GREENE COUNTY BANCORP INC
Form 10QSB
May 14, 2002

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

FORM 10-QSB

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

FOR THE QUARTER ENDED MARCH 31, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OF15(d) OF THE SECURITIES EXCHANGE ACT

GREENE COUNTY BANCORP, INC.

(Exact name of small business issuer as specified in its charter)

Commission file number 0-25165

United States	14-1809721
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
302 Main Street, Catskill, New York	12414
(Address of principal executive office)	(Zip code)

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

Check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES X NO________

As of May 10, 2002, the registrant had 2,152,835 shares of common stock issued at $ .10 par value, and 2,022,135 were outstanding.

GREENE COUNTY BANCORP, INC.

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Greene County Bancorp, Inc.
Consolidated Statements of Financial Condition
As of March 31, 2002 and June 30, 2001

ASSETS	March 31, 2002 (Unaudited)
ASSETS	
Cash and due from banks	$ 6,078,926
Federal funds sold	10,934,357
Total cash and cash equivalents	17,013,283

Investment securities, at fair value	60,479,375
Federal Home Loan Bank stock, at cost	1,121,100
Loans	126,784,566
Less: Allowance for loan losses	(1,028,731)
Unearned origination fees and costs, net	(277,377)
Net loans receivable	125,478,458
Premises and equipment	5,028,613
Accrued interest receivable	1,394,710
Prepaid expenses and other assets	347,863
Other real estate owned	30,229
Total assets	$210,893,631
LIABILITIES AND SHAREHOLDERS' EQUITY	
Non-interest bearing deposits	$20,062,136
Interest bearing deposits	155,611,055
Total deposits	175,673,191
Borrowings from FHLB	9,000,000
Accrued expenses and other liabilities	650,819
Accrued income taxes	123,680
Total liabilities	185,447,690
Shareholders' equity	
Preferred stock, Authorized:1,000,000 shares at March 31,2002 and June 30, 2001;	---
Common stock, par value $.10 per share; Authorized:12,000,000 shares at March 31, 2002 and June 30, 2001; Issued: 2,152,835 shares at March 31, 2002 and June 30, 2001; Outstanding: 2,022,135 shares at March 31, 2002; 2,040,355 shares at June 30, 2001	215,284
Additional paid-in capital	10,085,762
Retained earnings	16,704,774
Accumulated other comprehensive income	447,414
Less: Treasury stock, at cost 130,700 shares at March 31, 2002; and 112,480 shares at June 30, 2001,	(1,400,444)
Unearned stock-based compensation	(171,045)
Unearned ESOP shares at cost, 49,972 shares at March 31, 2002;and 58,516 shares at June 30, 2001,	(435,804)
Total shareholders' equity	25,445,941
Total liabilities and shareholders' equity	$210,893,631

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Three Months Ended March 31, 2002 and 2001
(Unaudited)

	2002
Interest income:	
Loans	$2,298,935
Investment securities	455,109
Mortgage-backed securities	212,168
Tax free securities	108,100
Interest bearing deposits and federal funds sold	56,805
Total interest income	3,131,117
Interest expense:	
Interest on deposits	1,085,708
Interest on borrowings	102,439
Total interest expense	1,188,147
Net interest income	1,942,970
Less: Provision for loan losses	60,000
Net interest income after provision for loan losses	1,882,970
Non-interest income:	
Service charges on deposit accounts	297,633
Other operating income	197,486
Total non-interest income	495,119
Non-interest expense:	
Salaries and employee benefits	831,563
Occupancy expense	94,588
Equipment and furniture expense	117,343
Service and data processing fees	160,133
Office supplies	33,126
Other	533,109
Total non-interest expense	1,769,862
Income before provision for income taxes	608,227
Provision for income taxes	140,500
Net income	$467,727
Basic EPS	$0.24
Basic average shares outstanding	1,955,078
Diluted EPS	$0.23

Diluted average shares outstanding	2,013,215

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Nine Months Ended March 31, 2002 and 2001
(Unaudited)

	2002
Interest income:	
Loans	$6,736,453
Investment securities	1,474,842
Mortgage-backed securities	510,405
Tax free securities	325,388
Interest bearing deposits and federal funds sold	275,448
Total interest income	9,322,536
Interest expense:	
Interest on deposits	3,493,245
Interest on borrowings	274,088
Total interest expense	3,767,333
Net interest income	5,555,203
Less: Provision for loan losses	158,900
Net interest income after provision for loan losses	5,396,303
Non-interest income:	
Service charges on deposit accounts	786,531
Other operating income	524,794
Total non-interest income	1,311,325
Non-interest expense:	
Salaries and employee benefits	2,460,858
Occupancy expense	274,203
Equipment and furniture expense	335,422
Service and data processing fees	468,698
Office supplies	109,737
Other	1,447,727
Total non-interest expense	5,096,645
Income before provision for income taxes	1,610,983
Provision for income taxes	417,900

Net income	$1,193,083
Basic EPS	$0.61
Basic average shares outstanding	1,959,546
Diluted EPS	$0.59
Diluted average shares outstanding	2,012,285

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2002 and 2001
(Unaudited)

	2002
Net income	$467,727
Other comprehensive (loss) / income:	
Unrealized holding (loss) / gain arising during the three months ended March 31, 2002 and 2001, net of tax benefit / (expense) of $196,712 and ($298,179), respectively.	(295,069)
Total other comprehensive (loss) / income	(295,069)
Comprehensive (loss)/ income	$172,658

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Nine Months Ended March 31, 2002 and 2001
(Unaudited)

	2002
Net income	$1,193,083

Other comprehensive income:	
Reclassification adjustment, net of income tax expense ($12,712)	---
Unrealized holding (loss)/ gain arising during the nine months ended March 31, 2002 and 2001, net of tax benefit / (expense) of $34,407 and ($743,008), respectively.	(51,608)
Total other comprehensive (loss)/ income	(51,608)
Comprehensive income	$1,141,475

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Nine Months Ended March 31, 2002 and 2001

	Capital Stock	Additional Paid - In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Un Stoc Comp
Balance at June 30, 2000	$215,284	$10,319,859	$15,526,092	($524,546)	($1,019,976)	($
ESOP shares earned		58				
Stock-based compensation earned						
MRP shares issued		(115,928)			115,928	
Treasury stock repurchased					(171,875)	
Dividends paid			(493,305)			
Net income			673,866			
Change in unrealized gain, net				1,057,189		
Balance at March 31, 2001	$215,284	$10,203,989	$15,706,653	$532,643	($1,075,923)	($

Balance at June 30, 2001	$215,284	$10,188,573	$15,993,025	$499,022	($1,075,923)	($
ESOP shares earned		25,988				
Options exercised		(28,125)			105,930	
MRP shares issued		(100,674)			100,674	
Stock-based compensation earned						
Treasury stock repurchased					(531,125)	
Dividends paid			(481,334)			
Net income			1,193,083			
Change in unrealized (loss), net				(51,608)		
Balance at March 31, 2002	$215,284	$10,085,762	$16,704,774	$447,414	($1,400,444)	($

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Cash Flows
For the Nine Months Ended March 31, 2002 and 2001

	2002
Cash flows from operating activities:	
Net Income	$1,193,083
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	340,175
Net, accretion of discounts	(2,774)
Provision for loan losses	158,900
ESOP and other stock-based compensation earned	145,530
Loss on sale of investments	---
Net gain on sale of other real estate	(22,945)
Net (decrease)increase in accrued income taxes	(71,966)
Net increase in accrued interest receivable	(37,471)
Net increase in prepaid and other assets	(58,949)
Net increase (decrease) in other liabilities	62,188
Net cash provided by operating activities	1,705,771
Cash flows from investing activities:	
Proceeds from maturities of securities	4,155,123

Proceeds from sale of securities and other investments	---
Purchases of securities and other investments	(8,736,012)
Principal payments on securities	2,611,077
Principal payments on mortgage-backed securities	3,297,436
Purchases of mortgage-backed securities	(13,209,625)
Proceeds from sale of other real estate	110,144
Net increase in loans receivable	(15,967,546)
Purchases of premises and equipment	(303,466)
Net cash used in investing activities	(28,042,869)
Cash flows from financing activities:	
(Payments to)/ borrowings from FHLB	4,000,000
Dividends paid	(481,334)
Repurchase of common stock	(531,125)
Proceeds from exercised options	77,805
Net increase in deposits	21,480,677
Net cash provided by financing activities	24,546,023
Net decrease in cash and cash equivalents	(1,791,075)
Cash and cash equivalents at beginning of period	18,804,358
Cash and cash equivalents at end of period	$17,013,283

See notes to consolidated financial statements.

Greene County Bancorp, Inc. Notes to Financial Statements As of and for the Three and Nine Months Ended March 30, 2002 and 2001

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Greene County Bancorp, Inc. (the "Company") and its wholly owned subsidiary, The Bank of Greene County (the "Bank"). The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. To the extent that information and footnotes required by GAAP for complete financial statements are contained in or are consistent with the audited financial statements incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended June 30, 2001, such information and footnotes have not been duplicated herein. In the opinion of management, all adjustments (consisting of only normal recurring items) necessary for a fair presentation of the financial position and results of operations and cash flows 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 and nine months ended March 31, 2002 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2002.

The Company's critical accounting policy relates to the allowance for losses on loans. It is based on management's opinion of an amount that is intended to absorb losses in the existing portfolio. The allowance for losses on loans is established through a provision for loss based on management's evaluation of the risk inherent in the loan portfolio, the composition of the portfolio, specific impaired loans and current economic conditions. Such evaluation, which includes a review of all loans of which full collectability may not be reasonably assured, considers among other matters, the estimated net realizable value or the fair value of the underlying collateral, economic conditions, historical loan loss experience, management's estimate of probable credit losses and other factors that warrant recognition in providing for the loan loss allowance.

(2) Nature of Operations

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

(3) Use of Estimates

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

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

(4) Charter Conversion

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

Among other things, the charter conversions permit the MHC to waive the receipt of dividends paid by the Company without causing dilution to the ownership interest of the Company's shareholders other then the MHC ("Minority

Shareholders") in the event of a conversion of the MHC to stock form. The waiving of dividends will increase Company resources available for stock repurchases, payment of dividends to Minority Shareholders, and investments.

As a financial institution subsidiary of the Company following the charter conversion, the Bank must maintain at least 65% of its "portfolio assets" (total assets minus goodwill and other intangible assets, office property and specified liquid investments up to 20% of total assets) in certain "qualified thrift investments" (primarily loans to purchase, refinance, construct, improve or repair domestic residential housing, home equity loans, securities backed by or representing an interest in mortgages on domestic residential housing, and Federal Home Loan Bank stock) in at least 9 months out of every 12 month period. A savings institution that fails the qualified thrift lender test is subject to certain operating restrictions and may be required to convert to a bank charter. At March 31, 2002, the Bank maintained 74.5% of its portfolio assets in qualified thrift investments.

(5) Earnings Per Share

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

	Net Income	Weighted Average Number of Shares Outstanding	Earnings Per Shar
Three Months Ended			
March 31, 2002:	$467,727		
Basic EPS		1,955,078	$0.24
Diluted EPS		2,013,215	$0.23
March 31, 2001:	$212,580		
Basic EPS		1,974,262	$0.11
Diluted EPS		2,000,924	$0.11
Nine Months Ended			
March 31, 2002:	$1,193,083		
Basic EPS		1,959,546	$0.61
Diluted EPS		2,012,285	$0.59
March 31, 2001:	$673,866		
Basic EPS		1,977,255	$0.34
Diluted EPS		1,994,882	$0.34

(6) Dividends

The Board of Directors approved a semi-annual $0.25 cash dividend on July 18, 2001, for shareholders of record August 15, 2001, payable September 1, 2001. In addition, on January 15, 2002, the Board of Directors declared a semi-annual cash dividend of $0.28 per share of the Company's common stock. The dividend reflects an annual cash dividend rate of $0.56 per share, which represents an increase from the previous annual cash dividend rate of $.50 per share. The dividend was payable to shareholders of record as of February 15, 2002, and paid on March 1, 2002.

(7) Impact of Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement No. 141, "Business Combinations", which requires all business combinations to be accounted for under the purchase method of accounting, thus eliminating the pooling of interest method of accounting. The adoption of this statement in fiscal 2002 will have no impact on the Company's consolidated financial statements.

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

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

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

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

General

The Company's results of operations depend primarily on its net interest income, which is the difference between the income earned on the Company's loan and securities portfolios and its cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by the Company's provision for loan losses, income and expense pertaining to other real estate owned, gains and losses from sales of securities, non-interest income and non-interest expense. Non-interest income consists primarily of fees and service charges. The Company's non-interest expense consists principally of compensation and employee benefits, occupancy, equipment and data processing, and other operating expenses. Results of operations are also significantly affected by general economic and competitive conditions, changes in interest rates, as well as government policies and actions of regulatory authorities. Additionally, future changes in applicable law, regulations or government policies may materially affect the Company.

Special Note Regarding Forward Looking Statements

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

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

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

Comparison of Financial Condition as of March 31, 2002 and June 30, 2001

ASSETS. Total assets increased to $210.9 million at March 31, 2002 from $185.1 million at June 30, 2001, an increase of $25.8 million, or 13.9%. The increase in assets was primarily due to loan and investment growth that was funded by increases in interest-bearing deposits, decreases in federal funds holdings and additional borrowings from the FHLB. The merger of a local competitor with an out-of-area institution has continued to help in efforts to promote the Bank's lending and deposit products.

CASH AND CASH EQUIVALENTS. Cash and due from banks decreased $1.8 million, or 9.6%, to $17.0 million at March 31, 2002 from $18.8 million at June 30, 2001. The level of cash and due from banks results from fluctuations due to normal deposit account clearing activities and vault cash needs, based on customer cash needs. Federal funds sold decreased to $10.9 million at March 31, 2002 from $13.5 million at June 30, 2001, a decrease of $2.6 million, or 19.3%. Federal funds sold are partially a function of account clearing needs and deposit levels, which can fluctuate significantly on a daily basis. However, during the nine month period ended March 31, 2002, management attempted to invest in higher yielding investment securities while maintaining adequate liquidity to fund loan growth.

INVESTMENT SECURITIES. Investment securities increased to $60.5 million at March 31, 2002 from $48.9 million at June 30, 2001, an increase of $11.6 million, or 23.7%. Purchases were made of $21.9 million of investment securities as follows; $13.2 million of U.S. agency mortgage-backed securities; $8.0 million of callable U.S. agency securities and the remaining $700,000 of various other types of investment securities. These purchases were offset by maturities and principal pay-downs. Maturities amounted to $4.1 million and pay-downs amounted to $5.9 million during the nine-month period ended March 31, 2002. Net premium and discount and changes in the market value of the investments represented the remainder of the changes. As a result of these activities the investment portfolio mix shifted. Mortgage-backed securities represented $18.1 million, or 29.9%, of the investment portfolio at March 31, 2002, as compared to $8.8 million, or 18.0%, of the portfolio at June 30, 2001. Corporate securities represented $21.5 million, or 35.7%, of the portfolio at March 31, 2002 as compared to $23.4 million, or 47.9%, of the portfolio at June 30, 2001. U.S. government agencies represented $8.9 million, or 14.7%, of the portfolio at March 31, 2002, as compared to $1.8 million, or 3.7%, as of June 30, 2001. Change in the interest rate environment and economic conditions, as well as the availability of securities contributed to the decisions to shift the portfolio mix.

During the nine months ended March 31, 2002, the Bank pledged $200,000 of state and political securities as required by a local community organization that occasionally maintains more than $100,000 in deposits that would be insured by FDIC insurance.

(Dollars Rounded to nearest thousand)

	Market value at Mar. 31, 2002	Percentage of portfolio	Market value at June 30, 2001
U.S. Treasuries	$---	0.0%	$1,005
U.S. Government Agencies	8,890	14.7%	1,794
State and political subdivisions	9,329	15.4%	9,420
Mortgage-backed securities	18,098	29.9%	8,783
Asset-backed securities	1,411	2.3%	3,300
Corporate debt securities	21,549	35.7%	23,432
Total debt securities	59,277	98.0%	47,734
Equity securities and other	1,202	2.0%	1,141
Total available-for-sale securities	$60,479	100.0%	$48,875

LOANS. Net loans receivable increased to $125.5 million at March 31, 2002 from $109.8 million at June 30, 2001, an increase of $15.7 million, or 14.3%. The increase in loans was a result of the generally decreasing market interest rate environment that increased customer demand, particularly for fixed-rate residential mortgage loans. There has been a decrease in demand for consumer installment loans since the tragedy of September 11, 2001, as such installment loans which represented 4.5%, or $5.6 million of the portfolio at March 31, 2002 as compared to 5.5%, or $6.1 million at June 30, 2001. A factor contributing to the increase in the Bank's market share of the local lending demand was a merger of a former competitor with an out-of-area institution. Growth primarily occurred in commercial real estate mortgages and residential real estate mortgages, which includes construction loans. Residential real estate mortgages increased to $101.2 million at March 31, 2002, an increase of $11.7 million, or 13.0%. The majority of the increase in residential real estate occurred in the conventional fixed rate product which increased $10.4 million, or 14.1%, to $83.9 million over the nine-month period ended March 31, 2002. Construction loans for residential real estate also increased $1.9 million to $3.9 million at March 31, 2002. These increases were partially offset by a decrease in variable rate residential mortgages. The Bank has experienced some increase in refinancing activity particularly in the quarter ended March 31, 2002. Fixed rate commercial real estate loans also increased $2.5 million, or 81.4%, to $5.5 million at March 31, 2002 as compared to $3.0 million at June 30, 2001. This increase in fixed rate commercial mortgages influenced the shift in the portfolio composition and mix more than any other fluctuation. Commercial real estate represented 4.7% for the loan portfolio at June 30, 2001, and has grown to represent 6.4% of the portfolio at March 31, 2002. This shift was due in part to business development efforts to attract commercial customers to the various products and services offered by the Bank.

(Dollars Rounded to nearest thousand)

	At Mar. 31, 2002	Percentage Of portfolio	At June 30, 2001	Percentag of portfoli
Real estate mortgages				
Residential	$101,191	79.8%	$89,528	80.7%
Commercial	8,143	6.4%	5,239	4.7%
Home equity loans	6,793	5.4%	6,138	5.6%
Commercial loans	4,470	3.5%	3,291	3.0%
Installment loans	5,633	4.5%	6,128	5.5%
Passbook loans	554	0.4%	596	0.5%
Total loans	$126,784	100.0%	$110,920	100.0%

ALLOWANCE FOR LOAN LOSS. The allowance for loan loss is established through a provision for loan losses based on management's evaluation of the known losses or inherent losses in the loan portfolio that are both probable and reasonable to estimate. 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 the loan loss allowance. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses and valuation of OREO. Such agencies may require the Bank to recognize additions to the allowance based on their judgment about information available to them at the time of their examination. The allowance for loan losses is increased by a provision for loan losses (which results in a charge to expense) and is reduced by net charge-offs. Management will continue to monitor and modify the level of the allowance for loan losses in order to maintain it at a level which management intends to provide for potential loan losses. The level of allowance for loan losses has been affected by the growth in the overall loan portfolio as well as growth in the commercial- type loans.

In October 2001, the Bank offered a new product called Carefree Overdraft Protection, which permits the overdrawing of checking accounts to various levels based on the account type, and customer history. Consequently, the Bank extended more credit on checking and NOW accounts than in the past and an increase in the allowance for loan losses was established of $23,900, which contributed to the overall increase in the size of the provision and the allowance itself.

	Nine-Months Ended March 31, 2002	Fiscal Yea June 3
Balance at the beginning of the period	$886,081	$866
Charge-offs:		
Commercial real estate mortgage loans	---	26
Home equity loans	2,380	
Installment loans to individuals	27,774	50
Total loans charged off	30,154	76
Recoveries:		
Installment loans to individuals	13,904	36
Total recoveries	13,904	36
Net charge-offs	16,250	40
Provisions charged to operations	158,900	60
Balance at the end of the period	$1,028,731	$886
Ratio of net charge-offs to average loans outstanding	0.01%	0
Ratio of net charge-offs to nonperforming assets	12.15%	5
Allowance for loan loss to nonperforming loans	994.18%	119
Allowance for loan loss to net loans	0.82%	0

Nonaccrual Loans and Nonperforming Assets Loans are reviewed on a regular basis. Management determines that a loan is impaired or nonperforming when it is probable at least a portion of the loan will not be collected due to an irreversible deterioration in the financial condition of the borrower or the value of the underlying collateral. When a loan is determined to be impaired, the measurement of the loan is based on the present value of estimated future cash flows, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral. Management places loans on nonaccrual status once the loans have become over 90 days delinquent. Nonaccrual is defined as a loan in which collectibility is questionable and therefore interest on the loan will no longer be recognized on an accrual basis. A loan does not have to be 90 days delinquent in order to be classified as nonperforming. OREO is considered nonperforming. The Bank had no accruing loans delinquent more than 90 days at March 31, 2002 or June 30, 2001. The relatively low level of nonaccrual loans at March 31, 2002 was not considered to be sustainable or truly representative of the level of losses inherent in the portfolio as such management did not feel an adjustment to the level of allowance for loan loss or provision was prudent at this time.

Analysis of Nonaccrual Loans and Nonperforming Assets

	At March 31, 2002	At June 30, 2
Nonaccruing loans:		
Real estate mortgage loans		
Residential mortgages loans (one- to four-family)	$59,267	$660,607
Commercial mortgage loans	---	71,711
Home equity	---	2,380
Installment loans to individuals	44,208	8,770
Total nonaccruing loans	103,475	743,468
Real Estate Owned:		
Residential mortgages loans (one- to four-family)	---	---
Commercial mortgage loans	30,229	30,229
Total real estate owned	30,229	30,229
Total nonperforming assets	$133,704	$773,697
Total nonperforming assets as a percentage of total assets	0.06%	0.42%
Total nonperforming loans to total gross loans	0.08%	0.67%

DEPOSITS. Total deposits increased to $175.7 million at March 31, 2002 from $154.2 million at June 30, 2001, an increase of $21.5 million, or 13.9%. Growth has occurred in all deposit products during the nine month period ended March 31, 2002. Savings accounts increased most significantly to $65.4 million at March 31, 2002 as compared to $57.0 million at June 30, 2001, an increase of $8.4 million, or 14.7%. Certificates of deposit accounts also increased significantly to $63.5 million at March 31, 2002 from $58.1 million at June 30, 2002, an increase of $5.4 million, or 9.3%. It should be noted that the relative mix of the deposit base remained relatively consistent between March 31, 2002 and June 30, 2001. There were no significant shifts between product types. However, it appears that the length of maturity of the average certificate of deposit has shortened to one year or less. This was a result of the declining and relatively low interest rate environment experienced during this time frame. Management was able to widen net interest margins and spreads as a result of the lower interest rate environment. The Bank has been successful in marketing its products and services to local commercial accounts which has contributed to growth in money market and checking accounts. A shift in the level of investment in the stock market to more conservative investment alternatives such as cash accounts appears to have enhanced deposit growth.

(Dollars Rounded to nearest thousand)

	At March 31, 2002	Percentage of portfolio	At June 30, 2001	Perce of por
Non-interest bearing deposits	$20,062	11.4%	$18,418	11
Certificates of deposit	63,486	36.1%	58,113	37
Savings deposits	65,428	37.3%	57,021	37
Money market deposits	13,315	7.6%	9,194	6
NOW deposits	13,382	7.6%	11,446	7
Total deposits	$175,673	100.0%	$154,192	100

BORROWINGS FROM FHLB. The Bank borrowed an additional $4.0 million from FHLB during the quarter ended March 31, 2002, which brought total borrowings to $9.0 million. The proceeds from the additional borrowing were used to fund an investment security purchase.

At March 31, 2002, the Bank had the following borrowings:

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

ACCRUED EXPENSES AND OTHER LIABILITIES. At March 31, 2002 and June 30, 2001 accrued expenses and other liabilities amounted to approximately $0.6 million. There were no significant fluctuations in these categories. Deferred tax liabilities associated with unrealized gains on the available-for-sale investment portfolio represent the largest portion of accrued expenses and other liabilities.

SHAREHOLDERS' EQUITY. Shareholders' equity increased by $352,000, or 1.4%, due to net income of $1.2 million, which was partially offset by dividends paid of $481,000. Treasury stock increased to $1,400,444 due to repurchases of 37,500 shares of common stock at an average cost of $14.16 per share at an aggregate cost of $531,000. These purchases were offset by 9,880 options being exercised during the nine month period ended March 31, 2002. Also, 9,400 common stock shares vested in association with the 2000 Recognition and Retention Plan further offsetting stock repurchases. The issuance of the shares in association with the stock compensation plans also caused corresponding changes in additional paid-in capital. The remaining changes in equity are due to amortization of compensation expense associated with the Employee Stock Ownership Plan ("ESOP").

Comparison of Operating Results for the Three and Nine Months Ended March 31, 2002 and 2001

INTEREST INCOME. Total Interest income increased by $766,000, or 9.0%, to $9.3 million for the nine months ended March 31, 2002 as compared to $8.6 million for the nine months ended March 31, 2001. Total interest income increased by $223,000, or 7.7%, to $3.1 million for the quarter ended March 31, 2002 as compared to $2.9 million for the quarter ended March 31, 2001. For the nine-month period ended March 31, 2002, as compared to the nine-month period ended March 31, 2001 the most significant factor contributing to the increase in interest income was the increase in the average balance of loans outstanding during the nine-month period. The average balance of loans for the nine-month period ended March 31, 2002, amounted to $119.0 million as compared to $100.5 million for the nine-month period ended March 31, 2001, an increase of $18.5 million. The increase in average balance of loans was partially offset by decreases in the yield on such loans by 18 basis points to 7.55% for the nine-month period ended March 31, 2002 as compared to 7.73% for the nine-month period ended March 31, 2001. The average balance of loans increased during the quarter-ended March 31, 2002 to $123.7 million as compared to $103.2 million for the quarter-ended March 31, 2001. The average rate on such loans decreased 32 basis points for the quarter-ended March 31, 2002 to 7.43% as compared to 7.75% for the quarter-ended March 31, 2001.

The increases in interest income from loans for the quarter and nine-month period ended March 31, 2002 of $299,000 and $909,000, respectively, were offset by decreases in interest income on investment securities, except mortgage-backed securities, and interest-bearing deposits and federal funds sold. Decreases in the federal funds rate most significantly effected the overall decrease in interest income. The average yield on federal funds balances decreased 383 basis points when comparing the nine-month periods ended March 31, 2002 and 2001. Correspondingly, the average yield on federal funds balances decreased 323 basis points when comparing the quarters ended March 31, 2002 and 2001. The yield on investment securities also decreased; however, these decreases were partially offset by increases in the overall investment portfolio size. The average balance of investment securities increased to $52.4 million for the nine-month period ended March 31, 2002 as compared to $49.6 million for the nine-month period ended March 31, 2001, an increase of $2.8 million, or 5.6%. The yield on such investments decreased 34 basis points to 5.81% for the nine months ended March 31, 2002 as compared to 6.15% for the nine months ended March 31, 2001. When comparing the quarter ended March 31, 2002 to March 31, 2001 the average balance of investment securities increased $8.7 million to $57.5 million. This increase in average balance of investment securities was offset by a decrease in yield of 92 basis points to 5.33%.

The decreases in yield on the various types of interest-earning assets discussed above were primarily a result of the generally declining interest rate environment experienced between March 31, 2001 and March 31, 2002. The lower interest rate environment was a result of the Federal Reserve Board's actions aimed to address the generally slowing U.S. economy.

INTEREST EXPENSE. Interest expense decreased by $353,000, or 8.6%, to $3.8 million for the nine month period ended March 31, 2002 as compared to $4.1 million for the nine month period ended March 31, 2001. Total interest expense decreased $184,000 or 13.4% to $1.2 million for the quarter ended March 31, 2002 as compared to $1.4 million for the quarter ended March 31, 2001.

The most significant factor contributing to the decrease in interest expense on borrowings of $226,000 was a $3.7 million decrease in average borrowing outstanding to $6.3 million for the nine month period ended March 31, 2002 as compared to $10.0 million for the nine month period ended March 31, 2001. The average rate paid on such borrowings decreased 90 basis points to 5.77% for the nine months ended March 31, 2002 as compared to 6.67% for the nine months ended March 31, 2001. Interest expense associated with borrowings decreased by $60,000 when comparing the quarter ended March 31, 2002 as compared to the quarter ended March 31, 2001. The decrease in expense associated with such borrowings was primarily the result of a decrease in the average balance outstanding to $9.0 million for the quarter ended March 31, 2002 as compared to $10.0 million for the quarter ended March 31, 2001. Also, affecting the quarter end interest related to borrowings was a decrease of 193 basis points to 4.55% for the quarter ended March 31, 2002 as compared to 6.48% for the quarter ended March 31, 2001.

Interest expense was also affected by the change in volume and rate associated with savings accounts. The average balance of all savings account types increased to $71.0 million for the nine months ended March 31, 2002 as compared to $59.8 million for the nine months ended March 31, 2001, an increase of $11.2 million, or 18.7%. The average rate on these savings accounts decreased 78 basis points when comparing the nine months ended March 31, 2002 to March 31, 2001 at 2.40% and 3.18%, respectively. Changes in volume and rate also contributed to the decrease in overall interest expense on deposits for the quarter ended March 31, 2002 as compared to the quarter ended March 31, 2001. The average balance on savings accounts increased $14.8 million, to $74.6 million for the quarter ended March 31, 2002 as compared to $59.8 million for the quarter ended March 31, 2001. The increase due to increased volume was offset by a 87 basis point decrease in rate to 2.23% for the quarter ended March 31, 2002 as compared to 3.10% for the quarter ended March 31, 2001.

Changes in volume and rates associated with certificates of deposit also affected the overall change in interest expense for the nine months ended March 31, 2002 when compared to the nine months ended March 31, 2001. The average balance of certificates of deposit increased to $62.3 million for the nine months ended March, 31, 2002 as compared to $52.0 million for the nine months ended March 31, 2001, a increase of $10.3 million. The decrease in rate of 81 basis points to 4.47% for the nine months ended March 31, 2002 from 5.28% for the nine months ended March 31, 2001 partially offset the effect of the increase in volume. Correspondingly, the decrease in rate on certificates of deposit of 128 basis points to 3.98% for the quarter ended March 31, 2002 as compared to 5.25% for the quarter ended March 31, 2001 contributed to the overall decrease in interest expense when comparing quarters ended March 31, 2002 to March 31, 2001.

Interest expense associated with NOW and demand accounts had little affect on the overall interest expense when comparing both the nine months and quarters ended March 31, 2002 and 2001. The volume of NOW and demand accounts increased $8.4 million, to $31.7 million, when comparing the nine months ended March 31, 2002 to March 31, 2001 and $8.3 million, to $33.0 million, when comparing the quarters ended March 31, 2002 to March 31, 2001. These increases in volume were offset by corresponding decreases in the average rate paid for such periods. The average rate on NOW and demand accounts decreased 23 basis points when comparing the nine months ended March 31, 2002 to March 31, 2001. Correspondingly, the average rate on NOW and demand accounts decreased 26 basis points when comparing quarters ended March 31, 2002 and 2001.

The above mentioned changes in rate were primarily affected by the general overall lower interest rate environment experienced during the nine months and quarters ended March 31, 2002 as compared to March 31, 2001. The changes in volume were associated with the changes in investor confidence in the stock market, the competitive environment in which the Bank operates and overall changes in economic conditions in the Bank's market area.

NET INTEREST INCOME. Net interest income is a function of interest income and interest expense. As a result of changes in interest-earning assets and interest-bearing liabilities and the corresponding yield and rates on such, net interest spread increased to 3.74% for the nine months ended March 31, 2002 as compared to 3.39% for the nine-months ended March 31, 2001, an improvement of 35 basis points. Also, net interest margin increased to 3.97% for the nine-month period ended March 31, 2002 as compared to 3.70% for the nine-month period ended March 31, 2001, an improvement of 27 basis points. Net interest spread increased to 3.79% for the quarter ended March 31, 2002 as compared to 3.43% for the quarter ended March 31, 2001, an improvement of 36 basis points. Also, net interest margin increased to 3.99% for the quarter ended March 31, 2002 as compared to 3.75% for the quarter ended March 31, 2001, an improvement of 24 basis points. The improvement in net interest income was one of the primary reasons for the overall improvement in net income.

PROVISIONS FOR LOAN LOSSES. The Company establishes provisions for loan losses, which are charged to operations, in order to maintain the allowance for loan losses at a level that is intended to absorb future charge-offs and loans deemed uncollectible. In determining the intended level of the allowance for loan losses, management considers past and anticipated loss experience, collateral values, current and anticipated economic conditions, volume and type of lending activities and the level of non-performing and other classified loans. Management has also added a component to the allocation of the allowance for loan losses to correspond to the estimated potential risk involved in the new Carefree Overdraft Privilege facility offered to various customers of the Bank. The allowance is based on estimates and the ultimate losses may vary from such estimates. Management of the Company assesses the allowance for loan losses on a quarterly basis and makes provisions for loan losses in order to maintain the intended level of the allowance to reflect known and inherent losses that are both probable and reasonable to estimate.

Provisions for loan losses for the nine-month period ended March 31, 2002 amounted to $158,900 as compared to $45,000 for the nine-month period ended March 31, 2001. Provisions for loan losses for the quarter ended March 31, 2002 amounted to $60,000 as compared to $15,000 for the quarter ended March 31, 2001. The reasons for the change in provision included the additional risk assessment associated with the new Carefree Overdraft Privilege product, the changes required because of a shift in the loan portfolio to more commercial real estate mortgages and commercial loans than in prior periods as well as requirements due to the growth of the overall loan portfolio. Management recognizes the decrease in non-performing loans to an all time low for the quarter ended March 31, 2002, but does not believe that this level is indicative of the potential risk of loss in the portfolio. However, management will continue to monitor the level of delinquency and will make adjustments to the level of allowance for loan loss if it is required. Management has made a concerted effort to monitor delinquency during this down turn in the national economy.

NON-INTEREST INCOME. Non-interest income amounted to $1.3 million for the nine month period ended March 31, 2002 as compared to $786,000 for the prior year nine month period ended March 31, 2001, an increase of $526,000 or 66.9%. Non-interest income was $495,000 for the quarter ended March 31, 2002 as compared to $234,000 for the prior year quarter ended March 31, 2001, an increase of $261,000 or 111.5%. One item which impacted both the nine month period and quarter ended March 31, 2002 was the introduction of the Carefree Overdraft Privilege product, in October 2001. The same fee that would apply to a check drawn on insufficient funds or an uncollected item is charged when the overdraft privilege is used; however, in this case the customers' check is not returned, but paid and a fee is collected. The product has proven to be successful in terms of increased non-interest income and customer satisfaction. Fees associated with and revenue produced from charging for non-customer use of the Bank's ATM machines, merchant debit card processing and various fees continue to grow as the Bank's customer base grows and new branches begin to prosper. During the prior year quarter ended March 31, 2001, an item contributing to the level of other income was a gain on the sale of an investment security of $44,000, as well as a gain of $17,000 recognized on a sale of REO property. Another gain of approximately $21,000 was recognized during the quarter ended March 31, 2002 on the sale of REO property. The associated REO property disposed of during the quarter ended March 31, 2002 had been acquired since fiscal year end June 30, 2001.

NON-INTEREST EXPENSE. Non-interest expense increased to $5.1 million for the nine month period ended March 31, 2002 as compared to $4.3 million for the nine month period ended March 31, 2001, an increase of $0.8 million, or 18.6%. Non-interest expense amounted to $1.8 million for the quarter ended March 31, 2002 as compared to $1.5 million for the quarter ended March 31, 2001, an increase of $263,000, or 17.4%. Salaries and employee benefits increased $275,000, or 12.6%, for the nine-month period ended March 31, 2002 and $76,000, or 10.0%, for the quarter ended March 31, 2002 as compared to the prior year same nine-month period and quarter, as a result of annual raises and increased costs of health care and retirement plan coverage. Some additional expenses for vesting in certain stock compensation benefits were recognized in association with the retirement of the former Treasurer of the Bank. Increased expenses associated with service fees and data processing and a portion of the other operating expenses are directly related to the increase in the volume of loan and deposit accounts at the Bank. It should be noted that the Bank's data processing provider recently merged with another entity, which could potentially impact the level and rate of expenses associated with these core processing functions in the future. Some items contributing to the category of other non-interest expense include telephone, postage, courier and insurance and are directly related to the growth in the institution. Other non-interest expense include such items as professional and consulting fees which fluctuate depending upon the various projects being undertaken by the institution. A consultant was used to assist in the development and implementation of the Carefree Overdraft Privilege product which has received and will continue to receive remuneration based on the success of the product over the year-long implementation phase.

INCOME TAXES. The provision for income taxes directly reflects the expected tax associated with the revenue generated for the given year and certain regulatory requirements. Income tax expense for the nine month period ended March 31, 2002 was $418,000 which represented an effective rate of 25.9% as compared to $208,000 which represented an effective rate of 23.6% for the same nine month period the prior year.

NET INCOME. Net income increased to $1.2 million of the nine months ended March 31, 2002 as compared to $674,000 for the nine months ended March 31, 2001, an increase of $519,000 or 77.0%. As a result of the changes in net income annualized return on average assets increased to 0.80% for the nine months ended March 31, 2002 as compared to 0.53% for the nine months ended March 31, 2001. Annualized return on average equity also improved to 6.26% for the nine months ended March 31, 2002 as compared to 3.45% for the nine months ended March 31, 2001.

Net income for the quarter ended March 31, 2002, amounted to $468,000 as compared to $213,000 for the quarter ended March 31, 2001, an increase of $255,000 or 119.7%. As a result of the changes in net income annualized return on average assets increased to 0.90% for the quarter ended March 31, 2002 as compared to 0.49% for the quarter ended March 31, 2001. Annualized return on average equity also improved to 7.35% for the quarter ended March 31, 2002 as compared to 3.45% for the quarter ended March 31, 2001.

Item 3. Market Risk

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

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

Mortgage loan commitments totaled $2.4 million and loans in process amounted to $1.6 million at March 31, 2002. The unused portion of overdraft lines of credit amounted to $0.8 million, the unused portion of home equity lines of credit amounted to $1.0 million, and the unused portion of commercial lines of credit amounted to $1.4 million at March 31, 2002. The Company anticipates that it will have sufficient funds available to meet current loan commitments based on the level of cash and cash equivalents as well as the available for sale investment portfolio and ability to borrow from the FHLB.

The Bank met all capital regulatory at March 31, 2002 and 2001. Shareholders' equity represented 12.1% of total assets at March 31, 2002 and 13.6% of total assets at June 30, 2001.

Part II. Other Information

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

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

Item 3. Defaults Upon Senior Securities
Not applicable

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

Item 5. Other Information
Not applicable

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

SIGNATURES

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

Greene County Bancorp, Inc.

Date: May 14, 2002

By: /s/ J. Bruce Whittaker

J. Bruce Whittaker
President and Chief Executive Officer

Date: May 14, 2002

By: /s/ Michelle Plummer

Michelle Plummer
Chief Financial Officer