

GREENE COUNTY BANCORP INC

Form 10-Q

November 12, 2010

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

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

States United 14-1809721
(State or other jurisdiction of incorporation or
organization) (I.R.S. Employer Identification Number)

York 12414 302 Main Street, Catskill, New
(Address of principal executive
office) (Zip code)

code: (518) 943-2600
Registrant's telephone number, including area

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: _____

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes: No:

As of November 12, 2010, the registrant had 4,130,495 shares of common stock outstanding at \$.10 par value.

GREENE COUNTY BANCORP, INC.

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Greene County Bancorp, Inc.
Consolidated Statements of Financial Condition
As of September 30, 2010 and June 30, 2010
(Unaudited)
(In thousands, except share and per share amounts)

| | September 30, 2010 | June 30, 2010 |
|--|-----------------------|------------------|
| ASSETS | | |
| Cash and due from banks | \$36,730 | \$9,253 |
| Federal funds sold | 2,299 | 390 |
| Total cash and cash equivalents | 39,029 | 9,643 |
| Long term certificate of deposit | 1,000 | 1,000 |
| Securities available for sale, at fair value | 87,881 | 89,805 |
| Securities held to maturity, at amortized cost | 80,475 | 77,520 |
| Federal Home Loan Bank stock, at cost | 1,457 | 1,866 |
| Loans | 303,289 | 299,200 |
| Allowance for loan losses | (4,338) | (4,024) |
| Unearned origination fees and costs, net | 443 | 406 |
| Net loans receivable | 299,394 | 295,582 |
| Premises and equipment | 14,849 | 14,804 |
| Accrued interest receivable | 2,846 | 2,731 |
| Foreclosed real estate | 200 | --- |
| Prepaid expenses and other assets | 2,350 | 2,372 |
| Total assets | \$529,481 | \$495,323 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Noninterest bearing deposits | \$49,060 | \$44,239 |
| Interest bearing deposits | 414,384 | 377,493 |
| Total deposits | 463,444 | 421,732 |
| Borrowings from FHLB, short-term | --- | 9,100 |
| Borrowings from FHLB, long-term | 17,000 | 17,000 |
| Accrued expenses and other liabilities | 3,104 | 2,988 |
| Total liabilities | 483,548 | 450,820 |
| Shareholders' equity: | | |
| Preferred stock, | | |

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| | | |
|--|-----------|-----------|
| Authorized - 1,000,000 shares; Issued - None | --- | --- |
| Common stock, par value \$.10 per share; | | |
| Authorized - 12,000,000 shares | | |
| Issued - 4,305,670 shares | | |
| Outstanding - 4,123,245 shares at September 30, 2010 | | |
| 4,118,912 shares at June 30, 2010; | 431 | 431 |
| Additional paid-in capital | 10,742 | 10,666 |
| Retained earnings | 34,698 | 33,692 |
| Accumulated other comprehensive income | 1,438 | 1,123 |
| Treasury stock, at cost 182,425 shares at September 30, 2010 | | |
| 186,758 shares at June 30, 2010 | (1,376) | (1,409) |
| Total shareholders' equity | 45,933 | 44,503 |
| Total liabilities and shareholders' equity | \$529,481 | \$495,323 |

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Three Months Ended September 30, 2010 and 2009
(Unaudited)

(In thousands, except share and per share amounts)

| | 2010 | 2009 |
|--|----------------|----------------|
| Interest income: | | |
| Loans | \$4,537 | \$4,167 |
| Investment securities - taxable | 271 | 316 |
| Mortgage-backed securities | 882 | 920 |
| Investment securities - tax exempt | 284 | 249 |
| Interest bearing deposits and federal funds sold | 2 | 4 |
| Total interest income | 5,976 | 5,656 |
| Interest expense: | | |
| Interest on deposits | 1,030 | 1,250 |
| Interest on borrowings | 149 | 167 |
| Total interest expense | 1,179 | 1,417 |
| Net interest income | 4,797 | 4,239 |
| Provision for loan losses | 353 | 248 |
| Net interest income after provision for loan losses | 4,444 | 3,991 |
| Non-interest income: | | |
| Service charges on deposit accounts | 567 | 748 |
| Debit card fees | 297 | 248 |
| Investment services | 78 | 59 |
| E-commerce fees | 30 | 30 |
| Other operating income | 128 | 116 |
| Total non-interest income | 1,100 | 1,201 |
| Non-interest expense: | | |
| Salaries and employee benefits | 1,917 | 1,806 |
| Occupancy expense | 303 | 302 |
| Equipment and furniture expense | 144 | 153 |
| Service and data processing fees | 343 | 343 |
| Computer software, supplies and support | 71 | 82 |
| Advertising and promotion | 101 | 78 |
| FDIC insurance premiums | 143 | 135 |
| Legal and professional fees | 90 | 75 |
| Other | 416 | 408 |
| Total non-interest expense | 3,528 | 3,382 |
| Income before provision for income taxes | 2,016 | 1,810 |
| Provision for income taxes | 692 | 626 |
| Net income | \$1,324 | \$1,184 |
| Basic EPS | \$0.32 | \$0.29 |
| Basic average shares outstanding | 4,121,299 | 4,105,312 |

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| | | |
|------------------------------------|-----------|-----------|
| Diluted EPS | \$0.32 | \$0.29 |
| Diluted average shares outstanding | 4,152,082 | 4,132,766 |
| Dividends per share | \$0.175 | \$0.170 |

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
 Consolidated Statements of Comprehensive Income
 For the Three Months Ended September 30, 2010 and 2009
 (Unaudited)
 (In thousands)

| | 2010 | 2009 |
|---|---------|---------|
| Net income | \$1,324 | \$1,184 |
| Other comprehensive income: | | |
| Securities: | | |
| Unrealized holding gains on available for sale securities, arising during the three months ended September 30, 2010 and 2009, net of income taxes of \$188 and \$266, respectively. | 299 | 421 |
| Accretion of unrealized loss on securities transferred to held-to-maturity, net of income taxes of \$8 and \$9, respectively | 12 | 15 |
| Other comprehensive income | 311 | 436 |
| Pension, actuarial gain, net of income tax | 4 | --- |
| Comprehensive income | \$1,639 | \$1,620 |

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Three Months Ended September 30, 2010 and 2009
(Unaudited)
(In thousands)

| | Additional | | Accumulated | | Treasury | Total |
|--|------------|-----------|-------------|---------------|-----------|---------------|
| | Common | Paid – In | Retained | Other | Stock | Shareholders' |
| | Stock | Capital | Earnings | Comprehensive | | Equity |
| | | | | Income | | |
| Balance at | | | | | | |
| June 30, 2009 | \$431 | \$10,508 | \$30,045 | \$792 | (\$1,512) | \$40,264 |
| Stock options compensation | | 56 | | | | 56 |
| Dividends declared | | | (306) | | | (306) |
| Net income | | | 1,184 | | | 1,184 |
| Total other comprehensive income, net of taxes | | | | 436 | | 436 |
| Balance at | | | | | | |
| September 30, 2009 | \$431 | \$10,564 | \$30,923 | \$1,228 | (\$1,512) | \$41,634 |
| Balance at | | | | | | |
| June 30, 2010 | \$431 | \$10,666 | \$33,692 | \$1,123 | (\$1,409) | \$44,503 |
| Stock options exercised | | 21 | | | 33 | 54 |
| Tax effect of stock options exercised | | (1) | | | | (1) |
| Stock options compensation | | 56 | | | | 56 |
| Dividends declared | | | (318) | | | (318) |
| Net income | | | 1,324 | | | 1,324 |
| Total other comprehensive income, net of taxes | | | | 315 | | 315 |
| Balance at | | | | | | |

| | | | | | |
|--------------------|----------|----------|---------|-----------|----------|
| September 30, 2010 | \$431 | \$34,698 | \$1,438 | (\$1,376) | \$45,933 |
| | \$10,742 | | | | |

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Cash Flows
For the Three Months Ended September 30, 2010 and 2009
(Unaudited)

| (In thousands) | 2010 | 2009 |
|---|----------|----------|
| Cash flows from operating activities: | | |
| Net Income | \$1,324 | \$1,184 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 195 | 233 |
| Net amortization of premiums and discounts | 253 | 200 |
| Net amortization of deferred loan costs and fees | 42 | 49 |
| Provision for loan losses | 353 | 248 |
| Stock option compensation | 56 | 56 |
| Net loss on sale of foreclosed real estate | --- | 8 |
| Net increase in accrued income taxes | 26 | 80 |
| Net increase in accrued interest receivable | (115) | (121) |
| Net increase in prepaid and other assets | (7) | (177) |
| Net decrease in other liabilities | (74) | (850) |
| Net cash provided by operating activities | 2,053 | 910 |
| Cash flows from investing activities: | | |
| Securities available-for-sale: | | |
| Proceeds from maturities | 4,042 | 3,000 |
| Purchases of securities | (3,999) | --- |
| Principal payments on securities | 2,266 | 2,412 |
| Securities held-to-maturity: | | |
| Proceeds from maturities | 4,391 | 844 |
| Purchases of securities | (8,513) | (4,277) |
| Principal payments on securities | 1,036 | 910 |
| Net sale of Federal Home Loan Bank Stock | 409 | --- |
| Net increase in loans receivable | (4,407) | (8,559) |
| Proceeds from sale of foreclosed real estate | --- | 207 |
| Purchases of premises and equipment | (240) | (84) |
| Net cash used in investing activities | (5,015) | (5,547) |
| Cash flows from financing activities: | | |
| Net decrease in short-term FHLB advances | (9,100) | --- |
| Payment of cash dividends | (318) | (306) |
| Proceeds from stock options exercised | 54 | --- |
| Net increase in deposits | 41,712 | 10,642 |
| Net cash provided by financing activities | 32,348 | 10,336 |
| Net increase in cash and cash equivalents | 29,386 | 5,699 |
| Cash and cash equivalents at beginning of period | 9,643 | 9,443 |
| Cash and cash equivalents at end of period | \$39,029 | \$15,142 |
| Non-cash investing activities: | | |
| Foreclosed loans transferred to foreclosed real estate | \$200 | \$--- |

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Cash paid during the period:

| | | |
|--------------|---------|---------|
| Interest | \$1,183 | \$1,414 |
| Income taxes | 666 | 546 |

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Notes to Consolidated Financial Statements
As of and for the Three Months Ended September 30, 2010 and 2009

(1) Basis of Presentation

The accompanying consolidated statement of financial condition as of June 30, 2010 was derived from the audited consolidated financial statements of Greene County Bancorp, Inc. (the “Company”) and its wholly owned subsidiary, The Bank of Greene County (the “Bank”) and the Bank’s wholly owned subsidiary, Greene County Commercial Bank. The consolidated financial statements at and for the three months ended September 30, 2010 and 2009 are unaudited.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. To the extent that information and footnotes required by GAAP for complete financial statements are contained in or are consistent with the audited financial statements incorporated by reference to Greene County Bancorp, Inc.’s Annual Report on Form 10-K for the year ended June 30, 2010, 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, 2010 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2011. These consolidated financial statements consider events that occurred through the date the consolidated financial statements were issued.

CRITICAL ACCOUNTING POLICIES

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

Securities are evaluated for other-than-temporary impairment by performing periodic reviews of individual securities in the investment portfolio. Greene County Bancorp, Inc. makes an assessment to determine whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis. The Company considers many factors, including the severity and duration of the

impairment; the intent and ability of the Company to hold the equity security for a period of time sufficient for a recovery in value; recent events specific to the issuer or industry; and for debt securities, intent to sell the security, the likelihood to be required to sell the security before it recovers the entire amortized cost, external credit ratings and recent downgrades. The Company is required to record other-than-temporary impairment charges through earnings, if it has the intent to sell, or will more likely than not be required to sell an impaired debt security before a recovery of its amortized cost basis. In addition, the Company is required to record other-than-temporary impairment charges through earnings for the amount of credit losses, regardless of the intent or requirement to sell. Credit loss is measured as the difference between the present value of an impaired debt security's cash flows and its amortized cost basis. Non-credit related write-downs to fair value must be recorded as decreases to accumulated other comprehensive income as long as the Company has no intent or requirement to sell an impaired security before a recovery of amortized cost basis.

(2) Nature of Operations

Greene County Bancorp, Inc.'s primary business is the ownership and operation of its subsidiaries. The Bank of Greene County has eleven full-service offices and an operations center located in its market area consisting of Greene County, Columbia County and southern Albany County, New York. The Bank of Greene County is primarily engaged in the business of attracting deposits from the general public in The Bank of Greene County's market area, and investing such deposits, together with other sources of funds, in loans and investment securities. Greene County Commercial Bank's primary business is to attract deposits from and provide banking services to local municipalities.

(3) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the assessment of other-than-temporary security impairment.

While management uses available information to recognize losses on loans, future additions to the allowance for loan losses (the "Allowance") may be necessary, based on changes in economic conditions, asset quality or other factors. In addition, various regulatory authorities, as an integral part of their examination process, periodically review our Allowance. Such authorities may require us to recognize additions to the Allowance based on their judgments of information available to them at the time of their examination.

Greene County Bancorp, Inc. makes an assessment to determine whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis. The Company considers many factors including the severity and duration of the impairment; the intent and ability of the Company to hold the security for a period of time sufficient for a recovery in value; recent events specific to the issuer or industry; and for debt securities, intent to sell the security, whether it is more likely than not we will be required to sell the security before recovery, whether loss of the entire amortized cost is expected, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value.

(4) Securities

Securities at September 30, 2010 consisted of the following:

| | Amortized | Gross | Gross | Estimated |
|---|------------|------------|------------|------------|
| | Cost | Unrealized | Unrealized | Fair |
| | | Gains | Losses | Value |
| (In thousands) | | | | |
| Securities available-for-sale: | | | | |
| U.S. government sponsored enterprises | \$ 22,354 | \$ 431 | \$ --- | \$ 22,785 |
| State and political subdivisions | 7,889 | 348 | --- | 8,237 |
| Mortgage-backed securities-residential | 22,700 | 1,039 | --- | 23,739 |
| Mortgage-backed securities-multi-family | 24,449 | 1,253 | --- | 25,702 |
| Asset-backed securities | 32 | --- | 1 | 31 |
| Corporate debt securities | 6,900 | 384 | --- | 7,284 |
| Total debt securities | 84,324 | 3,455 | 1 | 87,778 |
| Equity securities and other | 67 | 36 | --- | 103 |
| Total securities available-for-sale | 84,391 | 3,491 | 1 | 87,881 |
| Securities held-to-maturity: | | | | |
| U.S. government sponsored enterprises | 7,002 | 88 | --- | 7,090 |
| State and political subdivisions | 33,917 | 139 | 5 | 34,051 |
| Mortgage-backed securities-residential | 35,255 | 1,715 | --- | 36,970 |
| Mortgage-backed securities-multi-family | 3,928 | 17 | 2 | 3,943 |
| Other securities | 373 | --- | --- | 373 |
| Total securities held-to-maturity | 80,475 | 1,959 | 7 | 82,427 |
| Total securities | \$ 164,866 | \$ 5,450 | \$ 8 | \$ 170,308 |

Securities at June 30, 2010 consisted of the following:

| | Amortized | Gross | Gross | Estimated |
|---|-----------|------------|------------|-----------|
| | Cost | Unrealized | Unrealized | Fair |
| | | Gains | Losses | Value |
| (In thousands) | | | | |
| Securities available-for-sale: | | | | |
| U.S. government sponsored enterprises | \$21,942 | \$234 | \$--- | \$22,176 |
| State and political subdivisions | 8,392 | 357 | --- | 8,749 |
| Mortgage-backed securities-residential | 24,838 | 1,045 | --- | 25,883 |
| Mortgage-backed securities-multi-family | 24,623 | 1,309 | --- | 25,932 |
| Asset-backed securities | 33 | --- | 1 | 32 |
| Corporate debt securities | 6,907 | 97 | 73 | 6,931 |
| Total debt securities | 86,735 | 3,042 | 74 | 89,703 |
| Equity securities and other | 67 | 35 | --- | 102 |
| Total securities available-for-sale | 86,802 | 3,077 | 74 | 89,805 |
| Securities held-to-maturity: | | | | |
| U.S. government sponsored enterprises | 7,004 | 64 | --- | 7,068 |
| State and political subdivisions | 29,821 | 25 | --- | 29,846 |
| Mortgage-backed securities-residential | 36,277 | 1,362 | --- | 37,639 |
| Mortgage-backed securities-multi-family | 4,058 | 11 | --- | 4,069 |
| Other securities | 360 | --- | --- | 360 |

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| | | | | |
|-----------------------------------|-----------|---------|------|-----------|
| Total securities held-to-maturity | 77,520 | 1,462 | --- | 78,982 |
| Total securities | \$164,322 | \$4,539 | \$74 | \$168,787 |

The following table shows fair value and gross unrealized losses, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2010.

| | Less Than 12 Months | | More Than 12 Months | | Total | |
|---|---------------------|-------------------|---------------------|-------------------|------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| (in thousands) | | | | | | |
| Securities available-for-sale: | | | | | | |
| Asset-backed securities | \$--- | \$--- | \$31 | 1 | 31 | 1 |
| Total available-for-sale securities | --- | --- | 31 | 1 | 31 | 1 |
| Securities held-to-maturity: | | | | | | |
| State and political subdivisions | 957 | 5 | --- | --- | 957 | 5 |
| Mortgage-backed securities-multi-family | 1,007 | 2 | --- | --- | 1,007 | 2 |
| Total held-to-maturity securities | 1,964 | 7 | --- | --- | 1,964 | 7 |
| Total securities | \$1,964 | \$7 | \$31 | \$1 | \$1,995 | \$8 |

The following table shows fair value and gross unrealized losses, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2010.

| | Less Than 12 Months | | More Than 12 Months | | Total | |
|--------------------------------|---------------------|-------------------|---------------------|-------------------|------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| (in thousands) | | | | | | |
| Securities available-for-sale: | | | | | | |
| Asset-backed securities | \$--- | \$--- | \$32 | \$1 | \$32 | \$1 |
| Corporate debt securities | --- | --- | 2,492 | 73 | 2,492 | 73 |
| Total securities | \$--- | \$--- | \$2,524 | \$74 | \$2,524 | \$74 |

At September 30, 2010, there was one security which has been in a continuous unrealized loss position for more than 12 months and 21 securities with a continuous unrealized loss position of less than 12 months. When the fair value of a held to maturity or available for sale security is less than its amortized cost basis, an assessment is made as to whether other-than-temporary impairment (“OTTI”) is present. The Company considers numerous factors when determining whether a potential OTTI exists and the period over which the debt security is expected to recover. The principal factors considered are (1) the length of time and the extent to which the fair value has been less than the amortized cost basis, (2) the financial condition of the issuer (and guarantor, if any) and adverse conditions specifically related to the security, industry or geographic area, (3) failure of the issuer of the security to make scheduled interest or principal payments, (4) any changes to the rating of the security by a rating agency, and (5) the presence of credit enhancements, if any, including the guarantee of the federal government or any of its agencies.

For debt securities, OTTI is considered to have occurred if (1) the Company intends to sell the security, (2) it is more likely than not the Company will be required to sell the security before recovery of its amortized cost basis, or (3) if the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. In determining the present value of expected cash flows, the Company discounts the expected cash flows at the effective interest rate implicit in the security at the date of acquisition. In estimating cash flows expected to be collected, the Company uses available information with respect to security prepayment speeds, default rates and severity. In determining whether

OTTI has occurred for equity securities, the Company considers the applicable factors described above and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

For debt securities, credit-related OTTI is recognized in income while noncredit related OTTI on securities not expected to be sold is recognized in other comprehensive income (“OCI”). Credit-related OTTI is measured as the difference between the present value of an impaired security’s expected cash flows and its amortized cost basis. Noncredit-related OTTI is measured as the difference between the fair value of the security and its amortized cost less any credit-related losses recognized. For securities classified as held to maturity, the amount of OTTI recognized in OCI is accreted to the credit-adjusted expected cash flow amounts of the securities over future periods. For equity securities, the entire amount of OTTI is recognized in income. Management evaluated securities considering the factors as outlined above, and based on this evaluation the Company does not consider these investments to be other-than-temporarily impaired at September 30, 2010. Management believes that the reasons for the decline in fair value are due to interest rates and widening credit spreads at the end of the quarter

During the quarters ended September 30, 2010 and 2009, there were no sales of available-for-sale or held-to-maturity securities. There was no other-than-temporary impairment loss recognized during the quarters ended September 30, 2010 and 2009.

The estimated fair value of debt securities at September 30, 2010, by contractual maturity are shown below. Expected maturities may differ from contractual maturities, because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

| | In | After One Year | After Five Years | After Ten Years | Total |
|---|----------|----------------------|------------------------|-----------------------|-----------|
| (Dollars in thousands) | | | | | |
| Securities available-for-sale: | | | | | |
| U.S. Government sponsored enterprises | \$1,328 | \$19,189 | \$2,268 | \$--- | \$22,785 |
| State and political subdivisions | 1,521 | 6,355 | 361 | --- | 8,237 |
| Mortgage-backed securities-residential | 1,186 | 2,199 | 7,599 | 12,755 | 23,739 |
| Mortgage-backed securities-multi-family | 1,182 | 21,585 | 2,935 | --- | 25,702 |
| Asset-backed securities | --- | --- | --- | 31 | 31 |
| Corporate debt securities | --- | 2,962 | 4,322 | --- | 7,284 |
| Total debt securities | 5,217 | 52,290 | 17,485 | 12,786 | 87,778 |
| Equity securities | --- | --- | --- | 103 | 103 |
| Total securities available-for-sale | 5,217 | 52,290 | 17,485 | 12,889 | 87,881 |
| Securities held-to-maturity: | | | | | |
| U.S. government sponsored enterprises | --- | 5,054 | 2,036 | --- | 7,090 |
| State and political subdivisions | 15,326 | 10,144 | 4,817 | 3,764 | 34,051 |
| Mortgage-backed securities-residential | --- | 2,641 | 17,355 | 16,974 | 36,970 |
| Mortgage-backed securities-multi-family | --- | 1,529 | 2,414 | --- | 3,943 |
| Other securities | 20 | 3 | --- | 350 | 373 |
| Total securities held-to-maturity | 15,346 | 19,371 | 26,622 | 21,088 | 82,427 |
| Total securities | \$20,563 | \$71,661 | \$44,107 | \$33,977 | \$170,308 |

As of September 30, 2010, securities with an aggregate fair value of \$122.9 million were pledged as collateral for deposits in excess of FDIC insurance limits for various municipalities placing deposits with Greene County Commercial Bank. Greene County Bancorp, Inc. did not participate in any securities lending programs during the quarters ended September 30, 2010 or 2009.

Federal Home Loan Bank Stock

Federal law requires a member institution of the Federal Home Loan Bank (“FHLB”) system to hold stock of its district FHLB according to a predetermined formula. This stock is restricted in that it can only be sold to the FHLB or to another member institution, and all sales of FHLB stock must be at par. As a result of these restrictions, FHLB stock is carried at cost. FHLB stock is held as a long-term investment and its value is determined based on the ultimate recoverability of the par value. Impairment of this investment is evaluated quarterly and is a matter of judgment that reflects management’s view of the FHLB’s long-term performance, which includes factors such as the following: its operating performance; the severity and duration of declines in the fair value of its net assets related to its capital stock amount; its commitment to make payments required by law or regulation and the level of such payments in relation to its operating performance; the impact of legislative and regulatory changes on the FHLB, and accordingly, on the members of the FHLB; and its liquidity and funding position. After evaluating these considerations, Greene County Bancorp, Inc. concluded that the par value of its investment in FHLB stock will be recovered and, therefore, no other-than-temporary impairment charge was recorded during the fiscal quarter ended September 30, 2010.

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

Management uses its best judgment in estimating the fair value of the Company’s financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sale transaction on the dates indicated. The estimated fair value amounts have been measured as of September 30, 2010 and June 30, 2010 and have not been re-evaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end.

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

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

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

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

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

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows:

| | | Fair Value Measurements Using | | |
|-------------------------------|---------------|-------------------------------|-------------|--------------|
| | | Quoted | Significant | Significant |
| | | Prices | Other | Unobservable |
| | | In Active | Observable | Unobservable |
| | | Markets | Inputs | Inputs |
| | | For Identical | Assets | Inputs |
| (In thousands) | September 30, | (Level 1) | (Level 2) | (Level 3) |
| | 2010 | | | |
| Assets: | | | | |
| Securities available-for-sale | \$87,881 | \$51,052 | \$36,829 | \$--- |

| | | Fair Value Measurements Using | | |
|-------------------------------|---------------|-------------------------------|-------------|--------------|
| | | Quoted | Significant | Significant |
| | | Prices | Other | Unobservable |
| | | In Active | Observable | Unobservable |
| | | Markets | Inputs | Inputs |
| | | For Identical | Assets | Inputs |
| (In thousands) | June 30, 2010 | (Level 1) | (Level 2) | (Level 3) |
| | | | | |
| Assets: | | | | |
| Securities available-for-sale | \$89,805 | \$52,105 | \$37,700 | \$--- |

Certain investments that are actively traded and have quoted market prices have been classified as Level 1 valuations. Other available-for-sale investment securities have been valued by reference to prices for similar securities or through model-based techniques in which all significant inputs are observable and, therefore, such valuations have been classified as Level 2.

In addition to disclosures of the fair value of assets on a recurring basis, FASB ASC Topic on "Fair Value Measurement" requires disclosures for assets and liabilities measured at fair value on a nonrecurring basis, such as impaired assets, in the period in which a re-measurement at fair value is performed. Loans are generally not recorded at fair value on a recurring basis. Periodically, the Company records nonrecurring adjustments to the carrying value of loans based on fair value measurements for partial charge-offs of the uncollectible portions of those loans. Nonrecurring adjustments also include certain impairment amounts for collateral-dependent loans calculated as required by the "Receivables –Loan Impairment" subtopic of the FASB ASC when establishing the allowance for credit losses. Impaired loans are those loans for which the Company has re-measured impairment generally based on the fair value of the underlying collateral supporting the loan and, as a result, the carrying value of the loan less the calculated valuation amount does not necessarily represent the fair value of the loan. Real estate collateral is typically valued

using independent appraisals or other indications of value based on recent comparable sales of similar properties or assumptions generally observable in the marketplace and the related nonrecurring fair value measurement adjustments have generally been classified as Level 3. Estimates of fair value used for other collateral supporting commercial loans generally are based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3. At September 30, 2010 and June 30, 2010, loans subject to nonrecurring fair value measurement had a gross carrying amount and fair value of \$212,000, and consisted of one mortgage loan which was modified in a troubled debt restructuring. As a result of this restructuring, the loan was written down to its fair value based on expected cash flows. As such, there is no allocation of the allowance for loan losses for this impaired loan as of September 30, 2010. This loan is included in total non-performing assets. There were no changes in fair value for the quarters ended September 30, 2010 or 2009. During the quarter ended September 30, 2010, one multi-family mortgage loan was transferred to foreclosed real estate (FRE) at its fair value of \$200,000. No other financial assets or liabilities (such as FRE) were re-measured during the quarter on a nonrecurring basis.

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

The fair value of commitments to extend credit is estimated based on an analysis of the interest rates and fees currently charged to enter into similar transactions, considering the remaining terms of the commitments and the credit-worthiness of the potential borrowers. At September 30, 2010 and June 30, 2010, the estimated fair values of these off-balance sheet financial instruments were immaterial, and are therefore excluded from the table below.

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

| (in thousands) | September 30, 2010 | | June 30, 2010 | |
|-----------------------------------|--------------------|------------|-----------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Cash and cash equivalents | \$39,029 | \$39,029 | \$9,643 | \$9,643 |
| Long term certificate of deposit | 1,000 | 1,000 | 1,000 | 1,000 |
| Securities available-for-sale | 87,881 | 87,881 | 89,805 | 89,805 |
| Securities held-to-maturity | 80,475 | 82,427 | 77,520 | 78,982 |
| Federal Home Loan Bank stock | 1,457 | 1,457 | 1,866 | 1,866 |
| Net loans | 299,394 | 305,840 | 295,582 | 300,395 |
| Accrued interest receivable | 2,846 | 2,846 | 2,731 | 2,731 |
| Deposits | 463,444 | 464,483 | 421,732 | 422,693 |
| Federal Home Loan Bank borrowings | 17,000 | 17,739 | 26,100 | 26,791 |
| Accrued interest payable | 105 | 105 | 109 | 109 |

(6) Earnings Per Share ("EPS")

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Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares that would have been outstanding under the treasury stock method if all potentially dilutive common shares (such as stock options) issued became vested during the period. There were no anti-dilutive securities or contracts outstanding during the quarters ended September 30, 2010 and 2009.

| | Net Income | Weighted Average Number Of Shares Outstanding | Earnings per Share |
|----------------------------------|-------------|---|-----------------------|
| Three months ended | | | |
| September 30, 2010 | \$1,324,000 | | |
| Basic | | 4,121,299 | \$0.32 |
| Effect of dilutive stock options | | 30,783 | (0.00) |
| Diluted | | 4,152,082 | \$0.32 |
| Three months ended | | | |
| September 30, 2009 | \$1,184,000 | | |
| Basic | | 4,105,312 | \$0.29 |
| Effect of dilutive stock options | | 27,454 | (0.00) |
| Diluted | | 4,132,766 | \$0.29 |

(7) Dividends

On July 20, 2010, the Board of Directors declared a quarterly cash dividend of \$0.175 per share of Greene County Bancorp, Inc.'s common stock. The dividend reflected an annual cash dividend rate of \$0.70 cents per share, was unchanged from the dividend declared during the previous quarter. The dividend was payable to stockholders of record as of August 13, 2010, and was paid on September 1, 2010. It should be noted that Greene County Bancorp, Inc.'s mutual holding company continued to waive receipt of dividends for the current period.

(8) Impact of Inflation and Changing Prices

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

(9) Impact of Recent Accounting Pronouncements

In November 2008, the SEC released a proposed roadmap regarding the potential use by U.S. issuers of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS is a comprehensive series of accounting standards published by the International Accounting Standards Board ("IASB"). Under the proposed roadmap, the Company may be required to prepare financial statements in accordance with IFRS as early as

2015. The SEC will make a determination in 2011 regarding the mandatory adoption of IFRS. The Company is currently assessing the impact that this potential change would have on its consolidated financial statements, and it will continue to monitor the development of the potential implementation of IFRS.

In June 2009, the FASB issued an amendment to its guidance on “Transfers and Servicing”. This guidance prescribes the information that a reporting entity must provide in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor’s continuing involvement in transferred financial assets. Specifically, among other aspects, the guidance removes the concept of a qualifying special-purpose entity. It also modifies the financial-components approach used in this standard. The new guidance is effective for fiscal years beginning after November 15, 2009. The adoption of this guidance did not have a material impact on our consolidated results of operations or financial position.

In June 2009, the FASB issued an amendment to its guidance on “Consolidation of Variable Interest Entities”, to require an enterprise to determine whether its variable interest or interests give it a controlling financial interest in a variable interest entity. The primary beneficiary of a variable interest entity is the enterprise that has both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity’s economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. This amendment also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This new guidance is effective for fiscal years beginning after November 15, 2009. The adoption of this guidance did not have a material impact on our consolidated results of operations or financial position.

In January 2010, the FASB issued amendments to its guidance on “Fair Value Measurements and Disclosures – Overall Subtopic” The amendment requires new disclosures as follows: (1) For transfers in and out of Level 1 and 2 fair value measurements, a reporting entity should disclose separately the amounts of significant transfers and describe the reasons for the transfers, and (2) for the reconciliation for value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). The amendment also clarifies existing disclosure requirements relating to the level of disaggregation of each class of assets or liabilities within a line item in the statement of financial position and the inputs and valuation techniques utilized to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of these amendments did not and are not expected to have a material effect on our consolidated results of operations or financial position.

In April 2010, the FASB issued an amendment to its guidance on “Receivables: Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset”, which codifies the consensus reached in EITF Issue No. 09-I, “Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset.” The amendments to the Codification provide that modifications of loans that are accounted for within a pool under Subtopic 310-30 do not result in the removal of those loans from the pool even if the modification of those loans would otherwise be considered a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loan is included is impaired if expected cash flows for the pool change. This amendment does not affect the accounting for loans under the scope of Subtopic 310-30 that are not accounted for within pools. Loans accounted for individually under Subtopic 310-30 continue to be subject to the troubled debt restructuring accounting provisions within Subtopic 310-40. This amendment is effective prospectively for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. Early application is permitted. Upon initial adoption of this amendment, an entity may make a one-time election to terminate accounting for loans as a pool under Subtopic 310-30. This election

may be applied on a pool-by-pool basis and does not preclude an entity from applying pool accounting to subsequent acquisitions of loans with credit deterioration. The adoption of these amendments did not have a material impact on our consolidated financial statements.

In July 2010, the FASB issued an amendment to its guidance on “Receivables: Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses”, which will help investors assess the credit risk of a company’s receivables portfolio and the adequacy of its allowance for credit losses held against the portfolios by expanding credit risk disclosures. This update requires more information about the credit quality of financing receivables in the disclosures to financial statements, such as aging information and credit quality indicators. Both new and existing disclosures must be disaggregated by portfolio segment or class. The disaggregation of information is based on how a company develops its allowance for credit losses and how it manages its credit exposure. The amendments in this update apply to all public and nonpublic entities with financing receivables. Financing receivables include loans and trade accounts receivable. However, short-term trade accounts receivable, receivables measured at fair value or lower of cost or fair value, and debt securities are exempt from these disclosure amendments. The amendments that require disclosures as of the end of a reporting period are effective for periods ending on or after December 15, 2010. The amendments that require disclosures about activity that occurs during a reporting period are effective for periods beginning on or after December 15, 2010. The Company is currently assessing the impact that this guidance will have on its consolidated financial statements.

(10) Employee Benefit Plans

Defined Benefit Plan

The components of net periodic pension costs related to the defined benefit pension plan for the three months ended September 30, 2010 and 2009 were as follows:

| (in thousands) | Three months ended September 30, | |
|--------------------------------|-------------------------------------|--------|
| | 2010 | 2009 |
| Interest cost | \$51 | \$52 |
| Expected return on plan assets | (55) | (55) |
| Amortization of net loss | 8 | 2 |
| Net periodic pension cost | \$4 | \$(1) |

The Company does not expect to make any contributions to the defined benefit pension plan during fiscal 2011.

SERP

On June 21, 2010, the Board of Directors of The Bank of Greene County adopted The Bank of Greene County Supplemental Executive Retirement Plan (the “SERP Plan”), effective as of July 1, 2010. The SERP Plan will benefit certain key senior executives of the Bank who are selected by the Board to participate.

The SERP Plan is intended to provide a benefit from the Bank upon retirement, death or disability or voluntary or involuntary termination of service (other than “for cause”). Accordingly, the SERP Plan obligates the Bank to make a contribution to each executive’s account on the first business day of each July and permits each executive to defer up to 50% of his or her base salary and 100% of his or her annual bonus to the SERP Plan, subject to the requirements of Section 409A of the Internal Revenue Code (“Code”). In addition, the Bank may, but is not required to, make additional discretionary contributions to the executives’ accounts from time to time. An executive becomes vested in the Bank’s contributions after 10 calendar years of service following the effective date of the SERP Plan, and is fully vested immediately for all deferral of salary and bonus. However, the Executive will vest in the present value of his or her

account in the event of death, disability or a change in control of the Bank or the Company. In the event the executive is terminated involuntarily or resigns for good reason following a change in control, the present value of all remaining Bank contributions is accelerated and paid to the executive's account, subject to potential reduction to avoid an excess parachute payment under Code Section 280G. In the event of the executive's death, disability or termination within two years after a change in control, executive's account will be paid in a lump sum to the executive or his beneficiary, as applicable. In the event executive is entitled to a benefit from the SERP Plan due to retirement or other termination of employment, the benefit will be paid in 10 annual installments.

The net periodic pension costs related to the SERP for the three months ended September 30, 2010 were \$13,000 consisting primarily of service costs. Interest costs associated with this plan were not material for the three months ended September 30, 2010.

(11) Stock-Based Compensation

At September 30, 2010, Greene County Bancorp, Inc. had two stock-based compensation plans, which are described more fully in Note 9 of the consolidated financial statements and notes thereto for the year ended June 30, 2010.

The Company recognized \$56,000 in compensation costs and related income tax benefit of \$17,000 related to the 2008 Option Plan for the quarters ended September 30, 2010 and 2009. At September 30, 2010, there was \$185,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted. That cost is expected to be recognized over a weighted-average period of 10 months.

A summary of the Company's stock option activity and related information for its option plans for the three months ended September 30, 2010 and 2009 is as follows:

| | 2010 | | 2009 | |
|----------------------------------|----------|---------------------------------|---------|---------------------------------|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Outstanding at beginning of year | 171,750 | \$12.36 | 196,660 | \$11.33 |
| Exercised | (4,333) | 12.50 | --- | --- |
| Outstanding at period end | 167,417 | \$12.36 | 196,660 | \$11.33 |
| Exercisable at period end | 112,587 | \$12.29 | 86,995 | \$ 9.85 |

The following table presents stock options outstanding and exercisable at September 30, 2010:

Options Outstanding and Exercisable

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| Range of Exercise Prices | Number Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price |
|--------------------------|--------------------|---|---------------------------------|
| \$9.20 | 7,250 | 0.50 | \$9.20 |
| \$12.50 | 105,337 | 8.00 | \$12.50 |
| \$9.20-\$12.50 | 112,587 | | \$12.29 |

The total intrinsic value of the options exercised during the three months ended September 30, 2010, was approximately \$15,000. No options were exercised during the three months ended September 30, 2009. There were no stock options granted during the three months ended September 30, 2010 or 2009. The Company had 54,830 non-vested options outstanding at September 30, 2010 and 109,665 non-vested options outstanding at September 30, 2009.

(12) Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income as of September 30, 2010 and June 30, 2010 are presented in the following table:

| (in thousands) | | |
|--|--------------------|---------------|
| | September 30, 2010 | June 30, 2010 |
| Accumulated other comprehensive income | | |
| Unrealized gains on available-for-sale securities, net of tax | \$2,140 | \$1,841 |
| Unrealized loss on securities transferred to held-to-maturity, net of tax | (103) | (116) |
| Net losses and past service liability for defined benefit plan, net of tax | (599) | (602) |
| Accumulated other comprehensive income | \$1,438 | \$1,123 |

(13) Subsequent events

On October 20, 2010, the Board of Directors declared a quarterly cash dividend of \$0.175 per share on Greene County Bancorp, Inc.'s common stock. The dividend reflects an annual cash dividend rate of \$0.70 per share, which was the same as the dividend declared during the previous quarter. The dividend will be payable to stockholders of record as of November 12, 2010, and will be paid on December 1, 2010. On October 20, 2010, the Board of Directors also declared a special cash dividend of \$0.20 per share which will be payable to stockholders of record as of November 12, 2010, and will be paid on December 15, 2010. It should be noted that Greene County Bancorp, Inc.'s mutual holding company continues to waive receipt of dividends on the shares it owns.

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

Overview of the Company's Activities and Risks

Greene County Bancorp, Inc.'s results of operations depend primarily on its net interest income, which is the difference between the income earned on Greene County Bancorp, Inc.'s loan and securities portfolios and its cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by Greene County Bancorp, Inc.'s provision for loan losses, gains and losses from sales of securities, noninterest income and noninterest expense. Noninterest income consists primarily of fees and service charges. Greene County Bancorp, Inc.'s noninterest expense consists principally of compensation and employee benefits, occupancy, equipment and data

processing, and other operating expenses. Results of operations are also significantly affected by general economic and competitive conditions, changes in interest rates, as well as government policies and actions of regulatory authorities. Additionally, future changes in applicable law, regulations or government policies may materially affect Greene County Bancorp, Inc.

To operate successfully, the Company must manage various types of risk, including but not limited to, market or interest rate risk, credit risk, transaction risk, liquidity risk, security risk, strategic risk, reputation risk and compliance risk. While all of these risks are important, the risks of greatest significance to the Company relate to market or interest rate risk and credit risk.

Market risk is the risk of loss from adverse changes in market prices and/or interest rates. Since net interest income (the difference between interest earned on loans and investments and interest paid on deposits and borrowings) is the Company's primary source of revenue, interest rate risk is the most significant non-credit related market risk to which the Company is exposed. Net interest income is affected by changes in interest rates as well as fluctuations in the level and duration of the Company's assets and liabilities.

Interest rate risk is the exposure of the Company's net interest income to adverse movements in interest rates. In addition to directly impacting net interest income, changes in interest rates can also affect the amount of new loan originations, the ability of borrowers and debt issuers to repay loans and debt securities, the volume of loan repayments and refinancings, and the flow and mix of deposits.

Credit risk is the risk to the Company's earnings and shareholders' equity that results from customers, to whom loans have been made and to the issuers of debt securities in which the Company has invested, failing to repay their obligations. The magnitude of risk depends on the capacity and willingness of borrowers and debt issuers to repay and the sufficiency of the value of collateral obtained to secure the loans made or investments purchased.

Special Note Regarding Forward Looking Statements

This quarterly report contains forward-looking statements. Greene County Bancorp, Inc. desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing itself of the protections of the safe harbor with respect to all such forward-looking statements. These forward-looking statements, which are included in this Management's Discussion and Analysis and elsewhere in this quarterly report, describe future plans or strategies and include Greene County Bancorp, Inc.'s expectations of future financial results. The words "believe," "expect," "anticipate," "project," and similar expressions identify forward-looking statements. Greene County Bancorp, Inc.'s ability to predict results or the effect of future plans or strategies or qualitative or quantitative changes based on market risk exposure is inherently uncertain. Factors that could affect actual results include but are not limited to:

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

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

Comparison of Financial Condition as of September 30, 2010 and June 30, 2010

ASSETS

Total assets of the Company were \$529.5 million at September 30, 2010 as compared to \$495.3 million at June 30, 2010, an increase of \$34.2 million, or 6.9%. Securities available for sale and held to maturity amounted to \$168.4 million, or 31.8% of assets, at September 30, 2010 as compared to \$167.3 million, or 33.8% of assets, at June 30, 2010, an increase of \$1.1 million or 0.7%. Net loans grew by \$3.8 million or 1.3% to \$299.4 million at September 30, 2010 as compared to \$295.6 million at June 30, 2010.

CASH AND CASH EQUIVALENTS

Total cash and cash equivalents increased to \$39.0 million at September 30, 2010 as compared to \$9.6 million at June 30, 2010, an increase of \$29.4 million. The level of cash and cash equivalents is a function of the daily account clearing needs and deposit levels as well as activities associated with securities transactions and loan funding. All of these items can cause cash levels to fluctuate significantly on a daily basis. Each year at the end of September the Company can see significant fluctuations in cash due to the collection of local school taxes.

SECURITIES

Securities, including both available-for-sale and held-to-maturity issues, increased \$1.1 million or 0.7% to \$168.4 million at September 30, 2010 as compared to \$167.3 million at June 30, 2010. Securities purchases totaled \$12.5 million during the quarter ended September 30, 2010 and consisted of \$8.5 million of state and political subdivision securities and \$4.0 million of U.S. government agency securities. Principal pay-downs and maturities amounted to \$11.7 million, of which \$3.3 million were mortgage-backed securities, \$4.9 million were state and political subdivision securities and \$3.5 million were U.S. government agency securities. Additionally, during the quarter ended September 30, 2010, unrealized net gains on available for sale securities increased \$507,000. Greene County Bancorp, Inc. holds 25.1% of the securities portfolio at September 30, 2010 in state and political subdivision securities to take advantage of tax savings and to promote Greene County Bancorp, Inc.'s participation in the communities in which it operates. Mortgage-backed securities and asset-backed securities held within the portfolio do not contain sub-prime loans and are not exposed to the credit risk associated with such lending.

| (Dollars in thousands) | Carrying Value at | | | | |
|--|--------------------|-------------------------|---------------|-------------------------|---|
| | September 30, 2010 | | June 30, 2010 | | |
| | Balance | Percentage of Portfolio | Balance | Percentage of Portfolio | |
| Securities available-for-sale: | | | | | |
| U.S. government sponsored enterprises | \$22,785 | 13.5 | % \$22,176 | 13.3 | % |
| State and political subdivisions | 8,237 | 4.9 | 8,749 | 5.2 | |
| Mortgage-backed securities-residential | 23,739 | 14.1 | 25,883 | 15.5 | |
| Mortgage-backed securities-multifamily | 25,702 | 15.3 | 25,932 | 15.5 | |
| Asset-backed securities | 31 | 0.0 | 32 | 0.0 | |
| Corporate debt securities | 7,284 | 4.3 | 6,931 | 4.1 | |
| Total debt securities | 87,778 | 52.1 | 89,703 | 53.6 | |
| Equity securities and other | 103 | 0.1 | 102 | 0.1 | |
| Total securities available-for-sale | 87,881 | 52.2 | 89,805 | 53.7 | |
| Securities held-to-maturity: | | | | | |
| U.S. government sponsored enterprises | 7,002 | 4.2 | 7,004 | 4.2 | |
| State and political subdivisions | 33,917 | 20.2 | 29,821 | 17.8 | |

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| | | | | |
|--|------------|-------|--------------|---------|
| Mortgage-backed securities-residential | 35,255 | 20.9 | 36,277 | 21.7 |
| Mortgage-backed securities-multifamily | 3,928 | 2.3 | 4,058 | 2.4 |
| Other securities | 373 | 0.2 | 360 | 0.2 |
| Total securities held-to-maturity | 80,475 | 47.8 | 77,520 | 46.3 |
| Total securities | \$ 168,356 | 100.0 | % \$ 167,325 | 100.0 % |

LOANS

Net loans receivable increased to \$299.4 million at September 30, 2010 from \$295.6 million at June 30, 2010, an increase of \$3.8 million, or 1.3%. The loan growth experienced during the quarter primarily consisted of \$2.0 million in commercial real estate loans, \$814,000 in residential mortgage loans, \$556,000 in home equity loans, and \$827,000 in non-mortgage loans, and was partially offset by a \$314,000 increase in the allowance for loan loss. The continued low interest rate environment and strong customer satisfaction from personal service continued to enhance loan growth. If long term rates begin to rise, the Company anticipates some slow down in new loan demand as well as refinancing activities. The Bank of Greene County continues to use a conservative underwriting policy in regard to all loan originations, and does not engage in sub-prime lending or other exotic loan products. It should be noted however that the Company is subject to the effects of any downturn, and especially, a significant decline in home values in the Company's markets could have a negative effect on the consolidated results of operations. A significant decline in home values would likely lead to a decrease in residential real estate loans and new home equity loan originations and increased delinquencies and defaults in both the consumer home equity loan and the residential real estate loan portfolios and result in increased losses in these portfolios. As of September 30, 2010, declines in home values have been modest in the Company's market area. However, updated appraisals are obtained on loans when there is a reason to believe that there has been a change in the borrower's ability to repay the loan principal and interest, generally, when a loan is in a delinquent status. Additionally, if an existing loan is to be modified or refinanced, generally, an appraisal is ordered to ensure continued collateral adequacy.

| (Dollars in thousands) | September 30, 2010 | | June 30, 2010 | |
|--|--------------------|-------------------------|---------------|-------------------------|
| | Balance | Percentage of Portfolio | Balance | Percentage of Portfolio |
| Real estate mortgages: | | | | |
| Residential | \$ 183,339 | 60.5 % | \$ 182,525 | 61.0 % |
| Commercial | 56,607 | 18.7 | 54,586 | 18.3 |
| Construction and land | 9,280 | 3.0 | 9,357 | 3.1 |
| Multifamily | 5,983 | 2.0 | 6,035 | 2.0 |
| Total real estate mortgages | 255,209 | 84.2 | 252,503 | 84.4 |
| Home equity loans | 27,158 | 8.9 | 26,602 | 8.9 |
| Commercial loans | 16,638 | 5.5 | 15,810 | 5.3 |
| Installment loans | 3,888 | 1.3 | 3,892 | 1.3 |
| Passbook loans | 396 | 0.1 | 393 | 0.1 |
| Total gross loans | 303,289 | 100.0 % | 299,200 | 100.0 % |
| Unearned origination fees and costs, net | 443 | | 406 | |
| Allowance for loan losses | (4,338) | | (4,024) | |
| Total net loans | \$ 299,394 | | \$ 295,582 | |

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is established through a provision for loan losses based on management's evaluation of the risk inherent in the loan portfolio, the composition of the loan portfolio, specific impaired loans and current economic conditions. Such evaluation, which includes a review of all loans on which full collectibility may not be reasonably assured, considers among other matters, the estimated net realizable value or the fair value of the

underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an allowance for loan loss. In addition, various regulatory agencies, as an integral part of their examination process, periodically review The Bank of Greene County's allowance for loan losses and valuation of FRE. Such agencies may require The Bank of Greene County to recognize additions to the allowance based on their judgment about information available to them at the time of their examination. The Bank of Greene County considers residential mortgages, home equity loans and installment loans to customers as small, homogeneous loans, which are evaluated for impairment collectively based on historical loss experience. Commercial mortgage and business loans are viewed individually and considered impaired if it is probable that The Bank of Greene County will not be able to collect scheduled payments of principal and interest when due, according to the contractual terms of the loan agreements. The measurement of impaired loans is generally based on the fair value of the underlying collateral. The allowance for loan losses is increased by a provision for loan losses (which results in a charge to expense) and recoveries of loans previously charged off and is reduced by net charge-offs.

Analysis of allowance for loan losses activity

| (Dollars in thousands) | Three months ended | | | |
|--|--------------------|---|--------------------|---|
| | September 30, 2010 | | September 30, 2009 | |
| Balance at the beginning of the period | \$4,024 | | \$3,420 | |
| Charge-offs: | | | | |
| Commercial loans | 2 | | 8 | |
| Installment loans | 17 | | 9 | |
| Overdraft protection accounts | 44 | | 48 | |
| Total loans charged off | 63 | | 65 | |
| Recoveries: | | | | |
| Commercial loans | 5 | | -- | |
| Installment loans | 3 | | 3 | |
| Overdraft protection accounts | 16 | | 26 | |
| Total recoveries | 24 | | 29 | |
| Net charge-offs | 39 | | 36 | |
| Provisions charged to operations | 353 | | 248 | |
| Balance at the end of the period | \$4,338 | | \$3,632 | |
| Ratio of annualized net charge-offs to average loans outstanding | 0.05 | % | 0.05 | % |
| Ratio of annualized net charge-offs to nonperforming assets | 3.01 | % | 3.50 | % |
| Allowance for loan losses to nonperforming loans | 86.99 | % | 88.24 | % |
| Allowance for loan losses to total loans receivable | 1.43 | % | 1.30 | % |

Nonaccrual Loans and Nonperforming Assets

Loans are reviewed on a regular basis. Management determines that a loan is impaired or nonperforming when it is probable at least a portion of the loan will not be collected in accordance with its contractual terms due to an irreversible deterioration in the financial condition of the borrower or the value of the underlying collateral. When a loan is determined to be impaired, the measurement of the loan impairment is based on the present value of estimated future cash flows, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral less the cost to sell. Management places loans on nonaccrual status once the loans have become 90 days or more delinquent. Nonaccrual is defined as a loan in which collectibility is questionable and therefore interest on the

loan will no longer be recognized on an accrual basis. A loan does not have to be 90 days delinquent in order to be classified as nonperforming. Foreclosed real estate is considered nonperforming. The Bank of Greene County had no accruing loans delinquent more than 90 days at September 30, 2010 or June 30, 2010.

Analysis of Nonaccrual Loans and Nonperforming Assets

| (Dollars in thousands) | At | | | |
|--|-----------------------|------------------|------|---|
| | September 30, 2010 | June 30, 2010 | | |
| Nonaccrual loans: | | | | |
| Real estate mortgages: | | | | |
| Residential | \$2,488 | \$2,001 | | |
| Commercial | 1,570 | 1,095 | | |
| Construction and land | 13 | 13 | | |
| Multifamily | 590 | 594 | | |
| Home equity loans | 220 | 197 | | |
| Commercial loans | 82 | 3 | | |
| Installment loans | 24 | 18 | | |
| Total nonaccrual loans | 4,987 | 3,921 | | |
| Foreclosed real estate: | | | | |
| Multifamily | 200 | --- | | |
| Foreclosed real estate | 200 | --- | | |
| Total nonperforming assets | \$5,186 | \$3,921 | | |
| Total nonperforming assets as a percentage of total assets | 0.98 | % | 0.79 | % |
| Total nonperforming loans to total loans | 1.67 | % | 1.33 | % |

The table below details additional information related to nonaccrual loans for the three months ended September 30:

| (In thousands) | 2010 | 2009 |
|--|-------|-------|
| Interest income that would have been recorded if loans had been performing in accordance with original terms | \$271 | \$199 |
| Interest income that was recorded on nonaccrual loans during the quarter ended | 54 | 22 |

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

The table below details additional information on impaired loans as of September 30:

| (In thousands) | 2010 | 2009 |
|--|-------|------|
| Balance of impaired loans, with a valuation allowance | \$--- | \$98 |
| Allowance relating to impaired loans included in allowance for loan losses | --- | 10 |
| Balance of impaired loans, without a valuation allowance | 212 | --- |
| Average balance of impaired loans for the quarter ended | 212 | 98 |
| Interest income recorded on impaired loans during the quarter ended | 1 | 1 |

At September 30, 2010, the balance of impaired loans without a valuation allowance consisted of one loan that was modified in a troubled debt restructuring. As a result of this restructuring, the loan was written down to its fair value based on expected cash flows. As such, there is no allocation of the allowance for loan losses for this impaired loan as of September 30, 2010. This loan remains in non-accrual status, but is performing in accordance with the modified terms as of September 30, 2010.

DEPOSITS

Total deposits increased to \$463.4 million at September 30, 2010 from \$421.7 million at June 30, 2010, an increase of \$41.7 million, or 9.9%. This increase was primarily the result of an increase of \$39.9 million in balances at the Company's Commercial Bank subsidiary due primarily to the annual collection of taxes by several local school districts. Interest bearing checking accounts (NOW accounts) increased \$35.5 million or 29.2% to \$156.9 million at September 30, 2010 as compared to \$121.4 million at June 30, 2010. Certificates of deposit balances increased \$1.2 million between June 30, 2010 and September 30, 2010. Noninterest bearing deposits increased \$4.9 million to \$49.1 million at September 30, 2010.

(Dollars in thousands)

| | At Sept. 30, 2010 | Percentage of Portfolio | At June 30, 2010 | Percentage of Portfolio |
|------------------------------|-------------------------|----------------------------|------------------------|----------------------------|
| Noninterest bearing deposits | \$49,060 | 10.6 % | \$44,239 | 10.5 % |
| Certificates of deposit | 98,068 | 21.2 | 96,909 | 23.0 |
| Savings deposits | 94,868 | 20.5 | 95,249 | 22.6 |
| Money market deposits | 64,501 | 13.8 | 63,899 | 15.1 |
| NOW deposits | 156,947 | 33.9 | 121,436 | 28.8 |
| Total deposits | \$463,444 | 100.0 % | \$421,732 | 100.0 % |

BORROWINGS

At September 30, 2010, The Bank of Greene County had pledged approximately \$136.9 million of its residential mortgage portfolio as collateral for borrowing at the Federal Home Loan Bank ("FHLB"). The maximum amount of funding available from the FHLB through either overnight advances or term borrowings was \$114.0 million at September 30, 2010, of which \$17.0 million in term borrowings was outstanding at September 30, 2010. Interest rates on overnight borrowings are determined at the time of borrowing. There were no overnight borrowings outstanding at September 30, 2010. Term borrowings consisted of \$12.0 million of fixed rate, fixed term advances with a weighted average rate of 3.42% and a weighted average maturity of 20 months. The remaining \$5.0 million borrowing, which carried a 3.64% interest rate and a maturity of 36 months at September 30, 2010, is unilaterally convertible by the FHLB under certain market interest rate scenarios, including three-month LIBOR at or above 7.50%, into replacement advances for the same or lesser principal amount based on the then current market rates. If the Bank chooses not to accept the replacement funding, the Bank must repay this convertible advance, including any accrued interest, on the interest payment date.

The Bank also pledges securities as collateral at the Federal Reserve Bank discount window for overnight borrowings. At September 30, 2010, approximately \$6.9 million of collateral was available to be pledged against potential borrowings at the Federal Reserve Bank discount window. There were no balances outstanding with the Federal Reserve Bank at September 30, 2010.

On October 8, 2010, the Bank established an unsecured line of credit with Atlantic Central Bankers Bank for \$6 million. The line of credit provides for overnight borrowing and the interest rate is determined at the time of the borrowing.

Scheduled maturities of term borrowings at September 30, 2010 were as follows:

(In thousands)

Fiscal year end

| | | |
|------|----|--------|
| 2011 | \$ | 5,000 |
| 2012 | | 3,000 |
| 2013 | | 1,000 |
| 2014 | | 6,000 |
| 2015 | | 2,000 |
| | \$ | 17,000 |

EQUITY

Shareholders' equity increased to \$45.9 million at September 30, 2010 from \$44.5 million at June 30, 2010, as net income of \$1.3 million was partially offset by dividends declared and paid of \$318,000. Additionally, shareholders' equity increased \$315,000 as a result of an increase in other comprehensive income. Other changes in equity, totaling a \$109,000 increase, were the result of activities associated with the various stock-based compensation plans of the Company, including the 2000 and 2008 Stock Option Plans.

Comparison of Operating Results for the Three Months Ended September 30, 2010 and 2009

Average Balance Sheet

The following table sets forth certain information relating to Greene County Bancorp, Inc. for the quarters ended September 30, 2010 and 2009. For the periods indicated, the total dollar amount of interest income from average interest earning assets and the resultant yields, as well as the interest expense on average interest bearing liabilities, are expressed both in dollars and rates. No tax equivalent adjustments were made. Average balances were based on daily averages. Average loan balances include non-performing loans. The loan yields include net amortization of certain deferred fees and costs that are considered adjustments to yields.

| (Dollars in thousands) | 2010 Average Outstanding Balance | 2010 Interest Earned/ Paid | 2010 Average Yield/ Rate | | 2009 Average Outstanding Balance | 2009 Interest Earned/ Paid | 2009 Average Yield/ Rate | |
|---|---|-------------------------------------|-----------------------------------|---|---|-------------------------------------|-----------------------------------|---|
| Interest earning assets: | | | | | | | | |
| Loans receivable, net ¹ | \$ 300,888 | \$ 4,537 | 6.03 | % | \$ 275,560 | \$ 4,167 | 6.05 | % |
| Securities ² | 168,283 | 1,420 | 3.38 | | 161,041 | 1,464 | 3.64 | |
| Federal funds | 1,063 | -- | 0.00 | | 2,746 | 1 | 0.14 | |
| Interest bearing bank balances | 3,114 | 2 | 0.26 | | 1,926 | 3 | 0.62 | |
| FHLB stock | 1,611 | 17 | 4.22 | | 1,495 | 21 | 5.62 | |
| Total interest earning assets | 474,959 | 5,976 | 5.03 | % | 442,768 | 5,656 | 5.11 | % |
| Cash and due from banks | 7,244 | | | | 7,402 | | | |
| Allowance for loan losses | (4,094) | | | | (3,489) | | | |
| Other non-interest earning assets | 18,189 | | | | 17,829 | | | |
| Total assets | \$ 496,298 | | | | \$ 464,510 | | | |
| Interest bearing liabilities: | | | | | | | | |
| Savings and money market deposits | \$ 161,034 | \$ 298 | 0.74 | % | \$ 146,851 | \$ 307 | 0.84 | % |
| NOW deposits | 125,702 | 238 | 0.76 | | 115,925 | 364 | 1.26 | |
| Certificates of deposit | 97,505 | 494 | 2.03 | | 98,022 | 579 | 2.36 | |
| Borrowings | 20,423 | 149 | 2.92 | | 21,291 | 167 | 3.14 | |
| Total interest bearing liabilities | 404,664 | 1,179 | 1.16 | % | 382,089 | 1,417 | 1.48 | % |
| Non-interest bearing deposits | 44,012 | | | | 39,355 | | | |
| Other non-interest bearing liabilities | 2,375 | | | | 2,215 | | | |
| Shareholders' equity | 45,247 | | | | 40,851 | | | |
| | \$ 496,298 | | | | \$ 464,510 | | | |

Total liabilities and
equity

| | | | | |
|--|-----------|----------|-----------|----------|
| Net interest income | \$ 4,797 | | \$ 4,239 | |
| Net interest rate spread | | 3.87 % | | 3.63 % |
| Net Earning Assets | \$ 70,295 | | \$ 60,679 | |
| Net interest margin | | 4.04 % | | 3.83 % |
| Average interest earning assets to average interest bearing liabilities | | 117.37 % | | 115.88 % |

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

2Includes tax-free securities, mortgage-backed securities, asset-backed securities and long term certificates of deposit.

Rate / Volume Analysis

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

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

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

| (In thousands) | Three Months Ended September 30, 2010 versus 2009 | | |
|------------------------------------|---|--------|----------------------------------|
| | Increase/(Decrease) Due to | | Total Increase/ (Decrease) |
| | Volume | Rate | |
| Interest-earning assets: | | | |
| Loans receivable, net ¹ | \$384 | \$(14) | \$370 |
| Securities ² | 64 | (108) | (44) |
| Federal funds | (0) | (1) | (1) |
| Interest-bearing bank balances | 1 | (2) | (1) |
| FHLB stock | 2 | (6) | (4) |
| Total interest earning assets | 451 | (131) | 320 |
| Interest-bearing liabilities: | | | |
| Savings and money market deposits | 29 | (38) | (9) |
| NOW deposits | 29 | (155) | (126) |
| Certificates of deposit | (3) | (82) | (85) |
| Borrowings | (7) | (11) | (18) |
| Total interest bearing liabilities | 48 | (286) | (238) |
| Net interest income | \$403 | \$155 | \$558 |

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

² Includes tax-free securities, mortgage-backed securities, asset-backed securities and long term certificates of deposit.

GENERAL

Return on average assets and return on average equity are common methods of measuring operating results. Annualized return on average assets increased to 1.07% for the quarter ended September 30, 2010 as compared to 1.02% for the quarter ended September 30, 2009. Annualized return on average equity increased to 11.70% for the quarter ended September 30, 2010 as compared to 11.59% for the quarter ended September 30, 2009. The increase in return on average assets and return on average equity was primarily the result of higher net interest income, partially offset by higher noninterest expense and lower noninterest income. Net income amounted to \$1.3 million for the quarter ended September 30, 2010 as compared to \$1.2 million for the prior year period, an increase of \$140,000 or 11.8%. Average assets increased \$31.8 million, or 6.8% to \$496.3 million for the quarter ended September 30, 2010 as compared to \$464.5 million for the quarter ended September 30, 2009. Average equity

increased \$4.3 million, or 10.5%, to \$45.2 million for the quarter ended September 30, 2010 as compared to \$40.9 million for the quarter ended September 30, 2009.

INTEREST INCOME

Interest income amounted to \$6.0 million for the quarter ended September 30, 2010 as compared to \$5.7 million for the quarter ended September 30, 2009, an increase of \$320,000 or 5.7%. The increase in loan and securities volumes had the greatest impact on interest income when comparing the quarters ended September 30, 2010 and 2009. This increase in volume was offset by a decline in yields on securities and loans. Average loan balances increased \$25.3 million while the yield on loans decreased 2 basis points when comparing the quarters ended September 30, 2010 and 2009. Average securities increased \$7.2 million when comparing the quarters ended September 30, 2010 and 2009. The yield on such securities decreased 26 basis points during this same period.

INTEREST EXPENSE

Interest expense amounted to \$1.2 million for the quarter ended September 30, 2010 as compared to \$1.4 million for the quarter ended September 30, 2009, a decrease of \$238,000 or 16.8%. Decreases in rates on interest-bearing liabilities contributed to the decrease in overall interest expense. As illustrated in the rate/volume table, interest expense was reduced \$286,000 due to a 32 basis point decrease in the average rate on interest-bearing liabilities, which was partially offset by an increase in interest expense of \$48,000 due to a \$22.6 million increase in the average balance of interest-bearing liabilities. The average rate paid on NOW deposits decreased 50 basis points when comparing the quarters ended September 30, 2010 and 2009, and the average balance of such accounts grew by \$9.8 million. The average balance of savings and money market deposits increased by \$14.1 million and the rate paid decreased by 10 basis points when comparing the quarters ended September 30, 2010 and 2009. The average balance of certificates of deposit decreased by \$517,000, and the average rate paid decreased by 33 basis points when comparing the quarters ended September 30, 2010 and 2009. The average balance on borrowings decreased \$868,000 and the rate decreased 22 basis points when comparing the quarters ended September 30, 2010 and 2009.

NET INTEREST INCOME

Net interest income increased \$558,000 to \$4.8 million for the quarter ended September 30, 2010 as compared to \$4.2 million for the quarter ended September 30, 2009. Net interest spread increased 24 basis points to 3.87% as compared to 3.63% when comparing the quarters ended September 30, 2010 and 2009, respectively. Net interest margin increased 21 basis points to 4.04% for the quarter ended September 30, 2010 as compared to 3.83% for the quarter ended September 30, 2009. The increase in average loan balances, and the widening of the net interest spread and margin, led to an increase in net interest income when comparing the quarters ended September 30, 2010 and 2009.

Due to the large portion of fixed rate residential mortgages in the Company's asset portfolio, interest rate risk is a concern and the Company will continue to monitor the situation and attempt to adjust the asset and liability mix as much as possible to take advantage of the benefits and reduce the risks or potential negative effects of a rising rate environment. Management attempts to mitigate the interest rate risk through balance sheet composition. Several strategies are used to help manage interest rate risk such as maintaining a high level of liquid assets such as short-term federal funds sold and various investment securities and maintaining a high concentration of less interest-rate sensitive and lower-costing core deposits.

PROVISION FOR LOAN LOSSES

Management continues to closely monitor asset quality and adjust the level of the allowance for loan losses when necessary. The amount recognized for the provision for loan losses is determined by management based on its ongoing analysis of the adequacy of the allowance for loan losses. During the quarters ended September 30, 2010 and

2009, the Company increased the level of allowance for loan losses due to an increase in the amount of nonperforming assets and loan charge-offs resulting from a decline in the overall economy, and an increase in local unemployment. As a result, the provision for loan losses amounted to \$353,000 and \$248,000 for the quarters ended September 30, 2010 and 2009, respectively, an increase of \$105,000 or 42.3%. Continued increases in non-performing assets and loan charge-offs have resulted in an increase in the level of allowance for loan losses to total loans receivable to 1.43% as of September 30, 2010 as compared to 1.34% as of June 30, 2010. Nonperforming loans amounted to \$5.0 million and \$3.9 million at September 30, 2010 and June 30, 2010, respectively, an increase of \$1.1 million or 28.2%. Net charge-offs amounted to \$39,000 and \$36,000 for the quarters ended September 30, 2010 and 2009, respectively, an increase of \$3,000. At September 30, 2010, nonperforming assets were 0.98% of total assets and nonperforming loans were 1.67% of net loans. The Company has not been an originator of “no documentation” mortgage loans and the loan portfolio does not include any mortgage loans that the Company classifies as sub-prime.

NONINTEREST INCOME

Noninterest income decreased \$101,000 or 8.4% to \$1.1 million for the quarter ended September 30, 2010 as compared to \$1.2 million for the quarter ended September 30, 2009, which was primarily due to a decrease in service charges on deposit accounts resulting from changes implemented related to the Company’s overdraft protection program. Service charges on deposit accounts decreased \$181,000 which was partially offset by increases in debit card fees and investment services income of \$49,000 and \$19,000, respectively.

NONINTEREST EXPENSE

Noninterest expense increased \$146,000 when comparing the quarters ended September 30, 2010 and 2009 at \$3.5 million and \$3.4 million, respectively. This increase was primarily due to a \$111,000 increase in compensation resulting from the addition of new employees in preparation of the opening of the new Germantown branch in October 2010, and a \$27,000 increase in net expense related to foreclosed assets.

INCOME TAXES

The provision for income taxes directly reflects the expected tax associated with the pre-tax income generated for the given year and certain regulatory requirements. The effective tax rate was 34.3% for the quarter ended September 30, 2010, compared to 34.6% for the quarter ended September 30, 2009.

LIQUIDITY AND CAPITAL RESOURCES

Market risk is the risk of loss in a financial instrument arising from adverse changes in market rates or prices such as interest rates, foreign currency exchange rates, commodity prices, and equity prices. Greene County Bancorp, Inc.’s most significant form of market risk is interest rate risk since the majority of Greene County Bancorp, Inc.’s assets and liabilities are sensitive to changes in interest rates. Greene County Bancorp, Inc.’s primary sources of funds are deposits and proceeds from principal and interest payments on loans, mortgage-backed securities and debt securities, with lines of credit available through the Federal Home Loan Bank and Atlantic Central Bankers Bank as needed. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit outflows, mortgage prepayments, and lending activities are greatly influenced by general interest rates, economic conditions and competition.

Mortgage loan commitments, including construction and land loan commitments, totaled \$9.6 million at September 30, 2010. The unused portion of overdraft lines of credit amounted to \$709,000, the unused portion of home equity lines of credit amounted to \$8.5 million, and the unused portion of commercial lines of credit and commercial loan commitments amounted to \$7.6 million at September 30, 2010. Greene County Bancorp, Inc. anticipates that it will have sufficient funds available to meet current loan commitments based on the level of cash and cash equivalents as well as the available for sale investment portfolio and borrowing capacity.

The Bank of Greene County and Greene County Commercial Bank met all applicable regulatory capital requirements at September 30, 2010 and June 30, 2010. Consolidated shareholders' equity represented 8.7% of total assets at September 30, 2010 and 9.0% of total assets of June 30, 2010.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 4T. Controls and Procedures

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

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

Part II. Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Not applicable to smaller reporting companies.

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

a) Not applicable

b) Not applicable

No shares repurchased during the quarter ended September 30, 2009.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. [Removed and reserved.]

Item 5. Other Information

a) Not applicable

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

Item 6. Exhibits

Exhibits

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

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

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

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

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 12, 2010

By: /s/ Donald E. Gibson

Donald E. Gibson
President and Chief Executive Officer

Date: November 12, 2010

By: /s/ Michelle M. Plummer

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

EXHIBIT 31.1

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

I, Donald E. Gibson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Greene County Bancorp, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this quarterly report, fairly present in all material respects the consolidated financial condition, consolidated results of operations and consolidated cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2010
Donald E. Gibson

/s/ Donald E. Gibson

President and Chief Executive Officer

EXHIBIT 31.2

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

I, Michelle M. Plummer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Greene County Bancorp, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this quarterly report, fairly present in all material respects the consolidated financial condition, consolidated results of operations and consolidated cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2010
Michelle M. Plummer

/s/ Michelle M. Plummer

Executive Vice President, Chief Financial Officer, and Chief Operating Officer

EXHIBIT 32.1

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

Donald E. Gibson, President and Chief Executive Officer, of Greene County Bancorp, Inc. (the "Company") certifies in his capacity as an officer of the Company that he has reviewed the Quarterly Report of the Company on Form 10-Q for the quarter ended September 30, 2010 and that to the best of his knowledge:

1. the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the report fairly presents, in all material respects, the consolidated financial condition and consolidated results of operations of the Company as of the dates and for the periods covered by the report.

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

Date: November 12, 2010
Donald E. Gibson

/s/ Donald E. Gibson
President and Chief Executive Officer

EXHIBIT 32.2

Statement of Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Michelle M. Plummer, Chief Financial Officer, of Greene County Bancorp, Inc. (the "Company") certifies in her capacity as an officer of the Company that he or she has reviewed the Quarterly Report of the Company on Form 10-Q for the quarter ended September 30, 2010 and that to the best of her knowledge:

1. the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the report fairly presents, in all material respects, the consolidated financial condition and consolidated results of operations of the Company as of the dates and for the periods covered by the report.

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

Date: November 12, 2010
Michelle M. Plummer

/s/ Michelle M. Plummer

Executive Vice President, Chief Financial Officer, and Chief Operating Officer

