

GREENE COUNTY BANCORP INC
Form 10-Q
May 16, 2011

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2011

OR

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

GREENE COUNTY BANCORP, INC.

(Exact name of issuer as specified in its charter)

Commission file number 0-25165

United

States

14-1809721

organization)

(State or other jurisdiction of incorporation or
(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: 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: No:

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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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes: No:

As of May 13, 2011, the registrant had 4,145,828 shares of common stock outstanding at \$.10 par value per share.

GREENE COUNTY BANCORP, INC.

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Greene County Bancorp, Inc.
Consolidated Statements of Financial Condition
As of March 31, 2011 and June 30, 2010
(Unaudited)
(In thousands, except share and per share amounts)

	March 31, 2011	June 30, 2010
ASSETS		
Cash and due from banks	\$24,761	\$9,253
Federal funds sold	3,835	390
Total cash and cash equivalents	28,596	9,643
Long term certificate of deposit	---	1,000
Securities available for sale, at fair value	94,938	89,805
Securities held to maturity, at amortized cost	117,634	77,520
Federal Home Loan Bank stock, at cost	1,232	1,866
Loans	301,071	299,200
Allowance for loan losses	(4,876)	(4,024)
Unearned origination fees and costs, net	456	406
Net loans receivable	296,651	295,582
Premises and equipment	15,515	14,804
Accrued interest receivable	2,828	2,731
Foreclosed real estate	563	---
Prepaid expenses and other assets	2,487	2,372
Total assets	\$560,444	\$495,323
LIABILITIES AND SHAREHOLDERS' EQUITY		
Noninterest bearing deposits	\$48,959	\$44,239
Interest bearing deposits	449,890	377,493
Total deposits	498,849	421,732
Borrowings from FHLB, short-term	---	9,100
Borrowings from FHLB, long-term	12,000	17,000
Accrued expenses and other liabilities	2,864	2,988
Total liabilities	513,713	450,820
Shareholders' equity:		
Preferred stock,		

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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 - 4,145,828 shares at March 31, 2011		
4,118,912 shares at June 30, 2010;	431	431
Additional paid-in capital	10,945	10,666
Retained earnings	36,282	33,692
Accumulated other comprehensive income	279	1,123
Treasury stock, at cost 159,842 shares at March 31, 2011		
186,758 shares at June 30, 2010	(1,206)	(1,409)
Total shareholders' equity	46,731	44,503
Total liabilities and shareholders' equity	\$560,444	\$495,323

See notes to consolidated financial statements.

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

	2011	2010
Interest income:		
Loans	\$13,434	\$12,830
Investment securities - taxable	875	852
Mortgage-backed securities	2,821	2,805
Investment securities - tax exempt	879	783
Interest bearing deposits and federal funds sold	32	13
Total interest income	18,041	17,283
Interest expense:		
Interest on deposits	3,007	3,596
Interest on borrowings	422	486
Total interest expense	3,429	4,082
Net interest income	14,612	13,201
Provision for loan losses	1,179	984
Net interest income after provision for loan losses	13,433	12,217
Non-interest income:		
Service charges on deposit accounts	1,733	2,105
Debit card fees	925	784
Investment services	199	207
E-commerce fees	83	78
Net gain (loss) on sale of available-for-sale securities	233	(5)
Other operating income	390	355
Total non-interest income	3,563	3,524
Non-interest expense:		
Salaries and employee benefits	6,025	5,353
Occupancy expense	973	945
Equipment and furniture expense	401	487
Service and data processing fees	1,111	999
Computer software, supplies and support	207	258
Advertising and promotion	245	192
FDIC insurance premiums	468	422
Legal and professional fees	273	315
Other	1,358	1,245
Total non-interest expense	11,061	10,216
Income before provision for income taxes	5,935	5,525
Provision for income taxes	2,020	1,899
Net income	\$3,915	\$3,626
Basic EPS	\$0.95	\$0.88
Basic average shares outstanding	4,131,052	4,110,014

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Diluted EPS	\$0.94	\$0.88
Diluted average shares outstanding	4,162,716	4,135,000
Dividends per share	\$0.725	\$0.51

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Three Months Ended March 31, 2011 and 2010

(Unaudited)

(In thousands, except share and per share amounts)

Interest income:	2011	2010
Loans	\$4,388	\$4,374
Investment securities - taxable	298	260
Mortgage-backed securities	998	993
Investment securities - tax exempt	303	267
Interest bearing deposits and federal funds sold	12	3
Total interest income	5,999	5,897
Interest expense:		
Interest on deposits	962	1,130
Interest on borrowings	117	153
Total interest expense	1,079	1,283
Net interest income	4,920	4,614
Provision for loan losses	343	307
Net interest income after provision for loan losses	4,577	4,307
Non-interest income:		
Service charges on deposit accounts	560	599
Debit card fees	306	257
Investment services	51	73
E-commerce fees	28	25
Net gain on sale of available-for-sale securities	21	---
Other operating income	136	132
Total non-interest income	1,102	1,086
Non-interest expense:		
Salaries and employee benefits	2,054	1,792
Occupancy expense	362	333
Equipment and furniture expense	121	189
Service and data processing fees	413	343
Computer software, supplies and support	72	79
Advertising and promotion	55	77
FDIC insurance premiums	187	151
Legal and professional fees	92	130
Other	460	437
Total non-interest expense	3,816	3,531
Income before provision for income taxes	1,863	1,862
Provision for income taxes	624	636
Net income	\$1,239	\$1,226

Basic EPS	\$0.30	\$0.30
Basic average shares outstanding	4,142,160	4,116,779
Diluted EPS	\$0.30	\$0.30
Diluted average shares outstanding	4,172,127	4,137,447
Dividends per share	\$0.175	\$0.17

See notes to consolidated financial statements.

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

	2011	2010
Net income	\$3,915	\$3,626
Other comprehensive (loss) income:		
Securities:		
Unrealized holding (losses) gains on available for sale securities, arising during the nine months ended March 31, 2011 and 2010, net of income taxes of (\$469) and \$173, respectively.	(742)	274
Accretion of unrealized loss on securities transferred to held-to-maturity, net of income taxes of \$21 and \$31, respectively	34	50
Reclassification adjustment for (gain) loss on sale of available-for-sale securities realized in net income, net of income taxes of (\$90), and \$2, respectively	(143)	3
Pension actuarial gain, net of tax	7	---
Other comprehensive (loss) income	(844)	327
Comprehensive income	\$3,071	\$3,953

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

	2011	2010
Net income	\$1,239	\$1,226
Other comprehensive loss:		
Securities:		

Unrealized holding losses on available for sale securities,
arising

during the three months ended March 31, 2011 and 2010, net of income taxes of (\$172) and (\$75), respectively.	(272)	(119)
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Accretion of unrealized loss on securities transferred to
held-to-maturity,

net of income taxes of \$7 and \$13, respectively	11	21
---	----	----

Reclassification adjustment for (gain) loss on sale of
available-for-sale

securities realized in net income, net of income taxes of (\$8), and \$0, respectively	(13)	---
---	------	-----

Pension actuarial gain, net of tax	2	---
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Other comprehensive loss	(272)	(98)
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Comprehensive income	\$967	\$1,128
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See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Nine Months Ended March 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, 2009	\$431	\$10,508	\$30,045	\$792	(\$1,512)	\$40,264
Stock options exercised		(66)			103	37
Stock options compensation		168				168
Dividends declared			(921)			(921)
Net income			3,626			3,626
Total other comprehensive income, net of taxes				327		327
Balance at March 31, 2010	\$431	\$10,610	\$32,750	\$1,119	(\$1,409)	\$43,501
Balance at June 30, 2010	\$431	\$10,666	\$33,692	\$1,123	(\$1,409)	\$44,503
Stock options exercised	109		203			312
Tax effect of stock options		3				3
Stock options compensation		167				167
Dividends declared				(1,325)		

					(1,325)
Net income					3,915
Total other comprehensive (loss), net of taxes				(844)	(844)
Balance at					
March 31, 2011	\$431				\$46,731
		\$10,945	\$36,282	\$279	(\$1,206)

See notes to consolidated financial statements.

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

(In thousands)	2011	2010
Cash flows from operating activities:		
Net Income	\$3,915	\$3,626
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	536	700
Net amortization of premiums and discounts	767	616
Net amortization of deferred loan costs and fees	175	135
Provision for loan losses	1,179	984
Stock option compensation	167	168
Net (gain) loss on sale of available-for-sale securities	(233)	5
Net loss on sale of foreclosed real estate	---	8
Net (decrease) increase in accrued income taxes	(432)	1,007
Net increase in accrued interest receivable	(97)	(285)
Net decrease (increase) decrease in prepaid and other assets	320	(1,863)
Net increase (decrease) in other liabilities	421	(646)
Net cash provided by operating activities	6,718	4,455
Cash flows from investing activities:		
Securities available-for-sale:		
Proceeds from maturities	7,411	7,000
Proceeds from sale of securities	7,729	1,820
Purchases of securities	(30,308)	(1,069)
Principal payments on securities	8,497	7,272
Securities held-to-maturity:		
Proceeds from maturities	13,827	7,327
Purchases of securities	(58,412)	(9,403)
Principal payments on securities	4,086	4,523
Net redemption of Federal Home Loan Bank Stock	634	90
Maturity of long term certificate of deposit	1,000	---
Net increase in loans receivable	(2,986)	(21,253)
Proceeds from sale of foreclosed real estate	---	207
Purchases of premises and equipment	(1,247)	(358)
Net cash used in investing activities	(49,769)	(3,844)
Cash flows from financing activities:		
Net decrease in short-term borrowings	(9,100)	(2,000)
Repayment of long-term borrowings	(5,000)	---
Payment of cash dividends	(1,325)	(921)
Proceeds from stock options exercised	312	37
Net increase in deposits	77,117	17,198
Net cash provided by financing activities	62,004	14,314
Net increase in cash and cash equivalents	18,953	14,925
Cash and cash equivalents at beginning of period	9,643	9,443
Cash and cash equivalents at end of period	\$28,596	\$24,368

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Non-cash investing activities:

Foreclosed loans transferred to foreclosed real estate	\$563	\$65
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Cash paid during the period:

Interest	\$3,434	\$4,082
Income taxes	2,453	943

See notes to consolidated financial statements.

Greene County Bancorp, Inc.

Notes to Consolidated Financial Statements

As of and for the Three and Nine Months Ended March 31, 2011 and 2010

(1) Basis of Presentation

The accompanying consolidated statement of financial condition as of June 30, 2010 was derived from the audited consolidated financial statements of Greene County Bancorp, Inc. (the “Company”) and its wholly owned subsidiary, The Bank of Greene County (the “Bank”) and the Bank’s wholly owned subsidiary, Greene County Commercial Bank. The consolidated financial statements at and for the three and nine months ended March 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 footnotes required by GAAP for complete financial statements. To the extent that information and footnotes required by GAAP for complete financial statements are contained in or are consistent with the audited financial statements incorporated by reference to Greene County Bancorp, Inc.’s Annual Report on Form 10-K for the year ended June 30, 2010, such information and footnotes have not been duplicated herein. In the opinion of management, all adjustments (consisting of only normal recurring items) necessary for a fair presentation of the financial position and results of operations and cash flows at and for the periods presented have been included. Amounts in the prior year’s consolidated financial statements have been reclassified whenever necessary to conform to the current year’s presentation. These reclassifications had no effect on net income or retained earnings as previously reported. All material inter-company accounts and transactions have been eliminated in the consolidation. The results of operations and other data for the three and nine months ended March 31, 2011 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2011. 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 equity 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 write-downs to fair value 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 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 us to recognize additions to the Allowance based on their judgments of information available to them at the time of their examination.

Greene County Bancorp, Inc. makes an assessment to determine whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis. The Company considers many factors including the severity and duration of the impairment; the intent and ability of the Company to hold the security for a period of time sufficient for a recovery in value; recent events specific to the issuer or industry; and for debt securities, 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 March 31, 2011 consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(In thousands)				
Securities available-for-sale:				
U.S. government sponsored enterprises	\$28,441	\$105	\$771	\$27,775
State and political subdivisions	6,820	246	---	7,066
Mortgage-backed securities-residential	29,338	800	174	29,964
Mortgage-backed securities-multi-family	21,798	991	---	22,789
Asset-backed securities	27	---	1	26
Corporate debt securities	6,887	322	---	7,209
Total debt securities	93,311	2,464	946	94,829
Equity securities and other	68	41	---	109
Total securities available-for-sale	93,379	2,505	946	94,938
Securities held-to-maturity:				
U.S. treasury securities	11,070	---	20	11,050
U.S. government sponsored enterprises	4,997	23	---	5,020
State and political subdivisions	35,522	74	24	35,572
Mortgage-backed securities-residential	58,801	1,428	95	60,134
Mortgage-backed securities-multi-family	6,826	26	4	6,848
Other securities	418	---	---	418
Total securities held-to-maturity	117,634	1,551	143	119,042
Total securities	\$211,013	\$4,056	\$1,089	\$213,980

Securities at June 30, 2010 consisted of the following:

	Amortized	Gross Unrealized	Gross Unrealized	Estimated Fair