GREENE COUNTY BANCORP INC
Form 10QSB
February 13, 2002

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

FORM 10-QSB

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

FOR THE QUARTER ENDED DECEMBER 31, 2001

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 (State or other jurisdiction of incorporation or organization)	14-1809721 (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 February 5, 2002, the registrant had 2,152,835 shares of common stock issued at $ .10 par value, and 2,005,395 were outstanding.

GREENE COUNTY BANCORP, INC.

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

	December 31, 2001 (Unaudited)	June
ASSETS		
Cash and due from banks	$5,965,969	$
Federal funds sold	10,301,823	1
Total cash and cash equivalents	16,267,792	1
Investment securities, at fair value	52,872,155	4
Federal Home Loan Bank stock, at cost	939,600	
Loans	121,582,841	11
Less: Allowance for loan losses	(976,053)	
Unearned origination fees and costs, net	(270,447)	

Net loans receivable	120,336,341	10
Premises and equipment	4,975,537	
Accrued interest receivable	1,453,644	
Prepaid expenses and other assets	401,275	
Other real estate owned	117,428	
Total assets	$197,363,772	$18
LIABILITIES AND SHAREHOLDERS' EQUITY		
Non-interest bearing deposits	$18,392,229	$1
Interest bearing deposits	147,525,556	13
Total deposits	165,917,785	15
Borrowings from FHLB	5,000,000	
Accrued expenses and other liabilities	788,982	
Accrued income taxes	243,300	
Total liabilities	171,950,067	16
Shareholders' equity		
Preferred stock, Authorized: 1,000,000 shares at December 31, and June 30, 2001;	---	
Common stock, par value $.10 per share; Authorized: 12,000,000 shares at December 31, and June 30, 2001; Issued: 2,152,835 shares at December 31, and June 30, 2001; Outstanding: 2,005,395 shares at December 31, 2001; 2,040,355 shares at June 30, 2001	215,284	
Additional paid-in capital	10,204,168	1
Retained earnings	16,487,573	1
Accumulated other comprehensive income	742,483	
Less: Treasury stock, 147,440 shares at December 31, 2001; 112,480 shares at June 30, 2001, shares at cost	(1,579,819)	(
Unearned stock-based compensation	(199,119)	
Unearned ESOP shares 49,972 shares at December 30, 2001; 58,516 shares at June 30, 2001, shares at cost	(456,865)	
Total shareholders' equity	25,413,705	2
Total liabilities and shareholders' equity	$197,363,772	$18

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Three Months Ended December 31, 2001 and 2000
(Unaudited)

	2001	2000
Interest income:		
Loans	$2,249,573	$1
Investment securities	488,941	
Mortgage-backed securities	159,237	
Tax free securities	109,715	
Interest bearing deposits and federal funds sold	75,365	
Total interest income	3,082,831	2
Interest expense:		
Interest on deposits	1,151,946	1
Interest on borrowings	85,825	
Total interest expense	1,237,771	1
Net interest income	1,845,060	1
Less: Provision for loan losses	68,900	
Net interest income after provision for loan losses	1,776,160	1
Non-interest income:		
Service charges on deposit accounts	302,374	
Other operating income	161,536	
Total non-interest income	463,910	
Non-interest expense:		
Salaries and employee benefits	837,394	
Occupancy expense	96,647	
Equipment and furniture expense	107,868	
Service and data processing fees	155,911	
Office supplies	36,542	
Other	475,907	
Total non-interest expense	1,710,269	1
Income before provision for income taxes	529,801	
Provision for income taxes	148,400	
Net income	$381,401	
Basic EPS	$0.20	
Basic shares outstanding	1,950,176	1

Diluted EPS	$0.19	
Diluted average shares outstanding	2,002,292	1

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Six Months Ended December 31, 2001 and 2000
(Unaudited)

	2001	
Interest income:		
Loans	$4,437,518	$
Investment securities	1,054,607	
Mortgage-backed securities	263,363	
Tax free securities	217,288	
Interest bearing deposits and federal funds sold	218,643	
Total interest income	6,191,419	
Interest expense:		
Interest on deposits	2,407,536	
Interest on borrowings	171,649	
Total interest expense	2,579,185	
Net interest income	3,612,234	
Less: Provision for loan losses	98,900	
Net interest income after provision for loan losses	3,513,334	
Non-interest income:		
Service charges on deposit accounts	488,899	
Other operating income	327,308	
Total non-interest income	816,207	
Non-interest expense:		
Salaries and employee benefits	1,629,295	
Occupancy expense	179,614	
Equipment and furniture expense	218,080	
Service and data processing fees	308,565	
Office supplies	76,613	
Other	914,619	

Total non-interest expense	3,326,786
Income before provision for income taxes	1,002,755
Provision for income taxes	277,400
Net income	$725,355
Basic EPS	$0.37
Basic average shares outstanding	1,962,023
Diluted EPS	$0.36
Diluted average shares outstanding	2,010,782

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Three Months Ended December 31, 2001 and 2000
(Unaudited)

	2001
Net income	$381,401
Other comprehensive income:	
Reclassification adjustment, net of income tax expense ($19,037)	---
Unrealized holding (loss)/gain arising during the three months ended December 31, 2001 and 2000, net of tax benefit / (expense) of $141,707 and ($259,448), respectively.	(212,558)
Total other comprehensive income	(212,558)
Comprehensive income	$168,843

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Six Months Ended December 31, 2001 and 2000
(Unaudited)

	2001
Net income	$725,355
Other comprehensive income:	
Reclassification adjustment, net of income tax expense ($12,712)	---
Unrealized holding gain arising during the six months ended December 31, 2001 and 2000, net of tax (expense) of $162,308 and $444,829, respectively.	243,461
Total other comprehensive income	243,461
Comprehensive income	$968,816

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended December 31, 2001 and 2000

	Capital Stock	Additional Paid -In Capital	Retained Earnings	Accumulated Other Comprehensive Income
Balance at June 30, 2000	$215,284	$10,319,859	$15,526,092	($524,546)
ESOP shares earned		(1,536)		

Stock-based compensation earned				
Dividends paid			(247,876)	
Net income			461,285	
Change in unrealized gain (loss) net				610,147
Balance at December 31, 2000	$215,284	$10,318,323	$15,739,501	$85,601

	Treasury Stock	Unearned Stock-based Compensation	Unearned ESOP Shares	Total Shareholders' Equity
Balance at June 30, 2000	($1,019,976)	($333,690)	($589,074)	$23,593,949
ESOP shares earned			44,736	43,200
Stock-based compensation earned		35,752		35,752
Dividends paid				(247,876)
Net income				461,285
Change in unrealized gain/(loss) net				610,147
Balance at December 31, 2000	($1,019,976)	($297,938)	($544,338)	$24,496,457

	Capital Stock	Additional Paid -In Capital	Retained Earnings	Accumulated Other Comprehensive Income
Balance at June 30, 2001	$215,284	$10,188,573	$15,993,025	$499,022
ESOP shares earned		22,822		
Options exercised		(7,227)		
Stock-based				

compensation earned				
Treasury stock repurchased				
Dividends paid			(230,807)	
Net income			725,355	
Change in unrealized gain, net				243,461
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Balance at December 31, 2001	$215,284	$10,204,168	$16,487,573	$742,483
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	Treasury Stock	Unearned Stock-based Compensation	Unearned ESOP Shares	Total Shareholders' Equity
Balance at June 30, 2001	($1,075,923)	($229,753)	($496,638)	$25,093,590
ESOP shares earned			39,773	62,595
Options exercised	27,229			20,002
Stock-based compensation earned		30,634		30,634
Treasury stock repurchased	(531,125)			(531,125)
Dividends paid				(230,807)
Net income				725,355
Change in unrealized gain, net				243,461
Balance at December 31, 2001	($1,579,819)	($199,119)	($456,865)	$25,413,705

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Cash Flows
For the Six Months Ended December 30, 2001 and 2000

	2001
Cash flows from operating activities:	
Net Income	$725,355
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	222,975
Net, amortization of premiums	23,376
Provision for loan losses	98,900
ESOP and other stock-based compensation earned	93,229
Loss on sale of investments	---
Net gain on sale of other real estate	---
Net increase in accrued income taxes	47,654
Net increase in accrued interest receivable	(96,405)
Net (increase) decrease in prepaid and other assets	(112,361)
Net increase (decrease) in other liabilities	3,639
Net cash provided by operating activities	1,006,362
Cash flows from investing activities:	
Proceeds from maturities of securities	3,155,123
Proceeds from sale of securities and other investments	---
Purchases of securities and other investments	(4,432,584)
Principal payments on securities	2,898,356
Principal payments on mortgage-backed securities	940,084
Purchases of mortgage-backed securities	(6,129,445)
Proceeds from sale of other real estate	---
Net increase in loans receivable	(10,765,429)
Purchases of premises and equipment	(192,374)
Net cash used in investing activities	(14,526,269)
Cash flows from financing activities:	
Dividends paid	(230,807)
Purchase of treasury stock	(531,125)
Proceeds from exercised options	20,002
Net increase in deposits	11,725,271
Net cash provided by financing activities	10,983,341
Net decrease in cash and cash equivalents	(2,536,566)
Cash and cash equivalents at beginning of period	18,804,358
Cash and cash equivalents at end of period	$16,267,792

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Notes to Financial Statements
As of and for the Three and Six Months Ended December 30, 2001 and 2000

(1) Basis of Presentation

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

(2) Nature of Operations

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

(3) Use of Estimates

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

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

(4) Charter Conversion

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

Among other things, the charter conversions will permit the MHC to waive the receipt of dividends paid by the Company without causing dilution to the ownership interest of the Company's minority stockholders in the event of a conversion of the MHC to stock form. The waiving of dividends will increase Company resources available for stock repurchases, payment of dividends to minority stockholders, and investments.

As a financial institution subsidiary of the Company following the charter conversion, the Bank must maintain at least 65% of its "portfolio assets" (total assets minus goodwill and other intangible assets, office property and specified liquid investments up to 20% of total assets) in certain "qualified thrift investments" (primarily loans to purchase, refinance, construct, improve or repair domestic residential housing, home equity loans, securities backed by or representing an interest in mortgages on domestic residential housing, and Federal Home Loan Bank stock) in at least 9 months out of every 12 month period. A savings institution that fails the qualified thrift lender test is subject to certain operating restrictions and may be required to convert to a bank charter. At December 31, 2001, the Bank maintained 74.3% of its portfolio assets in qualified thrift investments.

(5) Earnings Per Share

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

Three Months Ended	Net Income	Weighted Average Number of Shares Outstanding	Earnings Per Share
December 31, 2001:	$381,401		
Basic EPS		1,950,176	$0.20
Diluted EPS		2,002,292	$0.19
December 31, 2000:	$249,620		
Basic EPS		1,978,749	$0.13
Diluted EPS		1,995,526	$0.13

Six Months Ended	Net Income	Weighted Average Number of Shares Outstanding	Earnings Per Share
December 31, 2001:	$725,355		
Basic EPS		1,962,023	$0.37
Diluted EPS		2,010,782	$0.36
December 31, 2000:	$461,285		
Basic EPS		1,979,944	$0.23
Diluted EPS		1,992,588	$0.23

(6) Dividends

The Board of Directors approved a semi-annual $0.25 cash dividend on July 18, 2001, for shareholders of record August 15, 2001, payable September 1, 2001. The dividend reflected an annual cash dividend rate of $0.50 per share, which represents an increase from the previous annual cash dividend rate of $0.24 per share.

(7) Impact of Recent Accounting Pronouncements

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

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

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

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

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

General

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

Special Note Regarding Forward Looking Statements

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

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

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

Comparison of Financial Condition as of December 31, 2001 and June 30, 2001

ASSETS. Total assets increased to $197.4 million at December 31, 2001 from

$185.1 million at June 30, 2001, an increase of $12.3 million, or 6.6%. The increase in assets was primarily due to loan and investment growth that was funded by increases in interest-bearing deposits and decreases in federal funds holdings. The merger of a local competitor with an out-of-area institution has continued to help in efforts to promote the Bank's lending and deposit products.

CASH AND CASH EQUIVALENTS. Cash and due from banks remained relatively consistent at December 31, 2001 as compared to June 30, 2001 at $6.0 million and $5.3 million, respectively. The level of cash and due from banks results from fluctuations due to normal deposit account clearing activities and vault cash needs, based on customer cash needs. Federal funds sold decreased to $10.3 million at December 31, 2001 from $13.5 million at June 30, 2001, a decrease of $3.2 million, or 23.7%. Federal funds sold are partially a function of account clearing needs and deposit levels, which can fluctuate significantly on a daily basis. However, during the quarter-ended December 31, 2001, management attempted to invest in higher yielding investment securities while still maintaining adequate liquidity to fund loan growth.

INVESTMENT SECURITIES. Investment securities increased to $52.9 million at December 31, 2001 as compared to $48.9 million at June 30, 2001, an increase of $4.0 million, or 8.2%. Purchases were made of $10.5 million of investment securities: $6.1 million of mortgage-backed securities, $4.0 million of callable U.S. agency securities, and the remaining $0.4 million of various other type of investments securities. These purchases were offset by maturities and principal pay-downs. Maturities amounted to $3.2 million and pay-downs amounted to $2.9 million during the six-month period ended December 31, 2001. Net premium and discount and changes in the market value of the investments represented the remainder of the changes. As a result of these activities the investment portfolio mix shifted. Mortgage-backed securities represented $12.6 million or 23.8% of the investment portfolio at December 31, 2001, as compared to $8.8 million or 18.0% of the portfolio at June 30, 2001. Corporate securities represented $22.4 million or 42.4% of the portfolio at December 31, 2001 as compared to $23.4 million or 47.9% of the portfolio at June 30, 2001. U.S. government agencies represented $5.1 million or 9.7% of the portfolio at December 31, 2001, as compared to $1.8 million or 3.7% as of June 30, 2001. Change in the interest rate environment and economic conditions, as well as the availability of securities contributed to the decisions to shift the portfolio mix.

During the quarter ended December 31, 2001, the Bank pledged $200,000 of state and political securities as required by a local community organization that occasionally maintains more than $100,000 in deposits that would be insured by FDIC insurance.

(Rounded to nearest thousand)	Market value at Dec. 31, 2001	Percentage of portfolio	Market value at June 30, 2001	Percenta of portf
U.S. Treasuries	$---	0.0%	$1,005	2.0%
U.S. government agencies	5,139	9.7%	1,794	3.7%
State and political subdivisions	9,710	18.3%	9,420	19.3%
Mortgage-backed securities	12,570	23.8%	8,783	18.0%
Asset-backed securities	1,831	3.5%	3,300	6.8%
Corporate debt securities	22,415	42.4%	23,432	47.9%
Total debt securities	51,665	97.7%	47,734	97.7%
Equity securities and other	1,207	2.3%	1,141	2.3%

Total available-for-sale securities	$52,872	100.0%	$48,875	100.0%

LOANS. Net loans receivable increased to $120.3 million at December 31, 2001 from $109.8 million at June 30, 2001, an increase of $10.5 million, or 9.6%. The increase in loans was a result of the generally decreasing market interest rate environment that increased customer demand, particularly for fixed-rate residential mortgage loans. There has been a decrease in demand for consumer installment loans since the tragedy of September 2001. Another factor contributing to the increase in the Bank's market share of the local lending demand was a merger of a former competitor with an out-of-area institution. Growth primarily occurred in commercial real estate mortgages and residential real estate mortgages, which includes construction loans. Residential real estate mortgages increased to $98.1 million at December 31, 2001, an increase of $8.6 million, or 9.6%. Construction loans contributed $2.6 million of the overall increase in residential real estate mortgages. Commercial real estate mortgages increased to $1.3 million, or 25.0% to $6.5 million at December 31, 2001. Residential mortgages represented 80.7% of the loan portfolio at December 31 and at June 30, 2001. A shift occurred in commercial real estate mortgages to 5.3% of the loan portfolio at December 31, 2001 from 4.7% of the loan portfolio at June 30, 2001. This shift appears to be a result of successful business development efforts to attract commercial customers to the various products and services offered by the Bank.

(Rounded to nearest thousand)	At Dec. 31, 2001	Percentage of portfolio	At June 30, 2001	Percentage of portfolio
Real estate mortgages				
Residential	$98,078	80.7%	$89,528	80.7%
Commercial	6,490	5.3%	5,239	4.7%
Home equity loans	6,558	5.4%	6,138	5.6%
Commercial loans	3,885	3.2%	3,291	3.0%
Installment loans	5,940	4.9%	6,128	5.5%
Passbook loans	632	0.5%	596	0.5%
Total loans	$121,583	100.0%	$110,920	100.0%

ALLOWANCE FOR LOAN LOSS. The allowance for loan loss is established through a provision for loan losses based on management's evaluation of the 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 adequate loan loss allowance. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses and valuation of OREO. Such agencies may require the Bank to recognize additions to the allowance based on their judgment about information available to them at the time of their examination. The allowance for loan losses is increased by a provision for loan losses (which results in a charge to expense) and is reduced by net charge-offs. Management will continue to monitor and modify the level of the allowance for loan losses in order to maintain it at a level which management considers adequate to provide for potential loan losses.

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

	Six-Months Ended December 31, 2001	Fiscal Year End June 30, 2001
Balance at the beginning of the period	$886,081	$866,443
Charge-offs:		
Commercial real estate mortgage loans	---	26,432
Home equity loans	2,380	---
Installment loans to individuals	18,624	50,483
Total loans charged off	21,004	76,915
Recoveries:		
Installment loans to individuals	12,076	36,553
Total recoveries	12,076	36,553
Net charge-offs	8,928	40,362
Provisions charged to operations	98,900	60,000
Balance at the end of the period	$976,053	$886,081
Ratio of net charge-offs to average loans outstanding	0.01%	0.04%
Ratio of net charge-offs to nonperforming assets	1.29%	5.22%
Allowance for loan loss to nonperforming loans	170.30%	119.18%
Allowance for loan loss to net loans	0.81%	0.81%

Nonaccrual Loans and Nonperforming Assets

Loans are reviewed on a regular basis. Management determines that a loan is impaired or nonperforming when it is probable at least a portion of the loan will not be collected due to an irreversible deterioration in the financial condition of the borrower or the value of the underlying collateral. When a loan is determined to be impaired, the measurement of the loan is based on the present value of estimated future cash flows, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral. Management places loans on nonaccrual status once the loans have become over 90 days delinquent. Nonaccrual is defined as a loan in which collectibility is questionable and therefore interest on the loan will no longer be recognized on an accrual basis. A loan does not have to be 90 days delinquent in order to be classified as nonperforming. Other real estate owned is considered nonperforming. The Bank had no accruing loans delinquent more than 90 days at December 31, 2001 or June 30, 2001.

Analysis of Nonaccrual Loans and Nonperforming Assets

	At December 31, 2001	At June 30, 200
Nonaccruing loans:		
Real estate mortgage loans		
Residential mortgages loans (one- to four-family)	$546,897	$660,60
Commercial mortgage loans	---	71,71
Home equity	14,918	2,38
Installment loans to individuals	11,325	8,77
Total nonaccruing loans	573,140	743,46
Real Estate Owned:		
Residential mortgages loans (one- to four-family)	87,199	--
Commercial mortgage loans	30,229	30,22
Total real estate owned	117,428	30,22
Total nonperforming assets	$690,568	$773,69
Total nonperforming assets as a percentage of total assets	0.35%	0.42
Total nonperforming loans to total loans	0.47%	0.67

DEPOSITS. Total deposits increased to $165.9 million at December 31, 2001 from $154.2 million at June 30, 2001, an increase of $11.7 million or 7.6%. The most significant dollar volume increase occurred in certificates of deposits of $5.1 million or 8.8%. Money market deposits had the most significant percentage increase of 29.6% or $2.7 million to $11.9 million at December 31, 2001. Customers appear to be attracted to the slightly higher rate offered on the money market accounts as compared to the standard savings accounts. The money market accounts also offer more flexibility than a certificate of deposit, resulting in a lower rate. The Bank has been successful in marketing its products and services to local commercial accounts which has contributed to growth in money market and checking accounts and which has resulted in a shift in the overall deposit portfolio mix from savings deposits to money market deposits and checking deposit accounts. A shift in the level of investment in the stock market to more conservative investment alternatives such as cash accounts appears to have enhanced deposit growth.

(Rounded to nearest thousand)	At December 31, 2001	Percentage of portfolio	At June 30, 2001	Percent of port
Non-interest bearing deposits	$18,393	11.1%	$18,418	11.9%
Certificates of deposit	63,236	38.1%	58,113	37.7%
Savings deposits	59,270	35.7%	57,021	37.0%
Money market deposits	11,916	7.2%	9,194	6.0%
NOW deposits	13,103	7.9%	11,446	7.4%
Total deposits	$165,918	100.0%	$154,192	100.0%

BORROWINGS FROM FHLB. There was no change in the borrowings between June 30, 2001 and December 31, 2001.

At December 31 and June 30, 2001, the Bank had the following borrowings:

Amount	Rate	Maturity Date
$2,500,000	6.82% -Fixed	09/02/2004
2,500,000	6.80% -Fixed	10/04/2005
$5,000,000		

ACCRUED EXPENSES AND OTHER LIABILITIES. At December 31, 2001, accrued expenses and other liabilities amounted to approximately $0.8 million as compared to $0.6 million at June 30, 2001, an increase of $0.2 million. The increase was primarily due to increased deferred taxes associated with unrealized gains on available-for-sale securities. The remaining accrued expenses and other liabilities remained consistent between June 30, 2001 and December 31, 2001.

EQUITY. The primary changes in equity included changes in retained earnings, accumulated comprehensive income and treasury stock. Retained earnings increased $494,548 due to net income of $725,355 offset by dividends paid of $230,807. Unrealized gains on investment securities caused accumulated other comprehensive income to increase by $243,461 to $742,483 at December 31, 2001. Treasury stock increased $503,896 to $1,579,819 due to the repurchase of 37,500 shares of common stock, offset by option exercises of 2,540 shares. The remaining changes in equity are due to amortization of compensation expense associated with the Employee Stock Ownership Plan ("ESOP") and stock-based compensation expense associated with the Management Recognition and Retention Plan.

Comparison of Operating Results for the Three and Six Months Ended December 31, 2001 and 2000

INTEREST INCOME. Total interest income increased by $542,691 or 9.6%, to $6,191,419 for the six-months ended December 31, 2001 as compared to $5,648,728 for the six-months ended December 31, 2000. Total interest income increased by $232,062 or 8.1%, to $3,082,831 for the quarter ended December 31, 2001 as compared to $2,850,769 for the quarter ended December 31, 2000. For the six-month period ended December 31, 2001, as compared to the six-month period ended December 31, 2000 the most significant factor contributing to the increase in interest income was the increase in the average balance of loans outstanding during the six-month period. The average balance of loans for the six-month period ended December 31, 2001, amounted to $116.7 million as compared to $99.2 million for the six-month period ended December 31, 2001. The increase in average balance of loans was partially offset by decreases in the yield on such loans by 11 basis points to 7.61% for the six-month period ended December 31, 2001 as compared to 7.72% for the six-month period ended December 31, 2000. The average balance of loans increased during the quarter-ended December 31, 2001 to $119.0 million as compared to $100.4 million for the quarter-ended December 31, 2000. The average rate on such loans decreased 23 basis points for the quarter-ended December 31, 2001 to 7.56% as compared to 7.79% for the quarter-ended December 31, 2000.

The positive increases in interest income from loans for the quarter and six-month period ended December 31, 2001 of $294,856 and $610,075, respectively, was offset by decreases in interest income on investment securities and interest-bearing deposits and federal funds sold. The most significant decrease occurred as a result of decreases in the average yield on investment securities of 47 basis points to 5.80% for the quarter-ended December 31, 2001 as compared to 6.27% for the quarter-ended December 31, 2000. This change due to yield was offset partially by an increase in average balance of investment securities to $51.6 million for the quarter-ended December 31, 2001 as compared to $50.5 million for the quarter-ended December 31, 2000.

Other factors causing changes in interest income were changes in the volume and yield associated with federal funds sold balances. The average balance of federal funds increased to $14.0 million for the six-month period ended December 31, 2001 as compared to $6.6 million for the six-month period ended December 31, 2000. However, the increase in average balances was offset by a decrease in average yield of 448 basis points to 2.97% for the six-month period ended December 31, 2001 as compared to 7.45% for the six-month period ended December 31, 2000. The significant increase in the level of cash at December 31, 2001 was a result of maturing securities at the end of the quarter. Management also anticipated liquidity requirements needed in order to fund loan commitments and tax escrow payments due early in January 2002.

The decreases in yield on the various types of interest-earning assets discussed above was primarily a result of the generally declining interest rate environment experienced between June 30, 2001 and December 31, 2001. The lower interest rate environment was a result of the Federal Reserve Board's actions aimed to address the generally slowing U.S. economy.

INTEREST EXPENSE. Total interest expense decreased by $169,424 or 6.2% to $2,579,185 for the six-month period ended December 31, 2001 as compared to $2,748,609 for the six-month period ended December 31, 2000. Total interest expense decreased $141,264 or 10.2% to $1,237,771 for the quarter ended December 31, 2001 as compared to $1,379,035 for the quarter ended December 31, 2000. The most significant factor contributing to the decrease in interest expense was the decrease in average borrowing outstanding for both the quarter and six-month period ended December 31, 2001. The average borrowing outstanding for the quarter and six-month period ended December 31, 2001 was $5.0 million as compared to $10.0 million for the quarter and six-month period ended December 31, 2000. This resulted in decreases of $84,664 and $166,315 in interest expense on such borrowings for the quarter and six-month periods ended December 31, 2001 as compared to the quarter and six-month periods ended December 31, 2000.

Interest expense on deposits for the six-month period ended December 31, 2001 was relatively consistent with the expense for the same six-month period the prior year ended December 31, 2000, despite increases in the average balance in deposit accounts. The average balance in deposit accounts amounted to $162.0 million for the six-month period ended December 31, 2001 as compared to $133.8 for the six-month period ended December 31, 2000, an increase in average balance of $28.2 million. The savings deposit average rate decreased 72 basis points to 2.50% for the six-month period ended December 31, 2001 as compared to 3.22% for the six-month period ended December 31, 2000. The demand and NOW deposit average rate decreased 21 basis points to 0.54% for the six-month period ended December 31, 2001 as compared to 0.75% for the six-month period ended December 31, 2000. The certificates of deposit average rate decreased 58 basis points to 4.72% for the six-month period ended December 31, 2001 as compared to 5.30% for the six-month period ended December 31, 2000.

The comparison of the quarter-end trends was similar to the six-month trends discussed above. Interest expense on deposits decreased 4.7% or $56,600 to $1,151,946 for the quarter ended December 31, 2001 as compared to $1,208,546 for the quarter-ended December 31, 2000. The decrease in interest expense was primarily the result of decreases in the average rate on deposits. The average balance of deposit accounts for the quarter ended December 31, 2001 amounted to $164.5 million as compared to $133.7 million for the quarter ended December 31, 2000, an increase of $30.8 million. This increase was offset by decreases in average rate, such as a decrease of 93 basis points in the average rate on savings deposits to 2.30% for the quarter ended December 31, 2001 as compared to 3.23% for the quarter ended December 31, 2000. The average rate on demand and NOW deposits decreased 23 basis points to 0.51% for the quarter ended December 31, 2001 as compared to 0.74% for the quarter ended December 31, 2000. The average rate on certificates of deposit decreased 86 basis points to 4.49% for the quarter ended December 31, 2001 as compared to 5.35% for the quarter ended December 31, 2000.

The decrease in average rate when comparing the quarter and six-month periods ended December 31, 2001 to the same periods ended December 31, 2000 was primarily a result of the decrease in the overall interest rate environment.

NET INTEREST INCOME. Net interest income is a function of interest income and interest expense. As a result of changes in interest-earning assets and interest-bearing liabilities and the corresponding yield and rate on such, net interest spread increased to 3.71% for the six-month period ended December 31, 2001 as compared to 3.36% for the six-month period ended December 31, 2000, an improvement of 35 basis points. Also, net interest margin increased to 3.96% for the six-month period ended December 31, 2001 as compared to 3.69% for the six-month period ended December 31, 2000, an improvement of 27 basis points. Net interest spread increased to 3.79% for the quarter ended December 31, 2001 as compared to 3.43% for the quarter ended December 31, 2000, an improvement of 36 basis points. Also, net interest margin increased to 4.02% for the quarter ended December 31, 2001 as compared to 3.75% for the quarter ended December 31, 2000, an improvement of 27 basis points. The improvement in net interest income was one of the primary reasons for the overall improvement in net income.

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

Provisions for loan losses for the six-month period ended December 31, 2001 amounted to $98,900 as compared to $30,000 for the six-month period ended December 31, 2000. Provisions for loan losses for the quarter-ended December 31, 2001 amounted to $68,900 as compared to $15,000 for the quarter-ended December 31, 2000. The reasons for the change in provision included the additional risk assessment associated with the new Carefree Overdraft Privilege product, the changes required because of a shift in the loan portfolio to more commercial real estate mortgages and commercial loans than in prior periods as well as requirements due to the growth of the overall loan portfolio.

NON-INTEREST INCOME. Non-interest income amounted to $816,207 for the six-month period ended December 31, 2001 as compared to $551,804 for the prior year six-month period ended December 31, 2000, an increase of $264,403 or 47.9%. Non-interest income was $463,910 for the quarter ended December 31, 2001 as compared to $300,947 for the prior year quarter ended December 31, 2000, an increase of $162,963 or 54.2%. One item which impacted both the six-month period and quarter ended December 31, 2001 was the introduction of the Carefree Overdraft Privilege product, in October 2001. The same fee that would apply to a check drawn on insufficient funds or an uncollected item is charged when the overdraft privilege is used; however, in this case the customers' check is not returned, but paid and a fee is collected. The product has proven to be successful in terms of increased non-interest income and customer satisfaction. Fees associated with and revenue produced from charging on non-customer use of the Bank's ATM machines, merchant debit card processing and various loan fees such as application fees and mortgage lock-in fees continue to grow as the Bank's customer base grows and new branches begin to prosper. During the prior year quarter ended December 31, 2000, an item contributing to the level of other income was a gain on the sale of an investment security of $44,000, as well as a gain of $17,000 recognized on a sale of REO property. No such one time income producing activities occurred during the six-month period or quarter ended December 31, 2001.

NON-INTEREST EXPENSE. Non-interest expense increased to $3,326,786 for the six month period ended December 31, 2001 as compared to $2,788,480 for the six month period ended December 31, 2000, an increase of $538,306 or 19.3%. Non-interest expense amounted to $1,710,269 for the quarter ended December 31, 2001 as compared to $1,384,561 for the quarter ended December 31, 2000, an increase of $325,708 or 23.5%. Salaries and employee benefits increased $199,369 or 13.9% for the six-month period ended December 31, 2001 and $111,398 or 15.3% for the quarter ended December 31, 2001 as compared to the prior year same six-month period and quarter, as a result of additional staff required for the new Westerlo branch, annual raises, and increased costs of health care and retirement plan coverage. Increased expenses associated with service fees and data processing and a portion of the other operating expenses are directly related to the increase in the volume of loan and deposit accounts at the Bank. It should be noted that the Bank's data processing provider recently merged with another entity, which could potentially impact the level and rate of expenses associated with these core processing functions in the future. Some items contributing to the category of other non-interest expense include telephone, postage, courier and insurance and are directly related to the growth in the institution. Other non-interest expense include such items as professional and consulting fees which fluctuate depending upon the various projects being undertaken by the institution. A consultant was used to assist in the development and implementation of the Carefree Overdraft Privilege product which has received and will continue to receive remuneration based on the success of the product over the year-long implementation phase.

INCOME TAXES. The provision for income taxes directly reflects the expected tax associated with the revenue generated for the given year and certain regulatory requirements. Income tax expense for the six-month period ended December 31, 2001 was $277,400, which represented an effective rate of 27.7% as compared to $172,158, which represented an effective rate of 27.1% for the same six-month period the prior year.

Item 3. Market Risk

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

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

Mortgage loan commitments totaled $2.5 million at December 31, 2001. The unused portion of overdraft lines of credit amounted to $0.8 million, the unused portion of home equity lines of credit amounted to $0.6 million, and the unused portion of commercial lines of credit amounted to $1.6 million at December 31, 2001. The Company anticipates that it will have sufficient funds available to meet current loan commitments based on the level of cash and cash equivalents as well as the available for sale investment portfolio.

The Bank met all capital regulatory at December 31, 2001 and 2000. Shareholders' equity represented 12.9% of total assets at December 31, 2001 and 13.6% of total assets at June 30, 2001.

Recent Developments

The Board of Directors declared a semi-annual cash dividend of $0.28 per share of the Company's common stock. The dividend reflects an annual cash dividend rate of $0.56 per share, which represents an increase from the current annual cash dividend rate of $.50 per share. The dividend will be payable to stockholders of record as of February 15, 2002, and will be paid on March 1, 2002.

On January 15, 2002, the Board of Directors also authorized the continuation of the buyback program under the same terms and conditions originally authorized on December 19, 2000. The program authorized the repurchase of up to 5% of the Company's outstanding shares or 102,200 shares. Due to market conditions a total of 54,500 shares had been repurchased at an average cost of $12.90. The Board of Directors has authorized the buyback of the remaining 47,800 shares under the plan.

Part II. Other Information

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

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

Item 3. Defaults Upon Senior Securities
Not applicable

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

On October 24, 2001 the Company held an annual meeting of shareholders. At the meeting, proposals to (1) elect Director Walter H. Ingalls, Paul Slutzky, and David H. Jenkins, DVM each to serve as director for three-year terms and until their successors have been elected and qualified, and (2) ratify the engagement of PricewaterhouseCoopers LLP, to be the Company's auditors for the June 30, 2002 fiscal year were approved. The votes cast for and against these proposals were as follows:

Election to the Board Directors	For	Withheld
Walter H. Ingalls	1,878,708	3,534
Paul Slutzky	1,878,460	3,782
David H. Jenkins, DVM	1,878,820	3,422

Ratification of PricewaterhouseCoopers LLP	For	Against	Absta
Number of votes	1,877,679	3,069	1,494

Item 5. Other Information
Not applicable

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

SIGNATURES

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

Greene County Bancorp, Inc.

Date: February 13, 2002

By: /s/ J. Bruce Whittaker

J. Bruce Whittaker
President and Chief Executive Officer

Date: February 13, 2002

By: /s/ Michelle Plummer

Michelle Plummer
Chief Financial Officer