GREENE COUNTY BANCORP INC
Form 10QSB
February 14, 2008

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

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2007

OR

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

GREENE COUNTY BANCORP, INC.

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

Commission file number 0-25165

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

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

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

Yes: X No:

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.

Yes: No: X

As of February 12, 2008, the registrant had 4,305,670 shares of common stock issued at $ 0.10 par value, and 4,137,138 shares were outstanding.

Transitional Small Business Disclosure

Format: Yes: No: X

GREENE COUNTY BANCORP, INC.

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Part I. Item 1.

Greene County Bancorp, Inc.
Consolidated Statements of Financial Condition
As of December 31, 2007 and June 30, 2007
(Unaudited)
(In thousands, except share and per share amounts)

ASSETS	December 31, 2007	June 30, 2007
Cash and due from banks	$ 8,115	$ 11,127
Federal funds sold	916	2,899
Total cash and cash equivalents	9,031	14,026
Securities available for sale, at fair value	78,619	87,184
Securities held to maturity, at amortized cost	16,385	---
Federal Home Loan Bank stock, at cost	837	657
Loans	224,045	208,705
Less: Allowance for loan losses	(1,694)	(1,486)
Unearned origination fees and costs, net	111	61
Net loans receivable	222,462	207,280
Premises and equipment	14,228	13,712
Accrued interest receivable	1,989	1,955
Prepaid expenses and other assets	444	1,012
Total assets	$ 343,995	$ 325,826
LIABILITIES AND SHAREHOLDERS' EQUITY		
Noninterest bearing deposits	$ 40,912	$ 44,020
Interest bearing deposits	256,279	240,156
Total deposits	297,191	284,176
Borrowings from FHLB	9,000	5,000
Accrued expenses and other liabilities	1,298	1,235
Total liabilities	307,489	290,411
SHAREHOLDERS' EQUITY		
Preferred stock,		
Authorized 1,000,000 shares; none issued	---	---
Common stock, par value $.10 per share;		
Authorized:12,000,000 shares		
Issued: 4,305,670 shares		
Outstanding: 4,144,454 shares at December 31, 2007		
and 4,151,066 shares at June 30, 2007;	431	431
Additional paid-in capital	10,368	10,319
Retained earnings	26,219	25,962
Accumulated other comprehensive income (loss)	477	(400)
Treasury stock, at cost 161,216 shares at December 31,		
2007, and 154,604 shares at June 30, 2007	(950)	(828)

Unearned ESOP shares, at cost	(39)	(69)
Total shareholders' equity	36,506	35,415
Total liabilities and shareholders' equity	$ 343,995	$ 325,826

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Six Months Ended December 31, 2007 and 2006
(Unaudited)
(In thousands, except share and per share amounts)

	2007	2006
Interest income:		
Loans	$ 7,214	$ 6,482
Investment securities – taxable	504	320
Mortgage-backed securities	868	751
Tax exempt securities	539	551
Interest bearing deposits and federal funds sold	256	190
Total interest income	9,381	8,294
Interest expense:		
Interest on deposits	3,726	2,922
Interest on borrowings	93	93
Total interest expense	3,819	3,015
Net interest income	5,562	5,279
Provision for loan losses	278	111
Net interest income after provision for loan losses	5,284	5,168
Noninterest income:		
Service charges on deposit accounts	1,327	1,057
Debit card fees	387	290
	187	163

Investment services				
Gain on sale of premises and equipment		---		257
Other operating income		355		327
Total noninterest income		2,256		2,094
Noninterest expense:				
Salaries and employee benefits		3,108		2,790
Occupancy expense		458		353
Equipment and furniture expense		424		396
Service and data processing fees		525		474
Computer supplies and support		158		118
Office supplies		84		80
Other		1,097		883
Total noninterest expense		5,854		5,094
Income before provision for income taxes		1,686		2,168
Provision for income taxes		491		657
Net income	$	1,195	$	1,511
Basic EPS	$	0.29	$	0.37
Basic shares outstanding		4,137,088		4,119,836
Diluted EPS	$	0.29	$	0.36
Diluted average shares outstanding		4,182,920		4,190,163
Dividends per share	$	0.39	$	0.23
See notes to consolidated financial statements.				

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Three Months Ended December 31, 2007 and 2006
(Unaudited)
(Dollars in thousands, except share and per share amounts)

	2007	2006
Interest income:		
Loans	$ 3,656	$ 3,303
Investment securities – taxable	248	159
Mortgage-backed securities	475	391
Tax exempt securities	264	282
Interest bearing deposits and federal funds sold	129	88
Total interest income	4,772	4,223
Interest expense:		
Interest on deposits	1,924	1,546
Interest on borrowings	47	47
Total interest expense	1,971	1,593
Net interest income	2,801	2,630
Provision for loan losses	135	66
Net interest income after provision for loan losses	2,666	2,564
Noninterest income:		
Service charges on deposit accounts	696	586
Debit card fees	204	151
	95	72

Investment services				
Gain on sale of premises and equipment		---		257
Other operating income		165		137
Total noninterest income		1,160		1,203
Noninterest expense:				
Salaries and employee benefits		1,588		1,412
Occupancy expense		238		196
Equipment and furniture expense		210		200
Service and data processing fees		268		257
Computer supplies and support		78		62
Office supplies		42		52
Other		525		482
Total noninterest expense		2,949		2,661
Income before provision for income taxes		877		1,106
Provision for income taxes		251		349
Net income	$	626	$	757
Basic EPS	$	0.15	$	0.18
Basic shares outstanding		4,136,620		4,122,029
Diluted EPS	$	0.15	$	0.18
Diluted average shares outstanding		4,180,155		4,192,392
Dividends per share	$	0.14		---
See notes to consolidated financial statements.				

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Six Months Ended December 31, 2007 and 2006
(Unaudited)
(In thousands)

	2007	2006
Net income	$1,195	$1,511
Other comprehensive income:		
Unrealized holding gain arising during the six months ended December 31, 2007 and 2006, net of income tax expense of $560 and $329, respectively.	877	516
Total other comprehensive income	877	516
Comprehensive income	$2,072	$2,027

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Three Months Ended December 31, 2007 and 2006
(Unaudited)
(In thousands)

	2007	2006
Net income	$626	$757
Other comprehensive income:		
Unrealized holding gain arising during the three months ended December 31, 2007 and 2006, net of income tax expense of $269 and $34, respectively.	422	53
Total other comprehensive income	422	53
Comprehensive income	$1,048	$810

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended December 31, 2007 and 2006
(Unaudited)
(Dollars in thousands)

	Capital Stock	Additional Paid – In Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Unearned ESOP Shares	Total Shareholders' Equity
Balance at June 30, 2006	$431	$10,300	$24,588	($747)	($860)	($131)	$33,581
ESOP shares earned		76				32	108
Options exercised		(2)			9		7
Dividends declared			(424)				(424)
Net income			1,511				1,511
Unrealized gain on securities, net				516			516
Balance at December 31, 2006	$431	$10,374	$25,675	($231)	($851)	($99)	$35,299
Balance at June 30, 2007	$431	$10,319	$25,962	($400)	($828)	($69)	$35,415
ESOP shares earned		55				30	85
Options exercised		(9)			31		22
Tax effect, Options		3					3
Shares repurchased					(153)		(153)

Dividends declared			(720)				(720)
Net income			1,195				1,195
Adoption of FIN 48			(218)				(218)
Unrealized gain on securities, net				877			877
Balance at December 31, 2007	$431	$10,368	$26,219	$477	($950)	($39)	$36,506

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Cash Flows
For the Six Months Ended December 31, 2007and 2006
(Unaudited)
(In thousands)

	2007	2006
Cash flows from operating activities:		
Net Income	$ 1,195	$ 1,511
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	509	452
Net amortization of security premiums and discounts	139	448
Provision for loan losses	278	111
ESOP compensation earned	85	108
Gain on sale of premises and equipment	---	(257)
Net decrease in accrued income taxes	(122)	(127)
Net increase in accrued interest receivable	(34)	(74)
Net decrease in prepaid and other assets	104	25
Net (decrease) increase in other liabilities	(126)	165
Net cash provided by	2,028	2,362

operating activities		
Cash flows from investing activities:		
Available for sale securities:		
Proceeds from maturities and calls of securities	5,652	2,980
Purchases of securities	(18,235)	(3,823)
Principal payments on securities	5,731	9,404
Held to maturity securities:		
Proceeds from maturities and calls of securities	130	---
Principal payments on securities	20	---
Net increase in loans receivable	(15,460)	(12,131)
Proceeds from sale of premises and equipment	2	350
Purchases of premises and equipment	(1,027)	(3,059)
Net cash used in investing activities	(23,187)	(6,279)
Cash flows from financing activities:		
Proceeds of FHLB borrowings	4,000	---
Dividends paid	(720)	(424)
	22	7

Proceeds from exercise of stock options		
Repurchase of stock	(153)	---
Net increase in deposits	13,015	2,870
Net cash provided by financing activities	16,164	2,453
Net decrease in cash and cash equivalents	(4,995)	(1,464)
Cash and cash equivalents at beginning of period	14,026	15,852
Cash and cash equivalents at end of period	$ 9,031	$ 14,388

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Notes to Consolidated Financial Statements
As of and for the Six Months and Three Months Ended December 31, 2007 and 2006

(1) Basis of Presentation

The accompanying consolidated balance sheet information as of June 30, 2007 was derived from the audited consolidated financial statements of Greene County Bancorp, Inc. (the "Company") and its wholly owned subsidiary, The Bank of Greene County (the "Bank") and the Bank's wholly owned subsidiary, Greene County Commercial Bank. The consolidated financial statements at and for the three and six months ended December 31, 2007 and 2006 are unaudited.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. To the extent that information and footnotes required by GAAP for complete financial statements are contained in or are consistent with the audited financial statements incorporated by reference to Greene County Bancorp, Inc.'s Annual Report on Form 10-KSB for the year ended June 30, 2007, 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 six month periods ended December 31, 2007 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2008.

CRITICAL ACCOUNTING POLICY

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

Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and Staff Accounting Bulletin 59, "Noncurrent Marketable Equity Securities," require companies to perform periodic reviews of individual securities in their investment portfolios to determine whether decline in the value of a security is other than temporary. Greene County Bancorp, Inc. makes an assessment to determine whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis. The Company considers many factors including the severity and duration of the impairment; the intent and ability of the Company to hold the security for a period of time sufficient for a recovery in value; recent events specific to the issuer or industry; and for debt securities, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value with the write-down recorded as a realized loss.

(2) Nature of Operations

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

(3) Use of Estimates

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

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

Greene County Bancorp, Inc. makes an assessment to determine whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis. The Company considers many factors including the severity and duration of the impairment; the intent and ability of the Company to hold the security for a period of time sufficient for a recovery in value; recent events specific to the issuer or industry; and for debt securities, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value with the write-down recorded as a realized loss.

(4) Earnings Per Share

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

	Net Income	Weighted Average Number of Shares Outstanding	Earnings Per Share
Six Months Ended			
December 31, 2007:	$1,195,000		
Basic		4,137,088	$0.29
Effect of dilutive stock options			
and unearned restricted stock		45,832	(0.00)
Diluted		4,182,920	$0.29
December 31, 2006:	$1,511,000		
Basic		4,119,836	$0.37
Effect of dilutive stock options			
and unearned restricted stock		70,327	(0.01)
Diluted		4,190,163	$0.36

	Net Income	Weighted Average Number of Shares Outstanding	Earnings Per Share
Three Months Ended			
December 31, 2007:	$626,000		
Basic		4,136,620	$0.15
Effect of dilutive stock options			
and unearned restricted stock		43,535	(0.00)
Diluted		4,180,155	$0.15
December 31, 2006:	$757,000		
Basic		4,122,029	$0.18
Effect of dilutive stock options			
and unearned restricted stock		70,363	(0.00)
Diluted		4,192,392	$0.18

(5) Dividends

On October 16, 2007, the Board of Directors declared a quarterly cash dividend of $0.14 per share of Greene County Bancorp, Inc.'s common stock. The dividend reflected an annual cash dividend rate of $0.56 per share, which represented an increase from the previous annual dividend rate of $0.50 per share. The dividend was payable to stockholders of record as of November 15, 2007, and paid on December 1, 2007. It should be noted that Greene County Bancorp, Inc.'s mutual holding company continued to waive receipt of dividends on the 2,304,632 shares of Company common stock it owns for the current period. The Company also changed its policy of paying dividends quarterly, rather than semi-annually, effective December 1, 2007.

(6) Impact of Inflation and Changing Prices

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

(7) Impact of Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements", which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFASNo. 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS No. 157 on itsconsolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued proposed FASB Staff Position (FSP) 157-b, "Effective Date of FASB Statement No. 157," that would permit a one-year deferral in applying the measurement provisions of Statement No. 157 to non-financial assets and non-financial liabilities (non-financial items) that are not recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually). Therefore, if the change in fair value of a non-financial item is not required to be recognized or disclosed in the financial statements on an annual basis or more frequently, the effective date of application of Statement 157 to that item is deferred until fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. This deferral does not apply, however, to an entity that applies Statement 157 in interim or annual financial statements before proposed FSP 157-b is finalized. The Company is currently evaluating the impact, if any, that the adoption of FSP 157-b will have on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115" SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for the Company beginning July 1, 2008. The Company is evaluating the impact, if any, the adoption of SFAS No. 159 will have on its consolidated financial position, results of operations and cash flows.

In March 2007, the FASB ratified Emerging Issues Task Force ("EITF") Issue No. 06-11 "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards." EITF 06-11 requires companies to recognize the income tax benefit realized from dividends or dividend equivalents that are charged to retained earnings and paid to employees for non-vested equity-classified employee share-based payment awards as an increase to additional paid-in capital. EITF 06-11 is effective for fiscal years beginning after September 15, 2007. The Company does not expect EITF 06-11 will have a material impact on its consolidated financial statements.

In December 2007, the FASB issued statement No. 141 (R) "Business Combinations". This Statement establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The Statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective as of the beginning of a company's fiscal year beginning after December 15, 2008. The Company, based on current circumstances,believes that this new pronouncement willnothave a material impact on the Company's financial statements.

In December 2007, the FASB issued statement No. 160 "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51". This Statement establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance will become effective as of the beginning of a company's fiscal year beginning after December 15, 2008. The Company believes that this new pronouncement willnothave a material impact on the Company's financial statements.

Staff Accounting Bulletin No. 110 (SAB 110) amends and replaces Question 6 of Section D.2 of Topic 14,"Share-Based Payment,"of the Staff Accounting Bulletin series. Question 6 of Section D.2 of Topic 14 expresses the views of the staff regarding the use of the "simplified" method in developing an estimate of expected term of "plain vanilla" share options and allows usage of the "simplified" method for share option grants prior to December 31, 2007. SAB 110 allows public companies which do not have historically sufficient experience to provide a reasonable estimate to continue use of the "simplified" method for estimating the expected term of "plain vanilla" share option grants after December 31, 2007. SAB 110 is effective January 1, 2008. The Company does not expect SAB 109 to have a material impact on its financial statements.

Staff Accounting Bulletin No. 109 (SAB 109), "Written Loan Commitments Recorded at Fair Value Through Earnings" expresses the views of the staff regarding written loan commitments that are accounted for at fair value through earnings under generally accepted accounting principles. To make the staff's views consistent with current authoritative accounting guidance, the SAB revises and rescinds portions of SAB No. 105, "Application of Accounting Principles to Loan Commitments." Specifically, the SAB revises the SEC staff's views on incorporating expected net future cash flows related to loan servicing activities in the fair value measurement of a written loan commitment. The SAB retains the staff's views on incorporating expected net future cash flows related to internally-developed intangible assets in the fair value measurement of a written loan commitment. The staff expects registrants to apply the views in Question 1 of SAB 109 on a prospective basis to derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. The Company does not expect SAB 109 to have a material impact on its financial statements.

(8) Stock-Based Compensation

At December 31, 2007, Greene County Bancorp, Inc. had two stock-based compensation plans, which are described more fully in Note 9 of the consolidated financial statements and notes thereto for the year ended June 30, 2007. The Company adopted SFAS 123(R), "Share-Based Payments" effective July 1, 2006. SFAS No. 123 (R) requires compensation costs related to share-based payment transactions to be recognized in the financial statements over the period that the employees provide service in exchange for the award. Public companies were required to adopt the standard using a modified prospective method and they were given the option to elect to restate prior periods using the modified retrospective method. Under the modified prospective method, companies are required to record compensation cost for new and modified awards over the related vesting period of such awards prospectively and record compensation cost prospectively for the unvested portion, at the date of adoption of previously issued and outstanding awards over the remaining vesting period of such awards. Greene County Bancorp, Inc. chose the modified prospective method. However, since all outstanding options vested prior to July 1, 2006, there was no stock-based compensation expense to be recorded during the quarters and six months ended December 31, 2007 and 2006, and, therefore, no effect on net income or earnings per share; consequently, no table illustrating the impact of share-based compensation on earnings for the quarters and six months ended December 31, 2007 or 2006 is included.

A summary of the Company's stock option activity and related information for its option plan for the six months ended December 31, 2007 and 2006 is as follows:

	2007		2006	
	Shares	Weighted average Exercise Price Per Share	Shares	Weighted average Exercise Price Per Share
Outstanding at beginning of period	72,664	$4.55	100,084	$4.38
Shares granted	---	---	---	---
Exercised	(5,580)	$3.94	(1,580)	$3.94
Forfeited	---	---	---	---
Outstanding at period end	67,084	$4.60	98,504	$4.39
Exercisable at period end	67,084	$4.60	98,504	$4.39

The following table presents stock options outstanding and exercisable at December 30, 2007:

Options Outstanding and Exercisable			
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$3.94	58,584	2.25	$3.94
$9.20	8,500	4.25	$9.20
	67,084	2.50	$4.60

The total intrinsic value of the options exercised during the six and three months ended December 31, 2007, was approximately $48,000 and $43,000, respectively. The total intrinsic value of the options outstanding and exercisable at December 31, 2007, was approximately $499,000. There were no stock options granted during the six and three months ended December 31, 2007 and 2006. The Company had no non-vested options outstanding at or during the six months ended December 31, 2007 and 2006.

(9) Stock Repurchase Program

On August 22, 2007, the Board of Directors authorized a stock repurchase program pursuant to which the Company intends to repurchase up to 5% of its outstanding shares (excluding shares held by Greene County Bancorp, MHC, the Company's mutual holding company), or up to 92,346 shares. As of December 31, 2007, the Company had repurchased 12,192 shares pursuant to this program at an average cost of $12.53 per share.

(10) Income Taxes

In July 2006, the Financial Accounting Standards Board ("FASB") released Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement 109" ("FIN 48"). Effective for fiscal years beginning after December 15, 2006, FIN 48 provides guidance on the financial statement recognition and measurement for income tax positions that the Company has taken or expects to take in its income tax returns. It also provides related guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted the provisions of FIN 48 on July 1, 2007. The adoption required the Company to recognize a $218,000 increase in our liability for unrecognized tax benefit.

As of July 1, 2007, the Company had a liability for unrecognized tax benefits of $186,000. The Company recognizes penalties and accrued interest related to unrecognized tax benefits in tax expense. As of July 1, 2007, the Company had a liability of approximately $32,000 for penalties and interest.

Actual income taxes paid may vary from estimates depending upon changes in income tax laws, actual results of operations, and the final audit of tax returns by taxing authorities. Tax assessments may arise several years after tax returns have been filed. The Company reviews its tax balances quarterly and as new information becomes available, the balances are adjusted, as appropriate. The Company is currently under examination by the Internal Revenue Service for fiscal years ended June 30, 2004 through June 30, 2006. The Company is no longer subject to federal and state income tax examinations by tax authorities for years before June 30, 2004.

(11) Subsequent Event

On January 16, 2008, the Board of Directors declared a quarterly cash dividend of $0.15 per share of Greene County Bancorp, Inc. common stock. The dividend reflected an annual cash dividend rate of $0.60 cents per share, which represented an increase from the annual cash dividend rate of $0.56 per share. The dividend will be payable to stockholders of record as of February 15, 2008, and will be paid on March 1, 2008. It should be noted that Greene County Bancorp, Inc.'s mutual holding company continued to waive receipt of dividends on the 2,304,632 shares of Company common stock it owns for the current period.

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

Overview of the Company's Activities and Risks

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

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

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

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

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

Special Note Regarding Forward Looking Statements

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

(a) changes in general market interest rates,

(b) general economic conditions,

(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, Greene County Commercial Bank 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 December 31, 2007 and June 30, 2007

ASSETS

Total assets of the Company increased to $344.0 million at December 31, 2007 from $325.8 million at June 30, 2007. The asset composition shifted toward loans, which amounted to $222.5 million, or 64.7% of total assets at December 31, 2007, as compared to $207.3 million, or 63.6% of total assets at June 30, 2007. Securities, including both available for sale and held to maturity investments, also increased during the six months ended December 31, 2007, and represented $95.0 million or 27.6% of total assets at December 31, 2007 as compared to $87.2 million or 26.8% of total assets at June 30, 2007.

SECURITIES AVAILABLE FOR SALE

Securities available for sale decreased to $78.6 million at December 31, 2007 as compared to $87.2 million at June 30, 2007, a decrease of $8.6 million, or 9.9%. The decline in the available for sale portfolio was the result of the reclassification of $16.5 million of local state and political subdivision securities to held-to- maturity securities. This decline was partially offset by securities purchases of $18.2 million during the six months ended December 31, 2007 less maturities and principal repayments of $11.4 million. Repayments and maturities consisted of $5.0 million in mortgage-backed securities, and $4.4 million in state and political subdivision securities and $2.0 million in U.S. government agency securities. Purchases of $18.2 million consisted of $11.1 million in mortgage-backed securities, $4.4 million in state and political subdivision or tax-free securities, $1.5 million in corporate debt securities, $1.0 million in U.S. government agency securities, and $200,000 in FHLB stock. Additionally, during the six months ended December 31, 2007, available for sale securities increased from an unrealized loss of $655,000 to an unrealized gain of $782,000.

(Dollars in thousands)	Fair value at Dec. 31, 2007	Percentage of portfolio	Fair value at June 30, 2007	Percentage of portfolio
U.S. government agencies	$ 19,053	24.2%	$ 19,628	22.5%
State and political subdivisions	12,928	16.4	29,034	33.3
Mortgage-backed securities	44,797	57.0	38,157	43.8
Asset-backed securities	67	0.1	76	0.1
Corporate debt securities	1,485	1.9	---	---
Total debt securities	78,330	99.6	86,895	99.7
Equity securities and other	289	0.4	289	0.3
Total securities available-for-sale	$ 78,619	100.0%	$ 87,184	100.0%

HELD-TO-MATURITY SECURITIES

At December 1, 2007, Greene County Bancorp, Inc. reclassified $16.5 million in local, state and political subdivision securities from available-for-sale securities to held-to-maturity securities. The Company has the ability and intent to hold these securities until maturity. The issues transferred consisted of local municipal bonds which are considered illiquid and have no quoted market values. Management estimated that the aggregate fair value of these securities at the time of transfer was equal to their aggregate amortized cost. These securities will continue to be recorded at amortized cost. The balance of these securities decreased by $150,000 due to maturities and principal repayments for the six-month period ended December 31, 2007. Greene County Bancorp, Inc. held 30.8% of the securities portfolio, including both available-for-sale and held-to-maturity securities, at December 31, 2007 in state and political subdivision securities to take advantage of tax savings and to promote Greene County Bancorp, Inc.'s participation in the communities in which it operates.

LOANS

Net loans receivable increased to $222.5 million at December 31, 2007 from $207.3 million at June 30, 2007, an increase of $15.2 million, or 7.3%. The loan growth experienced during the six months primarily consisted of $10.2 million in residential mortgages, $3.5 million in home equity loans, and $1.2 million in commercial real estate loans. The continued low interest rate environment and strong customer satisfaction from personal service continued to enhance loan growth. If long term rates begin to rise, the Company anticipates some slow down in new loan demand as well as refinancing activities. It appears consumers continue to use the equity in their homes and credit cards to fund financing needs for some activities, where in the past an installment loan may have been the choice. The low financing options from auto makers continued to cut into the Bank's automobile loan generation.

(Dollars in thousands)	At Dec. 31, 2007	Percentage of portfolio	At June 30, 2007	Percentage of portfolio
Real estate mortgages				
Residential	$ 160,398	71.6%	$ 150,215	72.0%
Commercial	26,917	12.0	25,740	12.3
Home equity loans	23,259	10.4	19,719	9.5
Commercial loans	8,747	3.9	8,391	4.0
Installment loans	4,214	1.9	4,057	1.9
Passbook loans	510	0.2	583	0.3
Total loans	$ 224,045	100.0%	$ 208,705	100.0%
Less: Allowance for loan losses	(1,694)		(1,486)	
Unearned origination fees and costs, net	111		61	
Net loans receivable	$ 222,462		$ 207,280	

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is established through a provision for loan losses based on management's evaluation of the risk inherent in the loan portfolio, the composition of the loan portfolio, specific impaired loans and current economic conditions. Such evaluation, which includes a review of all loans on which full collectibility may not be reasonably assured, considers among other matters, the estimated net realizable value or the fair value of the underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an allowance for loan loss. In addition, various regulatory agencies, as an integral part of their examination process, periodically review The Bank of Greene County's allowance for loan losses. 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 recoveries of loans previously charged off and is reduced by net charge-offs. The level of the provision for the six months ended December 31, 2007, was driven by the continued good asset quality. Any future increase in the allowance for loan losses or loan charge-offs could have a material adverse effect on Greene County Bancorp, Inc.'s results of operations and financial condition.

Analysis of allowance for loan losses activity

(Dollars in thousands)	Six months ended	
	December 31, 2007	December 31, 2006
Balance at the beginning of the period	$ 1,486	$ 1,314
Charge-offs:		
Commercial loan	15	7
Installment loans to individuals	16	15
Overdraft protection	115	68
Total loans charged off	146	90
Recoveries:		
Residential mortgage	27	---
Installment loans to individuals	19	15
Overdraft protection	30	18
Total recoveries	76	33
Net charge-offs	70	57
Provisions charged to operations	278	111
Balance at the end of the period	$ 1,694	$ 1,368
Ratio of net charge-offs to average loans outstanding, annualized	0.06%	0.06%
Ratio of net charge-offs to nonperforming assets, annualized	7.93%	28.57%
Allowance for loan loss to nonperforming loans	95.92%	342.86%
Allowance for loan loss to total loans receivable	0.76%	0.67%

Nonaccrual Loans and Nonperforming Assets

Loans are reviewed on a regular basis. Management determines that a loan is impaired or nonperforming when it is probable at least a portion of the loan will not be collected in accordance with its contractual terms due to an irreversible deterioration in the financial condition of the borrower or the value of the underlying collateral. When a loan is determined to be impaired, the measurement of the loan impairment is based on the present value of estimated future cash flows, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral. Management places loans on nonaccrual status once the loans have become 90 days or more delinquent. Nonaccrual is defined as a loan in which collectibility is questionable and therefore interest on the loan will no longer be recognized on an accrual basis. A loan does not have to be 90 days delinquent in order to be classified as nonperforming. Foreclosed real estate is considered nonperforming. The Bank of Greene County had no accruing loans delinquent 90 days or more at December 31, 2007 or June 30, 2007.

Analysis of Nonaccrual Loans and Nonperforming Assets

(Dollars in thousands)	At December 31, 2007	At June 30, 2007
Nonaccruing loans:		
Real estate mortgage loans:		
Residential mortgages loans (one- to four-family)	$ 686	$ 451
Commercial mortgage loans	442	111
Multifamily mortgage loans	28	---
Home equity	302	110
Commercial loans	251	---
Installment loans to individuals	57	10
Total nonaccruing loans	1,766	682
Foreclosed real estate	---	---
Total nonperforming assets	$ 1,766	$ 682
Total nonperforming assets as a percentage of total assets	0.51%	0.21%
Total nonperforming loans to total loans	0.79%	0.33%

During the six months ended December 31, 2007 and 2006, The Bank of Greene County had no impaired loans. Accordingly, no specific valuation allowance for impaired loans was recorded. Interest income related to nonaccrual loans was not material in the quarters and six month periods ended December 31, 2007 and 2006.

DEPOSITS

Total deposits increased to $297.2 million at December 31, 2007 from $284.2 million at June 30, 2007, an increase of $13.0 million, or 4.6%. The net growth in deposits was primarily due to a $10.8 million increase in municipal deposits at Greene County Commercial Bank. The Company has seen a shift from savings and money market deposits to NOW deposits as customers try to shop for the best rates while still maintaining liquidity. The Company continues to try to encourage customers to open noninterest bearing deposit accounts through various marketing strategies, including gifts.

(Dollars in thousands)				
	At	Percentage	At	Percentage

	Dec. 31, 2007	of portfolio	June 30, 2007	of portfolio
Noninterest bearing deposits	$ 40,912	13.8%	$ 44,020	15.5%
Certificates of deposit	81,939	27.6	74,563	26.2
Savings deposits	66,697	22.4	71,830	25.3
Money market deposits	31,335	10.5	37,710	13.3
NOW deposits	76,308	25.7	56,053	19.7
Total deposits	$ 297,191	100.0%	$ 284,176	100.0%

BORROWINGS

At December 31, 2007, The Bank of Greene County had available an overnight line of credit and a one-month overnight repricing line of credit, each in the amount of $31.8 million with the Federal Home Loan Bank. The Bank of Greene County had $4.0 million outstanding on the overnight line of credit at December 31, 2007.

At December 31, 2007, The Bank of Greene County had the following term borrowings from the FHLB:

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

The $5.0 million borrowing, which carried a 3.64% interest rate at December 31, 2007, is convertible by FHLB under certain market interest rate scenarios, including three-month LIBOR at or above 7.5%. FHLB has the option to convert existing advances into replacement advances for the same or lesser principal amount based on the then current market rates. If the Bank chooses not to replace the funding, the Bank must repay this convertible advance, including any accrued interest, on the interest payment date.

EQUITY

Shareholders' equity increased to $36.5 million at December 31, 2007 from $35.4 million at June 30, 2007, as net income of $1.2 million was partially offset by dividends declared and paid of $720,000. An improvement of $877,000 in the fair value of the available-for-sale investment portfolio, net of tax, resulted in accumulated other comprehensive income of $477,000 at December 31, 2007 compared to accumulated other comprehensive loss of $400,000 at June 30, 2007. The Company recorded an adjustment, effective July 1, 2007, reducing retained earnings by $218,000 as a result of implementing FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109". Other changes in equity, totaling a $110,000 increase, were the result of activities associated with the various stock-based compensation plans of the Company including the 2000 Stock Option Plan and ESOP Plan. 5,580 options were exercised during the six months ended December 31, 2007. On August 22, 2007, the Board of Directors authorized a stock repurchase program pursuant to which the Company intends to repurchase up to 5% of its outstanding shares (excluding shares held by Greene County Bancorp, MHC, the Company's mutual holding company), or up to 92,346 shares. During the six months ended December 31, 2007, the Company repurchased 12,192 shares. As a result of this stock repurchase and the exercise of stock options during the period, treasury shares were increased to 161,216.

Comparison of Operating Results for the Six Months and Quarter Ended December 31, 2007 and 2006

Average Balance Sheet

The following table sets forth certain information relating to Greene County Bancorp, Inc. for the six months and quarters ended December 31, 2007 and 2006. For the periods indicated, the total dollar amount of interest income from average interest earning assets and the resultant yields, as well as the interest expense on average interest bearing liabilities, are expressed both in dollars and rates. No tax equivalent adjustments were made. Average balances were based on daily averages for the quarters and six months ended December 31, 2007 and 2006. Average loan balances include non-performing loans. The loan yields include net amortization of certain deferred fees and costs that are considered adjustments to yields.

	Six Months Ended December 31, 2007 and 2006					
(Dollars in thousands)	2007	2007	2007	2006	2006	2006
	Average	Interest	Average	Average	Interest	Average
	Outstanding	Earned/	Yield/	Outstanding	Earned/	Yield/
	Balance	Paid	Rate	Balance	Paid	Rate
Interest earning assets:						
Loans receivable, net1	$217,494					