

**UNITED STATES
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 SEPTEMBER 30, 2024

OR

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

Commission File Number: 0-25165



GREENE COUNTY BANCORP, INC.

(Exact Name of Registrant as Specified in its Charter)

United States

(State or other jurisdiction of incorporation or organization)

14-1809721

(I.R.S. Employer Identification Number)

302 Main Street, Catskill, New York

(Address of principal executive office)

12414

(Zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of class</u>	<u>Trading symbol</u>	<u>Name of exchange on which registered</u>
Common Stock, \$0.10 par value	GCBC	The Nasdaq Stock Market

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

None
(Title of Class)

Indicate by check mark 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 every Interactive Data File required to be submitted 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 ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Emerging Growth Company ☐
Non-accelerated filer ☒ Smaller reporting company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 November 7, 2024, the registrant had 17,026,828 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
At September 30, 2024 and June 30, 2024
(Unaudited)
(In thousands, except share and per share amounts)

ASSETS	September 30, 2024	June 30, 2024
Cash and due from banks	\$ 24,824	\$ 13,897
Interest-bearing deposits	188,645	176,498
Total cash and cash equivalents	213,469	190,395
Long-term certificates of deposit	2,579	2,831
Securities available-for-sale, at fair value	364,526	350,001
Securities held-to-maturity, at amortized cost, net of allowance for credit losses of \$ 466 and \$ 483 at September 30, 2024 and June 30, 2024	701,919	690,354
Equity securities, at fair value	339	328
Federal Home Loan Bank stock, at cost	4,795	7,296
Loans receivable	1,501,212	1,499,473
Allowance for credit losses on loans	(19,781)	(19,244)
Net loans receivable	1,481,431	1,480,229
Premises and equipment, net	15,498	15,606
Bank-owned life insurance	57,898	57,249
Accrued interest receivable	14,909	14,269
Prepaid expenses and other assets	17,258	17,230
Total assets	<u>\$ 2,874,621</u>	<u>\$ 2,825,788</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Noninterest-bearing deposits	\$ 132,897	\$ 125,442
Interest-bearing deposits	2,352,977	2,263,780
Total deposits	2,485,874	2,389,222
Borrowings, short-term	63,000	115,300
Borrowings, long-term	29,781	34,156
Subordinated notes payable, net	49,727	49,681
Accrued expenses and other liabilities	29,941	31,429
Total liabilities	2,658,323	2,619,788
SHAREHOLDERS' EQUITY		
Preferred stock, Authorized - 1,000,000 shares; Issued - None	-	-
Common stock, par value \$ 0.10 per share; Authorized - 36,000,000 shares; Issued - 17,222,680 shares at September 30, 2024 and June 30, 2024; Outstanding - 17,026,828 shares at September 30, 2024, and June 30, 2024	1,722	1,722
Additional paid-in capital	10,156	10,156
Retained earnings	219,468	214,740
Accumulated other comprehensive loss	(14,140)	(19,710)
Treasury stock, at cost 195,852 shares at September 30, 2024 and June 30, 2024	(908)	(908)
Total shareholders' equity	216,298	206,000
Total liabilities and shareholders' equity	<u>\$ 2,874,621</u>	<u>\$ 2,825,788</u>

See notes to consolidated financial statements

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Three Months Ended September 30, 2024 and 2023
(Unaudited)
(In thousands, except share and per share amounts)

	2024	2023
Interest income:		
Loans	\$ 19,243	\$ 17,205
Investment securities - tax exempt	4,468	4,290
Investment securities - taxable	3,369	2,261
Interest-bearing deposits and federal funds sold	689	916
Total interest income	<u>27,769</u>	<u>24,672</u>
Interest expense:		
Interest on deposits	13,806	10,607
Interest on borrowings	827	626
Total interest expense	<u>14,633</u>	<u>11,233</u>
Net interest income	13,136	13,439
Provision for credit losses	634	457
Net interest income after provision for credit losses	<u>12,502</u>	<u>12,982</u>
Noninterest income:		
Service charges on deposit accounts	1,226	1,230
Debit card fees	1,101	1,133
Investment services	248	243
E-commerce fees	37	29
Bank-owned life insurance	648	362
Other operating income	477	302
Total noninterest income	<u>3,737</u>	<u>3,299</u>
Noninterest expense:		
Salaries and employee benefits	5,878	5,491
Occupancy expense	636	537
Equipment and furniture expense	150	138
Service and data processing fees	767	591
Computer software, supplies and support	355	511
Advertising and promotion	77	97
FDIC insurance premiums	322	312
Legal and professional fees	364	383
Other	1,001	785
Total noninterest expense	<u>9,550</u>	<u>8,845</u>
Income before provision for income taxes	6,689	7,436
Provision for income taxes	428	967
Net income	<u>\$ 6,261</u>	<u>\$ 6,469</u>
Basic and diluted earnings per share	\$ 0.37	\$ 0.38
Basic and diluted average shares outstanding	17,026,828	17,026,828

See notes to consolidated financial statements

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Three Months Ended September 30, 2024 and 2023
(Unaudited)
(In thousands)

	2024	2023
<i>Net Income</i>	\$ 6,261	\$ 6,469
<i>Other comprehensive income (loss):</i>		
<i>Unrealized holding gains (losses) on securities available-for-sale, gross</i>	7,602	(5,065)
<i>Tax effect</i>	2,032	(1,353)
<i>Unrealized holding gains (losses) on securities available-for-sale, net</i>	5,570	(3,712)
<i>Total other comprehensive income (loss), net of taxes</i>	5,570	(3,712)
<i>Comprehensive income</i>	\$ 11,831	\$ 2,757

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Three Months Ended September 30, 2024 and 2023
(Unaudited)
(In thousands)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total shareholders' equity
Balance at June 30, 2024	\$ 1,722	\$ 10,156	\$ 214,740	\$ (19,710)	\$ (908)	\$ 206,000
Dividends declared			(1,533)			(1,533)
Net income			6,261			6,261
Other comprehensive income, net of taxes				5,570		5,570
Balance at September 30, 2024	\$ 1,722	\$ 10,156	\$ 219,468	\$ (14,140)	\$ (908)	\$ 216,298

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total shareholders' equity
Balance at June 30, 2023	\$ 1,722	\$ 10,156	\$ 193,721	\$ (21,408)	\$ (908)	\$ 183,283
Cumulative effect adjustment for ASU 2016-13 Current Expected Credit Losses			(510)			(510)
Dividends declared			(1,362)			(1,362)
Net income			6,469			6,469
Other comprehensive loss, net of taxes				(3,712)		(3,712)
Balance at September 30, 2023	\$ 1,722	\$ 10,156	\$ 198,318	\$ (25,120)	\$ (908)	\$ 184,168

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Cash Flows
For the Three Months Ended September 30, 2024 and 2023
(Unaudited)
(In thousands)

	2024	2023
Cash flows from operating activities:		
Net Income	\$ 6,261	\$ 6,469
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	261	220
Deferred income tax benefit	(543)	(735)
Net (accretion) amortization of investment premiums and discounts	(287)	410
Net amortization of deferred loan costs and fees	83	40
Amortization of subordinated debt issuance costs	46	47
Provision for credit losses	634	457
Bank-owned life insurance income	(648)	(362)
Net (gain) loss on equity securities	(11)	7
Net increase in accrued income taxes	647	1,346
Net increase in accrued interest receivable	(640)	(1,512)
Net (increase) decrease in prepaid expenses and other assets	(2,165)	109
Net decrease in accrued expense and other liabilities	(1,488)	(238)
Net cash provided by operating activities	<u>2,150</u>	<u>6,258</u>
Cash flows from investing activities:		
Securities available-for-sale:		
Proceeds from maturities	55,515	43,355
Purchases of securities	(89,688)	(77,044)
Proceeds from principal payments on securities	27,634	942
Securities held-to-maturity:		
Proceeds from maturities	11,268	18,192
Purchases of securities	(25,500)	(7,997)
Proceeds from principal payments on securities	2,589	3,649
Net redemption (purchase) of Federal Home Loan Bank Stock	2,501	(297)
Maturity of long-term certificates of deposit	250	500
Net increase in loans receivable	(1,936)	(39,608)
Purchases of premises and equipment	(153)	(474)
Net cash used in investing activities	<u>(17,520)</u>	<u>(58,782)</u>
Cash flows from financing activities:		
Net decrease in short-term advances	(52,300)	-
Proceeds from term advances	-	4,374
Repayment of long-term advances	(4,375)	-
Payment of cash dividends	(1,533)	(1,362)
Net increase (decrease) in deposits	96,652	(16,680)
Net cash provided (used in) by financing activities	<u>38,444</u>	<u>(13,668)</u>
Net increase (decrease) in cash and cash equivalents	23,074	(66,192)
Cash and cash equivalents at beginning of period	190,395	196,445
Cash and cash equivalents at end of period	<u>\$ 213,469</u>	<u>\$ 130,253</u>
Cash paid during period for:		
Interest	\$ 14,752	\$ 11,638
Income taxes	\$ 324	\$ 356

See notes to consolidated financial statements

Greene County Bancorp, Inc.
Notes to Consolidated Financial Statements
At and for the Three Months Ended September 30, 2024 and 2023

(1) Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

Within the accompanying unaudited interim consolidated financial statements and related notes to the consolidated financial statements, the June 30, 2024 data was derived from the audited consolidated financial statements and notes of Greene County Bancorp, Inc. (the "Company") and its wholly owned subsidiaries, The Bank of Greene County (the "Bank") and the Bank's wholly owned subsidiaries, Greene County Commercial Bank (the "Commercial Bank") and Greene Property Holdings, Ltd. The interim consolidated financial statements at and for the three months ended September 30, 2024 and 2023 are unaudited.

The unaudited interim consolidated financial statements include the accounts of certain Variable Interest Entities ("VIE(s)"). In accordance with the applicable accounting guidance for consolidations, the Company consolidates a VIE if it has (i) a variable interest in the entity; (ii) the power to direct activities of the VIE that most significantly affect the entity's economic performance; and (iii) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE (i.e., we are considered to be the primary beneficiary).

The Company uses the equity method to account for unconsolidated investments in VIEs if it has significant influence over the entity's operating and financing decision. Unconsolidated investments in VIEs in which the Company does not have significant influence, are carried at a cost measurement alternative. See Note, 14 *Variable Interest Entities* for information on our involvement with VIEs.

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, 2024, 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. Certain previous years' amounts in the unaudited consolidated financial statements and notes thereto, have been reclassified to conform to the current year's presentation. All material inter-company accounts and transactions have been eliminated in the consolidation. The results of operations and other data for the three months ended September 30, 2024 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2025. These consolidated financial statements consider events that occurred through the date the consolidated financial statements were issued and should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K.

Nature of Operations

The Company's primary business is the ownership and operation of its subsidiaries. At September 30, 2024, the Bank has 18 full-service offices, lending centers, an operations center, customer call center, and wealth management center, located in its market area consisting of the Hudson Valley and Capital District Regions of New York State. The Bank is primarily engaged in the business of attracting deposits from the general public in the Bank's market area, and investing such deposits, together with other sources of funds, in loans and investment securities. The Commercial Bank's primary business is to attract deposits from, and provide banking services to, local municipalities. Greene Property Holdings, Ltd. was formed as a New York corporation that has elected under the Internal Revenue Code to be a real estate investment trust. Currently, certain mortgages and loan notes held by the Bank are transferred and beneficially owned by Greene Property Holdings, Ltd. The Bank continues to service these loans.

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 materially 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 credit losses ("ACL") on loans and on unfunded commitments.

Accrued Interest Receivable

Accrued interest receivable balances are presented separately on the consolidated statements of financial condition and are not included in amortized cost when determining the allowance for credit losses. Accrued interest receivable that is deemed uncollectible is written off timely. For loans, write off typically occurs upon becoming over 90 to 120 days past due and therefore, the amount of such write offs are immaterial. Historically, the Company has not experienced uncollectible accrued interest receivable on investment securities.

Income Taxes

The Company uses the proportional amortization method for solar tax credit investments, whereby the associated tax credits are recognized as a reduction to tax expense. Certain federal tax credits that are non-refundable and transferable under applicable regulations are accounted for as government grants and recorded as a reduction to the amortized cost or net investment in the applicable asset generating the credit, generally within "other assets." Amounts are amortized through depreciation or as an adjustment to yield over the estimated life of the asset. Any gain or loss on the transfer of a tax credit is recorded within "other income."

(2) Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In March 2023, the FASB issued ASU 2023-02, *Investments – Equity Method and Joint Ventures* (Topic 323), Accounting for Investments in Tax Credit Structures using the Proportional Amortization Method, which permits reporting entities to elect to account for their tax equity investments, regardless of their tax credit program from which the income tax credits are received. The election can be made for each qualifying tax credit investment. Under the proportional amortization method, the initial cost of an investment is amortized in proportion to the amount of tax credits and other tax benefits received, with the amortization and tax credits recognized as a component of income tax expense. To qualify for the proportional amortization method, all of the following conditions must be met: (1) It is probable that the income tax credits allocated to the tax equity investor will be available; (2) The tax equity investor does not have the ability to exercise significant influence over the operating and financial policies of the underlying project; (3) Substantially all of the projected benefits are from income tax credits and other income tax benefits; (4) The tax equity investor's projected yield is based solely on the cash flows from the income tax credits and other income tax benefits is positive; and (5) The tax equity investor is a limited liability investor in the limited liability entity for legal and tax purposes, and the tax equity investor's liability is limited to its capital investment.

A reporting entity that applies the proportional amortization method to qualifying tax equity investments must account for the receipt of the investment tax credits using the flow-through method under Topic 740, Income Taxes. The amendments also require the application of the delayed equity contribution guidance to all tax equity investments, and require specific disclosures that must be applied to all investments that generate income tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the proportional amortization method in accordance with Subtopic 323-740.

Under the proportional amortization method, the investment shall be tested for impairment when events or changes in circumstances indicate that is more likely than not that the carrying amount of the investment will not be realized. An impairment loss shall be measured as the amount by which the carrying amount of the investment exceeds its fair value. A previously recognized impairment loss shall not be reversed. The Company adopted ASU 2023-02 during the quarter ended September 30, 2024. The Company's adoption of this standard did not have a material impact on the consolidated financial statements.

Accounting Standards Issued Not Yet Adopted

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements*, which amends the disclosure or presentation requirements related to various subtopics in the FASB Accounting Standards Codification. The ASU was issued in response to the SEC's August 2018 final rule that updated and simplified disclosure requirements that the SEC believed were redundant, duplicative, overlapping, outdated, or superseded. The new guidance is intended to align GAAP requirements with those of the SEC. The ASU will become effective on the earlier of the date on which the SEC removes its disclosure requirements for the related disclosure or June 30, 2027. Early adoption is not permitted. The Company's adoption of this standard is not expected to have a material impact on the consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting* (Topic 280), Improvements to Reportable Segment Disclosures, to improve the reportable segment disclosures by requiring disclosure of incremental segment information on an annual and interim basis. In addition, the amendments will enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss provide new segment disclosure requirements for entities with a single reportable segment and contain other disclosure requirements. The amendments in this ASU are effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company's adoption of this standard is not expected to have a material impact on the consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740), Improvements to Income Tax Disclosures*, which will require public entities to disclose annually a tabular rate reconciliation, including specific items such as state and local income tax, tax credits, nontaxable or nondeductible items, among others, and a separate disclosure requiring disaggregation of reconciling items as described above which equal or exceed 5% of the product of multiplying income from continuing operations by the applicable statutory income tax rate. The ASU is effective for annual periods beginning after December 31, 2024. The Company's adoption of this standard is not expected to have a material impact on the consolidated financial statements.

(3) Securities

The following tables summarize the amortized cost and fair value of securities available-for-sale by major type:

(In thousands)	At September 30, 2024			
	Amortized cost ⁽¹⁾	Unrealized gains	Unrealized losses	Fair value
U.S. Treasury securities	\$ 43,072	\$ 1	\$ 1,264	\$ 41,809
U.S. government sponsored enterprises	13,039	-	1,543	11,496
State and political subdivisions	179,586	1,677	-	181,263
Mortgage-backed securities-residential	38,866	335	2,913	36,288
Mortgage-backed securities-multi-family	89,168	-	14,193	74,975
Corporate debt securities	19,372	92	769	18,695
Total securities available-for-sale	\$ 383,103	\$ 2,105	\$ 20,682	\$ 364,526

(In thousands)	At June 30, 2024			
	Amortized cost ⁽¹⁾	Unrealized gains	Unrealized losses	Fair value
U.S. Treasury securities	\$ 43,024	\$ -	\$ 1,829	\$ 41,195
U.S. government sponsored enterprises	13,042	-	2,068	10,974
State and political subdivisions	169,842	828	1	170,669
Mortgage-backed securities-residential	40,402	67	3,894	36,575
Mortgage-backed securities-multi-family	90,261	-	17,961	72,300
Corporate debt securities	19,608	15	1,335	18,288
Total securities available-for-sale	\$ 376,179	\$ 910	\$ 27,088	\$ 350,001

(1) Amortized cost excludes accrued interest receivable of \$ 3.6 million and \$ 4.0 million at September 30, 2024 and June 30, 2024, respectively, which is included in accrued interest receivable in the consolidated statement of financial condition.

There was no allowance for credit losses on securities available-for-sale at the quarter ended September 30, 2024 and June 30, 2024.

The following tables summarize the amortized cost, fair value, and allowance for credit loss on securities held-to-maturity by major type:

At September 30, 2024							
(In thousands)	Amortized cost ⁽¹⁾	Unrealized gains	Unrealized losses	Fair value	Allowance	Net carrying value	
U.S. Treasury securities	\$ 23,803	\$ -	\$ 1,146	\$ 22,657	\$ -	\$	23,803
State and political subdivisions	451,322	9,720	29,377	431,665	42		451,280
Mortgage-backed securities-residential	59,045	488	2,196	57,337	-		59,045
Mortgage-backed securities-multi-family	142,867	-	12,694	130,173	-		142,867
Corporate debt securities	25,318	48	2,354	23,012	423		24,895
Other securities	30	-	-	30	1		29
Total securities held-to-maturity	\$ 702,385	\$ 10,256	\$ 47,767	\$ 664,874	\$ 466	\$	701,919

At June 30, 2024							
(In thousands)	Amortized cost ⁽¹⁾	Unrealized gains	Unrealized losses	Fair value	Allowance	Net carrying value	
U.S. Treasury securities	\$ 23,785	\$ -	\$ 1,749	\$ 22,036	\$ -	\$	23,785
State and political subdivisions	450,343	4,541	40,235	414,649	44		450,299
Mortgage-backed securities-residential	48,033	51	3,314	44,770	-		48,033
Mortgage-backed securities-multi-family	143,363	-	17,397	125,966	-		143,363
Corporate debt securities	25,282	12	2,505	22,789	438		24,844
Other securities	31	-	-	31	1		30
Total securities held-to-maturity	\$ 690,837	\$ 4,604	\$ 65,200	\$ 630,241	\$ 483	\$	690,354

(1) Amortized cost excludes accrued interest receivable of \$ 4.8 million and \$ 4.1 million at September 30, 2024 and June 30, 2024, respectively, which is included in accrued interest receivable in the consolidated statement of financial condition.

U.S. Treasury and mortgage-backed securities are issued by U.S. government entities and agencies. These securities are either explicitly and/or implicitly guaranteed by the U.S. government as to timely repayment of principal and interest, are highly rated by major rating agencies, and have a long history of zero credit losses. Therefore, the Company determined a zero credit loss assumption, and did not calculate or record an allowance for credit loss for these securities. An allowance for credit losses on investment securities held-to-maturity has been recorded for certain municipal securities issued by state and political subdivisions and corporate debt securities to account for expected lifetime credit loss using the CECL methodology.

The Company's current policies generally limit securities investments to U.S. government and securities of government sponsored enterprises, federal funds sold, municipal bonds, corporate debt obligations, subordinated debt of banks and certain mutual funds. In addition, the Company's policies permit investments in mortgage-backed securities, including securities issued and guaranteed by Fannie Mae, Freddie Mac, and GNMA, and collateralized mortgage obligations issued by these entities. As of September 30, 2024, all mortgage-backed securities including collateralized mortgage obligations were securities of government sponsored enterprises, no private-label mortgage-backed securities or collateralized mortgage obligations were held in the securities portfolio. The Company's investments in state and political subdivisions securities generally are municipal obligations that are general obligations supported by the general taxing authority of the issuer, and in some cases are insured. The obligations issued by school districts are supported by state aid. Primarily, these investments are issued by municipalities within New York State.

The Company's current securities investment strategy utilizes a risk management approach of diversified investing among three categories: short-, intermediate- and long-term. The emphasis of this approach is to increase overall investment securities yields while managing interest rate risk. The Company will only invest in high quality securities as determined by management's analysis at the time of purchase. The Company generally does not engage in any balance sheet derivative or hedging investment transactions, such as balance sheet interest rate swaps or caps.

The following table summarizes the activity in the allowance for credit losses on securities held-to-maturity:

(In thousands)	For the three months ended September 30,	
	2024	2023
Balance beginning of period	\$ 483	\$ -
Adoption of ASU 2016-13 (CECL) on July 1, 2023	-	503
Benefit for credit losses	(17)	(5)
Balance end of period	\$ 466	\$ 498

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 September 30, 2024.

	Less than 12 months			More than 12 months			Total		
	Fair value	Unrealized losses	Number of securities	Fair value	Unrealized losses	Number of securities	Fair value	Unrealized losses	Number of securities
<i>(In thousands, except number of securities)</i>									
<i>Securities available-for-sale:</i>									
U.S. Treasury securities	\$ 24,679	\$ 187	1	\$ 16,892	\$ 1,077	7	\$ 41,571	\$ 1,264	8
U.S. government sponsored enterprises	-	-	-	11,496	1,543	5	11,496	1,543	5
State and political subdivisions	-	-	-	63	-	1	63	-	1
Mortgage-backed securities-residential	-	-	-	22,911	2,913	22	22,911	2,913	22
Mortgage-backed securities-multi-family	-	-	-	74,975	14,193	30	74,975	14,193	30
Corporate debt securities	-	-	-	16,685	769	15	16,685	769	15
Total securities available-for-sale	24,679	187	1	143,022	20,495	80	167,701	20,682	81
<i>Securities held-to-maturity:</i>									
U.S. Treasury securities	-	-	-	22,657	1,146	6	22,657	1,146	6
State and political subdivisions	880	2	12	254,810	29,375	1,680	255,690	29,377	1,692
Mortgage-backed securities-residential	6,784	10	2	29,561	2,186	27	36,345	2,196	29
Mortgage-backed securities-multi-family	-	-	-	130,173	12,694	42	130,173	12,694	42
Corporate debt securities	491	10	1	20,474	2,344	51	20,965	2,354	52
Total securities held-to-maturity	8,155	22	15	457,675	47,745	1,806	465,830	47,767	1,821
Total securities	\$ 32,834	\$ 209	16	\$ 600,697	\$ 68,240	1,886	\$ 633,531	\$ 68,449	1,902

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, 2024.

	Less than 12 months			More than 12 months			Total		
	Fair value	Unrealized losses	Number of securities	Fair value	Unrealized losses	Number of securities	Fair value	Unrealized losses	Number of securities
<i>(In thousands, except number of securities)</i>									
<i>Securities available-for-sale:</i>									
U.S. Treasury securities	\$ 24,574	\$ 215	1	\$ 16,621	\$ 1,614	8	\$ 41,195	\$ 1,829	9
U.S. government sponsored enterprises	-	-	-	10,974	2,068	5	10,974	2,068	5
State and political subdivisions	-	-	-	62	1	1	62	1	1
Mortgage-backed securities-residential	1,913	8	2	22,700	3,886	23	24,613	3,894	25
Mortgage-backed securities-multi-family	-	-	-	72,300	17,961	31	72,300	17,961	31
Corporate debt securities	-	-	-	16,360	1,335	16	16,360	1,335	16
Total securities available-for-sale	26,487	223	3	139,017	26,865	84	165,504	27,088	87
<i>Securities held-to-maturity:</i>									
U.S. Treasury securities	-	-	-	22,036	1,749	7	22,036	1,749	7
State and political subdivisions	32,215	474	294	278,521	39,761	2,025	310,736	40,235	2,319
Mortgage-backed securities-residential	-	-	-	29,510	3,314	28	29,510	3,314	28
Mortgage-backed securities-multi-family	-	-	-	125,966	17,397	47	125,966	17,397	47
Corporate debt securities	-	-	-	20,276	2,505	41	20,276	2,505	41
Total securities held-to-maturity	32,215	474	294	476,309	64,726	2,148	508,524	65,200	2,442
Total securities	\$ 58,702	\$ 697	297	\$ 615,326	\$ 91,591	2,232	\$ 674,028	\$ 92,288	2,529

There were no transfers of securities available-for-sale to held-to-maturity during the three months ended September 30, 2024 or 2023. During the three months ended September 30, 2024 and 2023, there were no sales of securities and no gains or losses were recognized.

The estimated fair values of debt securities at September 30, 2024, 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.

(In thousands)

Securities available-for-sale	Amortized cost	Fair value
Within one year	\$ 204,759	\$ 206,235
After one year through five years	39,893	38,034
After five years through ten years	10,417	8,994
After ten years	-	-
Total securities available-for-sale	255,069	253,263
Mortgage-backed securities	128,034	111,263
Total securities available-for-sale	383,103	364,526
Securities held-to-maturity		
Within one year	56,727	56,670
After one year through five years	158,641	158,500
After five years through ten years	175,918	163,847
After ten years	109,187	98,347
Total securities held-to-maturity	500,473	477,364
Mortgage-backed securities	201,912	187,510
Total securities held-to-maturity	702,385	664,874
Total securities	\$ 1,085,488	\$ 1,029,400

At September 30, 2024 and June 30, 2024, securities with an aggregate fair value of \$ 941.5 million and \$ 894.5 million, respectively, were pledged as collateral for deposits in excess of FDIC insurance limits for various municipalities placing deposits with the Commercial Bank. At September 30, 2024 and June 30, 2024, securities with an aggregate fair value of \$ 41.3 million and \$ 40.0 million, respectively, were pledged as collateral for potential borrowings at the Federal Reserve Bank discount window and the Bank Term Funding Program. The Company did not participate in any securities lending programs during the three months ended September 30, 2024 or 2023.

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. Estimated credit loss 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, the Company concluded that the par value of its investment in FHLB stock will be recovered and, therefore, no credit loss was recorded during the three months ended September 30, 2024 or 2023.

(4) Loans and Allowance for Credit Losses on Loans

Loan segments at September 30, 2024 and June 30, 2024 are summarized as follows:

(In thousands)	September 30, 2024	June 30, 2024
Residential real estate	\$ 413,810	\$ 417,589
Commercial real estate	951,928	936,640
Home equity	30,854	29,166
Consumer	4,836	4,771
Commercial	99,784	111,307
Total gross loans ⁽¹⁾⁽²⁾	1,501,212	1,499,473
Allowance for credit losses on loans	(19,781)	(19,244)
Loans receivable, net	\$ 1,481,431	\$ 1,480,229

(1) Loan balances include net deferred fees/costs of (\$ 181,000) and (\$ 42,000) at September 30, 2024 and June 30, 2024, respectively.

(2) Loan balances exclude accrued interest receivable of \$ 6.5 million and \$ 6.2 million at September 30, 2024 and June 30, 2024, respectively, which is included in accrued interest receivable in the consolidated statement of financial condition.

Non-accrual Loans

Management places loans on non-accrual status once the loans have become 90 days or more delinquent. A non-accrual loan 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 non-accrual. Loans on non-accrual status totaled \$ 3.6 million at September 30, 2024, of which there were three residential loans totaling \$ 395,000 and four commercial real estate loans totaling \$ 1.7 million that were in process of foreclosure. Included in non-accrual loans were \$ 1.4 million of loans which were less than 90 days past due at September 30, 2024, 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. Loans on non-accrual status totaled \$ 3.7 million at June 30, 2024, of which four residential real estate loans totaling \$ 686,000 and three commercial real estate loans totaling \$ 1.6 million in the process of foreclosure. Included in non-accrual loans were \$ 1.5 million of loans which were less than 90 days past due at June 30, 2024, but have a recent history of delinquency greater than 90 days past due. The activity in non-performing loans during the period included \$ 410,000 in loan repayments, \$ 57,000 in charge-offs or transfers to foreclosure, \$ 56,000 in loans returning to performing status, and \$ 441,000 of loans placed into non-performing status.

The following table sets forth information regarding delinquent and/or non-accrual loans at September 30, 2024:

(In thousands)	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total loans	Loans on non- accrual
Residential real estate	\$ -	\$ 563	\$ 1,232	\$ 1,795	\$ 412,015	\$ 413,810	\$ 2,277
Commercial real estate	-	214	947	1,161	950,767	951,928	1,233
Home equity	13	32	-	45	30,809	30,854	35
Consumer	3	31	-	34	4,802	4,836	-
Commercial loans	-	-	102	102	99,682	99,784	102
Total gross loans	\$ 16	\$ 840	\$ 2,281	\$ 3,137	\$ 1,498,075	\$ 1,501,212	\$ 3,647

The following table sets forth information regarding delinquent and/or non-accrual loans at June 30, 2024:

(In thousands)	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total loans	Loans on non- accrual
Residential real estate	\$ -	\$ 838	\$ 1,414	\$ 2,252	\$ 415,337	\$ 417,589	\$ 2,518
Commercial real estate	-	-	806	806	935,834	936,640	1,163
Home equity	14	-	47	61	29,105	29,166	47
Consumer	47	6	-	53	4,718	4,771	-
Commercial	-	-	-	-	111,307	111,307	-
Total gross loans	\$ 61	\$ 844	\$ 2,267	\$ 3,172	\$ 1,496,301	\$ 1,499,473	\$ 3,728

At September 30, 2024 and June 30, 2024, the Company had no accruing loans delinquent 90 days or more.

Allowance for Credit Losses on Loans

The allowance for credit losses for the loan portfolio is established through a provision for credit losses based on the results of life of loan quantitative models, reserves associated with collateral-dependent loans evaluated individually and adjustments for current conditions not accounted for in the quantitative models. The discounted cash flow methodology is used to calculate the CECL reserve for the residential real estate, commercial real estate, home equity and commercial loan segments. The Company uses a four-quarter reasonable and supportable forecast period based on the one year percent change in national GDP and the national unemployment rate, as economic variables. The forecast will revert to long-term economic conditions over a four-quarter reversion period on a straight-line basis. The remaining life method will be utilized to determine the CECL reserve for the consumer loan segment. A qualitative factor framework has been developed to adjust the quantitative loss rates for asset-specific risk characteristics or current conditions at the reporting date. The Company elected to use the practical expedient to evaluate loans individually, if they are collateral dependent loans that are on nonaccrual status with a balance of \$ 250,000 or greater, which is consistent with regulatory requirements. The fair value of the collateral dependent loan less selling expenses will be compared to the loan balance to determine if a CECL reserve is required.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for credit losses. Such agencies may require the Company to recognize additions to the allowance based on their judgment about information available to them at the time of their examination. The Company 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 Company more than it will receive and all possible 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 credit losses, unless equitable arrangements are made. Included within consumer loan charge-offs and recoveries are deposit accounts that have been overdrawn in excess of 60 days. 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 allowance for credit losses is increased by a provision for credit losses (which results in a charge to expense) and recoveries of loans previously charged off and is reduced by charge-offs.

The following tables set forth the activity and allocation of the allowance for credit losses on loans by segment:

Activity for the three months ended September 30, 2024						
(In thousands)	Residential real estate	Commercial real estate	Home equity	Consumer	Commercial	Total
Balance at June 30, 2024	\$ 4,237	\$ 12,218	\$ 212	\$ 500	\$ 2,077	\$ 19,244
Charge-offs	(44)	(5)	(13)	(77)	(6)	(145)
Recoveries	2	1	-	19	9	31
Provision	280	434	33	12	(108)	651
Balance at September 30, 2024	\$ 4,475	\$ 12,648	\$ 232	\$ 454	\$ 1,972	\$ 19,781

Activity for the three months ended September 30, 2023						
(In thousands)	Residential real estate	Commercial real estate	Home equity	Consumer	Commercial	Total
Balance at June 30, 2023	\$ 2,794	\$ 14,839	\$ 46	\$ 332	\$ 3,201	\$ 21,212
Adoption of ASU No. 2016-13	1,182	(2,889)	117	137	121	(1,332)
Charge-offs	-	-	-	(122)	(7)	(129)
Recoveries	-	1	-	26	9	36
Provision	317	405	25	117	(402)	462
Balance at September 30, 2023	\$ 4,293	\$ 12,356	\$ 188	\$ 490	\$ 2,922	\$ 20,249

Credit monitoring process

Management closely monitors the quality of the loan portfolio and has established a loan review process designed to help monitor any change in borrower risk during the life cycle of their loan. The Company utilizes a credit quality grading system that is used at loan inception and updated as appropriate based on an annual review process. The credit quality grade helps management make a consistent assessment of each loan relationship's credit risk and identify any portfolio trends that could impact profitability. Consistent with regulatory guidelines, the Company provides for the classification of loans, such as "Pass," "Special Mention," "Substandard," "Doubtful" and "Loss" classifications.

Commercial grading system

Loss

Loss ratings are loans that are considered uncollectible and of such little value that their continuance as active assets of the Company is not warranted. Loss rating does not necessarily mean that the loan has no recovery or salvage value, however, it is not practical or desirable to defer charging off the loan.

Doubtful

Doubtful ratings are loans that have all the weakness inherent in loans classified as 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. Doubtful ratings generally are non-performing and considered to have a high risk of default.

Substandard

Substandard ratings are loans that possess well-defined weaknesses that jeopardize the orderly liquidation of debt, and are characterized by the distinct possibility that the Company will sustain some loss, if the deficiencies are not corrected. Substandard ratings are inadequately protected by the current sound worth and paying capacity of the borrower or the collateral pledged, if any.

Special mention

Special mention ratings are loans that have potential weaknesses or emerging problems, which require close attention. These weaknesses, if left uncorrected, could lead to deterioration in the repayment prospects for the loan or the Company's collateral position in the future. Special mention loans are less risky than substandard assets as no loss of principal or interest is anticipated unless, the potential problems continue for a prolonged basis.

Pass

Pass ratings are loans that do not encompass loans graded as Loss, Doubtful, Substandard, or Special mention. Pass loans range from Pass/Watch, Acceptable, Average, Satisfactory, Good and Excellent. Pass loans demonstrate sufficient cash flow to ensure full repayment of the loan with Pass ratings being determined by the quality of the collateral and equity position, stability of operations or management, and the guarantors.

Residential and consumer grading system

Residential real estate, home equity and consumer loans are graded as either non-performing or performing.

Non-performing

Non-performing loans are loans in which the borrower has not made the scheduled payments of principal or interest, and are generally loans over 90 days past due and still accruing interest, and loans on non-accrual status.

Performing

Performing loans are those loans in which the borrower is making timely payments of both principal and interest as upon the agreed loan terms.

The following tables present the amortized cost basis of the Company's loans by class and vintage and includes gross charge-offs by loan class and vintage as of the three months ended September 30, 2024:

	At September 30, 2024									
	Term loans amortized cost basis by origination year							Revolving loans amortized cost basis	Revolving loans converted to term	
(In thousands)	2025	2024	2023	2022	2021	Prior				Total
Residential real estate										
By payment activity status:										
Performing	\$ 7,821	\$ 54,991	\$ 62,158	\$ 90,275	\$ 77,189	\$ 119,100	\$ -	\$ -	\$ -	\$ 411,534
Non-performing	-	-	-	62	-	2,214	-	-	-	2,276
Total residential real estate	7,821	54,991	62,158	90,337	77,189	121,314	-	-	-	413,810
Current period gross charge-offs	-	-	-	-	44	-	-	-	-	44
Commercial real estate										
By internally assigned grade:										
Pass	17,506	109,278	204,488	241,493	124,624	207,190	4,625	2,265		911,469
Special mention	-	-	8,318	2,446	287	4,832	-	-		15,883
Substandard	-	327	2,011	3,475	195	18,568	-	-		24,576
Total commercial real estate	17,506	109,605	214,817	247,414	125,106	230,590	4,625	2,265		951,928
Current period gross charge-offs	-	-	-	-	-	5	-	-	-	5
Home equity										
By payment activity status:										
Performing	777	5,649	2,774	321	401	1,230	19,666	-		30,818
Non-performing	-	-	-	-	-	3	33	-		36
Total home equity	777	5,649	2,774	321	401	1,233	19,699	-		30,854
Current period gross charge-offs	-	-	-	-	-	-	13	-		13
Consumer										
By payment activity status:										
Performing	829	1,884	1,087	613	244	102	77	-		4,836
Non-performing	-	-	-	-	-	-	-	-		-
Total Consumer	829	1,884	1,087	613	244	102	77	-		4,836
Current period gross charge-offs	71	6	-	-	-	-	-	-	-	77
Commercial										
By internally assigned grade:										
Pass	1,432	12,495	8,911	6,394	14,170	18,004	25,836	198		87,440
Special mention	-	-	-	5,762	-	614	1,733	-		8,109
Substandard	-	-	-	1,726	33	753	1,723	-		4,235
Total Commercial	\$ 1,432	\$ 12,495	\$ 8,911	\$ 13,882	\$ 14,203	\$ 19,371	\$ 29,292	\$ 198	\$	\$ 99,784
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ -	\$ 6

The following tables present the amortized cost basis of the Company's loans by class and vintage and includes gross charge-offs by loan class and vintage as of the twelve months ended June 30, 2024:

At June 30, 2024									
	Term loans amortized cost basis by origination year						Revolving loans amortized cost basis	Revolving loans converted to term	Total
(In thousands)	2024	2023	2022	2021	2020	Prior			
Residential real estate									
By payment activity status:									
Performing	\$ 55,070	\$ 62,643	\$ 92,995	\$ 79,815	\$ 32,588	\$ 91,936	\$ -	\$ 24	\$ 415,071
Non-performing	-	-	-	185	169	2,164	-	-	2,518
Total residential real estate	55,070	62,643	92,995	80,000	32,757	94,100	-	24	417,589
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Commercial real estate									
By internally assigned grade:									
Pass	103,537	210,652	242,917	126,135	79,431	135,928	4,716	363	903,679
Special mention	-	1,188	2,468	295	430	4,102	-	-	8,483
Substandard	329	1,680	3,493	158	4,046	14,772	-	-	24,478
Total commercial real estate	103,866	213,520	248,878	126,588	83,907	154,802	4,716	363	936,640
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Home equity									
By payment activity status:									
Performing	5,929	2,888	336	429	266	1,128	18,143	-	29,119
Non-performing	-	-	-	-	-	-	47	-	47
Total home equity	5,929	2,888	336	429	266	1,128	18,190	-	29,166
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Consumer									
By payment activity status:									
Performing	2,363	1,217	689	277	83	65	77	-	4,771
Non-performing	-	-	-	-	-	-	-	-	-
Total Consumer	2,363	1,217	689	277	83	65	77	-	4,771
Current period gross charge-offs	393	22	49	7	1	-	9	-	481
Commercial									
By internally assigned grade:									
Pass	12,761	8,919	12,845	14,587	4,934	15,280	32,001	636	101,963
Special mention	-	-	78	-	35	834	3,893	-	4,840
Substandard	-	-	1,765	34	165	265	2,275	-	4,504
Total Commercial	\$ 12,761	\$ 8,919	\$ 14,688	\$ 14,621	\$ 5,134	\$ 16,379	\$ 38,169	\$ 636	\$ 111,307
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ 989	\$ -	\$ 137	\$ 26	\$ -	\$ 1,152

No loans were classified as doubtful or loss at September 30, 2024 or June 30, 2024. Management continues to monitor classified loan relationships closely.

Allowance for Credit Losses on Unfunded Commitments

The allowance for credit losses on unfunded commitments at September 30, 2024 was \$ 1.6 million as compared to \$ 1.3 million at June 30, 2024.

Individually Evaluated Loans

As of September 30, 2024, loans evaluated individually had an amortized cost basis of \$ 1.4 million, with an allowance for credit losses on loans of \$ 793 ,000, as compared to \$ 1.4 million, with an allowance for credit losses on loans of \$ 662 ,000 at June 30, 2024. At September 30, 2024, the amortized cost basis of collateral dependent loans was \$ 631 ,000 and \$ 774 ,000 for commercial real estate and residential loans, respectively. At June 30, 2024, the amortized cost basis of collateral dependent loans was \$ 631 ,000 and \$ 774 ,000 for commercial real estate and residential loans, respectively. The allowance for credit loss for collateral dependent loans is individually assessed based on the fair value of the collateral less costs to sell at the reporting date. The collateral value associated with collateral dependent loans was \$ 612 ,000 and \$ 662 ,000 at September 30, 2024 and June 30, 2024, respectively.

Loan Modifications to Borrowers Experiencing Financial Difficulties

There were no loans during the three months ended September 30, 2024 and 2023 that were modified to borrowers experiencing financial difficulty.

The Company closely monitors the performance of loans that have been modified in accordance with ASU 2022-02. Loans modified during the twelve months ended September 30, 2024 are performing within their modified terms with no payment defaults.

The following table depicts the performance of loans that have been modified to borrowers experiencing financial difficulty that were modified in the prior twelve months at amortized cost basis:

(In thousands)	At September 30, 2024				Total
	Current	30-59 days past due	60-89 days past due	90 days or more past due	
Commercial real estate	\$ 4,077	\$ -	\$ -	\$ -	\$ 4,077
Consumer	18	-	-	-	18
Total	\$ 4,095	\$ -	\$ -	\$ -	\$ 4,095

The Company adopted ASU 2022-02 on July 1, 2023 and as of the three months ended September 30, 2023, there were no loans modified to borrowers experiencing financial difficulty.

Foreclosed real estate

Foreclosed real estate ("FRE") consists of properties acquired through mortgage loan foreclosure proceedings, deed in lieu of foreclosure or in full or partial satisfaction of loans. At September 30, 2024 and June 30, 2024, the Company had no foreclosed real estate.

(5) 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 September 30, 2024 and June 30, 2024 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 from 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 820 on "*Fair Value Measurement*" established a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value measurements are not adjusted for transaction costs. A fair value hierarchy exists within GAAP that prioritizes 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 for similar assets or liabilities in active markets, 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			
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<i>(In thousands)</i>	September 30, 2024				
Assets:					
U.S. Treasury securities	\$ 41,809	\$ -	\$ 41,809	\$ -	
U.S. government sponsored enterprises	11,496	-	11,496	-	
State and political subdivisions	181,263	-	181,263	-	
Mortgage-backed securities-residential	36,288	-	36,288	-	
Mortgage-backed securities-multi-family	74,975	-	74,975	-	
Corporate debt securities	18,695	-	18,695	-	
Securities available-for-sale	364,526	-	364,526	-	
Equity securities	339	339	-	-	
Interest rate swaps	2,892	-	2,892	-	
Total	\$ 367,757	\$ 339	\$ 367,418	\$ -	
Liabilities:					
Interest rate swaps	\$ 2,892	\$ -	\$ 2,892	\$ -	
Total	\$ 2,892	\$ -	\$ 2,892	\$ -	

		Fair Value Measurements Using			
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<i>(In thousands)</i>	June 30, 2024				
Assets:					
U.S. Treasury securities	\$ 41,195	\$ -	\$ 41,195	\$ -	
U.S. government sponsored enterprises	10,974	-	10,974	-	
State and political subdivisions	170,669	-	170,669	-	
Mortgage-backed securities-residential	36,575	-	36,575	-	
Mortgage-backed securities-multi-family	72,300	-	72,300	-	
Corporate debt securities	18,288	-	18,288	-	
Securities available-for-sale	350,001	-	350,001	-	
Equity securities	328	328	-	-	
Interest rate swaps	585	-	585	-	
Total	\$ 350,914	\$ 328	\$ 350,586	\$ -	
Liabilities:					
Interest rate swaps	\$ 585	\$ -	\$ 585	\$ -	
Total	\$ 585	\$ -	\$ 585	\$ -	

Certain investments that are actively traded and have quoted market prices have been classified as Level 1 valuations. Other investment securities available-for-sale 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 820 on "*Fair Value Measurement*" requires disclosures for assets and liabilities measured at fair value on a nonrecurring basis, such as loans evaluated individually for expected credit losses in the period in which a re-measurement at fair value is performed. The Company uses the fair value of underlying collateral, less costs to sell, to estimate the allowance for credit losses for individually evaluated loans. Management may modify the appraised values, for qualitative factors such as economic conditions and estimated liquidation expenses ranging from 10 % to 40 %. Such modifications to the appraised values could result in lower valuations of such collateral. Based on the valuation techniques used, the fair value measurements for loans evaluated individually are classified as Level 3.

Fair values for foreclosed real estate are initially recorded at the estimated fair value of the property less estimated costs to dispose at the time of acquisition to establish a new carrying value. Values are derived from appraisals, similar to loans evaluated individually for expected credit loss, of underlying collateral. Any write-downs from the carrying value of the loan to estimated fair value, which are required at the time of foreclosure, are charged to the allowance for credit losses. Subsequent adjustments to the carrying value of such properties resulting from declines in fair value result in the establishment of a valuation allowance and are charged to operations in the period in which the declines occur. In the determination of fair value subsequent to foreclosure, management may modify the appraised values, for qualitative factors such as economic conditions and estimated liquidation expenses ranging from 10 % to 60 %. Such modifications to the appraised values could result in lower valuations of such collateral. Based on the valuation techniques used, the fair value measurements for foreclosed real estate are classified as Level 3.

(In thousands)	Fair value hierarchy	September 30, 2024		June 30, 2024	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Loans evaluated individually	3	\$ 1,405	\$ 612	\$ 1,405	\$ 662

No other financial assets or liabilities were re-measured during the three month period on a nonrecurring basis.

The carrying amounts reported in the statements of financial condition for total cash and cash equivalents, long-term certificates of deposit, 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. The fair values for loans are measured using the "exit price" notion, which is a reasonable estimate of what another party might pay in an orderly transaction. Fair values for variable rate loans that reprice frequently, with no significant credit risk, are based on carrying value. Fair values 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 long-term 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 long-term borrowings are estimated using discounted cash flows and interest rates currently being offered on similar borrowings. The carrying value of short-term Federal Home Loan Bank borrowings approximates its fair value. Fair value for subordinated notes payable is estimated based on a discounted cash flow methodology or observations of recent highly similar transactions. Fair value for interest rate swaps include any accrued interest and are valued using the present value of cash flows discounted using observable forward rate assumptions. The Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy.

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

	September 30, 2024		Fair value measurements using		
	Carrying amount	Fair value	(Level 1)	(Level 2)	(Level 3)
<i>(In thousands)</i>					
Cash and cash equivalents	\$ 213,469	\$ 213,469	\$ 213,469	\$ -	\$ -
Long-term certificates of deposit	2,579	2,561	-	2,561	-
Securities available-for-sale	364,526	364,526	-	364,526	-
Securities held-to-maturity	701,919	664,874	-	664,874	-
Equity securities	339	339	339	-	-
Federal Home Loan Bank stock	4,795	4,795	-	4,795	-
Net loans receivable	1,481,431	1,402,271	-	-	1,402,271
Accrued interest receivable	14,909	14,909	-	14,909	-
Interest rate swaps asset	2,892	2,892	-	2,892	-
Deposits	2,485,874	2,485,707	-	2,485,707	-
Borrowings	92,781	92,764	-	92,764	-
Subordinated notes payable, net	49,727	47,093	-	47,093	-
Accrued interest payable	1,432	1,432	-	1,432	-
Interest rate swaps liability	2,892	2,892	-	2,892	-
	June 30, 2024		Fair value measurements using		
	Carrying amount	Fair value	(Level 1)	(Level 2)	(Level 3)
<i>(In thousands)</i>					
Cash and cash equivalents	\$ 190,395	\$ 190,395	\$ 190,395	\$ -	\$ -
Long-term certificate of deposit	2,831	2,760	-	2,760	-
Securities available-for-sale	350,001	350,001	-	350,001	-
Securities held-to-maturity	690,354	630,241	-	630,241	-
Equity securities	328	328	328	-	-
Federal Home Loan Bank stock	7,296	7,296	-	7,296	-
Net loans receivable	1,480,229	1,387,325	-	-	1,387,325
Accrued interest receivable	14,269	14,269	-	14,269	-
Interest rate swap asset	585	585	-	585	-
Deposits	2,389,222	2,388,305	-	2,388,305	-
Borrowings	149,456	149,438	-	149,438	-
Subordinated notes payable, net	49,681	46,114	-	46,114	-
Accrued interest payable	1,551	1,551	-	1,551	-
Interest rate swap liability	585	585	-	585	-

(6) Derivative Instruments

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, primarily by managing the amount, sources and duration of its assets and liabilities. The Company has interest rate derivatives that result from a service provided to certain qualifying customers and, therefore, are not used to manage interest rate risk in the Company's assets or liabilities. The Company manages a matched book with respect to its derivative instruments in order to minimize its net risk exposure resulting from such transactions.

Derivatives Not Designated as Hedging Instruments

The Company enters into interest rate swap agreements with its commercial customers to provide them with a long-term fixed rate, while simultaneously entering into offsetting interest rate swap agreements with a counterparty to swap the fixed rate to a variable rate to manage interest rate exposure. These interest rate swap agreements are not designated as hedges for accounting purposes. As the interest rate swap agreements have substantially equivalent and offsetting terms, they do not present any material exposure to the Company's consolidated statements of income. The Company records its interest rate swap agreements at fair value and are presented within other assets and other liabilities on the consolidated statements of financial condition. Changes in the fair value of assets and liabilities arising from these derivatives are included, net, in other operating income in the consolidated statements of income. Under terms of the agreements with the third-party counterparties, the Company provides cash collateral to the counterparty, when required, for the initial trade. Subsequent to the trade, the margin is exchanged in either direction, based upon the estimated fair value of the underlying contracts. Cash collateral represents the amount that is exchanged under master netting agreements that allows the Company to offset the derivative position with the related collateral. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

The following table present the notional amount and fair values of interest rate derivative positions:

At September 30, 2024						
(In thousands)	Asset derivatives			Liability derivatives		
	Statement of financial condition location	Notional amount	Fair value	Statement of financial condition location	Notional amount	Fair value
	Other Assets	\$		Other Liabilities	\$	
Interest rate derivatives		78,216	\$ 2,892		78,216	\$ 2,892
Less cash collateral			-	Other Liabilities		(3,290)
Total after netting			\$ 2,892			\$ (398)

At June 30, 2024						
(In thousands)	Asset derivatives			Liability derivatives		
	Statement of financial condition location	Notional amount	Fair value	Statement of financial condition location	Notional amount	Fair value
	Other Assets	\$		Other Liabilities	\$	
Interest rate derivatives		50,707	\$ 585		50,707	\$ 585
Less cash collateral			-	Other Liabilities		(410)
Total after netting			\$ 585			\$ 175

Risk Participation Agreements

Risk participation agreements ("RPAs") are guarantees issued by the Company to other parties for a fee, whereby the Company agrees to participate in the credit risk of a derivative customer of the other party. Under the terms of these agreements, the "participating bank" receives a fee from the "lead bank" in exchange for the guarantee of reimbursement if the customer defaults on an interest rate swap. The interest rate swap is transacted such that any and all exchanges of interest payments (favorable and unfavorable) are made between the lead bank and the customer. In the event that an early termination of the swap occurs and the customer is unable to make a required close out payment, the participating bank assumes that obligation and is required to make this payment.

RPAs in which the Company acts as the lead bank are referred to as "participations-out," in reference to the credit risk associated with the customer derivatives being transferred out of the Company. Participations-out generally occur concurrently with the sale of new customer derivatives. At September 30, 2024, the Company's exposure to participations-out was \$ 429,000 , with a notional amount of \$ 10.9 million as compared to \$ 105,000 , with a notional amount of \$ 8.0 million at June 30, 2024.

RPA's where the Company acts as the participating bank are referred to as "participations-in," in reference to the credit risk associated with the counterparty's derivatives being assumed by the Company. The Company's maximum credit exposure is based on its proportionate share of the settlement amount of the referenced interest rate swap. Settlement amounts are generally calculated based on the fair value of the swap plus outstanding accrued interest receivables from the customer. The credit exposure associated with risk participations-in was \$ 1.3 million and \$ 276,000 as of September 30, 2024 and June 30, 2024, respectively. The RPA's participations-ins are spread out over five financial institution counterparties and terms range between 3 to 15 years. At September 30, 2024 and June 30, 2024, the Company held RPA's with a notional amount of \$ 116.8 million and \$ 112.3 million, respectively.

(7) Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares that would have been outstanding under the treasury stock method if all potentially dilutive common shares (such as stock options) issued became vested during the period. Unallocated common shares held by the ESOP are not included in the weighted-average number of common shares outstanding for either the basic or diluted EPS calculations. There were no dilutive or anti-dilutive securities or contracts outstanding during the three months ended September 30, 2024 and 2023.

	For the three months ended September 30,			
	2024		2023	
Net Income	\$	6,261,000	\$	6,469,000
Weighted average shares – basic		17,026,828		17,026,828
Weighted average shares - diluted		17,026,828		17,026,828
Earnings per share - basic	\$	0.37	\$	0.38
Earnings per share - diluted	\$	0.37	\$	0.38

(8) Dividends

On July 17, 2024, the Company announced that its Board of Directors has approved a quarterly cash dividend of \$ 0.09 per share on the Company's common stock. The dividend reflects an annual cash dividend rate of \$ 0.36 per share, which represents a 12.5 % increase from the previous annual cash dividend rate of \$ 0.32 per share. The dividend was payable to stockholders of record as of August 15, 2024, and was paid on August 30, 2024. Greene County Bancorp, MHC did not waive its right to receive this dividend.

(9) Employee Benefit Plans

Defined Benefit Plan

The components of net periodic pension cost related to the defined benefit pension plan were as follows:

(In thousands)	2024	2023
Interest cost	\$ 53	\$ 52
Expected return on plan assets	(57)	(55)
Amortization of net loss	8	19
Net periodic pension expense	\$ 4	\$ 16

The interest cost, expected return on plan assets and amortization of net loss components are included in other noninterest expense on the consolidated statements of income. On an annual basis, upon the completion of the third-party actuarial valuation related to the defined benefit pension plan, the Company records adjustments to accumulated other comprehensive income. The Company does not anticipate that it will make any additional contributions to the defined benefit pension plan during fiscal 2025.

SERP

The Board of Directors of The Bank of Greene County adopted The Bank of Greene County Supplemental Executive Retirement Plan (the "SERP"), effective as of July 1, 2010. The SERP benefits certain key senior executives of the Bank who have been selected by the Board to participate. The SERP is intended to provide a benefit from the Bank upon vested retirement, death or disability or voluntary or involuntary termination of service (other than "for cause"). The SERP is more fully described in Note 9, *Employee Benefits Plans* of the consolidated financial statements presented in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

The net periodic pension costs related to the SERP for the three months ended September 30, 2024 were \$ 514 ,000, included within salaries and benefits expense on the consolidated statements of income. The total liability for the SERP was \$ 15.9 million at September 30, 2024 and \$ 15.2 million at June 30, 2024, and is included in accrued expenses and other liabilities. The total liability for the SERP includes both accumulated net periodic pension costs and participant contributions.

(10) Stock-Based CompensationPhantom Stock Option Plan and Long-term Incentive Plan

The Greene County Bancorp, Inc. 2011 Phantom Stock Option and Long-term Incentive Plan (the "Plan") was adopted effective 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. A phantom stock option represents the right to receive a cash payment on the date the award vests. The Plan is more fully described in Note 10, *Stock-Based Compensation* of the consolidated financial statements presented in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

A summary of the Company's phantom stock option activity and related information for the Plan for the three months ended September 30, 2024 and 2023 were as follows:

	2024	2023
Number of options outstanding, at beginning of year	2,253,535	2,535,840
Options granted	651,595	672,095
Options paid in cash upon vesting	(248,500)	-
Number of options outstanding, at period end	<u>2,656,630</u>	<u>3,207,935</u>
<i>(In thousands)</i>		
Cash paid out on options vested	\$ 937	\$ -
Compensation expense recognized	\$ 611	\$ 632

The total liability for the Plan was \$ 5.2 million and \$ 5.5 million at September 30, 2024 and June 30, 2024, respectively, and is included in accrued expenses and other liabilities on the consolidated statements of financial condition.

(11) Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are presented as follows:

Activity for the three months ended September 30, 2024 and 2023

<i>(In thousands)</i>	Unrealized losses on securities available-for-sale	Pension benefits	Total
Balance – June 30, 2024	\$ (19,182)	\$ (528)	\$ (19,710)
Other comprehensive income before reclassification	5,570	-	5,570
Other comprehensive income for the three months ended September 30, 2024	5,570	-	5,570
Balance – September 30, 2024	\$ (13,612)	\$ (528)	\$ (14,140)
Balance – June 30, 2023	\$ (20,531)	\$ (877)	\$ (21,408)
Other comprehensive loss before reclassification	(3,712)	-	(3,712)
Other comprehensive loss for the three months ended September 30, 2023	(3,712)	-	(3,712)
Balance – September 30, 2023	\$ (24,243)	\$ (877)	\$ (25,120)

(12) Operating leases

The Company leases certain branch properties under long-term, operating lease agreements. The Company's operating lease agreements contain non-lease components, which are accounted for separately. The Company's lease agreements do not contain any residual value guarantee.

The following includes quantitative data related to the Company's operating leases as September 30, 2024 and June 30, 2024, and for the three months ended September 30, 2024 and 2023:

<i>(In thousands)</i>	September 30, 2024	June 30, 2024
Operating lease amounts:		
Right-of-use assets	\$ 2,080	\$ 2,071
Lease liabilities	\$ 2,165	\$ 2,159
	For the three months ended September 30,	
	2024	2023
<i>(In thousands)</i>		
Other information:		
Operating outgoing cash flows from operating leases	\$ 125	\$ 113
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 117	\$ 19
Lease costs:		
Operating lease cost	\$ 113	\$ 102
Variable lease cost	\$ 11	\$ 11

The following is a schedule by year of the undiscounted cash flows of the operating lease liabilities, as of September 30, 2024:

(In thousands, except weighted-average information)

Within the twelve months ended September 30,

2025	\$	504
2026		514
2027		441
2028		379
2029		231
Thereafter		284
Total undiscounted cash flow		2,353
Less net present value adjustment		(188)
Lease liability	\$	2,165
Weighted-average remaining lease term (years)		5.08
Weighted-average discount rate		3.14%

Right-of-use assets are included in prepaid expenses and other assets , and lease liabilities are included in accrued expenses and other liabilities within the Company's consolidated statements of financial condition.

(13) Commitments and Contingent Liabilities

Credit-Related Financial Instruments

In the normal course of business, the Company offers financial instruments with off-balance sheet risk to meet the financing needs of its customers. These transactions include commitments to extend credit, standby letters of credit, and lines of credit, which involve, to varying degrees, elements of credit risk.

The table summarizes the outstanding amounts of credit-related financial instruments with off-balance sheet risk:

(In thousands)	September 30, 2024	June 30, 2024
Unfunded loan commitments	\$ 108,162	\$ 107,966
Unused lines of credit	114,734	99,176
Standby letters of credit	754	754
Total credit-related financial instruments with off-balance sheet risk	\$ 223,650	\$ 207,896

The Company enters into contractual commitments to extend credit to its customers in the form of loan commitments and lines of credit, generally with fixed expiration dates and other termination clauses, and may require payment of a fee. Substantially all of the Company's commitments to extend credit are contingent upon its customers maintaining specific credit standards at the time of loan funding, and are often secured by real estate collateral. Since the majority of the Company's commitments typically expire without being funded, the total contractual amount does not necessarily represent the Company's future payment requirements.

The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral, if any, required upon an extension of credit is based on management's evaluation of customer credit. Commitments to extend mortgage credit are primarily collateralized by first liens on real estate. Collateral on extensions of commercial lines of credit vary but may include accounts receivable, inventory, property, plant and equipment, and income producing commercial property.

Allowance for Credit Losses on Unfunded Commitments

The Company estimates expected credit losses over the contractual period in which the Company has exposure to a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on unfunded commitments exposure is recognized in other liabilities and is adjusted as an expense in other noninterest expense. At September 30, 2024, the allowance for credit losses on unfunded commitments totaled \$ 1.6 million as compared to \$ 1.3 million at June 30, 2024.

(14) Variable Interest Entities**Solar Tax Credit Investments**

The Company makes non-marketable equity investments in entities that sponsor solar development projects that qualify for the Solar Tax Credit Program. The purpose of these investments is to assist the Company in meeting its responsibilities under the Community Reinvestment Act ("CRA"), and to provide a return, primarily through the realization of tax benefits. The Company does not have controlling interest and is not the primary beneficiary for the solar tax credit investments, therefore the entity is not consolidated. The Company has determined that it is not the primary beneficiary due to its inability to direct activities that most significantly impact economic performance. The Company applies the proportional amortization method to subsequently measure its investment in solar tax credit projects.

The following table summarizes the Company's solar tax credit investments and related unfunded commitments:

<i>(In thousands)</i>	September 30, 2024
Gross investment in solar tax credit investments	\$ 132
Accumulated amortization	-
Net investment in solar tax credit investments	<u>\$ 132</u>
Unfunded commitments for solar tax credit investments	\$ 2,868

The aggregate carrying value of the Company's solar tax credit investments is included in accrued interest receivable and other assets within the Company's consolidated statements of financial condition, and represents the Company's maximum exposure to loss.

(15) Subsequent events

On October 16, 2024, the Board of Directors announced a cash dividend for the quarter ended September 30, 2024 of \$ 0.09 per share on the Company's common stock. The dividend reflects an annual cash dividend rate of \$ 0.36 per share, which was the same rate as the dividend declared during the previous quarter. The dividend will be payable to stockholders of record as of November 15, 2024, and is expected to be paid on November 29, 2024. Greene County Bancorp, MHC does not intend to waive its receipt of this dividend.

Management has reviewed events from the date of the unaudited consolidated financial statements, and accompanying notes thereto, through the date of issuance, and determined that no subsequent events occurred requiring adjustment to or disclosure in these unaudited consolidated financial statements.

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

Overview of the Company's Activities and Risks

The Company's results of operations depend primarily on its net interest income, which is the difference between the income earned on the Company's loan and securities portfolios and its cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by the Company's provision for credit losses, noninterest income and noninterest expense. Noninterest income consists primarily of fees and service charges. The Company'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 the Company.

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.

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. 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 most significant market risk affecting the Company. It 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 refinancing, 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.

Liquidity risk is the risk the Company may not be able to satisfy current or future financial commitments or may become unduly reliant on alternate funding sources. The Company's objective is to fund balance sheet growth while meeting the cash flow requirements of depositors. Management is responsible for liquidity monitoring and has available different sources of liquidity as requirements and demands change. These demands include loan growth and repayments, security purchases and maturities, deposit inflows and outflows, and payments on borrowings. Management continually monitors trends to identify patterns that might improve the predictability and timing of the Company's liquidity position.

Operational risk is the risk to current or anticipated earnings or capital arising from inadequate or failed internal processes or systems, the misconduct or errors of people, and adverse external events. Operational losses result from internal fraud; external fraud; employment practices and workplace safety, clients, products, and business practices; damage to physical assets; business disruption and system failures; and execution, delivery, and process management.

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," "may," "will," "intend," "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) changes in general economic conditions,
- (c) credit risk,
- (d) continued period of high inflation could adversely impact customers,
- (e) cybersecurity risks,
- (f) changes in general business and economic trends,
- (g) legislative and regulatory changes,

- (h) monetary and fiscal policies of the U.S. Treasury and the Federal Reserve,
- (i) changes in the quality or composition of Greene County Bancorp, Inc.'s loan and investment portfolios,
- (j) deposit flows,
- (k) competition, and
- (l) 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.

Non-GAAP Financial Measures

Regulation G, a rule adopted by the Securities and Exchange Commission (SEC), applies to certain SEC filings, including earnings releases, made by registered companies that contain "non-GAAP financial measures." GAAP is generally accepted accounting principles in the United States of America. Under Regulation G, companies making public disclosures containing non-GAAP financial measures must also disclose, along with each non-GAAP financial measure, certain additional information, including a reconciliation of the non-GAAP financial measure to the closest comparable GAAP financial measure (if a comparable GAAP measure exists) and a statement of the Company's reasons for utilizing the non-GAAP financial measure as part of its financial disclosures. The SEC has exempted from the definition of "non-GAAP financial measures" certain commonly used financial measures that are not based on GAAP. When these exempted measures are included in public disclosures, supplemental information is not required. Financial institutions like the Company and its subsidiary banks are subject to an array of bank regulatory capital measures that are financial in nature but are not based on GAAP and are not easily reconcilable to the closest comparable GAAP financial measures, even in those cases where a comparable measure exists. The Company follows industry practice in disclosing its financial condition under these various regulatory capital measures, including period-end regulatory capital ratios for itself and its subsidiary banks, in its periodic reports filed with the SEC, and it does so without compliance with Regulation G, on the widely-shared assumption that the SEC regards such non-GAAP measures to be exempt from Regulation G. The Company uses in this Report additional non-GAAP financial measures that are commonly utilized by financial institutions and have not been specifically exempted by the SEC from Regulation G. The Company provides, as supplemental information, such non-GAAP measures included in this Report as described immediately below.

Tax-Equivalent Net Interest Income and Net Interest Margin: Net interest income, as a component of the tabular presentation by financial institutions of Selected Financial Information regarding their recently completed operations, as well as disclosures based on that tabular presentation, is commonly presented on a tax-equivalent basis. That is, to the extent that some component of the institution's net interest income, which is presented on a before-tax basis, is exempt from taxation (e.g., is received by the institution as a result of its holdings of state or municipal obligations), an amount equal to the tax benefit derived from that component is added to the actual before-tax net interest income total. This adjustment is considered helpful in comparing one financial institution's net interest income to that of another institution or in analyzing any institution's net interest income trend line over time, to correct any analytical distortion that might otherwise arise from the fact that financial institutions vary widely in the proportions of their portfolios that are invested in tax-exempt securities, and that even a single institution may significantly alter over time the proportion of its own portfolio that is invested in tax-exempt obligations. Moreover, net interest income is itself a component of a second financial measure commonly used by financial institutions, net interest margin, which is the ratio of net interest income to average interest-earning assets. For purposes of this measure as well, tax-equivalent net interest income is generally used by financial institutions, again to provide a better basis of comparison from institution to institution and to better demonstrate a single institution's performance over time. While we present net interest income and net interest margin utilizing GAAP measures (no tax-equivalent adjustments) as a component of the tabular presentation within our disclosures, we do provide as supplemental information net interest income and net interest margin on a tax-equivalent basis.

Critical Accounting Policies

Critical accounting estimates as those estimates made in accordance with GAAP that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on the financial condition or results of operations. The more significant of these policies are summarized in Note 1, *Summary of significant accounting policies* to the consolidated financial statements presented in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024. Refer to Note 2, *Recent Accounting Pronouncements* in this Quarterly Report on Form 10-Q for recently adopted accounting standards. Not all significant accounting policies require management to make difficult, subjective or complex judgments. The allowance for credit losses on loans and unfunded commitments policies noted below are deemed the Company's critical accounting estimate.

The allowance for credit losses consists of the allowance for credit losses for loans and unfunded commitments. The measurement of Current Expensed Credit Losses ("CECL") on financial instruments requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures). The estimate of expected credit losses under the CECL approach is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. The Company then considers whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the period from which historical experience was used. Finally, the Company considers forecasts about future economic conditions that are reasonable and supportable. The allowance for credit losses for loans, as reported in our consolidated statements of financial condition, are adjusted by a provision (expense) for credit losses, which is recognized in earnings, and reduced by the charge-off of loans, net of recoveries. The allowance for credit losses on unfunded commitments represents the expected credit losses on off-balance sheet commitments such as unfunded commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments unconditionally cancellable by the Company. The allowance for credit losses on unfunded commitments is determined by estimating future draws and applying the expected loss rates on those draws, and is included in accrued expenses and other liabilities on the Company's consolidated statements of financial condition.

Management of the Company considers the accounting policy relating to the allowance for credit losses to be a critical accounting estimate given the uncertainty in evaluating the level of the allowance required to cover management's estimate of all expected credit losses over the expected contractual life of our loan portfolios. Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the then-existing loan portfolios, in light of the factors then prevailing, may result in significant changes in the allowance for credit losses in those future periods. While management's current evaluation of the allowance for credit losses indicates that the allowance is appropriate, the allowance may need to be increased under adversely different conditions or assumptions. The allowance for credit losses is significantly influenced by the composition, characteristics and quality of our loan portfolios, as well as the prevailing economic conditions and forecasts utilized. Material changes to these and other relevant factors may result in volatility to the allowance for credit losses, and therefore, volatility to our reported earnings. This critical accounting policy and its application are periodically reviewed with the Audit Committee and the Board of Directors.

The Company's policies on the CECL method for allowance for credit losses are disclosed in Note 1, *Summary of significant accounting policies* with the audited consolidated financial statements and notes presented in the Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

Comparison of Financial Condition at September 30, 2024 and June 30, 2024

ASSETS

Total assets of the Company were \$2.9 billion at September 30, 2024 and \$2.8 billion at June 30, 2024, an increase of \$48.8 million, or 1.7%. Securities available-for-sale and held-to-maturity increased \$26.1 million, or 2.5%, to \$1.1 billion at September 30, 2024 as compared to \$1.0 billion at June 30, 2024. Net loans receivable remained at \$1.5 billion at September 30, 2024 and June 30, 2024.

CASH AND CASH EQUIVALENTS

Total cash and cash equivalents for the Company were \$213.5 million at September 30, 2024 and \$190.4 million at June 30, 2024, an increase of \$23.0 million, or 12.1%. 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. The Company held excess cash balances for both quarter ends in response to the recent industry turmoil and has continued to maintain strong capital and liquidity positions as of September 30, 2024.

SECURITIES

Securities available-for-sale and held-to-maturity increased \$26.1 million, or 2.5%, to \$1.1 billion at September 30, 2024 as compared to \$1.0 billion at June 30, 2024. Securities purchases totaled \$115.2 million during the three months ended September 30, 2024, and consisted primarily of \$77.4 million of state and political subdivision securities, \$24.7 million of U.S. Treasury securities, \$9.2 million of collateralized mortgage obligations and \$3.9 million of mortgage-backed securities. Principal pay-downs and maturities during the three months ended September 30, 2024 amounted to \$97.0 million, primarily consisting of \$66.5 million of state and political subdivision securities, \$25.0 million of U.S. Treasury securities, \$4.5 million of mortgage-backed securities, and \$683,000 of collateralized mortgage obligations. At September 30, 2024, 59.3% of our securities portfolio consisted of state and political subdivision securities to take advantage of tax savings and to promote the Company's participation in the communities in which it operates. Mortgage-backed securities, which represent 29.3% of our securities portfolio at September 30, 2024, do not contain sub-prime loans and are not exposed to the credit risk associated with such lending.

The following table summarizes the securities portfolio by classification as a percentage of the portfolio. The values are reported at the balance sheet carrying value, as of September 30, 2024 and June 30, 2024. Refer to financial statements Note 3, *Securities* for the complete fair value of securities.

	September 30, 2024		June 30, 2024	
	Balance	Percentage of portfolio	Balance	Percentage of portfolio
<i>(Dollars in thousands)</i>				
<i>Securities available-for-sale:</i>				
U.S. Treasury securities	\$ 41,809	3.9%	\$ 41,195	4.0 %
U.S. government sponsored enterprises	11,496	1.1	10,974	1.0
State and political subdivisions	181,263	17.0	170,669	16.4
Mortgage-backed securities-residential	36,288	3.4	36,575	3.5
Mortgage-backed securities-multifamily	74,975	7.0	72,300	6.9
Corporate debt securities	18,695	1.8	18,288	1.8
Total securities available-for-sale	364,526	34.2	350,001	33.6
<i>Securities held-to-maturity:</i>				
U.S. Treasury securities	23,803	2.2	23,785	2.3
State and political subdivisions	451,280	42.3	450,299	43.3
Mortgage-backed securities-residential	59,045	5.5	48,033	4.6
Mortgage-backed securities-multifamily	142,867	13.4	143,363	13.8
Corporate debt securities	24,895	2.4	24,844	2.4
Other securities	29	0.0	30	0.0
Total securities held-to-maturity	701,919	65.8	690,354	66.4
Total securities (at carrying value)	\$ 1,066,445	100.0%	\$ 1,040,355	100.0 %

There was no ACL recorded on securities available-for-sale as of either period presented as each of the securities in the portfolio are investment grade, current as to principal and interest and their price changes are consistent with interest and credit spreads when adjusting for convexity, rating, and industry differences.

Securities held-to-maturity are evaluated for credit losses on a quarterly basis under the CECL methodology. At September 30, 2024, the ACL on securities held-to-maturity was \$466,000 as compared to \$483,000 at June 30, 2024.

LOANS

Net loans receivable increased \$1.2 million, or 0.1%, to \$1.5 billion at September 30, 2024 and June 30, 2024. The loan growth experienced during the three months ended September 30, 2024, consisted primarily of \$15.3 million in commercial real estate loans and \$1.7 million in home equity loans, partially offset by a decrease of \$11.5 million in commercial loans, \$3.8 million in residential real estate loans, and a \$537,000 increase in the allowance for credit losses on loans. The Company continues to experience loan growth as a result of the continued growth in its customer base and its relationships with other financial institutions in originating loan participations. The Company continues to use a conservative underwriting policy in regards to all loan originations, and does not engage in sub-prime lending or other exotic loan products. 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.

	September 30, 2024		June 30, 2024	
	Balance	Percentage of portfolio	Balance	Percentage of portfolio
<i>(Dollars in thousands)</i>				
Residential real estate	\$ 413,810	27.6%	\$ 417,589	27.8%
Commercial real estate	951,928	63.4	936,640	62.5
Home equity	30,854	2.1	29,166	2.0
Consumer	4,836	0.3	4,771	0.3
Commercial loans	99,784	6.6	111,307	7.4
Total gross loans ⁽¹⁾⁽²⁾	1,501,212	100.0%	1,499,473	100.0%
Allowance for credit losses on loans	(19,781)		(19,244)	
Total net loans	<u>\$ 1,481,431</u>		<u>\$ 1,480,229</u>	

(1) Loan balances include net deferred fees/cost of (\$181,000) and (\$42,000) at September 30, 2024 and at June 30, 2024, respectively.

(2) Loan balances exclude accrued interest receivable of \$6.5 million and \$6.2 million at September 30, 2024 and at June 30, 2024, respectively, which is included in accrued interest receivable in the consolidated statement of financial condition.

The following table presents commercial real estate loans by concentrations:

	At September 30, 2024	
	Balance	Percentage of total
<i>(Dollars in thousands)</i>		
Owner occupied:		
Warehouse	\$ 31,481	3.3%
Mixed use real estate	30,243	3.2
Office building	19,023	2.0
Retail	18,167	1.9
Firehouse	13,700	1.4
Other	53,372	5.6
Total owner occupied	<u>165,986</u>	<u>17.4</u>
Non-owner occupied:		
Multi-family	248,235	26.1
Mixed use real estate	104,278	11.0
Retail plaza	86,744	9.1
Construction	85,657	9.0
Motel/hotel	61,697	6.5
Office building	56,202	5.9
Warehouse	55,931	5.9
Other	87,198	9.1
Total non-owner occupied	<u>785,942</u>	<u>82.6</u>
Total commercial real estate	<u>\$ 951,928</u>	<u>100.0%</u>

Commercial real estate loans are the largest segment of the Company's loan portfolio and are comprised of 82.6% in non-owner occupied loans and 17.4% in owner occupied loans. These loans are generally secured by commercial, residential investment or industrial property types. The Company's commercial real estate loan portfolio generally consists of standalone loans supported by both sufficient cash flows and collateral. On a portfolio basis, the Company's non-owner occupied commercial real estate loans have a weighted average LTV of approximately 53.6%, and the Company's owner occupied commercial real estate loans have a weighted average LTV of approximately 49.9%, as of September 30, 2024. The Company's commercial real estate loans are primarily made within our market area in Greene, Columbia, Albany, Ulster and Rensselaer Counties of New York State. The Company actively monitors the economic and credit trends for borrower industries and manages our commercial real estate portfolio concentrations to mitigate its credit risk exposure.

As of September 30, 2024, the Company's largest commercial real estate concentration was non-owner occupied multi-family loans at \$248.2 million, or 26.1% of total commercial real estate loans. Non-owner occupied multi-family loans provide much needed housing for the residents located in our market area and have historically performed well with strong credit metrics. As of September 30, 2024, the weighted average LTV was approximately 55.3% for the non-owner occupied multi-family loan segment.

As of September 30, 2024, non-owner occupied construction loans were \$85.7 million, or 9.0% of total commercial real estate loans. Construction loans are typically 12 to 24 months in duration with active monitoring, which may include pre-engineering review and third party site inspections for more complex projects. High volatility commercial real estate loan exposure totaled \$1.1 million, or 1.0% of the Company's construction exposure. Construction loans are primarily comprised of approximately 33.5% mixed use real estate, 23.1% multi-family buildings, 18.6% pre-construction and land loans, and 11.3% retail plaza.

The Company's outstanding balance of non-owner occupied commercial real estate office loans were \$56.2 million, or 5.9% of total commercial real estate loans as of September 30, 2024. The office loans are primarily low-rise, non-metropolitan buildings, located within our geographic footprint. As of September 30, 2024, the weighted average LTV was approximately 62.9% for the non-owner occupied office loan segment.

ALLOWANCE FOR CREDIT LOSSES ON LOANS

The allowance for credit losses on loans (the "ACL") is established through a provision made periodically by charges or benefits to the provision for credit losses. This is necessary to maintain the ACL at a level which management believes is reasonably reflective of the overall loss expected over the contractual life of the loan portfolio. Management has an established ACL policy to govern the use of judgments exercised in evaluating the ACL required to estimate the expected credit losses over the expected contractual life of the loan portfolios and the material effect that such judgments can have on the consolidated financial statements. While management uses available information to recognize losses on loans, additions or reductions to the allowance may fluctuate from one reporting period to another. These fluctuations are reflective of changes in the reasonable and supportable forecast, analysis of loans evaluated individually, and/or changes in management's assessment of factors.

The ACL is based on the results of life of loan quantitative models, reserves associated with collateral-dependent loans evaluated individually and adjustments for current conditions not accounted for in the quantitative models. The discounted cash flow methodology is used to calculate the CECL reserve for the residential real estate, commercial real estate, home equity and commercial loan segments. The remaining life method is utilized to determine the CECL reserve for the consumer loan segment. The Company elected to use the practical expedient to evaluate loans individually, if they are collateral dependent loans that are on non-accrual status with a balance of \$250,000 or greater, which is consistent with regulatory requirements. The fair value of collateral for collateral dependent loans less selling expenses will be compared to the loan balance to determine if a CECL reserve is required. A qualitative factor framework has been developed to adjust the quantitative loss rates for asset-specific risk characteristics or current conditions at the reporting date.

The Company charges loans off against the ACL when it becomes evident that a loan cannot be collected within a reasonable amount of time or that it will cost the Company more than it will receive, and all possible 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 ACL, unless equitable arrangements are made. Included within consumer installment loan charge-offs and recoveries are deposit accounts that have been overdrawn in excess of 60 days. 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 ACL is increased by a provision for credit losses (which results in a charge to expense) and recoveries of loans previously charged off, and is reduced by charge-offs.

Additional information about the ACL is included in Note 4, "*Loans and Allowance for Credit Losses on Loans*," of the Company's 2024 Annual Report on Form 10-K for the fiscal year ended June 30, 2024. Management considers the ACL to be appropriate based on evaluation and analysis of the loan portfolio.

The ACL totaled \$19.8 million at September 30, 2024, compared to \$19.2 million at June 30, 2024. The ACL to total loans receivable was 1.32% at September 30, 2024 compared to 1.28% at June 30, 2024. The increase in the ACL from September 30, 2024 to June 30, 2024 was attributable to unfavorable changes in the economic forecasts used in the Company's CECL modeling, primarily due to an increase in the Federal Reserve FOMC's median forecasted year over year U.S. civilian unemployment rate and a decrease in the annual change in the U.S. GDP.

The allowance for credit losses on unfunded commitments as of September 30, 2024 was \$1.6 million as compared to \$1.3 million at June 30, 2024, an increase of \$310,000. The increase in the reserve was primarily due to an increase in the contractual obligations to extend credit.

Non-accrual Loans and Non-performing Assets

Non-performing assets consist of non-accrual loans, loans over 90 days past due and still accruing, other real estate owned that has been acquired in partial or full satisfaction of the loan obligation or upon foreclosure, and non-performing securities.

Generally, management places loans on non-accrual status once the loans have become 90 days or more delinquent. A non-accrual loan 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 non-performing and may be placed on non-accrual when circumstances indicate that the borrower may be unable to meet the contractual principal or interest payments. The threshold for evaluating classified and non-performing loans specifically evaluated for individual credit loss is \$250,000. Foreclosed real estate represents property acquired through foreclosure and is valued lower of the carrying amount or fair value, less any estimated disposal costs. The Company monitors loan modifications made to borrowers experiencing financial difficulty. As of September 30, 2024 and June 30, 2024 there were three loans being monitored in the prior twelve months under ASU-2022-02 with a total amortized basis of \$4.1 million.

Analysis of Non-accrual Loans and Non-performing Assets

(Dollars in thousands)

	September 30, 2024	June 30, 2024
Non-accrual loans:		
Residential real estate	\$ 2,277	\$ 2,518
Commercial real estate	1,233	1,163
Home equity	35	47
Commercial	102	-
Total non-accrual loans	\$ 3,647	\$ 3,728
Total non-performing assets	\$ 3,647	\$ 3,728
Non-accrual loans to total loans	0.25 %	0.25%
Non-performing loans to total loans	0.25 %	0.25%
Non-performing assets to total assets	0.13 %	0.13%
Allowance for credit losses on loans to non-performing loans	542.39 %	516.20%
Allowance for credit losses on loans to non-accrual loans	542.39 %	516.20%

At September 30, 2024 and June 30, 2024, there were no loans greater than 90 days and accruing.

Non-performing assets amounted to \$3.6 million at September 30, 2024 and \$3.7 million at June 30, 2024. Loans on non-accrual status totaled \$3.6 million at September 30, 2024, of which there were three residential loans totaling \$395,000 and four commercial real estate loans totaling \$1.7 million that were in process of foreclosure. Included in non-accrual loans were \$1.4 million of loans which were less than 90 days past due at September 30, 2024, 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. Loans on non-accrual status totaled \$3.7 million at June 30, 2024, of which there were four residential real estate loans totaling \$686,000 and three commercial real estate loans totaling \$1.6 million in the process of foreclosure. Included in non-accrual loans were \$1.5 million of loans which were less than 90 days past due at June 30, 2024, 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.

DEPOSITS

Deposit flow is influenced by general economic conditions, changes in prevailing interest rates and competition. The diversity of deposit accounts offered allows the Company to be competitive in obtaining funds and responding to changes in consumer demand. The Company's emphasis is placed on acquiring locally, stable, low-cost deposits to fund high-quality loans without taking on unnecessary interest rate risk. The ability to attract and maintain deposits and the rates paid on these deposits are and will continue to be affected by market conditions.

Deposits totaled \$2.5 billion at September 30, 2024 and \$2.4 billion at June 30, 2024, an increase of \$96.7 million, or 4.1%. The Company had zero brokered deposits at September 30, 2024 and June 30, 2024, respectively. NOW deposits increased \$87.9 million, or 5.0%, certificates of deposits increased \$17.9 million, or 12.9%, and noninterest-bearing deposits increased \$7.4 million, or 5.9%, when comparing September 30, 2024 and June 30, 2024. Savings deposits decreased \$7.9 million, or 3.2%, and money market deposits decreased \$8.6 million, or 7.6%, when comparing September 30, 2024 and June 30, 2024.

Major classifications of deposits at September 30, 2024 and June 30, 2024 are summarized as follows:

<i>(In thousands)</i>	September 30, 2024	Percentage of portfolio	June 30, 2024	Percentage of portfolio
Noninterest-bearing deposits	\$ 132,897	5.4%	\$ 125,442	5.3%
Certificates of deposit	156,344	6.3	138,493	5.8
Savings deposits	244,415	9.8	252,362	10.6
Money market deposits	104,698	4.2	113,266	4.7
NOW deposits	1,847,520	74.3	1,759,659	73.6
Total deposits	<u>\$ 2,485,874</u>	<u>100.0%</u>	<u>\$ 2,389,222</u>	<u>100.0%</u>

The following table summarizes deposits by depositor type:

<i>(Dollars in thousands)</i>	September 30, 2024	Percentage of portfolio	June 30, 2024	Percentage of portfolio
Business deposits	\$ 470,876	18.9%	\$ 462,716	19.4%
Retail deposits	871,695	35.1	882,170	36.9
Municipal deposits	1,143,303	46.0	1,044,336	43.7
Total deposits	<u>\$ 2,485,874</u>	<u>100.0%</u>	<u>\$ 2,389,222</u>	<u>100.0%</u>

The Company's deposit base and liquidity position continues to be strong, and the deposit base is well diversified across segments to meet the transactional and investment needs of our customers. Municipal deposits are primarily from local New York State government entities, such as counties, cities, villages and towns, as well as school districts and fire departments. There is a seasonal component to municipal deposits levels associated with annual tax collections and fiscal spending patterns. In general, municipal balances increase at the end of the first and third quarters of our fiscal year. Municipal deposits above the FDIC insured limit are required to be collateralized by irrevocable municipal letters of credits issued by the Federal Home Loan Bank, municipal bonds, US Treasuries or government agency securities. Additionally, the Company offers large retail, business and municipal customers the ability to enhance FDIC insurance coverage, by electing to participate their deposit balance into a national deposit network.

The Company has many long-standing relationships with municipal entities throughout its market areas and their deposits have provided a stable funding source for the Company. The Company has a separate municipal department for the retention, management, and monitoring of municipal relationships.

Uninsured deposits represents the portion of deposit accounts that exceed the FDIC insurance limit. The Company calculates its uninsured deposit balances based on the methodologies and assumptions used for regulatory reporting requirements, which includes affiliate deposits and collateralized deposits.

The following table summarizes total uninsured deposits based on the same methodologies and assumptions used for the Bank's regulatory reporting:

<i>(Dollars in thousands)</i>	At September 30, 2024
Uninsured deposits, per regulatory requirements	\$ 1,358,200
Less: Affiliate deposits	(41,460)
Collateralized deposits	<u>(1,012,739)</u>
Uninsured deposits, after exclusions	<u>\$ 304,001</u>
Immediately available liquidity ⁽¹⁾	\$ 399,984
Uninsured deposits coverage	<u>131.6%</u>
(1) Reflects \$213.5 million of cash and cash equivalents, \$164.6 million and \$21.9 million of remaining borrowing capacity from the Federal Home Loan Bank and the Federal Reserve Bank, as of September 30, 2024.	

Uninsured deposits after exclusions, represents 12.2% of total deposits as of September 30, 2024. The Company believes that this presentation provides a more accurate view of deposits at risk, given that affiliate deposits are not customer facing and therefore are eliminated upon consolidation, and collateralized deposits are fully secured by investments and municipal letters of credit. The Company continually monitors the level and composition of uninsured deposits.

BORROWINGS

At September 30, 2024, the Bank had pledged approximately \$604.8 million of its residential and commercial mortgage portfolio as collateral for borrowing and irrevocable municipal letters of credit at the Federal Home Loan Bank of New York ("FHLB"). The maximum amount of funding available from the FHLB was \$362.4 million at September 30, 2024, of which there were \$4.8 million long-term fixed rate borrowings, \$130.0 million irrevocable municipal letters of credit and \$63.0 million in overnight borrowings outstanding at September 30, 2024. At June 30, 2024, the Bank had \$115.3 million in overnight borrowings, and \$9.2 million of long-term borrowings with the FHLB. Interest rates on overnight borrowings are determined at the time of borrowing. The irrevocable municipal letters of credit with the FHLB have been issued to secure municipal transactional deposit accounts, on behalf of Greene County Commercial Bank.

The FHLB term borrowings include long-term fixed rate borrowings from the "FHLB 0% Development Advance (ZDA) Program." The Company receives a corresponding credit related to the FHLB term fixed rate borrowings, which effectively reduces the interest rate paid to zero percent. At September 30, 2024, the Bank had a FHLB long-term fixed rate borrowing of \$4.8 million at a stated rate of 5.2%, maturing March 2025.

The Bank also pledges securities and certificates of deposit as collateral at the Federal Reserve Bank discount window for overnight borrowings and the "Bank Term Funding Program" ("BTFP"). The BTFP was established by the Federal Reserve Bank to provide additional funding to eligible depository institutions to meet the needs of their depositors. At September 30, 2024, approximately \$41.3 million of collateral was available to be pledged against potential borrowings at the Federal Reserve Bank discount window and the BTFP, of which there were zero overnight borrowings outstanding with the discount window and \$25.0 million outstanding with the BTFP. At September 30, 2024, the BTFP consisted of a \$25.0 million long-term borrowing at a stated rate of 4.8%, maturing in January 2025.

At June 30, 2024, there were zero overnight borrowings outstanding with the discount window and \$25.0 million outstanding with the BTFP.

The Bank has established unsecured lines of credit with Atlantic Community Bankers Bank for \$15.0 million and three other financial institutions for \$75.0 million. The lines of credit provide for overnight borrowing and the interest rate is determined at the time of the borrowing. There were no borrowings outstanding with these lines of credit for the Bank at September 30, 2024 and June 30, 2024.

On September 17, 2020, the Company entered into Subordinated Note Purchase Agreements ("SNPA") with 14 qualified institutional investors, issued at 4.75% Fixed-to-Floating Rate due September 17, 2030, in the aggregate principal amount of \$20.0 million, carried net of issuance costs of \$424,000 amortized over a period of 60 months. These notes are callable on September 15, 2025. At September 30, 2024, there were \$19.9 million of these Subordinated Note Purchases Agreements outstanding, net of issuance costs.

On September 15, 2021, the Company entered into Subordinated Note Purchase Agreements with 18 qualified institutional investors, issued at 3.00% Fixed-to-Floating Rate due September 15, 2031, in the aggregate principal amount of \$30.0 million, carried net of issuance costs of \$499,000 amortized over a period of 60 months. These notes are callable on September 15, 2026. At September 30, 2024, there were \$29.8 million of these Subordinated Note Purchases Agreements outstanding, net of issuance costs.

The sales of the SNPAs were made in a private placement to accredited investors under the exemption from registration provided under Securities and Exchange Commission Rule 506. The Notes are not registered under the Securities Act of 1933, as amended ("Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

For regulatory purposes, the Company allocated the SNPAs to The Bank of Greene County to qualify as Tier 1 capital subject to a 25% of capital limitation under risk-based capital guidelines. The portion that exceeds the 25% of capital limitation qualifies as Tier 2 capital.

At September 30, 2024, there were zero other long-term borrowings and therefore, no scheduled maturities of long-term borrowings.

EQUITY

Shareholders' equity increased to \$216.3 million at September 30, 2024 compared to \$206.0 million at June 30, 2024, resulting primarily from net income of \$6.3 million and a decrease in accumulated other comprehensive loss of \$5.6 million, partially offset by dividends declared and paid of \$1.5 million.

The Federal Reserve raised its target benchmark interest rate in 2022 and into the third quarter of calendar year 2023, resulting in subsequent prime lending rate increases of 525 basis points, and a significant increase in market rates between March 2022 and December 2023. If market interest rates rise, the fair value of the fixed income bond portfolio will decrease, resulting in additional unrealized losses, and depending on the extent of the rise in interest rates, the increase in unrealized losses could be significant. The non-credit portion of unrealized losses are recorded to Accumulated Other Comprehensive Income, a component of Shareholders' Equity. A significant increase in market rates may have a negative impact on book value per share. The Company's bond portfolio is expected to mature at par and therefore the unrealized losses in the portfolio that result from higher market interest rates will decrease as the bonds become closer to maturity. However, if the Company were required to sell investment securities with an unrealized loss for any reason, including liquidity needs, the unrealized loss would become realized and reduce both net income for the reported period and regulatory capital, which as currently reported, excludes unrealized losses on investment securities.

As of the quarter ended September 30, 2024, market rates decreased as compared to June 30, 2024 due to the Federal Reserve cutting its target benchmark by 50 basis points at the September 2024 meeting. This resulted in the fair value of the fixed income bond portfolio to increase, and improve the unrealized loss position as of September 30, 2024.

On September 17, 2019, the Board of Directors of the Company adopted a stock repurchase program. Under the repurchase program, the Company may repurchase up to 400,000 shares of its common stock. Repurchases will be made at management's discretion at prices management considers to be attractive and in the best interests of both the Company and its stockholders, subject to the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital, and the Company's financial performance. For the three months ended September 30, 2024, the Company did not repurchase any shares.

Selected Equity Data:

	September 30, 2024	June 30, 2024
Shareholders' equity to total assets, at end of period	7.52%	7.29%
Book value per share ⁽¹⁾	\$ 12.70	\$ 12.10
Closing market price of common stock	\$ 30.90	\$ 33.71
	For the three months ended September 30,	
	2024	2023
Average shareholders' equity to average assets	7.87%	7.00%
Dividend payout ratio ⁽²⁾	24.32%	21.05%
Actual dividends paid to net income ⁽³⁾	24.48%	21.05%

(1) Shareholders' equity divided by outstanding shares.

(2) The dividend payout ratio has been calculated based on the dividends declared per share divided by basic earnings per share. No adjustments have been made for dividends waived by Greene County Bancorp, MHC ("MHC"), the owner of 54.1% of the Company's shares outstanding.

(3) Dividends declared divided by net income. The MHC waived its right to receive dividends declared during the three months September 30, 2022, December 31, 2022, March 31, 2023, June 30, 2023, December 31, 2023, March 31, 2024 and June 30, 2024. Dividends declared during the three months ended September 30, 2023 and September 30, 2024 were paid to the MHC. The MHC's ability to waive the receipt of dividends is dependent upon annual approval of its members as well as receiving the non-objection of the Federal Reserve Board.

Comparison of Operating Results for the Three Months Ended September 30, 2024 and 2023

Average Balance Sheet

The following table sets forth certain information relating to the Company for the three months ended September 30, 2024 and 2023. 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 in both dollars and rates. There were no tax equivalent adjustments 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.

	Three months ended September 30,					
	2024			2023		
	Average outstanding balance	Interest earned / paid	Average yield / rate	Average outstanding balance	Interest earned / paid	Average yield / rate
<i>(Dollars in thousands)</i>						
Interest-earning Assets:						
Loans receivable, net ⁽¹⁾	\$ 1,490,079	\$ 19,243	5.17%	\$ 1,429,657	\$ 17,205	4.81%
Securities non-taxable	609,339	4,468	2.93	638,478	4,290	2.69
Securities taxable	442,843	3,313	2.99	400,024	2,224	2.22
Interest-bearing bank balances and federal funds	45,273	689	6.09	64,719	916	5.66
FHLB stock	2,046	56	10.95	2,040	37	7.25
Total interest-earning assets	2,589,580	27,769	4.29%	2,534,918	24,672	3.89%
Cash and due from banks	12,323			12,317		
Allowance for credit losses on loans	(19,147)			(20,001)		
Allowance for credit losses on securities held-to-maturity	(482)			(492)		
Other noninterest-earning assets	100,407			97,787		
Total assets	<u>\$ 2,682,681</u>			<u>\$ 2,624,529</u>		
Interest-Bearing Liabilities:						
Savings and money market deposits	\$ 360,346	\$ 431	0.48%	\$ 399,629	\$ 286	0.29%
NOW deposits	1,723,313	11,742	2.73	1,675,568	9,174	2.19
Certificates of deposit	148,746	1,633	4.39	117,750	1,147	3.90
Borrowings	83,659	827	3.95	58,997	626	4.24
Total interest-bearing liabilities	2,316,064	14,633	2.53%	2,251,944	11,233	2.00%
Noninterest-bearing deposits	125,294			158,278		
Other noninterest-bearing liabilities	30,187			30,653		
Shareholders' equity	211,136			183,654		
Total liabilities and equity	<u>\$ 2,682,681</u>			<u>\$ 2,624,529</u>		
Net interest income		<u>\$ 13,136</u>			<u>\$ 13,439</u>	
Net interest rate spread			1.76%			1.89%
Net earnings assets	\$ 273,516			\$ 282,974		
Net interest margin			2.03%			2.12%
Average interest-earning assets to average interest-bearing liabilities	111.81 %			112.57 %		

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

Taxable-equivalent net interest income and net interest margin

	For the three months ended September 30,	
	2024	2023
<i>(Dollars in thousands)</i>		
Net interest income (GAAP)	\$ 13,136	\$ 13,439
Tax-equivalent adjustment ⁽¹⁾	1,713	1,563
Net interest income fully taxable-equivalent basis (non-GAAP)	<u>\$ 14,849</u>	<u>\$ 15,002</u>
Average interest-earning assets (GAAP)	\$ 2,589,580	\$ 2,534,918
Net interest margin fully taxable-equivalent basis (non-GAAP)	2.29%	2.37%

⁽¹⁾Interest income calculated on a taxable-equivalent basis (non-GAAP) includes the additional amount of interest income that would have been earned if the Company's investment in tax-exempt securities and loans had been subject to federal and New York State income taxes yielding the same after-tax income. The rate used for this adjustment was 21% for federal income taxes and 4.44% for New York State income taxes for the periods ended September 30, 2024 and 2023, respectively.

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 the Company'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.

	Three months ended September 30, 2024 versus 2023		
	Increase/(decrease) Due to		Total increase/ (decrease)
	Volume	Rate	
<i>(In thousands)</i>			
Interest-earning assets:			
Loans receivable, net ⁽¹⁾	\$ 736	\$ 1,302	\$ 2,038
Securities non-taxable	(199)	377	178
Securities taxable	257	832	1,089
Interest-bearing bank balances and federal funds	(292)	65	(227)
FHLB stock	-	19	19
Total interest-earning assets	<u>502</u>	<u>2,595</u>	<u>3,097</u>
Interest-bearing liabilities:			
Savings and money market deposits	(31)	176	145
NOW deposits	266	2,302	2,568
Certificates of deposit	329	157	486
Borrowings	246	(45)	201
Total interest-bearing liabilities	<u>810</u>	<u>2,590</u>	<u>3,400</u>
Net change in net interest income	<u>\$ (308)</u>	<u>\$ 5</u>	<u>\$ (303)</u>

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

GENERAL

Return on average assets and return on average equity are common methods of measuring operating results. Annualized return on average assets decreased to 0.93% for the three months ended September 30, 2024 as compared to 0.99% for the three months ended September 30, 2023. Annualized return on average equity decreased to 11.86% for the three months ended September 30, 2024 as compared to 14.09% for the three months ended September 30, 2023. The decrease in return on average assets and return on average equity for the three months ended September 30, 2024 was primarily the result of the balance sheet growing at a faster rate than net income growth. Net income amounted to \$6.3 million for the three months ended September 30, 2024 as compared to \$6.5 million at September 30, 2023, a decrease of \$208,000. Average assets increased \$58.2 million, or 2.2%, to \$2.7 billion for the three months ended September 30, 2024 as compared to \$2.6 billion for the three months ended September 30, 2023. Average equity increased \$27.5 million, or 15.0%, to \$211.1 million for the three months ended September 30, 2024 as compared to \$183.7 million for the three months ended September 30, 2023.

INTEREST INCOME

Interest income amounted to \$27.8 million for the three months ended September 30, 2024 as compared to \$24.7 million for the three months ended September 30, 2023, an increase of \$3.1 million, or 12.6%. The increase in yields earned on loans and securities had the greatest impact on the increases in interest income when comparing the 2024 and 2023 periods. The average balances of loans also increased during the comparative periods contributing to higher interest income.

Average loan balances increased \$60.4 million and the yield on loans increased 36 basis points when comparing the three months ended September 30, 2024 and 2023. The average balance of securities increased \$13.7 million and the yield on such securities increased 45 basis points when comparing the three months ended September 30, 2024 and 2023. Average interest-bearing bank balances and federal funds decreased \$19.4 million and the yield increased 43 basis points when comparing the three months ended September 30, 2024 and 2023.

INTEREST EXPENSE

Interest expense amounted to \$14.6 million for the three months ended September 30, 2024 as compared to \$11.2 million for the three months ended September 30, 2023, an increase of \$3.4 million, or 30.3%. The increase resulted from an increase of \$64.1 million in the average balances of interest-bearing liabilities and increase in the average cost of funds. Increase in the cost of NOW deposits, certificates of deposits and insured cash sweep ("ICS") deposits had the greatest impact on interest expense reflecting higher market interest rates when comparing the three months ended September 30, 2024 and 2023.

The cost of NOW deposits increased 54 basis points, the cost of certificates of deposit increased 49 basis points, and the cost of savings and money market deposits increased 19 basis points when comparing the three months ended September 30, 2024 and 2023.

The average balance of NOW deposits increased \$47.7 million and the average balance of certificates of deposits increased \$31.0 million, partially offset by a decrease in average savings and money market deposits of \$39.3 million when comparing the three months ended September 30, 2024 and 2023. Average borrowings increased \$24.7 million when comparing the three months ended September 30, 2024 and 2023. Yields on interest-earning assets and costs of interest-bearing deposits increased for the three months ended September 30, 2024, as the Company repriced assets and deposits due to the higher interest rate environment. The Company determines interest rates offered on deposit accounts based on current and future economic conditions, competition, liquidity needs, the asset-liability position of the Company and growing the retention of relationships.

NET INTEREST INCOME

Net interest income decreased \$303,000 to \$13.1 million for the three months ended September 30, 2024 from \$13.4 million for the three months ended September 30, 2023. The decrease in net interest income was due to an increase in the average balance of interest-bearing liabilities, which increased \$64.1 million when comparing the three months ended September 30, 2024 and 2023, and increases in rates paid on interest-bearing liabilities, which increased 53 basis points when comparing the three months ended September 30, 2024 and 2023. The decrease in net interest income was partially offset by the increase in the average balance of interest-earning assets, which increased \$54.7 million when comparing the three months ended September 30, 2024 and 2023, and increases in interest rates on interest-earning assets, which increased 40 basis points when comparing the three months ended September 30, 2024 and 2023.

Net interest rate spread and margin both decreased when comparing the three months ended September 30, 2024 and 2023. Net interest rate spread decreased 13 basis points to 1.76% for the three months ended September 30, 2024 as compared to 1.89% for the three months ended September 30, 2023. Net interest margin decreased 9 basis points to 2.03%, for the three months ended September 30, 2024 as compared to 2.12% for the three months ended September 30, 2023. The decrease was due to the higher interest rate environment, which caused competitive pressure to increase rates paid on deposits, resulting in higher interest expense. This was partially offset by increases in interest income on securities and loans, as they reprice at higher yields and the interest rates earned on new balances were higher than the low levels from the prior periods.

Net interest income on a taxable-equivalent basis includes the additional amount of interest income that would have been earned if the Company's investment in tax-exempt securities and loans had been subject to federal and New York State income taxes yielding the same after-tax income. Tax equivalent net interest margin was 2.29% and 2.37% for the three months ended September 30, 2024 and 2023.

The Company closely monitors its interest rate risk, and the Company will continue to monitor and prudently manage the asset and liability mix to address the risks or potential negative effects of changes in interest rates. 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 CREDIT LOSSES ON LOANS

Provision for credit losses on loans amounted to \$634,000 for the three months ended September 30, 2024 compared to \$457,000 for the three months ended September 30, 2023. The loan provision for the three months ended September 30, 2024, was primarily attributable to updated economic forecasts used in the quantitative modeling as of September 30, 2024. The allowance for credit losses on loans to total loans receivable was 1.32% at September 30, 2024 compared to 1.28% at June 30, 2024.

Loans classified as substandard and special mention totaled \$59.0 million at September 30, 2024 and \$48.6 million at June 30, 2024, an increase of \$10.4 million. The increase in loans classified was primarily due to downgrades of commercial real estate loans during the period ended September 30, 2024, that were considered to be performing and paying in accordance with the terms of their loan agreements. Of the loans classified as substandard or special mention, \$55.3 million were performing at September 30, 2024. There were no loans classified as doubtful or loss at September 30, 2024 or June 30, 2024.

Net charge-offs on loans amounted to \$114,000 and \$93,000 for the three months ended September 30, 2024 and 2023, respectively, an increase of \$21,000. There were no material charge-offs in any loan segment during the three months ended September 30, 2024. Net charge-offs to average loans was 0.03% for the three months ended September 30, 2024 and 2023, respectively. Net charge-offs to non-performing assets was 12.5% and 6.4% for the three months ended September 30, 2024 and 2023, respectively.

NONINTEREST INCOME

(Dollars in thousands)	For the three months ended September 30,		Change from prior year	
	2024	2023	Amount	Percent
Noninterest income:				
Service charges on deposit accounts	\$ 1,226	\$ 1,230	\$ (4)	(0.3)%
Debit card fees	1,101	1,133	(32)	(2.8)
Investment services	248	243	5	2.1
E-commerce fees	37	29	8	27.6
Bank-owned life insurance	648	362	286	79.0
Other operating income	477	302	175	57.9
Total noninterest income	<u>\$ 3,737</u>	<u>\$ 3,299</u>	<u>\$ 438</u>	<u>13.3%</u>

Noninterest income increased \$438,000, or 13.3%, to \$3.7 million for the three months ended September 30, 2024 compared to \$3.3 million for the three months ended September 30, 2023. The increase for the three-month period was primarily due to an increase in fee income earned on customer interest rate swap contracts, and income from bank owned life insurance ("BOLI"). During the quarter ended December 31, 2023, the Company restructured \$23 million of BOLI contracts, by surrendering and simultaneously purchasing new higher-yielding policies, which resulted in higher income derived from BOLI during the 2024 quarter.

NONINTEREST EXPENSE

(Dollars in thousands)

	For the three months ended September 30,			Change from prior year	
	2024	2023	Amount	Percent	
Noninterest expense:					
Salaries and employee benefits	\$ 5,878	\$ 5,491	\$ 387	7.0%	
Occupancy expense	636	537	99	18.4	
Equipment and furniture expense	150	138	12	8.7	
Service and data processing fees	767	591	176	29.8	
Computer software, supplies and support	355	511	(156)	(30.5)	
Advertising and promotion	77	97	(20)	(20.6)	
FDIC insurance premiums	322	312	10	3.2	
Legal and professional fees	364	383	(19)	(5.0)	
Other	1,001	785	216	27.5	
Total noninterest expense	\$ 9,550	\$ 8,845	\$ 705	8.0%	

Noninterest expense increased \$705,000, or 8.0%, to \$9.6 million for the three months ended September 30, 2024 compared to \$8.8 million for the three months ended September 30, 2023. The increase during the 2024 quarter was primarily due to an increase of \$387,000 in salaries and employee benefits, due to new positions created during the period to support the Company's continued growth, an increase of \$176,000 in service and data processing fees due to vendor price negotiations in prior periods, and an increase of \$285,000 in the reserve for credit losses on off-balance sheet unfunded commitments, due to the Company's increased contractual obligations to extend credit. This was partially offset by a decrease of \$156,000 in computer software and support fees, as compared to the three months ended September 30, 2023.

INCOME TAXES

Provision for income taxes reflects the expected tax associated with the pre-tax income generated for the given period and certain regulatory requirements. The effective tax rate was 6.4% for the three months ended September 30, 2024 and 13.0% for the three months ended September 30, 2023. The statutory tax rate is impacted by the benefits derived from tax-exempt bond and loan income, the Company's real estate investment trust subsidiary income, and income received on the bank owned life insurance, to arrive at the effective tax rate. The decrease in the current quarter's effective tax rate primarily reflects a higher mix of tax-exempt income from municipal bonds, tax advantage loans, bank owned life insurance in proportion to pre-tax income and historic preservation tax credits received on the Company's new wealth management center, located at 345 Main Street, in Catskill New York.

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. The Company's most significant form of market risk is interest rate risk since the majority of the Company's assets and liabilities are sensitive to changes in interest rates. The Company's primary sources of funds are deposits and proceeds from principal and interest payments on loans, mortgage-backed securities and debt securities, with lines of credit available through the Federal Home Loan Bank, Atlantic Community Bankers Bank and three other financial institutions, 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. At September 30, 2024, the Company had \$213.5 million in cash and cash equivalents, representing 7.4% of total assets, and had \$276.5 million available in unused lines of credit.

In response to liquidity concerns in the banking system, the Federal Reserve Board created the Bank Term Funding Program (BTFP). The program made additional funding available to eligible depository institutions to help assure the institutions can meet the needs of their depositors. Eligible institutions could obtain liquidity against a wide range of collateral. BTFP advances could be requested through March 11, 2024. As of September 30, 2024, the Company has \$25.0 million outstanding through the BTFP.

As needed, to enhance strong levels of liquidity and to fund loan demand, the Bank and Commercial Bank (the "Banks") may accept brokered deposits, generally in denominations of less than \$250,000, from national brokerage networks, custodial deposit networks or through IntraFi's one-way CDARS and ICS products, including IntraFi's Insured Network Deposits ("IND"). The Banks combined can place and obtain brokered deposits up to 30% of total deposits, in the amount of \$745.8 million based on policy. Additionally, both Banks participate in the IntraFi reciprocal ("two-way") CDARS and the ICS products, which provides for reciprocal two-way transactions among other institutions, facilitated by IntraFi, for the purpose of maximizing FDIC insurance for depositors.

The Company had zero brokered deposits as of September 30, 2024 and June 30, 2024, respectively.

At September 30, 2024, liquidity measures were as follows:

Cash equivalents/(deposits plus short term borrowings)	8.28%
(Cash equivalents plus unpledged securities)/(deposits plus short term borrowings)	9.28%
(Cash equivalents plus unpledged securities plus additional borrowing capacity)/(deposits plus short term borrowings)	20.00%

The Company's off-balance sheet credit exposures at September 30, 2024:

(In thousands)

Unfunded loan commitments	\$ 108,162
Unused lines of credit	114,734
Standby letters of credit	754
Total commitments	<u>\$ 223,650</u>

The Company anticipates that it will have sufficient funds available to meet current commitments and other funding needs 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 its wholly owned subsidiary, Greene County Commercial Bank, met all applicable regulatory capital requirements at September 30, 2024 and June 30, 2024.

(Dollars in thousands)	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions		Capital conservation buffer	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Actual	Required
<u>The Bank of Greene County</u>								
As of September 30, 2024:								
Total risk-based capital	\$ 280,437	17.4%	\$ 128,688	8.0%	\$ 160,860	10.0%	9.43%	2.50%
Tier 1 risk-based capital	260,309	16.2	96,516	6.0	128,688	8.0	10.18	2.50
Common equity tier 1 capital	260,309	16.2	72,387	4.5	104,559	6.5	11.68	2.50
Tier 1 leverage ratio	260,309	9.6	108,278	4.0	135,348	5.0	5.62	2.50
As of June 30, 2024:								
Total risk-based capital	\$ 273,460	17.1%	\$ 127,873	8.0%	\$ 159,841	10.0%	9.11%	2.50%
Tier 1 risk-based capital	253,468	15.9	95,905	6.0	127,873	8.0	9.86	2.50
Common equity tier 1 capital	253,468	15.9	71,929	4.5	103,897	6.5	11.36	2.50
Tier 1 leverage ratio	253,468	9.3	109,102	4.0	136,378	5.0	5.29	2.50
<u>Greene County Commercial Bank</u>								
As of September 30, 2024:								
Total risk-based capital	\$ 111,335	46.1%	\$ 19,305	8.0%	\$ 24,131	10.0%	38.14%	2.50%
Tier 1 risk-based capital	111,335	46.1	14,479	6.0	19,305	8.0	40.14	2.50
Common equity tier 1 capital	111,335	46.1	10,859	4.5	15,685	6.5	41.64	2.50
Tier 1 leverage ratio	111,335	9.8	45,522	4.0	56,903	5.0	5.78	2.50
As of June 30, 2024:								
Total risk-based capital	\$ 110,319	49.5%	\$ 17,830	8.0%	\$ 22,288	10.0%	41.50%	2.50%
Tier 1 risk-based capital	110,319	49.5	13,373	6.0	17,830	8.0	43.50	2.50
Common equity tier 1 capital	110,319	49.5	10,029	4.5	14,487	6.5	45.00	2.50
Tier 1 leverage ratio	110,319	9.1	48,385	4.0	60,481	5.0	5.12	2.50

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

Our management, under the supervision and with the participation of the Chief Executive Officer (who is our principal executive officer) and Chief Financial Officer (who is our principal financial and accounting officer), 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 Securities Exchange Act of 1934, as amended (the "Exchange Act"), at 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Because of its inherent limitations, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, is based upon assumptions and can provide only reasonable, not absolute, assurance that its objective will be met. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. No evaluation of control can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, with the Company have been detected.

Part II. Other Information

Item 1. Legal Proceedings

The Company, including its subsidiaries, are not currently the subject of any material pending legal proceedings, other than ordinary routine litigation occurring in the normal course of their business. On an ongoing basis, the Company is often the subject of, or a party to, various legal claims by other parties against the Company, by the Company against other parties, or involving the Company, which arise in the normal course of business.

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.
- c) On September 17, 2019, the Board of Directors of the Company adopted a stock repurchase program. Under the repurchase program, the Company is authorized to repurchase up to 400,000 shares of its common stock. Repurchases will be made at management's discretion at prices management considers to be attractive and in the best interests of both the Company and its stockholders, subject to the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital, and the Company's financial performance. There were no additional share repurchases during the quarter ended September 30, 2024.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

No director or officer of the Company adopted or terminated a Rule 10b5-1 trading arrangement or non- Rule 10b5-1 trading arrangement, as each term is defined in Item 408 of regulation S-K, during the quarter ended September 30, 2024.

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 quarter ended September 30, 2024, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Shareholders' Equity, (v) Consolidated Statements of Cash Flows and (iv) Notes to Consolidated Financial Statements, (detail tagged). |
| 104 | Cover Page Integrative Data File (formatted in iXBRL and included in exhibit 101). |

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: November 8, 2024

By: /s/ Donald E. Gibson

Donald E. Gibson
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 8, 2024

By: /s/ Nick Barzee

Nick Barzee
Senior Vice President,
Chief Financial Officer
(Principal Financial and Accounting 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: November 8, 2024

/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, Nick Barzee, 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: November 8, 2024

/s/ Nick Barzee

Nick Barzee
Senior Vice President,
Chief Financial 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 September 30, 2024 and that to the best of his knowledge:

- a. the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- b. 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: November 8, 2024

/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**

Nick Barzee, Chief Financial 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 September 30, 2024 and that to the best of her knowledge:

- a. the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- b. 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: November 8, 2024

/s/ Nick Barzee

Nick Barzee
Senior Vice President,
Chief Financial Officer
