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GREENE COUNTY BANCORP INC
Form 10QSB
May 15, 2003

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

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003

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
(Address of principal executive office)

12414
(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 13, 2003, the registrant had 2,152,835 shares of common stock issued at \$.10 par value, and 2,034,203 were outstanding.

Transitional Small Business Disclosure
Format: Yes: No: X

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GREENE COUNTY BANCORP, INC.

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Greene County Bancorp, Inc.
Consolidated Statements of Financial Condition
As of March 31, 2003 and June 30, 2002
(Unaudited)

March 31, 2003

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ASSETS	
Cash and due from banks	\$8,854,803
Federal funds sold	11,440,365

Total cash and cash equivalents	20,295,168
Investment securities, at fair value	84,818,851
Federal Home Loan Bank stock, at cost	1,121,100
Loans	132,577,404
Less: Allowance for loan losses	(1,117,627)
Unearned origination fees and costs, net	(310,405)

Net loans receivable	131,149,372
Premises and equipment	4,810,832
Accrued interest receivable	1,505,232
Prepaid expenses and other assets	317,233
Other real estate owned	55,125

Total assets	\$244,072,913
	=====
LIABILITIES AND SHAREHOLDERS' EQUITY	
Non-interest bearing deposits	\$22,455,818
Interest bearing deposits	183,732,590

Total deposits	206,188,408
Borrowings from FHLB	8,000,000
Accrued expenses and other liabilities	1,550,109
Accrued income taxes	114,771

Total liabilities	215,853,288
Shareholders' equity	
Preferred stock,	
Authorized 1,000,000 at March 31, 2003 and June 30, 2002;	---
Common stock, par value \$.10 per share;	
Authorized: 12,000,000 at March 31, 2003 and June 30, 2002;	
Issued: 2,152,835 at March 31, 2003 and June 30, 2002;	
Outstanding: 2,034,203 at March 31, 2003;	
2,024,835 at June 30, 2002	215,284
Additional paid-in capital	10,087,973
Retained earnings	18,272,230
Accumulated other comprehensive income	1,383,033
Less: Treasury stock (shares at cost) 118,632 at March 31, 2003;	
and 128,000 at June 30, 2002	(1,271,184)
Unearned stock-based compensation	(114,030)
Unearned ESOP shares (at cost) 40,853 at March 31, 2003;	
and 49,972 at June 30, 2002	(353,681)

Total shareholders' equity	28,219,625

Total liabilities and shareholders' equity	\$244,072,913
	=====

See notes to consolidated financial statements.

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Greene County Bancorp, Inc.
 Consolidated Statements of Income
 For the Three Months Ended March 31, 2003 and 2002
 (Unaudited)

	2003
Interest income:	
Loans	\$2,375,401
Investment securities	428,903
Mortgage-backed securities	288,963
Tax free securities	121,621
Interest bearing deposits and federal funds sold	46,266

Total interest income	3,261,154
Interest expense:	
Interest on deposits	945,273
Interest on borrowings	96,889

Total interest expense	1,042,162
Net interest income	2,218,992
Less: Provision for loan losses	75,000

Net interest income after provision for loan losses	2,143,992

Noninterest income:	
Service charges on deposit accounts	386,493
Other operating income	213,914

Total noninterest income	600,407
Noninterest expense:	
Salaries and employee benefits	1,022,784
Occupancy expense	111,593
Equipment and furniture expense	149,951
Service and data processing fees	232,332

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Office supplies	42,461
Other	418,242

Total noninterest expense	1,977,363
Income before provision for income taxes	767,036
Provision for income taxes	253,000

Net income	\$514,036
	=====
Basic EPS	\$0.26
Basic average shares outstanding	1,982,123
Diluted EPS	\$0.25
Diluted average shares outstanding	2,038,278
See notes to consolidated financial statements.	

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Nine Months Ended March 31, 2003 and 2002
(Unaudited)

	2003
Interest income:	
Loans	\$7,107,730
Investment securities	1,372,145
Mortgage-backed securities	832,354
Tax free securities	340,302
Interest bearing deposits and federal funds sold	151,222

Total interest income	9,803,753
Interest expense:	
Interest on deposits	3,016,035
Interest on borrowings	312,698

Total interest expense	3,328,733

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Net interest income	6,475,020
Less: Provision for loan losses	105,000

Net interest income after provision for loan losses	6,370,020

Non-interest income:	
Service charges on deposit accounts	1,181,782
Other operating income	649,269

Total non-interest income	1,831,051
Non-interest expense:	
Salaries and employee benefits	2,822,008
Occupancy expense	306,433
Equipment and furniture expense	436,726
Service and data processing fees	723,219
Office supplies	107,977
Other	1,322,919

Total non-interest expense	5,719,282
Income before provision for income taxes	2,481,789
Provision for income taxes	782,900

Net income	\$1,698,889
	=====
Basic EPS	\$0.86
Basic average shares outstanding	1,978,535
Diluted EPS	\$0.84
Diluted average shares outstanding	2,033,029
See notes to consolidated financial statements.	

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2003 and 2002

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(Unaudited)

	2003
Net income	\$514,036 -----
Other comprehensive income:	
Unrealized holding gain / (loss) arising during the three months ended March 31, 2003 and 2002, net of tax (expense) / benefit of (\$11,112) and \$196,712, respectively.	13,610 -----
Total other comprehensive income (loss)	13,610 -----
Comprehensive income	\$527,646 =====

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Nine Months Ended March 31, 2003 and 2002
(Unaudited)

	2003
Net income	\$1,698,889 -----
Other comprehensive income:	
Unrealized holding gain arising during the nine months ended March 31, 2003 and 2002, net of tax expense of \$321,477 and \$34,407, respectively.	502,632 -----
Total other comprehensive income (loss)	502,632 -----
Comprehensive income	\$2,201,521 =====

See notes to consolidated financial statements.

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Greene County Bancorp, Inc.
 Consolidated Statements of Changes in Shareholders' Equity
 For the Nine Months Ended March 31, 2003 and 2002
 (Unaudited)

	Capital Stock	Additional Paid - In Capital	Retained Earnings	Accumula Othe Comprehen Inco
Balance at June 30, 2001	\$215,284	\$10,188,573	\$15,993,025	\$4
ESOP shares earned		25,988		
Options exercised		(28,125)		
MRP shares issued		(100,674)		
Stock-based compensation earned				
Treasury stock Purchased				
Dividends paid			(481,334)	
Net income			1,193,083	
Change in unrealized gain, net				(
	-----	-----	-----	-----
Balance at March 31, 2002	\$215,284 =====	\$10,085,762 =====	\$16,704,774 =====	\$4 =====
Balance at June 30, 2002	\$215,284	\$10,084,621	\$17,164,403	\$8
ESOP shares earned		85,992		
Options exercised		(6,385)		
MRP shares issued		(76,255)		
Stock-based				

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compensation
earned

Dividends paid (591,062)

Net income 1,698,889

Change in unrealized
gain, net

Balance at
March 31, 2003

\$215,284

\$10,087,973

\$18,272,230

\$1,3

Unearned
Stock-based
Compensation

Treasury
Stock

Unearned
ESOP
Shares

Tota
Sharehol
Equit

Balance at
June 30, 2001

(\$229,753)

(\$1,075,923)

(\$496,638)

\$25,0

ESOP shares earned

60,834

Options exercised

105,930

MRP shares issued

100,674

Stock-based
compensation
earned

58,708

Treasury stock
Purchased

(531,125)

Dividends paid

Net income

1,1

Change in unrealized
gain, net

Balance at
March 31, 2002

(\$171,045)

(\$1,400,444)

(\$435,804)

\$25,4

Balance at
June 30, 2002

(\$156,791)

(\$1,371,527)

(\$415,685)

\$26,4

ESOP shares earned

62,004

Options exercised

24,088

MRP shares issued

76,255

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Stock-based compensation earned	42,761			
Dividends paid				(5)
Net income				1,6
Change in unrealized gain, net				5
	-----	-----	-----	-----
Balance at March 31, 2003	(\$114,030)	(\$1,271,184)	(\$353,681)	\$28,2
	=====	=====	=====	=====

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Cash Flows
For the Nine Months Ended March 31, 2003 and 2002
(Unaudited)

	2003
Cash flows from operating activities:	
Net Income	\$1,698,889
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	422,300
Net, amortization (accretion) of premiums (discount)	305,108
Provision for loan losses	105,000
ESOP and other stock-based compensation earned	190,757
Gain on sale of other real estate	(59,771)
Net decrease in accrued income taxes	(16,516)
Net increase in accrued interest receivable	(53,128)
Net increase in prepaid and other assets	(20,542)
Net increase in other liabilities	316,672

Net cash provided by operating activities	2,888,769

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Cash flows from investing activities:	
Proceeds from maturities and calls of securities	10,969,854
Purchases of securities and other investments	(10,106,951)
Principal payments on securities	983,412
Principal payments on mortgage-backed securities	6,305,160
Purchases of mortgage-backed securities	(26,362,794)
Net increase in loans receivable	(2,936,213)
Proceeds from the sale of other real estate	90,000
Purchases of premises and equipment	(269,511)

Net cash used in investing activities	(21,327,043)
Cash flows from financing activities:	
(Payment to) borrowing from Federal Home Loan Bank	(1,000,000)
Dividends paid	(591,062)
Purchase of treasury stock	---
Proceeds from issuance of stock options	17,703
Net increase in deposits	22,474,780

Net cash provided by financing activities	20,901,421
Net increase (decrease) in cash and cash equivalents	2,463,147
Cash and cash equivalents at beginning of period	17,832,021

Cash and cash equivalents at end of period	\$20,295,168
	=====

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 31, 2003 and 2002

(1) Basis of Presentation

The accompanying consolidated balance sheet information for June 30, 2002 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, 2002. The consolidated financial statements at and for the three months and nine months ended March 31, 2003 and 2002 are unaudited.

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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, 2002, such information and footnotes have not been duplicated herein. In the opinion of management, all adjustments (consisting of only normal recurring items) necessary for a fair presentation of the financial position and results of operations and cash flows at and for the periods presented have been included. Amounts in the prior year's consolidated financial statements have been reclassified whenever necessary to conform to the current year's presentation. These reclassifications had no effect on net income or retained earnings as previously reported. All material inter-company accounts and transactions have been eliminated in the consolidation. The results of operations and other data for the three and nine months ended March 31, 2003 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2003.

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.

(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

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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's. 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.

Three Months Ended	Net Income	Weighted Average Number of Shares Outstanding	Earnings Per S
March 31, 2003:	\$514,036		
Basic EPS		1,982,123	\$0
Diluted EPS		2,038,278	\$0
March 31, 2002:	\$467,727		
Basic EPS		1,955,078	\$0
Diluted EPS		2,013,215	\$0
Nine Months Ended	Net Income	Weighted Average Number of Shares Outstanding	Earnings Per S
March 31, 2003:	\$1,698,889		
Basic EPS		1,978,535	\$0
Diluted EPS		2,033,029	\$0
March 31, 2002:	\$1,193,083		
Basic EPS		1,959,546	\$0
Diluted EPS		2,012,285	\$0

(5) Dividends

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The Board of Directors declared a semi-annual \$0.32 per share cash dividend on July 19, 2002, for shareholders of record August 15, 2002, payable September 1, 2002. The dividend reflected an annual cash dividend rate of \$0.64 per share, which represented an increase from the previous annual cash dividend rate of \$0.56 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.

On January 21, 2003, the Board of Directors declared a semi-annual cash dividend of \$0.34 per share of Greene County Bancorp, Inc.'s common stock. The dividend reflected an annual cash dividend rate of \$0.68 per share, which represented an increase from the previous annual cash dividend rate of \$0.64 per share. The dividend was for stockholders of record as of February 15, 2003, and was paid on March 1, 2003. Greene County Bancorp, Inc.'s mutual holding company has waived receipt of the cash dividend.

(7) 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.

(8) Impact of Recent Accounting Pronouncements

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

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which replaces Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Under SFAS No. 146, liabilities for costs associated with an exit or disposal activity are to be recognized when the liability is incurred. Under EITF Issue No. 94-3, liabilities related to exit or disposal activities were recognized when an entity committed to an exit plan. In addition, Statement No. 146 establishes that the objective for the initial measurement of the liability is fair value. Statement No. 146 is effective for exit and disposal activities initiated after December 31, 2002. The adoption of this statement had no impact on Greene County Bancorp, Inc.'s consolidated financial statements.

In October 2002, the FASB issued Statement No. 147, "Acquisitions of Certain Financial Institutions", which no longer requires the separate recognition and subsequent amortization of goodwill that was originally required by Statement No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions".

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Instead, SFAS 72 goodwill would be accounted for in accordance with Statement No. 142, "Goodwill and Other Intangible Assets" and would be subject to an annual impairment test. SFAS 147 also amends Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets, to include in its scope core deposit intangibles. Those intangible assets are now subject to the same recoverability and impairment loss recognition provisions that SFAS 144 requires for other long-lived assets. SFAS 147 was effective October 1, 2002. The adoption of SFAS 147 did not have a material impact on the financial statements.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness of Others (FIN 45). FIN 45 requires disclosures be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires the recognition of a liability by a guarantor at the inception of certain guarantees that it has issued and that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of FIN 45 does not have a material effect on the Company's financial statements since the Company does not issue such guarantees.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment to FASB Statement 123". SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148 is effective for financial statements for fiscal years ending after December 15, 2002 and for condensed interim financial statements issued after December 15, 2002. The Company had not adopted the voluntary change to the fair value based method of accounting for stock-based employee compensation as of March 31, 2003. Refer to Note 9 for required disclosures relating to stock-based compensation.

(9) Stock-Based Compensation

At March 31, 2003, Greene County Bancorp, Inc. had two stock-based compensation plans, which are described more fully in Note nine of the financial statements and notes thereto for the year ended June 30, 2002. 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.

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	Three months ended March 31,		Nine months ended March 31,	
	2003	2002	2003	2002
Net income, as reported	\$514,036	\$467,727	\$1,698,889	\$1,193,083
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	8,649	11,634	25,947	34,902
Pro forma net income	\$505,387	\$456,093	\$1,672,942	\$1,158,181
Earnings per share:				
Basic - as reported	\$0.26	\$0.24	\$0.86	\$0.61
Basic - pro forma	\$0.25	\$0.23	\$0.85	\$0.59
Diluted - as reported	\$0.25	\$0.23	\$0.84	\$0.59
Diluted - pro forma	\$0.25	\$0.23	\$0.82	\$0.58

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

General

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.

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

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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, 2003 and June 30, 2002

ASSETS

Total assets increased to \$244.1 million at March 31, 2003 from \$220.2 million at June 30, 2002, an increase of \$23.9 million, or 10.9%. Growth was most significant in the loan and investment portfolios as well as to a lesser extent in the cash portfolio. Deposit growth funded the asset growth and appeared to be the result of continued reduced investment in the equity markets as investors appeared to continue to be conservative in their investment options choosing less risky cash products such as cash accounts like money market and savings accounts.

CASH AND CASH EQUIVALENTS

Total cash and cash equivalents increased to \$20.3 million at March 31, 2003 from \$17.8 million at June 30, 2002, an increase of \$2.5 million, or 14.0%. The increase was a result of continued deposit inflows as noted above.

INVESTMENT SECURITIES

Investment securities increased to \$84.8 million at March 31, 2003 as compared to \$66.1 million at June 30, 2002, an increase of \$18.7 million, or 28.3%. During the nine months ended March 31, 2003, the investment portfolio shifted toward mortgage-backed securities and state and political subdivision securities representing 46.8% and 15.6% of the portfolio, respectively, at March 31, 2003 as compared to 29.6% and 13.3% of the portfolio, respectively, at June 30, 2002. A shift away from corporate debt securities as a percentage of the total portfolio occurred between June 30, 2002 and March 31, 2003. Due to the potential credit problems of some corporations, Greene County Bancorp, Inc. has

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focused more heavily on debt with some form of guarantee such as a U.S. agency guarantee which often accompanies investments in mortgage-backed securities. Greene County Bancorp, Inc. has also shifted the portfolio toward more adjustable rate securities than in the past in an effort to provide some future interest rate risk protection in a rising rate environment. Investment securities represent 34.8% of total assets at March 31, 2003 as compared to 30.0% at June 30, 2002. The shift was partially a result of loan demand being slightly lower than inflows of deposits allowing Greene County Bancorp, Inc. to invest additional funds in investment securities. During the nine months ended March 31, 2003, Greene County Bancorp, Inc. purchased \$26.4 million in mortgage-backed securities which were partially offset by the principal pay down of mortgage-backed securities of \$6.3 million. Maturities or calls of investment securities, primarily U.S. government agencies, corporate and state and political subdivision securities amounted to \$11.0 million for the nine months ended March 31, 2003, offsetting purchases of \$10.1 million during the same period.

	Market value at Mar. 31, 2003	Percentage of portfolio	Market value June 30, 2002
(Dollars rounded to nearest thousand)			
U.S. government agencies	\$12,771	15.0%	\$14,800
State and political subdivisions	13,246	15.6	8,000
Mortgage-backed securities	39,652	46.8	19,000
Asset-backed securities	329	0.4	0
Corporate debt securities	17,457	20.6	20,000
	-----	-----	-----
Total debt securities	83,455	98.4	64,000
Equity securities and other	1,364	1.6	1,000
	-----	-----	-----
Total available-for-sale securities	\$84,819	100.0%	\$66,000
	=====	=====	=====

LOANS

Net loans receivable increased to \$131.1 million at March 31, 2003 from \$128.4 million at June 30, 2002, an increase of \$2.7 million, or 2.1%. The continued low interest rate environment and strong customer satisfaction from personal service continued to enhance loan growth. Commercial real estate mortgages increased \$1.7 million, or 19.3%, to \$10.5 million at March 31, 2003 as compared to \$8.8 million at June 30, 2002. Commercial mortgages and commercial loans as a percentage of total loans increased to 7.9% and 4.5%, respectively, at March 31, 2003 as compared to 6.8% and 3.3% at June 30, 2002 which caused residential mortgages and installment loans to decrease as a percentage of total loans to 78.0% and 3.4% respectively, at March 31, 2003, as compared to 79.8% and 4.3% at June 30, 2002. Loan demand continued to be strong, but grew at a slightly slower rate than experienced during fiscal 2002. The decrease in demand appeared to be the result of the overall weakened economic conditions.

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	At Mar. 31, 2003	Percentage of portfolio	At June 30, 2002
(Dollars rounded to nearest thousand)			
Real estate mortgages			
Residential	\$103,439	78.0%	\$103,439
Commercial	10,458	7.9	8,000
Home equity loans	7,664	5.8	6,000
Commercial loans	6,007	4.5	4,000
Installment loans	4,450	3.4	5,000
Passbook loans	559	0.4	
	-----	-----	-----
Total loans	\$132,577	100.0%	\$129,439
Less: Allowance for loan losses	(1,118)		(1,118)
Unearned origination fees and costs, net	(310)		
	-----		-----
Net loans receivable	\$131,149		\$128,321
	=====		=====

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 fiscal year ended June 30, 2002, and the nine months ended March 31, 2003 the level of the allowance for loan losses was affected by the growth of the loan portfolio and composition of the portfolio shifting to more commercial loans. These types of loans generally possess a higher degree of credit risk than traditional one-to-four family residential mortgage loans. Management also implemented improved procedures for pursuing delinquent and previously charged-off accounts during fiscal year 2002, which appeared to have helped reduce the effect of credit quality deterioration due to current economic weakness in the overall economy. Any increase in the allowance for loan losses or loan charge-offs could have a material adverse effect on Greene County Bancorp, Inc.'s results of operations and financial condition.

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	Nine months ended March 31, 2003	Nine Mar
Allowance for loan losses		
Balance at the beginning of the period	\$1,068,734	
Charge-offs:		
Commercial real estate mortgage loans	---	
Commercial loans	13,319	
Home equity	---	
Installment loans to individuals	99,712	

Total loans charged off	113,031	
Recoveries:		
Commercial loans	24,093	
Installment loans to individuals	32,831	

Total recoveries	56,924	

Net charge-offs	56,107	
Provisions charged to operations	105,000	

Balance at the end of the period	\$1,117,627	
	=====	
Ratio of net charge-offs to average loans outstanding	0.04%	
Ratio of net charge-offs to nonperforming assets	15.37%	
Allowance for loan loss to nonperforming loans	360.49%	
Allowance for loan loss to net loans receivable	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, 2003 or June 30, 2002.

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Analysis of Nonaccrual Loans and Nonperforming Assets

	At March 31, 2003	At J
Nonaccruing loans:		
Real estate mortgage loans:		
Residential mortgages loans (one- to four-family)	\$271,613	
Commercial mortgage loans	---	
Home equity	2,104	
Commercial loans	24,175	
Installment loans to individuals	12,141	
	-----	-----
Total nonaccruing loans	310,033	
Real Estate Owned:		
Commercial mortgage loans	55,125	
	-----	-----
Total real estate owned	55,125	
	-----	-----
Total nonperforming assets	\$365,158	
	=====	=====
Total nonperforming assets as a percentage of total assets	0.15%	
Total nonperforming loans to net loans receivable	0.24%	

At March 31, 2003, gross interest income of \$6,700 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, 2003.

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DEPOSITS

Total deposits increased to \$206.2 million at March 31, 2003 from \$183.7 million at June 30, 2002, an increase of \$22.5 million, or 12.2%. Savings accounts experienced the most significant dollar growth between June 30, 2002, and March 31, 2003, increasing \$10.9 million, or 15.4%, to \$81.7 million from \$70.8 million. Money market accounts experienced the most significant percentage growth between June 30, 2002, and March 31, 2003, increasing \$8.9 million, or 64.0%, to \$22.8 million as compared to \$13.9 million. Due to the continued poor returns in the equity market and doubt about the credibility of corporate America, investors appeared to continue to prefer to invest their funds in safer, more liquid accounts such as money market deposits and savings deposits. The historically low interest rates offered on certificates of deposit, which are relatively illiquid, also contributed to investors choosing money market and savings deposits. The shift in the deposit portfolio from certificate of deposit accounts which represented 34.1% of the portfolio as of June 30, 2002 as compared to 30.3% at March 31, 2003 to money market accounts which represented 7.6% for the portfolio as of June 30, 2002 as compared to 11.1% at March 31, 2003 contributed to improvement in net interest income as discussed further below. Money market accounts tend to pay a lower average rate when compared with certificate of deposit accounts.

	At Mar. 31, 2003	Percentage of portfolio	At June 30,
(Dollars rounded to nearest thousand)			
Noninterest bearing deposits	\$22,456	10.9%	\$2
Certificates of deposit	62,469	30.3	6
Savings deposits	81,687	39.6	7
Money market deposits	22,786	11.1	1
NOW deposits	16,790	8.1	1
	-----	-----	-----
Total deposits	\$206,188	100.0%	\$18
	=====	=====	=====

BORROWINGS

During January 2003, The Bank of Greene County refinanced its short-term debt including paying down \$1.0 million of the short-term borrowing balance from \$4.0 million to \$3.0 million. The fixed rate on such short-term borrowing decreased to 1.55% from 2.19%.

At March 31, 2003, The Bank of Greene County had the following borrowings:

Amount	Rate	Maturity Date
--------	------	---------------

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\$3,000,000	1.55% -Fixed	1/14/2004
2,500,000	6.82% -Fixed	09/02/2004
2,500,000	6.80% -Fixed	10/04/2005

\$8,000,000		
=====		

ACCRUED EXPENSES AND OTHER LIABILITIES

At March 31, 2003, accrued expenses and other liabilities amounted to \$1.6 million as compared to \$0.9 million at June 30, 2002, an increase of \$0.7 million. The increase was primarily due to increased deferred taxes associated with unrealized gains on available-for-sale securities.

EQUITY

The primary changes in equity included changes in retained earnings and accumulated comprehensive income. Retained earnings was affected by net income of \$1.7 million and partially offset by dividends paid of \$591,000. Treasury stock decreased by \$24,000 due to the exercise of 2,248 options under the 2000 Stock Option Plan and \$76,000 due to issuance of 7,120 shares under the 2000 Management Recognition and Retention Plan reducing the number of shares held in treasury to 118,632. Net unrealized gains associated with the available-for-sale investment portfolio caused accumulated other comprehensive income to increase by approximately \$503,000, net of tax. The remaining changes in equity were due to amortization of compensation expense associated with the Employee Stock Ownership Plan ("ESOP") and stock-based compensation expense associated with the Management Recognition and Retention Plan.

Comparison of Operating Results for the Nine and Three Months Ended March 31, 2003 and 2002

GENERAL

Return on average assets and return on average equity are common methods of measuring operating results. Return on average assets increased to 0.97% for the nine months ended March 31, 2003 as compared to 0.80% for the nine months ended March 31, 2002. These ratios were based on average assets of \$233.7 million and \$198.4 million and net income of \$1.7 million and \$1.2 million for the nine months ended March 31, 2003 and 2002, respectively. Return on average assets increased to 0.91% for the quarter ended March 31, 2003 as compared to 0.90% for the quarter ended March 31, 2002 and was based on average assets of \$237.9 million and \$207.7 million and net income of \$514,000 and \$468,000, respectively. Return on average equity increased to 8.25% for the nine months ended March 31, 2003 as compared to 6.26% for the nine months ended March 31, 2002 based on average equity of \$27.4 million and \$25.4 million, respectively for these periods. Return on average equity increased to 7.77% for the quarter ended March 31, 2003 as compared to 7.35% for the quarter ended March 31, 2002 based on average equity for the respective quarters of \$28.0 million and \$25.4 million, respectively. The improvements in the return on average assets and return on average equity for the three and nine month periods were primarily the result of increases in the net income of Greene County Bancorp, Inc. The reasons for the increases in net income are further discussed below.

INTEREST INCOME

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Total interest income increased to \$9.8 million for the nine months ended March 31, 2003, as compared to \$9.3 million for the nine months ended March 31, 2002, an increase of \$0.5 million, or 5.4%. Total interest income increased to \$3.3 million for the quarter ended March 31, 2003 as compared to \$3.1 million for the quarter ended March 31, 2002, an increase of \$0.2 million, or 6.5%.

Interest earned on loans represented the largest dollar increase in total interest income. Interest earned on loans increased \$371,000, or 5.5% to \$7.1 million as compared to \$6.7 million when comparing nine month periods ended March 31, 2003 and 2002, respectively. This increase was a result of an increase in average loans outstanding of \$11.7 million, to \$130.7 million for the nine months ended March 31, 2003 as compared to \$119.0 million for the nine months ended March 31, 2002. The increase in average balances was offset by a decrease in the yield on such loans which decreased 30 basis points to 7.25% for the nine months ended March 31, 2003 as compared to 7.55% for the nine months ended March 31, 2002. Similarly, interest earned on loans for the quarter ended March 31, 2003 increased to \$2.4 million as compared to \$2.3 million for the quarter ended March 31, 2002, an increase of \$76,000, or 3.3%. Average loans outstanding for the quarter ended March 31, 2003 amounted to \$131.4 million as compared to \$123.7 million for the quarter ended March 31, 2002, an increase of \$7.7 million, or 6.2%. The average yield on such loans decreased to 7.23% for the quarter ended March 31, 2003 as compared to 7.43% for the quarter ended March 31, 2002, a decrease of 20 basis points. Loan growth continued to be relatively strong despite the weakening economic conditions. This growth appeared to be spurred by the current low interest rate environment which encouraged customers to make household improvements or upgrade to larger, more expensive homes. Also, The Bank of Greene County continued to grow its commercial loan portfolio through efforts to win commercial customers in all areas of banking products from loans to checking accounts.

Interest earned on mortgage backed securities also contributed to the overall increase in total interest earned when comparing the nine months and quarters ended March 31, 2003 and 2002. Interest income earned on mortgage backed securities represented \$0.8 million for the nine months ended March 31, 2003 as compared to \$0.5 million for the nine months ended March 31, 2002, an increase of \$0.3 million or 60.0%. As a result, interest on mortgage-backed securities represented 8.5% of total interest income for the nine months ended March 31, 2003 as compared to 5.3% of total interest income for the nine months ended March 31, 2002. When comparing the quarters ended March 31, 2003 and 2002, interest earned on mortgage-backed securities had corresponding increases to the nine-month periods. Interest earned on mortgage-backed securities increased to \$0.3 million for the quarter ended March 31, 2003, as compared to \$0.2 million for the quarter ended March 31, 2002, an increase of \$0.1 million, or 50.0%. Interest earned on investment securities other than mortgage-backed securities including tax-free securities, remained relatively consistent when comparing the three and nine month periods ended March 31, 2003 and 2002.

Federal Reserve rate cuts and lower average balances were the reasons for the decrease in amount of federal funds interest income when comparing the nine months and quarters ended March 31, 2003 and 2002. Interest income earned on federal funds and interest bearing deposits decreased \$124,000, or 45.1% to \$151,000 for the nine months ended March 31, 2003 as compared to \$275,000 for the nine months ended March 31, 2002. The decrease was a result of a decrease in the federal funds average balance to \$10.8 million for the nine months ended March 31, 2003 as compared to \$13.2 million for the nine months ended March 31, 2002, a decrease of \$2.4 million, or 18.2%. The average rate on federal funds fell 94 basis points to 1.68% for the nine months ended March 31, 2003 from 2.62% for the nine months ended March 31, 2002. A decrease in the average balance of \$0.5 million and a decreases in the average yield of 38 basis points when comparing the quarters ended March 31, 2003 and 2002, contributed to a decrease of \$11,000 in interest earned on federal funds and interest bearing

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deposits.

The average balance of all investment securities increased to \$76.7 million for the nine months ended March 31, 2003 as compared to \$52.4 million for the nine months ended March 31, 2002, an increase of \$24.3 million, or 46.4%. The yield on all investment securities, however, fell 146 basis points to 4.35% as compared to 5.81% when comparing the nine months ended March 31, 2003 and 2002, respectively. Similarly, the average balance of all investment securities for the quarter ended March 31, 2003 amounted to \$80.6 million at an average yield of 4.09% as compared to \$57.5 million at an average yield of 5.15% for the quarter ended March 31, 2002, an increase in average balance of \$23.1 million and a decrease in average yield of 106 basis points. The growth in the level of deposits funded the investment portfolio increases. The low interest rate environment associated with several Federal Reserve rate cuts accounted for the decrease in yield.

INTEREST EXPENSE

Interest expense on deposits amounted to \$3.0 million for the nine months ended March 31, 2003 as compared to \$3.5 million for the nine months ended March 31, 2002, a decrease of \$0.5 million, or 14.3%. Interest expense on deposits amounted to \$0.9 million for the quarter ended March 31, 2003 as compared to \$1.1 million for the quarter ended March 31, 2002, a decrease of \$0.2 million or 18.2%. These decreases were the result of decreases in the average rates paid on all types of deposit accounts despite increases in the average balances on these accounts except for certificate of deposit accounts, in which the average balance decreased when comparing the quarter ended March 31, 2003 to quarter ended March 31, 2002.

The most significant average rate decrease was 130 basis points on certificates of deposit which fell to 3.17% for the nine months ended March 31, 2003 as compared to 4.47% for the nine months ended March 31, 2002. An increase in the average balance of certificates of deposit of \$1.5 million to \$63.8 million for the nine months ended March 31, 2003 as compared to \$62.3 for the nine months ended March 31, 2002 partially offset the decrease in average rate. However, a decrease in the average balance of certificates of deposit of \$0.7 million to \$62.7 million for the quarter ended March 31, 2003 as compared to \$63.4 million for the quarter ended March 31, 2002, partially offset the decrease in average rate of 104 basis points to 2.94% from 3.98% when comparing the quarters ended March 31, 2003 and 2002. The average balance of savings and escrow accounts increased \$24.3 million, or 34.2% to \$95.3 million for the nine months ended March 31, 2003 as compared to \$71.0 million for the nine months ended March 31, 2002. The decrease in average rate on such balances partially offset the effects of the increase in average balance on savings and escrow accounts. The average rate on savings and escrow accounts decreased to 1.96% for the nine months ended March 31, 2003 as compared to 2.40% for the nine months ended March 31, 2002, a decrease of 44 basis points. Similarly, a decrease of 40 basis points in the average rate paid on savings and escrow accounts partially offset an increase in the average balance of such accounts of \$25.5 million when comparing the quarters ended March 31, 2003 and 2002.

Interest expense on borrowings increased \$39,000 to \$313,000 for the nine months ended March 31, 2003 as compared to \$274,000 for the nine months ended March 31, 2002. Interest expense on borrowings decreased \$5,000 for the quarter ended March 31, 2003 to \$97,000 as compared to \$102,000 for the quarter ended March 31, 2002. The increase in interest expense when comparing the nine months periods was the result of an increase in the average balance of such borrowings to \$8.7 million for the nine months ended March 31, 2003 as compared to \$6.3 million for the nine months ended March 31, 2002. However, the average balance of borrowings when comparing the quarterly periods decreased to \$8.0 million for the quarter ended March 31, 2003 from \$9.0 million for the quarter ended March 31, 2002. Also affecting the level of interest expense on borrowings was a shift

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in the average rate on such borrowings. The average rate on borrowings when comparing the nine month periods decreased 96 basis points to 4.81% for the nine months ended March 31, 2003 as compared to 5.77% for the nine months ended March 31, 2002. The average rate on borrowings when comparing the quarterly periods increased 29 basis points to 4.84% for the quarter ended March 31, 2003 as compared to 4.55% for the quarter ended March 31, 2002.

NET INTEREST INCOME

Net interest income, a function of interest income and interest expense, increased to \$6.5 million for the nine months ended March 31, 2003, from \$5.6 million for the nine months ended March 31, 2002, an increase of \$0.9 million, or 16.1%. Net interest income increased to \$2.2 million for the quarter ended March 31, 2003 as compared to \$1.9 million for the quarter ended March 31, 2002, an increase of \$0.3 million, or 15.8%. As a result of changes in interest-earning assets and interest-bearing liabilities, as well as changes in the yield and rate on such assets and liabilities, net interest spread increased to 3.78% for the nine months ended March 31, 2003 as compared to 3.74% for the nine months ended March 31, 2002, an improvement of four basis points. Net interest margin decreased to 3.93% for the nine months ended March 31, 2003 as compared to 3.97% for nine months ended March 31, 2002, a decline of four basis points. The net interest spread increased seven basis points to 3.81% for the quarter ended March 31, 2003 as compared to 3.74% for the quarter ended March 31, 2002. Net interest margin increased one basis point to 3.95% for the quarter ended March 31, 2003 as compared to 3.94% for the quarter ended March 31, 2002. These changes were the result of a continued low interest rate environment experienced during the last calendar year. As assets mature or the yield on such assets adjust they have frequently been replaced with lower yielding assets; however, The Bank of Greene County has also taken advantage of the lower interest rate environment by refinancing short term borrowings at a lower rate and offering lower rates on certificates of deposits, which has had a large impact on improving net interest income. The shift in the deposit portfolio composition from more expensive certificate of deposit accounts to cheaper money market accounts has also contributed to the overall improvement in net interest income. The improvement in net interest income contributed to the overall improvement in net income. In a rising 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 for the nine months ended March 31, 2003 decreased to \$105,000 as compared to \$158,900 for the nine months ended March 31, 2002. The provision for loan losses for the nine months ended March 31, 2002 reflected the establishment of a reserve for potential losses associated with the Bank's new Overdraft Protection Program, initiated in October 2001, and the growth in, and composition of, the loan portfolio. As indicated above the portion of commercial loans, both real estate mortgage and non-mortgage, to total loans has increased at March 31, 2003 as compared to June 30, 2002. Commercial loans are considered generally more risky than other types of loans and as a result, the allocation to the provision for loan losses for such loans is generally greater. The increase commercial loans in the portfolio contributed to the overall increase in the provision for loan losses when comparing the periods ended March 31, 2003 and 2002. The provision for loan losses increased to \$75,000 for the quarter ended March 31, 2003 as compared to \$60,000 for the quarter ended March 31, 2002 as a result of an increased level of nonperforming loans and charge-offs. The level of nonperforming loans to total loans increased to 0.23% at March 31, 2003 as compared to 0.08% at March 31, 2002. It should be noted that the level of nonperforming loans experienced at March 31, 2002 was considered unusually low and unsustainable. Net charge-offs increased to \$56,000 for the nine-months ended March 31, 2003, as compared to \$16,000 for the nine-months ended March 31, 2002.

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NONINTEREST INCOME

Total noninterest income amounted to \$1.8 million for the nine months ended March 31, 2003 as compared to \$1.3 million for the nine months ended March 31, 2002, an increase of \$0.5 million, or 38.5%. Total noninterest income for the quarter ended March 31, 2003 increased to \$600,000 as compared to \$471,000 for the quarter ended March 31, 2002, an increase of \$129,000, or 27.4%. Service charges on deposit accounts contributed the largest portion of the increase in overall noninterest income increasing to \$1.2 million for the nine months ended March 31, 2003 as compared to \$0.8 million for the nine months ended March 31, 2002, an increase of \$0.4 million, or 50.0%. The quarterly increase in service charges amounted to \$105,000 or 37.4%, increasing to \$386,000 for the quarter ended March 31, 2003 as compared to \$281,000 for the quarter ended March 31, 2002. The primary item contributing to these service charges was the introduction of the Overdraft Protection Program which was initiated during October 2001 and has proven to be well liked by customers of The Bank of Greene County. The same fee that would apply to a check drawn on insufficient funds or an uncollected item is charged when the overdraft privilege is used; however, in this case the customers' check is not returned, but paid and the fee is collected. The increase in the overall volume of deposit accounts also contributed to the increase in charges on such accounts for items such as a monthly service charge on accounts which fall below certain minimum balance levels.

Other operating income increased to \$649,000 for the nine months ended March 31, 2003 as compared to \$517,000 for the nine months ended March 31, 2002, an increase of \$132,000 or 25.5%. For the quarter ended March 31, 2003 other operating income amounted to \$214,000 as compared to \$190,000 for the quarter ended March 31, 2002. The Bank of Greene County continues to have success in its marketing of merchant credit card processing and other e-commerce products as well as upgrading checking account products for existing customers which enhances the profit margin on such checking products. Fees earned on debit card transactions also contributed to the increases in other operating income for the quarter and nine-month periods. Another factor contributing to the nine months increase in other operating income was profit on the sale of REO properties which amounted to approximately \$60,000, compared to profit of \$22,000 on sale of REO recognized in the quarter ended March 31, 2002.

NONINTEREST EXPENSE

Noninterest expense for the nine months ended March 31, 2003 increased to \$5.7 million as compared to \$5.1 million for the nine months ended March 31, 2002, an increase of \$0.6 million, or 11.8%. Noninterest expense increased to \$2.0 million for the quarter ended March 31, 2003 as compared to \$1.7 million for the quarter ended March 31, 2002, an increase of 17.6%. The increase in salaries and employee benefits of \$400,000 and \$200,000 when comparing the nine months and quarters ended March 31, 2003 and 2002, respectively, was a result of annual salary increases, increased expenses associated with medical benefits and retirement plans as well as some additional staffing. Also, Greene County Bancorp, Inc. established a performance bonus program during fiscal 2003 to reward staff. The bonus is directly linked to the return on assets and return on equity measures. Approximately \$35,000 of the increases in employee benefits when comparing both the nine months and quarters ended March 31, 2003 to 2002 were due to increased retirement plan costs. The increases in occupancy expense can be attributed to the cold and snowy winter experienced in the Northeast. The increases in furniture and equipment expense of approximately \$102,000 when comparing the nine months and \$33,000 when comparing the quarters ended March 31, 2003 to 2002, respectively, resulted from increased depreciation expense associated with the replacement and upgrade of some computers and other communications technology as well as purchase of cabinets and other furniture to

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ensure compliance with aspects of new privacy regulations. The increases in service and data processing fees of approximately \$133,000 when comparing the nine months and \$37,000 when comparing the quarters ended March 31, 2003 and 2002, respectively, were due to an increase in the volume of deposit and loan accounts as well as fees associated with increased ATM and debit card processing. Data communications expenses which are included in service and data processing fees have increased significantly over the last year in order to provide better and faster information to customers as well as to ensure electronic security messages. The Company expects that some of these costs will be recouped by establishing more efficient communication channels between the various offices. Office supplies expense has remained relatively constant despite growth in the number of accounts primarily due to efficiencies from automation of some forms generation as compared to manual processes with preordered forms. Other noninterest expense remained relatively consistent comparing the nine-months and decreased when comparing the quarters ended March 31, 2003 and 2002. During the quarter ended March 31, 2002, The Bank of Greene County paid a fee to a consultant for assistance in establishing the Overdraft Protection Program which was based on the increase in the amount of service charges collected on overdrawn accounts. This fee was not required to be paid during the quarter ended March 31, 2003; which accounted for the decrease in other noninterest expense when comparing the two quarters.

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 increased to \$783,000 for the nine months ended March 31, 2003 from \$418,000 for the nine months ended March 31, 2002, an increase of \$365,000, or 87.3%. The effective tax rate increased to 31.5% for the nine months ended March 31, 2003, as compared to 25.9% for the nine months ended March 31, 2002 in anticipation of the effective rate required for the fiscal year ending June 30, 2003. A major reason for the change in effective rate was the expected decrease in the percentage of income that municipal securities and other tax free investments are expected to contribute to total income during the fiscal year.

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.

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

Mortgage loan commitments totaled \$3.9 million at March 31, 2003. The unused portion of overdraft lines of credit amounted to \$0.7 million, the unused portion of home equity lines of credit amounted to \$1.9 million, and the unused portion of commercial lines of credit amounted to \$1.9 million at March 31, 2003. 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

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equivalents as well as the available for sale investment portfolio.

The Bank of Greene County met all regulatory capital requirements at March 31, 2003 and June 30, 2002. Consolidated shareholders' equity represented 11.6 % of total assets at March 31, 2003 and 12.0% of total assets of June 30, 2002.

Item 3. Controls and Procedures

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

Item 1. LegalProceedings 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
Not applicable

Item 3. Defaults Upon Senior Securities
Not applicable

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

Item 5. Other Information
Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

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

(b) No Form 8-K reports were filed during the quarter ended March 31, 2003.

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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 15, 2003

By: /s/ J. Bruce Whittaker

J. Bruce Whittaker
President and Chief Executive Officer

Date: May 15, 2003

By: /s/ Michelle Plummer

Michelle Plummer
Chief Financial Officer and Treasurer

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: May 15, 2003

/s/ J. Bruce Whittaker

President and Chief Executive Officer

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

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

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

2. Based on my knowledge, this quarterly report does not contain any untrue

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statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

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

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

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

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

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

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

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

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

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

Date: May 15, 2003

/s/ Michelle Plummer

Chief Financial Officer and Treasurer

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

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

This statement is being furnished in connection with the filing by Greene County Bancorp, Inc. of Greene County Bancorp, Inc.'s Quarterly Report on Form 10-QSB for the quarter ended March 31, 2003 (the "Report").

By execution of this statement, I certify that:

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

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

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

Date: May 15, 2003

/s/ J. Bruce Whittaker

J. Bruce Whittaker

EXHIBIT 99.1

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

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

This statement is being furnished in connection with the filing by Greene County Bancorp, Inc. of Greene County Bancorp, Inc.'s Quarterly Report on Form 10-QSB for the quarter ended March 31, 2003 (the "Report").

By execution of this statement, I certify that:

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

B) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Greene County Bancorp, Inc. 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

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

Date: May 15, 2003

/s/ Michelle Plummer

Michelle Plummer