GREENE COUNTY BANCORP INC
Form 10-Q
February 14, 2012

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2011

OR

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

GREENE COUNTY BANCORP, INC.

(Exact name of registrant 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes: X No: ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	_____	Accelerated filer	_____
Non-accelerated filer	_____	Smaller reporting company	X

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 8, 2012, the registrant had 4,154,562 shares of common stock outstanding at $ 0.10 par value per share.

GREENE COUNTY BANCORP, INC.

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Greene County Bancorp, Inc.
Consolidated Statements of Financial Condition
As of December 31, 2011 and June 30, 2011
(Unaudited)
(In thousands, except share and per share amounts)

ASSETS	December 31, 2011	June 30, 2011
Cash and due from banks	$19,013	$9,245
Federal funds sold	1,042	721
Total cash and cash equivalents	20,055	9,966
Securities available for sale, at fair value	77,235	90,117
Securities held to maturity, at amortized cost	128,748	124,177
Federal Home Loan Bank stock, at cost	1,273	1,916
Loans	317,041	305,620
Allowance for loan losses	(5,617)	(5,069)
Unearned origination fees and costs, net	410	495
Net loans receivable	311,834	301,046
Premises and equipment	15,044	15,407
Accrued interest receivable	2,714	2,716
Foreclosed real estate	361	443
Prepaid expenses and other assets	2,319	1,737
Total assets	$559,583	$547,525
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Noninterest bearing deposits	$53,766	$49,313
Interest bearing deposits	440,203	420,584
Total deposits	493,969	469,897
Borrowings from FHLB, short-term	---	14,300
Borrowings from FHLB, long-term	12,000	12,000
Accrued expenses and other liabilities	2,993	3,247
Total liabilities	508,962	499,444
Shareholders’ equity:		
Preferred stock,		
Authorized - 1,000,000 shares; Issued - None	---	---
Common stock, par value $.10 per share;		

Authorized - 12,000,000 shares		
Issued - 4,305,670 shares		
Outstanding - 4,150,228 shares at December 31, 2011		
and 4,145,828 shares at June 30, 2011;	431	431
Additional paid-in capital	11,042	11,001
Retained earnings	39,695	37,336
Accumulated other comprehensive income	626	519
Treasury stock, at cost 155,442 shares at December 31, 2011		
and 159,842 shares at June 30, 2011	(1,173)	(1,206)
Total shareholders' equity	50,621	48,081
Total liabilities and shareholders' equity	$559,583	$547,525

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Six Months Ended December 31, 2011 and 2010
(Unaudited)
(In thousands, except share and per share amounts)

	2011	2010
Interest income:		
Loans	$8,943	$9,046
Investment securities - taxable	470	577
Mortgage-backed securities	2,310	1,823
Investment securities - tax exempt	626	576
Interest bearing deposits and federal funds sold	14	20
Total interest income	12,363	12,042
Interest expense:		
Interest on deposits	1,714	2,045
Interest on borrowings	227	305
Total interest expense	1,941	2,350
Net interest income	10,422	9,692
Provision for loan losses	896	836
Net interest income after provision for loan losses	9,526	8,856
Noninterest income:		
Service charges on deposit accounts	1,255	1,173
Debit card fees	688	619
Investment services	137	148
E-commerce fees	55	55
Net gain on sale of available-for-sale securities	11	212
Other operating income	276	254
Total noninterest income	2,422	2,461
Noninterest expense:		
Salaries and employee benefits	3,944	3,971
Occupancy expense	613	611
Equipment and furniture expense	332	280
Service and data processing fees	770	698
Computer software, supplies and support	162	135
Advertising and promotion	145	190
FDIC insurance premiums	152	281
Legal and professional fees	409	319
Other	899	760
Total noninterest expense	7,426	7,245
Income before provision for income taxes	4,522	4,072
Provision for income taxes	1,518	1,396
Net income	$3,004	$2,676
Basic EPS	$0.72	$0.65

Basic average shares outstanding	4,146,965	4,125,619
Diluted EPS	$0.72	$0.64
Diluted average shares outstanding	4,190,187	4,157,903
Dividends per share	$0.35	$0.55

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Three Months Ended December 31, 2011 and 2010
(Unaudited)
(In thousands, except share and per share amounts)

	2011	2010
Interest income:		
Loans	$4,475	$4,509
Investment securities - taxable	225	306
Mortgage-backed securities	1,124	941
Investment securities - tax exempt	321	292
Interest bearing deposits and federal funds sold	13	18
Total interest income	6,158	6,066
Interest expense:		
Interest on deposits	827	1,015
Interest on borrowings	108	156
Total interest expense	935	1,171
Net interest income	5,223	4,895
Provision for loan losses	422	483
Net interest income after provision for loan losses	4,801	4,412
Noninterest income:		
Service charges on deposit accounts	639	606
Debit card fees	350	322
Investment services	62	70
E-commerce fees	25	25
Net gain on sale of available-for-sale securities	--	212
Other operating income	132	126
Total noninterest income	1,208	1,361
Noninterest expense:		
Salaries and employee benefits	1,937	2,054
Occupancy expense	295	308
Equipment and furniture expense	187	136
Service and data processing fees	399	355
Computer software, supplies and support	81	64
Advertising and promotion	109	89
FDIC insurance premiums	62	138
Legal and professional fees	227	160
Other	471	413
Total noninterest expense	3,768	3,717

Income before provision for income taxes	2,241	2,056
Provision for income taxes	746	704
Net income	$1,495	$1,352
Basic EPS	$0.36	$0.33
Basic average shares outstanding	4,148,102	4,129,939
Diluted EPS	$0.36	$0.32
Diluted average shares outstanding	4,190,211	4,163,333
Dividends per share	$0.175	$0.375

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Six Months Ended December 31, 2011 and 2010
(Unaudited)
(In thousands)

	2011	2010
Net income	$3,004	$2,676
Other comprehensive income (loss):		
Securities:		
Unrealized holding gains (losses) on available for sale securities, arising during the six months ended December 31, 2011 and 2010, net of income taxes of $55 and ($297), respectively.	87	(470)
Reclassification adjustment for gain on sale of available-for-sale securities realized in net income, net of income taxes of ($4) and ($82), respectively	(7)	(130)
Accretion of unrealized loss on securities transferred to held-to-maturity, net of income taxes of $12 and $15, respectively	19	23
Pension, actuarial gain, net of income tax of $5 and $2	8	4
Other comprehensive income (loss)	107	(573)
Comprehensive income	$3,111	$2,103

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Three Months Ended December 31, 2011 and 2010
(Unaudited)
(In thousands)

	2011	2010
Net income	$1,495	$1,352
Other comprehensive loss:		
Securities:		
Unrealized holding losses on available for sale securities, arising during the three months ended December 31, 2011 and 2010, net of income taxes of ($81) and ($485), respectively.	(128)	(769)

Reclassification adjustment for gain on sale of available-for-sale securities realized in net income, net of income taxes of $-- and ($82), respectively	---	(130)
Accretion of unrealized loss on securities transferred to held-to-maturity, net of income taxes of $6 and $7, respectively	9	11
Pension, actuarial gain, net of income tax of $3 and $1	4	2
Other comprehensive loss	(115)	(886)
Comprehensive income	$1,380	$466

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended December 31, 2011 and 2010
(Unaudited)
(In thousands)

	Common Stock	Additional Paid – In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Shareholders' Equity
Balance at June 30, 2010	$431	$10,666	$33,692	$ 1,123	$(1,409)	$ 44,503
Stock options exercised		71			125	196
Stock options compensation		112				112
Dividends declared			(1,002)			(1,002)
Net income			2,676			2,676
Total other comprehensive loss, net of taxes				(573)		(573)
Balance at December 31, 2010	$431	$10,849	$35,366	$ 550	$(1,284)	$ 45,912
Balance at June 30, 2011	$431	$11,001	$37,336	$519	$(1,206)	$48,081
Stock options exercised		22			33	55
Stock options compensation		19				19
Dividends declared			(645)			(645)
Net income			3,004			3,004
Total other comprehensive income, net of taxes				107		107
Balance at December 31, 2011	$431	$11,042	$39,695	$626	$(1,173)	$50,621

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Cash Flows
For the Six Months Ended December 31, 2011 and 2010
(Unaudited)

(In thousands)	2011	2010
Cash flows from operating activities:		
Net Income	$3,004	$2,676
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	416	360
Net amortization of premiums and discounts	520	506
Net amortization of deferred loan costs and fees	131	110
Provision for loan losses	896	836
Stock option compensation	19	112
Net gain on sale of available-for-sale securities	(11)	(212)
Loss on sale of foreclosed real estate	132	---
Net decrease in accrued income taxes	(758)	(239)
Net decrease in accrued interest receivable	2	98
Net decrease in prepaid and other assets	160	238
Net decrease in other liabilities	(293)	(30)
Net cash provided by operating activities	4,218	4,455
Cash flows from investing activities:		
Securities available-for-sale:		
Proceeds from maturities	6,440	6,666
Proceeds from sale of securities	770	6,875
Purchases of securities	(4,097)	(29,583)
Principal payments on securities	9,699	6,544
Securities held-to-maturity:		
Proceeds from maturities	8,887	9,630
Purchases of securities	(18,725)	(18,725)
Principal payments on securities	4,990	2,538
Net redemption of Federal Home Loan Bank Stock	643	409
Maturity of long term certificate of deposit	---	1,000
Net increase in loans receivable	(12,258)	(1,729)
Proceeds from sale of foreclosed real estate	393	---
Purchases of premises and equipment	(53)	(903)
Net cash used in investing activities	(3,311)	(17,278)
Cash flows from financing activities:		
Net decrease in short-term FHLB advances	(14,300)	(9,100)
Payment of cash dividends	(645)	(1,002)
Proceeds from stock options exercised	55	196
Net increase in deposits	24,072	44,122
Net cash provided by financing activities	9,182	34,216
Net increase in cash and cash equivalents	10,089	21,393
Cash and cash equivalents at beginning of period	9,966	9,643
Cash and cash equivalents at end of period	$20,055	$31,036

Non-cash investing activities:		
Foreclosed loans transferred to foreclosed real estate	$443	$200
Cash paid during the period:		
Interest	$1,934	$2,345
Income taxes	2,276	1,636
See notes to consolidated financial statements.		

Greene County Bancorp, Inc.
Notes to Consolidated Financial Statements
As of and for the Three and Six Months Ended December 31, 2011 and 2010

(1) Basis of Presentation

The accompanying consolidated statement of financial condition as of June 30, 2011 was derived from the audited consolidated financial statements as of and for the year then ended 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, 2011 and 2010 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-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. To the extent that information and notes 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-K for the year ended June 30, 2011, such information and notes 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, if any, had no effect on net income or shareholders' equity 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 months ended December 31, 2011 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2012. These consolidated financial statements consider events that occurred through the date the consolidated financial statements were issued.

CRITICAL ACCOUNTING POLICIES

Greene County Bancorp, Inc.'s critical accounting policies relate to the allowance for loan losses and the evaluation of securities for other-than-temporary impairment. The allowance for loan losses 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.

Securities are evaluated for other-than-temporary impairment by performing periodic reviews of individual securities in the investment portfolio. 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, intent to sell the security, the likelihood to be required to sell the security before it recovers the entire amortized cost, external credit ratings and recent downgrades. The Company is required to record other-than-temporary impairment charges through earnings, if it has the intent to sell, or will more likely than not be required to sell an impaired debt security before a recovery of its amortized cost basis. In addition, the Company is required to record other-than-temporary impairment charges through earnings for the amount of credit losses, regardless of the intent or requirement to sell. Credit loss is measured as the difference between the present value of an impaired debt security's cash flows and its amortized cost basis. Non-credit related impairment must be recorded as decreases to accumulated other comprehensive income as long as the Company has no intent or requirement to sell an impaired security before a recovery of amortized cost basis.

(2) Nature of Operations

Greene County Bancorp, Inc.'s primary business is the ownership and operation of its two banking subsidiaries. The Bank of Greene County has twelve 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 the Company 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, intent to sell the security, whether it is more likely than not we will be required to sell the security before recovery, whether loss of the entire amortized cost is expected, 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.

(4) Securities

Securities at December 31, 2011 consisted of the following:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available-for-sale:				
U.S. government sponsored enterprises	$19,861	$472	$---	$20,333
State and political subdivisions	6,376	181	---	6,557
Mortgage-backed securities-residential	28,153	641	---	28,794
Mortgage-backed securities-multi-family	14,497	661	---	15,158
Asset-backed securities	22	---	1	21
Corporate debt securities	6,109	208	64	6,253
Total debt securities	75,018	2,163	65	77,116
Equity and other securities	67	52	---	119
Total securities available-for-sale	75,085	2,215	65	77,235
Securities held-to-maturity:				
U.S. treasury securities	11,046	97	---	11,143
U.S. government sponsored enterprises	998	34	---	1,032
State and political subdivisions	43,986	562	89	44,459
Mortgage-backed securities-residential	53,065	2,088	22	55,131
Mortgage-backed securities-multi-family	19,227	185	2	19,410
Other securities	426	---	---	426
Total securities held-to-maturity	128,748	2,966	113	131,601
Total securities	$203,833	$5,181	$178	$208,836

Securities at June 30, 2011 consisted of the following:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available-for-sale:				
U.S. government sponsored enterprises	$25,909	$171	$377	$25,703
State and political subdivisions	6,819	243	---	7,062
Mortgage-backed securities-residential	28,214	773	73	28,914
Mortgage-backed securities-multi-family	20,184	912	---	21,096
Asset-backed securities	24	---	1	23
Corporate debt securities	6,881	325	---	7,206
Total debt securities	88,031	2,424	451	90,004
Equity and other securities	67	46	---	113
Total securities available-for-sale	88,098	2,470	451	90,117
Securities held-to-maturity:				
U.S. treasury securities	11,062	70	---	11,132
U.S. government sponsored enterprises	997	30	---	1,027
State and political subdivisions	34,933	200	9	35,124
Mortgage-backed securities-residential	57,347	1,737	35	59,049
Mortgage-backed securities-multi-family	19,434	47	14	19,467
Other securities	404	2	---	406
Total securities held-to-maturity	124,177	2,086	58	126,205
Total securities	$212,275	$4,556	$509	$216,322

The following table shows fair value and gross unrealized losses, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2011.

	Less Than 12 Months		More Than 12 Months		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available-for-sale:						
Asset-backed securities	---	---	21	1	21	1
Corporate debt securities	697	64	---	---	697	64
Total securities available-for-sale	697	64	21	1	718	65
Securities held-to-maturity:						
State and political subdivisions	2,419	89	---	---	2,419	89
Mortgage-backed securities-residential	6,220	22	---	---	6,220	22
Mortgage-backed securities-multifamily	2,992	2	---	---	2,992	2
Total securities held-to-maturity	11,631	113	---	---	11,631	113
Total securities	$ 12,328	$ 177	$ 21	$ 1	$ 12,349	$ 178

The following table shows fair value and gross unrealized losses, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2011.

	Less Than 12 Months		More Than 12 Months		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available-for-sale:						
U.S. government sponsored enterprises	$ 13,446	$ 377	$ ---	$ ---	$ 13,446	$ 377
Mortgage-backed security-residential	6,571	73	---	---	6,571	73
Asset-backed securities	---	---	22	1	22	1
Total securities available-for-sale	20,017	450	22	1	20,039	451
Securities held-to-maturity:						
State and political subdivisions	1,610	9	---	---	1,610	9
Mortgage-backed securities-residential	7,680	35	---	---	7,680	35
Mortgage-backed securities-multifamily	10,670	14	---	---	10,670	14
Total securities held-to-maturity	19,960	58	---	---	19,960	58
Total securities	$ 39,977	$ 508	$ 22	$ 1	$ 39,999	$ 509

At December 31, 2011, there was one security which has been in a continuous unrealized loss position for more than 12 months and 23 securities with a continuous unrealized loss position of less than 12 months. When the fair value of a held to maturity or available for sale security is less than its amortized cost basis, an assessment is made as to whether other-than-temporary impairment ("OTTI") is present. The Company considers numerous factors when determining whether a potential OTTI exists and the period over which the debt security is expected to recover. The principal factors considered are (1) the length of time and the extent to which the fair value has been less than the amortized cost basis, (2) the financial condition of the issuer (and guarantor, if any) and adverse conditions specifically related to the security, industry or geographic area, (3) failure of the issuer of the security to make scheduled interest or principal payments, (4) any changes to the rating of the security by a rating agency, and (5) the presence of credit enhancements, if any, including the guarantee of the federal government or any of its agencies.

For debt securities, OTTI is considered to have occurred if (1) the Company intends to sell the security, (2) it is more likely than not the Company will be required to sell the security before recovery of its amortized cost basis, or (3) if the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. In determining the present value of expected cash flows, the Company discounts the expected cash flows at the effective interest rate implicit in the security at the date of acquisition. In estimating cash flows expected to be collected, the Company uses available information with respect to security prepayment speeds, default rates and severity. In determining whether OTTI has occurred for equity securities, the Company considers the applicable factors described above and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

For debt securities, credit-related OTTI is recognized in income while noncredit related OTTI on securities not expected to be sold is recognized in other comprehensive income (“OCI”). Credit-related OTTI is measured as the difference between the present value of an impaired security’s expected cash flows and its amortized cost basis. Noncredit-related OTTI is measured as the difference between the fair value of the security and its amortized cost less any credit-related losses recognized. For securities classified as held to maturity, the amount of OTTI recognized in OCI is accreted to the credit-adjusted expected cash flow amounts of the securities over future periods. For equity securities, the entire amount of OTTI is recognized in income. Management evaluated securities considering the factors as outlined above, and based on this evaluation the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2011. Management believes that the reasons for the decline in fair value are due to interest rates and widening credit spreads during the reporting period.

Gross realized gains and losses on sales of securities or other-than-temporary impairment of securities recognized in income during the six months ended December 31, 2011 and 2010 are as follows:

	Six months ended December 31,	
(in thousands)	2011	2010
Gross realized gains	$11	$212
Gross realized losses	---	---
Other-than-temporary impairment losses	---	---
Net gains (losses) recognized	$11	$212

During the six months ended December 31, 2011 the Company sold $759,000 of corporate debt securities within its available-for-sale portfolio at a gain of $11,000. During the six months ended December 31, 2010, the Company sold $6.6 million of securities issued by U.S. Government sponsored enterprises which resulted in the recognition of a net gain of $212,000. There were no realized losses or other-than-temporary impairment losses recognized during the three and six months ended December 31, 2011 and 2010.

The estimated fair values of debt securities at December 31, 2011, by contractual maturity are shown below. Expected maturities may differ from contractual maturities, because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. For mortgage-backed securities, the entire balance has been included in the time period of final contractual maturity, without consideration of scheduled principal repayments.

(In thousands)	In One Year Or Less	After One Year Through Five Years	After Five Years Through Ten Years	After Ten Years	Total
Securities available-for-sale:					
U.S. Government sponsored enterprises	$1,015	$11,416	$5,901	$2,001	$20,333
State and political subdivisions	1,561	4,996	---	---	6,557
Mortgage-backed securities-residential	1,040	1,753	6,158	19,843	28,794
Mortgage-backed securities-multi-family	992	14,166	---	---	15,158
Asset-backed securities	---	---	---	21	21
Corporate debt securities	2,083	2,120	2,050	---	6,253
Total debt securities	6,691	34,451	14,109	21,865	77,116
Equity securities	---	---	---	119	119
Total securities available-for-sale	6,691	34,451	14,109	21,984	77,235
Securities held-to-maturity:					
U.S. treasury securities	4,014	7,129	---	---	11,143
U.S. government sponsored enterprises	---	1,032	---	---	1,032
State and political subdivisions	9,253	15,986	11,834	7,386	44,459
Mortgage-backed securities-residential	2,556	3,888	20,504	28,183	55,131
Mortgage-backed securities-multi-family	347	2,302	16,761	---	19,410
Other securities	50	1	---	375	426
Total securities held-to-maturity	16,220	30,338	49,099	35,944	131,601
Total securities	$22,911	$64,789	$63,208	$57,928	$208,836

As of December 31, 2011, securities with an aggregate fair value of $154.6 million were pledged as collateral for deposits in excess of FDIC insurance limits for various municipalities placing deposits with Greene County Commercial Bank. Greene County Bancorp, Inc. did not participate in any securities lending programs during the quarters ended December 31, 2011 or 2010.

Federal Home Loan Bank Stock

Federal law requires a member institution of the Federal Home Loan Bank ("FHLB") system to hold stock of its district FHLB according to a predetermined formula. This stock is restricted in that it can only be sold to the FHLB or to another member institution, and all sales of FHLB stock must be at par. As a result of these restrictions, FHLB stock is carried at cost. FHLB stock is held as a long-term investment and its value is determined based on the ultimate recoverability of the par value. Impairment of this investment is evaluated quarterly and is a matter of judgment that reflects management's view of the FHLB's long-term performance, which includes factors such as the following: its operating performance; the severity and duration of declines in the fair value of its net assets related to its capital stock amount; its commitment to make payments required by law or regulation and the level of such payments in relation to its operating performance; the impact of legislative and regulatory changes on the FHLB, and accordingly, on the members of the FHLB; and its liquidity and funding position. After evaluating these considerations, Greene County Bancorp, Inc. concluded that the par value of its investment in FHLB stock will be recovered and, therefore, no other-than-temporary impairment charge was recorded during the three and six months ended December 31, 2011 or 2010.

(5) Credit Quality of Loans and Allowance for Loan Losses

Management closely monitors the quality of the loan portfolio and has established a loan review process designed to help grade the quality and profitability of the Company's loan portfolio. The credit quality grade helps management make a consistent assessment of each loan relationship's credit risk. Consistent with regulatory guidelines, The Bank of Greene County provides for the classification of loans considered being of lesser quality. Such ratings coincide with the "Substandard," "Doubtful" and "Loss" classifications used by federal regulators in their examination of financial institutions. Generally, an asset is considered Substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. Substandard assets include those characterized by the distinct possibility that the insured financial institution will sustain some loss if the deficiencies are not corrected. Assets classified as Doubtful have all the weaknesses inherent in assets classified Substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable. Assets classified as Loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a full loss reserve and/or charge-off is not warranted. Assets that do not currently expose the insured financial institutions to sufficient risk to warrant classification in one of the aforementioned categories but otherwise possess weaknesses are designated "Special Mention." Management also maintains a listing of loans designated "Watch." These loans represent borrowers with declining earnings, strained cash flow, increasing leverage and/or weakening market fundamentals that indicate above average risk.

When The Bank of Greene County classifies problem assets as either Substandard, Doubtful or Loss, it generally establishes a specific valuation allowance or "loss reserve" in an amount deemed prudent by management. General allowances represent loss allowances that have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When The Bank of Greene County identifies problem assets as being impaired, it is required to evaluate whether the Bank will be able to collect all amounts due either through repayments or the liquidation of the underlying collateral. If it is determined that impairment exists, the Bank is required either to establish a specific allowance for losses equal to the amount of impairment of the assets, or to charge-off such amount. The Bank of Greene County's determination as to the classification of its assets and the amount of its valuation allowance is subject to review by its regulatory agencies, which can order the establishment of additional general or specific loss allowances. The Bank of Greene County reviews its portfolio monthly to determine whether any assets require classification in accordance with applicable regulations.

The Bank primarily has three segments within its loan portfolio that it considers when measuring credit quality: real estate loans, consumer installment and commercial loans. The real estate portfolio consists of residential, nonresidential, and construction loan classes. The inherent risk within the loan portfolio varies depending upon each of these loan types.

The Bank of Greene County's primary lending activity is the origination of residential mortgage loans, including home equity loans, which are collateralized by residences. Generally, residential mortgage loans are made in amounts up to 80.0% of the appraised value of the property. However, The Bank of Greene County will originate residential mortgage loans with loan-to-value ratios of up to 95.0%, with private mortgage insurance. In the event of default by the borrower, The Bank of Greene County will acquire and liquidate the underlying collateral. By originating the loan at a loan-to-value ratio of 80% or less or obtaining private mortgage insurance, The Bank of Greene County limits its risk of loss in the event of default. However, the market values of the collateral may be adversely impacted by declines in the economy. Home equity loans may have an additional inherent risk if The Bank of Greene County does not hold the first mortgage since The Bank of Greene County may stand in a secondary position in the event of collateral liquidation resulting in a greater chance of insufficiency to meet all obligations.

Construction lending generally involves a greater degree of risk than other residential mortgage lending. The repayment of the construction loan is, to a great degree, dependent upon the successful and timely completion of the construction of the subject property within specified cost limits. The Bank of Greene County completes inspections during the construction phase prior to any disbursements. The Bank of Greene County limits its risk during the construction as disbursements are not made until the required work for each advance has been completed. Construction delays may further impair the borrower's ability to repay the loan.

Loans collateralized by nonresidential mortgage loans, and multi-family loans, such as apartment buildings generally are larger than residential loans and involve a greater degree of risk. Commercial mortgage loans often involve large loan balances to single borrowers or groups of related borrowers. Payments on these loans depend to a large degree on the results of operations and management of the properties or underlying businesses, and may be affected to a greater extent by adverse conditions in the real estate market or the economy in general. Accordingly, the nature of nonresidential mortgage loans makes them more difficult for management to monitor and evaluate.

Consumer installment loans generally have shorter terms and higher interest rates than residential mortgage loans. In addition, consumer loans expand the products and services offered by The Bank of Greene County to better meet the financial services needs of its customers. Consumer loans generally involve greater credit risk than residential mortgage loans because of the difference in the nature of the underlying collateral. Repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance because of the greater likelihood of damage, loss or depreciation in the underlying collateral. The remaining deficiency often does not warrant further substantial collection efforts against the borrower beyond obtaining a deficiency judgment. In addition, consumer loan collections depend on the borrower's personal financial stability. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

Commercial lending generally involves greater risk than residential mortgage lending and involves risks that are different from those associated with residential and nonresidential mortgage lending. Real estate lending is generally considered to be collateral based, with loan amounts based on fixed-rate loan-to-collateral values, and liquidation of the underlying real estate collateral is viewed as the primary source of repayment in the event of borrower default. Although commercial loans may be collateralized by equipment or other business assets, the liquidation of collateral in the event of a borrower default is often an insufficient source of repayment because equipment and other business assets may be obsolete or of limited use, among other things. Accordingly, the repayment of a commercial loan depends primarily on the creditworthiness of the borrower (and any guarantors), while liquidation of collateral is a secondary and often insufficient source of repayment.

Loan balances by internal credit quality indicator as of December 31, 2011 are shown below.

(in thousands)	Performing	Watch	Special Mention	Substandard	Total
Residential mortgage	$179,188	$1,594	$---	$4,794	$185,576
Nonresidential mortgage	65,654	874	595	2,005	69,128
Residential construction & land	3,734	---	---	---	3,734
Commercial construction	2,589	---	285	---	2,874
Multi-family	4,833	---	431	568	5,832
Home equity	24,575	50	---	102	24,727
Consumer installment	4,078	67	---	15	4,160
Commercial loans	19,883	255	136	736	21,010
Total gross loans	$304,534	$2,840	$1,447	$8,220	$317,041

Loan balances by internal credit quality indicator as of June 30, 2011 are shown below.

(in thousands)	Performing	Watch	Special Mention	Substandard	Total
Residential mortgage	$176,615	$1,782	$95	$3,120	$181,612
Nonresidential mortgage	59,633	1,017	602	2,608	63,860
Residential construction & land	3,718	---	---	13	3,731
Commercial construction	1,789	---	---	225	2,014
Multi-family	5,036	---	434	578	6,048
Home equity	25,446	64	---	49	25,559
Consumer installment	3,960	7	---	41	4,008
Commercial loans	17,149	274	680	685	18,788
Total gross loans	$293,346	$3,144	$1,811	$7,319	$305,620

The Company had no loans classified Doubtful or Loss at December 31, 2011 or June 30, 2011.

Nonaccrual Loans

Management places loans on nonaccrual status once the loans have become 90 days or more delinquent. Nonaccrual is defined as a loan in which collectability is questionable and therefore interest on the loan will no longer be recognized on an accrual basis. A loan is not placed back on accrual status until the borrower has demonstrated the ability and willingness to make timely payments on the loan. A loan does not have to be 90 days delinquent in order to be classified as nonaccrual. Nonaccrual loans consisted primarily of loans secured by real estate at December 31, 2011 and June 30, 2011. While the Bank makes every reasonable effort to work with the borrowers to collect amounts due, the number of loans in process of foreclosure has grown substantially over the past several years. This growth has been the result of adverse changes within the economy and increases in local unemployment. The growth is also due in part to the extended length of time required to meet all of the legal requirements mandated by New York State law prior to a foreclosure sale, which may be in excess of two years. Loans on nonaccrual status totaled $7.2 million at December 31, 2011 of which $3.5 million were in the process of foreclosure and an additional $1.1 million were making payments pursuant to forbearance agreements. Under the forbearance agreements, the customers have made arrangements with the Bank to bring the loans current over a specified period of time (resulting in an insignificant delay in repayment). During this period, the Bank has agreed not to continue foreclosure proceedings. Of the remaining $2.6 million in nonaccrual loans, $1.3 million were less than 90 days past due, or were current at December 31, 2011, but have a recent history of delinquency greater than 90 days past due. These loans will be returned to accrual status once they have demonstrated a history of timely payments.

The following table sets forth information regarding delinquent and/or nonaccrual loans as of December 31, 2011:

(in thousands)	30-59 days past due	60-89 days past due	More than 90 days past due	Total past due	Current	Total Loans	Loans on Non-accrual
Residential mortgage	$1,379	$1,030	$4,236	$6,645	$178,931	$185,576	$4,747
Nonresidential mortgage	1,296	715	1,021	3,032	66,096	69,128	1,702
Residential construction & land	---	---	---	---	3,734	3,734	---
Commercial construction	---	---	---	---	2,874	2,874	---
Multi-family	---	---	439	439	5,393	5,832	439
Home equity	66	50	102	218	24,509	24,727	102
Consumer installment	50	67	15	132	4,028	4,160	15
Commercial loans	108	535	104	747	20,263	21,010	211
Total gross loans	$2,899	$2,397	$5,917	$11,213	$305,828	$317,041	$7,216

The following table sets forth information regarding delinquent and/or nonaccrual loans as of June 30, 2011:

(in thousands)	30-59 days past due	60-89 days past due	More than 90 days past due	Total past due	Current	Total Loans	Loans on Non-accrual
Residential mortgage	$1,766	$1,292	$2,294	$5,352	$176,260	$181,612	$3,074
Nonresidential mortgage	1,163	687	1,799	3,649	60,211	63,860	2,171
Residential construction & land	---	---	13	13	3,718	3,731	13
Commercial construction	225	---	---	225	1,789	2,014	225
Multi-family	128	---	449	577	5,471	6,048	577
Home equity	168	64	43	275	25,284	25,559	49
Consumer installment	31	25	13	69	3,939	4,008	41
Commercial loans	69	546	82	697	18,091	18,788	144
Total gross loans	$3,550	$2,614	$4,693	$10,857	$294,763	$305,620	$6,294

The Bank of Greene County had no accruing loans delinquent more than 90 days as of December 31, 2011 or June 30, 2011.

The table below details additional information related to nonaccrual loans for the six months ended December 31:

(In thousands)	2011	2010
Interest income that would have been recorded if loans had been performing in accordance with original terms	$427	$379
Interest income that was recorded on nonaccrual loans during the fiscal year ended	143	109

Impaired Loan Analysis

The Company identifies impaired loans and measures the impairment in accordance with FASB ASC subtopic "Receivables – Loan Impairment." Management may consider a loan impaired once it is classified as nonaccrual and when it is probable that the borrower will be unable to repay the loan according to the original contractual terms of the loan agreement or the loan is restructured in a troubled debt restructuring. It should be noted that management does not evaluate all loans individually for impairment. The Bank of Greene County considers residential mortgages, home equity loans, smaller commercial loans and installment loans as small, homogeneous loans, which are evaluated for impairment collectively based on historical loss experience and other factors. In contrast, large commercial mortgage, construction, multi-family and business loans are viewed individually and considered impaired if it is probable that The Bank of Greene County will not be able to collect scheduled payments of principal and interest when due, according to the contractual terms of the loan agreement. The measurement of impaired loans is generally based on the fair value of the underlying collateral. The majority of The Bank of Greene County loans, including most nonaccrual loans, are small homogenous loan types adequately supported by collateral. As a result, the level of impaired loans may only be a portion of nonaccrual loans. Loans that are delinquent or slow paying may not be impaired, especially small homogenous loan types, due to collateral adequacy. Management considers the payment status of loans in the process of evaluating the adequacy of the allowance for loan losses among other factors. Loans that are either delinquent a minimum of 60 days or are on nonaccrual status, and are not individually considered impaired, are either designated as Special Mention or Substandard, and the allocation of the allowance for loan loss is based upon the risk associated with such designation.

The tables below detail additional information on impaired loans for the periods indicated:

	As of December 31, 2011			For the six months ended December 31, 2011	
(in thousands)	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Residential mortgage	$213	$276	$---	$213	$ ---
Nonresidential mortgage	456	456	---	459	21
Total loans with no related allowance	669	732	---	672	21
With an allowance recorded:					
Residential mortgage	46	46	2	46	2
Nonresidential mortgage	651	651	145	971	13
Multi-family	431	431	160	433	12
Commercial loans	500	500	20	500	17
Total loans with related allowance	1,628	1,628	327	1,950	44
Total impaired loans:					
Residential mortgage	259	322	2	259	2
Nonresidential mortgage	1,107	1,107	145	1,430	34
Multi-family	431	431	160	433	12
Commercial loans	500	500	20	500	17
Total impaired loans	$2,297	$2,360	$327	$2,622	$ 65

	As of June 30, 2011			For the six months ended December 31, 2010	
(in thousands)	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Residential mortgage	$213	$276	$---	$576	$ 4
Nonresidential mortgage	462	462	---	---	---
Total loans with no related allowance	675	738	---	576	4
With an allowance recorded:					
Residential mortgage	46	46	2	---	---
Nonresidential mortgage	1,255	1,255	292	281	---
Multi-family	434	434	160	---	---
Commercial loans	500	500	12	---	---
Total loans with related allowance	2,235	2,235	466	281	---
Total impaired loans:					
Residential mortgage	259	322	2	576	4
Nonresidential mortgage	1,717	1,717	292	281	---
Multi-family	434	434	160	---	---
Commercial loans	500	500	12	---	---
Total impaired loans	$2,910	$2,973	$466	$857	$ 4

As a result of adopting the guidance issued by FASB regarding “A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring”, the Company reassessed all restructurings that occurred on or after June 30, 2011 for identification as troubled debt restructurings. The Company identified no loans for which the allowance for loan losses had previously been measured under a general allowance for credit losses methodology that are now considered troubled debt restructurings in accordance with this new guidance.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses based on management’s evaluation of the losses 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 collectability may not be reasonably assured, considers among other matters, the estimated net realizable value or the fair value of the underlying collateral, economic conditions, payment status of the loan, historical loan loss experience and other factors that warrant recognition in providing for the loan loss allowance. In addition, various regulatory agencies, as an integral part of their examination process, periodically review The Bank 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 Bank of Greene County charges loans off against the allowance for credit losses when it becomes evident that a loan cannot be collected within a reasonable amount of time or that it will cost the Bank more to collect the loan than it will receive, and all reasonable avenues of repayment have been analyzed, including the potential of future cash flow, the value of the underlying collateral, and strength of any guarantors or co-borrowers. Generally, consumer loans and smaller business loans (not secured by real estate) in excess of 90 days are charged-off against the allowance for loan losses, unless equitable arrangements are made. For loans secured by real estate, a charge-off is recorded when it is determined that the collection of all or a portion of a loan may not be collected and the amount of that loss can be reasonably estimated.

The following tables set forth the activity and allocation of the allowance for loan losses by loan category during and at the periods indicated. The allowance is allocated to each loan category based on historical loss experience and economic conditions.

(In thousands)	Balance September 30, 2011	Charge-offs	Recoveries	Provision	Balance December 31, 2011
Residential mortgage	$ 2,059	$ 34	$ 4	$ 118	$ 2,147
Nonresidential mortgage	1,920	179	---	206	1,947
Residential construction & land	28	---	---	3	31
Commercial construction	54	---	---	24	78
Multi-family	412	---	---	(4)	408
Home equity	221	---	---	(4)	217
Consumer installment	202	67	16	82	233
Commercial loans	557	---	2	(3)	556
Total	$ 5,453	$ 280	$ 22	$ 422	$ 5,617

(In thousands)	Balance June 30, 2011	Charge-offs	Recoveries	Provision	Balance December 31, 2011
Residential mortgage	$1,767	$58	$4	$434	$2,147
Nonresidential mortgage	1,859	212	---	300	1,947
Residential construction & land	27	---	---	4	31
Commercial construction	89	---	---	(11)	78
Multi-family	410	---	---	(2)	408
Home equity	186	---	---	31	217
Consumer installment	203	118	34	114	233
Commercial loans	528	---	2	26	556
Total	$5,069	$388	$40	$896	$5,617

	Allowance for Loan Loss		Loans Receivable	
	Ending Balance December 31, 2011 Impairment Analysis		Ending Balance December 31, 2011 Impairment Analysis	
(In thousands)	Individually Evaluated	Collectively Evaluated	Individually Evaluated	Collectively Evaluated
Residential mortgage	$2	$2,145	$46	$185,530
Nonresidential mortgage	145	1,802	651	68,477
Residential construction & land	---	31	---	3,734
Commercial construction	---	78	---	2,874
Multi-family	160	248	431	5,401
Home equity	---	217	---	24,727
Consumer installment	---	233	---	4,160
Commercial loans	20	536	500	20,510

Total	$327	$5,290	$1,628	$315,413

(In thousands)	Balance June 30, 2010	Charge-offs	Recoveries	Provision	Balance December 31, 2010
Residential mortgage	$1,427	$137	$---	$468	$1,758
Nonresidential mortgage	1,517	---	---	143	1,660
Residential construction & land	48	---	---	(15)	33
Commercial construction	49	---	---	---	49
Multi-family	223	---	---	12	235
Home equity	205	---	---	11	216
Consumer installment	120	123	43	117	157
Commercial loans	435	2	8	100	541
Total	$4,024	$262	$51	$836	$4,649

	Allowance for Loan Loss Ending Balance June 30, 2011 Impairment Analysis		Loans Receivable Ending Balance June 30, 2011 Impairment Analysis	
(In thousands)	Individually Evaluated	Collectively Evaluated	Individually Evaluated	Collectively Evaluated
Residential mortgage	$2	$1,765	$259	$181,353
Nonresidential mortgage	292	1,567	1,717	62,143
Residential construction & land	---	27	---	3,731
Commercial construction	---	89	---	2,014
Multi-family	160	250	434	5,614
Home equity	---	186	---	25,559
Consumer installment	---	203	---	4,008
Commercial loans	12	516	500	18,288
Total	$466	$4,603	$2,910	$302,710

(6) Fair Value Measurements and Fair Value of Financial Instruments

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sale transaction on the dates indicated. The estimated fair value amounts have been measured as of December 31, 2011 and June 30, 2011 and have not been re-evaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end.

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful.

The FASB ASC Topic on "Fair Value Measurement" established a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.
For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows:

		Fair Value Measurements Using		
(In thousands)	December 31, 2011	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
U.S. Government sponsored enterprises	$20,333	$---	$20,333	$---
State and political subdivisions	6,557	---	6,557	---
Mortgage-backed securities-residential	28,794	17,985	10,809	---
Mortgage-backed securities-multi-family	15,158	15,158	---	---
Asset-backed securities	21	21	---	---
Corporate debt securities	6,253	6,253	---	---
Equity securities	119	119	---	---
Securities available-for-sale	$77,235	$39,536	$37,699	$---

		Fair Value Measurements Using		
	June	Quoted Prices In Active Markets For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs

(In thousands)	30, 2011	(Level 1)	(Level 2)	(Level 3)
Assets:				
U.S. Government sponsored enterprises	$25,703	$---	$25,703	$---
State and political subdivisions	7,062	---	7,062	---
Mortgage-backed securities-residential	28,914	20,842	8,072	---
Mortgage-backed securities-multi-family	21,096	21,096	---	---
Asset-backed securities	23	23	---	---
Corporate debt securities	7,206	7,206	---	---
Equity securities	113	113	---	---
Securities available-for-sale	$90,117	$49,280	$40,837	$---

Certain investments that are actively traded and have quoted market prices have been classified as Level 1 valuations. Other available-for-sale investment securities have been valued by reference to prices for similar securities or through model-based techniques in which all significant inputs are observable and, therefore, such valuations have been classified as Level 2.

In addition to disclosures of the fair value of assets on a recurring basis, FASB ASC Topic on “Fair Value Measurement” requires disclosures for assets and liabilities measured at fair value on a nonrecurring basis, such as impaired assets, in the period in which a re-measurement at fair value is recorded. Loans are generally not recorded at fair value on a recurring basis. Periodically, the Company records nonrecurring adjustments to the carrying value of loans based on fair value measurements for partial charge-offs of the uncollectible portions of those loans. Nonrecurring adjustments also include certain impairment amounts for collateral-dependent loans calculated as required by the “Receivables –Loan Impairment” subtopic of the FASB ASC when establishing the allowance for credit losses. Impaired loans are those loans for which the Company has re-measured impairment generally based on the fair value of the underlying collateral supporting the loan and, as a result, the carrying value of the loan exceeds the fair value of the loan. Real estate collateral is typically valued using independent appraisals or other indications of value based on recent comparable sales of similar properties or assumptions generally observable in the marketplace and the related nonrecurring fair value measurement adjustments have generally been classified as Level 3. Estimates of fair value used for other collateral supporting commercial loans generally are based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3. At December 31, 2011, loans subject to nonrecurring fair value measurement had a gross carrying amount of $1.6 million and fair value of $1.3 million, and consisted of two residential mortgage loans, five nonresidential mortgage loans, one multifamily loan and one commercial loan. At June 30, 2011, loans subject to nonrecurring fair value measurement had a gross carrying amount of $2.2 million and fair value of $1.8 million, and consisted of two residential mortgage loans, six nonresidential mortgage loans, one multifamily loan and one commercial loan. The change in fair value of each of the impaired loans for the three and six months ended December 31, 2011 was immaterial. During the six months ended December 31, 2011, two nonresidential mortgage loans were transferred to foreclosed real estate at their fair value of $430,000, and one land loan was transferred to foreclosed real estate at its fair value of $13,000. Also, subsequent to transfer to foreclosed real estate, a nonresidential property was written down by $82,000 during the six months ended December 31, 2011, based on the acceptance of a sales contract on the property at less than the carrying value. No other financial assets or liabilities were re-measured during the year on a nonrecurring basis.

The carrying amounts reported in the statements of financial condition for cash and cash equivalents, long term certificate of deposits, accrued interest receivable and accrued interest payable approximate their fair values. Fair values of securities are based on quoted market prices (Level 1), where available, or matrix pricing (Level 2), which is a mathematical technique, used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities’ relationship to other benchmark quoted prices. The carrying amount of Federal Home Loan Bank stock approximates fair value due to its restricted nature. Fair values for variable rate loans that reprice frequently, with no significant credit risk, are based on carrying value. Fair value for fixed rate loans are estimated using discounted cash flows and interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values disclosed for demand and savings deposits are equal to carrying amounts at the reporting date. The carrying amounts for variable rate money market deposits approximate fair values at the reporting date. Fair values for fixed rate certificates of deposit are estimated using discounted cash flows and interest rates currently being offered in the market on similar certificates. Fair value for Federal Home Loan Bank borrowings are estimated using discounted cash flows and interest rates currently being offered on similar advances.

The fair value of commitments to extend credit is estimated based on an analysis of the interest rates and fees currently charged to enter into similar transactions, considering the remaining terms of the commitments and the credit-worthiness of the potential borrowers. At December 31, 2011 and June 30, 2011, the estimated fair values of these off-balance sheet financial instruments were immaterial, and are therefore excluded from the table below.

The carrying amounts and estimated fair value of financial instruments are as follows:

(in thousands)	December 31, 2011		June 30, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$20,055	$20,055	$9,966	$9,966
Securities available-for-sale	77,235	77,235	90,117	90,117
Securities held-to-maturity	128,748	131,601	124,177	126,205
Federal Home Loan Bank stock	1,273	1,273	1,916	1,916
Net loans	311,834	325,752	301,046	309,567
Accrued interest receivable	2,714	2,714	2,716	2,716
Deposits	493,969	494,373	469,897	470,444
Federal Home Loan Bank borrowings	12,000	12,511	26,300	26,941
Accrued interest payable	105	105	98	98

(7) Earnings Per Share ("EPS")

Basic earnings per share 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) issued became vested during the period. There were no anti-dilutive securities or contracts outstanding during the six and three months ended December 31, 2011 and 2010.

	Net Income	Weighted Average Number Of Shares Outstanding	Earnings per Share
Six months ended			
December 31, 2011	$3,004,000		
Basic		4,146,965	$0.72
Effect of dilutive stock options		43,222	(0.00)
Diluted		4,190,187	$0.72

Six months ended			
December 31, 2010	$2,676,000		
Basic		4,125,619	$0.65
Effect of dilutive stock options		32,284	(0.01)
Diluted		4,157,903	$0.64

	Net Income	Weighted Average Number Of Shares Outstanding	Earnings per Share
Three months ended			
December 31, 2011	$1,495,000		
Basic		4,148,102	$0.36
Effect of dilutive stock options		42,109	(0.00)
Diluted		4,190,211	$0.36
Three months ended			
December 31, 2010	$1,352,000		
Basic		4,129,939	$0.33
Effect of dilutive stock options		33,394	(0.01)
Diluted		4,163,333	$0.32

(8) Dividends

On October 16, 2011, the Board of Directors declared a quarterly cash dividend of $0.175 per share of Greene County Bancorp, Inc.'s common stock. The dividend, which reflected an annual cash dividend rate of $0.70 cents per share, was unchanged from the dividend declared during the previous quarter. The dividend was payable to stockholders of record as of November 15, 2011, and was paid on December 1, 2011. It should be noted that Greene County Bancorp, Inc.'s mutual holding company waived receipt of dividends for all periods presented.

(9) Impact of Recent Accounting Pronouncements

In June 2011, the FASB issued an amendment to its guidance on Comprehensive Income which has eliminated the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity and will require it be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The single statement format would include the traditional income statement and the components and total other comprehensive income as well as total comprehensive income. In the two statement approach, the first statement would be the traditional income statement which would be immediately followed by a separate statement which includes the components of other comprehensive income, total other comprehensive income and total comprehensive income. In December 2011, the FASB issued an update deferring the effective date for those changes that relate to the presentation of reclassification adjustments. All other amendments in this ASU will be applied retrospectively. For public entities, they are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The adoption of these amendments is not expected to have a material effect on our consolidated results of operations or financial position.

(10) Employee Benefit Plans

Defined Benefit Plan

The components of net periodic pension costs related to the defined benefit pension plan for the six and three months ended December 31, 2011 and 2010 were as follows:

	Six months ended December 31,		Three months ended December 31,	
(in thousands)	2011	2010	2011	2010
Interest cost	$108	$102	$54	$51
Expected return on plan assets	(112)	(110)	(56)	(55)
Amortization of net loss	18	15	9	7
Net periodic pension cost	$14	$7	$7	$3

The Company does not expect to make any contributions to the defined benefit pension plan during fiscal 2012.

SERP

On June 21, 2010, the Board of Directors of The Bank of Greene County adopted The Bank of Greene County Supplemental Executive Retirement Plan (the "SERP Plan"), effective as of July 1, 2010. The SERP Plan will benefit certain key senior executives of the Bank who are selected by the Board to participate.

The SERP Plan is intended to provide a benefit from the Bank upon retirement, death or disability or voluntary or involuntary termination of service (other than "for cause"). Accordingly, the SERP Plan obligates the Bank to make a contribution to each executive's account on the first business day of each July and permits each executive to defer up to 50% of his or her base salary and 100% of his or her annual bonus to the SERP Plan, subject to the requirements of Section 409A of the Internal Revenue Code ("Code"). In addition, the Bank may, but is not required to, make additional discretionary contributions to the executives' accounts from time to time. An executive becomes vested in the Bank's contributions after 10 calendar years of service following the effective date of the SERP Plan, and is fully vested immediately for all deferral of salary and bonus. However, the Executive will vest in the present value of his or her account in the event of death, disability or a change in control of the Bank or the Company. In the event the executive is terminated involuntarily or resigns for good reason following a change in control, the present value of all remaining Bank contributions is accelerated and paid to the executive's account, subject to potential reduction to avoid an excess parachute payment under Code Section 280G. In the event of the executive's death, disability or termination within two years after a change in control, executive's account will be paid in a lump sum to the executive or his beneficiary, as applicable. In the event executive is entitled to a benefit from the SERP Plan due to retirement or other termination of employment, the benefit will be paid in 10 annual installments.

The net periodic pension costs related to the SERP for the three and six months ended December 31, 2011 were $29,000 and $42,000, respectively, consisting primarily of service and interest costs. The net periodic pension costs related to the SERP for the three and six months ended December 31, 2010 were $13,000 and $26,000, respectively, consisting primarily of service costs. Interest costs associated with this plan were not material for the three and six months ended December 31, 2010. The accumulated obligation for the SERP was $232,600 and $98,300 as of December 31, 2011 and June 30, 2011, respectively.

(11) Stock-Based Compensation

At December 31, 2011, Greene County Bancorp, Inc. had one stock-based compensation plan, which is described more fully in Note 9 of the consolidated financial statements and notes thereto for the year ended June 30, 2011.

The Company recognized $19,000 and $112,000 in compensation costs and related income tax benefit of $6,000 and $34,000 related to the 2008 Option Plan for the six months ended December 31, 2011 and 2010, respectively. On August 19, 2011, all granted shares became fully vested, therefore, no remaining compensation cost will be recognized after that date.

A summary of the Company's stock option activity and related information for its option plans for the six months ended December 31, 2011 and 2010 is as follows:

	2011		2010	
	Shares	Weighted Average Exercise Price Per Share	Shares	Weighted Average Exercise Price Per Share
Outstanding at beginning of year	144,834	$12.50	171,750	$12.36
Exercised	(4,400)	---	(16,583)	11.85
Outstanding at period end	140,434	$12.50	155,167	$12.41
Exercisable at period end	140,434	$12.50	100,337	$12.37

The following table presents stock options outstanding and exercisable at December 31, 2011:

Options Outstanding and Exercisable			
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$12.50	140,434	6.75	$12.50

The total intrinsic value of the options exercised during the three and six months ended December 31, 2011 was approximately $23,000. The total intrinsic value of the options exercised during the three and six months ended December 31, 2010, was approximately $77,000, and $91,000, respectively. There were no stock options granted during the six months ended December 31, 2011 or 2010. The Company had no non-vested options outstanding at December 31, 2011 and 54,830 non-vested options outstanding at December 31, 2010.

Phantom Stock Option Plan and Long-term Incentive Plan

On July 12, 2011, Greene County Bancorp, Inc. (the "Company") entered into the Greene County Bancorp, Inc. 2011 Phantom Stock Option and Long-term Incentive Plan (the "Plan"), effective as of July 1, 2011, to promote the long-term financial success of the Company and its subsidiaries by providing a means to attract, retain and reward individuals who contribute to such success and to further align their interests with those of the Company's shareholders. The Plan is intended to provide benefits to employees and directors of the Company or any subsidiary as designated by the Compensation Committee of the Board of Directors of the Company ("Committee"). A total of 900,000 phantom stock options will be available for awards under the Plan. A phantom stock option represents the right to receive a cash payment on the date the award vests in the participant equal to the positive difference between the strike price on the grant date and the book value of a share of the Company stock on the determination date, which is the last day of the plan year that is the end of the third plan year after the grant date of the award, unless otherwise specified by the

Committee. The strike price will be the price established by the Committee, which will not be less than 100% of the book value of a share on a specified date, as determined under generally accepted accounting principles (GAAP) as of the last day of the quarter ending on or immediately preceding the valuation date with adjustments made, in the sole discretion of the Committee, to exclude accumulated other comprehensive income. During the six months ended December 31, 2011, 235,350 phantom stock options were awarded under the plan. The Company recognized $67,800 and $135,600 in compensation costs related to the phantom stock option plan during the three and six months ended December 31, 2011, respectively.

(12) Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income as of December 31, 2011 and June 30, 2011 are presented in the following table:

(in thousands)	December 31, 2011	June 30, 2011
Unrealized gains on available-for-sale securities, net of tax	$1,318	$1,238
Unrealized loss on securities transferred to held-to-maturity, net of tax	(51)	(70)
Net losses and past service liability for defined benefit plan, net of tax	(641)	(649)
Accumulated other comprehensive income	$626	$519

(13) Subsequent events

On January 17, 2012, the Board of Directors declared a quarterly cash dividend of $0.175 per share on Greene County Bancorp, Inc.'s common stock. The dividend reflects an annual cash dividend rate of $0.70 per share, which was the same as the dividend declared during the previous quarter. The dividend will be payable to stockholders of record as of February 15, 2012, and will be paid on March 1, 2012. It should be noted that Greene County Bancorp, MHC has waived the right to receive its portion of the dividend, subject to receipt of the Federal Reserve Board's non-objection to the dividend waiver. Greene County Bancorp, MHC submitted its dividend waiver request to the Federal Reserve Board on September 30, 2011, and there can be no assurance that the Federal Reserve Board will grant its non-objection to the dividend waiver. Greene County Bancorp, MHC owns 2,304,632 shares of Greene County Bancorp, Inc.'s total shares of outstanding common stock.

In June 2011, Greene Properties Holdings, Ltd. was formed as a New York corporation that has elected under the Internal Revenue Code to be a real estate investment trust. Greene Property Holdings, Ltd. is a subsidiary of The Bank of Greene County. The Company received regulatory approvals to commence operation of this subsidiary during the quarter ended December 31, 2011. Certain mortgages and notes currently held by The Bank of Greene County were transferred and beneficially owned by Greene Property Holdings, Ltd. as of January 4, 2012. The Bank of Greene County will continue to service these loans. Greene Property Holdings financial statements will be consolidated with The Bank of Greene County, and therefore, the impact to the consolidated financial statement of Greene County Bancorp, Inc. is not expected to be material.

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, including unemployment rates and real estate values,

(c) legislative and regulatory changes,
(d) monetary and fiscal policies of the U.S. Treasury and the Federal Reserve,
(e) changes in the quality or composition of The Bank of Greene County’s loan portfolio or the consolidated investment portfolios of The Bank of Greene County and Greene County Bancorp, Inc.,
(f) deposit flows,
(g) competition, and
(h) demand for financial services in Greene County Bancorp, Inc.’s market area.

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

Comparison of Financial Condition as of December 31, 2011 and June 30, 2011

ASSETS

Total assets of the Company were $559.6 million at December 31, 2011 as compared to $547.5 million at June 30, 2011, an increase of $12.1 million, or 2.2%. Securities available for sale and held to maturity amounted to $206.0 million, or 36.8% of assets, at December 31, 2011 as compared to $214.3 million, or 39.1% of assets, at June 30, 2011, a decrease of $8.3 million or 3.9%. Net loans grew by $10.8 million or 3.6% to $311.8 million at December 31, 2011 as compared to $301.0 million at June 30, 2011.

CASH AND CASH EQUIVALENTS

Total cash and cash equivalents increased to $20.1 million at December 31, 2011 as compared to $10.0 million at June 30, 2011, an increase of $10.1 million. The level of cash and cash equivalents is a function of the daily account clearing needs and deposit levels as well as activities associated with securities transactions and loan funding. All of these items can cause cash levels to fluctuate significantly on a daily basis.

SECURITIES

Securities, including both available-for-sale and held-to-maturity issues, decreased $8.3 million or 3.9% to $206.0 million at December 31, 2011 as compared to $214.3 million at June 30, 2011. Securities purchases totaled $22.8 million during the six months ended December 31, 2011 and consisted of $18.0 million in state and political subdivision securities and $4.8 million in mortgage-backed securities. Principal pay-downs and maturities amounted to $30.0 million, of which $14.7 million were mortgage-backed securities, $9.3 million were state and political subdivision securities and $6.0 million were U.S. government agency securities. Additionally, during the six months ended December 31, 2011, corporate debt securities sold totaled $759,000, resulting in a realized gain of $11,000, and unrealized net gains on available for sale securities increased $142,000. Greene County Bancorp, Inc. holds 24.5% of the securities portfolio at December 31, 2011 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. Mortgage-backed securities and asset-backed securities held within the portfolio do not contain sub-prime loans and are not exposed to the credit risk associated with such lending.

	Carrying Value at			
(Dollars in thousands)	December 31, 2011		June 30, 2011	
		Percentage		Percentage
	Balance	of portfolio	Balance	of portfolio
Securities available-for-sale:				
U.S. government sponsored enterprises	$20,333	9.9 %	$25,703	12.0 %
State and political subdivisions	6,557	3.2	7,062	3.3
Mortgage-backed securities-residential	28,794	14.0	28,914	13.5
Mortgage-backed securities-multifamily	15,158	7.3	21,096	9.8
Asset-backed securities	21	0.0	23	0.0
Corporate debt securities	6,253	3.0	7,206	3.3
Total debt securities	77,116	37.4	90,004	41.9
Equity securities and other	119	0.1	113	0.1
Total securities available-for-sale	77,235	37.5	90,117	42.0
Securities held-to-maturity:				
U.S. treasury securities	11,046	5.4	11,062	5.1
U.S. government sponsored enterprises	998	0.5	997	0.5
State and political subdivisions	43,986	21.3	34,933	16.3
Mortgage-backed securities-residential	53,065	25.8	57,347	26.8
Mortgage-backed securities-multifamily	19,227	9.3	19,434	9.1
Other securities	426	0.2	404	0.2
Total securities held-to-maturity	128,748	62.5	124,177	58.0
Total securities	$205,983	100.0 %	$214,294	100.0 %

LOANS

Net loans receivable increased to $311.8 million at December 31, 2011 from $301.0 million at June 30, 2011, an increase of $10.8 million, or 3.6%. The loan growth experienced during the six months primarily consisted of $5.2 million in nonresidential real estate loans, $4.0 million in residential mortgage loans, and $2.3 million in non-mortgage loans, and was partially offset by a $216,000 decrease in multifamily mortgage loans and a $548,000 increase in the allowance for loan losses. The continued low interest rate environment and, we believe, 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. The Bank of Greene County continues to use a conservative underwriting policy in regard to all loan originations, and does not engage in sub-prime lending or other exotic loan products. It should be noted however that the Company is subject to the effects of any downturn, and especially, a significant decline in home values in the Company's markets could have a negative effect on the consolidated results of operations. A significant decline in home values would likely lead to a decrease in residential real estate loans and new home equity loan originations and increased delinquencies and defaults in both the consumer home equity loan and the residential real estate loan portfolios and result in increased losses in these portfolios. As of December 31, 2011, declines in home values have been modest in the Company's market area. However, updated appraisals are obtained on loans when there is a reason to believe that there has been a change in the borrower's ability to repay the loan principal and interest, generally, when a loan is in a delinquent status. Additionally, if an existing loan is to be modified or refinanced, generally, an appraisal is ordered to ensure continued collateral adequacy. During the six months ended December 31, 2011, properties within several communities within the Company's market area were either severely damaged or destroyed as a result of Hurricane Irene. Many of the properties were covered by flood insurance. The Company is monitoring the affected mortgage loans within its portfolio, evaluating collateral values, disbursing insurance proceeds to the borrower as repairs progress, and monitoring ongoing repayment of the loans. The Company has evaluated its potential losses that may result from this natural disaster and has made additional provisions to the allowance for loan losses. During the quarter ended December 31, 2011, the company recognized a charge-off in the amount of $130,000 related to flood damage resulting from Hurricane Irene.

	December 31, 2011		June 30, 2011	
(Dollars in thousands)	Balance	Percentage of Portfolio	Balance	Percentage of Portfolio
Real estate mortgages:				
Residential	$185,576	58.5 %	$181,612	59.4 %
Nonresidential	69,128	21.8	63,860	20.9
Construction and land	6,608	2.1	5,745	1.9
Multi-family	5,832	1.9	6,048	2.0
Total real estate mortgages	267,144	84.3	257,265	84.2
Home equity loans	24,727	7.8	25,559	8.4
Consumer installment	4,160	1.3	4,008	1.3
Commercial loans	21,010	6.6	18,788	6.1
Total gross loans	317,041	100.0 %	305,620	100.0 %
Deferred fees and costs	410		495	
Allowance for loan losses	(5,617)		(5,069)	
Total net loans	$311,834		$301,046	

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 collectability may not be reasonably assured, considers among other matters, the estimated net realizable value or the fair value of the underlying collateral, economic conditions, payment status of the loan, 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 Bank of Greene County considers residential mortgages, home equity loans and installment loans to customers as small, homogeneous loans, which are evaluated for impairment collectively based on historical loss experience. Commercial mortgage and business loans are viewed individually and considered impaired if it is probable that The Bank of Greene County will not be able to collect scheduled payments of principal and interest when due, according to the contractual terms of the loan agreements. The measurement of impaired loans is generally based on the fair value of the underlying collateral. 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 charge-offs.

Analysis of allowance for loan losses activity

(Dollars in thousands)	Six months ended December 31, 2011		Six months ended December 31, 2010	
Balance at the beginning of the period	$5,069		$4,024	
Charge-offs:				
Residential real estate mortgages	58		137	
Nonresidential mortgage	212		---	
Consumer installment	118		123	
Commercial loans	---		2	
Total loans charged off	388		262	
Recoveries:				
Residential real estate mortgages	4		---	
Consumer installment	34		43	
Commercial loans	2		8	
Total recoveries	40		51	
Net charge-offs	348		211	
Provisions charged to operations	896		836	
Balance at the end of the period	$5,617		$4,649	
Ratio of annualized net charge-offs to average loans outstanding	0.23	%	0.14	%
Ratio of annualized net charge-offs to nonperforming assets	9.18	%	6.85	%
Allowance for loan losses to nonperforming loans	77.83	%	77.99	%
Allowance for loan losses to total loans receivable	1.77	%	1.55	%

Nonaccrual Loans and Nonperforming Assets

Management places loans on nonaccrual status once the loans have become 90 days or more delinquent or sooner if there is a significant reason for management to believe the collectability is questionable and, therefore, interest on the loan will no longer be recognized on an accrual basis. The Company identifies impaired loans and measures the impairment in accordance with FASB ASC subtopic "Receivables – Loan Impairment." Management may consider a loan impaired once it is classified as nonaccrual and when it is probable that the borrower will be unable to repay the loan according to the original contractual terms of the loan agreement or the loan is restructured in a troubled debt restructuring. It should be noted that management does not evaluate all loans individually for impairment. The Bank of Greene County considers residential mortgages, home equity loans and installment loans as small, homogeneous loans, which are evaluated for impairment collectively based on historical loan experience and other factors. In contrast, large commercial mortgage, construction, multi-family and business loans are viewed individually and considered impaired if it is probable that The Bank of Greene County will not be able to collect scheduled payments of principal and interest when due, according to the contractual terms of the loan agreement. The measurement of impaired loans is generally based on the fair value of the underlying collateral. The majority of The Bank of Greene County loans, including most nonaccrual loans, are small homogenous loan types adequately supported by collateral. As a result, the level of impaired loans may only be a portion of the nonaccrual loans. Loans that are delinquent or slow paying may not be impaired, especially small homogenous loan types, due to collateral adequacy. Management considers the payment status of loans in the process of evaluating the adequacy of the allowance for loan losses among other factors. Loans that are either delinquent a minimum of 60 days or are on nonaccrual status, and are not individually considered impaired, are either designated as Special Mention or Substandard, and the allocation of the allowance for loan loss is based upon the risk associated with such designation. For further discussion and detail regarding the Allowance for Loan Losses and impaired loans please refer to Note (5) Credit Quality of Loans and Allowance for Loan Losses. A loan does not have to be 90 days delinquent in order to be classified as nonperforming. Foreclosed real estate is considered to be a nonperforming asset. The Bank of Greene County had no accruing loans delinquent more than 90 days at December 31, 2011 or June 30, 2011.

Analysis of Nonaccrual Loans and Nonperforming Assets

	At	
(Dollars in thousands)	December 31, 2011	June 30, 2011
Nonaccrual loans:		
Real estate mortgages:		
Residential	$4,747	$3,074
Nonresidential	1,702	2,171
Construction and land	---	238
Multi-family	439	577
Home equity loans	102	49
Consumer installment	15	41
Commercial loans	211	144
Total nonaccrual loans	7,216	6,294
Accruing loans delinquent 90 days or more	---	---
Foreclosed real estate:		
Residential	---	363
Nonresidential	348	80
Land	13	---
Foreclosed real estate	361	443
Total nonperforming assets	$7,577	$6,737
Total nonperforming assets as a percentage of total assets	1.35 %	1.23 %
Total nonperforming loans to net loans	2.31 %	2.09 %

The table below details additional information related to nonaccrual loans for the six months ended December 31:

(In thousands)	2011	2010
Interest income that would have been recorded if loans had been performing in accordance with original terms	$427	$379
Interest income that was recorded on nonaccrual loans during the six months ended	143	109

The Company identifies impaired loans and measures the impairment in accordance with FASB ASC subtopic "Receivables – Loan Impairment". A loan is considered impaired when it is probable that the borrower will be unable to repay the loan according to the original contractual terms of the loan agreement or the loan is restructured in a troubled debt restructuring.

The table below details additional information on impaired loans as of and for the six months ended December 31:

(In thousands)	2011	2010
Balance of impaired loans, with a valuation allowance	$1,628	$375
Allowance relating to impaired loans included in allowance for loan losses	327	94
Balance of impaired loans, without a valuation allowance	669	576
Average balance of impaired loans for the six months ended	2,622	857
Interest income recorded on impaired loans during the six months ended	65	4

Nonperforming assets amounted to $7.6 million at December 31, 2011 and $6.7 million as of June 30, 2011, an increase of approximately $840,000 or 12.5% and total impaired loans amounted to $2.3 million at December 31, 2011 compared to $2.9 million at June 30, 2011, a decrease of $613,000. The growth in nonperforming assets has been the result of adverse changes within the economy and increases in local unemployment. Loans on nonaccrual status totaled $7.2 million at December 31, 2011 of which $3.5 million were in the process of foreclosure and an additional $1.1 million were making payments pursuant to forbearance agreements. Under the forbearance agreements, the customers have made arrangements with the Bank to bring the loans current over a specified period of time (resulting in an insignificant delay in repayment). During this period, the Bank has agreed not to continue foreclosure proceedings. Of the remaining $2.6 million in nonaccrual loans, $1.3 million were less than 90 days past due, or were current at December 31, 2011, but have a recent history of delinquency greater than 90 days past due. These loans will be returned to accrual status once they have demonstrated a history of timely payments. While the Bank makes every reasonable effort to work with the borrowers to collect amounts due, the number of loans in process of foreclosure has grown substantially over the past several years. The growth in nonperforming assets is also due in part to the extended length of time required to meet all of the legal requirements mandated by New York State law prior to a foreclosure sale, which may be in excess of two years. The majority of The Bank of Greene County loans, including most nonaccrual loans as of December 31, 2011, are small homogenous loan types adequately supported by collateral. As a result, the level of impaired loans may only be a portion of nonaccrual loans. Loans that are delinquent or slow paying may not be impaired, especially small homogenous loan types, due to collateral adequacy. These loans are included in total nonperforming assets.

DEPOSITS

Total deposits increased to $494.0 million at December 31, 2011 from $469.9 million at June 30, 2011, an increase of $24.1 million, or 5.1%. This increase was primarily the result of an increase of $13.3 million in balances at Greene County Commercial Bank, our commercial bank subsidiary, which attracts deposits from local municipalities, due primarily to the annual collection of taxes by several local school districts during the quarter ended September 30, 2011. Interest bearing checking accounts (NOW accounts) increased $25.5 million or 17.8% to $168.9 million at December 31, 2011 as compared to $143.4 million at June 30, 2011. Savings deposits increased $7.4 million between June 30, 2011 and December 31, 2011. Noninterest bearing deposits increased $4.5 million to $53.8 million at December 31, 2011. Partially offsetting these increases was a $11.9 million decrease in certificates of deposit balances and a $1.4 million decrease in money market balances between June 30, 2011 and December 31, 2011.

(Dollars in thousands)	At December 31, 2011	Percentage of Portfolio	At June 30, 2011	Percentage of Portfolio
Noninterest bearing deposits	$ 53,766	10.9 %	$ 49,313	10.5 %
Certificates of deposit	79,634	16.1	91,549	19.5
Savings deposits	119,253	24.1	111,851	23.8
Money market deposits	72,378	14.7	73,795	15.7
NOW deposits	168,938	34.2	143,389	30.5
Total deposits	$ 493,969	100.0 %	$ 469,897	100.0 %

BORROWINGS

At December 31, 2011, The Bank of Greene County had pledged approximately $161.2 million of its residential mortgage portfolio as collateral for borrowing at the Federal Home Loan Bank ("FHLB"). The maximum amount of funding available from the FHLB through either overnight advances or term borrowings was $123.3 million at December 31, 2011, of which $12.0 million in term borrowings were outstanding at December 31, 2011. There were no overnight borrowings outstanding at December 31, 2011. Interest rates on overnight borrowings are determined at the time of borrowing. Term borrowings consisted of $7.0 million of fixed rate, fixed term advances with a weighted average rate of 3.49% and a weighted average maturity of 16 months. The remaining $5.0 million borrowing, which carried a 3.64% interest rate and a maturity of 21 months at December 31, 2011, is unilaterally convertible by the FHLB under certain market interest rate scenarios, including three-month LIBOR at or above 7.50%, into replacement advances for the same or lesser principal amount based on the then current market rates. If the Bank chooses not to accept the replacement funding, the Bank must repay this convertible advance, including any accrued interest, on the interest payment date.

The Bank also pledges securities as collateral at the Federal Reserve Bank discount window for overnight borrowings. At December 31, 2011, approximately $6.4 million of collateral was available to be pledged against potential borrowings at the Federal Reserve Bank discount window. There were no balances outstanding with the Federal Reserve Bank at December 31, 2011.

The Bank of Greene County has an unsecured line of credit with Atlantic Central Bankers Bank for $6.0 million. The line of credit provides for overnight borrowing and the interest rate is determined at the time of the borrowing. At December 31, 2011 and 2010 there were no balances outstanding with Atlantic Central Bankers Bank, and there was no activity during the six months ended December 31, 2011 and 2010.

Scheduled maturities of term borrowings at December 31, 2011 were as follows:

(In thousands)		
Fiscal year end		
2012	$	3,000
2013		1,000
2014		6,000
2015		2,000
	$	12,000

SHAREHOLDERS' EQUITY

Shareholders' equity increased to $50.6 million at December 31, 2011 from $48.1 million at June 30, 2011, as net income of $3.0 million was partially offset by dividends declared and paid of $645,000. Additionally, shareholders' equity increased $107,000 as a result of an increase in accumulated other comprehensive income, primarily from an increase in the unrealized gains on available for sale securities, net of tax. Other changes in equity, totaling a $74,000 increase, were the result of activities associated with the Company's 2008 Stock Option Plan.

Comparison of Operating Results for the Six and Three Months Ended December 31, 2011 and 2010

Average Balance Sheet

The following tables set forth certain information relating to Greene County Bancorp, Inc. for the six and three months ended December 31, 2011 and 2010. 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. 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. Rates and yields for all periods presented are annualized.

Six Months Ended December 31, 2011 and 2010

(Dollars in thousands)	2011 Average Outstanding Balance	2011 Interest Earned/ Paid	2011 Average Yield/ Rate	2010 Average Outstanding Balance	2010 Interest Earned/ Paid	2010 Average Yield/ Rate
Interest earning assets:						
Loans receivable, net1	$311,308	$8,943	5.75%	$301,866	$9,046	5.99%
Securities2	206,382	3,374	3.27	177,240	2,932	3.31
Interest bearing bank balances and federal funds	12,155	14	0.23	14,356	20	0.28
FHLB stock	1,516	32	4.22	1,534	44	5.74
Total interest earning assets	531,361	12,363	4.65%	494,996	12,042	4.86%
Cash and due from banks	7,362			7,150		
Allowance for loan losses	(5,326)			(4,249)		
Other non-interest earning assets	19,177			18,487		
Total assets	$552,574			$516,384		
Interest bearing liabilities:						
Savings and money market deposits	$192,078	$591	0.62%	$161,025	$569	0.71%
NOW deposits	156,393	472	0.60	146,603	504	0.69
Certificates of deposit	85,153	651	1.53	97,366	972	2.00
Borrowings	17,417	227	2.61	18,711	305	3.26
Total interest bearing liabilities	451,041	1,941	0.86%	423,705	2,350	1.11%
Non-interest bearing deposits	49,034			44,564		
Other non-interest bearing liabilities	3,242			2,600		
Shareholders’ equity	49,257			45,515		
Total liabilities and equity	$552,574			$516,384		
Net interest income		$10,422			$9,692	

Net interest rate spread		3.79%		3.75%
Net Earning Assets	$80,320		$71,291	
Net interest margin		3.92%		3.92%
Average interest earning assets to average interest bearing liabilities		117.81%		116.83%

1Calculated net of deferred loan fees and costs, loan discounts, and loans in process.
2Includes tax-free securities, mortgage-backed securities, asset-backed securities and long term certificates of deposit.

Three Months Ended December 31, 2011 and 2010

(Dollars in thousands)	2011 Average Outstanding Balance	2011 Interest Earned/ Paid	2011 Average Yield/ Rate	2010 Average Outstanding Balance	2010 Interest Earned/ Paid	2010 Average Yield/ Rate
Interest earning assets:						
Loans receivable, net1	$313,985	$4,475	5.70%	$302,845	$4,509	5.96%
Securities2	201,488	1,653	3.28	186,196	1,513	3.25
Interest bearing bank balances and federal funds	21,384	13	0.24	24,537	18	0.29
FHLB stock	1,273	17	5.34	1,457	26	7.14
Total interest earning assets	538,130	6,158	4.58%	515,035	6,066	4.71%
Cash and due from banks	7,255			7,056		
Allowance for loan losses	(5,516)			(4,405)		
Other non-interest earning assets	19,006			18,786		
Total assets	$558,875			$536,472		
Interest bearing liabilities:						
Savings and money market deposits	$193,787	$296	0.61%	$161,017	$271	0.67%
NOW deposits	167,994	250	0.60	167,505	266	0.64
Certificates of deposit	82,620	281	1.36	97,228	478	1.97
Borrowings	12,000	108	3.60	17,000	156	3.67
Total interest bearing liabilities	456,401	935	0.82%	442,750	1,171	1.06%
Non-interest bearing deposits	49,708			45,116		
Other non-interest bearing liabilities	2,833			2,719		
Shareholders' equity	49,933			45,887		
Total liabilities and equity	$558,875			$536,472		
Net interest income		$5,223			$4,895	
Net interest rate spread			3.76%			3.65%
Net Earning Assets	$81,729			$72,285		
Net interest margin			3.88%			3.80%
Average interest earning assets to						
			117.91%			116.33%

average interest bearing liabilities

1Calculated net of deferred loan fees and costs, loan discounts, and loans in process.
2Includes tax-free securities, mortgage-backed securities, asset-backed securities and long term certificates of deposit.

Rate / Volume Analysis

The following table presents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected Greene County Bancorp, Inc.'s interest income and interest expense during the periods indicated. Information is provided in each category with respect to:

(i) Change attributable to changes in volume (changes in volume multiplied by prior rate);

(ii) Change attributable to changes in rate (changes in rate multiplied by prior volume); and

(iii) The net change.

The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

(Dollars in thousands)	Six Months Ended December 31, 2011 versus 2010			Three Months Ended December 31, 2011 versus 2010		
	Increase/(Decrease) Due to		Total Increase/ (Decrease)	Increase/(Decrease) Due to		Total Increase/ (Decrease)
Interest-earning assets:	Volume	Rate		Volume	Rate	
Loans receivable, net1	$272	($375)	($103)	$165	($199)	($34)
Securities2	478	(36)	442	126	14	140
Interest-bearing bank balances and federal funds	(3)	(3)	(6)	(2)	(3)	(5)
FHLB stock	(1)	(11)	(12)	(3)	(6)	(9)
Total interest-earning assets	746	(425)	321	286	(194)	92
Interest-bearing liabilities:						
Savings and money market deposits	101	(79)	22	51	(26)	25
NOW deposits	34	(66)	(32)	1	(17)	(16)
Certificates of deposit	(112)	(209)	(321)	(64)	(133)	(197)
Borrowings	(20)	(58)	(78)	(45)	(3)	(48)
Total interest-bearing liabilities	3	(412)	(409)	(57)	(179)	(236)
Net interest income	$743	($13)	$730	$343	($15)	$328

1 Calculated net of deferred loan fees, loan discounts, and loans in process.

2 Includes tax-free securities, mortgage-backed securities, asset-backed securities and long term certificates of deposit.

GENERAL

Return on average assets and return on average equity are common methods of measuring operating results. Annualized return on average assets increased to 1.09% for the six months and 1.07% for the quarter ended December 31, 2011 as compared to 1.04% for the six months and 1.01% for the quarter ended December 31, 2010. Annualized return on average equity increased to 12.20% for the six months and 11.98% for the quarter ended December 31, 2011 as compared to 11.76% for the six months and 11.79% for the quarter ended December 31, 2010. The increase in return on average assets and return on average equity was primarily the result of higher net interest income, partially offset by lower noninterest income and higher noninterest expense. Net income amounted to $3.0 million and $2.7 million for the six months ended December 31, 2011 and 2010, respectively, an increase of $328,000 or 12.3% and amounted to $1.5 million and $1.4 million for the quarters ended December 31, 2011 and 2010, respectively, an increase of $143,000 or 10.6%. Average assets increased $36.2 million, or 7.0% to $552.6 million for the six months ended December 31, 2011 as compared to $516.4 million for the six months ended December 31, 2010. Average equity increased $3.8 million, or 8.4%, to $49.3 million for the six months ended December 31, 2011 as compared to $45.5 million for the six months ended December 31, 2010. Average assets increased $22.4 million, or 4.2% to $558.9 million for the quarter ended December 31, 2011 as compared to $536.5 million for the quarter ended December 31, 2010. Average equity increased $4.0 million, or 8.7% to $49.9 million for the quarter ended December 31, 2011 as compared to $45.9 million for the quarter ended December 31, 2010.

INTEREST INCOME

Interest income amounted to $12.4 million for the six months ended December 31, 2011 as compared to $12.0 million for the six months ended December 31, 2010, an increase of $321,000 or 2.7%. Interest income amounted to $6.2 million for the quarter ended December 31, 2011 as compared to $6.1 million for the quarter ended December 31, 2010, an increase of $92,000 or 1.5%. The combined increase in loan and securities volume had the greatest impact on interest income when comparing the six months and quarters ended December 31, 2011 and 2010. Average loan balances increased $9.4 million for the six months ended December 31, 2011 as compared to December 31, 2010 while the yield decreased by 24 basis points when comparing the same periods. Average loan balances increased $11.1 million for the quarter ended December 31, 2011 as compared to the quarter ended December 31, 2010 and the yield decreased by 26 basis points when comparing the same periods. Average securities balances increased $29.1 million for the six months ended December 31, 2011 as compared to December 31, 2010 while the yield decreased by 4 basis points when comparing the same periods. Average securities balances increased $15.3 million for the quarter ended December 31, 2011 as compared to the quarter ended December 31, 2010 and the yield increased 3 basis points when comparing the same periods. Average balances on short term investments such as interest bearing bank balances and federal funds sold decreased $2.2 million and $3.2 million, respectively when comparing the six months and quarters ended December 31, 2011 and 2010. The yield on short term investments decreased 5 basis points when comparing the six months and quarters ended December 31, 2011 and 2010.

INTEREST EXPENSE

Interest expense amounted to $1.9 million for the six months ended December 31, 2011, as compared to $2.4 million for the six months ended December 31, 2010, a decrease of $409,000. Interest expense amounted to $935,000 for the quarter ended December 31, 2011, as compared to $1.2 million for the quarter ended December 31, 2010, a decrease of $236,000. Decreases in rates on interest-bearing liabilities had the greatest impact on overall interest expense for the quarter and six months ended December 31, 2011 as compared to December 31, 2010.

As illustrated in the Rate/Volume Analysis Table, interest expense was reduced $412,000 and $179,000 when comparing the six months and quarters ended December 31, 2011 and 2010, respectively, due to decreases of 25 basis points and 24 basis points, respectively, in the average rate on interest-bearing liabilities in those same periods. Also, interest expense was further reduced as a result of a shift in deposit balances from higher-costing certificates of deposit and borrowed funds, to lower-costing savings and money market deposits.

The average rate paid on NOW deposits decreased 9 basis points and 4 basis points, respectively, when comparing the six months and quarters ended December 31, 2011 and 2010. The average balance of such accounts grew by $9.8 million for the six months ended December 31, 2011 and increased by $489,000 for the quarter ended December 31, 2011. The average balance of certificates of deposit decreased by $12.2 million and the average rate paid decreased by 47 basis points when comparing the six months ended December 31, 2011 and 2010. The average balance of certificates of deposit decreased by $14.6 million and the average rate paid decreased by 61 basis points when comparing the quarters ended December 31, 2011 and 2010. The average balance of savings and money market deposits increased by $31.1 million when comparing the six months ended December 31, 2011 and 2010 and increased by $32.8 million when comparing the quarters ended December 31, 2011 and 2010. The average rate paid on savings and money markets decreased 9 basis points and 6 basis points when comparing the six months and quarters ended December 31, 2011 and 2010, respectively. The average balance of borrowings decreased $1.3 million and $5.0 million when comparing the six months and quarters ended December 31, 2011 and 2010. The rate paid on these borrowings decreased 65 basis points and 7 basis points when comparing the same periods.

NET INTEREST INCOME

Net interest income increased $730,000 to $10.4 million for the six months ended December 31, 2011 compared to $9.7 million for the six months ended December 31, 2010 and increased $328,000 to $5.2 million for the quarter ended December 31, 2011 compared to $4.9 million for the quarter ended December 31, 2010. Net interest rate spread increased 4 basis points to 3.79% for the six months ended December 31, 2011 from 3.75% for the six months ended December 31, 2010, and increased 11 basis points to 3.76% for the six months ended December 31, 2011 from 3.65% for the quarter ended December 31, 2010. Net interest margin remained constant at 3.92% for the six months ended December 31, 2011 and 2010, and increased 8 basis points to 3.88% for the quarter ended December 31, 2011 as compared to 3.80% for the quarter ended December 31, 2010. The increase in average balances of loans and securities, along with a decrease in rates paid on deposit accounts, primarily led to an increase in net interest income when comparing the six months and quarters ended December 31, 2011 and 2010.

Due to the large portion of fixed-rate residential mortgages in the Company's asset portfolio, interest rate risk is a concern and the Company will continue to monitor the situation and attempt to adjust the asset and liability mix as much as possible to take advantage of the benefits and reduce the risks or potential negative effects of a rising rate environment. Management attempts to mitigate the interest rate risk through balance sheet composition. Several strategies are used to help manage interest rate risk such as maintaining a high level of liquid assets such as short-term federal funds sold and various investment securities and maintaining a high concentration of less interest-rate sensitive and lower-costing core deposits.

PROVISION FOR LOAN LOSSES

Management continues to closely monitor asset quality and adjust the level of the allowance for loan losses when necessary. The amount recognized for the provision for loan losses is determined by management based on its ongoing analysis of the adequacy of the allowance for loan losses. During the six months ended December 31, 2011 and 2010, the Company increased the level of allowance for loan losses due to an increase in the amount of nonperforming assets and loan charge-offs resulting from a decline in the overall economy, and an increase in local unemployment. Also, during the six months ended December 31, 2011, the Company increased its provision for loan losses as a result of flood damage caused by Hurricane Irene within several of the communities within its market area. The Company recognized a charge-off of $130,000 during the quarter ended December 31, 2011 resulting from the flood damage and continues to assess the impact on its loan portfolio from this natural disaster and monitor the credit quality of the affected loans. As a result, the provision for loan losses amounted to $896,000 and $836,000 for the six months ended December 31, 2011 and 2010, respectively, an increase of $60,000 or 7.2%. The provision for loan losses amounted to $422,000 and $483,000 for the quarters ended December 31, 2011 and 2010, respectively. Continued increases in non-performing assets and loan charge-offs have resulted in an increase in the level of allowance for loan losses to total loans receivable to 1.77% as of December 31, 2011 as compared to 1.66% as of June 30, 2011. Nonperforming loans amounted to $7.2 million and $6.3 million at December 31, 2011 and June 30, 2011, respectively, an increase of $922,000 or 14.6%. Net charge-offs amounted to $348,000 and $211,000 for the six months ended December 31, 2011 and 2010, respectively, an increase of $137,000. At December 31, 2011, nonperforming assets were 1.35% of total assets and nonperforming loans were 2.31% of net loans. The Company has not been an originator of "no documentation" mortgage loans and the loan portfolio does not include any mortgage loans that the Company classifies as sub-prime.

NONINTEREST INCOME

Noninterest income decreased $39,000 and $153,000 when comparing the six months and quarters ended December 31, 2011 and 2010, respectively. Noninterest income amounted to $2.4 million and $1.2 million for the six months and quarter ended December 31, 2011, respectively. The Company recorded a net gain on sale of investments during the quarter ended December 31, 2010 totaling $212,000 and a net gain on sale of investments during the six months ended December 31, 2011 totaling $11,000. Excluding these items, noninterest income increased $162,000 and $59,000 when comparing the six months and quarters ended December 31, 2011 and 2010, respectively. These increases were primarily the result of higher service charges on deposit accounts and higher debit card fees due to growth in the number of deposit accounts.

NONINTEREST EXPENSE

Noninterest expense increased $181,000 and $51,000 when comparing the six months and quarters ended December 31, 2011 and 2010, respectively. These increases were primarily due to an increase in legal and professional fees, service and data processing fees, equipment and furniture expense, computer software, supplies & support, and other expenses. The increase in legal and professional fees of $90,000 and $67,000 when comparing the six months and quarters ended December 31, 2011 and 2010, respectively, were related to loans in process of foreclosure and increased fees for consulting services related to the implementation of strategic objectives. Included in the increases in service and data processing fees of $72,000 and $44,000 when comparing the six months and quarters ended December 31, 2011 and 2010, respectively, were increased costs associated with the increase in the number of accounts with a debit card. The increase in other expenses was the result of the recognition of a loss on foreclosed assets of $131,500 and $81,500 for the six months and quarter ended December 31, 2011, respectively. These increases were partially offset by decreases in FDIC insurance premiums of $129,000 and $76,000 when comparing the six months and quarters ended December 31, 2011 and 2010, respectively. The decrease in FDIC insurance premiums was the result of regulatory changes in the method of calculating the premiums.

INCOME TAXES

The provision for income taxes directly reflects the expected tax associated with the pre-tax income generated for the given reporting period. The effective tax rate was 33.3% for the quarter ended December 31, 2011, compared to 34.2% for the quarter ended December 31, 2010.

LIQUIDITY AND CAPITAL RESOURCES

Market risk is the risk of loss in a financial instrument arising from adverse changes in market rates or prices such as interest rates, foreign currency exchange rates, commodity prices, and equity prices. Greene County Bancorp, Inc.'s most significant form of market risk is interest rate risk since the majority of Greene County Bancorp, Inc.'s assets and liabilities are sensitive to changes in interest rates. Greene County Bancorp, Inc.'s primary sources of funds are deposits and proceeds from principal and interest payments on loans, mortgage-backed securities and debt securities, with lines of credit available through the Federal Home Loan Bank and Atlantic Central Bankers 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.

Mortgage loan commitments, including construction and land loan commitments, totaled $10.0 million at December 31, 2011. The unused portion of overdraft lines of credit amounted to $731,000, the unused portion of home equity lines of credit amounted to $8.2 million, and the unused portion of commercial lines of credit and commercial loan commitments amounted to $8.9 million at December 31, 2011. Greene County Bancorp, Inc. anticipates that it will have sufficient funds available to meet current loan commitments based on the level of cash and cash equivalents as well as the available for sale investment portfolio and borrowing capacity.

The Bank of Greene County and Greene County Commercial Bank met all applicable regulatory capital requirements at December 31, 2011 and June 30, 2011. Consolidated shareholders' equity represented 9.1% of total assets at December 31, 2011 and 8.8% of total assets of June 30, 2011.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and in timely altering them to material information relating to the Company (or its consolidated subsidiaries) required to be filed in its periodic SEC filings.

There has been no change in the Company's internal control over financial reporting in connection with the quarterly evaluation that occurred during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

Greene County Bancorp, Inc. and its subsidiaries are not engaged in any material legal proceedings at the present time.

Item 1A. Risk Factors

Not applicable to smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

a) Not applicable
b) Not applicable

No shares were repurchased during the quarter ended December 31, 2011.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. [Removed and reserved.]

Item 5. Other Information

a) Not applicable
b) There were no material changes to the procedures by which security holders may recommend nominees to the Company's Board of Directors during the period covered by this Form 10-Q.

Item 6. Exhibits

Exhibits
31.1 Certification of Chief Executive Officer, adopted pursuant to Rule 13a-14(a)/15d-14(a)
31.2 Certification of Chief Financial Officer, adopted pursuant to Rule 13a-14(a)/15d-14(a)
32.1 Statement of Chief Executive Officer, furnished pursuant to U.S.C. Section 1350
32.2 Statement of Chief Financial Officer, furnished pursuant to U.S.C. Section 1350
101 The following materials from Greene County Bancorp, Inc. Form 10-Q for the three and six month ended December 31, 2011, formatted in Extensible Busiess Reporting Language (XBRL): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Financial Condition, (iii) Consolidated Statements of Cash Flows and (iv) related notes, tagged as blocks of text.

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 14, 2012

By: /s/ Donald E. Gibson

Donald E. Gibson
President and Chief Executive Officer

Date: February 14, 2012

By: /s/ Michelle M. Plummer

Michelle M. Plummer, CPA
Executive Vice President, Chief Financial Officer and Chief Operating Officer

EXHIBIT 31.1

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

I, Donald E. Gibson, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

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

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2012 /s/ Donald E. Gibson
Donald E. Gibson
President and Chief Executive Officer

EXHIBIT 31.2

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

I, Michelle M. Plummer, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

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

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2012 /s/ Michelle M. Plummer

Michelle M. Plummer, CPA

Executive Vice President, Chief Financial Officer and Chief Operating Officer

EXHIBIT 32.1

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

Donald E. Gibson, President and Chief Executive Officer, of Greene County Bancorp, Inc. (the "Company") certifies in his capacity as an officer of the Company that he has reviewed the Quarterly Report of the Company on Form 10-Q for the quarter ended December 31, 2011 and that to the best of his knowledge:

1. the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the report fairly presents, in all material respects, the consolidated financial condition and consolidated results of operations of the Company as of the dates and for the periods covered by the report.

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

Date: February 14, 2012 /s/ Donald E. Gibson
Donald E. Gibson
President and Chief Executive Officer

EXHIBIT 32.2

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

Michelle M. Plummer, Chief Financial Officer, of Greene County Bancorp, Inc. (the “Company”) certifies in her capacity as an officer of the Company that he or she has reviewed the Quarterly Report of the Company on Form 10-Q for the quarter ended December 31, 2011 and that to the best of her knowledge:

1. the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the report fairly presents, in all material respects, the consolidated financial condition and consolidated results of operations of the Company as of the dates and for the periods covered by the report.

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

Date: February 14, 2012 /s/ Michelle M. Plummer
Michelle M. Plummer, CPA
Executive Vice President, Chief Financial Officer and Chief Operating Officer