assets in qualified thrift investments.

(5) Earnings Per Share

Basic earnings per share ("EPS") on common stock are computed by dividing net income by the weighted average number of shares of common stock outstanding for the period. Shares of restricted stock are not considered outstanding for the calculation of basic earnings per share until they become fully vested. Diluted earnings per share are computed in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares that would have been outstanding under the treasury stock method if all potentially dilutive common (such as stock options and unvested restricted stock) issued became vested during the period. Unallocated common shares held by the ESOP are not included in the weighted-average number of common shares outstanding for either the basic or diluted earnings per share calculations.

Three Months Ended	Net Income	Weighted Average Number of Shares Outstanding	Earnings Per Shar
September 30, 2001:	$343,954		
Basic EPS		1,973,879	$0.17
Diluted EPS		2,018,551	$0.17
September 30, 2000:	$211,664		
Basic EPS		1,976,727	$0.11
Diluted EPS		1,984,976	$0.11

(6) Dividends

The Board of Directors approved a semi-annual $0.25 cash dividend on July 18, 2001, for shareholders of record August 15, 2001, payable September 1, 2001. The dividend reflected an annual cash dividend rate of $0.50 per share, which represents an increase from the previous annual cash dividend rate of $0.24 per share. The increase in the dividend paid out is a result of the MHC waiving receipt of dividends for the current period.

Impact of Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement No. 141, "Business Combinations", which requires all business combinations to be accounted for under the purchase method of accounting, thus eliminating the pooling of interest method of accounting. The adoption of this statement in fiscal 2003 will have no impact on the Company's consolidated financial statements.

In July 2001, the Financial Accounting Standards Board issued Statement No. 142, "Goodwill and Other Intangible Assets", which requires acquired intangible assets (other than goodwill) to be amortized over their useful economic life, while goodwill and any acquired intangible assets with an indefinite useful economic life would not be amortized, but would be reviewed for impairment on an annual basis based upon guidelines specified by the Statement. The adoption of this statement in fiscal 2003 will have no impact on the Company's consolidated financial statements.

In August 2001, the Financial Accounting Standards Board issued Statement No. 143, "Accounting for Asset Retirement Obligations", which requires the fair value of a liability for an asset retirement obligation to be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of long-lived assets. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company is currently reviewing this statement to determine its effect on the Company's financial statements.

In August 2001, the Financial Accounting Standards Board issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", and the accounting and reporting provisions of APB No. 30. SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The Company is currently reviewing this statement to determine its effect on the Company's financial statements.

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

General

The Company's results of operations depend primarily on its net interest income, which is the difference between the income earned on the Company'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 the Company's provision for loan losses, income and expense pertaining to other real estate owned, gains and losses from sales of securities, noninterest income and noninterest expense. Noninterest income consists primarily of fees and service charges. The Company'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 the Company.

Special Note Regarding Forward Looking Statements

This annual report contains forward-looking statements. The Company 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 quartely report, describe future plans or strategies and include the Company's expectations of future financial results. The words "believe," "expect," "anticipate," "project," and similar expressions identify forward-looking statements. The Company's ability to predict results or the effect of future plans or strategies or qualitative or quantitative changes based on market risk exposure is inherently uncertain. Factors that could affect actual results include but are not limited to:

(a) changes in general market interest rates,
(b) general economic conditions,
(c) legislative and regulatory changes,
(d) monetary and fiscal policies of the U.S. Treasury and the Federal Reserve,
(e) changes in the quality or composition of the Company's loan and investment portfolios,
(f) deposit flows,
(g) competition, and
(h) demand for financial services in the Company's market area.

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

Comparison of Financial Condition as of September 30, 2001 and June 30, 2001

ASSETS. Total assets increased to $191.3 million at September 30, 2001 from $185.1 million at June 30, 2001, an increase of $6.2 million, or 3.3%. The increase in assets was primarily due to loan growth that was funded by increases in interest-bearing deposits. The merger of a local competitor with an out-of-area institution has helped in efforts to promote the Bank's lending and deposit products.

CASH AND CASH EQUIVALENTS. Cash and due from banks decreased to $4.0 million at September 30, 2001 from $5.3 million at June 30, 2001, a decrease of $1.3 million, or 24.5% as a result of fluctuations due to normal deposit account clearing activities and vault cash needs, based on customer cash needs. Federal funds sold increased to $15.3 million at September 30, 2001 from $13.5 million at June 30, 2001 an increase of $1.8 million, or 13.3%. Federal funds sold are also a function of account clearing needs and deposit levels, which can fluctuate significantly on a daily basis.

INVESTMENT SECURITIES. Investment securities decreased to $48.6 million at September 30, 2001 as compared to $48.9 million at June 30, 2001, a decrease of $0.3 million, or 0.6%. Despite the relatively insignificant change in the level of investment securities a shift in the portfolio mix did occur between September 30, 2001 and June 30, 2001. At September 30, 2001, the Company no longer had a position in U.S. Treasury securities compared to $1.0 million or 2.1% of the investment portfolio at June 30, 2001. Mortgage-backed securities represented $10.5 million or 21.6% of the investment portfolio at September 30, 2001, as compared to $8.8 million or 18.0% of the investment portfolio at June 30, 2001. The increase in mortgage-backed securities of $1.7 million or 19.3% was a result of purchases of $3.0 million, offset by principle payments of $1.1 million, maturities of $0.7 million and net premium and discount accretion or amortization. A decrease in asset-backed securities of $0.8 million or 24.2% to $2.5 million or 5.2% of investments at September 30, 2001 from $3.3 million or 6.8% at June 30, 2001 was due to principal payments.

(Rounded to nearest thousand)	Market value at Sept. 30, 2001	Percentage of portfolio	Market value at June 30, 2001	Perc of po
U.S. Treasuries	$---	0.0%	$1,005	2.
U.S. government agencies	1,380	2.8%	1,794	3.
State and political subdivisions	9,668	19.9%	9,420	19.
Mortgage-backed securities	10,488	21.6%	8,783	18.
Asset-backed securities	2,514	5.2%	3,300	6.
Corporate debt securities	23,347	48.0%	23,432	47.
Total debt securities	47,397	97.5%	47,734	97.
Equity securities and other	1,225	2.5%	1,141	2.
Total available-for-sale securities	$48,622	100.0%	$48,875	100.

LOANS. Net loans receivable increased to $115.7 million at September 30, 2001 from $109.8 million at June 30, 2001, an increase of $5.9 million, or 5.4%. The increase in loans was a result of the generally decreasing market interest rate environment which increased customer demand, particularly for fixed-rate residential mortgage loans. Another factor contributing to the increase in the Bank's market share of the local lending demand was resulting from a merger of a former competitor with an out-of-area institution. The opening of two additional branches in Tannersville and Westerlo, New York within the last eighteen months has also enhanced loan demand. Growth primarily occurred in residential real estate mortgages of $4.7 million, or 5.2% to $94.2 million at September 30, 2001, including an increase of $1.8 million to $3.8 million in construction loans, and an increase of $1.3 million, or 25.2% to $6.6 million in commercial real estate mortgages.

(Rounded to nearest thousand)	At Sept. 30, 2001	Percentage of portfolio	At June 30, 2001	Perce of po
Real estate mortgages				
Residential	$94,181	80.6%	$89,528	80
Commercial	6,560	5.6%	5,239	4
Home equity loans	6,346	5.4%	6,138	5
Commercial loans	3,152	2.7%	3,291	3
Installment loans	6,060	5.2%	6,128	5
Passbook loans	611	0.5%	596	0
Total loans	$116,910	100.0%	$110,920	10

ALLOWANCE FOR LOAN LOSS. The allowance for loan loss is established through a provision for loan losses based on management's evaluation of the risk inherent in the loan portfolio, the composition of the loan portfolio, specific impaired loans and current economic conditions. Such evaluation, which includes a review of all loans on which full collectibility may not be reasonably assured, considers among other matters, the estimated net realizable value or the fair value of the underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an adequate loan loss allowance. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses and valuation of OREO. Such agencies may require the Bank to recognize additions to the allowance based on their judgment about information available to them at the time of their examination. The allowance for loan losses is increased by a provision for loan losses (which results in a charge to expense) and is reduced by net charge-offs. Management will continue to monitor and modify the level of the allowance for loan losses in order to maintain it at a level which management considers adequate to provide for potential loan losses.

Analysis of the Allowance for Loan Losses

	September 30, 2001	June 30, 2001
Balance at the beginning of the period	$886,081	$866,443
Charge-offs:		
Commercial real estate mortgage loans	---	26,432
Installment loans to individuals	14,793	50,483
Total loans charged off	14,793	76,915
Recoveries:		
Installment loans to individuals	2,191	36,553
Total recoveries	2,191	36,553
Net charge-offs	12,602	40,362
Provisions charged to operations	30,000	60,000
Balance at the end of the period	$903,479	$886,081
Ratio of net charge-offs to average loans outstanding	0.01%	0.04%
Ratio of net charge-offs to nonperforming assets	1.88%	5.22%
Allowance for loan loss to nonperforming loans	140.84%	119.18%
Allowance for loan loss to net loans	0.78%	0.81%

Nonaccrual Loans and Nonperforming Assets

Loans are reviewed on a regular basis. Management determines that a loan is impaired or nonperforming when it is probable at least a portion of the loan will not be collected due to an irreversible deterioration in the financial condition of the borrower or the value of the underlying collateral. When a loan is determined to be impaired, the measurement of the loan is based on the present value of estimated future cash flows, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral. Management places loans on nonaccrual status once the loans have become over 90 days delinquent. Nonaccrual is defined as a loan in which collectibility is questionable and therefore interest on the loan will no longer be recognized on an accrual basis. A loan does not have to be 90 days delinquent in order to be classified as nonperforming. Other real estate owned is considered nonperforming. The Bank had no accruing loans delinquent more than 90 days at September 30, 2001 or June 30, 2001.

Analysis of Nonaccrual Loans and Nonperforming Assets

	At September 30, 2001	At June 30
Nonaccruing loans:		
Real estate mortgage loans		
Residential mortgages loans (one- to four-family)	$618,513	$660,607
Commercial mortgage loans	---	71,711
Home equity	15,004	2,380
Installment loans to individuals	7,981	8,770
Total nonaccruing loans	641,498	743,468
Real Estate Owned:		
Commercial mortgage loans	30,229	30,229
Total real estate owned	30,229	30,229
Total nonperforming assets	$671,727	$773,697
Total nonperforming assets as a percentage of total assets	0.35%	0.42%
Total nonperforming loans to total loans	0.55%	0.67%

DEPOSITS. Total deposits increased to $159.7 million at September 30, 2001 from $154.2 million at June 20, 2001, an increase of $5.5 million or 3.6%. The most significant change in deposits occurred with certificates of deposit that increased $3.3 million or 5.7%, to $61.4 million at September 30, 2001. The Bank has attempted to emphasize higher rate specials on the longer-term certificates of deposits in order to attract long-term funding during the low market interest rate environment. Decreases occurred in non-interest bearing accounts such as checking accounts and certain savings accounts. Non-interest bearing accounts decreased $0.4 million, or 2.2%, to $18.0 million at September 30, 2001 as compared to $18.4 million at June 30, 2001. Savings accounts decreased $1.2 million, or 2.1%, to $55.8 million at September 30, 2001 as compared to $57.0 million at June 30, 2001. Management believes the decreases in these categories resulted from customers paying local school and property taxes at the end of the September 2001. Money market account balances continued to increase $2.7 million, or 29.4%, to $11.9 million at September 30, 2001 as compared to $9.2 million at June 30, 2001. Customers appear to be attracted to the slightly higher rate offered on the money market accounts as compared to the standard savings accounts. The money market accounts also offer more flexibility than a certificate of deposit resulting in a lower rate. A shift in the level of investment in the stock market to more conservative cash accounts also appears to have enhanced deposit growth.

(Rounded to nearest thousand)	At September 30, 2001	Percentage of portfolio	At June 30, 2000
Noninterest bearing deposits	$18,006	11.3%	$18,418
Certificates of deposit	61,376	38.5%	58,113
Savings deposits	55,769	34.9%	57,021
Money market deposits	11,867	7.4%	9,194
NOW deposits	12,636	7.9%	11,446
Total deposits	$159,654	100.0%	$154,192

BORROWINGS FROM FHLB. There was no change in the borrowing between June 30, 2001 and September 30, 2001.

At September 30 and June 30, 2001, the Bank had the following borrowings:

Amount	Rate	Maturity Date
$2,500,000	6.82% -Fixed	09/02/2004
2,500,000	6.80% -Fixed	10/04/2005
$5,000,000		

ACCRUED EXPENSES AND OTHER LIABILITIES. At September 30, 2001, accrued expenses and other liabilities amounted to approximately $1.0 million as compared to $0.6 million at June 30, 2001, an increase of $0.4 million. The increase was primarily due to increased deferred taxes associated with unrealized gains on available for sale securities. Another reason for the increase was due to an increase in accrued expenses associated with data processing that result from a change in the billing cycle of the processor creating a longer lag period between the date of service and the billing date requiring a higher accrual.

EQUITY. The primary changes in equity included changes in retained earnings, accumulated comprehensive income and treasury stock. Retained earnings increased $113,147 due to net income of $343,954 offset by dividends paid of $230,807. Unrealized gains on investment securities caused accumulated other comprehensive income to increase by $456,019 to $955,041 at September 30, 2001. Treasury stock increased $373,515 to $1,449,438 due to the repurchase of 26,300 shares of common stock at an average cost of $14.20. The remaining changes in equity were due to amortization of compensation expense associated with the Employee Stock Ownership Plan ("ESOP") and stock-based compensation expense associated with the Management Recognition and Retention Plan.

Comparison of Operating Results for the Three Months Ended September 30, 2001 and 2000

INTEREST INCOME. Total interest income increased by $310,627, or 11.1%, to $3,108,586 for the quarter-ended September 30, 2001 as compared to $2,797,959 for the quarter ended September 30, 2000. Interest income on loans amounted to $2,187,944 for the quarter ended September 30, 2001 as compared to $1,872,727 for the quarter-ended September 30, 2000, an increase of $315,217, or 16.8%. The change was attributable to the change in loan volume. Average loans receivable for the quarter-ended September 30, 2001 amounted to $114.4 million as compared to $98.0 million for the quarter-ended September 30, 2000, an increase of $16.4 million or 16.7%. The average yield on such loans remained relatively consistent at 7.64% for the quarter-ended September 30, 2001 compared to 7.65% for the quarter-ended September 30, 2000. Total interest on investment securities including mortgage-backed securities and tax-free securities increased to $777,364 for the quarter-ended September 30, 2001 as compared to $748,745 for the quarter-ended September 30, 2000, an increase of $28,619 or 3.8%. However, average investment securities decreased to $48.0 million for the three-month period ended September 30, 2001 from $50.3 million for the three-month period ended September 30, 2000, a decrease of $2.3 million or 4.6%. The decrease in average balance was offset by an increase in yield on investments of 52 basis points to 6.35% for the quarter-ended September 30, 2001 as compared to 5.83% for the quarter-ended September 30, 2000. The primary reason for the increase in yield was due to the purchase of higher yielding corporate securities between September 30, 2000 and December 31, 2000. A significant number of purchases were made during this timeframe, which preceded most of the Federal Reserve interest rate cuts. Interest earned on interest bearing deposits and federal funds sold decreased by $33,209 and was primarily affected by the decrease in the federal funds rate, which was 6.60% at September 30, 2000 as compared to 2.75% at September 30, 2001.

INTEREST EXPENSE. Total interest expense amounted to $1,341,415 for the quarter-ended September 30, 2001, as compared to $1,369,574 for the quarter-ended September 30, 2000, a decrease of $28,159, or 2.1%. Interest expense on deposits increased $53,491 or 4.5%, to $1,255,590 for the quarter-ended September 30, 2001, as compared to $1,202,099 for the quarter-ended September 30, 2000. The increase in expense was a result of increased average deposits, but was offset by average rate decreases. Average deposits increased $23.6 million or 17.6% to $157.6 million for the quarter-ended September 30, 2001 as compared to $134.0 million for the quarter-ended September 30, 2000. The average rate for the three-month period ended September 30, 2001 amounted to 3.19% as compared to 3.59% for the three-month period ended September 30, 2000, a decrease of 40 basis points.

Interest expense on borrowings amounted to $85,825 for the quarter-ended September 30, 2001, and $167,475 for the quarter-ended September 30, 2000, a decrease of $81,650, or 48.8%. As a result of growth in deposits the level of borrowings was decreased resulting in the lower interest expense.

NET INTEREST INCOME. Net interest income is a function of interest income and interest expense. As a result of changes in interest-earning assets and interest-bearing liabilities, net interest spread increased to 3.58% for the three-month period ended September 30, 2001 as compared to 3.26% for the three-month period ended September 30, 2000, an improvement of 32 basis points. Also, net interest margin increased to 3.91% for the three-month period ended September 30, 2001 as compared to 3.61% for the three-month period ending September 30, 2000, an improvement of 30 basis points. The improvement in net interest income was the primary reason for the overall improvement in net income.

PROVISIONS FOR LOAN LOSSES. The Company establishes provisions for loan losses, which are charged to operations, in order to maintain the allowance for loan losses at a level that is deemed appropriate to absorb future charge-offs and loans deemed uncollectible. In determining the appropriate level of the allowance for loan losses, management considers past and anticipated loss experience, collateral values, current and anticipated economic conditions, volume and type of lending activities and the level of non-performing and other classified loans. The allowance is based on estimates and the ultimate losses may vary from such estimates. Management of the Company assesses the allowance for loan losses on a quarterly basis and makes provisions for loan losses in order to maintain the adequacy of the allowance.

Provisions for loan losses for the quarter-ended September 30, 2001 amounted to $30,000 as compared to $15,000 for the quarter-ended September 30, 2000.

NONINTEREST INCOME. Noninterest income amounted to $352,297 for the quarter-ended September 30, 2001, as compared to $250,857 for the quarter-ended September 30, 2000, an increase of $101,440, or 40.4%. A component of noninterest income is service charges on deposit accounts that amounted to $186,525 for the quarter-ended September 30, 2001 as compared to $122,791 for the quarter-ended September 30, 2000, an increase of 63,734, or 51.9%. The reason for the increase in service charges was slightly higher fees and growth in the number of accounts. Other operating income, including fees associated with ATMs, debit cards and merchant credit card processing products, has continued to improve as the Company expanded. Other operating income increased $37,706, or 29.4% to $165,772 for the quarter-ended September 30, 2001, as compared to $128,066 for the quarter-ended September 30, 2000.

NONINTEREST EXPENSE. Total noninterest expense amounted to $1,616,514 for the quarter-ended September 30, 2001, and $1,403,920 for the quarter-ended September 30, 2000, an increase of $212,594, or 15.1%. The overall increase in non-interest expense can be attributed to the opening of new branches and expenses associated with increase volume of loans and deposit accounts. Compensation expenses increased $87,971, or 12.5% as a result of growth in staffing levels associated with the new branch in Westerlo, New York. The completion of several projects at the branches contributed to lower occupancy costs. Equipment and furniture expense increased $32,498, or 41.8% and was associated with opening of the branch in Westerlo and some upgrades in computer processing equipment. Items contributing to an increase of $58,293, or 15.3% in other operating expenses include additional telephone, postage, and courier services due to the increase in volume and number of deposit and loans.

INCOME TAXES. The provision for income taxes directly reflects the expected tax associated with the revenue generated for the given year and certain regulatory requirements. Income taxes amounted to $129,000 for the quarter-ended September 30, 2001 and $48,658 for the quarter-ended September 30, 2000, an increase of $80,342, or 165.1%. The effective tax rate increased to 27.3% for the quarter ended September 30, 2001, as compared to 18.7% for the quarter ended September 30, 2000 in anticipation of the effective rate required for the fiscal year ending June 30, 2002. A major reason for the change in effective rate is due to the expected change as a percentage of total income that municipal securities are expected to contribute during the fiscal year.

Item 3. Market Risk

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. The Company's most significant form of market risk is interest rate risk since the majority of the Company's assets and liabilities are sensitive to changes in interest rates. The Company's primary sources of funds are deposits and proceeds from principal and interest payments on loans, mortgage-backed securities and debt securities, with lines of credit available through the Federal Home Loan Bank as needed. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit outflows, mortgage prepayments, and lending activities are greatly influenced by general interest rates, economic conditions and competition.

During the last year the declining market interest rate environment has helped to improve the net interest spread and margin; however, an increasing market interest rate environment may have the reverse effect.

Mortgage loan commitments totaled $3.8 million at September 30, 2001. The unused portion of overdraft lines of credit amounted to $0.8 million, the unused portion of home equity lines of credit amounted to $0.5 million, and the unused portion of commercial lines of credit amounted to $1.1 million at September 30, 2001. The Company 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.

The Bank met all capital regulatory at September 30, 2001 and 2000. Shareholders' equity represented 13.2% of total assets at September 30, 2001 and 13.6% of total assets of September 30, 2000.

Part II. Other Information

Item 1. Legal Proceedings
The Company is not engaged in any material legal proceedings at the present time.

Item 2. Changes in Securities and Use of Proceeds
Not applicable

Item 3. Defaults Upon Senior Securities
Not applicable

Item 4. Submission of Matters to a Vote of Security Holders
Not applicable

Item 5. Other Information
Not applicable

Item 6. Exhibits and Reports on Form 8-K
Not applicable

SIGNATURES

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

Greene County Bancorp, Inc.

Date: November 14, 2001

By: /s/ J. Bruce Whittaker

J. Bruce Whittaker
President and Chief Executive Officer

Date: November 14, 2001

By: /s/ Michelle Plummer

Michelle Plummer
Chief Financial Officer