GREENE COUNTY BANCORP INC
Form 10QSB
November 14, 2002

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 QUARTERLY PERIOD ENDED SEPTEMBER 30, 2002

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 14, 2002, the registrant had 2,152,835 shares of common stock issued at $ .10 par value, and 2,025,535 were outstanding.

Transitional Small Business Disclosure
Format: Yes: No: X

GREENE COUNTY BANCORP, INC.

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Greene County Bancorp, Inc.
Consolidated Statements of Financial Condition
As of September 30, 2002 and June 30, 2002

	September 30, 2 (Unaudited)
ASSETS	
Cash and due from banks	$7,329,750
Federal funds sold	11,829,264
Total cash and cash equivalents	19,159,014
Investment securities, at fair value	72,601,889
Federal Home Loan Bank stock, at cost	1,121,100
Loans	131,844,626
Less: Allowance for loan losses	(1,085,701

Unearned origination fees and costs, net	(273,113
Net loans receivable	130,485,812
Premises and equipment	4,919,460
Accrued interest receivable	1,526,042
Prepaid expenses and other assets	220,670
Other real estate owned	---
Total assets	$230,033,987
LIABILITIES AND SHAREHOLDERS' EQUITY	
Non-interest bearing deposits	$21,699,930
Interest bearing deposits	170,424,180
Total deposits	192,124,110
Borrowings from FHLB	9,000,000
Accrued expenses and other liabilities	1,470,337
Accrued income taxes	198,226
Total liabilities	202,792,673
Shareholders' equity	
Preferred stock,	
Authorized 1,000,000 at September 30, and June 30, 2002;	---
Common stock, par value $.10 per share;	
Authorized: 12,000,000 at September 30, and June 30, 2002;	
Issued: 2,152,835 at September 30, and June 30, 2002;	
Outstanding: 2,025,535 at September 30, 2002;	
2,024,835 at June 30, 2002	215,284
Additional paid-in capital	10,095,835
Retained earnings	17,519,132
Accumulated other comprehensive income	1,315,071
Less: Treasury stock, 127,300 at September 30, 2002;	
128,000 at June 30, 2002, shares at cost	(1,364,023
cost	
Unearned stock-based compensation	(142,537
Unearned ESOP shares 49,972 at September 30, 2002;	
and June 30, 2002, shares at cost	(397,448
Total shareholders' equity	27,241,314
Total liabilities and shareholders' equity	$230,033,987

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Three Months Ended September 30, 2002 and 2001

(Unaudited)

	2002
Interest income:	
Loans	$2,399,907
Investment securities	484,893
Mortgage-backed securities	244,250
Tax free securities	101,771
Interest bearing deposits and federal funds sold	65,011
Total interest income	3,295,832
Interest expense:	
Interest on deposits	1,060,039
Interest on borrowings	107,905
Total interest expense	1,167,944
Net interest income	2,127,888
Less: Provision for loan losses	---
Net interest income after provision for loan losses	2,127,888
Noninterest income:	
Service charges on deposit accounts	399,601
Other operating income	263,191
Total noninterest income	662,792
Noninterest expense:	
Salaries and employee benefits	883,684
Occupancy expense	98,778
Equipment and furniture expense	140,979
Service and data processing fees	179,203
Office supplies	28,455
Other	549,974
Total noninterest expense	1,881,073
Income before provision for income taxes	909,907
Provision for income taxes	268,500
Net income	$641,107
Basic EPS	$0.32
Basic shares outstanding	1,976,296
Diluted EPS	$0.32
Diluted average shares outstanding	2,028,691

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Three Months Ended September 30, 2002 and 2001
(Unaudited)

	2002
Net income	$641,107
Other comprehensive income:	
Unrealized holding gain arising during the three months ended September 30, 2002 and 2001, net of tax expense of ($289,781) and ($304,012), respectively.	434,670
Total other comprehensive income	434,670
Comprehensive income	$1,075,777

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Three Months Ended September 30, 2002 and 2001
(Unaudited)

	Capital Stock	Additional Paid - In Capital	Retained Earnings	Accumulated Other Comprehensive Income
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 purchased				
Dividends paid			(230,807)	
Net income			343,954	
Change in unrealized gain, net				456,019
Balance at September 30, 2001	$215,284	$10,193,008	$16,106,172	$955,041
Balance at June 30, 2002	$215,284	$10,084,621	$17,164,403	$880,401
ESOP shares earned		13,206		
Stock-based compensation earned				
Options exercised		(1,992)		
Dividends paid			(286,378)	
Net income			641,107	
Change in unrealized gain, net				434,670
Balance at September 30, 2002	$215,284	$10,095,835	$17,519,132	$1,315,071

	Unearned Stock-based Compensation	Treasury Stock	Unearned ESOP Shares	Total Shareholders' Equity
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 purchased		(373,515)		(373,515)
Dividends paid				(230,807)
Net income				343,954
Change in unrealized gain, net				456,019
Balance at September 30, 2001	($214,436)	($1,449,438)	($475,280)	$25,330,351
Balance at June 30, 2002	($156,791)	($1,371,527)	($415,685)	$26,400,706
ESOP shares earned			18,237	31,443
Stock-based compensation earned		14,254		14,254
Options exercised		7,504		5,512
Dividends paid				(286,378)
Net income				641,107
Change in unrealized gain, net				434,670
Balance at September 30, 2002	($142,537)	($1,364,023)	($397,448)	$27,241,314

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Cash Flows
For the Three Months Ended September 30, 2002 and 2001
(Unaudited)

	2002
Cash flows from operating activities:	
Net Income	$641,107
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	134,800
Net amortization (accretion) of premiums (discounts)	(65,716)
Provision for loan losses	---
ESOP and other stock-based compensation earned	45,697
Gain on sale of other real estate	(59,770)
Net increase in accrued income taxes	66,939
Net (increase) decrease in accrued interest receivable	(73,938)
Net decrease (increase) in prepaid and other assets	76,021
Net increase (decrease) in other liabilities	268,597
Net cash provided by operating activities	1,033,737
Cash flows from investing activities:	
Proceeds from maturities of securities	5,009,854
Purchases of securities and other investments	(1,605,169)
Principal payments on securities	370,542
Principal payments on mortgage-backed securities	1,735,597
Purchases of mortgage-backed securities	(11,234,018)
Net increase in loans receivable	(2,112,528)
Proceeds from the sale of other real estate	90,000
Purchases of premises and equipment	(90,639)
Net cash used in investing activities	(7,836,361)
Cash flows from financing activities:	
Dividends paid	(286,378)
Purchase of treasury stock	---
Proceeds from issuance of stock options	5,512
Net increase (decrease) in deposits	8,410,483
Net cash provided by financing activities	8,129,617
Net increase in cash and cash equivalents	1,326,993
Cash and cash equivalents at beginning of period	17,832,021
Cash and cash equivalents at end of period	$19,159,014

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Notes to Financial Statements

As of and for the Three Months Ended September 30, 2002 and 2001

(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 accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. To the extent that information and footnotes required by GAAP for complete financial statements are contained in or are consistent with the audited financial statements incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended June 30, 2002, such information and footnotes have not been duplicated herein. In the opinion of management, all adjustments (consisting of only normal recurring items) necessary for a fair presentation of the financial position and results of operations and cash flows at and for the periods presented have been included. Amounts in the prior year's consolidated financial statements have been reclassified whenever necessary to conform to the current year's presentation. These reclassifications had no effect on net income or retained earnings as previously reported. All material inter-company accounts and transactions have been eliminated in the consolidation. The results of operations and other data for the three months ended September 30, 2002 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2003.

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

(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 accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term 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, 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) 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 instruments (such as stock options and unvested restricted stock) issued became vested, (and in the case of stock options) exercised during the period. Unallocated common shares held by the ESOP are not included in the weighted average number of common shares outstanding for either the basic or diluted earnings per share calculations.

Three Months Ended	Net Income	Weighted Average Number of Shares Outstanding	Earnings Per Share
September 30, 2002:	$641,107		
Basic EPS		1,976,296	$0.32
Diluted EPS		2,028,691	$0.32
September 30, 2001:	$343,954		
Basic EPS		1,973,879	$0.17
Diluted EPS		2,018,551	$0.17

(5) Dividends

The Board of Directors approved a semi-annual $0.32 per share cash dividend on July 19, 2002, for shareholders of record August 15, 2002, payable September 1, 2002. The dividend reflected an annual cash dividend rate of $0.64 per share, which represents an increase from the previous annual cash dividend rate of $0.56 per share. The increase in the dividend paid out is a result of improved earnings as well as the waiver of such dividends by Greene County Bancorp, MHC, the Company's mutual holding company.

Impact of Inflation and Changing Prices

The consolidated financial statements of the Company and notes thereto, presented elsewhere herein, have been prepared in accordance with U.S. generally accepted accounting principles, which requires the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time and due to inflation. The impact of inflation is reflected in the increased cost of the Company's operations. Unlike most industrial companies, nearly all the assets and liabilities of the Company are monetary. As a result, interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

Impact of Recent Accounting Pronouncements

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 lives, 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 is expected to have no impact on the Company's consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which replaces Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Under SFAS No. 146, liabilities for costs associated with an exit or disposal activity are to be recognized when the liability is incurred. Under EITF Issue No. 94-3, liabilities related to exit or disposal activities were recognized when an entity committed to an exit plan. In addition, Statement No. 146 establishes that the objective for the initial measurement of the liability is fair value. Statement No. 146 is effective for exit and disposal activities initiated after December 31, 2002. The Company is currently evaluating the impact the adoption of this statement will have on its financial statements but does not believe it will be material.

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 quarterly 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, 2002 and June 30, 2002

ASSETS

Total assets increased to $230.0 million at September 30, 2002 from $220.2 million at June 30, 2002, an increase of $9.8 million, or 4.5%. Growth was most significant in the cash and investments portfolios as well as to a lesser extent in the loan portfolio. Deposit growth funded the asset growth and appeared to be the result of continued reduced investment in the equity markets. Investors appeared to continue to be conservative in their investment options.

CASH AND CASH EQUIVALENTS

Total cash and cash equivalents increased to $19.2 million at September 30, 2002 from $17.8 million at June 30, 2002, an increase of $1.4 million, or 7.9%. The increase occurred primarily in federal funds sold and was a result of continued deposit inflows. Each year at the end of September, the Bank has significant cash needs for escrow payments to various localities and municipalities as well as Christmas Club payouts. The Bank typically has a deposit outflow at the end of September and beginning of October of each year.

INVESTMENT SECURITIES

Investment securities increased to $72.6 million at September 30, 2002 as compared to $66.1 million at June 30, 2002, an increase of $6.5 million, or 9.8%. During the quarter ended September 30, 2002, the investment portfolio shifted toward mortgage-backed securities and state and political subdivision securities representing 34.8% and 14.5% of the portfolio, respectively, at September 30, 2002 as compared to 29.6% and 13.3% of the portfolio, respectively, at June 30, 2002. A shift away from corporate debt securities as a percentage of the total portfolio occurred between June 30, 2002 and September 30, 2002. Due to the potential credit problems of some corporations the Company has focused more heavily on debt with some form of guarantee such as a U.S. agency guarantee. The Company has also shifted the portfolio toward more adjustable rate securities than in the past in an effort to provide some future interest rate risk protection in a rising rate environment. Investment securities represent 31.6% of total assets at September 30, 2002 as compared to 30.0% at June 30, 2002. The shift is partially a result of loan demand being slightly lower than inflows of deposits.

(Rounded to nearest thousand)	Market value at Sept. 30, 2002	Percentage of portfolio	Market value at June 30, 2002
(Rounded to nearest thousand)			
U.S. government agencies	$15,045	20.7%	$14,862
State and political subdivisions	10,510	14.5	8,811
Mortgage-backed securities	25,288	34.8	19,564
Asset-backed securities	467	0.6	818
Corporate debt securities	20,024	27.6	20,760
Total debt securities	71,334	98.2	64,815
Equity securities and other	1,268	1.8	1,274
Total available-for-sale securities	$72,602	100.0%	$66,089

LOANS

Net loans receivable increased to $130.5 million at September 30, 2002 from $128.4 million at June 30, 2002, an increase of $2.1 million, or 1.6%. The continued low interest rate environment and strong customer satisfaction from personal service has continued to enhance loan growth. Commercial real estate mortgages increased $1.2 million, or 13.6%, to $10.0 million at September 30, 2002 as compared to $8.8 million at June 30, 2002. The slight decreases in residential real estate mortgages and installment loans were the result of principal pay-down in excess of net new loan balances. The extraordinary loan demand experienced during fiscal 2002 appears to have slowed slightly during the first fiscal quarter ended September 30, 2002.

(Rounded to nearest thousand)	At Sept. 30, 2002	Percentage of portfolio	At June 30, 20
Real estate mortgages			
Residential	$103,140	78.2%	$103,494

Commercial	10,007	7.6	8,764
Home equity loans	7,612	5.8	6,957
Commercial loans	5,153	3.9	4,356
Installment loans	5,393	4.1	5,611
Passbook loans	540	0.4	545
Total loans	$131,845	100.0%	$129,727
Less: Allowance for loan losses	(1,086)		(1,069
Unearned origination fees and costs, net	(273)		(285
Net loans receivable	$130,486		$128,373

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is established through a provision for loan losses based on management's evaluation of the risk inherent in the loan portfolio, the composition of the loan portfolio, specific impaired loans and current economic conditions. Such evaluation, which includes a review of all loans on which full collectibility may not be reasonably assured, considers among other matters, the estimated net realizable value or the fair value of the underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an allowance for loan losses. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank'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. During the fiscal year ended June 30, 2002, and the quarter ended September 30, 2002 the level of provision was affected by the growth of the loan portfolio and composition of the portfolio shifting to more commercial loans. These types of loans generally possess a higher degree of credit risk than traditional one-to-four family residential mortgage loans. Management also implemented improved procedures for pursuing delinquent and previously charged-off accounts during fiscal year 2002, which appears to have helped reduce the effect of credit quality deterioration due to current economic weakness in the overall economy. Any increase in the allowance for loan losses or loan charge-offs could have a material adverse effect on our results of operations and financial condition.

	Three months ended	Three mont
	September 30, 2002	September

Balance at the beginning of the period	$1,068,734	$
Charge-offs:		
Commercial real estate mortgage loans	---	
Home equity	---	
Installment loans to individuals	12,396	
Total loans charged off	12,396	
Recoveries:		
Commercial loans	24,093	
Installment loans to individuals	5,270	
Total recoveries	29,363	
Net (recoveries) charge-offs	(16,967)	
Provisions charged to operations	---	
Balance at the end of the period	$1,085,701	$
Ratio of net charge-offs to average loans outstanding	(0.01%)	
Ratio of net charge-offs to nonperforming assets	(4.38%)	
Allowance for loan loss to nonperforming loans	280.16%	
Allowance for loan loss to net loans receivable	0.83%	

Nonaccrual Loans and Nonperforming Assets

Loans are reviewed on a regular basis. Management determines that a loan is impaired or nonperforming when it is probable at least a portion of the loan will not be collected in accordance with its contractual terms due to an irreversible deterioration in the financial condition of the borrower or the value of the underlying collateral. When a loan is determined to be impaired, the measurement of the loan is based on the present value of estimated future cash flows, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral. Management places loans on nonaccrual status once the loans have become over 90 days delinquent. Nonaccrual is defined as a loan in which collectibility is questionable and therefore interest on the loan will no longer be recognized on an accrual basis. A loan does not have to be 90 days delinquent in order to be classified as nonperforming. Other real estate owned is considered nonperforming. The Bank had no accruing loans delinquent more than 90 days at September 30, 2002 or June 30, 2002.

Analysis of Nonaccrual Loans and Nonperforming Assets

	At September 30, 2002	At Ju
Nonaccruing loans:		
Real estate mortgage loans:		
Residential mortgages loans (one- to four-family)	$303,682	
Commercial mortgage loans	---	
Home equity	70,003	
Installment loans to individuals	13,849	
Total nonaccruing loans	387,534	
Real Estate Owned:		
Commercial mortgage loans	---	
Total real estate owned	---	
Total nonperforming assets	$387,534	
Total nonperforming assets as a percentage of total assets	0.17%	
Total nonperforming loans to net loans receivable	0.29%	

DEPOSITS

Total deposits increased to $192.1 million at September 30, 2002 from $183.7 million at June 30, 2002, an increase of $8.4 million, or 4.6%. Money market accounts experienced the most significant growth between June 30, 2002, and September 30, 2002, increasing $3.6 million, or 25.9%, to $17.5 million at September 30, 2002 from $13.9 million at June 30, 2002. Due to the continued poor returns in the equity market and doubt about the credibility of corporate America, investors appear to continue to prefer to invest their funds in safer, more liquid accounts such as money market deposits and savings deposits. Savings deposits increased to $73.1 million at September 30, 2002 as compared to $70.8 million at June 30, 2002, an increase of $2.3 million, or 3.2%. The conservative nature of current consumers also has led them to more heavily weight their portfolios with certificates of the deposit despite lower interest rates. Certificates of deposit increased to $65.3 million at September 30, 2002 as compared to $62.6 million at June 30, 2002, an increase of $2.7 million, or 4.3%. Noninterest bearing deposits decreased slightly to $21.7 million at September 30, 2002 as compared to $22.1 million at June 30, 2002, a decrease of $0.4 million, or 1.8%. The decrease occurred in personnel checking accounts and can be attributed to the payment of local property taxes. This type of decrease is typical at the end of September of each year.

	At September 30, 2002	Percentage of portfolio	At June 30, 2002	Percentage of portfolio
(Rounded to nearest thousand)				
Noninterest bearing deposits	$21,700	11.3%	$22,067	12.0%
Certificates of deposit	65,259	34.0	62,645	34.1
Savings deposits	73,114	38.0	70,825	38.5
Money market deposits	17,483	9.1	13,883	7.6
NOW deposits	14,568	7.6	14,294	7.8
Total deposits	$192,124	100.0%	$183,714	100.0%

BORROWINGS

There was no change in the borrowings from the Federal Home Loan Bank between June 30, 2002 and September 30, 2002.

At September 30, 2002 and June 30, 2002, the Bank had the following borrowings:

Amount	Rate	Maturity Date
$4,000,000	2.19% -Fixed	1/14/2003
2,500,000	6.82% -Fixed	09/02/2004
2,500,000	6.80% -Fixed	10/04/2005
$9,000,000		

ACCRUED EXPENSES AND OTHER LIABILITIES

At September 30, 2002, accrued expenses and other liabilities amounted to approximately $1.5 million as compared to $0.9 million at June 30, 2002, an increase of $0.6 million. The increase was primarily due to increased deferred taxes associated with unrealized gains on available-for-sale securities.

EQUITY

The primary changes in equity included changes in retained earnings and accumulated comprehensive income. Retained earnings was affected by net income of $641,107 and partially offset by dividends paid of $286,378. Treasury stock decreased by $7,504 due to the exercise of 700 options under the 2000 Stock Option Plan reducing the number of shares held in treasury to 127,300. Unrealized gains associated with investment securities caused accumulated other comprehensive income to increase by approximately $435,000. The change in accumulated other comprehensive income was a result of the change in the equity portion of marking to market the available-for-sale investment portfolio. The remaining changes in equity are 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, 2002 and 2001

INTEREST INCOME

Total interest income increased to $3.3 million for the quarter ended September 30, 2002 as compared to $3.1 million for the quarter ended September 30, 2001, an increase of $0.2 million, or 6.5%. Interest income on loans increased to $2.4 million for the quarter ended September 30, 2002 as compared to $2.2 million for the quarter ended September 30, 2001. The increase was primarily due to an increase in average loans outstanding to $130.0 million for the quarter ended September 30, 2002 as compared to $114.4 million for the quarter ended September 30, 2001, an increase of $15.6 million. However, this increase in average balance was partially offset by a decrease of 26 basis points in the average yield on such loans. The average yield on loans was 7.39% for the quarter ended September 30, 2002 as compared to 7.65% for the quarter ended September 30, 2001. Interest earned on federal funds and interest bearing balances decreased $78,000 to $65,000 for the quarter ended September 30,2002 as compared to $143,000 for the quarter ended September 30, 2001. The decrease was a result of both a lower average balance in federal funds and lower interest rate. The average federal funds balance decreased $4.9 million to $11.8 for the quarter ended September 30, 2002 as compared to $16.7 million for the quarter ended September 30, 2001. The average yield on such federal funds decreased 124 basis points from 3.31% for the quarter ended September 30, 2002 to 2.07% for the quarter ended September 30, 2002. Increases in average balance of total investment securities, including tax-free and mortgage-backed securities, offset a decrease in average yield on such investments. The average balance of total investment securities for the quarter ended September 30, 2002 was $71.8 million as compared to $48.0 million for the quarter ended September 30, 2001, an increase of $23.8 million. However, the average rate on such investments decreased 156 basis points to 4.59% for the quarter ended September 30, 2002 as compared to 6.15% for the quarter ended September 30, 2001. The overall lower interest rate environment had a significant impact on the level of interest income.

INTEREST EXPENSE

Total interest expense amounted to $1.2 million for the quarter ended September 30, 2002, as compared to $1.3 million for the quarter ended September 30, 2001, a decrease of $0.1 million, or 7.7%. Interest expense on deposits decreased $0.2 million or 15.4%, to $1.1 million for the quarter ended September 30, 2002, as compared to $1.3 million for the quarter ended September 30, 2001. Average deposits increased $32.6 million or 20.4% to $192.1 million for the quarter ended September 30, 2002 as compared to $159.5 million for the quarter ended September 30, 2001. The average rate for the three-month period ended September 30, 2002 amounted to 2.21% as compared to 3.15% for the three-month period ended September 30, 2001, a decrease of 94 basis points. The decrease in average rate was also the result of a lower interest rate environment for the quarter ended September 30, 2002 as compared to the quarter ended September 30, 2001.

Interest expense on borrowings amounted to $108,000 for the quarter ended September 30, 2002, and $86,000 for the quarter ended September 30, 2001, an increase of $22,000 or 25.6%. The average rate on such borrowings decreased 207 basis points to 4.80% for the quarter ended September 30, 2002 as compared to 6.87% for the quarter ended September 30, 2001. However, the average balance of such borrowings increased $4.0 million to $9.0 million for the quarter ended September 30, 2002 as compared to $5.0 million for the quarter ended September 30, 2001.

NET INTEREST INCOME

Net interest income, a function of interest income and interest expense, increased to $2.1 million for the quarter ended September 30, 2002 as compared to $1.7 million for the quarter ended September 30, 2001, an increase of $0.4 million, or 23.5%. As a result of changes in interest-earning assets and interest-bearing liabilities, as well as changes in the yield and rate on such assets and liabilities, net interest spread increased to 3.81% for the three-month period ended September 30, 2002 as compared to 3.56% for the three-month period ended September 30, 2001, an improvement of 25 basis points. Also, net interest margin increased to 3.96% for the three-month period ended September 30, 2002 as compared to 3.85% for the three-month period ended September 30, 2001, an improvement of 11 basis points. The improvement in net interest income contributed to the overall improvement in net income. In a rising rate environment net interest margin and spread would be more likely to shrink than in a declining rate environment.

PROVISION FOR LOAN LOSSES

The provision for loan loss is the method for maintaining the allowance for loan losses. The provision for loan losses for the quarter ended September 30, 2002 was zero as compared to $30,000 for the quarter ended September 30, 2001. There were several factors contributing to a decrease in the provision during the quarter ended September 30, 2002, including the receipt of a large recovery of a portion of a previously charged-off loan, the continued low level of nonaccrual loans and delinquent assets relative to the size of the loan portfolio, and the relatively low level of charge-offs experienced during the last several quarters.

NONINTEREST INCOME

Total noninterest income amounted to $663,000 for the quarter ended September 30, 2002 as compared to $352,000 for the quarter ended September 30, 2001, an increase of $311,000, or 88.4%. Service charges on deposit accounts amounted to $400,000 for the quarter ended September 30, 2002 as compared to $187,000 for the quarter ended September 30, 2001, an increase of $213,000, or 113.9%. The primary item contributing to these service charges was the introduction of the Carefree Overdraft Privilege program which was initiated during October 2001 and has proven to be well liked by customers of the Bank. The same fee that would apply to a check drawn on insufficient funds or an uncollected item is charged when the overdraft privilege is used; however, in this case the customers' check is not returned, but paid and the fee is collected. The increase in the overall volume of deposit accounts also contributed to the increase in charges on such accounts for items such as a monthly service charge on accounts which fall below certain minimum balance levels. Other operating income increased to $263,000 for the quarter ended September 30, 2002 as compared to $166,000 for the quarter ended September 30, 2001, an increase of $97,000, or 58.4%. The most significant factor contributing to the increase in other operating income was profit on the sale of REO properties which amounted to approximately $67,000. The Bank continues to have success in its marketing of merchant credit card processing and upgrading checking account products for existing customers which enhances the profit margin on such checking products.

NONINTEREST EXPENSE

Noninterest expense increased to $1,881,000 for the quarter ended September 30, 2002 from $1,589,000 for the quarter ended September 30, 2001, an increase of $292,000, or 18.4%. The increase in salaries and employee benefits was a result of annual salary increases, increased expenses associated with medical benefits and retirement plans as well as some additional staffing. The increase in occupancy expense of approximately $16,000 was primarily due to routine repairs and maintenance conducted at several branches. A portion of the increase in equipment and furniture was attributed to this routine maintenance. The increase in service and data processing fees was primarily a result of an increase in the volume of loan and deposit accounts. The decrease in office supplies was largely based on needed supplies. Other noninterest expense items which contributed to the increase of $139,000 included a commission of $62,000 paid to the consultant which helped coordinate the kick-off of the overdraft privilege program, additional advertising associated with several programs the Bank is promoting and additional or increased computer licensing fees and other computer security expenses. Some expenses have increased as a result of the overdraft privilege program including the charge-off of uncollected balances on overdrawn accounts.

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 $268,500 for the quarter ended September 30, 2002 and $129,000 for the quarter ended September 30, 2001, an increase of $139,500, or 108.1%. The effective tax rate increased to 29.5% for the quarter ended September 30, 2002, as compared to 27.3% for the quarter ended September 30, 2001 in anticipation of the effective rate required for the fiscal year ending June 30, 2003. A major reason for the change in effective rate was due to the expected decrease in the percentage of total income that municipal securities and other tax free investments are expected to contribute to total income during the current fiscal year.

Item 3. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation within 90 days prior to the filing date of this report, that the Company's disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-14 (c) and 15d-14(c)) are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. There have been no significant changes in the Company's internal controls or other factors that could significantly affect these controls subsequent to the date of the foregoing evaluation.

Item 4. 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 will have the reverse effect.

Mortgage loan commitments totaled $3.8 million at September 30, 2002. The unused portion of overdraft lines of credit amounted to $0.8 million, the unused portion of home equity lines of credit amounted to $1.5 million, and the unused portion of commercial lines of credit amounted to $1.9 million at September 30, 2002. 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 regulatory capital requirements at September 30, 2002 and 2001. Consolidated shareholders' equity represented 11.8% of total assets at September 30, 2002 and 12.0% of total assets of June 30, 2002.

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

(a) Exhibits

Exhibit 99.1 - Written Statement of Chief Executive Officer furnished pu
Section 906 of the Sarbanes-Oxley Act of 2002, 18 U. S.C. Section 1350.

Exhibit 99.2 - Written Statement of Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

(b) No Form 8-K reports were filed during the quarter ended September 30, 2002.

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, 2002

By: /s/ J. Bruce Whittaker

J. Bruce Whittaker
President and Chief Executive Officer

Date: November 14, 2002

By: /s/ Michelle Plummer

Michelle Plummer
Chief Financial Officer and Treasurer

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

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

1. I have reviewed this quarterly report on Form 10-QSB of Greene County Bancorp, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such

statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusion about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002 /s/ J. Bruce Whittaker

President and Chief Executive Officer

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

I, Michelle Plummer, Chief Financial Officer and Treasurer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Greene County Bancorp, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusion about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002 /s/ Michelle Plummer

Chief Financial Officer and Treasurer

EXHIBIT 99.1

STATEMENT FURNISHED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C SECTION 1350

The undersigned, J. Bruce Whittaker, is the President and Chief Executive Officer of Greene County Bancorp, Inc. (the "Company").

This statement is being furnished in connection with the filing by the Company of the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2002 (the "Report").

By execution of this statement, I certify that:

A) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)) and

B) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods covered by the Report.

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

November 14, 2002 /s/ J. Bruce Whittaker
Dated J. Bruce Whittaker

EXHIBIT 99.1

STATEMENT FURNISHED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C SECTION 1350

The undersigned, Michelle Plummer, is the Chief Financial Officer and Treasurer of Greene County Bancorp, Inc. (the "Company").

This statement is being furnished in connection with the filing by the Company of the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2002 (the "Report").

By execution of this statement, I certify that:

A) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)) and

B) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods covered by the Report.

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

November 14, 2002	/s/ Michelle Plummer
Dated	Michelle Plummer