

GREENE COUNTY BANCORP INC  
Form 10KSB  
September 28, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-KSB**

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
**For the Fiscal Year Ended June 30, 2006**

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transaction period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-25165

**GREENE COUNTY BANCORP, INC.**  
(Name of Small Business Issuer in its Charter)

**United States** **14-1809721**  
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

**302 Main Street, Catskill, New York** **12414**  
(Address of Principal Executive Office) (Zip Code)

**(518) 943-2600**  
(Issuer's Telephone Number including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of exchange on which registered</u>
<b>Common Stock, par value \$0.10 per share</b>	<b>The Nasdaq Stock Market LLC</b>

Securities Registered Pursuant to Section 12(g) of the Act:

**None**  
(Title of Class)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

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 past twelve 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendments to this Form 10-KSB.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
YES \_\_\_ NO\_ X

The Registrant's revenues for the fiscal year ended June 30, 2006 were \$17,937,000.

As of September 20, 2006, there were issued and outstanding 4,146,026 shares of the Registrant's common stock of which 1,466,981 were shares of voting stock held by non-affiliates of the Registrant. Computed by reference to the closing price of Common Stock of \$15.18 on such date, the aggregate value of stock held by non-affiliates was \$22,269,000.

**DOCUMENTS INCORPORATED BY REFERENCE**

1. Sections of Annual Report to Shareholders for the fiscal year ended June 30, 2006 (Part II).
2. Proxy Statement for the 2006 Annual Meeting of Shareholders (Part III)

Transitional Small Business Disclosure Formant Yes\_\_\_ No\_ X

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**GREENE COUNTY BANCORP, INC. AND SUBSIDIARY  
FORM 10-KSB**

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## PART I

### **ITEM 1. Description of Business**

#### **General**

Greene County Bancorp, Inc. operates as the federally chartered holding company of The Bank of Greene County, a New York-chartered savings bank. A majority of Greene County Bancorp, Inc.'s issued and outstanding common stock (55.6%) is held by Greene County Bancorp, MHC, a federally chartered mutual holding company. The remaining shares of Greene County Bancorp, Inc. are owned by public stockholders and The Bank of Greene County's Employee Stock Ownership Plan. In June 2004, The Bank of Greene County opened a new limited-purpose subsidiary, Greene County Commercial Bank. The purpose of Greene County Commercial Bank is to serve local municipalities' banking needs.

#### **Greene County Bancorp, Inc.**

Greene County Bancorp, Inc. was organized in December of 1998 at the direction of the Board of Trustees of The Bank of Greene County (formerly Greene County Savings Bank) for the purpose of acting as the holding company of The Bank of Greene County. In 2001, Greene County Bancorp, Inc. converted its charter from a Delaware corporation regulated by the New York Superintendent of Banks and the Board of Governors of the Federal Reserve System to a federal corporation regulated by the Office of Thrift Supervision. At June 30, 2006, Greene County Bancorp, Inc.'s assets consisted primarily of its investment in The Bank of Greene County and cash and securities totaling \$4.1 million. At June 30, 2006, 1,840,614 shares of Greene County Bancorp, Inc.'s common stock, par value \$0.10 per share, were held by the public including executive officers and directors, 160,424 shares were held as Treasury stock and 2,304,632 shares were held by Greene County Bancorp, MHC, Greene County Bancorp, Inc.'s mutual holding company. Greene County Bancorp, Inc.'s principal business is overseeing and directing the business of The Bank of Greene County and various Greene County Bancorp, Inc. investment securities.

At June 30, 2006, Greene County Bancorp, Inc. had consolidated total assets of \$307.6 million, consolidated total deposits of \$268.3 million, consolidated borrowings from the Federal Home Loan Bank of New York of \$5.0 million and consolidated total equity of \$33.6 million.

Greene County Bancorp, Inc.'s administrative office is located at 302 Main Street, Catskill, New York 12414-1317. Its telephone number is (518) 943-2600.

#### **The Bank of Greene County**

The Bank of Greene County was organized in 1889 as The Building and Loan Association of Catskill, a New York-chartered savings and loan association. In 1974, The Bank of Greene County converted to a New York mutual savings bank under the name Greene County Savings Bank. In conjunction with the reorganization and the offering completed in December 1998, which resulted in the organization of Greene County Bancorp, Inc., Greene County Savings Bank changed its name to The Bank of Greene County. In May 2006, the Bank of Greene County filed an application with the Office of Thrift Supervision to convert its charter to a federal savings bank charter. The application has been deemed complete and is currently pending. The Bank of Greene County's deposits are insured by the Deposit Insurance Fund, as administered by the Federal Deposit Insurance Corporation, up to the maximum amount permitted by law.

The Bank of Greene County's principal business consists of attracting retail deposits from the general public in the areas surrounding its branches and investing those deposits, together with funds generated from operations and

borrowings, primarily in one to four-family residential mortgage loans, commercial real estate loans, consumer loans, home equity loans and commercial business loans. In addition, The Bank of Greene County invests a significant portion of its assets in investment securities, mortgage-backed and asset-backed securities. The Bank of Greene County's revenues are derived principally from the interest on its residential mortgages, and to a lesser extent, from interest on consumer and commercial loans and securities, as well as from servicing fees and service charges and other fees collected on its deposit accounts. The Bank of Greene County's affiliation with Fenimore Asset Management and with Essex Corporation offer investment alternatives for customers which also contribute to revenues. The Bank of Greene County's primary sources of funds are deposits, and principal and interest payments on loans and investment securities and mortgage- and asset-backed securities. At June 30, 2006, The Bank of Greene County had outstanding borrowings of \$5.0 million from the Federal Home Loan Bank of New York.

The Bank of Greene County's administrative office is located at 302 Main Street, Catskill, New York 12414-1317. Its telephone number is (518) 943-2600.

### **Greene County Commercial Bank**

Greene County Commercial Bank was formed in January 2004 as a New York State-chartered limited purpose commercial bank. Greene County Commercial Bank has the power to receive deposits only to the extent of accepting for deposit the funds of the United States and the State of New York and their respective agents, authorities and instrumentalities, and local governments as defined in Section 10(a)(1) of the General Municipal Law. At June 30, 2006, Greene County Commercial Bank had \$28.4 million in assets, \$25.6 million in total deposits, and \$2.6 million in equity.

### **Greene County Bancorp, MHC**

Greene County Bancorp, MHC was formed in December 1998 as part of The Bank of Greene County's mutual holding company reorganization. In 2001, Greene County Bancorp, MHC converted from a state to a federal charter. The Office of Thrift Supervision regulates Greene County Bancorp, MHC. Greene County Bancorp, MHC owns 55.6% of the common stock issued and outstanding of Greene County Bancorp, Inc. Greene County Bancorp, MHC does not engage in any business activity other than to hold Greene County Bancorp, Inc.'s common stock and to invest any liquid assets of Greene County Bancorp, MHC, which amounted to \$174,000 in cash and cash equivalents at June 30, 2006.

Greene County Bancorp, MHC's administrative office is located at 302 Main Street, Catskill, New York 12414-1317, and its telephone number at that address is (518) 943-2600.

### **Market Area**

The Bank of Greene County has been, and intends to continue to be, a community-oriented bank offering a variety of financial services to meet the needs of the communities it serves. The Bank of Greene County currently operates seven full-service banking offices in Greene County, Columbia County and southern Albany County, New York. The Bank of Greene County's primary market area is currently concentrated around the areas within Greene County and southern Albany County where its full-service banking offices are located, namely the towns of Catskill, Cairo, Coxsackie, Greenville, Hunter, Tannersville and Westerlo. During 2005, The Bank of Greene County began expansion of services into Columbia County with the opening of the loan origination office in Hudson, New York, which was converted to a full-service branch in early 2006. Due to the growth experienced over the last several years and expected future growth, The Bank of Greene County determined to build larger offices in Cairo and Coxsackie. The Cairo facility was completed in June 2005 and the Coxsackie facility was completed in February 2006.

In February 2007, we expect to open a branch office, which is currently under construction, at the new Catskill Commons shopping plaza on Catskill's "West Side." The plaza will be anchored by a Lowe's home improvement store

(expected to open in November 2006), and a Super Wal-Mart (expected opening, February 2007). Although located just a mile from our existing downtown Catskill location, we believe that this new office will attract a substantial amount of new business.

Our current business development plans include further expansion into the Columbia County market, which we first entered during the prior fiscal year responding to the merger of the local hometown bank with an outside institution. We have received regulatory approval for a full service office in the Fairview Plaza, located on Route 9 in the Town of Greenport, just outside the City of Hudson. This leased store front location should open by early 2007.

We have also recently purchased a parcel of land in the Town of Ghent, just outside the Village of Chatham in Columbia County. Branch plans are currently being developed for this property.

Due to the expansion projects and growth experienced over the last several years, we have out-grown our current Administration building and as a result, we purchased the former Greene County Legislature and County Treasurer's building. The renovation of this building will result in a new location for our deposit and lending operations groups.

As of the 2000 census estimates, the Greene County population was 48,300 persons, indicating an overall increase in the population level of 8.0% since the last census conducted in 1990. Greene County is primarily rural and the major industry consists of tourism associated with the several ski facilities and festivals located in the Catskill Mountains. The county has no concentrations of manufacturing industry. Greene County is contiguous to the Albany-Schenectady-Troy metropolitan statistical area. The close proximity of Greene County to the city of Albany has made it a "bedroom" community for persons working in the Albany capital area. Greene County government and the Coxsackie Correctional Facilities are the largest employers in the County. Other large employers include the Hunter Mountain and Ski Windham resort areas, the Catskill, Cairo-Durham, Greenville and Coxsackie-Athens Central School Districts and Stiefel Labs, Inc.

## **Competition**

The Bank of Greene County faces significant competition both in making loans and in attracting deposits. The Bank of Greene County's subsidiary Greene County Commercial Bank faces similar competition in attracting municipal deposits. The Bank of Greene County's market area has a high density of financial institutions, many of which are branches of significantly larger institutions that have greater financial resources than The Bank of Greene County, and all of which are competitors of The Bank of Greene County to varying degrees. The Bank of Greene County's competition for loans comes principally from commercial banks, savings banks, savings and loan associations, mortgage-banking companies, credit unions, insurance companies and other financial service companies. The Bank of Greene County faces additional competition for deposits from non-depository competitors such as the mutual fund industry, securities and brokerage firms and insurance companies. Competition has also increased as a result of the lifting of restrictions on the interstate operations of financial institutions.

Competition is likely to increase as a result of the enactment of the Gramm-Leach-Bliley Act of 1999, which eases restrictions on entry into the financial services market by insurance companies and securities firms. Moreover, to the extent that these changes permit banks, securities firms and insurance companies to affiliate, the financial services industry could experience further consolidation. This could result in a growing number of larger financial institutions competing in The Bank of Greene County's primary market area that offer a wider variety of financial services than The Bank of Greene County currently offers. In recent years, the internet has also become a significant competitive factor for The Bank of Greene County and the overall financial services industry. Competition for deposits, for the origination of loans and the provision of other financial services may limit The Bank of Greene County's growth and adversely impact its profitability in the future.

## **Lending Activities**

**General.** The principal lending activity of The Bank of Greene County is the origination, for retention in its portfolio, of fixed-rate and adjustable-rate mortgage loans collateralized by one-to-four family residential real estate located within its primary market area. To a lesser extent, The Bank of Greene County also originates commercial real estate loans, home equity loans, consumer loans and commercial business loans. The Bank of Greene County also offers a variety of line of credit products.

In an effort to manage the interest rate risk associated with its predominantly fixed-rate loan portfolio, The Bank of Greene County maintains high levels of liquidity. Cash, cash equivalents and securities available for sale comprised 33.5% of total assets at June 30, 2006, all of which can be used for liquidity needs. The Bank of Greene County seeks to attract checking and other transaction accounts that generally have lower interest rate costs and tend to be less interest rate sensitive when interest rates rise to fund fixed-rate residential mortgages. Additionally, The Bank of Greene County originates shorter-term consumer loans and other adjustable-rate loans in order to help mitigate interest rate risk.

**Loan Portfolio Composition.** Set forth below is selected information concerning the composition of The Bank of Greene County's loan portfolio in dollar amounts and in percentages (before deductions for deferred fees and costs, unearned discounts and allowances for losses) as of the dates indicated.

	At June 30,					
	2006		2005		2004	
	Amount	Percent	Amount	Percent	Amount	Percent
<i>(Dollars in thousands)</i>						
Real estate loans:						
One-to-four family	\$ 131,010	68.44%	\$ 117,207	70.74%	\$ 106,287	70.64%
Commercial real estate	22,599	11.81	18,077	10.91	14,815	9.85
Construction and land	8,728	4.55	5,255	3.17	4,682	3.11
Multi-family	1,200	0.63	1,477	0.89	1,980	1.31
Total real estate loans	163,537	85.43	142,016	85.71	127,764	84.91
Consumer loans						
Installment <sup>(1)</sup>	3,384	1.77	3,466	2.09	3,988	2.65
Home equity	16,486	8.61	12,607	7.61	10,333	6.87
Passbook	632	0.33	742	0.45	557	0.37
Total consumer loans	20,502	10.71	16,815	10.15	14,878	9.89
Commercial business loans						
	7,390	3.86	6,860	4.14	7,822	5.20
Total consumer loans and commercial business loans						
	27,892	14.57	23,675	14.29	22,700	15.09
Total gross loans	191,429	100.00%	165,691	100.00%	150,464	100.00%
Less:						
Deferred fees and costs	(22)		(163)		(285)	
Allowance for loan losses	(1,314)		(1,236)		(1,241)	
Total loans receivable, net	\$ 190,093		\$ 164,292		\$ 148,938	

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(1) Includes direct automobile loans (on both new and used automobiles) and personal loans.

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	At June 30,					
	2006		2005		2004	
	Amount	Percent	Amount	Percent	Amount	Percent
<i>(Dollars in thousands)</i>						
Fixed-rate loans:						
Real estate loans:						
One-to-four family	\$ 124,310	64.94%	\$ 112,970	68.18%	\$ 100,859	67.03%
Commercial real estate	17,337	9.06	13,039	7.87	9,152	6.08
Construction and land	7,438	3.88	5,105	3.08	4,115	2.74
Multi-family	1,200	0.63	1,401	0.85	1,728	1.15
Total fixed-rate real estate loans	150,285	78.51	132,515	79.98	115,854	77.00
Consumer loans						
Installment <sup>(1)</sup>	3,384	1.77	3,466	2.09	3,988	2.65
Home equity	8,222	4.29	5,397	3.26	4,882	3.25
Passbook	632	0.33	742	0.45	557	0.37
Commercial business loans	5,512	2.88	5,043	3.04	5,703	3.79
Total fixed-rate loans	168,035	87.78	147,163	88.82	130,984	87.06
Adjustable-rate loans						
Real estate loans:						
One-to-four family	6,700	3.50	4,237	2.56	5,428	3.61
Commercial real estate	5,262	2.75	5,038	3.03	5,663	3.76
Construction and land	1,290	0.67	150	0.09	567	0.37
Multi-family	--	---	76	0.05	252	0.17
Consumer loans						
Home Equity	8,264	4.32	7,210	4.35	5,451	3.62
Commercial business loans	1,878	0.98	1,817	1.10	2,119	1.41
Total adjustable-rate loans	23,394	12.22	18,528	11.18	19,480	12.94
Total gross loans	191,429	100.00%	165,691	100.00%	150,464	100.00%