GREENE COUNTY BANCORP INC
Form 10QSB
May 13, 2004

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

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE SECURITIES EXCHANGE ACT

GREENE COUNTY BANCORP, INC.

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

Commission file number 0-25165

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

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

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

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

Yes: _ X No: ____

As of May 6, 2004, the registrant had 2,152,835 shares of common stock issued at $ .10 par value, and 2,053,403 shares were outstanding.

Transitional Small Business Disclosure
Format: Yes:______ No:___X

GREENE COUNTY BANCORP, INC.

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PART I. FINANCIAL INFORMATION

Consolidated Statements of Financial Condition
As of March 31, 2004 (unaudited) and June 30, 2003

ASSETS	March 31, 2004	June 30, 2003
Cash and due from banks	$ 12,665,823	$ 10,078,827
Federal funds sold	10,395,415	6,839,439
Total cash and cash equivalents	23,061,238	16,918,266
Investment securities, at fair value	99,053,500	99,831,070
Federal Home Loan Bank stock, at cost	1,360,600	1,360,600
Loans	145,466,512	133,711,021
Less: Allowance for loan losses	(1,233,080)	(1,163,825)
Unearned origination fees and costs, net	(303,816)	(337,122)
Net loans receivable	143,929,616	132,210,074
Premises and equipment	5,303,148	4,697,653
Accrued interest receivable	1,524,941	1,573,825
Prepaid expenses and other assets	381,787	318,495
Other real estate owned	---	55,125
Total assets	$ 274,614,830	$ 256,965,108
LIABILITIES AND SHAREHOLDERS EQUITY		
Noninterest bearing deposits	$ 31,559,404	$ 25,443,349
Interest bearing deposits	199,381,685	192,601,576
Total deposits	230,941,089	218,044,925
Borrowings from FHLB	12,000,000	8,000,000
Accrued expenses and other liabilities	1,261,789	1,722,294
Accrued income taxes	226,961	73,024
Total liabilities	244,429,839	227,840,243
Shareholders equity		
Preferred stock,		
Authorized 1,000,000 shares at March 31, 2004 and June 30, 2003;	---	---
Common stock, par value $.10 per share;		
Authorized:12,000,000 shares at March 31, 2004 and June 30, 2003;		
Issued: 2,152,835 shares at March 31, 2004 and June 30, 2003;		
Outstanding: 2,053,403 shares at March 31, 2004		
and 2,041,543 shares at June 30, 2003;	215,284	215,284
Additional paid-in capital	10,126,510	10,092,353

Retained earnings	20,264,707	18,777,623
Accumulated other comprehensive income	977,935	1,664,585
Less: Treasury stock (shares at cost) 99,432 shares at March 31, 2004, and 111,292 shares at June 30, 2003	(1,065,482)	(1,192,535)
Unearned stock-based compensation	(52,425)	(96,941)
Unearned ESOP shares (at cost) 33,038 at March 31, 2004, and 40,853 at June 30, 2003	(281,538)	(335,504)
Total shareholders equity	30,184,991	29,124,865
Total liabilities and shareholders equity	$ 274,614,830	$ 256,965,108

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Three Months Ended March 31, 2004 and 2003
(Unaudited)

	2004	2003
Interest income:		
Loans	$ 2,373,660	$ 2,375,401
Investment securities	270,325	428,903
Mortgage-backed securities	566,022	288,963
Tax free securities	185,376	121,621
Interest bearing deposits and federal funds sold	19,084	46,266
Total interest income	3,414,467	3,261,154
Interest expense:		
Interest on deposits	681,371	945,273
Interest on borrowings	137,359	96,889
Total interest expense	818,730	1,042,162
Net interest income	2,595,737	2,218,992
Less: Provision for loan losses	30,000	75,000
Net interest income after provision for loan losses	2,565,737	2,143,992
Noninterest income:		

Service charges on deposit accounts	435,820	386,493
Other operating income	273,382	213,914
Total noninterest income	709,202	600,407
Noninterest expense:		
Salaries and employee benefits	1,138,754	1,022,784
Occupancy expense	114,764	111,593
Equipment and furniture expense	138,302	149,951
Service and data processing fees	266,940	232,332
Office supplies	25,339	42,461
Other	489,949	418,242
Total noninterest expense	2,174,048	1,977,363
Income before provision for income taxes	1,100,891	767,036
Provision for income taxes	367,100	253,000
Net income	$ 733,791	$ 514,036
Basic EPS	$ 0.37	$ 0.26
Basic shares outstanding	2,008,667	1,982,123
Diluted EPS	$ 0.36	$ 0.25
Diluted average shares outstanding	2,066,389	2,038,278

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Nine Months Ended March 31, 2004 and 2003
(Unaudited)

	2004	2003
Interest income:		
Loans	$ 7,066,084	$ 7,107,730
Investment securities	905,349	1,372,145
Mortgage-backed securities	1,468,144	832,353
Tax free securities	494,390	340,303
Interest bearing deposits and federal funds sold	81,929	151,222
Total interest income	10,015,896	9,803,753

Interest expense:		
Interest on deposits	2,177,250	3,016,036
Interest on borrowings	367,333	312,698
Total interest expense	2,544,583	3,328,734
Net interest income	7,471,313	6,475,019
Less: Provision for loan losses	75,000	105,000
Net interest income after provision for loan losses	7,396,313	6,370,019
Noninterest income:		
Service charges on deposit accounts	1,284,615	1,181,782
Other operating income	750,349	649,269
Total noninterest income	2,034,964	1,831,051
Noninterest expense:		
Salaries and employee benefits	3,260,735	2,822,009
Occupancy expense	325,396	306,433
Equipment and furniture expense	419,147	436,726
Service and data processing fees	756,524	723,219
Office supplies	74,874	107,976
Other	1,409,961	1,322,918
Total noninterest expense	6,246,637	5,719,281
Income before provision for income taxes	3,184,640	2,481,789
Provision for income taxes	1,009,200	782,900
Net income	$ 2,175,440	$ 1,698,889
Basic EPS	$ 1.09	$ 0.86
Basic shares outstanding	2,004,078	1,978,535
Diluted EPS	$ 1.06	$ 0.84
Diluted average shares outstanding	2,060,977	2,033,029

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2004 and 2003
(Unaudited)

		2004		2003
Net income	$	733,791	$	514,036
Other comprehensive income:				
Unrealized holding gains arising during the three months ended March 31, 2004 and 2003, net of tax expense of $167,114 and $11,112, respectively.		260,169		13,610
Net reclassification adjustments arising during the three months ended March 31, 2004 net of tax expense of $2,775		4,353		---
Total other comprehensive income		264,522		13,610
Comprehensive income	$	998,313	$	527,646

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Nine Months Ended March 31, 2004 and 2003
(Unaudited)

		2004		2003
Net income	$	2,175,440	$	1,698,889
Other comprehensive (loss) income:				
Unrealized holding (loss)/gain arising during the nine months ended March 31, 2004 and 2003, net of tax (benefit)/expense of ($467,001) and $321,477 respectively.		(691,003)		502,632
Net reclassification adjustments arising during the nine months ended March 31, 2004 net of tax expense of $2,775		4,353		---

Total other comprehensive (loss) income	(686,650)	502,632
Comprehensive income	$ 1,488,790	$ 2,201,521

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Changes in Shareholders Equity
For the Nine Months Ended March 31, 2004 and 2003
(Unaudited)

	Capital Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Unearned Stock-based Compensation	Treasury Stock	Unearned ESOP Shares	Total Shareholders Equity
Balance at June 30, 2002	$215,284	$10,084,621	$17,164,403	$880,401	($156,791)	($1,371,527)	($415,685)	$26,400,706
ESOP shares earned		85,992					62,004	147,996
Options exercised		(6,385)				24,088		17,703
MRP Issued		(76,255)				76,255		---
Stock-based compensation earned					42,761			42,761
Dividends paid			(591,062)					(591,062)
Net income			1,698,889					1,698,889
Change in unrealized gain, net				502,632				502,632
Balance at March 31, 2003	$215,284	$10,087,973	$18,272,230	$1,383,033	($114,030)	($1,271,184)	($353,681)	$28,219,625
Balance at								

June 30, 2003	$215,284	$10,092,353	$18,777,623	$1,664,585	($96,941)	($1,192,535)	($335,504)	$29,124,865
ESOP shares earned		123,771					53,966	177,737
Options exercised		(9,932)				47,371		37,439
MRP Issued		(79,682)				79,682		---
Stock-based compensation earned					44,516			44,516
Dividends paid			(688,356)					(688,356)
Net income			2,175,440					2,175,440
Change in unrealized gain, net				(686,650)				(686,650)
Balance at March 31, 2004	$215,284	$10,126,510	$20,264,707	$977,935	($52,425)	($1,065,482)	($281,538)	$30,184,991

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Cash Flows
For the Nine Months Ended March 31, 2004 and 2003
(Unaudited)

	2004	2003
Cash flows from operating activities:		
Net Income	$ 2,175,440	$ 1,698,889
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	389,400	422,300
Net amortization of premium	1,056,230	305,108
Provision for loan losses	75,000	105,000
ESOP and other stock-based compensation earned	222,253	190,757
Net gain on sales of investments	(7,128)	---
Gain on sale of other real estate	(1,535)	(59,771)
Net increase (decrease) in accrued income taxes	154,164	(16,516)
Net decrease (increase) in accrued interest receivable	48,884	(53,128)
Net increase in prepaid and other assets	(63,292)	(20,542)
Net increase in other liabilities	9,273	316,672

Net cash provided by operating activities	4,058,689	2,888,769
Cash flows from investing activities:		
Proceeds from maturities and calls of securities	8,398,864	10,969,854
Proceeds from sales of securities	2,194,937	---
Purchases of securities and other investments	(8,322,060)	(10,106,951)
Principal payments on securities	773,425	983,412
Principal payments on mortgage-backed securities	10,724,495	6,305,160
Purchases of mortgage-backed securities	(15,197,848)	(26,362,794)
Net increase in loans receivable	(11,794,542)	(2,936,213)
Proceeds from the sale of other real estate	56,660	90,000
Purchases of premises and equipment	(994,895)	(269,511)
Net cash used in investing activities	(14,160,964)	(21,327,043)
Cash flows from financing activities:		
Net borrowings from / (payments to) FHLB	4,000,000	(1,000,000)
Dividends paid	(688,356)	(591,062)
Proceeds from issuance of stock options	37,439	17,703
Net increase in deposits	12,896,164	22,474,780
Net cash provided by financing activities	16,245,247	20,901,421
Net increase in cash and cash equivalents	6,142,972	2,463,147
Cash and cash equivalents at beginning of period	16,918,266	17,832,021
Cash and cash equivalents at end of period	$ 23,061,238	$ 20,295,168

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Notes to Consolidated Financial Statements
As of and for the Three and Nine months Ended March 31, 2004 and 2003

1. Basis (1) Basis of Presentation

The accompanying consolidated balance sheet information as of June 30, 2003 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") at June 30, 2003. The consolidated financial statements at and for the three and nine months ended March 31, 2004 and 2003 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-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 Greene County Bancorp, Inc. s Annual Report on Form 10-KSB for the year ended June 30, 2003, 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, 2004 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2004.

CRITICAL ACCOUNTING POLICY

Greene County Bancorp, Inc. s critical accounting policy relates to the allowance for loan losses (the "Allowance"). It is based on management s opinion of an amount that is intended to absorb losses in the existing portfolio. The allowance for loan losses is established through a provision for 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 for loan losses. However, this evaluation involves a high degree of complexity and requires management to make subjective judgments that often require assumptions or estimates about highly uncertain matters. This critical accounting policy and its application are periodically reviewed with the Audit Committee and the Board of Directors.

(2) Nature of Operations

The Bank of Greene County 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 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. During the quarter ending June 30, 2004, The Bank of Greene County anticipates the opening of a new commercial bank subsidiary whose limited purpose is to serve local municipalities.

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(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 valuation of other real estate owned ("OREO").

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

(4) Earnings Per Share

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

	Net Income	Weighted Average Number of Shares Outstanding	Earnings Per Share
Three Months Ended			
March 31, 2004:	$ 733,791		
Basic EPS		2,008,667	$ 0.37
Diluted EPS		2,066,389	$ 0.36
March 31, 2003:	$ 514,036		
Basic EPS		1,982,123	$ 0.26
Diluted EPS		2,038,278	$ 0.25
Nine Months Ended			
March 31, 2004:	$ 2,175,440		
Basic EPS		2,004,078	$ 1.09
Diluted EPS		2,060,977	$ 1.06
March 31, 2003:	$ 1,698,889		
Basic EPS		1,978,535	$ 0.86
Diluted EPS		2,033,029	$ 0.84

1. Divi (5) Dividends

The Board of Directors declared a semi-annual $0.40 per share cash dividend on January 22, 2004, for shareholders of record February 15, 2004, payable March 1, 2004. The dividend reflected an annual cash dividend rate of $0.80 per share, which represented an increase from the previous annual cash dividend rate of $0.72 per share. The increase in the dividend paid out was a result of improved earnings as well as the waiver of such dividends by Greene County Bancorp, MHC, Greene County Bancorp, Inc. s mutual holding company.

(6) 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 U.S. generally accepted accounting principles, 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.

(7) Impact of Recent Accounting Pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"). FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to existing entities in the first fiscal year or interim period ending after December 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The adoption of the Standard, effective October 1, 2003, had no impact on the Company s consolidated financial statements and related disclosures because there are no variable interest entities.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity , to establish standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. An issuer is required to classify a financial instrument that is within such standard s scope as a liability (or an asset in some circumstances). The requirements of this Statement apply to freestanding financial instruments, including those that comprise more than one option or forward contract. This Statement does not apply to features that are embedded in a financial instrument that is not a derivative in its entirety. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this Statement, effective July 1, 2003, had no impact on the Company s consolidated financial statements.

In March 2004, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 105, Application of Accounting Principles of Loan Commitments . This staff accounting bulletin deals with loan commitments accounted for as derivative instruments and required that fair-value measurement include only differences between the guaranteed interest rate in the loan commitment and a market interest rate, excluding any expected future cash flows related to the customer relationship or loan servicing. The Company periodically enters into such commitments with customers in connection with residential mortgage loan applications. At March 31, 2004 there were no loans held for sale.

In March 2004, the Financial Accounting Standards Board ("FASB") issued an exposure draft, Shared-Based Payment: an amendment of FASB No. 123 ad 95. This proposed Statement addresses the accounting for transactions in which an enterprise receives employee service in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise s equity instruments or that may be settled by the issuance of such equity instruments. This proposed Statement would eliminate the ability to account for share-based transactions using APB Opinion No. 25 Accounting for Stock Issued to Employees , and generally would require instead that such transactions be accounting for using a fair-value-based method. A final statement is expected to be issued during the fourth calendar quarter of 2004 and will be effective as of January 1, 2005. Management does not expect the adoption of this exposure draft to be materially different from the pro-forma impact disclosed under SFAS No. 123.

In December 2003, the FASB revised SFAS No. 132 Employer Disclosures about Pensions and Other Post-retirement Benefits. This statement retains the disclosures required by the original SFAS No. 132 and requires additional disclosure about the assets obligations, cash flows and net periodic benefit cost of defined benefit pension and post-retirement plans. In addition, this statement requires interim period disclosure of the components of net periodic benefit cost and contributions if significantly different from previously reported amounts. The Company s adoption of this statement as of March 31, 2004 had no impact on the Company s consolidated financial statements.

(8) Stock-Based Compensation

At March 31, 2004, Greene County Bancorp, Inc. had two stock-based compensation plans, which are described more fully in Note 9 of the financial statements and notes thereto for the year ended June 30, 2003. SFAS No. 123, Accounting for Stock-Based Compensation , requires the measurement of the fair value of stock options or warrants granted to employees to be included in the statement of operations or, alternatively, disclosed in the notes to consolidated financial statements. The Company accounts for stock-based compensation of employees under the intrinsic value method of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees , and related Interpretations and has elected the disclosure-only alternative under SFAS No. 123. No stock-based compensation cost is reflected in net income, as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation , to stock-based employee compensation.

	Nine Months Ended		Three Months Ended	
	March 31,		March 31,	
	2004	2003	2004	2003
Net income, as reported	$ 2,175,440	$ 1,698,889	$ 733,791	$ 514,036
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	25,283	25,209	8,230	8,219
Pro forma net income	$ 2,150,157	$ 1,673,680	$ 725,561	$ 505,817
Earnings per share:				
Basic as reported	$ 1.09	$ 0.86	$ 0.37	$ 0.26
Basic pro forma	$ 1.07	$ 0.85	$ 0.36	$ 0.26

Diluted	as reported	$	1.06	$	0.84	$	0.36	$	0.25
Diluted	pro forma	$	1.04	$	0.82	$	0.35	$	0.25

The fair value of each option grant has been estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in all periods presented: dividend yield of 3.0%, expected volatility of 29.54%, risk free interest rate of 4.78%, and expected term of 5 years.

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, income and expense pertaining to other real estate owned, gains and losses from sales of securities, noninterest income and noninterest expense. Noninterest income consists primarily of fees and service charges. 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 rate. 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 stockholder s equity that results from customers, to whom loans have been made 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,
(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 March 31, 2004 and June 30, 2003

ASSETS

Total assets increased to $274.6 million at March 31, 2004 from $257.0 million at June 30, 2003, an increase of $17.6 million, or 6.8%. The growth in assets occurred in loans and cash and was funded by deposits and borrowings.

CASH AND CASH EQUIVALENTS

Total cash and cash equivalents increased to $23.1 million at March 31, 2004 as compared to $16.9 million at June 30, 2003, an increase of $6.2 million or 36.7%. The increase was a result of deposit growth and investment fluctuations. $2.0 million of the cash balance represented the initial capital investment in the commercial bank subsidiary. At March 31, 2004, the Company was preparing for the opening of the new subsidiary commercial bank whose limited purpose is to service local municipalities. It is anticipated that additional U.S. agency securities will be purchased in order to satisfy pledging requirements required by certain municipalities which will use a portion of the accumulated cash.

INVESTMENT SECURITIES

Investment securities decreased to $99.1 million at March 31, 2004 as compared to $99.8 million at June 30, 2003, a decrease of $0.7 million, or 0.7%. Although the total investment portfolio balance remained relatively consistent there was significant activity amoung various categories within the portfolio between the periods. $5.0 million in purchases of tax-free securities of state and political subdivisions were funded by an advance of $5.0 million from the FHLB. There has been significant other activity in the investment portfolio including the purchase of $15.2 million in mortgage-backed securities, which was partially funded by a $5.7 million decrease in corporate debt securities. Management continued to invest in the nonstandard mortgage-backed securities which offer yield maintenance provisions and tend to have final maturities significantly shorter than standard mortgage-backed securities, which tend to extend as interest rates rise. These nonstandard mortgage-backed securities were discussed further in the June 30, 2003 Annual Report in the investment section. These purchases were largely offset by maturities and calls of various security types of $8.4 million and principal pay downs of $10.7 million of mortgage-backed securities. Net unrealized gains on the investment portfolio amounted to $1.6 million at March 31, 2004 as compared to $2.7 million at June 30, 2003, a decrease of $1.1 million. The decrease in the market value of the portfolio was primarily the result of the interest rate environment and the maturity of, and principal payments on, the often higher yielding investments within the portfolio. See the discussion of interest income and net interest income below for further detail of this transition.

(Dollars rounded to nearest thousand)	Market value at Mar. 31, 2004	Percentage of portfolio	Market value at June 30, 2003	Percentage of portfolio
U.S. government agencies	$ 7,194	7.3%	$ 9,659	9.7%
State and political subdivisions	21,390	21.6	14,655	14.6
Mortgage-backed securities	58,257	58.8	57,581	57.7
Asset-backed securities	212	0.2	288	0.3
Corporate debt securities	10,605	10.7	16,283	16.3
Total debt securities	97,658	98.6	98,466	98.6
Equity securities and other	1,396	1.4	1,365	1.4
Total available-for-sale securities	$ 99,054	100.0%	$ 99,831	100.0%

LOANS

Net loans receivable increased to $143.9 million at March 31, 2004 from $132.2 million at June 30, 2003, an increase of $11.7 million, or 8.9%. The continued low interest rate environment and strong customer satisfaction from personal service continued to enhance loan growth. Loan modifications and refinancing were still significant, but demand for such appears to have peaked. The Company has been able to retain a significant amount of refinanced mortgages and other loans. The historically low interest rate environment continues to affect the demand for residential mortgages. As a result of these changes, the residential mortgage portfolio increased by $8.6 million and the home equity portfolio increased by $1.9 million in the nine month period. It appears consumers continue to use the equity in their homes to fund financing needs for some activities where in the past an installment loan may have been the choice. The low financing options from auto makers continued to cut into the Bank s automobile loan generation.

(Dollars rounded to nearest thousand)	At Mar. 31, 2004	Percentage of portfolio	At June 30, 2003	Percentage of portfolio
Real estate mortgages				
Residential	$ 111,362	76.6%	$ 102,726	76.8%
Commercial	12,695	8.7	11,481	8.6
Home equity loans	9,686	6.7	7,821	5.8
Commercial loans	7,042	4.8	6,576	4.9
Installment loans	4,037	2.8	4,360	3.3
Passbook loans	645	0.4	747	0.6
Total loans	$ 145,467	100.0%	$ 133,711	100.0%
Less: Allowance for loan losses	(1,233)		(1,164)	

Unearned origination fees and costs, net	(304)	(337)
Net loans receivable	$ 143,930	$ 132,210

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is established through a provision for loan losses based on management s evaluation of the risk inherent in the loan portfolio, the composition of the loan portfolio, specific impaired loans and current economic conditions. Such evaluation, which includes a review of all loans on which full collectibility may not be reasonably assured, considers among other matters, the estimated net realizable value or the fair value of the underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an allowance for loan losses. In addition, various regulatory agencies, as an integral part of their examination process, periodically review The Bank of Greene County s allowance for loan losses and valuation of OREO. 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 allowance for loan losses is increased by a provision for loan losses (which results in a charge to expense) and is reduced by net charge-offs. During the nine months ended March 31, 2004, the level of provision of loan loss was driven by the level of net charge-offs and nonaccruing loans, the level of which has increased modestly when comparing March 31, 2004 to June 30, 2003. During the nine months ended March 31, 2003, the level of the allowance for loan losses was affected most significantly by a relatively large recovery. Any future increase in the allowance for loan losses or loan charge-offs could have a material adverse effect on Greene County Bancorp, Inc. s results of operations and financial condition.

Allowance for loan losses	Nine months ended March 31, 2004	Nine months ended March 31, 2003
Balance at the beginning of the period	$ 1,163,825	$ 1,068,734
Charge-offs:		
Commercial loans	---	13,319
Installment loans to individuals	44,918	99,712
Total loans charged off	44,918	113,031
Recoveries:		
Home equity	2,791	---
Commercial loans	---	24,093
Installment loans to individuals	36,382	32,831
Total recoveries	39,173	56,924

Net charge-offs	5,745	56,107
Provisions charged to operations	75,000	105,000
Balance at the end of the period	$ 1,233,080	$ 1,117,627
Ratio of net charge-offs to average loans outstanding	0.00%	0.04%
Ratio of net charge-offs to nonperforming assets	1.39%	15.37%
Allowance for loan loss to nonperforming loans	299.34%	360.49%
Allowance for loan loss to net loans receivable	0.86%	0.85%

Nonaccrual Loans and Nonperforming Assets

Loans are reviewed on a regular basis. Management determines that a loan is impaired or nonperforming when it is probable at least a portion of the loan will not be collected in accordance with its contractual terms due to an irreversible deterioration in the financial condition of the borrower or the value of the underlying collateral. When a loan is determined to be impaired, the measurement of the loan is based on the present value of estimated future cash flows, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral. Management places loans on nonaccrual status once the loans have become over 90 days delinquent. Nonaccrual is defined as a loan in which collectibility is questionable and therefore interest on the loan will no longer be recognized on an accrual basis. A loan does not have to be 90 days delinquent in order to be classified as nonperforming. Other real estate owned is considered nonperforming. The Bank of Greene County had no accruing loans delinquent more than 90 days at March 31, 2004 or June 30, 2003.

Analysis of Nonaccrual Loans and Nonperforming Assets

	At Mar. 31, 2004	At June 30, 2003
Nonaccruing loans:		
Real estate mortgage loans:		
Residential mortgages loans (one- to four-family)	$ 351,813	$ 211,074
Commercial mortgage loans	---	---
Home equity	26,993	2,104
Commercial loans	---	---
Installment loans to individuals	33,128	7,183
Total nonaccruing loans	411,934	220,361
Real Estate Owned:		
Residential mortgages loans (one- to four-family)	---	55,125

Total real estate owned	---	55,125
Total nonperforming assets	$ 411,934	$ 275,486
Total nonperforming assets as a percentage of total assets	0.15%	0.11%
Total nonperforming loans to total loans	0.28%	0.16%

At March 31, 2004, gross interest income of $19,500 would have been recorded on nonaccrual loans under their original terms if the loans had been current throughout the period. No interest income was recorded on nonaccrual loans or on accruing loans more than 90 days delinquent at March 31, 2004.

DEPOSITS

Total deposits increased to $230.9 million at March 31, 2004 from $218.0 million at June 30, 2003, an increase of $12.9 million, or 5.9%. Increases were generally the result of the Company s continued focus on expanded commercial services, including commercial deposits, and core deposit attraction. General economic conditions, including low market interest rates, resulted in more customers moving funds from time deposits to demand accounts and other savings products over the last several quarters. The Company s competitive market environment continues to change due to the mergers of local competitors.

(Dollars rounded to nearest thousand)	At Mar. 31, 2004	Percentage Of portfolio	At June 30, 2003	Percentage of portfolio
Noninterest bearing deposits	$ 31,559	13.6%	$ 25,443	11.7%
Certificates of deposit	59,107	25.6	62,074	28.5
Savings deposits	93,015	40.3	87,699	40.2
Money market deposits	28,796	12.5	26,364	12.1
NOW deposits	18,464	8.0	16,465	7.5
Total deposits	$ 230,941	100.0%	$ 218,045	100.0%

BORROWINGS

At March 31, 2004, The Bank of Greene County had the following borrowings:

Amount	Rate	Maturity Date
$5,000,000	3.64% -Fixed two years, convertible thereafter	10/24/2013

$2,000,000	1.16% -Fixed	4/14/2004
2,500,000	6.82% -Fixed	09/02/2004
2,500,000	6.80% -Fixed	10/04/2005
$12,000,000		

EQUITY

The primary changes in equity included changes in retained earnings and accumulated comprehensive income. Retained earnings was affected by net income of $2.2 million and partially offset by dividends paid of $688,000. A decrease in net unrealized gains associated with the available-for-sale investment portfolio caused accumulated other comprehensive income to decrease by approximately $0.7 million, net of tax. Treasury stock decreased by $47,000 due to the exercise of 4,490 options under the 2000 Stock Option Plan and $80,000 due to the issuance of 7,440 shares under the 2000 Management Recognition and Retention Plan reducing the number of shares held in treasury to 99,432 shares.

Comparison of Operating Results for the Nine and Three Months Ended March 31, 2004 and 2003

Average Balance Sheet

The following table sets forth certain information relating to Greene County Bancorp, Inc. for the nine months and quarter ended March 31, 2004 and 2003. 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. For the nine months and quarter ended March 31, 2004, average balances were based on daily averages. For the nine months and quarter ended March 31, 2003, average balances are average monthly balances, except for federal funds for which a daily average was calculated and the interest-bearing bank balance for which a weekly balance was available. Interest and balances of nonaccrual loans and certain deferred origination fees have been excluded from the average loan balances and yield calculations in these tables.

	Nine Months					
(Dollars in thousands)	2004	2003	2004	2003	2004	2003
	Average Outstanding Balance	Average Outstanding Balance	Interest Earned/ Paid	Interest Earned/ Paid	Average Yield/ Rate	Average Yield/ Rate
Interest-earning assets:						
Loans receivable, net [1]	$ 137,518	$ 130,748	$ 7,066	$ 7,108	6.85%	7.25%
Investment securities [2]	101,967	76,674	2,864	2,501	3.75	4.35
Federal funds	8,694	10,783	65	136	1.00	1.68
Interest-bearing bank balances	1,661	825	17	15	1.36	2.42
FHLB stock	1,361	1,121	4	44	0.39	5.23
Total interest-earning assets	251,201	220,151	10,016	9,804	5.32	5.94

Interest-bearing liabilities:						
Savings and money market deposits	118,277	95,300	999	1,398	1.13	1.96
Demand and NOW deposits	47,067	36,931	68	101	0.19	0.36
Certificates of deposit	60,502	63,769	1,111	1,517	2.45	3.17
Borrowings	10,636	8,667	367	313	4.60	4.82
Total interest-bearing liabilities	$ 236,482	$ 204,667	$ 2,545	$ 3,329	1.43%	2.17%
Net interest income			$ 7,471	$ 6,475		
Net interest spread					3.89%	3.77%
Net interest margin					3.97%	3.92%
Average interest-earning assets to average interest-bearing liabilities					106.22%	107.57%

	Three Months					
(Dollars in thousands)	2004 Average Outstanding Balance	2003 Average Outstanding Balance	2004 Interest Earned/ Paid	2003 Interest Earned/ Paid	2004 Average Yield/ Rate	2003 Average Yield/ Rate
Interest-earning assets:						
Loans receivable, net [1]	$ 142,278	$ 131,390	$ 2,374	$ 2,375	6.67%	7.23%
Investment securities [2]	102,978	80,559	1,018	824	3.95	4.09
Federal funds	5,922	11,098	13	38	0.88	1.37
Interest-bearing bank balances	1,613	724	6	8	1.49	4.42
FHLB stock	1,361	1,121	4	16	1.18	5.71
Total interest-earning assets	254,152	224,892	3,415	3,261	5.37	5.80

Interest-bearing liabilities:						
Savings and money market deposits	119,808	100,095	326	457	1.09	1.83
Demand and NOW deposits	49,468	37,268	23	27	0.19	0.29
Certificates of deposit	59,107	62,749	333	461	2.25	2.94
Borrowings	12,145	8,000	137	97	4.51	4.85
Total interest-bearing liabilities	$ 240,528	$ 208,112	$ 819	$ 1,042	1.36%	2.00%
Net interest income			$ 2,596	$ 2,219		
Net interest spread					4.01%	3.80%
Net interest margin					4.09%	3.95%
Average interest-earning assets to average interest-bearing liabilities					105.66%	108.06%

[1] Calculated net of deferred loan fees, loan discounts, loans in process and loan loss reserves.
[2] Includes tax-free securities, mortgage-backed securities and asset-backed securities.

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.

	Nine Months	
(Dollars in thousands)	2004 versus 2003	
	Increase/(Decrease)	Total

	Due to		Increase/
Interest-earning assets:	Volume	Rate	(Decrease)
Loans receivable, net [1]	$ 641	$ (683)	$ (42)
Investment securities [2]	624	(261)	363
Federal funds	(23)	(48)	(71)
Interest-bearing bank balances	4	(2)	2
FHLB stock	12	(52)	(40)
Total interest-earning assets	1,258	(1,046)	212
Interest-bearing liabilities:			
Savings deposits	528	(927)	(399)
Demand and NOW deposits	46	(79)	(33)
Certificates of deposit	(75)	(331)	(406)
Borrowings	68	(14)	54
Total interest-bearing liabilities	567	(1,351)	(784)
Net interest income	$ 691	$ 305	$ 996

	Three Months		
(Dollars in thousands)	2004 versus 2003		
	Increase/(Decrease)		Total
	Due to		Increase/
Interest-earning assets:	Volume	Rate	(Decrease)
Loans receivable, net [1]	$ (15)	$ 14	$ (1)
Investment securities [2]	221	(27)	194
Federal funds	(14)	(11)	(25)
Interest-bearing bank balances	(4)	2	(2)
FHLB stock	4	(16)	(12)
Total interest-earning assets	192	(38)	154
Interest-bearing liabilities:			
Savings deposits	124	(255)	(131)
Demand and NOW deposits	75	(79)	(4)
Certificates of deposit	(25)	(103)	(128)
Borrowings	46	(6)	40
Total interest-bearing liabilities	220	(443)	(223)
Net interest income	$ (28)	$ 405	$ 377

[1] Calculated net of deferred loan fees, loan discounts, loans in process and loan loss reserves.
[2] Includes tax-free securities, mortgage-backed securities and asset-backed securities.

GENERAL

Return on average assets and return on average equity are common methods of measuring operating results. Return on average assets increased to 1.09% for the nine months ended March 31, 2004 as compared to 0.97% for the nine months ended March 31, 2003. Return on average assets increased to 1.08% for the quarter ended March 31, 2004 as compared to 0.87% for the quarter ended March 31, 2003. Return on average equity increased to 9.97% for the nine months ended March 31, 2004 as compared to 8.28% for the nine months ended March 31, 2003. Return on average equity increased to 9.87% for the quarter ended March 31, 2004 as compared to 7.35% for the quarter ended March 31, 2003. The improvement in return on average assets and return on average equity was primarily the result of improved earnings. Net income increased $476,000, or 28.0% when comparing the nine month periods ended March 31, 2004 and 2003; and $220,000, or 42.8% when comparing the quarters ended March 31, 2004 and 2003. Average assets increased $33.9 million, or 14.6% to $266.3 million for the nine months ended March 31, 2004 as compared to $232.4 million for the nine months ended March 31, 2003. Average assets increased $34.1 million, or 14.4% to $271.6 million for the quarter ended March 31, 2004 as compared to $237.5 million for the quarter ended March 31, 2003. Average equity increased $1.7 million, or 6.2% to $29.1 million for the nine months ended March 31, 2004 as compared $27.4 million for the nine months ended December 31, 2002. Average equity increased $1.7 million, or 6.1% to $28.0 million for the quarter ended March 31, 2004 as compared $29.7 million for the quarter ended December 31, 2002. As illustrated, net income increased more significantly than average assets and average equity causing improvement in return on average assets and return on average equity.

INTEREST INCOME

Total interest income remained relatively consistent at $10.0 million and $9.8 million for the nine-months ended March 31, 2004 and 2003, respectively and $3.4 million and $3.3 million for the quarters ended March 31, 2004 and 2003, respectively. The primary reason for the relatively flat level of interest income despite an increase in average interest-earning assets of $31.0 million when comparing the nine-months ended March 31, 2004 and 2003 was due to the declining yield on such assets of 62 basis points to 5.32% for the nine-months ended March 31, 2004 from 5.94% for the nine-months ended March 31, 2003. Due to the continued low interest rate environment, as assets mature, investments pay-down and new funds are invested, the yield on such assets has been lower when comparing the nine-months and quarter ended March 2004 to the nine months and the quarter ended March 2003. This trend is expected to continue as interest rates remain low and essentially flat. As shown in the rate/volume tables above, the increase in investment securities volume had the most significant effect on the overall increase in interest income. However, the positive effect of the increase in investment securities volume was offset the corresponding decreases in yield on such investments and the other interest earning assets. Included in interest income have been earnings on Federal Home Loan Bank of New York (FHLBNY) stock. As a member of FHLBNY the Bank is required to own stock. FHLBNY did not pay dividends on the stock for one quarter during fiscal 2004 due to a loss that was taken on several investments, further contributing to the overall declining yield on interest-earning assets. FHLBNY began paying dividends again in January 2004 and is expected to continue to pay a dividend at a lower rate than previously experienced.

INTEREST EXPENSE

Total interest expense decreased to $2.5 million for the nine months ended March 31, 2004 as compared to $3.3 million for the nine months ended March 31, 2003, a decrease of $0.8 million, or 24.2%. Total interest expense decreased to $0.8 million for the quarter ended March 31, 2004 as compared to $1.0 million for the quarter ended March 31, 2003, a decrease of $0.2 million, or 20.0%. As shown in the rate/volume table above, the decrease in rates paid on certificates of deposit and savings accounts had the largest impact on the overall decrease in average rate paid on total interest-bearing liabilities.

The rate on interest-bearing liabilities decreased by 74 basis points to 1.43% for the nine months ended March 31, 2004 as compared to 2.17% for the nine months ended March 31, 2003. This decrease in average rate more than offset the increase in average interest-bearing liabilities of $31.8 million when comparing the nine months ended March 2004 and 2003. The overall rate on interest-bearing liabilities decreased by 64 basis points to 1.36% for the quarter ended March 31, 2004 as compared to 2.00% for the quarter ended March 31, 2003. This decrease in average rate more than offset the increase in average interest-bearing liabilities of $32.4 million when comparing the quarters ended March 2004 and 2003.

For approximately the last nine months the interest rate environment has been essentially flat or slightly declining. This interest rate environment is not expected to continue indefinitely and the potential for a rising rate environment appears to have increased in recent months. 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.

NET INTEREST INCOME

Net interest income increased to $7.5 million for the nine months and $2.6 million for the quarter ended March 31, 2004 as compared to $6.5 million for the nine months and $2.2 million for the quarter ended March 31, 2003, improvements of $1.0 million and $0.4 million, or 15.4% and 18.2%, respectively. Net interest spread increased to 3.89% as compared to 3.77% and net interest margin increased to 3.97% as compared to 3.92% when comparing the nine-month periods ended March 31, 2004 to 2003. These changes were the result of a continued low interest rate environment. Net interest spread increased to 4.01% as compared to 3.80% and net interest margin increased to 4.09% as compared to 3.95% when comparing the quarters ended March 31, 2004 to 2003, respectively. When comparing both the three and nine-month periods ended March 31, 2004 and 2003, net interest income was favorably impacted by growth in net interest earning assets, however the reduction in the rate paid on interest-bearing liabilities had the greatest impact on the improvement in net interest income. The improvement in net interest income contributed to the overall improvement in net income. Improvement in net interest income and noninterest income continue to outpace increases in noninterest expense positively impacting net income. In a rising or flat interest rate environment The Bank of Greene County s net interest margin and spread would be more likely to shrink than in a declining rate environment, which could ultimately negatively impact net income.

PROVISION FOR LOAN LOSSES

The provision for loan losses decreased to $75,000 and $30,000 for the nine months and quarter ended March 31, 2004, respectively as compared to $105,000 and $75,000 for the nine months and quarter ended March 31, 2003, respectively. The provision of loan losses decreased primarily due to the low amount of net charge-offs when comparing the time periods.

NONINTEREST INCOME

Noninterest income increased to $2.0 million for the nine months ended March 31, 2004 as compared to $1.8 million for the nine months ended March 31, 2003, an increase of $0.2 million or 11.1%. Noninterest income increased to $709,000 for the quarter ended March 31, 2004 as compared to $600,000 for the quarter ended March 31, 2003, an increase of $109,000 or 18.2%. Service charges and other fees on deposit accounts continued to increase primarily as a result of an increased volume of accounts and customers continued use of the overdraft protection program. The increase in service charges amounted to $103,000 for the nine months and $50,000 for the quarter when comparing the periods ended March 31, 2004 and 2003. An increase in the volumes associated with e-commerce and debit cards also contributed to higher non-interest income for the given periods. During the nine months ended March 31, 2003, a gain of $67,000 due to sales of real estate owned affected earnings; such income amounted to $1,500 during the nine months ended March 31, 2004. The Company also recognized a gain of $47,000 on the sale of a security during the quarter ended March 31, 2004, which was offset by a loss on a sale of another security of $40,000 during the same time period. The security was sold to replace it with a higher yielding investment.

NONINTEREST EXPENSE

Noninterest expense increased to $6.2 million from $5.7 million, an increase of $0.5 million or 8.8% when comparing the nine months ended March 31, 2004 and 2003. Noninterest expense increased to $2.2 million from $2.0 million, an increase of $0.2 million or 10.0% when comparing the quarters ended March 31, 2004 and 2003. Annual salary increases and higher benefit costs, particularly those associated with retirement plans, contributed to the $439,000 overall increase in salary expense when comparing the nine months ended March 31, 2004 to 2003. The moderate increases in occupancy expenses resulted from an increase in routine maintenance and repair activities during the nine months ended March 31, 2004. Equipment and furniture expense decreased due to some fixed assets being fully depreciated between March 31, 2004 and 2003. As a result depreciation expense was lower. Service and data processing fees have primarily increased due to an increase in the volume of accounts being serviced. Office supply expenses have declined primarily due to some technology enhancements that have made the printing of certain forms less expensive as well as an emphasis on cost savings. An item contributing to the increase in other noninterest expense was $43,000 in expenses incurred in setting up the new limited purpose Commercial Bank subsidiary of The Bank of Greene County. As noted above a security was sold at a loss of approximately $40,000.

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. The effective tax rate remained relatively consistent at 31.7% for the nine months ended March 31, 2004, as compared to 31.5% for the nine months ended March 31, 2003. The effective tax rate remained relatively consistent at 33.3% for the quarter ended March 31, 2004, as compared to 33.0% for the quarter ended March 31, 2003. There were no significant changes in activity that would affect the overall tax rate between periods.

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 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.

The low market interest rate environment had helped to improve the net interest spread and margin in recent quarters; however, an increasing or flat market interest rate environment is expected to have the reverse effect.

Mortgage loan commitments totaled $4.8 million at March 31, 2004. The unused portion of overdraft lines of credit amounted to $0.7 million, the unused portion of home equity lines of credit amounted to $2.8 million, and the unused portion of commercial lines of credit amounted to $2.5 million at March 31, 2004. 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 from FHLBNY.

During the next fiscal year, The Bank of Greene County is anticipating relocating the Cairo and Coxsackie branches in order to better service our customers. Due to the tremendous retail and commercial deposit growth experienced by the Company in the last several years, which is expected to continue, these branch facilities have been outgrown. It is expected that the Company will have sufficient cash or other means of liquidity to fund these projects.

The Bank of Greene County met all regulatory capital requirements at March 31, 2004 and June 30, 2003. Consolidated shareholders equity represented 10.99 % of total assets at March 31, 2004 and 11.33% of total assets of June 30, 2003.

Item 3. 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. is not engaged in any material legal proceedings at the present time.

Item 2. Changes in Securities and Use of Proceeds

During the quarter ended March 31, 2004, no purchases of registrant s equity securities were completed by the registrant or any affiliate.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) 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

(b) Reports on Form 8-K

-A current report on Form 8-K was filed with the SEC on January 22, 2004 announcing the declaration of the semi-annual dividend to be paid on March 1, 2004.
-A current report on Form 8-k was file with the SEC on February 2, 2004 announcing quarterly and six months earnings

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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 13, 2004

By: /s/ J. Bruce Whittaker

J. Bruce Whittaker
President and Chief Executive Officer

Date: May 13, 2004

By: /s/ Michelle Plummer

Michelle Plummer
Chief Financial Officer and Treasurer

EXHIBIT 31.1

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

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

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

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

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

4. The small business issuer 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)) for the small business issuer 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 small business issuer, 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) evaluated the effectiveness of the small business issuer 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

c) disclosed in this report any change in the small business issuer s internal control over financial reporting that occurred during the small business issuer s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer s internal control over financial reporting; and

5. The small business issuer s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer s auditors and the audit committee of the small business issuer 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 small business issuer 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 small business issuer s internal control over financial reporting.

Date: May 13, 2004 /s/ J. Bruce Whittaker
J. Bruce Whittaker, 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, Chief Financial Officer, certify that:

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

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact n 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 financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer 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)) for the small business issuer 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 small business issuer, 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) evaluated the effectiveness of the small business issuer 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

c) disclosed in this report any change in the small business issuer s internal control over financial reporting that occurred during the small business issuer s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer s internal control over financial reporting; and

5. The small business issuer s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer s auditors and the audit committee of the small business issuer 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 small business issuer 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 small business issuer s internal control over financial reporting.

Date: May 13, 2004

/s/ Michelle Plummer
Michelle M. Plummer,
Chief Financial Officer

EXHIBIT 32.1

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

J. Bruce Whittaker, 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-QSB for the quarter ended March 31, 2004 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 financial condition and results of operations of the Company as of the dates and for the periods covered by the report

This statement is authorized to be attached as an exhibit to the report so that this statement will accompany the report at such time as the report is filed with the Securities and Exchange Commission pursuant to Section 906 of the

Sarbanes-Oxley Act of 2002, 18 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: May 13, 2004 /s/ J. Bruce Whittaker
J. Bruce Whittaker, 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-QSB for the quarter ended March 31, 2004 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 financial condition and results of operations of the Company as of the dates and for the periods covered by the report.

This statement is authorized to be attached as an exhibit to the report so that this statement will accompany the report at such time as the report is filed with the Securities and Exchange Commission pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 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: May 13, 2004 /s/ Michelle Plummer
Michelle M. Plummer,
Chief Financial Officer